

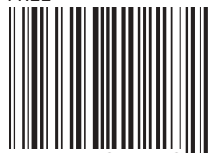
WESTJET Annual Report

The Magazine

The **BEST** of **2002** The Year in Review



FREE



2002 ANNUAL REPORT

737-700 SERIES
WESTJET'S SUCCESS (it's the people!)

SPOTLIGHT ON THE STARS OF THE AIRLINE INDUSTRY ■ THE UNSUNG HEROES OF WESTJET



Test-ride one today. At airports across the country.

Victoria Vancouver Abbotsford Kelowna Prince George Comox Grande Prairie Calgary Edmonton
Winnipeg Thunder Bay Sudbury Sault Ste. Marie Windsor London Hamilton Toronto Ottawa Montréal



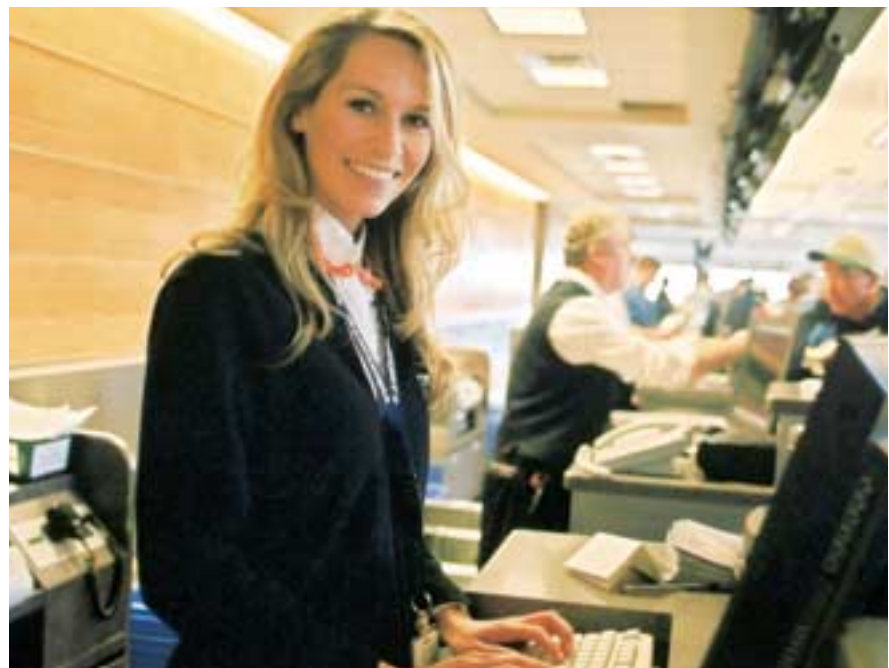
Fort McMurray Saskatoon Regina
Moncton Halifax Gander St. John's

WESTJET 

WESTJET Annual Report



10 Message from the President. This is what we've all been waiting for. No smoke. No spin. Just the facts.



Amazing people like Calgary Customer Service Agent Erin O'Sullivan made it a great year.

6 Plane Talk

Feedback from WestJet's guests and beyond.

8 2002 Highlights

The fiscal year at a glance.

9 Five-Year Review

Take a trip down memory lane as we look at WestJet's past five years of operation.

10 UP FRONT

President's Message to Shareholders.
Clive tells it like it was.

13 WestJet Style

WestJetters show off the latest in WestJet fashion.

14 That "New Plane" Smell

How WestJet goes about the purchase and outfitting of the new 700-series jets.

16 SpecTACular People

WestJet's new Turn Around Crew show their WestJet pride.

18 WestJet CARES!

Get up to speed on the happenings in WestJet's world in 2002.

DOLLARS & SENSE

Management's Discussion and Analysis of Financial Results

20 Overview

24 Revenues

26 Expenses

32 Financial Condition

35 Outlook

36 Reports

Management's and Auditors' Reports to Shareholders

On the cover: Ria Hansen and Amanda Corrigan, Victoria CSAs bask in the sun. Carrie Dreher and Robert Kamis, Specialty Sales, share a moment. Steven Strachan has his hands full in Maintenance Stores.



WestJetters Arlana Zeyha and Annie Vaisman share a smile in Purchasing.



CORPORATE PROFILE

WestJet Airlines Ltd. is Canada's leading low-fare airline, and is based in Calgary, Alberta. At year-end 2002, WestJet employed 3,120 people, and carried over 5.8 million guests to its 21 destinations of Victoria, Comox, Vancouver, Abbotsford/Fraser Valley, Prince George, Kelowna, Calgary, Edmonton, Grande Prairie, Fort McMurray, Saskatoon, Regina, Winnipeg, Sudbury, Sault Ste. Marie, Thunder Bay, London, Ottawa, Hamilton, Toronto, and Moncton. As at December 31, 2002, WestJet's fleet consisted of 35 Boeing 737 aircraft. WestJet is publicly traded on the Toronto Stock Exchange under the symbol WJA.

37 **Figures in Review**

Behold the year's best figures in stunning black and white.

40 **Notes to Financial Statements**

Learn the language of accountants.

52 **Reviews & Previews**

Bold new trends and the ones to watch for.

54 **State of the Art**

The people and plans behind the technology in WestJet's IT Department.

56 **Behind the Scenes**

WestJet's executives captured on film.

58 **Crosswinds**

Have some fun...test your WestJet knowledge.



Erin Fossum, CSA,
Thunder Bay

Shane Friesen, Air Supply



Randy Mengerling, Pilot



Jennifer Holteen,
Inflight Coordinator



NO WORRIES!

I would just like to say that WestJet has taken all of my worries about travelling away! The fares are reasonable and it is so easy and safe to book online. I especially like the ticketless service! Thanks WestJet!

Kyle H., Calgary, Alberta

Thank you for being bright and cheerful, having a unique sense of humour, and extending a very warm WestJet welcome to a first-time traveller.

Kevin M., Edmonton, Alberta

As a professional marketer and customer service trainer based in Calgary, I have flown onboard WestJet often. Your people are a true pleasure in today's environment. I use WestJet as an example and benchmark almost weekly as I strive to show other companies and people what WestJet already knows. Thanks for being better by being different.

Craig C., Calgary, Alberta

The courtesy and help extended to my elderly mother by your people at the Edmonton International Airport was very much appreciated. The Customer Service Agents went out of their way to ensure my mother's needs were looked after even when a change in flight schedule was necessary due to weather conditions. Thank you.

Dennis N., Edmonton, Alberta

IT'S NOT AN ACT

I recently flew from Toronto to Vancouver and the inflight crew was amazing. I was treated with genuine friendliness, great hospitality, and first-class service. The jokes and the songs made the flight an even more memorable experience. I think WestJet treats their guests with respect, and brings a lot more fun into flying. I love the cheap fares, too!

Maureen S., Toronto, Ontario

Recently, I travelled via WestJet for the first time from Hamilton to Sault



Jay Madden, Karli Davidson, and Enza Ignomiriello, Customer Care Representatives, line up to get the job done.

Ste. Marie and I was so impressed with the excellent service that I decided to send you a note. First of all, your staff is very friendly, helpful and informative. Also, WestJet's "friendly" policies are second to none. Specifically, the option to fly one way at an extremely reasonable rate makes travel planning so much more flexible. Other friendly policies include very low rates for changing departure dates and the option to exchange a ticket for a credit to be used within a year. Such policies are unheard of in any other airline I have dealt with.

A+ to WestJet! I will certainly choose WestJet first for all of my future travels!

Marcia G., Hamilton, Ontario

I was recently on my second trip on WestJet when the lead flight attendant played her flute for us. She must be moonlighting from a symphony orchestra, such was the quality of her playing. Despite having flown hundreds of trips in executive and

business class on other airlines, I want to tell you that this person bringing out her flute was the single most enjoyable flight experience I have ever had...it just said something about WestJet to me. Absolutely delightful...as was her cute little song about marrying one of the crew and flying for free! The other attendants also showed they cared about the passengers. Please let this employee know how very much her kind attention was appreciated! See you on future flights...

Bob C., Winnipeg, Manitoba

Editor's note: We'll let Shere know you enjoyed her playing!

I used your carrier to travel from Regina to Victoria during the second week of March. I do not fly commercial carriers often, but when I flew on WestJet, it was the first time I

was made to feel like I was a first class passenger. Your staff in booking, and in boarding, worked 150% to ease any concerns I might have had prior to boarding. The crews on board carried on and I really had an enjoyable flight. The aircraft was clean, and service on board was second to none. The pilots were very informative and professional. I think most importantly of all, I felt safe the entire flight, there and back. Thank you again, and you have my business from now on.

Patrick M., Regina, Saskatchewan

GLAD WE COULD HELP

You have saved me so much grief! My daughter moved to Thunder Bay a few years ago and I haven't been able to see her since. Then, we found this gem of an airline that offers excellent quality for such an affordable price. Thank you, thank you, and thank you. My family can now be together during the holidays without having to apply for a bank loan to pay for the flight! I am so very impressed

WESTJET Annual Report

THE BEST OF 2002

WestJet Airlines Ltd.
Printed March 2003

Clive Beddoe

Executive Chairman,
President, and CEO

Sandy Campbell

Senior Vice President,
Finance, and CFO

Siobhan Vinish

Director, Communications
and Public Relations

Jeremy Forrest

Managing Editor

Shirley Saputra

Financial Editor

Sarah Deveau

Contributing Editor

Jason Polak

Creative Director, Ad Design

Thomas Magee

Art Director, Layout Q.B.

Shayne McBride

Agency Account Director

Marnie Burkhart

Bix Burkhart

Principal Photographers

Jennifer Gibson

Production Manager

Sundog Printing Ltd.

Calgary, Alberta, Canada

Film Preparation and Printing

*Special thanks to the people of
WestJet and Creative Intelligence
Agency for their efforts in the
creation of this Annual Report.*

No part of this publication may be reprinted or copied without the expressed written consent of WestJet. WestJet is a company committed to keeping the good times flying. We're also an airline built by people for people who want a fun, friendly, affordable way to get around this great country of ours.



SIMply terrific! Steve Robertson, Flight Simulator Technician sets up a flight weather pattern for an unsuspecting pilot on the 737-700 flight simulator. Gale force, anyone?

with WestJet and will continue to recommend it to my friends and anyone else I meet.

Terry K., Toronto, Ontario

KIDS ARE PEOPLE TOO

Our son travelled as an unaccompanied minor with WestJet over the summer holidays from Atlantic Canada to western Canada. He is only six and had a wonderful time. Everyone from the ticket counter agents to the flight attendants was super. Our son had a terrific flight and can't wait to fly again. We have a niece coming on the same route this summer and she will also be flying WestJet. Thank you for making the children feel important too.

Roger F., Moncton, New Brunswick

CSA MAKES MY DAY

Before boarding last week, I was greeted at your counter by one of the nicest people I have ever met. Like all of your ticket agents, she was very helpful, kind and very happy. Thanks for making my day, WestJet!

Les W., Regina, Saskatchewan

I have literally never been unhappy with the service I have received either on the planes or on the phones. You have the most amazing staff working for WestJet and they all deserve a big hug. Thanks for making air travel in Canada affordable. You'll always have my support!

Paula T., Prince George, B.C.

THERE'S ALWAYS ONE...

Jeez! Enough already about WestJet! There are other airlines in Canada and even if they don't provide the same great service or fares, they still deserve some recognition.

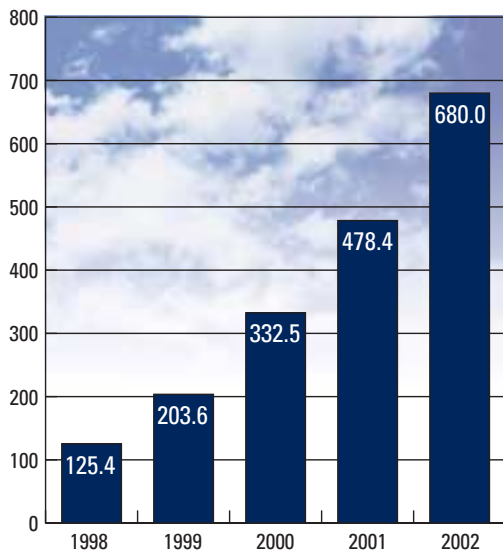
R. Millton, Montréal, Québec

WE WOULD LIKE TO HEAR FROM YOU...

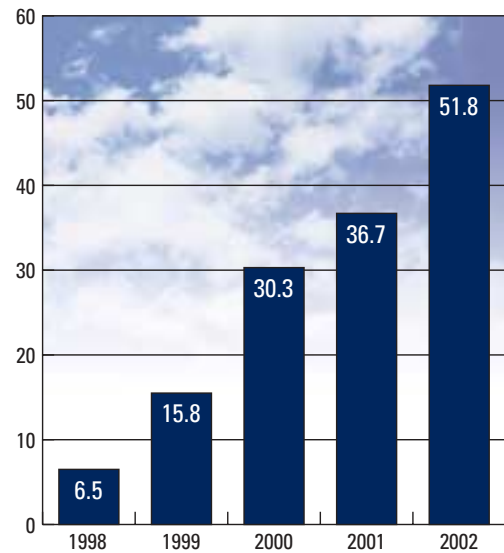
We welcome feedback and suggestions on any aspect of your WestJet experience. You can contact us through westjet.com – just click on Contact Us and enter our Interactive Feedback Corner. We can't wait to hear from you!

Dollars in millions except per share figures

Finance	2002	2001	2000	1999	1998
Revenues	680.0	478.4	332.5	203.6	125.4
Earnings before income taxes	82.8	57.8	52.7	29.3	12.4
Net earnings	51.8	36.7	30.3	15.8	6.5
Net earnings per common share					
Basic	0.70	0.53	0.48	0.28	0.12
Diluted	0.69	0.52	0.46	0.26	0.12

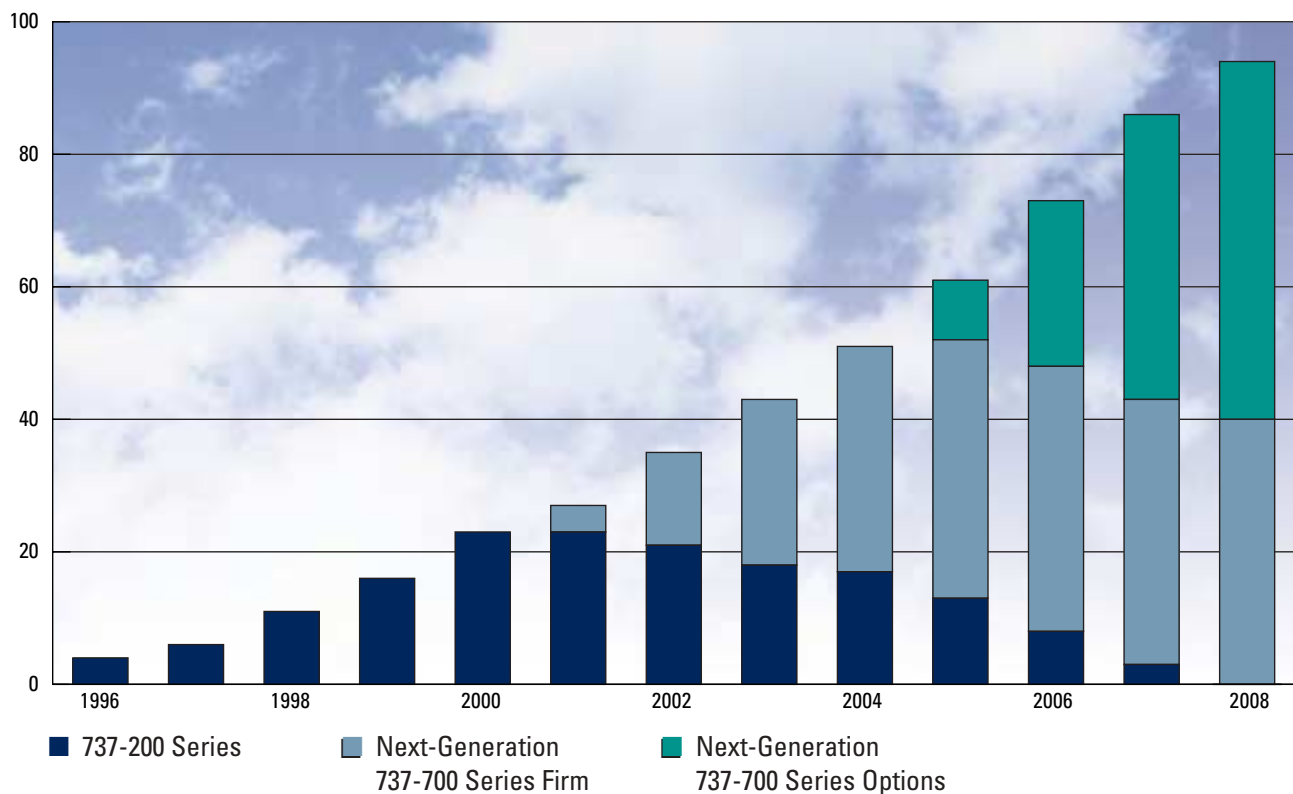


Revenue (Millions of dollars)

