



2010 SOUTHWEST AIRLINES  
**ONE REPORT™**





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#### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

The 2010 Southwest Airlines One Report 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 are based on, and include statements about, the Company's estimates, expectations, beliefs, intentions, and strategies for the future, and are not guarantees of future performance. Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, statements related to (i) the Company's financial outlook; (ii) its growth plans and expectations, including fleet and network plans; (iii) its strategic initiatives and the expected impact of the initiatives on its results of operations and its customer experience, offerings, and benefits; and (iv) its expectations related to its acquisition of AirTran Holdings, Inc. ("AirTran"), including the anticipated benefits of the acquisition. Forward-looking 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) changes in the price of aircraft fuel, the impact of hedge accounting, and any changes to the Company's fuel hedging strategies and positions; (ii) the impact of the economy on demand for air travel and fluctuations in consumer demand generally for the Company's services; (iii) the impact of fuel prices and economic conditions on the Company's overall business plan and strategies; (iv) the Company's ability to successfully integrate AirTran's business and realize the expected synergies from the acquisition; (v) actions of competitors, including without limitation pricing, scheduling, and capacity decisions, and consolidation and alliance activities; (vi) the Company's ability to timely and effectively implement, transition, and maintain the necessary information technology systems and infrastructure to support its operations and initiatives; (vii) the Company's dependence on third parties to assist with implementation of certain of its initiatives; (viii) the impact of governmental regulations on the Company's operations; and (ix) 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 Dec. 31, 2010.



## GARY'S MESSAGE

We credit our success to our Employees, who are our most valuable asset and our competitive advantage.

May 4, 2011

To our Stakeholders:

For the U.S. airline industry, the first decade of this century will forever be known as the “lost decade”—fewer passengers, fewer flights, fewer airplanes, and fewer aviation jobs. Faced with the worst economic recession in aviation history, a worldwide credit crisis, and astronomical jet fuel prices, the airline industry endured billions of lost dollars and numerous bankruptcies and liquidations. And yet, while not immune to the economic collapse, brutal competition, and energy price volatility, Southwest Airlines prevailed. We emerged from the worst decade in aviation history without bankruptcy, without furloughs, without pay cuts, and without degradation of our Customer Experience. We even conquered a feat unmatched in U.S. aviation history, with 2010 marking our 38th consecutive year of profitability. What a tremendous accomplishment for our hard-working, high-spirited Employees.

At Southwest Airlines, we chose not to be a victim of the “lost decade” but rather be motivated by our passion. Our passion and focus on the triple bottom line—Performance, People, and Planet—continues to propel us forward. Our 2010 *Southwest Airlines One Report™* expands on our accomplishments from our award-winning 2009 *Southwest Airlines One Report™* and further adheres to the Global Reporting Initiative (GRI), an internationally recognized standard for triple bottom line reporting. The 2010 One Report fully complies with the GRI’s B+ application level, and we are excited to feature an enhanced, microsite format for the 2010 One Report.





## GARY'S MESSAGE

### PERFORMANCE

We began 2010 amid escalating fuel prices and a fragile domestic economy. However, our 2010 results were much stronger than we anticipated. We experienced industry-leading revenue growth, record load factors, and market share gains—all without nickel-and-diming our Customers. We continue to receive the distinct designation as the largest domestic airline.<sup>1</sup>

Our net income grew to \$459 million, a 364 percent year-over-year increase. Demand for our low fares and high-quality Customer Service strengthened, especially among business travelers in the second half of 2010. We ended the year with a record annual load factor of 79.3 percent. Our total operating revenues grew year-over-year nearly 17 percent to \$12.1 billion. Our cost containment efforts continued to help mitigate operating cost pressures, largely from fuel costs. Further, we preserved our balance sheet strength and financial health as the only investment grade-rated U.S. airline.

Although we had virtually no seat mile growth in 2010, we continued to strengthen our network through schedule optimization, which allowed us to introduce our legendary, low-fare service to Panama City Beach, Fla., and grow key markets like Denver, Boston, and St. Louis. Boosted by Bags Fly Free® and No Change Fees, our share of the domestic market grew to 21 percent.<sup>1</sup>

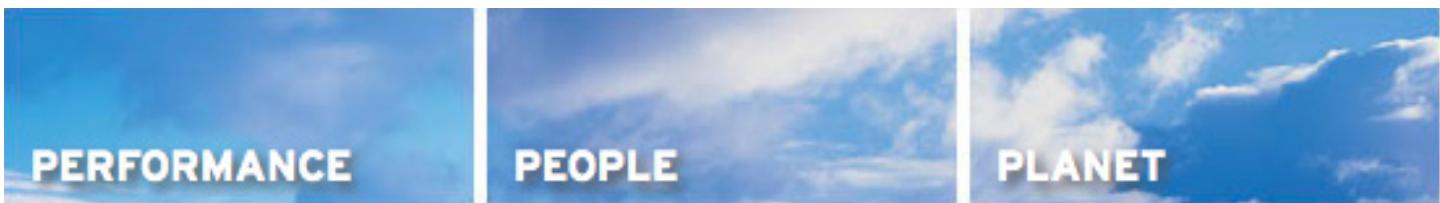
Without a doubt, the big news in 2010 was our proposed acquisition of AirTran Holdings, Inc., the parent company of AirTran Airways. We closed the transaction on May 2, 2011.

We estimate it will take several years to fully transition AirTran into Southwest to become one airline. But, we are excited and, more importantly, we are well-prepared from the Leadership, Operations, Customer Service, and financial perspectives.

The AirTran acquisition provides the opportunity for growth of low fares, Customers, destinations, aircraft, jobs, and profits. Through a broader national presence, we expect to generate hundreds of millions in incremental annual revenues upon full integration, accelerating our ability to achieve our long-term financial targets.

### PEOPLE

We credit our success to our Employees, who are our most valuable asset and our competitive advantage. Their Warrior Spirit helped us emerge victoriously through the “lost decade.” Our audacious People create a FUN travel experience, respond with compassion when travel plans change, generate innovative ideas that enhance the Customer Experience, and donate their time and LUV to those who need it. Every day they embody the true essence of Southwest Airlines with a Warrior Spirit, a Servant’s Heart, and a Fun-LUVing Attitude.



## GARY'S MESSAGE

We made significant progress in 2010 on our strategic initiatives dedicated to responding to Customers' needs. We continued our immensely popular Bags Fly Free® advertising campaign to remind our Customers that we don't believe in charging for services that should inherently be part of the travel experience. This philosophy is echoed in our No Change Fees policy. We launched inflight Internet connectivity, now available on more than 70 of our 737-700s, and began offering international connecting itineraries through Volaris, Mexico's second largest airline.

We strive to be much more than a business, to make a positive difference in the communities we serve. In 2010, we donated more than \$13.9 million to our communities, and our Employees volunteered more than 80,000 hours.

## PLANET

We're passionate about our commitment to the Planet, a natural extension of our LUVing Culture. It's about more than just doing the right thing. Respecting the environment also makes good business sense.

We're implementing Required Navigation Performance (RNP) technology to conserve jet fuel, retrofitting ground service equipment (GSE) to consume cleaner-burning fuels, making energy-efficient improvements at our Headquarters to reduce electricity use. As a result, we're continuing to reduce our greenhouse gas emissions. We are continuously seeking new and better ways to further reduce our impact on the environment, and have set improvement goals for 2011 and beyond related to renewable energy, electric GSE, RNP technology, and systemwide recycling. We're also contributing to industry-wide goals for fuel efficiency and emissions reduction.

And, as part of our commitment to conserve our natural resources, we're publishing our 2010 One Report exclusively online.

## PROPELLING US FORWARD

In our 40th year of operations, at the dawn of a new decade, we are focused on four big initiatives: the integration of AirTran into Southwest, our All-New Rapid Rewards™ program, the addition of the Boeing 737-800 beginning in 2012, and the replacement of our reservations system.

In addition to our four big initiatives, we will continue to deliver the highest quality of Customer Service, take actions to enhance the Customer Experience, rollout inflight Internet connectivity across our fleet, make a difference in our communities, implement Required Navigational Performance (RNP) across our system, and conserve our natural resources.

And just because we meet a goal we set, it doesn't mean we stop trying to improve. In our 2009 One Report, we set a goal to increase the total amount of paper, plastic, aluminum, and cardboard recycled from our facilities and aircraft by 25 percent. We exceeded that goal with a 65 percent improvement in 2010 over our 2009 totals. We plan to continue our momentum in the future, with a goal to increase recycling totals by 10 percent in 2011.



## GARY'S MESSAGE

2010 was a busy year for Southwest Airlines, and 2011 is already proving to be equally challenging. But, I am confident our Employees are up for the challenge as they continue to demonstrate their ability to successfully implement change.

We remain among the top low-cost producers of major airlines. We have affirmed our position as America's low-fare leader by not nickel-and-diming our Customers but instead through our successful Bags Fly Free® and No Change Fees campaigns. We hold the top ranking for Customer Satisfaction, as measured by the U.S. Department of Transportation, and we were ranked fourth on *Fortune*'s 2011 list of the World's Most Admired Companies, easily the highest ranking commercial airline.

Even in a tough economy, we reach down and bring out our Warrior Spirit and prevail. I'm proud of our People for making it a great 2010 and am excited about what the future holds for Southwest Airlines.

A handwritten signature in black ink that reads "Gary C. Kelly". The signature is fluid and cursive, with "Gary" on the top line and "C. Kelly" on the bottom line.

**Gary C. Kelly**  
*Chairman of the Board, President, and Chief Executive Officer*  
*Southwest Airlines*

<sup>1</sup>As measured by the number of originating passengers boarded and based on data available from the U.S. Department of Transportation as of Sept. 30, 2010

## PERFORMANCE

## PEOPLE

## PLANET

### PERFORMANCE

Our Performance in 2010 marked our 38th consecutive year of profitability—a feat unmatched in U.S. aviation history. We experienced industry-leading revenue growth, record load factors, and market share gains—all without nickel-and-diming our Customers.



Our strong results in 2010 are a notable demonstration of our Employees' Warrior Spirits in the face of a recovering economic environment and volatile fuel prices. Thanks to their relentless hard work, we were prepared. Our network optimization; enhancements to our revenue management; and an overall rebound in Customer demand, particularly business Passengers, significantly boosted our revenues. We remained true to our low-fare brand, refusing to follow the industry's efforts to pile on additional fees and surcharges. Instead, we offered Customers a choice in paying more for optional services. As we continued our focus on superior Customer Service, we experienced record load factors in all but one month of the year and grew our market share. We held on to the distinct designation as the largest domestic airline.<sup>1</sup> Our cost containment efforts continued to help mitigate operating cost pressures, largely due to volatile fuel costs. Although we had virtually no seat mile growth in 2010, we continued to strengthen our network through optimization, which allowed us to introduce Southwest's legendary low-fare service to Panama City Beach, Fla., and grow key markets like Denver, Boston, and St. Louis. We preserved our balance sheet strength and financial health, supporting our confidence to chart our exciting course for the next five years and beyond—a course that we believe will allow us to profitably grow Southwest Airlines and achieve our 15 percent pretax return on invested capital financial target.

We achieved another year of profitability by staying true to the core principles on which we were founded—low fares, low costs, and dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company SPIRIT. This passion is what propels us forward to continually improve for our Shareholders, our Customers, our communities, our Planet, and ourselves.

**PERFORMANCE****PEOPLE****PLANET****PERFORMANCE****CONSOLIDATED HIGHLIGHTS**

dollars in millions, except per share amounts

	2009	2010	CHANGE
Operating revenues	\$ 10,350	\$ 12,104	16.9%
Operating expenses	\$ 10,088	\$ 11,116	10.2%
Operating income	\$ 262	\$ 988	227.1%
Operating margin	2.5%	8.2%	5.7 pts.
Net income	\$ 99	\$ 459	363.6%
Net margin	1.0%	3.8%	2.8 pts.
Net income per share, basic	\$ 0.13	\$ 0.62	376.9%
Net income per share, diluted	\$ 0.13	\$ 0.61	369.2%
Stockholders' equity	\$ 5,454	\$ 6,237	14.1%
Return on average stockholders' equity	1.9%	7.9%	6.0 pts.
Stockholders' equity per common share outstanding	\$ 7.34	\$ 8.35	13.8%
Revenue passengers carried	86,310,229	88,191,322	2.2%
Revenue passenger miles (RPMs) (000s)	74,456,710	78,046,967	4.8%
Available seat miles (ASMs) (000s)	98,001,550	98,437,092	0.4%
Passenger load factor	76.0%	79.3%	3.3 pts.
Passenger revenue yield per RPM	13.29¢	14.72¢	10.8%
Operating revenue yield per ASM	10.56¢	12.30¢	16.5%
Operating expenses per ASM	10.29¢	11.29¢	9.7%
Aircraft in service at yearend	537	548	2.0%
Full-time equivalent Employees at yearend	34,726	34,901	0.5%

<sup>1</sup> As measured by the number of originating passengers boarded and based on data available from the U.S. Department of Transportation as of Sept. 30, 2010.



**PERFORMANCE**



**PEOPLE**



**PLANET**

## PERFORMANCE > PAST PERFORMANCE

Southwest Airlines' 38th consecutive year of profitability is a feat unmatched in U.S. aviation history.

At Southwest Airlines, we continually aspire to be the best, to be America's preferred low-cost airline. This page offers a historical look at our continuous improvement over the past decade, measured through the consolidated financials and Performance metrics shown.



## Ten-Year Summary

SELECTED CONSOLIDATED FINANCIAL DATA (GAAP)

dollars in millions, except per share amounts

**OPERATING REVENUES**

	2010	2009	2008	2007
Passenger	\$11,489	\$ 9,892	\$10,549	\$ 9,457
Freight	125	118	145	130
Other	490	340	329	274
Total operating revenues	12,104	10,350	11,023	9,861
Operating expenses	11,116	10,088	10,574	9,070
Operating income	988	262	449	791
Other expenses (income), net	243	98	171	(267)
Income before income taxes	745	164	278	1,058
Provision for income taxes	286	65	100	413
Net income	\$ 459	\$ 99	\$ 178	\$ 645
Net income per share, basic	\$ .62	\$ .13	\$ .24	\$ .85
Net income per share, diluted	\$ .61	\$ .13	\$ .24	\$ .84
Cash dividends per common share	\$ .0180	\$ .0180	\$ .0180	\$ .0180
Total assets	\$15,463	\$14,269	\$14,068	\$16,772
Long-term debt less current maturities	\$ 2,875	\$ 3,325	\$ 3,498	\$ 2,050
Stockholders' equity	\$ 6,237	\$ 5,454	\$ 4,953	\$ 6,941

**CONSOLIDATED FINANCIAL RATIOS**

Return on average total assets	3.1%	0.7%	1.2%	4.3%
Return on average stockholders' equity	7.9%	1.9%	3.0%	9.6%
Operating margin	8.2%	2.5%	4.1%	8.0%
Net margin	3.8%	1.0%	1.6%	6.5%

**CONSOLIDATED OPERATING STATISTICS**

Revenue Passengers carried	88,191,322	86,310,229	88,529,234	88,713,472
Enplaned Passengers	106,227,521	101,338,228	101,920,598	101,910,809
Revenue Passenger miles (RPMs) (000s)	78,046,967	74,456,710	73,491,687	72,318,812
Available seat miles (ASMs) (000s)	98,437,092	98,001,550	103,271,343	99,635,967
Passenger load factor	79.3%	76.0%	71.2%	72.6%
Average length of Passenger haul (miles)	885	863	830	815
Average stage length (miles)	648	639	636	629
Aircraft utilization (hours and minutes per day)	10:48	10:50	11:36	11:41
Trips flown	1,114,451	1,125,111	1,191,151	1,160,699
Average Passenger fare	\$130.27	\$114.61	\$119.16	\$106.60
Passenger revenue yield per RPM	14.72¢	13.29¢	14.35¢	13.08¢
Operating revenue yield per ASM	12.30¢	10.56¢	10.67¢	9.90¢
Operating expenses per ASM	11.29¢	10.29¢	10.24¢	9.10¢
Operating expenses per ASM, excluding fuel	7.61¢	7.19¢	6.64¢	6.40¢
Fuel cost per gallon (average)	\$ 2.51	\$ 2.12	\$ 2.44	\$ 1.80
Fuel consumed, in gallons (millions)	1,437	1,428	1,511	1,489
Full-time equivalent Employees at yearend	34,901	34,726	35,499	34,378
Aircraft in service at yearend <sup>1</sup>	548	537	537	520

<sup>1</sup> Includes leased aircraft<sup>2</sup> After cumulative effect of change in accounting principle

## PERFORMANCE

## PEOPLE

## PLANET

2006	2005	2004	2003	2002	2001
\$ 8,750	\$ 7,279	\$ 6,280	\$ 5,741	\$ 5,341	\$ 5,379
134	133	117	94	85	91
202	172	133	102	96	85
9,086	7,584	6,530	5,937	5,522	5,555
8,152	6,859	6,126	5,558	5,181	5,016
934	725	404	379	341	539
144	(54)	65	(225)	24	(197)
790	779	339	604	317	736
291	295	124	232	129	285
\$ 499	\$ 484	\$ 215	\$ 372	\$ 188	\$ 451 <sup>2</sup>
\$ .63	\$ .61	\$ .27	\$ .48	\$ .24	\$ .59 <sup>2</sup>
\$ .61	\$ .60	\$ .27	\$ .46	\$ .23	\$ .56 <sup>2</sup>
\$ .0180	\$ .0180	\$ .0180	\$ .0180	\$ .0180	\$ .0180
\$13,460	\$14,003	\$11,137	\$ 9,693	\$ 8,766	\$ 8,779
\$ 1,567	\$ 1,394	\$ 1,700	\$ 1,332	\$ 1,553	\$ 1,327
\$ 6,449	\$ 6,675	\$ 5,527	\$ 5,029	\$ 4,374	\$ 3,921
3.6%	3.9%	2.1%	4.0%	2.1%	5.9%
7.6%	7.9%	4.1%	7.9%	4.5%	12.4%
10.3%	9.6%	6.2%	6.4%	6.2%	9.7%
5.5%	6.4%	3.3%	6.3%	3.4%	8.1%
83,814,823	77,693,875	70,902,773	65,673,945	63,045,988	64,446,773
96,276,907	88,379,900	81,066,038	74,719,340	72,462,123	73,628,723
67,691,289	60,223,100	53,418,353	47,943,066	45,391,903	44,493,916
92,663,023	85,172,795	76,861,296	71,790,425	68,886,546	65,295,290
73.1%	70.7%	69.5%	66.8%	65.9%	68.1%
808	775	753	730	720	690
622	607	576	558	537	514
11:34	11:25	11:20	11:09	11:12	11:10
1,092,331	1,028,639	981,591	949,882	947,331	940,426
\$104.40	\$ 93.68	\$ 88.57	\$ 87.42	\$ 84.72	\$ 83.46
12.93¢	12.09¢	11.76¢	11.97¢	11.77¢	12.09¢
9.81¢	8.90¢	8.50¢	8.27¢	8.02¢	8.51¢
8.80¢	8.05¢	7.97¢	7.74¢	7.52¢	7.68¢
6.34¢	6.34¢	6.54¢	6.47¢	6.30¢	6.39¢
\$ 1.64	\$ 1.13	\$ .92	\$ .80	\$ .75	\$ .78
1,389	1,287	1,201	1,143	1,117	1,086
32,664	31,729	31,011	32,847	33,705	31,580
481	445	417	388	375	355



**PERFORMANCE**



**PEOPLE**



**PLANET**

## PERFORMANCE > 2010 PERFORMANCE

We were prepared for 2010 with an optimized capacity deployment to profitably offer a preferred, more robust network for our Customers.

While the U.S. economy improved moderately in 2010, consumer behavior patterns remained uncertain, and fuel prices continued to increase. While the airline industry reacted with leaner domestic flight schedules, we optimized our flight schedules to offer a preferred, more robust network for our Customers despite no year-over-year growth in our available seat miles. Throughout the year, air travel demand improved, but fuel continued to soar. While many of our competitors added fuel surcharges and continued to charge for checking bags, we remained true to our low-fare brand and corporate philosophy, refusing to charge our Customers excessive fees. Dedication to our low-fare brand, prudent capacity discipline, revenue management enhancements, and our award-winning Customer Service contributed to making 2010 our 38th consecutive year of profitability, an accomplishment unmatched in U.S. aviation history. We also achieved the following outstanding Performance metrics:

- \* Grew our net income by 364 percent to \$459 million as compared to 2009
- \* Excluding special items, net income was \$550 million or a record 74 cents per diluted share
- \* Achieved record total operating revenues of \$12.1 billion
- \* Achieved a record annual load factor<sup>1</sup> of 79.3 percent
- \* Produced lower unit costs, on average, than most major carriers, adjusted for stage length
- \* Maintained the strongest Balance Sheet in the domestic airline industry
- \* Received the highest industry Customer satisfaction rating<sup>2</sup>
- \* Increased domestic market share to 21 percent<sup>3</sup>
- \* Maintained the distinction of being the largest U.S. carrier in terms of Passengers boarded<sup>3</sup>
- \* Achieved a return on invested capital (ROIC), before taxes and excluding special items, of approximately 10 percent for 2010, which was approximately double our 2009 ROIC results

## PERFORMANCE

## PEOPLE

## PLANET

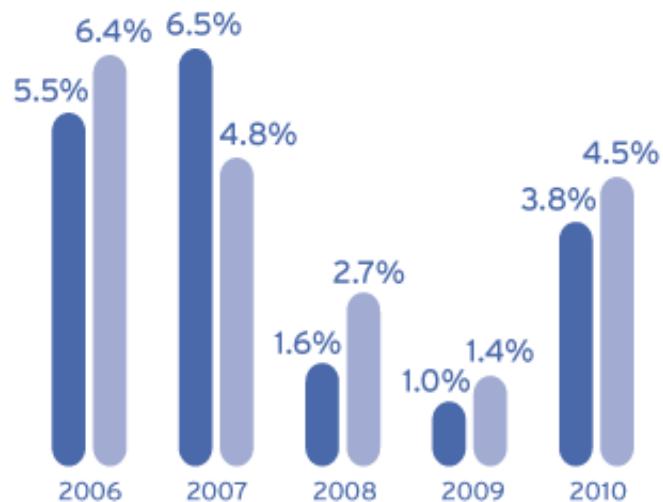
### PERFORMANCE > 2010 PERFORMANCE

#### NET INCOME

millions of dollars



#### NET MARGIN



■ GAAP ■ NON-GAAP

**PERFORMANCE****PEOPLE****PLANET****PERFORMANCE > 2010 PERFORMANCE****RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP FINANCIAL MEASURES**

dollars in millions, except per share amounts (unaudited, see note regarding use of non-GAAP financial measures)

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Net Income, as reported</b>	\$ 499	\$ 645	\$ 178	\$ 99	\$ 459
Add/(Deduct): Net impact from fuel contracts	142	(319)	206	14	139
Add/(Deduct): Income tax impact of fuel contracts	(54)	122	(78)	(5)	(52)
Add: Charge from voluntary early-out program, net <sup>4</sup>	–	12	–	35	–
Deduct: Change in Texas state tax law, net	(9)	–	–	–	–
Add/(Deduct): Charge (Reversal) from change in Illinois state income tax law, net	–	11	(12)	–	–
Add: Charge for AirTran Airways integration costs, net <sup>4</sup>	–	–	–	–	4
<b>Net Income, non-GAAP</b>	<b>\$ 578</b>	<b>\$ 471</b>	<b>\$ 294</b>	<b>\$ 143</b>	<b>\$ 550</b>
<b>Net Income per share, diluted, as reported</b>	<b>\$ 0.61</b>	<b>\$ 0.84</b>	<b>\$ 0.24</b>	<b>\$ 0.13</b>	<b>\$ 0.61</b>
Add/(Deduct): Net impact from fuel contracts	0.10	(0.26)	0.17	0.02	0.12
Add/(Deduct): Impact of special items, net <sup>4</sup>	(0.01)	0.03	(0.01)	0.04	0.01
<b>Net Income per share, diluted, non-GAAP</b>	<b>\$ 0.70</b>	<b>\$ 0.61</b>	<b>\$ 0.40</b>	<b>\$ 0.19</b>	<b>\$ 0.74</b>

**PERFORMANCE****PEOPLE****PLANET****PERFORMANCE > 2010 PERFORMANCE**

<b>Net margin, as reported<sup>5</sup></b>	5.5%	6.5%	1.6%	1.0%	3.8%
Add/(Deduct): Net impact from fuel contracts	1.6%	(3.1%)	1.9%	0.1%	1.1%
Add/(Deduct): Income tax impact of fuel contracts	(0.6%)	1.2%	(0.7%)	–	(0.4%)
	6.5%	4.6%	2.8%	1.1%	4.5%
Deduct: Change in Texas state tax law, net	(0.1%)	–	–	–	–
Add/(Deduct): Charge (Reversal) from change in Illinois state income tax law, net	–	0.1%	(0.1%)	–	–
Add: Charge from voluntary early out program, net <sup>4</sup>	–	0.1%	–	0.3%	–
<b>Net margin, non-GAAP</b>	<b>6.4%</b>	<b>4.8%</b>	<b>2.7%</b>	<b>1.4%</b>	<b>4.5%</b>

**Return on Invested capital (ROIC), pretax:**

<b>Operating Income, as reported</b>	<b>\$ 934</b>	<b>\$ 791</b>	<b>\$ 449</b>	<b>\$ 262</b>	<b>\$ 988</b>
Add/(Deduct): Net impact from fuel contracts	41	41	187	222	172
Add: Charge from voluntary early-out program, net <sup>6</sup>	–	21	–	56	–
Add: Charge for AirTran Airways integration costs, net <sup>6</sup>	–	–	–	–	7
<b>Operating Income, non-GAAP</b>	<b>975</b>	<b>853</b>	<b>636</b>	<b>540</b>	<b>1,167</b>
Net adjustment for aircraft leases <sup>7</sup>	72	67	67	91	84
Adjustment for fuel hedge accounting	(52)	(58)	(69)	(148)	(134)
<b>Adjusted operating income, non-GAAP</b>	<b>\$ 995</b>	<b>\$ 862</b>	<b>\$ 634</b>	<b>\$ 483</b>	<b>\$ 1,117</b>

**PERFORMANCE****PEOPLE****PLANET****PERFORMANCE > 2010 PERFORMANCE**

<b>Average Invested capital<sup>8</sup></b>	\$ 9,667	\$ 9,335	\$ 10,669	\$ 9,876	\$ 10,431
<b>Equity adjustment for fuel hedge accounting</b>	(897)	(884)	(1,273)	763	434
<b>Adjusted average invested capital</b>	<b>\$ 8,770</b>	<b>\$ 8,451</b>	<b>\$ 9,396</b>	<b>\$ 10,639</b>	<b>\$ 10,865</b>
<b>ROIC, pretax<sup>9</sup></b>	<b>11%</b>	<b>10%</b>	<b>7%</b>	<b>5%</b>	<b>10%</b>

<sup>1</sup> Percentage of seats filled by fare-paying Passengers

<sup>2</sup> Based on fewest complaints per 100,000 Customers boarded, U.S. Department of Transportation

<sup>3</sup> As measured by the number of originating passengers boarded and based on data available from the U.S. Department of Transportation as of Sept. 30, 2010

<sup>4</sup> Amounts shown net of profitsharing impact and taxes

<sup>5</sup> Net income, as reported, divided by total operating revenues

<sup>6</sup> Amounts shown net of profitsharing impact

<sup>7</sup> Net adjustment related to presumption that all aircraft in fleet are owned

<sup>8</sup> Average invested capital represents a five quarter average of debt, net present value of aircraft leases, and equity

<sup>9</sup> Calculated as adjusted operating income, non-GAAP, divided by adjusted average invested capital



## PERFORMANCE > 2010 PERFORMANCE

### NOTE REGARDING USE OF NON-GAAP FINANCIAL MEASURES

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). These GAAP financial statements include unrealized non-cash adjustments and reclassifications, which can be significant, as a result of accounting requirements and elections made under accounting pronouncements relating to derivative instruments and hedging.

The Company also provides financial information included that was not prepared in accordance with GAAP and should not be considered as an alternative to the information prepared in accordance with GAAP. The Company provides supplemental non-GAAP financial information that it sometimes refers to as "economic," which the Company's management utilizes to evaluate its ongoing financial performance and the Company believes provides greater transparency to investors as supplemental information to its GAAP results. The Company's economic financial results differ from GAAP results in that they only include the actual cash settlements from fuel hedge contracts—all reflected within Fuel and oil expense in the period of settlement. Thus, Fuel and oil expense on an economic basis reflects the Company's actual net cash outlays for Fuel during the applicable period, inclusive of settled fuel derivative contracts. Any net premium costs paid related to option contracts are reflected as a component of Other (gains) losses, net, for both GAAP and non-GAAP purposes in the period of contract settlement. These economic results provide a better measure of the impact of the Company's fuel hedges on its operating performance and liquidity since they exclude the unrealized, non-cash adjustments and reclassifications that are recorded in GAAP results in accordance with accounting pronouncements relating to derivative instruments and hedging, and they reflect all cash settlements related to fuel derivative contracts within Fuel and oil expense. This enables the Company's management, as well as investors, to consistently assess its operating performance on a year-over-year or quarter-over-quarter basis after considering all programs in place to curtail fuel expense. However, because these measures are not determined in accordance with GAAP, such measures are susceptible to varying calculations and not all companies calculate the measures in the same manner. As a result, the aforementioned measures, as presented, may not be directly comparable to similarly titled measures presented by other companies.

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## PERFORMANCE > 2010 PERFORMANCE > REVENUES

In 2010, we experienced a \$1.8 billion increase in total operating revenues compared to 2009.



Our 2010 total operating revenues of \$12.1 billion increased approximately \$1.8 billion, or 16.9 percent, from 2009. Our operating unit revenues<sup>1</sup> increased 16.5 percent over 2009 to a record 12.30 cents. Passenger unit revenues were also a record 11.67 cents, a 15.7 percent year-over-year improvement due to the combination of strong Passenger yields<sup>2</sup> and record load factors.

Our freight and other revenues increased more than \$150 million, primarily due to approximately \$120 million in incremental revenues attributed to initiatives launched in mid-to-late 2009 such as EarlyBird Check-In™, P.A.W.S. (Pets Are Welcome on Southwest), and an Unaccompanied Minor service charge.

### LOW-FARE BRAND

Southwest Airlines was founded on the principles of low fares, low costs, and great Customer Service—often marching to the beat of our own drum. Not veering from those core principles has served us well for nearly 40 years, and we believe positions us well for the next decade and beyond. We continue to differentiate ourselves from our competitors by not charging for things we believe should be free. That means No Change Fees; free snacks, seat selection, curbside checkin, and telephone reservations; and, most importantly, every Customer's first two bags are checked with no charge. During 2010, we expanded our Bags Fly Free® policy to allow each ticketed Customer to check one stroller and one car seat free of charge in addition to two free pieces of checked luggage.

Our market share growing to 21 percent from 20 percent the same period a year ago illustrates that more Customers are flying Southwest Airlines. Recent Customer surveys confirm our low-fare commitment, underscored by our aggressive Bags Fly Free® and No Change Fees policies, is a significant part of both business and leisure travelers' decisions.

Despite a record load factor of 79.3 percent, the Warrior Spirits of our front-line Employees resulted in a commendable 79.5 percent ontime Performance



## PERFORMANCE > 2010 PERFORMANCE > REVENUES

for 2010. As the only major U.S. airline with a Bags Fly Free® policy, it's no surprise that we had an increased number of bags were checked on Southwest Airlines in 2010. Again, our Employees were up for the challenge, holding our mishandled bags per 1,000 Passengers steady with 2009 at 3.43—an impressive accomplishment, given the increased awareness of the Bags Fly Free® policy and a 3.3 point increase in load factor in 2010.

### RESPONSIBLE REVENUE GROWTH

Steady revenue growth throughout 2010 continued to outpace industry results. We produced record monthly load factors every month but one in 2010. Business travel demand improved, contributing to a 10.8 percent increase in Passenger yield. The following initiatives were also significant revenue contributors:

#### Network Optimization

Our flight schedule and route optimization story that began in 2007 continued in 2010. Optimization capabilities enabled us to better manage capacity by trimming unprofitable and less popular flights and reallocating that capacity to new markets and existing markets with higher demand. We can also offer more seasonal flights in select markets and publish additional itineraries with enhanced connecting opportunities. During 2010, network optimization allowed us to open a new destination, Panama City Beach, Fla., and add frequencies in key cities, despite relatively no growth in our available seat miles as compared to 2009.

