# 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, 2026

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 had 111,603,120 common shares, par value $0.01, outstanding at July 31, 2026.

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, 2026**

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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., Hawaiian Holdings, Inc., and Horizon Air Industries, Inc. are referred to as "Alaska," "Hawaiian," and "Horizon" and together as our "airlines."**

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

In addition to historical information, this Quarterly Report on 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. Other than as required by law, 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 risks and uncertainties that may cause our forward-looking statements to differ materially, see Item 1A. "Risk Factors" within the Company's Annual Report on Form 10-K for the year ended December 31, 2025. Some of these risks include competition; labor costs, relations, and availability; general economic conditions; increases in operating costs, including fuel; uncertainties regarding the ability to successfully integrate operations following the acquisition of Hawaiian Holdings, Inc., and the ability to realize anticipated cost savings, synergies, or growth from the acquisition; inability to meet cost reduction and other strategic goals; seasonal fluctuations in demand and financial results; supply chain risks; events that negatively impact aviation safety and security; cybersecurity risks; 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, except share amounts)* | June 30, 2026 | December 31, 2025 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | **$ 1,064** | $ 627 |
| Restricted cash | **33** | 28 |
| Marketable securities | **1,598** | 1,496 |
| Receivables - net | **681** | 565 |
| Inventories and supplies - net | **253** | 203 |
| Prepaid expenses | **261** | 278 |
| Other current assets | **46** | 69 |
| **Total Current Assets** | **3,936** | 3,266 |
| Property and equipment - net of accumulated depreciation and amortization of $5,205 and $4,945 | **12,009** | 11,857 |
| Operating lease assets | **1,345** | 1,268 |
| Goodwill | **2,723** | 2,723 |
| Intangible assets - net of accumulated amortization of $102 and $74 | **787** | 815 |
| Other noncurrent assets | **446** | 432 |
| **Total Noncurrent Assets** | **17,310** | 17,095 |
| **Total Assets** | **$ 21,246** | $ 20,361 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Accounts payable | **$ 403** | $ 324 |
| Accrued wages, vacation and payroll taxes | **727** | 881 |
| Air traffic liability | **2,398** | 1,689 |
| Other accrued liabilities | **1,217** | 1,055 |
| Deferred revenue | **1,778** | 1,722 |
| Current portion of long-term debt and finance leases | **452** | 721 |
| Current portion of operating lease liabilities | **217** | 197 |
| **Total Current Liabilities** | **7,192** | 6,589 |
| Long-term debt and finance leases, net of current portion | **5,783** | 4,834 |
| Operating lease liabilities, net of current portion | **1,164** | 1,141 |
| Deferred income taxes | **739** | 1,004 |
| Deferred revenue | **1,752** | 1,711 |
| Obligation for pension and post-retirement medical benefits | **349** | 369 |
| Other liabilities | **597** | 595 |
| **Total Noncurrent Liabilities** | **10,384** | 9,654 |
| **Commitments and Contingencies (Note 6)** | | |
| **Shareholders' Equity** | | |
| Preferred stock, $0.01 par value, Authorized: 5,000,000 shares, none issued or outstanding | **—** | — |
| Common stock, $0.01 par value, Authorized: 400,000,000 shares, Issued: 2026 - 147,087,872 shares; 2025 - 145,115,659 shares, Outstanding: 2026 - 111,566,970 shares; 2025 - 115,530,889 shares | **1** | 1 |
| Capital in excess of par value | **1,034** | 961 |
| Treasury stock (common), at cost: 2026 - 35,520,902 shares; 2025 - 29,584,770 shares | **(1,951)** | (1,701) |
| Accumulated other comprehensive loss | **(175)** | (173) |
| Retained earnings | **4,761** | 5,030 |
| **Total Shareholders' Equity** | **3,670** | 4,118 |
| **Total Liabilities and Shareholders' Equity** | **$ 21,246** | $ 20,361 |

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS *(unaudited)*

| *(in millions, except per share amounts)* | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2026** | **2025** | **2026** | **2025** |
| **Operating Revenue** | | | | |
| Passenger revenue | **$ 3,644** | $ 3,355 | **$ 6,564** | $ 6,163 |
| Loyalty program other revenue | **258** | 210 | **485** | 417 |
| Cargo and other revenue | **163** | 139 | **316** | 261 |
| **Total Operating Revenue** | **4,065** | 3,704 | **7,365** | 6,841 |
| | | | | |
| **Operating Expenses** | | | | |
| Wages and benefits | **1,239** | 1,165 | **2,481** | 2,292 |
| Variable incentive pay | **65** | 61 | **95** | 123 |
| Aircraft fuel | **1,305** | 700 | **2,101** | 1,381 |
| Aircraft maintenance | **256** | 240 | **472** | 460 |
| Aircraft rent | **64** | 64 | **125** | 126 |
| Landing fees and other rentals | **305** | 278 | **596** | 520 |
| Contracted services | **158** | 146 | **309** | 291 |
| Selling expenses | **115** | 105 | **214** | 205 |
| Depreciation and amortization | **207** | 199 | **411** | 393 |
| Food and beverage service | **107** | 97 | **202** | 182 |
| Third-party regional carrier expense | **68** | 69 | **124** | 133 |
| Other | **302** | 247 | **605** | 508 |
| Special items - operating | **42** | 56 | **77** | 147 |
| **Total Operating Expenses** | **4,233** | 3,427 | **7,812** | 6,761 |
| **Operating Income (Loss)** | **(168)** | 277 | **(447)** | 80 |
| | | | | |
| **Non-operating Income (Expense)** | | | | |
| Interest income | **21** | 22 | **40** | 48 |
| Interest expense | **(86)** | (66) | **(162)** | (132) |
| Interest capitalized | **13** | 9 | **23** | 21 |
| Other - net | **6** | (4) | **15** | (12) |
| **Total Non-operating Expense** | **(46)** | (39) | **(84)** | (75) |
| **Income (Loss) Before Income Tax** | **(214)** | 238 | **(531)** | 5 |
| Income tax expense (benefit) | **(138)** | 66 | **(262)** | (1) |
| **Net Income (Loss)** | **$ (76)** | $ 172 | **$ (269)** | $ 6 |
| | | | | |
| **Basic Earnings (Loss) Per Share:** | **$ (0.68)** | $ 1.45 | **$ (2.39)** | $ 0.05 |
| **Diluted Earnings (Loss) Per Share:** | **$ (0.68)** | $ 1.42 | **$ (2.39)** | $ 0.05 |
| Weighted Average Shares Outstanding used for computation: | | | | |
| Basic | **111.127** | 118.847 | **112.702** | 120.979 |
| Diluted | **111.127** | 120.930 | **112.702** | 123.183 |

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS *(unaudited)*

| *(in millions)* | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2026** | **2025** | **2026** | **2025** |
| **Net Income (Loss)** | **$ (76)** | $ 172 | **$ (269)** | $ 6 |
| Other comprehensive income (loss), net of tax | | | | |
| Marketable securities | **(3)** | 6 | **(9)** | 15 |
| Employee benefit plans | **—** | 2 | **—** | 4 |
| Interest rate derivative instruments | **4** | (2) | **7** | (8) |
| Total other comprehensive income (loss), net of tax | **$ 1** | $ 6 | **$ (2)** | $ 11 |
| | | | | |
| **Total Comprehensive Income (Loss), Net of Tax** | **$ (75)** | $ 178 | **$ (271)** | $ 17 |

## 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, 2025 | *115.531* | $ 1 | $ 961 | $ (1,701) | $ (173) | $ 5,030 | $ 4,118 |
| Net loss | — | — | — | — | — | (193) | (193) |
| Other comprehensive loss | — | — | — | — | (3) | — | (3) |
| Common stock repurchase | *(4.687)* | — | — | (203) | — | — | (203) |
| Stock-based compensation | — | — | 24 | — | — | — | 24 |
| Stock issued under stock plans | *0.516* | — | (12) | — | — | — | (12) |
| **Balance at March 31, 2026** | ***111.360*** | **$ 1** | **$ 973** | **$ (1,904)** | **$ (176)** | **$ 4,837** | **$ 3,731** |
| Net loss | — | — | — | — | — | (76) | (76) |
| Other comprehensive income | — | — | — | — | 1 | — | 1 |
| Common stock repurchase | *(1.249)* | — | — | (47) | — | — | (47) |
| Stock-based compensation | *0.033* | — | 20 | — | — | — | 20 |
| Stock issued for employee stock purchase plan | *1.310* | — | 43 | — | — | — | 43 |
| Stock issued under stock plans | *0.113* | — | (2) | — | — | — | (2) |
| **Balance at June 30, 2026** | ***111.567*** | **$ 1** | **$ 1,034** | **$ (1,951)** | **$ (175)** | **$ 4,761** | **$ 3,670** |

