
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 23, 2016



SOUTHWEST AIRLINES CO.

(Exact name of registrant as specified in its charter)

Texas
(State or other Jurisdiction
of Incorporation)

1-7259
(Commission
File Number)

74-1563240
(IRS Employer
Identification No.)

P.O. Box 36611, Dallas, Texas
(Address of Principal Executive Offices)

75235-1611
(Zip Code)

Registrant's telephone number, including area code: (214) 792-4000

Not Applicable
(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 7.01 Regulation FD Disclosure.

Southwest Airlines Co. (the “Company”) today held and webcast its 2016 Investor Day. A replay of the audio webcast of the Company’s remarks will be available on the Company’s website at <http://investors.southwest.com>, in the Events & Presentations section under Past Events and Related Presentations. The slides used in conjunction with the Company’s 2016 Investor Day presentations are furnished herewith as Exhibit 99.1 and are incorporated by reference into this Item 7.01.

In addition, the Company is providing tables showing its restructured aircraft delivery schedule, as discussed during today’s presentations. The tables are furnished herewith as Exhibit 99.2 and are incorporated by reference into this Item 7.01.

In conjunction with today’s presentations, the Company is also providing the fair market value of its fuel derivative contracts. As of June 20, 2016, the net liability for the remainder of 2016 was approximately \$533 million, and the net liability for the hedge portfolio in 2017 and 2018, combined, was approximately \$439 million.

The information furnished in this Item 7.01 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

- 99.1 Southwest Airlines 2016 Investor Day Slide Presentations.
- 99.2 Restructured delivery schedule.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

June 23, 2016

By: /s/ Tammy Romo
Executive Vice President & Chief Financial Officer

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	Southwest Airlines 2016 Investor Day Slide Presentations.
99.2	Restructured delivery schedule.



Southwest

Investor Day
June 23rd, 2016

Cautionary Statement Regarding Forward-Looking Statements

The Company's Investor Day presentations and slides contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on, and include statements about, the Company's estimates, expectations, beliefs, intentions, and strategies for the future, and are not guarantees of future performance. Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include without limitation statements related to (i) the Company's financial goals, strategies, expectations, opportunities, and outlook, and its projected results of operations; (ii) factors and assumptions underlying the Company's financial outlook and projections; (iii) the Company's fleet plans and strategies, including its fleet modernization initiatives, and the Company's related financial and operational expectations; (iv) the Company's growth plans, strategies, and opportunities, including its network and capacity plans, opportunities, and expectations; (v) the Company's plans and expectations with respect to its new reservation system and other technology initiatives, and the Company's related multi-faceted financial and operational expectations and opportunities; and (vi) the Company's construction initiatives and related financial and operational expectations. 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 demand for the Company's services and other changes in consumer behavior; (ii) the impact of economic conditions, fuel prices, actions of competitors (including, without limitation, pricing, scheduling, and capacity decisions and consolidation and alliance activities), and other factors beyond the Company's control, on the Company's business decisions, plans, and strategies; (iii) the Company's dependence on third parties, in particular with respect to its fleet and technology plans; (iv) the impact of governmental regulations and other governmental actions related to the Company's operations; (v) 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; (vi) the Company's ability to timely and effectively prioritize its initiatives and related expenditures; (vii) the Company's ability to maintain positive relations with employee and employee representatives and any related pressure on the Company's labor costs; and (viii) 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, 2015.

Gary Kelly

Chairman of the Board, President, and Chief Executive Officer

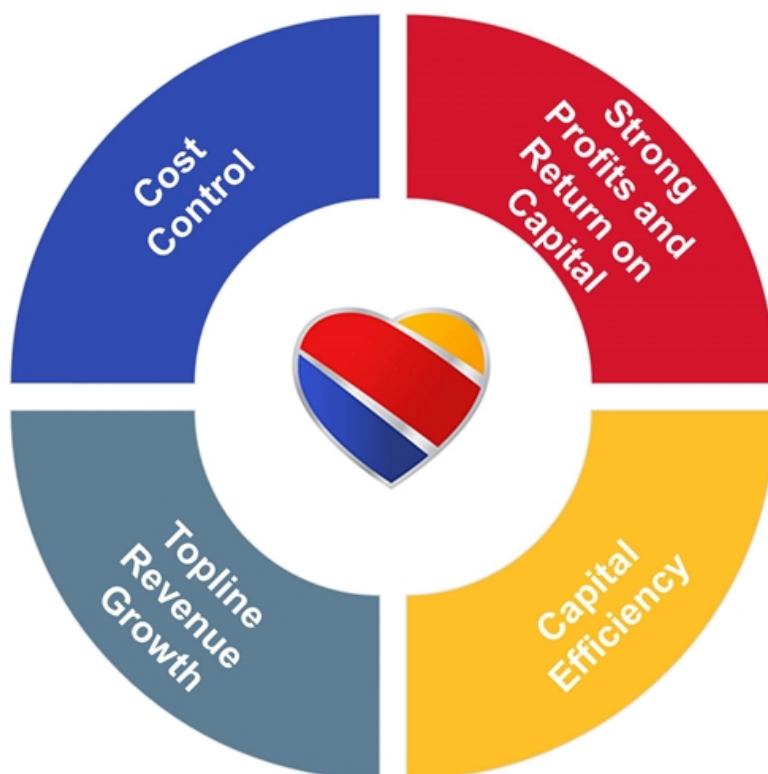


Tammy Romo

Executive Vice President and Chief Financial Officer

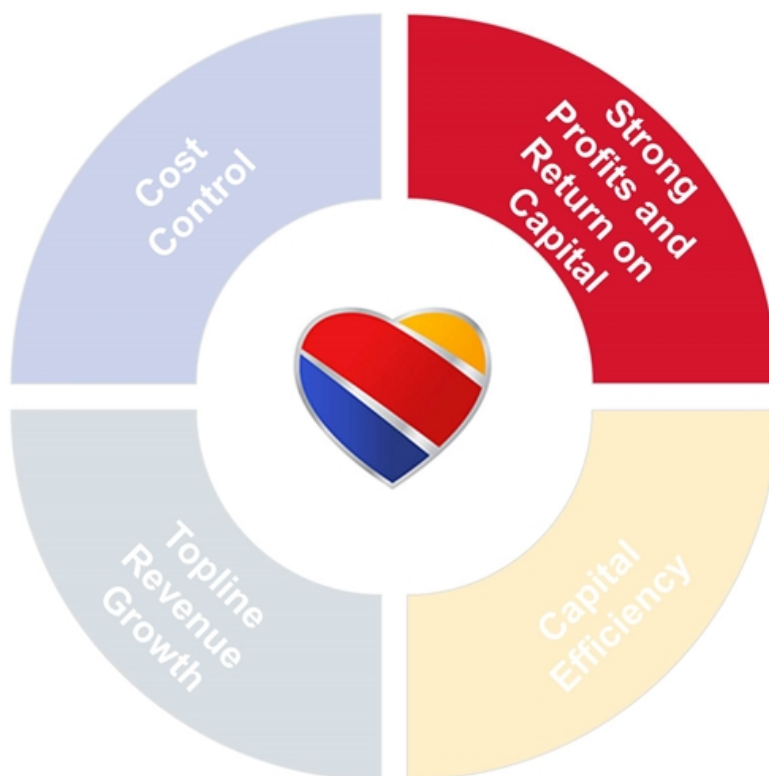


Committed to delivering superior financial performance

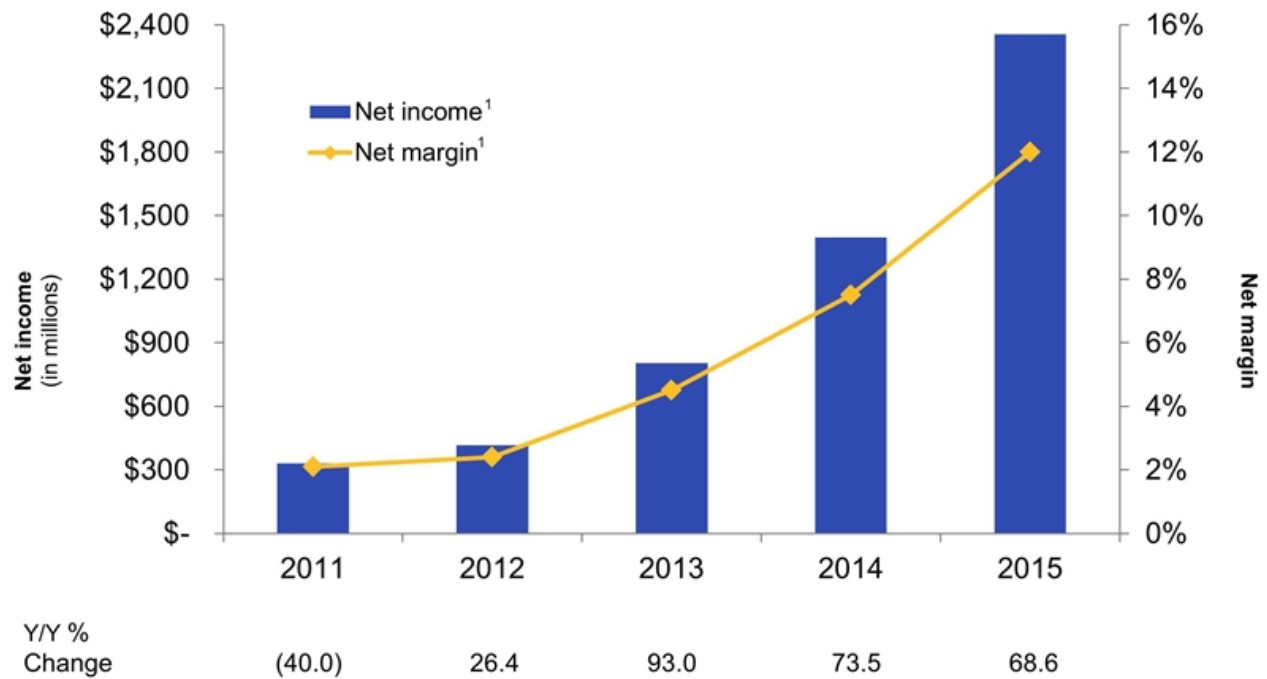


➤ Our outlook for 2016 supports strong returns and healthy cash flows

Committed to delivering superior financial performance



Significant profit expansion

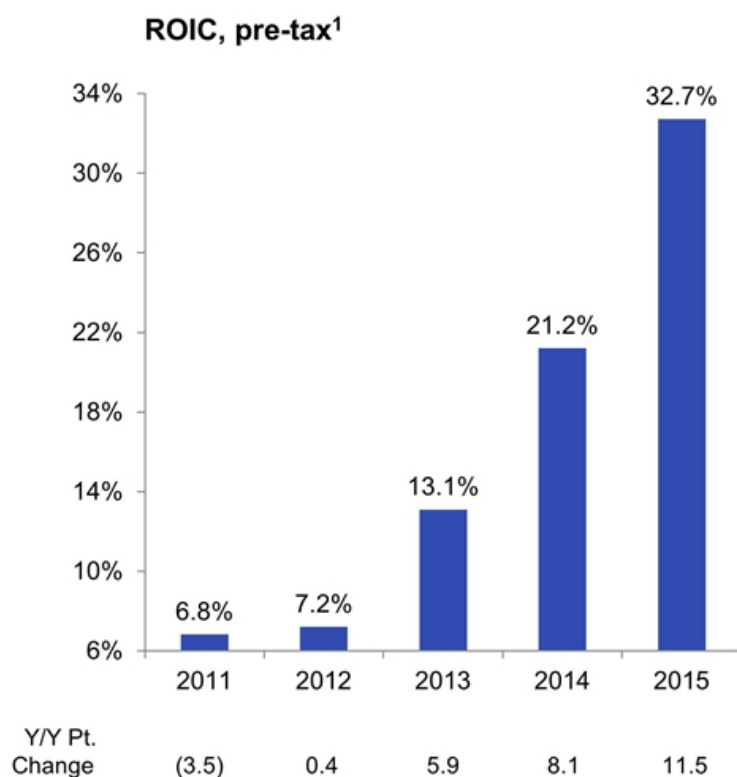


➤ **Our profits and margins have dramatically improved over the past five years, as planned, from a successful implementation of our strategic initiatives**

¹Excludes special items.

Note: See reconciliation of reported amounts to non-GAAP financial measures.

Delivering strong returns on investment



Drivers of ROIC Expansion

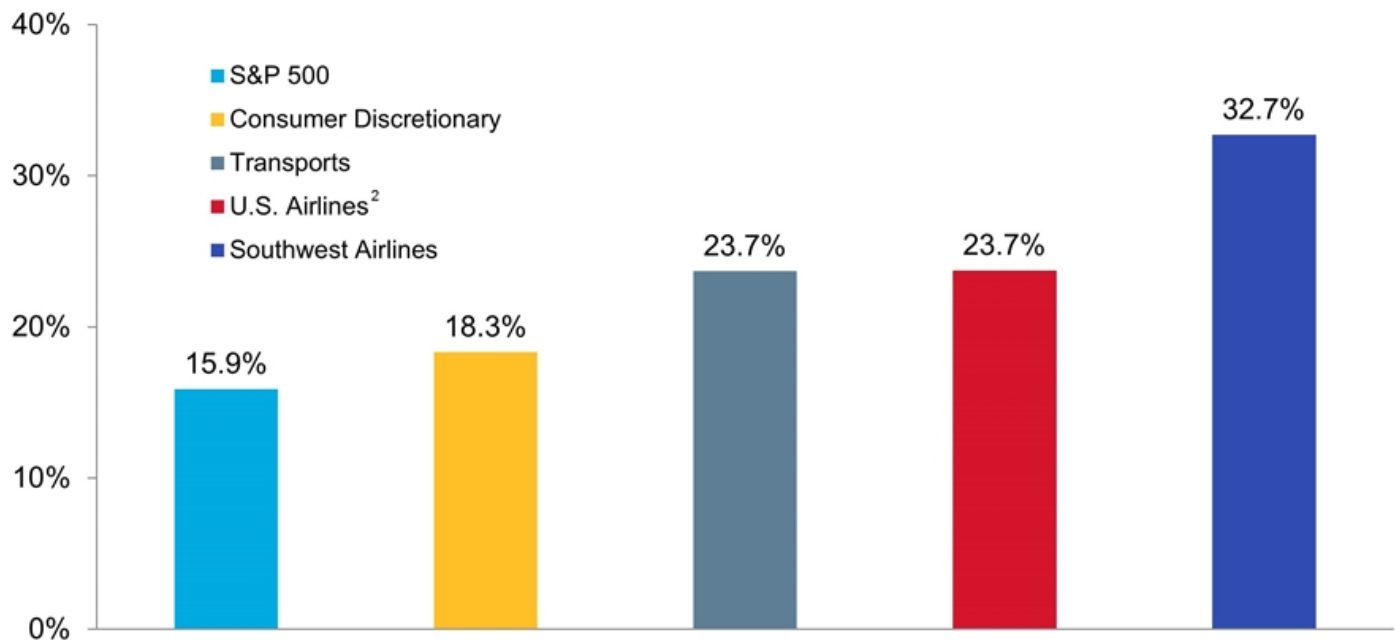
- AirTran integration
- All New Rapid Rewards
- International
- Fleet modernization/Boeing 737-800
- Network optimization
- Low fuel prices

➤ **Goal to produce pre-tax ROIC¹ in line with 2015**

¹ROIC is defined as annual pre-tax return on invested capital, excluding special items.
Note: See reconciliation of reported amounts to non-GAAP financial measures.

