

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, 1995.

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 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 13,560,951 common shares, par value \$1.00, outstanding at September 30, 1995.

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 September 30, 1995 and December 31, 1994; (ii) consolidated statements of income for the quarters and nine months ended September 30, 1995 and 1994; (iii) consolidated statement of shareholders' equity for the nine months ended September 30, 1995; and, (iv) consolidated statements of cash flows for the nine months ended September 30, 1995 and 1994. Also attached are the accompanying notes to the Company's consolidated financial statements that have changed significantly during the nine months ended September 30, 1995. 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, 1994, include all adjustments which 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

Third Quarter 1995 Compared with Third Quarter 1994 The consolidated net income for the third quarter of 1995 was \$27.4 million, or \$2.01 per share (primary) and \$1.30 per share (fully diluted), compared with net income of \$24.3 million, or \$1.81 per share (primary) and \$1.36 per share (fully diluted), in 1994. Operating income for the third quarter of 1995 was \$62.6 million, compared with \$52.3 million in 1994. A discussion of

operating revenues and expenses for the two airlines follows.

Alaska Airlines Operating revenues increased 9.4% to \$342.8 million. Passenger revenues, which accounted for 88% of total operating revenues, increased 8.7% on a 10.5% rise in passenger traffic. Capacity increased 12.7%, primarily due to increases in the Pacific Northwest to California markets. The load factor dropped from 67.3% in 1994 to 66.0% in 1995. Passenger yields, at 12.00 cents, decreased 1.7% in 1995 compared to the third quarter of 1994. However, yields were approximately equal to those of the second quarter of 1995. In September 1995, Southwest Airlines reduced walk-up fares by as much as 50% on 14 routes between California and the Pacific Northwest. In response, Shuttle by United reduced companion fares (for travel through November 22) between Northern California and the Pacific Northwest. Alaska has matched these fare reductions, which are expected to have a negative impact on fourth quarter 1995 revenues and earnings.

Freight and mail revenues increased 5.4% primarily due to higher freight volumes, resulting in part from the withdrawal of MarkAir from all Alaska markets. Other-net revenues rose 32.7% primarily 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 third quarters of 1995 and 1994.

	Operating Expenses Per ASM (In Cents)			
	1995	1994	Change	Change %
Wages and benefits	2.41	2.57	(.16)	(6)
Aircraft fuel	1.08	1.08		
Aircraft maintenance	.31	.31		
Aircraft rent	.91	1.03	(.12)	(12)
Commissions	.56	.64	(.08)	(13)
Depreciation & amortization	.38	.36	.02	6
Other	1.84	1.93	(.09)	(5)
Total	7.49	7.92	(.43)	(5)

Lower unit costs were due to continuing cost reduction efforts and better utilization of aircraft. Average daily aircraft utilization increased 4% from 11.0 block hours to 11.4 block hours. Wages and benefits per ASM decreased 6% primarily due to improved productivity. The number of equivalent employee increased 6% while capacity increased 13% and traffic increased 10%.

In October 1995, Alaska (as well as Horizon and other domestic airlines) began paying an additional 4.3 cents Federal excise tax on domestic fuel consumption. The annual impact of this tax on Alaska is approximately \$10 million or .07 cents per ASM. There is pending legislation in Congress to extend the exemption from this tax for 17 to 24 months.

Aircraft rent per ASM decreased 12% due to an increase in aircraft utilization, and a restructuring (in the fourth quarter of 1994) of B737-400 aircraft leases that resulted in lower rents.

Commission expense per ASM decreased 13% because passenger revenues, upon which commissions are paid, did not keep pace with ASM growth. In addition, a greater percentage of tickets were sold without commissions through tour operators.

Depreciation and amortization expense per ASM increased 6% in spite of a 13% increase in ASMs, primarily due to: (a) the reduction in estimated salvage value from 20% to 5% (effective January 1, 1995) for all MD-80 aircraft; and (b) depreciation on three B737-400 aircraft that were on operating leases in 1994. Other expense per ASM decreased 5% due to lower unit costs for food, landing fees, building rentals and outside services expenses.

Horizon Air Operating revenues increased 5.2% to \$77.8 million. Passenger revenues, which accounted for 95% of total operating revenues, increased 4.8% on a 9.2% rise in passenger traffic. Capacity increased 18.0% due to the use of larger capacity Fokker F-28 jets and Dornier 328 turboprop aircraft. The load factor dropped from 66.7% in 1994 to 61.7% in 1995. Passenger yields declined 4.0% to 31.0 cents in 1995, reflecting increased competition and longer passenger trips.

