

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K
CURRENT REPORT

Pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

July 22, 2003
(Date of Report)

ALASKA AIR GROUP, INC.

(Exact name of registrant as specified in its charter) Commission file number 1-8957

Delaware
(State or other jurisdiction of
incorporation or organization)

91-1292054
(I.R.S. Employer
Identification No.)

19300 Pacific Highway South, Seattle, Washington 98188
(Address of principal executive offices)

(206) 392-5040
(Registrant's telephone number)

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FORWARD-LOOKING INFORMATION

This report may contain forward-looking statements that are based on the best information currently available to management. These forward-looking statements are intended to be subject to the safe harbor protection provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are indicated by phrases such as "will," "should," "the Company believes," "we expect" or any other language indicating a prediction of future events. There can be no assurance that actual developments will be those anticipated by the Company. Actual results could differ materially from those projected as a result of a number of factors, some of which the Company cannot predict or control. For a discussion of these factors, please see Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2002. The Company expressly disclaims any duty to update these projections, and makes no representation as to their continued accuracy in the event it does not provide such updates.

ITEM 7.

Financial Statements and Exhibits.

(c) Exhibits

Exhibit 99.1

Press Release dated July 22, 2003 titled "Alaska Air Group Reports
Second Quarter Results; Government Aid A Huge Help"

ITEM 9.

Regulation FD Disclosure (Including Item 12 Information).

Pursuant to ITEM 12, the Registrant hereby furnishes its Second Quarter 2003 Earnings Release.

Signature

Pursuant to the requirements 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.

Registrant

Date: July 22, 2003

/s/ Terri K. Maupin

Terri K. Maupin
Staff Vice President/Finance and Controller

/s/ Bradley D. Tilden

Bradley D. Tilden
Executive Vice President/Finance and Chief Financial Officer

Contact: Brad Tilden -or- Lou Cancelmi
206/392-5362 206/392-5170

FOR IMMEDIATE RELEASE

July 22, 2003

ALASKA AIR GROUP REPORTS SECOND QUARTER RESULTS; GOVERNMENT AID A HUGE HELP

SEATTLE — Aided by \$71.4 million in government assistance (\$44.3 million after tax), Alaska Air Group, Inc. (NYSE:ALK) today reported second quarter net income of \$45.2 million, or \$1.70 per share, compared with a net loss of \$2.9 million, or \$0.11 per share, in the second quarter of 2002. Without the non-recurring compensation received under the Emergency Wartime Supplemental Appropriations Act, the company's net income during the quarter was \$0.9 million, or \$0.03 per share.

The company's net loss for the six months ended June 30, 2003 was \$11.1 million, or \$0.42 per share, compared to a net loss of \$88.0 million, or \$3.32 per share, during the same period in 2002. The 2002 net loss includes \$51.4 million, or \$1.94 per share, related to the write-off of goodwill in connection with the adoption of Statement of Financial Accounting Standards No. 142. Excluding the government compensation received in 2003 and the write-off of goodwill in 2002, our net loss for the six months ended 2003 was \$55.4 million (\$2.08 per share) versus a loss of \$36.6 million (\$1.38 per share) for 2002.

"We eked out a small amount of net income for the quarter excluding the government compensation," said Bill Ayer, chairman and chief executive officer. "We are working hard to achieve our cost management objectives and this quarter's results are an encouraging sign that initiatives we have implemented to date are helping us with our plan to return to profitability on a full year basis."

Operationally, Alaska Airlines' passenger traffic in the second quarter increased 9.1 percent on a capacity increase of 5.7 percent. Alaska's load factor increased 2.2 percentage points to 70.6 percent compared to the same period in 2002. Alaska's operating revenue per available seat mile (ASM) increased 0.9 percent, while its operating cost per ASM excluding fuel decreased 1.2 percent. Alaska's pretax income was \$59.6 million, or \$6.8 million excluding government compensation, compared to a pretax loss of \$0.1 million in 2002.

