

# Southwest Airlines Co.



**Credit Suisse Global Airline Conference**



## Use of non-GAAP data

Reconciliations of the differences between non-GAAP financial data included in this presentation and the most comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States are available at [http://southwest.com/investor\\_relations/fs\\_financials.html](http://southwest.com/investor_relations/fs_financials.html).

## Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements generally can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, words such as “plan,” “believe,” “expect,” “anticipate,” “may,” “could,” “intend,” “goal,” “will,” and similar expressions and variations thereof. Specific forward-looking statements include, without limitation, statements relating to (i) the Company's operating and financial strategies, initiatives, and goals and its expectations with respect to its strategies and initiatives; (ii) the Company's expectations regarding its future results of operations; and (iii) the Company's growth plans and expectations. These forward-looking statements are based on the Company's current intent, expectations, and projections and are not guarantees of future performance. These statements involve risks, uncertainties, assumptions, and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in or indicated by them. Factors include, among others, (i) the price and availability of aircraft fuel; (ii) uncertainties surrounding changing economic conditions, which are beyond the Company's control and are therefore difficult to predict and which can impact the demand for leisure and business travel and can also impact the Company's ability to overcome increased fuel and other costs; (iii) competitor capacity and load factors; (iv) the Company's ability to timely and effectively prioritize its revenue and cost reduction initiatives and its related ability to timely implement and maintain the necessary information technology systems and infrastructure to support these initiatives; (v) the impact of governmental regulations and inquiries on the Company's operating costs, as well as its operations generally; and (vi) other factors, as described in the Company's filings with the Securities and Exchange Commission, including the detailed factors discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.



# Revenue Growth Strategy

- Grow the business while staying true to our low-fare/low-cost brand
- Adjust business model to higher fuel prices and increased low-fare competition
- Update strategy to attract more travelers through enhanced Customer Service and value-added products



# Our Strategy is Working

## Zagat 2008 Airline Survey

- Best Airline website
- Best On-time performance
- Best Frequent Flyer program
- Best Luggage policy
- Best Value for the money



# The Vision Remains

- Confident about delivering on future initiatives, but timing of execution dependent on technology implementation
- Targeting incremental revenue in excess of \$1.5 billion vs. 2007
- Goal remains to improve profitability and achieve long-term financial targets



# New Direction Underway

- Continued Schedule Optimization
- Improved Customer Experience
- Revenue Management
- Business Select
- Enhanced Frequent Flyer Program



# Future Revenue Initiatives

- Continued network optimization
- Revenue Management
- International Codeshare
  - WestJet (Canada) & Volaris (Mexico)
- Revamped Frequent Flyer Program
- southwest.com
- Onboard Customer Offerings
  - Inflight Wireless Internet Connectivity
- Cargo
- Distribution channels
  - Galileo, Worldspan



# Fourth Quarter Outlook

October		November	
RPMs	2.9%	RPMs	-8.3%
ASMs	2.9%	ASMs	0.4%
Load Factor	-0.1 pts	Load Factor	-6.1 pts

- Operating unit revenue (RASM) increased almost 14 percent on a year-over-year basis in October
- November RASM was up slightly from year ago performance
- Based on holiday bookings, expect favorable year-over-year RASM performance in December



