

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

June 18, 2004
(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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ITEM 9. Regulation FD Disclosure

Pursuant to 17 CFR Part 243 (“Regulation FD”), Alaska Air Group, Inc. is submitting this current report on Form 8-K to present information relating to its financial and operational outlook for 2004. This report includes information regarding forecasts of available seat miles (ASMs), cost per available seat mile (CASM) and fuel consumption, as well as certain actual results for revenue passenger miles (RPMs), load factor and revenue per available seat mile (RASM), for its subsidiaries Alaska Airlines, Inc. and Horizon Air. Please see the cautionary statement under “Forward-Looking Information” at the end of this report.

In accordance with General Instruction B.2 of Form 8-K, the following information shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing. This Report will not be deemed an admission as to the materiality of any information required to be disclosed solely to satisfy the requirements of Regulation FD.

References in this report on Form 8-K to “Air Group,” “the Company,” “we,” “us,” and “our” refer to Alaska Air Group, Inc. and its subsidiaries, unless otherwise specified. Alaska Airlines, Inc. and Horizon Air Industries, Inc. are referred to as “Alaska” and “Horizon,” respectively, and together as our “airlines.”

Second Quarter 2004

	Forecast Q2	Change Yr/Yr
Alaska Airlines		
Capacity (ASMs in millions)	5,640	8.3%
Fuel gallons (000,000)	88.5	5.0%
Cost per ASM excluding fuel (cents)	8.1	(2.4%)

Alaska Airlines' May traffic increased 9.2% to 1.308 billion revenue passenger miles (RPMs) from 1.198 billion flown a year earlier. Capacity during May was 1.866 billion available seat miles (ASMs), 8.8% higher than the 1.715 billion in May 2003.

The passenger load factor (the percentage of available seats occupied by fare paying passengers) for the month was 70.1%, compared to 69.9% in May 2003. The airline carried 1,310,700 passengers compared to 1,241,500 in May 2003.

For May 2004, RASM increased by 2.4% as compared to May 2003. This increase in RASM is due to an increase in yield. For April 2004, RASM increased by 5.3% as compared to April 2003.

	Forecast Q2	Change Yr/Yr
Horizon Air		
Capacity (ASMs in millions)	786	24.2%
Fuel gallons (000,000)	12.4	(5.3%)
Cost per ASM excluding fuel (cents)	13.8	(14.8%)

Horizon Air's May traffic increased 28.6% to 172.8 million RPMs from 134.4 million flown a year earlier. Capacity for May was 264.8 million ASMs, 27.6% higher than the 207.5 million in May 2003.

The passenger load factor for the month was 65.3%, compared to 64.8% in May 2003. The airline carried 473,200 passengers compared to 404,000 in May 2003.

For the second quarter of 2004, CASM excluding fuel is expected to decrease 15.4% compared to the second quarter of 2003, reflecting changes in Horizon's flying mix from the traditional native network to a mix of native network flying and contract flying with Frontier Airlines. Under the contract flying agreement with Frontier, Horizon does not incur many of the normal costs of operations such as fuel, marketing costs and station labor and rents, resulting in 60-70% lower CASM (excluding fuel) and RASM. Horizon is currently operating nine 70-seat Bombardier CRJ-700 aircraft under the Frontier JetExpress brand, representing approximately 24% of total Horizon capacity and approximately 9% to 10% of total Horizon revenue.

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For May 2004, RASM decreased 13.9% compared to May 2003 resulting from contract flying with Frontier. For April 2004, RASM decreased 5.4% as compared to April 2003, due to an increase in load factor.

Capacity Estimates for 2004

Provided below are current capacity (ASMs in millions) estimates for the full year of 2004:

Alaska Airlines capacity	22,156	6.5%
Horizon Air capacity	3,065	19.3%

Other Financial Information

Cash and Short-Term Investments

As of June 16, 2004, cash and short-term investments amounted to approximately \$870 million compared to \$843 million at April 30, 2004. Cash flows increased principally due to receipt of an income tax refund in the amount of \$42.9 million and cash flows from operations. These inflows were offset by a payment to the Company's credit facility in the amount of \$75 million in early June.