Horizon Air's passenger traffic in the second quarter increased 6.9 percent on a 4.3 percent capacity increase. Horizon's load factor increased by 1.6 points to 63.3 percent. Horizon's operating revenue per ASM increased 2.9 percent, while its operating cost per ASM excluding fuel increased 2.4 percent. Horizon's pretax income was \$15.7 million, or a loss of \$2.9 million excluding government compensation, compared to a pretax loss of \$2.8 million in 2002.

Alaska Air Group had cash and short-term investments at June 30, 2003 of approximately \$722 million compared to \$636 million at December 31, 2002. The increased balance reflects the receipt of \$71.4 million of government compensation and \$123.2 million net proceeds received in connection with the completion of a private placement of floating rate convertible bonds on March 21, 2003. The company's debt-to-capital ratio, assuming aircraft operating leases are capitalized at seven times annualized rent, was 79 percent at June 30, 2003 compared to 77 percent as of December 31, 2002.

A summary of financial and statistical data for Alaska Airlines and Horizon, as well as a reconciliation of the reported non-GAAP financial measures, can be found on pages 5-7.

A conference call regarding the first quarter results will be simulcast via the Internet at 8:30 a.m. Pacific Daylight Time. It may be accessed through our website at www.alaskaair.com.

This report may contain forward-looking statements that are based on the best information currently available to management. These forward-looking statements are intended to be subject to the safe harbor protection provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are indicated by phrases such as "will," "should," "the company believes," "we expect" or any other language indicating a prediction of future events. There can be no assurance that actual developments will be those anticipated by the company. Actual results could differ materially from those projected as a result of a number of factors, some of which the company cannot predict or control. For a discussion of these factors, please see Item 1 of the company's Annual Report on Form 10-K for the year ended December 31, 2002.

Alaska Air Group is the parent company of Alaska Airlines, Inc. and Horizon Air Industries, Inc.

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ALASKA AIR GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

(In Millions Except Per Share Amounts)

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---------------------------------------|----------------|-------------------------------------|------------------|
| | 2002 | 2003 | 2002 | 2003 |
| Operating Revenues: | | | | |
| Passenger | \$ 525.4 | \$ 556.9 | \$ 981.3 | \$ 1,032.4 |
| Freight and mail | 21.2 | 22.4 | 38.3 | 41.0 |
| Other — net | 29.1 | 29.8 | 56.2 | 54.4 |
| Total Operating Revenues | 575.7 | 609.1 | 1,075.8 | 1,127.8 |
| Operating Expenses: | | | | |
| Wages and benefits | 211.8 | 232.5 | 414.7 | 459.6 |
| Contracted services | 22.4 | 24.4 | 47.1 | 50.1 |
| Aircraft fuel | 75.2 | 80.1 | 139.9 | 170.3 |
| Aircraft maintenance | 42.3 | 51.9 | 85.5 | 97.8 |
| Aircraft rent | 46.8 | 49.4 | 93.3 | 96.9 |
| Food and beverage service | 17.0 | 15.6 | 31.3 | 29.0 |
| Commissions | 11.5 | 3.5 | 23.9 | 6.8 |
| Other selling expenses | 33.5 | 29.0 | 63.7 | 56.2 |
| Depreciation and amortization | 34.0 | 33.1 | 66.3 | 65.5 |
| Loss (gain) on sale of assets | 0.1 | — | (0.5) | 0.1 |
| Landing fees and other rentals | 36.0 | 38.7 | 65.8 | 75.8 |
| Other | 50.1 | 46.9 | 99.4 | 94.3 |
| Total Operating Expenses | 580.7 | 605.1 | 1,130.4 | 1,202.4 |
| Operating (Loss) Income | (5.0) | 4.0 | (54.6) | (74.6) |
| Nonoperating Income (Expense): | | | | |
| Interest income | 5.7 | 5.4 | 10.1 | 6.0 |
| Interest expense | (11.6) | (14.2) | (23.5) | (25.3) |
| Interest capitalized | 0.6 | 0.7 | 0.8 | 1.5 |
| U.S. government compensation | 0.1 | 71.4 | 0.1 | 71.4 |
| Other — net | 6.4 | 5.5 | 10.9 | 5.9 |
| | 1.2 | 68.8 | (1.6) | 59.5 |
| Earnings (loss) before income tax and accounting change | (3.8) | 72.8 | (56.2) | (15.1) |
| Income tax expense (benefit) | (0.9) | 27.6 | (19.6) | (4.0) |
| Earnings (loss) before accounting change | (2.9) | 45.2 | (36.6) | (11.1) |
| Cumulative effect of accounting change | — | — | (51.4) | — |
| Net Earnings (Loss) | (\$2.9) | \$ 45.2 | (\$88.0) | (\$11.1) |
| Basic and Diluted Earnings (Loss) Per Share: | | | | |
| Earnings (loss) before accounting change | \$ (0.11) | \$ 1.70 | \$ (1.38) | \$ (0.42) |
| Cumulative effect of accounting change | — | — | (1.94) | — |
| Net Earnings (Loss) Per Share | \$ (0.11) | \$ 1.70 | \$ (3.32) | \$ (0.42) |
| Shares used for computation: | | | | |
| Basic | 26.548 | 26.618 | 26.540 | 26.603 |
| Diluted | 26.548 | 26.619 | 26.540 | 26.603 |

