

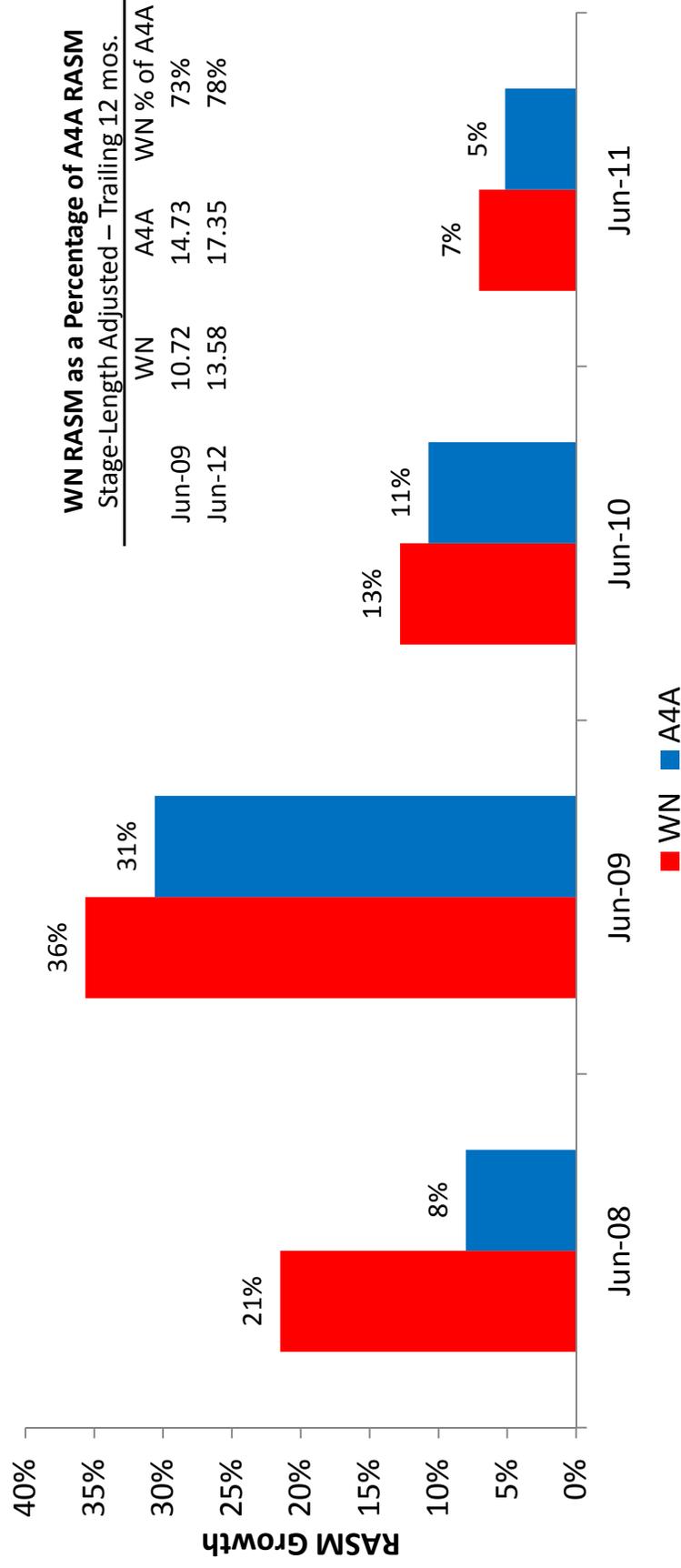
Today's discussion

- Revenue trends (including ancillary revenue)
- Network strategy decisions
- Factors influencing growth
 - Stagnant industry growth
 - Cost comparisons
 - Contract restrictions
 - Other ways to feed network
- 717 discussion
- Deeper discussion of low load factor operations

