Aéroport de Québec inc.

PASSENGER FIRST

Annual Report 2008

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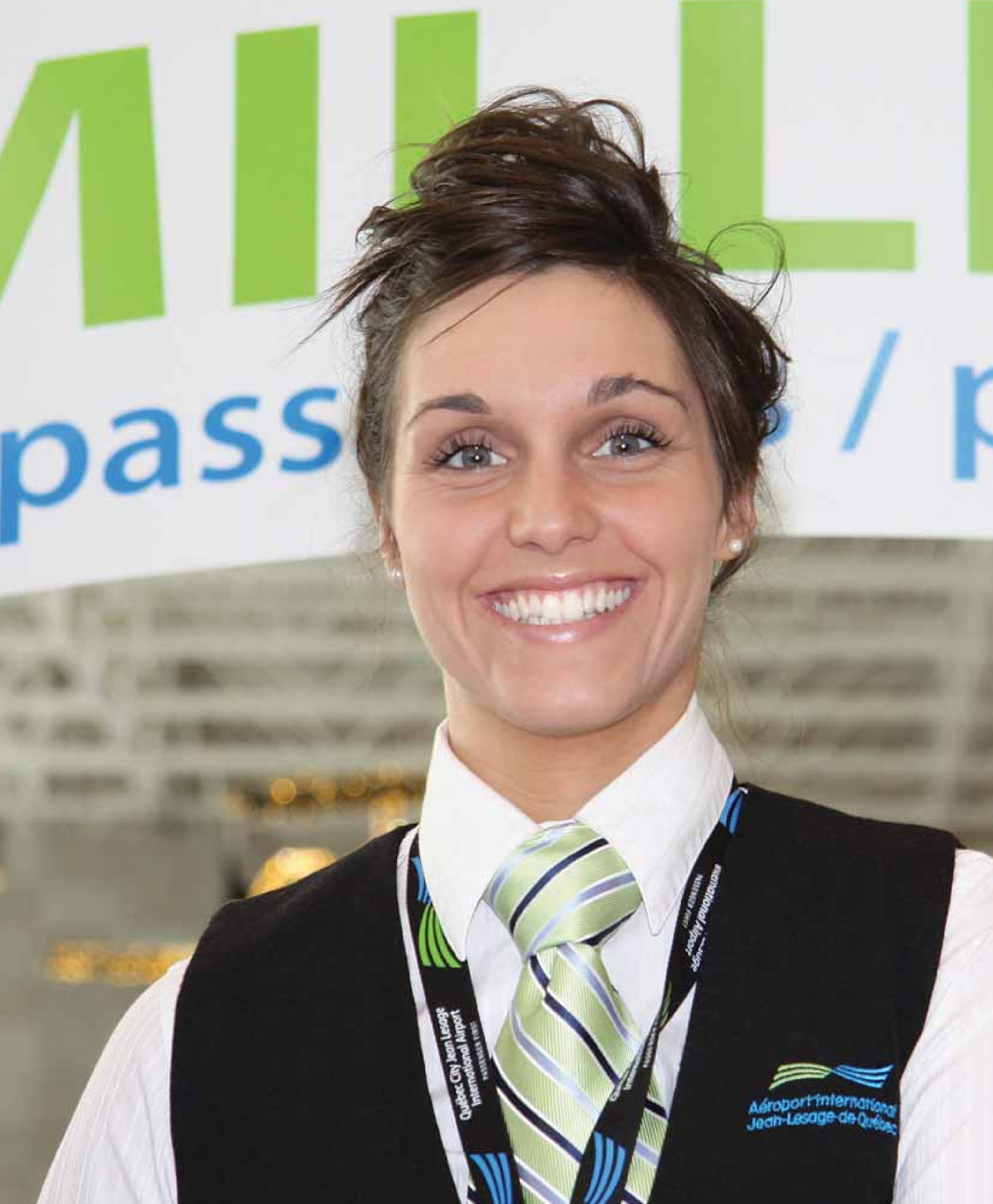
QUEBEC
WestJet


Aéroport international
Jean-Lesage-de-Québec

The 2008 Annual Report brings a remarkable, historical year to an end.

Our achievements are the result of efforts from many individuals who have contributed to making Québec City Jean Lesage International Airport a first-class facility where the tradition of discovery and travel so engrained in the history of the area lives on. We extend our gratitude to the many key players who have taken the Airport to new heights, including:

- **The Board of Directors**
- **Our employees**
- **Our clients, including travelers and air carriers**
- **Our business partners**
- **The Federal and Provincial Governments**
- **Our tenants, franchisees, partners and the members of the Community Advisory Committee**

As we strive to attain our goals, our dedication to bringing people together for the benefit of our organization, our community and ultimately, the world, continues to grow.

THE POWER OF A VISION

Message from the Chairman of the Board

Eight years ago, we embarked upon a grand adventure. Our ambition was to give Québec City an airport worthy of the World Heritage site it services and change the way people travel. We had a vision and we knew it would take us far. Our day-to-day activities continue to reflect our philosophy to put each and every **"Passenger First"**. At the time there was a serious gap between the needs and the offer in terms of air services, infrastructure and airport services. The first step was to look at the role the Airport should play in the area. The result was a complete revamping of the Airport setting as we knew it, with the implementation of processes and systems to ensure a safe, efficient and top-notch environment. We also wanted to provide a viable solution that would enhance the area's economic, social and environmental development. These factors became the cornerstone of the planning process, at a time when international events were directly impacting our daily activities and long-term plans. The collaboration of many partners resulted in the accomplishments that we are so proud of today. We would like to take this opportunity to thank all the individuals who helped us reach our very enviable position in terms of success and future opportunities.

The terminal modernization project is the most distinguishing element of 2008 and to a greater extent, the most important milestone in Québec City Jean Lesage International Airport's history. The completion of this large-scale project has given our organization and the area a renewed sense of vitality. The mobilization of key players and public support from the onset helped redefine our image in the community. Our actions were the result of a rare consensus of all partners who recognized that the terminal's modernization had to be a top priority if Québec City was to be recognized as a modern, vibrant and welcoming city for investors and travelers. There is little doubt that this widespread support encouraged the Canadian and Quebec Governments to provide financial support, with investments of $15M.

Having secured the financial resources needed to keep the momentum going, we forged ahead with passionate, experienced and dedicated people from various backgrounds whose sole objective was to accomplish the task that was slowly taking shape. This process was made possible by the collaboration and involvement of members of the Board of Directors who supported the strategies needed to achieve our performance and growth objectives and provided us with the tools to succeed. Management in turn provided vital support to the Board of Directors and was instrumental in bringing plans from the boardroom to the drawing board. Sadly, one member of the management team passed away later in the year. Mr. Guy Boulanger had been on the Board since 1996. He was among the first members of the Board and part of the team who negotiated the transfer from Transport Canada. His diligence and thoroughness in the management of finance as President of the Audit Committee were equal to none. He was also involved in many other projects and always displayed the same dedication to excellence. Mr. Boulanger was a first-class partner. On behalf of all of us at the Airport, I extend our most heartfelt thanks for his precious contribution over the years.

Our employees are vital to our success. Throughout the project, they supported Management in the desire to elevate the Airport to the status it deserves. They are also a key element to our operational success, overcoming daily challenges and ensuring a distinguished and first-class experience for passengers. The results speak for themselves. The Airport is a source of pride and a lever for Québec City's development. With the appropriate services, systems and processes now in place, the Airport has become a leader capable of attracting key international players.

The multiplication of flights, enhanced services, and quality of installations and equipment within an extremely safe and efficient environment could not have come at a better time in the history of Québec City. The new infrastructure was ready just in time to welcome the world as the city celebrated its 400th anniversary. The Airport provided immense added value to the area. The economic and social impact - including increased tourism throughout the year - boosted the region's vitality. There is a strong feeling of pride that comes with the completion of a state-of-the-art, efficient and innovative terminal in so little time.
We have a lot to be proud of:

- A dedicated and passionate team of professionals
- The successful accomplishment of a large-scale project
- The success story that we continue to write everyday

The terminal project is a phenomenal success, not only in terms of infrastructure, but also in terms of project management, as it was completed on budget, on time and well above expectations. The successful modernization of the terminal is a key factor in positioning Québec City as a top city to live in and to discover.

Moving forward, the Airport must define goals and reinvest resources to keep contributing to the area, to reach new heights, and to welcome more passengers in an environment that is always ahead of their expectations. Strict management practices have been at the forefront of our undertakings and our financial performance allows us to focus on infrastructure and service development. The fiscal year ending shows a surplus over expenses of $9,589,317, a 10.5% increase over the previous year. Despite the current worldwide economic downturn, long-term growth projections remain positive. In the past 20 years, international air traffic has grown an average of 4.8% per annum in the midst of two worldwide recessions, terrorist attacks, the 1997 financial crisis in Asia, SARS in 2003 and two wars in the Persian Gulf. Growth will continue regardless of the challenges ahead because communities around the world will always need to travel.

