



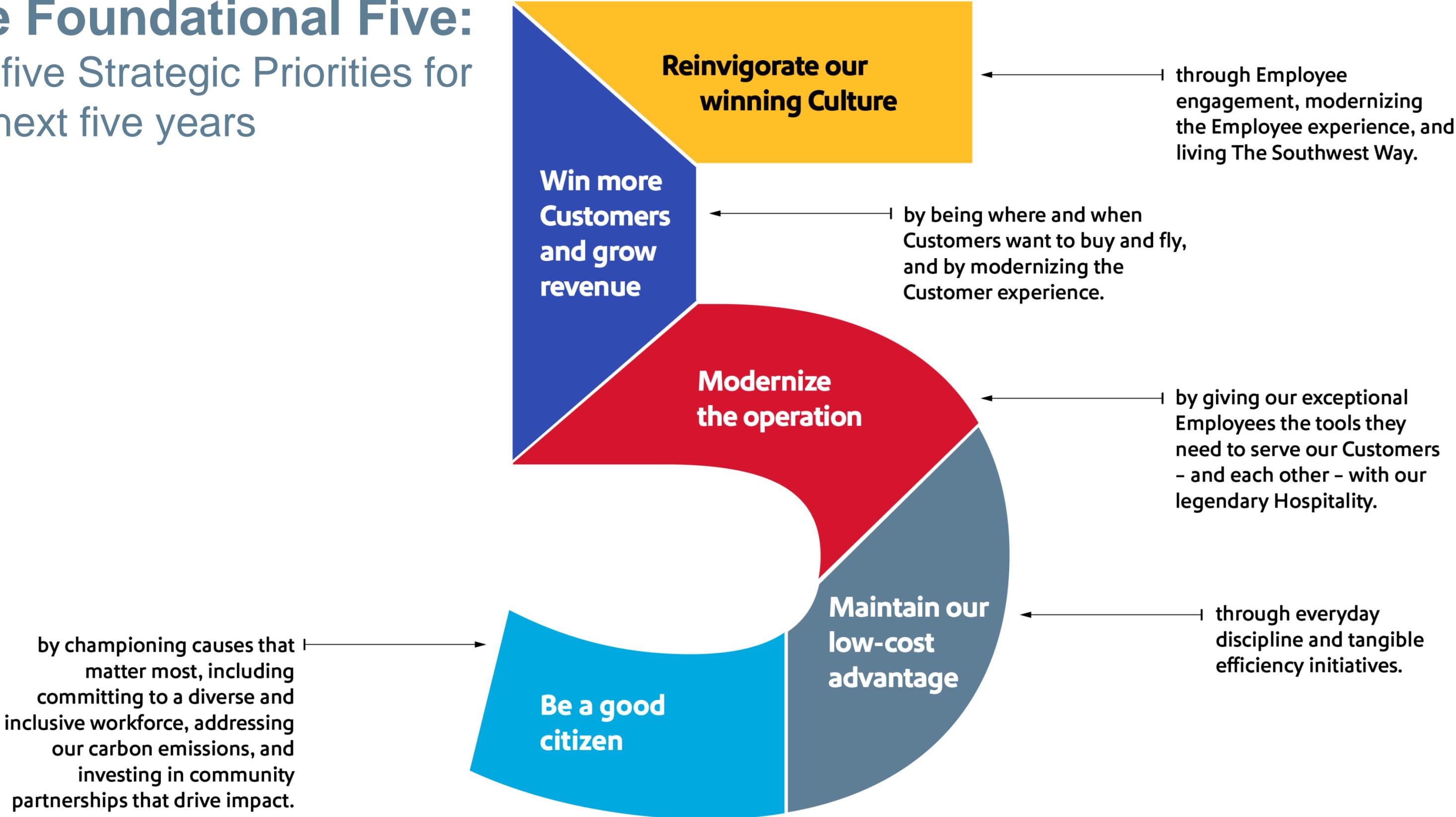
ASA AFRA 2023

June 6, 2023

Agenda

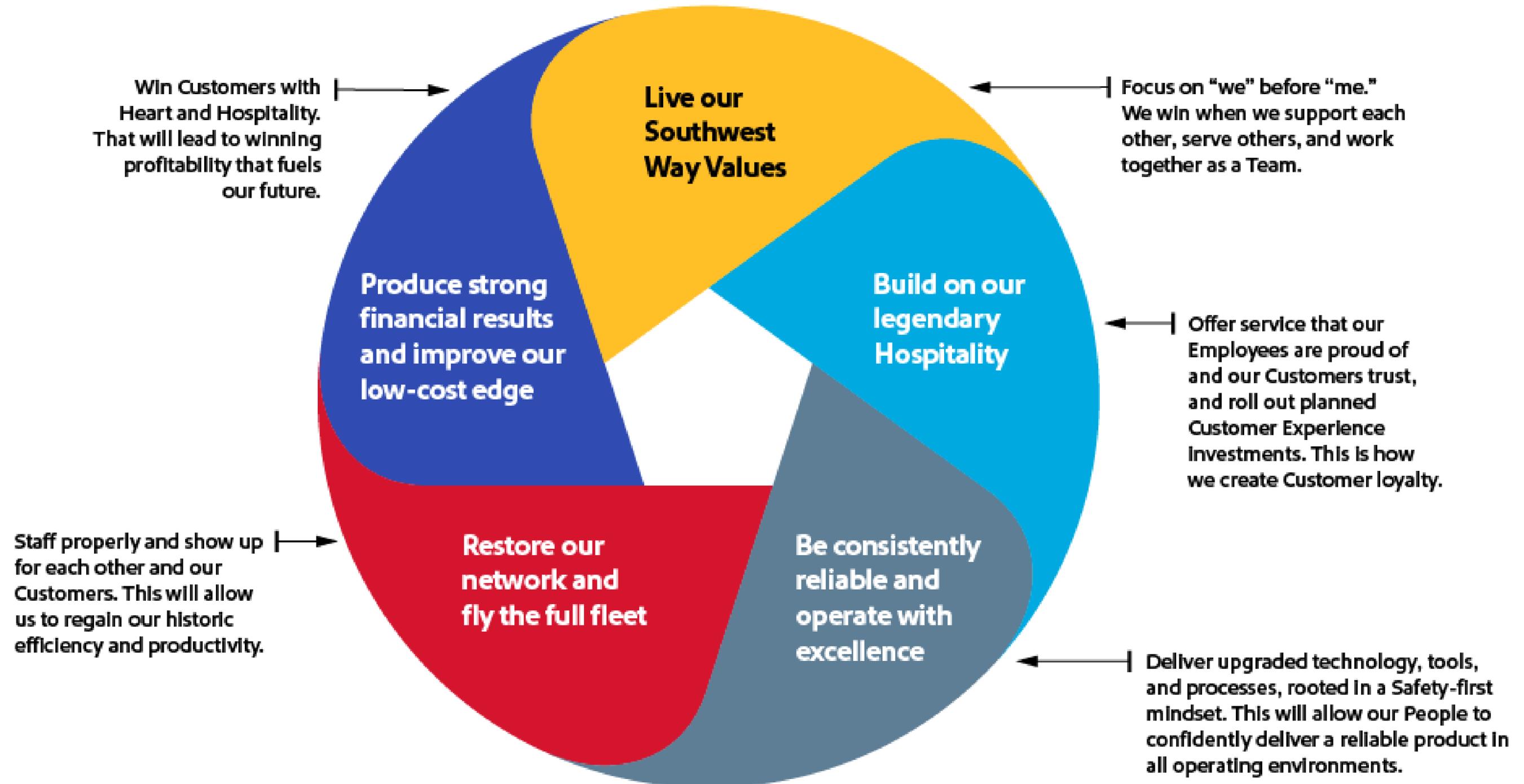
- Southwest
 - Foundational 5
 - Christmas Operations Disruption
- Industry Opinions
 - Supply Chain Outlook is Bleak
- Southwest Technical Operations Supply Chain
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- Questions

The Foundational Five: Our five Strategic Priorities for the next five years



2023 Focus

All in for WN



Tactical action plan in response to operational disruption

Based on the review of December's operational disruption, we are developing a tactical action plan to boost operational resiliency

Key Root Cause

Severity of Winter Storm Elliott was more sudden and severe than had been predicted and thus had a greater than planned impact on Station operations and strained ability to keep up with pace and breadth of disruptions

Experienced outsized impacts in DEN and MDW (25% of Crew); cascading close-in cancellations overwhelmed processes and technology leading to manual alternatives that lengthened solution time

Tactical Action Plan

Improve Winter Operations *(Infrastructure, equipment, & winter preparedness)*

- Increase number of available deicing trucks / ground equipment
- Procure additional deicing pads and increase glycol capacity at key locations
- Implement new weather application to enhance deicing holdover times
- Purchase additional engine covers and heaters
- Augment winter staffing levels

Enhance Cross-Team Collaboration *(Processes, decisions, & communication)*

- Improve alignment between Network Planning and Network Operational Control (NOC)
- Update leading indicators dashboard
- Improve alerting and decision-support tools
- Upgrade capabilities to better integrate aircraft and Crew recovery optimization

