

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

(Mark One)

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

For the quarterly period ended September 30, 1994.

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  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 13,371,165 common shares, par value  
\$1.00, outstanding at September 30, 1994.

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 sheet as of September 30, 1994 and  
December 31, 1993; (ii) consolidated statements of income  
for the quarters and nine months ended September 30, 1994  
and 1993; (iii) consolidated statement of shareholders'  
equity for the nine months ended September 30, 1994; and,  
(iv) consolidated statements of cash flows for the quarters  
and nine months ended September 30, 1994 and 1993. Also  
attached are the accompanying notes to Air Group's  
consolidated financial statements that have changed

significantly during the nine months ended September 30, 1994. These statements include all adjustments which are, in the opinion of management, necessary for a fair statement 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 Financial Condition and Results of Operations

Results of Operations

Third Quarter 1994 Compared with Third Quarter 1993

The consolidated net income for the third quarter of 1994 was \$24.3 million, or \$1.81 per share (primary) and \$1.22 per share (fully diluted). This compares with 1993's third quarter net income of \$8.0 million, or \$.60 per share (primary) and \$.47 (fully diluted). The operating profit for the third quarter of 1994 was \$52.3 million, compared to \$20.7 million for the third quarter of 1993.

Operating Revenues

Operating revenues increased 20% from \$323.4 million to \$386.8 million. Passenger revenues increased 21% on a 32% increase in passenger traffic. Traffic gains were due to a 23% increase in system capacity, lower fares that stimulated traffic throughout most of the system, and improvements in market share. Load factor increased from 62.8% in 1993 to 67.2% in 1994. Passenger yields decreased 8%, reflecting fare reductions. Average revenue per passenger mile (yield) decreased 1.2 cents, from 15.2 cents in the third quarter of 1993 to 14.0 cents in the third quarter of 1994. Currently, a 1 cent change in yield affects annual revenues by approximately \$80 million.

Freight and mail revenues increased \$2.1 million (9%) due to a military charter contract in the state of Alaska, and increased freight volumes and rates, offset by lower mail volumes. The lower mail volumes resulted from Alaska's decision to not bid on certain U.S. mail contracts and instead haul higher yielding freight. Other-net revenues were up \$1.1 million (10%) due to increased revenues from Alaska's frequent flyer program and inflight liquor sales.

Operating Expenses

Operating expenses increased 11% to \$334.5 million on a capacity increase of 23%. Operating expenses per available seat mile (ASM) declined 10%, from 9.99 cents in the third quarter of 1993 to 9.00 cents for the current quarter. The lower unit costs were due to an intensive cost reduction effort and better utilization of aircraft, facilities, equipment and people as well as a 2% increase in average seats per aircraft. Alaska's daily aircraft utilization increased 21% from 9.1 hours to 11.0 hours. In addition, lower fuel prices reduced operating expenses by \$3.2 million in the third quarter 1994. The table below shows the major consolidated operating expenses on a unit cost basis for the quarters ended September 30, 1994 and 1993. In addition, total unit costs for Alaska and Horizon are shown for the same periods.

Operating Expenses Per ASM (In Cents)			
			%
1994	1993	Change	Change

Air Group Consolidated				
Wages and benefits	2.94	3.15	(.21)	(7)
Aircraft fuel	1.14	1.33	(.19)	(14)
Aircraft maintenance	.48	.60	(.12)	(20)
Aircraft rent	1.14	1.31	(.17)	(13)
Commissions	.73	.75	(.02)	(3)
Depreciation & amortization	.39	.48	(.09)	(19)
Other	2.18	2.37	(.19)	(8)
Air Group Total	9.00	9.99	(.99)	(10)
Alaska Airlines Total	7.92	8.91	(.99)	(11)
Horizon Air Total	20.17	21.01	(.84)	(4)

Wages and benefits per ASM decreased 7% primarily due to improved productivity at Alaska. The number of Alaska employees increased 5% while its capacity increased 23% and traffic increased 32%. During March 1994, Alaska and the Association of Flight Attendants concluded a new five-year contract, which was effective May 1, 1994. With a few exceptions tailored to Alaska's operations, the contract is identical to the one used at Southwest Airlines and provides flight attendants the opportunity to earn increased wages through increased flying. It also provides a lower starting rate of pay, more flexible work rules, reduced pension expenses, and has a duration of five years with a March 14, 1999 expiration date.

