

Southwest 2008 press release

January 23, 2009

A few comments on Southwest Airlines Q4 and 2008 press release:

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Q3 & Q4 (net) losses are attributed to fuel hedging/derivative "Special Items".

But.. When you look further back, the profits (net) for several quarters are not attributed to the fuel -savings- due to the same hedging derivatives? Is this called creative accounting or creative reporting?

(Note: Without the fuel cost savings from those fuel hedging derivatives, SWA would have lost money for the past 2-3 years.)

Significant highlights from today's financial release for SWA:

- Recent load factors are at or near the industries lowest and have declined to 2005 levels while under performing industry competitors.
- Total Assets at \$14.3 billion is down by \$2.5 billion y/y and down by an astounding \$9 billion when compared to just 6 months ago.
- LT Debt increased 71% y/y to \$3.5 billion. This is the highest LT Debt ever recorded by SWA as a percentage of other metrics.
- Cash & equivalents dropped by 35% to \$1.8 billion. Cash and equivalent was recorded as \$5.8 billion ending Q2 2008. SWA's current cash/equivalent position is at the lowest ratio in many years when compared to other financial metrics.
- Air Traffic Liability dropped by 24% to \$963 million. This is the largest q/q reduction I can find.

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