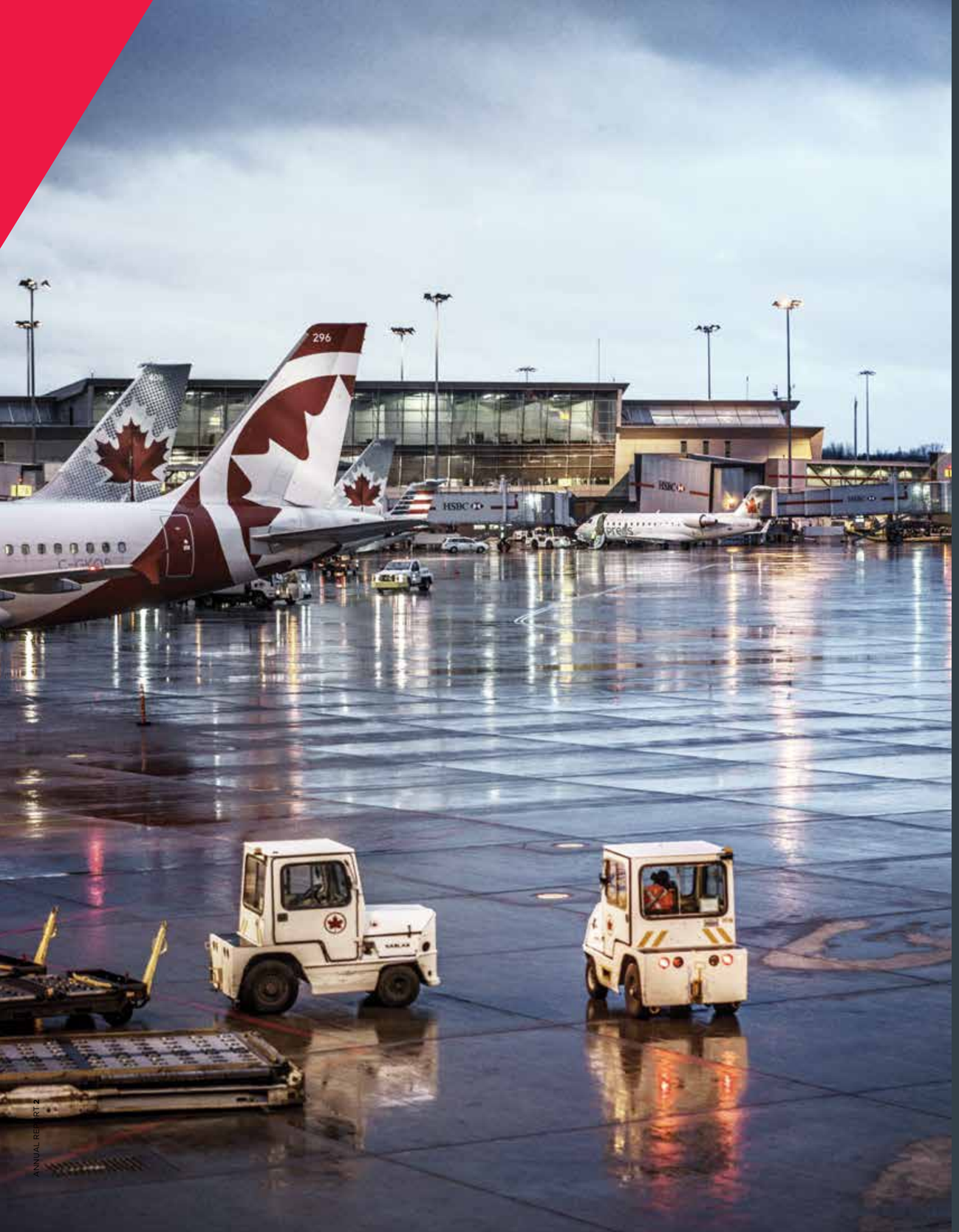
ANNUAL REPORT 2018

ADM Aéroports de **Montréal**



Corporate Profile

Aéroports de Montréal (ADM), the Greater Montréal airport authority, is responsible for the management, operation and development of Montréal-Trudeau International Airport (YUL) and the International Aerocity of Mirabel (YMX) under a long-term lease signed with Transport Canada in 1992 that will expire in 2072. ADM is a private, not-for-profit corporation without share capital.

ADM is committed to succeeding in its various sectors of activity – airport, real estate and commercial services – and to developing its two sites to their full potential. Accordingly, YUL serves as a hub for domestic, transborder and international passenger transportation, while YMX is being developed as a world-class all-cargo and aerospace hub. Montréal-Trudeau International Airport and the International Aerocity of Mirabel are important centres of economic activity and development drivers for Greater Montréal. Thirty-five passenger carriers and 15 all-cargo carriers connect Montréal to a significant number of airports around the world. In 2018, some 19.4 million passengers and 230,440 metric tonnes of cargo passed through YUL and YMX. The approximately 250 establishments active at the airport sites generate a total of nearly 60,000 jobs, including 34,000 direct jobs, and nearly $8 billion of nominal Gross Domestic Product (GDP) in Québec. Of this amount, $6.8 billion comes from the activities of businesses established on YUL's 12 km² site, which corresponds to 1.6% of Québec's GDP.

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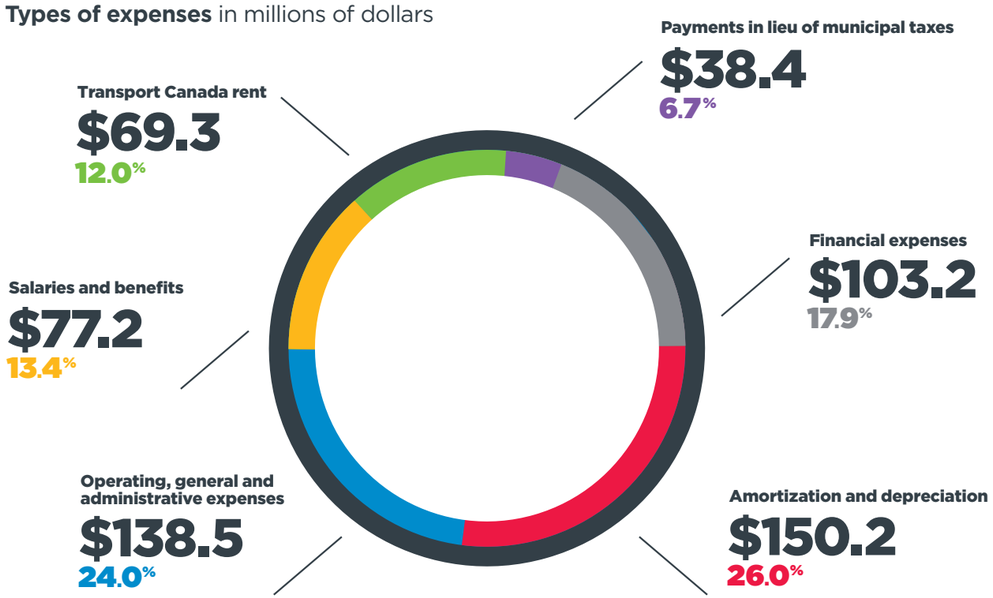
2018 Financial Highlights

Revenue sources in millions of dollars

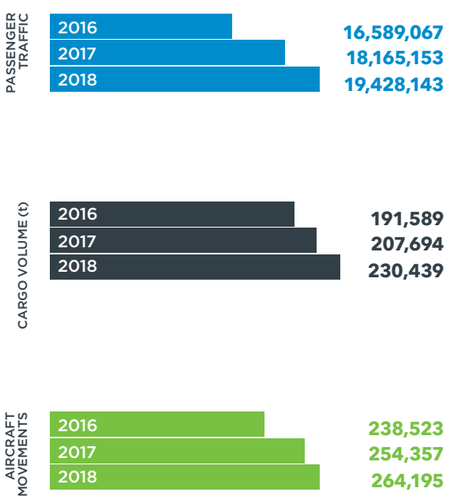
Financial retrospective in thousands of dollars

	2018	2017	2016	2015	2014
Revenues	$645,021	$582,886	$525,283	$486,307	$464,007
Excess (deficiency) of revenues over expenses	$68,172	$42,916	$33,922	$17,644	($4,196)
EBITDA	$321,647	$285,087	$252,314	$230,410	$208,823
Investments	$219,803	$229,351	$254,775	$237,378	$180,045

Types of expenses in millions of dollars



Operations 2016-2018



Air services development

Real estate and commercial development 2018

Sustainable development

Message from Management

The emergence of a large airport, the affirmation of a great city

Almost 20 million passengers in 2018. One of the fastest growth rates in North America: 7% in 12 months, nearly 40% in five years. Twice as many international destinations as Vancouver or Boston, including a new non-stop flight to Tokyo. Soon, a rapid rail link to the heart of the city and its surroundings. Multi-billion-dollar development projects...

There's no question: a major airport is emerging in northeastern North America in a city that is also on the rise. Because the two are inextricably linked. In 2018, for the first time since the Conference Board of Canada started making such comparisons, Montréal experienced the strongest economic growth among Canada's 13 largest cities. Montréal is thriving: a city of universities and artificial intelligence; a city of diplomats and trade; a city that nurtures the art of living. A metropolis and its airport; a community with its doors open to the world. There is an osmosis between Montréal and YUL. Moreover, ever since passenger flights were consolidated in Dorval, the Mirabel site has also been growing at a rapid pace. Already busy, the site will see its activity intensify in the wake of the Bombardier-Airbus partnership; the assembly plant located there is now producing aircrafts for the new A200 series.

Meeting the growth challenge

In 2017, ADM adopted the "grow successfully" formula to articulate this special situation: how should it handle this exciting but demanding growth, which is putting the entire organization under pressure? The challenge is unending. It requires making the most of existing infrastructures, especially through cutting-edge technologies. It means optimally sequencing development, adapting, developing and responding to demand, maintaining the quality of services at all times, and constantly upholding Montréal's reputation. In 2018, we focused on all these imperatives to grow successfully.