Accelerate Other Investments *(Technology & tools for greater volume and pace)*

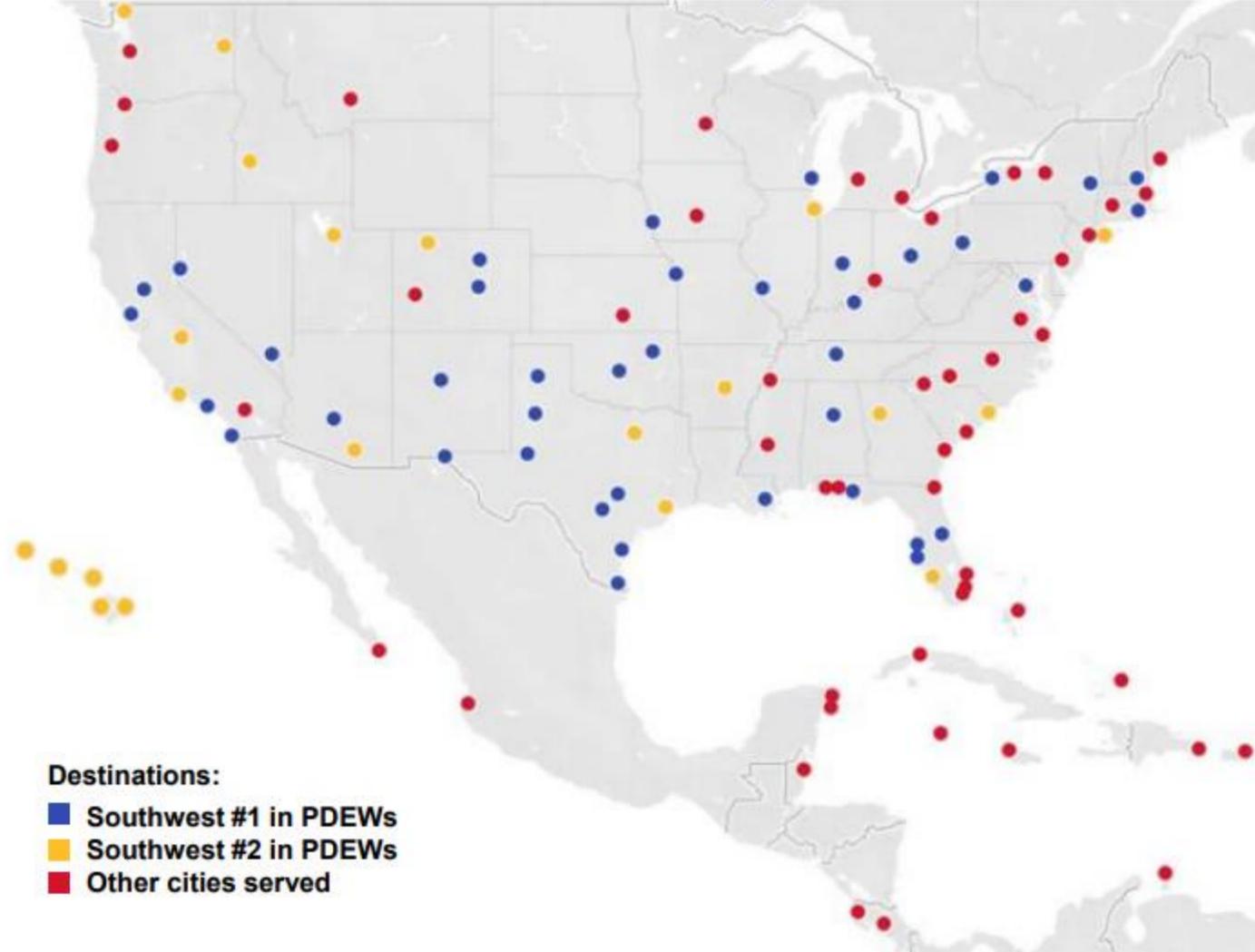
- Upgrade Skysolver optimization software
- Enhance electronic Crew notification system and upgrade phone system
- Upgrade Customer Support & Services phone stability
- Upgrade Employee mobility tools

Note: The above tactical action plan is not meant to be exhaustive; rather, it is meant to provide examples of actions the Company plans to take in an effort to increase operational resiliency for winter 2023.

Business model and network strengths remain intact

Our operational disruption review has not revealed structural changes needed to our low-cost business model or our point-to-point network

Southwest has the #1 or #2 market share position in 61 domestic cities



Key Business Model Attributes

- All Boeing 737 fleet
- High-frequency, point-to-point network
- High asset utilization
- Robust network serving 121 domestic and near-international airports
- #1 market share in 23 of the Top 50 travel markets in the U.S.
- ~75% nonstop flights
- Low-fare brand enabled by low-cost position in industry

➤ Network restoration by yearend 2023 is expected to further boost operational resiliency

Note: Passengers Daily Each Way (PDEWs). Includes co-terminal airports. Co-terminal airports share a common city or region; #1 in blue (LA Basin - BUR, LAX, SNA, ONT, Bay area - OAK, SFO, SJC, and Washington area - BWI, DCA, IAD); #2 in yellow (Dallas - DAL & DFW, Houston - HOU & IAH, Chicago - MDW & ORD); Other cities served in red (NYC - EWR, JFK, LGA)
Source: U.S. DOT O&D Survey data for the twelve months ended 9/30/22 based on domestic and international passengers boarded. Data accessed on 03/10/23 using Cirium Diio Mi.