Compelling competitive returns

2015 Return on Invested Capital¹



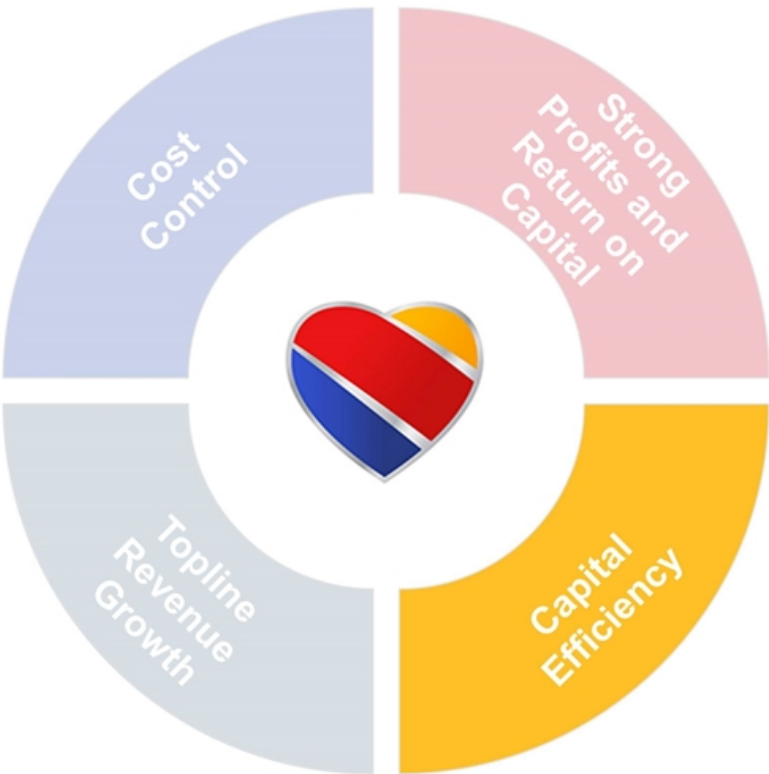
Southwest not only exceeded the U.S Airlines, Transports, and Consumer Discretionary returns, but more than doubled the S&P 500

Source: Third party investment firm.

¹Southwest ROIC is defined as annual pre-tax return on invested capital, excluding special items, for the last twelve months. For all others, the standardized ROIC calculation methodology equal to (EBIT + Rent Expense) / Average Invested Capital. Invested Capital = Total Debt + Shareholder Equity + Preferred Equity + Noncontrolling Interest + Capitalized Rent. Rent capitalized at 7.0x for industrial companies and 8.0x for consumer discretionary companies; Excludes annual individual constituent company ROICs of greater than 100% or less than (100%).

²U.S. Airlines includes AA, UA, DL, AS, B6, HA, VX, NK and G4, and excludes Southwest.

Committed to delivering superior financial performance



Sustaining a strong financial position

Investment
grade rating by
all three agencies

Returned
approximately
\$1.3 billion to
Shareholders thus
far in 2016

Strong balance sheet

- \$3.6 billion in unrestricted core cash and short-term investments and \$1 billion line of credit fully undrawn and available
- Balance Sheet leverage of 32%¹

Balanced capital deployment

- Cash flow from operations of approximately \$1.6 billion
- Capital spending of nearly \$440 million
- Debt repayments of \$56 million

➤ Southwest is focused on preserving our strong balance sheet and cash flows while returning significant value to Shareholders

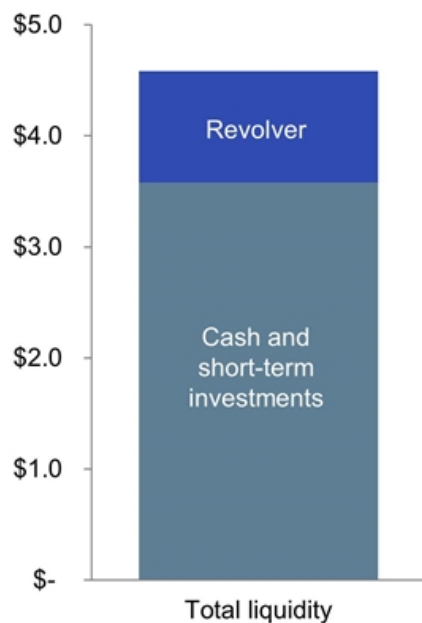
¹Includes off balance sheet aircraft leases.

Note: Cash and short term investments, line of credit, and balance sheet leverage information is as of June 23, 2016. Shareholder returns are shown through May 31, 2016. All other information presented is for the three months ended March 31, 2016.

Strong balance sheet and cash flows

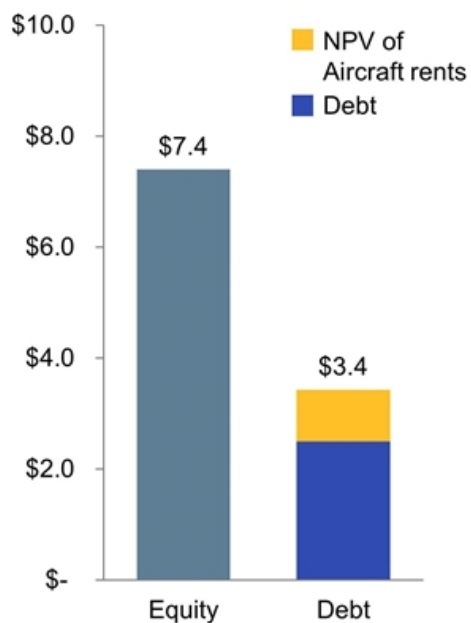
High liquidity

(in billions)



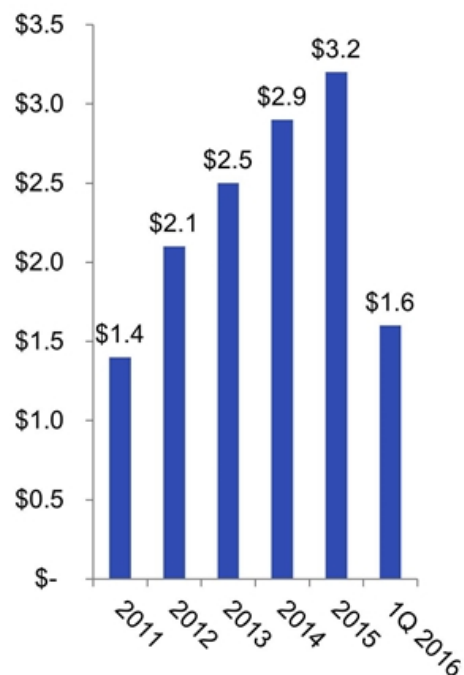
Strong capital structure

(in billions)



Healthy operating cash flows

(in billions)



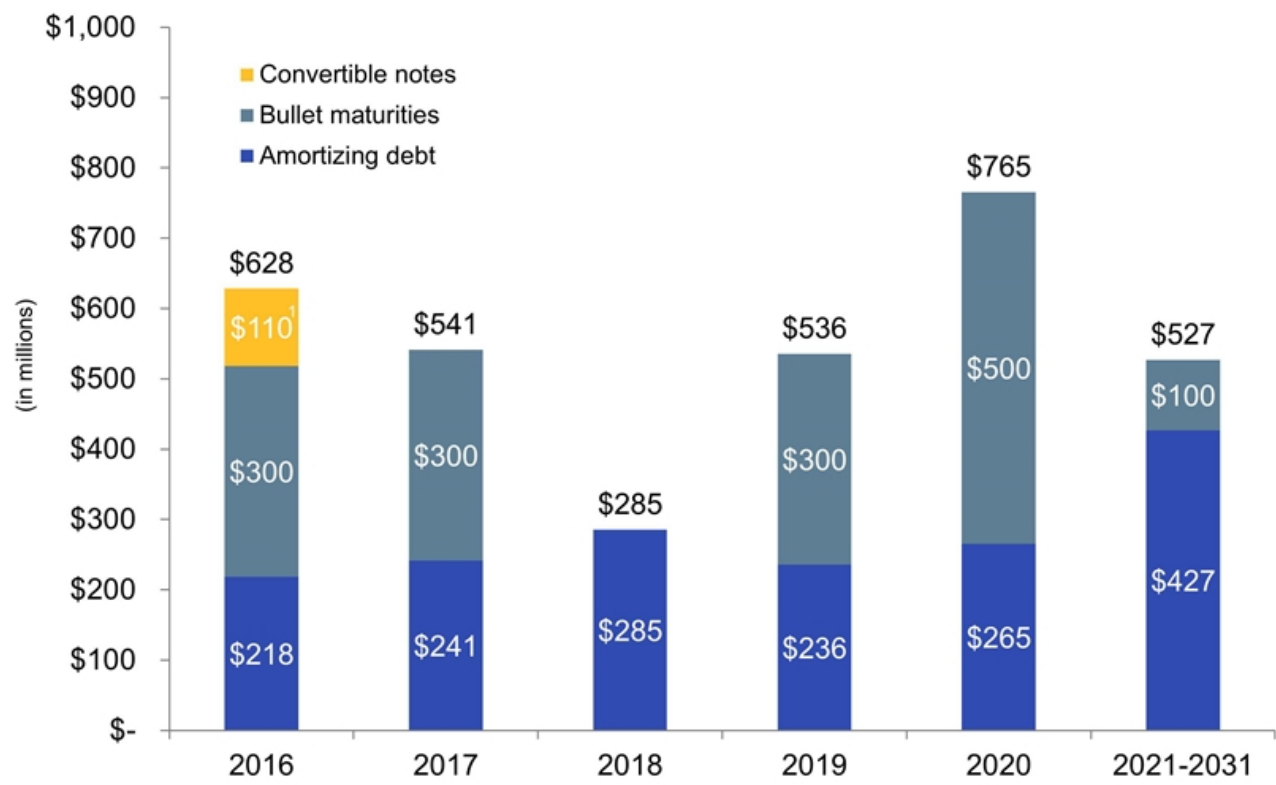
Note: As of March 31, 2016, unless otherwise noted.

Industry-leading balance sheet

	Non-investment grade						Investment grade			
S&P/ Fitch	B-	B	B+	BB-	BB	BB+	BBB-	BBB	BBB+	A-
Moody's	B3	B2	B1	Ba3	Ba2	Ba1	Baa3	Baa2	Baa1	A3
								STANDARD & POOR'S	FitchRatings Moody's	
							STANDARD & POOR'S FitchRatings			
			Moody's		STANDARD & POOR'S					
			Moody's	STANDARD & POOR'S FitchRatings						
						STANDARD & POOR'S	FitchRatings Moody's			
		Moody's	STANDARD & POOR'S FitchRatings							
				STANDARD & POOR'S FitchRatings Moody's						
				STANDARD & POOR'S		FitchRatings				
			Moody's	STANDARD & POOR'S FitchRatings						

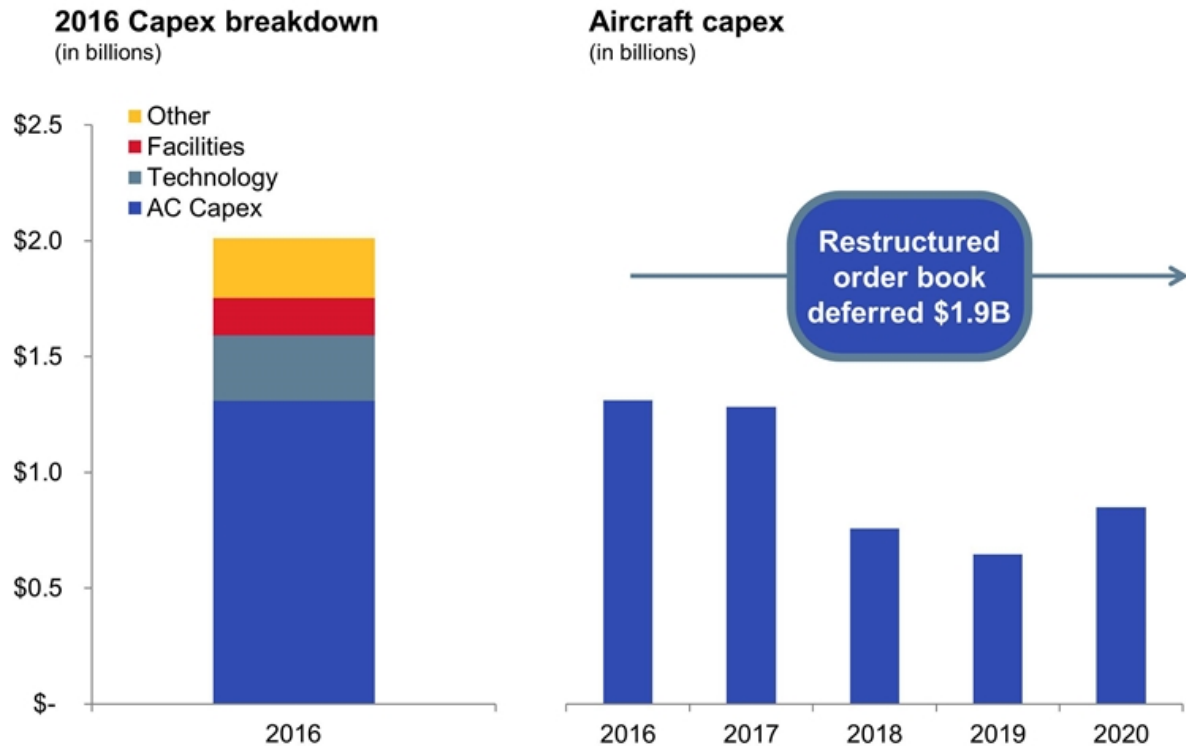
Source: For DAL Moody's rating, Moody's press release dated February 11, 2016. For all other ratings, Bloomberg as of June 17, 2016. Moody's Senior Unsecured rating used (if unavailable, Long Term Corporate Family rating used); S&P's Long-term Issuer rating used; Fitch's Senior Unsecured rating used (if unavailable, Long-term Issuer rating used).

Manageable debt maturities



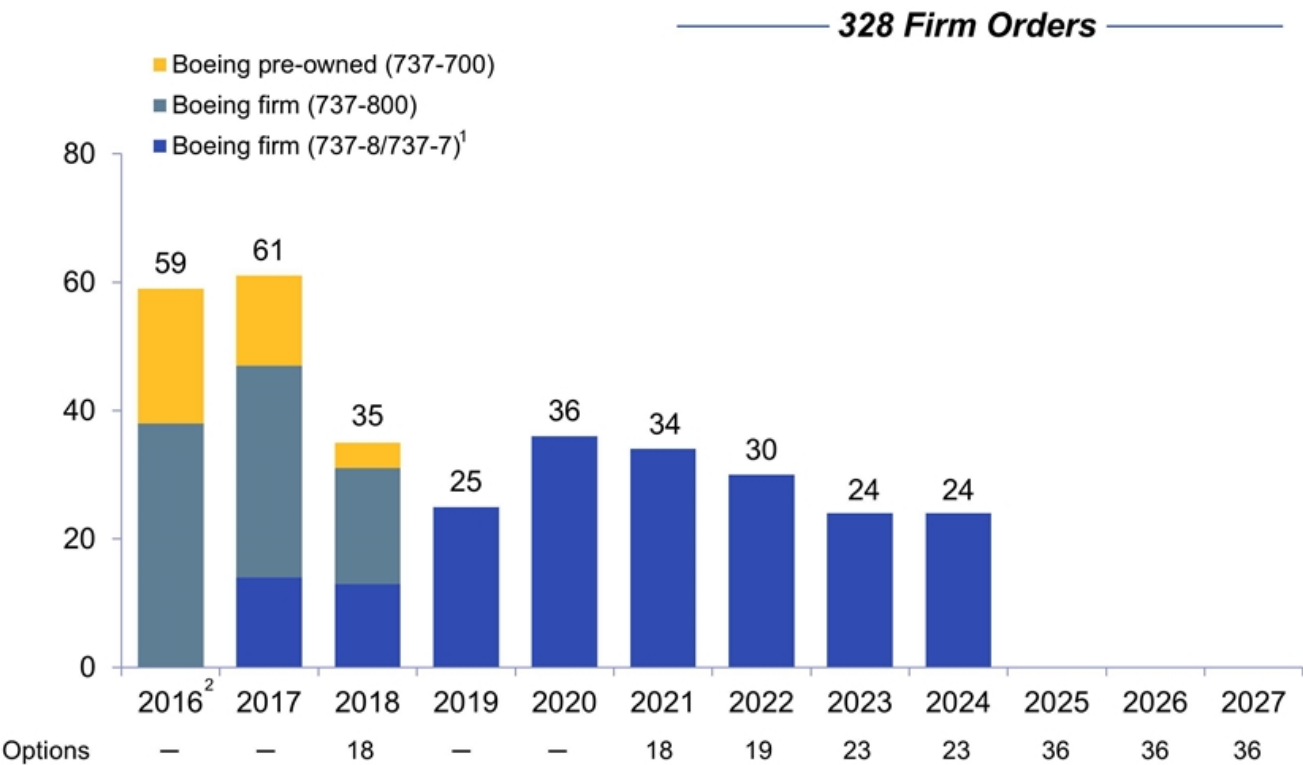
¹We estimate the convertible notes will be settled for \$68 million and 6 million shares.
Note: As of March 31, 2016.

