BUILDING A BETTER AIRLINE

2004 ANNUAL REPORT

A plan for the future

WestJet is Canada's leading low-fare airline and is based in Calgary, Alberta. At year-end 2004, WestJet employed 4,778 people, and carried 7.8 million guests to its 24 Canadian 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, and its seven American destinations of San Francisco, Los Angeles, Phoenix, Tampa, Orlando, Fort Lauderdale and New York. As at December 31, 2004, WestJet's fleet consisted of 54 Boeing 737 aircraft. WestJet is publicly traded on the Toronto Stock Exchange under the symbol WJA.

WestJet's Calgary hangar.

Regina O'Grady, Project Coordinator

Rhonda Beers, Recruiter

Hobe Horton, Solutions Architect

Financial Overview

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

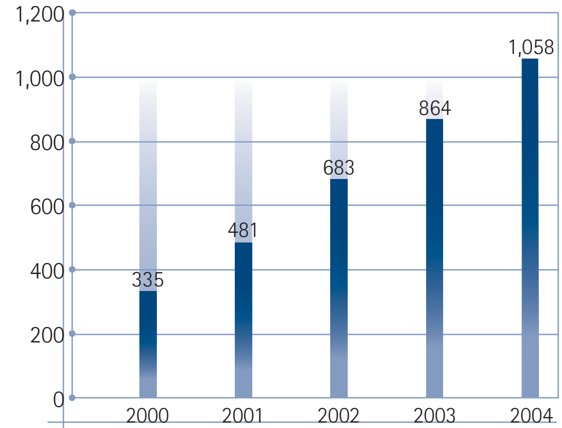
Consolidated Operating Statistics	2004	2003	2002	2001	2000
Revenues	$1,057,990	$863,599	$683,074	$481,230	$334,982
Earnings (loss) before income taxes	$(15,976)	$97,395	$82,844	$57,789	$52,706
Net earnings (loss)	$(17,168)	$60,539	$51,780	$36,710	$30,254
Earnings (loss) per share:					
Basic	$(0.14)	$0.52	$0.47	$0.36	$0.32
Fully diluted	$(0.14)	$0.52	$0.46	$0.35	$0.30

Consolidated Operating Statistics	2004	2003	2002	2001	2000
Revenue passenger miles (RPM)	6,277,332,668	4,852,506,652	3,406,663,632	2,236,270,397	1,453,245,522
Available seat miles (ASM)	8,963,103,389	6,871,715,636	4,650,990,031	2,995,516,958	1,906,863,288
Load factor	70%	71%	73%	75%	76%
Yield (¢)	16.9	17.8	20.1	21.5	23.1
Revenue per ASM (¢)	11.8	12.6	14.7	16.1	17.6
Operating cost per ASM (¢) (1)	11.4	10.9	12.6	13.8	14.1
Average stage length (miles)	760.1	656.7	551.8	458.4	419.2
Cost per passenger mile (¢) (1)	16.3	15.4	17.2	18.5	18.5
Segment guests	7,835,677	6,978,815	5,861,068	4,670,364	3,393,356
Fuel consumption (litres)	490,782,605	397,613,173	305,600,565	232,094,156	156,957,842
Fuel cost per litre (¢)	49.2	39.2	36.6	36.5	35.6
Number of full-time-equivalent employees at year end	4,024	3,396	2,710	1,844	1,292
Fleet size at year end	54	44	35	27	22

(1) Write-down of $47,577,000 related to 200-series fleet impairment has been excluded from per-unit costs.

Shane Harney, Manager, Operations Control Centre

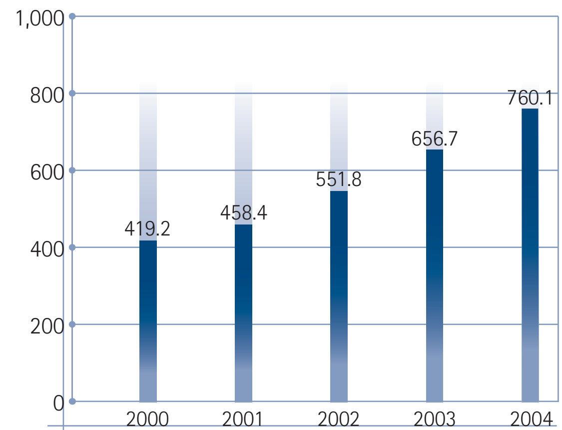
Sophie Ménard, Donations Coordinator



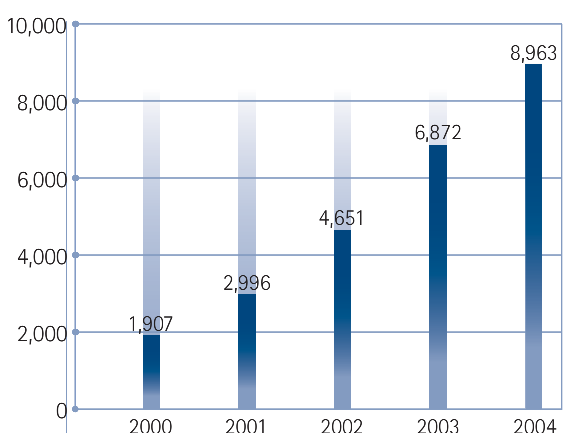
Revenue (Millions of dollars)

"We were very honoured to be ranked as the third Most Respected Corporation in Canada in the 2004 'Canada's Most Respected Corporations Survey' by Ipsos-Reid."

Clive Beddoe, President and CEO, WestJet.

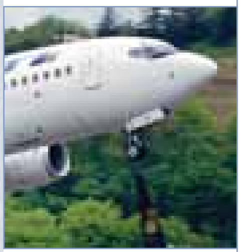


Average Stage Length (Miles)



Available Seat Miles (Millions)

Operational Terms Explained



Revenue Passenger Miles

A measure of passenger traffic, calculated as the number of revenue passengers multiplied by the total distance flown.

Available Seat Miles

A measure of total passenger capacity, calculated by multiplying the total number of seats available for sale by the total distance flown.

Load Factor

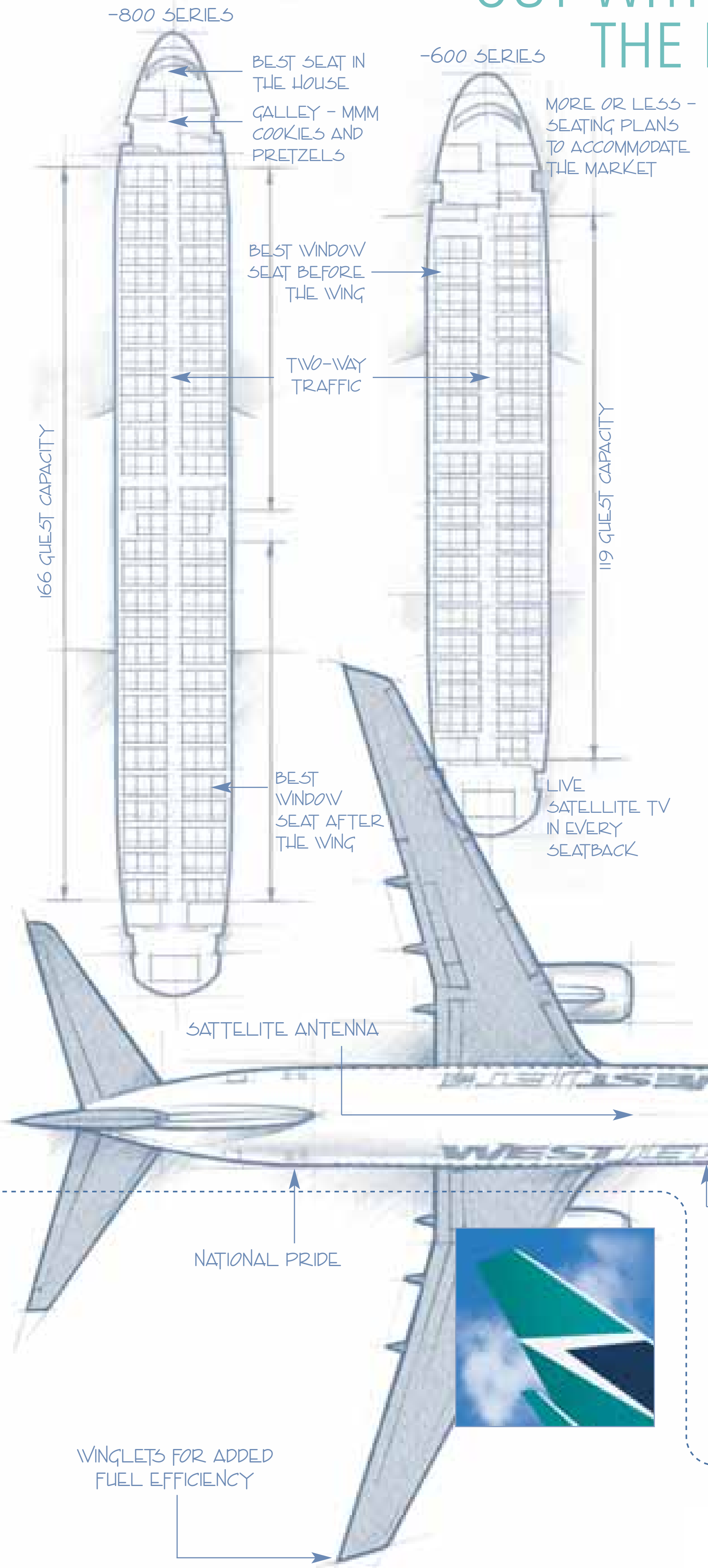
A measure of total capacity utilization, calculated as the proportion of total available seat miles occupied by revenue passengers.

Yield

(Revenue per Revenue Passenger Mile)
A measure of unit revenue, calculated as the gross revenue generated per revenue passenger mile.

Plans for improved efficiency: Boeing 737-600, -700 and -800s.

OUT WITH THE OLD, IN WITH THE NEXT-GENERATION.



The right tool for the job.

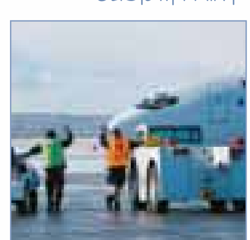
Aside from being known for low maintenance costs, Boeing 737 aircraft lead the industry for reliability and low operating costs. Because WestJet now serves numerous markets of varying distance with seasonal fluctuations in demand, management undertook a significant study to determine the most appropriate aircraft to fly the airline into the future.

Compared to the airline's 737-200 aircraft, WestJet's Next-Generation aircraft are 30% more fuel efficient on an available seat mile basis, while offering guests greater legroom, a quieter ride and leather seats.

WestJet will integrate Boeing Next-Generation 737-600 and 737-800 models into the current fleet of 737-200 and Next-Generation 737-700 aircraft. With this approach, the airline has greater flexibility to meet the needs of each market while building on the cost efficiencies of operating one aircraft type.

Meet the extended family.

In 2005, WestJet will accept delivery of three 737-600s (119 seats), seven 737-700s (136 seats) and five 737-800s (166 seats). Equipped with aircraft of varying sizes, WestJet will be able to match demand with supply in its markets regardless of the time of year. Larger aircraft provide greater opportunities for adding low-cost capacity to high-demand routes, while smaller 737-600 aircraft will allow WestJet to add limited capacity on newer routes and between smaller centres.



PERFORMANCE ON THE RISE.

Not only does our fleet of new Next-Generation aircraft look great, but their performance capabilities are extraordinary. While the lower maintenance expenses and increased fuel efficiency of the Boeing 737-600, -700 and -800 series aircraft will bring a smile to the faces of our shareholders, their greater range, leather seats, increased legroom and live satellite television are sure to keep our guests smiling too.

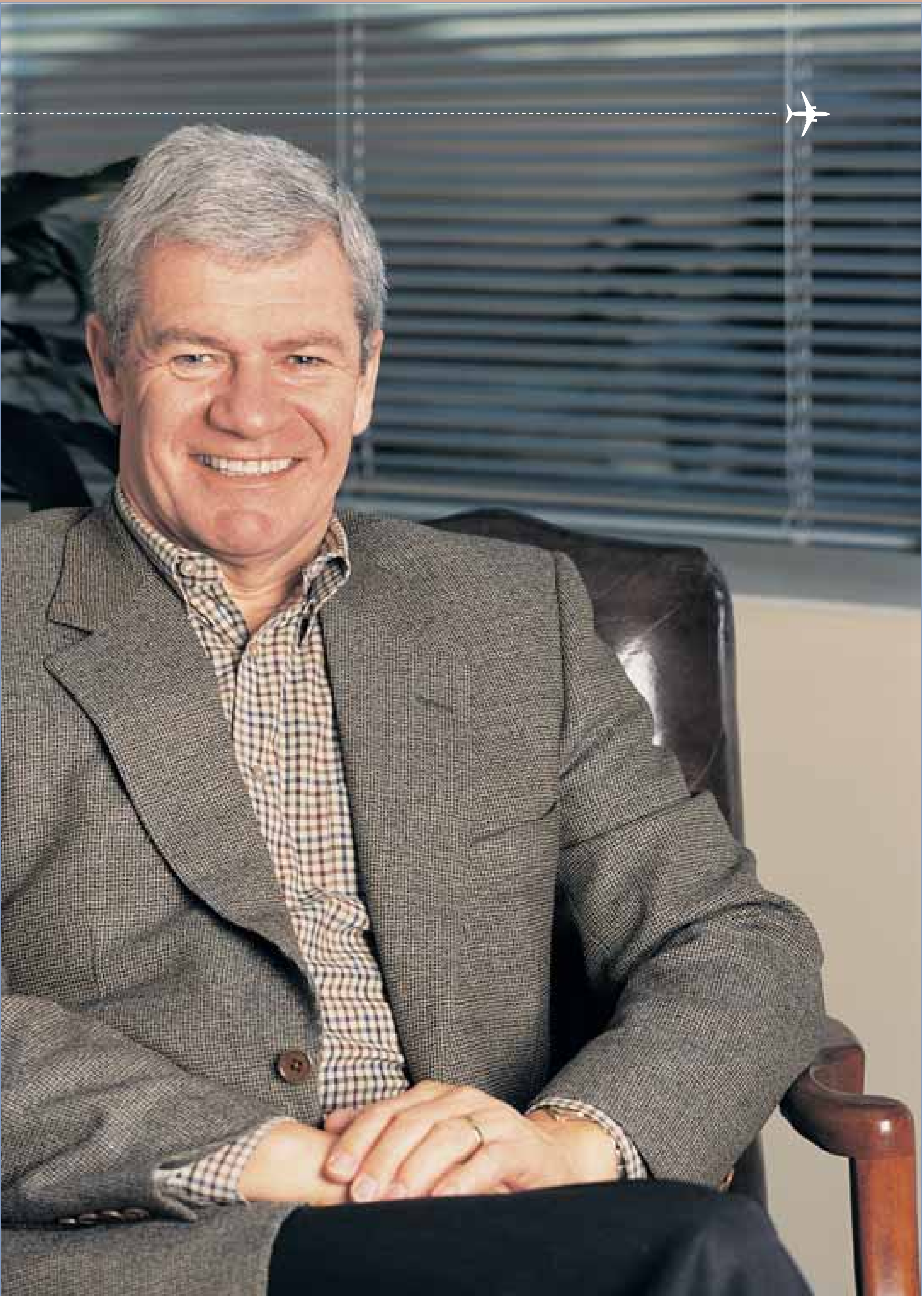
President's Message to Shareholders

We are disappointed with our financial performance in 2004. This was an extremely challenging year for our airline and for our industry as a whole as we had to deal with record high fuel prices, rising operating costs and fierce competition. Despite these challenges, we were able to grow our airline by 30%, maintain a load factor of 70% and reduce our unit costs in many areas as we adapted to these new market conditions.

Total revenue for the year was $1.06 billion compared with $863.6 million in 2003, while expenses were up to $1.07 billion from $749.1 million in 2003. Our loss from operations in 2004 totalled $9.9 million compared with earnings from operations of $114.5 million in 2003. This loss included a $47.6 million write-down in the fourth quarter on the early replacement of our fleet of 737-200 aircraft due to their shortened revenue life.

The cumulative effect of the accelerated replacement program and the weak operating environment led us to a net loss for 2004 of $17.2 million, down from net earnings of $60.5 million in 2003. Excluding the write-down, we estimate we would have achieved net earnings in 2004 of $18.4 million.

We reported a diluted loss per share for the year, including the write-down, of 14 cents, down from diluted earnings per share of 52 cents for full-year 2003. Our costs in 2004 were higher than in 2003, with cost per available seat mile rising to 11.4 cents, excluding the write-down, from 10.9 cents in 2003.



Keith Price, First Officer; Nancy Whalen, Flight Attendant; Faye Wilson, Flight Attendant

We flew 6.28 billion revenue passenger miles (RPMs) in 2004, up from 4.85 billion RPMs in 2003. Capacity, as measured by available seat miles (ASMs), increased in 2004 to 8.96 billion ASMs compared to 6.87 billion ASMs during 2003. Our load factor remained relatively stable year over year at 70.0% compared with 70.6% in 2003. In 2004, yield decreased to 16.9 cents compared with 17.8 cents in 2003.

Unexpected and extremely high fuel prices were one of the elements that significantly impacted our costs throughout 2004. The cost of fuel represents our second largest single expense and increased 18.9% over 2003 on an available seat mile basis. Compounding the impact of the high price of fuel was the higher operating cost environment as a result of increasing landing, terminal and airport improvement fees, and increasing navigational charges.

