UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K/A

(Mark One)
X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the fiscal year ended December 31, 1998
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $1.00 Par Value	New York Stock Exchange
Rights to Purchase Series A Participating Preferred Stock	New York Stock Exchange

As of December 31, 1998, common shares outstanding totaled 26,224,005. The aggregate market value of the common shares of Alaska Air Group, Inc. held by nonaffiliates, 26,156,752 shares, was approximately $1.157 billion (based on the closing price of these shares, $44.25, on the New York Stock Exchange on such date).

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 ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

DOCUMENTS TO BE INCORPORATED BY REFERENCE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

RONALD F. COSGRAVE

Mr. Cosgrave, age 67, serves on the Company's Executive Committee. He has served on the Board of Directors since 1971, except during the period 1981 to 1983. He was Chairman of Alaska Northwest Properties Inc. from 1979 to 1997, when he became Executive Manager of ANP, LLC. Mr. Cosgrave is a retired Chairman and Chief Executive Officer of Alaska Airlines. He is also Chairman Emeritus and a director of Alaska Airlines. Mr. Cosgrave's term expires in 2001.

MARY JANE FATE

Mrs. Fate, age 65, has been a director since 1979 and serves on the Company's Compensation Committee. She has served as General Manager of a family business in Fairbanks, Alaska, since 1989. She was President and Executive Director of Baan o yeel kon Corporation (an Alaska Native village corporation) from 1981 to 1989. She is a director of Alaska Airlines and Baan o yeel kon Corporation, and a member of the University of Alaska Board of Regents. Mrs. Fate's term expires in the year 2000.

JOHN F. KELLY

Mr. Kelly, age 54, has been a director since 1989 and serves on the Company's Executive Committee. He was elected Chairman, President and Chief Executive Officer of Alaska Air Group and Chairman and Chief Executive Officer of Alaska Airlines in February 1995. He also served as President of Alaska Airlines from 1995 to 1997, Chief Operating Officer from November 1994 to February 1995 and as Vice President/Marketing from 1981 to June 1987. He has served Horizon Air as its Chairman since February 1991, except the period from November 1994 to February 1995, and was President and Chief Executive Officer from June 1987 to November 1994. He also serves on the board of the Air Transport Association and is a director of AVISTA Corp., a public utility based in Spokane, Washington. Mr. Kelly's term expires in the year 2000.

BRUCE R. KENNEDY

Mr. Kennedy, age 60, has been a director since 1972 and has served as Chairman of the Company's Executive Committee since 1985, except for the period from November 1994 to February 1995. He is Chairman Emeritus of Alaska Air Group and served as its Chairman, Chief Executive Officer and President from 1985 to 1991. He was also Chairman of Alaska Airlines from 1979 to 1991, Chief Executive Officer from 1979 to 1990 and President from 1978 to 1990. He serves on the board of directors of Horizon Air and of the ARIS Corporation, a Seattle-based company that provides information technology services. Mr. Kennedy's term expires in the year 2000.

R. MARC LANGLAND

Mr. Langland, age 57, has been a director since 1991. He is a member of the Company's Compensation Committee and Chairman of the Audit Committee. He has been President of Northrim Bank, Anchorage, Alaska, since November 1990 and Chairman since January 1998. He was Chairman and Chief Executive Officer of Key Bank of Alaska from 1987 to 1988 and President from 1985 to 1987. He served on the Board of Trustees of the Alaska Permanent Fund Corporation from February 1987 to January 1991 and was Chairman from June 1990 to January 1991. He is also a director of Alaska Airlines, Northrim Bank, Usibelli Coal Mine, and Saltchuk Resources, Inc. Mr. Langland's term expires in 2001.

BYRON I. MALLOTT

Mr. Mallott, age 55, has been a director since 1982 and serves on the Company's Audit Committee. He is the executive director (chief executive officer) of the Alaska Permanent Fund Corporation, a trust managing proceeds from the state of Alaska's oil revenues. In January 1999, he was appointed to the Board of Directors of the 12th Federal Reserve District, Federal Reserve Bank in San Francisco. He was a director of Sealaska Corporation, Juneau, Alaska, from 1972 to 1988; Chairman from 1976 to 1983; and Chief Executive Officer from 1982 to 1992. He owns Mallott Enterprises (personal investments) and is a director of Horizon Air. Mr. Mallot's term expires in 2002.