Southwest's RASM Growth has Outpaced the Industry since 2008

Southwest Combined vs. A4A Domestic Mainline RASM Performance

June 2012 vs. Prior Years

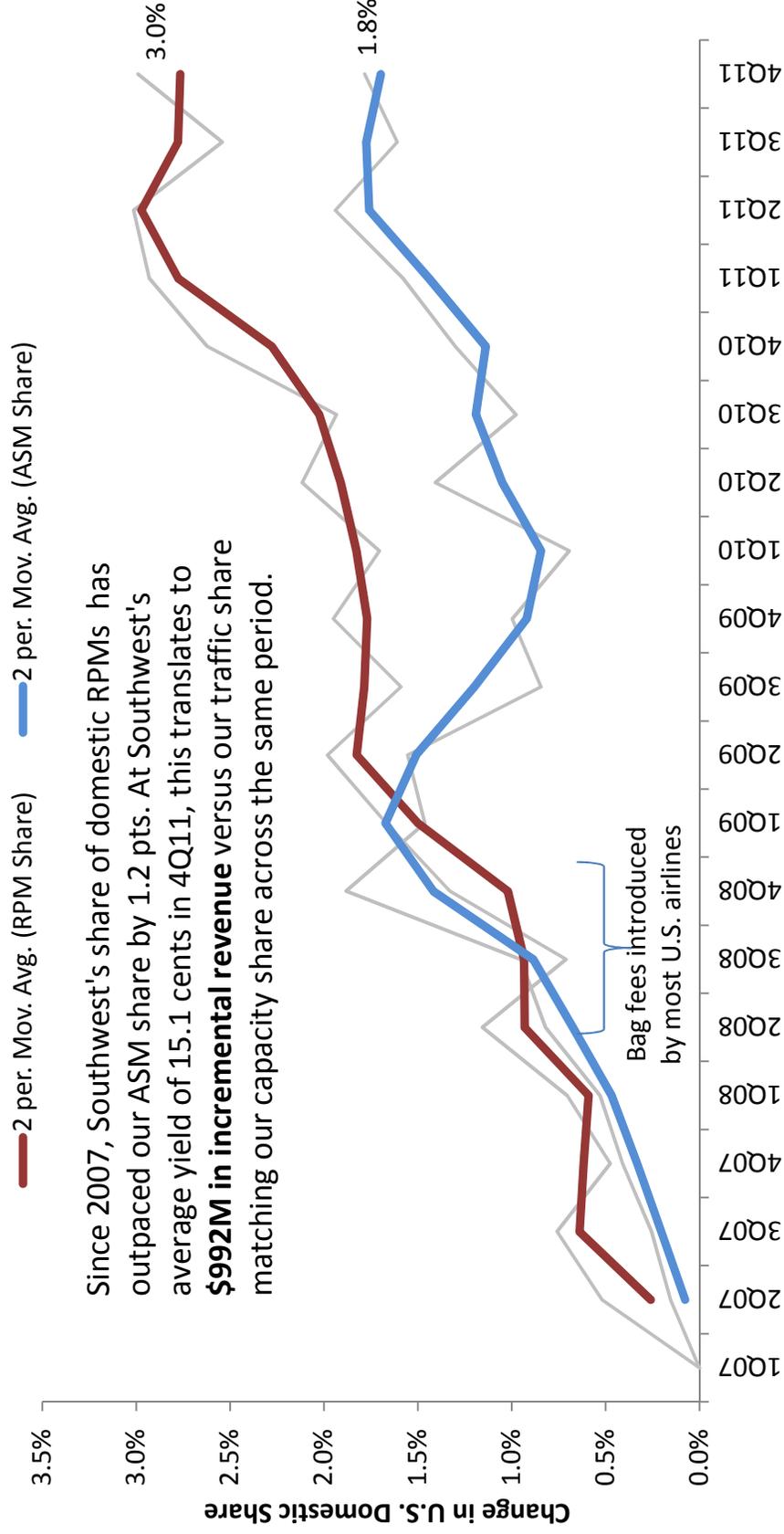


WN RASM as a Percentage of A4A RASM Stage-Length Adjusted – Trailing 12 mos.			
	WN	A4A	WN % of A4A
Jun-09	10.72	14.73	73%
Jun-12	13.58	17.35	78%

Source: A4A Monthly Passenger Revenue Report & SWA Internal Data

Beginning in early 2009, Southwest's share of industry traffic grew significantly faster than capacity share

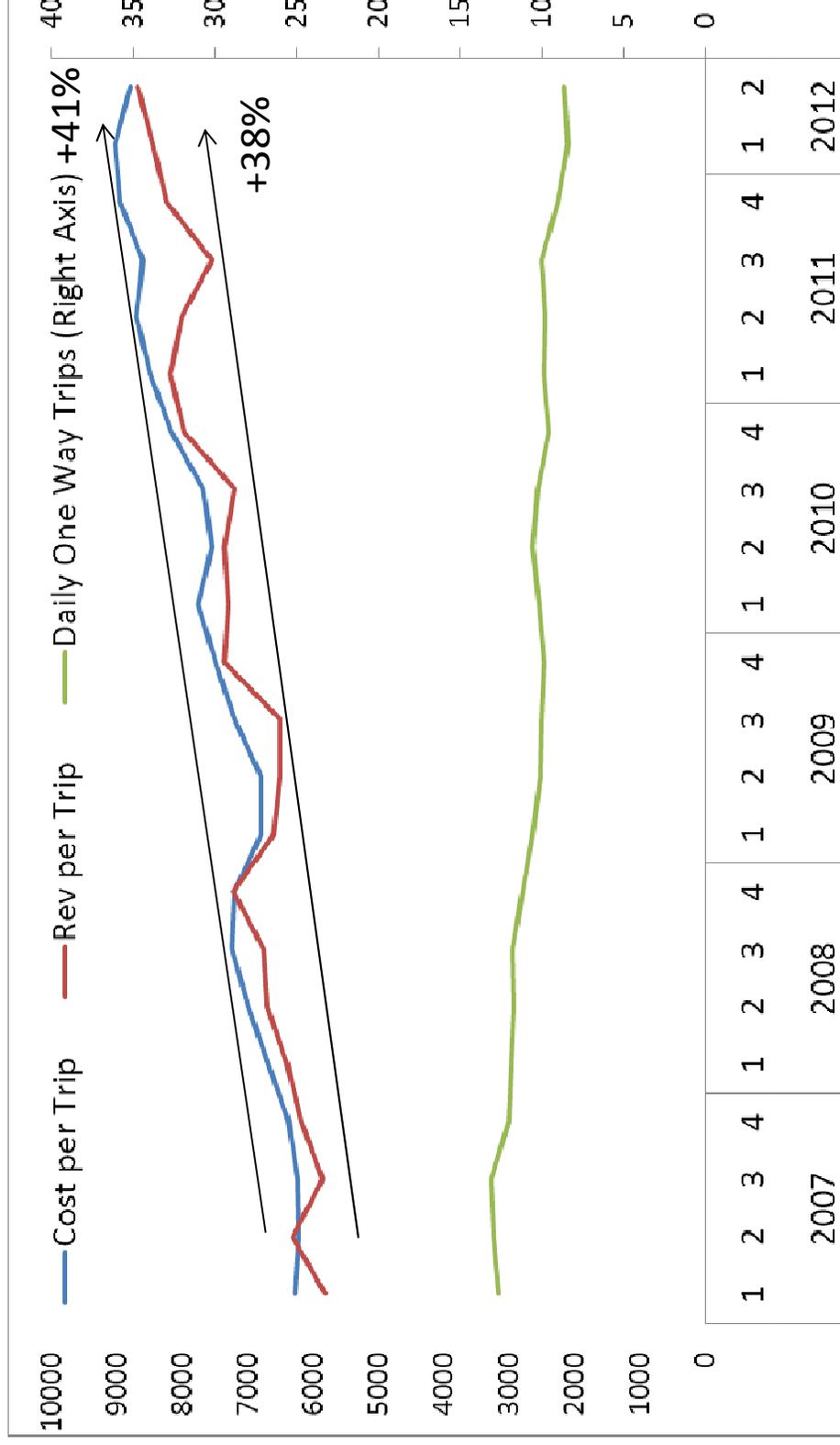
Change in WN Domestic Traffic Share and Capacity Share since 2007



