

2003 ANNUAL REPORT
AÉROPORT DE QUÉBEC



Aéroport de Québec



In November 2000, Transport Canada handed down the responsibility of the Jean Lesage International Airport's (JLIA) management, operation, and development to Aéroport de Québec inc. As a non-profit, non-share capital organisation, all surplus of revenues are reinvested in the airport, improving various services offered to the travelling public. Governed by a community-based Board of Directors, our focus is to turn the airport into a transportation hub, linking the greater Québec City area to the rest of the world.

As Eastern Québec's regional, national and international gateway, JLIA serves a population of nearly 2 million residents. Located near Québec's capital city, it is at the centre of the combined districts of Québec and Lévis. With over 60 leaseholders, concessionaries and suppliers providing diverse services across its territory, the airport is a key economic development enabler for the region. Together, the airport community generates over 1,500 jobs. Open 24 hours a day, 7 days a week, the airport serves an average 650,000 passengers annually, via 6 carriers that offer over 240 regular weekly flights to various North American destinations, and 8 chartered flights internationally.

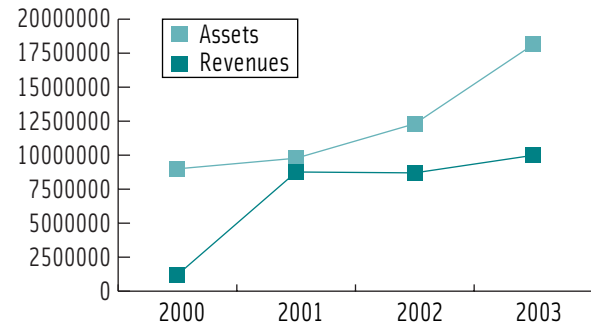
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Highlights

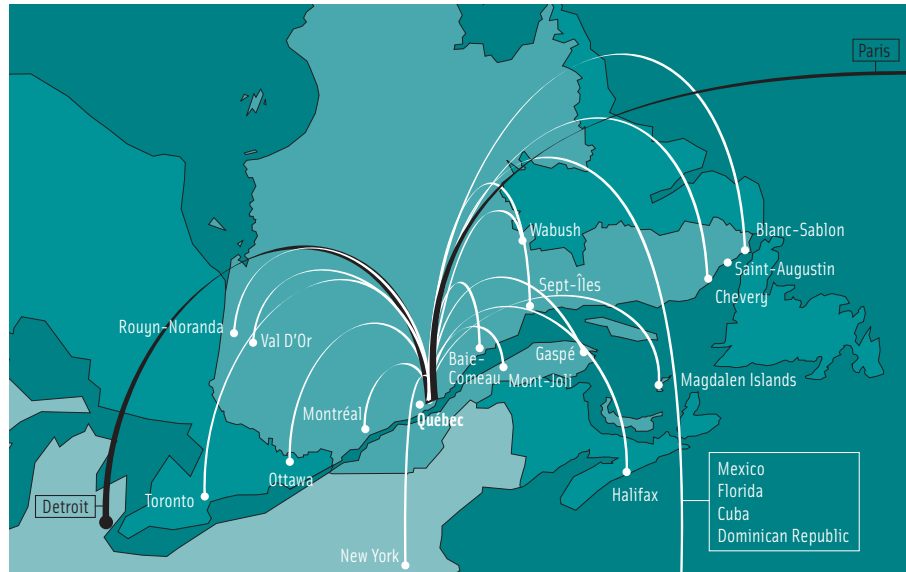
2003 Passenger Traffic Recovery



Growth in revenues and increase in assets



Newly added routes to Paris and Detroit



MESSAGE FROM THE CHAIRMAN OF THE BOARD

For the past few years, the global aviation industry has seen its share of chaos, gradually bringing about changes that are reshaping air transportation as we know it. The year 2003 was no different, and Aéroport de Québec inc. was no exception to the upheaval. With a downturn in passenger traffic pursuant to the war in Iraq and SARS, and the loss of American Airlines' Québec-Boston service, not to mention the loss of revenue in bad debt following Air Canada's filing for creditor protection, we have had our share of chaos.

To manage an organisation in such unsettling times is definitely challenging. Remarkably though, Aéroport de Québec ended the year with an excess of revenues of \$3,606,332. Our financial results have continually increased over the years, with net operating revenues gaining \$107,383, from \$159,619 in 2002, to \$267,002 in 2003. However, our success is largely due to a \$3,339,330 gain on disposal of property, plant and equipment, stemming from the NordTech Aerospace transaction. Our management insight and efforts throughout the process leading up to this transaction allowed us to secure NordTech's establishment at JLIA. With a staff of over 150 professional workers already, this world-class organization launched its aircraft maintenance operations in 2003, with a most interesting expansion plan. The establishment of such projects at JLIA lets us foresee attractive development opportunities that can help us strengthen our aeronautical revenue base.



Through turbulent times, we have made incredible progress. With an impressive track record, we are poised to safely, effectively and profitably manage and operate JLIA, in order to meet the needs of travellers, and contribute to the enhancement of our transportation network.

Our contribution to the economic development of the region is clearly linked to the constant improvement of air services, and increase in passenger volumes. Air Transat's upgraded winter schedule to sunny destinations, and the establishment of its new direct flight to Paris, are sure signs of our constant efforts to develop, and the industry's noticeable recovery. Northwest Airlinck's arrival in June was also an important step in air service development, particularly with respect to the expansion of the Québec-north-eastern United States corridor. The return of its Québec-Detroit service in 2004 will allow us to continue strengthening this route. Moreover, Québecair Express contributed to the expansion of our regional services by launching its operations in the spring of 2003, with flights to the East and north-eastern parts of Québec, as well as to Montreal.

The increase in passenger traffic is therefore encouraging. Reaching 625,980 enplaned/deplaned (E/D) passengers in 2003, JLIA will have indeed recovered 3% of its traffic over the previous year.