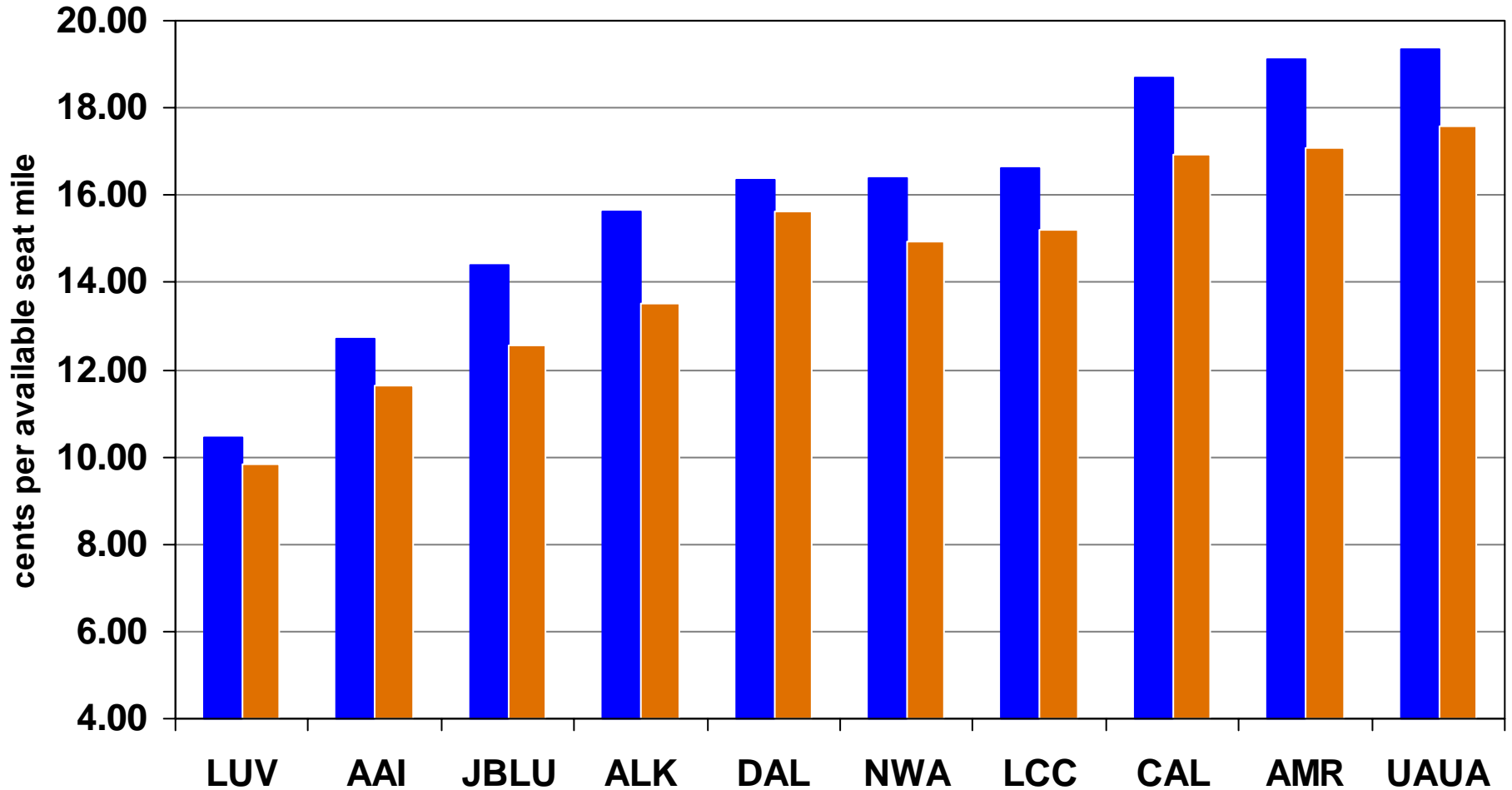
# 2009 Capacity Outlook

- Continued focus on route profitability
- Schedule optimization through trimming unproductive flights and reallocating capacity to fund attractive market growth
  - MSP service to MDW begins March 9
  - Submitted bid seeking 14 ATA slots at LGA
- Expect first quarter ASMs to decline four to five percent vs. first quarter 2008
- Expect full year capacity to decline from 2008
  - 13 Boeing deliveries; planning for flat fleet growth