The Airport's future depends in large part on the success we enjoy in a constantly changing environment which is directly affected by international events. We are currently reviewing over $100M in additional investments, including the expansion of the international arrivals area, an American pre-clearance center, a multi-story parking lot, a de-icing center and a hotel, all needed to meet the future needs of travelers. These growth initiatives will require the collaboration of many stakeholders. We are confident that the same resolve and spirit of entrepreneurship that have motivated our team so far will take us to the next level in the years to come. A very heartfelt thank-you to the traveling public and to the entire Airport team for their dedication to excellence.

Gaëtan Gagné, LLIF, C. Dir.
Chairman of the Board

THE POWER OF A TEAM

Message from the President and Chief Operating Officer

Québec City Jean Lesage International Airport is a reflection of the surrounding community. From day one, the Airport has worked to meet the essential need of human beings to communicate, share and assemble. Today the Airport plays this role better than ever with enhanced services and a welcoming, efficient, and modern infrastructure. The new terminal showcases the Quebec region to travelers from the moment they step in. The year 2008 was one of significant milestones for the Airport and for Québec City. Our mission is to offer secure and efficient airport services and to provide a comprehensive range of air services to meet the needs of travelers from the local community, the Eastern part of the province and visitors from around the globe. The Airport is a solid contributor to the region's socio-economic development, enabling people to travel around the world and making the region accessible to more international visitors. In providing exceptional services delivered in an efficient, innovative and comfortable environment, we are a leader in our field and in the community.

Traveling is a journey that changes and leads to the discovery and appreciation of the world's wonders and cultures. Since the traveling experience often begins at the airport, the environment should inspire confidence, safety, comfort and efficiency. With this in mind, we sought to offer travelers a unique experience by building a leading-edge and modern infrastructure using the best technologies and concepts to create a first-class environment.

The terminal is now worthy of the city it represents, boasting our discoveries and reflecting our image of a welcoming, vibrant and open community.

We delivered an infrastructure of this magnitude and quality and we continue to succeed in demonstrating our values in all that we undertake in large part due to our vision, our plan of action and most of all, our unparalleled team guided by a vision which underlies our decisions and ensures that we deliver services upholding the highest standards of satisfaction and reliability.

This vision was introduced several years ago by Mr. Gaëtan Gagné, Chairman of the Board, who has been a significant figure in the Airport's history. To him the key to success is an environment and services which above all meet the needs and expectations of passengers.
Our achievements to date are the result of this forward-thinking vision. Our team embraced this vision with enthusiasm and it is now a reality for each passenger.
We were determined to create an environment which would ensure an unparalleled airport experience. Our plan of action kept us focused on this vision. The strategies put in place and supported by our Board provided the internal framework to move forward. The members of the Board provided us with the direction and tools necessary to deliver exceptional results. The plan of action also enabled us to carry out the Airport's operations while retaining some flexibility for change according to the conditions and the environment in which we evolve. Almost one year after unveiling the new terminal, we have succeeded in establishing the core elements of our philosophy.
This Annual Report is testimony that our passenger focus, attention to detail, high standards, and the quality of our services and facilities are our trademark and our pride.

Ultimately, the key to any strategy, to any plan and to all decisions relies on one element: the people who put them into action and who make them a reality. Our entire team is firmly committed to performance and excellence as shown throughout this 2008 Annual Report. Together we overcame challenges with determination and passion.
My message simply bears witness to this team effort to strive for the highest peaks. Our results and accomplishments are the reflection of this desire to make the Airport a major lever in Québec City's expansion and development.
The timing of our actions in 2008 could not have been better. Indeed, the opening of the new terminal provided higher capacity and enhanced services to travelers with a growing number of airlines, serviced destinations and frequency of flights by destination. This growth contributed to the achievement of record traffic levels and impacted the region's vitality, particularly with regards to the wide-ranging events held during the 400th anniversary celebrations.

The project is a profitable investment which has already yielded significant economic benefits in terms of employment, revenue and financial gains. The development and improvement of services also stimulated the demand for goods and services from various activity sectors at the Airport. All of these factors combined with our commitment to ensure responsible and reliable management enable us to meet expectations and gain the loyalty, commitment and support of passengers and stakeholders. The execution of the terminal modernization project not only provides us with the infrastructures needed to handle more passengers while offering quality services, but also positions us nicely to attract and retain airlines.

Our airline partners offer services to meet the needs of leisure and business travelers and to support commercial and socio-economic activity in the area. If passengers are the key to success, the same holds true for airlines. The Airport could not fulfill its mission without this vital process of supply and demand. To this end, a process of consultation and collaboration with airlines was established at the onset of the modernization project to develop facilities responding to their specific operational needs. All services, systems and processes put in place took into account the features specific to their activities, bearing in mind the need to keep operating costs down. We can safely say that we achieved this goal. We also managed to consolidate existing services, increase the frequency of some routes and see to the addition of four new carriers. Québec City Jean Lesage International Airport continues to offer enhanced services, thus ensuring the fulfillment of our vision to put every Passenger first.

The services put in place by airlines promote not only the immediate region, but also other communities. For instance, following its success at Québec City Jean Lesage International Airport, charter airline Sunwing established flights to the South departing from Bagotville. When airlines consider the implementation of services in a given city, the potential of markets located in the surrounding areas and the increased number of passengers that can be reached is usually also on their radar. The key to Québec City's success is undeniably intertwined with the prosperity of the regions, and vice-versa. As we look back on a year of historical growth, we see an opportunity to continue to map out our future and to develop our strengths, our resources and our Airport.

We are pursuing our path towards the establishment of guiding principles in terms of social responsibility in an effort to broaden our impact and create added value for all stakeholders. In order to be a leader in the community and to generate true change, we must continue to expand and provide high quality airport services with the same passion, innovation and pursuit of excellence for which we are known. It is in this way that we can maintain the viability of our organization and contribute to the economic expansion of the region. Our social responsibility must be to pursue our activities in the right way and for the right reasons while meeting the highest expectations and offering services with a positive impact on the organization, the community and the world.

Pascal Bélanger, C. Dir.
President and Chief Operating Officer


Enregistrement
Check-In
ENTRÉE
ENTRANCE

THE POWER OF UNITY

Our team

Our team of dedicated people puts us in a better position to provide customers with exceptional service. We challenge our employees to put forward innovative solutions aimed at promoting excellence, delivering superior services, and ultimately, at ensuring the success of our undertakings.

We also accomplish this by harnessing their passion and dedication and providing them with opportunities to learn and develop their skills. In turn, their contribution shapes our organization's growth and development. We endeavor to create an environment in which their input is valued their personal growth is encouraged, and where they can be proud to work. We truly believe that if we develop and strengthen our people, we do the same for our organization.

Over the past few years, we have implemented a number of ideas brought forward by our teams to enhance processes and continually improve our facilities and services. This was especially true in 2008 with the following examples:

- New tools for more accurate and thorough financial reporting;
- Improvement of runway snow removal and maintenance techniques and processes;
- Optimization of equipment and vehicles to increase productivity while reducing costs;
- Improvement of the emergency communications system;
- IT network restructuring to streamline processes, enhance the system's performance and improve the quality of information.

Together, we achieved our goal of continued progress and success.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OUR STAKEHOLDERS

Through leadership and passion, we seek to communicate our dedication to excellence to our partners on the front-line who play a key role in providing services. We recognize the importance of maintaining close ties with all partners to provide customers with a range of services and a first-class airport experience. As we seek the most appropriate solutions to improve systems, processes and services, we seize every opportunity to consult with each one to discuss issues and share experiences. The same can be said for how we consult with partners in the community. Like us, they influence the region's social and economic development. We liaise on a regular basis with organizations and associations such as the Tourism Board, the Convention Centre, hotels and resorts, travel agencies, the Port Authority, Chambers of commerce, and a number of government agencies. These partners enhance our contribution and help us to achieve our individual and common development goals while promoting Québec City's development and vitality. This is also true of our tenants who continue to benefit from the recent increases in services and traffic. The success of their on-site business further enhances the level of activity both at the Airport and in the community.


Tim Hortons

OUR PASSENGERS

We believe that the airport experience should be a pleasant, comfortable and relaxing part of every passenger's journey. With this in mind, our team strives to create a comfortable environment for passengers so that the time spent at the Airport is relaxing and becomes a memorable part of their trip.

