

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003 or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file No. 1-7259

Southwest Airlines Co.
(Exact name of registrant as specified in its charter)

TEXAS
(State or other jurisdiction of
incorporation or organization)

74-1563240
(IRS Employer
Identification No.)

P.O. Box 36611, Dallas, Texas
(Address of principal executive offices)

75235-1611
(Zip Code)

Registrant's telephone number, including area code: (214) 792-4000

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act
of 1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Exchange Act.) Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

Number of shares of Common Stock outstanding as of the close of business on
July 18, 2003:

782,931,936

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SOUTHWEST AIRLINES CO.

FORM 10-Q

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

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Southwest Airlines Co.
Condensed Consolidated Balance Sheet
(in millions)
(unaudited)

	June 30, 2003	December 31, 2002
ASSETS		
<S>	<C>	<C>
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 and amortization	3,001	2,810
	6,950	6,646
Other assets	107	76
	\$9,638	\$8,954
LIABILITIES AND 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	132	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 Income
 (in millions, except per share amounts)
 (unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
OPERATING REVENUES:				
<S>	<C>	<C>	<C>	<C>
Passenger	\$1,465	\$1,425	\$2,771	\$2,640
Freight	25	22	47	43
Other	25	26	48	47
Total operating revenues	1,515	1,473	2,866	2,730
OPERATING EXPENSES:				
Salaries, wages, and benefits	587	501	1,103	963
Fuel and oil	194	189	402	359
Maintenance materials and repairs	104	101	210	198
Agency commissions	13	15	25	29
Aircraft rentals	46	47	91	94
Landing fees and other rentals	91	88	181	171
Depreciation	95	86	188	171
Other operating expenses	245	257	480	507
Total operating expenses	1,375	1,284	2,680	2,492
OPERATING INCOME	140	189	186	238
OTHER EXPENSES (INCOME):				
Interest expense	23	27	49	53
Capitalized interest	(8)	(5)	(15)	(9)
Interest income	(7)	(9)	(12)	(19)
Other (gains) losses, net	(265)	7	(272)	9
Total other expenses (income)	(257)	20	(250)	34
INCOME BEFORE INCOME TAXES	397	169	436	204
PROVISION FOR INCOME TAXES	151	67	166	81
NET INCOME	\$246	\$102	\$270	\$123
NET INCOME PER SHARE:				
Basic	\$.32	\$.13	\$.35	\$.16
Diluted	\$.30	\$.13	\$.33	\$.15
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	780	772	779	771
Diluted	820	809	814	810

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Southwest Airlines Co.
 Condensed Consolidated Statement of Cash Flows
 (in millions)
 (unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	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
CASH PAYMENTS FOR:				
Interest, net of amount capitalized	\$15	\$21	\$37	\$38
Income taxes	\$4	\$2	\$4	\$2

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Southwest Airlines Co.
 Notes to Condensed Consolidated Financial Statements
 (unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Southwest Airlines Co. (Company or Southwest) have been prepared in accordance

with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The unaudited condensed consolidated financial statements for the interim periods ended June 30, 2003 and 2002 include all adjustments (which include only normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods. The Condensed Consolidated Balance Sheet as of December 31, 2002 has been derived from the Company's audited financial statements as of that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results for the three and six months ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ended December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Southwest Airlines Co. Annual Report on Form 10-K for the year ended December 31, 2002.

2. STOCK-BASED EMPLOYEE COMPENSATION

The Company has stock-based compensation plans covering the majority of its Employee groups, including plans adopted via collective bargaining, a plan covering the Company's Board of Directors, and plans related to employment contracts with certain Executive Officers of the Company. The Company accounts for stock-based compensation utilizing the intrinsic value method in accordance with the provisions of Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees" and related Interpretations. Accordingly, no compensation expense is recognized for fixed option plans because the exercise prices of Employee stock options equal or exceed the market prices of the underlying stock on the dates of grant.

The following table represents the effect on net income and earnings per share if the Company had applied the fair value based method and recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," to stock-based Employee compensation (in millions, except per share amounts):

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	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
Net income, as reported	\$246	\$102	\$270	\$123
Add: Stock-based Employee compensation expense included in reported income, net of related tax effects	-	-	-	-
Deduct: Total stock-based Employee compensation expense determined under fair value based methods for all awards, net of related tax effects	(14)	(8)	(31)	(16)
Pro forma net income	\$232	\$94	\$239	\$107
Net income per share				
Basic, as reported	\$.32	\$.13	\$.35	\$.16
Basic, pro forma	\$.30	\$.12	\$.31	\$.14
Diluted, as reported	\$.30	\$.13	\$.33	\$.15
Diluted, pro forma	\$.29	\$.12	\$.30	\$.13

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As required, the pro forma disclosures above include options granted since January 1, 1995. Consequently, the effects of applying SFAS 123 for providing pro forma disclosures may not be representative of the effects on reported net income for future years until all options outstanding are included in the pro forma disclosures. For purposes of pro forma disclosures, the estimated fair value of stock-based compensation plans and other options is amortized to expense primarily over the vesting period.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." SFAS No. 148 amends the transition and disclosure provisions of SFAS No. 123. The Company is currently evaluating

SFAS No. 148 to determine if it will adopt SFAS No. 123 to account for Employee stock options using the fair value method and, if so, when to begin transition to that method. If the Company had adopted the prospective transition method prescribed by SFAS 148 on January 1, 2003, compensation expense for the three and six months ended June 30, 2003 of \$4 million and \$15 million, respectively, would have been recorded. After related profitsharing and income tax effects, this would have reduced net income by \$2 million and \$8 million, respectively. Net income per share, diluted, for second quarter 2003 would not have been affected. Net income per share, diluted, for the six months ended June 30, 2003, would have been reduced by \$.01 per share.

3. DIVIDENDS

During the three month periods ended June 30, 2003 and March 31, 2003, dividends of \$.0045 per share were declared on the 780 million shares and 778 million shares of common stock then outstanding, respectively. During the three month periods ended June 30, 2002 and March 31, 2002, dividends of \$.0045 per share were declared on the 772 million shares and 771 million shares of common stock then outstanding, respectively.

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4. NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted net income per share (in millions except per share amounts):

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	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
NUMERATOR:				
Net income available to common stockholders	\$246	\$102	\$270	\$123
DENOMINATOR:				
Weighted-average shares outstanding, basic	780	772	779	771
Dilutive effect of Employee stock Options	40	37	35	39
Adjusted weighted-average shares outstanding, diluted	820	809	814	810
NET INCOME PER SHARE:				
Basic	\$.32	\$.13	\$.35	\$.16
Diluted	\$.30	\$.13	\$.33	\$.15

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5. FINANCIAL DERIVATIVE INSTRUMENTS

Airline operators are inherently dependent upon energy to operate and, therefore, are impacted by changes in jet fuel prices. Jet fuel and oil consumed in the three months ended June 30, 2003 and 2002 represented approximately 14.1 percent and 14.7 percent of Southwest's operating expenses, respectively. The Company endeavors to acquire jet fuel at the lowest possible prices. Because jet fuel is not traded on an organized futures exchange, liquidity for jet fuel hedging is limited. However, the Company has found that both crude oil and heating oil contracts are effective commodities for hedging jet fuel. The Company utilizes financial derivative instruments as hedges to decrease its exposure to jet fuel price increases. The Company does not purchase or hold any derivative financial instruments for trading purposes.

The Company utilizes financial derivative instruments for both short-term and long-term time frames when it appears the Company can take advantage of market conditions. The Company was hedged for 100 percent of its first quarter 2003 and second quarter 2003 fuel consumption. For third quarter 2003, the Company has fuel hedges in place for 87 percent of its expected fuel consumption with a combination of derivative instruments that effectively cap prices under \$24 per barrel. As of June 30, 2003, the Company also had agreements in place to hedge 87 percent of its fourth quarter 2003 total anticipated jet fuel requirements with a combination of derivative instruments that effectively cap prices under \$24 per barrel, approximately 80 percent of its anticipated 2004 requirements at approximately \$23 per barrel, and approximately 45 percent of its anticipated 2005 requirements at approximately \$23 per barrel. As of June 30, 2003, the majority of the Company's remaining 2003 hedges are effectively

<Page>

heating oil-based positions in the form of option contracts. The majority of the remaining hedge positions are crude oil-based option contracts.

The Company accounts for its fuel hedge derivative instruments as cash flow hedges, as defined, in Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended (SFAS 133). All changes in fair value that are considered to be effective, as defined, are recorded in "Accumulated other comprehensive income" until the

underlying jet fuel is consumed. The fair value of the Company's financial derivative instruments at June 30, 2003, was a net asset of approximately \$178 million. The current portion of this net asset, approximately \$111 million, is classified as "Fuel hedge contracts" and the noncurrent portion, approximately \$67 million, is classified in "Other assets" in the Condensed Consolidated Balance Sheet. The fair value of the derivative instruments, depending on the type of instrument, was determined by the use of present value methods or standard option value models with assumptions about commodity prices based on those observed in underlying markets.

During the three months ended June 30, 2003 and 2002, the Company recognized \$36 million and \$7 million in gains in "Fuel and oil" expense, respectively, from hedging activities. During the three months ended June 30, 2002, the Company also recognized approximately \$3 million of net expense in "Other (gains) losses, net," related to the ineffectiveness of its hedges. The Company recognized approximately \$6 million of net expense related to amounts excluded from the Company's measurements of hedge effectiveness, in "Other (gains) losses, net" during both second quarter 2003 and second quarter 2002.

As of June 30, 2003, the Company had approximately \$76 million in unrealized gains, net of tax, in "Accumulated other comprehensive income" related to fuel hedges. Included in this total are approximately \$49 million in net unrealized gains that are expected to be realized in earnings during the twelve months following June 30, 2003.

During second quarter 2003, the Company entered into interest rate swap agreements relating to its \$385 million 6.5% senior unsecured notes due March 1, 2012 and \$375 million 5.496% Class A-2 pass-through certificates due November 1, 2006. Under the first interest rate swap agreement, the Company pays the London InterBank Offered Rate (LIBOR) plus a margin every six months and receives 6.5% every six months on a notional amount of \$385 million until March 1, 2012. Under the second agreement, the Company pays LIBOR plus a margin every six months and receives 5.496% every six months on a notional amount of \$375 million until November 1, 2006.

The Company's interest rate swap agreements qualify as fair value hedges, as defined by SFAS 133. The fair value of the interest rate swap agreements, which are adjusted regularly, are recorded in the Condensed Consolidated Balance Sheet as necessary, with a corresponding adjustment to the carrying value of the long-term debt. The fair value of the interest rate swap agreements, excluding accrued interest, at June 30, 2003 was approximately \$7 million. This amount is recorded in "Other assets" in the Condensed Consolidated Balance Sheet. In accordance with fair value hedging, the Company also recorded a \$7 million increase to the carrying value of long-term debt.

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6. COMPREHENSIVE INCOME

Comprehensive income included changes in the fair value of certain financial derivative instruments, which qualify for hedge accounting, and unrealized gains and losses on certain investments. Comprehensive income totaled \$261 million and \$290 million for the three and six months ended June 30, 2003, respectively. Comprehensive income totaled \$106 million and \$186 million for the three and six months ended June 30, 2002, respectively. The differences between net income and comprehensive income for each of these periods was as follows (in millions):

<Table>

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	Three months ended June 30,	
	2003	2002
<S>	<C>	<C>
Net income	\$246	\$102
Unrealized gain (loss) on derivative instruments, net of deferred taxes of \$9 and \$3	13	4
Other, net of deferred taxes of \$1 and \$0	2	-
Total other comprehensive income	15	4
Comprehensive income	\$261	\$106
	Six months ended June 30,	
	2003	2002
Net income	\$270	\$123
Unrealized gain (loss) on derivative instruments, net of deferred taxes of \$13 and \$41	20	63
Other, net of deferred taxes of \$0 and \$0	-	-
Total other comprehensive income	20	63
Comprehensive income	\$290	\$186

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A rollforward of the amounts included in "Accumulated other comprehensive

income," net of taxes, is shown below (in millions):

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	Fuel Hedge Derivatives	Other	Accumulated other comprehensive income (loss)
<S>	<C>	<C>	<C>
Balance at December 31, 2002	\$56	(\$2)	\$54
2003 changes in value	74	-	74
Reclassification to earnings	(54)	-	(54)
Balance at June 30, 2003	\$76	(\$2)	\$74

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7. REVOLVING CREDIT FACILITY

The Company is a party to two unsecured revolving credit facilities from which it can borrow up to \$575 million from a group of banks. One of the facilities, for half of the total amount, was renewed for an additional year during April

<Page>

2003. This facility now expires in April 2004. The other facility, for half of the amount, expires in April 2005. At the Company's option, interest on the facilities can be calculated on one of several different bases. For most borrowings, Southwest would anticipate choosing a floating rate based upon LIBOR. If fully drawn, the spread over LIBOR would be 75 basis points for both facilities given Southwest's credit rating at June 30, 2003.

8. RECENTLY ISSUED ACCOUNTING STANDARDS

In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 requires that a liability for the fair value of an obligation for guarantees issued or modified after December 31, 2002 be recorded in the financial statements of the guarantor. Guarantees pre-existing before the implementation of FIN 45 are required to be disclosed in financial statements issued after December 15, 2002. While the Company has various guarantees included in contracts in the normal course of business, primarily in the form of indemnities, these guarantees would only result in immaterial increases in future costs, and do not represent significant commitments or contingent liabilities of the indebtedness of others.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46) which requires the consolidation of variable interest entities, as defined. FIN 46 is applicable to variable interest entities created after January 31, 2003. Variable interest entities created prior to February 1, 2003, must be consolidated effective July 1, 2003. Disclosures are required currently if the Company expects to consolidate any variable interest entities. The Company does not currently believe that any material entities will be consolidated with Southwest as a result of FIN 46.

9. EMERGENCY WARTIME SUPPLEMENTAL APPROPRIATIONS ACT

On April 16, 2003, the Emergency Wartime Supplemental Appropriations Act (Wartime Act) was signed into law. Among other items, the legislation includes a \$2.3 billion government grant for airlines. Southwest received \$271 million as its proportional share of the grant during second quarter 2003. This amount is included in "Other (gains) losses" in the accompanying income statement for the three and six months ended June 30, 2003.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Comparative Consolidated Operating Statistics

Relevant Southwest comparative operating statistics for the three and six months ended June 30, 2003 and 2002 are as follows:

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	Three months ended June 30,		Change
	2003	2002	
<S>	<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%	.2 pts.
Average length of passenger haul (miles)	736	715	2.9%
Trips flown	237,518	236,830	0.3%
Average passenger fare	\$85.87	\$84.98	1.0%
Passenger revenue yield per RPM (cents)	11.67	11.88	(1.8)%
Operating revenue yield per ASM (cents)	8.47	8.58	(1.3)%
Operating expenses per ASM (cents)	7.68	7.48	2.7%
Operating expenses per ASM, excluding fuel (cents)	6.60	6.38	3.4%
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%

	Six months ended June 30,		Change
	2003	2002	
<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 haul (miles)	729	717	1.7%
Trips flown	470,605	468,025	0.6%
Average passenger fare	\$86.23	\$84.52	2.0%
Passenger revenue yield per RPM (cents)	11.82	11.79	0.3%
Operating revenue yield per ASM (cents)	8.12	8.10	0.2%
Operating expenses per ASM (cents)	7.59	7.40	2.6%
Operating expenses per ASM, excluding fuel (cents)	6.45	6.33	1.9%
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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Material Changes in Results of Operations

Summary

The Company's second quarter began with the onset of the United States war with Iraq and a continued languid airline revenue and economic environment. The Company saw a disruption in revenue and booking trends up to and during the war. In mid-June, traffic and revenue trends began to improve and traffic levels for July and August are expected to be strong. The Company also continued its efforts to control costs, maintain high productivity levels, and offer outstanding Customer Service. The Company's second quarter 2003 earnings performance represented its 49th consecutive quarterly profit.

Consolidated net income for second quarter 2003 was \$246 million (\$.30 per share, diluted), compared to second quarter 2002 net income of \$102 million (\$.13 per share, diluted). As disclosed in Note 9 to the unaudited condensed consolidated financial statements, results for second quarter 2003 include a \$271 million government grant from the Wartime Act. The Company believes that excluding the impact of this special item will enhance comparative analysis of results. The government grant received during second quarter 2003, which was related to the war with Iraq, was not indicative of the Company's operating performance for that period, nor should it be considered in developing trend analysis for future periods, including third quarter 2003. The following table reconciles results reported for the three and six months ended June 30, 2003, compared to the prior year, with results excluding the impact of the government grant received in second quarter 2003:

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	Three months ended		Six months ended	
	June 30,		June 30,	
(In millions, except per share amounts)	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
Operating expenses, as reported	\$1,375	\$1,284	\$2,680	\$2,492
Profitsharing impact of government grant	(41)	-	(41)	-
Operating expenses, excluding impact of				

government grant	\$1,334	\$1,284	\$2,639	\$2,492
Operating income, as reported	\$140	\$189	\$186	\$238
Profitsharing impact of government grant	41	-	41	-
Operating income, excluding impact of government grant	\$181	\$189	\$227	\$238
Net income, as reported	\$246	\$102	\$270	\$123
Government grant, net of income taxes and profitsharing	(143)	-	(143)	-
Net income, excluding government grant	\$103	\$102	\$127	\$123
Net income per share, diluted, as reported	\$.30	\$.13	\$.33	\$.15
Government grant, net of income taxes and profitsharing	(.17)	-	(.17)	-
Net income per share, diluted, excluding government grant	\$.13	\$.13	\$.16	\$.15

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Excluding the government grant from second quarter 2003 results, net income was \$103 million, slightly higher than second quarter 2002, even though the prior year results included \$36 million in additional passenger revenue from a reduction in estimated future refunds and exchanges included in "Air traffic liability." The \$36 million adjustment was necessary 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. For first half 2003, net income was \$127 million, also slightly higher than net income for the comparable period of 2002, which also included the \$36 million adjustment to passenger revenue.

Second quarter 2003 operating income was \$140 million compared to operating income of \$189 million in 2002, a decrease of 25.9 percent, primarily due to the profitsharing impact in 2003 of the \$271 million government grant. Second quarter 2003 operating income, excluding the government grant, was \$181 million, 4.2 percent below the prior year. The decrease was due to the second quarter 2002 \$36 million adjustment to passenger revenue. For first half 2003, operating income was \$227 million, slightly below operating income of \$238 million for the comparable period of 2002, also due to the prior year \$36 million adjustment to passenger revenue.

Although the Company continues to experience significantly higher costs for aviation insurance and airport security compared to pre-September 11, 2001, thus far, Southwest has been able to mitigate a portion of such increases through lower agency commissions, the Company's fuel hedging program, and other cost reduction efforts implemented following the terrorist attacks. Based on the Company's current revenue and cost outlook and, barring any unforeseen event, the Company expects third quarter 2003 earnings to exceed third quarter 2002 earnings of \$75 million, which included \$48 million (pretax), in "Other gains" from the Company's final payment received from the Air Transportation Safety and System Stabilization Act.

Comparison of three months ended June 30, 2003 to three months ended June 30, 2002

Revenues

Consolidated operating revenues increased by \$42 million, or 2.9 percent, primarily due to a \$40 million, or 2.8 percent increase in passenger revenues. The increase in passenger revenues was primarily due to a 4.6 percent increase in revenue passenger miles (RPMs) flown. The year-over-year increase in revenue was lower than it would have been due to the second quarter 2002 inclusion of \$36 million in additional passenger revenue from a reduction in estimated refunds and exchanges included in "Air traffic liability."

Second quarter 2003 capacity, as measured by available seat miles (ASMs), increased 4.2 percent compared to second quarter 2002. The capacity increase resulted from the addition of 13 aircraft (net of one retirement) from June 2002 through June 2003. The second quarter 2003 load factor was 70.1 percent, an increase of .2 points compared to 2002. The Company also experienced a 1.7 percent increase in revenue passengers carried compared to second quarter 2002.

Second quarter 2003 passenger yield per RPM decreased 1.8 percent to 11.67 cents from 11.88 cents in second quarter 2002 due to the prior year \$36 million in additional passenger revenue from a reduction in estimated refunds and exchanges. Operating revenue yield per ASM decreased 1.3 percent to 8.47

<Page>

cents compared to second quarter 2002, also due to the prior year passenger revenue adjustment. However, average passenger fare increased 1.0 percent to \$85.87 despite the prior year passenger revenue adjustment, primarily due to moderate fare increases taken by the Company.

Thus far, traffic and load factors for July, 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 the Company remains concerned about travel post-Labor Day.

Consolidated freight revenues increased by \$3 million, or 13.6 percent, primarily due to increases in freight and cargo revenues from both moderate rate increases taken by the Company and an increase in the number of shipments. For third quarter 2003, the Company may experience a year-over-year decrease in consolidated freight revenues compared to third quarter 2002 primarily due to lower mail revenues as the U.S. Postal Service may shift some mail shipments to other freight and commercial carriers. Other revenues decreased slightly in second quarter 2003 as a 36.5 percent decline in charter revenue was mostly offset by a 21.5 percent increase in commissions earned from programs the Company sponsors with certain business partners, such as the Company sponsored First USA Visa card.

Operating expenses

To a large extent, changes in operating expenses for airlines are driven by changes in capacity, or ASMs. The following presents Southwest's operating expenses per ASM for the three months ended June 30, 2003 and 2002 followed by explanations of changes on a per ASM basis:

	Three months ended June 30,		Per ASM	Percent
	2003	2002	Change	Change
<S>	<C>	<C>	<C>	<C>
Salaries, wages, and benefits	3.28	2.92	.36	12.3
Fuel and oil	1.08	1.10	(.02)	(1.8)
Maintenance materials				
and repairs	.58	.59	(.01)	(1.7)
Agency commissions	.07	.09	(.02)	(22.2)
Aircraft rentals	.26	.27	(.01)	(3.7)
Landing fees and other rentals	.51	.51	-	-
Depreciation	.53	.50	.03	6.0
Other operating expenses	1.37	1.50	(.13)	(8.7)
Total	7.68	7.48	.20	2.7

Operating expenses per ASM were 7.68 cents, a 2.7 percent increase compared to 7.48 cents for second quarter 2002. This increase was primarily due to higher profitsharing expense (reflected in salaries, wages, and benefits) from the increase in earnings available for profitsharing compared to second quarter 2002, primarily due to the \$271 million government grant. Based on recent trends, the Company currently expects third quarter 2003 unit costs to exceed third quarter 2002 primarily due to higher wages and health benefit costs.

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Salaries, wages, and benefits expense per ASM increased 12.3 percent. Approximately 65 percent of the increase was due to a \$41 million increase in profitsharing, which related to the \$271 million government grant. The remaining 35 percent of the increase was primarily due to higher wages from higher average wage rates.

Fuel and oil expense per ASM decreased 1.8 percent primarily due to a decrease in the Company's fuel burn rate per ASM flown. Although the Company flew 4.2 percent more available seat miles than second quarter 2002, fuel consumption was up only 2.2 percent. The average fuel cost per gallon in second quarter 2003 was 67.4 cents, the same as second quarter 2002, including the effects of hedging activities. For third quarter 2003, the Company has fuel hedges in place for 87 percent of its expected fuel consumption with a combination of derivative instruments that effectively cap prices under \$24 per barrel. The majority of the Company's near term hedge positions are in the form of option contracts. See Note 5 to the unaudited condensed consolidated financial statements for further discussion of the Company's hedging activities.

Maintenance materials and repairs per ASM decreased 1.7 percent primarily due to the increase in ASMs exceeding the dollar increase in maintenance materials and repairs. The Company expects third quarter 2003 maintenance materials and repairs per ASM to be higher than third quarter 2002 expense due to a year-over-year increase in contract rates for outsourced engine maintenance.

Agency commissions per ASM decreased 22.2 percent primarily due to a decline in commissionable revenues. The percentage of commissionable revenues decreased from approximately 20 percent in second quarter 2002 to approximately 16 percent in second quarter 2003. Approximately 53 percent of revenues in second quarter 2003 were derived through the Company's web site at www.southwest.com versus 46 percent of revenues in second quarter 2002. Based on recent trends, the Company currently expects commissionable revenues to remain in the 16 percent range in third quarter 2003.

Aircraft rentals per ASM decreased 3.7 percent compared to second quarter 2002 primarily due to the increase in ASMs relative to the number of leased aircraft. Although ASMs increased 4.2 percent, the number of leased aircraft declined by one, as a result of a retirement in second quarter 2003. All of the aircraft acquired in 2002 and 2003 are owned by the Company. Approximately 23.5 percent of the Company's aircraft fleet was under operating lease at June 30, 2003, compared to 24.6 percent at June 30, 2002.

Landing fees and other rentals per ASM was flat compared to second Quarter 2002 as a 3.7 percent increase in other rentals per ASM was offset by a 4.2 percent decrease in landing fees per ASM. The increase in other rentals expense per ASM was primarily due to the Company's expansion of gate and counter space at several airports. The decrease in landing fees expense per ASM was primarily due to an increase in the average stage length per trip flown, or miles flown per aircraft trip. The Company flew 4.2 percent more ASMs, but the number of trips flown remained relatively flat compared to 2002.

Depreciation expense per ASM increased 6.0 percent primarily due to an increase in owned aircraft. All 14 of the aircraft put into service by the Company over the past twelve months are owned by the Company. This, along with the retirement of one leased aircraft, has increased the Company's percentage of aircraft owned or on capital lease to 76.5 percent at June 30, 2003 from 75.4 percent at June 30, 2002.

Other operating expenses per ASM decreased 8.7 percent primarily due to a decrease in aviation insurance costs. Following the terrorist attacks, commercial aviation insurers dramatically increased the premiums and reduced the amount of war-risk coverage available to commercial carriers. The federal government stepped in to provide supplemental third-party war-risk insurance coverage to commercial carriers for renewable 60-days periods, at substantially lower premiums than prevailing commercial rates and for levels of coverage not available in the commercial market. In November 2002, Congress passed the Homeland Security Act of 2002, which mandated the federal government provide third party, passenger, and hull war-risk insurance coverage to commercial carriers through August 31, 2003, and which permits such coverage to be extended by the government through December 31, 2003. The Emergency Wartime Supplemental Appropriations Act (see Note 9 to the unaudited condensed consolidated financial statements) extends the government's mandate to provide war-risk insurance until August 31, 2004 and permits such coverage to be extended until December 31, 2004. As a result of more coverage from government insurance programs and a more stable aviation insurance market, the Company was able to negotiate lower 2003 aviation insurance premiums than 2002. However, aviation insurance remains substantially higher than before September 11, 2001. The Company currently expects a year-over-year decrease in other operating expenses per ASM for third quarter 2003, primarily from lower aviation insurance costs.

Other

Interest expense decreased by \$4 million, or 14.8 percent, primarily due to lower effective interest rates. Two interest-rate swaps were executed by the Company in second quarter 2003 to convert a portion of its fixed-rate debt to a lower floating rate. The Company entered into interest rate swap agreements relating to its \$385 million 6.5% senior unsecured notes due March 1, 2012 and \$375 million 5.496% Class A-2 pass-through certificates due November 1, 2006. See Note 5 to the unaudited condensed consolidated financial statements for more information on the Company's hedging activities.

Capitalized interest increased by \$3 million, or 60.0 percent, primarily due to an increase in progress payment balances for future aircraft deliveries.

Interest income decreased by \$2 million, or 22.2 percent, primarily due to a decrease in rates earned on investments.

Second quarter 2003 "Other (gains) losses, net" primarily consist of a \$271 million government grant from the Wartime Act. See Note 9 to the unaudited condensed consolidated financial statements for more information on this grant. Also included in second quarter 2003 "Other (gains) losses, net" are amounts recorded in accordance with SFAS 133. See Note 5 to the unaudited condensed consolidated financial statements for more information on the Company's hedging activities. The Company recognized \$6 million of expense related to amounts excluded from the Company's measurements of hedge effectiveness. In second quarter 2002, the Company recognized approximately \$6 million of expense related to amounts excluded from the Company's measurements of hedge effectiveness and \$3 million in expense related to the ineffectiveness of its hedges.

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Comparison of six months ended June 30, 2003 to six months ended June 30, 2002

Revenues

Consolidated operating revenues increased by \$136 million, or 5.0

percent, primarily due to a \$131 million, or 5.0 percent increase in passenger revenues. The increase in passenger revenues was primarily due to a 4.7 percent increase in revenue passenger miles (RPMs) flown.

First half 2003 capacity, as measured by available seat miles (ASMs), increased 4.7 percent compared to 2002. The capacity increase resulted from the net addition of 13 aircraft (net of one retirement) from June 2002 through June 2003. The 2003 load factor was 66.4 percent, approximately the same as 2002. The Company also experienced a 2.9 percent increase in revenue passengers carried compared to 2002.

First half 2003 passenger yield per RPM increased slightly to 11.82 cents from 11.79 cents in 2002. Operating revenue yield per ASM increased slightly to 8.12 cents from 8.10 cents in 2002, primarily due to a higher average passenger fare. Average passenger fare increased 2.0 percent to \$86.23 despite the prior year \$36 million passenger revenue adjustment, primarily due to moderate fare increases taken by the Company.

Consolidated freight revenues increased by \$4 million, or 9.3 percent due to an increase in freight and cargo revenues, primarily from moderate rate increases taken by the Company. Other revenues were slightly higher in first half 2003 as a 26.6 percent increase in commissions earned from programs the Company sponsors with certain business partners, such as the Company sponsored First USA Visa card, was mostly offset by a decline in charter revenues.

Operating expenses

To a large extent, changes in operating expenses for airlines are driven by changes in capacity, or ASMs. The following presents Southwest's operating expenses per ASM for the six months ended June 30, 2003 and 2002 followed by explanations of changes on a per ASM basis:

<Table>

<Caption>

	Six months ended June 30,		Per ASM	Percent
	2003	2002	Change	Change
<S>	<C>	<C>	<C>	<C>
Salaries, wages, and benefits	3.13	2.86	.27	9.4
Fuel and oil	1.14	1.06	.08	7.5
Maintenance materials				
and repairs	.60	.59	.01	1.7
Agency commissions	.07	.09	(.02)	(22.2)
Aircraft rentals	.26	.28	(.02)	(7.1)
Landing fees and other rentals	.51	.51	-	-
Depreciation	.53	.51	.02	3.9
Other operating expenses	1.35	1.50	(.15)	(10.0)
Total	7.59	7.40	.19	2.6

</Table>

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Operating expenses per ASM were 7.59 cents, a 2.6 percent increase compared to 7.40 cents for 2002. The overall increase was primarily due to higher salaries, wages and benefits from higher average wage rates and higher profitsharing expense from the government grant.

