# ANNUAL REPORT 05

AÉROPORT DE QUÉBEC

# LET'S CELEBRATE TOGETHER




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# FIVE YEARS OF SUCCESS

In November 2000, Transport Canada entrusted the management, operation, and development of Jean Lesage International Airport (JLIA) to Aéroport de Québec inc. The multitude of challenges facing the corporation called for plotting a flight plan capable of responding to the expectations of visitors as well as those of people traveling for business and pleasure from Québec and Eastern Québec. It didn't take long before the difficulties of the industry made their presence felt through the tragic events of September 11, 2001, the bankruptcies and restructuring of many carriers, and the SARS epidemic. Despite the turbulence, Aéroport de Québec actively committed itself to pursuing and achieving its objectives. Management's entrepreneurial spirit and renewed vision provided the foundation for implementing innovative strategies and enhancing the quality of services. Five years later, the outstanding results eloquently state the case that administrative rigor guarantees economic vitality for the greater Québec area. With a record year of more than 771,000 passengers served in 2005, the airport is undeniably positioned to develop its full potential. An overview of five years of success...

# CONSTANT GROWTH

Air transport is an essential tool in the socioeconomic and tourist development of modern societies. Growth in international trade and the development of new markets have led to a significant increase in travel needs. As the world continues to shift towards globalization and economic openness, air service takes on even greater competitive importance and helps generate a climate conducive to business development.

Within a framework of development and continuous improvement, Aéroport de Québec has taken up its part of the challenge by offering safe, efficient air services, which hold the promise of economic vitality and higher quality of life.

The last five years have been undeniably successful. Our organization has now racked up an outstanding financial performance, positioning it to continue soaring and to actively contribute to the development and socioeconomic vitality of the greater Québec area.

Our success has shown up primarily as a marked increase in air traffic, reflecting a general trend in the industry. According to International Air Transport Association (IATA) statistics, passenger traffic worldwide increased by 7.6% in 2005. North America and Canada recorded 8.9% and 5.6% growth, compared to 7.4% at JLIA. Despite the events of September 11, 2001 and the vagaries that have struck the industry, these results promise a return to appreciable growth.

With the air transport industry undergoing significant restructuring, Aéroport de Québec must deal with many factors that might hamper achievement of its objectives, such as the costs of security, safety, operation, maintenance, and even the underfunding of capital assets.

In its role as a member of the Canadian Airports Council (CAC), Aéroport de Québec takes an active part in discussions to deal with the obstacles and challenges facing the entire industry. In the case of Aéroport de Québec, airport rent remains a major concern. Indeed, last fall, the Treasury Board approved a new rent policy put forward by Transport Canada. Steps have since been initiated to amend airport leases. The policy, in its current form is inequitable and could compromise the workings of a safe, efficient national network of airports. We will therefore continue to support the need for a fair policy. We sincerely feel that airports serving fewer than two million passengers annually should be exempted from paying rent to Transport Canada and are determined to pursue our objective in this regard.

Last March, Aéroport de Québec presented a brief to the Standing Committee on Transport to highlight its concerns and ensure that the federal government's policy directives provide for airport viability and survivability. In addition to the rent issue, the document reflects both the concerns of Aéroport de Québec and CAC with respect to governance, security, and liberalization of air transport. Moreover, we will continue to press our issues with the Canadian government, with CAC's cooperation, to develop solutions applicable to the entire industry.

Our rigorousness in pursuing issues of national interest is also reflected in our day-to-day management. In 2005, we carried out a five-year performance review that included a variety of audits to determine our organization's record in terms of administrative, financial, human-resources, operational, environmental, and safety and security management.

# MESSAGE FROM THE CHAIR OF THE BOARD

The findings of this operation, which was undertaken from the standpoint of sound risk management and efficient, diligent governance, were presented in a detailed report broken down by business line. Recommendations that will be implemented over the upcoming year were also presented. This exercise will undoubtedly enable us to better focus our activities.

Today, the results of the last five years confirm our commitment to success. Proud as we are of a record of 771,000 passengers in 2005 and a distinct growth in services, flights, and destinations, we are determined to pushing the envelope further in order to improve our infrastructure and provide additional boost to the region developing its full potential.

Any growth in services and enhancement of air service remain, however, dependent upon improvements to infrastructure. Moreover, we are convinced that the time has come for the region to have an airport terminal that can respond to the needs of the traveling public and air carriers, in addition to ensuring the continued development of air services.

Backed by regional consensus, the entire community recognizes that modernization of the terminal is both a priority and indispensable in positioning Québec as a modern, vital, and welcoming city, for visitors and investors alike.

During the *XIV$^{e}$ Forum économique de Québec* (Québec economic forum), the business community clearly stated that terminal modernization had to be made a priority. We are sincerely grateful for their support. Since then, massive support has been pressing governments to turn this regional priority into a reality. This mobilization is all the more important because it could enable us to initiate a project with major benefits.

With the quadricentennial approaching, the urgency to start work is that much greater, given the fact that the Capital City will play host to thousands of visitors from around the world. Québec will have only one chance to make a good impression.

This major modernization project, costing $65.8 million, will enable us to increase our inbound capacity, add value to services, broaden the number of destinations, and increase the frequency of flights to each destination. Given its excellent financial condition, Aéroport de Québec will be able to assume more than half the cost of the project. Nevertheless, the project's fate rests with the federal and provincial governments contributing $30 million in financial support.

This project, which has often been named as a regional priority, represents a genuine investment that will generate significant benefits in terms of jobs, income, and tax revenues. We are also confident that the commitments needed to start work will be made in the near future.

Our achievements in 2005 stand out as tangible proof of our commitment and rigorousness in reaching our objectives. They also reflect our sustained determination to provide quality services to our customers while maintaining a positive outlook for the future.

We intend using the drive that characterized the last five years to face the daily challenges ahead and become a gateway worthy of a UNESCO World Heritage city. The dedication of our management, employees, and partners will enable us to carry out a project of this scope and contribute to the region's economic development over the years to come.

We want to thank them for their unfailing support as well as that of the business community, in particular, the Québec Chamber of Commerce and partners from the *Groupe d´action pour les liaisons aériennes*.

Our achievements have also been tied to the efforts of a group of determined people committed to the objectives set and decisions made throughout the year. In this regard, we must call attention to the contribution of Board members, who have worked hard and done a remarkable job on all active committees, including audit, environment, terminal construction, and executive committee. In attending many meetings, gatherings, forums and conferences, they have supported the development of our air routes while significantly contributing to our region's well-being.

Moreover, we should also point out that our management team and staff have worked diligently and deserving of accolades. Together, we make a formidable team.

We would also like to call attention to the significant contribution made by Mr. Marcel Jobin, who retired from the Board in 2005 after ten years of sustained commitment. Mr. Jobin has agreed to lend us his assistance in the years ahead.

Lastly, we would like to express our appreciation to the 771,000 passengers that chose Aéroport de Québec. Your use of JLIA facilities and services has made you an important part of our development and partners in our success!

I invite you to read through our 2005 annual report and to relive, once again, a year marked with success.

