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2010 ANNUAL REPORT

Québec City Jean Lesage International Airport

PASSENGER FIRST

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MESSAGE FROM THE CHAIR OF THE BOARD

Aéroport de Québec inc. is a not-for-profit corporation established in 2000 under the Canada Corporations Act. Since November 1, 2000, it has efficiently managed, operated, maintained, and developed an airport facility that, thanks to improvements to its infrastructure, has helped support Québec City and area's economic development and boost its international reputation.

A Very Successful Year

In 2010 the Québec City Airport continued its ascension, building on the momentum of recent success to reach new heights.

With this in mind we marked the 10th anniversary of the lease agreement between the Government of Canada and Aéroport de Québec inc. under which the company is responsible for managing the Québec City Jean Lesage International Airport. It was undoubtedly the right moment to take stock of how far we've come since the corporation was established.

Over the years, the Québec City Airport has become one of the area's main economic engines, as well as a source of pride: the pride Québec City residents feel in having a world-class airport.

The new terminal, opened in 2008, substantially boosted the number of flights with the addition of new routes. Our clientele has contributed to the successful development of our market and the airport's appeal.

Further improvements in 2010 meant that nearly 1,200,000 passengers were able to enjoy the Québec City Jean Lesage International Airport's quality facilities and services, a 15% increase in traffic compared to 2009, already a successful year, and an increase of over 52% over the last four years.

A Clear Vision of the Future

We brought in Arup, an international consulting firm, to develop a master plan covering infrastructure and real estate development for the next 25 years. This plan is an invaluable tool for guiding our development efforts over the short, medium, and long term. In addition to the management team's effective contribution, various advisory committees had the opportunity to analyze the assumptions, functional aspects, and other dimensions underpinning the Master Plan's objectives. After studying the Master Plan, the board of directors accepted the proposed development approach and tasked management with preparing a short- and medium-term development plan, focusing on additional facilities for new routes to and from Québec City and area.

The Québec City Airport was ranked first in its category in North America in 2010, based on passenger assessment of the quality of airport services around the world measured by quarterly polls published annually by Airports Council International. Our facilities have played an important part in garnering this recognition for the quality of our services, but the starring role goes to our employees and partners, who together bring our "Passenger First" policy to life.

Sound Governance and Proven Results

Our board of directors has always made good governance practices a priority. In 2010 it made a special effort to improve the company's risk analysis process and planning, control, and monitoring methods.

Motivated by the "Passenger First" concept, the management team and entire airport staff succeeded in expanding our clientele and, with fee increases, boosting our revenues to $35.7 million, a historic high. Strict control of administrative and operational expenses played an important role in generating gross and net surpluses of $14.4 million before amortization and interest and $6.9million, respectively, the latter being $2.5 million higher than in 2009 and $3.4 million higher than forecast in the 2010 budget.

Five-year Review Report

In 2010, the Québec City Airport hired the firm LeighFisher Inc. to conduct a second study of the company's management, operational, and financial performance, in accordance with clause 9.02 of our lease, which stipulates that such a study must be conducted every five years by a competent, qualified independent party.

The final report prepared by LeighFisher Inc. was submitted to the Canadian Minister of Transport, Infrastructure and Communities, as required by the lease agreement.

An Administrative Structure to Match Our Growth

In 2010, the company completed the reorganization of its administrative structure begun in 2009. It was critically important to put in place a strong, well-adapted management team, able to meet the airport's major developmental challenges. In accordance with the recommendations of Hay Group, which specializes in corporate restructuring, we clarified the board of directors' role, revised each committee's mandate, and redefined the roles and responsibilities of senior management. The position of president and CEO was created to oversee administrative tasks, many of which had previously been handled by the executive committee.

The board of directors was pleased to retain the airport management expertise accumulated over the last ten years by appointing as president and CEO Mr. Gaëtan Gagné, LLIF. C. Dir. ASC, the previous board chair and well-known seasoned professional. Mr. Gagné's task was to restructure the company to ensure efficient operations and controls and accurately plan needs in order to guide infrastructure and business development. The president and CEO is responsible for determining the financial means necessary to fulfill objectives at a pace corresponding to airport and Québec City and area priorities.

Projects Reflecting Our Goals

The management team put a great deal of effort into preparing a project development plan based on the Master Plan approved by the board in 2010. Numerous priority infrastructure projects planned for the short and medium term will require major investments as of 2011 and into the future. Implementing these large-scale projects will enable us to continue to move forward and achieve our goals.

Of course we can't carry out a project on this scale alone. We will work closely with our partners, whose support remains of utmost importance.

With the cooperation, will, and determination of all, we are confident that the Québec City Jean Lesage International Airport will continue along its path to success, sharing in the vitality that is our region's hallmark.

A Board of Directors Up to the Challenge

The Québec City Airport's board of directors is composed of individuals known for their expertise in a variety of fields representing a number of different business communities.

Each board member sits on at least one board committee. The number of committees remains unchanged, but their names have been modified and their mandates revised or clarified. The board of directors is supported by the corporate secretary and four standing committees: the Audit and Risk Management Committee, chaired by Jacques Champagne, CA, the Environment, Security, and Safety Committee, chaired by Yvan-Miville Des Chênes, the Nominating, Governance, and Human Resources Committee, chaired by Roger Gravel and the Planning and Development Committee, chaired by Jude Martineau, CA, ASC. The Executive Committee, presided over by the chair of the board of directors, may be convened between board meetings, if necessary. Each committee's work in terms of analysis, recommendations, and follow-up contributes substantially to board members' effectiveness as trustees.

In early 2010 five new members were appointed to the board of directors to replace board members whose terms had come to an end in accordance with our bylaws. Their collective and diverse expertise, knowledge, and skills greatly facilitated their rapid integration. The new board members are André Fortin, lawyer and CA, Liliane Laverdière, Jude Martineau, CA, ASC, Jean Royer, CFA, CMA and Denis Therrien, CA.

The board of directors is also assisted by a community advisory committee, which not only seeks feedback from the various stakeholders and influential players who make up the region's economic fabric, but also offers support and a clearer understanding of the Québec City Airport's various projects.

I would like to thank my colleagues on the board of directors for the commitment, dedication, and cooperation they have showed at all times. My thanks also go to president and CEO, Gaëtan Gagné, who has successfully met the challenges of his position, as well as to his management team and all airport staff and partners. Thanks to everyone's sustained support, the Québec City Airport will keep climbing to new heights, year after year.

GUY VACHON, P. ENG.
CHAIR OF THE BOARD

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Chairman of the Board,
Members of the Board,
Ladies and Gentlemen,

As chief executive officer at the Québec City Jean Lesage International Airport, I am very proud to present our operations report.

In 2010 we marked the 10th anniversary of Aéroport de Québec inc., a corporation specifically created to manage and develop the facilities of the Québec City Jean Lesage International Airport.

Strong demand from passengers travelling from Québec City, the rapid growth of our organization, and future prospects for the expansion of our facilities made it necessary to substantially reinforce our organization's structure in order to fulfill our mission and plan for the company's succession.

The board of directors tasked me with implementing the board's governance plan. The plan's objective is to separate the roles and responsibilities of the board of directors from those of senior management. We therefore set up a management team with the skills and expertise to fulfill our goals. Putting in place a competent team of new resources to continue implementing the Master Plan is also a priority.

To achieve these objectives, the board of directors created the position of president and chief executive officer, which I have had the honor of occupying since February 2010.

A Structure Adapted to Our Needs

In 2010, we made a number of changes and additions to the corporation's administrative structure to enable us to meet the challenges tied to our growth. The corporation's management team now comprises a vice president of finance and administration and chief financial officer (François Bilodeau, CA), a corporate secretary and legal advisor (Sophie Lefrançois), a director of finance and administration (Sylvain Blais, CA), a director of operations (Jimmy Gagné), a director of business development and passenger experience (Richard Girard), a director of planning, development, and infrastructure (Raymond Huot, architect), a human resources director (Monique Lafleur, CHRP), an executive director (Serge St- Laurent), and a communications director (Jonathan Trudeau). The management team also includes Doris Eseltine, executive secretary.

Given the highly competitive nature of the airport industry, we need a solid team able to contribute to and carry out our vision while meeting the many challenges of managing airport operations on a daily basis. Be it a matter of passenger comfort, terminal security, or facilities maintenance, we are dedicated to fulfilling our commitment to excellence, day after day.

To ensure we achieve our objectives, we must adapt our corporate structures to the growing needs and challenges of our organization by building an effective, talented, hard-working team.

A Promising Future

By revamping our airport infrastructure in 2008 we were able to add a large number of domestic and transborder and/or international flights.

More and more passengers are traveling from Québec City. Even our most optimistic forecasts have come true, much faster than anticipated. Our traffic growth potential is tremendous, provided we adapt our core infrastructure to meet demand. We are putting every effort into providing Québec City and area and the eastern part of the province with a bold development plan.

VISION 2020: To Be in the Top Ten Busiest Airports in Canada

Our vision is clear: to be one of the ten busiest airports in the country by 2020.

In 2010 we prepared an ambitious yet realistic business plan. It covers all tasks and objectives for the next five years and includes a ten-year capital expenditures plan comprising the civil engineering and construction work required to put our "VISION 2020" into effect.

We also developed an annual process for updating our strategy and business plan based on strict management of administrative and operational risks.

A Tremendously Successful Year

The Québec City Airport had another tremendously successful year in 2010. A glance at the recent past helps us better put this year's results in perspective. Following 2008, an outstanding year due to the opening of our new facilities, everyone feared fiscal year 2009 would be poor because of the dip in domestic traffic and the global economic climate. In fact, our traffic increased slightly—a significant achievement under the circumstances. With a 15% rise in the number of passengers, 2010 was a banner year in which we reached an all-time record of 1.2 million passengers.

