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# Southwest Airlines Announces Plans for Fourth Quarter and 2008

## Carrier Sets Course With New Initiatives; Additional Revenue Target of More Than \$1 Billion

DALLAS, June 27 /PRNewswire-FirstCall/ -- Speaking to financial analysts and investors today after ringing the Bell on the 30th Anniversary of "LUV" trading at the New York Stock Exchange, Southwest Airlines CEO Gary Kelly outlined plans to improve the Company's profit growth. The airline will slow its fourth quarter 2007 available seat mile growth and optimize its flight schedule. In addition, Southwest announced it now plans to grow its fleet in 2008 by 19 net aircraft, 15 fewer than was previously reported. Kelly said slowing capacity growth will allow the carrier time to implement and evaluate the effectiveness of several initiatives Southwest intends to launch in fourth quarter 2007.

"Given the slowing U.S. economy and fuel cost pressures, we are taking these steps to adjust our capacity growth rate, which will help to restore profit growth," Kelly said. "If we find that conditions change, we will reevaluate our growth plans for future periods. In this economic environment, we simply need to take less risk and grow more slowly."

"For both fourth quarter 2007 and full year 2008, we currently plan to grow available seat miles (ASMs) year-over-year by approximately six percent, or about two percentage points less than previously reported. We also plan to implement a variety of revenue-enhancing initiatives by the end of 2007 that set the stage for continued profitability into the future," he said.

During fourth quarter 2007, Kelly said Southwest plans to:

- \* Slow its available seat mile (ASM) growth to approximately six percent
- \* Enhance its low-fare structure
- \* Enhance its Rapid Rewards frequent flyer program
- \* Launch a new advertising campaign
- \* Unveil a new boarding/seating method

"We are very excited about major revenue initiatives that are scheduled for implementation by the end of this year. In all, we are targeting more than \$1 billion in incremental revenue over the next few years to overcome higher fuel costs and reach our financial targets," Kelly said.

Through the elimination of 39 existing roundtrip flights from its current flight schedule, Kelly said Southwest today has added 46 new roundtrip flights in key growth market cities such as Denver and New Orleans. For information on the flight changes in each city, go to:

[http://www.southwest.com/about\\_swa/press/070627\\_chart.pdf](http://www.southwest.com/about_swa/press/070627_chart.pdf)

"We remain excited about our future longterm growth opportunities. Southwest continues to grow and enjoy the classic 'Southwest Effect' that occurs when the airline enters a new

market: fares fall and passenger traffic rises," Kelly said. "Southwest also is excited about its upcoming service planned for San Francisco International in August."

The Company has a variety of options to reduce its fleet growth that it is exploring and currently intends to end 2008 with a total of 539 aircraft.

Southwest is the only U.S. airline to remain consistently profitable this decade, and enjoys an unprecedented string of 34 consecutive years of profitability. Southwest has a low cost structure, strong balance sheet, and the most comprehensive fuel hedge of any major U.S. airline.

After 36 years of service, Southwest Airlines continues to offer the best value in airline travel. Southwest offers a very comfortable ride with premium all leather seats and plenty of legroom. Customers enjoy complimentary pillows, blankets, snacks, juice, soda, and water on all flights. Since 1987, the airline has maintained the lowest Customer complaint ratio to Customers boarded as published in the Department of Transportation's Air Travel Consumer Report. Southwest Airlines was recently named to BusinessWeek's first ever list of "Customer Service Champs," and for the eleventh year in a row, was recognized by FORTUNE as one of America's most admired companies. Southwest Airlines (NYSE: LUV), the nation's largest carrier in terms of domestic passengers enplaned, currently serves 63 cities in 32 states (San Francisco service will begin in August 2007). Based in Dallas, Southwest currently operates more than 3,300 flights a day and has more than 33,000 Employees systemwide.

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Specific forward-looking statements include, without limitation, statements relating to the Company's growth plans and its related initiatives, strategies, and revenues expectations. These forward-looking statements are based on the Company's current intent, expectations, and projections and are not guarantees of future performance. These statements involve risks, uncertainties, assumptions, and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in or indicated by them. Factors include, among others, (i) the Company's ability to timely and effectively prioritize its revenues initiatives and its related ability to timely implement and maintain the necessary information technology systems and infrastructure to support these initiatives; (ii) the Company's dependence on third party arrangements to implement certain of its initiatives; (iii) competitor capacity and load factors; and (iv) other factors, as described in the Company's filings with the Securities and Exchange Commission, including the detailed factors discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, and subsequent filings with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this news release.

<http://www.southwest.com>

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