Fuel expense per ASM decreased 14% primarily due to a 7% decrease in the cost of fuel and more fuel-efficient aircraft. The average cost per gallon was down 4.6 cents from 65.4 cents in the third quarter of 1993 to 60.8 cents in the current quarter. Currently, a 1 cent change in fuel prices affects annual fuel costs by approximately \$2.4 million.

Maintenance expense per ASM decreased 20% due to the replacement of older aircraft with new aircraft during the past year as well as significant improvements in maintenance programs, techniques and efficiencies. Aircraft rent per ASM decreased 13% primarily due to a substantial increase in Alaska's average fleet utilization, offset by higher rents for new aircraft acquired during the past year.

Depreciation and amortization expense per ASM decreased 19% due to the retirement of essentially all of Alaska's Boeing 727-200 aircraft during 1993, and increased utilization of the remaining fleet. Other expense per ASM decreased 8% due to lower unit costs for food, advertising and personnel expenses.

#### Other Income (Expense)

Nonoperating expense was \$9.4 million in the third quarter of 1994 compared to \$6.7 million 1993. The increase was primarily due to higher interest rates on variable debt and higher average debt balances.

#### Nine Months 1994 Compared with Nine Months 1993

The consolidated net income for the nine months ended September 30, 1994 was \$27.6 million, or \$2.07 per share (primary) and \$1.57 per share (fully diluted). This compares with 1993's nine-month net loss of \$10.6 million, or \$.98 per share. Operating revenues for the 1994 period were \$997.7 million, 17% higher than the \$851.1 million posted a year ago. A 26% increase in capacity coupled with a 16% decrease in yields resulted in passenger traffic climbing 39% for the period. The reasons noted for the

third quarter passenger revenue variation also apply for the nine-month period.

Operating expenses increased 9% to \$923.8 million, compared to \$845.2 million in the first nine months of last year. Operating expenses per available seat mile (ASM) declined 13%, from 10.95 cents to 9.53 cents. The table below shows the major consolidated operating expenses on a unit cost basis for the nine months ended September 30, 1994 and 1993. In addition, total unit costs for Alaska and Horizon are shown for the same periods.

	Operating Expenses Per ASM (In Cents)			
	1994	1993	Change	Change %
Air Group Consolidated				
Wages and benefits	3.12	3.56	(.44)	(12)
Aircraft fuel	1.13	1.38	(.25)	(18)
Aircraft maintenance	.54	.68	(.14)	(21)
Aircraft rent	1.27	1.48	(.21)	(14)
Commissions	.73	.80	(.07)	(9)
Depreciation & amortization	.43	.56	(.13)	(23)
Other	2.31	2.49	(.18)	(7)
Air Group Total	9.53	10.95	(1.42)	(13)
Alaska Airlines Total	8.43	9.80	(1.37)	(14)
Horizon Air Total	21.05	21.94	(.89)	(4)

The reasons noted for the third quarter expense variations also apply for the nine-month period.

#### Liquidity and Capital Resources

The table below shows the major indicators of financial condition and liquidity at September 30, 1994 and December 31, 1993 and the changes during the nine months ended September 30, 1994.

	September 30, 1994	December 31, 1993	Change
(In millions, except ratios and per share)			
Cash and marketable securities	\$152.2	\$101.1	\$51.1
Working capital (deficit)	(52.3)	(61.3)	9.0
Total assets	1,282.2	1,135.0	147.2
Long-term debt	587.7	525.4	62.3
Shareholders' equity	195.7	166.8	28.9
Book value per common share	\$14.63	\$12.51	\$2.12
Debt/equity ratio	75%:25%	76%:24%	N/A

The Company's cash and marketable securities portfolio increased by \$51.1 million during the first nine months of 1994. Operating activities provided \$146 million of cash in the first nine months of 1994. Additional cash was provided by \$104 million in new long-term debt. Cash was used for the purchase of four new MD-83 aircraft, one used B737-200C aircraft, and other capital expenditures (\$143 million), debt payments (\$42 million), and repayment of short-term borrowings (\$20 million).

