

2005 AAG CHALLENGER PROXY CARD & VOTING INSTRUCTION FORM

NOTE TO ALASKA/HORIZON 401(k) PLAN PARTICIPANTS:

If you are a participant in the Alaska Air Group, Inc. Alaskasaver Plan, the Alaska Airlines, Inc., COPS, MRP & Dispatch 401(k) Plan, the Alaska Airlines, Inc., Flight Attendant 401(k) Plan, or the Horizon Air Savings Investment Plan (together, the "Plans"), you have the right to direct Vanguard as trustee of the Plans to vote any shares of Alaska Air Group, Inc. stock credited to your account under the Plans using the CHALLENGER's Voting Instruction Form. Please see the Vanguard Voting Instruction Letter posted on Votepal.

FAX-ing to EquiServe at (732) 417-2916 is the best. It eliminates the time it takes to mail (mailing address below).

Alaska Air Group, Inc.
c/o EquiServe Trust Company, N.A., Proxy Services
P.O. Box 8948 Edison, NJ 08818-8948

We are attempting to acquire an electronic means to transmit this form to EquiServe and ADP to permit for voting time. Remember--the deadline for worker voting is Midnight on May 12, 2005 (a Thursday). We will keep you advised... Check out the CHALLENGER's Electronic Proxy Card and Voting Instruction Form at: <http://www.votepal.com/prxycardelec05.html/>

The filling out with the required and necessary personal information and submission of this Proxy Card is voluntary.

Voter Control Number _____

The undersigned hereby appoints Steve Nieman and Richard Foley proxy, with full power of substitution, to vote with the same force and effect as the undersigned at the Annual Meeting of the Stockholders of the Alaska Air Group, Inc. to be held at the William M. Allen Theater at The Museum of Flight, 9404 E. Marginal Way South, Seattle, Washington at 2 p.m. on May 17, 2005 and any adjournment or postponement thereof, upon the matters set forth herein and upon such other matters as may properly come before the meeting, all in accordance with the notice and accompanying proxy statement for said meeting, receipt of which is acknowledged.

(THIS PROXY REVOKES ALL PRIOR PROXIES GIVEN BY THE UNDERSIGNED.) This proxy, when properly executed, will be voted in the manner directed herein. Please date, sign and send your proxy card back today.

When completed and signed, this proxy/voting instruction form will be voted as you have directed. If no direction is given, it will be voted **FOR ALL OF THE CHALLENGER NOMINEES (nominee numbers 01/02/03/04/05/06 in that order) in Proposal 1 and FOR Proposals 2 through 10.**

Proposal No. 1: Election of Directors (You may vote for a total of **FOUR** out of the ten SEC-qualified candidates running--CHALLENGER Nominees:

(01) Richard D. Foley (02) Stephen Nieman (03) Robert C. Osborne, MD (04) Terry K. Davyton
(05) John Chevedden (06) Carl Olson

FOR _____

WITHHOLD _____

WRITE IN ANY AAG INCUMBENT CANDIDATES (names found on pages 9-10 of the
AAG's Definitive Proxy Statement):

ADDITIONAL DETAILS OF THE FOLLOWING SHAREHOLDER PROPOSALS CAN BE FOUND IN THE COMPANY'S APRIL 26, 2005
DEFINITIVE PROXY STATEMENT PAGES 39-49.

2005 SHAREHOLDER PROPOSALS (circle one)

FOR | AGAINST | ABSTAIN | No. 2 REDEEM OR VOTE POISON PILL--Recommend vote
FOR Proposal 2. If no direction is given, the proxy will be voted **FOR** Proposal 2.

FOR | AGAINST | ABSTAIN | No. 3 CONFIDENTIAL SHAREHOLDER VOTING--
Recommend vote **FOR** Proposal 3. If no direction is given, the proxy will be voted **FOR**
Proposal 3.

FOR | AGAINST | ABSTAIN | No. 4 CUMULATIVE VOTING--Recommend vote **FOR**
Proposal 4. If no direction is given, the proxy will be voted **FOR** Proposal 4.

FOR | AGAINST | ABSTAIN | No. 5 ELECT EACH DIRECTOR ANNUALLY--Recommend
vote **FOR** Proposal 5. If no direction is given, the proxy will be voted **FOR** Proposal 5.

FOR | AGAINST | ABSTAIN | No. 6 ADOPT SIMPLE MAJORITY VOTE WHEN
AMENDING BYLAWS--Recommend vote **FOR** Proposal 6. If no direction is given, the proxy
will be voted **FOR** Proposal 6.

FOR | AGAINST | ABSTAIN | No. 7 SIMPLE MAJORITY VOTE--Recommend vote **FOR**
Proposal 7. If no direction is given, the proxy will be voted **FOR** Proposal 7.

FOR | AGAINST | ABSTAIN | No. 8 BALLOT ACCESS FOR DIRECTORS NOMINATED
BY SHAREHOLDERS--Recommend vote **FOR** Proposal 8. If no direction is given, the proxy
will be voted **FOR** Proposal 8.

FOR | AGAINST | ABSTAIN | No. 9 TRUTH OR CONSEQUENCES WHEN BOARD
IGNORES MAJORITY VOTE--Recommend vote **FOR** Proposal 9. If no direction is given, the
proxy will be voted **FOR** Proposal 9.

FOR | AGAINST | ABSTAIN | No. 10 DISCLOSE POLITICAL CONTRIBUTIONS--
Recommend vote **FOR** Proposal 10. If no direction is given, the proxy will be voted **FOR**
Proposal 10.

Note In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting or at any adjournments or postponements thereof.

PLEASE SIGN, DATE AND RETURN TODAY. MAIL TO: Box 602, Brush Prairie, WA 98606; **fax (360) 666-6483**; phone 1-866-2VOTEUS (1-866-286-8387). For any further information, please email help@votepal.com.

DATE _____, 2005

Signature _____

Signature _____

Title(s) _____

NOTE: Please sign exactly as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

THANK YOU VERY MUCHLY!!