

By: /s/ Laura Wright
Laura Wright

Date: October 14, 2004

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INDEX TO EXHIBITS

Exhibit No.	Exhibit
<S>	<C>
99.1	Registrant's Third Quarter 2004 Earnings Release.

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CONTACT: Investor Relations (214) 792-4415

SOUTHWEST AIRLINES REPORTS THIRD QUARTER EARNINGS OF \$119 MILLION;
54th CONSECUTIVE QUARTER OF PROFITABILITY

DALLAS, TEXAS -- October 14, 2004 -- Southwest Airlines' net income for third quarter 2004 increased 12.3 percent to \$119 million, compared to \$106 million in third quarter 2003. Net income per diluted share was \$.15 for third quarter 2004, compared to \$.13 in third quarter 2003.

"Despite the weak airline industry revenue environment and higher fuel prices, Southwest achieved a double-digit improvement in earnings," stated Gary C. Kelly, Chief Executive Officer. "Our third quarter operating cost performance was excellent, which significantly contributed to these results. I am extremely proud of our Employees and their enormous efforts to lower our cost structure and raise our productivity. Even with average fuel prices up over 10 percent, third quarter 2004 unit costs increased only 1.3 percent. Our hedging program greatly mitigated record-high fuel prices, which resulted in a reduction in operating expenses of \$131 million (or \$73 million net of profitsharing and income tax effects) for third quarter 2004.

"Excluding fuel, our unit costs were flat with the year ago quarter and well below first half 2004, which represents a significant improvement in cost trends. We are on track with our cost reduction targets and expect fourth quarter 2004 unit costs, excluding fuel, to decline from fourth quarter 2003's performance of 6.51 cents.

"In today's airline industry, low costs are imperative to remain profitable. Low fares are our most important competitive weapon and what Customers demand. We are determined to maintain our position as the low cost producer and the Low Fare Airline in America.

"Although we were impacted by airline industry capacity increases, pricing pressures, and hurricanes in the Southeastern U.S., our revenue growth managed to keep pace with our capacity growth. The revenue environment has softened since July, and recent trends, along with more competitive capacity, suggest fourth quarter 2004 unit revenue may decline from fourth quarter 2003 unit revenue of 8.29 cents. Although bookings for October are fine, our passenger revenue yield per revenue passenger mile continues to fall below year ago levels. While the current revenue environment is challenging, Southwest is pleased with its competitive position in the airline market place and plans to continue to press the development of its route system."

Southwest will discuss results on a conference call at 11:30 a.m. Eastern Time today. A live broadcast of the conference call will be available at www.southwest.com/jp/luvhome.shtml?src=IR_071404

Operating Results

Total operating revenues for third quarter 2004 increased 7.8 percent to \$1.67 billion, compared to \$1.55 billion for third quarter 2003. Operating income was \$191 million, compared to \$185 million in third quarter 2003. Revenue passenger miles (RPMs) increased 10.4 percent in third

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quarter 2004, compared to a 7.0 percent increase in available seat miles (ASMs), resulting in a load factor of 72.7 percent versus the third quarter 2003 load factor of 70.5 percent. The passenger revenue yield per RPM decreased 2.8 percent to 11.38 cents from 11.71 cents in third quarter 2003. Operating revenue per ASM (RASM) increased .7 percent to 8.59 cents from 8.53 cents in third quarter 2003.

Total third quarter 2004 operating expenses were \$1.48 billion, an increase of 8.4 percent, compared to \$1.37 billion in third quarter 2003. Operating expenses per ASM (CASM) for third quarter 2004 increased 1.3 percent to 7.61 cents from 7.51 cents in third quarter 2003. The Company's hedging program resulted in an offset to fuel and oil expense of \$131 million in third quarter 2004. The Company is over 80 percent hedged for fourth quarter 2004 with prices capped below \$24 per barrel; over 80 percent in 2005 at \$25 per barrel; 60 percent in 2006 at \$31 per barrel; and over 40 percent at \$30 per barrel in 2007. Excluding fuel, CASM for third quarter 2004 was 6.34 cents, which was flat with the year ago quarter.