# Industry CASM

■ 3Q 2008 ■ 12 months ended 3Q 2008

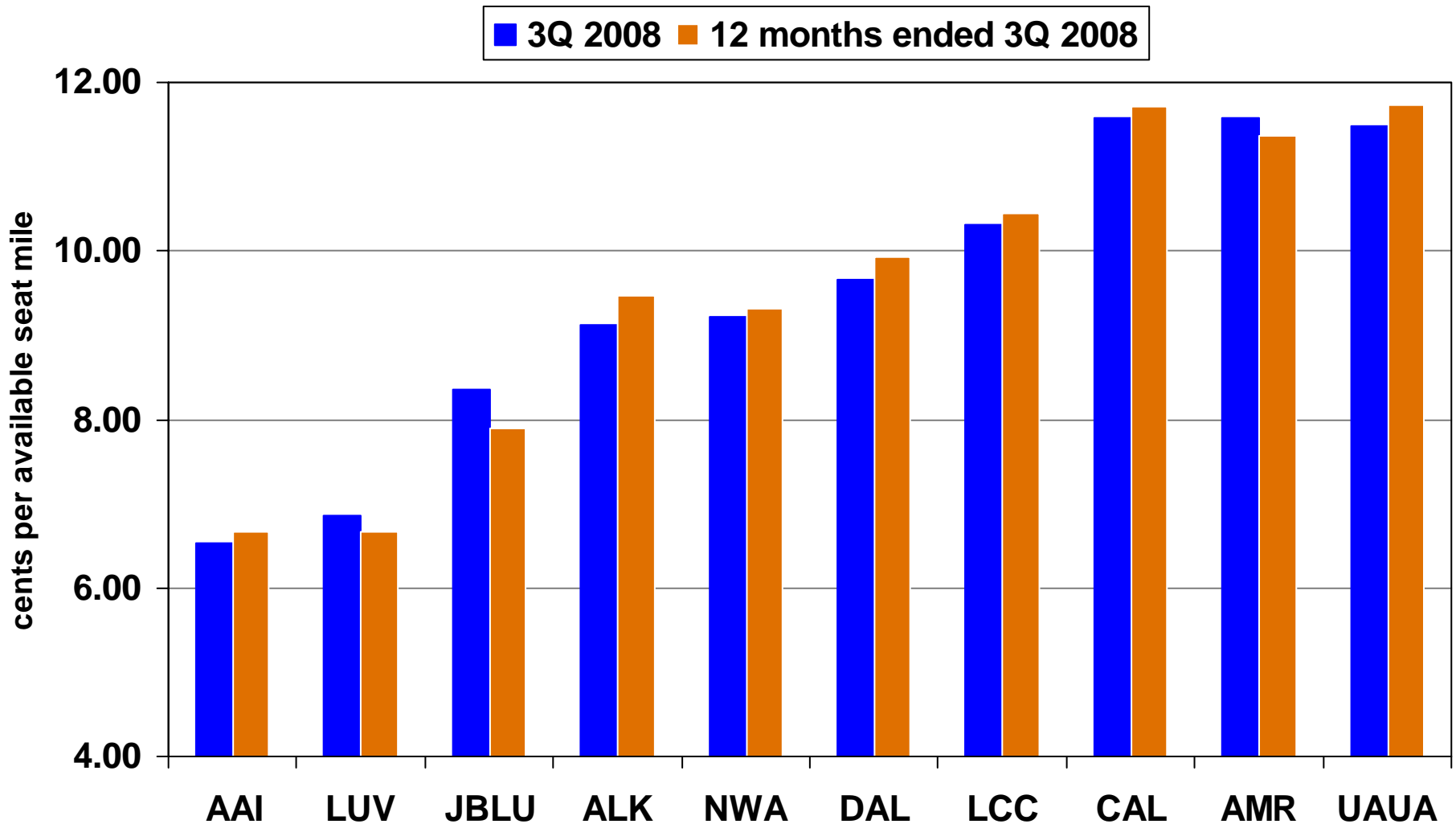


Source: Industry data



(642 mile stage length adjusted)

# Industry CASM ex-fuel



Source: Industry data



(642 mile stage length adjusted)

# 4Q08 Fuel Price Sensitivity

December Market Price*	Average Market Price for the Fourth Quarter	Estimated Economic Fuel Costs (per gallon)	Estimated Hedging Gains**
\$65 crude oil	\$66 crude oil	\$2.25	\$200 million
<b>\$50 crude oil</b>	<b>\$62 crude oil</b>	<b>\$2.20</b>	<b>\$45 million</b>
\$35 crude oil	\$56 crude oil	\$2.05	\$15 million

\* Assumes the market price noted exists for the remainder of December.

\*\* Based on portfolio value as of 12/1/08.