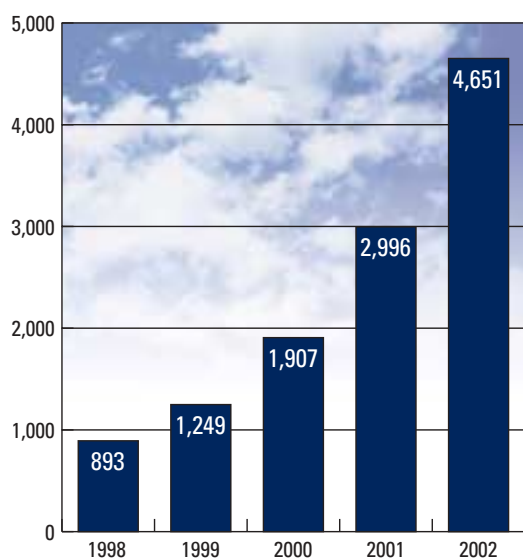


Net Earnings (Millions of dollars)

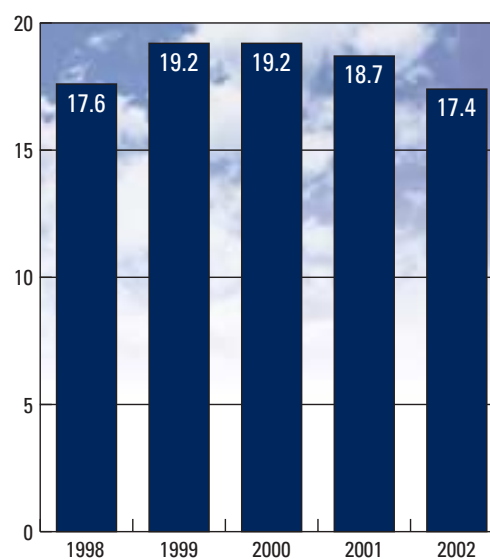
WestJet Fleet Plan



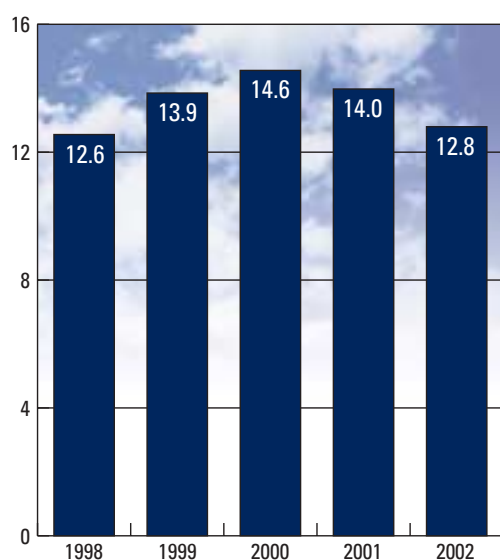
Operating Highlights	2002	2001	2000	1999	1998
Revenue Passenger Miles (RPM)	3,406,663,632	2,236,270,397	1,453,245,522	902,945,131	639,157,206
Available Seat Miles (ASM)	4,650,990,031	2,995,516,958	1,906,863,288	1,249,316,243	893,008,646
Load factor	73.2%	74.7%	76.2%	72.3%	71.6%
Yield per RPM (¢)	20.0	21.4	22.9	22.5	19.6
Revenue per ASM (¢)	14.6	16.0	17.4	16.3	14.1
Operating cost per ASM (¢)	12.8	14.0	14.6	13.9	12.6
Average stage length (miles)	551.8	458.4	419.2	383.0	378.0
Cost per passenger mile (¢)	17.4	18.7	19.2	19.2	17.6
Segment passengers	5,861,068	4,670,364	3,393,356	2,316,345	1,683,806
Fuel consumption (litres)	305,600,565	232,094,156	156,957,842	102,939,487	70,397,078
Fuel cost per litre (¢)	36.6	36.5	35.6	29.6	29.1
Number of full-time-equivalent employees at year end	2,710	1,844	1,292	881	665
Fleet size at year end	35	27	22	16	11



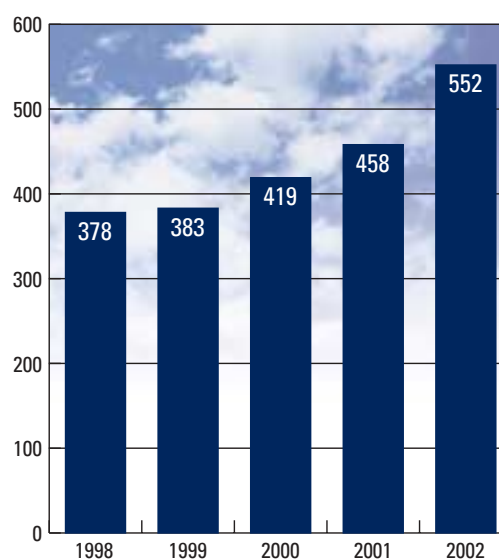
Available Seat Miles (Millions of miles)



Cost per Passenger Mile (Cents)



Operating Cost per ASM (Cents)



Average Stage Length (Miles)



President's Message to Shareholders

WESTJET IN 2002

This year was an exciting time for WestJet as we continued to prosper through difficult times in our industry. Notwithstanding these difficulties, we were able to produce another profitable year, while successfully positioning ourselves for ongoing growth.

With our acquisition of 10 Boeing Next-Generation 737-700 aircraft in 2002, we increased the number of airplanes in our fleet to 35 Boeing 737s at year end. These acquisitions have allowed us to grow our airline by 55% on an Available Seat Mile (ASM) basis and to usher in the two new destinations of London and Toronto in 2002.

Both of these new cities have been success stories from the beginning, and we now offer seven flights a day with non-stop service from Toronto to three western Canadian destinations: Calgary, Edmonton, and Vancouver, and two flights every day from London. The addition of these aircraft has also allowed us to enhance our network to the point where we are operating 56 primary non-stop city pairs of which 30 are unique and operated only by WestJet.

2002 will also be remembered as a time when the fundamental flaws of the traditional airline business became glaringly apparent as many major airlines in the United States found

themselves facing the prospect of bankruptcy. While traditional airlines in America faced crisis after crisis, low-fare airlines with low-cost structures, like WestJet, continued to post profits, expand services, and prosper during these trying times.

There is now no doubt that an evolution of our industry is occurring both in Canada and the United States, and this change became even more apparent during 2002.

The reality is that airline travel is simply a mode of transportation. The airlines of yesteryear have been slow to realize the direction that air travel has taken, and many have misjudged the

significance of the change in airline strategy founded in 1971 with the first flights of low-fare pioneer Southwest Airlines.

The vast majority of air-travel passengers, particularly on short- to mid-haul flights, are not prepared to pay significantly more for a seat in order to obtain points from a reward program and possibly be served a meal, if a more affordable option is available. These additional services weigh heavily on the price of airfares, and the travelling public does not perceive that they provide a proportionate increase in value. Consequently, traditional carriers are scrambling to survive, and are now trying to emulate the efficiencies of their lower-cost rivals.

WestJet has pioneered this evolution in Canada, and we continue to adhere to the principles that have secured our success since our first flights. Our formula is simple, but not easily replicated: we provide an affordable, convenient, enjoyable travel experience, with the support of a low-cost structure.

By embracing advances in technology, our unit costs continue to decrease while our growth continues to dilute our fixed costs. Our financial success has allowed us to adopt Boeing's next generation of 737, the 700 series, and its greater efficiency has allowed us to reduce our operating costs significantly. This year, we grew bookings through the Internet to approximately 55% from 40% in 2001. Bookings made through our website are not only a means of reducing our costs, but our guests have also clearly communicated that they appreciate the convenience that westjet.com offers.

In October, we entered into an agreement with Worldwide Travel Exchange (WWTE) (also known as Expedia.ca) to offer car and hotel bookings on westjet.com. Through a link on westjet.com, guests can book hotel rooms and rent cars in every city we serve, which further enhances convenience for our guests, and the value of our website.

CHALLENGES IN 2002

The Air Traveller's Security Charge (ATSC) – imposed in April 2002 – proved to be a burden on our industry during 2002. Ultra-short-haul markets, like Calgary-Edmonton and Vancouver-Kelowna, were the most impacted by this charge, and many guests opted to drive or not travel at all as opposed to paying this tax.

To mitigate the erosion caused by the ATSC, we have successfully shifted capacity off these ultra-short-haul routes towards longer-haul routes while we continued with our efforts to lobby the government for changes to this

There is now no doubt that an evolution of our industry is occurring both in Canada and the United States...



CSAs Darren Kooistra and Louise Winders at Toronto's Pearson Airport.

unfair tax. The recently announced reduction to this charge of \$5 per one-way flight to take effect in March 2003 will help restore traffic on these routes; however, we do not believe its effect will be immediate. We will be monitoring these routes closely and will adjust capacities as the demand dictates.

Another significant challenge facing our industry in 2002 was the increasing price of fuel, which was sparked by the threat of war in Iraq and exacerbated by problems in Venezuela. At year-end 2002, 32% of our fuel requirements were fixed at a ceiling price of US \$18.60 per barrel; however, the improved fuel efficiency that has come

with the introduction of more 737-700 aircraft to our fleet has softened the impact that this spike in price has had on our results.

Our fuel hedging agreement expires on June 30, 2003. For the first and second quarters, our fuel needs will be hedged at 28% and 25% respectively, and we will continue to look for opportunities to further hedge our fuel as fuel prices decline to a more favourable long-term price level.

In the fourth quarter of 2002, we took delivery of four purchased new Boeing Next-Generation 737-700 aircraft, which substantially increased our capacity during this seasonally slow period. The addition of these aircraft allowed us to enhance our schedule and route network, offering 1,310 departures per week as at December 31 on our 21-city network. Due to the manufacturer's delivery schedule, these

aircraft were added in the slowest quarter of the year, and resulted in a slight decline in our year-over-year load factor from 74.7% in 2001 to 73.2% in 2002.

During the fourth quarter, when we experienced a 54% growth rate, we maintained a load factor of 69%, which was 1.5 percentage points below last year's load factor during the same peri-

od. Given the magnitude of this growth, coupled with the time of year this capacity was added, these results are truly a remarkable achievement.

With the addition of new aircraft in our fleet, new cities to our network, and new markets to our schedule, our infrastructure growth has had to keep pace with the growth of our operations. Renovations to our Calgary hangar began in 2002 and are slated for completion in early 2003. This addition of 55,000 square feet of space will not only provide office space for our growing team, but will also accommodate our third flight simulator which is scheduled to be delivered in May 2003.



Thunder Bay Station Manager Dan Geier proves he's the real deal.

WESTJET'S PEOPLE

WestJet's people are the driving force behind this organization, and our unique corporate culture continues to flourish as the size of our company expands. WestJet's workforce increased 34% to 3,120 people this year, indicating even greater efficiencies as our capacity growth outpaced our growth in personnel by 21-percentage points.

Although we added over 800 people to our team this year, chosen from over 49,000 applicants, we became more cost efficient. In 2002, we also expanded our training initiatives with the introduction of an ongoing management training program.

In addition to the new WestJetters who joined our company, we also introduced a new team to our operations, the TAC Team, or our Turn Around Crew. This new team, which consists of 120 WestJetters, took over our ground handling in Calgary in November and has significantly improved our on-time performance and baggage services. Having our own people look after this significant aspect of our business has allowed us to confidently move forward in adding flights to and from Calgary in the future.

Our employee association, P.A.C.T., remains a very important part of our team, taking on many roles and providing an avenue for communication with our teams. P.A.C.T. significantly

contributes to the working environment at WestJet, and provides a unique component to our winning culture, while providing one of its elected executives to serve on our Board of Directors.

Without the commitment of our people, the achievement of these financial results would not have been possible. Our teams responded extremely well to the challenges of 2002, and I believe that they are ready to take on what may be even greater challenges in 2003.

Without the commitment of our people, the achievement of these financial results would not have been possible.

It is therefore with great pleasure that we were able to celebrate 2002 with the distribution of a total of \$15.2 million in profit sharing to our people. We continue to be one of the few profitable airlines in the industry with a growing workforce, and the ability to stand firm on the founding principles of our business.


LOOKING AHEAD

Throughout 2003, we will continue to add aircraft, people, and new destinations. On February 27, we welcomed Halifax, Nova Scotia into our network, and on April 1, our first flights will

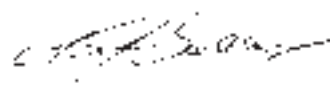
depart from Windsor, Ontario to Winnipeg and on to further western destinations. As well, we look forward to entering Québec on April 24 with flights into Montréal, and in mid-June, residents of Newfoundland will receive our unique brand of low-fare, friendly service for the first time as we begin flying to the cities of St. John's and Gander. By December 31, 2003, we will have accepted delivery of 11 new Next-Generation 737-700 aircraft into our fleet and retired two 737-200s for a net growth of nine aircraft in 2003.

As the number of 737-700s in our fleet increase, we will continue to achieve greater reductions in costs from both a maintenance and fuel consumption perspective, while our guests will enjoy the greater speed and comfort of these new aircraft.

In 2002, 86% of our people voluntarily participated in the Employee Share Purchase Plan, on average contributing 12% of their earnings towards the purchase of WestJet shares. With the vast majority of WestJet's people being shareholders, and with everyone sharing in the fruits of our success, I am confident that our team remains extremely proud and highly motivated to drive our great airline to continued success.

In a challenging industry, our investors can always be confident in the amazing team of people we have assembled to run this airline. From all of us at WestJet, thank you for your ongoing support that will allow us to continue to profitably bring affordable travel to more people and to more destinations across Canada. 

Sincerely,



Clive Beddoe
Executive Chairman,
President and CEO
WestJet Airlines Ltd.
March 2003

WestJet Stars are Flying High

Make no mistake; WestJet wear is the height of fashion.

Despite the unrelenting demands of high-flying careers, WestJetters still find time to look fabulous. "Blue really took off last year," says WestJet Purchaser Arlana Zeyha, whose selections have adorned thousands of WestJetters. "It's the focus of our whole line, allowing for a few symbolic white and teal accents."



Right: WestJetter **Emma Smith** is fresh-faced and stylin' in her tailored short-sleeved denim buttondown, a must have in her job as a CSA in beautiful Victoria. Complemented by her effervescent personality and sunny smile, Emma's outfit is classic WestJet.



Left: Fabrics that can take the pressures of a high-altitude environment were spotted across Canada. Boyish pilot **Dave Pick** models the coveted leather pilot's jacket, while handsome flight attendant **Winston Turpin** sports a sweater cardigan that is as functional as it is fashionable.

New Arrivals on the Runway

Hamilton CSAs **Patty Campbell**, **Collette Cumming** and **Karla Chipak** model the latest in maternity wear. These comfortable, versatile pieces were especially popular this year, as more WestJetters than ever chose to highlight their WestJetters-to-be.

"And the style doesn't stop after nine months," says Kellie Castle, of the WestJet Clothes Hangar. "We have a stunning line of infant t-shirts, including pink, blue, or grey in sizes six to 24 months."



WestJet
Style

Jets, the Facts

Pilot Tore Sohlberg prepares for take-off in the B737-700 flight simulator.

That “New Plane” Smell

The New Boeing 737-700 Series

On October 18, 2002, WestJet took delivery of its first direct-buy aircraft – one of many owned Boeing Next-Generation 737-700 aircraft that would enter the airline’s fleet in the months ahead.

There are countless details involved in ordering and taking delivery of an aircraft. To ensure the process went smoothly, Steve Ogle, WestJet’s Chief Maintenance Officer, was hand-picked to lead the team. “I chose a team of people based on who brought in the best coffee and doughnuts,” he quips. “Actually, I chose the team based on finding people who represented either their respective departments or related fields of expertise,” Ogle recalls. “This team, also known as the ‘Next-Generation Aircraft Configuration Team,’ included myself, Dixie Dayka, Gary Edmonson, Kelly Mattoon, Bill Clinton, Glen LeGrow, Tom Woods, Russ White, Lisa Puchala, Bruce Flodstedt, Robert Taylor, Alf Wong, and Hal Davidson. A motley crew, to be sure, but a great one.”

One of the first tasks the team faced was creating a detailed specification binder. This binder is a list of all the options Boeing has identified as needed to build your own airplane. “Most people don’t realise how aircraft are built,” Ogle says. “Did you know that Boeing doesn’t build many components of the aircraft for us? For instance, seats, galleys, engines, and many other parts are purchased by WestJet and sent to Boeing for installation. These items are called Buyer Furnished Equipment, or BFEs.”

Ogle distributed copies of the binder to each team member, and they reviewed the choices, creating a wish-list of options. “After several months of discussion and price comparisons, we chose the options we required, as well as a few fun things that would improve



Victoria CSA Kim Williams prepares for the first flight of the day.

the comfort of our aircraft for our guests,” Ogle says. “Once everything was chosen, we began looking for vendors for BFE.”

