UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-8957

ALASKA AIR GROUP, INC.

Delaware	**91-1292054**
(State of Incorporation)	(I.R.S. Employer Identification No.)

19300 International Boulevard, Seattle, WA 98188

Telephone: (206) 392-5040

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker Symbol	Name of each exchange on which registered
Common stock, $0.01 par value	ALK	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer (Do not check if a smaller reporting company)	☐	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ☐ No ☒

The registrant has 126,159,173 common shares, par value $0.01, outstanding at July 31, 2024.

This document is also available on our website at https://investor.alaskaair.com.

ALASKA AIR GROUP, INC.
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2024

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As used in this Form 10-Q, the terms “Air Group,” the “Company,” “our,” “we” and "us" refer to Alaska Air Group, Inc. and its subsidiaries, unless the context indicates otherwise. Alaska Airlines, Inc. and Horizon Air Industries, Inc. are referred to as “Alaska” and “Horizon” and together as our “airlines.”

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Cautionary Note Regarding Forward-Looking Statements

In addition to historical information, this Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or the Company's present expectations.

You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our forward-looking statements are based on the information currently available to us and speak only as of the date on which this report was filed with the SEC. We expressly disclaim any obligation to issue any updates or revisions to our forward-looking statements, even if subsequent events cause our expectations to change regarding the matters discussed in those statements. For a discussion of our risk factors, see Item 1A. "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2023. Some of these risks include competition, labor costs, relations and availability, general economic conditions including those associated with pandemic recovery, increases in operating costs including fuel, inability to meet cost reduction, ESG and other strategic goals, seasonal fluctuations in demand and financial results, supply chain risks, events that negatively impact aviation safety and security, and changes in laws and regulations that impact our business. Please consider our forward-looking statements in light of those risks as you read this report.

PART I

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ALASKA AIR GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in millions)	June 30, 2024	December 31, 2023
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 1,115**	$ 281
Marketable securities	**1,394**	1,510
Total cash and marketable securities	**2,509**	1,791
Receivables - net	**370**	383
Inventories and supplies - net	**106**	116
Prepaid expenses	**179**	176
Other current assets	**212**	239
Total Current Assets	**3,376**	2,705
Property and Equipment		
Aircraft and other flight equipment	**10,734**	10,425
Other property and equipment	**1,941**	1,814
Deposits for future flight equipment	**383**	491
	13,058	12,730
Less accumulated depreciation and amortization	**4,537**	4,342
Total Property and Equipment - Net	**8,521**	8,388
Other Assets		
Operating lease assets	**1,142**	1,195
Goodwill and intangible assets	**2,033**	2,033
Other noncurrent assets	**270**	292
Total Other Assets	**3,445**	3,520
Total Assets	**$ 15,342**	$ 14,613

CONDENSED CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in millions, except share amounts)	June 30, 2024	December 31, 2023
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	**$ 203**	$ 207
Accrued wages, vacation and payroll taxes	**513**	584
Air traffic liability	**1,576**	1,136
Other accrued liabilities	**852**	800
Deferred revenue	**1,312**	1,221
Current portion of operating lease liabilities	**153**	158
Current portion of long-term debt and finance leases	**359**	353
Total Current Liabilities	**4,968**	4,459
Long-Term Debt, Net of Current Portion	**2,313**	2,182
Noncurrent Liabilities		
Long-term operating lease liabilities, net of current portion	**1,050**	1,125
Deferred income taxes	**746**	695
Deferred revenue	**1,329**	1,382
Obligation for pension and post-retirement medical benefits	**358**	362
Other liabilities	**352**	295
Total Noncurrent Liabilities	**3,835**	3,859
Commitments and Contingencies (Note 7)		
Shareholders' Equity		
Preferred stock, $0.01 par value, Authorized: 5,000,000 shares, none issued or outstanding	**—**	—
Common stock, $0.01 par value, Authorized: 400,000,000 shares, Issued: 2024 - 140,570,032 shares; 2023 - 138,960,830 shares, Outstanding: 2024 - 126,475,292 shares; 2023 - 126,090,353 shares	**1**	1
Capital in excess of par value	**757**	695
Treasury stock (common), at cost: 2024 - 14,094,740 shares; 2023 - 12,870,477 shares	**(868)**	(819)
Accumulated other comprehensive loss	**(287)**	(299)
Retained earnings	**4,623**	4,535
	4,226	4,113
Total Liabilities and Shareholders' Equity	**$ 15,342**	$ 14,613

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS *(unaudited)*

(in millions, except per share amounts)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Operating Revenue				
Passenger revenue	**$ 2,651**	$ 2,598	**$ 4,655**	$ 4,582
Mileage Plan other revenue	**174**	170	**338**	324
Cargo and other revenue	**72**	70	**136**	128
Total Operating Revenue	**2,897**	2,838	**5,129**	5,034
Operating Expenses				
Wages and benefits	**782**	754	**1,586**	1,477
Variable incentive pay	**49**	57	**93**	104
Aircraft fuel, including hedging gains and losses	**615**	573	**1,180**	1,238
Aircraft maintenance	**129**	125	**251**	249
Aircraft rent	**46**	54	**93**	113
Landing fees and other rentals	**173**	167	**338**	319
Contracted services	**106**	95	**203**	190
Selling expenses	**84**	81	**161**	147
Depreciation and amortization	**128**	113	**254**	217
Food and beverage service	**67**	60	**125**	114
Third-party regional carrier expense	**64**	54	**118**	106
Other	**186**	182	**391**	359
Special items - operating	**146**	186	**180**	250
Total Operating Expenses	**2,575**	2,501	**4,973**	4,883
Operating Income	**322**	337	**156**	151
Non-operating Income (Expense)				
Interest income	**24**	22	**41**	39
Interest expense	**(36)**	(28)	**(71)**	(56)
Interest capitalized	**6**	7	**12**	14
Special items - net non-operating	**—**	(6)	**—**	(6)
Other - net	**—**	(7)	**—**	(16)
Total Non-operating Expense	**(6)**	(12)	**(18)**	(25)
Income Before Income Tax	**316**	325	**138**	126
Income tax expense	**96**	85	**50**	28
Net Income	**$ 220**	$ 240	**$ 88**	$ 98
Basic Earnings Per Share:	**$ 1.74**	$ 1.88	**$ 0.70**	$ 0.77
Diluted Earnings Per Share:	**$ 1.71**	$ 1.86	**$ 0.69**	$ 0.76
Weighted Average Shares Outstanding used for computation:				
Basic	**126.337**	127.440	**126.153**	127.470
Diluted	**128.310**	128.919	**127.857**	128.860

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS *(unaudited)*

(in millions)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Net Income	**$ 220**	$ 240	**$ 88**	$ 98
Other comprehensive income (loss), net of tax				
Marketable securities	**4**	(5)	**5**	16
Employee benefit plans	**3**	4	**6**	8
Interest rate derivative instruments	**—**	1	**1**	(1)
Total other comprehensive income, net of tax	**$ 7**	$ —	**$ 12**	$ 23
Total Comprehensive Income, Net of Tax	**$ 227**	$ 240	**$ 100**	$ 121

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY *(unaudited)*

(in millions)	*Common Stock Outstanding*	Common Stock	Capital in Excess of Par Value	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at December 31, 2023	***126.090***	**$ 1**	**$ 695**	**$ (819)**	**$ (299)**	**$ 4,535**	**$ 4,113**
Net loss	—	—	—	—	—	(132)	(132)
Other comprehensive income	—	—	—	—	5	—	5
Common stock repurchase	*(0.561)*	—	—	(21)	—	—	(21)
Stock-based compensation	—	—	15	—	—	—	15
Stock issued under stock plans	*0.177*	—	(3)	—	—	—	(3)
Balance at March 31, 2024	***125.706***	**$ 1**	**$ 707**	**$ (840)**	**$ (294)**	**$ 4,403**	**$ 3,977**
Net income	—	—	—	—	—	220	220
Other comprehensive income	—	—	—	—	7	—	7
Common stock repurchase	*(0.663)*	—	—	(28)	—	—	(28)
Stock-based compensation	*0.013*	—	13	—	—	—	13
Stock issued for employee stock purchase plan	*1.401*	—	37	—	—	—	37
Stock issued under stock plans	*0.018*	—	—	—	—	—	—
Balance at June 30, 2024	***126.475***	**$ 1**	**$ 757**	**$ (868)**	**$ (287)**	**$ 4,623**	**$ 4,226**

(in millions)	*Common Stock Outstanding*	Common Stock	Capital in Excess of Par Value	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at December 31, 2022	***127.534***	**$ 1**	**$ 577**	**$ (674)**	**$ (388)**	**$ 4,300**	**$ 3,816**
Net loss	—	—	—	—	—	(142)	(142)
Other comprehensive income	—	—	—	—	23	—	23
Common stock repurchase	*(0.414)*	—	—	(18)	—	—	(18)
Stock-based compensation	—	—	12	—	—	—	12
Stock issued under stock plans	*0.123*	—	(2)	—	—	—	(2)
Balance at March 31, 2023	***127.243***	**$ 1**	**$ 587**	**$ (692)**	**$ (365)**	**$ 4,158**	**$ 3,689**
Net income	—	—	—	—	—	240	240
Other comprehensive income	—	—	—	—	—	—	—
Common stock repurchase	*(0.872)*	—	—	(39)	—	—	(39)
Stock-based compensation	*0.017*	—	26	—	—	—	26
Stock issued for employee stock purchase plan	*0.924*	—	34	—	—	—	34
Stock issued under stock plans	*0.036*	—	1	—	—	—	1
Balance at June 30, 2023	***127.348***	**$ 1**	**$ 648**	**$ (731)**	**$ (365)**	**$ 4,398**	**$ 3,951**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in millions)	Six Months Ended June 30, 2024	2023
Cash Flows from Operating Activities:		
Net Income	**$ 88**	$ 98
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**254**	217
Stock-based compensation and other	**37**	56
Special items - operating	**—**	238
Changes in certain assets and liabilities:		
Changes in deferred income taxes	**47**	27
Increase in accounts receivable	**(55)**	(55)
Increase in air traffic liability	**440**	394
Increase in deferred revenue	**38**	80
Other - net	**23**	(223)
Net cash provided by operating activities	**872**	832
Cash Flows from Investing Activities:		
Property and equipment additions		
Aircraft and aircraft purchase deposits	**(380)**	(414)
Other flight equipment	**(63)**	(113)
Other property and equipment	**(144)**	(107)
Supplier proceeds	**162**	—
Purchases of marketable securities	**(163)**	(389)
Sales and maturities of marketable securities	**288**	574
Fleet transition	**133**	(29)
Other investing activities	**32**	(1)
Net cash used in investing activities	**(135)**	(479)
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt, net of issuance costs	**279**	—
Long-term debt payments	**(149)**	(149)
Common stock repurchases	**(49)**	(57)
Other financing activities	**6**	41
Net cash provided by (used in) financing activities	**87**	(165)
Net increase in cash and cash equivalents	**824**	188
Cash, cash equivalents, and restricted cash at beginning of period	**308**	369
Cash, cash equivalents, and restricted cash at end of the period	**$ 1,132**	$ 557

(in millions)	Six Months Ended June 30, 2024	2023
Supplemental disclosure:		
Cash paid during the period for:		
Interest, net of amount capitalized	**$ 55**	$ 42
Income taxes, net of refunds received	**—**	14
Non-cash transactions:		
Right-of-use assets acquired through operating leases	**34**	120
Operating leases converted to finance leases	**—**	310
Property and equipment acquired through the issuance of debt	**68**	134
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	**1,115**	536
Restricted cash included in Other noncurrent assets	**17**	21
Total cash, cash equivalents, and restricted cash at end of the period	**$ 1,132**	$ 557

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

NOTE 1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The unaudited Condensed Consolidated Financial Statements include the accounts of Air Group, or the Company, and its primary subsidiaries, Alaska and Horizon. The unaudited Condensed Consolidated Financial Statements also include McGee Air Services (McGee), a ground services subsidiary of Alaska, and other immaterial business units. All intercompany balances and transactions have been eliminated. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. Consistent with these requirements, this Quarterly Report on Form 10-Q does not include all the information required by GAAP for complete financial statements. It should be read in conjunction with the consolidated financial statements and accompanying notes in the Annual Report on Form 10-K for the year ended December 31, 2023. In the opinion of management, all adjustments have been made that are necessary to fairly present the Company’s financial position as of June 30, 2024 and the results of operations for the three and six months ended June 30, 2024 and 2023. Such adjustments were of a normal recurring nature. Certain rows, columns, figures, or percentages may not recalculate due to rounding.

