

Date: July 21, 2003

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INDEX TO EXHIBITS

Exhibit No. <S>	Exhibit <C>
99.1	Registrant's Second Quarter 2003 Earnings Release.

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SOUTHWEST AIRLINES REPORTS SECOND QUARTER EARNINGS

DALLAS, TEXAS -- July 21, 2003 -- Southwest Airlines' net income for second quarter 2003 was \$246 million, compared to second quarter 2002 net income of \$102 million. Diluted net income per share was \$.30 for second quarter 2003, compared to \$.13 for second quarter 2002. The Company's second quarter net income for both 2003 and 2002 included special items, described below. Excluding special items, second quarter 2003 net income increased 22.6 percent to \$103 million, or \$.13 per diluted share, compared to second quarter 2002 net income of \$84 million, or \$.10 per diluted share. These results compare favorably to First Call's consensus estimate of \$.12 per diluted share for second quarter 2003.

Special Items

Pursuant to the April 2003 Emergency Wartime Supplemental Appropriations Act, the Company received a \$271 million cash payment from the U.S. government (government grant), which was recognized as "Other gains" in its unaudited Condensed Consolidated Statement of Income for second quarter 2003. This special item resulted in an increase of approximately \$41 million to Employee profitsharing expense. Second quarter 2002 results included an additional \$36 million in passenger revenue from a reduction in estimated future refunds and exchanges included in "Air traffic liability." The Company believes it is helpful to management and investors to evaluate ongoing operational performance and trends by excluding these special items for comparative purposes. A reconciliation of key financial measures excluding these special items is included in this release, pursuant to Regulation G issued by the Securities and Exchange Commission.

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Operating Results

Total operating revenues for second quarter 2003 increased 2.9 percent to \$1.52 billion, compared to \$1.47 billion for second quarter 2002. Excluding the special item in 2002, operating revenues increased 5.4 percent from \$1.44 billion in second quarter 2002. Revenue passenger miles (RPMs) increased 4.6 percent in second quarter 2003, compared to a 4.2 percent increase in available seat miles (ASMs), resulting in a load factor of 70.1 percent versus the second quarter 2002 load factor of 69.9 percent.

The passenger revenue yield per RPM decreased 1.8 percent, to 11.67 cents, from 11.88 cents in second quarter 2002. Excluding the special item in 2002, the passenger revenue yield per RPM increased 0.8 percent, to 11.67 cents, from 11.58 cents in second quarter 2002. Operating revenue per ASM (RASM) decreased 1.3 percent, to 8.47 cents, from 8.58 cents in second quarter 2002. Excluding the special item in 2002, RASM increased 1.2 percent, to 8.47 cents, from 8.37 cents in second quarter 2002.

Total second quarter 2003 operating expenses were \$1.38 billion, an increase of 7.1 percent, compared to \$1.28 billion for the same year ago period. Excluding special items, operating expenses were \$1.33 billion in second quarter 2003, an increase of 4.4 percent. Operating expenses per ASM (CASM) for second quarter 2003 increased 2.7 percent, to 7.68 cents, from 7.48 cents in second quarter 2002, due to higher profitsharing expense on the government grant. Excluding special items, CASM increased slightly to 7.46 cents in second quarter 2003, compared to 7.44 cents in second quarter 2002. For second quarter 2003, the Company benefited from \$36 million of hedging gains recorded in "Fuel and oil," resulting in jet fuel costs per gallon of 67.4 cents, which was flat with second quarter 2002.

Operating income for second quarter 2003 was \$140 million, a decrease of 25.9 percent, compared to \$189 million for second quarter 2002. Excluding special items in both years, operating income increased 13.8 percent to \$181 million for second quarter 2003, compared to \$159 million for the same period in 2002.

"Other income" was \$257 million for second quarter 2003 versus "other expenses" of \$20 million for second quarter 2002. The \$277 million swing in "other income" resulted primarily from the government grant in second quarter 2003 and a \$5 million decline in net interest expense. Interest expense declined 14.8 percent to \$23 million primarily due to lower interest rates. Interest income for second quarter 2003 declined 22.2 percent, also

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due to lower interest rates. Capitalized interest increased 60 percent to \$8 million in second quarter 2003 as a result of higher Boeing aircraft progress payments.