Dixie Dayka, WestJet’s Fleet Management Coordinator, recalls, “We met as a team to review all the vendor proposals for BFE. Since some items and options were costly, it was important for the whole team to understand why the purchases were required. Sometimes there was a little sticker shock, but we discussed everything openly and as a team to ensure the best decisions were made.”

The decision to go with leather seat covers has proven to be a wise one. Ogle says, “We have a team of analysts that did their research and discovered that although the leather seats were pricey, they cost less in the long run. They’re easier to clean, easy to replace or repair, and have a much longer life span than the fabric seats. As a bonus, our guests love them!”

Another fun addition is the new BigBins™. “BigBins™ increase stowage capacity by more than 60 per cent, and WestJet was the first 737-700 customer to have the BigBins™ installed. On WestJet’s new aircraft, the bins hold up to 31 more carry-on bags than the standard stowage bins. This is a great convenience for guests, and it means fewer struggles for the airline’s inflight team when preparing for takeoff.

Once the specifications are ready and vendor contracts are signed, production on a WestJet Next-Generation 737-700 begins. The assembly line is perpetual, and delays or concerns must be dealt with immediately. A WestJet Inspector or Tech Rep is sent to the factory for the whole build process.

One such individual is Chris Maloney, Chief Inspector. He’s overseen the process at Boeing numerous times. During the build process, if an inspection has been called, Boeing will page the Customer Notification



Dixie Dayka, Fleet Management Coordinator, and Hal Davidson, Director, Heavy Maintenance, check out the luxurious accommodations that WestJet guests’ baggage can now experience in the airline’s new BigBins™.

“...although the leather seats were pricey, they cost less in the long run... As a bonus, our guests love them!”



Rick Hamrak, Technical Representative, answers the call for WestJet.

System. The WestJet Inspector or Tech Rep has 20 minutes to respond or the inspection defaults to Boeing’s Quality Assurance Department.


Maloney says, “It’s very important to WestJet that one of our people oversees everything, so we respond to everything. You can be called anytime between 6:00 a.m. and 1:00 a.m., so there are definitely a few early mornings, and no time to stop for a cup of that famous Seattle coffee. We stay in an apartment close to the Boeing

factory in Renton, Washington, to be available quickly.”

On the big day – delivery day – Steve Ogle or Hal Davidson will accept the aircraft and delivery documents. “We often say that when the paper weighs as much as the aircraft – it’s ready for delivery!” Steve exclaims.

Janice Otis, Records Coordinator, retains the delivery documents including inspection/building process documentation, aircraft specific data sheets, financial documents, and numerous other items. All of the documents return onboard the aircraft and are retained in the WestJet Quality Assurance Department.

Otis leads a team of people who are trusted with the tedious and time-consuming task of inputting the delivery document information into WestJet’s DASH system. “Everything is logged,” she says. “Every traceable part, serial number, where it is located and who the vendor is, is tracked.”

WestJet received its first direct-buy aircraft in October 2002. Through the teamwork of this great group, WestJet can provide their guests with a more efficient, cost-effective aircraft designed to carry WestJet guests to their destination safely, in style, and with that new plane smell! 

Above &
Beyond

spec**TAC**ular people

Fast Times & Flying High

Many people have toiled in the belly of WestJet planes over the past seven years, but in that time, nary a WestJetter had ever been hired as a ground handler.

Until November 2002, WestJet relied completely on the expertise of contracted ground handling companies. In November, however, a team of 120 WestJettors – some new and some seasoned veterans – banded together to form the Turn Around Crew, or TAC as they're affectionately known.

Dean Pawulski, TAC Airside Manager, licensed pilot, Transport Canada certified Aircraft Maintenance



TAC Agent Kyle Lieske and crew ensure performance in Calgary is on time.

Engineer and all-around nice guy, is quick to give credit to his team of TACTicians for their part in making WestJet's newest team an unbridled success: "I am truly honoured to be a part of this progressive and professional team. All of us are committed 100% to improving WestJet's OTP."

OTP (on-time performance) is calculated by taking all of WestJet's arrivals that are less than 15 minutes late and dividing that by the flights flown for a given period of time. Achieving OTP is critical to maintaining smooth operations and profitability.

Sure enough, planes on the ground don't make any money, and every TAC team member does their part to ensure quick turn times to keep the birds airborne, with every guest's baggage stowed safely away.

"As a member of TAC, I know that the hard work my teammates and I do everyday has a bearing on WestJet's future. If we turn an aircraft quickly, guests are happy, schedules are kept, and we can move onto the next plane," Warren Weimer, an original member of the TAC team explains. "The Calgary International is a busy airport,



Pride seems to be the underlying tone when talking TAC. Regardless of the extremes of wind and winter these outdoor WestJetters endure...



Clockwise from top left: TAC Team Leader Paul Hayes; TAC Agents Russ Munroe (L), Jason Campbell, and Jeremie Lanthier; Tyson Lewis; James Renouf (L) and Dave Pankratz.

and we are proud to be a part of keeping WestJet's hub of operations moving smoothly."

A humble bunch, WestJet's TAC team focuses on OTP and guest satisfaction.

Says Pawulski, "We work extremely hard to ensure our guests' bags are handled with care, and reach the right destination for a happy reunion with their owners upon touchdown."

Like all WestJetters, the TAC team's people are deeply committed to the airline, and take care to ensure that even the components of a traveller's experi-


ence that can't always be seen, are still handled with care and respect.

"All of our people treat every bag as if it were their own," Pawulski proudly remarks.

Pride seems to be the underlying tone when talking TAC. Regardless of the extremes of wind and winter these outdoor WestJetters endure, there are never any complaints. "Why would I want to do anything else?" Weimer asks.

And TAC knows it's in the spotlight. Calgary is WestJet's busiest base, and the success of TAC may dictate the direction ground handling will

take in other bases where cost-savings can be realized with the operation of ground services being taken in-house. From all accounts, though, TAC is a winner already and more of WestJet's bustling bases will likely be TACKled in the future by this expanding and efficient team.

"WestJet is here to provide affordable travel, please guests, and make a profit doing both," says Dale Tinevez, WestJet Director, Airports. "TAC fits perfectly in our model, and our TACTicians are perfect models for other WestJetters." 



Gift of Flight

In 2002, WestJet donated more than 10,000 flights for two, to people and organizations across the country. Many of these flights went to non-profit organizations to be used as prizes in draws and raffles to raise money and awareness. In 2002, WestJet donated flights to charities such as the Multiple Sclerosis Society of Canada, London Health Sciences Centre, Campbell River Women's Resource Centre, Parkinson's Society of Southern Alberta, and Guelph General Hospital, among many others.

WestJet was also a very proud supporter of Hope Air, donating more than \$70,000 worth of flights to this wonderful organization that arranges free air transportation for Canadians who must travel to medical care, but can not afford the cost of airfare themselves.

CARE and Clive

The CARE (Create A Remarkable Experience) Initiative was launched in 1999 as a way for WestJet to promote and grow its wonderful corporate culture. Says Pam Minnema, CARE Initiative Representative, "We support our people to turn our values into everyday experiences."



Pictured from left to right: Pam Minnema, Clive Beddoe, Kristen To, Sam Coulter, and Jen Sanchez.

Weigh your Warmth

In September, WestJetters helped keep many Calgarians a little warmer through the winter season with donations of 745 pounds of cold-weather clothing and blankets to the Mustard Seed for the inner city's less fortunate.

Now Boarding...



WestJetters kick into high gear at 2002's "Ride For Life."

On June 28, over 200 WestJetters took their turn climbing aboard a 29-seat bicycle to raise money for the Heart and Stroke Foundation's Ride for Life. While close to \$3,000 was raised in cold, hard cash, many WestJetters were feeling the cold as well in the ensuing water fight! It's a good thing they finished off the day with warmer hearts through the awareness and money raised for this very worthwhile cause.

Station Samaritans

Every year, WestJet provides its stations with hundreds of trips for two to distribute to local charities and fundraisers. However, teams at these stations are also involved on a more personal level, giving of their time and enthusiasm to participate in a variety of community events.

WestJetters at our airports supported many charities in 2002 by fundraising, collecting donations, participating in runs and walks, and being active in other community events. Some of the charities they supported include local humane societies, the Kidney Foundation, the Hearing Foundation, Relay for Life, Samaritan's Purse, Ryan's Hope, and local children's hospitals, just to name a few.



Larry Pavao, Shannon Lamb, and Mike Middlebrook donate some time and Christmas spirit to a good cause.

Operation Christmas Child

In November, WestJet's people rallied together to fill over 500 shoeboxes with toys, toiletries, educational tools, games, and much more. These boxes were then sent to poverty-stricken children in 20 third-world countries, and definitely made Christmas a little brighter for kids around the world.

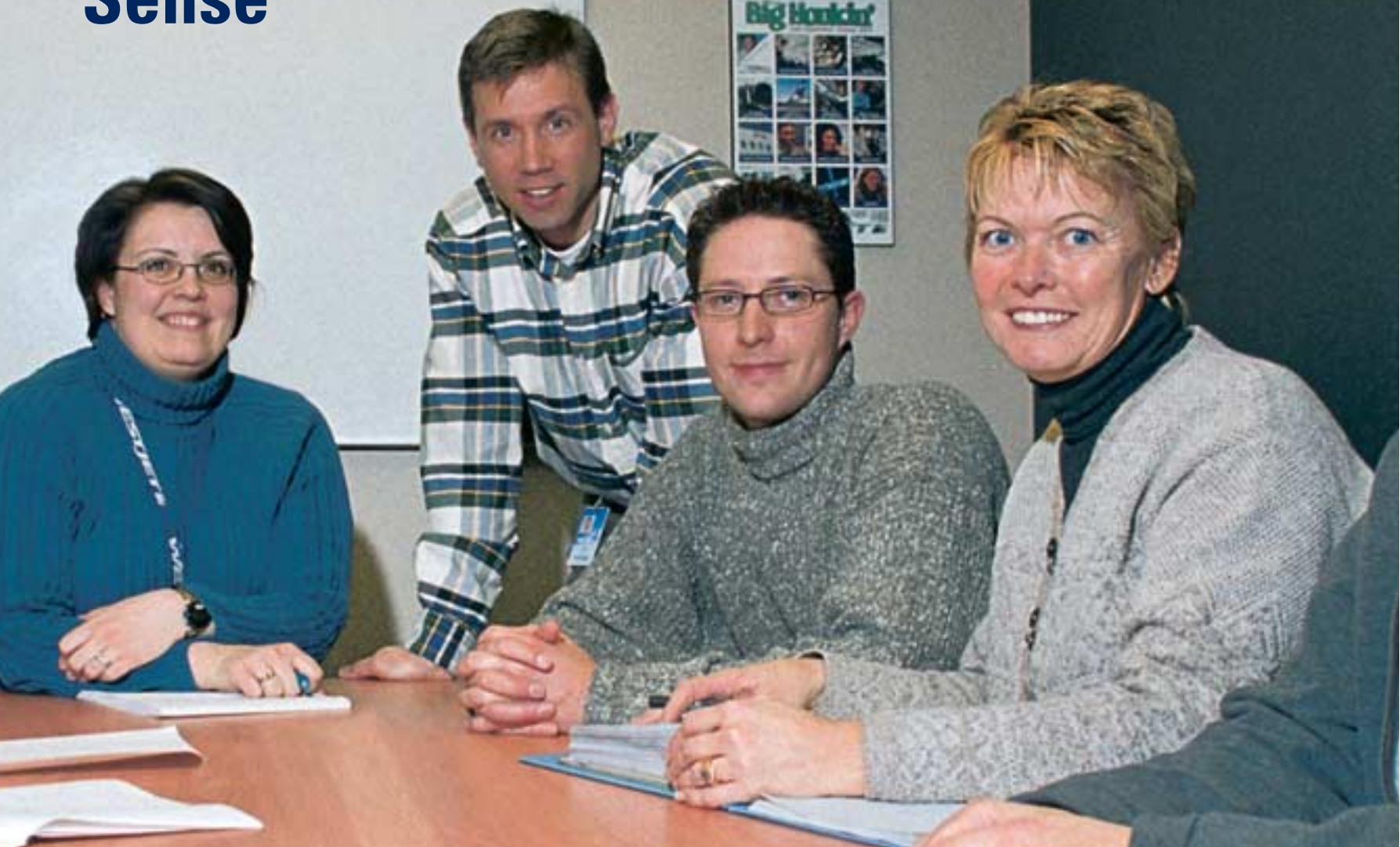
Bowling for the Bigs!

Five teams of WestJet bowlers donned their favourite fifties outfits and managed to raise over \$2,400 in pledges for the Bigs...Big Brothers and Big Sisters, that is. Even Elvis was feeling charitable as he came down to cheer on the teams!

Michelle Cesario and The King were "All Shook Up" at the bowlarama!



**Dollars &
Sense**



Management's Discussion & Analysis of Financial Results

WestJet's seventh year of providing Canadian air travellers with low fares and friendly, no-hassle service brought stellar financial performance with profitability and growth throughout 2002 — something that few airlines in the world were able to achieve.

BeanLanders Shauna Filtz, Jeff Lafond, Brent Gacek, Lou Oneski, and Elizabeth Heath keep their eyes on the bottom line.

Dollars & Sense

This year saw several traditional air carriers seek bankruptcy protection, not only in North America, but also around the world, while others ceased operations completely. Meanwhile, those in the low-fare and low-cost sector of the airline industry announced new aircraft orders and continued to grow, taking advantage of the turmoil and much needed industry rationalization.

As in the past, we continue to position ourselves for ongoing growth for the benefit of all of our stakeholders with our proven business plan, a great team of people, an enviable balance sheet, and a declining cost structure.

OVERVIEW

This was WestJet's first full year of operation with new Next-Generation Boeing 737-700 aircraft. We began 2002 with a fleet of 23 737-200 aircraft and four 737-700 jets. During the year, we retired two 737-200s while adding 10 737-700s for a total of 35 737s in the fleet at year end, with an average age of 15 years.

We converted four of our 58 purchase options with Boeing into firm deliveries, two of which were delivered in the fourth quarter of 2002. These aircraft replaced two 737-800s acquired in May on short-term lease agreements to enable us to launch service into

**As in the past,
we continue to
position ourselves for
ongoing growth...**

Toronto for the busy summer season. The remaining two additional 737-700 aircraft will be delivered in April and July of 2003. In total, our contracted firm order with Boeing at year end stood at 26 aircraft, with 11 deliveries scheduled in 2003, nine in 2004, five in 2005, and one in early 2006.

WestJet welcomed almost six million guests onboard our aircraft during 2002, while successfully introducing service to London, Ontario in February, and in May to Toronto, Ontario, Canada's largest city. In November, we announced the commencement of service into our seventh province, Nova Scotia, with flights to Halifax starting in February 2003.

With \$6 million invested into our two-year-old Calgary hangar to accommodate our expansion, and commencement of construction on an \$8 million hangar in Hamilton, 2002 will definitely be marked as a year of facilities expansion for our company. We also expanded parking lots by 157% to accommodate a total of 1,524 stalls in Calgary at our hangar and head office buildings. These new parking spaces



Alan Mann keeps busy crunching numbers in BeanLand.



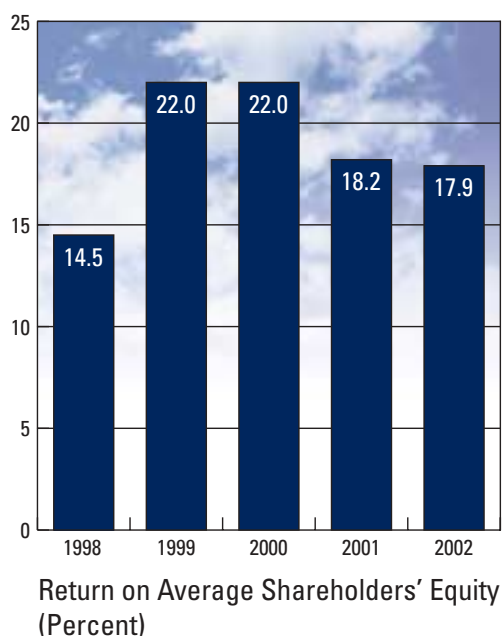
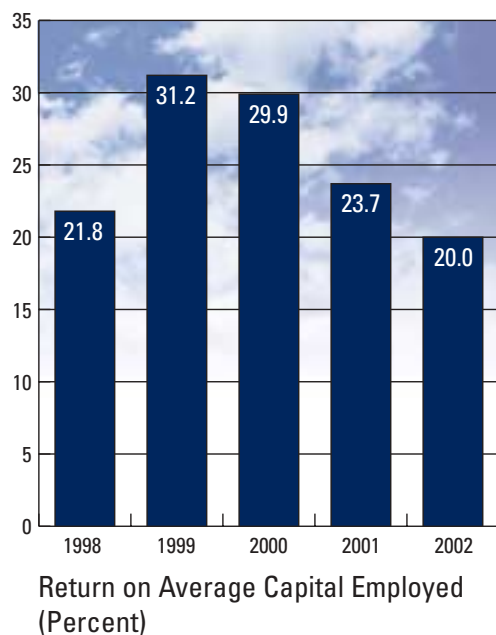
BeanLander Shelly Loree takes a moment to focus on the big picture.

