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, 1998.
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 (I.R.S. Employer
incorporation or organization) 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 26,206,545 common shares, par value $1.00, outstanding at June 30, 1998.

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, 1998 and December 31, 1997; (ii) consolidated statements of income for the quarters and six months ended June 30, 1998 and 1997; (iii) consolidated statement of shareholders' equity for the six months ended June 30, 1998; and, (iv) consolidated statements of cash flows for the six months ended June 30, 1998 and 1997. Also attached are the accompanying notes to the Company's consolidated financial statements that have changed significantly during the six months ended June 30, 1998. 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, 1997, 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 1998 Compared with Second Quarter 1997

The consolidated net income for the second quarter of 1998 was $38.9 million, or $1.51 per share (diluted), compared with net income of $20.8 million, or $1.01 per share in 1997. Consolidated operating income for the second quarter of 1998 was $62.6 million compared to $40.9 million for 1997. Lower fuel prices, adjusted for profit sharing, accounted for $11.8 million of the $21.7 million improvement in operating income. Airline financial and statistical data is shown following the Air Group financial statements. A discussion of this data follows.

Alaska Airlines Operating income increased 37.1% to $57.7 million, resulting in a 14.3% operating margin as compared to a 11.5% margin in 1997. Operating revenue per available seat mile (ASM) increased 1.2% to 9.67 cents while operating expenses per ASM decreased 2.0% to 8.29 cents. The increase in revenue per ASM was due to a 0.5 point improvement in system passenger load factor combined with a 0.9% increase in system passenger yield. The higher load factor and higher yield reflect a more stabilized competitive environment in 1998.

Freight and mail revenues increased 4.1% due to higher freight volumes. Other-net revenues increased 6.6% due to increased revenue from travel partners in Alaska's frequent flyer program.

The table below shows the major operating expense elements on a cost per ASM basis for Alaska for the second quarters of 1997 and 1998.

Alaska Airlines Operating Expenses Per ASM (In Cents)

	1997	1998	Change	% Change
Wages and benefits	2.79	2.81	.02	1
Employee profit sharing	.08	.14	.06	NM
Contracted services	.26	.31	.05	19
Aircraft fuel	1.23	.96	(.27)	(22)
Aircraft maintenance	.42	.54	.12	29
Aircraft rent	.94	.92	(.02)	(2)
Food and beverage service	.30	.29	(.01)	(3)
Commissions	.66	.57	(.09)	(14)
Other selling expenses	.41	.45	.04	10
Depreciation and amortization	.36	.37	.01	3
Landing fees and other rentals	.35	.37	.02	6
Other	.66	.56	(.10)	(15)
Alaska Airlines Total	8.46	8.29	(.17)	(2)

NM = Not Meaningful

Alaska's lower unit costs were primarily due to lower fuel prices, offset by higher maintenance and profit sharing costs. Significant unit cost changes are discussed below.

Contracted services per ASM increased 19%, primarily due to greater use of temporary employees (particularly in computer systems development), higher shipping charges incurred and increased navigation fees in Canada and Mexico.

Fuel expense per ASM decreased 22%, due to a 22% decrease in the price of fuel.

Maintenance expense per ASM increased 29%, primarily due to a B737-400 auxiliary power unit retrofit program, increased engine repairs, higher cost of airframe materials and a greater number of annual aircraft inspections (C checks) performed.

Commission expense per ASM decreased 14%, because the commission rate paid to travel agents decreased from 10% to 8% for sales made October 1, 1997 and thereafter. As a percentage of passenger revenue, commissions expense decreased 14%, from 7.7% to 6.6%.

Other selling expenses per ASM increased 10%, primarily due to the timing of recording advertising expenses. On a year-to-date basis, other selling expenses per ASM is up 5%.

Other expense per ASM decreased 15%, primarily due to a $2.7 million recovery of California property taxes that resulted from settlement of industry litigation.