A number of factors can explain these results. The steady rise in the number of flights and destinations is one of the main reasons. We added a number of new destinations in 2010, including a daily United Airlines flight to Washington, D.C. in the summer and weekly Air Transat flights to Marseille in the summer and to Bordeaux in the fall. There are several new routes in the winter, with weekly WestJet flights to Cancun and Fort Lauderdale and a weekly Air Canada Vacations flight to Varadero. Although Air Canada was already a major partner with its Air Canada Jazz flights, this was the first ever Air Canada Vacations flight from Québec City, which shows once again that airlines are becoming increasingly interested in our airport. Our passengers now have access to nearly 45 flights a week to sun destinations during the winter.

Achievements and Improvements

We were able to make several improvements to our airport facilities in 2010.

With the tremendous increase in the number of passengers over the years, our main parking lot has become overcrowded in the winter due to heavy traffic to sun destinations. To handle the problem, we built a temporary winter parking lot with 400 additional parking spaces. Although it is a temporary solution, we are now able to provide better service to our many passengers travelling south. A continuous shuttle service is available from the temporary parking lot to the airport during this period to guarantee our passengers the highest quality service.

A good deal of preliminary work was done on the plans and specifications for the major projects that will get underway in 2011 under our five-year investment plan.

Temporary facilities have also been set up to increase our speed in processing passengers at international arrivals.

Passenger First

Our staff had a particularly busy year in 2010. From the hugely successful air show to our response to the tragic June 23 accident near our facilities, our staff always showed a high degree of professionalism.

In both our daily operations and our future development plans, everything we do is guided by our motto: "Passenger First." It is no accident that more and more travelers are deciding to fly out of Québec City. We are now renowned for our exceptional service. Not only has passenger traffic increased significantly, but the level of satisfaction of passengers using our services has reached new heights.

On February 15, 2011, Airport Service Quality (ASQ), part of Airports Council International, released the results of its annual survey. We are proud to announce that the Québec City Airport was ranked best North American airport in its category in terms of overall passenger satisfaction.

Airport Research Chair

The Québec City Airport forged a promising partnership with Université Laval in 2010. On May 25, 2010, it announced the creation of an airport research chair. The purpose of the new chair, held by Economics Department professor Denis Bolduc, is to measure the scale of potential benefits associated with increasing airport operations and to train competent new airport management resources. The new chair has an annual budget of $200,000 for the next five years.

A Fiscal Year Up to Our Expectations

In reading our financial statements you will note a significant 15% (155,062 passengers) increase in traffic, bringing the total to nearly 1.2 million.

A substantial part of our 2010 budget was earmarked for developing our various projects, particularly drawing up future plans ($1.4 million), improving and maintaining our terminal aprons ($2.1 million), and purchasing more efficient snow removal equipment ($3.4 million), for a total of $6.9 million.

Our revenues also rose by 10% to $35.7 million, enabling us to generate a $6.9 million surplus, which represents 19.2% of our revenues. Our assets increased by 4% ($6.2 million) to $160.1 million. Our net assets grew by 12.5% ($6.9 million) to $62 million and return on equity reached 12.4%.

This performance attests to our organization's sound management, mentioned in the five-year review report. During the period under review, the Québec City Airport consistently pursued its strategic objectives and maintained its commitment to achieving them efficiently.

The airport had an outstanding year in 2010 and our financial results reflect the dedication of the entire team, who work day and night, seven days a week, to ensure the satisfaction of our customers by always putting the "Passenger First".

I would particularly like to thank the members of the board of directors as well as our board chair, Guy Vachon, for their help and support. I'd also like to thank the management team, all airport staff, and all our stakeholders, customers, airlines, and subcontractors. However, my special thanks go to our 1,200,000 passengers!

GAËTAN GAGNÉ, LLIF, C. DIR., ASC
PRESIDENT AND CHIEF EXECUTIVE OFFICER

A TEAM UP TO THE CHALLENGE

Members of the Board

01. **Guy Vachon,** P. Eng.
Chair of the Board
Ex-officio member
of all committees
Appointed by the City of Québec
Board member since 2008

02. **Michel Cadrin**
President – Financière Micadco inc.
Member of Executive Committee
Member of Planning
and Development Committee
Appointed by the Government of Canada
Board member since 2006

03. **Jacques Champagne,** CA
Chair of Audit and Risk
Management Committee
Appointed by the Government of Québec
Board member since 2004

04. **Yvan-Miville Des Chênes**
Chair of Environment, Security
and Safety Committee
Appointed by Chambre de Commerce de Québec
Board member since 2004

05. **André Fortin,** Lawyer and CA
President – Imafa inc.
Member of Audit and Risk
Management Committee
Appointed by Ville de Lévis
Board member since 2010

06. **Roger Gravel,** SCFP
Chair of Nominating, Governance
and Human Resources Committee
Appointed by Aéroport de Québec inc. Board of Directors
Board member since 2004

07. **Liliane Laverdière**
Senoir Vice-President, Eastern Region
Mouvement des Caisses Desjardins
Member of Nominating, Governance
and Human Resources Committee
Appointed by Chambre de Commerce de Québec
Board member since 2010

08. **Jude Martineau,** CA
Chair of Planning and Development
Committee
Appointed by Chambre de Commerce de Lévis
Board member since 2010

09. **Alexandre Matte**
Coordinator, Police
Technology Department
Campus Notre-Dame-de-Foy
Member of Environment, Security
and Safety Committee
Appointed by Ville de Québec
Board member since 2007

10. **Jean Royer,** CFA, CMA
Vice President, Finance
Desjardins Groupe
d'assurances générales
Member of Audit and
Risk Management Committee
Appointed by Aéroport de Québec inc. Board of Directors
Board member since 2010

11. **André C. Sarasin,** P. Eng.
Strategic Planning and
Management Consultant
Member of Environment, Security
and Safety Committee
Appointed by the Government of Canada
Board member since 2009

12. **Denis Therrien,** CA
President and CEO – Marathon
des Deux Rives
Member of Planning and
Development Committee
Appointed by Ville de Lévis
Board member since 2010

13. **Carl Tremblay,** Lawyer
Managing partner,
Québec City office – Ogilvy, Renault
Vice-chair of the Board
Member of Planning
and Development Committee
Appointed by the City of Québec
Board member since 2008

14. **Alain Vaillancourt**
President – V Stratégies inc.
Member of Nominating, Governance
and Human Resources Committee
Treasurer
Appointed by Chambre de commerce des entrepreneurs de Québec
Board member since 2007

Management team

01. **Gaëtan Gagné,** LLIF, C. Dir., ASC
President and CEO

02. **François Bilodeau,** CA
Vice President, Finance and
Administration and Chief
Financial Officer

03. **Sophie Lefrançois**
Corporate Secretary

04. **Sylvain Blais,** CA
Director, Finance
and Administration

05. **Jimmy Gagné**
Director, Operations

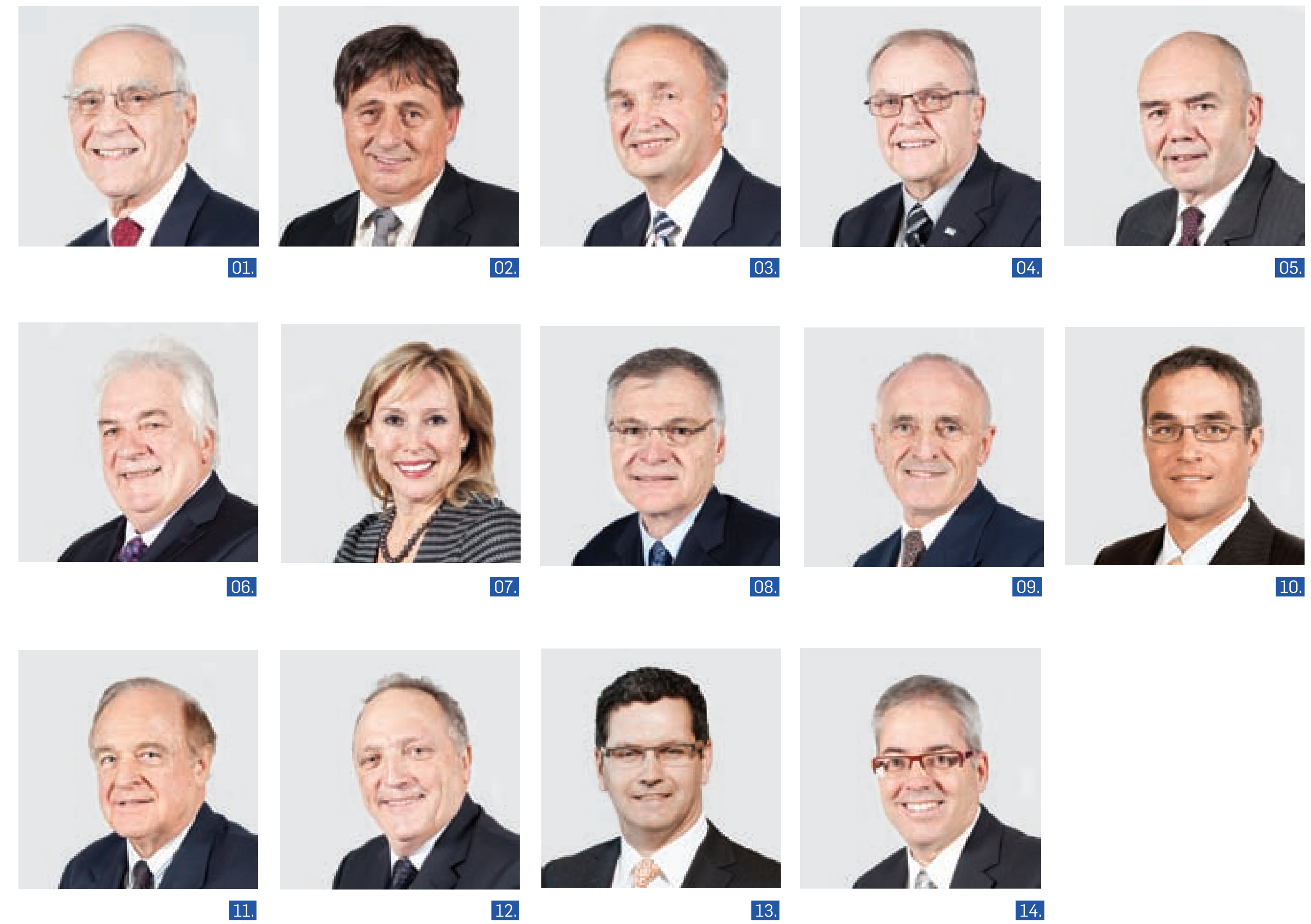
06. **Richard Girard**
Director, Business Development
and Passenger Experience