Since 2000, the aviation industry has gone through gradual changes that have forced major traditional carriers to adapt, even radically transform their business models in

order to survive. Deregulation, airport devolution, and increased competition from new low fare carriers, are clear signs of a changing industry. However, low fare carriers offer interesting choices to travellers, creating a positive impact on passenger traffic levels, and allowing us to view the future with optimism.

Fast approaching its 50th Anniversary, JLIA will be celebrating this important milestone in 2008, at the same time as Québec City will commemorate its 400th Anniversary. After submitting a plan to the Board of Directors last fall, Aéroport de Québec maintained preparation of a terminal renewal project, and has resolved to see the site launch construction activities at the dawn of these celebrations. An important part of this major plan, remains preclearance: a definite priority in strengthening air services in the north-eastern strip, between Québec and major American cities. Although the notion of preclearance has changed somewhat over time, our objectives to increase Québec's accessibility and visibility remain the same. In fact, border preclearance is slowly giving way to new technologies such as perimeter clearance, which in turn relies on various biometric identification methods. Whatever the means, the implementation of some sort of system is imperative for a capital city such as Québec, a designated World Heritage Site, by UNESCO. In today's global and free-trade marketplace, this goal is common to many cities looking to expand their economic status, and international visibility.

Also in 2003, our Board of Directors focused on updating its By-laws in order to remain efficient in terms of corporate governance. Amendments to the By-laws will ensure improved community representation within Aéroport de

Québec's Board, and allow the Board to reach its goals of transparency and accountability towards the public.

We are also reminded that in 2003, the Canadian government was on the verge of ratifying the Canada Airports Act (Bill C-27), legislating airport governance in Canada. Although the Bill was put on hold further to changes in the country's leadership, we anticipate its return on the new government's agenda. Our Board therefore worked on the preparation of a memoir aimed at heightening government awareness on the impacts of this Bill on our operations. Aéroport de Québec remains preoccupied by this piece of legislature, particularly with respect to revenue control, and the maintenance of fair competition among airports.

In the end, our success has shown more than ever our resilience in facing challenges, but also our ability to seize opportunities, as demonstrated in the NordTech transaction. More so, these accomplishments have proven how we can rely on our partnerships to overcome barriers, and manage this incredible infrastructure while enhancing JLIA's stance.

We would like to thank our partners of the Groupe d'action pour les liaisons aériennes (GALA) for their continued support in 2003. Once again, we were able to count on their cooperation to increase air services in Québec, but also to diversify the quantity and quality of flights to multiple destinations, for both business and leisure travellers.

We would also like to thank Mr. Jean Lemay for his role as administrator, and Ms. Lucie Francoeur, for her contribu-

tion during the last three years, as President and CEO of Aéroport de Québec. Our thanks also extend to Mr. Lucien Barbeau for his input over the past several years. Mr. Barbeau resigned from his position as Corporate Secretary and as member of the Executive Committee, in late fall.

In addition, we wish to recognize our team at Aéroport de Québec for their commitment to fulfilling our daily mission, and offer first-rate airport services to our customers.

During the course of 2003, Aéroport de Québec continued collective bargaining negotiations with the Public Alliance Union of Canada. After several meetings, the Union requested a mediator. On December 16, an agreement was signed by both parties, but was then rejected by unionised employees on January 5. Despite this situation, we intend to pursue our efforts in the year to come, in order to reach a final agreement.

Although 2004 will undoubtedly bring its share of trials, we will continue to focus on operational efficiency and profitability. With the help of our regional and industry partners, we will develop the airport and improve its visibility and accessibility. Our organisation promises to continue reaching for its goals and to do so, has appointed a new General Manager who will be responsible for ensuring leadership, providing the framework and control of operations, as well as overseeing the development of Aéroport de Québec. With a very relevant profile, and experience acquired in the transportation field, we are confident that Ms. Ghyslaine Collard will contribute in a significant way to Aéroport de Québec's future successes.

Lastly, we would like to thank all of JLIA's customers for their ongoing support over the last three years. The whole team at Aéroport de Québec is proud to work for you, and will ensure that on its 50th Anniversary, the airport becomes a symbol of our region's pride.

As this issue goes to press, we are fully aware that Air Canada's difficulties could have major impacts on our organisation's profitability. But as reliant as we are on events and changes that occur in our industry, we will continue to adapt to these multiple situations, while improving the efficiency and productivity of our organisation.

We therefore remain on track, with renewed resolve to reach our goals and make JLIA a strong and valuable resource for its many customers, and its community.



May 20, 2004

MESSAGE FROM THE GENERAL MANAGER

The aviation industry has evolved in a particular context over the last few years, leading most organisations to re-evaluate their position and reflect on the future, as was the case for Aéroport de Québec inc.

After a year marked by constant upheaval, both at home and internationally, we are taking a turn, and adjusting our organisational structure. These changes are aimed at pulling together various levels of responsibility, and implementing an effective and unified decision-making process. Establishing leadership was vital; but there remains much to be done. This "revolution" in no way alters Aéroport de Québec's mission. Quite the opposite in fact, we remain committed towards the community. Our priority is to meet the needs of business and leisure travellers from the greater Québec City area, and Eastern Québec.

For Aéroport de Québec, air services are the cornerstone of our development initiatives, and growth objectives. Multiplying services from Québec City will directly increase traffic at JLIA, helping us outline and accomplish major projects with widespread benefits.

Therefore in 2004, we will pursue terminal redevelopment planning as well as the preparation of our master plan, which will be critical in determining our long term goals for the development of the airport's infrastructures over the next 20 years. It will also provide the framework in redeveloping the terminal to meet long term requirements. The

airport being a key component of greater Québec's transportation network, the master plan ties into the City of Québec's own master plan. That is why harmonizing both is an essential step to meeting the needs of airport customers, and citizens.

