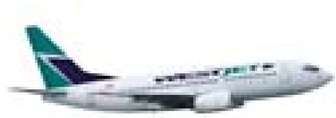
It's all about choice

WESTJET AIRLINES LTD. 2003 ANNUAL REPORT



The greatest power that a person possesses is the power to choose.

– J. Martin Kohe

WestJet Airlines Ltd. is Canada's leading low-fare airline, and is based in Calgary, Alberta. At year-end 2003, WestJet employed 3,973 people, and carried 7.0 million guests to its 24 destinations of Victoria, Comox, Vancouver, Abbotsford/Fraser Valley, Prince George, Kelowna, Grande Prairie, Calgary, Edmonton, Fort McMurray, Saskatoon, Regina, Winnipeg, Thunder Bay, Windsor, London, Hamilton, Toronto, Ottawa, Montréal, Moncton, Halifax, Gander and St. John's. As at December 31, 2003, WestJet's fleet consisted of 44 Boeing 737 aircraft. WestJet is publicly traded on the Toronto Stock Exchange under the symbol WJA.

Jay Aguinaldo, Accountant: Likes nothing more than riding his motorbike – especially to a good BBQ.

CONTENTS

Jean-Louis Allard, Team Leader, Winnipeg: Likes roasting his own coffee ... maybe BeanLand is in his future?

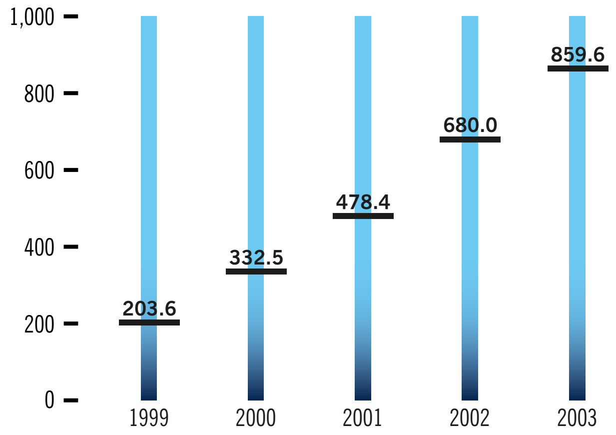
Lynn Kielniak, Team Leader, Winnipeg: She can rollerblade backward. Unfortunately, she has yet to learn how to stop.

On February 29, 1996, WestJet begins operations with 220 employees and three aircraft serving Vancouver, Kelowna, Calgary, Edmonton, and Winnipeg.

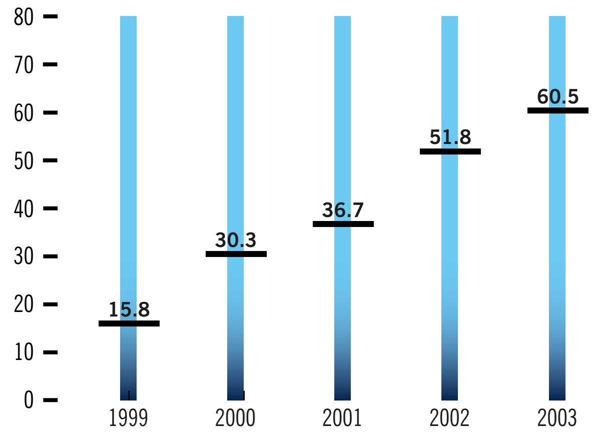
FINANCIAL OVERVIEW

Selected Consolidated Financial Data (in thousands except per share data)

Finance	2003	2002	2001	2000	1999
Revenues	$859,596	$679,996	$478,393	$332,519	$203,574
Earnings before income taxes	$97,395	$82,844	$57,789	$52,706	$29,348
Net earnings	$60,539	$51,780	$36,710	$30,254	$15,832
Net earnings per common share					
Basic	$0.79	$0.70	$0.53	$0.48	$0.28
Diluted	$0.77	$0.69	$0.52	$0.46	$0.26

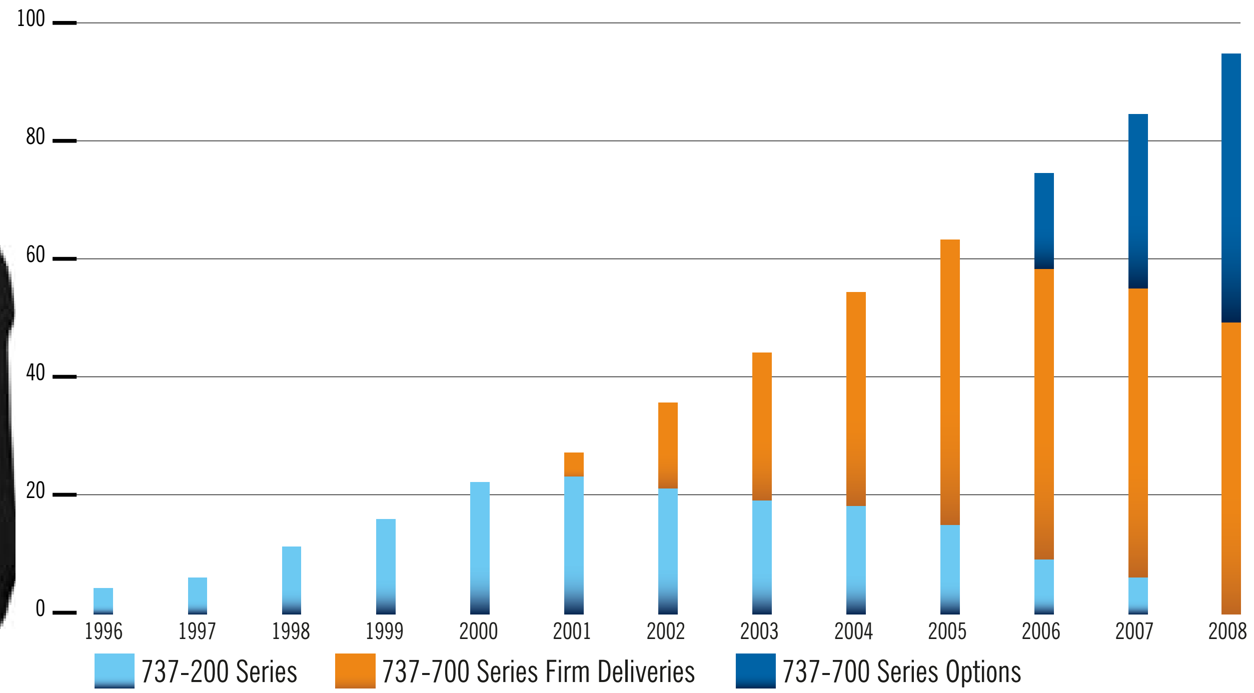


Revenue (Millions of dollars)



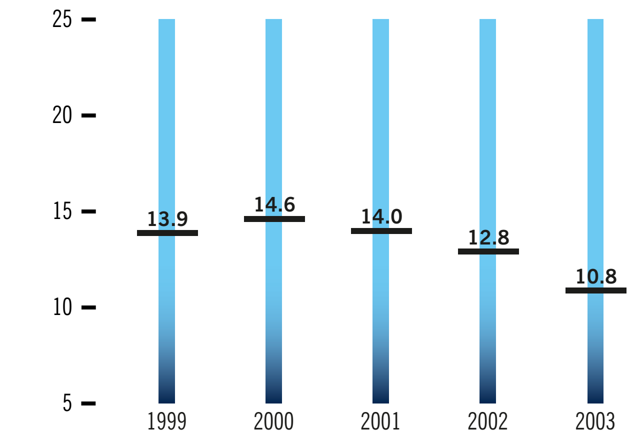
Net Earnings (Millions of dollars)

WestJet's Fleet Plan

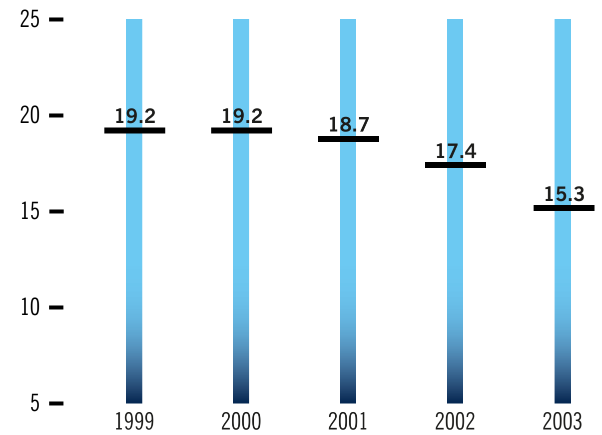


Chris Brett, Legal Services: He plays goal in a hockey league in his spare time.

Consolidated Operating Statistics	2003	2002	2001	2000	1999
Revenue Passenger Miles (RPM)	4,852,506,652	3,406,663,632	2,236,270,397	1,453,245,522	902,945,131
Available Seat Miles (ASM)	6,871,715,636	4,650,990,031	2,995,516,958	1,906,863,288	1,249,316,243
Load factor	70.6%	73.2%	74.7%	76.2%	72.3%
Yield per RPM (¢)	17.7	20.0	21.4	22.9	22.5
Revenue per ASM (¢)	12.5	14.6	16.0	17.4	16.3
Operating cost per ASM (¢)	10.8	12.8	14.0	14.6	13.9
Average stage length (miles)	656.7	551.8	458.4	419.2	383.0
Cost per passenger mile (¢)	15.3	17.4	18.7	19.2	19.2
Segment passengers	6,978,815	5,861,068	4,670,364	3,393,356	2,316,345
Fuel consumption (litres)	397,613,173	305,600,565	232,094,156	156,957,842	102,939,487
Fuel cost per litre (¢)	39.2	36.6	36.5	35.6	29.6
Number of full-time-equivalent employees at year end	3,396	2,710	1,844	1,292	881
Fleet size at year end	44	35	27	22	16



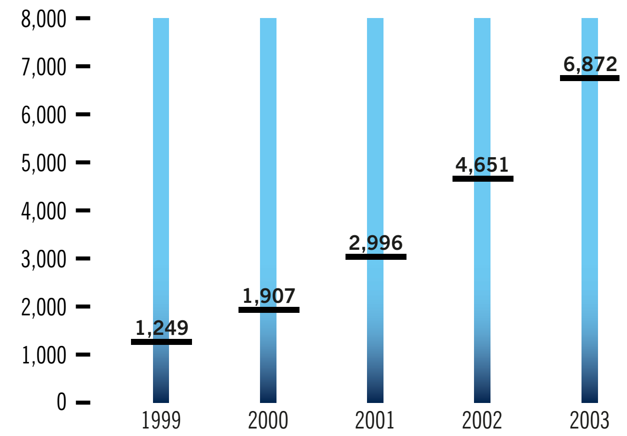
Operating Cost per ASM (Cents)



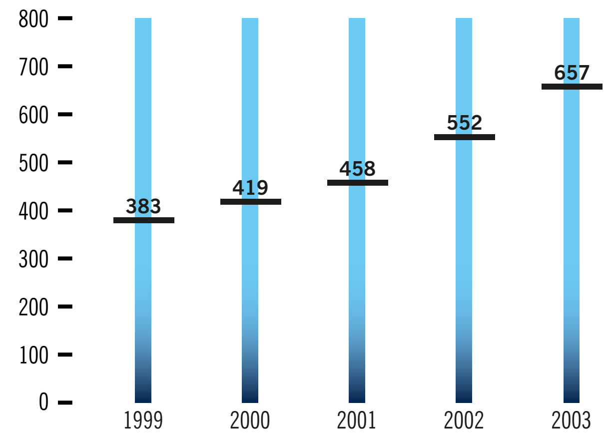
Cost per Passenger Mile (Cents)

YOU CAN STEER THE COURSE YOU CHOOSE IN THE DIRECTION OF WHERE YOU WANT TO BE.

~W. Clement Stone



Available Seat Miles (Millions of miles)



Average Stage Length (Miles)

1,000,000th guest flies on June 5, 1997.

December 17, 1998, WestJet's cargo program carries mail for Canada Post for the first time.

“I choose to fly with WestJet”

Wants to be an actor when she grows up

Her personal philosophy states that every day you must make a difference

Chooses WestJet flights 47 on Sunday nights and 431 (soon to be 131) on Tuesdays

Met her husband on a “blind date”

The drawings by her young patients around her office and her zest for life in general, show Dr. Diana Monea has embraced her inner child - and maybe that’s one reason she’s embraced WestJet, too.

This pediatric optometrist has offices in Calgary and Regina. Like the lenses in her funky frames, these offices are part of making things work the way they should - making business work the way it should - which was all the more reason to find an affordable way to commute between them.

An eclectic entrepreneur, she saw value and dependability in WestJet’s low-fare, on-time flights, and loyally chooses us for her 80-minute journey. She travels at least two days a week, and is on a first-name basis with many of our Calgary and Regina WestJetters.

Dr. Monea credits WestJet for helping her clearly see how air travel should be.

“Thank goodness for WestJet! Their people keep me energized and positive. I know them by name and vice versa; and I truly believe that they would move mountains to help me out.”
~Dr. Diana Monea, WestJet Guest

PRESIDENT'S MESSAGE TO THE SHAREHOLDERS

> "I am pleased to report that not only was 2003 the most profitable year in our history, but December 31st also marked the completion of our 28th consecutive quarter of profitability. This record is especially gratifying given the multiple challenges that we faced throughout the year."

WestJet in 2003

It is not an exaggeration to say that 2003 was one of the toughest years we have faced in our eight-year history. Demand for travel was affected by a lack of snow in the west that reduced skiing tourism earlier in the year, two SARS outbreaks, war in Iraq, a lingering fear of terrorism, the North American appearance of mad cow disease, and higher fuel prices which added even greater pressure to an already depressed yield environment.

Our proficiency at successfully navigating these challenges is a credit to the people of WestJet and their dedication to our airline. Not only did this dedication allow us to withstand this difficult environment, but it resulted in a number of important accomplishments that will position WestJet for our next phase of growth.

In 2003, we added service to the communities of Windsor, Ontario; St. John's and Gander, Newfoundland; Montréal, Quebec; and Halifax, Nova Scotia. We also increased our number of weekly departures by 18 per cent from December 2002 to December 2003. In 2003 we added 11 new 737-700 aircraft to our fleet and retired two 737-200s, ending the year with a total of 44 aircraft, up from 35 aircraft in December 2002.

By the end of 2003, WestJet had secured an approximate 25 per cent share of the Canadian domestic market, which has only been achieved by our people working exceedingly hard to meet our guests' expectations and our own goals for reliability and efficiency. In 2003, we carried almost seven million people across our network, which is a 19 per cent increase over 2002.

We were pleased to report the attainment of a significant industry milestone, achieving the second highest on-time performance rating in North America, just 0.9-percentage points shy of the top spot. In 2003, 86.7% of all WestJet flights arrived within 15 minutes of their scheduled time, a significant accomplishment given the size of our network and the impact that the weather in Canada can have on our operations.

Along with the expansion of our schedule and our record on-time performance, we added a number of features to our aircraft in 2003 that will build on our position as a market leader. Our new fleet of 737-700 series aircraft are now all equipped with leather seats and our program to increase legroom to provide even more comfort for our guests is well underway with an expected completion date of June 2004. We outfitted the first aircraft of our entire fleet of 737-700s with blended winglets in September 2003. These wingtip extensions will decrease our costs and increase the range of our aircraft. The installation of live satellite television on all of our 700-series aircraft is now expected to commence in the first quarter of 2004 and although delayed by a few months, is expected to be completed by the summer of 2004.

In 2003, we expanded our relationship with the AIR MILES® loyalty program to offer our guests the ability to earn AIR MILES reward miles for bookings made on westjet.com. With an AIR MILES cardholder base of over seven million people, this reward program provides us access to a significant percentage of the Canadian population and is a strong tool for enticing them to choose WestJet on their next trip.

Throughout 2003 we increased the accessibility of our fares and schedule through partnerships with external distribution channels. Most recently we commenced a relationship with Worldspan, a global distribution system that provides access to our fares and schedule to thousands of travel agents worldwide. We also strengthened our relationship with Expedia.ca, making WestJet fares available to be booked on this growing travel website.

Dale Tinevez, Director, Airports: He enjoys water sports in his speedo at Sylvan Lake.

® Trademarks of AIR MILES International Trading B.V. Used under license by Loyalty Management Group Canada Inc. and WestJet.

In August 2003, we were pleased to sign a two-year charter agreement with Transat Holidays that will provide WestJet with $29 million in revenue in its first season. As a result of this agreement, WestJet aircraft are now flying to the Dominican Republic, Cuba, Mexico, and the United States.

In October 2003, WestJet completed a $150 million equity issue at $24.25 per share, which was well oversubscribed. The attractiveness of this offering was likely due to the performance of our shares, which rose from approximately $16 to approximately $28 by year-end. In combination with our Export-Import Bank financing arrangements, this equity issue will be utilized to support the addition of the 11 new aircraft we plan to add to our fleet in 2004.