James F. Parker, Vice Chairman and Chief Executive Officer, stated: "Considering the challenges we faced in second quarter with the Iraq war and the difficult airline industry pricing environment, we are proud of our better than expected earnings performance. Excluding the \$271 million government grant, our second quarter 2003 net income of \$103 million slightly exceeded last year's second quarter earnings of \$102 million, even though second quarter

2002 included \$36 million (pretax) related to a reduction in air traffic liability.

"Although bookings softened early in the quarter as a result of the war in Iraq, traffic and revenues finally began to improve in mid-June. Thus far, traffic and load factors for this month and bookings for the remainder of July and August are strong due to high demand for vacation travel. Thus far in third quarter 2003, unit revenues are exceeding year ago levels. The outlook for the economy remains uncertain, however, and we remain concerned about travel demand post-Labor Day.

"We continue to benefit from our successful fuel hedging program. We were 100 percent hedged in second quarter 2003, which resulted in a reduction in 'Fuel and oil' expense of \$36 million. We are 87 percent hedged in both third quarter 2003 and fourth quarter 2003 under \$24 per barrel. We remain 80 percent hedged for 2004, with caps approximating \$23 per barrel.

"Excluding fuel and special items, unit costs were 6.37 cents, slightly above last year's second quarter cost performance of 6.34 cents. We expect third quarter 2003 unit costs, excluding fuel, to exceed last year's third quarter unit costs of 6.23 cents.

"Based on our current revenue and cost outlook and barring any unforeseen event, we expect third quarter 2003 earnings to exceed third quarter 2002 earnings of \$75 million, which included a federal grant of \$48 million (pretax) received pursuant to the 2001 Air Transportation Safety and System Stabilization Act.

"Although the last 22-month period has been the most difficult ever for the airline industry, our superb Employees remain focused more than ever on their mission to spread the Freedom to Fly to Americans. As a consequence of their dedication and improved revenue trends, we recently exercised our remaining 2004 options for the delivery of nine 737-700s next year. In addition, we exercised six 2005 options for accelerated delivery in 2004 and accelerated the firm delivery of two 2005 aircraft to 2004. These changes to

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our Boeing 737-700 delivery schedule bring our current 2004 firm orders to 42 aircraft, which, after subtracting planned 737-200 retirements, results in a planned annual capacity increase in the 6 to 7 percent range in 2004."

Net cash provided by operations was \$905 million and capital expenditures were \$518 million for the six months ended June 30, 2003. We ended second quarter 2003 with \$2.2 billion cash on hand plus our available unsecured revolving credit line of \$575 million.

Total operating revenues for the six months ended June 30, 2003 increased 5.0 percent to \$2.87 billion while total operating expenses increased 7.5 percent to \$2.68 billion, resulting in operating income in first half 2003 of \$186 million versus \$238 million in first half 2002. Excluding special items, first half 2003 operating revenues increased 6.4 percent to \$2.87 billion while operating expenses increased 6.2 percent to \$2.64 billion, resulting in a 9.1 percent increase in first half 2003 operating income to \$227 million. Net income for the six-month period was \$270 million (\$.33 per diluted share) versus \$123 million (\$.15 per diluted share) for first half 2002. Excluding special items, net income increased 21.0 percent to \$127 million (\$.16 per diluted share) compared to \$105 million (\$.13 per diluted share).

Southwest Airlines will conduct a conference call to discuss its quarterly earnings today at 10:30 a.m. Eastern Time. A live broadcast of the conference call will be available via the World Wide Web at www.southwest.com.

This news release contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the plans, intentions, and expectations reflected in or suggested by the forward-looking statements. Additional information concerning the factors which could cause actual results to differ materially from the forward-looking statements is contained in the Company's periodic filings with the Securities and Exchange Commission, including without limitation, the Company's Annual Report on Form 10-K for the year ended 2002. The Company undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this press release.