Among other concerns, Aéroport de Québec wishes to consolidate its position, and concentrate on implementing strategies that will increase profitability, and financial competitiveness. We will therefore gradually maintain and diversify our revenue base to equip ourselves with the tools needed to reach our growth objectives. To do so, we will appoint the necessary resources to ensure constructive financial management, and pursue our operational and strategic goals.

It is therefore with much enthusiasm that I join Aéroport de Québec, to lead the team towards the definition and the accomplishment of key projects that will impact the airport's development, and consequently that of its community. I am confident that together, we will build a dynamic organisation and contribute to the enhancement of the greater Québec and capital regions' transportation network, for years to come.



Ghyslaine Collard

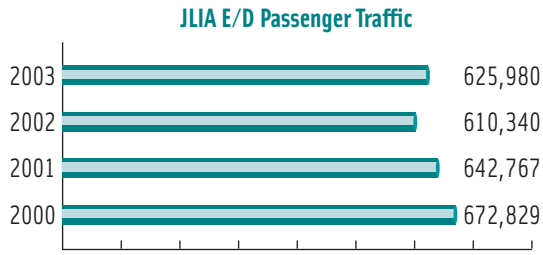
A handwritten signature in black ink, reading "G. Collard". Below the signature, the date "May 20, 2004" is printed in a small, sans-serif font.

2003 REVIEW

TRAFFIC INDICATORS

JLIA Passenger Traffic

In 2003, traffic at JLIA reached 625,980 E/D passengers, a 3% increase over 2002. Despite current events affecting the industry, such a rise in traffic bears witness to Aéroport de Québec's constant efforts in developing air services at JLIA, in collaboration with GALA partners.



Source : Aéroport de Québec - Estimated figures
Statistics Canada - 2002 preliminary figures and 2000-2001 official figures

Across North America, 2003 ended with a 2% increase in traffic levels. As with JLIA's quarterly results, traffic across Canada increased nearly 10% during the 1st quarter, followed by an important decrease of 7% at the end of the second quarter. These statistics are only proof that travellers remain sceptical faced with an accumulation of incidents worldwide. Post-2000 traffic recovery is therefore slow, in part due to major carrier difficulties added to industry changes. However, emerging carriers on the Canadian market such as Wesjet and Jetsgo, will heighten competition along many domestic, transborder, and international routes, which can only benefit the travelling public.

Passenger traffic growth is particularly attributable to first quarter results. Air Transat's improved services to sunny destinations, and the establishment of its new direct winter flight to Paris, have largely contributed to such figures. However, 2nd and 3rd quarters were much less encouraging given worldwide incidents such as SARS. Traffic decreases in the 3rd and 4th quarters are explained by the loss of American Airlines' Québec-Boston flight.

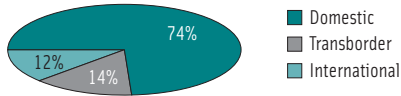


Source : Aéroport de Québec - Estimated figures
Statistics Canada - 2002 preliminary figures and 2000-2001 official figures

The analysis of JLIA's traffic by sector clearly demonstrates a growing proportion of international trips, which went from 6% in 2002, to 12% in 2003.

The establishment of Northwest's new Québec-Détroit service in 2003 helped contain the impact of the loss of American Airlines' Québec-Boston flight. Transborder traffic therefore remained stable, registering at 14%, in comparison to 13% in 2002.

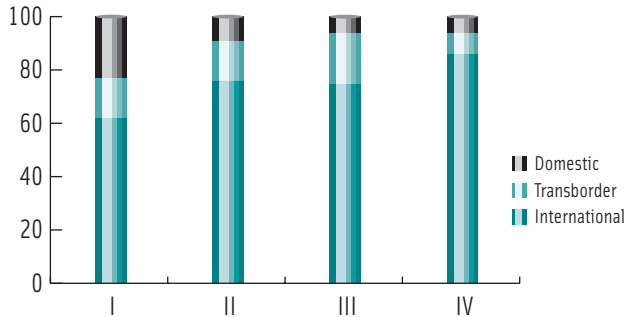
JLIA 2003 E/D Passenger Traffic by sector



Source : Aéroport de Québec – Estimated figures

JLIA has always offered a large proportion of its services to regional destinations, in part to fill public sector demand. Over the past four years, regional flights have remained stable compared to previous years, and despite fluctuations in regional carrier services. A maintained seating capacity contributed in part to such stability. Given the increase in international travel, the proportion of domestic traffic dropped to 74% in 2003, from 81% in 2002.

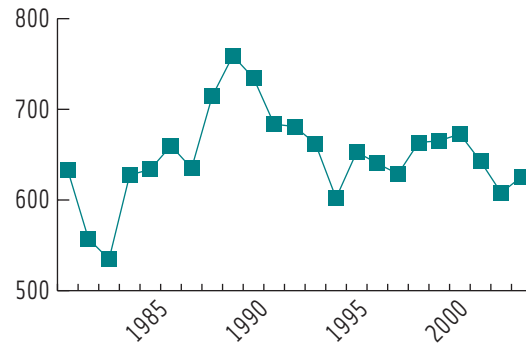
JLIA Quarterly E/D Passenger Traffic by sector



Source : Aéroport de Québec – Estimated figures

In 1989, JLIA's traffic reached an all time high with nearly 760,000 E/D passengers. Since then, traffic gradually decreased to its lowest point in 1994, following a new recession. That year also marked the end of Nationair charter operations, with flights to numerous Southern and European destinations. Our current industry crisis began in 2000, but took an even worse turn after 9/11, and subsequent international incidents.

JLIA Passenger Traffic - Historical Data

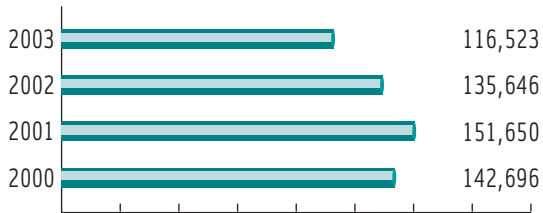


Source : Statistics Canada

Total aircraft movements at JLIA dropped 15% in 2003. In Canada, the total decrease was of 4.4%.