# A RECORD YEAR

# MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Once again, in 2005, Aéroport de Québec pushed back the boundaries to reach heights never before attained. Since the outset, our organization has racked up successes despite the turbulent atmosphere in which the industry operates. Nevertheless, 2005 stood out as an exceptional year, with traffic soaring to a record-breaking 771,000 passengers.

During our first five years of operation, we deployed the efforts required to ensure our financial viability. Moreover, the upward trend in our performance provides proof of an approach that is both dynamic and strategic, enabling us to produce a highly positive balance sheet in 2005. Revenues for the fiscal year were 12% higher than fiscal 2004. The excess of revenues over expenditures increased considerably from $426,000 in 2004 to $2,147,000 in 2005, with total assets recording growth of 32%.

For the most part, this performance reflects increased passenger traffic at JLIA, more specifically, during 2003, 2004, and 2005, which recorded increases of 2.5%, 12.7%, and 7.4%, respectively.

More than anything, the record passenger traffic in fiscal 2005 indicates a winning development strategy. Backed by many studies, in particular, the rigorous analysis of the air transport potential and route development, this strategy enables us to coherently direct our development based on market size and specificities, demand, and future opportunities.

Aéroport de Québec maintains close ties with the various air carriers to consolidate services and promote the implementation of new services with a view towards economic and tourist development. Furthermore, we are quite pleased with this collaboration, which undeniably fosters the development of air routes, as well as responds to the expectations and needs of the entire community.

Moreover, our action aims at providing economic organizations and stakeholders with the tools needed to strengthen Québec's position internationally. Our achievements foster our organization's development, while playing an important role in the region's progress and prosperity as a whole.

Fiscal 2005 was a year of challenges, the most notable examples being the failure of Québecair Express and Jetsgo's activities. While the bankruptcies of these two carriers resulted in loss of revenue, it also reduced unfortunately available services to travelers. Despite these setbacks, our commitment to and rigor in making Québec's airport a veritable hub have enabled us to maintain efficient management that can minimize the impact on passengers.

Our performance speaks for itself in terms of increases in air services and destinations, new carriers, and record-breaking passenger traffic.

Passenger traffic is a critical component in infrastructure planning and determining the resulting financial requirements. More than ever, our achievements in 2005 underscore the importance of quickly moving to modernize the terminal building in order to respond to the region's potential.

Indeed, JLIA has arrived at a point in its growth in which the ageing state of the terminal building is hampering achievement of development objectives. In addition, building studies have revealed that extensive work is required to bring the facility into compliance with industry standards and to meet the needs of travelers as well as to provide carriers with efficient, profitable installations and equipment.

The current level of passenger traffic puts pressure on the facility, particularly during peak periods. The space available at the terminal is inadequate for handling passenger and flight arrivals and departures. The increased traffic expected in the next few years will only aggravate the situation.

Aéroport de Québec's response in 2005 was to bring together a team of professionals comprised of architects, engineers, and airport-design specialists to carry out the terminal building modernization project's preconstruction phase. The planning stage has required an investment of $1.5 million to date.

Laying out a state-of-the-art terminal building on two levels with modern, integrated architecture would improve customer service and promote the development of air services, which would in turn support an increase in annual traffic by nearly 50% by 2025, which translates into 1.2 million passengers.

We can state that this investment would deliver benefits to our region, allowing us to increase traveler satisfaction, energize our organization's growth, and, upon completion, improve Québec's access and visibility around the world.

Without a doubt, 2006 holds significant challenges for us as related to the development of services and infrastructure. As we stand poised to embark upon this journey with our team, various partners, and, of course, carriers and travelers, we can already see glimpses of a future that will be a source of pride, prosperity, and socioeconomic development.

Our ambition is rivaled only by our passion. I trust that you will feel like a privileged witness to this as you read through our 2005 annual report.

# MARKET POTENTIAL

## 2005 PASSENGER TRAFFIC – A RECORD YEAR

For the last few years, the Québec market has been rapidly expanding, recording growth rates of 2.5% and 12.7% in 2003 and 2004, respectively. Growth in 2005 reached 7.4%, with a record-breaking 771,000 passengers.

Forecasts indicate that passenger traffic should reach 800,000 as early as 2006. JLIA should hit the 1 million-passenger mark in 2015, soaring to nearly 1.2 million in 2025.

JLIA considerably enhanced its air services in 2005 through the increase of frequency of Air Canada Jazz flights to Montréal and Toronto and of Air Labrador services to the North Shore, as well as the improvement of Air Transat's south program, the addition of a third daily Continental flight to New York and the arrival of new carriers, including Zoom Airlines, which offers flights to destinations south from January to April, and Thomas Cook, serving London from June to September.

During the summer, JLIA also welcomed occasional flights by Air Comet Plus and Mexicana originating in Madrid and Mexico City. That is in addition to the 7,000 passengers on chartered flights that passed though JLIA on their way to or from the *Sea Princess* sailing under the Princess Cruise Lines, with Québec as a destination.

Today, JLIA finds itself in a sound position to conquer its natural market by "repatriating" travel initiated in other airports. Indeed, a 2005 study estimated that about 70% of local travelers currently use the airport's services.

These figures confirm that JLIA has significant potential for growth within its own market, which is located primarily in the Québec area and breaks down into 65% business travelers and 35% leisure travelers.

The air-travel market can be divided into three sectors: domestic, transborder, and international.

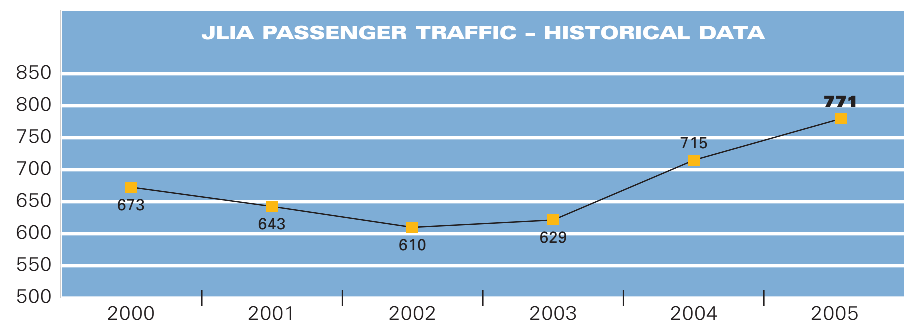
Domestic travel represents the largest share of the market, reachinhg nearly 75% annually, while transborder and international travel account for relatively equal shares from one year to the next. Nevertheless, developing transborder and international business would enable us to gradually broaden our shares of these markets.

Carriers currently serving the domestic market offer many direct nonstop flights, in particular, to Montréal, Ottawa, Toronto, and many towns along the North Shore and in Gaspésie. Toronto is the most popular destination, followed by Montréal and Vancouver.

