



Alaska Air Group Almanac

NOVEMBER 2004

Alaska Airlines

Horizon Air

Our Mission

To have the best people, provide the safest and best service, for the best value, to each customer each day.

Snapshot

ALASKA AIRLINES

Founded: 1932, Anchorage, AK
Headquarters: Seattle, Washington
Chairman, President and CEO: William Ayer
Employees: 10,040
Destinations: 57
Passengers Enplaned, 2003: 14,154,000

HORIZON AIR

Founded: 1981
Headquarters: Seattle, Washington
Chairman: William Ayer
President and CEO: Jeff Pinneo
Employees: 3,839
Destinations: 45
Passengers Enplaned, 2003: 4,934,000

Media Contacts

ALASKA AIRLINES

Lou Cancelmi

Staff Vice President, Corporate Communications
206-392-5170

Sam R. Sperry

Director, Corporate Communications
206-392-5038

HORIZON AIR

Dan Russo

Director, Marketing and Communications
206-431-4513

Bill Coniff

Director, Corporate Communications
206-431-4626

Financial Contacts

ALASKA AIR GROUP

Brad Tilden

*Executive Vice President, Finance
and Chief Financial Officer*
206-392-5362

Glenn Johnson

Vice President, Finance
206-392-5015

Amber Post

Staff Vice President, Finance and Treasurer
206-392-5185

Brandon Pedersen

Staff Vice President, Finance and Controller
206-392-5763

HORIZON AIR

Rudi Schmidt

Vice President, Treasurer
206-431-4698

Additional Contact Information

ALASKA AIRLINES

| | |
|-------------------------|---------------------------|
| <i>Mailing Address:</i> | <i>Street Address:</i> |
| P.O. Box 68900 | 19300 International Blvd. |
| Seattle, WA 98168 | Seattle, WA 98188 |

Web site: www.alaskaair.com
Web newsroom: [www.alaskasworld.com/
newsroom/asnews/](http://www.alaskasworld.com/newsroom/asnews/)
Reservations: 800-426-0333

HORIZON AIR

| | |
|-------------------------|------------------------|
| <i>Mailing Address:</i> | <i>Street Address:</i> |
| P.O. Box 68977 | 19521 Pacific Hwy So. |
| Seattle, WA 98168-0977 | Seattle, WA 98188 |

Web site: www.horizonair.com
Web newsroom: <http://newsroom.horizonair.com>
Reservations: 800-547-9308

History

ALASKA AIRLINES TRACES its roots to McGee Airways, which inaugurated service between Anchorage and Bristol Bay, Alaska, in 1932 with a single-engine, three-passenger plane.

Over the years, mergers and acquisitions produced changes in the name of the airline and saw business expand throughout North America. The Alaska Airlines name was adopted in 1944.

Alaska's sister carrier, Horizon Air, was founded in September 1981 in Seattle to serve communities on routes vacated by larger airlines after the Airline Deregulation Act of 1978.

Through growth and acquisitions, Horizon Air's route system now extends throughout the western United States and Canada. In 1985, Alaska Air Group was formed as a holding company for Alaska Airlines.

A year later, the holding company acquired Horizon Air Industries (which continues to operate as a separate company) and Jet America Airlines of Long Beach, Calif., which merged into Alaska Airlines on Oct. 1, 1987.

Milestones

FROM THEIR BEGINNINGS, Alaska Airlines and Horizon Air have been leaders in the aviation industry:

2004

- "Airport of the Future" arrives with the opening of Alaska Airlines' new C Concourse in Anchorage. The new airport design pioneered by Alaska Airlines eliminates the ticket counter and utilizes the latest technology to effect a speedy customer check in.
- Horizon Air takes a significant step toward diversifying its business model when it began contract flying as Frontier Jet Express for Denver-based Frontier Airlines.

2003

- Alaska Airlines operates first passenger flight in the Lower 48 using Required Navigation Performance (RNP) technology. The cutting edge navigation system utilizes Global Positioning System (GPS) satellites and onboard computers to precisely guide aircraft during periods of low visibility.
- Alaska Airlines receives first Medallion Award from the Alaska Air Carriers Association for maintaining safety programs and standards that exceed FAA requirements.

2002

- Alaska Airlines celebrates its 70th anniversary.
- Alaska Airlines introduces the prototype of the "Airport of the Future" in Anchorage. The new airport design eliminates the ticket counter and utilizes the latest technology to speed customer check in.

2001

- Alaska and Horizon are the first airlines in North America to offer wireless check in.
- As its launch customer, Alaska takes delivery of the world's first Boeing 737-900.
- Horizon Air is the North America launch customer for the Bombardier CRJ-700 regional jet.
- Horizon Air celebrates 20 years of service.

2000

- Horizon Air is the North America launch customer for the Bombardier Q400 turboprop.