Alaska Air Group, Inc.

CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

| (In Millions) | December 31 2002 | June 30 2003 |
|--|---------------------|-----------------|
| Cash and marketable securities | \$ 636 | \$ 722 |
| | <hr/> | <hr/> |
| Total current assets | 976 | 1,094 |
| Property and equipment-net | 1,780 | 1,931 |
| Other assets | 125 | 159 |
| | <hr/> | <hr/> |
| Total assets | \$ 2,881 | \$3,184 |
| | <hr/> | <hr/> |
| Current liabilities | 778 | 894 |
| Long-term debt and capital lease obligations | 857 | 1,016 |
| Other liabilities and credits | 590 | 631 |
| Shareholders' equity | 656 | 643 |
| | <hr/> | <hr/> |
| Total liabilities and equity | \$ 2,881 | \$3,184 |
| | <hr/> | <hr/> |

Alaska Airlines Financial and Statistical Data

| Financial Data (in millions): | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|----------------------------|----------|----------|--------------------------|-----------|----------|
| | 2002 | 2003 | % Change | 2002 | 2003 | % Change |
| Operating Revenues: | | | | | | |
| Passenger | \$ 433.6 | \$ 460.6 | 6.2% | \$ 807.6 | \$ 847.6 | 5.0% |
| Freight and mail | 20.0 | 21.0 | 5.0% | 35.9 | 38.4 | 7.0% |
| Other — net | 25.1 | 29.0 | 15.5% | 47.4 | 51.6 | 8.9% |
| Total Operating Revenues | 478.7 | 510.6 | 6.7% | 890.9 | 937.6 | 5.2% |
| Operating Expenses: | | | | | | |
| Wages and benefits | 174.5 | 192.0 | 10.0% | 340.2 | 380.0 | 11.7% |
| Contracted services | 19.4 | 19.7 | 1.5% | 41.2 | 40.4 | -1.9% |
| Aircraft fuel | 64.2 | 69.1 | 7.6% | 119.4 | 146.0 | 22.3% |
| Aircraft maintenance | 36.1 | 44.6 | 23.5% | 71.7 | 82.5 | 15.1% |
| Aircraft rent | 31.8 | 31.2 | -1.9% | 63.6 | 61.7 | -3.0% |
| Food and beverage service | 16.2 | 14.9 | -8.0% | 30.1 | 27.8 | -7.6% |
| Commissions | 14.2 | 12.2 | -14.1% | 28.4 | 20.4 | -28.2% |
| Other selling expenses | 27.8 | 23.3 | -16.2% | 52.7 | 45.2 | -14.2% |