In 2008 our primary focus was to create an airport environment where our vision to put each passenger first was at the forefront of all activities. With the new terminal, our goal is to provide consistent, timely, and excellent client-focused services. Everyday we see the importance of the services we offer in meeting the needs of travelers. Here are some of the key client-focused features of the terminal:

- Large check-in hall with self service kiosks
- Customer service team and information desk
- Checkroom
- Restaurant with airside view open to the public
- Efficient security screening point
- Business centre with computers and free high-speed Internet access
- Children's play area
- Private area for breastfeeding and rest
- VIP lounge for frequent flyers
- Restaurant and bar located in the departures area
- Multi-service and duty-free shops

In addition to attracting more people to Québec City Jean Lesage International Airport with superior services, we make every effort to encourage air carriers to provide services meeting passenger needs and increase traffic. Passengers are at the forefront of our activities. They are also at the core of our strategies and development initiatives. When they choose to use our facilities, they become a driving force for expansion, creating higher demand which leads to a more competitive environment with better choices and lower prices. To date, the significant increase in the number of carriers and destinations has resulted in record traffic levels. The destinations map highlights this growth perfectly.

NON-STOP DESTINATIONS


Paris Charles-de-Gaulle
Paris Orly


ENREGISTREMENT
LIBRE-SERVICE
SELF CHECK-IN
ENREGISTREMENT
LIBRE-SERVICE
SELF CHECK-IN
ENREGISTREMENT
LIBRE-SERVICE
SELF CHECK-IN

THE POWER OF RESULTS

2008 Highlights

The delivery of the new terminal was definitely a milestone for 2008. The ultra modern building constructed in record time fully meets passenger needs: it is efficient, user-friendly, and provides a distinctive experience.

In 2008 four airlines added new routes:

- Corsair to Paris-Orly
- Westjet to Toronto
- United to Chicago
- Porter to Toronto City Center and Halifax

In response to increased demand, airlines already offering services multiplied flights: Air Canada Jazz to Montreal and Toronto, Continental to New York, Northwest to Detroit as well as Sunwing, Canjet, Aéromexico and Air Transat to many Caribbean and Mexican destinations. Continental also resumed seasonal service to Cleveland.

The opening of the new facilities and the expansion of airport services led to a significant rise in traffic levels, reaching over a million passengers.

Throughout the 400th anniversary celebrations in 2008 in Québec City, the organization of several major international events had a positive impact on passenger traffic, two of which required enhanced logistics and extraordinary security measures:

- The Quebec International Air Show presented by the Maurice Tanguay Foundation. This event was a resounding success with breathtaking performances and record crowds.
- The *Sommet de la Francophonie* in October which brought together many Heads of State from around the world.


Aéroport


Aéroport international
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THE POWER OF AN ORGANIZATION

STRATEGIC PLANNING

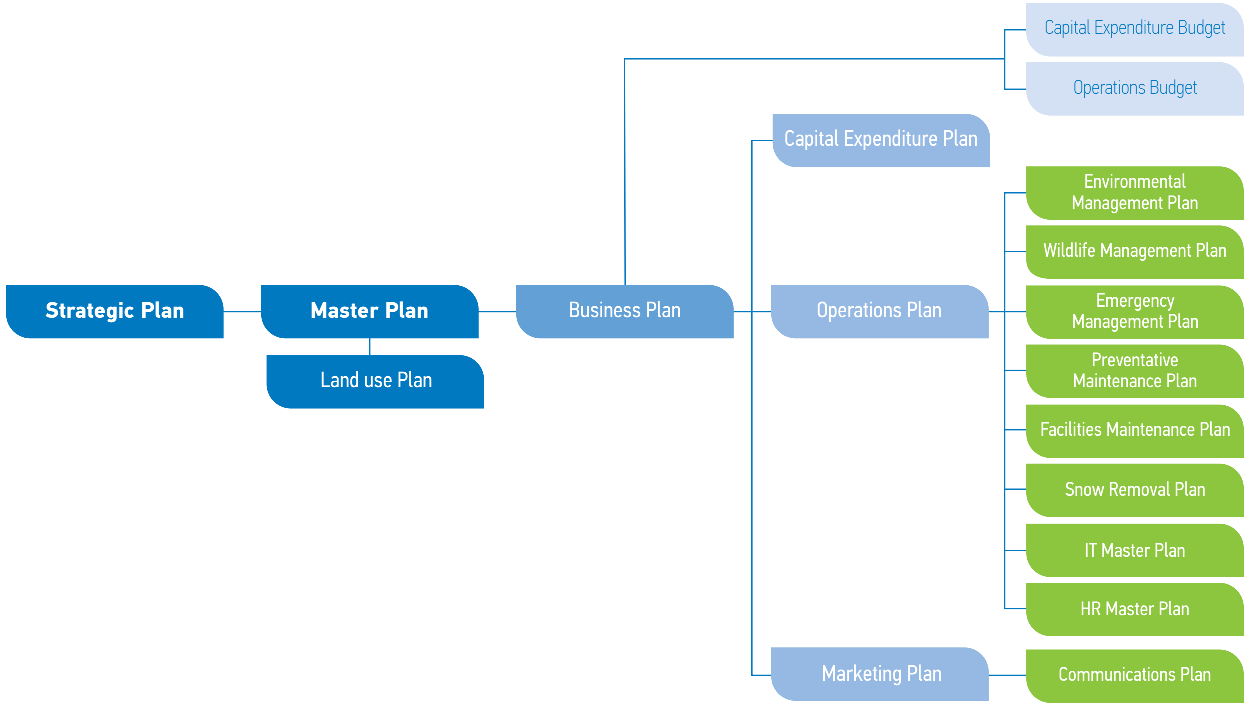
The aviation industry is constantly reinventing itself in response to sociological, economic, geopolitical and regulatory changes to maintain its key role in the development of societies around the world. Our strategy must be aligned with the industry in which it evolves and recommend sustainable solutions to bring people together and take us closer to our goals and objectives. As with our industry this strategy must evolve and adapt to changes so we can meet challenges head on.

Aéroport de Québec's business strategy is based on the premise that there is a constantly growing demand for air services in the Quebec region and that the appropriate organization along with a modern and efficient infrastructure complying with the highest standards are required to meet this demand.

Current economic conditions as well as other factors such as fluctuations in gas prices can have a negative impact on air traffic and on the financial health of our main clientele, the airlines. While keeping in mind the risks inherent to our industry and the management requirements of our business we must also consider development opportunities if we want to stay in the game and achieve our goals:

- To offer efficient, safe and quality services
- To maintain a viable and sustainable organization
- To contribute to the economic development of the Quebec region

Our strategic plan includes several plans to govern our short, medium and long-term activities.



This process resulted in the achievement of the following goals set out in the 2005-2009 Business Plan while ensuring that passengers remained our first priority:

- Increased and enhanced services
- Addition of 4 new carriers
- Passenger traffic reaching 1,022,862 vs. the 916,000 passengers forecast in the 2008 budget
- Addition of new concessions and revenue increase to $3.59/passenger
- Expansion and improvement of infrastructures, specifically the delivery of the terminal modernization project on budget, on time and as planned
- Implementation of new systems and technology
- Constant collaboration with customers and partners
- Involvement in the community, with events such as the Quebec International Air Show and the arrival and departure of many cruise passengers boarding or disembarking in Québec City
- Regular, frequent and transparent public communications
- Increased promotional activity to raise awareness about services offered at the Airport
- Development and introduction of a new visual identity
- Healthy and responsible management of resources
- Efficient, safe and environmentally-friendly operations
- Strong employee relations

MASTER PLAN AND CAPITAL EXPENDITURES PROJECTS

In light of significant changes and increased traffic, we set out to update our Capital Expenditures Master Plan. This plan analyzes the infrastructure needs for the next 25 years and determines the priority of projects according to disposable income.

The main projects under review are:

- Renovation of the international arrivals area
- American pre-clearance center
- Multi-level parking
- Electrical systems
- Expansion of aprons
- De-icing station
- Relocation of the maintenance hangar
- Construction of a hotel

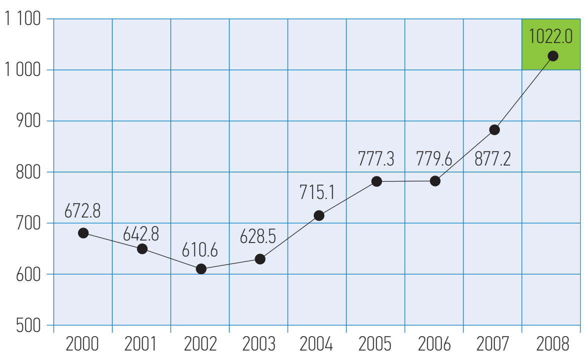
Strategic planning is an ongoing process. We will continually review and update the plan of action and reaffirm our plans to ensure the growth of the Airport and the achievement of our goals. Our strategic plan will undergo major revisions in 2009 to adjust the plan of action based on a 25-year horizon, in accordance with the results to date as well as short-term, mid-term and long-term forecast.

