

By: /s/ Gary C. Kelly
Gary C. Kelly
Executive Vice President -

Date: January 22, 2004

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INDEX TO EXHIBITS

Exhibit No.	Exhibit
<S>	<C>
99.1	Registrant's [2003 Year End] Earnings Release.

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SOUTHWEST AIRLINES REPORTS FOURTH QUARTER EARNINGS AND 31st
CONSECUTIVE YEAR OF PROFITABILITY

DALLAS, TEXAS - January 22, 2004 - Southwest Airlines net income for fourth quarter 2003 was \$66 million, compared to \$42 million for fourth quarter 2002. Net income per diluted share was \$.08 for fourth quarter 2003, compared to \$.05 in fourth quarter 2002. The Company also reported its 31st consecutive year of profitability, with annual net income of \$442 million or \$.54 per diluted share, compared to 2002 net income of \$241 million or \$.30 per diluted share. Excluding special items in each year, 2003 net income was \$298 million or \$.36 per diluted share, compared to \$198 million or \$.24 per diluted share for 2002.

Fourth Quarter 2003 Operating Results

Total operating revenues for fourth quarter 2003 increased 8.3 percent to \$1.52 billion, compared to \$1.4 billion for fourth quarter 2002. Operating income increased 26.1 percent to \$111 million from \$88 million in fourth quarter 2002. Revenue passenger miles (RPMs) increased 5.3 percent in fourth quarter 2003, as compared to a 4.0 percent increase in available seat miles (ASMs), resulting in a 0.8 point increase in load factor to 63.8 percent. The passenger revenue yield per RPM increased 2.6 percent to 12.57 cents from 12.25 cents in fourth quarter 2002. Operating revenue yield per ASM (RASM) increased 4.0 percent to 8.29 cents from 7.97 cents in fourth quarter 2002.

Total fourth quarter 2003 operating expenses were \$1.4 billion, an increase of 7.1 percent compared to \$1.3 billion in fourth quarter 2002. Operating expenses per ASM (CASM) for fourth quarter 2003 increased 2.9 percent to 7.69 cents, compared to 7.47 cents in fourth quarter 2002. Unit cost increases resulted primarily from higher labor, maintenance, airport, and jet fuel costs, net of hedging and fuel efficiency gains. The Company's hedging program resulted in the recognition of \$41 million and \$29 million in gains during fourth quarter 2003 and 2002, respectively, and annual gains of \$171 million and \$45 million for 2003 and 2002, respectively. Excluding fuel, CASM for fourth quarter 2003 increased 2.8 percent to 6.51 cents, compared to 6.33 cents for fourth quarter 2002.

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"Other expenses" were \$10 million and \$24 million for fourth quarter 2003 and 2002, respectively. Interest expense declined 25.9 percent due to lower effective interest rates and the October 2003 redemption of \$100 million of senior unsecured 8 3/4 percent Notes due October 15, 2003. Capitalized interest increased to \$10 million from \$4 million in fourth quarter 2002 as a result of higher Boeing aircraft progress payments. The fourth quarter 2003 income tax rate of 34.9 percent reflected lower effective state income tax rates.

James F. Parker, Vice Chairman and Chief Executive Officer, stated: "Although 2003 represented another year of adversity for our industry, Southwest produced its 31st consecutive year of profitability, which will enable us to reward our dedicated Employees with a \$126 million contribution to our Company profitsharing plan.

"As the economy recovers and demand for business travel increases, our unit revenue trends gradually continue to improve. Our fourth quarter 2003 RASM increased 4.0 percent from last year's improved performance of 7.97 cents. Although the first half of January 2004 showed modest unit revenue growth, bookings suggest that January's load factor could fall below last year's performance of 58.0 percent.

"As expected, we are experiencing some cost pressures. Our low cost competitive advantage will endure, however. Our overall unit costs for fourth quarter 2004 were up 2.9 percent versus last year's fourth quarter due to a variety of items. While this increase is less than anticipated, we are not satisfied with these inflationary trends and are aggressively implementing various measures to improve our productivity. Effective December 15, 2003, Southwest no longer pays a travel agency commission on flights booked by traditional travel agencies, which will reduce operating costs by approximately \$40 million annually. We also recently announced the consolidation of our reservation operations from nine into six Reservation Centers. Although we will incur restructuring charges estimated in the \$20 million range in first quarter 2004, we expect ongoing annual operating cost savings to exceed that amount.