Horizon Air Operating income improved to $5.4 million, resulting in a 6.3% operating margin as compared to a negative 1.1% margin in 1997. Operating revenue per ASM decreased 5.3% to 19.60 cents, while operating expenses per ASM decreased 12.3% to 18.36 cents.

The decrease in revenue per ASM was due to a 6.9% decrease in yield per revenue passenger mile (RPM), offset by a 1.1 point increase in passenger load factor. The decrease in yield per RPM is partly due to providing more longer-haul nonstop service to existing city pairs with F-28 jets.

The table below shows the major operating expense elements on a cost per ASM basis for Horizon for the second quarters of 1997 and 1998.

Horizon Air Operating Expenses Per ASM (In Cents)

	1997	1998	Change	% Change
Wages and benefits	6.70	5.74	(.96)	(14)
Employee profit sharing	--	.23	.23	NM
Contracted services	.39	.52	.13	33
Aircraft fuel	2.18	1.63	(.55)	(25)
Aircraft maintenance	3.10	2.59	(.51)	(17)
Aircraft rent	2.48	2.31	(.17)	(7)
Food and beverage service	.12	.13	.01	8
Commissions	1.26	.98	(.28)	(22)
Other selling expenses	1.19	1.04	(.15)	(13)
Depreciation and amortization	.78	.65	(.13)	(17)
Landing fees and other rentals	.93	.91	(.02)	(2)
Other	1.79	1.63	(.16)	(9)
Horizon Air Total	20.92	18.36	(2.56)	(12)

Horizon's unit costs decreased 12%, primarily due to 23% lower fuel prices, lower travel agency commission rates and more efficient operations that have resulted from a simplified fleet.

Consolidated Nonoperating Income (Expense) A $3.1 million increase in interest income earned on higher cash balances combined with less interest expense incurred due to conversion of the 6-7/8% convertible bonds in February 1998, resulted in a $5.8 million improvement in net nonoperating items.

Six Months 1998 Compared with Six Months 1997
The consolidated net income for the six months ended June 30, 1998 was $52.0 million, or $2.07 per share (diluted), compared with net income of $15.1 million, or $0.84 per share in 1997. Consolidated operating income for the first six months of 1998 was $85.1 million compared to $35.5 million for 1997. Lower fuel prices, adjusted for profit sharing, accounted for $30.3 million of the $49.6 million improvement in operating income. A discussion of operating results for the two airlines follows.
Alaska Airlines Operating income increased 97.5% to $80.2 million, resulting in a 10.7% operating margin as compared to a 6.0% margin in 1997. Operating revenue per ASM increased 2.6% to 9.38 cents while operating expenses per ASM decreased 2.6% to 8.38 cents. The increase in revenue per ASM was due to a 3.4% increase in system passenger yield while the system passenger load factor remained constant at 67.0%.

Unit costs decreased 2.6% due to lower fuel prices, partially offset by higher maintenance and profit sharing costs.

Horizon Air Operating income improved to $5.8 million, resulting in a 3.6% operating margin as compared to a negative 3.2% margin in 1997. Operating revenue per ASM decreased 6.3% to 19.34 cents, while operating expenses per ASM decreased 12.5% to 18.64 cents. The changes in unit revenue and unit expense are due to the same reasons stated above in the second quarter comparison.

Consolidated Nonoperating Income (Expense) Net nonoperating items improved $10.0 million over 1997 for the same reasons as noted above in the second quarter comparison.

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

	Dec. 31, 1997	June 30, 1998	Change
(In millions, except debt-to-equity and per share amounts)			
Cash and marketable securities	$212.7	$350.1	$137.4
Working capital (deficit)	(48.7)	25.2	73.9
Long-term debt and capital lease obligations	401.4	183.3	(218.1)
Shareholders' equity	475.3	716.1	240.8
Book value per common share	$26.00	$27.32	$1.32
Debt-to-equity	46%:54%	20%:80%	NA

The Company's cash and marketable securities portfolio increased by $137 million during the first six months of 1998. Operating activities provided $191 million of cash during this period. Additional cash was provided by the sale and leaseback of seven B737-400 aircraft and four Dash 8-200 aircraft ($262 million) and the return of $14 million of equipment deposits. Cash was used for $305 million of capital expenditures, including the purchase of eight new B737-400 aircraft, four new Dash 8-200 aircraft, flight equipment deposits and airframe and engine overhauls and the repayment of debt ($29 million).