Source: DOT T-100 and DB1B O&D Survey

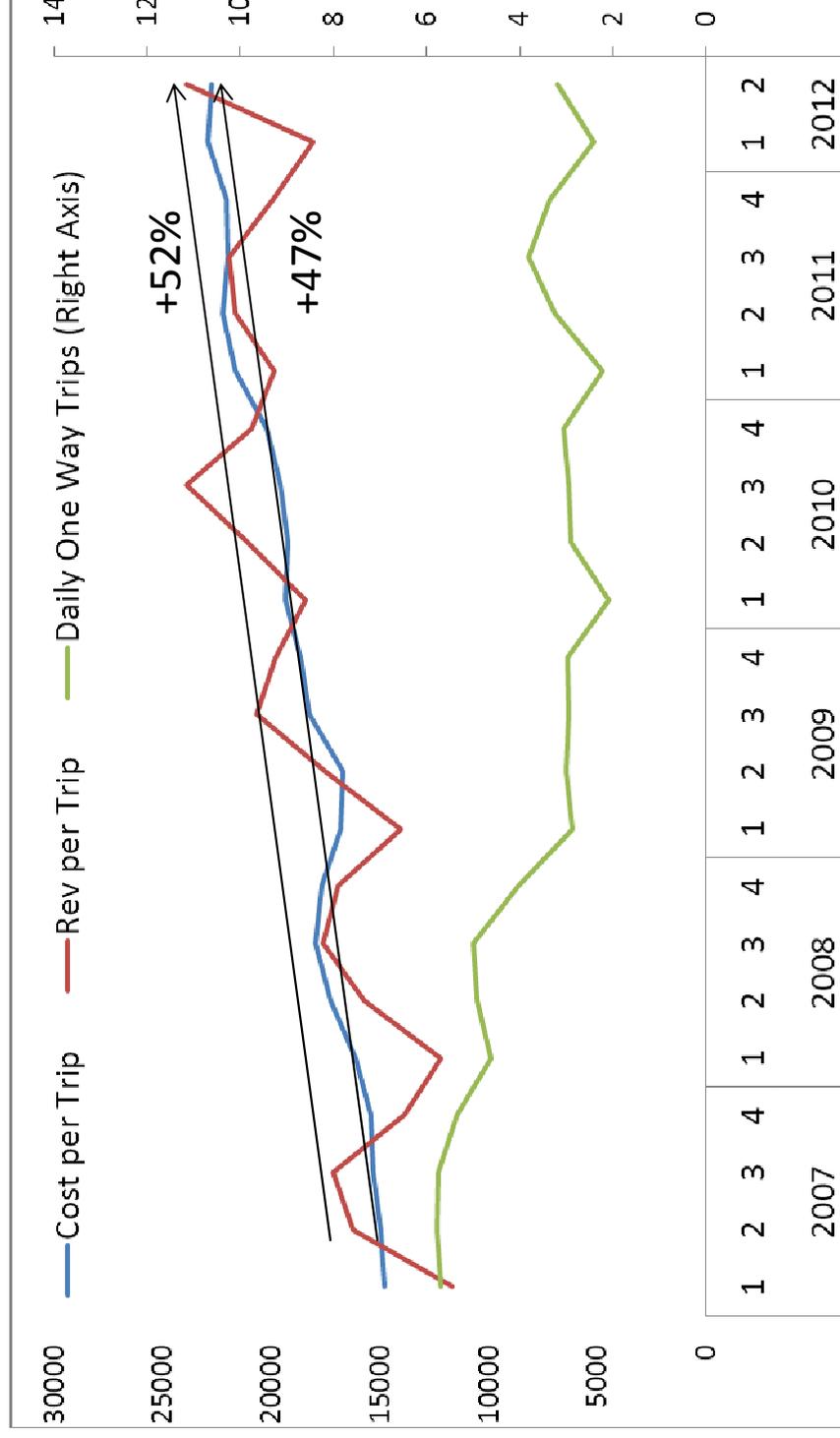
Network Actions: LAX-PHX

- Since 2007, cost per trip has increased 41%, while revenue per trip has grown by 38%
- As fares increased to offset rising costs, nonstop demand fell by 36%; daily trips have been reduced from 13 to 9 in response to lower demand.



