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, 2000.

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 26,444,019 common shares, par value $1.00, outstanding at June 30, 2000.

PART I. FINANCIAL STATEMENTS
ITEM 1. Financial Statements
CONSOLIDATED BALANCE SHEET (UNAUDITED)
Alaska Air Group, Inc.

ASSETS

(In Millions)	December 31, 1999	June 30, 2000

CURRENT ASSETS		
Cash and cash equivalents	$132.5	$119.9
Marketable securities	196.5	159.7
Receivables - net	74.6	104.8
Inventories and supplies	54.3	59.7
Prepaid expenses and other assets	124.0	161.8
TOTAL CURRENT ASSETS	581.9	605.9
PROPERTY AND EQUIPMENT		
Flight equipment	1,386.6	1,493.1
Other property and equipment	337.2	371.9
Deposits for future flight equipment	217.7	241.2
	1,941.5	2,106.2
Less accumulated depreciation and amortization	486.7	517.1
	1,454.8	1,589.1
Capital leases:		
Flight and other equipment	44.4	44.4
Less accumulated amortization	31.8	32.8
	12.6	11.6
TOTAL PROPERTY AND EQUIPMENT - NET	1,467.4	1,600.7
Intangible Assets - Subsidiaries	55.5	54.5
Other Assets	75.3	36.6
TOTAL ASSETS	$2,180.1	$2,297.7

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET (UNAUDITED)
Alaska Air Group, Inc.

LIABILITIES AND SHAREHOLDERS' EQUITY

(In Millions Except Share Amounts)	December 31, 1999	June 30, 2000
CURRENT LIABILITIES		
Accounts payable	$104.2	$115.0
Accrued aircraft rent	81.8	76.5
Accrued wages, vacation and payroll taxes	83.0	65.0
Other accrued liabilities	99.5	143.8
Air traffic liability	183.7	265.5
Current portion of long-term debt and capital lease obligations	66.5	94.9
TOTAL CURRENT LIABILITIES	618.7	760.7
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	337.0	294.0
OTHER LIABILITIES AND CREDITS		
Deferred income taxes	144.0	105.9
Deferred income	37.4	121.4
Other liabilities	112.3	140.9

	293.7	368.2
SHAREHOLDERS' EQUITY		
Common stock, $1 par value		
Authorized: 100,000,000 shares		
Issued: 1999 - 29,157,108 shares		
2000 - 29,187,769 shares	29.2	29.2
Capital in excess of par value	480.0	480.8
Treasury stock, at cost: 1999 - 2,746,304 shares		
2000 - 2,743,750 shares	(62.7)	(62.7)
Deferred compensation	(0.6)	-
Retained earnings	484.8	427.5
	930.7	874.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,180.1	$2,297.7

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
Alaska Air Group, Inc.

Three Months Ended June 30 (In Millions except Per share Amounts)	1999	2000
OPERATING REVENUES		
Passenger	$483.6	$515.0
Freight and mail	23.4	23.2
Other - net	22.7	14.6
TOTAL OPERATING REVENUES	529.7	552.8
OPERATING EXPENSES		
Wages and benefits	162.7	175.8
Contracted services	15.3	17.9
Aircraft fuel	59.7	83.1
Aircraft maintenance	32.7	45.4
Aircraft rent	50.4	46.7
Food and beverage service	12.8	13.2
Commissions	26.3	17.2
Other selling expenses	26.1	29.0
Depreciation and amortization	20.6	24.4
Loss (gain) on sale of assets	0.1	(0.4)
Landing fees and other rentals	22.1	23.9
Other	35.6	39.5
Special charge - Mileage Plan	-	24.0
TOTAL OPERATING EXPENSES	464.4	539.7
OPERATING INCOME	65.3	13.1
NONOPERATING INCOME (EXPENSE)		
Interest income	5.2	5.2
Interest expense	(3.7)	(7.9)
Interest capitalized	2.3	3.8
Other - net	1.0	0.6
	4.8	1.7
Income before income tax	70.1	14.8
Income tax expense	28.0	6.0
NET INCOME	$42.1	$8.8

BASIC EARNINGS PER SHARE	$1.60	$0.33
DILUTED EARNINGS PER SHARE	$1.59	$0.33
Shares used for computation:		
Basic	26.374	26.442
Diluted	26.521	26.498

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
Alaska Air Group, Inc.

