Risk Factors Comparison 2024-02-06 to 2023-02-07 Form: 10-K

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The Company' s operations and financial results are subject to various risks and uncertainties, including but not limited to those described below. Other risks are described in " Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations, " " Item 7A. Quantitative and Qualitative Disclosures About Market Risk, " and the Consolidated Financial Statements and related Notes thereto. The Company' s business could also be affected by additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial. If any of these risks actually occur, it could materially harm the Company' s business, financial condition, or results of operations, or impair the Company' s ability to implement its strategic plans. In that case, the market price of the Company' s common stock could decline. The following risk factors are summarized as financial; operational; information technology; ~~COVID- 19;~~ and legal, regulatory, compliance, and reputational. Financial Risks • The airline industry is particularly sensitive to changes in economic conditions, and continued or future unfavorable economic conditions could negatively affect the Company' s results of operations and require the Company to adjust its business strategies. • The Company' s business can be significantly impacted by the availability of jet fuel and high and / or volatile fuel prices, and the Company' s operations are subject to disruption in the event of any delayed supply of fuel; therefore, the Company' s strategic plans and future profitability are likely to be impacted by the Company' s ability to effectively address fuel price increases and fuel price volatility and availability. • The Company' s low-cost structure has historically been one of its primary competitive advantages, and many factors have affected and could continue to affect the Company' s ability to control its costs. • The Company' s results of operations could be adversely impacted if it is unable to effectively execute its strategic plans. • The airline industry is intensely competitive. Operational Risks • The Company is currently dependent on Boeing as the sole manufacturer of the Company' s aircraft. **If** ~~Prolonged delays in the FAA issuing required certifications or approvals for the- 7, or further regulatory actions by the FAA with respect to~~ the MAX aircraft **were to become unavailable for** ~~, could materially and adversely affect~~ the Company ~~'~~ **' s operations, or if the Company were to experience prolonged delivery delays of MAX aircraft, the Company'** s business plans, strategies, and results of operations **could be materially and adversely affected** . • The Company' s business is labor intensive, with most Employees represented by labor unions; therefore, the Company could be materially adversely affected in the event of conflict with its Employees or its Employees' representatives or if the Company were unable to employ **and retain** sufficient numbers of qualified Employees to maintain its operations. • The Company is currently dependent on a single engine supplier, as well as single suppliers of certain other aircraft parts and equipment; therefore, the Company could be materially adversely affected (i) if it were unable to obtain timely or sufficient delivery of aircraft parts or equipment from Boeing or other suppliers or adequate maintenance or other support from any of these suppliers **at commercially reasonable terms** , (ii) if Boeing or other suppliers were unable to achieve and / or maintain required regulatory certifications or approvals of their parts or equipment, or (iii) in the event of a mechanical or regulatory issue associated with the Company' s aircraft parts or equipment. • The airline industry has faced on- going security concerns and related cost burdens; further threatened or actual terrorist attacks, **war,** or other hostilities, even if not made directly on the airline industry, could significantly harm the airline industry and the Company' s operations. • Interruptions or disruptions in service at one of the Company' s core stations **have had, and** could **in the future** have **,** a material adverse impact on its operations. • The Company' s operations have been, and in the future may again be, materially and adversely disrupted by extreme weather events. An inability to quickly and effectively restore operations following adverse weather ~~or~~ **,** a localized disaster **,** or disturbance in a key geography has adversely and materially impacted, and in the future could again adversely and materially impact, the Company' s business, results of operations, and financial condition. • The airline industry is made up of inherently complex systems ~~,~~ and is affected by many conditions that are beyond its control, which can impact the Company' s business strategies and results of operations. Information Technology Risks • The Company is increasingly dependent on technology to operate its business and continues to implement substantial changes to its information systems; any failure, disruption, breach, or delay in implementation of **necessary changes to** the Company' s information systems could materially adversely affect its operations. • Developing and expanding data security and privacy requirements could increase the Company' s operating costs, and any failure of the Company to maintain the security of certain Customer, Employee, and business- related information could result in **disruption to operations and** damage to the Company' s reputation and could be costly to remediate ~~. COVID- 19 Risks • The COVID- 19 pandemic, including associated variants, has materially and adversely affected, and could in the future materially and adversely affect, the Company' s results of operations, financial position, and liquidity. • The Company has entered into agreements with Treasury with respect to funding support; pursuant to these agreements the Company has agreed to certain restrictions on how it operates its business and uses its cash, which could limit the ability of the Company to take actions that it otherwise might have determined were in the best interests of the Company and its Shareholders~~ . Legal, Regulatory, Compliance, and Reputational Risks • The Company is subject to extensive FAA regulation that may **disrupt or** necessitate modifications to the Company' s operations, business plans, and strategies. • Airport capacity constraints and air traffic control inefficiencies have limited and could continue to limit the Company' s growth; changes in or additional governmental regulation could increase the Company' s operating costs or otherwise limit the Company' s ability to conduct business. • The Company is subject to various environmental requirements and risks, including increased regulation, changing consumer preferences, physical, environmental, and climate risks, and risks associated with climate change **; the cost of compliance with more stringent environmental regulations, failure to comply with environmental regulations, or failure to otherwise manage the risks of climate change effectively could have a material adverse effect on**

the Company’ s results of operations . • The Company is subject to risks related to its ~~voluntary~~ sustainability goals and disclosures, which may affect stakeholder sentiment and the Company’ s reputation and brand. • The Company' s future results will suffer if it is unable to effectively manage its international operations and / or Extended Operations. • The Company is currently subject to **regulatory actions and** pending litigation, and if judgment **, penalties, or fines** were to be rendered against the Company ~~in litigation~~ , such judgment **, penalties, or fines** could adversely affect the Company' s operating results. • Conflicting federal, state, and local laws and regulations may impose additional requirements and restrictions on the Company’ s operations, which could increase the Company’ s operating costs, result in service disruptions, and increase litigation risk. • The Company’ s reputation and brand could be harmed if it were to experience significant negative publicity through social media or otherwise, including with respect to the Company' s voluntary ESG- related goals and disclosures. • The Company’ s Bylaws designate specific courts as the exclusive forum for certain legal actions between the Company and its Shareholders, which could increase costs to bring a claim, discourage claims, or limit the ability of the Company’ s Shareholders to bring a claim in a judicial forum viewed by the Shareholders as more favorable for disputes with the Company or the Company’ s directors, officers, or other Employees. The airline industry is particularly sensitive to changes in economic conditions; in the event of continued or future unfavorable economic conditions or economic uncertainty, the Company' s results of operations could be further negatively affected, which could require the Company to further adjust its business strategies. The airline industry, which is subject to relatively high fixed costs and highly variable and unpredictable demand, is particularly sensitive to changes in economic conditions, including changes in consumer discretionary spending as a result of inflation, rising interest rates, or other factors. Historically, unfavorable U. S. economic conditions have driven changes in travel patterns and have resulted in reduced spending for both leisure and business travel. For some consumers, leisure travel is a discretionary expense, and short- haul travelers, in particular, have the option to replace air travel with surface travel. As has become particularly evident as a result of the COVID- 19 pandemic, businesses and other travelers are able to forego air travel by using other communications such as videoconferencing, business communication platforms, and the Internet. **Further, some businesses have continued to allow their employees to work remotely following the pandemic and / or have restricted non- essential travel for their employees, which has kept demand for business air travel below pre- pandemic levels.