#### Business Select

Demand for Business Select remained strong, with 19 percent more Business Select Passengers in 2010 than in 2009. Our Business Select fare offering contributed approximately \$88 million in incremental revenues during 2010, up from \$72 million in 2009.

#### EarlyBird Check-In™

EarlyBird Check-In™ produced incremental revenues totaling \$98 million in 2010. These outstanding results exceeded our initial expectations for the first full year of the offering. Through this program, Customers pay \$10 one-way to automatically receive an assigned boarding position before general checkin begins.

#### Southwest.com Enhancements

In 2010, we completed a comprehensive rebuild of our web site, [southwest.com](http://southwest.com). Enhancements to the site include:

- \* New booking platform
- \* Improved navigation capabilities
- \* Customer home airport and recent search recognition with the ability to generate customized offers
- \* Shopping cart feature for flight, car, and hotel options
- \* Unaccompanied Minor travel booking available online

The improved site provides more product options, which has driven better booking rates and improved ancillary revenues. As the only online source for Customers to purchase Southwest Airlines tickets, [southwest.com](http://southwest.com) accounted for approximately 84 percent<sup>3</sup> of total Passenger revenues.



## PERFORMANCE



## PEOPLE



## PLANET

### PERFORMANCE > 2010 PERFORMANCE > REVENUES

#### SOURCE OF PASSENGER REVENUES

	2006	2007	2008	2009	2010
Internet	72%	76%	80%	81%	84%
Customer Support & Services	12%	9%	7%	8%	5%
Travel agency	11%	10%	10%	8%	9%
Other	5%	5%	3%	3%	2%

We recognized approximately \$216 million in incremental revenue from Dallas Love Field itineraries that we could not previously market prior to the 2006 Wright Amendment compromise.

1 Operating revenues per available seat mile

2 Passenger revenues per revenue Passenger mile flown

3 Includes revenues from SWABIZ, Southwest Airlines' business travel reservation web page

#### LUV Story—Breaking the Chains on Love

*Since 1979, Customers flying into and out of the Dallas-Fort Worth area have been shackled by higher airfares and had fewer travel choices courtesy of the Wright Amendment, an antiquated, anti-consumer law that restricted commercial air travel from Dallas Love Field to a small number of nearby states. The arduous up-Capitol Hill battle to free North Texas travelers began in November 2004 and came to an end when Congress overwhelmingly passed (Sept. 29, 2006) and the president signed (Oct. 13, 2006) the Wright Amendment Reform Act. The chains that constrained Dallas Love Field have been shattered and North Texans along with the rest of Americans are “Now Free to Move About the Country.”*

*“This is one of the most significant moments in Southwest Airlines history, and in the history of North Texas air travel,” Gary Kelly, Southwest Airlines Chairman of the Board, President, and Chief Executive Officer, said in 2006. “Travelers have been burdened for nearly 30 years with the higher airfares the Wright Amendment nurtured by preventing competition. Over the past two years, the public has spoken out for change, and a plan was developed that brought together parties from both ends of the spectrum. The U.S. Congress passed the bill in an overwhelming fashion, and we applaud President Bush for expeditiously signing this bill so that we can begin to bring the Dallas-Fort Worth area into the 21st century of low-fare air travel.”*



## PERFORMANCE > 2010 PERFORMANCE > REVENUES

Here's a glimpse at the history of the Wright Amendment and its reform:

### 1979

In an effort to protect a young Dallas-Fort Worth International Airport (DFW) from competition at Dallas Love Field (DAL), Congress approves the Wright Amendment, named for U.S. House Speaker Jim Wright of Fort Worth. The law, which took effect the following year, limits flights from Love Field to airports in Texas and its adjoining four states, but allows commuter planes with 56 seats or fewer to fly farther.

### 1997

Congress approves the Shelby amendment, adding Alabama, Kansas, and Mississippi to the Wright territory.

### 2000

April: Legend Airlines starts service from its own terminal at Love Field to Los Angeles and Washington with modified 56-seat jets. Continental Airlines, American Airlines and Delta Air Lines also launch Love Field service.

December: Legend declares bankruptcy and stops all service. Eventually, American and Delta pull out of Love. Continental remains.

### 2004

September: Delta announces it will close its DFW hub, reducing its DFW daily schedule from 254 nonstop flights to 21.

November: Gary Kelly speaks out at a gathering of business professionals stating that our "passionately neutral" stance on the Wright Amendment is now "off the table" due to wholesale changes in the industry and the competitive environment we face.

DFW and American express strong support for continuing the Wright limits.

### 2005

January: Southwest "respectfully declines" the incentive package offered by DFW to begin operations there, citing our preference to remain at Love Field.

May: U.S. Reps. Jeb Hensarling, R-Dallas, and Sam Johnson, R-Plano, introduce the Right to Fly Act legislation in the House that would fully repeal Wright.

Southwest kicks off the battle to "Set Love Free" from the restraints of the Wright Amendment with an Employee rally and announcement of SetLoveFree.com.



**PERFORMANCE**



**PEOPLE**



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## PERFORMANCE > 2010 PERFORMANCE > REVENUES

*June: After Southwest Senior Leadership hold a press conference and webcast to discuss the results of the Campbell-Hill Study commissioned by the Company that explains the consumer penalty imposed by the Wright Amendment and the positive economic impact to be gained by its repeal, Southwest then launches a petition drive to let Texas senators know that most Texans support repealing the Wright Amendment.*

*July: Billboards touting the "Wright is Wrong" message sprout up near Love Field, and a huge banner is hung from the wall in front of Southwest's Headquarters building. Further, T-shirts and other "Set Love Free" gear become available at the Freedom Shop.*

*Nevada Republican Sen. John Ensign introduces the American Right to Fly Act, very similar to Hensarling and Johnson's bill, in the Senate.*

*September: Southwest has a systemwide "Set Love Free Week." This week full of FUN and games is an opportunity to educate our Customers about the Wright Amendment and how the antiquated law affects their freedom to fly.*

*October: Southwest sends 214,570 signatures collected through the petition drive, as well as 40,000 messages collected via [SetLoveFree.com](http://SetLoveFree.com), to Capitol Hill.*

*November: Missouri becomes the ninth state outside of Texas that can be served from Love Field, when Senator Kit Bond, R-Mo., tacks his state onto the Wright perimeter in a transportation-spending bill.*

*Southwest rallies its "troops" by asking Employees to write their Senators asking for repeal of the Wright Amendment.*

*December: Southwest launches new service to St. Louis and Kansas City, Mo., from Love.*

## 2006

*February: Republican Sens. Kay Bailey Hutchison and John Cornyn urge airline and government leaders in North Texas to come up with a compromise to settle the Wright fight.*

*March: American returns to DAL, with service to St. Louis and Kansas City, Mo., as well as to Austin, Texas, and San Antonio.*



## PERFORMANCE > 2010 PERFORMANCE > REVENUES

*May: Southwest creates a new Employee advocacy group—The Southwest A-Team—to help maximize efforts to repeal the Wright Amendment.*

*June: Southwest resumes efforts to fight the Wright Amendment by launching television ads denouncing the anti-consumer law, as well as encouraging Dallas-area Employees to place signs in their yards. This effort continues until the cities of Dallas and Fort Worth, along with DFW, Southwest, and American, announce a compromise that would allow for immediate through-ticketing and full repeal in 2014.*

*July: House and Senate committees approve legislation to enact the agreement. But a lobbying effort from the owners of the former Legend terminal, set to be demolished under the deal, draws detractors in Congress. The bills stall over antitrust exemptions.*

*September/October: On Sept. 29, 2006, the Senate unanimously approves legislation reflecting the North Texas compromise. Late that evening, the House overwhelmingly passed the bill and President Bush signs it Oct. 13, 2006. The Federal Aviation Administration grants its approval on Oct. 16, 2006, and Southwest begins offering one-stop or connecting service between DAL and 25 additional cities on Oct. 19, 2006.*

Source: Southwest Airlines and The Dallas Morning News

### **International Connect**

In November 2010, we launched a new service that allows Customers to book international flights by connecting with Volaris, Mexico's second largest airline. At yearend, our Customers were able to book travel from 20 Southwest Airlines cities to five Volaris Mexican destinations—Cancun, Guadalajara, Morelia, Toluca/Mexico City, and Zacatecas—creating up to 85 additional flight itineraries. The additional destinations represent our first international gateway and give us an opportunity to grow our Customer base and increase market share.



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**PLANET**

## PERFORMANCE > 2010 PERFORMANCE > OPERATING COSTS

Our low-cost structure allows us to remain the low-fare leader, profitably charging low fares without nickel-and-diming our Customers.

Our low-cost structure allows us to remain the low-fare leader, profitably charging low fares without nickel-and-diming our Customers. This structure is underscored by our operating model that includes our all-Boeing fleet; our efficient, point-to-point route structure; and our highly productive Employees, with approximately 64 Employees per aircraft, an improvement of 1.5 percent over 2009. Adjusted for average stage length to provide a comparable basis, Southwest Airlines has lower average non-fuel unit costs than most major carriers.

### COST CONTAINMENT

With fuel costs representing more than 30 percent of our cost structure, cost containment continues to be of significant focus. Our 2010 operating expenses increased approximately 10.2 percent to \$11.1 billion, compared to 2009. Excluding special items, our operating expenses were \$10.9 billion in 2010. Throughout 2010, network optimization allowed us to maximize aircraft use, impacting aircraft operating costs. We also managed costs through fuel conservation efforts and replacement of older, less fuel-efficient aircraft.

### FUEL COSTS

Fuel and oil expense was approximately \$3.6 billion, an increase of \$576 million, or 18.9 percent, compared to 2009. Excluding special items, our fuel and oil expense of approximately \$3.4 billion represented our second largest cost category. Energy prices rose throughout the year, and in March 2011, West Texas Intermediate crude oil surpassed \$100 per barrel. Our 2010 economic fuel price per gallon was \$2.39, including fuel taxes, which was a 21.3 percent increase over 2009.

We continued our fuel hedging program in 2010, building our fuel hedge portfolio to help protect against fuel price spikes in 2011 and beyond. The cost of our hedging program, referred to as premium costs, was \$134 million in 2010.

### COSTS EXCLUDING FUEL

Excluding fuel and special items, our cost per available seat mile (CASM) of 7.61 cents increased 6.7 percent compared to 2009. The main contributing factors were higher salaries, wages and benefits, maintenance expense, and airport costs. For 2011,<sup>1</sup> we expect an increase in our non-fuel CASM in the 2 percent range year-over-year.

<sup>1</sup> Forward-looking commentary as of April 21, 2011, and excluding any potential impact of the Company's proposed acquisition of AirTran Airways, Inc. (AirTran).



## PERFORMANCE > 2010 PERFORMANCE > OPERATING COSTS

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**PERFORMANCE**



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## PERFORMANCE > 2010 PERFORMANCE > FINANCIAL POSITION

We uphold our strong financial position by managing in the good times to be prepared for the bad times.

Southwest Airlines maintained a healthy financial position in 2010, ending the year with approximately \$3.5 billion in unrestricted cash and short-term investments; a \$600 million fully available revolving line of credit; unencumbered assets valued at more than \$6 billion; leverage of approximately 40 percent, including aircraft lease obligations; and an investment-grade credit rating. A continued improvement in air travel demand throughout the year resulted in cash flow from operations of approximately \$1.6 billion. During 2010, we repaid \$155 million in debt and capital lease obligations and \$44 million from credit line borrowings. We also carefully managed capital spending and kept our capital expenditures to under \$500 million.

In 2011, we expect our capital spending to be in the \$800 million to \$900 million range, and we have approximately \$500 million in debt maturities. We plan to fund these obligations and the acquisition of AirTran Airways with cash on hand and we currently do not have any near-term borrowing needs.

Our ability to uphold our strong financial position allows us to remain well-prepared for the many threats that face our challenging industry, including volatile energy prices, recession, and brutal competition. We continue to live by the same mantra from our first four decades—manage in the good times to be prepared for the bad times. Our healthy cash position and modest debt also allows us to remain well-prepared for opportunities.



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**PLANET**

## PERFORMANCE > FUTURE PERFORMANCE

We have the strongest  
Balance Sheet in the  
domestic airline industry.

Our outlook for 2011 is solid, with fuel being the one clear exception. Volatile energy prices continue to create a headwind against the earnings momentum achieved in 2010. However, we have not waivered on our steadfast focus to close the gap between our 2010 profit Performance and the level needed to achieve our 15 percent pretax return on invested capital target. We must help offset soaring jet fuel prices with continued revenue management and network optimization efforts to grow revenues. We also believe our ongoing and future initiatives, when combined, will provide meaningful returns on our investment. The 2011 strategic initiatives include:

**> Executing the AirTran acquisition:** We made the exciting announcement in 2010 that we entered into a definitive agreement to acquire all of the outstanding common stock of AirTran Holdings, Inc. [NYSE:AAI], the parent company of AirTran Airways (AirTran), for a combination of cash and Southwest Airlines' common stock. AirTran shareholders overwhelmingly approved the proposed acquisition with more than 98.6 percent of votes cast and 77.5 percent of shares outstanding voted in favor of the acquisition. The transaction closed on May 2, 2011. The transaction is an attractive and efficient use of our capital and accelerates our strategy to boost profitability and achieve our financial targets. Our plan is to integrate AirTran into Southwest over a two to three year time period, and we believe the combination of both networks will generate net synergies of at least \$400 million annually by 2013. Overall, the acquisition represents a unique opportunity to grow Southwest Airlines and take a significant step toward achieving our strategic goals over the next decade.

### LUV Story—Southwest Airlines Closes Acquisition of AirTran Holdings, Inc.

- \* Airlines will operate separately until receipt of Single Operating Certificate
- \* In the near term, Customers will continue to interact exclusively with their ticketed carrier
- \* AirTran aircraft to be converted to Southwest brand starting in 2012
- \* Southwest's Bob Jordan will serve as President of AirTran during integration

DALLAS, TEXAS—May 2, 2011—Southwest Airlines [NYSE:LUV] announced today that it has closed on its purchase of all of the outstanding common stock of AirTran Holdings, Inc. [NYSE:AAI], the former parent company of AirTran Airways (AirTran).



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## PERFORMANCE > FUTURE PERFORMANCE

*"The successful closing of this transaction is a significant accomplishment and marks a great day in the history of Southwest Airlines. I want to thank the People from both Southwest and AirTran who helped us achieve this important milestone," said Gary Kelly, CEO, Chairman, and President of Southwest Airlines. "Our first order of business is to welcome our new friends from AirTran to the family in a truly Southwest Airlines way.*

*"The acquisition of AirTran represents a unique opportunity to extend our network into key markets we don't yet serve, such as Atlanta and Washington, D.C., via Ronald Reagan National Airport. It gives us the opportunity to serve more than 100 million Customers annually from more than 100 different airports in the U.S. and near-international destinations, providing Customers more low-fare destinations as we diversify and expand the well-known 'Southwest Effect' to hundreds of additional low-fare itineraries for the traveling public. Today, we also celebrate the promise of expanding our presence at New York LaGuardia, Boston Logan, Milwaukee, and Baltimore/Washington, as well as extending our service to many smaller domestic cities that we don't serve today, with access to key near-international leisure markets in the Caribbean and Mexico," Kelly said.*

*"The timing of today's closing in the current market environment could not be more important," he continued. "With soaring fuel costs putting many airlines, yet again, in the red, Southwest brings many strengths to bear. Southwest not only brings profitability and financial strength to make this deal feasible, but it also positions the combined companies with an industry-leading investment grade balance sheet to weather the energy-price storm. In addition, it currently positions Southwest to offer improved job security, compensation, and benefits to AirTran Crew Members who join the Southwest family. Further, Southwest's profitability and financial strength, along with the United States' largest Low Fare network, puts AirTran Crew Members in a position to be part of a growing company again, once AirTran is integrated into Southwest."*

### Transaction Information

Based on the average of Southwest Airlines' closing prices for the 20 trading days ending three trading days prior to May 2, 2011, of \$11.90, the transaction values AirTran common stock at approximately \$7.57 per share, or \$1.0 billion in the aggregate, excluding shares issuable upon conversion of AirTran's outstanding convertible notes\*. Each share of AirTran common stock will be exchanged for \$3.75 in cash and 0.321 shares of Southwest Airlines' common stock. Assuming no conversion of AirTran's outstanding convertible notes\*, AirTran stockholders will receive 44 million shares of Southwest Airlines common stock, which will represent 5.6 percent of the Southwest Airlines common shares outstanding. Additionally, they will receive cash of \$517 million. Including the existing AirTran net indebtedness (including outstanding convertible notes) and capitalized aircraft operating leases, the total transaction value is \$3.2 billion.

The transaction, including the anticipated benefit of net synergies, but excluding the impact of one-time acquisition and integration costs, is expected to be accretive to Southwest Airlines pro forma fully-diluted earnings per share in the first twelve months after today's close and strongly accretive upon full realization of net synergies. Net annual synergies are estimated to exceed \$400 million by 2013. One-time costs related to the acquisition and integration of AirTran are currently estimated to be approximately \$500 million.



## PERFORMANCE > FUTURE PERFORMANCE

AirTran revenues and operating income for the twelve months ending December 31, 2010, were \$2.6 billion and \$128 million, respectively. Southwest Airlines revenues and operating income for the twelve months ending December 31, 2010, were \$12.1 billion and \$988 million, respectively. As of March 31, 2011, the combined unrestricted cash and short-term investments of the two companies was approximately \$5.0 billion. Southwest's funding for the transaction will be from its cash on hand. In addition, Southwest Airlines has a fully available, unsecured revolving credit facility of \$800 million.

Southwest Airlines is committed to keeping all stakeholders updated on the progress of the integration process and intends to provide an update, in that regard, in conjunction with its second quarter earnings announcement, currently scheduled for August 4, 2011.

### Leadership

Bob Jordan, Southwest's Executive Vice President of Strategy and Planning, will serve as President of AirTran effective today. Bob Fornaro, who has served as Chairman, President, and CEO at AirTran, will move to a new key role today as a full-time consultant for the integration of the two airlines, working closely with Kelly and Jordan to ensure a smooth transition. As previously announced, Southwest Airlines' headquarters will remain in Dallas, with plans for AirTran's operations and presence in both Orlando and Atlanta still under review. Additional announcements during the integration will be made as plans unfold.

Jordan will continue to serve on the joint Integration Board consisting of Kelly, Fornaro, Mike Van de Ven (Southwest Executive Vice President & Chief Operating Officer), Loral Blinde (AirTran Senior Vice President Human Resources and Administration), and Jeff Lamb (Southwest Senior Vice President of Administration & Chief People Officer). The Integration Board will continue to provide overall direction of the integration efforts.

Until a Single Operating Certificate (SOC) is secured from the Federal Aviation Administration, AirTran operational Departments will continue operating under the AirTran operating certificate with the full authority of its operating teams led by Klaus Goersch, AirTran's Executive Vice President Operations and Customer Service. Goersch will report directly to Jordan, and will work closely with Mike Van de Ven.

The remainder of the leadership structure will be communicated at a future date.

### Customer Experience

Southwest and AirTran will immediately begin the work to integrate AirTran into Southwest Airlines. However, AirTran will continue to operate under the AirTran brand with its same policies, procedures, and product features for a period of time. Southwest plans to integrate AirTran into Southwest Airlines over time by transitioning the AirTran fleet to the Southwest Airlines livery, developing a consistent Customer Experience, and transitioning the operations of the two carriers onto a Single Operating Certificate. Southwest currently expects it will obtain a SOC in the first quarter of 2012 and estimates it will take several years to fully transition AirTran into Southwest Airlines to become one airline.





**PERFORMANCE**



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**PLANET**

## PERFORMANCE > FUTURE PERFORMANCE

*In the near term, Customers can expect to interact with each carrier as they always have. Customers flying on AirTran will continue to make reservations or check in at airtran.com or by calling 800-247-8726, and visit AirTran kiosks and ticket counters. AirTran Crew Members (employees) will assist on scheduled AirTran flights. Customers flying on Southwest will continue to make reservations or check in at southwest.com or by calling 800-435-9792, or at Southwest kiosks and ticket counters. Southwest Employees will assist on scheduled Southwest flights. Customers will continue to earn and redeem through the respective frequent flier loyalty programs, as they do today, until those programs are combined over time.*

*Southwest plans to provide the ability for Customers to connect across the networks and integrate key Customer Service policies for a more consistent Customer Experience, in the fall or early next year, depending on both companies' readiness. Any changes to the Customer Experience on either carrier will be communicated in advance via southwest.com, airtran.com, and in direct Customer communications.*

### Celebrating our Employees

*"Today's closing is an important first step to fulfilling our mission to spread low fares farther and increase competition throughout the airline industry," Kelly said. "Our progress, to date, on integration planning has been outstanding. Without our Employees' hard work and enthusiasm about this acquisition, we would not have reached this point. As we now take it to the next level and begin to implement our integration plan, their continued efforts will be key to our success. I have confidence in our People and their ability to successfully execute these plans."*

*Kelly, Jordan, Fornaro, and leaders from both airlines today will host celebratory events in all mainland locations for both Southwest and AirTran. Following the closing, the three executives departed Southwest's Dallas headquarters for Atlanta, AirTran's largest Crew Member (employee) location, onboard an AirTran jet. The team will host an afternoon event for Employees at AirTran's maintenance hangar there. The event will be webcast live for Employees and watched in such locations as Baltimore/Washington, Milwaukee, and Orlando, where the carriers each have a significant presence.*

### Live Webcast

*Southwest and AirTran will provide a multimedia, live stream webcast of the day's events in Dallas and Atlanta, as well as other video material featuring Southwest Leaders and Employees of both carriers, at <http://www.ustream.tv/channel/southwest-airlines-headquarters>. The material will be archived and available to view later on the same site.*

*Additional photos, videos, fact sheets, and other resources are available at [lowfaresfarther.com](http://lowfaresfarther.com) and at Southwest's digital newsroom, [swamedia.com](http://swamedia.com).*



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## PERFORMANCE > FUTURE PERFORMANCE

### About Southwest Airlines

In its 40th year of service, Southwest Airlines continues to differentiate itself from other low-fare carriers—offering a reliable product with exemplary Customer Service. Southwest Airlines is the nation's largest carrier in terms of originating domestic passengers boarded, now serving 72 cities in 37 states with the addition of service to Newark Liberty International Airport on March 27, 2011. Southwest also is one of the most honored airlines in the world known for its commitment to the triple bottom line of Performance, People, and Planet. To read more about how Southwest is doing its part to be a good citizen, visit [southwest.com/cares](http://southwest.com/cares) to read the Southwest Airlines One Report™. Based in Dallas, Southwest currently operates more than 3,400 flights a day and has more than 35,000 Employees systemwide.

### About AirTran Airways

AirTran Airways is a wholly owned subsidiary of Southwest Airlines Co. and has been ranked the top airline in the Airline Quality Rating study twice in the past four years. AirTran is the only major airline with Gogo Inflight Internet on every flight and offers coast-to-coast service on North America's newest all-Boeing fleet. AirTran's low-cost, high-quality product also includes assigned seating, Business Class and complimentary SiriusXM Satellite Radio on every flight. To book a flight, visit [airtran.com](http://airtran.com).

\* Pursuant to the terms of the indentures governing AirTran's 5.50% Convertible Senior Notes Due 2015 and 5.25% Convertible Senior Notes Due 2016, holders of such notes may surrender their notes for conversion at any time during the applicable make-whole conversion period. That period began on April 11, 2011 and ends on date that will be publicly announced in a Notice to be sent to each Holder within 15 business days after today. In addition, pursuant to the terms of the indenture governing AirTran's 7.0% Convertible Notes Due 2023, holders of such notes may surrender their notes for conversion at any time during the period that began on April 17, 2011 and ends on May 18, 2011. Including shares issuable upon conversion of AirTran's outstanding convertible notes, AirTran stockholders will receive 57 million shares of Southwest Airlines common stock, which will represent 7.1 percent of the Southwest Airlines common shares outstanding. Based on AirTran's common shares outstanding and assuming conversion of AirTran's outstanding convertible notes, AirTran stockholders will also receive \$671 million in cash.

> **Launching the All-New Rapid Rewards™ program:** Our new and improved Rapid Rewards™ frequent flyer program debuted March 1, 2011. The new program offers enhanced Member benefits while providing the opportunity to generate significant revenues over the coming years. Under the All-New Rapid Rewards™ program, Members will earn points for every dollar spent, based on fare and fare product, instead of credits earned for flight segments flown in the previous program. Members will now be able to redeem their points for every seat, every day, on every flight with no blackout dates. Points will not expire so long as the Rapid Rewards™ Member has points-earning activity during a 24-month time period. Rewards will not be automatically issued when a Member's account reaches a certain threshold. Instead, Members will be able to decide when to use their points to purchase travel on any Southwest Airlines flight. As a result, the new program provides Members more flexibility and options for earning and redeeming their rewards. The program cost approximately \$100 million to build and implement. However, we believe the new program will drive hundreds of millions in incremental annual revenues, net of any associated program costs, through bringing in new Customers; increasing business from existing Customers; increasing usage of our Rapid Rewards™ Co-Branded credit card; and strengthening our hotel, rental car, and retail partnerships.



## PERFORMANCE



## PEOPLE



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### PERFORMANCE > FUTURE PERFORMANCE

› **Optimizing our network<sup>1</sup>:** We anticipate receiving 20 737-700 deliveries during 2011, 18 of which are new aircraft from Boeing and the other two are leased aircraft. We have a number of planned retirements that will have us ending 2011 with modest fleet growth. We estimate 2011 available seat mile (ASM) capacity to increase approximately 5 to 6 percent compared to 2010. In March 2011, we began service to two new states at three new airports—Charleston, S.C.; Greenville-Spartanburg, S.C.; and Newark, N.J. Our three new cities account for approximately 1 percent of the expected capacity growth, with the majority of our year-over-year increase resulting from increased aircraft utilization.

› **Connecting our Customers with inflight Internet:** As of March 31, 2011, we had more than 70 aircraft with WiFi connectivity, and we plan to have our entire 737-700 fleet WiFi enabled by the end of 2012. This offering provides our Customers with an enhanced inflight experience, while also providing new sources of revenue. Our agreement with Row 44 allows us to control the pricing of this service, initially set at an introductory flat \$5 rate per flight for any device or flight length.

› **Implementing Required Navigation Performance:** We're leading the industry in our innovative implementation of satellite-based Required Navigation Performance (RNP), which reduces emissions and fuel consumption through a more precise, direct flight path. We commenced RNP at 11 airports in January 2011, with a projected savings of more than \$10 million a year. RNP-induced fuel conservation is ultimately expected to result in significant operating cost savings and emissions reduction. Once the Federal Aviation Administration has designed RNP procedures for all Southwest Airlines airports, we expect to save tens of millions of dollars each year.

› **Enhancing our operational efficiency:** We are working on operations recovery plans such as express bag drops in select cities and automation of luggage-loading procedures to improve ontime Performance without padding our flight schedule. Enhancements like these make our Customers happy and keep them coming back to Southwest Airlines.

Two other key initiatives announced in 2010, but expected to be implemented beyond 2011 were:

› **Adding the Boeing 737-800 to our fleet:** We have substituted 20 737-800 aircraft for 737-700s scheduled for delivery in 2012 and are evaluating substituting more 737-800s in 2013 and beyond. The 737-800 has favorable economics, specifically on long-haul, high-demand routes and provides better scheduling flexibility in high-demand, slot-controlled, and gate-restricted markets. The 737-800 also allows the potential to add exciting destinations like Hawaii, Alaska, Canada, the Caribbean, Mexico, and Central America.



**PERFORMANCE**



**PEOPLE**



**PLANET**

## PERFORMANCE > FUTURE PERFORMANCE

› **Replacing our reservation system:** We have outgrown our existing reservations system, which has served us well throughout the years, but was intended for a more basic pricing system and a much smaller network than we have today. A new reservations system will improve capabilities for future growth, including international destinations. It will also provide increased Customer Service functionality during irregular operations and incorporate additional revenue management opportunities.

Although we recognize these initiatives will not be easy to implement, our People have proven they are up for the task. Our Customer Service goal remains unchanged—we want to fly more places; serve more Customers; and preserve our distinction as the nation's preferred, low-cost airline. Our financial goal remains intact—we want to achieve 15 percent pretax return on invested capital. And, we have a strategic plan to reach our profit requirement to allow for the return of meaningful capacity growth.

<sup>1</sup> Forward-looking commentary as of April 21, 2011, and excluding any potential impact of the Company's proposed acquisition of AirTran Holdings, Inc., the parent company of AirTran Airways, Inc. (AirTran).



**PERFORMANCE**



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**PLANET**

## PERFORMANCE > FUTURE PERFORMANCE > AIRTRAN ACQUISITION

Acquiring AirTran Airways would become not only our third acquisition in three decades, but the largest and most important yet.

### *After the Acquisition*

- \* Nearly 43,000 Employees
- \* More than 100 million Customers
- \* More than 100 destinations
- \* 685 aircraft

On Sept. 26, 2010, we entered into a merger agreement to acquire AirTran Holdings, Inc., the parent company of AirTran Airways (AirTran). This would become not only our third acquisition in three decades, but the largest and most important yet. The AirTran acquisition fits our vision for the next decade and beyond. We believe the acquisition of AirTran will add more Customers, more destinations to our route map, more aircraft, and more profits to Southwest Airlines. As such, the combination of the two networks would benefit our Customers, Shareholders, Employees, and communities both airlines currently serve through:

**> Expanding our route network:** The AirTran acquisition would enable immediate and significant growth, allowing for a larger, low-fare airline with a broader national network and increased market share. With a major presence in Atlanta, the largest U.S. market not currently served by Southwest Airlines, and increased access to slot-controlled airports like LaGuardia and Ronald Reagan Washington National, this acquisition allows us to grow in these and other key domestic markets. The addition of the Boeing 717 provides us the flexibility to serve smaller cities and communities beyond those we currently serve. AirTran would also bring the opportunity to expand Southwest Airlines' service to international locations in Mexico and the Caribbean.

**> Accelerating the ability to achieve our financial goals:** The acquisition of AirTran supports our 15 percent pre-tax investment return requirements, based on fully realized annual net synergies and excluding one-time acquisition and integration costs. Through a broader national network, we expect to generate net synergies in excess of \$400 million upon full integration. We're financially healthy and prepared to embark upon this opportunity. We have a leading brand that provides outstanding Customer Service, a strong Culture, excellent safe operations, a nationwide route network, the strongest Balance Sheet in the domestic airline industry, and cash flow that supports our interest in this transaction. Acquiring AirTran accelerates our timeline to boost profitability and achieve our long-term financial targets, and it enables us to gain access to U.S. markets we do not serve today.



**PERFORMANCE**



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**PLANET**

## PERFORMANCE > FUTURE PERFORMANCE > AIRTRAN ACQUISITION

› **Invigorating competition:** We can continue the “Southwest Effect” of reducing fares and stimulating Passenger traffic, by bringing more competition, more low fares, and more Customers to the market. At Hartsfield-Jackson Atlanta International Airport, the world’s busiest airport, we could grow low-fare service to additional nonstop, direct, or connecting markets beyond those served by AirTran. Based on an economic analysis by Campbell-Hill Aviation Group™, LLP, Southwest Airlines’ more expansive low-fare service at Atlanta alone has the potential to stimulate more than two million new Passengers and more than \$200 million in consumer savings annually.

### NEXT STEPS

We closed on the acquisition of AirTran on May 2, 2011, with a total transaction value of \$3.2 billion.<sup>2</sup> We plan to integrate AirTran into Southwest Airlines through a phased approach. We anticipate the integration time line will span up to two to three years. We intend to operate under a single operating certificate, once approved by the Federal Aviation Administration. We have an integration team, which provides oversight and direction to integrating every aspect of our respective operations, and we will keep our Employees, Customers, Shareholders, and communities informed along the way. Ultimately, once the integration is complete, the traveling public will only see the Southwest Airlines brand—with our policies, our procedures, and our award-winning Customer Service.

<sup>1</sup> Estimated

<sup>2</sup> Includes the existing AirTran net indebtedness and capitalized aircraft operating leases and excluding the value of shares issuable upon conversion of AirTran’s outstanding convertible notes at the time of the close.