| *(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, 2024 | *123.119* | $ 1 | $ 811 | $ (1,131) | $ (239) | $ 4,930 | $ 4,372 |
| Net loss | — | — | — | — | — | (166) | (166) |
| Other comprehensive income | — | — | — | — | 5 | — | 5 |
| Common stock repurchase | *(1.766)* | — | — | (107) | — | — | (107) |
| Stock-based compensation | *0.005* | — | 22 | — | — | — | 22 |
| CARES Act warrant issuance | *0.810* | — | — | — | — | — | — |
| Stock issued under stock plans | *0.717* | — | 11 | — | — | — | 11 |
| **Balance at March 31, 2025** | ***122.885*** | **$ 1** | **$ 844** | **$ (1,238)** | **$ (234)** | **$ 4,764** | **$ 4,137** |
| Net income | — | — | — | — | — | 172 | 172 |
| Other comprehensive income | — | — | — | — | 6 | — | 6 |
| Common stock repurchase | *(8.721)* | — | — | (428) | — | — | (428) |
| Stock-based compensation | *0.009* | — | 17 | — | — | — | 17 |
| Stock issued for employee stock purchase plan | *1.023* | — | 39 | — | — | — | 39 |
| Stock issued under stock plans | *0.080* | — | (1) | — | — | — | (1) |
| **Balance at June 30, 2025** | ***115.276*** | **$ 1** | **$ 899** | **$ (1,666)** | **$ (228)** | **$ 4,936** | **$ 3,942** |

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

| *(in millions)* | Six Months Ended June 30, 2026 | 2025 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Net Income (Loss) | **$ (269)** | $ 6 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | **411** | 393 |
| Stock-based compensation and other | **42** | 10 |
| Non-cash special items | **—** | 52 |
| Changes in certain assets and liabilities: | | |
| Changes in deferred income taxes | **(262)** | 1 |
| Increase in accounts receivable | **(119)** | (171) |
| Increase in air traffic liability | **709** | 415 |
| Increase in deferred revenue | **97** | 216 |
| Other - net | **(3)** | (87) |
| **Net cash provided by operating activities** | **606** | 835 |
| **Cash Flows from Investing Activities:** | | |
| Property and equipment additions | | |
| Aircraft, aircraft purchase deposits, and other flight equipment | **(415)** | (613) |
| Other property and equipment | **(108)** | (128) |
| Purchases of marketable securities | **(872)** | (844) |
| Sales and maturities of marketable securities | **761** | 765 |
| Other investing activities | **(1)** | 73 |
| **Net cash used in investing activities** | **(635)** | (747) |
| **Cash Flows from Financing Activities:** | | |
| Proceeds from issuance of long-term debt, net of issuance costs | **1,099** | 168 |
| Long-term debt payments | **(405)** | (236) |
| Common stock repurchases | **(250)** | (535) |
| Other financing activities | **28** | 59 |
| **Net cash provided by (used in) financing activities** | **472** | (544) |
| Net increase (decrease) in cash and cash equivalents | **443** | (456) |
| Cash, cash equivalents, and restricted cash at beginning of period | **684** | 1,257 |
| **Cash, cash equivalents, and restricted cash at end of period** | **$ 1,127** | $ 801 |
| | | |
| **Supplemental disclosure:** | | |
| Cash paid during the period for: | | |
| Interest, net of amount capitalized | **$ 114** | $ 108 |
| Non-cash transactions: | | |
| Right-of-use assets acquired through operating leases | **$ 174** | $ 74 |
| Property and equipment acquired through the issuance of debt | **$ 48** | $ 69 |
| | | |
| **Reconciliation of cash, cash equivalents, and restricted cash:** | | |
| Cash and cash equivalents | **$ 1,064** | $ 750 |
| Restricted cash | **33** | 28 |
| Restricted cash included in Other noncurrent assets | **30** | 23 |
| **Total cash, cash equivalents, and restricted cash at end of period** | **$ 1,127** | $ 801 |

## 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 Alaska Air Group (Air Group, or "the Company"), and its primary subsidiaries, Alaska Airlines, Inc. (Alaska), Horizon Air Industries, Inc. (Horizon), and Hawaiian Holdings, Inc. (Hawaiian). 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 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 Form 10-K for the year ended December 31, 2025. In the opinion of management, all adjustments have been made that are necessary to fairly present the Company's financial position and results of operations for the interim periods presented. 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, 2026 are not necessarily indicative of operating results for the entire year.

#### *Segment reporting*

Operating segments are defined as components of an enterprise for which separate financial information is available and regularly reviewed by the chief operating decision maker (CODM) in deciding how to allocate resources and in assessing performance. During the first quarter of 2026, the Company's reportable segments changed because of changes in the business, organizational structure, and financial information reviewed by the CODM.

In the second half of 2025, several integration milestones were completed which resulted in the combination of a significant portion of Alaska and Hawaiian teams, technology, and processes. Additionally, changes were made in the Company's leadership structure to support the integration of the businesses. As a result, changes were made to financial information reviewed by the CODM in the first quarter of 2026, which now reflects a single consolidated segment.

Air Group's CODM is its President and CEO. Air Group's operating subsidiaries operate Boeing, Airbus, and Embraer aircraft to provide domestic and international service to destinations in North America, Latin America, Asia, the Pacific, and beginning in 2026, Europe. The comprehensive network, scheduling system, and fleets are managed in an integrated manner, enabling the Company to maximize the value of the route network and consolidated financial results. When making decisions about the route network, the CODM evaluates flight profitability data, which considers aircraft type and route economics. The CODM assesses business performance and makes resource allocation decisions based on net income as reported in the Company's consolidated statement of operations. Within the consolidated statement of operations, Other expenses include miscellaneous personnel, software, and services costs. The measure of segment assets is reported on the consolidated balance sheets as Total assets.

#### *Recent accounting pronouncements*

In May 2026, the FASB issued ASU 2026-02, Environmental Credits and Environmental Credit Obligations (Topic 818), which provides specific authoritative guidance for the recognition, measurement, presentation, and disclosure of environmental credits and environmental credit obligations. ASU 2026-02 is effective for fiscal years beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of ASU 2026-02.

### NOTE 2. 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 Atmos™ Rewards loyalty program. Loyalty program other revenue includes brand and marketing revenue from the Atmos Rewards co-branded credit cards and other partners, and certain interline loyalty program revenue, net of commissions. Cargo

and other revenue consists of freight and mail revenue, services provided to Amazon under the Air Transportation Services Agreement (ATSA), and to a lesser extent, other ancillary revenue products such as lounge membership and certain commissions.

In the first quarter of 2026, Alaska entered into a multi-year extension and expanded partnership with its co-branded credit card bank partner, Bank of America, and amended its ATSA with Amazon. Performance obligations under the amended agreements are consistent with prior arrangements.

The level of detail within the Company's condensed consolidated statements of operations and in this note depict the nature, amount, timing, and uncertainty of revenue, and how cash flows are affected by economic and other factors. Certain prior period amounts in this note have been revised by an immaterial amount.

**Passenger Revenue**

Passenger revenue recognized in the condensed consolidated statements of operations:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | **2026** | **2025** | **2026** | **2025** |
| Passenger ticket revenue, net of taxes and fees | **$ 3,079** | $ 2,832 | **$ 5,505** | $ 5,184 |
| Passenger ancillary revenue | **177** | 162 | **324** | 302 |
| Loyalty program passenger revenue | **388** | 361 | **735** | 677 |
| **Total Passenger revenue** | **$ 3,644** | $ 3,355 | **$ 6,564** | $ 6,163 |

The table below presents the Company's passenger revenue by principal geographic region (as defined by the U.S. Department of Transportation). Domestic passenger revenue includes operations in the U.S. and Canada. Latin America passenger revenue includes operations in Mexico, Costa Rica, Guatemala, and Belize. Pacific passenger revenue includes operations in the South Pacific, Australia, and Asia. Atlantic passenger revenue includes operations in Europe beginning in the second quarter of 2026.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | **2026** | **2025** | **2026** | **2025** |
| Domestic | **$ 3,336** | $ 3,061 | **$ 5,935** | $ 5,523 |
| Latin America | **131** | 166 | **318** | 380 |
| Pacific | **137** | 128 | **271** | 260 |
| Atlantic | **40** | — | **40** | — |
| **Total Passenger revenue** | **$ 3,644** | $ 3,355 | **$ 6,564** | $ 6,163 |

**Loyalty Program Revenue**

Loyalty program revenue included in the condensed consolidated statements of operations:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | **2026** | **2025** | **2026** | **2025** |
| Loyalty program passenger revenue | **$ 388** | $ 361 | **$ 735** | $ 677 |
| Loyalty program other revenue | **258** | 210 | **485** | 417 |
| **Total Loyalty program revenue** | **$ 646** | $ 571 | **$ 1,220** | $ 1,094 |

**Cargo and Other Revenue**

Cargo and other revenue included in the condensed consolidated statements of operations:

| *(in millions)* | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2026** | **2025** | **2026** | **2025** |
| Cargo revenue | **$ 77** | $ 67 | **$ 136** | $ 124 |
| Other revenue | **86** | 72 | **180** | 137 |
| **Total Cargo and other revenue** | **$ 163** | $ 139 | **$ 316** | $ 261 |

**Air Traffic Liability and Deferred Revenue**

*Passenger ticket and ancillary services liabilities*

The Company recognized Passenger revenue of $207 million and $211 million from the prior year-end air traffic liability balance for the three months ended June 30, 2026 and 2025, and $991 million and $1.1 billion from the prior year-end air traffic liability balance for the six months ended June 30, 2026 and 2025.