** In addition, to the extent business travel recovers **to pre** ~~from the COVID - 19~~ pandemic **levels** , businesses may require the purchase of less expensive tickets to reduce costs. This, in turn, can result in a decrease in average revenue per seat. During unfavorable economic conditions, low fares are often used to stimulate traffic. However, offering low fares typically hampers the ability of airlines to counteract any increases in fuel, labor, and other costs **. Consumer behavior related to traveling may be negatively impacted by adverse changes in the perceived or actual economic climate, including declines in income levels or disposable income, and / or loss of wealth resulting from the impact of economic conditions** . Any continuing or future U. S. or global economic uncertainty could further negatively affect the Company' s results of operations and could cause the Company to further adjust its business strategies. Additionally, because **a significant portion of** expenses ~~of~~ **to operate** a flight do not vary significantly with the number of passengers carried, a relatively small change in the number of passengers can have a disproportionate effect on an airline’ s operating and financial results. Therefore, any general reduction in airline passenger traffic could adversely affect the Company' s results of operations. Airlines are inherently dependent upon energy to operate, and jet fuel and oil represented approximately ~~26~~ **24** . ~~2~~ **0** percent of the Company' s operating expenses for ~~2022~~ **2023** . As discussed under" Business- Cost Structure," **although** ~~Fuel and oil expense for 2022 increased significantly compared with 2021, primarily due to higher~~ market jet fuel prices **remained volatile throughout the year, Fuel** and ~~in part~~ **oil expense for 2023 remained high, primarily** due to higher capacity in response to consumer demand ~~. The cost of fuel can be extremely volatile and unpredictable and subject to factors outside of the Company’ s control~~ . Even a small change in market fuel prices can significantly affect profitability. Furthermore, ~~volatility in~~ **the cost of** fuel ~~prices~~ can be ~~due~~ **extremely volatile and unpredictable and subject** to many external factors that are beyond the Company' s control. For example, fuel prices can be impacted by political, environmental (including those related to climate change), and economic factors, such as (i) dependency on foreign imports of crude oil and the potential for hostilities or other conflicts in oil producing areas; (ii) limitations and / or disruptions in domestic refining or pipeline operations or capacity due to weather, natural disasters, or other factors; (iii) worldwide demand for fuel, particularly in developing countries, which can result in inflated energy prices; (iv) changes in U. S. governmental policies on fuel production, transportation, taxes, and marketing; and (v) changes in currency exchange rates. In addition, the occurrence of extreme weather events (regardless of cause), such as flooding, acute or prolonged winter storms, tropical storms, and hurricanes, can also disrupt the jet fuel supply chain and affect fuel prices. The Company' s ability to mitigate the impact of fuel price increases could also be limited by factors such as its historical low- fare reputation, the portion of its Customer base that purchases travel for leisure purposes, the competitive nature of the airline industry generally, and the risk that higher fares will drive a decrease in demand. The Company attempts to manage its risk associated with volatile jet fuel prices by utilizing over- the- counter fuel derivative instruments to hedge a portion of its future jet fuel purchases. However, energy prices can fluctuate significantly in a relatively short amount of time. Because the Company uses a variety of different derivative instruments at different price points, the Company is subject to the risk that the fuel derivatives it uses will not provide adequate protection against significant increases in fuel prices ~~and in~~ **. In** some cases **, these derivative instruments** could ~~in fact~~ result in hedging losses, which could result in the Company effectively paying higher than market prices for fuel, thus creating additional volatility in the Company' s earnings. In addition, the Company is subject to the risk that its fuel derivatives will no longer qualify for hedge accounting under applicable accounting standards, or that the derivative instruments utilized will not effectively offset changes in the price of the jet fuel consumed, which can create additional earnings volatility. Adjustments in the Company' s overall fuel hedging strategy, as well as the ability of the commodities used in fuel hedging to qualify for special hedge accounting, could continue to affect the Company' s results of operations. In addition, there can be no assurance that the Company will be able to cost- effectively hedge against increases in fuel prices. The Company' s fuel hedging arrangements and the various potential impacts of hedge accounting on the Company' s financial position, cash flows, and results of operations are discussed in more detail under" Management' s Discussion and Analysis of Financial Condition and Results of Operations,"" Quantitative and Qualitative Disclosures About Market Risk," and in Note 1 and Note 11 to the Consolidated Financial Statements. The Company is also reliant upon the readily available supply and timely delivery of jet fuel to the airports that it serves. A disruption in that supply could present significant challenges to the Company' s operations and could ultimately cause the cancellation of flights and / or **hinder** the **Company' s** ~~inability~~ -- **ability** ~~of the Company~~ to provide service to a particular airport. The airline industry could face potential fuel shortages in ~~2023~~ **2024** due to pipeline capacity constraints **,** resulting from the shifting of jet fuel allocations during the COVID- 19 pandemic **,** as well as a national shortage of interstate trucking capacity. The Company is working with aviation industry stakeholders to address these issues. However, unless there is additional jet fuel distribution capacity, whether by pipeline and / or by truck, there could be temporary disruptions (e. g., flight cancellations or passenger caps) at one or more of the Company' s airports in ~~2023~~ **2024** , especially during peak travel periods. For additional discussion of the availability of jet fuel and SAF, please see " The Company is subject to risks related to its voluntary sustainability goals and disclosures, which may affect stakeholder sentiment and the Company' s reputation and brand. " The Company' s low- cost structure has been one of its primary competitive advantages, as it has generally enabled the Company to offer low fares, drive traffic volume, grow market share, and protect profits. **As discussed below under" Management' s Discussion and Analysis of Financial Condition and Results of Operations," the Company experienced significant inflationary cost pressure in 2023, particularly with respect to Salaries, wages, and benefits expense.** The ~~COVID~~ **Company' s low** - ~~19 pandemic~~ **cost structure can also be negatively impacted by costs over which the Company** has **limited control. These include** ~~forced the Company and the Company' s competitors to implement significant cost~~ **costs** ~~reduction measures. Competitor cost reduction measures~~ such as ~~accelerated fleet~~ **fuel, labor, airport, and regulatory compliance costs. Jet fuel and oil constituted approximately 24 percent of the Company' s operating expenses during 2023, and the Company' s ability to control the cost of fuel is subject to the external factors discussed in " The Company' s business can be significantly impacted by the availability of jet fuel and high and / or volatile fuel prices, and the Company' s operations are subject to disruption in the event of any delayed supply of fuel; therefore, the Company' s strategic plans and future profitability are likely to be impacted by the Company' s ability to effectively address fuel price increases and fuel price volatility and availability. " Salaries, wages, and benefits constituted approximately 43 percent of the Company' s operating expenses during 2023. The Company' s ability to control labor costs is limited by the terms of its collective- bargaining** ~~retirements~~ --- **agreements . This limited control has negatively impacted the Company' s low- cost structure and position. As discussed further under" Management' s Discussion and Analysis of Financial Condition and Results of Operations** , **had pay** scale increases as a result of contractual rate increases,which has put pressure on the Company' s labor costs.Additionally,as indicated under" Business- Employees," **the majority** ~~a significant number~~ of Southwest' s unionized Employees,including its **Pilots;** Flight Attendants;Ramp,Operations,Provisioning,and Freight Agents;and **Meteorologists** ~~Flight Simulator Technicians~~ are in unions currently in negotiations for labor agreements,which could result in additional pressure on the Company' s low- cost structure.Further,in response to staffing challenges,the Company has increased the minimum pay for certain of its workforce and provided incentive pay in certain instances.As discussed under" Business- Regulation," the airline industry is heavily regulated,and the Company' s regulatory compliance costs are subject to potentially significant increases from time to time based on ~~actions~~ capacity ~~cuts~~ **. When this occurs** , ~~and network reductions~~ **as it has at times during recent years** , certain fixed airport costs are allocated among a fewer number of total flights,which can result in increased landing fees and other costs for the Company.The Company is reliant upon third- party vendors and service providers,and the Company' s low- cost advantage is dependent in part on its ability to obtain and maintain commercially reasonable terms with those parties.Disruptions to capital markets,shortages of skilled personnel,supply chain disruptions,increased regulation,geopolitical developments,and / or adverse economic conditions could subject certain of the Company' s third- party vendors and service providers to significant financial pressures,which could lead to delays and other performance issues,ceased operations,or even bankruptcies among these third- party vendors and service providers.If a third- party vendor or service provider is unable to fulfill its commitments to the Company,the Company may be unable to replace that third- party vendor or service provider in a short period of time,or at competitive terms,which could have a ~~negative or service provider in a short period of time,or at competitive terms,which could have a~~ material adverse effect on the Company' s results of operations.As discussed under" Business- Insurance," the Company carries insurance of types customary in the airline industry.Although the Company has been able to purchase aviation,property,liability,pollution,cybersecurity,and D & O / fiduciary insurance via the commercial insurance marketplace,costs have generally increased,and it is more difficult and,in some cases not possible,to obtain insurance for certain activities and weather- related events.For instance,the cost of insurance premiums related to hail and wind damage has increased for certain facilities,and certain flood insurance is no longer available.Available commercial insurance could be more expensive in the future and / or have material differences in coverage than insurance that has historically been provided and may not be adequate to protect against the Company' s risk of loss from future events,including acts of terrorism and severe weather events.With respect to any insurance claims,policy coverages and claims are subject to acceptance by the many insurers involved and may require arbitration **,mediation,** and / or ~~mediation~~ **litigation** to effectively settle the claims over prolonged periods of time.In addition,an aircraft accident or other incident involving Southwest could result in costs in excess of its related insurance coverage,which costs could be substantial.Any aircraft accident or other incident involving Southwest,even if fully insured,could also have a material adverse effect on the public' s perception of the Company,which could harm its reputation and business. ~~As discussed below under" Management~~ **The Company participates in fuel consortium arrangements and fuel committees at certain airports.Fuel consortiums and fuel committees have,directly or indirectly,incurred debt obligations for improvements and capital projects for fuel facilities.While each participating airline in a consortium is generally allocated a share of the consortium** ' s ~~Discussion~~

