THE HEART OF CANADA'S SKIES

annual report

2001

WESTJET AIRLINES LTD. 2001 ANNUAL REPORT

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Cover

Lisa Marie Madhok and Trista Anderson

Customer Service Agents, Prince George, BC

Lisa Marie Madhok loves being a WestJetter, and she also loves her three dogs: Billy the Staffordshire Terrier, big and shaggy Brewster who she saved from the SPCA, and the cuddly Pomeranian Mr. Bo Jangles. Trista Anderson is an avid artist, who loves painting, drawing and photography.

WestJet is Canada's leading low-fare air carrier, based in Calgary, Alberta.

In 2001, WestJet carried 4.6 million guests to the 20 destinations of Victoria, Comox, Vancouver, Abbotsford/Fraser Valley, Prince George, Kelowna, Calgary, Edmonton, Grande Prairie, Fort McMurray, Saskatoon, Regina, Winnipeg, Thompson, Sudbury, Sault Ste. Marie, Thunder Bay, Ottawa, Hamilton, and Moncton. As of December 31, 2001, WestJet employed 2,327 people, and operated 27 Boeing 737 aircraft, featuring four Next-Generation 737-700 aircraft. WestJet is publicly traded on the Toronto Stock Exchange under the ticker symbol WJA.

Shelley Waddell

Team Leader, Kelowna, BC

Shelley Waddell has been a WestJetter for six years. When she's not fostering the WestJet spirit at the Kelowna airport, you might find her skiing Big White, boating Kelowna's Lake Okanagan or cheering on her 6-year-old son Cole at the hockey rink.

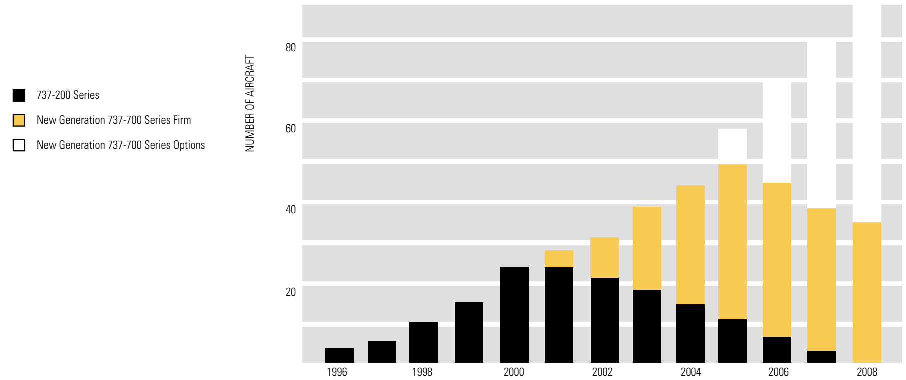

BOEING 737-700

(Dollars in millions except per share figures):

Finance	2001	2000	1999	1998
Revenues	478.4	332.5	203.6	125.4
Earnings before income taxes	58.3	52.7	29.3	12.4
Net earnings	37.2	30.3	15.8	6.5
Net earnings per common share				
Basic	0.81	0.72	0.42	0.19
Diluted	0.79	0.69	0.39	0.19

Operating Highlights	2001	2000	1999	1998
Revenue passenger miles	2,236,270,397	1,453,245,522	902,945,131	639,157,206
Available seat miles	2,995,516,958	1,906,863,288	1,249,316,243	893,008,646
Load factor	74.7%	76.2%	72.3%	71.6%
Yield per revenue passenger mile (cents)	21.7	22.9	22.5	19.6
Passenger revenue per available seat mile (cents)	15.3	17.4	16.3	14.1
Operating cost per available seat mile (cents)	14.0	14.6	13.9	12.6
Average stage length (miles)	458.4	419.2	383.0	378.0

Fleet Plan



Clive Beddoe, Executive Chairman, President and CEO

This year will undoubtedly be remembered in the airline industry as one of great tragedy and unprecedented change. Our deepest sympathies are extended to our colleagues in the industry affected by the magnitude of misfortune that 2001 has brought.

Despite facing enormous challenges alongside many other businesses and industries in North America this past year, I am very pleased to report WestJet has emerged from 2001 as not only a profitable, but also an expanding and financially strong airline.

Our People

I would also like to take this opportunity to express my appreciation to the many WestJetters who, in the days that followed September 11th, showed the true WestJet spirit in helping our customers, and those customers of other airlines, in need of assistance. I have received numerous letters and have heard many heart-warming stories of how our people displayed compassion, empathy and efficiency during these challenging times.

Thanks to their efforts, WestJet was also the first Canadian airline to be up and fully operational after this tragedy, having implemented all of the required changes to the check-in and security and screening procedures. The hard work of WestJetters across the country allowed us to quickly recover from the backlog of stranded guests.

Our unique and enviable WestJet culture remains alive and well, through which we continue to win the hearts and minds of the travelling public. Our growing number of people continue to show their strong commitment to WestJet and confidence in our future. In 2001, WestJet added an additional 745 people to our team, bringing the total number of WestJet people by year-end to 2,327. At December 31, 2001, 82% of our people participated voluntarily in the employee share purchase program, on average contributing 11.4% of their earnings towards the purchase of WestJet shares.

In 2001, we twice celebrated the distribution of profit sharing, bringing the total amount of profit shared with our people for the year to $10.3 million. The strong support of our customers and our focus on low costs, ensured that WestJet did not need to lay-off any of our people despite the short-term decline in passenger traffic in September and October.

We continue to build on our strong foundation with our ProActive Communication Team (P.A.C.T.) as we work together on programs to further enhance the working environment at WestJet. In 2001, we successfully completed a salary assessment for all our people resulting in compensation increases to once again follow industry trends. P.A.C.T. was also instrumental in the improvement of our vacation-pay model for hourly WestJetters, and were heavily involved in training programs with Team Leaders, Managers, and Directors. P.A.C.T. has also worked to strengthen communication and team spirit among all levels of our organization.

Our growing number of people continue to show their strong commitment to WestJet and confidence in our future.

Martin Hatfield

Captain, Calgary, AB

It's a long way from Durban, South Africa to Calgary - but lucky for WestJet, Martin Hatfield made the trip. As a Captain, Martin's probably flown enough miles in his three years at WestJet to reach to his home and back dozens of times!

Our Financial Performance

In 2001, WestJet generated $37.2 million, a 23.0% increase in net earnings from $30.3 million in 2000. Diluted earnings per share for the year were 79 cents, up 14.5% from diluted earnings per share of 69 cents for the year 2000. Total revenue generated for 2001 was $478.4 million, up 43.9% from $332.5 million in 2000.

Our expenses for the fourth quarter and year ending 2001 were $118.0 million and $419.0 million, up from $80.4 million and $279.1 million in 2000, respectively. These increased costs were attributable to the expanded operations of our growing airline. Costs on an Available Seat Mile (ASM) basis declined 4.1% from 2000, evidencing the efficiencies we have achieved in our operations on a year over year basis.

Although these results were partly realized as a result of a 9.3% increase in our average stage length year over year, it is the unwavering determination of our people to maintain strict cost controls and maximize efficiency that have had the greatest impact. Given their understanding of the important role they play in maintaining these costs as we grow, I am confident that this trend will only continue in the years to come.

The expansion of our network and our fleet is a source of great pride for all WestJetters.

Our Growth

2001 marked the first full year WestJetters occupied our new Calgary head office. This facility has allowed us to consolidate many of our departments under one roof, which were formerly housed in multiple buildings. This move has allowed people from different departments convenient access to each other, and has further enhanced the team atmosphere for many of WestJet's Calgary people.

In February 2001, we also took possession of our new Calgary hangar. This facility has room for up to six aircraft to be maintained, and houses our 737-200 and 737-700 flight simulators. In February 2002, we announced our intention to purchase an additional 737-700 flight simulator, to be delivered in 2003. This new simulator will be housed in our Calgary hangar, upon completion of an expansion of the facility.

The expansion of our network and our fleet is a source of great pride for all WestJetters. As a result of the commitment and hard work of our people in 2001, we added four new Next Generation 737-700 series aircraft and five new cities to our network – Fort McMurray, Comox, Thompson, Sudbury, and Sault Ste. Marie.

We are very pleased with the enthusiasm with which the public has welcomed our expansion throughout the past year. In 2001, capacity, measured in Available Seat Miles (ASMs) increased by 57.1% from 1.91 billion ASMs in 2000 to 3.00 billion ASMs. Our revenue passenger miles (RPMs) increased 53.9% from 1.45 billion in 2000 to 2.24 billion in 2001, producing a load factor of 74.7%.

The delivery of our first new aircraft from Boeing was celebrated by all WestJetters as it was welcomed into our fleet during the profit sharing celebration at our new Calgary hangar on May 25, 2001. To commemorate this historic event, one hundred WestJetters who had worked on this huge project joined the executive team at Boeing Field in Seattle for the ceremony.

With their superior speed, comfort, capacity, reliability, and 30% greater fuel efficiency on a per ASM basis, our new Boeing 737-700 aircraft have surpassed expectations and are the ideal aircraft to facilitate WestJet's continued expansion across Canada. With four in our fleet at December 31, 2001, and ten expected in 2002, WestJet will continue to grow capacity at a rate of approximately 45% in 2002 as we add new destinations and increase the connectivity of our network.

We continue to reduce the costs associated with our growth through the further implementation of new technologies. Our website – www.westjet.com – now generates approximately 40% of our overall bookings, reducing the cost per booking substantially. As well, our Touch 'N Go kiosks are being installed and accepted by our guests travelling without luggage in growing numbers across our network.

Our Changing Environment

Since our inception in February 1996, WestJet has operated through unprecedented changes in the Canadian airline industry. Canada has lost seven airlines in five years, and 2001 marked the loss of four of them.