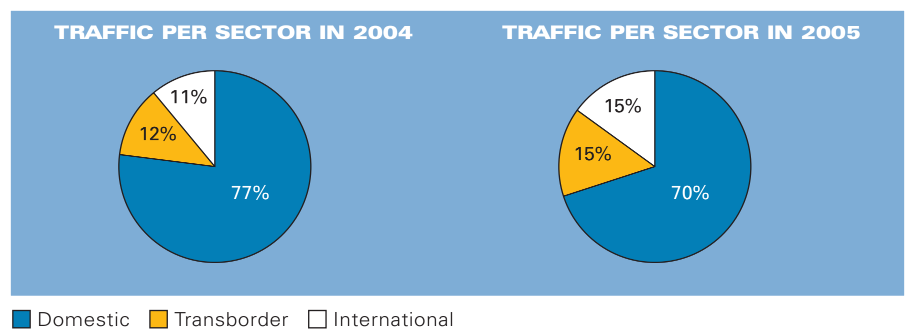
The domestic market shrunk by a small 1.4% in 2005 as the result of Québecair Express and Jetsgo halting activities.

On the other hand, the transborder sector has distinctly increased over the last few years and is JLIA's second most important market. The most popular destinations in this sector are Fort Lauderdale, New York, and Chicago. JLIA carriers offering transborder flights serve Fort Lauderdale, Detroit, and New York.

Lastly, the international sector grew noticeably, opening the door for leisure travelers to take chartered flights to about ten destinations in the South and in Europe. Paris and London remain our most popular destinations in the European market, whereas Cuba, the Dominican Republic, and Mexico rank highest among our sun-drenched destinations.




Source: Official Data (2000 to 2003) and Preliminary Data (2004), Transport Canada and data estimated by Aéroport de Québec (2005)




Source: Preliminary Data (2004), Transport Canada and data estimated by Aéroport de Québec (2005)

Moreover, several foreign carriers offer occasional flights originating, for the most part, in Mexico and Europe, drawing more visitors to the region and heightening Québec's visibility around the world.

While air activity experienced sustained growth throughout 2005, many carriers will be forced to restructure their business. In particular, this is the case of Northwest, which was placed under Chapter 11 protection in the United States in September 2005. Over the winter, the carrier had to cut its Québec-Detroit service from two daily flights to one. With a winning strategy focused on meeting the needs of its market, Aéroport de Québec has been able to enhance its overall service offering from Québec despite the challenges in the industry.

## A WINNING STRATEGY

Since its creation in November 2000, Aéroport de Québec has embarked on a number of major planning exercises to guide future action in terms of organizational, air services, and infrastructure development.

The action priorities and resulting projects fall into four spheres of activity, namely business development, installations and operation, human resources, and financial performance.

## BUSINESS DEVELOPMENT

### Air Services

JLIA plays a key role in the economic development of the greater Québec area. Access to air services not only allows regional, national, and international travel, it promotes trade by supporting the region's economic, tourist, and cultural activities.

As soon as Aéroport de Québec took charge of the airport's facilities, it identified the task of developing air services. Aéroport de Québec combines its primary mission of ensuring safe, efficient, and cost-effective airport services with developing the greater Québec area's transportation system, which undoubtedly fosters regional vitality, growth, and progress.

Many regional organizations and stakeholders recognize that transportation infrastructure plays an essential role in the region's economic development. Airport services do much to increase Québec's accessibility, visibility, and impact internationally.

Succeeding in positioning the airport as an indispensable hub depends, however, on the quality and diversity of air services offered to the traveling public in Québec, the eastern part of the province, and beyond. Consequently, Aéroport de Québec must gain control over the variables in the industry and its market to focus its actions on solutions that will enable it to play its role to the fullest.

Achieving our development objectives requires that we expand our air services and destinations, while attracting new carriers.

Air services must go beyond promoting business travel to enable trade and activities that support the development of tourism in the greater Québec area. These services must also help develop key markets, including cruises and conventions.



During the last fiscal year, we worked closely with port authorities to help make Québec a cruise ship port of call for embarking and disembarking passengers. Consequently, we provided non-scheduled services allowing such passengers to transit through JLIA. This was a major operation that proved very successful. We intend to repeat the experience in fiscal 2006, when 10,000 cruise-ship passengers are expected to pass through the airport in September and October.

Moreover, our region plays host to a variety of events each year for which Aéroport de Québec must anticipate providing non-scheduled services designed to meet the increased demand. To illustrate, Québec hosted the World Police and Fire Games in 2005, which attracted nearly 10,000 individuals from more than 50 countries.

Fiscal 2008 should also abound in international events such as the International Eucharistic Congress, the Summit of La Francophonie, the Ice Hockey World Championships, the Snowboard World Cup, and the Québec International Air Show.

With a view to responding to community needs, Aéroport de Québec can count on the support of a vast network of partners that lets us keep our finger on the pulse of the public's concerns and expectations.

### Communications

Aéroport de Québec pursued its communication strategy in 2005 to promote the services of airlines serving JLIA, as evidenced by our partnerships with carriers, prospecting activities, advertising campaigns, promotions, and media relations, all of which allowed us to promote services. The result: travelers received a steady stream of clear information through press releases and on the Internet site.

The growing use of services originating in Québec justify the implementation of additional services during the upcoming year. In this regard, Aéroport de Québec recently announced that Delta Airlines will be initiating services at JLIA with a new seasonal service to Boston. This new service will open up a broader selection of destinations for travelers leaving from Québec.

### Commercial Services, Real Estate, and Industrial Land Development

In accordance with its master plan, Aéroport de Québec intends to continue developing the airport site. The airport estate covers more than seven million square metres, most of which has been designated as exclusively for current and future aeronautical purposes. This property, only partly used at present, is strategically located in the immediate vicinity of the runways and taxiways. It constitutes a reserve for all types of commercial and industrial development requiring access to the airfield.

The residual property, which might eventually be used for other purposes, covers what has been roughly estimated at around two million square metres.

A development plan got under way in 2005 to attract new companies while safeguarding the prosperity of businesses already established there. This exercise should allow us to diversify our revenue base and reduce our reliance on aeronautical revenues. Consequently, we have started to evaluate industrial and commercial development opportunities on land not designated for aeronautical activities.

The conditions seem to be right for the project to go ahead as indicated by the analyses carried out by Québec's economic development department, which have confirmed a need for additional capacity, on the medium term, in industrial parks and areas. The city has already identified a certain number of potential sites for future development, including the airport's residual land.

Developing industrial property, whether or not it has access to the runways, requires in-depth examination of its physical properties as well as its economic and financial potential. A variety of development alternatives are being considered, including implementation of strategic partnerships.

## FACILITIES AND OPERATIONS

The record number of passengers as well as meeters and greeters that used our facilities in 2005 called for sound daily management for smooth operation in accordance with regulations and to ensure travelers a pleasant, safe airport experience. Since the terminal's current layout limits its capacity, temporary measures have been temporarily implemented to deal with the increased demand.

For example, JLIA handled more than double its normal daily traffic when cruise-ship passengers passed through the airport, causing significant crowding in waiting rooms and baggage areas that were already limited. These experiences dispelled any doubt that our facilities must be modernized in order to provide appropriate services to travelers and carriers.

