

UNITED STATES
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): October 20, 2005

Southwest Airlines Co.

(Exact name of registrant as specified in its charter)

Texas	1-7259	74-1563240
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)
P. O. Box 36611, Dallas, Texas		75235-1611
(Address of principal executive offices)		(Zip Code)

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

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

<Page>

Item 2.02 Results of Operations and Financial Condition.

On October 20, 2005, the Registrant issued a press release announcing its financial results for the third quarter ended September 20, 2005. 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 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 hereunto duly authorized.

Southwest Airlines Co.

October 20, 2005

By: /s/ Laura Wright
Name: Laura Wright
Title: Senior Vice President-Finance

<Page>
<Table>
<Caption>

Exhibit Index

Exhibit No.	Description
<S>	<C>
99.1	Registrant's Third Quarter 2005 Earnings Release.

</Table>
<Page>

CONTACT: Investor Relations (214) 792-4415

SOUTHWEST AIRLINES REPORTS THIRD QUARTER 2005 EARNINGS;
EXCEEDS FIRST CALL MEAN ESTIMATE

DALLAS, TEXAS - October 20, 2005 - Southwest Airlines (NYSE:LUV) today reported third quarter 2005 net income of \$227 million, or \$.28 per diluted share, compared to \$119 million for third quarter 2004, or \$.15 per diluted share. The Company's third quarter 2005 results included \$87 million (before income taxes) in unrealized gains, included in "Other gains", associated with derivative instruments that will settle in future accounting periods, recorded as a result of Statement of Financial Accounting Standard 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities," as amended. Excluding these unrealized gains, third quarter 2005 net income was \$174 million, or \$.21 per diluted share. These third quarter 2005 results compare favorably to the First Call mean estimate of \$.18 per diluted share.

Gary C. Kelly, CEO, stated: "We are very pleased with our third quarter 2005 earnings performance. Excluding unrealized SFAS 133 gains, our third quarter 2005 earnings were up 46.2 percent to \$174 million. This quarter was affected by two enormously destructive hurricanes, Katrina and Rita. The response by our Employees in the face of these crises was nothing short of remarkable. Their heroic efforts make these results very special, and I am very grateful to all our Employees for a tremendous performance.

"The third quarter 2005 earnings growth was driven by record passenger revenues and load factors. We also benefited from strong performances in freight, charters, and business partner commissions. Operating revenues increased 18.8 percent versus a year ago, or 5.9 percent per available seat mile (ASM). The industry demand environment has improved, and the strong demand for our industry-leading low fares and high quality Customer Service resulted in a record third quarter load factor performance of 74.9 percent, at improved yields. We were able to drive robust revenue growth with only modest fare increases securing our Low Fare Brand leadership. We also benefited from a reduction in the glut of competitive seat capacity. We were very pleased with ATA codeshare third quarter 2005 results, which generated \$19 million in revenues. ATA continues to reorganize in Chapter 11, and is seeking exit financing. As part of its reorganization efforts, ATA recently announced it will be discontinuing service in Chicago Midway to Minneapolis, Newark, and Boston in fourth quarter 2005. While our codeshare activity will decline, as a consequence, we will pursue opportunities to continue Southwest's growth at Midway. We have been pleased with our expansion efforts at Midway this year.

"With respect to fourth quarter 2005, we are enjoying favorable load factor trends in October, and Customer bookings for the remainder of fourth quarter 2005 are good. We are hopeful year over year unit revenue trends will continue to improve as they did throughout third quarter 2005.

"We continue to mitigate record-high jet fuel prices with our successful hedging program, which resulted in a \$295 million benefit from settled contracts in third quarter 2005. We are also approximately 85 percent hedged in fourth quarter 2005 with average crude prices capped in the \$26 per barrel range and have hedged the refinery margins on the majority of those positions. However, given the unprecedented surge in Gulf Coast jet fuel prices following Hurricanes Katrina and Rita, we expect fourth quarter 2005

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jet fuel costs per gallon to be well above the third quarter 2005 jet fuel cost per gallon of 95 cents. Unless Gulf Coast jet fuel prices recede from current levels, our fourth quarter 2005 jet fuel cost per gallon could exceed \$1.25. We are more than 70 percent hedged for 2006 with average crude prices capped in the \$36 per barrel range and also have hedged the refinery margins on the majority of our 2006 positions. We are over 55 percent hedged in 2007 at approximately \$37 per barrel; about 35 percent in 2008 at approximately \$37 per barrel; and about 30 percent in 2009 at approximately \$39 per barrel. In short, we are well-prepared for rising energy costs. Our People are taking aggressive actions to prepare for rising energy costs and sustain our profitability and financial health.