Among the 10 airports recording the most aircraft activity, JLIA registered the lowest decline.

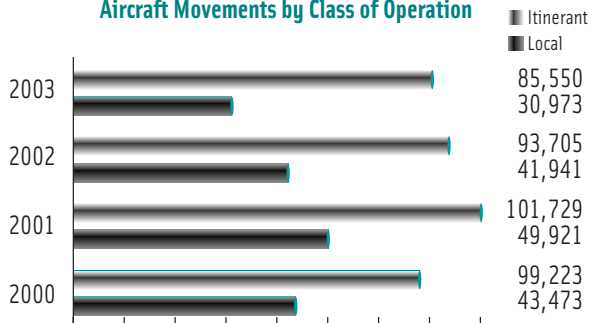
JLIA Aircraft Movements



Source : Statistics Canada, Aviation Statistics Centre, official figures

For the most part, this drop in aircraft movements is due to a 36% decrease in local flights, specifically flight schools.

Aircraft Movements by Class of Operation



Source : Statistics Canada, Aviation Statistics Centre, official figures

Thanks to efforts deployed throughout 2003, we can already foresee improved levels of traffic in 2004. Although it is difficult to establish forecasts even in the best of times, the year's outlook for the industry seems better, given a break in events, on both national and international levels.



2002-2006 STRATEGIC PLAN

The 2002-2006 strategic development plan, which outlines our goals, remains our map in order to see to the development of both our organisation and the airport.

Throughout 2003, it will have continued to guide our efforts in reaching our objectives, many of which are highlighted in the sections to come.

DEVELOPMENT

Air Services

As per our five-year plan, our first goal remains the development and improvement of air services. As Eastern Québec's gateway to the world, JLIA is key in supporting the region's economic development, ensuring the growth of business and tourism sectors in the greater Québec City area. Given challenges we have had to face in 2003 as well as previous years, the establishment of new services with flights to new destinations such as Paris and Detroit, are without a doubt remarkable. These accomplishments have given us the opportunity to stimulate traffic, and directly contribute to an increase in business for our various concessionaries operating in the terminal and on site.

Commercial Activities

At the very onset of 2003, and in accordance with the objectives established in our plan, we worked on strategies to help maintain our financial status through a period of prolonged difficulty. The following accomplishments have allowed us to diversify our revenue base by developing terminal services and commercial activities on airport grounds.

Renewal of aircraft maintenance operations at JLIA

In 2002, Aéroport de Québec announced the arrival of its latest newcomer, NordTech Aerospace. After months of negotiating, we finally reached an agreement with NordTech, who plans to expand aircraft maintenance operations at JLIA. Welcoming this international organisation to our site will contribute to the airport and the region's development and visibility. With the creation of approximately 750 jobs over a five-year period, this is a partnership we are very proud of.

Car rental companies at JLIA

Following a call for tenders, Aéroport de Québec selected Hertz, Avis, Tilden and Enterprise, on May 1, 2003, to offer car rental services from the terminal. As for Enterprise, it inaugurated its very first airport branch in the province, and its fourth in the country.

FACILITIES AND OPERATIONS

Terminal redevelopment

Throughout the course of 2003, we brought certain improvements to the terminal's domestic zone in order to modernise both functional and aesthetic aspects. These improvements include gradual changes in the lighting system, new seating in waiting areas, painting, and repairing/building partitions to harmonise international and domestic zones.

Aside from these initiatives, we also continued planning for our terminal redevelopment project. A plan was submitted to our Board during the fall of 2003. Aéroport de Québec

will continue development of this important project over the course of 2004, and intends to begin work as the airport celebrates its 50th Anniversary, and the City of Québec its 400th. It is clear that Aéroport de Québec must fit into 2008's exceptional calendar.

In the fall of 2003, we also participated in a survey to measure customer satisfaction. The results have provided us with information that will be used in establishing certain parameters throughout the planning processes of various projects, to ensure we continually improve on customer service.

Québec International Air Show

On August 30th and 31st 2003, JLIA hosted the twelfth edition of the Québec International Air Show, organized by the Fondation Maurice Tanguay.

With more than 100,000 spectators over the course of the weekend, the show's unprecedented success highlighted the American team of F-16 Thunderbirds, for the first time in the show's history, as well as the Canadian Aviation's CF-18, piloted by Captain Daniel Bélanger. Spectators were dazzled by these extraordinary performances.

Aéroport de Québec is proud to have collaborated in the success of this event with the Fondation Maurice Tanguay. This organisation ensures that all proceeds go to helping sick or handicapped children across the eastern part of the province.

Airport Safety and Security

To ensure the public's safety, Aéroport de Québec actively contributes to the maintenance of airport security, in collaboration with its various partners such as Transport Canada, the Canadian Air Transportation Security Agency (CATSA), and airlines. Aéroport de Québec participates in



several working groups, exchanging valuable information and cooperating in the harmonious implementation of new procedures and guidelines, all focused around aviation security.

Fleet Management

Aéroport de Québec rationalised its fleet to optimise the productivity of various specialised vehicles, and obtain versatile equipment. This operation led to the reduction of the number of vehicles, and in certain cases, the acquisition of new equipment better suited to airport requirements, such as snow disposal.

Obstacle charts

In order to maintain its international status, JLIA must meet certain requirements. Aéroport de Québec therefore had its obstacle charts revised in order to comply with the International Civil Aviation Organisation's requirements (ICAO). Data will then be published in various international publications, for foreign users.

Environmental Management

In the pursuit of sustainable development initiatives, Aéroport de Québec started working on its environmental management plan. The first phase of the project was to evaluate environment management practices. Dessau Soprin was awarded this contract and must also provide the necessary expertise in order to help designated staff launch the plan's preparation, and subsequently apply procedures.

