

CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

Alaska Air Group, Inc.

| <i>(in millions, except per share amounts)</i> | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|------------------------------------|----------------|----------------|----------------------------------|----------------|---------------|
| | 2011 | 2010 | Change | 2011 | 2010 | Change |
| Operating Revenues: | | | | | | |
| Passenger | | | | | | |
| Mainline | \$ 819.9 | \$ 702.3 | 16.7 % | \$ 1,522.3 | \$ 1,289.3 | 18.1 % |
| Regional | 194.3 | 183.5 | 5.9 % | 370.8 | 348.9 | 6.3 % |
| Total passenger revenue | 1,014.2 | 885.8 | 14.5 % | 1,893.1 | 1,638.2 | 15.6 % |
| Freight and mail | 29.1 | 28.1 | 3.6 % | 54.0 | 51.1 | 5.7 % |
| Other - net | 66.9 | 62.3 | 7.4 % | 128.3 | 116.5 | 10.1 % |
| Total Operating Revenues | 1,110.2 | 976.2 | 13.7 % | 2,075.4 | 1,805.8 | 14.9 % |
| Operating Expenses: | | | | | | |
| Wages and benefits | 242.8 | 239.6 | 1.3 % | 492.1 | 478.9 | 2.8 % |
| Variable incentive pay | 17.9 | 21.6 | (17.1)% | 34.3 | 39.5 | (13.2)% |
| Aircraft fuel, including hedging gains and losses | 393.8 | 255.0 | 54.4 % | 588.3 | 462.3 | 27.3 % |
| Aircraft maintenance | 49.1 | 53.8 | (8.7)% | 102.4 | 110.8 | (7.6)% |
| Aircraft rent | 29.0 | 35.4 | (18.1)% | 59.5 | 72.4 | (17.8)% |
| Landing fees and other rentals | 59.9 | 57.9 | 3.5 % | 117.8 | 113.8 | 3.5 % |
| Contracted services | 50.3 | 41.1 | 22.4 % | 93.8 | 80.7 | 16.2 % |
| Selling expenses | 45.8 | 38.2 | 19.9 % | 85.6 | 71.8 | 19.2 % |
| Depreciation and amortization | 61.7 | 58.0 | 6.4 % | 122.0 | 114.2 | 6.8 % |
| Food and beverage service | 17.1 | 14.3 | 19.6 % | 32.2 | 26.6 | 21.1 % |
| Other | 58.2 | 48.2 | 20.7 % | 118.9 | 96.0 | 23.9 % |
| Fleet transition costs | 26.8 | 3.4 | NM | 36.9 | 3.4 | NM |
| Total Operating Expenses | 1,052.4 | 866.5 | 21.5 % | 1,883.8 | 1,670.4 | 12.8 % |
| Operating Income | 57.8 | 109.7 | (47.3)% | 191.6 | 135.4 | 41.5 % |
| Nonoperating Income (Expense): | | | | | | |
| Interest income | 6.3 | 7.7 | (18.2)% | 13.9 | 15.1 | (7.9)% |
| Interest expense | (20.0) | (26.3) | (24.0)% | (43.4) | (51.9) | (16.4)% |
| Interest capitalized | 1.6 | 1.6 | NM | 3.4 | 3.3 | 3.0 % |
| Other - net | 1.3 | 1.3 | NM | 2.2 | 2.3 | (4.3)% |
| | (10.8) | (15.7) | (31.2)% | (23.9) | (31.2) | (23.4)% |
| Income Before Income Tax | 47.0 | 94.0 | (50.0)% | 167.7 | 104.2 | 60.9 % |
| Income tax expense | 18.2 | 35.4 | (48.6)% | 64.7 | 40.3 | 60.5 % |
| Net Income | \$ 28.8 | \$ 58.6 | (50.9)% | \$ 103.0 | \$ 63.9 | 61.2 % |
| Basic Earnings Per Share: | | | | | | |
| | \$ 0.80 | \$ 1.64 | | \$ 2.86 | \$ 1.79 | |
| Diluted Earnings Per Share: | | | | | | |
| | \$ 0.78 | \$ 1.60 | | \$ 2.80 | \$ 1.74 | |
| Shares Used for Computation: | | | | | | |
| Basic | 35,983 | 35,698 | | 35,988 | 35,683 | |
| Diluted | 36,737 | 36,697 | | 36,775 | 36,631 | |