The 2005 plan forecasts for 2009 were as follows: 943,200 passengers, $18,210,000 in revenue and a $4,200,964 surplus. The numbers were adjusted to 922,000 passengers, $27,900,000 in revenue and a $623,000 surplus.

DEVELOPMENT

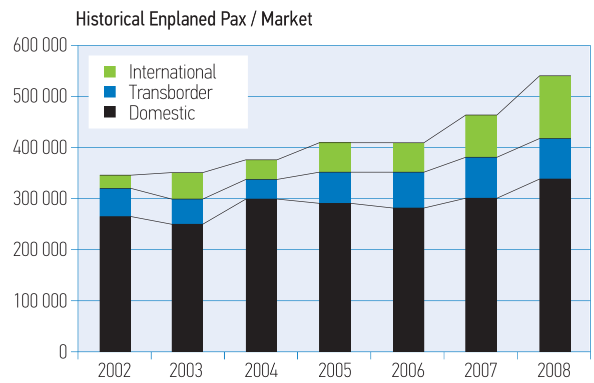
The expansion of air services is the cornerstone of the Airport's development.

2008 showed a significant rise is passenger traffic through Jean Lesage International Airport with a 16.6% increase over 2007.



Passenger traffic is categorized as domestic for travelers within Canada, transborder for travelers to the United States and international for travelers to other countries. In 2008 all market sectors posted growth in the services offered and consequently increased overall passenger traffic.

Domestic traffic grew 13% in 2008 compared to 8% in 2007. Transborder traffic remained stable. International travel recorded the most significant growth with a 44% increase, and this following a very strong 27% increase in 2007. Since 2006 international traffic has increased by 82%. A significant increase in international flights offered to southern destinations is responsible for most of the growth in this sector.



We anticipated an increase of over 40,000 additional passengers as a result of the celebrations surrounding Québec City's 400th anniversary, which took place between May and August 2008.

These remarkable results are a very positive step in our development strategy and our efforts to fulfill our vision to ensure passenger satisfaction. Increasing traffic encourages the implementation of additional air services to meet the needs and expectations of travelers, resulting in an environment offering more opportunities for airlines to compete and expand.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COMMUNICATIONS & MARKETING

Focus in 2008 was on communications and marketing ahead of the new terminal's inauguration and the introduction of Québec City Jean Lesage International Airport's new visual identity. The main objective was to attract passengers by creating an awareness of the services available and quality of the new facility. The opening ceremony was very successful, with representation from many partners and levels of government. We also had a very special guest for the event, Madame Corinne Lesage, wife of deceased Premier Jean Lesage who held the office of Quebec Premier from July 5, 1960 to June 16, 1966 and is considered to be the father of the Quiet Revolution. The Airport was named in his honor in 1996. Many other promotional activities were organized throughout 2008, including conferences and working lunches with the region's chambers of commerce. We also welcomed student groups, private companies and business associations visiting the new terminal and attending presentations. Such events are opportunities for us to promote the Airport's services, attract passengers and encourage clients to use them.

OPERATIONS

The achievements in terms of expansion of services continue to increase the number of travelers transiting through the Airport every year. Operations are a key performance factor and a vital element in ensuring a safe and efficient environment. To carry out their mission, operations require more resources than any other department. In 2008 this team was responsible for the development of new facilities consisting of new electrical, mechanical and technological systems. In addition to their regular daily activities, Operations coordinated major events such as the Quebec International Air Show and the Sommet de la Francophonie. These events required tremendous coordination, safety and security measures. Here is an account of their activities by sector.

CUSTOMER SERVICE

We promised passengers that the new terminal would bring the best service possible and an opportunity for all customers to learn about the range of new services available. We carried out our promise by creating a 14-person Customer Service team to provide service 24 hours a days, seven days a week. This team responds to the many needs of our customers in an effort to provide them with an exceptional airport experience. They welcome people at the Service Desk and in the VIP lounge, they answer questions, and they are the contact point in case of concerns or problems.

SAFETY, SECURITY AND CONTINGENCY MEASURES

2008 presented many safety and security challenges. With the completion of the construction project and the official opening of the new terminal, the areas requiring surveillance expanded and new access control facilities and technology needed to be implemented.

The team responsible for safety/security had to be extremely thorough to ensure the safety of people and places at all times, especially during major events such as the International Air Show and the *Sommet de la Francophonie*. Here are some of the measures that were taken to meet newly created requirements:

- Ongoing training for security agents to enhance their expertise, help them adapt to change and respond to new demands;
- Installation of new computer systems for the integrated management of surveillance cameras, access controls and alarms.
- Replacement and implementation of new security systems and leading-edge technology for improved security in the restricted areas, faster emergency response and more efficient investigative tools for the Safety Department.

More flights created further demands on the team of firefighters who increased their hours to provide appropriate support to this increased activity. Regular policies and procedures updates in terms of safety/security and contingency measures, including stakeholders' meetings, helped to maintain current standards and identify more appropriate parameters and procedures for the responsible fulfillment of the Airport's activities.

MAINTENANCE AND TECHNICAL SERVICES

The opening of the new terminal required a seamless transfer of facilities and systems operations from the Project Management Team to the Maintenance and Technical Services Team. The winter of 2007-2008 also proved challenging weather-wise with record level precipitations. More than 550 centimeters of snow fell on the Quebec region, demanding an incredible effort from the snow removal teams and all airport stakeholders. Record precipitations increased the use of equipment, resulting in additional repair and maintenance, in particular on snow removal vehicles and runway lights.

ENVIRONMENT

In an effort to ensure responsible environmental management we implemented the Environmental Management Plan. Here are some of the highlights:

- Updating the procedure designed to eliminate idling to reduce gas emissions. This procedure extends the life of vehicles and reduces repair and maintenance costs.
- Improvement of ground surface water analysis programs.
- Enhancing waste management and recycling procedures.
- Creation of a 19-person team to put into action the 2008 Wildlife Management Plan.

The implementation of the plan was carefully carried out in collaboration with the Environmental and Noise Management committees to ensure adherence to environmental policies and the protection of our heritage.

PROPERTY MANAGEMENT, PROJECT MANAGEMENT AND INFORMATION TECHNOLOGY

The completion of construction work in June 2008 was the Airport's most important project to date, and the Project Management team accomplished a colossal task in meeting a strict schedule. This project consisted of the construction of the building, the relocation of the baggage area using DCV technology, the computerization of check-in counters, the installation of automatic kiosks using Arinc's CUTE/CUSS technology, the installation of 3 new loading bridges, a new FIDS system, technology updates including WIFI throughout the Airport and multimedia signage. In terms of property management a new tariff policy was implemented for tenants, including fair and consistent agreements for the different categories of land.

Finally, tenants benefited from the positive spillover resulting from the increase in traffic and services at the Airport.

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FINANCE, ADMINISTRATION & HUMAN RESOURCES

The Finance Department is responsible for the careful and responsible management of finance, providing a solid basis for all business segments to perform, including the necessary operational tools to ensure that future needs are met. The Finance Department also oversees the integration of projects within the organization's financial capabilities, securing sufficient liquid assets to overcome difficult market conditions and ensuring the diversification of revenue.

The project's budget and grants were strictly monitored through comprehensive financial reporting to Management, members of the organization and other stakeholders including bankers, investors and governments.

Results achieved in 2008 reflect stringent management practices aimed at meeting current needs and ensuring efficient planning for the future.

Administrative responsibilities included the implementation of policies and procedures to ensure compliance with current internal regulations pertaining to our activities.

The development and implementation of new policies and procedures in 2008 provided for more effective controls going forward. The foundation has also been laid for a new risk management matrix to be developed.

Union-management relations continue to be excellent and the new job classification project was completed by year's end.

Finally, recruitment efforts were intensified to strengthen the team with the addition of highly qualified and passionate people. Thirty-two new employees were added to our staff in 2008, thus solidifying the organization.


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OPERATING RESULTS

REVENUE

Revenue is derived from airline royalties (landing, bridge utilization, and terminal-related fees). Concession and tenant earnings come from passenger service providers (car rental companies, shops, currency exchange bureau, restaurants, etc.), airline service providers (refueling, catering, etc.) and on-site advertising. Rental earnings come from industrial and commercial land, building and terminal space rental. Parking earnings come from staff and customer parking. Cost recovery includes user fees for electricity, water, waste collection, snow removal, labour costs for various services and emergency services charged to aircraft landing outside regular business hours. These various services also include airline fees for baggage room, VIP lounge, check-in counters and computer/communications systems use.

The Airport also collects an Airport Improvement Fee (AIF) from passengers departing Québec City Jean Lesage International Airport. Revenue arising from the AIF, net of recovery costs, is entirely used to finance construction, infrastructure improvement and capital asset investments directly impacting passenger services.