The constantly changing airline industry reached a pinnacle of transformation in 2001, with all North American carriers now part of an industry very different from the one of a year ago. Not only have the events of September 11th changed the way airlines now operate, many other changes took place in 2001 which changed the landscape of the industry entirely.

Our formula for success, on the other hand, has produced twenty-one consecutive quarters of profitability. We have achieved the much-envied position of being the lowest-cost provider of airline seats in Canada as a result of our strict adherence to our basic business principles, which are the foundation of our airline.

Notwithstanding our success, WestJet and our industry as a whole continues to feel the pressure of increasing fees from airports, insurance surcharges, Nav Canada fees, and Air Transportation Security Charges (ATSC). Despite this constant barrage of new fees, WestJet remains committed to fighting against these charges on behalf of our customers to keep the cost of flying as affordable as possible.

Our Approach

With any change, comes new opportunities. A hallmark of WestJet's corporate character has always been to capitalize on change, and as a result we remain poised to react quickly and adjust our operations to take advantage of these new opportunities.

WestJet has voiced its strong opposition to the proposed ATSC, through a national advertising campaign launched in February 2002. In true WestJet spirit, our pilots also took it

Boeing 737-700

Calgary, AB

WestJet took delivery of its first 700-series jet on May 25, 2001 - brand new, right off the Boeing assembly line in Seattle, Washington. There are now four 700-series jets in WestJet's fleet of 27. Agreements give WestJet the ability to acquire up to 94 additional 700-series jets over the next eight years. The 737, WestJet's one and only model, is the most successful passenger aircraft in the world.

Marvin Black

Customer Service Agent, Calgary, AB

Working for WestJet has paid off in many ways for Marvin. The longtime hockey fan got his picture taken with the Stanley Cup when WestJet carried it from Calgary to Vancouver. Marvin cheers for the Calgary Flames - but he's always playing hard for the WestJet team.

upon themselves to take our concerns to our guests by placing petitions on board our aircraft, and educating our customers as to the issues at hand.

The Government plans to impose this fee effective April 1, 2002. The flat-rate ATSC charge will represent a disproportionately large portion of our guests' fares on our ultra-short-haul routes, which may lower demand for travel on these routes. We will closely monitor the effects of this new charge on our load factors on our routes, and we are working on options for a redistribution of our capacity off the ultra-short-haul markets if the destimulative effect we anticipate comes to fruition.

Our Future

For six years, WestJet has diligently constructed a highly stable platform from which our airline can continue its growth. We have the people, the infrastructure, the balance sheet, and the aircraft to catapult us into the next phase of our history, spreading our low-fares and great service to more Canadians across the country.

Our enviable position in the industry today highlights the success of our strategy's emphasis on efficiency, customer service and safety, and in providing our guests with the lowest possible fares and a fun travel experience. Moreover, we have accomplished this while maintaining our profitability and conservative approach to financing our growth, ensuring our increasing customer base and financial stability will carry us far into the future.

Our achievements throughout 2001 showcase our emergence from a regional start-up airline in 1996 to a company with national recognition as an exceptional service provider to millions of satisfied guests. As we enter 2002 and continue adding new 737-700 aircraft to our fleet, more destinations to our network, and enhancing further our service with greater connectivity, we will build on the success we have enjoyed since 1996. The spirit of WestJet, which is clearly visible to our guests, has only been strengthened by a trying year, and we look forward to applying this deeper resolve to our business as it grows into the future.

On behalf of all WestJetters, I would like to thank our shareholders for participating, sharing, and contributing to WestJet's growth and success. 2001 will be a point of reference for our industry for many years to come. For WestJet's people, 2001 will also be a source of pride at our accomplishments, and a reminder of the capabilities of our great team.

From us all, I proudly present WestJet's 2001 annual report.

Best regards,

(signed)
Clive Beddoe

Executive Chairman,
President and CEO
WestJet Airlines Ltd.
March 2002

Our Community

Our community is Canada, and as a national airline, we consider ourselves an integral part of cities and communities across the country.

At WestJet, we appreciate that our success is based on the loyalty of Canadians, and we recognize the importance of giving back to Canada and the people.

WestJetters are committed to sharing our successes with those in need, and we view this responsibility as a privilege. Through donations of time, expertise, and product; through fundraising, food drives, and volunteerism, WestJet's people gave generously to their fellow Canadians in 2001.

WestJet CAREs

To celebrate and strengthen our corporate culture, WestJet launched the CARE Initiative in 2000 to provide a recognizable brand for our culture. CARE stands for Create A Remarkable Experience, and originally began as a way to help preserve and perpetuate WestJet's unique and enviable culture internally.

As WestJet has grown, so has our CARE Team, and so too has the scope of their responsibility. CARE has recruited a group of committed WestJetters – CARE Ambassadors at our head office, Pilot CARE for our crews, and WestJesters at our bases. These volunteers dedicate their time and enthusiasm to maintaining the strong morale of our people. They ensure WestJet will always be a great place to work, and a great service provider.

With these CARE volunteers devoting their efforts to monitoring the pulse of WestJet's internal people, the core CARE Team can also dedicate their time to causes and events external to WestJet. WestJet's CARE Team coordinates WestJetters' participation in supporting charities and groups of all kinds for those in need throughout our communities.

We are very proud of our expanding team of volunteers, now measured in the hundreds. They embody "WestJettitude" in everything they do, and they do a lot! Some highlights of our accomplishments in 2001 include:

- The donation of over $25,000 to the Kids Cancer Care Foundation when 18 WestJetters shaved their heads to raise money for the charity.
- A group of WestJetters donated their time this summer to join forces with Habitat for Humanity to build homes for families in financial need in Calgary.

- 511 shoeboxes were filled with gifts for Operation Christmas Child during the Christmas season. Volunteers from WestJet helped pack the shoeboxes at the Operation Christmas Child warehouse.
- Volunteers spent three days at the Mustard Seed Street Ministry in Calgary helping those less fortunate.

Canadians Helping Canadians

We believe any amount of generosity can make a difference, and our people are always happy to give their time and energy toward helping where we can. WestJet donated more than 10,000 flights to charities across Canada in 2001. From Comox, British Columbia, to Moncton, New Brunswick, WestJet supported a variety of charities, including local chapters of Lions Clubs, Duck's Unlimited, Boys & Girls Clubs, Kidney Foundation, The Canadian Cancer Society, Rotary Clubs, Juvenile Diabetes Foundation, and Humane Shelters.

On a grand scale, WestJet supported Hope Air, a national charitable organization that arranges free air transportation for financially burdened Canadians in need of medical treatment outside their communities. Hope Air provides this service through the generous donation of flights on commercial, corporate and private aircraft, and WestJet donated 150 trips in 2001 to this worthy organization.

WestJetters across the country love to participate in their communities. While WestJet provides our bases with hundreds of trips for two to donate to local charities, our bases have also taken the initiative to hold fundraisers to raise money for their local charities. In 2001, the WestJetters at our Comox base raised more than $4,000 to purchase equipment for the Ship's Point Volunteer Firefighters, $650 for the Children's Hospital Foundation, $2,800 for the Village Park School Library Fundraiser, and additional funds for the Fulfill a Dream Charity and the Chemainus Theatre Education Foundation.

Our Hamilton WestJetters volunteered with the Salvation Army, filling and distributing Christmas baskets to low-income families. As well, they raised money for an inner-city school's hot breakfast program, collected clothes for a women's shelter, and bought CFL tickets for foster children.

WestJetters in Abbotsford participated in the Police Challenge Run and the Lions Club Putting Tournament, while our Grande Prairie team donated time and money to the Queen Elizabeth II Hospital Foundation Festival of Trees event.

2001 was another excellent year of community involvement for WestJet, and our people are volunteering in greater numbers every year. WestJet cares, and we look forward to a future that offers more opportunities for our people to contribute to the culture of both our organization and the communities in which we operate.

We believe any amount of generosity can make a difference, and our people are always happy to give their time and energy toward helping where we can.

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Lin Tan

Customer Service Agent, Calgary, AB

Born in Cambodia, Lin Tan grew up in Saigon, Vietnam, before moving to Canada in 1989. She joined WestJet six months ago. An avid snowboarder, Lin is taking accounting courses in the evenings, and hopes to one day move into Beanland.

Overview

WestJet's sixth year of providing Canadians with low fares brought continued growth and increased profitability through a very turbulent and changing business environment.

Despite the many negative events that affected our industry this past year, at WestJet, 2001 will be remembered more for our accomplishments in the face of many challenges. In February of 2001, we moved into our new hangar in Calgary, and completed the acquisition of our two 737 flight simulators with their installation at this facility. The excitement of our people was evident across our entire network as we accepted delivery of our first new Boeing 737-700 aircraft in May.

We are proud of our growth this year with new cities added to our route network, and many new WestJetters added to our team. We are particularly proud of how all WestJetters pulled together in September and October to ensure that our airline remained profitable in very challenging times for our industry. It is the ability of our excellent team to move this airline through adversity with a consistent quality product for our guests, profitability for our shareholders and our company, and to continue fostering the growth of a culture that is as strong as ever.

In 2001, WestJet was recognized as one of the top 100 employers in Canada, and our founders were honoured as finalists in Monaco for the International Entrepreneur of the Year Award. In Monaco, they accepted the highest award in the Teamwork category on behalf of all WestJetters. These distinctions are a source of pride for all of our people as objective onlookers have recognized those qualities that make our company unique and contribute to our success.

We started 2001 with 22 Boeing 737-200 jets, and we acquired our 23rd and final 200-series aircraft in the first quarter of the year. In May, our first state-of-the-art Next-Generation 737-700 rolled out of Boeing's production facility in Seattle, followed by three more during the year. We ended 2001 with 27 jets with an average age of 20 years. As well, five new communities were welcomed into our network: Fort McMurray, Alberta; Comox, British Columbia; Thompson, Manitoba; and in Ontario, Sudbury and Sault Ste. Marie. We provided our unique 'Limited Addition' service again into Brandon, Manitoba from March to June, and announced our 21st destination, London, Ontario, to which we commenced service in February 2002. With this growth came many new WestJetters, and our reputation as a great place to work brought 40,000 to 50,000 employment applications to our company in 2001. We welcomed 552 additional full time equivalent employees (FTE's), and now have 1,844 FTE's working together to deliver our great product and low fares, bringing our total number of employees to 2,327.

