

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-Q

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1996.

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.

(Exact name of registrant as specified in its charter)

Delaware

91-1292054

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

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

Registrant's telephone number, including area code: (206) 431-7040

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 X No \_\_\_\_

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and  
reports required to be filed by Sections 12, 13 or 15(d) of the Securities  
Exchange Act of 1934 subsequent to the distribution of securities under a  
plan confirmed by a court. Yes\_ No\_

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes  
of common stock, as of the latest practicable date.

The registrant has 14,465,600 common shares, par value \$1.00, outstanding  
at June 30, 1996.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

Attached are the following Alaska Air Group, Inc. (the Company or Air  
Group) unaudited financial statements: (i) consolidated balance sheets as  
of June 30, 1996 and December 31, 1995; (ii) consolidated statements of  
income for the quarters and six months ended June 30, 1996 and 1995; (iii)  
consolidated statement of shareholders' equity for the six months ended  
June 30, 1996; and, (iv) consolidated statements of cash flows for the six  
months ended June 30, 1996 and 1995. Also attached are the accompanying  
notes to the Company's consolidated financial statements that have changed  
significantly during the six months ended June 30, 1996. These statements,  
which should be read in conjunction with the financial statements in the  
Company's annual report on Form 10-K for the year ended December 31, 1995,  
include all adjustments that are, in the opinion of management, necessary  
for a fair presentation of the results for the interim periods. The  
adjustments made were of a normal recurring nature.

Air Group is a holding company incorporated in Delaware in 1985. Its  
principal subsidiaries are Alaska Airlines, Inc. (Alaska) and Horizon Air  
Industries, Inc. (Horizon).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND  
FINANCIAL CONDITION

## Results of Operations

Second Quarter 1996 Compared with Second Quarter 1995 The consolidated net income for the second quarter of 1996 was \$18.0 million, or \$1.24 per share (\$.88 per share fully diluted), compared with net income of \$7.0 million, or \$.52 per share (\$.48 per share fully diluted), in 1995. Operating income for the second quarter of 1996 was \$39.7 million compared to \$24.5 million for 1995. The larger operating income reflects higher passenger load factors and yields at both Alaska and Horizon. Airline financial and statistical data is shown following the Air Group financial statements. A discussion of this data follows.

Alaska Airlines Operating revenues increased 16.6% to \$341.6 million. Passenger revenues, which accounted for 89% of total operating revenues, increased 19.1% on a 16.8% rise in passenger traffic. Capacity increased 8.9%, primarily due to more flying in the Alaska, Nevada and Mexico markets. Selective reductions in capacity in the Pacific Northwest to the Bay Area and to Southern California markets helped boost load factors by over 10 percentage points in those markets, while the system load factor increased 4.4 points from 61.3% in 1995 to 65.7% in 1996. Passenger yields, reflecting an improved balance between supply and demand for air travel on the West Coast, continued the trend of the first quarter and rose 2.0% to 12.09 cents in 1996.

Freight and mail revenues experienced a relatively modest growth of 1.8%, reflecting increased competition in the Alaska markets. Other-net revenues experienced a modest decline due to decreased revenues from providing services to other airlines.

The table below shows the major operating expense elements on a cost per available seat mile (ASM) basis for Alaska for the second quarters of 1996 and 1995.

Alaska Airlines	Operating Expenses Per ASM (In Cents)			
	1996	1995	Change	% Change
Wages and benefits	2.49	2.48	.01	-
Aircraft fuel	1.30	1.06	.24	23
Aircraft maintenance	.37	.33	.04	12
Aircraft rent	.96	.98	(.02)	(2)
Commissions	.62	.57	.05	9
Depreciation & amortization	.36	.42	(.06)	(14)
Landing fees and other rentals	.33	.34	(.01)	(3)
Other	1.56	1.52	.04	3
Alaska Airlines Total	7.99	7.70	.29	4

Alaska's higher unit costs were primarily due to higher fuel prices and heavier passenger loads. Significant unit cost changes are discussed below.