*Loyalty program assets and liabilities*

The Company records a receivable for amounts due from affinity card partners and from other partners as loyalty points are sold until the payments are collected. The Company had $168 million of such receivables as of June 30, 2026 and $154 million as of December 31, 2025.

The table below presents a roll forward of the total loyalty program liability. A HawaiianMiles transfer program with American Express was active in the first six months of 2025 and terminated on June 30, 2025.

| *(in millions)* | Six Months Ended June 30, | |
|---|---|---|
| | **2026** | **2025** |
| **Total Deferred Revenue balance at January 1** | **$ 3,433** | $ 3,256 |
| Loyalty points and companion certificate redemption - Passenger revenue | **(656)** | (655) |
| Loyalty points redeemed on partner airlines - Loyalty program other revenue | **(106)** | (119) |
| Increase in liability for loyalty points issued | **859** | 990 |
| **Total Deferred Revenue balance at June 30** | **$ 3,530** | $ 3,472 |

**NOTE 3. 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 for identical instruments in active markets.

Level 2 refers to fair values estimated using significant other observable inputs such as similar instruments in active markets or quoted prices for identical or similar instrument in markets that are not active. Fair values for Level 2 instruments are determined using standard valuation models that incorporate inputs such as quoted prices for similar assets, interest rates, benchmark curves, credit ratings, and other observable inputs or market data.

Level 3 refers to fair values estimated using significant unobservable inputs for which there is little or no market data and that are significant to the fair value of the assets. Fair values for Level 3 instruments are determined using future cash flows and discount rates, which include information obtained from third-party valuation sources and other market sources, including recent offers from potential buyers.

*Fair value of financial instruments measured on a recurring basis*

As of June 30, 2026, cost basis and fair value for marketable securities were $1.6 billion. Differences in cost basis and fair value of marketable securities are primarily a result of changes in interest rates and general market conditions. The Company

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, 2026.

Fair values of financial instruments on the condensed consolidated balance sheets:

| | June 30, 2026 | | |
|---|---|---|---|
| ***(in millions)*** | **Level 1** | **Level 2** | **Total** |
| Marketable securities | | | |
| U.S. government and agency securities | $ 347 | $ — | $ 347 |
| Asset-backed securities | — | 238 | 238 |
| Mortgage-backed securities | — | 192 | 192 |
| Corporate notes and bonds | — | 802 | 802 |
| Other | 10 | 9 | 19 |
| Total Marketable securities | $ 357 | $ 1,241 | $ 1,598 |

| | December 31, 2025 | | |
|---|---|---|---|
| ***(in millions)*** | **Level 1** | **Level 2** | **Total** |
| Marketable securities | | | |
| U.S. government and agency securities | $ 371 | $ — | $ 371 |
| Asset-backed securities | — | 231 | 231 |
| Mortgage-backed securities | — | 211 | 211 |
| Corporate notes and bonds | — | 663 | 663 |
| Other | 8 | 12 | 20 |
| Total Marketable securities | $ 379 | $ 1,117 | $ 1,496 |

The fair value of interest rate swaps on the balance sheet was not material as of June 30, 2026 and December 31, 2025.

### *Activity and maturities for marketable securities*

Maturities for marketable securities:

| **June 30, 2026** ***(in millions)*** | **Cost Basis** | **Fair Value** |
|---|---|---|
| Due in one year or less | $ 498 | $ 497 |
| Due after one year through five years | 945 | 940 |
| Due after five years through ten years | 152 | 150 |
| Due after ten years | 1 | 1 |
| No maturity date | 5 | 10 |
| **Total** | $ 1,601 | $ 1,598 |

### *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.

*Debt*: The estimated fair value of substantially all fixed-rate debt and certain variable-rate debt is classified as Level 2. The estimated fair value of $729 million of certain variable-rate and fixed-rate debt, including Payroll Support Program (PSP) notes payable and Japanese Yen denominated debt, is classified as Level 3.

Fixed-rate debt on the condensed consolidated balance sheets and the estimated fair value of long-term fixed-rate debt:

| ***(in millions)*** | **June 30, 2026** | **December 31, 2025** |
|---|---|---|
| Fixed-rate debt | **$ 2,556** | $ 2,761 |
| Estimated fair value | **$ 2,543** | $ 2,756 |

*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, 2026.

*Equity method and other investments*

Air Group, through its Alaska Star Ventures entity, has made investments in funds and companies related to aviation innovation and sustainability. We account for investments under the equity method if we are able to exercise significant influence over the investee. We record our share of our equity method investees' financial results within the non-operating expense section of the consolidated statements of operations. Investments in which we do not have significant influence are recorded at fair value or at cost, adjusted for any changes in price or impairments, if the fair value is not readily determinable. As of June 30, 2026 and December 31, 2025, the combined carrying value of these investments included in Other noncurrent assets in the consolidated balance sheets was $81 million and $74 million.

**NOTE 4. DEBT**

Debt obligations on the condensed consolidated balance sheets:

| *(in millions)* | June 30, 2026 | December 31, 2025 |
|---|---|---|
| Fixed-rate notes payable due through 2038 | **$ 212** | $ 115 |
| Fixed-rate PSP notes payable due through 2031 | **—** | 630 |
| Fixed-rate EETCs payable due through 2027 | **549** | 715 |
| Fixed-rate Japanese Yen denominated notes payable due through 2031 | **45** | 51 |
| Fixed-rate unsecured notes payable due through 2031 | **500** | — |
| Variable-rate Japanese Yen denominated notes payable due through 2033 | **136** | 149 |
| Variable-rate PSP notes payable due through 2031 | **683** | 62 |
| Variable-rate notes payable due through 2038 | **1,489** | 1,639 |
| Loyalty financing, variable-rate term loan facility due through 2033 | **1,239** | 743 |
| Loyalty financing, fixed-rate notes due through 2031 | **1,250** | 1,250 |
| Less debt issuance costs | **(55)** | (45) |
| **Total debt** | **6,048** | 5,309 |
| Less current portion | **324** | 540 |
| **Long-term debt, less current portion** | **$ 5,724** | $ 4,769 |
| | | |
| Weighted-average fixed-interest rate | **5.2 %** | 3.9 % |
| Weighted-average variable-interest rate | **5.3 %** | 5.2 % |

Approximately $610 million of the Company's total variable-rate notes payable are effectively fixed via interest rate swaps, resulting in an effective weighted-average interest rate for the full debt portfolio of 5.3%. As of June 30, 2026, all PSP debt was adjusted from a fixed-rate to a variable-rate, in accordance with the terms of the loan agreement.

*Senior notes*

In the second quarter, the Company issued $500 million of unsecured senior notes due 2031, bearing an interest rate of 6.5%, which are fully and unconditionally guaranteed by Alaska Air Group, Inc.

*Term loan facility*

In the second quarter, the Company entered into an amendment to its existing term loan credit agreement and incurred an additional $500 million senior secured term loan facility. The facility is secured by assets associated with the Atmos Rewards loyalty program and bears interest at a variable rate equal to SOFR plus a specified margin.

*Other financing*

In addition to the senior notes and term loan financing described above, the Company incurred debt of $159 million in the first six months of 2026. New debt includes proceeds of $111 million, secured by aircraft, and $48 million which was incurred as part of an agreement to finance certain E175 deliveries. Debt from the E175 financing is reflected as a non-cash transaction within the supplemental disclosures in the unaudited condensed consolidated statements of cash flows.

The Company made scheduled debt payments of $292 million and prepayments of $113 million during the six months ended June 30, 2026.

### *Debt maturity*

At June 30, 2026, debt principal payments for the next five years and thereafter are as follows:

| *(in millions)* | Total |
|---|---|
| Remainder of 2026 | $ 171 |
| 2027 | 780 |
| 2028 | 345 |
| 2029 | 893 |
| 2030 | 284 |
| Thereafter | 3,650 |
| **Total Principal Payments**[(a)] | $ 6,123 |

(a) The Company recognized the long-term debt assumed in the Hawaiian acquisition at fair value as of the acquisition date. As a result, the amount in the condensed consolidated balance sheets will not equal the total balance of remaining principal payments presented in this table.