Freight, mail and other revenues increased 11.5% due to increased freight and mail volumes as well as increased revenues from providing services to other airlines.

The table below shows the major operating expense elements on cost per ASM basis for Horizon for the third quarters of 1995 and 1994.

Horizon Air	Operating Expenses Per ASM (In Cents)			
	1995	1994	Change	Change %
Wages and benefits	5.69	6.78	(1.09)	(16)
Aircraft fuel	1.88	1.80	.08	4
Aircraft maintenance	2.30	2.15	.15	7
Aircraft rent	2.27	2.30	(.03)	(1)
Commissions	1.32	1.60	(.28)	(18)
Depreciation & amortization	.59	.64	(.05)	(8)
Other	4.39	4.90	(.51)	(10)
Horizon Air Total	18.44	20.17	(1.73)	(9)

Horizon's cost per ASM declined 9% to 18.44 cents due to: (a) greater use of higher capacity aircraft; (b) no profit sharing accrual in 1995; and (c) cost reduction efforts.

Other Income (Expense) Non-operating expense increased \$3.0 million to \$12.4 million expense primarily due to: (a) \$1.3 million more interest expense resulting from higher interest rates on variable debt and higher average debt balances; and (b) \$2.2 million write-off of capitalized debt issuance costs for the 7-1/4% zero coupon notes that were redeemed in August 1995.

Nine Months 1995 Compared with Nine Months 1994 The consolidated net income for the nine months ended September 30, 1995 was \$18.0 million, or \$1.34 per share (primary) and \$1.22 per share (fully diluted), compared with net income of \$27.6 million, or \$2.07 per share (primary) and \$1.76 per share (fully diluted), in 1994. Operating income for the first nine months of 1995 was \$68.8 million compared to operating income of \$73.8 million in 1994. A discussion of operating revenues and expenses for the two airlines follows.

Alaska Airlines Operating revenues increased 7.3% to \$868.4 million, primarily due to a 14.6% rise in passenger traffic. Capacity increased 18.6%, primarily due to increases in the Pacific Northwest to California markets. The load factor dropped from 63.6% in 1994 to 61.5% in 1995. Passenger yields declined 7.0% to 11.72 cents in 1995, reflecting increased competition on the West Coast.

Operating expenses increased 7.5% to \$803.3 million on a capacity increase of 18.6%. Unit costs decreased 9.4%, generally for the same reasons as noted above in the third quarter comparison.

Horizon Air Operating revenues increased 10.7% to \$210.9 million, primarily due to an 18.8% rise in passenger traffic. Capacity increased 26.6% due to the addition of larger capacity Fokker F-28 jets and Dornier 328 turboprop aircraft. The load factor dropped from 62.9% in 1994 to 59.0% in 1995. Passenger yields declined 7.2% to 31.7 cents in 1995, reflecting increased competition and longer passenger trips.

Operating expenses increased 16.2% to \$206.6 million on a capacity increase of 26.6%. Unit costs decreased 8.2%, generally for the same reasons as noted above in the third quarter comparison.

Other Income (Expense) Non-operating expense increased \$11.2 million to \$35.5 million expense primarily due to: (a) \$6.0 million more interest expense resulting from higher interest rates on variable debt and higher average debt balances; (b) \$2.2 million write-off of capitalized debt issuance costs for the 7-1/4% zero coupon notes that were repurchased in August 1995; (c) \$1.8 million of vendor credits included in 1994; and (d) \$1.2 million more gains on debt retirements included in 1994.

Income Tax Expense Accounting standards normally require companies to provide for income taxes each quarter based on their 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. Since a reliable estimate cannot be made, the Company has followed an alternative method allowed by accounting standards and used a 45.8% year-to-date tax rate. This rate was calculated using year-to-date pretax income and year-to-date permanent differences. This approach may result in quarterly effective tax rates which vary significantly.

Liquidity and Capital Resources

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

	September 30, 1995	December 31, 1994	Change
(In millions, except debt-to-equity and per share amounts)			
Cash and marketable securities	\$143.6	\$ 104.9	\$38.7
Working capital (deficit)	(89.2)	(147.1)	57.9
Long-term debt	560.6	589.9	(29.3)
Shareholders' equity	212.8	191.3	21.5
Book value per common share	\$15.69	\$ 14.27	\$ 1.42
Debt-to-equity	72%:28%	76%:24%	NA

The Company's cash and marketable securities portfolio increased by \$39 million during the first nine months of 1995. Operating activities provided \$134 million of cash during this period. An additional \$129 million of cash was provided by the issuance of new long-term debt. Cash was used for airframe and engine overhauls and other capital expenditures (\$47 million), the repayment of debt (\$169 million), and the net repayment of short-term borrowings (\$25 million).