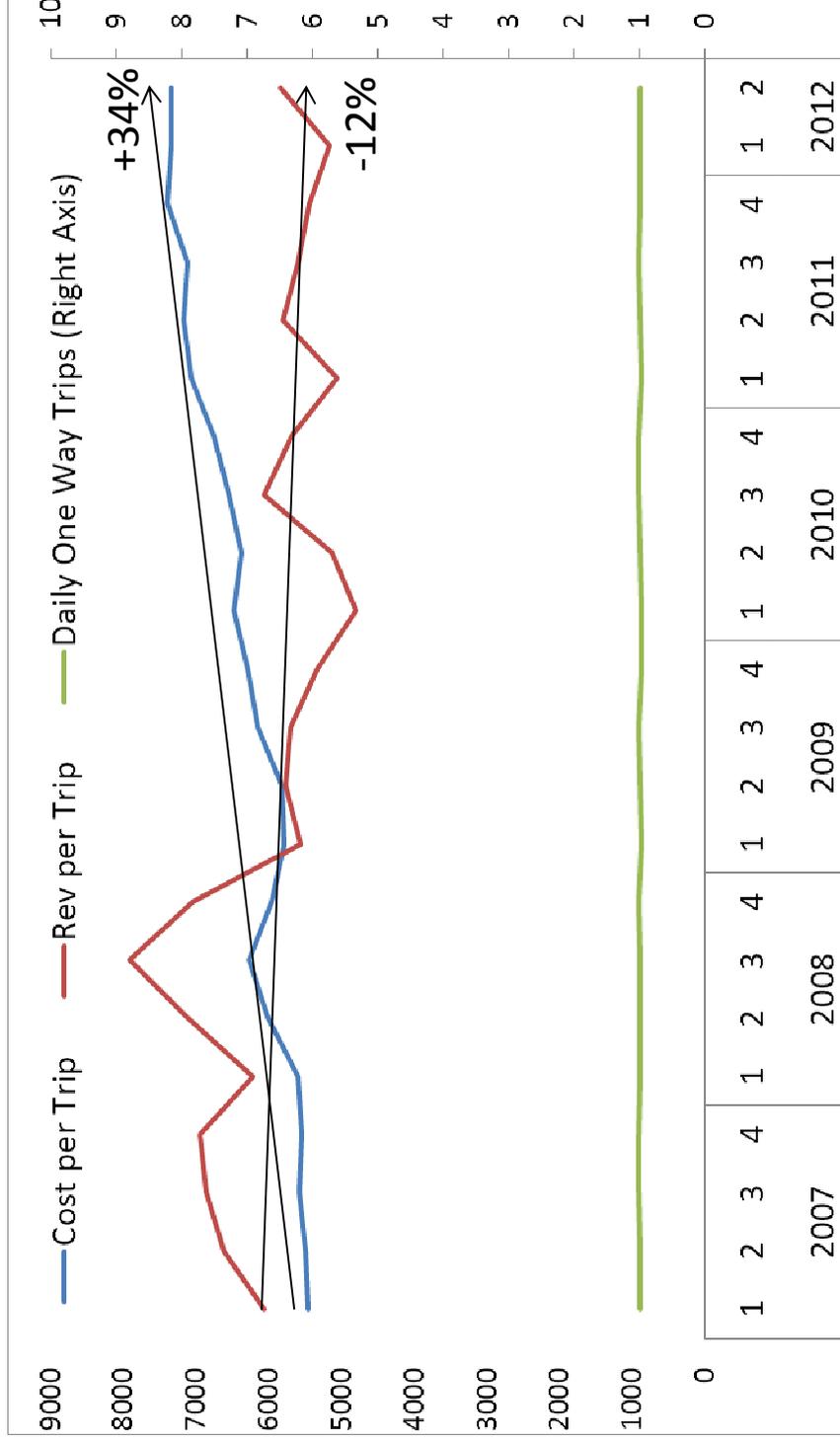
Network Actions: MDW-OAK

- Since 2007, cost per trip (+52%) has grown more quickly than revenue per trip (+47%).
- Nonstop passenger demand has fallen by 63%; an increase in connecting traffic has backfilled some of this loss, but trips have been reduced from 6 to 3 primarily due to lower nonstop demand.

