



# Three Passions. ONE SOUTHWEST.

OUR PERFORMANCE, OUR PEOPLE, AND OUR PLANET

39

Consecutive Years  
of Profitability

45,000+  
Employees

2,600+

Tons  
Co-Mingled  
Waste Recycled

\$15.7

Billion  
Record Consolidated  
Operating Revenues

#1

Southwest Airlines  
Achieved the U.S.  
DOT's Top Ranking in  
Customer Satisfaction

37th

Rank on U.S.  
EPA's *FORTUNE* 500  
Green Power Partners

May 2, 2011

Acquisition of  
AirTran

114,000+

Hours  
Volunteered

Zero

Environmental  
Violations Resulting  
in Monetary Fines

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## TABLE OF CONTENTS

<b>2011 HIGHLIGHTED METRICS</b>	<b>1</b>	<b>PLANET</b>	<b>69</b>
2011 Performance Metrics	4	Green Filter	70
2011 People Metrics	5	Procurement	73
2011 Planet Metrics	6	Education & Outreach	75
<b>GARY'S MESSAGE</b>	<b>7</b>	Stakeholder Involvement	77
<b>PERFORMANCE</b>	<b>10</b>	Energy & Resource Use	79
Past Performance	12	Energy & Resource Conservation	82
2011 Performance	15	Emissions	84
Revenues	20	GHG Inventory	86
Operating Costs	22	Recycling & Waste Management	90
Financial Position	23	Industrial Waste Management & Recycling	92
AirTran Acquisition	24	Future Planet Initiatives	96
Future Performance Initiatives	26	Environmental Management Approach	99
Financial Management Approach	29	<b>GRI &amp; CDP</b>	<b>102</b>
<b>PEOPLE</b>	<b>31</b>	External Assurance	104
Employees	32	GRI & CDP Index	106
One LUV	33	<b>BY THE NUMBERS</b>	<b>115</b>
Benefits	35	Performance By the Numbers	116
Training	37	People By the Numbers	118
Engagement & Recognition	41	Planet By the Numbers	121
Customers	44	<b>CORPORATE GOVERNANCE</b>	<b>123</b>
For the Customer	45	<b>30,000-FOOT VIEW</b>	<b>128</b>
Customer Insight	48	Mission & Vision	131
Communities	51	Awards & Accolades	132
Supporting Others	52	Investing in LUV	134
Leading the Way	55	Contact Us	135
Encouraging Individuals	59		
Future People Initiatives	61		
Social Management Approach	65		



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

BELOW IS COPY FOR FOOTNOTES (F), (G), AND (C) THAT ARE REFERENCED THROUGHOUT THIS REPORT.

## Footnote F: Cautionary Statement Regarding Forward-Looking Statements

The 2011 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 strategic initiatives and the expected impact of the initiatives on the Company's results of operations and its customer experience, offerings, and benefits; (ii) the Company's financial outlook and targets; (iii) the Company's growth plans and expectations, including fleet, capacity, and network plans, initiatives, and expectations; (iv) the Company's plans and expectations with respect to its acquisition of AirTran, including without limitation anticipated integration timeframes and anticipated costs and benefits associated with the acquisition; and (v) the Company's plans, initiatives, and expectations related to sustainability. 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 the Company's services and the impact of fuel prices, economic conditions, and actions of competitors on the Company's business decisions, plans, and strategies; (iii) the Company's ability to successfully integrate AirTran and realize the expected synergies and other benefits from the acquisition; (iv) 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; (v) the Company's ability to timely and effectively prioritize its strategic initiatives and related expenditures; (vi) the Company's dependence on third parties with respect to certain of its initiatives; (vii) the impact of governmental and other regulation related to the Company's operations; (viii) the Company's ability to maintain positive relations with employees and employee representatives and to timely and effectively address collective bargaining agreements; 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, 2011.

## Footnote G: Note Regarding Use of Non-GAAP Financial Measures

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). These GAAP financial statements include (i) 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, and (ii) other charges the Company believes are not indicative of its ongoing operational performance.

As a result, the Company also provides financial information in this report 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, including results that it 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 (including "economic") 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 guidance relating to derivative instruments, 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 the Company's operating performance on a year-over-year or quarter-over-quarter basis after considering all efforts in place to manage 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.

Further information on (i) the Company's fuel hedging program, (ii) the requirements and accounting associated with accounting for derivative instruments, and (iii) the causes of hedge ineffectiveness and/or mark-to-market gains or losses from derivative instruments is included in the Company's Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2011, as well as subsequent quarterly filings.

In addition to its "economic" financial measures, as defined above, the Company has also provided other non-GAAP financial measures as a result of items that the Company believes are not indicative of its ongoing operations. These include 1) a 2011 charge for an asset impairment related to the Company's decision not to equip its Classic (737-300/500) aircraft with Required Navigation Performance (RNP) capabilities; 2) 2010 and 2011 charges associated with the Company's acquisition and integration of AirTran; 3) a one-time third quarter 2009 charge associated with Freedom '09, an early retirement option offered to Employees; 4) a first quarter 2008 adjustment to the Company's income tax provision due to a change in Illinois state income tax laws; 5) a third quarter 2007 charge related to the Company's voluntary early-out program; and 6) a third quarter 2007 charge from a change in the Illinois state income tax law resulting in an increase in state income taxes, which increase was subsequently reversed in first quarter 2008 due to the reversal of the August 2007 state income tax law change. The Company believes that evaluation of its financial performance can be enhanced by a presentation of results that exclude the impact of these items in order to evaluate the results on a comparative basis with results in prior periods that do not include such items and as a basis for evaluating operating results in future periods. As a result of the Company's acquisition of AirTran, which closed on May 2, 2011, the Company has incurred and expects to continue to incur substantial charges associated with integration of the two companies. While the Company cannot predict the exact timing or amounts of such charges, it does expect to treat the charges as special items in its future presentation of non-GAAP results.

## Footnote C: Free Cash Flow

We have provided free cash flow, which is a non-GAAP financial measure. We believe free cash flow is a meaningful measure because it demonstrates the Company's ability to service its debt, pay dividends, and make investments to enhance Shareholder value. Although free cash flow is commonly used as a measure of liquidity, definitions of free cash flow may differ; therefore, we are providing an explanation of our calculation for free cash flow. For the year ended Dec. 31, 2011, the Company generated over \$400 million in free cash flow, calculated as operating cash flows of \$1.4 billion less capital expenditures of \$968 million.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## 2011 PERFORMANCE METRICS >

# 39

Consecutive Years  
of Profitability

Southwest Airlines earned \$178 million in 2011, marking our 39th consecutive year of profitability. No other U.S. airline can make the same claim.

# \$15.7

Billion

Record Consolidated  
Operating Revenues

Southwest Airlines generated a record \$15.7 billion of consolidated operating revenues in 2011, which was \$3.6 billion, or 29.4 percent, more than 2010. Strong revenue momentum was the story throughout 2011.

# May 2, 2011

Acquisition of  
AirTran

The integration of AirTran into the Southwest Family allows us to add more Customers, more destinations, more aircraft, and future profits to Southwest Airlines.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## 2011 PEOPLE METRICS >

**45,000+**  
**Employees**

Our dedicated Employees do more than deliver the friendly, high-quality Customer Service for which we're known—they have created Southwest Airlines' unique Culture and storied 40-year history.

**#1**

**Southwest Airlines  
Achieved the U.S.  
DOT's Top Ranking in  
Customer Satisfaction**

We're dedicated to delivering the highest quality of Customer Service with a sense of warmth, friendliness, individual pride, and Company Spirit.

**114,000+**  
**Hours  
Volunteered**

With a Servant's Heart, our generous Employees give their time to make a positive difference.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## 2011 PLANET METRICS >

# 2,600+

Tons  
Co-Mingled  
Waste Recycled

Our recycling program diverts waste from landfills and reduces greenhouse gas emissions.

# 37th

Rank on U.S.  
EPA's *FORTUNE* 500  
Green Power Partners

We purchase green power to reduce the environmental impacts of electricity use at our facilities and support the development of renewable energy nationwide.

# Zero

Environmental  
Violations Resulting  
in Monetary Fines

At Southwest Airlines, we strive to comply with all environmental laws and regulations as a central tenet of our environmental policy. Each year we strive to meet our goal of zero recorded environmental violations.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## GARY'S MESSAGE >



Thanks to the tremendous efforts of our hard-working Employees, we celebrated a monumental year for Southwest Airlines in 2011.

To our Stakeholders:

The economic realities of sky-rocketing fuel prices, a sluggish U.S. economy, and international uncertainties continue to challenge the U.S. airline industry. Once again the People of Southwest Airlines prevailed by showing their Warrior Spirit and finding a way to win. We've come out a champion for our Shareholders, Employees, Customers, and the Planet, because we are not content just to survive—we aim to thrive. Motivated by our passions and dedication to our triple bottom line of Performance, People, and Planet—we made 2011 a historic year for Southwest Airlines. We celebrated our 40th Anniversary. We welcomed AirTran into the Southwest Family, launched a completely revamped All-New Rapid Rewards® frequent flyer program, and opened three new cities: Newark, N.J.; Greenville-Spartanburg, N.C.; and Charleston, S.C. And, thanks to the extraordinary efforts of our hard-working Employees, we preserved an industry-wide distinction with our 39th consecutive year of profitability. We're proving that our commitment to our passions continues to propel us forward and lead the industry.

Our *2011 Southwest Airlines One Report*™ comprehensively covers our financial, social, and environmental performance. This year's report is featured in a microsite with enhancements such as the ability to build your own report. Our 2011 One Report adheres to the Global Reporting Initiative (GRI), an internationally recognized standard for triple bottom line reporting, and fully complies with the GRI's B+ application level. In addition, we're introducing parallel Carbon Disclosure Project reporting that covers effective management of environmental risks, focusing on greenhouse gas emissions and climate change strategies.

### Performance

We had a strong revenue Performance in 2011, generating a record \$15.7 billion in revenues and achieving a net income of \$178 million despite rapidly rising jet fuel prices. Excluding special items,<sup>6</sup> our 2011 profit was \$330 million. Our strategic initiatives, including the acquisition of AirTran, contributed to our 29.4 percent year-over-year growth in revenues. By staying true to our low-fare brand, our Customers rewarded us with their loyalty. We set a record load factor of 80.9 percent, grew our domestic market share to 25 percent,<sup>1,2</sup> and maintained our distinct position as the largest domestic airline.<sup>1</sup>

Our outstanding revenue Performance helped to blunt soaring jet fuel prices, but higher fuel costs, ultimately, drove a year-over-year decline in earnings. With fuel costs accounting for 37.7 percent of our operating expenses in 2011, successfully managing our fuel hedging program and controlling our other costs remain vital. We continue our focus on improving productivity, eliminating waste, and conserving fuel. Despite the decline in earnings, we ended 2011 in a strong financial position with cash and short-term investments of \$3.1 billion and a fully available \$800 million bank line-of-credit. We generated \$1.4 billion of cash flow from operations, had capital expenditures of \$968 million, repaid \$638 million in debt, and repurchased approximately \$225 million, or approximately 27.5 million shares of common stock, under the \$500 million stock repurchase authorization program approved by the Board of Directors in 2011. We also preserved our investment grade credit rating.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## GARY'S MESSAGE >

On May 2, 2011, we closed on the purchase of AirTran. The AirTran acquisition expands our network into key markets like Atlanta, Washington, D.C., and near-international destinations in Mexico and the Caribbean. We obtained our Single Operating Certificate from the Federal Aviation Administration on March 1, 2012, and have made outstanding progress integrating AirTran into Southwest Airlines, although full integration will take several years to complete. Thanks to the efforts of our Southwest Airlines and AirTran Employees, we achieved \$80 million in net pre-tax synergies in 2011, and believe we are on target for annual net pre-tax synergies to grow to our goal of over \$400 million upon full integration. We firmly believe that both AirTran and Southwest Airlines, together, are stronger and can accomplish more, faster than either could on its own.

### People

While we fly planes, we are and always have been a Company of People, and they remain our greatest asset. Our People continue to cultivate our unique Culture and storied 40-year history. Our Culture is stronger today than at any point in our history, thanks to our People. This year we enthusiastically welcomed AirTran Employees into our Family, growing to more than 45,000 Employees.<sup>3</sup> For our 40th Anniversary, we celebrated in true Southwest-style throughout the year. The festivities included promotions, partner sweepstakes and contests, and inflight perks for Customers; commemorative events; and special community service programs such as 40 for 40: 1,600-Ticket Giveaway, Pledge 40 Employee Volunteer program, and Conservation in Action: 40 Projects for 40 Years.

Thanks to our Employees delivering world-class Customer Service every day, Southwest Airlines once again led the domestic airline industry in Customer Satisfaction in 2011. We had the lowest ratio of complaints per Customers boarded of all major U.S. carriers, according to the U.S. Department of Transportation's Air Travel Consumer Report.<sup>4</sup> With our low-fare brand and superior Customer Service, we continually win the hearts of our Customers.

Our passion for serving our Customers is matched by our passion for serving our Communities. Our Customer Service extends to sharing our Servant's Heart in the communities where we fly. We give back to our communities by volunteering our time and donating tickets, dollars, and LUV to help those in need. In 2011, we donated more than \$18.2 million in monetary, in-kind, and ticket donations to our communities, and our Employees volunteered more than 114,000 hours.

### Planet

We believe it's our responsibility to protect our Planet now and for future generations, so we operate with a green filter—a mindset of making environmentally responsible decisions. As good environmental stewards, we recycle onboard and in airports. We are working to improve energy efficiency, use renewable energy, and reduce water usage at our Headquarters and other facilities. In the air, we're conserving jet fuel, reducing our greenhouse gas emissions, and using recycled materials to furnish our cabins. On the tarmac, we're increasing our use of alternative and highly efficient energy sources to power our ground support equipment. Given years of continued increases in jet fuel prices, operating with a green filter is not only good for the Planet, it's also good for our bottom line.

In 2011, we shared our passion for education and protecting the environment with our Stakeholders by partnering with the Student Conservation Association for Conservation in Action: 40 Projects for 40 Years, featuring 40 conservation service projects in 25 cities where we fly.

We have championed resource conservation for decades. We were at the forefront of paperless tickets, quick aircraft turnarounds, and the installation of winglets onboard aircraft. Now we are charting a new course for sustainable cabin interiors with our refreshed cabin design, *Evo/ve*. Our new interior features recycled, more durable, and lighter weight materials tested on our Green Plane. The improved durability of the redesigned seat cover, coupled with fuel savings from 635 pounds less weight per 737-700 series aircraft, is expected to result in significant ongoing annual cost savings. By reusing the existing seat frames, we avoid creating waste and spending an additional \$50 million. Our fleet modernization—with new Boeing 737-800s and the 737 MAX—will further enhance our fuel efficiency and, as a result, reduce our emissions. Even with nearly 30 percent more seating capacity, the -800s offer an estimated emissions reduction of 30 pounds of carbon dioxide equivalent per 1,000 available seat miles. The LEAP-1B engine in the 737 MAX is expected to reduce fuel burn and carbon dioxide emissions by 10 to 11 percent over today's most fuel-efficient, single-aisle airplane. And, as part of our ongoing commitment to conserve our natural resources, we're again publishing our 2011 One Report exclusively online.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

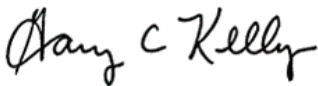
## GARY'S MESSAGE >

### Looking Forward as One Southwest

As we embark on our next 40 years, we are focused on achieving and sustaining a 15 percent pre-tax return on invested capital, while delivering the highest quality of Customer Service and using resources responsibly. Our strategic initiatives include: integrating AirTran into Southwest Airlines; growing our All-New Rapid Rewards® program; incorporating fuel-efficient Boeing 737-800s into our fleet; executing our fleet modernization plans, including the launch of the *Evo/ve* interior; and replacing our reservations system.

Our dedication to our three passions—our Performance, our People, and our Planet—creates a Culture of consistent Performance, enthusiastic Employees, respected Customer Service, active community involvement, and environmentally responsible decisions. Something that we can all be proud of as America's largest domestic airline and one of the world's most admired companies.

I am proud of what we have built over the past 40 years. Our People continue to be our champions in the face of tough times. I am immensely proud to work alongside the best Employees in the industry to create the best Company in the world, and they deserve our thanks.



### Gary C. Kelly

Chairman of the Board, President, and Chief Executive Officer  
Southwest Airlines

March 31, 2012

*1 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, 2011.*

*2 Includes AirTran beginning May 2, 2011.*

*3 Based on active, full-time equivalent Southwest Airlines and AirTran Employees as of Dec. 31, 2011.*

*4 From the 2011 yearend U.S. Department of Transportation Air Travel Consumer Report issued February 2012. Top ranking is for Southwest Airlines only. AirTran ranked fifth in the same report.*

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > OVERVIEW



“We had a strong revenue Performance in 2011.”

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

Our Performance in 2011 marked our 39th consecutive year of profitability. Staying true to our Customer Service commitment in 2011, we once again earned the leading U.S. Department of Transportation Customer Satisfaction ranking. We also achieved a record load factor, grew our domestic market share, and maintained our distinction as the largest domestic airline.<sup>1</sup> Through continued revenue management, network optimization, and ongoing revenue initiatives such as Business Select, All New Rapid Rewards®, and EarlyBird Check-In™, we grew our unit revenues by 5.6 percent. Our outstanding revenue Performance helped blunt soaring jet fuel prices, but ultimately, fuel drove the year-over-year decline in earnings. With fuel costs accounting for 37.7 percent of our operating expenses in 2011, we continue our focus on our cost Performance—primarily on improving productivity and eliminating waste. In addition, we continue to implement fuel conservation measures and manage our fuel hedging program. Despite the 2011 decline in earnings, we ended the year in a strong financial position. In 2012, we are focused on making progress toward our financial targets and are carefully monitoring our capital spending with a focus on generating free cash flow.<sup>c</sup>

On May 2, 2011, we acquired AirTran Holdings, Inc., the former parent company of AirTran Airways, Inc., for a combination of cash and Southwest Airlines' common stock. In the Performance section, Southwest Airlines data includes the May 2, 2011, through Dec. 31, 2011, results for AirTran, unless otherwise stated. Data presented also includes the impact of purchase accounting as of May 2, 2011, where applicable.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > OVERVIEW

### CONSOLIDATED HIGHLIGHTS

dollars in millions, except per share amounts (GAAP)<sup>2</sup>

	2011	2010	Change
Operating revenues	\$15,658	\$12,104	29.4%
Operating expenses	\$14,965	\$11,116	34.6%
Operating income	\$ 693	\$ 988	(29.9)%
Operating margin	4.4%	8.2%	(3.8) pts.
Net income	\$ 178	\$ 459	(61.2)%
Net margin	1.1%	3.8%	(2.7) pts.
Net income per share, basic	\$ 0.23	\$ 0.62	(62.9)%
Net income per share, diluted	\$ 0.23	\$ 0.61	(62.3)%
Stockholders' equity	\$ 6,877	\$ 6,237	10.3%
Return on average stockholders' equity	2.7%	7.9%	(5.2) pts.
Stockholders' equity per common share outstanding	\$ 8.90	\$ 8.35	6.6%
Revenue Passengers carried	103,973,759	88,191,322	17.9%
Revenue Passenger miles (RPMs) (000s)	97,582,530	78,046,967	25.0%
Available seat miles (ASMs) (000s)	120,578,736	98,437,092	22.5%
Passenger load factor	80.9%	79.3%	1.6 pts.
Passenger revenue yield per RPM	15.10¢	14.72¢	2.6%
Operating revenue yield per ASM	12.99¢	12.30¢	5.6%
Operating expenses per ASM	12.41¢	11.29¢	9.9%
Aircraft in service at yearend	698	548	27.4%
Fulltime equivalent Employees at yearend	45,392	34,901	30.1%

<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, 2011.

<sup>2</sup> Compliant with generally accepted accounting principles (GAAP).

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

PERFORMANCE > PAST PERFORMANCE



We've raised the bar for U.S. airlines.

At Southwest Airlines, our passion drives us to uphold our distinction as the only U.S. airline with 39 consecutive years of profitability. This interactive, ten-year summary offers a historical look at our Performance over the past decade, as measured through the consolidated financials, ratios, and operating statistics shown.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > PAST PERFORMANCE

### TEN-YEAR SUMMARY

Selected Consolidated Financial Data (GAAP)

dollars in millions, except per share amounts	2011 <sup>1</sup>	2010	2009	2008	2007
<b>Operating revenues:</b>					
Passenger	\$ 14,735	\$ 11,489	\$ 9,892	\$ 10,549	\$ 9,457
Freight	139	125	118	145	130
Other	784	490	340	329	274
<b>Total operating revenues</b>	<b>15,658</b>	<b>12,104</b>	<b>10,350</b>	<b>11,023</b>	<b>9,861</b>
<b>Operating expenses</b>	<b>14,965</b>	<b>11,116</b>	<b>10,088</b>	<b>10,574</b>	<b>9,070</b>
<b>Operating income</b>	<b>693</b>	<b>988</b>	<b>262</b>	<b>449</b>	<b>791</b>
<b>Other expenses (income), net</b>	<b>370</b>	<b>243</b>	<b>98</b>	<b>171</b>	<b>(267)</b>
<b>Income before income taxes</b>	<b>323</b>	<b>745</b>	<b>164</b>	<b>278</b>	<b>1,058</b>
<b>Provision for income taxes</b>	<b>145</b>	<b>286</b>	<b>65</b>	<b>100</b>	<b>413</b>
<b>Net income</b>	<b>\$ 178</b>	<b>\$ 459</b>	<b>\$ 99</b>	<b>\$ 178</b>	<b>\$ 645</b>
<b>Net income per share, basic</b>	<b>\$ .23</b>	<b>\$ .62</b>	<b>\$ .13</b>	<b>\$ .24</b>	<b>\$ .85</b>
<b>Net income per share, diluted</b>	<b>\$ .23</b>	<b>\$ .61</b>	<b>\$ .13</b>	<b>\$ .24</b>	<b>\$ .84</b>
<b>Cash dividends per common share</b>	<b>\$ .0180</b>	<b>\$ .0180</b>	<b>\$ .0180</b>	<b>\$ .0180</b>	<b>\$ .0180</b>
<b>Total assets</b>	<b>\$ 18,068</b>	<b>\$ 15,463</b>	<b>\$ 14,269</b>	<b>\$ 14,068</b>	<b>\$ 16,772</b>
<b>Long-term debt less current maturities</b>	<b>\$ 3,107</b>	<b>\$ 2,875</b>	<b>\$ 3,325</b>	<b>\$ 3,498</b>	<b>\$ 2,050</b>
<b>Stockholders' equity</b>	<b>\$ 6,877</b>	<b>\$ 6,237</b>	<b>\$ 5,454</b>	<b>\$ 4,953</b>	<b>\$ 6,941</b>
<b>Consolidated Financial Ratios</b>					
Return on average total assets	1.1%	3.1%	0.7%	1.2%	4.3%
Return on average stockholders' equity	2.7%	7.9%	1.9%	3.0%	9.6%
Operating margin	4.4%	8.2%	2.5%	4.1%	8.0%
Net margin	1.1%	3.8%	1.0%	1.6%	6.5%
<b>Consolidated Operating Statistics</b>					
Revenue Passengers carried	103,973,759	88,191,322	86,310,229	88,529,234	88,713,472
Enplaned Passengers	127,551,012	106,227,521	101,338,228	101,920,598	101,910,809
Revenue Passenger miles (RPMs) (000s)	97,582,530	78,046,967	74,456,710	73,491,687	72,318,812
Available seat miles (ASMs) (000s)	120,578,736	98,437,092	98,001,550	103,271,343	99,635,967
Passenger load factor	80.9%	79.3%	76.0%	71.2%	72.6%
Average length of Passenger haul (miles)	939	885	863	830	815
Average stage length (miles)	679	648	639	636	629
Aircraft utilization (hours and minutes per day)	11:10	10:48	10:50	11:36	11:41
Trips flown	1,317,977	1,114,451	1,125,111	1,191,151	1,160,699
Average Passenger fare	\$ 141.72	\$ 130.27	\$ 114.61	\$ 119.16	\$ 106.60
Passenger revenue yield per RPM	15.10c	14.72c	13.29c	14.35c	13.08c
Operating revenue yield per ASM	12.99c	12.30c	10.56c	10.67c	9.90c
Operating expenses per ASM	12.41c	11.29c	10.29c	10.24c	9.10c
Operating expenses per ASM, excluding fuel	7.73c	7.61c	7.19c	6.64c	6.40c
Fuel cost per gallon, including fuel taxes (average)	\$ 3.19	\$ 2.51	\$ 2.12	\$ 2.44	\$ 1.80
Fuel consumed, in gallons (millions)	1,764	1,437	1,428	1,511	1,489
Full-time equivalent Employees at yearend	45,392	34,901	34,726	35,499	34,378
Aircraft in service at yearend <sup>2</sup>	698	548	537	537	520



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > PAST PERFORMANCE

dollars in millions, except per share amounts	2006	2005	2004	2003	2002
<b>Operating revenues:</b>					
Passenger	\$ 8,750	\$ 7,279	\$ 6,280	\$ 5,741	\$ 5,341
Freight	134	133	117	94	85
Other	202	172	133	102	96
<b>Total operating revenues</b>	<b>9,086</b>	<b>7,584</b>	<b>6,530</b>	<b>5,937</b>	<b>5,522</b>
Operating expenses	8,152	6,859	6,126	5,558	5,181
Operating income	934	725	404	379	341
Other expenses (income), net	144	(54)	65	(225)	24
Income before income taxes	790	779	339	604	317
Provision for income taxes	291	295	124	232	129
Net income	<b>\$ 499</b>	<b>\$ 484</b>	<b>\$ 215</b>	<b>\$ 372</b>	<b>\$ 188</b>
Net income per share, basic	\$ .63	\$ .61	\$ .27	\$ .48	\$ .24
Net income per share, diluted	\$ .61	\$ .60	\$ .27	\$ .46	\$ .23
Cash dividends per common share	\$ .0180	\$ .0180	\$ .0180	\$ .0180	\$ .0180
Total assets	\$ 13,460	\$ 14,003	\$ 11,137	\$ 9,693	\$ 8,766
Long-term debt less current maturities	\$ 1,567	\$ 1,394	\$ 1,700	\$ 1,332	\$ 1,553
Stockholders' equity	\$ 6,449	\$ 6,675	\$ 5,527	\$ 5,029	\$ 4,374
<b>Consolidated Financial Ratios</b>					
Return on average total assets	3.6%	3.9%	2.1%	4.0%	2.1%
Return on average stockholders' equity	7.6%	7.9%	4.1%	7.9%	4.5%
Operating margin	10.3%	9.6%	6.2%	6.4%	6.2%
Net margin	5.5%	6.4%	3.3%	6.3%	3.4%
<b>Consolidated Operating Statistics</b>					
Revenue Passengers carried	83,814,823	77,693,875	70,902,773	65,673,945	63,045,988
Enplaned Passengers	96,276,907	88,379,900	81,066,038	74,719,340	72,462,123
Revenue Passenger miles (RPMs) (000s)	67,691,289	60,223,100	53,418,353	47,943,066	45,391,903
Available seat miles (ASMs) (000s)	92,663,023	85,172,795	76,861,296	71,790,425	68,886,546
Passenger load factor	73.1%	70.7%	69.5%	66.8%	65.9%
Average length of Passenger haul (miles)	808	775	753	730	720
Average stage length (miles)	622	607	576	558	537
Aircraft utilization (hours and minutes per day)	11:34	11:25	11:20	11:09	11:12
Trips flown	1,092,331	1,028,639	981,591	949,882	947,331
Average Passenger fare	\$ 104.40	\$ 93.68	\$ 88.57	\$ 87.42	\$ 84.72
Passenger revenue yield per RPM	12.93c	12.09c	11.76c	11.97c	11.77c
Operating revenue yield per ASM	9.81c	8.90c	8.50c	8.27c	8.02c
Operating expenses per ASM	8.80c	8.05c	7.97c	7.74c	7.52c
Operating expenses per ASM, excluding fuel	6.34c	6.34c	6.54c	6.47c	6.30c
Fuel cost per gallon, including fuel taxes (average)	\$ 1.64	\$ 1.13	\$ 0.92	\$ 0.80	\$ 0.75
Fuel consumed, in gallons (millions)	1,389	1,287	1,201	1,143	1,117
Full-time equivalent Employees at yearend	32,664	31,729	31,011	32,847	33,705
Aircraft in service at yearend <sup>2</sup>	481	445	417	388	375

<sup>1</sup> Includes AirTran beginning May 2, 2011.

<sup>2</sup> Includes leased aircraft.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > 2011 PERFORMANCE



Record revenue Performance led to our 39th consecutive year of profitability—a feat unmatched in U.S. aviation history.

In 2011, we achieved our 39th consecutive year of profitability, led by record operating revenues and load factors—all while staying true to our low-fare philosophy. We reached a significant milestone on May 2, 2011, as we welcomed AirTran into the Southwest Family. Our strategic initiatives, including the acquisition of AirTran, contributed to our 29.4 percent year-over-year growth in revenues. Our 2011 earnings, however, declined year-over-year due to a 34.6 percent increase in operating expenses, driven largely by high jet fuel prices. To manage costs, we are focused on improving productivity and eliminating waste. We ended the year in a strong financial position with \$3.1 billion in cash and short-term investments.