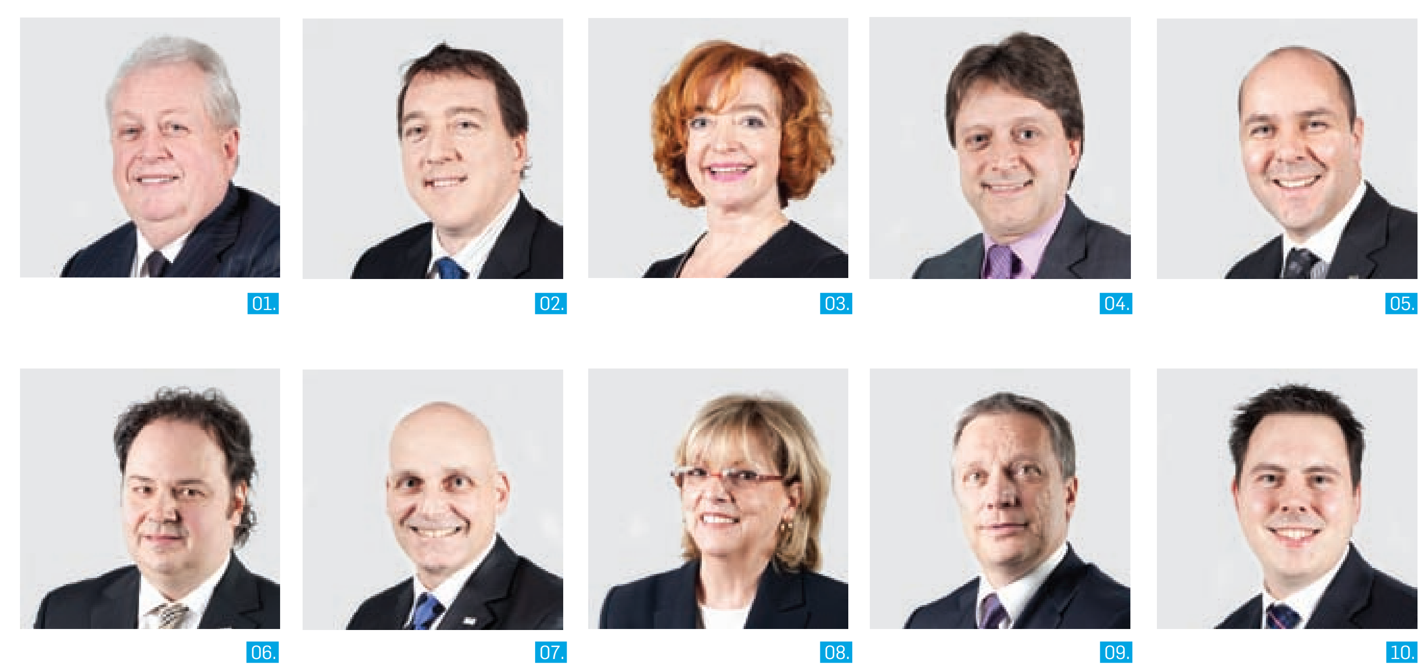
07. **Raymond Huot,** Architect
Director, Planning, Development
and Infrastructure

08. **Monique Lafleur**
Director, Human Resources

09. **Serge St-Laurent**
Executive Director

10. **Jonathan Trudeau**
Director, Communications





OUR MISSION

Since November 1, 2000, Aéroport de Québec inc. has been responsible for the management, operation, maintenance, and development of Québec City Jean Lesage International Airport. Our mission is to

- Promote the growth of air travel
- Offer customers high quality, secure, and efficient airport facilities and services in our role as a socioeconomic driver for Québec City and the surrounding regions
- Oversee the corporation's sound financial and environmental management to ensure its growth and long term development

OUR VALUES

Excellence

Perform our work with determination, consistency, promptness, and openness. If it's worth doing, it's worth doing right.

Efficiency

Employ efficient and innovative systems and processes to redefine the notions of time and space for passenger processing.

Leadership

Consolidate our leadership role within the community by positioning the Québec City Airport as one of the region's socioeconomic levers while acting as a responsible corporate citizen.

Pride, Teamwork, and a Sense of Belonging

Work as a team, building a strong sense of belonging and pride at every level of the organization.

OUR VISION

To be in the Top Ten busiest airports in Canada by 2020.

2010 HIGHLIGHTS

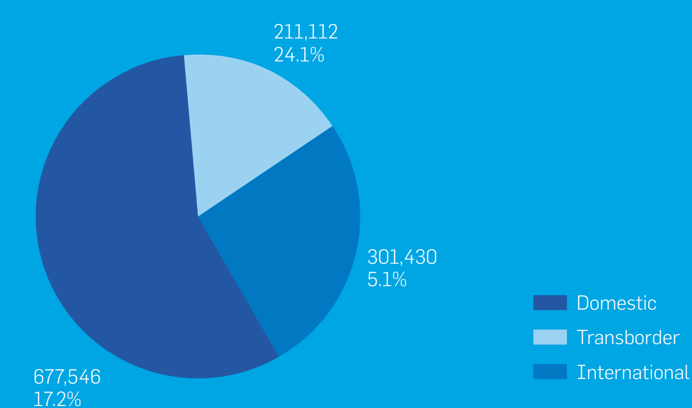
As in recent years, in 2010 the Québec City Airport continued along the path of rapid growth with a 15% increase in traffic.

The jump in transborder traffic was especially dramatic at 24.1%, versus a 5.1% increase in international traffic. Domestic traffic showed encouraging resilience with a 17.2% increase, following a difficult 2009 marred by the economic downturn.

Overall revenues also climbed, up 10% in 2010, bringing the year to a close with a revenue surplus of $6.9 million. This performance can be attributed largely to the diversified range and increased volume of passenger flights.

TRAFFIC BY SECTOR - 2010

No. of Passengers and percentage increase



Development

A modern terminal, state-of-the-art facilities, and unparalleled customer service are increasingly helping make the Québec City Airport the clear choice for travelers and carriers. Our customers have stood behind us, helping create a more competitive market with a larger number of flights offered by a variety of carriers: winning conditions for passengers.

Customer Experience: ASQ

In 2010, the Québec City Airport took part in the Airport Service Quality (ASQ) program, which measures customer satisfaction at more than 150 airports worldwide. And we stood tall, earning top honors for overall customer satisfaction for all of North America.

In the category of airports serving less than 5 million passengers, Québec City placed third in the world, after Al Ain in the United Arab Emirates and Humberside in the UK.

This exceptional performance was made possible by the Québec City Airport's Customer Experience Department, whose teamwork and unflagging dedication bring our "Passenger First" commitment to life. More than just a motto, "Passenger First" is a philosophy that guides us in everything we do. Thanks again to the efforts of the team, we now operate a range of our facilities 24 hours per day, contributing significantly to the success of our organization.

Noteworthy developments in our terminal include the following:

- Before clearing security, passengers and other airport visitors can now enjoy a food court with a view of the runways and bar service located near the security checkpoint
- In winter, travelers setting off for warmer climes can take advantage of our cloakroom service
- Beyond the security checkpoint, a multiservice boutique and duty-free shop await, as well as a bar and 300-seat restaurant serving hot meals
- Business passengers can work in the peace and quiet of our business center, while high-speed, wireless Internet is available free of charge throughout the airport interior
- Our VIP lounge is renowned for its warm, friendly service
- Families traveling with young children appreciate our play area, and nursing mothers are well served by our specially equipped nursing rooms

Airport Facilities

Runway upkeep is an ongoing concern for our operations team, especially in winter.

For this reason, the Québec City Airport purchased and put into service new, highly specialized airport snow removal vehicles manufactured by Oshkosh. These multi-function snow trucks, equipped with both 24-foot plows and 46-inch diameter brooms, greatly boost our snow removal capability: with four vehicles (three tractors and one blower) working in formation, we can now clear the 9,000-foot runway in an average of 12 minutes, compared to 20 minutes previously.

Environment

As part of our vision for sustainable development, the Québec City Airport is proud of its rigorous environmental management system that ensures compliance with mandatory standards. We play a leadership role in acting as a responsible, proactive citizen. Again this year, our organization demonstrated its firm commitment with a series of concrete measures to protect the environment.

- Maintain, develop, and update our environmental management system
- Develop new, environmentally friendly work procedures
- Pursue our groundwater and surface water quality monitoring program
- Add five new observation wells for monitoring groundwater
- Attain a 33.2% glycol recovery rate
- Recycle up to 4,000 kg of hazardous waste materials
- Operate a Noise Management Committee in touch with the needs of the airport's neighbors and local residents

Security, Safety, and Emergency Measures

Throughout 2010 we continued to move forward with the implementation of our safety management system (SMS) in accordance with the Canadian Aviation Regulations. With this improved system, the Québec City Airport aims to make prevention part of its daily activities and set up a process to identify and correct potential risks with a view to optimal aircraft and passenger safety. This safety management system is being successfully implemented thanks to teamwork, information sharing, and the active participation of all employees and managers.

Phase II of SMS implementation was completed and approved by Transport Canada; the approval process for Phase III is under way.

In order to optimize our working tools and upgrade equipment, we have continued to focus on implementing new information technology solutions.

- We acquired a second workstation for issuing identity cards for secure areas, ensuring faster service for airport employees and allowing us to remain operational in case of equipment malfunction.
- We acquired a security clearance request and electronic fingerprinting system.
- In collaboration with an outside firm, we developed and implemented a custom-designed software program to monitor items of security interest (cards, keys, registration certificates, licenses, etc.) provided to employees and companies during normal operations. This management, data tracking, and investigation tool will allow our team to work more efficiently.