"We continue to be impacted by high energy costs. Although we were well protected and recognized approximately \$41 million in effective hedging gains in fourth quarter 2003 fuel and oil expense, our average jet fuel costs per gallon increased 4.7 percent versus last year's fourth quarter. We are also substantially hedged in first quarter 2004 at 82 percent with caps under \$24 per barrel. Even with that hedge, based on

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current market conditions, our estimated first quarter 2004 average jet fuel costs per gallon is in the 75 to 80 cents range. For the remainder of 2004, we are over 80 percent hedged in each quarter with caps approximating \$24 per barrel. For 2005, we are approximately 70 percent hedged with caps in the \$24 per barrel range.

"Excluding estimated reservation operations restructuring costs, we expect overall unit costs to increase again in first quarter 2004 as compared to last year's first quarter. We expect cost pressures will begin to ease in second half 2004.

"With our low cost advantage and outstanding service, we are excited about our growth opportunities, particularly our entry into the Philadelphia market in May 2004. As a result, we recently exercised options to acquire five more 737-700s in 2005, which brings our current 2005 firm aircraft orders and options to 28 and 6, respectively. Our total 2004 expected Boeing 737-700 additions remain at 47. After subtracting planned 737-200 retirements, we plan to grow annual capacity in the 7 to 8 percent range in 2004 and approximately 11 percent in 2005.

"Our priorities, with respect to our financial position, are to maintain high liquidity levels, a strong balance sheet, and A credit ratings, while still growing the airline and generating value for our Employee and non-Employee Shareholders. We are anticipating substantial proceeds from future exercises of Employee stock options. In consideration of our strong cash position, strong balance sheet, and desire to maximize value for our Employee and non-Employee Shareholders, our Board has authorized the repurchase of up to \$300 million of Southwest Airlines common stock from time to time in the open market, from the proceeds of future Employee stock option exercises.

"Southwest was included in Global Finance magazine's January 2004 'Expert's List of the World's Most Socially Responsible Companies' and recently recognized as the 'Best Domestic Airline of the Year' by Travel Weekly magazine. We commend our caring and altruistic Employees for these honors.

"For information regarding the Company's Corporate Governance Program, please see the new Corporate Governance section, under Investor Relations at southwest.com."

Net cash provided by operations for fourth quarter 2003 was \$291 million. We ended the year with \$1.87 billion in cash plus our available unsecured revolving credit line of \$575 million.

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Operating revenues for the year ended December 31, 2003 increased 7.5 percent to \$5.9 billion while operating expenses increased 6.8 percent to \$5.5 billion, resulting in operating income of \$483 million. Excluding special items, operating revenues for the year ended December 31, 2003 increased 8.2 percent to \$5.9 billion while operating expenses increased 6.3 percent to \$5.4 billion, resulting in operating income of \$523 million. Net income for 2003 increased 83.4 percent to \$442 million, compared to \$241 million in 2002. Net income per diluted share for the year was \$.54 versus \$.30 in 2002. Excluding special items, 2003 net income was \$298 million, or \$.36 per diluted share, versus 2002 net income of \$198 million, or \$.24 per diluted share.

Special Items

The Company believes it is helpful to management and investors to evaluate ongoing operational performance and trends by excluding special items, as described below, for comparative purposes. A reconciliation of key financial measures, excluding these special items, is included in this release, pursuant to Regulation G issued by the Securities and Exchange Commission. There were no special items in fourth quarter 2003 or fourth quarter 2002.

Pursuant to the April 2003 Emergency Wartime Supplemental Appropriations Act of 2002, the Company received a \$271 million cash payment from the U.S. government, which is included as "Other gains" in its Condensed Consolidated Statement of Income for 2003. This special item, which was recorded in second quarter 2003, resulted in an increase of approximately \$40 million to Employee profitsharing expense.

Pursuant to the Air Transportation Safety and System Stabilization Act, which was enacted following the September 2001 terrorist attacks, the Company recognized \$48 million from the U.S. Government, which is included in "Other gains" in its Condensed Consolidated Statements of Income for 2002. This special item was recorded in third quarter 2002.