In 2011, we had the following achievements:

- Earned a net income of \$178 million, despite rapidly rising fuel costs
- Excluding special items, our net income was \$330 million<sup>6</sup>
- Achieved record operating revenues of \$15.7 billion
- Achieved a record annual load factor<sup>1</sup> of 80.9 percent
- Generated more than \$400 million in free cash flow<sup>c</sup>
- Realized \$80 million in net pre-tax synergies from the acquisition of AirTran
- Increased business partner cash sales by approximately \$250 million through the All-New Rapid Rewards<sup>®</sup> frequent flyer program
- Placed first in the industry Customer Satisfaction ranking<sup>2</sup>
- Expanded domestic market share to 25 percent<sup>3</sup> from 21 percent a year ago
- Remained the largest U.S. carrier in terms of Passengers carried<sup>3</sup>
- Realized a 7 percent return on invested capital (ROIC) before taxes and excluding special items<sup>4</sup>

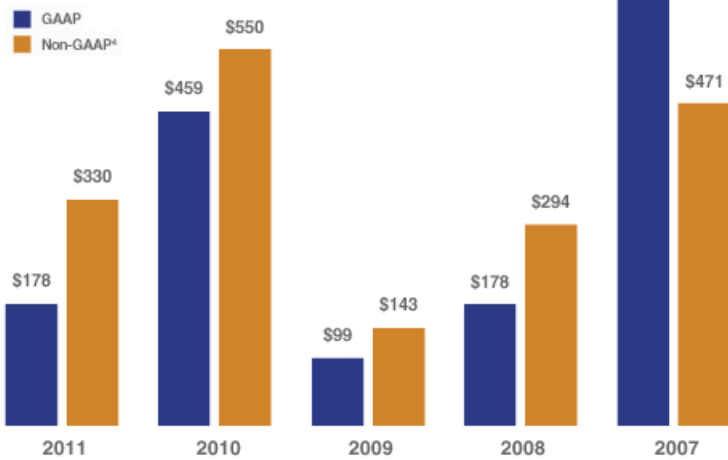
# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

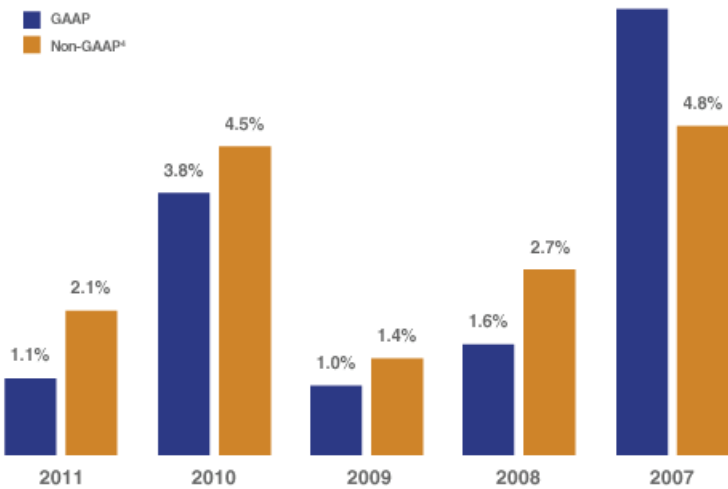
## PERFORMANCE > 2011 PERFORMANCE

### NET INCOME

millions of dollars



### NET MARGIN





# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > 2011 PERFORMANCE

### RECONCILIATION OF REPORTED AMOUNTS TO NON-GAAP FINANCIAL MEASURES<sup>9</sup>

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

	2011	2010	2009	2008	2007
<b>Net income, as reported</b>	<b>\$ 178</b>	<b>\$ 459</b>	<b>\$ 99</b>	<b>\$ 178</b>	<b>\$ 645</b>
Add/(Deduct): Net impact from fuel contracts	89	139	14	206	(319)
Add/(Deduct): Income tax impact of fuel contracts	(31)	(52)	(5)	(78)	122
Add: Charge from voluntary early-out program, net <sup>5</sup>	—	—	35	—	12
Add/(Deduct): Charge (Reversal) from change in Illinois state income tax law, net	—	—	—	(12)	11
Add: Charge for asset impairment, net <sup>5</sup>	9	—	—	—	—
Add: Charge for acquisition and integration costs, net <sup>5,6</sup>	85	4	—	—	—
<b>Net income, non-GAAP</b>	<b>\$ 330</b>	<b>\$ 550</b>	<b>\$ 143</b>	<b>\$ 294</b>	<b>\$ 471</b>
<b>Net income per share, diluted, as reported</b>	<b>\$ 0.23</b>	<b>\$ 0.61</b>	<b>\$ 0.13</b>	<b>\$ 0.24</b>	<b>\$ 0.84</b>
Add/(Deduct): Net impact from fuel contracts	0.07	0.12	0.02	0.17	(0.26)
Add/(Deduct): Impact of special items, net <sup>5,6</sup>	0.13	0.01	0.04	(0.01)	0.03
<b>Net income per share, diluted, non-GAAP</b>	<b>\$ 0.43</b>	<b>\$ 0.74</b>	<b>\$ 0.19</b>	<b>\$ 0.40</b>	<b>\$ 0.61</b>
<b>Net margin, as reported<sup>7</sup></b>	<b>1.1%</b>	<b>3.8%</b>	<b>1.0%</b>	<b>1.6%</b>	<b>6.5%</b>
Add/(Deduct): Net impact from fuel contracts	0.6	1.1	0.1	1.9	(3.1)
Add/(Deduct): Income tax impact of fuel contracts	(0.2)	(0.4)	—	(0.7)	1.2
	1.5	4.5	1.1	2.8	4.6
Add: Charge from voluntary early-out program, net <sup>5</sup>	—	—	0.3	—	0.1

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > 2011 PERFORMANCE

### RECONCILIATION OF REPORTED AMOUNTS TO NON-GAAP FINANCIAL MEASURES<sup>9</sup>

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

	2011	2010	2009	2008	2007
Add/(Deduct): Charge (Reversal) from change in Illinois state income tax law, net	—	—	—	(0.1)	0.1
Add: Charge for asset impairment, net <sup>5</sup>	0.1	—	—	—	—
Add: Charge for acquisition and integration costs, net <sup>5,6</sup>	0.5	—	—	—	—
<b>Net margin, non-GAAP</b>	<b>2.1%</b>	<b>4.5%</b>	<b>1.4%</b>	<b>2.7%</b>	<b>4.8%</b>
<b>Return on invested capital (ROIC), pre-tax:</b>					
<b>Operating income, as reported</b>	<b>\$ 693</b>	<b>\$ 988</b>	<b>\$ 262</b>	<b>\$ 449</b>	<b>\$ 791</b>
Add: Net impact from fuel contracts	—	172	222	187	41
Add: Charge from voluntary early-out program, net <sup>8</sup>	—	—	56	—	21
Add: Charge for asset impairment, net <sup>8</sup>	14	—	—	—	—
Add: Charge for acquisition and integration costs, net <sup>6,8</sup>	132	7	—	—	—
<b>Operating income, non-GAAP</b>	<b>839</b>	<b>1,167</b>	<b>540</b>	<b>636</b>	<b>853</b>
Net adjustment for aircraft leases <sup>9</sup>	131	84	91	67	67
Adjustment for fuel hedge accounting	(107)	(134)	(148)	(69)	(58)
<b>Adjusted operating income, non-GAAP</b>	<b>\$ 863</b>	<b>\$ 1,117</b>	<b>\$ 483</b>	<b>\$ 634</b>	<b>\$ 862</b>
<b>Average invested capital<sup>10</sup></b>	<b>\$12,372</b>	<b>\$10,431</b>	<b>\$ 9,876</b>	<b>\$10,669</b>	<b>\$9,335</b>
Equity adjustment for fuel hedge accounting	203	434	763	(1,263)	(874)
<b>Adjusted average invested capital</b>	<b>\$12,575</b>	<b>\$10,865</b>	<b>\$10,639</b>	<b>\$ 9,406</b>	<b>\$8,461</b>
<b>ROIC, pre-tax<sup>11</sup></b>	<b>7%</b>	<b>10%</b>	<b>5%</b>	<b>7%</b>	<b>10%</b>

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > 2011 PERFORMANCE

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

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). These GAAP financial statements include (i) 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, and (ii) other charges the Company believes are not indicative of its ongoing operational performance.

As a result, the Company also provides financial information in this report 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, including results that it 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 (including economic) 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 guidance relating to derivative instruments, 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 the Company's operating performance on a year-over-year or quarter-over-quarter basis after considering all efforts in place to manage 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.

Further information on (i) the Company's fuel hedging program, (ii) the requirements and accounting associated with accounting for derivative instruments, and (iii) the causes of hedge ineffectiveness and/or mark-to-market gains or losses from derivative instruments is included in the Company's Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2011, as well as subsequent quarterly filings.

In addition to its "economic" financial measures, as defined above, the Company has also provided other non-GAAP financial measures as a result of items that the Company believes are not indicative of its ongoing operations. These include 1) a 2011 charge for an asset impairment related to the Company's decision not to equip its Classic (737-300/500) aircraft with Required Navigation Performance (RNP) capabilities; 2) 2010 and 2011 charges associated with the Company's acquisition and integration of AirTran; 3) a one-time third quarter 2009 charge associated with Freedom '09, an early retirement option offered to Employees; 4) a first quarter 2008 adjustment to the Company's income tax provision due to a change in Illinois state income tax laws; 5) a third quarter 2007 charge related to the Company's voluntary early-out program; and 6) a third quarter 2007 charge from a change in the Illinois state income tax law resulting in an increase in state income taxes, which increase was subsequently reversed in first quarter 2008 due to the reversal of the August 2007 state income tax law change. The Company believes that evaluation of its financial performance can be enhanced by a presentation of results that exclude the impact of these items in order to evaluate the results on a comparative basis with results in prior periods that do not include such items and as a basis for evaluating operating results in future periods. As a result of the Company's acquisition of AirTran, which closed on May 2, 2011, the Company has incurred and expects to continue to incur substantial charges associated with integration of the two companies. While the Company cannot predict the exact timing or amounts of such charges, it does expect to treat the charges as special items in its future presentation of non-GAAP results.

*1 Percentage of seats filled by fare-paying Passengers.*

*2 From the 2011 yearend U.S. Department of Transportation Air Travel Consumer Report issued February 2012. Top ranking is for Southwest Airlines only. AirTran ranked fifth in the same report.*

*3 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, 2011.*

*4 See reconciliation of reported amounts to non-GAAP financial measures.*

*5 Amounts shown net of profitsharing and taxes. See footnote 6 for explanation of profitsharing on acquisition and integration charges.*

*6 Amounts shown net of profitsharing on acquisition and integration charges incurred through March 31, 2011. Southwest Airlines amended the ProfitSharing Plan during second quarter 2011 to defer the profitsharing impact of acquisition and integration costs incurred from April 1, 2011, through Dec. 31, 2013. The profitsharing impact for this time period will be realized in 2014 and beyond.*

*7 Net income, as reported, divided by total operating revenues.*

*8 Amounts shown net of profitsharing impact. See footnote 6 for explanation of profitsharing impact relating to acquisition and integration charges.*

*9 Net adjustment related to presumption that all aircraft in fleet are owned.*

*10 Average invested capital 2011 represents a five quarter average of debt, net present value of aircraft leases, and equity.*

*11 Calculated as adjusted operating income, non-GAAP, divided by adjusted average invested capital.*



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > 2011 PERFORMANCE > REVENUES

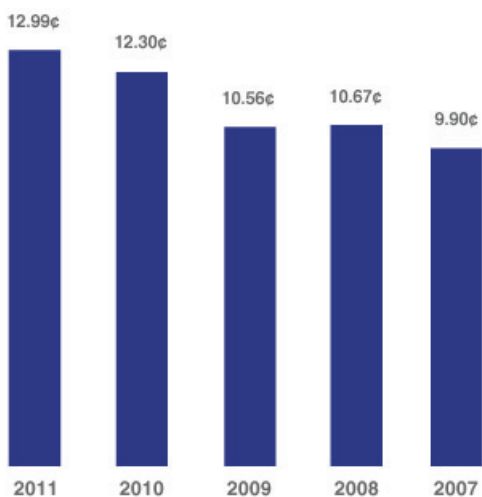


Total operating revenues increased by \$3.6 billion.

We had a strong revenue Performance in 2011. Total operating revenues rose by \$3.6 billion, or 29.4 percent, largely from the inclusion of AirTran's results beginning May 2, 2011. Excluding AirTran's results, operating revenues increased by \$1.6 billion, or 12.8 percent, primarily due to a \$1.5 billion increase in Passenger revenues resulting from a combination of strong Passenger yields<sup>1</sup> and record load factors. Consolidated freight revenues increased by \$14 million, or 11.2 percent, mostly from higher average rates and better economic conditions than the prior year. Southwest Airlines' products such as EarlyBird Check-In™, Pets Are Welcome on Southwest (PAWS) service, and Unaccompanied Minors charges contributed to other revenues increasing \$294 million in 2011.

### OPERATING REVENUES

per available seat mile



### SOURCE OF PASSENGER REVENUES

	2011	2010	2009	2008	2007
Internet	81% <sup>2</sup>	84%	81%	80%	76%
Customer Support & Services	4%	5%	8%	7%	9%
Travel agency	12% <sup>3</sup>	9%	8%	10%	10%
Other	3%	2%	3%	3%	5%

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > 2011 PERFORMANCE > REVENUES

### Low-Fare Brand

At Southwest Airlines, we continue to be the only major U.S. airline that doesn't charge fees for first and second checked bags or for a Customer's change in flight plans. By maintaining our low-fare brand and superior Customer Service, Customers keep coming back to fly Southwest Airlines, contributing to our continued domestic market share growth and long-standing annual profitability streak.

Our strategic initiatives helped grow our domestic market share to 25 percent in 2011<sup>4</sup>—a four point increase over 2010. Southwest Airlines Customer Satisfaction remains the best in the business, as our Employees once again achieved the U.S. Department of Transportation's top ranking in Customer Satisfaction.<sup>5</sup> We were also ranked the top Airline Brand of the Year by the 2011 Harris Poll EquiTrend®. Our most recent biennial brand monitoring survey revealed that our low-fare commitment, highlighted by our Bags Fly Free® and No Change Fees policies, contributes to business and leisure travelers' decisions to choose Southwest Airlines.

### Continued Revenue Growth

Although our acquisition of AirTran contributed to our record operating revenue results in 2011, a number of revenue initiatives were also significant contributors:

#### NETWORK OPTIMIZATION

During 2011, we continued to optimize our flight schedules to better match demand. We began the process of aligning the Southwest Airlines and AirTran route networks, setting the stage for long-term growth. For example, during 2011, we determined that high jet fuel prices caused a number of AirTran routes to be unsustainable. In response, we made the tough decision to discontinue these flights and reallocate that capacity in 2012 to other markets with higher demand. We expect that optimizing the joint Southwest Airlines and AirTran networks will be a multi-year undertaking, but we believe these efforts will yield significant synergies and financial benefits.

#### BUSINESS SELECT

Our Business Select fare offering contributed approximately \$94 million in revenues during 2011, up from \$88 million in 2010. Business Select Passengers continue to enjoy perks such as priority boarding, bonus frequent flyer credit, priority ticket counter and security access in select airports, and a complimentary adult beverage.

#### EARLYBIRD CHECK-IN™

Through this popular program, Customers pay \$10 one-way to automatically receive an early boarding position before general checkin begins. EarlyBird Check-In™ produced revenues totaling \$142 million in 2011, compared to \$98 million in 2010 and surpassing our \$100 million annual target.

#### VOLARIS INTERNATIONAL CONNECT

Southwest Airlines Customers are able to book international flights with connecting service by Volaris, Mexico's second largest airline. Southwest Airlines offers connecting service opportunities from more than 60 Southwest cities to different Volaris airports in Mexico including: Aguascalientes (AGU), Guadalajara (GDL), Mexico City (MEX), Mexico City-Toluca (TLC), Morelia (MLM), and Zacatecas (ZCL).

#### All-New Rapid Rewards®

Our All-New Rapid Rewards® frequent flyer program debuted March 1, 2011. Under the revamped program, Members earn points based on fares. Members can redeem their points for any available seat, any day, on every flight with absolutely no blackout dates or seat restrictions. Points won't expire as long as a Member has earning activity in a 24-month time period. Overall, Members have more flexibility and options for earning and redeeming their rewards than with the previous program. The new program also features enhanced A-List and Companion Pass opportunities for the most active Members and adds a new level of status, A-List Preferred.

In 2011, the new program exceeded our expectations with respect to growth in program Members, credit card applications, flights by existing Members, and fares paid by Members. The cash sales from points sold to business partners during 2011 increased approximately \$250 million compared to 2010. The vast majority of this revenue is initially deferred and then recognized as Passenger revenues when Members redeem their points and fly their trips. We forecasted the new program would drive hundreds of millions in incremental annual revenues, net of any associated program costs, by 2014. The progress made in 2011, alone, provides strong evidence that we are well on our way to meeting our goal.

<sup>1</sup> Passenger revenues per revenue Passenger mile flown.

<sup>2</sup> Includes revenues from southwest.com, swabiz.com (Southwest Airlines' business travel reservation web page), and airtran.com.

<sup>3</sup> Includes AirTran revenue sourced through online travel agencies.

<sup>4</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, 2011.

<sup>5</sup> From the 2011 yearend U.S. Department of Transportation Air Travel Consumer Report issued February 2012. Top ranking is for Southwest Airlines only. AirTran ranked fifth in the same report.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > 2011 PERFORMANCE > OPERATING COSTS



Southwest Airlines is America's leading low-cost air carrier.

Southwest Airlines has lower average unit costs, adjusted for average stage length, than virtually all major U.S. carriers. Southwest Airlines' low-cost structure has allowed us to profitably charge low fares. We keep costs down through our all-Boeing fleet; our efficient, point-to-point route structure; and our highly productive Employees. Excluding fuel and special items,<sup>9</sup> our cost per available seat mile (ASM) was 7.61 cents,<sup>9</sup> which was flat relative to 2010. As we integrate AirTran into the Southwest Family over the next several years and execute on our fleet modernization program, we believe we have opportunities to further reduce our operating costs.

### Cost Containment

Operating expenses totaled \$15.0 billion in 2011, an increase of \$3.8 billion, or 34.6 percent, compared to 2010. The increase was primarily due to the inclusion of AirTran's 2011 operating expenses following the acquisition. Excluding AirTran's results, operating expenses increased by \$1.9 billion, or 17.8 percent, compared to 2010, primarily due to the increase in economic fuel costs.

With record-high and volatile fuel costs, we continue to focus on controlling costs. In 2011, we unveiled our fleet modernization plans that included firm orders for the more fuel-efficient Boeing 737-800 and 737-700 aircraft. Our revised order with Boeing also included 150 firm orders for the launch of the 737 MAX aircraft, with deliveries expected to begin in 2017. As the launch customer for the 737 MAX, we look forward to the benefits of operating what is expected to be the most cost-effective and fuel-efficient, single-aisle airplane. These new aircraft orders with Boeing will provide significant flexibility as we replace our older, less fuel-efficient Classic fleet. We also developed plans to retrofit our 737-700s with the lighter-weight *Evolve* interior, beginning March 2012. Overall, we expect our fleet modernization plans to reduce our aircraft unit costs once we complete the *Evolve* retrofit program and have approximately 100 of the 737-800 aircraft in our fleet.

### Fuel Costs<sup>9</sup>

Fuel and oil expense is our largest cost category. Our 2011 economic jet fuel cost averaged a record \$3.19 per gallon, a 33.5 percent increase relative to 2010. Total economic fuel and oil expense was significantly higher than 2010 at approximately \$5.6 billion, a 63.7 percent year-over-year increase.

### FUEL HEDGING

We continue our efforts to conserve fuel. In addition, we strive to buy jet fuel at the lowest possible cost and to reduce volatility in operating expenses through our fuel hedging program. Since 2000, our fuel hedging program has reduced our economic fuel costs by \$3.3 billion (net of program costs).

### REQUIRED NAVIGATION PERFORMANCE

We're also working to limit fuel consumption through our innovative implementation of satellite-based Required Navigation Performance (RNP) operations, which generate a more precise, direct flight path. In January 2011, we began flying RNP approaches and completed 6,790 of these approaches throughout the year; however, for reasons outside Southwest Airlines' control the total number of new RNP approaches has slowed. Because of the slowdown in the use of RNP, we decided not to equip our Boeing 737-300 and 737-500 aircraft with RNP capabilities. Changes in air traffic control by the U.S. Federal Aviation Administration still need to take place before we can realize the full potential for jet fuel conservation and emissions reduction from RNP procedures.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

PERFORMANCE > 2011 PERFORMANCE > FINANCIAL POSITION



Through the momentous changes in 2011, our balance sheet remains strong.

Our financial position stayed strong in 2011. We finished the year with approximately \$3.1 billion in unrestricted cash and short-term investments; an \$800 million fully available revolving line of credit; an unencumbered asset net book value of approximately \$6 billion; balance sheet leverage of approximately 47 percent, including aircraft lease obligations; and an investment grade credit rating.

Net cash provided by operations for 2011 was \$1.4 billion, and capital expenditures were \$968 million, generating more than \$400 million in free cash flow<sup>c</sup>. Net cash used in financing activities was \$766 million and includes the repayment of \$557 million in debt and capital lease obligations, the repurchase of approximately \$225 million of Southwest Airlines outstanding common stock, and the repayment of \$81 million to convertible note holders following the acquisition of AirTran.

Future capital spending will be carefully monitored with a focus on generating free cash flow.<sup>c</sup> In 2012, we expect approximately \$1.3 billion in capital spending, and we have approximately \$560 million in debt repayments, including long-term debt maturities of \$385 million paid in March 2012. We believe our strong financial position prepares us for the many threats facing the airline industry, including volatile energy prices, economic uncertainty, and vigorous competition.

Please see our Investor Relations site at <http://southwest.investorroom.com/> for our most current financial results and outlook.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > 2011 PERFORMANCE > AIRTRAN ACQUISITION



We achieved \$80 million in net pre-tax synergies in 2011 through our acquisition of AirTran.

On May 2, 2011, Southwest Airlines closed on the acquisition of AirTran. 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 valued AirTran common stock at approximately \$7.57 per share.

At the time of purchase, AirTran had nearly 8,000 Employees operating a fleet of 140 Boeing 717-200 and 737-700 aircraft serving 69 destinations, including near-international destinations in Mexico and the Caribbean. With primarily hub-and-spoke service, as opposed to point-to-point, approximately half of AirTran's flights originate or terminate at its largest hub in Atlanta. AirTran offers a business class product and charges fees for checking bags and changing flights.

We believe the AirTran acquisition supports our goal to achieve a 15 percent pre-tax return on invested capital and represents a unique opportunity for Southwest Airlines to take a significant step toward achieving our strategic goals over the next decade. We firmly believe that both AirTran and Southwest Airlines are stronger together and can accomplish more, faster than either could on its own.

### Integration Progress

We have started the process of integrating AirTran into Southwest Airlines and estimate that it will take two to three years to fully transition AirTran and become one airline. Ultimately, it is our plan that our Customers will only see the Southwest Airlines low-fare brand with one set of policies, our single-class configuration, and combined reservation and ticketing systems, web sites, and frequent flyer programs.

Our Southwest Airlines Customers are already experiencing some of the benefits of the AirTran acquisition, as we're able to offer more low-fare destinations, including Atlanta, the largest domestic market Southwest Airlines had previously not served. We are expanding our presence in slot-controlled markets including New York LaGuardia; beginning service to Washington, D.C., via Ronald Reagan National Airport; and expanding our service in other key domestic markets, including Boston and Baltimore/Washington. Our acquisition of AirTran also provides access to near-international leisure markets in the Caribbean and Mexico.

In 2011, we accomplished the following key integration milestones:

- We moved most of AirTran's headquarters functions to Southwest Airlines Headquarters in Dallas.
- We took initial steps toward integrating our frequent flyer programs.
- Southwest Airlines and AirTran Pilots overwhelmingly reached an agreement regarding seniority integration.
- We began optimizing AirTran's network and released the first coordinated Southwest Airlines and AirTran flight schedules.
- We merged maintenance facilities in Orlando and Baltimore/Washington.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > 2011 PERFORMANCE > AIRTRAN ACQUISITION

The key integration milestones from the first quarter of 2012 include:

- Flight Attendants and Flight Instructors reached agreement regarding seniority integration.
- The first group of AirTran Employees officially joined the Southwest Family in January 2012.
- Southwest Airlines began service to Atlanta on Feb. 13, 2012, with an initial schedule of 15 flights to five nonstop destinations.
- We completed 20 of 31 shared city transitions as of March 2012, co-locating our operations side-by-side.
- We received our Single Operating Certificate on March 1, 2012.

We incurred \$134 million in pre-tax expenses associated with the acquisition and integration of AirTran during 2011, and we expect total acquisition and integration costs will be approximately \$500 million upon completion of the integration.

In 2011, \$80 million in net pre-tax synergies were attributable to the AirTran acquisition. Upon full integration, we expect to generate approximately \$400 million in annual net pre-tax synergies, excluding acquisition and integration costs.

### Next Steps

Now that we have obtained our Single Operating Certificate from the Federal Aviation Administration, we have the green light to work toward full integration. AirTran will begin transferring aircraft to Southwest Airlines in the first half of 2012 to be converted to the Southwest Airlines livery and configuration, including our new *Evo/ve* cabin design. In cities served by both carriers, we will continue to in-source below-the-wing operations to Southwest Airlines Ramp personnel, harmonize our Passenger services vendors and our deicing programs, and merge our Maintenance facilities. In 2012, Seattle will be the first joint city to fully be converted to Southwest Airlines operations. We will further integrate the Southwest Airlines and AirTran frequent flyer programs to allow Customers of both Southwest Airlines and AirTran to book flights on either carrier using either southwest.com or airtran.com.

Optimizing our joint network remains a priority. With persistently high fuel prices, we have made the difficult decision to close 15 of the smaller AirTran cities by August 2012 and redeploy available aircraft. Based on our joint schedules published through November 2012, we will serve 97 destinations in our combined networks.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > FUTURE PERFORMANCE INITIATIVES



We plan to achieve our financial targets through our expanded route network, synergies from our AirTran acquisition, and execution of our other strategic initiatives.<sup>F</sup>

Please see our Investor Relations site at <http://southwest.investorroom.com/> for our most current financial results and outlook.

Our financial target remains 15 percent pre-tax return on invested capital. We plan to achieve our financial targets through our expanded route network, synergies resulting from our AirTran acquisition, and through execution of our other strategic initiatives, including those discussed below. Through our fuel conservation efforts and fuel hedging program, we intend to mitigate fuel price risks that have impacted the airline industry over the past several years.

- AirTran integration
- Fleet modernization
- *Evolve: The New Southwest Interior*
- All-New Rapid Rewards<sup>®</sup>
- Reservation system replacement
- Network optimization
- Inflight Internet connectivity
- Operational efficiency

### AirTran Integration

Now that Southwest Airlines and AirTran have obtained a Single Operating Certificate from the Federal Aviation Administration—received on March 1, 2012—we have the green light to begin implementing the visible conversions of AirTran aircraft, airports, and Employees into Southwest Airlines. Upon full integration, we expect to generate at least \$400 million in annual net pre-tax synergies, excluding acquisition and integration costs.

### Fleet Modernization

As part of our fleet modernization plans, we received the first of our Boeing 737-800 orders in March 2012. We currently expect to receive 33 Boeing -800s during 2012. Compared to the 737-700, the -800 provides nearly 30 percent more seating capacity with 175 seats; enhanced onboard comfort with the new Boeing Sky interior; more economical longhaul flying with lower overall unit costs; and better scheduling flexibility in high-demand, slot-controlled, and gate-restricted markets such as New York LaGuardia, Newark, and Washington Reagan. The -800's superior economics allow Southwest Airlines to consider serving destinations like Hawaii, Alaska, Canada, the Caribbean, Mexico, and Central and South America.

In December 2011, we were the first airline to place a firm order for the new Boeing 737 MAX. As Boeing's launch customer of the 737 MAX, we are scheduled to begin taking delivery in 2017. Designed to be more fuel efficient and environmentally friendly, the 737 MAX is expected to have the lowest operating costs in the single-aisle segment and an engine/airframe combination uniquely designed to optimize the operating performance of the Southwest Airlines fleet.

Our December 2011 agreement also included 58 additional firm orders for the Boeing Next-Generation 737 aircraft, bringing our total firm orders with Boeing to 350 for 2012 through 2024. These firm orders are intended to predominately serve as replacement aircraft for our older, less efficient fleet. We also have options to purchase an additional 92 Boeing 737 Next-Generation aircraft and 150 Boeing 737 MAX aircraft.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > FUTURE PERFORMANCE INITIATIVES

Overall, we believe our fleet modernization plan provides substantial flexibility to manage our fleet needs in a variety of economic conditions. The increased gauge of the -800 and improved fuel efficiency of the 737 MAX should enable us to reduce our unit operating costs as well as our greenhouse gas emissions.

### ***Evolve: The New Southwest Interior***

In early 2012, we debuted the final prong of our fleet modernization plan, *Evolve: The New Southwest Interior*. *Evolve* is a sleek new cabin interior that enhances Customer comfort and the overall travel experience. All new deliveries will come equipped with *Evolve*, and all 737-700s in our current fleet will be retrofitted with *Evolve*.

*Evolve* stays true to our triple bottom line of Performance, People, and Planet. Over four years, Southwest Airlines Employees designed the *Evolve* cabin interior to improve the Customer Experience, while increasing the durability and sustainability of cabin materials. *Evolve* incorporates many cost-saving, environmentally friendly features:

- **Less weight:** The lighter, environmentally friendly materials, such as the E-Leather seat covers, result in a 635-pound lighter 737-700 aircraft.
- **Improved fuel burn:** Less weight means less fuel consumption, lower fuel costs, and fewer greenhouse gas emissions.
- **Reused seat frames:** We avoided spending approximately \$50 million in cabin redesign costs by using our existing B/E Aerospace Innovator II seat frames.
- **Increased durability:** The eco-friendly materials used in the new *Evolve* interior also incorporate more durable finishes, which will increase the lifespan of our cabin interior, saving on replacement costs. For instance, our current seats have a four-year lifespan, but with the new E-Leather, seat lifespan is expected to increase 50 percent, or six years.
- **Cost improvement:** Including the cost of the new materials and installation, the improved durability of the redesigned seat coupled with fuel savings from 635 pounds less weight per aircraft is expected to result in ongoing annual cost savings.

With the sleek new *Evolve* seat design, we were able to increase the number of seats onboard the 737-700 from 137 to 143. Six additional seats on Southwest's fleet of 372 -700s is the equivalent of approximately 16 new aircraft. While this wasn't our initial intention when we set out to improve the onboard Customer Experience, we were able to create hundreds of millions in incremental revenue opportunities.

In March 2012, we began retrofitting our current fleet of 372 Boeing 737-700s with *Evolve* and anticipate completion in the first half of 2013. As the integration of AirTran moves forward, AirTran's aircraft will also be retrofitted with the *Evolve* cabin interior as those aircraft are converted into the Southwest Airlines configuration over the next several years.

### **All-New Rapid Rewards®**

We believe All-New Rapid Rewards® sets a new standard in frequent flyer programs. The revamped program offers enhanced Member benefits while providing the opportunity to generate significant revenues. We remain focused on driving more revenue by growing membership, increasing business from our existing Members, strengthening Customers' use of our co-branded Chase Visa credit card, and strengthening our hotel, rental car, and retail partnerships. Based on program results thus far, we are well on our way to achieving our goal of hundreds of millions in incremental annual revenues by 2014, net of any associated program costs.

During 2011, we began the process of integrating the frequent flyer programs of Southwest and AirTran by offering top-tier status members of both airlines' programs some limited reciprocal benefits. We plan to continue the process of integrating the two frequent flyer programs in 2012 and beyond.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > FUTURE PERFORMANCE INITIATIVES

### Reservation System Replacement

To keep up with the evolution of the Southwest Airlines network, we intend to replace our reservation system. Our existing reservation system was developed for a simpler pricing system and more limited network than we have today. We intend to replace our existing reservation system with a system that would provide the ability to serve international destinations and would allow for other revenue management and Customer Service enhancements. Our reservation system replacement will be a multi-year project.

### Network Optimization

In 2012, we plan to add 33 new Boeing 737-800s and retire 40 Classic aircraft, which will result in a combined fleet of 691 aircraft. With the new larger gauge -800s and additional seats from the *EvoIve* retrofit on our 737-700 aircraft, we forecast 2012 available seat mile capacity to be similar to that of 2011 combined, despite decrease in fleet.

We will continue to refine our AirTran network. In 2012, AirTran plans to close 15 cities and add two new international destinations—Cabo San Lucas and Mexico City. In February 2012, Southwest Airlines began service to Atlanta with 15 daily flights, which will increase to 24 daily flights by summer 2012. Based on our joint schedules announced as of March 2012, the combined network will serve 97 destinations at the end of 2012.

### Inflight Internet Connectivity

As of March 2012, more than 200 of our Southwest Airlines aircraft offer WiFi service onboard, and we plan to have the entire Southwest 737-700 fleet WiFi enabled in 2013. In addition, all 737-800s will be WiFi equipped as they enter Southwest Airlines service. Our agreement with our WiFi provider, Row 44, allows us to set the pricing of this service—currently \$5 per device to our Customer's final destination, including stops or connections. We offer complimentary service to our A-List Preferred Members who log in with their Rapid Rewards® account numbers.

### Operational Efficiency

We're continuing our commitment to technology improvements to support ongoing operations and initiatives. In December 2011, we announced that Southwest Airlines will be the first U.S. airline to equip Ramp Employees systemwide with hands-free wireless headsets to enable the Ground Crew and Pilots to better communicate and coordinate the process of pushing back planes from concourse gates. The new devices are expected to add another level of safety. The headset system also will help to improve departure times and fuel efficiency. We continue to deploy the headset system nationwide at all Southwest Airlines gates in 2012.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > FINANCIAL MANAGEMENT APPROACH



We strive to continuously improve our Performance.

We have maintained the same Core Values since our inception in 1971:

- Take care of our People, our communities, our Customers, and our Shareholders
- Keep fares low and costs lower
- Operate the safest, most efficient, most reliable airline
- Generate consistent annual profits

Our formula for success is applying our Core Values with our People's Warrior Spirit, Servant's Heart, and Fun-LUVing Attitude. And, it's working. Southwest Airlines is the only major U.S. airline that can claim 39 consecutive years of profitability. We've achieved our success without resorting to layoffs, pay cuts, or benefit cuts. And, Employees' dedication shows—we consistently hold one of the top rankings in Customer Satisfaction<sup>1</sup> and have repeatedly been ranked as one of the best places to work.

In a momentous year that included our 40th Anniversary and the acquisition of AirTran, we continued our commitment to offer impeccable Customer Service and low fares. And, we achieved an annual profit for our Shareholders, despite a significant increase in jet fuel costs. In an effort to overcome increasing jet fuel costs, we continued to grow our revenue in 2011 through revenue management and optimization of our route network, while continuing our focus on value-added products such as Business Select and EarlyBird Check-In™. While we experienced strong revenue growth in 2011, it was not sufficient to keep pace with significantly higher jet fuel prices. The resulting year-over-year decline in profits requires continued focus on improving productivity, using resources responsibly, and eliminating waste.