In June 1995, the Company issued \$132.3 million of 6-1/2% convertible senior debentures due 2005. Each debenture is convertible into 46.512 shares of common stock, reflecting a conversion price of \$21.50 per share. In August 1995, the Company redeemed all of its 7-1/4% zero coupon, convertible subordinated notes for \$127.7 million.

In August 1995, Standard & Poors lowered its corporate credit rating on Air Group and Alaska to single B plus from double B minus, citing increased competition in Alaska's West Coast markets.

During the second quarter of 1995, Alaska took delivery of two new MD-83 aircraft under 16-year operating leases. During the third quarter of 1995, Alaska agreed to take delivery of two new B737-400 aircraft (one in November 1996 and one in March 1997), under 10-year operating leases. In addition, Alaska extended operating leases on four of its MD-80 aircraft for an average of two years.

PART II. OTHER INFORMATION

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 of 1995.

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: October 31, 1995

/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 Thousands)	Sept. 30, 1995	Dec. 31, 1994
Current Assets		
Cash and cash equivalents	\$58,147	\$11,605
Marketable securities	85,443	93,337
Receivables - net	105,516	70,055
Inventories and supplies	44,267	40,250
Prepaid expenses and other assets	60,134	57,396
Total Current Assets	353,507	272,643
Property and Equipment		
Flight equipment	799,493	776,551
Other property and equipment	216,026	208,502
Deposits for future flight equipment	42,117	52,885
	1,057,636	1,037,938
Less accum. depreciation and amort.	300,140	260,001
	757,496	777,937
Capital leases		
Flight and other equipment	103,076	103,076
Less accumulated amortization	25,014	21,676
	78,062	81,400
Total Property and Equipment - Net	835,558	859,337
Intangible Assets - Subsidiaries	64,141	65,671
Other Assets	99,167	118,120
Total Assets	\$1,352,373	\$1,315,771

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET
Alaska Air Group, Inc.

LIABILITIES AND SHAREHOLDERS' EQUITY

(In Thousands)	Sept. 30, 1995	Dec. 31, 1994
Current Liabilities		
Accounts payable	\$64,352	\$48,592
Accrued aircraft rent	44,997	43,762
Other accrued liabilities	79,931	59,591
Accrued wages and related	43,346	47,364
Short-term borrowings	-	25,000
Air traffic liability	140,011	123,433
Current portion of long-term debt and capital lease obligations	70,079	72,005
Total Current Liabilities	442,716	419,747
Long-Term Debt and Capital Lease Obligations	560,634	589,904
Other Liabilities and Credits		
Deferred income taxes	45,738	28,585
Deferred income	19,579	23,018
Other liabilities	70,928	63,239
	136,245	114,842
Shareholders' Equity		
Common stock, \$1 par value		
Authorized: 30,000,000 shares		
Issued: 1995 - 16,714,599 shares		
1994 - 16,553,679 shares	16,715	16,554
Capital in excess of par value	155,189	152,756

Treasury stock, at cost:		
1995-3,153,608;1994-3,153,589 shares	(71,808)	(71,807)
Deferred compensation	(3,823)	(4,697)
Retained earnings	116,505	98,472
	212,778	191,278
Total Liabilities and Shareholders' Equity	\$1,352,373	\$1,315,771

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
Alaska Air Group, Inc.

Quarter Ended September 30 (In Thousands except Per share Amounts)	1995	1994
Operating Revenues		
Passenger	\$377,292	\$349,707
Freight and mail	26,277	24,833
Other - net	16,060	12,261
Total Operating Revenues	419,629	386,801
Operating Expenses		
Wages and benefits	114,231	109,397
Aircraft fuel	48,482	42,598
Aircraft maintenance	20,807	17,727
Aircraft rent	43,789	42,623
Commissions	26,502	27,148
Depreciation and amortization	16,945	14,475
Other	86,251	80,552
Total Operating Expenses	357,007	334,520
Operating Income	62,622	52,281
Other Income (Expense)		
Interest income	3,390	2,426
Interest expense	(13,315)	(11,985)
Interest capitalized	-	83
Loss on sale of assets	(702)	(320)
Other - net	(1,737)	427
	(12,364)	(9,369)
Income before income tax	50,258	42,912
Income tax expense	22,906	18,649
Net Income	\$27,352	\$24,263
Primary Earnings Per Share	\$2.01	\$1.81
Fully Diluted Earnings Per Share	\$1.30	\$1.36
Shares used for computation:		
Primary	13,575	13,386
Fully diluted	23,034	19,486

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
Alaska Air Group, Inc.