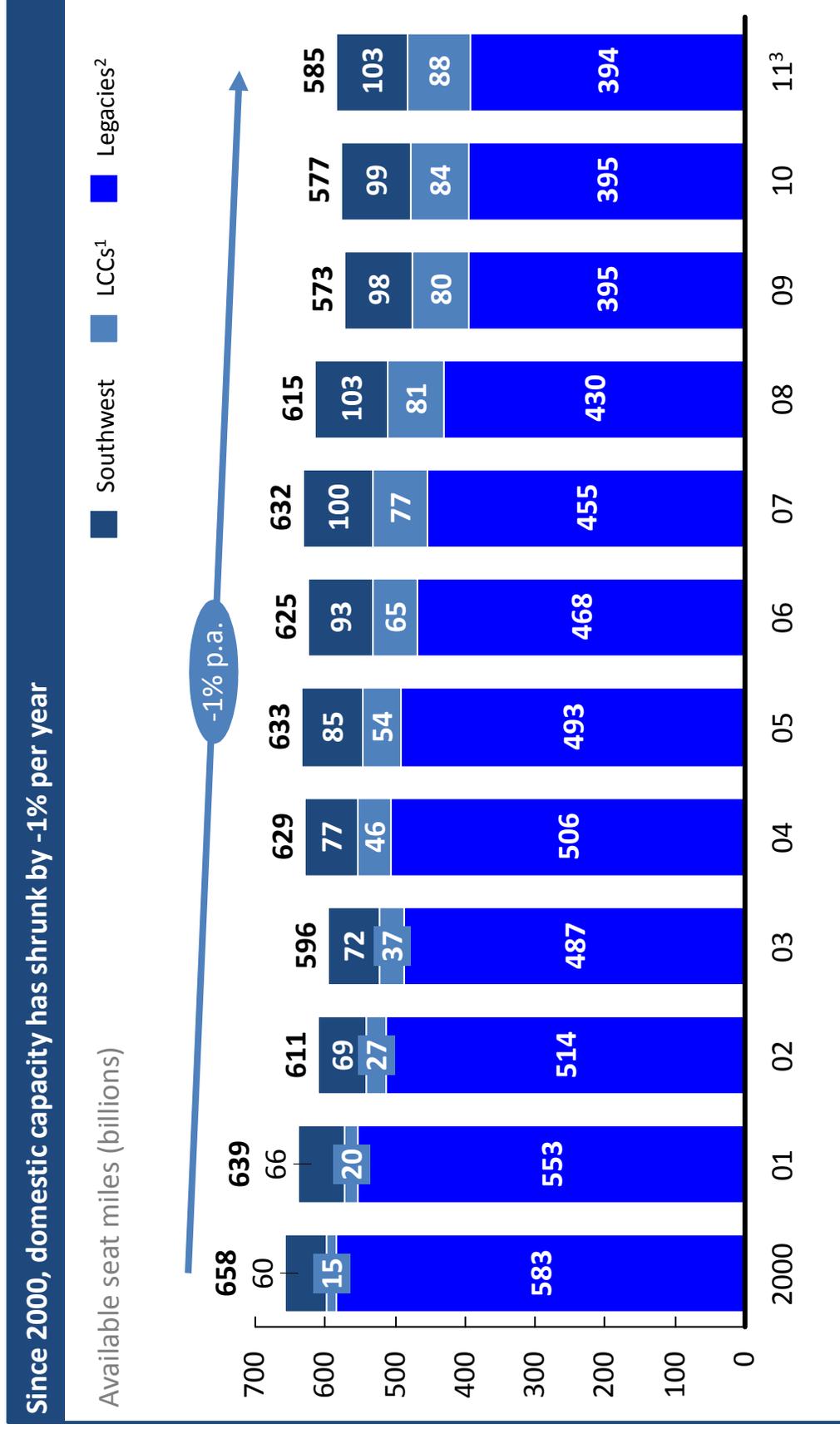


Network Actions: ABQ-MAF

- Since 2007, cost per trip is up 34% and revenue per trip has fallen 12%.
- In response to higher costs, average fares rose by 30%, but passenger demand fell by 38%. Service will end this month.



Overall industry capacity has shrunk since 2000, with LCCs gaining significant share from Legacies...