1999

- Alaska and Horizon are the first airlines in the world to allow customers to check in and print their own boarding passes via the Internet.
- The FAA authorizes Horizon Air as the first U.S. air carrier to take off and land when certain local ground-based navigational aids are inoperable.
- Horizon Air makes the first Q200 Dash 8 approach using Global Positioning System (GPS) technology.

1996

- Alaska flies the first commercial passenger flight using Global Positioning System navigation technology.

1995

- Alaska and Horizon are the first U.S. airlines to book flights and sell tickets via the Internet.
- Horizon Air is the first turboprop operator in the world to use the "fog-busting" Head-Up Guidance System and be certified for CAT III landings.

1991

- Alaska Airlines is the first U.S. airline to offer regularly scheduled service to Russia from the West Coast. Service was discontinued in 1998.

1989

- Alaska Airlines is the first airline in the world to manually land a passenger-carrying jet (B727) in FAA Category III weather (dense fog) made possible with the Head-Up Guidance System.

1988

- Alaska inaugurates service to Mexico.

1983

- Alaska Airlines (ALK) begins to trade on the New York Stock Exchange after 40 years on the American Stock Exchange.

1981

- Horizon Air inaugurates air service with two aircraft and 36 employees, and offers flights from Seattle to Yakima and Pasco, Wash.

1967

- Alaska is the first airline to obtain FAA certification to land B727s on gravel runways.

1965

- Alaska is the first airline to fly the Lockheed Hercules for oil field development in Alaska.

1960

- Alaska begins the "commuter run" from Philadelphia to Fairbanks during construction of the Ballistic Missile Early Warning System.

1951

- Alaska is the first airline to fly over the North Pole (DC-4).

1949

- Alaska is the first airline to equip the DC-3 with skis.
- Alaska airlifts more than 40,000 Yemenite Jews to Israel in "Operation Magic Carpet."

1948

- Alaska flies the Berlin airlift (DC-4s).

1944

- After an additional name change, Star becomes Alaska Airlines.

1934

- McGee Airways merges with Star Air Service.

1932

- McGee Airways launches service with one three-passenger plane.

Recognition

THROUGH THE YEARS, Alaska Airlines and Horizon Air have been recognized for providing outstanding service to its customers (**bold** indicates top rank overall; *italic* indicates best among the 10 major U.S. airlines):

Alaska Airlines

2003

- **Air Transport World** names Alaska tech leader of the year
- **Airline Business magazine** selects Alaska its Airline Strategy Award for Technology
- **Customer Respect Group** (study of customer respect of e-commerce Web sites—airline sector)
- **Wichita State/University of Nebraska** Airline Quality Rating; *Travel + Leisure* magazine.

2002

- **Wichita State/University of Nebraska** Airline Quality Rating; *Travel + Leisure* magazine

2001

- **Travel + Leisure** magazine ("Best Domestic Airline"); *Zagat* (a survey); **Forrester PowerRankings** (survey of e-commerce Web sites)

2000

- *Condé Nast Traveler* magazine; *Travel + Leisure* magazine

1999

- **Travel + Leisure** magazine ("Best Domestic Airline"); *Condé Nast Traveler* magazine

1998

- *Condé Nast Traveler* magazine; *Travel + Leisure* magazine

1997

- *Condé Nast Traveler* magazine; *Travel + Leisure* magazine; *Zagat* (a survey); *Money* magazine (second overall)

1996

- **Travel + Leisure** magazine; **Entrepreneur** magazine (main-cabin service category); *Condé Nast Traveler* magazine

1995

- *Condé Nast Traveler* magazine; *Consumer Reports* magazine; *Zagat* (a survey)

1994

- *Condé Nast Traveler* magazine

1993

- **Condé Nast Traveler** magazine; **International Association of Air Travel Couriers**

1992

- **Condé Nast Traveler** magazine; **J.D. Power and Associates** (short-haul category); **Zagat** (a survey)

1991

- **Condé Nast Traveler** magazine; **Consumer Reports** magazine; *Business Week* magazine (recognized in special issue on quality)

1990

- **Condé Nast Traveler** magazine; **Air Transport World** magazine

1989

- **Condé Nast Traveler** magazine

1988

- **USA Today** (survey of business travelers)

Horizon Air

2004

- FAA Diamond Certificate of Excellence (maintenance)
- *Travel & Leisure Magazine*

2003

- FAA Diamond Certificate of Excellence (maintenance)
- *Condé Nast Traveler Magazine*

2002

- *Condé Nast Traveler* magazine (3 categories)
- FAA Diamond Certificate of Excellence (maintenance)

2001

- FAA Diamond Certificate of Excellence (maintenance)

2000

- *Condé Nast Traveler* magazine

1999

- *Condé Nast Traveler* magazine

1998

- *Condé Nast Traveler* magazine

1997

- *Condé Nast Traveler* magazine
- Seattle Distinguished Marketing Award

Technology

ALASKA AIRLINES AND Horizon Air are innovators in the application of new air and ground technology, which has resulted in improved safety and improved cost management and productivity.