~~and Analysis of Financial Condition and Results of Operations," the Company experienced significant unit cost~~ **costs** ~~pressure in 2020~~ **based on usage** , **the inability of** ~~2021,and 2022 following the~~ **other participating** ~~onset of the COVID- 19 pandemic.Except for changes in the price of fuel,changes in operating expenses for~~ airlines ~~have been largely driven~~ **to satisfy their obligations with respect to fuel consortiums and fuel committees could adversely** impact ~~on~~ the Company ~~'~~ **'** s **financial results** ~~relative cost position~~ . **The** ~~Even before the pandemic, the~~ Company' s low- cost position ~~had~~ **has also** been challenged by the ~~significant~~ growth of" Ultra- Low Cost Carriers" (" ULCCs"), which in some cases have surpassed the Company' s cost advantage with larger aircraft, increased seat density, and lower wages. ULCCs have further introduced" unbundled" service offerings **,** which appeal to price- sensitive travelers through promotion to consumers of an extremely low relative base fare for a seat, while separately charging for related services and products. In response, most major U. S. airlines now offer expanded cabin segmentation fare products, such as" basic economy" and" premium economy" products. A basic economy product provides for a lower base fare to compete with a ULCC base fare, but may include significant additional restrictions on amenities such as seat assignments (including restrictions on group and family seating), order of boarding, checked baggage and use of overhead bin space, flight changes and refunds, and eligibility for upgrades. A" premium economy" fare targets consumers willing to pay a premium for certain amenities that were previously included in the carriers' base fare (e. g., more favorable seating locations in the main cabin). **In** ~~Also in~~ response to competitive ULCC pricing, some carriers removed fare floors for certain routes, leading to a lower fare offering across the industry. The Company ~~' s low- cost structure can also be negatively impacted by costs over which the Company has limited control. These include costs such as fuel, labor, airport, and regulatory compliance costs. Jet fuel and oil constituted approximately 26. 2 percent of the Company' s operating expenses during 2022, and the Company' s ability to control the cost of fuel~~ is ~~subject to~~ **reliant on the success of its revenue strategies and** ~~the~~ **other** ~~external factors discussed in " The Company' s business can be significantly impacted by the availability of jet fuel and high and / or volatile fuel prices, and the Company' s operations are subject to disruption in the event of any delayed supply of fuel; therefore, the Company' s~~ strategic plans and **initiatives** ~~future profitability are likely~~ to ~~be impacted~~ **grow and to help offset increasing costs. The execution of the Company' s strategic plans was significantly negatively affected** by ~~the Company' s ability to effectively address fuel price increases and fuel price volatility and availability. " Salaries, wages, and benefits constituted approximately 41. 0 percent of the Company' s operating expenses during 2022. The Company' s ability to control labor costs is limited by the terms of its collective- bargaining agreements. This limited control has negatively impacted the Company' s low- cost position, in particular in the context of the Company' s cost reduction efforts during~~ the COVID- 19 pandemic. **Nevertheless** ~~As discussed further under" Management' s Discussion and Analysis of Financial Condition and Results of Operations~~ , ~~"~~ the Company ~~' s unionized workforce makes up approximately 83 percent of its Employees and~~ has **taken** had pay scale increases as a result...... increases from time to time based on actions by regulatory agencies that are out of...... to take actions in 2021 and 2022 to add staffing and increase the starting wage rate for certain workgroups, manage its fleet and fleet order book, and better optimize its network in an effort to position itself to opportunistically recover and grow ~~as the pandemic subsides~~ . The timely and effective execution of the Company' s strategies is dependent upon, among other factors, (i) the Company' s ability to balance its network schedule and capacity with the availability and location of its crew resources; (ii) the Company' s ability to effectively balance its investment of incremental operating expenses and capital expenditures related to its strategies against the need to effectively control costs; (iii) the Company' s ability to timely and effectively implement, transition, and maintain related information technology systems and infrastructure; (iv) as discussed below, the Company' s ability to maintain satisfactory relations with its Employees or its Employees' representatives; and (v) the Company' s dependence on third parties with respect to the execution of its strategic plans. As discussed in more detail under" Business- Competition," the airline industry is intensely competitive. The Company' s primary competitors include other major domestic airlines, as well as regional and new entrant airlines, surface transportation, and alternatives to transportation such as videoconferencing, business communication platforms, and the Internet. The Company' s revenues are sensitive to the actions of other carriers with respect to pricing, routes, loyalty programs, scheduling, capacity, customer service, operational reliability, comfort and amenities, **product offerings,** cost structure, aircraft fleet, strategic alliances, and code- sharing and similar activities. The **Company is currently dependent on** Boeing ~~737~~ **as the sole manufacturer of the Company' s aircraft. If the MAX aircraft were to become unavailable for the Company' s operations, or if the Company were to experience prolonged delivery delays of MAX aircraft, the Company' s business plans, strategies, and results of operations could be materially and adversely affected. The Boeing** MAX aircraft are crucial to the Company' s **ability to operate and** ~~growth~~ -- **grow** ~~plans~~ **its business** and fleet modernization initiatives. The Company operates the- 8 out of the ~~737~~ MAX family of aircraft and is awaiting delivery of the- 7 out of the ~~737~~ MAX family of aircraft. ~~The~~ **Deliveries of MAX aircraft from Boeing to the Company are subject to Boeing' s production schedules and volumes. Boeing has in the past, and may continue to, experience delays in fulfilling its commitments with regards to delivery of the- 8 to the Company as a result of supply chain constraints. In January 2024, the FAA announced that it had informed Boeing that the FAA would not (i) agree to any request from Boeing for an expansion in production or (ii) approve additional production lines for the MAX aircraft until the FAA is satisfied that any applicable Boeing quality control issues are resolved. Further, the** Company' s contractual delivery schedule for the- 7 is dependent on the FAA issuing required certifications and approvals to Boeing and the Company **. In January 2024, Boeing announced plans to withdraw an exemption request with the FAA and incorporate an engineering solution as part of the- 7 certification process** . The FAA will ultimately determine the timing of the- 7 certification and entry into service, and the Company therefore offers no assurances that current estimations and timelines are correct. Boeing no longer manufactures versions of the 737 other than the ~~737~~ MAX family of aircraft. If the ~~737~~ MAX aircraft were to ~~again~~ become unavailable for the Company' s flight operations, ~~or~~ **the Company' s operations would be materially adversely affected. Further,** if the- 7 certification is not completed in a timely manner, the Company' s growth **and network plans** ~~would~~ **could** be restricted unless and until it could procure and operate other types of aircraft from Boeing or another manufacturer, seller, or lessor ~~, and~~ **. If** the Company' s operations **or** ~~would be materially adversely affected. In particular, if the Company' s~~ growth were to be dependent upon the introduction of a new aircraft make and model to the Company' s fleet, the Company would need to, among other things, (i) develop and implement new maintenance, operating, and training programs; (ii) secure extensive regulatory approvals; and (iii) implement new technologies. The requirements associated with operating a new aircraft make and model could take an extended period of time to fulfill and would likely impose substantial costs on the Company. A shift away from a single fleet type could also add complexity to the Company' s operations, present operational and compliance risks **,** and materially increase the Company' s costs. Any of these events would have a material, adverse effect on the Company' s business, operating results, and financial condition. The Company could also be materially adversely affected if the pricing or operational attributes of its aircraft were to become less competitive. The Company' s business is labor intensive, with most Employees represented by labor unions; therefore, the Company could be materially adversely affected in the event of conflict with its Employees or its Employees' representatives. The airline business is labor intensive, and for the year ended December 31, ~~2022~~ **2023** , Salaries, wages, and benefits expense represented approximately **43** ~~41. 0~~ percent of the Company' s operating expenses. As of December 31, ~~2022~~ **2023** , approximately 83 percent of the Company' s Employees were represented for collective bargaining purposes by labor unions, making the Company particularly exposed in the event of labor- related job actions. Employment- related matters (some of which relate to negotiated items) that have impacted the Company' s results of operations include hiring / retention rates, attendance, pay rates, outsourcing, work rules, health care costs, and retirement benefits. Additionally, ~~the~~ **three** ~~majority~~ of the Company' s **twelve** unionized ~~Employees~~ - **Employee groups** are in unions currently in negotiations for labor agreements **,** which could result in additional pressure on the Company' s low- cost structure. The Company' s results could be materially adversely affected in the event of conflicts with its Employees or its Employees' representatives. The Company' s business is labor intensive; therefore, the Company **has been, and** ~~would~~ **could in the future** be **,** adversely affected if it were ~~to continue to be~~ unable to employ **and retain** sufficient numbers of qualified Employees to maintain its operations. The Company' s success depends on its ability to attract and retain skilled personnel. The impact of the COVID- 19 pandemic has heightened the Company' s exposure to its labor risks. In connection with the drastic reduction in travel demand due to the pandemic, in 2020 the Company offered voluntary separation and extended time- off programs to Employees. This negatively impacted the Company' s ability to staff appropriately when demand for leisure travel returned. At the same time, competition for skilled personnel became fierce, which led to operational challenges in the first half of 2022. In addition, the Company has been required to provide incentive pay and increase certain starting wage rates to address these challenges. **Although the Company has surpassed pre- pandemic** ~~Staffing~~ **staffing levels as of December 31, 2023, staffing** - related challenges could continue to ~~intensify~~ **occur in certain areas** and limit the Company' s ability to optimally adjust capacity. The inability to recruit and retain skilled personnel or the unexpected loss of key skilled personnel could continue to adversely affect the Company' s operations. The Company is dependent on Boeing as its sole supplier for many of its aircraft parts. The Company is also dependent on sole or limited suppliers for **aircraft engines and** certain other aircraft parts, equipment, and services. If Boeing, or other suppliers, were unable or unwilling to timely provide adequate products or support for their products **at commercially reasonable terms** , were unable to achieve and / or maintain required regulatory certifications or approvals of their parts or equipment, or in the event of a mechanical or regulatory issue associated with engines or other parts **or services** , the Company' s operations could be materially adversely affected. The Company could also be materially adversely affected if the pricing or operational attributes of its aircraft **parts or** equipment were to become