In preparing these statements, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities, as well as the reported amounts of revenue and expenses, including impairment charges. Due to seasonal variations in the demand for air travel, the volatility of aircraft fuel prices, changes in global economic conditions, changes in the competitive environment, and other factors, operating results for the three and six months ended June 30, 2024 are not necessarily indicative of operating results for the entire year.

Flight 1282 and Boeing 737-9 MAX Grounding

As a result of the Flight 1282 accident and the subsequent grounding of Boeing 737-9 MAX (B737-9) aircraft, Air Group's operation and results in the first and second quarters were significantly impacted. The Company received compensation from Boeing to address the financial damages incurred as a result of the grounding. In the first quarter, Boeing paid Air Group $162 million in cash. In the second quarter, Boeing issued Air Group $61 million in supplier credit memos to be applied against future Boeing goods and services purchases.

Compensation received under the agreement is accounted for as a reduction in cost basis of certain B737-9 aircraft. The compensation is reflected within Aircraft and other flight equipment and Deposits for future flight equipment in the unaudited Condensed Consolidated Balance Sheets.

NOTE 2. PROPOSED ACQUISITION OF HAWAIIAN HOLDINGS, INC.

On December 2, 2023, the Company entered into a definitive agreement to acquire Hawaiian Holdings, Inc. (Hawaiian). The Company has agreed to pay Hawaiian's shareholders $18.00 per share, or approximately $1.0 billion, in cash for the outstanding shares of Hawaiian. In addition, the Company expects to assume Hawaiian's debt and lease obligations on the date of acquisition. The acquisition has been approved by Hawaiian's shareholders and is subject to final approval by various regulatory bodies.

On February 7, 2024, Air Group and Hawaiian each received a request for additional information and documentary material (the “Second Request”) from the Antitrust Division of the Department of Justice (the “DOJ”) in connection with the DOJ’s review of the acquisition. On March 27, 2024, Air Group and Hawaiian entered into a timing agreement with the DOJ pursuant to which they agreed, among other things, not to consummate the acquisition before 90 days following the date on which both parties have certified substantial compliance with the Second Request unless they have received written notice from the DOJ prior to the end of such 90-day period that the DOJ has closed its investigation of the acquisition.

On May 7, 2024, Air Group and Hawaiian certified substantial compliance with the Second Request. The certification of substantial compliance triggered the start of the 90-day period described in the prior paragraph, which was previously scheduled to expire on August 5, 2024. On July 29, 2024, Air Group and Hawaiian agreed with the DOJ to extend the Review Period until 12:01 a.m. Eastern Time on August 15, 2024.

In the three and six months ended June 30, 2024, the Company incurred integration costs of $30 million and $38 million, respectively, primarily consisting of professional services fees. These costs are included within Special items - operating in the unaudited Condensed Consolidated Statements of Operations. The Company expects to continue to incur integration costs as activities supporting the proposed acquisition continue.

NOTE 3. REVENUE

Ticket revenue is recorded as Passenger revenue, and represents the primary source of the Company's revenue. Also included in Passenger revenue is passenger ancillary revenue such as bag fees, on-board food and beverage, and certain revenue from the frequent flyer program. Mileage Plan other revenue includes brand and marketing revenue from the co-branded credit card and other partners, and certain interline frequent flyer revenue, net of commissions. Cargo and other revenue includes freight and mail revenue, and to a lesser extent, other ancillary revenue products such as lounge membership and certain commissions.

The level of detail within the Company's unaudited Condensed Consolidated Statements of Operations and in this footnote depict the nature, amount, timing, and uncertainty of revenue and how cash flows are affected by economic and other factors.

Passenger Ticket and Ancillary Services Revenue

Passenger revenue recognized in the unaudited Condensed Consolidated Statements of Operations (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Passenger ticket revenue, net of taxes and fees	**$ 2,226**	$ 2,207	**$ 3,874**	$ 3,855
Passenger ancillary revenue	**135**	123	**243**	227
Mileage Plan passenger revenue	**290**	268	**538**	500
Total Passenger revenue	**$ 2,651**	$ 2,598	**$ 4,655**	$ 4,582

Mileage Plan Loyalty Program

Mileage Plan revenue included in the unaudited Condensed Consolidated Statements of Operations (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Mileage Plan passenger revenue	**$ 290**	$ 268	**$ 538**	$ 500
Mileage Plan other revenue	**174**	170	**338**	324
Total Mileage Plan revenue	**$ 464**	$ 438	**$ 876**	$ 824

Cargo and Other Revenue

Cargo and other revenue included in the unaudited Condensed Consolidated Statements of Operations (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Cargo revenue	**$ 36**	$ 39	**$ 64**	$ 68
Other revenue	**36**	31	**72**	60
Total Cargo and other revenue	**$ 72**	$ 70	**$ 136**	$ 128

Air Traffic Liability and Deferred Revenue

Passenger ticket and ancillary services liabilities

The Company recognized Passenger revenue of $150 million and $103 million from the prior year-end air traffic liability balance for the three months ended June 30, 2024 and 2023, and $717 million and $588 million from the prior year-end air traffic liability balance for the six months ended June 30, 2024 and 2023.

Mileage Plan assets and liabilities

The Company records a receivable for amounts due from the affinity card partner and from other partners as mileage credits are sold until the payments are collected. The Company had $87 million of such receivables as of June 30, 2024 and $102 million as of December 31, 2023.

The table below presents a roll forward of the total frequent flyer liability (in millions):

	Six Months Ended June 30,	
	2024	**2023**
Total Deferred Revenue balance at January 1	**$ 2,603**	$ 2,497
Travel miles and companion certificate redemption - Passenger revenue	**(508)**	(470)
Miles redeemed on partner airlines - Other revenue	**(67)**	(52)
Increase in liability for mileage credits issued	**613**	602
Total Deferred Revenue balance at June 30	**$ 2,641**	$ 2,577

NOTE 4. FAIR VALUE MEASUREMENTS

In determining fair value, there is a three-level hierarchy based on the reliability of the inputs used. Level 1 refers to fair values based on quoted prices in active markets for identical assets or liabilities. Level 2 refers to fair values estimated using significant other observable inputs and Level 3 refers to fair values estimated using significant unobservable inputs.

Fair Value of Financial Instruments on a Recurring Basis

As of June 30, 2024, cost basis and fair value for marketable securities were $1.4 billion. Differences in cost basis and fair value of marketable securities are primarily a result of changes in interest rates and general market conditions. Management does not believe any unrealized losses are the result of credit quality based on its evaluation of industry and duration exposure, credit ratings of the securities, liquidity profiles, and other observable information as of June 30, 2024.

Fair values of financial instruments on the unaudited Condensed Consolidated Balance Sheets (in millions):

	June 30, 2024			December 31, 2023		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets						
Marketable securities						
U.S. government and agency securities	**$ 438**	**$ —**	**$ 438**	$ 387	$ —	$ 387
Equity mutual funds	**6**	**—**	**6**	5	—	5
Foreign government bonds	**—**	**10**	**10**	—	10	10
Asset-backed securities	**—**	**168**	**168**	—	192	192
Mortgage-backed securities	**—**	**91**	**91**	—	115	115
Corporate notes and bonds	**—**	**638**	**638**	—	763	763
Municipal securities	**—**	**43**	**43**	—	38	38
Total Marketable securities	**444**	**950**	**1,394**	392	1,118	1,510
Derivative instruments						
Fuel hedge contracts - call options	**—**	**6**	**6**	—	11	11
Interest rate swap agreements	**—**	**9**	**9**	—	8	8
Total Assets	**$ 444**	**$ 965**	**$ 1,409**	$ 392	$ 1,137	$ 1,529

The Company uses the market and income approach to determine the fair value of marketable securities. U.S. government securities and equity mutual funds are Level 1 as the fair value is based on quoted prices in active markets. Foreign government bonds, asset-backed securities, mortgage-backed securities, corporate notes and bonds, and municipal securities are Level 2 as the fair value is based on standard valuation models that are calculated based on observable inputs such as quoted interest rates, yield curves, credit ratings of the security and other observable market information.

The Company uses the market approach and the income approach to determine the fair value of derivative instruments. The fair value for fuel hedge call options is determined utilizing an option pricing model based on inputs that are readily available in active markets or can be derived from information available in active markets. In addition, the fair value considers the exposure to credit losses in the event of non-performance by counterparties. Interest rate swap agreements are Level 2 as the fair value of these contracts are determined based on the difference between the fixed interest rate in the agreements and the observable interest SOFR-based forward rates at period end multiplied by the total notional value.

Activity and Maturities for Marketable Securities

Maturities for marketable securities (in millions):

June 30, 2024	Cost Basis	Fair Value
Due in one year or less	$ 600	$ 592
Due after one year through five years	785	758
Due after five years through ten years	29	26
Due after 10 years	13	12
No maturity date	4	6
Total	$ 1,431	$ 1,394

Fair Value of Other Financial Instruments

The Company uses the following methods and assumptions to determine the fair value of financial instruments that are not recognized at fair value as described below.

Cash, Cash Equivalents, and Restricted Cash: Cash equivalents consist of highly liquid investments with original maturities of three months or less, such as money market funds, commercial paper, and certificates of deposit. They are carried at cost, which approximates fair value.

The Company's restricted cash balances are primarily used to guarantee various letters of credit, self-insurance programs, or other contractual rights. Restricted cash consists of highly liquid securities with original maturities of three months or less. They are carried at cost, which approximates fair value.

Debt: To estimate the fair value of all fixed-rate debt as of June 30, 2024, the Company uses the income approach by discounting cash flows or estimation using quoted market prices, utilizing borrowing rates for comparable debt over the remaining life of the outstanding debt. The estimated fair value of the fixed-rate Enhanced Equipment Trust Certificate (EETC) debt is Level 2, as it is estimated using observable inputs, while the estimated fair value of $601 million of other fixed-rate debt, including PSP notes payable, is classified as Level 3, as it is not actively traded and is valued using discounted cash flows which is an unobservable input.

Fixed-rate debt on the unaudited Condensed Consolidated Balance Sheets and the estimated fair value of long-term fixed-rate debt (in millions):

	June 30, 2024	December 31, 2023
Fixed-rate debt	**$ 1,447**	$ 1,515
Estimated fair value	**$ 1,367**	$ 1,382

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are recognized or disclosed at fair value on a nonrecurring basis, including property, plant and equipment, operating and finance lease assets, goodwill, and intangible assets. These assets are subject to fair valuation when there is evidence of impairment. No material impairments were recorded during the three and six months ended June 30, 2024.

NOTE 5. LONG-TERM DEBT

Long-term debt obligations on the unaudited Condensed Consolidated Balance Sheets (in millions):

	June 30, 2024	December 31, 2023
Fixed-rate notes payable due through 2029	**$ 68**	$ 80
Fixed-rate PSP notes payable due through 2031	**600**	600
Fixed-rate EETC payable due through 2025 & 2027	**779**	835
Variable-rate notes payable due through 2036	**1,239**	971
Less debt issuance costs	**(14)**	(15)
Total debt	**2,672**	2,471
Less current portion[(a)]	**(359)**	(289)
Long-term debt, less current portion	**$ 2,313**	$ 2,182
Weighted-average fixed-interest rate	**3.3 %**	3.4 %
Weighted-average variable-interest rate	**6.9 %**	6.8 %

(a) Excludes finance lease liabilities recognized within Current portion of long-term debt and finance leases in the unaudited Condensed Consolidated Balance Sheets as of December 31, 2023.

Approximately $223 million of the Company's total variable-rate notes payable are effectively fixed via interest rate swaps at June 30, 2024, resulting in an effective weighted-average interest rate for the full debt portfolio of 4.7%.