Net cash provided by operations was \$1.21 billion and capital expenditures were \$1.37 billion for the nine months ended September 30, 2004. We ended third quarter 2004 with \$1.88 billion cash on hand plus our fully available unsecured revolving credit line of \$575 million. In September 2004, Southwest issued \$350 million of senior unsecured Notes due 2014. In November 2004, the Company will redeem \$175 million of Aircraft Secured Notes.

The Company repurchased approximately 7.9 million of its common shares during third quarter 2004, bringing the total to 17 million shares, or \$246 million, pursuant to the Company's previously announced \$300 million repurchase program.

During third quarter 2004, Southwest exercised one Boeing 737-700 option for 2006 delivery. This change brings our 2006 firm orders and options to 23 and 11, respectively.

Total operating revenues for the nine months ended September 30, 2004 increased 10.3 percent to \$4.88 billion while total operating expenses increased 9.7 percent to \$4.44 billion, resulting in operating income in 2004 of \$435 million versus \$372 million for the nine-month period ended September 30, 2003. Excluding the profitsharing impact of last year's government grant, operating expenses for the nine months ended September 30, 2004 increased 10.8 percent, resulting in a 5.3 percent increase in operating income. Net income for the nine-month period was \$258 million in 2004 versus \$376 million in 2003. Net income per diluted share for the nine-month period was \$.32 in 2004 versus \$.46 in 2003. Excluding the impact of last year's government grant, net income for the nine months ended September 30, 2003 was \$233 million.

The results for the nine months ended 2004 included \$41 million (or \$22 million net of profitsharing and income tax effects) for costs associated with the consolidation of the Company's reservation operations; the pay, per diem, and benefit increases retroactive to May 2002 related to the agreement reached with our Flight Attendants; and our company-wide early out offer.

This news release contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the plans, intentions, and expectations reflected in or suggested by the forward-looking statements. Additional information concerning the factors which could cause actual results to differ materially from the forward-looking statements is contained in the Company's periodic filings with the Securities and Exchange Commission, including without limitation, the Company's Annual Report on Form 10-K for the year ended 2003.

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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 September 30,			Nine months ended September 30,		
	2004	2003	Percent Change	2004	2003	Percent Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING REVENUES:						
Passenger	\$1,612	\$1,503	7.3	\$4,694	\$4,275	9.8
Freight	28	23	21.7	82	70	17.1
Other	34	27	25.9	99	75	32.0
Total						
operating revenues	1,674	1,553	7.8	4,875	4,420	10.3
OPERATING EXPENSES:						
Salaries, wages, and benefits	612	554	10.5	1,823	1,657	10.0
Fuel and oil	247	214	15.4	723	616	17.4
Maintenance materials and repairs	113	111	1.8	351	321	9.3
Agency commissions	-	11	n.a.	2	36	n.a.
Aircraft rentals	45	46	(2.2)	134	137	(2.2)
Landing fees and other rentals	104	95	9.5	306	276	10.9
Depreciation and amortization	108	97	11.3	318	285	11.6
Other operating expenses	254	240	5.8	783	720	8.8
Total operating expenses	1,483	1,368	8.4	4,440	4,048	9.7
OPERATING INCOME	191	185	3.2	435	372	16.9
OTHER EXPENSES (INCOME):						
Interest expense	21	21	-	62	71	(12.7)
Capitalized interest	(10)	(8)	25.0	(30)	(23)	30.4
Interest income	(5)	(6)	(16.7)	(14)	(18)	(22.2)
Other (gains) losses, net	4	7	n.a.	16	(265)	n.a.
Total other expenses (income)	10	14	n.a.	34	(235)	n.a.
INCOME BEFORE INCOME TAXES	181	171	5.8	401	607	(33.9)
PROVISION FOR INCOME TAXES	62	65	(4.6)	143	231	(38.1)
NET INCOME	\$119	\$106	12.3	\$258	\$376	(31.4)
NET INCOME PER SHARE:						
Basic	\$.15	\$.14	7.1	\$.33	\$.48	(31.3)
Diluted	\$.15	\$.13	15.4	\$.32	\$.46	(30.4)
WEIGHTED AVERAGE SHARES OUTSTANDING:						
Basic	781	784		784	781	
Diluted	812	827		815	818	

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SOUTHWEST AIRLINES CO.