### Acquisition and Installation of Boarding Bridges

Passenger service and security remain priorities for our organization. We issued a public call for tenders in December 2005 to purchase and install a boarding bridge for the domestic-flight sector. The bridge will be installed at Gate 4 in spring 2006, providing easier enplaning and deplaning for passengers.

In all, Aéroport de Québec makes four bridges available to carriers to shelter travelers from the inclement weather so common in our region.


### Flight and Baggage Information Display Systems

New flight and baggage information display systems were installed in 2005 so that travelers, meeters, and greeters can get information fast and easily. These systems clearly and continuously display current flight information.

The same information is also displayed on Aéroport de Québec's Web site. The site has nearly 800 visitors daily, with peaks of 1400 on days when the weather is particularly bad.

## Maintenance

### Road, Public Parking, and Main Apron Repairs

Aéroport de Québec carried out a number of repairs in accordance with its five-year capital plan. A total of more than $1.8 M was invested in repairing and maintaining roads, public parking, and the main apron.

In 2005, Aéroport de Québec also repaired the building envelope of the firehouse. Moreover, the space freed up by the demolition of the old bar in the terminal served to expand one of the waiting rooms for domestic flights and to house new offices for airlines.

### Maintenance Management System (MMS)

In 2005, Aéroport de Québec carried out a major evaluation in order to implement a maintenance management system (MMS) to facilitate preventive management of equipment and infrastructure.

Aéroport de Québec acquired a system in fall 2005 as a result of testing during the year. Data transfer will continue throughout fiscal 2006.

### Vehicle Fleet

Under the fleet rationalization plan, Aéroport de Québec acquired a new electric vehicle and replaced two dump trucks with trucks equipped with trailer hitches.

A semi-trailer and small dump trailer for stone, sand, or asphalt were replaced, while two sweeper attachments were modified for use on the new trucks. The sweepers are now similar and can be used with any of our trucks.

The fleet rationalization plan must provide for reducing the number of pieces of equipment required in the future by maximizing their use and versatility.

### Environment

With a view towards sustainable development, our organization has adopted environmental policy and procedures aimed at compliance with the applicable standards. The environmental management policy and manual, adopted by the Board of Directors in December 2005, will guide Aéroport de Québec's actions in this regard.

In 2005, our organization continued corrective actions to remedy non-conformities noted during environmental compliance audits targeting equipment and operations managed by the organization.

Moreover, a second snow dump was built—this time airside—to deal with the huge quantities of dirty snow that need to be removed. Setting up a dedicated site makes it possible to use a retention pond for sedimentation as provided for by regulation.

Moreover, a firm was hired to carry out an environmental audit as part of the five-year performance assessment and a standards watch. A second firm conducted the environmental studies required under the preconstruction phase of the terminal renovation project.

### Noise Management Committee

A noise management committee was created in 2005 with the mandate to assess the various aspects of managing aircraft noise, whether complaint processing, new environmental requirements, and other relevant issues. The committee's mandate also includes assessing problems in order to make recommendations to management.

The committee members are Aéroport de Québec's Director of Operations and representatives of the federal, provincial, and municipal governments, and the aeronautical industry. Two meetings were held during 2005.

It should be noted that very few residents have expressed dissatisfaction about the noise. Consequently, JLIA is very rarely the target of a complaint.

### Safety, Security, and Emergency Measures

In 2005, Aéroport de Québec worked with the Canadian Air Transport Security Authority (CATSA) to implement explosives detection systems (EDS) that, in accordance with the new regulations, are operational since January 1, 2006.

A new access control system was put into place in support of CATSA, which is responsible for controlling access to restricted areas. The system provides dual identification using biometrics (fingerprint and iris recognition).

Two other major actions were carried out during the year: a comprehensive review of operations under the five-year performance assessment in fall 2005 and creation of an airport security committee. The committee was formed with the mandate to advise about security measures for the airport and coordinate their implementation, communicate instructions and information related to airport security, and deal with any other issues pertaining to security and emergency measures.

Moreover, Aéroport de Québec actively participates in the Canadian Airports Council's Security Committee, providing an opportunity to stay abreast of security measures and propose recommendations.

In regards to emergency and security measures, our Fire-fighting Department carried out tabletop exercises, making it possible to establish effective cooperation and communication linkages between the various stakeholders. A number of meetings were also held in order to specify the role of stakeholders that might be involved in emergency situations and to prepare a major exercise in 2006.

A comprehensive review of the airport's emergency measures plan was initiated in 2005; the final document should be available in spring 2006.

## HUMAN RESOURCES

Throughout the process leading to the signing the collective agreement, Aéroport de Québec was able to maintain harmonious management of human resources to consolidate a sense of belonging, establish a shared vision, and facilitate the achievement of organizational objectives.

This was accomplished in part by management putting forward job descriptions and an organizational structure that stresses customer service.

A number of resource-management programs and policies were developed in 2005 and intended for implementation over the next year. The performance-management program is a prime example.

# A PROMISING PROJECT

## MODERNIZATION OF THE TERMINAL BUILDING

A discreet witness of our laughter, tears, handshakes, and hugs, the airport is without a doubt a choice setting for encounters, greetings, goodbyes, and business appointments. Above all, it stands out as the gateway to Eastern Québec and plays a major role in the region's economic and tourist development.

### A Record Year

- Passenger traffic has soared in recent years.
- In 2005, 771,000 passengers passed through the doors of Québec City's airport.
- By 2025, 1.2 million travelers annually will chose our airport as their point of departure or arrival.
- Our scheduled weekly flights increased from 240 to more than 300.
- The number of international charters also rose: 15 flights are now offered, 11 more than in 2002.

The terminal building, part of which dates from 1957, now more than ever has to develop its potential in order to comply with industry standards and make a greater contribution to our economic vitality.

### Now Boarding...

Aéroport de Québec intends to embark on a major program to modernize the terminal building to expand its capacity, improve services, and attract new carriers. In light of the upcoming festivities for Québec's quadricentennial, we need an airport that we can be proud of.

### A Modernization Project

The proposed terminal building renovation project will include:

- Two-tier design.
- Redesign of the baggage-handling section for arrivals.
- Larger, comfortable, and redesigned waiting rooms.
- Space reserved for air carriers that is better suited to their needs.
- New layout for commercial spaces.

The entire project will feature a modern architectural design that is completely compatible with Québec's image.

### Taking Off

- Preconstruction phase completed.
- Publicly presented in January 2006.
- Construction phase from 2006 to 2008.
- Inauguration in 2008 for Québec's quadricentennial.

### An Investment for the Region

Overall investment

- $65.8 M.
- 54% of the funding—$35.8 M—will be provided by Aéroport de Québec.



Funding solicited from the public sector

- Federal government: $15 M.
- Provincial government: $15 M.
- City of Québec: an estimated $1 M per year for 10 years, which is equal to reimbursement of the municipal-tax increase.