New brand image

While work continued to meet rising demand, another type of project was launched: the rebranding of Aéroports de Montréal. This involved reviewing the way we present our three distinct entities, which belong to the same family, and the strong ties they have with the city. We kept the clearest references – the universal codes YUL and YMX – highly visible with distinct colours.

Their vocations were also clarified. YUL is Montréal-Trudeau International Airport, which offers a unique experience, an airport where time flies. YMX is the International Aerocity of Mirabel, a prestigious business destination and a pillar of our city's important aerospace industry. ADM has kept its vocation of airport manager, responsible for ensuring the proper operation of its two sites.

Spotlight on the customer experience

Montréal-Trudeau's rejuvenated and strengthened brand image further underscores our commitment to keep our promise of being an unmatched destination. The year 2018 marked a turning point in making outstanding customer experience a daily priority. We now have a wide-ranging entertainment program for our travellers with the YULconcerts, the YUL Pet Squad and our new ambassadors. Even our cleaning services are participating in the customer experience with Neo, a friendly robot sweeper driven by artificial intelligence.

This raising of the customer experience goes far beyond entertainment. It's about highlighting Montréal, Québec, francophone culture, nordicity. It's about our role as a showcase. It is also about business development, since customer satisfaction contributes to revenues, such as by shopping in our stores. And it's also a way of offsetting inconveniences caused by increasing passenger traffic and large-scale construction projects.

In 2018, the passenger journey was completely revamped to improve fluidity. The development of a connections centre; the addition of a baggage carousel at international arrivals; the installation of automated kiosks at customs and immigration; the introduction of a new, high-speed screening checkpoint – the largest in Canada. These are among the many initiatives taken to achieve the best possible efficiency.

Presenting the development program

During the fiscal year, while the development plan and the investment program were being fine-tuned, ADM made many public interventions to explain – especially to the frequent traveller community – what major construction work is required in the next decade. The public was both surprised by the magnitude of the needs and fascinated by an infrastructure development project that will be one of the biggest in Montréal.

On the cityside, the construction of the P4 parking facility was given the green light. This will include demolishing part of the multi-level parking lot across from the airport terminal. The facility will be rebuilt after the site is excavated to a depth of 35 metres to make way for the future Montréal-Trudeau Réseau express métropolitain (REM) underground station. Subsequently, the drop-off zone, which is reaching the end of its life and always congested, will be demolished and rebuilt to triple its current capacity. During this work, all access points will be refurbished to allow for an efficient and sustainable inter-modality.

On the airside, we are continuing to develop plans for a new jetty to increase our capacity for both departures and arrivals.

An $8 billion contribution to Québec's GDP

The project is a major one, but essential. In 2018, the number of passengers increased by 1.3 million: that's 100,000 more people per month! We need to respond to the demand, but also protect what is a true economic pillar for Montréal and Québec.

A Conference Board study released during the year revealed that ADM's operations and companies located on the Montréal-Trudeau and Montréal-Mirabel sites contributed nearly $8 billion to Québec's GDP in a single year. Of this amount, $6.8 billion comes from YUL alone. This makes ADM a participant and partner in one of Québec's largest economic hubs. This macroeconomic perspective further underscores how YUL's development has an important structural role to play in Québec's development.

ADM remains in good financial health

The project is being designed to be carried out based on actual needs, taking into account the financial capacity of ADM. The organization maintains a rigorous financial management year after year to ensure that its performance is similar to that of other major Canadian airports. The year 2018 reaffirmed its financial strength. Revenues for the year were $645 million, up $62.1 million, or 10.7%, from 2017. This increase was due not only to higher passenger volume and increased airport improvement fees to help finance the cityside development program, but also to the fact airport visitors are progressively taking advantage of our many services. The excess of revenues over expenses generated a surplus of $68.2 million, up 59% from 2017.

ADM is an organization united by pride in representing Montréal and Québec and a shared passion for aviation. Our employees are recognized around the world for their skills and dedication. Nearly 30,000 people work on our airport site, which every week handles nearly 375,000 travellers. Together with our valued partners, we operate one of the biggest international hubs in North America's civil aviation sector. Thank you and congratulations to all the members of our team.

Normand Legault
Chairman of the Board

Philippe Rainville
President and Chief Executive Officer

Ready to soar

As part of its ambitious strategic investment plan, ADM aims to transform Montréal-Trudeau into a world-class passenger destination and to revitalize the Mirabel site as an international aeronautic business destination. Inspired by Montréal and propelled by ADM, the YUL and YMX brands have been reimagined and redefined to better reflect the organization's aspirations and its promise to deliver one-of-a-kind airport experiences.

YUL™ **Montréal-Trudeau** International Airport

YUL becomes the "passenger destination" associated with Montréal-Trudeau International Airport.
Vision: A North American destination of choice where the airport experience is so rich, time flies.

YMX™ International Aerocity of **Mirabel**

YMX becomes the "business destination" associated with Mirabel International Aerocity.
Vision: An aeronautic business destination dedicated to the development and growth of the industry.

ADM Aéroports de **Montréal**

ADM ensures the organization's prosperity and sound management, while propelling each brand.

Highlights 2018

1. Grow successfully

In April, ADM unveiled its vision for the development of YUL at a conference given by President and CEO Philippe Rainville at the Chamber of Commerce of Metropolitan Montréal. It's an ambitious project that includes the reconstruction of major infrastructures such as the multi-level parking and the drop-off zone, as well as the construction of a station for the REM and a new jetty.

2. A new partner at YMX

In July, the official partnership between Airbus and Bombardier for the C Series, now the A220, was celebrated. Since the foundations of this union are taking form at YMX, ADM gave a warm welcome to the arrival of Airbus on its site. By setting up operations in Mirabel, Airbus is making Canada its fifth home country and its first outside of Europe.

3. A harmonious collaboration with neighbours

In September, more than 500 trees – selected by citizens – were planted to improve the visual impact of an acoustic screen separating the residential area of Thorncrest Avenue in Dorval from the airport. The screen was built to reduce the noise and visual impacts of airport operations.

4. First aid by bike

An agreement was signed with Urgences-santé in April. YUL passengers can now count on the presence of paramedics who patrol the airport terminal on bikes, thereby reducing their response time and increasing their coverage.

5. Even more direct destinations

Many new destinations were inaugurated in 2018, including Tokyo (Air Canada), Bucharest (Air Canada) and Mazatlán (Sunwing). In 2019, several other exciting destinations will be added to YUL's air service, including Vienna (Austrian Airlines) and São Paulo (Air Canada). More than 150 destinations will be offered from YUL.

6. 19 million passengers

December marked a new record at YUL: more than 19 million passengers were welcomed at the airport in the same year. A contest organized on social media identified Evelyne Bussière as the 19 millionth passenger at Montréal-Trudeau.

7. Pet Squad launched at YUL

Since October, Montréal-Trudeau passengers have been enjoying a new entertaining and soothing experience thanks to the YUL Pet Squad. Thirty or so dogs roam around the terminal building to offer moments of comfort to travellers, who can admire them and speak with their handlers.

Airport Operations

Airlines and air service

The year 2018 was another year of strong growth in passenger traffic at Montréal-Trudeau, with demand increasing in all three sectors.

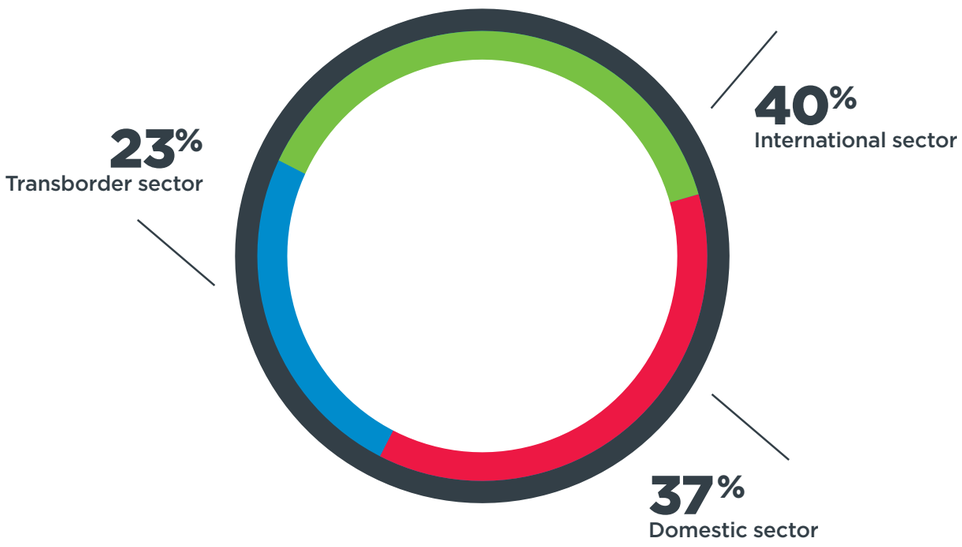
Air Canada consolidated its offering on certain routes and developed several new markets with flights to Dublin, Lima, Lisbon, Tokyo, Bucharest, Baltimore, Pittsburgh, Phoenix, Victoria, Windsor and London (Ontario). In addition, its connecting traffic continued to be a major growth area, in line with Montréal-Trudeau's positioning.

For its part, Air Transat contributed to the growth of the commercial offering with a new destination, Calgary, and a general increase in capacity to its other destinations. Montréal-Trudeau also welcomed two new carriers in 2018: low-cost airlines Level and Norwegian. Level operated flights to Paris (Orly) during the summer season while Norwegian operated flights to Fort-de-France and Pointe-à-Pitre during the winter season.

At the end of the year, Montréal-Trudeau had a grand total of 148 regular and seasonal destinations – 89 international, 28 in the United States and 31 in Canada – which were served by a total of 35 carriers.

In 2019, a new airline will mark its arrival at Montréal-Trudeau, namely Austrian Airlines, which will offer a direct flight to Vienna. In addition, Air Canada will add three new destinations with São Paulo, Bordeaux and Raleigh, North Carolina.

2018 airport traffic breakdown by sector



Passenger traffic

After strong increases in 2016 (+6.9%) and 2017 (+9.5%), Montréal-Trudeau passenger traffic grew by 7% in 2018 to 19.4 million passengers enplaned/deplaned, an increase of 1.3 million passengers. YUL remains Canada's third-largest airport and continues to have the highest proportion of international travellers.

