

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 19, 2005

SOUTHWEST AIRLINES CO.
(Exact name of registrant as specified in its charter)

TEXAS
(State or other jurisdiction of incorporation)

1-7259
(Commission File Number)

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

N/A
(Former name or former address, if changed since last report)

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Item 2.02 Results of Operations and Financial Condition.

On January 19, 2005 the Registrant issued a press release announcing its financial results for the fourth quarter and year ended December 31, 2004. The press release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

The information furnished in Item 2.02 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Exchange Act of 1933, as amended, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

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.
(Registrant)

By: /s/ Laura Wright
Laura Wright

Date: January 19, 2005

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INDEX TO EXHIBITS

Exhibit No.	Exhibit
<S>	<C>
99.1	Registrant's Fourth Quarter and 2004 Year End Earnings Release.

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SOUTHWEST AIRLINES REPORTS FOURTH QUARTER EARNINGS AND 32nd
CONSECUTIVE YEAR OF PROFITABILITY

DALLAS, TEXAS - January 19, 2005 - Southwest Airlines (NYSE:LUV) today reported its fourth quarter results. Net income for fourth quarter 2004 was \$56 million, or \$.07 per diluted share, compared to \$66 million, or \$.08 per diluted share, for fourth quarter 2003.

The Company also reported its 32nd consecutive year of profitability, with annual net income of \$313 million, or \$.38 per diluted share, compared to 2003 net income of \$442 million, or \$.54 per diluted share. Excluding last year's government grant, 2003 net income was \$298 million, or \$.36 per diluted share.

Gary C. Kelly, CEO, stated: "I am very proud of our Employees and their strenuous efforts to lower our cost structure. Although our fourth quarter 2004 earnings declined 15.2 percent due to significantly higher energy costs, our unit costs, excluding fuel, declined 4.5 percent. As a result of our low cost competitive advantage and ongoing efforts to improve productivity, we have been able to offer the low fares our Customers demand while sustaining our profitability and growing our route system during these difficult airline industry times. Based on current cost trends, we expect our first quarter 2005 unit costs, excluding fuel, to decline from first quarter 2004's unit costs, excluding fuel, of 6.57 cents.

"Even though jet fuel prices per gallon increased 20.1 percent, net of hedging gains, our overall unit costs declined 1.3 percent in fourth quarter 2004. We also continue to mitigate record-high jet fuel prices with our hedging program, which resulted in a reduction in fuel and oil expense of \$174 million during fourth quarter 2004. Although we are 85 percent hedged in first quarter 2005 with prices capped at \$26 per barrel, based on current market conditions, we presently expect first quarter 2005 average jet fuel cost per gallon to exceed fourth quarter 2004's 89.1 cents. We are 85 percent hedged for the remainder of 2005 with prices capped at \$26 per barrel; 65 percent in 2006 at \$32 per barrel; over 45 percent in 2007 at \$31 per barrel; 30 percent in 2008 at \$33 per barrel; and over 25 percent in 2009 at \$35 per barrel.

"The industry revenue environment continues to be a challenge due to the glut of airline seats. On balance, our fourth quarter revenue challenges are continuing into 2005. March 2005 results should benefit, however, from the timing of the Easter holiday, which fell in April last year.

"In December, we completed a significant transaction with ATA Airlines, Inc. Of primary importance to Southwest were the six Chicago Midway gates we acquired and a six-bay aircraft maintenance hangar in Chicago, which will close this month. In addition to the \$40 million purchase price for these assets, we agreed to the following in order to win the competitive bid in bankruptcy court: a commitment to codeshare with ATA at Chicago Midway and other points on our route system, subject to facility availability and Customer convenience; a \$40 million debtor-in-possession loan to ATA for bankruptcy restructuring purposes; and a commitment to convert the debtor-in-possession financing to a term loan and purchase \$30 million in non-voting senior convertible preferred stock upon ATA's emergence from bankruptcy. The

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codeshare to exchange passengers at Midway should begin to enhance our revenues as early as February 2005.

"Barring any unforeseen events and assuming revenue trends somewhat improve throughout the quarter, as described above, we expect to be profitable again in first quarter 2005.

"While we are not immune to the challenging industry revenue environment, our low costs and energetic People have allowed Southwest to react quickly to market opportunities. We look forward to bringing our low fares to Pittsburgh beginning May 2005 and the opportunity to soon increase service to Chicago Midway with the six additional gates recently acquired from ATA.

"We continue to be well positioned for growth and currently plan to add 29 net aircraft in 2005. During fourth quarter 2004, we exercised three Boeing 737-700 options for 2006 delivery, bringing our 2006 firm orders and options to 26 and 8, respectively.