During the six months ended June 30, 2024, the Company incurred debt of $348 million from multiple lenders and sources. New debt includes proceeds of $280 million, secured by a combination of aircraft and flight simulators. Additionally, $68 million was incurred as part of an agreement to finance certain E175 deliveries. Debt from this agreement is reflected as a non-cash transaction within the supplemental disclosures in the unaudited Condensed Consolidated Statements of Cash Flows. During the six months ended June 30, 2024, the Company made debt payments of $149 million.

Subsequent to quarter end, the Company incurred debt of $67 million, secured by aircraft.

Debt Maturity

At June 30, 2024, long-term debt principal payments for the next five years and thereafter are as follows (in millions):

	Total
Remainder of 2024	$ 164
2025	385
2026	342
2027	666
2028	176
Thereafter	953
Total Principal Payments	$ 2,686

Bank Lines of Credit

Alaska has three credit facilities totaling $626 million as of June 30, 2024. One credit facility is for $150 million, expires in April 2028, and is secured by certain accounts receivable, spare engines, spare parts, and ground service equipment. A second credit facility is for $400 million, expires in June 2026, and is secured by aircraft. Both facilities have variable interest rates based on SOFR plus a specified margin. A third credit facility is for $76 million, expires in June 2025, and is secured by aircraft.

Alaska has secured letters of credit against the third facility. All credit facilities have a requirement to maintain a minimum unrestricted cash and marketable securities balance of $500 million. Alaska was in compliance with this covenant at June 30, 2024.

NOTE 6. EMPLOYEE BENEFIT PLANS

Net periodic benefit costs for qualified defined-benefit plans include the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Service cost	**$ 7**	$ 7	**$ 14**	$ 14
Pension expense included in Wages and benefits	**7**	7	**14**	14
Interest cost	**27**	27	**54**	54
Expected return on assets	**(32)**	(29)	**(64)**	(57)
Recognized actuarial loss	**4**	6	**9**	12
Pension expense (benefit) included in Non-operating Income	**$ (1)**	$ 4	**$ (1)**	$ 9

NOTE 7. COMMITMENTS AND CONTINGENCIES

Boeing has communicated to Alaska that certain B737 aircraft are expected to be delivered later than the contracted delivery dates. This includes certain B737-8 and B737-9 aircraft contracted for delivery in 2024 that have been moved to 2025, as well as certain B737-10 aircraft contracted for delivery in 2025 that have been moved to 2026, pending certification of the B737-10. The Company has incorporated these adjustments in the tables below, however, management expects that additional Boeing aircraft deliveries may also be delayed beyond what is depicted in the tables.

Future minimum contractual payments for commitments as of June 30, 2024 (in millions):

	Aircraft-Related Commitments[a]	Capacity Purchase Agreements and Other Obligations [b]
Remainder of 2024	$ 864	$ 119
2025	1,064	242
2026	1,186	235
2027	1,100	231
2028	151	234
Thereafter	715	658
Total	$ 5,080	$ 1,719

(a) Includes contractual commitments for aircraft, engines, and aircraft maintenance. Option deliveries are excluded from minimum commitments until exercise.
(b) Excludes lease costs associated with capacity purchase agreements.

Aircraft Commitments

Aircraft purchase commitments include contractual commitments for aircraft and engines. Details for contractual aircraft commitments as of June 30, 2024 are outlined below.

	Firm Orders	Options and Other Rights	Total
Aircraft Type	**2024-2027**	**2026-2030**	**2024-2030**
B737	72	105	177
E175	6	4	10
Total	78	109	187

Aircraft Maintenance

Aircraft maintenance commitments include contractual commitments for engine maintenance agreements requiring monthly payments based upon utilization, such as flight hours, cycles, and age of the aircraft. In turn, these maintenance agreements transfer certain risks to the third-party service provider. Alaska has contracts for maintenance on its B737-800 and B737-900ER aircraft engines through 2026 and 2032, respectively. Horizon has contracts for maintenance on its E175 aircraft engines through 2033 and 2039.

Contingencies

The Company is a party to routine litigation matters incidental to its business and with respect to which no material liability is expected. Liabilities for litigation related contingencies are recorded when a loss is determined to be probable and estimable.

As part of the 2016 acquisition of Virgin America, Alaska assumed responsibility for the Virgin trademark license agreement with the Virgin Group. In 2019, pursuant to that agreement's venue provision, the Virgin Group sued Alaska in England, alleging that the agreement requires Alaska to pay $8 million per year as a minimum annual royalty through 2039, adjusted annually for inflation and irrespective of Alaska's actual use (or non-use) of the mark. Alaska stopped making royalty payments in 2019 after ending all use of the Virgin brand. On February 16, 2023, the commercial court issued a ruling adopting Virgin Group's interpretation of the license agreement. The Company appealed the decision. On June 11, 2024, the appellate court issued a final decision affirming the lower court ruling in favor of the Virgin Group. Alaska also commenced a separate claim for breach of the agreement against the Virgin Group that may affect the Company's total liability in the matter. Alaska recorded an accrual in the second quarter of 2024 for $45 million, representing the expenses associated with the trademark license agreement between January 2020 and June 2024. The expense is classified within Special items – operating in the unaudited Condensed Consolidated Statements of Operations.

On April 15, 2024, a private antitrust action captioned *Warren Yoshimoto, et al., v. Alaska Airlines, Inc., et al.* was filed in the United States District Court for the District of Hawaii, against Alaska Airlines, Inc. and Alaska Air Group, Inc. The plaintiffs, whom the complaint describes as airline passengers, allege that the pending acquisition of Hawaiian Airlines, Inc. by Alaska Airlines, Inc. would violate U.S. antitrust laws. They seek to enjoin the merger or obtain divestitures, as well as costs and attorneys' fees. The Company believes the allegations in the complaint are without merit and will defend against them vigorously, while continuing to work cooperatively with the U.S. Department of Justice to obtain regulatory clearance to close the acquisition.

NOTE 8. SHAREHOLDERS' EQUITY

Common Stock Repurchase

In August 2015, the Board of Directors authorized a $1 billion share repurchase program. The Company repurchased 1.2 million shares for $49 million during the six months ended June 30, 2024 and 1.3 million shares for $57 million during the six months ended June 30, 2023. As of June 30, 2024, the Company has repurchased 12.3 million shares for $738 million, with $262 million remaining under this program.

CARES Act Warrant Issuances

As taxpayer protection required under the Payroll Support Program (PSP) under the CARES Act, the Company granted the U.S. Department of the Treasury a total of 1,455,437 warrants to purchase ALK common stock in 2020 and 2021. An additional 427,080 warrants were issued in conjunction with a draw on the CARES Act Loan in 2020. These warrants are non-voting, freely transferable, may be settled as net shares or in cash at the Company's option, and have a five-year term. The warrants were sold at auction in the second quarter of 2024 to a third party investor. The sale had no impact to the amount held on the Company's balance sheet.

As of June 30, 2024, there are 1,882,517 total warrants outstanding, with a weighted average strike price of $39.06. The value of the warrants was estimated using a Black-Scholes option pricing model. The total fair value of all outstanding warrants was $30 million, recorded in stockholders' equity at issuance.

NOTE 9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding, including the dilutive effect of outstanding share-based instruments such as employee stock awards and warrants.

(in millions, except per share amounts)	Three Months Ended June 30, 2024		Three Months Ended June 30, 2023		Six Months Ended June 30, 2024		Six Months Ended June 30, 2023	
Net income	**$**	**220**	$	240	**$**	**88**	$	98
Basic weighted average shares outstanding		**126.337**		127.440		**126.153**		127.470
Dilutive effect of employee stock awards		**1.627**		1.066		**1.421**		0.962
Dilutive effect of stock warrants		**0.346**		0.413		**0.283**		0.428
Diluted weighted average shares outstanding		**128.310**		128.919		**127.857**		128.860
Basic earnings per share	**$**	**1.74**	$	1.88	**$**	**0.70**	$	0.77
Diluted earnings per share	**$**	**1.71**	$	1.86	**$**	**0.69**	$	0.76
Antidilutive amounts excluded from calculation:								
Employee stock awards		**1.1**		1.7		**1.9**		2.1
Stock warrants		**0.2**		0.1		**0.2**		0.1

NOTE 10. ACCUMULATED OTHER COMPREHENSIVE LOSS

A roll forward of the amounts included in accumulated other comprehensive loss is shown below for the three and six months ended June 30, 2024 and 2023:

(in millions)	Marketable Securities		Employee Benefit Plan		Interest Rate Derivatives		Tax Effect		Total	
Balance at March 31, 2024	$	(45)	$	(354)	$	9	$	96	$	(294)
Change in value		6		—		—		—		6
Reclassifications into earnings		—		4		—		(3)		1
Balance at June 30, 2024	**$**	**(39)**	**$**	**(350)**	**$**	**9**	**$**	**93**	**$**	**(287)**
Balance at December 31, 2023	$	(46)	$	(358)	$	8	$	97	$	(299)
Change in value		7		—		1		—		8
Reclassifications into earnings		—		8		—		(4)		4
Balance at June 30, 2024	**$**	**(39)**	**$**	**(350)**	**$**	**9**	**$**	**93**	**$**	**(287)**

	Marketable Securities		Employee Benefit Plan		Interest Rate Derivatives		Tax Effect		Total	
Balance at March 31, 2023	$	(78)	$	(416)	$	12	$	117	$	(365)
Change in value		(9)		—		2		1		(6)
Reclassifications into earnings		3		5		—		(2)		6
Balance at June 30, 2023	**$**	**(84)**	**$**	**(411)**	**$**	**14**	**$**	**116**	**$**	**(365)**
Balance at December 31, 2022		(104)		(421)		15		122		(388)
Change in value		11		—		(1)		(2)		8
Reclassifications into earnings		9		10		—		(4)		15
Balance at June 30, 2023	**$**	**(84)**	**$**	**(411)**	**$**	**14**	**$**	**116**	**$**	**(365)**

NOTE 11. OPERATING SEGMENT INFORMATION

Alaska Air Group has two operating airlines – Alaska and Horizon. Each is regulated by the U.S. Department of Transportation's Federal Aviation Administration. Alaska has CPAs for regional capacity with Horizon and SkyWest, under which Alaska receives all passenger revenue.

Under GAAP, operating segments are defined as components of a business for which there is discrete financial information that is regularly assessed by the Chief Operating Decision Maker (CODM) in making resource allocation decisions. Historically, our CODM has reviewed financial performance information for our airline operations and the Horizon CPA as part of three reportable operating segments:

- **Mainline** - includes scheduled air transportation on Alaska's Boeing jet aircraft for passengers and cargo throughout the U.S., and in parts of Canada, Mexico, Costa Rica, Belize, Guatemala, and the Bahamas.
- **Regional** - includes Horizon's and other third-party carriers' scheduled air transportation for passengers across a shorter distance network within the U.S., Canada, and Mexico under a CPA. This segment includes the actual revenue and expenses associated with regional flying, as well as an allocation of corporate overhead incurred by Air Group on behalf of the regional operations.
- **Horizon** - includes the capacity sold to Alaska under CPA. Expenses include those typically borne by regional airlines such as crew costs, ownership costs and maintenance costs.

In addition to these reported segments, the Company has a "Consolidating and Other" column which reflects Air Group parent company activity, McGee Air Services, consolidating entries and other immaterial business units of the Company. The "Air Group Adjusted" column represents a non-GAAP measure that is used by the Company's CODM to evaluate performance and allocate resources. Adjustments are further explained below in reconciling to consolidated GAAP results.

Over time, our Mainline and Regional airline segments have increasingly been managed as a single component that provides scheduled air transportation for passengers and cargo, and includes our loyalty program. Managing this component in an integrated manner enables our team to leverage our comprehensive network, single route scheduling system, and fleet as a single business to deliver optimized consolidated financial results. In 2024, management began evaluating changes to internal reporting that may change the discrete information that is provided to our CODM in the future to better align with the way the business is managed. Such changes may have an impact on the Company's reportable segments once finalized. The Company will continue to report using the existing segment structure until changes in our internal reporting have been fully implemented, and a segment analysis has been performed to determine if any changes to reportable segments are indicated.