"Excluding fuel, our third quarter 2005 unit costs were down, again, compared with the year ago performance. We revised our fourth quarter 2005 flight schedule for the significant reduction in our New Orleans service following Hurricane Katrina. Our fourth quarter 2005 flight schedule was also affected by the recent Boeing strike, which delayed scheduled new aircraft deliveries. As a result, our year-over-year capacity growth for fourth quarter 2005 will be approximately seven percent, less than previously planned. We expect our fourth quarter 2005 unit costs, excluding fuel, to modestly exceed third quarter's 6.31 cents.

"Our hearts go out to all those affected by the hurricanes in the Gulf Coast region. We resumed service from Louis Armstrong New Orleans International Airport (MSY) on September 20th after it had been shut down for approximately three weeks. Prior to Hurricane Katrina, we were the largest air carrier with 57 daily departures. We currently operate four daily roundtrips to Houston Hobby Airport, with strong traffic and encouraging bookings. As a part of the New Orleans community, we are anxious to do our

part to rebuild the city, and we will continue to add more flights based on demand. We are very proud of our Employees' efforts to serve our Customers in this stressful time. Finally, I am also very proud of how Southwest and our Employees took care of our Gulf Coast Employees in this time of need.

"We are very pleased with the performance of our new Pittsburgh markets and our new Ft. Myers service, which began this month. Given the improving airline industry outlook, we are excited about our 2006 growth opportunities and, currently, we expect 33 Boeing 737-700 deliveries in 2006, which will result in an estimated 2006 ASM capacity growth of approximately eight percent. With the resumption of deliveries from Boeing, and the availability of aircraft created from Katrina-related schedule changes, we are accelerating the start-up of our previously planned new city next year to early 2006. I am very excited to announce that, after a 20-year absence, Southwest will return to Denver, Colorado. As a result of its efforts to dramatically reduce its costs over the years, Denver International Airport has emerged as an excellent opportunity for Southwest Airlines. Even better, our Customers, along with new Denver Customers, will benefit from lower fares and Positively Outrageous Customer Service, Southwest style. We will announce our start dates, schedule, and fares next week."

Southwest will discuss its third quarter 2005 results on a conference call at 11:30 a.m. Eastern Time today. A live broadcast of the conference call will be available at southwest.com.

Operating Results

Total operating revenues for third quarter 2005 increased 18.8 percent to \$1.99 billion, compared to \$1.67 billion for third quarter 2004. Operating income was \$273 million compared to \$191 million in third quarter 2004. Revenue passenger miles (RPMs) increased 15.5 percent in third quarter 2005, as compared to a 12.1 percent increase in available seat miles (ASMs),

<Page>
resulting in a 2.2 point increase in load factor to 74.9 percent. The passenger revenue yield per RPM increased 2.6 percent to 11.68 cents from 11.38 cents in third quarter 2004. Operating revenue yield per ASM (RASM) increased 5.9 percent to 9.10 cents from 8.59 cents in third quarter 2004.

Total third quarter 2005 operating expenses were \$1.72 billion, an increase of 15.7 percent, compared to \$1.48 billion in third quarter 2004. Operating expenses per ASM (CASM) for third quarter 2005 increased 3.2 percent to 7.85 cents, compared to 7.61 cents in third quarter 2004. The Company's hedging program produced realized gains in third quarter 2005 of \$295 million. Gains of \$276 million were recorded as a reduction in fuel and oil expense in third quarter 2005. The remainder of the realized gains were recorded in "Other gains," as described below. Excluding fuel, CASM for third quarter 2005 decreased slightly to 6.31 cents.

In addition to the \$87 million of SFAS 133 unrealized gains recorded in third quarter 2005, "Other expenses (income)" included \$17 million in "other gains," which consisted primarily of SFAS 133 realized gains related to settled contracts, as defined, on current period hedges, partially offset by approximately \$9 million of net interest expense. "Other expenses (income)" for third quarter 2004 included \$4 million in "Other losses" and \$6 million in net interest expense. The third quarter 2005 income tax rate was 38.3 percent versus 34.1 percent for third quarter 2004. The prior year rate was favorably impacted by an adjustment related to the ultimate resolution of an airline industry-wide issue regarding the tax treatment of certain aircraft engine maintenance costs.