Salaries, wages, and benefits expense per ASM increased 9.4 percent. Approximately half of the increase was due higher average wage rates compared to 2002. The other half of the increase was due to an increase in profitsharing from the increase in earnings available for profitsharing, primarily from the \$271 million government grant, and an increase in health care costs.

Fuel and oil expense per ASM increased 7.5 percent primarily due to an increase in average fuel cost per gallon. The average fuel cost per gallon in first half 2003 was 71.0 cents, an 8.6 percent increase compared to 65.4 cents per gallon in 2002, including the effects of hedging activities. See Note 5 to the unaudited condensed consolidated financial statements for further discussion of the Company's hedging activities.

Maintenance materials and repairs per ASM increased 1.7 percent primarily due to an increase in contract rates per hour flown for outsourced engine maintenance. The Company outsources its engine maintenance work for 737-300 and 737-500 aircraft and expense is based on the number of hours flown for those aircraft and the rate charged per hour flown. This increase was partially offset by a decrease in the number of outsourced heavy maintenance events for airframes.

Agency commissions per ASM decreased 22.2 percent primarily due to a decline in commissionable revenues. The percentage of commissionable revenues decreased from approximately 21 percent in first half 2002 to approximately 17 percent in 2003. Approximately 52 percent of revenues in first half 2003 were derived through the Company's web site at www.southwest.com versus 46 percent of revenues in 2002.

Aircraft rentals per ASM decreased 7.1 percent compared to 2002 primarily due to the increase in ASMs relative to the number of leased aircraft. Although ASMs increased 4.7 percent, the number of leased aircraft declined by one, as a result of a retirement in 2003. All of the aircraft acquired in 2002 and 2003 are owned by the Company. Approximately 23.5 percent of the Company's aircraft fleet was under operating lease at June 30, 2003, compared to 24.6 percent at June 30, 2002.

Landing fees and other rentals per ASM was flat compared to 2002 as a 3.7 percent increase in other rentals per ASM was offset by a decrease in landing fees per ASM. The increase in other rentals expense per ASM was primarily due to the Company's expansion of gate and counter space at several airports. The decrease in landing fees expense per ASM primarily was due to first half 2003 credits from airports' audits of prior periods. The amount of credits received in first half 2003 was more than the credits received in the same prior year period.

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Depreciation expense per ASM increased 3.9 percent primarily due to an increase in owned aircraft. All 14 of the aircraft put into service by the Company over the past twelve months have been purchased. This, along with the retirement of one leased aircraft, has increased the Company's percentage of aircraft owned or on capital lease to 76.5 percent at June 30, 2003 from 75.4 percent at June 30, 2002.

Other operating expenses per ASM decreased 10.0 percent primarily due to a decrease in aviation insurance costs. As a result of more coverage from government insurance programs and a more stable aviation insurance market, the Company was able to negotiate lower 2003 aviation insurance premiums than 2002. However, aviation insurance premiums remain substantially higher than before September 11, 2001.

Other

Interest expense decreased by \$4 million, or 7.5 percent, primarily due to lower effective interest rates. Two interest-rate swaps were executed by the Company in second quarter 2003 to convert a portion of its fixed-rate debt to a lower floating rate. The Company entered into interest rate swap agreements relating to its \$385 million 6.5% senior unsecured notes due March 1, 2012 and \$375 million 5.496% Class A-2 pass-through certificates due November 1, 2006. See Note 5 to the unaudited condensed consolidated financial Statements for more information on the Company's hedging activities.

Capitalized interest increased by \$6 million, or 66.7 percent, primarily due to an increase in progress payment balances for future aircraft deliveries.

Interest income decreased by \$7 million, or 36.8 percent, primarily due to a decrease in rates earned on investments.

First half 2003 "Other (gains) losses, net" primarily consist of a \$271 million government grant from the Wartime Act. See Note 9 to the unaudited condensed consolidated financial statements for more information on this reimbursement. Also included in first half 2003 "Other (gains) losses, net" are amounts recorded in accordance with SFAS 133. See Note 5 to the unaudited condensed consolidated financial statements for more information on the Company's hedging activities. The Company recognized \$13 million of expense related to amounts excluded from the Company's measurements of hedge effectiveness and \$14 million in income related to the ineffectiveness of its hedges. In 2002, the Company recognized approximately \$12 million of expense related to amounts excluded from the Company's measurements of hedge effectiveness and \$2 million in income related to the ineffectiveness of its hedges.

Liquidity and Capital Resources

Net cash provided by operating activities was \$905 million for the six months ended June 30, 2003, compared to \$386 million in the same prior year period. The increase was primarily due to higher net income in 2003, largely attributable to the \$271 million government grant. Net cash provided by operating activities was \$1,038 million for the 12 months ended June 30, 2003. Cash generated from operating activities for the 12 months ended June 30, 2003 was primarily used to finance capital expenditures.

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Cash flows used in investing activities in first half 2003 totaled \$518 million compared to \$253 million in 2002. Investing activities in both years consisted primarily of payments for new 737-700 aircraft delivered to the Company and progress payments for future aircraft deliveries. Cash flows used

in investing activities for the 12 months ended June 30, 2003 totaled \$868 million.

Net cash from financing activities in first half 2003 was \$2 million compared to \$295 million, net, used in financing activities in 2002. Cash used in financing activities during first half 2002 was primarily for the repayment of the Company's \$475 million revolving credit facility that the Company drew down in September 2001 and for the repayment of a special purpose trust through which the Company had financed the purchase of 19 new aircraft during 2001 and 2002. The trust was dissolved prior to December 31, 2002. These investing activities were partially offset by cash generated from the issuance of \$385 million in unsecured notes in March 2002.

Contractual Obligations and Contingent Liabilities and Commitments

Southwest has contractual obligations and commitments primarily with regards to future purchases of aircraft, payment of debt, and lease arrangements. Following the receipt of three new 737-700 aircraft from Boeing in the second quarter 2003 and two in first quarter 2003, the Company has 12 remaining 737-700 aircraft deliveries for 2003. Also, during second quarter 2003, the Company exercised its remaining options for 2004, exercised six 2005 options for accelerated delivery in 2004, and accelerated the firm delivery of two 2005 aircraft to 2004. This change brings the Company's total firm orders to 42 for 2004. The following table details the Company's current firm orders, options, and purchase rights through 2012.

<Table>

<Caption>

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

*Includes purchase rights

**Includes five aircraft delivered in first half 2003

</Table>

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The following table details information on the 379 aircraft in the Company's fleet as of June 30, 2003:

<Table>

<Caption>

737 Type	Seats	Average Age (Yrs)	Number of Aircraft	Number Owned	Number Leased
<S>	<C>	<C>	<C>	<C>	<C>
-200	122	20.8	26	24	2
-300	137	12.1	194	110	84
-500	122	12.2	25	16	9
-700	137	3.1	134	133	1
TOTALS		9.5	379	283	96

</Table>

The Company has the option, which must be exercised two years prior to the contractual delivery date, to substitute -600s or -800s for the -700s. Aggregate funding needed for firm commitments, as of June 30, 2003, is approximately \$3.4 billion, subject to adjustments for inflation, due as follows: \$417 million in 2003, \$1.1 billion in 2004, \$684 million in 2005, \$645 million in 2006, \$523 million in 2007, and \$95 million thereafter.

The Company has various options available to meet its capital and operating commitments, including cash on hand at June 30, 2003 of \$2.2 billion and internally generated funds. The Company has two available unsecured revolving credit facilities from which it can borrow up to \$575 million from a group of banks. One of the facilities, for half of the total amount, was renewed for an additional year during April 2003. This facility now expires in April 2004. The other facility, for half of the amount, expires in April 2005. The Company will also consider various borrowing or leasing options to maximize earnings and supplement cash requirements.

The Company currently has outstanding shelf registrations for the issuance of up to \$1.0 billion in public debt securities and pass through certificates, which it may utilize for aircraft financings in the future.

Forward looking statements

Some statements in this Form 10-Q (or otherwise made by the Company or on the Company's behalf from time to time in other reports, filings with the Securities and Exchange Commission, news releases, conferences, World Wide Web postings or otherwise) which are not historical facts may be "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements about Southwest's estimates, expectations, beliefs, intentions or strategies for the future, and the assumptions underlying these forward-looking statements. Southwest uses the words "anticipates," "believes," "estimates," "expects," "intends," "forecasts", "may," "will," "should" and similar expressions to identify these forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or the Company's present expectations. Factors that could cause these differences include, but are not limited to:

- Items directly linked to the September 11, 2001 terrorist attacks, such as the adverse impact of new airline and airport security directives on the
- <Page>
- Company's costs and Customer demand for travel, changes in the Transportation Security Administration's scope for managing U.S. airport security, the availability and cost of war-risk and other aviation insurance, including the federal government's provision of third party war-risk coverage, and the possibility of further terrorist attacks or additional incidents that could cause the public to question the safety and/or efficiency of air travel.
- War or other military actions by the U.S. or others.
 - Competitive factors, such as fare sales and capacity decisions by the Company and its competitors, changes in competitors' flight schedules, mergers and acquisitions, codesharing programs, and airline bankruptcies.
 - General economic conditions, which could adversely affect the demand for travel in general and consumer ticket purchasing habits, as well as decisions by major freight Customers on how they allocate freight deliveries among different types of carriers.
 - Factors that could affect the Company's ability to control its costs, such as the results of Employee labor contract negotiations, Employee hiring and retention rates, costs for health care, the largely unpredictable prices of jet fuel, crude oil, and heating oil, the continued effectiveness of the Company's fuel hedges, changes in the Company's overall fuel hedging strategy, capacity decisions by the Company and its competitors, unscheduled required aircraft airframe or engine repairs and regulatory requirements, changes in commission policy, availability of capital markets, and future financing decisions made by the Company.
 - Disruptions to operations due to adverse weather conditions and air traffic control-related constraints.

Caution should be taken not to place undue reliance on the Company's forward-looking statements, which represent the Company's views only as of the date this report is filed. The Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

<Page>

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See Item 7A. Quantitative and Qualitative Disclosures About Market Risk

in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and Note 4 to the unaudited condensed consolidated financial statements.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that it is able to collect the information it is required to disclose in the reports it files with the Securities and Exchange Commission (SEC), and to process, summarize and disclose this information within the time periods specified in the rules of the SEC. Based on an evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this report conducted by the Company's management, with the participation of the Chief Executive and Chief Financial Officers, the Chief Executive and Chief Financial Officers believe that these controls and procedures are effective to ensure that the Company is able to collect, process and disclose the information it is required to disclose in the reports it files with the SEC within the required time periods.

Internal Control over Financial Reporting. During the period covered by this report, there have been no changes in the Company's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to various legal proceedings and claims arising in the ordinary course of business, including, but not limited to, examinations by the Internal Revenue Service (IRS). The IRS regularly examines the Company's federal income tax returns and, in the course of which, proposes adjustments to the Company's federal income tax liability reported on such returns. It is the Company's practice to vigorously contest those proposed adjustments that it deems lacking of merit.

The Company's management does not expect that the outcome in any of its currently ongoing legal proceedings or the outcome of any proposed adjustments presented to date by the IRS, individually or collectively, will have a material adverse effect on the Company's financial condition, results of operations or cash flow.

<Page>

Item 2. Changes in Securities and Use of Proceeds

Recent Sales of Unregistered Securities

During the second quarter of 2003, Herbert D. Kelleher exercised unregistered options to purchase Southwest Airlines Co. Common Stock as follows:

Number of Shares Purchased	Option Price	Date of Exercise	Date of Option Grant
51,947	\$1.00	June 16, 2003	January 1, 1992
54,630	\$2.24	June 16, 2003	January 1, 1992
287,173	\$1.00	June 16, 2003	January 1, 1996
506,250	\$4.64	June 16, 2003	January 1, 1996

The issuance of the above shares to Mr. Kelleher was exempt from the registration provisions of the Securities Act of 1933, as amended (the "Act"), by reason of the provision of Section 4(2) of the Act because, among other things, of the limited number of participants in such transactions and the agreement and representation of Mr. Kelleher that he was acquiring such securities for investment and not with a view to distribution thereof. The certificates representing the shares issued to Mr. Kelleher contain a legend to the effect that such shares are not registered under the Act and may not be transferred except pursuant to a registration statement that has become effective under the Act or to an exemption from such registration. The issuance of such shares was not underwritten.

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Shareholders was held in Dallas, Texas on Wednesday, May 14, 2003. The following matters were voted on at the meeting:

(i) The following nominees were elected to the Company's Board of Directors to hold office for a term expiring in 2004: Herbert D. Kelleher: 475,891,455 shares voted for and 145,427,997 shares withheld; Rollin W. King: 529,654,941 shares voted for and 86,124,789 shares withheld; June M. Morris: 464,861,397 shares voted for and 156,458,055 shares withheld. There were no broker non-votes on this matter.

The following nominees were elected to the Company's Board of Directors to hold office for a term expiring in 2006: William H. Cunningham: 481,283,710 shares voted for and 140,035,742 shares withheld; Nancy B. Loeffler: 595,327,252 shares voted for and 25,992,200 shares withheld; Louis E. Caldera: 600,025,769 shares voted for and 21,293,683 shares withheld. There were no broker non-votes on this matter.

<Page>

Additionally, the following current directors of the Company continued to serve as directors as of the Annual Meeting: Colleen C. Barrett, C. Webb Crockett, William P. Hobby, Travis C. Johnson, John T. Montford, and James F. Parker.

(ii) A shareholder proposal related to shareholder right to vote on the Company's shareholder rights plan was considered. A total of 349,986,828 shares were voted for the proposal, 188,729,885 shares were voted against the proposal and 3,741,301 shares abstained from voting. There were 78,861,438 broker non-votes on this matter.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

- 10.1 Amendment No. 3 to Southwest Airlines Co. Profit Sharing Plan
- 10.2 Amendment No. 3 to Southwest Airlines Co. 401(k) Plan
- 10.3 2003 Non-Qualified Stock Option Plan
- 10.4 Amendment No. 1 to 2000 Aircraft Appearance Technicians Non-Qualified Stock Option Plan
- 10.5 Amendment No. 1 to 2000 Stock Clerks Non-Qualified Stock Option Plan
- 10.6 Amendment No. 1 to 2000 Flight Simulator Technicians Non-Qualified Stock Option Plan
- 10.7 First Amendment to 364-Day Competitive Advance and Revolving Credit Facility Agreement among Southwest Airlines Co., the banks party thereto, and JPMorgan Chase Bank, as Administrative Agent, dated as of April 22, 2003
- 10.8 Supplemental Agreements Nos. 25, 26, 27, 28 and 29 to Purchase Agreement No. 1810, dated January 19, 1994 between The Boeing Company and Southwest
Pursuant to 17 CFR 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.
- 99.1 Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 99.2 Certifications Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

b) Reports on Form 8-K

On July 21, 2003, Southwest filed a current report on Form 8-K to furnish the Company's public announcement of its second quarter 2003 earnings.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHWEST AIRLINES CO.

July 22, 2003

By /s/ Gary C. Kelly

Gary C. Kelly
Executive Vice President-
Chief Financial Officer
(Principal Financial and
Accounting Officer)

<Page>

EXHIBIT INDEX

Exhibit No.	Description
Exhibit 10.1	- Amendment No. 3 to Southwest Airlines Co. Profit Sharing Plan.
Exhibit 10.2	- Amendment No. 3 to Southwest Airlines Co. 401(k) Plan.
Exhibit 10.3	- 2003 Non-Qualified Stock Option Plan.
Exhibit 10.4	- Amendment No. 1 to 2000 Aircraft Appearance Technicians Non-Qualified Stock Option Plan.
Exhibit 10.5	- Amendment No. 1 to 2000 Stock Clerks Non-Qualified Stock Option Plan.
Exhibit 10.6	- Amendment No. 1 to 2000 Flight Simulator Technicians Non-Qualified Stock Option Plan.
Exhibit 10.7	- First Amendment to 364-Day Competitive Advance and Revolving Credit Facility Agreement among Southwest Airlines Co., the banks party thereto, and JPMorgan Chase Bank, as Administrative Agent, dated as of April 22, 2003.
Exhibit 10.8	- Supplemental Agreements Nos. 25, 26, 27, 28 and 29 to Purchase Agreement No. 1810, dated January 19, 1994 between The Boeing Company and Southwest.

Pursuant to 17 CFR 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

- Exhibit 99.1 - Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- Exhibit 99.2 - Certifications Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

AMENDMENT NO. 3 TO THE
SOUTHWEST AIRLINES CO. PROFIT SHARING PLAN

Pursuant to the authority of the Board of Directors of Southwest Airlines Co., and the provisions of Article XVII thereof, the Southwest Airlines Co. Profit Sharing Plan is hereby amended, effective as of January 1, 2001, in the following respect only:

Article II, Subsection 2.1(c), the first sentence, is hereby amended to read as follows:

"(c) Annual Compensation: The total amounts paid by the Company or any Eligible Affiliate to an Employee as remuneration for personal services rendered during each Plan Year, including expense allowances (to the extent includible in the gross income of the Employee) and any amounts not includible in the gross income of the Employee pursuant to Sections 125, 402(g)(1) or 132(f)(4) of the Code, but excluding director's fees, expense reimbursements and nontaxable expense allowances, prizes and awards, items of imputed income, contributions made by the Company under this Plan or any other employee benefit plan or program it maintains, such as group insurance, hospitalization or like benefits, amounts realized or recognized from qualified or nonqualified stock options or when restricted stock or property held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeitures, and amounts, if any, paid to an Employee in lieu of a Company Contribution to this Plan in the event that such Company Contribution would constitute an annual addition, as defined in Section 415(c)(2) of the Code, in excess of the limitations under Section 415(c) of the Code. "

IN WITNESS WHEREOF, and as conclusive evidence of the adoption of the foregoing instrument comprising Amendment No. 3 to the Southwest Airlines Co. Profit Sharing Plan, the Company has caused these presents to be duly executed in its name and behalf by its proper officers thereunto duly authorized the 10th day of February, 2003.

SOUTHWEST AIRLINES CO.

ATTEST:

/s/ Deborah Ackerman
Deborah Ackerman
Assistant Secretary

By: /s/ James F. Parker
James F. Parker
Chief Executive Officer

STATE OF TEXAS Section
 Section
COUNTY OF DALLAS Section

SWORN TO AND SUBSCRIBED before me on the 10th day of February, 2003, by
James F. Parker.
<Page>

/s/ Marilyn Strickland
Notary Public in and for the State of Texas

My Commission Expires:

May 31, 2005

AMENDMENT NO. 3
TO SOUTHWEST AIRLINES CO. 401(k) PLAN

Pursuant to the authority of the Board of Directors of Southwest Airlines Co., and the provisions of Section 17.1 thereof, the Southwest Airlines Co. 401(k) Plan (the "Plan") is hereby amended in the following respects only, effective as of January 1, 1997:

(1) Article IV, Section 4.5, paragraph (a) is hereby amended to read as follows:

"(a) The 'deferral percentage' for each Employee who is then eligible for Salary Reduction Contributions, which shall be the ratio of the amount of such Employee's Salary Reduction Contributions for such Plan Year to the compensation (as defined in Section 2.1(r) hereof) for such Plan Year;"

(2) Article IV, Section 4.6, paragraph (a) is hereby amended to read as follows:

"(a) The 'contribution percentage' for each Employee who is then eligible to receive Company Matching Contributions, which shall be the ratio of the sum of such Employee's Company Matching Contributions for such Plan Year to the Employee's compensation (as defined in Section 2.1(r) hereof) for such Plan Year;"

IN WITNESS WHEREOF, and as conclusive evidence of the adoption of the foregoing instrument comprising Amendment No. 3 to the Southwest Airlines Co. 401(k) Plan, the Company has caused its corporate seal to be affixed hereto and these presents to be duly executed in its name and behalf by its proper officers thereunto duly authorized this 4th day of April, 2003.

SOUTHWEST AIRLINES CO.

By: /s/ James F. Parker
James F. Parker, Chief Executive Officer

ATTEST:

/s/ Deborah Ackerman
Deborah Ackerman, Assistant Secretary

STATE OF TEXAS Section
 Section
COUNTY OF DALLAS Section

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this 4th day of April, 2003, personally appeared JAMES F. PARKER, to me known to be the identical person who subscribed the name of SOUTHWEST AIRLINES CO., as its CHIEF EXECUTIVE OFFICER to the foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act

<Page>
and deed and as the free and voluntary act and deed of such organization for the uses and purposes therein set forth.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, the day and year last above written

/s/ Marilyn Strickland
Notary Public in and for the State of Texas

My Commission Expires: May 31, 2005

SOUTHWEST AIRLINES CO.

2003 NON-QUALIFIED STOCK OPTION PLAN

SOUTHWEST AIRLINES CO., a Texas corporation (the "Company"), hereby formulates and adopts the following 2003 Non-Qualified Stock Option Plan.

1. Purpose. This Plan is to secure for the Company the benefits of the additional incentive inherent in the ownership of its Common Stock by employees of the Company and its subsidiaries who are important to the success and the growth of the Company and its subsidiaries, and to help the Company and its subsidiaries secure and retain the services of such employees.

2. Administration. This Plan shall be administered by an Administrative Committee (the "Committee") consisting of not more than five (5) persons designated from time to time by the Chief Executive Officer of the Company. Members of the Committee may be removed or replaced at any time by the Chief Executive Officer of the Company. The Administrative Committee shall select one of its members as Chairman and shall adopt such rules and regulations as it shall deem appropriate concerning the holding of its meetings, the transaction of its business and the administration of this Plan. A majority of the whole Committee shall constitute a quorum, and the act of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the act of the Committee; any decision or determination reduced to writing and signed by a majority of the members of the Administrative Committee shall be fully as effective as if made by a majority vote at a meeting duly called and held.

3. Grant of Options; Persons Eligible.

(a) Persons Eligible. The Compensation Committee of the Board of Directors of the Company, or such other committee as may be appointed by the Board, shall have the authority and responsibility, within the limitations of this Plan, to grant options from time to time to Employees of the Company. Only Employees of the Company may be granted options under this Plan; provided that under no circumstances shall Officers or Directors of the Company be eligible to receive options hereunder.

(b) Grant Price. Options shall be granted at an exercise price equal to the fair market value of the Common Stock of the Company on the date of the grant of the option.

4. Definitions. An Employee receiving any option under this Plan is referred to herein as an "Optionee." Any reference herein to the employment of an Optionee with the Company shall include only employment with the Company. The fair market value of the Common Stock on any day shall be the mean between the highest and lowest quoted selling prices of the Common Stock on such day as reported by the primary national stock exchange on which such stock is listed. If no sale shall have been made on that day, or if the Common Stock is not listed on a national exchange at that time, fair market value will be determined by the Committee. If the date of grant is not a business day, the grant price will be calculated using the immediately preceding business day.
<Page>

5. Stock Subject to Options. Subject to the provisions of paragraph 12, the number of shares of the Company's Common Stock subject at any one time to options, plus the number of such shares then outstanding pursuant to exercises of options, granted under this Plan, shall not exceed 15,000,000 shares. If, and to the extent the options granted under this Plan terminate or expire without having been exercised, new options may be granted with respect to the shares covered by such terminated or expired options; provided that the granting and terms of such new options shall in all respects comply with the provisions of this Plan.

Shares sold or distributed upon the exercise of any option granted under this Plan may be shares of the Company's authorized and unissued Common Stock, shares of the Company's issued Common Stock held in the Company's treasury, or both.

There shall be reserved at all times for sale or distribution under this Plan a number of shares of Common Stock (either authorized and unissued shares or shares held in the Company's treasury, or both) equal to the maximum number of shares which may be purchased or distributed upon the exercise of options granted under this Plan.

Exercise of an Option in any manner shall result in a decrease in the number of shares of Common Stock which may thereafter be available, both for purposes of this Plan and for sale to any one individual, by the number of shares as to which the Option is exercised.

6. Expiration and Termination of the Plan. This Plan will expire

ten years from the date this Plan was approved by the Board of Directors of the Company, except as to any options then outstanding under this Plan, which shall remain in effect until they have been exercised or expired.

No modification, extension, renewal or other change in any option granted under this Plan shall be made after the grant of such option unless the same is consistent with the provisions of this Plan.

7. Exercisability and Duration of Options.

(a) Exercisability. Options granted under this Plan shall become exercisable at such times and in such amounts as may be determined by the Compensation Committee of the Board of Directors of the Company at the time of grant, or such other committee as may be appointed by the Board.

(b) Duration. The unexercised portion of any option granted under this Plan shall automatically and without notice terminate and become null and void at the time of the earliest to occur of the following:

(1) The expiration date of this Plan as determined in Paragraph 6 above;

(2) The expiration of three months from the date of termination of the Optionee's employment with the Company (unless such termination was as a result of the circumstances set forth in subparagraph (3) below); provided that if the Optionee shall die during such 3-month period the provisions of subparagraph (3) below shall apply;

(3) The expiration of 12 months from the Optionee's death, if
<Page>
the Optionee's death occurs either during his employment with the Company or during the three-month period following the date of termination of such employment; or

(4) Such other date as may be determined the Compensation Committee of the Board of Directors of the Company at the time of grant, or such other committee as may be appointed by the Board, but not later than the expiration date of this Plan as determined in Paragraph 6 above .

In the case of subparagraphs (2) and (3) above, the Optionee shall have the right to exercise any Option prior to such expiration to the extent it was exercisable at the date of such termination of employment and shall not have been exercised.

8. Exercise of Options.

(a) Procedure. The option granted herein shall be exercised by the Optionee (or by the person who acquires such options by will or the laws of descent and distribution or otherwise by reason of the death of the Optionee) as to all or part of the shares covered by the option by giving notice of the exercise thereof (the "Notice") to the Company. From time to time the Committee may establish procedures relating to effecting such exercises. No fractional shares shall be issued as a result of exercising an Option.

(b) Payment. In the Notice, the Optionee shall elect whether he or she is to pay for his or her shares in cash or in Common Stock of the Company, or both. If payment is to be made in cash, the Optionee shall deliver to the Company funds in the amount of the exercise price on or before the exercise date. If payment is to be made in Common Stock, (a) it shall be valued at its fair market value on the date of such notice, as determined pursuant to Paragraph 4 hereof; (b) such Common Stock must have been owned by the Optionee for at least six months prior to the exercise date; and (c) the Notice shall be accompanied by documentation as proof of ownership for the number of shares of Common Stock to be used as payment.

(c) Irrevocable Election. The giving of such notice to the Company shall constitute an irrevocable election to purchase the number of shares specified in the notice on the date specified in the notice.

(d) Withholding Taxes. To the extent that the exercise of any Option granted pursuant to this Plan or the disposition of shares of Common Stock acquired by exercise of an Option results in compensation income to the Optionee for federal or state income tax purposes, the Optionee shall deliver to the Company at the time of such exercise or disposition such amount of money as the Company may require to meet its obligation under applicable tax laws or regulations, and, if the Optionee fails to do so, the Company is authorized to (a) withhold delivery of certificates upon exercise and (b) withhold from remuneration then or thereafter payable to Optionee any tax required to be withheld by reason of such resulting compensation income.

(e) Delivery of Shares. The Company shall cause shares to be delivered to the Optionee (or the person exercising the Optionee's options in the event of death) as soon as practicable after the exercise date.

9. Nontransferability of Options. No option granted under this Plan

or any right evidenced thereby shall be transferable by the Optionee other
<Page>
than by will or the laws of descent and distribution. During the lifetime of
an Optionee, only the Optionee (or his or her guardian or legal
representative) may exercise his or her options.

In the event of the Optionee's death during his or her employment with
the Company, or during the three-month period following the date of
termination of such employment, the Optionee's options shall thereafter be
exercisable by his or her executor or administrator, or by the person who
acquires such options by will or the laws of descent and distribution or
otherwise by reason of the death of the Optionee.

10. Rights of Optionee. Neither the Optionee nor his or her
executors, administrators, or legal representatives shall have any of the
rights of a Shareholder of the Company with respect to the shares subject to
an option granted under this Plan until certificates for such shares shall
have been issued upon the exercise of such option.

11. Right to Terminate Employment. Nothing in this Plan or in any
option granted under this Plan shall confer upon any Optionee the right to
continue in the employment of the Company or affect the right of the Company
or any of its subsidiaries to terminate the Optionee's employment at any
time.

12. Adjustment Upon Changes in Capitalization, Etc.

(a) The existence of the Plan and the options granted hereunder shall
not affect in any way the right or power of the Board of Directors or the
Shareholders of the Company to make or authorize any adjustment,
recapitalization, reorganization or other change in the Company's capital
structure or its business, any merger or consolidation of the Company, any
issue of debt or equity securities ahead of or affecting Common Stock or the
rights thereof, the dissolution or liquidation of the Company or any sale,
lease, exchange or other disposition of all or any part of its assets or
business or any other corporate act or proceeding.

(b) The shares with respect to which options may be granted are shares
of Common Stock as presently constituted, but if, and whenever, prior to the
expiration of an option theretofore granted, the Company shall effect a
subdivision or consolidation of shares of Common Stock or the payment of a
stock dividend on Common Stock without receipt of consideration by the
Company, the number of shares of Common Stock with respect to which such
option may thereafter be exercised (i) in the event of an increase in the
number of outstanding shares shall be proportionately increased, and the
purchase price per share shall be proportionately reduced, and (ii) in the
event of a reduction in the number of outstanding shares shall be
proportionately reduced, and the purchase price per share shall be
proportionately increased. In the event of any such change in the
outstanding Common Stock, the aggregate number of shares available under the
Plan shall be appropriately adjusted by the Board of Directors of the
Company, whose determination shall be conclusive.

(c) If the Company recapitalizes or otherwise changes its capital
structure, thereafter upon any exercise of an option theretofore granted the
Optionee shall be entitled to purchase under such option, in lieu of the number
of shares of Common Stock as to which such option shall then be exercisable, the
number and class of shares of stock and securities to which the Optionee would
<Page>
have been entitled pursuant to the terms of the recapitalization if,
immediately prior to such recapitalization, the Optionee had been the holder of
record of the number of shares of Common Stock as to which such option is then
exercisable. If the Company shall not be the surviving entity in any merger or
consolidation (or survives only as a subsidiary of an entity other than a
previously wholly-owned subsidiary of the Company) or if the Company is to be
dissolved or liquidated, then unless a surviving corporation assumes or
substitutes new options for Options then outstanding hereunder (i) the time at
which such Options may be exercised shall be accelerated and such Options shall
become exercisable in full on or before a date fixed by the Company prior to the
effective date of such merger or consolidation or such dissolution or
liquidation, and (ii) upon such effective date Options shall expire.

(d) Except as hereinbefore expressly provided, the issuance by the
Company of shares of stock of any class or securities convertible into shares of
stock of any class, property, labor or services, upon direct sale, upon the
exercise of rights or warrants to subscribe therefor, or upon conversion of
shares or obligations of the Company convertible into such shares or other
securities, and in any case whether or not for fair value, shall not affect, and
no adjustment by reason thereof shall be made with respect to, the number of
shares of Common Stock subject to options theretofore granted or to be granted
or the purchase price per share.