In the fourth quarter, we made the decision to accelerate the replacement of our less-efficient 18 Boeing 737-200 aircraft such that they will all be replaced by February 2006 with 16 Next-Generation aircraft in order to further our objective to be the lowest-cost airline in North America. However, the subsequent events of Jetsgo's demise caused us to reconsider the timing of the replacement plan of our older planes while we secure additional aircraft for our future growth in 2006. While it still remains our objective to have one of the most modern and fuel-efficient fleets in North America, we will now revise the implementation of that strategy until later in 2006 so that we can take advantage of this opportunity which should result in a capacity growth rate of 30%.

We view the departure of Jetsgo from the market as being extremely positive for the airline industry and WestJet in particular. Jetsgo's presence in the market as an irrational competitor put considerable downward pressure on yields, which are now being restored to more economic levels.

By initially pursuing the early replacement of our 737-200 fleet, we incurred a $47.6 million write-down; however, the result should bring about annualized savings to WestJet of approximately $30 million as our Next-Generation 737s are 30% more fuel efficient relative to their older counterparts and incur much lower maintenance costs. The subsequent demise of Jetsgo in March of 2005 has caused us to review our alternatives to take advantage of this opportunity. Although we will still replace our 200s faster than we had originally planned, the elimination of Jetsgo will require us in the short term to slow down our original replacement schedule, approved at year-end, for the Boeing 737-200s, while we secure additional aircraft for our future growth. This will mean that these savings will not be achieved until a later date when all of the 200s have been retired.

Unfortunately, we suffered internal growing pains this year as we outgrew our revenue and inventory management system. This prevented us from adjusting our fares with demand and displaying our seat inventory accurately. This impacted our load factors throughout the last quarter of 2004 and required the redeployment of extensive resources in developing and implementing new systems in these areas. Although our revenue management troubles are largely behind us, they impacted October and November bookings by a total of approximately $15 to $20 million for the two months.

"In September 2004, we launched scheduled transborder service from Canada to the seven American cities of Los Angeles and San Francisco, California; Phoenix, Arizona; New York, New York; Orlando, Fort Lauderdale and Tampa, Florida..."

In September 2004, we launched scheduled transborder service from Canada to the seven American cities of Los Angeles and San Francisco, California; Phoenix, Arizona; New York, New York; Orlando, Fort Lauderdale and Tampa, Florida; and launched service to an eighth city, Palm Springs, California, in January 2005. Our aggressive launch of transborder service into these markets was impacted by the fact that we focussed much of our efforts on Florida during the worst hurricane season in 30 years. Losses on our transborder markets amounted to approximately $4.5 million in the fourth quarter; however, 80% of these routes are now showing positive results.

As I have said in the past, we will make decisions that are best for the long-term success of our airline, not merely for short-term profitability. Despite the risks that were associated with our move into these transborder markets, we are confident that this was the right decision for our airline and we are comfortable with the gains we are seeing on these routes in the first quarter of 2005.

On December 1, 2004, we were very pleased to welcome Sean Durfy to our team as Executive Vice-President, Marketing and Sales, responsible for the development of marketing strategies. We expect Sean's extensive experience to benefit our business as a whole, and we are looking forward to his positive contributions.

In November 2004, we implemented an internal reorganization, which involved creating two levels of vice-president: executive vice-president and vice-president. Our new executive vice-president level includes Donald Bell, Sandy Campbell, Sean Durfy, Thomas Morgan and Fred Ring. Reporting to the executive vice-presidents, we hired and/or appointed a total of nine vice-presidents in early 2005. Though this is a new and unique way to structure our organization, we believe that it will be very effective in managing the operational and non-operational areas of WestJet and will allow us to more efficiently manage our growth.

We were very honoured to be ranked as the third Most Respected Corporation in Canada in the 2004 'Canada's Most Respected Corporations Survey' by Ipsos-Reid. I am extremely proud of the efforts of each and every WestJetter who helped us to be selected as the number one company in Canada for High Quality Service/Product, first place in Customer Service, second place in Human Resources Management, second place in Top of Mind and second place in Innovation and Product/Service Development. This recognition on a national scale underscores the importance of the value we place on hiring and training customer service-oriented people, and improving our airline through the addition of innovative products and services.

Our partnership with BMO and AIR MILES® continues to grow as the number of WestJet-branded credit cards increases in the marketplace and more Canadians are seeing the benefits that this card provides to enhance their ability to earn points and fly for free sooner to all of WestJet's destinations.

We were very pleased to launch our first aircraft equipped with live seatback satellite television in July 2004, and by December 31, 2004 we had equipped 14 aircraft with this unique product. Our installation program remains on track

Gary Dyck, TAC Agent

and we expect the remaining aircraft in our fleet to be outfitted with this technology by late April 2005.

This product offers our guests the ability to enjoy 24 channels of live Bell ExpressVu satellite television in the comfort of their own seat. From children's shows to movies and business news, each guest can select the channel that is the most interesting to them. Feedback from guests who have used this product has been extremely positive and we expect that this differentiation of our product will increase loyalty to our carrier. Given our experience to date, we are even more confident that we will experience an incremental load factor and yield increase as a result of this service.

Many of the cost challenges faced by the industry in 2004 will continue through the year ahead. High fuel prices will undoubtedly continue to be a challenge; however, I am confident that with the much-improved competitive environment, WestJet's restored growth and fleet strategy will put us in an optimal position to benefit from this new reality. Being able to operate with the lowest costs that are sustainable continues to be the most important factor that will determine the success of our airline in the future, and WestJet has and will continue to lead the way in this critical area.

I would like to thank all of our people who have worked very hard throughout another challenging year and our shareholders for their ongoing support.

On behalf of the Board,

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

March 2005

WestJet CARES: Supporting

Photo courtesy of Darlene Colton, CNIB

Way to go WestJet!

In 2004, WestJet's gift of travel raised over $312,000 to help The Canadian National Institute for the Blind (CNIB) assist people of all ages with vision loss achieve their goals and live satisfying, independent lives. By supporting fundraising events across Canada – such as the CNIB Walk Towards Independence, Visions Luncheons, art events, golf tournaments, lotteries and more – WestJet helps thousands of blind, visually impaired and deaf/blind Canadians and their families from coast to coast.

Sierrah is reunited with her grandmother Katherine.

"On behalf of the families we help, the Missing Children Society of Canada would like to say thank you to WestJet, its people and shareholders for their ongoing support. Because of you the search will continue." – Rhonda Morgan, Founder and Executive Director

WestJet flights help the Missing Children Society of Canada continue the search

The Missing Children Society of Canada (MCSC) is a registered non-profit organization dedicated to the search for abducted and runaway children. MCSC provides a comprehensive investigative program called Project: Reunite, free of charge, to assist police and searching parents in the active ongoing search for missing children.

Each year, MCSC investigators work on more than 500 cases including stranger abductions, parental abductions, disappearances and runaways. Many of these cases require investigators to travel across the country to conduct interviews and searches in order to find the missing children.

Since April 2003, WestJet has provided MCSC and its investigative team with flights free of charge across Canada to aid in this important work.

Rhonda Morgan, Founder and Executive Director of MCSC, comments on the impact free flights from WestJet has had on the organization: "The hard costs involved with the investigations were often restrictive, but thanks to the generous gift of flight from WestJet, the Missing Children Society of Canada has been able to work on more cases than ever before, and as a direct result has managed to locate and bring many children home."

In 2004, MCSC investigators travelled from their Calgary office more than 70 times to work on cases across the country. It is estimated that WestJet has saved the Society well over $40,000 on air travel since 2003.

For more information about the Missing Children Society of Canada, please call 1-800-661-6160 or visit their website at www.mcsc.ca.

Charities Across Canada

WestJet places significant value on being a responsible corporate citizen, and sharing with people and organizations in need across Canada is one way we choose to live this value. A company that holds charitable giving in such high regard naturally attracts people who feel the same, which explains why WestJetters are such caring people, always happy to lend a hand, donate time, money, expertise and whatever else those in the community might need.

In 2004, WestJet supported numerous charitable and non-profit organizations across Canada with thousands of complimentary flights to assist them with their fundraising efforts. Some of these organizations included: Ronald McDonald House Charities, Kids Explorer, Canadian Cancer Society, AIDS organizations, Canadian Paraplegic Association and the Canadian National Institute for the Blind.

WestJet was also a proud sponsor and official airline of many worthwhile community events and festivals such as the WestJet Festival of Friends (Hamilton), The International Busker Festival (Halifax), The Fringe Festival (Edmonton and Vancouver), The Gold Medal Plates in support of Olympic athletes (Toronto, Montréal, Ottawa, Halifax, Calgary, Edmonton, Vancouver and Whistler), The Calgary Stampede, The Tulip Festival (Ottawa), The Scott Tournament of Hearts (Red Deer), The Brier (Saskatoon), The International Comedy Festival (Vancouver), The Do it For Dad Run for Prostate Cancer (London), Agribition (Regina), The Sandra Schmirler Charity Golf Classic (St. John's), Theatre Northwest (Prince George), Alberta Theatre Projects (Calgary), The Roots and Blues Festival (Kelowna), The WestJet East Division Championships (Montréal) and many more.

Beyond the charities and events WestJet supports on a corporate level, WestJetters coast to coast are proud to share with the people in their communities. Below are a few examples from 2004 that highlight the caring spirit of WestJetters from some of our bases across Canada.

Victoria: Victoria WestJetters teamed up to walk 60 km at the Weekend to End Breast Cancer walk in Vancouver, helping to raise $7 million to fight this disease • Donated boxes of toys to the Boys and Girls Club • Devon Fountain and Gavin Powell shaved their heads to help raise money for Cops for Cancer • Donated a bear to the Bear Wear Auction to help raise money for the Queen Alexandra Hospital.

Abbotsford: In 2004, WestJetters in Abbotsford supported multiple community events and charitable organizations such as: Arthritis Society • Chilliwack Big Brothers and Big Sisters Bowl for Kid's Sake • Ducks Unlimited • MSA Museum Society.

Prince George: Participated in a Christmas food drive for St. Vincent de Paul • Supported Big Brothers and Sisters in Prince George and Williams Lake • Sponsored the Cerebral Palsy Association of Prince George • Participated in an auction to support the Prince George Children's Development Centre.

Ottawa: WestJetters in Ottawa adopted a less fortunate family of five at Christmas, and made sure the holiday season was packed with as much joy as possible • Participated in the HOPE Volleyball Tournament to raise funds for Parkinson's Society, Citizen Advocacy, Lupus Foundation, CNIB and the Ottawa Humane Society • Sponsored various events around Ottawa to raise money and awareness for Habitat for Humanity and the Kidney Foundation of Eastern Ontario, among others.

Tsunami Relief:

On December 26, 2004, a terrible tsunami devastated parts of Southeast Asia. The entire world community was shocked by the magnitude of destruction brought about by this brutal force.

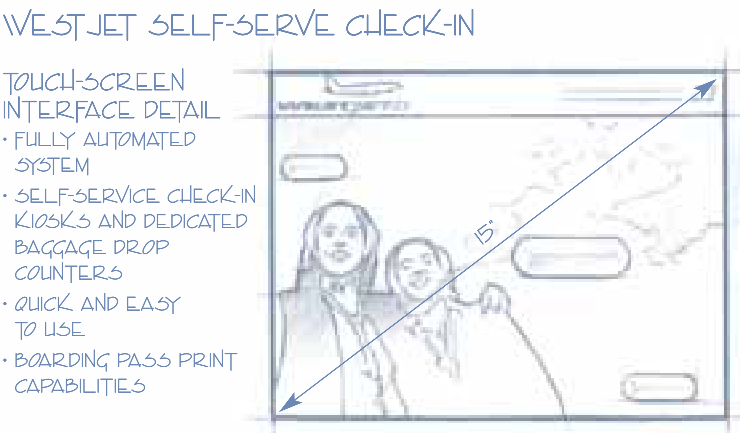
Shortly after the tsunami hit, WestJet and WestJetters jumped to action with offers of assistance. WestJet offered free flights to Red Cross tsunami relief workers and to medical personnel and supplies from the Canadian Relief Foundation. Our airline also collected cash donations on behalf of the Red Cross at airports across Canada, and sponsored three Tsunami Relief Benefit Concerts with proceeds benefiting Doctors Without Borders, Oxfam Canada and others. WestJet also launched a fundraising campaign through the sale of 1,500 WestJet teddy bears with proceeds donated to the Red Cross.

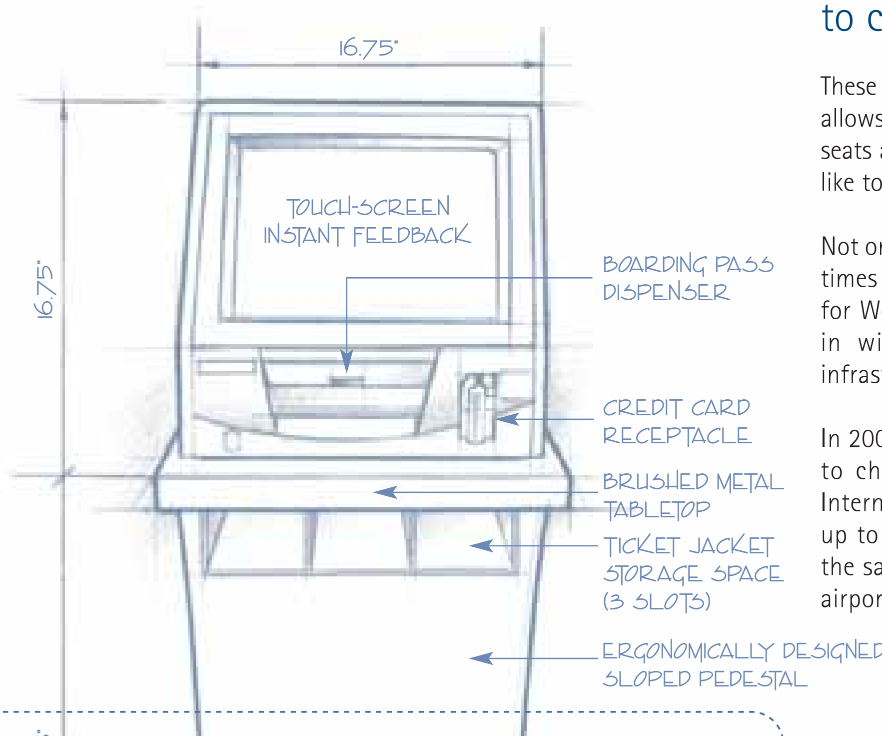
Thunder Bay: A team of six WestJetters raised $600 for the Easter Seals Power Play 4 on 4 ball hockey tournament in October • Nine Thunder Bay WestJetters took part in the Canadian Blood Services Plasma Drive in March • Participated in a food/clothing drive for The Shelter House of Thunder Bay and The Fae Peterson Transition House (Women's Shelter) • Donated food to the Thunder Bay Food Bank.

St. John's: WestJetters from St. John's participated in a Children's Wish Foundation event with donated flights and offered their help to ensure the event ran smoothly • Donated turkeys to a local shelter for Thanksgiving.

A plan for faster customer service: Self-serve check-in.

FORGET THE QUEUE, TRY A KIOSK.





Simplifying the airport experience.

Not all great customer service needs to be delivered face to face. That is why WestJet introduced self-serve check-in kiosks to offer guests more choices on how they manage their check-in experience at the airport.

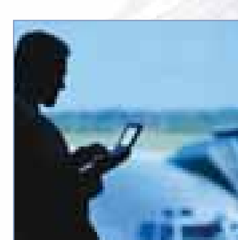
This product has been well received by travellers, with 30% of all WestJet guests now using this method to check in where it is offered. Self-serve check-in kiosks are currently available in Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Ottawa and Montréal, with plans to add this service to even more airports.

Check out a new way to check in.

These kiosks operate with easy-to-use software that allows guests to check in at the airport, choose their seats and even select the number of bags they would like to check.

Not only do self-serve check-in kiosks reduce waiting times for guests, but they are also a low-cost way for WestJet to increase the flow of guests checking in without adding unnecessary and expensive infrastructure.

In 2005, WestJet plans to offer its guests the ability to check in online from any computer with an Internet connection. Guests will be able to check in up to 12 hours prior to their departure time using the same convenient features currently available at airport kiosks.



CHECK IN AND GET FLYING SOONER.

Next time you're checking in, check out our new automated system – now serving WestJet's guests in Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Ottawa and Montréal. It puts you in charge with a quick and easy touch-screen interface that gets you to your seat faster than you can say "boarding pass please." It's quick, it's easy, and if you look closely, you can even see it smiling.

Management’s Discussion and Analysis of Financial Results

Certain information set forth in this document, including management's assessment of WestJet's future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond WestJet's control, including the impact of general economic conditions, changing domestic and international industry conditions, volatility of fuel prices, terrorism, currency fluctuations, interest rates, competition from other industry participants (including new entrants, and generally as to capacity fluctuations and pricing environment), labour matters, government regulation, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that management's expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. WestJet's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements or if any of them do so, the benefits that WestJet will derive there from.

James Scharfl, Intermediate Accountant

Jessica Ryan, Team Leader, Sales Super Centre

Sean Jones, Business Analyst

Leslie Matchett, CSA and Christine Jodoin, Team Leader, Airports

Additional information relating to WestJet, including Annual Information Statements and financial statements, is located on SEDAR at www.sedar.com.