JOHN V. RINDLAUB

Mr. Rindlaub, age 54, has been a director since 1996 and serves on the Company's Audit Committee. He is Chairman of Seafirst Bank, a post he has held since 1993, and President, Bank of America, Northwest, which includes responsibility for Washington, Oregon, Idaho and Alaska. Prior to his position at Seafirst, Mr. Rindlaub served as Group Executive Vice President/Asia Division for Bank America and as a managing director for Bankers Trust Company New York, Investment Banking Group. He is also a director of Horizon Air and of 12th Federal Reserve District, Federal Reserve Bank of San Francisco. Mr. Rindlaub's term expires in 2001.

PATRICIA Q. STONESIFER

Ms. Stonesifer, age 42, was appointed a director of the Company in July 1998 and serves on the Audit Committee. She is President and Chairman of Gates Learning Foundation, Redmond, Washington, which helps provide computer technology to schools, libraries and other public entities. In 1997, Ms. Stonesifer served as a technology consultant to Dreamworks SKG. From 1988 to 1997 she held various positions at Microsoft, Inc., most recently serving as senior vice president of Microsoft's Interactive Media Division. Ms. Stonesifer currently serves on the boards of Alaska Airlines, Amazon.com, inc., Kinko's, Inc. and the Fund for America's Libraries. Ms. Stonesifer's term expires in 2002.

RICHARD A. WIEN

Mr. Wien, age 63, has been a director since 1982 and serves on the Company's Compensation and Audit Committees. He played an active role in the management of Wien Airlines until 1969, when he was elected President of Merric, Inc., an Alaska helicopter contract and charter service company. After Merric merged with Era Aviation in 1973, Mr. Wien served as Era's Executive Vice President until 1981. He has been Chairman and Chief Executive Officer of Florcraft, Inc. (retail flooring), Fairbanks and Anchorage, Alaska, since 1986. He is also a director of Horizon Air, National Bank of Alaska and Usibelli Coal Mine. Mr. Wien's term expires in 2002.

ITEM 11. EXECUTIVE COMPENSATION

DIRECTOR COMPENSATION

We do not pay directors who are also employees of the Company additional compensation for their service as directors, except for the reimbursement of expenses incurred in attending meetings. In 1998, compensation for nonemployee directors included the following:

- an annual retainer of $20,000, with a minimum of 25% of the retainer paid in the form of Alaska Air Group common stock issued under the Company's Nonemployee Director Stock Plan;

- $1,200 for each Board or Committee meeting in which a nonemployee director participates in person, but no more than one payment per day. If participation is via telephone, the fee is $750;

- an annual retainer of $2,000 to committee chairpersons;

- an annual retainer of $1,000 to nonemployee directors who served on the board of Alaska Airlines or Horizon Air; and

- expenses in connection with attending Board and committee meetings.

In addition, directors, their spouses and their dependent children are eligible for complimentary travel privileges on Alaska Airlines and Horizon Air.

EXECUTIVE COMPENSATION

BOARD COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

During 1998, the Compensation Committee of the Company's Board of Directors consisted of Mr. Parker, Mrs. Fate, Mr. Langland and Mr. Wien. No member of the Committee was an employee of the Company of any of its subsidiaries. Each member meets the definition of "nonemployee director" under Rule 16b-3 of the Securities Exchange Act of 1934 and is an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code.

The Committee has overall responsibility for the Company's executive compensation policies and practices. In part, the Committee's functions include:

- determining the compensation of the Chief Executive Officer of the Company;

- upon recommendation of the Chief Executive Officer, reviewing and approving all executive officers' compensation, including salary and payments under the Management Incentive Plan; and

- granting awards under stock incentive plans.

The Committee has provided the following report on the compensation policies of the Company as they apply to its executive officers and the relationship of Company performance to executive compensation and the Chief Executive Officer's compensation.