"Despite industry challenges, our wonderful Employees consistently deliver their well-known friendly, warm, and caring Customer Service. As a result of their unwavering commitment to high-quality, low-fare service, Southwest was recently named 'Best Low Cost Carrier' by Business Traveler magazine."

Southwest will discuss results on a conference call at 10:30 a.m. Eastern Time today. A live broadcast of the conference call will be available at southwest.com.

Operating Results

Total operating revenues for fourth quarter 2004 increased 9.1 percent

to \$1.66 billion, compared to \$1.52 billion for fourth quarter 2003. Operating income increased 8.1 percent to \$120 million from \$111 million in fourth quarter 2003. Revenue passenger miles (RPMs) increased 12.6 percent in fourth quarter 2004, as compared to a 10.5 percent increase in available seat miles (ASMs), resulting in a 1.2 point increase in load factor to 65.0 percent. The passenger revenue yield per RPM decreased 3.9 percent to 12.08 cents from 12.57 cents in fourth quarter 2003. Operating revenue yield per ASM (RASM) decreased 1.3 percent to 8.18 cents from 8.29 cents in fourth quarter 2003.

Total fourth quarter 2004 operating expenses were \$1.54 billion, an increase of 9.2 percent, compared to \$1.41 billion in fourth quarter 2003. Operating expenses per ASM (CASM) for fourth quarter 2004 decreased 1.3 percent to 7.59 cents, compared to 7.69 cents in fourth quarter 2003. Excluding fuel, CASM for fourth quarter 2004 decreased 4.5 percent to 6.22 cents, compared to 6.51 cents for fourth quarter 2003.

"Other expenses" increased to \$31 million in fourth quarter 2004 from \$10 million in fourth quarter 2003 primarily due to a \$15 million (\$.01 per diluted share after profitsharing and income taxes) charge in "Other losses," which was recorded in accordance with Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities." Interest expense also increased 30 percent in fourth quarter 2004 primarily due to higher interest rates and \$350 million in senior unsecured Notes issued in September 2004.

Net cash provided by operations for 2004 was \$1.16 billion and cash expenditures for investing activities was \$1.85 billion, which included a \$34 million initial payment related to the assets acquired from ATA. As part of the asset acquisition, the Company also provided \$40 million of debtor-in-

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possession financing to ATA for bankruptcy restructuring purposes. During fourth quarter 2004, the Company issued \$112 million of debt secured by four aircraft. We ended the year with \$1.31 billion in cash plus our available unsecured revolving credit line of \$575 million. During first quarter 2005, the Company will redeem \$100 million of senior unsecured Notes due March 2005. Operating revenues for the year ended December 31, 2004 increased 10.0 percent to \$6.53 billion while operating expenses increased 9.6 percent to \$5.98 billion, resulting in operating income of \$554 million. Excluding the 2003 special item, operating expenses increased 10.4 percent.

Operating expenses for the year ended December 31, 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 Company-wide early out offer; and the pay, per diem, and benefit increases retroactive to May 2002 related to the agreement reached with our Flight Attendants.

Special Item

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 the 2003 special item, is included in this release, pursuant to Regulation G issued by the Securities and Exchange Commission. There were no special items in 2004.

Pursuant to the April 2003 Emergency Wartime Supplemental Appropriations Act, 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, included in "Salaries, wages, and benefits."

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 2003. 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,		
	2004	2003	Percent Change	2004	2003	Percent Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING REVENUES:						
Passenger	\$1,587	\$1,467	8.2	\$6,280	\$5,741	9.4
Freight	34	24	41.7	117	94	24.5
Other	34	26	30.8	133	102	30.4
Total operating revenues	1,655	1,517	9.1	6,530	5,937	10.0
OPERATING EXPENSES:						
Salaries, wages, and benefits	619	566	9.4	2,443	2,224	9.8
Fuel and oil	277	214	29.4	1,000	830	20.5
Maintenance materials and repairs	107	109	(1.8)	458	430	6.5
Agency commissions	-	12	n.a.	2	48	(95.8)
Aircraft rentals	45	46	(2.2)	179	183	(2.2)
Landing fees and other rentals	102	96	6.3	408	372	9.7
Depreciation and amortization	113	99	14.1	431	384	12.2
Other operating expenses	272	264	3.0	1,055	983	7.3
Total operating expenses	1,535	1,406	9.2	5,976		
5,454 9.6						
OPERATING INCOME	120	111	8.1	554	483	14.7
OTHER EXPENSES (INCOME):						
Interest expense	26	20	30.0	88	91	(3.3)
Capitalized interest	(9)	(10)	(10.0)	(39)	(33)	18.2
Interest income	(7)	(6)	16.7	(21)	(24)	(12.5)
Other (gains) losses, net	21	6	n.a.	37	(259)	n.a.
Total other expenses (income)	31	10	n.a.	65	(225)	n.a.
INCOME BEFORE INCOME TAXES	89	101	(11.9)	489	708	(30.9)
PROVISION FOR INCOME TAXES	33	35	(5.7)	176	266	(33.8)
NET INCOME	\$56	\$66	(15.2)	\$313	\$442	(29.2)
NET INCOME PER SHARE:						
Basic	\$.07	\$.08		\$.40	\$.56	
Diluted	\$.07	\$.08		\$.38	\$.54	
WEIGHTED AVERAGE SHARES OUTSTANDING:						
Basic	782	788		783	783	
Diluted	813	833		815	822	