To supplement our consolidated financial statements presented in accordance with Canadian generally accepted accounting principles ("GAAP"), the Company uses various non-GAAP performance measures, including cost per available seat mile ("CASM"), revenue per available seat mile ("RASM") and revenue per revenue passenger mile ("yield"). These measures are provided to enhance the user's overall understanding of our current financial performance and are included to provide investors and management with an alternative method for assessing the Company's operating results in a manner that is focused on the performance of the Company's ongoing operations and to provide a more consistent basis for comparison between quarters. These measures are not in accordance with or an alternative for GAAP and may be different from measures used by other companies.

Overview

WestJet faced many challenges over the past year including record high fuel prices and a fierce fare rivalry brought about by increased competition. These issues have impacted our operating results throughout 2004, particularly in the last quarter of the year. The revenue environment remained weak throughout the year as most airlines added capacity in an effort to retain or acquire market share, which resulted in downward pressure on fares. While we attempted to manage our yield by reducing the number of discounted fares offered, we found this to be ineffective and our load factors suffered. As a result, and in order to compete effectively, we have had to match the discounted fares that our competitors continued to offer. This resulted in our yield declining by 5.1% over 2003.

Nevertheless, our revenues grew by 22.5% over the previous year while our capacity increased by 30.4%.

With industry dynamics changing, we decided to revisit our growth plans over the next few years and increase our focus on efficiency in operations, lowering unit costs and enhancing our customer service. In December 2004, we elected to accelerate the replacement of our older 737-200 fleet which we believe will create several

Larry Pavao, Analyst, Measurement Solutions

"With industry dynamics changing, we decided to revisit our growth plans over the next few years and increase our focus on efficiency in operations..."

TAC Agent

advantages for WestJet, including the creation of a younger, more fuel-efficient fleet that is capable of greater utilization. We estimate that our 737-700 aircraft are 30% more fuel efficient on a per unit cost basis than our 737-200s and incur 88% less maintenance in the earlier years of operation.

In accordance with Canadian generally accepted accounting principles, the change in our aircraft replacement plan required an impairment analysis to be performed for the 200-series aircraft, related rotable parts, equipment and flight simulator. This analysis indicated the estimated undiscounted future cash flows that will be generated by each of these 200-series aircraft and related parts, in many cases, will be less than their respective carrying values. Consequently, the carrying values of the 200-series and their related parts were written down to a fair market value. This required us to record an impairment loss of $47.6 million in our operating results for the year ended 2004. The impact of this write-down contributed to a net loss of $17.2 million for the year and $46.3 million for the fourth quarter.

Although our profitability was sacrificed for this period, the decision was made in order to obtain a stronger, even more resilient low-cost infrastructure in the long-term. Our older aircraft were to be completely replaced by February 2006 as we continue to take delivery of new Boeing Next-Generation aircraft throughout the year. However, the subsequent demise of Jetsgo in March of 2005 has caused us to review our alternatives to take advantage of this opportunity. Although we will still replace our 200s faster than we had originally planned, the elimination of Jetsgo will require us in the short term to slow down our original replacement schedule, approved at year-end, for the Boeing 737-200s, while we secure additional aircraft for our future growth. This will result in growing the airline by approximately 30% in 2005 and will still allow us to have the youngest, most modern, reliable and fuel-efficient fleet in Canada by 2006.

In addition to higher-costs brought about by skyrocketing energy prices and increased airport charges, 2004 also marked the first year we were required to recognize stock-based compensation expense related to stock options issued to specific employee groups. In accordance with Canadian generally accepted accounting principles, we retroactively adopted this change in accounting policy without restatement to prior periods and recorded a $10.1 million charge to retained earnings associated with stock options issued on or after January 1, 2002. During 2004, we incurred $12.3 million in stock-based compensation expense, which was recognized in general and administration and flight operations costs with no comparative charge to expense in the previous year.

Highlights of New Initiatives

Due to the intensity of the current competitive environment, it has become increasingly important for us to find innovative ways to improve our product. In doing so, we have undertaken several programs to gain efficiencies in operations so that we can continue to provide low fares to Canadians as we improve the quality of our service.

We constantly strive to improve the profitability of our routes by minimizing our operating costs and optimizing revenues. One way that this can be achieved is to adjust the size of the aircraft we use on a route or a certain time of day to be more in line with the demand. To achieve this goal, over the course of 2005 and 2006 we will be taking delivery of two additional variations of the Boeing Next-Generation 737 aircraft comprised of eight 737-600s with 119 seats and five 737-800s with 166 seats. In addition to these aircraft, we will also accept delivery of eight more 737-700 aircraft in 2005 and 2006. These aircraft are equipped with 136 seats and were part of our original order with Boeing.

Our strategy of operating a fleet of one type of aircraft leads to improved costs through the reduction and simplification of spare parts and engines, improved scheduling and more efficient training.

The unrelenting high cost of fuel has been a major concern for all airlines over the past several years, which is why we have carefully scrutinized our ability to manage this escalating cost. To combat the rising price of fuel, we have improved the efficiency of our aircraft by adding blended winglet technology to all of our Next-Generation 737-series aircraft. Blended winglets save fuel by increasing lift, which decreases the fuel required to get to cruise altitude, and by reducing drag, which allows aircraft to fly during cruise and climb with reduced engine power. The installation of winglets

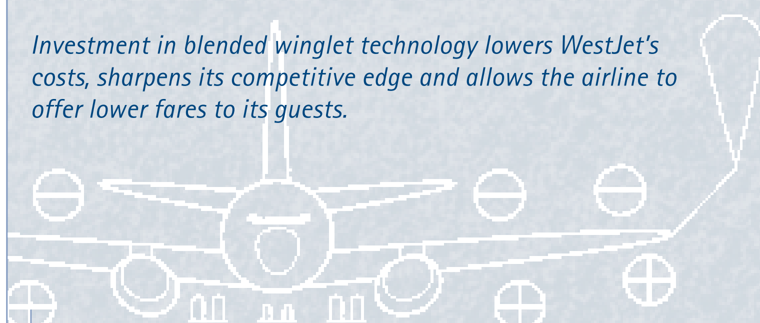
Judy Clark and Shirley Vanaelst, Executive Administrative Assistants

Blended Winglet Technology

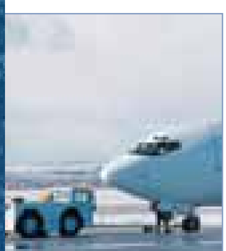
In the fall of 2003, WestJet began installing blended winglets on its fleet of Next-Generation aircraft. Winglets increase lift, which improves fuel efficiency, lowers emissions and reduces engine-maintenance costs.

The entire Next-Generation 737-700 fleet is expected to be outfitted with winglets by the summer of 2005. All future Next-Generation aircraft delivered from Boeing will have winglets installed at the factory, thus eliminating the need to remove aircraft from revenue service while winglets are installed.

Investment in blended winglet technology lowers WestJet's costs, sharpens its competitive edge and allows the airline to offer lower fares to its guests.



Top: Jenn Christiaens, Coordinator, Charter Operations; Lisa Davis, Regional Manager, Charter Flights
Bottom: Carrie Brown, Coordinator, Charter Operations; Kerri Toovey, Workforce Planner



WestJet Next-Generation 737-700

requires minimal investment and downtime, and the benefits of this technology do not deteriorate over the life of the aircraft.

In the summer of 2004, our first 737-700 aircraft equipped with live satellite television took to the skies offering our guests 24 channels of real time entertainment in each seatback. By the end of the year, 14 of our aircraft were outfitted with this technology and we expect to complete installations on another 29 Next-Generation 737 aircraft by the spring of 2005.

The process of obtaining the necessary approvals to fly our aircraft equipped with live satellite television took longer than we had anticipated and impeded our ability to deploy the first two aircraft furnished with live satellite television into revenue-generating service. Upon obtaining Supplemental Type Certificate ("STC") approval from the Federal Aviation Administration in the United States as well as STC approval from Transport Canada, each of the remaining 12 737-700 aircraft were taken out of service for seven days on average on a rotating basis to complete the live satellite television installation. Upon receiving revised STC approval, live satellite television will be installed on our Next-Generation 737-600 and 737-800 aircraft.

Live satellite television is a low-cost and low-risk solution for us to offer a compelling inflight entertainment alternative to enhance our product. By offering our guests this entertainment feature, we are able to provide a value-added service to improve our guests' flight experience. We anticipate an increase to our load factor as a result of this added inflight feature and an ability to attract additional charter business.

In September 2004, we celebrated a major milestone in our operational history with the commencement of our low-fare non-stop transborder service. Our first two destinations were Los Angeles and New York, with the cities of San Francisco, Phoenix, Tampa, Orlando and Fort Lauderdale quickly following. Service to Palm Springs began in January 2005.

Transborder service provides a great opportunity for us to bring price stimulation to the scheduled transborder markets and for us to offer flights to sun destinations in the winter. The Canadian market is highly seasonal due to the severe winter conditions that dissuade consumers from travelling domestically during Canada's coldest months. By adding non-stop service to warm destinations in the United States, we will be able to alleviate some of the impact of seasonality on our operations. However, as one-third of our transborder capacity was dedicated to Florida, initially our revenues from this state were severely impacted by the four hurricanes that hit this popular vacation destination in the late fall of 2004.

Since inception, we have offered free snacks and non-alcoholic beverages onboard our flights. As our average stage length continues to grow and guests are spending more time in the air, we began to sell food onboard flights lasting over two hours and 30 minutes on July 1, 2004. Buy on Board (B.O.B.) food items range in price from $1 to $5, and include sandwiches, fruit bowls, and non-perishable snacks. Though this initiative is primarily driven by our desire to increase our level of customer service, selling food onboard flights also generates positive revenues. We will, however, continue to offer complimentary snacks and non-alcoholic beverages on all of our flights.

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, 2004. 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 for the year ended December 31, 2004 and related notes thereto.

Year 2004 compared to Year 2003

Revenue

As a result of the extremely competitive revenue environment throughout the year, our yield (revenue per passenger mile) decreased 5.1% from 17.8 cents in full-year 2003 to 16.9 cents in 2004, while our load factor decreased by less than one-percentage point. Load factor and yield are measures that can easily be affected by external competition. Our objective is to always achieve the optimal balance between selling discounted seats to stimulate demand, and selling higher-fare tickets to increase revenue. Due to the competitive environment in 2004, we were less able to achieve a normal mix of fares which caused our yields to decrease.

In 2004, we increased our available seat miles ("ASMs") by 30.4% and revenue passenger miles ("RPMs") by 29.4% to 9.0 billion and 6.3 billion respectively. This increase in capacity was achieved through the acquisition of 11 new 737-700 aircraft, and the replacement of one 737-200 aircraft during the year. These new aircraft also

Annual audited financial information

(in millions except per share data)

	2004	2003	2002
Total revenue	$ 1,058	$ 864	$ 683
Net earnings (loss)	(17)	61	52
Basic earnings (loss) per share	(0.14)	0.52	0.47
Diluted earnings (loss) per share	(0.14)	0.52	0.46
Total assets	1,877	1,477	784
Total long-term liabilities [1]	1,020	662	255
Shareholders' equity	590	581	356

[1] Long-term liabilities include current and long-term portions of long-term debt and obligations under capital leases and other long-term liabilities.

Quarterly unaudited financial information

(in millions except per share data)

	Three Months Ended			
2004	Mar. 31	Jun. 30	Sept. 30	Dec. 31
Total revenues	$ 217	$ 257	$ 310	$ 274
Net earnings (loss)	1	7	21	(46)
Basic earnings (loss) per share	0.01	0.06	0.17	(0.37)
Diluted earnings (loss) per share	0.01	0.06	0.17	(0.36)

	Three Months Ended			
2003	Mar. 31	Jun. 30	Sept. 30	Dec. 31
Total revenues	$ 173	$ 206	$ 255	$ 230
Net earnings	1	15	32	13
Basic earnings per share	0.01	0.13	0.28	0.11
Diluted earnings per share	0.01	0.13	0.28	0.10

The airline business is seasonal in nature, with the highest activity in the summer (third quarter) and the lowest activity in the winter (first quarter) due to the high number of leisure travellers and their preference to travel during the summer months.

have an increased seating capacity and longer-range capabilities than our older 737-200 series aircraft and are capable of flying more hours per year. Even with a 30.4% increase in ASMs, we were still able to maintain a load factor of 70.0% in 2004.

"In 2004, total revenue, which includes guest revenues, charter and other and interest income, surpassed $1 billion…"

Patrick Sabbag, Customer Service Agent

In 2004, total revenue, which includes guest revenues, charter and other and interest income, surpassed $1 billion, reaching $1.06 billion, an increase of 22.5% over 2003 revenue of $863.6 million.

Guest revenues continue to climb, rising 17.5% year over year to $933.4 million in 2004, and we continue to take advantage of supplemental income that we generate from ancillary revenue sources. For example, our charter operations provide us with significant revenue growth and are an ideal means for us to ensure the maximum utilization of our aircraft. Our charter business accounts for an increasing portion of our total revenues at 7.7% of total revenues in 2004, a 3.3 percentage point increase over 2003. Charter revenues totalled $82.0 million in 2004, which is a 115.5% increase from charter revenues in 2003 of $38.0 million. Over the last two years, charter revenues have increased by 360%.

Our charter business has provided us an opportunity to stabilize our revenue streams during periods when domestic travel traditionally declines. Newer Boeing 737-700 series aircraft offering features such as comfortable leather seats, more legroom and exclusive live satellite television continue to be attractive to our guests and charter-operator partners.

Cargo revenues also continue to grow, and in 2004 increased 66.4% from $3.8 million in 2003 to $6.4 million. Cargo accounts for less than 1% of 2004 total revenues, up slightly from a year ago.

We also generate ancillary revenues primarily created from a by-product of our scheduled flight operations. Other revenue originates primarily from guest itinerary changes and excess baggage fees. Other revenue totalled $25.6 million in 2004, an increase of 28.4% over 2003.

Cost per Available Seat Mile (CASM)

in cents

	2004	2003	2002	2001	2000
Aircraft fuel	2.69	2.27	2.40	2.83	2.93
Airport operations	1.93	1.78	1.90	2.13	2.20
Flight operations and navigational charges	1.66	1.53	1.63	1.76	1.86
Amortization [(1)]	0.88	0.92	1.13	1.15	0.94
Sales and marketing	0.94	0.84	0.96	1.03	1.14
Maintenance	0.87	1.10	1.76	2.41	2.60
General and administration	0.70	0.67	0.86	0.70	0.63
Interest expense	0.49	0.36	0.16	0.16	0.15
Inflight	0.49	0.47	0.59	0.54	0.61
Aircraft leasing	0.46	0.64	0.77	0.51	0.36
Customer service	0.27	0.32	0.43	0.59	0.66
	11.38	**10.90**	**12.59**	**13.81**	**14.08**

[(1)] For comparative purposes, impairment loss of $47,577,000 included in amortization expense has been excluded from unit cost calculations.

Expenses

Operating cost per available seat mile is a commonly referenced measure when comparing our relative costs year over year and comparing our performance to other airlines. In 2004, total operating cost per available seat mile, excluding the impact of the impairment loss, increased by 4.6% to 11.4 cents from 10.9 cents in 2003.

Average stage length is defined as an airline's average distance of flight and has a significant impact on an airline's operating unit costs. As average stage length increases, cost efficiencies are gained as the carrier is able to achieve a lower average cost per mile since fixed costs are shared over an increasing number of miles.

We increased our long-haul flights by 58% in 2004 from a year ago with medium- and short-haul flights remaining relatively unchanged. As a result, our average stage length increased from 656.7 miles in 2003 to 760.1 miles in 2004. We estimate that our CASM should have decreased by approximately 7.5% as a result of our longer-haul flying. However, the price of oil over the past year has had a tremendous effect on our operations. Fuel costs now comprise almost a quarter of our operating expenses and the soaring fuel price in 2004 is the largest single factor that undermined the unit cost benefits we achieved from longer-haul flying.