less competitive **. The Company is also dependent on third- party vendors and service providers. The COVID- 19 pandemic and current economic conditions have resulted, and could continue to result, in delays and other performance issues, ceased operations, or even bankruptcies among suppliers, third- party vendors, and service providers. Further failures of suppliers, third- party vendors, or service providers to timely provide adequate products or support for their products, or otherwise fulfill their commitments to the Company, could materially adversely affect the Company' s operations** . Terrorist attacks or other crimes and hostilities, actual and threatened, have from time to time materially adversely affected the demand for air travel and ~~also~~ have necessitated increased safety and security measures and related costs for the Company and the airline industry generally. Safety and security measures can create delays and inconveniences, which in turn can reduce the Company' s competitiveness against surface transportation for short- haul routes and alternatives to transportation such as videoconferencing, business communication platforms, and the Internet. Additional terrorist attacks or other hostilities, even if not made directly on the airline industry, or the fear of such attacks or other hostilities (including elevated national threat warnings, government travel warnings to certain destinations, travel restrictions, or selective cancellation or redirection of flights due to terror threats) would likely have a further significant negative impact on the Company and the airline industry. In recent years, the Company has increasingly focused on designing its network around core stations in an effort to provide greater connectivity and support operational reliability and recoverability. A significant interruption or disruption in service at one of the Company' s core stations **(such as Denver or Chicago- Midway)** , resulting from air traffic control systems, weather incidents, performance by third- party service providers, interruption of the Company' s technology, the availability and location of the Company' s crew resources, fuel supplies, or otherwise, **has resulted, and** could **again in the future** result **,** in the cancellation or delay of a significant portion of the Company' s flights and, as a result, **has had, and** could **again in the future** have **,** a severe impact on its business, results of operations and financial condition. While the Company operates across a diverse geographic footprint, its operations at times have been adversely and materially impacted by severe weather, such as Hurricanes Harvey and Irma in 2017 and Winter Storm Elliott in December 2022. Depending on location, the Company' s assets and route network are or could be exposed to ongoing risks arising from a variety of adverse weather conditions or localized natural or manmade disasters such as earthquakes, volcanoes, wildfires **(such as the 2023 Maui wildfires)** , hurricanes, tropical storms, tornadoes, floods, sea- level rise, severe winter weather, sustained or extreme cold or heat, drought, or other disturbances, actual or threatened. Extreme weather conditions, including increases in the frequency, severity, or duration of severe weather events (whether or not caused by anthropogenic climate change), can disrupt air travel from time to time, ground planes, damage equipment and increase maintenance costs, cause delays and cancellations or other network disruptions, require implementation of weight limitations due to increased temperatures, increase turbulence- related injuries, cause increases in fuel consumption to avoid such weather, disrupt the Company’ s supply chains (including fuel, parts, and service provider disruptions), and otherwise adversely affect the Company’ s assets, operations, and infrastructure. These events can decrease revenue, increase costs, and adversely impact the Company’ s financial condition. Prolonged interruptions or disruptions at airports can and do also adversely impact the Company’ s business and results of operations. The Company also may incur significant costs to reestablish or relocate affected business functions, aircraft, and Employees. Moreover, any resulting economic dislocations could adversely affect demand for the Company’ s services, resulting in an adverse effect on its business, results of operations, and financial condition. In addition to the unpredictable economic conditions and fuel costs previously discussed, the Company, like the airline industry in general, is affected by conditions that are largely unforeseeable and outside of its control, including, among others: • adverse weather and natural disasters and the associated effects on the Company' s operations, which have, in certain circumstances, such as Winter Storm Elliott, impacted the Company' s operational recovery to a greater degree than other airlines; • changes in consumer preferences, perceptions, spending patterns, or demographic trends (including, for example, changes in travel patterns due to **economic conditions,** weather, **or** government restrictions ~~or~~ **,** sequestration **, or shutdowns**); • actual or potential disruptions in the air traffic control system (including, for example, as a result of FAA system outages or inadequate FAA staffing levels ~~due to government restrictions or sequestration~~ **, as the United States has recently seen a shortage of air traffic controllers**); • actual or perceived delays at various airports resulting from government restrictions (including, for example, longer wait- times at TSA checkpoints due to inadequate TSA staffing levels); • changes in the competitive environment due to industry consolidation, industry bankruptcies, and other factors; • delays in deliveries of new aircraft (including, for example, due to delays in **the manufacturing process, in** FAA certification **,** or due to the closure of the FAA' s aircraft registry during government restrictions **or shutdowns**); • collective bargaining requirements and demands; • reliance on third- party facilities, goods, and / or services essential to its operations and / or business such as airports, de- icing services, fuel supply and delivery, and weather data and other critical information; • outbreaks of disease such as the COVID- 19 pandemic; and • actual or threatened war, terrorist attacks, government travel warnings to certain destinations, travel restrictions, and political instability. Because airline systems are inherently and unavoidably complex, large or small events, especially when in combination, can create opportunity for a systemic incident. The potential triggers for incidents and failures change constantly because of changing technology, work organization, efforts to eradicate those potential triggers, and other factors. Events or combinations of events such as those described above ~~,~~ have had, and could have, a material adverse effect on the Company’ s business, results of operations, and financial condition **. The Company is increasingly dependent on technology to operate its business and continues to implement substantial changes to its information systems; any failure, disruption, breach, or delay in implementation of necessary changes of the Company' s information systems could materially adversely affect its operations** . The Company is increasingly dependent on the use of complex technology and systems to run its ongoing operations and support its strategic objectives. These technologies and systems include, among others, the Company' s website and reservation system; flight dispatch and tracking systems; flight simulators; check- in kiosks; aircraft maintenance, planning, and record keeping systems; telecommunications systems; flight planning and scheduling systems; crew scheduling systems; human resources systems; and financial planning, management, and accounting systems. The performance, reliability, and security of the Company' s technology infrastructure and supporting systems are critical to the Company' s operations and initiatives. Implementation and integration of complex systems and technology present significant challenges in terms of costs, human resources, and development of effective internal controls. Implementation and integration require a balancing between the introduction of new capabilities and the managing of existing systems, and present the risk of operational or security inadequacy or interruption, which could materially affect the Company' s ability to effectively operate its business and / or could negatively impact the Company' s results of operations. The Company is also reliant upon the performance of third parties for timely and effective implementation and support of many of its technology initiatives, to provide required data and information services, and for maintaining adequate information security measures within the services and / or software they deliver, and such third parties are occasionally not timely **or adequate** in providing the services required by the Company. If any of the Company' s significant technologies or ~~automated~~ **third- party** systems were to cease functioning, or if its third- party service providers or data providers were to fail to adequately and timely provide required information or reports, technical support, system maintenance, security, or software upgrades for any of the Company ~~'~~ **’** s existing systems, the Company could experience service interruptions, delays, and loss of critical data, which could harm its operations and result in financial losses and reputational damage. In the ordinary course of business, the Company ~~'~~ **’** s systems will continue to require modification and refinements to address operational reliability, growth, and changing business requirements. In addition, the Company ~~'~~ **’** s systems may require modification to enable the Company to comply with changing regulatory requirements. Modifications and refinements to the Company ~~'~~ **’** s systems have been and are expected to continue to be expensive to implement and can divert management’ s attention from other matters. **Changes to the Company’ s technology and systems could also expose the Company to intellectual property risks, such as allegations of infringement of third- party patents or copyrights. Defending against allegations could involve significant fees and resources. If the Company is found to infringe, the Company may be liable for damages.** In addition, the Company ~~'~~ **’** s operations could be adversely affected, or the Company could face imposition of regulatory penalties, if it were unable to timely or effectively modify its systems as necessary or appropriately balance the introduction of new capabilities with the management of existing systems. **Certain new technologies, such as the use of AI, present new and significant risks related to intellectual property, personal data, and confidentiality, among others. The development of generative AI technologies is complex, and there are legal and**