Overall revenue increased nearly 32% over 2007.

Terminal and landing revenue increased $1,339,574 with the addition of new carriers, passenger traffic increase and a 3% rate hike effective February 1st, 2008. Revenue rose 19% for domestic flights and 38% for international flights.

Revenue from the AIF collected from passengers was $3,103,354 higher due to increased traffic and the AIF rise to $20 from $15 effective February 1st, 2008.

Contracts with tenants and concessions were renegotiated following the terminal's inauguration. New facilities and higher traffic benefited restaurants, shops and car rental companies who saw their revenue go up $807,994, a 32% increase.

The new terminal offers enhanced passenger and airline services. For instance, airlines now have access to computerized check-in counters and kiosks, and their preferred passengers can enjoy the comfort and luxury of the new VIP lounge. Aéroport de Québec oversees and maintains the technical and communications infrastructure and operates the VIP lounge. The Airport is also responsible for the new baggage room where bags are automatically handled and sorted using DCV (Destination Coded Vehicle) technology. Together, these services generated $743,344 in 2008, adding to other fees collected from various parties using other Airport services such as safety, maintenance and snow removal.

Safety and security fees collected from airlines increased to $1.77 from $1.32 per enplaned passenger on February 1st, 2008. This raise was required to cover rising costs. The $441,442 revenue increase is due to higher prices and increased traffic.

EXPENDITURES

Total expenses went up $5,350,512, a 41% increase over last year which is mainly attributable to the new terminal operations.

The addition of 32 employees in 2008 to fill newly created positions resulted in higher labour and fringe benefits costs.

Aéroport de Québec inc. operates on federal property exempt from city taxes. However, under the lease with Transports Canada, the Airport is subject to grants in lieu of taxes based on the buildings' market value which increased with the new terminal and the ensuing municipal re-evaluation. Consequently, grants in lieu of taxes rose for the second half of the fiscal year.

The lease with Transports Canada stipulates that Aéroport de Québec inc. must pay rent based on total adjusted revenue. Increased revenue and the higher rate bracket resulted in higher rent in 2008.

SURPLUS OVER EXPENSES

Following the modernization project, a lease was cancelled and assets were either destroyed or disposed of, resulting in a net loss of $546,520.

The 2008 fiscal year ended with a surplus over expenses of $9,589,317 compared with $8,678,022 in 2007, for a $911,295 increase.


30
30
Portes
Gates
31 à to 34

THE BOARD OF DIRECTORS

Pursuant to Part II of the Canada Corporations Act, Aéroport de Québec inc. is a nonprofit, nontrading corporation which qualifies for exemption under the Income Tax Act. Aéroport de Québec's mandate is to manage, operate and develop Québec City Jean Lesage International Airport in accordance with a 60-year lease including a 20-year renewal option signed on October 20, 2000 with the Government of Canada.

Surplus over expenses is reinvested in airport infrastructure to improve passenger services.

Aéroport de Québec upholds all accountability and transparency principles set out in this lease and its own general bylaw.

In addition to the regulatory framework of the lease, general bylaw, and letters patent, Aéroport de Québec is subject to a number of regulations regarding its obligations of public accountability and transparency, including an annual review in accordance with Transport Canada's lease monitoring program.

Aéroport de Québec has received satisfactory reviews and any and all comments raised by Transport Canada were diligently handled with appropriate follow-ups.

The organization's appointing authorities are as follows:

- The Government of Canada (2 members)
- The Government of Quebec (1 member)
- The City of Québec (3 members)
- The City of Lévis (2 members)
- Chambre de commerce de Québec (2 members)
- Chambre de commerce des entrepreneurs de Québec (1 member)
- Chambre de commerce de Lévis (1 member)
- Aéroport de Quebec's Board of Directors (3 members)

The Board of Directors consists of at least 13 members up to a maximum of 15 allowed. Members of the Board are known for their expertise in air transportation, aviation, business, trade, finance, administration, law, management, engineering, labour organization, and consumer advocacy. Together they represent the regional business community.

The Board of Directors outlines organizational guidelines and ensures their implementation together with the President and Chief Operating Officer and his team.

In 2008 Aéroport de Québec relied on a team of 15 directors, including two new members. With their combined expertise and diverse skills, these individuals supported management in carrying out their responsibilities.

Members on December 31, 2008

1 **Mr. Gaëtan Gagné***, LLIF, C. Dir.
Chairman of the Board and CEO
L'Entraide Assurance, Mutual Company
Chairman of the Board
Chair, Executive Committee
Appointed by Chambre de commerce de Québec

2 **Mr. André Lemieux**[1,2,3], FCA
Managing Partner
Lemieux Nolet Comptables agréés
Deputy Chair
Appointed by the City of Lévis

3 **Ms. Louise Gingras**[1,4]
General Manager
Autobus Etchemin inc.
Secretary of the Board and Treasurer
Appointed by Chambre de commerce de Lévis

4 **Mr. Pascal Bélanger**[1,5], C. Dir.
President and Chief Operating Officer
Aéroport de Québec inc.
Appointed by Aéroport de Québec inc.'s Board of Directors

5 **Mr. Michel Cadrin**[1]
President
Groupe Michel Cadrin
Appointed by Transport Canada

6 **Mr. Jacques Champagne**[6], CA
Corporate Director
Chair, Audit Committee
Appointed by Transports Québec

7 **Mr. Yvan-Miville Des Chênes**[2]
Chair, Environment Committee
Appointed by Chambre de commerce de Québec

Mr. Guy Boulanger[6]***, FCA
President
Auberge La Pignoronde
Appointed by the City of Québec

* Ex-officio member of all committees
** Member designated as a director in 2008
*** Mr. Boulanger died on October 23, 2008

1 Executive Committee
2 Environment Committee
3 Governance Committee
4 Human Resources Committee
5 Construction Committee
6 Audit Committee

Members on December 31, 2008

8 **Mr. Roger Gravel**[4]
CUPE
Chair, Human Resources Committee
Appointed by Aéroport de Québec inc.'s Board of Directors

9 **Mr. Marcel Jobin**[5], CM, CQ, CD
Corporate Director
Chair, Construction Committee
Appointed by the City of Lévis

10 **Mr. Paul Pelletier**[4,6]
CEO
CAA Québec
Appointed by Aéroport de Québec inc.'s Board of Directors

11 **Ms. France Bilodeau**[6], FICA, FSA, CFA
Senior Vice President
Aon Consulting Inc.
Appointed by Transport Canada

12 Mr. Guy Vachon[5]**, eng.
Appointed by the City of Québec

13 Mr. Alain Vaillancourt[3,4]
Vice President, Sales & Marketing
Alarmes Microcom inc.
Appointed by Chambre de commerce des entrepreneurs de Québec

14 Mr. Alexandre Matte[2,6]
Coordinator
Department of Police Technology
Campus Notre-Dame-De-Foy
Appointed by the City of Québec

15 Mr. Carl Tremblay[3]**
Partner, Lawyer
Ogilvy Renault
Appointed by the City of Québec

* Ex-officio member of all committees
** Member designated as a director in 2008
*** Mr. Boulanger died on October 23, 2008

1 Executive Committee
2 Environment Committee
3 Governance Committee
4 Human Resources Committee
5 Construction Committee
6 Audit Committee

COMMITTEES

In 2008 the Board of Directors relied on six committees: the Executive Committee, the Environment Committee, the Governance Committee, the Human Resources Committee, the Construction Committee and the Audit Committee. They act in compliance with Board decisions and ensure that the organization meets its legal obligations in the day-to-day management of its operations.

The Construction Committee ensured careful management of the terminal modernization project in compliance with scheduling, costs, and programming. Regular Committee meetings focused on reviewing various project components and work, and keeping track of budget spending and tenders.

The Board of Directors is also supported by a Community Advisory Committee to support the advancement of various issues to improve air services and airport infrastructures. Members of this committee attended regular construction site visits throughout the year. They in turn became key advocates of the airport terminal project and services offered.

RULES GOVERNING CONFLICTS OF INTEREST

In accordance with the Transport Canada lease, Aéroport de Québec inc. adopted rules in its general bylaw aimed at preventing any real or apparent conflict of interest involving directors, management, and employees. Aéroport de Québec inc. complied with these rules throughout 2008.

