

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 March 31, 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 13,832,508 common shares, par value \$1.00, outstanding
at March 31, 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 March 31, 1996 and December 31, 1995; (ii) consolidated statements of
income for the three months ended March 31, 1996 and 1995; (iii)
consolidated statement of shareholders' equity for the three months ended
March 31, 1996; and, (iv) consolidated statements of cash flows for the
three months ended March 31, 1996 and 1995. Also attached are the
accompanying notes to the Company's consolidated financial statements that
have changed significantly during the three months ended March 31, 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

First Quarter 1996 Compared with First Quarter 1995 The consolidated net loss for the first quarter of 1996 was \$7.2 million, or \$.52 per share, compared with a net loss of \$16.3 million, or \$1.22 per share, in 1995. The operating loss for the first quarter of 1996 was \$4.5 million compared to an operating loss of \$18.3 million for 1995. The smaller operating loss reflects higher average fares and load factors 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 20.5% to \$280.4 million. Passenger revenues, which accounted for 87% of total operating revenues, increased 22.6% on an 18.6% rise in passenger traffic. Capacity increased 10%, primarily due to more flying in the Alaska, Arizona and Nevada markets. The load factor increased from 56.4% in 1995 to 60.7% in 1996, and passenger yields rose 3.4% to 11.53 cents in 1996, reflecting an improved balance between supply and demand for air travel on the West Coast.

Freight and mail revenues increased less than 1% as higher freight volumes were offset by lower mail volumes and rates. Other-net revenues rose 17.7% due to increased revenues from travel partners in Alaska's frequent flyer program.

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

Alaska Airlines	Operating Expenses Per ASM (In Cents)			
	1996	1995	Change	% Change
Wages and benefits	2.61	2.48	.13	5
Aircraft fuel	1.22	1.04	.18	17
Aircraft maintenance	.39	.37	.02	5
Aircraft rent	1.02	1.05	(.03)	(3)
Commissions	.56	.50	.06	12
Depreciation & amortization	.41	.46	(.05)	(11)
Landing fees and other rentals	.34	.34		
Other	1.55	1.52	.03	2
Alaska Airlines Total	8.10	7.76	.34	4

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

Wages and benefits per ASM increased 5% due to higher average wage rates per employee (in part due to longevity increases in labor contracts), and higher expense rates for health insurance and pensions. The number of full-time equivalent employees increased 9%, which was in line with the 10% capacity increase. However, revenue passengers increased 23%, which resulted in a 13% increase in productivity as measured by passengers per employee.

Fuel expense per ASM increased 17%, due to a 14% increase in the price of fuel. Approximately half of the fuel price increase is 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 due to the Federal budget impasse.

Commission expense per ASM increased 12% because passenger revenues, upon which commissions are paid, increased 23% or approximately 12 percentage points over the 10% ASM growth.

Depreciation and amortization expense per ASM decreased 11% primarily due to a 6% increase in aircraft utilization.

Other expense per ASM increased 2% 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 15.4% to \$72.5 million. Passenger revenues, which accounted for 95% of total operating revenues, increased 16.2% on a 12.2% rise in passenger traffic. Capacity increased 9.5% due to the greater use of larger capacity Fokker F-28 jets and Dornier 328 turboprop aircraft. The load factor increased from 57.7% in 1995 to 59.1% in 1996, reflecting a better matching of capacity to demand.

Passenger yields rose 3.6% to 33.02 cents in 1996 due to fare increases and inclement weather that forced some passengers to travel on short notice at higher fares.

Freight and mail revenues increased 8% due to increased capacity, while other-net revenues decreased 11% due to reductions in revenues from providing services to other airlines.