Six Months Ended June 30 (In Millions Except Per Share Amounts)	1999	2000
OPERATING REVENUES		
Passenger	$903.0	$970.1
Freight and mail	44.1	43.5
Other - net	43.8	28.9
TOTAL OPERATING REVENUES	990.9	1,042.5
OPERATING EXPENSES		
Wages and benefits	314.6	346.8
Contracted services	30.9	35.6
Aircraft fuel	102.6	173.2
Aircraft maintenance	68.1	85.6
Aircraft rent	101.7	93.1
Food and beverage service	25.2	26.1
Commissions	50.0	33.7
Other selling expenses	50.7	55.2
Depreciation and amortization	40.3	47.4
Loss (gain) on sale of assets	0.2	(0.5)
Landing fees and other rentals	44.3	46.3
Other	68.4	79.5
Special charge - Mileage Plan	-	24.0
TOTAL OPERATING EXPENSES	897.0	1,046.0
OPERATING INCOME (LOSS)	93.9	(3.5)
NONOPERATING INCOME (EXPENSE)		
Interest income	9.9	10.4
Interest expense	(7.5)	(15.8)
Interest capitalized	4.5	7.2
Other - net	2.7	1.1
	9.6	2.9
Income (loss) before income tax and accounting change	103.5	(0.6)
Income tax expense (credit)	41.2	(0.2)
Income (loss) before accounting change	62.3	(0.4)
Cumulative effect of accounting change, net of income taxes of $35.6 million	-	(56.9)
NET INCOME (LOSS)	$62.3	$(57.3)
BASIC EARNINGS (LOSS) PER SHARE:		
Income (loss) before accounting change	$2.36	$(0.02)
Cumulative effect of accounting change	-	(2.15)
Net Income (Loss)	$2.36	$(2.17)
DILUTED EARNINGS (LOSS) PER SHARE:		
Income (loss) before accounting change	$2.35	$(0.02)

Cumulative effect of accounting change	-	(2.15)
Net Income (Loss)	$2.35	$(2.17)
Shares used for computation:		
Basic	26.344	26.432
Diluted	26.482	26.432

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)
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, 1999	26.411	$29.2	$480.0	$(62.7)	$(0.6)	$484.8	$930.7
Net loss for the six months ended June 30, 2000						(57.3)	(57.3)
Stock issued under stock plans	0.033	0.0	0.8				0.8
Employee Stock Ownership Plan shares allocated					0.6		0.6
BALANCES AT JUNE 30, 2000	26.444	$29.2	$480.8	$(62.7)	$(0.0)	$427.5	$874.8

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
Alaska Air Group, Inc.

Six Months Ended June 30 (In Millions)	1999	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$62.3	$(57.3)

Adjustments to reconcile net income (loss) to cash:		
Cumulative effect of accounting change	-	56.9
Special charge - Mileage Plan	-	24.0
Depreciation and amortization	40.3	47.4
Amortization of airframe and engine overhauls	24.0	28.4
Loss (gain) on disposition of assets	0.2	(0.5)
Increase (decrease) in deferred income taxes	33.6	(38.1)
Increase in accounts receivable	(29.1)	(30.2)
Increase in other current assets	(3.0)	(4.9)
Increase in air traffic liability	75.6	81.8
Increase in other current liabilities	24.7	31.8
Other-net	4.1	13.1
Net cash provided by operating activities	232.7	152.4
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposition of assets	0.2	37.7
Purchases of marketable securities	(54.3)	(81.3)
Sales and maturities of marketable securities	78.1	118.1
Flight equipment deposits returned	2.8	-
Additions to flight equipment deposits	(67.1)	(76.1)
Additions to property and equipment	(149.0)	(150.5)
Restricted deposits and other	0.9	0.9
Net cash used in investing activities	(188.4)	(151.2)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt and capital lease payments	(11.4)	(14.6)
Proceeds from issuance of common stock	5.5	0.8
Net cash used in financing activities	(5.9)	(13.8)
Net change in cash and cash equivalents	38.4	(12.6)
Cash and cash equivalents at beginning of period	29.4	132.5
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$67.8	$119.9
Supplemental disclosure of cash paid during the period for:		
Interest (net of amount capitalized)	$3.3	$10.0
Income taxes	6.5	1.8
Noncash investing and financing activities	None	None

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS THAT HAVE CHANGED
SIGNIFICANTLY DURING THE SIX MONTHS ENDED JUNE 30, 2000
Alaska Air Group, Inc.

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited financial statements of Alaska Air Group, Inc. (the Company or Air Group) include the accounts of its principal subsidiaries, Alaska Airlines, Inc. (Alaska) and Horizon Air Industries, Inc. (Horizon). These statements 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, 1999. They 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.

NOTE 2. PREPAID EXPENSES AND OTHER CURRENT ASSETS

At June 30, 2000, other current assets included $38.0 million of restricted deposits that will be used to pay certain current liabilities. At December 31, 1999, these deposits were included with other assets. These deposits are yen-denominated investments that are held to repay yen-denominated borrowings that are due in the next 12 months.