practical challenges associated with achieving the desired level of accuracy, efficiency, and reliability. The algorithms and models utilized in generative AI systems may have limitations, including biases, errors, or inability to handle certain data types or scenarios. Furthermore, there is a risk of system failures, disruptions, or vulnerabilities that could compromise the confidentiality, integrity, or availability of the generated content. The legal landscape is also developing around generative AI technologies and generated content, and the Company' s ability to use and commercialize generated content may be affected by legal developments related to intellectual property rights in generated content. These limitations or failures could result in reputational damage, legal liabilities, or loss of Customer confidence. There can be no assurance that the usage of AI will enhance the Company' s strategies or initiatives. The Company has experienced material technology system interruptions and delays that have made its websites and operational systems unavailable or slow to respond, which has prevented the Company from efficiently processing Customer transactions or providing services. Any future system interruptions or delays could reduce the Company' s operating revenues and the attractiveness of its services, as well as increase the Company' s costs. Similarly, the Company has experienced operational challenges in connection with severe weather events and associated crew scheduling, such as during and subsequent to Winter Storm Elliott. While the Company ~~is still assessing the causes of the disruption, the Company~~ ' s ~~preliminary assessment is that the~~ crew scheduling software worked as designed during this event ~~. However~~ , due to a number of factors, including unanticipated changes in the severity of the weather, the Company began implementing frequent close- in flight cancellations. As the situation escalated and close- in flight cancellations grew, the volume of unanticipated changes ~~was~~ **were** too great to efficiently address through the crew scheduling software, resulting in individual crew member assignment updates being delayed in a significant number of instances. Without updated, accurate crew member data, the Company' s crew scheduling software could not reassign crew members to solve for flights with crew coverage issues. As a result, **during 2023** the Company ~~is working to enhance~~ **enhanced** its crew scheduling software to help the Company during events that could result in a large number of broken crew pairings ~~. The Company believes the unanticipated crew scheduling challenges, together with several other factors, contributed to the extent of the operational disruption~~ . Any future operational disruptions or delays could reduce the Company' s operating revenues and the attractiveness of its services, as well as increase the Company' s costs. The Company' s technologies and related systems and functions could be damaged or interrupted by catastrophic events beyond its control such as fires, floods, earthquakes, tornadoes and hurricanes, power loss, computer and telecommunications failures, acts of war or terrorism, computer viruses, malware, ransomware, security breaches, and similar events or disruptions generally beyond the Company' s control. Any of these events could cause system interruptions, delays, and loss of critical data, and could prevent the Company from processing Customer transactions or providing services, which could make the Company' s business and services less attractive and subject the Company to liability. Any of these events could damage the Company' s reputation and be expensive to remedy. Developing and expanding data security and privacy requirements could increase the Company' s operating costs, and any failure of the Company to maintain the security of certain Customer, Employee, and business- related information could result in **disruption to operations and** damage to the Company' s reputation and could be costly to remediate. Many of these laws and regulations are subject to change and reinterpretation, and could result in claims, changes to the Company' s business practices, monetary penalties, increased cost of operations, or other harm to the Company' s business. The Company must receive information related to its Customers and Employees in order to run its business, and the Company' s operations depend upon secure **processing, storage, and** retention ~~and~~ **, including** the secure transmission of information over public networks ~~, including~~ **such as for** information permitting cashless payments. ~~This~~ **All** information **processed, stored, and retained by Company or on behalf of Company** is subject to the continually evolving risk of intrusion, tampering, and theft. Although the Company maintains systems to prevent or defend against these risks, these systems require ongoing monitoring and updating as technologies change, and security could be compromised, personal or confidential information could be misappropriated, or system disruptions could occur. In the ordinary course of its business, the Company also provides certain confidential, proprietary, and personal information to third parties. While the Company seeks to obtain assurances that these third parties will protect this information **and systems in accordance with legal requirements and industry standards** , there is a risk the security of **systems and** data held by third parties could be ~~breached~~ **compromised** . A compromise of the Company' s ~~security~~ systems could adversely affect the Company' s reputation and disrupt its operations and could also result in litigation against the Company or the imposition of penalties. In addition, it could be costly to remediate. Although the Company has not experienced cyber incidents that are individually, or in the aggregate, material, the Company has experienced cyber- attacks in the past, which have thus far been mitigated by preventative, detective, and responsive measures put in place by the Company. In addition, in response to these types of threats, there has been heightened legislative and regulatory focus on data privacy and security in the United States **, European Union,** and elsewhere. The regulatory framework for data privacy and security worldwide is continuously evolving and developing and, as a result, the Company must monitor a growing and fast- evolving set of legal requirements **and geopolitical risks** in this area. This regulatory environment is increasingly challenging and may present material obligations and risks to the Company' s business, including significantly expanded compliance requirements, costs, and enforcement risks. ~~It~~ **As a result, it** is possible that these types of inquiries regarding cybersecurity ~~breaches~~ **incidents** increase in frequency and scope. In addition, new laws, amendments to or reinterpretations of existing laws, regulations, standards, and other obligations may require the Company **or its third- party service providers** to incur additional costs and restrict its business operations, and may require the Company **or its third- party service providers** to change how ~~it~~ **they** ~~uses~~ - **use** , ~~collects~~ - **collect** , ~~stores~~ - **store** , ~~transfers~~ - **transfer** , or otherwise ~~processes~~ -- **process** certain types of personal information and to implement new processes to comply with those laws and its Customers' exercise of their rights thereunder. These laws also are not uniform, as certain laws may be more stringent or broader in scope, or offer greater individual rights, with respect to sensitive and personal information, and such laws may differ from each other, which may complicate compliance efforts. **Accordingly,** ~~Compliance~~ **compliance** in the event of a widespread data breach may be costly. Any failure or perceived failure by the Company or its third- party service providers to comply with any applicable federal, state, or similar foreign laws, rules, regulations, industry standards, policies, certifications, or orders relating to data privacy and security, or any compromise of security that results in the theft, unauthorized access, acquisition, use, disclosure, or misappropriation of personal data or other customer data, could result in significant awards, fines, civil and / or criminal penalties or judgments, proceedings, or litigation by governmental agencies or customers, including class action privacy litigation in certain jurisdictions and negative publicity and reputational harm, one or all of which could have an adverse effect on the Company' s reputation, business, financial condition, and results of operations. The Company has a dedicated cybersecurity team and program that focuses on current and emerging data security matters. The Company continues to assess and invest in the growing needs of the cybersecurity team through the allocation of skilled personnel, ongoing training, and support of the adoption and implementation of technologies coupled with cybersecurity risk management frameworks. Additionally, as cyber **attacks** ~~incidents and disruptions to technology networks~~ become increasingly sophisticated, the Company may also incur significant costs to modify, upgrade, or enhance its cybersecurity measures to protect against such attacks. The Company may not be able to anticipate, detect, or prevent cyberattacks or security breaches, particularly because the methodologies used by attackers change frequently or may not be recognized until such attack is launched, and because attackers are increasingly using technologies specifically designed to circumvent cybersecurity measures and avoid detection. **The** ~~During the majority of 2020, and continuing through 2021 and 2022, the~~ Company ~~has offered~~ **offers** the ability to work remotely to many of the Company' s office and clerical Employees, including many of its Employees at the Company' s headquarters campus. Maintaining a remote work force significantly increases the risk of cyber incidents and events, such as computer viruses and security breaches, due to increased targeted attacks, which have thus far been mitigated by preventative, detective, and responsive measures put in place by the Company. The Company carries a cybersecurity insurance policy with regards to data protection and business interruption associated with both security breaches from malicious parties and from certain system failures. However, available cybersecurity insurance with regards to data protection and business interruption could be more expensive in the future and / or have material differences in coverage than insurance that has historically been provided and may not be adequate to protect the Company' s risk of loss of its data or proprietary and confidential information. The ~~COVID- 19 pandemic, including associated variants materially and adversely affected passenger demand and bookings, thereby materially and adversely affecting operating income and cash flows from operations during 2020, 2021, and early 2022. Any further impact of the COVID- 19 pandemic on the Company' s business and its financial and operational performance will depend on future developments, including (i) the duration, spread, severity, or any recurrence of the COVID- 19 pandemic, including through any new variant strains of the underlying virus; (ii) the effectiveness, availability, and usage of vaccines; (iii) the impact of government mandates, directives, orders, regulations, and other governmental actions related to the COVID- 19 pandemic; (iv) the extent of the impact of the COVID- 19 pandemic on overall demand for air travel and the Company' s related business plans and decisions; (v) the impact of the COVID- 19 pandemic on the Company' s ability to retain key Employees; and (vi) the impact of the COVID- 19 pandemic on the Company' s access to capital, all of which are highly uncertain and cannot be predicted. The COVID- 19 pandemic may also materially and adversely affect the Company' s supply chain. For example, the Company is dependent on Boeing as its sole supplier for many of its aircraft parts. The Company is also dependent on (i) sole or limited suppliers for aircraft engines and certain other aircraft parts, equipment, and services; (ii) third- party vendors; and (iii) service providers. The COVID- 19 pandemic has resulted, and could continue to result, in delays and other performance issues, ceased operations, or even bankruptcies among these suppliers, third- party vendors, and service providers. Further failures of suppliers, third- party vendors, or service providers to timely provide adequate products or support for their products, or otherwise fulfill their commitments to the Company, could materially adversely affect the