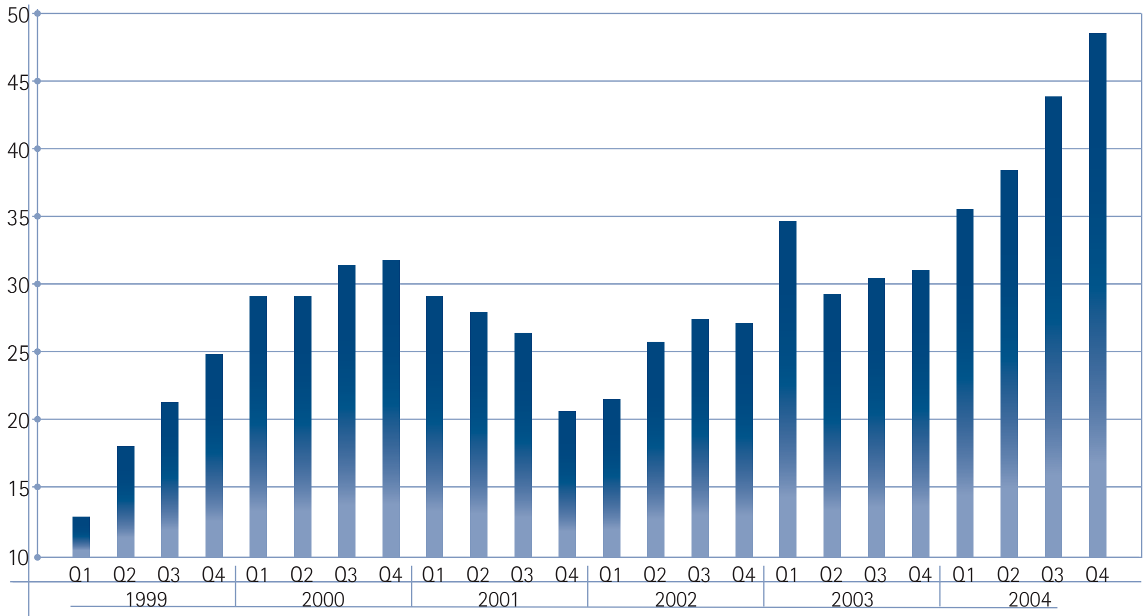
Aircraft Fuel

The results of our operations are highly vulnerable to changes in fuel costs. In addition to replacing our fleet with more fuel-efficient Next-Generation aircraft at a faster pace, we also manage this expense with the ongoing program of equipping our Boeing Next-Generation aircraft with blended winglet technology. This technology reduces fuel burn by increasing lift and reducing drag, and this improved aerodynamic efficiency has the ancillary benefit of increasing range capabilities. As anticipated, we have realized reduced fuel consumption from this initiative, which has proven to be even more beneficial than originally planned during these times of high energy prices.

Comparing 2004 to 2003 on an annual basis, the average West Texas Intermediate ("WTI") US$ per barrel of crude oil increased by 33%. Partially offsetting this increase was the appreciation in the Canadian dollar, which limited our year-over-year exposure to increasing fuel costs to 24% in Canadian dollars. For the year, the increase in fuel cost per ASM was 18.9%. Fuel cost per ASM increased at a smaller rate as compared to WTI because some jet fuel expenses, such as into-plane services, do not increase in proportion to WTI. On a per-litre basis, we did see an increase of 25.5% in average fuel expense from 39 cents per litre in 2003 to 49 cents per litre in 2004.

A portion of the year-over-year increase in our fuel cost per ASM can be attributed to part of our 2003 fuel being hedged. In June 2003, our fixed-volume jet fuel supply hedging arrangement that had been in place since 1999 expired. As a result, 12% of our 2003 jet fuel was protected at US $18.60 per barrel of crude oil while in 2004 we had not hedged any of our fuel requirements as prices were higher than anticipated. We continue to look for feasible opportunities to establish fuel-hedging arrangements to mitigate the risk associated with increasing fuel prices.

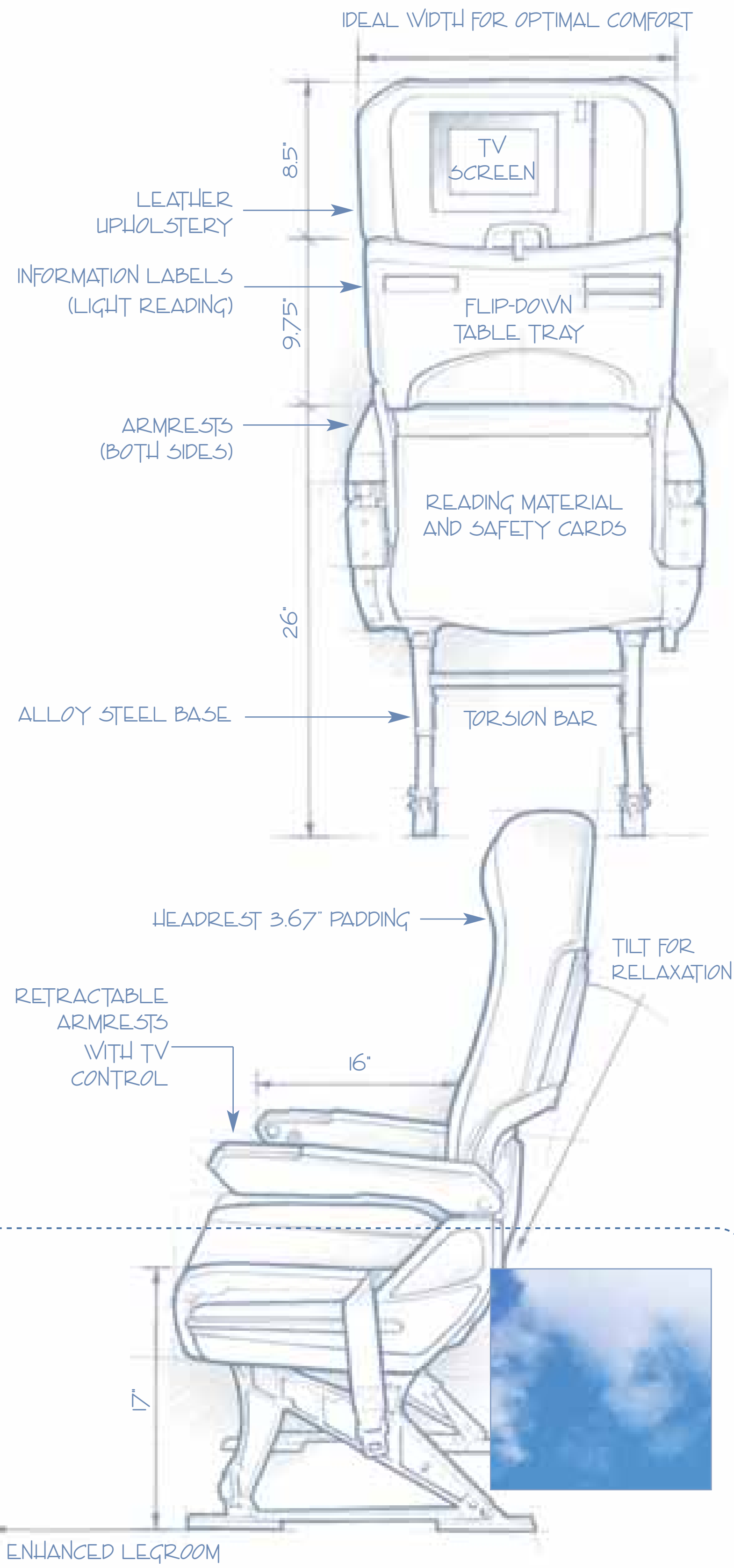
In January 2004, we implemented a temporary tiered fuel surcharge onto the base price of our flights in order to partially alleviate the pressures of fuel prices. This surcharge was merged into our fares in December 2004 as part of an industry-wide initiative to reduce the number of surcharges and taxes associated with air travel.



WTI (US$) per barrel of crude oil

Live Satellite TV: A plan to stay informed, be entertained or catch the latest score.

WESTJET IS NOW ON THE AIR.



Because clouds are only so interesting.

In July 2004, WestJet received regulatory approval to fly its first Boeing Next-Generation 737-700 aircraft equipped with live seatback satellite television. Guests travelling on aircraft equipped with this product can now enjoy 24 channels of live Bell ExpressVu programming including a lineup of news, sports, children's and leisure shows.

Traditional inflight entertainment options do not address the differing preferences of people flying, making overall passenger satisfaction difficult to achieve. WestJet's entertainment system features a real-time, at-home experience in the air and includes individual adjustable seatback screens, personal headphones and a control for channel, brightness and volume mounted on the armrests.

Time to stretch out and enjoy.

WestJet has secured an exclusivity agreement with the provider of its live satellite television hardware preventing any other airline from offering this product within Canada for five years. The airline estimates it will achieve an incremental load factor increase of 3% - 5% upon installation of live satellite television across its Next-Generation fleet, with completion expected by the summer of 2005.

We are very pleased to be able to bring our guests this exciting entertainment option.

JUST LIKE HOME.

Live satellite TV in every single seatback? Well, we're almost there thanks to the ongoing installation of live satellite TV onboard our new aircraft. We're making our guests feel right at home while high above the clouds.

Our sensitivity to fuel price changes has increased by 44% year over year due to our growth. We estimate the sensitivity of our exposure to changes in fuel costs (WTI US$ per barrel) to be approximately $4.9 million in net earnings for every US $1.00 change in the price of crude compared to approximately $3.4 million in 2003.

Airport Operations

In 2004, the component of our business responsible for airport operations within North American airports continues to be influenced by the escalating rates and fees levied by Canadian and US airport operators. As rate and fee increases ranged from 5% to 20% across the network and as our traffic grows primarily in Canada's most expensive airports, we have worked diligently to find efficiencies in the ever-shrinking amount of our controllable costs.

Airports cost per ASM increased by 8.9% in 2004 over 2003, which was partially diluted by the increase in stage length for the year. On a cost-per-departure basis, costs increased 24.6% for the year. The main contributors to the 2004 increase are the continued rates and fee increases at Canada's airports, which averaged 8.6% for the year, and a 21.2% increase in third party ground-handling costs. These costs were also driven by material growth in WestJet's presence in Toronto, which is by far the most expensive airport in Canada. Our departures from Lester B. Pearson International Airport increased by approximately 212% in 2004, and now represent 11% of our total Canadian departures, an increase from 4% in 2003.

Leah McDonald and Carissa Dueck, Customer Service Agents

"In 2004, we introduced self-service check-in alternatives in seven Canadian airports..."

We continued our efforts in 2004 to create efficiencies in airport controllable costs. In 2004, we introduced self-service check-in alternatives in seven Canadian airports which reduce the manpower resources necessary to check-in our guests and to depart an aircraft. We continued to push for greater utilization of our fixed cost resources and optimization of staffing levels and expect to benefit from these efficiencies in 2005.

Flight Operations and Inflight

Flight operations and inflight activities involve the resources and functions that are required to fly our aircraft such as pilot and flight crew compensation, training, dispatch, operations control and crew-scheduling.

In 2004, cost per ASM related to flight operations increased by 21.9% over 2003. This increase is primarily a result of stock-based-compensation expense awarded to pilots, which we began to recognize as an expense in 2004. During 2004, $11.0 million in stock-based-compensation expense was recognized in flight operations, increasing flight operations CASM by approximately 0.12 cents. Approximately 86% of stock options are awarded to our pilot group and represent a significant component of their compensation.

Frank Schwab, Projects Coordinator

In 2004, we experienced a year-over-year increase in unit costs related to inflight of 4.2% over the previous year. This was as a direct result of our drive to enhance communication between our flight attendants and management.

Navigational Charges

Air navigational charges are the costs associated with the provision of air traffic control services provided by both Nav Canada and the Federal Aviation Administration ("FAA"). These costs decreased in

Vincent Spicer, Sales Super Agent

CASM by almost 1% for the 12 months ended December 31, 2004.

However, these CASM decreases were a direct result of stage length increases. When viewed on a cost per departure basis, navigational charges actually increased by 13.6% for the year. Navigational cost increases were the result of three key factors:

- The organization responsible for air navigational services in Canada, Nav Canada, increased rates by 7.9% in September 2004.
- Flights flown by our 737-700 aircraft increased by more than 10% in 2004. This triggered an increase in air navigational charges as a portion of this cost is directly related to the greater maximum take-off weight of the 737-700 aircraft.
- An increase in charter flights from 3.6% to 6.7% of total operations generated additional fees related to navigational charges issued by the FAA in the United States. Over-fly charges are issued to WestJet by the FAA for navigational services when passing through American airspace and landing in a country other than Canada or the United States.

Sales and Marketing

Our efforts to entice guests to book with WestJet are the key drivers of sales and marketing costs. Sales and marketing costs encompass a number of expenses such as advertising, agency and credit card fees, global distribution system costs, the AIR MILES® Reward Program and promotional expenses.

With intense competition continuing during 2004, we increased our focus on advertising and promotions in order to increase our brand awareness. As a result, sales and marketing has taken on a larger role and has increased on a CASM basis by 11.2% from a year ago.

Our advertising efforts have almost doubled from the previous year, which is one of the major contributors to the increase in sales and marketing CASM. In the spring and through the summer, we ran a large national television and billboard advertising campaign. Advertising has provided an opportunity to increase awareness of our expansion in Eastern Canada and in promoting our flights into the United States.

In May 2004, we strengthened our AIR MILES Reward Program by launching the WestJet Mosaik® MasterCard®* . The card offers many rewards to guests who spend with our airline and other retail businesses. Three levels of credit cards (Bronze, Silver and Gold) offer guests opportunities to earn AIR MILES reward miles faster, redeem flights on WestJet sooner, and bank with fewer fees than any other travel rewards credit card in the industry.

We further strengthened our distribution network by establishing preferred agency agreements with the largest chains of travel agencies in Canada which we believe will help us grow again in 2005. We also improved

[1] ® Trademarks of AIR MILES International Trading B.V. Used under license by Loyalty Management Group Canada Inc. and WestJet.
[2] ® Registered trademark of Bank of Montreal. Patent pending.
® *Bank of Montreal is a licensed user of the registered trademark and design of MasterCard International Inc.

The Dual Boarding Bridge: another example of a successful investment in innovative technology that increases efficiency and guest service.

WestJet has been utilizing DEW Engineering's Dewbridge™ dual boarding bridge, also known as the over-the-wing bridge, since April 2003. This system allows WestJet to board and deplane guests faster than ever before by allowing them to enter and exit the aircraft from both the forward and aft doors directly from the airport terminal.

By getting guests on and off the aircraft quicker, our on-time performance is improved and we can maximize the number of flights per day we operate.

The dual bridge system helps keep WestJet operations running smoothly and minimizes delays that can be costly for the airline, and frustrating for our guests.

our competitive lead by offering full content and increased commission rates in the global distribution channels. Offering agencies the same commission in each booking channel provides the flexibility to allow agencies to book our guests using their preferred booking channel. The combination of these agencies strategies has already shown positive results. While total bookings increased by 13.4% in the fourth quarter of 2004 versus the fourth quarter of 2003, agency sales increased 22.5% over the same time period.

Our Internet technology has provided tremendous growth with an annual average of 70.3% of bookings during the year taking place through our westjet.com website, up from 63.5% in 2003 and 50.1% in 2002. We have also added BizLink, which is a separate website adding convenience and service to corporate travellers, and we introduced an online flight tracker product that has helped reduce costs to our call centre, providing even greater service for our guests.

Amortization

In 2004, our amortization expense, excluding the impairment write-down on our 200-series aircraft, increased 24.6% over 2003 to $78.8 million. Amortization as a percentage of total operating costs, excluding the write-down, was 7.4% as opposed to 8.4% in 2003. This overall increase in amortization cost can be attributed to the acquisition of our owned 737-700 aircraft and increased investment in facilities, equipment and technology. However, this cost declined on a per unit cost basis from 0.92 cents to 0.88 cents.

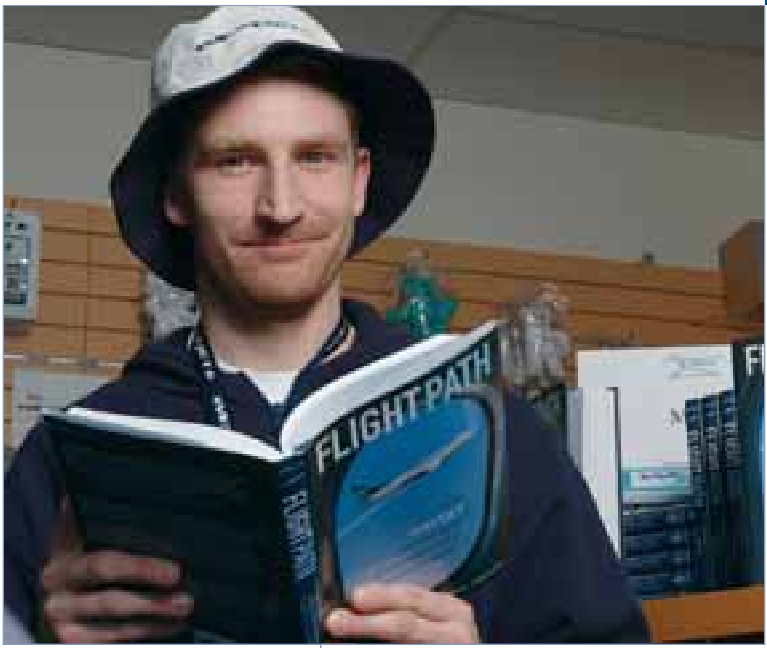
During the year, we replaced one 200-series aircraft and realized a gain on disposition. Since we began our 737-200 fleet replacement analysis in 2000 with Next-Generation aircraft, we have had a gain on each 737-200 aircraft disposal, which demonstrates the appropriateness of our current amortization policies and conservative residual values. We will continue to conduct annual reviews of our accounting estimates to ensure amortization estimates are appropriate and conservative.

Maintenance

The average age of our aircraft has been reduced due to the larger proportion that the Next-Generation aircraft represent of our fleet. They are more efficient to operate due to newer technology and improved maintenance practices of the Next-Generation aircraft. With a fleet being constantly renewed with the addition of new 737-700 aircraft, it is unnecessary to replace parts at the same rate that the older fleet requires which lowers our operating costs in the early years of service and makes our service more reliable.

Since we began taking on owned Next-Generation aircraft in 2002, the average age of our fleet has continually declined from 15 years in 2002 to 10 years by the end of 2004. The average age of our 737-700

Linda Craig, Business Representative, Airports



Darren Kooistra, Business Representative, Airports

fleet is slightly less than two years compared to 27 years for our 737-200 fleet.