### *Bank lines of credit*

Alaska has a revolving credit facility, which is secured by a combination of Alaska and Hawaiian aircraft, slots, gates, routes, and other eligible assets. In the second quarter, the Company exercised the facility's accordion feature, increasing the aggregate commitment amount from $850 million to $1.1 billion. The facility has a variable interest rate based on SOFR plus a specified margin and expires in September 2029. As of June 30, 2026, the Company had no outstanding borrowing under this facility.

Alaska has a second credit facility for $106 million, expiring in June 2027, which is secured by aircraft. Alaska has secured letters of credit against this facility.

### *Covenants*

Certain debt agreements and credit facilities contain customary financial covenants, including compliance with certain debt service coverage ratios and minimum liquidity requirements. The Company and its subsidiaries were in compliance with these covenants as of June 30, 2026.

## NOTE 5. EMPLOYEE BENEFIT PLANS

Net periodic benefit costs for qualified pension plans include the following:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | 2026 | 2025 | 2026 | 2025 |
| Service cost | **$ 7** | $ 7 | **$ 14** | $ 14 |
| **Pension expense included in Wages and benefits** | **7** | 7 | **14** | 14 |
| | | | | |
| Interest cost | **29** | 32 | **59** | 65 |
| Expected return on assets | **(37)** | (37) | **(75)** | (74) |
| Recognized actuarial loss | **1** | 3 | **2** | 6 |
| **Pension expense included in Non-operating Expense** | **$ (7)** | $ (2) | **$ (14)** | $ (3) |

## NOTE 6. COMMITMENTS AND CONTINGENCIES

*Aircraft commitments*

Alaska and Hawaiian have contractual commitments for aircraft with Boeing. Horizon has contractual commitments for aircraft with Embraer. The amounts disclosed below reflect commitments for firm aircraft. Option deliveries are excluded until exercise.

Boeing continues to experience aircraft delivery delays attributable to supplier availability, production challenges, and regulatory approval processes. These factors represent known uncertainties that may continue to affect the timing of aircraft deliveries. The table below reflects Boeing's most recent communications and management's current estimates.

Details for contractual aircraft delivery commitments as of June 30, 2026:

| | Firm Orders | Options and Other Rights |
|---|---|---|
| **Aircraft Type** | **2026-2035** | **2028-2035** |
| B737 | 168 | 71 |
| B787 | 12 | — |
| E175 | 1 | — |
| **Total** | 181 | 71 |

*Capacity purchase agreement (CPA) commitments*

Alaska has obligations associated with its CPA with SkyWest. The amounts disclosed below consider certain assumptions regarding the level of flying performed by the carrier on behalf of Alaska and exclude lease costs associated with the CPA.

A summary of aircraft and capacity purchase agreement commitments as of June 30, 2026:

| *(in millions)* | Aircraft | Capacity Purchase Agreements |
|---|---|---|
| Remainder of 2026 | $ 626 | $ 105 |
| 2027 | 1,614 | 215 |
| 2028 | 1,666 | 221 |
| 2029 | 1,168 | 227 |
| 2030 | 1,050 | 153 |
| Thereafter | 4,264 | 160 |
| **Total** | $ 10,388 | $ 1,081 |

*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. Alaska 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 Alaska's total liability in the matter. In 2025, Alaska was ordered to pay Virgin Group $32 million, representing past due royalties through September 2022, when Alaska commenced its separate claim against Virgin Group. Alaska holds an accrual for $43 million in Other accrued liabilities in the condensed consolidated balance sheets, representing the expenses associated with the trademark license agreement incurred through June 30, 2026, and management's current estimate of the amount due to the Virgin Group.

*Credit card agreements*

Alaska and Hawaiian have agreements with certain 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 of up to 100% of the credit card receivable balance associated with that processor, which would result in a restriction of cash. For example, certain agreements require Alaska to maintain a reserve if Air Group's credit rating is downgraded to or below a rating specified by the agreement or if its cash and marketable securities balance fell below $500 million. The Company is not currently required to maintain any reserve under these agreements. If Air Group were unable to obtain a waiver of, or otherwise mitigate the increase in the restriction of cash, it could have a material impact on the Company's operations, business or financial condition.

**NOTE 7. SHAREHOLDERS' EQUITY**

*Common stock repurchase*

In December 2024, the Board of Directors authorized a $1 billion share repurchase program. Under this program, the Company repurchased 5.9 million shares for $250 million during the six months ended June 30, 2026 and 10.5 million shares for $535 million during the six months ended June 30, 2025. As of June 30, 2026, $180 million remained available for repurchase under the program.

*CARES Act warrant issuances*

Under the CARES Act Payroll Support Program and loan provisions, the Company issued a total of 1,882,517 warrants to the U.S. government in 2020. The warrants were valued using a Black-Scholes model and recorded in stockholders' equity at issuance. In 2024, the warrants were sold by the U.S. government to a third-party investor. In the first quarter of 2025, 1,660,705 warrants were exercised through net share settlement, resulting in the issuance of 809,768 shares of common stock. The remaining warrants expired unexercised in the second quarter of 2026, with no impact to the Company's balance sheet.

**NOTE 8. EARNINGS (LOSS) PER SHARE**

Basic earnings (loss) per share and diluted loss per share are calculated by dividing net income (loss) 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.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions, except per share amounts)* | **2026** | **2025** | **2026** | **2025** |
| Net income (loss) | **$ (76)** | $ 172 | **$ (269)** | $ 6 |
| | | | | |
| Basic weighted average shares outstanding | **111.127** | 118.847 | **112.702** | 120.979 |
| Dilutive effect of stock awards and stock warrants | — | 2.083 | — | 2.204 |
| Diluted weighted average shares outstanding | **111.127** | 120.930 | **112.702** | 123.183 |
| | | | | |
| Basic earnings (loss) per share | **$ (0.68)** | $ 1.45 | **$ (2.39)** | $ 0.05 |
| Diluted earnings (loss) per share | **$ (0.68)** | $ 1.42 | **$ (2.39)** | $ 0.05 |
| | | | | |
| Antidilutive amounts excluded from calculation: | | | | |
| Employee stock awards and warrants | **3.0** | 1.3 | **3.2** | 1.1 |

**NOTE 9. 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, 2026 and 2025:

| *(in millions)* | Marketable Securities | Employee Benefit Plan | Interest Rate Derivatives | Tax Effect | Total |
|---|---|---|---|---|---|
| **Balance at March 31, 2026** | $ — | $ (233) | $ 1 | $ 56 | $ (176) |
| Change in value | (5) | — | 5 | 1 | 1 |
| Reclassifications into earnings | — | — | — | — | — |
| **Balance at June 30, 2026** | **$ (5)** | **$ (233)** | **$ 6** | **$ 57** | **$ (175)** |
| | | | | | |
| **Balance at December 31, 2025** | $ 8 | $ (234) | $ (3) | $ 56 | $ (173) |
| Change in value | (12) | — | 9 | 1 | (2) |
| Reclassifications into earnings | (1) | 1 | — | — | — |
| **Balance at June 30, 2026** | **$ (5)** | **$ (233)** | **$ 6** | **$ 57** | **$ (175)** |

| *(in millions)* | Marketable Securities | Employee Benefit Plan | Interest Rate Derivatives | Tax Effect | Total |
|---|---|---|---|---|---|
| **Balance at March 31, 2025** | $ (9) | $ (302) | $ 1 | $ 76 | $ (234) |
| Change in value | 6 | — | (3) | (1) | 2 |
| Reclassifications into earnings | 2 | 3 | — | (1) | 4 |
| **Balance at June 30, 2025** | $ (1) | $ (299) | $ (2) | $ 74 | $ (228) |
| | | | | | |
| **Balance at December 31, 2024** | $ (21) | $ (305) | $ 9 | $ 78 | $ (239) |
| Change in value | 16 | — | (11) | (2) | 3 |
| Reclassifications into earnings | 4 | 6 | — | (2) | 8 |
| **Balance at June 30, 2025** | $ (1) | $ (299) | $ (2) | $ 74 | $ (228) |

**NOTE 10. SPECIAL ITEMS**

The Company has classified certain operating activities as special items due to their unusual or infrequently occurring nature. Disclosing information about these items separately may assist with comparable year-over-year analysis and allow stakeholders to better understand Air Group's results of operations.

Special items for the three and six months ended June 30, 2026 were $42 million and $77 million, respectively, and were primarily associated with the integration of Hawaiian Airlines. Expenses consisted of employee-related costs, technology costs, including those in support of the transition to a single passenger service system, and other merger costs. Special items for the three and six months ended June 30, 2025 were $56 million and $147 million, respectively, and were associated with the integration of Hawaiian Airlines, as well as changes to Alaska flight attendants' sick leave benefits pursuant to a collective bargaining agreement ratified in the first quarter of 2025.