CONTRACTS OVER $96,000

In accordance with Aéroport de Québec accountability principles, contracts over $96,000 that were awarded during 2008 were subject to an open tender process. For the contracts and reasons listed below, the Board of Directors approved requests to waive the open tender process:

- Axima Services Inc
  Baggage reconciliation system
  Sole provider of this technology

- IBM Canada Ltd.
  Network security
  Specific expertise and total solution provider

- Daktronics Canada
  Outdoor Led Video Screen
  Sole provider of this technology

DIRECTOR AND MANAGEMENT COMPENSATION

Director compensation
(Annual Honorarium)

Chairman of the Board $30,000
Deputy Chair $15,000
Secretary and Treasurer $15,000
Other Executive Committee Member $15,000

Construction Committee Chair $15,000
Human Resources Committee Chair $3,000
Environment Committee Chair $3,000
Audit Committee Chair $6,000

ATTENDANCE HONORARIUM

Board of Directors and Committees

Chairman of the Board $750/meeting
Committee Chairs $750/meeting
Directors $500/meeting

SENIOR MANAGEMENT

Aéroport de Québec's senior Management—consisting of the President and Chief Operating Officer, Director of Operations, Director of Property Development/Project Director, and Director of Finance and Administration—received $568,346 in compensation for the fiscal year ended on December 31, 2008.

Directors' Compensation in 2008

	Regular Compensation	Air Terminal Project Compensation
Ms. France Bilodeau	$6,000	$1,000
Mr. Guy Boulanger	$14,750	$3,000
Mr. Michel Cadrin	$29,250	$-
Mr. Jacques Champagne	$12,050	$2,000
Mr. Yvan-Miville Des Chênes	$11,000	$5,500
Mr. Gaëtan Gagné, Chairman of the Board	$84,250	$$36,375
Ms. Louise Gingras, Secretary	$29,750	$5 500
Mr. Roger Gravel	$13,250	$-
Mr. Marcel Jobin	$21,750	$41,125
Mr. André Lemieux, Deputy Chair	$34 750	$21,250
Mr. Alexandre Matte	$7,500	$-
Mr. Paul Pelletier	$10,500	$1,500
Mr. Carl Tremblay	$2,500	$500
Mr. Guy Vachon	$-	$1,000
Mr. Alain Vaillancourt	$9,000	$500


Aéroport international
Jean-Lesage de Québec
ARRIVÉES
Vol Provenance Actuelle Carrousel Statut
AC 8706 Montreal 09:50 B Arrivé
AC 8746 Ottawa 09:55 A Arrivé
DL 7331 Newark 10:10 Int Arrivé
UA 8258 Toronto 10:43 B Arrivé
AC 8710 Montreal 11:48 A À l'heure
WJ 8301 Sept Iles 12:50 A À l'heure
DL 7343 Newark 13:02 Int À l'heure
UA 8448 Toronto 13:32 B À l'heure
AC 8714 Montreal 13:49 A À l'heure
AC 8734 Montreal 14:32 B À l'heure
LH 9596 Montreal 14:54 A À l'heure
AC 8719 Wabush 15:47 B À l'heure
AC 8718 Montreal 15:50 A À l'heure
DL 7096 Newark 16:07 Int À l'heure
AC 8721 Iles de la Made 16:23 B À l'heure
LH 9550 Montreal 16:49 A À l'heure
C6 969 Ft Lauderdale 17:05 Int À l'heure
TS 563 Varadero 17:15 Int À l'heure
3H 821 Schefferville 17:20 À l'heure
LX 4652 Montreal 17:49 A À l'heure
AC 8918 Toronto 17:52 B À l'heure
WS654 Edmonton 17:54 A À l'heure
AC 8748 Ottawa 18:17 B À l'heure
AC 8736 Ottawa 18:30 A À l'heure
2008/08/08 Quebec 10:52
Vol
AC 8707
AC 8704
AC 8537
WG418
AC 8706
AC 8917
CO 2588
AC 8711
AC 8713
WJ 8301
CO 3072
AC 8919
AC 8765
AC 8717
AC 8716
AC 8719
AC 8749
AC 8721
CO 2739
AC 8723
3H 821
AC 8725
C6 932
AC 8923
2008/08/08

THE POWER OF SOCIAL CONTRIBUTION

Grounded in Values - Uplifted by Enduring Vision

As we contemplate the future, we have to consider the next steps to keep the momentum of a tremendously successful year going despite tough economic times around the globe. Strategic planning sessions throughout the year have laid the groundwork for this evaluation of our management practices as well as our financial, social and environmental performance.

The implementation of strategies and decisions to improve performance must also include concerted action to enhance the community's prosperity.

This will be the focus of future development initiatives as we seek to continually meet our needs and stakeholders' expectations while ensuring that future generations can build upon our achievements to fulfill their own needs.

Key governance policies and practices are already in place to promote economic, social and environmental accountability, including:

- Control and risk management programs
- Environmental management plans
- Health and safety plans

Policies and practices regulating donations, a code of ethics for management and staff, as well as training and HR programs are currently being developed for implementation in the coming year.

Québec City is located in a breathtaking area with numerous parks and forests, offering a safe and clean urban setting and an exceptional quality of life. It is only fitting that management practices and decisions reflect those community value.

The same principles apply to our commitment to being environmentally-responsible. We are constantly looking for ways to minimize the impact of our activities as outlined in previous sections.

Safety is also of the utmost concern and we have put forward guidelines to ensure a safe environment for our employees, our customers, and the community.

We continue to enhance our environment and the safety and security of all with the implementation of cutting-edge technologies and highly performing systems throughout the new terminal.

The new facility features architectural and design innovations as well as electrical, mechanical and technological capabilities to enhance the systems' efficiency and effectiveness in an effort to reduce potential negative impact on the environment, increase our performance and enhance our workplace.

We are very pleased to present this 2008 Annual Report in a document printed in accordance with the Principles and Criteria of the Forest Stewardship Council. FSC is an international certification body warranting claims made by certified organizations. The FSC's mission is to promote environmentally-responsible, socially beneficial, and economically viable management of the world's forests by establishing globally recognized forest management principles.

The Airport is located on 1,770 acres of land mostly comprised of forests. This makes us all the more aware of the need to protect our forests by ensuring proper utilization of the forests and surrounding areas to meet the social, economic, environmental and cultural needs of present and future generations.

We are committed to implement viable long-term solutions to enhance the economic, social, environmental and cultural development of one of the few cities in the world to be a UNESCO's world heritage site. In so doing, we are laying a solid foundation for the development of an airport which will contribute to the expansion of the entire region.


rsairfly.com

AUDITORS' REPORT AND AUDITED FINANCIAL STATEMENTS 2008

To the Directors of **Aéroport de Québec inc.**

We have audited the balance sheet of Aéroport de Québec inc. as at December 31, 2008 and the statements of operations, 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, 2008 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.[1]

Québec, February 13, 2009

1 Chartered accountant auditor permit no. 7461

OPERATIONS

Year ended December 31, 2008

	2008	2007
	$	$
Revenues		
Landing and terminal fees	**8,994,394**	7,654,820
Airport improvement fees (Note 4)	**9,722,983**	6,619,629
Concessions and rentals	**3,328,052**	2,520,058
Parking	**2,615,779**	2,277,301
Services and recoveries	**1,447,566**	591,598
Safety and security	**971,176**	529,734
Net investment income (Note 6)	**1,373,111**	1,392,376
Other	**12,039**	14,542
	28,465,100	21,600,058
Expenses		
Salaries and benefits	**5,112,187**	4,270,586
Operating expenses	**10,279,806**	7,202,287
Financial expenses (Note7)	**580,734**	4,913
Amortization of property, plant and equipment	**2,741,377**	1,527,081
Amortization of deferred expenses	**14,250**	
Amortization of deferred contributions relating to capital assets	**(399,091)**	(26,116)
	18,329,263	12,978,751
Excess of revenues over expenses before other revenue (expense)	**10,135,837**	8,621,307
Other revenue (expense)		
Gain on disposal of property, plant and equipment	**12,050**	56,715
Loss on write-off of property, plant and equipment and cancellation of lease	**(558,570)**	
	(546,520)	56,715
Excess of revenues over expenses	**9,589,317**	8,678,022

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

CHANGES IN NET ASSETS
Year ended December 31, 2008

				2008	2007
	Invested in property, plant and equipment	**Internally restricted (Note 18)**	**Unrestricted**	**Total**	Total
	$	**$**	**$**	**$**	$
Balance, beginning of year	**10,661,246**	**8,484,246**	**22,015,500**	**41,160,992**	32,482,970
Excess (insufficiency) of revenues over expenses	**(2,718,427)**		**12,307,744**	**9,589,317**	8,678,022
Net investments in property, plant and equipment	**6,882,192**		**(6,882,192)**		
Balance, end of year	**14,825,011**	**8,484,246**	**27,441,052**	**50,750,309**	41,160,992