Shareholders' equity increased $241 million due to the conversion of $186 million of convertible bonds into common stock, net income of $52 million and issuance of $6 million of common stock under stock plans.
Commitments During May 1998, Alaska ordered one Boeing 737-400 and two Boeing 737-700 aircraft to be delivered in 1999, and three more B737-700s to be delivered in 2000. At June 30, 1998, the Company had firm orders for 40 aircraft with a total cost of approximately $906 million as set forth below.

	Delivery Period - Firm Orders						
Aircraft	1998	1999	2000	2001	2002	2003-05	Total
Boeing B737-400	1	3	--	--	--	--	4
Boeing B737-700	--	5	3	--	--	--	8
Boeing B737-900	--	--	--	5	5	--	10
de Havilland Dash 8-200	7	1	3	--	--	7	18
Total	8	9	6	5	5	7	40
Cost (Millions)	$102	$261	$123	$175	$175	$70	$906

Year 2000 Computer Issue The Company uses a significant number of computer software programs and embedded operating systems that were not originally designed to process dates beyond 1999. The Company has implemented a project to ensure that the Company's systems will function properly in the year 2000 and thereafter. The Company anticipates completing this project for key systems in early 1999 and believes that, with modifications to its existing software and systems and/or conversions to new software, the year 2000 issue will not pose significant operational problems. Most of the Company's information technology projects in the last several years have made the affected systems Year 2000 compliant. The direct costs of projects solely intended to correct year 2000 problems are currently estimated at less than $2 million. Additional systems currently under review may require further resources. The Company does not expect any cost increases to have a material effect on its results of operations.

The Company is also in contact with its significant suppliers and vendors with which its systems interface and exchange data or upon which its business depends. These efforts are designed to minimize the extent to which its business will be vulnerable to their failure to remediate their own year 2000 issues. The Company's business is also dependent upon certain governmental organizations or entities such as the Federal Aviation Administration (FAA) that provide essential aviation industry infrastructure. The Company is working with the Airline Transport Association to monitor the FAA's progress in making its systems year 2000 compliant. There can be no assurance that such third parties on which the Company's business relies will successfully remediate their systems on a timely basis. The Company's business, financial condition or results of operations could be materially adversely affected by the failure of its systems or those operated by other parties to operate properly beyond 1999. Areas that could be adversely affected include flight operations, maintenance, planning, reservations, sales, accounting and the frequent flyer program. To the extent possible, the Company is developing and executing contingency plans designed to allow continued operation in the event of failure of third party systems or products.

New Accounting Standards During June 1998, the Financial Accounting Standards Board issued FAS 133, Accounting for Derivative Instruments and Hedging Activities The new standard requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. Due to the Company's minimal use of derivatives, the new standard is expected to have no material impact on its financial position or results of operations. FAS 133 will be effective for the Company's fiscal year beginning January 1, 2000.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

In July 1998, the Company announced that it had reached an agreement in principle with the trustee for creditors of the defunct MarkAir, Inc. regarding a breach of contract lawsuit. A formal settlement agreement will be executed if the agreement is approved by the bankruptcy court. If approved, the $16.5 million settlement is expected to result in an after-tax charge of $10.1 million ($0.38 per diluted share) in the third quarter of 1998.