Investing in our business



➤ **Capital spending remains manageable**

Previously reported future delivery schedule



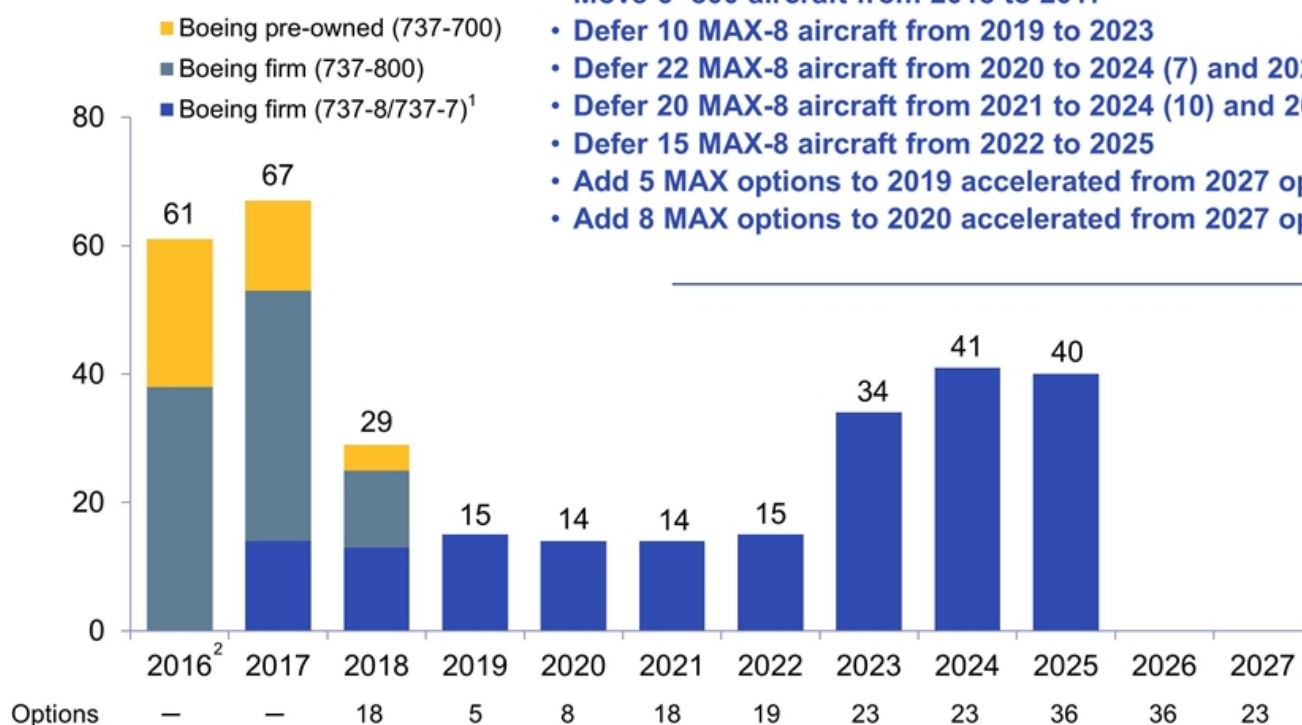
¹The Company has flexibility to substitute 737-7 in lieu of 737-8 firm orders beginning in 2019 and options beginning in 2021.

²Includes seven 737-800s and thirteen 737-700s delivered as of March 31, 2016.

Restructured future delivery schedule to provide significant flexibility

330 Firm Orders

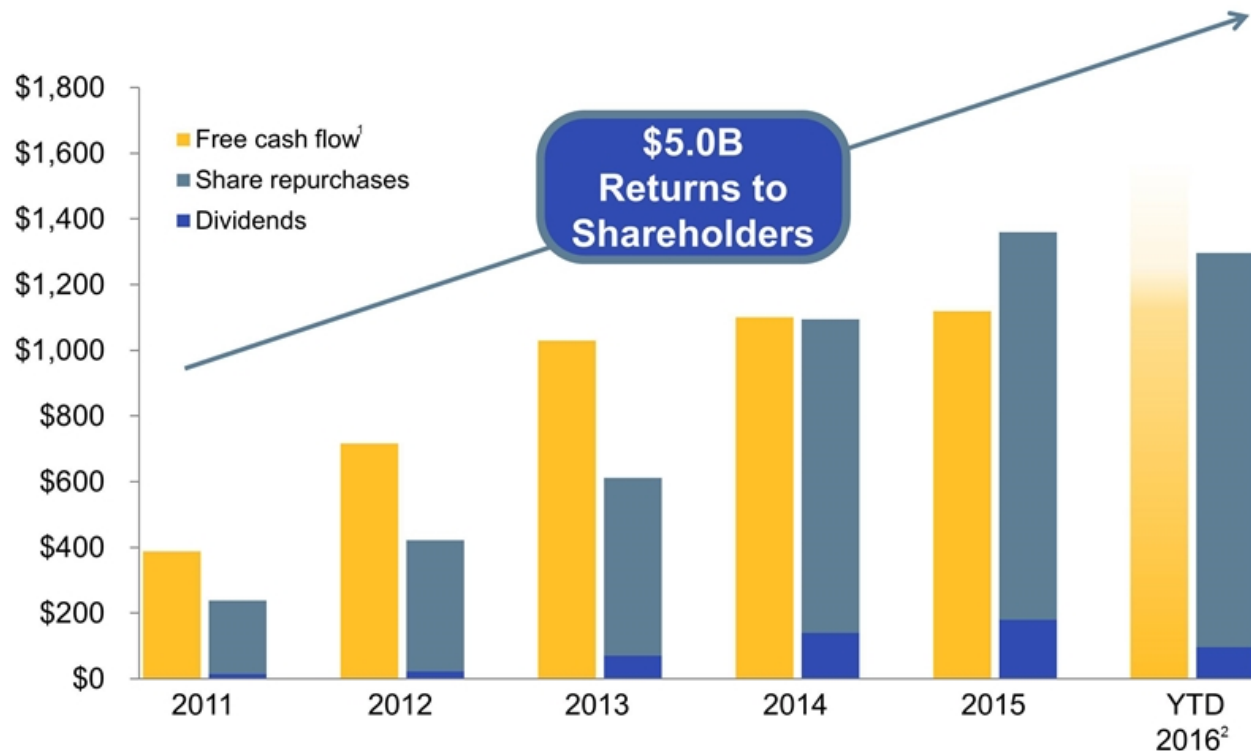
- Added 2 preowned -700 aircraft to 2016
- Move 6 -800 aircraft from 2018 to 2017
- Defer 10 MAX-8 aircraft from 2019 to 2023
- Defer 22 MAX-8 aircraft from 2020 to 2024 (7) and 2025 (15)
- Defer 20 MAX-8 aircraft from 2021 to 2024 (10) and 2025 (10)
- Defer 15 MAX-8 aircraft from 2022 to 2025
- Add 5 MAX options to 2019 accelerated from 2027 options
- Add 8 MAX options to 2020 accelerated from 2027 options



¹The Company has flexibility to substitute 737-7 in lieu of 737-8 aircraft beginning in 2019.

²Includes thirteen 737-800s and nineteen 737-700s delivered as of June 23, 2018.

Returning significant value back to Shareholders



➤ In May 2016, Southwest BOD authorized a \$2 billion share buyback and a 33% increase in the quarterly dividend; \$500 million ASR was launched

¹Free cash flow is calculated as operating cash flows less capital expenditures less assets constructed for others, net.

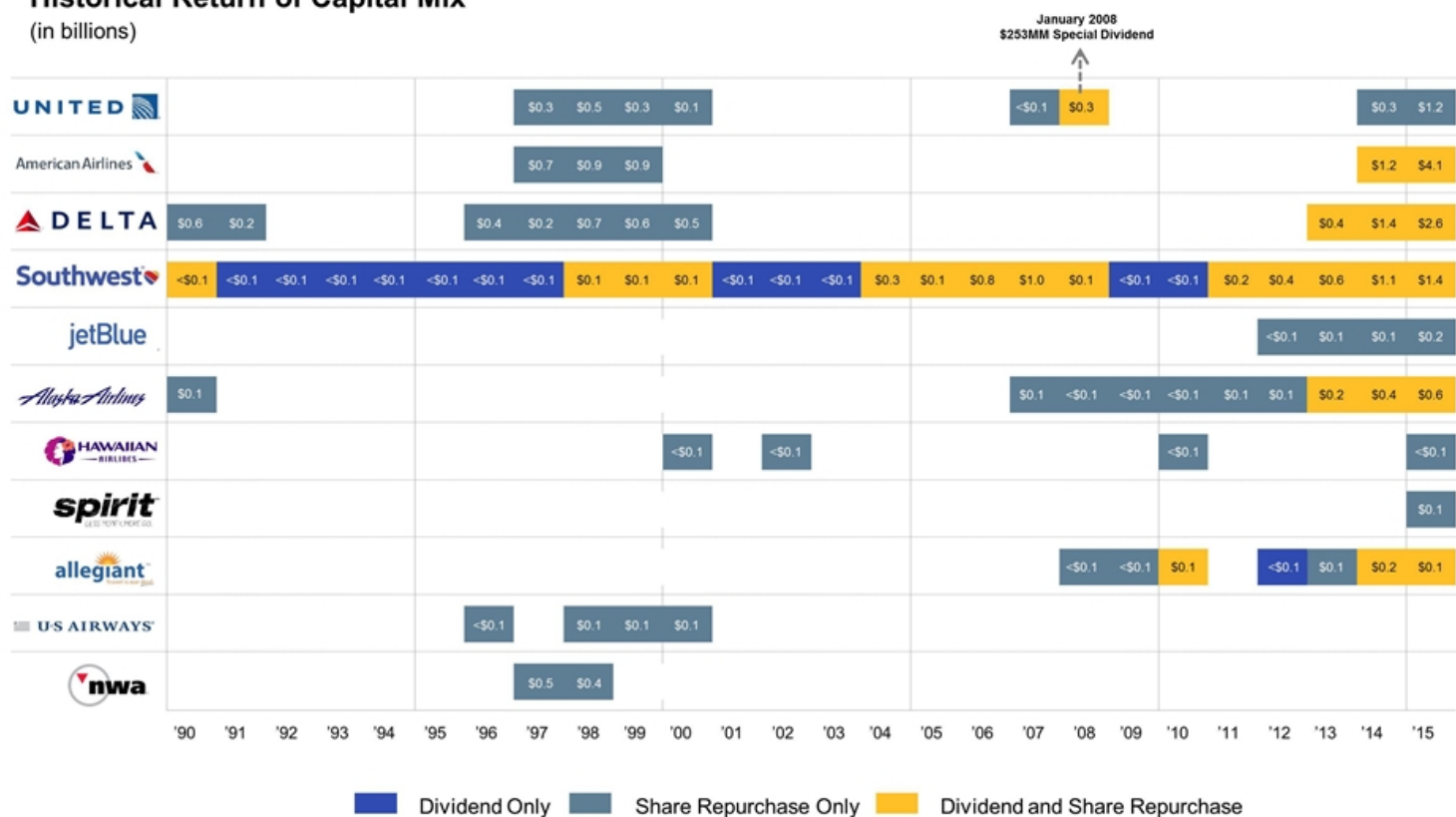
²Share repurchases and dividends paid are year to date through June 23, 2016; free cash flow is illustrative beyond actual free cash flow for the 3 months ended March 31, 2016 of \$1,177 million.

Note: See reconciliation of reported amounts to non-GAAP financial measures.

Industry-leading historical return of capital

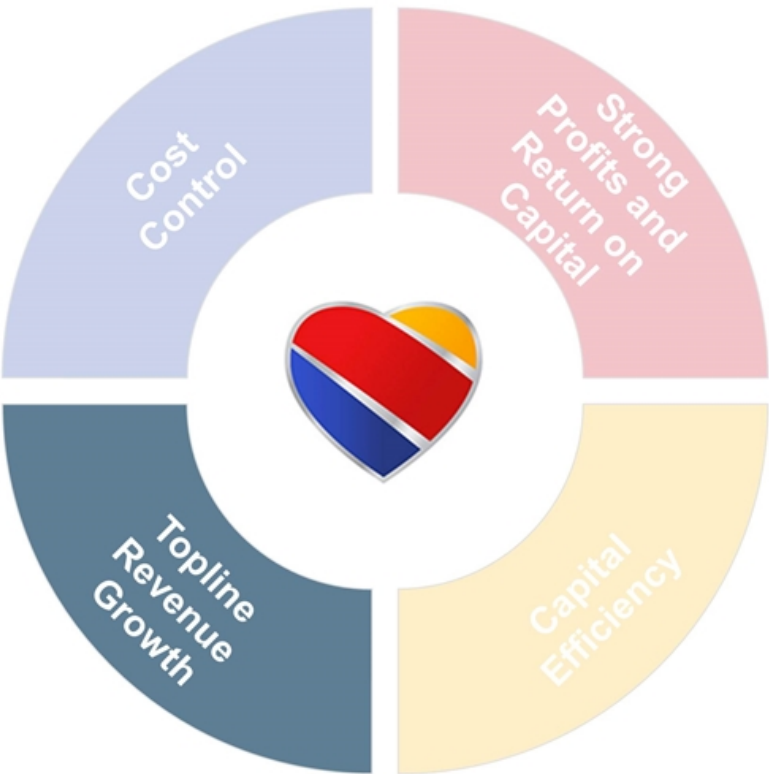
Historical Return of Capital Mix

(in billions)



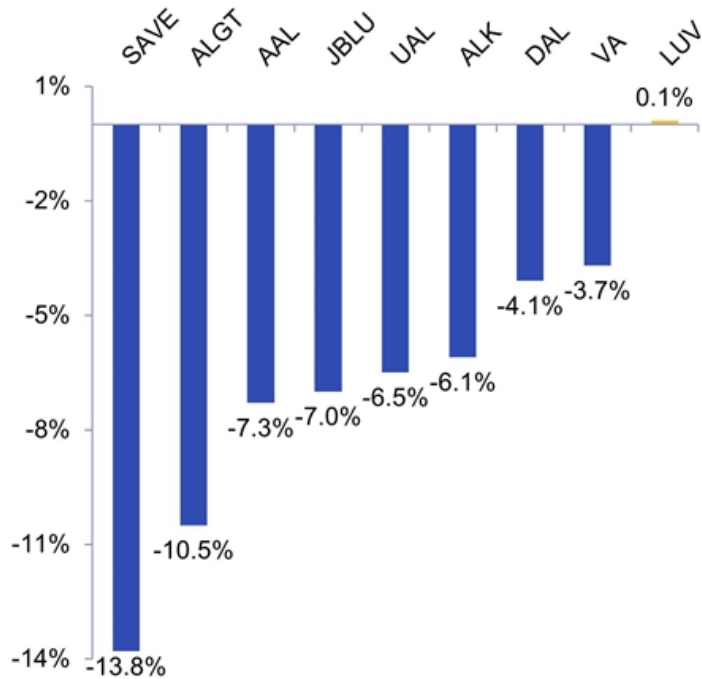
Source: Third party investment firm.
Note: <\$5MM share repurchase classified to be de minimis.

Committed to delivering superior financial performance



Industry-leading revenue performance

1Q 2016 Unit revenues (RASM)



Dynamic revenue management

- Industry-leading first quarter operating unit revenue growth
- Challenging revenue environment
- Difficult comparisons in second half 2016 with lapse of year-over-year benefit relating to Chase co-branded credit card agreement and a resulting required accounting change

Based on current bookings and revenue trends, we expect a modest increase in 2Q 2016 RASM, year-over-year

Southwest's brand reputation stands on its own



FORTUNE'S 2016 World's Most Admired Companies

1. Apple
2. Alphabet (Google)
3. Amazon
4. Berkshire Hathaway
5. Walt Disney
6. Starbucks
7. Southwest Airlines
8. Federal Express
9. Nike
10. General Electric

TransfarencySM is a philosophy created by Southwest Airlines in which **Customers are treated honestly and fairly, and low fares actually stay low—no unexpected bag fees³, change fees⁴, or hidden fees**

¹No Hidden fees determined by having bag and reservation change/cancellation fees per domestic passenger below the industry average, as determined by Bureau of Transportation Statistics for the year ending December 31, 2015.