This growth is mainly due to an increased and enriched air service offering and sustained demand, as well as to the strong performance of the Montréal, Canadian and global economies.

The international sector continued its rapid-paced growth with a 10.2% increase in passenger traffic in 2018. The arrival of new carriers and the introduction of new destinations by Air Canada, including the Montréal-Tokyo route, contributed significantly to this increase. Air Transat increased the number of available seats to Europe, further contributing to the growth of the international sector.

The domestic sector posted growth of 3.3%. The supply of seats in this sector remained fairly stable, with growth attributable to an increase in the load factor. Other contributors included Air Transat's entry on the Montréal-Calgary route and the addition of Victoria, Windsor and London to Air Canada's service.

The transborder sector grew by 7.5% in 2018. This growth was driven by the addition of three new Air Canada destinations (Baltimore, Pittsburgh and Phoenix) and an increase in capacity on the majority of existing routes. The international sector's share of YUL traffic continued to grow, with a 40% share, ahead of the domestic sector (37%) and the transborder sector (23%).

Passenger traffic growth in 2018

19.4M

passengers enplaned and deplaned

+1.3 million passengers

7% increase

Airport Operations

Air freight

In total, some 230,440 tons of cargo passed through the airports' sites in 2018, an increase of 11.0% compared with 2017. Of this amount, YUL processed 122,779 tons, up 10.9%. Freight handled at YMX increased by 11.0% to 107,660 tons.

Montréal-Trudeau

122,779 t

Montréal-Mirabel

107,660 t

Airport operations and safety

The growth of passenger traffic is creating new challenges for the teams responsible for ensuring efficient operations at YUL. Several initiatives were put in place during the year to facilitate the passenger journey and maintain flow while ensuring a high level of customer service.

More specifically, in the terminal:

- An Airport Operations Collaboration Centre (AOCC) was set up as a pilot project and tested during the summer. Bringing together various representatives of ADM and airport partners, the AOCC facilitates the exchange of information in real time and allows for more proactive solutions for specific fluidity challenges. This new structure will be operational during peak periods.

- Redevelopment of the pre-boarding checkpoint at domestic and international departures to accommodate new CATSA Plus high-performance screening lines at YUL was completed in May, just in time for the summer season. Carefully planned by ADM and the Canadian Air Transport Security Authority (CATSA), this project was carried out in three phases to minimize its impact during peak periods. With 12 lines now operational, it is the largest CATSA Plus checkpoint in Canada.

- A new self-service check-in area was opened in the domestic and international departures area, close to the Air Canada counters. The use of new technologies now allows passengers to print labels for their baggage at an automated check-in machine and then drop it directly at the self-service drop-off point, dramatically reducing processing times and enhancing the travelling experience.

- A total of six self-service baggage drop-off points were also deployed for passengers travelling with Sunwing. Approximately 80% of passengers now have access to a self-service baggage drop-off point at YUL, a feature which was already available in transborder areas.

- Thirty-three Primary Inspection Kiosks (PIKs) were commissioned in the connections centre, adding to the 100 kiosks already installed in the international arrivals hall in December 2017. These kiosks have resulted in a significant improvement in flow. In fact, during the summer season, the average wait time in the border control area during peak periods was less than six minutes.

- The way connecting passengers are managed was simplified. Since June 2018, the majority of Air Transat passengers arriving in Montréal from the United States and Europe may, after border control, head to the boarding gate designated for their domestic connecting flight without having to leave the restricted area or pick up their baggage from the carousels.

On the airside, in addition to the E taxiway reconstruction and B taxiway rehabilitation, nine new passenger buses, including one electric, and two mobile stairs were added to provide better management of aircraft traffic on the tarmac. During the summer season, 1,235 transportations were made with these new buses.

Aéroports de Montréal is implementing numerous initiatives to ensure the safety and security of the travelling public and users and to meet and exceed applicable regulations and other requirements.

For example, during the past year, the Airport Patrol:

- Organized a major emergency drill at Montréal-Trudeau airport. The objective was to validate how well responders would react to an aircraft accident. The exercise was held in collaboration with several partners, including the Montréal Fire Department, Urgences-santé, Air Canada, Montréal police (SPVM), NAV CANADA and the Sûreté du Québec. This major event took place on runway 06G-24D and involved 100 participants. A drone was also used successfully for the first time to send real-time images to the emergency coordination centre located inside the terminal.

- Held about 20 exercises and simulations throughout the year to continuously assess how well security processes are coordinated, in collaboration with partners and law enforcement agencies.

- Enhanced its first aid and paramedical services through a partnership agreement with Urgences-santé. YUL passengers can now count on the permanent presence of paramedics in the terminal.

- Accompanied teams from various local Montréal police stations during their visits to YUL facilities. These enabled them to become more familiar with the airport environment and intervene more effectively in the event of an emergency.

- Ensured the coordination and smooth running of dignitaries' arrivals at Montréal-Trudeau. These included the King and Queen of Belgium, the President of Spain, the President of France, and representatives of the G7 in recent months.

Customer Experience

For several years, Aéroports de Montréal has sought to make YUL a benchmark airport in terms of offering remarkable experiences that reflect the uniqueness of Montréal, a welcoming and cosmopolitan metropolis.

In 2018, efforts to create a special and more engaged relationship with passengers continued with the implementation of numerous initiatives:

- The creation of a brigade composed of 30 ambassadors. The brigade's main mission is to answer questions and respond to travellers' needs, as well as to inform them about the various products and services available at Montréal-Trudeau.

- Installed five touch-screen information kiosks in the restricted area for transborder and domestic departures. Called YUL INFO, these kiosks allow passengers to get information on the location of toilets, bank machines, boarding gates and much more. A total of 12 kiosks will be deployed gradually throughout the terminal, both in public and restricted areas.

- Formed the YUL Pet Squad, composed of 30 dogs and their volunteer handlers. They stroll through the terminal building and their comforting presence helps to reduce passenger anxiety and nervousness.

- Redesigned several areas of the airport to adapt them to the needs of various segments of clientele. For example, children's entertainment was enhanced with a large playground in the Air Transat area of the international jetty for travellers aged 10 and under, along with a new play area for toddlers at Gate 53. A comfortable, modern-design waiting area for hotel shuttles was also installed at Gate 8. And a lounge area was set up at Gate 57, offering passengers a unique view of aircraft on the tarmac.

- Set up five living green walls throughout the terminal. In addition to attracting the attention of passengers with their bright green foliage and making the environment more attractive, they also help to improve air quality in the building.

- Held YULconcerts, allowing passengers to enjoy exclusive performances by Alex Nevsky, Les Trois Accords and Florence K in the heart of the terminal. And because music can inspire happiness, the piano installed in the international jetty enables passengers with some musical skills to perform and share their talent.

Customer satisfaction

Aéroports de Montréal has a vital measurement tool for improving customer service: quarterly customer satisfaction surveys conducted among some 8,000 passengers every year. These surveys include questions on all elements of the passenger journey, such as parking, signage, passing through security checkpoints, the commercial offering, and the overall experience in the restricted area. The measurement scale has seven levels, ranging from "extremely satisfied" to "extremely dissatisfied" and includes a neutral level ("neither satisfied nor dissatisfied").

In 2018, the overall satisfaction score for departing passengers was 5.84 out of 7, unchanged from the previous year. Passenger satisfaction remains high despite strong growth in traffic and many construction projects, with 97.2% of passengers saying they were "extremely satisfied," "very satisfied" or "satisfied" in response to the overall satisfaction question.

In 2018, the check-in process and passing through the security checkpoint were identified as the most important steps of the passenger journey. In terms of satisfaction, these aspects received scores of 6.16 out of 7 and 6.06 out of 7, respectively. Both scores were up from 2017. Efforts made to enhance traffic flow around the terminal resulted in an improvement of 5.90 percentage points over the previous year. Satisfaction with parking availability was also up by 5.70 percentage points over 2017. It is also important to highlight improvements in signage in the terminal to help passengers find their way around more easily. The percentage of passengers who said they were "extremely satisfied" or "very satisfied" was 72% in 2018, an improvement of 7 percentage points compared with 2017.

Mystery customers program

In addition to the quarterly customer satisfaction surveys, ADM has for several years been evaluating the service provided by the commercial zones, parking lots and taxis through a "mystery passengers" program, which can conduct up to three missions per journey. The results obtained are then shared with the service providers. Six meetings a year are also held to focus on the desired behaviours and draw up action plans for continuous improvement.

Customer satisfaction in 2018

97.2%

of passengers satisfied

1.1% of passengers dissatisfied
1.7% of passengers undecided

Commercial Services and Real Estate

Commercial services

For the third year in a row, Montréal-Trudeau ranked first among Canadian airports in per-passenger revenue, for the 12 months ending June 30, 2018. Over the past five years, non-aeronautical revenue has grown at an average rate of 7.7%. Commercial revenues related solely to passenger traffic, such as parking and airport terminal concessions, has grown at an average annual rate of 9.5% over the last five years.

The quality of the commercial offering, which is constantly being enhanced, is clearly contributing to these positive results.

In 2018, for a third consecutive year, The Loop Duty Free Shop, managed by partner Aer Rianta International (North America), was named Best Duty Free Shop at a Canadian airport during the Frontier Duty Free Association's Gold Standards Awards ceremony.

In January 2019, the new Paramount Lebanese restaurant was officially inaugurated in YUL's public zone. Paramount offers meats grilled on charcoal, handmade desserts and vegetarian options. It is the franchise's first Québec restaurant.

The YULfoodies microsite was launched in the fall of 2018 to showcase the variety, quality and uniqueness of food being offered at YUL's 45 restaurants. It was supported by a promotional campaign and a contest on social networks.

Parking and ground transportation

Parking services at YUL once again generated substantial revenues for Aéroports de Montréal in 2018. The popularity of the parking lots led to enhancements in services offered and adjustments to meet customer needs, including:

- A more comprehensive online booking system with the addition of EconoParc P9 to the list of parking spaces that can be booked through the ADM website, and simplified access to the parking lots. Through a QR code generated at the time of booking, users can now use their smartphone to enter their parking lot. These changes, combined with the various strategies put in place over the past few years, led to a 12% increase in revenues generated online compared to 2017.