**PERFORMANCE**



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## PERFORMANCE > FINANCIAL MANAGEMENT APPROACH

In 2010, we grew our domestic market share to 21 percent.<sup>1</sup>

### DISCLOSURE ON MANAGEMENT APPROACH: ECONOMIC

At Southwest Airlines, we still uphold the core principles we were founded upon in 1971:

- \* Operate the safest, most efficient, most reliable airline
- \* Take care of our People
- \* Take care of our Customers
- \* Keep fares low and costs lower
- \* Generate consistent profits at desirable rates of return on capital

In summary, to be a Company that Employees, Customers, and Shareholders can count on. It's those principles that have made us successful in the past and should continue to make us successful in the future. We're proud to be the only major U.S. airline who can claim 38 consecutive years of profitability, thanks to the unwavering Warrior Spirit, Servant's Heart, and Fun-LUVing Attitude of every Southwest Airlines Employee.

While we weathered the "Great Recession" in 2009, we remained dedicated to preparing for our future, which ultimately contributed to a profitable 2010. Our optimized route network, dedication to our low-fare brand, commitment to our Bags Fly Free® campaign, and revenue enhancement initiatives such as Business Select EarlyBird Check-In™ and WiFi Hotspots introduced onboard our aircraft in 2010 all contributed to the Customer Experience—keeping existing Customers coming back and winning new ones. In 2010, we increased our profitability, strengthened our load factors, and gained market share, among other Performance metric improvements. We have a solid outlook for the year ahead, with fuel being the one clear exception.

Our vision for the next decade and beyond is to be America's best airline. We intend to build on what we've done in our past and aspire to:

- \* Win more Customers, particularly business Customers
- \* Enhance the Customer Experience
- \* Boost operating revenues
- \* Reduce operating costs
- \* Maintain a strong balance sheet with adequate cash reserves
- \* Improve profitability and achieve long-term financial targets



## PERFORMANCE > FINANCIAL MANAGEMENT APPROACH

We have been making substantial progress toward achieving each and every one of these goals. While we have added new strategies, our fundamental competitive advantages are intact: low costs; low fares; great Customer Service and brand reputation; a solid, reliable product; the largest domestic network and Customer base; and a strong Balance Sheet.

### Effects on the Economic Vitality in Our Communities

Our low-fare brand and LUVing Servant's Heart allow Southwest Airlines to stimulate the economies in the cities where we fly. With the "Southwest Effect," we invigorate competition by reducing fares and stimulating additional Passenger traffic, bringing in more low fares and more Customers to the market. With our affordable fares and no fees for services our Customers would expect to get for free, we put more money in the pockets of our Customers. We give the Customer a choice to pay for added services, which means they may be able to afford to fly at the low fares Southwest Airlines offers more often.

As the hometown carrier that cares, we strive to make a positive difference in the communities where we fly. We believe in championing the causes that matter most to the communities we serve and give our time, donations, and, most importantly, LUV to those who need it. Through our community outreach, we provide a variety of resources that help nonprofit organizations increase their impact and reach to better achieve their missions and help more People.

We believe it's our responsibility to protect our Planet, so we're working on creating a better Planet for all of us by operating with a green filter, conserving energy and resources, reducing our emissions, and increasing recycling onboard and in airports.

### Taking Care of Our Own

For our Employees, we offer the freedom to pursue good health, create financial security, travel, make a positive difference, learn and grow, create and innovate, work hard and have FUN, and stay connected. These comprehensive benefits include not just the training that our Employees need, but the training they want to grow their careers. We contribute to the financial security of our Employees by offering competitive salaries, 401(k) Company matching, and a ProfitSharing Plan. We also encourage them to support the local charities close to their hearts by rewarding their volunteer efforts. By taking care of our Southwest Airlines Family and encouraging our Employees to give back and help others, we create a Culture of LUV that, through happier Employees, will ultimately benefit our Customers and our financial success.

Giving back to our People and our Planet is inherent in our Culture and a natural end product of our pursuits to Perform better. It's part of Living the Southwest Way.

### Key Performance Indicators

To better gauge our progress, Southwest Airlines' citizenship committee has started to identify and define KPIs for Performance issues. This work is ongoing, and we plan to discuss more about our Performance KPIs in the 2011 *Southwest Airlines One Report™*.

<sup>1</sup> As measured by the number of originating passengers boarded and based on data available from the U.S. Department of Transportation as of Sept. 30, 2010



## PEOPLE

Our People make Southwest Airlines one of the world's most admired companies.



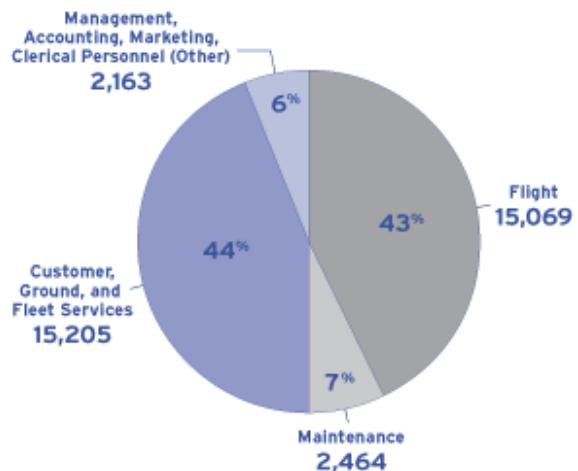
As our greatest asset, our People create a FUN travel experience; respond with compassion when travel plans change; generate innovative ideas that enhance the Customer Experience; and donate their time and LUV to those who need it.

At Southwest Airlines, we're a Family dedicated to our Employees, our Customers, and the communities we serve. Our unique corporate Culture, commitment to giving back, and putting Employees first contributes to our being recognized as a best place to work. Southwest Airlines offers our Employees the freedom to pursue good health, create financial security, travel, make a positive difference, learn and grow, create and innovate, work hard and have FUN, and stay connected. In return, our Employees respond with passion, commitment, and a rich diversity of perspectives that translate into better Customer Service and a dedication to doing the right thing. Our Customers fly Southwest Airlines not only for programs like Bags Fly Free,<sup>®</sup> but because they like us. Together, as the hometown carrier that cares, we aspire to make a positive difference by giving back to the communities we serve. Our commitment to giving back gives our Employees a sense of pride and purpose that Southwest Airlines does the right thing. With a Warrior Spirit, a Servant's Heart, and Fun-LUVing Attitude, we strive to do what's right by our stakeholders and each other. It's the Southwest Way.



## PEOPLE > EMPLOYEES

Our nearly 35,000<sup>1</sup> Southwest Airlines Family Members create innovative programs to increase productivity, generate ideas to trim costs, give back to our communities and the planet, and take time to celebrate.



Breakdown of Employees by Division<sup>1</sup>

At Southwest Airlines, we're proud of our unique Culture and storied nearly 40-year history, made possible by our dedicated Employees, who do more than deliver the friendly, high-quality Customer Service for which we're known. Our nearly 35,000<sup>1</sup> Southwest Airlines Family Members create innovative programs to increase productivity and make their work lives easier, generate ideas to trim costs so we can keep fares affordable, give back to our communities and the planet, and take time to celebrate Company and personal milestones. It's Living the Southwest Way—a Warrior Spirit, a Servant's Heart, and a Fun-LUVing Attitude.

## LOOKING FORWARD: CITIZENSHIP AT SOUTHWEST AIRLINES

In 2010, we continued to honor our commitment to creating a sustainable company and the triple bottom line—Performance, People, and Planet—by developing a cross-departmental team whose main goal is to identify and define key performance indicators within citizenship to better identify opportunities and establish goals for the long term sustainability of Southwest Airlines and progress in all aspects of citizenship in our business practices. Our citizenship committee has started defining key performance indicators (KPIs) based on a materiality analysis. At Southwest Airlines, we feel strongly that our KPIs will allow us to:

- \* Enhance our commitment to our Performance, People, and Planet
- \* Track and monitor progress
- \* Benchmark ourselves against our industry counterparts
- \* Better define future goals
- \* Increase Employee involvement
- \* Improve communication to Stakeholders

Once our KPIs are defined and we begin to track related progress, we will then be able to better understand our successes and address our opportunities as well as find innovative ways to improve. Our citizenship committee's work is ongoing, and we plan to discuss more about its progress in the 2011 Southwest Airlines One Report™.



## PEOPLE > EMPLOYEES

### *Materiality*

Materiality is a financial accounting concept that has recently been applied to corporate citizenship and triple bottom line reporting as a way to focus a company's efforts on economic, environmental, and social impacts that pose the most significant opportunities and risks. The Global Reporting Initiative *Sustainability Reporting Guidelines* version 3.0 recommends that reporters, like Southwest Airlines, rely on a materiality analysis to determine the issues that are most important to stakeholders.

<sup>1</sup> Based on active, full-time equivalent Employees as of Dec. 31, 2010

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## PEOPLE > EMPLOYEES > BENEFITS

In 2010, we contributed nearly \$350 million to Employee retirement savings alone.

Southwest Airlines offers our Family of Employees the freedom to pursue good health, create financial security, travel, make a positive difference, learn and grow, create and innovate, work hard and have FUN, and stay connected.

We can proudly say that in 2010 more than 35,000 active and inactive Employees participated in at least one component of Southwest Airlines' Employee benefits program, to which we contributed more than \$590 million on an accrual basis. In addition to vacation, paid holidays, and sick leave, we offered our Employees, full-time and part-time, the following benefits:

- \* 401(k) retirement savings plan
- \* ProfitSharing Plan
- \* Medical
- \* Prescription
- \* Vision
- \* Dental
- \* Pre-tax commuter benefit
- \* Mental health Employee assistance program
- \* Life insurance
- \* Accidental death and dismemberment
- \* Long-term disability
- \* Dependent life insurance
- \* Dependent care spending account
- \* Health care spending account

### RETIREMENT PLANNING

We are happy to do our part to contribute to the financial security of our Employees through two different tax-qualified savings plans or defined contribution plans<sup>1</sup>. In 2010 alone, Southwest Airlines contributed nearly \$350 million to our Employees' retirement savings through our 401(k) Company matching and our ProfitSharing Plan.

We have tremendous participation in our 401(k) Plan, with 86.5 percent of eligible Employees participating in 2010 compared to the national average of 70 percent. Since the inception of our 401(k) Plan in 1990 for Pilots and 1991 for all other Employees, Southwest Airlines has contributed more than \$1.5 billion to the program. In 2010, we contributed nearly \$193 million to match the funds our Employees were contributing to their 401(k) accounts.

All eligible Employees participate in our ProfitSharing Plan, and in 2010, Southwest Airlines contributed nearly \$157 million—a contribution equal to 5.7 percent of each eligible Employee's compensation.

<sup>1</sup> Southwest Airlines does not offer defined benefit plans.

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## PEOPLE > EMPLOYEES > TRAINING

Southwest Airlines Employees completed more than 230,000 hours of safety and security training in 2010.

EMPLOYEE TRAINING HOURS	
<b>59,004</b>	Maintenance and Support
<b>125,833</b>	Customer Support & Services
<b>112,116</b>	Flight Attendants
<b>219,440</b>	Pilots
<b>253,574</b>	Ground Operations

At Southwest Airlines, we offer our Employees not only the training they need to do their jobs, but also the training they want to advance their careers. We provide internal training programs but also encourage Employees to attend external training and further specialize in their respective fields.

While we are committed to and prioritize compliance with the training requirements of the appropriate governing organizations, including the Federal Aviation Administration, U.S. Department of Transportation, U.S. Department of Homeland Security, Occupational Safety & Health Administration, U.S. Environmental Protection Agency, and U.S Food & Drug Administration, we offer a variety of additional training opportunities to our Employees. These opportunities range from external programs for continued development to internal programs focused on Living the Southwest Way.

### LOCAL OUTREACH COORDINATION AMBASSADORS

In 2009, Southwest Airlines developed a Local Outreach Coordination (LOC) program to connect the efforts of the various activities of Southwest Airlines in the community and to continue our history of being the hometown carrier in each of our cities. In 2010, the program extended to include local Employees, creating the LOC Ambassador program. In 2010, nearly 80 of our LOC Ambassadors convened at our Headquarters in Dallas for a day of training. The purpose of the training was to help them understand our goals and the importance of being a good corporate citizen in our communities as well as to help them connect the various opportunities and programs that we already have in the community. They heard from Marketing on our branding and advertising, People Department on our recruiting efforts, and Community Relations on volunteerism and donations. As our LOC Ambassador program matures and extends to more Employees, they will carry our mission to more fully engage with their community and provide feedback and opportunities that will assist us in achieving our goal of having a positive impact on the community.



## PEOPLE > EMPLOYEES > TRAINING

### DIVERSITY SUMMIT

In 2010, the Southwest Airlines Diversity Council hosted the very first Southwest Airlines Diversity Summit at our Headquarters in Dallas. The inaugural Southwest Airlines Diversity Summit brought approximately 100 human resources, diversity, and inclusion professionals together from a variety of industries. We invited these leaders to join Southwest Airlines in a forum on diversity and inclusion to share triumphs and challenges. The theme of the event was "Join the Conversation." Together, the experienced group of professionals was able to share insights on the challenges that people from all different backgrounds face in the workplace and how to understand the role each person can play in making improvements. Guest speakers spoke about the efforts companies make to create an environment of inclusion. The conversation was appreciated, and the 2010 award-winning Diversity Summit was considered a success through the sharing of great ideas, discussion of opportunities for success, and dialogue on how to overcome challenges. Future summits are being planned to continue the conversation.

### UNIVERSITY FOR PEOPLE

Southwest Airlines' University for People (U4P) continues our mission of delivering personal, professional, and Leadership development while also offering customized training. Whether Employees need Microsoft Office skills, were just promoted into Leadership and need related training, or want a partner to support their Team's development in a specific skill set, U4P provides innovative and relevant tools for all Employees to learn and grow.

### Manager-in-Training Program

The MIT program is a development experience for high-potential Leaders who have long-term interest in and leadership potential with our Company. There are two program levels: MIT Level I and MIT Level II. MIT Level I—designed for Employees at the Supervisor, Team Leader, and Manager levels—graduated 40 Employees in 2010. Employees apply, then interview to participate in the three-week MIT Level I course, covering more than 20 training sessions to hone operational Leadership skills over three months. MIT Level II—designed for Managers and Directors—graduated 17 Employees in 2010. MIT Level II participants are sponsored by Senior Leadership to participate in this six-week program spread over eight months. These Leaders learn how to become strategic Leaders, refine their Leadership styles, research and present a proposal to Senior Leadership on one of our Company's strategic initiatives, learn how to develop their Teams, and effectively lead through change.

### Leadership Summit

In 2010, U4P and Learning Alliance hosted a full-day conference for nearly 700 Southwest Airlines Leaders. The Leadership Summit gave participants the opportunity to discuss corporate goals and build key Leadership skills, such as strategic thinking, through breakout sessions on women in leadership, a CEO roundtable, and work with Four Day Weekend, an improv group that guided Leaders through scenarios demonstrating the new Leadership Expectations. Leaders also heard from some great outside speakers, including Patrick Lencioni, Betsy Myers, and Charlie Feld.



## PEOPLE > EMPLOYEES > TRAINING

### Learning Alliance

The Learning Alliance, a cross-departmental collaboration of training Leaders, meets regularly to discuss, and identify learning opportunities for the growth and development of Southwest Airlines Employees. They also leverage best practices and maximize resources to create the best learning for all Employees. Initiatives sponsored by the Learning Alliance were the 2010 Leadership Summit and Every Customer Matters, a session on Customer Service, launched in 2009.

### SAFETY AND SECURITY TRAINING

At Southwest Airlines, the Safety and Security of our Customers and our Employees is our top priority, which is why it is a part of everything we do both on the ground and in the air. We are committed to fostering a Culture of Safety at Southwest Airlines and seek to identify workplace and operational risks, then proactively deal with these issues before they become injuries, accidents, or incidents. In 2010, Southwest Airlines Employees participated in more than 230,000 hours of Safety and Security training.

All new operational Employees at Southwest Airlines receive Safety training, and throughout the year the following departments receive additional job-specific training:

- \* Inflight
- \* Flight Operations
- \* Maintenance
- \* Ground Operations
- \* Provisioning
- \* Dispatch

In addition, Southwest Airlines offers cardiopulmonary resuscitation (CPR) and automatic external defibrillator (AED) training to all interested Employees and requires this training for all Flight Attendants and all Operations Supervisors.

### Looking Forward

We are making plans to implement a global Safety training program that will apply to all Employees. We will discuss more about this in our workplace key performance indicators in the *2011 Southwest Airlines One Report™*.



## PEOPLE > EMPLOYEES > GIVING AND VOLUNTEERING

Southwest Airlines Employees volunteered more than 80,000 hours in 2010.

Our Employees regularly volunteer their time and donate to the causes that are closest to their hearts. In 2010, Southwest Airlines Employees volunteered more than 80,000 hours to charities across the country, donated to other Southwest Airlines Employees in need, and had a direct impact on charitable organizations within their community.

### TICKETS FOR TIME

In an effort to support our passionate Employee Volunteers, Southwest Airlines launched the Tickets for Time program. For every 40 hours our Employees volunteer for a nonprofit organization, the benefitting organization is eligible to receive one complimentary, roundtrip ticket on Southwest Airlines for fundraising or transportation needs. A charitable organization may receive up to six tickets each year, and the hours can be accrued by one or more Employee Volunteers. Southwest Airlines created the program as a way to pay tribute to and support the efforts of its hard-working Employees who give so much of their time and talent to help local community organizations. In 2010, our Tickets for Time program generated 983 complimentary, roundtrip tickets for charitable organizations.

### SOUTHWEST AIRLINES EMPLOYEE CATASTROPHIC ASSISTANCE CHARITY

We truly take care of our own when disaster strikes, whether it affects hundreds of Employees throughout a region or just one. Southwest Airlines Employees Catastrophic Assistance Charity (SWAECAC) gives Employees the opportunity to make tax-deductible donations to a collective catastrophic assistance fund through fundraisers and payroll deductions. These funds are dispersed to Coworkers who apply due to a personal crisis or need. In 2010, Southwest Airlines Employees collectively contributed nearly \$1.1 million to SWAECAC.



## PEOPLE > EMPLOYEES > GIVING AND VOLUNTEERING

### COMMUNITY GIVING BOARDS

Last year, Southwest Airlines received 16,678 requests for charitable donations from organizations across the country. These requests came directly from organizations in the communities where our Employees and Customers live, work, and play. With so many worthwhile organizations doing incredible work, it can make it difficult to decide which ones to support with our limited resources. We use our companywide strategic focus areas of charitable giving to guide us in our selection, but we also recognize that each community has distinct needs that may not fit neatly into this strategy. In an effort to address charitable giving on a local level, we have developed the Community Giving Board program.

Community Giving Boards are made up of a cross-section of local Employees from various work groups who evaluate the donation requests Southwest Airlines receives from charitable organizations in their community. The boards donate complimentary, roundtrip tickets to approved organizations for fundraising or transportation, which allows the recipient organizations to reinvest the funds that would be used for travel expenses back into their core purpose. In 2010, we reached our goal of having a Southwest Airlines Community Giving Board in place in every Southwest Airlines city.

Community Giving Boards empower Employees to have a direct and personal impact in their communities. Southwest Airlines understands it would be challenging for someone living and working in Dallas to assess the community needs of cities such as Seattle or Orlando, Fla., so Employees from those cities assess local need and determine which donations will make the greatest positive impact in their area. This initiative creates a hometown method to evaluate and process the multitude of donation requests we receive. Not only is it a great way to engage with the local organizations and make informed decisions, but those Employees who participate report a side benefit of feeling more connected to their communities and to Southwest.



## PEOPLE > EMPLOYEES > ENGAGEMENT AND RECOGNITION

Our beLUVed Employees are our greatest asset, so we listen to their suggestions and reward them for outstanding extra efforts.

At Southwest Airlines, we recognize that our beLUVed Employees are our greatest asset. This is why we feel it's so important to engage and recognize our Employees by listening to their suggestions and ideas, as well as their concerns, and reward them for outstanding extra efforts.

### EMPLOYEE SURVEY

On a biennial basis we conduct an Employee survey, which allows us to take a collective picture of our entire workforce from several angles. These snapshots let us know how our Employees feel about working at Southwest Airlines. Employees' candid feedback is critical because it helps identify areas of strength at Southwest Airlines as well as areas where we have an opportunity to work together as a Team to improve.

Sixty-five percent of Southwest Airlines Employees participated in the 2010 Employee survey and provided feedback regarding their views of the Company. Employee participation is up from 51 percent of Employees providing feedback in 2008. The survey, conducted by Mercer, evaluated the following:

- \* Training and development
- \* Customer focus (internal and external)
- \* Leadership
- \* Performance management
- \* Communication
- \* Company direction
- \* Work environment
- \* Involvement
- \* Satisfaction
- \* Teamwork
- \* Employee commitment
- \* Mission and strategy alignment
- \* Corporate citizenship



## PEOPLE > EMPLOYEES > ENGAGEMENT AND RECOGNITION

We improved in all 12 dimensions evaluated in the 2008 survey. Corporate citizenship was a new dimension in 2010.

Southwest Airlines Leaders will use this survey as a roadmap for improvement and to gauge our progress to becoming the Best Place to Work. We will continue to compare new Employee surveys with those previously conducted to identify what we're doing well in the eyes of our Employees and learn where we need to focus additional effort.

### EMPLOYEE RECOGNITION PROGRAMS

Our Employees are known for Legendary Customer Service and operational excellence, while working efficiently. Our Employees go above and beyond each and every day to provide our Customers with the best possible flying experience, and our Employees focus on low costs so we can offer low fares. Celebrating and recognizing these contributions are an important part of our Culture.

#### President's Award

Southwest Airlines hosts an annual banquet to celebrate our anniversary in June and recognize our hard-working Employees. In addition to recognizing Employees for milestone years of service from 10 years up to 40 years, we have the honor of recognizing outstanding individuals who have represented the best of Southwest values in the past year. The President's Award is one of our Company's highest honors. Every spring, Employees in each department consider the accomplishments of their peers and nominate candidates for the President's Award. Winners are selected by Southwest Officers from the pool of nominees. The annual President's Award winners are those Employees who truly go above and beyond. These are our stars in the Southwest Hall of Fame.

In addition, on occasion, an individual stands out that rises above the rest as not only a representative of his or her department, but also of the Company as a whole. For them, Herb Kelleher started the Founder's Award, an honor given only to those who have exemplified the Southwest ideals and values throughout their career.

#### Winning Spirit Award

The Winning Spirit Award recognizes Employees for going above and beyond their normal job responsibilities, for consistently displaying can-do attitudes, and for Living the Southwest Way. Employees nominate their peers, and the Winning Spirit Committee selects a group of winners every quarter. Winners are invited to Headquarters where they are honored by their Department Vice President and Gary Kelly, Chairman of the Board, President, and Chief Executive Officer of Southwest Airlines.



## PEOPLE > EMPLOYEES > ENGAGEMENT AND RECOGNITION

### Operation: Kick Tail

Great things happen when there is collective focus. In 2010, Southwest Employees were asked to focus on three goals to help Southwest Airlines achieve success:

- \* #1 in Low Costs with our Warrior Spirits
- \* #1 in Customer Satisfaction with our Servant's Hearts
- \* #1 in Employee Spirit with our Fun-LUVing Attitudes

These goals are our enduring strengths, and we obtain them by upholding our values through Living the Southwest Way. When Southwest Airlines Leaders witness an Employee exhibiting a behavior needed to reach these goals, a Kick Tail-A-Gram is given to that individual. Kick Tail-A-Grams are entered into a database where monthly, quarterly, and annual drawings for cash prizes are conducted when goals are met. We set aside \$1 million for our Kick Tail program each year, and in 2010 we gave away 221 cash prizes to Southwest Airlines Employees. From nurturing our unique Culture to volunteering for a Share the Spirit activity to celebrating with Coworkers at a Company event, there are countless ways to kick tail.

### Heroes of the Heart

Southwest Airlines is known as the LUV airline, and every year on Valentine's Day, we really earn that title. Employees across our system are encouraged to wear red or pink, many bouquets of flowers are delivered to our locations, candy is free flowing, and one of our biggest SWA traditions takes place at Headquarters in Dallas: Heroes of the Heart.

Colleen Barrett, our President Emeritus, started Heroes of the Heart 18 years ago as a way to honor a workgroup that has no contact with our external Customers. Flight Attendants and Customer Service Agents may have several opportunities to be recognized for the outstanding work they do, but a lot of our behind-the-scenes Teams, who keep the heart of Southwest Airlines beating, never get that chance.

Employees nominate Teams they feel deserve the award and a committee holds several secret meetings to determine the winner—everyone involved in the day, from Vice Presidents to our A/V Specialist, have to sign confidentiality agreements; part of the FUN of Heroes of the Heart is the surprise when the winning Team is announced.

On Valentine's Day morning, Employees gather in the main lobby of Headquarters where they are surrounded by thousands of gorgeous balloons and decorations and treated to cookies and beautiful music from a band made up of their Coworkers. After a welcome from one of our Leaders, a video showcasing—but not revealing—the winning Team plays, and everyone thinks they have it figured out until the winners are revealed. The winning Team holds one of the highest honors at Southwest Airlines. Our Heroes of the Heart receive gifts, the largest literally being an airplane. Check your aircraft as you leave; it just might be the Heroes plane, emblazoned with the Heroes of the Heart logo and featuring the winning Team's name.

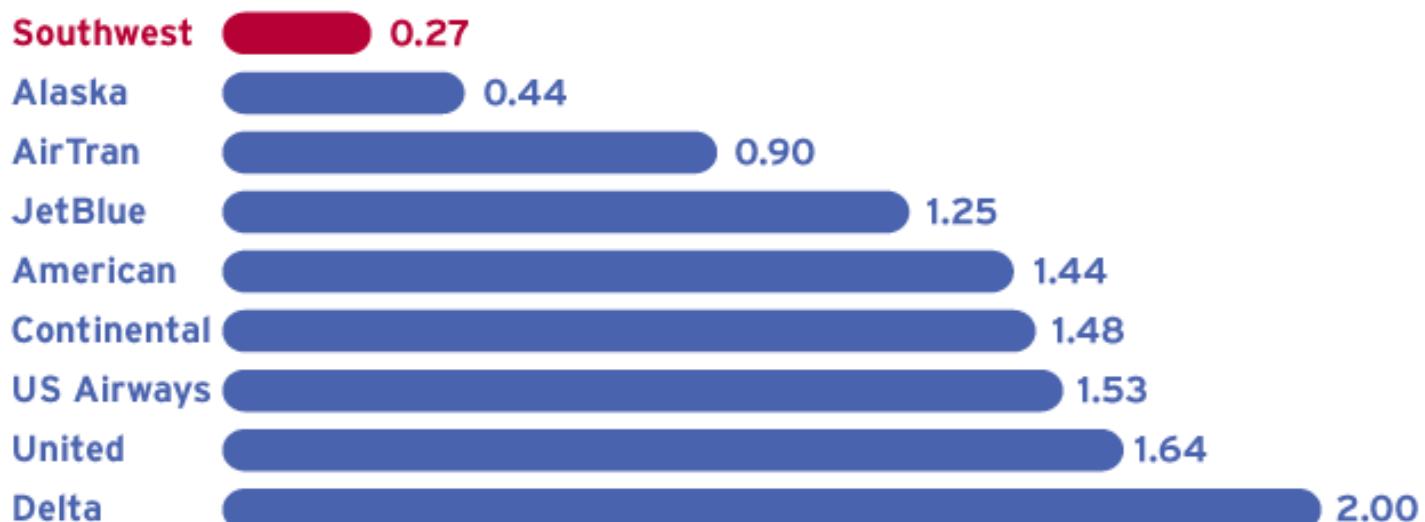
**PEOPLE > CUSTOMERS**

In 2010, Southwest Airlines led the U.S. Department of Transportation Customer Satisfaction ranking.

We're dedicated to delivering the highest quality of Customer Service with a sense of warmth, friendliness, individual pride, and Company Spirit. Every day we strive to keep operating costs low, so our tickets remain affordable. We take pride in flying our Customers to their destinations with all of the services they expect from Southwest Airlines without hidden fees. Our Employees listen to our Customers' needs through engagement opportunities and then take action to enhance our Customer Service and the Customer Experience.

**CUSTOMER SATISFACTION<sup>1</sup>**

Complaints per 100,000 customers boarded



<sup>1</sup> From the 2010 yearend U.S. Department of Transportation *Air Travel Consumer Report* issued February 2011



## PEOPLE > CUSTOMERS > CUSTOMER EXPERIENCE ENHANCEMENTS

We believe in treating each other like Family and our Customers like guests in our home.

At Southwest Airlines, we are always looking for ways we can further enhance the Customer Experience by augmenting our already great services, introducing new programs, and creating new experiences. It's about letting your Bags Fly Free,<sup>®</sup> not charging a change fee when your travel plans change, doing our best to get you there on time, and responding with a compassionate voice on the phone when travel plans change. We believe in treating each other like Family and our Customers like guests in our home. We know that what we are doing works, because our Customers keep coming back to fly with us.

### BAGS FLY FREE<sup>®</sup>

In 2010, we continued our immensely popular Bags Fly Free<sup>®</sup> advertising campaign to remind our Customers that we don't believe in charging for services that should inherently be part of the travel experience. In 2010, we added to our policy, allowing each ticketed Customer to check one stroller and one car seat free of charge, in addition to two free checked bags. Our Customers responded by checking more than 70 million bags in 2010. Bags Fly Free<sup>®</sup> is just one example of our continued effort to put the Customer first and do things differently than our domestic airline counterparts. We also refuse to charge our Customers additional fees for items such as premium leather seating, fuel surcharges, snacks, curb-side checkin, and telephone reservations.

#### *LUV Story—Bags Fly Free<sup>®</sup> Enhances the Customer Experience*

*Denise Graham has always done things by the books, so it made perfect sense when she retired from her job teaching kindergarten to work as a curriculum specialist at Pearson Education, a national textbook publisher. Her job entails training teachers to use their new textbooks and ensure their happiness and success with the new course curriculum. Of course, these schools range from Little Rock, Arkansas, to Oklahoma City to Harlingen, Texas, so it's more likely that you'll find her flying in a LUV jet than on the ground.*

*Being a native Texan, Denise has been a fan of Southwest for years, but it wasn't until she began flying for business that she appreciated the frequent flights, ontime arrivals, and ease in jumping on an earlier flight when purchasing Business Select fares. "Pearson has been flying Southwest for 13 years, and we've never had a bad experience," she says. "It's the only airline to bend over backward, and they've truly set the standard in Customer Service."*

*She's also thankful for the Bags Fly Free<sup>®</sup> policy because she always has two suitcases to check when she travels: one for clothes and one for all those textbooks. "I've had to fly other airlines in a pinch, and the bag fees ended up costing more than my ticket," she says.*

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## PEOPLE > CUSTOMERS > CUSTOMER EXPERIENCE ENHANCEMENTS

*One of her favorite memories onboard happened when passengers immediately recognized a certain American Idol on her flight: Ruben Studdard, the second-season winner. Sensing a little inflight entertainment was in order, Flight Attendants asked if he would be interested in performing, and he treated everyone to a stirring rendition of "America the Beautiful."*

*Being an A-List Member of the Rapid Rewards™ frequent-flyer program certainly has its perks, but none of them beats reserved boarding privileges for Denise. "I used to set my alarm 24 hours before my flight no matter what, just to get that A boarding group," she says. "Now I can sleep in." Denise also puts her Companion Pass to good use, whether it's a trip to Las Vegas with her husband, Tom, or flying one of her sons down from college.*

*Denise, whether you're in Austin, Texas, or Albuquerque, New Mexico, we're glad Southwest made the grade.*

### NO CHANGE FEES

Our focus on not nickel-and-diming our Customers continued in 2010 as it has since our inception with No Change Fees, for which we started an aggressive advertising campaign in January 2011. The majority of U.S. airlines charge Customers change fees, ranging from \$25 to \$150 per ticket, to make changes to a reservation. At Southwest Airlines, we understand that travel plans change, and we don't want to penalize our Customers for the unexpected things that happen in life. So we allow our Customers to change their reservations at any time prior to the flight with No Change Fees, only asking they pay the related fare difference for the new ticket.