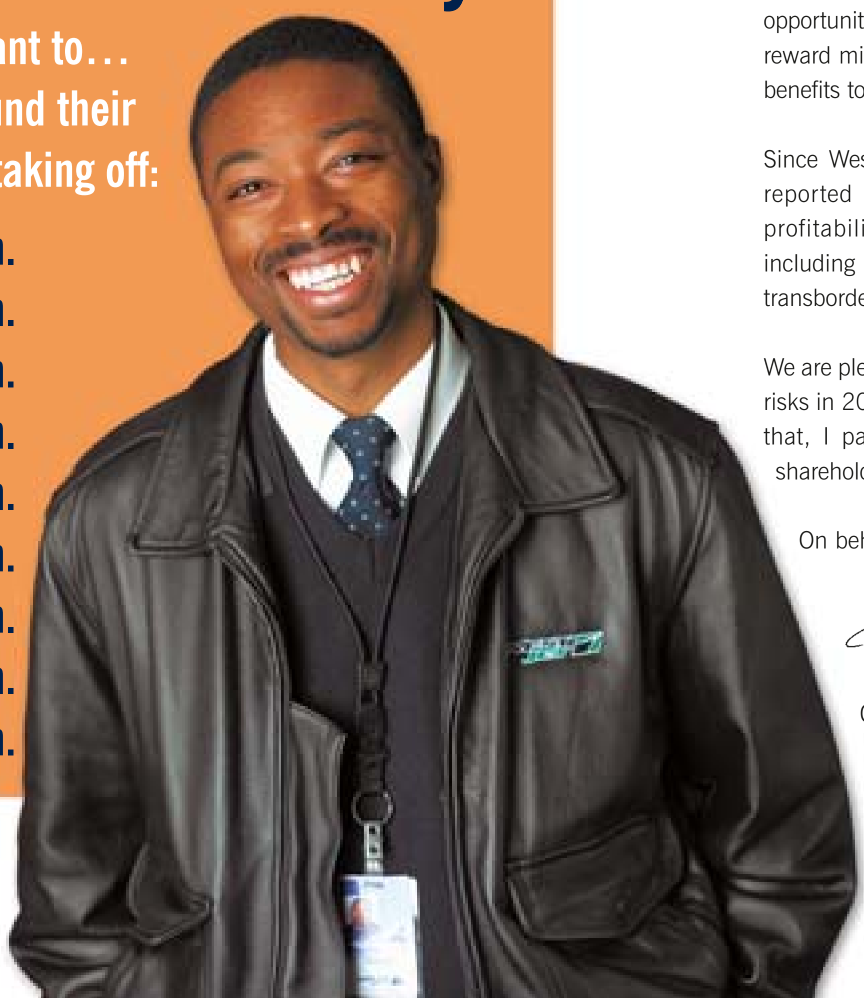
Since our inception, we have added new markets to improve our service for our current guests, and to attract even more people to WestJet's friendly brand of low-fare service. In January 2004, WestJet announced an aggressive expansion plan that included a significant capacity shift from Hamilton into the extremely densely populated Toronto area, nearly tripling our service from Pearson International to 182 flights per week. Throughout 2004, we plan to augment our strong coast-to-coast schedule with the introduction of services in the high-traffic, high-demand corridor between Toronto and Montréal, and Toronto and Ottawa.

In the west, we are increasing frequency on many of our popular routes from Calgary, including Calgary to Vancouver, Victoria, and Saskatoon, to meet an increasing demand for our flights. Our improved presence in these markets is made possible by a reduction of our services in Fort McMurray, Grande Prairie, and Prince George to a level that more appropriately meets current demand. This reallocation of capacity is an essential part of our business as we strive to optimize our schedule to meet the changing needs within our growing network.

When do WestJet guests choose to fly?

Simply put, our guests fly when they want to… we've just designed our schedule around their needs. Here's when our flights are taking off:

12.7% :	6:00 a.m. -	7:59 a.m.
12.9% :	8:00 a.m. -	9:59 a.m.
14.7% :	10:00 a.m. -	11:59 a.m.
12.2% :	12:00 p.m. -	1:59 p.m.
12.9% :	2:00 p.m. -	3:59 p.m.
14.7% :	4:00 p.m. -	5:59 p.m.
14.4% :	6:00 p.m. -	7:59 p.m.
4.4% :	8:00 p.m. -	9:59 p.m.
1.2% :	10:00 p.m. -	11:59 p.m.



Desmond Jordon, Pilot: Give him a call if you're planning a game of pick-up hockey.

In 2003, we increased the connectivity of our eastern and western networks with more long-haul flights, a trend that will continue with more non-stop flights between western Canada and eastern Canada throughout 2004. As announced in the first quarter of 2004, we will add 120 non-stop flights to our schedule for the busy summer season, a substantial number of which will be on long-haul flights between the east and west.

In early February 2004, we announced that in the fall we would begin regular scheduled service into US destinations to coincide with the addition of new aircraft to our fleet, and the increase in demand for "hot-spot" vacation travel during Canada's colder months. These destinations will include Los Angeles, California; Fort Lauderdale, Florida; and Orlando, Florida. In addition, a seasonal schedule beginning in the fourth quarter of 2004 will add Phoenix, Arizona and Palm Springs, California to our timetable.

In March 2004, along with The Loyalty Group, creator of the AIR MILES Reward Program, we announced the completion of a long-term exclusive agreement to market a tri-branded BMO MasterCard for personal and small-business customers. The card will provide enhanced opportunities for consumers to earn and redeem AIR MILES reward miles, while also providing unique WestJet-related benefits to cardholders.

Since WestJet's first flights in February 1996, we have reported continuous growth, along with consistent profitability. The growth we are planning for 2004, including another significant fleet expansion and our first transborder flights, represents a new phase for our airline.

We are pleased that our business decisions and calculated risks in 2003 paid off with another successful year, and for that, I pay tribute to the people of WestJet and our shareholders for their continued support.

On behalf of the Board,

Clive Beddoe
Executive Chairman, President
and Chief Executive Officer
WestJet Airlines Ltd.
March 2004

WestJet expands into eastern Canada in 2000 with service to Hamilton, Moncton, and Ottawa.

Since WestJet's first flights in February 1996, we have reported continuous growth, along with consistent profitability.

Harmeet Singh, CSA, Vancouver: He likes to work on cars and has a fear of snakes.

Vanessa Quiazon, Training Instructor: She loves home cooking and likes to travel.

WESTJET CHOOSES EDUCATION

On October 1, 2003, WestJet executive Tim Morgan, accompanied by a handful of WestJetters, delivered a fully operational Boeing 737-200 aircraft to the B.C. Institute of Technology's (BCIT) aerospace campus at Vancouver International Airport. With the signing over of this aircraft to BCIT President Tony Knowles, BCIT and WestJet launched a partner-in-training program to enhance aeronautic training and development in Canada.

The 737-200 served as a WestJet passenger jet and was retired from commercial service in September 2003 and delivered to BCIT, where it now enhances the polytechnic institution's aerospace programs to better meet the unique needs of the commercial aviation transport industry.

At the signing ceremony, Tim Morgan commented: "This aircraft offers a chance for students to gain a hands-on understanding of technology that is still in use across the industry. WestJet is proud to be a partner in training with BCIT Aerospace, and we are pleased to be a part of BCIT Aerospace's tradition of offering high-calibre training."

Since delivery of the 737, we are pleased to report that students and instructors at BCIT have been very excited to be working with the donated aircraft.

Said Tony Knowles: "This new partnership in polytechnic training, beginning with a significant donation that will help us build upon our core strengths of maintenance repair and overhaul, is ultimately about innovation, achieving new standards of excellence and investing in the people who will shape the aerospace industry for years to come. We thank WestJet for its generous support of BCIT Aerospace."

BCIT Aerospace students are beginning to learn about the organization planning necessary to carry out work on a transport-category aircraft. They are learning more about complete systems, for example electrical, hydraulic and pneumatic systems. BCIT Aerospace now has for the first time an aircraft that includes all systems, and students can gain a hands-on understanding of how they all work together.

WestJet's choice to contribute to the education of Canadian aerospace students not only prepares the next generation of people for work in this exciting industry, the industry at large benefits through the availability of highly-qualified graduates. WestJetters are proud of our donation, and are very much looking forward to working with our future colleagues!

Tim Morgan (left), WestJet Senior Vice President, Operations and Co-Chief Operating Officer.

Tony Knowles, BCIT President.

WESTJET LENDS A HELPING HAND

Since inception, WestJet and WestJetters have provided both time and charitable flight donations to various organizations - considering these donations to be an important part of WestJet's culture and the practice of responsible business.

Kids Explore at Vancouver's Stanley Park.

2003 saw WestJet provide more than 800 charitable organizations across Canada with trips for two across our network to assist charities in raising much-needed funds. WestJet also made larger contributions of numerous flights to charities such as Kids Help Phone and Missing Children Society. A supporter of Hope Air, WestJet also donated more than $70,000 worth of flights to this national organization that arranges free air transportation for Canadians who must travel to medical care, but can not afford the cost of flight themselves.

WestJet also continues to support Kids Explore - a not-for-profit organization that offers aboriginal children ages 10 - 14 in remote villages in Canada's North the opportunity to travel to, and experience, an urban environment for the first time in their lives. WestJet has supported this program with donated flights for six years, and plans are underway to offer more free flights in 2004.

In the spirit of seasonal giving, WestJet once again participated in the annual Samaritan's Purse Operation Christmas Child program. This program provides Christmas gifts to children suffering through war, natural disaster, poverty, illness, or neglect.

Wrapping gifts at Operation Christmas Child, 2003.

Not only did WestJetters fill 602 shoeboxes with toys, toiletries, and other items for this drive, but they even volunteered their time at the Operation Christmas Child warehouse to help pack the shoeboxes for their long journey.

On a more localized level, WestJet provides its stations with hundreds of trips for two to distribute to local charities and fundraisers each year. Some of the charities supported across Canada include local United Way campaigns, Big Brothers and Big Sisters organizations, literacy campaigns, and local community and arts events.

In addition to charitable giving, WestJet is also a strong supporter of community events, and provides in-kind sponsorship to hundreds of local and national organizations. Last year, WestJet was proud to be the Official Airline of the Canadian Football League, and sponsored the Toshiba Breath of Life Ski Challenge, Nokia Brier, Scott Tournament of Hearts, Canadian Country Music Awards, and many other events.

With conscious decisions to support the community at large, WestJet is determined to make a difference in its ever expanding world - sharing laughter and hope, and touching lives from coast to coast.

"I choose to work with WestJet"

Donald Pott is passionate about airplanes - whether he's working on them or jumping out of them.

The avid skydiver is general manager of Aero Metal, the company that, among other things, installs our winglets. And he's chosen to be a WestJet supplier since day one.

He feels a personal connection to the company and to our success. And he's proud to count himself among a vibrant culture that includes not only employees but close suppliers, too.

Winglets work together to improve aircraft aerodynamics. They need to work in partnership, much like WestJet and its suppliers.

And a respectful, mutually beneficial partnership is just how Donald Pott describes Aero Metal's relationship with WestJet.

"It is quite a pleasure and an honour to work with the individuals at WestJet. Not only do we share good personal relationships, but a partnership as well. They treat us like we're more than just a service provider, and that they're not just looking after their own interests."

~Donald Pott, WestJet Supplier

His nickname is "Ducky" - after Donald Duck (and he can do a pretty good imitation!)

He is the general manager of Aero Metal - the company responsible for the installation of winglets on all new WestJet aircraft

Fast cars, dirt bikes, sky-diving - he runs on adrenaline

He sees work as a good way to pay for his toys

Rob Lerner, Manager, Revenue Accounting: He's looking forward to when WestJet flies to Thailand. (He may be waiting a while.)

Shirley Saputra, Senior Financial Reporting Accountant: "Squirley" has a pet fish named Sushi she keeps with her at the office.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

Forward-looking Information

This Management Discussion and Analysis contains forward-looking statements that are based on management's current expectations, estimates, projections and assumptions. In light of the current state of affairs in the domestic and international airline industry, forward-looking statements must be understood to involve a number of risks and uncertainties.

As a result of many factors, including competition, governmental regulations, fuel pricing, the airline pricing environment, industry capacity fluctuations, new entrants, foreign exchange rates, interest rates, labour matters, terrorism, actions by third parties, and external events, expected results could differ from actual results and differences could be material. The foregoing list of factors should not be considered exhaustive.

December 21, 2000: $52.3 million (net) share offering completed.

Overview

WestJet flew through 2003 with strong financial performance, an expanded network, and a lower cost structure. Our low-cost, high quality product withstood the tension and instability our industry faced throughout the year. We competed not only with old and new rivals, but also with the negative impact of SARS, mad cow disease, the war in Iraq, increased airport fees and rates, and considerably higher fuel prices than the year before.

This year, we witnessed a changing competitive and operational environment as Canada's largest air carrier struggled to emerge from bankruptcy protection, which has created uncertainty within our industry. During these challenging times, however, at WestJet we remained committed to our business plan, resulting in another profitable year for the Company.

In keeping with our growth strategy, we increased capacity consistently throughout the year by adding new Next-Generation Boeing 737-700 aircraft to our fleet. This aircraft effectively uses the latest in technological advancements to allow us to realize savings on fuel, extend our range capabilities, and reduce engine and airframe maintenance costs.

We added 11 737-700 aircraft and retired two of our older 737-200s in 2003. We finished the year with a total of 25 737-700s and 19 737-200 aircraft. During the year, WestJet converted nine additional purchase options with Boeing. This brings the total aircraft under firm commitments to 39, 15 of which we had received by year-end 2003 with 24 deliveries expected by January 2006, and we have 35 purchase options remaining through 2008.

We successfully completed several financing arrangements in 2003, including a bought deal of common shares issued for a net proceed of $144 million in October, and a $100 million back-stop equity financing agreement with Ontario Teachers' Pension Plan Board in June. In addition, to support our future growth initiatives, we secured financing of US $358 million backed by loan guarantees from the United States government's Export-Import Bank ("Ex-Im Bank") to purchase the 11 aircraft to be delivered in 2004 and have secured a US $442 million preliminary commitment from Ex-Im Bank for the remaining 13 aircraft to be delivered in 2005 and 2006. We have the ability to draw these funds in Canadian dollars and thereby reduce our foreign exchange exposure on our aircraft purchases.

As our infrastructure and fleet continues to grow, so to does our remarkable team of WestJetters. We increased our workforce by 27.3%, attracting 686 additional full-time-equivalent employees ("FTEs") during the year, bringing our total team of talented people to 3,973 by year-end. To accommodate our growing operations, we completed an expansion of our Calgary hangar facility.

We improved our product and level of service to the seven million guests we welcomed aboard our aircraft in 2003 with an expansion that included the addition of Windsor, Halifax, Montréal, St. John's and Gander to our network. We also increased the overall utilization of our aircraft by expanding our charter flying, through a significant agreement with Transat A.T. in the fourth quarter of 2003. In February 2004, we announced scheduled transborder service would commence in the fall of 2004 to the sunny destinations of Los Angeles, California; Ft. Lauderdale, Florida; Orlando, Florida; Phoenix, Arizona; and Palm Springs, California.

Highlights of New Initiatives

In line with our philosophy of providing safe, affordable and fun travel for our guests, we have taken measures to enhance the efficiency, comfort and enjoyment of our flights by implementing several initiatives.

We began a program of installing performance enhancing blended winglet technology (wingtip extensions) on our Next-Generation 737-700 aircraft. Winglets are designed to improve the aerodynamic performance and handling characteristics of the aircraft, while extending aircraft range capabilities and reducing fuel burn. The benefits we will realize from this blended winglet technology on our 737-700 aircraft are estimated to represent an approximate eight-year payback.

In October, we revealed our plans to make our fleet of Boeing Next-Generation 737-700 series aircraft more comfortable by offering our guests more legroom for the longer time they are spending in the air as

THE STRONGEST PRINCIPLE OF GROWTH LIES IN HUMAN CHOICE.
~ George Eliot

Yvonne Andal, Supervisor A/R & A/P: A golf fanatic, she's determined to break 100 this year.

WestJet formally accepts delivery of first new Next-Generation 737-700 aircraft in May 2001.

In 2003, total revenue increased 26.5% to $860.0 million from $680.0 million in 2002.

we continue to fly longer stage lengths. We began removing four seats on our 737-700 series aircraft, which extends the seat pitch to an average 32.5 inches from 31 inches throughout the aircraft. Seat pitch is the distance between rows of seats measured from the back of one seat to the back of the seat behind it. With the new configuration, all of WestJet's 737-700 aircraft will contain 136 leather-covered seats rather than 140 seats. At year-end, we had retrofitted 10 of our aircraft with this added legroom.

In 2003, we also finalized a five-year exclusivity agreement with LiveTV to offer satellite programming within Canada. In the near future, WestJet guests will be able to enjoy 24 channels of live Bell ExpressVu satellite TV programming in every seatback of our 737-700 aircraft and we look forward to being able to provide our guests with this additional inflight service. Other airlines such as JetBlue and Frontier currently offer this LiveTV product and both airlines credit LiveTV for increasing guest satisfaction and load factors.