- Enhancements to the AeroParc, including the renovation of the security gate, the reactivation of a shuttle service to cars, and the addition of a baggage handling service.

- New pedestrian paths with distinctive colours to the multi-level parking, HotelParc and EconoParc P5 have facilitated and improved passenger orientation to the terminal. These paths are also designed to improve user safety.

- Special training for employees of partner Indigo, which manages YUL's parking services. Since they are the first point of contact for a majority of passengers on the airport site, this group of employees needs to offer impeccable service. Training was given to both managers and front-line employees.

As for the commercial transport sector, ADM is committed to ensuring that a variety of options are available. They currently include taxis, Uber, limousines (without reservation), the 747 bus, car sharing, car rental and private shuttles. BIXI bikes have now been added, enabling travel between the Dorval station and 800 Leigh-Capreol. In 2018, ADM also launched a mobile application to better manage the fleet of taxis and limousines serving airport customers.

Advertising and sponsorships

Montréal-Trudeau's advertising options continued to attract many leading advertisers in 2018, including Visa, HSBC, Audi, RBC, BMW, Air Canada and Interjet. ADM also entered into various partnership agreements with, among others, Formula 1 Grand Prix of Canada, Tennis Canada for the Rogers Cup, and Element AI. This latter agreement led to a remarkable activity: the "AL" of the famous "MONTRÉAL" sign in front of the terminal was transformed to mark a conference of the International Neural Information Processing Systems (NeurIPS). The conference was a must-attend event for artificial intelligence enthusiasts.

Real estate development

Development opportunities continued to grow in 2018 at YUL and YMX, leading to profitable agreements.

MONTRÉAL-TRUDEAU

ADM concluded a lease agreement with Hertz Canada Limited for an 8,540 m² plot of land and a 908 m² building. This lot will be converted into a service, distribution and vehicle resale centre, and also serve as the company's Québec head office.

A total of 72,730 m² of land were leased to three car rental companies offering services to Montréal-Trudeau passengers. Enterprise, Avis and Hertz will relocate their service centres to new buildings on this land to free up space in front of the airport terminal for cityside development projects.

MIRABEL

ADM signed an agreement with Meubles Foliot for the construction of a 16,000 m² furniture manufacturing plant on approximately 37,810 m² of land.

Established at YMX since 2014, STELIA Aerospace needed to expand its building by nearly 1,500 m² to increase its production capacity and to create new offices. ADM invested nearly $2.8 million to carry out this work. For its part, Avianor purchased additional aircraft hangar space that will enable it to maintain, repair and manufacture aircraft components.

The benefits of the Airbus-Bombardier partnership for the C Series are already beginning to be felt on the YMX site. In 2019, new hangars will be built for assembly work.

ADM announced in 2018 that it supports efforts being made by the Ville de Mirabel with the federal government aimed at enabling a portion of land not directly related to YMX's airport mission to be made available to the community so that it can optimize Mirabel's industrial development.

Airport Infrastructure

Planning

Many studies are required to ensure that development of the Montréal-Trudeau airport site is well planned. The team of experts charged with analyzing future initiatives designed to cope with the sustained growth of passenger traffic needs to consider not only immediate needs but also anticipate medium and long-term challenges.

In 2018, the cityside development program and its many aspects received special attention. Pre-project studies continued throughout the year, especially those related to passenger and vehicular movements, the design of the drop-off zone, remote parking, and connection of the network to the airport's new road configuration. A distinctive architectural signature for the program, which embraces existing buildings and champions a sustainable development approach, was also developed.

In collaboration with the Caisse de dépôt et placement du Québec (CDPQ), ADM continued to conduct conceptual studies for the future REM station and its integration into the YUL transit construction project, which encompasses the many modes of transportation available to passengers. Airside pre-project studies, including the construction of a new jetty, were also conducted. Moreover, the team ensured that the two major programs – the cityside and airside – were synchronized to maintain an adequate level of service during major construction work.

Montréal-Trudeau

Several projects were undertaken or completed to address the capacity challenge at YUL. For example, in 2018, ADM's construction, architecture and engineering teams:

- Continued construction work on the permanent connections centre. Bringing together all connecting passengers in one location, this new centre, which includes a 3,000 m² expansion of the existing building toward the airside, will facilitate the customs clearance and orientation of this group of passengers.

- Added a fifth baggage carousel for international flights and a leading-edge baggage conveyor. This new carousel is equipped with an advanced friction drive technology that makes it easy to maintain but, above all, consumes 2.5 times less energy than other carousels. The addition of this carousel also required moving Canada Border Services Agency (CBSA) offices, which occupied some of the required space.

- Started work to increase capacity of the domestic and international baggage room. With delivery scheduled in time for the 2019 summer season, the new configuration will provide faster and more efficient baggage handling. The new room will also be equipped with state-of-the-art systems, including high-performance explosives detection equipment, to efficiently examine up to 3,800 bags per hour.

- Began the partial reconstruction of the B1 and B3 taxiways and complete reconstruction of the E taxiway to transform them into rapid exits for Code E (widebody) aircraft. This work, which will continue in 2019-2020, was necessary because these taxiways were reaching the end of their service life. It will also increase the capacity of runway O6L-24R by 4 to 10%.

- Continued work to increase the tarmac's aircraft parking capacity. Four new spots were added this year to the four spots for Code C aircraft (medium-haul) built in 2017. Work will continue in 2019 to allow these eight spots to be converted, if necessary, into spots for Code E aircraft.

Cityside development program

The development plan for the Montréal-Trudeau airport site was announced in 2018. The cityside program will include the rebuilding of two major infrastructures facing the airport: the multi-level parking and the drop-off zone. It also includes construction of the REM station, which will be connected underground to the airport terminal.

ADM also publicly indicated its support for extending the airport tunnel to the Dorval VIA Rail Station to facilitate inter-modality and interconnection with the regions.

Several aspects of this program have already started:

- Construction of the P4 parking lot to accommodate car rental companies and 3,000 sheltered parking spaces. This step represents an important milestone for the program since the P4 parking lot will offer additional spaces, beginning in January 2020, to mitigate the loss of spaces due to construction work in the existing multi-level parking lot. Passengers will be shuttled quickly from P4 to the terminal using vehicles that will eventually be 100% electric and eventually autonomous.

- Award of the construction manager contract for the cityside program will be made in spring 2019 following a tendering process launched in the fall of 2018. This consortium will contribute to the execution of the program, from design to construction, while identifying opportunities for optimizing the construction schedule and phasing.

- Formalization of the agreement with CDPQ Infra regarding the construction of the tunnel and the REM station at the airport. Construction of the station will be fully funded by ADM and users will be able to start taking the REM to YUL in 2023.

- Relocation of the ADM team responsible for the design of the project to new premises, along with members of the various participating external firms. In all, 250 people dedicated to the program will work together under one roof.

Mirabel

In 2018, there were no major projects specific to the International Aerocity of Mirabel. Repair and maintenance work on the airside pavements (tarmac, runways, taxiways and waiting bays) continued with investments of $2.3 million.

Sustainable Development Update

The 2018-2022 sustainable development plan is moving ahead as scheduled at Aéroports de Montréal. It aims to reconcile the environmental, social and economic aspects of activities in order to meet today's needs while preserving the interests of future generations. In each of these areas, ADM has identified its priorities and redefined its objectives.

The sustainable development plan includes several sectoral action plans with specific objectives to improve energy efficiency, significantly reduce greenhouse gas emissions, and implement a new water management strategy. It also aims to achieve the ultimate goal of zero waste, meet high standards for responsible sourcing, increase employee engagement, promote employee health and safety, and bring positive benefits for the community.

In 2018, ADM revised the mandate and composition of its Sustainable Development Committee. Consisting of managers and professionals from various ADM departments, this group's main mandate is to oversee the 2018-2022 plan.

Environmental indicators

	2018		2017	
	YUL	YMX	YUL	YMX
Energy consumption (GJ)	**546,355**	**83,447**	**545,501**	**94,958**
Electricity	430,573	35,940	428,575	46,621
Natural Gas	58,758	30,445	58,716	31,096
Diesel	49,545	13,012	49,993	14,445
Heating Oil	0	2,111	300	501
Gasoline	7,479	1,939	7,917	2,295
GHG emissions (t CO_2 eq)[1]	**7,298**	**2,650**	**7,280**	**2,865**
Residual material generated, ADM terminal and buildings (t)	**3,288**	**66**	**3,079**	**58**
Residual material recycled and composted (t)	**1,520**	**4**	**1,300**	**30.4**
Winter operations				
Quantity of sodium formate applied (t)	1,846	852	1,521	166
Quantity of potassium acetate applied (l)	317,166	67,700	281,042	54,781
Quantity of urea applied (t)	0	160	35	429
Quantity of salts applied on the parking lots and the road network (t)	2,219	630	2,017	518
Quantity of pure glycol sprayed on aircraft (l)[2]	4,430,059	409,455	3,240,493	336,225
Quantity of recycled glycol concentrated at 99.5% (l)[2]	1,984,000	-	1,521,726	-

[1] GHG emissions may be subject to minor adjustments in the event of changes to the emission factor.
[2] Per season: 2016-2017 and 2017-2018.
Snow precipitation: total of 237 cm in 2018 and 245 cm in 2017.
Freezing rain precipitation: total of 48 mm in 2018 and 30 mm in 2017.
Number of days with freezing rain: 19 in 2018 and 12 in 2017.

Environmental protection

Several actions aimed at protecting the environment were carried out in 2018. They included:

- The installation of 27 new charging stations for electric vehicles at YUL, raising the total number of terminals to 46.

- The acquisition of 11 electric vehicles, including an eCobus, for the transportation of passengers to remote aircraft parking spots. This brings the total number of electric vehicles in the ADM fleet to 12.