Company' s operations. The effects of the COVID- 19 pandemic on the financial markets may materially and adversely affect the Company' s access to capital and cost of capital, including its ability to raise funds through equity or debt financings. If the Company' s credit ratings were to be downgraded, or general market conditions were to ascribe higher risk to the Company' s rating levels, the airline industry, or the Company, the Company' s access to capital and the cost of any debt financing would be negatively affected. The terms of future debt agreements could include more restrictive covenants or require incremental collateral, which could further restrict the Company' s business operations. There is no guarantee that debt or equity financings will be available in the future to fund the Company' s obligations, or that they will be available on terms consistent with the Company' s expectations. Some businesses have continued to restrict non- essential travel for their employees, which has kept demand for business air travel below pre- pandemic levels. Consumer behavior related to traveling may continue to be negatively impacted by adverse changes in business travel patterns or adverse changes in the perceived or actual economic climate, including declines in income levels and / or loss of wealth resulting from the impact of the COVID- 19 pandemic or from economic conditions. The COVID- 19 pandemic continues to evolve. Since the start of the pandemic, the Company entered into definitive documentation with Treasury with respect to Payroll Support pursuant to three separate Payroll Support programs: the" PSP1 Payroll Support Program" in April 2020 under the Coronavirus Aid, Relief, and Economic Security Act; the" PSP2 Payroll Support Program " in January 2021 under the Consolidated Appropriations Act, 2021; and the" PSP3 Payroll Support Program" in April 2021 under the American Rescue Plan Act of 2021. Pursuant to these agreements, the Company has agreed to certain ongoing restrictions on, and requirements with respect to, its business and operations, including the following: • The Company was prohibited from repurchasing its common stock and from paying dividends or making capital contributions with respect to its common stock through September 30, 2022; • The Company must place certain restrictions on certain higher- paid employee and executive pay, including limiting pay increases and severance pay or other benefits upon terminations, until April 1, 2023; and • The Company must maintain certain internal controls and records relating to the Payroll Support funds, and is subject to additional reporting requirements. These restrictions and requirements may necessitate that the Company take, or limit taking, actions it might otherwise believe to be in the best interests of the Company and its Shareholders. For example, the restrictions could require that~~

~~the Company change certain of its business practices, risk the Company' s ability to retain key personnel, and expose the Company to additional costs (including increased compliance costs). The~~ FAA promulgates and enforces regulations affecting the airline industry ~~,~~ and exercises extensive regulatory oversight of the Company’ s operations. The FAA from time to time also issues orders or directives relating to the maintenance and operation of aircraft. FAA orders and directives can be issued with little or no notice, and in certain instances, require the temporary grounding of aircraft **, such as the FAA’ s March 2019 grounding of all Boeing 737 MAX aircraft,** and / or the responsive investment of operational and financial resources. The issuance of new FAA regulations, regulatory amendments, or orders or directives, such as FAA restrictions associated with certain wireless telecommunications systems, could result in flight schedule adjustments and groundings or delays in aircraft deliveries, as well as lower operating revenues, operating income, and net income due to a variety of factors, including, among others, (i) lost revenue due to flight cancellations and **operational** disruptions as a result of a smaller operating aircraft fleet, (ii) the lack of ability to make corresponding reductions in expenses because of the fixed nature of many expenses, and (iii) possible negative effects on Customer confidence and airline choice. Government regulation affecting the Company is discussed in more detail in “ Airport capacity constraints and air traffic control inefficiencies have limited and could continue to limit the Company' s growth; changes in or additional governmental regulation could increase the Company' s operating costs or otherwise limit the Company' s ability to conduct business ” and under “ Business- Regulation. ” Almost all commercial service airports are owned and / or operated by units of local or state governments. Airlines are largely dependent on these governmental entities to provide adequate airport facilities and capacity at an affordable cost. In order to operate efficiently, as well as to add service in current and new markets, the Company must be able to maintain and / or obtain space and facilities at desirable airports with adequate infrastructure. Airport space, facility, and infrastructure constraints may prevent the Company from maintaining existing service and / or implementing new service in a commercially viable manner. Similarly, the federal government singularly controls all U. S. airspace, and airlines are dependent on the FAA controlling that airspace in a safe and efficient manner. The current air traffic control system is mainly radar- based, supported in large part by antiquated equipment and technologies, and heavily dependent on skilled personnel. As a result, the air traffic control system may not be able to effectively keep pace with future air traffic growth. The FAA' s protracted transition to modernized air traffic control systems and newer technologies could adversely impact airspace capacity and the overall efficiency of the system, resulting in limited opportunities for the Company to grow, longer scheduled flight times, increased delays and cancellations, and increased fuel consumption and aircraft emissions **. For example, due to air traffic control staffing challenges, government agencies have had to implement short- term capacity constraints during peak travel periods or adverse weather conditions in certain markets, resulting in delays and disruptions of air traffic** . The continuation of these air traffic control constraints or the FAA' s inability to meet staffing needs on a long- term basis may have a material adverse effect on the Company' s operations. As discussed under" Business- Regulation," airlines are also subject to other extensive regulatory requirements. These requirements often impose substantial costs on airlines. The Company' s strategic plans and results of operations could be negatively affected by changes in law and future actions taken by domestic and foreign governmental agencies having jurisdiction over its operations, including, but not limited to: • increases in airport rates and charges; • limitations on airport gate capacity or use of other airport facilities; • limitations on route authorities; • actions and decisions that create difficulties in obtaining access at slot- controlled airports (a" slot" is the right of an air carrier, pursuant to regulations of the FAA or local authorities, to operate a takeoff or landing at certain airports); • actions and decisions that create difficulties in obtaining operating permits and approvals; • changes to environmental regulations; • **mandates that affect the usage of SAF; •** enhanced emissions and climate reporting obligations; • mandates on and regulation of existing products and services; • new or increased taxes or fees, such as with respect to potential increases to the federal corporate income tax rate, and such as those contained in the Inflation Reduction Act, including a potential corporate alternative minimum tax or potential taxes imposed on share repurchases, which may affect the Company’ s decisions with respect to capital markets; • changes to laws that affect the services that can be offered by airlines in particular markets and at particular airports; • restrictions on competitive practices; • changes in laws that increase costs for safety, security, compliance, or other Customer Service standards; • changes in laws that may limit the Company' s ability to enter into fuel derivative contracts to hedge against increases in fuel prices; • changes in laws that may limit or regulate the Company' s ability to promote the Company’ s business or fares **; • changes in laws that could affect the value of the Company’ s existing contracts or agreements, such as its co- branded credit card agreement** ; • airspace closures or restrictions, such as restrictions on operations in markets where certain wireless telecommunications systems may cause interference with certain aircraft avionics; • grounding of commercial air traffic by the FAA; and • the adoption of more restrictive locally ~~-~~ imposed noise regulations. The Company is subject to **evolving** federal, state, local, and international laws and regulations relating to the protection of the environment, including those relating to aircraft and ground- based emissions, discharges to water systems, safe drinking water, and the management of hazardous substances and waste materials. In addition, while the Company cannot predict what requirements may be imposed in the future, federal, state, local, and international legislative and regulatory bodies are generally increasingly focused on climate change and reducing greenhouse gas emissions (“ GHG ”), including CO2 emissions. For example, as discussed in more detail under “ Business – Regulation, ” the federal government, as well as several state and local governments, the governments of other countries, and the United Nations’ International Civil Aviation Organization have implemented legislative and regulatory proposals and voluntary measures intended to reduce GHG emissions. Future policy, legal, regulatory, or other market developments could require the Company to reduce its emissions, **increase its usage of SAF and other forms of lower carbon energy,** modify its supply chain practices or aspects of its operations, make capital investments to purchase specific types of equipment or technologies, secure carbon offset credits, disclose or report additional GHG information, or otherwise incur additional costs related to climate objectives or because of the Company’ s GHG emissions. **Additional regulation could result in increased regulatory or permitting requirements for the Company from multiple jurisdictions, as well as added costs on fuel**