The Core Values that have made us successful for the past four decades will continue to guide us as we execute our strategic initiatives to integrate AirTran into Southwest Airlines, add Boeing 737-800s to our fleet as part of our fleet modernization plan, grow our All-New Rapid Rewards® program, and eventually replace our reservation system. We're passionate about achieving and sustaining our 15 percent pre-tax return on invested capital through our Performance goals to:

- Win more Customers
- Boost operating revenues
- Preserve our low-cost position
- Maintain a strong balance sheet with adequate cash reserves

We expect the successful execution of our strategic initiatives to strengthen our brand and solidify our fundamental competitive advantages: low costs, low fares, great Customer Service, the largest domestic route network, and a strong financial position.<sup>6</sup>

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PERFORMANCE > FINANCIAL MANAGEMENT APPROACH

### Contributing to the Economic Vitality of Our Communities

Our Performance impacts more than our Company. Our low fares stimulate economies in cities where we fly. Our Servant's Heart allows others to thrive, and our green filter helps protect the planet.

Together Southwest Airlines and AirTran will serve 97 destinations based on our joint schedules announced as of March 2012. We expect our collective market presence to generate substantial savings for our Customers through the well-known "Southwest Effect" of invigorating competition by reducing fares and stimulating additional Passenger traffic in the cities where we fly. Combining our airlines will encourage competition in destinations like Atlanta, where we have the potential to serve more than a million new Passengers and provide hundreds of millions of dollars in fare savings to consumers annually.<sup>2</sup> In New York City and Washington, D.C., the combined airline offers Passengers additional travel options and injects needed low-fare competition into these critical air travel markets. Together, we expect to bring our low fares and Fun-LUVing Attitude to more than 100 million Customers annually.

As the hometown carrier that cares, we strive to make a positive difference in the communities we serve. We believe in championing the causes that matter most to our People. We provide support, leadership, and encouragement to a variety of philanthropic causes through our Community Affairs and Grassroots Team, who work directly with local, civic, and charitable organizations. Through our Community Giving Boards, comprised of local Employees from various work groups, we identify charitable organizations to support the communities where they live and work. At Southwest Airlines, we value empowering others and building meaningful relationships through community outreach and volunteerism. To achieve this, we donate our time, tickets, funds, and, most importantly, LUV.

We believe it's our responsibility to protect our planet now and for future generations, so we operate with a green filter—a mindset of making environmentally responsible decisions. As good environmental stewards, we recycle onboard and in airports. We are working to improve energy and water conservation and extend our use of renewable energy at our Headquarters and other facilities. In the air, we're conserving jet fuel, reducing emissions, and using recycled and sustainable materials to furnish our cabins. On the ground, where possible, we're using alternative and highly efficient fuel sources to power our ground support equipment. Given persistently high jet fuel prices, operating with a green filter is not only good for the environment, but it's also good for our bottom line.

### Taking Care of Our Own

At Southwest Airlines, we believe in treating each other the way we want to be treated. For our Employees, we offer the freedom to pursue good health, make a positive difference, work hard and have FUN, and stay connected. We contribute to the financial security of our Employees by offering 401(k) Company matching contributions and contributing to our ProfitSharing Plan. Our University for People provides needed training and career development to help Employees learn and grow. We also encourage them to support the local charities close to their hearts by rewarding their Volunteer efforts. We take time to celebrate and honor our Employees through our Employee recognition programs, including our annual Volunteers of LUV, President's Award, Winning Spirit Award, Stars of the Month, and Kick Tails. By taking care of our Southwest Family and encouraging our Employees to give back and help others, we create a Culture of LUV that ultimately contributes to our financial success. After all, happy Employees equal happy Customers, and happy Customers keep flying Southwest Airlines.

### Citizenship at Southwest Airlines

Financial success is more than achieving fiscal metrics. Our long-term financial success is, in part, dependent on our future successes related to non-financial key performance indicators (KPIs) that serve as proxy measures of our ability to align operating costs with the true environmental and social costs of our actions. In 2012, our Citizenship Committee intends to prioritize and establish environmental and social goals for selected KPIs and will work to define protocols for collecting and analyzing operational data related to each KPI. We look forward to using future KPI data to continuously improve and reduce future impacts on the environment.

<sup>1</sup> From the 2011 yearend U.S. Department of Transportation Air Travel Consumer Report issued February 2012. Top ranking is for Southwest Airlines only. AirTran ranked fifth in the same report.

<sup>2</sup> Based on economic analysis by Campbell-Hill Aviation Group, LLP, commissioned by Southwest Airlines.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > OVERVIEW



Our People are our greatest strength and an enduring long-term competitive advantage.

As our greatest asset, our People deliver compassionate, world-class Customer Service; seek out innovative solutions to enhance the Customer Experience; and share their time and efforts to make a positive difference. At Southwest Airlines, our People are passionate and excited to build a more sustainable future of LUV. Our Family of more than 45,000 Employees<sup>1</sup> is the heart of our Fun-LUVing Culture. As a best place to work, we put our Employees first and offer them 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. Our Customers return to Southwest Airlines not only because we don't charge for amenities Customers expect to get for free, but because of our People and their dedication to providing a FUN travel experience. Our Customer Service extends to sharing our Servant's Heart with the communities we serve through our commitment to giving back by volunteering our time and donating tickets and dollars to those in need. With a Warrior Spirit, a Servant's Heart, and a Fun-LUVing Attitude, we strive to do what's right by all our stakeholders—including Customers, communities, Shareholders, suppliers, the Planet, and each other. It's part of Doing the Right Thing—practicing our three passions as one Southwest.

We are in the process of collecting and combining AirTran data with Southwest Airlines data where available and appropriate. Therefore, in the People section, AirTran data is excluded unless otherwise stated.

<sup>1</sup> Based on active, full-time equivalent Southwest Airlines and AirTran Employees as of Dec. 31, 2011.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > EMPLOYEES > OVERVIEW

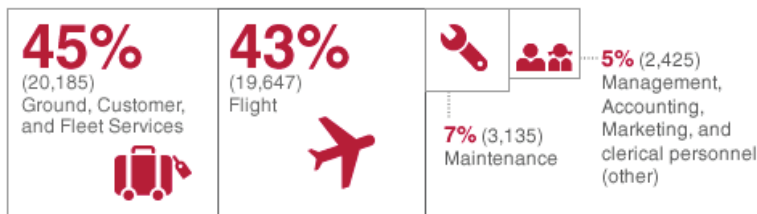


Our dedicated Employees do more than deliver the friendly, high-quality Customer Service for which we're known—they created Southwest Airlines' unique Culture and storied 40-year history.

Nurturing a Culture that excites and respects every Employee is a top priority at Southwest Airlines. With our Employees' passion for serving our Customers and delivering world-class Customer Service every day, they 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. Our Employees continue to surpass our goals, making Southwest Airlines one of the largest and most respected carriers in the world. In return, we offer 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. It's Living the Southwest Way—a Warrior Spirit, a Servant's Heart, and a Fun-LUVing Attitude.

This year we welcomed AirTran Employees when Southwest Airlines acquired AirTran Holdings, Inc., the former parent company of AirTran Airways, Inc., on May 2, 2011, allowing our Family to grow to more than 45,000 Employees.<sup>1</sup> Although full integration is not expected for a few years, the acquisition brings together two similar, Employee-centric organizations that have won numerous awards for Customer Service. Southwest Airlines will work closely with AirTran's Employees as we combine our operations. As we move toward full integration, we will maintain our Fun-LUVing Culture as we continue to evolve to best serve Customers in this new marketplace.

### BREAKDOWN OF EMPLOYEES BY DIVISION<sup>1,2</sup>



<sup>1</sup> Based on active, full-time equivalent Southwest Airlines and AirTran Employees as of Dec. 31, 2011.

<sup>2</sup> Flight includes Cabin Service Support, Inflight, and Flight Operations. Ground, Customer, and Fleet Services include Provisioning, Customer Services, Ground Operations, and Operations Coordination Center.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > EMPLOYEES > ONE LUV



Employees are our greatest asset.

We have made it a priority to welcome AirTran Employees into the Southwest Family the right way. That means integrating at a reasonable pace and working hard to win hearts and minds, while earning respect. Acquiring AirTran opened a new chapter at Southwest Airlines to spread our cherished Company Culture. Our Culture is our core—it is our heart and the foundation that propels us forward. Having a strong Culture is the key to our success and the hallmark of our brands. We have worked closely with both Employee groups to facilitate activities that will allow everyone to get to know each other and create an atmosphere of Southwest Culture and One LUV. We kicked off the AirTran acquisition with festivities across the nation, celebrating this historic milestone with enthusiasm from both AirTran’s and Southwest’s excited Employee groups.

As we welcome the AirTran Employees to the Southwest Family, we will continue spreading this passion and Living the Southwest Way with a Warrior Spirit, a Servant’s Heart, and a Fun-LUVing Attitude.

### PRINCIPLES OF LIVING THE SOUTHWEST WAY



- Work Hard
- Desire to be the best
- Be courageous
- Display a sense of urgency
- Persevere
- Innovate



- Follow The Golden Rule
- Treat others with respect
- Put others first
- Demonstrate proactive Customer Service
- Embrace the Southwest Family



- Have FUN
- Don't take yourself too seriously
- Maintain perspective (balance)
- Celebrate successes
- Enjoy your work
- Be a passionate Teamplayer

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > EMPLOYEES > ONE LUV

### Legal Close and Day One of Integration

On May 2, 2011, Southwest Airlines Chairman of the Board, President, and Chief Executive Officer Gary Kelly and then AirTran Chief Executive Officer Bob Fornaro met at Southwest Airlines' Dallas Maintenance Hangar to celebrate and commemorate the AirTran acquisition and its significance to the future of Southwest Airlines. Southwest Airlines and AirTran Employees, along with the local community, watched and celebrated the achievement together. The airlines' executives also flew to the Hartsfield-Jackson Atlanta International Airport to celebrate the legal close of the acquisition with hundreds of special guests, including Southwest Airlines and AirTran Employees and their families, dignitaries, and friends. Southwest Airlines and AirTran Employees watched live-streaming video of the Atlanta festivities and received commemorative gifts including lanyards and a special edition of *LUVLines* (Southwest Airlines' Employee magazine).

### One LUV Tour

At Southwest Airlines, we LUV to welcome new members to our Family, and the AirTran Employees were no exception. As part of these efforts, a group of Southwest Airlines Employees set off to visit AirTran Employees face-to-face at 12 of the largest AirTran locations. At each stop, Southwest Airlines Employees hosted an interactive discussion and informal information session to share ideas, ask questions, and learn about Southwest Culture. It was a FUN tour and AirTran Employees exhibited genuine excitement about becoming part of the Southwest Family.

### Wingmate Program

To assist AirTran Employees throughout the integration, Southwest Airlines paired each of the more than 8,000 total AirTran Employees with a Southwest Airlines Employee. Southwest Airlines selected Wingmates not by position, but rather randomly as a mentoring relationship to welcome and introduce AirTran Employees to the Culture of Southwest Airlines. The program was designed as a friendly way for Southwest Airlines and AirTran Employees to connect.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > EMPLOYEES > BENEFITS



Southwest Airlines values the health and well-being of all our beLUVed Family Members.

Southwest Airlines offers our Family of Employees the freedom to pursue good health, save for retirement, 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 2011 more than 40,000 active and inactive Southwest Airlines Employees participated in at least one component of Southwest Airlines' Employee benefits programs, to which we contributed more than \$670 million on an accrual basis, excluding 401(k) and ProfitSharing Plans and share-based compensation.

In 2011, 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 and Prescription
- Vision
- Dental
- Adoption assistance
- 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

### **Adoption Assistance**

The Dave Thomas Foundation recently recognized Southwest Airlines as one of the adoption-friendliest companies in the U.S. for our outstanding adoption benefits. Our adoption leave program provides our Employees a total of 12 weeks of leave for the adoption of a child. Qualifying Employees receive three of those 12 weeks as paid time. Also, if both adoptive parents are employed by Southwest Airlines, both are entitled to the benefit. In addition, Southwest Airlines will reimburse up to \$2,000 of the adoption costs to our Employees with a maximum lifetime benefit of \$4,000. In 2011, Southwest Airlines reimbursed Employees more than \$35,000 for their adoption costs.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > EMPLOYEES > BENEFITS

### ***LUV Story: Southwest Airlines Adoption Assistance Reimbursement Makes a Difference***

Southwest Airlines Headquarters Employees Matt Korenek, Manager of Vendor Services in Ground Operations at Headquarters, and Tami Korenek, Senior Manager of Safety Standards and Regulatory Compliance in Ground Operations at Headquarters, tried for six years to have a child. After no successful pregnancy during that time, they knew they wanted to provide a family and home for a child who did not have one. After selecting an adoption agency, completing an enormous amount of paperwork, and several visits with a social worker, they began the seven-month wait to see the face of their little girl, Keilani. A year after Keilani joined the Korenek family, the couple submitted paperwork to grow their family again, but it took much longer than the one year they expected to wait. After a three-and-a-half-year wait, the Koreneks determined that special needs adoption was an option for them. So, they proceeded forward with their adoption agency. Less than one year later, the Koreneks grew to a family of four with the addition of their son, Makaio. Throughout the entire process, Matt and Tami felt so blessed and supported by the Company and their Coworkers at Southwest Airlines.

### **Retirement Planning**

We are happy to do our part to contribute to the retirement savings of our Employees through three Southwest Airlines' tax-qualified savings plans.<sup>1</sup> In 2011 alone, Southwest Airlines contributed nearly \$314 million to our Employees' retirement savings through 401(k) company matching contributions and company contributions to Southwest Airlines' ProfitSharing Plan.

We have tremendous participation in Southwest Airlines' 401(k) plans, with 93 percent of eligible Southwest Airlines Employees participating in 2011 compared to the national average of 77 percent.<sup>2</sup> Since the inception of our 401(k) plans in the early 1990s, Southwest Airlines has contributed more than \$1.7 billion to these plans, including approximately \$220 million in 2011 to match the funds Employees contributed to their 401(k) accounts.

All eligible Southwest Airlines Employees participate in our ProfitSharing Plan, and in 2011, Southwest Airlines contributed nearly \$94 million—a contribution equal to 3.2 percent of each eligible Employee's compensation.

In addition to the Southwest Airlines plans, Southwest Airlines contributes to three AirTran retirement savings plans.

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

<sup>2</sup> Based on the ProfitSharing Council of America 2010 survey results.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > EMPLOYEES > TRAINING



Southwest Airlines offers Employees the Freedom to learn and grow.

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.

We are committed to and prioritize compliance with the training requirements of the appropriate governing organizations such as 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 also offer a variety of additional training opportunities to our Employees. These opportunities for continued development include programs focused on Living and Leading the Southwest Way.

### 2011 EMPLOYEE TRAINING HOURS



**165,000**  
Pilots



**295,194**  
Flight Attendants



**88,754**  
Maintenance and Support



**245,179**  
Customer Support & Services



**342,946**  
Ground Operations

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > EMPLOYEES > TRAINING

### University for People

In 2011, Southwest Airlines University for People (U4P) celebrated its 25th Anniversary. For the last 25 years the goal of the U4P has been the same—to provide all Southwest Airlines Employees the opportunity for personal growth and the ability to reach their full potential. The classes offered at the U4P have changed over those 25 years, the facilitators leading great discussions in those classes have changed, and even the U4P location has changed, but what hasn't changed is its dedication to helping the Employees of Southwest Airlines learn and grow. The U4P is a place that will challenge its students to LUV, learn, and lead.

The U4P Staff is a strong support network for Leadership and professional development and offers a variety of learning opportunities from Leadership 101 and emotional intelligence to project management and Microsoft Office classes. The U4P also offers e-learning, webinars, and lunch-and-learn topics. Myers-Briggs Type Indicator and *Launch*—a class for newly formed Teams—are two of our most popular Team-oriented courses.

### “FREEDOM, LUV, AND YOU” AND “LUV @ FIRST BITE” LUNCHEONS

The U4P is one of the first touch points for new Employees, and we LUVingly spend a full day orienting them in *Freedom, LUV, and You (FLY)* class by sharing our Company history, Employee expectations, benefits, and diversity. Demonstrating how to Live the Southwest Way is a key component of the day. Facilitators and the *First Flight Team (Managers-in-Training (MIT) Program* graduates who want to develop their presentation skills and welcome our New Hires) demonstrate their Servant's Hearts, Warrior Spirits, and Fun-LUVing Attitudes. As the AirTran integration continues, both AirTran Employees and New Hires will attend *FLY* as a means of introducing Southwest Airlines' renowned Culture and Customer Service.

In addition to attending *FLY*, New Hires and AirTran Employees are also invited to a *LUV @ First Bite Luncheon* held in the same cities and on the same day as Leadership's Messages to the Field. Employees hired within the past year are invited to have lunch with fellow New Hires and network with Senior Leaders. In 2011, we hosted six *LUV @ First Bite Luncheons* with approximately 800 attendees in total. Commendations, an opportunity to meet with Senior Leaders, and prizes are just a few of the FUN things a New Hire experiences at one of these luncheons.

### LEADERSHIP DEVELOPMENT

Much of our Leadership Development is focused on developing People, building great Teams, thinking strategically, and being a change Leader.

Leadership Development is at the heart of our business, and we're dedicated to cultivating terrific Leaders. In 2011, Southwest Airlines Employees participated in more than 59,000 hours of Leadership training. Over the next two years, Southwest Airlines plans on seeing more than 800 new Leaders per year in *Leadership Southwest Style (LSS)*, a dynamic, four-week learning experience for new Supervisors. In 2011 alone, U4P saw 815 Leaders' attend the second annual *Leadership Summit* (see below); *Next-Level Leadership*, a two-and-a-half-day course for new Managers; and the *MIT Program*. And if an excellent curriculum isn't enough, each of our Leadership Development classes features Guest Professors, Senior Leaders who have a passion for developing emerging Leaders and have expertise in one of the Leadership expectations.

### LEADERSHIP SUMMIT

In 2011, U4P hosted its second annual *Leadership Summit*, a full-day conference of more than 720 Leaders' from across the system. *Leadership Summit* gives our Leaders the opportunity to receive an update from Chairman of the Board, President, and Chief Executive Officer Gary Kelly on the direction of Southwest Airlines and their roles as Leaders and building key Leadership skills such as decision making. Baseball Hall of Fame pitcher Nolan Ryan kicked off this year's program, which featured Michael Abrashoff, a former Navy commander and author of *It's Your Ship*, and a reflection on the past 40 years of Southwest Airlines Leadership.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > EMPLOYEES > TRAINING

### Safety and Security Training and Outreach

At Southwest Airlines, the Safety and Security of our Employees and our Customers are our top priority, which is why it is a part of everything we do both on the ground and in the air through training, communication campaigns, and education. We are committed to fostering a strong sustainable Safety Culture at Southwest Airlines and seek to identify workplace and operational risks. We proactively deal with these issues before they become injuries, accidents, or incidents. In 2011, Southwest Airlines Employees participated in more than 800,000 hours of Safety and Security training.

New 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 to Safety and Security training, our Safety & Security Department is committed to developing a comprehensive Employee outreach campaign that addresses Safety and Security issues beyond the departmental level. This Team communicates and educates the importance of Safety and Security to our Employees through internal publications; Safety and Security evaluations, assessments, and checklists; and the Safety and Security Symposium, an annual conference for our Leaders. With a nationwide reach, this Team's message consistently extends to all levels of Employees. The Safety & Security Department focuses on enhancing its message and infiltrating all available communication channels and will continue this work in 2012. We will share more about this program in the *2012 Southwest Airlines One Report™*.

Southwest Airlines also 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.

### Training Department

At Southwest Airlines, we are always looking for ways to enhance the training opportunities that we offer our Employees. In 2011, Southwest Airlines formed a new department to leverage best practices and maximize resources to create the best learning for all Employees. To accomplish this task, the newly formed Training Department focuses on four main objectives: coordination, consistency, continuous improvement, and community while keeping our Legendary Customer Service as the core of all training. Already, the Training Department has consolidated the training efforts of Inflight, Maintenance, Ground Operations, Customer Support & Services, Customer Relations, and Source of Support, and the Training Department has begun reviewing new technologies for Learning Management Systems to track and report all training. The Training Department is making huge strides toward consistency and best practice sharing, and because of this, Southwest Airlines is moving toward more robust consolidated training events, shared training curriculum, and course development and training efficiency.

### Diversity and Inclusion Education and Outreach

We recognize that a multifaceted workforce—with a variety of backgrounds and experiences—is an asset to our Company Culture. We host a conference dedicated to diversity annually, and in 2009 our U4P launched *Different Like Me* training for our Leaders to build diversity and inclusion awareness. In 2011, we launched *Diversity and Awareness Lunch and Learns* for our Station Employees. The first two were held at Baltimore Washington International Airport and Chicago Midway International Airport. Also, to enhance our diversity and inclusion training, our new Vice President of Diversity & Inclusion is developing a new, robust Diversity and inclusion education and outreach program to better communicate to our Employees about the profound uniqueness that makes Southwest Airlines who we are. We will share more about this program in the *2012 Southwest Airlines One Report™*.

### DIVERSITY & INCLUSION SUMMIT 2011

In September 2011, Southwest Airlines celebrated workplace diversity by hosting our second annual Diversity & Inclusion Summit with the theme, "Join the Conversation about Civility." Diversity and inclusion Leaders from many North Texas *FORTUNE* 500 companies participated in the dialogue about diversity and inclusion initiatives, fostering civility in the workplace, and best practices.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > EMPLOYEES > TRAINING

The summit's agenda topics included:

- Ellen Torbert, Southwest Airlines' Vice President of Diversity & Inclusion, sharing her personal journey growing up in both a segregated and desegregated society
- Colleen Barrett, Southwest Airlines' President Emeritus, speaking about lessons from her book, *Lead with LUV*, and offering insights on the importance of servant leadership
- Terry Howard, Director of Diversity & Inclusion for Texas Instruments and Cofounder of the Global Diversity Consortium, sharing information about his organization
- Debra Hunter Johnson, an attorney and human resources professional with more than 20 years of experience in complex workplace litigation, moderating a panel discussion with panelists including Dr. Betty Gilmore with Southern Methodist University, Steve Blow with the *Dallas Morning News*, Journalist and Author Ana Cristina Reymundo, and Elizabeth Hebbe, one of the core team members of the Oshkosh Civility Project

At Southwest Airlines, we believe that a modern and diverse workforce is key to our continued success. We are committed to providing our Employees the best tools for their development by engaging in conversations about best practices and the importance of respecting each other in the workplace.

Our Diversity Council created and hosted the Southwest Airlines Diversity & Inclusion Summit. This council is comprised of Employees who meet every month to improve the recruitment and advancement of women and minorities, work to enhance the Company's supplier diversity efforts, champion diversity and inclusion training efforts, and create awareness of and show appreciation for cultural or lifestyle differences within the Company's diverse workforce.

*1 Includes Southwest Airlines and AirTran Employees.*

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > EMPLOYEES > ENGAGEMENT & RECOGNITION



At Southwest Airlines, our Employees are near and dear to our hearts.

On a daily basis, our beLUVed Employees continue to demonstrate a passion for serving our Passengers with world-class Customer Service. 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 rewarding them for outstanding extra effort and a willingness to share their hearts with one another and our communities.

### 40th Anniversary Celebration

At Southwest Airlines, we celebrated our 40th Anniversary in many Fun-LUVing ways in the weeks before and after June 18, 2011, with one objective in mind: win the hearts and minds of our Employees. In the midst of many large initiatives underway, we took the time to celebrate the hard work of our Employees for the past 40 years: CEO Gary Kelly presented a special Message to the Field; we held 40th Anniversary parties at our three founding cities—Dallas, Houston, and San Antonio; we threw a special 40 Years of LUV awards banquet; we printed an anniversary edition of *LUVLines* (Southwest Airlines' Employee magazine); and we distributed special 40th Anniversary merchandise. The festivities included highlighting our history in a fresh, dynamic way and getting everyone excited about our thrilling future.

### 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. Southwest Airlines conducted this Employee Survey in 2010 and will administer the Employee Survey again in 2012.

### Employee Recognition Programs

Our Employees are known for Legendary Customer Service, operational excellence, and working efficiently. Our Employees go above and beyond each and every day to provide our Customers with the best possible flying experience while focusing on trimming costs so we can offer low fares. What you might not know is that they also generously donate their time and LUV to make a positive difference. Southwest Airlines believes in having a positive impact on our communities through charitable giving, Employee volunteerism, and good citizenship. We take time to celebrate and recognize our Employees who deliver world-class Customer Service, operational excellence, and a willingness to Do the Right Thing.

### VOLUNTEERS OF LUV

Southwest Airlines Employees are devoted to each and every community we serve. Throughout the year, our Employees demonstrate their Servant's Hearts by volunteering with nonprofit organizations and schools, which positively affects individuals, families, and entire communities. In 2011, our Employees selflessly donated and reported more than 114,000 hours of their time to charities around the country. We recognize these outstanding contributions at our annual Volunteers of LUV celebration. The year 2011 marked our fifth annual Volunteers of LUV celebration, where we recognized 18 individual Employees and five groups for commendable volunteerism. The generosity of these Volunteers of LUV inspires us all.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > EMPLOYEES > ENGAGEMENT & RECOGNITION

### 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 to 40 years, we have the honor of recognizing outstanding individuals who have represented the best of Southwest Airlines 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 Airlines Officers from the pool of nominees. The annual President's Award winners are those Employees who truly go above and beyond.

In addition, on occasion, an individual stands and rises above the rest as not only a representative of his or her department, but also of the Company as a whole. Herb Kelleher started the Founder's Award, an honor given only to those who have exemplified the Southwest Airlines ideals and values throughout their career; Gary Kelly awards the Living the Southwest Way Award to those who embody the principles of a Warrior Spirit, a Servant's Heart, and a Fun-LUVing Attitude; and Colleen Barrett presents the Heart and Soul Award to an Employee who lives by The Golden Rule and puts others first.

### WINNING SPIRIT AWARD

The Winning Spirit Award recognizes Employees for going above and beyond their normal job responsibilities, for consistently displaying their can-do attitudes, and for Living the Southwest Way. Employees are selected quarterly by a Winning Spirit Committee who sorts through thousands of Employee commendations searching for the best of the best. Recipients are invited to Headquarters where they are honored by their Department Vice President; Michael Van De Ven, Executive Vice President and Chief Operating Officer; and Gary Kelly, Chairman of the Board, President, and Chief Executive Officer of Southwest Airlines.

### OPERATION: KICK TAIL

Great things happen when there is collective focus. In 2011, Southwest Airlines 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 Employees witness a fellow 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 2011 Employees' earned 195 cash prizes. From nurturing our unique Culture to volunteering to celebrating with Coworkers at a Company event, there are countless ways to Kick Tail.

### STAR OF THE MONTH

The Star of the Month program recognizes outstanding Employees from different work groups for their outstanding Servant's Hearts, Warrior Spirits, and Fun-LUVing attitudes and their importance to the Company. Each Star is selected by Senior Leadership for being an exemplary Employee. We publish each star's special story both on our web site and in *Spirit* magazine. Our People are the heart of Southwest Airlines. We have been recognizing our Employees since the very beginning in 1971, but for the first eight years of Southwest Airlines, they were recognized as "Hostess of the Month." Stars of the Month not only receive special recognition for their contributions, but they also receive a gift from the Company.

### **LUV Story: Southwest Airlines Employee Makes the Lives of Children a Little Brighter**

It's no secret that the People of Southwest Airlines are the key to its success; in fact, it's the Southwest Airlines Employees who give the airline its reputation for providing Positively Outrageous Service to its Customers. One such Employee is father, volunteer, and Midland/Odessa Operations Agent Brian Shelley, who has been with Southwest Airlines for 11 years.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > EMPLOYEES > ENGAGEMENT & RECOGNITION

Brian started his career in the airline industry with another carrier, but after some encouragement from a friend and his uncle—a Southwest Airlines Captain—Brian applied and started his career as a Ramp Agent at the Austin Station. Brian moved to the Midland/Odessa Station where he continues to make his Customers smile, and he plans to remain a Southwest Airlines Warrior until he retires, which he hopes is “not for a long time!”

As the father of two young boys, Brian does what he can to make the lives of the children around him a little brighter. Each year, during Red Ribbon Week, junior high school students in the Midland/Odessa area design posters with an anti-drug theme, which are then displayed in the airport and judged by local Southwest Airlines Employees and Customers. Brian takes the top three winning poster designers on a Southwest Airlines flight to Dallas, where he treats them to lunch at Southwest Airlines’ Headquarters, which overlooks the runways at Love Field. Many of these children have never set foot on an airplane before, and Brian takes great pride in “going the extra mile” for the children because, as he says, “They are our future.” Brian also participates in his station’s annual Veterans Day program, where children perform a USO-type show for local veterans.

One of Brian’s favorite Southwest Airlines experiences was traveling to Boeing in Seattle with other Southwest Airlines Employees to accept delivery of the first two aircraft with the current canyon blue paint scheme. Brian also likes playing golf, coaching his sons’ sports teams, and barbecuing. He and his family enjoy traveling to San Diego, where LEGOLAND and SeaWorld are two favorite destinations.

Brian, your commitment to live by The Golden Rule by treating each Customer “with kindness and a smile” makes us proud to have you in the Southwest Airlines Family!

### HEROES OF THE HEART

Southwest Airlines is known as the LUV airline, and every year on Valentine’s Day, we really earn that title. We encourage Employees across our system to wear red or pink and deliver bouquets of flowers to many of our locations. Candy is also free-flowing at the Headquarters and throughout our locations across the nation. The most important Valentine’s Day tradition takes place at Headquarters in Dallas: Heroes of the Heart.

Colleen Barrett, our President Emeritus, started Heroes of the Heart 19 years ago as a way to honor a workgroup that has no contact with our external Customers, but who keeps the heart of Southwest Airlines beating behind the scenes. 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 Audio-Visual Specialists, 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, Employees gather in the main lobby of Headquarters, where they are greeted by thousands of balloons and festive decorations. After a welcome from one of our Leaders, we play a video showcasing—but not revealing—the winning Team. Everyone thinks they have it figured out until the winners are revealed as a large banner drops from above. 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 of the Heart plane, emblazoned with the Heroes of the Heart logo and featuring the winning Team’s name. In 2011, our Heroes of the Heart were our Headquarters Distribution Team, a small but mighty group who handles all of the Company’s internal printing, mailing, shipping, receiving, and fulfillment needs.

### HOKEY DAY

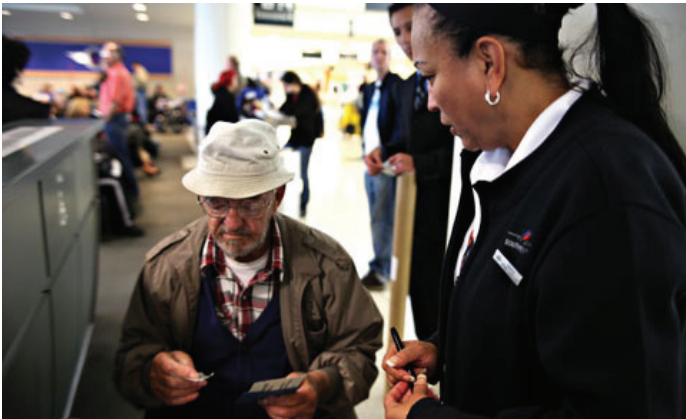
When you serve millions of bags of peanuts, millions of bags of pretzels, and millions of other snacks a year, there is a good chance that some of those snacks are not going to be consumed and will end up—you guessed it—on the floor of the airplane. Our amazing Flight Attendants use a small manual carpet sweeper called a “Hokey” to keep our aircraft tidy in between flights (our aircraft receive a thorough cleaning at the end of the day). To give our entire Flight Crew a break, members of our Companywide Culture Committee travel around the Southwest Airlines system and take care of cleaning the aircraft and preparing it for the next flight. The Hokey Team makes up snack bags for the Crew, grabs a Hokey, and waits in the jetbridge for the aircraft to pull up. Once the door opens, the Hokey Team yells, “We’re here to appreciate you! It’s Hokey Day!” The Crew is usually shocked but happy to turn over the reins to the Hokey Team, who jumps into action by Hokeying (sweeping) the plane, picking up newspapers, and straightening seatbelts.

*1 Includes Southwest Airlines and AirTran Employees.*

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > CUSTOMERS > OVERVIEW



In 2011, Southwest Airlines once again had the lowest ratio of complaints per Customers boarded of all major U.S. carriers, according to the U.S. Department of Transportation's Air Travel Consumer Report.