- The first conversion of a light truck into an electric vehicle by Ecotuned Automobile. With a lifespan of one million kilometres, the reusable electrical drive system installed in this light truck can reduce GHGs by up to 9 tons annually.

- The implementation of a pilot project for the sorting of residual materials in the compactors area of the terminal and customized monitoring of concession performance in this area.

- The construction of an acoustic screen and the planting of 500 trees along Thorncrest Avenue in Dorval. This aims to reduce the noise impact of airport operations that moved closer to the residential sector in 2017.

- The promotion of sustainable mobility among employees of the airport community, with the BIXI pilot project and the "Rendez-vous branché" day, which offered test-drives of electric vehicles and e-bikes in collaboration with Equiterre.

- The characterization of waste materials at YUL's transborder jetty and among ADM tenants and buildings at YMX. The plan is to implement a coordinated collection of waste materials, including recyclable and compostable materials, in 2019.

- The development of a master plan for the greening and biodiversity of Montréal-Trudeau. This establishes greening criteria depending on the various kinds of projects and identifies priority intervention sites.

- The conversion of over 2,000 indirect lighting fixtures to LED technology in the terminal complex. The new lights, which have been specially designed for ADM's needs, saved approximately 2,296,116 kWh per year, or about 2% of Montréal-Trudeau airport's total consumption.

- The conducting of an energy efficiency audit to identify a number of solutions that are being included in ADM's five-year investment program to ensure they are realized.

Aéroports de Montréal also continued its programs to monitor the quality of storm, sanitary and ground waters as well as measures to maintain harmonious relations with the community.

Certifications and recognition

ADM's head office was designated **A Fair Trade Workplace** by Fairtrade Canada, the Association québecoise du commerce équitable and the Canadian Fair Trade Network.

ICI on recycle + ("Performance" level) certification, under the RECYC-QUÉBEC program, which honours organizations that are proactive and committed to improving their performance in waste management.

These certifications are in addition to existing ones, some of which were renewed in 2018:

- Airport Carbon Accreditation certification, "Optimization" level;
- ISO 14001 certification for its environmental management system;
- Montréal-Trudeau terminal certified BOMA BEST Gold level;
- Silver LEED certification for the YUL international jetty expansion project;
- Eco-friendly parking certification for the NPS-V Charlie parking lot;
- Jardin pour la biodiversité certification and Oasis pour les monarques certification from Espace pour la vie de Montréal; Monarch Waystation certification for YUL's honey garden under the University of Kansas's monarch butterfly conservation program.

Soundscape management

As an airport authority, Aéroports de Montréal is responsible for developing a soundscape management plan, setting up a Soundscape Advisory Committee, and dealing with noise complaints. Soundscape management remains a priority issue for ADM, which must ensure a balance between Montréal-Trudeau airport's role as a Greater Montréal development player and the maintenance of a harmonious cohabitation with neighbouring communities. Sustained efforts are being made to provide this balance.

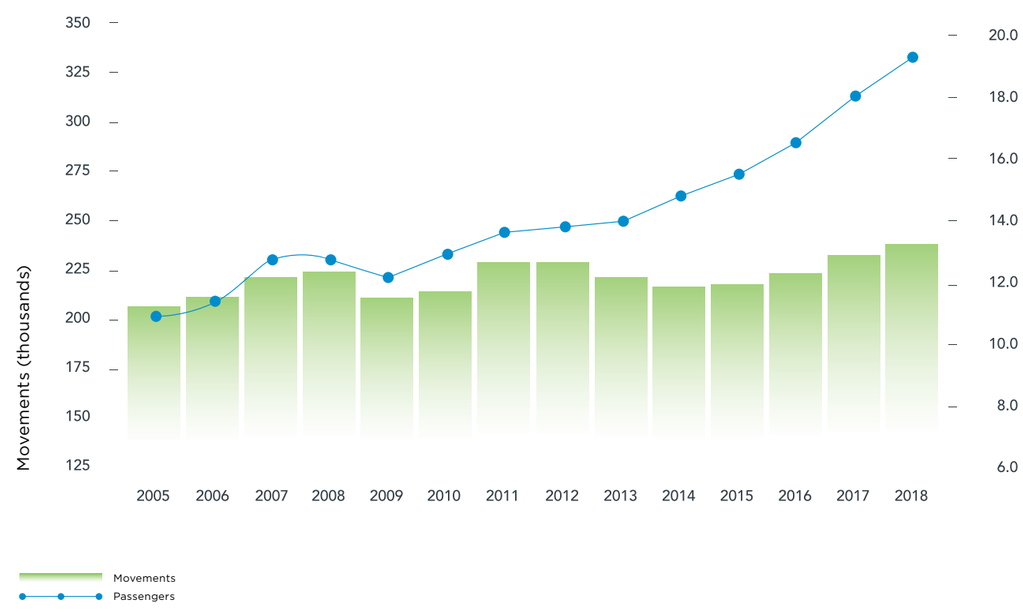
ADM works with its partners Transport Canada, NAV CANADA and the air carriers to reduce the impacts of activities related to the operation of an international airport on nearby communities. In addition to analyzing all requests for exemptions, ADM enforces the restrictions in effect for flight schedules at Montréal-Trudeau. ADM regularly meets with airlines that have operated off-hour flights to require action plans to address these situations.

In 2018, ADM granted 874 exemptions to air carriers, namely for delays caused for reasons beyond the control of the carrier such as weather conditions, mechanical checks and operational delays. Sixty-six requests for exemptions were denied and 39 files were submitted to Transport Canada for investigation.

Aircraft movements

In recent years, the number of movements has remained relatively stable despite a significant increase in passenger volume. The growth of traffic at Montréal-Trudeau, therefore, does not necessarily mean a proportional increase in the number of movements.

This is mainly due to the increase in the relative share of international traffic, which uses planes that carry more passengers per movement as well as have higher load factors. The planes are bigger, carry more passengers, and are quieter.



Noise measurement

Aéroports de Montréal operates eight noise measurement stations, including one mobile station, for gathering noise-level data. ADM publishes the LEQ (equivalent level) sound pressure levels recorded at the various noise measurement stations around the airport.

The data is available on ADM's website, **admtl.com.**

Soundscape management plan

To implement a more efficient management method, ADM drew up an action plan to optimize soundscape management and promote social acceptance of its activities.

ADM retained the services of Helios, an expert firm, for support. Best practices from 30 international airports were analyzed to define this action plan. It brings together more than 20 actions in nine categories:

- Night operations;
- Quieter fleet;
- Noise abatement measures (landing and take-off);
- Noise measurement and soundscape reports;
- Complaints management;
- Territory planning;
- Community relations;
- Preferential runways;
- Ground operations.

The plan was presented to the Soundscape Advisory Committee, which is an effective forum for exchanging information and discussing and studying all soundscape related issues. ADM is currently completing consultation activities to obtain feedback from communities near Montréal-Trudeau.

The addition of the Webtrak system on ADM's website is one of the plan's major actions. With this tool, citizens can visualize the paths of aircraft, their altitude and their type, and submit complaints if warranted.

Information for citizens

ADM offers several tools to better inform citizens about activities that may affect the soundscape around the airport:

- An electronic newsletter available on the admtl.com website;
- The Viewpoint platform, which enables citizens to submit their complaint using the form available on ADM's website. This application creates an account, speeding up the process. Complaints are recorded automatically;
- A dedicated telephone number (514-633-3351) and an email address (info@admtl.com);
- A section of the website that includes frequently asked questions about the soundscape.

Human Resources

Current job market trends are prompting many employers to review and rethink the way they do things in order to stand out as employers of choice. Aéroports de Montréal is no stranger to this trend and its human resources team focused again this year on providing employees from all levels of management with the tools needed to realize the corporation's goals with full conviction and passion.

Among the initiatives taken in 2018 were:

- The implementation of measures to promote the understanding, adoption and execution of the latest version of ADM's strategic plan. Managers received support in setting sectoral priorities, aligned with the six main pillars of the new plan. This will enable them to properly address the key strategies to be implemented and maximize the achievement of targeted results.

- Support during sectoral reorganizations. ADM managers received support throughout the year to carry out an analysis of their activities and needs regarding the transformation of their work structure and organizational methods.

- The development of various strategies to foster a new service-oriented culture. A transformative approach was initiated with key steps: a diagnosis of the organization's current culture; a definition of the desired culture; the development of a transformation plan; and the implementation of resulting actions. In 2018, the main drivers of the cultural transformation plan were defined and the action plan will gradually take shape over the coming months. This plan will enable ADM to build on the strengths of its current culture to better prepare itself for the future.

- The complete overhaul of the evaluation system for non-union employees and the establishment of a competitive salary structure. This revamp was necessary because the old system in place since 1994 was outdated and no longer reflected ADM's organizational reality.

- The continuation of the *Destination réussite* initiative, which aims, among other things, to increase employee engagement and maximize the retention of the best talent. This approach is based in part on surveys conducted periodically among all employees by an independent firm.

- The improvement of computerized systems for human resources management. In 2018, a new module was added to the Success Factors system. This will provide easy access to various employment and personal data for employees and their managers in addition to providing access to tools in the cloud portal through smartphones.

Talent management

In 2018, ADM improved its workforce planning process. Short-term mitigation plans were developed to tackle the main areas of vulnerability identified. In addition, the management potential chart put in place in 2017 now includes all non-unionized and professional employees. At the beginning of the year, a more aggressive strategy for talent acquisition was put in place to meet needs in a context of labour shortages. Proactively, recruitment plans were developed in collaboration with managers to help anticipate needs and target potential talent pools even before positions are posted.

The results of these efforts were conclusive for 2018: a total of 187 positions were filled, which is 36% more than in 2017. The referred candidates program led to 27 new hires, representing approximately 14.4% of total hires. In addition, ADM leveraged its in-house talent, with 66 positions filled by ADM employees, representing approximately 35% of total hires.

Global health

In 2018, Aéroports de Montréal continued its initiatives in the area of health and well-being. The Health Program, now known as Équilibre, grew considerably. Many activities, practices and tools were developed to promote individual and collective well-being. The Health and Wellness Committee, which is responsible for health-related initiatives and projects, is now well established and is continuing its advocacy efforts across the organization.

