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

(Mark One)
(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended December 31, 1993

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
7-3/4%Convertible Subordinated Debentures Due 2010	Unlisted
6-7/8%Convertible Subordinated Debentures Due 2014	New York Stock Exchange
7-1/4%Convertible Subordinated Notes Due 2006	New York Stock Exchange
10.21%Series B Cumulative Redeemable Preferred Stock Due 1997	Unlisted

As of December 31, 1993, common shares outstanding totaled 13,341,621. The aggregate market value of the common shares of Alaska Air Group, Inc. held by nonaffiliates, 13,228,830 shares, was approximately $187 million (based on the closing price of these shares, $14.125, 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

Title of Document   Part Hereof Into Which Document to be Incorporated

Definitive Proxy Statement
Relating 1994 Annual Meeting

of Shareholders Part III

Exhibit Index begins on page 40.

PART I

ITEM 1. BUSINESS

General

Alaska Air Group, Inc. (Air Group or the Company) is a holding company incorporated in Delaware in 1985. Its two principal subsidiaries are Alaska Airlines, Inc. (Alaska) and Horizon Air Industries, Inc. (Horizon). Both subsidiaries operate as airlines. However, each subsidiary's business plan, competition and economic risks differ substantially due to the passenger capacity and range of aircraft operated. Alaska is a national airline, operates an all jet fleet, and its average passenger trip is 860 miles. Horizon is a regional airline, primarily operates a turboprop fleet, and its average passenger trip is 200 miles. Business segment information is reported in Note 10 of the Notes to Consolidated Financial Statements. The Company's executive offices are located at 19300 Pacific Highway South, Seattle, Washington 98188.

The business of the Company is somewhat seasonal. Quarterly operating income tends to peak during the third quarter.

Alaska

Alaska Airlines is an Alaska corporation, organized in 1937. Alaska serves 37 airports in six states (Alaska, Washington, Oregon, California, Nevada and Arizona), five cities in Mexico and three cities in Russia. Over half of the U.S. airports served by Alaska are located in the state of Alaska. In each year since 1973, Alaska has carried more passengers between Alaska and the U.S. mainland than any other airline. Alaska Airlines also serves almost 60 small communities in Alaska through subcontracts with five local carriers.

In 1993, Alaska carried 6.4 million passengers. Passenger traffic within Alaska and between Alaska and the U.S. mainland accounted for 29% of Alaska's total revenue passenger miles, while West Coast traffic accounted for 59% and the Mexico markets 12%. Based on passenger enplanements, Alaska's leading airports are Seattle, Portland, Anchorage and Los Angeles. Based on revenues, its leading nonstop routes were Seattle-Anchorage, Seattle-Los Angeles and Seattle-San Francisco.

Alaska's operating fleet at December 31, 1993 consisted of 66 jet aircraft.

Horizon

Horizon, a Washington corporation, began service in 1981 and was acquired by Air Group in 1986. It is the largest regional airline in the Pacific Northwest, and serves 33 airports in six states (Washington, Oregon, Montana, Idaho, Utah and California) and two cities in Canada. In 1993, Horizon carried 2.8 million passengers. Based on passenger enplanements, Horizon's leading airports are Seattle, Portland, Spokane and Boise. Based on revenues, its leading nonstop routes were Seattle-Portland, Seattle-Spokane, Seattle-Boise, Seattle-Vancouver, B.C. and Portland-Boise. At December 31, 1993, Horizon's operating fleet consisted of five jet and 51 turboprop aircraft.

Horizon flights are listed under the Alaska Airlines designator code in airline computer reservation systems. Certain Horizon flights are dual-designated in these reservation systems as Northwest Airlines and Alaska Airlines. Currently, 31% of Horizon's passengers connect to either Alaska or Northwest.

Airline Regulation

United States Department of Transportation (DOT) - The DOT has the authority to regulate certain airline economic functions including financial and statistical reporting, consumer protection, computerized reservations systems and essential air transportation. The DOT is also charged with determining which U.S. carriers will receive the authority to provide service to international destinations. International operating authority is subject to bilateral agreements between the United States and the respective countries. The countries establish the number of carriers to provide service, approve the carriers which are selected to provide such service and the size of aircraft to be used. The DOT reviews the carriers authorized under bilateral agreements every five years. Horizon's authority to operate the Seattle-Vancouver route, the Seattle-Victoria route and the Portland-Vancouver route is to be reviewed in August 1997, May 1994 and January 1995, respectively. Alaska's authority to serve its various Mexico destinations are to be reviewed during 1994, 1995 and 1996. The bilateral agreement with Russia will be reviewed in April 1995. The Company expects to be granted authority to continue to operate its international routes.

Federal Aviation Administration (FAA) - The FAA, an agency within the DOT, has jurisdiction to regulate aviation safety generally, including: the licensing of pilots and maintenance personnel; the establishment of minimum standards for training and maintenance; and technical standards of flight, communications and ground equipment. All aircraft must have and maintain certificates of airworthiness issued by the FAA. Alaska and Horizon aircraft, maintenance facilities and procedures are subject to inspection by the FAA. The FAA has the authority to suspend temporarily or revoke permanently the authority of an air carrier or its licensed personnel for failure to comply with Federal Aviation Regulations and to levy civil penalties for such failure.

Labor Relations - The air transportation industry is regulated under the Railway Labor Act, which vests in the National Mediation Board certain regulatory powers with respect to disputes between airlines and labor unions arising under collective bargaining agreements.

Environmental - Special noise ordinances or agreements restrict the type of aircraft, the timing and the number of flights operated by Alaska and other air carriers at five Los Angeles area airports plus San Diego, Palm Springs, San Francisco, and Seattle.

In late 1990, Congress passed the Airport Noise and Capacity Act of 1990 (Act). The Act addressed the need to establish a national aviation noise policy and limit the ability of airports and local communities to implement procedures that would interfere with interstate commerce or the national air transportation system. The Act also called for the phase out of Stage II airplanes (generally older aircraft not meeting certain noise emission standards) in the contiguous 48 states by December 31, 1999. The Stage II phase-out provisions of the Act do not apply to aircraft operated solely within the state of Alaska. To implement the phase out within the contiguous 48 states, the FAA has proposed regulations and a timetable. Alaska believes that its current fleet plan will enable it to comply with the FAA's proposed regulations.

Competition

Competition within the air transportation industry is intense. Currently, any domestic air carrier deemed fit by the U.S. Department of Transportation (DOT) is allowed to operate scheduled passenger service in the United States. Together, Alaska and Horizon carry less than 2% of all U.S. passenger traffic.

Alaska and Horizon compete in the West Coast and Arizona markets with both established carriers (such as United, United Express, Delta, American, MarkAir, and America West) and new low-cost carriers (such as Morris Air and Reno Air). In December 1993, Southwest Airlines purchased Morris Air. Alaska also competes primarily with United, Northwest, Delta and MarkAir in the Lower 48-to-Alaska market. Some of these competitors are substantially larger than Alaska and Horizon, have greater financial resources and have more extensive route systems. Due to its shorthaul markets, Horizon is subject to competition from surface transportation, particularly the private automobile.

Alaska and Horizon provide numerous departures from smaller cities to larger "hub" cities and, where possible, connecting flights to a passenger's final West Coast destination. Both airlines distinguish themselves from competitors by providing a higher level of customer service. The airlines' excellent service in the form of attention to customer needs, high-quality food and beverage service, more legroom, well-maintained aircraft and other amenities has been recognized by independent studies and surveys of air travelers. Alaska and Horizon maintain competitive fares, offering discount or promotional fares to the extent necessary to maintain market share.

Most large U.S. carriers have developed, independently or in partnership with others, large computerized reservation systems (CRS). Since the deregulation of fares and schedules, travel agents have contracted to use these systems in selling tickets. Airlines, including Alaska and Horizon, are charged industry-set fees to have their flight schedules included in the various CRS displays. These systems have become the predominant means of distributing airline tickets. Due to their competitive importance, DOT rules require the vendors of such systems to provide unbiased displays of all airline schedules and fares. In 1992, the DOT adopted new rules in this area to reduce anti-competitive practices.

Frequent Flyer Program

All major airlines have established frequent flyer programs offering incentives to maximize travel on that particular carrier. Alaska has a Mileage Plan (MP) that allows customers to earn mileage credits while flying on Alaska, Horizon and other participating airlines, and by using the services of participating banks, hotels and car rental firms. Alaska reserves the right to change the MP terms, conditions, partners, mileage credits and/or award levels.

Mileage credits can be redeemed for free or discounted travel and for other travel industry awards. Upon accumulating the necessary mileage credit, MP members notify Alaska of their award selection. Once selected, modifications to such awards are limited. Over 90% of the flight awards selected are subject to blackout dates and capacity-controlled seating. Currently, credits earned must be redeemed within three years, otherwise they expire.

As of the year end 1993 and 1992, Alaska estimates that 698,000 and 585,000 roundtrip flight awards could have been redeemed by MP members who have mileage credits exceeding the 15,000 mile free ticket threshold. However, at December 31, 1993, fewer than 14% of these flight awards were actually issued and outstanding.

Alaska accrues the incremental cost associated with flight awards above the 15,000 mile level. In addition, a proportion of the incremental cost of a flight award is accrued for 21% of the accumulated mileage credits of MP members whose account balances are less than 15,000 miles. The resulting accrued liability covers 65% of the total accumulated mileage credit. At December 31, 1993 and 1992, the accrued liability was $5.9 million and $8.4 million, respectively.

The incremental cost to transport a passenger on a free trip includes the cost of fuel, meals, and insurance. The incremental cost does not include any contribution to overhead, aircraft cost or profit.

The number of roundtrip flight awards used on Alaska were 188,000, 174,000 and 119,000 for the years 1993, 1992 and 1991, respectively. These awards represent approximately 5% of the total passenger miles flown for each period. Given this low usage, seat availability and seat restrictions on popular flights, Alaska believes that displacement of revenue passengers by those using flight awards is minimal.

Selected Quarterly Consolidated Financial Information (Unaudited)

Selected financial data for each quarter of 1993 and 1992 is as follows (in thousands, except per share):

	1st Quarter 1993	1st Quarter 1992	2nd Quarter 1993	2nd Quarter 1992	3rd Quarter 1993	3rd Quarter 1992	4th Quarter 1993	4th Quarter 1992
Operating revenues	$250,242	$258,208	$277,483	$277,145	$323,386	$321,087	$277,218	$258,938
Operating income (loss)	(16,846)	(20,113)	2,082	(19,051)	20,687	3,793	(22,696)	(59,470)
Income (loss) before accounting change	(15,033)	(15,682)	(3,589)	(17,774)	8,028	(2,215)	(20,324)	(44,599)
Accounting change	-	(4,567)	-	-	-	-	-	-
Net income (loss)	(15,033)	(20,249)	(3,589)	(17,774)	8,028	(2,215)	(20,324)	(44,599)
Primary earnings (loss) per share:								
Income (loss) before accounting change	(1.25)	(1.31)	(.33)	(1.46)	.60	(.29)	(1.52)	(3.47)
Accounting change	-	(.34)	-	-	-	-	-	-
Net income (loss)	(1.25)	(1.65)	(.33)	(1.46)	.60	(.29)	(1.52)	(3.47)
Fully diluted earnings per share	*	*	*	*	.47	*	*	*

* Anti-dilutive

The amounts shown for the first quarter 1992 differ from that previously reported due to the January 1, 1992 adoption of Financial Accounting Standards No. 106, "Accounting for Postretirement Benefits Other than Pensions." The cumulative effect of the change in accounting is reported in the first quarter of 1992. The effect of the accounting change on subsequent quarters of 1992 is immaterial.

The total of the amounts shown as quarterly earnings per share may differ from the amount shown on the Consolidated Statement of Income because the annual computation is made separately and is based upon average number of shares and equivalent shares outstanding for the year. (See Note 1 of the Notes to Consolidated Financial Statements.)

A discussion of the fourth quarter 1993 results is included in Management's Discussion and Analysis of Results of Operations and Financial Condition.

Employees

Alaska had 6,243 active full-time and part-time employees at December 31, 1993, of which approximately 85% are represented by labor unions.

The unions and the number of Alaska employees represented by each as of December 31, 1993 and the amendable dates of existing contracts are outlined below:

Union	Employee Group	Number of Employees	Contract Status
International Association of	Mechanic, Rampservice and	1,493	Amendable 9/1/97

Machinists and Aerospace Workers	related classifications		
	Clerical, Office and Passenger Service	1,843	Amendable 9/30/92 (In negotiation)
Air Line Pilots Association International	Pilots	888	Amendable 12/1/97
Association of Flight Attendants	Flight Attendants	1,011	Amendable 10/1/90 (In negotiation)
Mexico Workers Association of Air Transport	Mexico Airport Personnel	66	Amendable 4/1/94
Transport Workers	Dispatchers	16	Amendable 4/24/96

Horizon had 2,490 active full-time and part-time employees at December 31, 1993, of which approximately 20% are represented by labor unions.