13. Purchase for Investment and Legality. The Optionee, by acceptance of
any option granted under this Plan, shall represent and warrant to the Company
that the purchase or receipt of shares of Common Stock upon the exercise thereof

shall be for investment and not with a view to distribution, provided that such representation and warranty shall be inoperative if, in the opinion of counsel to the Company, a proposed sale or distribution of such shares is pursuant to an applicable effective registration statement under the Securities Act of 1933 or is, without such representation and warranty, exempt from registration under such Act. The Company shall file a Registration Statement on Form S-8 pursuant to the Securities Act of 1933, as amended, covering the shares to be offered pursuant to the Plan and will use its best efforts to maintain such registration at all times necessary to permit holders of options to exercise them.

The obligation of the Company to issue shares upon the exercise of an option shall also be subject as conditions precedent to compliance with applicable provisions of the Securities Act of 1933, the Securities Exchange Act of 1934, state securities laws, rules and regulations under any of the foregoing and applicable requirements of any securities exchange upon which the Company's securities shall be listed.

The Company may endorse an appropriate legend referring to the foregoing restrictions upon the certificate or certificates representing any shares issued or transferred to the Optionee upon the exercise of any option granted under this Plan.

14. Effective Date of Plan; Amendments. This Plan shall become effective upon its adoption by the Board of Directors of the Company.

AMENDMENT NO. 1 TO
2000 AIRCRAFT APPEARANCE TECHNICIANS
NON-QUALIFIED STOCK OPTION PLAN

SOUTHWEST AIRLINES CO., a Texas corporation (the "Company"), hereby formulates and adopts this Amendment No. 1 to the Company's 2000 Aircraft Appearance Technicians Non-Qualified Stock Option Plan (the "Plan") effective June 25, 2003.

1. The Plan is hereby amended to increase the number of shares of the Company's Common Stock issuable thereunder by 300,000 shares, subject to the provisions of paragraph 12 of the Plan.

2. The first sentence of Paragraph 6 is hereby amended to change the date therein from February 16, 2009 to February 16, 2011.

3. Clause (b)(1) of Paragraph 7 is hereby amended to read as follows:

"(1) February 16, 2009, or, with respect to options granted pursuant to paragraph 3(f), such date as may be designated by the Compensation Committee of the Board of Directors of the Company, or such other committee as may be appointed by the Board, but not later than February 16, 2011."

4. Paragraph 3 is hereby amended to add a new subparagraph (f) to read as follows:

"(f) In addition to the grants currently described in Exhibit A, the Compensation Committee of the Board of Directors of the Company, or such other committee as may be appointed by the Board, may grant options from time to time to persons eligible to receive options under the Plan in such Committee's discretion or as agreed to between the Company and the collective bargaining representative of the eligible employees."

5. Except as expressly amended hereby, the Plan shall remain in full force and effect.

AMENDMENT NO. 1 TO
2000 STOCK CLERKS NON-QUALIFIED STOCK OPTION PLAN

SOUTHWEST AIRLINES CO., a Texas corporation (the "Company"), hereby formulates and adopts this Amendment No. 1 to the Company's 2000 Stock Clerks Non-Qualified Stock Option Plan (the "Plan") effective June 25, 2003.

1. The first sentence of Paragraph 6 is hereby amended to change the date therein from August 16, 2008 to August 16, 2010.

2. Clause (b)(1) of Paragraph 7 is hereby amended to read as follows:

"(1) August 16, 2008, or, with respect to options granted pursuant to paragraph 3(f), such date as may be designated by the Compensation Committee of the Board of Directors of the Company, or such other committee as may be appointed by the Board, but not later than August 16, 2010.

3. Paragraph 3 is hereby amended to add a new subparagraph (f) to read as follows:

"(f) In addition to the grants currently described in Exhibit A, the Compensation Committee of the Board of Directors of the Company, or such other committee as may be appointed by the Board, may grant options from time to time to persons eligible to receive options under the Plan in such Committee's discretion or as agreed to between the Company and the collective bargaining representative of the eligible employees.".

4. Except as expressly amended hereby, the Plan shall remain in full force and effect.

AMENDMENT NO. 1 TO
2000 FLIGHT SIMULATOR TECHNICIANS
NON-QUALIFIED STOCK OPTION PLAN

SOUTHWEST AIRLINES CO., a Texas corporation (the "Company"), hereby formulates and adopts this Amendment No. 1 to the Company's 2000 Flight Simulator Technicians Non-Qualified Stock Option Plan (the "Plan") effective June 25, 2003.

1. The first sentence of Paragraph 6 is hereby amended to change the date therein from November 1, 2008 to November 1, 2010.

2. Clause (b)(1) of Paragraph 7 is hereby amended to read as follows:

"(1) November 1, 2008, or, with respect to options granted pursuant to paragraph 3(f), such date as may be designated by the Compensation Committee of the Board of Directors of the Company, or such other committee as may be appointed by the Board, but not later than November 1, 2010.

3. Paragraph 3 is hereby amended to add a new subparagraph (f) to read as follows:

"(f) In addition to the grants currently described in Exhibit A, the Compensation Committee of the Board of Directors of the Company, or such other committee as may be appointed by the Board, may grant options from time to time to persons eligible to receive options under the Plan in such Committee's discretion or as agreed to between the Company and the collective bargaining representative of the eligible employees."

4. Except as expressly amended hereby, the Plan shall remain in full force and effect.

FIRST AMENDMENT TO
364-DAY COMPETITIVE ADVANCE AND
REVOLVING CREDIT FACILITY AGREEMENT

among

SOUTHWEST AIRLINES CO.,

THE BANKS PARTY HERETO,

CITIBANK, N.A.,
as Syndication Agent,

BANK ONE CORPORATION,
BARCLAYS BANK PLC
and
SUNTRUST BANK,
as Documentation Agents,

and

JPMORGAN CHASE BANK,
as Administrative Agent

Dated as of April 22, 2003

J.P. MORGAN SECURITIES INC.
and

SALOMON SMITH BARNEY INC.,
as Joint Lead Arrangers and Joint Bookrunners

<Page>

SOUTHWEST AIRLINES CO.
FIRST AMENDMENT TO
364-DAY COMPETITIVE ADVANCE AND REVOLVING CREDIT FACILITY AGREEMENT

FIRST AMENDMENT, dated as of April 22, 2003 (this "Amendment"), to the 364-DAY COMPETITIVE ADVANCE AND REVOLVING CREDIT FACILITY AGREEMENT, dated as of April 23, 2002 (the "Credit Agreement"), among SOUTHWEST AIRLINES CO. (the "Company"), the Banks party thereto, JPMORGAN CHASE BANK, as Administrative Agent, and the other Agents referred to therein. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Credit Agreement.

The Company has requested that the Credit Agreement be amended as set forth herein and the Banks are willing so to amend the Credit Agreement on the terms and subject to the conditions set forth herein.

Accordingly, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendments

(a) The definitions of "Banks" and "Commitment" contained in Section 1.1 of the Credit Agreement are hereby amended and restated in their entirety as follows:

"Banks" means those banks and other lenders signatory hereto and other banks or lenders which from time to time become party hereto pursuant to the provisions of this Agreement.

"Commitment" means, with respect to each Bank, the obligation of such Bank to make Loans in the aggregate principal and/or face amount set forth opposite the name of such Bank on Schedule I to the First Amendment to this Agreement, as such amount may be permanently terminated or reduced from time to time pursuant to Section 2.6, Section 2.13(d) and Section 6.2, and as such amount may be increased or reduced from time to time by assignment or assumption pursuant to Section 2.13(d) and Section 8.11(c). The Commitments shall automatically and permanently terminate on the Termination Date.

(b) The date "December 31, 2001" contained in the definition of "Current Financials" in Section 1.1 of the Credit Agreement is hereby changed to "December 31, 2002".

(c) The date "April 22, 2003" contained in the definition of "Original Termination Date" in Section 1.1 of the Credit Agreement is hereby changed to "April 20, 2004".

(d) The date "December 31, 2001" contained in Section 4.2 of the Credit Agreement is hereby changed to "December 31, 2002".

SECTION 2. Representations and Warranties. The Company represents and warrants to each of the Banks that, as of the First Amendment Effective Date (as defined below) after giving effect to the amendments provided for herein, (a) the representations and warranties set forth in the <Page> Credit Agreement are true and correct, except for any representation and warranty which is expressly made as of an earlier date, which representation and warranty shall have been true and correct as of such earlier date and (b) no Default or Event of Default has occurred and is continuing.

SECTION 3. New Banks. It is understood that any Person listed on Schedule I hereto that is not already a "Bank" shall be deemed to be a "Bank" for all purposes of this Amendment and shall become a "Bank" for all purposes of the Credit Agreement by executing this Amendment.

SECTION 4. Effectiveness. This Amendment shall become effective on April 22, 2003 (the "First Amendment Effective Date"); provided that, on or prior to such date, (a) the Administrative Agent (or its counsel) shall have received copies hereof that, when taken together, bear the signatures of the Company and each of the Banks and (b) the Administrative Agent shall have received from the Company, for the account of each Bank, an upfront fee in the amount of 0.06% of each Bank's Commitment set forth on Schedule I hereto.

SECTION 5. Applicable Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

SECTION 6. No Other Amendments. Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute an amendment of, or otherwise affect the rights and remedies of any party under, the Credit Agreement, or alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect.

SECTION 7. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which when taken together shall constitute but one contract. Delivery of an executed counterpart of a signature page of this Amendment by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Amendment.

IN WITNESS WHEREOF, the Company and the undersigned Banks have caused this Amendment to be duly executed by their duly authorized officers, all as of the date first above written.

SOUTHWEST AIRLINES CO.

By/s/Laura Wright
Name: Laura Wright
Title: VP-Treasurer

Acknowledged by:

JPMORGAN CHASE BANK, as Administrative Agent

By/s/Matthew H. Massie
Name: Matthew H. Massie

Title: Managing Director

<Page>

Signature Page to the First Amendment dated
as of April 22, 2003 to the Southwest
Airlines Co. 364-Day Competitive Advance and
Revolving Credit Facility Agreement

To approve the First Amendment:

Name of Bank: Barclays Bank PLC

By/s/John Giannone

Name: John Giannone

Title: Director

Supplemental Agreement No. 25

to

Purchase Agreement No. 1810

between

THE BOEING COMPANY

and

SOUTHWEST AIRLINES CO.

Relating to Boeing Model 737-7H4 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of December 21, 2002, by and between THE BOEING COMPANY, a Delaware corporation with its principal offices in Seattle, Washington, (Boeing) and SOUTHWEST AIRLINES CO., a Texas corporation with its principal offices in Dallas, Texas (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1810 dated January 19, 1994, relating to Boeing Model 737-7H4 aircraft (the Agreement) and;

WHEREAS, Boeing ***and;

WHEREAS, Boeing and Buyer have agreed to accelerate Block T Aircraft, one (1) in June 2004 and one (1) in July 2004 to become two (2) in January 2004 and;

WHEREAS, Boeing and Buyer have agreed to slide two (2) Block T Aircraft from July 2004 to one (1) each in September 2004 and October 2004 and;

***Pursuant to 17 CFR 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

P.A. No. 1810

SA-25-1

K/SWA
<Page>

WHEREAS, Boeing and Buyer have agreed to slide Block M Option Aircraft, three (3) in March 2004 and two (2) in April 2004 to become one (1) September 2004, two (2) November 2004 and two (2) December 2004.

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Agreement as follows:

1. The Table of Contents of the Agreement is deleted in its entirety and a new Table of Contents is attached hereto and incorporated into the Agreement by this reference.

2. Article 2, entitled "Delivery, Title and Risk of Loss," is deleted in its entirety and replaced by a new Article 2. Such new pages 2-1, 2-2, 2-3 and 2-4 are attached hereto and incorporated into the Agreement by this reference.

3. Article 3, entitled "Price of Aircraft", is deleted in its entirety and replaced by a new Article 3. Such new pages 3-1, 3-2, 3-3, 3-4, 3-5 and 3-6 are attached hereto and incorporated into the Agreement by this reference.

4. Letter Agreement No. 6-1162-RLL-933R15 entitled "Option Aircraft," is deleted in its entirety and replaced by a new Letter Agreement No. 6-1162-RLL-933R16 which is attached hereto and is incorporated into the Agreement by this reference.

NOTE - Buyer now has six (6) 'banked' Rollover Option Aircraft as a result of the option exercises covered by Supplemental Agreement No. 21, 23, and 24 that may be converted to Option Aircraft at a future date subject to the terms of Letter Agreement No. 6-1162-RLL-933R16.

5. Letter Agreement No. 6-1162-KJJ-055 entitled "Structural Matters," is deleted in its entirety and replaced by a new Letter Agreement No. 6-1162-KJJ

- -055R1 which is attached hereto and is incorporated into the Agreement by this reference.

6. All references in the Letter Agreements associated with Purchase Agreement No. 1810 shall be deemed to refer to the purchase by Buyer of two hundred forty-two(242) Model 737-7H4 Aircraft, eighty-one (81) Model 737-7H4 Option Aircraft and two hundred seventeen (217) Model 737-7H4 Rollover Option Aircraft, to the extent such reference is not specifically addressed herein.

P.A. No. 1810 SA-25-2
K/SWA
<Page>

7. Boeing will provide Buyer ***

The Agreement will be deemed to be supplemented to the extent herein provided and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first above written.

THE BOEING COMPANY SOUTHWEST AIRLINES CO.

By: /s/ J.A. McGarvey By: /s/ Laura Wright
Its: Attorney-In-Fact Its: VP Finance & Treasurer

P.A. No. 1810 iii SA-25
K/SWA
<Page>
<Table>
<Caption>

TABLE OF CONTENTS

	Page Number	SA Number
ARTICLES		
<S>	<C>	<C>
1. Subject Matter of Sale	1-1	SA-13
2. Delivery, Title and Risk of Loss	2-1	SA-25
3. Price of Aircraft	3-1	SA-25
4. Taxes	4-1	
5. Payment	5-1	
6. Excusable Delay	6-1	
7. Changes to the Detail Specification	7-1	SA-1
8. Federal Aviation Requirements and Certificates and Export License	8-1	
9. Representatives, Inspection, Flights and Test Data	9-1	
10. Assignment, Resale or Lease	10-1	
11. Termination for Certain Events	11-1	
12. Product Assurance; Disclaimer and Release; Exclusion of Liabilities; Customer Support; Indemnification and Insurance	12-1	
13. Buyer Furnished Equipment and Spare Parts	13-1	
14. Contractual Notices and Requests	14-1	
15. Miscellaneous	15-1	

</Table>
P.A. No. 1810 iv SA-25
K/SWA
<Page>
<Table>

<Caption>

TABLE OF CONTENTS CON'T

	SA Number
EXHIBITS	
<S>	<C>
A Aircraft Configuration	SA-13
B Product Assurance Document	SA-1
C Customer Support Document	
D Price Adjustments Due to Economic Fluctuations - Aircraft	SA-13
E Buyer Furnished Equipment Provisions Document	
F Defined Terms Document	
</Table>	

LETTER AGREEMENTS

1810-1 Waiver of Aircraft Demonstration Flight	
P.A. No. 1810 ii	
K/SWA	SA-25
<Page>	
<Table>	
<Caption>	

TABLE OF CONTENTS CON'T

	SA Number
RESTRICTED LETTER AGREEMENTS	
<S>	<C>
6-1162-RLL-932R2 Promotional Support	SA-13
6-1162-RLL-933R16 Option Aircraft	SA-25
6-1162-RLL-934R3 Disclosure of Confidential Information	SA-14
6-1162-RLL-935R1 Performance Guarantees	SA-1
6-1162-RLL-936R4 Certain Contractual Matters	SA-4
6-1162-RLL-937 Alternate Advance Payment Schedule	
6-1162-RLL-938 ***	
6-1162-RLL-939R1 Certification Flight Test Aircraft	SA-1
6-1162-RLL-940R1 Training Matters	SA-1
6-1162-RLL-941R2 Other Matters	SA-13
6-1162-RLL-942 Open Configuration Matters	
6-1162-RLL-943R1 Substitution Rights	SA-6
6-1162-RLL-944 Airframe Maintenance Material Cost Protection Program	
6-1162-RLL-945 Comparison of 737-7H4 and 737-3H4 Block Fuel Burn	
6-1162-RLL-1855R3 Additional Contractual Matters	SA-4
6-1162-RLL-1856 ***	SA-1
6-1162-RLL-1857 Service Ready Validation Program Field Test	SA-1
6-1162-RLL-1858R1 Escalation Matters	SA-4

</Table>
P.A. No. 1810
K/SWA
<Page>
<Table>
<Caption>

iii

SA-25

TABLE OF CONTENTS CON'T

	SA Number
RESTRICTED LETTER AGREEMENTS	
<S>	<C>
6-1162-RLL-2036 Amortization of Costs for Customer Unique Changes	SA-1
6-1162-RLL-2037 Reconciliation of the Aircraft Basic Price	SA-1
6-1162-RLL-2073 Maintenance Training Matters	SA-1
6-1162-KJJ-054 Business Matters	SA-13
6-1162-KJJ-055R1 Structural Matters	SA-25
6-1162-KJJ-056 Noise and Emission Matters	SA-13
6-1162-KJJ-057 Product Development Matters	SA-13
6-1162-KJJ-058 Additional Substitution Rights	SA-13
6-1162-KJJ-150 Flight Control Computer & Mode Control Panel Spares Matter	SA-14
6-1162-MSA-185R3 Delivery Change Contractual Matters	SA-21

</Table>

P.A. No. 1810
K/SWA
<Page>

iv

SA-25

ARTICLE 2. Delivery, Title and Risk of Loss.

2.1 Time of Delivery. The Aircraft will be delivered to Buyer by Boeing, assembled and ready for flight and Buyer will accept delivery of the Aircraft, in accordance with the following schedule:

<Table>
<Caption>

Month and Year of Delivery	Quantity of Aircraft
Block E Aircraft	
<S>	<C>
December 2000	Two (2)
January 2001	One (1)
February 2001	One (1)
March 2001	Two (2)
June 2001	Three (3)
September 2001	Three (1)
Block F Aircraft	
<S>	<C>
October 1998	One (1)
November 1998	Two (2)
December 1998	Two (2)
Block G Aircraft	
<S>	<C>
March 1999	Two (2)
Block H Aircraft	
<S>	<C>
June 1999	Two (2)
July 1999	One (1)
August 1999	One (1)
September 1999	Two (2)

October 1999	One (1)
March 2000	One (1)
April 2000	Two (2)
September 2000	One (1)
October 2000	Two (2)
March 2001	Two (2)
April 2001	One (1)
October 2001	Three (3)

Block I Aircraft

<S>	<C>
November 2001	Two (2)
December 2001	One (1)
January 2002	One (1)
March 2002	Four (4)
April 2002	Two (2)
December 2002	Two (2)
May 2003	One (1)
June 2003	Two (2)
July 2003	One (1)
September 2003	Two (2)
October 2003	Two (2)

P.A. No. 1810
K/SWA
<Page>

2-1

SA-25

Block J Aircraft

<S>	<C>
November 2002	One (1)
December 2002	One (1)
November 2003	Two (2)
December 2003	Two (2)
March 2004	One (1)

Block K Aircraft

<S>	<C>
March 2004	One (1)
April 2004	Three (3)
May 2004	One (1)

Block L Aircraft

<S>	<C>
October 1999	One (1)
November 1999	Two (2)
December 1999	One (1)
June 2000	Three (3)
July 2000	Three (3)
September 2000	One (1)
October 2000	One (1)
November 2000	Four (4)
December 2000	One (1)
January 2001	One (1)
February 2001	One (1)
July 2001	One (1)
September 2001	One (1)
October 2001	One (1)
March 2003	One (1)
April 2003	One (1)
July 2003	One (1)
August 2003	Two (2)

Block T Aircraft

<S>	<C>
November 2001	One (1)
February 2002	One (1)
January 2004	Two (2)
May 2004	One (1)
June 2004	Three (3)
July 2004	One (1)
August 2004	Two (2)
September 2004	Three (3)
October 2004	One (1)
November 2004	One (1)

P.A. No. 1810
K/SWA

2-2

SA-25

<S>	<C>
December 2004	One (1)
January 2005	Five (5)
February 2005	Two (2)
March 2005	One (1)
April 2005	Two (2)
May 2005	One (1)
June 2005	Three (3)

July 2005	Two (2)
August 2005	One (1)
September 2005	Two (2)
October 2005	One (1)
November 2005	Two (2)
December 2005	Two (2)
February 2006	Four (4)
May 2006	Three (3)
June 2006	Four (4)
July 2006	One (1)
August 2006	Three (3)
September 2006	Three (3)
November 2006	Two (2)
December 2006	Two (2)
January 2007	Two (2)
February 2007	Three (3)
March 2007	Two (2)
April 2007	Two (2)
May 2007	Two (2)
June 2007	Two (2)
July 2007	Two (2)
August 2007	Two (2)
September 2007	Two (2)
October 2007	Two (2)
November 2007	Two (2)
December 2007	Two (2)
January 2008	One (1)
February 2008	One (1)
March 2008	One (1)
April 2008	One (1)
May 2008	One (1)
June 2008	One (1)

</Table>

2.2 Notice of Target Delivery Date. Boeing will give Buyer notice of the Target Delivery Date of the Aircraft approximately 30 days prior to the scheduled month of delivery.

2.3 Notice of Delivery Date. If Boeing gives Buyer at least 7 days' notice of the delivery date of the Aircraft, and an Aircraft delivery is delayed beyond such delivery date due to the responsibility of Buyer, Buyer will reimburse Boeing for all costs incurred by Boeing as a result of such delay, including amounts for storage, insurance, Taxes, preservation or protection of the Aircraft and interest on payments due.

P.A. No. 1810

2-3

SA-25

K/SWA

<Page>

2.4 Place of Delivery. The Aircraft will be delivered at an airport facility selected by Boeing in the State of Washington, unless mutually agreed otherwise.

2.5 Title and Risk of Loss. Title to and risk of loss of an Aircraft will pass from Boeing to Buyer upon delivery of such Aircraft, but not prior thereto.

2.6 Bill of Sale. Upon delivery of an Aircraft Boeing will deliver to Buyer a bill of sale conveying good title to such Aircraft, free of all liens, claims, charges and encumbrances of every kind whatsoever, and such other appropriate documents of title as Buyer may reasonably request.

3.1 Definitions.

3.1.1 Special Features are the features incorporated in Exhibit A which have been selected by Buyer.

3.1.2 Base Aircraft Price is the Aircraft Basic Price excluding the price of Special Features.

3.1.3 Aircraft Basic Price is comprised of the Base Aircraft Price and the price of the Special Features.

3.1.4 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Aircraft and Special Features) as calculated pursuant to Exhibit D or Exhibit D-1 as applicable.

3.1.5 Aircraft Price is the total amount Buyer is to pay for the Aircraft at the time of delivery.

3.2 Aircraft Basic Price.

The Aircraft Basic Price for Block A through L Aircraft, is expressed in July 1992 dollars; the Aircraft Basic Price for Block T Aircraft, is expressed in July 1999 dollars; as set forth below:

<Table>

<Caption>

	Base Aircraft Price	Special Features	Aircraft Basic Price
<S>	<C>	<C>	<C>
Block A, B, C, D & E Aircraft	***	***	***
Block F & G Aircraft	***	***	***
Block H Aircraft	***	***	***
Block I Aircraft	***	***	***
Block J Aircraft	***	***	***
Block K Aircraft	***	***	***
Block L Aircraft	***	***	***
Block T Aircraft	***	***	***

3.3 Aircraft Price. The Aircraft Price will be established at the time of delivery of such Aircraft to Buyer and will be the sum of:

3.3.1 the Aircraft Basic Price, which is *** for the Block A, B, C, D and E Aircraft, *** for the Block F and G Aircraft, *** for the Block H Aircraft, *** for the Block I Aircraft, *** for the Block J Aircraft, *** for the Block K Aircraft and *** for the Block L Aircraft; *** for the Block T Aircraft; plus

3.3.2 the Economic Price Adjustments for the Aircraft Basic Price, as calculated pursuant to the formulas set forth in Exhibit D (Price Adjustments Due to Economic Fluctuations - Aircraft) for Aircraft Block A through L, and in Exhibit D-1 (Price Adjustments Due to Economic Fluctuations - - Aircraft) for Aircraft Block T; plus

3.3.3 other price adjustments made pursuant to this Agreement or other written agreements executed by Boeing and Buyer.

3.4 Advance Payment Base Price.

3.4.1 Advance Payment Base Price. For advance payment purposes, the following estimated delivery prices of the Aircraft (Advance Payment Base Price) have been established, using currently available forecasts of the escalation factors used by Boeing as of the date of signing this Agreement. The Advance Payment Base Price of each Aircraft is set forth below:

Month and Year of Scheduled Delivery	Advance Payment Base Price per Aircraft
---	--

Block A Aircraft***

November 1997
October 1997

Block B Aircraft***

January 1998
February 1998
March 1998
April 1998
May 1998
June 1998
July 1998
September 1998

P.A. No. 1810
K/SWA
<Page>

3-2

SA-25

Block C Aircraft***

February 1999
May 1999
July 1999
August 1999
September 1999

Block D Aircraft***

November 1999
December 1999
January 2000
March 2000
July 2000
August 2000

Block E Aircraft***

December 2000
January 2001
February 2001
March 2001
June 2001
September 2001

Block F Aircraft***

October 1998
November 1998
December 1998

Block G Aircraft***

March 1999

Block H Aircraft***

June 1999
July 1999
August 1999
September 1999
October 1999
March 2000
April 2000
September 2000
October 2000
March 2001
April 2001
October 2001

Block I Aircraft***

P.A. No. 1810
K/SWA
<Page>

3-3

SA-25

November 2001
December 2001
January 2002
March 2002
April 2002
December 2002
May 2003
June 2003
July 2003
September 2003
October 2003

Block J Aircraft***

November 2002
December 2002
November 2003
December 2003
March 2004

Block K Aircraft***

March 2004
April 2004
May 2004

Block L Aircraft***

October 1999
November 1999
December 1999
June 2000
July 2000
September 2000
October 2000
November 2000
December 2000
January 2001
February 2001
July 2001
September 2001
October 2001
March 2003
April 2003
July 2003
August 2003

Block T Aircraft***

November 2001
February 2002
January 2004
May 2004

P.A. No. 1810
K/SWA
<Page>

3-4

SA-25

June 2004
July 2004
August 2004
September 2004
October 2004
November 2004
December 2004
January 2005
February 2005
March 2005
April 2005
May 2005
June 2005
July 2005
August 2005
September 2005
October 2005
November 2005
December 2005
February 2006
May 2006
June 2006
July 2006
August 2006
September 2006
November 2006
December 2006
January 2007
February 2007
March 2007
April 2007
May 2007
June 2007
July 2007
August 2007
September 2007
October 2007
November 2007
December 2007
January 2008
February 2008
March 2008
April 2008
May 2008

3.4.2 Adjustment of Advance Payment Base Prices - Long-Lead Aircraft. For Aircraft scheduled for delivery 36 months or more after the date of this Agreement, the Advance Payment Base Prices appearing in Article 3.4.1 will be used to determine the amount of the first advance payment to be made by Buyer on the Aircraft. No later than 25 months before the scheduled month of delivery of each affected Aircraft, Boeing will increase or decrease the Advance Payment Base Price of such Aircraft as required to reflect the effects of (i) any adjustments in the Aircraft Basic Price pursuant to this Agreement and (ii) the then-current forecasted escalation factors used by Boeing. Boeing will provide the adjusted Advance Payment Base Prices for

each affected Aircraft to Buyer, and the advance payment schedule will be considered amended to substitute such adjusted Advance Payment Base Prices.

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

This Letter Agreement amends Purchase Agreement No. 1810 dated as of January 19, 1994 (the Agreement) between The Boeing Company (Boeing) and Southwest Airlines Co. (Buyer) relating to Model 737-7H4 aircraft (Aircraft).

In consideration of the purchase by Buyer of the Aircraft, Boeing hereby agrees to manufacture and sell to Buyer and Buyer shall have the option to purchase (Option or Options) eighty-one (81) additional Model 737-7H4 aircraft as described in paragraph 1 of Attachment A hereto (Option Aircraft) and two hundred seventeen (217) Model 737-7H4 Rollover Option Aircraft (Rollover Option Aircraft), subject to the terms and conditions set forth below.

1. Delivery of Option Aircraft.

The Option Aircraft will be delivered to Buyer during or before the months set forth in the following schedule:

<Table>

<Section>

Month and Year of Delivery <S>	Number of Option Aircraft <C>	Option Aircraft Block <C>
June 2004	Two (2)	M
July 2004	Two (2)	M
September 2004	One (1)	M
October 2004	Four (4)	M
November 2004	Two (2)	M
December 2004	Two (2)	M

</Table>

P.A. No. 1810

K/SWA

SA-25

<Page>

Southwest Airlines Co.

6-1162-RLL-933R16 Page 2

<Table>

<Caption>

Month and Year of Delivery <S>	Number of Option Aircraft <C>	Option Aircraft Block <C>
February 2005	One (1)	N
March 2005	Four (4)	N
April 2005	Two (2)	N
May 2005	One (1)	N
June 2005	One (1)	N
July 2005	One (1)	N
August 2005	One (1)	N
September 2005	Three (3)	N
October 2005	Two (2)	N
November 2005	One (1)	N
December 2005	One (1)	N
January 2006	Two (2)	O
March 2006	Three (3)	O
April 2006	Two (2)	O
May 2006	Two (2)	O
June 2006	One (1)	O
July 2006	Two (2)	O
August 2006	One (1)	O
October 2006	One (1)	O
November 2006	One (1)	O
December 2006	One (1)	O
April 2007	One (1)	P
May 2007	One (1)	P
June 2007	One (1)	P
July 2007	One (1)	P
August 2007	One (1)	P
September 2007	One (1)	P
October 2007	One (1)	P
November 2007	One (1)	P
December 2007	One (1)	P
January 2008	Two (2)	U
February 2008	Three (3)	U
March 2008	Two (2)	U
April 2008	Two (2)	U
May 2008	Two (2)	U
June 2008	Two (2)	U
July 2008	Two (2)	U
August 2008	Two (2)	U
September 2008	Two (2)	U
October 2008	Two (2)	U
November 2008	Two (2)	U
December 2008	Two (2)	U

</Table>

P.A. No. 1810

K/SWA

SA-25

<Page>

Southwest Airlines Co.