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

(a) Air Group's annual meeting of stockholders was held on May 19, 1998.
(b)Not applicable.
(c) Three directors were elected with the following results:

Director	Votes For	Votes Against or Withheld	Broker Non-Votes
R.F. Cosgrave	18,983,316	37,987	0
R.M. Langland	18,975,073	46,230	0
J.V. Rindlaub	18,977,686	43,617	0

ITEM 5. Other Information

During the first quarter of 1998, Alaska's mechanics, inspectors, cleaners, janitors and fleet service employees voted to be represented by the Aircraft Mechanics Fraternal Association (AMFA) rather than the International Association of Machinists (IAM). The negotiation of an initial contract began in July 1998. The IAM will continue to represent Alaska's stock clerks and ramp service employees, whose contract became amendable August 31, 1997. In July 1998, the Company and the IAM requested mediation to help negotiate a new contract.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibit 27 - Financial data schedule.
(b) No reports on Form 8-K were filed during the second quarter of 1998.

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, 1998

/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)	December 31, 1997	June 30, 1998
Current Assets		
Cash and cash equivalents	$102.6	$152.7
Marketable securities	110.1	197.4
Receivables - net	72.6	94.2
Inventories and supplies	47.2	44.0
Prepaid expenses and other assets	92.1	95.3
Total Current Assets	424.6	583.6
Property and Equipment		
Flight equipment	950.1	993.3
Other property and equipment	258.5	269.4
Deposits for future flight equipment	108.9	83.0
	1,317.5	1,345.7
Less accumulated depreciation and amortization	373.8	402.5
	943.7	943.2
Capital leases:		
Flight and other equipment	44.4	44.4
Less accumulated amortization	27.5	28.6
	16.9	15.8
Total Property and Equipment - Net	960.6	959.0
Intangible Assets - Subsidiaries	59.6	58.5
Other Assets	88.3	85.8
Total Assets	$1,533.1	$1,686.9

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET
Alaska Air Group, Inc.

LIABILITIES AND SHAREHOLDERS' EQUITY

(In Millions)	December 31, 1997	June 30, 1998
Current Liabilities		
Accounts payable	$73.9	$82.3
Accrued aircraft rent	60.7	65.2
Accrued wages, vacation and payroll taxes	70.1	64.4
Other accrued liabilities	73.5	84.7
Air traffic liability	166.4	230.3
Current portion of long-term debt and capital lease obligations	28.7	31.5
Total Current Liabilities	473.3	558.4
Long-Term Debt and Capital Lease Obligations	401.4	183.3
Other Liabilities and Credits		
Deferred income taxes	72.3	96.3
Deferred income	19.5	36.1
Other liabilities	91.3	96.7
	183.1	229.1
Shareholders' Equity		
Common stock, $1 par value		
Authorized: 50,000,000 shares		
Issued: 1997 - 21,030,762 shares		
1998 - 28,956,725 shares	21.0	29.0
Capital in excess of par value	292.5	473.3
Treasury stock, at cost: 1997 - 2,748,030 shares		
1998 - 2,750,180 shares	(62.6)	(62.7)
Deferred compensation	(1.8)	(1.7)
Retained earnings	226.2	278.2
	475.3	716.1
Total Liabilities and Shareholders' Equity	$1,533.1	$1,686.9

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)	1997	1998
Operating Revenues		
Passenger	$391.7	$439.6
Freight and mail	24.7	25.5
Other - net	18.6	19.8
Total Operating Revenues	435.0	484.9
Operating Expenses		
Wages and benefits	132.9	149.3
Contracted services	11.3	14.3
Aircraft fuel	54.8	46.9
Aircraft maintenance	26.8	33.7
Aircraft rent	44.7	48.5
Food and beverage service	12.0	12.8
Commissions	27.1	24.7
Other selling expenses	19.8	23.2
Depreciation and amortization	16.7	18.2
Loss on sale of assets	0.1	0.2
Landing fees and other rentals	16.8	19.4
Other	31.1	31.1
Total Operating Expenses	394.1	422.3
Operating Income	40.9	62.6
Non-operating Income (Expense)		
Interest income	2.2	5.3
Interest expense	(8.6)	(6.1)
Interest capitalized	1.3	1.9
Other - net	0.7	0.3
	(4.4)	1.4
Income before income tax	36.5	64.0
Income tax expense	15.7	25.1
Net Income	$20.8	$38.9
Basic Earnings Per Share	$1.43	$1.77
Diluted Earnings Per Share	$1.01	$1.51
Shares used for computation:		
Basic	14.576	21.933
Diluted	22.471	26.454