The unions and the number of Horizon employees represented by each as of December 31, 1993 and the amendable dates of existing contracts are outlined below:

Union	Employee Group	Number of Employees	Contract Status
Transport Workers Union of America	Mechanics and related classifications	234	Amendable 1/1/95
	Dispatchers	26	In negotiation
Association of Flight Attendants	Flight Attendants	189	Amendable 4/20/94
Canadian Brotherhood of Railway, Transport and General Workers	Station personnel in British Columbia	58	Amendable 7/10/95

The Company's labor contracts currently in negotiation are not expected, when finalized, to have a material adverse impact on results of operations.

ITEM 2. PROPERTIES

Aircraft

The following table describes the aircraft operated and their average age at December 31, 1993.

Aircraft Type	Passenger Capacity	Owned	Leased	Total	Average Age in Years
Alaska Airlines					
Boeing 727-100	12/92	1	-	1	27
Boeing 727-200	12/131	-	4	4	14
Boeing 737-200C	0/111	3	4	7	14
Boeing 737-400	10/126	2	14	16	1
McDonnell Douglas MD-80	10/128	12	26	38	6
		18	48	66	6

Horizon					
Fairchild Metroliner III	18	5	23	28	8
de Havilland Dash 8	37	-	23	23	5
Fokker F-28	65	-	5	5	22
		5	51	56	8
Total		23	99	122	

Part II, Item 7., "Management's Discussion and Analysis of Results of Operations and Financial Condition," discusses future orders and options for additional aircraft.

Twelve of the 18 aircraft owned by Alaska as of December 31, 1993 are subject to liens securing long-term debt. Alaska's leased Boeing 727-200s will all be retired by May 1994. The leased McDonnell Douglas MD-80 aircraft have expiration dates of 1994 to 2013. The B737-400 leases expire in 2000-2001. In late 1993, Horizon took delivery of two Dornier 328 aircraft, which will be placed in service in early 1994. Horizon's leased Fairchild Metroliner III, de Havilland Dash 8, Fokker F-28 and Dornier 328 aircraft have base-term expiration dates of 1994 to 2001, 1995 to 2006, 1996 to 1997, and 2008, respectively. Alaska and Horizon have the option to extend most of the leases for additional periods, or the right to purchase the aircraft at the end of the lease term, usually at the then fair market value of the aircraft. The Company has the right to terminate each of the B737-400 leases on the third anniversary of an aircraft's delivery date for an average fee of $260,000. For information regarding obligations under capital leases and long-term operating leases, see Note 5 to the Consolidated Financial Statements.

Ground Facilities and Services

Alaska and Horizon lease ticket counters, gates, cargo and baggage, office space and other support areas at the majority of the airports they serve. Alaska also owns terminal buildings at various Alaska cities and Horizon owns its terminal at the Portland International Airport.

Alaska has centralized operations in several buildings located at or near Seattle-Tacoma International Airport (Sea-Tac) in Seattle, Washington. The owned buildings, including land unless located on leased airport property, include: a three-bay hangar facility with maintenance shops; a flight operations and training center; an air cargo facility; a reservation and office facility; a four-story office building; its corporate headquarters; and two storage warehouses. Alaska also leases a two-bay hangar/office facility at Sea-Tac.

Alaska's other major facilities include: its Anchorage regional headquarters building and Phoenix reservations center; a leased two-bay maintenance facility in Oakland; and a leased hangar/office facility in Anchorage.

Horizon owns its Seattle corporate headquarters building and leases a maintenance facility at the Portland airport.

ITEM 3. LEGAL PROCEEDINGS

In October 1991, Alaska gave notice of termination of its code sharing and frequent flyer relationship with MarkAir, an airline based in the state of Alaska. Both companies have filed suit against one another in connection with that termination alleging breach of contract and other causes of action under state law. In addition, MarkAir claimed that the termination was in violation of Federal Antitrust Laws. MarkAir filed for protection under Chapter 11 of the U.S. Bankruptcy Code in June 1992. In December 1993, MarkAir agreed to dismiss all antitrust claims against the Company.

That agreement is awaiting final approval by the U.S. District Court which has jurisdiction over the case. MarkAir and Alaska will be free to pursue the breach of contract and other state law claims after dismissal of the antitrust suit.

In December 1992, the U.S. Department of Justice filed suit against most major domestic airlines, including the Company, alleging that they have violated the antitrust laws by conspiring to fix prices for domestic airline tickets in violation of Section 1 of the Sherman Act. Two airlines have entered into consent decrees with the U.S. Department of Justice.

The Company believes the ultimate resolution of the above legal proceedings will not result in a material adverse impact on the financial position of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of Alaska Air Group, Inc., their positions and their respective ages (as of March 1, 1994) are as follows:

Name	Position	Age	Officer Continuously Since
Raymond J. Vecci	Chairman, President and Chief Executive Officer of Alaska Air Group, Inc. and Alaska Airlines, Inc.	51	1979
Marjorie E. Laws	Vice President/Corporate Affairs and Corporate Secretary of Alaska Air Group, Inc. and Alaska Airlines, Inc.	53	1983
J. Ray Vingo	Vice President/Finance & Chief Financial Officer of Alaska Air Group, Inc. and Alaska Airlines, Inc.; Treasurer of Alaska Air Group, Inc.	55	1983
Steven G. Hamilton	Vice President/Legal and General Counsel of Alaska Air Group, Inc. and Alaska Airlines, Inc.	54	1988

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

As of December 31, 1993, there were 13,341,621 shares of common stock issued and outstanding and 6,524 shareholders of record. The Company also held 3,153,589 treasury shares at a cost of $71.8 million. Cash dividends totaling $.15 per share were declared in 1992. In December 1992, the Company suspended the quarterly dividend on the common stock due to the 1992 net loss and the difficult economic environment. Air Group's common stock is listed on the New York Stock Exchange (symbol: ALK).

The following table shows the trading range of Alaska Air Group common stock on the New York Stock Exchange for 1993 and 1992.

	1993 High	1993 Low	1992 High	1992 Low
First Quarter	18	15-5/8	23-7/8	18-1/4
Second Quarter	17-7/8	14-1/4	22	17-1/8
Third Quarter	15	12-1/4	19-1/2	17-1/4
Fourth Quarter	17-3/8	12-1/2	17-5/8	14-3/4

ITEM 6. SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

Year Ended December 31	1993	1992	1991	1990	1989
FINANCIAL DATA (a) (In Thousands, Except Per Share)					
Operating Revenues					
Passenger	$1,001,975	$1,000,618	$999,859	$953,247	$833,847
Freight, mail and other	126,354	114,760	104,172	93,718	82,690
Total Operating Revenues	1,128,329	1,115,378	1,104,031	1,046,965	916,537
Operating Expenses	1,145,102	1,210,219	1,069,405	1,018,546	846,576
Operating Income (Loss)	(16,773)	(94,841)	34,626	28,419	69,961
Interest expense, net of interest capitalized	(37,178)	(37,121)	(31,879)	(11,242)	(15,664)
Interest income	7,088	7,374	11,698	7,312	12,661
Other - net	1,051	(1,118)	1,762	3,429	2,409
Income (loss) before income tax expense and accounting change	$(45,812)	$(125,706)	$16,207	$27,918	$69,367
Income (loss) before accounting change	$(30,918)	$(80,270)	$10,338	$17,167	$42,935
Net Income (Loss)	$(30,918)	$(84,837)	$10,338	$17,167	$42,935
Per Common Share Data:					
Average shares outstanding- primary (000)	13,340	13,309	13,413	13,675	15,851
Primary earnings per share before accounting change	$(2.51)	$(6.53)	$.27	$.82	$2.71
Primary earnings per share(a)	$(2.51)	$(6.87)	$.27	$.82	$2.71
Fully diluted earnings per share(a)	(b)	(b)	(b)	(b)	$2.51
Cash dividends per share	-	$.15	$.20	$.20	$.20
Book value per share	$12.51	$14.76	$21.50	$21.23	$22.08
Working capital (deficit)	$(61,317)	$(85,233)	$(10,868)	$(128,265)	$9,468
Property and equipment,net	$690,606	$790,910	$819,787	$700,378	$536,503
Total assets	$1,134,954	$1,208,358	$1,225,455	$1,021,404	$874,075
Long-term debt and capital lease obligations	$525,418	$487,847	$499,971	$281,759	$227,044
Redeemable preferred stock	-	$61,235	$60,947	$60,665	-
Shareholders' equity	$166,833	$196,724	$284,447	$279,833	$341,872
Return on average shareholders' equity(c)	(18.4%)	(38.0%)	1.3%	3.6%	13.2%
Ratio of earnings to fixed charges(d)	.51	(.37)	.97	1.13	2.30
AIRLINE OPERATING DATA					
Revenue passengers (000)	9,189	8,629	7,889	7,274	6,604
Revenue passenger miles (000,000)	6,074	6,023	5,353	4,851	4,376
Avialable seat miles (000,000)	10,412	10,522	9,575	9,099	7,926
Revenue passenger load factor	58.3%	57.2%	55.9%	53.3%	55.2%
Breakeven passenger load factor	60.3%	63.7%	55.1%	51.8%	50.5%
Yield per passenger mile (cents)	16.5	16.6	18.7	19.6	19.1
Operating expenses per available seat mile (cents)	11.0	11.5	11.2	11.2	10.7
Average number of employees(e)	8,458	8,666	8,081	7,653	6,661

(a) For 1992, primary earnings per share includes ($.34) for the $4.6

million cumulative effect of the postretirement benefits accounting change as of January 1, 1992.
(b) Anti-dilutive.
(c) For the 1990-1993 calculations, net income (loss) was reduced for preferred stock dividends and shareholders' equity excluded redeemable preferred stock.
(d) For 1993, 1992 and 1991, earnings are inadequate to cover fixed charges by $50 million, $142.1 million and $2.4 million, respectively.
(e) Full-time equivalents.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Industry Conditions

The Company's operating results improved in 1993, yet the Company continued to post a net loss. The Company and the entire airline industry have been negatively impacted by a weak economy, over capacity of aircraft, continued operation of bankrupt carriers and low-cost, new entrants.

These factors were particularly evident on the West Coast due to the economic recession in California and the growth of new entrant carriers. The result has been a significant decrease in air fares.

The Company has responded to the changing industry environment by cutting costs, retiring older aircraft, and reducing capital spending. In 1993, the Company implemented a comprehensive cost-reduction program, which resulted in more than $80 million of annual cost savings.

Results of Operations

FOURTH QUARTER 1993 AND 1992 The consolidated net loss for the fourth quarter 1993 was $20.3 million, or $1.52 per share, compared to a loss of $44.6 million, or $3.47 per share, for fourth quarter 1992. Results for 1993 and 1992 include after-tax special charges of $9.8 million and $16.6 million, respectively. Before these charges, the fourth quarter 1993 net loss was $10.5 million, or $.79 per share, compared to a loss of $28.0 million, or $2.23 per share, for the fourth quarter 1992. The special charges are to recognize the lower value of the Boeing 727 fleet and the acceleration of its retirement.

Fourth quarter 1993 operating revenues were $277.2 million, up 7% from the $258.9 million reported for the prior-year quarter. Passenger traffic was up 28%, but passenger yield (revenue per passenger mile) was down 17% from 17.9 cents in 1992 to 14.8 cents in 1993.

Fourth quarter 1993 operating expenses decreased 6% (3% excluding the special charges) to $299.9 million from $318.4 million for fourth quarter 1992.

Wages and benefits decreased $2.9 million (3%) due to a 4% decrease in employees offset by higher average wage rates. Maintenance expense decreased $6.7 million due to the replacement of old aircraft during the past year. Aircraft rent and depreciation expense increased $6.3 million (13%) with the addition of six new aircraft to the fleet over the past year. Excluding special charges, all other expenses decreased $4.3 million (3%). Increased flying combined with cost savings caused operating cost per available seat mile to decline from 12.2 cents to 10.6 cents, or 13% (excluding the special charges).

Fourth quarter 1993 nonoperating net expense decreased $2.3 million primarily due to lower interest rates on debt.

1993 COMPARED WITH 1992 The consolidated net loss for 1993 was $30.9 million, or $2.51 per share, compared with $84.8 million net loss, or $6.87 per share, for 1992. The results include an after-tax charge of $9.8 million in 1993 and $16.6 million in 1992 to recognize the lower value of the Boeing 727 fleet and the acceleration of its retirement. In addition, 1992 includes a $4.6 million charge related to a change in accounting for postretirement benefits. Without such charges, the 1993 net loss would have been $21.1 million, or $1.77 per share, compared with $63.6 million net loss, or $5.28 per share, for 1992.

The operating loss for 1993 was $16.8 million compared to an operating loss of $94.8 million for 1992. The improved operating results reflect lower operating expenses.

Operating revenues increased 1% in 1993 to $1.128 billion. Passenger revenues, which accounted for 89% of total operating revenues, increased slightly to $1.002 billion, while freight and mail revenues increased 9% to $84.0 million, and other revenues increased by 13% to $42.3 million.

Passenger revenues were negatively impacted in 1993 by aggressive fare discounting. Passenger yields were up 11% during the first half of 1993 but dropped significantly during the last half of 1993. For all of 1993, yields declined .1 cent from 16.6 cents in 1992 to 16.5 cents in 1993. A 1 cent change in yields affects annual revenues by approximately $60 million. Passenger traffic was down 12% during the first half of 1993 but lower fares stimulated traffic during the last half of 1993. For all of 1993, passenger traffic increased 1%.