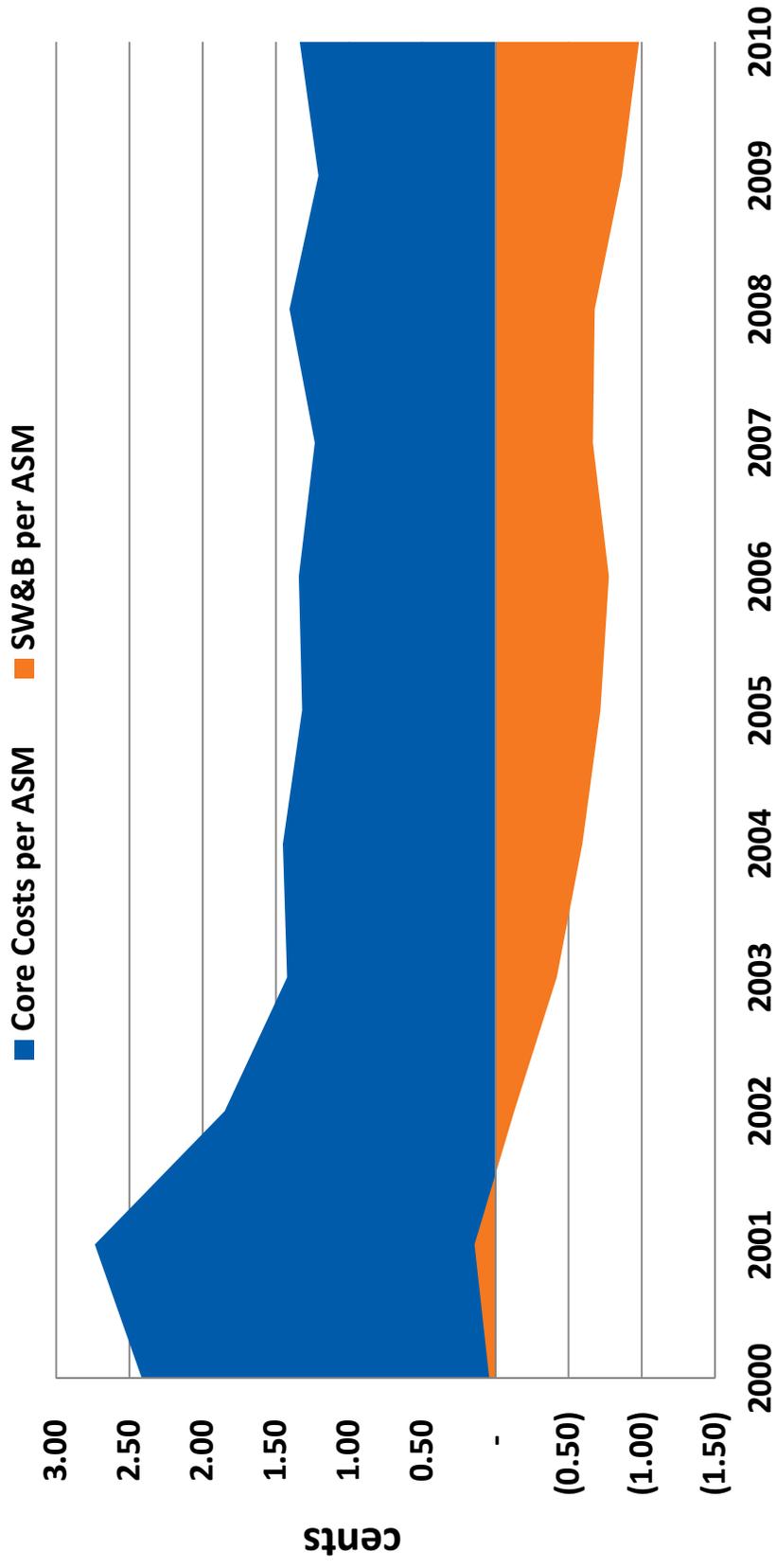
1 Legacy carriers include: Alaska Air lines, American, Continental, Delta, Northwest, United, US Airways

2 Low cost carriers include: AirTran, Allegiant, JetBlue, Frontier, Spirit Airlines and Virgin America

3 TTM from 4Q10 to 3Q11

...and as we both noted last meeting, costs are too high to compete with LCCs—particularly Spirit and Allegiant—in a number of markets

Since 2000, Southwest's core costs* per ASM advantage over the **low cost carriers** has declined 45%, and our SW&B per ASM advantage has turned into a disadvantage



Core costs include: Marketing and Advertising, Landing Fees and Rentals, Depreciation and Amortization, Maintenance, Materials, & Repairs, and Other Operating Expenses
Source: DOT Form 41, Stage Length Adjusted to WN ASL

Discussion of 717 sub-lease to Delta and single fleet type strategy

Delta's potential rationale for 717s (from outside perspective)

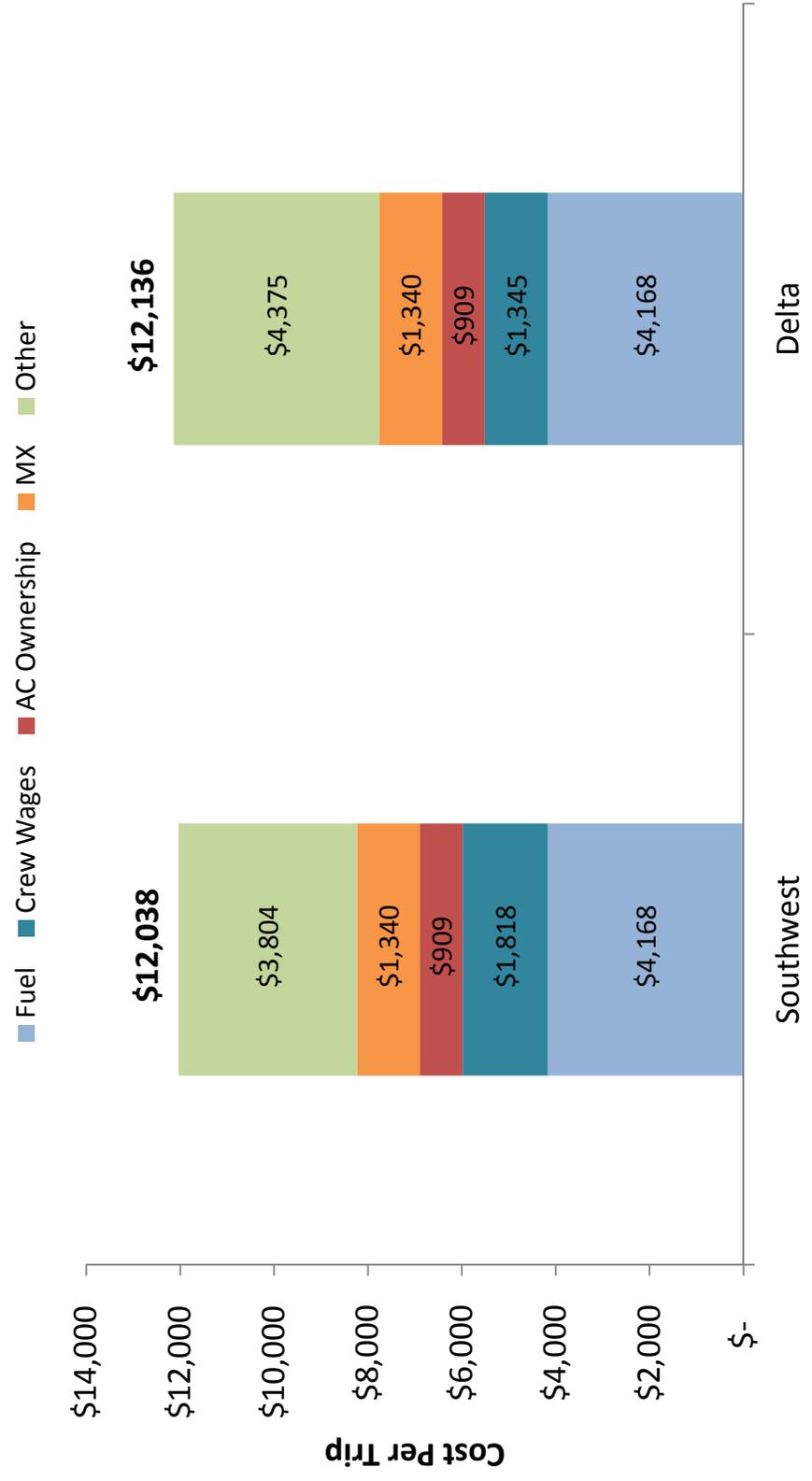
- Allows for removal of 50-seat regionals, which improves their overall fuel economics
- Delta already operates multiple equipment types, and they have a similar type of aircraft (MD-90)
- Agreement with Pilots also included provisions to increase regional and codeshare flexibility