The excitement of our people was evident across our entire network...

Results of Operations

This corporation's annual growth rate, as measured by capacity or available seat miles (ASMs), has averaged 56% since we started flying in 1996.

2001's growth was 57.1%, the greatest full year over year growth rate in our history just ahead of the previous high in 1998 of 55.1%. It was also another year of infrastructure building, a year of transition to new aircraft and facilities, a year of turbulence in the competitive environment, and a year of extraordinary change in the airline industry. We continued to expense our growth costs in building for the future, and despite all of the challenges of 2001, measures of financial performance fared well and our earnings increased from the previous year.

WestJet continued to produce profits in 2001 even with the high cost of jet fuel, and in spite of the unprecedented impact of the events of September 11th. Diluted earnings per share grew from $0.69 in 2000 to $0.79, while net earnings rose 23% from $30.3 million in 2000 to $37.2 million this past year. Due to the significantly higher amortization in 2001, on a cash flow basis WestJet generated 47.3% more cash from operations in 2001, at $76.5 million, compared with $51.9 million in the year previous.

Since 1997, our earnings from operations have always exceeded 10% of revenues. In 2001, our earnings from operations remained in the double-digit range at 12.4%, as compared with our best ever performance of 16.1% in 2000. Notwithstanding the decline in percentage of revenues, in 2001 we achieved an 11.0% increase in earnings from operations of $59.4 million, as compared with $53.5 million one year earlier.

Our employee profit share is based on WestJet's annual earnings before tax and profit share itself – our margin. This increased 3.5% to $68.6 million in 2001 compared with $66.3 million in 2000. As a percentage of revenues, this margin percentage declined from 2000's record high of 19.9% to 2001's 14.3%. Our methodology for calculating profit sharing is simple: We calculate the margin percentage achieved in the profit share period, and apply that percentage to the margin to determine the amount for distribution among our people. Thus, a doubling of WestJet's margin percentage from 10% to 20% results in a four-fold increase in profit sharing as both elements double. In 2000, almost 20% was paid to employees, or about $13.5 million once payroll taxes were accounted for. In 2001, with our lower margin of 14.3%, $10.3 million went into the profit share pool.

Since 1997, our earnings from operations have always exceeded 10% of revenues.

Stuart Abercrombie

Flight Attendant, Calgary, AB

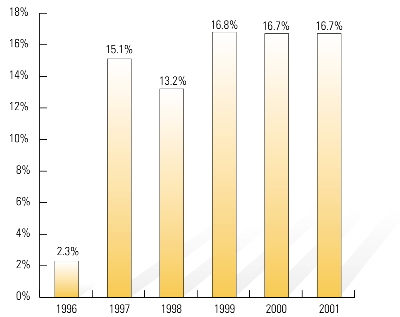
When he's not in the air with WestJet, Stuart is a professional dancer - you may have seen him in major events like the Calgary Stampede Grandstand show. With years of dance training, it's no wonder Stuart is so quick on his feet for our guests.

Rob Flux, Lou Oneski, Joe Dobson

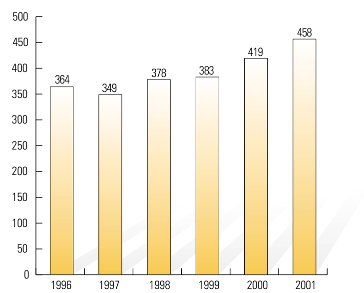
BeanCounters, Calgary, AB

With 21 straight quarters of profitability, it's no wonder Beanland WestJetters Rob, Lou and Joe are smiling. As part of WestJet's accounting and finance team, they work hard to make sure costs stay low and WestJet sticks to its business model, so the profits keep rising - just like the WestJet spirit.

...WestJetters were pleased to receive about 20% of base pay in profit share for 2001.



RETURN ON EQUITY
Net Earnings/Shareholders' Equity at Year End



AVERAGE STAGE LENGTH
(Miles)

The profit share system is a variable cost that automatically reduces and self adjusts in negative times to avoid cost-cutting measures such as wage reductions and layoffs. Conversely, in good years, as was 2000 with its 19.9% margin, profit share will generously reward employees. An average WestJetter received approximately 37% of their base pay as profit share for 2000, and in the face of the uncertainty and turmoil in the industry, WestJetters were pleased to receive about 20% of base pay in profit share for 2001. The corporation saw a 5.6 percentage point decline in its margin, but only a 3.7 percentage point decline in earnings from operations because of the profit share formula.

Our earnings before interest, income taxes, depreciation and aircraft rents (EBITDAR) were $113.0 million in 2001 or 23.6% of revenues. This was a 40.5% increase over 2000's $80.4 million or 24.2% of revenues. The impact of increased amortization of our fleet of 737-200 aircraft, as well as the lease costs relating to the four new 737-700 aircraft, resulted in the larger relative decline in earnings before interest and income taxes (EBIT). This measure had a 13.8% increase from $55.6 million in 2000, and 16.7% of revenues to $63.3 million and 13.3% of revenues in 2001.

New Destination

YAM - Sault Ste. Marie, Ontario

Sault Ste. Marie again diversified WestJet's Ontario service. WestJet first flew to "The Soo" on December 18, 2001, providing the catchement area of 125,000 people with a new travel alternative. Sault Ste. Marie means "The Rapids of Saint Mary" - maybe the people who named it in 1669 knew WestJet's "rapid" Boeing 737 jets would one day fly there!

Revenues

Total revenues increased 43.9% over 2000's $333 million to $478 million in 2001.

Consistent with prior years, 94.7% of WestJet's revenue is derived from scheduled domestic passenger service. Once the revenues derived from sundry fees such as extra baggage, kennels, changes, cancellations and items directly related to that core business, the number is more like 97%. Approximately 2% of revenues relates to charter services, which are either ad hoc such as professional sports teams, or more scheduled and contracted services for vacation and tour companies to U.S. destinations such as Las Vegas. Cargo accounted for $1.6 million, or less than one-third of a percent of our total revenue. The remainder of our revenue relates to promotional travel packages, as well as income from third party usage of our simulators and hangar space.

In short, there is more demand for our product than the capacity that we have available.

Revenue passenger miles (RPMs) – the number of revenue passengers multiplied by the total distance flown – increased 53.9% over 2000 compared with a 57.1% increase in ASMs. This equated to a slight decline in load factor in 2001 to 74.7% as compared with 76.2% in the previous year; however, load factor is a measure that can be managed, and is not a good stand-alone measure of performance. By discounting fare prices, airlines will increase load factor, or conversely, by pricing fares with a premium, airlines will decrease their load factor.

For WestJet, an annual average load factor above 75%, as was the case in 2000, is too high. At this level, during peak times of the day, week, month, or year, our planes are full and we have no seats to offer to the higher yield last-minute traveller. It also means that at those busy times, we are encountering slower turn times between flights and straining our system and people. In short, there is more demand for our product than the capacity that we have available. We purposely set out to manage our load factor down to below 75% in 2001 through pricing strategies.

WestJet's yield, or revenue per RPM, at 22.9 cents in 2000, reduced 6.6% to 21.4 cents in 2001. There exists an important relationship between any airline's average stage length (average flight distance), and unit measures of revenue and costs.

Chris Maloney

Senior Inspector, Calgary, AB

Chris Maloney moved to Calgary from Newfoundland 14 years ago. A day-one WestJetter, Chris has been a part of the team for more than six years. The '64 Volkswagen Beetle he's restoring in his spare time may not be as state-of-the art as the 700-series jets, but Chris is equally enthusiastic about both.

Penny Paproski and Erin Miller

Welcoming Team, Calgary, AB

Guests, business associates, government officials and fellow WestJetters get the same welcoming smile from Penny and Erin at WestJet's head office. As part of the Welcoming Team, they make sure our guests on the ground feel just as welcome as our guests in the air.

We estimate that this 9.3% increase in stage length has reduced unit costs by 6%, with a similar impact on revenues per ASM.

The longer the flight, the more seat miles over which we can spread out our costs. Particularly affected are the more fixed costs per flight like high fuel burn on take-off and landing fees. As stage length increases cost per ASM declines, as would unit measures of revenue.

With an increasing mix of longer-haul flying to connect our eastern and western Canadian networks, WestJet's average stage length in 2001 was our longest to date at 458 miles compared with 419 miles in 2000. We estimate that this 9.3% increase in stage length has reduced unit costs by 6%, with a similar impact on revenues per ASM. Yield will also decline, but by a lesser percentage. Mainly due to our increased stage length, WestJet's revenue per ASM decreased 8.0% in 2001 to 16.0 cents from 17.4 cents in 2000, and our yield declined 6.6% from 22.9 cents in 2000 to 21.4 cents in 2001.

Despite our efforts to reduce load factor and increase yield, two factors impacted our strategy. First, the competitive environment, particularly the pricing tactics of a now bankrupt competitor, resulted in downward pressure on our yields in the first three-quarters of the year. This was then followed by softer yields as we aggressively priced our product to stimulate travellers back into the air following the horrific September terrorist attacks in the U.S.A.

As a result of the softness in bookings that lasted about five weeks following September 11th, we estimate the impact on our revenues to be $8 million, mainly affecting our fourth quarter numbers. The Canadian federal government compensated all operators for the closure of airspace from September 11-13, 2001, and WestJet claimed $1.3 million under that program. WestJet's revenue per ASM would have been down by 6.9% and yield down by 4.9% had it not been for this compensation. The difficulty with attempting to isolate the numerical impact of these factors is the presence of additional offsetting factors. For example, the failure of a competitor late in the year favoured our revenue numbers late in the fourth quarter. Many factors, positive and negative, contributed to our revenue performance in 2001.