RECONCILIATION OF REPORTED AMOUNTS TO NON-GAAP ITEMS (SEE NOTE)

(unaudited)

(In millions, except per share and per ASM amounts)	Nine months ended September 30,		Percent Change
	2004	2003	
<S>	<C>	<C>	<C>
Operating expenses, as reported	\$4,440	\$4,048	
Profitsharing impact of government grant	-	(41)	
Operating expenses, excluding grant impact	\$4,440	\$4,007	10.8
Operating expenses per ASM, as reported	\$.0784	\$.0757	
Profitsharing impact of government grant	-	(.0008)	
Operating expenses per ASM, excluding grant impact	\$.0784	\$.0749	4.7
Operating expenses per ASM excluding fuel, as reported	\$.0656	\$.0642	
Profitsharing impact of government grant	-	(.0008)	
Operating expenses per ASM, excluding fuel and grant impact	\$.0656	\$.0634	3.5
Operating income, as reported	\$435	\$372	
Profitsharing impact of government grant	-	41	
Operating income, excluding grant impact	\$435	\$413	5.3
Net income, as reported	\$258	\$376	
Government grant, net of income taxes and profitsharing	-	(143)	
Net income, excluding grant impact	\$258	\$233	10.7
Net income per share, diluted, as reported	\$.32	\$.46	
Government grant, net of income taxes and profitsharing	-	(.18)	
Net income per share, diluted, excluding grant impact	\$.32	\$.28	14.3

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NOTE: The above schedule reconciles the financial measures, excluding special items, included in this press release to the most comparable GAAP financial measures. The special item was a \$271 million Wartime Act grant received in second quarter 2003 pursuant to the April 2003 Emergency Wartime Supplemental Appropriations Act. The \$271 million Wartime Act grant was received as a result of the war with Iraq and is recorded in "Other gains."

In management's view, comparative analysis of results can be enhanced by excluding the impact of this special item. The item is not indicative of the Company's ongoing operating performance for the applicable period, nor should it be considered in developing trend analysis for future periods.

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SOUTHWEST AIRLINES CO.
COMPARATIVE CONSOLIDATED OPERATING STATISTICS
(unaudited)

	Three months ended		
	September 30,		
	2004	2003	Change
<S>	<C>	<C>	<C>
Revenue passengers carried	18,334,448	17,243,250	6.3 %
Enplaned passengers	21,102,752	19,708,171	7.1 %
Revenue passenger miles (RPMs) (000s)	14,164,101	12,832,340	10.4 %
Available seat miles (ASMs) (000s)	19,486,103	18,204,357	7.0 %
Load factor	72.7%	70.5%	2.2 pts.
Average length of passenger haul (miles)	773	744	3.9 %
Average aircraft stage length (miles)	576	558	3.2 %
Trips flown	248,981	240,912	3.3 %
Average passenger fare	\$87.90	\$87.16	0.8 %
Passenger revenue yield per RPM (cents)	11.38	11.71	(2.8)%
Operating revenue yield per ASM (cents)	8.59	8.53	0.7 %
Operating expenses per ASM (cents)	7.61	7.51	1.3 %
Operating expenses per ASM, excluding fuel (cents)	6.34	6.34	-
Fuel costs per gallon, excluding fuel tax (cents)	80.3	72.8	10.3 %
Fuel consumed, in gallons (millions)	306	292	4.8 %
Number of Employees at period-end	30,657	32,563	(5.9)%
Size of fleet at period-end	415	385	7.8 %