#### LUV Story—No Change Fees Enhances the Customer Experience

*When Jeremy Umland ventured to Japan years ago as an exchange student and athlete, he didn't speak Japanese and had never tried sushi before. Fifteen years later, Jeremy returned to America and opened Ozumo, a restaurant dedicated to serving contemporary Japanese fare that's authentic to its roots. For the last nine years, Jeremy has been shuttling back and forth weekly between home (Los Angeles) and work (San Francisco and Oakland). An ingredient in his recipe for success? Southwest Airlines.*

*For Jeremy, Southwest's flexibility is key. No change fees mean that leaving a little earlier or later than planned isn't a big deal. Multiple nonstop flights between Los Angeles and the Bay Area make getting to and from work a breeze. And, Southwest's great fares and ontime performance make Jeremy's preference of airline a no-brainer. "It's clear that Southwest designed the Rapid Rewards™ frequent flyer program to benefit the Customer," he says. Plus, he appreciates that the Award Tickets he earns are easy to use, bringing even more value to his overall experience.*

*As a licensed pilot himself, Jeremy always has been impressed that Southwest's Flight Crews are so friendly and accessible to Customers. He finds that Southwest's Customers tend to be talkative and cooperative with each other—a bonus for Jeremy, as his carry-on bag (emblazoned with the Ozumo logo) has started many conversations with other Passengers, plus it serves as great advertising. Upon seeing Jeremy's bag, a commuter once exclaimed that Ozumo was his favorite restaurant, a comment that Jeremy won't soon forget.*





## PEOPLE > CUSTOMERS > CUSTOMER EXPERIENCE ENHANCEMENTS

As Ozumo's success has spread (with restaurants now open in San Francisco, Oakland, and Santa Monica), so have Jeremy's travel habits with Southwest Airlines. So, if you're flying in or out of one of our West Coast cities, be on the lookout for Jeremy and his Ozumo bag when you hop onboard our 737s—he may be bringing the taste of Japan to a city near you.

### WIFI HOTSPOT

In 2010, we were excited to rollout our new satellite-enabled WiFi Internet access onboard, the Southwest Airlines WiFi Hotspot. With this innovation, we are giving Customers with WiFi-enabled devices the freedom to be more productive and to stay entertained while they fly with full access to the Internet, including e-mail, shopping, and entertainment. We take great pride in offering this service to our Customers as they sit back, relax, and stay connected to the world below.

#### *Inflight Internet*

The Southwest Airlines WiFi Hotspot features a free portal that houses select content including a flight tracker, shopping, games, and all that southwest.com has to offer.

#### *Robust Satellite Solution*

We were one of the first U.S. airlines to evaluate satellite-delivered broadband onboard and are excited to move forward with this cutting-edge technology. We are using the most robust satellite solution available, which will ultimately provide a similar Internet experience to what our Customers experience at the office or at home.

#### *LUV Story—WiFi Hotspot Enhances the Customer Experience*

*Marc and Betty Doyon always had longed to start a family business, but it wasn't until their eldest son graduated from college that they decided to follow their dreams. Marc, Betty, and their two sons, Greg and Doug, founded Quatred, LLC in 2005. Quatred stands for quatre (the number four in French) and the letter "D," which represents the family's last name.*

*Quatred assists clients in the implementation of advanced "Touchless Technologies," meaning that they use technology wherever possible to eliminate the need to write things down.*

*"We developed QUICK [Quatred Universal Interface Control Kit] as a generic framework for the rapid deployment of Touchless Technologies," Marc says. "QUICK allows us to deliver customer-tailored applications that are superior to packaged software for less cost."*

*Like Southwest, Marc believes in achieving a 100 percent customer satisfaction rating with all of Quatred's clients. The Doyons travel to every client to personally install and configure the hardware and software, provide hands-on training, and stay until everything is up and running. This requires a significant amount of travel for the family, which has clients located across the United States, Canada, and the Caribbean.*

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## PEOPLE > CUSTOMERS > CUSTOMER EXPERIENCE ENHANCEMENTS

"Since travel and living expenses are costs that are passed onto our customers," Betty says, "we decided at the beginning that Southwest would be our airline of choice whenever possible." Quatred also chooses Southwest because it says that it's one of the few airlines that affords passengers enough room to work on laptops onboard, and "we are extremely excited that Southwest has decided to outfit all its aircraft with Wi-Fi access."

The Doyons also appreciate Southwest because of the flexibility the airline offers when plans change. "Southwest gives us the flexibility to cancel or reschedule our flights without penalizing us," Marc says.

Marc and Betty are especially happy with the Rapid Rewards frequent flyer program benefits and electronic awards they earn every year, and Marc believes in "working hard and playing hard. Because of Rapid Rewards, twice a year the entire family travels on vacation for free!"

*Doyon Family: Southwest is proud to have been a part of helping your Quatred dream come true!*

As of March 31, 2011, Southwest Airlines offered WiFi connectivity on more than 70 aircraft, and we will be continuing these installations on our remaining 737-700 aircraft, so that our entire 737-700 fleet is WiFi enabled by the end of 2012. This offering provides our Customers with a more productive onboard experience, and our arrangement with Row 44, Inc., allows us to continue our commitment to low fares with an introductory flat \$5 rate per flight.

Our WiFi-enabled aircraft fly all across our system, so be on the lookout for the Southwest Airlines WiFi Hotspot signs when boarding to let you know if you can get online while in the air.

## INTERNATIONAL CONNECT

During 2010, we continued developing our international marketing alliances and codesharing relationships to enhance the Customer Experience. In November 2010, we launched a new service that allows Customers to book international flights by connecting with Volaris, Mexico's second largest airline. At yearend, our Customers were able to book travel from 20 Southwest Airlines cities to five Volaris Mexican destinations—Cancun, Guadalajara, Morelia, Toluca/Mexico City, and Zacatecas. The new service connects through Los Angeles International Airport, Oakland International Airport, and San Jose International Airport and currently creates up to 85 additional flight itineraries. Behind the scenes, our international connect portal conducts two separate transactions—one with Southwest Airlines' reservation system and one with Volaris' reservation system. Tying the two systems together provides Customers with an easy, seamless booking and traveling experience since they receive one low fare for the blended flight schedule and are able to check their luggage all the way through to their final destination.



## PEOPLE > CUSTOMERS > CUSTOMER EXPERIENCE ENHANCEMENTS

### LOOKING FORWARD: MORE CUSTOMER LUV

At Southwest Airlines, we never stand still, and our Customer Service and Customer Experience offerings are no exception. Additional Customer Experience enhancements include:

- \* Launch of our All-New Rapid Rewards™ frequent flyer program
- \* Acquisition of AirTran Airways, which closed May 2, 2011
- \* Decision to begin flying the Boeing 737-800 series (with 30 percent more seating) in 2012, providing the opportunity to fly to more distant markets like Hawaii, Canada, and the Caribbean



## PEOPLE > CUSTOMERS > CUSTOMER INSIGHT

We LUV to hear from our Customers.

In order to continually enhance the Customer Experience and our Customer Service efforts, we must engage our Customers and solicit their thoughts and feedback on a regular basis. We want every Customer to LUV flying with Southwest Airlines, so we take the time to regularly listen to Customers' suggestions, read Customers' comments, conduct surveys and focus groups, solicit feedback through social media venues, and track industry results. We then use this Customer insight to improve the Customer Experience.

### NET PROMOTER SCORE

In our ongoing efforts to gain Customer insight and improve the Customer Experience, we contact Customers daily, via e-mail to ask them about their recent travel experience with Southwest Airlines. No surprise our response rates exceed industry norms as our Customers are eager to share and identify the purpose of their trips; disclose how likely they are to recommend Southwest Airlines; and rank their checkin, gate, inflight, arrival, and overall experience on a scale from one to ten.

From these survey results, we calculate our Net Promoter Score (NPS)—the percentage of “Promoters” (those who are likely to recommend Southwest Airlines) less the percentage of “Detractors” (those who wouldn’t recommend our airline). A high NPS indicates a strong competitive advantage, which is why we set a goal of 65 percent NPS in 2010. We reached or exceeded that goal every month in 2010.

Survey results are published internally via our Customer Experience Dashboard, so that work groups and Employees can continually evaluate and improve their contribution to the Customer Experience. In 2010, we saw significant improvement in our Customers’ satisfaction with the checkin experience, helping our Employees see that their hard work to improve that experience in every city we fly was recognized. By getting to know our Customers better through this daily survey, we can identify our successes and areas of improvement in a timely manner, so that we can keep Customers coming back to Southwest Airlines whenever they need to fly.

### *Customer Commendations*

In 2010, we received hundreds of thousands of Customer e-mails, letters, and telephone calls about Southwest Airlines, the service we provide, and requests for information. Our most important metric is how we are doing in the area of Customer Service. We track our Customer feedback and measure it via the ratio of customer commendations versus personnel rudeness complaints. In 2010, we received more than 65,000 external Customer commendations about the great work of our People, which yielded a Customer commendation versus rudeness complaint ratio of nearly 10:1.



## PEOPLE > CUSTOMERS > CUSTOMER INSIGHT

### CUSTOMER BRAND SURVEY

In addition to NPS, we use monthly and biennial brand monitoring surveys to track our progress toward brand satisfaction. Monthly monitoring provides a pulse point, while the survey allows us to dig deeper into particular metrics to get a more complete view of our brand awareness in the marketplace. The biennial survey is conducted by a third-party partner using respondents, not just Southwest Airlines' Customers, located in the majority of the markets we serve. The brand survey questions asked are consistent, allowing us to make good comparisons over time. However, we also add targeted questions that are relevant for a particular survey period. For example, we took extra effort in 2010 to obtain information about the importance the traveling public places on airline fees and their recognition of the Bags Fly Free® campaign.

In the 2010 survey, highlights include:

- \* Our Bags Fly Free® campaign has very strong brand recognition, and most survey respondents understand that they can only book Southwest flights at [southwest.com](http://southwest.com).
- \* Brand commitment<sup>1</sup> continues to increase with both business and leisure travelers.
- \* Our brand consideration, ranking Southwest Airlines as the first airline that passengers consider flying, continues to grow in the markets we serve.
- \* Not charging fees ranks very highly as an attribute associated with airline selection. Flexibility in travel plans is also important to prospective Customers.

In summary, we are winning Customers by offering freedom from fees, our market share is growing, and new and loyal Customers continue to LUV flying with Southwest Airlines.

### *How to Offer Customer Feedback*

- \* E-mail us through our web site at [southwest.com/help/customer\\_service.html](http://southwest.com/help/customer_service.html).
- \* Reply to a blog post on Nuts about Southwest at [blogsouthwest.com](http://blogsouthwest.com).
- \* Post a message on our Facebook wall at [facebook.com/Southwest](http://facebook.com/Southwest).
- \* Tweet us at [twitter.com/SouthwestAir](http://twitter.com/SouthwestAir).
- \* Write us at:  
Southwest Airlines  
Customer Relations  
P.O. Box 36647 HDQ-ICR  
Dallas, TX 75235

**PEOPLE > CUSTOMERS > CUSTOMER INSIGHT****U.S. DEPARTMENT OF TRANSPORTATION PERFORMANCE METRICS**

Like our domestic passenger airline counterparts, we file monthly reports with the U.S. Department of Transportation (DOT) Bureau of Transportation Statistics and other DOT departments regarding a number of Performance statistics from our operations. This includes information regarding number of Passengers flown, fuel consumed, and baggage fees. It also includes information regarding Southwest Airlines operations as they relate to the Customer Experience. This information allows us to compare ourselves to our industry counterparts, so we can continually strive to provide our Customers the best Customer Experience.

***Transparent Reporting***

There are many factors that can impact Performance numbers, including several outside of our direct control such as weather and air traffic control practices. While it is tempting to only identify those statistics that reflect more positively on our operation, we strive to increase our transparency and establish consistency with the information provided to our stakeholders.

**COMPARISON OF 2009 AND 2010 PERFORMANCE RESULTS**

compiled by the U.S. Department of Transportation Office of Aviation Enforcement and Proceedings, Aviation Consumer Protection Division

	2009	2010
Consumer complaints per 100,000 enplanements	0.21 <sup>2</sup>	0.27 <sup>2</sup>
Percentage of reported flight operations arriving ontime	83.0	79.5
Number of mishandled bags reported per 1,000 Passengers	3.43	3.43
Passengers denied boarding per 10,000 Passengers	1.29	1.24
Number of incidents involving the loss, injury, or death of animals during air transportation	0	0



## PEOPLE > CUSTOMERS > CUSTOMER INSIGHT

### LOOKING FORWARD

At Southwest Airlines, we value what our Customers have to say and seek out ways to monitor and measure Customer satisfaction. In 2011, we will continue to regularly engage our Customers and request their feedback. With this Customer insight, our Employees can better provide the highest quality of Customer Service.

<sup>1</sup> Brand commitment refers to the strength of the relationship with our Customers. The metric we track is a total percentage of respondents who indicate that Southwest Airlines is their favorite airline and they will go out of their way to fly with us or that we would be one of the first airlines they would consider.

<sup>2</sup> Leading U.S. Department of Transportation customer satisfaction ranking out of 18 airlines evaluated.

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## PEOPLE > COMMUNITIES

We aspire to make a positive difference in the communities where we fly.

### BY THE NUMBERS IN 2010

**16,678**

Donation requests received

**29,664**

Tickets donated

**\$934,807**

Total monetary donations

**\$13,950,763**

Total value of monetary and ticket donations

**80,000+**

Employee Volunteer hours

At Southwest Airlines, we strive to be much more than a business. We are a neighbor in the communities where our Customers live. We champion the causes that matter most to the communities we serve and develop relationships with local and national charitable organizations. As the hometown carrier that cares, we commit our time, tickets, and LUV to those who need it most. Across the nation, Southwest Airlines Employees Share the Spirit by volunteering regularly and serving on local, state, and national boards to assist nonprofit organizations in achieving their missions.

We aspire to make a positive difference in the communities where we fly. To ensure our charitable contributions touch as many lives as possible, we focus our charitable donations and outreach initiatives in five key areas and encourage our Employees who support charities close to their hearts with volunteerism through Tickets for Time.

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## PEOPLE > COMMUNITIES > FAMILIES FACING SERIOUS ILLNESS

Southwest Airlines operates with a Servant's Heart.

### LUV CLASSIC CELEBRATES 25 YEARS

Helping people is an important part of the Southwest Airlines Culture, and one of the more prominent displays of this is the annual Dallas LUV Classic golf tournament. In 2010 the Dallas LUV Classic celebrated its 25th anniversary. Through this event, we have raised more than \$12 million for Ronald McDonald House Charities since 1985 in the communities we serve. This donation helps the Ronald McDonald House provide meals, beds, and other necessities for families to stay close when their severely ill children are in the hospital. In 2010, we distributed \$976,000 in proceeds from the LUV Classic to the Ronald McDonald House locations in Ann Arbor, Mich.; Dallas; Milwaukee; Minneapolis; Phoenix; St. Louis; and Tucson, Ariz.—bringing the total number of Ronald McDonald Houses benefiting from Southwest Airlines' generosity to 58.

#### *LUV Story—The Birth of the LUV Classic*

*The LUV Classic started when Joe Miller, a popular Dallas club owner, was diagnosed with cancer, and several area businessmen organized a golf tournament to raise money for his treatment. The tournament was a huge success and created a surplus of money that Miller wanted to donate to a good cause. A friend told him about the Ronald McDonald House. At the same time, Colleen Barrett, now President Emeritus of Southwest Airlines, became involved in the tournament and coincidentally learned about the Ronald McDonald House through an Employee. She was impressed and deeply touched by the magic of these homes away from homes. This started a tradition of golf and giving back that has continued for 25 years as the LUV Classic.*

### MEDICAL GRANT TRANSPORTATION PROGRAM

In its third year, Southwest Airlines' Medical Transportation Grant Program donated \$1.2 million in roundtrip tickets to hospitals and nonprofit organizations. These tickets allow seriously ill patients to travel to locations they otherwise couldn't for medical treatments. In 2010, our Medical Transportation Grant Program donations increased 26 percent over the previous year and served 29 organizations nationwide.



## PEOPLE > COMMUNITIES > ENVIRONMENT

We are committed to doing our part to protect the Planet.

### NATIONAL WILDLIFE REFUGE ASSOCIATION

At Southwest Airlines, we are committed to doing our part to protect the Planet and its natural habitats. That's why we teamed up with the National Wildlife Refuge Association (NWRA) in a variety of roles in 2010 to help maintain balance in nature and remain a good steward of the environment.

#### *What is the NWRA?*

The National Wildlife Refuge Association is a nonprofit organization dedicated to conserving America's wildlife heritage for future generations. It educates and mobilizes communities across the country in partnership with nearly 190 refuge affiliate organizations to achieve its mission to secure ecological integrity.

Like many around the world, we at Southwest Airlines were saddened by the Deepwater Horizon oil spill in the Gulf of Mexico on April 20, 2010, and its effect on the coastline, the people who live there, and the wildlife and habitats in the area. Recognizing that recovery would be costly, we launched Help Us Help Them, where we pledged \$1 for every EarlyBird Check-In™ purchase up to \$100,000 to assist with cleanup efforts in the wildlife refuges along the Gulf. On Oct. 4, 2010, we made good on that promise and presented the NWRA with a \$100,000 donation, which the NWRA has designated as funding to work with the U.S. Fish and Wildlife Service to acquire and restore brown pelican nesting sites along the Gulf.

In anticipation of the addition of one of Southwest Airlines' newest cities, Panama City Beach, Fla., we unveiled Florida One, a Boeing 737 featuring an artist's rendering of the state flag to commemorate the occasion on April 23, 2010. We also celebrated National Volunteer Week by teaming up with the NWRA to offer volunteering opportunities for our Employees in Florida, home to some of the most biologically rich refuges in the NWRA system. The NWRA depends on volunteers to help maintain these safe havens for wildlife. Our Employees volunteered many hours to complete various projects such as removing fishing line from mangroves, pulling invasive plant species, and picking up trash. NWRA President Evan Hirsche joined our Florida-based Employees in celebrating volunteerism and our Florida service.

Southwest Airlines is honored to be named NWRA's official airline for our support in helping the NWRA in its mission of preserving wildlife and their natural habitats. In 2010, Southwest Airlines donated more than \$200,000 to NWRA to continue its mission to protect wildlife and maintain refuges around the country.



## PEOPLE > COMMUNITIES > ENVIRONMENT

### LUV Story—LIFT Coffee and the Guatemala Light Project

In 2010, we continued our commitment to provide our Customers with an enhanced inflight coffee experience with our delicious LIFT coffee. As our Customers indulged in our one-of-a-kind brew, we were able to extend our Servant's Heart and participate in a worthy cause, the Guatemala Light Project, a charitable program that uses renewable energy to illuminate isolated villages without electricity in the coffee-growing regions of Guatemala. For every pound of LIFT coffee our Customers consume, we donate two cents to the Guatemala Light Project. Throughout 2010, we were able to donate more than \$8,000 to the Guatemala Light Project thanks to our Customers desire for caffeine.

One of the beneficiaries of these funds was Augustin Pablo Pablo and his family. Augustin and his family are farmers living in the remote village of Twitzcox in northern Guatemala. Funds donated to the Guatemala Light Project allowed a solar photovoltaic (PV) home lighting system to be installed in Augustin's home. Augustin recently told us that his family has benefited tremendously from the PV system that lights his home for about four hours a night and charges his mobile phone. He said that with the system he is able to make clothing late into the evening, further increasing his family's earnings.

### STUDENT CONSERVATION ASSOCIATION

As part of our spring 2010 Share the Spirit™ initiative, Southwest Airlines Employees joined Student Conservation Association (SCA) volunteers across the United States in 2010 Earth Day service projects on April 22, 2010. We partnered with the SCA to help advance its mission to develop the next generation of conservation leaders by expanding green service and job readiness opportunities for high school and college-aged individuals in all 50 states, from urban communities to national parks and forests. This charitable partnership not only helps further our commitment to the environment, but it also demonstrates our dedication to youth leadership and community involvement.

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## PEOPLE > COMMUNITIES > MILITARY AND THEIR FAMILIES

Southwest Airlines is proud to be one of the *G.I. Jobs* magazine's top 100 military-friendly employers.

### MILITARY HEROES MONTH

With more than 750 Southwest Airlines Pilots currently serving in the National Guard or a military reserve unit and our deep sense of patriotism, it's important to us at Southwest Airlines to take time to thank and give back to the military service members and their families who give so much to protect our freedoms. While we do many things throughout the year, we wanted to especially honor our Employees and all those who served by renaming November Military Heroes Month in remembrance of Veterans Day.

#### > Official Airline of the Mission Continues, Veterans Day Weekend | St. Louis

Southwest Airlines brought together fellows of the Mission Continues for a weekend of service and celebration. The Mission Continues aspires to build an America where every returning veteran can serve again as a citizen leader, and where together we honor the fallen by living their values through service. Southwest Airlines was one of the first corporate sponsors of this organization and has supported its work for the past three years.

#### > Operation Freedom Bird | Phoenix

Operation Freedom Bird provides a unique healing journey to Arizona's veterans of the Vietnam War, giving them an opportunity to confront their feelings, share their experiences, and pay tribute to their fallen comrades-in-arms in a supportive environment of fellow veterans and counselors. Approximately 44 veterans were selected to participate in a four-day visit to the Vietnam Veterans War Memorial in Washington, D.C. As part of our 12th year of supporting this organization and trip, Southwest Airlines welcomed home the Operation Freedom Bird veterans in hangar five at Phoenix Sky Harbor Airport, with a ceremony featuring Phoenix Mayor Phil Gordon and a performance by platinum recording artist Aaron Tippin.

#### > A Million Thanks | nationwide

Southwest Airlines joined the efforts of the A Million Thanks organization by providing our Customers in airports and onboard our aircraft with a postcard and an opportunity to write a message of thanks and encouragement to U.S. military members on Veterans Day. We estimate we collected several thousand notes, and A Million Thanks shipped the postcards to service members. A Million Thanks is a yearround campaign to show appreciation to U.S. military men and women through letters, e-mails, and cards.



## PEOPLE > COMMUNITIES > MILITARY AND THEIR FAMILIES

### > Veterans Day | nationwide

On a daily basis, our Employees thank and recognize the men and women of the armed forces, with in-airport and onboard announcements, priority boarding, and allowing them to deplane first amid a cabin of applause. We also offer military fares for active duty and allow all military duffel bags with no overweight charges.

### > 24/7 Military Tribute by Southwest Airlines' Friends & Family | San Antonio

San Antonio Employees celebrated Veterans Day by dedicating a commemorative exhibit, "24/7 Southwest Airlines' Family & Friends Tribute to the Military." Local Employees organized this exhibit to pay tribute to the military members who pass through the San Antonio Airport every day.

### > Lone Eagle Honor Flight | nationwide

Southwest Airlines is the official airline of the Honor Flight Network and is proud to sponsor its flights throughout the year to assist World War II veterans in visiting the memorial in Washington, D.C. In 2010, we helped nearly 1,500 veterans fly to Washington, D.C., as a special thank you for their service. We were especially pleased to sponsor the 33 Honor Flights that took place during 2010, including ten Lone Eagle Honor Flights. A Lone Eagle is a World War II veteran whose application to visit the World War II memorial in Washington, D.C., has been in the organization's national office for six months or more, yet he or she does not live close to an existing Honor Flight hub. The Honor Flight network organizes the Lone Eagle trip specifically for these veterans. Since Southwest Airlines became the official airline of the Honor Flight Network in May 2009, our ticket donations have flown more than 2,500 veterans on 75 total trips to Washington, D.C.

### > Helping a Hero | Fort Worth, Texas

As a sponsor of Helping a Hero, Southwest Airlines participated in the unveiling of a new home for the charity in Fort Worth, Texas. Helping a Hero provides specially adapted homes for qualifying service members as well as engages the community to provide services and resources for wounded heroes and their families.

### > We Are Thankful | nationwide

In celebration of the Thanksgiving holiday, we decorated our aircraft with hearts featuring the message: "We Are Thankful for our Employees, We Are Thankful for our Customers, We Are Thankful for our Family, and We Are Thankful for our Troops."

Each of these activities provided an opportunity for Southwest Airlines Employees and our Customers to say thank you to the men and women who serve our country. Our dedication to supporting the military and our military families garnered our 2010 designation by *G.I. Jobs* magazine as one of the top 100 military-friendly employers.

A blue banner with the word "PERFORMANCE" in white capital letters.A red banner with the word "PEOPLE" in white capital letters.A blue banner with the word "PLANET" in white capital letters.

## PEOPLE > COMMUNITIES > DISASTER PREPAREDNESS

We are committed to helping our communities be more prepared for natural disasters and lend our support in times of need when disasters occur.

### MASS CARE TASK FORCE

In 2010, Southwest Airlines became the first corporate sponsor of the Dallas-based Mass Care Task Force (MCTF), a disaster-relief organization established in 2006 to better coordinate response to address the devastation that hurricanes Katrina and Rita left in their wakes. The MCTF—a joint effort of the American Red Cross Dallas Area Chapter, North Texas Food Bank, Salvation Army Dallas, and the Volunteer Center of North Texas—estimates disaster relief for major devastations would cost approximately \$26 million. Southwest Airlines has committed \$345,000 over the next five years toward the effort as well as availability of skill-based volunteers and communication channels for education and recruitment. By participating in this unique collaboration, we support the MCTF's goal of creating a model that can be used across the country to better prepare our communities for the inevitable catastrophic event.

### AMERICAN RED CROSS

Southwest Airlines has long been a strong supporter of the American Red Cross, and in 2010 we continued our commitment through a variety of efforts with both domestic and global impact, we donated \$25,000 to support Haiti relief efforts. When flash floods put Nashville, Tenn., under water in May 2010, we delivered 24,000 cans of clean water for distribution and made a \$10,000 donation to be available as immediate cash for relief efforts.

We also know that not every disaster has a global or even nationwide effect. Sometimes it's a family or an entire apartment complex of dwellers displaced by fire that have lost everything, and children are the most delicate of those victims. That's why Southwest Airlines assembled 5,499 comfort kits for kids, which include toiletries and fun kids' activities, for American Red Cross chapters in the cities we serve. In addition, we held quarterly blood drives at Headquarters in Dallas to benefit Red Cross blood services.

#### *American Red Cross by the Numbers*

Because of the generosity of volunteers and donors, the American Red Cross is able to assist millions of disaster victims and those preparing for disaster. Each year, victims of 70,000 disasters turn to the American Red Cross for assistance. More than 15 million people receive training to prepare for and respond to emergencies in their homes and communities. Four million annual blood donors make the Red Cross the largest supplier of blood and blood products in the United States.



## PEOPLE > COMMUNITIES > DISASTER PREPAREDNESS

### LUV Story—Boat People SOS, Inc.

As a national community organization founded 30 years ago to rescue Vietnamese boat people at sea and assist Vietnamese refugees in first asylum camps in Asia, Boat People SOS, Inc., (BPSOS) operates in 18 locations in the U.S. and four in Southeast Asia with approximately 130 staff members and hundreds of volunteers. Through disaster recovery centers and branches established in response to Hurricane Katrina in three Gulf states—Alabama, Louisiana, and Mississippi—BPSOS quickly responded to the man-made crisis in the days after the Deepwater Horizon oil spill. BPSOS deployed national headquarters staff and volunteers from across the country to support its branch staff in the Gulf Coast in providing emergency assistance to more than a thousand Vietnamese families.

In September 2010, BPSOS' Gulf Coast operation received a big boost from Southwest Airlines with the donation of airline tickets for staff and volunteers. Southwest Airlines donated 45 airline tickets to staff and volunteers who were mobilized to the region, usually at last minute requests, to provide pro bono assistance to these struggling families. These activities have collectively served approximately 550 individuals directly, and an estimated thousands more indirectly through educational radio programs and interviews.

### PROJECT MEDISHARE AMPUTEE CARES PROGRAM

In early 2010 when a devastating earthquake destroyed a small country in the Caribbean, Southwest Airlines began to explore opportunities to extend our Servant's Heart to the citizens of Haiti. Through the Dunspaugh-Dalton Community & Educational Well-Being (CEW) Research Center at the University of Miami, we were able to connect with Project Medishare Amputee Cares Program. This program is a comprehensive, long-term care initiative that will give the people of Haiti who have suffered injuries resulting in the amputation of a limb the opportunity to maximize their functional potential. The program begins with a comprehensive evaluation and screening and continues through the spectrum of care from surgery, prosthetic fitting, and rehabilitation. It also includes support in the return to work or school and to sports, peer mentoring, and education for clinical providers of Haiti.

Through ticket donations, Southwest Airlines makes it possible for the much-needed U.S. volunteers of the program to reach South Florida and join the weekly volunteer teams that deploy to Haiti. Volunteers include doctors, nurses, physical therapists, prosthetics, and others supported by Southwest Airlines who are able to donate their time to provide the rehabilitation care needed by those Haitians wounded by the devastating earthquake. Throughout 2010, Southwest Airlines donated 105 tickets to the cause, placing 95 volunteers in Haiti.

*"One of the first phone calls I received after the earthquake in Haiti came from Southwest Airlines. They wanted to know what they could do with the University of Miami Dunspaugh-Dalton CEW Research Center that would have an immediate impact on the relief efforts. We contacted our partners who were busy organizing the university response and within days Southwest Airlines began to fly dozens of volunteer technical assistance personnel into South Florida. This was a truly remarkable contribution to the well-being of Haitians in need. What an incredible blessing it was for us to connect with Southwest Airlines!"*

—Dr. Etiony Aldarondo, Director Dunspaugh-Dalton CEW Research Center in the School of Education at the University of Miami



## PEOPLE > COMMUNITIES > YOUTH LEADERSHIP/COMMUNITY INVOLVEMENT

We endeavor to get involved with charitable organizations that develop leadership in today's youth.

### EDUCATION AND YOUTH LEADERSHIP

It is no secret that one achievement of educational attainment can transform a person's life and ripple through a community in a positive way. At Southwest Airlines, we strive to champion causes that matter most in all the communities we serve, and one of those causes near and dear to our hearts is education and promoting youth leadership. Southwest Airlines supports education initiatives encompassing various facets such as leadership and mentoring, public policy fellowships, and college readiness and access. This dedication to education initiatives is evident through our Adopt-A-Pilot program. We're also involved in many community organization partnerships and support organizations including the District of Columbia College Success Foundation (D.C. CSF), Hispanic Association of Colleges and Universities (HACU), National Education Association, Black Voice Foundation, the Congressional Hispanic Caucus Institute (CHCI), and the Asian & Pacific Islander American Scholarship Fund to name a few.

#### > Adopt-A-Pilot

Annually from February through May, fifth-grade students in more than 1,450 classes across the country "adopt" Southwest Airlines Pilots in this award-winning educational program that leads students through science, geography, math, writing, and other core subjects with aviation-related activities. Students also research careers, develop life values, and realize the importance of staying in school. We introduced the Adopt-A-Pilot program in 1997, and it has reached an estimated 300,000 students to date. Southwest Airlines is pleased to offer this program at no cost to participating schools.

	2006	2007	2008	2009	2010
Southwest Airlines Pilot Participation	590	614	656	769	793



## PEOPLE > COMMUNITIES > YOUTH LEADERSHIP/COMMUNITY INVOLVEMENT

### > D.C. College Success Foundation (CSF)

Southwest Airlines is proud to partner with D.C. CSF by providing travel awards for students to visit colleges with their D.C. CSF mentors and return home for family support during long holiday breaks. The purpose of the D.C. CSF is to open educational opportunities by increasing the number of college graduates among low-income youth in Washington, D.C. The foundation carries out its mission by offering an integrated set of academic, informational, and financial support to low-income students and their families and by advocating for increased college readiness and college access. D.C. CSF seeks to reduce financial barriers low-income students face by awarding need-based scholarships.

### > Hispanic Association of Colleges and Universities (HACU)

Southwest Airlines is committed to doing our part to ensure the futures of our nation's youth. That's why we partnered with the HACU to launch the Giving Flight to Your Success travel program that provides a unique solution for outstanding Hispanic students to continue their education through college. For the past six years, our *jLánzate!* Take Off Travel Award has provided complimentary flights to selected Latino students and their families, so the students can remain connected to their cultural and familial roots when they attend college thousands of miles away. In 2010 alone, Southwest Airlines donated 170 tickets through this program. We know the success of these students depends on the ability to receive support from their families, and providing students the opportunity to visit their families in person gives them a greater chance of being successful their entire lives. Our hope is that our commitment to education-related initiatives will have a meaningful impact on all the communities we serve.

### > Black Voice Foundation

Southwest Airlines is also proud to partner with the Black Voice Foundation's professional development program, the Opportunity of a Lifetime. This program seeks passionate students who wish to showcase their abilities to prospective universities, to employers, and through global opportunities. Broken up in four distinct parts, this year-round program focuses on national diversity case studies, participates in multiple virtual professional development workshops, supports attendance in the most creative historically black college and university tours, and recruits students for great internship opportunities.