Nine Months Ended September 30 (In Thousands except Per share Amounts)	1995	1994
Operating Revenues		
Passenger	\$957,469	\$892,173
Freight and mail	71,761	67,428
Other - net	47,164	38,057
Total Operating Revenues	1,076,394	997,658
Operating Expenses		
Wages and benefits	322,519	302,526
Aircraft fuel	131,560	109,940
Aircraft maintenance	61,126	52,397
Aircraft rent	128,470	123,135
Commissions	71,775	70,799
Depreciation and amortization	50,875	41,678

Other	241,279	223,339
Total Operating Expenses	1,007,604	923,814
Operating Income	68,790	73,844
Other Income (Expense)		
Interest income	6,701	5,561
Interest expense	(39,713)	(33,672)
Interest capitalized	-	281
Loss on sale of assets	(1,408)	(822)
Other - net	(1,126)	4,310
	(35,546)	(24,342)
Income before income tax	33,244	49,502
Income tax expense	15,211	21,871
Net Income	\$18,033	\$27,631
Primary Earnings Per Share	\$1.34	\$2.07
Fully Diluted Earnings Per Share	\$1.22	\$1.76
Shares used for computation:		
Primary	13,450	13,371
Fully diluted	20,431	19,725

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS
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	Total
Balances at December 31, 1994	\$16,554	\$152,756	\$ (71,807)	\$ (4,697)	\$98,472	\$191,278
Net income for the nine months ended September 30, 1995					18,033	18,033
Stock issued under stock plans	161	2,433				2,594
Treasury stock purchase			(1)			(1)
Employee Stock Ownership Plan shares allocated				874		874
Balances at September 30, 1995	\$16,715	\$155,189	\$ (71,808)	\$ (3,823)	\$116,505	\$212,778

See accompanying notes to consolidated statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Alaska Air Group, Inc.

Nine Months Ended September 30 (In Thousands)	1995	1994
Cash and cash equivalents at beginning of period	\$11,605	\$27,179
Cash flows from operating activities:		
Net income	18,033	27,631
Adjustments to reconcile net income to cash:		
Depreciation and amortization	50,875	41,678
Amortization of airframe and engine overhauls	18,744	15,357
Loss (gain) on disposition of assets and debt retirement	3,238	(723)
Deferred income taxes	17,153	14,928
Increase in accounts receivable	(35,461)	(4,607)
Decrease (increase) in other current assets	(6,755)	2,786
Increase in air traffic liability	16,578	17,219
Increase in other current liabilities	33,317	39,822
Interest on zero coupon notes	5,359	7,610
Leased aircraft return payments and other-net	13,094	(15,589)
Net cash provided by operating activities	134,175	146,112
Cash flows from investing activities:		
Proceeds from disposition of assets	2,209	4,691
Purchases of marketable securities	(62,340)	(77,192)
Sales and maturities of marketable securities	70,234	29,760
Restricted deposits	3,513	(5,509)
Flight equipment deposits returned	8,883	3,578
Additions to flight equipment deposits	-	(961)
Additions to property and equipment	(46,997)	(141,566)
Payments received on loans to ESOPs	1,111	1,313

Net cash used in investing activities	(23,387)	(185,886)
Cash flows from financing activities:		
Proceeds from short-term borrowings	4,000	-
Repayment of short-term borrowings	(29,000)	(20,000)
Proceeds from issuance of long-term debt	128,795	104,000
Long-term debt and capital lease payments	(168,805)	(42,458)
Proceeds from issuance of common stock	2,594	319
Gain (loss) on debt retirement	(1,830)	1,545
Net cash provided by (used in) financing activities	(64,246)	43,406
Net increase in cash and cash equivalents	46,542	3,632
Cash and cash equivalents at end of period	\$58,147	\$30,811
Supplemental disclosure of cash paid (received) during the period for:		
Interest (net of amount capitalized)	\$34,687	\$28,813
Income taxes (refunds)	\$(1,943)	\$(5,415)
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 NINE MONTHS ENDED SEPTEMBER 30, 1995
Alaska Air Group, Inc.