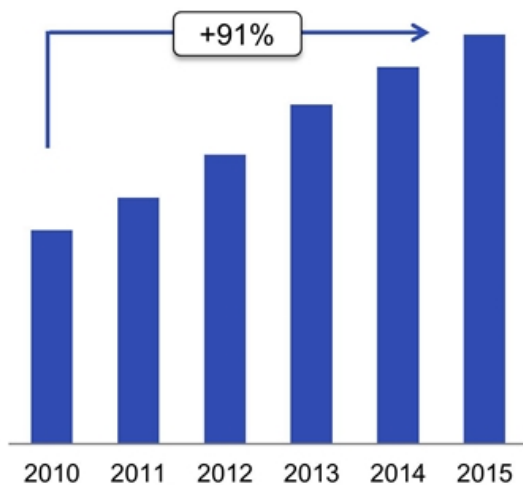
²Low fares defined by having an average domestic fare below the industry average US domestic fare, as determined by data from the Department of Transportation O&D survey for the year ending December 31, 2015.

³First and second checked pieces of luggage, size and weight limits apply.

⁴There are never change fees, though fare differences might apply.

Corporate Sales business continues to expand

Managed Travel passenger growth
(annual flown passengers)



Corporate Sales five-year revenue growth

- Corporate Travel (CT) 100¹ ↑95%
- Fortune 1000 companies ↑130%

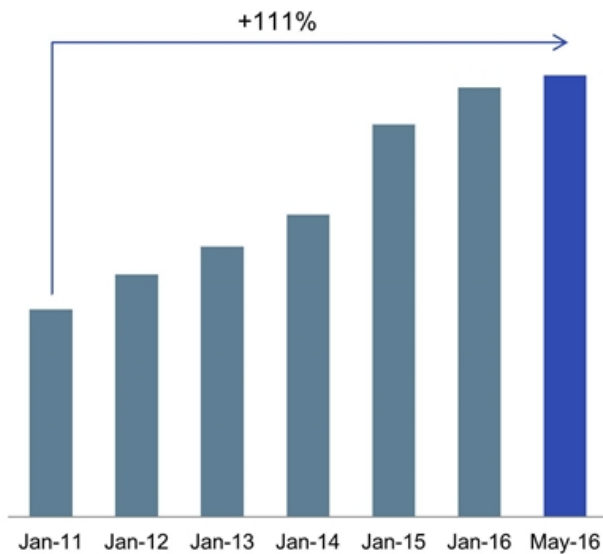
➤ **Corporate Sales continues to outpace capacity growth with significant future opportunity in this segment**

Source: Salesforce/EDW May 2016 (Managed - GDS, SGS, SWABIZ).

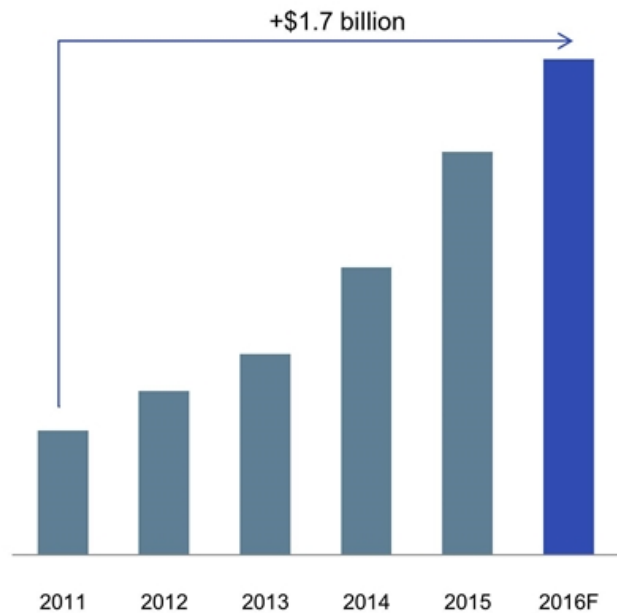
¹CT 100: 100 companies identified by Business Travel News as those with the highest spending corporate travel airline programs in the United States based on previous year annual spend.

Rapid Rewards growth has been strong

Total Rapid Rewards membership



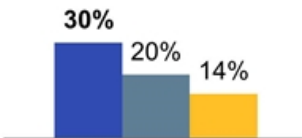
Growth in partner and flight revenue recognized



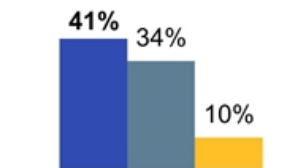
➤ Rapid Rewards has grown +111% in Members and \$1.7 billion in revenue since the program relaunch

The nation's largest domestic airline

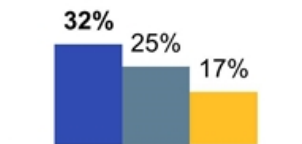
LA Basin
(LAX, LGB, ONT, SNA, BUR)



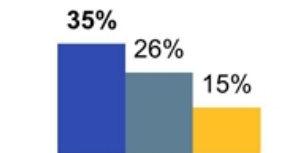
Phoenix



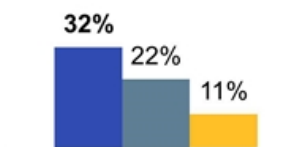
DC/BWI Area
(BWI, DCA, IAD)



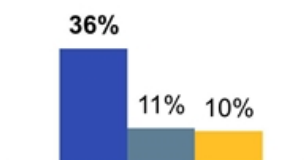
Denver



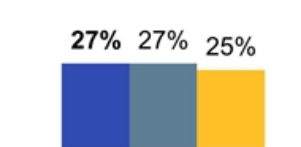
Bay Area
(OAK, SFO, SJC)



Las Vegas



Chicago
(MDW, ORD)



■ LUV
■ OA #1
■ OA #2

Market share

- 24% of total domestic market share
- Market leader in 24 of the top 50 U.S. metro areas^{1,2}
- 68% market share in Southwest Airlines top 100 O&D city pairs
 - Serve 94 of the top 100 domestic O&D city pairs (including co-terminal airports³), 71 on a nonstop basis

Southwest has a strong market presence in many of the nation's top metro areas

Source: Data presented herein as measured by the Department of Transportation O&D Survey for the twelve months ended December 31, 2015 based on domestic originating passengers boarded. O&D stands for Origin and Destination.

¹Metro Areas: An area around a city that includes multiple major airports.

²In terms of domestic passenger traffic.

³Co-terminal: Airports that share a common city or region; for example Newark, LaGuardia and JFK are considered co-terminals to one another.

We intend to approach future growth prudently with a focus on strong margins



Where can we go?

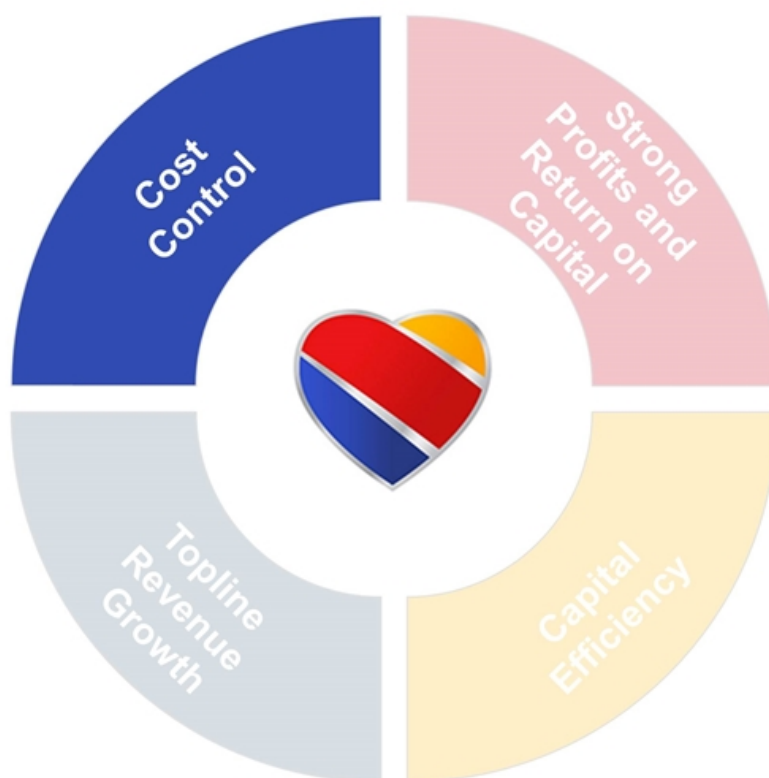
- Expand/optimize domestic network
- Canada
- Caribbean
- Near Latin America (*Mexico, Central America, Colombia, Venezuela, Ecuador, and Peru*)
- Northern rim of South America

Where are we going?

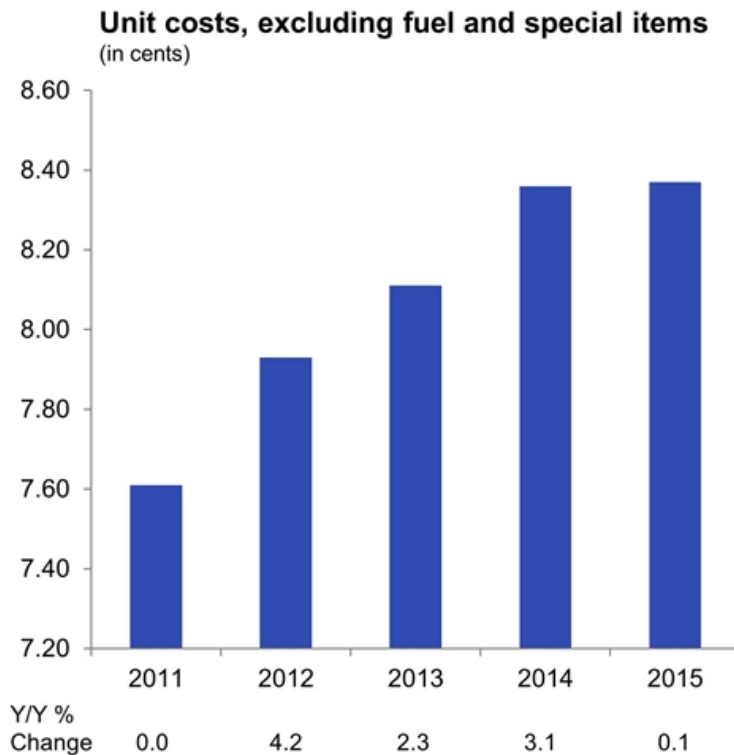
- 2016 capacity (ASM) growth, year-over-year will be in the 5-6 percent range
 - Long Beach
 - Mexico¹
 - Cuba
- 2017 and 2018 capacity growth will be less than 2016's growth
 - FLL

¹Extra-bilateral authority request; contingent upon route authority approval.

Committed to delivering superior financial performance



Cost control efforts have contributed to recent performance



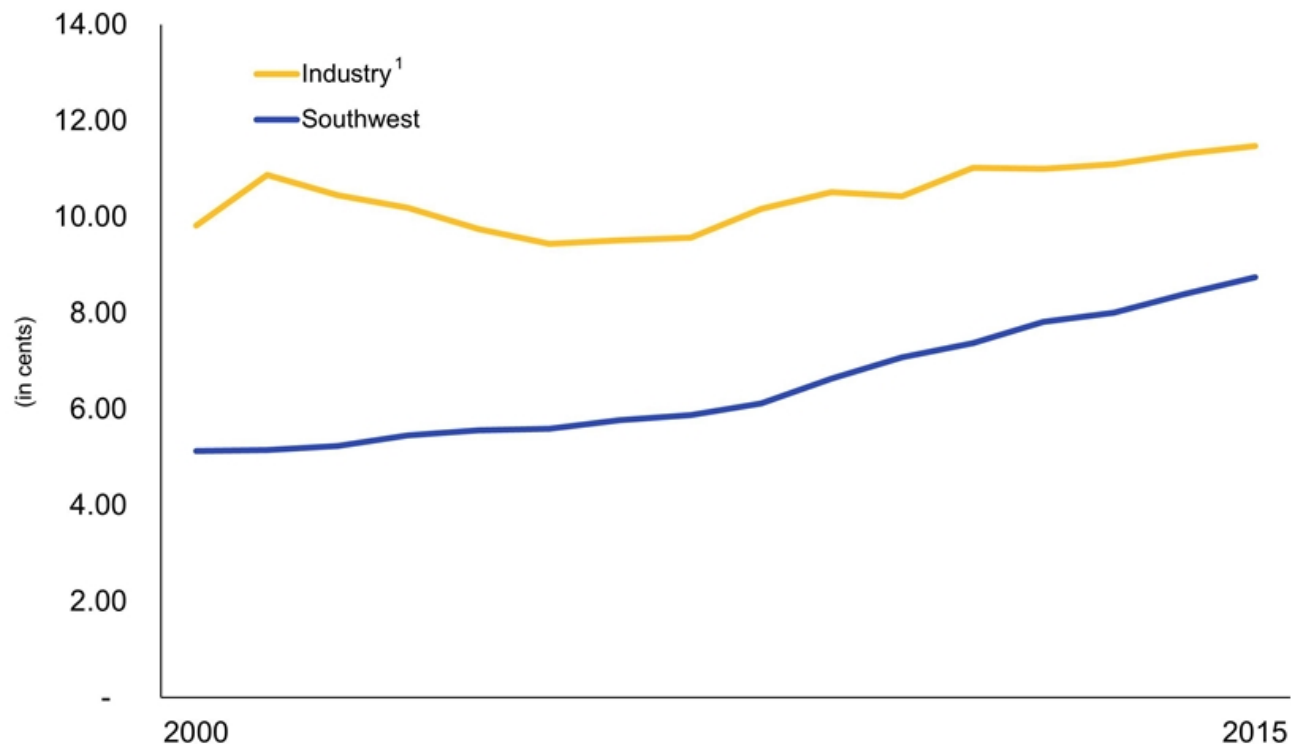
- *Focus on controlling cost inflation* -

- Fleet modernization
- Accelerated depreciation
- Outlook includes the impact of current collective bargaining agreements



Based on current trends and excluding fuel, special items, and profitsharing, 2Q and annual 2016 unit costs are expected to increase approximately 2% and approximately 1%, year-over-year, respectively

Committed to sustaining our low cost advantage



While the gap to the industry has contracted over the past 10 years, we are committed to preserving a meaningful competitive cost advantage

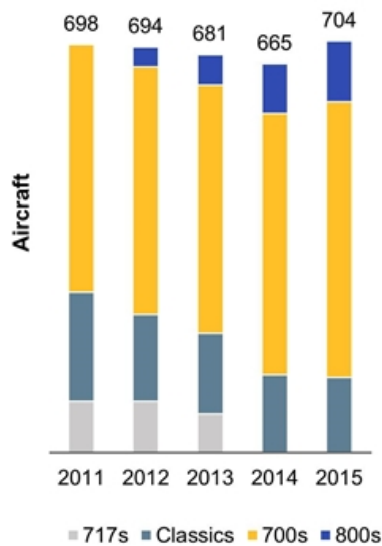
Source: DOT form 41 and T100 data, through December 31, 2015. Stage-length adjusted for Southwest's average stage-length, represents domestic mainline.

¹Industry airlines: AA, AQ, AS, B6, CO, DH, DL, F9, FL, G4, HA, HP, NK, NW, TW, TZ, UA, US, WN, VX, YX and excludes Southwest.