Operating segment information is as follows (in millions):

	Three Months Ended June 30, 2024						
	Mainline	Regional	Horizon	Consolidating & Other[a]	Air Group Adjusted[b]	Special Items[c]	Consolidated
Operating Revenue							
Passenger revenue	$ 2,188	$ 463	$ —	$ —	$ 2,651	$ —	$ 2,651
CPA revenue	—	—	112	(112)	—	—	—
Mileage Plan other revenue	160	14	—	—	174	—	174
Cargo and other revenue	69	—	—	3	72	—	72
Total Operating Revenue	2,417	477	112	(109)	2,897	—	2,897
Operating Expenses							
Operating expenses, excluding fuel	1,516	322	92	(116)	1,814	146	1,960
Fuel expense	520	100	—	—	620	(5)	615
Total Operating Expenses	2,036	422	92	(116)	2,434	141	2,575
Non-operating Income (Expense)	6	—	(12)	—	(6)	—	(6)
Income (Loss) Before Income Tax	$ 387	$ 55	$ 8	$ 7	$ 457	$ (141)	$ 316
Pretax Margin					15.8 %		10.9 %

	Three Months Ended June 30, 2023						
	Mainline	Regional	Horizon	Consolidating & Other[a]	Air Group Adjusted[b]	Special Items[c]	Consolidated
Operating Revenue							
Passenger revenue	$ 2,209	$ 389	$ —	$ —	$ 2,598	$ —	$ 2,598
CPA revenue	—	—	92	(92)	—	—	—
Mileage Plan other revenue	158	12	—	—	170	—	170
Cargo and other revenue	67	—	—	3	70	—	70
Total Operating Revenue	2,434	401	92	(89)	2,838	—	2,838
Operating Expenses							
Operating expenses, excluding fuel	1,468	279	87	(92)	1,742	186	1,928
Fuel expense	490	81	—	1	572	1	573
Total Operating Expenses	1,958	360	87	(91)	2,314	187	2,501
Non-operating Income (Expense)	3	—	(10)	1	(6)	(6)	(12)
Income (Loss) Before Income Tax	$ 479	$ 41	$ (5)	$ 3	$ 518	$ (193)	$ 325
Pretax Margin					18.3 %		11.5 %

	Six Months Ended June 30, 2024						
	Mainline	Regional	Horizon	Consolidating & Other[(a)]	Air Group Adjusted[(b)]	Special Items[(c)]	Consolidated
Operating Revenue							
Passenger revenue	$ 3,817	$ 838	$ —	$ —	$ 4,655	$ —	$ 4,655
CPA revenue	—	—	216	(216)	—	—	—
Mileage Plan other revenue	309	29	—	—	338	—	338
Cargo and other revenue	131	—	—	5	136	—	136
Total Operating Revenue	4,257	867	216	(211)	5,129	—	5,129
Operating Expenses							
Operating expenses, excluding fuel	3,030	621	180	(218)	3,613	180	3,793
Fuel expense	1,005	193	—	—	1,198	(18)	1,180
Total Operating Expenses	4,035	814	180	(218)	4,811	162	4,973
Non-operating Income (Expense)	3	—	(23)	2	(18)	—	(18)
Income (Loss) Before Income Tax	$ 225	$ 53	$ 13	$ 9	$ 300	$ (162)	$ 138
Pretax Margin					5.8 %		2.7 %

	Six Months Ended June 30, 2023						
	Mainline	Regional	Horizon	Consolidating & Other[(a)]	Air Group Adjusted[(b)]	Special Items[(c)]	Consolidated
Operating Revenue							
Passenger revenue	$ 3,882	$ 700	$ —	$ —	$ 4,582	$ —	$ 4,582
CPA revenue	—	—	170	(170)	—	—	—
Mileage Plan other revenue	301	23	—	—	324	—	324
Cargo and other revenue	124	—	—	4	128	—	128
Total Operating Revenue	4,307	723	170	(166)	5,034	—	5,034
Operating Expenses							
Operating expenses, excluding fuel	2,858	535	171	(169)	3,395	250	3,645
Fuel expense	1,051	166	—	—	1,217	21	1,238
Total Operating Expenses	3,909	701	171	(169)	4,612	271	4,883
Non-operating Income (Expense)	(3)	—	(18)	2	(19)	(6)	(25)
Income (Loss) Before Income Tax	$ 395	$ 22	$ (19)	$ 5	$ 403	$ (277)	$ 126
Pretax Margin					8.0 %		2.5 %

(a) Includes consolidating entries, Air Group parent company, McGee Air Services, and other immaterial business units.
(b) The Air Group Adjusted column represents the financial information that is reviewed by management to assess performance of operations and determine capital allocation and excludes certain charges.
(c) Includes special items and mark-to-market fuel hedge accounting adjustments.

Total assets were as follows (in millions):

	June 30, 2024	December 31, 2023
Mainline	**$ 20,674**	$ 19,937
Horizon	**1,383**	1,352
Consolidating & Other	**(6,715)**	(6,676)
Consolidated	**$ 15,342**	$ 14,613

NOTE 12. SPECIAL ITEMS

The Company has classified certain operating and non-operating expenses as special items due to their unusual or infrequently occurring nature. The Company believes disclosing information about these items separately improves comparable year over year analysis and allows stakeholders to better understand our results of operations. A description of the special items is provided below.

Fleet transition: Costs are associated with the retirement and disposition of Airbus and Q400 aircraft.

Labor agreements: Costs are for the retroactive pay offered to Alaska flight attendants pursuant to the tentative agreement reached in the second quarter of 2024 and for changes to Alaska pilots' sick leave benefits resulting from an agreement signed in the first quarter of 2023.

Integration costs: Costs are associated with the proposed acquisition of Hawaiian Airlines.

Litigation: Costs represent expenses that were recognized following a negative appeal ruling in the second quarter of 2024 associated with the Virgin trademark license agreement with the Virgin Group.

Net non-operating: Costs are for interest expense associated with certain A321neo lease agreements which were modified as part of Alaska's fleet transition.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Operating Expenses				
Fleet transition	**$ 41**	$ 186	**$ 67**	$ 199
Labor agreements	**30**	—	**30**	51
Integration costs	**30**	—	**38**	—
Litigation	**45**	—	**45**	—
Special items - operating	**$ 146**	$ 186	**$ 180**	$ 250
Non-operating Income (Expense)				
Special Items - net non-operating	**$ —**	$ (6)	**$ —**	$ (6)

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand our company and the present business environment. MD&A is provided as a supplement to – and should be read in conjunction with – our consolidated financial statements and the accompanying notes. All statements in the following discussion that are not statements of historical information or descriptions of current accounting policy are forward-looking statements. Please consider our forward-looking statements in light of the risks referred to in this report’s introductory cautionary note and the risks mentioned in "Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2023. This overview summarizes the MD&A, which includes the following sections:

- *GAAP to Non-GAAP Reconciliations and Operating Statistics* - reconciliations of reported non-GAAP financial measures to their most directly comparable financial measures reported on a GAAP basis, as well as operating statistics we use to measure operating performance.

- *Second Quarter Review* - highlights from the second quarter of 2024 outlining some of the major events that occurred during the period.

- *Results of Operations* - an in-depth analysis of our consolidated revenue and expenses for the three and six months ended June 30, 2024. This section includes forward-looking statements regarding our view of the remainder of 2024.

- *Liquidity and Capital Resources* - an overview of our financial position, analysis of cash flows, and relevant contractual obligations and commitments.

GAAP TO NON-GAAP RECONCILIATIONS AND OPERATING STATISTICS

We are providing reconciliations of reported non-GAAP financial measures to their most directly comparable financial measures reported on a GAAP basis. We believe that consideration of these non-GAAP financial measures may be important to investors for the following reasons:

- By excluding certain costs from our unit metrics, we believe that we have better visibility into the results of operations. Our industry is highly competitive and is characterized by high fixed costs, so even a small reduction in non-fuel operating costs can result in a significant improvement in operating results. We believe that all domestic carriers are similarly impacted by changes in jet fuel costs over the long run, so it is important for management and investors to understand the impact of company-specific cost drivers which are more controllable by management. We adjust for expenses related directly to our freighter aircraft operations to allow for better comparability to other domestic carriers that do not operate freighter aircraft. We also exclude certain special charges as they are unusual or nonrecurring in nature and adjusting for these expenses allows management and investors to better understand our cost performance.

- CASMex is one of the most important measures used by management and by the Air Group Board of Directors in assessing quarterly and annual cost performance. CASMex is also a measure commonly used by industry analysts, and we believe it is the basis by which they have historically compared our airline to others in the industry. The measure is also the subject of frequent questions from investors.

- Adjusted pretax income is an important metric for the employee incentive plan, which covers the majority of Air Group employees.

- Disclosure of the individual impact of certain noted items provides investors the ability to measure and monitor performance both with and without these special items. We believe that disclosing the impact of these items as noted above is important because it provides information on significant items that are not necessarily indicative of future performance. Industry analysts and investors consistently measure our performance without these items for better comparability between periods and among other airlines.

- Although we disclose our unit revenue, we do not, nor are we able to, evaluate unit revenue excluding the impact that changes in fuel costs have had on ticket prices. Fuel expense represents a large percentage of our total operating expenses. Fluctuations in fuel prices often drive changes in unit revenue in the mid-to-long term. Although we believe it is useful to evaluate non-fuel unit costs for the reasons noted above, we would caution readers of these financial statements not to place undue reliance on unit costs excluding fuel as a measure or predictor of future profitability because of the significant impact of fuel costs on our business.

Although we are presenting these non-GAAP amounts for the reasons above, investors and other readers should not consider them a substitute for GAAP figures. Amounts in the tables below are rounded to the nearest million. As a result, a manual recalculation of certain figures using these rounded amounts may not agree directly to the Company's actual figures presented in the tables below.

GAAP TO NON-GAAP RECONCILIATIONS (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Income before income tax	**$ 316**	$ 325	**$ 138**	$ 126
Adjusted for:				
Mark-to-market fuel hedge adjustment	**(5)**	1	**(18)**	21
Special items - operating	**146**	186	**180**	250
Special items - net non-operating	**—**	6	**—**	6
Adjusted income before income tax	**$ 457**	$ 518	**$ 300**	$ 403
Pretax margin	**10.9 %**	11.5 %	**2.7 %**	2.5 %
Adjusted pretax margin	**15.8 %**	18.3 %	**5.8 %**	8.0 %

(in millions, except per share amounts)	Three Months Ended June 30,							
	2024				2023			
	Dollars		Diluted EPS		Dollars		Diluted EPS	
Net income per share	**$**	**220**	**$**	**1.71**	$	240	$	1.86
Mark-to-market fuel hedge adjustments		**(5)**		**(0.04)**		1		0.01
Special items - operating		**146**		**1.14**		186		1.44
Special items - net non-operating		**—**		**—**		6		0.05
Income tax effect of reconciling items above		**(34)**		**(0.26)**		(46)		(0.36)
Adjusted net income per share	**$**	**327**	**$**	**2.55**	$	387	$	3.00

(in millions, except per-share amounts)	Six Months Ended June 30,							
	2024				2023			
	Dollars		Diluted EPS		Dollars		Diluted EPS	
Net income per share	**$**	**88**	**$**	**0.69**	$	98	$	0.76
Mark-to-market fuel hedge adjustments		**(18)**		**(0.14)**		21		0.16
Special items - operating		**180**		**1.41**		250		1.94
Special items - net non-operating		**—**		**—**		6		0.05
Income tax effect of reconciling items above		**(39)**		**(0.31)**		(67)		(0.52)
Adjusted net income per share	**$**	**211**	**$**	**1.65**	$	308	$	2.39

(in millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
Total operating expenses	**$**	**2,575**	$	2,501	**$**	**4,973**	$	4,883
Less the following components:								
Aircraft fuel, including hedging gains and losses		**615**		573		**1,180**		1,238
Freighter costs		**13**		12		**28**		26
Special items - operating		**146**		186		**180**		250
Total operating expenses, excluding fuel, freighter costs, and special items	**$**	**1,801**	$	1,730	**$**	**3,585**	$	3,369
ASMs		**18,196**		17,160		**33,575**		32,865
CASMex		**9.89 ¢**		10.08 ¢		**10.67 ¢**		10.25 ¢

OPERATING STATISTICS (unaudited)

Below are consolidated operating statistics we use to measure operating performance. We often refer to unit revenue and adjusted unit costs, which are non-GAAP measures.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	**2023**	**Change**	**2024**	**2023**	**Change**
Revenue passengers (000)	**11,888**	11,592	3%	**21,662**	21,444	1%
RPMs (000,000) "traffic"	**15,309**	14,936	2%	**27,833**	27,491	1%
ASMs (000,000) "capacity"	**18,196**	17,160	6%	**33,575**	32,865	2%
Load factor	**84.1%**	87.0%	(2.9) pts	**82.9%**	83.6%	(0.7) pts
Yield	**17.32¢**	17.40¢	—%	**16.73¢**	16.67¢	—%
PRASM	**14.57¢**	15.14¢	(4)%	**13.86¢**	13.94¢	(1)%
RASM	**15.92¢**	16.54¢	(4)%	**15.28¢**	15.32¢	—%
CASMex[(a)]	**9.89¢**	10.08¢	(2)%	**10.67¢**	10.25¢	4%
Economic fuel cost per gallon[(a)]	**$2.84**	$2.76	3%	**$2.95**	$3.07	(4)%
Fuel gallons (000,000)	**219**	207	6%	**406**	396	3%
ASMs per fuel gallon	**83.1**	82.9	—%	**82.7**	83.0	—%
Departures (000)	**112.4**	104.4	8%	**208.1**	199.8	4%
Average full-time equivalent employees (FTEs)	**23,368**	23,301	—%	**23,190**	23,140	—%
Operating fleet[(b)]	**326**	307	19 a/c	**326**	307	19 a/c

(a) Refer to reconciliation of this non-GAAP measure to the most directly related GAAP measure.