NM = Not Meaningful

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)**Alaska Air Group, Inc.***(in millions)*

| | <u>June 30, 2011</u> | <u>December 31, 2010</u> |
|---|----------------------|--------------------------|
| Cash and marketable securities | \$ 1,153.5 | \$ 1,208.2 |
| Total current assets | 1,675.7 | 1,662.0 |
| Property and equipment-net | 3,249.9 | 3,117.1 |
| Other assets | 308.2 | 237.5 |
| Total assets | \$ 5,233.8 | \$ 5,016.6 |
| Current liabilities | \$ 1,628.0 | \$ 1,424.7 |
| Long-term debt | 1,154.9 | 1,313.0 |
| Other liabilities and credits | 1,244.4 | 1,173.5 |
| Shareholders' equity | 1,206.5 | 1,105.4 |
| Total liabilities and shareholders' equity | \$ 5,233.8 | \$ 5,016.6 |
| Debt to Capitalization, adjusted for operating leases | 63%:37% | 67%:33% |
| Number of common shares outstanding | 36.063 | 35.924 |

OPERATING STATISTICS SUMMARY (unaudited)

Alaska Air Group, Inc.

| Mainline Operating Statistics: | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|--|-----------------------------|---------|---------|---------------------------|---------|---------|
| | 2011 | 2010 | Change | 2011 | 2010 | Change |
| Revenue passengers (000) | 4,533 | 4,170 | 8.7 % | 8,640 | 7,811 | 10.6 % |
| RPMs (000,000) "traffic" | 5,697 | 5,072 | 12.3 % | 10,976 | 9,544 | 15.0 % |
| ASMs (000,000) "capacity" | 6,702 | 6,112 | 9.7 % | 13,055 | 11,653 | 12.0 % |
| Passenger load factor | 85.0 % | 83.0 % | 2.0 pts | 84.1 % | 81.9 % | 2.2 pts |
| Yield per passenger mile | 14.39 ¢ | 13.85 ¢ | 3.9 % | 13.87 ¢ | 13.51 ¢ | 2.7 % |
| Passenger revenue per ASM (PRASM) | 12.23 ¢ | 11.49 ¢ | 6.4 % | 11.66 ¢ | 11.06 ¢ | 5.4 % |
| Operating revenue per ASM (RASM) | 13.62 ¢ | 12.92 ¢ | 5.4 % | 13.01 ¢ | 12.45 ¢ | 4.5 % |
| CASM excluding fuel ^(f) | 7.44 ¢ | 7.79 ¢ | (4.5) % | 7.63 ¢ | 8.08 ¢ | (5.6) % |
| Economic fuel cost per gallon ^(b) | \$ 3.27 | \$ 2.30 | 42.2 % | \$ 3.07 | \$ 2.28 | 34.6 % |
| Fuel gallons (000,000) | 87.1 | 79.6 | 9.4 % | 170.2 | 151.9 | 12.0 % |
| Average number of full-time equivalent employees | 8,899 | 8,621 | 3.2 % | 8,892 | 8,579 | 3.6 % |
| Aircraft utilization (blk hrs/day) | 10.5 | 10.0 | 5.0 % | 10.5 | 9.7 | 8.2 % |
| Average aircraft stage length (miles) | 1,104 | 1,076 | 2.6 % | 1,111 | 1,072 | 3.6 % |
| Mainline operating fleet at period-end | 117 | 116 | 1 a/c | 117 | 116 | 1 a/c |