Fleet modernization has been a significant contributor to our cost control efforts

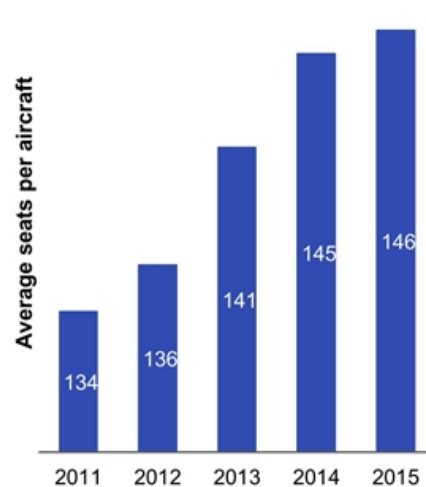
Aircraft by fleet type

Year end aircraft on property



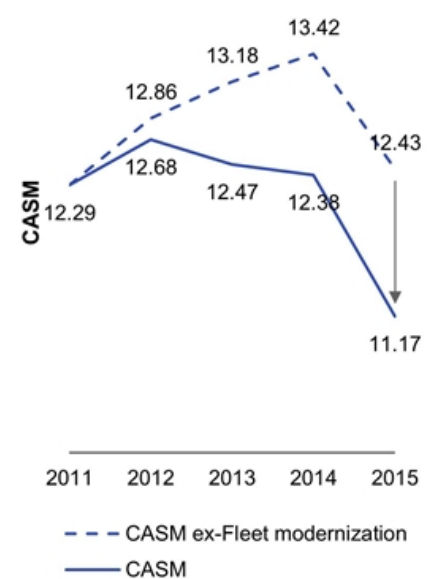
Average seats per aircraft

Month end average



Unit costs

Excluding special items

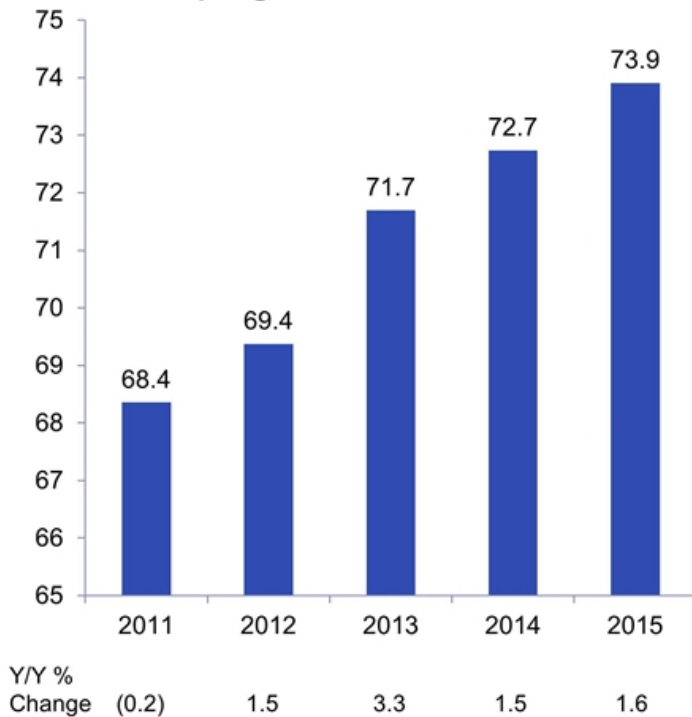


The increase in the seat gauge of our aircraft drives down unit costs

Note: See reconciliation of reported amounts to non-GAAP financial measures.

Fuel efficiency

ASMs per gallon



Fuel saving initiatives

- Split scimitar winglets
- Galley refresh
- Fuel and flight planning
- New seats
- Single engine taxi
- Electronic flight bags

2Q 2016 economic fuel price per gallon is estimated to be in the \$1.80 to \$1.85 range¹

Annual 2016 economic fuel price per gallon is estimated to be in the \$1.95 to \$2.00 range¹

¹Based on the Company's existing fuel derivative contracts and market prices as of June 20, 2016.

Strong Profits and Return on Capital

- Goal to produce pre-tax ROIC¹ in line with 2015
- Strong margins

Capital Efficiency

- \$500M ASR launched May 2016
- Returned \$1.3B to Shareholders through June 23, 2016
- ~\$2.0B in total Capex and \$1.3B in firm aircraft Capex in 2016
- ~\$2.2B in total Capex and \$1.3B in firm aircraft Capex in 2017
- Capex bends down from its peak in 2017, through 2020

Topline Revenue Growth

- Modest increase in 2Q16 RASM, Y/Y
- 5-6% increase in FY16 ASMs, Y/Y
- Less than 2016's Y/Y ASM growth in 2017 and 2018

Cost Control

- ~2% increase in 2Q16 CASM ex-fuel, profitsharing & special, Y/Y
- ~1% increase in FY16 CASM ex-fuel, profitsharing & special Y/Y
- \$1.80 to \$1.85 per gallon range for 2Q16 economic fuel²
- \$1.95 to \$2.00 per gallon range for annual 2016 economic fuel²

¹ROIC is defined as annual pre-tax return on invested capital, excluding special items.

²Based on the Company's existing fuel derivative contracts and market prices as of June 20, 2016.

Non-GAAP Reconciliation

(in millions)

	Year Ended					
	2010	2011	2012	2013	2014	2015
Operating income, as reported	\$ 988	\$ 693	\$ 623	\$ 1,278	\$ 2,225	\$ 4,116
Add (Deduct): Net impact from fuel contracts	172	-	32	84	28	(323)
Add: Asset impairment ¹	-	14	-	-	-	-
Add: Acquisition and integration costs ²	7	132	183	86	126	39
Add: Union contract bonuses	-	-	-	-	9	334
Deduct: Litigation settlement	-	-	-	-	-	(37)
Deduct: Special revenue adjustment ³	-	-	-	-	-	(172)
Operating Income, non-GAAP	\$ 1,167	\$ 839	\$ 838	\$ 1,448	\$ 2,388	\$ 3,957
Net adjustment for aircraft leases ⁴	84	129	117	143	133	114
Adjustment for fuel hedge accounting	(134)	(107)	(36)	(60)	(62)	(124)
Adjusted Operating Income, non-GAAP	1,117	861	919	1,531	2,459	3,947
Average Invested capital⁵	10,431	12,439	12,580	11,664	11,470	11,037
Equity adjustment for hedge accounting	434	184	145	50	104	1,027
Adjusted average Invested capital	10,865	12,623	12,725	11,714	11,574	12,064
ROIC, pre-tax	10.3%	6.8%	7.2%	13.1%	21.2%	32.7%

	Year Ended					
	2010	2011	2012	2013	2014	2015
Net income, as reported	459	178	421	754	1,136	2,181
Add (Deduct): Mark-to-market impact from fuel contracts settling in future periods	(21)	21	(221)	(103)	251	373
Add (Deduct): Ineffectiveness from fuel hedges settling in future periods	(11)	33	42	11	5	(9)
Add (Deduct): Other net impact of fuel contracts settling in the current or a prior period (excluding reclassifications)	171	35	(10)	87	24	(251)
Add (Deduct): Income tax impact of fuel contracts	(52)	(31)	73	2	(104)	(42)
Add: Charge for asset impairment ^{1,6}	-	9	-	-	-	-
Add: Acquisition and integration costs ^{2,6}	4	85	112	54	79	24
Deduct: Litigation settlement ⁶	-	-	-	-	6	(23)
Add: Union contract bonuses ⁶	-	-	-	-	-	210
Deduct: Special revenue adjustment ^{3,6}	-	-	-	-	-	(108)
Net income, non-GAAP	550	330	417	805	1,397	2,355

	Year Ended					
	2010	2011	2012	2013	2014	2015
Operating revenues, as reported	\$ 12,104	\$ 15,658	\$ 17,088	\$ 17,699	\$ 18,605	\$ 19,820
Deduct: Special revenue adjustment ³	-	-	-	-	-	(172)
Operating revenues, Non-GAAP	\$ 12,104	\$ 15,658	\$ 17,088	\$ 17,699	\$ 18,605	\$ 19,648

¹ Amounts shown net of profitsharing impact.

² Amounts net of profitsharing impact on charges incurred through March 31, 2011. Pursuant to the terms of the Company's ProfitSharing Plan, acquisition and integration costs were excluded from the calculation of profitsharing expense from April 1, 2011, through Dec. 31, 2013. These costs, totaling \$385 million, are being amortized on a pro rata basis as a reduction of operating profits, as defined by the ProfitSharing Plan, from 2014 through 2018, in the calculation of profitsharing. In addition, acquisition and integration costs incurred during 2014 and future periods will reduce operating profits, as defined, in the calculation of profitsharing.

³ The Company recorded a special revenue adjustment during third quarter 2015 of \$172M related to its amended co-branded credit card agreement with Chase Bank USA, N.A.

⁴ Net adjustment related to presumption that all aircraft in fleet are owned (i.e., the impact of eliminating aircraft rent expense and replacing with estimated depreciation expense for those same aircraft).

⁵ Average Invested Capital is an average of the five most recent quarter end balances of debt, net present value of aircraft leases, and equity adjusted for hedge accounting.

⁶ Amounts net of tax.

Non-GAAP Reconciliation

(in millions)

	Year Ended					
	2010	2011	2012	2013	2014	2015
Fuel and oil expense, unhedged	\$ 3,296	\$ 5,580	\$ 5,963	\$ 5,645	\$ 5,321	\$ 3,362
Add (Deduct): Fuel hedge (gains) losses included in Fuel and oil expense	324	64	157	118	(28)	254
Fuel and oil expense, as reported	\$ 3,620	\$ 5,644	\$ 6,120	\$ 5,763	\$ 5,293	\$ 3,616
Add (Deduct): Net impact from fuel contracts	(172)	-	(32)	(84)	(28)	323
Fuel and oil expense, (economic)	\$ 3,448	\$ 5,644	\$ 6,088	\$ 5,679	\$ 5,265	\$ 3,939
Total operating expenses, as reported	\$ 11,116	\$ 14,965	\$ 16,465	\$ 16,421	\$ 16,380	\$ 15,704
Deduct: Net impact from fuel contracts	(172)	-	(32)	(84)	(28)	323
Deduct: Union contract bonuses	-	-	-	-	(9)	(334)
Deduct: Acquisition and integration costs ¹	(7)	(132)	(183)	(86)	(126)	(39)
Deduct: Asset impairment ²	-	(14)	-	-	-	-
Add: Litigation settlement	-	-	-	-	-	37
Total operating expenses, non-GAAP	\$ 10,937	\$ 14,819	\$ 16,250	\$ 16,251	\$ 16,217	\$ 15,691
Deduct: Fuel and oil expense, non-GAAP (economic)	(3,448)	(5,644)	(6,088)	(5,679)	(5,265)	(3,939)
Operating expenses, non-GAAP, excluding fuel and oil expense	\$ 7,489	\$ 9,175	\$ 10,162	\$ 10,572	\$ 10,952	\$ 11,752

(in cents)

	Year Ended				
	2011	2012	2013	2014	2015
CASM, excluding special items, as reported	12.29	12.68	12.47	12.38	11.17
Add: CASM impact from fleet modernization	-	0.18	0.71	1.04	1.26
CASM, excluding special items and impact of fleet modernization	12.29	12.86	13.18	13.42	12.43

(in millions)

	Year Ended					Three Months Ended March 31,
	2011	2012	2013	2014	2015	2016
Net cash provided by operating activities	1,356	2,064	2,477	2,902	3,238	1,616
Capital expenditures	(968)	(1,348)	(1,433)	(1,748)	(2,041)	(438)
Assets constructed for others	-	-	(14)	(80)	(102)	(11)
Reimbursement for assets constructed for others	-	-	-	27	24	10
Free cash flow	\$ 388	\$ 716	\$ 1,030	\$ 1,101	\$ 1,119	\$ 1,177

¹ Amounts net of profitsharing impact on charges incurred through March 31, 2011. Pursuant to the terms of the Company's ProfitSharing Plan, acquisition and integration costs were excluded from the calculation of profitsharing expense from April 1, 2011, through Dec. 31, 2013. These costs, totaling \$385 million, are being amortized on a pro rata basis as a reduction of operating profits, as defined by the ProfitSharing Plan, from 2014 through 2018, in the calculation of profitsharing. In addition, acquisition and integration costs incurred during 2014 and future periods will reduce operating profits, as defined, in the calculation of profitsharing.

² Net of profitsharing impact.



Southwest®

Panel Discussion

Randy Sloan

Senior Vice President and
Chief Information Officer



One Res – Foundation for future growth

Industry standard functionality + unique Southwest differentiation

Current PSS (Custom)



Future PSS (One Res)



Point-to-point interfaces

Fully integrated

Expensive to modify

Configurable

Slow to deliver new

Quick and seamless

Limited capabilities

Expanded capabilities

Southwest and Amadeus

A strong partnership with demonstrated success

Why Amadeus

- ✓ Functional capability
- ✓ Technical strength
- ✓ Implementation success
- ✓ Market leadership
- ✓ Commercial terms
- ✓ Similar cultures



Proven implementation approach

R1 Sell
Late 2016

R2 Operate
1H 2017

R3 Enhanced capability
2H 2017

Continuous improvement



Key Characteristics

- ✓ Reduces technical complexity
- ✓ No massive data migration
- ✓ Leverages international launch
- ✓ Meters technical deployment
- ✓ Simplifies frontline execution