Fuel expense per ASM increased 23%, due to a 21% increase in the price of fuel. Approximately one third of the fuel price increase was due to a 4.3 cent Federal excise tax on domestic fuel consumption that began October 1, 1995. Pending legislation in Congress to extend the exemption from this tax has not been acted upon to date.

Maintenance expense per ASM increased 12% primarily due to higher amortization of major airframe and engine overhaul costs.

Commission expense per ASM increased 9% because passenger revenues, upon which commissions are paid, increased 19% or approximately 9 percentage points over the 9% ASM growth.

Depreciation and amortization expense per ASM decreased 14% due to the sale (and leaseback) of two aircraft at the end of the first quarter and a 6% increase in aircraft utilization.

Other expense per ASM increased 3% primarily due to higher costs related to heavier passenger loads, such as booking fees, communications charges and credit card commissions.

Horizon Air Operating revenues increased 9.3% to \$76.7 million. Passenger revenues, which accounted for 95% of total operating revenues, increased 9.4% on less than a one percent rise in passenger traffic. Capacity decreased 1.3% primarily due to less flying in the lower-yield Seattle-Spokane and Portland-Spokane markets. These actions helped boost passenger yields 8.8% to 35.09 cents in 1996. The system load factor increased 1.2

points from 57.3% in 1995 to 58.5% in 1996,

The table below shows the major operating expense elements on a cost per ASM basis for Horizon for the second quarters of 1996 and 1995.

Horizon Air	Operating Expenses Per ASM (In Cents)			
	1996	1995	Change	% Change
Wages and benefits	6.39	5.98	.41	7
Aircraft fuel	2.22	1.84	.38	21
Aircraft maintenance	2.90	2.29	.61	27
Aircraft rent	2.42	2.38	.04	2
Commissions	1.34	1.37	(.03)	(2)
Depreciation & amortization	.83	.64	.19	30
Landing fees and other rentals	.90	.91	(.01)	(1)
Other	3.77	3.68	.09	2
Horizon Air Total	20.77	19.09	1.68	9

Horizon's unit costs increased 9% primarily due to: (a) 22% higher fuel prices; (b) increased maintenance expense on Dash 8 aircraft, which now average 8 years in age; and (c) more depreciation expense on aircraft improvements.

Consolidated Other Income (Expense) Non-operating expense decreased \$4.8 million to \$6.8 million primarily due to lower interest rates on variable debt and smaller average debt balances. Interest income increased \$1.0 million primarily due to higher average cash balances during the quarter.

Six Months 1996 Compared with Six Months 1995 The consolidated net income for the six months ended June 30, 1996 was \$10.8 million, or \$.76 per share (\$.66 per share fully diluted), compared with a net loss of \$9.3 million, or \$.70 per share, in 1995. Operating income for the first half of 1996 was \$35.2 million compared to \$6.2 million for 1995. A discussion of operating revenues and expenses for the two airlines follows.

Alaska Airlines Operating revenues increased 18.3% to \$622.0 million, primarily due to a 17.6% rise in passenger traffic. Capacity increased 9.4%, primarily due to increases in the Alaska, Arizona and Nevada markets. The load factor increased 4.4 points from 58.9% in 1995 to 63.3% in 1996. Passenger yields rose 2.6% to 11.83 cents in 1996, reflecting an improved balance between supply and demand for air travel on the West Coast.

Operating expenses increased 13.8% to \$587.8 million on a capacity increase of 9.4%. Unit costs increased 4.0%, generally for the same reasons as noted above in the second quarter comparison.

Horizon Air Operating revenues increased 12.1% to \$149.1 million, due to a 6.1% rise in passenger traffic combined with a 4.8% increase in passenger yield. Capacity increased 3.8%, while load factor rose 1.3 points from 57.5% in 1995 to 58.8% in 1996.

Operating expenses increased 8.7% to \$147.2 million on a capacity increase of 3.8%. Unit costs increased 4.8%, generally for the same reasons as noted above in the second quarter comparison.

Other Income (Expense) Non-operating expense decreased \$7.4 million to \$15.8 million for the same reasons as noted above in the second quarter comparison.