We take pride in flying our Customers to their destinations with all of the services they expect from Southwest Airlines. Our Employees listen to our Customers' needs through engagement opportunities and then take action to enhance our Customer Service and the Customer Experience. We're dedicated to delivering the highest quality of Customer Service with a sense of warmth, friendliness, individual pride, and Company Spirit. We're proud to be recognized time and again for our dedication to exceptional Customer Service. Recent Customer Service awards include *Consumer Reports'* Airline Customer Satisfaction Leader, ranking first in the American Customer Satisfaction Index's Airline Customer Satisfaction list, and being honored as a J.D. Powers Customer Service Champion.

### CUSTOMER SATISFACTION<sup>1</sup>

consumer complaints per 100,000 enplanements



<sup>1</sup> From the 2011 yearend U.S. Department of Transportation Air Travel Consumer Report issued February 2012.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > CUSTOMERS > FOR THE CUSTOMER



We strive to create a great travel experience for our Customers—with low fares and without hidden fees.

At Southwest Airlines, we treat each other like Family, and our Customers like guests in our home. We are committed to doing the right thing by our Customers by providing the highest quality Customer Service at an affordable price. We strive to keep operating costs low so tickets are affordable, and we take pride in delivering our Customers to their destinations with all of the services they expect from Southwest Airlines. In 2011, we celebrated milestones, grew and strengthened our Family, and created new experiences with two goals in mind—continue to improve the Customer Experience and win more Customers.

### 40th Anniversary Celebration

In 2011, we celebrated the 40th Anniversary of Southwest Airlines in several Fun-LUVing ways that highlighted our history in a fresh, dynamic way and got our Customers excited about our future. We celebrated with our Customers through activities and programs including:

- Promotions
  - Fare sales as low as \$40 one-way
  - 40 prizes in 40 days featured in *Spirit* magazine
  - 40 days of sales through Southwest Vacations
  - \$40 off theme park tickets
- Inflight perks
  - Free cocktail on our Anniversary, June 18
  - 40 free songs on iTunes through InAirtainment
  - Special edition in June of our inflight magazine, *Spirit*
- Events
  - Glitch-folk band Motopony serenading Passengers in Baltimore/Washington, St. Louis, Dallas, and Los Angeles terminals, planes, and baggage claims
  - Cocktail reception at the Frontier of Flight Museum in Dallas celebrating the opening of Heart of our History, a permanent exhibit
  - Dedication of Herb Kelleher Way at Dallas Love Field Airport, in honor of our Co-Founder and Chairman Emeritus
  - Special commemorative features at our annual LUV Classic
- Community service
  - Conservation in Action: 40 Projects for 40 Years with 40 conservation service projects in 25 Southwest Airlines cities
  - Pledge 40 Employee Volunteer program
  - 40 for 40: 1,600-Ticket Giveaway to nonprofits
- Partner sweepstakes and contests
  - 40 Friends Flyaway
  - Trips to destinations including SeaWorld parks and Nashville, Tenn.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > CUSTOMERS > FOR THE CUSTOMER

We also let our Customers know it was our 40th Anniversary through our website, southwest.com; 40th Anniversary lapel pins worn by our Employees; and messaging in our inflight menu, congratulatory advertisements from partners in *Spirit* magazine, and on the cover of *Sky Mall*. The media also featured our 40th Anniversary in magazines, newspapers, TV and radio broadcasts, and online news outlets. We took the time to share our Anniversary with our Customers so they would feel the same excitement we did. After all, without them, we couldn't have celebrated 40 years of success.

### AirTran Acquisition

On May 2, 2011, Southwest Airlines grew to include AirTran, along with the ability to spread low fares farther to our beLUVed Customers. The acquisition of AirTran provides the opportunity to enter into key markets we didn't serve before, such as Atlanta and Washington, D.C., via Ronald Reagan National Airport, and enter key near-international destinations in the Caribbean and Mexico. We're able to expand our presence at New York LaGuardia, Boston Logan, General Mitchell International Airport in Milwaukee, and Baltimore/Washington International Thurgood Marshall Airport. As we diversify and expand the "Southwest Effect," we invigorate competition by reducing fares and stimulating additional Passenger traffic, bringing more low fares to Customers.

### All-New Rapid Rewards®

On March 1, 2011, we rolled out a completely revamped All-New Rapid Rewards® frequent flyer program. The new and improved program was designed around a simple concept—to make earning free flights faster and easier. The new program features:

- Unlimited reward seats
- No blackout dates
- Points that don't expire
- Addition of international destinations
- Ability to purchase additional points
- More rewards for Rapid Rewards® credit card holders including points redeemable for international flights, gift cards, hotels, rental cars, and more
- Flexibility to earn even more ways than before—the amount of points Members earn and redeem is tied directly to the price of the fare, so when our fares go on sale, points can go even further for reward redemption

### LUV Story: All-New Rapid Rewards® Is for the Customer

Hal Hargrave Sr. often jokes with his employees about moving the weekly staff meeting to the airport, and he travels enough to justify the suggestion. As the vice president, part owner, and general manager of Apex Imaging Services, a company that performs remodeling and specialty imaging jobs for national retailers, Hal will tell you that his Freedom Story began in 1989. That's when Apex's primary client base was beginning to expand in Southwest Airlines destinations. Maintaining and increasing that client base was made easier because of the affordability and flexibility of flights, as well as ease of air travel on Southwest, he says.

But Hal's Freedom Story didn't *really* start until 2008, the year after his son, Hal Hargrave Jr., was involved in a rollover truck accident. Hal Jr. sustained a spinal cord injury and fought to stay alive during a 63-day hospital stay. He is now a quadriplegic and devotes himself to his intense recovery, hoping to beat the odds and walk again.

During his hospitalization, Hal Jr. noticed that spinal cord injury (SCI) victims often go without the emotional and mental support necessary for recovery. This inspired him to create the Be Perfect Foundation, a nonprofit organization that provides emotional support to SCI victims and helps fund their exercise-based recovery.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > CUSTOMERS > FOR THE CUSTOMER

In 2008, Hal Jr. began flying exclusively on Southwest Airlines to speak at events, fundraisers, and conventions to promote Be Perfect's cause. That's where Hal Sr.'s Rapid Rewards Membership really began to come in handy. He earns enough Rapid Rewards frequent flyer points every year to qualify for a Companion Pass (a Member who has flown 50 or more roundtrips in a 12-month period entitling a person of the Member's choice to travel with him or her free for a year), which his son uses for all his speaking engagements. Hal Jr. passionately endorses Southwest to fellow SCI patients, whom he knows often have a lot of apprehension about flying, and he assures them that Southwest will treat them with the utmost respect.

"Southwest makes air travel easier for everyone, especially for the disabled," Hal Sr. says. "The preboard policy, friendly staff, front seat leg room, and the wheelchair handling and loading make the experience of air travel a joy. Never has my son felt like he's a burden to any Southwest Employee. Instead, he knows he is someone the Company values, both as a Customer and as a person."

### **LUV Story: Southwest Airlines Is for the Business Traveler**

Quality assurance standards are important to Rapid Rewards frequent-flyer Member Randy Karvanek, both in his business and travels. As a sales manager for Jif-Pak, a leading innovator in meat casings and nettings, Randy travels from his home just north of Phoenix to various Southwest cities like Los Angeles, Denver, and Austin, Texas, on a weekly basis. "Having been in this industry and traveling for it for nearly 25 years," he says, "Southwest is definitely my favorite airline."

After years of sending letters to Southwest lobbying for service into Denver and upgrade options like Business Select and Fly-By lanes, Randy now gets to enjoy all of them and more. Before, he had to travel a specific number of flights each year on another carrier just to maintain his "status" and to obtain the airline's frequent-flyer amenities. Now, using Southwest's Business Select, Early Bird Check-In™, and Fly-By security lanes, he benefits without those added hassles. "I average more than 125 trips a year for business," Randy says. "The ease of using southwest.com and having no change or bag fees really does make it easier for me to get my job done." In his travels, Randy has become well-acquainted with other Customers and some Flight Crews who are on many of his weekly trips; having those connections can make traveling for business feel more like home.

Randy is a Companion Pass holder (a Member who has flown 50 or more roundtrips in a 12-month period, entitling a person of the Member's choice to travel with him free for a year) and his son, Chase, currently holds that coveted pass, using it to travel to pursue his Olympic hopes in international bunker trapshooting. "Because I'm gone so much of the week, I appreciate that Southwest makes it easier to get out there and get my job done so that I can spend additional time with my wife and two sons," he says. "That's priceless."

Randy, we appreciate you, too—you are definitely a quality frequent flyer in our book!

### **Boeing 737-800**

In 2011, Southwest Airlines finalized plans to introduce the 737-800 to our fleet by substituting 73 of our future 737-700 orders for -800s with delivery beginning in 2012. Exciting features of the -800s include nearly 30 percent more seating than the -700; the possibility of adding destinations like Hawaii, Canada, the Caribbean, and Central and South America; and more scheduling flexibility.

### **Volaris International Connect**

Southwest Airlines Customers are able to book international flights with connecting service by Volaris, Mexico's second largest airline. Southwest Airlines offers connecting service opportunities from more than 60 Southwest cities to different Volaris airports in Mexico including: Aguascalientes (AGU), Guadalajara (GDL), Mexico City (MEX), Mexico City-Toluca (TLC), Morelia (MLM), and Zacatecas (ZCL).

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > CUSTOMERS > CUSTOMER INSIGHT



## We LUV to hear from our Customers.

At Southwest Airlines, one of our goals is to continually enhance the Customer Experience and our Customer Service. In order to begin to accomplish this task, we must engage and listen to our Customers by soliciting 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 channels, and track industry results.

### Customer Commendations

In 2011, 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 2011, 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 8:1.

### Customer Experience Research

In our ongoing efforts to gain Customer insight and improve the Customer Experience, we contact more than 10,000 randomly selected Customers daily via e-mail to ask them about their recent travel experience with Southwest Airlines. It's no surprise our response rates exceed 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, and every year we strive to improve our score over that of the previous year. If Customers indicate overall dissatisfaction, a score of one to six, we proceed to ask them to provide additional feedback as to why their experiences were less than satisfying. In 2011, we exceeded our goal of an NPS of 65 percent for the full year.

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. We are able to drill down the information into locations and aspects of the Customer Experience to better learn and target improvements. 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.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > CUSTOMERS > CUSTOMER INSIGHT

### Brand Health Research

In addition to tracking our Customers' travel experiences with our daily NPS surveys, we run a number of other surveys to help assess the health of our brand and the equities that are most meaningful to our Customers. On a daily basis, we get a pulse on what percentage of the flying public considers us their favorite airline and believes that we deliver great Customer Service, solid ontime performance, appealing low fares and sales, and freedom from fees. We also watch to see how unique local markets are thinking of us, such as in key markets unique to our AirTran integration like Atlanta. On a biennial basis we do a deep dive. We assess brand health and Customer Experience—the topics covered across our NPS and brand monitoring survey—in a number of our markets and those of our competitors. We will conduct the biennial survey again in 2012.

### American Customer Satisfaction Index

At Southwest Airlines, not only do we have our own ways to track Customer Satisfaction, we also look at industry standards and third-party survey and study results to gain a holistic view of the needs and wants of our Customers. A third-party scoring entity, the American Customer Satisfaction Index (ACSI) measures the satisfaction of customers across the U.S. economy. The ACSI reports scores on a 0-100 scale and produces indexes for 10 economic sectors, 47 industries, more than 225 companies, and more than 200 federal or local government services. The ACSI also produces scores for the causes and consequences of Customer Satisfaction and their relationships. According to the ACSI, in 2011 our Customer Satisfaction score increased by nearly 3 percent, and we continued to lead the industry with a score of 81-17 points above our competitors. Our low-fare brand with no hidden fees and dedication to the highest quality of Customer Service continually wins the hearts of our Customers, and we have the numbers to prove it.

### 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. These results help us continually strive to provide our Passengers the best Customer Experience.

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 2010 AND 2011 PERFORMANCE RESULTS

compiled in the U.S. DOT Air Travel Consumer Report for specified calendar year

	2010	2011
Consumer complaints per 100,000 enplanements	0.27 <sup>1</sup>	0.32 <sup>1</sup>
Percentage of reported flight operations arriving ontime	79.5	81.3
Number of mishandled bags reported per 1,000 Passengers	3.47 <sup>2</sup>	3.65
Passengers denied boarding per 10,000 Passengers	1.24	0.65
Number of incidents involving the loss, injury, or death of animals during air transportation	0	0

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > CUSTOMERS > CUSTOMER INSIGHT

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-1CR  
Dallas, TX 75235

*1 Leading U.S. Department of Transportation Customer Satisfaction ranking out of 16 airlines evaluated.*

*2 Updated from reported number of 3.43 in 2010 Southwest Airlines One Report™ based on a revision to the February 2011 U.S. Department of Transportation Air Travel Consumer Report made on May 9, 2011, to include the corrections made by Southwest Airlines to total baggage reports for October, November, and December 2010.*



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > COMMUNITIES > OVERVIEW



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

At Southwest Airlines, we have a passion for people—a passion to share the spirit in the communities where we live and work. Bringing people together, inspiring change, and making a difference in people's lives—it's all part of being a good neighbor. We give back to our communities not only with our time and monetary donations, but also by donating roundtrip tickets, which allows nonprofit organizations to focus their resources on the communities where they are needed most.

To maximize the positive difference in the communities where we fly, we support global and national nonprofit organizations, champion our own Southwest Airlines giving programs, and encourage individual Employees and community members to volunteer and advocate for the causes they believe in most. For our 40th Anniversary in 2011, we developed special giving programs to celebrate with our Employees, Customers, and communities.

### 2011 BY THE NUMBERS

 **17,057**  
Donation requests received

 **40,807**  
Tickets donated

 **\$1,814,077**  
Southwest Airlines total monetary donations

 **\$18,238,850**  
Southwest Airlines total value of monetary, in-kind, and ticket donations

 **114,000+**  
Employee volunteer hours

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > COMMUNITIES > SUPPORTING OTHERS



With a Servant's Heart, we encourage making a positive difference in our communities.

At Southwest Airlines, community giving and supporting other has been a part of our Culture since we first took flight 40 years ago. We work with charitable organizations large and small to support them in making a profound and lasting impact in our communities. Every Southwest Airlines location is a part of a community, and we're committed to helping our neighborhoods thrive wherever we fly. It's a commitment deeply rooted in our Culture along with the belief that we can use our assets to be a catalyst for positive change.

### All Hands Volunteers

In the aftermath of the 2004 tsunami in Southeast Asia, humanitarian David Campbell spontaneously flew to Thailand to help those in need. When aid organizations turned him away because he was unaffiliated with larger aid groups, he organized a group of other unaffiliated volunteers to provide the survivors of the tsunami with what they needed. With each subsequent disaster, the number of volunteers who showed up to help grew along with the amount of money donated for the cause. Today, All Hands Volunteers provides the essentials needed for disaster relief volunteering around the globe, including housing, meals, and tools. Last year alone, All Hands Volunteers responded to the floods in North Dakota, the tornadoes that swept the Midwest, and continued work on the Japanese tsunami relief. Southwest Airlines is proud to support All Hands Volunteers' cause by donating roundtrip tickets to offset the costs of travel.

### American Red Cross

The American Red Cross helps vulnerable people and communities around the world prepare for, respond to, and recover from natural disasters, humanitarian emergencies, and health crises by mobilizing the power of the world's largest humanitarian network, made up of more than 185 Red Cross and Red Crescent societies and more than 13 million volunteers. We know that a disaster can strike at any time, so in 2011, we at Southwest Airlines increased our commitment and became a corporate member of the American Red Cross' Annual Disaster Giving Program (ADGP). The ADGP allows the American Red Cross to build a funding base to ensure its disaster relief services are ready to provide food, shelter, mental health counseling, and other essential assistance to disaster victims. In order to become an ADGP member, organizations must donate \$500,000 of in-kind donations, cash donations, or a combination of both during a calendar year. At Southwest Airlines, we understand that our financial contributions can greatly help those in need but the opportunity for in-kind donations such as roundtrip tickets, cargo space, and water can also greatly help the American Red Cross to more readily deploy volunteers and resources to most effectively respond to the needs of those affected by disaster.

*"The money we saved by using donated tickets allowed us to help a family of four after a local house fire. They lost everything they owned. We even used the comfort kits put together by the local Southwest employees. What a way to partner and make an impact. Making a difference in the air and on the ground!"*

– Scott Emerson, Chief Executive Officer of the American Red Cross, Southern Nevada Chapter

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > COMMUNITIES > SUPPORTING OTHERS

Becoming a member of the ADGP continues the already strong relationship between Southwest Airlines and the American Red Cross. Southwest Airlines started contributing to the Red Cross in 1994 in the Dallas-Fort Worth area, and we have continued to make donations, collect items nationwide for adults' and children's comfort kits, and volunteer our talents at various events and on disaster scenes. We also continued to hold quarterly blood drives at Headquarters in Dallas to benefit the American Red Cross blood services and leverage the services of the American Red Cross within our Emergency Response Department. In addition to our donations, we also support Employees who donate their time to train in the Ready When the Time Comes program. This program trains Employees in the critical aspects of being an American Red Cross volunteer, so they can better contribute to relief efforts in their communities.

### 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. With four million annual blood donors, Red Cross is the largest supplier of blood and blood products in the U.S. The American Red Cross opened 1,019 shelters, provided 6.7 million meals and snacks and 2.6 million relief items, and engaged 27,622 disaster workers for the dozens of large-scale disasters that occurred in 2011.*

### Community Giving Boards

In order to enhance our ability to extend our Servant's Heart to organizations working to make a difference at a local level, we have developed the Community Giving Boards program. These boards allow our local Employees to have a direct and personal impact in their communities and are comprised of a cross section of various work groups within the Company. These Employees evaluate the donation requests from charitable organizations in their community and award complimentary, roundtrip tickets to approved charitable organizations for fundraising or transportation. In 2011, Southwest Airlines Community Giving Boards received 9,291 requests for charitable donations from nonprofit organizations across the country, and we fulfilled 3,680 of these requests with 8,712 tickets. These charitable organizations can then reinvest the funds that would have been used for travel expenses back into their core purposes or add to their fundraising efforts through auctions or raffles.

### Guatemala Light Project

In 2011, 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, they were able to 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 consumed, we donated two cents to the Guatemala Light Project. Throughout 2011, we were able to donate more than \$8,250 to the Guatemala Light Project thanks to our Customers' LUV of coffee. Since the introduction of our LIFT coffee and our giving back to the Guatemala Light Project three years ago, Southwest has donated more than \$22,750.

### Local Outreach Coordination Ambassadors

Through the Southwest Airlines' Local Outreach Coordination (LOC) program, LOC Ambassadors connect the needs of the local community with the efforts of Southwest Airlines and continue our history of being the hometown carrier that cares. We plan to extend the LOC Ambassadors program, which is only in its second year, to more Employees, so that we can expand our reach through more committed Employees who actively support local organizations and are tackling real, local issues. Our LOC Ambassadors provide feedback and identify additional opportunities to have a positive impact on our communities.

### Medical Transportation Grant Program

In its fourth year, Southwest Airlines' Medical Transportation Grant Program donated \$2.2 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 2011, our Medical Transportation Grant Program donations increased 83 percent over the previous year and more than doubled the number of organizations served nationwide. We directly donated to hospitals like MD Anderson to bring patients to their renowned facility in Houston and also to transportation organizations like Angel Flight, which helps patients travel wherever they need to for treatment.

*"Children's Hospital Boston is immensely grateful to Southwest Airlines for supporting our patient families in their greatest time of need. Families play an important role in the healing and recovery process for sick kids. These tickets will not only ease financial burdens—they'll also ease emotional ones by allowing loved ones to be nearby while parents focus on what matters most: helping their child get better."*

— Lynn Susman, President, Children's Hospital Trust

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > COMMUNITIES > SUPPORTING OTHERS

### Showing LUV to Our Communities for 40 Years

In 2011, in honor of our 40th Anniversary, we wanted to show our appreciation and LUV to the communities that have supported us for four decades by giving back. One way we shared the LUV was through an exciting 1,600-ticket giveaway—40 nonprofit organizations each received 40 roundtrip tickets on Southwest Airlines. In order to be selected, charitable organizations submitted compelling stories and photos to explain how 40 roundtrip tickets would help them better achieve their missions. The heart-warming, inspirational stories made the selection difficult, but we narrowed the list to 40 well-deserving philanthropic organizations with a focus on education, diversity, military, environment, and families facing serious illnesses.

We had the opportunity to surprise one of the winning organizations—Soles4Souls of Old Hickory, Tenn. Soles4Souls is a nonprofit organization that collects new and used shoes to provide to those in need. Like our other 39 winners, Soles4Souls had no idea we would arrive and hand over 40 tickets to help further its community outreach. Watch the video below—Soles4Souls' reaction is priceless!



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > COMMUNITIES > LEADING THE WAY



At Southwest Airlines, the SPIRIT of giving back is intrinsic in our Culture.

Our Servant's Heart shines through with our extensive community outreach through the unique Southwest Airlines programs that were developed and organized by our dedicated, Fun-LUVing Employees. We encourage our Employees to take care of each other and their communities, representing Southwest Airlines as Volunteers and Ambassadors involved in issues that matter through civic involvement and in activities that protect the planet and its natural habitats.

### Adopt-A-Pilot

It is no secret that just one educational achievement can transform a person's life and ripple through a community in a positive way. At Southwest Airlines, we know the importance of reaching out to our youth through educational and leadership opportunities, which is why we created the Adopt-A-Pilot program in 1997. In 2011, more than 1,500 classes of fifth-grade students across the country "adopted" Southwest Airlines Pilots in this award-winning educational program. This program leads students through science, geography, math, writing, and other core subjects with aviation-related activities and allows the students to 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 349,000 students to date. Southwest Airlines is pleased to offer this program at no cost to participating schools.

### Emergency Response

Our Emergency Response (ER) Department leads the Companywide preparedness efforts needed to respond confidently and compassionately to emergencies that could affect our Employees, Customers, or communities. The Team maintains an Emergency Procedures Manual that outlines preparedness guidelines for more than 130 Emergency Teams, which consist of Employees from all work groups. Close to 1,500 ER Team members participate in ongoing training and drills—in addition to their day-to-day jobs—to remain prepared for a real situation such as an aircraft accident or other broad-reaching emergencies. Each Team is represented on an Emergency Response Committee, which assembles quarterly to discuss new issues, enhance procedures and skills, and apply best practices. We strongly believe in developing the abilities needed to respond to emergencies not only to meet requirements under the law, but also because we strive to cultivate a strong Culture of Safety and preparedness.

### Key Contacts Program and Days on the Hill

Southwest Airlines' Key Contacts program enables Employees to engage their congressional representatives on issues that matter to us most. Approximately 244 Key Contacts are located throughout the communities we serve, including the congressional districts of representatives on such important congressional committees as the Aviation Subcommittee, Ways and Means Committee, and the Appropriations Committee.

To empower our Key Contacts, we host Days on the Hill, an annual grassroots training conference during which our attendees, known as Key Contacts, learn about the issues that affect the airline industry and how they can be effective grassroots advocates for Southwest Airlines. In October 2011, roughly 95 Southwest Airlines Employees from across the country met in Washington, D.C., for Days on the Hill. The training included an exciting lineup of speakers and activities through which attendees learned about the legislative process and the proposed increases

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > COMMUNITIES > LEADING THE WAY

in federal taxes on the airline industry that gravely threaten the future affordability of air travel. The culmination of the conference occurred when Key Contacts made visits to "The Hill" to meet with their representatives and educate them on Southwest Airlines' impact in their district as well as the proposed aviation taxes.

Because the airline industry is sensitive to regulatory burdens and changing economic conditions, our Key Contacts program is a vital part of our efforts to affect local issues and national policy that are important to Southwest Airlines and aviation in general.

### LUV Classic

President Emeritus Colleen Barrett started the LUV Classic, a fundraising golf tournament, in 1985 as a way to encourage Southwest Airlines Employees to give back to their communities and help those in need. Every year since, our wonderful Employees organize and run the event, hosted in Dallas, as a benefit for the Ronald McDonald House Charities, which help families with seriously ill children. During its 26 years, the LUV Classic has raised more than \$13 million for 63 Ronald McDonald Houses. In 2011, thanks to the LUV Classic, the Ronald McDonald Houses in Atlanta, Cleveland, Dallas, Oklahoma City, and Little Rock received a \$684,000 donation.

### Military Heroes Month

While Southwest Airlines supports military organizations throughout the year, we have a special focus in November, creating Military Heroes Month to honor our Employees, Customers, and all who are currently serving or have served in the armed forces. Working with multiple nonprofit organizations throughout the month, we said thank you by giving back, volunteering, and raising money to support military service members and their families.

### ARMED FORCES FOUNDATION TWEET FOR OUR TROOPS | NATIONWIDE

During the NFL pregame and postgame show on FOX for the Atlanta Falcons versus New Orleans Saints game, Southwest Airlines promoted the Armed Forces Foundation, a group that provides direct financial support to service members and their families, through a fundraising tweet campaign. Southwest Airlines donated \$100,000 to the Armed Forces Foundation.

### THE BOOT CAMPAIGN | NATIONWIDE

Southwest Airlines developed a relationship with the Boot Campaign, which provides an easy and tangible way for Americans to show appreciation for our troops past and present, raise awareness of the challenges our soldiers face upon return, and donate funds to charities supporting their transition home. In early November, the Boot Campaign's website featured a photo of Southwest Airlines Chairman of the Board, President, and Chief Executive Officer Gary Kelly wearing combat boots.

### THE CARRIER CLASSIC | SAN DIEGO

On Veterans Day, Southwest Airlines supported the Carrier Classic—a nationally televised college basketball game between Michigan State and the University of North Carolina held on the deck of the USS Carl Vinson while stationed in San Diego. Southwest Airlines provided transportation for 50 wounded veterans to attend the event along with Southwest Airlines Pilot Volunteers.

### CONGRESSIONAL GOLD MEDAL CELEBRATION | WASHINGTON, D.C.

As the official commercial airline of the Honor Flight Network, Southwest Airlines donated 380 tickets to provide travel for World War II Japanese-American veterans to Washington, D.C., to be honored with a congressional gold medal for their contributions to our country during World War II.

### HOME FOR THE HOLIDAYS | SAN DIEGO

Southwest Airlines partnered with Home for the Holidays to donate 24 tickets to provide transportation for veterans and their families from their military base in San Diego to their family homes to share this special season together. This program is a nonprofit organization whose mission is to bring military families together during times of need, celebration, or life-changing events.

### IRAQ AND AFGHANISTAN VETERANS OF AMERICA | NATIONWIDE

To celebrate Veterans Day and to announce Southwest Airlines' relationship with the Iraq and Afghanistan Veterans of America, we made a \$1 donation to this charitable organization for every beverage sold onboard Southwest Airlines flights on Nov. 11, 2011. Donations totaled to \$50,000.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > COMMUNITIES > LEADING THE WAY

### THE MISSION CONTINUES | ST. LOUIS

The Mission Continues is an organization committed to connecting veteran volunteers with nonprofit organizations across the United States. As the official airline of the Mission Continues, Southwest Airlines partnered with the organization on several activities during the month of November, including a volunteer effort to pack more than 3,000 goodie bags for Illinois family shelters. During the week leading up to Veterans Day, the Mission Continues joined Southwest Airlines Volunteers to host tables at four airports—Houston Hobby, Baltimore/Washington, Denver, and Orlando—to hand out “We LUV Our Troops” postcards. In 2011, the Mission Continues presented Southwest Airlines with a Compass Award for Respect, in honor of our working together for three years.

### OPERATION FREEDOM BIRD | PHOENIX

For 13 years, Southwest Airlines has sponsored Operation Freedom Bird trips for Vietnam combat veterans. On Nov. 9, 2011, Southwest Airlines provided transportation to Washington, D.C., and welcomed home the veterans in the Maintenance Hangar at Phoenix Sky Harbor Airport with a celebratory ceremony along with their family and friends.

### TEXAS RANGERS FACES OF FREEDOM | DALLAS

Southwest Airlines partnered with the Texas Rangers on the Faces of Freedom contest where every month a member from each branch of the military was honored at a game. In honor of their service, the winners received a trip for two to Washington, D.C.

### VETERANS ACROSS AMERICA | NEW YORK

In November 2011, Southwest Airlines joined Veterans Across America to provide eight World War II Veteran Navajo code talkers and their families transportation from New Mexico to New York to be honored during a Veterans Day parade and Navajo Code Talker Museum opening celebration.

### WE ARE THANKFUL | NATIONWIDE

Throughout the week leading up to Veterans Day, Southwest Airlines provided approximately 1,000 “We LUV Our Troops” postcards in all Southwest Airlines airports nationwide for Customers and Employees to share their well-wishes and greetings to deployed U.S. military troops. The We Are Thankful organization sent these greetings to deployed U.S. troops at no cost to our Customers.

Southwest Airlines has a long history of supporting the men and women who fight for our freedoms. This year, *G.I. Jobs* magazine again named Southwest Airlines one of the Top 100 Military Friendly Employers. Southwest Airlines has had more than 5,000 Employees who have served or are serving our country in the military, so to them and the thousands of men and women who are currently serving, Southwest Airlines would like to thank you.

### Southwest Airlines Employee Catastrophic Assistance Charity

When disaster strikes, whether it affects hundreds of Employees throughout a region or just one, we truly take care of our own. Through fundraisers and payroll deductions, the Southwest Airlines Employees Catastrophic Assistance Charity (SWAECAC) allows Employees to make tax-deductible donations to a collective assistance fund. These funds are dispersed to Coworkers who apply due to a personal crisis or need. In 2011, our Employees collectively contributed a total of nearly \$1.1 million to SWAECAC.

### Conservation in Action: 40 Projects for 40 Years

To celebrate our 40th Anniversary, we wanted to give back in appreciation of all the support that our communities have given us. 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 Student Conservation Association (SCA) to celebrate our 40th Anniversary and take our commitment to volunteerism, youth leadership, and the environment on the road, literally. Tour 40 united volunteers from SCA, our Employees, Customers, and the general public in 25 cities to perform a conservation project for each of the 40 years Southwest Airlines has been in business.

This effort of volunteerism demonstrates just how much Southwest Airlines cares about giving back to the communities that have meant so much to us for the past four decades. In all, 1,500 Employees were involved in these projects and volunteered more than 6,200 hours, which included restoring national parks, marine sanctuaries, cultural landmarks, and community green spaces. Southwest Airlines is proud of the positive impact our Volunteers made on our planet.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > COMMUNITIES > LEADING THE WAY

### ***LUV Story: No Limits on Our Interns' Futures***

Our internship program at Southwest Airlines, No Limits, gives our interns the opportunity to design their own future. Our interns are a part of our beLUVed Family, and we celebrate the opportunity to allow their creativity to shine while also teaching them about Living the Southwest Way with a Warrior Spirit, a Servant's Heart, and a Fun-LUVing Attitude. We encourage our interns to embrace the Southwest Spirit, Culture, and to give back to their communities.

That is why in 2011, in conjunction with the then upcoming Conservation in Action: 40 Projects for 40 Years, we held a Design-Off for a selected group of interns and Employees. These individuals competed in designing the exterior of the RV that drove cross-country with Student Conservation Association (SCA) passengers to 25 Southwest Airlines and AirTran Airways cities where the conservation projects occurred. Once the designs were in, Southwest Airlines Employee judges voted anonymously for the winner: An intern, Kim Teryua, had submitted artwork that not only embodied the theme of giving back but also captured the essence of the Southwest Airlines' 40th Anniversary and the vision of the SCA in a single design. Kim was able to see her design come to life as she worked with the Community Relations & Charitable Giving Department at Southwest Airlines to transform her design from a graphical image on the computer to the RV.

Kim's Southwest Spirit did not stop there. After getting involved in the Design-Off at Southwest Airlines, she realized she had a passion for giving back to the environment and our communities through the Conservation in Action: 40 Projects for 40 Years. She started looking into joining with the SCA, so she could be a part of the tour. Three weeks after her internship at Southwest Airlines ended, Kim joined the SCA and traveled with the RV that transported the Team to 40 charitable conservation projects in 25 cities. In each city, Southwest Airlines Employees, Customers, and the general public joined the SCA to volunteer.

Through the No Limits internship program and Conservation in Action: 40 Projects for 40 Years, Southwest Airlines gave Kim the opportunity to design her own future and watch her work come to life.