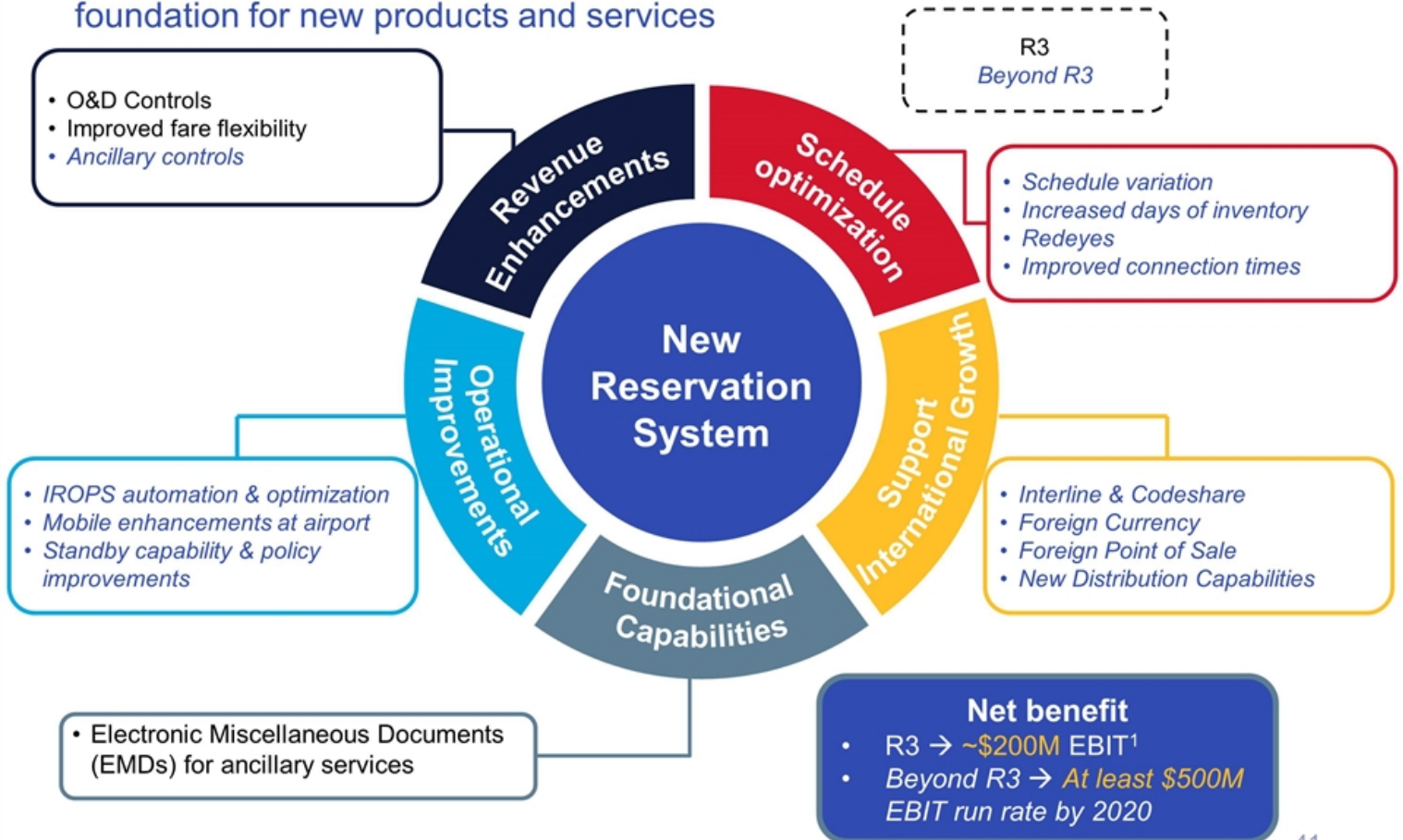
Andrew Watterson

Senior Vice President Network and Revenue



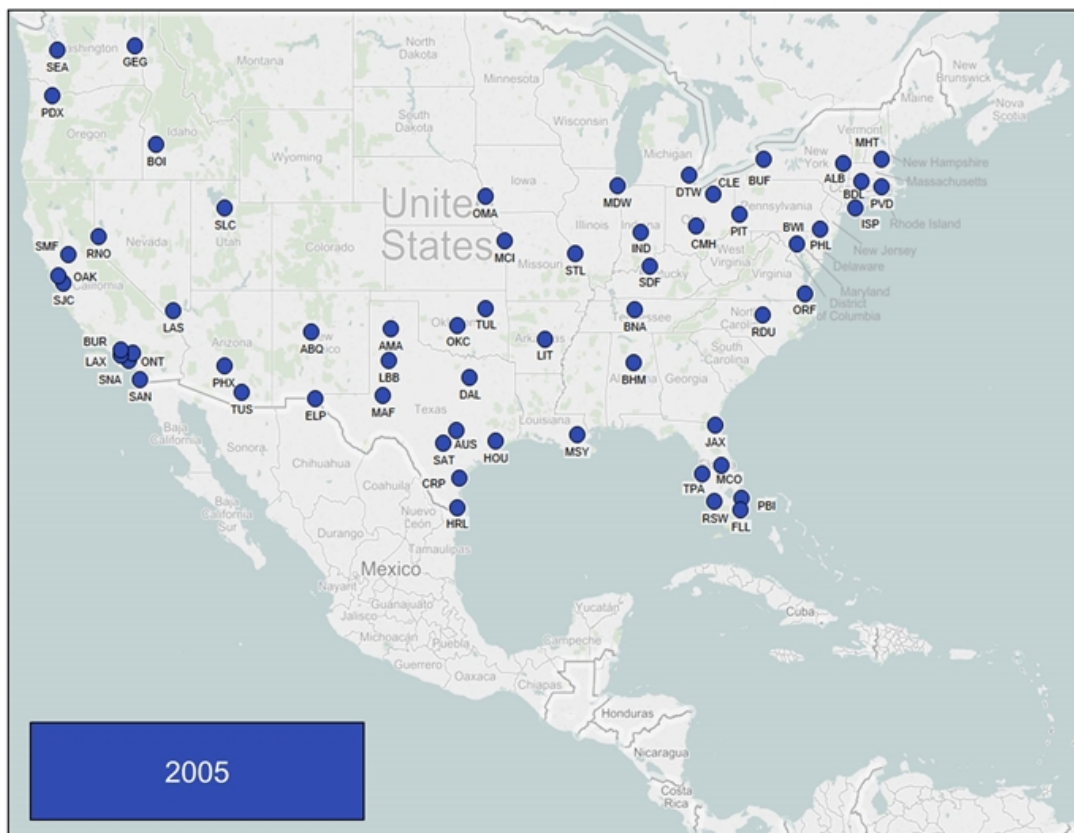
New Reservation System – Enhancing Capabilities

The system will drive tangible near term benefits, as well as create the foundation for new products and services

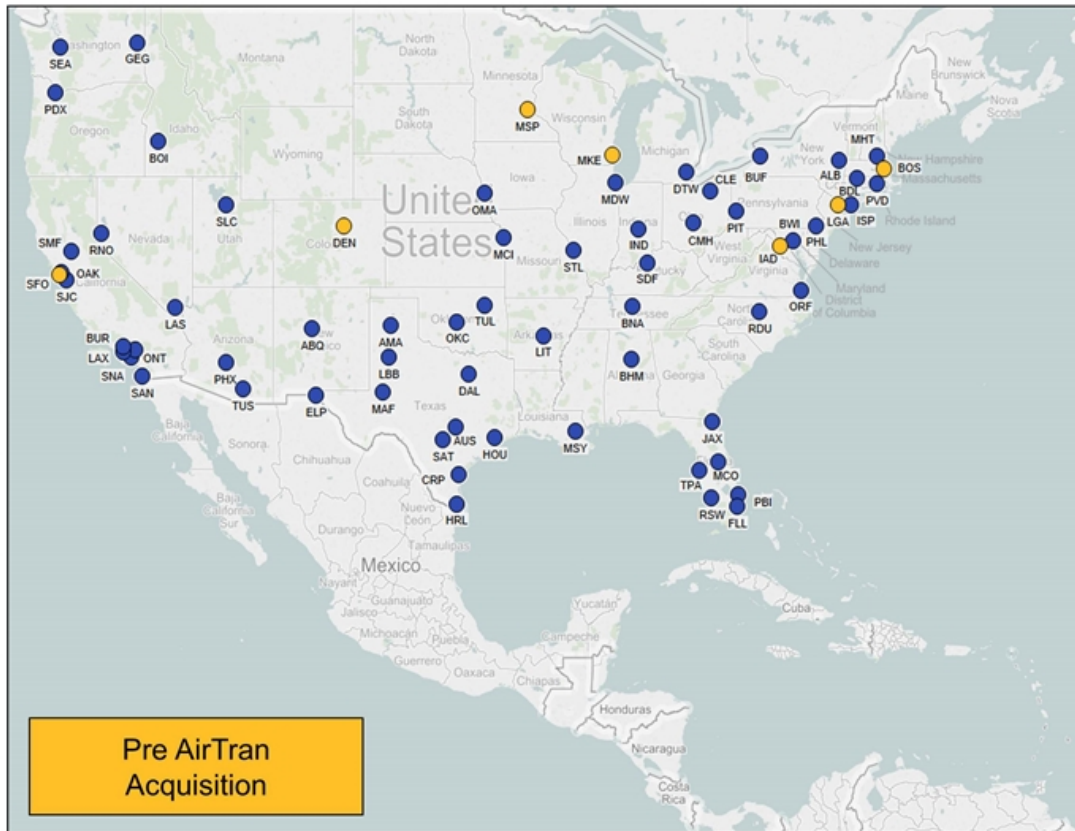


¹EBIT is defined as earnings before interest and taxes.

Over the last 10 years, we built a national footprint and began an International network



Over the last 10 years, we built a national footprint and began an International network

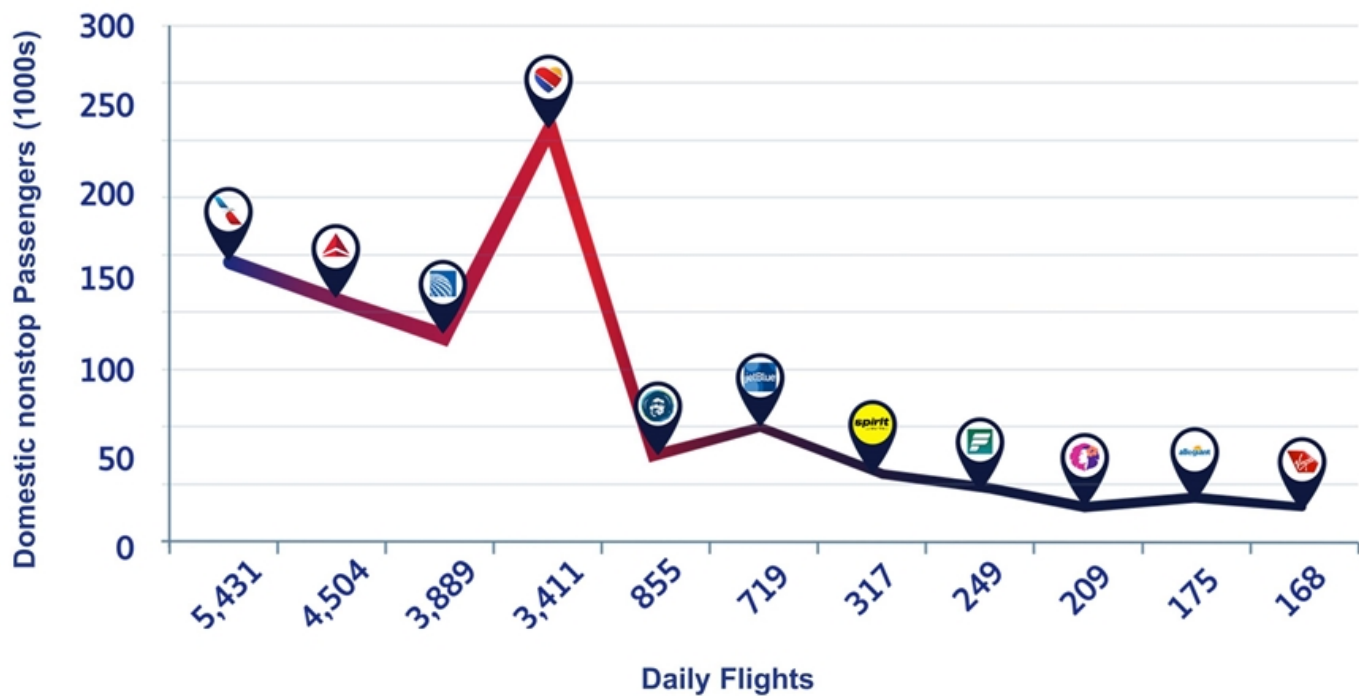


Over the last 10 years, we built a national footprint and began an International network





Our point-to-point model means we carry far more nonstop domestic passengers, and with fewer daily flights



Source: US DOT O&D Passenger Survey YE 4Q 2015 for domestic data

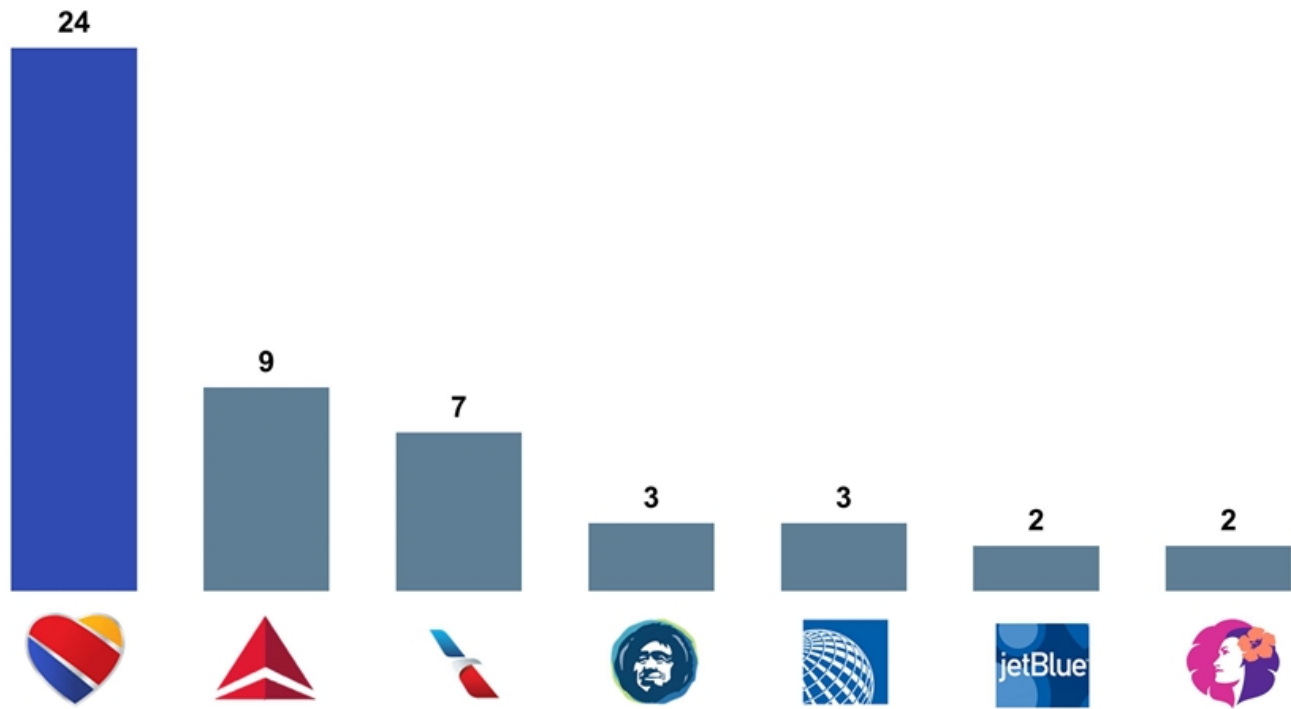
Which leads to a longer list of large operations, rather than a concentrated set of mega hubs

Cities where carriers have over 60 flights per day



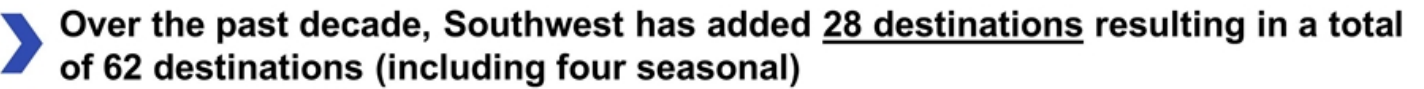
The result is a network that produces far more market leading positions

Southwest is the Leader in 24 of the top 50 cities/metros in the United States



Source: US DOT O&D Passenger Survey YE 4Q 2015 for domestic data and PaxIS YE Feb16 for int'l data, via Dilo
Note: BUR/LAX/LGB/ONT/SNA, BWI/DCA/IAD, DAL/DFW, EWR/JFK/LGA, FLL/MIA/PBI, HOU/IAH, MDW/ORD and OAK/SFO were combined and counted as a single metro

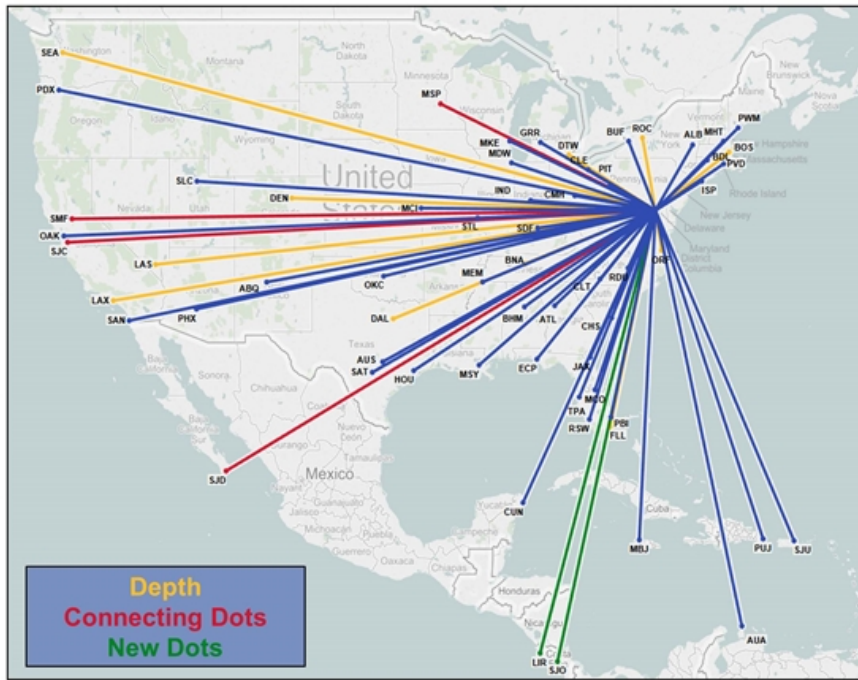
Southwest increased relevance in Baltimore through acquisition and organic growth



Market Leadership de-risks growth: Baltimore example

A balanced portfolio of depth, “connecting dots”, and “new dots” over last two years

BWI Route Map



2015 and 2016 BWI schedule additions

Depth	BNA	6-7x	Nov 16
	BOS	9-10x	Sep 16
	DAL	3-4x	Aug 15
	DEN	4-5x	Apr 16
	DTW	3-4x	Nov 16
	FLL	10-11x	Nov 16
	LAS	5-6x	Apr 16
	LAX	2-3x	Apr 16
	ORF	4-5x	Apr 16
	ROC	2-3x	Aug 16
Connecting Dots	SEA	Year-round	Mar 15
	MSP	2x	Apr 16
	SJC	1x	Nov 16
	SJD ¹	Sat only	Jun 15
New Dots	SMF	1x	Aug 16
	LIR	Sat only	Nov 15
	SJO	1x	Mar 15

¹Seasonal service.