Training: A Priority

- We hired a coordinator for training and procedures.
- We implemented a simulation-based training (SBT) program. SBT is a dynamic training method that involves all team members in carrying out and developing best practices for their job tasks. Training exercises and simulations are conducted weekly to ensure that instructions, guidelines, and procedures are being followed. All members of the safety and security team are called on to create real-life scenarios to practice actions and techniques. Simulations give employees the chance to put operations procedures into practice, and provide the management team the opportunity to assess procedures to ensure they are clear, concise, functional, up-to-date, and effective. Simulations are designed neither to test nor to evaluate employee competence, but rather as interactive training exercises of significant benefit to all involved parties.

In order to reach and maintain our high standards of employee competence and professionalism in safety and security service provision, SBT must meet the following objectives:

1. Provide ongoing training for security guards
2. Serve to practice and validate instructions and procedures
3. Ensure updating and continued improvement of instructions and procedures
4. Ensure a timely, uniform, and spontaneous response to a range of events and incidents
5. Promote teamwork and the involvement of all employees in a shared project
6. Enhance communication, relationships, and joint actions with partners

Operations Security

On the tarmac, coordinating the traffic flow and/or the parking of airport vehicles and equipment, pedestrians, aircraft, and snow removal and emergency vehicles must be strictly controlled.

In 2010 we dedicated time and energy to ensuring compliance with operating guidelines and procedures on the airside of the airport. Thanks to increased security patrols, meetings with partners, and awareness-raising activities we improved security operations and made it possible for the whole airport community to work in a safer, better-organized environment.

Administration, Finance, and Human Resources

The Finance Department carefully and responsibly manages the organization's finances in order to support the performance of all divisions, provide the resources they need, and anticipate future requirements. It ensures that the various projects fit within the company's financial framework.

In terms of human resources, 2010 was an opportunity to continue talks with a view to renewing the collective agreement. Management-union relations remain excellent, with both parties' shared desire for mutual understanding apparent throughout the year.

The demands of significant growth and the continued expansion of our services have led us to carry on with our project to implement a new structure that reflects our current and future needs. This has meant the creation of seven new positions, bringing our total number of employees to 122.

STRATEGIC PLAN: A CLEAR VISION

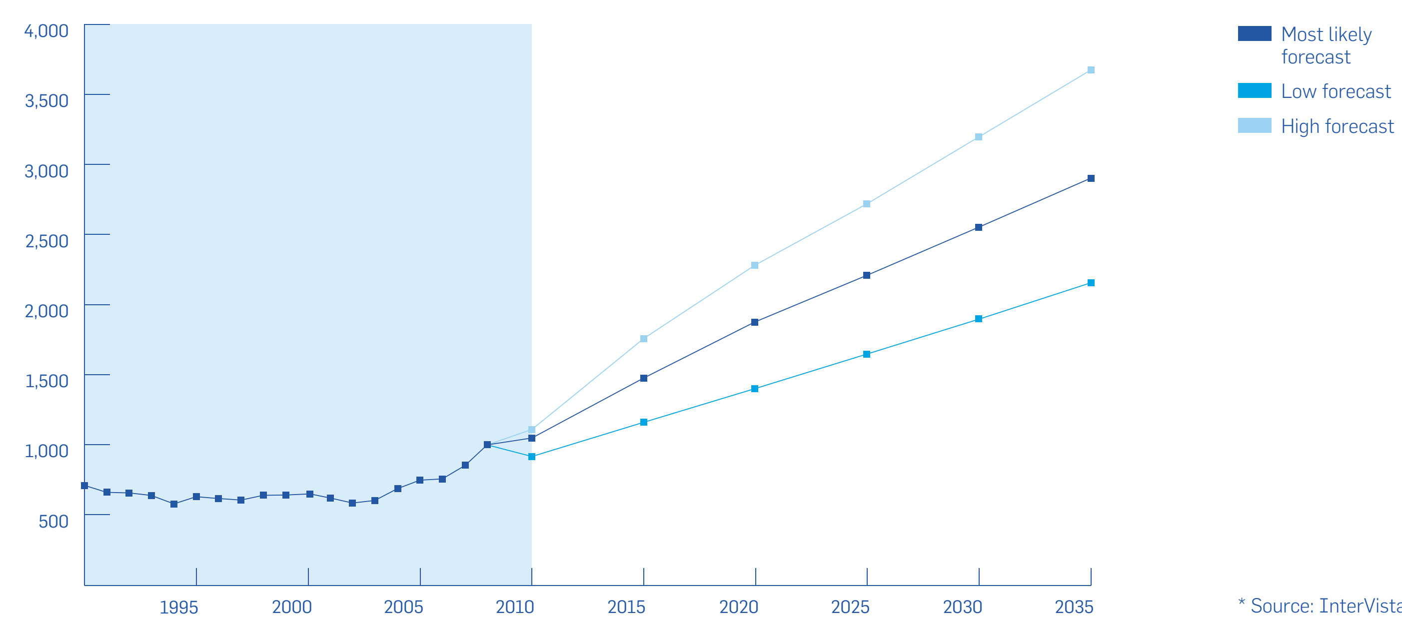
Québec City Jean Lesage International Airport is a motor of economic development, a major catalyst contributing substantially to development in such key sectors as tourism and new technology. If our region's success depends on expanding our market, then it is no less tied to the quality of our airport.

For a city that aims to play a leading role on the world stage, quality airport service is crucial. The airport is not only the gateway to the region, but also a source of economic development opportunities that reflect the community's ambitions.

Continued Growth

The Québec City Airport's tremendous success in recent years, including a dramatic increase in traffic in 2010, attests to its extraordinary development potential. The ratio of airport passengers to the total number of residents tells the same story: it is 1.5:1 for Québec City and a much higher 5.6:1 for the rest of Canada, with Calgary even reaching 11:1. These statistics show just how much room there is for further growth.

Air Traffic Forecast*



* Source: InterVistas

YEAR	NUMBER OF PAX		
	Low forecast	Most likely forecast	High forecast
2010	940,000	1,072,000	1,133,000
2015	1,184,000	1,500,000	1,782,000
2020	1,424,000	1,900,000	2,305,000
2025	1,671,000	2,233,000	2,743,000
2030	1,920,000	2,577,000	3,221,000
2035	2,180,000	2,927,000	3,699,000

The 2008 expansion was necessary to catch up with needs. Investments made in the first phase of airport expansion were fundamental to the success that now leads us to consider a second phase.

Possibilities for expanding the terminal in its current form are limited. Certain difficulties are already apparent during peak traffic periods, especially in international arrivals. Our terminal could reach its capacity of 1.4 million passengers as early as 2015, with forecast traffic of 1.5 million passengers.

It would have been wholly inconceivable to carry out the expansion projects between 2006 and 2008 at the same time as the one proposed for the coming years. The fact is that airports worldwide operate in a state of constant flux. A host of factors—new technology, increased security, enhanced quality standards, or simply fast-growing markets—bear out both the airport's development potential and the need for this planned expansion of our facilities, which must go forward one step at a time to ensure sound planning and smooth execution.

2010–2035 Master Plan

An airport with a vision needs a long-term development plan to get there. For this reason, we produced a Master Plan, completed in 2010, allowing us to thoroughly assess the airport's future potential and plan measures necessary to achieve what we set out to in our plan.

Working in collaboration with Arup, a specialized firm, allowed us to produce a 2010–2035 Master Plan that sets out a realistic vision of the airport's development possibilities and effective short-term strategic planning measures while providing us with a structured, sensible decision-making process.

This document is designed to provide a solid foundation to support our management team in planning and carrying out the next phase of our expansion project, which includes international arrivals and transborder departures.

Québec City Jean Lesage International Airport Expansion Plan

- ↗ Expand international arrivals and Canadian border services
- ↗ Upgrade high-voltage electrical system
- ↗ Build a new maintenance and technical support center
- ↗ Build a new fire station
- ↗ Add a finger with three passenger loading bridges
- ↗ Build additional parking areas and new lanes for traffic
- ↗ Lengthen Apron III
- ↗ Enlarge Apron I
- ↗ Build a multi-level parking garage
- ↗ Build a new lane parallel to Runway 06-24
- ↗ Build an aircraft de-icing center
- ↗ Renovate and enlarge Apron II
- ↗ Build a U.S. customs preclearance center
- ↗ Refurbish Runway 06-24
- ↗ Build an onsite hotel
- ↗ Lengthen the access corridor to Apron II

An Exciting Period of Growth

We are now faced with an exciting challenge: tackling exponential growth.

In order to increase passenger traffic, it is not enough to simply enlarge the terminal area. We also need to set up facilities to build our capacity to service a larger number of aircraft, expanding and diversifying the range of available flights and boosting traffic. A welcome side effect would be increased competition among carriers, leading to much lower passenger fares.

With these ambitious projects we will not only secure a place for our airport on the list of Canada's ten busiest airports, but also ensure that every possible measure is taken to put passengers first. This focus on passenger services will take the form of initiatives including a larger number of concessions and increased use of new technology.

THE AIRPORT INDUSTRY: LOOKING AHEAD

- ↗ Boeing forecasts a 6% annual increase in passenger air traffic worldwide from 2011 to 2014.
- ↗ Airbus predicts that international air traffic will double in the next 15 years.
- ↗ Boeing predicts that by 2030, the number of aircraft operating worldwide will jump from 19,000 to 36,000.
- ↗ Civil Aviation's Airport Authority (CAAC) forecasts that 78 new airports will be built in China by 2020.

FINANCIAL RESULTS: HIGHLIGHTS

2010 financial performance

Surplus

In 2010, the Québec City Airport generated a $6.9 million excess of revenues over expenses, versus a $4.3 million surplus in 2009. This represents an increase of $2.6 million, or 58.3%.