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

CASH FLOWS

Year ended December 31, 2008

	2008	2007
	$	$
OPERATING ACTIVITIES		
Excess of revenues over expenses	**9,589,317**	8,678,022
Non-cash items		
Gain on disposal of property, plant and equipment	**(12,050)**	(56,715)
Loss on write-off of property, plant and equipment	**388,191**	
Amortization of property, plant and equipment	**2,741,377**	1,527,081
Amortization of deferred expenses	**14,250**	
Amortization of deferred contributions relating to capital assets	**(399,091)**	(26,116)
Accrued benefit asset	**(20,100)**	(50,500)
Changes in working capital items (Note 8)	**596,029**	(524,507)
Net cash generated	**12,897,923**	9,547,265
INVESTING ACTIVITIES		
Term deposits	**(20,207,238)**	(70,866,837)
Receipt of term deposits	**41,844,107**	42,915,910
Notes receivable	**(20,736)**	
Receipt of notes receivable	**119,245**	116,667
Property, plant and equipment	**(51,078,347)**	(32,218,947)
Disposal of property, plant and equipment	**12,050**	119,881
Deferred expenses	**(122,140)**	
Net cash generated	**(29,453,059)**	(59,933,326)
FINANCING ACTIVITIES		
Deferred contributions relating to capital assets	**9,182,635**	10,701,077
Long-term debt		60,000,000
Repayment of long-term debt	**(1,000,000)**	(500,000)
Net cash generated (used)	**8,182,635**	70,201,077
Net increase (decrease) in cash and equivalents of cash	**(8,372,501)**	19,815,016
Cash and savings account, beginning of year	**21,258,645**	1,443,629
Cash and savings account, end of year	**12,886,144**	21,258,645

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

BALANCE SHEET

December 31, 2008

	2008	2007
	$	$
ASSETS		
Current assets		
Cash	**4,251,133**	3,958,626
Savings account, at a variable rate	**8,635,011**	17,300,019
Term deposits (Note 9)	**12,866,047**	30,319,770
Accounts receivable (Note 10	**6,141,807**	4,075,173
Supplies in inventory, at cost	**287,776**	187,235
Prepaid expenses	**90,369**	133,963
	32,272,143	55,974,786
Term deposits (Note 9)	**6,900,000**	11,083,146
Notes receivable (Note 11)	**2,705,694**	2,809,721
Grant receivable (Note 12)	**12,500,000**	13,500,000
Property, plant and equipment (Note 13)	**104,836,859**	53,363,761
Deferred expenses	**107,890**	
Accrued benefit asset (Note 19)	**146,800**	126,700
	159,469,386	136,858,114
LIABILITIES		
Current liabilities		
Accounts payable (Note 15)	**15,251,962**	9,787,700
Deferred revenues	**65,725**	114,407
Customer deposits	**596,560**	523,729
Instalments due within one year	**2,125,000**	1,000,000
	18,039,247	11,425,836
Long-term debt (Note 16)	**56,375,000**	58,500,000
Deferred contributions relating to capital assets (Note 17)	**34,304,830**	25,771,286
	108,719,077	95,697,122
NET ASSETS		
Invested in property, plant and equipment	14,825,011	10,661,246
Restricted under internal restrictions (Note 18)	8,484,246	8,484,246
Unrestricted	**27,441,052**	22,015,500
	50,750,309	41,160,992
	159,469,386	136,858,114

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

On behalf of the Board,

Director

Director

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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 Quebec metropolitan area. The Organization is exempted under the *Income Tax Act*.

2- CHANGES IN ACCOUNTING POLICIES

Recently adopted standards

Going concern adoption

On January 1, 2008, in accordance with the applicable transitional provisions, the Organization applied the new recommendations of Section 1400, "General Standards of Financial Statement Presentation", of the *Canadian Institute of Chartered Accountants' Handbook*, dealing with the going concern assumption. The new recommendations, which are effective for fiscal years beginning on or after January 1, 2008, require management to make an assessment of the Organization's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. The new requirements only address disclosures and have no impact on the Organization's financial results.

Capital disclosure

On January 1, 2008, in accordance with the applicable transitional provisions, the Organization applied the recommendations of Section 1535, "Capital Disclosures", of the *Canadian Institute of Chartered Accountants' Handbook* relating to non-publicly accountable enterprises. The new recommendations, effective for fiscal years beginning on or after October 1, 2007, require that such enterprises, with externally imposed capital requirements, disclose information that enables users of their financial statements to evaluate the effect of those requirements. The new accounting standard only addresses disclosures and has no impact on the Organization's financial results.

Future accounting standards

Financial instruments

In December 2006, the Canadian Institute of Chartered Accountants (CICA) published new Sections 3862, "Financial Instruments – Disclosures", and 3863, "Financial Instruments – Presentation", which establish standards for the presentation and disclosure of financial instruments and non-financial derivatives. These new sections replace Section 3861, "Financial Instruments – Disclosure and Presentation".

Following the CICA's decision to allow the deferred application of Sections 3862 and 3863 to fiscal years beginning on or after October 1, 2008, the Organization decided to apply these new sections as of January 1, 2009.

These new standards only address disclosures and presentation and will have no impact on the Organization's financial results.

Not-for-profit Organizations

In September 2008, the CICA amended the introduction to accounting standards that apply only to not-for-profit organizations and several sections in the 4400 series as well as consequential changes to other sections of the CICA Handbook. The main changes affect the following, in particular:

- Inclusion of not-for-profit organizations within the scope of sections 1540, "Cash Flow Statements", and 1751, "Interim Financial Statements";
- Elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets;
- Amendments to clarify that revenues and expenses must be recognized and presented on a gross basis when the not-for-profit organization is acting as a principal in the transactions in question;
- Inclusion of additional guidance with respect to the appropriate use of the scope exemption in Section 4430, "Capital Assets Held by Not-for-profit Organizations", for smaller entities.

The CICA also published new Section 4470, "Disclosure of Allocated Expenses by Not-for-profit Organizations", which establishes disclosure standards for the not-for-profit organization that classifies its expenses by function and allocates expenses to a number of functions to which the expenses relate.

These changes are effective for fiscal years beginning on or after January 1, 2009 and the Organization will implement them as of this date. The Organization's management is not able to measure the impact that the application of these changes will have on the 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.

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.

Basis of measurement of financial assets and liabilities

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 and savings account were classified as held-for-trading assets and are measured at the fair value.

The term deposits, trade accounts receivable, accrued interest, notes receivable and the grant receivable are classified as loans and receivables and the accrued interest are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts.

The bank loan, 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 Organization 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.

Amortization

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

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

Current projects concerning the rebuilding of the airport terminal, once complete, will be amortized using the straight-line method of amortization according to the following periods:

	Periods
Bridges	25 years
Landscaping	15 years

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

Deferred expenses include leasehold improvements paid for certain lessors and are amortized on a straight-line basis over the term of the leases until 2013.

Revenue recognition

Revenue 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.

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

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

Rent from office and land leases is recognized monthly based on the corresponding leases.

Parking revenue is 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.

3- ACCOUNTING POLICIES (Continued)

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 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 eight years.

4- AIRPORT IMPROVEMENT FEES

In 2001, the Organization implemented an airport improvement fee (AIF) program. These fees were collected by airline companies according to an agreement between the Organization, the Air Transport Association of Canada and airline companies. According to this agreement, AIF revenue can only be used to acquire eligible property, plant and equipment under the Organization's capital program and for interests on long-term debt.

Since their introduction, the cumulative capital expenses[2] and amounts earned as part of the AIF are detailed as follows:

	2008	2007
	$	$
Investments eligible under property, plant and equipment program		
Balance, beginning of year	**54,699,024**	20,268,867
Acquisitions during the year	**53,616,166**	34,430,157
Interests on long-term debt	**580,734**	
Balance, end of year	**108,895,924**	54,699,024
Airport improvement fees earned		
Balance, beginning of year	**28,989,150**	19,090,245
Earned during the year	**9,722,983**	6,619,629
Balance, end of yea	**38,712,133**	25,709,874
Excess of investments eligible over AIF earned	**70,183,791**	28,989,150

2 Including interest on long-term debt.

5- GRANTS

The Organization obtained $36,332,884 in grants to complete construction of the airport terminal. Of this amount, $21,332,884 are receivable on presentation of claims based on the percentage of completion; an amount of $18,383,712 was received as at December 31, 2008. An amount of $15 million is to repay class "B" bonds and $1,500,000 was received as at December 31, 2008. The grants received and receivable are recorded under Deferred contributions relating to capital assets.

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

- Carry out work listed in agreement;
- Remain owner of property for which it received a grant;
- Respect laws and decisions applicable to the project and the resulting activities.