In an ongoing effort to maintain a safe workplace that respects health and safety standards, a specific analysis was conducted with respect to risk audit mechanisms and the composition of the health and safety documentation registry. Audit mechanisms were improved and follow-up and progress measures created to ensure their sustainability. At the same time, since a simple documentation system is essential to ensure employees and managers embrace health and safety principles, a redesign of the documentation was initiated and will continue in 2019. Working under the guidance of the Steering Committee, local committees continued to carry out prevention programs for the main risks targeted at the beginning of the year, including falls and ergonomics at work. This best practice, introduced a few years ago, is reaping positive results and contributing to the development of a health and safety culture that hinges on employee participation.

Labour relations

To ensure the sound management of labour relations, ADM is working to develop a collaborative approach to proactively resolve issues. This involves the setting up of various formal and informal discussion forums with the goal of maintaining respect for individuals and maximizing the achievement of business objectives.

In certain circumstances, this approach allows for labour relations efforts to be deployed on an ongoing basis, rather than focusing them only on a specific period of time, such as the renewal of collective agreements. This approach led to parties quickly reaching an agreement for the renewal of the collective agreement for first-level managers (CSN). In fact, an agreement in principle was obtained even before the expiry of this collective agreement and it was ratified for a period of three years.

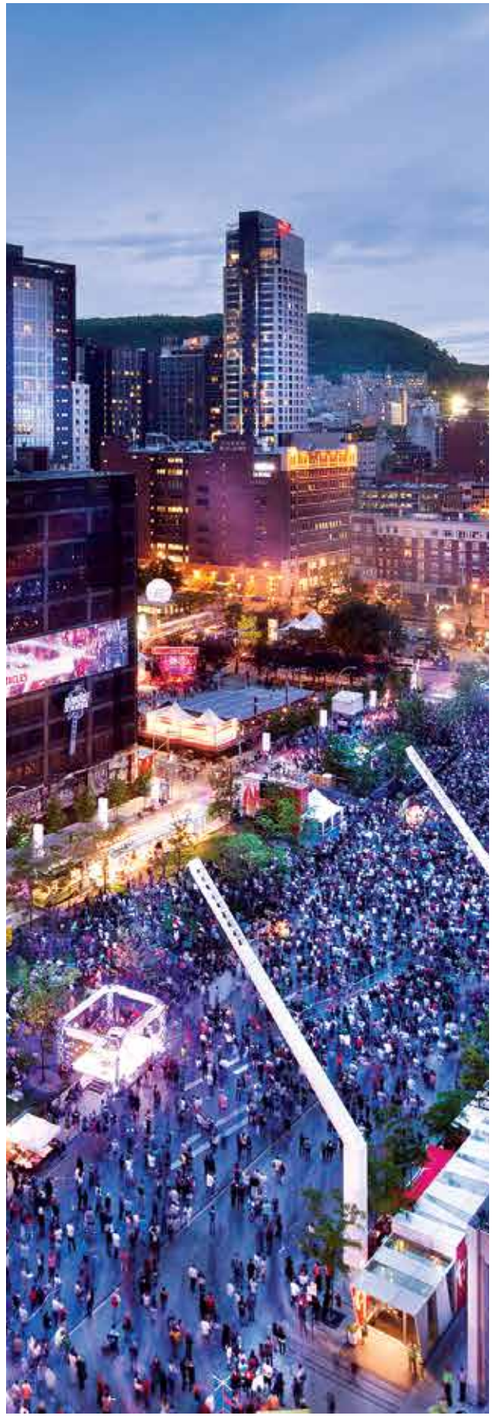
The bargaining process for the renewal of the fire service union (PSAC) collective agreement, which expired on December 31, 2017, began in November of that year and ended in the spring of 2018.

Lastly, ADM undertook an initiative regarding Information and Administration and Permits Office agents' positions in full compliance with the collective agreement governing these groups of employees. Despite numerous discussions and meetings with the union, the involvement of federal labour relations mediators, the decrease of expected cost reduction objectives, and the extension of deadlines, the parties did not come to an agreement. ADM therefore decided to use external suppliers for these positions, as is already the case in the vast majority of Canadian airports. Montréal-Trudeau needs to draw on best practices in the industry to remain competitive and maintain its role as a hub.

Key human resources indicators

Indicator	**2018**	2017
Regular employees	**587**	573
Training (hours)	**10,315**	11,653
Positions filled	**187**	138
Retirements	**14**	18
Turnover rate [1]	**10.6**	11.1
Absenteeism rate	**6.2**	6.4
Injury frequency [2]	**3.0**	3.5
Severe injury rate [3]	**66.9**	84.8
Incidence rate [4]	**15.0**	15.5

[1] Percentage of the workforce leaving ADM in a given year
[2] Number of claims submitted to the CNESST per 200,000 hours worked
[3] Number of days lost per 200,000 hours worked
[4] Number of employees absent annually per 1,000 insured



Community

Aéroports de Montréal is closely linked with Montréal, of which it is both an ambassador and a citizen. In 2018, ADM embraced this vision to become closer and more involved within the Greater Montréal community and to further help the city shine in all its glory!

During the year, ADM consulted with many stakeholders as part of its strategic plan, forging new partnerships, making dynamic use of the "O" on the airport façade, and getting involved in various social causes.

Partnerships

This year, Aéroports de Montréal continued its community involvement through:

- Networking activities and luncheon conferences with various chambers of commerce, including those of Saint-Laurent-Mont-Royal, Drummondville, Sherbrooke and Trois-Rivières;

- A partnership with the Mirabel Chamber of Commerce and Industry to strengthen Mirabel's role as a valued business destination for the development and future of the aeronautical industry;

- Participation in the activities of Équiterre, the Montréal Regional Environment Council and Earth Day;

- Renewed agreements with the Chamber of Commerce of Metropolitan Montréal, Montréal International, Aéro Montréal, Tourisme Montréal, the Montréal Council on Foreign Relations, the Junior Chamber of Commerce of Montréal, and the West Island Chamber of Commerce;

- A partnership with the Québec Institute of Tourism and Hospitality to mark the 50th anniversary celebration of the Institute, which has been helping to make the city a hospitable place since 1968;

- A collaboration with MT Lab to test Québec start-up projects in various areas of operation, including to enhance the customer experience at YUL.

"Montréal" in all its splendour

Since 2017, the "MONTRÉAL" sign on the facade of the airport terminal has been changing according to current events. This year, it has, among other things, displayed the rainbow colours of Pride, the black and white checkered pattern of the Montréal Grand Prix, and the green clover of St. Patrick's Day. With these changes, Aéroports de Montréal is showcasing the city while reflecting its warm and welcoming character. It is also a way of demonstrating support for Montréal's flagship events, such as the International Jazz Festival, one of the most prestigious in the world.

Social involvement

Aéroports de Montréal is committed to being present in its community. New guidelines regarding donations and sponsorships are being developed to target and focus its efforts.

In 2018, ADM re-evaluated its various social engagements to ensure a greater contribution to the organizations it supports. ADM has:

- Joined the Operation Back to School program of the Chamber of Commerce of Metropolitan Montréal, which promotes school perseverance among young people attending high schools in the metropolitan area;

- Organized the sixth edition of the "Premium Kids" program in partnership with Air Transat, Autism Montréal, Giant Steps and the Special Olympics. This activity enables families whose members have autism spectrum disorder (ASD) or functional limitations to become familiar with the airport process;

- Supported the accessibility and collection program for foreign currency donations, thanks to which nearly $30,000 was donated to Kéroul;

- Contributed to the Centraide fundraising campaign, like other major organizations in the city. Thanks to the generosity of its employees, $233,021 was raised in 2018;

- Supported employees involved in many causes, including the Make-A-Wish Foundation's 48-Hour Ride. For a second consecutive year, ADM graciously let the charity event use its Mirabel facilities. Firefighters from Aéroports de Montréal's fire service participated for a second time in the High Rise Challenge, a sporting feat in which participants raised donations for Muscular Dystrophy Canada. Members of the Airport Patrol also continued to help transport organs between the airport and hospitals;

- Participated in dozens of activities related to the fields of education, entrepreneurship and culture.

Management's Discussion and Analysis

of Financial Results for the year ended December 31, 2018

OVERVIEW

Aéroports de Montréal ("ADM") is responsible for the management, operation, and development of Montréal-Trudeau and Montréal-Mirabel international airports, under a lease signed with Transport Canada in 1992 with a term ending on July 31, 2072. As a not-for-profit organization without share capital, ADM does not pay dividends. ADM is fully responsible for financing its capital investment programs and pays rent to Transport Canada based on a percentage of revenues.

FINANCIAL SUMMARY

	Years ended December 31		
(in millions of dollars)	**2018**	**2017[1]**	**Variance (%)**
Revenues	**$ 645.0**	$ 582.9	10.7%
Operating expenses	**$ 215.7**	$ 196.2	9.9%
Payments in lieu of municipal taxes ("PILT")	**38.4**	40.2	(4.5)
Transport Canada rent	**69.3**	61.4	12.9
Depreciation and impairment of property and equipment	**150.2**	139.1	8.0
Financial expenses (net)	**103.2**	103.1	0.1
Total expenses	**$ 576.8**	$ 540.0	6.8%
Excess of revenues over expenses	**$ 68.2**	$ 42.9	59.0%
EBITDA	**$ 321.6**	$ 285.1	12.8%
EBITDA as a % of revenue	*49.9%*	*48.9%*	*1.0%*

[1] Restated, see Note 1 (c) of the consolidated financial statements.

The consolidated financial statements of ADM are prepared in accordance with International Financial Reporting Standards ("IFRS"). ADM presents EBITDA, which is a financial measure with no standardized meaning under IFRS and is therefore unlikely to be comparable to similar measures used by other entities that are not airports. EBITDA is defined by ADM as the excess of revenues over expenses before income taxes, financial expenses, depreciation and impairment of property and equipment. EBITDA is used by management as an indicator to evaluate ongoing operating performance. EBITDA provides additional information and should not be used as a substitute for other performance measures prepared in accordance with IFRS.