Expenses

In conjunction with our growth, WestJet's expenses increased 50.2% in 2001 to $419 million from $279 million in the previous year.

On a unit basis, costs per ASM decreased 4.1% from 14.6 cents to 14.0 cents. The two primary factors causing this decrease are the reduced costs as a result of our increased stage length, and the reduced operational costs of the new 737-700 series aircraft; however, these benefits were offset by the significant increase in costs of the amortization of the 737-200 fleet as we accelerate their planned retirement.

There were also many other changes in our airline and the economy this past year that have impacted our cost structure. Some positive changes include WestJet's growth, and the resultant benefits of economies of scale, as well as our improved purchasing power. Investments in technologies, such as touch screen check-in kiosks and the acquisition of our own flight simulators for training, have substantially improved the productivity of our people. In contrast, our maintenance, fuel and aircraft leasing expenditures were impacted by a weaker Canadian dollar. We expensed the transition costs to the new aircraft introduction, and as always, expensed the cost of our record growth in 2001 for new stations, facilities, and people.

Passenger services costs are those we incur at our airports such as landing fees, navigational charges, terminal charges, ground and baggage handling, the cost of disruptions in our schedule for weather or mechanical issues, and the wages to our people at the 20 cities we serve. Despite pressures from increasing airport fees and Nav Canada charges, our unit costs for passenger services declined by 5% in 2001 due to economies of scale and improved employee productivity as more flights are added to our existing destinations.

Flight operations and inflight are the cost categories relating to the WestJetters on-board our aircraft – our pilots and flight attendants, their salaries and wages, their training and the training for growth of new hires. We also include in this category the costs of the supporting infrastructure for those flight crews such as dispatch, operations control, and crew scheduling. Productivity improvements by diluting costs which are more fixed in nature, and our investments in training technology, has resulted in tremendous cost per ASM improvements in these areas.

Sales and marketing, and reservation expenses also showed marked declines in cost per ASM in 2001 at 9.1% and 14.3% respectively. Our Internet strategy continues to succeed, and by the end of the year approximately 40% of our general public and travel agency community sales

Shawn Allaire

Aircraft Maintenance Engineer, Calgary, AB

Growing up in Kapuskasing, Ontario, Shawn Allaire spent a lot of time in garages, tinkering with muscle cars. Now, he spends his days in an even bigger garage working on even more powerful engines at the WestJet Hangar. He says the roar of a 737 engine is just as satisfying as when he fires up his '67 Chevelle.

were online. We expanded the distribution of our product midway through 2001 through our partnership with the worldwide distribution system, Sabre, and by year's end 5% of our sales originated through this system. Travel agents have always been a key part of WestJet's distribution strategy, and through the Sales Super Centre, Sabre, and the Internet, they account for approximately 38% of our bookings.

General and administration costs increased 16.7% on a per ASM basis. This category of expenditure includes facilities costs, professional fees, and insurance. Following the events of September 11th, the aviation insurers levied a charge to airlines of U.S. $1.25 per passenger. This increased our insurance cost in the fourth quarter by $1.9 million, and accounted for approximately one third of our cost per ASM increase. WestJet, like most airlines, has passed this increased cost on to our guests in the form of a surcharge, which is included in our revenues.

Year over year, our facilities costs for the new hangar and the new call centre/headquarter building in Calgary are much higher; however, these are necessary components of WestJet's infrastructure to facilitate our future growth.

In 2001, we spent an increased amount on professional fees for our complaint and the subsequent hearings by the Competition Bureau – spending we deemed necessary to be involved in the process of establishing rules for effective competition in the airline industry. In the fourth quarter of 2001, we also retained our legal and tax advisors to assist in our corporate reorganization of WestJet Airlines Ltd. to create three wholly owned subsidiary corporations, two of which have formed an operating Partnership known as 'WestJet.' The costs related to this restructuring were necessary to create the platform where risks and liability associated with ownership of large dollar capital assets such as aircraft, hangars, and flight simulators were segregated, and as much as possible, separated from the operation of the airline. This is especially important for the future with our planned purchases of the much larger dollar 737-700 aircraft. There are also ancillary tax benefits, which may accrue to WestJet in future years as a result of this reorganization. The wholly owned subsidiaries have been consolidated in WestJet's financial statements.

New Destination

YQQ - Comox, British Columbia

WestJet's second Vancouver Island destination came on board March 3, 2001. The Comox Valley is a bustling part of Vancouver Island, and the catchement area includes several major communities. With six flights a week non-stop from Calgary, Comox is quickly becoming a great getaway destination, with golf and skiing year round. WestJet has great support from the local community, and is pleased to bring the people of Comox an all-jet, all-value travel option.

WestJet has a fixed price, fixed volume jet fuel supply arrangement with a major fuel supplier that has been in place since 1999 and does not expire until June 2003. While the pricing for this jet fuel is in Canadian cents per litre, it is pegged to a U.S. $18.61 per barrel ceiling price for crude oil. The fixed volume nature of the contract means that as we grow the airline, a lesser portion of our fuel purchases fall under this contract – 42% in 2001 as compared with 61% in 2000. Increasing energy prices in the first half of 2001, and the fact that a smaller portion of our fuel was protected meant that our 35.6-cent average jet fuel price in 2000 increased to 36.5 cents in 2001. However, WestJet's cost per ASM for fuel did decline year over year by 3.4% due to the longer stage length and the improved fuel efficiency of the Boeing 737-700 aircraft.

With our 9.3% increase in average stage length in 2001 over the previous year, we estimate we will achieve a 6% decrease in unit costs in 2002. The introduction of the state-of-the-art Boeing 737-700 aircraft to our fleet in 2001 brought, as expected, significant reductions in operating costs. While only four 737-700s were added to our fleet of 23 737-200s, and they were all added in the latter half of the year flying only 11.5% of our ASMs in 2001, their impact on reducing costs per ASM was noticeable. The 737-700 is approximately 20% more fuel efficient on a trip basis, but with its 20 additional available seats, there is about a 30% fuel cost improvement on a per ASM basis.

Our four 737-700 jets acquired in 2001 are considerably less than a year old, and including maintenance premiums paid to the lessor for major overhauls and checks in the future, they cost 50% less to maintain on a trip basis, and are 58% less expensive on a per ASM basis. With the 737-700 aircraft, significant economies are evident for maintenance on a mature aircraft basis, and much more pronounced in the first few years of a new aircraft's operation while it and its multiple components are under warranty.

Cost per available seat mile (ASM):	2001	2000	Change
Passenger services	0.032	0.034	5.9%
Fuel	0.028	0.029	3.4%
Maintenance	0.024	0.026	7.7%
Amortization	0.011	0.009	(22.2%)
Sales and marketing	0.010	0.011	9.9%
Flight operations	0.007	0.007	0.0%
General and administrative	0.007	0.006	(16.7%)
Reservations	0.006	0.007	14.3%
Aircraft leasing	0.005	0.004	(25.0%)
Inflight	0.005	0.006	16.7%
Employee profit share	0.003	0.007	57.1%
Total	**0.140**	**0.146**	**4.1%**

With our 9.3% increase in average stage length in 2001 over the previous year, we estimate we will achieve a 6% decrease in unit costs in 2002.

WestJet Hangar

Calgary, AB

WestJet's new hangar facilities officially opened in early 2001, just a short taxi from the north end of the Calgary International Airport. The $22-million building covers 122,000 square feet. The building houses a sheet metal shop, an engine shop, a cabin trainer, two state-of-the-art flight simulators, the entire WestJet flight operations centre and other offices. Of course, its main function is a resting place for WestJet's aircraft - its three main bays are designed to accommodate both the 200 and 700-series jets.


WESTJET
WESTJET

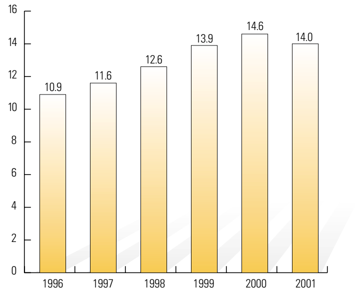
The offset to lower fuel and maintenance costs on the new aircraft is the ownership cost. All four 737-700s were acquired under operating leases in 2001, while only four of our 23 737-200s are on operating leases. Consequently, most of our $8.5 million increase in aircraft leasing cost in 2001 to $15.3 million relates to the 737-700 additions. These are the first four of a total of ten leased aircraft, with six to be delivered in 2002, all of which are on fourteen-year lease terms. WestJet's total off balance sheet asset and liabilities related to operating leased aircraft amounts to $179 million at December 31, 2001, as compared with $27 million at December 31, 2000. This is expected to grow to about $423 million by December 31, 2002.

There are many factors that influence our estimates of retirement and residual values such as the used aircraft marketplace...

Our methodology for amortization of aircraft is based on anticipated retirement dates, hours flown, and residual values. With the introduction of the 737-700 aircraft, WestJet adjusted its accounting estimates for amortization in 2000 on the fleet of 737-200s to adjust for our revised retirement schedule. This results in less time for the 737-200s in our fleet, although not necessarily a shorter useful life for the aircraft, prompting us to review and adjust their residual values accordingly. Our amortization expense more than doubled in 2000 to $18 million, and on a unit basis, was up 42.2% over the previous year.

In keeping with our annual review of residual values of the aircraft in the fleet to ensure that our accounting estimates continue to be appropriate and conservative, we adjusted residuals in 2001 and will likely conduct a review again in 2002. There are many factors that influence our estimates of retirement and residual values such as the used aircraft marketplace, current and future regulatory directives, manufacturer bulletins, and remaining utility time on airframes and engines. WestJet utilizes an independent aircraft appraisal firm as well as in-house technical guidance and expertise to assess the accuracy and reasonableness of the factors that influence our accounting estimates.