GPS/EGPWSG/EGPWS

In 1996, Alaska Airlines became the first airline in the world to integrate the Global Positioning System (GPS) with the latest in Enhanced Ground Proximity Warning System (EGPWS) technology.

GPS employs a network of 24 orbiting satellites to triangulate a plane's position in three dimensions. EGPWS takes that information and compares it to an onboard computer database of contour maps from around the world to continuously update pilots on their location relative to any nearby land mass, specifically mountains.

Together, these two technologies allow for improved navigation that approaches pinpoint accuracy. They also have the capability to enhance safety and increase schedule reliability.

GPS/EGPWS is operational on Alaska's entire fleet of Boeing 737-400s, -700s and -900s, and Horizon's fleet of Bombardier CRJ-700s, Q400s and Q200s.

HEAD-UP GUIDANCE SYSTEM (HGS®)

In late 1989, Alaska became the first airline to use Head-Up Guidance System during a passenger-carrying flight to reduce disruptions in scheduled service caused by fog. In 1995, Horizon became the first turboprop operator to use the HGS.

The central component of the system is the head-up display that superimposes a holographic image of the approaching runway on a transparent screen positioned between the pilot and the cockpit windshield. Flight data from the instrument panel is also displayed on the screen.

THE INTERNET

In 1995, Alaska and Horizon became the first U.S. airlines to book flights and sell tickets via the Internet. In 1999, they became the first U.S. airlines to offer Web check-in, allowing customers to check in and print a boarding pass via the Internet. In 2001, they introduced wireless check-in using a Web-enabled phone or a wireless handheld device.

Alaska's home page can be found at www.alaskaair.com, while Horizon's Internet address is www.horizonair.com.

INSTANT TRAVEL™

Alaska and Horizon offer ticketless travel with Instant Travel. This electronic ticketing system provides customers the benefit and convenience of not having to obtain or keep track of a paper ticket.

Instant Travel Machines (ITM) offer an automated check-in procedure to further speed Alaska and Horizon customers through the airport. Available in more than 70 cities, ITMs allow travelers to check in electronically, receive a boarding pass and head to the plane.

Nearly 40 percent of all Alaska Airlines and Horizon Air passengers now check in electronically using an Instant Travel Machine or Web check-in.

Market Presence

ALASKA AIRLINES IS the 9th largest U.S. airline, based on 2003 passenger traffic. During that year, Alaska enplaned 15.0 million passengers. Its average passenger trip length was 967 miles.

Although Alaska is relatively small compared to the other major carriers (Alaska carries less than two percent of all U.S. passenger traffic), it is the dominant West Coast carrier.

In each of the last 40 years, the airline has carried more people between Alaska and the Lower 48 than any other airline.

| Between | 2003 Market share |
|---------------------------------|--------------------------|
| West Coast and Alaska | 89.02% |
| Seattle/Portland and California | 68.80% |
| Seattle/Portland and Nevada | 55.15% |
| Seattle/Portland and Arizona | 54.30% |

Horizon Air is the nation's eighth largest regional carrier based on 2003 passenger traffic and the dominant regional airline in the Pacific Northwest. In 2003, Horizon enplaned 4.9 million passengers. Its average trip length was 365 miles.

As of July 2004 Alaska and Horizon together serve 87 destinations:

| | Alaska | Horizon | Total |
|-----------------------|---------------|----------------|--------------|
| U.S. destinations | 48 | 38 | 75* |
| Canadian destinations | 2 | 5 | 5* |
| Mexican destinations | 7 | 0 | 7 |
| TOTAL cities | 57 | 43 | 87* |

* Alaska and Horizon jointly serve 13 U.S. destinations (Boise, Burbank, Denver, Los Angeles, Oakland, Ontario, Palm Springs, Portland, Sacramento, San Francisco, San Jose, Seattle, Spokane) and two Canadian destinations (Vancouver and Calgary).

DAILY DEPARTURES

| | Daily departures |
|-------------------------------|-------------------------|
| Alaska Airlines | 502 |
| Horizon Air | 472 |
| TOTAL daily departures | 943 |

Alaska operates from four primary departure points*:

| <i>City</i> | <i>Daily departures</i> | <i>Cities served nonstop</i> | <i>Cities served direct</i> |
|-------------|-------------------------|------------------------------|-----------------------------|
| Seattle | 133 | 33 | 26 |
| Anchorage | 47 | 16 | 6 |
| Portland | 40 | 14 | 3 |
| Los Angeles | 37 | 15 | 11 |

* Numbers from Daily Departures are based on data from the last 12 months.