### > Congressional Hispanic Caucus Institute (CHCI)

Southwest's support of CHCI's mission to develop the next generation of Latino leaders promotes the growth of participants as effective professionals and strong leaders. As the official airline of CHCI's nationally recognized public policy fellowship program, congressional internship program, and the graduate and young professional fellowship program, Southwest Airlines is advancing public policy education and increasing the professional pipeline of Latino professionals in various fields.

A blue rectangular banner with the word "PERFORMANCE" in white capital letters.A red rectangular banner with the word "PEOPLE" in white capital letters.A blue rectangular banner with the word "PLANET" in white capital letters.

## PEOPLE > COMMUNITIES > YOUTH LEADERSHIP/COMMUNITY INVOLVEMENT

### > Asian Pacific American Institute for Congressional Studies (APAICS)

Through our support of the Asian Pacific American Institute for Congressional Studies (APAICS), Southwest Airlines enables APAICS interns and fellows to fly to Washington, D.C.; travel home over the holidays; or attend conferences and seminars. The summer internship program provides select undergraduate students the opportunity to gain first-hand experience in American politics and public policy. Interns are placed in congressional offices, federal agencies, or nonprofit organizations. The APAICS fellowship provides exceptional graduates and young professionals an opportunity to work on policy issues as full-time staff members of a Congressional office, federal agency, or nonprofit community organization over a nine-month period.

At Southwest Airlines, our hope is that over time, our commitment to education and youth leadership-related initiatives will make a meaningful impact in all the communities we serve.



## PEOPLE > SOCIAL MANAGEMENT APPROACH

We strive to deliver the highest quality Customer Service, maintain a creative and innovative workforce, and give back to the Communities in which we live and work.

### DISCLOSURE ON MANAGEMENT APPROACH: LABOR PRACTICES AND DECENT WORK

We encourage creativity and innovation, which, in turn, improves our operational effectiveness and Customer Service. Above all, we offer Employees the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Customer.

#### Labor and Employment Law Compliance

Southwest Airlines recognizes and strives to adhere to all labor and employment laws wherever we operate, including those respecting freedom of association, privacy, and equal opportunity. Employees are the backbone of Southwest Airlines. Therefore, our approach to employment and labor practices—guided by our Senior Vice President of Administration and Chief People Officer and our General Counsel Department, which includes a section that is devoted solely to Labor and Employee relations—is a critical strategy. We are committed to:

- \* Seeking talented People
- \* Maintaining positive labor relations
- \* Investing in training and educational opportunities to enhance Employees' skills
- \* Fostering an atmosphere that promotes equal opportunity
- \* Providing our Employees with a safe and stable work environment
- \* Maintaining equal opportunity for learning and personal growth

We have a clear vision for our People. We want to protect the job security, prosperity, and wellbeing of all of our Employees. We focus on bringing the best People—with a Warrior Spirit, a Servant's Heart, and a Fun-LUVing Attitude—into the Southwest Airlines Family with competitive compensation and benefits package. We then provide a positive work environment, training, and encouragement to help them succeed.

#### Safety

Our top priority is to protect the personal Safety of each Southwest Airlines Customer and Employee. Beyond this, we follow The Golden Rule, meaning we treat others the way we want to be treated, which is why doing the right thing by our Employees and Customers is so inherent to who we are as a Company. We believe in Living the Southwest Way, which is operating with a Warrior Spirit, a Servant's Heart, and a Fun-LUVing Attitude.



## PEOPLE > SOCIAL MANAGEMENT APPROACH

### Labor Relations

At Southwest Airlines, we are proud of our corporate Culture and the relationships we build with our Employees. We think communication, transparency, and consistency are keys to developing these solid relationships. With approximately 82 percent of our Employees represented by unions, we strive to maintain stable relationships with these organizations by having open channels of communication and bargaining in good faith in all matters that involve our Employees.

### Diversity

At Southwest Airlines, diversity is more than a word; it is an expression of our operations. A diverse workforce keeps Southwest Airlines strong and innovative, and we strive to mirror the communities we serve. Our People are our greatest strength, and they are an amazing group of Employees from different backgrounds and countries. This translates to a rich diversity of ideas, knowledge, and actions, which has made us a consistently profitable airline and helped create the Fun-LUVing corporate Culture for which we are known. A SPIRIT of inclusion brings our Company together, and we embrace different perspectives and celebrate those who dare to bring their best forward.

Building an inclusive environment at Southwest Airlines has been a part of our history. Inclusion is about the expanded potential of all who are willing to demonstrate their abilities. With inclusion, Employees feel valued and part of the decision-making process. We have many examples throughout our history where individuals have felt empowered to offer innovative solutions for the Company and our Customers. Some examples of how encouraging an inclusive environment can lead to Employee engagement, higher productivity, workforce retention, openness to thought, and a positive workforce include: Message To The Field, coffee talks with Leaders, town halls, Employee survey, OnBoarding, Culture Committee, Diversity Council, and more.

The Southwest Airlines Community Affairs & Grassroots Team works tirelessly to build strong, mutually beneficial, strategic relationships. By fostering these true partnerships, the Company proves its commitment to People in diverse groups. Our dedicated outreach extends to gay, lesbian, bisexual, and transgender (GLBT); Hispanic, African American, and Asian/Pacific Islander communities. In 2010, Southwest Airlines scored 95 out of 100 in the Human Rights Campaign's eighth annual Corporate Equality Index survey. This marks a five-point increase from 2009. The annual Corporate Equality Index serves as a report card for GLBT equality in corporate America and rates more than 590 businesses across the country in categories such as non-discrimination policies and training, benefits, employee support through diversity councils, and marketing and external engagement. We are very proud of our near perfect score of 95 on the Human Rights Campaign's Corporate Equality Index.



## PEOPLE > SOCIAL MANAGEMENT APPROACH

### Diversity Council

Created as a proactive group that mentors the Company's recruitment, Company policies, and supplier diversity decisions and initiatives, the Southwest Airlines Diversity Council consists of Volunteers who stepped forward to deliver the best of diversity Leadership and to embrace the SPIRIT of inclusion in all departments. The Diversity Council meets monthly to fulfill its purpose of supporting the Company's efforts to:

- \* Improve the recruitment and advancement of women and minorities
- \* Increase supplier diversity
- \* Create awareness and show appreciation of cultural and lifestyle differences
- \* Organize and amplify issues that improve inclusiveness and diversity
- \* Serve as a conduit and resource

### Education and Training

Southwest Airlines is dedicated to the continued education of its Employees.

### Key Performance Indicators

A cross-departmental team appointed by Southwest Airlines Leaders has started to identify and define key performance indicators (KPIs) within citizenship to better gauge our progress and establish goals. This work is ongoing by the citizenship committee, and we plan to discuss more about our workplace KPIs in the *2011 Southwest Airlines One Report™*. We also monitor the impacts of our labor practices through an Employee survey administered on a biannual basis.

## DISCLOSURE ON MANAGEMENT APPROACH: HUMAN RIGHTS

At Southwest Airlines, we support the preservation of human rights and are guided by fundamental principles to not only comply with the law at all times but also to avoid the appearance of impropriety in the actions of our Employees and our business partners. We reflect these principles in various policies and our conduct toward Employees, suppliers, Customers, and the communities we serve.



## PEOPLE > SOCIAL MANAGEMENT APPROACH

### Employees

To fulfill our responsibilities to support and respect the protection of human rights within our sphere of influence, Southwest Airlines, our Senior Vice President of Administration and Chief People Officer, and our General Counsel Department, including its Labor and Employee Relations section, are committed to:

- \* Prohibiting child and forced labor
- \* Preventing any form of harassment, discrimination, or retaliation in the workplace based on race, color, religion, age, sex, sexual orientation, gender identity, pregnancy, marital status, national origin, disability, veteran status, genetic information, or other legally protected statuses
- \* Respecting the right of Employees to associate freely
- \* Recognizing lawful rights of Employees to choose or not choose collective bargaining representation

### Suppliers and Business Partners

Southwest Airlines expects its suppliers and business partners to operate in compliance with all applicable laws and regulations, including local environmental, employment, and safety laws.

### Training

Southwest Airlines conducts training on human rights issues as they relate to harassment, discrimination, or retaliation for all new hires. Human rights training is also available for existing Employees through our It's a Matter of Respect training for Leaders and our sexual harassment online module. In 2010 alone, our Employees devoted more than 5,000 hours to human rights training, and 10.7 percent of Employees completed the training. We provide guidance for such issues to all Employees through our *Guidelines for Employees*, which can be found on Southwest Airlines' Intranet, along with our policy concerning harassment, sexual harassment, discrimination, and retaliation. All Employees are responsible for maintaining a positive working environment—free of discrimination, harassment, and hostile, threatening, or intimidating behavior. We feel that following these policies is simply the right thing to do.

### Key Performance Indicators

Southwest Airlines' citizenship committee has started to identify and define KPIs for human rights issues to better gauge our progress. This work is ongoing, and we plan to discuss more about our human rights KPIs in the 2011 Southwest Airlines One Report™.

## DISCLOSURE ON MANAGEMENT APPROACH: PRODUCT RESPONSIBILITY

At Southwest Airlines, our mission is to provide the highest quality of Customer Service with a sense of warmth, friendliness, individual pride, and Company SPIRIT.



## PEOPLE > SOCIAL MANAGEMENT APPROACH

### Customer Service

At Southwest Airlines, we recognize the importance of communicating openly, accurately and responsibly about our service to our Customers, so they can make informed choices. Our formal Customer Service policies are available to our Customers through our Customer Service commitment and contract of carriage available on our web site. Our Customer Service actions are further communicated to our Customers through the use of various media channels or Customer insight opportunities that allow for two-way communication with our Customers.

### Marketing

Our General Counsel Department reviews our marketing materials that reach our Customers to confirm compliance with regulatory and voluntary codes. We had no fines imposed by the U.S. Department of Transportation (DOT) or consent orders entered into with the DOT due to Southwest Airlines advertising in 2010. In 2010, there were not any promotions or sponsorships that resulted in any legal action against Southwest Airlines.

### Customer Privacy

In 2010, Southwest Airlines had no fines for non-compliance with laws and regulations concerning Customer privacy.

### Key Performance Indicators

Southwest Airlines' citizenship committee has started to identify and define KPIs for product responsibility issues to better track our performance and progress. This work is ongoing, and we plan to discuss more about our related KPIs in the *2011 Southwest Airlines One Report™*. To determine the success of our Customer Service and gain Customer insight to improve the Customer Experience, we also actively monitor Customer satisfaction and industry-related metrics released by the DOT, calculate our Net Promoter Score, and administer the Hall & Partners biannual brand tracker survey to our Customers.

## DISCLOSURE ON MANAGEMENT APPROACH: SOCIETY

Our mission, vision, and Culture that promote sustaining and respecting our People and our Planet guide our commitment to society. At Southwest Airlines, we conserve and innovate, treat others the way we want to be treated, and strive to do the right thing.

### Community

We remain devoted to each and every community that we serve. Our Employees, Customers, and neighbors all contribute to the Culture of Southwest Airlines. We are proud to offer our cities more than just friendly and affordable air service. We offer our hearts as we Share the Spirit, from monetary and in-kind donations to volunteer efforts that stem from our Servant's Heart. Southwest Airlines reaches out to provide help to those who need it most.

We have two teams, Community Relations/Charitable Giving and Community Affairs & Grassroots, with a combined goal to make a positive difference by championing the causes that matter most in the communities we serve. By focusing



## PEOPLE > SOCIAL MANAGEMENT APPROACH

on key areas of strategic giving (families facing serious illness, environment, military and their families, disaster preparedness, and youth leadership/community involvement) and by nurturing long-term relationships with national and local organizations, we strengthen our commitment to our communities.

### Avoiding Corruption and Anti-Competitive Behavior

At Southwest Airlines, we strive to maintain accountability and transparency of our business practices to reduce or eliminate corruption. We promote vigorous competition that benefits consumers by providing low air fares and a variety of high-quality air service offerings to destinations across the United States.

### Public Policy

We must continually adapt to new laws and regulations. Legislative and regulatory changes have the potential to limit our opportunities for growth, and government policies and legislation can have a deep impact on how we do business. We present our views on these topics to a wide range of policymakers and stakeholder groups through trade associations and interactions with public officials at the federal level and in the states and communities we serve.

### Compliance

It's our policy to comply with all applicable laws, rules, and regulations within the United States and the states and communities we serve. We do this through numerous policies and procedures, which are regularly reviewed and updated when necessary, and related Employee certifications. In addition, Employees in various operational areas monitor pending regulation so that associated policies and procedures can be modified to maintain compliance, as needed.

### Key Performance Indicators

Southwest Airlines' citizenship committee has started to identify and define KPIs for our community efforts, which will better evaluate our performance and gauge our progress. This work is ongoing, and we plan to discuss more about our society KPIs in the *2011 Southwest Airlines One Report™*.

## PERFORMANCE

## PEOPLE

## PLANET

### PLANET

Our planet needs us to be good stewards of the environment. While staying true to our low-fare brand, we operate with a green filter, a mindset of making environmentally responsible decisions, to do our part to preserve our planet.



At Southwest Airlines, it's about more than just doing the right thing. Environmentally responsible decisions also make good business sense. We are continuously seeking new and better ways to further reduce our impact on the environment and use our resources responsibly. We're implementing Required Navigation Performance (RNP) technology to conserve jet fuel, retrofitting ground service equipment to consume cleaner-burning fuels, making energy-efficient improvements at our Headquarters to reduce electricity use, and continuing to reduce our greenhouse gas emissions as a result. We're recycling onboard and on the ground, and use renewable materials. Our environmental commitment extends to:

- › **Purchasing renewable energy:** To power Southwest Airlines-controlled Dallas and Houston facilities, we're continuing our five-year commitment to purchase 30 percent renewable energy.
- › **Using alternative fuels where they make financial and operational sense:** We're continuing our initiative to utilize cleaner-burning ground service equipment by retrofitting or purchasing electric belt loaders and baggage tractors for all new markets. Where possible, we also replace equipment removed from inventory at the end of its useful life with cleaner-burning units.
- › **Acting aggressively to conserve jet fuel:** We're leading the industry by not only implementing RNP technology and procedures for all Southwest Airlines aircraft, but we're also advocating for the changes that will allow us to fly more flights using efficient RNP procedures.
- › **Recycling, waste minimization, and beneficial reuse:** With a 65 percent improvement in 2010 over the amount of paper, plastic, aluminum, and cardboard we recycled in 2009, we plan to continue our momentum with a goal to increase recycling totals by 10 percent in 2011.
- › **Teaming up to reduce emissions:** We fully support the Air Transport Association's industry-wide goals for fuel efficiency and emissions reductions:

- \* Continue industry fuel [and, hence, carbon dioxide (CO<sub>2</sub>)] efficiency improvements, resulting in an average annual CO<sub>2</sub> efficiency improvement of 1.5 percent per year on a revenue ton mile basis through 2020
- \* Cap industry-wide CO<sub>2</sub> emissions from 2020 (carbon-neutral growth) subject to critical aviation infrastructure and technology advances achieved by the industry and government
- \* Contribute to an industry-wide goal of reducing CO<sub>2</sub> emissions by 50 percent by 2050, relative to 2005 levels



**PERFORMANCE**



**PEOPLE**



**PLANET**

## PLANET > GREEN FILTER

We operate with a green filter, a mindset of protecting our planet.

At Southwest Airlines, we are committed to making environmentally responsible decisions and operating with a green filter, a mindset of protecting our planet while remaining true to our low-cost philosophy. Our green filter is evident in our environmental programs, procurement process, education and outreach efforts, and stakeholder involvement.

Our Environmental Services department develops environmental policies, programs, and related procedures. These Employees work with all of Southwest Airlines' operating departments to maintain compliance with local, state, and federal environmental regulations. Environmental Services also provides regulatory and technical guidance, monitors environmental performance, tracks upcoming regulations, and reviews newly leased or purchased properties to manage risk and protect our bottom line.

### COMPLIANCE

Complying with all environmental laws and regulations is a central piece of our environmental policy. We strive to meet our annual goal of zero recorded environmental violations in our operations by maintaining and improving our environmental management systems, following procedures, and training our Employees to meet our compliance goals.

We also audit our operations regularly for environmental compliance. Our standard auditing protocol includes tracking audit findings and implementing any corrective actions needed. We maintain a database of permits and their expiration dates, audit findings, and spill history for each city we serve. The use of electronic data collection helps us to maintain accurate records for station deicing fluid application and spill reporting. Our online spill reporting form not only makes it simple for our Employees to report a spill in a timely and accurate manner, but it also provides automatic e-mail distribution to the entire Environmental Services Team upon submittal.



## PLANET > GREEN FILTER

### Measuring Our Environmental Impact: Fines and Sanctions

One of the ways we can measure our impact on the environment is by the number of environmental fines and sanctions we receive. Every other month, we prepare a formal report for Leadership, in which we track the number of and dollar amount associated with any environmental violations we received. We have established a goal of zero environmental violations resulting in monetary fines. In 2010, we fell just short of this goal with two violations with related fines totaling slightly more than \$600. These fines were generally related to record-keeping and reporting issues and not incidents that had an actual environmental impact. Specifically, the two fines were related to waste manifest discrepancies and failure to file an annual waste report for one of our locations.

#### HISTORY OF ENVIRONMENTAL VIOLATIONS RESULTING IN MONETARY FINES

YEAR	NUMBER OF VIOLATIONS	TOTAL FINES
2008	0	None
2009	3 <sup>1</sup>	\$3,689
2010	2	\$603

### Measuring Our Environmental Impact: Spills

We recognize that spills of chemicals, oils, and fuels can have significant impact on our planet, so we make every effort to prevent them. However, we acknowledge that despite our best efforts, some spills do happen. In order to be more transparent, we have summarized our recent spill history. Our total spill volume for all incidents in 2010 was approximately 1,000 gallons at Southwest Airlines-controlled facilities. None of the spill incidents in 2010 required reporting on our financial statements as a liability, and this total includes spills that were not required to be reported by regulatory standards. We are currently in the process of upgrading our spill tracking methods and expect to be able to further refine this metric in the 2011 *Southwest Airlines One Report*™.

#### HISTORY OF RECENT SPILLS

YEAR	NUMBER OF SPILL INCIDENTS <sup>2</sup>
2008	34
2009	34
2010	43

<sup>1</sup> Includes two solid waste fines—leaving bags of trash outside of a full roll-off container—and one for air permit violations—use of a wooden-handled brush in a parts washing unit and use of aerosol paints in a paint booth.

<sup>2</sup> Includes spills that were not reportable by regulatory standards.



## PLANET > GREEN FILTER > PROCUREMENT

We are committed to purchasing 30 percent renewable energy for Southwest Airlines-controlled facilities in Dallas and Houston.

Southwest Airlines recognizes that all of our resources—energy, People, and materials—contribute to our efficiency, so we also apply our green filter to our procurement processes

### GREENING THE SUPPLIER EVALUATION PROCESS

When it comes to finding innovative ways to protect our planet, the suppliers we select must also share our high standards of efficiency and desire to provide green products and services. As part of our supplier diversity program, we obtain information about our key suppliers' environmental performance through our green procurement survey, which requires suppliers to provide information such as:

- \* Use of recycled materials in the manufacture and packaging of products
- \* Current and future activities and/or programs to help reduce impact on the environment
- \* Documentation of environmental efforts, achievements, and certifications
- \* Notices of environmental violations from federal, state, or local regulatory agencies

Not only has the survey enabled us to better understand how our suppliers perform, but it also provides a mechanism for sharing environmental best practices. While a supplier's proposal needs to make good business sense to Southwest Airlines and help us achieve our commitment to supplier diversity, environmentally responsible decisions are also an important part of our evaluation, because protecting our planet benefits us all.

### GREEN POWER PURCHASE

Southwest Airlines is proud to be a leading corporate user of green power. We are continuing our 60-month agreement with Reliant Energy to purchase 30 percent renewable energy for our Dallas and Houston operations. In 2010, we met our commitment by purchasing more than 15.7 million kilowatt-hours of wind power in the form of renewable energy certificates. As a result, our ranking on the U.S. Environmental Protection Agency Fortune 500 Green Power Partnership list improved a notch from 33 to 32.<sup>1</sup>

#### *What is Green Power?*

Green power is electricity generated from environmentally friendly, renewable resources including wind, solar, geothermal, low-impact hydro, biogas, and biomass. These renewable resources emit substantially less greenhouse gas emissions than traditional power generation.



**PERFORMANCE**



**PEOPLE**



**PLANET**

**PLANET > GREEN FILTER > PROCUREMENT**

**ECO-FRIENDLY PRODUCTS AND MATERIALS**

This was a year of sustaining several environmental initiatives launched in 2009. In 2010, we continued our system-wide co-mingled recycling program and diverted more than 2,500 tons of paper, plastic, aluminum, and cardboard from landfills. Rebates earned from this program will allow us to purchase renewable energy-driven equipment such as solar compactors.

**Green Plane**

On the Southwest Airlines Green Plane—a flying testament to our philosophy that environmental decisions make good business sense—we closely monitored the eco-friendly and lighter-weight materials previously selected for evaluation. We are excited about these forward-thinking products—seat covers, carpet, life vest pouch, wind screen, and rub strips—installed in the Green Plane and continue to monitor durability and Employee satisfaction and seek feedback from our Customers. We are hoping to announce results of the testing and decisions in third quarter 2011.

**The Landing**

There is great news to report about the products used at our Headquarters-based cafeteria, The Landing. On Oct. 19, 2010, the café said good-bye to Styrofoam and hello to compostable containers and biodegradable, potato-based utensils. Employee response has been positive, and our food services provider, Eurest, has been a tremendous support. These compostable products break down much faster than Styrofoam, leaving more room in landfills.

**LUV Story—The Landing Goes Green**

*When a green mailbox for Employee suggestions was established in 2008, many Employees suggested we replace Styrofoam products in our café at the Company Headquarters, The Landing. To investigate more environmentally friendly options, Southwest Airlines' Green Team launched a dialog with The Landing Committee, which includes Eurest, our food services provider. While a full conversion to eco-friendly products was cost-prohibitive at the time, the discussion did reveal Eurest's growing number of green practices: use of sustainable seafood, preference for local produce, composting, and its corporate commitment to reduce food waste sent to landfills by 4.5 million pounds per year.*

*In sharing Eurest's achievements with Employees, enthusiasm to go green continued to build. Employees brought their own coffee mugs and promoted greater recycling efforts at The Landing, which serves or caters approximately 1,700 people every work day.*

*The Landing Committee continued researching greener products, and by summer 2010, technology and affordability merged. Oct. 19, 2010, became the official day The Landing's packaging and serving utensils went 100 percent green. Switching to 100 percent compostable cups has saved more than 300 gallons of gas in the first few months of use. Sustainability efforts with our partner, Eurest, have not stopped there. Eurest requested that its vendors also use eco-friendly products and researched the suppliers of these new green products to ensure that those companies share in our green philosophies. Eurest is also working with our community garden organizers to see if the composting area can be expanded to accept the compostable bags, cups, and wrappers now featured in The Landing.*



**PERFORMANCE**



**PEOPLE**



**PLANET**

**PLANET > GREEN FILTER > PROCUREMENT**

*Postponing our switch to more environmentally friendly products until it matched our low-cost philosophy was difficult. However, it allowed our trusted partner, Eurest, to mirror our passion and support us in reaching our goal.*

***Measuring Our Environmental Impact: The Landing***

Switching to 100 percent compostable cups has saved more than 300 gallons of gas in the first few months of use.

**Chemical Management**

One area that Southwest Airlines pays special attention to is chemical use at facilities systemwide. To protect the safety of our Employees, Customers, and the environment, a chemical management system is in place to assess chemicals prior to approving purchase of the products. Our Chemical Review Board, which includes Employees from the Safety, Environmental Services, Purchasing, Hazardous Materials Compliance, Engineering, and Aircraft Appearance departments, administers the system. When a new chemical is requested, information, such as a material safety data sheet and pricing, is submitted to the Board for review. The new chemical is entered into an electronic approval system, and each department represented on the Board must accept it before it is added to Southwest Airlines' chemical inventory and electronic chemical database. The review process allows us to reject chemicals that increase Safety risk or environmental impact. This system tracks chemical approvals and use of each chemical for environmental reporting purposes.

<sup>1</sup> The EPA Fortune 500 Green Power Partnership list rankings are updated quarterly. Southwest Airlines was ranked 33 as of Oct. 6, 2009, and 32 as of Oct. 5, 2010.



**PERFORMANCE**



**PEOPLE**



**PLANET**

## PLANET > GREEN FILTER > EDUCATION AND OUTREACH

How do you live and work green? Let us know at [green@wnco.com](mailto:green@wnco.com). DING! You are now free to be green.

At Southwest Airlines, we educate Employees about operating with a green filter and encourage them to apply this philosophy to their personal lives as well. Our encouragement to operate with a green filter includes simple messages with tips for living and working green to formal training on environmental topics and sustainability. We also aspire to share our passion for protecting our planet with others outside our Company including our Customers, vendors, and suppliers.

### SHARING ECO-FRIENDLY IDEAS

As an airline that truly cares about protecting our planet, we enjoy sharing great environmentally friendly ideas with our Employees and Customers. We publish "enviroadvice" in our monthly Employee magazine *LUVLines*, send out e-mails with tips on living and working green to our Employees, and frequently share environmental stewardship stories with our Customers through our blog, Facebook, and Twitter.

### Green Tuesday

For the past two years, our Green Tuesday initiative has included a weekly e-mail message with eco-friendly tips written by and for Employees. We also repurpose these tips on our blog, Nuts About Southwest (yes, this means we are even reusing green ideas). The tips often come to us through our green mailbox, [green@wnco.com](mailto:green@wnco.com), or as comments on our blog posts. While the tips are intended to help our planet, they also inspire our Employees to share creative solutions that contribute to bottom-line savings. These recommendations include printing in Century Gothic font because it requires less toner than many other common fonts and creating an office supplies collection area where used plastic binders, file folders, and other office supplies can be consolidated and reused by another Employee. Our Employees have embraced these ideas at work and also share ideas for how to live green at home.

### Green Team

Comprised of Employees from every operating group, the Green Team helps collect, share, and implement our environmentally responsible ideas and initiatives. In August 2010, the Green Team compiled and shared several ideas to significantly reduce paper use and printing costs in a memo entitled, "Going Green with Flight Paperwork." Fueled by our Employees' passion and our vendor's commitment to being green, the Green Team also assisted in the effort to bring green products and recycling bins into our Employee cafeteria, The Landing, at the Company Headquarters. We educated Employees about these changes by throwing a kick-off party—complete with green T-shirts and green cupcakes—and placing signs in the cafeteria with information about the new green products.



**PERFORMANCE**



**PEOPLE**



**PLANET**

## PLANET > GREEN FILTER > EDUCATION AND OUTREACH

### Green Ambassadors

Our Green Ambassadors support the Green Team's efforts and help to foster and grow environmental stewardship in the cities we serve. They promote our mission to operate with a green filter in these communities by sharing eco-friendly ideas, leading volunteer activities, and hosting green events. This could mean participating in the Green Expo in Orlando or organizing a desert cleanup day in Las Vegas, but the goal is to motivate, educate, and inform others about environmental stewardship.

### ENVIRONMENTAL AND SUSTAINABILITY TRAINING

Because our commitment to protecting our planet is integral to our operations, the topics of environmental stewardship and sustainability are included in our Employee training. We offer personal, professional and Leadership development training through Southwest Airlines' University for People (U4P). The U4P provides two courses for our Supervisor level and above that have been enhanced to include more specific content related to sustainability: Manager in Training (MIT) and Leadership Southwest Style. In these courses, we discuss sustainability, our fuel usage and its impact on our greenhouse gas emissions and climate change, our initiatives to decrease emissions, and our recycling programs. Annual environmental training, on topics such as storm water protection, proper waste disposal, air permit compliance, and aircraft drinking water compliance, is mandatory for all operational groups.

### COMMUNITY OUTREACH

Among the many charitable contributions and initiatives Southwest Airlines embraces each year, two, in particular, speak to our commitment to protect the planet. In 2010, we were able to donate more than \$200,000 and many Employee volunteer hours to the National Wildlife Refuge Association, mostly to help restore the oil spill-devastated Gulf Coast. To develop the next generation of conservation-minded leaders, we partnered with the Student Conservation Association to expand its green service and job-readiness opportunities for high school- and college-aged individuals in communities nationwide.

### LUV Story—Community Garden

*Two years ago, a group of our Employees had an idea. Inspired by the Southwest Airlines Culture of operating with a green filter and a Servant's Heart and a desire to spend time outdoors, they decided to start a community vegetable garden at our Headquarters. They searched the campus for a piece of idle land with access to water and found a centrally located, non-descript grassy area visible from The Landing, the cafeteria at our Headquarters, and the adjoining roof deck, which overlooks Dallas Love Field. Since its humble beginnings as a modest 8-foot by 8-foot plot, our community garden has grown to 2,500 square feet of opportunities for Employees to learn, teach, and share.*



## PLANET > GREEN FILTER > EDUCATION AND OUTREACH

*The Employee Volunteers at our community garden embrace organic practices—the garden is 100 percent chemical-free and uses customized mulch to reduce water consumption. A compost pile is fortified with produce waste and coffee grounds and filters from The Landing. Contents of an educational break room collection bin in the Network Planning department, where our community garden founders work, are also composted. We seize every opportunity to share information about composting and environmentally responsible gardening with Employees, and the Texas AgriLife Extension Service, part of the Texas A&M University system, has been a great partner and resource along the way.*

*So far, about a dozen Employees have been donating their time to this effort. In true Southwest Airlines style, these Volunteers went above and beyond and chose to donate the community garden harvest to local food banks. Potatoes, cantaloupe, peppers, corn, and tomatoes have become our staple crops. The community garden Volunteers plan to recruit more Employees to help expand the gardening space to grow even more produce for those in need. To teach others about composting and environmentally responsible gardening, our vision for the community garden includes educational signage, increased Employee communications, and community partnerships. A green thumbs up to these Southwest Airlines Employees.*



**PERFORMANCE**



**PEOPLE**



**PLANET**

**PLANET > GREEN FILTER > STAKEHOLDER INVOLVEMENT**

There is no better way to show our LUV than to communicate with our valued stakeholders.

When it comes to continually improving our environmental stewardship efforts, our stakeholders are our most trusted resource for creative solutions. Seeking their involvement and feedback is critical, and we embrace all suggestions from traditional to cutting edge. Whether we're reading a Customer's message posted on our Facebook wall or supporting the next generation of green-minded individuals, Southwest Airlines knows there is no better way to show our LUV than to communicate with our valued stakeholders.

**WHO ARE SOUTHWEST AIRLINES' STAKEHOLDERS?**

- \* Employees
- \* Customers
- \* Shareholders
- \* Communities we serve
- \* Suppliers

**GREEN TEAM**

We maintain a Green Team of Employee Volunteers, who represents every operating group at Southwest Airlines. The Green Team augments our environmentally responsible business practices by working as an extension of our management team and environmental professionals. The Green Team ultimately develops and implements programs, such as Green Tuesdays and Green Ambassadors, that foster environmental stewardship.

The Green Team is also responsible for encouraging the use of alternative transportation options. At our Company Headquarters, we had the unique opportunity to celebrate a new mass transit option in 2010. Dallas Area Rapid Transit opened a new light rail line in December 2010 with an Inwood/Love Field Station for access to our home airport, Love Field, and with a station directly across from our Headquarters. To mark the event, the Green Team and Green Ambassadors gave out goodies and held a drawing for green passes (must-ride airline tickets) for our Customers on "Super Saturday" before the opening to promote ridership and Southwest Airlines' philosophy of operating with a green filter. On opening day, train riders and employees were greeted with buttons with the Southwest Airlines green logo and smiles.

**The Green Team's Goals Include:**

- \* Identifying environmentally responsible efforts already in place
- \* Searching for areas of improvement
- \* Making recommendations for environmentally responsible business practices
- \* Placing a green filter on future business decisions



## PLANET > GREEN FILTER > STAKEHOLDER INVOLVEMENT

### GREEN AMBASSADORS

In 2008, we set a goal to recruit a Green Ambassador in each of the 64 cities served by Southwest Airlines at that time. Today there are nearly 150 active Green Ambassadors across our system representing almost 50 percent of our destinations. Green Ambassadors help implement recycling procedures, identify eco-friendly practices at individual work locations, and find ways to promote living and working green to local stakeholders. Because the Green Ambassadors are distant from one another, a dedicated intranet site was launched in 2009 to provide a venue for exchanging ideas, sharing tips, swapping stories, and uploading pictures.

