

Air Carrier: Southwest Airlines

Quarter ended: March 31, 2007

STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$	92,745
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization		134,864
Deferred income taxes		41,884
Amortization of deferred gains on sale and leaseback of aircraft		(3,656)
Share-based compensation expense		12,993
Excess tax benefits from share-based compensation arrangements		(29,420)
Income tax benefit from Employee stock option exercises		-
Changes in certain assets and liabilities:		
Accounts and other receivables		(36,833)
Other current assets		(56,254)
Accounts payable and accrued liabilities		382,527
Air traffic liability		210,432
Income Taxes		-
Other		(132,668)
Net cash provided by (used in) operating activities		616,614

CASH FLOWS FROM INVESTING ACTIVITIES:

Payments for purchase of property and equipment	(325,206)
Proceeds from sale of property and equipment	679
Purchases of short-term investments	(913,800)
Proceeds from sales of short-term investments	967,500
Payments for purchase of rights to ATA facilities lease	-
Loan to establish credit facility for ATA	-
Other investing activities, net	-
Net cash provided by (used in) investing activities	(270,827)

CASH FLOWS FROM FINANCING ACTIVITIES:

Issuance of long-term debt	-
Proceeds from Employee stock plans	78,063
Payments of long-term debt and capital lease obligations	(9,452)
Payments of cash dividends	(7,105)
Repurchase of common stock	(209,197)
Excess tax benefits from share-based compensation arrangements	29,420
Other, net	380
Net cash provided by (used in) financing activities	(117,891)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 227,896

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD 1,390,217

CASH AND CASH EQUIVALENTS AT END OF PERIOD \$ 1,618,113

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