**Significant Benefits**

This project, already strongly backed by the regional business community, is all the more important because of the significant impact on jobs, income, and tax revenues it is expected to generate. A profitable and decidedly positive investment in terms of regional economy:

- 756 permanent jobs per year during construction.
- Upon completion, new spending and increased services that could support 1,700 jobs annually.
- 1,597 other jobs generated as a result of increased number of visitors to the region.

In taxes:

- Revenues amounting to $13.1 M during construction.
- Upon completion, revenues of $20.7 M generated annually as the result of increased number of visitors to the region.

**Enhanced Dynamism…**
**Opening Doors to the World**

For the region:

- Increased visitor spending in excess of $90 M per year by 2015, benefitting the hotel, restaurant, and entertainment sectors.
- Enhanced efficiency and efficient, fast, and flexible air services.
- Enhanced reach, greater visibility, and a window on the world.

Working with its partners, Aéroport de Québec will see that this mobilizing project comes about, so that the airport will be a source of pride and provide Québec with a window on the world that will foster the city's development in the years to come.




# CONCRETE AND ENVIABLE RESULTS

## FINANCIAL RESULTS

At the end of its first years of operation, Aéroport de Québec is proud of its very positive balance sheet in 2005.

Indeed, the organization's financial picture is quite sound. The annual excess of revenues over expenses is satisfactory given that the sector is traditionally shaky, the rate of indebtedness is nearly nil, and budget control is adequate.

Revenues for the year were 12% higher than in 2004, specifically $12,642,000 in 2005, compared with $11,308,000 in 2004.

Expenditures decreased from $10,887,000 in 2004 to $10,498,000 in 2005.

The excess of revenues over expenses shows strong growth, increasing from $426,000 in 2004 to $2,147,000 in 2005. Nevertheless, the budgeted excess, prior to rent paid to Transport Canada, amounted to nearly $1,800,000. According to the terms of the lease, the rent payable to Transport Canada is based on a minimum of 781,259 passengers. Since passenger traffic did not reach this figure, the airport was exempted from paying rent in 2005.

Total assets rose from $21,332,000 in 2004 to $28,170,000 as at December 31, 2005, for an increase of 32%.

Moreover, many projects were carried out in 2005 under Aéroport de Québec's five-year capital program. Capital acquisitions totaled $3,893,000, compared with $1,747,000 in 2004 and included $1,290,400 for rehabilitation of roads, public parking, and apron. Revenues from Airport Improvement Fees (AIF) reached $4,312,000, compared with $3,229,000 in 2004. Investments amounted to $14,926,000, compared with $11,405,000 as at December 31, 2004.

In fiscal 2005, preparation for modernizing the terminal got under way, with the preconstruction phase being completed during the year. A great deal of resources went into this process. Aéroport de Québec invested $840,000 during the fiscal year to carry out studies, design analyses, and cost assessment.

# AUDITORS' REPORT AND FINANCIAL STATEMENTS 05

## TO THE DIRECTORS OF AÉROPORT DE QUÉBEC INC.

We have audited the balance sheet of Aéroport de Québec inc. as at December 31, 2005 and the statements of opérations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton S.E.N.C.R.L.

Chartered Accountants
Québec City
February 10, 2006

## 1 OPERATIONS YEAR ENDED DECEMBER 31

| | 2005 | 2004 |
|---|---|---|
| REVENUES | | |
| Landing and terminal fees | $ 6,438,731 | $ 5,839,312 |
| Concessions and rentals | 2,467,811 | 2,112,073 |
| Parking | 1,542,784 | 1,393,889 |
| Recoveries | 520,676 | 468,781 |
| Safety and security | 352,023 | 327,850 |
| Interest | 828,542 | 707,133 |
| Amortization of deferred airport improvement fees | 475,978 | 439,701 |
| Other | 15,041 | 18,947 |
| | 12,641,586 | 11,307,686 |
| EXPENSES | | |
| Salaries and benefits | 3,807,827 | 3,617,587 |
| Operating expenses | 5,672,579 | 6,396,364 |
| Amortization of property, plant and equipment | 871,677 | 660,999 |
| Amortization of deferred contributions relating to capital assets | (30,469) | |
| Amortization of deferred expenses | 176,342 | 212,280 |
| | 10,497,956 | 10,887,230 |
| Excess of revenues over expenses before other revenue | 2,143,630 | 420,456 |
| Other revenue | | |
| Gain on disposal of property, plant and equipment | 3,853 | 5,065 |
| EXCESS OF REVENUES OVER EXPENSES | 2,147,483 | 425,521 |

*The accompanying notes are an integral part of the financial statements.*

## 2 CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31

| | 2005 INVESTED IN PROPERTY, PLANT AND EQUIPMENT | 2005 INTERNALLY RESTRICTED | 2005 UNRESTRICTED | 2005 TOTAL | 2004 TOTAL |
|---|---|---|---|---|---|
| Balance, beginning of year | $ 268,867 | $ 8,484,246 | $ 624,587 | $ 9,377,700 | $ 8,952,179 |
| Excess (deficiency) of revenues over expenses | (361,377) | | 2,508,860 | 2,147,483 | 425,521 |
| Invested in property, plant and equipment | 933,889 | | (933,889) | | |
| Balance, end of year | 841,379 | 8,484,246 | 2,199,558 | 11,525,183 | 9,377,700 |

*The accompanying notes are an integral part of the financial statements.*

## 3 CASH FLOWS YEAR ENDED DECEMBER 31

| | 2005 | 2004 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenses | **$ 2,147,483** | $ 425,521 |
| Non-cash items | | |
| Gain on disposal of property, plant and equipment | **(3,853)** | (5,065) |
| Amortization of property, plant and equipment | **871,677** | 660,999 |
| Amortization of deferred expenses | **176,342** | 212,280 |
| Amortization of deferred airport improvement fees | **(475,978)** | (439,701) |
| Amortization of deferred contributions relating to capital assets | **(30,469)** | |
| Changes in working capital items (Note 3) | **304,013** | (470,636) |
| Net cash generated | **2,989,215** | 383,398 |
| INVESTING ACTIVITIES | | |
| Term deposits | **(12,570,844)** | (9,405,250) |
| Disposal of term deposits | **9,050,000** | 6,900,000 |
| Receipt of note receivable | **116,667** | 116,667 |
| Property, plant and equipment | **(3,892,682)** | (1,746,526) |
| Disposal of property, plant and equipment | **11,970** | 6,300 |
| Net cash used | **(7,284,889)** | (4,128,809) |
| FINANCING ACTIVITIES | | |
| Receipt of deferred airport improvement fees and net cash generated | **4,393,381** | 3,352,695 |
| **Net increase (decrease) in cash** | **97,707** | (392,716) |
| Cash, beginning of year | **214,505** | 607,221 |
| Cash, end of year | **312,212** | 214,505 |