Regional Operating Statistics:^(c)

| | | | | | | |
|-----------------------------------|---------|---------|----------|---------|---------|---------|
| RPMs (000,000) "traffic" | 596 | 634 | (6.0) % | 1,170 | 1,210 | (3.3) % |
| ASMs (000,000) "capacity" | 767 | 853 | (10.1) % | 1,526 | 1,662 | (8.2) % |
| Passenger load factor | 77.7 % | 74.3 % | 3.4 pts | 76.7 % | 72.8 % | 3.9 pts |
| Passenger revenue per ASM (PRASM) | 25.33 ¢ | 21.51 ¢ | 17.8 % | 24.30 ¢ | 20.99 ¢ | 15.8 % |

Consolidated Operating Statistics:^(d)

| | | | | | | |
|--|---------|---------|---------|---------|---------|---------|
| Revenue passengers (000) | 6,246 | 5,875 | 6.3 % | 11,998 | 11,100 | 8.1 % |
| RPMs (000,000) "traffic" | 6,293 | 5,706 | 10.3 % | 12,146 | 10,754 | 12.9 % |
| ASMs (000,000) "capacity" | 7,469 | 6,965 | 7.2 % | 14,581 | 13,315 | 9.5 % |
| Passenger load factor | 84.3 % | 81.9 % | 2.4 pts | 83.3 % | 80.8 % | 2.5 pts |
| Passenger revenue per ASM (PRASM) | 13.58 ¢ | 12.72 ¢ | 6.8 % | 12.98 ¢ | 12.30 ¢ | 5.5 % |
| Operating revenue per ASM (RASM) | 14.86 ¢ | 14.02 ¢ | 6.0 % | 14.23 ¢ | 13.56 ¢ | 4.9 % |
| CASM excluding fuel and fleet transition costs ^{(a)(f)} | 8.46 ¢ | 8.73 ¢ | (3.1) % | 8.63 ¢ | 9.05 ¢ | (4.6) % |
| Economic fuel cost per gallon ^(b) | \$ 3.27 | \$ 2.30 | 42.2 % | \$ 3.07 | \$ 2.28 | 34.6 % |
| Fuel gallons (000,000) | 98.6 | 94.3 | 4.6 % | 194.9 | 180.8 | 7.8 % |
| Average number of full-time equivalent employees | 11,807 | 11,717 | 0.8 % | 11,846 | 11,707 | 1.2 % |

Horizon Air Operating Statistics:^(e)

| | | | | | | |
|------------------------------------|---------|---------|-------------------|---------|---------|-------------------|
| ASMs (000,000) "capacity" | 691 | 833 | (17.0) % | 1,433 | 1,626 | (11.9) % |
| CASM excluding fuel ^(f) | 12.13 ¢ | 14.84 ¢ | NM ^(a) | 12.14 ¢ | 15.25 ¢ | NM ^(a) |

^(a) See page 9 for a reconciliation of this non-GAAP measure.

^(b) See page 10 for a reconciliation of economic fuel cost.

^(c) Data presented includes information related to flights operated by Horizon Air and third-party carriers.

^(d) Except for revenue passengers, fuel gallons and full-time equivalent employees, data includes information related to third-party regional capacity purchase flying arrangements.

^(e) Data presented separately for information purposes and is included in Regional Operating Statistics.

^(f) See Note A on page 11 for a discussion of why these measures may be important to investors.