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SOUTHWEST AIRLINES CO.
RECONCILIATION OF REPORTED AMOUNTS TO NON-GAAP ITEMS (SEE NOTE)
(In millions, except per share and per ASM amounts)
(unaudited)

	Year ended December 31,		Percent Change
<S>	2004 <C>	2003 <C>	
Operating expenses, as reported	\$5,976	\$5,454	
Profitsharing impact of government grant	-	(40)	
Operating expenses, excluding grant impact	\$5,976	\$5,414	10.4
Operating expenses per ASM, as reported	\$.0777	\$.0760	
Profitsharing impact of government grant	-	(.0006)	
Operating expenses per ASM, excluding grant impact	\$.0777	\$.0754	3.1

Operating expenses per ASM excluding fuel, as reported	\$.0647	\$.0644	
Profitsharing impact of government grant	-	(.0006)	
Operating expenses per ASM, excluding fuel and grant impact	\$.0647	\$.0638	1.4
Operating income, as reported	\$554	\$483	
Profitsharing impact of government grant	-	40	
Operating income, excluding grant impact	\$554	\$523	5.9
Net income, as reported	\$313	\$442	
Government grant, net of income taxes and profitsharing	-	(144)	
Net income, excluding grant impact	\$313	\$298	5.0
Net income per share, diluted, as reported	\$.38	\$.54	
Government grant, net of income taxes and profitsharing	-	(.18)	
Net income per share, diluted, excluding grant impact	\$.38	\$.36	5.6

NOTE: The above schedule reconciles the financial measures, excluding a 2003 special item, 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)

<S>	<C>	Three months ended		
		2004	December 31, 2003	Change
Revenue passengers carried	17,709,289	16,289,875	8.7 %	
Enplaned passengers	20,144,834	18,395,064	9.5 %	
Revenue passenger miles (RPMs) (000s)	13,136,093	11,664,359	12.6 %	
Available seat miles (ASMs) (000s)	20,220,077	18,293,171	10.5 %	
Load factor	65.0%	63.8%	1.2 pts.	
Average length of passenger haul (miles)	742	716	3.6 %	
Average aircraft stage length (miles)	590	566	4.2 %	
Trips flown	251,755	238,365	5.6 %	
Average passenger fare	\$89.59	\$90.03	(0.5)%	
Passenger revenue yield per RPM (cents)	12.08	12.57	(3.9)%	
Operating revenue yield per ASM (cents)	8.18	8.29	(1.3)%	
Operating expenses per ASM (cents)	7.59	7.69	(1.3)%	
Operating expenses per ASM, excluding special item	n.a.	n.a.	n.a.	
Operating expenses per ASM, excluding fuel (cents)	6.22	6.51	(4.5)%	
Operating expenses per ASM, excluding fuel and special item	n.a.	n.a.	n.a.	
Fuel costs per gallon, excluding fuel tax (cents)	89.1	74.2	20.1 %	
Fuel consumed, in gallons (millions)	309	288	7.3 %	
Number of Employees at period-end	31,011	32,847	(5.6)%	
Size of fleet at period-end	417	388	7.5 %	

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

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SOUTHWEST AIRLINES CO.