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)	1997	1998
Operating Revenues		
Passenger	$734.6	$817.9
Freight and mail	44.8	46.5
Other - net	36.0	36.9
Total Operating Revenues	815.4	901.3
Operating Expenses		
Wages and benefits	255.3	286.2
Contracted services	22.8	27.9
Aircraft fuel	117.5	93.0
Aircraft maintenance	52.0	62.5
Aircraft rent	89.6	95.5
Food and beverage service	23.0	24.2
Commissions	51.9	47.3
Other selling expenses	40.2	44.7
Depreciation and amortization	33.4	36.1
Loss (gain) on sale of assets	(0.5)	0.2
Landing fees and other rentals	32.7	36.3
Other	62.0	62.3
Total Operating Expenses	779.9	816.2
Operating Income	35.5	85.1
Nonoperating Income (Expense)		

Interest income	4.1	9.2
Interest expense	(17.0)	(12.9)
Interest capitalized	2.3	3.5
Other - net	1.5	1.1
	(9.1)	0.9
Income before income tax	26.4	86.0
Income tax expense	11.3	34.0
Net Income	$15.1	$52.0
Basic Earnings Per Share	$1.04	$2.53
Diluted Earnings Per Share	$0.84	$2.07
Shares used for computation:		
Basic	14.533	20.518
Diluted	22.400	26.403

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
Alaska Air Group, Inc.

(In Millions)	Common Shares Outstanding	Common Stock	Capital in Excess of Par Value	Treasury Stock at Cost	Deferred Compen- sation	Retained Earnings	Total
Balances at December 31, 1997	18.283	$21.0	$292.5	$(62.6)	$(1.8)	$226.2	$475.3
Net income for the six months ended June 30, 1998						52.0	52.0
Stock issued under stock plans	0.179	0.3	5.8				6.1
Stock issued for convertible subordinated debentures	7.747	7.7	175.0				182.7
Treasury stock purchase	(0.002)			-0.1			(0.1)
Employee Stock Ownership Plan shares allocated					0.1		0.1
Balances at June 30, 1998	26.207	$29.0	$473.3	$(62.7)	$(1.7)	$278.2	$716.1

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Alaska Air Group, Inc.

Six Months Ended June 30 (In Millions)	1997	1998
Cash flows from operating activities:		
Net income	$15.1	$52.0
Adjustments to reconcile net income to cash:		
Depreciation and amortization	33.4	36.1
Amortization of airframe and engine overhauls	17.2	19.1
Loss (gain) on disposition of assets	(0.5)	0.2
Increase in deferred income taxes	11.0	24.0
Increase in accounts receivable	(23.9)	(21.6)
Decrease in other current assets	10.1	-
Increase in air traffic liability	55.7	63.9
Increase (decrease) in other current liabilities	(1.2)	18.4
Other-net	(4.6)	(1.6)
Net cash provided by operating activities	112.3	190.5
Cash flows from investing activities:		
Proceeds from disposition of assets	0.2	0.4
Purchases of marketable securities	(22.8)	(123.1)
Sales and maturities of marketable securities	28.9	35.8
Restricted deposits	(1.1)	(1.1)
Flight equipment deposits returned	3.3	14.1
Additions to flight equipment deposits	(23.8)	(67.9)
Additions to property and equipment	(165.1)	(237.0)
Net cash used in investing activities	(180.4)	(378.8)
Cash flows from financing activities:		
Proceeds from short-term borrowings	56.4	-
Repayment of short-term borrowings	(75.0)	-
Proceeds from sale and leaseback transactions	99.1	261.6
Proceeds from issuance of long-term debt	28.0	-
Long-term debt and capital lease payments	(9.5)	(29.3)
Proceeds from issuance of common stock	2.0	6.1
Net cash provided by financing activities	101.0	238.4
Net increase in cash and cash equivalents	32.9	50.1
Cash and cash equivalents at beginning of period	49.4	102.6
Cash and cash equivalents at end of period	$82.3	$152.7
Supplemental disclosure of cash paid (received) during the period for:		
Interest (net of amount capitalized)	$14.8	$11.0
Income taxes (refunds)	(4.5)	7.2