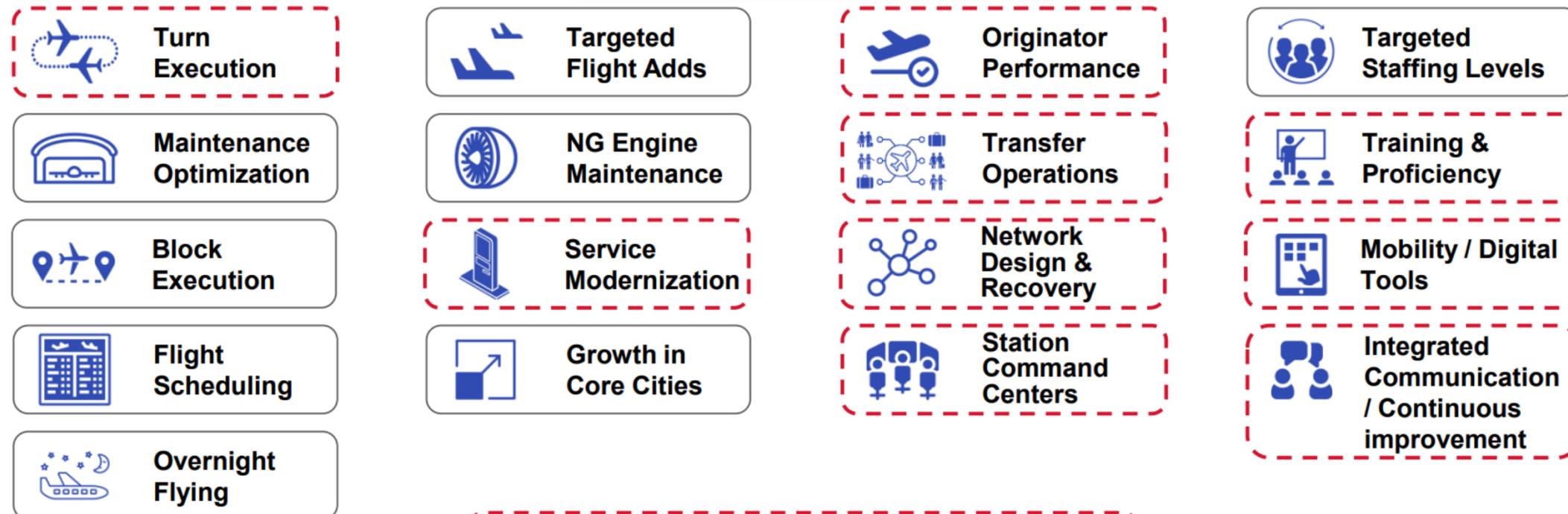
Tactical action plan aligns to multi-year operations plan

Our multi-year operations modernization plan—outlined at our December 7th Investor Day—complements the tactical action plan we are pursuing to enhance operational resiliency

Operational Focus Areas



Initiative Categories



Multi-year operations plan category that contains action items related to operational resiliency investments

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Aviation Supply Chain Issues

It looks like it will continue for some time



Aerospace & Defense

Airlines body urges jetmakers to fix aircraft delivery delays

June 4, 2023



Aerospace & Defense

Boeing CEO says fixing supply chain constraints is 'frustratingly slow'

June 2, 2023



Aerospace & Defense

Boeing CEO predicts supply chain pressure through 2024

May 23, 2023



Indigo Executive Franke Warns Of Potential Manufacturing Challenges

Indigo Partners is warning that aircraft supply chain issues could be prolonged as far out as 2028.

AVIATION DAILY



Aerospace & Defense

AerCap CEO says airlines to face supply squeeze for many years

10:42 AM CDT

Aviation Supply Chain Issues

Work Participation Has Not Fully Recovered

Civilian labor force participation rate, seasonally adjusted

Click and drag within the chart to zoom in on time periods

— Total — Men, 20 years and older — Women, 20 years and older — 16 to 19 years old
— White — Black or African American — Asian — Hispanic or Latino