*The accompanying notes are an integral part of the financial statements.*

## 4 BALANCE SHEET AS AT DECEMBER 31

| | 2005 | 2004 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash | **$ 312,212** | $ 214,505 |
| Term deposits (Note 4) | **3,000,000** | 2,900,000 |
| Accounts receivable (Note 5) | **1,533,145** | 1,638,976 |
| Inventories | **165,667** | 188,176 |
| Prepaid expenses | **178,738** | 203,488 |
| | **5,189,762** | 5,145,145 |
| Term deposits (Note 4) | **11,926,094** | 8,505,250 |
| Note receivable (Note 6) | **3,043,055** | 3,159,722 |
| Property, plant and equipment (Note 7) | **8,011,021** | 4,345,223 |
| Deferred expenses | | 176,342 |
| | **28,169,932** | 21,331,682 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable (Note 9) | **1,400,421** | 1,259,356 |
| Deferred revenues | **124,068** | 69,835 |
| Customer deposits | **230,029** | 193,029 |
| The instalment on long-term debt for the next year | **349,349** | |
| | **2,103,867** | 1,522,220 |
| Long-term debt (Note 10) | **1,048,047** | 1,397,396 |
| Deferred airport improvement fees (Note 11) | **12,870,394** | 9,034,366 |
| Deferred contributions relating to capital assets (Note 12) | **622,441** | |
| | **16,644,749** | 11,953,982 |
| NET ASSETS | | |
| Invested in property, plant and equipment | **841,379** | 268,867 |
| Internally restricted (Note 13) | **8,484,246** | 8,484,246 |
| Unrestricted | **2,199,558** | 624,587 |
| | **11,525,183** | 9,377,700 |
| | **28,169,932** | 21,331,682 |

*The accompanying notes are an integral part of the financial statements.*

On behalf of the Board,

Director

Director

## 1. GOVERNING STATUTES AND NATURE OF OPERATIONS

The Organization, incorporated under Part II of the Canada Corporations Act, manages the Jean-Lesage International Airport. Its mandate is to provide high-quality airport services which meet the community's specific needs while striving to ensure efficiency, viability and safety as well as the economic development of the Québec metropolitan area. The Organization is exempted under the Income Tax Act.

## 2. ACCOUNTING POLICIES

### Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from those estimates.

### Amortization

Property, plant and equipment are amortized over their estimated useful lives according to the straight-line method and the following periods:

| | PERIODS |
|---|---|
| Buildings | 25 years |
| Leasehold improvements | 5 and 15 years |
| Machinery and equipment | 5 years |
| Computer equipment | 3 years |
| Automotive equipment | 5 and 10 years |
| Furniture and fixtures | 5 years |

Deferred contributions relating to capital assets are amortized on the same basis as the related capital assets.

### Revenue recognition

The Organization uses the deferral method to account for revenue. Under this method, revenues related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Unrestricted revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

### Employee future benefits

The Organization accrues its obligations under employee benefit plans and the related costs, net of plan assets. The Organization has adopted the following policies:

> The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

> The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 8 years.

### Deferred airport improvement fees

The Organization collects airport improvement fees (AIF) from all passengers departing from the Jean-Lesage International Airport. These revenues, net of recovery fees, are used to finance the building and improvement of infrastructures or other capital assets related to the passenger-handling functions of the airport. They are deferred and are amortized at the same rate as the related property, plant and equipment acquired.

## 3. INFORMATION INCLUDED IN THE STATEMENT OF CASH FLOWS

| | **2005** | 2004 |
|---|---|---|
| Accounts receivable | **$ 24,456** | $ (445,909) |
| Inventories | **22,509** | (19,080) |
| Prepaid expenses | **24,750** | 21,084 |
| Accounts payable | **141,065** | (210,317) |
| Deferred revenues | **54,233** | 49,741 |
| Customer deposits | **37,000** | 133,845 |
| | **304,013** | (470,636) |

The changes in working capital items are detailed as follows:

## 4. TERM DEPOSITS

| | **2005** | 2004 |
|---|---|---|
| Current<br>3.00% to 5.10%,<br>maturing on different dates until December 2006 | **$ 3,000,000** | $ 2,900,000 |
| Long-term<br>3.50% to 5.10%,<br>maturing on different dates until December 2010 | **11,926,094** | 8,505,250 |
| | **14,926,094** | 11,405,250 |

## 5. ACCOUNTS RECEIVABLE

| | **2005** | 2004 |
|---|---|---|
| Trade accounts | **$ 1,020,932** | $ 1,132,238 |
| Airport improvement fees | | 81,375 |
| Commodity taxes | **47,303** | |
| Accrued interest | **303,743** | 292,642 |
| Current portion of note receivable | **116,667** | 116,667 |
| Other | **44,500** | 16,054 |
| | **1,533,145** | 1,638,976 |

*One customer accounts for 21% of trade accounts receivable.*

## 6. NOTE RECEIVABLE

| | 2005 | 2004 |
|---|---|---|
| Balance selling price receivable from Nordtech Aérospatial (NTA) inc, secured by a building, carrying interest at the rate of 5 years residential mortgage loan, raised of 5.25% (9.70%), cashable until January 2033 by monthly payments of $9,722, follow-ups of 333 monthly payments of $1, maturing on October 30, 2060. | **$ 3,159,722** | $ 3,276,389 |
| Current portion | **116,667** | 116,667 |
| | **3,043,055** | 3,159,722 |

## 7. PROPERTY, PLANT AND EQUIPMENT

| | **Cost** | **Accumulated amortization** | **2005 Net** |
|---|---|---|---|
| Buildings | **$ 652,910** | **$ 30,469** | **$ 622,441** |
| Leasehold improvements | **2,293,640** | **342,584** | **1,951,056** |
| Machinery and equipment | **1,596,374** | **551,088** | **1,045,286** |
| Computer equipment | **400,798** | **248,371** | **152,427** |
| Automotive equipment | **3,160,784** | **1,446,088** | **1,71,4696** |
| Furniture and fixtures | **256,196** | **229,257** | **26,939** |
| Projects in progress | **2,498,176** | | **2,498,176** |
| | **10,858,878** | **2,847,857** | **8,011,021** |

| | Cost | Accumulated amortization | 2004 Net |
|---|---|---|---|
| Leasehold improvements | $ 1,392,082 | $ 233,033 | $ 1,159,049 |
| Machinery and equipment | 1,317,889 | 301,402 | 1,016,487 |
| Computer equipment | 278,770 | 210,696 | 68,074 |
| Automotive equipment | 2,835,041 | 1,069,632 | 1,765,409 |
| Furniture and fixtures | 242,308 | 186,526 | 55,782 |
| Projects in progress | 280,422 | | 280,422 |
| | 6,346,512 | 2,001,289 | 4,345,223 |

Following the expiration of its leases, a lessor transferred two buildings without consideration. This transaction was recognized at the fair value of the buildings of $652,910.

## 8. BANK LOAN

The authorized bank loan in the amount of $2,000,000 bears interest at the prime rate (5.0%) and is renegotiable in 2006. As at December 31, 2005, the bank loan was unused. As at December 31, 2005, a letter of guarantee is issued for $102,000.