Freight and mail revenues increased $6.7 million (9%) in 1993 due to increased freight and mail rates and increased service in Alaska. Other-net revenues were up $4.9 million (13%) in 1993 due to increased revenues from Alaska's frequent flyer program.

Operating Expenses Operating expenses decreased 5% to $1.145 billion from $1.210 billion in 1992. The $65 million reduction in expenses was primarily due to a cost reduction program initiated during the first quarter 1993. Operating expenses per ASM declined 4%, from 11.5 cents to 11.0 cents. The table below shows the major operating expense elements on a unit-cost basis for 1993 and 1992:

	Operating Expenses Per ASM (In Cents)			
	1993	1992	Increase (Decrease)	% Change
Wages and benefits	3.53	3.51	.02	1
Aircraft fuel	1.37	1.55	(.18)	(12)
Aircraft maintenance	.65	.83	(.18)	(22)
Aircraft rent	1.49	1.18	.31	26
Commissions	.77	.82	(.05)	(6)
Depreciation & amortization	.56	.54	.02	4
Special charges	.14	.25	(.11)	NM
Other	2.49	2.83	(.34)	(12)
Total	11.00	11.51	(.51)	(4)

Fuel expense per ASM decreased 12% due to the use of more fuel efficient aircraft and a 3% decrease in the cost of fuel. The average cost per gallon during 1993 was 67.6 cents, down from 69.6 cents in 1992. Currently, a 1 cent change in fuel prices affects annual fuel costs by approximately $2.1 million.

Maintenance expense per ASM declined 22% due to the replacement of old aircraft with new aircraft. With an average age of six years at year-end 1993, Alaska's fleet is the youngest among all U.S. jet airlines.

Aircraft rent and depreciation expense increased 18% in 1993 primarily due to the addition of new aircraft.

As of December 31, 1993, essentially all of Alaska's Boeing 727-200 aircraft had been retired. The last two will be retired in May 1994. This is an acceleration of the retirement schedule announced previously. This action resulted in a pretax special charge of $15 million in 1993 to recognize the lower value of the Boeing 727-200 fleet. It includes a provision for future excess lease costs and the write-down of capitalized overhauls and spare parts to net realizable value. 1992 results include a similar charge of $26 million, which resulted from the Company's decision to accelerate the retirement of the Boeing 727-200 from 1996 to the end of 1994.

Other expense per ASM decreased 12% due to lower expenditures for food, advertising, promotion, supplies and personnel expenses.

Other Income (Expense) Nonoperating expense was $29.0 million in 1993, down from $30.9 million in 1992. Interest expense was $5.6 million lower in 1993 due to lower interest rates. There was only $446,000 interest capitalized in 1993, compared to $6.1 million in 1992. Because of the two-year delay in expected delivery of the MD-90 aircraft, interest capitalization on the associated aircraft purchase deposits was discontinued in the fourth quarter 1992.

1992 COMPARED WITH 1991 Consolidated net loss for 1992 was $84.8 million, or $6.87 per share, compared with $10.3 million net profit, or $.27 per share, for 1991. 1992 results include an after-tax charge of $16.6 million to recognize the lower value of the Boeing 727 fleet and a $4.6 million charge related to a change in accounting for postretirement benefits. Operating loss was $94.8 million, compared to an operating profit of $34.6 million for 1991. The large operating loss was primarily due to a 13% increase in operating expenses but only a 1% increase in operating revenues.

Operating revenues were $1.115 billion, 1% greater than the $1.104 billion posted a year earlier. Passenger traffic was up 13%, but was mostly offset by lower yields. Passenger yield for 1992 was 16.6 cents, down 11% from 1991's 18.7 cents. Freight and mail revenues increased $7.7 million (11%) in 1992 primarily due to increased service in Alaska.

Nonoperating expense was $30.9 million in 1992 compared to $18.4 million in 1991. The increase was primarily due to higher interest expense and less interest income.

Operating expenses increased 13% (11% excluding the special charges) to $1.210 billion from $1.069 billion in 1991. The primary factor contributing to the increase was the 10% increase in available seat miles resulting from the net addition of 12 aircraft during 1992.

Wages and benefits rose 11% in 1992 resulting from a 7% increase in employees and a 4% increase in wages and benefits per employee. Fuel expense rose 4% primarily due to a 6% increase in fuel consumed, offset by a 2% decrease in average cost per gallon. Fuel expense per ASM was down 5% due to the addition of 16 fuel-efficient, two-engine jet aircraft and retirement of eight three-engine jet aircraft during 1992. Aircraft rent and depreciation expense rose 17% due to the addition of new aircraft. Other operating expenses increased 14% primarily due to higher costs for food, landing fees, terminal rents and outside services.

LIQUIDITY AND CAPITAL RESOURCES

The table below shows the major indicators of financial condition and liquidity and the changes during 1993.

	December 31, 1993	December 31, 1992	Change

(In millions, except ratios and per share)

Cash and marketable securities	$101.1	$83.4	$17.7
Working capital (deficit)	(61.3)	(85.2)	23.9
Total assets	1,135.0	1,208.4	(73.4)
Long-term debt	525.4	487.8	37.6
Redeemable preferred stock	-	61.2	(61.2)
Shareholders' equity	166.8	196.7	(29.9)
Book value per common share	$12.51	$14.76	$(2.25)
Debt/equity ratio	76%:24%	74%:26%	N/A

1993 FINANCIAL CHANGES The Company's cash and marketable securities portfolio increased by $17.7 million during 1993. Operating activities provided $48.5 million of cash in 1993. Additional cash was provided by $83.7 million from aircraft refinancing and $20 million in short-term borrowings. Cash was used for debt payments ($79.4 million), repurchase of preferred stock ($33.4 million), and capital expenditures ($30.4 million).

Like many airlines, the Company has a working capital deficit. The existence of such a deficit has not in the past impaired the Company's ability to meet its obligations as they become due and is not expected to do so in the future.

Financing Arrangements During May 1993, the Company repurchased all of its outstanding 10.21% redeemable preferred stock for $60.4 million, saving the Company more than $4 million annually after taxes. The seller provided a $27 million loan carrying a 7% interest rate to assist with the stock repurchase.

In November 1993, Alaska entered into a financing agreement to refinance $47.2 million in borrowings with a six-year term loan. The $47.2 million of borrowings had been classified as a current obligation at December 31, 1992.

Alaska has $70 million in lines of credit. Credit advances carry variable interest rates based upon LIBOR. At December 31, 1993, there were no borrowings outstanding under these lines of credit.

Commitments During 1993, Alaska took delivery of six new B737-400 aircraft under eight-year operating leases. In addition, two MD-80s were sold and leased back under operating leases of 6-1/2 and 10 years, respectively. During 1993, Alaska subleased or terminated leases on 11 B727-200 aircraft.

During 1993, Horizon restructured the Dornier 328 order and the number of firm orders of the aircraft has been reduced from 35 aircraft valued at $260 million to 20 aircraft valued at $150 million. The number of aircraft under option increased from 25 to 40 aircraft. Delivery of the firm orders began in late 1993 and will continue through 1998. The option aircraft would be delivered during the years 1998 to 2003. Dornier has also agreed to provide Horizon with lease financing for the aircraft. The new aircraft are intended to replace Horizon's 18-seat Fairchild Metroliner III aircraft and should be sufficient to meet growth needs for the next decade. In addition, in 1993 Horizon took delivery of three used aircraft under operating leases ranging from one to three years.

At December 31, 1993, the Company had firm orders for 40 aircraft with a total value of approximately $1.1 billion as set forth below.

	Delivery Period - Firm Orders					
Aircraft	1994	1995	1996	1997	1998	Total
Boeing B737-400	6					6

Dornier 328	5	2	3	2	6	18
McDonnell Douglas MD-80	4	2				6
McDonnell Douglas MD-90			1	9		10
Total	15	4	4	11	6	40
Value (Millions)	$388	$85	$73	$465	$45	$1,056

Operating leases have been completed for the B737-400 and Dornier 328 orders. The Company expects to finance the other aircraft through new long-term debt, leases and internally generated cash.

The Company accrues the costs associated with returning leased aircraft over the lease period. At December 31, 1993, $30.7 million was reserved for leased aircraft returns. This reserve should be sufficient to cover the costs related to the phase-out of the Boeing 727 fleet and the obligations due at the end of the contractual rent period for other aircraft.

Deferred Taxes At December 31, 1993, net deferred tax liabilities were $9 million, which includes $69 million of net temporary differences offset by $44 million net operating loss (NOL) carryforwards and $16 million related to Alternative Minimum Tax (AMT) credit carryforwards. The Company believes all of the deferred tax assets, including the NOL and AMT credit carryforwards will be realized through reversal of existing temporary differences or tax planning strategies, such as the sale of aircraft.

1992 FINANCIAL CHANGES Despite the $84.8 million net loss, operating activities provided $20.2 million of cash in 1992. During 1992, capital spending totaled $277.9 million for six MD-80 and two B737-400 aircraft, other equipment and deposits for future flight equipment. These capital expenditures were financed through debt ($47.2 million), sale/leasebacks ($214.6 million) and internally generated cash.

1991 FINANCIAL CHANGES Operations generated $82.5 million and net proceeds from the sale of convertible subordinated notes added $115 million. The $82.5 million generated by operations was lower than the $103.2 million for 1990 due to the smaller profit in 1991 and discount fares, which resulted in a high level of advance ticket sales in 1990.

Liquidity was also improved by obtaining long-term financing for $48 million of short-term borrowings. The borrowings had been used to acquire two aircraft in late 1990. In 1991, long-term debt financing of $27.6 million was obtained for one aircraft, and the other aircraft was sold for $30.0 million and leased back for 19 years under an operating lease.

During 1991, the Company expended approximately $213.4 million for four MD-80 aircraft, other equipment and deposits for future flight equipment. Long-term debt financing of $102.4 million was obtained for these aircraft.

EFFECT OF INFLATION Inflation and specific price changes do not have a significant effect on the Company's operating revenues, operating expenses and operating income, because such revenues and expenses generally reflect current price levels.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the consolidated financial statements and supplementary data appearing on the pages of this report set forth below.

Page(s)

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

See "Election of Directors," incorporated herein by reference from the definitive Proxy Statement for Air Group's Annual Meeting of Shareholders to be held on May 17, 1994. See "Executive Officers of the Registrant" in Part I following Item 4 for information relating to executive officers.

ITEM 11. EXECUTIVE COMPENSATION

See "Executive Compensation," incorporated herein by reference from the definitive Proxy Statement for Air Group's Annual Meeting of Shareholders to be held on May 17, 1994.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

See "Security Ownership of Certain Beneficial Owners and Management," incorporated herein by reference from the definitive Proxy Statement for Air Group's Annual Meeting of Shareholders to be held on May 17, 1994.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See "Transactions with Management and Others," incorporated herein by reference from the definitive Proxy Statement for Air Group's Annual Meeting of Shareholders to be held on May 17, 1994.

PART IV

ITEM 14. EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) Consolidated Financial Statements
See Item 8.

(2) Consolidated Financial Statement Schedules for the years ended December 31, 1993, 1992 and 1991

		Page(s)
Schedule III	- Condensed Financial Information	34-36
Schedule V	- Property and Equipment	37

All other schedules have been omitted, since the required information is included in the consolidated financial statements, including the notes thereto, or the circumstances requiring inclusion of such schedules are not present.

(3) Exhibits
See Exhibit Index on page 40.

(b) Alaska Air Group did not file any reports on Form 8-K during the fourth quarter of 1993.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange 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.

By: /s/ Raymond J. Vecci Date: January 31, 1994
Raymond J. Vecci, Chairman, Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on January 31, 1994 on behalf of the registrant and in the capacities indicated.

/s/ Raymond J. Vecci Raymond J. Vecci	Chairman, Chief Executive Officer, President and Director
/s/ J. Ray Vingo J. Ray Vingo	Vice President/Finance, Treasurer, Chief Financial Officer and Director
/s/ Kathleen H. Iskra Kathleen H. Iskra	Controller (Principal Accounting Officer)
/s/ William H. Clapp William H. Clapp	Director
/s/ Ronald F. Cosgrave Ronald F. Cosgrave	Director
/s/ Mary Jane Fate Mary Jane Fate	Director
/s/ John F. Kelly John F. Kelly	Director
Bruce R. Kennedy	Director
/s/ R. Marc Langland R. Marc Langland	Director
/s/ Byron I. Mallott Byron I. Mallott	Director

/s/ Robert L. Parker, Jr. Director
Robert L. Parker, Jr.

/s/ Richard A. Wien Director
Richard A. Wien

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of Alaska
Air Group, Inc.:

We have audited the accompanying consolidated balance sheet of Alaska Air Group, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alaska Air Group, Inc. and subsidiaries as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

As discussed in Note 7 to the financial statements, effective January 1, 1992, the Company changed its method of accounting for postretirement benefits other than pensions.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in Item 14(a)(2) are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen & Co.
ARTHUR ANDERSEN & CO.

Seattle, Washington
January 25, 1994

CONSOLIDATED BALANCE SHEET
Alaska Air Group, Inc.