Dollars & Sense

were utilized in 2002, and will accommodate the forecasted 676 full-time-equivalent employees (FTEs) who will be added to our team in 2003.

During 2002, over 49,000 people applied for jobs at WestJet. Our People Department checked references on 10,000, and interviewed 5,000 potential WestJetters. As a result, we added 814 great new people to the WestJet team in 2002 for a total at year end of 3,120 talented individuals, or 2,710 FTEs.

Financing activity during 2002 was highlighted with a successful \$82.5 million bought deal common share issue in March, while our shareholders approved a three-for-two share split at our Annual and Special Meeting in



April. As well, we completed our largest financing agreement ever with the United States government's Export-Import (Ex-Im) Bank relating to its commitment for loan guarantees for the purchase of 30 Boeing 737-700 aircraft. In October 2002, we converted half of this preliminary commitment into a US \$477.8 million final commitment to purchase 15 of the 30 aircraft.

RESULTS OF OPERATIONS

In 2002, WestJet added a net of eight aircraft to our fleet and increased Available Seat Mile (ASM) capacity by over 55%. This increased capacity was deployed right across the country into both mature and new markets. Our net earnings increased 41.1% from \$36.7 million in 2001 to \$51.8 million in 2002. We achieved this despite higher fuel costs, the federal government's imposition of a destimulative \$24 flat-fee security tax, significantly higher insurance premiums, and an uncertain economy.

Our continued growth and the superior value of our product has created deep discount pricing for Canadian travellers as our main competitor tries to protect its market share while we con-



Wendy Hladun, Victoria CSA, enjoys life on WestJet's island in the Pacific.

tinue to welcome more guests onboard our aircraft. Despite this fierce competitive environment and the additional shares issued in March, our diluted earnings per share increased 32.7% from 52 cents in 2001 to 69 cents in 2002. We grew our pre-tax earnings margin from 12.1% of revenues, or \$57.8 million, in 2001 to 12.2% of revenues, or \$82.8 million, in 2002.

The weakest times of the year for travel in the airline industry are late autumn and winter – our fourth and first quarters – with the exception of the December holiday season. WestJet




"We focus on a proactive approach to workplace safety," says Trevor Shaw, Advisor, Occupational Health and Safety.

traditionally adds new aircraft, routes, and markets throughout the year, including during these slow periods. Consequently, our operational growth continues during these times, which inevitably causes our financial results to be impacted during these slower times of the year.

During the fourth quarter of 2002, we grew capacity by 54% on an ASM basis over the same quarter one year ago, and for the first time we found it necessary in early December to caution the investment community that our earnings would be lower than their expectations. This caution followed on the heels of the third quarter when we exceeded the street's expectations by 20%. WestJet's pre-tax and pre-profit share operating margin was \$15.1 million, or 8.6% of revenues, for 2002's fourth quarter as compared with \$16.9 million, or 12.7% of revenues, in the same period of 2001. Our fourth quarter net profit did remain flat at \$9.3 million compared to last year. This was achieved by a reduction in the profit share distribution amount due to lower margins in the fourth quarter, and a decrease in the current taxes because of the deductibility of our Ex-Im financing costs. For the fiscal year 2002, we did generate earnings that met the street's expectations for the whole year.

Our earnings per share for the last quarter of our fiscal year declined from 13 cents in 2001 to 12 cents in 2002. WestJet's costs continued to decline, and in the fourth quarter dropped 11% to 12.1 cents per ASM from 2001's fourth quarter of 13.6 cents, which was achieved notwithstanding an increase of 25.1% in the price of crude oil.

WestJet's full-year cost per ASM dropped 8.8% from 14.0 cents in 2001 to 12.8 cents in 2002, largely due to our increasing stage length. As we expand, our declining costs, expanding network, and constantly improving connectivity and schedule, along with our numerous growth opportunities, are tremendous advantages for our airline in these uncertain economic times. 



Low-fare seat.
First-class comfort.

WESTJET 

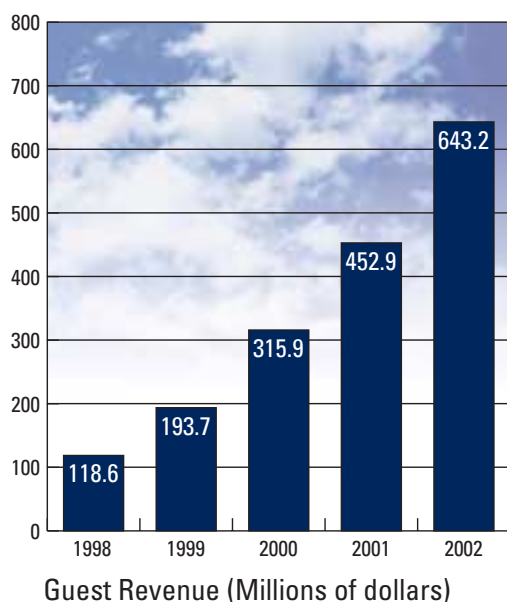


Dollars &
Sense

Sales Super Agent Jocelyn Turner
always takes time to smile.

Revenues

Total revenues in 2002 increased 42.1% over 2001, up from \$478.4 million to \$680.0 million. Scheduled domestic travel accounted for 94.6% of our total revenue, and additional revenues derived from our domestic travel business such as fees for excess baggage, itinerary changes, and hotel packages, brings our revenue from scheduled domestic service to 96% of total revenue.




We continue to contract with tour operators for off-peak hour charter flying to a variety of vacation spots, which improves aircraft and crew utilization and provides positive net profit to the company. Charter revenue increased 76.2% from \$10.1 million in 2001 to \$17.8 million in 2002. In 2002 charter revenue increased to 2.6% of total revenue compared to 2.1% of total revenue in 2001. Revenue from cargo operations was up 50.0% to \$2.4 million in 2002 from \$1.6 million in 2001. Cargo revenue provides incremental revenue, and will continue to grow at a greater rate than our scheduled domestic revenues as we expand our network and fleet.

With significant year-over-year capacity growth and despite the des-

timulative effect of the federal government's Air Traveller's Security Charge, our load factor remained strong at 73.2%, slightly down from 74.7% in 2001. This indicates Canadians embraced our product as travellers absorbed the bulk of our 55% capacity increase during 2002.

WestJet continues to be innovative and proactive, and in July led the industry in Canada with the introduction of a three-tiered fee structure, based on distance flown, for the surcharge levied by Nav Canada. In January 2003, we implemented a similar structure of a \$5, \$7, and \$10 temporary fuel surcharge, depending on length of flight, which was increased to \$10, \$14, and \$20 in March of 2003. These charges, as well as the levy for insurance, are included in our revenues to compensate for increased costs.

As in the past, we continue to grow our capacity as we add new Next-Generation 737-700 aircraft to our fleet and build our network. In keeping with our strategy of increasing long-haul flying, our average stage length increased 20.5% from 458 miles in 2001 to 552 miles in 2002. Contributing to our increased stage length, was our expansion into the Toronto and London, Ontario markets. By adding these markets with service to and from western Canada, we increased our eastern brand awareness, giving us a stronger platform to continue growing our presence in this more heavily populated area of Canada.

As would be expected with our increasing stage length, costs and revenues on a unit basis declined. We estimate that this increase in stage length caused an approximate 7.7% decline in unit measures of revenue and costs. Revenue per ASM for the year declined by 8.8% from 16.0 cents in 2001 to 14.6 cents in 2002 due to the impact of new fees, taxes, and the aggressive competitive landscape. Revenue per passenger mile, or yield, declined 6.5% from 21.4 cents in 2001 to 20.0 cents in 2002. 



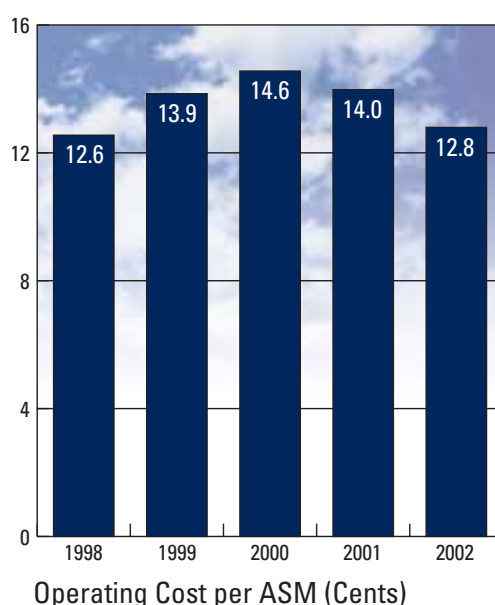
Pilot John Swallow and Flight Attendant Laura Maguire prepare for another fun WestJet flight.

Expenses

The big drivers of WestJet's expense reduction in 2002 were our increase in flight stage length, our much improved cost performance on fuel and maintenance from our growing number of new 737-700 aircraft, and the significant increase again this year in guest and travel agent bookings through westjet.com. Because of our growth, a comparison of year-over-year costs is better served by an analysis of our expense categories per ASM. It is interesting to note that with the exception of general and administrative costs, aircraft leasing expense, and inflight expenditures, all other categories showed substantial declines, and in total resulted in an 8.8% cost per ASM reduction from 14.0 cents in 2001 to 12.8 cents in 2002.

Tom Hughes, Lead, Furnishings,
poses beside another one of
WestJet's driving forces.





AIRCRAFT FUEL

WestJet has a fixed price, fixed volume jet fuel supply arrangement with a major fuel supplier that has been in place since 1999, and will expire in June 2003. While the pricing for this jet fuel is in Canadian cents per litre, it was struck with a ceiling price equivalent to US \$18.60 per barrel for crude oil. Because it is a fixed-volume contract, as we grow, a lesser percentage of our fuel purchases fall under this contract. In 2002, 32% of our fuel was purchased under this contract compared to 42% in 2001.

Slightly higher average world oil prices in 2002 over 2001, coupled with the fact that a smaller portion of our

fuel requirements were hedged, meant that we incurred a 36.6 cents average fuel price in 2002 compared to 36.5 cents in 2001. However, WestJet's fuel cost per ASM did decline year over year by 15.2% due to the increase in our average stage length and the fact that a greater proportion of our fleet was made up of the more fuel-efficient Boeing 737-700.

AIRPORT OPERATIONS

Continuing what appears to be a relentless trend, WestJet's airport operations have seen various rates and fee increases across our network, which on average have increased approximately 7%. Although several of these increases have been significant, our growth has brought about an improved utilization of our own workforce and greater dilution of our fixed costs at the 21 airports we served in 2002. WestJetters have worked diligently to ensure that total airport expenditures reflect WestJet's low-cost philosophy, and coupled with their effort, our growth more than offset these increased charges, and resulted in a unit cost decline in 2002.

On a unit cost basis, airport operations cost per ASM decreased by 10.8% in 2002, with approximately 3% attributable to the elimination of security screening costs assumed by the new federal government agency, the Canadian Air Transport Security Authority. The remaining decline is related to economies of scale and our increasing stage length. As WestJet moves towards meeting the demand of the longer-haul market, many airport fees and air navigational charges remain unchanged or grow at a slower pace, therefore improving our performance on a unit basis.

In November of 2002, WestJet officially launched its new ground handling service in Calgary to replace what had been contracted to a third party. This team now ensures the appropriate handling of our guests' baggage and cargo in Calgary, our biggest market. It is planned that this initiative will create further savings by ensuring WestJet is

Cost per Available Seat Mile (Cents):	2002	2001	Increase (Decrease)
Aircraft fuel	0.0240	0.0283	(15.2%)
Airport operations	0.0190	0.0213	(10.8%)
Maintenance	0.0176	0.0241	(27.0%)
Flight operations and navigational charges	0.0163	0.0176	(7.4%)
Amortization	0.0113	0.0115	(1.7%)
Sales and marketing	0.0096	0.0103	(6.8%)
General and administrative	0.0086	0.0070	22.9%
Aircraft leasing	0.0077	0.0051	51.0%
Inflight	0.0059	0.0054	9.3%
Reservations	0.0043	0.0059	(27.1%)
Employee profit share	0.0033	0.0034	(2.9%)
Total	0.1276	0.1399	(8.8%)

Dollars & Sense

able to improve upon its operational and customer service performance by improving aircraft turn times and reducing incidents of lost or delayed baggage.

MAINTENANCE

Our fleet of 737-700 jets now includes all 10 of our committed operating leased aircraft, and our first four purchased aircraft. Significant unit maintenance cost reductions are realized with the 737-700 aircraft due to the 12% greater seat capacity over the 737-200s, and its greater daily and annual utilization capabilities. These 14 new jets have an average age of only eight months as compared with 25 years for the 21 737-200s, which collectively brings the average age of our fleet to 15 years.

Our longer average stage length in 2002 also drives down unit maintenance expense as fixed and administrative expenses are spread out over greater distances. Cycle-driven expenses, such as brakes, tires, and engine and airframe overhaul costs, also benefit from this dilution of greater stage length. The maintenance expenses of our 737-700 leased aircraft have remained essentially flat year over year as these aircraft continue to be covered by warranty, with the bulk of the maintenance expense of these leased aircraft being deposited into a maintenance reserve, which is used to pay the lessor by the hour. These funds will be drawn down as maintenance costs are incurred in the future.

The owned 737-700 aircraft in our fleet are also under warranty, but require no reserve payments to an aircraft lessor. Currently, these aircraft cost 76% less to maintain than the 737-700 leased aircraft. The two 737-800s leased from mid-May to mid-November were more expensive to maintain as payments to the maintenance reserve were higher due to the short-term nature of the leases. The 737-200 series unit maintenance expense rate has also declined 12% year

over year as a result of a number of elements: there has been an excess supply of parts available, which has lowered the cost of parts; timing differences on due dates of heavy airframe checks created a lighter year in terms of the quantity of checks required compared with 2001; and the fixed costs of our maintenance department were spread over more ASMs.

The maintenance expenses of our 737-700 leased aircraft have remained essentially flat.



Larry Richards, Engine Shop Technician, takes a closer look.

AMORTIZATION

In 2002, WestJet's amortization expense per ASM decreased 1.7% due to the increased mix of leased aircraft in our fleet, which creates a lease or rental expense rather than an amortization cost. However, during the last quarter of 2002, WestJet took delivery of the first four of 30 purchased Boeing 737-700s, which will reverse this trend.

The new 737-700s have been estimated to have a useful life to WestJet of 20 years, and to have a 10% residual

value at that time. This will result in WestJet incurring approximately \$196,000 per month of amortization expense per aircraft, which compares with the current average monthly charge per aircraft for amortization on our 737-200 fleet of \$115,000. Our method of amortization for our aircraft is based upon usage in terms of hours or cycles flown to an anticipated retirement date.

In 2002, WestJet again adjusted its accounting estimates for amortization for the 737-200s based on lower expectations of residual values at retirement, and based on ongoing slight operational revisions to the 737-200 retirement

schedule. In order to ensure that our accounting estimates are appropriate and conservative, we will continue to conduct reviews annually of the appropriateness of our amortization estimates.

Effective January 1, 2004, WestJet will prospectively adopt the new Canadian Institute of Chartered Accountants (CICA) standards for accounting for impairment of long-lived assets, and on May 1, 2003, WestJet will prospectively adopt the new CICA standards for accounting for disposals of long-lived assets and dis-

continued operations. Under the new rules, an impairment loss is recognized when the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. The impairment loss is recognized to the extent that the carrying amount of the long-lived asset exceeds its fair value. The Corporation does not believe that this will have any material effect on the consolidated financial statements.

In 2002, our amortization expense increased by 53% over the previous year to \$53 million. Amortization as a percentage of total operating costs in 2002 was 8.9% as opposed to 8.2% in 2001. This increase can be attributed to the accelerated amortization of the 200s, the acquisition of the owned 737-700s, and our investment in equipment, facilities, and technology.

Throughout 2002, we continued building on the infrastructure of our operation through investment in a number of assets. We ordered a fixed-base flight trainer and a second 737-700 flight simulator. We commenced an expansion of our Calgary hangar, started construction of a hangar in Hamilton, and acquired our own ground-handling equipment in Calgary, which allowed us to operate our own ground handling services. We also increased the size of our 737-700 fleet, and made various investments in technology.

SALES AND MARKETING

Sales and marketing expenses continue to show declines in cost per ASM in 2002 with a 6.8% reduction from 2001. This category of costs includes travel agent commissions, charges from distribution systems such as Sabre, advertising and promotional costs, and credit card fees.

Travel agency bookings account for approximately 38% of total sales, which is unchanged from 2001. Travel agents receive a 9% commission when booking flights through westjet.com, which results in a reduced percentage booking



Pilot Shawn Hall can tell you where to go *and* take you there.

Sales and marketing expenses continue to show declines in cost per available seat mile in 2002 with a 6.8% reduction from 2001.



Trainer Crystal Graham enjoys working with WestJet's newest people.

through higher-cost channels such as our call centre or Sabre where only a 7% commission was earned. Sabre bookings accounted for 16% of our travel agency bookings by year-end as compared with 5% at the end of last year. This distribution channel generates fares that are on average over 20% higher than our regular channels as

more business travellers use this method of booking our product, and typically book flights closer to their departure date.