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

Horizon Air	Operating Expenses Per ASM (In Cents)			
	1996	1995	Change	% Change
Wages and benefits	6.42	6.42		
Aircraft fuel	2.16	1.88	.28	15
Aircraft maintenance	2.81	2.71	.10	4
Aircraft rent	2.43	2.61	(.18)	(7)
Commissions	1.37	1.40	(.03)	(2)
Depreciation & amortization	.80	.68	.12	18
Landing fees and other rentals	.87	.94	(.07)	(7)
Other	3.87	3.96	(.09)	(2)
Horizon Air Total	20.73	20.60	.13	1

Horizon's unit costs increased 1% primarily due to the net effect of higher fuel prices and depreciation on aircraft improvements, offset by efficiencies related to the greater use of higher capacity aircraft

Consolidated Other Income (Expense) Non-operating expense decreased \$2.6 million to \$9.0 million primarily due to lower interest rates on variable debt and smaller average debt balances. Increased interest income earned on higher cash balances was partially offset by a \$.6 million loss on the disposal of three Fairchild Metroliner III aircraft.

Income Tax Credit 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 46.7% tax rate for the first quarter 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.

	March 31, 1996	December 31, 1995	Change
(In millions, except debt-to-equity and per share amounts)			
Cash and market securities	\$ 138.9	\$ 135.1	\$ 3.8
Working capital (deficit)	(62.3)	(106.4)	44.1
Long-term debt and capital lease obligations	505.2	522.4	(17.2)
Shareholders' equity	210.4	212.5	(2.1)
Book value per common share	\$15.21	\$ 15.67	\$ (0.46)
Debt-to-equity	71%:29%	71%:29%	NA

The Company's cash and marketable securities portfolio increased by \$4 million during the first three months of 1996. Operating activities provided \$44 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 (\$5 million). Cash was used for the repayment of short-term borrowings (\$66 million), airframe and engine overhauls and other capital expenditures (\$21 million), and the repayment of debt (\$20 million).

The working capital deficit decreased by \$44 million primarily due to the

sale and leaseback of two B737-400 aircraft.

Shareholders' equity decreased only \$2 million in spite of a \$7 million net loss due to the issuance of \$5 million of common stock under stock plans.

PART II. OTHER INFORMATION

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 April 1996, Air Group received approximately \$10 million from issuance of 374,000 common shares as a result of management employees exercising investment options at \$27 per share. Air Group could receive another \$51 million and issue 1,900,000 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 first 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: May 1, 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)	March 31, 1996	Dec. 31, 1995
Current Assets		
Cash and cash equivalents	\$64.6	\$25.8
Marketable securities	74.3	109.3
Receivables - net	115.1	88.5
Inventories and supplies	45.7	44.8
Prepaid expenses and other assets	55.1	70.0
Total Current Assets	354.8	338.4
Property and Equipment		
Flight equipment	797.4	845.9
Other property and equipment	222.6	219.1
Deposits for future flight equipment	40.7	40.7
	1,060.7	1,105.7
Less accum. depreciation and amort.	325.3	312.8
	735.4	792.9
Capital leases		
Flight and other equipment	44.4	44.4
Less accumulated amortization	23.8	23.3
	20.6	21.1
Total Property and Equipment - Net	756.0	814.0

Intangible Assets - Subsidiaries	63.1	63.6
Other Assets	89.1	97.4
Total Assets	\$1,263.0	\$1,313.4

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET
Alaska Air Group, Inc.

LIABILITIES AND SHAREHOLDERS' EQUITY

(In Millions)	March 31, 1996	Dec. 31, 1995
Current Liabilities		
Accounts payable	\$58.5	\$69.2
Accrued aircraft rent	44.3	44.1
Accrued wages, vacation and payroll taxes	46.8	45.8
Other accrued liabilities	60.3	55.7
Short-term borrowings		
(Interest rate: 1995 - 6.2%)	-	65.9
Air traffic liability	169.9	124.4
Current portion of long-term debt and capital lease obligations	37.3	39.7
Total Current Liabilities	417.1	444.8
Long-Term Debt		
Capital Lease Obligations	505.2	522.4
Other Liabilities and Credits		
Deferred income taxes	34.3	41.0
Deferred income	19.9	20.0
Other liabilities	76.1	72.7
	130.3	133.7
Shareholders' Equity		
Common stock, \$1 par value		
Authorized: 30,000,000 shares		
Issued: 1996 - 16,990,582 shares		
1995 - 16,718,684 shares	17.0	16.7
Capital in excess of par value	160.2	155.4
Treasury stock, at cost:		
1996-3,158,074; 1995-3,153,608 shares	(71.9)	(71.8)
Deferred compensation	(3.5)	(3.6)
Retained earnings	108.6	115.8
	210.4	212.5
Total Liab. and Shareholders' Equity	\$1,263.0	\$1,313.4