| Depreciation and amortization | 28.5 | 29.6 | 3.9% | 56.7 | 58.1 | 2.5% |
| Loss on sale of assets | 0.2 | 0.2 | NM | 0.2 | 0.5 | NM |
| Landing fees and other rentals | 28.5 | 31.2 | 9.5% | 52.1 | 59.9 | 15.0% |
| Other | 37.5 | 34.3 | -8.5% | 73.8 | 68.4 | -7.3% |
| Total Operating Expenses | 478.9 | 502.3 | 4.9% | 930.1 | 990.9 | 6.5% |
| Operating Income (Loss) | (0.2) | 8.3 | NM | (39.2) | (53.3) | 36.0% |
| Interest income | 6.1 | 4.5 | | 11.1 | 5.7 | |
| Interest expense | (11.6) | (11.4) | | (23.5) | (22.7) | |
| Interest capitalized | 0.4 | 0.4 | | 0.5 | 1.1 | |
| U.S. government compensation | 0.1 | 52.8 | | 0.1 | 52.8 | |
| Other — net | 5.1 | 5.0 | | 9.2 | 5.4 | |
| | 0.1 | 51.3 | | (2.6) | 42.3 | |
| Income (Loss) Before Income Tax and Accounting Change | \$ (0.1) | \$ 59.6 | NM | \$ (41.8) | \$ (11.0) | -73.7% |
| Operating Statistics: | | | | | | |
| Revenue passengers (000) | 3,616 | 3,797 | 5.0% | 6,809 | 7,055 | 3.6% |
| RPMS (000,000) | 3,372 | 3,678 | 9.1% | 6,349 | 6,821 | 7.4% |
| ASMs (000,000) | 4,929 | 5,209 | 5.7% | 9,396 | 9,918 | 5.6% |
| Passenger load factor | 68.4% | 70.6% | 2.2pts | 67.6% | 68.8% | 1.2pts |
| Breakeven load factor | 69.5% | 70.2% | 0.7pts | 72.9% | 74.9% | 2.0pts |
| Yield per passenger mile | 12.86¢ | 12.52¢ | -2.6% | 12.72¢ | 12.43¢ | -2.3% |
| Operating revenue per ASM | 9.71¢ | 9.80¢ | 0.9% | 9.48¢ | 9.45¢ | -0.3% |
| Operating expenses per ASM (a) | 9.72¢ | 9.64¢ | -0.8% | 9.90¢ | 9.99¢ | 0.9% |
| Operating expenses per ASM excluding fuel (a) | 8.41¢ | 8.32¢ | -1.2% | 8.63¢ | 8.52¢ | -1.3% |
| Fuel cost per gallon | 78.0¢ | 82.0¢ | 5.1% | 75.9¢ | 90.2¢ | 18.8% |
| Fuel gallons (000,000) | 82.3 | 84.3 | 2.4% | 157.3 | 161.9 | 2.9% |
| Average number of employees | 10,222 | 10,136 | -0.8% | 10,019 | 10,062 | 0.4% |
| Aircraft utilization (blk hrs/day) | 10.8 | 10.5 | -2.8% | 10.4 | 10.4 | 0.0% |
| Operating fleet at period-end | 102 | 110 | 7.8% | 102 | 110 | 7.8% |