Annual audited financial information (in millions except per share data)

	2003	2002	2001
Total revenue	$ 860	$ 680	$ 478
Net earnings	$ 61	$ 52	$ 37
Basic earnings per share	$ 0.79	$ 0.70	$ 0.53
Diluted earnings per share	$ 0.77	$ 0.69	$ 0.52
Total assets	$ 1,477	$ 784	$ 393
Total long-term debt and obligations under capital leases	$ 662	$ 255	$ 68
Shareholders' equity	$ 581	$ 356	$ 222

Quarterly unaudited financial information (in millions except per share data)

	Three Months Ended			
2003	Mar. 31	June 30	Sept. 30	Dec. 31
Total revenues	$ 172	$ 205	$ 254	$ 229
Net earnings	$ 1	$ 15	$ 32	$ 13
Basic earnings per share	$ 0.01	$ 0.20	$ 0.43	$ 0.16
Diluted earnings per share	$ 0.01	$ 0.19	$ 0.42	$ 0.15

	Three Months Ended			
2002	Mar. 31	June 30	Sept. 30	Dec. 31
Total revenues	$ 137	$ 164	$ 203	$ 176
Net earnings	$ 7	$ 12	$ 23	$ 9
Basic earnings per share	$ 0.10	$ 0.16	$ 0.31	$ 0.12
Diluted earnings per share	$ 0.10	$ 0.16	$ 0.30	$ 0.12

Selected Annual and Quarterly Information

The tables below ("Annual audited financial information" and "Quarterly unaudited financial information") set forth selected data derived from our consolidated financial statements for the three years ended December 31 and the eight previous quarters ended December 31, 2003. These tables have been prepared in accordance with Canadian generally accepted accounting principles and are reported in Canadian dollars. This information should be read in conjunction with the consolidated financial statements and related notes thereto.

Results of Operations

Revenue

In 2003, total revenue increased 26.5% to $860.0 million from $680.0 million in 2002. Guest revenue as a percentage of total revenue was 92.4% for 2003 compared to 94.6% in 2002. Other revenue primarily consists of fees derived from our domestic travel business such as fees for excess baggage, itinerary changes and hotel packages. The decrease in the proportion of our core business activity of total revenues is primarily due to the 76.9% increase in our charter and other revenue, which grew from $36.8 million in 2002 to $65.1 million in 2003.

In addition to the new cities we added to our network in eastern Canada this year, we also increased the frequency between our western and eastern networks. The resulting increase in longer-haul flights led to a 19.0% increase in average stage length (average flight distance) from 551.8 miles in 2002 to 656.7 miles in 2003. The longer the flight, the more seat miles over which we can spread out our costs. As stage length increases, unit measures of revenue decline, as do our unit costs.

We will continue to take advantage of the improved range capabilities that the Boeing 737-700 aircraft offers as we enhance our longer-haul flight schedules within Canada and also introduce flights to the United States. While we broaden our network and expand our longer-haul frequency, we expect our average stage length to increase further in 2004.

Our capacity growth, as measured by available seat miles ("ASMs"), grew 47.7% over 2002 as a result of the 11 additional aircraft added to our fleet. Revenue passenger miles ("RPMs") grew at a slightly lower rate of 42.4%, resulting in a 2.6-percentage point decline in load factor from 73.2% in 2002 to 70.6% in 2003.

During the year, we faced increased pressure on our yields (revenue per passenger mile) due to the abundance of seat-sale pricing in the Canadian market. As a result, we responded by selling approximately 45% of our ticket sales at seat-sale prices during 2003 compared to approximately 22% in 2002. The combination of lower-priced seats and our increasing stage length has resulted in a decline in yield of 11.5% from 20.0 cents in 2002 to 17.7 cents in 2003. We estimate that approximately 63% of this percentage decline is caused by our stage length increase.

In the airline industry, the fourth and first quarters are traditionally challenged by a decrease in demand for air travel. In order to counteract the cyclical nature of our industry, we have capitalized on the lower peak periods during the year by increasing our charter operation agreements during these times.

During the fourth quarter of 2003, we dedicated a portion of our new aircraft to the charter business as winter charter flying typically generates stronger margins for us than scheduled flights. For the year, charter revenue increased by 113.5% from $17.8 million in 2002 to $38.0 million in 2003. Charter revenue rose to 4.4% of total revenue in 2003, up from 2.6% in 2002.

In August, we entered into a two-year charter partnership agreement with Transat A.T. Inc. that allows Transat and its two main tour operators, World of Vacations and Air Transat Holidays, to charter a number of our Next-Generation Boeing 737 aircraft and crews for specific routes from several Canadian cities. During the first season, this contract is estimated to generate revenues of $29 million to WestJet.

In February 2004, we announced our exciting plans to provide regular scheduled and seasonal flights to destinations in the United States. Commencing in our fourth quarter, which is one of Canada's weakest times of year for travel, our guests will be able to enjoy WestJet flights to Los Angeles, California; Ft. Lauderdale, Florida; and Orlando, Florida. WestJet will also add seasonal scheduled service between Canada and Phoenix, Arizona and Palm Springs, California. In 2004, we expect substantial increases in transborder revenues as a result of our partnership agreement with Transat A.T. and our scheduled flights across the border.

As we continue to take advantage of additional revenue generating opportunities to complement our core business activities, we have increased the scope of our cargo operations. Revenue from cargo operations generated $3.8 million in incremental revenue, an increase of 58.3% from $2.4 million in 2002. We expect the revenue generating potential of our cargo operations to increase in relation to our growing fleet and network frequency.

Expenses

Aircraft Fuel

Although fuel prices increased in 2003, our fuel cost per ASM declined year over year by 5.4% due to our increase in average stage length and the greater proportion of more fuel-efficient Boeing 737-700 aircraft in our fleet.

Among the benefits of increased range capabilities, our investment in blended winglet technology is also a revolutionary means for us to manage our fuel costs. Blended winglet technology reduces fuel burn by lowering drag and improving the aerodynamic efficiency of our Boeing Next-Generation aircraft.

As a means to manage the anticipated increase in fuel costs during the year, WestJet implemented a temporary tiered fuel surcharge on January 10, 2003. We subsequently incorporated this surcharge into the base price of our flights in January 2004 to simplify our fare structure. Even though we have merged this surcharge into our base price, we are still committed to removing it when fuel prices decline and stabilize.

Sam Hebert, Specialty Sales Agent: He has travelled Europe and hitchhiked across Canada, but not on this bike.

WestJet and Sabre finalize distribution agreement in August 2001.

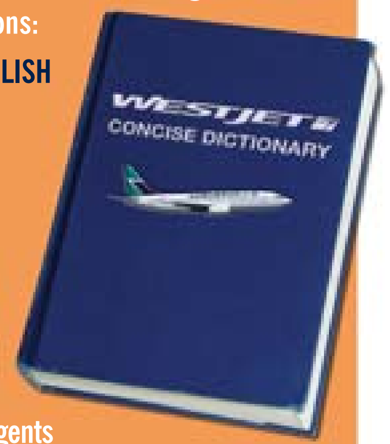
March 7, 2002: $79.2 million (net) share offering completed.

Nagina Kalsi, Accounts Payable Administrator: A dedicated WestJetter and a proud mother of three happy children.

WestJet Translation Tutorial

At WestJet, we choose to do things a little different from other carriers. This unique way of doing things even affects the way we talk! Here are some common WestJet terms along with their standard English (boring) translations:

WESTJET WORD	COMMON ENGLISH
People	Employees
Guests	Passengers
BeanLand	Accounting
Agreements	Contracts
Discussion	Negotiation
Team Leaders	Supervisors
Big Shots	Executives
Promises	Policies
Sales Super Agents	Reservation Agents
People Department	Human Resources
WestJettitude	Positive, customer-focused, entrepreneurial, honest, friendly, caring, hard working…



On a per litre basis we did see an increase of 7.1% in average fuel expense from 36.6 cents per litre in 2002 to 39.2 cents per litre in 2003. This increase can be partially attributed to the average world oil prices (WTI US$/barrel) increase of 19.3% year over year. Low oil inventories in the United States, and political instability and conflict in oil-producing regions were major factors causing higher oil prices throughout the year.

Additionally, a portion of the year-over-year increase in our fuel cost per ASM resulted from the June 2003 expiration of our fixed-volume jet fuel supply hedging arrangement that had been in place since 1999. As a result, we were only protected for half the year from increasing fuel prices, resulting in 12% of our fuel being protected under this contract in 2003 compared to 32% in 2002. WestJet will continue to look for opportunities to establish fuel-hedging arrangements to mitigate the risk associated with increasing fuel prices; however, management believes the current costs of fuel-hedging programs are disadvantageously high.

Fuel sensitivity has increased year over year due to the combined effects of our growth and the expiration of our fuel-hedging arrangement. We estimate the sensitivity of our exposure to changes in fuel costs (WTI US$/barrel) to be approximately $3.4 million in net earnings for every US $1.00 change in the price of crude versus approximately $1.9 million in 2002.

Cost per Available Seat Mile (Dollars):	2003	2002	2001	2000	1999
Aircraft fuel	0.0227	0.0240	0.0283	0.0293	0.0244
Airport operations	0.0169	0.0190	0.0213	0.0220	0.0234
Flight operations and navigational charges	0.0153	0.0163	0.0176	0.0186	0.0189
Maintenance	0.0110	0.0176	0.0241	0.0260	0.0255
Amortization	0.0092	0.0113	0.0115	0.0094	0.0066
Sales and marketing	0.0084	0.0096	0.0103	0.0114	0.0111
General and administration	0.0067	0.0086	0.0070	0.0063	0.0075
Aircraft leasing	0.0064	0.0077	0.0051	0.0036	0.0022
Inflight	0.0055	0.0059	0.0054	0.0061	0.0060
Reservations	0.0032	0.0043	0.0059	0.0066	0.0076
Employee profit share	0.0023	0.0033	0.0034	0.0071	0.0053
Total	**0.1077**	**0.1276**	**0.1399**	**0.1464**	**0.1385**

WestJet shares split three-for-two for the second time on May 1, 2002.

Airport Operations

Airport costs per ASM declined in 2003 by approximately 11.1% as a result of efficiencies related to manpower utilization and the distribution of fixed costs over a larger fleet flying more longer-haul routes. However, on a per-departure basis, WestJet actually experienced an increase of 9.9%, driven in part by the increase in 737-700 aircraft utilization during 2003. Airport fees are largely based on the maximum take-off weight of an aircraft, and as 737-700s weigh more than 737-200s, the fees per departure of a 737-700 are higher compared to 737-200s.

In spite of the growing number of 737-700s in our fleet, the main factor contributing to our rising cost per departure remains the significant increases in rates and fees handed down by Canada's airport community. In 2003, WestJet faced increasing rates and fees from airports and ground-handling contractors during the year, with fee increases as high as 20%. Increasing airport expenses can be expected going forward as airport authorities are faced with addressing airline insolvencies, industry restructuring, and high federal ground rent rates; however, we can continue to rely on internal efficiencies and economies of scale to manage these costs.

As the Company continues to address the demand for increased service in Canada's larger and traditionally more costly centres, airport and ground handling fees will remain a significant component of our airport operations costs. As a percentage of total cost, rates and fees have grown from 59.4% in 2002 to 64.1% in 2003. This trend is expected to continue with rates and fees estimated to make up approximately 68% of airport operation costs in 2004. To combat this trend, WestJet continues to explore process and technology solutions in an effort to manage efficiently those costs controllable by the Company.

Navigational charges

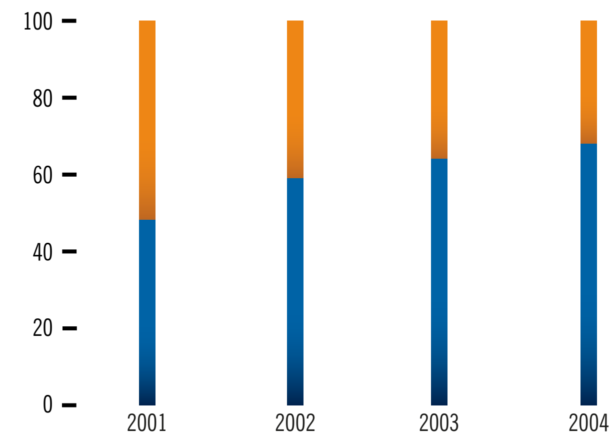
We experienced a 38.9% increase in 2003 over 2002 in fees paid to NAV Canada. Their growing financial deficit caused by declines in air traffic and bad debt expenses from Air Canada's bankruptcy required a fee increase of its air navigation service charges by an average of 6.9% effective August 1, 2003.

Additionally, recent airline insolvencies have created increased credit risk within the industry, necessitating all airlines, including WestJet, to remit a security deposit to NAV Canada to guarantee payment of ongoing obligations for services. The total deposit paid by WestJet was $4.5 million in 2003.

Flight Operations and Inflight

Flight operations relate to the costs associated with pilots – their salaries, wages and training costs. We also include in this category the costs of the supporting infrastructure of our flight crews such as our dispatch, operations control and crew-scheduling functions. Inflight relates to the salaries, wages and training costs associated with our flight attendants. In 2003, we achieved a year-over-year decrease in cost per ASM of 6.1% for flight operations, and a 6.8% decrease for inflight.

The primary cause of declines in unit costs in these areas is the dilution of costs over our longer stage length. As the number of our 140-seat 700-series aircraft (currently in transition to a 136-seat configuration) has outpaced the number of 125-seat 200-series aircraft in our fleet, we have achieved productivity improvements by reducing our cost per unit relating to our fixed costs.



Airport Operations Costs/Departure (Per cent)

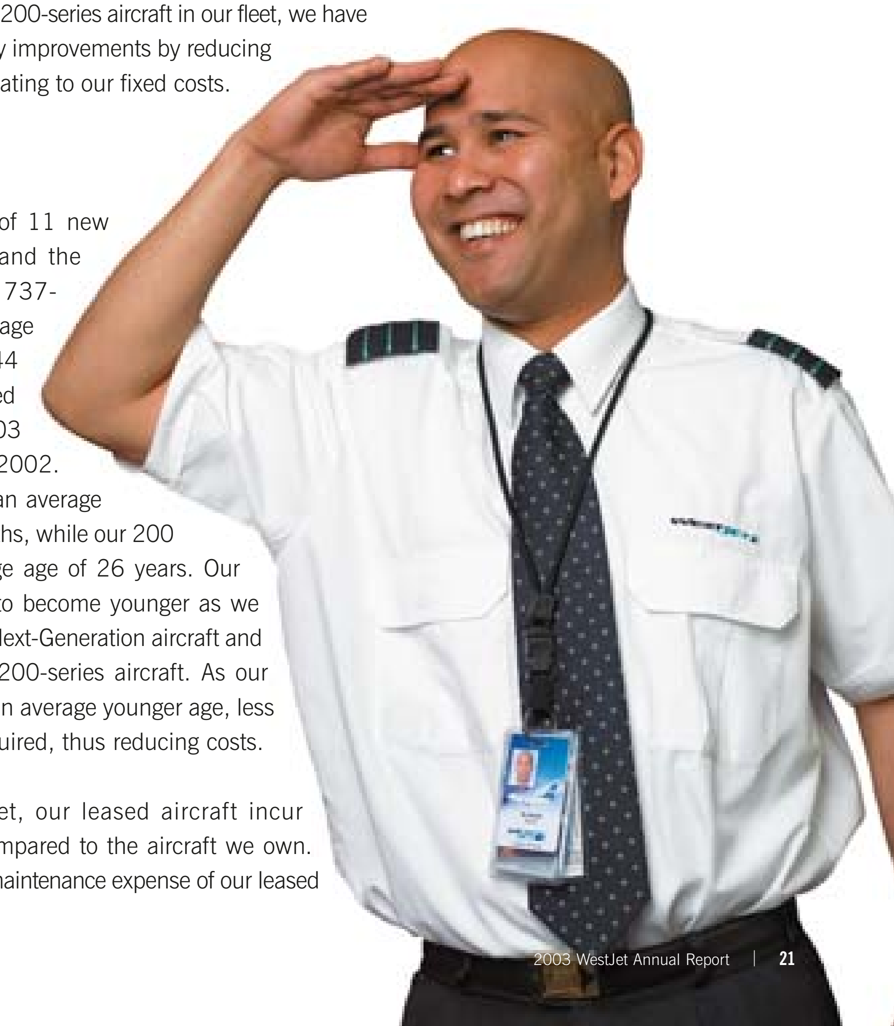
Airport Rates and Fees   Other

Avi Ghosh, Pilot: One half of a set of identical twin pilots for WestJet, he mirrors his brother's dedication.

Maintenance

With the addition of 11 new 737-700 aircraft and the retirement of two 737-200s, the average age of our total fleet of 44 aircraft has declined to 12 years in 2003 from 15 years in 2002. Our 700 fleet has an average age of only 14 months, while our 200 fleet has an average age of 26 years. Our fleet will continue to become younger as we acquire more new Next-Generation aircraft and retire more of our 200-series aircraft. As our fleet progresses to an average younger age, less maintenance is required, thus reducing costs.

In our current fleet, our leased aircraft incur additional costs compared to the aircraft we own. The majority of the maintenance expense of our leased



WestJet guests fly in comfort and style in leather seats on all 737-700 aircraft.

“I choose to fly with WestJet”

Like many Calgarians, Kate Englehart often made the trek to the Rocky Mountain ski slopes when she lived in WestJet’s hometown.