The following table presents the reconciliation of EBITDA, a non-IFRS financial measure, with excess of revenues over expenses prepared in accordance with IFRS:

(in millions of dollars)	**2018**	**2017[1]**
Excess of revenues over expenses	**$ 68.2**	$ 42.9
Depreciation and impairment of property and equipment	**150.2**	139.1
Financial expenses (net)	**103.2**	103.1
EBITDA	**$ 321.6**	$ 285.1

[1] Restated, see Note 1 (c) of the consolidated financial statements.

HIGHLIGHTS

EBITDA

EBITDA stood at $321.6 million for the year ended December 31, 2018, outperforming 2017 by $36.5 million or 12.8%.

Investments

ADM's investments totalled $219.8 million in 2018 ($229.4 million in 2017). At Montréal-Trudeau, capital projects included namely the:

- Rehabilitation of the apron and taxiways E and B of runway 06L-24R;
- Construction of a public parking lot (EconoParc P4) on Albert-de-Niverville road;
- Phase 2 of the construction of the permanent connections centre;
- Increase of aircraft parking capacity;
- Phase 2 of the reconfiguration of the eastern sector of the domestic and international departures area;
- Phase 2 of the partial reconfiguration of the Canadian Customs area;
- Increase of capacity of the domestic and international baggage room.

Over the course of 2018, investments in the airport facilities were financed by cash flows from operating activities, including $215.1 million ($180.5 million net of airline collection fees and Transport Canada rent) from airport improvement fees ("AIF").

REVENUES

(in millions of dollars)	**2018**	**2017[1]**	**Variance (%)**
Aeronautical activities	**$ 228.5**	$ 214.4	6.6%
AIF	**215.1**	179.9	19.6
Parkings and ground transportation	**92.3**	86.8	6.3
Concessions	**59.9**	54.3	10.3
Real estate and other	**49.2**	47.5	3.6
Total revenues	**$ 645.0**	$ 582.9	10.7%

[1] Restated, see Note 1 (c) of the consolidated financial statements.

Revenues rose to $645 million in 2018, an increase of $62.1 million or 10.7%, compared to 2017.

Aeronautical activities

Revenues from aeronautical activities totalled $228.5 million in 2018, up $14.1 million or 6.6%, from 2017. Consisting mainly of landing and general terminal fees paid by airlines, these revenues accounted for 35.4% of total ADM revenues (36.8% in 2017). This increase was largely attributable to growth in passenger traffic and increased air carrier activities as well as to a 1% and 2% rate hike for general terminal and landing charges, respectively. However, these increases were partially offset by incentive and promotional programs to ensure the development of Montréal's air service with regards to the variety and quality of destinations.

AIF

AIF revenues totalled $215.1 million in 2018, up $35.2 million or 19.6% compared with 2017. AIF revenues accounted for 33.4% of total ADM revenues (30.9% in 2017) and were used solely to fund certain airport improvements, including capital and interest payments on long-term debt. This fee is paid by all passengers departing from Montréal-Trudeau, except for connecting passengers. The AIF rate per passenger increased from $25 to $30 on April 1st, 2018.

Parkings and ground transportation

Parking facilities and ground transportation generated $92.3 million in 2018, up $5.5 million or 6.3% from 2017. These revenues accounted for 14.3% of total ADM revenues (14.9% in 2017). This growth was mainly attributable to the refinement of the pricing strategy, namely through the use of a new revenue management system.

Concessions

Revenues from concessions rose $59.9 million in 2018, up $5.6 million or 10.3% from 2017, and accounted for 9.3% of total ADM revenues (9.3% in 2017). This growth was mainly attributable to higher sales by duty-free shops, VIP lounges as well as restaurants.

Real estate and other

Revenues from real estate and other sources totalled $49.2 million in 2018, up $1.7 million or 3.6% from 2017, and accounted for 7.6% of total ADM revenues (8.1% in 2017). These revenues are derived mainly from land, building and space leasing. The growth over 2017 is namely attributable to the signing of new lease agreements and a full-year impact of leases signed in 2017.

EXPENSES

(in millions of dollars)	2018	2017	Variance (%)
Salaries and benefits	**$ 77.2**	$ 72.3	6.8%
Maintenance and services	**92.9**	82.6	12.5
Goods and utilities	**22.7**	21.1	7.6
Other operating expenses	**22.9**	20.2	13.4
PILT	**38.4**	40.2	(4.5)
Transport Canada rent	**69.3**	61.4	12.9
Depreciation and impairment of property and equipment	**150.2**	139.1	8.0
Financial expenses (net)	**103.2**	103.1	0.1
Total expenses	**$ 576.8**	$ 540.0	6.8%

Total expenses stood at $576.8 million in 2018, an increase of $36.8 million or 6.8% from 2017.

Salaries and benefits

Salaries and benefits went from $72.3 million in 2017 to $77.2 million in 2018, an increase of $4.9 million or 6.8%. This variance was mainly attributable to statutory increases as well as to the pension expense.

Maintenance and services

Maintenance and services totalled $92.9 million in 2018, up by $10.3 million or 12.5% compared to 2017. This category of expenses includes airport infrastructure and equipment maintenance costs, externally contracted services, legal and professional fees as well as information technology related costs. The increase is namely due to mitigation measures to ensure passenger fluidity due to capacity constraints, and initiatives to enhance customer experience.

Goods and utilities

Goods and utilities include materials and supplies required for daily operations, fuel, de-icing products, electricity and heating charges. These costs were $22.7 million in 2018, an increase of $1.6 million or 7.6% compared with the previous year. This variance was mainly due to a greater use of de-icing products during the winter months.

Other operating expenses

Other operating expenses went from $20.2 million in 2017 to $22.9 million in 2018, an increase of $2.7 million or 13.4%. These expenses include AIF collection costs, advertising and promotional costs as well as training and insurance expenses. The rise in this category is mainly attributable to higher AIF collection costs paid to airline companies as a result of passenger traffic growth and the AIF rate increase, to new partnership agreements in order to become closer and more involved within the Greater Montreal community as well as to advertising fees to promote parking facilities and its online reservation service.

Transfers to governments include rent paid to Transport Canada and PILT and totalled $107.7 million in 2018, representing 16.7% of total revenues ($101.6 million and 17.4% respectively in 2017).

PILT

PILT decreased by $1.8 million or 4.5% to stand at $38.4 million in 2018 mainly due to revised property value estimates from Public Services and Procurement Canada.

Transport Canada rent

Rent to Transport Canada totalled $69.3 million, up $7.9 million or 12.9% from 2017. This increase was directly related to ADM's higher revenues, as rent is calculated as a percentage of the latter.

Depreciation and impairment of property and equipment

Depreciation and impairment of property and equipment totalled $150.2 million in 2018, which represents an increase of $11.1 million or 8.0% from the previous year. This increase was primarily a result of projects completed during 2017 and 2018.

Financial expenses (net)

Financial expenses are presented net of financial income. Financial expenses remained stable at $103.2 million for 2018. The increase in interest expense on long-term bonds following the issuance of Series N revenue bonds in April 2017 was offset by interest income generated by cash surplus.

Excess of revenues over expenses

The year ended December 31, 2018 resulted in an excess of revenues over expenses of $68.2 million compared with $42.9 million for 2017.

Financial outlook for 2019

Passenger traffic for 2019 is projected to be at 20.3 million, an expected growth of 4.5% compared with 2018. After many years of sustained growth at Montréal-Trudeau, 2019 projections remain favourable, with increased capacity announced for existing routes and the addition of new destinations, such as Vienna (Austrian Airlines) and Raleigh (Air Canada). International traffic is therefore projected to rise by 7.5% and transborder (U.S) traffic by 4.3%. Domestic traffic growth is expected to increase by approximately 1.5%.

Furthermore, ADM plans to invest about $400 million in airport infrastructures in 2019. ADM will continue to carry out projects aimed at addressing capacity challenges at Montréal-Trudeau, namely with regards to the parking facilities, the domestic and international baggage room as well as the permanent connections centre. Furthermore, work related to the partial and/or complete rehabilitation of certain taxiways of runway 06L-24R in order to transform them into fast exits for aircraft will continue. All these projects will be accomplished while continuing to execute a rigorous asset maintenance program. Finally, ADM expects to finalize its negotiations with a Construction Manager at Risk ("CMAR") for the cityside development program.

ADM has access to enough sources of liquidity to meet its financial obligations and to carry out the required investments.

ADM expects an EBITDA of $341 million for 2019, representing 49.2% of projected 2019 revenues, despite transfers to governments that represent close to 17% of total revenues.

International financial reporting standards ("IFRS")

Certain new standards, amendments to and interpretations of existing standards have been published and have been effective since January 1, 2018, namely IFRS 15, *Revenue from Contracts with Customers*. ADM's consolidated financial statements include the retrospective application of this new standard and there was no other impact on ADM's consolidated financial statements. Note 1 (c) of the consolidated financial statements describes the new IFRS 15 standard and its impact on 2017.

The International Accounting Standards Board continues to propose changes to IFRS. Note 1 (u) of the consolidated financial statements describes standards, amendments and interpretations that were not yet in effect as at December 31, 2018, but that are applicable as of January 1, 2019. In Management's opinion, the only change that will affect the consolidated financial statements as at December 31, 2018 is the application of IFRS 16, *Leases*. Note 1 (u) to the consolidated financial statements also describes the retrospective impact of the adoption of this new standard.