Note 1. Summary of Significant Accounting Policies (See Note 1 to Consolidated Financial Statements at December 31, 1994)

Property, Equipment and Depreciation

Effective January 1, 1995, the estimated salvage value of MD-80 flight equipment was changed to 5% from 20%. The new estimate was adopted to recognize the lower expected salvage values for this aircraft type. The effect of the change on the three months and nine months ending June 30, 1995 was to decrease net income \$757,000 (\$.06 per primary share and \$.03 per fully diluted share) and \$2.3 million (\$.17 per primary share and \$.11 per fully diluted share), respectively.

Note 2. Long-Term Debt and Capital Lease Obligations (See Note 4 to Consolidated Financial Statements at December 31, 1994)

In June 1995, the Company issued \$132.3 million of 6-1/2% convertible senior debentures due 2005. Each debenture is convertible to 46.512 shares of common stock, reflecting a conversion price of \$21.50 per share.

In August 1995, the Company redeemed all of its 7-1/4% zero coupon, convertible subordinated notes for \$127.7 million.

Note 3. Commitments (See Note 5 to Consolidated Financial Statements at December 31, 1994)

During the second quarter of 1995, Alaska took delivery of two new MD-83 aircraft under 16-year operating leases. During the third quarter of 1995, Alaska agreed to take delivery of two new B737-400 aircraft (one in November 1996 and one in March 1997), under 10-year operating leases. In addition, Alaska extended operating leases on four of its MD-80 aircraft for an average of two years. The total increase in lease commitments for all of these transactions is approximately \$205 million.

Note 4. Financial Instruments (See Note 11 to Consolidated Financial Statements at December 31, 1994)

At September 30, 1995, the Company had a fuel hedge agreement in place with a ceiling price of 70 cents covering approximately 50% of the expected fuel usage through July 1996, and a floor price of 42 cents covering approximately 50% of the expected fuel usage through July 1996. At September 30, 1995, the fuel index was at 51 cents.

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,	
	1995	1994	1995	1994
Primary -				
Net income	\$27,352	\$24,263	\$18,033	\$27,631
Average number of shares outstanding	13,509	13,370	13,440	13,359
Assumed exercise of stock options reduced by the number of shares purchased with the proceeds from exercise of such options	66	16	10	12
Average shares as adjusted	13,575	13,386	13,450	13,371
Earnings per common share	\$2.01	\$1.81	\$1.34	\$2.07
Fully Diluted -				
Net income	\$27,352	\$24,263	\$18,033	\$27,631
After tax interest on convertible securities	2,580	2,318	6,868	7,037
Income applicable to common shares	\$29,932	\$26,581	\$24,901	\$34,668
Average number of shares outstanding	13,509	13,370	13,440	13,359
Assumed exercise of stock options	66	19	10	15
Assumed conversion of 6.5% debentures	6,151	0	2,141	0
Assumed conversion of 7.75% debentures	446	508	487	513
Assumed conversion of 6.875% debentures	1,608	1,608	1,608	1,702
Assumed conversion of 7.25% zero coupon notes	1,254	3,981	2,745	4,136
Assumed conversion of preferred shares	0	0	0	0
Average shares as adjusted	23,034	19,486	20,431	19,725
Earnings per Common Share	\$1.30	\$1.36	\$1.22	\$1.76

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ALASKA AIR GROUP INC THIRD QUARTER 1995 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1000

<PERIOD-TYPE>	9-MOS	
<FISCAL-YEAR-END>		DEC-31-1995
<PERIOD-END>		SEP-30-1995
<CASH>		58147
<SECURITIES>		85443
<RECEIVABLES>		105516
<ALLOWANCES>		0
<INVENTORY>		44267
<CURRENT-ASSETS>		353507
<PP&E>		1160712
<DEPRECIATION>		325154
<TOTAL-ASSETS>		1352373
<CURRENT-LIABILITIES>		442716
<BONDS>		560634
<COMMON>		16715
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<OTHER-SE>		196063
<TOTAL-LIABILITY-AND-EQUITY>		1352373
<SALES>		1076394
<TOTAL-REVENUES>		1076394
<CGS>		1007604
<TOTAL-COSTS>		1007604
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		39713
<INCOME-PRETAX>		33244
<INCOME-TAX>		15211
<INCOME-CONTINUING>		18033
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		18033
<EPS-PRIMARY>		1.34
<EPS-DILUTED>		1.22