## 9. ACCOUNTS PAYABLE

| | 2005 | 2004 |
|---|---|---|
| Trade accounts payable and accrued liabilities | **$ 1,261,929** | $ 1,108,099 |
| Salaries, vacation and employee benefits | **138,492** | 144,440 |
| Commodity taxes | | 6,817 |
| | **1,400,421** | 1,259,356 |

## 10. LONG-TERM DEBT

| | 2005 | 2004 |
|---|---|---|
| Note payable to Transport Canada, secured by property, plant and equipment, without interest, payable in annual instalments of $349,349, maturing on January 1, 2009 | **$ 1,397,396** | $ 1,397,396 |
| Instalment of long-term debt for the year | **349,349** | |
| | **1,048,047** | 1,397,396 |

The instalments on long-term debt for 2004 and 2005 were deferred by Transport Canada. The annual instalments of $349,349 will restart on 2006 until 2009. Payment of these amounts is subject to acceptance of certain changes in the lease with Transports Canada.

## 11. DEFERRED AIRPORT IMPROVEMENT FEES

| | 2005 | 2004 |
|---|---|---|
| **Available airport improvement fees** | | |
| Balance, beginning of year | **$ 6,154,134** | $ 4,532,886 |
| Deferred airport improvement of the year | **4,312,006** | 3,228,586 |
| Amount allocated to property, plant and equipment | **(2,946,823)** | (1,607,338) |
| Balance, end of year | **7,519,317** | 6,154,134 |
| **Not deferred airport improvement having been used for acquisitions of fixed assets** | | |
| Balance, beginning of year | **2,880,232** | 1,712,595 |
| Acquisition of property, plant and equipment | **2,946,823** | 1,607,338 |
| Amortization for the year | **(475,978)** | (439,701) |
| Balance, end of year | **5,351,077** | 2,880,232 |
| | **12,870,394** | 9,034,366 |

## 12. DEFERRED CONTRIBUTIONS RELATING TO CAPITAL ASSETS

| | **Cost** | **Accumulated amortization** | **2005 Net** |
|---|---|---|---|
| Buildings | $ 652,910 | $ 30,469 | $ 622,441 |

### 13. INTERNALLY RESTRICTED NET ASSETS

The internally restricted net assets were obtained with a Transports Canada grant of $5,167,336 and a gain on disposal of fixed assets of $3,316,910 in 2003.

### 14. EMPLOYEE FUTURE BENEFITS

The Organization maintains a defined benefit pension plan for the employees who, upon the assumption of the airport management, were employed by the Government of Canada – Transport Canada, and a defined contribution pension plan for the employees who have been hired from that date. The employees who were employed by the Government of Canada may transfer to the Organization's pension plan the entitlements related to their last employer's plan.

The Organization's net benefit plan expense is as follows:

| | | 2005 | | 2004 |
|---|---|---|---|---|
| Defined benefit plan | $ | **258,718** | $ | 234,424 |
| Defined contribution plan | | **35,898** | | 24,681 |
| | | **294,616** | | 259,105 |

The present value of accrued benefits was determined using the projected benefit method prorated on service and management's best estimate of the expected yield of plan investments, future salary levels, retirement ages of employees and the expected cost of health care. An actuarial valuation was made as of December 31, 2005 by Morneau Sobeco.

The information regarding the defined benefit plan is as follows:

| | | 2005 | | 2004 |
|---|---|---|---|---|
| Fair Value on plan assets | $ | **2,273,200** | $ | 1,767,256 |
| Accrued benefit obligations | | **1,942,500** | | 1,567,500 |
| Funded status – plan | | **330,700** | | 199,756 |

The plan assets are composed of mutual fund investments.

The significant actuarial assumptions used by the Organization to measure its accrued benefit obligations are the following:

| | 2005 | 2004 |
|---|---|---|
| Discount rate | **6.5%** | 4.7% |
| Expected long-term rate of return on plan assets | **6.5** | 3.0 |
| Rate of compensation increase | **5.0** | 1.5 |

The other information regarding the defined benefit plan is as follows:

| | | 2005 | | 2004 |
|---|---|---|---|---|
| Employer contributions | $ | **258,718** | $ | 234,424 |
| Employee contributions | | **69,388** | | 54,842 |
| Benefits paid | | **7,341** | | 2,700 |

### 15 . FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments.

#### Short-term financial instruments

Cash, term deposits, accounts receivable and accounts payable are financial instruments whose fair value approximates their carrying amount given that they will mature shortly.

#### Note receivable

The fair value of the note receivable is equivalent to the carrying amount given that it bears interest at a rate which varies according to the market rate.

#### Long-term debt

The fair value of the note payable to Transport Canada could not be determined since it is practically impossible to find a financial instrument on the market having substantially the same economic characteristics.

### 16. COMMITMENTS

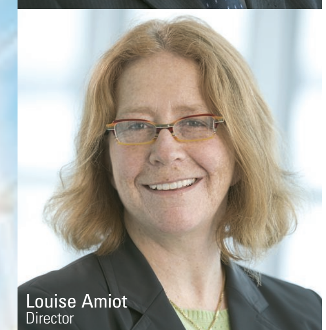
The Organization has leased airport facilities under a lease agreement with Transport Canada since November 1, 2000. The lease term is 60 years with a renewal option of 20 years. Under the lease agreement, the Organization is responsible for the management of the Jean Lesage International Airport, including the maintenance and renewal of assets in order for the airport system to be maintained in accordance with the standards applicable to a "major international airport". Rent will be calculated according to passenger volume and financial results. Based on management's estimates, minimum lease payments for the next five years are $308,973 in 2006, $355,367 in 2007, $668,664 in 2008, $1,003,720 in 2009 and $1,305,423 in 2010. These amounts may be changed, depending on the results of ongoing discussions.

The Organization has also entered into long-term leases and service contracts expiring on various dates until August 2009, which call for payments totalling $60,667. Minimum payments for the next four years are $39,754 in 2006, $8,705 in 2007, $7,370 in 2008 and $4,838 in 2009.


## MEMBERS OF THE EXECUTIVE COMMITTEE

**Gaëtan Gagné**
Chair of the Board and of the Executive Committee

**André Lemieux**
Vice-Chair of the Board



**Louise Amiot**
Director

**Ghyslaine Collard**
Chief Executive Officer

**Louise Gingras**
Secretary and Treasurer

# BOARD OF DIRECTORS

On November 1, 2000, Aéroport de Québec accepted responsibility for managing, operating, and developing the Jean Lesage International Airport. As a non-profit organization, Aéroport de Québec reinvests all excess of revenue back into the airport's infrastructure to improve services to travelers and carriers.

Aéroport de Québec is governed by a 60-year emphyteutic lease, with an option to renew for 20 years when the lease expires.

The organization subscribes to all accountability and transparency guidelines in conformity with said lease and also with applicable By-laws. As a matter of fact, Aéroport de Québec's By-laws were revised in 2003 and approved by the Minister of Transports. Its nominating entities are:

- Canadian Government (2 members)
- Quebec Government (1 member)
- City of Québec (3 members)
- City of Lévis (2 members)
- Québec City Chamber of Commerce (2 members)
- Québec City Entrepeneur's Chamber of Commerce (1 member)
- Lévis Chamber of Commerce (1 member)

Aéroport de Québec is also represented by three other members chosen and appointed directly by the Board. In total, the Board is represented by at least 13 members and at most 15, who collectively represent the regional business community. Each member has recognized expertise in the disciplines of air transportation, aviation, business, trade, finance, administration, law, management, engineering, labour organization, representation of consumer interests.