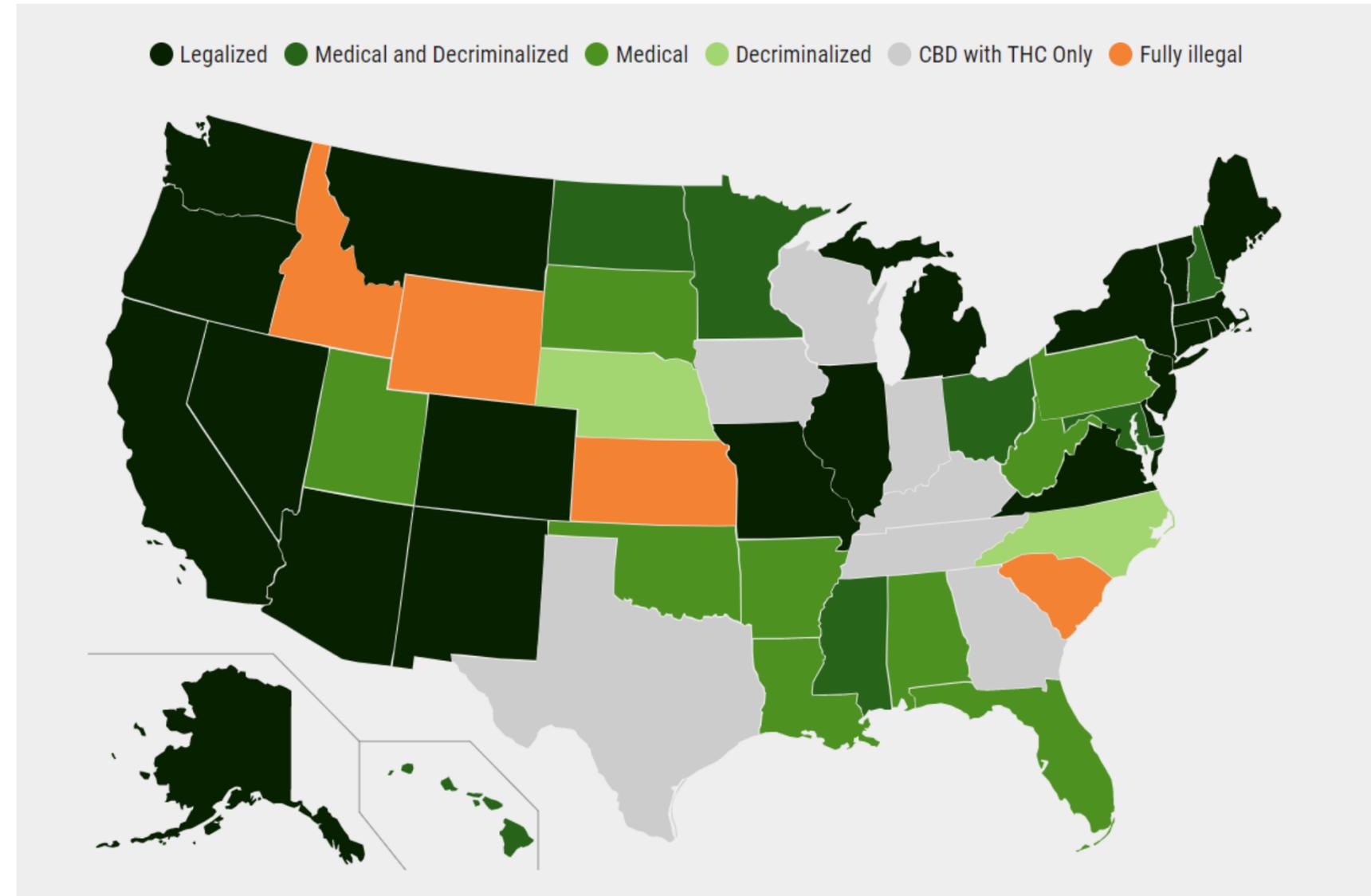
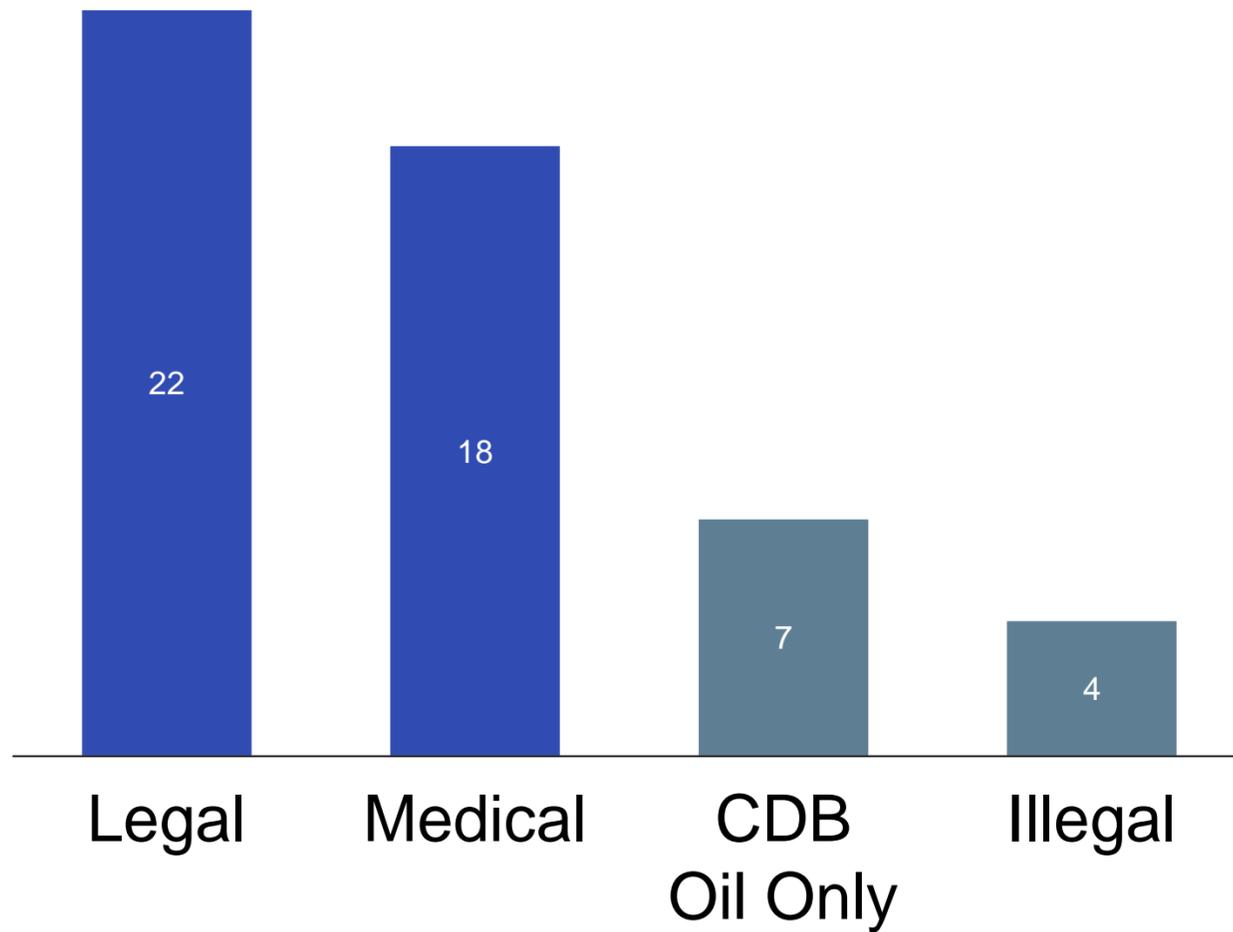
Source: U.S. Bureau of Labor Statistics.