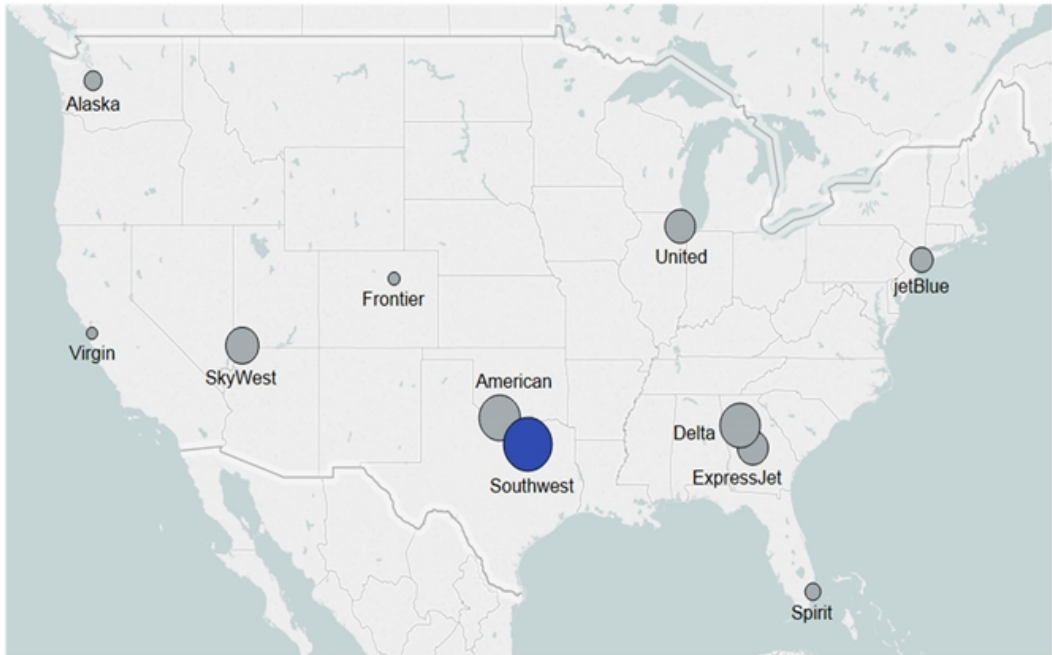
Mike Van de Ven

Executive Vice President and Chief Operating Officer



Southwest is the largest domestic operator in the US

In 1Q 2016, Southwest operated more total domestic flights than any other carrier, and nearly 40% more flights than its nearest competitor



1Q Domestic
Flight Count (000)

WN	313.4
AA	226.1
DL	215.7
OO	145.3
EV	126.4
UA	122.9
B6	68.6
AS	42.4
NK	32.6
F9	20.8
HA	18.5
VX	16.0

Note: Domestic flight count is visually depicted by size of circle for each Carrier/Station within map.

Complexity: then, and now

As Southwest continues to expand, the operation has become more complex and has adjusted to overcome these challenges



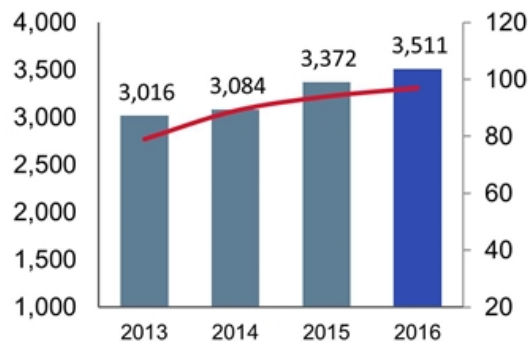
Drivers of complexity

- More seats per plane with higher loads / more checked bags
- Longer operating days during peak periods
- International growth (11 markets and 40+ daily operations)
- Higher congestion airports create frequent delays and ATC challenges (SFO, EWR, LGA, BOS)
- Expanding point to point network and increasing Customer itineraries makes recovery more challenging

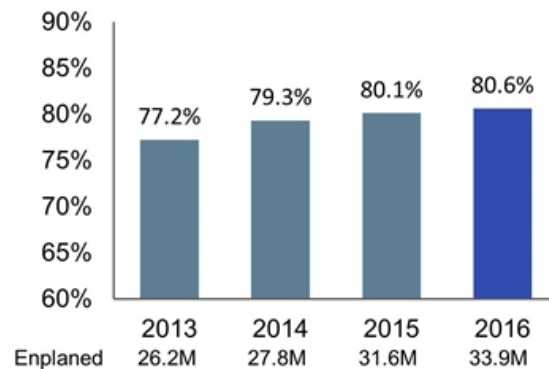
Growth and complexity

Network complexity has increased over the last several years along with growth, creating the largest point-to-point carrier

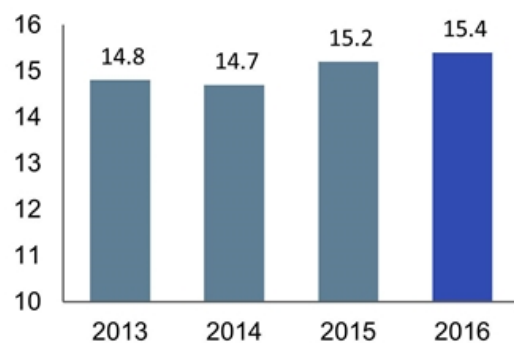
Average daily flights & total destinations
1Q 2013-2016



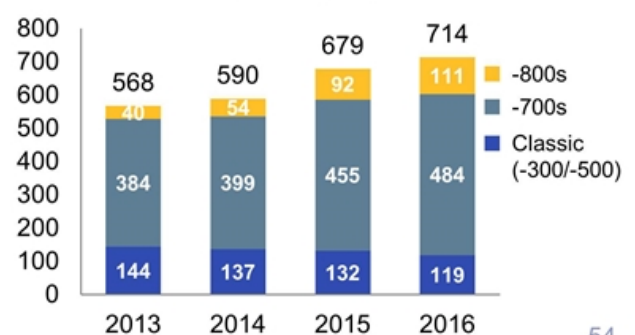
System load factor & revenue enplanements
1Q 2013-2016



Aircraft utilization
1Q 2013-2016



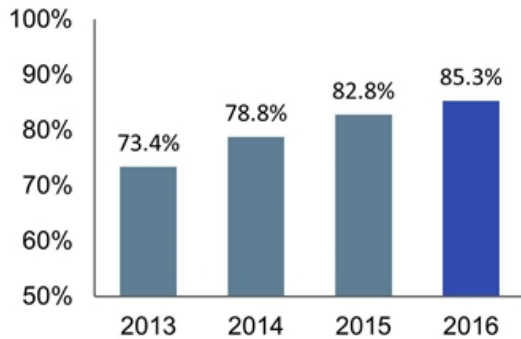
Aircraft fleet type composition¹
Total fleet: 2013-2016 (1Q each year)



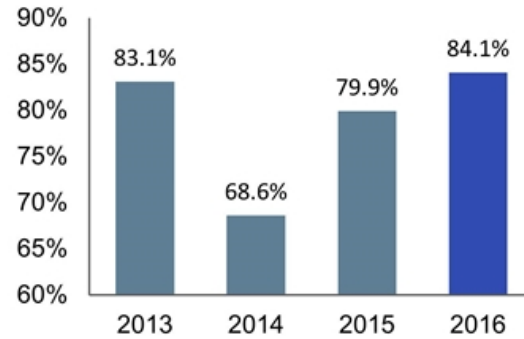
Operate reliable schedules

Southwest has invested in the Operation, and performance improved in first quarter 2016 versus previous years

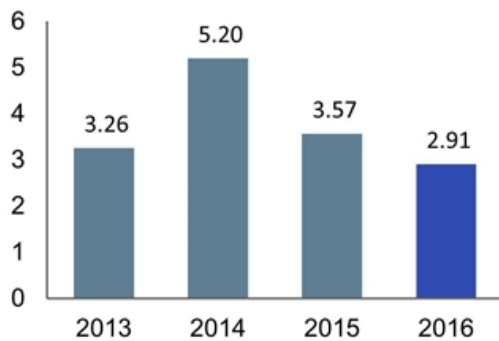
Early morning originator performance
1Q 2013-2016



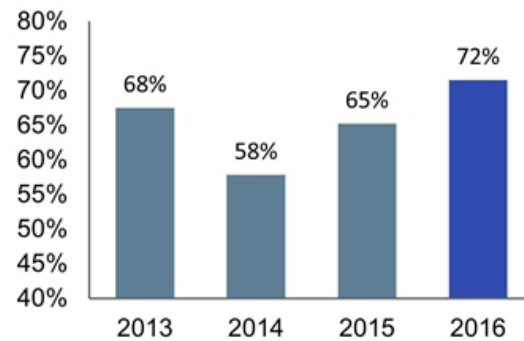
System ontime performance
1Q 2013-2016



Mishandled baggage rate
1Q 2013-2016



Net promoter score
1Q 2013-2016



Strengthening our foundation

Southwest continues to focus on successfully implementing operational capabilities to unlock significant long-term business value



Key Areas of Focus:



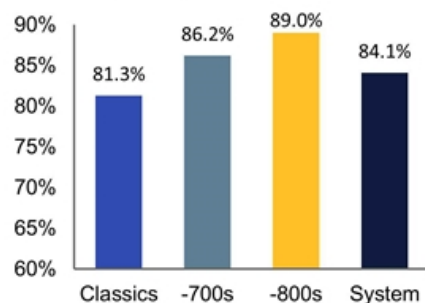


Planned improvements

Fleet modernization through retirement of the Classic fleet will aid the Operation as less efficient Classic aircraft are removed from the system

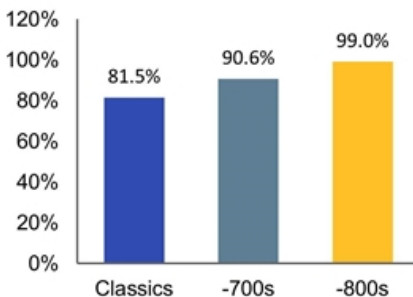
System ontime performance

1Q 2016 by fleet type



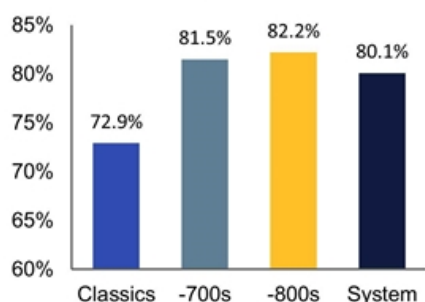
Percent of available time in use

1Q 2016 by fleet type



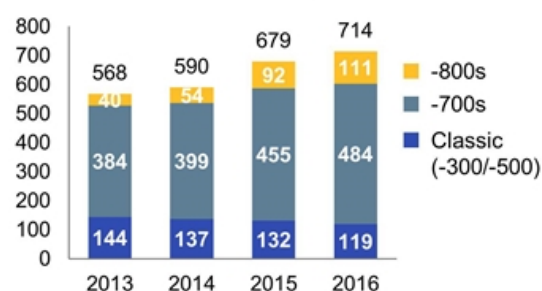
Block hit rate

1Q 2016 by fleet type



Aircraft fleet type composition¹

Total fleet: 2013-2016 (1Q each year)



Classic Retirement

- Retirement of the Classic fleet will aid in overall Operational Performance. Classic AC are inefficient in several ways:
 - No RNP
 - No WiFi
 - Smaller bins
 - Performance
 - EFIS cockpit
 - No auto-throttle



Heart Interior

Our new Heart interiors will come standard on all new -800s. The seating capacity remains at 175, and seat location is virtually the same as current 737-800 aircraft.

Classic Retirement

- Recessed windows give the look and feel of more interior space, new carpet gives a clean feel, and a new silver bulkhead proudly displays our Heart
- The new seat is the widest economy seat in the 737 market and features:
 - an adjustable headrest
 - a lower profile armrest
 - advanced lumbar support



Strengthening our foundation

Southwest continues to focus on successfully implementing operational capabilities to unlock significant long-term business value



Key Areas of Focus:



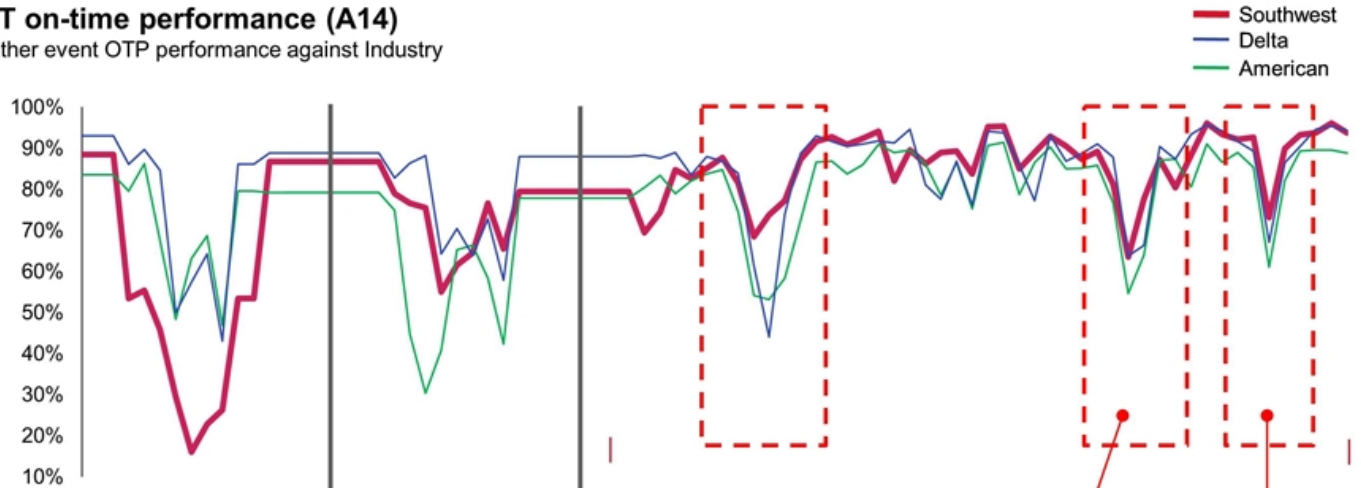
Impact of “The Baker”

Since its implementation in 2016, improved automation tools in the Network Operations Center have resulted in better IROPS recovery than industry



DOT on-time performance (A14)

Weather event OTP performance against Industry



Hercules	Thor	Jonas	Olympia	Petros
Dec 30 - Jan 5 2014	Feb 27- Mar 5 2015	Jan 22-24 2016	Feb 14-16 2016	Feb 22-26 2016
Heavy snowstorm impacting Midwest and Northeast	Snow, sleet, ice impacting South, Midwest, and East	Snow storm impacting Northeast , BWI and DCA	Heavy snowstorm impacting Midwest and Northeast	Snowstorm impacting the Midwest
OTP 29.4%	60.8%	72.7%	74.2%	73.2%

➤ Awarded the prestigious Airline Group of the International Federation of Operational Research Societies (AGIFORS) “**Best Innovation**” in operational recovery!