NOTE 3. OTHER ACCRUED LIABILITIES

The current portion of the frequent flyer award liability, which was $40.0 million at December 31, 1999 and $57.8 million at June 30, 2000, is included with other accrued liabilities.

NOTE 4. EARNINGS PER SHARE (SEE NOTE 9 TO CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 1999)

Earnings per share (EPS) calculations were as follows (in millions except per share amounts):

	Three Months Ended June 30 1999	Three Months Ended June 30 2000	Six Months Ended June 30 1999	Six Months Ended June 30 2000
BASIC				
Income before accounting change	$42.1	$8.8	$62.3	$(0.4)
Average shares outstanding	26.374	26.442	26.344	26.432
EPS before accounting change	$1.60	$0.33	$2.36	$(0.02)
DILUTED				
Income before accounting change	$42.1	$8.8	$62.3	$(0.4)
Average shares outstanding	26.374	26.442	26.344	26.432
Assumed exercise of stock options	.147	.056	.138	-
Diluted EPS shares	26.521	26.498	26.482	26.432
EPS before accounting change	$1.59	$0.33	$2.35	$(0.02)

The exercise of stock options is excluded for the six months ended June 30, 2000 because their inclusion would be antidilutive. Had they been included, diluted shares would have increased by 0.063 million shares.

NOTE 5. OPERATING SEGMENT INFORMATION (SEE NOTE 11 TO CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 1999)

Operating segment information for Alaska Airlines, Inc. (Alaska) and Horizon Air Industries, Inc. (Horizon) was as follows (in millions):

	Three Months Ended June 30 1999	Three Months Ended June 30 2000	Six Months Ended June 30 1999	Six Months Ended June 30 2000
Operating revenues:				
Alaska	$428.7	$444.2	$800.6	$835.7
Horizon	105.0	112.6	198.0	214.1
Elimination of intercompany revenues	(4.0)	(4.0)	(7.7)	(7.3)
Consolidated	529.7	552.8	990.9	1,042.5
Income (loss) before income tax and accounting change:				
Alaska	60.4	9.9	91.2	(3.8)
Horizon	10.2	5.6	13.2	4.2
Air Group	(0.5)	(0.7)	(0.9)	(1.0)
Consolidated	70.1	14.8	103.5	(0.6)
Total assets at end of period:				
Alaska	1,733.9	2,099.9	1,733.9	2,099.9
Horizon	219.2	248.8	219.2	248.8
Air Group	857.6	889.2	857.6	889.2
Elimination of intercompany accounts	(882.0)	(940.2)	(882.0)	(940.2)

Consolidated	1,928.7	2,297.7	1,928.7	2,297.7

NOTE 6. FREQUENT FLYER PROGRAM

(a) CHANGE IN ACCOUNTING PRINCIPLE

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin 101 (SAB 101), Revenue Recognition in Financial Statements. SAB 101 gives specific guidance on the conditions that must be met before revenue may be recognized, and in June 2000 Alaska changed its method of accounting for the sale of miles in its Mileage Plan. Under the new method, a majority of the sales proceeds is deferred, and recognized when the award transportation is provided. The deferred proceeds are recognized as passenger revenue for awards issued on Alaska and as other revenue-net for awards issued on other airlines. In connection with the change, Alaska recognized a $56.9 million, net of income taxes of $35.6 million, cumulative effect charge effective January 1, 2000. Accordingly, results for the first quarter 2000 have been restated.

(b) SPECIAL CHARGE - MILEAGE PLAN

In June 2000, Alaska recorded a $24.0 million special charge to recognize the increased incremental cost of travel awards earned by flying on Alaska and travel partners. The higher cost is due to an increase in the estimated costs Alaska incurs to acquire awards on other airlines for its Mileage Plan members, as well as lower assumed forfeiture of miles.

(c) NON-CURRENT PORTION OF FREQUENT FLYER LIABILITY

At June 30, 2000, the non-current portion of the frequent flyer award liability is recorded in deferred income ($77.0 million) and in other liabilities ($37.0 million).

(d) RESTATED FIRST QUARTER 2000

The following table shows Alaska Air Group's previously reported results and the restated results for the change in accounting principle for the sale of miles.