Income Tax Expense Accounting standards require the Company to provide for income taxes each quarter based on its estimate of the effective tax rate for the full year. The volatility of air fares and the seasonality of the Company's business make it very difficult to estimate full-year pretax results. In addition, a relatively small change in pretax results can cause a significant change in the effective tax rate due to the magnitude of nondeductible expenses, such as goodwill amortization and employee per diem costs. In estimating the 44.3% tax rate for the first half of 1996, the Company considered a variety of factors, including the U.S. federal rate of 35%, estimates of nondeductible expenses and state income taxes, and the 49.1% tax rate used for full year 1995. This rate is evaluated each quarter and adjustments are made if necessary.

#### Liquidity and Capital Resources

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

	June 30, 1996	December 31, 1995	Change
(In millions, except debt-to-equity and per share amounts)			
Cash and market securities	\$ 105.1	\$ 135.1	\$ (30.0)
Working capital (deficit)	(129.8)	(106.4)	(23.4)
Long-term debt and capital lease obligations	483.7	522.4	(38.7)
Shareholders' equity	244.7	212.5	32.2
Book value per common share	\$16.92	\$ 15.67	\$ 1.25
Debt-to-equity	66%:34%	71%:29%	NA

The Company's cash and marketable securities portfolio decreased by \$30 million during the first six months of 1996. Operating activities provided \$139 million of cash during this period. Additional cash was provided by the sale and leaseback of two B737-400 aircraft (\$57 million) and proceeds received from the issuance of common stock (\$21 million). Cash was used for the purchase of two new MD-83 aircraft, one used B737-400 aircraft, one previously leased B737-200C, airframe and engine overhauls and other capital expenditures (\$140 million), repayment of short-term borrowings (\$66 million), and the repayment of debt (\$48 million).

The working capital deficit increased by \$23 million primarily due to the aircraft purchases.

Shareholders' equity increased by \$32 million due to the net income of \$11 million and the issuance of \$21 million of common stock under stock plans.

## PART II. OTHER INFORMATION

### ITEM 4. Submission of Matters to a Vote of Security Holders

(a) Air Group's annual meeting of stockholders was held on May 21, 1996.

(b) Not applicable.

(c) Three directors were elected with the following results:

Director	Votes For	Votes Against or Withheld	Broker Non-Votes
B.I. Mallott	12,198,856	394,023	0
R.L. Parker, Jr.	12,198,768	394,111	0
R.A. Wien	12,197,701	395,178	0

The 1996 Long-Term Incentive Equity Plan was approved with 11,351,903 votes for, 1,159,296 votes against, and 81,860 votes abstaining.

The authorization to increase common stock from 30 million to 50 million shares was approved with 11,359,371 votes for, 1,191,264 votes against, and 42,244 votes abstaining.

### ITEM 5. Other Information

The U.S. 10% passenger ticket tax, the 6.25% cargo waybill tax and the \$6 per passenger international departure tax expired on December 31, 1995. Hence, the Company ceased collecting these taxes on January 1, 1996. Management believes that some form of these taxes will likely be reinstated in 1996 on a prospective basis and that it is unlikely that any reinstatement will be retroactive.

During the second quarter 1996, Air Group received approximately \$11 million from issuance of 410,000 common shares as a result of management employees exercising investment options at \$27 per share. Air Group could receive another \$50 million and issue 1,864,000 additional common shares if all the investment options were exercised. These events would likely result in a reduction in the working capital deficit, an increase in shareholders' equity and book value per share, a reduction in the debt-to-equity ratio and a modest dilution of earnings per share.

### ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibit 11 - Statement regarding computation of per-share earnings.

Exhibit 27 - Financial data schedule.

(b) No reports on Form 8-K were filed during the second quarter of 1996.

### Signatures

Pursuant to the requirements of the Securities 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 29, 1996

/s/ John F. Kelly  
John F. Kelly  
Chairman, President and Chief Executive Officer

/s/ Harry G. Lehr  
Harry G. Lehr  
Senior Vice President/Finance  
(Principal Financial Officer)

CONSOLIDATED BALANCE SHEET  
Alaska Air Group, Inc.