Legalization of Marijuana

As of June 2023

Positive marijuana drug tests among U.S. employees hits record high in 2021

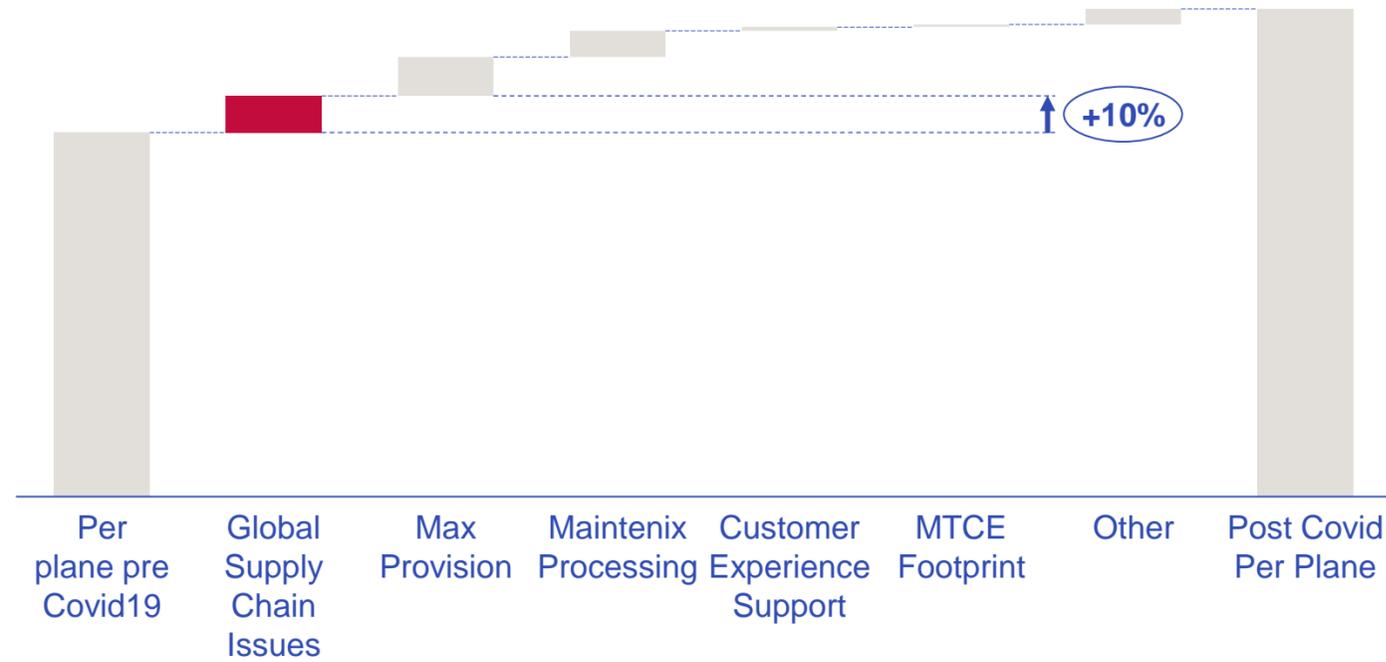
US States & District of Columbia



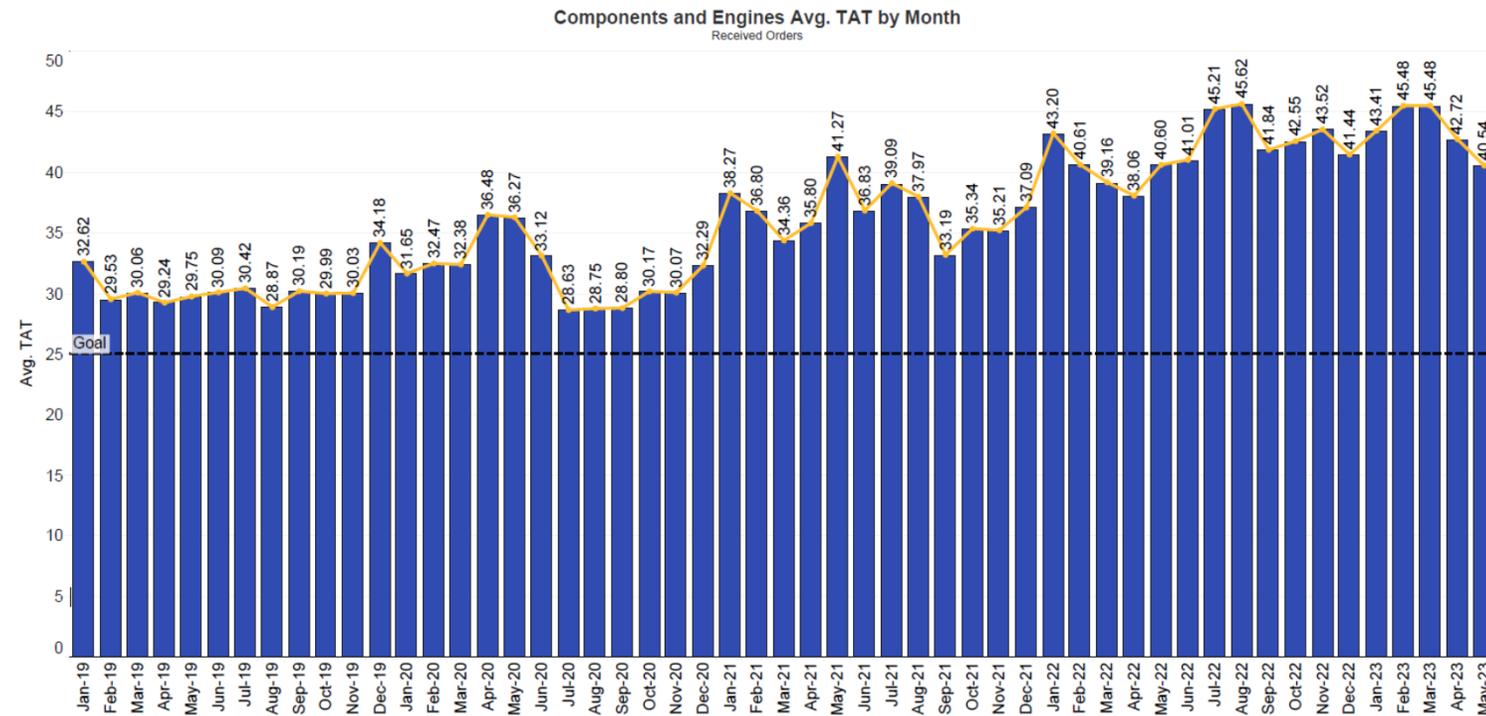
Other industries have modified drug policies to address the reality – aerospace’s need for zero tolerance further decreases our candidate pool