With respect to the construction of snow-disposal facilities, Aéroport de Québec completed the project according to plans and estimates handed over to the ministère de

l'Environnement (MENV), and in accordance with the City of Québec's requirements. This disposal facility will contain snow removed from the airport site and carried by truck; once residues have settled, water coming from melted snow will be returned to storm sewer system.

Lastly, Aéroport de Québec began implementing its energy conservation programme with Ecosystem. The project will require a \$633,800 investment which will be recovered over a five-year period.

INDUSTRY RELATIONS AND PARTNERSHIPS

As an important economic development enabler for the Québec City region, and a gateway to the province's Eastern destinations, JLIA's daily activities have a significant impact on the community. Aéroport de Québec has therefore renewed its membership with GALA in order to continue developing valuable services for citizens and businesses, and actively supporting Québec City's major development initiatives, such as the convention and cruise ship markets. These efforts also help ensure greater accessibility to the region, through improved quantity and quality of flights available at JLIA. Everyone involved can only benefit from such cooperation.

In terms of our partnership with the Parc technologique, we collaborated in the preparation of an advertisement aimed at commercial development goals we had in common. The ad was published in the magazine Forces' special edition, portraying Québec City and its region.

At the very onset of 2003, challenges we faced were numerous and the repercussions of several legislative projects remained critical to Aéroport de Québec's development. We therefore upheld our involvement in the Canadian Airports Council, in collaboration with industry leaders. Our participation to various meetings and conferences helps us contribute to the advancement of key matters that equally affect JLIA.



HUMAN RESOURCES

During the course of 2003, Aéroport de Québec began its transition towards an organisational structure better suited to its requirements. At the heart of this restructuring, we counted on the development of our very own corporate culture, and a vision shared by the Board, Executive Management team and employees. We also began drafting parameters for human resources management, which included the preparation of an evaluation programme. These steps aim the development of a dynamic team, that collaborates in the pursuit of our strategic and operational goals, and plays a key role in conducting our business effectively.

This transition allowed us to reaffirm our orientations, as identified in our five-year strategic plan, but also lead to the departure of certain resources of the executive management team, in 2003.

Moreover, Aéroport de Québec continued collective bargaining negotiations with the Public Alliance Union of Canada. After several months, an agreement was signed by both parties in December 2003, but then rejected on January 5, 2004 by unionized staff. Although this situation has had an impact on our organisation's daily activities, we will maintain a collaborative approach in reaching grounds for an agreement during the year in progress.

In 2004, we will continue developing our human resources in response to early retirement of certain staff members to create a dynamic work environment, favourable to the success of our organisation.

2003 FINANCIAL REVIEW

HIGHLIGHTS

Aéroport de Québec inc. ended its third year operations with an excess of revenues over expenses before other expenses of \$267,002, in comparison to \$159,619 in 2002.

Other revenues are comprised of a gain on disposal of property, plant and equipment of \$3,339,330 \$, compared to \$67,878 the previous year. This extraordinary accomplishment is mainly due to the sale of the aircraft maintenance building to NordTech Aérospatiale. The acuity with which we conducted this matter from the very beginning made this important transaction possible.

In 2003, revenues reached \$9,993,439 compared to \$8,698,770 in 2002.

Revenues from landing and terminal fees increased 11.8%. Aéroport de Québec also added a new security fee which provided additional revenues of \$163,259, where as security expenses increased \$92,436.

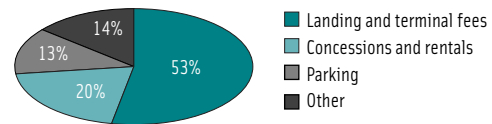
The increase in interest revenues of \$408,612 is mainly related to the note receivable remaining on the property sale.

Moreover, total expenses went from \$8,539,151 to \$9,726,437 in 2003. This increase is due, for the most part, to considerable increases in insurance fees, energy costs, professional services, and losses in bad debt, for a total of \$736,000.

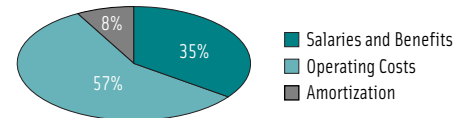
Airport Improvement Fees

Airport improvement fees (AIF) in 2003 totalled \$2,874,089, \$650,580 of which were used for capital expenditure programs.

Aéroport de Québec inc. Revenues



Aéroport de Québec inc. Operating Expenses



Auditors' Report and 2003 Financial Statements

To the Directors of
Aéroport de Québec Inc.

We have audited the balance sheet of Aéroport de Québec Inc. as at December 31, 2003 and the statements of earnings, changes in surplus and cash flows for the year then ended. These financial statements are the responsibility of the Company'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 Company as at December 31, 2003 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

Chartered Accountants

Quebec City
February 6, 2004

EARNINGS Year ended December 31, 2003

	2003	2002
	\$	\$
Revenues		
Landing and terminal fees	5,262,929	4,705,307
Concessions and rentals	2,046,240	2,079,141
Parking	1,322,389	1,217,389
Recoveries	404,954	376,246
Safety and security	163,259	
Interest	578,022	169,410
Amortization of deferred airport improvement fees	201,360	111,057
Other	14,286	40,220
	9,993,439	8,698,770
Expenses		
Salaries and benefits	3,423,618	3,246,740
Operating expenses	5,562,072	4,637,403
Amortization of property, plant and equipment	528,470	442,731
Amortization of deferred expenses	212,277	212,277
	9,726,437	8,539,151
Excess of revenues	267,002	159,619
Other revenues		
Gain on disposal of property, plant and equipment	3,339,330	58,003
Transport Canada grant		9,875
	3,339,330	67,878
Excess of revenues over expenses	3,606,332	227,497