That trip is a little further since she moved back to her own hometown of Halifax. But thanks to WestJet, she’s still able to ski the Rockies now and then.

Kate likes to be at the chairlift when it opens in the morning - to get as many “runs” as possible out of the day. So, in addition to friendly service and always-low fares, she chooses WestJet because our flights are on time.

Kate’s skied other places in Canada. But she chooses the Rockies whenever she can, because she says nowhere else is quite the same. She’s flown other airlines too - and she feels the same way about WestJet.

“WestJet is a no-nonsense, simplified airline. I have a lot of confidence in their people and their price. It’s great not having to worry about your bags being lost, or the plane not even leaving on time. I’ve had past experiences with many other airlines, and I definitely wanted to try something different. It’s nice to know what to expect from an airline.”

~Kate Englehart, WestJet Guest

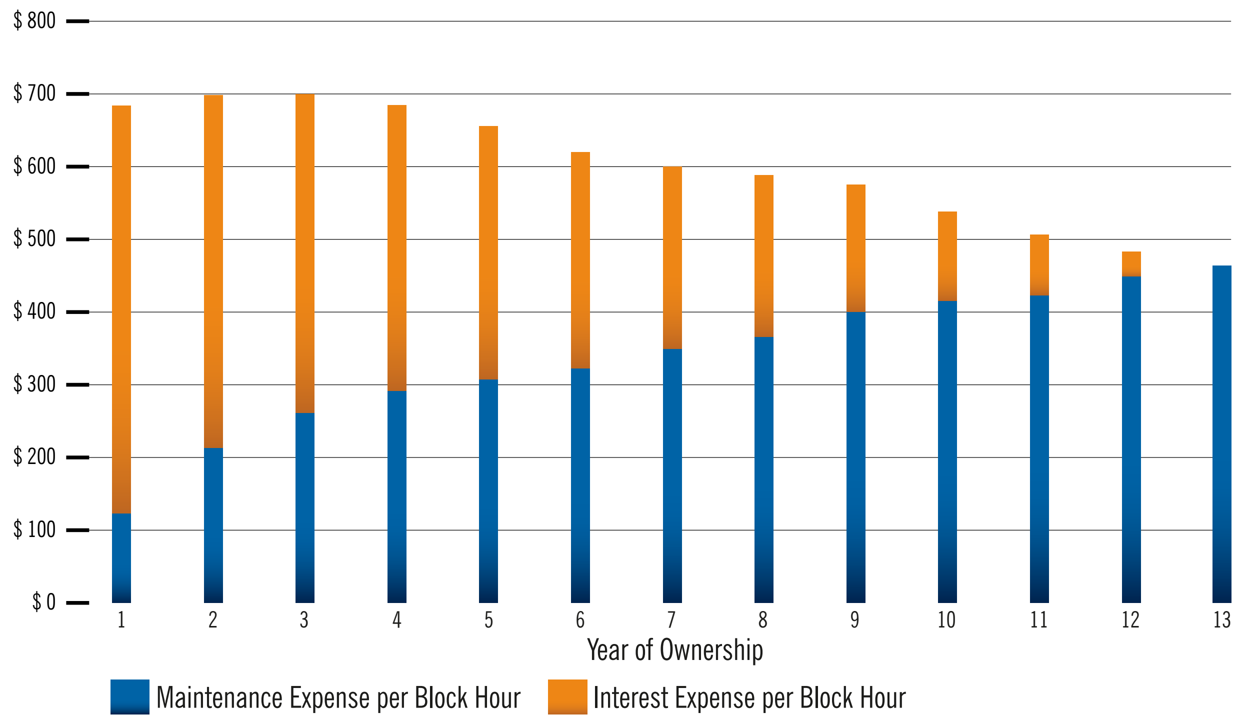
She’s been skiing since she could walk

She enjoys just a little chocolate every day (right now, it’s mini eggs)

She can’t sleep past 9, even on a Saturday

She can (and does) sleep when she’s a passenger
in any moving vehicle (including airplanes)

Combined Projected Maintenance and Interest Expense per Block Hour (Owned 737-700)



aircraft is a maintenance reserve paid to the lessor in the form of supplemental rent. These funds are expensed by the Company at the time of payment and utilized by the lessor to offset future maintenance costs.

In accordance with the terms of our existing lease agreements, these reserves are payable to the lessor as a means to protect lessors from potential losses caused by any maintenance expenses that may be incurred when the customer returns the aircraft. Collecting maintenance reserve payments from lessees was not an uncommon practice for lessors at the time we entered into these agreements; however, as a result of today's changing market conditions, current lease proposals that WestJet

WITH EVERY EXPERIENCE, YOU ALONE ARE PAINTING YOUR OWN CANVAS, THOUGHT BY THOUGHT, CHOICE BY CHOICE.

~ Oprah Winfrey

Keith Horsburgh, Aircraft Maintenance Engineer: A proud new dad of a three-month-old baby, he commutes from Medicine Hat to work at our Calgary hangar.

receives are essentially free of any maintenance reserve requirements and therefore would result in maintenance being recognized as incurred, which is consistent with the maintenance treatment on our owned aircraft.

The owned 737-700 aircraft in our fleet require no reserve payments to an aircraft lessor and are all still under warranty. Therefore, these aircraft incur 71% less maintenance charges than our 737-700 leased aircraft.

We have further enhanced maintenance cost efficiencies by investing in blended winglets. Winglets result in better climb performance that also lends to lower thrust settings, thus extending engine life and reducing maintenance costs.

Maintenance costs per ASM decreased 38.9% from 1.8 cents in 2002 to 1.1 cents in 2003. Unit maintenance costs for our owned 737-700s have declined 29% while maintenance expenses for our 737-700 leased aircraft have decreased 10% year over year. We can attribute a portion of this decrease to the strengthening of the Canadian dollar as most engine, engine accessory and other aircraft component repair and overhaul work is performed in the US. However, the decrease in unit maintenance costs can also be credited to the reduced maintenance required on our newer 700-series fleet, and the costs that are incurred on the fleet being diluted over our longer-haul flying. Usage-driven expenses such as brakes, tires and engine-overhaul costs also benefit from this dilution over our greater average stage length.

Similar to the change in maintenance outlays incurred on our 700-series aircraft, our 200-series owned and leased fleet also experienced a decline of 5% combined in unit maintenance costs as a direct consequence of the decline in the foreign exchange rate.

In accordance with Canadian generally accepted accounting principles, we recognize maintenance costs in the period incurred. However, where the maintenance activities benefit future periods, such as heavy maintenance ("D" checks), the costs are deferred and expensed over the period of benefit. Although we realize less maintenance costs in the earlier years of owning the aircraft, the total cost of ownership is essentially stable throughout the life of the aircraft when interest expense is taken into consideration.

Unit maintenance costs for our owned 737-700s have declined 29%...

An inverse relationship can be observed between interest expense and maintenance expense on our debt-encumbered Boeing Next-Generation aircraft (see "Combined Projected Maintenance and Interest Expense per Block Hour" graph on page 24). Interest expense associated with the 12-year loans of our owned 737-700s is expectedly higher during the initial years of ownership, and will decline as the debt is paid down. The higher interest payments that we are realizing now more than compensate for the costs related to maintenance not yet required on the new aircraft.

With free snacks and drinks on every flight, WestJet guests have a choice. Here's a quick overview of their choices in 2003:

The healthy choice or a sweet treat? WestJet guests drank 424,000 cans of tomato juice in 2003 and 1.2 million cans of pop.

In 2003, WestJet guests drank 355,770 litres of water. That's not nearly enough to fill an Olympic-sized swimming pool, but it's a lot of water nonetheless!

Would you like some coffee with your sugar? WestJet guests consumed 1,124,000 packs of sugar in 2003, not to mention case loads of artificial sweetener.

WestJet guests ate 2,850,700 cookies in 2003!

In 2003, process began to add blended winglets and increased legroom on 737-700 fleet.

In February 2003, agreement reached with Galileo International global distribution service.

WE ARE TEAM WESTJET

Back in 1996 when we first began operations, we knew that to succeed in the challenging airline industry, we'd need to take a different approach to how we ran our operations. To this end, we drafted our mission, vision, and values even before our first flights ever left the ground.

Over eight years later, we're still going strong and our original mission, vision, and values are no less relevant today than they were back in 1996!

MISSION

To enrich the lives of everyone in WestJet's world by providing safe, friendly, and affordable air travel.

VISION

WestJet will be the leading low-fare airline that: people want to work with, customers want to fly with, and shareholders want to invest with.

VALUES

- We are positive and passionate about everything we do
- We take our jobs seriously, but not ourselves
- We embrace change and innovation
- We are friendly and caring toward our people and guests, and we treat everyone with respect
- We provide our people with the training and tools they need to do their jobs
- We celebrate our successes
- We personify the hard-working "can-do" attitude
- We are honest, open, and keep our commitments
- We find solutions
- WE ARE TEAM WESTJET

Amortization

As our aircraft generate revenue from flight operations, we proportionately depreciate each aircraft based on actual usage in operations (hours or cycles flown). This method ensures that depreciation costs on the aircraft are matched with the revenue recognized from flight services.

In 2003, our amortization increased 20.1% over 2002 to $63.2 million. Amortization expense per ASM decreased 18.6%. Amortization as a percentage of total operating costs in 2003 was 8.5% as opposed to 8.9% in 2002, attributable to our increased operations and the retirement of two 200-series aircraft.

Sales and Marketing

This category of cost captures travel agent commissions, charges from global distribution systems such as Sabre, Galileo, and Worldspan, advertising and promotional expenses, and credit card fees.

Expenses for sales and marketing show a significant decline in cost per ASM in 2003 of 12.5%. Since offering a preferred rate of commission of 9% to our travel agencies booking online, as a percentage of total travel agency sales, online bookings by travel agents have increased seven-percentage points over the year, from approximately 57% in 2002 to 64% at year-end 2003. As we draw more travel agents to book through our website, higher-cost global distribution bookings decreased to 14% of travel agency sales in 2003 compared to 16% in 2002.

In 2003, WestJet was named Canadian travel agents' favourite scheduled Canadian airline in the fourth Annual Agents' Choice Awards, presented by Canadian Travel Press and Travel Courier. We value our travel agent partners, and are committed to helping them grow their businesses by building a strong network, offering commissions for sales and developing a user-friendly website for travel agents booking WestJet.

To further enhance the value of our product, we introduced our AIR MILES® reward miles program in June 2003. Guests can now receive AIR MILES reward miles when booking flights on our westjet.com website, earning one reward mile for every $20 spent making an online booking (excluding taxes and airport improvement fees). The agreement expanded our previous participation level in the AIR MILES Reward Program as a redemption partner.

® Trademarks of AIR MILES International Trading B.V. Used under license by Loyalty Management Group Canada Inc. and WestJet.

General and Administration

General and administrative costs include those of BeanLand (finance), Information Technology, Legal, Training, the People Department (human resources), senior management salaries and benefits and insurance coverage for overall operations.

This year, total general and administration costs decreased by 22.1% from 2002 on a per-ASM basis. Due to the fixed nature of its costs, the general and administrative area has benefited from economies of scale with unit-cost reductions in salary, facilities and training.

WestJet carries levels of insurance for the protection of its guests, community and the Company comparable to others in the aviation industry. 2003 was the first year that our insurance costs declined from the high premiums required to subsidize the economic impact to the insurance industry from the events of September 11, 2001. As a result, our insurance expense declined by 35.3% from 0.34 cents in 2002 to 0.22 cents in 2003 on a per-ASM basis. Currently, the Canadian government still subsidizes a portion of our insurance premiums through the Aviation War Risk Liability Insurance Program.

Other members in the aviation community also experienced a similar reduction in their insurance costs, especially when it was time to renew their aviation specific policies. WestJet renewed these policy types late in 2003. At that time, the average reduction for an airline renewing was approximately 17%. Because of our favourable safety record, history, growth, expansion plans and overall reputation, we achieved a higher reduction of approximately 28%.

Aircraft Leasing

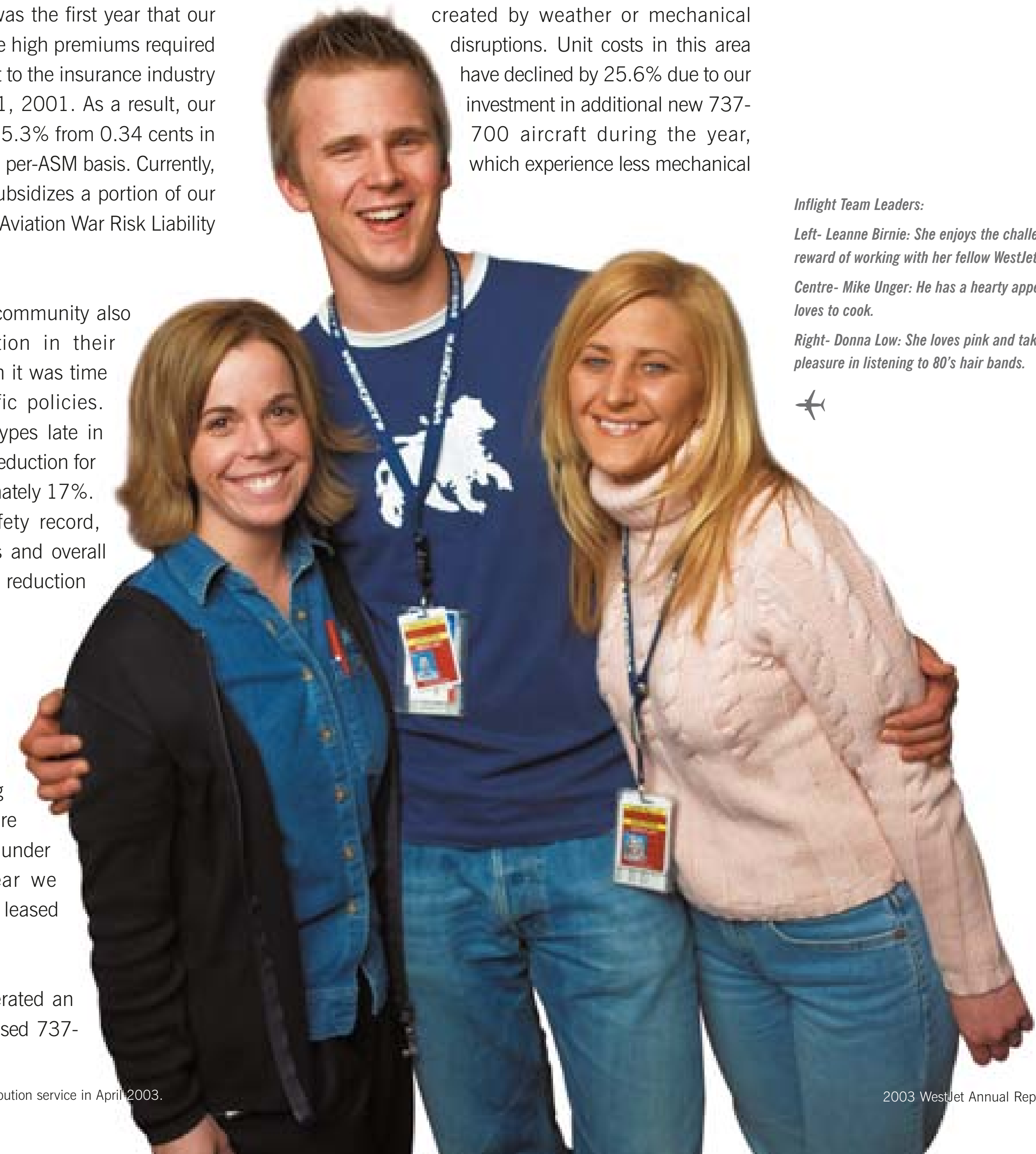
We currently have 15 leased aircraft in our fleet, with five being 737-200s and 10 being 737-700s. 11 of these aircraft are on operating leases, and four are under capital leases. During the year we bought-out one of our previously leased 737-200s from the lessor.

2003 was the first year we operated an entire calendar year with 10 leased 737-700s. As we took delivery of the remaining six of the 10 leased aircraft periodically throughout 2002, we essentially had 6.6 leased aircraft on an annualized basis in the previous year. Accordingly, our leasing expenses increased by $8.4 million, or 23.3%, for 2003.

In 2003, WestJet was named Canadian travel agents' favourite scheduled Canadian airline...

Reservations

This cost category captures the expenses of our reservations department and our specialized customer care teams who expertly resolve delays and cancellations created by weather or mechanical disruptions. Unit costs in this area have declined by 25.6% due to our investment in additional new 737-700 aircraft during the year, which experience less mechanical



Inflight Team Leaders:

Left- Leanne Birnie: She enjoys the challenge and reward of working with her fellow WestJetters.

Centre- Mike Unger: He has a hearty appetite and loves to cook.

Right- Donna Low: She loves pink and takes guilty pleasure in listening to 80's hair bands.

Agreement reached with Worldspan global distribution service in April 2003.

WestJet's success is owed in large part to the hard work and dedication of our team of exceptional people...

IT IS OUR CHOICES THAT SHOW WHAT WE TRULY ARE, FAR MORE THAN OUR ABILITIES.
~J.K. Rowling

disruptions, and also from increased use of our Internet distribution channel.