ASSETS

(In Millions)	June 30, 1996	Dec. 31, 1995
Current Assets		
Cash and cash equivalents	\$53.0	\$25.8
Marketable securities	52.1	109.3
Receivables - net	89.2	88.5
Inventories and supplies	46.0	44.8
Prepaid expenses and other assets	83.4	70.0
Total Current Assets	323.7	338.4
Property and Equipment		
Flight equipment	915.1	845.9
Other property and equipment	224.6	219.1
Deposits for future flight equipment	24.6	40.7
	1,164.3	1,105.7
Less accumulated depreciation and amortization	334.5	312.8
	829.8	792.9
Capital leases		
Flight and other equipment	44.4	44.4
Less accumulated amortization	24.3	23.3
	20.1	21.1
Total Property and Equipment - Net	849.9	814.0
Intangible Assets - Subsidiaries	62.6	63.6
Other Assets	88.6	97.4
Total Assets	\$1,324.8	\$1,313.4

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET  
Alaska Air Group, Inc.

LIABILITIES AND SHAREHOLDERS' EQUITY

(In Millions)	June 30, 1996	Dec. 31, 1995
Current Liabilities		
Accounts payable	\$66.5	\$69.2
Accrued aircraft rent	50.1	44.1
Accrued wages, vacation and payroll taxes	46.9	45.8
Other accrued liabilities	58.6	55.7
Short-term borrowings		
(Interest rate: 1995 - 6.2%)	-	65.9
Air traffic liability	201.0	124.4
Current portion of long-term debt and capital lease obligations	30.4	39.7
Total Current Liabilities	453.5	444.8
Long-Term Debt and Capital Lease Obligations	483.7	522.4
Other Liabilities and Credits		
Deferred income taxes	48.1	41.0

Deferred income	19.0	20.0
Other liabilities	75.8	72.7
	142.9	133.7
Shareholders' Equity		
Common stock, \$1 par value		
Authorized: 50,000,000 shares		
Issued: 1996 - 17,214,150 shares		
1995 - 16,718,684 shares	17.2	16.7
Capital in excess of par value	166.7	155.4
Treasury stock, at cost:		
1996-2,748,550; 1995-3,153,608 shares	(62.6)	(71.8)
Deferred compensation	(3.2)	(3.6)
Retained earnings	126.6	115.8
	244.7	212.5
Total Liabilities and Shareholders' Equity	1,324.8	1,313.4

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME  
Alaska Air Group, Inc.

Three Months Ended June 30		
(In Millions except Per share Amounts)	1996	1995
Operating Revenues		
Passenger	\$374.2	\$320.8
Freight and mail	24.9	24.4
Other - net	17.6	17.0
Total Operating Revenues	416.7	362.2
Operating Expenses		
Wages and benefits	117.5	108.5
Aircraft fuel	57.3	43.9
Aircraft maintenance	24.6	19.7
Aircraft rent	45.2	43.0
Commissions	26.9	25.0
Depreciation and amortization	16.8	17.0
Landing fees and other rentals	15.7	15.1
Other	73.0	65.5
Total Operating Expenses	377.0	337.7
Operating Income	39.7	24.5
Other Income (Expense)		
Interest income	2.9	2.0
Interest expense	(9.8)	(13.1)
Loss on disposition of assets	(0.1)	(0.7)
Other - net	0.2	0.2
	(6.8)	(11.6)
Income before income tax	32.9	12.9
Income tax expense	14.9	5.9
Net Income	\$18.0	\$7.0
Primary Earnings Per Share	\$1.24	\$0.52
Fully Diluted Earnings Per Share	\$0.88	\$0.48
Shares used for computation:		
Primary	14.5	13.4
Fully diluted	22.7	19.3

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME  
Alaska Air Group, Inc.