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
Alaska Air Group, Inc.

Three Months Ended March 31		
(In Millions except Per share Amounts)	1996	1995
Operating Revenues		
Passenger	\$312.6	\$259.4
Freight and mail	21.4	21.1
Other - net	17.4	14.1
Total Operating Revenues	351.4	294.6
Operating Expenses		
Wages and benefits	114.3	99.8
Aircraft fuel	50.5	39.2
Aircraft maintenance	23.5	20.6
Aircraft rent	44.1	41.7
Commissions	23.0	20.3
Depreciation and amortization	17.1	16.9
Landing fees and other rentals	15.0	14.0
Other	68.4	60.4
Total Operating Expenses	355.9	312.9
Operating Loss	(4.5)	(18.3)

Other Income (Expense)		
Interest income	2.6	1.4
Interest expense	(11.1)	(13.3)
Loss on disposition of assets	(0.7)	
Other - net	0.2	0.3
	(9.0)	(11.6)
Loss before income tax	(13.5)	(29.9)
Income tax credit	(6.3)	(13.6)
Net Loss	(\$7.2)	(\$16.3)
Loss Per Share	\$ (0.52)	\$ (1.22)
Shares used for computation	13.7	13.4

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 loss for the three months ended March 31, 1996					(7.2)	(7.2)
Stock issued under stock plans	0.3	4.8				5.1
Treasury stock purchase (4,466 shares)			(0.1)			(0.1)
Employee Stock Ownership Plan shares allocated				0.1		0.1
Balances at March 31, 1996	17.0	160.2	(71.9)	(3.5)	108.6	210.4

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Alaska Air Group, Inc.

Three Months Ended March 31 (In Millions)	1996	1995
Cash and cash equivalents at beginning of year	\$25.8	\$11.6
Cash flows from operating activities:		
Net loss	(7.2)	(16.3)
Adjustments to reconcile net loss to cash:		
Depreciation and amortization	17.1	16.9
Amortization of airframe and engine ovhls	7.6	5.5
Loss on disposition of assets	0.7	-
Decrease in deferred income taxes	(6.7)	(11.6)
Increase in accounts receivable	(26.6)	(7.3)
Decrease in other current assets	14.1	2.4
Increase in air traffic liability	45.5	24.3
Increase (decrease) in other current liab.	(4.9)	3.1
Other-net	4.5	(0.6)
Net cash provided by operating activities	44.1	16.4
Cash flows from investing activities:		
Proceeds from disposition of assets	1.0	0.1
Purchases of marketable securities	(13.4)	(0.8)
Sales and maturities of marketable securities	48.4	32.9
Restricted deposits	2.5	(0.7)
Additions to property and equipment	(20.5)	(21.5)
Net cash provided by investing activities	18.0	10.0
Cash flows from financing activities:		
Proceeds from short-term borrowings	-	4.0
Repayment of short-term borrowings	(65.9)	(25.0)
Proceeds from sale and leaseback transactions	57.4	-
Long-term debt and capital lease payments	(19.7)	(12.8)
Proceeds from issuance of common stock	4.9	-
Net cash used in financing activities	(23.3)	(33.8)
Net increase (decrease) in cash and cash equivalents	38.8	(7.4)
Cash and cash equivalents at end of year	64.6	4.2
Supplemental disclosure of cash paid (received) during the period for:		
Interest (net of amount capitalized)	9.0	10.7
Income taxes (refunds)	(0.8)	(2.0)
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 THREE MONTHS ENDED MARCH 31, 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.