# 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 unaudited condensed 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, 2025. This overview summarizes the MD&A, which includes the following sections:

- *Second Quarter Review* - highlights from the second quarter of 2026 outlining some of the major events that occurred during the period.
- *Results of Operations* - an in-depth analysis of our financial and operational results for the three and six months ended June 30, 2026.
- *Liquidity and Capital Resources* - an overview of our financial position, analysis of cash flows, and relevant material cash commitments.
- *GAAP to Non-GAAP Reconciliations* - reconciliations of reported non-GAAP financial measures to their most directly comparable financial measures reported on a GAAP basis.

Dollar amounts in the MD&A are generally rounded to the nearest million. As a result, a manual recalculation of certain figures using these rounded amounts may not agree directly to our actual figures presented in the tables below.

## SECOND QUARTER REVIEW

We reported a $214 million loss before income tax under GAAP for the second quarter of 2026, compared to a $238 million profit for the second quarter of 2025. Refer below for a more detailed discussion of the items impacting these results.

Second quarter results were adversely impacted by elevated fuel prices, which increased 85% year-over-year. However, a portion of the incremental fuel expense was offset by strong underlying demand trends that remained resilient throughout the quarter. Revenue increased 9.7% year-over-year, driven by an 8.6% increase in RASM, continued strength in our premium and loyalty products, managed corporate travel, and network optimization initiatives. CASMex increased 6.5%, reflecting higher labor and operating costs associated with continued growth, the absence of a $25 million gain recognized in the prior-year period from the sale of four B737-900 aircraft, and a one-time employee recognition award related to the successful implementation of a single passenger service system.

During the quarter, we achieved a significant integration milestone with the successful implementation of a single passenger service system, while continuing to execute our Alaska Accelerate initiatives. Additionally, we expanded the fleet with the delivery of six B737-8 aircraft at Alaska and two E175 aircraft at Horizon, and launched our first transatlantic routes from Seattle to Rome, London Heathrow, and Reykjavik.

Subsequent to quarter-end, Alaska executed leases for four B737-800 freighter aircraft, to support the continued expansion of our cargo business in Alaska and Hawai'i. The aircraft are expected to enter service in the first half of 2027.

## RESULTS OF OPERATIONS

### OPERATING STATISTICS

Below are 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, | | |
|---|---|---|---|---|---|---|
| | **2026** | **2025** | **Change** | **2026** | **2025** | **Change** |
| Revenue passengers (000) | **15,056** | 15,234 | (1.2)% | **28,388** | 28,393 | —% |
| RPMs (000,000) "traffic" | **20,011** | 20,179 | (0.8)% | **37,311** | 37,436 | (0.3)% |
| ASMs (000,000) "capacity" | **24,306** | 24,058 | 1.0% | **45,876** | 45,277 | 1.3% |
| Load factor | **82.3%** | 83.9% | (1.6) pts | **81.3%** | 82.7% | (1.4) pts |
| Yield | **18.21¢** | 16.62¢ | 9.6% | **17.59¢** | 16.46¢ | 6.9% |
| PRASM | **14.99¢** | 13.94¢ | 7.5% | **14.31¢** | 13.61¢ | 5.1% |
| RASM | **16.72¢** | 15.39¢ | 8.6% | **16.06¢** | 15.11¢ | 6.3% |
| CASMex | **11.40¢** | 10.70¢ | 6.5% | **11.85¢** | 11.14¢ | 6.4% |
| Fuel cost per gallon | **$4.43** | $2.39 | 85.4% | **$3.74** | $2.49 | 50.2% |
| Fuel gallons (000,000) | **295** | 293 | 0.7% | **562** | 556 | 1.1% |
| ASMs per gallon | **82.4** | 82.0 | 0.5% | **81.6** | 81.5 | 0.1% |
| Departures (000) | **139.0** | 139.6 | (0.4)% | **264.5** | 263.5 | 0.4% |
| Average full-time equivalent employees (FTEs) | **31,726** | 31,299 | 1.4% | **31,596** | 30,536 | 3.5% |
| Operating fleet | **422** | 409 | 13 a/c | **422** | 409 | 13 a/c |

### COMPARISON OF THREE MONTHS ENDED JUNE 30, 2026 TO THREE MONTHS ENDED JUNE 30, 2025

### OPERATING REVENUE

Total operating revenue increased $361 million, or 10%. The changes are summarized in the following table:

| | Three Months Ended June 30, | | |
|---|---|---|---|
| ***(in millions)*** | **2026** | **2025** | **% Change** |
| Passenger revenue | **$ 3,644** | $ 3,355 | 9 % |
| Loyalty program other revenue | **258** | 210 | 23 % |
| Cargo and other revenue | **163** | 139 | 17 % |
| **Total Operating Revenue** | **$ 4,065** | $ 3,704 | 10 % |

The table below presents total operating revenue by principal geographic region (as defined by the U.S. Department of Transportation) and the percentage of change of certain operational results for the three months ended June 30, 2026.

| | Three Months Ended June 30, 2026 | % Change vs. Prior Year | | | | |
|---|---|---|---|---|---|---|
| ***(in millions)*** | **Total Operating Revenue** | **Passenger Revenue** | **RPMs** | **ASMs** | **Yield** | **RASM** |
| Domestic | **$ 3,704** | 9% | (1)% | 1% | 10% | 9% |
| Latin America | **145** | (21)% | (27)% | (28)% | 9% | 9% |
| Pacific | **170** | 7% | 4% | (2)% | 3% | 16% |
| Atlantic | **46** | n/a | n/a | n/a | n/a | n/a |
| **Total** | **$ 4,065** | 9% | (1)% | 1% | 10% | 9% |

### *Passenger revenue*

Passenger revenue increased by $289 million, or 9%, primarily driven by higher yields supported by increased premium revenue, loyalty program award redemption on our airlines, and managed corporate travel. Premium revenue reflected strong demand, the completion of cabin retrofits that added additional first and premium class seats, and additional revenue from newly launched transatlantic service from Seattle to Rome, London Heathrow, and Reykjavik. These increases were partially offset by softer demand in certain leisure markets, including Hawai'i, where significant rainfall earlier in the year impacted spring break and peak summer bookings in the second quarter.

### *Loyalty program other revenue*

Loyalty program other revenue increased by $48 million, or 23%, primarily due to the launch of the Summit Visa Infinite premium credit card and the Atmos Rewards program in August 2025. The launch drove higher commission revenue from bank card and third-party partners, supported by growth in total active members and higher consumer spend. The increase also reflected continued benefits from the extension and expansion of Alaska's co-branded credit card agreement with Bank of America, executed in the first quarter of 2026.

### *Cargo and other revenue*

Cargo and other revenue increased by $24 million, or 17%, primarily driven by improved economics under Alaska's ATSA with Amazon resulting from the amended agreement executed in the first quarter of 2026. Growth in international cargo volumes supported by expanded long-haul service and increased cargo connectivity across the combined network also contributed to the increase.

**OPERATING EXPENSES**

Total operating expenses increased by $806 million, or 24%. 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)*** | **2026** | **2025** | **% Change** |
| Aircraft fuel | **$ 1,305** | $ 700 | 86 % |
| Non-fuel operating expenses, excluding special items | **2,886** | 2,671 | 8 % |
| Special items - operating | **42** | 56 | (25) % |
| **Total Operating Expenses** | **$ 4,233** | $ 3,427 | 24 % |

### *Aircraft fuel*

Aircraft fuel expense consists primarily of raw fuel expense, which generally reflects the "into-plane" price paid at the airport, as well as other taxes and fees. Raw fuel prices are influenced by global crude oil prices and refining costs, which can vary by region in the U.S. We primarily purchase fuel based on U.S. West Coast and Singapore jet fuel prices.

| | Three Months Ended June 30, | | |
|---|---|---|---|
| ***(in millions)*** | **2026** | **2025** | **% Change** |
| Crude oil | **$ 684** | $ 453 | 51 % |
| Refining margins | **517** | 164 | 215 % |
| Other[(a)] | **104** | 83 | 25 % |
| **Aircraft fuel** | **$ 1,305** | $ 700 | 86 % |
| Fuel gallons | **295** | 293 | 1 % |
| Fuel cost per gallon | **$ 4.43** | $ 2.39 | 85 % |

(a) Includes taxes and other into-plane costs.

Aircraft fuel expense increased $605 million, or 86%, due to higher per gallon fuel costs driven by elevated refining margins and crude oil prices.

Future fuel cost expectations are highly sensitive to disruption in crude oil supplies and refineries, which have been significantly impacted by recent geopolitical events. We expect that fuel costs will remain elevated and volatile until these disruptions are resolved.