The tragic events of September 11th have had an impact on the market value of all aircraft,



OPERATING COST PER ASM
(Unit Costs in Cents)

particularly older jets like our 737-200 aircraft, and our appraisals conducted in fourth quarter 2001 have confirmed a substantial decline in market value and potential residual values at future retirement dates. Write-downs of WestJet's capital assets were not required in 2001 over and above the already conservative estimates we used for amortization during the year. The major test of the value of these assets is their revenue-generating ability. Their value to us on our balance sheet is evident as none of our aircraft were parked following September 11th, and our business recovered to normal levels very quickly in October 2001. Our approach now is to continue to take a conservative view of very uncertain residual values in the future. We will again accelerate our estimates for amortization beginning in the first quarter of 2002, which will add about $8 million to what would have been our amortization expense for 2002, which translates to an 18% increase in amortization's cost per ASM over 2001.

WestJet's profitability means taxability, and although federal and provincial rates of taxation have been declining, this cost is a significant portion of our pre-tax earnings at 36.2% compared with 42.6% in 2000. There is a major timing difference between income reported for accounting purposes, where we amortize our aircraft over a much longer timeframe, as compared with income for tax purposes where aircraft are amortized at 25% declining balance. This timing difference creates a future tax liability, or an accounting provision in the current period at the then current tax rates for the tax that will eventually be paid in future years. When tax legislation is enacted that lowers the tax rate, an adjustment is made to reflect not only the current period's tax, but retroactive to all prior periods' future tax liabilities. This is why, for accounting purposes, WestJet has a low rate of tax for 2001. Not only did the tax reduction benefit the current year's provision, but our prior years' allowances were also adjusted downward. We expect a normalized tax rate of 38.5% for 2002 based on current tax legislation.

Not only did the tax reduction benefit the current year's provision, but our prior years' allowances were also adjusted downward.

Financial Condition

Maintaining a low-cost structure and a strong balance sheet are two important and related pillars of our business plan.

We began the year with $181 million in shareholders' equity and $60.4 million in debt. Our debt to equity ratio on December 31, 2000 was 0.33 to 1.0. During 2001, shareholders' equity increased by $37 million from earnings to $222 million. Long-term debt and capital leases increased by $7.2 million to $67.6 million for an improved debt to equity ratio of 0.3 to 1.0. Including our $179 million in off balance sheet debt – primarily the 737-700 operating leases – WestJet's total debt to equity ratio is 1.1 to 1.0, which is well below this industry's average and our own guidelines of a ratio below 2 to 1.

We commenced 2001 with $79 million in cash and $1.4 million more current assets than current liabilities. Our current ratio declined during the year to $9.4 million fewer current assets than current liabilities due mainly to our capital spending with cash and particularly our pre-delivery payments to Boeing on the future purchases of 26 737-700 aircraft. Our working capital remains strong, and has been substantially enhanced with a recently announced equity issue.

Cash provided from operations was down from $87.4 million in 2000 to $67.4 million in 2001. Our non-cash adjusted net earnings contributed a 47.3% increase to cash of $76.5 million as compared with $51.9 million in the previous year. WestJet's non-cash working capital declined by $9.1 million as compared with an increase of $35.5 million in 2000. This was due to the increase in size of our income tax installments, or prepayments of 2001 tax, and our December renewal of aviation insurance and prepayment in that month of our next year's premiums. There was also the anomaly of the timing differences of cheque runs to our accounts payable suppliers (i.e. just after the year-end in 2000 and just prior in 2001).

New Destination

YMM - Fort McMurray, Alberta

WestJet first flew to "Fort Mac" on January 8, 2001. It was a logical addition to WestJet's Western Canada service, connecting Fort McMurray's bustling oil and gas economy with Edmonton and Calgary, with connections to the rest of the network. Our fourth Alberta destination, Fort McMurray further solidifies our presence in the West, and it marks our return to a market we had previously served. With friendly service and the only all-jet service in town, the people in Fort McMurray are happy to have us back - and we're glad to be there.

Ed Finley

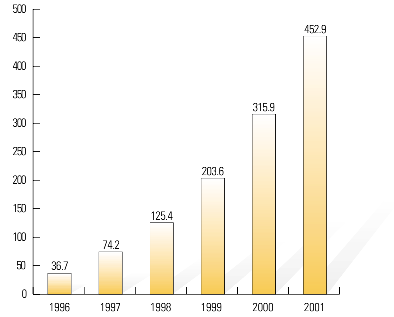
Customer Service Agent, Kelowna, BC

Everyone loves Ed Finley. The WestJet culture drew Ed out of retirement - a lucky break for the Kelowna WestJetters with a sweet tooth, who love the cookies Ed often bakes for them. In his spare time, Ed's building an RV to drive across the country when he re-retires.

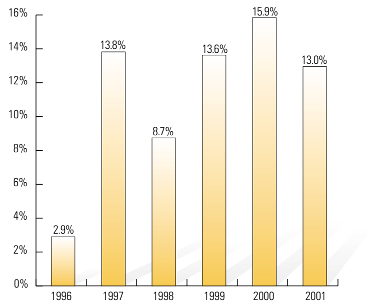
Trish Gill and Liana Miller

Team Leader and Customer Service Agent, Sault Ste. Marie, ON

The many aromas and flavours of Trish Gill's Italian cooking come together in perfect harmony - just like the WestJetters at the Sault Ste. Marie airport. Liana Miller's a key ingredient in the team. When Liana heard WestJet was coming to the Soo, she applied immediately - and she's happy to be on board.



PASSENGER REVENUE
($ Millions)



RETURN ON CAPITAL EMPLOYED

2001 was quite different from 2000's total of $65.8 million in cash provided from financing activity due mainly to our $52.1 million equity issue in December 2000. The exercise of share options generated $3.9 million in cash for the Corporation in 2001 as compared with $2.7 million in 2000. That was the only equity raised during 2001, and along with $8.9 million of debt financing, almost completely offset our repayment of long-term debt and capital lease obligations of $11.9 million during the year. This $8.9 million draw of the balance of our hangar and simulator term debt financings compared with $22.4 million in new debt, the majority of which was for those same assets in 2000.

Since most of the aircraft added to our fleet in 2001 were operating leases, our investment activity in capital assets was down from the $124.9 million in 2000 to $86.1 million in 2001. Our capital expenditures were for one 737-200 aircraft, completion of construction of the Calgary hangar, the installation of two simulators, spare engines and parts, and included pre-delivery payments or deposits to Boeing for future 737-700 aircraft deliveries, all of which amounted to $18.4 million in 2000 and $34.8 million in 2001.

New Destination

YSB - Sudbury, Ontario

WestJet's service to Sudbury, Ontario began December 10, 2001. About 165,000 people live in the Greater Sudbury area. Sudbury gives WestJet a presence in Northern Ontario between Thunder Bay and Hamilton, and it's located within a large catchement region of several smaller communities. In addition to the annual Cinefest International Film Festival and the extensive outdoor recreational pursuits it offers, Sudbury is known for its huge nickel. Now it's known for saving a nickel on air travel too.

Risk Management

In accordance with our agreements to lease 10 Next-Generation aircraft, the U.S. dollar amount of the lease payments are determined based on the value of the 10-year U.S. Swap Rate on the day each aircraft is delivered.

WestJet has effectively limited this exposure by entering into Interest Rate Collar and Forward Starting Swap agreements. Contracts on the first three aircraft expired without any financial impact to WestJet; however, settlement on the fourth contract resulted in a cash payment by WestJet of $1.2 million. This amount will be amortized over the term of the lease.

As a result of the terrorist attacks on September 11, 2001, insurers worldwide served notice that coverage for all aircraft damage and for liability resulting from war and terrorist activities was cancelled. This coverage was later partially re-instated at a cost of $1.25 U.S. per guest segment, and is being recovered by WestJet through the implementation of a surcharge of $3.00 per one-way trip (which may be comprised of more than one segment). The revised coverage provides for a complete reinstatement of passenger liability insurance; however, with limited third-party coverage to $50 million U.S. The Canadian Government, like other governments around the world, agreed, on an interim basis, to indemnify those companies that had previously purchased coverage up to the level in place prior to the cancellation. This indemnity became effective on September 22, 2001 for a period of 90 days, with an option to renew for a further 90 days at the Government of Canada's discretion. The indemnity has since been extended to March 21, 2002 as the industry attempts to find a commercial solution to this reduced coverage.

The revised coverage provides for a complete reinstatement of passenger liability insurance...

Boeing 737-700

Calgary, AB

A Boeing 737-700 series comes in for the night, as a tug pulls it into the WestJet hangar after a productive day. The two jet engines pictured here give the 700-series jet a much longer range, allowing WestJet to provide more non-stop, transcontinental flights. The Boeing 737-700 has the lowest operating costs in its class. It also gives WestJet increased fuel efficiency, more speed and increased guest comfort.

The company's existing insurance policies for war and terrorism coverage contains a seven-day cancellation clause, which the insurers may invoke at any time. There is also no assurance that the Government of Canada will continue to provide insurance for third-party terrorism and war risk coverage in excess of $50 million after March 21, 2002.

Throughout 2001, WestJet continued to benefit from our fuel-hedging program, which protected 42% of our jet fuel purchases from high energy prices and a low Canadian currency. We anticipate that approximately 34% of our 2002 jet fuel purchases will be protected by this contract. WestJet estimates the sensitivity of its exposure on fuel costs to change in the price of crude oil (WTI U.S.$/barrel) to be approximately $2 million for every $1.00 change in the price of crude.

WestJet does not have significant exposure to changing interest rates on our long-term debt as all rates are currently fixed in nature.