Our rationale for maintaining our single fleet type strategy

- Fuel economics
- Scheduling flexibility
- Irregular operations recovery
- Training cost savings across workgroups (e.g., Pilots, Flight attendants, Maintenance, Ground Ops)
- Inventory cost savings

Delta can operate the 717 at essentially the same trip cost as Southwest and generate higher revenue with a first-class cabin

717 Cost per Trip Comparison (651-700 miles)



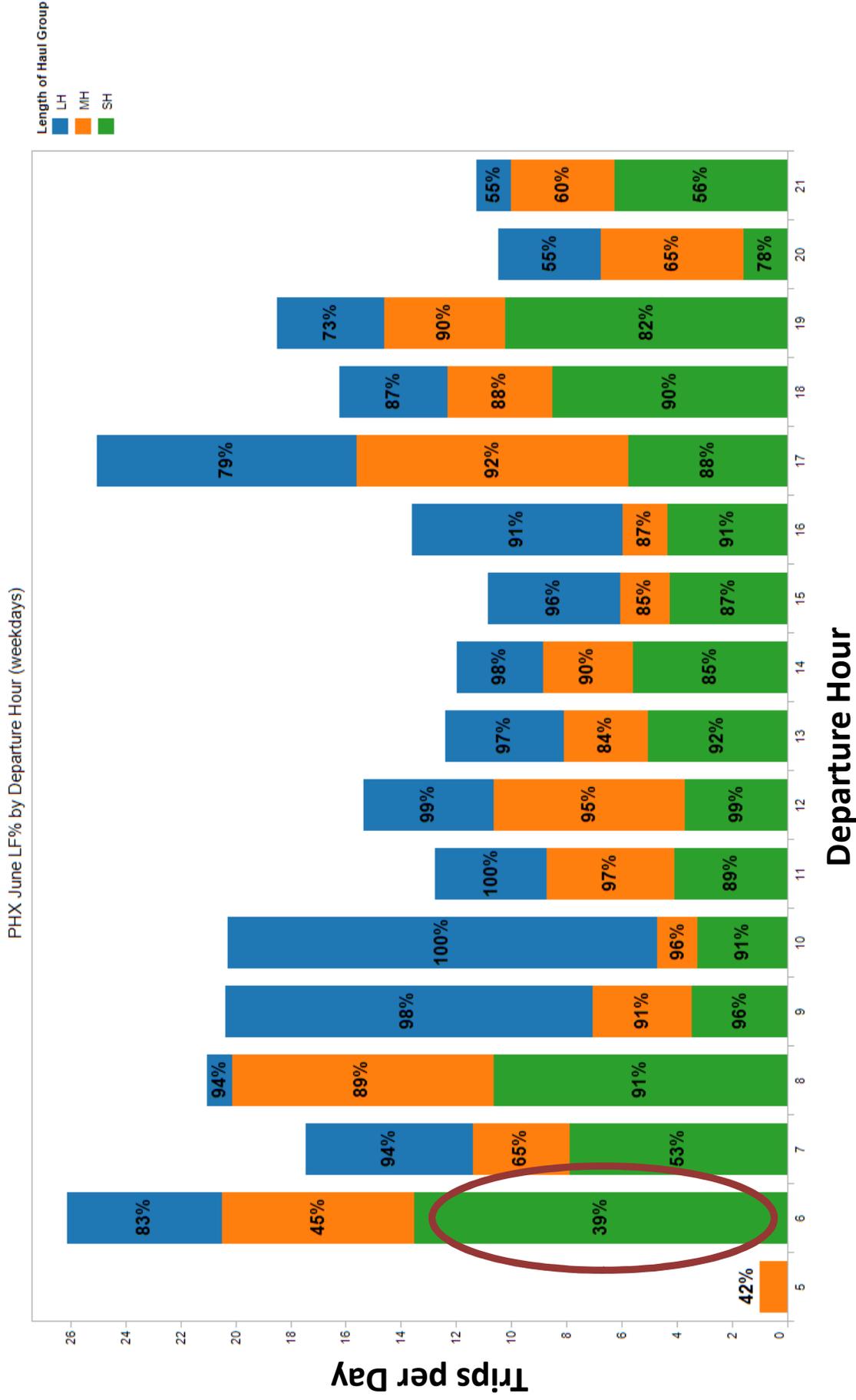
Source: Southwest Internal Data; DOT Form 41 FY2010 Delta narrowbody wages adjusted for DC-9 rates