### **Student Conservation Association**

*The SCA is a nonprofit that engages college and high school students in conservation service opportunities. SCA's 4,000 interns and volunteers provide more than two million hours of conservation service per year and serve more than 500 natural and cultural sites in all 50 states. This charitable partnership not only helps further our commitment to the environment, but it also demonstrates our dedication to youth leadership and community involvement.*



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > COMMUNITIES > ENCOURAGING INDIVIDUALS



We applaud and encourage individuals who make a positive difference.

Southwest Airlines recognizes that true advancements and change are results of individual efforts. These efforts may be the result of actions by a single person or are the collective actions of people with a common interest. In recognition of this, we actively support social interest groups and individual Employees and their pursuit of creating positive impacts within their own communities.

### **African American Outreach**

Southwest Airlines is devoted to serving the African American community and encouraging individuals to do the same. From celebrating cultural events to partnering with local community organizations, we honor African American heritage and are proud to be part of this community. We show our support through the celebration of Black History Month in February, through numerous community partnerships throughout the African American community, and by encouraging others to celebrate our differences. Our 2011 community partnerships included organizations like Continuing the Legacy in Aviation, National Great Blacks in Wax Museum, and Black History Month.

### **Asian American Outreach**

Southwest Airlines is committed to serving the Asian American community. As a Company that embraces diversity, we also know the importance of recognizing our Customers' history and backgrounds. Southwest Airlines celebrates Asian culture throughout the year with events during Chinese New Year and Asian Pacific American Heritage Month in May. We serve the Asian community through our relationships with various local and national organizations. Our 2011 community partnerships included Japanese American Citizens League and The Asian & Pacific Islander American Scholarship Fund.

### **LGBT Outreach**

At Southwest Airlines, we take pride in our outreach and commitment to the LGBT community. We have community partnerships with a variety of local and national organizations who are dedicated to LGBT causes and initiatives. As an example, we are the official airline of the Gay & Lesbian Alliance Against Defamation (GLAAD), the National Gay & Lesbian Chamber of Commerce, and the National Gay and Lesbian Task Force National Conference on LGBT Equality: Creating Change.

### **Hispanic Outreach**

We take pride in the history and Culture we have built our airline upon as well as the wonderful Customers who fly with us. We celebrate the Hispanic community through events during Hispanic Heritage Month in September, and we show our commitment to the Latino community through our relationships with many local and national organizations. Our 2011 community partnerships included Hispanic Federation and National Latino Funds Alliance.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > COMMUNITIES > ENCOURAGING INDIVIDUALS

### **Pledge 40**

As part of our 40th Anniversary celebration, we promoted a special internal incentive in 2011, asking Employees to pledge to volunteer 40 hours at their favorite nonprofits, then go out and volunteer. Each Employee who completed his or her pledge was put in a drawing for prizes, including the grand prize, a trip for 40 winners to Seattle to pick up one of our newest 737-800 planes in 2012. We had more than 380 Employees qualify for the drawing.

### **Tickets for Time**

Southwest Airlines launched the Tickets for Time program in 2010 in order to better support our passionate Employee Volunteers in the communities where they live and work. For every 40 hours, one or more of our Employees volunteer for a nonprofit organization, the benefiting organization is eligible to receive one complimentary, roundtrip ticket on Southwest Airlines for fundraising or transportation needs. Through this program, a charitable organization can receive up to six tickets in a calendar year. In 2011, our Tickets for Time program generated 1,566 roundtrip tickets for charitable organizations thanks to our beLUVed Southwest Airlines Employee Volunteers.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > FUTURE PEOPLE INITIATIVES



With LUV, we build on our strong foundation to prepare for another 40 years of success.<sup>F</sup>

In the year of Southwest Airlines' 40th Anniversary, as we planned for the next 40 years and beyond, we celebrated and reflected on our accomplishments, lauded history and Customer Service, and our consistent leadership in the aviation industry over the past 40 years. We are excited about what the future brings for Southwest Airlines and are proud that it includes integrating AirTran into the Southwest Family.

### Employees

Our Employees made Southwest Airlines who we are today and are just as essential to our future. Together, we approach our future by continuing to live the Southwest Way with a Warrior Spirit, a Servant's Heart, and a Fun-LUVing Attitude.

### AIRTRAN INTEGRATION

With the acquisition of AirTran—a tremendous event in our airline's history—Southwest Airlines grew to more than 45,000 Employees<sup>1</sup> in 2011. Throughout 2011, business continued as usual for each airline individually. We reached a huge milestone as a Company on March 1, 2012, when we received a Single Operating Certificate. The integration of our two airlines will take time. The integration of Southwest Airlines and AirTran will continue to develop throughout 2012 and for several years afterward before we're a single, united brand. We plan to further discuss the AirTran integration in the *2012 Southwest Airlines One Report*<sup>TM</sup>.

### CITIZENSHIP AT SOUTHWEST AIRLINES

Formed in 2010, our Citizenship Committee—comprised of a cross section of Employees in a core Intelligence Group and an Executive Steering Group—rolled up their sleeves to better identify opportunities and establish goals to contribute to the long-term sustainability of the Company.

In 2011, after a materiality assessment, the committee developed Key Performance Indicators (KPIs) to measure progress toward our business strategies and began identifying and tracking related metrics for each KPI. Our social KPIs include:

#### *Advance Southwest Airlines' Culture of Safety and Security*

Our top priority is to protect the personal Safety of each Southwest Airlines Customer and Employee, thus, advancing our Culture of Safety, which can be seen in our commitment to continuous education and improvements that provide a safe environment.

#### *Value Our Employees*

At Southwest Airlines, we believe in creating an environment where our Employees are rewarded for the work they do, can achieve their personal best, and are celebrated and respected for differences and strengths.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > FUTURE PEOPLE INITIATIVES

### *Win the Hearts and Minds of Customers*

Living by The Golden Rule, we extend to our Employees the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Customer in every interaction. These principles help guide us to award-winning Customer Service and experiences that bring Customers back time and again.

### *Use Resources Responsibly*

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 efficiently, collecting and analyzing information on our impacts, and continuously improving the actions we take to mitigate those impacts and operate with a "green filter."

We feel that these KPIs will help us to remain a sustainable, prosperous airline by growing our efforts to become a Leader in global citizenship through clarification of our broader objectives, measurement of our efforts, and clear communication of our progress to Stakeholders.

The Citizenship Committee is also working on instilling citizenship throughout all areas of Southwest Airlines and with all Employees. This work is ongoing, and we plan to discuss more about our progress toward and education about our KPIs in the *2012 Southwest Airlines One Report™*.

### DIVERSITY TRAINING

In September 2011, we created a new leadership role, Vice President of Diversity & Inclusion. In this role, former Vice President of Customer Support & Services Ellen Torbert provides Leadership, vision, and advocacy as we continue our work to foster an inclusive work environment. In 2012, she will be implementing a new, robust diversity inclusion education and outreach program, which we will discuss further in the *2012 Southwest Airlines One Report™*.

### PROMOTING SAFETY AND SECURITY

Safety is our first priority at Southwest Airlines, and we continually train our Employees in Safety and Security throughout the Company. In 2011, the Safety and Security Promotions Team outlined a plan for 2012 to infiltrate all communication channels with Safety and Security information. The Safety and Security Promotions Team will reach all Employees with a Safety and/or Security related topic at least monthly. These topics include (but are not limited to):

- General Safety
- Heart health
- Driving and forklift Safety
- Slips, trips and falls
- Severe weather
- Hazard communication, chemical inventory, and hazardous materials
- Blood-borne pathogens
- Ergonomics
- Fire Safety and emergency preparedness
- Warehouse and shop Safety

We will discuss the Safety and Security Promotions Team and their efforts in further detail in the *2012 Southwest Airlines One Report™*.

### WIRELESS RAMP COMMUNICATION

In December 2011, we announced that Southwest Airlines will be the first U.S. airline to equip Ramp Employees systemwide with hands-free wireless headsets to enable the Ground Crew and Pilots to better communicate and coordinate the process of pushing back planes from concourse gates. The new devices are expected to add another level of safety. The headset system also will help to improve departure times and fuel efficiency. We continue to deploy the headset system nationwide at all Southwest Airlines gates in 2012.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > FUTURE PEOPLE INITIATIVES

### Customers

At Southwest Airlines, we are always looking for ways we can better the Customer Experience by augmenting our already great services, introducing new programs, and creating new experiences. In 2012, we will debut developments that improve how our Customers make reservations, their inflight experiences, and their destination options.

#### *EVOLVE: THE NEW SOUTHWEST INTERIOR*

In early 2012, we debuted a sleek new cabin experience, *Evolve*, which enhances Customer comfort, improves fleet efficiency, and reduces our environmental impact. Southwest Airlines Employees from Maintenance, Engineering, Marketing, Purchasing, and the Green Team collaborated to improve the inflight Customer Experience, while increasing the durability and sustainability of onboard materials and remaining cost neutral. Inspired by Southwest Airlines' past with a nod to our future, *Evolve* improves the Customer Experience while preserving personal space. Features include:

- **Modern cabin design:** The new design incorporates natural, earthy tones combined with Southwest Airlines' iconic canyon blue and clean, aluminum accents for a more modern, fresh appeal.
- **Lighter and more comfortable seat:** The redesigned low-profile seat is more durable, made of eco-friendly products, is lighter, and more comfortable.
- **Increased under-seat space:** The new design allows for more under-seat room for carryon luggage and approved pet carriers.
- **Customer living space:** Reducing the recline from three inches to two inches preserves onboard personal living space while still allowing for ample seat adjustment for Customer comfort.
- **Seatback pockets:** The new netted seatback pockets are streamlined to provide more shin clearance and a cleaner cabin.
- **Headrest:** The fixed-wing headrest provides better neck and head alignment with side-to-side support for sleeping.
- **Improved ergonomics:** The combination of the low-profile cushion and fixed wing headrest improves ergonomics by positioning Customers down and back into the seat, allowing for better lumbar support, armrest alignment, and increased personal space.

This new inflight interior stays true to our triple bottom line of Performance, People, and Planet. With significant cost savings from increased durability, more efficient fuel consumption, and reduced weight by 635 pounds—even with the addition of six seats—and new revenue opportunities with additional capacity, we were able to accelerate the release of *Evolve* on our fleet while still remaining cost neutral. Customer comfort remained a top priority, as the additional seating came about through an evaluation of space optimization throughout the cabin. *Evolve* also features many of the sustainable elements and recycled materials tested on our Green Plane.

In March 2012, we began retrofitting our current fleet of 372 Boeing 737-700s with *Evolve* and anticipate completion in the first half of 2013. As the integration of AirTran moves forward, AirTran's aircraft will also be retrofitted with the *Evolve* cabin interior as those aircraft are converted into the Southwest Airlines configuration over the next several years.

#### FLEET MODERNIZATION

As part of our fleet modernization, in March 2012, we started receiving the first of our Boeing 737-800 orders. These aircraft are packed with features that will improve the Customer Experience. Compared to the 737-700, the 737-800 provides nearly 30 percent more seating capacity with 175 seats. This allows for scheduling flexibility in high-demand, slot-controlled, or gate-restricted markets—in other words, we can carry more of our Customers to our most popular destinations. Since it's more economical to operate in a longhaul environment, it also opens up the possibility to fly to more distant markets such as Hawaii, Alaska, Canada, the Caribbean, Mexico, and Central and South America. In addition to featuring our new *Evolve* interior, our new -800s include the stylish Boeing Sky Interior, which better accommodates the comfort and needs of our Customers with features including:

- Quieter cabin
- Taller ceilings
- More overhead bin space
- Improved operational security features such as two overwing exits on each side of the aircraft
- Three lavatories
- Energy-efficient LED reading and ceiling lighting

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > FUTURE PEOPLE INITIATIVES

In December 2011, we were the first airline to place a firm order for the new, more fuel-efficient Boeing 737 MAX. We will be the first to add the 737 MAX to our fleet and anticipate receiving the first of the 150 we ordered in 2017. In addition to the latest aircraft models, we have also ordered 58 Boeing Next Generation 737 aircraft to serve as replacements as we accelerate the retirement of our older, less-efficient aircraft. We have ordered these new aircraft because they appeal to our triple bottom line of Performance, People, and Planet, with a positive impact on our bottom line, Customer Experience enhancements, and a lessened impact on the environment

### INFLIGHT INTERNET CONNECTIVITY

Southwest Airlines began incorporating wireless internet on our 737-700 fleet. As of March 2012, more than 200 of our Southwest Airlines aircraft offer WiFi service onboard, and we plan to have the entire Southwest Airlines 737-700 fleet WiFi enabled in 2013. In addition, all 737-800s will be WiFi equipped as they enter Southwest Airlines service. Our agreement with our WiFi provider, Row 44, allows us to control the pricing of this service—currently \$5 per device to our Customer's final destination, including stops or connections. We offer complimentary service to our A-List Preferred Members who log in with their Rapid Rewards® account numbers.

### EXPANDED NETWORK

In 2012, we're expanding our network domestically and to new international destinations. Our route map reflects these exciting new opportunities for Customers.

### RESERVATION SYSTEM REPLACEMENT

To keep up with the evolution of the Southwest Airlines network, we intend to replace our reservation system. Our existing reservation system was developed for a simpler pricing system and more limited network than we have today. We intend to replace our existing reservation system with a system that would provide the ability to serve international destinations and would allow for other revenue management and Customer Service enhancements. Our reservation system replacement will be a multi-year project.

### Communities

As we continue to integrate AirTran into the Southwest Family over the next few years, AirTran Employees will continue to be included in all community outreach programs. For instance, Southwest Airlines and AirTran celebrated new Southwest Airlines service to Atlanta by painting a local recreation center in February 2012. As our family continues to blend, we are excited about more opportunities for us to also give back together in all the communities served by our united Company with a goal to increase our community involvement through volunteerism, donations, and participation on boards and with organizations.

*1 Based on active, full-time equivalent Southwest Airlines and AirTran Employees as of Dec. 31, 2011.*

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > SOCIAL MANAGEMENT APPROACH



We emulate a Culture of LUV for our Stakeholders, treat our Customers like guests in our home, and give back to the communities we serve.

We understand the powerful impacts that our Company can have on the social systems within which we operate. That is why we are passionate about Doing the Right Thing by our Stakeholders where we operate. We build longstanding relationships not only with our Employees but also with our Customers and communities and look for every opportunity to enhance these relationships for the betterment of all involved. We disclose information regarding our interaction with these groups through the following Global Reporting Initiative Disclosures 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 is a critical strategy guided by our Executive Vice President and Chief People and Administrative Officer and our General Counsel Department, which includes a section devoted solely to labor and employee relations. 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 a competitive compensation and benefits package. We then provide a positive working environment, training, and encouragement to help them succeed.

### SAFETY

Our top priority is to protect the personal Safety of each Southwest Airlines Passenger 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. Our Safety and Security commitment is to foster and support a Safety and Security Culture that identifies risks to the operation and workplace and strives to proactively deal with these issues before they become injuries, accidents, or incidents. We are also committed to advancing Southwest Airlines' Culture of Safety through Employee training and outreach. In 2011, we developed a Safety and Security Promotions Team dedicated to building Safety awareness and training within Southwest Airlines. In the 2012 *Southwest Airlines One Report*™ we will share more results regarding the accomplishments of this Team.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > SOCIAL MANAGEMENT APPROACH

### LABOR RELATIONS

We are proud of our Southwest Culture and the relationships we build with our Employees. We believe communication, transparency, and consistency are keys to fostering strong, long-term 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.

In 2011, the acquisition of AirTran Airways also brought together two similar, Employee-centric organizations that have won numerous awards for Customer Service. We will work closely with AirTran and Southwest Airlines Employees as we combine our operations and will partner with our unions to address seniority and other matters to integrate with success.

### DIVERSITY AND INCLUSION

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: our CEO's Message to the Field, coffee talks with Leaders, town halls, the biennial Employee surveys, OnBoarding efforts, Culture Committee, the Diversity Council, and more.

In 2011, we recognized the need and importance of having a diversity and inclusion champion at Southwest Airlines to encourage our Employees to recognize the unique differences that each one of them offers the Company. That is why our former Vice President of Customer Support & Services became Southwest Airlines' Vice President of Diversity & Inclusion. This position is responsible for providing Leadership, vision, and advocacy as we continue our work to foster an inclusive work environment. This includes coordination and Leadership to our supplier diversity, diversity recruiting, and training efforts as well as involvement with the Corporate Diversity Council on our other Matter of Respect initiatives and awareness efforts.

Southwest Airlines scored 90 out of 100 in the Human Rights Campaign's 2012 Corporate Equality Index. This tenth annual report ranks companies based on a survey of 2011 data. The annual Corporate Equality Index serves as a report card for LGBT equality in corporate America and rates more than 630 businesses across the country in categories such as non-discrimination policies and training, benefits, employee support through diversity councils, and marketing and external engagement. The 2012 publication marks the first year of new, more stringent criteria regarding transgender health benefits, which caused our five-point decrease since 2010.

### 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 has helped to create the Fun-LUVing Southwest Culture for which we are known. Inclusion brings our Company together, and we embrace different perspectives and celebrate those who dare to bring their best forward.*

### 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 to our Employees

### EDUCATION AND TRAINING

Southwest Airlines is dedicated to the continued education and training of its Employees and seeks out ways to enhance Employee education in the future.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > SOCIAL MANAGEMENT APPROACH

### KEY PERFORMANCE INDICATORS

In 2011, Southwest Airlines' Citizenship Committee began evaluating potential Employee-related key performance indicators (KPIs). We are defining quantitative goals and defining measurements to assess our progress. These KPIs are:

- Enhance our Culture of Safety and Security
- Value our Employees
- Use our Resources Responsibly
- Win the Hearts and Minds of Customers

In 2012, we will prioritize and establish goals for selected Employee KPIs and will work to define protocols for collecting and analyzing operational data related to each of these KPIs, so we can use future data to continuously improve and monitor Southwest Airlines' commitment to the triple bottom line.

### 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.

### EMPLOYEES

To fulfill our responsibilities to support and respect the protection of human rights within our sphere of influence, we have created and adhere to Company policies defined by our Executive Vice President and Chief People and Administrative Officer and our General Counsel Department, including its Labor and Employee Relations section. These policies include our commitment to:

- Prohibit child and forced labor
- Prevent 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
- Respect the right of Employees to associate freely
- Recognize lawful rights of Employees to choose or not choose collective bargaining representation

### SUPPLIERS AND BUSINESS PARTNERS

Southwest Airlines expects our 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 also is available for existing Employees through our Matter of Respect training for Leaders and our sexual harassment online module. In 2011 alone, our Employees devoted more than 3,700 hours to human rights training, and 10.1 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, or discrimination. 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 Doing the Right Thing.

### 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.

### 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. 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.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PEOPLE > SOCIAL MANAGEMENT APPROACH

### MARKETING

There is a process in place for our General Counsel Department to review our marketing materials that reach our Customers to confirm compliance with applicable regulatory and legal requirements. 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 2011.

### CUSTOMER PRIVACY

In 2011, Southwest Airlines had no fines for non-compliance with laws and regulations concerning Customer privacy.

### KEY PERFORMANCE INDICATORS

In 2011, Southwest Airlines' Citizenship Committee began evaluating potential Customer KPIs because we want to win the hearts and minds of our Customers. We are defining quantitative goals to measure Customer Satisfaction through a variety of metrics, including industry-related metrics released by the U.S. Department of Transportation and our Net Promoter Score. In 2012, we will prioritize and establish goals for selected Customer KPIs and will work to define protocols for collecting and analyzing operational data related to each of these KPIs, so we can use future data to continuously improve and monitor Southwest Airlines' commitment to our Customers.

### Society

Our mission, vision, and Culture promote sustaining and respecting our People and our Planet and 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 in need.

We have two Teams, Community Relations & Giving and Community Affairs & Grassroots, dedicated to the combined goal to make a positive difference by championing the causes that matter most in the communities we serve. By focusing on key areas of strategic giving 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.

We participate in industry associations such as Airlines for America, formerly the Air Transport Association of America, and have developed our own public outreach programs such as our Key Contacts Program and Days on the Hill. Our involvement allows us to gain insight into core issues for the airline industry as a whole and to advocate jointly for regulations that support a healthy, competitive industry. We also benefit from the opportunity to share technical expertise and operational knowledge that leads to better Customer Safety, Service, and overall efficiency.

### COMPLIANCE

It's our policy to comply with all applicable laws, rules, and regulations within the United States and the individual states, and municipalities 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.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > OVERVIEW



As the hometown carrier that cares, we believe it's our responsibility to protect our Planet and its natural resources.

At Southwest Airlines, we do our part to minimize our impact on the environment by operating efficiently using a green filter, collecting and analyzing information on our impacts, and continuously improving the actions we take to mitigate those impacts. In 2011, we shared our passion for education and protecting the environment with our Stakeholders through our Conservation in Action: 40 Projects for 40 Years tour, which involved teaming up with the Student Conservation Association to conduct 40 conservation service projects nationwide in honor of our 40th Anniversary. We continue analyzing data on our fuel consumption, emissions, and resource use and have embarked on new initiatives that will lead to further greenhouse gas emissions reductions in the near future. As part of our commitment to protecting our Planet, we use resources responsibly, conserve fuel and water, recycle onboard and on the ground, employ green purchasing practices, and implement design and construction practices that meet LEED® (Leadership in Energy and Environmental Design) standards for design, construction, and renovations. Our passion for protecting the environment is part of our triple bottom line commitment to our Performance, our People, and our Planet.

We are still in the process of collecting and combining AirTran data with Southwest Airlines data where available and appropriate. Therefore, in the Planet section, AirTran jet fuel, diesel, and gasoline consumption totals beginning May 2, 2011, are included in Southwest Airlines consumption totals. AirTran data is excluded from other Southwest Airlines data unless otherwise stated.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > GREEN FILTER



At Southwest Airlines, we are committed to making environmentally responsible decisions while remaining true to our low-cost philosophy.

Operating with a green filter means making environmentally responsible decisions. While this responsibility is inherent in each Employee's Servant's Heart, it's the job of our Environmental Services Department to formally develop environmental policies, programs, and related procedures. Environmental Services works as part of the General Counsel Department and collaborates with all of Southwest Airlines' operating departments to maintain compliance with local, state, and federal environmental regulations and manage risk while protecting our Planet and our bottom line.

The mindset of operating with a green filter has also been championed by our Green Team and Green Ambassadors. Our Green Team is comprised of Employees from each operating group who work to collect, share, and implement our environmentally responsible ideas and initiatives. In 2011, the efforts of the Green Team—along with the Facilities Team and Purchasing Department—were acknowledged when the U.S. Environmental Protection Agency awarded the Southwest Airlines Headquarters the Energy Star rating for 2010, and *FORTUNE* magazine recognized one of our own—Marilee McInnis, Senior Manager of Community and founder of the Southwest Airlines Green Team—as one of the Most Admired Green Leaders. Our Green Ambassadors expand the reach of the Green Team by promoting environmental stewardship in the communities we serve. Green Ambassador projects in 2011 included sending weekly e-mails on green and sustainable ideas, improving recycling collection containers, and starting a new recycling initiative.

These groups, dedicated to preserving our Planet, collaborate to foster Southwest Airlines' compliance and mitigation of environmental impacts.

### Compliance

Maintaining compliance with all local, state, and federal environmental laws and regulations is fundamental to our environmental policy. In 2011, we upheld our annual goal of zero environmental violations in our operations as tracked through monetary fines assessed. We were able to meet this ambitious goal by improving our environmental management systems, following established procedures, and training our Employees to meet our compliance goals.

We also regularly conduct audits to maintain environmental compliance. Our standard auditing protocol reviews a station's record keeping, permit status, and compliance with requirements of regulatory plans such as Storm Water Pollution Prevention Plans (SWPPP) and Spill Prevention, Control, and Countermeasure (SPCC) Plans. We perform a visual, walk-through inspection to confirm that key compliance practices are enacted in each of the cities we serve. With the acquisition of AirTran in 2011, we expanded our auditing program to include all AirTran locations. We track all audit findings and corresponding corrective action in databases, which also include information about our permits and their expiration dates as well as the spill history for each of our locations.

### 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. We prepare formal reports for Leadership, in which we track the number of and dollar amount associated with any environmental violations we receive. Our goal is zero environmental violations. In 2011, we received zero monetary fines. This accomplishment is the result of hard work and diligence by our Environmental Services Team and all our operating groups.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > GREEN FILTER

### HISTORY OF ENVIRONMENTAL VIOLATIONS RESULTING IN MONETARY FINES

Year	Number of Violations Resulting in Fines	Total Fines
2008	0	None
2009	3 <sup>1</sup>	\$3,689
2010	2 <sup>2</sup>	\$ 603
2011	0	None

*We had zero environmental violations resulting in monetary fines in 2011.*

### MEASURING OUR ENVIRONMENTAL IMPACT: SPILLS

We recognize that spills of chemicals, oils, and fuels can have a 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 due to equipment failure or human error. In order to be more transparent, we have summarized our recent spill history. Our total spill volume for 2011, resulting from a total of 51 spill incidents, was approximately 650 gallons at Southwest Airlines-controlled facilities. None of the spill incidents in 2011 required reporting to the National Response Center or in our financial statements as a liability. We track our spills using an online spill reporting form. This 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 for quick response and reporting to regulatory agencies when required. Details from all spills are also automatically compiled in a spreadsheet for the Environmental Services Team's reference and for the operating groups' development of spill prevention strategies.

### HISTORY OF RECENT SPILLS

Year	Number of Spill Incidents <sup>3</sup>
2008	34
2009	34
2010	43
2011	51

*None of the spill incidents in 2011 required reporting to the National Response Center or in our financial statements as a liability.*

### Mitigation of Environmental Impacts

#### FUEL CONSERVATION

Fuel conservation is a primary focus of our environmental policy and has been a priority since the founding of Southwest Airlines. We are continuing to search for ways to save fuel in all of our operations, and in doing so, remain true to our low-cost philosophy. More information on fuel conservation can be found in Energy & Resource Use.

#### RECYCLING

Southwest Airlines' recycling program goes beyond regulatory requirements to protect our Planet's resources. Our recycling program includes recycling trash from aircraft and facilities as well as industrial waste materials from maintenance of aircraft, ground support equipment, and facilities. Through these efforts, Southwest Airlines conserves landfill space, minimizes greenhouse gas emissions, preserves raw materials, purchases renewable energy-driven equipment, and educates Employees and Customers about recycling in the workplace and at home. More information on recycling can be found in Recycling & Waste Management.

#### AUDIT PROGRAM

We have a formal auditing program in place to monitor our compliance and trigger corrective actions when needed. More information on this program can be found in the Compliance discussion above.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > GREEN FILTER

### CONSERVATION IN ACTION: 40 PROJECTS FOR 40 YEARS

In celebration of our 40th Anniversary, Southwest Airlines teamed up with the Student Conservation Association (SCA) for Conservation in Action: 40 Projects for 40 Years—nicknamed Tour 40—to conduct 40 conservation service projects in national, state, and local parks from Dallas to Detroit and Los Angeles to Washington, D.C. Throughout the summer, Tour 40 engaged 1,500 Employees and completed meaningful conservation work to the great benefit of local parks and green spaces. For example, the removal of invasive plant species in Chicago immediately improved the quality of water for the city. In one morning in Missouri, volunteers completed needed clearings and plantings that would have taken the parks outside Kansas City and St. Louis more than three months to complete. And in Houston, severe drought left the local arboretum vulnerable to wildfires, which were erupting throughout the state. SCA and Southwest Airlines Volunteers removed leaf litter and forest debris away from the building, creating a defensible zone to protect the beautiful nature center in the event of a wildfire. Other projects included building, repairing, and beautifying community recreation facilities such as playgrounds, picnic areas, and park buildings; installing erosion control devices to protect historical agricultural ponds; and participation in community events. As a result of the Tour 40 projects:

- 1,000 native trees and grasses were planted and mulched
- 9 miles of trails were blazed and restored
- 58 truckloads of invasive species and debris were removed

More information about Tour 40 can be found in Community Involvement.

### RECURRENT TRAINING

All operational groups are required to participate in annual environmental training to review ongoing policies and programs so that they are familiar with any new policies or regulations. This training covers topics such as storm water protection, proper waste disposal, air permit compliance, and aircraft drinking water compliance. More information on Employee training programs can be found in Environmental and Sustainability Training and Training.

### NOISE REDUCTION

We strive to mitigate noise and be a good neighbor in each of the communities we serve. We do this by ensuring our fleet meets current aircraft noise standards and our operations meet locally established curfews. The addition of winglets to eligible models in our fleet has also resulted in quieter aircraft operations resulting in less noise for surrounding communities.

### LUV Story: AirTran: Mitigation of Environmental Impacts

At Southwest Airlines, we are committed to making environmentally responsible decisions, and with the acquisition of AirTran in 2011, we began to integrate with an airline that shares our views on environmental stewardship. AirTran's environmental initiatives include memberships in two critical state environmental programs among many other sustainable operations initiatives.

AirTran achieved bronze-level status in the Georgia Department of Natural Resources' (DNR) Partnership for a Sustainable Georgia. To achieve this partnership status, AirTran met requirements including having an established environmental team and a written environmental policy, documenting baseline performance, developing action plans, and reporting on environmental activities. Being a member of this organization has led to successful collaboration and an improvement in environmental performance.

To provide Employees with environmentally friendly commuting options, AirTran worked with the Clean Air Campaign, a nonprofit organization under contract with the Georgia Department of Transportation (DOT). As part of this program, Employees can register for the Commuter Rewards System, keep track of clean commutes, and win prizes. In 2011, the Clean Air Campaign recognized AirTran as a gold-level partner for AirTran's outstanding Employee participation.

Along with membership in these environmental organizations, AirTran has looked for other ways to improve environmental performance. Examples of this include a more eco-friendly engine wash program, initiatives for cleaner-burning ground support equipment, and a successful recycling program.

*1 Includes two solid waste fines for leaving bags of trash outside of full roll-off containers and one air permit violation for use of a wooden-handled brush in a parts washing unit and use of aerosol paints in a paint booth.*

*2 Includes two solid waste fines—one for manifest discrepancies and one for failure to file an annual waste report for one of our locations.*

*3 Includes spills that were not reportable by regulatory standards.*

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > GREEN FILTER > PROCUREMENT



Greener sourcing at Southwest Airlines extends to our suppliers, who we encourage to be environmentally responsible.

### Supplier Diversity Program: Green Procurement Survey

At Southwest Airlines, we recognize that our environmental impact includes not only our operations, but also the goods and services we acquire from others. To better understand the environmental performance of our suppliers, we conduct a green procurement survey as part of our supplier diversity program. This survey provides information such as:

- Use of recycled materials in the manufacturing 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, and local regulatory agencies

The green procurement survey has led to an increasingly greener supply chain. For instance, FedEx, who handles our shipping needs, works constantly to improve the efficiency of its vehicle and aircraft fleets and facilities. Our computer product supplier, Dell, supplies us products manufactured with at least 10 percent post-consumer recycled plastic in many of their enclosures as well as innovative sustainable packaging materials such as bamboo, designed to be easily recycled or composted. Sourcing for our office supplies through Office Depot has helped us green our procurement by using minimal packaging material and promoting green products. In 2011, more than 30 percent of items Southwest Airlines sourced through Office Depot were recycled or remanufactured items. These suppliers' environmental efforts translate to a greener and more efficient supply chain.

### Renewable Energy Program: Green Power Purchasing

Another way we operate with a green filter is by purchasing power generated from renewable resources such as wind, solar, geothermal, low-impact hydro, biogas, and biomass. These renewable resources, often referred to as green power, emit substantially less greenhouse gas emissions during power production than traditional means of power generation. Thanks to the efforts of our Purchasing Department in negotiating the lowest available price for energy, including alternative energy credits, 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 2011, 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, we were ranked 37th<sup>1</sup> on the U.S. Environmental Protection Agency's *FORTUNE* 500 Green Power Partnership list.

### Eco-Friendly Products and Materials

In 2011, we continued our ongoing environmental initiatives related to products and materials. Our systemwide onboard co-mingled recycling program diverted more than 2,600 tons of paper, plastic, aluminum, and cardboard from landfills in 2011. Rebates earned from this program will allow us to purchase renewable energy-driven equipment such as solar compactors. More information on recycling can be found in Recycling and Waste Management.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > GREEN FILTER > PROCUREMENT

### GREEN PLANE

The Southwest Airlines Green Plane has been our flying laboratory for the evaluation of eco-friendly and lighter-weight materials since 2009. On Jan. 17, 2012, the results of our testing of these sustainable materials culminated with our unveiling of *Evo/ve*, the new Southwest Airlines interior that features environmentally responsible and lighter weight materials.