(b) Includes aircraft owned and leased by Alaska and Horizon as well as aircraft operated by third-party regional carriers under capacity purchase agreements. Excludes non-operating aircraft.

SECOND QUARTER REVIEW

Financial Overview

We reported consolidated pretax income for the second quarter of 2024 of $316 million, compared to $325 million in the prior year. Despite challenges in the domestic fare environment, the Company achieved record quarterly revenue of $2.9 billion due to growth in our premium cabins and the continued strength of our loyalty program. Total operating expenses increased $74 million compared to the prior year. While fuel costs rose year over year due to increased flying and higher per gallon costs, the Company's focus on managing its non-fuel operating costs led to CASMex improvement of nearly 2% compared to the prior year.

See “*Results of Operations*” below for further discussion of changes in revenue and operating expenses as compared to 2023. A glossary of financial terms can be found at the end of this Item 2.

Labor Updates

In June 2024, Alaska reached a tentative agreement with its flight attendants represented by the Association of Flight Attendants (AFA) for an updated collective bargaining agreement. Voting is expected to take place in mid-August. In the second quarter, we accrued $30 million which approximates the retroactive pay offered to flight attendants for the service period through June 30, 2024. This expense is classified within Special items - operating in the unaudited Condensed Consolidated Statements of Operations.

Horizon is in negotiations with certain labor groups for updated CBAs, including its pilots, represented by the International Brotherhood of Teamsters; its flight attendants, represented by AFA; and its technicians, represented by AMFA.

Outlook

The following represents the Company's expectations for the third quarter and full year 2024 results. Full year adjusted EPS guidance has been lowered by $0.25 at the midpoint to reflect the economics of a newly signed tentative agreement with Alaska's flight attendants and a moderating domestic revenue environment.

	Q3 Expectation
Capacity (ASMs) % change versus 2023	Up 2% to 3%
CASMex % change versus 2023	Up high single digits
RASM % change versus 2023	Flat to positive
Economic fuel cost per gallon	$2.85 to $2.95
Adjusted earnings per share[a]	$1.40 to $1.60

	Full Year Expectation
Capacity (ASMs) % change versus 2023	Up < 2.5%
Adjusted earnings per share[a]	$3.50 to $4.50
Capital expenditures	$1.2 billion - $1.3 billion

(a) Adjusted earnings per share guidance assumes a full year tax rate of approximately 25%. Full year EPS guidance assumes an economic fuel cost per gallon of approximately $2.90 for FY 2024.

RESULTS OF OPERATIONS

COMPARISON OF THREE MONTHS ENDED JUNE 30, 2024 TO THREE MONTHS ENDED JUNE 30, 2023

OPERATING REVENUE

Total operating revenue increased $59 million, or 2%, in the second quarter of 2024 compared to the same period in 2023. The changes are summarized in the following table:

	Three Months Ended June 30,		
(in millions)	**2024**	**2023**	**% Change**
Passenger revenue	**$ 2,651**	$ 2,598	2 %
Mileage Plan other revenue	**174**	170	2 %
Cargo and other revenue	**72**	70	3 %
Total Operating Revenue	**$ 2,897**	$ 2,838	2 %

Passenger revenue

Passenger revenue for the second quarter of 2024 increased $53 million, or 2%, on a 2% increase in passenger traffic, partially offset by a slight decrease in yield. Passenger traffic growth was driven by increased gauge and departures throughout the network. Increased revenue from the premium cabins also contributed to the year over year improvement.

Mileage Plan other revenue

Mileage Plan other revenue for the second quarter of 2024 increased by $4 million, or 2%. The increase was driven by higher award redemption on partner airlines and incremental commissions from third party partners.

OPERATING EXPENSES

Total operating expenses increased $74 million, or 3%, compared to the second quarter of 2023. We believe it is useful to summarize operating expenses as follows, which is consistent with the way expenses are reported internally and evaluated by management:

	Three Months Ended June 30,		
(in millions)	2024	2023	% Change
Fuel expense	$ 615	$ 573	7 %
Non-fuel operating expenses, excluding special items	1,814	1,742	4 %
Special items - operating	146	186	(22)%
Total Operating Expenses	$ 2,575	$ 2,501	3 %

Fuel expense

Aircraft fuel expense includes raw fuel expense (as defined below) plus the effect of mark-to-market adjustments to our fuel hedge portfolio as the value of that portfolio increases and decreases. Our aircraft fuel expense can be volatile because it includes these gains or losses in the value of the underlying instrument as crude oil prices and refining margins increase or decrease. Raw fuel expense is defined as the price that we generally pay at the airport, or the "into-plane" price, including taxes and fees. Raw fuel prices are impacted by world oil prices and refining costs, which can vary by region in the U.S. Raw fuel expense approximates cash paid to suppliers and does not reflect the effect of our fuel hedges.

Aircraft fuel expense increased $42 million, or 7%, compared to the second quarter of 2023. The elements of the change are illustrated in the following table:

	Three Months Ended June 30,			
	2024		2023	
(in millions, except for per gallon amounts)	Dollars	Cost/Gal	Dollars	Cost/Gal
Raw or "into-plane" fuel cost	$ 610	$ 2.79	$ 555	$ 2.68
Losses on settled hedges	10	0.05	17	0.08
Economic fuel expense	$ 620	$ 2.84	$ 572	$ 2.76
Mark-to-market fuel hedge adjustments	(5)	(0.03)	1	—
Aircraft fuel, including hedging gains and losses	$ 615	$ 2.81	$ 573	$ 2.76
Fuel gallons		219		207

Raw fuel expense increased 10% in the second quarter of 2024 compared to the second quarter of 2023 due to higher fuel consumption and per gallon costs of crude oil, partially offset by a decrease in refining margins associated with the conversion of crude oil to jet fuel.

We also evaluate economic fuel expense, which we define as raw fuel expense adjusted for the cash we receive from hedge counterparties for hedges that settle during the period and for the premium expense that we paid for those contracts. A key difference between aircraft fuel expense and economic fuel expense is the timing of gain or loss recognition on our hedge portfolio. Economic fuel expense includes gains and losses only when they are realized for those contracts that were settled during the period based on their original contract terms. We believe this is the best measure of the effect that fuel prices are currently having on our business as it most closely approximates the net cash outflow associated with purchasing fuel for our operations. Accordingly, many industry analysts evaluate our results using this measure, and it is the basis for most internal management reporting and incentive pay plans.

Losses recognized for hedges that settled during the second quarter were $10 million in 2024, compared to losses of $17 million in the same period in 2023. These amounts represent cash paid for premium expense, offset by any cash received from those hedges at settlement. In 2023, we suspended our crude oil hedge program. Our final option position will settle in the first quarter of 2025.

Non-fuel expenses

The table below provides the reconciliation of the operating expense line items, excluding fuel and special items. Significant operating expense variances from 2023 are more fully described below.

(in millions)	Three Months Ended June 30, 2024	2023	% Change
Wages and benefits	**$ 782**	$ 754	4 %
Variable incentive pay	**49**	57	(14)%
Aircraft maintenance	**129**	125	3 %
Aircraft rent	**46**	54	(15)%
Landing fees and other rentals	**173**	167	4 %
Contracted services	**106**	95	12 %
Selling expenses	**84**	81	4 %
Depreciation and amortization	**128**	113	13 %
Food and beverage service	**67**	60	12 %
Third-party regional carrier expense	**64**	54	19 %
Other	**186**	182	2 %
Total non-fuel operating expenses, excluding special items	**$ 1,814**	$ 1,742	4 %

Wages and benefits

Wages and benefits increased by $28 million, or 4%, in the second quarter of 2024. The primary components of Wages and benefits are shown in the following table:

(in millions)	Three Months Ended June 30, 2024	2023	% Change
Wages	**$ 592**	$ 576	3 %
Payroll taxes	**44**	44	— %
Medical and other benefits	**82**	77	6 %
Defined contribution plans	**57**	49	16 %
Pension - Defined benefit plans	**7**	8	(13)%
Total Wages and benefits	**$ 782**	$ 754	4 %

Wages increased $16 million, or 3%, driven by increased wage rates across multiple labor groups since the prior year. The increase was partially offset by certain nonrecurring stock awards granted in the second quarter of 2023.

The change in medical and other benefits was primarily driven by an increase in the cost of medical services compared to the prior year. Increased expense for defined contribution plans was driven by the change in wages as well as higher matching contributions for Alaska technicians.

Variable incentive pay

Variable incentive pay expense decreased by $8 million, or 14%, in the second quarter of 2024. The decrease was driven by a lower assumed payout percentage compared to the prior year, partially offset by an increased wage base.

Aircraft rent

Aircraft rent expense decreased by $8 million, or 15%, in the second quarter of 2024. The decrease was primarily driven by the retirement of ten leased A321neo aircraft fleet from operations since the second quarter of 2023.

Landing fees and other rentals

Landing fees and other rentals increased by $6 million, or 4%, in the second quarter of 2024. Landing fees increased due to the volume of departures and landed weight. Increases to terminal rents were primarily due to growth throughout the network, but were largely offset by favorable settlements received during the quarter from certain airports.

Contracted services

Contracted services increased by $11 million, or 12%, in the second quarter of 2024, driven by higher rates charged by vendors as well as increased passengers throughout our network.

Depreciation and amortization

Depreciation and amortization increased by $15 million, or 13%, in the second quarter of 2024. The increase was primarily due to the addition of 22 owned B737 aircraft and five owned E175 aircraft to our fleet since the second quarter of 2023, as well as incremental depreciation on ground service and other equipment additions.

Food and beverage service

Food and beverage service increased by $7 million, or 12%, in the second quarter of 2024. The increase was driven by a combination of growth in revenue passengers, additional onboard offerings, and higher costs for food, food service supplies, and transportation.

Third-party regional carrier expense

Third-party regional carrier expense, which represents expenses associated with SkyWest under the CPA with Alaska, increased by $10 million, or 19%, in the second quarter of 2024. The increase in third-party regional carrier expense was driven by increased SkyWest-operated departures and block hours.

Special items - operating

We recorded $146 million of operating special items in the second quarter of 2024, compared to $186 million in the same period in 2023. Refer to Note 12 to the consolidated financial statements for details.

ADDITIONAL SEGMENT INFORMATION

Refer to Note 11 to the consolidated financial statements for a detailed description of each segment. Below is a summary of each segment's results.

Mainline

Mainline reported a pretax profit of $387 million in the second quarter of 2024, compared to a pretax profit of $479 million in the same period in 2023. The $92 million decrease was driven by a $17 million decrease in passenger revenue, a $48 million increase in non-fuel operating expenses, and a $30 million increase in economic fuel expense.