EXECUTIVE COMPENSATION POLICY

The Company's policy is to pay competitive compensation. The objectives of the Company's executive compensation policies are:

- to attract and retain highly qualified executives;
- to motivate officers to provide excellent leadership and achieve Company goals;
- to link the interests of executives and stockholders by tying a large portion of total compensation to Company profitability and stock value; and
- to reward outstanding performance.

Executive compensation includes competitive base salary, a cash incentive plan tied to annual financial performance, equity-based awards and retirement benefits.

ANNUAL BASE SALARY

1998 base salaries for executive officers are based on:

- subjective analysis of competitive market rates,
- the market demand for each executive officer's skills,
- the executive's influence on long-term Company strategies and success,
- the relationships among executive positions, and
- individual leadership performance.

To ensure that its overall compensation is appropriate, the Company periodically reviews executive compensation for companies included in the Dow Jones Airlines Group contained in the Performance Graph, other air carriers and similarly sized Pacific Northwest companies and from companies in broad-based national compensation surveys. In addition, it periodically retains the services of outside compensation specialists. The Company does not attempt to set executive compensation at specific target ranges of any particular survey. In 1998, executive officers other than the CEO received increases averaging 4.7%.

MANAGEMENT INCENTIVE PLAN

Air Group's Management Incentive Plan ("MIP") places at risk a significant portion of each executive's potential cash compensation, linking it to annual profitability.

For awards to be paid, the Company must achieve or exceed profit goals established annually by the Compensation Committee. In recent years, MIP goals have been based on return-on-equity levels as determined by the Compensation Committee each year. Beginning in 1999, the Committee has based MIP goals on reaching return-on-invested capital targets and the Company's net earnings growth as compared to that of peer companies. Awards increase proportionately based on the degree to which goals are met. Through 1998, awards could range up to 45% of executive officers' base salaries if the target was met, and up to 90% of base salaries if profits reached the maximum goal. Beginning in 1999, awards can range up to 50% of base pay if target goals are met, and up to 100% if the maximum goal is reached. Award levels vary by position and can also be adjusted for individual performance.

For 1998, payments made to the named executives shown in the Summary Compensation Table were based on profits that exceeded the maximum goal.

For the executives in the Summary Compensation Table, the percentages of total potential cash compensation linked to performance under the MIP in 1998 were:

- Mr. Kelly -- 47%,
- Mr. Ayer -- 41%,
- Mr. Bagley -- 41%,
- Mr. Lehr -- 38%, and
- Mr. Fowler -- 38%.

EQUITY-BASED AWARDS

Although the 1996 Long-Term Incentive Equity Plan provides for a variety of equity-based awards, options and restricted stock awards are the only equity-based compensation presently in use by the Company. They provide an incentive to maximize stock values, linking the long-term interests of executives with those of stockholders. Because the awards vest over several years, they encourage executives to remain with the Company. The Committee grants options at market price, so recipients benefit only if the price of the stock appreciates and stockholders also benefit.

The Committee does not base grants on ownership targets or on the number of options an individual has outstanding, because it believes doing so would discourage officers from retaining options or shares. Individual grants are determined according to base salary and position. The options granted to each of the named executive officers in 1998 are shown in the tables on pages 7 and 8.

CHIEF EXECUTIVE OFFICER'S COMPENSATION

Base Salary -- In setting the CEO's base salary, the Committee reviews competitive information similar to that used for other Company executives and periodically retains the services of an outside consultant. The Committee does not target a specific range of competitive pay, but applies the information as it deems appropriate. By reviewing survey data periodically, the Committee believes it will remain mindful of compensation levels that would be required to recruit from outside the Company.

The Board of Directors conducts an annual evaluation of the CEO's performance based on:

- the Company's financial performance,
- the CEO's relationship with the Board,
- communication to the Board and other Company constituencies,
- investor relations,
- overall leadership, and
- strategic and succession planning.

The Committee believes that Mr. Kelly's leadership has contributed significantly to the Company's following achievements during 1998:

Profitability -- The Company earned record net income of $124.4 million far exceeding 1997's record of $72.4 million.