With less mechanical delays, we incur fewer costs to accommodate our guests for inconveniences, and maintain our excellent on-time performance ("OTP"), an important measure of the reliability of an air carrier. A flight is considered to be "on time" if it arrives at the gate of its scheduled destination within 15 minutes of its scheduled arrival time. In 2003, WestJet ranked second in OTP among all reporting airlines in North America based on the US Department of Transportation OTP data for commercial airlines.

In addition to reliability, we provide our guests with a convenient, hassle-free method to book their travel plans through our investment in technology, such as our enhanced platform for e-commerce growth. Continuous improvements to our online service for both the public and travel agent community led to an increase in Internet bookings year over year.

Bookings at westjet.com grew from approximately 55% at the end of 2002 to approximately 70% by the end of 2003. With this increase in online bookings, we saw an expected decline in bookings on some of our higher-cost channels. Bookings in our call centre have decreased to 25% of total sales volume in 2003 compared to 37% in 2002.

The Internet distribution channel is a lower-cost, higher-margin method to distribute our product. In September, we increased our web fare discount from $5 to $6 on round-trip bookings to encourage our guests to book online. Non-travel agent bookings have increased from 28.5% of net online bookings in 2002 to 40.6% in 2003.

With the introduction of our AIR MILES program, we further made the Internet an attractive alternative booking method. Following introduction of this program in June 2003, our online bookings on westjet.com increased approximately seven-percentage points by year-end 2003.

Christine Jodoin, Team Leader, Montréal: She likes music, wine, fine dining, and can juggle with her hands and feet.

The popularity of our Employee Share Purchase Plan continues to grow!

WestJet's ESPP allows WestJetters to voluntarily contribute up to 20% of their base salary towards the purchase of common shares, which are matched dollar for dollar by the company. This system has worked extremely well at encouraging people to become WestJet shareholders, thus aligning personal financial goals with those of the company. Since 1999, an increasing percentage of WestJetters have made the choice to participate. Not only do our people think like business owners ... they are!

Percentage of WestJetters participating in the ESPP:

1999 - 69.4%
2000 - 81.4%
2001 - 82.0%
2002 - 86.0%
2003 - 87.1%

With commencement of service to Newfoundland in June 2003, WestJet's network spans Canada coast to coast for the first time.

Compensation

Our growing business is sustained by the increasing number of people we add to our team. Notwithstanding the increase in our workforce, we have realized economies of scale as our capacity increases and we achieve improvements in operating efficiencies. Salary and benefit costs continue to show declines in cost per ASM with an 8.9% reduction in 2003 over 2002 from 2.4 cents to 2.2 cents.

The Employee Share Purchase Plan is a means for WestJetters to take part in the Company's success. WestJetters have the option to contribute up to 20% of their salary towards the purchase of WestJet shares, which are matched dollar for dollar by the Company. Participation in the plan continues to increase, with over 87% of our employees contributing on average 13% of their salary towards the purchase of WestJet shares. WestJet's matching contribution expense increased 35.3% from $10.2 million in 2002 to $13.8 million in 2003.

WestJet's success is owed in large part to the hard work and dedication of our team of exceptional people, and when our airline is profitable, our employees share in this financial success as part of our profit sharing plan. In 2003 approximately $15 million was paid to employees in profit share, bringing the cumulative total profit share incurred to over $60 million over the near-eight years of our operations. Approximately 3,400 WestJetters received an average of 13% of their salary through profit share payments in 2003.

The Canadian Institute of Chartered Accountants recently introduced new accounting standards for stock-based compensation. Beginning January 1, 2004, all stock-based compensation must be measured and recognized based on the fair value of the instruments and expensed in the financial statements. The Company intends to adopt the changes retroactively on January 1, 2004, which will result in retained earnings decreasing by $10.1 million.

Foreign Exchange

We realized a foreign exchange loss of $1.8 million in 2003 as a result of the strengthening of the Canadian dollar throughout the year. We incur a portion of our expenditures in US dollars (e.g. certain maintenance costs) and as a result, we carry US-dollar cash and cash equivalents to mitigate the effects of the foreign-exchange movement on these costs. At year-end 2003, we had US $29.9 million in cash and cash equivalents. Also, we have US-dollar liabilities related to our aircraft capital leases totalling US $10.3 million at year-end, which slightly offset the impact of the foreign-exchange-rate movement on our US-dollar cash.

We estimate for each $0.01 change in the Canadian dollar in relation to the US dollar, the expense to WestJet increases or decreases by approximately $2.6 million. For example, if the Canadian dollar weakens from $0.74 to $0.73, our operating expenses would increase by $2.6 million. Conversely, if the Canadian dollar strengthens from $0.73 to $0.74, our operating expenses would decrease by $2.6 million. The impact of the foreign exchange rate movement on our US dollar cash will have an offsetting effect to this increase or decrease in operating expenses.

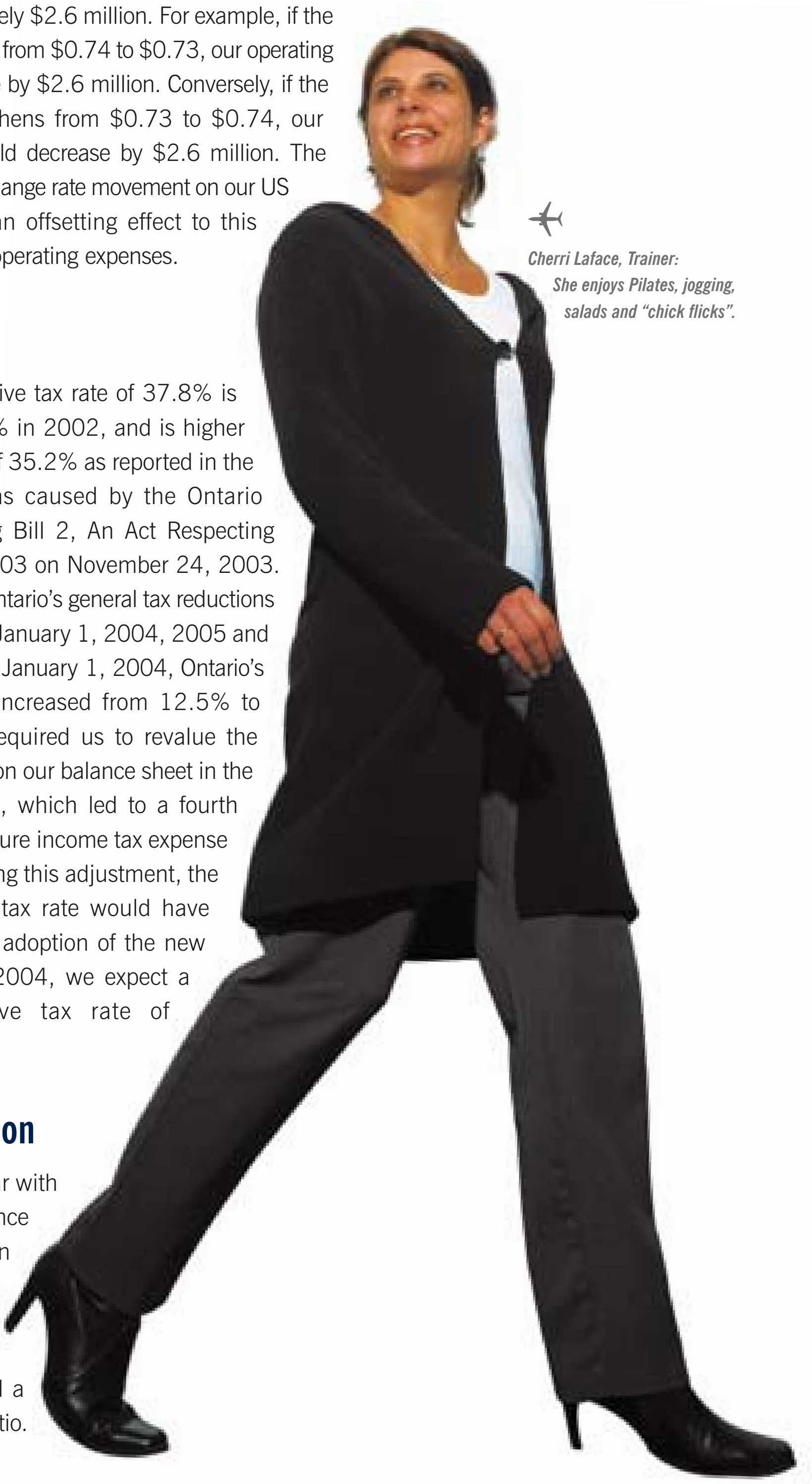
Income Taxes

Our 2003 overall effective tax rate of 37.8% is an increase from 37.5% in 2002, and is higher than the expected rate of 35.2% as reported in the 2002 MD&A. This was caused by the Ontario government introducing Bill 2, An Act Respecting Fiscal Responsibility 2003 on November 24, 2003. The legislation repeals Ontario's general tax reductions that were scheduled for January 1, 2004, 2005 and 2006. Instead, effective January 1, 2004, Ontario's general corporate rate increased from 12.5% to 14.0%. This change required us to revalue the entire future tax liability on our balance sheet in the fourth quarter of 2003, which led to a fourth quarter charge to our future income tax expense of $2.3 million. Excluding this adjustment, the 2003 overall effective tax rate would have been 35.5%. With our adoption of the new stock option rules for 2004, we expect a 2004 overall effective tax rate of approximately 38.5%.

Financial Condition

WestJet finished the year with a generous cash balance of $241.4 million, in comparison to $100.4 million at December 31, 2002. Throughout the year we maintained a strong working capital ratio.

Cherri Laface, Trainer: She enjoys Pilates, jogging, salads and "chick flicks".



June 26, 2003: WestJet guests gain ability to earn AIR MILES® reward miles when booking on westjet.com.

“We choose to work at WestJet”

After sitting beside each other on airlines travelling all over the world, it’s perhaps fitting that Ana and Kris Olson ended up working for one.

Ana is a web services analyst in marketing, and Kris is a business analyst in BeanLand - helping keep our finances in tune, not unlike the Bolivian “chorango” he plays now and then.

Married for two years, they’ve lived in 10 countries around the world, including Barbados, Guatemala, the Netherlands, Kazakhstan and El Salvador. They returned to Canada in 2003. Over their travels they’ve known their share of change, challenges, and diversity. And they know first hand that friendliness, smiles and an upbeat attitude transcend all cultures.

Perhaps that explains why Kris and Ana Olson are so happy as WestJetters.

“WestJet believed in us and our experiences. They thought we had something unique to offer - maybe a slightly different way of looking at an organization so focused on its guests - through the eyes of those guests, from many different cultures and many walks of life. We respect the ethics of WestJet, and it certainly looks like we’re here to stay.”

~Ana and Kris Olson, WestJetters

They maintain an opinion-based travel website at lifeisgrand.org

They have two CD collections - “acceptable” music and “non-acceptable” (also known as “his collection”)

They don’t like or even understand the reality tv craze

They have chosen to start a family and are expecting in August!

Rob Warner, Intermediate Accountant: He enjoys family skiing with his three-year-old son at Whistler.

At the end of the first three quarters during the year, our working capital ratio remained consistent at approximately 0.7. We finished the fourth quarter with a ratio of 1.2 compared to 0.8 at the end of 2002 primarily due to a cash injection of $144 million from our October equity issue. Our ratio of cash flow from operations to unencumbered cash capital expenditures was 1.5 to 1 compared to 1.0 to 1 in 2002.

In June we entered into a financing agreement with Ontario Teachers' Pension Plan Board ("Teachers") for a $100 million equity line. This agreement gives WestJet the right to require Teachers to purchase up to $100 million of common shares of the Company until August 2004. By entering into this arrangement, we have created access to a readily available source for low-cost funding, allowing us to focus on executing our business plan and seeking new opportunities with more flexibility.

With our ability to generate sufficient cash reserves from operations, coupled with access to an additional $100 million from our Teachers' financing agreement, we believe that we are financially poised to meet the needs of not only our operating growth objectives, but also new initiatives that may be uncovered. In order to further secure our cash requirements and maximize our earnings, we will also continue to consider alternative sources of funding, such as debt or leasing, should an advantageous opportunity arise.

Throughout 2003, we continued to invest in our operations through additions to our aircraft, technology, equipment and facilities. We exercised nine additional options during the year to purchase aircraft from Boeing for delivery by 2005, necessitating additional deposits of $44.9 million, bringing total deposits paid by year-end to $87.1 million. We spent $469.6 million related to our new aircraft, $2.6 million on our ground-flight-support equipment, $10.4 million on computer hardware and software, and $3.3 million on various capital assets to support our administrative functions.

During the fourth quarter of 2003, we began retrofitting our Next-Generation aircraft with blended winglets. By the end of December, we had installed blended winglets onto five of our leased 737-700s, and paid deposits of $2.3 million for the remaining 737-700s that will be retrofitted with winglets during 2004. We spent $11.2 million to complete the construction on our Calgary hangar expansion and our Hamilton hangar. We installed our second 737-700 flight simulator and a fixed-base trainer in the newly expanded Calgary hangar, incurring $6.5 million for the remaining purchase price of the flight simulator.

In the third quarter of the year, we entered into an agreement to install LiveTV on all of our 737-700s. We are working towards final regulatory approval for the installation of the seat-back entertainment and we anticipate that our guests will be able to enjoy live satellite programming onboard our entire fleet of new Next-Generation aircraft by the beginning of summer 2004. In December 2003, we finalized a contract with Bell ExpressVu for 24 channels of live television with a wide range of programming. We have made deposits of $5.4 million during 2003 for the 2004 installations.

WestJet has current off-balance sheet arrangements to lease 10 737-700 and one 737-200 aircraft. Total off-balance-sheet debt was $295 million at December 31, 2003 compared to $393 million at December 31, 2002 primarily due to the decline in the foreign exchange rate.

We at WestJet have thrived on the principles of maintaining a strong balance sheet that allows for flexibility in accomplishing our growth plans and the ability to undertake new initiatives. We measure this philosophy by using a benchmark debt-to-equity ratio of ideally no more than between 2.0 and 3.0 to 1. WestJet had a debt-to-equity ratio, of 1.7 to 1 at the end of 2003 compared to 1.8 to 1 at the end of the previous year despite acquiring debt facilities for 11 new aircraft of $466.4 million during the year, compared with $190.4 million in 2002.

Debt Financing and Contractual Obligations

Our contractual obligations for each of the next five years, which do not include commitments for goods and services required in the ordinary course of business, are indicated in the table located below (see "Contractual Obligations").

During 2003, WestJet took delivery of the remaining 11 of the 15 aircraft that are supported by Ex-Im loan guarantees that the Company secured in 2002. In 2003 we converted US $358 million of the preliminary commitment put into place in the previous year into a final commitment for the purchase of 11 Boeing Next-Generation aircraft during 2004. In addition, Ex-Im Bank has provided a preliminary commitment of US $442 million on the remaining 13 aircraft that will be delivered throughout 2005 and 2006.

Matthew Kenley, CSA, Montréal: He loves dancing, giving massages and writing poetry. Look out ladies!