6-1162-RLL-933R16 Page 3

2. Delivery of Rollover Option Aircraft.

2.1 The Rollover Option Aircraft will be delivered to Buyer during

or before the years set forth in the following schedule:

<Table>

<Caption>

Year of Delivery	Number of Option Aircraft	Option Aircraft Block
<S>	<C>	<C>
2007	Twenty (20)	Q
2008	Twenty (20)	R
2009	Six (6)	S
2009-2012	One hundred seventy one (171)	V

</Table>

2.2 The two hundred seventeen (217) Rollover Option Aircraft may be converted into Option Aircraft or firm Aircraft, from time to time, in any of the following ways:

2.2.1 Buyer can exercise any Option for an Option Aircraft described in Article 1 above, and will be offered the right to convert one Rollover Option Aircraft into an Option Aircraft for each Option exercised. Buyer can elect to convert such Rollover Option Aircraft into an Option Aircraft at any time after converting an Option Aircraft to a firm Aircraft subject to the requirements of Article 2.5.

2.2.2 If Buyer elects not to exercise an Option, at the same time of not exercising such Option Buyer may convert one Rollover Option Aircraft to an Option Aircraft; otherwise, one Rollover Option Aircraft will be deleted for each Option not exercised by Buyer.

2.2.3 Buyer may convert Rollover Option Aircraft directly to firm Aircraft. When Buyer converts one or more Rollover Option Aircraft to firm Aircraft, Buyer will be offered the right to convert one Rollover Option Aircraft into an Option Aircraft for each converted Rollover Option Aircraft. Buyer can elect to convert such Rollover Option Aircraft to Option Aircraft at any time after converting Rollover Option to firm Aircraft subject to the requirements of Article 2.5.

P.A. No. 1810

K/SWA

SA-25

<Page>

Southwest Airlines Co.

6-1162-RLL-933R16 Page 4

2.3 Buyer may not convert Rollover Option Aircraft to Option Aircraft except in accordance with Article 2.2 above.

2.4 Base Price Adjustments for Rollover Option Aircraft which are converted to Option Aircraft or firm Aircraft shall be in accordance with Article 2.2.5 of Attachment A to this Letter Agreement.

2.5 The delivery month offered by Boeing to Buyer for any Option or firm Aircraft resulting from a conversion of a Rollover Option Aircraft will be at least 24 months from the corresponding Option exercise date or firm order.

2.6 Upon conversion of a Rollover Option Aircraft into an Option Aircraft, Buyer shall wire transfer the Deposit of *** to Boeing and Boeing and Buyer shall agree on a delivery position for that aircraft. Section 1 of this Letter Agreement will be amended accordingly. In the event Buyer thereafter exercises its right to purchase such Option Aircraft, application of the Deposit will be in accordance with Article 4.1 herein. If the conversion is a Rollover Option Aircraft to a firm Aircraft, Buyer shall wire transfer any advance payments due under the Agreement.

2.7 Buyer and Boeing will consult on a frequent basis to keep each other informed as to Buyer's fleet plans and Boeing's production plans in order to accommodate to the greatest extent reasonably possible each party's needs in managing the delivery schedule for the Rollover Option Aircraft. Boeing acknowledges Buyer's need for delivery positions in the 2007-2012 time frame, as well as the possibility of a need for delivery positions in earlier years and will use its best reasonable efforts to meet Buyer's needs.

3. Price.

3.1 The advance payment base prices of the Option Aircraft set forth below and in paragraph 2.1 of Attachment A represent the estimated delivery prices of the Option Aircraft. The Option Aircraft pricing elements and associated pricing terms and conditions are given in Attachment A.

3.2 Price and escalation provisions for Model 737-7H4 aircraft delivering after 2006 are not currently available. The estimated Advance Payment Base Prices shown in paragraph 3.3 below and in paragraph 2.1 of Attachment A are based on currently available price and escalation

provisions. As price and escalation provisions become available for Model 737-7H4 aircraft delivering after 2006, such price and escalation provisions will be appropriately applied to the applicable Option Aircraft.

P.A. No. 1810

K/SWA

SA-25

<Page>

Southwest Airlines Co.

6-1162-RLL-933R16 Page 5

For additional information relating to price and escalation provisions applicable to Option Aircraft delivering after 2006 refer to paragraphs 2.2 and 3.2 of Attachment A.

3.3 The Advance Payment Base Prices of the Option Aircraft indicated below do include an amount for special features in addition to those specifically described in Attachment A but do not include any amount for items of Buyer Furnished Equipment (BFE). An estimate for typical special features is *** per Aircraft (expressed in 1992 STE dollars) and for BFE is *** per Aircraft (expressed in delivery year dollars).

Month and Year of Delivery	Advance Payment Base Price per Option Aircraft
-------------------------------	---

Block M Aircraft***

June 2004
October 2004
July 2004
September 2004
November 2004
December 2004

Block N Aircraft***

February 2005
March 2005
April 2005
May 2005
June 2005
July 2005
August 2005
September 2005
October 2005
November 2005
December 2005

Block O Aircraft***

January 2006
March 2006
April 2006
May 2006

P.A. No. 1810

K/SWA

SA-25

<Page>

Southwest Airlines Co.

6-1162-RLL-933R16 Page 6

June 2006
July 2006
August 2006
October 2006
November 2006
December 2006

Block P Aircraft***

April 2007
May 2007
June 2007
July 2007
August 2007
September 2007
October 2007
November 2007
December 2007

Block U Aircraft***

January 2008
February 2008
March 2008
April 2008
May 2008
June 2008
July 2008

August 2008
September 2008
October 2008
November 2008
December 2008

3.4 The Option Aircraft purchase price will be the applicable basic price thereof at the time of Option Aircraft delivery adjusted in accordance with Boeing's Aircraft escalation provisions contained in the definitive agreement to purchase the Option Aircraft. The purchase price will include the price for Seller Purchased Equipment (SPE) if Buyer has elected to change Buyer Furnished Equipment (BFE) to SPE.

4. Option Aircraft Payment.

4.1 In consideration of the granting of the Options as set forth herein, on or before the date Boeing and Buyer enter into a definitive agreement to purchase the Aircraft, Buyer will pay a deposit to Boeing of *** for each Option Aircraft (Deposit). In the event Buyer exercises its Options herein, the amount of the Deposit will be credited against the first advance payment due for such Option Aircraft pursuant to the advance payment schedule set forth in paragraph 3 of Attachment A. The Deposits for the Option Aircraft will be refunded to Buyer, without interest, if the parties do not enter into a definitive Agreement for the Aircraft.

P.A. No. 1810

K/SWA

SA-25

<Page>

Southwest Airlines Co.

6-1162-RLL-933R16 Page 7

In the event that, after the parties enter into a definitive agreement to purchase the Aircraft, Buyer does not exercise its Options to purchase the Option Aircraft pursuant to the terms and conditions set forth herein, Boeing will be entitled to retain the Deposits for the Option Aircraft except as provided in paragraph 6 herein.

4.2 Advance payments in the amount of 30% of the advance payment base price will be payable on the Option Aircraft in accordance with paragraph 3 of Attachment A. The remainder of the Option Aircraft purchase price is due at the time of delivery of the Option Aircraft.

5. Option Exercise.

5.1 To exercise its Option, Buyer will give written or telegraphic notice thereof to Boeing on or before sixteen (16) months prior to the first day of the delivery month of each Option Aircraft.

In such notice Buyer will select the Option Model type, and the applicable delivery positions.

5.2 It is understood and agreed that Boeing may accelerate the Option exercise dates specified above if Boeing must make production decisions which are dependent on Buyer's decision to buy the Option Aircraft. If Boeing elects to accelerate the Option exercise dates, Boeing will do so by giving written or telegraphic notice thereof to Buyer. Such notice will specify the revised Option exercise dates, which will not be earlier than 30 days after the date of transmittal of such notice, and the Option Aircraft delivery positions affected by such revision. If Buyer fails to exercise its Option for any Option Aircraft affected by such revised dates, the Deposit applicable to such Option Aircraft will be promptly refunded, with interest, to Buyer. The interest rate for calculation of the interest associated with such refund is the rate of two percent (2%) below the Citibank base rate in effect from time to time during the period the Option deposit is held by Boeing.

P.A. No. 1810

K/SWA

SA-25

<Page>

Southwest Airlines Co.

6-1162-RLL-933R16 Page 8

6. Contract Terms.

It is understood that Boeing and Buyer will use their best efforts to enter into a definitive agreement for the Option Aircraft within thirty (30) days after Buyer exercises an Option to purchase Option Aircraft pursuant to paragraph 5 covering the detailed terms and conditions for the sale of such Option Aircraft.

Such definitive agreement will include the terms and conditions contained herein together with the terms and conditions, not inconsistent herewith, contained in Boeing's then-current standard form of purchase agreement for the sale of Model 737-700 aircraft in effect as of the date of Option exercise and such additional terms and conditions as may be mutually agreed

upon. In the event the parties have not entered into such an agreement within the time period contemplated herein, either party may, exercisable by written or telegraphic notice given to the other within thirty (30) days after such period, terminate the purchase of such Option Aircraft.

7. Termination of Option to Purchase.

Either Boeing or Buyer may terminate the Options to purchase an Option Aircraft if any of the following events are not accomplished by the respective dates contemplated in this letter agreement, or in the Agreement, as the case may be:

(i) termination of the purchase of the Aircraft under the Agreement for any reason;

(ii) payment by Buyer of the Deposit with respect to an Option Aircraft pursuant to paragraph 4.1 herein;

(iii) exercise of an Option to purchase an Option Aircraft pursuant to the terms hereof.

Any termination of an Option to purchase by Boeing which is based on the termination of the purchase of Aircraft under the Agreement will be on a one - for-one basis, for each Aircraft so terminated.

P.A. No. 1810

K/SWA

SA-25

<Page>

Southwest Airlines Co.

6-1162-RLL-933R16 Page 9

Any cancellation of an Option to purchase which is based on failure to make the required Deposit or to exercise the Option to purchase shall only apply to the Option Aircraft so canceled.

Termination of an Option to purchase provided by this letter agreement will be caused by either party giving written notice to the other within 10 days after the applicable date. Upon receipt of such notice, all rights and obligations of the parties with respect to an Option Aircraft for which the Option to purchase has been terminate will thereupon terminate.

If termination is result of a revision of an Option exercise date by Boeing pursuant to paragraph 5.2, Boeing will promptly refund to Buyer, with interest, any payments received from Buyer, including the Deposit, with respect to the Option Aircraft for which the Option is terminated. If termination is for any other reason, Boeing will promptly refund to Buyer, without interest, any payments received from Buyer with respect to the affected Option Aircraft, except the Deposit, which Buyer may apply to any model Boeing aircraft purchased by Buyer from Boeing at a future date.

P.A. No. 1810

K/SWA

SA-25

<Page>

Southwest Airlines Co.

6-1162-RLL-933R16 Page 10

8. Confidential Treatment. Buyer understands that certain commercial and financial information contained in this Letter Agreement including any attachments hereto is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity except as provided in Letter Agreement No. 6-1162-RLL - 934, as amended.

Very truly yours,
THE BOEING COMPANY

By /s/ J.A. McGarvey
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this
date:December 21, 2002
SOUTHWEST AIRLINES CO.

By /s/ Laura Wright
Its VP Finance & Treasurer
Attachments

P.A. No. 1810
K/SWA
<Page>
Attachment A to
6-1162-RLL-933R16
Page 1

SA-25

Model 737-7H4 Aircraft

1. Option Aircraft Description and Changes.

1.1 Aircraft Description. The Option Aircraft is described by Boeing Detail Specification D6-38808-1, Dated October 30 ,1996 and for Block "U" Option Aircraft by Boeing Detail Specification D6-38808-1, Rev. A, Dated February 24, 1998.

1.2 Changes. The Detail Specification will be revised to include:

(1) Changes applicable to the basic Model 737-700 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of a definitive agreement to purchase the Option Aircraft.

(2) Changes mutually agreed upon.

(3) Changes required to obtain a Standard Certificate of Airworthiness.

(4) To provide sufficient Option Aircraft manufacturing and procurement lead time it is necessary for Boeing and Buyer to reach final agreement on the Option Aircraft configuration, including BFE/SPE vendor selection fifteen (15) months prior to delivery of each Option Aircraft. If such items are not resolved by the indicated dates, Boeing reserves the right to amend this letter agreement:

(i) to adjust the scheduled delivery of the Option Aircraft to a later time period and,

(ii) to make such other changes as are appropriate and consistent with the revised Option Aircraft deliveries.

1.3 Effect of Changes. Changes to the Detail Specification incorporated pursuant to the provisions of the clauses above will include the effects of such changes upon Option Aircraft weight, balance, design and performance. Performance guarantees for the Option Aircraft which are mutually acceptable to the parties will be included in the definitive agreement for the Option Aircraft.

P.A. No. 1810
K/SWA
<Page>
Attachment A to
6-1162-RLL-933R16
Page 2

SA-25

2. Price Description

2.1 Price Elements Per Aircraft

<Table>

<Caption>

	1	2	3	
	AIRCRAFT & ADV. PMT.			
AIRCRAFT DELIVERY MO. & YR.	ESTIMATED SPECIAL FEATURES PRICE (JULY 1999\$)	ESTIMATED ESCALATION	ESTIMATED ESCALATION SHARING	BASE PRICE (ELEMENTS) 1 + 2 + 3
<S>	<C>	<C>	<C>	<C>

BLOCK M

June 2004	***	***	***	***
July 2004	***	***	***	***
September 2004	***	***	***	***
October 2004	***	***	***	***
November 2004	***	***	***	***
December 2004	***	***	***	***

BLOCK N

February 2005	***	***	***	***
March 2005	***	***	***	***
April 2005	***	***	***	***
May 2005	***	***	***	***
June 2005	***	***	***	***
July 2005	***	***	***	***
August 2005	***	***	***	***
September 2005	***	***	***	***
October 2005	***	***	***	***
November 2005	***	***	***	***
December 2005	***	***	***	***

BLOCK O

January 2006	***	***	***	***
March 2006	***	***	***	***
April 2006	***	***	***	***
May 2006	***	***	***	***
June 2006	***	***	***	***
July 2006	***	***	***	***
August 2006	***	***	***	***
October 2006	***	***	***	***
November 2006	***	***	***	***
December 2006	***	***	***	***

</Table>

P.A. No. 1810

K/SWA

SA-25

<Page>

Attachment A to

6-1162-RLL-933R16

Page 3

<Table>

<Caption>

	AIRCRAFT & ADV. PMT.			
AIRCRAFT DELIVERY MO. & YR.	ESTIMATED SPECIAL FEATURES PRICE (JULY 1992\$)	ESTIMATED ESCALATION	ESTIMATED ESCALATION SHARING	BASE PRICE (ELEMENTS) 1 + 2 + 3

BLOCK P

<S>	<C>	<C>	<C>	<C>
April 2007	***	***	***	***
May 2007	***	***	***	***
June 2007	***	***	***	***
July 2007	***	***	***	***
August 2007	***	***	***	***
September 2007	***	***	***	***
October 2007	***	***	***	***
November 2007	***	***	***	***
December 2007	***	***	***	***

</Table>

<Table>

<Caption>

	AIRCRAFT & ADV. PMT.			
AIRCRAFT DELIVERY MO. & YR.	ESTIMATED SPECIAL FEATURES PRICE (JULY 1999\$)	ESTIMATED ESCALATION	ESTIMATED ESCALATION SHARING	BASE PRICE (ELEMENTS) 1 + 2 + 3

BLOCK U

<S>	<C>	<C>	<C>	<C>
January 2008	***	***	***	***
February 2008	***	***	***	***
March 2008	***	***	***	***
April 2008	***	***	***	***
May 2008	***	***	***	***
June 2008	***	***	***	***
July 2008	***	***	***	***
August 2008	***	***	***	***
September 2008	***	***	***	***
October 2008	***	***	***	***
November 2008	***	***	***	***
December 2008	***	***	***	***
</Table>				

2.2 PriceAdjustments For Option Aircraft Delivering From January 2007 through December 2012.

2.2.1 Special Features. The price for Special Features incorporated in the Option Aircraft Detail Specification will be adjusted to Boeing's then-current prices for such features as of the date of execution of the definitive agreement for the Option Aircraft.

2.2.2 Escalation Adjustments. For escalation provisions applicable to Option Aircraft delivering after 2006, see paragraph 2.2.6 below.

P.A. No. 1810
K/SWA
<Page>
Attachment A to
6-1162-RLL-933R16
Page 4

SA-25

2.2.3 Base Price Adjustments for FAA Changes. The Aircraft Basic Price of the Option Aircraft will be adjusted for any FAA mandated changes incorporated into the Aircraft.

2.2.4 Price Adjustments for Changes. Boeing may adjust the Aircraft Basic Price and the Advance Payment Base Price for any changes mutually agreed upon subsequent to the date that Buyer and Boeing enter into a definitive agreement for the Option Aircraft.

2.2.5 Base Price Adjustments. The Aircraft Basic Price of the Option Aircraft will be adjusted to Boeing's then-current prices as of the date of execution of the definitive agreement for the Option Aircraft in accordance with the agreement reached below. The Aircraft Basic Price starting point for Option Aircraft delivering in 2003 is *** (July 1992 STE), for Option Aircraft delivering in 2004 is *** (July 1992 STE), for Options delivering in 2005 through 2009 is *** (July 1992 STE) and for Block "U" Option Aircraft is *** (July 1999 STE). Such Aircraft Basic Price may increase in accordance with paragraphs 2.2.1, 2.2.2, 2.2.3 and 2.2.4. For any other changes to the Aircraft Basic Price, Boeing may increase the Aircraft Basic Price by a maximum of *** (July 1992 STE) for Aircraft delivering in 2005; by a maximum of *** (July 1992 STE) per year or portion thereof starting in January 2006 through 2009. For Block "U" Option Aircraft Boeing may increase the Aircraft Basic Price by a maximum of *** (July 1999 STE) per year or portion thereof starting in January 2008.

2.2.6 Prices for Long Lead Time Aircraft. Boeing has not established escalation provisions for Model 737-700 aircraft for delivery 2007 and after. Such escalation provisions (i) will be incorporated into the Option Aircraft definitive agreement when such information is available and (ii) will be the then-current escalation provisions applicable to the same model aircraft and engines delivering in the same time period as the Option Aircraft. The resulting revisions to the definitive agreement will include but not be limited to, adjustment of the Aircraft Basic Price of the Option Aircraft, the Advance Payment Base Price, the Aircraft escalation provisions and the advance payment amounts due on the Option Aircraft.

2.2.7 BFE to SPE. An estimate of the total price for items of Buyer Furnished Equipment (BFE) changed to Seller Purchased Equipment (SPE) pursuant to the Configuration Specification is included in the Option Aircraft price build-up. The purchase price of the Option Aircraft will be adjusted by the price charged to Boeing for

P.A. No. 1810
K/SWA
<Page>
Attachment A to
6-1162-RLL-933R16
Page 5

SA-25

such items plus 10% of such price. If all BFE except developmental avionics is converted to SPE, Boeing will waive the 10% fee.

3. Advance Payment Schedules, Prices and Adjustments.

3.1 Buyer will pay to Boeing advance payments for the Option Aircraft on the dates and in the amounts determined below.

<Table>

<Caption>

Due Date of Payment	Amount Due per Aircraft (Percentage times Advance Payment Base Price)	
Deposit	*** (if applicable)	
<S>	<C>	
18 months prior to the first day of the scheduled delivery month of the Aircraft	15%	(less the Deposit if any)
12 months prior to the first day of the scheduled delivery month of the Aircraft	5%	
9 months prior to the first day of the scheduled delivery month of the Aircraft	5%	
6 months prior to the first day of the scheduled delivery month of the Aircraft	5%	
Total	30%	

</Table>

Any advance payments that would be past due as of the date of signing the definitive purchase agreement for the Option Aircraft in accordance with the above schedule are due and payable on such date.

3.2 Option Aircraft advance payment base prices will be increased or decreased, as appropriate, at the time of signing of the definitive purchase agreement for the Option Aircraft, using the then-current forecasted aircraft escalation factors used by Boeing, to determine the amount of the advance payments to be made by Buyer on the Option Aircraft.

P.A. No. 1810

K/SWA

<Page>

SA-25

6-1162-KJJ-055R1

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-KJJ-055R1 to Purchase
Agreement No. 1810 - Structural Matters

Reference: Purchase Agreement No. 1099
Purchase Agreement No. 1405
Purchase Agreement No. 1510

This letter Agreement amends Purchase Agreement No. 1810 dated January 19, 1994 (the Agreement) between The Boeing Company (Boeing) and Southwest Airlines Co. (Buyer) relating to Model 737-7H4 aircraft (the Aircraft).

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

1. ***

2. ***

3. ***

P.A. No. 1810

SA-25

<Page>

Southwest Airlines Co.

6-1162-KJJ-055R1 Page 2

4. Confidential Treatment.

Buyer understands that certain commercial and financial information contained in this Letter Agreement is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without prior written consent of Boeing disclose this Letter Agreement, except as provided in Letter Agreement 6-1162-RLL-934, as amended.

Very truly yours,

THE BOEING COMPANY

By /s/ J.A. McGarvey

Its Attorney in Fact

ACCEPTED AND AGREED TO as of this
Date: December 21, 2002

SOUTHWEST AIRLINES CO.

By /s/ Laura Wright

Its VP Finance & Treasurer

P.A. No. 1810

SA-25

<Page>

Attachment B-***

Boeing Model 737-300 Aircraft

Attachment B to Letter Agreement 6-1162-KJJ-055R1
P.A. No. 1810

SA-25

<Page>

Attachment C-***

Boeing Model 737-500 Aircraft

Supplemental Agreement No. 26

to

Purchase Agreement No. 1810

between

THE BOEING COMPANY

and

SOUTHWEST AIRLINES CO.

Relating to Boeing Model 737-7H4 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of February 26 , 2003, by and between THE BOEING COMPANY, a Delaware corporation with its principal offices in Seattle, Washington, (Boeing) and SOUTHWEST AIRLINES CO., a Texas corporation with its principal offices in Dallas, Texas (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1810 dated January 19, 1994, relating to Boeing Model 737-7H4 aircraft (the Agreement) and;

WHEREAS, Buyer has agreed to exercise two (2) June 2004 Block M Option Aircraft (as Block K Aircraft) and;

WHEREAS, Buyer has agreed to accelerate a Block L Option Aircraft from April 2003 to March 2003;

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Agreement as follows:

1. The Table of Contents of the Agreement is deleted in its entirety and a new Table of Contents is attached hereto and incorporated into the Agreement by this reference.

***Pursuant to 17 CFR 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

2. Article 2, entitled "Delivery, Title and Risk of Loss," is deleted in its entirety and replaced by a new Article 2. Such new pages 2-1, 2-2, 2-3 and 2-4 are attached hereto and incorporated into the Agreement by this reference.

3. Article 3, entitled "Price of Aircraft", is deleted in its entirety and replaced by a new Article 3. Such new pages 3-1, 3-2, 3-3, 3-4, 3-5 and 3-6 are attached hereto and incorporated into the Agreement by this reference.

4. Letter Agreement No. 6-1162-RLL-933R16 entitled "Option Aircraft," is deleted in its entirety and replaced by a new Letter Agreement No. 6-1162-RLL-933R17 which is attached hereto and is incorporated into the Agreement by this reference.

NOTE - Buyer now has eight (8) 'banked' Rollover Option Aircraft as a result of the option exercises covered by Supplemental Agreement No. 21, 23, 24 and 26 that may be converted to Option Aircraft at a future date

subject to the terms of Letter Agreement No. 6-1162-RLL-933R17.

5. All references in the Letter Agreements associated with Purchase Agreement No. 1810 shall be deemed to refer to the purchase by Buyer of two hundred forty-four(244) Model 737-7H4 Aircraft, seventy-nine (79) Model 737 - 7H4 Option Aircraft and two hundred seventeen (217) Model 737-7H4 Rollover Option Aircraft, to the extent such reference is not specifically addressed herein.

6. The Advance Payments due upon signing assuming execution of this Supplemental Agreement in February 2003 are:

*** for the June 2004 aircraft
*** for the June 2004 aircraft
*** for the March 2003 aircraft
*** Total

Buyer will pay the *** directly to Boeing upon execution of this agreement.

P.A. No. 1810 SA-26-2
K/SWA
<Page>

The Agreement will be deemed to be supplemented to the extent herein provided and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first above written.

THE BOEING COMPANY SOUTHWEST AIRLINES CO.

By: /s/ J.A. McGarvey By: /s/ Laura Wright
Its: Attorney-In-Fact Its:_VP Finance & Treasurer

P.A. No. 1810 SA-26-3
K/SWA
<Page>
<Table>
<Caption>

TABLE OF CONTENTS

	Page Number	SA Number
ARTICLES		
<S>	<C>	<C>
1. Subject Matter of Sale	1-1	SA-13
2. Delivery, Title and Risk of Loss	2-1	SA-26
3. Price of Aircraft	3-1	SA-26
4. Taxes	4-1	
5. Payment	5-1	
6. Excusable Delay	6-1	
7. Changes to the Detail Specification	7-1	SA-1
8. Federal Aviation Requirements and Certificates and Export License	8-1	
9. Representatives, Inspection, Flights and Test Data	9-1	
10. Assignment, Resale or Lease	10-1	
11. Termination for Certain Events	11-1	

12.	Product Assurance; Disclaimer and Release; Exclusion of Liabilities; Customer Support; Indemnification and Insurance	12-1
13.	Buyer Furnished Equipment and Spare Parts	13-1
14.	Contractual Notices and Requests	14-1
15.	Miscellaneous	15-1

P.A. No. 1810 I SA-26
K/SWA
<Page>
<Table>
<Caption>

TABLE OF CONTENTS CON'T

SA
Number

EXHIBITS

<S>		<C>
A	Aircraft Configuration	SA-13
B	Product Assurance Document	SA-1
C	Customer Support Document	
D	Price Adjustments Due to Economic Fluctuations - Aircraft	SA-13
E	Buyer Furnished Equipment Provisions Document	
F	Defined Terms Document	

LETTER AGREEMENTS

1810-1 Waiver of Aircraft Demonstration Flight

P.A. No. 1810 ii SA-26
K/SWA
<Page>
<Table>
<Caption>

TABLE OF CONTENTS CON'T

SA
Number

RESTRICTED LETTER AGREEMENTS

<S>		<C>
6-1162-RLL-932R2	Promotional Support	SA-13
6-1162-RLL-933R17	Option Aircraft	SA-26
6-1162-RLL-934R3	Disclosure of Confidential Information	SA-14
6-1162-RLL-935R1	Performance Guarantees	SA-1

ARTICLE 2. Delivery, Title and Risk of Loss.

2.1 Time of Delivery. The Aircraft will be delivered to Buyer by Boeing, assembled and ready for flight and Buyer will accept delivery of the Aircraft, in accordance with the following schedule:

<Table>

<Caption>

Month and Year of Delivery	Quantity of Aircraft
-------------------------------	----------------------

Block E Aircraft

<S>	<C>	
December 2000		Two (2)
January 2001		One (1)
February 2001		One (1)
March 2001		Two (2)
June 2001		Three (3)
September 2001		Three (1)

Block F Aircraft

<S>	<C>	
October 1998		One (1)
November 1998		Two (2)
December 1998		Two (2)

Block G Aircraft

<S>	<C>	
March 1999		Two (2)

Block H Aircraft

<S>	<C>	
June 1999		Two (2)
July 1999		One (1)
August 1999		One (1)
September 1999		Two (2)
October 1999		One (1)
March 2000		One (1)
April 2000		Two (2)
September 2000		One (1)
October 2000		Two (2)
March 2001		Two (2)
April 2001		One (1)
October 2001		Three (3)

Block I Aircraft

<S>	<C>	
November 2001		Two (2)
December 2001		One (1)
January 2002		One (1)
March 2002		Four (4)
April 2002		Two (2)

P.A. No. 1810

2-1

K/SWA

SA-26

<Page>

<S>	<C>	
December 2002		Two (2)
May 2003		One (1)
June 2003		Two (2)
July 2003		One (1)
September 2003		Two (2)
October 2003		Two (2)

Block J Aircraft

<S>	<C>	
November 2002		One (1)
December 2002		One (1)
November 2003		Two (2)
December 2003		Two (2)
March 2004		One (1)

Block K Aircraft

<S>	<C>	
March 2004		One (1)
April 2004		Three (3)
May 2004		One (1)
June 2004		Two (2)

Block L Aircraft

<S>	<C>	
October 1999		One (1)
November 1999		Two (2)
December 1999		One (1)
June 2000		Three (3)

July 2000	Three (3)
September 2000	One (1)
October 2000	One (1)
November 2000	Four (4)
December 2000	One (1)
January 2001	One (1)
February 2001	One (1)
July 2001	One (1)
September 2001	One (1)
October 2001	One (1)
March 2003	Two (2)
July 2003	One (1)
August 2003	Two (2)

Block T Aircraft

<S>	<C>
November 2001	One (1)
February 2002	One (1)
January 2004	Two (2)
May 2004	One (1)
June 2004	Three (3)
July 2004	One (1)
August 2004	Two (2)
September 2004	Three (3)
October 2004	One (1)

P.A. No. 1810

2-2

K/SWA

SA-26

<Page>

<S>	<C>
November 2004	One (1)
December 2004	One (1)
January 2005	Five (5)
February 2005	Two (2)
March 2005	One (1)
April 2005	Two (2)
May 2005	One (1)
June 2005	Three (3)
July 2005	Two (2)
August 2005	One (1)
September 2005	Two (2)
October 2005	One (1)
November 2005	Two (2)
December 2005	Two (2)
February 2006	Four (4)
May 2006	Three (3)
June 2006	Four (4)
July 2006	One (1)
August 2006	Three (3)
September 2006	Three (3)
November 2006	Two (2)
December 2006	Two (2)
January 2007	Two (2)
February 2007	Three (3)
March 2007	Two (2)
April 2007	Two (2)
May 2007	Two (2)
June 2007	Two (2)
July 2007	Two (2)
August 2007	Two (2)
September 2007	Two (2)
October 2007	Two (2)
November 2007	Two (2)
December 2007	Two (2)
January 2008	One (1)
February 2008	One (1)
March 2008	One (1)
April 2008	One (1)
May 2008	One (1)
June 2008	One (1)

</Table>

2.2 Notice of Target Delivery Date. Boeing will give Buyer notice of the Target Delivery Date of the Aircraft approximately 30 days prior to the scheduled month of delivery.

2.3 Notice of Delivery Date. If Boeing gives Buyer at least 7 days' notice of the delivery date of the Aircraft, and an Aircraft delivery is delayed beyond such delivery date due to the responsibility of Buyer, Buyer will reimburse Boeing for all costs incurred by Boeing as a result of such delay, including amounts for storage, insurance, Taxes, preservation or protection of

P.A. No. 1810

2-3

K/SWA

SA-26

the Aircraft and interest on payments due.