### CHEMICAL MANAGEMENT

The use of chemicals is necessary in the airline industry. At Southwest Airlines, we work tirelessly to safely utilize the chemicals we need. New chemicals are reviewed for environmental and Safety impacts before approved for use. Our Chemical Review Board assesses chemicals prior to purchase and our chemical management system tracks the use of chemicals in our facilities. The Chemical Review Board—which includes Employees from the Safety, Environmental Services, Purchasing, Hazardous Materials, Engineering, and Aircraft Appearance departments—reviews all requests for new chemicals, and each department represented on the board must approve the chemical before it can be purchased.

One of the most important issues surrounding chemical management is the use of ozone-depleting substances. The ozone layer prevents harmful ultraviolet light from passing through the atmosphere, and the use of these substances can cause a decrease in the total volume of the ozone layer. The only ozone-depleting substances Southwest Airlines presently uses are refrigerants found in the HVAC systems of Southwest Airlines-operated buildings. In 2011, we estimated that the use of these substances resulted in 3,395 metric tons of carbon dioxide equivalent (CO<sub>2</sub>e) emissions based on an upper-bound assumption of the expected losses that would occur from Southwest Airlines facilities. No ozone depleting substances are produced or imported as a result of Southwest Airlines operations.

*1 The U.S. Environmental Protection Agency FORTUNE 500 Green Power Partnership rankings are updated quarterly. Southwest Airlines ranked 37th as of Oct. 5, 2011.*





# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > GREEN FILTER > EDUCATION & OUTREACH

### 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). For our Supervisor level and above, U4P provides two courses that have been enhanced to include sustainability content: *Manager-in-Training* 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. Through this recurrent training, we teach these Employees the most current environmental policies and regulations that must be followed in our operations.

### Community Outreach

Another way we share our passion for our Planet is by rolling up our sleeves and engaging our Stakeholders in projects that give back to both the community and the environment.

### CONSERVATION IN ACTION: 40 PROJECTS FOR 40 YEARS

In 2011, our Conservation in Action: 40 Projects for 40 Years tour (Tour 40) highlighted community outreach. To celebrate our 40th Anniversary, we teamed up with the Student Conservation Association (SCA) and set out to complete 40 service projects in 25 of our communities. As part of Tour 40, we invited everyone in those communities to join us in these service projects. By the time we completed all 40 projects, 1,500 Employees and other volunteers had joined us for a service project on the tour. Tour 40 was a great success and gave us an opportunity to reach out and make a difference in the communities we serve, while working with the SCA to prepare future leaders to serve their communities and protect our Planet.

### VOLUNTEER OF LUV: RECYCLING

We encourage our Employees to act on opportunities. Tami Neubauer, a Customer Service Agent in Fort Meyers, Fla., did just that. We recognized her as a Volunteer of LUV in 2011 for starting recycling efforts at the Fort Meyers Airport. Tami stepped up and personally transported collections to the local recycling center.

### COMMUNITY GARDEN

In the *2010 Southwest Airlines One Report™*, we introduced our Community Garden project in one of our LUV Stories. This year, we're happy to report that the Community Garden project is still going strong. The garden has moved to a new location—not far from its former location—and received a few enhancements. These include dedicated water for each box, a shed for storage, and increased visibility to Employees at our Headquarters campus. The garden consists of ten raised bed boxes each measuring about 4 feet by 20 feet with mulched paths in between the boxes for access. The garden continues to be 100 percent chemical free and uses recycled compost. In 2011, Employees made eight trips to local food banks with their harvest, which included new crops such as pumpkins, sweet potatoes, and dried beans.

The garden continues to provide opportunities for Employees to learn, teach, and share. Community Garden volunteers are developing relationships with local master gardeners and are considering conducting an educational series in 2012. A new aspect of the Community Garden is the opportunity for operational groups to adopt one of the garden's boxes. The goal of encouraging adoption of boxes is to foster Teamwork and increase awareness of the Community Garden project. This also provides an opportunity to bring in more Volunteers and expand the garden.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > GREEN FILTER > STAKEHOLDER INVOLVEMENT



We also share our LUV for the Planet by communicating with and engaging our Stakeholders in being green.

Our Stakeholders are integral to our environmental stewardship efforts, so what better way to celebrate our 40th Anniversary than to invite our Stakeholders to join us for a special conservation service project, Conservation in Action: 40 Projects for 40 Years (Tour 40). We teamed with the Student Conservation Association on 40 conservation projects in 25 communities. Southwest Airlines and AirTran Employees, our Customers, and the general public were all invited to participate in the conservation projects at each location. Projects included building trails and boardwalks; removing dangerous, invasive plants; and planting new trees. Those who gathered at each tour stop brought their LUV of the outdoors, energy for community service, and passion for the organization they represent to get dirty for a good cause—cleaning up our Planet.

### Employees

One of the key objectives of Tour 40 was to bring Employees and communities together to volunteer for a project that focused on environmental stewardship. We selected volunteer opportunities that resonated with our Employees. In our 2010 Companywide Employee survey, 78 percent of Employees shared that it's important for Southwest Airlines to invest in environmental stewardship. More information on the Employee volunteerism can be found in Communities.

*"This was a great project to be part of. I was able to do this in Dallas, and it was so worth it. We planted 500 trees. When this RV comes to your town, sign up to be part of it. It is worth your time."*

– Jocelyn Sala, Ground Operations Safety Specialist at Southwest Airlines

*"Being a part of one of the Tour 40 projects last year was amazing! Helping to clear, preserve and clean-up Pine Log State Forest in Florida so that others can enjoy the wilderness on beautiful trails was an unforgettable experience. Giving back and sharing with others to achieve the cleaning up of the forest is something that our Team here in ECP will never forget!"*

– KJ Rice, Panama City Beach, Fla., (ECP) Station Leader at Southwest Airlines

*"It felt great to be able to give back to the community I have worked in for nearly 25 years. What was most awesome was that our CEO was right there, picking up trash, alongside us. How many companies as large as SWA does that happen at?"*

– Robin McElroy, Phoenix Customer Service & Support Center Administrative Leader at Southwest Airlines

### Customers

Tour 40 was an unprecedented effort to deliver on-the-ground conservation awareness and action nationwide and engage thousands of Southwest Airlines Employees, Customers, and other supporters in conservation service. The tour hosted multiple service days so more Customers had the opportunity to participate and make a difference. Customers who joined us for these events experienced nature in a new and meaningful way, while giving their time to care for national, state, and local parks, forests, and environmental preservation areas in their communities.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > GREEN FILTER > STAKEHOLDER INVOLVEMENT

### Communities

Through Tour 40, we offered volunteer opportunities in the backyards of Southwest Airlines' airports. This allowed us to strengthen community relationships and further our positive environmental impact across our system. Our goal for the tour was to inspire volunteers with a project that not only offered immediate benefits to the communities we visited but also yielded long-term rewards by encouraging ongoing environmental stewardship, sustainability, and volunteerism. More information on the community aspect of Tour 40 can be found in *Leading the Way*.

*"It's fun to be offline and give back to the community, so you can be a part of something bigger."*  
– Jessica Wilson, Tour 40 volunteer<sup>1</sup>

An added benefit of Tour 40 was the visibility and brand awareness it generated for our Company. Each community on the tour recognized Southwest Airlines as a strong advocate for the environment and a Company who cares about the health of the communities where we operate and supports the interests and passions of our Employees and Customers. At each tour stop, the Conservation in Action Tour promotional items—including T-shirts, water bottles, temporary tattoos, seed cards, and reusable shopping bags—generated enthusiasm among the volunteers. Along the route, a custom-designed biodiesel RV not only transported volunteers, but also generated awareness of the tour wherever it went. In addition, the tour reached thousands of Southwest Airlines Customers and community members through the media, online marketing, and social media. Tour 40 made its debut in lights when it was featured on American Eagle Outfitters' 15,000-square-foot LED billboard display in Times Square in New York. The billboard reached millions who would not otherwise have known about the tour.

### Suppliers

Part of operating with a green filter is working with suppliers and vendors that share in our passion for environmental stewardship. Contributing sponsors for the tour included American Eagle Outfitters, Sony Electronics Inc., and The Coca-Cola Co. Some of our vendors, such as VML, our digital advertising agency, even took part in the hands-on environmental conservation activities.

### LUV Story: Our Stakeholders Take Part in Tour 40

In summer 2011, Southwest Airlines and the Student Conservation Association (SCA) teamed up to celebrate Southwest's 40th Anniversary by completing 40 conservation projects in 25 cities across the country. These hands-on volunteer opportunities engaged Southwest Airlines and AirTran Employees, Customers, vendors, and our communities systemwide. The Conservation in Action: 40 Projects for 40 Years initiative, also known as Tour 40, took Southwest's commitment to volunteerism and its passion for conservation on the road, literally! An SCA team of seven young adults traveled from coast to coast in a custom-designed biodiesel RV, and with the aid of Southwest Airlines Employees and others, conducted conservation service projects in national, state, and local parks from Dallas to Detroit and Los Angeles to Washington, D.C.

Throughout the summer, Tour 40 engaged thousands of local volunteers and completed meaningful conservation work to the great benefit of local parks, forests and preserves, and other green spaces in their communities. Along the way, our Stakeholders in the 25 cities we visited supported the conservation activities. One such example of Stakeholder support happened on July 20, 2011, when Tour 40 stopped in Kansas City, Mo. Southwest Airlines and AirTran Employees, Customers, and several volunteers from VML, our digital advertising agency, came together to volunteer at Weston Bend State Park. Volunteers installed 20 water bars on a trail, removed overhanging branches on 2.5 miles of trail, and stained a wooden overlook. Volunteers completed in one morning what would have taken the employees of the park more than a month to complete.

*"You enhanced the quality, safety, and aesthetics of the park. You completed 3 to 4 weeks of work for our staff. It was great to see you all come out and take pride in your work. Thank you so, so much."*  
– Weston Bend State Park Staff Member

At Southwest Airlines, we strive to be much more than a business. We are a neighbor in the communities where our Customers live. Tour 40 allowed us to give back to 25 of the communities we serve and develop relationships with local conservation organizations.

### Ongoing Efforts

When it comes to continually improving our environmental stewardship efforts and Stakeholder involvement, feedback is critical. We'd love to hear from you! Contact Southwest Airlines with your suggestions for going green at [green@wnco.com](mailto:green@wnco.com).

<sup>1</sup> Source: FOX4KC.com.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > ENERGY & RESOURCE USE



To protect our Planet, we must first understand our energy and resource consumption.

At Southwest Airlines, we are committed to operating with a green filter and making environmentally responsible decisions, which we believe make good business sense. The first step in this process is to understand how we use energy and resources. Baseline assessments and continuous tracking of our energy and resource consumption allow us to focus our conservation efforts on the programs that will most effectively 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

This year, we began tracking our energy and fuel use based on a single common unit—megawatt-hours (MWh). Converting our consumption of various energy sources to a common unit allows us to add those numbers together for a single number representing our overall energy use. We selected the unit of megawatt-hours for consistency with our response to the Carbon Disclosure Project. For 2011, our total energy use was approximately 68 million MWh.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > ENERGY & RESOURCE USE

### 2011 ENERGY CONSUMPTION

MWh<sup>1</sup>



Jet fuel  
68,166,139



Gasoline  
35,159



Diesel  
72,284



Natural gas  
24,168



Electricity  
71,757

**TOTAL: 68,369,507**

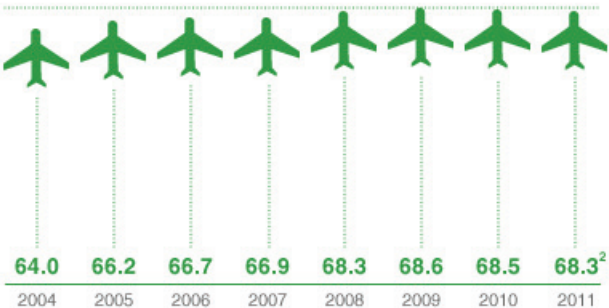
### JET FUEL CONSUMPTION

With jet fuel consumption comprising the vast majority of our resource use, tracking the use and conservation of this resource is essential to reducing our impact on the Planet. In 2011, Southwest Airlines consumed approximately 1.76 billion gallons of jet fuel, and our fuel efficiency was 68.3 available seat miles (ASMs) per gallon.<sup>2</sup>

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 calculates its collective ASMs by adding each individual flight's ASMs for a given time period.

### HISTORIC FUEL EFFICIENCY

ASMs/gallon



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > ENERGY & RESOURCE USE

### 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 2011, we used approximately 836,000 therms of natural gas in 36 Southwest Airlines-controlled facilities. This equates to approximately 22 therms per Employee.<sup>3</sup> This was approximately 61,000 therms less than our 2010 consumption. This reduction can be partially attributed to a mild winter as well as efficiencies in our building operations. Our GSE fleet consumed approximately 1.78 million gallons of diesel and approximately 964,000 gallons of gasoline in 2011.<sup>2</sup> 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.

### ELECTRICITY AND WATER CONSUMPTION

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 2011, including 68 Southwest Airlines facilities, was approximately 72 million kilowatt-hours (kWh). This equates to approximately 1,900 kWh per Employee.<sup>3</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 2011, based upon the 26 facilities where we pay for water usage, was approximately 79 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 its consumption.

### 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 GHG 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 on which we report varies by utility type.

<sup>1</sup> Conversions to MWh are based on default densities and heating values from the Carbon Disclosure Project guidance document, "Technical Note: Conversion of fuel data to MWh."

<sup>2</sup> AirTran data included beginning May 2, 2011.

<sup>3</sup> Based on active, full-time equivalent Southwest Airlines Employees as of Dec. 31, 2011. Excludes AirTran Employees.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > ENERGY & RESOURCE USE > ENERGY & RESOURCE CONSERVATION



We conserve jet fuel, ground support equipment fuel, electricity, and water to reduce our impact on the Planet.

The conservation of natural resources is a fundamental aspect of our environmental policy and key to our performance. With the vast majority of our resource consumption consisting of jet fuel, the conservation of this resource has been a priority of ours since our inception. Other focus areas of resource conservation include ground support equipment fuel, electricity, and water.

### Jet Fuel Conservation

Jet fuel conservation projects that we discussed in previous editions of the *Southwest Airlines One Report*™ continue to be a success.

#### WINGLETS

Our winglet program began in 2007, and in 2010 we completed the installation of winglets on the 102 eligible Southwest Airlines 737-300 aircraft. We estimate that these winglet installations are resulting in annual fuel savings of more than six million gallons. Southwest Airlines' fleet of 737-700 aircraft is also equipped with winglets. Overall, winglets on aircraft in the Southwest Airlines fleet are responsible for an estimated annual fuel savings of more than 42 million gallons.

#### AUTO-THROTTLE TECHNOLOGY

Another successful fuel efficiency program has been the installation of auto-throttle technology in 352 of our 737-700 aircraft in 2010. In 2011, with the receipt of an additional 20 auto-throttle-equipped -700s, the use of auto-throttle technology accounted for additional fuel savings of more than 67,000 gallons.

#### ALTERNATIVE JET FUEL

Our efforts to conserve resources in 2011 also included signing a letter of intent to negotiate the purchase of jet fuel derived from biomass. This 100 percent biomass-derived jet fuel will be produced by Solena Fuels in Northern California and is the first commercially approved and viable fuel on its kind. The utilized biomass, which is produced from post-recycled urban and agricultural waste, will have lower greenhouse gas (GHG) emissions and typical combustion pollutants than petroleum-based fuels. As an active participant in the Commercial Aviation Alternative Fuels Initiative—a group who works to enhance energy security and environmental sustainability for aviation by exploring the use of alternative jet fuels—we are excited to have the opportunity to include alternative jet fuel as a part of our environmental initiatives.

#### REQUIRED NAVIGATION PERFORMANCE

In 2007, we made a commitment to implement Required Navigation Performance (RNP) systemwide, and in the *2010 Southwest Airlines One Report*™ we discussed in detail the steps necessary to implement RNP technology. 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 create a more efficient airspace system. In January 2011, we began flying RNP approaches and completed 6,790 of these approaches at 17 different airports with RNP efficient approach procedures; however, for reasons outside Southwest Airlines' control the total number of new RNP approaches has slowed. There are still many industry-wide changes that need to take place before the full potential for jet fuel conservation can be realized. While the full potential of RNP technology has yet to be achieved, Southwest Airlines is committed to being at the forefront of new technologies and opportunities in jet fuel conservation.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > ENERGY & RESOURCE USE > ENERGY & RESOURCE CONSERVATION

### *LUV Story: Our Journey to Implement RNP Continues*

The journey to implement Required Navigation Performance (RNP) technology began in 2007 followed by years of concerted efforts from many of our Employees. In 2011, Southwest Airlines began flying RNP approaches, completing 6,790 of these approaches at 17 different airports. Our journey to encourage written and approved RNP procedures continued with Southwest Airlines Leadership traveling to Washington, D.C.

On Aug. 31, 2011, Chairman of the Board, President, and Chief Executive Officer Gary Kelly and Executive Vice President and Chief Legal and Regulatory Officer Ron Ricks met with fellow airline industry leaders and representatives from the U.S. Department of Transportation and the Federal Aviation Administration (FAA) in Washington, D.C., to discuss the NextGen program. The FAA explains NextGen as: "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." The federal government selected a NextGen pilot project in Houston as one of 14 infrastructure projects to be expedited through the permitting and environmental review process.

The journey toward a more efficient, RNP-based airspace system will continue as this technology becomes the standard of the aviation industry, but there are still many industry-wide changes that need to take place before its full potential is realized. Southwest Airlines will continue to be at the forefront, advocating for the advancement of new technologies that improve our triple bottom line of Performance, People, and Planet.

### **Ground Support Equipment Fuel Conservation**

In 2011 we continued our commitment to cleaner-burning ground support equipment (GSE) by entering the Charleston, S.C.; Greenville-Spartanburg, S.C.; and Newark, N.J., markets with new electric belt loaders and baggage tractors. With these new markets, we added 21 cleaner-burning GSE in 2011, yielding reductions in both fuel use and GHG emissions. Additionally, many of our original GSE have reached the end of their useful life, and in 2011, a large number of GSE were replaced with new, cleaner-burning diesel equipment. These new GSE, combined with the continuation of our GSE diesel-to-electric conversion program, bring the total number of cleaner-burning GSE in our fleet to more than 1,300 as of yearend 2011. Using electric equipment in new markets is an opportunity to build a sustainable foundation from the beginning of our operations in new locations, and we will continue to fulfill our commitment to making environmentally responsible decisions with the use of cleaner-burning GSE.

### **Electricity and Water Conservation**

Conservation efforts aimed at efficient use of electricity and water are important resource management initiatives. We focus on electricity and water conservation through education and outreach to our Employees on the importance and impact of integrating conservation habits into their lives at work and at home. Making sure that our facilities are operating efficiently is another important aspect of conservation. In facilities that we lease, we are limited in the number of opportunities to retrofit equipment, so we focus our efforts on Southwest Airlines-controlled facilities where more significant impacts can be achieved.

By tracking our consumption, utilizing renewable energy, and incorporating water- and energy- efficient practices when remodeling or in construction of new facilities, Southwest Airlines is implementing and maintaining projects that effectively reduce the impact of our resource consumption. One of the first projects in the Dallas Love Field Modernization Program was the Southwest Airlines-funded construction of our General Use Building, which received LEED (Leadership in Energy and Environmental Design) Silver certification for new construction and major renovations under the U.S. Green Building Council. This 55,000-square-foot facility consolidates the previously separate facilities for Cargo, Provisioning, and our GSE mechanics. We continued to audit and track our monthly utility bills and to procure renewable energy certificates through our energy management consultant, Summit Energy Services, Inc. Southwest Airlines currently has an agreement with Reliant Energy to provide more than 15.7 million kilowatt-hours of renewable energy a year for our Dallas and Houston facilities. These electricity conservation initiatives are all examples of how we are building a sustainable foundation to both conserve and efficiently use electricity.

To improve our water conservation programs, we have identified three projects in 2011, which we will track in the future. These initiatives include utilizing new irrigation techniques at our Headquarters and instituting a green dry cleaning process for our new *Evo* interior. In 2011, we also began a native landscaping initiative at Headquarters to decrease the amount of water we consume from landscaping. We have planted drought-resistant roses, yucca plants, native grasses, and utilized other methods of water conservation such as rezoning our sprinkler system and using decomposed granite as a grass substitute. Installation of these water-saving measures will continue at Headquarters in 2012.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > EMISSIONS



We adopt the Airlines for America industry-wide goals for fuel efficiency and emissions reductions.

At Southwest Airlines, 2011 marks our third year of tracking greenhouse gas (GHG) emissions. We measure these emissions by conducting a GHG inventory in accordance with Global Reporting Initiative guidelines, a well-recognized industry standard. The 2011 GHG inventory shows an increase in the total GHG emissions in tons of carbon dioxide equivalent (CO<sub>2</sub>e) but with GHG intensity ratios comparable to 2009 and 2010 levels.

The increase in total emissions between 2010 and 2011 is not surprising given our expanded operations with the acquisition of AirTran on May 2, 2011. 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 2011 combined GHG emissions from Southwest Airlines and AirTran increased our total by nearly 25 percent compared to 2010. Because these increases are associated with the acquisition of an existing airline that was in operation prior to the acquisition, there is no net impact on the environment. This is demonstrated by comparing the GHG intensity ratios for 2010 and 2011. Even with the significant changes in the size of our operations, our intensity ratios based on available seat miles (ASMs), revenue Passenger miles (RPMs), and revenue ton miles (RTMs) remained approximately the same.

AirTran data has been incorporated into our emissions calculations where it is feasible to do so. The calculations of emissions related to jet fuel, diesel, and gasoline include AirTran data. The facility-related emissions calculations—including electricity usage, natural gas usage, and HVAC losses—do not include AirTran data because, as of yearend 2011, AirTran facilities were not yet under the primary control of Southwest Airlines.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > EMISSIONS

### COMPARISON OF KEY OPERATING STATISTICS RELATED TO EMISSIONS

	2009	2010	2011 <sup>1</sup>
Trips flown	1,125,111	1,114,451	1,317,977
Fuel consumed, in gallons (millions)	1,428	1,437	1,764
<b>Total GHG emissions (million metric tons CO<sub>2</sub>e)</b>	<b>13.9</b>	<b>14.0</b>	<b>17.5</b>
ASMs (000s)	98,001,550	98,437,092	120,578,736
<b>Intensity ratio (metric tons CO<sub>2</sub>e/1,000 ASMs)</b>	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>
RPMs (000s)	74,456,710	78,046,967	97,582,530
<b>Intensity ratio (metric tons CO<sub>2</sub>e/1,000 RPMs)</b>	<b>0.19</b>	<b>0.18</b>	<b>0.18</b>
RTMs (000s)	7,555,942	7,914,603	9,871,458
<b>Intensity ratio (metric tons CO<sub>2</sub>e/1,000 RTMs)</b>	<b>1.84</b>	<b>1.77</b>	<b>1.77</b>

Additional key operating statistics are available in the [Performance](#) section.

### Greenhouse Gas Emissions Reductions

As a member of Airlines for America (A4A), formerly known as the Air Transport Association of America, we support the A4A climate change commitment and have adopted the A4A's industry-wide goals<sup>2</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 RTM 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 have a number of emissions-reduction projects in place to lessen our impact on the Planet. Tactics to reduce emissions include conserving fuel in our aircraft and ground support equipment and reducing electricity consumption. Projects in place to further our long-term emission and energy conservation efforts include strategic fleet replacements; refreshing our cabins with *Evo/ve*, our new lighter weight, eco-friendly aircraft interior; and building to LEED (Leadership in Energy and Environmental Design) standards for design, construction, and renovations. More information on our energy conservation efforts is available in Energy and Resource Use.

<sup>1</sup> AirTran data included beginning May 2, 2011.

<sup>2</sup> As noted in Airline of America's "The A4A Climate Change Commitment—A Global, Sectoral Approach."

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > EMISSIONS > GHG INVENTORY



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

At Southwest Airlines, we continue to voluntarily track greenhouse gas (GHG) emissions and strive 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 2011 GHG inventory adheres to the GRI *Sustainability Reporting Guidelines* and follows the latest edition of the World Resources Institute's *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>)

AirTran data has been incorporated into our emissions calculations where it is feasible to do so. The calculations of emissions related to jet fuel, diesel, and gasoline include AirTran data. The facility-related emissions calculations—including electricity usage, natural gas usage, and HVAC losses—do not include AirTran data because, as of yearend 2011, AirTran facilities were not yet under the primary control of Southwest Airlines.

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 jet fuel and natural gas, 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 and 2010—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 facilities under our primary control include aircraft hangars, Customer Support & Services centers, and other airport facilities such as provisioning, cargo, or ground equipment maintenance locations. Facilities controlled by airport operators, such as terminals shared by multiple airlines, have not been included.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > EMISSIONS > GHG 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). The purpose of categorizing 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.

### SCOPE 1 AND SCOPE 2 EMISSIONS

Scope 1 emissions originate from sources owned or controlled by the organization. Our main source of Scope 1 emissions is the combustion of jet fuel; however, we also track the impacts of natural gas combustion, ground support equipment (GSE) fuel combustion, and HVAC system losses. Scope 2 emissions occur from the generation of imported electricity or steam consumed by the organization. As with our 2009 and 2010 inventories, we have included Scope 1 and Scope 2 emissions in our 2011 GHG inventory.

### SCOPE 3 EMISSIONS

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. 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.

### Measuring Our Environmental Impact: GHG Emissions

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

- Aircraft fuel consumption
- 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)

The collected data was converted to GHG emissions using industry-standard factors.

### 2011 GHG EMISSIONS INVENTORY SUMMARY

metric tons

Operational Boundary	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFCs	PFCs	SF <sub>6</sub>
Scope 1	17,234,577	478	548	1	—	—
Scope 2 <sup>1</sup>	41,888	0.61	0.51	—	—	—
Total GHG emissions	17,276,465	479	548	1	—	—

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > EMISSIONS > GHG INVENTORY

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.<sup>2</sup> 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. CO<sub>2</sub> emissions account for nearly 99 percent of Southwest Airlines' emissions on a CO<sub>2</sub>e basis. The GWP for other GHGs, as well as GHG comparisons with previous years, are shown in the following tables.

### GWP SUMMARY

GHG	GWP <sup>2</sup>
CO <sub>2</sub>	1
CH <sub>4</sub>	21
N <sub>2</sub> O	310
HFCs	1,000 to 11,700
PFCs	N/A
SF <sub>6</sub>	N/A

### HISTORICAL GHG EMISSIONS INVENTORY SUMMARY

metric tons CO<sub>2</sub>e

Operational Boundary	2009	2010	2011
Scope 1	13,838,695	13,930,902 <sup>3</sup>	17,417,782
Scope 2 <sup>1</sup>	49,512	43,960	42,058
Total GHG emissions	13,888,207	13,974,862 <sup>3</sup>	17,459,840

### SCOPE 1 GHG EMISSIONS BY SOURCE CATEGORY

metric tons CO<sub>2</sub>e

Source Category	2009	2010	2011
Aircraft fuel combustion	13,810,014	13,898,333	17,382,945
Natural gas combustion	4,940	4,842 <sup>3</sup>	4,520
GSE fuel combustion	20,347	24,332	26,922
HVAC system losses	3,394	3,395	3,395
Total Scope 1 emissions	13,838,695	13,930,902 <sup>3</sup>	17,417,782

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > EMISSIONS > GHG INVENTORY

In summary, Southwest Airlines' total greenhouse gas emissions for 2011 were approximately 17.5 million metric tons of CO<sub>2</sub>e, with more than 99 percent of those emissions coming from aircraft fuel combustion. This is more than our 2009 and 2010 totals, which is not surprising given the increase in the size of our operations with the acquisition of AirTran in 2011.

### INTENSITY RATIO

When there is a significant change in operations, it is helpful to look at GHG emissions in terms of intensity ratios. Intensity ratios are often referred to as normalized environmental impact data that allow a quantification of the GHG impact per unit of physical activity or unit of economic output. Within the airline industry, parameters that reflect productivity include revenue passenger miles (RPMs), available seat miles (ASMs), and revenue ton miles (RTMs). We first calculated our intensity ratio in 2009 and will continue to track our intensity ratio in the future.

### GHG INTENSITY RATIOS

	2009	2010	2011
GHG emissions (metric tons of CO <sub>2</sub> e)	13.9 million	14.0 million	17.5 million
Production activity (RPMs)	74.5 billion	78.0 billion	97.6 billion
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 RPMs)	0.19	0.18	0.18
Production activity (ASMs)	98.0 billion	98.4 billion	120.6 billion
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 ASMs)	0.14	0.14	0.14
Production activity (RTMs)	7.6 billion	7.9 billion	9.9 billion
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 RTMs)	1.84	1.77	1.77

### GHG EMISSIONS FACTORS SUMMARY<sup>4</sup>

Source	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O
Jet Fuel	9.75 metric tons/1,000 gallons	0.00027 metric tons/1,000 gallons	0.00031 metric tons/1,000 gallons
Natural gas	53.02 metric ton CO <sub>2</sub> /10 <sup>9</sup> Btu	—	—
Gasoline	0.00878 metric tons/gallon	0.0000005 metric tons/gallon	0.0000002 metric tons/gallon
Diesel	0.01021 metric tons/gallon	0.00000058 metric tons/gallon	0.0000003 metric tons/gallon
Electricity	Varies by eGRID subregion	Varies by eGRID subregion	Varies by eGRID subregion

<sup>1</sup> GHG emissions from purchased electricity in Southwest Airlines-controlled facilities. Excludes AirTran facilities.

<sup>2</sup> Source for GWP is the Code of Federal Regulations, Title 40, Table A-1 to Subpart A of Part 98, "Global Warming Potentials."

<sup>3</sup> This number has been revised since the 2010 Southwest Airlines One Report™ due to review of natural gas consumption records for 2010.

<sup>4</sup> Source for emissions factors is 2012 Climate Registry Default Emission Factors, released Jan. 6, 2012; this source applies to the 2011 GHG Inventory only.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > RECYCLING & WASTE MANAGEMENT



In 2011, Southwest Airlines recycled more than 2,600 tons of co-mingled waste, diverting it from landfills.

### Co-Mingled Recycling Program

In 2009, Southwest Airlines established the first systemwide onboard, co-mingled recycling program in the nation. This program uses a single contractor to recycle waste collected onboard our entire fleet of aircraft. We also recycle similar materials on the ground at most Southwest Airlines facilities across the nation, wherever programs are available. Our co-mingled recycling stream includes paper, cardboard, types 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. Our Headquarters campus in Dallas, six Customer Service & Support centers, 22 aircraft Provisioning facilities, and four of our largest stations (Dallas, Houston, Phoenix, and Chicago), which include Crew bases, cargo facilities, ground support equipment, and aircraft Maintenance bases, participate in our co-mingled recycling program. 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.

The 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

Our co-mingled recycling program has been very successful, but that does not stop us from continuously trying to improve upon this success. While we work to recycle as much as possible, there are some onboard materials that cannot be included in the co-mingled waste stream, including glass wine bottles, plastic drinking cups, and conventional hot beverage cups. Our plastic drinking cups and hot beverage cups are made from recycled materials and are unable to be recycled again. We are working with our vendors to find environmentally responsible alternatives to these cups. Also, in early 2012, we will switch to plastic wine bottles, which reduce weight and allow the bottles to be safely recycled in our co-mingled stream. In 2011, we purchased our first piece of solar-powered equipment. This solar compactor will be placed at the Las Vegas Provisioning station and will make recycling operations more efficient while utilizing the sun as its power source. We will be evaluating its performance for potential future purchases in other locations. These efforts contribute to our ongoing commitment to minimizing the amount of waste disposed in landfills, selecting environmentally responsible products, and using renewable energy resources to reduce the impact we have on our Planet.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > RECYCLING & WASTE MANAGEMENT

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

We track our co-mingled recycling program's success through monthly reports compiled by Republic Services. In 2011, we diverted more than 2,600 tons of co-mingled waste material from landfills as a direct result of recycling. While this was a 5 percent increase over our 2010 quantities, it fell short of our goal of a 10 percent improvement. We have laid a strong foundation for our recycling program and diverted more than 6,800 tons of material from landfills and into recycling facilities since August 2008. We will continue to strive for progress in our recycling program, and in the next five years we aim to increase the quantity of materials recycled onboard our aircraft and in our facilities by 2.5 percent per year for a total of a 10 percent improvement by 2015 over our 2011 levels.