#### Financing Arrangements

In the first nine months of 1994, four MD-83 aircraft were

financed with \$104 million in ten-year loans at variable interest rates based on LIBOR.

At September 30, 1994, Alaska had \$70 million in lines of credit, none of which were being used.

#### Commitments

During the first nine months of 1994, Alaska took delivery of four new B737-400 aircraft under eight-year operating leases. In April 1994, Alaska further restructured its aircraft orders with McDonnell Douglas and replaced an order for ten MD-90s plus options with an order for four MD-83s. Two MD-83s will be delivered in 1996 and two in 1997. The net effect will reduce future capital commitments by approximately \$360 million.

During November 1994, Alaska announced a restructuring of its aircraft leases. Effective May 1, 1995, the agreement provides for reduced lease rates coupled with extensions of lease terms on twenty Boeing 737-400 aircraft. As part of the agreement, Alaska will purchase three of the twenty aircraft over the next three years and received options to purchase up to four more of the twenty between 1997 and 1999. As a result of the extended lease commitments, Alaska expects to save \$6-7 million annually over the ten-year term of the leases.

## PART II. OTHER INFORMATION

### ITEM 1. Legal Proceedings

In December 1992, the U.S. Department of Justice filed suit against most major domestic airlines, including the Company, alleging that they violated the antitrust laws by conspiring to fix prices for domestic airline tickets in violation of Section 1 of the Sherman Act. During March 1994, six of the airlines, including the Company, entered into consent decrees with the U.S. Department of Justice. The agreement requires no refunds or monetary cost to the Company and was approved by the court in the third quarter of 1994.

### 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 third quarter 1994.

### 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: November 9, 1994

/s/ Raymond J. Vecci

Raymond J. Vecci

Chairman, President and Chief Executive Officer

/s/ Kathleen H. Iskra

Kathleen H. Iskra  
Controller (Principal Accounting Officer)

CONSOLIDATED BALANCE SHEET  
Alaska Air Group, Inc.

ASSETS

(In Thousands)	September 30, 1994	December 31, 1993
Current Assets		
Cash and cash equivalents	\$30,811	\$27,179
Marketable securities	121,402	73,970
Receivables - net	79,881	75,274
Inventories and supplies	41,928	41,269
Prepaid expenses and other assets	53,053	56,498
Total Current Assets	327,075	274,190
Property and Equipment		
Flight equipment	743,568	614,717
Other property and equipment	207,631	217,967
Deposits for future flight equipment	54,643	79,765
	1,005,842	912,449
Less accum. depreciation and amort.	256,506	247,145
	749,336	665,304
Capital leases		
Flight and other equipment	44,381	44,381
Less accumulated amortization	20,660	19,079
	23,721	25,302
Total Property and Equipment - Net	773,057	690,606
Intangible Assets - Subsidiaries	66,181	67,711
Other Assets	115,864	102,447
Total Assets	\$1,282,177	\$1,134,954

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET  
Alaska Air Group, Inc.

LIABILITIES AND SHAREHOLDERS' EQUITY

(In Thousands)	September 30, 1994	December 31, 1993
Current Liabilities		
Accounts payable	\$52,991	\$45,582
Accrued aircraft rent	36,602	39,119
Other accrued liabilities	77,110	46,679
Accrued wages and related	44,691	40,192
Short-term borrowings	-	20,000
Air traffic liability	125,579	108,360
Current portion of long-term debt and capital lease obligations	42,437	35,575
Total Current Liabilities	379,410	335,507
Long-Term Debt and Capital Lease Obligations	587,706	525,418
Other Liabilities and Credits		
Deferred income taxes	35,926	20,998
Deferred income	23,715	25,827
Other liabilities	59,758	60,371
	119,399	107,196
Shareholders' Equity		
Common stock, \$1 par value		