As with others in the Canadian airline industry, WestJet is exposed to U.S. dollar currency fluctuations associated with purchases of unhedged fuel, aircraft lease payments, aircraft acquisition payments, and certain maintenance expenditures. While the cost of protection from this exposure remains unreasonably high, we will continue to monitor this uncertainty, and where appropriate will utilize financial instruments to mitigate this risk. We estimate the impact to operating earnings for a $0.01 decline in the Canadian dollar (e.g. $1.55 to $1.54 CDN for one U.S. dollar) to be approximately $1 million.

Effective January 1, 2002, WestJet will retroactively adopt the new CICA standards for accounting for Foreign Currency Translations. These new rules eliminate the deferral and amortization of unrealized translation gains and losses on foreign currency denominated monetary items that have a fixed or ascertainable life beyond the end of the fiscal year. As at December 31, 2001, foreign exchange losses of $490,000 had been deferred and included in long-term assets of the Corporation.

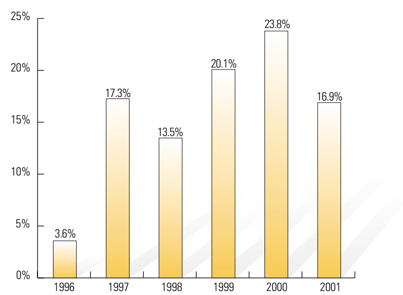
New Destination

YTH - Thompson, Manitoba

Service to Thompson, Manitoba began on December 14, 2001. The third-largest city in Manitoba made perfect sense for WestJet. All-jet service is a unique product in Thompson, and people there have shown their appreciation with positive load factors to Winnipeg, with connections across the WestJet network. The 45,000 people of the Thompson area are proud of their city's designation as Canada's second-coldest city in its size category - it's the perfect place for that warm WestJet spirit!

Outlook

Recent announcements, coupled with our already aggressive expansion plans, will ensure 2002 is another exciting year for WestJet.



RETURN ON SHAREHOLDERS' EQUITY

Subsequent to year end, WestJet announced that it had entered into agreements to lease two Boeing 737-800 aircraft for a period of seven months commencing in May 2002. In addition to these aircraft, WestJet has also entered agreements to exercise two of its purchase options for 737-700 aircraft to be delivered in November and December of 2002, as well as a letter of intent to acquire a second 737-700 flight simulator. We have also taken steps to support these expansion plans and further strengthen our balance sheet through the planned issuance of an additional 2.5 million common shares of the Corporation for net proceeds of approximately $66 million. This equity issue, which is expected to close on or about March 7, 2002, also provides the underwriters with an option to purchase an additional 500,000 common shares, increasing net proceeds to WestJet to $79 million.

Including the two recently announced aircraft, ten Boeing 737-700 aircraft will be delivered to WestJet in 2002, and 24 more in the three years following for a total of 38 firmly ordered aircraft. We also have options and purchase rights for 56 more aircraft between 2005 and 2008. Of the 10 aircraft in 2002, six will be acquired by way of operating leases. Our first four purchased aircraft are scheduled to be delivered in the fourth quarter of 2002. We have the preliminary commitment from the U.S. Government's Export-Import Bank for their loan guarantees to assist in our financing a total of 26 aircraft with the ability to apply for more for future capital commitments. It has been our guidelines generally that one-third of our fleet would be financed by operating leases, one-third of the fleet paid for with debt, and one-third owned or financed with equity. This means that our purchased aircraft would be 50% debt and 50% equity. The Ex-Im support is valuable insurance as it provides financing for up to 85% of all purchased aircraft. As this is considerably more than our own philosophy, and because it is backed by the U.S. Government, the 12-year term financing on our aircraft will be relatively economical.

We intend to continue to issue shares and raise equity at appropriate times, and to maintain our low-cost structure, thereby continuing to increase our equity through profitability and growth. Our strategy with all things we do, and especially with our capital resources and liquidity, is to remain flexible and adaptable to the changing and sometimes volatile airline industry environment.

We have audited the consolidated balance sheets of WestJet Airlines Ltd. as at December 31, 2001 and 2000 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, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed)

KPMG LLP
Chartered Accountants

Calgary, Canada
February 19, 2002

December 31, 2001 and 2000
(Stated in Thousands of Dollars)

	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	$ 58,942	$ 79,025
Accounts receivable	12,211	6,447
Income taxes recoverable	779	-
Prepaid expenses and deposits	11,643	6,099
Inventory	2,155	604
	85,730	92,175
Capital assets (note 2)	300,685	239,320
Other long-term assets (note 3)	7,488	5,677
	$ 393,903	$ 337,172
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 42,019	$ 43,616
Income taxes payable	-	10,471
Advance ticket sales	28,609	18,764
Non-refundable passenger credits	12,599	6,996
Current portion of long-term debt (note 4)	8,470	9,336
Current portion of obligations under capital lease (note 5)	3,398	1,597
	95,095	90,780
Long-term debt (note 4)	41,305	40,953
Obligations under capital lease (note 5)	14,400	8,519
Future income tax (note 7)	20,933	15,828
	171,733	156,080
Shareholders' equity:		
Share capital (note 6)	129,268	125,390
Retained earnings	92,902	55,702
	222,170	181,092
Commitments (notes 5 and 8)		
Subsequent events (note 10)		
	$ 393,903	$ 337,172

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Clive Beddoe (signed) Director

Wilmot Matthews (signed) Director

Years ended December 31, 2001 and 2000
(Stated in Thousands of Dollars, Except Per Share Data)

	2001	2000
Revenues:		
Passenger revenues	$ 452,910	$ 315,931
Charter and other	25,483	16,588
	478,393	332,519
Expenses:		
Passenger services	95,613	64,090
Aircraft fuel	84,629	55,875
Maintenance	72,317	49,512
Amortization	34,332	17,959
Sales and marketing	30,862	21,763
Flight operations	20,916	13,923
General and administration	20,893	12,147
Reservations	17,777	12,497
Aircraft leasing	15,284	6,770
Inflight	16,104	10,972
Employee profit share (note 8(b))	10,311	13,549
	419,038	279,057
Earnings from operations	59,355	53,462
Non-operating income (expense):		
Interest income	2,837	2,463
Interest expense	(5,086)	(2,937)
Gain (loss) on disposal of capital assets	187	(282)
Gain on foreign exchange	986	-
	(1,076)	(756)
Earnings before income taxes	58,279	52,706
Income taxes (note 7):		
Current	15,974	18,102
Future	5,105	4,350
	21,079	22,452
Net earnings	37,200	30,254
Retained earnings, beginning of year	55,702	25,448
Retained earnings, end of year	$ 92,902	$ 55,702
Earnings per share:		
Basic	$ 0.81	$ 0.72
Diluted	$ 0.79	$ 0.69

See accompanying notes to consolidated financial statements.

Years ended December 31, 2001 and 2000
(Stated in Thousands of Dollars)

	2001	2000
Cash provided by (used in):		
Operations:		
Net earnings	$ 37,200	$ 30,254
Items not involving cash:		
Amortization	34,332	17,959
Gain on disposal of capital assets	(187)	(633)
Unrealized loss on foreign exchange	50	-
Future income tax	5,105	4,350
	76,500	51,930
(Increase) decrease in non-cash working capital	(9,139)	35,483
	67,361	87,413
Financing:		
Increase in long-term debt	8,947	22,417
Repayment of long-term debt	(9,461)	(8,019)
Issuance of common shares	3,878	57,689
Share issuance costs	-	(2,369)
Increase in other long-term assets	(2,230)	(3,818)
Decrease in obligations under capital lease	(2,483)	(137)
	(1,349)	65,763
Investments:		
Aircraft additions	(60,518)	(97,269)
Aircraft disposals	-	12,239
Other capital asset additions	(26,271)	(40,043)
Other capital asset disposals	694	182
	(86,095)	(124,891)
Increase (decrease) in cash	(20,083)	28,285
Cash, beginning of year	79,025	50,740
Cash, end of year	$ 58,942	$ 79,025

Cash is defined as cash and cash equivalents.

See accompanying notes to consolidated financial statements.

Years ended December 31, 2001 and 2000
(Tabular Amounts are Stated in Thousands of Dollars)

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. The preparation of financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

(b) Cash and cash equivalents:

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

(c) Revenue recognition:

Passenger revenue is recognized when air transportation is provided. The value of unused tickets is included in the balance sheet as advance ticket sales under current liabilities.

(d) Non-refundable passenger 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 passenger credits are recorded as revenue when the passenger has flown or upon expiry.

(e) Foreign currency:

Monetary assets and liabilities, denominated in foreign currencies, are translated into Canadian dollars at rates of exchange in effect at the balance sheet date. Other assets and revenue and expense items are translated at rates prevailing when they were acquired or incurred. Exchange gains and losses arising on the translation of long-term monetary items that are denominated in foreign currencies are deferred and amortized on a straight-line basis over the remaining term of the related monetary item.

(f) Inventory:

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

(g) Deferred costs:

Sales and marketing and reservation expenses attributed to the advance ticket sales are deferred and expensed in the period the related revenue is recognized. Included in prepaid expenses are $3,643,000 (2000 - $2,435,000) of deferred costs.

Years ended December 31, 2001 and 2000
(Tabular Amounts are Stated in Thousands of Dollars)

1. Significant accounting policies (continued):

(h) Capital assets:

Capital assets are depreciated over their estimated useful lives at the following rates and methods.

Asset	Basis	Rate
Aircraft net of estimated residual value	Flight hours	Hours flown
Spare engines and parts	Flight hours	Hours flown
Buildings	Straight-line	40 years
Flight simulators	Straight-line	10 and 25 years
Aircraft under capital lease	Straight-line	Over the term of the lease
Computer hardware and software	Straight-line	5 years
Equipment	Straight-line	5 years
Leasehold improvements	Straight-line	Over the term of the lease
Computer hardware under capital lease	Straight-line	Over the term of the lease

(i) Maintenance costs:

Heavy maintenance ("D" check) costs incurred on aircraft are capitalized and amortized over the remaining useful service life of the aircraft.