### *Non-fuel expenses*

The table below summarizes our operating expense line items, excluding fuel and other special items. Generally, we expect these expenses to increase in line with capacity, fleet size, and growth of the Company's operations. Significant or unusual changes compared to 2025 are more fully described below.

| | Three Months Ended June 30, | | |
|---|---|---|---|
| ***(in millions)*** | **2026** | **2025** | **% Change** |
| Wages and benefits | **$ 1,239** | $ 1,165 | 6 % |
| Variable incentive pay | **65** | 61 | 7 % |
| Aircraft maintenance | **256** | 240 | 7 % |
| Aircraft rent | **64** | 64 | — % |
| Landing fees and other rentals | **305** | 278 | 10 % |
| Contracted services | **158** | 146 | 8 % |
| Selling expenses | **115** | 105 | 10 % |
| Depreciation and amortization | **207** | 199 | 4 % |
| Food and beverage service | **107** | 97 | 10 % |
| Third-party regional carrier expense | **68** | 69 | (1) % |
| Other | **302** | 247 | 22 % |
| **Total non-fuel operating expenses, excluding special items** | **$ 2,886** | $ 2,671 | 8 % |

### *Wages and benefits*

Wages and benefits increased by $74 million, or 6%. The primary components of Wages and benefits are shown in the following table:

| | Three Months Ended June 30, | | |
|---|---|---|---|
| ***(in millions)*** | **2026** | **2025** | **% Change** |
| Wages | **$ 927** | $ 888 | 4 % |
| Payroll taxes | **75** | 61 | 23 % |
| Medical and other benefits | **138** | 124 | 11 % |
| Defined contribution plans | **92** | 85 | 8 % |
| Pension - Defined benefit plans | **7** | 7 | — % |
| **Total Wages and benefits** | **$ 1,239** | $ 1,165 | 6 % |

Wages increased $39 million, or 4%, driven by higher wage rates across multiple labor groups. Payroll taxes increased due to higher wages and payroll tax expense associated with a one-time employee recognition award. Medical and other benefits increased $14 million, or 11%, driven by higher claim volume and large value claims.

### *Landing fees and other rentals*

Landing fees and other rentals increased by $27 million, or 10%, primarily driven by higher terminal rents resulting from rate increases and growth across the network. Landing fees increased primarily due to higher landed weights.

### *Selling expenses*

Selling expenses increased by $10 million, or 10%, primarily driven by higher credit card commissions and distribution costs associated with increased bookings and higher fares. The increase was partially offset by improved rates on credit card vendor rebates.

### *Food and beverage services*

Food and beverage services increased by $10 million, or 10%, driven by additional onboard offerings and higher costs for food, food service supplies, and transportation.

### *Other expense*

Other expense increased by $55 million, or 22%, due to a $25 million nonrecurring gain recognized in 2025 from the sale of four B737-900 aircraft, a $20 million one-time employee recognition award, and increased software costs.

### *Special items - operating*

In the second quarter of 2026, we recorded $42 million of operating special items compared to $56 million in the same period in 2025. Refer to Note 10 to the condensed consolidated financial statements for details.

## COMPARISON OF SIX MONTHS ENDED JUNE 30, 2026 TO SIX MONTHS ENDED JUNE 30, 2025

### OPERATING REVENUE

Total operating revenue increased by $524 million, or 8%. The changes are summarized in the following table.

| | Six Months Ended June 30, | | |
|---|---|---|---|
| ***(in millions)*** | **2026** | **2025** | **% Change** |
| Passenger revenue | **$ 6,564** | $ 6,163 | 7 % |
| Loyalty program other revenue | **485** | 417 | 16 % |
| Cargo and other revenue | **316** | 261 | 21 % |
| **Total Operating Revenue** | **$ 7,365** | $ 6,841 | 8 % |

The table below presents total operating revenue by principal geographic region (as defined by the U.S. Department of Transportation) and the percentage of change of certain operational results for the six months ended June 30, 2026.

| | Six Months Ended June 30, 2026 | % Change vs. Prior Year | | | | |
|---|---|---|---|---|---|---|
| ***(in millions)*** | **Total Operating Revenue** | **Passenger Revenue** | **RPMs** | **ASMs** | **Yield** | **RASM** |
| Domestic | **$ 6,635** | 7% | —% | 2% | 7% | 6% |
| Latin America | **362** | (16)% | (23)% | (21)% | 8% | 8% |
| Pacific | **322** | 4% | 8% | 4% | (3)% | 3% |
| Atlantic | **46** | n/a | n/a | n/a | n/a | n/a |
| **Total** | **$ 7,365** | 7% | —% | 1% | 7% | 6% |

### *Passenger revenue*

Passenger revenue increased by $401 million, or 7%, primarily driven by higher yields supported by increased premium revenue, loyalty program award redemption on our airlines, and managed corporate travel. Premium revenue reflected strong demand, the completion of cabin retrofits that added additional first and premium class seats, and additional revenue from newly launched transatlantic service from Seattle to Rome, London Heathrow, and Reykjavik. These increases were partially offset by softer demand in certain leisure markets, including Puerto Vallarta and Hawai'i, during spring break and peak summer travel in 2026.

*Loyalty program other revenue*

Loyalty program other revenue increased by $68 million, or 16%, primarily due to the launch of the Summit Visa Infinite premium credit card and the Atmos Rewards program in August 2025. The launch drove higher commission revenue from bank card and third-party partners, supported by growth in total active members and higher consumer spend. In addition, Alaska extended and expanded its co-branded credit card agreement with Bank of America in 2026, which also contributed to the increase.

*Cargo and other revenue*

Cargo and other revenue increased by $55 million, or 21%, primarily driven by improved economics under Alaska's ATSA with Amazon resulting from the amended agreement executed in 2026. Growth in international cargo volumes supported by expanded long-haul service and increased cargo connectivity across the combined network also contributed to the increase.

**OPERATING EXPENSES**

Total operating expenses increased by $1.1 billion, or 16%. 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)*** | **2026** | **2025** | **% Change** |
| Aircraft fuel | **$ 2,101** | $ 1,381 | 52 % |
| Non-fuel operating expenses, excluding special items | **5,634** | 5,233 | 8 % |
| Special items - operating | **77** | 147 | (48) % |
| **Total Operating Expenses** | **$ 7,812** | $ 6,761 | 16 % |

*Aircraft fuel*

Aircraft fuel expense increased by $720 million, or 52%, due to higher per gallon fuel costs driven by elevated refining margins and crude oil prices. The elements of the change are illustrated in the table:

| | Six Months Ended June 30, | | |
|---|---|---|---|
| ***(in millions)*** | **2026** | **2025** | **% Change** |
| Crude oil | **$ 1,153** | $ 905 | 27 % |
| Refining margins | **771** | 316 | 144 % |
| Other[(a)] | **177** | 160 | 11 % |
| **Aircraft fuel** | **$ 2,101** | $ 1,381 | 52 % |
| Fuel gallons | **562** | 556 | 1 % |
| Fuel cost per gallon | **$ 3.74** | $ 2.49 | 50 % |

(a) Includes taxes and other into-plane costs.

*Non-fuel expenses*

The table below summarizes our operating expense line items, excluding fuel and other special items. Generally, we expect these expenses to increase in line with capacity, fleet size, and growth of the Company's operations. Significant or unusual changes compared to 2025 are discussed in more detail below.

| | Six Months Ended June 30, | | |
|---|---|---|---|
| *(in millions)* | 2026 | 2025 | % Change |
| Wages and benefits | **$ 2,481** | $ 2,292 | 8 % |
| Variable incentive pay | **95** | 123 | (23) % |
| Aircraft maintenance | **472** | 460 | 3 % |
| Aircraft rent | **125** | 126 | (1) % |
| Landing fees and other rentals | **596** | 520 | 15 % |
| Contracted services | **309** | 291 | 6 % |
| Selling expenses | **214** | 205 | 4 % |
| Depreciation and amortization | **411** | 393 | 5 % |
| Food and beverage service | **202** | 182 | 11 % |
| Third-party regional carrier expense | **124** | 133 | (7) % |
| Other | **605** | 508 | 19 % |
| **Total non-fuel operating expenses, excluding special items** | **$ 5,634** | $ 5,233 | 8 % |

*Wages and benefits*

Wages and benefits increased by $189 million, or 8%. The primary components of wages and benefits are shown in the following table:

| | Six Months Ended June 30, | | |
|---|---|---|---|
| *(in millions)* | 2026 | 2025 | % Change |
| Wages | **$ 1,856** | $ 1,735 | 7 % |
| Payroll taxes | **140** | 126 | 11 % |
| Medical and other benefits | **284** | 246 | 15 % |
| Defined contribution plans | **187** | 171 | 9 % |
| Pension - Defined benefit plans | **14** | 14 | — % |
| **Total Wages and benefits** | **$ 2,481** | $ 2,292 | 8 % |

Wages increased by $121 million, or 7%, driven by higher wage rates across multiple labor groups. Payroll taxes increased due to higher wages and payroll tax expense associated with a one-time employee recognition award. Medical and other benefits increased $38 million, or 15%, driven by higher claim volume and large value claims. Defined contribution plans increased $16 million, or 9%, consistent with wage increases.

*Variable incentive pay*

Variable incentive pay decreased by $28 million, or 23%, primarily driven by a lower expected payout under the Company's Performance-Based Pay program, reflecting lower profitability driven by elevated fuel prices in the first half of 2026. The decrease was also due to a pause in the Company's Operational Performance Rewards program for 2026. These effects were partially offset by a higher wage base in 2026.