Pretax Income Margin -- Air Group's margin of 10.8% exceeded its 1988 record of 7.7%. Horizon and Alaska Airlines also set records of 5.4% and 12.2%, respectively.

Stock Price -- The average daily closing price of the Company's common stock during 1998 increased 66% over last year's average to $46.01 per share. In April 1998, the stock hit an all-time high of $62.5625.

Average Return on Equity was 19.7%, the best return since 1984. Return on beginning equity was 26.2%, a near repeat of last year's return. To put this into perspective, the Company's equity grew from $272.5 million in 1996 to $475.3 million in 1997 to $789.5 million in 1998.

Earnings per Share increased 36% over 1997 from $3.53 to $4.81 (diluted). This follows 1997's 72% increase.

Debt/Equity Ratio improved from 46:54 at year end 1997 to 18:82 in 1998. If you factor in operating leases, the ratio improved from 79:21 to 67:33.

Cost -- Alaska Airlines' unit costs declined 4% from 1997 levels -- the largest improvement of the major U.S. airlines.

Operating Margin -- Alaska Airlines' operating margin improvement was the best among the major U.S. airlines.

In 1998, the Committee set Mr. Kelly's salary at $500,000 for two years; therefore his salary will not increase in 1999 in spite of the Company's record-breaking performance.

Management Incentive Plan
The MIP award is the portion of the CEO's compensation that most directly relates to the Company's financial performance. Under the plan in effect during 1998, the CEO's award could range from zero to 45% of base salary if the profit target was met, up to a maximum of 90% if profits reached the maximum goal. The profit measurements on which Mr. Kelly's 1998 MIP award was based were identical to those detailed on page 21 for all participants in the MIP. Mr. Kelly's 1998

MIP payment was $443,942.

Stock Options

In 1998, Mr. Kelly was granted a total of 57,300 stock options under the Company's equity plans, based on the criteria outlined earlier for option grants to executive officers in general. The Committee believes that having a significant amount of compensation tied to stock performance further aligns the CEO's interests with those of the Company's stockholders.

OTHER INFORMATION

Tax Law Limits on Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code eliminates the Company's ability to deduct certain compensation over $1 million paid to the named executive officers unless such compensation is based on performance objectives meeting certain criteria or is otherwise excluded from the limitation. The Company intends to qualify a sufficient amount of compensation to its executive officers so that Section 162(m) will not materially affect the Company in an adverse way. Compensation from the exercise of options granted to date under the Company's stock option and equity plans qualifies for the deduction.

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Robert L. Parker, Jr., Chairperson
Mary Jane Fate, Committee Member
R. Marc Langland, Committee Member
Richard A. Wien, Committee Member

PERFORMANCE GRAPH

The following graph shows a five-year comparison of cumulative total returns for the Company's common stock, the Standard & Poor's 500 Index, and the Dow Jones Airlines Group, assuming an initial investment of $100 on December 31, 1993 with all dividends reinvested.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN

[PERFORMANCE GRAPH APPEARS HERE]

DATE	ALASKA AIR GROUP	S&P 500	DOW JONES AIRLINES*
1993	$100.00	$100.00	$100.00
1994	106.19	101.32	69.97
1995	115.04	139.39	105.83
1996	148.67	171.40	121.98
1997	274.34	228.59	193.54
1998	313.27	293.91	170.33

Information presented is as of fiscal years ended December 31.

* The companies included in the Dow Jones Airlines Group are: AMR, Southwest Airlines, UAL, Delta Air Lines, US Airways and Northwest Airlines.

SUMMARY COMPENSATION TABLE

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This table shows compensation information for the Company's Chief Executive Officer and the four other most highly paid executive officers for the last three fiscal years. Bonus figures are based on performance in the year shown but paid in the following year.