6- NET INVESTMENT INCOME

	2008	2007
	$	$
Interest income		
Assets held for trading	**181,916**	73,849
Loans and receivables	**1,191,195**	1,318,527
	1,373,111	1,392,376

7- FINANCIAL EXPENSES, NET

	2008	2007
	$	$
Other financial liabilities		
Interest on long-term debt	**1,242,018**	510,787
Interest on short-term debt		1,290
Various interest		3,623
	1,242,018	515,700
Loans and receivables		
Interest income on grant receivable	**661,284**	510,787
	580,734	4,913

8- INFORMATION INCLUDED IN THE STATEMENT OF CASH FLOWS

The changes in working capital items are detailed as follows:

	2008	2007
	$	$
Accounts receivable, excluding the grant receivable and the current portions of the notes and grant receivable	**(1,311,116)**	(854,776)
Supplies in inventory	**(100,541)**	19,794
Prepaid expenses	**43,594**	57,377
Accounts payable, excluding accounts payable related to property, plant and equipment	**1,939,943**	137,188
Deferred revenues	**(48,682)**	4,420
Customer deposits	**72,831**	111,490
	596,029	(524,507)

9- TERM DEPOSITS

	2008	2007
	$	$
Current		
2.47%, maturing on different dates until September 2009	**12,866,047**	30,319,770
Long-term		
3.95%, maturing on different dates until May 2012	**6,900,000**	11,083,146
	19,766,047	41,402,916

10- ACCOUNTS RECEIVABLE

	2008	2007
	$	$
Trade accounts	**3,356,303**	1,438,029
Grant receivable	**750,000**	
Commodity taxes	**452,699**	878,911
Accrued interest	**460,620**	565,660
Current portion of notes receivable	**122,185**	116,667
Current portion of grant receivable	**1,000,000**	1,000,000
Other		75,906
	6,141,807	4,075,173

11- NOTE RECEIVABLE

	2008	2007
	$	$
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% (10.70%; 11.40% in 2007), receivable until January 2033 in monthly payments of $9,722, followed by 333 monthly payments of $1, maturing on October 30, 2060	**2,809,722**	2,926,388
Note receivable, 9% receivable in monthly payments of $577, maturing in December 2011	**18,157**	
	2,827,879	2,926,388
Current portion	**122,185**	116,667
	2,705,694	2,809,721

12- GRANT RECEIVABLE

	2008	2007
	$	$
Grant receivable, 4.77%, receivable by monthly instalments of $250,000, until April 2022	**13,500,000**	14,500,000
Current portion receivable	**1,000,000**	1,000,000
	12,500,000	13,500,000

13- PROPERTY, PLANT AND EQUIPMENT

			2008
	Cost	**Accumulated amortization**	**Net**
	$	**$**	**$**
Buildings	**59,982,875**	**464,399**	**59,518,476**
Leasehold improvements	**8,853,455**	**1,649,814**	**7,203,641**
Machinery and equipment	**30,037,913**	**1,802,895**	**28,235,018**
Computer equipment	**6,418,619**	**841,338**	**5,577,281**
Automotive equipment	**4,282,834**	**2,324,963**	**1,957,871**
Furniture and fixtures	**2,356,069**	**101,133**	**2,254,936**
Projects in process - Other	**89,636**		**89,636**
	112,021,401	**7,184,542**	**104,836,859**

13- PROPERTY, PLANT AND EQUIPMENT (Continued)

			2007
	Cost	Accumulated amortization	Net
	$	$	$
Buildings	671,440	83,443	587,997
Leasehold improvements	8,878,504	1,116,176	7,762,328
Machinery and equipment	3,575,393	1,383,459	2,191,934
Computer equipment	720,967	444,461	276,506
Automotive equipment	3,752,570	1,943,332	1,809,238
Furniture and fixtures	287,852	257,000	30,852
Projects in process - Airport terminal	33,336,051		33,336,051
Projects in process - Other	7,368,855		7,368,855
	58,591,632	5,227,871	53,363,761

During the year, the Organization capitalized interest of $1,238,069 ($574,181 in 2007).

14- BANK LOANS

The authorized bank loans with two institutions in the amount of $5,000,000 and $2,000,000 bear interest at prime rate (3.5%; 6.0% in 2007) and are renegotiable in 2009. As at December 31, 2008, the bank loans were unused.

15- ACCOUNTS PAYABLE

	2008	2007
	$	$
Trade accounts payable and accrued liabilities	**4,228,692**	2,408,788
Accounts payable related to property, plant and equipmen	**10,708,500**	7,184,181
Salaries, vacation and employee benefits	**314,770**	194,731
	15,251,962	9,787,700

16- LONG-TERM DEBT

	2008	2007
	$	$
Series "A" bonds, 5.12%, interest payable quarterly and principal payable in quarterly instalments of $562,500, starting in July 2009, maturing in April 2029	**45,000,000**	45,000,000
Series "B" bonds, 4.77%, payable from the grant receivable in quarterly instalments of $250,000 plus interest, maturing in April 2022	**13,500,000**	14,500,000
	58,500,000	59,500,000
Instalments due within one year	**2,125,000**	1,000,000
	56,375,000	58,500,000

Under the credit agreement, the Organization is subject to certain conditions. As at December 31, 2008, these conditions were respected.

The instalments on long-term debt for the next five years are $2,125,000 in 2009 and $3,250,000 in 2010 until 2013.

17- DEFERRED CONTRIBUTIONS RELATING TO CAPITAL ASSETS

			2008
	Cost	**Accumulated amortization**	**Net**
	$	**$**	**$**
Airport terminal	**34,133,712**	**372,990**	**33,760,722**
Buildings	**652,910**	**108,802**	**544,108**
	34,786,622	**481,792**	**34,304,830**

			2007
	Cost	Accumulated amortization	Net
	$	$	$
Airport Terminal	25,201,077		25,201,077
Buildings	652,910	82,701	570,209
	25,853,987	82,701	25,771,286

18- 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 property, plant and equipment of $3,316,910 in 2003.

19- 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:

	2008	2007
	$	$
Defined benefit plan	**141,500**	178,328
Defined contribution plan	**111,300**	75,956
	252,800	254,284

The actuarial 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, 2008 by Morneau Sobeco.

The defined benefit plan disclosure is detailed as follows:

	2008	2007
	$	$
Fair value on plan assets	**4,067,400**	4,359,500
Accrued benefit obligations	**3,083,700**	3,738,600
Funded status – excess	**983,700**	620,900
Unamortized actuarial gains	**(836,900)**	(494,200)
Accrued benefit assets	**146,800**	126,700

The plan assets are composed of mutual funds investments.

19- EMPLOYEE FUTURE BENEFITS (Continued)

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

	2008	2007
	%	%
Discount rate	**7.5**	5.25
Expected long-term rate of return on plan assets	**6.5**	6.5
Rate of compensation increase	**3.5**	3.5

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

	2008	2007
	$	$
Employer contributions	**161,600**	228,828
Employee contributions	**54,300**	61,150
Benefits paid	**31,700**	26,865

20- 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". A new rent formula became effective January 1, 2006 and provides for a transition period from 2006 to 2009 for which rent is determined according to set parameters. As of 2010, 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 $1,030,334 in 2009, $990,922 in 2010, $1,077,018 in 2011, $1,193,983 in 2012 and $1,344,676 in 2013.

The Organization has also entered into long-term leases and service contracts expiring on various dates until January 2014, which call for payments totalling $494,664. Minimum payments for the next five years are $201,255 in 2009, $135,132 in 2010, $78,172 in 2011, $60,711 in 2012 and $19,394 in 2013.

The Organization is currently carrying out major rebuilding of the airport terminal and other projects. As at December 31, 2008, the Organization has commitments relating to this work for a total of $5,156,724.

21- FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

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, savings account, 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 is equivalent to the carrying amount given that it bears interest at a rate which varies according to the market rate. 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 grant receivable, term deposits and long-term debt was determined by discounting the expected cash flows using market interest rates for similar debt security having the same term to maturity and approximates its carrying amount.

Financial risks

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

Credit risk

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

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

The Organization is exposed to credit risk because its cash, savings account and term deposits are concentrated with two financial institutions.

Liquidity risk

Liquidity risk is the risk that the Organization 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 Organization has financing sources such as bank loans for a sufficient authorized amount. At this effect, the Organization establishes budget and cash estimates.

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, the note receivable, the grant receivable and the long-term debt bear interest at a fixed rates and the Organization 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 a variable rates and the Organization is, therefore, exposed to the cash flow risks resulting from interest rate fluctuations.

22- CAPITAL MANAGEMENT

The Organization's capital management objectives are:

- Ensuring it has the necessary capital for developing and improving air and airport services to ensure quality service to passengers;
- Maintaining a flexible capital structure enabling the Organization 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 Organization's capital includes net assets and long-term debt.

To ensure it attains its objectives, Organization's management:

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


AÉROPORT INTERNATIONAL JEAN-LESAGE INTERNATIONAL AIRPORT
Arrivées des vols internationaux
International flight arrivals

YQB/AR 2008

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