ALASKA AIRLINES NON-GAAP FINANCIAL DATA (unaudited)

| <i>(in millions)</i> | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|------------------------------------|-----------------|----------------------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Operating Revenues: | | | | |
| Passenger | | | | |
| Mainline | \$ 819.9 | \$ 702.3 | \$ 1,522.3 | \$ 1,289.3 |
| Regional | 194.3 | 82.6 | 370.8 | 158.7 |
| Total passenger revenue | 1,014.2 | 784.9 | 1,893.1 | 1,448.0 |
| Other revenue | 94.1 | 87.6 | 178.0 | 162.1 |
| Total Operating Revenues | 1,108.3 | 872.5 | 2,071.1 | 1,610.1 |
| Operating Expenses: | | | | |
| Mainline operating expenses, excluding fuel | 498.4 | 476.4 | 996.1 | 941.7 |
| Mainline economic fuel ^(a) | 285.2 | 182.9 | 523.6 | 345.3 |
| Regional expense - paid to Horizon Air under CPA | 93.5 | 67.4 | 188.1 | 133.8 |
| Other regional operating expense, excluding fuel | 48.3 | 6.9 | 86.6 | 13.0 |
| Regional economic fuel ^(a) | 37.7 | — | 75.8 | — |
| Total Adjusted Operating Expenses^(b) | 963.1 | 733.6 | 1,870.2 | 1,433.8 |
| | 145.2 | 138.9 | 200.9 | 176.3 |
| Nonoperating Expense | (6.9) | (10.8) | (15.8) | (21.7) |
| Adjusted Income before Income Tax^(b) | \$ 138.3 | \$ 128.1 | \$ 185.1 | \$ 154.6 |

HORIZON AIR NON-GAAP FINANCIAL DATA (unaudited)

| <i>(in millions)</i> | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|------------------------------------|--------------|----------------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Operating Revenues: | | | | |
| Passenger | | | | |
| Brand revenue | \$ — | \$ 100.9 | \$ — | \$ 190.2 |
| Revenue from CPA with Alaska Airlines | 93.5 | 67.4 | 188.1 | 133.8 |
| Total passenger revenue | 93.5 | 168.3 | 188.1 | 324.0 |
| Other revenue | 1.9 | 2.8 | 4.3 | 5.5 |
| Total Operating Revenues | 95.4 | 171.1 | 192.4 | 329.5 |
| Operating Expenses: | | | | |
| Landing fees, rents & selling expenses ^(c) | — | 30.6 | — | 61.0 |
| All other non-fuel operating expenses | 83.8 | 93.0 | 174.0 | 187.0 |
| Non-fuel operating expenses | 83.8 | 123.6 | 174.0 | 248.0 |
| Economic fuel costs ^(a) | — | 34.5 | — | 66.9 |
| Total Adjusted Operating Expenses^(b) | 83.8 | 158.1 | 174.0 | 314.9 |
| | 11.6 | 13.0 | 18.4 | 14.6 |
| Nonoperating expense | (4.2) | (4.8) | (8.1) | (9.4) |
| Adjusted Income Before Income Tax^(b) | 7.4 | 8.2 | 10.3 | 5.2 |

^(a) See page 10 for a reconciliation of economic fuel cost.

^(b) See Note A on page 11 for a discussion about why this measure may be important to investors. "Adjusted" refers to these measures excluding certain items. See page 9 and 10 for reconciliation between adjusted amounts and the most directly comparable GAAP amount.

^(c) See Note B on page 11 for a discussion regarding Horizon Air's CPA agreement with Alaska Airlines.

ALASKA AIR GROUP CONSOLIDATED FINANCIAL AND STATISTICAL DATA (unaudited)

Reconciliation of operating revenues:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------|------------------------------------|-----------------|----------------------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Alaska Airlines operating revenues | \$ 1,108.3 | \$ 872.5 | \$ 2,071.1 | \$ 1,610.1 |
| Horizon Air operating revenues | 95.4 | 171.1 | 192.4 | 329.5 |
| Elimination of intercompany revenue | (93.5) | (67.4) | (188.1) | (133.8) |
| Consolidated operating revenues | <u>\$ 1,110.2</u> | <u>\$ 976.2</u> | <u>\$ 2,075.4</u> | <u>\$ 1,805.8</u> |