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	Nine months ended			
	September 30,			
	2004	2003	Change	
<S>	<C>	<C>	<C>	
Revenue passengers carried	53,193,484	49,384,070	7.7	%
Enplaned passengers	60,921,204	56,324,276	8.2	%
Revenue passenger miles (RPMs) (000s)	40,282,260	36,278,706	11.0	%
Available seat miles (ASMs) (000s)	56,641,218	53,497,254	5.9	%
Load factor	71.1%	67.8%	3.3	pts.
Average length of passenger haul (miles)	757	735	3.0	%
Average aircraft stage length (miles)	572	555	3.1	%
Trips flown	729,836	711,517	2.6	%
Average passenger fare	\$88.23	\$86.56	1.9	%
Passenger revenue yield per RPM (cents)	11.65	11.78	(1.1)	%
Operating revenue yield per ASM (cents)	8.61	8.26	4.2	%
Operating expenses per ASM (cents)	7.84	7.57	3.6	%
Operating expenses per ASM, excluding fuel (cents)	6.56	6.42	2.2	%
Fuel costs per gallon, excluding fuel tax (cents)	80.6	71.6	12.6	%
Fuel consumed, in gallons (millions)	891	855	4.2	%
Number of Employees at period-end	30,657	32,563	(5.9)	%
Size of fleet at period-end	415	385	7.8	%

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SOUTHWEST AIRLINES CO.
CONDENSED CONSOLIDATED BALANCE SHEET
(unaudited)

(in millions)	September 30, 2004	December 31, 2003
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,876	\$1,865
Accounts and other receivables	252	132
Inventories of parts and supplies, at cost	112	93
Fuel hedge contracts	558	164
Prepaid expenses and other current assets	74	59
Total current assets	2,872	2,313
Property and equipment, at cost:		
Flight equipment	9,742	8,646
Ground property and equipment	1,175	1,117
Deposits on flight equipment purchase contracts	769	787
	11,686	10,550
Less allowance for depreciation and amortization	3,242	3,107
	8,444	7,443

Other assets	415	122
	\$11,731	\$9,878

LIABILITIES & STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$418	\$405
Accrued liabilities	1,026	650
Air traffic liability	644	462
Current maturities of long-term debt	317	206
Total current liabilities	2,405	1,723

Long-term debt less current maturities	1,606	1,332
Deferred income taxes	1,860	1,420
Deferred gains from sale and leaseback of aircraft	156	168
Other deferred liabilities	200	183

Stockholders' equity:

Common stock	790	789
Capital in excess of par value	263	258
Retained earnings	4,084	3,883
Accumulated other comprehensive income	520	122
Treasury stock, at cost	(153)	-
Total stockholders' equity	5,504	5,052
	\$11,731	\$9,878

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SOUTHWEST AIRLINES CO.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$119	\$106	\$258	\$376
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and amortization	108	97	318	285
Deferred income taxes	60	29	141	177
Amortization of deferred gains on sale and leaseback of aircraft	(4)	(4)	(12)	(12)
Amortization of scheduled airframe inspections & repairs	13	13	40	37
Changes in certain assets and liabilities:				
Accounts and other receivables	(24)	(15)	(74)	32
Other current assets	(21)	(7)	(33)	(15)
Accounts payable and accrued liabilities	111	(72)	393	(20)
Air traffic liability	(15)	(7)	182	156
Income taxes payable	-	(6)	-	5
Other	13	7	(7)	25
Net cash provided by operating activities	360	141	1,206	1,046
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment, net	(496)	(337)	(1,366)	(855)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of long-term debt	350	-	408	-
Proceeds from Employee stock plans	12	30	52	61
Payments of long-term debt and capital lease obligations	(1)	(1)	(22)	(21)
Payments of cash dividends	(4)	(4)	(14)	(14)
Repurchase of common stock	(110)	-	(246)	-
Other, net	(3)	1	(7)	2
Net cash provided by financing activities	244	26	171	28
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	108	(170)	11	219
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,768	2,204	1,865	1,815

CASH AND CASH EQUIVALENTS AT				
END OF PERIOD	\$1,876	\$2,034	\$1,876	\$2,034

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 Southwest Airlines Co.
 Boeing 737-700 Delivery Schedule
 As of September 30, 2004

	Prior Firm <C>	Schedule Options* <C>	Current Firm <C>	Schedule Options* <C>
<S>				
2004	47	-	47**	-
2005	34	-	34	-
2006	22	12	23	11
2007	25	29	25	29
2008	6	45	6	45
2009-2012	-	177	-	177
Total	134	263	134	263

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*Includes purchase rights
 **37 aircraft were received during first nine months of 2004, including one leased aircraft