	1st Quarter 2000	
	Reported	Restated
	(in millions, except per share)	
Operating Revenues:		
Passenger	$450.6	$455.1
Freight and mail	20.3	20.3
Other-net	21.6	14.3
Total Revenues	$492.5	$489.7
Loss before accounting change	$(7.5)	$(9.2)
Cumulative effect of accounting change net of income tax	-	(56.9)
Net Loss	$(7.5)	$(66.1)
Basic and Diluted Loss per Share:		
Loss before accounting change	$(0.28)	$(0.35)
Cumulative effect of accounting change	-	(2.15)
Net Loss	$(0.28)	$(2.50)

(e) PRO FORMA RESULTS FOR 1999

The following table shows Alaska Air Group's previously reported results and what those results would have been on a pro forma basis if the new accounting policy for the sale of miles had been in effect in 1999.

	Three Months Ended June 30, 1999		Six Months Ended June 30, 1999	
	Reported	Pro Forma	Reported	Pro Forma
	(in millions, except per share)			
Operating Revenues:				
Passenger	$483.6	$488.7	$903.0	$912.8
Freight and mail	23.4	23.4	44.1	44.1
Other-net	22.7	14.5	43.8	28.8
Total Revenues	$529.7	$526.6	$990.9	$985.7
Net Income	$42.1	$40.3	$62.3	$59.3
Earnings per Share:				
Basic	$1.60	$1.53	$2.36	$2.25
Diluted	1.59	1.52	2.35	2.24

ALASKA AIRLINES FINANCIAL AND STATISTICAL DATA

	Quarter Ended June 30			Six Months Ended June 30		
FINANCIAL DATA (IN MILLIONS):	1999	2000	% Change	1999	2000	% Change
Operating Revenues:						
Passenger	$386.4	$410.0	6.1	$721.5	$770.1	6.7
Freight and mail	20.8	20.1	(3.4)	38.8	37.9	(2.3)
Other - net	21.5	14.1	(34.4)	40.3	27.7	(31.3)
Total Operating Revenues	428.7	444.2	3.6	800.6	835.7	4.4
Operating Expenses:						
Wages and benefits	124.6	142.3	14.2	244.4	280.9	14.9
Employee profit sharing	5.6	0.0	NM	8.6	0.0	NM
Contracted services	13.1	14.9	13.7	26.6	30.1	13.2
Aircraft fuel	49.2	67.7	37.6	84.6	141.5	67.3
Aircraft maintenance	22.5	30.1	33.8	45.4	58.5	28.9
Aircraft rent	39.9	36.1	(9.5)	80.4	71.9	(10.6)
Food and beverage service	12.2	12.4	1.6	24.0	24.5	2.1
Commissions	24.5	16.7	(31.8)	46.6	32.3	(30.7)
Other selling expenses	20.6	23.4	13.6	40.0	43.8	9.5
Depreciation and amortization	16.4	19.4	18.3	32.3	38.0	17.6
Loss on sale of assets	0.1	0.4	NM	0.2	0.4	NM
Landing fees and other rentals	16.7	17.5	4.8	33.4	34.5	3.3
Other	27.5	31.1	13.1	52.2	62.1	19.0
Special charge - Mileage Plan	0.0	24.0	NM	0.0	24.0	NM
Total Operating Expenses	372.9	436.0	16.9	718.7	842.5	17.2
Operating Income (Loss)	55.8	8.2	(85.3)	81.9	(6.8)	NM
Interest income	5.6	6.3		10.8	12.4	
Interest expense	(3.6)	(7.9)		(7.5)	(15.8)	
Interest capitalized	1.8	3.0		3.6	5.6	
Other - net	0.8	0.3		2.4	0.8	
	4.6	1.7		9.3	3.0	
Income (Loss) Before Income Tax and Accounting Change	$60.4	$9.9	(83.6)	$91.2	$(3.8)	NM

OPERATING STATISTICS:						
Revenue passengers (000)	3,439	3,432	(0.2)	6,511	6,600	1.4
RPMs (000,000)	2,976	3,047	2.4	5,678	5,861	3.2
ASMs (000,000)	4,266	4,210	(1.3)	8,384	8,441	0.7
Passenger load factor	69.8%	72.4%	2.6 pts	67.7%	69.4%	1.7 pts
Breakeven load factor	58.6%	66.9%	8.3 pts	59.2%	68.6%	9.4 pts
Yield per passenger mile	12.98 CENTS	13.45 CENTS	3.6	12.71 CENTS	13.14 CENTS	3.4
Operating revenue per ASM	10.05 CENTS	10.55 CENTS	5.0	9.55 CENTS	9.90 CENTS	3.7
Operating expenses per ASM	8.74 CENTS	10.36 CENTS	18.5	8.57 CENTS	9.98 CENTS	16.4
Fuel cost per gallon	65.5 CENTS	91.2 CENTS	39.3	57.1 CENTS	95.2 CENTS	66.7
Fuel gallons (000,000)	75.1	74.2	(1.2)	148.2	148.6	0.3
Average number of employees	9,244	9,439	2.1	9,065	9,359	3.2
Aircraft utilization (block hours/day)	11.1	10.5	(5.4)	11.1	10.7	(3.6)
Operating fleet at period-end	86	91	5.8	86	91	5.8