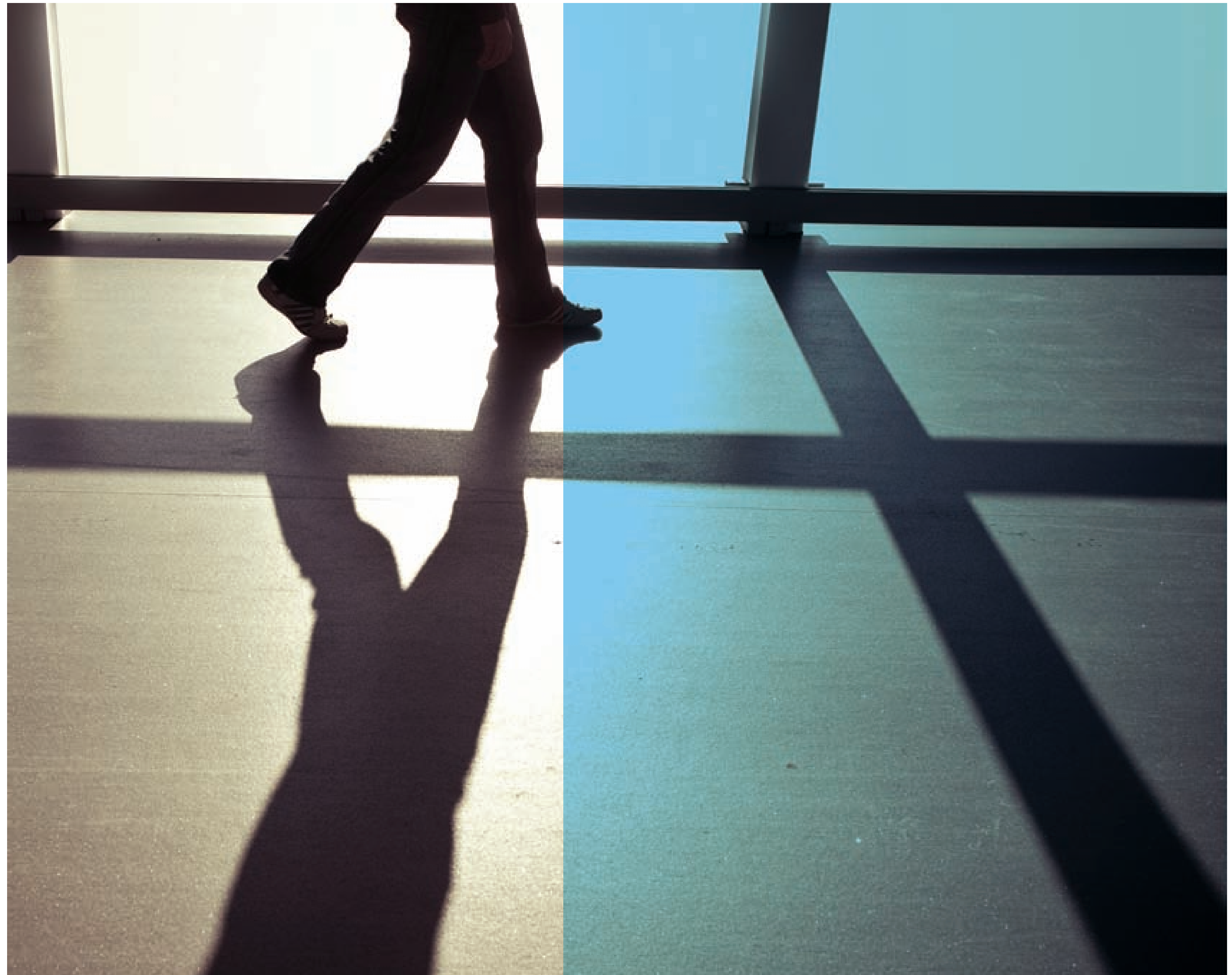
Total revenues for 2010 were $35.7 million, up 10%, while operating costs only increased by 2.7%, to $28.8 million.

Revenues

Airport Improvement Fees (AIF) – Revenues from airport improvement fees (AIF) totaled $12.4 million in 2010, a 17.8% or $1.9 million increase over 2009. This jump is explained by the 13.7% increase in the total number of passengers and the July 1, 2010 fee increase from $20 to $25 per passenger. These fees, collected over and above recovery costs charged by carriers under the terms of their agreement with the airport, are Québec City Airport's primary source of revenue at 34.8%. Airport improvement fees are entirely reinvested in airport improvement initiatives, including paying interest on the airport's long-term debt.

Landings and Terminal – Revenues from landing fees and terminal operations totaled $10.7 million in 2010, up $0.5 million or 4.3% from 2009. This increase can be attributed to rising revenues generated by increased traffic: 3.2% for domestic flights, 7.3% for transborder flights, and 1.5% for international flights. This category represents 30.1% of the company's total revenues, and thus the second-largest source of revenue.

Concessions and Rentals | Parking – Concession, rental, and public parking income totaled $7.0 million in 2010, up $0.6 million or 8.7% over 2009. This increase is primarily due to heavier traffic and the April 1, 2010 parking fee hike. Revenues in this category stem from concession fees and rents paid for land, buildings, and space in the terminal, airport services building, and public parking facilities. These revenues represent 19.6% of Québec City Airport's 2010 total.



Service Charge and Fee Collection | Safety and Security | Investment Income | Other – Revenues from these four sources totaled $5.5 million in 2010, up $0.4 million or 7.3% from 2009. Service charge and fee collection encompasses fees charged to users for electricity, water, garbage collection, snow removal, and similar services. This category also includes fees charged to carriers for use of the baggage area, VIP lounge, check-in counter, and information and communication technology systems. Safety and security revenues stem from a fee charged to all airlines per embarked passenger. Taken together, these revenues represent 15.4% of Québec City Airport's total revenues.

Expenses

Salaries and Employee Benefits – Salaries and employee benefits rose from $6.4 million in 2009 to $7.2 million in 2010, up $0.8 million. This increase can be explained by an increase in the number of firefighters, from 12 to 20; this change was finalized on October 13, 2009, meaning that 2010 was the first full year operating at these higher staffing levels. Finally, additional personnel in several departments were required to deal with growth.

Operating Costs – Operating costs reached $14.1 million in 2010, down $0.3 million or 2.1% from the 2009 financial year.

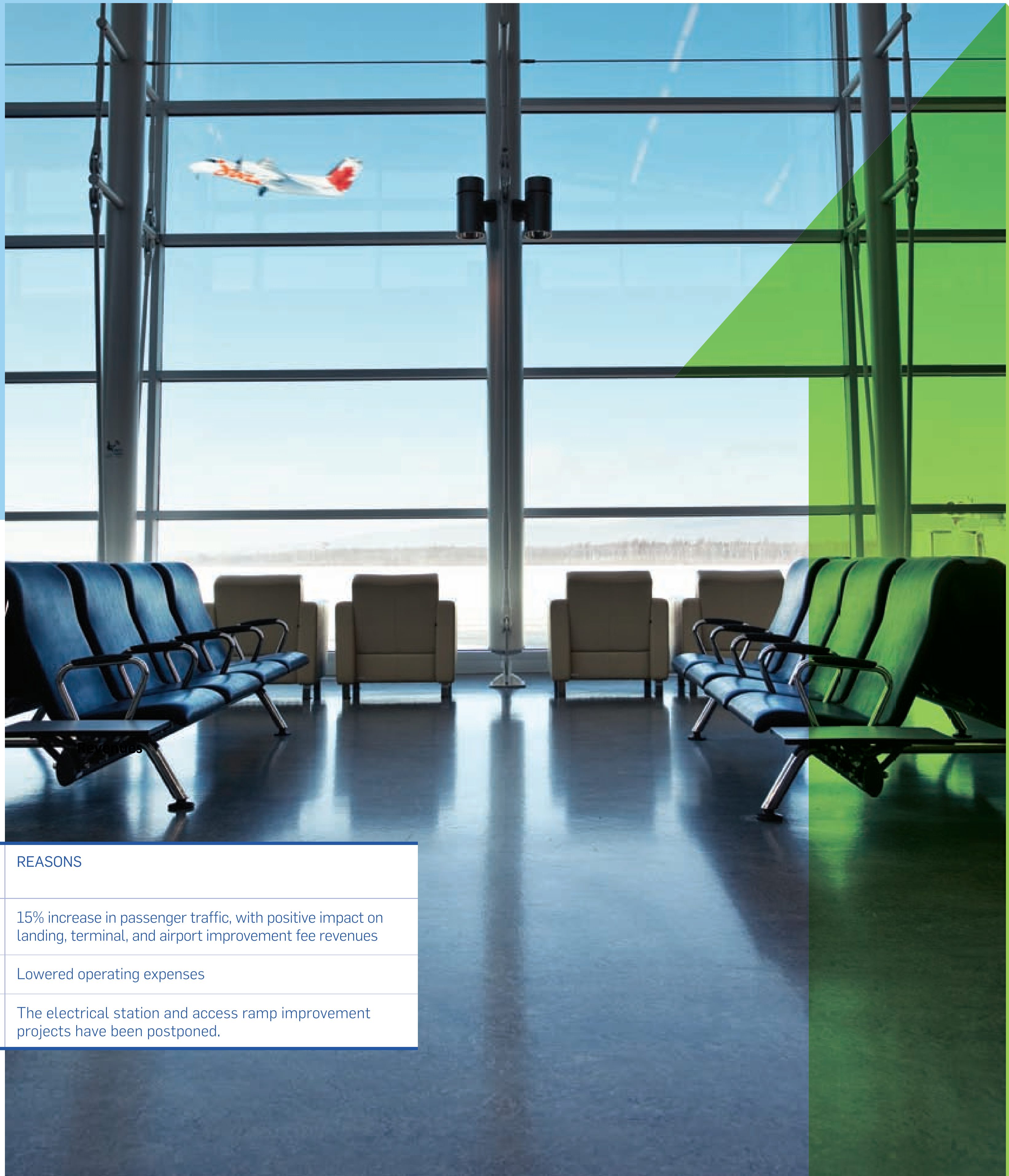
Maintenance expenses totaled $5.4 million, up $0.7 million or 14.5% from 2009. This increase can be largely accounted for by the full cost (12 months at $73,346 per month) of the automated baggage area, a contract that took effect November 1, 2009.