2.4 Place of Delivery. The Aircraft will be delivered at an airport facility selected by Boeing in the State of Washington, unless mutually agreed otherwise.

2.5 Title and Risk of Loss. Title to and risk of loss of an Aircraft will pass from Boeing to Buyer upon delivery of such Aircraft, but not prior thereto.

2.6 Bill of Sale. Upon delivery of an Aircraft Boeing will deliver to Buyer a bill of sale conveying good title to such Aircraft, free of all liens, claims, charges and encumbrances of every kind whatsoever, and such other appropriate documents of title as Buyer may reasonably request.

P.A. No. 1810
K/SWA
<Page>

2-4

SA-26

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

3.1.1 Special Features are the features incorporated in Exhibit A which have been selected by Buyer.

3.1.2 Base Aircraft Price is the Aircraft Basic Price excluding the price of Special Features.

3.1.3 Aircraft Basic Price is comprised of the Base Aircraft Price and the price of the Special Features.

3.1.4 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Aircraft and Special Features) as calculated pursuant to Exhibit D or Exhibit D-1 as applicable.

3.1.5 Aircraft Price is the total amount Buyer is to pay for the Aircraft at the time of delivery.

3.2 Aircraft Basic Price.

The Aircraft Basic Price for Block A through L Aircraft, is expressed in July 1992 dollars; the Aircraft Basic Price for Block T Aircraft, is expressed in July 1999 dollars; as set forth below:

<Table>

<Caption>

	Base Aircraft Price	Special Features	Aircraft Basic Price
<S>	<C>	<C>	<C>
Block A, B, C, D & E Aircraft	***	***	***
Block F & G Aircraft	***	***	***
Block H Aircraft	***	***	***
Block I Aircraft	***	***	***
Block J Aircraft	***	***	***
Block K Aircraft	***	***	***
Block L Aircraft	***	***	***
Block T Aircraft	***	***	***

</Table>

3.3 Aircraft Price. The Aircraft Price will be established at the time of delivery of such Aircraft to Buyer and will be the sum of:

3.3.1 the Aircraft Basic Price, which is *** for the Block A, B, C, D and E Aircraft, *** for the Block F and G Aircraft, *** for the Block H Aircraft, *** for the Block I Aircraft, *** for the Block J Aircraft, *** for the Block K Aircraft and *** for the Block L Aircraft; *** for the Block T Aircraft; plus

3.3.2 the Economic Price Adjustments for the Aircraft Basic Price, as calculated pursuant to the formulas set forth in Exhibit D (Price Adjustments Due to Economic Fluctuations - Aircraft) for Aircraft Block A through L, and in Exhibit D-1 (Price Adjustments Due to Economic Fluctuations - Aircraft) for Aircraft Block T; plus

3.3.3 other price adjustments made pursuant to this Agreement or other written agreements executed by Boeing and Buyer.

3.4 Advance Payment Base Price.

3.4.1 Advance Payment Base Price. For advance payment purposes, the following estimated delivery prices of the Aircraft (Advance Payment Base Price) have been established, using currently available forecasts of the escalation factors used by Boeing as of the date of signing this Agreement. The Advance Payment Base Price of each Aircraft is set forth below:

Month and Year of Scheduled Delivery	Advance Payment Base Price per Aircraft
---	--

Block A Aircraft***

October 1997
November 1997

Block B Aircraft***

January 1998
February 1998
March 1998
April 1998
May 1998
June 1998
July 1998
September 1998

Block C Aircraft***

February 1999
May 1999
July 1999
August 1999
September 1999

Block D Aircraft***

November 1999
December 1999
January 2000
March 2000
July 2000
August 2000

Block E Aircraft***

December 2000
January 2001
February 2001
March 2001
June 2001
September 2001

Block F Aircraft***

October 1998
November 1998
December 1998

Block G Aircraft***

March 1999

Block H Aircraft***

June 1999

July 1999
August 1999
September 1999
October 1999
March 2000
April 2000
September 2000
October 2000
March 2001
April 2001
October 2001

Block I Aircraft***

November 2001

P.A. No. 1810

3-3

SA-26

K/SWA

<Page>

December 2001
January 2002
March 2002
April 2002
December 2002
May 2003
June 2003
July 2003
September 2003
October 2003

Block J Aircraft***

November 2002
December 2002
November 2003
December 2003
March 2004

Block K Aircraft***

March 2004
April 2004
May 2004
June 2004

Block L Aircraft***

October 1999
November 1999
December 1999
June 2000
July 2000
September 2000
October 2000
November 2000
December 2000
January 2001
February 2001
July 2001
September 2001
October 2001
March 2003
July 2003
August 2003

Block T Aircraft***

November 2001
January 2004
February 2002
May 2004
June 2004
July 2004

P.A. No. 1810

3-4

SA-26

K/SWA

<Page>

August 2004
September 2004
October 2004
November 2004
December 2004
January 2005
February 2005
March 2005
April 2005
May 2005
June 2005
July 2005
August 2005

September 2005
October 2005
November 2005
December 2005
February 2006
May 2006
June 2006
July 2006
August 2006
September 2006
November 2006
December 2006
January 2007
February 2007
March 2007
April 2007
May 2007
June 2007
July 2007
August 2007
September 2007
October 2007
November 2007
December 2007
January 2008
February 2008
March 2008
April 2008
May 2008
June 2008

3.4.2 Adjustment of Advance Payment Base Prices - Long-Lead Aircraft.
For Aircraft scheduled for delivery 36 months or more after the date of this Agreement, the Advance Payment Base Prices appearing in Article 3.4.1 will be used to determine the amount of the first advance payment to be made by Buyer on the Aircraft. No later than 25 months before the scheduled month of delivery of each affected Aircraft, Boeing will increase or decrease the Advance Payment Base Price of such Aircraft as required to reflect the

P.A. No. 1810

3-5

SA-26

K/SWA

<Page>

effects of (i) any adjustments in the Aircraft Basic Price pursuant to this Agreement and (ii) the then-current forecasted escalation factors used by Boeing. Boeing will provide the adjusted Advance Payment Base Prices for each affected Aircraft to Buyer, and the advance payment schedule will be considered amended to substitute such adjusted Advance Payment Base Prices.

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-RLL-933R17 to
Purchase Agreement No. 1810 - Option Aircraft

This Letter Agreement amends Purchase Agreement No. 1810 dated as of January 19, 1994 (the Agreement) between The Boeing Company (Boeing) and Southwest Airlines Co. (Buyer) relating to Model 737-7H4 aircraft (Aircraft).

All terms used and not defined herein will have the same meaning as in the Agreement.

In consideration of the purchase by Buyer of the Aircraft, Boeing hereby agrees to manufacture and sell to Buyer and Buyer shall have the option to purchase (Option or Options) eighty-one (81) additional Model 737-7H4 aircraft as described in paragraph 1 of Attachment A hereto (Option Aircraft) and two hundred seventeen (217) Model 737-7H4 Rollover Option Aircraft (Rollover Option Aircraft), subject to the terms and conditions set forth below.

1. Delivery of Option Aircraft.

The Option Aircraft will be delivered to Buyer during or before the months set forth in the following schedule:

<Table>

<Caption>

Month and Year of Delivery	Number of Option Aircraft	Option Aircraft Block
<S>	<C>	<C>
July 2004	Two (2)	M
September 2004	One (1)	M
October 2004	Four (4)	M
November 2004	Two (2)	M
December 2004	Two (2)	M

P.A. No. 1810

K/SWA

SA-26

<Page>

Southwest Airlines Co.
6-1162-Rll-933R17 Page 2

<Caption>

Month and Year of Delivery	Number of Option Aircraft	Option Aircraft Block
<S>	<C>	<C>
February 2005	One (1)	N
March 2005	Four (4)	N
April 2005	Two (2)	N
May 2005	One (1)	N
June 2005	One (1)	N
July 2005	One (1)	N
August 2005	One (1)	N
September 2005	Three (3)	N
October 2005	Two (2)	N
November 2005	One (1)	N
December 2005	One (1)	N
January 2006	Two (2)	O
March 2006	Three (3)	O
April 2006	Two (2)	O
May 2006	Two (2)	O
June 2006	One (1)	O
July 2006	Two (2)	O
August 2006	One (1)	O
October 2006	One (1)	O
November 2006	One (1)	O
December 2006	One (1)	O
April 2007	One (1)	P
May 2007	One (1)	P
June 2007	One (1)	P
July 2007	One (1)	P
August 2007	One (1)	P

September 2007	One (1)	P
October 2007	One (1)	P
November 2007	One (1)	P
December 2007	One (1)	P
January 2008	Two (2)	U
February 2008	Three (3)	U
March 2008	Two (2)	U
April 2008	Two (2)	U
May 2008	Two (2)	U
June 2008	Two (2)	U
July 2008	Two (2)	U
August 2008	Two (2)	U
September 2008	Two (2)	U
October 2008	Two (2)	U
November 2008	Two (2)	U
December 2008	Two (2)	U

2. Delivery of Rollover Option Aircraft.

2.1 The Rollover Option Aircraft will be delivered to Buyer during or before the years set forth in the following schedule:

<Table>

<Caption>

Year of Delivery	Number of Option Aircraft	Option Aircraft Block
<S>	<C>	<C>
2007	Twenty (20)	Q
2008	Twenty (20)	R
2009	Six (6)	S
2009-2012	One hundred seventy one (171)	V

2.2 The two hundred seventeen (217) Rollover Option Aircraft may be converted into Option Aircraft or firm Aircraft, from time to time, in any of the following ways:

2.2.1 Buyer can exercise any Option for an Option Aircraft described in Article 1 above, and will be offered the right to convert one Rollover Option Aircraft into an Option Aircraft for each Option exercised. Buyer can elect to convert such Rollover Option Aircraft into an Option Aircraft at any time after converting an Option Aircraft to a firm Aircraft subject to the requirements of Article 2.5.

2.2.2 If Buyer elects not to exercise an Option, at the same time of not exercising such Option Buyer may convert one Rollover Option Aircraft to an Option Aircraft; otherwise, one Rollover Option Aircraft will be deleted for each Option not exercised by Buyer.

2.2.3 Buyer may convert Rollover Option Aircraft directly to firm Aircraft. When Buyer converts one or more Rollover Option Aircraft to firm Aircraft, Buyer will be offered the right to convert one Rollover Option Aircraft into an Option Aircraft for each converted Rollover Option Aircraft. Buyer can elect to convert such Rollover Option Aircraft to Option Aircraft at any time after converting Rollover Option to firm Aircraft subject to the requirements of Article 2.5.

P.A. No. 1810

K/SWA

SA-26

<Page>

Southwest Airlines Co.

6-1162-RLL-933R17 Page 3

2.3 Buyer may not convert Rollover Option Aircraft to Option Aircraft except in accordance with Article 2.2 above.

2.4 Base Price Adjustments for Rollover Option Aircraft which are converted to Option Aircraft or firm Aircraft shall be in accordance with Article 2.2.5 of Attachment A to this Letter Agreement.

2.5 The delivery month offered by Boeing to Buyer for any Option or firm Aircraft resulting from a conversion of a Rollover Option Aircraft will be at least 24 months from the corresponding Option exercise date or firm order.

2.6 Upon conversion of a Rollover Option Aircraft into an Option Aircraft, Buyer shall wire transfer the Deposit of *** to Boeing and Boeing and Buyer shall agree on a delivery position for that aircraft. Section 1 of this Letter Agreement will be amended accordingly. In the event Buyer thereafter exercises its right to purchase such Option Aircraft, application

of the Deposit will be in accordance with Article 4.1 herein. If the conversion is a Rollover Option Aircraft to a firm Aircraft, Buyer shall wire transfer any advance payments due under the Agreement.

2.7 Buyer and Boeing will consult on a frequent basis to keep each other informed as to Buyer's fleet plans and Boeing's production plans in order to accommodate to the greatest extent reasonably possible each party's needs in managing the delivery schedule for the Rollover Option Aircraft. Boeing acknowledges Buyer's need for delivery positions in the 2007-2012 time frame, as well as the possibility of a need for delivery positions in earlier years and will use its best reasonable efforts to meet Buyer's needs.

3. Price.

3.1 The advance payment base prices of the Option Aircraft set forth below and in paragraph 2.1 of Attachment A represent the estimated delivery prices of the Option Aircraft. The Option Aircraft pricing elements and associated pricing terms and conditions are given in Attachment A.

3.2 Price and escalation provisions for Model 737-7H4 aircraft delivering after 2006 are not currently available. The estimated Advance Payment Base Prices shown in paragraph 3.3 below and in paragraph 2.1 of

P.A. No. 1810

K/SWA

SA-26

<Page>

Southwest Airlines Co.

6-1162-RLL-933R17 Page 4

Attachment A are based on currently available price and escalation provisions. As price and escalation provisions become available for Model 737-7H4 aircraft delivering after 2006, such price and escalation provisions will be appropriately applied to the applicable Option Aircraft.

For additional information relating to price and escalation provisions applicable to Option Aircraft delivering after 2006 refer to paragraphs 2.2 and 3.2 of Attachment A.

3.3 The Advance Payment Base Prices of the Option Aircraft indicated below do include an amount for special features in addition to those specifically described in Attachment A but do not include any amount for items of Buyer Furnished Equipment (BFE). An estimate for typical special features is *** per Aircraft (expressed in 1992 STE dollars) and for BFE is *** per Aircraft (expressed in delivery year dollars).

Month and Year of Delivery	Advance Payment Base Price per Option Aircraft
-------------------------------	---

Block M Aircraft***

July 2004
September 2004
October 2004
November 2004
December 2004

Block N Aircraft***

February 2005
March 2005
April 2005
May 2005
June 2005
July 2005
August 2005
September 2005
October 2005
November 2005
December 2005

Block O Aircraft***

January 2006
March 2006
April 2006
May 2006
June 2006

P.A. No. 1810

K/SWA

SA-26

<Page>

Southwest Airlines Co.

6-1162-RLL-933R17 Page 6

July 2006
August 2006
October 2006

November 2006
December 2006

Block P Aircraft***

April 2007
May 2007
June 2007
July 2007
August 2007
September 2007
October 2007
November 2007
December 2007

Block U Aircraft***

January 2008
February 2008
March 2008
April 2008
May 2008
June 2008
July 2008
August 2008
September 2008
October 2008
November 2008
December 2008

3.4 The Option Aircraft purchase price will be the applicable basic price thereof at the time of Option Aircraft delivery adjusted in accordance with Boeing's Aircraft escalation provisions contained in the definitive agreement to purchase the Option Aircraft. The purchase price will include the price for Seller Purchased Equipment (SPE) if Buyer has elected to change Buyer Furnished Equipment (BFE) to SPE.

4. Option Aircraft Payment.

4.1 In consideration of the granting of the Options as set forth herein, on or before the date Boeing and Buyer enter into a definitive agreement to purchase the Aircraft, Buyer will pay a deposit to Boeing of *** for each Option Aircraft (Deposit). In the event Buyer exercises its Options herein, the amount of the Deposit will be credited against the first advance payment due for such Option Aircraft pursuant to the advance payment schedule

P.A. No. 1810

K/SWA

SA-26

<Page>

Southwest Airlines Co.

6-1162-RLL-933R17 Page 7

set forth in paragraph 3 of Attachment A. The Deposits for the Option Aircraft will be refunded to Buyer, without interest, if the parties do not enter into a definitive Agreement for the Aircraft.

In the event that, after the parties enter into a definitive agreement to purchase the Aircraft, Buyer does not exercise its Options to purchase the Option Aircraft pursuant to the terms and conditions set forth herein, Boeing will be entitled to retain the Deposits for the Option Aircraft except as provided in paragraph 6 herein.

4.2 Advance payments in the amount of 30% of the advance payment base price will be payable on the Option Aircraft in accordance with paragraph 3 of Attachment A. The remainder of the Option Aircraft purchase price is due at the time of delivery of the Option Aircraft.

5. Option Exercise.

5.1 To exercise its Option, Buyer will give written or telegraphic notice thereof to Boeing on or before sixteen (16) months prior to the first day of the delivery month of each Option Aircraft.

In such notice Buyer will select the Option Model type, and the applicable delivery positions.

5.2 It is understood and agreed that Boeing may accelerate the Option exercise dates specified above if Boeing must make production decisions which are dependent on Buyer's decision to buy the Option Aircraft. If Boeing elects to accelerate the Option exercise dates, Boeing will do so by giving written or telegraphic notice thereof to Buyer. Such notice will specify the revised Option exercise dates, which will not be earlier than 30 days after the date of transmittal of such notice, and the Option Aircraft delivery positions affected by such revision. If Buyer fails to exercise its Option for any Option Aircraft affected by such revised dates, the Deposit applicable to such Option Aircraft will be promptly refunded, with interest, to Buyer. The interest rate for calculation of the interest associated with

such refund is the rate of two percent (2%) below the Citibank base rate in effect from time to time during the period the Option deposit is held by Boeing.

P.A. No. 1810
K/SWA
Southwest Airlines Co.
6-1162-RLL-933R17 Page 8
<Page>

SA-26

6. Contract Terms.

It is understood that Boeing and Buyer will use their best efforts to enter into a definitive agreement for the Option Aircraft within thirty (30) days after Buyer exercises an Option to purchase Option Aircraft pursuant to paragraph 5 covering the detailed terms and conditions for the sale of such Option Aircraft.

Such definitive agreement will include the terms and conditions contained herein together with the terms and conditions, not inconsistent herewith, contained in Boeing's then-current standard form of purchase agreement for the sale of Model 737-700 aircraft in effect as of the date of Option exercise and such additional terms and conditions as may be mutually agreed upon. In the event the parties have not entered into such an agreement within the time period contemplated herein, either party may, exercisable by written or telegraphic notice given to the other within thirty (30) days after such period, terminate the purchase of such Option Aircraft.

7. Termination of Option to Purchase.

Either Boeing or Buyer may terminate the Options to purchase an Option Aircraft if any of the following events are not accomplished by the respective dates contemplated in this letter agreement, or in the Agreement, as the case may be:

(i) termination of the purchase of the Aircraft under the Agreement for any reason;

(ii) payment by Buyer of the Deposit with respect to an Option Aircraft pursuant to paragraph 4.1 herein;

(iii) exercise of an Option to purchase an Option Aircraft pursuant to the terms hereof.

Any termination of an Option to purchase by Boeing which is based on the termination of the purchase of Aircraft under the Agreement will be on a one - for-one basis, for each Aircraft so terminated.

P.A. No. 1810
K/SWA
<Page>
Southwest Airlines Co.
6-1162-RLL-933R17 Page 9

SA-26

Any cancellation of an Option to purchase which is based on failure to make the required Deposit or to exercise the Option to purchase shall only apply to the Option Aircraft so canceled.

Termination of an Option to purchase provided by this letter agreement will be caused by either party giving written notice to the other within 10 days after the applicable date. Upon receipt of such notice, all rights and obligations of the parties with respect to an Option Aircraft for which the Option to purchase has been terminate will thereupon terminate.

If termination is result of a revision of an Option exercise date by Boeing pursuant to paragraph 5.2, Boeing will promptly refund to Buyer, with interest, any payments received from Buyer, including the Deposit, with respect to the Option Aircraft for which the Option is terminated. If termination is for any other reason, Boeing will promptly refund to Buyer, without interest, any payments received from Buyer with respect to the affected Option Aircraft, except the Deposit, which Buyer may apply to any model Boeing aircraft purchased by Buyer from Boeing at a future date.

P.A. No. 1810
K/SWA
<Page>
Southwest Airlines Co.
6-1162-RLL-933R17 Page 10

SA-26

8. Confidential Treatment. Buyer understands that certain commercial and financial information contained in this Letter Agreement including any attachments hereto is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity except as provided in Letter Agreement No. 6-1162-RLL - 934, as amended.
Very truly yours,

THE BOEING COMPANY
By /s/ J. A. McGarvey

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

date:February 26, 2003

SOUTHWEST AIRLINES CO.

By /s/ Laura Wright

Its V.P. Finance & Treasurer

Attachments

P.A. No. 1810
K/SWA
<Page>
Attachment A to
6-1162-RLL-933R17

SA-26

Model 737-7H4 Aircraft

1. Option Aircraft Description and Changes.

1.1 Aircraft Description. The Option Aircraft is described by Boeing Detail Specification D6-38808-1, Dated October 30 ,1996 and for Block "U" Option Aircraft by Boeing Detail Specification D6-38808-1, Rev. A, Dated February 24, 1998.

1.2 Changes. The Detail Specification will be revised to include:

(1) Changes applicable to the basic Model 737-700 aircraft which are developed by Boeing between the date of the Detail Specification

and the signing of a definitive agreement to purchase the Option Aircraft.

(2) Changes mutually agreed upon.

(3) Changes required to obtain a Standard Certificate of Airworthiness.

(4) To provide sufficient Option Aircraft manufacturing and procurement lead time it is necessary for Boeing and Buyer to reach final agreement on the Option Aircraft configuration, including BFE/SPE vendor selection fifteen (15) months prior to delivery of each Option Aircraft. If such items are not resolved by the indicated dates, Boeing reserves the right to amend this letter agreement:

(i) to adjust the scheduled delivery of the Option Aircraft to a later time period and,

(ii) to make such other changes as are appropriate and consistent with the revised Option Aircraft deliveries.

1.3 Effect of Changes. Changes to the Detail Specification incorporated pursuant to the provisions of the clauses above will include the effects of such changes upon Option Aircraft weight, balance, design and performance. Performance guarantees for the Option Aircraft which are mutually acceptable to the parties will be included in the definitive agreement for the Option Aircraft.

P.A. No. 1810
K/SWA
<Page>
Attachment A to
6-1162-RLL-933R17
Page 2

SA-26

2. Price Description

2.1 Price Elements Per Aircraft

<Table> <Caption>				
	1	2	3	
	AIRCRAFT & ADV. PMT.			
AIRCRAFT DELIVERY MO. & YR.	ESTIMATED SPECIAL FEATURES PRICE (JULY 1999\$)	ESTIMATED ESCALATION	ESTIMATED ESCALATION SHARING	BASE PRICE (ELEMENTS) 1 + 2 + 3
<S>	<C>	<C>	<C>	<C>
BLOCK M				
June 2004	***	***	***	***
July 2004	***	***	***	***
September 2004	***	***	***	***
October 2004	***	***	***	***
November 2004	***	***	***	***
December 2004	***	***	***	***
BLOCK N				
February 2005	***	***	***	***
March 2005	***	***	***	***
April 2005	***	***	***	***
May 2005	***	***	***	***
June 2005	***	***	***	***
July 2005	***	***	***	***
August 2005	***	***	***	***
September 2005	***	***	***	***
October 2005	***	***	***	***
November 2005	***	***	***	***
December 2005	***	***	***	***
BLOCK O				
January 2006	***	***	***	***
March 2006	***	***	***	***
April 2006	***	***	***	***
May 2006	***	***	***	***
June 2006	***	***	***	***
July 2006	***	***	***	***
August 2006	***	***	***	***
October 2006	***	***	***	***
November 2006	***	***	***	***
December 2006	***	***	***	***
</Table>				

P.A. No. 1810
K/SWA
<Page>
Attachment A to
6-1162-RLL-933R17
Page 3
<Table>
<Caption>

SA-26

AIRCRAFT & ADV. PMT.				
AIRCRAFT DELIVERY MO. & YR.	ESTIMATED SPECIAL FEATURES PRICE (JULY 1992\$)	ESTIMATED ESCALATION	ESTIMATED ESCALATION SHARING	BASE PRICE (ELEMENTS) 1 + 2 + 3
<S>	<C>	<C>	<C>	<C>
BLOCK P				
April 2007	***	***	***	***
May 2007	***	***	***	***
June 2007	***	***	***	***
July 2007	***	***	***	***
August 2007	***	***	***	***
September 2007	***	***	***	***
October 2007	***	***	***	***
November 2007	***	***	***	***
December 2007	***	***	***	***

</Table>
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AIRCRAFT & ADV. PMT.				
AIRCRAFT DELIVERY MO. & YR.	ESTIMATED SPECIAL FEATURES PRICE (JULY 1992\$)	ESTIMATED ESCALATION	ESTIMATED ESCALATION SHARING	BASE PRICE (ELEMENTS) 1 + 2 + 3
<S>	<C>	<C>	<C>	<C>
BLOCK U				
January 2008	***	***	***	***
February 2008	***	***	***	***
March 2008	***	***	***	***
April 2008	***	***	***	***
May 2008	***	***	***	***
June 2008	***	***	***	***
July 2008	***	***	***	***
August 2008	***	***	***	***
September 2008	***	***	***	***
October 2008	***	***	***	***
November 2008	***	***	***	***
December 2008	***	***	***	***

</Table>

2.2 Price Adjustments For Option Aircraft Delivering From January 2007 through December 2012.

P.A. No. 1810
K/SWA
<Page>
Attachment A to
6-1162-RLL-933R17
Page 4

SA-26

2.2.1 Special Features. The price for Special Features incorporated in the Option Aircraft Detail Specification will be adjusted to Boeing's then-current prices for such features as of the date of execution of the definitive agreement for the Option Aircraft.

2.2.2 Escalation Adjustments. For escalation provisions applicable to Option Aircraft delivering after 2006, see paragraph 2.2.6 below.

2.2.3 Base Price Adjustments for FAA Changes. The Aircraft Basic Price of the Option Aircraft will be adjusted for any FAA mandated changes incorporated into the Aircraft.

2.2.4 Price Adjustments for Changes. Boeing may adjust the Aircraft Basic Price and the Advance Payment Base Price for any changes mutually agreed upon subsequent to the date that Buyer and Boeing enter into a definitive agreement for the Option Aircraft.

2.2.5 Base Price Adjustments. The Aircraft Basic Price of the Option Aircraft will be adjusted to Boeing's then-current prices as of the date of execution of the definitive agreement for the Option Aircraft in accordance with the agreement reached below. The Aircraft Basic Price starting point for Option Aircraft delivering in 2003 is *** (July 1992 STE),

for Option Aircraft delivering in 2004 is *** (July 1992 STE), for Options delivering in 2005 through 2009 is *** (July 1992 STE) and for Block "U" Option Aircraft is *** (July 1999 STE). Such Aircraft Basic Price may increase in accordance with paragraphs 2.2.1, 2.2.2, 2.2.3 and 2.2.4. For any other changes to the Aircraft Basic Price, Boeing may increase the Aircraft Basic Price by a maximum of *** (July 1992 STE) for Aircraft delivering in 2005; by a maximum of *** (July 1992 STE) per year or portion thereof starting in January 2006 through 2009. For Block "U" Option Aircraft Boeing may increase the Aircraft Basic Price by a maximum of *** (July 1999 STE) per year or portion thereof starting in January 2008.

2.2.6 Prices for Long Lead Time Aircraft. Boeing has not established escalation provisions for Model 737-700 aircraft for delivery 2007 and after. Such escalation provisions (i) will be incorporated into the Option Aircraft definitive agreement when such information is available and (ii) will be the then-current escalation provisions applicable to the same model aircraft and engines delivering in the same time period as the Option Aircraft. The resulting revisions to the definitive agreement will include but not be limited to, adjustment of the Aircraft Basic Price of the Option Aircraft, the Advance Payment Base Price, the Aircraft escalation provisions and the advance payment amounts due on the Option Aircraft.

2.2.7 BFE to SPE. An estimate of the total price for items of Buyer Furnished Equipment (BFE) changed to Seller Purchased Equipment (SPE) pursuant to the Configuration Specification is included in the Option Aircraft price build-up. The purchase price of the Option Aircraft will be adjusted by the price charged to Boeing for such items plus 10% of such price. If all BFE except developmental avionics is converted to SPE, Boeing will waive the 10% fee.

P.A. No. 1810
K/SWA
<Page>
Attachment A to
6-1162-RLL-933R17
Page 5

SA-26

3. Advance Payment Schedules, Prices and Adjustments.

3.1 Buyer will pay to Boeing advance payments for the Option Aircraft on the dates and in the amounts determined below.

<Table>
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Due Date of Payment	Amount Due per Aircraft (Percentage times Advance Payment Base Price)
<S>	<C>
Deposit	*** (if applicable)
18 months prior to the first day of the scheduled delivery month of the Aircraft	15% (less the Deposit if any)
12 months prior to the first day of the scheduled delivery month of the Aircraft	5%
9 months prior to the first day of the scheduled delivery month of the Aircraft	5%
6 months prior to the first day of the scheduled delivery month of the Aircraft	5%
Total	30%

</Table>

Any advance payments that would be past due as of the date of signing the definitive purchase agreement for the Option Aircraft in accordance with the above schedule are due and payable on such date.

3.2 Option Aircraft advance payment base prices will be increased or decreased, as appropriate, at the time of signing of the definitive purchase agreement for the Option Aircraft, using the then-current forecasted aircraft escalation factors used by Boeing, to determine the amount of the advance payments to be made by Buyer on the Option Aircraft.

<Page>

to

Purchase Agreement No. 1810

between

THE BOEING COMPANY

and

SOUTHWEST AIRLINES CO.

Relating to Boeing Model 737-7H4 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of March 27, 2003, by and between THE BOEING COMPANY, a Delaware corporation with its principal offices in Seattle, Washington, (Boeing) and SOUTHWEST AIRLINES CO., a Texas corporation with its principal offices in Dallas, Texas (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1810 dated January 19, 1994, relating to Boeing Model 737-7H4 aircraft (the Agreement) and;

WHEREAS, Buyer has agreed to exercise two (2) July 2004 Block M Option Aircraft (as Block K Aircraft) and;

WHEREAS, Boeing and Buyer have agreed to revise the language of the third "WHEREAS" found in Supplemental Agreement 26 dated February 26, 2003;

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Agreement as follows:

1. Revise the language of the third "WHEREAS" found in Supplemental Agreement 26 dated February 26, 2003 by deleting the word Option such that the phrase reads:
"WHEREAS, Buyer has agreed to accelerate a Block L Aircraft from April 2003 to March 2003.

***Pursuant to 17 CFR 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

P.A. No. 1810

SA-27-1

K/SWA
<Page>

2. The Table of Contents of the Agreement is deleted in its entirety and a new Table of Contents is attached hereto and incorporated into the Agreement by this reference.

3. Article 2, entitled "Delivery, Title and Risk of Loss," is deleted in its entirety and replaced by a new Article 2. Such new pages 2-1, 2-2, 2-3 and 2-4 are attached hereto and incorporated into the Agreement by this reference.

4. Article 3, entitled "Price of Aircraft", is deleted in its entirety and replaced by a new Article 3. Such new pages 3-1, 3-2, 3-3, 3-4, 3-5 and 3-6 are attached hereto and incorporated into the Agreement by this reference.