Horizon operates from three primary departure points*:

| <i>City</i> | <i>Daily departures</i> | <i>Cities served nonstop</i> | <i>Cities served direct</i> |
|-------------|-------------------------|------------------------------|-----------------------------|
| Seattle | 147 | 30 | 13 |
| Portland | 89 | 21 | 5 |
| Boise | 24 | 9 | 3 |

* Numbers from Daily Departures are based on data from the last 12 months.

BUSIEST ROUTES

Alaska's busiest routes are:

| <i>Market</i> | <i>Daily flights each way</i> |
|---------------------|-------------------------------|
| Seattle-Anchorage | 20 |
| Seattle-Los Angeles | 12 |
| Anchorage-Fairbanks | 11~12 |

Horizon's busiest routes are:

| <i>Market</i> | <i>Daily flights each way</i> |
|-------------------------|-------------------------------|
| Seattle-Portland | 32 |
| Seattle-Vancouver, B.C. | 11 |
| Seattle-Spokane | 10 |

INTERNATIONAL SERVICE

Alaska flies to nine international destinations

- **Mexico:** Cancun, Mazatlan, Puerto Vallarta, Los Cabos, Ixtapa/Zihuatanejo, Manzanillo/Costa Alegre, and Guadalajara.
- **Canada:** Vancouver, B.C. and Calgary.

Horizon flies to six international destinations:

- **Canada:** Vancouver, Calgary, Edmonton, Kamloops, Kelowna, and Victoria.

CITIES CURRENTLY SERVED

Alaska Airlines cities and the year service began:

| | |
|-----------|------|
| Adak | 2003 |
| Anchorage | 1932 |
| Barrow | 1992 |
| Bethel | 1984 |

| | | |
|---------------------------|------|------|
| Boise | 2003 | ** |
| Boston | 2002 | |
| Burbank | 1981 | |
| Chicago | 2002 | |
| Cancun | 2001 | |
| Chicago | 2000 | |
| Cordova | | ** |
| Denver | 2002 | |
| Dillingham | 1992 | * |
| Fairbanks | | ** |
| Glacier Bay/Gustavus | | ** |
| Juneau | | ** |
| Ketchikan | 1973 | |
| King Salmon | 1992 | * |
| Kodiak | 1983 | * |
| Kotzebue | 1980 | |
| Las Vegas | 1985 | * |
| Long Beach | 2003 | |
| Los Angeles | 1985 | |
| Miami | 2002 | |
| Newark | 2002 | |
| Nome | 1980 | |
| Oakland | 1983 | |
| Ontario | 1981 | |
| Orange County | 1987 | |
| Orlando | 2003 | |
| Palm Springs | 1980 | |
| Petersburg | 1976 | |
| Phoenix | 1985 | |
| Portland | 1979 | |
| Prudhoe Bay | 1981 | |
| Red Dog | | **** |
| Reno | 1993 | |
| Sacramento | 1993 | |
| San Diego | 1986 | |
| San Francisco | 1979 | |
| San Jose | 1983 | |
| Seattle | | ** |
| Sitka | | ** |
| Spokane | 1983 | * |
| Tucson | 1985 | * |
| Vancouver | 1996 | |
| Washington, D.C./Dulles | 2001 | |
| Washington, D.C./National | 2001 | |
| Wrangell | 1976 | |
| Yakutat | | ** |

CANADA:

| | |
|-----------|------|
| Calgary | 2002 |
| Vancouver | 1996 |

MEXICO:

| | |
|-------------------------|------|
| Cancun | 2001 |
| Guadalajara | 2003 |
| IxtapaZihuatanejo | 1996 |
| Los Cabos | 1989 |
| Manzanillo/Costa Alegre | 1999 |
| Mazatlan | 1988 |

Puerto Vallarta 1988

* *Year of initial service. Service has been discontinued and then restored.*

** *Served since early days of Alaska Airlines or other airlines that merged with Alaska prior to 1969.*

*** *Seasonal flights*

**** *Charter flights*

Horizon Air cities and the year service began:

Bellingham 1987
 Billings 1988
 Boise 1983
 Bozeman 1990
 Burbank 2004
 Butte 1989
 Denver 2002 *
 Eugene 1982
 Eureka/Arcata 1994
 Fresno 1999
 Great Falls 1986
 Helena 1986
 Idaho Falls 1983
 Kalispell 1986
 Klamath Falls 1982
 Lewiston/Clarkston 1983
 Los Angeles 1999
 Medford 1982
 Missoula 1986
 North Bend 1982
 Oakland 2003
 Ontario 2004
 Palm Springs 2002
 Pasco 1981
 Pendleton 1982
 Pocatello 1983
 Portland 1981
 Pullman 1982
 Redding 1992
 Redmond 1982
 Sacramento 1985
 San Diego 2002
 San Francisco 1984 *
 San Jose 1995
 Santa Barbara 2003
 Seattle 1981
 Spokane 1983
 Sun Valley 1982
 Walla Walla 1985
 Wenatchee 1984
 Yakima 1981