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

CHANGES IN SURPLUS *Year ended December 31, 2003*

	Invested in property, plant and equipment	Surplus		Total 2003	Total 2002
		Internally restricted	Unrestricted		
	\$	(note 12) \$	\$	\$	\$
Balance, beginning of year	358,790	5,167,336	(180,279)	5,345,847	5,118,350
Excess of revenues over expenses	3,012,220		594,112	3,606,332	227,497
Invested in property, plant and equipment	(3,018,798)		3,018,798		
Internal restriction		3,316,910	(3,316,910)		
Balance, end of year	352,212	8,484,246	115,721	8,952,179	5,345,847

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

CASH FLOWS Year ended December 31, 2003

	2003	2002
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	3,606,332	227,497
Non-cash items		
Gain on disposal of property, plant and equipment	(3,339,330)	(58,003)
Amortization of property, plant and equipment	528,470	442,731
Amortization of deferred expenses	212,277	212,277
Amortization of deferred airport improvement fees	(201,360)	(111,057)
Changes in working capital items (Note 3)	305,814	8,845
Net cash generated	1,112,203	722,290
INVESTING ACTIVITIES		
Term deposits	(6,900,000)	(3,200,000)
Disposal of term deposits	4,600,000	50,000
Receipt of note receivable	106,944	
Property, plant and equipment	(893,385)	(692,893)
Disposal of property, plant and equipment	60,035	91,344
Net cash used	(3,026,406)	(3,751,549)
FINANCING ACTIVITIES		
Grant receivable from Transport Canada		551,488
Repayment of long-term debt	(349,349)	(349,349)
Receipt of deferred airport improvement fees	2,867,864	2,672,980
Net cash generated	2,518,515	2,875,119
Net increase (decrease) in cash	604,312	(154,140)
Cash, beginning of year	2,909	157,049
Cash, end of year	607,221	2,909

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

BALANCE SHEET *As at December 31, 2003*

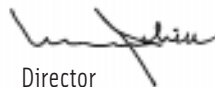
	2003	2002
	\$	\$
ASSETS		
Current assets		
Cash	607,221	2,909
Term deposits (Note 4)	6,800,000	3,100,000
Accounts receivable (Note 5)	1,317,176	1,587,987
Inventories	169,096	196,324
Prepaid expenses	224,572	205,026
	9,118,065	5,092,246
Term deposits (Note 4)	2,100,000	3,500,000
Note receivable (Note 6)	3,276,389	
Property, plant and equipment (Note 7)	3,260,931	3,116,721
Deferred expenses	388,622	600,899
	18,144,007	12,309,866
LIABILITIES		
Current liabilities		
Accounts payable (Note 9)	1,469,673	1,547,899
Deferred revenues	20,094	16,742
Customer deposits	59,184	79,881
Instalments on long-term debt		349,349
	1,548,951	1,993,871
Long-term debt (Note 10)	1,397,396	1,397,396
Deferred airport improvement fees (Note 11)	6,245,481	3,572,752
	9,191,828	6,964,019
SURPLUS		
Invested in property, plant and equipment	352,212	358,790
Internally restricted (Note 12)	8,484,246	5,167,336
Unrestricted	115,721	(180,279)
	8,952,179	5,345,847
	18,144,007	12,309,866

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

On behalf of the Board,



Director



Director

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The Company, 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, profitability and safety as well as the economic development of the Québec metropolitan area.

2 - ACCOUNTING POLICIES

Accounting estimates

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

Amortization

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

	Periods
Leasehold improvements	5 and 15 years
Machinery and equipment	5 years
Computer equipment	3 years
Automotive equipment	5 and 10 years
Furniture and fixtures	5 years

Deferred expenses are amortized on a straight-line basis over five years until 2005 and represent the costs incurred to takeover management of the Jean-Lesage International Airport.

Deferred revenues

Deferred revenues represent prepaid rent, which will be recognized in earnings in the coming year.

Employee future benefits

The Company accrues its obligations under employee 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 pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 15 years.

Deferred airport improvement fees

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

3 - INFORMATION INCLUDED IN THE STATEMENT OF CASH FLOWS

The changes in working capital items are detailed as follows:

	2003	2002
	\$	\$
Accounts receivable	393,703	72,582
Inventories	27,228	(994)
Prepaid expenses	(19,546)	(112,338)
Accounts payable	(78,226)	142,498
Deferred revenues	3,352	(51,408)
Customer deposits	(20,697)	(41,495)
	<u>305,814</u>	<u>8,845</u>

NOTES TO FINANCIAL STATEMENTS *December 31, 2003*

4 - TERM DEPOSITS	2003	2002
Current	\$	\$
- 2.00% to 4.25%, maturing on different dates until December 2004	6,800,000	3,100,000
Long-term		
- 4.20% to 5.10%, maturing on different dates until December 2008	2,100,000	3,500,000
	8,900,000	6,600,000

5 - ACCOUNTS RECEIVABLE	2003	2002
	\$	\$
Trade accounts	606,004	1,096,824
Airport improvement fees	205,484	199,259
Commodity taxes	76,725	151,618
Accrued interest	163,240	123,457
Current portion of note receivable	116,667	
Other	149,056	16,829
	1,317,176	1,587,987

6 - NOTE RECEIVABLE	2003	2002
	\$	\$
Balance selling price receivable from Nordtech Aérospatial (NTA) Inc, secured by a building, carrying interest at the rate of 5 years residential mortgage loan, raised of 5.25%, cashable until January 2033 by monthly payments of \$9,722, follow-ups of 333 monthly payments of \$1, maturing on October 30, 2060.	3,393,056	
Current portion	116,667	
	3,276,389	-

NOTES TO FINANCIAL STATEMENTS *December 31, 2003*

7 - PROPERTY, PLANT AND EQUIPMENT

			2003
	Cost	Accumulated amortization	Net
	\$	\$	\$
Leasehold improvements	836,513	159,121	677,392
Machinery and equipment	434,336	133,761	300,575
Computer equipment	211,998	173,764	38,234
Automotive equipment	2,716,637	741,296	1,975,341
Furniture and fixtures	239,100	138,524	100,576
Projects in progress	168,813		168,813
	4,607,397	1,346,466	3,260,931