COMPARATIVE CONSOLIDATED OPERATING STATISTICS

(unaudited)

<S>	<C>	Year Ended		
		2004	December 31, 2003	Change

Revenue passengers carried	70,902,773	65,673,945	8.0 %
Enplaned passengers	81,066,038	74,719,340	8.5 %
Revenue passenger miles (RPMs) (000s)	53,418,353	47,943,066	11.4 %
Available seat miles (ASMs) (000s)	76,861,296	71,790,425	7.1 %
Load factor	69.5%	66.8%	2.7 pts.
Average length of passenger haul (miles)	753	730	3.2 %
Average aircraft stage length (miles)	576	558	3.2 %
Trips flown	981,591	949,882	3.3 %
Average passenger fare	\$88.57	\$87.42	1.3 %
Passenger revenue yield per RPM (cents)	11.76	11.97	(1.8) %
Operating revenue yield per ASM (cents)	8.50	8.27	2.8 %
Operating expenses per ASM (cents)	7.77	7.60	2.2 %
Operating expenses per ASM, excluding special item (cents)	7.77	7.54 (a)	3.1 %
Operating expenses per ASM, excluding fuel (cents)	6.47	6.44	0.5 %
Operating expenses per ASM, excluding fuel and special item (cents)	6.47	6.38 (a)	1.4 %
Fuel costs per gallon, excluding fuel tax (cents)	82.8	72.3	14.5 %
Fuel consumed, in gallons (millions)	1,201	1,143	5.1 %
Number of Employees at period-end	31,011	32,847	(5.6) %
Size of fleet at period-end	417	388	7.5 %

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

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

	December 31,	
	2004	2003
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,305	\$1,865
Accounts and other receivables	248	132
Inventories of parts and supplies, at cost	137	93
Fuel hedge contracts	428	164
Prepaid expenses and other current assets	54	59
Total current assets	2,172	2,313
Property and equipment, at cost:		
Flight equipment	10,037	8,646
Ground property and equipment	1,202	1,117
Deposits on flight equipment purchase contracts	682	787
	11,921	10,550
Less allowance for depreciation and amortization	3,198	3,107
	8,723	7,443
Other assets	442	122
	\$11,337	\$9,878

LIABILITIES & STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$420	\$405
Accrued liabilities	1,047	650
Air traffic liability	529	462
Current maturities of long-term debt	146	206
Total current liabilities	2,142	1,723
Long-term debt less current maturities	1,700	1,332
Deferred income taxes	1,610	1,420
Deferred gains from sale and leaseback of aircraft	152	168
Other deferred liabilities	209	183
Stockholders' equity:		
Common stock	790	789
Capital in excess of par value	299	258
Retained earnings	4,089	3,883
Accumulated other comprehensive income	417	122
Treasury stock, at cost	(71)	-
Total stockholders' equity	5,524	5,052
	\$11,337	\$9,878

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

	Three months ended		Year ended	
	December 31,		December 31,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$56	\$66	\$313	\$442
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	113	99	431	384
Deferred income taxes	42	7	183	183
Amortization of deferred gains on sale and leaseback of aircraft	(4)	(4)	(16)	(16)
Amortization of scheduled airframe inspections & repairs	12	12	52	49
Income tax benefit from Employee stock option exercises	35	41	35	41
Changes in certain assets and liabilities:				
Accounts and other receivables	(2)	11	(75)	43
Other current assets	(11)	(4)	(44)	(19)
Accounts payable and accrued liabilities	(162)	149	231	129
Air traffic liability	(114)	(106)	68	50
Income taxes payable	-	(5)	-	-
Other	(14)	25	(21)	50
Net cash provided by (used in) operating activities	(49)	291	1,157	1,336
CASH FLOWS FROM INVESTING ACTIVITIES:				
Payments for purchases of property and equipment, net	(409)	(383)	(1,775)	(1,238)
Initial payment for assets of ATA Airlines, Inc.	(34)	-	(34)	-
Debtor in possession loan to ATA Airlines, Inc.	(40)	-	(40)	-
Other, net	(1)	-	(1)	-
Cash flows used in investing activities	(484)	(383)	(1,850)	(1,238)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of long-term debt	112	-	520	-
Proceeds from Employee stock plans	36	31	88	93
Payments of long-term debt and capital lease obligations	(185)	(109)	(207)	(130)
Payments of cash dividends	-	-	(14)	(14)
Repurchase of common stock	-	-	(246)	-
Other, net	(1)	1	(8)	3
Net cash provided by (used in) financing activities	(38)	(77)	133	(48)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(571)	(169)	(560)	50
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,876	2,034	1,865	1,815
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$1,305	\$1,865	\$1,305	\$1,865

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Southwest Airlines Co.
Boeing 737-700 Delivery Schedule
As of December 31, 2004

	Prior Schedule		Current Schedule	
	Firm	Options*	Firm	Options*
<S>	<C>	<C>	<C>	<C>
2005	34	-	34	-
2006	23	11	26	8
2007	25	29	25	29
2008	6	45	6	45
2009-2012	-	177	-	177
Total	88	262	91	259

*Includes purchase rights