ASSETS

As of December 31 (In Thousands)	1993	1992
Current Assets		
Cash and cash equivalents (Note 1)	$27,179	$6,880

Marketable securities (Note 2)	73,970	76,551
Receivables - less allowance for doubtful accounts (1993-$2,621,000; 1992-$3,214,000)	75,274	84,409
Inventories and supplies (Note 1)	41,269	42,099
Prepaid expenses and other assets	56,498	40,546
Total Current Assets	274,190	250,485
Property and Equipment (Notes 1 and 3)		
Flight equipment	614,717	692,345
Other property and equipment	217,967	217,162
Deposits for future flight equipment	79,765	81,686
	912,449	991,193
Less accumulated depreciation and amortization	247,145	227,693
	665,304	763,500
Capital leases (Note 5)		
Flight and other equipment	44,381	44,381
Less accumulated amortization	19,079	16,971
	25,302	27,410
Total Property and Equipment - Net	690,606	790,910
Intangible Assets-Subsidiaries (Note 1)	67,711	69,751
Other Assets (Note 2)	102,447	97,212
Total Assets	$1,134,954	$1,208,358

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET
Alaska Air Group, Inc.

LIABILITIES AND CAPITAL

As of December 31 (In Thousands)	1993	1992
Current Liabilities		
Accounts payable	$ 45,582	$ 47,503
Accrued aircraft rent	39,119	38,189
Other accrued liabilities	46,679	48,370
Accrued wages, vacation pay and payroll taxes	40,192	36,425
Short-term borrowings	20,000	-
Air traffic liability	108,360	96,791
Current portion of long-term debt and capital lease obligations	35,575	68,440
Total Current Liabilities	335,507	335,718
Long-Term Debt and Capital Lease Obligations (Notes 3 and 5)	525,418	487,847
Other Liabilities and Credits		
Deferred income taxes (Note 9)	20,998	29,111
Deferred income (Note 1)	25,827	36,423
Other liabilities	60,371	61,300
	107,196	126,834
Commitments (Note 5)		
Redeemable Preferred Stock (Note 4)	-	61,235
Shareholders' Equity (Notes 4 and 6)		
Common stock, $1 par value		
Authorized: 30,000,000 shares		
Issued: 1993 - 16,495,210 shares		
1992 - 16,482,610 shares	16,495	16,483
Capital in excess of par value	152,017	151,845
Treasury stock, at cost:		
1993 - 3,153,589 shares		
1992 - 3,153,576 shares	(71,807)	(71,807)
Deferred compensation (Note 7)	(5,813)	(10,181)
Retained earnings	75,941	110,384

	166,833	196,724
Total Liabilities and Capital	$1,134,954	$1,208,358

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
Alaska Air Group, Inc.

Year Ended December 31 (In Thousands)	1993	1992	1991
Operating Revenues			
Passenger	$1,001,975	$1,000,618	$999,859
Freight and mail	84,048	77,311	69,590
Other - net	42,306	37,449	34,582
Total Operating Revenues	1,128,329	1,115,378	1,104,031
Operating Expenses			
Wages and benefits	368,152	370,567	332,041
Aircraft fuel	142,572	162,768	156,491
Aircraft maintenance	67,438	87,687	82,983
Aircraft rent	154,879	123,732	102,279
Commissions	80,108	86,335	84,345
Depreciation and amortization	58,407	56,757	51,767
Special charges (Note 8)	15,000	26,000	-
Other	258,546	296,373	259,499
Total Operating Expenses	1,145,102	1,210,219	1,069,405
Operating Income (Loss)	(16,773)	(94,841)	34,626
Other Income (Expense)			
Interest income	7,088	7,374	11,698
Interest expense	(37,624)	(43,223)	(40,180)
Interest capitalized	446	6,102	8,301
Loss on sale of assets	(649)	(2,339)	(1,148)
Other - net	1,700	1,221	2,910
	(29,039)	(30,865)	(18,419)
Income (loss) before income tax expense (credit) and accounting change	(45,812)	(125,706)	16,207
Income tax expense (credit) (Note 9)	(14,894)	(45,436)	5,869
Income (loss) before accounting change	(30,918)	(80,270)	10,338
Cumulative effect of accounting change (Note 7)	-	(4,567)	-
Net Income (Loss)	$(30,918)	$(84,837)	$10,338
Earnings (Loss) Per Common Share: (Note 1)			
Primary -			
Income (loss) before accounting change	$(30,918)	$(80,270)	$10,338
Preferred stock dividends	(2,525)	(6,688)	(6,671)
Income (loss) before accounting change applicable to common shares	(33,443)	(86,958)	3,667
Cumulative effect of accounting change	-	(4,567)	-
Net income (loss) applicable to common shares	$(33,443)	$(91,525)	$3,667
Average shares outstanding (000)	13,340	13,309	13,413
Earnings (loss) per common share:			
Income before accounting change	$(2.51)	$(6.53)	$0.27
Cumulative effect of accounting change	-	(0.34)	-
Net income (loss) per share	$(2.51)	$(6.87)	$0.27

The dilutive effect of the Company's common stock equivalents and convertible securities was anti-dilutive for 1993, 1992 and 1991.

See accompanying notes to consolidated financial statements.

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

	Common	Stock			
(In Thousands)	$1 Par Value	Capital in Excess of Par Value	Treasury Stock at Cost	Deferred Compen- sation	Retained Earnings

Balances at December 31, 1990	$16,323	$149,697	$(71,601)	$(17,469)	$202,883
Net income for 1991					10,338
Cash dividends on common stock ($.20 per share)					(2,643)
Preferred stock dividends and accretion					(6,671)
Stock issued under stock plans	61	781			
Treasury stock purchase			(206)		
Employee Stock Ownership Plans shares allocated				2,954	
Balances at December 31, 1991	16,384	150,478	(71,807)	(14,515)	203,907
Net loss for 1992					(84,837)
Cash dividends on common stock ($.15 per share)					(1,998)
Preferred stock dividends and accretion					(6,688)
Stock issued under stock plans	99	1,367			
Employee Stock Ownership Plans shares allocated				4,334	
Balances at December 31, 1992	16,483	151,845	(71,807)	(10,181)	110,384
Net loss for 1993					(30,918)
Preferred stock					
Preferred stock dividends early redemption premium					(3,525)
Stock issued under stock plans	12	172			
Employee Stock Ownership Plans shares allocated				4,368	
Balances at December 31, 1993	$16,495	$152,017	$(71,807)	$(5,813)	$75,941

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Alaska Air Group, Inc.

Year Ended December 31 (In Thousands)	1993	1992	1991
Cash and cash equivalents at beginning of year	$6,880	$19,086	$28,865
Cash flows from operating activities:			
Income (loss) before accounting change	(30,918)	(80,270)	10,338
Adjustments to reconcile income to cash:			
Depreciation and amortization	58,407	56,757	51,767
Amortization of airframe and engine overhauls	29,402	34,265	33,759
Special charges	15,000	26,000	-
Loss (gain) on disposition of assets and debt retirement	(315)	2,339	(504)
Increase (decrease) in deferred income taxes	(8,113)	(25,797)	725
Decrease (increase) in accounts receivable	9,135	(23,118)	4,098
Decrease (increase) in other current assets	(15,122)	(7,370)	(11,470)
Increase (decrease) in air traffic liabliity	11,569	19,500	(16,368)
Increase in other current liabilities	1,085	19,826	9,704
Interest on zero coupon notes	9,881	9,203	6,125
Leased aircraft return payments and other-net	(31,554)	(11,101)	(5,631)
Net cash provided by operating activities	48,457	20,234	82,543
Cash flows from investing activities:			
Proceeds from disposition of assets	7,193	793	1,331
Purchases of marketable securities	(552,175)	(564,787)	(389,583)
Sales and maturities of marketable securities	554,756	571,985	329,318
Restricted deposits	(4,045)	(3,007)	(19,095)
Future flight equipment deposits returned	2,685	3,321	-
Additions to future flight equipment deposits	(764)	(16,873)	(69,302)
Additions to property and equipment	(29,605)	(261,073)	(144,109)
Payments received on loans to ESOPs	4,128	4,747	3,402
Net cash used in investing activities	(17,827)	(264,894)	(288,038)
Cash flows from financing activities:			
Proceeds from short-term borrowings	20,000	96,303	15,000
Repayment of short-term borrowings	-	(96,303)	(62,953)
Proceeds from sale and leaseback transactions	36,500	214,590	29,970
Proceeds from issuance of long-term debt	47,200	84,700	245,030
Long-term debt and capital lease payments	(79,375)	(59,904)	(27,841)
Proceeds from issuance of common stock	184	1,466	842

Repurchase of preferred stock	(33,375)	-	-
Cash dividends	(2,429)	(8,398)	(9,026)
Gain on debt retirement	964	-	1,652
Other	-	-	3,042
Net cash provided by (used in) financing activities	(10,331)	232,454	195,716
Net increase in cash and cash equivalents	20,299	(12,206)	(9,779)
Cash and cash equivalents at end of year	$27,179	$6,880	$19,086
Supplemental disclosure of cash paid during the year for:			
Interest (net of amount capitalized)	$33,622	$38,952	$28,983
Income taxes	-	1,369	10,338

Noncash investing and financing activities:

1993 - The preferred stock was repurchased in exchange for a $27 million note payable and a $33.4 million cash payment.

1992 and 1991 - None

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Alaska Air Group, Inc.
December 31, 1993

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Alaska Air Group, Inc. (Company or Air Group) and its subsidiaries, the principal subsidiaries being Alaska Airlines, Inc. (Alaska) and Horizon Air Industries, Inc. (Horizon). All significant intercompany transactions are eliminated.

Both subsidiaries operate as airlines. However, each subsidiary's business plan, competition and economic risks differ substantially due to the passenger capacity and range of aircraft operated.

Alaska is a national airline, operates an all jet fleet and its average passenger trip is 860 miles. Horizon is a regional airline, primarily operates a turboprop fleet and its average passenger trip is 200 miles. See Note 10 for business segment information.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less. They are carried at cost, which approximates market.

Inventories and Supplies

Expendable and repairable parts, materials and supplies relating to flight equipment are stated at average cost. Except for the B727 fleet, an allowance for obsolescence of flight equipment repairable parts is accrued on a straight-line basis over the estimated useful lives of the aircraft. For the B727 fleet, which is being retired, the inventory cost less the allowance for obsolescence is stated at net realizable value. The allowance at December 31, 1993 and 1992 was $8.3 million and $6.3 million, respectively.

Property, Equipment and Depreciation

Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives, which are as follows:

Buildings	10-30 years
Capitalized leases and leasehold improvements	Term of lease
Flight equipment	10-20 years
Other equipment	3-15 years

Assets and related obligations for equipment under capital leases are initially recorded at an amount equal to the present value of the future minimum lease payments using interest rates implicit within the leases. Interest expense is accrued on the outstanding balance of capital lease obligations.

Costs of airframe and engine overhauls are capitalized when incurred and amortized over their estimated period of use. Costs of ordinary maintenance and repairs are expensed as incurred.

Capitalized Interest

Construction period interest is capitalized on flight equipment purchase deposits and ground facilities progress payments as an additional cost of the related asset and is depreciated over the estimated useful life of the asset. Interest capitalization is suspended during periods of substantial delay in aircraft deliveries.

Intangible Assets-Subsidiaries

The excess of purchase price over fair value of net assets related to previous acquisitions is recorded as an intangible asset and is being amortized over 40 years. Accumulated amortization at December 31, 1993 and 1992 was $15 million and $12.9 million, respectively.

Deferred Income

Deferred income results from the sale and leaseback of aircraft, manufacturer or vendor credits related to aircraft, and sale of foreign tax benefits. Income is reported on the Statement of Income over the term of the applicable agreements or asset useful life.

Passenger Revenues

Passenger revenues are considered earned at the time transportation service is provided. Tickets sold but not yet used are included in air traffic liability.

Frequent Flyer Awards

Alaska operates a frequent flyer award program that provides travel awards to members based on accumulated mileage. The estimated incremental cost of providing free travel is recognized as a liability and reported as expense as miles are accumulated. Alaska also defers recognition of income on a portion of the payments it receives from travel partners associated with its frequent flyer program. The incremental cost liability and deferred partner revenues are relieved as travel awards are used.

Income Taxes

In January 1992, Statement of Financial Accounting Standards No. 109 (FAS 109), "Accounting for Income Taxes," was adopted. FAS 109 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns.

Earnings Per Share

Primary earnings per share is calculated by dividing net income after reduction for preferred stock dividends by the average number of common shares and dilutive common equivalent shares outstanding, net of treasury shares. Common equivalent shares result from the assumed exercise of stock options. Fully diluted earnings per share gives effect to the conversion of convertible debentures and notes (after elimination of related interest expense, net of income tax effect) and redeemable preferred stock.

Reclassifications

Certain reclassifications have been made in prior years' financial statements to conform to the 1993 presentation.

Note 2. Marketable Securities and Other Assets

Marketable securities are investments that are readily convertible to cash, but whose original maturity dates exceed three months. The securities are carried at cost, which approximates fair value.