### RECYCLING TREND<sup>1</sup>



<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. Excludes AirTran recycling data.

<sup>2</sup> Tracking of recycling data began August 2008.

<sup>3</sup> Onboard co-mingled recycling program was launched November 2009.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

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



In addition to our systemwide co-mingled recycling program, we also recycle industrial materials and responsibly manage the disposal of our hazardous waste.

### Measuring Our Environmental Impact: Industrial Materials

Maintenance of our aircraft, ground support equipment (GSE), and facilities generates 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 2011, we recycled approximately 515 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:

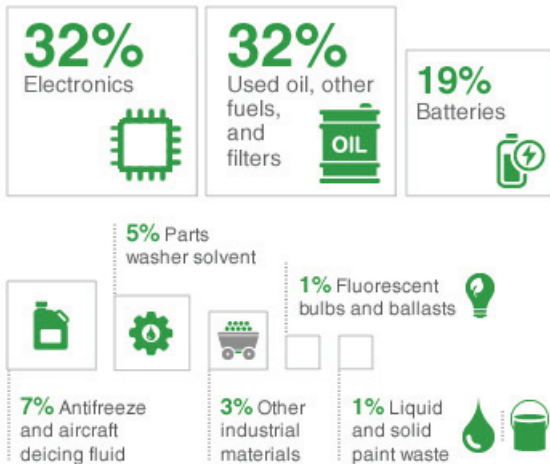
- Antifreeze and aircraft deicing fluid captured from defrosting activities
- Batteries from equipment, vehicles, and GSE
- Electronics, including computers, monitors, and printers
- Fluorescent bulbs and ballasts from facilities and aircraft
- Liquid and solid paint waste
- Off-specification fuel
-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

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

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

### BREAKDOWN OF INDUSTRIAL MATERIALS RECYCLED



In 2011, approximately 34 percent, or 174 tons of the 515 tons of industrial waste material we recycled during the year, was burned for energy recovery. Nearly 5.8 billion British thermal units (Btus) were recovered from materials such as used oil, filters, and liquid and solid paint waste. This energy recovery is equivalent to providing electricity for approximately 133 homes for one year.

#### LUV Story: Southwest Airlines Spring Cleaning

In spring 2011, our Facilities Maintenance Team cleaned out one of our large storage buildings, a Quonset hut across the street from the Dallas Data Center. Before the heavy lifting began, we applied our green filter to the spring cleaning process and identified all potential recyclables in advance. As a result, we recycled more than 12 tons of mixed materials, which yielded a \$1,700 rebate. Materials recycled included three pallets of cardboard and a 40-yard, open-top container of loose wood and pallets. For this spring cleaning event, not only did we make a good environmental decision to save landfill space, but it was also financially beneficial. Recycling saved landfill disposal costs, hauling costs, and brought in revenue with the \$1,700 rebate. A little planning ahead of time conserved valuable resources and money.

#### 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 2011, we generated approximately 12 tons of hazardous waste,<sup>1</sup> which included:

- 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 2011, we managed nearly 10 tons, or more than 80 percent, through beneficial reuse, recycling, or burning for energy recovery. In 2011, we reduced the total amount of hazardous waste generated by approximately 4 tons below 2010 levels and will work to continue to reduce the amount of hazardous waste we generate and maximize recycling or reuse of this waste.

# PERFORMANCE. PEOPLE. PLANET.

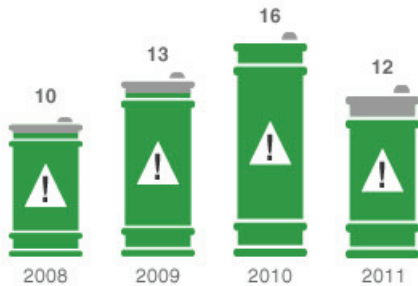
Three Passions. ONE SOUTHWEST.

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

### TOTAL HAZARDOUS WASTE GENERATED AND RECYCLED

tons

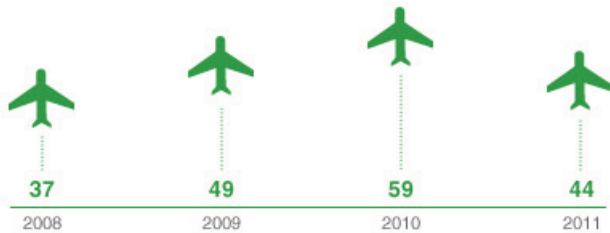
- Hazardous waste not recycled
- Hazardous waste recycled



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 pounds of hazardous waste generated per aircraft. For 2011, the hazardous waste intensity ratio was approximately 44 pounds per aircraft,<sup>2</sup> a reduction of approximately 25 percent compared to 2010. We will continue to strive for efficiency in our operations and to look for innovative ways to minimize our hazardous waste generation.

### HAZARDOUS WASTE INTENSITY RATIO

pounds per aircraft<sup>2</sup>



### Aircraft Parts Recycling Program

In addition to the waste from our maintenance operations, our industrial waste management and recycling program includes the recycling of aircraft parts. When an aircraft is retired from service, the aircraft may be broken down into individual components for recycling. In special cases, the entire aircraft may be donated for beneficial reuse—as was done in 2011 when we donated a special 737 to the Frontiers of Flight Museum at Dallas Love Field.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

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

### *LUV Story: The Spirit of Kitty Hawk*

Trash-to-treasure is a popular creative activity for green enthusiasts young and old, but it usually doesn't involve a big, shiny Southwest Airlines 737. Known as N300SW, the Spirit of Kitty Hawk, this newly repurposed airplane was the first of the modern 737s worldwide to enter scheduled service. Now located half-inside and half-outside the Frontiers of Flight Museum at Dallas Love Field, N300SW has been restored to its former glory by a team including Southwest Airlines Volunteers and support from some very generous donors.

N300SW is a key attraction in the "Southwest Airlines: The Heart of Our History" exhibit, which opened in summer 2011 with its own exhibit area featuring 40 feet of displays and a small video theater. Not only does this airplane represent an important milestone in our history, its second life as an exhibit represents the sustainable mindset that defines who Southwest Airlines is today.

*1 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.*

*2 Pounds of hazardous waste generated at controlled facilities divided by the number of aircraft in the fleet as of Dec. 31, 2011, excluding aircraft acquired from AirTran.*

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > FUTURE PLANET INITIATIVES



We are committed to protecting our Planet, so it can continue to sustain future generations.

We are currently involved in several fuel and energy conservation projects that will lead to future emission reductions and resource conservation.

### *Evolve: The New Southwest Interior*

Over the decades, Southwest Airlines has been at the forefront of such efficiencies as paperless tickets, quick aircraft turnarounds, electric ground support equipment, and the installation of winglets onboard aircraft. Our latest development, a refreshed cabin design, *Evolve*, is charting a new course for sustainable cabin interiors.

In 2009, we launched the Green Plane to test the market's latest sustainable products onboard an aircraft. Based on the inflight test results and feedback from Customers, the new *Evolve* interior debuted in early 2012 and features many of the sustainable elements and recycled materials tested on our Green Plane, including:

- **Seats:** The new seats are constructed using eco-friendly products that offer more durability than the older seat design as well as a weight savings of nearly six pounds per seat. A lighter weight foam fill from Franklin Products in the back of the seat provides increased Customer comfort. The improved durability of the redesigned seat cover, coupled with fuel savings from 635 pounds less weight per 737-700 series aircraft, is expected to result in ongoing annual cost savings. Based on our 2011 flight activity, it is estimated the reduced weight may save as much as 4 million gallons of fuel per year as well as decrease our greenhouse gas (GHG) emissions by nearly 40 thousand metric tons of carbon dioxide equivalent.
- **Seat cover:** The new seats are made using E-Leather, an eco-friendly, lightweight, and scuff-resistant alternative to traditional leather. E-Leather is made from natural leather fiber that is upgraded and combined with a high performance core utilizing eco-friendly technology. The seat cover is manufactured by Irvin Automotive of Pontiac, Mich. This manufacturer produces high-quality covers quickly and at a much lower cost than our current manufacturer.
- **Seat frame:** In our mission to improve the Customer Experience yet increase sustainability and contain costs, we will preserve the interior foundation as part of the redesign by using the existing B/E Aerospace Innovator II seat frame on 372 of our existing 737-700 fleet (excluding AirTran -700s). By using the existing seat frames, we avoid creating waste and spending an additional \$50 million to refresh the cabin.
- **Carpet:** The new interior carpet is produced by InterfaceFLOR and will be applied in carpet squares, thus, eliminating the need for total replacement of individual areas due to wear and reducing labor and material costs. The carpet is manufactured in a closed-loop recycled process dedicated to being completely carbon neutral.
- **Life vest pouch:** The new pouch containing the life vest is more environmentally friendly, offering a weight savings of one pound per seat. The smaller pouch also creates more room under the seat for carryon items.
- **Wind screen:** The new bulkhead product has a longer lifespan, thus, reducing the labor costs and waste that result from more frequent replacements or repairs.
- **Durable, recyclable aluminum:** By switching from plastic to a recyclable aluminum, we are increasing durability and reducing waste on the rub strips, tray table latches, and seat arm trim pieces.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > FUTURE PLANET INITIATIVES

This new inflight interior stays true to our triple bottom line of Performance, People, and Planet. Over four years, Southwest Airlines Employees designed *Evolve* in an effort to improve the inflight Customer Experience, while increasing the durability and sustainability of onboard materials and remaining cost neutral.

In March 2012, we began retrofitting our current fleet of 372 Boeing 737-700s with *Evolve* and anticipate completion in the first half of 2013. As the integration of AirTran moves forward, AirTran's aircraft will also be retrofitted with the *Evolve* cabin interior as those aircraft are converted into the Southwest Airlines configuration over the next several years.

### **LUV Story: The Evolution of Evolve: The New Southwest Interior**

The new Southwest Airlines cabin interior, *Evolve*, came about quite serendipitously. In spring 2009, Geoff Buschur, Aircraft Systems Engineer in Maintenance at Southwest Airlines, attended *Aviation Week's* Maintenance, Repair, and Overhaul (MRO) Americas Conference to hear Jennifer Coutts Clay, author of *Jetliner Cabins*, speak about how aircraft cabin interiors could be more environmentally friendly. Geoff had been considering how Southwest Airlines could be greener and found the inspiration that ultimately allowed for a 635-pound lighter aircraft with more durable interior that would ultimately decrease jet fuel consumption and greenhouse gas emissions, saving us in annual operating costs.

Meanwhile, a core Team of Southwest Airlines Employees from Maintenance, Engineering, Purchasing, and Marketing, including Geoff, had been pulled together with the purpose of identifying ways to improve Customer comfort onboard while remaining cost neutral by increasing durability of onboard materials, finding efficiencies, and reducing weight. The Cabin Refresh Team discovered it was possible to significantly improve the comfort of the seat simply by improving the soft goods. This discovery meant we could keep the existing B/E Aerospace Innovator II seat frame, which avoided approximately \$50 million in cabin redesign costs!

After the MRO conference, Geoff contacted Marilee McInnis, who leads Southwest Airlines' Green Team, and ideas started flowing. For years Marilee wanted Southwest to have a Green Plane that could showcase Southwest's environmental initiatives, and through a collaboration of their combined experience, the Green Plane took off. The Cabin Refresh Team looked into carpet tiles, recycled products, and lighter weight seat covers—many of the products that eventually became part of *Evolve*—and vendors who employ sustainable practices. Within a few months, the Green Team had approval of Chairman of the Board, President, and Chief Executive Officer Gary Kelly to proceed with developing a Green Plane to test the latest environmentally friendly materials and monitor their performance. In October 2009, we unveiled the Green Plane, just seven months after Geoff attended the MRO Americas Conference.

Based on the inflight test results and feedback from our Customers, the Green Plane proved to be a successful test run for materials featured in the *Evolve* interior. For instance, to combat concerns about the lighter natural tan E-Leather seat covers—an eco-friendly, lightweight, and scuff-resistant alternative to traditional leather—Green Plane testing proved the new seat covers to be durable and easily cleaned.

For *Evolve*, we thought of how to enhance every element of the cabin interior down to the carpet. Boeing introduced Southwest Airlines to InterfaceFLOR, a carpet tile company headquartered outside of Atlanta that produces environmentally friendly carpet tiles that are 100 percent recyclable at the end of their lifecycle. The beauty of the tiles for Southwest Airlines is that, instead of ripping out the entire center aisle every six months, which with a fleet our size creates a lot of waste, we can just spot replace where we need to. The color and design options were endless allowing us to create a carpet that enhances the new interior.

When it came to designing a more comfortable seat, we didn't stop at making it more ergonomic. A low-profile seat bottom cushion and netted seatback pocket give Passengers an additional inch of personal space by sitting them "down and back" in the seat and allowing for increased shin clearance. To design the headrest, we invited Franklin Products, *Evolve's* cushion manufacturer, to Headquarters to create the "fixed wing" headrest and test on a sample of Employees who are representative of various heights and body types. Armed with a turkey-carving knife and several cushions, Franklin Products carved a headrest mold that fit the majority of body types comfortably.

As part of the cabin refresh, the Team conducted a full nose-to-tail evaluation of the aircraft to see if there were any opportunities for improvement. Because we knew the new seat design created an extra inch of personal space, the team started exploring the option of additional seats with eight different seating arrangements that could accommodate four to seven additional seats. We selected a seating arrangement with six additional seats because of the conformity it created in the cabin. Six additional seats on Southwest Airlines' fleet of 372 737-700s is the equivalent of approximately 16 new aircraft! This creates hundreds of millions in incremental revenue opportunities without increasing fees.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > FUTURE PLANET INITIATIVES

The new seating arrangement also creates commonality among our fleet—reducing seating configurations from ten to two, which are 90 percent the same, and using a single seat model—streamlining Engineering and Maintenance for more cost-effective operations. If a repair is needed, we design a solution once, and the solution can be translated across the entire fleet.

And what makes the timing of *Evo/ve* even sweeter is that the acquisition of AirTran, which wasn't in our plans when the cabin refresh deliberations began, and the receipt of new Boeing 737-800s are timed perfectly to receive the new *Evo/ve* interior. In March 2012, we began retrofits of Southwest Airlines' current fleet of 372 Boeing -700s and anticipate completion in early 2013. AirTran's fleet will receive the new *Evo/ve* interior as its airplanes are rebranded with Southwest Airlines over the next several years.

With so many innovations in the new *Evo/ve* interior, Angela Vargo, Manager of Customer Marketing & Experience at Southwest Airlines, who led the Cabin Refresh Team, has trouble selecting a favorite feature but says she's so proud that what began as an initiative to improve Customer comfort became something so much greater with the new look, additional seats, and environmentally friendly materials. Like the other Employees on the *Evo/ve* Team, Geoff poured his heart and soul into this cabin redesign and notes that it's one of the biggest accomplishments in his career to take part in developing a new inflight interior that stays true to our triple bottom line of Performance, People, and Planet.

### Fleet Modernization

As part of our fleet modernization, we started receiving the first of our Boeing 737-800 orders in March 2012. Compared to the steel brakes on the 737-700, the new carbon brakes on the -800 provide a weight savings of more than 700 pounds, which results in less fuel consumption and reduced GHG emissions. The -800s will feature our new, eco-friendly *Evo/ve* interior along with the stylish Boeing Sky Interior. Sustainable features of the Sky Interior include energy-efficient LED reading and ceiling lighting, which increase lifespan of the lighting ten-fold. Compared to the -700s, the -800s have nearly 30 percent more seating capacity and offer an estimated emissions reduction of 30 pounds of carbon dioxide equivalent per 1,000 available seat miles.

In December 2011, we announced our placement of firm orders for 150 of Boeing's new 737 MAX. We were the first airline to place orders and anticipate receiving the new, more fuel efficient 737 MAX in 2017. The LEAP-1B engines in the 737 MAX will reduce fuel burn and carbon dioxide emissions by 10 to 11 percent over today's most fuel-efficient, single-aisle airplane, enabling us to improve our fuel cost and maintain our commitment to protecting our Planet by reducing GHG emissions from our operations. In addition to this order, we announced additional firm orders for the Boeing Next-Generation 737 aircraft.

These future fleet enhancements continue our record of excellence in environmental performance and support the other aspects of our triple bottom line of Performance, People, and Planet, with a positive impact on our bottom line and our Customer Experience enhancements.

### Love Field Modernization Program

The Love Field Modernization Program (LFMP) grew out of a collaborative effort between Southwest Airlines and the City of Dallas to restore the history and update the infrastructure of the Dallas Love Field Airport. The renovation, expected to be completed in 2014, will include a 20-gate shared concourse, ticket hall, and baggage claim area. Traffic flow around the airport will be improved with expanded curbsides and roadways for pickup and drop-off. The modernization of the terminal will also showcase Dallas' culture and the unique history of the airport, preserved in art installations such as the world map and Texas Ranger statue. Public art projects will focus on the city's vibrant culture.

The LFMP also features leading-edge sustainability, as the terminal will be constructed to achieve LEED (Leadership in Energy and Environmental Design) Silver certification for new construction and major renovations under the U.S. Green Building Council. Environmentally friendly aspects of the Love Field Modernization Program include the reuse of existing concrete for repaving the airport apron, a water use and drainage plan to minimize water usage and wastewater generation, an energy plan that exceeds the ANSI/ASHRAE/IESNA<sup>1</sup> Standard 90.1-2004 energy code, and the implementation of eco-friendly cleaning products. To protect the air quality of the Dallas area during construction, a temporary batch plant was located on site to allow for the reuse of existing concrete, avoiding the emissions that would have been generated from the transportation of cement loads. Also, during the decommissioning of existing fuel lines, more than 30,000 gallons of jet fuel were recycled. Resulting benefits include waste minimization, water conservation, and reduced emissions and fuel consumption.

<sup>1</sup> American National Standards Institute/American Society of Heating, Refrigerating, and Air-Conditioning Engineers/Illuminating Engineering Society of North America.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > ENVIRONMENTAL MANAGEMENT APPROACH



Southwest Airlines is committed to protecting our Planet.

### Disclosure on Management Approach: Environmental

We take environmental stewardship seriously at Southwest Airlines. As a company that consumes more than a billion gallons of jet fuel each year, we recognize the need to find opportunities to minimize our impact on the Planet. We do this by operating with a green filter and integrating environmental stewardship into everyday operations. Our environmental policy is a source for all Employees to understand how they can be a part of our Culture of global citizenship. Meanwhile, our environmental management systems track our environmental performance, giving us an opportunity to continuously improve. These programs are in place to meet our goal of protecting our Planet while remaining true to our low-cost philosophy.

### 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 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
- Minimizing waste and pollution from our operations and preventing it where possible, while remaining true to the triple bottom line of Performance, People, and Planet

### Climate Change Commitment

We at Southwest Airlines are committed to protecting our Planet and reducing our carbon footprint. As a member of Airlines for America (A4A), formerly known as the Air Transport Association of America, we support A4A'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 greenhouse gas (GHG) emissions. We have adopted A4A'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. In addition to engaging with policymakers through A4A, Southwest Airlines' Government Affairs Department has staff located in Washington, D.C., available to engage directly with policymakers when needed.

We recognize the potential impact that climate change risks can have on our business and operations. One potential risk is the physical changes associated with climate change such as modified weather patterns, which can impact airline operations. As an example, increased storms in the eastern United States can lead to a decrease in our ontime performance. Tornadoes and hurricanes impact ontime performance and can also result in financial implications related to damage to aircraft, facilities, and structures.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > ENVIRONMENTAL MANAGEMENT APPROACH

Another type of climate change risk is related to changes in regulations. As a consumer of fuel, any carbon tax, emissions fee, or cap-and-trade program that is enacted will add significant cost to our operations. The added cost and potential for carbon allocations could also affect our potential growth.

Efforts to manage these risks include our Government Affairs Department engaging legislators to work on climate and energy policy. Presently, Southwest Airlines is not impacted by the European Union Emissions Trading Scheme because we do not currently provide service to Europe. However, these types of emissions schemes could be an issue for Southwest Airlines in the future due to route expansions and/or other regions of the world adopting regulations similar to those in the European Union.

Southwest Airlines has invested more than \$375 million dollars in numerous projects to improve the fuel efficiency of our fleet. These projects include winglet additions, engine upgrades, engine washes, use of ground power at airport gates, controlling ground idle speeds, and equipping our entire fleet with satellite-based navigation to enable our aircraft to fly more efficient routes. Southwest Airlines has also invested millions of dollars to reduce GHG emissions resulting from the use of our ground service equipment including replacement of fossil fuel-burning equipment with electric equipment, using alternative fuels, and retrofitting diesel-powered equipment with more efficient engines with reduced emissions. Added costs related to emissions fees could decrease the funds available for these types of fuel-efficiency improvements and GHG emissions-reduction projects.

### 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 2012 and beyond include:

- **Compliance:** We are continuing to strive for our annual goal of zero recorded environmental violations in our operations as part of our environmental policy. In 2011, we met that goal by not receiving any environmental violations resulting in monetary fines.
- **Jet fuel efficiency and GHG emissions reduction:** Southwest Airlines has invested in a number of fuel savings initiatives. These initiatives have resulted in not only improved fuel efficiency, but also reduced emissions. We continue making progress toward A4A's industrywide goals for fuel efficiency and emissions reduction.
- **Recycling:** In 2011, we recycled more than 2,600 tons of paper, plastic, aluminum, and cardboard from onboard our aircraft and in our facilities. While this was a 5 percent improvement over our 2010 quantities, it fell short of our goal of a 10 percent improvement. We continue to strive for progress, and in the next five years, we aim to increase the quantity of materials recycled onboard our aircraft and in our facilities by 2.5 percent per year for a total of a 10 percent improvement by 2015 over our 2011 levels. We are also committed to replacing onboard materials with types that can be recycled including plastic cups, plastic wine bottles, carpet tiles, and seat covers.
- **Green purchasing:** We have set a goal to conduct at least one environmental audit annually on one of our top suppliers.
- **Water conservation:** We have identified specific projects aimed at reducing our water consumption including introducing native landscaping and new irrigation techniques at our Headquarters and employing a green dry cleaning process for the new *Evo/ve* interior.
- **LEED certification:** We are committed to utilizing LEED (Leadership in Energy and Environmental Design) standards in design, construction, and renovations. We achieved LEED Silver certification for new construction and major renovations at the general use building at Dallas Love Field in 2010, and we anticipate achieving LEED Silver certification for new construction and major renovations for the Dallas Love Field terminal renovations, which are part of the Love Field Modernization Program.

In 2011, Southwest Airlines' Citizenship Committee began evaluating potential environmental key performance indicators (KPIs). We began defining quantitative environmental goals to help minimize our impact on the environment by operating efficiently and identified prospective environmental KPIs related to fuel conservation, recycling, procurement of products containing post-consumer content and renewable energy. In 2012, the committee will prioritize and establish goals for selected environmental KPIs and will work to define protocols for collecting and analyzing operational data related to each of these KPIs, so we can use future data to continuously improve and reduce future environmental impact. We look forward to sharing these results in the *2012 Southwest Airlines One Report™*.

### Environmental Management System

Our Environmental Services Team in the General Counsel Department is responsible for providing the framework that helps us achieve our environmental goals. Our Environmental Services Team's key responsibilities include mitigating risks of non-compliance with environmental laws and regulations as well as ongoing review and improvement of our environmental policies, procedures, and goals. We have also established programs aimed at meeting our environmental objectives and targets.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## PLANET > ENVIRONMENTAL MANAGEMENT APPROACH

One such program is our formal auditing program. We established our auditing program to monitor our compliance and trigger corrective action where needed. The implementation of this system by the Employees in our Environmental Services Department makes it possible to protect our Planet through our daily business decisions.

We have also established programs and processes to collect and track environmental data, allowing us to become better informed about the efficiency of our Company. The metrics involved in our data tracking program include:

- Monetary value of significant fines
- Number and volume of significant spills
- Jet fuel consumption and fuel efficiency
- Consumption of other fuel sources including gasoline, diesel, and alternative fuels for ground support equipment
- Natural gas consumption
- Electricity consumption
- Water consumption
- Refrigerant usage
- Scope 1 and Scope 2 GHG emissions
- Quantity of paper, plastic, aluminum, and cardboard recycled
- Energy recovered from used oil, filters, and paint
- Quantity of batteries, electronics, fluorescent bulbs, and scrap metal recycled
- Quantity of hazardous waste disposed

Ongoing monitoring of these metrics allows us to measure our progress toward achievement of our environmental goals of operational efficiency and reduced impact on the environment. Through various media, including Employee newsletters, blogs, and our annual *Southwest Airlines One Report*<sup>™</sup>, we communicate this progress to our Employees. This feedback helps to increase our Employees' environmental awareness and reinforce our Company's commitment to our Planet. It also provides an opportunity to evaluate any areas where goals or objectives are not being met, so that necessary improvements can be made.

Much like our Planet, our environmental management system is always evolving. We adapt to meet the needs of our operations and to continually improve our environmental programs, procedures, and goals. As the hometown carrier that cares, Southwest Airlines believes that it's our responsibility to protect our Planet and its natural resources.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## GRI & CDP > OVERVIEW



It's imperative to demonstrate transparency to our Stakeholders, so we use the GRI and CDP—two internationally recognized frameworks for communicating and managing our triple bottom line.

While the Global Reporting Initiative (GRI) is a framework for sustainability reporting that allows organizations the opportunity to measure and report their economic, social, and environmental efforts in a consistent manner, the Carbon Disclosure Project (CDP) is a framework that allows respondents to effectively manage their environmental risks, focusing on greenhouse gas emissions and climate change strategies. Southwest Airlines voluntarily reports to both the GRI and the CDP. Since both organizations invite reporting on climate change, they have recently decided to coordinate frameworks for a more efficient reporting process for those of us, like Southwest Airlines, who choose to respond to both. Using their guidance, we are introducing a combined GRI and CDP index that depicts our GRI responses alongside the corresponding CDP responses<sup>1</sup> for calendar year 2011.

### GRI

The 2011 Southwest Airlines One Report™ conforms to the principles outlined in the GRI Sustainability Reporting Guidelines version 3.0 (G3) and fully complies with the GRI's B+ application level. 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.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## GRI & CDP > OVERVIEW

Report Application Level	C	C+	B	B+	A	A+
G3 Profile Disclosures OUTPUT	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 OUTPUT	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	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.	

As Southwest Airlines' third One Report, the 2011 One Report illustrates our continued steadfast focus on the triple bottom line—our Performance, our People, and our Planet. The 2011 One Report represents Southwest Airlines' operations for calendar year 2011, unless otherwise stated, and covers 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 2011 One Report, we increased our scope, boundary, and measurement methods used to develop the 2010 and 2009 One Report to include the AirTran acquisition. In 2011, we worked diligently to integrate AirTran data with Southwest Airlines' data where available and feasible. Due to the AirTran acquisition, 2011 has been a transitional year for Southwest Airlines reporting, and AirTran data is integrated differently within each section comprising our triple bottom line:

- **Performance:** AirTran data beginning May 2, 2011, is included in Southwest Airlines Performance section data unless otherwise stated.
- **People:** AirTran data is excluded from People data unless otherwise stated.
- **Planet:** AirTran jet fuel, diesel, and gasoline consumption totals beginning May 2, 2011, are included in Southwest Airlines consumption totals. AirTran data is excluded from other Southwest Airlines data unless otherwise stated.

We will continue combining our metrics for increased transparency and disclosure where applicable. Southwest Airlines intends to continue releasing its *Southwest Airlines One Report*<sup>TM</sup> on an annual basis.

### CDP

The 2011 One Report will serve as a template for responding to the *Investor CDP 2012 Information Request*. The CDP works to transform the way the world does business to prevent dangerous climate change and protect natural resources through communication and education. Companies who measure their environmental risk through the CDP questionnaire are better able to manage it strategically and compare their risks to others. Organizations that are transparent and disclose this information are providing decision makers with access to a critical source of global data that delivers the evidence and insight required to drive action. Since 2009, Southwest Airlines has voluntarily responded to the Investor CDP Information Request and in the 2011 One Report, we have decided to show our Shareholders how our own GRI index and CDP responses correlate.

<sup>1</sup> CDP responses for calendar year 2011 are due in May 2012, after the release of the 2011 One Report.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## GRI & CDP > EXTERNAL ASSURANCE



The *2011 Southwest Airlines One Report™* has achieved a GRI B+ application level.

April 1, 2012

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

Burns & McDonnell Engineering Inc.  
Assurance Statement for *2011 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 *2011 Southwest Airlines One Report™* (2011 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 2011 results of the Southwest GRI profile disclosures, disclosures on management approach, and performance indicators contained in the 2011 One Report, including both qualitative and quantitative data.
2. Review the 2011 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 2011 material metrics and accomplishments presented in the 2011 One Report with the exception of information presented in Southwest's Annual Report on Form 10-K for year ended Dec. 31, 2011 and Southwest's 2012 Proxy Statement. The financial statements included in the 2011 Form 10-K have been audited by the company's independent auditor.

In order to complete external assurance of the 2011 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, and Burns & McDonnell utilized the *AA1000 Assurance Standard 2008* as frame of reference for assuring the report.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## GRI & CDP > EXTERNAL ASSURANCE

This review determined that Southwest has a systematic, documented, evidence-based reporting process in place. The 2011 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 2011 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 2011 One Report meets the content and quality requirements of the GRI Sustainability Reporting Guidelines version 3.0 B+ application level.

Sincerely,



Candice Derks, LEED AP, GRI Certified  
Project Manager, Environmental Group  
Burns & McDonnell

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## GRI & CDP > GRI & CDP INDEX



We voluntarily report to the GRI and CDP, which provide a universal platform for standardized corporate reporting and environmental risk management in a credible and measurable manner.