Noncash investing and financing activities:
1997 - None
1998 - $186.0 million of convertible debentures were converted into 7.7 million shares of common stock.

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS THAT HAVE CHANGED SIGNIFICANTLY DURING THE SIX MONTHS ENDED JUNE 30, 1998
Alaska Air Group, Inc.

Note 1. Commitments (See Note 5 to Consolidated Financial Statements at December 31, 1997)
During the first six months of 1998, Alaska's lease commitments increased approximately $324 million due to the sale and leaseback of seven B737-400 aircraft under 18-year operating leases. During the first six months of 1998, Horizon's lease commitments increased approximately $54 million due to the sale and leaseback of four Dash 8-200 aircraft under 15-year operating leases.

Note 2. Earnings per Share (See Note 9 to Consolidated Financial Statements at December 31, 1997)
Earnings per share (EPS) calculations were as follows (in millions except per share amounts):

	Three Months Ended June 30		Six Months Ended June 30	
	1997	1998	1997	1998
Net income	$20.8	$38.9	$15.1	$52.0
Avg. shares outstanding	14.576	21.933	14.533	20.518
Basic earnings per share	$1.43	$1.77	$1.04	$2.53
Net income	$20.8	$38.9	$15.1	$52.0
After-tax interest on:				
6-1/2% debentures	1.3	0.9	2.6	2.2
6-7/8% debentures	0.6	--	1.2	0.4
Diluted EPS income	$22.7	$39.8	$18.9	$54.6
Avg. shares outstanding	14.576	21.933	14.533	20.518
Assumed conversion of:				
6-1/2% debentures	6.151	4.263	6.151	5.127
6-7/8% debentures	1.608	--	1.608	.515
Assumed exercise of stock options	.136	.258	.116	.243
Diluted EPS shares	22.471	26.454	22.408	26.403
Diluted earnings per share	$1.01	$1.51	$0.84	$2.07

Convertible debentures and stock options only enter the diluted EPS calculation when their individual effect is dilutive.

Note 3. Operating Segment Information (See Note 11 to Consolidated Financial Statements at December 31, 1997)
Operating segment information for Alaska Airlines, Inc. (Alaska) and Horizon Air Industries, Inc. (Horizon) for the three months ended March 31 was as follows (in millions):

	Three Months Ended June 30		Six Months Ended June 30	
	1997	1998	1997	1998
Operating revenues:				
Alaska	$366.0	$403.0	$677.6	$747.2
Horizon	71.4	86.1	142.4	161.2
Elimination of intercompany revenues	(2.4)	(4.2)	(4.6)	(7.1)
Consolidated	435.0	484.9	815.4	901.3
Pretax income (loss):				
Alaska	39.9	60.7	36.1	84.8
Horizon	(0.7)	5.6	(4.5)	6.1
Air Group	(2.7)	(2.3)	(5.2)	(4.9)

Consolidated	36.5	64.0	26.4	86.0
Total assets at end of period:				
Alaska	1,326.5	1,531.2	1,326.5	1,531.2
Horizon	165.8	163.6	165.8	163.6
Air Group	537.0	715.9	537.0	715.9
Elimination of intercompany accounts	(629.0)	(723.8)	(629.0)	(723.8)
Consolidated	1,400.3	1,686.9	1,400.3	1,686.9