Six Months Ended June 30		
(In Millions except Per share Amounts)	1996	1995
Operating Revenues		
Passenger	\$686.8	\$580.2
Freight and mail	46.3	45.5
Other - net	35.0	31.1
Total Operating Revenues	768.1	656.8
Operating Expenses		
Wages and benefits	231.8	208.3
Aircraft fuel	107.8	83.1
Aircraft maintenance	48.1	40.3

Aircraft rent	89.3	84.7
Commissions	49.9	45.3
Depreciation and amortization	34.0	33.9
Landing fees and other rentals	30.7	29.0
Other	141.3	126.0
Total Operating Expenses	732.9	650.6
Operating Income	35.2	6.2
Other Income (Expense)		
Interest income	5.5	3.3
Interest expense	(20.9)	(26.4)
Loss on disposition of assets	(0.8)	(0.7)
Other - net	0.4	0.6
	(15.8)	(23.2)
Income (loss) before income tax	19.4	(17.0)
Income tax expense (credit)	8.6	(7.7)
Net Income (Loss)	\$10.8	\$ (9.3)
Primary Earnings (Loss) Per Share	\$0.76	\$ (0.70)
Fully Diluted Earnings Per Share	\$0.66	AD
Shares used for computation:		
Primary	14.2	13.4
Fully diluted	22.4	19.2
AD = anti-dilutive		
See accompanying notes to consolidated financial statements.		

CONSOLIDATED STATEMENT OF SHAREHOLDERS'  
Alaska Air Group, Inc.

(In Millions)	\$1 Par Value	Common Stock Capital in Excess of Par Value	Treasury Stock at Cost	Deferred Compen- sation	Retained Earnings	Total
Balances at December 31, 1995	\$16.7	\$155.4	\$(71.8)	\$(3.6)	\$115.8	\$212.5
Net income for the six months ended June 30, 1996					10.8	10.8
Stock issued under stock plans	0.5	9.6				10.1
Treasury stock purchase (4,466 shares)			(0.1)			(0.1)
Treasury stock sold (409,524 shares)		1.7	9.3			11.0
Employee Stock Ownership Plan shares allocated				0.4		0.4
Balances at June 30, 1996	\$17.2	\$166.7	\$(62.6)	\$(3.2)	\$126.6	\$244.7

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS  
Alaska Air Group, Inc.

Six Months Ended June 30 (In Millions)	1996	1995
Cash and cash equivalents at beginning of period	\$25.8	\$11.6
Cash flows from operating activities:		
Net income (loss)	10.8	(9.3)
Adjustments to reconcile net income (loss) to cash:		
Depreciation and amortization	34.0	33.9
Amortization of airframe and engine overhauls	16.2	12.2
Loss on disposition of assets	0.8	0.6
Increase (decrease) in deferred income taxes	7.1	(5.8)
Increase in accounts receivable	(0.7)	(19.7)
Increase in other current assets	(14.6)	(0.1)
Increase in air traffic liability	76.5	52.1
Increase in other current liabilities	7.4	11.8
Other-net	1.7	(1.2)
Net cash provided by operating activities	139.2	74.5
Cash flows from investing activities:		
Proceeds from disposition of assets	3.8	1.5
Purchases of marketable securities	(13.4)	(42.5)
Sales and maturities of marketable securities	70.6	33.8
Restricted deposits	1.5	(1.7)
Flight equipment deposits returned	1.1	8.9
Additions to flight equipment deposits	(0.6)	-
Additions to property and equipment	(139.4)	(35.0)
Net cash used in investing activities	(76.4)	(35.0)
Cash flows from financing activities:		
Proceeds from short-term borrowings	-	4.0

Repayment of short-term borrowings	(65.9)	(29.0)
Proceeds from sale and leaseback transactions	57.4	-
Proceeds from issuance of long-term debt	-	128.8
Long-term debt and capital lease payments	(48.0)	(26.9)
Proceeds from issuance of common stock	10.0	0.6
Proceeds from sale of treasury stock	10.9	-
Net cash provided by (used in) financing activities	(35.6)	77.5
Net increase in cash and cash equivalents	27.2	117.0
Cash and cash equivalents at end of period	\$53.0	\$128.6
Supplemental disclosure of cash paid (received) during the period for:		
Interest (net of amount capitalized)	\$26.8	\$28.1
Income taxes (refunds)	(0.8)	(1.9)
Noncash investing and financing activities	None	None

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS THAT HAVE CHANGED SIGNIFICANTLY  
DURING THE SIX MONTHS ENDED JUNE 30, 1996  
Alaska Air Group, Inc.