Expenses for equipment, supplies, and utilities totaled $2.1 million, down $0.2 million or 10% from 2009. This decrease can be explained by falling unit costs of de-icing products for runways and taxiways and smaller amounts of these products used due to a mild winter. More efficient energy use also resulted in savings on gas and electricity.

Promotion and marketing expenses were also down $0.2 million, or 17%, from 2009, for a 2010 total of $0.8 million. This decrease can be attributed largely to cuts in travel and market research expenses.

Administration expenses remained stable at $1.1 million.

Operating expenses also include payment in lieu of taxes and rent paid to Transport Canada. Payments in lieu of taxes remained at $2.3 million in 2010, after a significant increase in 2009. Rent to Transport Canada, on the other hand, reached $1.7 million in 2010, up $0.3 million or 18.6% from 2009. According to the terms of its financial lease with Transport Canada, the Québec City Airport pays a variable rent based on total revenues, with various adjustments. Rent is determined as an escalating percentage that varies according to different income levels. Rent increases are thus the direct result of increased revenues. These two charges alone totaled $4.0 million, 28% of the Québec City Airport's total operating expenses of $14.1 million.



2010 Investments

In 2010, the Québec City Airport made several investments such as the purchase of snow removal equipment, upgrades to customs facilities, improvement of ramps and access routes, resurfacing and refurbishing of taxiways D and E as well as the improvement of taxiways H and J. In all, $7.4 million were invested in 2010.

Assessment of 2010 financial results shows the following: (All figures in $1, 000s)

	FORECAST	ACTUAL	POSITIVE (NEGATIVE) CHANGE	REASONS
REVENUES	32,985	35,651	2,666	15% increase in passenger traffic, with positive impact on landing, terminal, and airport improvement fee revenues
EXPENSES	29,485	28,808	677	Lowered operating expenses
INVESTMENTS	16,818	7,414	9,404	The electrical station and access ramp improvement projects have been postponed.

Planned Investments, 2011-2015

For 2011–2015, Québec City Airport is planning to invest $225 million in projects including the following:

- Expansion of Apron 1 and upgrading services for de-icing centre
- Expansion and refurbishment of Apron 2
- Fire station and maintenance center
- International arrivals
- Subprojects – international arrivals
- Apron 3: extension
- Three-story public parking facility
- Relocation of tenants displaced by International Arrivals upgrade
- 500-space parking lot (in location currently occupied by garage)
- Straightening of curbside and reconfiguration of taxi zone
- Building a finger for international flights, Apron 1

Our forecast [1] revenues and expenses for 2011–2015 are as follows:
(All figures in $1, 000s)

	2011	2012	2013	2014	2015
REVENUES*	38,713	41,207	43,932	50,206	53,390
EXPENSES**	26,002	26,568	27,323	28,489	29,237

[1] The above forecasts were established based on hypotheses. Real results will differ from the estimates and the spread may be significant.

* All revenues are included in these figures, notably airport improvement fees. Forecasts are based on a projected annual increase in passenger traffic exceeding 5%, with traffic reaching 1.5 million passengers in 2015.

** Expenses include interest on current debts but not amortization of property, plant, and equipment (a non-cash item).

FINANCIAL STATEMENTS DECEMBER 31, 2010

INDEPENDENT AUDITOR'S REPORT

To the Directors of Aéroport de Québec inc.

We have audited the accompanying financial statements of Aéroport de Québec inc., which comprise the balance sheet as at December 31, 2010 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Aéroport de Québec inc. as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[1]

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

Québec
February 21, 2011

[1] Chartered accountant auditor permit nº 7461

REVENUES AND EXPENSES

Year ended December 31, 2010

	2010	2009
	$	$
REVENUES		
Landing and terminal	10,735,211	10,290,251
Airport improvement fees	12,418,790	10,541,765
Concessions and rentals	3,683,449	3,536,021
Parking	3,309,986	2,899,048
Services and recoveries	2,703,783	2,695,165
Safety and security	2,120,965	1,594,357
Investment income (Note 5)	660,632	823,201
Other	17,874	15,966
	35,650,690	32,395,774
EXPENSES		
Salaries and employee benefits	7,210,432	6,411,639
Operating expenses	14,078,730	14,375,654
Financial expenses, net (Note 6)	2,191,052	2,283,919
Amortization of property, plant and equipment	6,811,101	6,509,947
Amortization of deferred expenses	81,144	30,108
Amortization of deferred contributions relating to property, plant and equipment	(1,564,945)	(1,563,960)
	28,807,514	28,047,307
Excess of revenues over expenses before other revenue (expense)	6,843,176	4,348,467
Other revenue (expense)		
Gain (loss) on disposal of property, plant and equipment	10,454	(20,296)
EXCESS OF REVENUES OVER EXPENSES	6,853,630	4,328,171

CHANGES IN NET ASSETS

Year ended December 31, 2010

			2010	2009
	Internally restricted	Unrestricted	Total	Total
	S	$	$	$
Balance, beginning of year	8,484,246	46,594,234	55,078,480	50,750,309
Excess of revenues over expenses		6,853,630	6,853,630	4,328,171
Transfer to unrestricted net assets	(8,484,246)	8,484,246		
Balance, end of year		61,932,110	61,932,110	55,078,480

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

CASH FLOWS

Year ended December 31, 2010

	2010	2009
	$	$
OPERATING ACTIVITIES		
Excess of revenues over expenses	6,853,630	4,328,171
Non-cash items		
Loss (gain) on disposal of property, plant and equipment	(10,454)	20,296
Amortization of property, plant and equipment	6,811,101	6,509,947
Amortization of deferred expenses	81,144	30,108
Amortization of deferred contributions relating to property, plant and equipment	(1,564,945)	(1,563,960)
Accrued benefit asset	(70,900)	(62,400)
Changes in working capital items (Note 7)	226,189	1,416,845
Net cash generated	12,325,765	10,679,007
INVESTING ACTIVITIES		
Term deposits	(4,137,872)	79,976
Receipt of notes receivable	24,092	122,185
Property, plant and equipment	(4,632,795)	(22,009,816)
Disposal of property, plant and equipment	10,454	10,100
Deferred expenses		(283,578)
Net cash used	(8,736,121)	(22,081,133)
FINANCING ACTIVITIES		
Receipt of grants receivable	1,000,000	1,750,000
Deferred contributions relating to property, plant and equipment	680,635	1,431,242
Repayment of long-term debt	(3,335,258)	(2,125,000)
Net cash generated (used)	(1,654,623)	1,056,242
Net increase (decrease) in cash	1,935,021	(10,345,884)
Cash and savings account, beginning of year	2,540,260	12,886,144
Cash, end of year	4,475,281	2,540,260

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

BALANCE SHEET

Year ended December 31, 2010

	2010	2009
	$	$
ASSETS		
Current assets		
Cash	4,475,281	2,540,260
Term deposits (Note 8)	20,906,843	15,586,071
Accounts receivable (Note 9)	4,684,319	4,502,341
Supplies in inventory, at cost	267,530	209,129
Prepaid expenses	523,523	205,867
	30,857,496	23,043,668
Term deposits (Note 8)	2,917,100	4,100,000
Notes receivable (Note 10)	2,675,000	2,699,989
Grant receivable (Note 11)	10,500,000	11,500,000
Property, plant and equipment (Note 12)	112,625,775	112,023,280
Deferred expenses	280,216	361,360
Accrued benefit asset (Note 13)	280,100	209,200
	160,135,687	153,937,497
LIABILITIES		
Current liabilities		
Accounts payable (Note 15)	7,933,901	7,665,977
Deferred revenues	33,590	70,156
Customer deposits	528 782	575,772
Instalments on long-term debt (Note 16)	3,749,994	3,250,000
	12,246,267	11,561,905
Long-term debt (Note 16)	52,669,508	53,125,000
Deferred contributions relating to property, plant and equipment (Note 17)	33,287,802	34,172,112
	98,203,577	98,859,017
NET ASSETS		
Restricted under internal restrictions		8,484,246
Unrestricted	61,932,110	46,594,234
	61,932,110	55,078,480
	160,135,687	153,937,497

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

On behalf of the Board,

(s) signed:

GAËTAN GAGNÉ
President and Chief Executive Officer

(s) signed:

JACQUES CHAMPAGNE
Chair of Audit and Risk Management Committee

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1 - Governing statutes and nature of operations

The Company, incorporated under Part II of the Canada Business 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 Quebec metropolitan area. The Company is exempted under the Income Tax Act.

2 - Future accounting standards

The Accounting Standards Board of the CICA has approved the adoption of International Financial Reporting Standards (IFRS) for the recognition and presentation of financial information for publicly accountable enterprises. These international standards will replace Canadian generally accepted accounting standards actually in use and will be applied starting on January 1, 2011.

The Company has decided to apply those standards and is presently assessing their impact on its operations, computer systems and financial statements.

3 - Accounting policies

Basis of presentation

The financial statements are prepared using the historical cost method, except for the revaluation of certain financial instruments. In this respect, consult accounting policy Basis of measurement of financial assets and liabilities and disclosure.

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 these estimates.

Basis of measurement of financial assets and liabilities and disclosure

Initial measurement
Upon initial recognition, all financial assets and liabilities are measured and recorded at their fair value.

Subsequent measurement
Subsequent to their initial recognition, the financial assets and liabilities are measured as follows:

- Cash is classified as held-for-trading asset and is measured at its fair value.
- The trade accounts receivable, term deposits, accrued interest, notes receivable and the grant receivable are classified as loans and receivables and are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts or impairment loss.
- The bank loans, accounts payable, customer deposits and the long-term debt are classified as other financial liabilities. They are measured at amortized cost using the effective interest method.

Disclosure
The Company has chosen to apply the recommendations of Section 3861, "Financial Instruments – Disclosure and Presentation", of the Canadian Institute of Chartered Accountants' Handbook with respect to the presentation and disclosure of financial instruments.