Of our total sales volume booked through travel agents, approximately 57% is generated through the Internet and 27% is generated through the call centre. Our increase in stage length means that we experience a lower average unit of revenue, which similarly produces lower commissions and fees. Our sales and marketing costs have therefore moved in that same downward direction on a unit basis.

GENERAL AND ADMINISTRATIVE

The US \$1.25 per passenger insurance charge that was imposed on the airline industry following the events of September 11, 2001 came into effect in October 2001, and was eliminated in December 2002. This insurance charge amounted to \$1.9 million in 2001 and represented \$8.5 million of WestJet's general and administrative expense in 2002. As a result,

WestJet's total insurance cost rose by 77.9% over 2001 on a per ASM basis, but was offset by a similar surcharge which was collected from guests. This surcharge was included in our revenues.

Other general and administrative costs are those of Finance, Information Technology, Legal, Training and the People Department (our human

Dollars & Sense

resources), as well as senior management salaries and benefits.

AIRCRAFT LEASING

An additional six 737-700s were leased in 2002 for a total of 10 Next-Generation aircraft financed through operating leases, while only two of our 21 737-200s are under operating leases. In 2002, WestJet renegotiated and extended the lease terms on two 737-200 aircraft resulting in their treatment as capital leases, which were formerly treated as operating leases in 2001. The



Gloria Tang keeps others in the People Department motivated with her infectious attitude.

two 737-800 aircraft that WestJet leased were for a short time period, and Boeing compensated WestJet for this more expensive bridge until more of our own 737-700s were delivered, which replaced these aircraft. The compensation received was offset against the 737-800 lease cost, leaving minimal net effect on aircraft leasing expense for 2002.

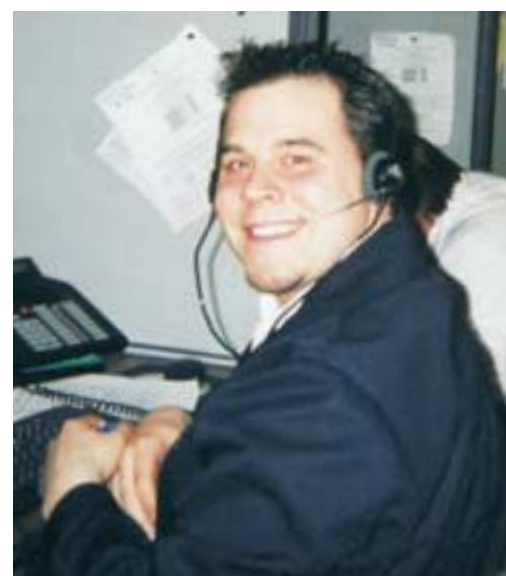
Most of our \$20.5 million increase in aircraft leasing cost in 2002 relates to the 737-700 additions. The 737-700s that arrived in 2002 are the final six of a total of 10 leased aircraft, all of which are on 14-year operating leases. The monthly lease cost of each aircraft is approximately US \$240,000 compared with US \$108,000 for our average monthly 737-200 lease costs.

FLIGHT OPERATIONS AND INFLIGHT

These two expense categories relate to the cost of WestJetters onboard our aircraft – our pilots and flight attendants, their salaries, wages, and training costs. This category also includes the cost of training new pilots and flight attendants necessary for our growth. We also include in this category the costs of the supporting infrastructure for those flight crews such as our dispatch, operations control, and crew-scheduling functions.

In 2002, we achieved productivity improvements by reducing per-unit costs that are more fixed in nature. This resulted in slight cost per ASM improvements in flight operations; however, the cost per ASM for inflight increased slightly as WestJet started crewing all flights with four flight attendants in March.

In previous years, we crewed our 737-200 fleet with just three cabin personnel in order to comply with Transport Canada's regulation of one flight attendant per 40 guests. Although our 737-200 aircraft do have 125 seats, with only three flight attendants on board, we were only able to sell 120 of these seats. The 737-700 aircraft have 140 seats, and as such are crewed with



Gilbert Leblanc multitasks in Moncton as a CSA/SSA.

**Our focus on technology...
has improved our online
service for both the
public and the travel
agent community...**

four flight attendants. Therefore, we changed to four flight attendants on every flight in order to provide consistency for workforce scheduling and to increase revenues during peak seasons by selling the additional five seats on our 737-200 fleet.

RESERVATIONS

Bookings on the Internet at westjet.com increased from 40% at the end of 2001 to approximately 55% by the end of 2002, resulting in a 27% decrease in reservations cost per ASM over 2001. Our focus on technology has enhanced our platform for e-commerce and has improved our online service for both the public and the travel agent community, and has resulted in this substantial increase in Internet bookings year over year.

The cost savings derived from Internet bookings, complemented by improved techniques of workforce management, has enhanced productivity in our Calgary call centre, resulting in a 25% decrease in this cost category.

WestJet's Customer Care Team, whose cost is also a part of this category of expenses, manage the processes that result from flight delays and cancellations created by weather or for mechanical disruptions. This team works to maintain our airline's reputation and goodwill in these challenging circumstances. This area showed a marked improvement with a 49.6% unit cost decline compared with 2001, mainly due to the mix of newer aircraft in the fleet and their improved reliability.

EMPLOYEE PROFIT SHARE

The WestJet profit share program continues to play a significant role in WestJet's total compensation philosophy. WestJet incurred \$15.2 million in profit share expense in 2002, which was distributed to 2,612 employees. During the year, WestJet paid the final cash installment to our team of people for their 2001 performance, together

with interim distributions of 2002's provision for profit share based on financial results up to September 30, 2002. During 2002, WestJetters received on average 21% of their base salary in the form of profit share, which was a slight increase over the 20% average payment in 2001.


WestJet employees are given the opportunity to use funds received from profit share to top up their Employee Share Purchase Plan (ESP) contributions. If an employee is unable to contribute the full 20% of their biweekly pay to the ESP through payroll deductions, they can top up any unused ESP contributions.

All contributions to the ESP are matched dollar for dollar by the Corporation, and this program, along with the profit sharing program, are integral components to WestJet's total compensation philosophy. Together, these programs help focus our people's efforts towards the success of their com-

pany, while aligning their personal financial goals with those of WestJet.

INCOME TAXES

WestJet's 2002 effective tax rate was 37.5%, up from 36.5% in 2001. During 2001, many provincial governments enacted significant corporate tax-rate reductions that required a re-evaluation of our future tax liability, resulting in a lower income tax rate in 2002. As well, there were minimal rate reductions enacted in the year, and Ontario even deferred initial rate reductions.

The overall 2002 tax rate is lower than the initially projected rate of 38.5%, largely due to the significant capital and transaction costs associated with the four 737-700 aircraft purchases in the fourth quarter of 2002. This deferred otherwise current taxes into future lower-rate periods, and for 2003, we expect this decreasing trend to continue to an effective rate of approximately 35.2%. 



Makes smiles brighter.

WESTJET 

Dollars & Sense



Karen Daley, Purchaser, Corporate Supplies and Services, has found exactly what she's looking for with WestJet.

Financial Condition

WestJet started 2002 with \$58.9 million in cash, and finished with an ample \$100.4 million. At each of the three quarter ends during the year, we had in excess of \$150 million in cash. The first quarter cash reserves were boosted by an \$82.5 million equity financing and a huge surge in advance bookings by our guests to beat the April first security tax implementation date. This resulted in a \$32.1 million increase in cash in three months from the typically low level of advance bookings at December 31 when Canadians are not yet thinking about summer domestic travel plans.

The second quarter saw cash grow again, as can be expected during this period. Advance bookings grew by \$18.3 million from April to June due to our growth and as people planned their summer travel. Canadians tend to book their December holiday season travel plans well in advance, and understand that booking early will provide improved choice and better airfares. At September 30, the end of our third quarter, cash on hand from advance bookings remained high at \$59.3 million.

In the fourth quarter, as can be expected, cash on hand from advance

bookings reduced to its lowest point at the end of the year to \$44.2 million at December 31, 2002. This was normal and caused by a seasonal 26% quarterly decline, or \$15.1 million, reduction in advance bookings. Capital cash expenditures in excess of debt activity of \$39 million and our \$11 million profit share pay-out to employees in November further led to this expected reduction in cash from the year's high of \$165.5 million at September 30, 2002.

WestJet's working capital ratio was down slightly in 2002 to 0.8 at December 31 compared with 0.9 at the end of 2001. This was primarily due to

2002's capital expenditures totaling \$73.6 million with cash outlay in excess of financing. Capital outlays of \$344.9 million during 2002 were primarily used for aircraft acquired in 2002, which represented \$212.4 million of this total investment. The proceeds of the Ex-Im Bank debt financing amounted to \$190.4 million.

During 2002, WestJet paid Boeing further cash deposits on 2003 through 2006 deliveries totaling \$108.5 million. Other cash capital expenditures included deposits on our second 737-700 simulator of \$9.2 million, computer hardware and software purchases of \$7.5 million, the Calgary and Hamilton hangar construction of \$9.2 million, a \$2.1 million fixed-base trainer that will be installed upon completion of the Calgary hangar expansion, spare parts and tooling to support the 737-700 fleet of \$5.8 million, and airport and ground handling equipment of \$7.8 million. The unencumbered capital assets such as hangar facilities, our 737-700 simulator and spare parts, and ground handling equipment are available to pledge as security should WestJet decide to finance a portion of them with long-term debt in order to increase our current ratio.

WestJet's total off-balance sheet assets and liabilities relating to 10 737-700 and two 737-200 operating leased aircraft amounts to \$393 million at December 31, 2002 as compared with \$179 million at December 31, 2001. Our total debt-to-equity ratio, including the operating leases, was 1.1 to 1 at December 31, 2001. The \$82.5 million share issue in 2002, together with retained earnings of \$144.2 million, put WestJet's total debt-to-equity ratio on December 31, 2002 at 1.8 to 1.

This debt-to-equity ratio accomplishment is especially pleasing considering the addition to our fleet of six 737-700 operating leases and four 737-

700 aircraft with 85% Ex-Im Bank debt financing. Our philosophy is to maintain a strong balance sheet with a debt-to-equity range of approximately 2.0 or 3.0 to 1. These are enviable measures in this industry, and they still leave WestJet with ample room to continue our program of new aircraft acquisitions.

EX-IM BANK FINANCING

The fourth quarter of 2002 marked an important milestone for our Corpor-

...WestJet's total debt-to-equity ratio on December 31, 2002 was 1.8 to 1.



Emily Little, SSA, flashes a big smile.

ation as we completed financing arrangements, supported by loan guarantees from the Ex-Im Bank, for US \$477.8 million that is to be used for the purchase of 15 Boeing Next-Generation 737-700 aircraft. Additionally, WestJet has received a preliminary commitment from the Ex-Im Bank for loan guarantees to support the acquisition of the remaining 15 Boeing 737-700 aircraft we have committed to purchasing prior to year-end 2006. Securing this financing and additional Ex-Im Bank guarantee has provided WestJet with the ability to expand our fleet of Next-



Anne Lindsay, Flight Attendant, lends a helping hand in BeanLand.

Generation aircraft while adhering to our low-cost philosophies and maintaining our strong financial position.

This facility will be drawn in Canadian dollars in separate instalments for each new aircraft. Each loan will be amortized on a straight-line basis over the 12-year term in equal quarterly principal instalments, with interest calculated on the outstanding principal balance. During the fourth quarter of 2002, WestJet accepted delivery of the first four of these aircraft

with the remaining scheduled to be delivered prior to year-end 2003.

Having the ability to draw these funds in Canadian dollars significantly reduces the Corporation's exposure to foreign currency fluctuations as the vast majority of our revenue is in Canadian dollars. Prior to each delivery, however, WestJet is exposed to fluctuations in the Canadian/United States exchange rate as the aircraft are paid for at the date of delivery in US funds. We feel this exposure is mitigated as aircraft deliveries are spread out over time, and therefore WestJet will effectively achieve an average rate of exchange.

Dollars & Sense

In addition to managing the foreign exchange exposure related to this facility, WestJet has also taken advantage of today's historically low interest rate environment and has locked in interest rates for all of the first 15 aircraft to be delivered under this facility. By entering into Forward Starting Interest Rate Agreements at rates of between 5.25% and 5.85%, WestJet has eliminated its exposure to interest rate fluctuations while securing very cost effective long-term financing. Consequently, with these low interest rates we feel that the best measure of our financial leverage is an EBITDA/debt service-cost ratio rather than a debt/equity ratio.

We expect to begin the process of converting the remaining preliminary commitments from Ex-Im Bank into a final commitment in the second or third quarter of 2003, which will be used for aircraft to be delivered from 2004 to early 2006. Upon receipt of a final commitment from Ex-Im, we will arrange financing for the remaining aircraft deliveries.

RISK MANAGEMENT

WestJet's fuel costs constitute one of the largest single expense categories, representing 18.8% of costs in 2002 and 20.2% of costs in 2001. Throughout 2002, our airline continued to benefit from its fuel-hedging program, which protected 32% of our 2002 jet fuel purchases. WestJet also benefited throughout the year with the addition of more fuel-efficient Next-Generation 737-700 aircraft to our fleet.

Despite the fact that WestJet will continue to benefit in 2003 from both our fuel-hedging program, as well as the addition of more new 737-700 aircraft, it is anticipated that rising fuel costs will be an issue in 2003. With the recent significant rise in fuel prices and a diminished amount of fuel protected under the existing fuel-hedge agree-



Revenue Analyst Dave Nickolchuk likes the look of these numbers.

WestJet has eliminated its exposure to interest rate fluctuations while securing very cost effective long-term financing.


ment, we implemented a temporary fuel surcharge effective January 10, 2003, and increased this surcharge on March 7, 2003.

In order to minimize the impact of this charge on our ultra-short-haul routes, our fuel surcharge was implemented on a tiered basis relative to distance flown. We intend to remove this surcharge once fuel prices decline, and we will continue to look for opportunities to expand our fuel-hedging program in the future. The current costs of fuel-hedging programs are, however, prohibitively high. We estimate the sensitivity of our exposure to changes in fuel costs (WTI US\$/barrel) to be approximately \$1.9 million in net earnings for every US \$1.00 change in the price of crude.

As with other Canadian carriers, WestJet is exposed to US dollar currency fluctuations due to US dollar payment obligations associated with unhedged fuel purchases, aircraft lease payments, aircraft acquisition payments, and certain maintenance expenditures. Management continues to monitor this exposure, and where appropriate, will utilize financial instruments to mitigate this risk. WestJet estimates the impact to net earnings for a \$0.01 change in the Canadian dollar in relation to the US dollar (e.g. \$0.68 to \$0.67 CDN) to be approximately \$1.1 million.

During the year, WestJet took steps to avoid a significant amount of additional long-term US dollar exposure by arranging financing for the acquisition of 15 new aircraft to be in Canadian dollars.

The continued decline in interest rates throughout 2002 resulted in WestJet paying US \$11.7 million in settlements related to hedges that were put in place to fix the US dollar amount of lease payments on the Corporation's 10 new aircraft leases. This continued decline in interest rates provided WestJet an opportunity to lock in interest rates on the Ex-Im Bank guaranteed financing related to the acquisition of 15 new Next-Generation aircraft at historically low levels.

The CICA issued an accounting guideline that applies to WestJet starting January 1, 2004. Under the requirements of the new guideline, WestJet must formally assess all hedging relationships to determine whether the hedging criteria are met, including the identification, designation and documentation of hedging relationships, and an assessment of the effectiveness of the hedging relationship. WestJet does not anticipate the new guideline to have an impact on the Corporation's accounting for hedges. 

Outlook

WestJet will continue to grow and to positively impact the way stakeholders view the low-fare and low-cost sector of the airline industry. Investors, creditors, employees, and travellers are now far better served with low-cost airline models, offering high quality service at low airfares.

We will be constantly looking for new opportunities to provide better service for our guests by adding more routes to our network, adding more frequency when required, and improving the overall efficiency of our airline.

We have the resources and people to take advantage of the opportunities that are sure to arise from the turmoil in the current market. While the traditional airline industry in North America continues to rationalize, the people of WestJet are ready for the challenge that the coming months will undoubtedly bring.

Roger Yau looks forward to a bright future in BeanLand.



Reports

Management's Report to the Shareholders

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

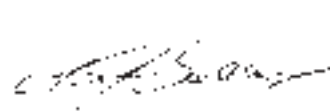
Management has established systems of internal control, which are designed to provide reasonable assurance that financial information is relevant, reliable and accurate, assets are safeguarded, and transactions are properly authorized. The systems of internal control are further supported by an internal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

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

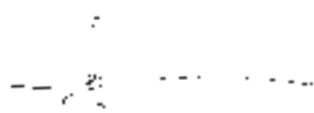
responsibility principally through its Audit Committee.