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SUMMARY COMPENSATION TABLE

LONG-TERM
COMPENSATION

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION SALARY ($)	BONUS ($)	AWARDS SECURITIES UNDERLYING OPTIONS (#)	ALL OTHER COMPEN-SATION(1) ($)
John F. Kelly	1998	493,269	443,942	57,300	10,760
Chairman & CEO	1997	434,615	391,154	38,900	10,510
(Alaska)	1996	376,923	339,231	206,300(2)	10,473
William S. Ayer	1998	305,769	212,692	24,100	6,787
President	1997	224,804	138,056	17,600	6,012
(Alaska)	1996	170,746	102,448	10,800	29,939
Harry G. Lehr	1998	253,569	152,142	11,300	11,588
Senior Vice President/	1997	236,077	141,646	9,100	11,663
Finance (Alaska)	1996	231,231	138,738	14,600	10,990
George D. Bagley	1998	235,923	165,146	15,800	11,632
President & CEO	1997	217,269	152,088	10,600	11,132
(Horizon)	1996	207,308	145,115	16,400	11,132
John R. Fowler	1998	248,003	148,802	14,300	8,632
Executive Vice President/	1997	213,769	128,262	8,300	8,425
Technical Operations & System Controls (Alaska)	1996	186,231	111,738	11,800	6,694

(1) Represents Company-paid contributions to individual 401(k) plan accounts and imputed income for the value (as determined by the Internal Revenue Service ("IRS")) of a term life insurance benefit provided by the Company. In 1998, 401(k) contributions were: $5,000 each for Messrs. Kelly, Ayer, and Lehr; $10,000 for Mr. Bagley and $4,500 for Mr. Fowler. Imputed income for term life insurance during 1998 was: Mr. Kelly $5,760; Mr. Ayer $1,787; Mr. Lehr $6,588; Mr. Bagley $1,632 and Mr. Fowler $4,132.

(2) Includes a special grant of 150,000 options awarded to Mr. Kelly in 1996.

STOCK OPTIONS GRANTED

This table shows the stock options granted to the named executive officers during the last fiscal year.

OPTIONS GRANTED IN 1998

NAME	INDIVIDUAL GRANTS NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(1) (#)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR (%)	EXERCISE OR BASE PRICE(2) ($/SH)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATE FOR OPTION TERM(3) 5% ($)	10% ($)
John F. Kelly	57,300	17.6	47.125	5/7/2008	1,698,181	4,303,523
William S. Ayer	24,100	7.4	47.125	5/7/2008	714,243	1,810,033
Harry G. Lehr	11,300	3.4	47.125	5/7/2008	334,894	848,688
George D. Bagley	15,800	4.8	47.125	5/7/2008	468,259	1,186,661
John R. Fowler	14,300	4.4	47.125	5/7/2008	423,804	1,074,003

(1) These options were granted under the 1996 Long-Term Incentive Equity Plan. They are:
- generally were granted as incentive stock options, subject to limitations imposed by tax law,
- were granted at an exercise price equal to 100% of the fair market value of the common stock on the date of grant,
- expire ten years from the date of grant, unless canceled earlier as a result of termination of employment,
- vest in 25% increments on each anniversary date of the grant, subject to

the terms and conditions of the 1996 Long-Term Incentive Equity Plan, and
- provide for accelerated vesting under certain circumstances, as described under "Change-in-Control Arrangements" on page 31.

(2) Options were granted at the closing price on May 7, 1998, as reported on the New York Stock Exchange.

(3) We are required by the Securities and Exchange Commission to use a 5% and 10% assumed rate of appreciation over the ten-year option term. This does not represent the Company's estimate or projection of the future common stock price. If the Company's common stock does not appreciate, these executives will receive no benefit from the options.

STOCK OPTIONS EXERCISED

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This table shows stock option exercises and the value of unexercised stock options held by the named executive officers during the last fiscal year.

AGGREGATED OPTION EXERCISES IN 1998
AND FISCAL YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED(1) ($)	NUMBER OF UNEXERCISED OPTIONS/SARS AT FISCAL YEAR END (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FISCAL YEAR END(2) ($)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
John F. Kelly	37,150	1,038,550	66,325	199,075	1,310,947	2,695,009
William S. Ayer	4,500	159,155	25,125	46,575	596,675	353,400
Harry G. Lehr	11,825	348,874	5,750	31,850	119,947	413,259
George D. Bagley	4,825	155,836	11,950	37,150	267,303	408,278
John R. Fowler	16,875	507,852	7,425	31,575	156,691	339,153

(1) These values are calculated by:
- subtracting the option exercise price from the market price on the date of exercise, and
- multiplying that by the number of options exercised.