The outreach to our communities that the Green Ambassadors provide is a critical component of our environmental stewardship. We are proud to spread the word about environmentally responsible practices to our stakeholders and beyond.

### STAKEHOLDERS' SUGGESTIONS

Today, there is no shortage of mechanisms to obtain suggestions from our stakeholders. It's our mission to deliver the highest quality of Customer Service, so we embrace all ideas our stakeholders share, no matter the mode of communication. We share these comments with the appropriate department, respond when possible, and act on many suggestions from our Employees, Customers, and other stakeholders. For instance, by clicking the link at left you can read more below about how one simple e-mail from a valued Rapid Rewards Member launched a paper-saving revolution.

#### LUV Story—Paper Consumption

*Whether a compliment, concern, or suggestion, we are thrilled when our Stakeholders contact us. While all comments are valued, some are so profound they require our immediate action. Consider the case of valued Rapid Rewards Member Jerome, who read our 2009 Southwest Airlines One Report™ and realized he had a tip for us.*

*Jerome frequents our 737s twice a week and prints his own boarding passes online. He quickly noticed that every boarding pass included a second blank page. With green at the forefront of Jerome's mind, the blank page made its way into the recycling bin whenever he forgot to print just the first page. Jerome e-mailed us to suggest we find a better solution. He even did the math for us, which really drove the point home. He flies twice a week, so that's 104 pieces of extraneous paper a year. Multiply this by the more than 100 million Customers we serve every year, and that's millions of pieces of paper we could be saving.*

*After reading Jerome's e-mail, the Green Team's Technology members shared his story with our Central Support Desk. They tested the problem on several different browsers and confirmed that a second blank page was, in fact, generated with each boarding pass. The Central Support Desk teamed up with Marketing Solutions and southwest.com departments to correct the issue.*



## PLANET > GREEN FILTER > STAKEHOLDER INVOLVEMENT

*When our Customer Relations Team heard about this, we thanked Jerome not only for bringing the issue to our attention but for helping us to improve a process that impacts our Customers and the environment. Jerome's observation and willingness to reach out to Southwest Airlines reduced Customers' boarding pass paper consumption, easily saving thousands of trees per year. Jerome may not be our Employee, but he sure understands SOUTHWEST SPIRIT.*

### SUPPLIER INPUT

We believe it is important to have partners who support our green initiatives. As part of our ongoing effort to operate with a green filter, we worked with our Headquarters food service vendor, Eurest, to switch to 100 percent environmentally friendly packaging and serving utensils and set up recycling bins in the cafeteria, known as The Landing. Eurest not only shares our passion for protecting the planet, but it makes sure that the suppliers and vendors it works with also value environmentally responsible practices. Working together, we have been able to overcome some of the initial obstacles to going green. For example, while many of our Employees had requested a way to recycle in the cafeteria, there were concerns with contamination of the recycling stream. Coca-Cola, a partner of both Southwest Airlines and Eurest, solved the problem by donating Coke-bottle shaped bins with openings sized for aluminum cans and plastic bottles.



## PLANET > ENERGY AND RESOURCE USE

We believe that understanding our energy and resource consumption is the first step to conserving those resources.

### ENERGY AND RESOURCE CONSUMPTION

To minimize Southwest Airlines' impact on the environment, we have made a commitment to operate with a green filter. The first step is understanding our energy and resource consumption. Setting baselines and tracking usage allows us to evaluate our approach to conservation and determine the best methods to reduce our impact on the Planet.

We have tracked jet fuel consumption since our inception, added Companywide electricity and natural gas consumption tracking in 2009, and water usage tracking in 2010. Collecting data on our energy consumption also makes it possible for us to conduct our annual greenhouse gas (GHG) inventory.

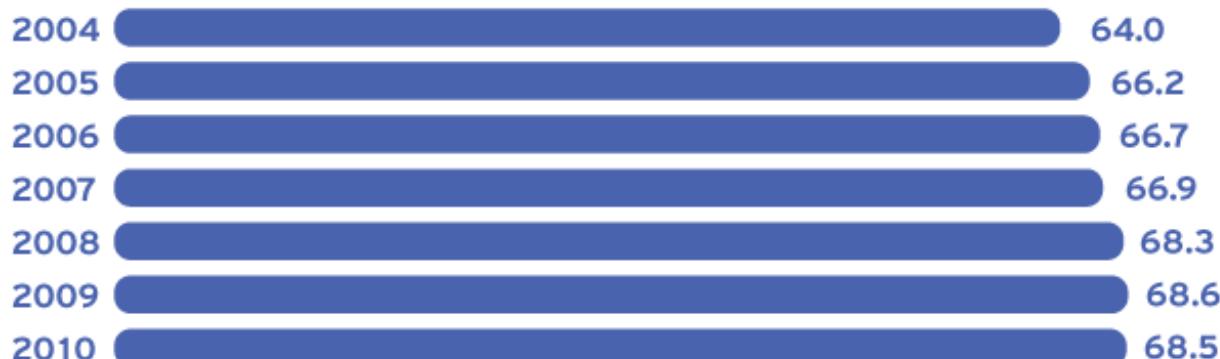
#### Measuring Our Environmental Impact: Jet Fuel Consumption

As an airline, the majority of resource consumption is jet fuel. Our sustainability efforts are heavily concentrated in jet fuel conservation, because this is our greatest potential for energy savings and reduced impact on the environment. In 2010, Southwest Airlines consumed approximately 1.4 billion gallons of jet fuel, and our fuel efficiency was 68.5 gallons per available seat mile (ASM).

ASMs measure an airline's passenger capacity. ASMs are calculated by first multiplying the number of available seats on a flight, occupied and vacant, by the number of miles flown for that particular flight. Then an airline finds its collective ASMs by adding each individual flight's ASMs for a given time period.

#### HISTORIC FUEL EFFICIENCY

ASM/gallon





## PERFORMANCE



## PEOPLE



## PLANET

### PLANET > ENERGY AND RESOURCE USE

#### Measuring Our Environmental Impact: Natural Gas, Diesel, Gasoline and Other Fuel Consumption

In addition to jet fuel, we consume a limited quantity of several other types of fuel. This includes natural gas consumption in offices, hangars, and other facilities controlled by Southwest Airlines and fuels used in ground support equipment (GSE). In 2010, we used approximately 873,000 therms of natural gas in 39 Southwest Airlines-controlled facilities. Our GSE fleet consumed approximately 1.75 million gallons of diesel and approximately 698,000 gallons of gasoline in 2010. A limited number of GSE also consumed propane, liquid petroleum gas, or compressed natural gas. Due to the limited usage of these fuels, which only account for approximately 4 percent of the GSE fleet, and challenges associated with measuring consumption of these fuels, usage numbers for these fuels are not actively tracked.

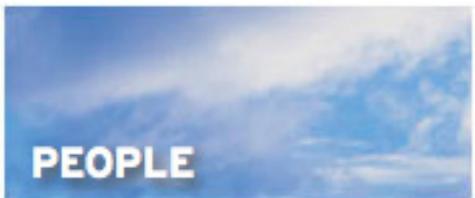
#### *Operational Control*

In tracking our energy consumption and related emissions, we include the facilities and assets we control. This includes both facilities owned by Southwest Airlines and those under primary control of Southwest Airlines. In facilities where we are primarily a tenant rather than an owner, we do not control, monitor, or pay for all utilities utilized. The energy consumption numbers listed here and utilized in our greenhouse gas inventory are based upon facilities for which we have primary control and also purchase utilities. The utilities included vary by tenant or lease agreement, which is why the number of Southwest Airlines-controlled facilities varies by utility type.

#### Measuring Our Environmental Impact: Electricity and Water

Southwest Airlines also monitors electricity and water consumption in facilities where we have primary operational control and pay for these utilities. Our total electricity usage in 2010, including 69 Southwest Airlines facilities, was approximately 72 million kilowatt-hours (kWh). This equates to just over 2,000 kWh per Employee<sup>1</sup>. Current data system limitations do not allow us to track electricity usage as a function of square footage or Employees associated with the specific facilities measured. However, we plan to continue to evaluate ways to refine our monitoring of electricity consumption as a function of the size of our operations.

Our total water consumption in 2010, based upon the 29 facilities where we pay for water usage, was 69 million gallons. All of these facilities receive water from the local municipal water supply. This total does not include canned water served onboard aircraft, which is purchased from a beverage supplier and therefore counted in their consumption.



## PLANET > ENERGY AND RESOURCE USE

### ENERGY AND RESOURCE CONSERVATION

One of the core elements of our environmental policy is the conservation of natural resources. In 2010, Southwest Airlines continued existing programs and initiatives for conservation and implemented new projects to further protect our planet.

For jet fuel conservation, this included completing our winglet installation program for the Boeing 737-300 aircraft and furthering our progress toward systemwide implementation of Required Navigation Performance.

On the ground, we continued our electric GSE conversion program and now have nearly 1,100 GSE in our fleet that use cleaner-burning technology. We also announced our commitment to enter all new markets with electric belt loaders and baggage tractors.

In terms of electricity, a closer look at our Headquarters building energy usage revealed that ongoing efforts have resulted in a very efficient building. We are proud to say that we have received Energy Star certification for our Headquarters building.

For water conservation, we have established a baseline by beginning to track our usage. This will allow us to measure the impact of our water-saving initiatives—such as water-saving plumbing and faucets in new facilities, meeting Leadership in Energy and Environmental Design (LEED®) standards for efficient water use in many of our new facilities, landscaping with native and drought-tolerant plants, and recycling the water used in our engine wash program—as we expand those efforts over time.

<sup>1</sup> Based on active, full-time equivalent Employees as of Dec. 31, 2010



**PERFORMANCE**



**PEOPLE**



**PLANET**

**PLANET > ENERGY AND RESOURCE USE > JET FUEL CONSERVATION**

We are committed to implementing Required Navigation Performance (RNP) technology and procedures on all aircraft.

Since our inception, Southwest Airlines has been focused on fuel conservation, resulting in the identification and implementation of programs that have reduced our jet fuel consumption by hundreds of millions of gallons. Since 2008, we have been reporting on and verifying the progress of our jet fuel conservation program. During that time, we have reported annual fuel savings in excess of 40 million gallons. Our continued efforts in 2010 have added an additional 1.15 million gallons annually to that number with a corresponding greenhouse gas (GHG) emissions reduction of approximately 11,000 metric tons of CO<sub>2</sub>e.

**CONTINUED PROGRESS**

In the 2009 *Southwest Airlines One Report*<sup>TM</sup>, we discussed in detail our winglet program and the incorporation of flight efficiency initiatives. In 2010, we met our goal of installing winglets on the remaining 12 eligible Boeing 737-300 aircraft in our fleet. This resulted in an additional annual fuel savings of approximately one million gallons and increases our total savings from winglet installations to more than six million gallons per year. In terms of flight efficiency, Southwest Airlines realized additional incremental savings from a full year of auto-throttle technology<sup>1</sup> usage on all 352 of our 737-700 aircraft. This program has succeeded in reducing annual fuel consumption by more than 250,000 gallons for 2010.

**REACHING A PLATEAU**

As with any conservation effort, there comes a point when you reach a plateau. Over the last several years, we have undertaken a number of fuel conservation projects that have resulted in substantial fuel reduction using assets or actions within our control. With winglet installation, ground idle speed control, gate electrification, and flight efficiency initiatives completed or largely underway, we are moving on to projects that extend beyond our direct control.

In 2007, we made a commitment to implement Required Navigation Performance (RNP) systemwide. In 2010, we achieved some significant milestones toward that goal. However, as of the end of 2010, we have only realized a small fraction of the anticipated savings.



## PERFORMANCE



## PEOPLE



## PLANET

### PLANET > ENERGY AND RESOURCE USE > JET FUEL CONSERVATION

#### OUR JOURNEY TO IMPLEMENT RNP

There are four major requirements that must be met before implementing RNP:

1. Aircraft must be technically capable
2. Pilots must be trained in new procedures
3. Federal Aviation Administration (FAA) must provide authorization
4. RNP approach procedures must be available

#### *What Is RNP?*

Required Navigation Performance (RNP) is satellite-based navigation that brings together the accuracy of global positioning system (GPS) technology, the capabilities of advanced aircraft avionics, and new flight procedures to allow for flying more direct paths, significantly increasing flight efficiency and decreasing fuel usage.

#### Aircraft Must Be Technically Capable

By committing to systemwide implementation of RNP, we committed to upgrading our entire fleet with RNP capabilities. All 352 of our Boeing 737-700s have been modified with new flight display software, avionics systems, including software and hardware, and auto-throttle technology. Our 737-300 and 737-500 aircraft will require installation of a moving map, also known as large-area display (LAD), before they can fly RNP. The LAD is in the final stages of development, and testing is scheduled for late 2011.

#### Pilots Must Be Trained in New Procedures

In order to put RNP operations into practice, Pilots must be trained on the related cockpit displays, flight deck automation, and RNAV approach procedures. Southwest Airlines Pilots have received training on two types of RNAV approaches: RNAV (GPS) and RNAV (RNP). Available for nearly every runway we serve, RNAV (GPS) approaches provide unprecedented access to those airports. RNAV (RNP) approaches are not available for all airports; however, they are more beneficial than RNAV (GPS) approaches because they not only provide access to runways but do so in a fuel-efficient and environmentally friendly manner.

Due to the complexity of implementing RNP, we divided Pilot training into a series of courses. The last two segments of RNP training were completed in 2010. We began RNAV (GPS) training for all our Pilots in September 2009 and completed it in March 2010. This training—along with the associated equipment and authorization—enables us to fly RNAV (GPS) approaches where available. We built on our Pilots' RNAV (GPS) training with RNAV (RNP) training, which all Pilots completed by November 2010. Our Dispatchers also successfully completed training requirements in late 2010.

**PLANET > ENERGY AND RESOURCE USE > JET FUEL CONSERVATION****FAA Must Provide Authorization**

In addition to meeting the necessary training requirements, an airline must receive authorization from the FAA to conduct RNAV (GPS) or RNAV (RNP) approaches. We received FAA authorization for RNAV (GPS) approaches in Dec. 2009 and began flying RNAV (GPS) approaches in April 2010 after we completed Pilot training. We received our FAA authorization for RNAV (RNP) approaches on Dec. 15, 2010, and we began flying RNAV (RNP) approaches in Jan. 2011.

**RNAV Approach Procedures Must Be Available**

Efficient procedures for flying RNAV (RNP) approaches are published by the FAA on an airport-by-airport basis. These procedures are designed to make it easier for Pilots and Controllers to see air traffic, thus, increasing safety and reducing the environmental impacts of air travel by making landings and routes more efficient. An RNAV (RNP) approach can only be utilized at airports where these published procedures are available. There are a significant number of RNAV (GPS) approaches available for us to use, which we began using April 2010. Fewer RNAV (RNP) approaches are currently available. We worked with the FAA, airports and other organizations throughout 2009 and 2010 to develop RNAV (RNP) approaches for some of the airports where we fly, so they would be ready when we were.

**LUV Story—Benefits of Flying with RNAV (GPS) Technology**

*In May 2010, one of the two major runways at Preston Smith International Airport in Lubbock, Texas, was undergoing maintenance, and construction temporarily prevented its use. At the same time, an unplanned outage of a ground-based navaid occurred, and weather intermittently required the use of an instrument approach procedure to access the airport. Normally this would prevent us from operating flights at all during those periods. But, because of Southwest Airlines' capability to utilize RNAV (GPS) approaches, we were able to conduct a significant number of flights without interruption. Avoiding these and other similar diversions leads to better Customer Service, significant fuel savings, and reduced GHG emissions.*

**A LEADER IN RNP**

In 2010, the Washington Airports Task Force honored Southwest Airlines with the Williams Trophy for our commitment to training our Pilots and retrofitting our aircraft for RNP. The trophy recognizes those whose "leadership, vision, and dedication in the application of aviation or space enriched the quality of life on earth." During the award presentation, FAA Administrator Randy Babbitt praised Southwest Airlines' leadership and steady progress in the area of RNP: "Southwest Airlines and Gary Kelly understand that the system of tomorrow is hinged on the (RNP) equipment, and they have no intention of waiting until tomorrow comes to get the new stuff in their cockpits. When they hear 'best equipped, best served,' they don't want to be in that line, they want to be at the front of it."



**PERFORMANCE**



**PEOPLE**



**PLANET**

## PLANET > ENERGY AND RESOURCE USE > JET FUEL CONSERVATION

*"RNP sets the stage for Southwest to continue doing its part to conserve fuel, improve safety, and reduce carbon emissions and greenhouse gases, while simultaneously taking advantage of the high-performance characteristics that exist in an airline's fleet."*

—Jeff Martin, Vice President Operations Coordination Center, Southwest Airlines

### LOOKING FORWARD

We understand the need to take additional steps to address GHG emissions from our operations and support the ambitious ATA targets to mitigate GHG emissions from our industry. This includes collective industry commitments to continue industry fuel-efficiency improvements.

Southwest Airlines is committed to doing our part to improve jet fuel efficiency and reduce related emissions. That's why we have been proactive in implementing the equipment and training necessary for RNP. We expect to start seeing fuel savings in 2011, as we begin using the RNAV (RNP) procedures available. However, this is a phased implementation that includes many pieces outside of our direct control, so it will be a slow progression. Our timeline for expanding the use of RNAV (RNP) systemwide is dependent on the publication of FAA-approved RNAV (RNP) procedures for all Southwest Airlines airports. There are many parties involved in the development of these RNAV (RNP) procedures, including the FAA, airports, airlines, and air traffic controllers. Consideration must also be given to other airports in close proximity to coordinate flight paths. We are doing everything we can to drive this effort by actively supporting the FAA in the development and implementation of RNP procedures across the nation.

By being ahead of the game on key initiatives like the implementation of RNP technology, Southwest Airlines is nearing the point where we have done as much as possible to reduce jet fuel consumption within the capabilities of current technology. We continue to advocate for new technology, such as alternative fuels and advances in airframe and engine technologies, and support industry-wide technological improvements such as the Next Generation Air Transportation System (NextGen). RNAV (RNP) procedures are just one component of NextGen—a 15-year FAA program that addresses air traffic control system advancements to improve safety, environmental, and ontime performance across the aviation industry. Federal government funding of the NextGen program is critical to our being able to realize the full potential of RNP.



**PERFORMANCE**



**PEOPLE**



**PLANET**

## PLANET > ENERGY AND RESOURCE USE > JET FUEL CONSERVATION

### *What Is NextGen?*

*"NextGen is an umbrella term for the ongoing, wide-ranging transformation of the National Airspace System (NAS). At its most basic level, NextGen represents an evolution from a ground-based system of air traffic control to a satellite-based system of air traffic management. This evolution is vital to meeting future demand and to avoiding gridlock in the sky and at our nation's airports."*

-FAA

<sup>1</sup> Installation completed in 2009

**PLANET > ENERGY AND RESOURCE USE > GROUND SUPPORT EQUIPMENT FUEL CONSERVATION**

We are committed to enter new markets with energy-efficient electric belt loaders and baggage tractors.

In 2010, as part of our vision for a sustainable future, we made a commitment to cleaner-burning ground support equipment (GSE) through a corporate policy to enter all new markets with electric belt loaders and baggage tractors. We will begin with the three new cities planned for 2011—Charleston, S.C.; Greenville-Spartanburg, S.C.; and Newark, N.J. This is a significant commitment involving investments in the purchase of an average of seven to ten electric GSE for each city and the infrastructure for battery recharging required to support electric equipment, if it is not already in place.

This is just one example of how we can't stand still when it comes to looking for ways to protect our planet. In the 2009 *Southwest Airlines One Report™*, we shared the story of our GSE conversions. In 2010, we continued our efforts by converting 19 of our existing gas-powered belt loaders to electric power and repowering five GSE with cleaner-burning diesel engines. In fact, a majority of the new GSE added to our fleet in 2010 use cleaner-burning technology, including electric, compressed natural gas, propane, and tier-3 and interim tier-4 diesel engines. This brings our total number of pieces of GSE using cleaner-burning technology to nearly 1,100. We saved more than 570,000 gallons of fuel in 2010 and reduced emissions by approximately 5,700 metric tons of carbon dioxide equivalent through the use of electric, rather than petroleum-powered, GSE. We also realized additional fuel savings and emissions reductions in 2010 from repowering some GSE with new, cleaner-burning diesel engines.

**LOOKING FORWARD**

We will continue to look for opportunities to convert GSE to electric power where it makes sense, while not jeopardizing operational and financial integrity. When making decisions about GSE purchase and conversion, we must consider factors including:

- \* Size of our operations
- \* Cost of retrofitting an airport's existing infrastructure for electric GSE if the battery-charging infrastructure is not already in place
- \* Limited electric-powered GSE duty cycle and required charge times
- \* Function of the GSE, which is important because electric equipment lacks the power needed to tow out-of-service aircraft to a maintenance hangar for repair
- \* Climate where the GSE will be operating, which is important because electric equipment is not as reliable in very cold weather

In 2011, we already have plans in place for new electric belt loaders and baggage tractors in our new cities and will continue our GSE conversion program in other Southwest Airlines cities.



**PERFORMANCE**



**PEOPLE**



**PLANET**

**PLANET > ENERGY AND RESOURCE USE > ELECTRICITY CONSERVATION**

Our energy performance earned our Headquarters building the U.S. Environmental Protection Agency's Energy Star label for 2010.

We are committed to making efficiency improvements to our facilities in order to conserve electricity. In facilities that we lease, we are sometimes limited in what we can do to retrofit those facilities, so we focus our efforts on the facilities where we can have a significant impact.

At our Company Headquarters in Dallas, we have completed several energy-efficiency initiatives and have more underway. To minimize electricity required for heating and cooling, we clean all of the air handlers to improve their efficiency and have placed them on a schedule to limit run time. We also adjust the building temperature at night to conserve energy. We have replaced most of the roof on the Headquarters building and have plans to replace the remaining sections in 2011. We replaced all of the lighting fixtures with more energy-efficient units and have made a commitment to utilize motion-activated lighting in newly built or remodeled areas.

We also work with an energy management consultant, Summit Energy Services, Inc., on a number of electricity-consumption initiatives, including monthly utility bill auditing and tracking and renewable energy certificates procurement. Southwest Airlines currently has an agreement with Reliant Energy to provide more than 15 million kWh of renewable energy a year for our Dallas and Houston facilities.

**MEASURING OUR ENVIRONMENTAL IMPACT: ELECTRICITY USAGE AT OUR COMPANY HEADQUARTERS**

As a result of tracking electricity usage at our Company Headquarters, we have learned that our ongoing efforts toward reducing electricity consumption have been effective. We have decreased our electricity usage at our Headquarters by nearly 10 percent since 2007. We are happy to report that our energy performance has earned our Headquarters building the U.S. Environmental Protection Agency's Energy Star label for 2010.

PERFORMANCE

PEOPLE

PLANET

PLANET > ENERGY AND RESOURCE USE > ELECTRICITY CONSERVATION

ELECTRICITY USAGE AT SOUTHWEST AIRLINES COMPANY HEADQUARTERS

in kWhr





## PLANET > EMISSIONS

We support the Air Transport Association's (ATA) industry-wide goals for fuel efficiency and emissions reduction.

We realize our day-to-day business activities have an impact on the environment. To minimize that impact, we first need to measure it. Starting in 2009, we began tracking greenhouse gas (GHG) emissions by conducting a GHG inventory in accordance with Global Reporting Initiative guidelines, a well-recognized industry standard. The 2010 GHG inventory provides similar total GHG emissions in tons of carbon dioxide equivalent ( $\text{CO}_2\text{e}$ ) and a GHG intensity ratio comparable to 2009 levels.

The similarity in emissions between 2009 and 2010 is not surprising given our comparable operating statistics over these two years. As an airline, the most significant factor affecting our total GHG emissions is jet fuel consumption, which is related to total number of trips flown and available seat miles (ASMs), or Passenger capacity. Our 2010 total GHG emissions remained relatively flat compared to 2009, consistent with year-over-year jet fuel consumption and ASM differences of less than 1 percent.

For intensity ratio, the most significant factor is the measure of production used in the ratio, which can be expressed using ASMs or RPMs. For our intensity ratio based on ASMs, with a less than 1 percent ASM difference between 2009 and 2010, we can expect the result to be quite similar between the two years. However, due to factors such as network optimization, our flights were fuller in 2010, so we did see an increase in our revenue passenger miles (RPMs), or passenger traffic, in 2010. This results in a slight decrease in our intensity ratio based on RPMs.



## PLANET > EMISSIONS

### COMPARISON OF KEY OPERATING STATISTICS RELATED TO EMISSIONS

METRIC	2009	2010
Trips flown	1,125,111	1,114,451
Fuel consumed, in gallons (millions)	1,428	1,437
<b>Total GHG emissions (million metric tons CO<sub>2</sub>e)</b>	<b>13.9</b>	<b>14.0</b>
ASMs (000s)	98,001,550	98,437,092
<b>Intensity Ratio (metric tons CO<sub>2</sub>e/1,000 ASM)</b>	<b>0.14</b>	<b>0.14</b>
RPMs (000s)	74,456,710	78,046,967
<b>Intensity Ratio (metric tons CO<sub>2</sub>e/1,000 RPM)</b>	<b>0.19</b>	<b>0.18</b>

### GHG EMISSIONS REDUCTIONS

As a member of the Air Transport Association (ATA), we support the ATA climate change commitment and have adopted the ATA's industry-wide goals<sup>1</sup> for fuel efficiency and emissions reductions:

- \* Continue industry fuel (and, hence, CO<sub>2</sub>) efficiency improvements, resulting in an average annual CO<sub>2</sub> efficiency improvement of 1.5 percent per year on a revenue ton mile basis through 2020
- \* Cap industry-wide CO<sub>2</sub> emissions from 2020 (carbon-neutral growth) subject to critical aviation infrastructure and technology advances achieved by the industry and government
- \* Contribute to an industry-wide goal of reducing CO<sub>2</sub> emissions by 50 percent by 2050, relative to 2005 levels

At Southwest Airlines, we are doing our part through various emissions reduction projects. These include projects related to conserving jet and ground support equipment fuel and reducing electricity consumption. We plan to further our emission and energy conservation efforts in the long-term through strategic fleet replacements, use of improved air traffic control technology, and the ongoing pursuit of cleaner-burning alternative fuels.

<sup>1</sup> As noted in "The Air Transport Association Climate Change Commitment—A Global, Sectoral Approach," [www.airlines.org/PublicPolicy/IssueBriefs/Pages/ATACommitment.aspx](http://www.airlines.org/PublicPolicy/IssueBriefs/Pages/ATACommitment.aspx)



**PERFORMANCE**



**PEOPLE**



**PLANET**

## PLANET > EMISSIONS > GREENHOUSE GAS INVENTORY

We voluntarily track our emissions to better understand our impact on the environment.

Southwest Airlines continues to voluntarily track greenhouse gas (GHG) emissions and strives to reduce future emissions while continuing to provide safe, reliable, and affordable air transportation to our Customers. There are no federal, state, or local regulations requiring us to conduct a GHG inventory. We are voluntarily doing so to meet the Global Reporting Initiative (GRI) guidelines and, most importantly, to better understand our impact on the environment. We first began tracking GHG emissions in 2009 to establish a baseline upon which we can measure future performance. Our 2010 GHG inventory adheres to the GRI *Sustainability Reporting Guidelines* and follows the latest edition of the World Resources Institute's (WRI) *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard*.

### INVENTORY DEVELOPMENT

Our inventory evaluates the six GHGs recognized under *The Greenhouse Gas Protocol* as contributing to climate change:

- \* Carbon dioxide (CO<sub>2</sub>)
- \* Methane (CH<sub>4</sub>)
- \* Nitrous oxide (N<sub>2</sub>O)
- \* Hydrofluorocarbons (HFCs)
- \* Perfluorocarbons (PFCs)
- \* Sulfur hexafluoride (SF<sub>6</sub>)

Based upon the completeness and precision of the data used for the inventory, we estimate that this inventory is accurate within 5 percent. GHG emissions from some insignificant activities, such as HVAC system losses, are estimated based on an upper-bound assumption of the expected losses that would occur from Southwest Airlines facilities. These activities are a small percentage of our overall GHG emissions. All other GHG emissions, such as those from use of natural gas and jet fuel, are calculated from actual usage records.

### ORGANIZATIONAL BOUNDARIES

Organizational boundaries—the degree of an organization's control over its facilities and equipment—determine the types of GHG emissions that will be included within or excluded from the inventory. In commercial aviation, the majority of the facilities operated by an airline are owned by others and leased by the airline. In this GHG inventory, we are taking the same operational control approach we used in 2009—including GHG emissions from facilities and assets we control, which includes both facilities owned by Southwest Airlines and those under the primary control of Southwest Airlines. Examples of leased facilities include aircraft hangars, Customer Support & Services centers, and airport facilities such as provisioning, cargo or ground equipment maintenance under the primary control of Southwest Airlines. Facilities not under our primary control, such as terminals shared by multiple airlines, have not been included.



**PERFORMANCE**



**PEOPLE**



**PLANET**

## PLANET > EMISSIONS > GREENHOUSE GAS INVENTORY

### OPERATIONAL BOUNDARIES

Operational boundaries identify the types of emission sources that will be included in the GHG inventory. GHG emissions are categorized into direct emissions (Scope 1), energy indirect emissions (Scope 2), and other indirect emissions (Scope 3). Scope 1 emissions originate from sources owned or controlled by the organization. Scope 2 emissions occur from the generation of imported electricity or steam consumed by the organization. Scope 3 emissions are the consequences of an organization's activities but arise from GHG sources not owned or controlled by the organization. Examples of these include Employees commuting to work in personal vehicles and delivery of fuel to Southwest Airlines locations. As with our 2009 inventory, we have included Scope 1 and Scope 2 emissions in our 2010 GHG inventory. Scope 3 emissions are not included based on our fundamental knowledge that they are insignificant when compared to our Scope 1 emissions and the fact that, under The Greenhouse Gas Protocol, reporting of Scope 3 emissions is optional.

#### *The Reason for Operational Boundaries*

The purpose of categorizing greenhouse gas (GHG) emissions into operational boundaries is to avoid double counting. For example, emissions associated with generating electricity provided to Southwest Airlines should be counted as Scope 1 emissions by the electric utility but are Scope 2 emissions for Southwest Airlines. The Stakeholders reviewing GHG emissions inventories are able to accurately consolidate GHG emissions from all sources using the Scope 1, Scope 2, and Scope 3 classifications.

### MEASURING OUR ENVIRONMENTAL IMPACT: GHG EMISSIONS

For preparation of this inventory, we collected data regarding our:

- \* Aircraft fuel consumption
- \* Ground support equipment (GSE) fuel consumption
- \* Purchased electricity in Southwest Airlines-controlled facilities
- \* Natural gas consumption in offices, hangars, and other facilities controlled by Southwest Airlines
- \* Refrigerants emitted from chillers and air conditioning units from Southwest Airlines-controlled facilities (i.e. HVAC system losses)

#### *Global Warming Potential*

Global Warming Potential (GWP) is the ratio of radiative forcing to the degree of atmospheric warming that would result from the emission of one mass-based unit of a given GHG compared to one equivalent unit of CO<sub>2</sub> over a period of time. GWP for CO<sub>2</sub> is, by definition, 1. The GWP for other GHGs ranges from 21 to 11,700.

## PLANET > EMISSIONS > GREENHOUSE GAS INVENTORY

The collected data was converted to GHG emissions using industry-standard factors. The emission quantities of the six recognized GHGs were then converted to metric tons of CO<sub>2</sub> equivalent (CO<sub>2</sub>e) using global warming potential (GWP) to normalize the GHGs. CO<sub>2</sub> emissions account for more than 99 percent of Southwest Airlines' emissions on a CO<sub>2</sub>e basis.