Compared to the prior year, lower Mainline revenue is primarily attributable to weaker ticket yield, driven by a moderating domestic pricing environment. Non-fuel operating expenses increased, driven by higher wage rates across multiple labor groups and higher variable costs associated with overall network growth. Increased economic fuel cost was driven by higher per gallon costs and incremental fuel consumption.

Regional

Regional reported a pretax profit of $55 million in the second quarter of 2024, compared to a pretax profit of $41 million in the same period in 2023. The $14 million improvement was driven by higher passenger revenue consistent with the increase in traffic, partially offset by higher operating expenses associated with increased capacity.

Horizon

Horizon reported a pretax profit of $8 million in the second quarter of 2024, compared to a pretax loss of $5 million in the same period in 2023. The $13 million improvement was driven by increased revenue consistent with increased capacity sold to Alaska, partially offset by increased expenses driven by the addition of five owned E175 aircraft added to Horizon's fleet since the second quarter of 2023. Cost reductions resulting from Horizon's transition to single fleet also contributed to this improvement.

COMPARISON OF SIX MONTHS ENDED JUNE 30, 2024 TO SIX MONTHS ENDED JUNE 30, 2023

OPERATING REVENUE

Total operating revenue increased $95 million, or 2%, during the first six months of 2024 compared to the same period in 2023. The changes are summarized in the following table:

	Six Months Ended June 30,		
(in millions)	2024	2023	% Change
Passenger revenue	**$ 4,655**	$ 4,582	2 %
Mileage Plan other revenue	**338**	324	4 %
Cargo and other revenue	**136**	128	6 %
Total Operating Revenue	**$ 5,129**	$ 5,034	2 %

Passenger revenue

Passenger revenue for the first six months of 2024 increased by $73 million, or 2%, driven by increased passenger traffic. Traffic growth was due to increased gauge and departures throughout the network. Strength in premium class products and increased redemptions by Mileage Plan members on both Alaska and partner airlines also contributed to this increase. These improvements were offset by lost revenue from the B737-9 grounding as well as a moderating domestic revenue environment in the second quarter.

We expect to see Passenger revenue growth for the remainder of 2024 compared to 2023 as a result of capacity growth plans, strength in the premium cabins, and continued recovery of corporate travel.

Mileage Plan other revenue

Mileage Plan other revenue increased $14 million, or 4%, in the first six months of 2024. The increase was driven by higher commissions from bank card and third party partners.

We expect to see continued strength in Mileage Plan other revenue for the remainder of 2024, driven by higher commissions from increased card spend and acquisition bonuses, offset by incremental redemption on other air partners as compared to the prior year.

OPERATING EXPENSES

Total operating expenses increased $90 million, or 2%, compared to the first six months of 2023. We believe it is useful to summarize operating expenses as follows, which is consistent with the way expenses are reported internally and evaluated by management:

	Six Months Ended June 30,		
(in millions)	2024	2023	% Change
Fuel expense	**$ 1,180**	$ 1,238	(5)%
Non-fuel operating expenses, excluding special items	**3,613**	3,395	6 %
Special items - operating	**180**	250	(28)%
Total Operating Expenses	**$ 4,973**	$ 4,883	2 %

Fuel expense

Aircraft fuel expense decreased $58 million, or 5%, compared to the six months ended June 30, 2023. The elements of the change are illustrated in the table:

	Six Months Ended June 30,			
	2024		2023	
(in millions, except for per gallon amounts)	Dollars	Cost/Gal	Dollars	Cost/Gal
Raw or "into-plane" fuel cost	**$ 1,175**	**$ 2.89**	$ 1,188	$ 3.00
(Gain)/loss on settled hedges	**23**	**0.06**	29	0.07
Consolidated economic fuel expense	**$ 1,198**	**$ 2.95**	$ 1,217	$ 3.07
Mark-to-market fuel hedge adjustments	**(18)**	**(0.05)**	21	0.05
GAAP fuel expense	**$ 1,180**	**$ 2.90**	$ 1,238	$ 3.12
Fuel gallons		**406**		396

Raw fuel expense decreased 1% in the first six months of 2024 compared to the first six months of 2023. While fuel consumption and per gallon costs of crude oil were higher, these increases were more than offset by lower refining margins.

Economic fuel expense includes losses recognized for hedges that settled in the first six months of 2024 of $23 million, compared to losses of $29 million in the same period in 2023. These amounts represent cash paid for premium expense, offset by any cash received from those hedges at settlement.

We expect our economic fuel cost per gallon in the third quarter to range between $2.85 to $2.95.

Non-fuel expenses

	Six Months Ended June 30,		
(in millions)	2024	2023	% Change
Wages and benefits	**$ 1,586**	$ 1,477	7 %
Variable incentive pay	**93**	104	(11)%
Aircraft maintenance	**251**	249	1 %
Aircraft rent	**93**	113	(18)%
Landing fees and other rentals	**338**	319	6 %
Contracted services	**203**	190	7 %
Selling expenses	**161**	147	10 %
Depreciation and amortization	**254**	217	17 %
Food and beverage service	**125**	114	10 %
Third-party regional carrier expense	**118**	106	11 %
Other	**391**	359	9 %
Total non-fuel operating expenses, excluding special items	**$ 3,613**	$ 3,395	6 %

Wages and benefits

Wages and benefits increased by $109 million, or 7%, in the first six months of 2024. The primary components of wages and benefits are shown in the following table:

	Six Months Ended June 30,		
(in millions)	**2024**	**2023**	**% Change**
Wages	**$ 1,201**	$ 1,134	6 %
Payroll taxes	**88**	85	4 %
Medical and other benefits	**165**	143	15 %
Defined contribution plans	**118**	100	18 %
Pension - Defined benefit plans	**14**	15	(7)%
Total Wages and benefits	**$ 1,586**	$ 1,477	7 %

Wages increased $67 million, or 6%, driven by increased wage rates across multiple labor groups since the prior year, as well as additional impact from irregular operations following the B737-9 grounding in the first quarter of 2024. The increase was partially offset by nonrecurring stock awards granted in the second quarter of 2023. Increased expense for payroll taxes is consistent with the change in wages.

The change in medical and other benefits was primarily driven by an increase in the cost of medical services compared to the prior year. Increased expense for defined contribution plans was driven by the change in wages as well as higher matching contributions for Alaska technicians.

We expect to see higher wages and benefits for the remainder of 2024 due to the impact of the new contract for Alaska flight attendants as well as increases in wage rates for other labor groups.

Variable incentive pay

Variable incentive pay expense decreased by $11 million, or 11%, in the first six months of 2024. The decrease was driven by a lower assumed payout percentage compared to the prior year, partially offset by an increased wage base.

Aircraft rent

Aircraft rent expense decreased by $20 million, or 18%, in the first six months of 2024. The decrease was primarily driven by the retirement of ten leased A321neo aircraft from operations.

We expect aircraft rent will remain below 2023 levels for the remainder of 2024, due to the reduction in leased aircraft described above.

Landing fees and other rentals

Landing fees and other rentals increased by $19 million, or 6%, in the first six months of 2024. Higher terminal rent costs were due to rate and volume increases at many of our facilities. Landing fees increased due to the volume of departures and landed weight.

We expect landing fees and other rentals to increase for the remainder of 2024 as compared to 2023 due to higher rates at airports and a greater volume of flying.

Contracted services

Contracted services increased by $13 million, or 7%, in the first six months of 2024, driven by higher rates charged by vendors as well as increased passengers throughout our network.

We expect contracted services to increase for the remainder of 2024 as compared to 2023 due to the same factors described above.

Selling expenses

Selling expenses increased by $14 million, or 10%, in the first six months of 2024. The increase was driven by incremental credit card commissions and additional marketing costs.

We expect selling expenses to increase for the remainder of 2024 as compared to 2023, primarily due to incremental credit card commissions, partially offset by the timing of certain marketing campaigns in the respective years.

Depreciation and amortization

Depreciation and amortization increased by $37 million, or 17%, in the first six months of 2024. The increase was primarily due to the addition of 22 owned B737 aircraft and five owned E175 aircraft to our fleet since the second quarter of 2023, as well as incremental depreciation on ground service and other equipment additions.

We expect depreciation and amortization to increase for the remainder of 2024 as compared to 2023 due to incremental owned aircraft added to our fleet.

Food and beverage service

Food and beverage service increased by $11 million, or 10%, in the first six months of 2024. The increase was driven by a combination of additional onboard offerings and higher costs for food, food service supplies, and transportation.

We expect food and beverage service costs to increase for the remainder of 2024 as compared to 2023 due to the same factors described above.

Third-party regional carrier expense

Third-party regional carrier expense, which represents payments made to SkyWest under the CPA with Alaska, increased $12 million, or 11%, in the first six months of 2024. The increase was driven by incremental departures and block hours operated by SkyWest.

We expect third-party regional carrier expense will continue to be higher for the remainder of 2024 as compared to 2023 due to the same factors described above.

Other expense

Other expense increased $32 million, or 9%, in the first six months of 2024. The increase was primarily driven by passenger remuneration and crew hotel costs due to the B737-9 grounding. Additional software costs and other miscellaneous services also contributed to this increase.

We expect other expense will continue to be higher for the remainder of 2024 as compared to 2023 due to the same factors described above.

Special items - operating

We recorded $180 million of operating special items in the first six months of 2024, compared to $250 million in the same period in 2023. Refer to Note 12 to the consolidated financial statements for additional details.

ADDITIONAL SEGMENT INFORMATION

Refer to Note 11 to the consolidated financial statements for a detailed description of each segment. Below is a summary of each segment's results.

Mainline

Mainline reported a pretax profit of $225 million in the first six months of 2024, compared to a pretax profit of $395 million in the same period in 2023. The $170 million decrease was driven by a $172 million increase in non-fuel operating expenses, including increased wage rates across multiple labor groups and higher variable costs associated with overall network growth. The $50 million decrease in Mainline operating revenue also contributed to lower pretax profit, driven by decreased passenger revenue following the B737-9 grounding in the first quarter and decreased yield. A lower average per gallon fuel cost lessened the negative impact of these items.

Regional

Regional reported a pretax profit of $53 million in the first six months of 2024, compared to a pretax profit of $22 million in the same period in 2023. The $31 million improvement was driven by higher passenger revenue consistent with the increase in traffic, partially offset by higher operating expenses driven by increased capacity.

Horizon

Horizon reported a pretax profit of $13 million in the first six months of 2024, compared to a pretax loss of $19 million in the same period in 2023. The $32 million improvement was driven by incremental revenue consistent with increased capacity sold to Alaska, partially offset by increased expenses driven by the addition of five owned E175 aircraft added to Horizon's fleet since the second quarter of 2023. Cost reductions resulting from Horizon's transition to single fleet also contributed to this improvement.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity as of June 30, 2024 are:

- Existing cash and marketable securities of $2.5 billion;
- Cash flows from operations in the first six months of 2024 of $872 million;
- Combined bank line-of-credit facilities, with no outstanding borrowings, of $550 million;
- Our Mileage Plan program and 69 unencumbered aircraft which could be financed, if necessary.

During the three months ended June 30, 2024, we took free and clear delivery of six owned B737-9 aircraft and three owned B737-8 aircraft. We incurred new debt of $153 million and made debt payments of $47 million. We ended the quarter with a debt-to-capitalization ratio of 45%, within our target range of 40% to 50%.

In the second quarter, we continued share repurchases, spending $28 million, pursuant to the $1 billion repurchase plan authorized by the Board of Directors in August 2015. We also purchased a 600,000 square-foot facility in Renton, Washington for $86 million. Alaska plans to invest an additional $100 million to renovate the property, which will serve as the future home for our training programs and operational teams following completion of renovations in 2025.

We believe that our current cash and marketable securities balance, combined with available sources of liquidity, will be sufficient to fund our operations, meet our debt payment obligations, and remain in compliance with the financial debt covenants in existing financing arrangements for the foreseeable future.

In our cash and marketable securities portfolio, we invest only in securities that meet our primary investment strategy of maintaining and securing investment principal. The portfolio is managed by reputable firms that adhere to our investment policy that sets forth investment objectives, approved and prohibited investments, and duration and credit quality guidelines. Our policy, and the portfolio managers, are continually reviewed to ensure that the investments are aligned with our strategy.