*Landing fees and other rentals*

Landing fees and other rentals increased by $76 million, or 15%, primarily driven by higher terminal rents resulting from rate increases and growth across the network. Landing fees increased primarily due to higher landed weights. Nonrecurring favorable settlements received from certain airports in 2025 also contributed to the year-over-year increase.

### *Food and beverage service*

Food and beverage service increased by $20 million, or 11%, driven by additional onboard offerings and higher costs for food, food service supplies, and transportation.

### *Other expense*

Other expense increased by $97 million, or 19%, due to a $25 million nonrecurring gain recognized in 2025 from the sale of four B737-900 aircraft, a $20 million one-time employee recognition award, and increased software costs.

### *Special items - operating*

In the first six months of 2026, we recorded $77 million of operating special items, compared to $147 million in the same period in 2025. Refer to Note 10 to the consolidated financial statements for details.

## LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2026, we held $3.8 billion in available liquidity, including unrestricted cash, marketable securities, and an undrawn credit facility. In the first six months of 2026, the Company obtained approximately $1.1 billion in new financing and exercised the accordion feature of its revolving credit facility, increasing the aggregate commitment amount from $850 million to $1.1 billion. As of June 30, 2026, we also had approximately $20 billion of unencumbered assets, including 131 aircraft and the unencumbered portion of our loyalty program assets. We expect our current unrestricted cash and marketable securities balance, combined with our available sources of liquidity, to be sufficient to fund our liquidity needs for the next 12 months. We expect to meet our liquidity needs for the foreseeable future using cash flows from our operations, our available sources of liquidity, and future financing arrangements. We discuss our sources and uses of cash in more detail below.

### *Operating cash flows*

Cash provided by ticket sales and from our co-branded credit card agreements 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, aircraft fuel, payments to suppliers for goods and services, payments to lessors and airport authorities for leased aircraft, rents, and landing fees, and interest expense for our debt obligations. Operating cash flow also includes payments to, or refunds from, federal, state, and local taxing authorities.

Cash provided by operating activities was $606 million during the first six months of 2026, compared to $835 million during the first six months of 2025. The $229 million decrease was primarily driven by higher fuel prices throughout the year, partially offset by increased cash collected from advance ticket sales and other favorable working capital changes.

### *Investing cash flows*

Capital expenditures to acquire aircraft, flight equipment, and other property and equipment are the primary use of our investing cash flow. In 2026, we plan to incur approximately $1.4 billion to $1.5 billion in capital expenditures. We discuss our aircraft-related commitments in more detail below.

Cash used in investing activities was $635 million during the first six months of 2026, compared to $747 million during the first six months of 2025. The $112 million decrease in cash used was primarily driven by $218 million in reduced property and equipment expenditures, due to fewer aircraft deliveries in 2026 and the schedule of Alaska's advance deposit payments with Boeing. This activity was partially offset by $32 million in incremental cash outflows related to marketable securities activity and proceeds of $53 million in 2025 from the sale of four B737-900 aircraft.

### *Financing cash flows*

Cash provided by new financing arrangements is the primary source of our financing cash flow. Our primary uses of financing cash flow are payments of our debt and finance lease obligations, as well as share repurchases. Refer to Note 4 to the condensed consolidated financial statements for a detailed discussion of our debt balances, including a schedule outlining future payments.

Cash provided by financing activities was $472 million during the first six months of 2026, compared to cash used in financing activities of $544 million during the first six months of 2025. The $1.0 billion increase was primarily attributable to $1.1 billion of proceeds from new financing agreements and $285 million in reduced share repurchases, partially offset by $169 million in incremental debt repayments.

### *Indicators of financial condition and liquidity*

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

| *(in millions)* | June 30, 2026 | December 31, 2025 | Change |
|---|---|---|---|
| Unrestricted cash, marketable securities, and unused line of credit | **$ 3,762** | $ 2,973 | 27% |
| Trailing twelve months' revenue[(a)] | **$ 14,763** | $ 14,239 | 4% |
| Liquidity as a percentage of trailing twelve months' revenue | **25%** | 21% | 4 pts |
| | | | |
| Long-term debt and finance leases, net of current portion | **$ 5,783** | $ 4,834 | 20% |
| Shareholders' equity | **$ 3,670** | $ 4,118 | (11)% |

(a) Trailing twelve months' revenue as of June 30, 2026 can be reconciled using the most recent four quarters as filed with the SEC.

**Debt-to-capitalization, including leases**

| *(in millions)* | June 30, 2026 | December 31, 2025 | Change |
|---|---|---|---|
| Long-term debt and finance leases, net of current portion | **$ 5,783** | $ 4,834 | 20% |
| Operating lease liabilities, net of current portion | **1,164** | 1,141 | 2% |
| **Adjusted debt, net of current portion** | **$ 6,947** | $ 5,975 | 16% |
| Shareholders' equity | **3,670** | 4,118 | (11)% |
| **Total Invested Capital** | **$ 10,617** | $ 10,093 | 5% |
| | | | |
| **Debt-to-capitalization ratio** | **65%** | 59% | 6 pts |

### *Material cash commitments*

We have various contractual obligations that require material future outlays of cash. These obligations include the purchase of aircraft and other flight equipment, payments for Alaska's CPA with SkyWest, debt service payments, lease payments for aircraft and other property and equipment, costs for aircraft and engine maintenance, sponsorship and license agreements, and other miscellaneous agreements for services associated with operating and marketing our airlines. We also anticipate we may have material cash outlays associated with new technologies for the future of the business. Currently, Alaska has agreements to purchase sustainable aviation fuel (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. We expect to satisfy these obligations using cash flows from our operations, our available sources of liquidity, and future financing arrangements.

Within the notes accompanying our condensed consolidated financial statements, refer to Note 4 for discussion of scheduled debt obligations and Note 6 for discussion of aircraft purchase commitments and CPA obligations.

As of June 30, 2026, Alaska had firm orders to purchase 168 B737 aircraft with deliveries expected between 2027 and 2035, and firm orders to purchase 12 B787 aircraft with deliveries expected between 2026 and 2032. Alaska also had rights for 71 additional B737 aircraft through 2035. Horizon had a firm order to purchase one E175 aircraft with delivery in 2026. Subsequent to the quarter, Alaska executed lease agreements for four B737-800 freighters, with deliveries in 2026.

Boeing continues to experience aircraft delivery delays attributable to supplier availability, production challenges, and regulatory approval processes. These factors represent known uncertainties that may continue to affect the timing of aircraft deliveries. The table below reflects Boeing’s most recent communications and management’s current estimates.

| Aircraft | Actual Fleet June 30, 2026 | Anticipated Fleet Activity 2026 Changes | Dec 31, 2026 | 2027 Changes | Dec 31, 2027 | 2028 Changes | Dec 31, 2028 |
|---|---|---|---|---|---|---|---|
| **Mainline Fleet:** | | | | | | | |
| B737-700 Freighters | 3 | — | 3 | — | 3 | — | 3 |
| B737-800 Freighters | 2 | 4 | 6 | — | 6 | — | 6 |
| A330-300 Freighters[(a)] | 10 | 1 | 11 | — | 11 | — | 11 |
| A321-200neo | 18 | — | 18 | — | 18 | — | 18 |
| A330-200 | 24 | — | 24 | — | 24 | (4) | 20 |
| B717-200[(b)] | 19 | — | 19 | — | 19 | — | 19 |
| B737-700 | 11 | — | 11 | — | 11 | — | 11 |
| B737-800 | 59 | — | 59 | — | 59 | — | 59 |
| B737-900ER | 79 | — | 79 | — | 79 | — | 79 |
| B737-8 | 20 | — | 20 | 5 | 25 | — | 25 |
| B737-9 | 80 | — | 80 | — | 80 | — | 80 |
| B737-10 | — | — | — | 25 | 25 | 25 | 50 |
| B787-9 | 5 | 1 | 6 | 1 | 7 | — | 7 |
| B787-10 | — | — | — | — | — | 4 | 4 |
| **Total Mainline Fleet** | **330** | **6** | **336** | **31** | **367** | **25** | **392** |
| **Regional Fleet:** | | | | | | | |
| E175 operated by Horizon | 49 | 1 | 50 | — | 50 | — | 50 |
| E175 operated by third party | 43 | — | 43 | — | 43 | — | 43 |
| **Total Regional Fleet** | **92** | **1** | **93** | **—** | **93** | **—** | **93** |
| **Total Air Group Fleet** | **422** | **7** | **429** | **31** | **460** | **25** | **485** |

(a) A330-300 freighter aircraft utilized under the ATSA with Amazon.
(b) Retirement of the B717-200 aircraft is expected to begin in 2028 as part of the planned transition of Neighbor Island operations to Boeing 737-800 aircraft.