5. Letter Agreement No. 6-1162-RLL-933R17 entitled "Option Aircraft," is deleted in its entirety and replaced by a new Letter Agreement No. 6-1162-RLL-933R18 which is attached hereto and is incorporated into the Agreement by this reference.

NOTE - Buyer now has ten (10) 'banked' Rollover Option Aircraft as a result of the option exercises covered by Supplemental Agreement No. 21, 23, 24, 26 and 27 that may be converted to Option Aircraft at a future date subject to the terms of Letter Agreement No. 6-1162-RLL-933R18.

6. All references in the Letter Agreements associated with Purchase Agreement No. 1810 shall be deemed to refer to the purchase by Buyer of two hundred forty-four(246) Model 737-7H4 Aircraft, seventy-seven (77) Model 737-7H4 Option Aircraft and two hundred seventeen (217) Model 737-7H4 Rollover Option Aircraft, to the extent such reference is not specifically addressed herein.

7. The Advance Payments due upon signing assuming execution of this Supplemental Agreement in March 2003 are:

*** for the July 2004 aircraft
*** for the July 2004 aircraft
*** Total

Buyer will pay the *** directly to Boeing upon execution of this

agreement.

P.A. No. 1810 SA-27-2
K/SWA
<Page>

The Agreement will be deemed to be supplemented to the extent herein provided
and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first above written.

THE BOEING COMPANY SOUTHWEST AIRLINES CO.

By: /s/ J. A. McGarvey By: /s/ Laura Wright
Its: Attorney-In-Fact Its: V.P. Finance & Treasurer

P.A. No. 1810 SA-27-3
K/SWA
<Page>
<Table>
<Caption>

TABLE OF CONTENTS

	Page Number	SA Number
ARTICLES		
<S>	<C>	<C>
1.	Subject Matter of Sale..... 1-1	SA-13
2.	Delivery, Title and Risk of Loss..... 2-1	SA-27
3.	Price of Aircraft..... 3-1	SA-27
4.	Taxes..... 4-1	
5.	Payment..... 5-1	
6.	Excusable Delay..... 6-1	
7.	Changes to the Detail Specification..... 7-1	SA-1
8.	Federal Aviation Requirements and Certificates and Export License..... 8-1	
9.	Representatives, Inspection, Flights and Test Data..... 9-1	
10.	Assignment, Resale or Lease..... 10-1	
11.	Termination for Certain Events..... 11-1	
12.	Product Assurance; Disclaimer and Release; Exclusion of Liabilities; Customer Support; Indemnification and Insurance..... 12-1	
13.	Buyer Furnished Equipment and Spare Parts..... 13-1	
14.	Contractual Notices and Requests..... 14-1	
15.	Miscellaneous..... 15-1	
</Table>		
P.A. No. 1810	i	SA-27
K/SWA		
<Page>		
<Table>		
<Caption>		

TABLE OF CONTENTS CON'T

		SA Number
EXHIBITS		
<S>	<C>	<C>
A	Aircraft Configuration	SA-13
B	Product Assurance Document	SA-1

C	Customer Support Document	
D	Price Adjustments Due to Economic Fluctuations - Aircraft	SA-13
E	Buyer Furnished Equipment Provisions Document	
F	Defined Terms Document	

LETTER AGREEMENTS

1810-1	Waiver of Aircraft Demonstration Flight
--------	---

P.A. No. 1810	ii	SA-27
K/SWA		
<Page>		
<Table>		
<Caption>		

TABLE OF CONTENTS CON'T

		SA Number
RESTRICTED LETTER AGREEMENTS		
<S>	<C>	<C>
6-1162-RLL-932R2	Promotional Support	SA-13
6-1162-RLL-933R18	Option Aircraft	SA-27
6-1162-RLL-934R3	Disclosure of Confidential Information	SA-14
6-1162-RLL-935R1	Performance Guarantees	SA-1
6-1162-RLL-936R4	Certain Contractual Matters	SA-4
6-1162-RLL-937	Alternate Advance Payment Schedule	
6-1162-RLL-938	***	
6-1162-RLL-939R1	Certification Flight Test Aircraft	SA-1
6-1162-RLL-940R1	Training Matters	SA-1
6-1162-RLL-941R2	Other Matters	SA-13
6-1162-RLL-942	Open Configuration Matters	
6-1162-RLL-943R1	Substitution Rights	SA-6
6-1162-RLL-944	Airframe Maintenance Material Cost Protection Program	
6-1162-RLL-945	Comparison of 737-7H4 and 737-3H4 Block Fuel Burn	
6-1162-RLL-1855R3	Additional Contractual Matters	SA-4
6-1162-RLL-1856	***	SA-1
6-1162-RLL-1857	Service Ready Validation Program Field Test	SA-1
6-1162-RLL-1858R1	Escalation Matters	SA-4
</Table>		
P.A. No. 1810	iii	SA-27
K/SWA		
<Page>		
<Table>		
<Caption>		

TABLE OF CONTENTS CON'T

		SA Number
RESTRICTED LETTER AGREEMENTS		

<S>	<C>	<C>
6-1162-RLL-2036	Amortization of Costs for Customer Unique Changes	SA-1
6-1162-RLL-2037	Reconciliation of the Aircraft Basic Price	SA-1
6-1162-RLL-2073	Maintenance Training Matters	SA-1
6-1162-KJJ-054	Business Matters	SA-13
6-1162-KJJ-055R1	Structural Matters	SA-25
6-1162-KJJ-056	Noise and Emission Matters	SA-13
6-1162-KJJ-057	Product Development Matters	SA-13
6-1162-KJJ-058	Additional Substitution Rights	SA-13
6-1162-KJJ-150	Flight Control Computer & Mode Control Panel Spares Matter	SA-14
6-1162-MSA-185R3	Delivery Change Contractual Matters	SA-21
</Table>		
P.A. No. 1810	iv	
K/SWA		SA-27
<Page>		

ARTICLE 2. Delivery, Title and Risk of Loss.

2.1 Time of Delivery. The Aircraft will be delivered to Buyer by Boeing, assembled and ready for flight and Buyer will accept delivery of the Aircraft, in accordance with the following schedule:

<Table>		<Caption>	
Month and Year of Delivery		Quantity of Aircraft	
Block E Aircraft			
<S>		<C>	
December 2000		Two (2)	
January 2001		One (1)	
February 2001		One (1)	
March 2001		Two (2)	
June 2001		Three (3)	
September 2001		Three (1)	
Block F Aircraft			
October 1998		One (1)	
November 1998		Two (2)	
December 1998		Two (2)	
Block G Aircraft			
March 1999		Two (2)	
Block H Aircraft			
June 1999		Two (2)	
July 1999		One (1)	
August 1999		One (1)	
September 1999		Two (2)	
October 1999		One (1)	
March 2000		One (1)	
April 2000		Two (2)	
September 2000		One (1)	
October 2000		Two (2)	
March 2001		Two (2)	
April 2001		One (1)	
October 2001		Three (3)	
Block I Aircraft			
November 2001		Two (2)	
December 2001		One (1)	
January 2002		One (1)	
March 2002		Four (4)	

April 2002	Two (2)
December 2002	Two (2)
May 2003	One (1)
June 2003	Two (2)
July 2003	One (1)
September 2003	Two (2)
October 2003	Two (2)

Block J Aircraft

November 2002	One (1)
December 2002	One (1)
November 2003	Two (2)
December 2003	Two (2)
March 2004	One (1)

Block K Aircraft

March 2004	One (1)
April 2004	Three (3)
May 2004	One (1)
June 2004	Two (2)
July 2004	Two (2)

Block L Aircraft

October 1999	One (1)
November 1999	Two (2)
December 1999	One (1)
June 2000	Three (3)
July 2000	Three (3)
September 2000	One (1)
October 2000	One (1)
November 2000	Four (4)
December 2000	One (1)
January 2001	One (1)
February 2001	One (1)
July 2001	One (1)
September 2001	One (1)
October 2001	One (1)
March 2003	Two (2)
July 2003	One (1)
August 2003	Two (2)

Block T Aircraft

November 2001	One (1)
February 2002	One (1)
January 2004	Two (2)
May 2004	One (1)
June 2004	Three (3)
July 2004	One (1)
August 2004	Two (2)
September 2004	Three (3)

P.A. No. 1810

2-2

K/SWA

SA-27

<Page>

October 2004	One (1)
November 2004	One (1)
December 2004	One (1)
January 2005	Five (5)
February 2005	Two (2)
March 2005	One (1)
April 2005	Two (2)
May 2005	One (1)
June 2005	Three (3)
July 2005	Two (2)
August 2005	One (1)
September 2005	Two (2)
October 2005	One (1)
November 2005	Two (2)
December 2005	Two (2)
February 2006	Four (4)
May 2006	Three (3)
June 2006	Four (4)
July 2006	One (1)
August 2006	Three (3)
September 2006	Three (3)
November 2006	Two (2)
December 2006	Two (2)
January 2007	Two (2)

February 2007	Three (3)
March 2007	Two (2)
April 2007	Two (2)
May 2007	Two (2)
June 2007	Two (2)
July 2007	Two (2)
August 2007	Two (2)
September 2007	Two (2)
October 2007	Two (2)
November 2007	Two (2)
December 2007	Two (2)
January 2008	One (1)
February 2008	One (1)
March 2008	One (1)
April 2008	One (1)
May 2008	One (1)
June 2008	One (1)

</Table>

2.2 Notice of Target Delivery Date. Boeing will give Buyer notice of the Target Delivery Date of the Aircraft approximately 30 days prior to the scheduled month of delivery.

2.3 Notice of Delivery Date. If Boeing gives Buyer at least 7 days' notice of the delivery date of the Aircraft, and an Aircraft delivery is delayed beyond such delivery date due to the responsibility of Buyer, Buyer will reimburse Boeing for all costs incurred by Boeing as a result of such delay, including amounts for storage, insurance, Taxes, preservation or protection of the Aircraft and interest on payments due.

P.A. No. 1810 2-3 SA-27
K/SWA
<Page>

2.4 Place of Delivery. The Aircraft will be delivered at an airport facility selected by Boeing in the State of Washington, unless mutually agreed otherwise.

2.5 Title and Risk of Loss. Title to and risk of loss of an Aircraft will pass from Boeing to Buyer upon delivery of such Aircraft, but not prior thereto.

2.6 Bill of Sale. Upon delivery of an Aircraft Boeing will deliver to Buyer a bill of sale conveying good title to such Aircraft, free of all liens, claims, charges and encumbrances of every kind whatsoever, and such other appropriate documents of title as Buyer may reasonably request.

P.A. No. 1810 2-4 SA-27
K/SWA
<Page>

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

3.1.1 Special Features are the features incorporated in Exhibit A which have been selected by Buyer.

3.1.2 Base Aircraft Price is the Aircraft Basic Price excluding the price of Special Features.

3.1.3 Aircraft Basic Price is comprised of the Base Aircraft Price and the price of the Special Features.

3.1.4 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Aircraft and Special Features) as calculated pursuant to Exhibit D or Exhibit D-1 as applicable.

3.1.5 Aircraft Price is the total amount Buyer is to pay for the Aircraft at the time of delivery.

3.2 Aircraft Basic Price.

The Aircraft Basic Price for Block A through L Aircraft, is expressed in July 1992 dollars; the Aircraft Basic Price for Block T Aircraft, is expressed in July 1999 dollars; as set forth below:

<Table>

<Caption>

	Base Aircraft Price	Special Features	Aircraft Basic Price
<S>	<C>	<C>	<C>
Block A, B, C, D & E Aircraft	***	***	***
Block F & G Aircraft	***	***	***
Block H Aircraft	***	***	***
Block I	***	***	***

Aircraft			
Block J	***	***	***
Aircraft			
Block K	***	***	***
Aircraft			
Block L	***	***	***
Aircraft			

Block T	***	***	***
Aircraft			

</Table>

P.A. No. 1810	3-1	SA-27
K/SWA		

<Page>

3.3 Aircraft Price. The Aircraft Price will be established at the time of delivery of such Aircraft to Buyer and will be the sum of:

3.3.1 the Aircraft Basic Price, which is *** for the Block A, B, C, D and E Aircraft, *** for the Block F and G Aircraft, *** for the Block H Aircraft, *** for the Block I Aircraft, *** for the Block J Aircraft, *** for the Block K Aircraft and *** for the Block L Aircraft; *** for the Block T Aircraft; plus

3.3.2 the Economic Price Adjustments for the Aircraft Basic Price, as calculated pursuant to the formulas set forth in Exhibit D (Price Adjustments Due to Economic Fluctuations - Aircraft) for Aircraft Block A through L, and in Exhibit D-1 (Price Adjustments Due to Economic Fluctuations - Aircraft) for Aircraft Block T; plus

3.3.3 other price adjustments made pursuant to this Agreement or other written agreements executed by Boeing and Buyer.

3.4 Advance Payment Base Price.

3.4.1 Advance Payment Base Price. For advance payment purposes, the following estimated delivery prices of the Aircraft (Advance Payment Base Price) have been established, using currently available forecasts of the escalation factors used by Boeing as of the date of signing this Agreement. The Advance Payment Base Price of each Aircraft is set forth below:

Month and Year of Scheduled Delivery	Advance Payment Base Price per Aircraft
---	--

Block A Aircraft***

October 1997
November 1997

Block B Aircraft***

January 1998
February 1998
March 1998
April 1998
May 1998
June 1998
July 1998
September 1998

Block C Aircraft***

P.A. No. 1810	3-2	SA-27
K/SWA		

<Page>

February 1999
May 1999
July 1999
August 1999
September 1999

Block D Aircraft***

November 1999
December 1999
January 2000
March 2000
July 2000
August 2000

Block E Aircraft***

December 2000
January 2001
February 2001
March 2001
June 2001
September 2001

Block F Aircraft***

October 1998
November 1998
December 1998

Block G Aircraft***

March 1999

Block H Aircraft***

June 1999
July 1999
August 1999
September 1999
October 1999
March 2000
April 2000
September 2000
October 2000
March 2001
April 2001
October 2001

Block I Aircraft***

November 2001
December 2001

P.A. No. 1810
K/SWA
<Page>

3-3

SA-27

January 2002
March 2002
April 2002
December 2002
May 2003
June 2003
July 2003
September 2003
October 2003

Block J Aircraft***

November 2002
December 2002
November 2003
December 2003
March 2004

Block K Aircraft***

March 2004
April 2004
May 2004
June 2004
July 2004

Block L Aircraft***

October 1999
November 1999
December 1999
June 2000
July 2000
September 2000
October 2000
November 2000
December 2000
January 2001
February 2001
July 2001
September 2001
October 2001
March 2003
July 2003

August 2003

Block T Aircraft***

November 2001
February 2002
January 2004
May 2004
June 2004
July 2004
August 2004

P.A. No. 1810

3-4

K/SWA
<Page>

SA-27

September 2004
October 2004
November 2004
December 2004
January 2005
February 2005
March 2005
April 2005
May 2005
June 2005
July 2005
August 2005
September 2005
October 2005
November 2005
December 2005
February 2006
May 2006
June 2006
July 2006
August 2006
September 2006
November 2006
December 2006
January 2007
February 2007
March 2007
April 2007
May 2007
June 2007
July 2007
August 2007
September 2007
October 2007
November 2007
December 2007
January 2008
February 2008
March 2008
April 2008
May 2008
June 2008

3.4.2 Adjustment of Advance Payment Base Prices - Long-Lead Aircraft. For Aircraft scheduled for delivery 36 months or more after the date of this Agreement, the Advance Payment Base Prices appearing in Article 3.4.1 will be used to determine the amount of the first advance payment to be made by Buyer on the Aircraft. No later than 25 months before the scheduled month of delivery of each affected Aircraft, Boeing will increase or decrease the Advance Payment Base Price of such Aircraft as required to reflect the effects of (i) any adjustments in the Aircraft Basic Price pursuant to this

P.A. No. 1810

3-5

K/SWA
<Page>

SA-27

Agreement and (ii) the then-current forecasted escalation factors used by Boeing. Boeing will provide the adjusted Advance Payment Base Prices for each affected Aircraft to Buyer, and the advance payment schedule will be considered amended to substitute such adjusted Advance Payment Base Prices.

P.A. No. 1810

3-6

K/SWA
<Page>

SA-27

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-RLL-933R18 to
Purchase Agreement No. 1810 -
Option Aircraft

This Letter Agreement amends Purchase Agreement No. 1810 dated as of
January 19, 1994 (the Agreement) between The Boeing Company (Boeing) and
Southwest Airlines Co. (Buyer) relating to Model 737-7H4 aircraft (Aircraft).

All terms used and not defined herein will have the same meaning
as in the Agreement.

In consideration of the purchase by Buyer of the Aircraft, Boeing hereby
agrees to manufacture and sell to Buyer and Buyer shall have the option to
purchase (Option or Options) seventy-seven (77) additional Model 737-7H4
aircraft as described in paragraph 1 of Attachment A hereto (Option Aircraft)
and two hundred seventeen (217) Model 737-7H4 Rollover Option Aircraft
(Rollover Option Aircraft), subject to the terms and conditions set forth
below.

1. Delivery of Option Aircraft.

The Option Aircraft will be delivered to Buyer during or before the
months set forth in the following schedule:

<Table>

<Caption>

Month and Year of Delivery	Number of Option Aircraft	Option Aircraft Block
<S>	<C>	<C>
September 2004	One (1)	M
October 2004	Four (4)	M
November 2004	Two (2)	M
December 2004	Two (2)	M

P.A. No. 1810

K/SWA

SA-27

<Page>

Southwest Airlines Co.

6-1162-RLL-933R18 Page 2

Month and Year of Delivery	Number of Option Aircraft	Option Aircraft Block
February 2005	One (1)	N
March 2005	Four (4)	N
April 2005	Two (2)	N
May 2005	One (1)	N
June 2005	One (1)	N
July 2005	One (1)	N
August 2005	One (1)	N
September 2005	Three (3)	N
October 2005	Two (2)	N
November 2005	One (1)	N
December 2005	One (1)	N
January 2006	Two (2)	O
March 2006	Three (3)	O
April 2006	Two (2)	O
May 2006	Two (2)	O
June 2006	One (1)	O
July 2006	Two (2)	O
August 2006	One (1)	O
October 2006	One (1)	O
November 2006	One (1)	O
December 2006	One (1)	O
April 2007	One (1)	P
May 2007	One (1)	P
June 2007	One (1)	P
July 2007	One (1)	P
August 2007	One (1)	P
September 2007	One (1)	P
October 2007	One (1)	P
November 2007	One (1)	P
December 2007	One (1)	P
January 2008	Two (2)	U

February 2008	Three (3)	U
March 2008	Two (2)	U
April 2008	Two (2)	U
May 2008	Two (2)	U
June 2008	Two (2)	U
July 2008	Two (2)	U
August 2008	Two (2)	U
September 2008	Two (2)	U
October 2008	Two (2)	U
November 2008	Two (2)	U
December 2008	Two (2)	U

</Table>
P.A. No. 1810
K/SWA
<Page>
Southwest Airlines Co.
6-1162-RLL-933R18 Page 3

2. Delivery of Rollover Option Aircraft.

2.1 The Rollover Option Aircraft will be delivered to Buyer during or before the years set forth in the following schedule:

<Table>
<Caption>

Year of Delivery	Number of Option Aircraft	Option Aircraft Block
<S>	<C>	<C>
2007	Twenty (20)	Q
2008	Twenty (20)	R
2009	Six (6)	S
2009-2012	One hundred seventy one (171)	V

</Table>
2.2 The two hundred seventeen (217) Rollover Option Aircraft may be converted into Option Aircraft or firm Aircraft, from time to time, in any of the following ways:

2.2.1 Buyer can exercise any Option for an Option Aircraft described in Article 1 above, and will be offered the right to convert one Rollover Option Aircraft into an Option Aircraft for each Option exercised. Buyer can elect to convert such Rollover Option Aircraft into an Option Aircraft at any time after converting an Option Aircraft to a firm Aircraft subject to the requirements of Article 2.5.

2.2.2 If Buyer elects not to exercise an Option, at the same time of not exercising such Option Buyer may convert one Rollover Option Aircraft to an Option Aircraft; otherwise, one Rollover Option Aircraft will be deleted for each Option not exercised by Buyer.

2.2.3 Buyer may convert Rollover Option Aircraft directly to firm Aircraft. When Buyer converts one or more Rollover Option Aircraft to firm Aircraft, Buyer will be offered the right to convert one Rollover Option Aircraft into an Option Aircraft for each converted Rollover Option Aircraft. Buyer can elect to convert such Rollover Option Aircraft to Option Aircraft at any time after converting Rollover Option to firm Aircraft subject to the requirements of Article 2.5.

P.A. No. 1810
K/SWA
<Page>
Southwest Airlines Co.
6-1162-RLL-933R18 Page 4

2.3 Buyer may not convert Rollover Option Aircraft to Option Aircraft except in accordance with Article 2.2 above.

2.4 Base Price Adjustments for Rollover Option Aircraft which are converted to Option Aircraft or firm Aircraft shall be in accordance with Article 2.2.5 of Attachment A to this Letter Agreement.

2.5 The delivery month offered by Boeing to Buyer for any Option or firm Aircraft resulting from a conversion of a Rollover Option Aircraft will be at least 24 months from the corresponding Option exercise date or firm order.

2.6 Upon conversion of a Rollover Option Aircraft into an Option Aircraft, Buyer shall wire transfer the Deposit of *** to Boeing and Boeing and Buyer shall agree on a delivery position for that aircraft. Section 1 of this Letter Agreement will be amended accordingly. In the event Buyer thereafter exercises its right to purchase such Option Aircraft, application of the Deposit will be in accordance with Article 4.1 herein. If the conversion is a Rollover Option Aircraft to a firm Aircraft, Buyer shall wire transfer any advance payments due under the Agreement.

2.7 Buyer and Boeing will consult on a frequent basis to keep each other informed as to Buyer's fleet plans and Boeing's production plans in order to accommodate to the greatest extent reasonably possible each party's needs in managing the delivery schedule for the Rollover Option Aircraft. Boeing acknowledges Buyer's need for delivery positions in the 2007-2012 time frame, as well as the possibility of a need for delivery positions in earlier years and will use its best reasonable efforts to meet Buyer's needs.

3. Price.

3.1 The advance payment base prices of the Option Aircraft set forth below and in paragraph 2.1 of Attachment A represent the estimated delivery prices of the Option Aircraft. The Option Aircraft pricing elements and associated pricing terms and conditions are given in Attachment A.

3.2 Price and escalation provisions for Model 737-7H4 aircraft delivering after 2006 are not currently available. The estimated Advance Payment Base Prices shown in paragraph 3.3 below and in paragraph 2.1 of

P.A. No. 1810

K/SWA

SA-27

<Page>

Southwest Airlines Co.

6-1162-RLL-933R18 Page 5

Attachment A are based on currently available price and escalation provisions. As price and escalation provisions become available for Model 737-7H4 aircraft delivering after 2006, such price and escalation provisions will be appropriately applied to the applicable Option Aircraft. For additional information relating to price and escalation provisions applicable to Option Aircraft delivering after 2006 refer to paragraphs 2.2 and 3.2 of Attachment A.

3.3 The Advance Payment Base Prices of the Option Aircraft indicated below do include an amount for special features in addition to those specifically described in Attachment A but do not include any amount for items of Buyer Furnished Equipment (BFE). An estimate for typical special features is *** per Aircraft (expressed in 1992 STE dollars) and for BFE is *** per Aircraft (expressed in delivery year dollars).

Month and Year of Delivery	Advance Payment Base Price per Option Aircraft
-------------------------------	---

Block M Aircraft***

September 2004
October 2004
November 2004
December 2004

Block N Aircraft***

February 2005
March 2005
April 2005
May 2005
June 2005
July 2005
August 2005
September 2005
October 2005
November 2005
December 2005

Block O Aircraft***

January 2006
March 2006
April 2006
May 2006
June 2006
July 2006

P.A. No. 1810

K/SWA

SA-27

<Page>

Southwest Airlines Co.

6-1162-RLL-933R18 Page 6

August 2006
October 2006
November 2006

December 2006

Block P Aircraft***

April 2007
May 2007
June 2007
July 2007
August 2007
September 2007
October 2007
November 2007
December 2007

Block U Aircraft***

January 2008
February 2008
March 2008
April 2008
May 2008
June 2008
July 2008
August 2008
September 2008
October 2008
November 2008
December 2008

3.4 The Option Aircraft purchase price will be the applicable basic price thereof at the time of Option Aircraft delivery adjusted in accordance with Boeing's Aircraft escalation provisions contained in the definitive agreement to purchase the Option Aircraft. The purchase price will include the price for Seller Purchased Equipment (SPE) if Buyer has elected to change Buyer Furnished Equipment (BFE) to SPE.

4. Option Aircraft Payment.

4.1 In consideration of the granting of the Options as set forth herein, on or before the date Boeing and Buyer enter into a definitive agreement to purchase the Aircraft, Buyer will pay a deposit to Boeing of *** for each Option Aircraft (Deposit). In the event Buyer exercises its Options herein, the amount of the Deposit will be credited against the first advance payment due for such Option Aircraft pursuant to the advance payment schedule set forth in paragraph

P.A. No. 1810

K/SWA

SA-27

<Page>

Southwest Airlines Co.

6-1162-RLL-933R18 Page 7

3 of Attachment A. The Deposits for the Option Aircraft will be refunded to Buyer, without interest, if the parties do not enter into a definitive Agreement for the Aircraft.

In the event that, after the parties enter into a definitive agreement to purchase the Aircraft, Buyer does not exercise its Options to purchase the Option Aircraft pursuant to the terms and conditions set forth herein, Boeing will be entitled to retain the Deposits for the Option Aircraft except as provided in paragraph 6 herein.

4.2 Advance payments in the amount of 30% of the advance payment base price will be payable on the Option Aircraft in accordance with paragraph 3 of Attachment A. The remainder of the Option Aircraft purchase price is due at the time of delivery of the Option Aircraft.

5. Option Exercise.

5.1 To exercise its Option, Buyer will give written or telegraphic notice thereof to Boeing on or before sixteen (16) months prior to the first day of the delivery month of each Option Aircraft.

In such notice Buyer will select the Option Model type, and the applicable delivery positions.

5.2 It is understood and agreed that Boeing may accelerate the Option exercise dates specified above if Boeing must make production decisions which are dependent on Buyer's decision to buy the Option Aircraft. If Boeing elects to accelerate the Option exercise dates, Boeing will do so by giving written or telegraphic notice thereof to Buyer. Such notice will specify the revised Option exercise dates, which will not be earlier than 30 days after the date of transmittal of such notice, and the Option Aircraft delivery

positions affected by such revision. If Buyer fails to exercise its Option for any Option Aircraft affected by such revised dates, the Deposit applicable to such Option Aircraft will be promptly refunded, with interest, to Buyer. The interest rate for calculation of the interest associated with such refund is the rate of two percent (2%) below the Citibank base rate in effect from time to time during the period the Option deposit is held by Boeing.

P.A. No. 1810

K/SWA

SA-27

<Page>

Southwest Airlines Co.

6-1162-RLL-933R18 Page 8

6. Contract Terms.

It is understood that Boeing and Buyer will use their best efforts to enter into a definitive agreement for the Option Aircraft within thirty (30) days after Buyer exercises an Option to purchase Option Aircraft pursuant to paragraph 5 covering the detailed terms and conditions for the sale of such Option Aircraft.

Such definitive agreement will include the terms and conditions contained herein together with the terms and conditions, not inconsistent herewith, contained in Boeing's then-current standard form of purchase agreement for the sale of Model 7737-700 aircraft in effect as of the date of Option exercise and such additional terms and conditions as may be mutually agreed upon. In the event the parties have not entered into such an agreement within the time period contemplated herein, either party may, exercisable by written or telegraphic notice given to the other within thirty (30) days after such period, terminate the purchase of such Option Aircraft.

7. Termination of Option to Purchase.

Either Boeing or Buyer may terminate the Options to purchase an Option Aircraft if any of the following events are not accomplished by the respective dates contemplated in this letter agreement, or in the Agreement, as the case may be:

(i) termination of the purchase of the Aircraft under the Agreement for any reason;

(ii) payment by Buyer of the Deposit with respect to an Option Aircraft pursuant to paragraph 4.1 herein;

(iii) exercise of an Option to purchase an Option Aircraft pursuant to the terms hereof.

Any termination of an Option to purchase by Boeing which is based on the termination of the purchase of Aircraft under the Agreement will be on a one-for-one basis, for each Aircraft so terminated.

P.A. No. 1810

K/SWA

SA-27

<Page>

Southwest Airlines Co.

6-1162-RLL-933R18 Page 9

Any cancellation of an Option to purchase which is based on failure to make the required Deposit or to exercise the Option to purchase shall only apply to the Option Aircraft so canceled.

Termination of an Option to purchase provided by this letter agreement will be caused by either party giving written notice to the other within 10 days after the applicable date. Upon receipt of such notice, all rights and obligations of the parties with respect to an Option Aircraft for which the Option to purchase has been terminate will thereupon terminate.

If termination is result of a revision of an Option exercise date by Boeing pursuant to paragraph 5.2, Boeing will promptly refund to Buyer, with interest, any payments received from Buyer, including the Deposit, with respect to the Option Aircraft for which the Option is terminated. If termination is for any other reason, Boeing will promptly refund to Buyer, without interest, any payments received from Buyer with respect to the affected Option Aircraft, except the Deposit, which Buyer may apply to any model Boeing aircraft purchased by Buyer from Boeing at a future date.

P.A. No. 1810

K/SWA

SA-27

<Page>

Southwest Airlines Co.

6-1162-RLL-933R18 Page 10

8. Confidential Treatment. Buyer understands that certain commercial and financial information contained in this Letter Agreement including any

attachments hereto is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity except as provided in Letter Agreement No. 6-1162-RLL-934, as amended.

Very truly yours,

THE BOEING COMPANY

By /s/ J. A. McGarvey

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

date: March 27, 2003

SOUTHWEST AIRLINES CO.

By /s/ Laura Wright

Its V.P. Finance & Treasurer

Attachments

<Page>

Attachment A to
6-1162-RLL-933R18
Page 1

Model 737-7H4 Aircraft

1. Option Aircraft Description and Changes.

1.1 Aircraft Description. The Option Aircraft is described by Boeing Detail Specification D6-38808-1, Dated October 30, 1996 and for Block "U" Option Aircraft by Boeing Detail Specification D6-38808-1, Rev. A, Dated February 24, 1998.

1.2 Changes. The Detail Specification will be revised to include:

(1) Changes applicable to the basic Model 737-700 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of a definitive agreement to purchase the Option Aircraft.

(2) Changes mutually agreed upon.

(3) Changes required to obtain a Standard Certificate of Airworthiness.