Note 1. Commitments (See Note 5 to Consolidated Financial Statements at  
December 31, 1995)

During the first quarter of 1996, Alaska's lease commitments increased approximately \$96 million due to the sale and leaseback of two B737-400 aircraft under 18-1/2-year operating leases.

Alaska Airlines Financial and Statistical Data

Financial Data (in millions):	Quarter Ended June 30			Six Months Ended June 30		
	1996	1995	% Change	1996	1995	% Change
Operating Revenues:						
Passenger	\$302.7	\$254.1	19.1	\$547.8	\$454.1	20.6
Freight and mail	22.1	21.7	1.8	40.8	40.3	1.2
Other - net	16.8	17.1	(1.8)	33.4	31.2	7.1
Total Operating Revenues	341.6	292.9	16.6	622.0	525.6	18.3
Operating Expenses:						
Wages and benefits	94.8	86.9	9.1	186.3	166.0	12.2
Aircraft fuel	49.5	37.2	33.1	92.3	70.3	31.3
Aircraft maintenance	14.3	11.4	25.4	27.9	23.3	19.7
Aircraft rent	36.6	34.4	6.4	72.1	67.6	6.7
Commissions	23.7	20.0	18.5	43.3	35.8	20.9
Depreciation and amortization	13.8	14.6	(5.5)	28.0	29.3	(4.4)
Landing fees and other rentals	12.5	11.8	5.9	24.4	22.7	7.5
Other	59.0	53.1	11.1	113.5	101.3	12.0
Total Operating Expenses	304.2	269.4	12.9	587.8	516.3	13.8
Operating Income	37.4	23.5	59.1	34.2	9.3	267.7
Interest income	3.0	2.1		5.7	3.6	
Interest expense	(7.6)	(10.2)		(16.5)	(20.7)	
Other - net	0.3	(0.3)		0.4	0.1	
	(4.3)	(8.4)		(10.4)	(17.0)	
Income (Loss) Before Income Tax	\$33.1	\$15.1		\$23.8	\$(7.7)	
Operating Statistics:						
Revenue passengers (000)	3,005	2,499	20.3	5,581	4,595	21.5
RPM's (000,000)	2,504	2,143	16.8	4,630	3,937	17.6
ASM's (000,000)	3,809	3,498	8.9	7,309	6,680	9.4
Passenger load factor	65.7%	61.3%	4.4 pts	63.3%	58.9%	4.4 pts
Breakeven load factor	58.2%	57.4%	0.8 pts	60.9%	60.5%	0.4 pts
Yield per passenger mile	12.09c	11.85c	2.0	11.83c	11.53c	2.6
Operating revenue per ASM	8.97c	8.37c	7.1	8.51c	7.87c	8.1
Operating expenses per ASM	7.99c	7.70c	3.7	8.04c	7.73c	4.0
Fuel cost per gallon	73.7c	60.9c	21.0	71.2c	60.5c	17.7
Average number of employees	7,511	6,907	8.7	7,404	6,794	9.0
Aircraft utilization (block hours)	11.5	10.8	6.3	11.2	10.6	5.6
Operating fleet at period-end	76	74	2.7	76	72	5.6
c=cents						

Horizon Air Financial and Statistical Data

Financial Data (in millions):	Quarter Ended June 30			Six Months Ended June 30		
	1996	1995	% Change	1996	1995	% Change
Operating Revenues:						
Passenger	\$73.0	\$66.7	9.4	\$142.1	\$126.1	12.7
Freight and mail	2.8	2.7	3.7	5.5	5.2	5.8
Other - net	0.9	0.8	12.5	1.5	1.7	(11.8)
Total Operating Revenues	76.7	70.2	9.3	149.1	133.0	12.1