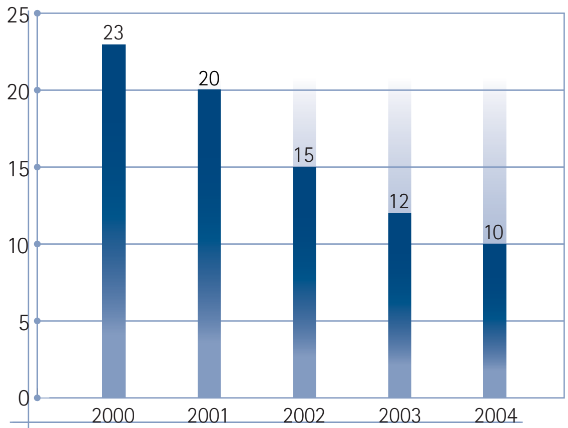
A younger fleet requires less maintenance and less downtime which allows us to increase the utilization of our aircraft. On average, we operate our 200-series aircraft approximately 10 hours per day. By comparison, we operate our 700-series aircraft an average of approximately 12 hours per day due to their longer-range capabilities and lower time required for maintenance.

Our investment in blended winglets provides us not only with fuel efficiencies, but also maintenance cost savings. This is achieved from reduced engine wear due to lower thrust/power settings. In 2004, 20 737-700s were removed from service for an average period of seven days each to permit the retrofitting of blended winglets. Of the 20 aircraft modified, nine were completed in the fourth quarter. In 2004, Boeing also began installing winglets on our new aircraft prior to delivery with the first non-retrofit aircraft arriving in the fourth quarter. In 2005, eight 737-700 and five 737-800 aircraft are scheduled to be delivered with winglets installed. A major benefit of installing winglets at production is that we avoid having to remove aircraft from service for this installation process. The remaining 10 winglet retrofit installations are expected to be completed by July 2005.

WestJet has embarked on a new maintenance program for all of its Next-Generation 737 aircraft which meets the Boeing and all additional Transport Canada requirements. Based upon a calendar timeframe, each aircraft is scheduled for maintenance inspection tasks on pre-determined days and months. This program completes all the required maintenance checks with the benefit of a known schedule and thereby avoids unscheduled disruptions to service.

"A younger fleet requires less maintenance and less downtime which allows us to increase the utilization of our aircraft."

As a result of these increased efficiencies, maintenance costs per ASM decreased 20.7% from 1.1 cents in 2003 to 0.9 cents in 2004. The overall 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 are 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.



Average Age of Fleet (Years)

General and Administration

Our teams responsible for accounting, treasury, information technology, legal, human resources, facilities and training generate activities that contribute to general and administration costs. Also included in these costs are senior management, executive compensation and insurance.

In 2004, total general and administration costs increased by 4.6% over 2003 on a per ASM basis. This increase is a result of the new recognition of stock-based compensation expense and fees incurred on our financing agreement with Ontario Teachers' Pension Plan Board ("Ontario Teachers"). We have also incurred substantially higher legal fees during the past year as litigation continues between WestJet and Air Canada and WestJet and Jetsgo.

Lee Bentley, Customer Service Agent

In the previous year, we had entered into an agreement with one of our largest institutional shareholders, Ontario Teachers, for the right to require Ontario Teachers to purchase up to $100 million of WestJet common shares. This agreement expired in September 2004 at which time we elected not to exercise the financing agreement. Under the terms of the agreement, we were required to pay Ontario Teachers a quarterly standby fee of 1% per annum, as long as we had not exercised or cancelled our rights under the agreement. The total standby fee we incurred was $1 million which was recognized in general and administration expenses in 2004 when we opted not to exercise our rights under this agreement.

Compensation expense for our senior management and executive teams include the fair market value of stock options issued to these groups. In 2004, $1.3 million was expensed that related to stock-based compensation expense for stock options issued to certain employee groups other than pilots. This increased general and administration CASM by 2.2%.

We have been successful in securing lower insurance premiums during the year as a result of our no-claims history, our high standard of safety in operations and the expanded use of advanced technology on our new aircraft.

We currently have several insurance policies in our portfolio that have been put in place to provide protection to our guests, to the communities we serve, our employees and the Company as a whole. As the size of our fleet continues to increase, the premium that we pay on these policies, per aircraft, has decreased significantly. We experienced a decrease of 27.3% in our per unit insurance cost for the year from 0.22 cents in 2003 to 0.16 cents in 2004.

Interest Expense

Ninety-six per cent of our long-term debt relates to financing for our Next-Generation aircraft. We are exposed to general market fluctuations of interest rates only on future aircraft purchase commitments as these will be financed at prevailing market rates at the time of delivery. We carry the long-term debt associated with purchased aircraft at a fixed rate of interest, which eliminates the risk of interest-rate fluctuations during the remaining life of the debt.

In 2004, our interest expense grew by 77.0% to $44.1 million for the year, which represents 0.49 cents on a per-ASM basis compared to 0.36 cents per ASM in 2003. This large increase is primarily due to the additional $429.9 million in debt that we incurred in 2004 for new aircraft acquisitions.

Aircraft Leasing

We currently have 15 leased aircraft in our fleet: five 737-200s and 10 737-700s. Eleven of these aircraft are on operating leases, and four are under capital leases. As all lease agreements are in US dollars, the decline of the American currency in 2004 caused our aircraft leasing expense to shrink by approximately $2.9 million when compared to our 2003 expense.

Customer Service

Customer service expenses include activities associated with booking our guests and costs associated with compensating our guests for flight disruptions.

We continue to upgrade our website capabilities to create a more user-friendly site that accommodates our current guests' needs while attracting new travellers to WestJet. Use of the Internet as a booking tool has provided us with cost savings with respect to distribution of our product. Increased booking activities in 2004 were redirected towards the Internet compared to 2003, resulting in decreased call volumes and average handling time, and call-flow improvements in our reservations department. This has led to a decrease in customer service CASM over last year.

Efficiencies from increased frequency on city pairs, newer aircraft, and generally more re-accommodation options for interrupted flights have resulted in a year-over-year decline of 16.8% in customer service costs per unit. In 2004, WestJet's on-time performance ("OTP"), a measure of the reliability of an air carrier, remained strong compared to other reporting airlines in North America. During 2004, 81% of our flights arrived within 15 minutes of their scheduled arrival time compared to 78% for the United States average. This is a significant accomplishment given the volatile weather conditions we contend with in Canada compared to other parts of North America.

Nancy Menard, Flight Attendant

Compensation

As a result of the recent cost difficulties airlines have encountered, salaries and wages have been an increasing concern and burden to the operating costs of many airlines. While other airlines are faced with the difficulty of managing labour costs, we have been able to effectively control these costs with our successful compensation strategy that is tied to corporate performance.

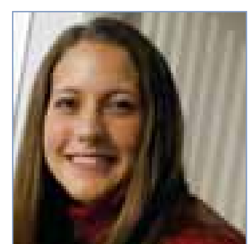
Our compensation philosophy is to align the interests of our employees with those of our Corporation. This is accomplished by offering our people a compensation plan consisting of a base salary enhanced by a profit sharing plan and a share purchase plan. Under the share purchase plan, employee contributions are matched by the company dollar for dollar up to 20% of an employee's annual salary. These other forms of compensation allow for base salaries to be offered at levels generally lower than that of the industry average. However, during times of strong financial performance, WestJet's total compensation is above average as a result of an increase in profit share payout and higher share prices. Our compensation system is designed to allow us to offer a base salary that is manageable and affordable, even during times when cost pressures in our industry are high, allowing us to avoid the need to extract the wage concessions other airlines must request from their employees during difficult times.

One of the key drivers of our low-cost infrastructure is the high productivity of our people. We continue to see a decline in our salary and benefit unit costs, yielding a 2.8% reduction from 2.15 cents in 2003 to 2.09 cents in 2004 per ASM. These costs, as a percentage of our total expenses, have decreased from 21% in 2003 to approximately 19% in 2004.

Participation in the employee share purchase plan remains constant with over 86% of our employees participating. Contribution levels averaged 13% of base salaries in 2004, which is a slight increase over 2003. WestJet's matching expense increased 35% from $14 million in 2003 to $19 million in 2004.

"One of the key drivers of our low-cost infrastructure is the high productivity of our people."

Rick Krupa, Captain



Mandy Hryciw, Project Manager

In 2004, approximately $2.9 million in profit sharing was expensed to bring an eight-year cumulative total in profit share paid to employees to over $63 million. Our profit sharing plan is an opportunity for our people to align their interests with that of our company. Profit share can range from anywhere between 10% to 20% of earnings before employee profit share and income taxes, but is always subject to prior approval by the Board of Directors, and is paid out in May and November of each year.

Foreign Exchange

During 2004, the Canadian dollar strengthened to a year-end closing rate of $0.83 relative to the US dollar.

The United States of America: A plan for expansion of service.

TRANSBORDER IN THE THIRD QUARTER.

Let's talk about US

Citing transborder service as "a prudent, logical next step" for WestJet, President and CEO Clive Beddoe revealed to travellers in early 2004 that their wait for WestJet to provide its low-fare service to the United States was finally over.

September 20, 2004 marked a milestone for WestJet as the airline celebrated the launch of scheduled transborder service by touching down in Los Angeles and New York. In October, WestJet added service to San Francisco, Phoenix, Tampa, Orlando and Fort Lauderdale, and commenced service to its eighth American destination, Palm Springs, in January 2005.

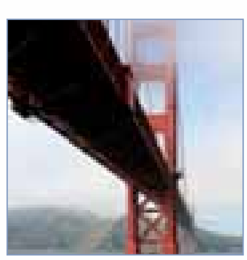
And you thought WestJet was warm and friendly before.

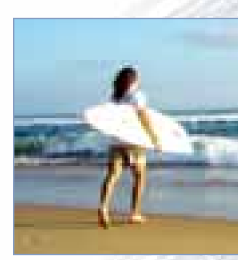
WestJet's transborder schedule offers convenient service to the cruise ship markets in Florida, the theme parks and warm weather of California, the golf and sun destinations of Arizona and the global business centre of New York.

Canadians have long been eager to take advantage of WestJet's unique brand of friendly, low-fare service when travelling to the US for business or pleasure. Not surprisingly, the airline has received a tremendously positive response to these new destinations.

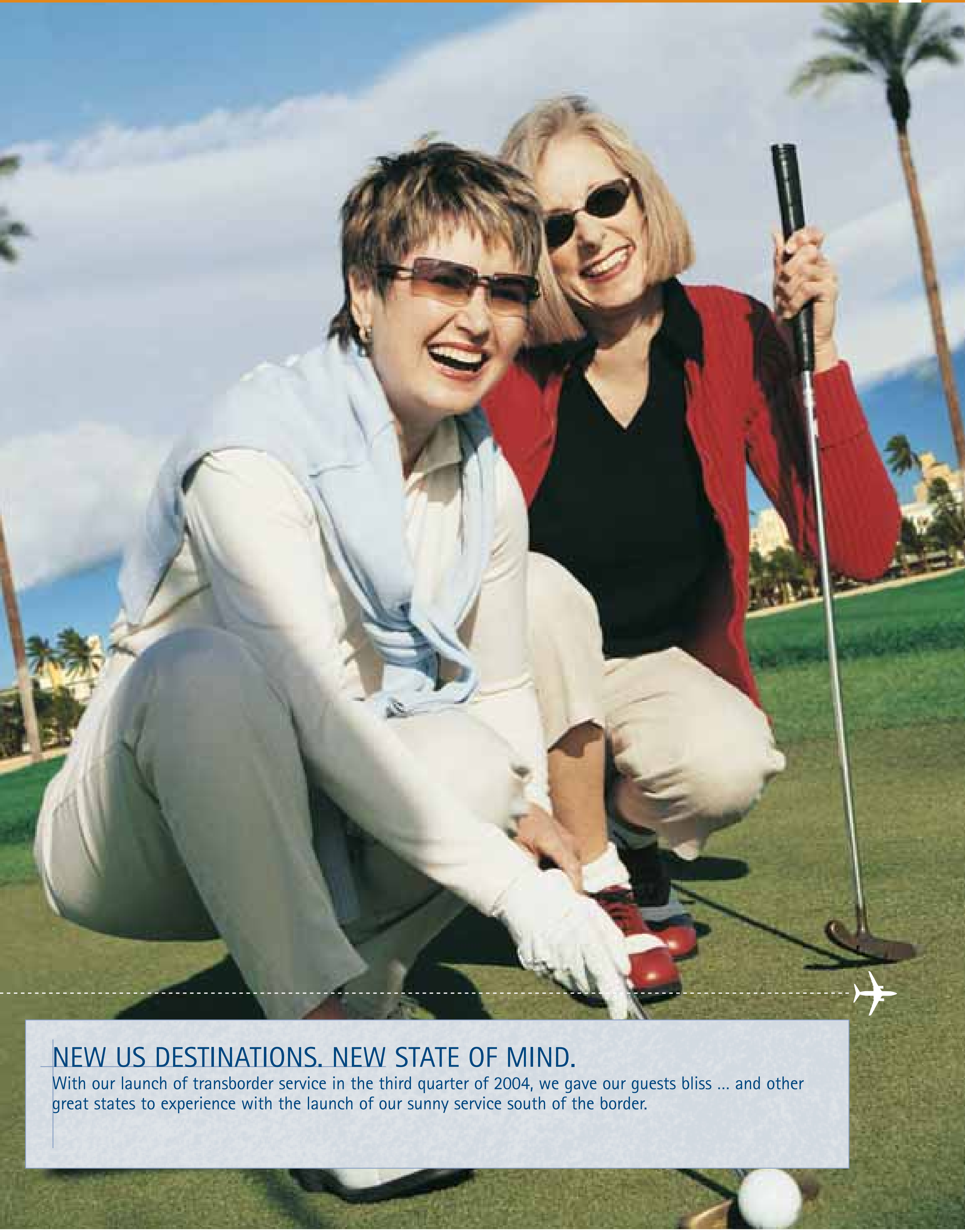
DESTINATIONS:

SAN FRANCISCO
LOS ANGELES
PALM SPRINGS
PHOENIX
TAMPA
ORLANDO
FORT LAUDERDALE
NEW YORK





EXPANSION PLANS TO FOLLOW.



NEW US DESTINATIONS. NEW STATE OF MIND.

With our launch of transborder service in the third quarter of 2004, we gave our guests bliss ... and other great states to experience with the launch of our sunny service south of the border.

Roz Goldsworthy, Flight Attendant

Vince Lamb, Sales Super Agent

"We ended 2004 with a solid cash position of $148.5 million..."

Our expenditures denominated in US dollars primarily relate to certain maintenance costs, jet fuel and aircraft lease payments.

In order to minimize our exposure to foreign-exchange movements related to our US dollar operating expenditures, we carry US dollar cash and cash equivalents to meet these obligations. Throughout the year, we had on average a balance of approximately US $35 million in cash and cash equivalents. As a result of the strengthened Canadian dollar in 2004, we incurred a total foreign exchange loss of $3.2 million, primarily as a result of these cash balances. More than offsetting the affect of the Canadian dollar movement on our US dollar cash balances is the impact of the foreign-exchange-rate movement on our US dollar purchases such as our aircraft, fuel and maintenance.

We estimate for every $0.01 downward movement in the Canadian dollar in relation to the US dollar (e.g. $0.83 to $0.82), our operating expenses would increase by approximately $6.9 million. Conversely, for every $0.01 upward movement in the Canadian dollar in relation to the US dollar (e.g. $0.82 to $0.83) our operating expenses would decrease by approximately $6.9 million.

Income Taxes

Our total tax expense differed from the statutory tax rate due to the inclusion of certain non-deductible expenses. These expenses included the non-deductibility of stock-based compensation expense for tax purposes, which was effective for our 2004 fiscal year but not the previous year. Offsetting our current tax recovery are large corporations and capital taxes of $3.7 million, which increased from $1.7 million in the prior year due to the increases in our debt levels and shareholders' equity.

During 2005, the Alberta corporate tax rate, which is currently at 11.5%, may be changed as Alberta has promised to lower the rate to 8% if doing so is affordable. With the current surpluses enjoyed by Alberta, we anticipate some form of rate reduction effective April 1; however, we are not confident that it will decrease fully to 8%. Any decreases will result in a revaluation of WestJet's future tax liability, which will be a favourable adjustment to the future tax expense should this legislation be enacted.

Fourth Quarter 2004 Operating Results in Review

Our fourth quarter operations are normally characterized by a decrease in demand for air travel due to the severe winter conditions we experience in Canada. Weak demand is usually alleviated somewhat by increased bookings from guests travelling to visit family and friends during the holidays in December. Unfortunately, lower yield during the fourth quarter of 2004 negated the uplift in guest revenues we would normally realize during December, and this was further exaggerated by this year's relatively shorter Christmas holiday period.

Total operating revenue increased by 18.9% to $273.7 million in the last three months of 2004 compared to $230.2 million in same period in 2003. Our fourth quarter yield dropped by approximately 5.8% over the same period last year.

Excluding the $47.6 million impairment loss included in amortization expense, total CASM increased by 9.4% for the three months ended December 31, 2004 to 11.7 cents compared to 10.7 cents in the fourth quarter of the previous year. Our average stage length increased from 684.7 miles in the last quarter of 2003 to 788.3 miles in the same period of 2004. We estimate the unit cost benefit derived from this increased stage length to be approximately 7%; however, persistent cost pressures in the fourth quarter largely attributable to increases in jet fuel prices and rising airport operation costs negated the cost advantages we realized from increased long-haul flying.