(4) To provide sufficient Option Aircraft manufacturing and procurement lead time it is necessary for Boeing and Buyer to reach final agreement on the Option Aircraft configuration, including BFE/SPE vendor selection fifteen (15) months prior to delivery of each Option Aircraft. If such items are not resolved by the indicated dates, Boeing reserves the right to amend this letter agreement:

(i) to adjust the scheduled delivery of the Option Aircraft to a later time period and,

(ii) to make such other changes as are appropriate and consistent with the revised Option Aircraft deliveries.

1.3 Effect of Changes. Changes to the Detail Specification incorporated pursuant to the provisions of the clauses above will include the effects of such changes upon Option Aircraft weight, balance, design and performance. Performance guarantees for the Option Aircraft which are mutually acceptable to the parties will be included in the definitive agreement for the Option Aircraft.

2. Price Description

2.1 Price Elements Per Aircraft

<Table>
<Caption>

1	2	3
AIRCRAFT & ADV. PMT.		
AIRCRAFT DELIVERY MO. & YR.	ESTIMATED SPECIAL FEATURES PRICE (JULY 1999\$)	ESTIMATED ESCALATION SHARING
<S>	<C>	<C>
BLOCK M		

September 2004	***	***	***	***
October 2004	***	***	***	***
November 2004	***	***	***	***
December 2004	***	***	***	***

BLOCK N

February 2005	***	***	***	***
March 2005	***	***	***	***
April 2005	***	***	***	***
May 2005	***	***	***	***
June 2005	***	***	***	***
July 2005	***	***	***	***
August 2005	***	***	***	***
September 2005	***	***	***	***
October 2005	***	***	***	***
November 2005	***	***	***	***
December 2005	***	***	***	***

BLOCK O

January 2006	***	***	***	***
March 2006	***	***	***	***
April 2006	***	***	***	***
May 2006	***	***	***	***
June 2006	***	***	***	***
July 2006	***	***	***	***
August 2006	***	***	***	***
October 2006	***	***	***	***
November 2006	***	***	***	***
December 2006	***	***	***	***

</Table>

<Table>

<Caption>

AIRCRAFT & ADV. PMT.				
AIRCRAFT DELIVERY MO. & YR.	ESTIMATED SPECIAL FEATURES PRICE (JULY 1992\$)	ESTIMATED ESCALATION	ESTIMATED ESCALATION SHARING	BASE PRICE (ELEMENTS) 1 + 2 + 3

P.A. No. 1810

K/SWA

SA-27

<Page>

BLOCK P

<S>	<C>	<C>	<C>	<C>
April 2007	***	***	***	***
May 2007	***	***	***	***
June 2007	***	***	***	***
July 2007	***	***	***	***
August 2007	***	***	***	***
September 2007	***	***	***	***
October 2007	***	***	***	***
November 2007	***	***	***	***
December 2007	***	***	***	***

</Table>

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<Caption>

AIRCRAFT & ADV. PMT.				
AIRCRAFT	ESTIMATED SPECIAL	ESTIMATED	BASE PRICE	

DELIVERY MO. & YR.	FEATURES PRICE (JULY 1999\$)	ESTIMATED ESCALATION	ESCALATION (ELEMENTS) SHARING	1 + 2 + 3
-----------------------	---------------------------------	-------------------------	----------------------------------	-----------

BLOCK U				
<S>	<C>	<C>	<C>	<C>
January 2008	***	***	***	***
February 2008	***	***	***	***
March 2008	***	***	***	***
April 2008	***	***	***	***
May 2008	***	***	***	***
June 2008	***	***	***	***
July 2008	***	***	***	***
August 2008	***	***	***	***
September 2008	***	***	***	***
October 2008	***	***	***	***
November 2008	***	***	***	***
December 2008	***	***	***	***

2.2 Price Adjustments For Option Aircraft Delivering From January 2007 through December 2012.

2.2.1 Special Features. The price for Special Features incorporated in the Option Aircraft Detail Specification will be adjusted to Boeing's then-current prices for such features as of the date of execution of the definitive agreement for the Option Aircraft.

2.2.2 Escalation Adjustments. For escalation provisions applicable to Option Aircraft delivering after 2006, see paragraph 2.2.6 below.

P.A. No. 1810
K/SWA
<Page>

SA-27

Attachment A to
6-1162-RLL-933R18
Page 4

2.2.3 Base Price Adjustments for FAA Changes. The Aircraft Basic Price of the Option Aircraft will be adjusted for any FAA mandated changes incorporated into the Aircraft.

2.2.4 Price Adjustments for Changes. Boeing may adjust the Aircraft Basic Price and the Advance Payment Base Price for any changes mutually agreed upon subsequent to the date that Buyer and Boeing enter into a definitive agreement for the Option Aircraft.

2.2.5 Base Price Adjustments. The Aircraft Basic Price of the Option Aircraft will be adjusted to Boeing's then-current prices as of the date of execution of the definitive agreement for the Option Aircraft in accordance with the agreement reached below. The Aircraft Basic Price starting point for Option Aircraft delivering in 2003 is *** (July 1992 STE), for Option Aircraft delivering in 2004 is *** (July 1992 STE), for Optionss delivering in 2005 through 2009 is *** (July 1992 STE) and for Block "U" Option Aircraft is *** (July 1999 STE). Such Aircraft Basic Price may increase in accordance with paragraphs 2.2.1, 2.2.2, 2.2.3 and 2.2.4. For any other changes to the Aircraft Basic Price, Boeing may increase the Aircraft Basic Price by a maximum of *** (July 1992 STE) for Aircraft delivering in 2005; by a maximum of *** (July 1992 STE) per year or portion thereof starting in January 2006 through 2009. For Block "U" Option Aircraft Boeing may increase the Aircraft Basic Price by a maximum of *** (July 1999 STE) per year or portion thereof starting in January 2008.

2.2.6 Prices for Long Lead Time Aircraft. Boeing has not established escalation provisions for Model 737-700 aircraft for delivery 2007 and after. Such escalation provisions (i) will be incorporated into the Option Aircraft definitive agreement when such information is available and (ii) will be the then-current escalation provisions applicable to the same model aircraft and engines delivering in the same time period as the Option Aircraft. The resulting revisions to the definitive agreement will include but not be limited to, adjustment of the Aircraft Basic Price of the Option Aircraft, the Advance Payment Base Price, the Aircraft escalation provisions and the advance payment amounts due on the Option Aircraft.

2.2.7 BFE to SPE. An estimate of the total price for items of Buyer Furnished Equipment (BFE) changed to Seller Purchased Equipment (SPE) pursuant to the Configuration Specification is included in the Option Aircraft price build-up. The purchase price of the Option Aircraft will be adjusted by the price charged to Boeing for such items plus 10% of such price. If all BFE except developmental avionics is converted to SPE, Boeing will waive the 10% fee.

Attachment A to
6-1162-RLL-933R18
Page 5

3. Advance Payment Schedules, Prices and Adjustments.

3.1 Buyer will pay to Boeing advance payments for the Option Aircraft on the dates and in the amounts determined below.

<Table>

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Due Date of Payment	Amount Due per Aircraft (Percentage times Advance Payment Base Price)
Deposit	*** (if applicable)
<S>	<C>
18 months prior to the first day of the scheduled delivery month of the Aircraft	15% (less the Deposit if any)
12 months prior to the first day of the scheduled delivery month of the Aircraft	5%
9 months prior to the first day of the scheduled delivery month of the Aircraft	5%
6 months prior to the first day of the scheduled delivery month of the Aircraft	5%
Total	30%

</Table>

Any advance payments that would be past due as of the date of signing the definitive purchase agreement for the Option Aircraft in accordance with the above schedule are due and payable on such date.

3.2 Option Aircraft advance payment base prices will be increased or decreased, as appropriate, at the time of signing of the definitive purchase agreement for the Option Aircraft, using the then-current forecasted aircraft escalation factors used by Boeing, to determine the amount of the advance payments to be made by Buyer on the Option Aircraft.

P.A. No. 1810

K/SWA
<Page>

SA-27

Supplemental Agreement No. 28

to

Purchase Agreement No. 1810

between

THE BOEING COMPANY

and

SOUTHWEST AIRLINES CO.

Relating to Boeing Model 737-7H4 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of June 6, 2003, by and between THE BOEING COMPANY, a Delaware corporation with its principal offices in Seattle, Washington, (Boeing) and SOUTHWEST AIRLINES CO., a Texas corporation with its principal offices in Dallas, Texas (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1810 dated January 19, 1994, relating to Boeing Model 737-7H4 aircraft (the Agreement) and;

WHEREAS, Buyer has agreed to exercise one (1) September 2004 Block M Option Aircraft (as Block K Aircraft) and;

WHEREAS, Buyer has agreed to accelerate Block I Aircraft, one (1) September 2003 to August 2003 and two (2) October 2003 to September 2003 and;

NOW THEREFORE, in consideration of the mutual covenants herein

contained, the parties agree to amend the Agreement as follows:

1. The Table of Contents of the Agreement is deleted in its entirety and a new Table of Contents is attached hereto and incorporated into the Agreement by this reference.

***Pursuant to 17 CFR 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

P.A. No.1810 SA-28-1
K/SWA
<Page>

2. Article 2, entitled "Delivery, Title and Risk of Loss," is deleted in its entirety and replaced by a new Article 2. Such new pages 2-1, 2-2, 2-3 and 2-4 are attached hereto and incorporated into the Agreement by this reference.

3. Article 3, entitled "Price of Aircraft", is deleted in its entirety and replaced by a new Article 3. Such new pages 3-1, 3-2, 3-3, 3-4, 3-5 and 3-6 are attached hereto and incorporated into the Agreement by this reference.

4. Letter Agreement No. 6-1162-RLL-933R18 entitled "Option Aircraft," is deleted in its entirety and replaced by a new Letter Agreement No. 6-1162-RLL-933R19 which is attached hereto and is incorporated into the Agreement by this reference.

NOTE - Buyer now has eleven (11) 'banked' Rollover Option Aircraft as a result of the option exercises covered by Supplemental Agreement No. 21, 23, 24, 26, 27 and 28 that may be converted to Option Aircraft at a future date subject to the terms of Letter Agreement No. 6-1162-RLL-933R19.

5. The Agreement is amended by adding Table 1 and Table 2 to the Agreement, attached hereto and incorporated herein by this reference.

6. All references in the Letter Agreements associated with Purchase Agreement No. 1810 shall be deemed to refer to the purchase by Buyer of two hundred forty-four(247) Model 737-7H4 Aircraft, seventy-six (76) Model 737-7H4 Option Aircraft and two hundred seventeen (217) Model 737-7H4 Rollover Option Aircraft, to the extent such reference is not specifically addressed herein.

7. The Advance Payments due upon signing assuming execution of this Supplemental Agreement in May 2003 are:

***for the September 2004 aircraft

Buyer will pay the *** directly to Boeing upon execution of this agreement.

The Agreement will be deemed to be supplemented to the extent herein provided and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first above written.

P.A. No.1810 SA-28-2
K/SWA
<Page>

THE BOEING COMPANY SOUTHWEST AIRLINES CO.

By: /s/ J. A. McGarvey By: /s/ Laura Wright
Its: Attorney-In-Fact Its: V.P. Finance & Treasurer

P.A. No.1810 SA-28-3
K/SWA
<Page>
<Table>
<Caption>

TABLE OF CONTENTS

	Page Number	SA Number
ARTICLES		
<S> <C>	<C>	<C>
1. Subject Matter of Sale.....	1-1	SA-13
2. Delivery, Title and Risk of Loss	2-1	SA-28

3.	Price of Aircraft	3-1	SA-28
4.	Taxes	4-1	
5.	Payment	5-1	
6.	Excusable Delay	6-1	
7.	Changes to the Detail Specification	7-1	SA-1
8.	Federal Aviation Requirements and Certificates and Export License	8-1	
9.	Representatives, Inspection, Flights and Test Data...	9-1	
10.	Assignment, Resale or Lease.....	10-1	
11.	Termination for Certain Events.....	11-1	
12.	Product Assurance; Disclaimer and Release; Exclusion of Liabilities; Customer Support; Indemnification and Insurance.....	12-1	
13.	Buyer Furnished Equipment and Spare Parts.....	13-1	
14.	Contractual Notices and Requests.....	14-1	
15.	Miscellaneous.....	15-1	

P.A. No. 1810 i
K/SWA SA-28
<Page>
<Table>
<Caption>

TABLE OF CONTENTS CON'T

		SA Number
TABLE		
<S>	<C>	<C>
1.	Aircraft Information Table	SA-28
2.	Option Aircraft Information Table	SA-28

EXHIBITS

A	Aircraft Configuration	SA-13
B	Product Assurance Document	SA-1
C	Customer Support Document	
D	Price Adjustments Due to Economic Fluctuations - Aircraft	SA-13
E	Buyer Furnished Equipment Provisions Document	
F	Defined Terms Document	

LETTER AGREEMENTS

1810-1	Waiver of Aircraft Demonstration Flight	
</Table>		
P.A. No. 1810	ii	
K/SWA		SA-28
<Page>		
<Table>		
<Caption>		

TABLE OF CONTENTS CON'T

RESTRICTED LETTER AGREEMENTS		SA Number
<S>	<C>	<C>
6-1162-RLL-932R2	Promotional Support	SA-13
6-1162-RLL-933R19	Option Aircraft	SA-28
6-1162-RLL-934R3	Disclosure of Confidential Information	SA-14
6-1162-RLL-935R1	Performance Guarantees	SA-1
6-1162-RLL-936R4	Certain Contractual Matters	SA-4
6-1162-RLL-937	Alternate Advance Payment Schedule	
6-1162-RLL-938	***	
6-1162-RLL-939R1	Certification Flight Test Aircraft	SA-1
6-1162-RLL-940R1	Training Matters	SA-1
6-1162-RLL-941R2	Other Matters	SA-13
6-1162-RLL-942	Open Configuration Matters	
6-1162-RLL-943R1	Substitution Rights	SA-6
6-1162-RLL-944	Airframe Maintenance Material Cost Protection Program	
6-1162-RLL-945	Comparison of 737-7H4 and 737-3H4 Block Fuel Burn	
6-1162-RLL-1855R3	Additional Contractual Matters	SA-4
6-1162-RLL-1856	***	SA-1
6-1162-RLL-1857	Service Ready Validation Program Field Test	SA-1
6-1162-RLL-1858R1	Escalation Matters	SA-4
</Table>		
P.A. No. 1810	iii	
K/SWA		SA-28
<Page>		
<Table>		
<Caption>		

TABLE OF CONTENTS CON'T

RESTRICTED LETTER AGREEMENTS		SA Number
<S>	<C>	<C>
6-1162-RLL-2036	Amortization of Costs for Customer Unique Changes	SA-1
6-1162-RLL-2037	Reconciliation of the Aircraft Basic Price	SA-1
6-1162-RLL-2073	Maintenance Training Matters	SA-1
6-1162-KJJ-054	Business Matters	SA-13
6-1162-KJJ-055R1	Structural Matters	SA-25
6-1162-KJJ-056	Noise and Emission Matters	SA-13
6-1162-KJJ-057	Product Development Matters	SA-13
6-1162-KJJ-058	Additional Substitution Rights	SA-13
6-1162-KJJ-150	Flight Control Computer & Mode Control Panel Spares Matter	SA-14
6-1162-MSA-185R3	Delivery Change Contractual Matters	SA-21
</Table>		

ARTICLE 2. Delivery, Title and Risk of Loss.

2.1 Time of Delivery. The Aircraft will be delivered to Buyer by Boeing, assembled and ready for flight and Buyer will accept delivery of the Aircraft, in accordance with the schedule contained in Table 1.

2.2 Notice of Target Delivery Date. Boeing will give Buyer notice of the Target Delivery Date of the Aircraft approximately 30 days prior to the scheduled month of delivery.

2.3 Notice of Delivery Date. If Boeing gives Buyer at least 7 days' notice of the delivery date of the Aircraft, and an Aircraft delivery is delayed beyond such delivery date due to the responsibility of Buyer, Buyer will reimburse Boeing for all costs incurred by Boeing as a result of such delay, including amounts for storage, insurance, Taxes, preservation or protection of the Aircraft and interest on payments due.

2.4 Place of Delivery. The Aircraft will be delivered at an airport facility selected by Boeing in the State of Washington, unless mutually agreed otherwise.

2.5 Title and Risk of Loss. Title to and risk of loss of an Aircraft will pass from Boeing to Buyer upon delivery of such Aircraft, but not prior thereto.

2.6 Bill of Sale. Upon delivery of an Aircraft Boeing will deliver to Buyer a bill of sale conveying good title to such Aircraft, free of all liens, claims, charges and encumbrances of every kind whatsoever, and such other appropriate documents of title as Buyer may reasonably request.

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

3.1.1 Special Features are the features incorporated in Exhibit A which have been selected by Buyer.

3.1.2 Base Aircraft Price is the Aircraft Basic Price excluding the price of Special Features.

3.1.3 Aircraft Basic Price is comprised of the Base Aircraft Price and the price of the Special Features.

3.1.4 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Aircraft and Special Features) as calculated pursuant to Exhibit D or Exhibit D-1 as applicable.

3.1.5 Aircraft Price is the total amount Buyer is to pay for the Aircraft at the time of delivery.

3.2 Aircraft Basic Price.

The Aircraft Basic Price for Block A through L Aircraft, is expressed in July 1992 dollars; the Aircraft Basic Price for Block T Aircraft, is expressed in July 1999 dollars; as set forth in Table 1 of the Agreement.

3.3 Aircraft Price. The Aircraft Price will be established at the time of delivery of such Aircraft to Buyer and will be the sum of:

3.3.1 the Aircraft Basic Price, which is *** for the Block A, B, C, D and E Aircraft, *** for the Block F and G Aircraft, *** for the Block H Aircraft, *** for the Block I Aircraft, *** for the Block J Aircraft, *** for the Block K Aircraft and *** for the Block L Aircraft; *** for the Block T Aircraft; plus

3.3.2 the Economic Price Adjustments for the Aircraft Basic Price, as calculated pursuant to the formulas set forth in Exhibit D (Price Adjustments Due to Economic Fluctuations - Aircraft) for Aircraft Block A through L, and in Exhibit D-1 (Price Adjustments Due to Economic Fluctuations - - Aircraft) for Aircraft Block T; plus

3.3.3 other price adjustments made pursuant to this Agreement or other written agreements executed by Boeing and Buyer.

3.4 Advance Payment Base Price.

3.4.1 Advance Payment Base Price. For advance payment purposes, the following estimated delivery prices of the Aircraft (Advance Payment Base Price) have been established, using currently available forecasts of the escalation factors used by Boeing as of the date of signing this Agreement. The Advance Payment Base Price of each Aircraft is set forth in Table 1.

3.4.2 Adjustment of Advance Payment Base Prices - Long-Lead Aircraft. For Aircraft scheduled for delivery 36 months or more after the date of this Agreement, the Advance Payment Base Prices appearing in Table 1 will be used to determine the amount of the first advance payment to be made by Buyer on the Aircraft. No later than 25 months before the scheduled month of delivery of each affected Aircraft, Boeing will increase or decrease the Advance Payment Base Price of such Aircraft as required to reflect the effects of (i) any adjustments in the Aircraft Basic Price pursuant to this Agreement and (ii) the then-current forecasted escalation factors used by Boeing. Boeing will provide the adjusted Advance Payment Base Prices for each affected Aircraft to Buyer, and the advance payment schedule will be considered amended to substitute such adjusted Advance Payment Base Prices.

6-1162-RLL-933R19

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-RLL-933R19 to
Purchase Agreement No. 1810 -
Option Aircraft

This Letter Agreement amends Purchase Agreement No. 1810 dated as of January 19, 1994 (the Agreement) between The Boeing Company (Boeing) and Southwest Airlines Co. (Buyer) relating to Model 737-7H4 aircraft (Aircraft).

All terms used and not defined herein will have the same meaning as in the Agreement.

In consideration of the purchase by Buyer of the Aircraft, Boeing hereby agrees to manufacture and sell to Buyer and Buyer shall have the option to purchase (Option or Options) the additional Model 737-7H4 aircraft as described in paragraph 1 of Attachment A hereto and listed in Table 2 of the Agreement (Option Aircraft) and Model 737-7H4 Rollover Option Aircraft summarized in Table 2 of the Agreement (Rollover Option Aircraft), subject to the terms and conditions set forth below.

1. Delivery of Option Aircraft.

The Option Aircraft will be delivered to Buyer during or before the months set forth in Table 2 of the Agreement.

2. Delivery of Rollover Option Aircraft.

2.1 The Rollover Option Aircraft will be delivered to Buyer during or before the years set forth in Table 2 of the Agreement.

2.2 The Rollover Option Aircraft may be converted into Option Aircraft or firm Aircraft, from time to time, in any of the following ways:

2.2.1 Buyer can exercise any Option for an Option Aircraft described in Article 1 above, and will be offered the right to convert one

Rollover Option Aircraft into an Option Aircraft for each Option exercised. Buyer can elect to convert such Rollover Option Aircraft into an Option Aircraft at any time after converting an Option Aircraft to a firm Aircraft

subject to the requirements of Article 2.5.

2.2.2 If Buyer elects not to exercise an Option, at the same time of not exercising such Option Buyer may convert one Rollover Option Aircraft to an Option Aircraft; otherwise, one Rollover Option Aircraft will be deleted for each Option not exercised by Buyer.

2.2.3 Buyer may convert Rollover Option Aircraft directly to firm Aircraft. When Buyer converts one or more Rollover Option Aircraft to firm Aircraft, Buyer will be offered the right to convert one Rollover Option Aircraft into an Option Aircraft for each converted Rollover Option Aircraft. Buyer can elect to convert such Rollover Option Aircraft to Option Aircraft at any time after converting Rollover Option to firm Aircraft subject to the requirements of Article 2.5.

2.3 Buyer may not convert Rollover Option Aircraft to Option Aircraft except in accordance with Article 2.2 above.

2.4 Base Price Adjustments for Rollover Option Aircraft which are converted to Option Aircraft or firm Aircraft shall be in accordance with Article 2.2.5 of Attachment A to this Letter Agreement.

2.5 The delivery month offered by Boeing to Buyer for any Option or firm Aircraft resulting from a conversion of a Rollover Option Aircraft will be at least 24 months from the corresponding Option exercise date or firm order.

2.6 Upon conversion of a Rollover Option Aircraft into an Option Aircraft, Buyer shall wire transfer the Deposit of *** to Boeing and Boeing and Buyer shall agree on a delivery position for that aircraft. Section 1 of this Letter Agreement will be amended accordingly. In the event Buyer thereafter exercises its right to purchase such Option Aircraft, application of the Deposit will be in accordance with Article 4.1 herein. If the conversion is a Rollover Option Aircraft to a firm Aircraft, Buyer shall wire transfer any advance payments due under the Agreement.

P.A. No. 1810

K/SWA

SA-28

<Page>

Southwest Airlines Co.

6-1162-RLL-933R19 Page 3

2.7 Buyer and Boeing will consult on a frequent basis to keep each other informed as to Buyer's fleet plans and Boeing's production plans in order to accommodate to the greatest extent reasonably possible each party's needs in managing the delivery schedule for the Rollover Option Aircraft. Boeing acknowledges Buyer's need for delivery positions in the 2007-2012 time frame, as well as the possibility of a need for delivery positions in earlier years and will use its best reasonable efforts to meet Buyer's needs.

3. Price.

3.1 The advance payment base prices of the Option Aircraft set forth below and in paragraph 2.1 of Attachment A represent the estimated delivery prices of the Option Aircraft. The Option Aircraft pricing elements and associated pricing terms and conditions are given in Attachment A.

3.2 Price and escalation provisions for Model 737-7H4 aircraft delivering after 2006 are not currently available. The estimated Advance Payment Base Prices shown in paragraph 3.3 below and in paragraph 2.1 of Attachment A are based on currently available price and escalation provisions. As price and escalation provisions become available for Model 737-7H4 aircraft delivering after 2006, such price and escalation provisions will be appropriately applied to the applicable Option Aircraft.

For additional information relating to price and escalation provisions applicable to Option Aircraft delivering after 2006 refer to paragraphs 2.2 and 3.2 of Attachment A.

3.3 The Advance Payment Base Prices of the Option Aircraft indicated below do include an amount for special features in addition to those specifically described in Attachment A but do not include any amount for items of Buyer Furnished Equipment (BFE). An estimate for typical special features is *** per Aircraft (expressed in 1992 STE dollars) or *** per Aircraft (expressed in 1999 STE dollars) and for BFE is *** per Aircraft (expressed in delivery year dollars). Table 2 in the Agreement lists the Advance Payment Base Price per Option Aircraft.

3.4 The Option Aircraft purchase price will be the applicable basic price thereof at the time of Option Aircraft delivery adjusted in accordance

P.A. No. 1810

K/SWA

SA-28

<Page>

Southwest Airlines Co.

with Boeing's Aircraft escalation provisions contained in the definitive agreement to purchase the Option Aircraft. The purchase price will include the price for Seller Purchased Equipment (SPE) if Buyer has elected to change Buyer Furnished Equipment (BFE) to SPE.

4. Option Aircraft Payment.

4.1 In consideration of the granting of the Options as set forth herein, on or before the date Boeing and Buyer enter into a definitive agreement to purchase the Aircraft, Buyer will pay a deposit to Boeing of *** for each Option Aircraft (Deposit). In the event Buyer exercises its Options herein, the amount of the Deposit will be credited against the first advance payment due for such Option Aircraft pursuant to the advance payment schedule set forth in paragraph 3 of Attachment A. The Deposits for the Option Aircraft will be refunded to Buyer, without interest, if the parties do not enter into a definitive Agreement for the Aircraft.

In the event that, after the parties enter into a definitive agreement to purchase the Aircraft, Buyer does not exercise its Options to purchase the Option Aircraft pursuant to the terms and conditions set forth herein, Boeing will be entitled to retain the Deposits for the Option Aircraft except as provided in paragraph 6 herein.

4.2 Advance payments in the amount of 30% of the advance payment base price will be payable on the Option Aircraft in accordance with paragraph 3 of Attachment A. The remainder of the Option Aircraft purchase price is due at the time of delivery of the Option Aircraft.

5. Option Exercise.

5.1 To exercise its Option, Buyer will give written or telegraphic notice thereof to Boeing on or before sixteen (16) months prior to the first day of the delivery month of each Option Aircraft.

In such notice Buyer will select the Option Model type, and the applicable delivery positions. Table 2 of the Agreement lists the Option Exercise dates.

5.2 It is understood and agreed that Boeing may accelerate the Option exercise dates specified above if Boeing must make production decisions which are dependent on Buyer's decision to buy the Option Aircraft. If Boeing elects to accelerate the Option exercise dates, Boeing will do so by giving written or

P.A. No. 1810

K/SWA

SA-28

<Page>

Southwest Airlines Co.

6-1162-RLL-933R19 Page 5

telegraphic notice thereof to Buyer. Such notice will specify the revised Option exercise dates, which will not be earlier than 30 days after the date of transmittal of such notice, and the Option Aircraft delivery positions affected by such revision. If Buyer fails to exercise its Option for any Option Aircraft affected by such revised dates, the Deposit applicable to such Option Aircraft will be promptly refunded, with interest, to Buyer. The interest rate for calculation of the interest associated with such refund is the rate of two percent (2%) below the Citibank base rate in effect from time to time during the period the Option deposit is held by Boeing.

6. Contract Terms.

It is understood that Boeing and Buyer will use their best efforts to enter into a definitive agreement for the Option Aircraft within thirty (30) days after Buyer exercises an Option to purchase Option Aircraft pursuant to paragraph 5 covering the detailed terms and conditions for the sale of such Option Aircraft.

Such definitive agreement will include the terms and conditions contained herein together with the terms and conditions, not inconsistent herewith, contained in Boeing's then-current standard form of purchase agreement for the sale of Model 737-700 aircraft in effect as of the date of Option exercise and such additional terms and conditions as may be mutually agreed upon. In the event the parties have not entered into such an agreement within the time period contemplated herein, either party may, exercisable by written or telegraphic notice given to the other within thirty (30) days after such period, terminate the purchase of such Option Aircraft.

7. Termination of Option to Purchase.

Either Boeing or Buyer may terminate the Options to purchase an Option Aircraft if any of the following events are not accomplished by the

respective dates contemplated in this letter agreement, or in the Agreement, as the case may be:

(i) termination of the purchase of the Aircraft under the Agreement for any reason;

(ii) payment by Buyer of the Deposit with respect to an Option Aircraft pursuant to paragraph 4.1 herein;

P.A. No. 1810

K/SWA

SA-28

<Page>

Southwest Airlines Co.

6-1162-RLL-933R19 Page 6

(iii) exercise of an Option to purchase an Option Aircraft pursuant to the terms hereof.

Any termination of an Option to purchase by Boeing which is based on the termination of the purchase of Aircraft under the Agreement will be on a one-for-one basis, for each Aircraft so terminated.

Any cancellation of an Option to purchase which is based on failure to make the required Deposit or to exercise the Option to purchase shall only apply to the Option Aircraft so canceled.

Termination of an Option to purchase provided by this letter agreement will be caused by either party giving written notice to the other within 10 days after the applicable date. Upon receipt of such notice, all rights and obligations of the parties with respect to an Option Aircraft for which the Option to purchase has been terminate will thereupon terminate. If termination is result of a revision of an Option exercise date by Boeing pursuant to paragraph 5.2, Boeing will promptly refund to Buyer, with interest, any payments received from Buyer, including the Deposit, with respect to the Option Aircraft for which the Option is terminated. If termination is for any other reason, Boeing will promptly refund to Buyer, without interest, any payments received from Buyer with respect to the affected Option Aircraft, except the Deposit, which Buyer may apply to any model Boeing aircraft purchased by Buyer from Boeing at a future date.

P.A. No. 1810

K/SWA

SA-28

<Page>

Southwest Airlines Co.

6-1162-RLL-933R19 Page 7

8. Confidential Treatment. Buyer understands that certain commercial and financial information contained in this Letter Agreement including any attachments hereto is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity except as provided in Letter Agreement No. 6-1162-RLL-934, as amended.

Very truly yours,

THE BOEING COMPANY

By /s/ J. A. McGarvey

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

date: June 6, 2003

SOUTHWEST AIRLINES CO.

By /s/ Laura Wright

Its V.P. Finance & Treasurer

Attachments

P.A. No. 1810

K/SWA

SA-28

Model 737-7H4 Aircraft

1. Option Aircraft Description and Changes.

1.1 Aircraft Description. The Option Aircraft is described by Boeing Detail Specification D6-38808-1, Dated October 30, 1996 and for Block "U" Option Aircraft by Boeing Detail Specification D6-38808-1, Rev. A, Dated February 24, 1998.