Marketable securities consisted of the following at December 31 (in thousands):

	1993	1992
U.S. government securities	$66,744	$72,658
Other	7,226	3,893
	$73,970	$76,551

Other assets consisted of the following at December 31 (in thousands):

	1993	1992
Restricted deposits	$60,903	$56,858
Leasehold rights	16,923	24,195
Deferred costs	16,938	16,159
Interest receivable	7,683	-
	$102,447	$97,212

At December 31, 1993 and 1992, the fair value of restricted deposits was approximately $75 million and $63 million, respectively, based on market prices of similar investments.

At December 31, 1993, the fair value of interest receivable from a financial institution under an interest rate swap agreement was approximately $7 million.

Purchased leasehold rights and deferred costs are amortized over the term of the related lease or contract. Deferred costs include capitalized training costs associated with the B737-400 aircraft. These costs are amortized over a five-year period beginning April 1992.

Note 3. Long-Term Debt and Capital Lease Obligations

At December 31, 1993 and 1992, long-term debt and capital lease obligations were as follows (in thousands):

	1993	1992
7.1%* notes payable due through 2009	$308,700	$305,692
7-3/4% convertible subordinated debentures due 2005-2010	14,638	14,638
6-7/8% convertible subordinated debentures due 2002-2014	60,181	66,614
7-1/4% zero coupon, convertible subordinated notes due 2006	143,754	133,873
Long-term debt	527,273	520,817
Capital lease obligations	33,720	35,470
Less current portion	(35,575)	(68,440)
	$525,418	$487,847

* Weighted average for 1993

Borrowings of $286.2 million are secured by flight equipment and real property.

The 7-3/4% and 6-7/8% debentures are convertible into common stock at $28.25 and $33.60 per share, respectively, subject to adjustments in certain events. Each of the 7-1/4% notes can be converted into 12.4 shares of common stock. The holder of these notes has a put option to require the Company to purchase each note on April 18, 1996 for $490.58. The Company may elect to pay in cash or shares of common stock or in any combination thereof.

Alaska has $70 million in lines of credit with commercial banks including a new $20 million line obtained in June 1993. Credit advances carry variable interest rates based on LIBOR. At December 31, 1993, there were no borrowings under these lines of credit.

Certain Alaska loan agreements contain provisions that require maintenance of specific levels of net worth, leverage and fixed charge coverage, and limit dividends, investments, lease obligations, sales of assets and additional indebtedness. At December 31, 1993, under the most restrictive loan provisions, Alaska had $27.3 million of excess net worth and its cash dividend payments to Air Group were limited to $19 million.

During 1993, the Company entered into an interest rate swap agreement to reduce the interest expense on its 7-1/4% zero-coupon notes. The agreement, which expires in 1996, effectively changes the Company's interest rate on the notes from a fixed 7-1/4% to a floating rate based on LIBOR.

At December 31, 1993, long-term debt obligations for the next five years were (in thousands):

1994	$33,734
1995	$33,104
1996*	$29,615
1997	$26,321
1998	$27,282

* Excludes the effect of a put option on the 7-1/4% notes.

At December 31, 1993 and 1992, the fair value of long-term debt was approximately $521 million and $494 million, respectively, based on quoted market prices for the same or similar debt or on the current rates offered to the Company for debt of comparable remaining maturities.

Note 4. Redeemable Preferred Stock

Air Group has 5,000,000 shares of preferred stock authorized.

During 1990, the Company sold 1,187,500 shares of voting, convertible Series B Cumulative Redeemable Preferred Stock (preferred stock) to International Lease Finance Corporation (ILFC), which paid $50 per share and received the dividend and voting rights. A management group purchased nontransferable investment options for $2.63 per share and received the rights to purchase and convert the preferred stock to common stock.

In May 1993, the Company repurchased the preferred stock from ILFC for $60.4 million, which included a $1.0 million early redemption premium. At December 31, 1993, the 1,187,500 shares of preferred stock are held in treasury and remain subject to the investment options. The investment options of $3.1 million remain outstanding, are subject to mandatory redemption in January 1997 and are included with other liabilities on the Balance Sheet. Each share of preferred stock is convertible into common stock at $27 per share, subject to adjustments in certain events. A total of 2,314,815 shares of common stock has been reserved for such conversion.

In the event of a change in control of the Company, all outstanding investment options become exercisable. The holders of the preferred stock have the right to require the Company to redeem such shares.

Note 5. Commitments

Lease Commitments

Lease contracts for 101 aircraft have remaining lease terms of one to 19 years. The majority of airport and terminal facilities are also leased. Total rent expense was $180.4 million, $149.7 million and $124 million, in 1993, 1992 and 1991, respectively.

Future minimum lease payments under capital leases and long-term operating leases as of December 31, 1993 are shown below (in thousands):

	Capital Leases	Operating Leases		Total
		Aircraft	Real Property & Other	
1994	$ 4,145	$ 163,830	$ 14,745	$ 182,720
1995	4,143	152,090	13,069	169,302
1996	4,146	141,502	11,150	156,798
1997	4,140	128,217	9,987	142,344
1998	4,138	121,969	9,611	135,718
Thereafter	23,203	581,209	47,421	651,833
Total lease payments	43,915	$1,288,817	$105,983	$1,438,715
Less amount representing interest	10,195			
Present value of capital lease payments	$33,720			

Aircraft Commitments

The Company has firm orders for 40 aircraft. The aircraft on order consist of: six B737-400s to be delivered during 1994; 18 Dornier 328s to be delivered between 1994 and 1998; six MD-80s to be delivered during 1994 and 1995; and ten MD90-30s to be delivered during 1996 and 1997. The total amount of these commitments is approximately $1.1 billion.

As of December 31, 1993, deposits related to the future equipment deliveries were $66.3 million. Operating lease agreements are completed for six B737-400s being delivered during 1994 and Dornier has agreed to provide lease financing for all of the Dornier 328s.

In addition to the ordered aircraft, the Company holds purchase options on 20 MD90-30s, 40 Dornier 328s, and lease options on four B737-400s.

Note 6. Stock Option Plans

Air Group has three stock option plans, which provide for the purchase of Air Group common stock at its market price on the date of grant by certain officers and key employees of Air Group and its subsidiaries.

Under the plans, the incentive and nonqualified stock options granted have terms of up to approximately ten years. Up to half of the options provide for stock appreciation rights.

Changes in the number of shares subject to option are summarized as follows:

	1993	1992	1991
Outstanding, beginning of year	770,420	885,720	923,816
Granted(a)	172,200	43,100	54,100
Exercised	(12,600)	(98,400)	(61,353)
Surrendered	-	-	(6,593)
Canceled	(68,658)	(60,000)	(24,250)
Outstanding, end of year	861,362	770,420	885,720
Exercisable, end of year(b)	542,012	450,845	395,143

Available for granting

in future periods	701,867	805,409	138,509
Average price of options:			
Exercised during the year	$14.65	$14.89	$13.72
Outstanding at year-end	$17.06	$17.32	$17.02

(a) The average price of the options granted in 1993 was $16.34.
(b) Options exercisable at year end 1993 expire between July 1994 and December 2002.

Note 7. Employee Benefit Plans

Four defined benefit and six defined contribution retirement plans cover various employee groups of Air Group and its subsidiaries. The defined benefit plans provide benefits based on an employee's term of service and average compensation for a specified period of time before retirement. Contributions for the defined contribution plans are based on a percentage of participants' earnings. Pension costs are funded as required by the Employee Retirement Income Security Act of 1974 (ERISA). Alaska and Horizon also maintain an unfunded, noncontributory benefit plan for certain elected officers. The present value of unfunded benefits for these plans was accrued as of December 31, 1993.

Net pension expense for the defined benefit plans included the following components for 1993, 1992 and 1991 (in thousands):

	1993	1992	1991
Service cost (benefits earned during the period)	$10,041	$8,395	$7,333
Interest cost on projected benefit obligation	10,449	8,883	7,984
Actual return on assets	(14,123)	(9,079)	(17,501)
Net amortization and deferral	2,244	(2,171)	9,779
Net pension expense	$8,611	$6,028	$7,595

The actuarial present value of the projected benefit obligation for 1993, 1992 and 1991 was calculated using weighted average discount rates of 7.9%, 8.75% and 9.0%, respectively. The calculation assumed a 10% long-term rate of return on assets in 1993 and 1992 and a 9.5% rate in 1991. The calculation also assumed a 5.2% weighted average rate of increase for future compensation levels for 1993 and 1992 and 7.7% for 1991.

The defined benefit plan assets are primarily invested in common stocks and fixed income securities. Plan assets exceeded liabilities for accumulated plan benefits at December 31, 1993 and 1992. The following table sets forth the funded status of the plans at December 31, 1993 and 1992 (in thousands):

	1993	1992
Benefit obligation -		
Vested	$126,341	$92,846
Nonvested	12,687	9,539
Accumulated benefit obligation	$139,028	$102,385
Plan assets at fair value	$145,974	$116,380
Projected benefit obligation	159,529	117,556
Plan assets less projected benefit obligation	(13,555)	(1,176)
Unrecognized net assets at year-end amortized over 13 years	(1,658)	(1,941)
Unrecognized prior service cost	1,576	988
Unrecognized loss	26,684	5,702
Prepaid pension cost	$13,047	$3,573

Total expense for all retirement plans, including the defined contribution plans, officer benefit plans and Company 401(k) matching contributions, was $19.8 million, $18.8 million and $16.3

million, respectively, in 1993, 1992 and 1991.

Alaska and Horizon have employee profit sharing plans. Distributions for 1993, 1992 and 1991 were $2.3 million, $1.6 million and $1.6 million, respectively.

Certain employee benefit plans (Plans) have an Employee Stock Ownership Plan (ESOP) feature. The ESOPs own Air Group common shares which are held in trust for eligible employees. The Company has recorded deferred compensation to reflect the value of the shares not yet allocated to eligible employees' accounts. As these shares are allocated to employees, compensation expense is recorded and deferred compensation is reduced.

The Company allows retirees to continue their medical, dental and vision benefits by paying the respective active employee plan premium until age 65. This results in a subsidy to retirees because the premiums paid are less than the actual cost of the retirees' claims.

Effective January 1, 1992, Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," was adopted. The cumulative effect of the accounting change for years prior to January 1, 1992 was an after-tax charge of $4.6 million.

The new accounting standard requires the cost of postretirement employee benefits other than pensions be recognized during employees' active service period. Prior to 1992, the cost of these benefits was expensed as claims were incurred.

The following table sets forth the status of the postretirement benefit obligation at December 31, 1993 and 1992 (in thousands):

	1993	1992
Accumulated postretirement benefit obligation (APBO):		
Retirees	$309	$259
Active plan participants eligible for retirement	2,193	1,943
Active plan participants not eligible for retirement	6,391	6,402
Unrecognized prior service cost	(381)	-
Unrecognized actuarial gain	980	-
Accrued postretirement benefit cost	$9,492	$8,604

The Company's APBO is unfunded. Net annual postretirement benefit costs for 1993 and 1992 include the following components (in thousands):

	1993	1992
Service cost - benefits attributed to service during the period	$655	$855
Interest on APBO	591	643
Net amortization and deferral	(38)	_
Net postretirement benefit cost	$1,208	$1,498

A 12.5% health care cost trend rate was assumed for 1994; the rate was assumed to decrease by 1% annually to 6% for 2001 and remain at that level thereafter. Increasing the rate by 1 percentage point in each year would increase the APBO as of December 31, 1993 by $1.1 million and the net periodic postretirement benefit cost for 1993 by $222,000. The weighted-average discount rates used in determining the APBO for 1993 and 1992 were 7.9% and 9%, respectively.

Note 8. Special Charges

Results for 1993 and 1992 include special charges of $15 million and $26 million, respectively, to recognize an impairment of the value of the Boeing B727 fleet. The special charges include reserves for future excess lease costs and the write-down of capitalized overhauls and spare parts to net realizable value. The 1993 charge reflects the Company's intent, at the end of 1993, to retire this aircraft type by May 1994. The 1992 charge reflected the Company's intent, at the end of 1992, to retire this aircraft type by the end of 1994 rather than 1996.

Note 9. Income Taxes

The components of income tax expense (credit) were as follows (in thousands):

	1993	1992	1991
Current tax expense (credit):			
Federal	$(4,907)	$(21,057)	$4,637
State	(253)	(1,714)	507
Total current	(5,160)	(22,771)	5,144
Deferred tax expense (credit):			
Federal	(8,164)	(19,451)	561
State	(1,570)	(3,214)	164
Total deferred	(9,734)	(22,665)	725
Total before accounting change	(14,894)	(45,436)	5,869
Deferred income tax credit cumulative effect of FAS 106	-	(2,613)	-
Total tax expense (credit)	$(14,894)	$(48,049)	$5,869

The actual income tax expense (credit) reported differs from the "expected" tax expense (credit) (computed by applying the federal corporate tax rate of 35% for 1993 and 34% for 1992 and 1991) as follows (in thousands):

	1993	1992	1991
Income (loss) before income tax	$(45,812)	$(125,706)	$16,207
Computed "expected" tax expense (credit)	$(16,035)	$(42,740)	$5,510
Nondeductible expense	1,210	1,068	1,116
Federal rate change	1,016	-	-
Tax-exempt interest income	-	(170)	(327)
State income tax	(1,185)	(3,252)	568
Other - net	100	(342)	(998)
Actual tax expense (credit)	$(14,894)	$(45,436)	$5,869
Effective tax rate	33%	36%	36%

Deferred income taxes result from temporary differences in the recognition of revenue and expense for tax and financial reporting purposes. The major sources of deferred tax liabilities (assets) are comprised of the following at December 31 (in thousands):

	1993	1992	1991
Excess of tax over book depreciation	$88,203	$94,835	$75,374
Training expense	3,167	1,953	(59)
Capitalized leases	3,681	2,943	2,274
Other - net	358	2,212	613
Gross deferred tax liabilities	95,409	101,943	78,202
Loss carryforward	(43,798)	(24,573)	-
Alternative minimum tax	(16,346)	(22,931)	(11,925)
Pricing adjustment	(1,083)	(3,018)	(1,002)
Travel awards	(5,576)	(5,872)	(4,361)
Employee benefits	(9,567)	(8,761)	(9,700)
Aircraft maintenance	(8,231)	(8,282)	79
Gain on sale of assets	(2,125)	(10,090)	(7,599)
Gross deferred tax assets	(86,726)	(83,527)	(34,508)
Net deferred tax liabilities	$8,683	$18,416	$43,694

The 1993 tax net operating loss (NOL) benefit of $21 million will be carried forward to offset taxes in future years. $7 million of alternative minimum tax was carried back to recover taxes paid in prior years.