suppliers that may be passed through to the Company. For example, the California Air Resources Board has proposed amendments to California’ s Low Carbon Fuel Standard (“ LCFS ”) regulation that would subject intrastate fossil jet fuel to the LCFS, which could in turn increase the demand for and the costs of the limited supply of SAF currently available. The proposed amendments could also result in increased costs of fossil jet fuel in the California market because of the need for jet fuel producers to produce SAF or buy LCFS credits. Other states could propose or adopt similar obligations in the future. Until the timing, scope, and extent of such future policy, legal, regulatory, or other market developments become known, the Company cannot predict their effect on the Company’ s cost structure or its operating results **. Violations of environmental and climate change- related laws and regulations could lead to significant fines and penalties and reputational harm** . The Company could also face increased risks of litigation resulting from any enhanced disclosure requirements related to climate change. ~~Furthermore, to the extent that the Company may seek to achieve its voluntary climate goals and mandatory climate obligations through the use of carbon offsets, it may be exposed to additional costs associated with the procurement of offsets or limited supply in the voluntary carbon offsets market.~~ In addition ~~,~~ to **risks** ~~the extent the Company does utilize offsets, it will need to obtain these offsets~~ from ~~third parties,~~ **potential changes to environmental regulation** and ~~while~~ **policy, the transition to lower- carbon technologies could materially adversely affect the Company’ s financial results. For example, lower- carbon technologies, such as SAF, are currently not available at scale and may take a significant amount of time to develop and mature, and the cost to transition to** ~~the~~ **them could be prohibitively expensive without appropriate government support** ~~Company generally seeks to purchase only quality offsets verified by reputable third parties~~ , **policies, and incentives in place (including tax credits).** ~~it can make no guarantees that the underlying offset project will provide the full or~~ **For** ~~any claimed GHG emission reduction benefits~~ **additional disclosure related to the risks of SAF, see the Risk Factor entitled, “ The Company is subject to risks related to its sustainability goals and disclosures, which may affect stakeholder sentiment and the Company’ s reputation and brand** . **”** Concern among consumers of the impacts of climate change may mean some customers choose to fly less frequently or fly on an airline they perceive as operating in a manner that is more sustainable to the climate, and customers may choose to use alternatives to travel, such as virtual meetings and workspaces. Greater development of high- speed rail in markets now served by short- haul flights could provide passengers with lower- carbon alternatives to flying. Longer- term changes in weather patterns could adversely impact any of the Company’ s destination cities and, as a result, alter ~~the~~ **Customers’** travel behavior ~~of its Customers~~ . The Company’ s collateral to secure loans, including in the form of aircraft, could lose value as customer demand shifts and economies move to low- carbon alternatives, which may increase the Company’ s financing costs. In addition, major financial institutions have begun to announce greenhouse gas emissions reductions targets for their financed activities in the aviation sector. To the extent that the Company' s climate targets are not perceived to align with those of its lenders, the Company' s access to credit may be adversely impacted. Finally, the potential acute and chronic physical effects of climate change, such as increased frequency, duration, and severity of extreme weather events, longer- term changes in weather patterns, and other climate- related events, could affect the Company’ s operations, infrastructure, and financial results. The Company could incur significant costs to improve the climate resiliency of its operations, infrastructure, and supply chain, and otherwise prepare for, respond to, and mitigate such physical effects of climate change. The Company could also incur additional airport fees or other costs related to the infrastructure which supports the commercial aviation industry. The Company is not able to predict accurately the materiality of any potential losses or costs associated with the physical effects of climate change. For additional disclosure related to impacts to the Company’ s operations resulting from extreme weather events, see the Risk Factor entitled, “ The Company' s operations have been, and in the future may again be, materially and adversely disrupted by extreme weather events. An inability to quickly and effectively restore operations following adverse weather or a localized disaster or disturbance in a key geography has adversely and materially impacted, and in the future could again adversely and materially impact, the Company' s business, results of operations, and financial condition ” in the “ Operational Risks ” section. In addition to responding to legislative and regulatory requirements, the Company has voluntarily set near- and long- term environmental sustainability plans and goals. The achievement of these plans and goals is materially dependent on the performance of third parties and government action, and these goals could be adversely affected by changes in third party expectations, methodologies, and priorities. The Company expects its path toward achievement of these goals to depend on, among other things (i) increased use of SAF, which is not presently available at scale or at prices competitive to jet fuel; (ii) improved fuel efficiency from fleet modernization; (iii) operational initiatives; and (iv) technological innovation. The Company is attempting to diversify its sources of jet fuel or otherwise seek to limit its reliance on fossil- fuel based fuels, such as through increasing the volumes of SAF used in its operations. Supplies of SAF are limited and may not be developed in sufficient quantities to support the Company’ s business or sustainability goals. The **cost to transition to SAF could be prohibitively expensive without appropriate government support, policies, and incentives in place (including tax credits). Further, SAF incentives that are currently in place could expire or be repealed, and the Company may have binding SAF purchase commitments that extend beyond various incentives currently in place. Additionally, SAF purchase agreements may pertain to production from facilities that are planned but not yet operational, and which may utilize technology that has not been proven at commercial scale. There is no assurance that these facilities will produce SAF at commercial scale or that they will meet contracted production timelines and volumes. SAF has a limited distribution system and is subject to higher transportation risks than jet fuel. In the event SAF is not delivered on schedule or in sufficient volumes, there can be no assurance that the Company will be able to source a supply of SAF sufficient to meet its stated goals, or that it will be able to do so on favorable economic terms. As more businesses publicly announce environmental sustainability goals, it could become increasingly more difficult to negotiate SAF purchase agreements with suppliers at commercially reasonable terms. Moreover, there is no guarantee that Customers, regulators, or other stakeholders will not object to any use of “ book and claim ” accounting methods (or similar constructs) for claims of GHG emission reductions in**

connection with the Company' s SAF purchase agreements, as such claims may be based on the separation of potential GHG emission reductions from the physical delivery of SAF. The Company cannot guarantee that it will be able to purchase SAF on a cost- effective basis ~~due~~ **, and in addition** to ~~supply constraints;~~ **the factors already discussed, the ability to leverage SAF as part of its sustainability efforts could also be adversely affected by any of the following:** technology challenges in the production, development, transportation, storage, and distribution ~~of SAF; inability to scale SAF on a commercially competitive basis; failures by governments to implement or extend policies and incentives (including tax credits) to reduce the cost or incentivize production~~ of SAF; compliance with and / or changes to **government** ~~taxes and~~ regulations; **modifications to or** failure of industry standards, accounting protocols **, approaches to modeling life cycle GHG emissions** , or other applicable requirements to allow the Company to realize benefits from SAF (including blend limitations); or **changes in** ~~requirements related to GHG emissions,~~ carbon costs ~~,~~ or climate **-** related goals. **Furthermore, to the extent that the Company may seek to achieve its voluntary climate goals and mandatory climate obligations through the use of carbon offsets, it may be exposed to additional costs associated with the procurement of offsets or limited supply in the carbon offsets market.** In addition, ~~SAF~~ **to the extent the Company does utilize offsets, it will need to obtain these offsets from third parties, and while the Company generally seeks to purchase only quality offsets verified by reputable third parties, it can make no guarantees that the underlying offset project will provide the full or any claimed GHG emission reduction benefits, nor can it guarantee that any such offsets will not be subject to criticism from Customers, regulators, or other stakeholders. As more businesses have publicly announced environmental sustainability goals, the cost of carbon offsets** has **also increased significantly** ~~a limited distribution system~~ and ~~is subject~~ **will likely continue** to **do so** ~~higher transportation risks than jet fuel~~ . The Company' s ability to achieve its environmental sustainability goals is subject to risks and uncertainties, many of which are outside of its control. These risks and uncertainties include, but are not limited to: the Company' s ability to successfully implement its business strategy, effectively respond to changes in market dynamics **,** and achieve the anticipated benefits and associated cost savings of such strategies and actions; the Company' s ability to implement its fleet modernization or planned fuel efficiency initiatives; availability and ability to utilize SAF at economical prices and with expected carbon intensity reductions; advancement in modernizing air traffic control systems; unforeseen production, design, operational, and technological difficulties; the outcome of research efforts and future technology developments, including the ability to scale projects and technologies on a commercially competitive basis; compliance with, and changes or additions to, global and regional regulations, taxes, charges, mandates, or requirements relating to GHG emissions, carbon costs, or climate-related goals; changes to emission accounting methodologies; adapting products to customer preferences and customer acceptance of sustainable supply chain solutions; the actions of competitors and competitive pressures; or other new developments related to the potential impacts of climate change. There is no assurance that the Company will be able to successfully execute its strategies and achieve its previously announced environmental and sustainability goals **and plans** . The Company also makes certain disclosures regarding sustainability, including the Company' s sustainability goals **and plans** to address carbon emissions, and many of these disclosures are necessarily based on (i) estimates and assumptions that are inherently difficult to assess and may involve third **-** party data that the Company does not independently verify, and (ii) timelines that are longer than the timelines associated with the Company' s required disclosures. Given the estimates, assumptions, and timelines used to create these disclosures, the materiality of these disclosures is inherently difficult to assess in advance, and given the uncertainty of the estimates and assumptions used to create these disclosures, the Company may not be able to anticipate in advance whether or the degree to which it will or will not be able to meet its sustainability plans or goals, or how expensive it will be to do so. **Additionally, the Company is subject to increasing regulation imposing mandatory disclosure of sustainability and climate- related goals. As discussed under " Business — Regulation — Environmental Regulation, " the state of California recently enacted a number of new climate- disclosure related laws, including the CCDAA and CRFRA, that require GHG emissions or climate- related risk disclosures, and the VCMDA that requires disclosure regarding the use of voluntary carbon offsets in certain circumstances. The reporting obligations of the CCDAA, CRFRA, VCMDA, and other state or federal laws or rules requiring the disclosure of climate- related risks or emissions may cause the Company to incur additional increased costs for compliance as well as increased costs regarding access to capital. Failure to comply with these disclosure laws and regulations can result in the imposition of substantial fines or penalties. Enhanced climate- related disclosures pursuant to these requirements could also lead to reputational or other harm with Customers, regulators, investors, or other stakeholders. The Company could also face increased litigation risks relating to alleged direct or indirect climate- related damages resulting from the Company' s operations, statements alleged to have been made by the Company or others in the aviation industry regarding climate change risks, or in connection with any future disclosures the Company may make regarding reported emissions, particularly given the inherent uncertainties and estimations with respect to calculating and reporting GHG emissions.