1.2 Changes. The Detail Specification will be revised to include:

(1) Changes applicable to the basic Model 737-700 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of a definitive agreement to purchase the Option Aircraft.

(2) Changes mutually agreed upon.

(3) Changes required to obtain a Standard Certificate of Airworthiness.

(4) To provide sufficient Option Aircraft manufacturing and procurement lead time it is necessary for Boeing and Buyer to reach final agreement on the Option Aircraft configuration, including BFE/SPE vendor selection fifteen (15) months prior to delivery of each Option Aircraft. If such items are not resolved by the indicated dates, Boeing reserves the right to amend this letter agreement:

(i) to adjust the scheduled delivery of the Option Aircraft to a later time period and,

(ii) to make such other changes as are appropriate and consistent with the revised Option Aircraft deliveries.

1.3 Effect of Changes. Changes to the Detail Specification incorporated pursuant to the provisions of the clauses above will include the effects of such changes upon Option Aircraft weight, balance, design and performance. Performance guarantees for the Option Aircraft which are mutually acceptable to the parties will be included in the definitive agreement for the Option Aircraft.

P.A. No. 1810
K/SWA
<Page>
Attachment to
6-1162-RLL-933R19
Page 2

SA-28

2. Price Description

2.1 Price Elements Per Aircraft. The Aircraft Basic Price detailed in Table 2 of the Agreement is added to the Estimated Escalation and Estimated Escalation Sharing to determine the Advance Payment Base Price of the Option Aircraft (also listed in Table 2 of the Agreement). At the signing of this Letter Agreement, the Estimated Escalation Sharing is zero for all Option Aircraft.

2.2 Price Adjustments For Option Aircraft Delivering From January 2007 through December 2012.

2.2.1 Special Features. The price for Special Features incorporated in the Option Aircraft Detail Specification will be adjusted to Boeing's then-current prices for such features as of the date of execution of the definitive agreement for the Option Aircraft.

2.2.2 Escalation Adjustments. For escalation provisions applicable to Option Aircraft delivering after 2006, see paragraph 2.2.6 below.

2.2.3 Base Price Adjustments for FAA Changes. The Aircraft Basic Price of the Option Aircraft will be adjusted for any FAA mandated changes incorporated into the Aircraft.

2.2.4 Price Adjustments for Changes. Boeing may adjust the Aircraft Basic Price and the Advance Payment Base Price for any changes mutually agreed upon subsequent to the date that Buyer and Boeing enter into a definitive agreement for the Option Aircraft.

2.2.5 Base Price Adjustments. The Aircraft Basic Price of the Option Aircraft will be adjusted to Boeing's then-current prices as of the date of execution of the definitive agreement for the Option Aircraft in accordance with the agreement reached below. The Aircraft Basic Price

starting point for Option Aircraft delivering in 2003 is *** (July 1992 STE), for Option Aircraft delivering in 2004 is *** (July 1992 STE), for Optionss delivering in 2005 through 2009 is *** (July 1992 STE) and for Block "U" Option Aircraft is *** (July 1999 STE). Such Aircraft Basic Price may increase in accordance with paragraphs 2.2.1, 2.2.2, 2.2.3 and 2.2.4. For any other changes to the Aircraft Basic Price, Boeing may increase the Aircraft Basic Price by a maximum of *** (July 1992 STE) for Aircraft delivering in 2005; by a maximum of *** (July 1992 STE) per year or portion thereof starting in January 2006 through 2009. For Block "U" Option Aircraft Boeing may increase the Aircraft Basic Price by a maximum of \$38,900 (July 1999 STE) per year or portion thereof starting in January 2008.

P.A. No. 1810
K/SWA
<Page>
Attachment to
6-1162-RLL-933R19
Page 3

SA-28

2.2.6 Prices for Long Lead Time Aircraft. Boeing has not established escalation provisions for Model 737-700 aircraft for delivery 2007 and after. Such escalation provisions (i) will be incorporated into the Option Aircraft definitive agreement when such information is available and (ii) will be the then-current escalation provisions applicable to the same model aircraft and engines delivering in the same time period as the Option Aircraft. The resulting revisions to the definitive agreement will include but not be limited to, adjustment of the Aircraft Basic Price of the Option Aircraft, the Advance Payment Base Price, the Aircraft escalation provisions and the advance payment amounts due on the Option Aircraft.

2.2.7 BFE to SPE. An estimate of the total price for items of Buyer Furnished Equipment (BFE) changed to Seller Purchased Equipment (SPE) pursuant to the Configuration Specification is included in the Option Aircraft price build-up. The purchase price of the Option Aircraft will be adjusted by the price charged to Boeing for such items plus 10% of such price. If all BFE except developmental avionics is converted to SPE, Boeing will waive the 10% fee.

P.A. No. 1810
K/SWA
<Page>
Attachment to
6-1162-RLL-933R19
Page 4

SA-28

3. Advance Payment Schedules, Prices and Adjustments.

3.1 Buyer will pay to Boeing advance payments for the Option Aircraft on the dates and in the amounts determined below.

<Table>
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Due Date of Payment	Amount Due per Aircraft (Percentage times Advance Payment Base Price)
Deposit <S> 18 months prior to the first day of the scheduled delivery month of the Aircraft	*** (if applicable) <C> 15% (less the Deposit if any)
12 months prior to the first day of the scheduled delivery month of the Aircraft	5%
9 months prior to the first day of the scheduled delivery month of the Aircraft	5%
6 months prior to the first day of the scheduled delivery month of the Aircraft	5%
Total	30%

</Table>

Any advance payments that would be past due as of the date of signing the definitive purchase agreement for the Option Aircraft in accordance with the above schedule are due and payable on such date.

3.2 Option Aircraft advance payment base prices will be increased or decreased, as appropriate, at the time of signing of the definitive purchase agreement for the Option Aircraft, using the then-current forecasted aircraft escalation factors used by Boeing, to determine the amount of the

advance payments to be made by Buyer on the Option Aircraft.

<Page>

Table 1 to

Purchase Agreement No. 1810
Aircraft Information Table

<Table>

<Caption>

	Base Aircraft Price	Special Features	Aircraft Basic Price	Base Year Dollars
<S>	<C>	<C>	<C>	<C>
Block A, B, C, D & E Aircraft	***	***	***	July 1992
Block F & G Aircraft	***	***	***	July 1992
Block H Aircraft	***	***	***	July 1992
Block I Aircraft	***	***	***	July 1992
Block J Aircraft	***	***	***	July 1992
Block K Aircraft	***	***	***	July 1992
Block L Aircraft	***	***	***	July 1992
Block T Aircraft	***	***	***	July 1999

</Table>

<Table>

<Caption>

Delivery	Number of	Aircraft	Escalation Estimate Adv Payment Base
Date	Aircraft	Block	Price Per A/P
<S>	<C>	<C>	<C>
Dec-2000	2	E	***
Jan-2001	1	E	***
Feb-2001	1	E	***
Mar-2001	2	E	***
Jun-2001	3	E	***
Sep-2001	3	E	***
Oct-1998	1	F	***
Nov-1998	2	F	***
Dec-1998	2	F	***
Mar-1999	2	G	***
Jun-1999	2	H	***
Jul-1999	1	H	***
Aug-1999	1	H	***
Sep-1999	2	H	***
Oct-1999	1	H	***
Mar-2000	1	H	***
Apr-2000	2	H	***
Sep-2000	1	H	***
Oct-2000	2	H	***
Mar-2001	2	H	***
Apr-2001	1	H	***
Oct-2001	3	H	***
Nov-2001	2	I	***
Dec-2001	1	I	***
Jan-2002	1	I	***
Mar-2002	4	I	***
Apr-2002	2	I	***
Dec-2002	2	I	***
May-2003	1	I	***

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SWA

Page 1

SA-28

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Table 1 to
Purchase Agreement No. 1810
Aircraft Information Table

<Table>

<Caption>

Delivery	Number of	Aircraft	Escalation Estimate Adv Payment Base
Date	Aircraft	Block	Price Per A/P
<S>	<C>	<C>	<C>
Jun-2003	2	I	***
Jul-2003	1	I	***
Aug-2003	1	I	***
Sep-2003	3	I	***
Nov-2002	1	J	***
Dec-2002	1	J	***
Nov-2003	2	J	***

Dec-2003	2	J	***
Mar-2004	1	I	***
Mar-2004	1	K	***
Apr-2004	3	K	***
May-2004	1	K	***
Jun-2004	2	K	***
Jul-2004	2	K	***
Sep-2004	1	K	***
Oct-1999	1	L	***
Nov-1999	2	L	***
Dec-1999	1	L	***
Jun-2000	3	L	***
Jul-2000	3	L	***
Sep-2000	1	L	***
Oct-2000	1	L	***
Nov-2000	4	L	***
Dec-2000	1	L	***
Jan-2001	1	L	***
Feb-2001	1	L	***
Jul-2001	1	L	***
Sep-2001	1	L	***
Oct-2001	1	L	***
Mar-2003	2	L	***
Jul-2003	1	L	***
Aug-2003	2	L	***
Nov-2001	1	T	***
Feb-2002	1	T	***
Jan-2004	2	T	***
May-2004	1	T	***
Jun-2004	3	T	***
Jul-2004	1	T	***
Aug-2004	2	T	***
Sep-2004	3	T	***
Oct-2004	1	T	***
Nov-2004	1	T	***
Dec-2004	1	T	***
Jan-2005	5	T	***
Feb-2005	2	T	***
Mar-2005	1	T	***
Apr-2005	2	T	***
May-2005	1	T	***

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SWA
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Page 2

SA-28

Table 1 to
Purchase Agreement No. 1810
Aircraft Information Table

<Table>
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Delivery	Number of	Aircraft	Escalation Estimate Adv Payment Base
Date	Aircraft	Block	Price Per A/P
<S>	<C>	<C>	<C>
Jun-2005	3	T	***
Jul-2005	2	T	***
Aug-2005	1	T	***
Sep-2005	2	T	***
Oct-2005	1	T	***
Nov-2005	2	T	***
Dec-2005	2	T	***
Feb-2006	4	T	***
May-2006	3	T	***
Jun-2006	4	T	***
Jul-2006	1	T	***
Aug-2006	3	T	***
Sep-2006	3	T	***
Nov-2006	2	T	***
Dec-2006	2	T	***
Jan-2007	2	T	***
Feb-2007	3	T	***
Mar-2007	2	T	***
Apr-2007	2	T	***
May-2007	2	T	***
Jun-2007	2	T	***
Jul-2007	2	T	***
Aug-2007	2	T	***
Sep-2007	2	T	***
Oct-2007	2	T	***
Nov-2007	2	T	***
Dec-2007	2	T	***
Jan-2008	1	T	***

Feb-2008	1	T	***
Mar-2008	1	T	***
Apr-2008	1	T	***
May-2008	1	T	***
Jun-2008	1	T	***

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SWA Page 3 SA-28

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Table 2 to Purchase Agreement No. 1810
(Letter Agreement No. 6-112-RLL-933R19)
Option Aircraft Information Table

Price Description of Option Aircraft:

<Table>

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	Base Aircraft Price	Special Features	Aircraft Basic Price	Base Year Dollars
<S>	<C>	<C>	<C>	<C>
Block M Option Aircraft	***	***	***	July 1992
Block N Option Aircraft	***	***	***	July 1992
Block O Option Aircraft	***	***	***	July 1992
Block P Option Aircraft	***	***	***	July 1992
Block U Option Aircraft	***	***	***	July 1999

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Delivery of Rollover Option Aircraft:

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Year of Delivery	Number of Option Aircraft	Option Aircraft Block
<S>	<C>	<C>
2007	Twenty (20)	Q
2008	Twenty (20)	R
2009	Six (6)	S
2009- 2012	One Hundred Seventy-One (171)	V

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Aircraft Delivery Mo. & Yr.	Number of Option Aircraft	Option Aircraft Block	Adv Payment Base Price Per Option Aircraft	Option Exercise
<S>	<C>	<C>	<C>	<C>
Oct-2004	4	M	***	June 1, 2003
Nov-2004	2	M	***	July 1, 2003
Dec-2004	2	M	***	August 1, 2003
Feb-2005	1	N	***	October 1, 2003
Mar-2005	4	N	***	November 1, 2003
Apr-2005	2	N	***	December 1, 2003
May-2005	1	N	***	January 1, 2004
Jun-2005	1	N	***	February 1, 2004
Jul-2005	1	N	***	March 1, 2004
Aug-2005	1	N	***	April 1, 2004
Sep-2005	3	N	***	May 1, 2004
Oct-2005	2	N	***	June 1, 2004
Nov-2005	1	N	***	July 1, 2004

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SWA Page 1 SA-28

<Page>

Table 2 to Purchase Agreement No. 1810
(Letter Agreement No. 6-112-RLL-933R19)
Option Aircraft Information Table

<Table>

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Aircraft Delivery Mo. & Yr.	Number of Option Aircraft	Option Aircraft Block	Adv Payment Base Price Per Option Aircraft	Option Exercise
<S>	<C>	<C>	<C>	<C>
Dec-2005	1	N	***	August 1, 2004
Jan-2006	2	O	***	September 1, 2004
Mar-2006	3	O	***	November 1, 2004

Apr-2006	2	O	***	December 1, 2004
May-2006	2	O	***	January 1, 2005
Jun-2006	1	O	***	February 1, 2005
Jul-2006	2	O	***	March 1, 2005
Aug-2006	1	O	***	April 1, 2005
Oct-2006	1	O	***	June 1, 2005
Nov-2006	1	O	***	July 1, 2005
Dec-2006	1	O	***	August 1, 2005
Apr-2007	1	P	***	December 1, 2005
May-2007	1	P	***	January 1, 2006
Jun-2007	1	P	***	February 1, 2006
Jul-2007	1	P	***	March 1, 2006
Aug-2007	1	P	***	April 1, 2006
Sep-2007	1	P	***	May 1, 2006
Oct-2007	1	P	***	June 1, 2006
Nov-2007	1	P	***	July 1, 2006
Dec-2007	1	P	***	August 1, 2006
Jan-2008	2	U	***	September 1, 2006
Feb-2008	3	U	***	October 1, 2006
Mar-2008	2	U	***	November 1, 2006
Apr-2008	2	U	***	December 1, 2006
May-2008	2	U	***	January 1, 2007
Jun-2008	2	U	***	February 1, 2007
Jul-2008	2	U	***	March 1, 2007
Aug-2008	2	U	***	April 1, 2007
Sep-2008	2	U	***	May 1, 2007
Oct-2008	2	U	***	June 1, 2007
Nov-2008	2	U	***	July 1, 2007
Dec-2008	2	U	***	August 1, 2007

</Table>

SWAPage 2SA-28

<Page>

Supplemental Agreement No. 29

to

Purchase Agreement No. 1810

between

THE BOEING COMPANY

and

SOUTHWEST AIRLINES CO.

Relating to Boeing Model 737-7H4 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of June 30, 2003, by and between THE BOEING COMPANY, a Delaware corporation with its principal offices in Seattle, Washington, (Boeing) and SOUTHWEST AIRLINES CO., a Texas corporation with its principal offices in Dallas, Texas (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1810 dated January 19, 1994, relating to Boeing Model 737-7H4 aircraft (the Agreement) and;

WHEREAS, Buyer has agreed to exercise the following Option Aircraft in the following delivery positions as the following blocks and;

<Table>

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Quantity	Option Aircraft	Exercised Delivery	Delivery Block
<S>	<C>	<C>	<C>
Four (4)	October 2004	October 2004	K
Two (2)	November 2004	November 2004	T
Two (2)	December 2004	December 2004	T
One (1)	March 2005	April 2004	T
One (1)	July 2005	April 2004	T
Two (2)	September 2005	June 2004	T
One (1)	October 2005	June 2004	T
One (1)	December 2005	July 2004	T

</Table>

***Pursuant to 17 CFR 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

WHEREAS, Buyer has agreed to accelerate Block T Aircraft, one (1) November 2005 to February 2004 and one (1) December 2005 to April 2004 and;

WHEREAS, Boeing and Buyer have agreed to convert all remaining Block M, N, O, and P Option Aircraft to Block U type pricing and escalation and similarly for all Rollover Option Aircraft and;

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Agreement as follows:

1. The Table of Contents of the Agreement is deleted in its entirety and a new Table of Contents is attached hereto and incorporated into the Agreement by this reference.

2. Table 1 is deleted in its entirety and replaced by a new Table 1 which is attached hereto and is incorporated into the Agreement by this reference.

3. Table 2 is deleted in its entirety and replaced by a new Table 2 which is attached hereto and is incorporated into the Agreement by this reference.

NOTE - Buyer now has twenty-five (25) 'banked' Rollover Option Aircraft as a result of the option exercises covered by Supplemental Agreement No. 21, 23, 24, 26, 27, 28 and 29 that may be converted to Option Aircraft at a future date subject to the terms of Letter Agreement No. 6-1162-RLL-933R19.

4. Letter Agreement No. 6-1162-JMG-669 entitled "Special Matters," is attached hereto and is hereby incorporated into the Agreement by this reference.

5. All references in the Letter Agreements associated with Purchase Agreement No. 1810 shall be deemed to refer to the purchase by Buyer of two hundred sixty-one (261) Model 737-7H4 Aircraft, sixty-two (62) Model 737-7H4 Option Aircraft and two hundred seventeen (217) Model 737-7H4 Rollover Option Aircraft, to the extent such reference is not specifically addressed herein.

6. The Advance Payments due upon signing assuming execution of this Supplemental Agreement in June 2003 are:

*** for the October 2004 aircraft
*** for the April 2004 aircraft
*** for the June 2004 aircraft
*** for the July 2004 aircraft
*** for the November 2004 aircraft
P.A. No. 1810 SA-29-2
K/SWA
<page>

*** for the December 2004 aircraft
*** Total

Buyer will pay the *** directly to Boeing upon execution of this agreement.

P.A. No. 1810 SA-29-3
K/SWA
<page>

The Agreement will be deemed to be supplemented to the extent herein provided and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first above written.

THE BOEING COMPANY SOUTHWEST AIRLINES CO.

By: /s/ Michael S. Anderson By: /s/ Deborah Ackerman

Its: Attorney-In-Fact Its: VP-General Counsel
P.A. No. 1810 SA-29-4
K/SWA
<page>
<Table>
<Caption>

TABLE OF CONTENTS

<Table>

<Caption>

TABLE OF CONTENTS

	Page Number	SA Number
RESTRICTED LETTER AGREEMENTS		
<S>	<C>	<C>
6-1162-RLL-932R2	Promotional Support	SA-13
6-1162-RLL-933R19	Option Aircraft	SA-28
6-1162-RLL-934R3	Disclosure of Confidential Information	SA-14
6-1162-RLL-935R1	Performance Guarantees	SA-1
6-1162-RLL-936R4	Certain Contractual Matters	SA-4
6-1162-RLL-937	Alternate Advance Payment Schedule	
6-1162-RLL-938	***	
6-1162-RLL-939R1	Certification Flight Test Aircraft	SA-1
6-1162-RLL-940R1	Training Matters	SA-1
6-1162-RLL-941R2	Other Matters	SA-13
6-1162-RLL-942	Open Configuration Matters	
6-1162-RLL-943R1	Substitution Rights	SA-6
6-1162-RLL-944	Airframe Maintenance Material Cost Protection Program	
6-1162-RLL-945	Comparison of 737-7H4 and 737-3H4 Block Fuel Burn	
6-1162-RLL-1855R3	Additional Contractual Matters	SA-4
6-1162-RLL-1856	***	SA-1
6-1162-RLL-1857	Service Ready Validation Program Field Test	SA-1
6-1162-RLL-1858R1	Escalation Matters	SA-4
</Table>		
P.A. No. 1810	iii	SA-29
K/SWA		
<Page>		
<Table>		
<Caption>		
TABLE OF CONTENTS		

	Page Number	SA Number
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RESTRICTED LETTER AGREEMENTS

<S>	<C>	<C>
6-1162-RLL-2036	Amortization of Costs for Customer Unique Changes	SA-1
6-1162-RLL-2037	Reconciliation of the Aircraft Basic Price	SA-1
6-1162-RLL-2073	Maintenance Training Matters	SA-1
6-1162-KJJ-054	Business Matters	SA-13
6-1162-KJJ-055R1	Structural Matters	SA-25
6-1162-KJJ-056	Noise and Emission Matters	SA-13
6-1162-KJJ-057	Product Development Matters	SA-13
6-1162-KJJ-058	Additional Substitution Rights	SA-13
6-1162-KJJ-150	Flight Control Computer & Mode Control Panel Spares Matter	SA-14

6-1162-MSA-185R3	Delivery Change Contractual Matters	SA-21
6-1162-JMG-669	Special Matters	SA-29
</Table>		
P.A. No. 1810	iv	SA-29
K/SWA		
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Table 1 to
Purchase Agreement No. 1810
Aircraft Information Table

<Table> <Caption>				
	Base Aircraft Price	Special Features	Aircraft Basic Price	Base Year Dollars
<S>	<C>	<C>	<C>	<C>
Block A, B, C, D & E Aircraft	***	***	***	July 1992
Block F & G Aircraft	***	***	***	July 1992
Block H Aircraft	***	***	***	July 1992
Block I Aircraft	***	***	***	July 1992
Block J Aircraft	***	***	***	July 1992
Block K Aircraft	***	***	***	July 1992
Block L Aircraft	***	***	***	July 1992
Block T Aircraft	***	***	***	July 1999
</Table>				

<Table> <Caption>			
Delivery	Number of	Aircraft	Escalation Estimate Adv Payment Base
Date	Aircraft	Block	Price Per A/P
<S>	<C>	<C>	<C>
Dec-2000	2	E	***
Jan-2001	1	E	***
Feb-2001	1	E	***
Mar-2001	2	E	***
Jun-2001	3	E	***
Sep-2001	3	E	***
Oct-1998	1	F	***
Nov-1998	2	F	***
Dec-1998	2	F	***
Mar-1999	2	G	***
Jun-1999	2	H	***
Jul-1999	1	H	***
Aug-1999	1	H	***
Sep-1999	2	H	***
Oct-1999	1	H	***
Mar-2000	1	H	***
Apr-2000	2	H	***
Sep-2000	1	H	***
Oct-2000	2	H	***
Mar-2001	2	H	***
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Delivery	Number of	Aircraft	Escalation Estimate Adv Payment Base
Date	Aircraft	Block	Price Per A/P
<S>	<C>	<C>	<C>
Oct-2001	3	H	***
Nov-2001	2	I	***
Dec-2001	1	I	***
Jan-2002	1	I	***
Mar-2002	4	I	***
Apr-2002	2	I	***
Dec-2002	2	I	***
May-2003	1	I	***
Jun-2003	2	I	***
Jul-2003	1	I	***
Aug-2003	1	I	***
Sep-2003	3	I	***
Nov-2002	1	J	***
Dec-2002	1	J	***

Nov-2003	2	J	***
Dec-2003	2	J	***
Mar-2004	1	I	***
Mar-2004	1	K	***
Apr-2004	3	K	***
May-2004	1	K	***
Jun-2004	2	K	***
Jul-2004	2	K	***
Sep-2004	1	K	***
Oct 2004	4	K	***
Oct-1999	1	L	***
Nov-1999	2	L	***
Dec-1999	1	L	***
Jun-2000	3	L	***
Jul-2000	3	L	***
Sep-2000	1	L	***
Oct-2000	1	L	***
Nov-2000	4	L	***
Dec-2000	1	L	***
Jan-2001	1	L	***
Feb-2001	1	L	***
Jul-2001	1	L	***
Sep-2001	1	L	***
Oct-2001	1	L	***
Mar-2003	2	L	***

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Delivery	Number of	Aircraft	Escalation Estimate Adv Payment Base Price Per A/P
Date	Aircraft	Block	
<S>	<C>	<C>	<C>
Jul-2003	1	L	***
Aug-2003	2	L	***
Nov-2001	1	T	***
Feb-2002	1	T	***
Jan-2004	2	T	***
Feb-2004	1	T	***
Apr-2004	3	T	***
May-2004	1	T	***
Jun-2004	3	T	***
Jul-2004	1	T	***
Aug-2004	2	T	***
Sep-2004	3	T	***
Oct-2004	1	T	***
Nov-2004	1	T	***
Dec-2004	1	T	***
Jan-2005	5	T	***
Feb-2005	2	T	***
Mar-2005	1	T	***
Apr-2005	2	T	***
May-2005	1	T	***
Jun-2005	3	T	***
Jul-2005	2	T	***
Aug-2005	1	T	***
Sep-2005	2	T	***
Oct-2005	1	T	***
Nov-2005	2	T	***
Dec-2005	2	T	***
Feb-2006	4	T	***
May-2006	3	T	***
Jun-2006	4	T	***
Jul-2006	1	T	***
Aug-2006	3	T	***
Sep-2006	3	T	***
Nov-2006	2	T	***
Dec-2006	2	T	***
Jan-2007	2	T	***
Feb-2007	3	T	***
Mar-2007	2	T	***
Apr-2007	2	T	***

<Table>
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Delivery	Number of	Aircraft	Escalation Estimate Adv Payment
----------	-----------	----------	---------------------------------------

Date	Aircraft	Block	Base Price Per A/P
<S>	<C>	<C>	<C>
Jul-2007	2	T	***
Aug-2007	2	T	***
Sep-2007	2	T	***
Oct-2007	2	T	***
Nov-2007	2	T	***
Dec-2007	2	T	***
Jan-2008	1	T	***
Feb-2008	1	T	***
Mar-2008	1	T	***
Apr-2008	1	T	***
May-2008	1	T	***
Jun-2008	1	T	***

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Table 2 to Purchase Agreement No. 1810
(Letter Agreement No. 6-1162-RLL-933R19)
Option Aircraft Information Table

Price Description of Option Aircraft:

	Base Aircraft Price	Special Features	Aircraft Basic Price	Base Year Dollars
<S>	<C>	<C>	<C>	<C>
Block U Option Aircraft	***	***	***	July 1999

</Table>

Delivery of Rollover Option Aircraft:

Year of Delivery	Number of Option Aircraft	Option Aircraft Block
<S>	<C>	<C>
2007	Twenty (20)	Q
2008	Twenty (20)	R
2009	Six (6)	S
2009-2012	One Hundred Seventy-One (171)	V

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Remaining Option Aircraft: 62

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Aircraft Delivery Mo. & Yr.	Number of Option Aircraft	Option Aircraft Block	Adv Payment Base Price Per Option Aircraft	Option Exercise
<S>	<C>	<C>	<C>	<C>
Feb-2005	1	U	***	October 1, 2003
Mar-2005	3	U	***	November 1, 2003
Apr-2005	2	U	***	December 1, 2003
May-2005	1	U	***	January 1, 2004
Jun-2005	1	U	***	February 1, 2004
Aug-2005	1	U	***	April 1, 2004
Sep-2005	1	U	***	May 1, 2004
Oct-2005	1	U	***	June 1, 2004
Nov-2005	1	U	***	July 1, 2004
Jan-2006	2	U	***	September 1, 2004
Mar-2006	3	U	***	November 1, 2004
Apr-2006	2	U	***	December 1, 2004
May-2006	2	U	***	January 1, 2005
Jun-2006	1	U	***	February 1, 2005
Jul-2006	2	U	***	March 1, 2005

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<Table>

<Caption>

Aircraft Delivery Mo. & Yr.	Number of Option Aircraft	Option Aircraft Block	Adv Payment Base Price Per Option Aircraft	Option Exercise
<S>	<C>	<C>	<C>	<C>
Nov-2006	1	U	***	July 1, 2005
Dec-2006	1	U	***	August 1, 2005
Apr-2007	1	U	***	December 1, 2005
May-2007	1	U	***	January 1, 2006
Jun-2007	1	U	***	February 1, 2006

Jul-2007	1	U	***	March 1, 2006
Aug-2007	1	U	***	April 1, 2006
Sep-2007	1	U	***	May 1, 2006
Oct-2007	1	U	***	June 1, 2006
Nov-2007	1	U	***	July 1, 2006
Dec-2007	1	U	***	August 1, 2006
Jan-2008	2	U	***	September 1, 2006
Feb-2008	3	U	***	October 1, 2006
Mar-2008	2	U	***	November 1, 2006
Apr-2008	2	U	***	December 1, 2006
May-2008	2	U	***	January 1, 2007
Jun-2008	2	U	***	February 1, 2007
Jul-2008	2	U	***	March 1, 2007
Aug-2008	2	U	***	April 1, 2007
Sep-2008	2	U	***	May 1, 2007
Oct-2008	2	U	***	June 1, 2007
Nov-2008	2	U	***	July 1, 2007
Dec-2008	2	U	***	August 1, 2007

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6-1162-JMG-669

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Special Matters

This Letter Agreement amends Purchase Agreement No. 1810 dated as of January 19, 1994 (the Agreement) between The Boeing Company (Boeing) and Southwest Airlines Co. (Buyer) relating to Model 737 aircraft:

All terms used and not defined herein will have the same meaning as in the Agreement.

1. ***
2. ***
3. ***
4. ***
5. ***

Letter agreement no. 6-1162-DSF-483/737-7H4 dated August 19, 1998 is amended to ***

6. Confidential Treatment.

Buyer understands that certain commercial and financial information contained in this Letter Agreement including any attachments hereto is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity except as provided in Letter Agreement No. 6-1162-RLL-934, as amended.
<Page>

Southwest Airlines Co.
6-1162-JMG-669
Page 2

Very truly yours,

THE BOEING COMPANY

By /s/ Michael S.Anderson

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

date:June 30, 2003

SOUTHWEST AIRLINES CO.

By /s/ Deborah Ackerman

Its VP-General Counsel

P.A. No. 1810

K/SWA

<Page>

SA-29

CERTIFICATION

I, Gary C. Kelly, Executive Vice President and Chief Financial Officer of Southwest Airlines Co., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southwest Airlines Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation ; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 22, 2003

By: /s/ Gary C. Kelly
Gary C. Kelly
Executive Vice President
and Chief Financial
Officer

CERTIFICATION

I, James F. Parker, Chief Executive Officer of Southwest Airlines Co., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southwest Airlines Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to

make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation ; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 22, 2003

By: /s/ James F. Parker
James F. Parker
Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Southwest Airlines Co. (the "Company") for the period ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary C. Kelly, Executive Vice President and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1). The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2). The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 22, 2003

By /s/ Gary C. Kelly
Gary C. Kelly
Executive Vice President -
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Southwest Airlines Co. and will be retained by Southwest Airlines Co. and furnished to the Securities and Exchange Commission or its staff upon request.

<Page>

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Southwest Airlines Co. (the "Company") for the period ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James F. Parker, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1). The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2). The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 22, 2003

By /s/ James F. Parker
James F. Parker
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Southwest Airlines Co. and will be retained by Southwest Airlines Co. and furnished to the Securities and Exchange Commission or its staff upon request.