Inventory valuation

Supplies in inventory are valued at the lower of cost and net realizable value.

Cost is determined using the first in, first out method.

3 - Accounting policies (continued)

Amortization

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

	Periods
Buildings	10, 25 and 40 years
Leasehold improvements	5, 15 and 25 years
Machinery and equipment	
Airport terminal	5 and 15 years
Bag room	5, 10 and 15 years
Other	5 years
Computer equipment	3 and 5 years
Automotive equipment, furniture and fixtures	5 and 10 years

Deferred contributions relating to property, plant and equipment are amortized on the same basis as the related property, plant and equipment.

Deferred expenses

Deferred expenses include leasehold improvements paid for certain tenants and required expenses under the terms of the lease. They are amortized on a straight-line basis over five years.

Revenues recognition

Revenues from aeronautic activities, consisting primarily of landing fees and general terminal charges, are earned primarily from air carriers and recognized according to the use of airport facilities.

Revenues from airport improvement fees are recognized when departing passengers board their aircraft.

Concession rents are recorded over the term of the leases and calculated as a percentage of concession sales, subject to minimum guaranteed rents.

Rents from office and land leases are recognized monthly based on the corresponding leases.

Parking revenues are recognized according to the use of the space.

Proceeds from recovery, safety and security are recognized as soon as the service is rendered.

Interest income is recognized when earned, based on the number of days the investment is held.

Employee future benefits

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

- ↗ The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service years and management's best estimate of expected performance of plans' investments, 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 or 10% of 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 six years.

4 - Grants

The Company obtained $36,245,589 in grants to complete repairing of the airport terminal. Of this amount, $21,245,589 are receivable on presentation of claims based on the percentage of completion; total amount was received as at December 31, 2010 ($20,564,954 in 2009). An amount of $15,000,000 is used to repay class "B" bonds and an amount of $3,500,000 was received as at December 31, 2010 ($2,500,000 in 2009). The grants received and receivable are recorded under Deferred contributions relating to property, plant and equipment.

Under these grants, the Company is required to respect the following conditions, failing which the agreements could be terminated:

- ↗ Remain the owner of property for which it received a grant;
- ↗ Respect laws and decisions applicable to the project and the resulting activities.

5 - Investment income

	2010	2009
	$	$
Interest income		
Held-for-trading assets	7,667	11,971
Loans and receivables	652,965	811,230
	660,632	823,201

6 - Financial expenses, net

	2010	2009
	$	$
Other financial liabilities		
Interest on long-term debt	2,758,653	2,899,202
Loans and receivables		
Interest income on grant receivable	567,601	615,283
	2,191,052	2,283,919

7 - Information included in the statement of cash flows

The changes in working capital items are detailed as follows:

	2010	2009
	$	$
Accounts receivable, excluding the current portions of the notes and grant receivable	(181,081)	772,986
Supplies in inventory	(58,401)	78,647
Prepaid expenses	(317,656)	(115,498)
Accounts payable, excluding accounts payable related to property, plant and equipment	866,883	697,067
Deferred revenues	(36,566)	4,431
Customer deposits	(46,990)	(20,788)
	226,189	1,416,845

During the year, the Company acquired an automotive equipment by way of a capital lease contract of $3,379,760.

8 - Term deposits

	2010	2009
	$	$
Current		
Weighted average rate of 1.80% (1.65% in 2009), maturing on different dates until April 2011	20,906,843	15,586,071
Long-term		
Weighted average rate of 2.61% (3.67% in 2009), maturing on different dates until November 2015	2,917,100	4,100,000
	23,823,943	19,686,071

9 - Accounts receivable

	2010	2009
	$	$
Trade accounts	3,418,167	3,168,289
Accrued interest	259,550	328,347
Current portion of notes receivable	6,602	5,705
Current portion of grant receivable	1,000,000	1,000,000
	4,684,319	4,502,341

10 - Notes receivable

	2010	2009
	$	$
Note receivable under an emphyteutic agreement, secured by a building, bearing interest at the rate of a 5-year residential mortgage loan, plus 5.25% (8.25%; 9.95% in 2009), receivable monthly instalments of $9,722 begining January 2012, ending November 2034 plus one amount of $1,387 in December, 2034, followed by 312monthly instalments of $1, maturing on October 30, 2060 (Note 19)	2,675,000	2,693,056
Note receivable, 9%, receivable in blended monthly instalments of $577, maturing in December 2011	6,602	12,638
	2,681,602	2,705,694
Current portion receivable	6,602	5,705
	2,675,000	2,699,989

11 - Grant receivable

	2010	2009
	$	$
Grant receivable, 4.77%, receivable by quarterly instalments of $250,000, until April 2022	11,500,000	12,500,000
Current portion receivable	1,000,000	1,000,000
	10,500,000	11,500,000

12 - Property, plant and equipment

			2010
	Cost	Accumulated amortization	Net
	$	$	$
Buildings	65,522,544	4,030,828	61,491,716
Leasehold improvements	13,278,720	3,182,571	10,096,149
Machinery and equipment	32,873,466	5,896,050	26,977,416
Computer equipment	7,188,699	3,234,392	3,954,307
Automotive equipment	4,549,282	3,146,944	1,402,338
Furniture and fixtures	3,294,129	741,372	2,552,757
Projects in process – other	2,940,320		2,940,320
Assets under capital lease			
Automotive equipment	3,379,760	168,988	3,210,772
	133,026,920	20,401,145	112,625,775

			2009
	Cost	Accumulated amortization	Net
	$	$	$
Buildings	65,517,126	2,247,444	63,269,682
Leasehold improvements	12,904,066	2,404,022	10,500,044
Machinery and equipment	31,987,890	3,827,784	28,160,106
Computer equipment	6,989,693	2,022,392	4,967,301
Automotive equipment	4,383,506	2,687,291	1,696,215
Furniture and fixtures	3,173,702	419,246	2,754,456
Projects in process – other	675,476		675,476
	125,631,459	13,608,179	112,023,280

13 - Employee future benefits

The Company 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 Company's pension plan the entitlements related to their last employer's plan.

The Company's net benefit plan expenses are as follows:

	2010	2009
	$	$
Defined benefit plan	87,200	53,000
Defined contribution plan	184,700	154,300
	271,900	207,300

13 - Employee future benefits (continued)

The actuarial value of accrued benefits was determined using the projected benefit method prorated on service years and management's best estimates of the expected performance of plans' investments, salary escalation, retirement ages of employees and the expected health care costs. An actuarial valuation was made as of December 31, 2007 by Morneau Sobeco and this valuation has been actualized by projection.

The defined benefit plan disclosure is detailed as follows:

	2010	2009
	$	$
Fair value of plans' assets	5,316,700	4,756,100
Accrued benefit obligations	4,813,800	3,834,000
Funded status – excess	502,900	922,100
Unamortized actuarial gains	(222,800)	(712,900)
Accrued benefit asset	280,100	209,200

The plan's assets are comprised of mutual funds investments.

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

	2010	2009
	%	%
Discount rate	5.75	6.75
Expected long-term rate of return on plan's assets	6.5	6.5
Increase rate of compensation	3.5	3.5

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

	2010	2009
	$	$
Employer's contributions	158,100	115,400
Employees' contributions	42,600	50,400
Benefits paid	69,500	46,800

14 - Bank loans

The authorized bank loans with two institutions, of authorized amounts of $2,000,000 and $5,000,000, bear interest respectively at prime rate plus 0.5% and prime rate (3.5% and 3%; 2.75% and 2.25% in 2009) and are renegotiable in 2011. As at December 31, 2010, the bank loans were unused.

15 - Accounts payable

	2010	2009
	$	$
Trade accounts payable and accrued liabilities	5,029,994	4,089,404
Trade accounts relating to property, plant and equipment	1,826,489	2,425,448
Salaries, vacation and employee benefits	274,522	373,875
Indirect taxes	211,236	144,157
Accrued interest	591,660	633,093
	7,933,901	7,665,977

16 - Long-term debt

	2010	2009
	$	$
Serie "A" bonds, 5.12%, interest payable quarterly and principal payable in quarterly instalments of $562,500, maturing in April 2029 [a]	41,625,000	43,875,000
Serie "B" bonds, 4.77%, payable from the grant receivable in quarterly instalments of $250,000 plus interest, maturing in April 2022 [a]	11,500,000	12,500,000
Obligation under capital lease, 3.07%, payable in blended monthly instalments of $49,537, and one final instalment of $2,365,936 maturing in november 2012	3,294,502	
	56,419,502	56,375,000
Instalments due within one year	3,749,994	3,250,000
	52,669,508	53,125,000

[a] Under the credit agreement, the Company is subject to certain conditions. As at December 31, 2010, these conditions were met.

The instalments on long-term debt for the next five years are as follows:

	Obligation under capital lease	Other long-term loans
	$	$
2011	594,444	3,250,000
2012	2,861,306	3,250,000
2013		3,250,000
2014		3,250,000
2015		3,250,000
Total minimum lease payments	3,455,750	
Interest expense included in minimum lease payments	161,248	
	3,294,502	

17 - Deferred contributions relating to property, plant and equipment

			2010
	Cost	Accumulated amortization	Net
	$	$	$
Airport terminal	36,245,589	3,449,695	32,795,894
Buildings	652,910	161,002	491,908
	36,898,499	3,610,697	33,287,802

			2009
	Cost	Accumulated amortization	Net
	$	$	$
Airport terminal	35,564,954	1,910,850	33,654,104
Buildings	652,910	134,902	518,008
	36,217,864	2,045,752	34,172,112

18 - Commitments

The Company 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 Company 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". The rent will be determined as an escalating percentage that varies according to different income levels. Based on management's estimates, minimum lease payments for the next five years are $1,897,039 in 2011, $2,095,945 in 2012, $2,311,620 in 2013, $2,804,022 in 2014 and $3,058,798 in 2015.