NM=Not Meaningful

HORIZON AIR FINANCIAL AND STATISTICAL DATA

	Quarter Ended June 30			Six Months Ended June 30		
FINANCIAL DATA (IN MILLIONS):	1999	2000	% Change	1999	2000	% Change
Operating Revenues:						
Passenger	$100.4	$108.0	7.6	$187.7	$205.5	9.5
Freight and mail	2.7	3.1	14.8	5.3	5.6	5.7
Other - net	1.9	1.5	(21.1)	5.0	3.0	(40.0)
Total Operating Revenues	105.0	112.6	7.2	198.0	214.1	8.1
Operating Expenses:						
Wages and benefits	30.7	32.9	7.2	59.3	65.3	10.1
Employee profit sharing	1.8	0.6	(66.7)	2.3	0.6	(73.9)
Contracted services	2.9	3.7	27.6	5.5	6.8	23.6
Aircraft fuel	10.5	15.4	46.7	18.0	31.7	76.1
Aircraft maintenance	10.2	15.3	50.0	22.7	27.1	19.4
Aircraft rent	10.5	10.7	1.9	21.3	21.3	0.0
Food and beverage service	0.6	0.8	33.3	1.2	1.6	33.3
Commissions	5.1	3.6	(29.4)	9.6	7.0	(27.1)
Other selling expenses	5.4	5.6	3.7	10.7	11.4	6.5
Depreciation and amortization	4.0	4.7	17.5	7.8	9.0	15.4
Loss (gain) on sale of assets	0.0	(0.8)	NM	0.0	(0.9)	NM
Landing fees and other rentals	5.4	6.2	14.8	10.9	11.9	9.2
Other	7.8	8.3	6.4	15.7	17.2	9.6
Total Operating Expenses	94.9	107.0	12.8	185.0	210.0	13.5
Operating Income	10.1	5.6	(44.6)	13.0	4.1	(68.5)
Interest expense	(0.4)	(0.9)		(0.9)	(1.7)	
Interest capitalized	0.5	0.9		1.0	1.7	
Other - net	(0.0)	0.0		0.1	0.1	
	0.1	0.0		0.2	0.1	
Income Before Income Tax	$10.2	$5.6	(45.1)	$13.2	$4.2	(68.2)
OPERATING STATISTICS:						
Revenue passengers (000)	1,237	1,267	2.4	2,383	2,458	3.1
RPMs (000,000)	340	353	3.6	641	682	6.4
ASMs (000,000)	549	576	5.0	1,051	1,128	7.3
Passenger load factor	62.0%	61.2%	(0.8)pts	61.0%	60.5%	(0.5)pts
Breakeven load factor	55.2%	58.3%	3.1 pts	56.4%	59.4%	3.0 pts
Yield per passenger mile	29.48 cents	30.61 cents	3.8	29.28 cents	30.13 cents	2.9
Operating revenue per ASM	19.13 cents	19.53 cents	2.1	18.85 cents	18.98 cents	0.7
Operating expenses per ASM	17.30 cents	18.56 cents	7.3	17.62 cents	18.62 cents	5.7
Fuel cost per gallon	66.4 cents	93.7 cents	41.1	59.0 cents	97.6 cents	65.6
Fuel gallons (000,000)	15.8	16.5	4.4	30.5	32.5	6.6
Average number of employees	3,524	3,633	3.1	3,415	3,625	6.2
Aircraft utilization (block hours/day)	8.1	8.3	2.5	7.9	8.2	3.8
Operating fleet at period-end	61	62	1.6	61	62	1.6

NM = Not Meaningful

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

FORWARD-LOOKING INFORMATION

This report may contain forward-looking statements that are based on the best information currently available to management. These forward-looking statements are intended to be subject to the safe harbor protection provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are indicated by phrases such as "will", "should", "the Company believes", "we expect" or any other language indicating a prediction of future events. There can be no assurance that actual developments will be those anticipated by the Company. Actual results could differ materially from those projected as a result of a number of factors, some of which the Company cannot predict or control. For a discussion of these factors, please see Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

RESULTS OF OPERATIONS

SECOND QUARTER 2000 COMPARED WITH SECOND QUARTER 1999

The consolidated net income for the second quarter of 2000 was $8.8 million, or $0.33 per share (diluted), compared with $42.1 million, or $1.59 per share (diluted), in 1999. Consolidated operating income for the second quarter of 2000 was $13.1 million compared to $65.3 million for 1999. The $52.2 million reduction in operating income was largely due to a special charge related to the Mileage Plan and higher fuel prices. Financial and statistical data for Alaska and Horizon is shown on pages 11 and 12. A discussion of this data follows.