Crew Base RON Constraints Result in a High Percentage of Low Load Factor Flights

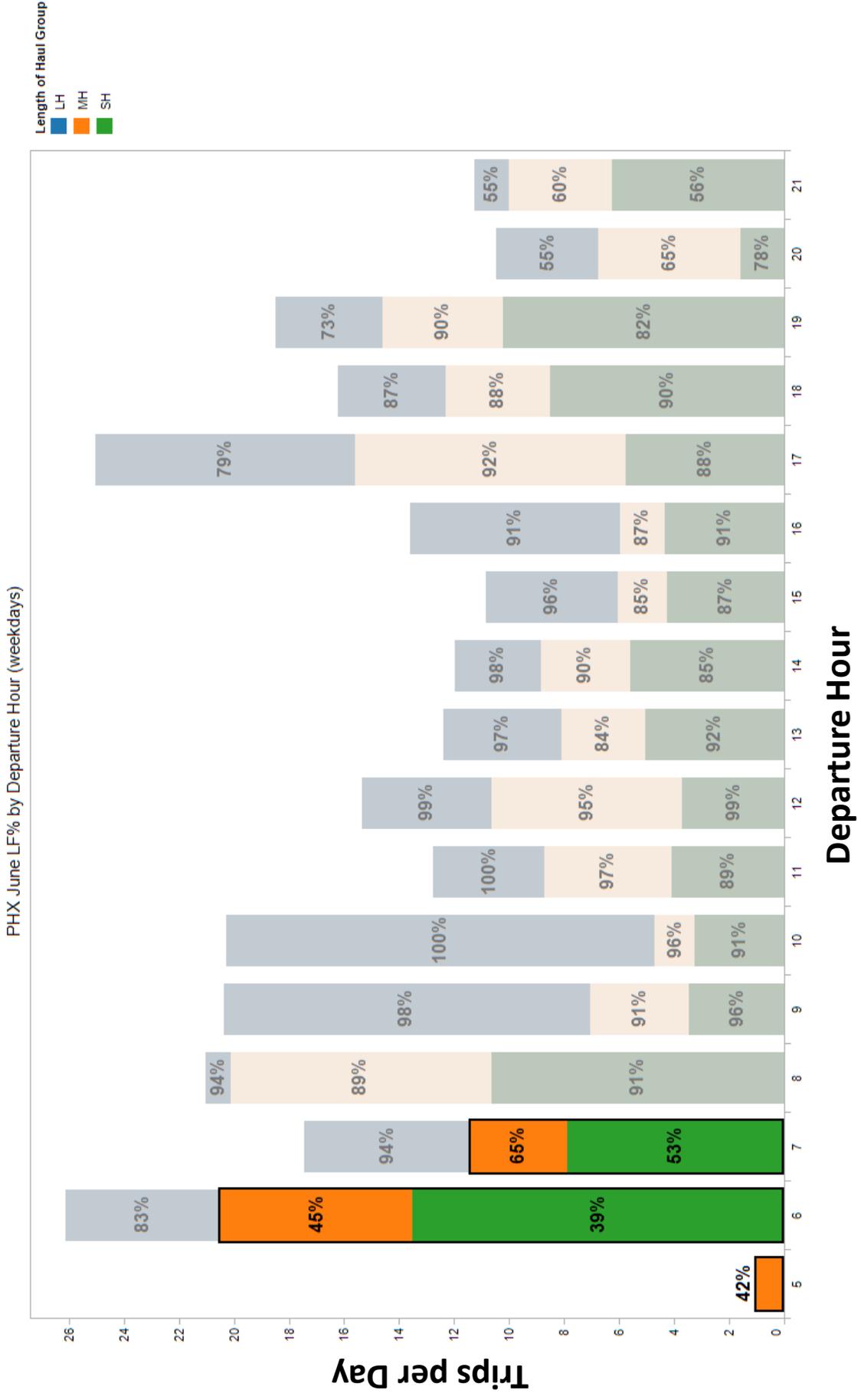
Load Factor Comparison on Flights Before 8am

Origination Station	Destination Station	% of Flights with Less than 50% LF	% of Flights with More than 50% LF
Crew Base	Crew Base	24%	76%
Crew Base	Non-Crew Base	51%	49%
Non-Crew Base	Crew Base	20%	80%
Non-Crew Base	Non-Crew Base	33%	67%

In PHX during June 2012, the average LF on our 13 short-haul flights departing between 600a-700a was 39%



Eight medium-haul flights between 600-700a averaged a 45% LF and performance only marginally improved between 700a-800a



Southwest's Crew Base RON constraints result in a large scheduling disparity versus our competition