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SOUTHWEST AIRLINES CO.
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(unaudited)

(in millions except per share amounts)

	Three months ended June 30,			Six months ended June 30,		
	2003	2002	Percent Change	2003	2002	Percent Change
OPERATING REVENUES:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Passenger	\$1,465	\$1,425	2.8	\$2,771	\$2,640	5.0
Freight	25	22	13.6	47	43	9.3
Other	25	26	(3.8)	48	47	2.1
Total operating revenues	1,515	1,473	2.9	2,866	2,730	5.0
OPERATING EXPENSES:						
Salaries, wages, and benefits	587	501	17.2	1,103	963	14.5
Fuel and oil	194	189	2.6	402	359	12.0
Maintenance materials and repairs	104	101	3.0	210	198	6.1
Agency commissions	13	15	(13.3)	25	29	(13.8)
Aircraft rentals	46	47	(2.1)	91	94	(3.2)
Landing fees and other rentals	91	88	3.4	181	171	5.8
Depreciation	95	86	10.5	188	171	9.9
Other operating expenses	245	257	(4.7)	480	507	(5.3)
Total operating expenses	1,375	1,284	7.1	2,680	2,492	7.5
OPERATING INCOME	140	189	(25.9)	186	238	(21.8)
OTHER EXPENSES (INCOME):						
Interest expense	23	27	(14.8)	49	53	(7.5)
Capitalized interest	(8)	(5)	60.0	(15)	(9)	66.7
Interest income	(7)	(9)	(22.2)	(12)	(19)	(36.8)
Other (gains) losses, net	(265)	7	n.a.	(272)	9	n.a.
Total other expenses (income)	(257)	20	n.a.	(250)	34	n.a.
INCOME BEFORE INCOME TAXES	397	169	134.9	436	204	113.7
PROVISION FOR INCOME TAXES	151	67	125.4	166	81	104.9
NET INCOME	\$246	\$102	141.2	\$270	\$123	119.5

NET INCOME PER SHARE:

Basic	\$.32	\$.13	146.2	\$.35	\$.16	118.8
Diluted	\$.30	\$.13	130.8	\$.33	\$.15	120.0

WEIGHTED AVERAGE SHARES OUTSTANDING:

Basic	780	772	779	771
Diluted	820	809	814	810

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SOUTHWEST AIRLINES CO.
RECONCILIATION OF REPORTED AMOUNTS TO NON-GAAP ITEMS (SEE NOTE)
(unaudited)

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(In millions, except per share amounts)

	Three months ended June 30,			Six months ended June 30,		
	2003	2002	Percent Change	2003	2002	Percent Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Operating revenue, as reported	\$1,515	\$1,473		\$2,866	\$2,730	
Passenger revenue adjustment	-	(36)		-	(36)	
Operating revenue, excluding special item	\$1,515	\$1,437	5.4	\$2,866	\$2,694	6.4
Operating expenses, as reported	\$1,375	\$1,284		\$2,680	\$2,492	
Profitsharing impact of government grant	(41)	-		(41)	-	
Profitsharing impact of passenger revenue adjustment	-	(6)		-	(6)	
Operating expenses, excluding special items	\$1,334	\$1,278	4.4	\$2,639	\$2,486	6.2
Operating income, as reported	\$140	\$189		\$186	\$238	
Profitsharing impact of government grant	41	-		41	-	
Passenger revenue adjustment,						

net of profitsharing	-	(30)		-	(30)	
Operating income, excluding special items	\$181	\$159	13.8	\$227	208	9.1
Net income, as reported	\$246	\$102		\$270	\$123	
Government grant, net of income taxes and profitsharing	(143)	-		(143)	-	
Passenger revenue adjustment, net of income taxes and profitsharing	-	(18)		-	(18)	
Net income, excluding special items	\$103	\$84	22.6	\$127	\$105	21.0
Net income per share, diluted, as reported	\$.30	\$.13		\$.33	\$.15	
Government grant, net of income taxes and profitsharing	(.17)	-		(.17)	-	
Passenger revenue adjustment, net of income taxes and profitsharing	-	(.03)		-	(.02)	
Net income per share, diluted, excluding special items	\$.13	\$.10	30.0	\$.16	\$.13	23.1