World fuel prices increased dramatically in the last three months of the year with WTI US dollars per barrel of crude increasing 54.9% and 10.2% over the fourth quarter of 2003 and the third quarter of 2004 respectively. This significantly impacted our fuel cost per litre which increased 47.4% from 37 cents per litre in the fourth quarter of 2003 to 56 cents per litre in the same period in 2004. The dramatic fuel price escalation in the fourth quarter resulted in a 42.0% increase in cost per ASM when compared to the fourth quarter in 2003.

In the three months ended December 31, 2004, our airport operations expanded to include seven destinations in the United States (service to our eighth United States destination, Palm Springs, began on January 7, 2005). Additionally, our people opened facilities for our guests in 15 additional charter cities not previously served in the fourth quarter last year.

For the quarter, airport operations experienced a 9.0% increase in cost per ASM compared to the same period in 2003. Our cost per departure, which excludes any impact from stage length dilution, increased by 23.2% during the three-month period compared to the fourth quarter of last year.

Airport operations witnessed increased costs in four key areas. The most significant impact to operations was the roughly 9.0% increase in airport rates and fees over the same period in 2003. Additionally, we continued to grow our operations in Toronto, Canada's most expensive airport. For the three months ended December 31, 2004, Toronto saw departure growth of almost 242% compared to the same period in 2003. Furthermore, we continued the growth of our Next-Generation 737-700 fleet, which increased the proportion of total flights made by 700-series aircraft. As fees are generally linked to the size of an aircraft, cost per departure increased with the growth in percentage of total flights made by 737-700s. Finally, the expansion into the United States that commenced in September 2004 resulted in additional costs from our Canadian airports, as airports charge elevated rates for international operations.

Joanne Leskow, Team Leader, CARE

Financial Condition

Liquidity and Capital Resources

We ended 2004 with a solid cash position of $148.5 million compared to $241.4 million in 2003. We completed the year with a working capital ratio of 0.6 compared to 1.2 at the end of the previous year. The decrease in our cash position and working capital ratio was primarily due to the decrease in operating cash flow as a result of the weak yield environment and high fuel prices and airport costs. In addition, as we take on additional debt from purchases of Next-Generation aircraft, our current liabilities will increase as a result of an increase in obligations due within the upcoming year.

Operating cash, derived primarily from providing air transportation to our guests through our operating activities, continues to generate stable cash flow. Operating cash outflows are primarily related to the recurring expenses of operating the airline. During the 12-months ended December 31, 2004, we produced $144.1 million cash from operations compared to $192.4 million in the previous year. For 2004, the decrease in operating cash flows primarily was a result of lower fare revenue realized on ticket sales.

Rhonda Reynolds, Project Manager

We generated $23.9 million of our cash flow from operations through advance ticket sales in 2004. During 2004, cash generated from advanced sales increased by 41% since the beginning of the year, outpacing 31% growth in 2003, despite the lower fares realized in 2004.

Our cash flow related to investing is primarily associated with aircraft purchase activities. In 2004, aircraft additions consisted of payments for new 737-700 aircraft deliveries totalling $415.3 million net of previous deposits paid. During 2004, we exercised options for eight 737-600 aircraft for delivery in 2005 and 2006 and converted five future aircraft deliveries previously intended for 737-700 aircraft to 737-800 aircraft. These decisions resulted in an increase of progress payments made to Boeing. In 2004, we paid $93.5 million in additional deposits for aircraft deliveries in 2005 and 2006.

During 2004, we also incurred other property and equipment expenditures of $21.8 million primarily related to our information technology infrastructure, and $57.2 million to purchase live satellite television, winglets, miscellaneous aircraft parts, and ground handling and training equipment.

Financing activities for our aircraft are the primary driver of financing cash flow. In 2004, we incurred $429.9 million in additional long-term debt that is supported by Ex-Im Bank loan guarantees for the purchase of 11 aircraft. By the end of 2004, we cumulatively incurred $1.1 billion in long-term debt for 26 aircraft guaranteed by Ex-Im since 2002, the majority of which consists of fixed rate Canadian dollar debt at rates between 4.9% and 6.0%. This has resulted in our ability to eliminate all of our future foreign exchange and interest rate exposure on these US dollar aircraft purchases and lock in the carrying costs of aircraft purchases at reasonable levels.

During 2005, we are exploring various financing alternatives to facilitate the acquisition of our aircraft commitments during 2005 and 2006. Subsequent to year end, we entered into eight-year US dollar operating lease agreements with Aviation Capital Group ("ACG") to finance three 737-700 aircraft to be delivered during January to March 2005. We also entered into 10-year US dollar operating lease agreements with Pegasus Aviation Finance Company to finance five 737-800 aircraft to be delivered during April to June 2005.

Contractual Obligations, Off-Balance Sheet Arrangements, and Contingent Liabilities and Commitments

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 on the following page (see "Contractual Obligations").

We currently have 11 aircraft under operating leases. Although the obligations related to these agreements are not recognized on our balance sheet, we nevertheless include these commitments in assessing our overall leverage. Our debt-to-equity ratio, including off-balance sheet debt of $265.4 million, was 2.2 to 1 by the end of 2004 compared to 1.7 to 1 at the end 2003. In an industry that is often characterized by high debt, we believe the ideal debt-to-equity ratio is no more than 3.0 to 1. Although we have increasing debt obligations from new aircraft purchases, we have successfully maintained an enviable debt-to-equity ratio which reflects our ability to effectively manage our balance sheet. As at February 10, 2005, we had 126,214,976 common shares outstanding and 9,278,184 stock options outstanding.

To facilitate the financing of our Ex-Im Bank supported aircraft, we utilize two special purpose entities. We have no equity ownership in the special-purpose entities; however, we are the primary beneficiary of the special-purpose entities' operations. The accounts of the special purpose entities are included in our consolidated financial statements.

A Fresh as Amended Statement of Claim was filed by Air Canada and ZIP Air Inc. in the Ontario Superior Court on December 23, 2004 against the Corporation, two officers, two employees, two former officers and one former employee (the "Defendants"). The principal allegations are that the Defendants unlawfully obtained confidential flight load and load factor information from Air Canada's employee travel website and, as a result, the Plaintiffs have suffered damages and the Defendants have benefited from having access to the alleged confidential information. The Plaintiffs are seeking damages, aggregating $220 million, but the Plaintiffs have provided no details or evidence to substantiate their damages claim.

A Statement of Claim was also filed by Jetsgo Corporation in the Ontario Superior Court on October

Contractual Obligations
(millions)

	Total	2005	2006	2007	2008	2009	Thereafter
Long-term debt repayments	**$ 1,003**	$ 97	$ 92	$ 92	$ 98	$ 91	$ 533
Capital lease obligations (1)(2)	**7**	7	–	–	–	–	–
Operating leases (3)	**838**	82	87	85	85	83	416
Purchase obligations (4)	**491**	302	189	–	–	–	–
Total contractual obligations	**$ 2,339**	**$ 488**	**$ 368**	**$ 177**	**$ 183**	**$ 174**	**$ 949**

(1) The Company's capital leases are denominated in US dollars. The obligations in 2005 is US $5,800,000.

(2) Includes imputed interest at 8.09% totalling $420,000.

(3) Included in operating leases are US dollar operating leases primarily related to aircraft. The obligations of these operating leases in US dollars are 2005 – $58,312,000; 2006 – $66,776,000; 2007 – $66,711,000; 2008 – $66,711,000; 2009 – $66,711,000; 2010 and thereafter – $330,083,000.

(4) Relates to purchases of aircraft, live satellite television systems, winglets, fixed-base trainer and Next-Generation flight simulator.

15, 2004 against the Corporation, an officer and a former officer (the "defendants"). The principal allegations are that the defendants conspired together to unlawfully obtain Jetsgo's proprietary information and to use this proprietary information to harm Jetsgo and benefit WestJet. The Plaintiff is seeking damages, in an amount to be determined plus $50 million, but the Plaintiff has provided no details or evidence to substantiate its claim.

Based on the results to date of (i) an internal investigation, (ii) advice from independent industry experts, and (iii) cross-examinations of witnesses in the Air Canada proceedings, management believes the amounts claimed are substantially without merit. The amount of loss, if any, to the Corporation as a result of these two claims cannot be reasonably estimated. The defence and investigation of these claims are continuing.

Shane Anderson, CARE Coordinator

Accounting Policies and 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 could 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

Larry Richards, Engine Shop Technician

the period the credit is issued. The utilization of guest credits is recorded as revenue when the guest has flown or upon expiry.

The Company uses the liability method of accounting for future income taxes. This methodology requires a significant amount of judgment regarding assumptions and the use of estimates, which can create significant variances between actual results and estimates including the scheduling of our effective tax rate and the potential realization of future tax assets and liabilities in the future.

The Accounting Standards Board ("AcSB") is proposing to issue three new handbook sections, FINANCIAL INSTRUMENTS - RECOGNITION AND MEASUREMENT, Section 3855, HEDGES, Section 3865, and COMPREHENSIVE INCOME, Section 1530, specifying when a financial instrument or non-financial derivative is to be recognized on the balance sheet. These sections will require a financial instrument or non-financial derivative to be measured at fair value, amortized cost or cost; establish how gains and losses are to be recognized and presented, including introducing comprehensive income; specify how hedge accounting should be applied; establish new disclosures about an entity's accounting for designated hedging relationships and the methods and assumptions applied in determining fair values.

The AcSB expects to issue the Sections in early 2005. The mandatory effective date for Sections 1530, Comprehensive Income, 3855, Financial Instruments - Recognition and Measurement, and 3865, Hedges, would be for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Earlier adoption will be permitted only as of the beginning of a fiscal year ending on or after December 31, 2004.

The AcSB has issued an Exposure Draft proposing amendments to Section 3500, Earnings per Share. The AcSB expects to issue a final standard in the first quarter of 2005. Proposed changes would amend the computational guidance in Section 3500 for calculating the number of incremental shares included in diluted earnings per share when applying the treasury stock method. When applying the treasury stock method for year-to-date diluted earnings per share, current guidance requires that the number of incremental shares included in the denominator be determined by computing a year-to-date weighted average of the number of incremental shares included in each interim diluted earnings per share calculation. Under the proposed amendments, the number of incremental shares included in year-to-date diluted earnings per share would be computed using the average market price of common shares for the year-to-date period. Proposed amendments to Section 3500 would also require that, for the purposes of computing diluted earnings per share, an entity should assume that a contract that could be settled in cash or common shares would be settled in common shares, if share settlement is more dilutive. Proposed amendments would eliminate provisions that allow an entity to rebut the assumption that contracts with the option of settling in either cash or common shares, at the issuer's option, will be settled in common shares.

The AcSB plans to issue final standards in the first quarter of 2005. The AcSB will endeavour to make the

Kerry Knockleby, Flight Attendant

effective date of the amendments consistent with the effective date of the final amendments to Statement of Financial Accounting Standards No. 128, Earnings per Share (FAS 128), as proposed by the US Financial Accounting Standards Board.

Corporate Governance

Throughout 2004, the Board of Directors took several steps to ensure that good corporate governance practices are employed at WestJet for the protection of all stakeholders. The Board appointed a Lead Director to fill the role of non-management Chairman in situations where an independent Chairman was required. The Board set up an Independent Committee to deal with the claims from Air Canada and Jetsgo. This separated the handling of the claim from management to avoid any potential conflicts and to allow management to concentrate its time and efforts on running the airline. The Board also oversaw the establishment of a confidential and anonymous reporting hotline whereby any employee can anonymously report any perceived improprieties or suspected inappropriate practices without fear of repercussions. The Board undertook a review and modification of the Company's code of conduct. As well as endorsing the practice that all new employees must sign and acknowledge that they have read the code and understand it, the Board introduced a practice whereby all directors, executives and all management are required to re-read the code of conduct and sign the acknowledgement annually. The Board, together with senior management, received, reviewed and discussed written advice on the fiduciary duties of officers of a public company. The Board established a Corporate Governance Committee to research and recommend to the Board further actions to be taken in 2005 and beyond to ensure that the Board of Directors and all WestJetters are encouraged to conduct themselves according to good corporate governance practices.

Outlook

The Canadian airline industry has been undergoing a transition period over the past several years. Events that have significantly impacted our industry include the general downturn in air travel exacerbated by the events of September 11, 2001 in the United States and the demise and takeover of several airlines.

As the airline industry evolves, legacy carriers struggle to a greater degree amidst the challenging environment in which all airlines currently operate than do carriers with low-cost structures. We believe we have created a strong infrastructure reflecting our low-cost strategy and we continually endeavour to find innovative ways to reduce our operating costs.

Since our inception in 1996, we have grown from three planes and 220 employees, serving five cities, to 54 planes and 4,778 employees serving 31 cities by the end of 2004. This is a great accomplishment given the many challenges we have faced in our nine years of operations.

"We believe we have created a strong infrastructure reflecting our low-cost strategy and we continually endeavour to find innovative ways to reduce our operating costs."

Since Jetsgo ceased operations and filed for CCAA in March 2005, we have seen a significant increase in demand for our flights. This has prompted us, in the short term, to revise our replacement plans for the 737-200s. Although our competitors have chosen to add some additional capacity in the wake of Jetsgo's demise, we have seen far more rational behaviour on their part in terms of pricing. We nevertheless need to maintain a focus on our costs, which will partially be achieved as we add new aircraft and the percentage of flights flown by them increases.

We consequently expect to have a much more rewarding year as we maintain a capacity growth rate of some 30% in a much more yield-friendly environment. Furthermore, our committed team of people is eager to meet the more normal challenges in our industry and to continue to make our airline successful.

March 16, 2005

North America and beyond: Charter service continues to take off.

CHARTING A COURSE.

Maximizing operational potential.

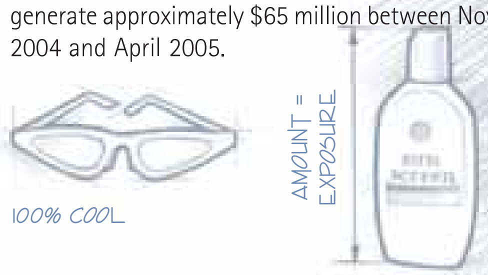
WestJet's business can be highly cyclical due to weaker demand for travel within Canada during the country's coldest months. Since the winter season is the slowest period for domestic operations, WestJet has improved its earnings potential during this time with the introduction of transborder markets and increased charter flying.

International charter flights generally operate during off-peak hours to ensure that scheduled domestic and transborder services are not impacted while simultaneously maximizing available capacity.

With the greater utilization capabilities of the Boeing Next-Generation 737 fleet, WestJet is capitalizing on revenue opportunities through the addition of more charter services. Through its charter arrangements, WestJet flies to 27 destinations in the United States, Mexico and the Caribbean.

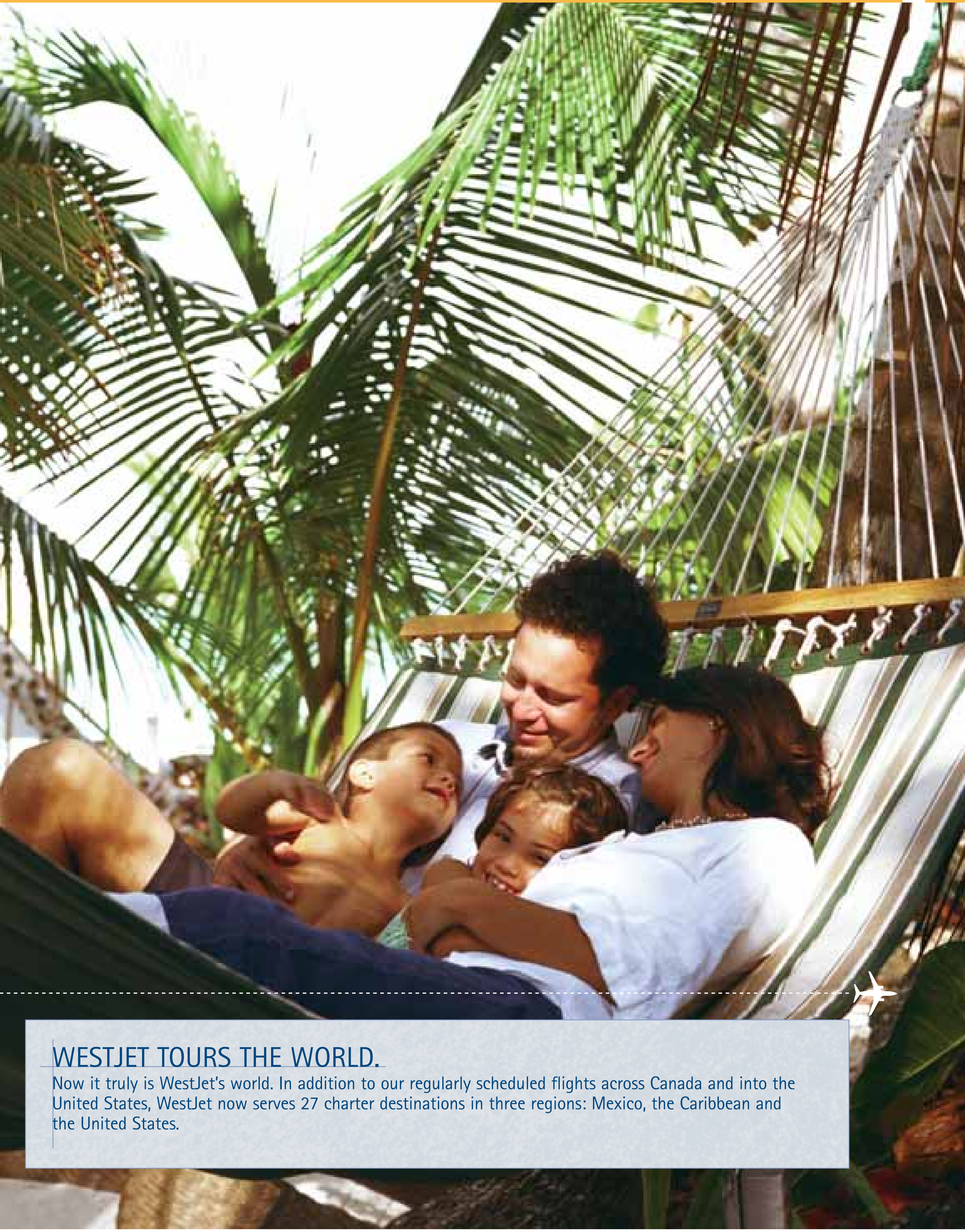
WestJet's charter partners.