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

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



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



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

Calgary, Canada
February 11, 2003

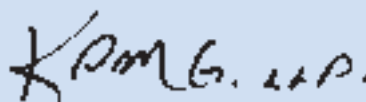
Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of WestJet Airlines Ltd. as at December 31, 2002 and 2001 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, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Calgary, Canada
February 11, 2003

Years ended December 31, 2002 and 2001
(Stated in Thousands of Dollars)

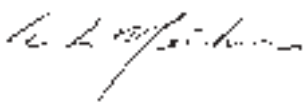
	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	\$ 100,410	\$ 58,942
Accounts receivable	20,532	12,211
Income taxes recoverable	-	779
Prepaid expenses and deposits	19,759	11,643
Inventory	2,314	2,155
	143,015	85,730
Capital assets (note 2)	605,124	300,685
Other long-term assets (note 3)	36,066	6,998
	\$ 784,205	\$ 393,413
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 67,008	\$ 42,019
Income taxes payable	7,982	-
Advance ticket sales	44,195	28,609
Non-refundable guest credits	15,915	12,599
Current portion of long-term debt (note 4)	32,674	8,470
Current portion of obligations under capital lease (note 5)	7,290	3,398
	175,064	95,095
Long-term debt (note 4)	198,996	41,305
Obligations under capital lease (note 5)	16,352	14,400
Future income tax (note 7)	38,037	20,933
	428,449	171,733
Shareholders' equity:		
Share capital (note 6)	211,564	129,268
Retained earnings	144,192	92,412
	355,756	221,680
Commitments and contingencies (notes 5 and 8)		
	\$ 784,205	\$ 393,413

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Clive Beddoe, Director



Wilnot Matthews, Director

Michele Derry, Director,
Operations Control



Consolidated Statements of Earnings and Retained Earnings

Years ended December 31, 2002 and 2001 (Stated in Thousands of Dollars, Except Per Share Data)

	2002	2001
Revenues:		
Guest revenues	\$ 643,174	\$ 452,910
Charter and other	36,822	25,483
	679,996	478,393
Expenses:		
Aircraft fuel	111,737	84,629
Airport operations	88,586	63,881
Maintenance	81,973	72,317
Flight operations and navigational charges	75,759	52,648
Amortization	52,637	34,332
Sales and marketing	44,707	30,862
General and administration	39,791	20,893
Aircraft leasing	35,822	15,284
Inflight	27,284	16,104
Reservations	20,106	17,777
Employee profit share (note 8(b))	15,233	10,311
	593,635	419,038
Earnings from operations	86,361	59,355
Non-operating income (expense):		
Interest income	3,078	2,837
Interest expense	(7,038)	(5,086)
Gain on foreign exchange	346	496
Gain on disposal of capital assets	97	187
	(3,517)	(1,566)
Earnings before income taxes	82,844	57,789
Income taxes (note 7):		
Current	12,626	15,974
Future	18,438	5,105
	31,064	21,079
Net earnings	51,780	36,710
Retained earnings, beginning of year	92,412	55,702
Retained earnings, end of year	\$ 144,192	\$ 92,412
Earnings per share:		
Basic	\$ 0.70	\$ 0.53
Diluted	\$ 0.69	\$ 0.52

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2002 and 2001 (Stated in Thousands of Dollars)

	2002	2001
Cash provided by (used in):		
Operations:		
Net earnings	\$ 51,780	\$ 36,710
Items not involving cash:		
Amortization	52,637	34,332
Gain on disposal of capital assets	(97)	(187)
Future income tax	18,438	5,105
	122,758	75,960
(Increase) decrease in non-cash working capital	38,866	(8,599)
	161,624	67,361
Financing:		
Increase in long-term debt	190,366	8,947
Repayment of long-term debt	(8,471)	(9,461)
Issuance of common shares	84,634	3,878
Share issuance costs	(3,672)	-
Increase in other long-term assets	(32,257)	(2,230)
Decrease in obligations under capital lease	(6,088)	(2,483)
	224,512	(1,349)
Investments:		
Aircraft additions	(320,871)	(60,518)
Other capital asset additions	(24,031)	(26,271)
Other capital asset disposals	234	694
	(344,668)	(86,095)
Increase (decrease) in cash	41,468	(20,083)
Cash, beginning of year	58,942	79,025
Cash, end of year	\$ 100,410	\$ 58,942

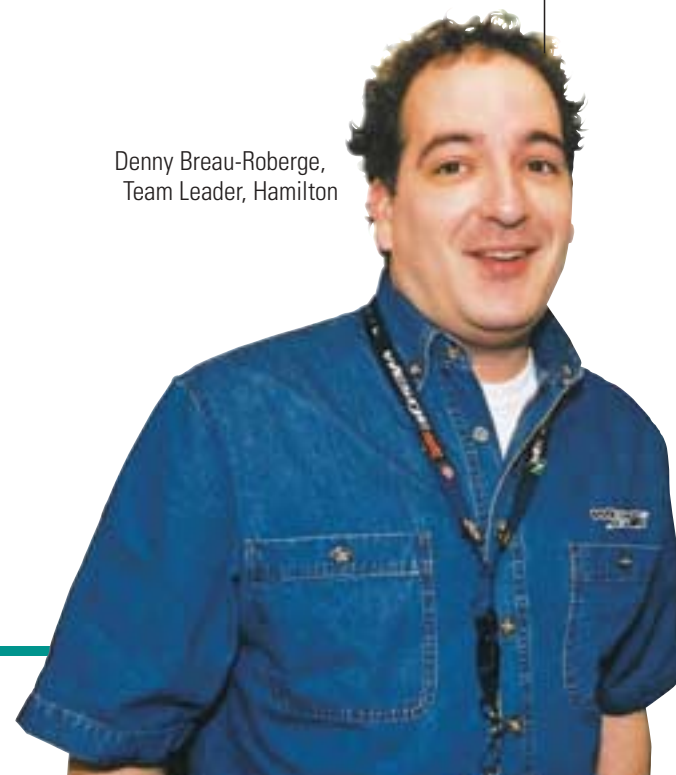
Cash is defined as cash and cash equivalents.

See accompanying notes to consolidated financial statements.



Nancy McCallum and Laurel Troth, Customer Care

Denny Breau-Roberge,
Team Leader, Hamilton



Years ended December 31, 2002 and 2001

(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, as well as the accounts of HFLP Finance Limited ("HFLP"). The Corporation has no equity ownership in HFLP, however, the Corporation is the primary beneficiary of HFLP's operations (see note 4). All intercompany balances and transactions have been eliminated.

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

(b) Cash and cash equivalents:

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

(c) Revenue recognition:

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

(d) Non-refundable guest credits:

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

(e) Foreign currency:

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

Effective January 1, 2002, the Corporation has adopted the new standard for exchange gains and losses arising on the translation of long-term monetary items that are denominated in foreign currencies as set forth by the Canadian Institute of Chartered Accountants. Under the new standard, these gains and losses are recognized on the income statement as they are incurred. The change in accounting policy was applied retroactively with restatement of prior periods. The application of this standard reduced opening retained earnings at January 1, 2002 by \$490,000 and reduced basic and diluted earnings per share ("EPS") by \$0.01 for the year ended December 31, 2001.



Karen Jackson and Kerry Albright,
Charter and Cargo Coordinators

Years ended December 31, 2002 and 2001**(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)****1. Significant accounting policies (continued):**

(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 advance ticket sales are deferred and expensed in the period the related revenue is recognized. Included in prepaid expenses are \$4,161,000 (2001 - \$3,643,000) of deferred costs.

(h) Capital assets:

Capital assets are recorded at cost and depreciated to their estimated residual values. Assets under capital leases and leasehold improvements are amortized on a straight-line basis over the term of the lease.

Asset	Basis	Rate
Aircraft net of estimated residual value – 700 series	Cycles	Cycles flown
Aircraft net of estimated residual value – 200 series	Flight hours	Hours flown
Ground property and equipment	Straight-line	5 to 25 years
Spare engines and parts net of estimated residual value – 200 series	Flight hours	Hours flown
Buildings	Straight-line	40 years
Parts – 700 series	Straight-line	20 years

(i) Maintenance costs:

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

All other maintenance costs are expensed as incurred.

(j) Capitalized costs:

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

(k) Future income tax:

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

Terri Riddell, Christine Baker, Sandra Rocco,
and Maitreyi Salmon, Flight Attendants



Years ended December 31, 2002 and 2001

(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

1. Significant accounting policies (continued):

(l) Stock-based compensation plans:

Currently all outstanding stock options of the Corporation have been granted to employees of the Corporation and no compensation cost has been recorded for these awards. Consideration paid by employees on the exercise of stock options is recorded as share capital. The Corporation has disclosed the pro forma effect of accounting for these rewards under the fair value based method (see note 6(f)).

(m) Financial instruments:

The Corporation utilizes derivatives and other financial instruments to manage its exposure to changes in foreign currency exchange rates, interest rates and jet fuel price volatility. Gains or losses relating to derivatives that are hedges are deferred and recognized in the same period and in the same financial category as the corresponding hedged transactions.

(n) Per share amounts:

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated based on the treasury stock method, which assumes that any proceeds obtained on exercise of options would be used to purchase common shares at the average price during the period. The weighted average number of shares outstanding is then adjusted by the net change. In computing diluted net earnings per share, 1,339,511 (2001 - 1,319,183) shares were added to the weighted average number of common shares outstanding of 73,942,259 (2001 - 68,889,768) for the year ended December 31, 2002 in determining the dilutive effect of employee stock options.

(o) Comparative figures:

Certain prior period balances have been reclassified to conform with current period's presentation and to comply with a change in accounting policy (see note 1(e)).



Rick Walker-Dade and
Laurel Moore, Flight Attendants

Years ended December 31, 2002 and 2001**(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)****2. Capital assets:**

2002	Cost	Accumulated depreciation	Net book value
Aircraft – 700 series	\$ 212,353	\$ 786	\$ 211,567
Aircraft – 200 series	185,765	72,853	112,912
Ground property and equipment	68,791	13,253	55,538
Aircraft under capital lease	30,966	10,035	20,931
Spare engines and parts – 200 series	28,915	8,850	20,065
Buildings	24,576	1,025	23,551
Parts – 700 series	19,593	1,071	18,522
Leasehold improvements	4,514	1,650	2,864
	575,473	109,523	465,950
Deposits on aircraft	131,464	-	131,464
Assets under construction	7,710	-	7,710
	\$ 714,647	\$ 109,523	\$ 605,124
<hr/>			
2001			
Aircraft – 200 series	\$ 188,000	\$ 49,912	\$ 138,088
Ground property and equipment	39,476	7,510	31,966
Spare engines and parts – 200 series	30,166	5,257	24,909
Buildings	23,051	446	22,605
Aircraft under capital lease	18,617	2,980	15,637
Parts – 700 series	12,462	294	12,168
Leasehold improvements	3,539	1,421	2,118
	315,311	67,820	247,491
Deposits on aircraft	53,194	-	53,194
	\$ 368,505	\$ 67,820	\$ 300,685

During the year capital assets were acquired at an aggregate cost of \$12,188,000 (2001 - \$9,415,000) by means of capital leases and interest costs of nil (2001 - \$467,000) were capitalized to assets under construction.

3. Other long-term assets:

Included in other long-term assets is \$19,034,000 (2001 - \$1,087,000) of unamortized hedge settlements related to the 10 leased Boeing Next-Generation aircraft, financing fees of \$8,802,000 (2001 – nil), net of accumulated amortization of \$123,000 (2001 – nil), related to the facility for the purchase of 15 Boeing Next-Generation aircraft, security deposits on aircraft and other leaseholds of \$7,701,000 (2001 - \$4,748,000) and other amounts totaling \$529,000 (2001 – \$1,163,000).



Monica Kretschmer and Abel Corpuz, Flight Attendants

Years ended December 31, 2002 and 2001

(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

4. Long-term debt:

	2002	2001
\$ 178,777,000 in four individual term loans, amortized on a straight-line basis over a 12-year term, repayable in quarterly principle instalments ranging from \$913,000 to \$955,000, including weighted average interest at 5.28%, guaranteed by the Ex-Im Bank and secured by four aircraft. The first quarterly payments commence February 2003	\$ 178,777	\$ -
\$ 16,000,000 term loan, repayable in monthly instalments of \$145,000 including interest at 7.125% (interest rate will be renewed in July 2003 at a fixed rate for up to five years), maturing August 2016, secured by the Next-Generation flight simulator and six cross-collateralized aircraft	15,058	15,700
\$ 36,073,000 in eight individual term loans, repayable in monthly instalments ranging from \$25,000 to \$153,000 including weighted average interest at 8.36% with varying maturities ranging between April 2003 through October 2005, secured by seven aircraft	14,626	22,217
\$ 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	11,620	11,858
\$ 11,589,000 term loan, repayable in monthly instalments of \$1,311,000, including interest of 4.40%, maturing on September 2003	11,589	-
	231,670	49,775
Less current portion	32,674	8,470
	\$ 198,996	\$ 41,305

The net book value of the assets pledged as collateral for the Corporation's secured borrowings was \$292,352,000 as at December 31, 2002 (2001 - \$94,485,000).

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

2003	\$ 32,674
2004	20,009
2005	21,305
2006	16,092
2007	16,187
2008 and thereafter	125,403
	\$ 231,670

Years ended December 31, 2002 and 2001**(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)****4. Long-term debt (continued):**

The Corporation has a US \$478 million facility with the ING Group which is supported by loan guarantees from the Export-Import Bank of the United States (Ex-Im) for US \$478 million for the purchase of 15 Boeing Next-Generation 737-700 series aircraft. Of these aircraft, four were delivered in 2002, with the remaining 11 to be delivered over the course of 2003. HFLP is used as the financial intermediary to facilitate the financing agreement to purchase the aircraft.

This facility will be drawn in Canadian dollars in separate instalments with 12-year terms for each new aircraft. Each loan will be amortized on a straight-line basis over the 12-year term in quarterly principal instalments, with interest calculated on the outstanding principal balance.

The Corporation is charged a commitment fee of 0.125% per annum on the unutilized and uncanceled balance of the loan guarantee, payable at specified dates and upon delivery of an aircraft. As at December 31, 2002 the unutilized balance was US \$364 million.

The Corporation has entered into Forward Starting Interest Rate Agreements at rates between 5.36% and 5.85% on the remaining 11 aircraft to be delivered under this facility.

The Corporation has available a facility with a Canadian chartered bank of \$6,000,000 for letters of guarantee. At December 31, 2002, letters of guarantee totaling \$4,410,000 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 \$5,836,000 (2001 - \$5,570,000).

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
2003	\$ 8,880	\$ 52,715
2004	8,753	51,071
2005	6,256	49,857
2006	2,913	47,341
2007	-	47,206
2008 and thereafter	-	384,276
Total lease payments	26,802	\$ 632,466
Less imputed interest at 7.79%	(3,160)	
Net minimum lease payments	23,642	
Less current portion of obligations under capital lease	(7,290)	
Obligations under capital lease	\$ 16,352	

Years ended December 31, 2002 and 2001

(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

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:

	2002		2001	
	Number	Amount	Number	Amount
Common shares:				
Balance, beginning of year	69,516,897	\$ 129,268	67,497,875	\$ 125,390
Common share issue	4,500,000	82,500	-	-
Exercise of options	879,019	2,134	2,019,022	3,878
Issued on rounding of stock split	3,693	-	-	-
Share issuance costs	-	(3,672)	-	-
Tax benefit of issue costs	-	1,334	-	-
Balance, end of year	74,899,609	\$ 211,564	69,516,897	\$ 129,268

(c) Stock split:

On May 3, 2002, 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.

(d) Stock Option Plan:

The Corporation has a Stock Option Plan, whereby up to a maximum of 7,476,330 common shares may be issued to officers and employees of the Corporation subject to the following limitations:

- (i) the number of common shares reserved for issuance to any one optionee will not exceed 5% of the issued and outstanding common shares at any time;
- (ii) the number of common shares reserved for issuance to insiders shall not exceed 10% of the issued and outstanding common shares; and
- (iii) the number of common shares issuable under the Plan, which may be issued within a one-year period, shall not exceed 10% of the issued and outstanding common shares at any time.

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



Flight Attendants Tim MacRae and Marcela Jara find an entertaining use for air sickness bags.

Years ended December 31, 2002 and 2001
(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

6. Share capital (continued):

(d) Stock Option Plan (continued):

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

	2002		2001	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Stock options outstanding, beginning of year	5,579,517	\$ 11.85	5,037,182	\$ 6.43
Granted	1,140,292	20.70	2,681,601	14.64
Exercised	(879,019)	2.43	(2,019,022)	1.92
Cancelled	(31,602)	15.67	(120,244)	13.73
Stock options outstanding, end of year	5,809,188	\$ 14.99	5,579,517	\$ 11.85
Exercisable, end of year	276,159	\$ 3.48	829,329	\$ 2.41

The following table summarizes the options outstanding and exercisable at December 31, 2002:

Range of Exercise Prices	Outstanding			Exercisable Options	
	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$2.67 - \$4.45	276,159	0.33	\$ 3.48	276,159	\$ 3.48
\$10.99 - \$12.67	44,381	2.41	12.15	-	-
\$13.65 - \$14.68	4,355,706	2.02	14.26	-	-
\$15.81 - \$20.75	1,132,942	3.31	20.70	-	-
	5,809,188	2.19	\$ 14.99	276,159	\$ 3.48

Upon filing the Corporation's initial public offering on July 13, 1999, 237,533 options were re-priced from \$2.67 per share to \$4.45 per share and of this amount 125,033 (2001 – 192,533) were remaining at December 31, 2002. The Corporation committed to the holders of the options that it would pay the differential of \$1.78 per share upon exercise of those options.