### GHG EMISSIONS INVENTORY SUMMARY

OPERATIONAL BOUNDARY	2009 (metric tons CO <sub>2</sub> e)	2010 (metric tons CO <sub>2</sub> e)
Scope 1	13,838,695	13,930,772
Scope 2 <sup>1</sup>	49,512	43,960
<b>Total GHG Emissions</b>	<b>13,888,207</b>	<b>13,974,732</b>

### SCOPE 1 GHG EMISSIONS BY SOURCE CATEGORY

SOURCE CATEGORY	2009 (metric tons CO <sub>2</sub> e)	2010 (metric tons CO <sub>2</sub> e)
Aircraft fuel combustion	13,810,014	13,898,333
Natural gas combustion	4,940	4,712
GSE fuel combustion	20,347	24,332
HVAC system losses	3,394	3,395
<b>Total Scope 1 emissions</b>	<b>13,838,695</b>	<b>13,930,772</b>

In summary, Southwest Airlines' total greenhouse gas emissions for 2010 were nearly 14 million metric tons of CO<sub>2</sub>e, with 99 percent of those emissions coming from aircraft fuel combustion. This is similar to our 2009 totals, which is not surprising given the very limited change to the size of our operations between 2009 and 2010.



## PLANET > EMISSIONS > GREENHOUSE GAS INVENTORY

### Intensity Ratio

Another way of tracking GHG emissions is through the use of intensity ratios. Intensity ratios are often referred to as normalized environmental impact data that allow a quantification of GHG impact per unit of physical activity or unit of economic output. This metric can be particularly helpful in comparing the year-over-year progress of emissions reduction efforts as operations and production change. Within the airline industry, two parameters that reflect productivity are revenue passenger miles (RPMs) and available seat miles (ASMs). We first calculated our intensity ratio in 2009 and will continue to track our intensity ratio in the future.

#### GHG INTENSITY RATIOS

	2009	2010
<b>GHG Emissions (metric tons CO<sub>2</sub>e)</b>	<b>13.9 million</b>	<b>14.0 million</b>
<b>Production Activity (RPM)</b>	<b>74.5 billion</b>	<b>78.0 billion</b>
<b>Intensity Ratio (metric tons CO<sub>2</sub>e/1,000 RPM)</b>	<b>0.19</b>	<b>0.18</b>
<b>Production Activity (ASM)</b>	<b>98.0 billion</b>	<b>98.4 billion</b>
<b>Intensity Ratio (metric tons CO<sub>2</sub>e/1,000 ASM)</b>	<b>0.14</b>	<b>0.14</b>

### Productivity Metrics

- \* Available seat miles (ASMs) measure an airline's passenger capacity. ASMs are calculated by first multiplying the number of available seats on a flight, occupied and vacant, by the number of miles flown for that particular flight, then an airline finds its collective ASMs by adding each individual flight's ASMs for a given time period.
- \* Revenue passenger miles (RPMs) measure an airline's traffic. This metric represents the number of paying passengers who fly on the airline multiplied by the total number of miles they fly over a specific time period.

<sup>1</sup> GFG emissions from purchased electricity in Southwest Airlines-controlled facilities



**PERFORMANCE**



**PEOPLE**



**PLANET**

## PLANET > RECYCLING AND WASTE MANAGEMENT

With a 65 percent improvement in 2010 over the amount of paper, plastic, aluminum, and cardboard recycled in 2009, our goal is to further increase recycling totals by 10 percent in 2011.

### CO-MINGLED RECYCLING PROGRAM

Created to more efficiently minimize waste that would otherwise be disposed of in landfills, our co-mingled recycling program is one of the many pollution prevention initiatives at Southwest Airlines. What makes this program unique among U.S. airlines is that we established a nationwide program with a single contractor to recycle waste collected onboard our entire fleet of aircraft using collection facilities in our Provisioning locations. We also recycle similar materials on the ground at most Southwest Airlines facilities across the nation, wherever programs are available. We have voluntarily implemented this program and go beyond regulatory requirements to make a positive impact on our Planet. Environmental benefits of this program include:

- \* Reducing waste volume to conserve landfill space
- \* Minimizing future greenhouse gas emissions through the contribution of recycled materials, which can be used to make new products with a smaller carbon footprint
- \* Preserving raw materials as well as the energy and water required for processing raw materials
- \* Purchasing renewable energy-driven equipment such as solar compactors with co-mingled recycling program rebates
- \* Promoting recycling to our Employees and Customers through education to encourage more recycling not only onboard our aircraft and in the office, but also at home

#### *What Is Co-mingled Recycling?*

Co-mingled recycling involves collecting two or more recyclable materials together as a single stream in one container, opposed to collecting each type of recycling, such as glass, aluminum, and paper, separately.

#### *What We Recycle*

On our aircraft and at most of our facilities, our co-mingled recycling stream includes paper, cardboard, type one and two plastic, and aluminum. Due to the volume of material generated at our Headquarters, we recycle many additional waste streams—including glass, types three through seven plastic, empty aerosol cans, and steel and tin cans—beyond our systemwide collection. In addition to our co-mingled recycling program, we also recycle industrial materials—such as fluorescent bulbs, toner and print cartridges, batteries, electronics, and used oil—from our facilities.



**PERFORMANCE**



**PEOPLE**



**PLANET**

## PLANET > RECYCLING AND WASTE MANAGEMENT

### Motivation for Consolidation

In late 2006 the idea arose to consolidate municipal waste disposal and recycling efforts under a nationwide contractor in order to consolidate contracts and run an efficient program. At that time, individual Southwest Airlines locations managed our recycling efforts, which consisted of recycling cardboard and aluminum at most locations in addition to paper recycling at the Southwest Airlines Headquarters.

### Program Development

In 2007, we formed the Green Team, a group of Employees focused on placing a green filter on business decisions and fostering environmental stewardship. The Green Team formed a subcommittee to encourage recycling efforts and move forward with the idea of a consolidated recycling program. Flight duration and Flight Attendant duties, including promoting Safety as the top priority, limit the time available for sorting recycling on the aircraft. So, we searched for a contractor willing to accept a co-mingled recycling stream from both facilities and aircraft, similar to some municipal recycling programs. After a comprehensive review of potential program partners, we awarded Republic Services, Inc., our recycling contract in August 2008. Once the recycling subcommittee determined the enormous scope of our systemwide, co-mingled recycling program, it recommended that a single Southwest Airlines department take charge of recycling program management. Facilities Maintenance graciously volunteered. Under its leadership and management, with the assistance of Republic Services, our co-mingled recycling program has grown to include our Headquarters campus in Dallas; six Customer Service and Support centers; 22 aircraft Provisioning facilities; and all four Aircraft Maintenance bases in Dallas, Houston, Phoenix, and Chicago. On Nov. 1, 2009, we reached a significant milestone when we officially launched onboard recycling on our entire fleet of 548 aircraft. Most of our recycling of onboard waste happens at our aircraft Provisioning facilities. When we fly into cities that do not have provisioning facilities, we keep the recycled materials onboard the aircraft, space permitting, until we return to a provisioning location.

### A Collective Effort

Cooperation among many of our Stakeholders was vital to establishing our co-mingled recycling program. Republic Services shared its recycling experience to guide us in establishing the essential elements needed to initiate the program. Republic Services also partnered with other materials recycling facilities around the country to serve Southwest Airlines locations outside of Republic Services' network. The airports we serve also played a role by allowing placement of large collection containers and compactors. Suggestions for improvement from our Employees and Customers also contributed to the program's success.

Southwest Airlines' recycling program is the first systemwide onboard, co-mingled recycling program in the nation. Accomplishing a sweeping change of this magnitude requires the commitment of many People. Our Aircraft Provisioning Team and Flight Attendants encountered many challenging collection and storage issues—such as limited space at each airport for recycling equipment and for separate storage of recyclables in the aircraft galleys—but they found solutions to make this program work. Our Crew also finds time to make announcements about recycling collection in their busy schedules of inflight service and safety demonstrations. In true Southwest Airlines SPIRIT, many Flight Attendants are also cleverly creative in delivering the recycling message to our Customers.



## PLANET > RECYCLING AND WASTE MANAGEMENT

### LUV Story—Employees Aid Southwest Airlines in Protecting the Planet

#### *Orlando International Airport Environmental Expo*

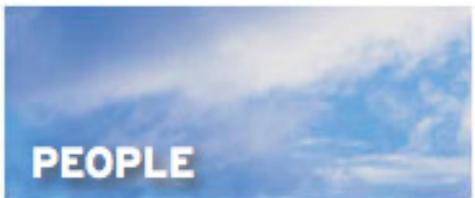
Our Employees continue to look for ways to spread the word about recycling. Southwest Airlines' Green Ambassador Group has been instrumental in working with Orlando International Airport to implement a co-mingled, air-side recycling program. As a result of this interaction with the airport, Southwest Airlines Green Ambassador Sheila Di Pace was invited to present on Southwest Airlines' environmentally friendly initiatives at Orlando International Airport's second annual Environmental Expo in August 2010. As part of the expo, travelers received pins with the Southwest Airlines green logo and reusable travel bags and had the opportunity to watch video clips of our efforts to protect the planet. The videos featured the making of the Southwest Airlines Green Plane in fast-forward mode and our Employees' generous hearts in Share the Spirit clips. At the expo, Employees shared how they are "greenifying" our workplaces and contributing to our sustainability practices and also offered information on how expo attendees could participate in environmental outreach opportunities.

#### *America Recycles Day*

On Nov. 15, 2010, our Employees celebrated America Recycles Day by spreading the word about the positive impact recycling has on our environment. Employees wore pins with the Southwest Airlines green logo and made announcements in the gate area and onboard the aircraft to raise awareness and encourage Customers to participate in our onboard, co-mingled recycling program.

#### *Maintenance Goes Green*

In July 2010, Green Ambassadors and Green Team members organized an educational event at our Dallas Maintenance facility. The group discussed our new co-mingled recycling program over green-iced cupcakes. The event successfully raised awareness within the Southwest Family about co-mingled recycling for paper, plastic, aluminum, and cardboard. As a result of this event, several of our Employees expressed interest in becoming Maintenance Green Ambassadors to share their passion about recycling.



## PLANET > RECYCLING AND WASTE MANAGEMENT

### Training and Education

Training and education are essential elements of a recycling program. At Southwest Airlines that meant training and encouraging 9,800 Flight Attendants, 800 Provisioning Agents, and 100-plus Cleaning Team members to change the way they perform their daily jobs to include recycling collection. More than 6,000 Headquarters Employees and Employees at 22 provisioning locations participated in recycling training. We continue to educate and encourage our Employees to recycle through Employee publications such as *Onboard*, our monthly publication for Inflight Services, and our weekly Green Tuesday messages. We also share information on recycling with our Passengers through inflight announcements, a message on our inflight menu, and in *Spirit* magazine, so they are aware of which items to hand to the Crew to recycle at the end of each flight.

### Measuring Our Environmental Impact: Co-Mingled Recycling

We track our co-mingled recycling program's success using monthly reports compiled by Republic Services. In 2010, we diverted more than 2,500 tons of co-mingled waste material from landfills through recycling. This is a 65 percent improvement over the amount of paper, plastic, aluminum, and cardboard we recycled from our facilities and aircraft in 2009. We succeeded in not only meeting but also exceeding our goal of recycling 25 percent more of the aforementioned materials in 2010 than we did in 2009.

As a result of our ongoing environmental stewardship commitment, Southwest Airlines has diverted more than 4,200 tons of material from landfills and into recycling facilities since August 2008. We are working toward a goal of continuous improvement, measured by the percent increase in annual tons of material recycled and the addition of locations, solar equipment, and recyclable commodities. In 2011, our goal is to increase the total amount of paper, plastic, aluminum, and cardboard recycled from our facilities and aircraft by 10 percent over our 2010 total.



PERFORMANCE



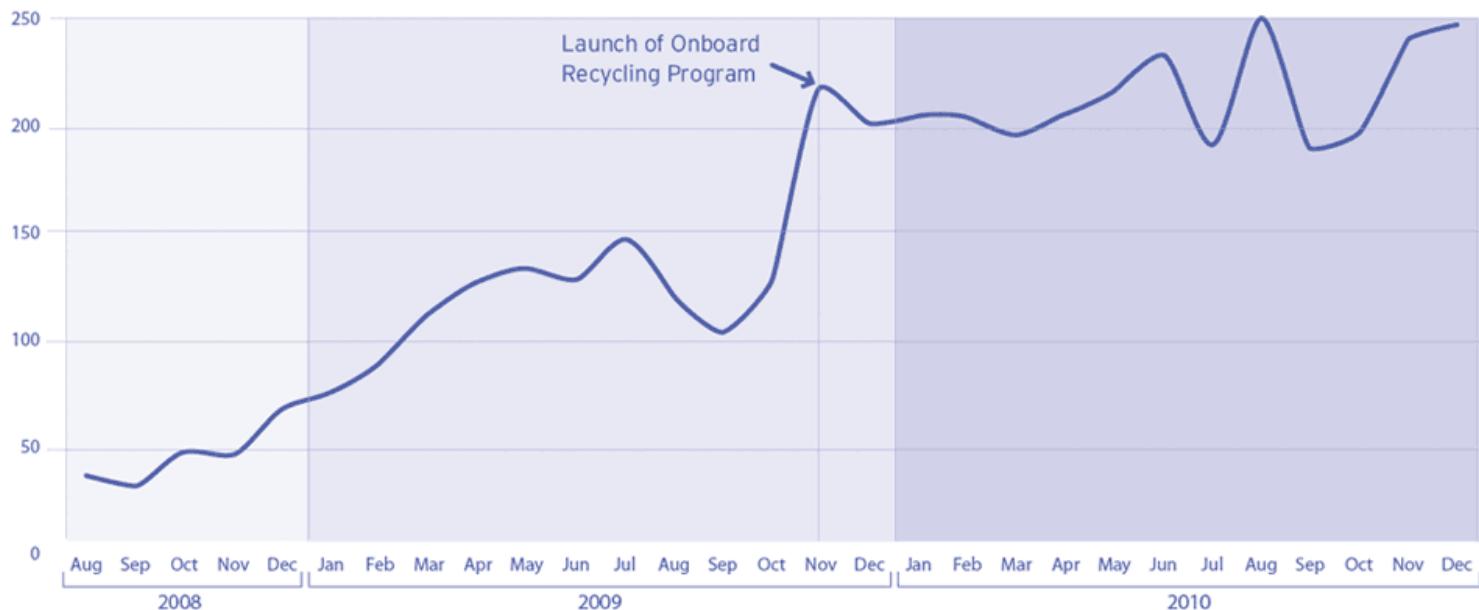
PEOPLE



PLANET

## PLANET > RECYCLING AND WASTE MANAGEMENT

RECYCLING TREND<sup>1</sup>  
in tons



<sup>1</sup>This data includes recycling of paper, plastic, aluminum, and cardboard from aircraft and select facilities as part of the Southwest Airlines co-mingled recycling program.

**PLANET > RECYCLING AND WASTE MANAGEMENT > INDUSTRIAL WASTE MANAGEMENT & RECYCLING**

We recycled enough materials burned for energy recovery—such as used oil, filters, and liquid and solid paint waste—to provide electricity for more than 140 homes for one year.

We do more than just recycle paper, plastic, aluminum, and cardboard onboard and in our facilities across the nation. We also recycle industrial materials and manage our disposal of hazardous waste.

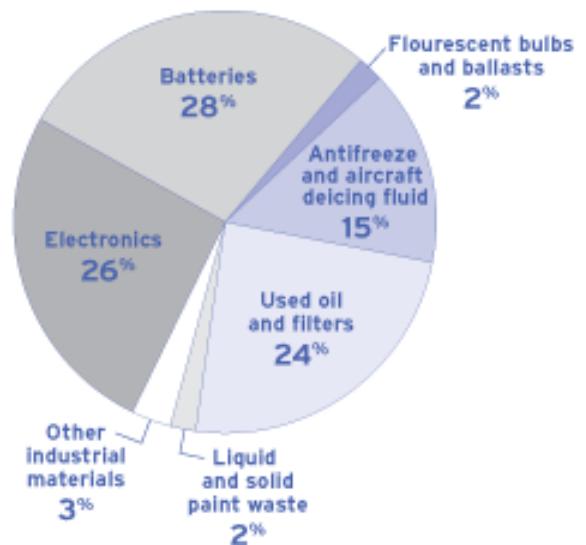
**MEASURING OUR ENVIRONMENTAL IMPACT: INDUSTRIAL MATERIALS**

Maintenance of our aircraft, ground support equipment (GSE), and facilities generate industrial waste that could be harmful to our environment if not properly disposed of or recycled. To minimize our impact on the environment, we make every effort to find beneficial reuse options for the industrial waste we generate. In 2010, we recycled more than 650 tons of industrial waste. This includes both recycling in the traditional sense—processing and remanufacturing materials into new products—and burning waste materials for energy recovery—using industrial waste as a fuel source for non-related production processes such as cement kilns.

Industrial waste we recycle includes:

- \* Antifreeze and aircraft deicing fluid
- \* Batteries from equipment, vehicles and GSE
- \* Electronics, including computers, monitors, and printers
- \* Fluorescent bulbs and ballasts from facilities and aircraft
- \* Liquid and solid paint waste
- \* Off-specification fuel
- \* Parts washer solvent
- \* Scrap metal including copper cable
- \* Used oil and filters
- \* Adhesives, sealants, and other aircraft maintenance chemicals

**BREAKDOWN OF INDUSTRIAL MATERIALS RECYCLED at yearend**





**PERFORMANCE**



**PEOPLE**



**PLANET**

## **PLANET > RECYCLING AND WASTE MANAGEMENT > INDUSTRIAL WASTE MANAGEMENT & RECYCLING**

In 2010, approximately 27 percent, or 175 tons of the 650 tons of industrial waste material we recycled during the year, were burned for energy recovery. More than 6 billion British thermal units (Btus) were recovered from materials such as used oil, filters, and liquid and solid paint waste. This energy recovery was enough to provide electricity for more than 140 homes for one year.

### **MEASURING OUR ENVIRONMENTAL IMPACT: HAZARDOUS WASTE**

A small percentage of our industrial waste, primarily resulting from specialized aircraft maintenance operations, meets the regulatory definition of hazardous waste, triggering additional storage, record-keeping, and disposal requirements. In 2010, we generated 16 tons of hazardous waste<sup>1</sup>, which includes:

- \* Expired or otherwise unusable aircraft maintenance materials such as sealants and adhesives
- \* Paint and paint-related waste
- \* Parts washer solvent with a flash point less than or equal to 140 degrees Fahrenheit
- \* Metal-treating waste and wastewater

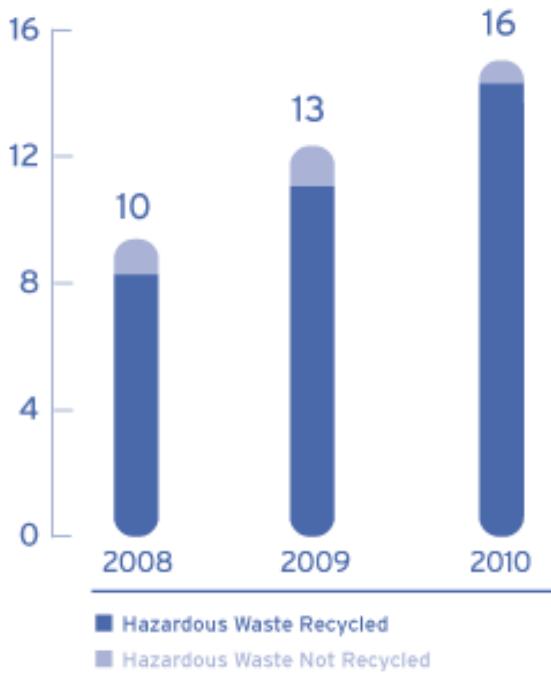
Of our total hazardous waste generated in 2010, we managed more than 15 tons, or approximately 95 percent, through beneficial reuse, recycling, or burning for energy recovery. As part of our green filter, we remain committed to minimizing our generation of hazardous waste and maximizing the amount repurposed through beneficial reuse.

#### ***What Is Hazardous Waste?***

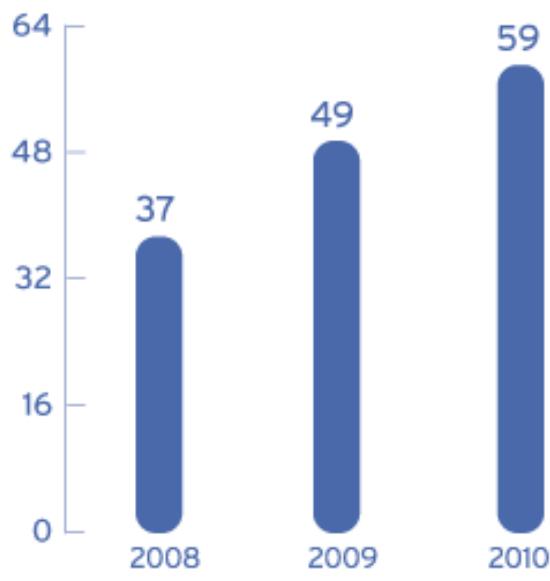
Hazardous waste is a byproduct of manufacturing or maintenance operations. If not properly managed and disposed of, hazardous waste could have negative effects on human health or the environment.

## PLANET &gt; RECYCLING AND WASTE MANAGEMENT &gt; INDUSTRIAL WASTE MANAGEMENT &amp; RECYCLING

**TOTAL HAZARDOUS WASTE GENERATED AND RECYCLED**  
in tons



**HAZARDOUS WASTE INTENSITY RATIO**  
pounds per aircraft



Much like emissions or energy use, we track our year-over-year waste minimization efforts in terms of an intensity ratio. This enables us to monitor performance and evaluate progress as a function of the size of our operations. Since most of our hazardous waste generation stems from aircraft maintenance, and the number of aircraft in our fleet is a good general representation of the size of our aircraft maintenance operations, we have established a hazardous waste intensity ratio of 59 pounds per aircraft<sup>2</sup> for 2010. We are currently working on developing a long-term goal for reducing our hazardous waste generation.

<sup>1</sup> Total tons of hazardous waste including that generated at facilities classified as conditionally exempt small quantity generators and not required to be reported to federal or state agencies

<sup>2</sup> Pounds of hazardous waste generated at controlled facilities divided by the number of aircraft in the fleet as of Dec. 31, 2010



**PERFORMANCE**



**PEOPLE**



**PLANET**

## PLANET > ENVIRONMENTAL MANAGEMENT APPROACH

Southwest Airlines is committed to protecting our planet by improving fuel efficiency, which, in turn, reduces our greenhouse gas (GHG) emissions and helps prevent climate change.

### DISCLOSURE ON MANAGEMENT APPROACH: ENVIRONMENTAL

As the hometown carrier that cares, Southwest Airlines believes that it's our responsibility to protect our planet and its natural resources. We do our part to minimize our impact on the environment by operating with a green filter, collecting and analyzing information on our impacts, and continuously improving the actions we take to mitigate those impacts. We also have formal auditing programs in place to monitor our compliance and establish triggers for when corrective actions are needed.

#### Environmental Policy

Southwest Airlines is committed to minimizing the impact of our operations on the environment and to fostering a Culture of global citizenship, which includes being good stewards of our planet. All of Southwest Airlines' Leaders and Employees are responsible for carrying out this policy by:

- \* Complying with all environmental laws and regulations
- \* Striving to meet our annual goal of zero environmental violations resulting in monetary fines in our operations
- \* Maintaining our environmental management systems, following procedures, and training our Employees to meet our compliance goals
- \* Continuing to improve our performance regarding our environmental goals and initiatives
- \* Auditing our operations for environmental compliance and implementing corrective actions where needed
- \* Providing transparency of our environmental performance to our Stakeholders
- \* Using natural resources efficiently
- \* Preventing or minimizing pollution where possible while remaining true to the triple bottom line of Performance, People, and Planet



**PERFORMANCE**



**PEOPLE**



**PLANET**

## PLANET > ENVIRONMENTAL MANAGEMENT APPROACH

### *Position on Climate Change*

As a member of the Air Transport Association (ATA) we support the ATA's global sectoral approach to aviation climate change under the International Civil Aviation Organization. We also advocate for advancements in critical technology, air traffic control, energy, and infrastructure to further the airline industry's efforts to conserve energy and reduce GHG emissions. We have adopted the ATA's industry-wide goals for fuel efficiency and emissions reductions and understand that it's important for us to continue taking steps to address GHG emissions from our operations.

### **Environmental Goals and Key Performance Indicators**

We continue to demonstrate our commitment to protecting our planet and its natural resources by setting specific environmental goals. Our environmental goals for 2011 and beyond include:

#### **> Compliance**

Part of our environmental policy is striving to meet our annual goal of zero recorded environmental violations in our operations.

#### **> Jet fuel efficiency and greenhouse gas (GHG) emissions reduction**

We have adopted the ATA's industry-wide goals for fuel efficiency and emissions reduction.

#### **> Recycling**

In 2010, we exceeded our goal of a 25 percent improvement over 2009 in the amount of paper, plastic, aluminum, and cardboard recycled onboard and in our facilities. In 2011, we aim to increase the quantity of these materials recycled by 10 percent over our 2010 levels.

To enhance these goals, Southwest Airlines' citizenship committee is evaluating potential environmental key performance indicators (KPIs) to better gauge our progress. This work is ongoing, and we plan to discuss more about our environmental KPIs in the *2011 Southwest Airlines One Report™*.

### **Data Collection**

Data collection and monitoring is a key aspect of measuring environmental performance. This year's 2010 One Report includes data on our waste generation and consumption of jet fuel, natural gas, ground support equipment fuels, electricity, and water. We are committed to tracking the use and disposal of these resources as a way to measure both our environmental impact and the progress of our conservation efforts. We have also completed our second GHG emissions inventory.



## PLANET > ENVIRONMENTAL MANAGEMENT APPROACH

### Mitigation of Our Environmental Impacts

Two elements of our environmental policy—"using natural resources efficiently" and "preventing or minimizing pollution where possible while remaining true to the triple bottom line of Performance, People, and Planet"—directly relate to our mitigation of environmental impacts. We work hard to achieve related goals and targets, first by collecting the data necessary to make informed decisions, and then through the conservation of fuel, electricity and other natural resources. We have succeeded in achieving annual fuel savings of more than 40 million gallons since 2008. We are also dedicated to the continuous improvement of our recycling and waste management program. In 2010, we succeeded in recycling 65 percent more paper, plastic, aluminum, and cardboard than our 2009 total.

### Monitoring and Compliance

Our Environmental Services Team in the General Counsel Department is responsible for monitoring our adherence to our environmental policy. We also use our environmental management systems to help us review and improve our environmental policies, procedures, and goals. We perform regular audits of our operations to ensure we are maintaining compliance with all environmental laws and regulations and implement corrective actions where needed. While we did not achieve our goal of zero environmental violations resulting in monetary fines in 2010, we had only two violations, totaling slightly more than \$600 in related fines.

As part of our annual environmental reporting, we track and monitor data related to our environmental goals and vision. Since 2007, we have partnered with outside firms to provide third-party verification of environmental data included in our annual reports.



## GLOBAL REPORTING INITIATIVE

The GRI is a voluntary, internationally recognized framework for sustainability reporting that allows organizations the opportunity to measure and report their economic, social, and environmental efforts in a consistent manner.

The 2010 Southwest Airlines One Report™ conforms to the principles outlined in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines version 3.0 (G3) and fully complies with the GRI's B+ application level—an increased application level from the C+ achieved by the 2009 Southwest Airlines One Report™. The GRI is a voluntary, internationally recognized framework for sustainability reporting that allows organizations the opportunity to measure and report their economic, social, and environmental efforts in a consistent manner. The GRI also offers a variety of application levels that show the extent to which G3 guidelines have been applied throughout the report and provide guidance on how organizations can continuously improve their reporting.

The 2010 One Report follows the release of our 2009 One Report. As Southwest Airlines' second One Report, the 2010 One Report illustrates our continued steadfast focus on the triple bottom line—our Performance, Our People, and our Planet. The 2010 One Report represents Southwest Airlines through calendar year 2010, unless otherwise stated, and represents only those business activities for which Southwest Airlines generally has complete control or ownership. This report does not include facilities primarily controlled by others, such as airport terminal space, or outsourced or subcontracted facilities. To develop the 2010 One Report, we adopted the same scope, boundary, and measurement methods that were used to develop the 2009 One Report. Southwest Airlines intends to continue releasing its Southwest Airlines One Report on an annual basis.



## GLOBAL REPORTING INITIATIVE

Report Application Level	C	C+	B	B+	A	A+
G3 Profile Disclosures 	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17			Same as requirement for Level B	
G3 Management Approach Disclosures 	Not Required	Report Externally Assured Management Approach Disclosures for each Indicator Category		Report Externally Assured Management Approach Disclosures for each Indicator Category		
G3 Performance Indicators & Sector Supplement Performance Indicators 	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.	Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility.			Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

\*Sector supplement in final version



## GLOBAL REPORTING INITIATIVE > EXTERNAL ASSURANCE

The *2010 Southwest Airlines One Report™* has achieved a GRI B+ application level.

May 18, 2011

Southwest Airlines Co.  
HDQ-1PR  
2702 Love Field Drive  
P.O. Box 36611  
Dallas, TX 75235-1611



[www.burnsmcd.com](http://www.burnsmcd.com)

Burns & McDonnell Engineering Inc.  
Assurance Statement for *2010 Southwest Airlines One Report™*

Southwest Airlines:

Burns & McDonnell Engineering Inc. (Burns & McDonnell) was retained by Southwest Airlines Co. (Southwest) to verify and provide external assurance that the *2010 Southwest Airlines One Report™* (2010 One Report) provides a balanced view of Southwest's triple bottom line profile for the reporting period and includes accurate data and information in line with the principles outlined in the Global Reporting Initiative (GRI) *Sustainability Reporting Guidelines* version 3.0. The purpose of this assurance engagement was to:

1. Assure the 2010 results of the Southwest GRI profile disclosures, disclosures on management approach, and performance indicators contained in the 2010 One Report, including both qualitative and quantitative data.
2. Review the 2010 One Report to ensure Southwest has utilized the GRI G3 sustainability reporting framework to achieve a B+ application level.

In addition to the assurance of the GRI profile disclosures, disclosures on management approach and performance indicators, Burns & McDonnell also reviewed and assured additional 2010 material metrics and accomplishments presented in the 2010 One Report with the exception of information presented in Southwest's Annual Report on Form 10-K for year ended Dec. 31, 2010 and Southwest's 2011 Proxy Statement. The financial statements included in the Form 10-K have been audited by the company's independent auditor.



## GLOBAL REPORTING INITIATIVE > EXTERNAL ASSURANCE

In order to complete external assurance of the 2010 One Report, Burns & McDonnell independently interviewed Southwest employees; obtained, analyzed and verified data; and conducted independent industry research and benchmarking to substantiate and support the statements contained in the report. The content, structure and presentation of the report were reviewed against the GRI guidelines to ensure conformation.

This review determined that Southwest has a systematic, documented, evidence-based reporting process in place. The 2010 One Report includes responses to a minimum of 20 performance indicators with at least one from each of the economic, social and environmental categories as well as addresses the required GRI profile disclosures and disclosures on management approach. The 2010 One Report provides a reasonable and balanced presentation of Southwest's triple bottom line performance.

To the best of our knowledge, we have found that Southwest has satisfactorily applied the GRI sustainability reporting framework. The content provided for the 2010 One Report meets the content and quality requirements of the GRI Sustainability Reporting Guidelines version 3.0 B+ application level.

Sincerely,

A handwritten signature in black ink that reads "Tiffany Goebel". The signature is fluid and cursive, with "Tiffany" on top and "Goebel" below it.

Tiffany Goebel  
Project Manager, Environmental Group  
Burns & McDonnell



## GLOBAL REPORTING INITIATIVE > GLOBAL REPORTING INITIATIVE INDEX

The Global Reporting Initiative's universal framework for sustainability reporting standardizes corporate reporting in a credible, measurable manner.