The table below presents the major indicators of financial condition and liquidity:

(in millions)	June 30, 2024	December 31, 2023	Change
Cash and marketable securities	**$ 2,509**	$ 1,791	40 %
Cash, marketable securities, and unused lines of credit as a percentage of trailing twelve months' revenue	**29 %**	22 %	7 pts
Long-term debt, net of current portion	**2,313**	2,182	6%
Shareholders' equity	**$ 4,226**	$ 4,113	3%

Debt-to-capitalization, including operating and finance leases

(in millions)	June 30, 2024	December 31, 2023	Change
Long-term debt, net of current portion	**$ 2,313**	$ 2,182	6%
Capitalized operating leases	**1,203**	1,283	(6)%
Capitalized finance leases[(a)]	**—**	64	NM
Adjusted debt, net of current portion of long-term debt	**$ 3,516**	$ 3,529	—%
Shareholders' equity	**4,226**	4,113	3%
Total invested capital	**$ 7,742**	$ 7,642	1%
Debt-to-capitalization, including operating and finance leases	**45 %**	46 %	(1) pt

(a) To best reflect our leverage at December 31, 2023, we included our capitalized finance lease balances, which are recognized within the Current portion of long-term debt and finance leases line in the unaudited Condensed Consolidated Balance Sheets.

Adjusted net debt to earnings before interest, taxes, depreciation, amortization, special items, and rent

(in millions)	June 30, 2024	December 31, 2023
Current portion of long-term debt and finance leases	**$ 359**	$ 353
Current portion of operating lease liabilities	**153**	158
Long-term debt	**2,313**	2,182
Long-term operating lease liabilities, net of current portion	**1,050**	1,125
Total adjusted debt	**3,875**	3,818
Less: Cash and marketable securities	**2,509**	1,791
Adjusted net debt	**$ 1,366**	$ 2,027

(in millions)	Twelve Months Ended June 30, 2024	Twelve Months Ended December 31, 2023
GAAP Operating Income[(a)]	**$ 399**	$ 394
Adjusted for:		
Special items - operating	**373**	443
Mark-to-market fuel hedge adjustments	**(41)**	(2)
Depreciation and amortization	**488**	451
Aircraft rent	**188**	208
EBITDAR	**$ 1,407**	$ 1,494
Adjusted net debt to EBITDAR	**1.0x**	1.4x

(a) Operating Income can be reconciled using the trailing twelve month operating income as filed quarterly with the SEC.

ANALYSIS OF OUR CASH FLOWS

The following discussion summarizes the primary drivers of the increase in our cash and marketable securities balance.

Cash Provided by Operating Activities

For the first six months of 2024, cash provided by operating activities was $872 million, compared to cash provided by operating activities of $832 million in 2023. Cash provided by ticket sales and from our co-branded credit card agreement are the primary sources of our operating cash flow. Our primary use of operating cash flow is for operating expenses, including payments for employee wages and benefits, payments to suppliers for goods and services, and payments to lessors and airport authorities for rents and landing fees. Operating cash flow also includes payments to, or refunds from, federal, state, and local taxing authorities. The $40 million net increase in our operating cash flows was primarily due to a combination of changes in various working capital account balances.

Cash Used in Investing Activities

Cash used in investing activities was $135 million during the first six months of 2024, compared to cash used in investing activities of $479 million in 2023. In 2024, the Company received $162 million in supplier proceeds from Boeing related to the B737-9 grounding. The Company also received $180 million for the sale of certain owned aircraft and equipment. Total property and equipment expenditures decreased $47 million due to fewer deliveries of B737 aircraft in the first half of 2024 compared to 2023, and due to changes in contractual terms of our aircraft purchase deposit schedule with Boeing. This was partially offset by the purchase of a facility in Renton, Washington for $86 million in the second quarter of 2024. Finally, net sales of marketable securities decreased by $60 million compared to the prior year.

Cash Provided by (Used in) Financing Activities

Cash provided by financing activities was $87 million during the first six months of 2024, compared to cash used in financing activities of $165 million in 2023. The increase was driven by $279 million in new debt proceeds in 2024 compared to zero in 2023, partially offset by increased cash used in other financing activities, of which the settlement of the final A321neo finance lease was the largest component.

MATERIAL CASH COMMITMENTS

Material cash requirements include the following contractual and other obligations.

Aircraft Commitments

As of June 30, 2024, Alaska had firm orders to purchase 72 B737 aircraft with deliveries between 2024 and 2027. Alaska also had rights for 105 additional B737 aircraft through 2030.

Boeing has communicated to Alaska that certain B737 aircraft are expected to be delivered later than the contracted delivery dates. This includes certain B737-8 and B737-9 aircraft contracted for delivery in 2024 that have been moved to 2025, as well as certain B737-10 aircraft contracted for delivery in 2025 that have been moved to 2026, pending certification of the B737-10. We have incorporated these adjustments in the tables below, however, management expects that additional Boeing aircraft deliveries may also be delayed beyond what is depicted in the tables.

As of June 30, 2024, Horizon had commitments to purchase six E175 aircraft with deliveries between 2025 and 2026. Horizon also had options to acquire four E175 aircraft in 2026, two of which expired subsequent to quarter end.

Options will be exercised only if we believe return on invested capital targets can be met over the long term.

The following table summarizes our fleet plan based on contractual terms, with adjustments to reflect delivery delays as communicated by Boeing:

	Actual Fleet	Anticipated Fleet Activity					
Aircraft	June 30, 2024	2024 Changes	Dec 31, 2024	2025 Changes	Dec 31, 2025	2026 Changes	Dec 31, 2026
B737-700 Freighters	3	—	3	—	3	—	3
B737-800 Freighters	2	—	2	—	2	—	2
B737-700	11	—	11	—	11	—	11
B737-800	59	—	59	—	59	—	59
B737-900	12	(6)	6	(6)	—	—	—
B737-900ER	79	—	79	—	79	—	79
B737-8	4	1	5	15	20	—	20
B737-9	70	8	78	2	80	—	80
B737-10	—	—	—	—	—	21	21
Total Mainline Fleet	**240**	**3**	**243**	**11**	**254**	**21**	**275**
E175 operated by Horizon	44	—	44	3	47	3	50
E175 operated by third party	42	—	42	1	43	—	43
Total Regional Fleet	**86**	**—**	**86**	**4**	**90**	**3**	**93**
Total	**326**	**3**	**329**	**15**	**344**	**24**	**368**

Fuel Hedge Positions

In 2023, we suspended our crude oil hedge program. Existing positions entered into before suspension of the program will settle through the first quarter of 2025. All future oil positions are call options, which are designed to effectively cap the cost of the crude oil component of our jet fuel purchases. With call options, we are hedged against volatile crude oil price increases and, during a period of decline in crude oil prices, we only forfeit cash previously paid for hedge premiums. Prior to suspension, our program was designed to hedge on up to 50% of our expected consumption. Our crude oil positions are as follows:

	Approximate % of Expected Fuel Requirements	Weighted-Average Crude Oil Price per Barrel	Average Premium Cost per Barrel
Third Quarter of 2024	30 %	$88	$5
Fourth Quarter of 2024	20 %	$87	$5
Rest of Year 2024	**25 %**	**$88**	**$5**
First Quarter of 2025	10 %	$92	$5
Full Year 2025	**2 %**	**$92**	**$5**

Contractual Obligations

The following table provides a summary of our obligations as of June 30, 2024. For agreements with variable terms, amounts included reflect our minimum obligations.

(in millions)	Remainder of 2024	2025	2026	2027	2028	Beyond 2028	Total
Debt obligations	$ 164	$ 385	$ 342	$ 666	$ 176	$ 953	$ 2,686
Lease commitments[a]	114	204	203	196	187	678	1,582
Aircraft-related commitments[b]	864	1,064	1,186	1,100	151	715	5,080
Interest obligations[c]	74	129	124	119	59	122	627
CPA and other obligations	119	242	235	231	234	658	1,719
Total	$ 1,335	$ 2,024	$ 2,090	$ 2,312	$ 807	$ 3,126	$ 11,694

(a) Lease commitments include minimum payments for aircraft (operating and non-operating) with associated operating leases, as we have remaining cash obligations under existing terms. It also includes minimum lease payments for facilities.
(b) Includes contractual commitments for aircraft, engines, and aircraft maintenance. Option deliveries are excluded from minimum commitments until exercise.
(c) For variable-rate debt, future obligations are shown above using interest rates forecast as of June 30, 2024.

Debt Obligations and Interest Obligations

The Company primarily issues debt to fund purchases of aircraft or other capital expenditures. At June 30, 2024, our debt portfolio carries a weighted average interest rate of 4.7%. Interest is paid with regular debt service. At June 30, 2024, debt service obligations remaining in 2024 are expected to be approximately $238 million, inclusive of interest and principal. Refer to Note 5 to the consolidated financial statements for further discussion of our debt and interest balances.

CPA and Other Obligations

We have obligations primarily associated with our capacity purchase agreements between Alaska and SkyWest, as well as other various sponsorship agreements and investment commitments.

Leased Aircraft Return Costs

For leased aircraft, contractual terms require us to return the aircraft in a specified state. As a result of these contractual terms, we incur significant costs to return these aircraft at the termination of the lease. Costs to return leased aircraft are accrued when the costs are probable and reasonably estimable, usually over the twelve months prior to the lease return or any expected early retirement date, unless a determination is made to remove the leased asset from operation. If the leased aircraft is removed from the operating fleet, the estimated cost to return is accrued at the time of removal. Lease return accrual estimates are based on the time remaining on the lease and the provisions included in the lease agreement, although the actual amount due to any lessor upon return may not be known with certainty until lease termination. At June 30, 2024, $94 million is accrued for lease returns, and classified within Other accrued liabilities in the consolidated balance sheets.

Credit Card Agreements

Alaska has agreements with a number of credit card companies to process the sale of tickets and other services. Under these agreements, there are material adverse change clauses that, if triggered, could result in the credit card companies holding back a reserve from our credit card receivables. Under one such agreement, we could be required to maintain a reserve if our credit rating is downgraded to or below a rating specified by the agreement or our cash and marketable securities balance fell below $500 million. Under another such agreement, we could be required to maintain a reserve if our cash and marketable securities balance fell below $500 million. We are not currently required to maintain any reserve under these agreements, but if we were, our financial position and liquidity could be materially harmed.

Sustainability Commitments

As part of our efforts to reach net-zero carbon emissions by 2040, we have outlined a five-part path that includes operational efficiency, fleet renewal, sustainable aviation fuel (SAF), investing in new technologies, and using credible offsetting and removal technologies to close the gaps to our emissions target in future years. We anticipate these efforts will require cash outlays, not all of which are reflected in our contractual commitments. Finding and establishing relationships with suppliers to meet these commitments is in process. Currently, Alaska has certain agreements to purchase SAF to be delivered in the coming years. These agreements are dependent on suppliers' ability to obtain all required governmental and regulatory approvals, achieve commercial operation, and produce sufficient quantities of SAF. Financial commitments that have been contractually established and have defined minimum obligations, including those related to Alaska Star Ventures, are included within the CPA and other obligations row in the above table.

Income Taxes

For federal income tax purposes, the majority of our property and equipment are fully depreciated over a seven-year life using an accelerated depreciation method or bonus depreciation, if available. For financial reporting purposes, the majority of our assets are depreciated over 15 to 25 years to an estimated salvage value using the straight-line basis. This difference has created a significant deferred tax liability. At some point in the future, the property and equipment difference will reverse into taxable income, potentially resulting in an increase in income taxes payable.

While it is possible that we could have material cash obligations for this deferred liability at some point in the future, we cannot estimate the timing of long-term cash flows with reasonable accuracy. Taxable income and cash taxes payable in the short term are impacted by many items, including the amount of book income generated (which can be volatile depending on revenue and fuel prices, among other factors out of our control), whether bonus depreciation provisions are available, as well as other legislative changes beyond our control. We believe we have the liquidity to make our future tax payments.

Proposed Acquisition of Hawaiian Holdings Inc.

On December 2, 2023, the Company entered into a definitive agreement to acquire Hawaiian Holdings, Inc. (Hawaiian). The Company has agreed to pay Hawaiian's shareholders $18.00 per share, or approximately $1.0 billion, in cash for the outstanding shares of Hawaiian. In addition, the Company expects to assume Hawaiian's debt and lease obligations on the date of acquisition. The acquisition is dependent on approval by various regulatory bodies and other customary closing conditions. The Company expects to fund this acquisition through a combination of existing cash and marketable securities, new debt, as well as other available sources of liquidity.