For the nine months ended September 30, 2005, net cash provided by operations was \$2.2 billion, which included a \$865 million increase in fuel hedge-related collateral deposits, and capital expenditures were \$993 million. The Company ended third quarter 2005 with \$2.4 billion cash on hand plus \$185 million of auction-rate securities, classified as "Short-term investments". In addition, the Company had a fully available unsecured revolving credit line of \$600 million.

Total operating revenues for the nine months ended September 30, 2005 increased 14.8 percent to \$5.60 billion while total operating expenses increased 11.3 percent to \$4.94 billion, resulting in operating income of \$656 million, compared to \$435 million for the nine-month period in 2004. Net income for the nine-month period in 2005 was \$462 million, or \$.57 per diluted share, versus \$258 million, or \$.32 per diluted share, in 2004. Excluding the impact of the unrealized SFAS 133 gains recorded in third quarter 2005, net income for the nine months ended September 30, 2005 was \$409 million, or \$.50 per diluted share.

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 2004 and subsequent filings. The Company undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this press release.

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

	Three months ended September 30,			Nine months ended September 30,		
	2005	2004	Percent Change	2005	2004	Percent Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING REVENUES:						
Passenger	\$1,912	\$1,612	18.6	\$5,372	\$4,694	14.4
Freight	32	28	14.3	99	82	20.7
Other	45	34	32.4	125	99	26.3
Total operating revenues	1,989	1,674	18.8	5,596	4,875	14.8
OPERATING EXPENSES:						
Salaries, wages, and Benefits	693	612	13.2	2,000	1,823	9.7
Fuel and oil	337	247	36.4	947	723	31.0
Maintenance materials and repairs	110	113	(2.7)	319	351	(9.1)
Aircraft rentals	36	45	(20.0)	121	134	(9.7)
Landing fees and other rentals	118	104	13.5	345	306	12.7
Depreciation and amortization	121	108	12.0	348	318	9.4
Other operating expenses	301	254	18.5	860	785	9.6
Total operating expenses	1,716	1,483	15.7	4,940	4,440	11.3
OPERATING INCOME	273	191	42.9	656	435	50.8
OTHER EXPENSES (INCOME):						
Interest expense	32	21	52.4	89	62	43.5
Capitalized interest	(10)	(10)	0.0	(28)	(30)	(6.7)
Interest income	(13)	(5)	160.0	(31)	(14)	121.4
Other (gains) losses, net	(104)	4	n.a.	(112)	16	n.a.
Total other expenses (income)	(95)	10	n.a.	(82)	34	n.a.
INCOME BEFORE INCOME TAXES	368	181	103.3	738	401	84.0
PROVISION FOR INCOME TAXES	141	62	127.4	276	143	93.0
NET INCOME	\$227	\$119	90.8	\$462	\$258	79.1

NET INCOME PER SHARE:

Basic	\$.29	\$.15	93.3	\$.59	\$.33	78.8
Diluted	\$.28	\$.15	86.7	\$.57	\$.32	78.1

WEIGHTED AVERAGE SHARES OUTSTANDING:

Basic	789	781	786	784
Diluted	810	812	811	815

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

	Three months ended September 30,			Nine months ended September 30,		
(In millions, except per share and per ASM amounts)	2005	2004	Percent Change	2005	2004	Percent Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Other (gains) losses, net, as reported	\$ (104)	\$ 4		\$ (112)	\$ 16	
Less: impact of unrealized gains	87	2		113	8	
Other (gains) losses, net, excluding unrealized gains	\$ (17)	\$ 6	n.a.	\$ 1	\$ 24	n.a.