Alaska Airlines Financial and Statistical Data

	Quarter Ended June 30			Six Months Ended June 30		
Financial Data (in millions):	1997	1998	% Change	1997	1998	% Change
Operating Revenues:						
Passenger	$326.0	$360.9	10.7	$603.5	$670.7	11.1
Freight and mail	21.9	22.8	4.1	39.3	41.2	4.8
Other - net	18.1	19.3	6.6	34.8	35.3	1.4
Total Operating Revenues	366.0	403.0	10.1	677.6	747.2	10.3
Operating Expenses:						
Wages and benefits	106.7	117.1	9.7	205.9	227.8	10.6
Employee profit sharing	3.0	6.0	100.0	3.0	8.0	166.7
Contracted services	9.9	12.8	29.3	19.9	24.7	24.1
Aircraft fuel	47.3	39.8	(15.9)	101.0	78.9	(21.9)
Aircraft maintenance	16.2	22.4	38.3	31.0	40.7	31.3
Aircraft rent	36.2	38.3	5.8	72.6	75.5	4.0
Food and beverage service	11.6	12.2	5.2	22.1	23.1	4.5
Commissions	25.1	23.8	(5.2)	47.7	45.4	(4.8)
Other selling expenses	15.7	18.7	19.1	31.8	35.9	12.9
Depreciation and amortization	13.9	15.3	10.1	27.7	30.4	9.7
Loss on sale of assets	0.1	0.2	NM	0.1	0.2	NM
Landing fees and other rentals	13.6	15.4	13.2	26.3	28.7	9.1
Other	24.6	23.3	(5.3)	47.9	47.7	(0.4)
Total Operating Expenses	323.9	345.3	6.6	637.0	667.0	4.7
Operating Income	42.1	57.7	37.1	40.6	80.2	97.5
Interest income	2.7	5.6		5.1	9.9	
Interest expense	(6.5)	(4.5)		(12.7)	(9.2)	
Interest capitalized	0.8	1.5		1.5	2.6	
Other - net	0.8	0.4		1.6	1.3	
	(2.2)	3.0		(4.5)	4.6	
Income Before Income Tax	$39.9	$60.7		$36.1	$84.8	
Operating Statistics:						
Revenue passengers (000)	3,114	3,321	6.6	5,884	6,183	5.1
RPMs (000,000)	2,621	2,876	9.7	4,963	5,335	7.5
ASMs (000,000)	3,829	4,166	8.8	7,410	7,964	7.5
Passenger load factor	68.5%	69.0%	0.5 pts	67.0%	67.0%	0.0 pts
Breakeven load factor	59.4%	57.0%	(2.4)pts	63.0%	58.4%	(4.6)pts
Yield per passenger mile	12.44c	12.55c	0.9	12.16c	12.57c	3.4
Operating revenue per ASM	9.56c	9.67c	1.2	9.14c	9.38c	2.6
Operating expenses per ASM	8.46c	8.29c	(2.0)	8.60c	8.38c	(2.6)
Fuel cost per gallon	69.5c	54.3c	(21.9)	76.2c	55.9c	(26.7)
Fuel gallons (000,000)	68.0	73.3	7.8	132.6	141.2	6.5
Average number of employees	8,265	8,639	4.5	8,093	8,496	5.0
Aircraft utilization (block hours)	11.5	11.5	0.0	11.3	11.4	0.9
Operating fleet at period-end	76	84	10.5	76	84	10.5

NM = Not Meaningful
c = cents

Horizon Air Financial and Statistical Data

	Quarter Ended June 30			Six Months Ended June 30		
Financial Data (in millions):	1997	1998	% Change	1997	1998	% Change
Operating Revenues:						