Reconciliation of operating expenses:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|------------------------------------|-----------------|----------------------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Alaska Airlines adjusted operating expenses | \$ 963.1 | \$ 733.6 | \$ 1,870.2 | \$ 1,433.8 |
| Horizon Air adjusted operating expenses | 83.8 | 158.1 | 174.0 | 314.9 |
| Parent company expenses | 1.3 | 1.2 | 1.9 | 2.0 |
| Intercompany eliminations | (93.5) | (67.4) | (188.1) | (133.8) |
| Adjusted consolidated operating expenses | 954.7 | 825.5 | 1,858.0 | 1,616.9 |
| Fleet transition costs | 26.8 | 3.4 | 36.9 | 3.4 |
| Mark-to-market fuel-hedge (gains) losses | 70.9 | 37.6 | (11.1) | 50.1 |
| Consolidated operating expenses - GAAP | <u>\$ 1,052.4</u> | <u>\$ 866.5</u> | <u>\$ 1,883.8</u> | <u>\$ 1,670.4</u> |

Reconciliation of income before income taxes:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|------------------------------------|----------------|----------------------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Alaska Airlines adjusted income before income taxes | \$ 138.3 | \$ 128.1 | \$ 185.1 | \$ 154.6 |
| Horizon Air adjusted income before income taxes | 7.4 | 8.2 | 10.3 | 5.2 |
| Parent company income | (1.0) | (1.3) | (1.9) | (2.1) |
| Adjusted income before income taxes | 144.7 | 135.0 | 193.5 | 157.7 |
| Fleet transition costs | (26.8) | (3.4) | (36.9) | (3.4) |
| Mark-to-market fuel-hedge gains (losses) | (70.9) | (37.6) | 11.1 | (50.1) |
| Income before income taxes - GAAP | <u>\$ 47.0</u> | <u>\$ 94.0</u> | <u>\$ 167.7</u> | <u>\$ 104.2</u> |

Reconciliation of consolidated CASM, excluding fuel:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|------------------------------------|---------------|----------------------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Adjusted consolidated operating expenses | \$ 954.7 | \$ 825.5 | \$ 1,858.0 | \$ 1,616.9 |
| Less: economic fuel | 322.9 | 217.4 | 599.4 | 412.2 |
| Adjusted consolidated operating expenses, excluding fuel | \$ 631.8 | \$ 608.1 | \$ 1,258.6 | \$ 1,204.7 |
| Consolidated ASMs | 7,469 | 6,965 | 14,581 | 13,315 |
| CASM, excluding fuel and fleet transition costs | <u>8.46 ¢</u> | <u>8.73 ¢</u> | <u>8.63 ¢</u> | <u>9.05 ¢</u> |

FUEL RECONCILIATIONS (unaudited)
Alaska Air Group, Inc.

(in millions, except for per gallon amounts)

| | Three Months Ended June 30, | | | |
|--|------------------------------------|-----------------|-----------------|-----------------|
| | 2011 | | 2010 | |
| | Dollars | Cost/Gal | Dollars | Cost/Gal |
| Raw or "into-plane" fuel cost | \$ 339.4 | \$ 3.44 | \$ 222.9 | \$ 2.36 |
| Minus gains, or plus the losses, during the period on settled hedges | (16.5) | (0.17) | (5.5) | (0.06) |
| Economic fuel expense | \$ 322.9 | \$ 3.27 | \$ 217.4 | \$ 2.30 |
| Adjustments to reflect timing of (gain) or loss recognition resulting from mark-to-market accounting | 70.9 | 0.72 | 37.6 | 0.40 |
| GAAP fuel expense | \$ 393.8 | \$ 3.99 | \$ 255.0 | \$ 2.70 |
| Fuel gallons | <u>98.6</u> | | <u>94.3</u> | |