Diane Anderson, Recruiter

Rod Perreault, Stores



Years ended December 31, 2002 and 2001

(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

6. Share capital (continued):

(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 \$10,178,000 (2001 - \$6,081,000).

(f) Pro forma disclosure:

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2002: zero dividend yield; expected volatility of 38%; risk-free rate of 4.5%; and expected life of four years. The weighted average fair value of stock options granted during the year was \$8.06 per option.

Had the Corporation accounted for employee stock options issued using the fair value based method, the Corporation's pro forma net earnings and EPS would be as follows:

	As reported 2002	Pro forma 2002
Net earnings	\$ 51,780	\$ 48,963
Earnings per share:		
Basic	\$ 0.70	\$ 0.66
Diluted	0.69	0.65

These pro forma earnings reflect compensation cost amortized over the options' vesting period, which varies from two to three years.



Danielle Hurst, CSA, Victoria
with Sequoia.

Years ended December 31, 2002 and 2001**(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)****7. Income taxes:**

Income taxes vary upon the amount that would be computed by applying the basic Federal and Provincial tax rate of 38.1% (2001 – 43.7%) to earnings before income taxes as follows:

	2002	2001
Expected income tax provision	\$ 31,544	\$ 25,445
Add (deduct):		
Non-deductible expenses	518	459
Other	(358)	(729)
Capital taxes	31	251
Large corporations tax	177	-
Future tax rate reductions	(848)	(4,347)
	\$ 31,064	\$ 21,079

Cash taxes paid during the year were \$3,878,000 (2001 – \$25,700,000).

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

	2002	2001
Future income tax asset:		
Share issue costs	\$ 1,767	\$ 1,127
Future income tax liability:		
Capital assets	39,804	22,060
Net future income tax liability	\$ 38,037	\$ 20,933

8. Commitments and contingencies:**(a) Aircraft:**

The Corporation has entered into agreements to lease 10 Boeing Next-Generation aircraft, four of which were delivered over the course of 2001, with the remaining six delivered in 2002. Under the terms of these lease agreements, the Corporation received a 737-700 engine for use throughout the period of the leases. Subject to the Corporation's compliance with the terms of the lease agreements, title to the engine will pass to the Corporation at the end of the final lease. The Corporation has also obtained options to lease an additional 10 Boeing Next-Generation aircraft to be delivered prior to the end of 2006.

Bronwyn Whitehead, CSA, Thunder Bay



Years ended December 31, 2002 and 2001

(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)

8. Commitments and contingencies (continued):

(a) Aircraft (continued):

The Corporation has also entered into agreements to purchase 30 Boeing Next-Generation aircraft, four of which were delivered over the course of 2002, with the remaining 26 to be delivered over the course of 2003 to 2006. This agreement provides the Corporation with the option to purchase an additional 44 aircraft for delivery prior to the end of 2008.

The remaining estimated amounts to be paid in deposits and purchase prices in US dollars relating to the purchases of the remaining 26 aircraft are as follows:

2003	\$ 352,244
2004	276,062
2005	151,261
2006	30,603
	\$ 810,170

In addition to the existing US \$478 million loan guarantee from the Ex-Im Bank (see note 4), the Corporation has received a Preliminary Commitment from the Ex-Im Bank for loan guarantees to support the acquisition of the remaining 15 Boeing Next-Generation aircraft the Corporation has committed to purchase prior to February 2006.

(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 prior approval by the Board of Directors.

(c) Contingencies:

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



Mindy Lake and JC Laffler, CSAs,
Hamilton



Tre Arnold, Flight Attendant

Years ended December 31, 2002 and 2001**(Tabular Amounts are Stated in Thousands of Dollars, Except Per Share Data)****9. Risk management:**

(a) Fuel risk management:

The Corporation has mitigated its exposure to jet fuel price volatility through the use of long-term fixed price contracts and contracts with a fixed ceiling price which it 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, 2002, the Corporation had a fixed ceiling price fuel contract that is in effect through to June 2003, at an indicative price of US \$18.60 per barrel of crude oil. In 2002, this contract represented 32% (2001 – 42%) of the Corporation's fuel requirements.

(b) Foreign currency exchange risk:

The Corporation is exposed to foreign currency fluctuations as certain ongoing expenses are referenced to US dollar denominated prices. The Corporation periodically uses financial instruments, including forward exchange contracts and options, to manage its exposure. At December 31, 2002 the Corporation did not have any foreign currency financial instruments outstanding.

(c) Interest rate risk:

The Corporation has managed its exposure to interest rate fluctuations on debt financing for the next 11 Boeing Next-Generation aircraft scheduled to be delivered over the course of 2003. The Corporation has managed this exposure by entering into Forward Starting Interest Rate Agreements at rates between 5.36% and 5.85%.

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

(d) Credit risk:

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

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



Michelle Francis, Trainer

Now you know why
Westerners are always
so darn happy.

WESTJET
Choice is in the air.



Pilots Grace Duke and Tim Smith lend their smiles to the Toronto Station Domination advertising campaign.

TORONTO OPENING AND PROMOTIONS

Station Domination

It's hard to imagine a meeting quite like this one...A company 3,000 strong gains immediate acceptance and loyalty from travellers in a city of 4.6 million right after launch of services. How was this achieved?

While WestJet's reputation for low fares and friendly service often precedes its entrance into a new city, with a metropolis as large as Toronto, the airline had to be prepared for the unique challenges entering such a huge city might pose.

As starting a new base is always an expensive undertaking, and tackling one of the largest cities with one of the busiest airports on the continent takes the teamwork of a dedicated bunch, team WestJet decided to plaster the heart of T.O. with an advertising and awareness campaign that would soon have Torontonians talking, and many taking to the skies.

Station Domination was the plan, and from September to November 2002, about 175,000 people passed through Union Station in downtown Toronto daily, and through larger-than-life ads for Canada's low-fare leader.



Even the turnstiles were given a typical WestJet facelift.

Deseree Kuzek, Station Domination Project Coordinator, is pleased with the results, "As this was one of our most ambitious advertising and awareness campaigns to date, I am definitely happy with the final product. Union Station is the main subway station in Toronto, and funnels commuters into the downtown core from all over the city."

Kuzek continues, "With Station Domination, we wanted the most bang for our buck, and this was definitely achieved. Before the end of the year, not only were our Edmonton – Toronto and Calgary – Toronto non-stop services successful, but we also added non-stop service between Toronto and Vancouver on December 1."



In Station Domination, WestJet's message was on the walls, floors, wrapped around pillars, and on posters completely covering this very high profile Toronto spot. On September 23 and 24, WestJetters were even on hand at Union Station giving away a total of 10,000 copies of a special edition of the Toronto Sun that included a front page WestJet information piece at the eight entrances into Union Station. But that's not all.

No matter how successful Station Domination had the potential to be, WestJet's people had to back it up with service. Kuzek says: "With this initiative, we set expectations very high for ourselves, and we had to deliver. Our campaign in Union Station was merely the pass – our people still had to carry the ball into the end zone."

With the great service WestJet's people provide, the airline definitely scored a touchdown with service into Ontario's biggest city. Torontonians may not have known WestJet before 2002, but you can bet they do now!

WHERE, WEAR, WARES

The Clothes Hangar

WestJetters have always been able to buy a selection of clothes and paraphernalia from the WestJet Store, but in late 2002, the company officially unveiled the new and improved Clothes Hangar.

Rick Johnstone, Team Lead, Corporate Purchasing, is happy to finally be able to sell much-coveted WestJet wares to not just WestJetters, but guests and shareholders alike. "With the opening of the Clothes Hangar in November, we launched numerous new and affordable clothing items, to fit with the style demands of anybody in any age group."

These days, the Clothes Hangar keeps him very busy. "Our store," Johnstone says, "is gaining in popularity, and it is challenging trying to stay on top of orders and requests, but I think we're doing well."

Well indeed. The Clothes Hangar always has a healthy inventory on hand of clothes, souvenirs, keepsakes, and other quality items.

At press time, people still had to visit or telephone the Clothes Hangar in Calgary to make purchases, but Johnstone promises a full online catalogue on westjet.com before 2004.

"I just hope we don't bog down our Internet site with all of the traffic that is sure to come to the online store. Our computer people would hate me!" he says through a smile.



Ursula DeMarco and Kellie Castle keep the merchandise moving at the Clothes Hangar.



Up and Coming

Watch for more information on WestJet's 2003 move into Windsor, Montréal, Gander, and St. John's, with even more details on WestJet's February 2003 launch of service into Halifax!



NEW PLACES

London



Flight Attendant Erin Lewis loves flying to London.

With a population of over 400,000, and as one of Ontario's commercial and industrial centres, London was a welcome addition to the WestJet family of destinations in 2002.

London is a great place to see any time of year, and visitors can also come for the Western Fair every September to see why WestJetters love the "Forest City" so much (Londoners plant 1,000 trees along streets and in parks each year!).

Toronto

On May 23, 2002, WestJet touched down in Toronto and began low-fare service between Pearson International Airport and Western Canada.

Service into Toronto is a win-win for people in Edmonton, Calgary, Vancouver, and, of course, Toronto. With fast, comfortable, affordable, non-stop WestJet service, Torontonians finally have real choice when heading west!



Guests appreciate the welcome they receive from Toronto CSAs Angela Colacitti and Francis Downey.

Talking Technology

Technical Support Analyst
Clayton Sopol feels at home in
WestJet's high-tech environment.

State of the Art



Charles Morris, Blair Laing, and Alan Mendonca, IT Team.

WestJet may be a low-fare airline, but they're definitely not shying away from shiny new technology. In 2002, WestJet's people were proud to have increased Internet bookings to over 50% of total sales in order to meet demand and decrease costs, but the company's Information Technology (IT) Department has also been up to much more.

Along with brand new made-to-order aircraft, WestJet spent much of 2002 researching and implementing advanced technology designed to reduce costs and enhance the WestJet travel experience.

WestJet's Chief Information Officer, Gerry Hinds, kept the IT Department busy with two innovative guest-service projects in 2002.

"One of the first major projects we launched in 2002 was the Interactive Feedback Corner (IFC). Working with the company ResponseTek, we introduced our guests to the IFC in July," Hinds says. "There are many advantages to this new system compared to

how we traditionally received feedback from our guests. The IFC is a single point of contact for our guests to provide feedback on virtually every area of our service. We receive this information in real time, which allows us to produce real-time reports, and respond to guest needs quickly.”

Calvin Symes, a member of WestJet’s IT team, was a key player in the development of the IFC. “The IFC allows our guests to share their WestJet experience with us through a ratings and comments system online. It’s used by thousands of WestJet guests each month.”

Symes is excited about the new relationship with guests created through the IFC. “We can track all the responses we receive – all the ratings and comments are collected centrally. If a

immediate improvement, and we can see trends where more investment is required to meet our guests’ needs.”

And meeting guest needs is what WestJet is all about, especially in the age of information. During the year, WestJet’s Marketing and Information Technology departments worked closely to create JetMail, an email seat sale notification service created out of guest demand. On December 26, 2002, WestJet sent the first JetMail to 25,000 Canadians.

“By asking our guests to share their experiences... we’re able to identify areas that need immediate improvement.”



I.T.’s Shawn Coleman helps keep WestJet’s computer systems running smoothly.

guest includes an email address in their submission, we reply quickly.”

What action does WestJet take based on the results? Natalie Kerekes, Business Manager, examines the responses. “We set guest satisfaction targets for all guest-centric aspects of our airline,” she says. “By asking our guests to share their experiences and preferences with us, we’re able to identify areas that need

Margaret Glover-Campbell, WestJet’s Manager of Advertising, recalls the excitement of the day. “The Boxing Day JetMail was our first email to westjet.com members who signed up to receive notice of seat sales,” she says. “Now we have more than 40,000 JetMail subscribers and our guests can receive instant email notices of seat sales or seat sale extensions.”




Mable Wong has played a key role in the success of westjet.com.

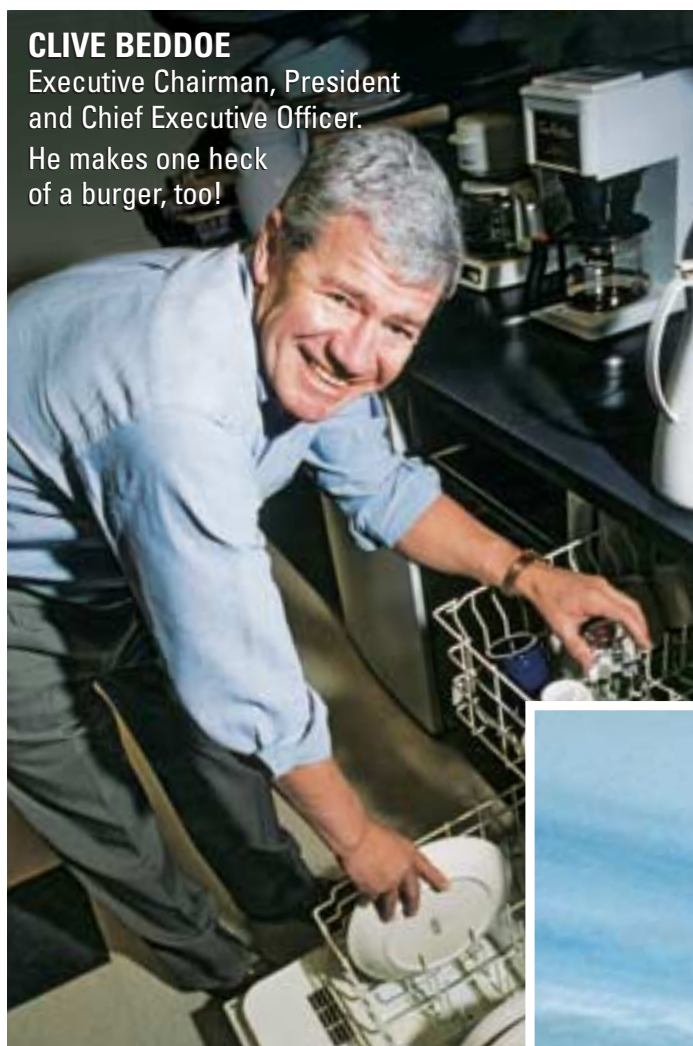
Deborah Humphries, one of WestJet’s Senior Business Solutions Analysts, was part of the team creating the behind-the-scenes technology for JetMail. “We made it really easy to subscribe to JetMail. All our guests have to do is visit westjet.com. Moments later, voila, you’re on the list!”

Glover-Campbell sees great potential for WestJet to speak to guests and potential guests about products, services, and other offerings directly relevant to their needs and travel patterns.

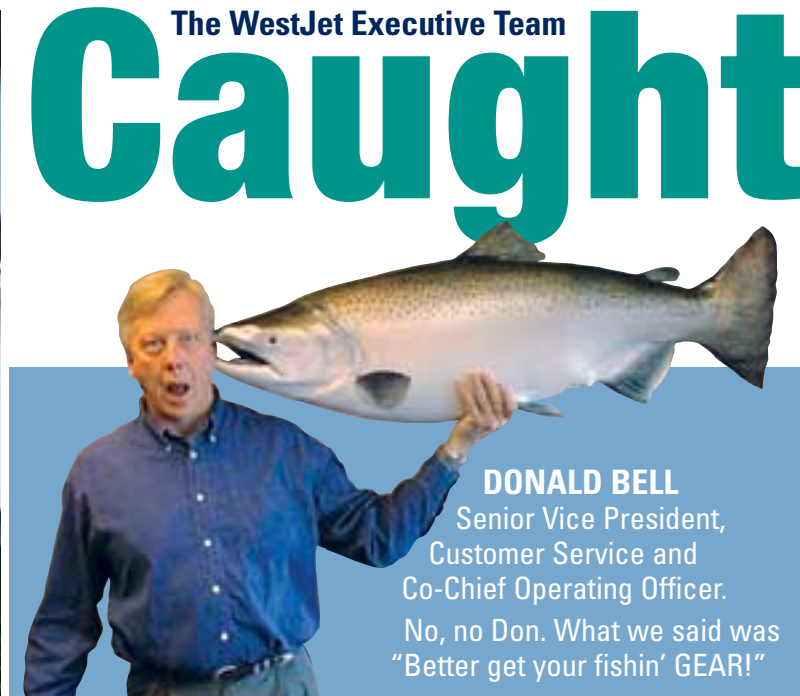
“JetMail is a great way to communicate with our travel agent partners too,” says Tim Paul, WestJet’s Travel Technology Coordinator. “We can send them notice of seat sales, and they can reach out to their clients quickly. It has had a very positive impact on our relationship with our travel agent partners.”