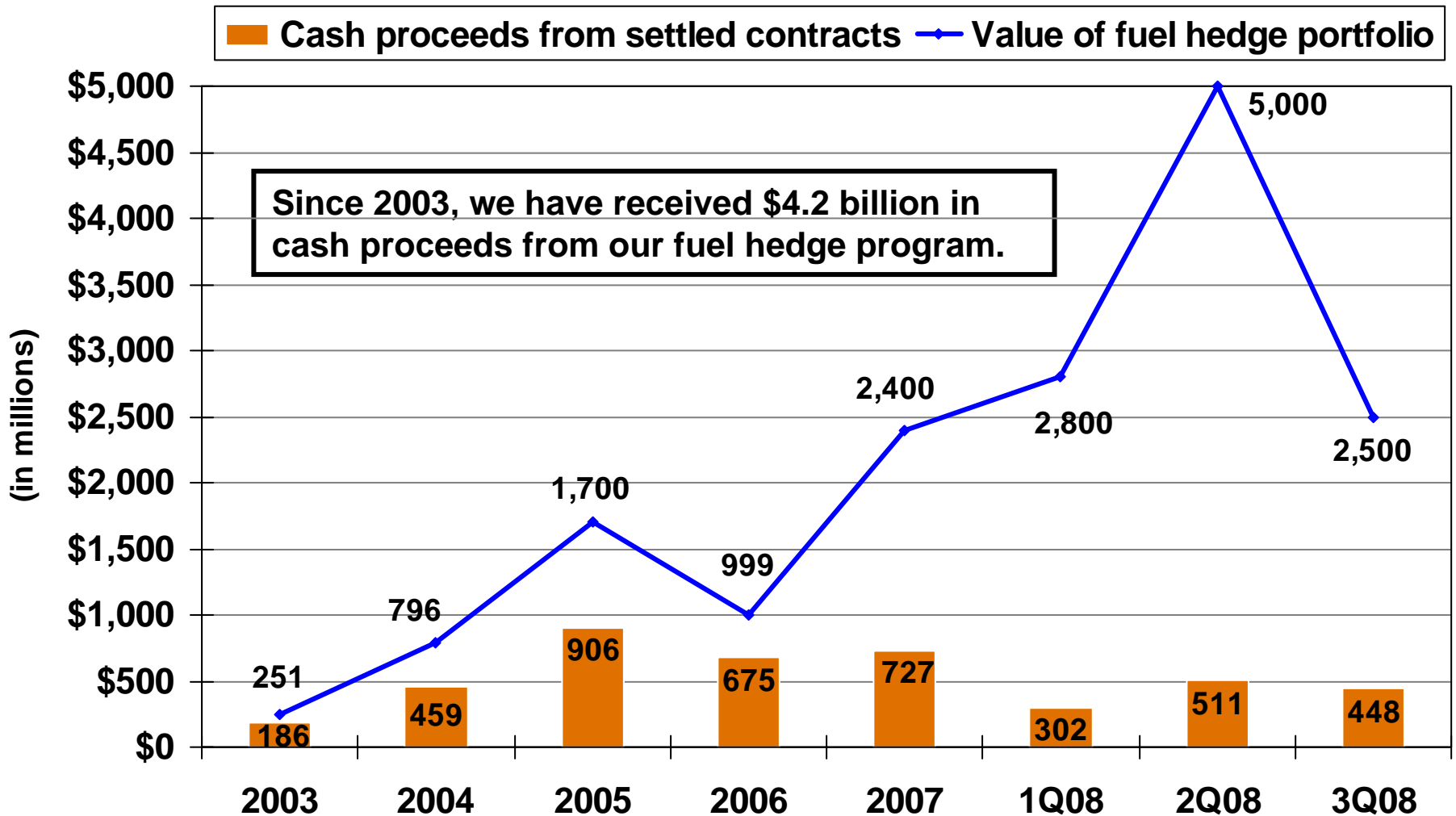
# 2009 Fuel Price Sensitivity

Average Market Price for the Year	Estimated Economic Fuel Costs* (per gallon)
\$45 crude oil	\$1.90
<b>\$57 crude oil</b>	<b>\$2.00</b>
\$75 crude oil	\$2.15

\* Includes forecasted hedging gains/losses as of market close on 12/1/08.



# Fuel Hedge Portfolio



# Fuel Hedge Portfolio

	<b>Current Position</b>	<b>Previous Position</b>	<b>Average Capped Price*</b>  (per barrel)	<b>Average Floor*</b>  (per barrel)
<b>4Q08</b>	<b>71%</b>	<b>85%</b>	<b>\$62</b>	<b>\$52</b>
<b>2009</b>	<b>63%</b>	<b>75%</b>	<b>\$73</b>	<b>\$61</b>
<b>2010</b>	<b>40%</b>	<b>50%</b>	<b>\$90</b>	<b>\$75</b>
<b>2011</b>	<b>40%</b>	<b>40%</b>	<b>\$93</b>	<b>\$80</b>
<b>2012</b>	<b>35%</b>	<b>35%</b>	<b>\$90</b>	<b>\$78</b>

\* Weighted average



# Cash Collateral Sensitivity\*

\$65 crude oil: collateral to SWA of \$500 million range

**\$50 crude oil: no collateral exchanged to/from SWA**

\$45 crude oil: collateral from SWA of \$150 million range

\$35 crude oil: collateral from SWA of \$600 million range

\* Estimates are based on the current hedge portfolio value and counterparty agreements using a parallel shift of the forward curve as of 12/1/08.



# Strong Balance Sheet

- Investment grade
  - Baa1 (Moody's); BBB+ (S&P and Fitch)
- Modest Debt
  - Leverage less than 40%
  - No significant debt maturities until 2012
  - Minimal 2009 financing required
- Core cash in excess of \$1.5 billion (target of \$2 billion)
- 408 unencumbered aircraft worth \$10 to \$11 billion
- Able to withstand “shocks”
- Prepared



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