Note 10. Business Segment Information

Financial information for the Company's national airline (Alaska) and regional airline (Horizon) follows (in thousands):

	1993	1992	1991
Operating revenues from unaffiliated customers:			
Alaska	$906,806	$908,286	$921,519
Horizon	$223,333	$208,149	$183,142
Operating income (loss):			
Alaska	$(24,313)	$(101,013)	$28,283
Horizon	$8,757	$7,305	$7,897
Total assets:			
Alaska	$1,037,546	$1,088,090	$1,103,289
Horizon	$141,940	$147,076	$149,286
Depreciation and amortization expense:			
Alaska	$48,953	$47,140	$41,917
Horizon	$9,276	$9,564	$9,840
Capital expenditures:			
Alaska	$21,116	$258,556	$186,857
Horizon	$8,800	$16,389	$26,554

Note 11. Fuel Hedge Agreement

The Company has a jet fuel hedge agreement that establishes a high-end fuel price and a low-end fuel price through December 1994. The agreement covers 30 million gallons per quarter which is less than each quarter's expected fuel requirement. The Company will record income or loss quarterly if the average cost of fuel, as determined by an index, exceeds the high-end fuel price or falls below the low-end price, respectively.

CONDENSED FINANCIAL INFORMATION
Alaska Air Group, Inc. (Parent Company Only)   Schedule III

BALANCE SHEET

As of December 31 (In Thousands)	1993	1992
ASSETS		
Current Assets		
Cash	$38	$98
Receivables from subsidiaries	77,390	90,847
Income tax receivable	7,623	20,283
Other current assets	1,205	187
Total Current Assets	86,256	111,415
Other Assets		
Investment in subsidiaries	353,707	378,496
Interest receivable	7,683	-
Other	5,118	4,614
	366,508	383,110
Total Assets	$452,764	$494,525
LIABILITIES AND CAPITAL		
Current Liabilities		
Accounts payable and accrued liabilities	$2,002	$687
Payable to subsidiaries	47,025	24,663
Current portion of long-term debt	9,000	-
Total Current Liabilities	58,027	25,350
Long-Term Debt		
7-3/4% convertible subordinated debentures due 2005-2010	14,638	14,638

6-7/8% convertible subordinated debentures due 2002-2014	60,181	66,614
7-1/4% zero coupon, convertible subordinated notes due 2006	143,754	133,873
7% term note; $2,250,000 payable quarterly beginning August 1993	13,500	-
	232,073	215,125
Deferred Income Taxes	(7,236)	(3,909)
Other Liabilities	3,067	-
Redeemable Preferred Stock	-	61,235
Shareholders' Equity		
Common stock, par value $1 per share		
Authorized: 30,000,000 shares		
Issued: 1993 - 16,495,210 shares; 1992 - 16,482,610 shares	16,495	16,483
Capital in excess of par value	152,017	151,845
Treasury stock, at cost (1993 - 3,153,589 shares; 1992 - 3,153,576 shares)	(71,807)	(71,807)
Deferred compensation	(5,813)	(10,181)
Retained earnings	75,941	110,384
	166,833	196,724
Total Liabilities and Capital	$452,764	$494,525

This schedule should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

CONDENSED FINANCIAL INFORMATION
Alaska Air Group, Inc. (Parent Company Only) Schedule III

STATEMENT OF INCOME

Year Ended December 31 (In Thousands)	1993	1992	1991
Operating Revenues	$ -	$ -	$ -
Operating Expenses	1,391	1,442	1,613
Operating Loss	(1,391)	(1,442)	(1,613)
Other Income (Expense)			
Interest income from subsidiaries	5,435	5,714	5,355
Other interest income	-	-	1,015
Interest expense to subsidiaries	-	-	(140)
Other interest expense	(14,024)	(14,917)	(12,518)
Other - net	451	(321)	1,399
	(8,138)	(9,524)	(4,889)
Loss before income tax credit and subsidiaries' earnings	(9,529)	(10,966)	(6,502)
Income tax credit	(3,400)	(3,613)	(2,444)
	(6,129)	(7,353)	(4,058)
Earnings (Loss) - Subsidiaries	(24,789)	(77,484)	14,396
Net Income (Loss)	$(30,918)	$(84,837)	$10,338

This schedule should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

CONSOLIDATED SHORT-TERM BORROWINGS Schedule IX
Alaska Air Group, Inc.

Category of Aggregate Short-Term Borrowings (Dollars in Thousands)	Balance at End of Year	Weighted Average Interest Rate	Maximum Amount Outstanding During the Year	Average Amount Outstanding During the Year (1)	Weighted Average Interest Rate During the Year (2)
Notes Payable:					
1993	$20,000	4.25%	$20,000	$ 1,538	4.25%
1992	$ -	-	$46,303	$ 7,408	4.6%
1991	$ -	-	$62,954	$24,517	7.3%

(1) Computed by dividing the sum of the beginning of the year balance and the 12 month-end balances by 13.
(2) Computed by dividing annual interest expense by the weighted average amount outstanding during the year.

CONDENSED FINANCIAL INFORMATION
Alaska Air Group, Inc. (Parent Company Only) Schedule III

STATEMENT OF CASH FLOWS

Year Ended December 31 (In Thousands)	1993	1992	1991
Cash at beginning of year	$98	$3	$27,432
Cash flows from operating activities:			
Net income (loss)	(30,918)	(84,837)	10,338
Adjustment to reconcile net income to cash:			
Undistributed loss (earnings) of subsidiaries	24,789	77,484	(14,396)
Gain on retirement of debt	(964)	-	(1,652)
Decrease in deferred income taxes	(3,327)	(3,639)	(549)
Decrease (increase) in receivables	26,117	(7,817)	(77,013)
Decrease (increase) in other current assets	(1,018)	174	(2,450)
Increase in current liabilities	23,677	11,728	7,385
Interest on zero coupon notes	9,881	9,203	6,125
Other-net	(6,836)	(16)	(72)
Net cash provided by (used in) operating activities	41,401	2,280	(72,284)
Cash flows from investing activities:			
Purchases of marketable securities	-	-	(162,326)
Sales and maturities of marketable securities	-	-	182,257
Restricted deposits	-	-	4,298
Payments received on loans to ESOPs	4,128	4,747	3,402
Net cash provided by investing activities	4,128	4,747	27,631
Cash flows from financing activities:			
Loan payments from subsidiaries	-	-	9,000
Proceeds from issuance of long-term debt	-	-	114,742
Long-term debt payments	(10,933)	-	(11,436)
Proceeds from issuance of common stock	184	1,466	842
Repurchase of preferred stock	(33,375)	-	-
Acquisition of treasury stock	-	-	(206)
Cash dividends	(2,429)	(8,398)	(9,026)
Gain on retirement of debt	964	-	1,652
Investment in subsidiary	-	-	(88,344)
Net cash provided by (used in) financing activities	(45,589)	(6,932)	17,224
Net increase (decrease) in cash	(60)	95	(27,429)
Cash at end of year	$38	$98	$3
Supplemental disclosure of cash paid during the year for:			
Interest (net of amount capitalized)	$10,237	$14,880	$12,727
Income taxes	-	1,119	9,325

Noncash investing and financing activities:
1993 - The preferred stock was repurchased in exchange for a $27 million note payable and a $33.4 million cash payment.
1992 and 1991 - None

This schedule should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

CONSOLIDATED PROPERTY AND EQUIPMENT
Alaska Air Group, Inc. Schedule V

(In Thousands)	Balance at Beginning of Period	Additions at Cost	Retirements	Transfers	Other	Balance at End of Period
Year Ended December 31, 1991						

Flight equipment	$567,603	$121,523	$(37,254)	$19,968	$(19,498)(A)	$652,342
Other property and equipment	179,851	22,586	(1,282)	-	-	201,155
Deposits for future flight equipment	76,207	69,302	-	(19,968)	-	125,541
	823,661	213,411	(38,536)	-	(19,498)	979,038
Capital leases	44,381	-	-	-	-	44,381
	$868,042	$213,411	$(38,536)	$ -	$(19,498)	$1,023,419
Year Ended December 31, 1992						
Flight equipment	$652,342	$243,755	$(204,631) (5,852)(B)	$25,959	$(19,228)(A)	$692,345
Other property and equipment	201,155	17,318	(2,847)	1,536	-	217,162
Deposits for future flight equipment	125,541	16,873	-	(27,495)	(33,233)(C)	81,686
	979,038	277,946	(207,478)	-	(58,313)	991,193
Capital leases	44,381	-	-	-	-	44,381
	$1,023,419	$277,946	$(207,478)	$ -	$(58,313)	$1,035,574
Year Ended December 31, 1993						
Flight equipment	$692,345	$22,164	$(84,213)		$(15,579)(A)	$614,717
Other property and equipment	217,162	7,441	(6,636)		-	217,967
Deposits for future flight equipment	81,686	764	-		(2,685)(C)	79,765
	991,193	30,369	(90,849)		(18,264)	912,449
Capital leases	44,381	-	-		-	44,381
	$1,035,374	$30,369	$(90,849)		$(18,264)	$956,830

(A) Amortization of airframe and engine overhauls charged to maintenance expense.
(B) Transfers to other assets.
(C) Deposits returned.

ACCUMULATED DEPRECIATION AND AMORTIZATION
OF PROPERTY AND EQUIPMENT
Alaska Air Group, Inc.

Schedule VI

(In Thousands)	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Transfers to Other Assets	Balance at End of Period
Year Ended December 31, 1991					
Flight equipment	$100,814	$30,279	$(8,156)		$122,937
Other property and equipment	54,095	12,162	(425)		65,832
	154,909	42,441	(8,581)		188,769
Capital leases	12,755	2,108	-		14,863
	$167,664	$44,549	$(8,581)		$203,632
Year Ended December 31, 1992					
Flight equipment	$122,937	$37,378	$(5,831)	$(3,836)	$150,648
Other property and equipment	65,832	13,107	(1,894)	-	77,045
	188,769	50,485	(7,725)	(3,836)	227,693
Capital leases	14,863	2,108	-	-	16,971
	$203,632	$52,593	$(7,725)	$(3,836)	$244,664
Year Ended December 31, 1993					
Flight equipment	$150,648	$39,165	$(30,429)		$159,384
Other property and equipment	77,045	14,027	(3,311)		87,761
	227,693	53,192	(33,740)		247,145
Capital leases	16,971	2,108	-		19,079
	$244,664	$55,300	$(33,740)		$266,224

CONSOLIDATED SUPPLEMENTARY INCOME STATEMENT INFORMATION Schedule X
Alaska Air Group, Inc.

Year Ended December 31 (In Thousands)	Charged to costs and expenses 1993	1992	1991
Aircraft maintenance	$67,438	$87,687	$82,983
Depreciation and amortization of intangible assets, preoperating costs and similiar deferrals	*	*	*
Taxes, other than payroll and income taxes	$13,417	$12,881	$10,101
Royalties	*	*	*
Advertising and promotion	$17,046	$34,179	$32,021

* Less than 1% of total revenues.

VALUATION AND QUALIFYING ACCOUNTS
Alaska Air Group, Inc. Schedule VIII

(In Thousands)	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions(A)	Balance at end of Period
Year Ended December 31, 1991				
(a) Reserve deducted from asset to which it applies:				
Allowance for doubtful accounts	$2,365	$725	$(534)	$2,556
Obsolescence allowance for flight equipment spare parts	$2,971	$794	$ -	$3,765
(b) Reserve recorded as other long-term liabilities:				
Leased aircraft return provision	$8,785	$14,533	$(1,789)	$21,529
Year Ended December 31, 1992				
(a) Reserve deducted from asset to which it applies:				
Allowance for doubtful accounts	$2,556	$1,237	$(579)	$3,214
Obsolescence allowance for flight equipment spare parts	$3,765	$2,578	$ -	$6,343
(b) Reserve recorded as other long-term liabilities:				
Leased aircraft return provision	$21,529	$32,230	$(13,956)	$39,803
Year Ended December 31, 1993				
(a) Reserve deducted from asset to which it applies:				
Allowance for doubtful accounts	$3,214	$912	$(1,505)	$2,621
Obsolescence allowance for flight equipment spare parts	$6,343	$1,994	$ -	$8,337
(b) Reserve recorded as other long-term liabilities:				
Leased aircraft return provision	$39,803	$22,324	$(31,394)	$30,733

(A) Deduction from reserve for purpose for which reserve was created.