CANADA:

Calgary 1992 *
 Edmonton 1995
 Kamloops 2003 **

Kelowna 1998

Vancouver 1989

Victoria 1989

* *Year of initial service. Service has been discontinued and then restored.*

** *Seasonal service*

Fleet

ALASKA AIRLINES

AS THE LAUNCH customer for the Boeing 737-900, the largest plane in the 737 family, Alaska took delivery of the first five in 2001. The average fleet age is 9 years. Alaska also became the first major U.S. carrier to fly a quieter, all Stage 3 fleet, after meeting the federal mandate imposed on all carriers—a full two years ahead of schedule.

| Aircraft model | Seats (first/coach) | No. of aircraft |
|-----------------------|----------------------------|------------------------|
| B737-400 | 138 (12/126) | 40 |
| MD-80 | 140 (12/128) | 26 |
| B737-200C | 26 to 111* | 8 |
| B737-700 | 120 (12/108) | 22 |
| B737-900 | 172(16/156) | 12 |
| TOTAL | | 108 |

* Coach seating only. B737-200Cs flown by Alaska are combination passenger/cargo planes and vary in seating capacity depending on the amount of cargo carried.

HORIZON

The average age of Horizon’s 64-plane fleet is 4.1 years.

| Aircraft model | Seats | No. of aircraft |
|-----------------------------------|--------------|------------------------|
| Bombardier Q200 (turboprop) | 37 | 28 |
| Bombardier Q400 (turboprop) | 70 | 18 |
| Bombardier CRJ-700 (regional jet) | 70 | 18 |
| TOTAL | | 64 |

Financial Highlights

FINANCIAL HIGHLIGHTS (in millions, except per share amounts), for 2003 as compared to the prior year:

ALASKA AIR GROUP

(including Alaska Airlines and Horizon Air)

| Full-year results | 2002 | 2003 |
|--------------------------|-------------|-------------|
| Operating revenues | \$2,224.1 | \$2,444.8 |
| Operating expenses | \$2,317.3 | \$2,462.3 |
| Operating loss | \$(93.2) | \$(17.5) |
| Net income (loss) | \$(118.6) | \$13.5 |

| Third quarter results | 2003 | 2004 |
|------------------------------|-------------|-------------|
| Operating revenues | \$702.2 | \$773.8 |
| Operating expenses | \$625.5 | \$708.6 |
| Operating income | \$76.7 | \$65.2 |
| Net income | \$40.7 | \$79.2 |

Ownership and stock

ALASKA AIR GROUP, Inc., organized as a Delaware corporation in 1985, is the holding company for Alaska Airlines and Horizon Air Industries. Its stock is traded on the New York Stock Exchange under the symbol ALK.

| | 2002 | 2003 |
|-----------------------------------|-------------|-------------|
| Basic earnings (loss) per share | \$(4.47) | \$0.51 |
| Diluted earnings (loss) per share | \$(4.47) | \$0.51 |

Average number of common shares outstanding:

| | 2002 | 2003 |
|---------|-------------|-------------|
| Basic | 26,546,000 | 26,648,000 |
| Diluted | 26,546,000 | 26,730,000 |

Traffic

TRAFFIC HIGHLIGHTS FOR 2003 as compared to the prior year:

ALASKA AIRLINES

| | 2003 | 2002 | % Change |
|-------------|--------------|--------------|-----------------|
| Passengers | 15.0 million | 14.2 million | 5.6 |
| RPMs | 14.6 billion | 13.2 billion | 10.6 |
| ASMs | 20.8 billion | 19.4 billion | 7.2 |
| Load Factor | 70.0% | 68.1% | 1.9 pts. |
| Breakeven | 72.3% | 73.1% | (0.8) pts. |

HORIZON AIR

| | 2003 | 2002 | % Change |
|-------------|-------------|-------------|-----------------|
| Passengers | 4.9 million | 4.8 million | 2.1 |
| RPMs | 1.6 billion | 1.5 billion | 7.0 |
| ASMs | 2.6 billion | 2.4 billion | 8.0 |
| Load Factor | 63.9% | 62.4% | (1.5) pts. |
| Breakeven | 63.1% | 65.0% | (1.9) pts. |

Mileage Plan

AIRLINE PARTNERS

MEMBERS OF THE Alaska Airlines Mileage Plan, Alaska's frequent flyer program, have 15 airline partners, including Alaska and Horizon, to choose from for mileage earning and free award travel, including four major U.S. airlines — more than any other U.S. frequent flyer program.