Net income, as reported	\$ 227	\$ 119		\$ 462	\$ 258	
Less: impact of unrealized gains, net of income taxes	(53)	-		(53)	-	
Net income, excluding unrealized gains	\$ 174	\$ 119	46.2	\$ 409	\$ 258	58.5
Net income per share, diluted, as reported	\$.28	\$.15		\$.57	\$.32	
Less: impact of unrealized gains, net of income taxes	(.07)	-		(.07)	-	
Net income per share, diluted, excluding impact of unrealized gains	\$.21	\$.15	40.0	\$.50	\$.32	56.3
Fuel and oil expense - unhedged	\$ 613	\$ 378		\$1,574	\$1,004	
Less: gains on settled hedges included in fuel and oil expense	(276)	(131)		(627)	(281)	
GAAP fuel and oil expense	337	247	36.4	947	723	31.0
Add/(Deduct): losses/(gains) on settled contracts included in Other (gains) losses, net	(22)	-		(21)	6	
Add/(Deduct): losses/(gains) recognized in prior periods for settled contracts in the current period	3	-		-	(6)	
Fuel and oil expense - economic	\$ 318	\$ 247	28.7	\$ 926	\$ 723	28.1
Mark-to-market (gains) losses on future period contracts included in Other (gains) losses, net	\$ (73)	\$ 2		\$ (85)	\$ -	Ineffectiveness from
future period hedges included in Other (gains) losses, net	(14)	(4)		(28)	(8)	
Total unrealized gains from future period contracts included in Other (gains) losses, net	\$ (87)	\$ (2)		\$ (113)	\$ (8)	

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NOTE: The above schedule reconciles the non-GAAP financial measures included in this press release to the most comparable GAAP financial measures. The special items are unrealized gains or losses (before income taxes) for derivative instruments that will settle in future accounting periods, recorded as a result of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", as amended. These unrealized amounts relate to both ineffectiveness, as defined, for these future period instruments and the change in market value for future period derivatives that no longer qualified for special hedge accounting, as defined in SFAS 133.

In management's view, comparative analysis of results can be enhanced by excluding the impact of these items. The unrealized amounts are not indicative of the Company's operating performance for the applicable period, nor should they be considered in developing trend analysis for future periods. In addition, since fuel expense is such a large part of the Company's operating costs and is subject to extreme volatility, the Company believes it is useful to provide investors with the Company's true economic cost of fuel for the periods presented, based on cash settlements from hedging activities, but excluding the unrealized impact of hedges that will settle in future periods.

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 SOUTHWEST AIRLINES CO.
 COMPARATIVE CONSOLIDATED OPERATING STATISTICS
 (unaudited)

	Three months ended September 30,		
	2005	2004	Change
<S>	<C>	<C>	<C>
Revenue passengers carried	20,637,620	18,334,448	12.6 %
Enplaned passengers	23,595,749	21,102,752	11.8 %
Revenue passenger miles (RPMs) (000s)	16,365,420	14,164,101	15.5 %
Available seat miles (ASMs) (000s)	21,853,579	19,486,103	12.1 %
Load factor	74.9%	72.7%	2.2 pts.
Average length of passenger haul (miles)	793	773	2.6 %
Average aircraft stage length (miles)	612	576	6.3 %
Trips flown	261,812	248,981	5.2 %
Average passenger fare	\$92.63	\$87.90	5.4 %
Passenger revenue yield per RPM (cents)	11.68	11.38	2.6 %
Operating revenue yield per ASM (cents)	9.10	8.59	5.9 %
Operating expenses per ASM (cents)	7.85	7.61	3.2 %
Operating expenses per ASM, excluding fuel (cents)	6.31	6.34	(0.5)%
Fuel costs per gallon, excluding fuel tax (unhedged)	\$1.837	\$1.232	49.1 %
Fuel costs per gallon, excluding fuel tax (GAAP)	\$1.006	\$.803	25.3 %
Fuel costs per gallon, excluding fuel tax (economic)	\$0.949	\$.802	18.3 %
Fuel consumed, in gallons (millions)	332	306	8.5 %
Number of Employees at period-end	31,382	30,657	2.4 %
Size of fleet at period-end	439	415	5.8 %

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 SOUTHWEST AIRLINES CO.
 COMPARATIVE CONSOLIDATED OPERATING STATISTICS
 (unaudited)