Authorized:	30,000,000 shares	
Issued: 1994 -	16,524,754 shares	
1993 -	16,495,210 shares	16,525      16,495
Capital in excess of par value		152,306      152,017
Treasury stock, at cost:		
1994-3,153,589 sh; 1993-3,153,589 sh	(71,807)	(71,807)
Deferred compensation	(4,934)	(5,813)
Retained earnings	103,572	75,941
	195,662	166,833
 Total Liabilities and Shareholders' Equity	 \$1,282,177	 \$1,134,954

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME  
Alaska Air Group, Inc.

Quarter Ended September 30 (In Thousands)	1994	1993
Operating Revenues		
Passenger	\$349,707	\$289,468
Freight and mail	24,833	22,773
Other - net	12,261	11,145
Total Operating Revenues	386,801	323,386
Operating Expenses		
Wages and benefits	109,397	95,583
Aircraft fuel	42,598	40,189
Aircraft maintenance	17,727	18,154
Aircraft rent	42,623	39,837
Commissions	27,148	22,844
Depreciation and amortization	14,475	14,522
Other	80,552	71,570
Total Operating Expenses	334,520	302,699
Operating Income	52,281	20,687
Other Income (Expense)		
Interest income	2,426	1,731
Interest expense	(11,985)	(9,280)
Interest capitalized	83	112
Gain (loss) on sale of assets	(320)	98
Other - net	427	656
	(9,369)	(6,683)
Income before income tax	42,912	14,004
Income tax expense	18,649	5,976
 Net Income	 \$24,263	 \$8,028
 Earnings Per Common Share:		
Primary -		
Net income	\$24,263	\$8,028
Average shares outstanding (000)	13,386	13,348
Earnings per common share	\$1.81	\$0.60
Fully Diluted -		
Net income	\$26,581	\$10,558
Average shares outstanding (000)	21,801	22,254
Earnings per common share	\$1.22	\$0.47

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME  
Alaska Air Group, Inc.

Nine Months Ended September 30 (In Thousands)	1994	1993
Operating Revenues		
Passenger	\$892,173	\$760,526
Freight and mail	67,428	59,456
Other - net	38,057	31,129
Total Operating Revenues	997,658	851,111
Operating Expenses		
Wages and benefits	302,526	275,581
Aircraft fuel	109,940	106,230
Aircraft maintenance	52,397	52,530
Aircraft rent	123,135	114,525
Commissions	70,799	61,736
Depreciation and amortization	41,678	43,379
Other	223,339	191,207
Total Operating Expenses	923,814	845,188
Operating Income	73,844	5,923
Other Income (Expense)		
Interest income	5,561	5,470
Interest expense	(33,672)	(28,396)
Interest capitalized	281	333
Gain (loss) on sale of assets	(822)	97
Other - net	4,310	1,929
	(24,342)	(20,567)
Income (loss) before income tax	49,502	(14,644)
Income tax expense (credit)	21,871	(4,050)
Net Income (Loss)	\$27,631	\$ (10,594)
Earnings (Loss) Per Common Share:		
Primary -		
Net income (loss)	\$27,631	\$ (10,594)
Preferred stock dividends	-	(2,525)
Income (loss) applicable to common shares	\$27,631	\$ (13,119)
Average shares outstanding (000)	13,371	13,339
Earnings (loss) per common share	\$2.07	\$ (0.98)
Fully Diluted -		
Net income	\$34,668	
Average shares outstanding (000)	22,040	Anti-
Earnings per common share	\$1.57	Dilutive

See accompanying notes to consolidated financial statements.

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

(In Thousands)	\$1 Par Value	Common Stock Capital in Excess of Par Value	Treasury Stock at Cost	Deferred Compensation	Retained Earnings
Balances at December 31, 1993	\$16,495	\$152,017	(\$71,807)	(\$5,813)	\$75,941
Net income for the nine months ended September 30, 1994					27,631
Stock issued under stock plans	30	289			
Employee Stock Ownership Plans shares allocated				879	
Balances at September 30, 1994	\$16,525	\$152,306	(\$71,807)	(\$4,934)	\$103,572

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS  
Alaska Air Group, Inc.