Members can earn a minimum of 500 miles with every paid flight aboard Alaska, American, British Airways, Cathay Pacific (actual miles), Continental, Delta, Horizon Air, KLM, LanChile, Northwest, Qantas and a minimum of 250 miles with Hawaiian, with more than 700 award destinations to choose from worldwide. Members can earn a 50 percent mileage bonus when they travel on a paid First Class ticket.

CAR RENTAL PARTNERS

Members can earn miles when they rent a car from Alamo, Avis, Budget, Dollar, Hertz, National or Thrifty.

CREDIT CARD PARTNER

With the Alaska Airlines Visa Gold, Platinum and Signature cards from Bank of America, members earn one mile for each dollar charged. Platinum and Signature card benefits also include Bonus Miles, Board Room passes and companion certificates. Members can also earn miles with the Alaska Airlines Visa Business card and Visa Check card.

OTHER PARTNERS

Other Mileage Plan partners include Amtrak, Diners Club, GCI in Alaska, The Flower Club, FTD.COM, Home Loan Center.com, Masterpark, Mileage Plan Cruises, Mileage Plan Dining and Hotel Rewards by iDine, Mileage Plan Shopping, Mortgage Real Estate, points.com, Safeway, ShareBuilder and True Credit.

HOTEL PARTNERS

Members earn miles when they stay at any of more than 30 participating hotel partners throughout the world.

FLIGHT AWARDS

Mileage Plan offers two options when redeeming miles for travel:

- **Saver Awards:** Domestic coach award on Alaska Airlines and/or Horizon Air starting at 20,000 miles. Subject to limited seating and not valid for travel on specified blackout dates.
- **Peak Awards:** Domestic coach award on Alaska Airlines and/or Horizon Air starting at 40,000 miles. No seating or blackout date restrictions.

With Mileage Plan airline partners, mileage can be accrued and redeemed for free travel to worldwide destinations, including the Caribbean, Europe, Hawaii, Latin America, Mexico, Micronesia, the South Pacific and Asia.

ONLINE BONUS MILES

Bonus Miles may be earned by using many alaskaair.com or horizonair.com features. Current promotions include

- 1,000 miles — Each time tickets are purchased and booked at alaskaair.com or horizonair.com.

- 1,000 miles – Checking in at an Instant Travel Machine (ITM) for the first time.
- 1,000 miles – Each time an Alaska Airlines Mileage Award ticket is redeemed through alaskaair.com
- 1,000 miles – First online flight check in at alaskaair.com or horizonair.com.
- 500 miles – for signing up for newsletter.

ELITE LEVEL PROGRAM

Special benefits are available to Alaska and Horizon's most frequent fliers—Most Valuable Passengers (MVPs and MVP Gold).

MVP and MVP Gold members receive mileage bonuses, unlimited First Class upgrades on qualifying fares, preferred seating, priority boarding, express check-in, priority standby, priority waitlist and a dedicated reservations and Mileage Plan line.

Members automatically qualify for MVP status when they:

- Fly a total of 20,000 actual flight miles on Alaska or Horizon in a calendar year;
- Fly a total of 25,000 actual flight miles on Alaska, Horizon, American, LanChile, Northwest or KLM in a calendar year; or,
- Fly a total of 30 flight segments on Alaska, Horizon, American, LanChile, Northwest or KLM in a calendar year.

MVP members automatically qualify for MVP Gold status when they:

- Fly 40,000 actual flight miles on Alaska or Horizon in a calendar year; or,
- Fly 50,000 actual flight miles on Alaska, Horizon, American, LanChile, Northwest or KLM in a calendar year; or,
- Fly 60 flight segments on Alaska, Horizon, American, LanChile, Northwest or KLM during a calendar year.

MVP and MVP Gold members will also receive 50,000 Bonus Miles when they fly 75,000 actual flight miles on Alaska, Horizon, American, LanChile, Northwest or KLM in a calendar year.

INSTANT MILES AND GIFT MILES

Through the Instant Miles program Mileage Plan members who are short miles for an award ticket can purchase up to 10,000 Mileage Plan Miles per transaction to be added to their Mileage Plan account. With the Gift Miles program Mileage Plan members can purchase up to 10,000 Mileage Plan Miles per transaction as a gift for another Mileage Plan member.

PARTNER MILES

Mileage Plan members also can accrue mileage through companies offering Mileage Plan Partner Miles.

This program allows businesses to purchase and award miles to employees and customers who are Mileage Plan members. Companies of any size may purchase Mileage Plan Miles through the Partner Miles program.