Aviation Supply Chain Issues

Impact can be measured



Supply Chain issues is impacting working capital



Repair TATs are up driving operational disruptions

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Background | Supporting 1000 Aircraft in SCM Tech Ops

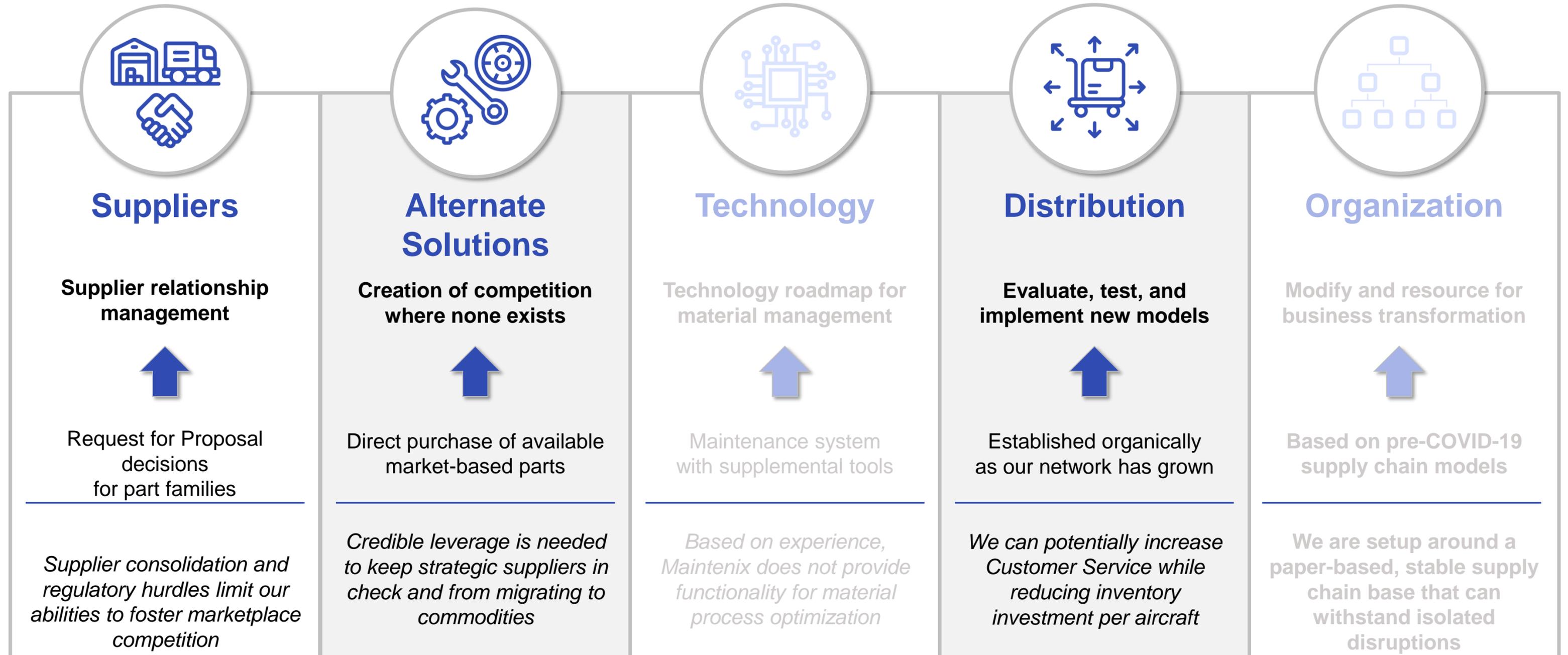
Before we jump into the discussion, let's understand the important context.