## GAAP TO NON-GAAP RECONCILIATIONS

Reconciliations of certain reported non-GAAP financial measures to their most directly comparable financial measures reported on a GAAP basis are provided below. Consideration of these non-GAAP financial measures may be important to users of the financial statements. Although these non-GAAP figures are presented below, they should not be considered a substitute for or superior to GAAP figures.

- Pretax income (loss), net income (loss), and earnings (loss) per share are presented on an adjusted basis. Adjustments are made for special charges that are unusual or nonrecurring in nature, as well as for gains and losses on foreign debt, as these adjustments enhance comparability of our core operations to prior periods and to the rest of the airline industry.

- CASMex is a key measure used by management and the Air Group Board of Directors to evaluate cost performance. It is also commonly used by industry analysts to compare airlines. Because U.S. carriers are generally similarly affected by changes in jet fuel prices over the long run, aircraft fuel costs are excluded to focus on more controllable, company-specific cost drivers. Costs related to freighter aircraft operations, including those incurred under the ATSA with Amazon, are excluded to enhance comparability with carriers that do not operate freighter aircraft. Performance-Based Pay (PBP) expense is excluded as it is dependent on the Company's achievement of annually established financial and operational goals. Certain special charges are excluded as they are unusual or nonrecurring in nature.

- Adjusted capital expenditures includes certain amounts that are not classified as investing cash outflows within our consolidated statements of cash flows, but are viewed by management and other stakeholders as significant long-term investments in the business. Management believes these adjustments provide a more complete view of capital expenditures during the year.

*Pretax Income (Loss), Net Income (Loss), and Earnings (Loss) per Share, adjusted*

| | Three Months Ended June 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2026 | | | | 2025 | | | |
| *(in millions, except per share amounts)* | Loss Before Income Tax | Income Tax | Net Loss | Per Share | Income Before Income Tax | Income Tax | Net Income | Per Share |
| **GAAP** | **$ (214)** | **$ (138)** | **$ (76)** | **$ (0.68)** | **$ 238** | **$ 66** | **$ 172** | **$ 1.42** |
| Adjusted for: | | | | | | | | |
| Losses (gains) on foreign debt and other | (4) | | | | 1 | | | |
| Special items - operating | 42 | | | | 56 | | | |
| Total adjustments | $ 38 | $ 64 | $ (26) | $ (0.24) | $ 57 | $ 14 | $ 43 | $ 0.36 |
| **Adjusted** | **$ (176)** | **$ (74)** | **$ (102)** | **$ (0.92)** | **$ 295** | **$ 80** | **$ 215** | **$ 1.78** |
| GAAP pretax margin | (5.3)% | | | | 6.4% | | | |
| Adjusted pretax margin | (4.3)% | | | | 8.0% | | | |

| | Six Months Ended June 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2026 | | | | 2025 | | | |
| *(in millions, except per share amounts)* | Loss Before Income Tax | Income Tax | Net Loss | Per Share | Income Before Income Tax | Income Tax | Net Income | Per Share |
| **GAAP** | **$ (531)** | **$ (262)** | **$ (269)** | **$ (2.39)** | **$ 5** | **$ (1)** | **$ 6** | **$ 0.05** |
| Adjusted for: | | | | | | | | |
| Losses (gains) on foreign debt and other | (7) | | | | 3 | | | |
| Special items - operating | 77 | | | | 147 | | | |
| Total adjustments | $ 70 | $ 95 | $ (25) | $ (0.22) | $ 150 | $ 36 | $ 114 | $ 0.92 |
| **Adjusted** | **$ (461)** | **$ (167)** | **$ (294)** | **$ (2.61)** | **$ 155** | **$ 35** | **$ 120** | **$ 0.97** |
| GAAP pretax margin | (7.2)% | | | | 0.1% | | | |
| Adjusted pretax margin | (6.3)% | | | | 2.3% | | | |

*CASMex Reconciliation*

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions, except unit metrics)* | 2026 | 2025 | 2026 | 2025 |
| Total operating expenses | **$ 4,233** | $ 3,427 | **$ 7,812** | $ 6,761 |
| Less the following components: | | | | |
| Aircraft fuel | **1,305** | 700 | **2,101** | 1,381 |
| Freighter costs | **52** | 48 | **104** | 89 |
| Performance-based pay | **64** | 49 | **92** | 101 |
| Special items - operating | **42** | 56 | **77** | 147 |
| **Adjusted operating expenses** | **$ 2,770** | $ 2,574 | **$ 5,438** | $ 5,043 |
| | | | | |
| ASMs | **24,306** | 24,058 | **45,876** | 45,277 |
| CASMex | **11.40¢** | 10.70¢ | **11.85¢** | 11.14¢ |

*Adjusted Capital Expenditures Reconciliation*

| *(in millions)* | Six Months Ended June 30, 2026 | 2025 |
|---|---|---|
| Aircraft, aircraft purchase deposits and other flight equipment | **$ 415** | $ 613 |
| Other property and equipment | **108** | 128 |
| **Capital expenditures** | **523** | 741 |
| Adjusted for: | | |
| Property and equipment acquired through the issuance of debt | **48** | 69 |
| Proceeds from sales of aircraft and other equipment | **(7)** | (62) |
| **Adjusted capital expenditures** | **$ 564** | $ 748 |

## CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to our critical accounting estimates during the three and six months ended June 30, 2026. 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, 2025.

## GLOSSARY OF TERMS

**Adjusted debt** - long-term debt, plus operating and finance lease liabilities.

**Adjusted net debt -** long-term debt, plus operating and finance lease liabilities, less unrestricted cash and marketable securities.

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

**CASMex** - operating costs excluding fuel, freighter costs, Performance-Based Pay (PBP), and special items per ASM, or "unit cost."

**Debt-to-capitalization ratio** - represents adjusted debt, net of current portion, divided by total equity plus adjusted debt, net of current portion.

**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.

**Freighter Costs -** operating expenses directly attributable to the operation of B737 freighter aircraft and A330-300 freighter aircraft exclusively performing cargo missions.

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

**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, loyalty program revenue, and other ancillary revenue; represents the average total revenue for flying one seat one mile.

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

**Yield** - passenger revenue per RPM; represents the average passenger 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, 2025.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

As of June 30, 2026, management, including the Company's chief executive officer and chief financial officer, evaluated the Company's disclosure controls and procedures and concluded that they were effective as of that date.

### 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, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control 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 6 to the unaudited 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 2025 Form 10-K for a detailed discussion of risk factors affecting Alaska Air Group.

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

The below table provides certain information with respect to our purchases of shares of our common stock during the second quarter of 2026. The shares were purchased pursuant to a $1 billion repurchase plan authorized by the Board of Directors in December 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, 2026 - April 30, 2026 | 1,249,451 | $ 37.79 | |
| May 1, 2026 - May 31, 2026 | — | — | |
| June 1, 2026 - June 30, 2026 | — | — | |
| **Total** | 1,249,451 | $ 37.79 | $ 180 |

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

None.

## ITEM 5. OTHER INFORMATION

During the three months ended June 30, 2026, 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:

## EXHIBIT INDEX

| Exhibit Number | Exhibit Description | Form | Date of First Filing | Exhibit Number |
|---|---|---|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation of Registrant | 8-K | May 14, 2025 | 3.3 |
| 3.2 | Amended and Restated Bylaws of Registrant | 8-K | May 14, 2025 | 3.4 |
| 10.1*† | Alaska Air Group Performance Based Pay Plan, Amended and Restated May 12, 2026 | 10-Q | | |
| 10.2*† | Alaska Air Group, Inc. Employee Stock Purchase Plan, as Amended for the Offering Period Commencing May 1, 2026 | 10-Q | | |
| 10.3#† | Indenture Providing for Issuance of Debt Securities, dated as of May 12, 2026, by and between Alaska Airlines, Inc., as issuer, and U.S. Bank Trust Company, National Association, as trustee | 10-Q | | |
| 10.4#† | First Supplemental Indenture Providing for Issuance of Debt Securities, dated as of May 12, 2026, by and among Alaska Airlines, Inc., as issuer, Alaska Air Group, Inc., as guarantor, and U.S. Bank Trust Company, National Association, as trustee | 10-Q | | |
| 10.5#† | Second Amendment to Term Loan Credit and Guaranty Agreement, dated as of May 12, 2026, by and among AS Mileage Plan IP Ltd., as borrower, Alaska Air Group, Inc., Alaska Airlines, Inc., and AS Mileage Plan Holdings Ltd., as guarantors, and Bank of America, N.A., as administrative agent and designated lender | 10-Q | | |
| 10.6#† | First Amendment to Amended and Restated Credit and Guaranty Agreement, dated as of April 20, 2026, among Alaska Airlines, Inc., as borrower, Alaska Air Group, Inc. and Hawaiian Airlines, Inc., as guarantors, Citibank, N.A. as administrative agent, and the consenting lenders | 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. | | | |

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|---|---|
| † | 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 4, 2026