Cargo and Charter

REVENUE FROM FREIGHT and mail accounted for 4 percent of total Alaska Air Group revenues in 2003. Cargo revenues in 2003 increased 7.2 percent over 2002.

That same year, Alaska Airlines transported about 145 million pounds of freight and mail throughout its system.

Shipments to Alaska, a state with limited manufacturing and farm sectors, account for most of Alaska's cargo business. Increasingly, though, demand for fresh Alaska seafood is filling the carrier's southbound cargo holds.

The airline carries cargo on both regularly scheduled passenger flights and daily after-hour, all-cargo flights.

Alaska Airlines' prowess in the cargo-moving business has earned high marks from West Coast shippers, garnering the airline many awards including the "Quest for Quality" award from Logistics Magazine for the fourth year in a row (1999-2003).

GO PRIORITY

Alaska's GO Priority stands for "guaranteed onboard," allowing customers the ability to specify the flight or the delivery deadline for their shipments.

The service is available on domestic as well as select international flights, and uses SITA's SuperCargo system for up-to-the-minute tracking of shipments.

GOLDSTREAK

Air Group's small package delivery service to cities throughout the West is possible thanks to Alaska and Horizon's frequent flights. This flight-specific, Small Package express service is for shipments of under 100 pounds per parcel. This service is available counter-to-counter or door-to-door.

WWW.ALASKACARGO.COM

All freight and Goldstreak shipments traveling on Alaska and Horizon can be tracked in real time with the air waybill number at www.alaskacargo.com.

CHARTER SERVICES

Alaska Airlines and Horizon Air offer passenger charter flights on weekends and in the evenings. Among traditional customers are ski resorts, cruise ship companies, tour operators, firefighters, the U.S. military and college and professional sports teams.

Other Services

BOARD ROOMS

Alaska Airlines offers airport club rooms in Anchorage, Seattle, Portland, Vancouver, San Francisco and Los Angeles. Each room offers an array of amenities including personalized assistance with travel arrangements, complimentary beverages and snacks, free local phone calls, an assortment of current newspapers and magazines, conference rooms and a wide variety of business tools.

EXPRESS BOARDING

Alaska Airlines' boarding process is geared to make it easier for passengers to board planes more quickly and comfortably.

The Express Boarding system streamlines the boarding sequence and emphasizes the difference between "personal space" under the seat in front of each passenger and "shared space" in the overhead bins to aid the stowage of carry-on luggage.

REMOTE CHECK-IN

Whether checking in at home via the web or from one of our many kiosks located conveniently in hotels, parking garages, or at the airport, self-service check-in gets you on your way quickly and stress free. Baggage can be dropped at any of our convenient Bag Check locations after checking in to minimize wait time once you've arrived at the airport.

ALA CART BAGGAGE SERVICE

With Horizon Air's ala Cart Baggage Service, carry-on space is never a problem. Nonbreakable carry-on baggage can be left on a planeside cart, which is then boarded in the cargo hold and returned to you planeside at your destination.

INFLIGHT MAGAZINES

Award-winning Alaska Airlines Magazine and Horizon Air Magazine provide passengers with original stories on travel, business and people.

SEAT SELECTION

Advanced seat selection is available on all Alaska and Horizon flights.

GROUP RESERVATIONS

Alaska and Horizon staff group reservations desks that assist groups of ten or more travelers with their travel arrangements at a five-percent discount.

MEALS AT MEALTIME

On flights 1.5 hours to 3 hours in duration, Alaska Airlines provides its passengers in First Class with a light entrée during meal times. Passengers in the main cabin are offered a light snack.

Flights that serve the transcontinental market include a hot entrée; either breakfast, lunch or dinner; depending upon the time of day.

Passengers seated in the main cabin on flights that are not transcontinental but longer than 3 hours will be offered a hot sandwich during meal times. First Class service on these flights includes a hot entrée meal.

VACATION PACKAGES

From Mexico to Canada and from the Pacific Northwest and Alaska to the airline's new East Coast destinations, Alaska Airlines Vacations offers travelers convenient and affordable vacation packages complete with accommodations and options to fit a variety of budgets.

To date, Alaska Airlines' Vacations is the leading seller of Disneyland vacations packages domestically and one of the top three worldwide.