The Company's 2002 results also included an additional \$36 million in passenger revenue recognized during second quarter 2002 from a reduction in estimated future refunds and exchanges included in "Air traffic liability."

Southwest Airlines will conduct a conference call to discuss its quarterly earnings today at 11:30 a.m. Eastern Time. A live broadcast of the conference call will be available at www.southwest.com.

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

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SOUTHWEST AIRLINES CO.
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(in millions except per share amounts)
(unaudited)

	Three months ended December 31,			Year Ended December 31,		
	2003	2002	Percent Change	2003	2002	Percent Change
OPERATING REVENUES:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Passenger	\$1,467	\$1,357	8.1	\$5,741	\$5,341	7.5
Freight	24	22	9.1	94	85	10.6
Other	26	22	18.2	102	96	6.3
Total operating revenues	1,517	1,401	8.3	5,937	5,522	7.5
OPERATING EXPENSES:						
Salaries, wages, and benefits	566	519	9.1	2,224	1,993	11.6
Fuel and oil	214	200	7.0	830	762	8.9
Maintenance materials and repairs	109	94	16.0	430	390	10.3
Agency commissions	12	13	(7.7)	48	55	(12.7)
Aircraft rentals	46	47	(2.1)	183	187	(2.1)
Landing fees and other rentals	96	87	10.3	372	345	7.8
Depreciation and amortization	99	93	6.5	384	356	7.9
Other operating expenses	264	260	1.5	983	1,017	(3.3)
Total operating expenses	1,406	1,313	7.1	5,454	5,105	6.8
OPERATING INCOME	111	88	26.1	483	417	15.8
OTHER EXPENSES (INCOME):						
Interest expense	20	27	(25.9)	91	106	(14.2)
Capitalized interest	(10)	(4)	150.0	(33)	(17)	94.1
Interest income	(6)	(8)	(25.0)	(24)	(37)	(35.1)
Other (gains) losses, net	6	9	n.a.	(259)	(28)	n.a.
Total other expenses (income)	10	24	n.a.	(225)	24	n.a.
INCOME BEFORE INCOME TAXES	101	64	57.8	708	393	80.2
PROVISION FOR INCOME TAXES	35	22	59.1	266	152	75.0
NET INCOME	\$66	\$42	57.1	\$442	\$241	83.4
NET INCOME PER SHARE:						
Basic	\$.08	\$.05		\$.56	\$.31	
Diluted	\$.08	\$.05		\$.54	\$.30	
WEIGHTED AVERAGE SHARES OUTSTANDING:						
Basic	788	775		783	773	
Diluted	833	813		822	809	

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

<S>	<C>	Year ended December 31,		<C> Percent Change
		<C>	<C>	
(in millions, except per share amounts)	2003	2002		
Operating revenue, as reported	\$5,937	\$5,522		
Passenger revenue adjustment	-	(36)		
Operating revenue, excluding special item	\$5,937	\$5,486		8.2
Operating expenses, as reported	\$5,454	\$5,105		
Profitsharing impact of Stabilization Act grant	-	(7)		
Profitsharing impact of Wartime Act grant	(40)	-		
Profitsharing impact of passenger revenue adjustment	-	(6)		
Operating expenses, excluding special items	\$5,414	\$5,092		6.3
Operating income, as reported	\$483	\$417		
Profitsharing impact of Stabilization Act grant	-	7		
Profitsharing impact of Wartime Act grant	40	-		
Passenger revenue adjustment, net of profitsharing	-	(30)		
Operating income, excluding special items	\$523	\$394		32.7
Net income, as reported	\$442	\$241		
Stabilization Act grant, net of income taxes and profitsharing	-	(25)		
Wartime Act grant, net of income taxes and profitsharing	(144)	-		
Passenger revenue adjustment, net of income taxes and profitsharing	-	(18)		
Net income, excluding special items	\$298	\$198		50.5
Net income per share, diluted, as reported	\$.54	\$.30		
Stabilization Act grant, net of income taxes and profitsharing	-	(.03)		
Wartime Act grant, net of income taxes and profitsharing	(.18)	-		
Passenger revenue adjustment, net of income taxes and profitsharing	-	(.03)		
Net income per share, diluted, excluding special items	\$.36	\$.24		50.0