(in millions, except for per gallon amounts)

| | Six Months Ended June 30, | | | |
|--|----------------------------------|-----------------|-----------------|-----------------|
| | 2011 | | 2010 | |
| | Dollars | Cost/Gal | Dollars | Cost/Gal |
| Raw or "into-plane" fuel cost | \$ 628.4 | \$ 3.22 | \$ 418.1 | \$ 2.31 |
| Minus gains, or plus the losses, during the period on settled hedges | (29.0) | (0.15) | (5.9) | (0.03) |
| Economic fuel expense | \$ 599.4 | \$ 3.07 | \$ 412.2 | \$ 2.28 |
| Adjustments to reflect timing of (gain) or loss recognition resulting from mark-to-market accounting | (11.1) | (0.06) | 50.1 | 0.28 |
| GAAP fuel expense | \$ 588.3 | \$ 3.01 | \$ 462.3 | \$ 2.56 |
| Fuel gallons | <u>194.9</u> | | <u>180.8</u> | |

Breakout of Fuel Expense:

(in millions, except for per gallon amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|------------------------------------|-----------------|----------------------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Mainline economic fuel expense | \$ 285.2 | \$ 182.9 | \$ 523.6 | \$ 345.3 |
| Regional economic fuel expense | 37.7 | 34.5 | 75.8 | 66.9 |
| Consolidated economic fuel expense | \$ 322.9 | \$ 217.4 | \$ 599.4 | \$ 412.2 |

Mainline Economic Cost per Gallon Reconciliation:

(in millions, except for per gallon amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|------------------------------------|----------------|----------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Mainline economic fuel expense | \$ 285.2 | \$ 182.9 | \$ 523.6 | \$ 345.3 |
| Mainline fuel gallons | 87.1 | 79.6 | 170.2 | 151.9 |
| Mainline economic cost per gallon | \$ 3.27 | \$ 2.30 | \$ 3.07 | \$ 2.28 |

Note A: Pursuant to Regulation G, we are providing disclosure of the reconciliation 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 eliminating fuel expense and certain special items from our cost and unit cost metrics, we believe that we have better visibility into the results of our non-fuel cost-reduction initiatives. 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. In addition, 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 thus investors) to understand the impact of (and trends in) company-specific cost drivers such as labor rates and productivity, airport costs, maintenance costs, etc., which are more controllable by management.
- Cost per ASM (CASM) excluding fuel and certain special items 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.
- Adjusted Income before Income Taxes and CASM excluding fuel (and other items as specified in our plan documents) are important metrics for the employee incentive plan that covers all Air Group employees.
- CASM excluding fuel and certain special items is a measure commonly used by industry analysts, and we believe it is the basis by which they compare our airlines to others in the industry. The measure is also the subject of frequent questions from investors.
- 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 certain items, such as fleet transition costs, 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 passenger unit revenues, we do not (nor are we able to) evaluate unit revenues 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 revenues 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.

Note B: Air Group's operations are treated as an integrated route network intended to maximize the results of the company. However, the Company has historically had two primary operating and reporting segments, consisting of Alaska Airlines and Horizon Air, for which separate financial information is available and regularly evaluated by our chief operating decision maker in deciding how to allocate resources and assess performance.

Alaska operates a fleet of passenger jets ("mainline operations") and contracts with affiliated (Horizon) and non-affiliated third party carriers for regional capacity under which Alaska receives all passenger revenue from those flights. Horizon operates a fleet of turboprop and regional jet aircraft and sells all of its capacity to Alaska pursuant to a capacity purchase arrangement (the Horizon CPA). The Horizon CPA reflects what the Company believes are current market rates received by other regional carriers for similar flying. Amounts paid by Alaska to Horizon are available to pay for various Horizon operating expenses such as crew expenses, maintenance, and aircraft ownership costs.

Effective January 1, 2011, Horizon's business model changed such that 100% of its capacity is sold to Alaska under the Horizon CPA. As is typical for similar arrangements, certain costs such landing fees, selling and distribution costs, and fuel costs directly related to regional flights operated by Horizon are now recorded by Alaska. Because of this change, Horizon's revenues and expenses and Alaska's Regional revenues and expenses have changed significantly on a year over year basis.

All inter-company revenues and expenses are eliminated in consolidated, and these changes have no impact on our consolidated results.