Quarter Ended September 30 (In Thousands)	1994	1993
Cash and cash equivalents at beginning of quarter	\$48,718	\$14,416
Cash flows from operating activities:		
Net income	24,263	8,028
Adjustments to reconcile net income to cash:		
Depreciation and amortization	14,475	14,522
Amortization of airframe and engine overhauls	5,089	8,301
Loss (gain) on disposal of assets and debt retirement	320	(476)
Deferred income taxes		
Decrease (increase) in accounts receivable	3,395	(1,005)
Decrease (increase) in other current assets	(1,901)	1,312
Decrease in air traffic liability	(27,666)	(19,500)
Increase in other current liabilities	16,625	1,625
Interest on zero coupon notes	2,521	2,522
Leased aircraft return payments and other-net	(3,270)	(6,143)
Net cash provided by operating activities	46,030	15,167
Cash flows from investing activities:		
Proceeds from disposition of assets	1,190	2,706
Purchases of marketable securities	(127,600)	(141,750)
Sales and maturities of marketable securities	84,248	136,914
Restricted deposits	(255)	(1,386)
Flight equipment deposits returned		
Additions to flight equipment deposits	(135)	(192)
Additions to property and equipment		
Payments received on loans to ESOPs	1,313	1,527
Net cash used in investing activities		
Cash flows from financing activities:		
Long-term debt and capital lease payments	(10,477)	(10,567)
Proceeds from issuance of common stock	45	-
Gain on debt retirement	-	378
Net cash used in financing activities	(10,432)	(10,189)
Net decrease in cash and cash equivalents	(17,907)	(2,696)
Cash and cash equivalents at end of quarter	\$30,811	\$11,720
Supplemental disclosure of cash paid during the quarter for:		
Interest (net of amount capitalized)	\$7,917	\$7,359
Income taxes	1,300	-
Noncash investing and financing activities	None	None

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS  
Alaska Air Group, Inc.

Nine Months Ended September 30 (In Thousands)	1994	1993
Cash and cash equivalents at beginning of period	\$27,179	\$6,880
Cash flows from operating activities:		
Net income (loss)	27,631	(10,594)
Adjustments to reconcile net income (loss) to cash:		
Depreciation and amortization	41,678	43,379
Amortization of airframe and engine overhauls	15,357	23,026
Gain on disposition of assets and debt retirement	(723)	(1,061)
Deferred income taxes		
Decrease (increase) in accounts receivable	(4,607)	6,160
Decrease in other current assets	2,786	1,239
Increase in air traffic liability	17,219	21,812
Increase in other current liabilities	39,822	3,780
Interest on zero coupon notes	7,610	7,359
Leased aircraft return payments and other-net	(15,589)	(10,117)
Net cash provided by operating activities	146,112	78,522
Cash flows from investing activities:		
Proceeds from disposition of assets	4,691	3,468
Purchases of marketable securities	(399,100)	(400,475)

Sales and maturities of marketable securities	351,668	389,729
Restricted deposits	(5,509)	(3,681)
Flight equipment deposits returned		
Additions to flight equipment deposits	(961)	(571)
Additions to property and equipment	(141,566)	(25,421)
Payments received on loans to ESOPs	1,313	1,527
Net cash used in investing activities	(185,886)	(33,833)
Cash flows from financing activities:		
Repayment of short-term borrowings	(20,000)	-
Proceeds from sale and leaseback transactions	-	17,500
Proceeds from issuance of long-term debt	104,000	-
Long-term debt and capital lease payments	(42,458)	(22,693)
Proceeds from issuance of common stock	319	184
Repurchase of preferred stock	-	(33,375)
Cash dividends	-	(2,429)
Gain on debt retirement	1,545	964
Net cash provided by (used in) financing activities	43,406	(39,849)
Net increase in cash and cash equivalents	3,632	4,840
Cash and cash equivalents at end of period	\$30,811	\$11,720
Supplemental disclosure of cash paid during the period for:		
Interest (net of amount capitalized)	\$28,813	\$21,218
Income taxes (refunds)	(5,415)	(18,554)
Noncash investing and financing activities:		
1994 - None		
1993 - The preferred stock was repurchased in exchange for a \$27 million note payable and a \$33.4 million cash payment.		