NOTE: The above schedule reconciles the financial measures, excluding special items, included in this press release to the most comparable GAAP financial measures. The special items were a \$271 million Wartime Act grant received in second quarter 2003 pursuant to the April 2003 Emergency Wartime Supplemental Appropriations Act, a \$48 million Stabilization Act grant received in the third quarter 2002, and \$36 million in additional passenger revenue from a reduction in estimated refunds and exchanges included in "Air traffic liability" in second quarter 2002. The \$271 million Wartime Act grant was received as a result of the war with Iraq and is recorded in "Other gains." The \$48 million Stabilization Act grant was received as a result of the unfavorable impact of the September 11, 2001 terrorist attacks on the airline industry and is recorded in "Other gains." The \$36 million passenger revenue adjustment was primarily due to a revision in estimated forfeited tickets, resulting from a change in Customer travel patterns and higher than usual mix of discount, nonrefundable ticket sales following the September 11, 2001 terrorist attacks.

In management's view, comparative analysis of results can be enhanced by excluding the impact of these special items. None of these items are indicative of the Company's ongoing operating performance for the applicable period, nor should they be considered in developing trend analysis for future periods, including 2004.

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SOUTHWEST AIRLINES CO.
COMPARATIVE CONSOLIDATED OPERATING STATISTICS
(unaudited)

Three months ended

<S>	December 31,		Change
	2003	2002	
<C>	<C>	<C>	<C>
Revenue passengers carried	16,289,875	15,554,337	4.7 %
Revenue passenger miles (RPMs) (000s)	11,664,359	11,082,514	5.3 %
Available seat miles (ASMs) (000s)	18,293,171	17,582,610	4.0 %
Load factor	63.8%	63.0%	0.8 pts.
Average length of passenger haul	716	713	0.4 %
Trips flown	238,365	238,163	0.1 %
Average passenger fare	\$90.03	\$87.25	3.2 %
Average passenger fare, excluding special items	n.a.	n.a.	n.a.
Passenger revenue yield per RPM (cents)	12.57	12.25	2.6 %
Passenger revenue yield per RPM, excluding special items	n.a.	n.a.	n.a.
Operating revenue yield per ASM (cents)	8.29	7.97	4.0 %
Operating revenue yield per ASM, excluding special items	n.a.	n.a.	n.a.
Operating expenses per ASM (cents)	7.69	7.47	2.9 %
Operating expenses per ASM, excluding special items	n.a.	n.a.	n.a.
Operating expenses per ASM, excluding fuel (cents)	6.51	6.33	2.8 %
Operating expenses per ASM, excluding fuel and special items	n.a.	n.a.	n.a.
Fuel costs per gallon, excluding fuel tax (cents)	74.2	70.9	4.7 %
Fuel consumed, in gallons (millions)	288	282	2.1 %
Number of Employees at period-end	32,847	33,705	(2.5)%
Size of fleet at period-end	388	375	3.5 %

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<S>	Year Ended December 31,		Change
	2003	2002	
<C>	<C>	<C>	<C>
Revenue passengers carried	65,673,945	63,045,988	4.2 %
Revenue passenger miles (RPMs) (000s)	47,943,066	45,391,903	5.6 %
Available seat miles (ASMs) (000s)	71,790,425	68,886,546	4.2 %
Load factor	66.8%	65.9%	0.9 pts.
Average length of passenger haul	730	720	1.4 %
Trips flown	949,882	947,331	0.3 %
Average passenger fare	\$87.42	\$84.72	3.2 %
Average passenger fare, excluding special items	\$87.42	\$84.15(c)	3.9 %
Passenger revenue yield per RPM (cents)	11.97	11.77	1.7 %
Passenger revenue yield per RPM, excluding special items (cents)	11.97	11.69(c)	2.4 %
Operating revenue yield per ASM (cents)	8.27	8.02	3.1 %
Operating revenue yield per ASM, excluding special items (cents)	8.27	7.96(c)	3.9 %
Operating expenses per ASM (cents)	7.60	7.41	2.6 %
Operating expenses per ASM, excluding special items (cents)	7.54(a)	7.39(b) (c)	2.0 %
Operating expenses per ASM, excluding fuel (cents)	6.44	6.30	2.2 %
Operating expenses per ASM, excluding fuel and special items (cents)	6.38(a)	6.28(b) (c)	1.6 %
Fuel costs per gallon, excluding fuel tax (cents)	72.3	68.0	6.3 %
Fuel consumed, in gallons (millions)	1,143	1,117	2.3 %
Number of Employees at period-end	32,847	33,705	(2.5)%
Size of fleet at period-end	388	375	3.5 %

(a) Amounts exclude profitsharing impact of \$271 million Wartime Act grant in second quarter 2003.