	Nine months ended September 30,		
	2005	2004	Change
<S>	<C>	<C>	<C>
Revenue passengers carried	58,208,534	53,193,484	9.4 %
Enplaned passengers	66,154,155	60,921,204	8.6 %
Revenue passenger miles (RPMs) (000s)	45,083,739	40,282,260	11.9 %
Available seat miles (ASMs) (000s)	63,424,106	56,641,218	12.0 %
Load factor	71.1%	71.1%	-
Average length of passenger haul (miles)	775	757	2.4 %
Average aircraft stage length (miles)	605	572	5.8 %
Trips flown	769,262	729,836	5.4 %
Average passenger fare	\$92.30	\$88.23	4.6 %
Passenger revenue yield per RPM (cents)	11.92	11.65	2.3 %
Operating revenue yield per ASM (cents)	8.82	8.61	2.4 %
Operating expenses per ASM (cents)	7.79	7.84	(0.6)%
Operating expenses per ASM, excluding fuel (cents)	6.30	6.56	(4.0)%
Fuel costs per gallon, excluding fuel tax (unhedged)	\$1.631	\$1.122	45.4 %
Fuel costs per gallon, excluding fuel tax (GAAP)	\$.978	\$.806	21.3 %
Fuel costs per gallon, excluding fuel tax (economic)	\$.956	\$.806	18.6 %
Fuel consumed, in gallons (millions)	961	891	7.9 %
Number of Employees at period-end	31,382	30,657	2.4 %
Size of fleet at period-end	439	415	5.8 %

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 SOUTHWEST AIRLINES CO.
 CONDENSED CONSOLIDATED BALANCE SHEET
 (unaudited)

(in millions)	September 30, 2005	December 31, 2004
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$2,428	\$1,048
Short-term investments	185	257
Accounts and other receivables	334	248
Inventories of parts and supplies,		

at cost	153	137
Fuel hedge contracts	944	428
Prepaid expenses and other current assets	65	54
Total current assets	4,109	2,172
Property and equipment, at cost:		
Flight equipment	10,786	10,037
Ground property and equipment	1,266	1,202
Deposits on flight equipment purchase contracts	657	682
	12,709	11,921
Less allowance for depreciation and amortization	3,364	3,198
	9,345	8,723
Other assets	1,292	442
	\$14,746	\$11,337
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$495	\$420
Accrued liabilities	2,038	1,047
Air traffic liability	776	529
Current maturities of long-term debt	149	146
Total current liabilities	3,458	2,142
Long-term debt less current maturities	1,861	1,700
Deferred income taxes	2,311	1,610
Deferred gains from sale and leaseback of aircraft	140	152
Other deferred liabilities	221	209
Stockholders' equity:		
Common stock	790	790
Capital in excess of par value	297	299
Retained earnings	4,474	4,089
Accumulated other comprehensive income	1,194	417
Treasury stock, at cost	-	(71)
Total stockholders' equity	6,755	5,524
	\$14,746	\$11,337

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SOUTHWEST AIRLINES CO.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
(in millions)	2005	2004	2005	2004
<S>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$227	\$119	\$462	\$258
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and Amortization	121	108	348	318
Deferred income taxes	138	60	271	141
Amortization of deferred gains on sale and leaseback of aircraft	(4)	(4)	(12)	(12)
Amortization of scheduled airframe inspections & repairs	13	13	36	40
Changes in certain assets and liabilities:				
Accounts and other receivables	(42)	(24)	(85)	(74)
Other current assets	(83)	(21)	(93)	(33)
Accounts payable and accrued liabilities	216	111	1,006	393
Air traffic liability	28	(15)	246	182
Other	(12)	13	(23)	(7)
Net cash provided by operating activities	602	360	2,156	1,206

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment, net	(274)	(496)	(993)	(1,366)
Change in short-term investments, net	(185)	16	72	36
Acquisition of assets from ATA Airlines, Inc.	-	-	(6)	-

Net cash used in investing activities	(459)	(480)	(927)	(1,330)
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CASH FLOWS FROM FINANCING ACTIVITIES:

Issuance of long-term debt	-	350	300	408
Proceeds from Employee stock plans	21	12	58	52
Payments of long-term debt and capital lease obligations	(1)	(1)	(136)	(22)
Payments of cash dividends	(4)	(4)	(14)	(14)
Repurchase of common stock	-	(110)	(55)	(246)
Other, net	-	(3)	(2)	(7)
Net cash provided by (used in) financing activities	16	244	151	171

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	159	124	1,380	47
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,269	1,407	1,048	1,484
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$2,428	\$1,531	\$2,428	\$1,531

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Southwest Airlines Co.
Current Boeing 737-700 Delivery Schedule

	Prior Schedule		Current Schedule	
	Firm	Options*	Firm	Options*
<S>	<C>	<C>	<C>	<C>
2005	34	-	33**	-
2006	34	-	33	-
2007	25	29	27	29
2008	6	45	6	45
2009-2012	-	177	-	177
Total	99	251	99	251

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*Includes purchase rights

** Includes 27 aircraft delivered through September 30, 2005