(2) These values are calculated by:
- subtracting the option exercise price from the Company's December 31, 1998 closing price ($44.25 per share, as reported on the New York Stock Exchange), and
- multiplying that by the number of exercisable and unexercisable options.

There is no assurance that the indicated values of any unexercised options will actually be realized.

RETIREMENT BENEFITS

SALARIED RETIREMENT PLAN

The Company maintains a tax-qualified, defined benefit retirement plan for all salaried Alaska Airlines employees. Benefits payable under the Alaska Airlines Salaried Retirement Plan ("Salaried Retirement Plan") are based on years of credited service and final average earnings for the five highest complete and consecutive calendar years of an employee's last ten years of service. The annual retirement benefit at age 62 (normal retirement age under the Salaried Retirement Plan) is equal to 2% of the employee's final average earnings times years of credited service. Annual benefits are computed on a straight life annuity basis at normal retirement age. Benefits under the Salaried Retirement Plan are not subject to offset for Social Security Benefits.

The following table shows estimated Salaried Retirement Plan annual benefits payable to an employee, assuming retirement on January 1, 1999, at age 62, with various combinations of final average earnings and years of credited service. These estimates represent the straight life annuity benefit for an individual who retires at normal retirement age.

FINAL AVERAGE EARNINGS	ANNUAL BENEFITS BASED ON YEARS OF CREDITED SERVICE* 15	20	25	30	35
$175,000	$ 52,500	$ 70,000	$ 87,500	$105,000	$122,500
$225,000	67,500	90,000	112,500	135,000	157,500
$300,000	90,000	120,000	150,000	180,000	210,000
$350,000	105,000	140,000	175,000	210,000	245,000
$400,000	120,000	160,000	200,000	240,000	280,000
$450,000	135,000	180,000	225,000	270,000	315,000
$500,000	150,000	200,000	250,000	300,000	350,000

* IRS regulations limit the annual benefits that may be paid from a tax-qualified retirement plan. The current limit is $130,000. In addition, IRS regulations limit the covered compensation on which annual retirement benefits are based to $160,000 in 1999. To the extent that the amounts shown in the table above exceed that IRS limitation, the excess is paid from the Supplementary Plan.

RETIREMENT BENEFITS

All of the participants' base salaries, as shown in the Summary Compensation Table, excluding bonuses, are covered under the Salaried Retirement Plan and the Officers Supplementary Retirement Plan. The named executive officers have the following years of credited service and final average compensation as of December 31, 1998:

NAMED EXECUTIVE	YEARS OF CREDITED SERVICE	FINAL AVERAGE COMPENSATION
John F. Kelly	21.3(2)	$365,073
William S. Ayer	3.3	$225,050
Harry G. Lehr	11.1	$220,952
George D. Bagley(1)	5.1(2)	$196,993
John R. Fowler	6.2	$199,631

(1) When Mr. Bagley transferred from Alaska Airlines to Horizon Air in October 1995, he was 100% vested under the Salaried Retirement Plan. Horizon Air does not have a similar plan, but will supplement his benefits to ensure that his retirement benefit will be equivalent to what he would have received had he continued with Alaska Airlines.

(2) Reflects combined service at Alaska Airlines and Horizon Air since becoming eligible for the Salaried Retirement Plan.