Profile Disclosures	Page	Corresponding CDP Question <sup>1</sup>
<b>1. Strategy and Analysis</b>		
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, 2011 Performance, Environmental Management Approach
<b>2. Organizational Profile</b>		
2.1	Name of the organization.	Southwest Airlines Co.
2.2	Primary brands, products, and/or services.	Performance, 2011 U.S. Securities and Exchange Commission Form 10-K
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	2011 U.S. Securities and Exchange Commission Form 10-K



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## GRI & CDP > GRI & CDP INDEX

2.4	Location of organization's headquarters.	Contact Us, 2011 U.S. Securities and Exchange Commission 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, Performance, 2011 U.S. Securities and Exchange Commission 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
2.8	Scale of the reporting organization.	Performance, 2011 U.S. Securities and Exchange Commission Form 10-K
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Performance, 2011 U.S. Securities and Exchange Commission 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.	GRI & CDP
3.2	Date of most recent previous report (if any).	Gary's Message, GRI & CDP
3.3	Reporting cycle (annual, biennial, etc.).	GRI & CDP
3.4	Contact point for questions regarding the report or its contents.	Contact Us
3.5	Process for defining report content.	GRI & CDP, By the Numbers, addressed throughout the report

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## GRI & CDP > GRI & CDP INDEX

3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	GRI & CDP, 30,000-Foot View
3.7	State any specific limitations on the scope or boundary of the report.	GRI & CDP, addressed throughout the report
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.	GRI & CDP, 2011 Performance
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.	GRI & CDP, addressed throughout the report
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement.	Customer Insight, GHG Inventory, Planet By the Numbers
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Global Reporting Initiative, addressed throughout the report
3.12	Table identifying the location of the standard disclosures in the report.	GRI & CDP Index
3.13	Policy and 2011 practice with regard to seeking external assurance for the report.	External Assurance

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## GRI & CDP > GRI & CDP INDEX

### 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, 2012 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
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Corporate Governance, Contact Us, Engagement & Recognition, Customer Insight, Stakeholder Involvement, 2012 Proxy Statement
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance (including social and environmental performance).	Corporate Governance, 2012 Proxy Statement
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate Governance, 2012 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, 2012 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.	Financial Management Approach, Social Management Approach, Environmental Management Approach, Mission & Vision

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## GRI & CDP > GRI & CDP INDEX

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, Environmental Management Approach, 2011 U.S. Securities and Exchange Commission Form 10-K, 2012 Proxy Statement	Q1.1, Q1.1a, Q2.1, Q2.1a, Q2.2, Q2.2a, Q2.3, Q2.3a
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Corporate Governance, 2012 Proxy Statement	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	addressed throughout the report	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	addressed throughout the report	
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 the report	
4.14	List of stakeholder groups engaged by the organization.	addressed throughout the report	
4.15	Basis for identification and selection of stakeholders with whom to engage.	addressed throughout the report	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Corporate Governance, AirTran Acquisition Contact Us, Engagement & Recognition, Customer Insight, Stakeholder Involvement, 2012 Proxy Statement, 2011 U.S. Securities and Exchange Commission Form 10-K	



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## GRI & CDP > GRI & CDP INDEX

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, AirTran Acquisition 2012 Proxy Statement, 2011 U.S. Securities and Exchange Commission Form 10-K
------	--	--

## 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

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## GRI & CDP > GRI & CDP 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.	Performance By the Numbers, Past Performance, 2011 Performance, Communities, 2011 U.S. Securities and Exchange Commission Form 10-K	
EC2	Financial Implications and other risks and opportunities for the organization's activities due to climate change.	Environmental Management Approach	Q5.1, 5.1a, 5.1b
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, People By the Numbers	

#### ENVIRONMENTAL

EN3	Direct energy consumption by primary energy source.	Energy & Resource Use, GHG Inventory	Q12.2, Q12.3
EN4	Indirect energy consumption by primary source.	Energy & Resource Use, GHG Inventory	Q3.2
EN5	Energy saved due to conservation and efficiency improvements.	Energy & Resource 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, Energy & Resource Conservation	Q3.2
EN8	Total water withdrawal by source.	Energy & Resource Use, Planet By the Numbers	
EN16	Total direct and indirect greenhouse gas emissions by weight.	Emissions, Planet By the Numbers	Q7.1, Q7.2, Q7.3, Q7.4, Q8.1, Q8.2, Q8.3, Q8.5

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## GRI & CDP > GRI & CDP INDEX

EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Energy & Resource Conservation, Emissions	Q3.3, Q3.3a, Q3.3b, Q3.3c
EN19	Emissions of ozone-depleting substances by weight.	Procurement	
EN23	Total number and volume of significant spills.	Green Filter, Planet By the Numbers	

### SOCIAL: LABOR PRACTICES AND DECENT WORK

LA1	Total workforce by employment type, employment contract, and region.	People By the Numbers, addressed throughout the report	
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, People By the Numbers	

### 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.	N/A	

### 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	
SO5	Public policy positions and participation in public policy development and lobbying.	Social Management Approach	

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## GRI & CDP > GRI & CDP INDEX

### SOCIAL: PRODUCT RESPONSIBILITY

PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Customer Insight, Social Management Approach
-----	---	---

*1 Investor CDP 2012 Information Request.*



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## BY THE NUMBERS > OVERVIEW



## By the Numbers

To develop the *2011 Southwest Airlines One Report™*, we increased our scope, boundary, and measurement methods that were used to develop the *2010 Southwest Airlines One Report™* and *2009 Southwest Airlines One Report™* to include the AirTran acquisition. In 2011, we worked diligently to integrate AirTran data with Southwest Airlines' data where available and feasible. Due to the AirTran acquisition during 2011, AirTran data is reported differently within each section comprising our triple bottom line:

- **Performance:** AirTran data beginning May 2, 2011, is included in Southwest Airlines Performance section data unless otherwise stated.
- **People:** AirTran data is excluded from People data unless otherwise stated.
- **Planet:** AirTran jet fuel, diesel, and gasoline consumption totals beginning May 2, 2011, are included in Southwest Airlines consumption totals. AirTran data is excluded from other Southwest Airlines data unless otherwise stated.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## BY THE NUMBERS > PERFORMANCE BY THE NUMBERS



## Performance By the Numbers

selected consolidated financial data (GAAP)  
dollars in millions, except per share amounts

	2009	2010	2011 <sup>1</sup>
Operating revenues:			
Passenger	\$ 9,892	\$11,489	\$14,735
Freight	118	125	139
Other	340	490	784
Total operating revenues	10,350	12,104	15,658
Operating expenses	10,088	11,116	14,965
Operating income	262	988	693
Other expenses (income), net	98	243	370
Income before income taxes	164	745	323
Provision for income taxes	65	286	145
Net income	\$ 99	\$ 459	\$ 178
Net income per share, basic	\$ .13	\$ .62	\$ .23
Net income per share, diluted	\$ .13	\$ .61	\$ .23
Cash dividends per common share	\$ .0180	\$ .0180	\$ .0180
Total assets	\$14,269	\$15,463	\$18,068
Long-term debt less current maturities	\$ 3,325	\$ 2,875	\$ 3,107
Stockholders' equity	\$ 5,454	\$ 6,237	\$ 6,877

### Consolidated Financial Ratios

Return on average total assets	0.7%	3.1%	1.1%
Return on average stockholders' equity	1.9%	7.9%	2.7%
Operating margin	2.5%	8.2%	4.4%
Net margin	1.0%	3.8%	1.1%

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## BY THE NUMBERS > PERFORMANCE BY THE NUMBERS

### Consolidated Operating Statistics

Revenue Passengers carried	86,310,229	88,191,322	103,973,759
Enplaned Passengers	101,338,228	106,227,521	127,551,012
Revenue Passenger miles (RPMs) (000s)	74,456,710	78,046,967	97,582,530
Available seat miles (ASMs) (000s)	98,001,550	98,437,092	120,578,736
Passenger load factor	76.0%	79.3%	80.9%
Average length of Passenger haul (miles)	863	885	939
Average stage length (miles)	639	648	679
Aircraft utilization (hours and minutes per day)	10:50	10:48	11:10
Trips flown	1,125,111	1,114,451	1,317,977
Average Passenger fare	\$114.61	\$130.27	\$141.72
Passenger revenue yield per RPM	13.29¢	14.72¢	15.10¢
Operating revenue yield per ASM	10.56¢	12.30¢	12.99¢
Operating expenses per ASM	10.29¢	11.29¢	12.41¢
Operating expenses per ASM, excluding fuel	7.19¢	7.61¢	7.73¢
Fuel cost per gallon, including fuel taxes (average)	\$ 2.12	\$ 2.51	\$ 3.19
Fuel consumed, in gallons (millions)	1,428	1,437	1,764
Full-time equivalent Employees at yearend	34,726	34,901	45,392
Aircraft in service at yearend <sup>2</sup>	537	548	698

<sup>1</sup> Includes AirTran beginning May 2, 2011.

<sup>2</sup> Includes leased aircraft.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## BY THE NUMBERS > PEOPLE BY THE NUMBERS



## People By the Numbers

	2009	2010	2011
<b>Employees<sup>1</sup></b>			
Active, full-time equivalent Employees at yearend	Nearly 35,000	Nearly 35,000	More than 45,000
<b>EMPLOYEES BY DIVISION<sup>1,2</sup></b>			
Flight	15,345; 44%	15,069; 43%	19,647; 43%
Maintenance	2,488; 7%	2,464; 7%	3,135; 7%
Ground, Customer, and Fleet Services	14,716; 43%	15,205; 44%	20,185; 45%
Management, Accounting, Marketing, clerical personnel (other)	2,177; 6%	2,163; 6%	2,425; 5%
<b>BENEFITS</b>			
Active and inactive Employees who participate in benefits program	More than 35,000	More than 35,000	More than 40,000
Contributions to Employee benefits program excluding 401(k) and ProfitSharing Plans and share-based compensation (accrued)	More than \$500 million	More than \$590 million	More than \$670 million
401(k) plan participation	—	86.5%	93%
ProfitSharing Plan participation	—	All eligible Employees	All eligible Southwest Airlines Employees
Contributions to 401(k) and ProfitSharing Plans	\$203 million	Nearly \$350 million	Nearly \$314 million



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## BY THE NUMBERS > PEOPLE BY THE NUMBERS

	2009	2010	2011
<b>TRAINING</b>			
Pilot hours	199,500	219,440	165,000
Flight Attendant hours	109,450	112,116	295,194
Maintenance and Support hours	81,633	59,004	88,754
Customer Support & Services hours	106,480	125,833	245,179
Grounds Operations hours	224,779	253,574	342,946
Safety and Security training hours	—	More than 230,000	More than 800,000
<b>Customers</b>			
U.S. Department of Transportation Customer Satisfaction rating (consumer complaints per 100,000 enplanements)	0.21	0.27	0.32
External Customer commendations	More than 50,000	More than 65,000	More than 65,000
Ratio of external Customer commendations to personnel rudeness complaints	9:1	Nearly 10:1	Nearly 8:1
American Customer Satisfaction Index	81	79	81
Percentage of reported flight operations arriving ontime	83.0	79.5	81.3
Number of mishandled bags reported per 1,000 Passengers	3.43	3.47 <sup>3</sup>	3.65
Passengers denied boarding per 10,000 Passengers	1.29	1.24	0.65
Number of incidents involving the loss, injury, or death of animals during transport	0	0	0
<b>Communities</b>			
Donation requests received systemwide	14,968	16,678	17,057
Tickets donated	25,663	29,664	40,807
Southwest Airlines total monetary donations	\$554,140	\$934,807	\$1,814,077
Southwest Airlines total value of monetary, in-kind, and ticket donations	\$10,939,665	\$12,974,763	\$18,239,850
Employee Volunteer hours	Over 45,000	Over 80,000	Over 114,000
<b>Social Management Approach</b>			
Employees represented by unions	—	Approximately 82%	Approximately 82%
Employee human rights training hours	—	More than 5,000	More than 3,700
Employees trained on human rights	—	10.7%	10.1%
Employees and business associates who acknowledged the code of ethics	—	More than 37,000	More than 43,000 <sup>4</sup>

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## BY THE NUMBERS > PERFORMANCE BY THE NUMBERS

- 1 Based on active, full-time equivalent Southwest Airlines Employees as of Dec. 31 for specified calendar year. In 2011, full-time equivalent AirTran Employees as of Dec. 31 are also included.*
- 2 Flight includes Cabin Service Support, Inflight, and Flight Operations. Ground, Customer, and Fleet Services include Provisioning, Customer Services, Ground Operations, and Operations Coordination Center.*
- 3 Updated from reported number of 3.43 in 2010 Southwest Airlines One Report™ based on a revision to the February 2011 U.S. Department of Transportation Air Travel Consumer Report made on May 9, 2011, to include the corrections made by Southwest Airlines to total baggage reports for October, November, and December 2010.*
- 4 Includes Southwest Airlines and AirTran Employees.*
- Data not reported in Southwest Airlines One Report™ for specified calendar year.*

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## BY THE NUMBERS > PLANET BY THE NUMBERS



## Planet By the Numbers

	2009	2010	2011 <sup>1</sup>
<b>Green Filter</b>			
Number of environmental violations resulting in fines	3	2	0
Total environmental fines	\$3,689	\$603	None
Number of spill incidents	34	43	51
Purchases of renewable energy certificates (kilowatt-hours (kWh))	More than 15 million	More than 15.7 million	More than 15.7 million
U.S. Environmental Protection Agency's <i>FORTUNE</i> 500 Green Power Partners ranking	33	32	37
Ozone-depleting substances produced or imported	—	—	None
<b>Energy and Resource Use</b>			
Total energy consumption (megawatt-hours)	—	—	68,369,507
Jet fuel consumption (gallons)	1.4 billion	1.4 billion	1.8 billion
Fuel efficiency (available seat miles/gallon)	68.6	68.5	68.3
Natural gas consumption (therms)	—	897,000 <sup>2</sup>	836,000
Intensity ratio (therms/Employee)	—	—	22
Ground support equipment diesel consumption (gallons)	—	1.75 million	1.78 million
Ground support equipment gasoline consumption (gallons)	—	698,000	964,000
Electricity consumption (kWh)	—	72 million	72 million
Intensity ratio (kWh/Employee)	—	Over 2,000	1,900
Water consumption (gallons)	—	73 million <sup>3</sup>	79 million
Total cleaner-burning ground support equipment	—	Nearly 1,100	More than 1,300

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## BY THE NUMBERS > PLANET BY THE NUMBERS

	2009	2010	2011 <sup>1</sup>
<b>Greenhouse Gas (GHG) Inventory</b>			
Scope 1 emissions (metric tons of carbon dioxide equivalent (CO <sub>2</sub> e))	13,838,695	13,930,902 <sup>2</sup>	17,417,782
Scope 2 emissions (metric tons of CO <sub>2</sub> e)	49,512	43,960	42,058
Total GHG emissions (metric tons of CO <sub>2</sub> e)	13,888,207	13,974,862 <sup>2</sup>	17,459,840
Production activity (revenue Passenger miles (RPM))	74.5 billion	78.0 billion	97.6 billion
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 RPM)	0.19	0.18	0.18
Production activity (ASM)	98.0 billion	98.4 billion	120.6 billion
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 ASM)	0.14	0.14	0.14
Production activity (revenue ton miles (RTM))	7.6 billion	7.9 billion	9.9 billion
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 RTM)	1.84	1.77	1.77
<b>Recycling and Waste Management</b>			
Recycled co-mingled waste (paper, plastic, aluminum, and cardboard)	More than 1,500 tons	More than 2,500 tons	More than 2,600 tons
Percent increase in the quantity of co-mingled materials recycled	—	25%	5%
Recycled industrial waste	—	650 tons	515 tons
Energy recovered from industrial waste (British thermal units)	5.7 billion	More than 6 billion	Nearly 5.8 billion
Hazardous waste generated	13 tons	16 tons	12 tons
Hazardous waste managed through beneficial use	12 tons	15 tons	10 tons
Intensity ratio (pounds of hazardous waste generated/aircraft)	49	59	44

<sup>1</sup> AirTran jet fuel, diesel, and gasoline consumption totals beginning May 2, 2011, are included in Southwest Airlines consumption totals. AirTran data is excluded from other Southwest Airlines data unless otherwise stated.

<sup>2</sup> This number has been revised since the 2010 Southwest Airlines One Report™ due to a review of natural gas consumption records for 2010.

<sup>3</sup> This number has been revised since the 2010 Southwest Airlines One Report™ due to a review of water consumption records for 2010.

– Data not reported in Southwest Airlines One Report™ for specified calendar year.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## CORPORATE GOVERNANCE >



We believe being a good corporate citizen means operating with the highest standards of ethics and integrity. Quality corporate governance is a necessary foundation for achieving long-term Shareholder, Employee, and Customer value.

At Southwest Airlines, quality corporate governance provides a necessary foundation for our Company's operations and strategies. Furthermore, we believe being a good corporate citizen requires that we operate with the highest standards of ethics and integrity. We communicate and apply these standards through policies such as our code of ethics, insider trading policy, blackout and pre-clearance procedures, and Foreign Corrupt Practices Act policy statement and compliance guide.

### Code of Ethics

Our code of ethics sets forth the expectation that our Employees, Board members, and certain business associates comply with the law, both in letter and in spirit, and specifically addresses matters such as confidentiality, insider trading, competition and fair dealing, payments to government personnel, conflicts of interest, corporate opportunities, safeguarding of Company property, and recordkeeping.

### Insider Trading Policy

Our insider trading policy prohibits our Employees, Board members, and consultants (as well as related persons) from (i) purchasing or selling Southwest Airlines securities while in possession of material nonpublic information about our Company, (ii) purchasing or selling securities of other companies while in possession of material nonpublic information that has been acquired while in the course of performing services for our Company, and (iii) communicating material nonpublic information about our Company (or about other companies with which we do business) to others who may trade based on the information.

### Foreign Corrupt Practices Act Policy Statement and Compliance Guide

Our Foreign Corrupt Practices Act policy statement and compliance guide applies to Southwest Airlines and its subsidiaries, affiliates, Employees, Board members, agents, consultants, and other business associates and representatives worldwide. It (i) prohibits the payment or giving of anything of value, whether directly or indirectly, to a foreign official in order to benefit Southwest Airlines' business and (ii) requires Southwest Airlines to prepare and maintain accurate books and records and to maintain an adequate system of internal accounting controls.

### Blackout and Pre-Clearance Procedures

Our Officers, Board members, and selected Employees are subject to quarterly restrictions on trading in Southwest Airlines securities during periods surrounding Southwest Airlines' release of quarterly earnings. These same individuals are also required to pre-clear all trades in Southwest Airlines securities and are subject to additional restrictions on trading in the case of material events that have not been disclosed to the public.

### Acknowledgements

We require all Employees to annually certify receipt and understanding of our code of ethics and insider trading policies. In 2011, more than 43,000 Southwest Airlines and AirTran Employees and certain business associates certified receipt of these materials. We also annually distribute our Foreign Corrupt Practices Act policy statement and compliance guide to all Company Officers, Senior Leaders of all departments, and select Employees who are involved with Southwest Airlines' financial records and/or international operations. In 2011, more than 1,700 individuals received and completed a mandatory compliance questionnaire regarding the Foreign Corrupt Practices Act.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## CORPORATE GOVERNANCE >

### Auditing 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.

### Southwest Airlines Leadership

At Southwest Airlines, our Senior Leadership includes our Board of Directors, our Company Officers, and our Leadership Briefing Group. Our Senior Leaders set the foundation that allows the three passions that comprise our triple bottom line—Performance, People, Planet—to thrive as one Southwest. Our Board currently has ten members, all of whom are considered independent with the exception of our Chairman of the Board, President, and Chief Executive Officer. The Board has five standing committees to help it fulfill its responsibilities, four of which are composed solely of independent members of the Board:

- The Audit Committee assists the Board with its oversight of (i) the integrity of Southwest Airlines' financial statements, (ii) Southwest Airlines' compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications and independence, and (iv) the performance of Southwest Airlines' internal audit function and independent auditors.
- The Compensation Committee's functions include, among others, (i) reviewing the compensation structure of the Company's Officers, (ii) approving the compensation of the Company's executive Officers, (iii) reviewing and approving all stock-based compensation arrangements for Employees of the Company, and (iv) reviewing the compensation for non-Employee members of the Board.
- The Executive Committee assists the Board in fulfilling its oversight responsibilities and has authority to act for the Board on most matters during intervals between Board meetings.
- The Nominating and Corporate Governance Committee's functions include, among others, (i) reviewing potential candidates for Board membership and recommending a slate of nominees to be selected by the Board for the annual meeting of Shareholders, (ii) recommending to the Board the composition of the Board's Committees, (iii) overseeing the evaluation of the Board and management, and (iv) overseeing the corporate governance of Southwest Airlines.
- The Safety and Compliance Oversight Committee assists the Board with its oversight of the Company's activities with respect to Safety and operational compliance.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## CORPORATE GOVERNANCE >



### 2011 BOARD OF DIRECTORS (AND CORPORATE SECRETARY)

**David W. Biegler**

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

**J. Veronica Biggins**

Managing Director  
Diversified Search LLC  
Atlanta, Georgia  
Compensation Committee

**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**

Presiding Director  
James L. Bayless Chair for Free Enterprise  
The University of Texas at Austin Red McCombs School of Business  
Former Chancellor of The University of Texas System  
Austin, Texas  
Executive Committee, Audit Committee, Nominating and Corporate  
Governance Committee (Chair)

**John G. Denison**

Former Chairman of the Board  
Global Aero Logistics, Inc.  
Plano, Texas  
Executive Committee, Audit Committee, Safety and Compliance  
Oversight Committee (Chair)

**Gary C. Kelly**

Chairman of the Board, President and Chief Executive Officer  
Southwest Airlines Co.  
Dallas, Texas  
Executive Committee (Chair)

**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  
San Antonio, Texas  
Audit Committee (Chair), Compensation Committee, Nominating and  
Corporate Governance Committee

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## CORPORATE GOVERNANCE >

### **Thomas M. Nealon**

Former Group Executive Vice President  
J.C. Penney Company, Inc.  
Dallas, Texas  
Nominating and Corporate Governance Committee, Safety and  
Compliance Oversight Committee

### **Daniel D. Villanueva**

Partner  
RC Fontis  
Pasadena, California  
Compensation Committee, Safety and Compliance  
Oversight Committee

### HONORARY DESIGNATIONS

#### **Herbert D. Kelleher**

Chairman Emeritus  
Southwest Airlines Co.  
Dallas, Texas

#### **Colleen C. Barrett**

President Emeritus  
Southwest Airlines Co.  
Dallas, Texas

### COMPANY OFFICERS (MARCH 31, 2012)

#### **Gary C. Kelly<sup>1</sup>**

Chairman of the Board, President and Chief Executive Officer

#### **Robert E. Jordan<sup>1</sup>**

Executive Vice President and Chief Commercial Officer  
President of AirTran Airways

#### **Jeff Lamb<sup>1</sup>**

Executive Vice President and Chief People and Administrative Officer

#### **Ron Ricks<sup>1</sup>**

Executive Vice President and Chief Legal and Regulatory Officer, and  
Corporate Secretary

#### **Michael G. Van De Ven<sup>1</sup>**

Executive Vice President and Chief Operating Officer

#### **Ginger C. Hardage<sup>1</sup>**

Senior Vice President Culture and Communications

#### **Brian Hirshman<sup>1</sup>**

Senior Vice President Technical Operations

#### **Daryl Krause<sup>1</sup>**

Senior Vice President Procurement

#### **Teresa Laraba<sup>1</sup>**

Senior Vice President Customer Services and Training

#### **Dave Ridley<sup>1</sup>**

Senior Vice President and Chief Marketing Officer

#### **Tammy Romo<sup>1</sup>**

Senior Vice President Planning

#### **Greg Wells<sup>1</sup>**

Senior Vice President Operations

#### **Laura H. Wright<sup>1</sup>**

Senior Vice President Finance and Chief Financial Officer

#### **Matt Buckley**

Vice President Cargo and Charters

#### **Jeff Buhr<sup>2</sup>**

Vice President Technology, Aircraft Operations Portfolio

#### **Matt Hafner**

Vice President Operations Coordination Center

#### **Mike Hafner**

Vice President Cabin Services

#### **Scott Halfmann**

Vice President Safety and Security

#### **Laurie Hulin**

Vice President Technology, Enterprise Management Applications and  
Testing Services Portfolio

#### **John Jamotta**

Vice President Network Planning

#### **Madeleine Johnson**

Vice President, General Counsel, and Assistant Corporate Secretary

#### **Leah Koontz**

Vice President Controller

#### **Kevin M. Krone**

Vice President Marketing, Sales and Distribution



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## CORPORATE GOVERNANCE >

**Karen Lewis**

Vice President Governmental Affairs

**Chuck Magil**

Vice President Flight Operations

**Bob Montgomery**

Vice President Airport Affairs

**Rob Myrben**

Vice President Procurement

**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

**Randy Sloan<sup>2</sup>**

Vice President and Chief Information Officer

**Alfred "Jack" Smith**

Vice President Ground Operations/AirTran

**Jim Sokol**

Vice President Maintenance Operations

**Ellen Torbert**

Vice President Diversity and Inclusion

**Chris Wahlenmaier**

Vice President Ground Operations

**Kathleen Wayton<sup>3</sup>**

Vice President Technology, Commercial Portfolio

**Kay Weatherford**

Vice President Revenue Management and Pricing

**Julie Weber<sup>2</sup>**

Vice President People

**Bob Young**

Vice President Technology and Chief Technology Officer

*1 Member of the Executive Planning Committee.*

*2 Effective as of April 2, 2012.*

*3 Title change effective as of April 2, 2012.*

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## 30,000-FOOT VIEW > OVERVIEW



We're committed to our triple bottom line of Performance, People, and Planet.

### Southwest Airlines at a Glance

At Southwest Airlines, we offer a reliable product and continue to differentiate ourselves from other low-fare carriers by providing exemplary Customer Service. Southwest Airlines is the nation's largest carrier,<sup>1</sup> serving 97 destinations in 41 states, the District of Columbia, the Commonwealth of Puerto Rico, and six near-international countries.<sup>2,3</sup> We are one of the most honored airlines in the world, known for our commitment to the triple bottom line of Performance, People, and Planet. Based in Dallas, Southwest Airlines operates nearly 3,800 daily flights<sup>2,4</sup> and has more than 45,000 Employees<sup>5</sup> systemwide.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## 30,000-FOOT VIEW > OVERVIEW

### SOUTHWEST AIRLINES SYSTEM MAP<sup>6</sup>

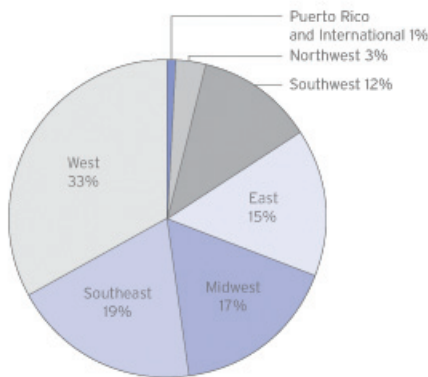


# PERFORMANCE. PEOPLE. PLANET.

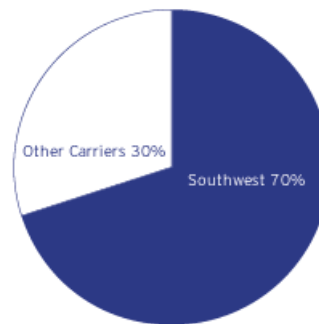
Three Passions. ONE SOUTHWEST.

## 30,000-FOOT VIEW > OVERVIEW

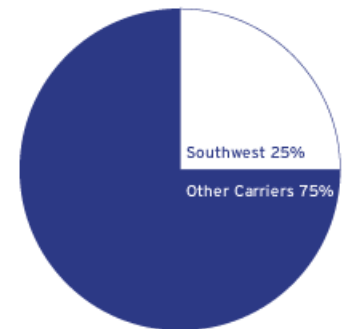
### CAPACITY BY REGION<sup>7</sup> at yearend



### MARKET SHARE<sup>1,7</sup> top 100 city-pair markets



### MARKET SHARE<sup>1,7</sup> total domestic market



### TOP TEN AIRPORTS<sup>7</sup> daily departures at yearend



<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, 2011.

<sup>2</sup> Includes AirTran and reflects 2012 schedule changes planned and announced through March 31, 2012.

<sup>3</sup> Near-international destinations operated by AirTran.

<sup>4</sup> Operated more than 3,800 daily flights as of Dec. 31, 2011.

<sup>5</sup> Based on active, full-time equivalent Southwest Airlines and AirTran Employees as of Dec. 31, 2011.

<sup>6</sup> Our route map reflects our combined network of cities served by Southwest Airlines and AirTran, including all schedule changes planned and announced through March 31, 2012. These changes include:

- In January 2012, AirTran ceased service to Asheville, N.C. (AVL); Atlantic City, N.J. (ACY); and Moline, Ill. (MLI).
- In March 2012, AirTran ceased service to Newport News/Williamsburg, Va. (PHF).
- In May 2012, AirTran will initiate service to Austin, Texas (AUS) and Mexico City, Mexico (MEX).
- In June 2012, AirTran will cease service to Bloomington/Normal, Ill. (BMI); Charleston, W.Va. (CRW); Knoxville, Tenn. (TYS); Miami, Fla. (MIA); and Washington Dulles (IAD). Southwest Airlines continues to serve IAD. AirTran will initiate service to Orange County, Calif. (SNA) and Cabo San Lucas/San Jose del Cabo, Mexico (SJD).
- In August 2012, AirTran will cease service to Allentown, Pa. (ABE); Harrisburg, Pa. (MDT); Huntsville, Ala. (HSV); Lexington, Ky. (LEX); Sarasota, Fla. (SRQ); and White Plains, N.Y. (HPN).

<sup>7</sup> Includes AirTran beginning May 2, 2011.



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

## 30,000-FOOT VIEW > MISSION & 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 Airlines' 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 and uphold our commitments to our Employees, Customers, and other 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.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

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



All listed awards were received in 2011 unless otherwise noted.

### Industry-Leading Airline

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

EquiTrend® Airline Brand of the Year  
Harris Poll

People's Choice Stevie Award Winner for Company of the Year  
in Transportation  
International Business Awards

One of the *Better Investing* Top 100 Companies  
*Better Investing*

Top-Ranked Airline<sup>1</sup>  
Airline Quality Rating

One of the World's Ten Safest Airlines  
Air Transport Rating Agency

Best Airline  
*Columbus* (Ohio) *C.E.O.* magazine

President's Award  
Downtown Denver Partnership

Top 10 Corporate Blogs, #8  
Ragan.com's Mark Schaeffer

We're proud to be one of the world's most admired companies for our commitment to our Performance, our People, and our Planet.

Domestic Carrier of the Year for Cargo  
Airforwarders Association

Air Cargo Excellence, up to 199,000 tons category, #1  
*Air Cargo World*

Quest for Quality Excellence in Air Cargo Award  
*Logistics Management* magazine

Domestic Airline of the Year for Cargo  
Express Delivery & Logistics Association

Best Practices in Supplier Diversity  
Dallas/Fort Worth Minority Business Council

### Green Leader

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

Top Airline Score on Commitment to Fighting Global Warming  
*ClimateCounts.org*

*FORTUNE* 500 Green Power Partners, #37<sup>2</sup>  
U.S. Environmental Protection Agency

Green Rankings of the 500 Largest Publicly Traded Companies  
in the U.S., #282  
*Newsweek*

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

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

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

Clean Air Campaign Gold-Level Partner<sup>1</sup>  
Georgia Department of Transportation

Partnership for a Sustainable Georgia Bronze-Level Partner<sup>1</sup>  
Georgia Department of National Resources

Most Admired Companies Green Star, Marilee McInnis  
*FORTUNE*

**Positively Outrageous Customer Service**  
Airline Customer Satisfaction Leader  
*Consumer Reports*

Airline Customer Satisfaction, #1  
American Customer Satisfaction Index

Customer Service Champion  
J.D. Powers

Best Online Customer Experience in Travel: Airlines  
Keynote Competitive Research

Reward Seat Availability, #1 in the U.S., #2 globally  
IdeaWorksCompany.com

Top Ten Customer Service Companies, Customer Service  
Hall of Fame, #6  
*MSN Money*

Web Experience Ratings, #7 out of 119  
Forgiveness Ratings, #9 out of 143  
Customer Service Ratings, #13 out of 129  
Trust Ratings, #19 out of 143  
Loyalty Ratings, #19 out of 143  
Experience Ratings, #30 out of 143  
Temkin Group

### One of the Best Places to Work

Top 30 401(k) Plans for Southwest Airlines Pilots' Retirement Savings  
Plan, #1  
Brightscope.com

One of the Top 50 Best Places to Work, #2 in 2011 and #17 in 2012  
*Glassdoor.com*

One of the 60 Best Companies for Diversity  
*Hispanic Business Magazine*

One of the Top 100 Military-Friendly Employers, #76 in 2011 and #80  
in 2012  
*G.I. Jobs* magazine

### Respected in the Community

Sponsor of Year  
African American Women's Leadership Network Institute

President's Award  
National Association of Latino Elected and Appointed Officials

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

Influencer Communications, Community Affairs &  
Grassroots' Quarterly  
Newsletter, Mosaic, Platinum PR Awards, Honorable Mention  
*PR News*

Social Corporate Responsibility Award for Nonprofit/Corporate  
Partnerships,  
Honorable Mention for Medical Transportation Grant Program  
*PR News*

<sup>1</sup> AirTran award.

<sup>2</sup> The U.S. Environmental Protection Agency FORTUNE 500 Green Power Partnership rankings are updated quarterly. Southwest Airlines ranked 37th as of Oct. 5, 2011.

# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

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



2011 marked 39 years of consecutive profitability.

### 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 2011 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission (SEC), along with other financial information, can be found on Southwest Airlines' web site at <http://southwest.investorroom.com> or may be obtained without charge by writing or calling:

Southwest Airlines Co.  
Investor Relations  
P.O. Box 36611  
HDQ 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 16, 2012, at the Hyatt Regency Dallas, 300 Reunion Blvd., 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 <http://southwest.investorroom.com>.

### 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  
[www.shareowneronline.com](http://www.shareowneronline.com)

### Independent Registered Public Accounting Firm

Ernst & Young LLP  
Dallas, Texas



# PERFORMANCE. PEOPLE. PLANET.

Three Passions. ONE SOUTHWEST.

30,000-FOOT VIEW > CONTACT US



We would LUV to hear from you.

Southwest Airlines Co.  
P.O. Box 36611  
Dallas, TX 75235-1611  
214-792-4000  
1-800-I-FLY-SWA  
southwest.com

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-1CR  
Dallas, TX 75235

For questions related our *2011 Southwest Airlines One Report™*, including our commitment to our Performance, our People, and our Planet, please e-mail [green@wnco.com](mailto:green@wnco.com).