Contractual Obligations (Millions)

	2004	2005	2006	2007	2008	Thereafter	Total
Long-term debt	$ 59	$ 61	$ 56	$ 56	$ 61	$ 357	$ 649
Capital lease obligations (1) (2)	7	5	2	-	-	-	15
Operating leases	52	52	50	49	49	350	602
Purchase obligations (3)	382	375	32	-	-	-	789
Total contractual obligations	$ 500	$ 493	$ 140	$ 105	$ 110	$ 707	$ 2,055

(1) The Company's capital leases are denominated in US dollars.
The obligations in US dollars are: **2004** $5,538,000, **2005** $3,958,000, **2006** $1,843,000
(2) Includes imputed interest at 7.87% totalling $1,278,000
(3) Relates to purchases of aircraft, LiveTV systems and winglets

WestJet by the Numbers

Pounds of baggage carried by WestJet on an average day in 2003: **434,300**

Average age of a WestJetter: **34.5 years**

Guests flown per day in 1996: **1,377**

Guests flown per day in 2003: **13,360**

Fastest aircraft turnaround: **6 minutes**

Coldest day for WestJet TAC (ground crew): **-54 degrees Celsius**

On-time performance rank in North America: **2**

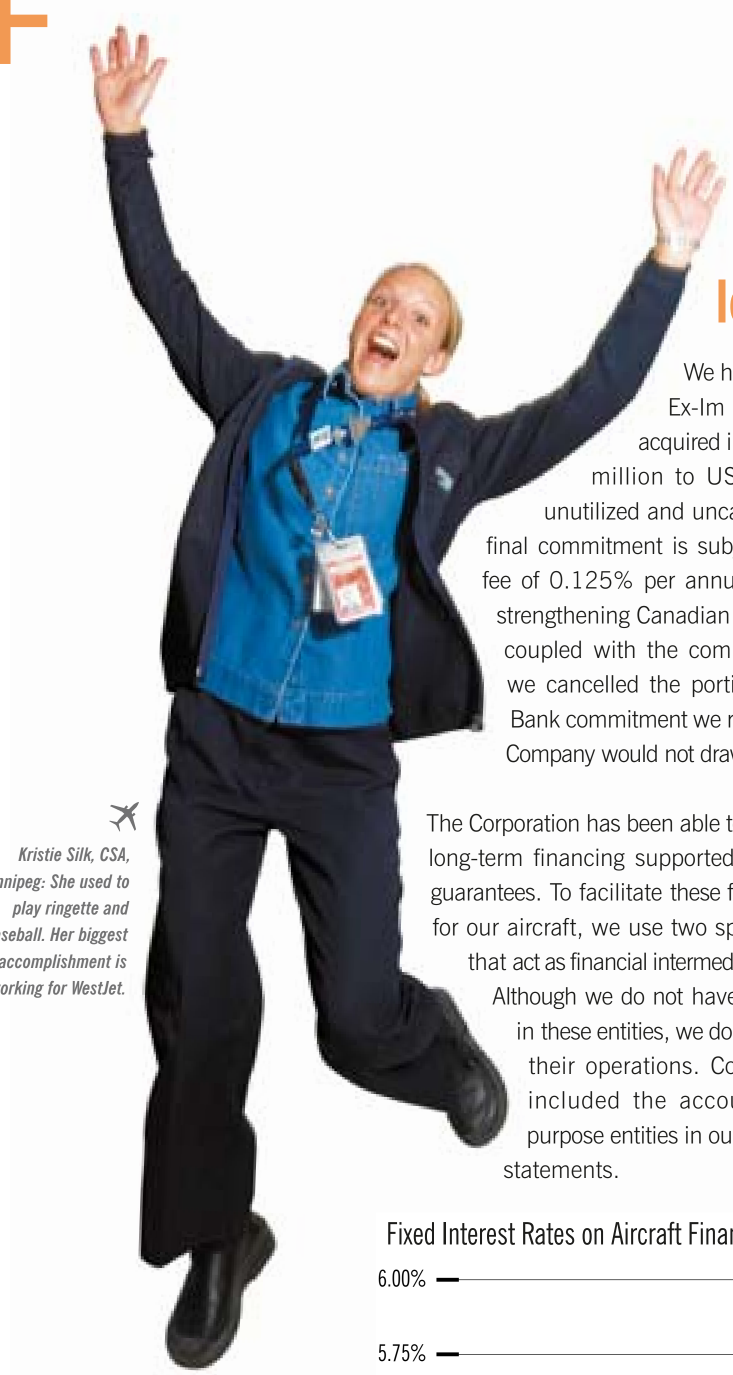
Marriage proposals inflight since 1996: **432**

WestJet babies born in 2003: **89**

Emily Gaudet, niece of Mike Gaudet, Accountant: Thinks WestJet is a lot of fun.

$100,000,000 (maximum) equity line agreement reached with Ontario Teachers' Pension Plan in June 2003.

In July 2003, agreement reached with LiveTV and Bell ExpressVu to offer live television in every 737-700 seatback.



We continue to take advantage of the low interest rate environment in 2004...

We have decreased the final Ex-Im Bank commitment we acquired in 2002 from US $478 million to US $450 million. Any unutilized and uncancelled portion of the final commitment is subject to a commitment fee of 0.125% per annum. As a result of the strengthening Canadian dollar during the year, coupled with the commitment fee charged, we cancelled the portion of the final Ex-Im Bank commitment we reasonably believed the Company would not draw on.

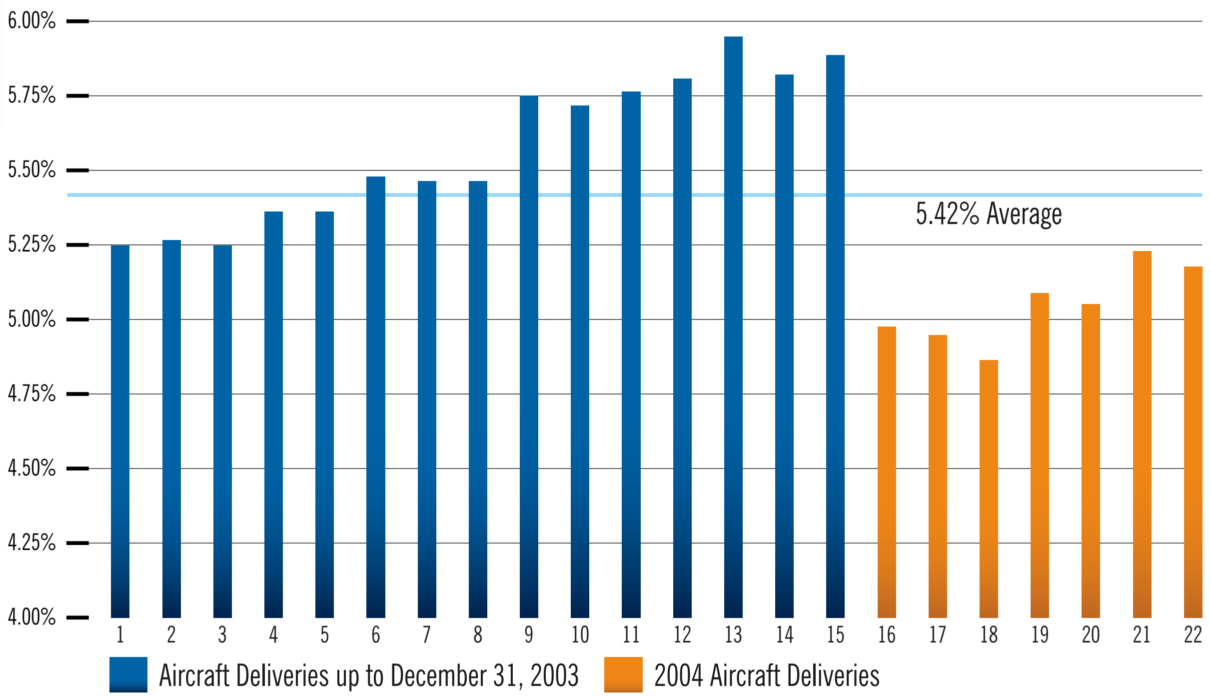
The Corporation has been able to benefit from low-cost long-term financing supported by Ex-Im Bank loan guarantees. To facilitate these financing arrangements for our aircraft, we use two special purpose entities that act as financial intermediaries for the Company. Although we do not have an equity ownership in these entities, we do primarily benefit from their operations. Consequently, we have included the accounts of the special-purpose entities in our consolidated financial statements.

Kristie Silk, CSA, Winnipeg: She used to play ringette and baseball. Her biggest accomplishment is working for WestJet.

In January 2004, WestJet secured financing arrangements for US $358 million arranged by ING Capital LLC and including ING Bank of Canada, Fortis Capital Corp., and Sociéte Générale (Canada). This facility can be drawn in Canadian dollars and fixed at a foreign exchange rate up to six months in advance of delivery through the use of foreign exchange forward fixing agreements. The Corporation has vastly reduced its exposure to foreign currency fluctuations on the purchases of Boeing Next-Generation aircraft since debt to finance the aircraft is denominated in Canadian dollars. Subsequent to year-end, the Corporation locked in US $144 million at an average foreign exchange rate of 1.30 for the purchase of five aircraft to be delivered during March to June 2004.

In 2002, WestJet locked in the interest rates on its first 15 purchased aircraft by entering into forward starting interest rate agreements at rates between 5.25% and 5.85%, successfully eliminating its exposure to interest rate fluctuations on the financing of those aircraft during 2003. We continue to take advantage of the low interest rate environment in 2004 and locked in the interest rate on our first five aircraft deliveries of 2004. By entering into forward starting interest rate agreements under this new facility, we successfully executed 12-year financing arrangements at rates between 4.88% and 5.22%.

Fixed Interest Rates on Aircraft Financing



Since we have been able to achieve such low interest rate terms on the majority of our debt, we consider that the most appropriate measure of our leverage is the times interest earned ratio, calculated as NIBIT/interest expense. At 2003 year-end, this ratio was strong at 4.91, demonstrating the Company's ability to sufficiently support its debt service cost through its earnings.

We anticipate that current interest rate trends will continue to decrease in the short-term and present us with positive opportunities to lock in our remaining aircraft deliveries at low interest rates similar to rates we are realizing on current aircraft financing agreements.

Commencing January 1, 2004, WestJet is required to formally assess all hedging relationships to determine whether the hedging criteria required under Canadian generally accepted accounting principles are met. These criteria include the identification, designation and formal documentation of hedging relationships, and assessment of the effectiveness of the hedging relationship. WestJet does not anticipate the new guideline to have an impact on the Corporation's accounting for hedges.

Critical Accounting Estimates

Critical accounting estimates are defined as those that require the Company to make assumptions about matters that are highly uncertain at the time the accounting estimates are made, and potentially result in materially different results under different assumptions and conditions. For further discussion of these and other accounting policies we follow, see Note 1 to our consolidated financial statements.

We make estimates about the expected useful lives, projected residual values and the potential for impairment of our property and equipment. In estimating the lives and expected residual values of our fleet of aircraft, WestJet has relied upon annual independent appraisals, recommendations from Boeing, and actual experience with the same aircraft types. Revisions to the estimates for our fleet can be caused by changes in the utilization of the aircraft or changing market prices of used aircraft of the same type. We evaluate our estimates and potential impairment on all property and equipment annually and when events and circumstances indicate that the assets may be impaired.

We make estimates in accounting for our liability related to certain types of non-refundable guest credits. We may issue future travel credits related to guest compensation for flight delays, missing baggage and other inconveniences as a gesture of good faith. These types of credits are non-refundable and expire one year from the date of issue. We record a liability based on the estimated incremental cost of a one-way flight in the period the credit is issued. The utilization of guest credits is recorded as revenue when the guest has flown or upon expiry.

John Bart, Business Analyst: He likes to salsa dance and is a burgeoning jazz singer.

Shannon Lamb, Analyst: She likes African dance, synchronized swimming and painting.

Outlook

WestJet will continue to meet the needs of all stakeholders by actively seeking opportunities that will allow us to successfully position ourselves to be the leader in the high-efficiency, low-fare environment. As we await the outcome of Air Canada's bankruptcy proceedings, we will continue to proceed with caution and conservatism during these uncertain times within the airline industry.

2004 will be an important year for WestJet, as it will be the first year we welcome the transborder market into our scheduled route network, while at the same time expanding the markets we serve within Canada. We will continue to strive to decrease unit costs, increase operating efficiency, provide a high quality differentiated product at a low cost, and deliver exceptional customer service to our valued guests.

In our eight years of operation, the Canadian airline industry has undergone substantial changes. With the challenges these changes bring, new opportunities always arise. Our motivated team of people is continually poised to tackle these challenges to seize the opportunities that our shifting environment makes possible.

Two-year charter agreement reached with Transat A.T. Inc. on August 20, 2003.

October 15, 2003: $144.0 million (net) share offering completed.

“We choose to invest in WestJet”

WestJet’s performance profile mirrors the steep trail WestJet investors Brett and Ryan Thompson are climbing on their mountain bikes, on a sunny day outside Calgary.

Fraternal twins with a passion for the outdoors, the upwardly mobile oil and gas employees are on board with WestJet in every sense of the word. They’re frequent guests, but they also independently bought shares without knowing the other was buying them too. (They say things like that happen a lot.)

They saw the same things many investors do in WestJet - a strong balance sheet, controlled growth, stellar customer service, and profitability, to name a few. And it’s possible the company’s go-get-em attitude was something these feisty, energetic outdoor enthusiasts could identify with.

Exciting investment opportunity or challenging mountain face, Brett and Ryan Thompson wouldn’t have either any other way.

“WestJet represents an ideal opportunity to invest - a solid business plan, a motivated workforce, and an excellent product offering.”
~Ryan Thompson, WestJet Investor

“I’ve been a WestJet shareholder through some very challenging times in the airline industry. WestJet’s ability to profitably navigate through all that it has faced makes me very confident of the future potential of my investment.”
~Brett Thompson, WestJet Investor

Fraternal twins, Brett is 7 minutes older than Ryan

The first piece of furniture in their first house was a foosball table

They chose to never dress alike

They never want to hear “Hold Me Now” by the Thompson Twins again - ever

Dustin Vannus, Flight Attendant: He is training to be a pilot, can impersonate Tony the Tiger and Scooby-doo, and proudly irons his own uniform.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When a choice of accounting methods exist, management has chosen those it deems conservative and appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis to ensure that the consolidated financial statements are presented fairly in all material respects. Financial information contained in the annual report is consistent, where appropriate, with the information and data contained in the consolidated financial statements. All information in the annual report is the responsibility of management.

Management has established systems of internal control, which are designed to provide reasonable assurance that financial information is relevant, reliable and accurate, assets are safeguarded, and transactions are properly authorized. The systems of internal control are further supported by an internal audit department whose functions include reviewing internal controls and their application.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The Board of Directors is responsible for the overall stewardship and governance of the Corporation, including ensuring management fulfills its responsibility for financial reporting and internal control, and reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors, comprised of non-management Directors, meets regularly with management, the internal auditors and the external auditors, to satisfy itself that each is properly discharging its responsibilities, and to review the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors prior to the approval of such statements for issuance to the shareholders. The Audit Committee also recommends, for review by the Board of Directors and approval of shareholders, the re-appointment of the external auditors.

The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. The auditors' report outlines the scope of their examination and sets forth their opinion. The external auditors have full and free access to the Audit Committee.

Clive J. Beddoe, Executive Chairman,
President and Chief Executive Officer

Alexander (Sandy) J. Campbell, FCGA
Senior Vice President, Finance,
and Chief Financial Officer

Calgary, Canada
February 11, 2004

The fourth quarter of 2003 marked WestJet's 28th consecutive quarter of profitability

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of WestJet Airlines Ltd. as at December 31, 2003 and 2002 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Marlaine Yee, Flight Attendant: She volunteers with the Calgary Stampede as an artisan talent scout.

KPMG LLP
Chartered Accountants
Calgary, Canada
February 11, 2004

Consolidated Balance Sheets

WestJet Airlines Ltd.

Years ended December 31, 2003 and 2002
(Stated in Thousands of Dollars)

	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	$ 241,384	$ 100,410
Accounts receivable	11,781	20,532
Prepaid expenses and deposits	19,928	19,759
Inventory	3,764	2,314
	276,857	143,015
Property and equipment (note 2)	1,140,226	605,124
Other long-term assets (note 3)	59,775	36,066
	$ 1,476,858	$ 784,205
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 82,822	$ 67,008
Income taxes payable	9,820	7,982
Advance ticket sales	58,086	44,195
Non-refundable guest credits	21,718	15,915
Current portion of long-term debt (note 4)	59,334	32,674
Current portion of obligations under capital lease (note 5)	6,297	7,290
	238,077	175,064
Long-term debt (note 4)	589,531	198,996
Obligations under capital lease (note 5)	7,015	16,352
Future income tax (note 7)	61,423	38,037
	896,046	428,449
Shareholders' equity:		
Share capital (note 6)	376,081	211,564
Retained earnings	204,731	144,192
	580,812	355,756
Commitments and contingencies (notes 5 and 8)		
	$ 1,476,858	$ 784,205

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Clive Beddoe, Director

Wilmot Matthews, Director

Consolidated Statements of Earnings and Retained Earnings

WestJet Airlines Ltd.

Years ended December 31, 2003 and 2002
(Stated in Thousands of Dollars, Except Per Share Data)

	2003	2002
Revenues:		
Guest revenues	$ 794,450	$ 643,174
Charter and other	65,146	36,822
	859,596	679,996
Expenses:		
Aircraft fuel	155,756	111,737
Airport operations	116,135	88,586
Flight operations and navigational charges	104,955	75,759
Maintenance	75,718	81,973
Amortization	63,208	52,637
Sales and marketing	57,871	44,707
General and administration	46,105	39,791
Aircraft leasing	44,179	35,822
Inflight	38,077	27,284
Reservations	22,213	20,106
Employee profit share (note 8(b))	15,855	15,233
	740,072	593,635
Earnings from operations	119,524	86,361
Non-operating income (expense):		
Interest income	4,003	3,078
Interest expense	(24,915)	(7,038)
Gain (loss) on foreign exchange	(1,848)	346
Gain on disposal of property and equipment	631	97
	(22,129)	(3,517)
Earnings before income taxes	97,395	82,844
Income taxes (note 7):		
Current	11,264	12,626
Future	25,592	18,438
	36,856	31,064
Net earnings	60,539	51,780
Retained earnings, beginning of year	144,192	92,412
Retained earnings, end of year	$ 204,731	$ 144,192
Earnings per share (note 6(d)):		
Basic	$ 0.79	$ 0.70
Diluted	$ 0.77	$ 0.69

See accompanying notes to consolidated financial statements.

WestJet Airlines Ltd.