Area	Information
 <p>Prior Advantages</p>	<ul style="list-style-type: none"> • SCM Tech Ops has benefitted from a single airframe supplier and fleet type with high <u>parts commonality</u>. • Our simplified inflight offerings and limited premium products also minimize <u>potential complexity</u>. • For years, we had the advantage of a <u>stable supplier base</u> with reasonable competition among suppliers.
 <p>Organizational Strategy</p>	<ul style="list-style-type: none"> • The organization was developed for stable supply chain that focused on <u>sourcing</u> and supplier scorecards. • Operations and distribution developed <u>organically</u> to support expansion of network. • Processes and technology support have followed requirements of <u>Tech Ops</u> in support of compliance.
 <p>Emerging Challenges</p>	<ul style="list-style-type: none"> • The COVID-19 pandemic and Maintenix implementation put major strategic changes <u>on-hold</u>. • The pandemic has led to new <u>global challenges</u>, further entrenching resource and raw material challenges. • <u>Supplier consolidation</u>, regulatory mandates, and work force participation have resulted in large price increases and extended lead times.

 While still trying to adapt to Maintenix, we are now positioned to **reassess and develop** our strategy to support a fleet of 1000 aircraft.

Summary | Supporting 1000 Aircraft in SCM Tech Ops

Strategic transformation in 5 areas is needed for effective and efficient support.



Supplier Relationship Management

SCM Tech Ops will be able to take enhanced control of the Tech Ops supply chain.

Description

- Transparent **relationships** with key providers to deliver greater levels of service and fair but competitive costs that be achieved through traditional request for proposals.

Benefits

- ✓ Long term **stability** and benefit in transparent relationships, even during difficult times
- ✓ Significant reduction in **inventory** levels and other supply chain costs
- ✓ Higher levels of **innovation** and process automation
- ✓ Consensus forecasting optimizes **spending**
- ✓ Ability to create new business **models**
- ✓ Potential to create **profit centers**

Risks

- ✗ Initial resource and technology **investments**
- ✗ Significant changes to processes, data sharing, and **transparency**
- ✗ Some suppliers are **unwilling** and/or unable to engage as required

Key Process Steps

Step	Description
 Segmentation	<ul style="list-style-type: none"> • Segment suppliers based on their spend and risk
 Objectives	<ul style="list-style-type: none"> • Set objectives for the program, segments, and individual suppliers
 Strategy	<ul style="list-style-type: none"> • Establish supplier engagement model, governance, and standards
 Partnership	<ul style="list-style-type: none"> • Continuously collaborate to maximize performance, compliance, and more
 Measurement	<ul style="list-style-type: none"> • Regularly measure performance to hold each other accountable

Expansion of the Alternate Solutions Program

By 2025, significantly expand existing program 5x in annual net benefit.

Opportunity

- OEMs have been forced to be more acquiescent to PMA
 - Supply Chain bottle necks have forced OEMs to use or allow use of PMAs to support operating fleets
 - With no new aircraft development program, trying to utilize engineering talent by proposing their own PMA development programs
- Airlines previously opposed or silent on use of PMA have adopted PMA to varying degrees to maintain operations

Background/Challenges

- Many **aircraft materials** are provided by Original Equipment Manufacturers (OEMs), the only ones to produce these parts
- Due to aggressive acquisitions, marketplace **competition** has been reduced and monopolistic tendencies have increased
- We will leverage and if necessary invest to ensure **competitive pricing** with many of the OEMs

Key Benefits

- ✓ Increased **cost avoidance**
- ✓ Introduction of marketplace **competition**
- ✓ Reduced OEM **dependency**
- ✓ Increased **part availability**

Cost Avoidance Targets and Benefit Summary (\$M)

Area		2023	2025	% ↑
Alternate Solutions	1 PMA	█	█	█
	2 DER Repairs	█	█	█
	3 Hardware Runs	█	█	█
	4 Internal Shops	█	█	█
	5 Aircraft Tear Downs	█	█	█
	6 Component STCs	█	█	█
Total Cost Avoidance		█	█	█
Supporting Employees		█	█	█
Other Expenses		█	█	█
Total Net Benefit		█	█	█

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