EXHIBIT INDEX

Certain of the following exhibits are filed herewith. Certain other of the following exhibits have heretofore been filed with the Commission and are incorporated herein by reference from the document described in parenthesis.

3.(i) Certificate of Incorporation of Alaska Air Group, Inc. as amended through May 20, 1987 (Exhibit 3-01 to 1987 10-K).

*3.(ii)	Bylaws of Alaska Air Group, Inc., as amended through September 14, 1993.
4.1	Indenture dated June 15, 1985, between Alaska Airlines, Inc. and Bankamerica Trust Company of New York, including form of Debenture (Exhibit 4-02 to Registration Statement No. 2-98555).
4.2	Rights Agreement dated as of December 2, 1986 between Alaska Air Group, Inc. and The First National Bank of Boston, as Rights Agent (Exhibit No. 1 to Form 8A filed December 12, 1986).
10.1	Lease and Assignment of Sublease Agreement dated February 1, 1979 between Alaska Airlines, Inc. and the Alaska Industrial Development Authority (Exhibit 10-15 to Registration Statement No. 2-70742).
10.2	Lease and Assignment and Sublease Agreement dated April 1, 1978 between Alaska Airlines, Inc. and the Alaska Industrial Development Authority (Exhibit 10-16 to Registration Statement No. 2-70742).
10.3	Alaska Air Group, Inc. 1975 Stock Option Plan, as amended through May 7, 1991.
10.4	Management Incentive Plan (1992 Alaska Air Group, Inc. Proxy Statement).
10.5	Loan Agreement dated as of December 1, 1984, between Alaska Airlines, Inc. and the Industrial Development Corporation of the Port of Seattle (Exhibit 10-38 to 1984 10-K).
10.6	Amended and Restated Credit Agreement dated as of April 1, 1986 between Alaska Airlines, Inc. and The Long Term Credit Bank of Japan (Exhibit 10-28 to 1986 10-K).
10.7	Alaska Air Group, Inc. 1984 Stock Option Plan, as amended through May 7, 1992.
10.8	Supplemental retirement plan arrangement between Horizon Air Industries, Inc. and John F. Kelly (1992 Alaska Air Group, Inc. Proxy Statement).
10.9	Alaska Air Group, Inc. 1988 Stock Option Plan, as amended through May 19, 1992 (Registration Statement No. 33-523242).
10.10	Purchase Agreement between McDonnell Douglas Corporation and Alaska Airlines, Inc. DAC 88-36-D, dated October 14, 1988 (Exhibit 10-17 to 1988 10-K).
10.11	Capital Performance Plan (Exhibit 4.3 to Registration Statement 33-33087).
#10.12	Purchase Agreement dated March 30, 1990 between McDonnell Douglas Corporation and Alaska Airlines, Inc. for the purchase of up to 40 MD90-30 aircraft (Exhibit 10-13 to 1990 10-K)
#10.13	Lease Agreement dated January 22, 1990 between International Lease Finance Corporation and Alaska Airlines, Inc. for the lease of a B737-400 aircraft, summaries of 19 substantially identical lease agreements for 19 additional B737-400 aircraft and Letter Agreement #1 dated January 22, 1990 (Exhibit 10-14 to 1990 10-K)
#10.16	Purchase Agreement dated as of May 15, 1991, between Horizon Air Industries, Inc. and Dornier Luftfahrt GmbH for the purchase of up to 60 Dornier 328 aircraft (Exhibit 10-19 to May 30, 1991 8-K).
#10.17	Amendment dated as of June 25, 1993 to the Purchase Agreement dated as of May 15, 1991, between Horizon Air Industries, Inc. and Dornier Luftfahrt GmbH for the purchase of up to 60 Dornier 328 aircraft (Exhibit 10-19a to Second Quarter 1993 10-Q).
*11	Computation of Earnings Per Common Share.
*12	Calculation of Ratio of Earnings to Fixed Charges and Preferred Dividends.
21	Subsidiaries of the Registrant (Exhibit 22-01 to 1987 10-K).
*23	Consent of Arthur Andersen & Co.

* Filed herewith.
# Confidential treatment was granted as to a portion of this document.

BYLAWS
OF
ALASKA AIR GROUP, INC.

As Amended and in Effect September 14, 1993
(Date of Previous Amendment: February 27, 1992)

ARTICLE I

REGISTERED OFFICE AND AGENT

The registered office of the corporation is located at Corporate Trust Center, 1209 Orange Street, 9, County of New Castle, Delaware 19801, and the name of its registered agent at such address is The Corporation Trust Company.

ARTICLE II
MEETING OF STOCKHOLDERS

Section 1. Annual Meetings.

A meeting of the stockholders for the purpose of electing directors and for the transaction of such other business as may properly be brought before the meeting shall be held annually at two o'clock in the afternoon on the third Tuesday of May, or at such other time or such other day as shall be fixed by resolution of the Board of Directors. If the day fixed for the annual meeting shall be a legal holiday such meeting shall be held on the next succeeding business day.

Section 2. Special Meetings.

Special meetings of the stockholders for any purpose or purposes may be called at any time by a majority of the Board of Directors or by the Chairman of the Board.

Section 3. Place of Meetings.

All meetings of the stockholders may be held at such places as shall be stated in the notice of the meeting.

Section 4. Notice of Meetings.

Except as otherwise provided by statute, written notice of each meeting of the stockholders shall be given not less than thirty and not more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, notice will be given when deposited in the United States mails, postage prepaid, directed to such stockholder at his address as it appears in the stock ledger of the corporation.

When a meeting is adjourned to another time and place, notice of the adjourned meeting need not be given if the time and place thereof are announced at the meeting at which the adjournment is given. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 5. Quorum.

At any meeting of the stockholders the holders or record of a majority of the total number of outstanding stock of the corporation entitled to vote, present in person or represented by proxy, shall constitute a quorum for all purposes.

If a quorum is present at any meeting of stockholders, the affirmative vote of the holders of three-fourths of the stock present in person or represented by proxy and entitled to vote on the subject matter shall be the act of the stockholders, except as provided otherwise in the Certificate of Incorporation or in these Bylaws.

In the absence of a quorum at any meeting, the holders of a majority of the stock entitled to vote thereat, present in person or represented by proxy at the meeting, may adjourn the meeting, from time to time, until the holders of the number shares requisite to constitute a quorum shall be present in person or represented at the meeting.

Section 6. Organization.

At each meeting of the stockholders, the Chairman of the Board, or in his absence such person as shall have been designated by the Board of Directors, or in the absence of such designation a person elected by the holders of the majority in number of shares of stock present in person or represented by proxy and entitled to vote, shall act as chairman of the meeting.

The Secretary, or in his absence, an Assistant Secretary or, in the absence of the Secretary and all of the Assistant Secretaries, any person appointed by the chairman of the meeting, shall act as secretary of the meeting.

Section 7. Voting.

Unless otherwise provided in the Certificate of Incorporation or a resolution of the Board of Directors creating a series of stock, at each meeting of the stockholders, each holder of shares entitled to vote at such meeting shall be entitled to one vote for each share of stock having voting power in respect of each matter upon which a vote is to be taken. Shares of its own capital stock belonging to the corporation, or to another corporation if a majority of the shares entitled to vote in the election of directors of such other corporation is held by the corporation, shall neither be entitled to vote nor counted for quorum purposes.

Section 8. Notification of Nominations.

Nominations for the election of Directors may be made by or at the direction of the Board of Directors. A stockholder may also nominate a person or persons for election as Directors, but only if written notice of such stockholder's intent to make such nominations is received by the Secretary of the corporation, not later than (i) with respect to an election to be held at a regular annual meeting of stockholders, 90 days in advance of the third Tuesday in May, and (ii) with respect to an election to be held at any other meeting of the stockholders, the close of business on the 10th day following the date of the first public disclosure, which may include any public filing by the corporation with the Securities and Exchange Commission, of the Originally Scheduled Date of such meeting. Each such notice shall set forth (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record entitled to vote at such meeting; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming them) pursuant to which the nomination is to be made; (d) such other information regarding each nominee as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated by the Board of Directors; and (e) the consent of each nominee to serve as a Director if elected. The chairman of any meeting of stockholders to elect Directors and the Board of Directors shall refuse to recognize the nomination of any person not made in compliance with the foregoing procedure. For purposes of these Bylaws, the "Originally Scheduled Date" of any meeting of stockholders shall be the date such meeting is scheduled to occur in the notice first given to stockholders regardless of whether such meeting is continued or adjourned or whether any subsequent notice is given for such meeting or the record date of such meeting is changed.

Section 9. Proper Business for Stockholders' Meetings.

At any annual or special meeting of the stockholders of the corporation, only business properly brought before the meeting may be transacted. To be properly brought before an annual meeting, business (i) must be specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before a meeting by a stockholder, written notice thereof must have been received by the Secretary of the corporation, not later than (i) with respect to a regular annual meeting, 90 days in advance of the third Tuesday in May, and (ii) with respect to any other meeting, the close of business on the 10th day following the date of the first public disclosure, which may include any public filing by the corporation with the Securities and Exchange Commission, of the Originally Scheduled Date of such meeting. Any such notice shall set forth as to each matter the stockholder proposes to bring before the meeting (i) a brief description of the business desired to be brought before the meeting, and the reasons for conducting such business at the meeting and the language of the proposal, (ii) the name and address of the stockholder proposing such business, (iii) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting, and (iv) any material interest of the stockholder in such business. No business shall be conducted at any meeting of stockholders except in accordance with this paragraph, and the chairman of any meeting of stockholders and the Board of Directors shall refuse to permit any business to be brought before meeting without compliance with the foregoing procedures.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Number, Qualification and Term of Office.

A majority of the members of the Board of Directors shall not be employees of the Company. These Bylaws shall not be amended to change the requirement for a majority of outside directors unless approved by a vote of the shareholders, or by a vote of a majority of the outside directors, but in no case prior to September 14, 1995. The number, qualification and term of office of the Directors shall be as set forth in the Certificate of Incorporation.

Section 2. Vacancies.

Vacancies in the Board of Directors and newly created directorships resulting from any increase in the authorized number of Directors may be filled by a majority of the Directors then in office, although less than a quorum, or by a sole remaining Director, at any regular or special meeting of the Board of Directors.

Section 3. Resignations.

Any Director may resign at any time upon written notice to the Secretary of the corporation. Such resignation shall take effect on the date of receipt of such notice or at any later date specified therein; and the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Meetings.

Meetings of the Board of Directors may be called by the Chairman of the Board and shall be called by the Secretary on the written request of a majority of Directors. The Board of Directors may hold its meetings at such place as the Chairman of the Board or in his absence a majority of Directors from time to time may determine. Notice of each meeting shall be sent to each Director by first class mail or by telephone, telegraph or any other means of electronic communication in each case directed to his residence or usual place of business, or delivered to him in person or given to him orally. Notice by mail shall be sent by the Secretary at least ten (10) days previous, and notice by telephone, telegraph or other electronic communication at least five (5) days previous, to the time fixed for the meeting; unless, in case of exigency the Chairman of the Board shall prescribe a shorter notice. A written waiver of notice, signed by the Director entitled to notice, whether before or after the time of the meeting, shall be deemed equivalent to notice. The notice of meeting shall state the time and place of the meeting.

Section 5. Quorum and Manner of Acting.

Except as otherwise provided by statute, the Certificate of Incorporation, or these Bylaws, the presence of a majority of the total number of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, and the act of a majority of the Directors present at any such meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum, a majority of the Directors present may adjourn the meeting, from time to time, until a quorum is present.

Section 6. Organization.

At every meeting of the Board of Directors, the Chairman of the Board or in his absence, a chairman chosen by a majority of the Directors present shall act as chairman of the meeting. The Secretary, or in his absence, an Assistant Secretary, or in the absence of the Secretary and all the Assistant Secretaries, any person appointed by the chairman of the meeting, shall act as secretary of the meeting.

Section 7. Consent of Directors in Lieu of Meeting.

Unless otherwise restricted by the Certificate of Incorporation or by these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or any committee designated by the Board, may be taken without a meeting if all members of the Board or committee consent thereto in writing, and such written consent is filed with the minutes of the proceedings of the Board or committee.

Section 8. Telephonic Meetings.

Members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such a meeting shall constitute presence in person at such meeting.

ARTICLE IV
COMMITTEES OF THE BOARD OF DIRECTORS

Section 1. Executive Committee.