Airline Financial and Statistical Data						
Quarter Ended March 31						
	Alaska Airlines			Horizon Air		
			%			%
Financial Data (in millions):	1996	1995	Change	1996	1995	Change
Operating Revenues:						
Passenger	\$245.1	\$200.0	22.6	\$69.0	\$59.4	16.2
Freight and mail	18.7	18.6	0.5	2.7	2.5	8.0
Other - net	16.6	14.1	17.7	0.8	0.9	(11.1)
Total Operating Revenues	280.4	232.7	20.5	72.5	62.8	15.4
Operating Expenses:						
Wages and benefits	91.5	79.1	15.7	22.7	20.7	9.7
Aircraft fuel	42.8	33.1	29.3	7.6	6.1	24.6
Aircraft maintenance	13.6	11.9	14.3	9.9	8.8	12.5
Aircraft rent	35.6	33.3	6.9	8.6	8.5	1.2
Commissions	19.6	15.8	24.1	4.9	4.5	8.9
Depreciation and amortization	14.2	14.7	(3.4)	2.8	2.2	27.3
Landing fees and other rentals	11.9	10.9	9.2	3.1	3.1	
Other	54.5	48.1	13.3	13.8	12.7	8.7
Total Operating Expenses	283.7	246.9	14.9	73.4	66.6	10.2
Operating Loss	(3.3)	(14.2)		(0.9)	(3.8)	
Interest income	2.6	1.5				
Interest expense	(8.9)	(10.5)		(0.1)	(0.2)	
Other - net	0.3	0.4		(0.6)		
	(6.0)	(8.6)		(0.7)	(0.2)	
Loss before income tax credit	\$ (9.3)	\$ (22.8)		\$ (1.6)	\$ (4.0)	
Operating Statistics:						
Revenue passengers (000)	2,576	2,096	22.9	907	864	5.0
RPM's (000,000)	2,126	1,793	18.6	209	186	12.2
ASM's (000,000)	3,500	3,182	10.0	354	323	9.5
Passenger load factor	60.7%	56.4%	4.3 pts	59.1%	57.7%	1.4 pts
Breakeven load factor	64.2%	64.4%	(0.2)pts	60.0%	62.0%	(2.0)pts
Yield per passenger mile	11.53c	11.15c	3.4	33.02c	31.87c	3.6
Operating expenses per ASM	8.10c	7.76c	4.4	20.73c	20.60c	0.6
Fuel cost per gallon	68.5c	60.1c	14.1	73.6c	64.6c	14.0
Average number of employees	7,297	6,681	9.2	2,840	2,806	1.2
Aircraft utilization(block hours)	10.9	10.4	4.9	7.6	8.1	(5.7)
Operating fleet at period-end	74	72	2.8	62	67	(7.5)

c=cents

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

EXHIBIT 11

		Three Mo Mar
	1996	1995
PRIMARY -		
Net income	(\$7,185)	(\$16,340)
Average number of shares outstanding	13,700	13,400
Assumed exercise of stock options reduced by the number of shares purchased with the proceeds from exercise of such options	0	0
Average shares as adjusted	13,700	13,400
Earnings (loss) per Common Share	(\$0.52)	(\$1.22)
FULLY DILUTED -		
Net income	(\$7,185)	(\$16,340)
After tax interest on convertible debt	2,019	2,111
Income applicable to common shares	(\$5,166)	(\$14,229)
Average number of shares outstanding	13,700	13,400
Assumed exercise of stock options	307	4
Assumed conversion of 6.5% debentures	6,151	0
Assumed conversion of 7.75% debentures	381	508
Assumed conversion of 6.875% debentures	1,608	1,608
Assumed conversion of 7.25% notes	0	3,565
Average shares as adjusted	22,147	19,085
Earnings (loss) per Common Share	(\$0.23)	(\$0.75)
	*	*

* Anti-dilutive

<ARTICLE> 5

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

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