** The Company' s reputation or brand, as well as its Customer and other stakeholder relationships, could be adversely impacted as a result of, among other things, (i) any failure to meet its sustainability plans or goals, including those that relate to climate change; (ii) the Company' s impact on the environment; or (iii) public pressure from investors or policy groups to change the Company' s policies. In the future, the Company' s efforts to meet its sustainability plans or goals may divert Company resources or management' s attention from other matters. The Company' s future results will suffer if it is unable to effectively manage its international operations and / or Extended Operations (" ETOPS"). The Company' s international flights are subject to CBP-mandated procedures, which can affect the Company' s operations, costs, and Customer experience. The Company has made significant investments in facilities, equipment, and technologies at certain airports in order to improve the Customer experience and to assist CBP with its inspection and processing duties; however, the Company is not able to predict the impact, if any, that various CBP measures or the lack of CBP resources will have on Company revenues and costs, either in the short- term or the long- term. International flying requires the Company to modify certain processes, as the airport environment ~~is~~ **can be**

dramatically different in certain international locations with respect to, among other things, common- use ticket counters and gate areas, passenger entry requirements (including health requirements ~~imposed in response to the COVID- 19 pandemic~~), local operating requirements **, staffing, infrastructure** , and cultural preferences. Certain international routes served by the Company are also subject to specific aircraft equipage requirements and unique consumer behavior. Route- specific equipage requirements and unique consumer behavior, together or individually, may (i) restrict the Company' s flexibility when scheduling and routing aircraft and crews; (ii) require the Company to modify its policies or procedures; and (iii) impact the Company' s operational performance, costs, and Customer ~~Experience~~ **experience** . In addition, international flying exposes the Company to certain foreign currency risks to the extent the Company chooses to, or is required to, transact in currencies other than the U. S. dollar. To the extent the Company seeks to serve additional international destinations in the future, or to renew its authority to serve certain routes, it may be required to obtain necessary authority from the DOT and / or approvals from the FAA, as well as any applicable foreign government entity. The Company' s operations in non- U. S. jurisdictions may subject the Company to the laws of those jurisdictions rather than, or in addition to, U. S. laws. Laws in some jurisdictions differ in significant respects from those in the United States, and these differences can affect the Company' s ability to react to changes in its business, and its rights or ability to enforce rights may be different than would be expected under U. S. laws. Furthermore, enforcement of laws in some jurisdictions can be inconsistent and unpredictable, which can affect both the Company' s ability to enforce its rights and to undertake activities that it believes are beneficial to its business. As a result, the Company' s ability to generate revenue and its expenses in non- U. S. jurisdictions may differ from what would be expected if U. S. laws governed these operations. Although the Company has policies and procedures in place that are designed to promote compliance with the laws of the jurisdictions in which it operates, a violation by the Company' s Employees, contractors, or agents or other intermediaries could nonetheless occur. Any violation (or alleged or perceived violation), even if prohibited by the Company' s policies, could have an adverse effect on the Company' s reputation and / or its results of operations. In 2019, the Company began service to Hawaii after receiving approval from the FAA for ETOPS, a regulatory requirement to operate between the U. S. mainland and the Hawaiian Islands. The Company is subject to additional, ongoing, ETOPS- specific regulatory and procedural requirements, which present operational and compliance risks to the Company’ s business, including costs associated therewith. As discussed below under" Legal Proceedings," the Company is subject to **regulatory actions and** pending litigation. Regardless of merit, these litigation matters and any potential future claims against the Company may be both time consuming and disruptive to the Company' s operations and cause significant expense and diversion of management attention. Should the Company fail to prevail in these or other matters, the Company may be faced with significant monetary damages or injunctive relief that could materially adversely affect its business and might materially affect its financial condition and operating results and could cause reputational harm. Airlines are subject to extensive regulatory and legal requirements at the federal, state, and local levels that require substantial compliance costs and that may be inconsistent with each other. These laws could affect the Company’ s relationship with its workforce and cause its expenses to increase without an ability to pass through these costs. In recent years, the airline industry has experienced an increase in litigation asserting the application of state and local employment laws ~~, particularly in California. On June 30, 2022, the U. S. Supreme Court denied review of the Ninth Circuit’ s ruling in Bernstein v. Virgin America, Inc., which held that federal law did not preempt the California state meal- and- rest- break regulations for flight attendants at issue. The Company is a defendant in multiple proceedings asserting wage and hour claims with respect to certain employees who work in, or are based in, California. The Bernstein decision may adversely affect the Company’ s defenses in some or all of those proceedings and may give rise to additional litigation in these or other areas previously believed to be preempted by federal law~~ . Application of state and local laws to the Company’ s operations may conflict with federal laws — or with the laws of other states and local governments — and may subject the Company to additional requirements and restrictions. Moreover, application of these state and local laws may result in operational disruption, increased litigation risk, and negative effects on the Company’ s collective bargaining agreements. Adverse litigation results in any of these cases could adversely impact the Company’ s operational flexibility and result in the imposition of damages and fines, which could potentially be significant. The Company operates in a public- facing industry with significant exposure to social media. Negative publicity, whether or not justified, can spread rapidly through social media. The Company’ s reputation or brand, as well as its ~~customer~~ **Customer** and other stakeholder relationships, could be adversely impacted as a result of, among other things, (i) any failure to meet its ESG plans or goals; (ii) ~~customer~~ **Customer** perceptions of the Company’ s advertising campaigns, sponsorship arrangements or marketing programs; (iii) ~~customer~~ **Customer** perceptions of the Company’ s use of social media; (iv) ~~customer~~ **Customer and other stakeholder** perceptions of statements made by the Company, its Employees and executives, agents **, any industry trade associations** , or other third parties; or (v) public pressure from investors or policy groups to change the Company' s policies **. Such statements or initiatives with respect to ESG matters are increasingly subject to heightened scrutiny from the public and governmental authorities, as well as other parties, due to the risk of potential “ greenwashing, ” i. e., the process of conveying misleading information or making false claims that overstate potential ESG benefits. As a result, the Company may face increased litigation risks from private parties or regulatory scrutiny from governmental authorities related to its ESG efforts. Moreover, any alleged claims of greenwashing against the Company or others in the aviation industry may lead to negative sentiment or perception of the Company, its brand, or the industry** . To the extent that the Company is unable to respond timely and appropriately to negative publicity, the Company’ s reputation and brand can be harmed. Damage to the Company’ s overall reputation and brand could have a negative impact on its financial results and require additional resources for the Company to rebuild its reputation. The Company’ s Bylaws provide, to the fullest extent permitted by law, that, unless the Company consents in writing to the selection of an alternative forum, the United States District Court for the Northern District of Texas or, if such court lacks jurisdiction, the state district court of Dallas County, Texas, will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Company; (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, or other Employee of the Company to the Company or the Company’ s Shareholders; (c) any action asserting a claim against the Company or any director, officer, or other Employee of the Company pursuant to any provision of the Company’ s Restated Certificate of Formation or Bylaws (as either may be amended from time to time) or the Texas Business Organizations Code; and (d) any action asserting a claim against the Company or any director, officer, or other Employee of the Company governed by the internal affairs doctrine. The Company’ s Bylaws also provide that, unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America will be the sole and exclusive forum for the resolution of any complaint asserting a cause of action under the Securities Act of 1933 (the “ Securities Act ”). ~~We~~ **The Company** ~~note~~ **notes** , however, that there is uncertainty as to whether a court would enforce this provision and that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Section 22 of the Securities Act creates concurrent jurisdiction for state and federal courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. The forum selection provision may increase costs to bring a claim, discourage claims, or limit a Shareholder’ s ability to bring a claim in a judicial forum that such Shareholder finds favorable for disputes with the Company or the Company’ s directors, officers, or other Employees, which may discourage such lawsuits against the Company or the Company’ s directors, officers, and other Employees. Alternatively, if a court were to find the forum selection provision contained in the Company’ s Bylaws to be inapplicable or unenforceable in an action, the Company could incur additional costs associated with resolving such action in other jurisdictions.