In August 2003, WestJet entered into a two-year agreement with Transat A.T. Incorporated's two main tour operators – World of Vacations and Air Transat Holidays – to charter a number of Next-Generation 737 aircraft and crews for specific routes from several Canadian cities. This agreement generated more than $30 million in revenue during its first season from November 2003 to April 2004, and is expected to generate approximately $65 million between November 2004 and April 2005.



CURRENT CHARTER DESTINATIONS:

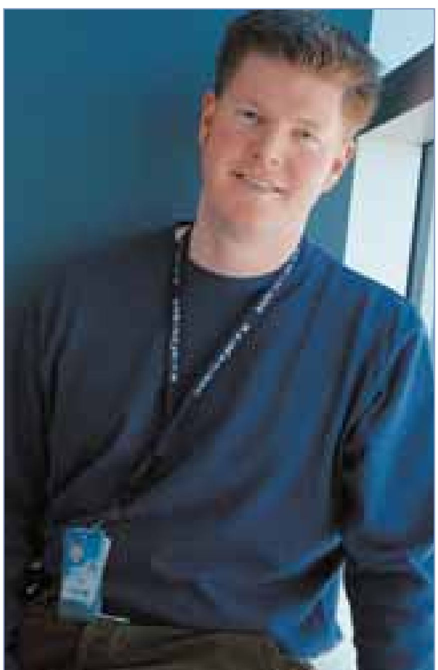
CAMAGUEY
CANCUN
CAYO COCO
CAYO LARGO DEL SUR
CIENFUEGOS
COZUMEL
HOLGUIN
LA ROMANA
LAS VEGAS
MANZANILLO
MAZATLAN
MONTEGO BAY
PANAMA CITY
PROVIDENCIALES
PUERTO PLATA
PUERTO VALLARTA
PUNTA CANA
ROATAN
ST. MAARTEN
SAN JOSE DEL CABO
SAN JUAN
SAN SALVADOR
SANTA CLARA
SANTIAGO
SANTO DOMINGO
VARADERO
ZIHUATANEJO/IXTAPA



WESTJET TOURS THE WORLD.

Now it truly is WestJet's world. In addition to our regularly scheduled flights across Canada and into the United States, WestJet now serves 27 charter destinations in three regions: Mexico, the Caribbean and the United States.

Management's Report to the Shareholders



Top: Crystal Briggs, Sales Super Agent
Above: Doran Hanert, Project Manager, Airports

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.

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
Executive Vice-President, Finance,
and Chief Financial Officer

Calgary, Alberta
February 10, 2005

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of WestJet Airlines Ltd. as at December 31, 2004 and 2003 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, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
February 10, 2005

Consolidated Balance Sheets

WESTJET AIRLINES LTD.

December 31, 2004 and 2003
(Stated in Thousands of Dollars)

	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	$ 148,532	$ 241,384
Accounts receivable	12,814	11,781
Income taxes recoverable	2,854	–
Prepaid expenses and deposits	25,493	19,928
Inventory	5,382	3,764
	195,075	**276,857**
Property and equipment (note 2)	1,601,546	1,140,226
Other assets (note 3)	80,733	59,775
	$ 1,877,354	**$ 1,476,858**
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 91,885	$ 82,822
Income taxes payable	–	9,820
Advance ticket sales	81,991	58,086
Non-refundable guest credits	26,704	21,718
Current portion of long-term debt (note 4)	97,305	59,334
Current portion of obligations under capital lease (note 6)	6,564	6,297
	304,449	**238,077**
Long-term debt (note 4)	905,631	589,531
Obligations under capital lease (note 6)	–	7,015
Long-term liabilities (note 5)	10,000	–
Future income tax (note 8)	67,382	61,423
	1,287,462	**896,046**
Shareholders' equity:		
Share capital (note 7(b))	390,469	376,081
Contributed surplus (note 7(g))	21,977	–
Retained earnings	177,446	204,731
	589,892	**580,812**
Subsequent events (note 7 and 9)		
Commitments and contingencies (notes 6 and 9)		
	$ 1,877,354	**$ 1,476,858**

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Clive Beddoe, Director

Wilmot Matthews, Director

WESTJET AIRLINES LTD.

Years ended December 31, 2004 and 2003
(Stated in Thousands of Dollars, Except Per Share Data)

	2004	2003
Revenues:		
Guest revenues	$ 933,407	$ 794,450
Charter and other	119,332	65,146
Interest income	5,251	4,003
	1,057,990	**863,599**
Expenses:		
Aircraft fuel	241,473	155,756
Airport operations	173,397	122,066
Flight operations and navigational charges	148,396	104,955
Amortization (note 2)	126,338	63,208
Sales and marketing	83,948	57,871
Maintenance	78,283	75,718
General and administration	62,882	46,105
Interest expense	44,109	24,915
Inflight	43,705	32,146
Aircraft leasing	41,239	44,179
Customer service	24,119	22,213
	1,067,889	**749,132**
Earnings (loss) from operations	(9,899)	114,467
Non-operating expense (income):		
Loss on foreign exchange	3,224	1,848
Gain on disposal of property and equipment	(63)	(631)
	3,161	1,217
Employee profit share (note 9(b))	2,916	15,855
Earnings (loss) before income taxes	**(15,976)**	**97,395**
Income tax expense (recovery) (note 8):		
Current	(4,771)	11,264
Future	5,963	25,592
	1,192	**36,856**
Net earnings (loss)	**(17,168)**	**60,539**
Retained earnings, beginning of year	204,731	144,192
Change in accounting policy (note 1(m))	(10,117)	–
Retained earnings, end of year	**$ 177,446**	**$ 204,731**
Earnings (loss) per share (note 7(d)):		
Basic	$ (0.14)	$ 0.52
Diluted	$ (0.14)	$ 0.52

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

WESTJET AIRLINES LTD.

Years ended December 31, 2004 and 2003
(Stated in Thousands of Dollars)

	2004	2003
Cash provided by (used in):		
Operating activities:		
Net earnings (loss)	$ (17,168)	$ 60,539
Items not involving cash:		
Amortization	126,338	63,208
Gain on disposal of property and equipment	(63)	(631)
Stock-based compensation expense	12,305	–
Issued from treasury stock	–	3,063
Future income tax	5,963	25,592
	127,375	**151,771**
Decrease in non-cash working capital	16,697	40,646
	144,072	**192,417**
Financing activities:		
Increase in long-term debt	429,890	466,353
Repayment of long-term debt	(75,819)	(49,158)
Increase in long-term liabilities	10,000	–
Issuance of common shares	13,949	165,545
Share issuance costs	(10)	(6,297)
Increase in other assets	(23,711)	(25,101)
Decrease in obligations under capital lease	(6,381)	(6,498)
	347,918	**544,844**
Investing activities:		
Aircraft additions	(546,242)	(564,130)
Other property and equipment additions	(41,545)	(34,249)
Other property and equipment disposals	2,945	2,092
	(584,842)	**(596,287)**
Increase (decrease) in cash	(92,852)	140,974
Cash, beginning of year	241,384	100,410
Cash, end of year	**$ 148,532**	**$ 241,384**

Cash is defined as cash and cash equivalents.

See accompanying notes to consolidated financial statements.

WESTJET AIRLINES LTD.

Years ended December 31, 2004 and 2003
(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 WestJet Airlines Ltd. (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. 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, such as amounts relating to amortization, non-refundable guest credits, and future taxes, 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 have a maturity date of three months or less.

As at December 31, 2004 cash and cash equivalents include US $4,251,000 (2003 – $nil) of restricted cash.

(c) Revenue recognition:

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

(d) Tri-branded credit card:

The Corporation earns revenue under the tri-branded credit card agreement. Net retail sales revenue is recognized at the time the transaction occurs. Revenue related to account activations is deferred and not recognized until the credit file issued for the new activation is used or expires.

(e) 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.

(f) 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.

(g) Inventory:

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

WESTJET AIRLINES LTD.

Years ended December 31, 2004 and 2003
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

1. Significant accounting policies (continued):

(h) Deferred costs:

Sales and marketing and customer service expenses attributed to advance ticket sales are deferred and expensed in the period the related revenue is recognized. Included in prepaid expenses and deposits are $7,400,000 (2003 – $5,334,000) of deferred costs.

(i) Property and equipment:

Property and equipment are recorded at cost and depreciated to their estimated residual values. Aircraft under capital lease are initially recorded at the present value of minimum lease payments at the inception of the lease.

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
Spare engines and parts net of estimated residual value – 700 series	Straight-line	20 years
Buildings	Straight-line	40 years
Aircraft under capital lease	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

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(j) Maintenance costs:

Maintenance and repairs, including major overhauls, are charged to operating expenses as they are incurred.

(k) 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 capital assets 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.

Costs of new route development are expensed as incurred.

(l) 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, calculated using the currently enacted or substantively enacted tax rates anticipated to apply in the period that the temporary differences are expected to reverse.

WESTJET AIRLINES LTD.

Years ended December 31, 2004 and 2003
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

1. Significant accounting policies (continued):

(m) Stock-based compensation plans:

On January 1, 2004 the Corporation changed its accounting policy related to stock options granted on or after January 1, 2002. Under the new policy, the Corporation determines the fair value of stock options on their grant date and records this amount as compensation expense over the period that the stock options vest, with a corresponding increase to contributed surplus. The Corporation retroactively adopted the changes, without restatement of prior periods, on January 1, 2004 which resulted in retained earnings decreasing by $10,117,000 and an offsetting entry to contributed surplus.

As new options are granted, the fair value of these options will be expensed over the vesting period, with an offsetting entry to contributed surplus. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. Upon the exercise of stock options, consideration received together with amounts previously recorded in contributed surplus is recorded as an increase in share capital.

Employee stock option compensation expense is included in flight operations and general and administration expenses and totalled $12,305,000 during the year ended December 31, 2004. This relates to the vesting during 2004 of the outstanding stock options issued on or after January 1, 2002 to officers and certain employees of the Corporation.

(n) Financial instruments:

Derivative financial instruments are utilized by the Corporation from time to time 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. In the event a designated hedged item is considered ineffective, any deferred gains or losses would be recognized in earnings.

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.

(o) 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 the 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.

(p) Comparative figures:

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

WESTJET AIRLINES LTD.

Years ended December 31, 2004 and 2003
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

2. Property and equipment:

2004	Cost	Accumulated depreciation	Net book value
Aircraft – 700 series	$ 1,282,308	$ 46,180	$ 1,236,128
Aircraft – 200 series	142,657	121,182	21,475
Ground property and equipment	109,334	34,586	74,748
Spare engines and parts – 700 series	52,641	4,777	47,864
Buildings	39,636	2,840	36,796
Aircraft under capital lease	31,304	26,781	4,523
Spare engines and parts – 200 series	24,397	16,523	7,874
Leasehold improvements	5,655	3,104	2,551
	1,687,932	**255,973**	**1,431,959**
Deposits on aircraft	156,943	–	156,943
Assets under construction	12,644	–	12,644
	$ 1,857,519	**$ 255,973**	**$ 1,601,546**

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
Spare engines and parts – 700 series	36,754	2,518	34,236
Buildings	39,474	1,852	37,622
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**

The Corporation made the decision to accelerate the retirement dates of its older Boeing 737-200 aircraft to have all 200-series aircraft retired by the end of 2005 rather than in 2008 as planned under the previous schedule. As a result of the accelerated retirement dates on the 200-series aircraft, the Corporation evaluated the recoverability of the aircraft, related rotable parts and equipment and the 200-series simulator (the "200-series assets"). This analysis indicated the estimated undiscounted future cash flows generated by these 200-series assets on a specific-asset basis were less than their carrying values. As a result, the carrying values of the 200-series assets were reduced to fair market value and the resulting impairment loss of $47,577,000 was included in amortization expense. Management estimated fair market value using third-party appraisals and recent sales and leasing transactions with consideration made for the currently available market for 200-series assets.

During the year, interest costs of $3,675,000 (2003 – $4,666,000) were capitalized to Aircraft – 700 series.

WESTJET AIRLINES LTD.

Years ended December 31, 2004 and 2003
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

3. Other assets:

Included in other assets are financing fees of $34,870,000 (2003 – $22,588,000), net of accumulated amortization of $4,268,000 (2003 – $1,515,000) related to the facility for the purchase of 26 Boeing Next-Generation aircraft, unamortized hedge settlements of $16,238,000 (2003 – $17,630,000) related to the 10 leased Boeing Next-Generation aircraft, security deposits on aircraft and other leaseholds of $24,563,000 (2003 – $14,782,000), NAV Canada security deposit of $4,500,000 (2003 – $4,500,000) and other amounts totalling $562,000 (2003 – $275,000).

4. Long-term debt:

	2004	2003
$1,053,530,000 in 26 individual term loans, amortized on a straight-line basis over a 12-year term, repayable in quarterly principle instalments ranging from $768,000 to $955,000, guaranteed by the Ex-Im Bank, secured by 26 700-series aircraft, and maturing in 2014 through 2016. Twenty-five of these facilities include fixed rate weighted average interest at 5.46%. The remaining facility totaling $40,372,000 bears a floating interest rate at the Canadian LIBOR rate plus 0.08% (effective interest rate of 2.84% as at December 31, 2004) until the first scheduled repayment date in February 2005, after such time the interest rate on the loan will be fixed at a rate of 5.92% for the remaining term of the loan	$ 954,674	$ 600,047
$26,000,000 in two term loans, repayable in monthly instalments ranging from $106,000 to $156,000 including floating interest at the bank's prime rate plus 0.88% with an effective interest rate of 5.13% as at December 31, 2004, with varying maturities ranging between July 2008 and July 2013, secured by two Next-Generation flight simulators and cross-collateralized by one 200-series aircraft	21,684	23,751
$12,000,000 term loan, repayable in monthly instalments of $108,000 including interest at 9.03%, maturing April 2011, secured by the Calgary hangar facility	11,075	11,360
$22,073,000 in six individual term loans, repayable in monthly instalments ranging from $25,000 to $87,000 including fixed rate weighted average interest at 8.43% all maturing in October 2005, secured by three 200-series aircraft	5,301	9,390
$4,550,000 term loan repayable in monthly instalments of $50,000 including floating interest at the bank's prime rate plus 0.50%, with an effective interest rate of 4.75% as at December 31, 2004, maturing April 2013, secured by the Calgary hangar facility	3,899	4,317
$6,939,000 in 11 individual term loans, amortized on a straight-line basis over a five-year term, repayable in monthly principal instalments ranging from $29,000 to $33,000 including floating interest at the Canadian LIBOR rate plus 0.08%, with a weighted average effective interest rate of 2.78%, maturing in 2009, guaranteed by the Ex-Im Bank and secured by certain 700-series aircraft	6,303	–
	1,002,936	**648,865**
Less current portion	97,305	59,334
	$ 905,631	**$ 589,531**

WESTJET AIRLINES LTD.

Years ended December 31, 2004 and 2003
(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 $1,288,497,000 as at December 31, 2004 (2003 – $810,767,000).

Held within the special-purpose entities, as described in note 1, are liabilities of $1,178,239,000 and corresponding assets of $1,178,342,000, which are included in the consolidated financial statements.

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

2005	$ 97,305
2006	92,163
2007	92,332
2008	97,625
2009	91,027
2010 and thereafter	532,484
	$ 1,002,936

The Corporation is charged a commitment fee of 0.125% per annum on the unutilized and uncancelled balance of the Export-Import Bank ("Ex-Im Bank") 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.

In 2004, the Corporation cancelled the remaining balance of the unutilized portion of the Ex-Im Bank final commitment totalling US $49.6 million, related to the first 26 purchased Boeing 737-700 aircraft delivered by the end of 2004. Ex-Im Bank has provided a preliminary commitment of US $415 million for 13 aircraft to be delivered in 2005 and 2006.

The Corporation has available a facility with a Canadian chartered bank for $8,000,000 (2003 – $8,000,000) for letters of guarantee. At December 31, 2004, letters of guarantee totaling $7,977,000 (2003 – $5,921,000) 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 $42,346,000 (2003 – $21,938,000).

5. Long-term liabilities:

The Corporation recorded $10,000,000 (2003 – $Nil) of unearned revenue related to the tri-branded credit card for future net retail sales. The unearned revenue will be drawn down commencing in May 2005 under this five-year agreement.