(b) Amounts exclude profitsharing impact of \$48 million Stabilization Act grant in third quarter 2002.

(c) Amounts exclude \$36 million in additional passenger revenue in second quarter 2002 from a reduction in air traffic liability, and related impact to operating expenses.

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SOUTHWEST AIRLINES CO.
CONDENSED CONSOLIDATED BALANCE SHEET
(unaudited)

(in millions)	December 31,	
	2003	2002
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,865	\$1,815
Accounts and other receivables	132	175
Inventories of parts and supplies, at cost	93	86
Fuel hedge contracts	164	113
Prepaid expenses and other current assets	59	43
Total current assets	2,313	2,232
Property and equipment, at cost:		
Flight equipment	8,646	8,025
Ground property and equipment	1,117	1,042
Deposits on flight equipment purchase contracts	787	389
	10,550	9,456
Less allowance for depreciation and amortization	3,107	2,810
	7,443	6,646
Other assets	122	76
	\$9,878	\$8,954
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$405	\$362
Accrued liabilities	650	529
Air traffic liability	462	412
Current maturities of long-term debt	206	131
Total current liabilities	1,723	1,434
Long-term debt less current maturities	1,332	1,553
Deferred income taxes	1,420	1,227
Deferred gains from sale and leaseback of aircraft	168	184
Other deferred liabilities	183	134
Stockholders' equity:		
Common stock	789	777
Capital in excess of par value	258	136
Retained earnings	3,883	3,455
Accumulated other comprehensive income	122	54
Total stockholders' equity	5,052	4,422
	\$9,878	\$8,954

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SOUTHWEST AIRLINES CO.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(in millions)	Three months ended		Year ended	
	December 31,		December 31,	
<S>	2003	2002	2003	2002
<C>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$66	\$42	\$442	\$241
Adjustments to reconcile net income				
to cash provided by operating activities:				
Depreciation and amortization	99	93	384	356
Deferred income taxes	7	44	183	170
Amortization of deferred gains on sale and leaseback of aircraft	(4)	(4)	(16)	(15)
Amortization of scheduled airframe inspections & repairs	12	12	49	46
Income tax benefit from Employee stock option exercises	41	38	41	38
Changes in certain assets and liabilities:				
Accounts and other receivables	11	(49)	43	(103)
Other current assets	(4)	5	(19)	(10)
Accounts payable and accrued liabilities	149	(10)	129	(149)
Air traffic liability	(106)	(85)	50	(38)
Income taxes payable	(5)	-	-	-
Other	25	28	50	(16)
Net cash provided by operating activities	291	114	1,336	520
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment, net	(383)	(231)	(1,238)	(603)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of long-term debt	-	-	-	385
Proceeds from trust arrangement	-	-	-	119
Proceeds from Employee stock plans	31	16	93	57
Payments of long-term debt and capital lease obligations	(109)	(9)	(130)	(65)
Payment of trust arrangement	-	(20)	-	(385)

Payment of short term debt	-	-	-	(475)
Payments of cash dividends	-	-	(14)	(14)
Other, net	1	1	3	(4)
Net cash provided by (used in) financing activities	(77)	(12)	(48)	(382)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(169)	(129)	50	(465)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,034	1,944	1,815	2,280

CASH AND CASH EQUIVALENTS AT END OF PERIOD \$1,865 \$1,815 \$1,865 \$1,815

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Southwest Airlines Co.
Boeing 737-700 Delivery Schedule
As of 12/31/2003

<S>	Prior Schedule		Current Schedule	
	Firm	Options*	Firm	Options*
<C>	<C>		<C>	<C>
2004	47	-	47**	-
2005	23	11	28	6
2006	22	12	22	12
2007	25	29	25	29
2008	6	45	6	45
2009-2012	-	177	-	177
Total	123	274	128	269

*Includes purchase rights

**Includes one leased aircraft

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