The Company has also entered into long-term leases and service contracts expiring on various dates until January 2015 which call for payments totalling $6,990,060. Minimum payments for the next five years are $2,982,557 in 2011, $1,848,893 in 2012, $1,850,714 in 2013, $206,953 in 2014 and $100,943 in 2015.

19 - Contingency

During the year, the Company from which Aéroport de Québec had the note receivable described in Note 10 went bankrupt. A new agreement, subject to certain covenants over which Aéroport de Québec has no control, has been signed with a lessee.

Aéroport de Québec holds collateral with regards to this note receivable on a building constructed on a tract of land belonging to Aéroport de Québec.

As at the financial statements preparation date, Aéroport de Québec's management is not able to determine the outcome of this situation. A provision has been recorded in this regard.

20 - Financial risk management objectives and policies, and financial risks

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, trade accounts receivable, accrued interests receivable, accounts payable and customer deposits are financial instruments whose fair value approximates their carrying amount given that they will mature shortly.

Notes receivable
The fair value of the note receivable under an emphyteutic agreement is not easily determinable considering the contingency presented in note 19.

The fair value of the fixed rate note receivable approximates its carrying amount. The fair value is determined using discounted cash flows at interest rates of similar notes receivable at the balance sheet date.

Term deposits, grant receivable and long-term debt
The fair value of the term deposits, grant receivable and long-term debt was determined by discounting the expected cash flows using market interest rates for similar debt securities having the same term to maturity and approximates its carrying amount.

Financial risks

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management manages financial risks. The Company's main financial risk exposures are as follows.

Credit risk
Credit risk is the risk that a debtor of the Company is unable to fulfil its obligations. The financial instruments that potentially expose the Company to credit risk are primarily cash, term deposits, trade accounts receivable, accrued interests receivable, notes receivable and grant receivable.

Credit risk relating to accounts receivable is generally diversified since the Company negotiates with a large number of establishments. The Company undertakes credit investigations of its customers' financial situation.

The Company is exposed to credit risk because its cash and term deposits are held with only two financial institutions.

Interest rate risk
Interest rate risk is the risk that the fair value or cash flows of a financial instrument fluctuate and result in a loss due to changes in interest rates.

The term deposits, one note receivable, the grant receivable and the long-term debt bear interest at fixed rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The note receivable under an emphyteutic agreement and the bank loan bear interest at variable rate and the Company is, therefore, exposed to the cash flow risks resulting from interest rate fluctuations.

Liquidity risk
Liquidity risk is the risk that the Company is unable to meet its commitments. Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Company has financing sources sufficient to pursue its activities.
At this effect, the Company establishes budget and cash estimates.

21 - Capital management practises and procedures

The Company's capital management objectives are:

- Ensuring it has the necessary capital for developing and improving air and airport services to guarantee quality service to passengers;
- Maintaining a flexible capital structure enabling the Company to obtain financing to develop its infrastructures and real estate;
- Maintaining the necessary cash flows to address the risks most likely to affect its financial situation.

The Company's capital includes net assets and long-term debt ($118,351,612; $111,453,480 in 2009).

To ensure it attains its objectives, the Company's management:

- Produces and presents to the Board of Directors short-term and long-term financial forecasts;
- Produces and presents to the Board of Directors quarterly financial statements as well as the management discussion and analysis and follows up on financial forecasts;
- Periodically reviews service prices.

BOARD OF DIRECTORS

Aéroport de Québec inc., incorporated by virtue of Part II of the Canada Corporations Act, is a not-for-profit corporation without capital shares that is exempted under the Income Tax Act. It is responsible for the management, maintenance and development of the Québec City Jean Lesage International Airport and holds a 60 year lease signed on October 27, 2000, with the Government of Canada, with an option to renew for a period of 20 years.

Any surplus of revenues over expenses is reinvested in airport facilities to improve passenger services.

The Airport subscribes to all the lease's accountability and transparency principles as well as its own general bylaws.

In addition to the regulatory framework provided by the lease, general bylaws, and letters patent, the Québec City Airport is subject to other rules enabling it to meet its accountability and transparency obligations toward the public. The Airport is evaluated every year under Transport Canada's lease monitoring program.

The Airport has proved to be in compliance in recent years. All of Transport Canada's remarks have been properly followed up on without exception.

The following are the designating bodies*:

- Government of Canada (two members)
- Government of Québec (one member)
- City of Québec (three members)
- City of Lévis (two members)
- Chambre de commerce de Québec (two members)
- Chambre de commerce des entrepreneurs de Québec (one member)
- Chambre de commerce de Lévis (one member)
- Airport board of directors (three members)

* Definition of designating bodies: In compliance with Canadian airport administrations' public accountability principles and with Bylaw No. 1, the Québec City Airport has a number of designating bodies. These bodies are invited to propose candidates for membership on the board of directors based on profiles submitted by the Nominating, Governance, and Human Resources Committee.

In all, the board of directors is composed of no more than 15 members, who together represent the region's business community and are known for their individual expertise in air transportation, aviation, business, trade, finance, administration, law, management, engineering, labor organization, and consumer advocacy.

The board sets the organization's strategic orientation and oversees its implementation in conjunction with the management team.

In 2010, the Québec City Airport was supported by a team of 14 directors, whose varied expertise and skills helped to actively support management in their work.

Committees

In 2010 five committees helped lay the groundwork for the board of directors' decisions:

- Nominating, Governance, and Human Resources Committee
- Audit and Risk Management Committee
- Environment, Security, and Safety Committee
- Planning and Development Committee
- Executive Committee (due to restructuring in 2009, this committee met twice in 2010)

The committees act according to the guidelines set out by the board of directors and ensure that the organization meets its legal obligations in the day-to-day management of its operations. The board of directors is also supported by the Community Advisory Committee, which helps advance various issues related to the improvement of air services and airport facilities.

Conflict of Interest Rules

In accordance with its lease with Transport Canada, the Québec City Airport incorporated conflict of interest rules into its general bylaws that are applicable to its directors, managers, and employees and are designed to avoid any real or apparent conflicts of interest. The Airport complied with these rules in 2010, notably by means of an annual declaration of interest signed by each director.

Contracts Exceeding $100,000

All contracts in excess of $100,000 granted in 2010 were awarded through a public call for tenders process, in compliance with the Québec City Airport's accountability principles, except for the $3,379,760 C$ contract which included an option of $792,700 U.S. which was exercised, awarded to Team Eagle Ltd., the exclusive Canadian distributor of Oshkosh brand snow removal equipment, because of this firm's special expertise in rapid and effective snow removal on airport runways and aprons, for which the board of directors authorized a dispensation.

Governance

In 2009 the board of directors conducted a strategic planning exercise, in collaboration with the management consulting firm Hay Group, designed notably to revise its governance structure. It became apparent that there was a need to create a new position, president and CEO, to lead and supervise the management team.

The president and CEO is responsible for defining and implementing the organization's strategic orientations, objectives, and fundamental values. Strategic orientation is based on operating as an economic entity so as to maximize value for our partners (various governments) and stakeholders (clients, employees, the public). The president and CEO, working under the supervision of the board of directors, is also in charge of the financial performance of all the organization's operations and business, including revenues and expenses, financial statements, and monitoring of the chief indicators of customer value.

Compensation of Directors and Managers

Since 2009, directors' compensation is comprised of annual fees and meeting fees as per bylaw.

Annual Fees

Chair of the board and chair of the Executive Committee	$60,000
Vice chair of the board	$10,000
Secretary-treasurer	$10,000
Committee chairs	$10,000
Directors (except the chair)	$8,000
Committee members*	$2,000

(* except the chair, vice chair, and secretary-treasurer)

Meeting Fees

$500 per board or committee meeting or per half-day for special activities

Number of Meetings

Board of Directors	8
Nominating, Governance, and Human Resources Committee	7
Audit and Risk Management Committee	10
Environment, Security, and Safety Committee	5
Planning and Development Committee	4
Executive Committee	2
Community Advisory Committee	2
Annual general meeting (members only)	1
Annual general meeting (open to the public)	1
Annual meeting of nominating bodies	1

Management

The Québec City Airport's management team, which in 2010 comprised 7 managers, received $832,584.93 in total compensation for the financial year ending December 31, 2010, including annual bonuses based on performance objectives.

Directors' Compensation in 2010

	Regular compensation	Regular compensation	Project-related compensation	
Name	Fees	Meeting fees	Meeting fees	Total 2010
Michel Cadrin	$12,708	$7,500		$20,208
Jacques Champagne*	$20,000	$11,000	$500	$31,500
Yvan-Miville Des Chênes*	$20,000	$9,000		$29,000
André Fortin [1]	$7,083	$7,000		$14,083
Gaëtan Gagné	$15,000	$17,000	$500	$32,500
Louise Gingras	$5,250	$2,500	$500	$8,250
Roger Gravel*	$20,000	$10,000		$30,000
Marcel Jobin	$5,917	$5,000	$1,000	$11,917
Liliane Laverdière [1]	$7,083	$5,500		$12,583
André Lemieux	$0	$0	$0	$0
Alexandre Matte	$10,000	$9,000		$19,000
Jude Martineau* [1]	$14,167	$6,500		$20,667
Jean Royer [1]	$7,083	$5,000		$12,083
André C. Sarasin	$9,500	$8,500		$18,000
Denis Therrien [1]	$7,083	$3,500		$10,583
Carl Tremblay	$17,089	$7,000		$24,089
Guy Vachon	$57,578	$24,000	$1,000	$82,578
Alain Vaillancourt	$15,786	$10,000		$25,786

* Committee President
[1] Nominated April 30th, 2010


Kuujjuaq
Shefferville
Wabush
Sept-Îles
Gaspé
Îles-de-la-Madeleine
Calgary
QUEBEC CITY
Montreal
Ottawa
New York
Toronto
Detroit
Cleveland
Philadelphia
Chicago
Washington
Orlando
Fort Lauderdale
Varadero
Santa Clara
Cayo Coco
Camaguey
Holguin
Cayo Largo
Puerto Plata
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Cancun
Montego Bay
Paris Charles-de-Gaulle
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Nantes
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