Operating Expenses:						
Wages and benefits	22.7	21.6	5.1	45.5	42.3	7.6
Aircraft fuel	7.9	6.7	17.9	15.5	12.7	22.0
Aircraft maintenance	10.3	8.3	24.1	20.2	17.0	18.8
Aircraft rent	8.6	8.6		17.2	17.1	0.6
Commissions	4.8	4.9	(2.0)	9.6	9.5	1.1
Depreciation and amortization	3.0	2.3	30.4	5.8	4.5	28.5
Landing fees and other rentals	3.2	3.3	(3.0)	6.3	6.3	
Other	13.5	13.1	3.1	27.1	26.0	4.2
Total Operating Expenses	74.0	68.8	7.6	147.2	135.4	8.7
Operating Income (Loss)	2.7	1.4	92.9	1.9	(2.4)	NM
Interest income				0.1		
Interest expense	(0.2)	(0.2)		(0.3)	(0.4)	
Other - net	0.1	(0.1)		(0.7)	0.0	
	(0.1)	(0.3)		(0.9)	(0.4)	
Income (Loss) Before Income Tax	\$2.6	\$1.1		\$1.0	\$(2.8)	
Operating Statistics:						
Revenue passengers (000)	920	948	(2.9)	1,828	1,812	0.9
RPM's (000,000)	208	207	0.6	417	393	6.1
ASM's (000,000)	356	361	(1.3)	710	684	3.8
Passenger load factor	58.5%	57.3%	1.2 pts	58.8%	57.5%	1.3 pts
Breakeven load factor	56.2%	56.2%		58.1%	58.9%	(0.8) pts
Yield per passenger mile	35.09c	32.25c	8.8	34.06c	32.07c	6.2
Operating revenue per ASM	21.54c	19.47c	10.6	21.01c	19.45c	8.0
Operating expenses per ASM	20.77c	19.09c	8.8	20.75c	19.80c	4.8
Fuel cost per gallon	77.5c	63.8c	21.6	75.5c	64.1c	17.8
Average number of employees	2,832	2,900	(2.3)	2,836	2,853	(0.6)
Aircraft utilization (block hours)	7.7	8.1	(4.5)	7.7	8.1	(5.1)
Operating fleet at period-end	59	68	(13.2)	59	68	(13.2)
c=cents						

Alaska Air Group, Inc.  
Computation of Earnings Per Common Share  
(In thousands, except per share)

EXHIBIT 11

	Three Month Ended June 30,		Six Month Ended June 30,	
	1996	1995	1996	1995
PRIMARY -				
Net income	\$17,980	\$7,021	\$10,795	(\$9,319)
Average number of shares outstanding	14,324	13,411	14,012	13,405
Assumed exercise of stock options reduced by the number of shares purchased with the proceeds from exercise of such options	202	35	146	0
Average shares as adjusted	14,526	13,446	14,158	13,405
Primary earnings per common share	\$1.24	\$0.52	\$0.76	(\$0.70)
FULLY DILUTED -				
Net income	\$17,980	\$7,021	\$10,795	(\$9,319)
After tax interest on convertible debt	2,009	2,206	4,019	4,314
Income applicable to common shares	\$19,989	\$9,227	\$14,814	(\$5,005)
Average number of shares outstanding	14,324	13,411	14,012	13,405
Assumed exercise of stock options	202	83	229	57
Assumed conversion of 6.5% debentures	6,151	203	6,151	102
Assumed conversion of 7.75% debentures	381	508	381	508
Assumed conversion of 6.875% debentures	1,608	1,608	1,608	1,608
Assumed conversion of 7.25% notes	0	3,442	0	3,503
Average shares as adjusted	22,666	19,255	22,381	19,183
Fully diluted earnings per common share	\$0.88	\$0.48	\$0.66	(\$0.26)

\*

\* Anti-dilutive

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ALASKA AIR GROUP INC SECOND QUARTER 1996 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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