Years ended December 31, 2003 and 2002
(Stated in Thousands of Dollars)

	2003	2002
Cash provided by (used in):		
Operations:		
Net earnings	$ 60,539	$ 51,780
Items not involving cash:		
Amortization	63,208	52,637
Gain on disposal of property and equipment	(631)	(97)
Issued from treasury stock	3,063	-
Future income tax	25,592	18,438
	151,771	122,758
Decrease in non-cash working capital	40,646	38,866
	192,417	161,624
Financing:		
Increase in long-term debt	466,353	190,366
Repayment of long-term debt	(49,158)	(8,471)
Issuance of common shares	165,545	84,634
Share issuance costs	(6,297)	(3,672)
Increase in other long-term assets	(25,101)	(32,257)
Decrease in obligations under capital lease	(6,498)	(6,088)
	544,844	224,512
Investments:		
Aircraft additions	(564,130)	(320,871)
Other property and equipment additions	(34,249)	(24,031)
Other property and equipment disposals	2,092	234
	(596,287)	(344,668)
Increase in cash	140,974	41,468
Cash, beginning of year	100,410	58,942
Cash, end of year	$ 241,384	$ 100,410

Cash is defined as cash and cash equivalents.

See accompanying notes to consolidated financial statements.

WestJet Airlines Ltd.

Years ended December 31, 2003 and 2002
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries, as well as the accounts of two special-purpose entities which are utilized to facilitate the financing of aircraft (see note 4). The Corporation has no equity ownership in the special-purpose entities, however, the Corporation is the primary beneficiary of the special-purpose entities' operations. All intercompany balances and transactions have been eliminated.

The preparation of financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

(b) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash and all investments that are highly liquid in nature and generally have a maturity date of three months or less.

(c) Revenue recognition:

Guest revenue is recognized when air transportation is provided. Tickets sold but not yet used are included in the balance sheet as advance ticket sales under current liabilities.

(d) Non-refundable guest credits:

The Corporation, under certain circumstances, may issue future travel credits which are non-refundable and which expire one year from the date of issue. The utilization of guest credits is recorded as revenue when the guest has flown or upon expiry.

(e) Foreign currency:

Monetary assets and liabilities, denominated in foreign currencies, are translated into Canadian dollars at rates of exchange in effect at the balance sheet date. Non-monetary assets and revenue and expense items are translated at rates prevailing when they were acquired or incurred. Foreign exchange gains and losses are included in earnings.

(f) Inventory:

Materials and supplies are valued at the lower of cost and replacement value. Aircraft expendables and consumables are expensed as acquired.

(g) Deferred costs:

Sales and marketing and reservation expenses attributed to advance ticket sales are deferred and expensed in the period the related revenue is recognized. Included in prepaid expenses are $5,334,000 (2002 - $4,161,000) of deferred costs.

(h) Property and equipment:

Property and equipment are recorded at cost and depreciated to their estimated residual values.

Costs of new route development are expensed as incurred.

Asset	Basis	Rate
Aircraft net of estimated residual value – 700 series	Cycles	Cycles flown
Aircraft net of estimated residual value – 200 series	Flight hours	Hours flown
Ground property and equipment	Straight-line	5 to 25 years
Buildings	Straight-line	40 years
Spare engines and parts net of estimated residual value – 700 series	Straight-line	20 years
Aircraft under capital leases	Straight-line	Term of lease
Spare engines and parts net of estimated residual value – 200 series	Flight hours	Fleet hours flown
Leasehold improvements	Straight-line	Term of lease

Years ended December 31, 2003 and 2002
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

1. Significant accounting policies (continued):

(i) Maintenance costs:

Costs related to the acquisition of an aircraft and preparation for service are capitalized and included in aircraft costs. Heavy maintenance ("D" check) costs incurred on aircraft are capitalized and amortized over the remaining useful service life of the "D" check.

All other maintenance costs are expensed as incurred.

(j) Capitalized costs:

Costs associated with assets under construction are capitalized from inception through to commencement of commercial operations. Interest attributable to funds used to finance the construction of major ground facilities is capitalized to the related asset. Legal and financing costs for the loan facilities are capitalized to other long-term assets and amortized on a straight-line basis over the term of the related loan.

(k) Future income tax:

The Corporation uses the liability method of accounting for future income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities.

(l) Stock-based compensation plans:

Currently all outstanding stock options of the Corporation have been granted to employees of the Corporation and no compensation cost has been recorded for these awards. Consideration paid by employees on the exercise of stock options is recorded as share capital.

The Corporation has disclosed the pro forma effect of accounting for these rewards under the fair value based method (see note 6(f)).

New recommendations for stock-based compensation will be effective January 1, 2004 and will require that all stock-based compensation be measured and recognized based on the fair value of the instruments and expensed in the financial statements. The Corporation intends to retroactively adopt the changes on January 1, 2004 which will result in retained earnings decreasing by $10.1 million.

(m) Financial instruments:

Derivative financial instruments are utilized by the Corporation in the management of its foreign currency, interest rate and fuel price exposures. The Corporation's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or anticipated transactions. The Corporation also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Gains or losses relating to derivatives that are hedges are deferred in other long-term assets and recognized in the same period and in the same financial category as the corresponding hedged transactions.

(n) Per share amounts:

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated based on the treasury stock method, which assumes that any proceeds obtained on exercise of options would be used to purchase common shares at the average price during the period. The weighted average number of shares outstanding is then adjusted by the net change.

(o) Comparative figures:

Certain prior period balances have been reclassified to conform to current period's presentation.

Years ended December 31, 2003 and 2002
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

2. Property and equipment:

2003	Cost	Accumulated depreciation	Net book value
Aircraft – 700 series	$ 758,135	$ 17,265	$ 740,870
Aircraft – 200 series	152,487	70,424	82,063
Ground property and equipment	93,636	22,524	71,112
Buildings	39,474	1,852	37,622
Spare engines and parts – 700 series	36,754	2,518	34,236
Aircraft under capital lease	31,135	17,221	13,914
Spare engines and parts – 200 series	26,376	11,634	14,742
Leasehold improvements	5,055	2,377	2,678
	1,143,052	145,815	997,237
Deposits on aircraft	141,640	-	141,640
Assets under construction	1,349	-	1,349
	$ 1,286,041	$ 145,815	$ 1,140,226

2002	Cost	Accumulated depreciation	Net book value
Aircraft – 700 series	$ 221,878	$ 1,604	$ 220,274
Aircraft – 200 series	176,240	72,035	104,205
Ground property and equipment	68,791	13,253	55,538
Buildings	24,576	1,025	23,551
Parts – 700 series	19,593	1,071	18,522
Aircraft under capital lease	30,966	10,035	20,931
Spare engines and parts – 200 series	28,915	8,850	20,065
Leasehold improvements	4,514	1,650	2,864
	575,473	109,523	465,950
Deposits on aircraft	131,464	-	131,464
Assets under construction	7,710	-	7,710
	$ 714,647	$ 109,523	$ 605,124

During the year property and equipment were acquired at an aggregate cost of $ nil (2002 - $12,188,000) by means of capital leases.

Years ended December 31, 2003 and 2002
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

3. Other long-term assets:

Included in other long-term assets are financing fees of $22,588,000 (2002 - $8,802,000), net of accumulated amortization of $1,515,000 (2002 - $123,000) related to the facility for the purchase of 15 Boeing Next-Generation aircraft, $17,630,000 (2002 - $19,034,000) of unamortized hedge settlements related to the 10 leased Boeing Next-Generation aircraft, security deposits on aircraft and other leaseholds of $14,782,000 (2002 - $7,701,000), NAV Canada security deposit of $4,500,000 (2002 - $nil) and other amounts totaling $275,000 (2002 - $529,000).

4. Long-term debt:

	2003	2002
$630,579,000 in15 individual term loans, amortized on a straight-line basis over a 12-year term, repayable in quarterly principle instalments ranging from $816,000 to $955,000, including fixed rate weighted average interest at 5.58%, guaranteed by the Ex-Im Bank, secured by 15 aircraft, and maturing in 2014 and 2015	$ 600,047	$ 178,777
$26,000,000 term loans, repayable in monthly instalments ranging from $110,000 to $162,000 including floating interest at the bank's prime plus 0.88% with an effective interest rate of 5.38% as at December 31, 2003, with varying maturities ranging between July 2008 and July 2013, secured by two Next-Generation flight simulators and cross-collateralized by two 200 series aircraft.	23,751	15,058
$12,000,000 term loan, repayable in monthly instalments of $108,000 including fixed rate interest at 9.03%, maturing April 2011, secured by the Calgary hangar facility	11,360	11,620
$28,573,000 in seven individual term loans, repayable in monthly instalments ranging from $25,000 to $133,000 including fixed rate weighted average fixed rate interest at 8.42% with varying maturities ranging between May 2004 through October 2005, secured by four 200 series aircraft	9,390	14,626
$4,550,000 term loan repayable in monthly instalments of $50,000 commencing May 2003, including floating interest at the bank's prime plus 0.50%, with an effective interest rate of 5.00%, maturing April 2013, secured by the Calgary hangar facility	4,317	-
$11,589,000 term loan, repayable in monthly instalments of $1,311,000, including fixed rate interest of 4.40%, which matured in September 2003	-	11,589
	648,865	231,670
Less current portion	59,334	32,674
	$ 589,531	$ 198,996

Years ended December 31, 2003 and 2002
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

4. Long-term debt (continued):

The net book value of the property and equipment pledged as collateral for the Corporation's secured borrowings was $810,767,000 as at December 31, 2003 (2002 - $292,352,000).

Future scheduled repayments of long-term debt are as follows:

2004	$ 59,334
2005	60,710
2006	55,578
2007	55,760
2008	60,937
2009 and thereafter	356,546
	$ 648,865

As a result of the foreign exchange movement during the year, the Corporation decreased the amount of the existing Export-Import Bank of the United States ("Ex-Im Bank") final commitment related to the first 15 purchased Boeing 737-700 aircraft delivered in 2002 and 2003 from US $478 million to US $450 million. As at December 31, 2003 the unutilized and uncancelled balance of this loan guarantee was US $18.4 million. This unutilized balance will be used to support the financing of Winglets and LiveTV systems to be installed on each of the Ex-Im Bank supported aircraft in the upcoming year and will be drawn down upon completion of the installation of Winglets and LiveTV systems on the final aircraft.

During December 2003, the Corporation converted US $358 million of the original preliminary commitment with Ex-Im Bank into a final commitment to support the acquisition of 11 Boeing Next-Generation 737-700 with Winglets and LiveTV systems to be delivered during 2004. In addition, Ex-Im Bank has provided a preliminary commitment of US $442 million for 13 aircraft to be delivered in 2005 and 2006.

The Corporation continues to be charged a commitment fee of 0.125% per annum on the unutilized and uncancelled balance of the loan guarantees, payable at specified dates and upon delivery of an aircraft, and is charged a 3% exposure fee on the financed portion of the aircraft price, payable upon delivery of an aircraft.

Subsequent to December 31, 2003, the Corporation completed financing arrangements for US $358 million (the "Facility") arranged by ING Capital LLC and including ING Bank of Canada, Fortis Capital Corp., and Société Générale (Canada) supported by loan guarantees from the Ex-Im Bank on the 11 aircraft to be delivered during 2004. This facility will be drawn in Canadian dollars in separate instalments with 12-year terms for each new aircraft. Each loan will be amortized on a straight-line basis over the 12-year term in quarterly principal instalments, with interest calculated on the outstanding principal balance. The Corporation has taken delivery of the first two aircraft in January and February 2004 and has drawn a total of $75,115,000 under this facility at an average fixed rate of interest of 4.98%. Two special-purpose entities are used as the financial intermediaries to facilitate the financing of the Ex-Im Bank supported aircraft.

The Corporation has entered into a foreign exchange forward fixing agreement for the right to enter into foreign exchange forward contracts to manage its exposure to foreign currency fluctuations on the next nine aircraft to be delivered during 2004. The Corporation is entitled to lock in the foreign exchange rate up to six months in advance of delivery on US $30 million per aircraft, to an aggregate outstanding total of US $180 million. Subsequent to December 31, 2003, the Corporation entered into foreign exchange forward contracts under this facility totaling US $144 million at an average foreign exchange rate of 1.30, effective for the period March to June 2004, for five future aircraft deliveries in the same period.

The Corporation has the ability to enter into forward starting interest rate agreements to fix the interest rate on the next nine aircraft to be delivered in 2004. Subsequent to December 31, 2003 the Corporation entered into forward starting interest rate agreements at rates between 4.88% and 5.22% on five future aircraft deliveries, effective for the period May to September 2004.

The Corporation has available a facility with a Canadian chartered bank of $8,000,000 (2002 - $6,000,000) for letters of guarantee. At December 31, 2003, letters of guarantee totaling $5,921,000 (2002 - $4,410,000) have been issued under these facilities. The credit facilities are secured by a general security agreement and an assignment of insurance proceeds.

Cash interest paid during the year was $21,938,000 (2002 - $5,836,000).

Years ended December 31, 2003 and 2002
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

5. Leases:

The Corporation has entered into operating leases and agreements for aircraft, buildings, computer hardware and software licenses, satellite programming, and capital leases relating to aircraft. The obligations are as follows (see note 8 for additional commitments):

	Capital Leases	Operating Leases
2004	$ 7,126	$ 52,119
2005	5,093	52,001
2006	2,371	49,726
2007	-	49,329
2008	-	49,106
2009 and thereafter	-	350,109
Total lease payments	14,590	$ 602,390
Less imputed interest at 7.87%	(1,278)	
Net minimum lease payments	13,312	
Less current portion of obligations under capital lease	(6,297)	
Obligations under capital lease	$ 7,015	

The Corporation's capital leases are denominated in US dollars. The obligations in US dollars are 2004 - $5,538,000, 2005 - $3,958,000, 2006 - $1,843,000.

6. Share capital:

The non-voting common shares and the non-voting preferred shares are subject to limitations to be fixed by the Board of Directors.

(a) Authorized:

Unlimited number of voting common shares
Unlimited number of non-voting shares
Unlimited number of non-voting first, second and third preferred shares

(b) Issued:

	2003 Number	2003 Amount	2002 Number	2002 Amount
Common shares:				
Balance, beginning of year	74,899,609	$ 211,564	69,516,897	$ 129,268
Common share issue	6,186,000	150,011	4,500,000	82,500
Exercise of options	1,114,671	12,472	879,019	2,134
Issued from treasury	388,046	6,125	-	-
Issued on rounding of stock split	-	-	3,693	-
Share issuance costs		(6,297)		(3,672)
Tax benefit of issue costs		2,206		1,334
Balance, end of year	82,588,326	$ 376,081	74,899,609	$ 211,564

Years ended December 31, 2003 and 2002
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

6. Share capital (continued):

(c) Stock Option Plan:

The Corporation has a Stock Option Plan, whereby up to a maximum of 9,016,475 common shares may be issued to officers and employees of the Corporation subject to the following limitations:

(i) the number of common shares reserved for issuance to any one optionee will not exceed 5% of the issued and outstanding common shares at any time;

(ii) the number of common shares reserved for issuance to insiders shall not exceed 10% of the issued and outstanding common shares; and

(iii) the number of common shares issuable under the Plan, which may be issued within a one-year period, shall not exceed 10% of the issued and outstanding common shares at any time.

Stock options are granted at a price that equals the market value, have a term of four years and vest over a period of two to three years.

Changes in the number of options, with their weighted average exercise prices, are summarized below:

	2003 Number of options	2003 Weighted average price	2002 Number of options	2002 Weighted average price
Stock options outstanding, beginning of year	5,809,188	$ 14.99	5,579,517	$ 11.85
Granted	1,937,125	16.82	1,140,292	20.70
Exercised	(1,114,671)	11.19	(879,019)	2.43
Cancelled	(91,807)	15.95	(31,602)	15.67
Stock options outstanding, end of year	6,539,835	$ 16.17	5,809,188	$ 14.99
Exercisable, end of year	922,908	$ 13.65	276,159	$ 3.48

The following table summarizes the options outstanding and exercisable at December 31, 2003:

Range of Exercise Prices	Outstanding Options: Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Exercisable Options: Number Exercisable	Weighted Average Exercise Price
$10.99 - $12.67	44,381	1.37	$ 12.15	-	$ -
$13.65 - $14.68	3,468,842	1.10	14.41	922,908	13.65
$15.81 - $16.82	1,924,793	3.36	16.82	-	-
$20.07 - $27.61	1,101,819	2.34	20.75	-	-
	6,539,835	1.98	$ 16.17	922,908	$ 13.65

Years ended December 31, 2003 and 2002
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

6. Share capital (continued):

(d) Per share amounts:

The following table summarizes the common shares used in calculating net earnings per common share:

	2003	2002
Weighted average number of common shares outstanding - basic	76,980,309	73,942,259
Effect of dilutive employee stock options	1,323,231	1,339,511
Weighted average number of common shares outstanding - diluted	78,303,540	75,281,770

(e) Employee Share Purchase Plan:

The Corporation has an Employee Share Purchase Plan ("ESPP") whereby the Corporation matches every dollar contributed by each employee. Under the terms of the ESPP, employees may contribute up to a maximum of 20% of their gross pay and acquire common shares of the Corporation at the current fair market value of such shares.

The Corporation has the option to acquire common shares on behalf of employees through open market purchases or from treasury at the current market price. For the period January to April 2003, shares under the ESPP were issued from treasury at the current market price. Included in Share Capital is $3,063,000 of common shares representing the Corporation's matching contribution from treasury for employee contributions, for which no cash was exchanged. Subsequent to this period, the Corporation elected to purchase these shares through the open market and will continue to review this option in the future. Current market price for common shares issued from treasury is determined based on the weighted average trading price of the common shares on the Toronto Stock Exchange for the five trading days preceding the issuance.