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NOTE: The above schedule reconciles the financial measures, excluding special items, included in this press release to the most comparable GAAP financial measures. The special items were a \$271 million government grant received in second quarter 2003 pursuant to the April 2003 Emergency Wartime Supplemental Appropriations Act, and \$36 million in additional passenger revenue from a reduction in estimated refunds and exchanges included in "Air traffic liability" in second quarter 2002. The \$271 million government grant was received as a result of the war with Iraq and is recorded in "Other gains." The \$36 million passenger revenue adjustment was primarily due to a change in Customer travel patterns and a higher than usual mix of low-fare nonrefundable ticket sales following the September 11, 2001 terrorist attacks.

In management's view, comparative analysis of results can be enhanced by excluding the impact of these special items. Neither item is indicative of the Company's ongoing operating performance for that period, nor should they be considered in developing trend analysis for future periods, including third quarter 2003.

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SOUTHWEST AIRLINES CO.
COMPARATIVE CONSOLIDATED OPERATING STATISTICS
(unaudited)

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<S>	Three months ended		
	2003	2002	Change
	<C>	<C>	<C>
Revenue passengers carried	17,063,496	16,772,419	1.7%
Revenue passenger miles(RPMs) (000s)	12,550,665	11,998,867	4.6%
Available seat miles (ASMs) (000s)	17,893,765	17,172,875	4.2%
Load factor	70.1%	69.9%	.2pts.
Average length of passenger haul	736	715	2.9%
Trips flown	237,518	236,830	0.3%
Average passenger fare	\$85.87	\$84.98	1.0%
Average passenger fare, excluding special items	\$85.87	\$82.84*	3.7%
Passenger revenue yield per RPM (cents)	11.67	11.88	(1.8)%
Passenger revenue yield per RPM, excluding special items (cents)	11.67	11.58*	0.8%
Operating revenue yield per ASM (cents)	8.47	8.58	(1.3)%
Operating revenue yield per ASM, excluding special items (cents)	8.47	8.37*	1.2%
Operating expenses per ASM (cents)	7.68	7.48	2.7%
Operating expenses per ASM, excluding special items (cents)	7.46^	7.44*	0.3%
Operating expenses per ASM, excluding fuel (cents)	6.60	6.38	3.4%
Operating expenses per ASM, excluding fuel and special items (cents)	6.37^	6.34*	0.5%
Fuel costs per gallon, excluding fuel tax (cents)	67.4	67.4	-
Fuel consumed, in gallons (millions)	286	280	2.1%
Number of Employees at period-end	32,902	33,149	(0.7)%
Size of fleet at period-end	379	366	3.6%

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^ Amounts exclude profitsharing impact of \$271 million government grant

* Amounts exclude \$36 million in additional passenger revenue from a reduction in air traffic liability, and related impact to operating expenses.

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Six months ended			
	June 30,		
	2003	2002	Change
<S>	<C>	<C>	<C>
Revenue passengers carried	32,141,033	31,235,701	2.9%
Revenue passenger miles (RPMs) (000s)	23,446,366	22,391,457	4.7%
Available seat miles (ASMs) (000s)	35,292,897	33,692,832	4.7%
Load factor	66.4%	66.5%	(.1)pts.
Average length of passenger	729	717	1.7%
Trips flown	470,605	468,025	0.6%
Average passenger fare	\$86.23	\$84.52	2.0%
Average passenger fare, excluding			
special items	\$86.23	\$83.37*	3.4%
Passenger revenue yield per RPM (cents)	11.82	11.79	0.3%
Passenger revenue yield per RPM, excluding			
special items (cents)	11.82	11.63*	1.6%
Operating revenue			
yield per ASM (cents)	8.12	8.10	0.2%
Operating revenue yield per ASM, excluding			
special items (cents)	8.12	8.00*	1.5%
Operating expenses per ASM (cents)	7.59	7.40	2.6%
Operating expenses per ASM, excluding			
special items (cents)	7.48^	7.38*	1.4%
Operating expenses per ASM,			
excluding fuel (cents)	6.45	6.33	1.9%
Operating expenses per ASM, excluding fuel			
and special items (cents)	6.34^	6.31*	0.5%
Fuel costs per gallon, excluding fuel tax (cents)	71.0	65.4	8.6%
Fuel consumed, in gallons (millions)	563	548	2.7%
Number of Employees at period-end	32,902	33,149	(0.7) %
Size of fleet at period-end	379	366	3.6 %