All other maintenance costs are expensed as incurred.

(j) Capitalized costs:

Costs related to the acquisition of used aircraft and their preparation for service are capitalized and included in aircraft costs.

Costs associated with the introduction of new aircraft and other assets under construction are capitalized from inception through to commencement of commercial operations. Interest attributable to funds used to finance the acquisition of new aircraft and construction of major ground facilities is capitalized to the related asset.

(k) Future income tax:

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

Years ended December 31, 2001 and 2000
(Tabular Amounts are Stated in Thousands of Dollars)

1. Significant accounting policies (continued):

(l) Stock-based compensation plans:

The Corporation has stock option plans, which are described in note 6. No compensation expense is recognized for these plans when the options are issued. Any consideration received on exercise of the stock options is credited to share capital.

(m) Financial instruments:

The Corporation manages its foreign exchange exposure through the use of options, forward contracts and cross currency swaps. Resulting gains and losses are accrued as exchange rates change to offset gains and losses resulting from the underlying hedged transactions. Premiums and discounts are amortized over the term of the contracts.

The Corporation manages its exposure to jet fuel price volatility through the use of fixed price and fixed ceiling price agreements. Premiums and discounts are amortized over the term of the contracts.

The Corporation has entered into an agreement to lease ten Boeing next generation aircraft. In accordance with these aircraft operating lease agreements, the U.S. dollar amount of the lease payments are fixed based on the value of the 10-year U.S. Swap Rate on the day the aircraft is delivered. The Corporation has managed this exposure by entering into Interest Rate Collar and Forward Starting Swap agreements. Any cash settlement resulting from these transactions will be amortized over the lease term.

(n) Per share amounts:

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated based on the treasury stock method, which assumes that any proceeds obtained on exercise of options would be used to purchase common shares at the average price during the period. The weighted average number of shares outstanding is then adjusted by the net change. In computing diluted net earnings per share, 879,455 shares were added to the weighted average number of common shares outstanding during the year ended December 31, 2001 (2000 – 2,115,738) for the dilutive effect of employee stock options.

Years ended December 31, 2001 and 2000
(Tabular Amounts are Stated in Thousands of Dollars)

2. Capital assets:

2001	Cost	Accumulated depreciation	Net book value
Aircraft	$ 188,000	$ 49,912	$ 138,088
Spare engines and parts	42,628	5,551	37,077
Buildings	23,051	446	22,605
Flight simulators	19,455	670	18,785
Aircraft under capital lease	18,617	2,980	15,637
Computer hardware and software	12,388	3,732	8,656
Equipment	6,990	2,614	4,376
Leasehold improvements	3,539	1,421	2,118
Computer hardware under capital lease	643	494	149
	315,311	67,820	247,491
Deposits on aircraft	53,194	-	53,194
	$ 368,505	$ 67,820	$ 300,685
2000			
Aircraft	$ 174,014	$ 27,676	$ 146,338
Spare engines and parts	26,497	1,410	25,087
Buildings	19,958	-	19,958
Flight simulators	9,624	-	9,624
Aircraft under capital lease	9,202	151	9,051
Computer hardware and software	6,879	2,059	4,820
Equipment	5,003	1,470	3,533
Leasehold improvements	3,112	915	2,197
Computer hardware under capital lease	643	359	284
	254,932	34,040	220,892
Deposits on aircraft	18,428	-	18,428
	$ 273,360	$ 34,040	$ 239,320

During the year capital assets were acquired at an aggregate cost of $9,415,000 (2000 - $9,780,000) by means of capital leases and interest costs of $467,000 (2000 - $275,000) were capitalized to buildings under construction.

3. Other long-term assets:

Included in other long-term assets are pre-payments of premiums for long-term contracts with fuel suppliers of $667,000 (2000 – $2,000,000), deposits on long-term operating lease agreements of $4,748,000 (2000 - $3,435,000), pre-payments of insurance of $496,000 (2000 – $242,000), unamortized hedge settlement of $1,087,000 (2000 – nil) and deferred foreign exchange losses of $490,000 (2000 – nil).

Years ended December 31, 2001 and 2000
(Tabular Amounts are Stated in Thousands of Dollars)

4. Long-term debt:

	2001	2000
$ 16,000,000 term loan repayable in monthly instalments of $145,000 including interest at 7.125%, and additional principal reduction payments of $667,000 upon retirement of the six cross-collateralized aircraft, maturing August 2016, secured by the new generation flight simulator and six cross-collateralized aircraft	$ 15,700	$ 8,756
$ 12,000,000 term loan repayable in monthly instalments of $108,000 including interest at 9.03%, maturing April 2011, secured by the hangar facility	11,858	10,297
$ 4,257,000 term loan repayable in monthly instalments of $66,000 including interest at 8.39% and $2,943,000 term loan repayable in monthly instalments of $47,000 including interest at 8.81%, maturing October 2005, secured by one aircraft	4,961	5,858
$ 5,117,000 term loan repayable in monthly instalments of $76,000 including interest at 8.29% and $2,383,000 term loan repayable in monthly instalments of $36,000 including interest at 8.36%, maturing October 2005, secured by one aircraft	4,935	5,826
$ 5,759,000 term loan repayable in monthly instalments of $87,000 including interest at 8.42%, and $1,614,000 term loan repayable in monthly instalments of $25,000 including interest at 8.49%, maturing October 2005, secured by one aircraft	4,908	5,793
$ 6,500,000 term loan repayable in monthly instalments of $133,000 including interest at 8.38%, maturing May 2004, secured by two aircraft	3,482	4,729
$ 7,500,000 term loan repayable in monthly instalments of $153,000 including interest at 8.13%, maturing April 2003, secured by two aircraft	2,308	3,880
$ 7,500,000 term loan repayable in monthly instalments of $154,000 including interest at 8.50%, maturing November 2002, secured by two aircraft	1,623	3,255
$ 3,364,000 term loan repayable in monthly instalments of $178,000 including interest at 6.36%, maturing November 2001	-	1,895
	49,775	50,289
Less current portion	8,470	9,336
	$ 41,305	$ 40,953

The net book value of the assets pledged as collateral for the Corporation's secured borrowings was $94,485,000 as at December 31, 2001.

Years ended December 31, 2001 and 2000
(Tabular Amounts are Stated in Thousands of Dollars)

4. Long-term debt (continued):

Future scheduled repayment of long-term debt is as follows:

2002	$ 8,470
2003	6,186
2004	5,111
2005	6,407
2006 and thereafter	23,601
	$ 49,775

The Corporation has available a facility with a chartered bank of $2,000,000 for letters of guarantee and U.S. $7,000,000 for forward foreign exchange contracts. At December 31, 2001, letters of guarantee totaling $1,252,000 have been issued under these facilities. The credit facilities are secured by a fixed first charge on one aircraft, a general security agreement and an assignment of insurance proceeds.

Cash interest paid during the year was $5,570,000, including imputed interest on capital leases of $1,293,000.

5. Leases:

The Corporation has entered into operating leases for aircraft, buildings, computer hardware and software licenses and capital leases relating to computer hardware and aircraft. The obligations on a calendar-year basis are as follows (see note 8 for additional lease commitments):

	Capital Leases	Operating Leases
2002	$ 4,764	$ 31,399
2003	4,645	29,369
2004	4,586	27,160
2005	4,586	23,112
2006 and thereafter	2,934	197,305
Total lease payments	$ 21,515	$ 308,345
Less imputed interest at 8.40%	3,717	
Net minimum lease payments	17,798	
Less current portion of obligations under capital lease	3,398	
Obligations under capital lease	$ 14,400	

Years ended December 31, 2001 and 2000
(Tabular Amounts are Stated in Thousands of Dollars)

6. Share capital:

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

(a) Authorized:

Unlimited number of voting common shares

700,000 non-voting performance shares

Unlimited number of non-voting shares

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

(b) Issued:

	2001		2000	
	Number	Amount	Number	Amount
Common shares:				
Balance, beginning of year	44,998,583	$ 125,390	40,955,999	$ 69,604
Common share issue	-	-	2,420,000	54,450
Conversion of performance shares	-	-	501,640	10
Exercise of options	1,346,015	3,878	1,120,944	2,664
Share issuance costs	-	-	-	(2,369)
Tax benefit of issue costs	-	-	-	1,031
Balance, end of year	46,344,598	129,268	44,998,583	125,390
Performance shares:				
Balance, beginning of year	-	-	333,644	10
Conversion of performance shares	-	-	(333,644)	(10)
Balance, end of year	-	-	-	-
		$ 129,268		$ 125,390

(c) Stock split:

On May 12, 2000, 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.

Years ended December 31, 2001 and 2000
(Tabular Amounts are Stated in Thousands of Dollars)

6. Share capital (continued):

(d) Stock Option Plan:

The Corporation has a Stock Option Plan, whereby up to a maximum of 4,565,693 common shares may be issued to directors, 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 and have a term of four years.