How has WestJet protected itself and its guests who use westjet.com? “Security is of the utmost importance to us,” says Bruce Elliott, WestJet’s Manager, IT Security and Architecture. “We never, ever sell our JetMail or guest lists, and have a comprehensive privacy policy on westjet.com. We include a link to this policy in our JetMail emails, and we also include some guidance for our guests on protecting themselves online.”

As WestJet grows by leaps and bounds, they’ll continue to seek out innovative and cost-effective ways to provide the high quality guest service the airline is famous for. 



CLIVE BEDDOE
Executive Chairman, President
and Chief Executive Officer.
He makes one heck
of a burger, too!



DONALD BELL
Senior Vice President,
Customer Service and
Co-Chief Operating Officer.
No, no Don. What we said was
"Better get your fishin' GEAR!"



MARK HILL
Vice President,
Strategic Planning.
Taking stock of materials
before sadly realising the
Spruce Goose II would
never be economical on
short-haul flights.

BOARD OF DIRECTORS

Clive J. Beddoe

Executive Chairman, President and CEO
WestJet Airlines Ltd.

Tim Morgan

Senior Vice President, Operations
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

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

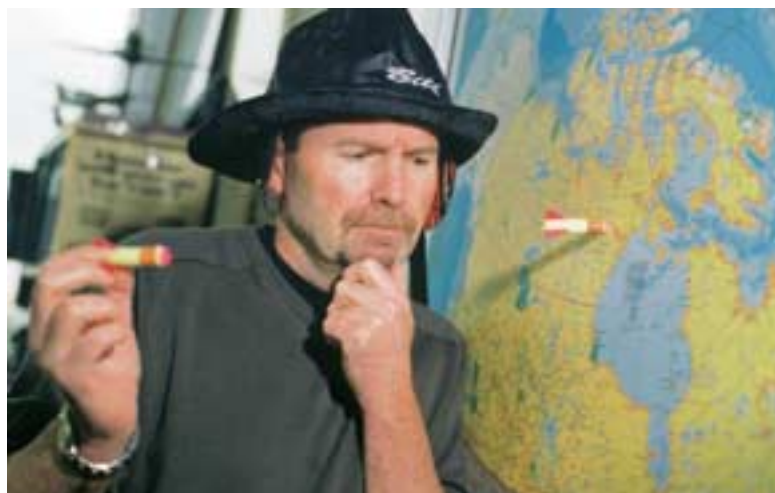
Senior Vice President, Operations
Co-Chief Operating Officer

Donald Bell

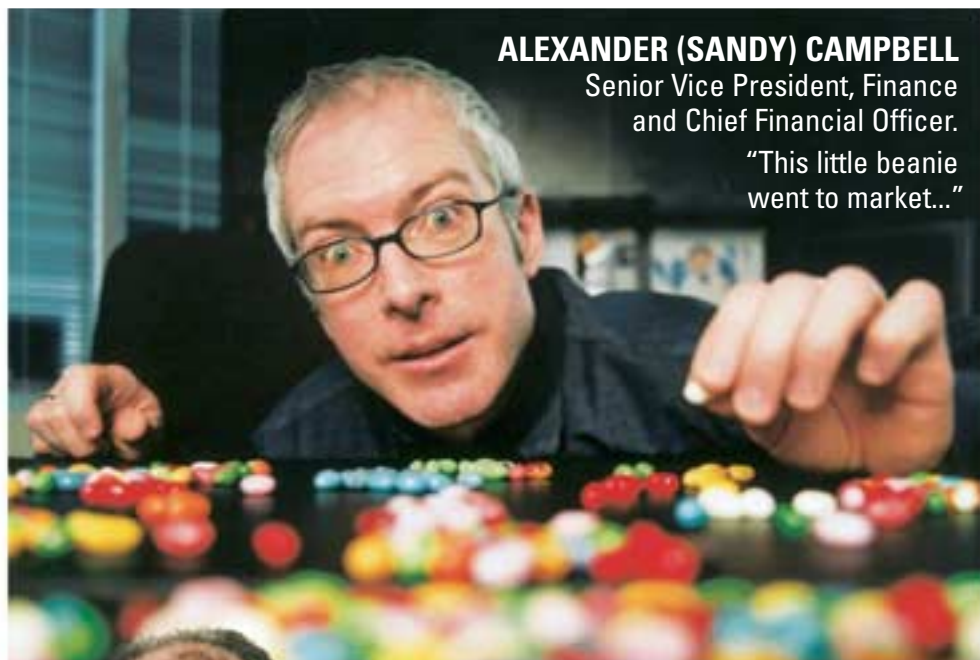
Senior Vice President, Customer Service
Co-Chief Operating Officer

in the Act!

Behind the Scenes



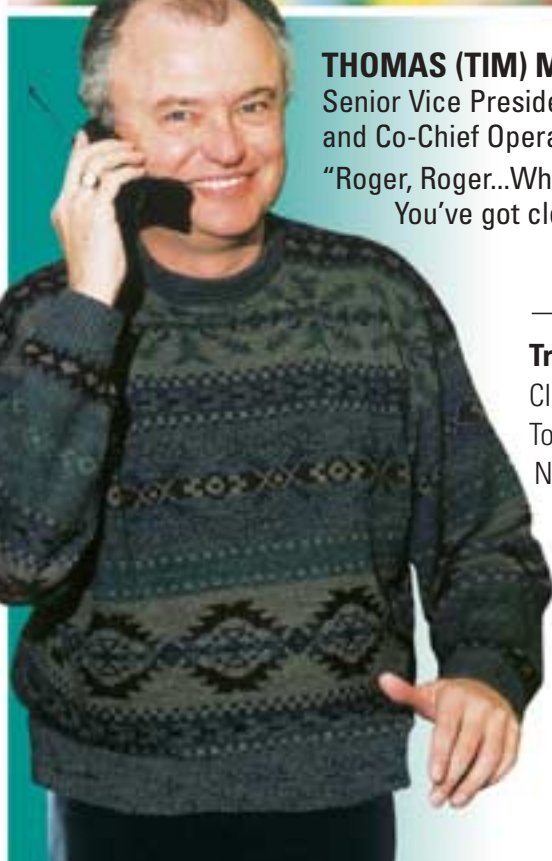
WILLIAM (BILL) LAMBERTSON
Vice President, Marketing and Sales.
A glimpse inside the mind of a marketing genius.



ALEXANDER (SANDY) CAMPBELL
Senior Vice President, Finance and Chief Financial Officer.
"This little beanie went to market..."



FRED RING
Vice President, People.
Spending some quality time with his people.



THOMAS (TIM) MORGAN
Senior Vice President, Operations and Co-Chief Operating Officer.
"Roger, Roger...What's your vector, Victor? You've got clearance, Clarence."

Transfer Agent and Registrar:

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

Auditors:

KPMG LLP, Calgary, AB

Legal Counsel:

Burnet, Duckworth and Palmer LLP,
Calgary, AB

Stock Exchange Listing:

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

Investor Relations Contact Information:

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

Head Office:

5055 11 St. NE, Calgary, Alberta, T2E 8N4
Phone: (403) 444-2600 Fax: (403) 444-2301

ANNUAL AND SPECIAL MEETING:

WestJet Airlines Ltd.'s Annual and Special Meeting will be held at 2:00 p.m. (MDT) on Wednesday, April 30, 2003 at WestJet's Hangar, 21 Aerial Place NE, Calgary, AB.

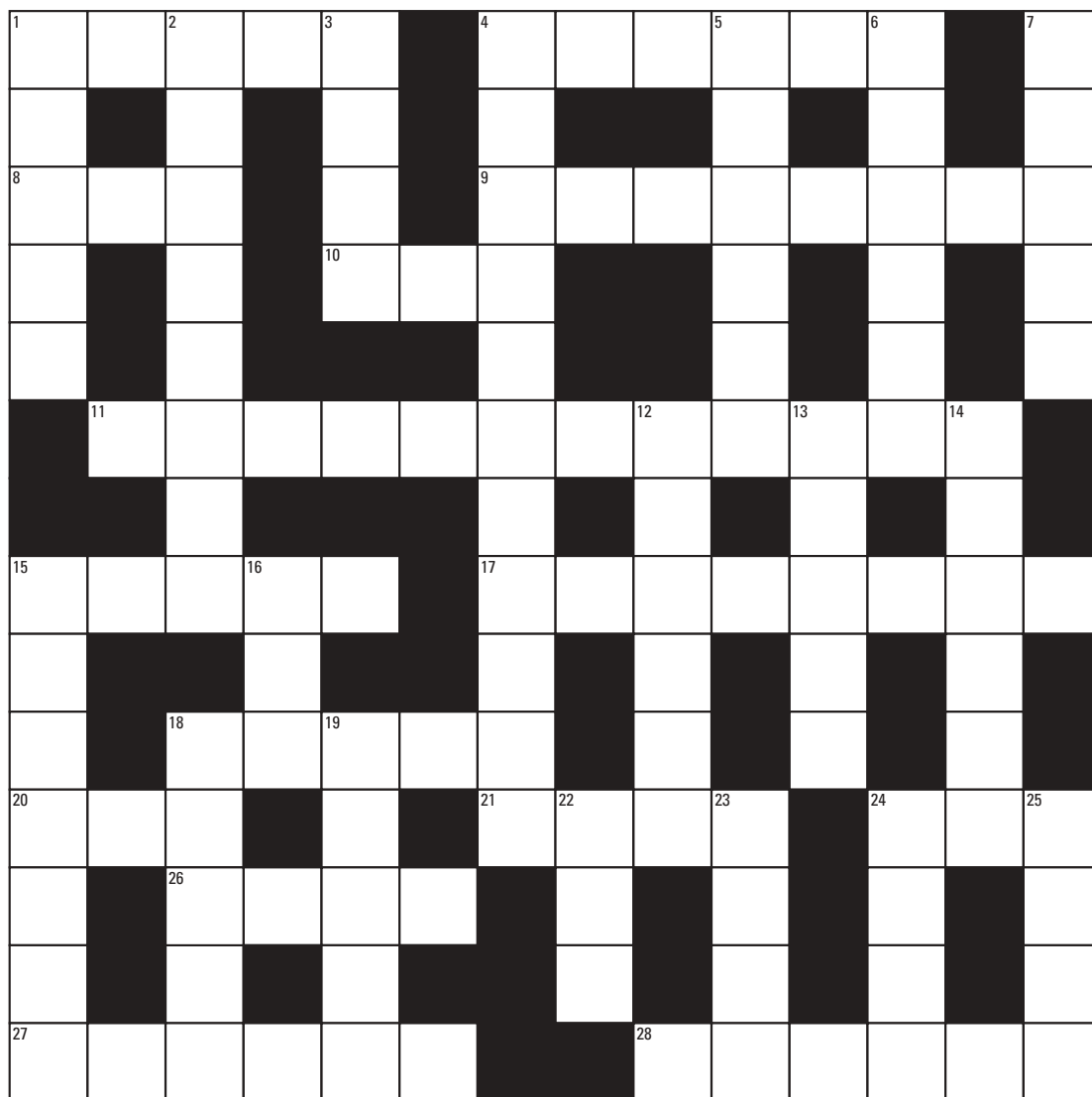
Crosswinds

ACROSS

- 1 Western destination
- 4 ____ and drinks are free on WestJet
- 8 Investors ____ a part of WestJet
- 9 Landing and takeoff sites
- 10 Vancouver airport code
- 11 WestJet's newest Aircraft Boeing 737 ____ Series
- 15 First Officer's buddy
- 17 WestJet is famous for these
- 18 CEO pictured on Page 8
- 20 Coffee or ____?
- 21 Fare
- 24 Sault ____ Marie
- 26 WestJet accountants, ____ counters
- 27 Eastern destination
- 28 WestJet's fares are this

DOWN

- 1 Sky obstacle
- 2 New Destination
- 3 Call sign for letter 'X'
- 4 Investor
- 5 WestJet's business model has been ____ many times
- 6 Drink served on board
- 7 Plane leaders
- 12 Montreal, St.John's & Gander are WestJet's ____ destinations
- 13 ____ for takeoff
- 14 Easy ____
- 15 WestJet snack
- 16 Other "wise flyer"
- 18 ____ pressure
- 19 WestJet doesn't fly here
- 22 A person might look like this from a WestJet plane
- 23 Call sign for letter 'E'
- 24 WestJet customers love to ____
- 25 Not west



Crossword solution will be printed in the First Quarter Report.

WestJet POP Quiz

WESTJET, BY THE NUMBERS

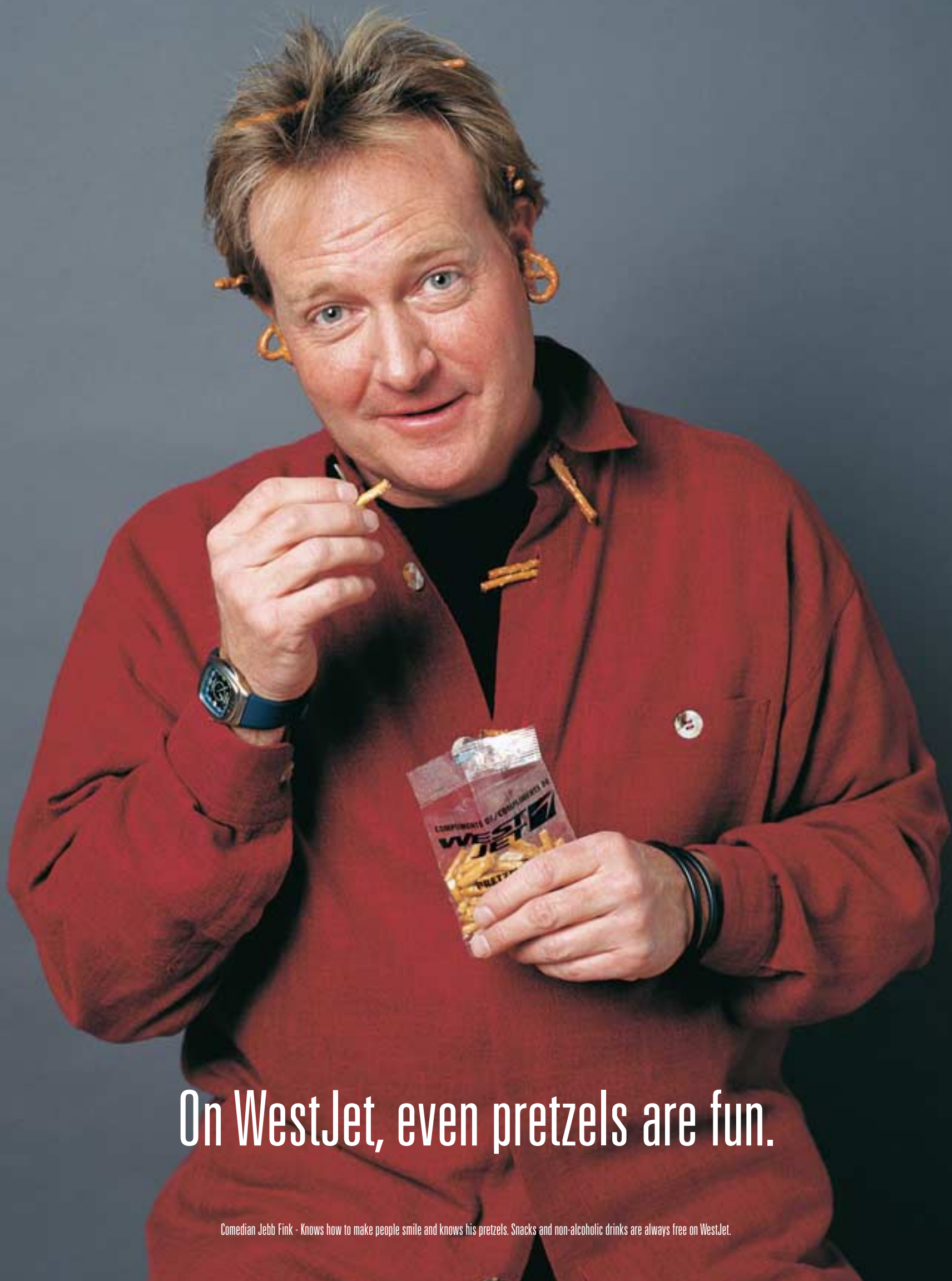
Answers found throughout the Annual Report and on westjet.com.

- a. How many employees did WestJet start with?
- b. How many people named "Jennifer" does WestJet employ?
- c. What percentage of WestJetters participated in the Stock Purchase Plan in 2002?
- d. How many founders were involved in WestJet?
- e. How many positive emails did WestJet receive in 2002?
- f. How many guests did WestJet fly in 2002?
- g. How many aircraft did WestJet start with?
- h. How many resumés did WestJet receive in 2002?
- i. How much do you save booking a return flight through westjet.com?
- j. How many people were employed with WestJet as of December 31, 2002?

Answers: a. 220 b. 48 c. 86% d. 4 e. 7,000 f. 5.8 million g. 3 h. 49,000 i. \$5 j. 3,120



Carolyn Denine, CSA, Hamilton has her style in the bag.



On WestJet, even pretzels are fun.

Comedian JeBB Fink - Knows how to make people smile and knows his pretzels. Snacks and non-alcoholic drinks are always free on WestJet.



Just fly.

westjet.com