ALASKA AIRLINES

REVENUES

Capacity decreased by 1.3% primarily due to higher than normal flight cancellations that resulted from delays in getting aircraft back into service from heavy maintenance checks. Many of the passengers from the canceled flights traveled on other Alaska flights and traffic grew by 2.4%, resulting in a 2.6 point increase in passenger load factor. Passenger yields were up 3.6% (2.3% excluding the impact of a new accounting method for the sale of miles), primarily due to fuel-related fare increases. Yields were up in substantially all major markets, with Canada showing the largest increase. The higher traffic combined with the higher yield resulted in a 6.1% increase in passenger revenue.

Freight and mail revenues decreased 3.4%, primarily due to lower freight volumes that resulted in part from 3.0% fewer flights operated.

Other-net revenues decreased $7.4 million (34.4%), due to a change in accounting for the sale of miles in Alaska's frequent flyer program. If the new accounting method had been in effect in 1999, other-net revenues would have increased $0.8 million (6.0%).

EXPENSES

Operating expenses grew by 16.9 % as a result of an 18.5% increase in cost per ASM. The increase in cost per ASM was primarily due a special charge, higher fuel prices and higher labor costs. Explanations of significant year-over-year changes in the components of operating expenses are as follows:

- Wages and benefits increased 14.2% due to a 2.1% increase in the number of employees combined with an 11.8% increase in average wages and benefits per employee. New labor contracts for mechanics, flight attendants, passenger service and ramp service employees, combined with longevity increases for pilots, and annual merit raises for management employees all contributed to the higher average wage rates.

- Contracted services increased 14% due to higher security costs, higher rates for ground handling services and new costs for processing marketing information.

- Fuel expense increased 38%, primarily due to a 39% increase in the price of fuel. The fuel consumption rate decreased 1% due to the use of more fuel efficient B737-700 aircraft.

- Maintenance expense increased 34%, due to increased expenses for engine overhauls, airframe checks and airframe component repairs.

- Aircraft rent expense decreased 10%, due to leasing four fewer MD-80 aircraft and two fewer B737-400 aircraft.

- Commission expense decreased 32% on a 6% increase in passenger revenue. In 2000, 65.8% of ticket sales were made through travel agents, versus 69.3% in 1999. In 2000, 10.1% of ticket sales were made through Alaska's Internet web site versus 4.2% in 1999. In addition, the commission rate paid to travel agents decreased from 8% to 5%.

- Other selling expense increased 14%, higher than the 6% increase in passenger revenue, due to increased expenses for Mileage Plan awards.

- Depreciation increased 18%, primarily due to owning 10 more aircraft in 2000.

- Other expense increased 13%, primarily due to higher expenditures for passenger remuneration, operating supplies, legal fees, professional services and recruiting.

- The $24.0 million special charge in 2000 recognizes the increased incremental cost of travel awards earned by flying on Alaska and travel partners. The higher cost is due to an increase in the estimated costs Alaska incurs to acquire travel awards on other airlines for its Mileage Plan members, as well as lower assumed forfeiture of miles.

HORIZON AIR

REVENUES

Capacity grew by 5.0%, primarily due to added flights in the Canada and California markets. Traffic grew by 3.6%, resulting in a 0.8 point decrease in passenger load factor. Passenger yields were up 3.8%, largely due to "fuel surcharge" fare increases. The higher traffic combined with the higher yield resulted in a 7.6% increase in passenger revenue.

Other-net revenues decreased 21%, or $0.4 million, primarily due to recording revenues related to aircraft manufacturer's support during the second quarter of 1999.

EXPENSES

Operating expenses grew by 12.8% as a result of a 5.0% increase in capacity and a 7.3% increase in cost per ASM. Explanations of significant year-over-year changes in the components of operating expenses are as follows:

- Wages and benefits increased 7.2% due to a 3.1% increase in the number of employees combined with a 4.0% increase in average wages and benefits per employee. Employees were added to support 5.0% more block hours of flying and to service the 2.4% increase in passengers carried.

- Contracted services increased 28%, higher than the 5% increase in capacity, due to increased expenses for ground handling, security and information technology services.

- Fuel expense increased 47%, due to a 4% increase in fuel consumption combined with a 41% increase in the price of fuel.

- Maintenance expense increased 50%, higher than the 5% increase in block hours, due in part to increased expenses related to the earlier than previously estimated timeframe for phasing out the Fokker F-28 jet aircraft.