Fuel Cost per Gallon (including realized hedging gains)

	Cost per Gallon	% Change from Prior Year
Alaska:		
April	123.7 cents	39.8%
May	129.2 cents	60.7%
Horizon:		
April	128.5 cents	40.0%
May	133.0 cents	63.6%

Fuel Hedging Program

To manage economic risks associated with changes in aircraft fuel prices, we enter into swap agreements and call options for crude oil. These hedging contracts have in the past had a high correlation to changes in aircraft fuel prices, and therefore qualified as "cash flow hedges" under existing accounting rules whereby the majority of the changes in fair value were deferred in Accumulated Other Comprehensive Income on the Company's Balance Sheet until these forecasted transactions were settled and recorded in earnings.

Although our current fuel hedge program includes the same underlying commodities as we have used historically, because of recent commodity price fluctuations, there is a risk that our existing hedge contracts may no longer be highly correlated to changes in prices of aircraft fuel as defined in the accounting rules. If the hedge commodity and fuel prices are not highly correlated, instead of recording the

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effective portion of changes in fair value in Accumulated Other Comprehensive Income, we would be required to record changes in fair value since the end of the first quarter of 2004 in non-operating income. At March 31, 2004, the fair value of our hedge contracts totaled \$36.8 million. Assuming the hedge commodity and jet fuel prices do not meet the test for “high correlation”, at June 30, 2004, changes in the fair value of the Company’s fuel hedge contracts during the quarter would result in a corresponding change in non-operating income (expense) of the same amount. Given the rise in fuel prices during the second quarter, we expect our hedges to have increased in value which would result in non-operating income, although the amount of any gain or loss cannot be determined until the fair market value of the contracts is determined at the end of the quarter.

Management continues to believe that its fuel hedging program is an important part of its strategy to reduce its exposure to volatile fuel prices.

Fuel hedge positions entered into by Alaska and Horizon are currently as follows:

	Approximate % of Expected Fuel Requirements	Approximate Crude Oil Price per Barrel
May – December 2004	42%	\$ 29.19
January – December 2005	43%	\$ 28.30
January – December 2006	11%	\$ 30.09

Operating Fleet Plan

The following table provides a fleet summary for Alaska and Horizon for actual airplanes on hand at the end of 2003 and changes in 2004 and 2005 based on our contractual obligations:

	Seats	On Hand YE 2003	Change During 2004	Change During 2005
Alaska Airlines				
B737-200C	111	9	(2)	
B737-400	138	40		(1)
B737-700	120	22		
B737-800	150-160	0		2
B737-900	172	11	1	
MD-80	140	27	(1)	
Total		109	(2)	1
Horizon Air				
Q200	37	28		
Q400	70	16	2	
CRJ 700	70	18		1
Total		62	2	1

In June, Horizon converted one 2005 firm order for a CRJ 700 to a Q400 to be delivered in July 2004.

Alaska has no commitments for aircraft deliveries beyond 2005. Horizon has two CRJ 700's scheduled for delivery per year from 2006 to 2009 and none thereafter.

We frequently review our fleet plan and the composition and deployment of our fleet. We may look to modify existing leases, reconfigure aircraft or enter into new purchase commitments as market conditions warrant.

Cautionary Note regarding Forward-Looking Statements

In addition to historical information, this Form 8-K contains forward-looking statements that relate to future events of our future financial performance and involve a number of risks and uncertainties. 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. In some cases, you can identify forward-looking statements by terminology such as “forecast,” “may,” “will,” “could,” “should,” “expect,” “plan,” “believe,” “potential”, “estimate” or other similar words indicating future events or contingencies. Some of the things that could cause our actual results to differ from our expectations are: the competitive environment and other trends in our industry; economic conditions; our reliance on automated systems; actual or threatened terrorist attacks, global instability and potential U.S. military involvement; our ability to meet our cost reduction goals; labor disputes; changes in our operating costs including fuel and insurance; changes in laws and regulations; liability and other claims asserted against us; failure to expand our business; interest rates and the availability of financing; our ability to attract and retain qualified personnel; changes in our business plans; our significant indebtedness; downgrades of our credit ratings; and inflation. For a discussion of these and other risk factors, review the information under the caption “Business Risks” in Item 1 of the Company’s Annual Report on Form 10-K/A for the year ended December 31, 2003. All of the forward-looking statements are qualified in their entirety by reference to the risk factors discussed therein. Our forward-looking statements are based on the information currently available to us and speak only as of the date of this report. 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. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this report to conform them to actual results. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such differences might be significant and materially adverse.

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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: June 18, 2004

/s/ Brandon S. Pedersen

Brandon S. Pedersen
Staff Vice President/Finance and Controller

/s/ Bradley D. Tilden

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