			2002
	Cost	Accumulated amortization	Net
	\$	\$	\$
Leasehold improvements	678,423	98,823	579,600
Machinery and equipment	209,595	63,675	145,920
Computer equipment	193,270	108,936	84,334
Automotive equipment	2,518,856	468,153	2,050,703
Furniture and fixtures	218,336	92,717	125,619
Projects in progress	130,545		130,545
	3,949,025	832,304	3,116,721

8 - BANK LOAN

The authorized bank loan in the amount of \$2,000,000 bears interest at the prime rate and is renegotiable in 2004. As at December 31, 2003, the bank loan was unused.

9 - ACCOUNTS PAYABLE

	2003	2002
	\$	\$
Trade accounts payable and accrued liabilities	1,426,757	1,493,325
Salaries, vacation and employee benefits	42,916	54,574
	1,469,673	1,547,899

NOTES TO FINANCIAL STATEMENTS *December 31, 2003*

10 - LONG-TERM DEBT

	2003	2002
	\$	\$
Note payable to Transport Canada, secured by property, plant and equipment, without interest, payable in annual instalments of \$349,349, maturing on January 1, 2009	1,397,396	1,746,745
Instalments due within one year		349,349
	1,397,396	1,397,396

The instalments on long-term debt for 2004 and 2005 were deferred by Transport Canada. The annual instalments of \$349,349 will restart on 2006 until 2009.

11 - DEFERRED AIRPORT IMPROVEMENT FEES

	2003	2002
	\$	\$
Available airport improvement fees		
Balance, beginning of year	2,309,377	194,195
Deferred airport improvement of the year	2,874,089	2,715,774
Amount allocated to property, plant and equipment	(650,580)	(600,592)
Balance, end of year	4,532,886	2,309,377
Not deferred airport improvement having been used for acquisitions of fixed assets		
Balance, beginning of year	1,263,375	773,840
Acquisition of property, plant and equipment	650,580	600,592
Amortization for the year	(201,360)	(111,057)
Balance, end of year	1,712,595	1,263,375
	6,245,481	3,572,752

12 - INTERNALLY RESTRICTED NET ASSETS

The internally restricted net assets were obtained with a Transport Canada grant of \$5,167,336 and a gain on disposal of fixed assets realized during the year of \$3,316,910.

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 expense is as follows:

	2003	2002
	\$	\$
Defined benefit plan	306,700	293,487
Defined contribution plan	12,409	37,342
	319,109	330,829

The information regarding the defined benefit plan is as follows:

	2003	2002
	\$	\$
Accrued benefit obligations	1,335,117	857,000
Fair value of plan assets	1,205,500	(794,000)
Funded status - plan (1)	129,617	63,000

(1) The figures of 2002 were re-examined following the deposit of the report of the actuary on the actuarial evaluation of the pension plan on December 31, 2002.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	2003	2002
	%	%
Discount rate	6,2	5,1
Expected long-term rate of return on plan assets	3,0	3,5
Rate of compensation increase	1,5	1,5

NOTES TO FINANCIAL STATEMENTS *December 31, 2003*

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

	2003	2002
	\$	\$
Employer contributions	306,700	293,487
Employee contributions	63,900	62,444
Benefits paid	19,200	19,755

14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Short-term financial instruments

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

Note receivable

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

Long-term debt

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

15 - 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". Rent will be calculated according to passenger volume and financial results. The directors are of the opinion that no rent will be payable for the coming year.

BOARD OF DIRECTORS IN 2003

Mr. Gaëtan Gagné¹, LLIF
President of the Board and Chief Executive Officer
L'Entraide Assurance, compagnie mutuelle
Chairman of the Board
Executive Committee Chair
Designated by the Chambre de commerce de Québec

Ms. Louise Amiot³, Associate
Amiot et Bergeron Architectes
Designated by Transport Canada

Mr. Lucien Barbeau^{**}
Corporate Director
Designated by the Chambre de commerce de Québec

Mr. Guy Boulanger², FCA
President
Auberge La Pignoronde (Inn)
Audit Committee Chair
Designated by the City of Québec

Ms. Suzanne Delisle², CA
Finance Director
Sovar
Designated by the Chambre de commerce régionale
des entrepreneurs de Québec

Mr. François Ducharme²
Vice-President
Hill, Knowlton, Ducharme, Perron
Designated by the Ministère des Transports du Québec

Mr. Guy Dufort³
Director, Public Affairs
Innergex inc.
Environment Committee Chair
Designated by the City of Lévis
(formerly the MRC des Chutes-de-la-Chaudière)

Ms. Louise Gingras^{***}
General Manager
Autobus Etchemin inc.
Corporate Treasurer
Designated by the Chambre de commerce de Lévis

Mr. Nicolas Guay, CA
Director
Pro Technique de Québec inc.
Designated by the City of Québec
(formerly the Communauté urbaine de Québec)

Mr. Marcel Jobin¹, CM, CQ, CD
Corporate Director
Secretary
Designated by Transport Canada

Mr. André Lemieux¹, FCA
Associate Director
Lemieux Nolet Chartered Accountants
Vice-Chair
Designated by the City of Lévis (formerly the MRC Desjardins)

Mr. Michel Morasse
Consultant
Designated by the Board of Aéroport de Québec

^{*} Ex officio member of all committees

^{**} Mr. Lucien Barbeau resigned as Corporate Treasurer and as member of the Executive Committee in September 2003.