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS THAT HAVE CHANGED SIGNIFICANTLY DURING THE NINE MONTHS ENDED SEPTEMBER 30, 1994  
Alaska Air Group, Inc.

Note 1. Long-Term Debt (See Note 3 to Consolidated Financial Statements at December 31, 1993)

In the first nine months of 1994, four MD-83 aircraft were financed with \$104 million in ten-year loans at variable interest rates based on LIBOR.

At September 30, 1994, Alaska had \$70 million in lines of credit, none of which were being used.

At September 30, 1994, under the most restrictive loan provisions, Alaska had \$32.3 million of net worth in excess of the minimum.

Note 2. Commitments (See Note 5 to Consolidated Financial Statements at December 31, 1993)

During the first nine months of 1994, Alaska took delivery of four new B737-400 aircraft under eight-year operating leases. In April 1994, Alaska further restructured its aircraft orders with McDonnell Douglas and replaced an order for ten MD-90s plus options with an order for four MD-83s. Two MD-83s will be delivered in 1996 and two in 1997. The net effect will reduce future capital commitments by approximately \$360 million.

During November 1994, Alaska restructured its twenty Boeing 737-400 aircraft leases. Alaska will purchase three of the twenty aircraft during the next three years. This will increase the present value of capital lease payments by approximately \$55 million at December 31, 1994. Lease rates will be reduced and leases extended. Based on this restructuring and the effect of other aircraft leased during

1994, future minimum payments under aircraft operating leases as of September 30, 1994 are as follows: 1995 - \$167 million, 1996 - \$151 million, 1997 - \$134 million, 1998 - \$126 million, thereafter - \$749 million.

Note 3. Fuel Hedge Agreement (See Note 11 to Consolidated Financial Statements at December 31, 1993)

The Company enters into hedge agreements to reduce its exposure to fluctuations in the price of jet fuel. The agreements establish a ceiling and floor fuel price. The Company records income or loss if the average cost of fuel, as determined by an index, exceeds the ceiling fuel price or falls below the floor price, respectively.

The fuel hedges had no material effect on the first nine months of 1994 operating results. At September 30, 1994, the Company had fuel hedge agreements in place with a ceiling price of 65 cents covering approximately 50% of the expected fuel usage through July 1995, and a floor price of 44 cents covering approximately 57% of the expected fuel usage through July 1995.

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

EXHIBIT 11

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1994	1993	1994	1993
Primary -				
Net income	\$24,263	\$8,028	\$27,631	(\$10,594)
Deduct dividends on preferred shares	-	-	-	(2,453)
Deduct preferred stock accretion	-	-	-	(72)
Income applicable to common shares	\$24,263	\$8,028	\$27,631	(\$13,119)
Average number of shares outstanding	13,370	13,342	13,359	13,339
Assumed exercise of stock options	16	6	12	-
Average shares as adjusted	13,386	13,348	13,371	13,339
Earnings per common share	\$1.81	\$0.60	\$2.07	(\$0.98)
Fully Diluted -				
Net income	\$24,263	\$8,028	\$27,631	(\$10,594)
After tax interest on convertible securities	2,318	2,530	7,037	7,514
Income applicable to common shares	\$26,581	\$10,558	\$34,668	(\$3,080)
Average number of shares outstanding	13,370	13,342	13,359	13,339
Common stock equivalents	19	5	15	12
Common stock reserved for conversion	8,412	8,907	8,666	9,001
Average shares as adjusted	21,801	22,254	22,040	22,352
Earnings per Common Share	\$1.22	\$0.47	\$1.57	(\$0.14)

\*

\* Anti-dilutive

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<CURRENT-LIABILITIES>		379,410
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<SALES>		997,658
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