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to our critical accounting estimates during the three and six months ended June 30, 2024. For information regarding our critical accounting estimates, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2023.

GLOSSARY OF TERMS

Adjusted net debt - long-term debt, including current portion, plus capitalized operating and finance leases, less cash and marketable securities

Adjusted net debt to EBITDAR - represents net adjusted debt divided by EBITDAR (trailing twelve months earnings before interest, taxes, depreciation, amortization, special items and rent)

Aircraft Utilization - block hours per day; this represents the average number of hours per day our aircraft are in transit

Aircraft Stage Length - represents the average miles flown per aircraft departure

ASMs - available seat miles, or “capacity”; represents total seats available across the fleet multiplied by the number of miles flown

CASM - operating costs per ASM; represents all operating expenses including fuel, freighter costs, and special items

CASMex - operating costs excluding fuel, freighter costs, and special items per ASM, or "unit cost"

Debt-to-capitalization ratio - represents adjusted debt (long-term debt plus capitalized operating and finance lease liabilities) divided by total equity plus adjusted debt

Diluted Earnings per Share - represents earnings per share (EPS) using fully diluted shares outstanding

Diluted Shares - represents the total number of shares that would be outstanding if all possible sources of conversion, such as stock options, were exercised

Economic Fuel - best estimate of the cash cost of fuel, net of the impact of our fuel-hedging program

Freighter Costs - operating expenses directly attributable to the operation of Alaska's Boeing 737 freighter aircraft exclusively performing cargo missions

Load Factor - RPMs as a percentage of ASMs; represents the number of available seats that were filled with paying passengers

Mainline - represents flying Boeing 737, Airbus A320, and Airbus A321neo jets and all associated revenue and costs

PRASM - passenger revenue per ASM, or "passenger unit revenue"

RASM - operating revenue per ASMs, or "unit revenue"; operating revenue includes all passenger revenue, freight & mail, Mileage Plan and other ancillary revenue; represents the average total revenue for flying one seat one mile

Regional - represents capacity purchased by Alaska from Horizon and SkyWest. Financial results in this segment include actual on-board passenger revenue, less costs such as fuel, distribution costs, and payments made to Horizon and SkyWest under the respective capacity purchased arrangement (CPA). Additionally, Regional includes an allocation of corporate overhead such as IT, finance, and other administrative costs incurred by Air Group and on behalf of Horizon

RPMs - revenue passenger miles, or "traffic"; represents the number of seats that were filled with paying passengers; one passenger traveling one mile is one RPM

Yield - passenger revenue per RPM; represents the average revenue for flying one passenger one mile

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in Item 7A. “Quantitative and Qualitative Disclosure About Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of June 30, 2024, an evaluation was performed under the supervision and with the participation of our management, including our chief executive officer and chief financial officer (collectively, our “certifying officers”), of the effectiveness of the design and operation of our disclosure controls and procedures. These disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in our periodic reports filed with or submitted to the Securities and Exchange Commission (the SEC) is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and includes, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to our management, including our certifying officers, as appropriate, to allow timely decisions regarding required disclosure. Our certifying officers concluded, based on their evaluation, that disclosure controls and procedures were effective as of June 30, 2024.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal controls over financial reporting during the quarter ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Our internal control over financial reporting is based on the 2013 framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Framework).

PART II

ITEM 1. LEGAL PROCEEDINGS

See Note 7 to the condensed consolidated financial statements within Part I, Item 1 of this document for a discussion of the Company's ongoing legal proceedings.

ITEM 1A. RISK FACTORS

See Part I, Item 1A. "Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2023 for a detailed discussion of risk factors affecting Alaska Air Group.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

This table provides certain information with respect to our purchases of shares of our common stock during the second quarter of 2024.

	Total Number of Shares Purchased	Average Price Paid per Share	Maximum remaining dollar value of shares that can be purchased under the plan (in millions)
April 1, 2024 - April 30, 2024	225,427	43.11	
May 1, 2024 - May 31, 2024	228,850	42.97	
June 1, 2024 - June 30, 2024	208,900	41.07	
Total	663,177	$ 42.42	$ 262

The shares were purchased pursuant to a $1 billion repurchase plan authorized by the Board of Directors in August 2015.

As of June 30, 2024, a total of 1,882,517 shares of the Company’s common stock have been issued to Treasury in connection with the Payroll Support Program. Each warrant is exercisable at a strike price of $31.61 (928,126 shares related to PSP1), $52.25 (305,499 shares related to PSP2), and $66.39 (221,812 shares related to PSP3) per share of common stock. An additional 427,080 warrants were issued in conjunction with a draw on the CARES Act Loan in 2020 at a strike price of $31.61. These warrants are non-voting, freely transferable, may be settled as net shares or in cash at the Company's option, and have a five-year term. Such warrants were issued to Treasury in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”). The warrants were sold at auction in the second quarter of 2024 to a third party investor.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

During the three months ended June 30, 2024, no director or officer of Alaska Air Group adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement, as such terms are defined in Item 408(a) of Regulation S-K promulgated under the Securities Exchange Act of 1934.

ITEM 6. EXHIBITS

The following documents are filed as part of this report:

1. *Exhibits:* See Exhibit Index.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number
3.1	Amended and Restated Certificate of Incorporation of Registrant	10-Q	August 3, 2017	3.1
3.2	Amended and Restated Bylaws of Registrant	8-K	December 15, 2015	3.2
10.1#†	Supplemental Agreement No. 24 to Purchase Agreement No. 3866 between the Boeing Company and Alaska Airlines Inc.	10-Q		
31.1†	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	10-Q		
31.2†	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	10-Q		
32.1†	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	10-Q		
32.2†	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	10-Q		
101.INS†	XBRL Instance Document - The instance document does not appear in the interactive data file because XBRL tags are embedded within the inline XBRL document.			
101.SCH†	XBRL Taxonomy Extension Schema Document			
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document			
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document			
104†	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			

† Filed herewith

* Indicates management contract or compensatory plan or arrangement.

Certain portions of this document that constitute confidential information have been redacted in accordance with Regulation S-K Item 601(b)(10).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALASKA AIR GROUP, INC.

/s/ EMILY HALVERSON

Emily Halverson

Vice President Finance, Controller, and Treasurer

August 2, 2024

Supplemental Agreement No. 24

to

Purchase Agreement No. 3866

between

The Boeing Company

and

Alaska Airlines, Inc.

Relating to Boeing Models 737-8, 737-9, and 737-10 Aircraft

THIS SUPPLEMENTAL AGREEMENT NO. 24 (**SA-24**), entered into as of June 25, 2024, is by and between THE BOEING COMPANY (**Boeing**) and ALASKA AIRLINES, INC. (**Customer**) (Boeing and Customer collectively, **Parties**). All capitalized terms used but not defined herein shall have the same meaning as in the Purchase Agreement.

WHEREAS, the Parties hereto entered into Purchase Agreement No. 3866 dated October 10, 2012 (as amended and supplemented, **Purchase Agreement**) relating to, among other things, Boeing model 737-8 aircraft (**737-8 Aircraft**), Boeing model 737-9 aircraft (**737-9 Aircraft**) and Boeing model 737-10 aircraft (**737-10 Aircraft**), (collectively, **Aircraft**); and

WHEREAS, Customer and Boeing have agreed to update and amend the Purchase Agreement to purchase (1) incremental 737-10 Aircraft.

NOW THEREFORE, in consideration of the mutual covenants herein contained, the Parties agree to amend the Purchase Agreement as follows:

1. <u>Table of Contents</u>

▪ The “Table of Contents” in the Purchase Agreement is hereby deleted in its entirety and replaced with the revised Table of Contents, attached hereto and incorporated into the Purchase Agreement, to reflect the changes made in this SA-24.

2. Tables and Supplemental Exhibits.

- The Tables and Supplemental Exhibits in the Purchase Agreement are amended as set forth, to incorporate and reflect the changes made in this SA-24.

1.1 A new Table [* * *] "Incremental 737-10 Aircraft" attached hereto is incorporated into the Purchase Agreement to reflect the addition of one (1) incremental 737-10 Aircraft and references this SA-24.

1.2 Supplemental Exhibit [* * *] in the Purchase Agreement, entitled "Buyer Furnished Equipment Variables," is hereby deleted in its entirety and replaced with the revised Supplemental Exhibit [* * *], attached hereto and incorporated into the Purchase Agreement.

1.3 Supplemental Exhibit [* * *] in the Purchase Agreement, entitled "Engine Escalation Engine Warranty and Patent Indemnity," is hereby deleted in its entirety and replaced with the revised Supplemental Exhibit [* * *], attached hereto and incorporated into the Purchase Agreement.

2.1 Exhibit A-9 in the Purchase Agreement, entitled "Aircraft Configuration 737-10 is hereby deleted in its entirety and replaced with a revised Exhibit A-9 attached hereto.

3. Letter Agreement.

3.1 Letter Agreement [* * *], entitled "Seller Purchased Equipment," is hereby deleted in its entirety and replaced with a revised Letter Agreement [* * *], attached hereto, to incorporate 737-10 aircraft.

3.2 Letter Agreement [* * *], entitled "Demonstration Flight Waiver," is hereby deleted in its entirety and replaced with a revised Letter Agreement [* * *], attached hereto, to incorporate 737-10 aircraft.

3.3 Letter Agreement [* * *], entitled "AGTA Matters," is hereby deleted in its entirety and replaced with a revised Letter Agreement [* * *], attached hereto, to incorporate 737-10 aircraft.

3.4 Letter Agreement [* * *], entitled "Special Matters" is hereby deleted in its entirety and replaced with a revised Letter Agreement [* * *], attached hereto, to reflect the addition of (1) incremental 737-10 Aircraft.

3.5 Letter Agreement [* * *], entitled "Aircraft Model Substitution" is hereby deleted in its entirety and replaced with a revised Letter Agreement [* * *], attached hereto, to reflect substitution rights for 737-10 Aircraft.

3.6 Letter Agreement [* * *], entitled "Liquidated Damages – Non-Excusable Delay," is hereby deleted in its entirety and replaced with a revised Letter Agreement [* * *], attached hereto, [* * *]

3.7 Letter Agreement [* * *], entitled "Extended Operations (ETOPS) Matters," is hereby deleted in its entirety and replaced with a revised Letter Agreement [* * *], attached hereto, to incorporate 737-10 aircraft.

3.8 Letter Agreement [* * *], entitled "Advance Payment Matters" is hereby deleted in its entirety and replaced with a revised Letter Agreement [* * *], attached hereto, to reflect the addition of one (1) incremental 737-10 Aircraft.

3.9 Letter Agreement [* * *], entitled "Open Matters – 737-8 and 737-10 Aircraft" is hereby deleted in its entirety and replaced with a revised Letter Agreement [* * *], attached hereto, to reflect current configuration status related to 737-8 and 737-10 aircraft.

4. Miscellaneous.

4.1 [* * *]

4.2 [* * *]

EXECUTED IN DUPLICATE as of the day and year first written above and below.

THE BOEING COMPANY

By __________________________________

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: __________________________________

ALASKA AIRLINES, INC.

By __________________________________

Its SVP Fleet, Revenue Products and Real Estate

EXHIBIT 31.1

CERTIFICATIONS

I, Benito Minicucci, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alaska Air Group, Inc. for the period ended June 30, 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ BENITO MINICUCCI

Benito Minicucci

President and Chief Executive Officer

August 2, 2024

EXHIBIT 31.2

CERTIFICATIONS

I, Shane R. Tackett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alaska Air Group, Inc. for the period ended June 30, 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ SHANE R. TACKETT

Shane R. Tackett

Executive Vice President/Finance and Chief Financial Officer

August 2, 2024

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Alaska Air Group, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Benito Minicucci, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By /s/ BENITO MINICUCCI

Benito Minicucci

Chief Executive Officer

August 2, 2024

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Alaska Air Group, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Shane R. Tackett, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By /s/ SHANE R. TACKETT

Shane R. Tackett

Executive Vice President/Finance and Chief Financial Officer

August 2, 2024