^{***} Ms. Louise Gingras was nominated Corporate Treasurer and member of the Executive Committee in November 2003

Ms. Lucie Francoeur left the organisation as President and CEO, in October 2003

Mr. Jean Lemay resigned from the Board in December 2003

¹ Executive Committee

² Audit Committee

³ Environment Committee

CORPORATE GOVERNANCE PRACTICES

BOARD OF DIRECTORS

In 2003, the Board of Directors brought certain changes to the organisation's By-laws, needed to maintain effective corporate governance practices. As per the National Airports Policy, and Aéroport de Québec's lease, the Transport Minister authorized the By-laws amendment, since changes were made in compliance with the government's future legislative projects. Approval was also given prior to the ratification of Bill C-27 before the House of Commons, in order for Aéroport de Québec to meet its obligations towards its current nominating entities.

Therefore, in accordance with the new legislation, and on the basis of principles of accountability and transparency endorsed by Aéroport de Québec, the Board of Directors is composed of no less than 13 and no more than 15 members, who collectively represent the regional business community. The individual expertise of each of the members is recognized in the fields of air transportation, aviation, business, commerce, finance, administration, law, management, engineering, labour organization or representation of consumer interests.

Each member, whose candidacy is submitted by one of the seven nominating entities identified in the By-laws, is appointed by the Board for a three-year term, with the exception of Transport Canada and Transports Québec, who nominate their members directly. Each administrator has the option of renewing his original term twice consecutively. The nominating entities currently represented on the Board of Directors of Aéroport de Québec, include: the Canadian government (2 members); the Quebec government (1 member); the City of Québec (3 members); the

City of Lévis (2 members); the Chambre de commerce de Québec (2 members); the Chambre de commerce régionale des entrepreneurs de Québec (1 member); and the Chambre de commerce de Lévis (1 member). Moreover, Aéroport de Québec is represented by 3 additional members, nominated directly by the Board.

BOARD COMMITTEES

In order to help the Board provide support to the executive management team in the daily management of the organisation, and with regulatory matters pertaining to environment and financial management, three committees were formed, and act in accordance with the Board's requirements and decisions. They are :

- Executive Committee
- Audit Committee
- Environment Committee

Executive Committee



Gaëtan Gagné



André Lemieux



Marcel Jobin



Louise Gingras

The Executive Committee oversees the proper management of Aéroport de Québec's affairs, by providing support to the senior management team. In 2003, the Executive Committee was involved more particularly in elaborating contingency measures implemented at the beginning of the year to counter certain difficulties such as the loss of revenue related to Air Canada's filing for creditor protection. Negotiation with NordTech Aerospace also received special attention in 2003, not to mention the amendments brought to the organisations By-laws.

The Executive Committee also played a key role in the management of certain Human Resources issues, such as the collective bargaining negotiation, the executive management transition further to the departure of the President and CEO, and the process for appointing a new General Manager.

Audit Committee

The financial auditing of Aéroport de Québec is closely and periodically undertaken by the Board's Audit Committee. The Audit Committee supports the Board by fulfilling the following functions:

- Analysing financial statements which are to be included in the organisation's Annual Report, and reporting to the Board;
- Analysing the Auditor's Annual Report and any comment directed at Management, and reporting to the Board;
- Fulfill all responsibilities assigned by the Board or the organisation's By-laws;
- Authorize all payments and see to the application of its conflict-of-interest rules, in collaboration with the Chairman of the Board.

Environment Committee

The Environment Committee assists the senior management team in matters relating to environmental management, and reports to the Board on developments in matters of priority. The issues under its responsibility include, in particular, the treatment and elimination of contamination agents, noise control, horticulture and wildlife management, snow-removal management and ground-water quality control.

In 2003, the Environment Committee addressed matters relating to snow removal facilities and JLIA's environmental management plan.

CONFLICT-OF-INTEREST RULES

In accordance with the terms of the lease signed with Transport Canada, Aéroport de Québec has adopted, as part of its By-laws, conflict-of-interest rules that are applicable to its administrators, managers and employees. Such rules are meant to prevent any real or perceived conflicts of interest. In 2002, Aéroport de Québec complied with all of these regulations.

CONTRACTS EXCEEDING \$75,000

As per Aéroport de Québec's principles of accountability, all contracts valued at over \$75,000 must be awarded by bid. In 2003, Aéroport de Québec complied with this policy.

MEETINGS HELD IN 2003

Aéroport de Québec meetings

Board of Directors	8
Executive Committee	42
Audit Committee	7
Environment Committee	2

Other meetings

Executive Management Meetings	1
ATAC	2
Transport Canada	1
Forum	1
Canadian Airports Council	2
General Manager Appointment Committee	4

ADMINISTRATORS' COMPENSATION IN 2003

Total compensation for administrators in 2003

	Compensation	Fees	Total
Louise Amiot	\$0	\$2,400	\$2,400
Lucien Barbeau	\$9,000	\$10,800	\$19,800
Guy Boulanger	\$0	\$4,600	\$4,600
Suzanne Delisle	\$0	\$4,500	\$4,500
François Ducharme	\$0	\$4,200	\$4,200
Guy Dufort	\$0	\$3,000	\$3,000
Gaëtan Gagné	\$24,000	\$35,300	\$59,300
Louise Gingras	\$2,000	\$6,000	\$8,000
Nicolas Guay	\$0	\$0	\$0
Marcel Jobin	\$12,000	\$15,300	\$27,300
Jean Lemay	\$0	\$1,200	\$1,200
André Lemieux	\$12,000	\$15,900	\$27,900
Michel Morasse ¹	\$0	\$2,400	\$2,400

¹ In 2003, Michel Morasse, through his own consulting firm, also received \$27,300 in special fees for his involvement in the collective bargaining process.

SENIOR MANAGEMENT COMPENSATION IN 2003

For the financial year ended December 31, 2003, compensation for Aéroport de Québec's senior management team (including a severance package) totalled \$364,023. The senior management team includes the President and Chief Executive Officer, the Vice-President, Operations, and the Vice-President, Finance, Administration, Human Resources and Technology.