- Commission expense decreased 29% on an 8% increase in passenger revenue, because a smaller percentage of sales were made through travel agents and commission rates dropped from 8% to 5%.

- Depreciation and amortization expense increased 18%, due in part to added depreciation on Fokker F-28 jet aircraft spare parts.

CONSOLIDATED NONOPERATING INCOME (EXPENSE) Net nonoperating income decreased $3.1 million, primarily due to higher interest expense resulting from new debt incurred in late 1999.

SIX MONTHS 2000 COMPARED WITH SIX MONTHS 1999
In accordance with guidance provided in the SEC's Staff Accounting Bulletin 101, Alaska changed its method of accounting for the sale of miles in its Mileage Plan. In connection with the change, Alaska recognized a $56.9 million, net of income taxes of $35.6 million, cumulative effect charge effective January 1, 2000. The consolidated loss before accounting change for the six months ended June 30, 2000 was $0.4 million, or $(0.02) per share (diluted), compared with net income of $62.3 million, or $2.35 per share (diluted) in 1999. The consolidated operating loss for the first six months of 2000 was $3.5 million compared with an operating income of $93.9 million for 1999. A discussion of operating results for the two airlines follows.

ALASKA AIRLINES Operating income decreased $88.7 million to a $6.8 million operating loss in 2000, primarily due to higher fuel prices ($51.8 million) and a special charge related to Mileage Plan estimates ($24.0 million). Changes in operating revenues and operating expenses are generally due to the same reasons stated above in the second quarter comparison.

HORIZON AIR Operating income decreased to $4.1 million, resulting in a 1.9% operating margin as compared to a 6.6% margin in 1999. Operating revenue per ASM increased 0.7% to 18.98 cents, while operating expenses per ASM increased 5.7% to 18.62 cents. The changes in unit revenue and unit expense are generally due to the same reasons stated above in the second quarter comparison.

CONSOLIDATED NONOPERATING INCOME (EXPENSE) Net nonoperating income decreased $6.7 million, primarily due to higher interest expense resulting from new debt incurred in late 1999.

LIQUIDITY AND CAPITAL RESOURCES
The table below presents the major indicators of financial condition and liquidity.

	December 31, 1999	June 30, 2000	Change
(In millions, except debt-to-equity and per share amounts)			
Cash and marketable securities	$329.0	$279.6	$(49.4)
Working capital (deficit)	(36.8)	(154.8)	(118.0)
Long-term debt and capital lease obligations	337.0	294.0	(43.0)
Shareholders' equity	930.7	874.8	(55.9)
Book value per common share	$35.24	$33.08	$(2.16)
Debt-to-capital	27%:73%	25%:75%	NA
Debt-to-capital assuming aircraft operating leases are capitalized at seven times annualized rent	64%:36%	65%:35%	NA

The Company's cash and marketable securities portfolio decreased by $49 million during the first six months of 2000. Operating activities provided $152 million of cash during this period. Another $38 million was provided by insurance proceeds from an aircraft accident and other asset dispositions. Cash was used for $227 million of capital expenditures, including the purchase of four new Boeing 737 aircraft, flight equipment deposits and airframe and engine overhauls, and for $15 million of debt repayment.

Shareholders' equity decreased $55.9 million due to the net loss of $57.3 million, which was partly offset by stock issued under stock plans and changes in deferred compensation.

AIRCRAFT ACCIDENT On January 31, 2000, Alaska Airlines flight 261 from Puerto Vallarta en route to San Francisco, went down in the water off the coast of California near Point Mugu. The flight carried 83 passengers and five crew members. There were no survivors. Consistent with industry standards, the Company maintains insurance against aircraft accidents. The Company expects substantially all accident response and civil litigation costs to be covered by insurance. However, any aircraft accident, even if fully insured, could cause a negative public perception of the Company with adverse financial consequences. Principally as a result of added maintenance inspections Alaska carried out after the accident, Alaska estimates that it canceled 6% of its flights in February and 3% of its flights in March.

SAFETY ACTIVITIES In March 2000, to enhance existing lines of communication, Alaska established a "safety hotline" for employees to contact the chairman's office directly regarding any safety concern. In April 2000, an independent team of outside safety experts began a full audit of the maintenance,

flight operations, hazardous materials handling and security areas of Alaska. The team presented its final report to Alaska in June 2000 and Alaska is implementing those recommendations. Alaska has also hired a vice president of safety, who reports directly to the chairman.

COMMITMENTS As of June 30, 2000, the Company had firm orders for 62 aircraft requiring aggregate payments of approximately $1.4 billion, as set forth below. In addition, Alaska has options to acquire 26 more B737s and Horizon has options to acquire 15 Dash 8-400s and 25 CRJ 700s. Alaska and Horizon expect to finance the new planes with either leases, long-term debt or internally generated cash.