WESTJET AIRLINES LTD.

Years ended December 31, 2004 and 2003
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

6. 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 9 for additional commitments):

	Capital Leases	Operating Leases
2005	$ 6,984	$ 81,992
2006	–	87,118
2007	–	85,434
2008	–	84,991
2009	–	82,706
2010 and thereafter	–	416,166
Total lease payments	6,984	**$ 838,407**
Less imputed interest at 8.09%	(420)	
Net minimum lease payments	**6,564**	
Less current portion of obligations under capital lease	(6,564)	
Obligations under capital lease	**$ –**	

The Corporation's capital leases are denominated in US dollars. The obligation in 2005 is US $5,800,000.

Included in operating leases are US dollar operating leases primarily related to aircraft. The obligations of these operating leases in US dollars are 2005 – $58,312,000, 2006 – $66,776,000, 2007 – $66,711,000, 2008 – $66,711,000, 2009 – $66,711,000, 2010 and thereafter – $330,083,000.

Subsequent to December 31, 2004, the Corporation entered into an agreement with an independent third party to lease three 737-700 aircraft to be delivered during January to March 2005 for an eight-year term in US dollars. The Corporation also entered into arrangements to lease five 737-800 aircraft to be delivered during April to June 2005 for a term of 10 years in US dollars with another independent third party.

7. 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

WESTJET AIRLINES LTD.

Years ended December 31, 2004 and 2003
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

7. Share capital (continued):

(b) Issued:

	2004		2003	
	Number	**Amount**	**Number**	**Amount**
Common shares:				
Balance, beginning of year	123,882,490	$ 376,081	112,349,414	$ 211,564
Common share issue	–	–	9,279,000	150,011
Exercise of options	1,611,721	13,949	1,672,007	12,472
Stock-based compensation expense	-	445	–	–
Issued from treasury (see note 7(e))	–	–	582,069	6,125
Issued on rounding of stock split	3,196	–	–	–
Share issuance costs		(10)		(6,297)
Tax benefit of issue costs		4		2,206
Balance, end of year	**125,497,407**	**$ 390,469**	**123,882,490**	**$ 376,081**

On May 7, 2004, the common shares of the Corporation were split on a three-for-two basis. All number of shares and per share amounts have been restated to reflect the stock split.

(c) Stock Option Plan:

The Corporation has a Stock Option Plan, whereby up to a maximum of 12,450,000 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 on either the first, second or third anniversary from the date of grant.

Subsequent to December 31, 2004, the Corporation issued 125,106 stock options that have a term of four years and vest on the first anniversary from the grant date.

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

	2004		2003	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Stock options outstanding, beginning of year	9,809,753	$ 10.78	8,713,782	$ 9.99
Granted	2,927,875	15.73	2,905,688	11.21
Exercised	(1,959,002)	9.42	(1,672,006)	7.46
Cancelled	(96,544)	12.83	(137,711)	10.63
Stock options outstanding, end of year	**10,682,082**	**$ 12.37**	**9,809,753**	**$ 10.78**
Exercisable, end of year	**4,694,357**	**$ 10.88**	**1,384,362**	**$ 9.10**

WESTJET AIRLINES LTD.

Years ended December 31, 2004 and 2003
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

7. Share capital (continued):

The following table summarizes the options outstanding and exercisable at December 31, 2004:

Outstanding Options				Exercisable Options	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$7.33 – $9.79	3,390,986	0.36	$ 9.75	3,390,986	$ 9.75
$10.54 – $11.21	2,822,581	2.36	11.21	–	–
$12.82 – $18.41	4,468,515	2.63	15.08	1,303,371	13.82
	10,682,082	**1.85**	**$ 12.37**	**4,694,357**	**$ 10.88**

At the Annual and Special Meeting held in April 2004, Shareholders approved the new 2004 stock option plan and an amendment to the 2003 stock option plan. The terms of the approved plans allow the holders of vested options a cashless settlement alternative whereby the option holder can either (a) elect to receive shares by delivering cash to the Corporation in the amount of the options or (b) elect to receive a number of shares equivalent to the difference between the market value of the options and the aggregate exercise price. For the 12 months ended December 31, 2004, option holders exercised 449,635 options on a cashless settlement basis and received 102,354 shares.

(d) Per share amounts:

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

	2004	2003
Weighted average number of common shares outstanding – basic	125,071,208	115,470,464
Effect of dilutive employee stock options	–	1,984,846
Weighted average number of common shares outstanding – diluted	**125,071,208**	**117,455,310**

For the year ended December 31, 2004, a total of 10,682,082 options were not included in the calculation of dilutive potential common shares as the result would be anti-dilutive.

(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 in 2003 is $3,063,000 of common shares (2004 – $nil) 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 ESPP 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 $18,655,000 (2003 – $13,824,000).

WESTJET AIRLINES LTD.

Years ended December 31, 2004 and 2003
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

7. Share capital (continued):

(f) Stock-based compensation:

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:

	2004	2003
Weighted average fair market value per option	$ 5.83	$ 5.69
Average risk-free interest rate	3.7%	3.9%
Average volatility	45%	40%
Expected life (years)	3.5	3.5
Dividend per share	$ 0.00	$ 0.00

(g) Contributed surplus:

Changes to contributed surplus were as follows:

	2004
Balance, beginning of year	$ –
Stock-based compensation – adoption	10,117
Stock-based compensation expense	12,305
Stock-options exercised	(445)
Balance, end of year	**$ 21,977**

8. Income taxes:

Income taxes vary from the amount that would be computed by applying the basic Federal and Provincial tax rate of 35.38% (2003 – 37.96%) to earnings (loss) before income taxes as follows:

	2004	2003
Expected income tax provision	$ (5,652)	$ 36,975
Add (deduct):		
Non-deductible expenses	986	748
Non-deductible stock-based compensation	4,329	–
Large corporation tax and capital taxes	3,721	1,659
Future tax rate reductions	(1,739)	(2,526)
Other	(453)	–
	$ 1,192	**$ 36,856**

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

	2004	2003
Future income tax asset:		
Share issue costs	$ 2,165	$ 2,776
Future income tax liability:		
Property and equipment	69,547	64,199
Net future income tax liability	$ 67,382	$ 61,423

Cash taxes paid during the year were $7,903,000 (2003 – $9,426,000).

WESTJET AIRLINES LTD.

Years ended December 31, 2004 and 2003
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

9. 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 47 Boeing Next-Generation aircraft, 26 of which were received by year-end 2004. These agreements provide the Corporation with the option to purchase an additional 27 aircraft for delivery prior to the end of 2008.

The Corporation has remaining commitments to purchase eight 737-600s and five 737-700s to be delivered over the course of 2005 and 2006.

Subsequent to December 31, 2004, the Corporation entered into an agreement with an independent third party to lease three 737-700 aircraft to be delivered during January to March 2005 for an eight-year term in US dollars. The Corporation also entered into arrangements to lease five 737-800 aircraft to be delivered during April to June 2005 for a term of 10 years in US dollars with another independent third party. These obligations have been included in note 6.

The Corporation has signed an agreement with Aviation Partners Boeing to install Blended Winglet Technology on all of the Corporation's committed Boeing Next-Generation 737-700 and 737-800 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 an amended agreement with LiveTV for an eight-year term to install, maintain and operate live satellite television on all aircraft with the option to install the system on future aircraft deliveries. This agreement has an exclusivity clause for six years within Canada from the date of the original agreement in 2003.

The Corporation has signed an agreement with Bell ExpressVu for a seven-year term to provide satellite programming. The agreement commenced in 2004 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 13 aircraft, live satellite television systems and winglets are 2005 – $239,987,000 and 2006 – $155,978,000.

The Corporation also has an agreement to purchase a Next-Generation flight simulator and fixed-based trainer. The obligations in Canadian dollars are 2005 – $13,002,000 and 2006 – $1,456,000.

(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.

WESTJET AIRLINES LTD.

Years ended December 31, 2004 and 2003
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

9. Commitments and contingencies (continued):

(c) Contingencies:

A Fresh as Amended Statement of Claim was filed by Air Canada and ZIP Air Inc. in the Ontario Superior Court on December 23, 2004 against the Corporation, two officers, two employees, two former officers and one former employee (the "Defendants"). The principal allegations are that the Defendants unlawfully obtained confidential flight load and load factor information from Air Canada's employee travel website and, as a result, the Plaintiffs have suffered damages and the Defendants have benefited from having access to the alleged confidential information. The Plaintiffs are seeking damages, aggregating $220 million, but the Plaintiffs have provided no details or evidence to substantiate their damages claim.

A Statement of Claim was also filed by Jetsgo Corporation in the Ontario Superior Court on October 15, 2004 against the Corporation, an officer, and a former officer (the "defendants"). The principal allegations are that the defendants conspired together to unlawfully obtain Jetsgo's proprietary information and to use this proprietary information to harm Jetsgo and benefit WestJet. The Plaintiff is seeking damages, in an amount to be determined plus $50 million, but the Plaintiff has provided no details or evidence to substantiate its claim.

Based on the results to date of (i) an internal investigation, (ii) advice from independent industry experts, and (iii) cross-examinations of witnesses in the Air Canada proceedings, management believes the amounts claimed are substantially without merit. The amount of loss, if any, to the Corporation as a result of these two claims cannot be reasonably estimated. The defense and investigation of these claims are continuing.

The Corporation is party to other 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.

10. 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. At December 31, 2004 none of these arrangements were in effect.

(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. At December 31, 2004 none of these arrangements were in effect.

Included in cash and cash equivalents at December 31, 2004 is US $28,440,000 (2003 – US $29,942,000).

WESTJET AIRLINES LTD.

Years ended December 31, 2004 and 2003
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

10. Financial instruments and risk management (continued):

(c) Interest rate risk:

The Corporation is exposed to interest rate fluctuations on variable interest rate debt (see 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:

The Corporation had 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, which expired on August 29, 2004 and was extended to September 10, 2004. The Corporation elected not to exercise the financing agreement and has included the 1% annual standby fee in general and administration expenses for the year ended December 31, 2004.

(f) Fair value of financial instruments:

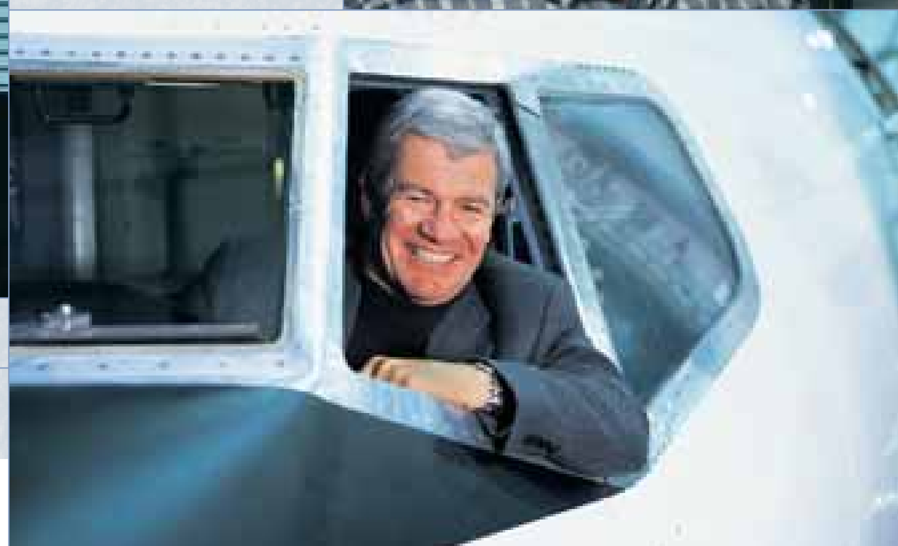
The carrying amounts of financial instruments included in the balance sheet, other than long-term debt, approximate their fair value due to their short term to maturity.

At December 31, 2004, the fair value of long-term debt was approximately $1.1 billion (2003 – $667 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.

WestJet Executive Team

Donald Bell. Executive Vice-President, Customer Service.

Sandy Campbell. Executive Vice-President, Finance and Chief Financial Officer.



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

Board of Directors

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

Thomas (Tim) Morgan
Executive 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
Executive Vice-President, Finance,
Chief Financial Officer

Thomas (Tim) Morgan
Executive Vice-President, Operations

Donald Bell
Executive Vice-President,
Customer Service

Sean Durfy
Executive Vice-President,
Marketing and Sales

Tim Morgan. Executive Vice-President, Operations.

Sean Durfy. Executive Vice-President, Marketing and Sales.

Fred Ring. Executive Vice-President, People.

Transfer Agent and Registrar:
CIBC Mellon Trust Company
Toll Free Phone Number:
North America: 1-800-387-0825
Outside North America: 416-643-5500
Email: inquiries@cibcmellon.com
Website: www.cibcmellon.com

Auditors:
KPMG LLP, Calgary, AB

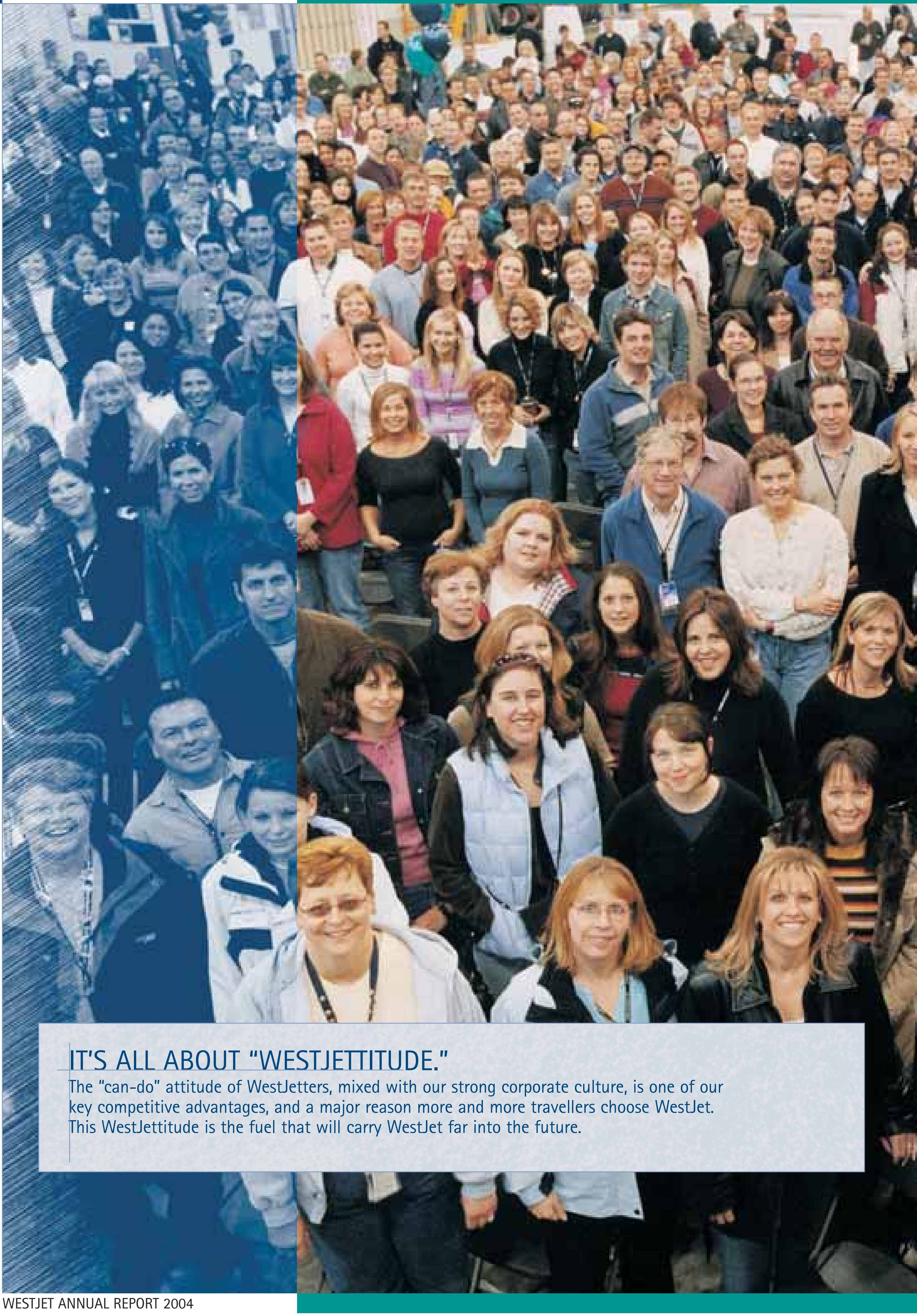
Legal Counsel:
Burnet, Duckworth and Palmer LLP, Calgary, AB

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

Head Office:
5055 11 St. NE, Calgary, Alberta, T2E 8N4
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 27, 2005 at WestJet's Hangar, 21 Aerial Place NE, Calgary, AB.



IT'S ALL ABOUT "WESTJETTITUDE."

The "can-do" attitude of WestJetters, mixed with our strong corporate culture, is one of our key competitive advantages, and a major reason more and more travellers choose WestJet. This WestJettitude is the fuel that will carry WestJet far into the future.

WESTJET

WESTJET HEAD OFFICE: 5055 - 11 St. NE, Calgary, Alberta, Canada T2E 8N4
Phone: Toll-free 1-888-293-7853, Calgary (403) 444-2600 Fax (403) 444-2301

westjet.com