Strengthening our foundation

Southwest continues to focus on successfully implementing operational capabilities to unlock significant long-term business value



Key Areas of Focus:

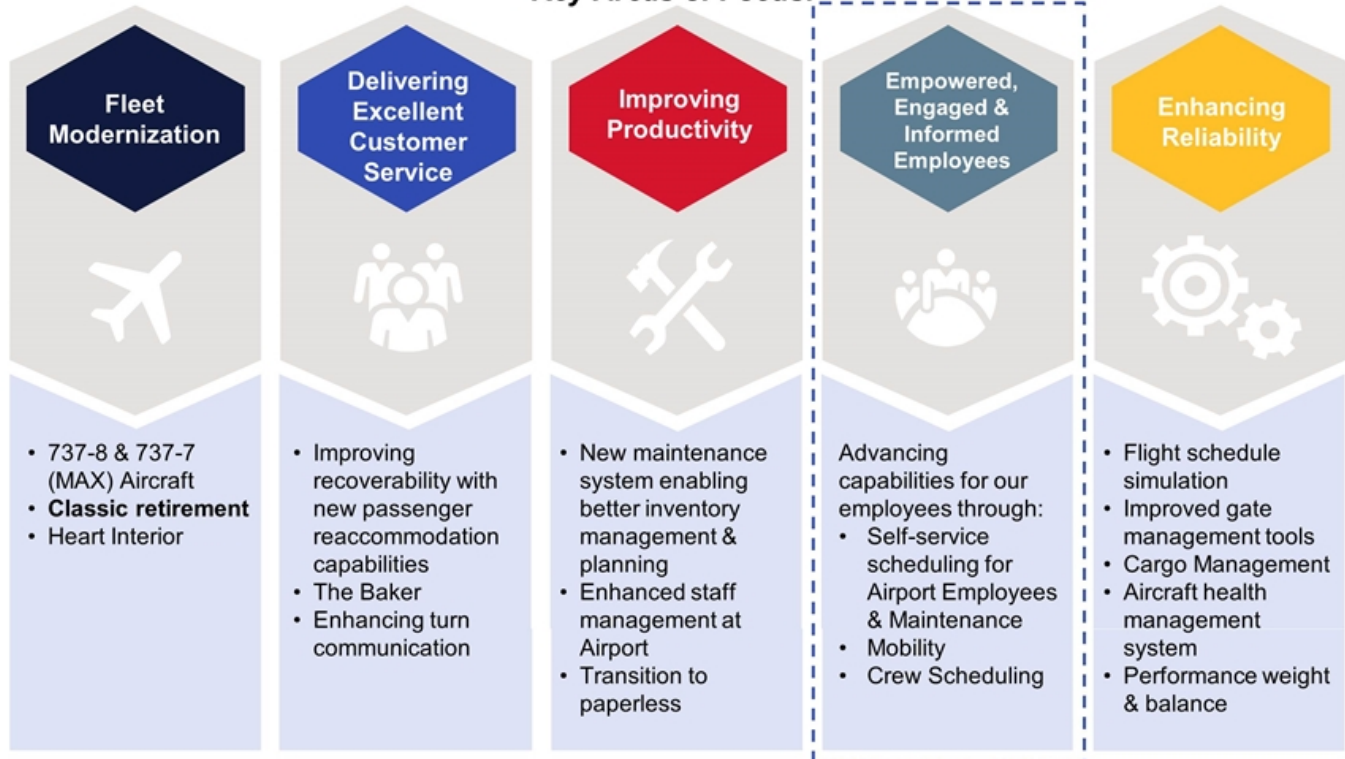


Strengthening our foundation

Southwest continues to focus on successfully implementing operational capabilities to unlock significant long-term business value



Key Areas of Focus:



Strengthening our foundation

Southwest continues to focus on successfully implementing operational capabilities to unlock significant long-term business value

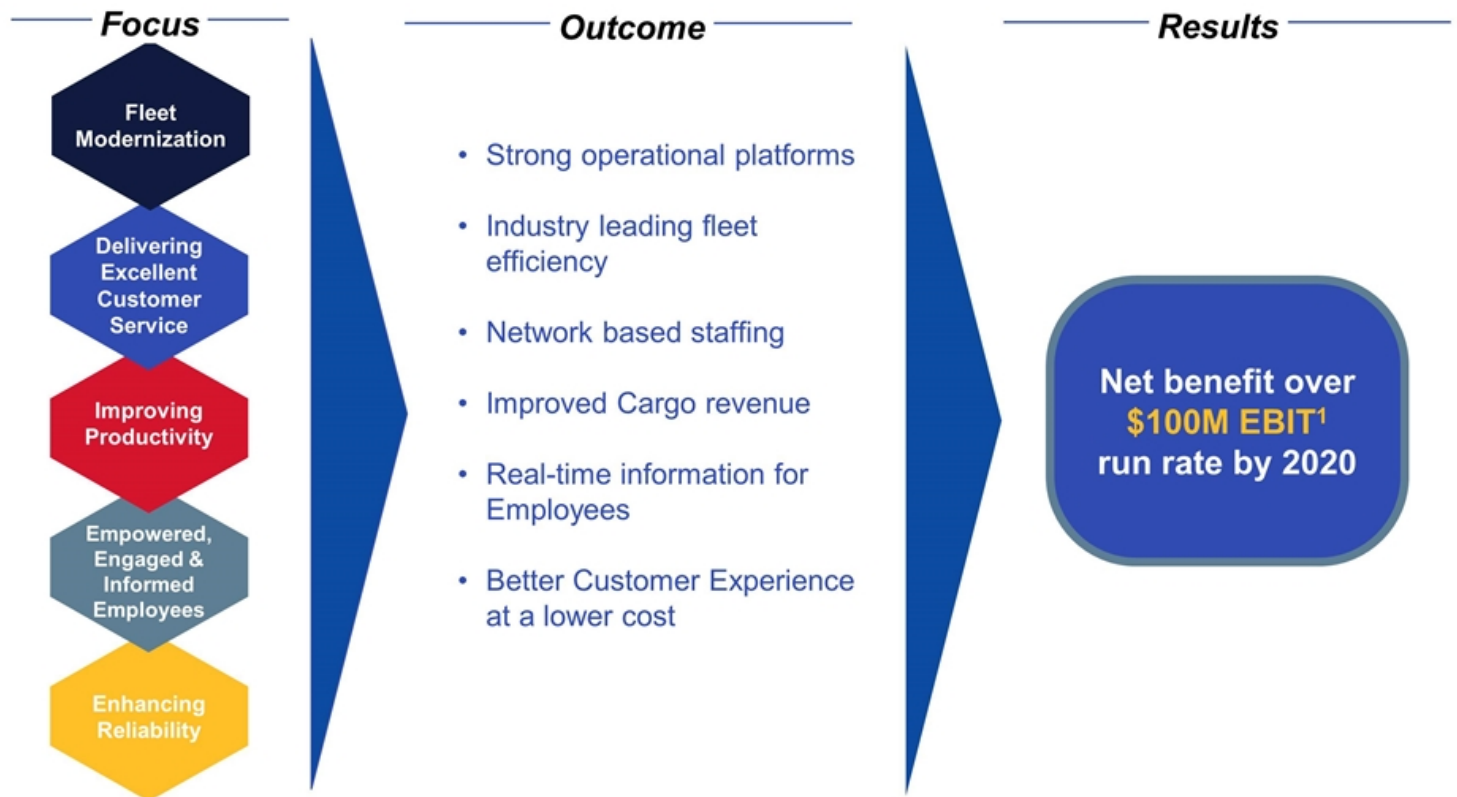


Key Areas of Focus:



Strengthening our foundation

Southwest continues to focus on successfully implementing operational capabilities to unlock significant long-term business value



¹EBIT is defined as earnings before interest and taxes.

Jeff Lamb

Executive Vice President Corporate Services



Recently Completed

HDQ Densityfication & Training and Operations Support (TOPS)

- Moved Managers into workstations
- Culture Centers replaced individual department break rooms
- Reduced square footage per Employee by 30%



Headquarters

Wings

Design & build a new 370,000 SF, 18 bay, hardened Flight Training Center and a 414,000 SF six story office building. The project will also include a parking garage adjacent to the Wings facility and a Pedestrian Safety Bridge

BUDGET

Project Budget	≈ \$250M
----------------	----------

SCHEDULE

Project Milestones	Completion
Ground Breaking	May 2016
Simulator Installs	Q2 2017
Project Completion and Move-In	Q1 2018



FLL Modernization

Fort Lauderdale, Florida

FLL Terminal 1 Modernization Program includes a 5 Gate expansion at Concourse A, FIS (Federal Inspection Services) Facility, and enabling projects which include improvements to Terminal 1.

BUDGET

Project Budget	≈ \$333M
Net cash outlay for SWA	\$0

SCHEDULE

Project Milestones	Substantial Completion
Concourse A Completion	Q2 2017
Terminal 1 Modernization	Q4 2017

Additional existing Terminal 1 scope includes:

- Baggage System Cross Over
- Wayfinding Signage
- Renovation of five existing restrooms
- Improved hold room seating
- Upgrades to the Notifier Fire Alarm system
- Replace three existing chillers



LAX Modernization

Los Angeles, California

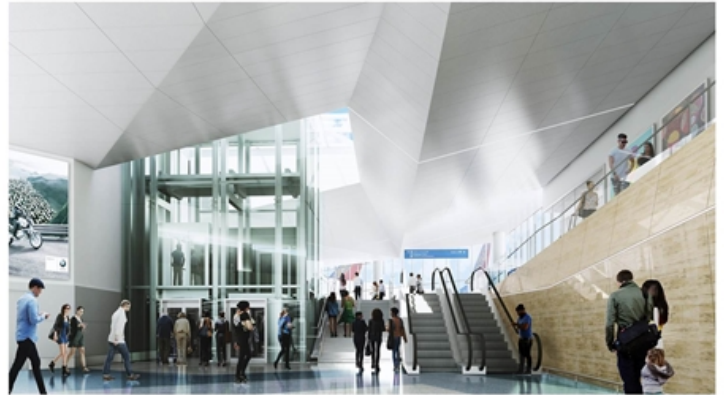
Modernize and improve customer experience, solve building circulation problem, new security checkpoint, new modern baggage systems, new concessions program. Ability to operate all 737-800 fleet on all 13 gates.

ON BUDGET

Project Budget	≈ \$515M
Net cash outlay for SWA	\$0

ON SCHEDULE

Project Milestones	Completion
West Ticketing Operational	01/15/16
Security Checkpoint Completion	Q1 2017
Baggage System (BHS) Completion	Q2 2017
Substantial Completion	Q2 2018



On the Horizon

HOU Hangar Facility

- 2 Bay, 6 Aircraft facility, near 200,000 total square feet
- Utilities to support 4 Aircraft Wash bays
- 60,000 square feet of shops including Composite & Sheet metal
- Will be relocating a weather station and a radar



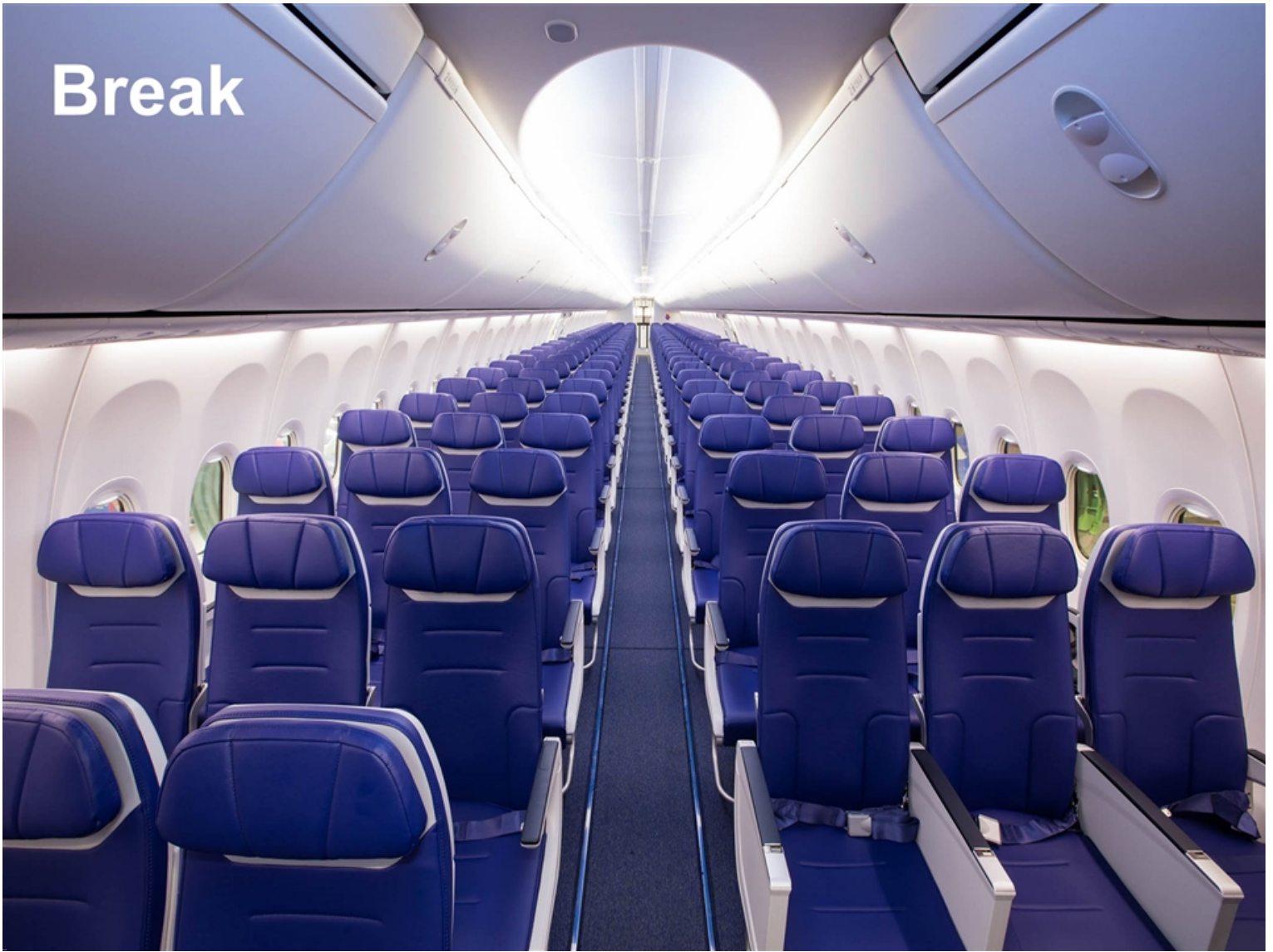
PHX Hangar, Provo & GSE

- New 2 Bay Hangar
- New GSE & Provo facility
- PHX Roadway modification
- Interior upgrades to existing Hangar



➤ We are investing in upgrades to existing hangars over the next several years

Break





Southwest®

Questions



Southwest®

Thank You!

737 Delivery Schedule

As of March 31, 2016

	The Boeing Company 737					Additional - 700s	Total
	-800 Firm Orders	-800 Options	-7 Firm Orders	-8 Firm Orders	-8 Options		
2016	38	—	—	—	—	21	59(2)
2017	33	—	—	14	—	14	61
2018	18	18	—	13	—	4	53
2019	—	—	15	10	—	—	25
2020	—	—	14	22	—	—	36
2021	—	—	1	33	18	—	52
2022	—	—	—	30	19	—	49
2023	—	—	—	24	23	—	47
2024	—	—	—	24	23	—	47
2025	—	—	—	—	36	—	36
2026	—	—	—	—	36	—	36
2027	—	—	—	—	36	—	36
Total	89	18	30	170(1)	191(1)	39	537

(1) The Company has flexibility to substitute 737-7 in lieu of 737-8 firm orders beginning in 2019 and options beginning in 2021.

(2) Includes seven 737-800s and thirteen 737-700s delivered as of March 31, 2016.

737 Delivery Schedule

As of June 23, 2016

	The Boeing Company 737					Additional - 700s	Total
	-800 Firm Orders	-800 Options	-7 Firm Orders	-8 Firm Orders	-8 Options		
2016	38	—	—	—	—	23	61(2)
2017	39	—	—	14	—	14	67
2018	12	18	—	13	—	4	47
2019	—	—	15	—	5	—	20
2020	—	—	14	—	8	—	22
2021	—	—	1	13	18	—	32
2022	—	—	—	15	19	—	34
2023	—	—	—	34	23	—	57
2024	—	—	—	41	23	—	64
2025	—	—	—	40	36	—	76
2026	—	—	—	—	36	—	36
2027	—	—	—	—	23	—	23
Total	89	18	30	170(1)	191(1)	41	539

(1) The Company has flexibility to substitute 737-7 in lieu of 737-8 aircraft beginning in 2019.

(2) Includes thirteen 737-800s and nineteen 737-700s delivered as of June 23, 2016.