The Board of Directors may, in its discretion, designate annually an Executive Committee consisting of the Chairman of the Board and not less than two other Directors as it may from time to time determine, provided that the majority of Executive Committee members shall be nonemployee directors. The Board of Directors shall appoint the Chairman of the Executive Committee from among the members of the Committee. Except as limited by statute, by the Certificate of Incorporation, by these Bylaws, or by further action of the Board of Directors, the Executive Committee may exercise all the power of the Board of Directors. All action taken by the Executive Committee shall be subject to revision or alteration of the Board; but no such revision or alteration of any such action shall affect any act or right of any third party dependent upon such action and having occurred or arisen prior to notice to such third party of such revision or alteration. Any person dealing with the corporation may rely upon a copy of any of said minutes, votes or resolution, certified by the Chairman of the Committee or by the Secretary or any Assistant Secretary of the corporation, and a copy so certified shall be conclusive evidence of the matters therein stated. The Executive Committee shall not, unless specifically authorized by a resolution of the Board of Directors, spend, finance or commit the Company to any sum exceeding $5 million in any one instance for nonaircraft capital assets or $30 million in any one instance for aircraft acquisitions.

Meetings of the Executive Committee shall be held at the call of the Chairman of the Executive Committee or the Chairman of the Board. In addition, the Committee shall hold as many special meetings as it determines necessary.

Section 2. Other Committees.

The Board of Directors may, by resolution passed by a majority of the Directors, designate such other committees, consisting of one or more Directors, as it may from time to time determine, and each such committee shall serve for such term and shall have and may exercise such duties, functions and powers as the Board of Directors may from time to time prescribe. The Chairman of each such committee shall be designated by the Board of Directors.

Section 3. Committee; Books and Records.

Notice of committee meetings shall be governed by the provisions of Article III, Section 4, above. Each committee shall keep a record of its acts and proceedings, and all action of the committee shall be reported to the Board of Directors at the next meeting of the Board, except that minutes of each Executive Committee meeting shall be forwarded to each Director within seven days of such meeting.

Section 4. Quorum and Manner of Action.

At each meeting of any committee the presence of a majority of the members of such committee shall be necessary to constitute a quorum for the transaction of business, and if a quorum is present the concurrence of a majority of those present shall be necessary for the taking of any action.

ARTICLE V
OFFICERS

Section 1. Number

The officers of the corporation shall be a Chairman of the Board, a President, a Secretary, and such other officers as may be elected by the Board of Directors or appointed by the Chairman of the Board. Any number of offices may be held by the same person.

Section 2. Election, Term of Office and Qualifications.

The officers of the corporation shall be elected annually by the Board of Directors. Each officer elected by the Board of Directors shall hold office until his successor shall have been duly elected and qualified, or until he shall have died, resigned or been removed in the manner hereinafter provided.

Section 3. Resignations.

Any officer may resign at any time upon written notice to the Chairman of the Board. Such resignation shall take effect on the date of its receipt, or on any later date specified therein; and the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removals.

Any officer elected by the Board of Directors may be removed, with or without cause, by the Board of Directors. Any officer appointed by the Chairman of the Board may be removed, with or without cause, by the Chairman of the Board.

Section 5. Vacancies.

Any vacancy occurring in any office of the corporation shall be filled for the unexpired portion of the term in the same manner as prescribed in these Bylaws for regular election or appointment to such office.

Section 6. Compensation of Officers

The salaries of all officers elected by the Board of

Directors shall be approved or authorized by the Board of Directors or by the Chairman of the Board when so authorized by the Board of Directors.

Section 7. Chairman of the Board.

The Chairman of the Board shall be the Chief Executive Officer of the corporation and shall have the general and active management of the business of the corporation and general and active supervision and direction over the other officers, agents and employees and shall see that their duties are properly performed. He shall, if present, preside at each meeting of the stockholders and of the Board. He shall perform all duties incident to the office of Chairman of the Board and such other duties as may from time to time be assigned to him by the Board. The Chairman of the Board shall have the power to vote shares stock of other corporations held by the corporation, except as may be otherwise determined by the Board.

Section 8. President.

The President shall have general and active supervision and direction over the business and affairs of the corporation and over its several officers, subject, however, to the direction of the Chairman of the Board. He shall perform all duties incident to the office of President and such other duties as may be assigned to him by the Board, the Chairman of the Board or these Bylaws.

Section 9. Secretary.

The Secretary or one or more Assistant Secretaries shall attend all meetings of the Board and all meetings of the stockholders and act as secretary thereof, and shall record all votes and the minutes of all proceedings in a book to be kept for that purpose, and shall perform like duties for any committee of the Board when required. The Secretary shall be given other duties as pertain to his office. The Secretary shall keep in safe custody the seal of the corporation and when authorized by the Board of Directors, affix it, when required, to any instrument. An Assistant Secretary shall perform the duties of the Secretary in the event of his absence or disability and shall perform such other duties as may be imposed upon him by the Board of Directors.

Section 10. Absence or Disability of Officers.

In the absence or disability of the Chairman of the Board or the President, the Board of Directors may designate, by resolution, individuals to perform their duties. The Board of Directors may also delegate this power to a committee.

ARTICLE VI

STOCK CERTIFICATES AND TRANSFER THEREOF

Section 1. Stock Certificates.

Except as otherwise permitted by statute, the Certificate of Incorporation or resolution or resolutions of the Board of Directors, every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of, the corporation by the Chairman of the Board and Chief Executive Officer, the President, or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the corporation, certifying the number of shares, and the class and series thereof, owned by him in the corporation. Any and all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 2. Lost, Destroyed or Mutilated Certificates.

In the case of loss or destruction of a certificate of stock, no new certificate shall be issued in lieu thereof except upon satisfactory proof to the Secretary of such loss or destruction; and upon the giving of satisfactory security, by bond or otherwise, against loss to the corporation, if such is deemed to be required.

Section 3. Record Date.

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than thirty days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE VII

DIVIDENDS

Except as otherwise provided by statute or the Certificate of Incorporation, the Board of Directors may declare dividends upon the shares of its capital stock whenever, and in such amounts as, in its opinion, the condition of the affairs of the corporation shall render it advisable. Dividends may be paid in cash, in property, or in shares of capital stock of the corporation.

ARTICLE VIII

INDEMNIFICATION

Section 1. Right to Indemnification.

Each person who was or is made a party or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a Director or officer of the corporation or that, being or having been such a Director or officer or employee of the corporation, he or she is or was serving at the request of the corporation as a Director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a Director, officer, employee or agent or in any other capacity while serving as a Director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the full extent permitted by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than permitted prior thereto) or by other applicable law as then in effect, against all expense, liability and loss (including attorneys' fees, judgments, finds, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a Director, officer, employee, or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Section 2 with respect to proceedings seeking to enforce rights to indemnification, the corporation shall indemnify any such indemnitee seeking indemnification in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that if the Delaware General Corporations Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a Director or officer (and not in any other capacity in which service was or is rendered by such indemnitee including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Section 1 or otherwise.

Section 2. Right of Indemnitee to Bring Suit.

If a claim under Section 1 is not paid in full by the corporation within sixty days after a written claim has been received by the corporation, except in the case of a claim for advancement of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, the indemnitee shall be entitled to be paid also the expense of prosecuting such suit. The indemnitee shall be presumed to be entitled to indemnification under this Article upon submission of a written claim (and, in an action brought to enforce a claim for advancement of expenses, where the required undertaking, if any is required, has been tendered to the corporation), and thereafter the corporation shall have the burden of proof to overcome the presumption that the indemnitee is not so entitled. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances nor an actual determination by the corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee is not entitled to indemnification shall be a defense to the suit or create a presumption that the indemnitee is not so entitled.

Section 3. Nonexclusivity of Rights.

The right to indemnification and to the advancement of expenses conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaw, agreement, vote of stockholders or disinterested directors or otherwise. Notwithstanding any amendment to or repeal of this Article, any indemnitee shall be entitled to indemnification in accordance with the provisions hereof and thereof with respect to any acts or omissions of such indemnitee occurring prior to such amendment or repeal.

Section 4. Insurance, Contracts and Funding.

The corporation may maintain insurance, at its expense, to protect itself and any Director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law. The corporation may without further stockholder approval, enter into contracts with any indemnitee in furtherance of the provisions of this Article and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article.

Section 5. Persons Serving Other Entities.

Any person who is or was a Director, officer or employee of the corporation who is or was serving as a Director or officer of another corporation of which a majority of the shares entitled to vote in the election of its directors is held by the corporation shall be deemed to be so serving at the request of the corporation and entitled to indemnification and advancement of expenses under Section 1.

Section 6. Indemnification of Employees and Agents of the Corporation.

The corporation may, by action of its Board of Directors, grant rights to indemnification and advancement of expenses to any employee or agent, or any group or groups of employees or agents, of the corporation with the same scope and effect as the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the corporation.

ARTICLE IX
CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

Section 1. Checks, Drafts, Etc.; Loans.

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall, from time to time, be determined by resolution of the Board of Directors. Such authority may be general or confined to specific circumstances.

Section 2. Deposits.

All funds of the corporation shall be deposited, from time to time, to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may select, or as may be selected by any officer or officers, agent or agents of the corporation to whom such power may, from time to time, be delegated by the Board of Directors; and for the purpose of such deposit, any officer or agent to whom such power may be delegated by the Board of Directors, may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of the corporation.

ARTICLE X

AMENDMENTS

These Bylaws may be altered or repealed and new Bylaws may be made by the affirmative vote of a majority of the Board of Directors, subject to the right of the stockholders to amend or repeal Bylaws made or amended by the Board of Directors or to adopt new Bylaws, by the affirmative vote of a majority of the outstanding stock of the corporation entitled to vote thereon and the holders of three-fourths of the stock present in person or represented by proxy at the meeting, provided that notice of the proposed action be included in the notice of such meeting.

Terms of the masculine gender used for convenience in these Bylaws should be understood in the feminine gender where appropriate.

Alaska Air Group, Inc. EXHIBIT 11

Computation of Earnings Per Common Share
(In thousands, except per share)

	1993	1992	1991
Primary -			
Income (loss) before accounting change	($30,918)	($80,270)	$10,338
Deduct dividends on preferred shares	(2,429)	(6,400)	(6,383)
Deduct preferred stock accretion	(96)	(288)	(288)
Income (loss) before accounting change applicable to common shares	(33,443)	(86,958)	3,667
Cumulative effect of accounting change	-	(4,567)	-
Income (loss) applicable to common shares	($33,443)	($91,525)	$3,667
Average number of shares outstanding	13,340	13,309	13,198
Assumed exercise of stock options reduced by the number of shares purchased with the proceeds from exercise of such options	-	-	215
Common shares outstanding as adjusted	13,340	13,309	13,413
Earnings (loss) per common share:			
Income (loss) before accounting change	($2.51)	($6.53)	$0.27
Cumulative effect of accounting change	-	(0.34)	-
Net income (loss)	($2.51)	($6.87)	$0.27
Fully Diluted -			
Income (loss) before accounting change	($30,918)	($80,270)	$10,338
After tax interest on convertible securities	10,008	9,573	8,023
Income (loss) before accounting change applicable to common shares	(20,910)	(70,697)	18,361
Cumulative effect of accounting change	-	(4,567)	-
Income (loss) applicable to common shares	($20,910)	($75,264)	$18,361
Average number of shares outstanding	13,340	13,309	13,198
Common stock equivalents	12	84	215
Common stock reserved for conversion	8,975	9,093	8,113
Average shares as adjusted	22,327	22,486	21,526
Earnings (loss) per common share:			
Income (loss) before accounting change	($0.94)	($3.14)	$0.85
Cumulative effect of accounting change	-	(0.21)	-
Net income (loss)	($0.94)	($3.35)	$0.85
* Anti-dilutive	*	*	*

Alaska Air Group, Inc. EXHIBIT 12

Calculation of Ratio of Earnings to Fixed Charges
and Preferred Dividends
(In thousands, except ratios)

	1993	1992	1991	1990	1989
Earnings:					
Income (loss) before income tax expense and accounting change	($45,812)	($125,706)	$16,207	$27,918	$69,367
Less: Capitalized interest	(446)	(6,102)	(8,301)	(9,024)	(3,768)
Add:					
Interest on indebtedness	37,624	43,223	40,180	20,266	19,432
Amortization of debt expense	690	643	519	440	182
Portion of rent under long-term operating leases representative of an interest factor	60,136	49,889	41,327	38,346	30,791
Total Earnings Available for Fixed Charges and Preferred Dividends	$52,192	($38,053)	$89,932	$77,946	$116,004
Fixed Charges and Preferred Dividends:					
Preferred dividends	$2,429	$6,400	$6,383	$5,753	-
Times, ratio of income before income tax expense to net income	1.48	1.57	1.57	1.63	NA
Preferred dividends on pretax basis	3,595	10,048	10,021	9,377	NA
Amortization of preferred stock issuance costs	96	288	288	264	-
Interest	37,624	43,223	40,180	20,266	19,432
Amortization of debt expense	690	643	519	440	182
Portion of rent under long-term operating leases representative of an interest factor	60,136	49,889	41,327	38,346	30,791
Total Fixed Charges and Preferred Dividends	$102,141	$104,091			
$92,335 $68,693 $50,405					
Ratio of Earnings to Fixed Charges and Preferred Dividends	0.51	(0.37)	0.97	1.13	2.30
Coverage deficiency	$49,949	$142,144	$2,403	-	-

Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated January 25, 1994 included in this Form 10-K, into the Company's previously filed Registration Statements, File Numbers 2-96973, 33-22358, and 33-33087.

/s/ Arthur Andersen & Co.
ARTHUR ANDERSEN & CO.

Seattle, Washington,
February 2, 1994.