Over and above the lease and By-laws, Aéroport de Québec is subject to a number of obligations and regulations that allow the organization to meet its responsibilities in terms of accountability and transparency to the general public.

In addition, Transport Canada conducts annual surveys under its Lease Audit Program. Within the last five years, this evaluation has never revealed any significant deficiency in the pursuit of Aéroport de Québec's responsibilities and all comments by Transport Canada were subject to subsequent follow-up measures.

In 2005, Aéroport de Québec had a Board of Directors comprised of 15 members, including 2 new members. Their combined experience has enabled the Board to support Senior Management in carrying out its responsibilities.

## DIRECTORS AS AT DECEMBER 31, 2005

> Ms. Louise Amiot[1], architect
Associate
Amiot et Bergeron Architectes
Designated by Transport Canada

> Ms. France Bilodeau,[*4] FICA, FSA, CFA
Senior Vice-President
Groupe-conseil Aon inc.
Designated by Transport Canada

> Mr. Guy Boulanger,[2] FCA
President
Auberge La Pignoronde
Chair of the Audit Committee
Designated by the City of Québec

> Mr. Michel Boulianne[3]
Boulianne Morin
Designated by the City of Québec

> Mr. Jacques Champagne,[*2] CA
Designated by Transports Québec

> Ms. Ghyslaine Collard[1]
Chief Executive Officer
Aéroport de Québec inc.
Designated by Aéroport de Québec's Board of Directors

> Ms. Suzanne Delisle,[2] CA
Director, Finance
Sovar
Designated by the Québec City Entrepeneur's Chamber of Commerce

> Mr. Yvan-Miville Des Chênes[3]
Chair of the Environment Committee
Designated by the Québec City Chamber of Commerce

> Mr. Stéphane Desmeules[4]
Director, Regional Development
Fondation du CHUQ
Designated by the City of Québec

> Mr. Guy Dufort
Director, Corporate Affairs
Innergex inc.
Designated by the City of Lévis

> Mr. Gaëtan Gagné,[**] LLIF
Chair of the Board and Chief Executive Officer
L´Entraide Assurance, mutual company
Chair of the Board and of the Executive Committee
Designated by the Québec City Chamber of Commerce

> Ms. Louise Gingras[1,4]
Executive Director
Autobus Etchemin inc.
Secretary and Treasurer
Designated by the Lévis Chamber of Commerce

> Mr. Roger Gravel[4]
CUPE
Chair of the Human Resources Committee
Designated by Aéroport de Québec's Board of Directors

> Mr. André Lemieux,[1,3] FCA
Associate Director
Lemieux Nolet Comptables agréés
Vice-Chair of the Board
Designated by the City of Lévis

> Mr. Paul Pelletier[2,4]
President and CEO
CAA-Québec
Designated by Aéroport de Québec's Board of Directors

* Members nominated in June 2005
** Ex officio member of all committees
1 Executive Committee
2 Audit Committee
3 Environment Committee
4 Human Resources Committee

## COMMITTEES

In order to help the Board ensure proper governance, four committees provide their expertise in administrative, financial, human resources, and environmental management: Executive Committee, Audit Committee, Human Resources Committee, and Environment Committee.

These committees act in accordance with the Board's guidelines and decisions, while ensuring that the organization responds to its legal and financial obligations in its daily operations.

Moreover, a Community Consultative Committee supports the Board in outlining various strategic development initiatives aimed at improving air services. They help focus solutions on business and citizen concerns, and expectations regarding the airport. Its composition was reviewed during fiscal 2005 in order to ensure regional representation.

## FIVE-YEAR PERFORMANCE REVIEW

In 2005, we carried out a five-year performance review covering activities during the period from November 1, 2000 to October 31, 2005, in compliance with the provisions in our lease with Transport Canada.

An outside consultant, Claude Beauregard-Expertise GFB inc., was mandated to coordinate this operation. Individual mandates were assigned to Chartrand Fortin Labelle Solutions for security/safety, Dessau-Soprin for environmental issues, Ernst & Young for financial auditing, and Michel Boucher, transportation specialist, for economic assessments. Mr. Beauregard was responsible for human resources audits and governance.

This 2005 report presents the parameters of the review, security, and effectiveness of public services and the effectiveness of human, financial, and physical resources management, in accordance with the approved business plans and objectives, as well as the protection of assets through the use of financial and administrative controls, information systems, and management practices specific to our organization. The Audit Committee was responsible for coordinating the five-year review, and ensuring follow-up.

## CONFLICT-OF-INTEREST RULES

In accordance with the terms of the lease signed with Transport Canada, Aéroport de Québec has adopted, as part of its By-laws, conflict-of-interest rules that are applicable to its directors, managers, and employees. Such rules are meant to prevent any real or perceived conflicts of interest. In 2005, Aéroport de Québec complied with all of these regulations.

## CONTRACTS EXCEEDING $90,000

As per Aéroport de Québec's principles of accountability, all contracts in 2005 valued at over $90,000 were awarded by bid.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

### Compensation for Directors (annual fees)

| | |
|---|---|
| Chair of the Board and of the Executive Committee | $30,000 |
| Vice-Chair of the Board | $15,000 |
| Secretary and Treasurer | $15,000 |
| Audit Committee Chair | $6,000 |
| Environment Committee Chair | $3,000 |
| Human Resources Committee Chair | $3,000 |

### Meeting Fees

Board of Directors and Committees

| | |
|---|---|
| Chair of the Board | $750/meeting |
| Committee Chairs | $750/meeting |
| Directors | $500/meeting |

### 2005 Director Compensation

| | |
|---|---|
| Ms. Louise Amiot | $25,125 |
| Ms. France Bilodeau | $3,000 |
| Mr. Guy Boulanger | $16,250 |
| Mr. Michel Boulianne | $4,500 |
| Mr. Jacques Champagne | $3,500 |
| Ms. Suzanne Delisle | $8,750 |
| Mr. Yvan-Miville Des Chênes | $10,500 |
| Mr. Stéphane Desmeules | $6,000 |
| Mr. Guy Dufort | $1,750 |
| Mr. Gaëtan Gagné, Chair of the Board and Chief Executive Officer | $93,750 |
| Ms. Louise Gingras, Secretary | $36,750 |
| Mr. Roger Gravel | $7,750 |
| Mr. Marcel Jobin* | $49,000 |
| Mr. André Lemieux, Vice-Chair of the Board | $34,250 |
| Mr. Paul Pelletier | $7,750 |

## SENIOR MANAGEMENT

For the financial year ended December 31, 2005, compensation for Aéroport de Québec's Senior Management team totaled $322,195. The Senior Management team is comprised of the Chief Executive Officer, the Director of Operations, the Director of Development, and the Director of Finance.

* Mr. Jobin completed his mandate as director and secretary on October 31, 2005.