	DELIVERY PERIOD - FIRM ORDERS						
AIRCRAFT	2000	2001	2002	2003	2004	2005	TOTAL
Boeing 737-700	3	3	--	--	--	--	6
Boeing 737-900	--	6	5	--	--	--	11
de Havilland Dash 8-400	2	13	--	--	--	--	15
Canadair RJ 700	1	13	--	4	6	6	30
Total	6	35	5	4	6	6	62
Payments (Millions)	$173	$681	$157	$102	$131	$110	$1,354

PART II. OTHER INFORMATION
ITEM 1. LEGAL PROCEEDINGS

In December 1998, search warrants and a grand jury subpoena (for the U.S. District Court for the Northern District of California) were served on Alaska, initiating an investigation into the Company's Oakland maintenance base by the U.S. Attorney for the Northern District of California. In addition, the Federal Aviation Administration (FAA) issued a letter of investigation to Alaska relating to maintenance performed on an MD-80 aircraft. In April 1999, the FAA issued a notice of proposed civil penalty for $44,000. In July 1999, Alaska responded informally to the notice, disputing that any violation occurred, and to date the FAA has not taken any further action. The Company understands that information developed by the National Transportation Safety Board in connection with the crash of flight 261 on January 31, 2000 is being shared with the U.S. Attorney and that the U.S. Attorney will use this information, along with other records relating to the aircraft Alaska has produced, to evaluate whether any crimes were committed in connection with flight 261. To the Company's knowledge, no charges have been filed as a result of the grand jury investigation.

Alaska is currently a defendant in several lawsuits relating to flight 261. The Company is unable to predict the amount of claims that may ultimately be made against it or how those claims might be resolved. Consistent with industry standards, the Company maintains insurance against aircraft accidents. In April 2000, the FAA began an audit of Alaska's maintenance and flight operations departments to ensure adherence to mandated procedures. During the audit, the FAA requested that Alaska take several actions, which Alaska has done or is currently implementing. In June 2000, the FAA informed Alaska that it was proposing to amend Alaska's operations specification to suspend the Company's ability to perform heavy maintenance on its aircraft. In June 2000, Alaska submitted an Airworthiness and Operations Action Plan describing numerous steps Alaska would take to address the FAA's concerns. In response to this plan the FAA withdrew its proposal to amend Alaska's operations specification. The FAA also requested that the Company submit a growth plan to demonstrate its ability to handle operationally its planned fleet additions. In June 2000, Alaska submitted its growth plan to the FAA. In July 2000, Alaska responded in writing to each of the FAA's findings from its April audit. The Company has not been informed what further actions, if any, the FAA intends to take.

The Company cannot predict the outcome of any of the pending civil or potential criminal proceedings described above. As a result, the Company can give no assurance that these proceedings, if determined adversely to Alaska, would not have a material adverse effect on the financial position or results of operations of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
(a) Air Group's annual meeting of stockholders was held on May 16, 2000.
(b) Not applicable.
(c) A stockholder proposal to reinstate simple majority voting was approved with 12,694,475 votes for, 6,412,719 votes against, and 213,238 votes abstaining.

Four directors were elected with the following results:

Director	Votes For	Votes Against or Withheld	Broker Non-Votes
M. J. Fate	23,839,462	443,897	0
J. F. Kelly	23,762,715	520,644	0
B. R. Kennedy	23,878,636	404,723	0
J. K. Thompson	23,868,704	414,655	0

ITEM 5. OTHER INFORMATION
ALLIANCES WITH OTHER AIRLINES
During February, 2000, Canadian Airlines gave notice to Alaska that it is canceling its marketing alliance with Alaska effective in August 2000 due to it's merger with Air Canada.

EMPLOYEES
During the first quarter of 1999, a federal mediator was assigned to assist Horizon and the International Brotherhood of Teamsters in the negotiation of an initial labor contract covering approximately 600 pilots. Negotiations have taken place since then and further negotiations are planned for the third quarter of 2000.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K
(a) Exhibit 27 - Financial data schedule.
(b) On June 5, 2000 a report on Form 8-K was filed discussing a Federal Aviation Administration (FAA) audit of Alaska Airlines.

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: August 9, 2000

/s/ John F. Kelly

John F. Kelly
Chairman, President and Chief Executive Officer

/s/ Bradley D. Tilden

Bradley D. Tilden
Vice President/Finance and Chief Financial Officer

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ALASKA AIR
GROUP INC. SECOND QUARTER 2000 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS
ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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