NM = Not Meaningful

(a) See Note 1 on Page 7

Horizon Air Financial and Statistical Data

| Financial Data (in millions): | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|----------------------------|----------------|----------|--------------------------|----------------|----------|
| | 2002 | 2003 | % Change | 2002 | 2003 | % Change |
| Operating Revenues: | | | | | | |
| Passenger | \$ 96.4 | \$105.6 | 9.5% | \$182.7 | \$199.6 | 9.3% |
| Freight and mail | 1.2 | 1.4 | 16.7% | 2.4 | 2.6 | 8.3% |
| Other — net | 5.5 | 3.7 | -32.7% | 11.2 | 7.4 | -33.9% |
| Total Operating Revenues | 103.1 | 110.7 | 7.4% | 196.3 | 209.6 | 6.8% |
| Operating Expenses: | | | | | | |
| Wages and benefits | 37.2 | 40.5 | 8.9% | 74.5 | 79.6 | 6.8% |
| Contracted services | 4.2 | 6.1 | 45.2% | 8.1 | 12.7 | 56.8% |
| Aircraft fuel | 11.0 | 11.0 | 0.0% | 20.5 | 24.3 | 18.5% |
| Aircraft maintenance | 6.2 | 7.3 | 17.7% | 13.8 | 15.3 | 10.9% |
| Aircraft rent | 14.9 | 18.2 | 22.1% | 29.7 | 35.2 | 18.5% |
| Food and beverage service | 0.8 | 0.7 | -12.5% | 1.2 | 1.2 | 0.0% |
| Commissions | 2.1 | 0.6 | -71.4% | 4.4 | 1.2 | -72.7% |
| Other selling expenses | 5.7 | 5.7 | 0.0% | 11.0 | 11.0 | 0.0% |
| Depreciation and amortization | 5.1 | 3.2 | -37.3% | 9.0 | 6.8 | -24.4% |
| Gain on sale of assets | (0.1) | (0.2) | NM | (0.7) | (0.4) | NM |
| Landing fees and other rentals | 7.8 | 9.2 | 17.9% | 14.2 | 17.9 | 26.1% |
| Other | 12.3 | 11.4 | -7.3% | 25.0 | 22.9 | -8.4% |
| Total Operating Expenses | 107.2 | 113.7 | 6.1% | 210.7 | 227.7 | 8.1% |
| Operating Loss | (4.1) | (3.0) | -26.8% | (14.4) | (18.1) | 25.7% |
| Interest income | 0.4 | 0.1 | | 0.4 | 0.3 | |
| Interest expense | (0.5) | (0.8) | | (1.0) | (1.3) | |
| Interest capitalized | 0.1 | 0.3 | | 0.3 | 0.4 | |
| Government compensation | — | 18.6 | | — | 18.6 | |
| Other — net | 1.3 | 0.5 | | 1.7 | 0.5 | |
| | 1.3 | 18.7 | | 1.4 | 18.5 | |
| Income (Loss) Before Income Tax and Accounting Change | \$ (2.8) | \$ 15.7 | NM | \$ (13.0) | \$ 0.4 | NM |
| Operating Statistics: | | | | | | |
| Revenue passengers (000) | 1,192 | 1,207 | 1.3% | 2,287 | 2,295 | 0.3% |
| RPMs (000,000) | 374 | 400 | 6.9% | 703 | 758 | 7.8% |
| ASMs (000,000) | 607 | 633 | 4.3% | 1,138 | 1,248 | 9.7% |
| Passenger load factor | 61.7% | 63.3% | 1.6pts | 61.8% | 60.7% | -1.1pts |
| Breakeven load factor | 63.9% | 65.3% | 1.4pts | 67.0% | 66.8% | -0.1pts |
| Yield per passenger mile | 25.76¢ | 26.40¢ | 2.5% | 25.99¢ | 26.33¢ | 1.3% |
| Operating revenue per ASM | 16.99¢ | 17.49¢ | 2.9% | 17.25¢ | 16.79¢ | -2.6% |
| Operating expenses per ASM | 17.66¢ | 17.96¢ | 1.7% | 18.51¢ | 18.25¢ | -1.5% |
| Operating expenses per ASM excluding fuel (a) | 15.85¢ | 16.22¢ | 2.4% | 16.71¢ | 16.30¢ | -2.5% |
| Fuel cost per gallon | 80.8¢ | 83.5¢ | 3.4% | 79.1¢ | 92.7¢ | 17.2% |
| Fuel gallons (000,000) | 13.6 | 13.1 | -3.7% | 25.9 | 26.1 | 0.8% |
| Average number of employees | 3,417 | 3,342 | -2.2% | 3,435 | 3,378 | -1.6% |
| Aircraft utilization (blk hrs/day) | 7.5 | 7.8 | 3.6% | 7.3 | 7.8 | 6.8% |
| Operating fleet at period-end | 62 | 59 | -4.8% | 62 | 59 | -4.8% |

NM = Not Meaningful

(a) See Note 1 on Page 7

Note 1:

Pursuant to new guidelines issued by the Securities and Exchange Commission, we are providing the following reconciliation of non-GAAP performance indicators to their comparable financial measures reported on a GAAP basis. Our disclosure of operating costs and cost per available seat mile, excluding fuel, provides us the ability to measure and monitor our performance both with and without the cost of aircraft fuel as both the cost and availability of fuel are subject to economic and political factors beyond our control. We also believe that disclosing net income (loss) and diluted earnings (loss) per share excluding non-recurring items is helpful to investors in evaluating our operational performance because we believe the reimbursements received from the government and the write-off of goodwill are non-recurring events. The following table reconciles operating expenses excluding fuel and operating expense per ASM excluding fuel for Alaska Airlines, Inc. and Horizon Air Industries, Inc.:

| Alaska Airlines, Inc.: (\$ in millions) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|----------|---------------------------|----------|
| | 2002 | 2003 | 2002 | 2003 |
| Operating expenses | \$ 478.9 | \$ 502.3 | \$ 930.1 | \$ 990.9 |
| ASMs (000,000) | 4,929 | 5,209 | 9,396 | 9,918 |
| Operating expenses per ASM | 9.72¢ | 9.64¢ | 9.90¢ | 9.99¢ |
| Operating expenses | \$ 478.9 | \$ 502.3 | \$ 930.1 | \$ 990.9 |
| Less: aircraft fuel | 64.2 | 69.1 | 119.4 | 146.0 |
| Operating expense excluding fuel | \$ 414.7 | \$ 433.2 | \$ 810.7 | \$ 844.9 |
| ASMs (000,000) | 4,929 | 5,209 | 9,396 | 9,918 |
| Operating expense per ASM excluding fuel | 8.41¢ | 8.32¢ | 8.63¢ | 8.52¢ |
| | | | | |
| Horizon Air Industries, Inc.: (\$ in millions) | 2002 | | 2003 | |
| | 2002 | 2003 | 2002 | 2003 |
| Operating expenses | \$107.2 | \$113.7 | \$ 210.7 | \$ 227.7 |
| ASMs (000,000) | 607.0 | 633.0 | 1,138.0 | 1,248.0 |
| Operating expenses per ASM | 17.66¢ | 17.96¢ | 18.51¢ | 18.25¢ |
| Operating expenses | \$107.2 | \$113.7 | \$ 210.7 | \$ 227.7 |
| Less: aircraft fuel | 11.0 | 11.0 | 20.5 | 24.3 |
| Operating expense excluding fuel | 96.2 | \$102.7 | \$ 190.2 | \$ 203.4 |
| ASMs (000,000) | 607 | 633 | 1,138 | 1,248 |
| Operating expense per ASM excluding fuel | 15.85¢ | 16.22¢ | 16.71¢ | 16.30¢ |

The following table summarizes Alaska Air Group, Inc.'s net earnings (loss) and diluted income (loss) per share during 2002 and 2003 excluding non-recurring items and as reported in accordance with GAAP (dollars in millions):

| | Three Months Ended June 30, | | | |
|---|-----------------------------|----------|----------|----------|
| | 2002 | | 2003 | |
| | Dollars | EPS | Dollars | EPS |
| | | | | |
| Net income (loss) and diluted EPS excluding Government compensation | (\$2.9) | (\$0.11) | \$ 0.9 | \$0.03 |
| Government compensation, net of tax | — | — | 44.3 | 1.67 |
| Reported GAAP amounts | (\$2.9) | (\$0.11) | \$45.2 | \$1.70 |
| | | | | |
| | Six Months Ended June 30, | | | |
| | 2002 | | 2003 | |
| | Dollars | EPS | Dollars | EPS |
| | | | | |
| Net loss and diluted EPS excluding non-recurring items | (\$36.6) | (\$1.38) | (\$55.4) | (\$2.08) |
| Change in accounting principle relating to goodwill | (51.4) | (1.94) | — | — |
| Government compensation, net of tax | — | — | 44.3 | 1.66 |
| Reported GAAP amounts | (\$88.0) | (\$3.32) | (\$11.1) | (\$0.42) |