MARKETING ALLIANCES

Alaska and Horizon participate in a number of marketing alliances to offer greater convenience and additional travel options to passengers. Marketing partners are:

- **American Airlines:** Serves more than 260 destinations in 44 countries including Mexico, the Caribbean, Central and South America, Europe and Asia.
- **American Eagle:** Serves Fresno, Monterey, Oakland, Palm Springs, San Diego, San Jose, San Luis Obispo and Santa Barbara out of Los Angeles. They also serve numerous other cities via their hubs in Chicago, Dallas and Boston.
- **Big Sky Airlines:** Provides code share service to seven points in Montana, two in Wyoming and to one city each in Idaho and Washington.
- **Continental Airlines:** Serves 136 domestic and 92 international destinations including Europe, Latin America, Asia and Micronesia.
- **Era Aviation:** Serves Anchorage, Cordova, Homer, Kenai, Kodiak and Valdez in Alaska, as well as 17 Western Alaska communities from its Bethel hub.
- **Hawaiian Air:** Serves nine Western gateway cities with direct flights or connections to six Hawaiian Island destinations, as well as Tahiti, American Samoa, and Australia on wide-body Boeing 767-300ER aircraft, as well as Hawaiian inter-island service on Boeing 717 aircraft.
- **KLM Royal Dutch Airlines:** See Northwest information below.
- **LanChile Airlines:** Serves 15 destinations in Chile and 17 in Latin America and seven destinations in the U.S., Europe and the South Pacific.
- **Northwest Airlines Inc.:** Together with KLM serves more than 400 cities in 80 countries, including the most destinations in Asia.
- **PenAir:** Serves Anchorage to Aniak, Cold Bay, Dillingham, Dutch Harbor, King Salmon, McGrath, Sand Point, St. George, Iliamna, Atka, St. Paul and Unalakleet.
- **Qantas:** Serves 130 destinations including 70 within Australia (including operations by its regional subsidiaries) and four destinations in New Zealand.
- **Helijet:** The Pacific Northwest's premier helicopter scheduled airline serves Vancouver Harbor, Victoria Harbor, Vancouver International Airport and Whistler resort, all in British Columbia, and Seattle's Boeing Field.

Profiles

William S. Ayer

*Chairman, President & CEO, Alaska Air Group
Chairman, President & CEO, Alaska Airlines
Chairman, Horizon Air*

BILL AYER IS CHAIRMAN, president and chief executive officer of Alaska Airlines and Alaska Air Group, a position he assumed in May 2003. Alaska Air Group is the parent company of Alaska Airlines and Horizon Air Industries.

At Alaska Airlines, Ayer leads a team of more than 10,000 employees. As the nation's 9th largest airline, Alaska operates 108 aircraft in 57 cities across North America.

A veteran of more than 20 years in aviation, Ayer began his career with Alaska in 1995 as vice president of marketing and planning. Since then, he has held the posts of senior vice president of customer service, marketing and planning, president, chief operating officer and, in 2002, he became the carrier's chief executive officer.

Prior to his tenure with Alaska, Ayer spent 13 years at Horizon Air where he held a variety of marketing and operations positions of increasing responsibility and rose to the post of senior vice president of operations.

Before joining Horizon, Ayer founded and was president of Air Olympia, a small commuter airline serving Washington state. He also served as a regional manager for Piper Aircraft Company.

Ayer serves on the Board of Directors of the Museum of Flight in Seattle, on the University of Washington Business School Advisory Board, and also on the Board of Directors of Angel Flight America.

A graduate of Stanford University, where he majored in economics, Ayer also holds a master's degree in business administration from the University of Washington. He holds a commercial pilot license and a flight instructor certificate with instrument and multi-engine ratings. He and his wife Pam reside in Bellevue, Washington with their daughter Elizabeth.

Jeffrey D. Pinneo

President & CEO, Horizon Air

JEFF PINNEO WAS appointed president and CEO of Horizon Air in January 2002. He has nearly 30 years of aviation experience, and more than 20 of them with Horizon Air and Alaska Airlines.

Previously, Pinneo served as vice president, Customer Services, at Horizon beginning in 1990. In that role, he oversaw Horizon's largest division, which included station operations, inflight services, security, and food and beverage service.

At Horizon Air, Pinneo leads a team of more than 3800 employees. Horizon operates a fleet of more than 60 aircraft, serving more than 40 cities, primarily in the Northwest and Western Canada. The company also operates flights as Frontier JetExpress under a contract with Frontier Airlines.

Prior to joining Horizon, Pinneo served in Alaska Airlines' marketing department as director of advertising. He also was responsible for the original implementation of Alaska's frequent flyer program, then known as Gold Coast Travel and now called the Alaska Airlines Mileage Plan.

Before coming to Alaska in 1981, Pinneo worked for Evergreen International Airlines as a sales representative. He began his airline career as a flight attendant for Continental Airlines while completing his undergraduate degree.

Pinneo serves on the Board of Directors for the Regional Airline Association, Greater Seattle Regional Board for Young Life and Washington State University Business School National Board of Advisors.

A graduate of the University of Washington, Pinneo holds a master's degree through the Presidential/Key Executive MBA program at Pepperdine University.

Pinneo is a Seattle area native and lives in Issaquah with his wife Janey. A married daughter Chelsea and son Luke, both attend Point Loma Nazarene University in San Diego.