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^ Amounts exclude profitsharing impact of \$271 million government grant

* Amounts exclude \$36 million in additional passenger revenue from a reduction in air traffic liability, and related impact to operating expenses.

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SOUTHWEST AIRLINES CO.
CONDENSED CONSOLIDATED BALANCE SHEET
(in millions)
(unaudited)

	June 30, 2003	December 31, 2002
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$2,204	\$1,815
Accounts and other receivables	128	175
Inventories of parts and supplies, at cost	87	86
Fuel hedge contracts	111	113
Prepaid expenses and other current assets	51	43
Total current assets	2,581	2,232
Property and equipment, at cost:		
Flight equipment	8,211	8,025
Ground property and equipment	1,075	1,042
Deposits on flight equipment purchase contracts	665	389
	9,951	9,456
Less allowance for depreciation	3,001	2,810
	6,950	6,646
Other assets	107	76
	\$9,638	\$8,954

LIABILITIES & STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$341	\$362
Accrued liabilities	599	529
Air traffic liability	575	412
Income taxes payable	11	-
Current maturities of long-term debt	11	131
Total current liabilities	1,658	1,434

Long-term debt less current maturities	1,539	1,553
Deferred income taxes	1,388	1,227
Deferred gains from sale and leaseback of aircraft	176	184
Other deferred liabilities	140	134
Stockholders' equity:		

Common stock	782	777
Capital in excess of par value	163	136
Retained earnings	3,718	3,455
Accumulated other comprehensive income	74	54
Total stockholders' equity	4,737	4,422
	\$9,638	\$8,954

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SOUTHWEST AIRLINES CO.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions)

	Three months ended		Six months ended	
	June 30,		June 30,	
(in millions)	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$246	\$102	\$270	\$123
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation	95	86	188	171
Deferred income taxes	136	62	148	76
Amortization of deferred gains on sale and leaseback of aircraft	(4)	(4)	(8)	(8)
Amortization of scheduled airframe inspections & repairs	12	11	24	22
Changes in certain assets and liabilities:				
Accounts and other receivables	31	4	47	(58)
Other current assets	(7)	(11)	(8)	6
Accounts payable and accrued liabilities	59	77	52	(9)
Air traffic liability	40	(30)	163	81
Income taxes payable	11	-	11	-
Other	19	(4)	18	(18)
Net cash provided by operating activities	638	293	905	386
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment, net	(325)	(144)	(518)	(253)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of long-term debt	-	-	-	385
Proceeds from trust arrangement	-	60	-	119
Proceeds from Employee stock plans	20	11	32	31
Payments of long-term debt and capital lease obligations	(14)	(50)	(20)	(55)
Payment of trust arrangement	-	(161)	-	(284)
Payment of revolving credit facility	-	-	-	(475)
Payments of cash dividends	(4)	(4)	(11)	(11)
Other, net	-	(1)	1	(5)
Net cash provided by (used in) financing activities	2	(145)	2	(295)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	315	4	389	(162)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,889	2,114	1,815	2,280
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$2,204	\$2,118	\$2,204	\$2,118

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Southwest Airlines Co.
Boeing 737-700 Delivery Schedule

	Prior Schedule		Current Schedule	
	Firm Options*		Firm Options*	
<S>	<C>	<C>	<C>	<C>
2003**	17	-	17	-
2004	25	9	42	-
2005	24	18	22	12
2006	22	16	22	16
2007	25	29	25	29
2008	6	45	6	45
2009-2012	-	177	-	177
Total	119	294	134	279

*Includes purchase rights
**Includes five aircraft delivered in first half 2003
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