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

	2001		2000	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Stock options outstanding, beginning of year	3,358,121	$ 9.64	3,222,338	$ 2.84
Granted	1,787,734	21.96	1,272,850	20.48
Exercised	(1,346,015)	2.88	(1,120,944)	2.38
Cancelled	(80,162)	20.60	(16,123)	10.54
Stock options outstanding, end of year	3,719,678	$ 17.77	3,358,121	$ 9.64
Exercisable, end of year	552,886	$ 3.62	973,249	$ 3.02

Years ended December 31, 2001 and 2000
(Tabular Amounts are Stated in Thousands of Dollars)

6. Share capital (continued):

(d) Stock Option Plan (continued):

The following table summarizes the options outstanding and exercisable at December 31, 2001 and the year of expiry:

Outstanding			Exercisable Options		
Exercise Price	Number Outstanding	Year of Vesting	Exercisable	Exercise Price	Year of Expiry
$ 2.67	248,414	2001	248,414	$ 2.67	2002
4.00	259,472	2001	259,472	4.00	2002
4.00	133,875	2002	-	4.00	2003
6.67	45,000	2001	45,000	6.67	2002
6.67	83,355	2002	-	6.67	2003
20.48	1,179,880	2003	-	20.48	2004
19.00	16,850	2004	-	19.00	2005
22.02	1,740,095	2004	-	22.02	2005
17.86	6,416	2004	-	17.86	2005
16.48	6,321	2004	-	16.48	2005
$ 17.77	3,719,678		552,886	$ 3.62	

Upon filing the Corporation's initial public offering on July 13, 1999, 158,355 options were re-priced from $4.00 per share to $6.67 per share and of this amount 128,355 were remaining at December 31, 2001. The Corporation committed to the holders of the options that it would pay the differential of $2.67 per share upon exercise of those options.

(e) Employee Share Purchase Plan:

Under the terms of the Employee Share Purchase Plan, 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 matches the employee contributions and shares may be withdrawn from the Plan after being held in trust for one year. Employees may offer to sell common shares, which have not been held for at least one year, on January 1 and July 1 of each year, to the Corporation for 50% of the then current market price. The Corporation's share of the contributions is recorded as compensation expense and amounted to $6,081,000 (2000 - $4,025,000).

(f) Performance shares:

The performance shares were held by management and key employees of the Corporation. During 2000, the remaining performance shares were all converted into common shares of the Corporation at a conversion factor of two performance shares for three common shares.

Years ended December 31, 2001 and 2000
(Tabular Amounts are Stated in Thousands of Dollars)

7. Income taxes:

Income taxes vary upon the amount that would be computed by applying the basic Federal and Provincial tax rate of 43.7% (2000 – 45.0%) to earnings before taxes as follows:

	2001	2000
Expected income tax provision	$ 25,445	$ 23,718
Add (deduct):		
Non-deductible expenses	459	35
Other	(729)	(124)
Capital taxes	251	170
Large corporations tax	-	475
Future tax rate reductions	(4,347)	(1,822)
	$ 21,079	$ 22,452

Cash taxes paid during the year were $25,700,000.

The components of the net future income tax liability at December 31, 2001 is as follows:

Future income tax assets:	
Share issue costs	$ 1,127
Future income tax liabilities:	
Capital assets	22,060
Net future income tax liability	$ 20,933

8. Commitments:

(a) Aircraft:

The Corporation has entered into an agreement to lease ten Boeing next generation aircraft, four of which were delivered over the course of 2001, while the remaining six will be delivered in 2002. The Corporation has also obtained options to lease an additional ten Boeing next generation aircraft to be delivered prior to the end of 2006.

The obligations for the remaining six operating leases in U.S. dollars are as follows:

2002	$ 8,066
2003	17,621
2004	17,621
2005	17,621
2006 and thereafter	185,768
	$ 246,697

Years ended December 31, 2001 and 2000
(Tabular Amounts are Stated in Thousands of Dollars)

8. Commitments: (continued)

(a) Aircraft (continued):

The Corporation has also entered into an agreement to purchase twenty-six Boeing next generation aircraft, to be delivered over the course of 2002 to 2006. This agreement provides the Corporation with the option to purchase an additional forty-eight aircraft for delivery prior to the end of 2008. The Corporation has made deposits of $34,993,000 U.S. (2000 - $13,494,000 U.S.) relating to these purchases and the remaining estimated amounts to be paid in deposits and purchase prices in U.S. dollars are as follows:

2002	$ 133,552
2003	389,599
2004	468,672
2005	234,879
2006 and thereafter	47,808
	$ 1,274,510

The Corporation has received a commitment for financing from the Export Import Bank of the United States on the twenty-six Boeing next generation aircraft. This $744,000,000 U.S. commitment may be used for the aircraft purchases beginning in 2002.

(b) Employee profit share:

The Corporation has an employee profit sharing plan whereby eligible employees will 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 approval by the Board of Directors.

Years ended December 31, 2001 and 2000
(Tabular Amounts are Stated in Thousands of Dollars)

9. Risk management:

(a) Fuel risk management:

The Corporation has managed its exposure to jet fuel price volatility through the use of long-term fixed price contracts and contracts with a fixed ceiling price which it has entered into with a fuel supplier. Any premiums paid to enter into these long-term fuel arrangements are recorded as other long-term assets and amortized to fuel expense over the term of the contracts. As at December 31, 2001, the Corporation had a fixed ceiling price fuel contract that is in effect through June 2003. Based on historical and anticipated volumes of fuel usage, this contract represents approximately 35% of the Corporation's projected 2002 fuel requirements at an indicative price of $18.61 U.S. per barrel of crude oil.

(b) Foreign currency exchange risk:

The Corporation is exposed to foreign currency fluctuations as certain ongoing expenses are referenced to U.S. dollar denominated prices. The Corporation periodically uses financial instruments, including forward exchange contracts and options, to manage its exposure. At December 31, 2001 the Corporation did not have any foreign currency contracts outstanding.

(c) Aircraft lease foreign currency exchange risk:

The Corporation has managed its exposure to fluctuations in the operating lease payments, which are designated in U.S. dollars, for the ten Boeing next generation aircraft leases. In accordance with the aircraft lease agreements, the U.S. dollar amount of the lease payments are fixed based on the value of the 10-year U.S. Swap Rate on the day the aircraft is delivered. The Corporation has managed this exposure by entering into Interest Rate Collar and Forward Starting Swap agreements. Interest Rate Collar agreements on the first three next generation aircraft expired within the collar range, and therefore without any financial effect to the Corporation. The fourth next generation aircraft expired outside the collar range and incurred a loss of $1,181,000, which will be amortized over the term of the lease. As at December 31, 2001, the fair value of the remaining six contracts, for aircraft to be delivered between January 2002 and December 2002, was a loss of $238,971 U.S. As a condition of these lease agreements and dependant on current fair market valuations, the Corporation has pledged an aircraft as security and may be required to post additional cash collateral with its counter party. The value of these agreements is derived from the yield on the 10-year U.S. Swap Rate. The aggregate sensitivity of these agreements to changes in the 10-year U.S. Swap Rate is $78,000 U.S. per basis point. As at December 31, 2001, the Corporation had restricted cash of $2,750,000 U.S. on deposit with its counter party.

Years ended December 31, 2001 and 2000
(Tabular Amounts are Stated in Thousands of Dollars)

9. Risk management: (continued)

(d) Interest rate risk:

The Corporation has entered into fixed rate debt agreements in order to manage its interest rate exposure on debt instruments. These agreements are described in note 4.

(e) 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 passengers 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 a single counter party and monitoring the market position of the program and its relative market position with each counter party.

(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, 2001, the fair value of the long-term debt was approximately $51.9 million, based on market prices of debt with comparable remaining maturities.

10. Subsequent events:

a) Subsequent to year-end, the Corporation entered into a letter of intent to lease two 737-800 aircraft for a period of seven months commencing May 1, 2002 to November 30, 2002. In addition, the Corporation has signed agreements to exercise two of its purchase rights for 737-700 aircraft with anticipated delivery dates of November and December 2002 as well as a letter of intent for the acquisition of another next generation flight simulator for the total approximate consideration of $107 million.

(b) The Corporation has also announced a stock split on the basis of three common shares for each two common shares held. The proposed stock split is subject to shareholders' approval and will be considered at the Corporation's Annual and Special Meeting.

(c) Subsequent to year-end, the Corporation entered into an Underwriting Agreement to issue 2,500,000 common shares of the Corporation for net proceeds of approximately $66 million. The Agreement also provides the underwriters the option to purchase an additional 500,000 common shares which, if fully exercised, would increase the net proceeds to approximately $79 million.

Board of Directors

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

Tim Morgan
Senior Vice President, Operations and
Co-Chief Operating Officer
WestJet Airlines Ltd.

Allen Byl
Boeing 737 Captain and
P.A.C.T. Representative
WestJet

Ron Greene
President
Tortuga Investment Corp.

Wilmot Matthews
President
Marjad Inc.

Murph N. Hannon
President
Murcon Development Ltd.

Brian Gibson
Senior Vice President, Active Equities
Ontario Teachers' Pension Plan Board

Donald A. MacDonald
President
Sanjel Corporation

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

Executive Team

(L-R): Clive Beddoe, Executive Chairman, President and Chief Executive Officer; Donald Bell, Senior Vice President, Customer Service and Co-Chief Operating Officer; Alexander (Sandy) Campbell, Senior Vice President, Finance and Chief Financial Officer; Thomas (Tim) Morgan, Senior Vice President, Operations and Co-Chief Operating Officer; Mark Hill, Vice President, Strategic Planning; William (Bill) Lamberton, Vice President, Marketing and Sales.

Corporate Officers

Clive J. Beddoe
Executive Chairman
President and Chief Executive Officer

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

Tim Morgan
Senior Vice President, Operations and
Co-Chief Operating Officer

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

Transfer Agent and Registrar
CIBC Mellon Trust Company
Toll Free Phone Number North America: 1-800-387-0825
Phone Number 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
Phone: 1-877-493-7853
or 444-2252 in Calgary
Email: investor_relations@westjet.com

Head Office | 5055 11 St. NE, Calgary, Alberta, T2E 8N4 Telephone: (403) 444-2600 Fax: (403) 444-2301 | ***www.westjet.com***

Annual and Special Meeting

WestJet Airlines Ltd. Annual and Special Meeting will be held at:
2:00 p.m. (MDT) on Thursday, April 25, 2002
at WestJet's Hangar, 21 Aerial Place NE, Calgary, AB

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5055 11 St. NE, Calgary, Alberta, T2E 8N4 Telephone: (403) 444-2600 Fax: (403) 444-2301 **www.westjet.com**