### PROFILE DISCLOSURES

#### 1. STRATEGY AND ANALYSIS

- |  |                                     |
|--|-------------------------------------|
| 1.1 Statement from the most senior decision-maker of the organization. | Gary's Message                      |
| 1.2 Description of key impacts, risks, and opportunities.              | Gary's Message;<br>2010 Performance |

#### 2. ORGANIZATIONAL PROFILE

- |  |   |
|--|---|
| 2.1 Name of the organization.  | Southwest Airlines Co.                              |
| 2.2 Primary brands, products, and/or services.   | Performance;<br>2010 Form 10-K                      |
| 2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.  | 2010 Form 10-K                                      |
| 2.4 Location of organization's headquarters.   | Contact Us;<br>2010 Form 10-K                       |
| 2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. | 30,000-Foot View;<br>Performance;<br>2010 Form 10-K |
| 2.6 Nature of ownership and legal form.  | Corporate Governance                                |
| 2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).   | 30,000-Foot View                                    |



GLOBAL REPORTING INITIATIVE > GLOBAL REPORTING INITIATIVE INDEX

2.8 Scale of the reporting organization.	Performance; 2010 Form 10-K
2.9 Significant changes during the reporting period regarding size, structure, or ownership.	2010 Performance; 2010 Form 10-K
2.10 Awards received in the reporting period.	Awards & Accolades

### 3. REPORT PARAMETERS

3.1 Reporting period (e.g., fiscal/calendar year) for information provided.	Global Reporting Initiative
3.2 Date of most recent previous report (if any).	Gary's Message; Global Reporting Initiative
3.3 Reporting cycle (annual, biennial, etc.).	Global Reporting Initiative
3.4 Contact point for questions regarding the report or its contents.	30,000-Foot View
3.5 Process for defining report content.	Gary's Message; Global Reporting Initiative
3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Global Reporting Initiative; 30,000-Foot View
3.7 State any specific limitations on the scope or boundary of the report.	Global Reporting Initiative; Addressed Throughout
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Global Reporting Initiative



GLOBAL REPORTING INITIATIVE > GLOBAL REPORTING INITIATIVE INDEX

3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI indicator protocols.	Addressed Throughout
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	NA
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Global Reporting Initiative; Addressed Throughout
3.12	Table identifying the location of the standard disclosures in the report.	Global Reporting Initiative Index
3.13	Policy and current practice with regard to seeking external assurance for the report.	External Assurance

#### 4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT

4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Corporate Governance; 2011 Proxy Statement
4.2	Indicate whether the chair of the highest governance body is also an executive officer.	Corporate Governance
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Corporate Governance



GLOBAL REPORTING INITIATIVE > GLOBAL REPORTING INITIATIVE INDEX

4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Corporate Governance; Employee Engagement & Recognition; Customer Insight; Stakeholder Involvement; 2011 Proxy Statement
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Corporate Governance; 2011 Proxy Statement
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate Governance; 2011 Proxy Statement
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	Corporate Governance; 2011 Proxy Statement
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Corporate Governance; Financial Management Approach; Social Management Approach; Planet Management Approach
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Financial Management Approach; Social Management Approach; Planet Management Approach; 2010 Form 10-K; 2011 Proxy Statement
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Corporate Governance; 2011 Proxy Statement



GLOBAL REPORTING INITIATIVE > GLOBAL REPORTING INITIATIVE INDEX

4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Addressed Throughout
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Addressed Throughout
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: has positions in governance bodies, participates in projects or committees, provides substantive funding beyond routine membership dues, or views membership as strategic.	Addressed Throughout
4.14	List of stakeholder groups engaged by the organization.	Addressed Throughout
4.15	Basis for identification and selection of stakeholders with whom to engage.	Addressed Throughout
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Corporate Governance; Employee Engagement & Recognition; Stakeholder Involvement; 2011 Proxy Statement; 2010 Form 10-K
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns, including through its reporting.	Corporate Governance; Employee Engagement & Recognition; Stakeholder Involvement; 2011 Proxy Statement; 2010 Form 10-K



GLOBAL REPORTING INITIATIVE > GLOBAL REPORTING INITIATIVE INDEX

**DISCLOSURES ON MANAGEMENT APPROACH (DMAS)**

DMA EC	Discuss management approach to performance, market presence, indirect economic impacts as they relate to overall management policies, goals, and performance.	Financial Management Approach
DMA EN	Discuss management approach to overall environmental metrics such as materials, energy, water, emissions, compliance, and transport as they relate to specific goals, policy, and performance.	Environmental Management Approach
DMA LA	Discuss management approach to employment, labor/management relations, health and safety, training and education, diversity, and equal opportunity as they relate to overall management policies, goals, and performance.	Social Management Approach
DMA HR	Discuss management approach to non-discrimination, collective bargaining, abolition of child labor, prevention of forced labor, complaints and grievance practices, and security practices as they relate to overall management policies, goals, and performance.	Social Management Approach
DMA SO	Discuss management approach to community, corruption, public policy, anticompetitive behavior, and compliance as they relate to overall management policies, goals, and performance.	Social Management Approach
DMA PR	Discuss management approach to customer health and safety, service labeling, marketing communications, and customer privacy as they relate to overall management policies, goals, and performance.	Social Management Approach



GLOBAL REPORTING INITIATIVE > GLOBAL REPORTING INITIATIVE INDEX

PERFORMANCE INDICATORS

ECONOMIC

EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Past Performance; 2010 Performance; Communities; 2010 Form 10-K
EC3	Coverage of the organization's defined benefit plan obligations.	Benefits
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Communities

ENVIRONMENTAL

EN3	Direct energy consumption by primary energy source.	Energy & Resource Use; GHG Inventory
EN4	Indirect energy consumption by primary source.	Energy & Resource Use; GHG Inventory
EN5	Energy saved due to conservation and efficiency improvements.	Jet Fuel Conservation; Ground Support Equipment Fuel Conservation; Electricity Conservation
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Procurement; Jet Fuel Conservation; Ground Support Equipment Fuel Conservation; Electricity Conservation



GLOBAL REPORTING INITIATIVE > GLOBAL REPORTING INITIATIVE INDEX

EN8	Total water withdrawal by source.	Energy & Resource Use
EN16	Total direct and indirect greenhouse gas emissions by weight.	Emissions
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Jet Fuel Conservation; Ground Support Equipment Fuel Conservation; Electricity Conservation; Emissions
EN23	Total number and volume of significant spills.	Green Filter

**SOCIAL: LABOR PRACTICES AND DECENT WORK**

LA1	Total workforce by employment type, employment contract, and region.	30,000-Foot View; Employees
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Benefits
LA4	Percentage of employees covered by collective bargaining agreements.	Social Management Approach
LA10	Average hours of training per year per employee by employee category.	Training

**SOCIAL: HUMAN RIGHTS**

HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Social Management Approach
HR6	Operations Identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Social Management Approach
HR9	Total number of incidents of violations involving rights of Indigenous people and actions taken.	NA



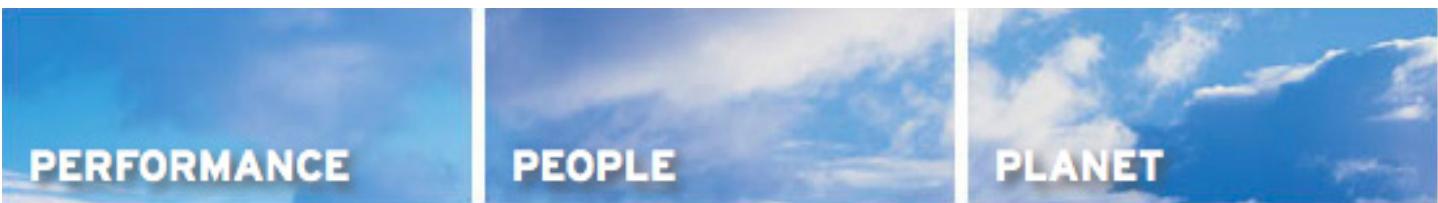
GLOBAL REPORTING INITIATIVE > GLOBAL REPORTING INITIATIVE INDEX

**SOCIAL: SOCIETY**

- |  |                      |
|--|----------------------|
| SO2 Percentage and total number of business units analyzed for risks related to corruption.    | Corporate Governance |
| SO3 Percentage of employees trained in organization's anti-corruption policies and procedures. | Corporate Governance |
- 

**SOCIAL: PRODUCT RESPONSIBILITY**

- |   |   |
|---|---|
| PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. | Customer Insight;<br>Social Management Approach |
|---|---|
-



## CORPORATE GOVERNANCE

We believe being a good corporate citizen means operating with dedication to the highest standards of ethics and integrity and that good corporate governance is integral in achieving long-term Shareholder, Employee, and Customer value.

At Southwest Airlines, our corporate governance structure guides our organization and drives progress toward implementation of our corporate strategies. We believe being a good corporate citizen means operating with dedication to the highest standards of ethics and integrity and that good corporate governance is integral in achieving long-term Shareholder, Employee, and Customer value. We communicate these standards and incorporate them into our business, in part, through our code of ethics and insider trading policy and by requiring all Employees to annually certify receipt of these policies. In 2010, more than 37,000 Employees and contractors certified receipt of these materials. We also annually distribute a Foreign Corrupt Practices Act (FCPA) policy to all Company officers, senior Leaders of all departments, and select Employees who are involved with Southwest Airlines' financial records and international operations. These more than 750 individuals received a mandatory questionnaire regarding the FCPA and completed it in 2010. Our Board of Directors, Company officers, and a select group of Employees are subject to insider trading pre-clearance and blackout procedures. We also employ robust auditing procedures to analyze and monitor business activities, which further enhance our ability to maintain high ethical standards. We continually review our systems to provide transparency and accountability, and we update our corporate governance policies when needed.



**PERFORMANCE**



**PEOPLE**



**PLANET**

## CORPORATE GOVERNANCE

### SOUTHWEST AIRLINES LEADERSHIP

#### 2010 Board of Directors

David W. Biegler  
Chairman and Chief Executive Officer  
Southcross Energy, LLC  
Retired Vice Chairman of TXU Corp.  
Dallas, Texas  
Audit, Compensation (Chair) and  
Safety and Compliance Oversight  
Committees

Douglas H. Brooks  
Chairman of the Board, President  
and Chief Executive Officer  
Brinker International, Inc.  
Dallas, Texas  
Nominating and Corporate  
Governance Committee

William H. Cunningham, PhD  
James L. Bayless Chair for  
Free Enterprise  
University of Texas at Austin  
Red McCombs School of Business  
Former Chancellor of the University  
of Texas System  
Austin, Texas  
Presiding Director  
Audit, Compensation, Safety and  
Compliance Oversight and Executive  
Committees

John G. Denison  
Former Chairman of the Board  
Global Aero Logistics Inc.  
Plano, Texas  
Audit and Safety and Compliance  
Oversight (Chair) Committees

Travis C. Johnson  
Attorney at Law  
El Paso, Texas  
Audit, Executive (Chair), and  
Nominating and Corporate  
Governance (Chair) Committees

Gary C. Kelly  
Chairman of the Board, President  
and Chief Executive Officer  
Southwest Airlines Co.  
Dallas, Texas  
Executive Committee

Nancy B. Loeffler  
Longtime advocate of volunteerism  
Chair of The University of Texas  
M.D. Anderson Cancer Center  
Foundation  
San Antonio, Texas  
Compensation Committee

John T. Montford  
President and Chief Executive Officer  
JTM Consulting, LLC  
Senior Advisor for Government  
Relations and Global Public Policy  
for General Motors  
San Antonio, Texas  
Audit (Chair), Compensation and  
Nominating and Corporate  
Governance Committees

Thomas M. Nealon  
Group Executive Vice President  
J.C. Penney Company, Inc.  
Dallas, Texas  
Safety and Compliance Oversight  
Committee

Daniel D. Villanueva  
Partner  
RC Fontis  
Pasadena, California  
Compensation and Safety and  
Compliance Oversight Committees

#### Honorary Designations

Herbert D. Kelleher  
Chairman Emeritus  
Southwest Airlines Co.  
Dallas, Texas

Colleen C. Barrett  
President Emeritus  
Southwest Airlines Co.  
Dallas, Texas

#### Officers (as of May 4, 2011)

Gary C. Kelly\*  
Chairman of the Board, President  
and Chief Executive Officer

Robert E. Jordan\*  
Executive Vice President  
Strategy and Planning



**PERFORMANCE**



**PEOPLE**



**PLANET**

## CORPORATE GOVERNANCE

### SOUTHWEST AIRLINES LEADERSHIP

Ron Ricks\*  
Executive Vice President  
Corporate Services and  
Corporate Secretary

Michael G. Van DeVen\*  
Executive Vice President and  
Chief Operating Officer

Ginger C. Hardage\*  
Senior Vice President  
Culture and Communications

Daryl Krause\*  
Senior Vice President  
Procurement

Jeff Lamb\*  
Senior Vice President  
Administration and  
Chief People Officer

Teresa Laraba\*  
Senior Vice President  
Customer Services

Dave Ridley\*  
Senior Vice President and  
Chief Marketing Officer

Tammy Romo\*  
Senior Vice President  
Planning

Greg Wells\*  
Senior Vice President  
Operations

Laura H. Wright\*  
Senior Vice President  
Finance and  
Chief Financial Officer

Matt Buckley  
Vice President  
Cargo and Charters

Darren Dayley  
Vice President  
Technology, Reservations Systems  
Replacement and  
AirTran Integration Programs

Matt Hafner  
Vice President  
Ground Operations

Mike Hafner  
Vice President  
Cabin Services

Scott Halfmann  
Vice President  
Safety and Security

Brian Hirshman  
Vice President  
Maintenance and Engineering

Laurie Hulin  
Vice President  
Technology, Enterprise  
Management Applications  
and Testing Services Portfolio

John Jamotta  
Vice President  
Network Planning

Madeleine Johnson  
Vice President  
General Counsel

Leah Koontz  
Vice President  
Controller

Kevin M. Krone  
Vice President  
Marketing, Sales and  
Distribution

Karen Lewis  
Vice President  
Governmental Affairs

Chuck Magil  
Vice President  
Flight Operations

Jan Marshall  
Vice President  
Technology and  
Chief Information Officer

Jeff Martin  
Vice President  
Operations Coordination Center

Bob Montgomery  
Vice President  
Properties



## CORPORATE GOVERNANCE

### SOUTHWEST AIRLINES LEADERSHIP

Rob Myrben  
Vice President  
Fuel Management

James A. Ruppel  
Vice President  
Customer Relations and  
Rapid Rewards

Linda B. Rutherford  
Vice President  
Communication and  
Strategic Outreach

Mike Ryan  
Vice President  
Labor Relations

Jim Sokol  
Vice President  
Maintenance Operations

Scott E. Topping  
Vice President  
Treasurer

Ellen Torbert  
Vice President  
Customer Support and Services

Chris Wahlenmaier  
Vice President  
Ground Operations

Kathleen Wayton  
Vice President  
Change Leadership  
and Business Performance

Kay Weatherford  
Vice President  
Revenue Management and Pricing

Bob Young  
Vice President  
Technology and  
Chief Technology Officer

\* Member of Executive Planning Committee



## 30,000-FOOT VIEW

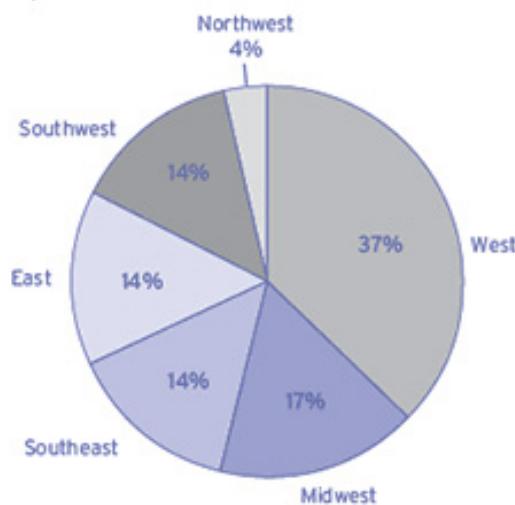
We continue to receive the distinct designation as the largest domestic airline.<sup>1</sup>

### SOUTHWEST AIRLINES AT A GLANCE

After nearly 40 years of service, Southwest Airlines continues to differentiate itself from other low fare carriers—offering a reliable product with exemplary Customer Service. Southwest Airlines is the nation's largest carrier,<sup>1</sup> serving 72 cities in 37 states.<sup>2</sup> Southwest also is one of the most honored airlines in the world, known for its commitment to the triple bottom line of Performance, People, and Planet. Based in Dallas, Southwest currently operates more than 3,400 flights a day<sup>3</sup> and has nearly 35,000 Employees<sup>4</sup> systemwide.

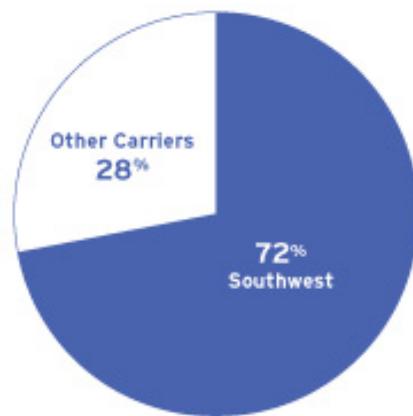
#### CAPACITY BY REGION

at yearend



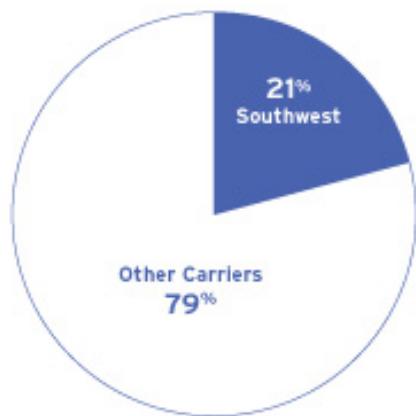
#### MARKET SHARE<sup>1</sup>

top 100 city-pair markets



#### MARKET SHARE<sup>1</sup>

total domestic market



<sup>1</sup> As measured by the number of originating passengers boarded and based on data available from the U.S. Department of Transportation as of Sept. 30, 2010

<sup>2</sup> As of March 2011

<sup>3</sup> As of March 2011; more than 3,100 flights per day as of yearend 2010

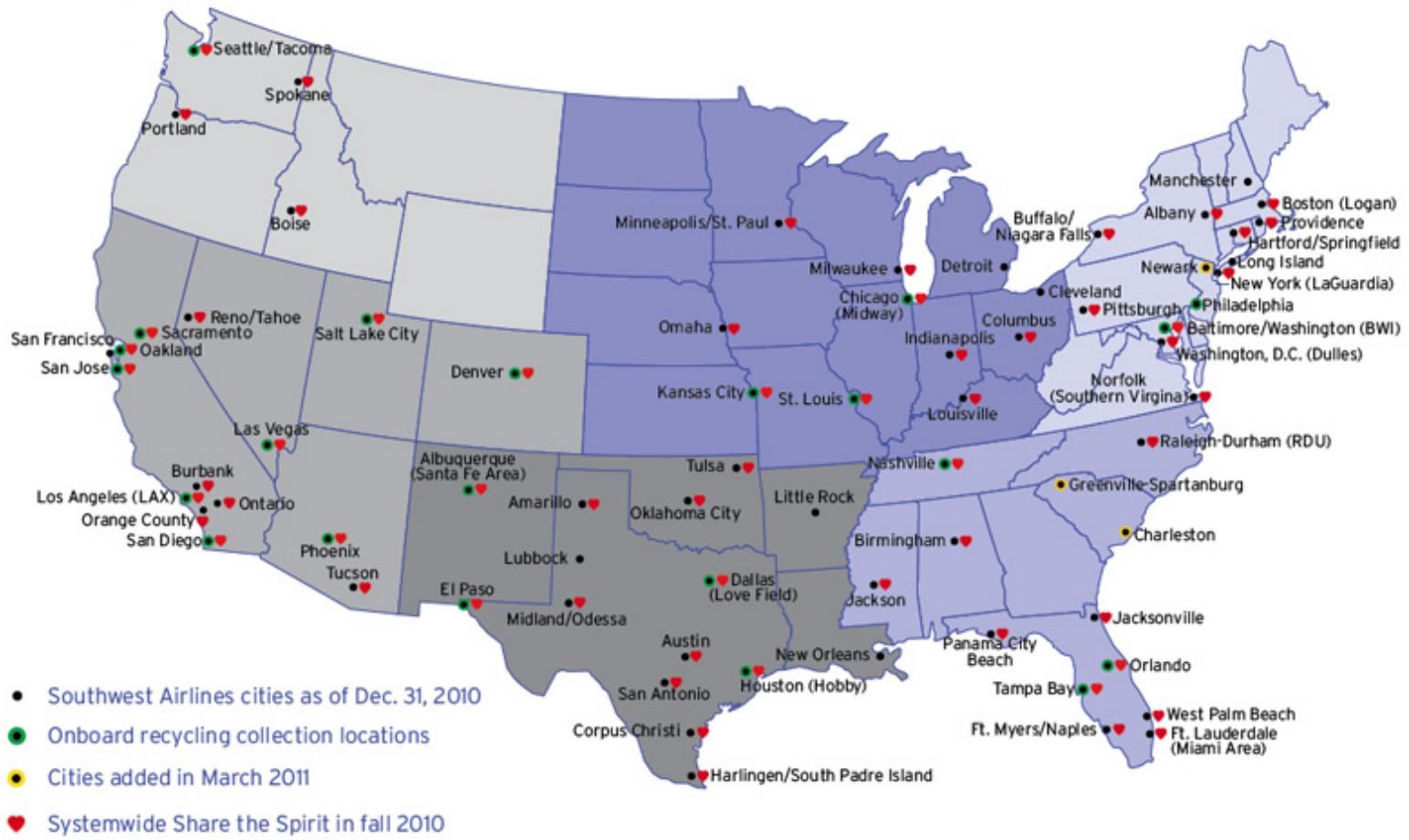
<sup>4</sup> Based on active, full-time equivalent Employees as of Dec. 31, 2010

# PERFORMANCE

## PEOPLE

PLANET

## 30,000-FOOT VIEW



**PERFORMANCE**

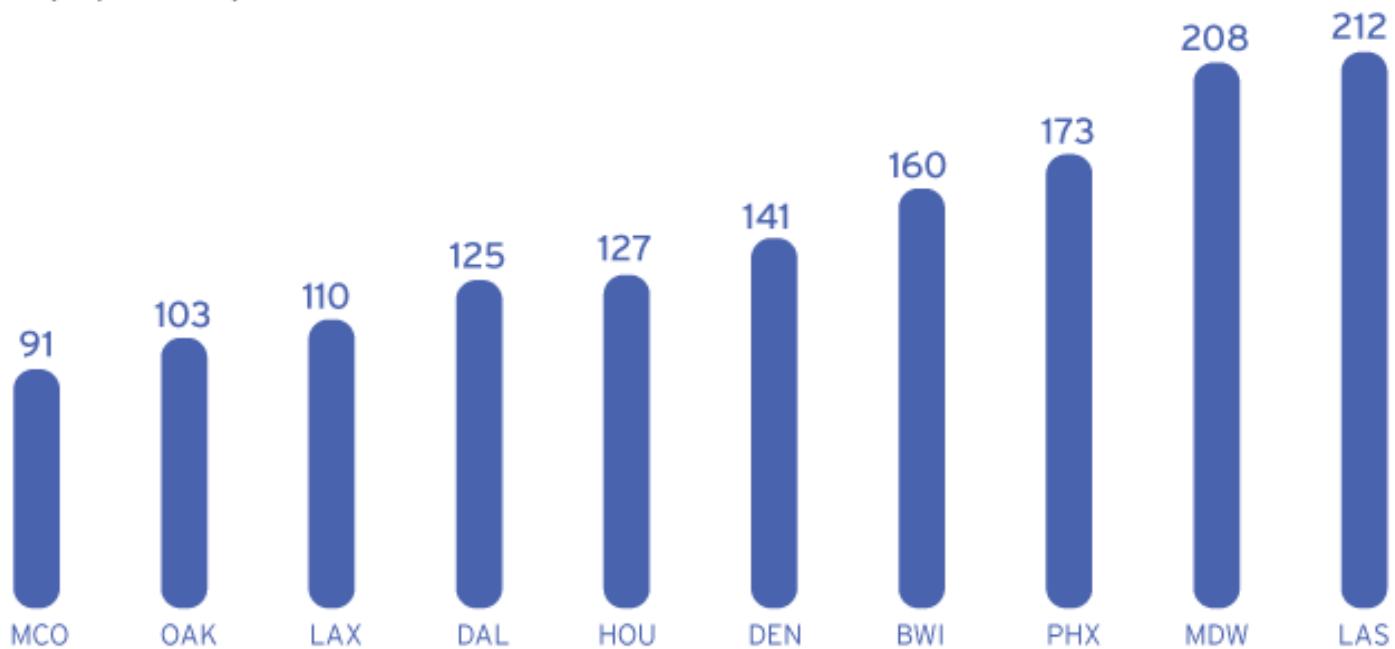
**PEOPLE**

**PLANET**

## 30,000-FOOT VIEW

### TOP TEN AIRPORTS

daily departures at yearend





## 30,000-FOOT VIEW > MISSION AND VISION

We operate with a Warrior Spirit, a Servant's Heart, and a Fun-LUVing Attitude.

### THE MISSION OF SOUTHWEST AIRLINES

The mission of Southwest Airlines is dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.

### TO OUR EMPLOYEES

We are committed to provide our Employees a stable work environment with equal opportunity for learning and personal growth. Creativity and innovation are encouraged for improving the effectiveness of Southwest Airlines. Above all, Employees will be provided the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Southwest Customer.

### TO OUR COMMUNITIES

Our goal is to be the hometown airline of every community we serve, and because those communities sustain and nurture us with their support and loyalty, it is vital that we, as individuals and in groups, embrace each community with the SOUTHWEST SPIRIT of involvement, service, and caring to make those communities better places to live and work.

### TO OUR PLANET

We strive to be a good environmental steward across our system in all of our hometowns, and one component of our stewardship is efficiency, which, by its very nature, translates to eliminating waste and conserving resources. Using cost-effective and environmentally beneficial operating procedures (including facilities and equipment) allows us to reduce the amount of materials we use and, when combined with our ability to reuse and recycle material, preserves these environmental resources.

### TO OUR STAKEHOLDERS

Southwest's vision for a sustainable future is one where there will be a balance in our business model between Employees and Community, the Environment, and our Financial Viability. In order to protect our world for future generations, while meeting our commitments to our Employees, Customers, and Stakeholders, we will strive to lead our industry in innovative efficiency that conserves natural resources, maintains a creative and innovative workforce, and gives back to the communities in which we live and work.



## 30,000-FOOT VIEW > AWARDS AND ACCOLADES

We are proud to be recognized for our commitment to our Performance, our People, and our Planet.

Diversity Communications Winner for Join the Conversation: Southwest Airlines First Diversity Summit  
*PR News*

Annual Report Winner for the 2009 Southwest Airlines One Report™, Corporate Social Responsibility Awards  
*PR News*

Airline Environmental Rankings, #1 in North America, #4 in the world  
*GREENHORIZON Aviation*

One of the World's Most Admired Companies, #3 among airlines, #4 among all industries  
*FORTUNE*

Service Elite Award\*  
*Customer Relationship Management* magazine

Best CEO\*  
*D CEO* magazine

Best Airline Serving Kansas City International Airport\*  
*Ingram's magazine*

Editor's Honors\*  
*Executive Travel*

Top Major North American Carrier, Flight Stats Ops Award\*  
*FlightStats.com*

Runner-Up for Marketer of the Year\*  
*Advertising Age*

Best Low-Cost Airline in North America\*  
*Business Traveler* magazine

Energy Star Label for the Southwest Airlines Headquarters  
*U.S. Environmental Protection Agency*

Customer Service Champions  
*J.D. Powers*

Greenest Airline  
*ClimateCounts.org*

One of the Top Ten U.S. Business Thought Leaders, #3\*  
*TLG Communications*

Employee Choice Awards for Best Places to Work, #2 (only airline to make the list)\*  
*Glassdoor.com*

One of the Security 500\*  
*Security* magazine

Best Annual Report\*  
*IR Magazine*

All-America Executive Team, Best CEO and Best CFO in the Airline Sector\*  
*Institutional Investor* magazine



## 30,000-FOOT VIEW > AWARDS AND ACCOLADES

One of the Better Investing Top 100 Companies\*

*Better Investing*

Best Airlines List\*

*Viewpoints.com*

Best Travel Company Grand Award Winner,  
American Brand Excellence Awards\*

*City Business Journals Network*

Near Perfect Corporate Equality Index Score, 95/100\*

*Human Rights Campaign*

Best Domestic Value, Best Domestic Luggage Policy,  
Best Check-in Experience, Top Website, and Best  
Domestic Consumer On-time Estimates\*

*Zagat*

Best North American Low-Cost Airline,  
Leading Edge Awards\*

*Executive Travel*

EPA FORTUNE 500 Green Power Partners\*

*U.S. Environmental Protection Agency*

One of the Top 50 Most Socially Responsible Companies  
in the U.S., #44 overall, #21 in Workplace\*

*Boston College Center for Corporate Citizenship and  
the Reputation Institute*

Green Rankings of the 500 Largest Publicly Traded  
Companies in the U.S., #142\*

*Newsweek*

American Customer Satisfaction Index,  
#1 among airlines

*American Customer Satisfaction Index*

One of the 10 Companies that Treat You Right, #7 in the  
Customer Service Hall of Fame\*

*MSN Money*

Most Generous (Frequent Flyer) Awards Availability\*

*SmarterTravel.com*

Favorite Domestic Airline and Friendliest Domestic  
Flight Crews\*

*SmarterTravel.com*

One of the Customer Service Champs, #24\*

*Business Week*

One of the Diversity Elite 60\*

*Hispanic Business magazine*

One of the Top 100 Military-Friendly Employers, #51\*

*G.I. Jobs magazine*

Williams Trophy for Environmental Stewardship and  
Leadership in Required Navigation Performance\*

*Washington Airports Task Force*

Airline of the Year and Excellence in Web &  
Technology Award\*

*Express Delivery & Logistics Association*

Diamond Award (#1) for Performance and Value,  
Air Cargo Excellence Awards\*

*Air Cargo World*

Quest for Quality Award\*

*Logistics Management magazine*

Top-Rated Brand among U.S. Small- and Midsized-  
Business Owners and Top Executives\*

*The Business Journals Digital Network*



## 30,000-FOOT VIEW > AWARDS AND ACCOLADES

One of the Top 20 Best Companies for Leadership, #2\*  
*Business Week*

Editor's Choice Award, #12\*  
*Outside magazine*

Airline with the Most New Routes, U.S. Annie Prize\*  
*Anna Aero*

Wow Award for Southwest's Porch in Bryant Park in  
New York City\*  
*PR News*

Best Corporate Blog, Inducted into PR News' Hall of Fame\*  
*PR News*

One of the Best Places to Work in IT, #59\*  
*Computerworld*

One of the Top 10 Internships in America,  
Top 10 Best Perks\*  
*Vault.com*

\* Received in 2010



## 30,000-FOOT VIEW > INVESTING IN LUV

Our financial goal remains intact—to reach our profit requirement to allow for the return of meaningful capacity growth.

### STOCK EXCHANGE LISTING

Common stock is traded under the symbol "LUV" on the New York Stock Exchange.

### FINANCIAL INFORMATION

A copy of the Company's 2010 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission (SEC) can be found, along with other financial information, on Southwest's web site at [southwest.com/investor\\_relations](http://southwest.com/investor_relations) or may be obtained without charge by writing or calling:

Southwest Airlines Co.  
Investor Relations  
P.O. Box 36611  
HQ 6FC  
2702 Love Field Drive  
Dallas, TX 75235-1611  
214-792-4908

### ANNUAL MEETING INFORMATION

The annual meeting of Shareholders of Southwest Airlines Co. will be held at 10 a.m. on May 18, 2011, at the Southwest Airlines Headquarters, 2702 Love Field Drive, Dallas, Texas. Notice of our annual meeting of Shareholders has been distributed with our latest Proxy Statement to all Shareholders as of the record date. The Proxy Statement can be found at [southwest.com/investor\\_relations](http://southwest.com/investor_relations).

### TRANSFER AGENT AND REGISTRAR

Registered Shareholder inquiries regarding stock transfers, address changes, lost stock certificates, dividend payments and reinvestments, direct stock purchases, or account consolidation should be directed to:

Wells Fargo Shareowner Services  
161 N. Concord Exchange  
South St. Paul, MN 55075  
866-877-6206  
651-450-4064  
[https://www.wellsfargo.com/com/shareowner\\_services](https://www.wellsfargo.com/com/shareowner_services)

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP  
Dallas, Texas





30,000-FOOT VIEW > **CONTACT US**

Our passion and focus on the triple bottom line—Performance, People, and Planet—continues to propel us forward.

**SOUTHWEST AIRLINES CO.**

P.O. Box 36611  
Dallas, TX 75235-1611  
214-792-4000  
1-800-I-FLY-SWA  
[southwest.com](http://southwest.com)

For questions related our 2010 One Report, including our commitment to our Performance, our People, and our Planet, please e-mail [green@wnco.com](mailto:green@wnco.com).