Shares may be withdrawn from the Plan after being held in trust for one year. Employees may offer to sell common shares, which have not been held for at least one year, on January 1 and July 1 of each year, to the Corporation for 50% of the then current market price.

The Corporation's share of the contributions is recorded as compensation expense and amounted to $13,824,000 (2002 - $10,178,000).

(f) Pro forma disclosure:

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used to determine the fair market value of options granted during the years ended December 31:

	2003	2002
Weighted average fair market value per option	$5.69	$8.06
Average risk-free interest rate	3.9%	4.5%
Average volatility	40%	38%
Expected life	Four years	Four years

Had compensation cost for the Corporation's stock option plan been determined based on the fair value at the grant dates for options granted after January 1, 2002, consistent with the fair value based method of accounting for stock-based compensation, the Corporation's net earnings and earnings per share ("EPS") would have been reduced to the pro forma amounts indicated below. These pro forma earnings reflect compensation cost amortized over the options' vesting period, which varies from two to three years.

		2003	2002
Net earnings	As reported	$ 60,539	$ 51,780
	Pro forma	$ 53,239	$ 48,963
Basic EPS	As reported	$ 0.79	$ 0.70
	Pro forma	$ 0.69	$ 0.66
Diluted EPS	As reported	$ 0.77	$ 0.69
	Pro forma	$ 0.68	$ 0.65

Years ended December 31, 2003 and 2002
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

7. Income taxes:

Income taxes vary from the amount that would be computed by applying the basic Federal and Provincial tax rate of 37.96% (2002 - 38.1%) to earnings before income taxes as follows:

	2003	2002
Expected income tax provision	$ 36,975	$ 31,544
Add (deduct):		
Non-deductible expenses	748	518
Other	-	(358)
Capital taxes	548	31
Large corporations tax	1,111	177
Future tax rate reductions	(2,526)	(848)
	$ 36,856	$ 31,064

Cash taxes paid during the year were $9,426,000 (2002 - $3,878,000).

The components of the net future income tax liability are as follows:

	2003	2002
Future income tax asset:		
Share issue costs	$ 2,776	$ 1,767
Future income tax liability:		
Property and equipment	64,199	39,804
Net future income tax liability	$ 61,423	$ 38,037

Years ended December 31, 2003 and 2002
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

8. Commitments and contingencies:

(a) Aircraft:

Under the terms of the 10 Boeing Next-Generation aircraft lease agreements, the Corporation received a 737-700 engine for use throughout the period of the leases. Subject to the Corporation's compliance with the terms of the lease agreements, title to the engine will pass to the Corporation at the end of the final lease term. The Corporation has also obtained options to lease an additional 10 Boeing Next-Generation aircraft to be delivered prior to the end of 2006.

The Corporation has also entered into agreements to purchase 39 Boeing Next-Generation aircraft, 15 of which were received by year end 2003, with the remaining 24 to be delivered over the course of 2004 to 2006. This agreement provides the Corporation with the option to purchase an additional 35 aircraft for delivery prior to the end of 2008.

The Corporation has signed an agreement with Aviation Partners Boeing to install Blended Winglet Technology on all 49 of the Corporation's committed Boeing Next-Generation 737-700 series aircraft, including leased aircraft, over the next six years, with the option to install the technology on future aircraft deliveries as requested.

The Corporation has signed an agreement with LiveTV for a 13-year term to install, maintain and operate LiveTV on all 49 aircraft with the option to install the system on future aircraft deliveries. After the 13-year term, the agreement is terminable by either party with six months notice. This agreement has an exclusivity clause for five years within Canada beginning on the date that the first aircraft with LiveTV has been approved by Transport Canada.

The Corporation has signed an agreement with Bell ExpressVu for a seven-year term to provide satellite programming. The agreement commences on the date the first aircraft with LiveTV has been approved by Transport Canada and can be renewed for an additional five years.

The remaining estimated amounts to be paid in deposits and purchase prices in US dollars relating to the purchases of the remaining 24 aircraft, LiveTV systems and Winglets are as follows:

2004	$ 382,368
2005	374,844
2006	32,043
	$ 789,255

(b) Employee profit share:

The Corporation has an employee profit sharing plan whereby eligible employees participate in the pre-tax operating income of the Corporation. The profit share ranges from a minimum of 10% to a maximum of 20% of earnings before employee profit share and income taxes. The amounts paid under the plan are subject to prior approval by the Board of Directors.

(c) Contingencies:

The Corporation is party to legal proceedings and claims that arise during the ordinary course of business. It is the opinion of management that the ultimate outcome of these matters will not have a material effect upon the Corporation's financial position, results of operations or cash flows.

Years ended December 31, 2003 and 2002
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

9. Financial instruments and risk management:

(a) Fuel risk management:

The Corporation periodically utilizes short-term and long-term financial and physical derivative instruments to mitigate its exposure to fluctuations in jet fuel prices.

In 2003, the Corporation had mitigated its exposure to jet fuel price volatility through the use of long-term fixed price contracts and contracts with a fixed ceiling price which it had entered into with a fuel supplier in 1999 and expired in June 2003.

Any premiums paid to enter into these long-term fuel arrangements are recorded as other long-term assets and amortized to fuel expense over the term of the contracts. In 2003, this contract represented 12% (2002 - 32%) of the Corporation's fuel requirements.

(b) Foreign currency exchange risk:

The Corporation is exposed to foreign currency fluctuations as certain ongoing expenses are referenced to US dollar denominated prices. The Corporation periodically uses financial instruments, including foreign exchange forward contracts and options, to manage its exposure.

The Corporation has entered into a foreign exchange forward fixing agreement for the right to enter into foreign exchange forward contracts to manage its exposure to foreign currency fluctuations on the 11 aircraft to be delivered during 2004. This agreement is described in note 4.

Included in cash and cash equivalents at December 31, 2003 is US $29,942,000 (2002 - US $16,374,000).

(c) Interest rate risk:

The Corporation is exposed to interest rate fluctuations on variable interest rate debt.

The Corporation has the ability to enter into forward starting interest rate agreements in order to manage its interest rate exposure on future debt related to the 11 aircraft to be delivered during 2004. These agreements are described in note 4.

(d) Credit risk:

The Corporation does not believe it is subject to any significant concentration of credit risk. Most of the Corporation's receivables result from tickets sold to individual guests through the use of major credit cards and travel agents. These receivables are short-term, generally being settled shortly after the sale. The Corporation manages the credit exposure related to financial instruments by selecting counter parties based on credit ratings, limiting its exposure to any single counter party and monitoring the market position of the program and its relative market position with each counter party.

(e) Ontario Teachers' Financing Agreement:

On June 26, 2003 the Corporation entered into an agreement with Ontario Teachers' Pension Plan Board ("Ontario Teachers") for the right to require Ontario Teachers to purchase up to $100,000,000 of common shares.

The Financing Agreement expires August 29, 2004, and gives the Corporation the one-time right to require Ontario Teachers to purchase common shares at 94% of the weighted average trading price for the Corporation's shares for the 10 trading days prior to the Corporation's notice of exercise to Ontario Teachers. The Financing Agreement is subject to several conditions, including that Ontario Teachers is not required to purchase common shares under the Financing Agreement which would cause their ownership to exceed 29.99% of the then outstanding common shares and a requirement that the Corporation obtain all necessary regulatory approvals. The Corporation will pay Ontario Teachers a standby fee of 1% per annum, payable quarterly, in advance, so long as the Corporation has not exercised or cancelled its rights under the Financing Agreement.

(f) Fair value of financial instruments:

The carrying amounts of financial instruments included in the balance sheet, other than long-term debt, approximate their fair value due to their short term to maturity.

At December 31, 2003, the fair value of long-term debt was approximately $667 million (2002 - $236 million). The fair value of long-term debt is determined by discounting the future contractual cash flows under current financing arrangements at discount rates which represent borrowing rates presently available to the Corporation for loans with similar terms and maturity.

Yasmine Matar, CSA, Montréal: Likes tattoos, organization and the smell of shampooed hair.

THE WESTJET TOP 10

Why fly WestJet? There are now more reasons than ever...
(like you needed any help with the obvious, you smart cookie you!)

10. NEW JETS
Because with one new Boeing 737-700 series jet a month in 2004, we'll soon have Canada's newest fleet in the skies.

9. LEATHER SEATS WITH MORE LEGROOM
Because we think that in our new Boeing 737-700s leather feels nice, and you should stretch your legs along with your travel budget.

8. LIVE TV COMING SOON
Because clouds are only so interesting, we're adding this to our 737-700 jets.

7. FREE SNACKS AND DRINKS
Because it just seems obvious to us.

6. FRIENDLY PEOPLE
Because it's nice to be smiled at.

5. AIR MILES® REWARD MILES
When you or your travel agent book online at westjet.com.

4. ON-TIME PERFORMANCE
Because in 2003 we were second best for on-time performance in North America.

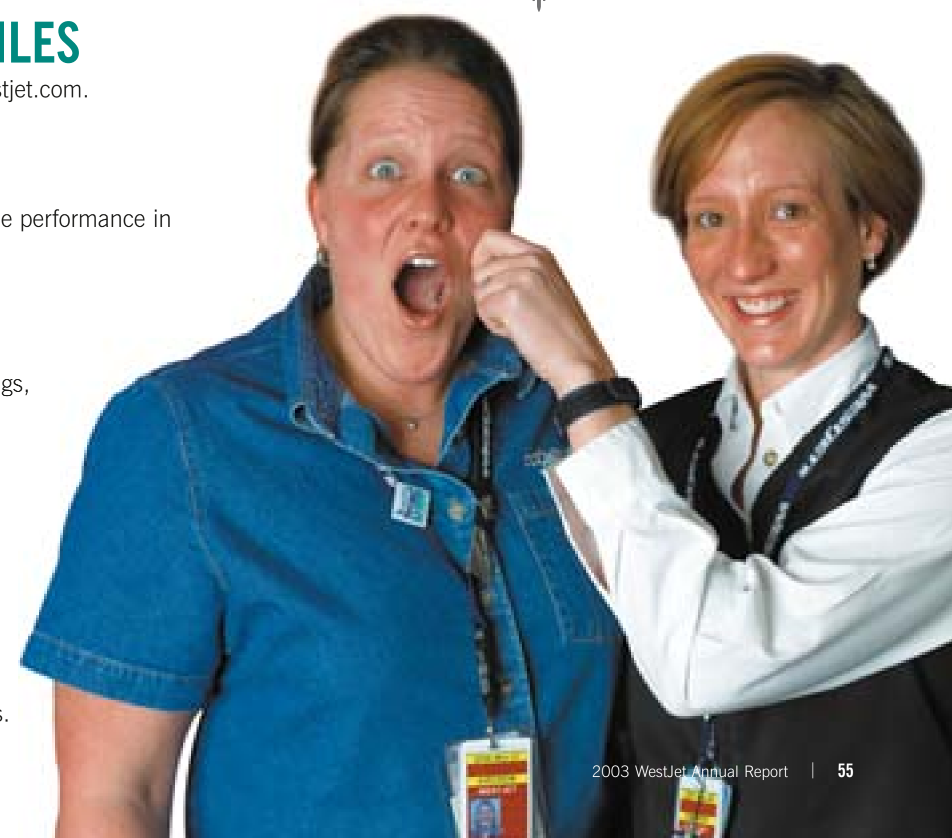
3. GREAT DESTINATIONS
Because with 24 destinations and 240 city pairings, you can fly where you want to.

2. FREQUENCY
Because with 1,600 flights a week, you can travel when you want to.

1. LOW FARES
Because paying less doesn't mean settling for less.

Nicole Sellick Morrison, Team Leader, Online Operations: Newly married in P.E.I.

Tammy Attersall, Flight Attendant: Loves a good BBQ.



WestJet named Canada's Second Most Respected Corporation in 2003 in an Ipsos-Reid survey.

BOARD OF DIRECTORS

Clive J. Beddoe
Executive Chairman, President and CEO, WestJet Airlines Ltd.

Thomas (Tim) Morgan
Senior Vice President, Operations, WestJet Airlines Ltd.

James Homeniuk
Aircraft Maintenance Engineer and P.A.C.T. Representative, WestJet

Ron Greene
Lead Director
President, Tortuga Investment Corp.

Wilmot Matthews
President, Marjad Inc.

Murph N. Hannon
President, Murcon Development Ltd.

Allan Jackson
President and CEO, Arci Ltd.
President and CEO, Jackson Enterprises Inc.

Donald A. MacDonald
President, Sanjel Corporation

Larry Pollock
President and Chief Executive Officer,
Canadian Western Bank and
Canadian Western Trust

CORPORATE OFFICERS

Clive J. Beddoe
Executive Chairman, President and Chief Executive Officer

Alexander (Sandy) J. Campbell, FCGA
Senior Vice President, Finance, Chief Financial Officer

Thomas (Tim) Morgan
Senior Vice President, Operations,
Co-Chief Operating Officer

Donald Bell
Senior Vice President, Customer Service,
Co-Chief Operating Officer

Transfer Agent and Registrar:
CIBC Mellon Trust Company

Toll Free Phone Number:
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Outside North America: 416-643-5500
Email: inquiries@cibcmellon.com
Website: www.cibcmellon.com

Auditors:
KPMG LLP, Calgary, AB

Legal Counsel:
Burnet, Duckworth and Palmer LLP, Calgary, AB

Stock Exchange Listing:
WestJet is publicly traded on the Toronto Stock Exchange under the symbol WJA.

Investor Relations Contact Information:
Telephone: 1-877-493-7853 or 444-2252 in Calgary
Email: investor_relations@westjet.com

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Phone: (403) 444-2600 Fax: (403) 444-2301

ANNUAL AND SPECIAL MEETING:
WestJet Airlines Ltd.'s Annual and Special Meeting will be held at 2:00 p.m. (MDT) on Wednesday, April 28, 2004 at WestJet's Hangar, 21 Aerial Place NE, Calgary, AB.

WESTJET'S EXECUTIVE TEAM

CLIVE BEDDOE
Executive Chairman, President and Chief Executive Officer.

DON BELL
Senior Vice President, Customer Service and Co-Chief Operating Officer.

SANDY CAMPBELL
Senior Vice President, Finance and Chief Financial Officer.

MARK HILL
Vice President, Strategic Planning.

TIM MORGAN
Senior Vice President, Operations and Co-Chief Operating Officer.

FRED RING
Vice President, People.

THE CHOICE IS YOURS

Put your WestJet knowledge to the test. Multiple choices ... only one right answer.

1. How many gallons of paint does it take to cover a typical 737?
   A. 40 B. 30 C. 20 D. 10

2. If a Boeing 737-200 were to fly to the moon, how long would it take?
   A. 5 days B. 5 weeks C. 17 days D. 17 weeks

3. How many planes were in WestJet's fleet on February 29, 1996?
   A. 1 B. 2 C. 3 D. 4

Mack Cyrzan, Manager, Training and Standards: Likes to flex his intellectual muscles.

4. The fourth quarter of 2003 marked WestJet's ___ consecutive quarter of profitability.
   A. 22nd B. 24th C. 26th D. 28th

5. How much money can a guest save booking a return trip online at westjet.com?
   A. $3 B. $4 C. $5 D. $6

6. In what year did WestJet take delivery of its first Next-Generation Boeing 737-700 aircraft?
   A. 2000 B. 2001
   C. 2002 D. 2003

7. How many times has WestJet stock split three for two?
   A. 0 B. 1 C. 2 D. 3

8. How can you book a WestJet flight?
   A. Travel Agent B. westjet.com
   C. Sales Super Centre D. All of the above

9. What material covers WestJet's seats on its 737-700 aircraft?
   A. Leather B. Corduroy
   C. Cloth D. Crushed velvet

10. WestJet's corporate colours are ________ .
    A. Blue and green B. Purple and teal
    C. Teal and green D. Teal and blue

11. WestJet's LiveTV will offer ___ channels of live satellite television programming.
    A. 24 B. 20 C. 12 D. 7

12. Quand est-ce que WestJet a débuté son service sur Montréal?
    A. Le 24 avril 2003 B. Le 29 août 2001
    C. Le 8 février 2002 D. Le 31 décembre 2002

13. What birthday did WestJet celebrate on February 29, 2004?
    A. Second B. Eighth
    C. Both A and B D. None of the above

14. Which of WestJet's founders is a current Boeing 737 Captain?
    A. Tim Morgan B. Don Bell
    C. All of the above D. None of the above

Bonus Question!

Seat pitch is the distance between rows of seats measured from the back of one seat to the back of the seat behind it. In 2003, WestJet began the process of adding even more legroom on its fleet of 737-700 aircraft by increasing the average seat pitch to:

A 29.5 inches **B** 30.5 inches **C** 31.5 inches **D** 32.5 inches

He who chooses the beginning of the road chooses the place it leads to. It is the means that determines the end.

– Harry Emerson Fosdick

Answers: 1=B, 2=C, 3=C, 4=D, 5=D, 6=B, 7=C, 8=D, 9=A, 10=D, 11=A, 12=A, 13=C (it's a leap year!), 14=C, Bonus Question=D

westjet.com

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