Officers Supplementary Retirement Plan

In addition to the benefits described above, under the Officers Supplementary Retirement Plan ("Supplementary Plan"), elected officers of Air Group and Alaska Airlines and Horizon Air's Chief Executive Officer can receive retirement benefits, provided they have met service requirements. The Supplementary Plan is a nonqualified, unfunded, noncontributory defined benefit plan. Normal retirement benefits are payable once the officer reaches age 60 and has ten years of service as an elected officer. Annual benefits are calculated on a straight life annuity basis. Under the version of the Supplementary Plan applicable to officers elected prior to August 8, 1995, benefits can be up to 50% of a participant's final average earnings, offset by Social Security benefits. Under the version of the Supplementary Plan applicable to officers elected on or after August 8, 1995, benefits can range from 50% to 75% of a participant's final average earnings, offset by benefits from Company-sponsored qualified retirement plans and by Social Security benefits. Benefits under all versions of the Supplementary Plan are subject to vesting schedules that are dependent on the officer's length of service.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

PRINCIPAL STOCKHOLDERS

This table shows how much Company common stock is owned by directors, the individuals named in the Summary Compensation Table on page 26, all executive officers as a group, and owners of more than 5% of the Company's outstanding common stock. Holdings are as of March 19, 1999, except for 401(k) plan shares, which are as of December 31, 1998.

AMOUNT AND NATURE OF SHARES BENEFICIALLY OWNED

NAME	NUMBER OF SHARES OWNED(1)	PERCENT OF OUTSTANDING SHARES
The Equitable Group(2)	2,707,800	10.3%
William S. Ayer	34,324	*
George D. Bagley	8,155	*
Ronald F. Cosgrave	7,272	*
Mary Jane Fate(3)	387	*
John R. Fowler	17,543	*
John F. Kelly	58,845	*
Bruce R. Kennedy	13,557	*
R. Marc Langland	1,472	*
Harry G. Lehr	4,061	*
Byron I. Mallott	708	*
Robert L. Parker Jr.	809	*
John V. Rindlaub	3,597	*
Patricia Q. Stonesifer	1,578	*
Richard A. Wien	1,814	*
Directors and Executive Officers as a group (27 persons)(4)	235,605	.89%

* Less than 1%.

(1) Includes shares that the named person:
- may vote or invest alone,
- shares voting and investment power with his or her spouse, or
- holds in one of the Company's 401(k) plans,
- may acquire through stock option exercises through June 1, 1999.

(2) Number of shares owned is based on information contained in a report on Schedule 13-G filed by The Equitable Group with the Securities and Exchange Commission on or about February 15, 1999. The address of The Equitable Group is 1290 Avenue of the Americas, New York, NY 10104.

(3) Does not include 1,546 shares registered in the name of her husband. Mrs. Fate disclaims beneficial ownership of those shares.

(4) Includes 1,800 shares subject to a vesting schedule, forfeiture risk and other restrictions.

Change-in-Control Arrangements

The Boards of Directors of Alaska Air Group and Alaska Airlines have adopted resolutions providing severance pay to all executive officers and certain other key employees in the event they are terminated within 24 months after a change in control of the Company. The formula provides for payments equaling from 12 to 24 months' salary, depending on length of service and the time elapsed between a takeover and termination. Because of these and other variables to be determined at the time of distribution, the value of this benefit cannot be determined at this time.

Some Company benefit plans provide for accelerated vesting in the case of a change in control. Under the Supplementary Plan applicable to officers elected prior to August 8, 1995, after a change in control, benefits become vested at the rate of 10% per year of a participant's service as an elected officer. Under the Supplementary Plan applicable to officers elected on or after August 8, 1995, benefits become fully vested upon a change in control. The benefit after a change in control is equal to 10% of final average earnings for each year of service as an elected officer up to and including the fifth year. For officers having five or more years of service as an elected officer, the benefit amount ranges from 50% to 75% of final average earnings, depending on length of service. Under all versions, the benefit remains subject to applicable offsets.

The Supplementary Plan provides that, after a change in control, benefits will not be forfeited if an individual is terminated (other than for dishonesty or criminal acts) or is later employed by a competitor. The value of this provision to the named executives cannot be determined at this time as the amount depends on a number of variables to be determined at the time of any change in control.

Upon a change in control of the Company, outstanding options under the Company's equity plans become fully exercisable unless the Board of Directors determines otherwise.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

PART IV

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this amendment on Form 10-K/A to its Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

ALASKA AIR GROUP, INC.

By: /s/ John F. Kelly   Date: June 1, 1999
John F. Kelly,
Chairman, Chief Executive Officer and President