Passenger	$68.0	$82.0	20.6	$135.8	$153.4	13.0
Freight and mail	2.8	2.7	(3.6)	5.4	5.3	(1.9)
Other - net	0.6	1.4	133.3	1.2	2.5	108.3
Total Operating Revenues	71.4	86.1	20.6	142.4	161.2	13.2
Operating Expenses:						
Wages and benefits	23.1	25.2	9.1	46.4	49.3	6.3
Employee profit sharing	0.0	1.0	NM	0.0	1.1	NM
Contracted services	1.5	2.3	53.3	2.9	4.0	37.9
Aircraft fuel	7.5	7.1	(5.3)	16.5	14.1	(14.5)
Aircraft maintenance	10.7	11.4	6.5	21.0	21.9	4.3
Aircraft rent	8.5	10.1	18.8	17.1	20.0	17.0
Food and beverage service	0.4	0.5	25.0	0.9	1.0	11.1
Commissions	4.3	4.3	0.0	8.8	8.1	(8.0)
Other selling expenses	4.1	4.5	9.8	8.4	8.8	4.8
Depreciation and amortization	2.7	2.9	7.4	5.6	5.6	0.0
Loss (gain) on sale of assets	0.0	0.0	0.0	(0.6)	0.0	NM
Landing fees and other rentals	3.2	3.9	21.9	6.4	7.5	17.2
Other	6.2	7.5	21.0	13.5	14.0	3.7
Total Operating Expenses	72.2	80.7	11.8	146.9	155.4	5.8
Operating Income (Loss)	(0.8)	5.4	NM	(4.5)	5.8	NM
Interest income	0.0	0.0		0.1	0.0	
Interest expense	(0.5)	(0.3)		(1.1)	(0.8)	
Interest capitalized	0.5	0.4		0.8	0.8	
Other - net	0.1	0.1		0.2	0.3	
	0.1	0.2		0.0	0.3	
Income (Loss) Before Income Tax	$(0.7)	$5.6		$(4.5)	$6.1	
Operating Statistics:						
Revenue passengers (000)	881	1,058	20.1	1,737	1,982	14.1
RPMs (000,000)	209	270	29.5	412	503	22.0
ASMs (000,000)	345	439	27.2	690	833	20.8
Passenger load factor	60.5%	61.6%	1.1 pts	59.8%	60.4%	0.6 pts
Breakeven load factor	61.2%	57.1%	(4.1)pts	62.3%	57.8%	(4.5)pts
Yield per passenger mile	32.57c	30.33c	(6.9)	32.93c	30.48c	(7.4)
Operating revenue per ASM	20.69c	19.60c	(5.3)	20.64c	19.34c	(6.3)
Operating expenses per ASM	20.92c	18.36c	(12.3)	21.29c	18.64c	(12.5)
Fuel cost per gallon	74.7c	57.2c	(23.4)	81.3c	59.4c	(27.0)
Fuel gallons (000,000)	10.1	12.5	23.8	20.3	23.8	17.2
Average number of employees	2,704	2,906	7.5	2,758	2,844	3.1
Aircraft utilization (block hours)	6.9	7.9	14.5	7.0	7.6	8.6
Operating fleet at period-end	59	54	(8.5)	59	54	(8.5)

NM = Not Meaningful
c = cents

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ALASKA AIR GROUP INC. SECOND QUARTER 1998 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<MULTIPLIER> 1000

<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	DEC-31-1998
<PERIOD-END>	JUN-30-1998
<CASH>	152700
<SECURITIES>	197400
<RECEIVABLES>	94200
<ALLOWANCES>	0
<INVENTORY>	44000
<CURRENT-ASSETS>	583600
<PP&E>	1390100
<DEPRECIATION>	431100
<TOTAL-ASSETS>	1686900
<CURRENT-LIABILITIES>	558400
<BONDS>	183300
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	29000
<OTHER-SE>	687100
<TOTAL-LIABILITY-AND-EQUITY>	1686900
<SALES>	901300
<TOTAL-REVENUES>	901300
<CGS>	816200
<TOTAL-COSTS>	816200
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	12900
<INCOME-PRETAX>	86000
<INCOME-TAX>	34000
<INCOME-CONTINUING>	52000
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	52000
<EPS-PRIMARY>	2.53
<EPS-DILUTED>	2.07