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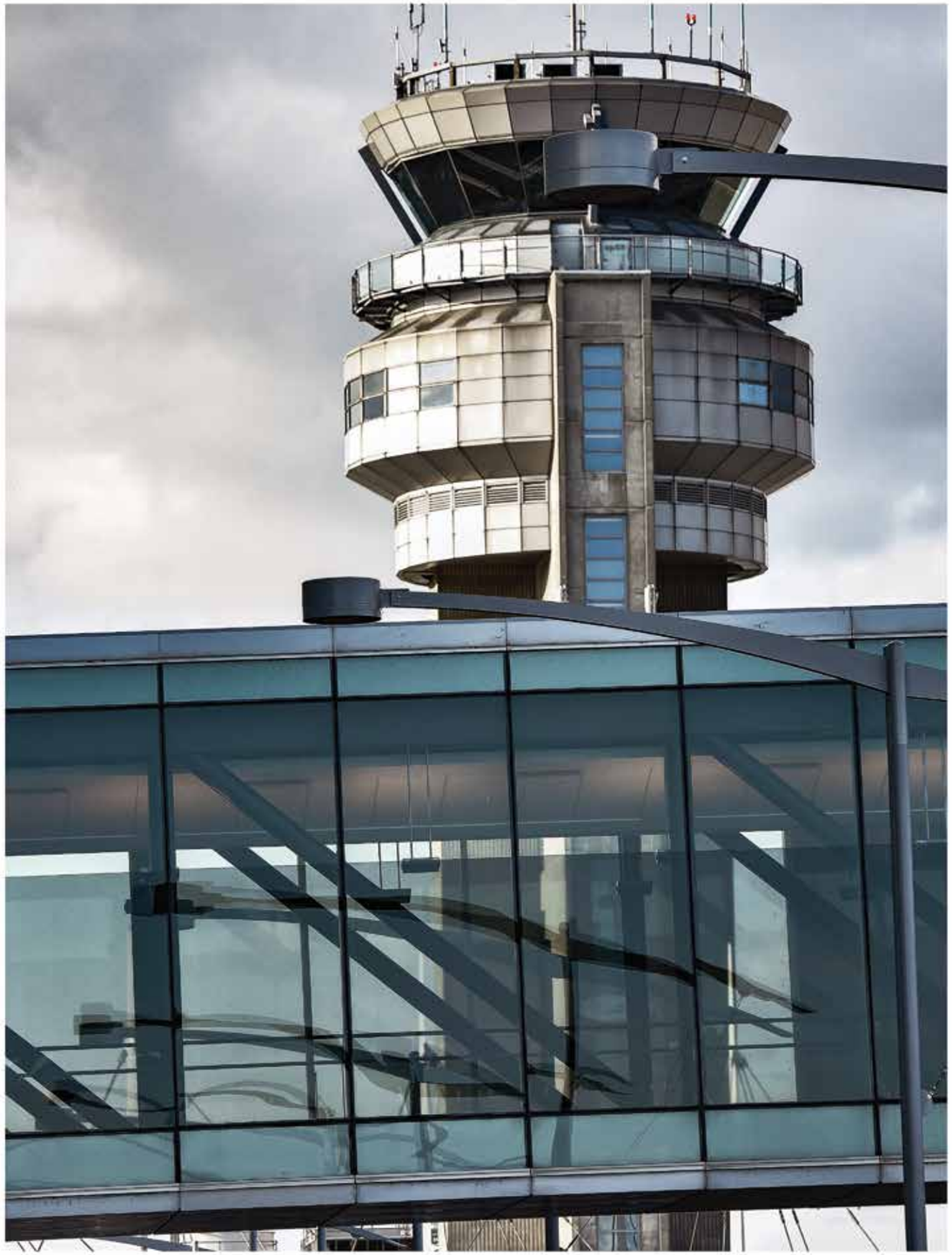


Board of Directors

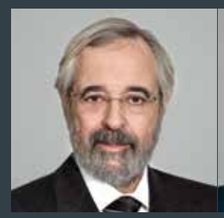
Normand Legault
Chairman of the Board
Company Director

Danielle Laberge [2]
Vice Chairwoman of the Board
Tenured Professor, Université du Québec à Montréal

Jean-Jacques Bourgeault [2]
Director
Company Director

Marc G. Bruneau [2,4]
Director
Executive Vice President and Partner, WhiteHaven Securities Inc

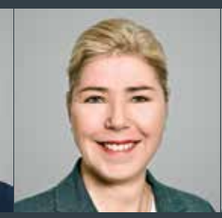
Jean Pierre Desrosiers [2]
Director
Chairman of the Audit Committee
Company Director



José P. Dorais [1]
Director
Lawyer, Dunton Rainville

Yves Filion [3]
Director
President, Consultation Yves Filion Inc.

Hélène V. Gagnon [1]
Director
Chairwoman of the Governance and Human Resources Committee
Vice President, Public Affairs and Global Communications, CAE



Mélanie Kau [1]
Director
Company Director

Robert Lefebvre [3]
Director
Company Director

Mario Messier [3]
Director
President, Messier, Savard et Associés

Danielle Poudrette [3]
Director
Chairwoman of the Capital Investment Projects and Environmental Committee
Company Director

Suzanne Rancourt [3,4]
Director
Company Director

Philippe Rainville
Director
President and Chief Executive Officer, Aéroports de Montréal

1 Member of the Governance and Human Resources Committee **2** Member of the Audit Committee
3 Member of the Capital Investment Projects and Environmental Committeet **4** Appointment of Marc G. Bruneau, effective May 3, 2018, and of Suzanne Rancourt, effective February 8, 2018

Governance

Corporate governance practices

Although not subject to the governance rules that regulate public companies, Aéroports de Montréal complies with the disclosure and governance practices required of public companies, adapting them to its status as a corporation without share capital. For more information, visit **admtl.com.**

Board of Directors

The Board of Directors is responsible for managing ADM. It exercises full authority and power and executes all actions that ADM is authorized to take according to the law and ADM's articles and by-laws, unless the law or the articles and by-laws require that they be exercised by the ADM's assembly of members. The Board of Directors assumes responsibility for corporate governance and accountability to ADM's governing bodies. The Board is composed of a maximum of fifteen (15) directors, thirteen (13) of whom are appointed by the Board and two (2) by the Government of Canada. Four (4) nominating entities are called upon to submit, at ADM's request, the names of three (3) candidates whose profiles match the qualifications being sought by the Board for each position to be filled. These nominating entities, identified in ADM's by-laws, are the Government of Québec (1 position), the Communauté métropolitaine de Montréal (5 positions), the Chamber of Commerce of Metropolitan Montréal (3 positions) and the main carriers operating at Montréal-Trudeau airport (2 positions). The President and Chief Executive Officer is a director of ADM's, and the Board may appoint a fifteenth director. A director's term is a maximum of three (3) years and is renewable on condition that the total duration of mandates entrusted to the director does not exceed nine (9) years or, by derogation to the above, does not exceed twelve (12) years.

The Board of Directors met on nine occasions in 2018. The most important aspects of ADM's strategic plan were addressed by the members. The investments required by the growth of passenger traffic at Montréal-Trudeau airport remain an important issue and continue to receive special attention, as does the approval of ADM's major contracts and the follow-up of the REM project.

Audit Committee

The Audit Committee plays a key role in the sound financial governance of ADM, particularly with regard to monitoring (i) the quality, integrity and communication of financial information; (ii) administrative management and internal controls; and (iii) internal and external audits. The Committee assists the Board of Directors and periodically reports to the Board on the results of the Committee's work, including issues related to financial matters and internal and external audits as well as exercising its responsibilities with regard to pension plans and the fulfillment of related obligations. Specifically, the Audit Committee reviews and recommends for Board approval the annual budgets and the quarterly and annual financial statements. It reviews cash flow and recommends financing required by ADM. It reviews internal accounting systems and the procedures and effectiveness of financial controls. It oversees the integrity of ADM's financial reporting, compliance with prevailing accounting standards and respect of ADM's obligations under its lease, the regulations and ADM's financing platform. Its other responsibilities include the audit plan, reviewing the results of the external audit, appointing external auditors, management certificates, contract awards requiring Board approval and revenue contracts, as well as policies on delegation of authority, procurement of goods and services, and awards of revenue contracts. In addition, the

Committee prepares and implements an annual internal audit program, ensures its execution and reviews the report. With respect to pension plans, the Committee assures the establishment and approval of related objectives and strategies, ensures sound governance, and maintains transparent communications with stakeholders, including the Pension Committee. In doing so, it prepares pension decision-making files and more specifically regarding governance, plan rules, financial management (investments and capitalization) and compliance.

The Audit Committee is composed of Jean Pierre Desrosiers (Chair) as well as Jean-Jacques Bourgeault, Marc G. Bruneau and Danielle Laberge.

Capital Investment Projects and Environmental Committee

The Capital Investment Projects and Environmental Committee supports the Board of Directors, including in the approval and execution of the program and of capital projects and major projects, as well as governance related to information technology. It monitors ADM's environmental policy and receives reports on major environmental incidents and risks. It also monitors business risks under its responsibility and submits timely reports on these to the Board of Directors. In particular, the Committee reviews and recommends for adoption by the Board of Directors the capital investment program and projects, and their budget. It oversees budgets of the major capital investment program projects approved by the Board of Directors and regularly reviews their execution and related risks. The Committee also ensures the stability and security of the information and telecommunications services systems used and provided by ADM, as well as the protection of computer assets and data. In environmental matters, the Committee receives an accounting of ADM's environmental policy. It receives a report on major environmental incidents, approves appropriate corrective actions through the recommendations of management or experts retained for this purpose, as appropriate, and ensures the implementation of follow-ups and/or corrective measures recommended by ADM's management.

Capital Investment Projects and Environmental Committee members are Danielle Poudrette (Chair), Yves Filion, Robert Lefebvre, Mario Messier and Suzanne Rancourt.

Governance and Human Resources Committee

The Governance and Human Resources Committee assists the Board of Directors in matters involving governance, ethics and relations between ADM and the community, stakeholders and political authorities. It examines, approves and recommends, as required, the adoption of policies, practices and programs relating to human resources management and succession planning. It assists ADM's Board of Directors in exercising its responsibilities for pension plans and helps the Board in carrying out these obligations. Specifically, the Committee assists ADM's Board of Directors and periodically reports to the Board on the results of its work, including issues relating to (i) governance, including ADM's governance practices, the Board's operations and composition, the selection criteria for directors, communication and consultation with nominating bodies, compensation of directors, the code of ethics and whistleblower policy for fraudulent activities; (ii) communications and public affairs, ensuring that these policies and strategies are suitable for maintaining ADM's credibility and reputation among stakeholders; and (iii) human resources, including global compensation policies and programs, the annual salary policy, as well as the job description, compensation and performance evaluation of the President and Chief Executive Officer.

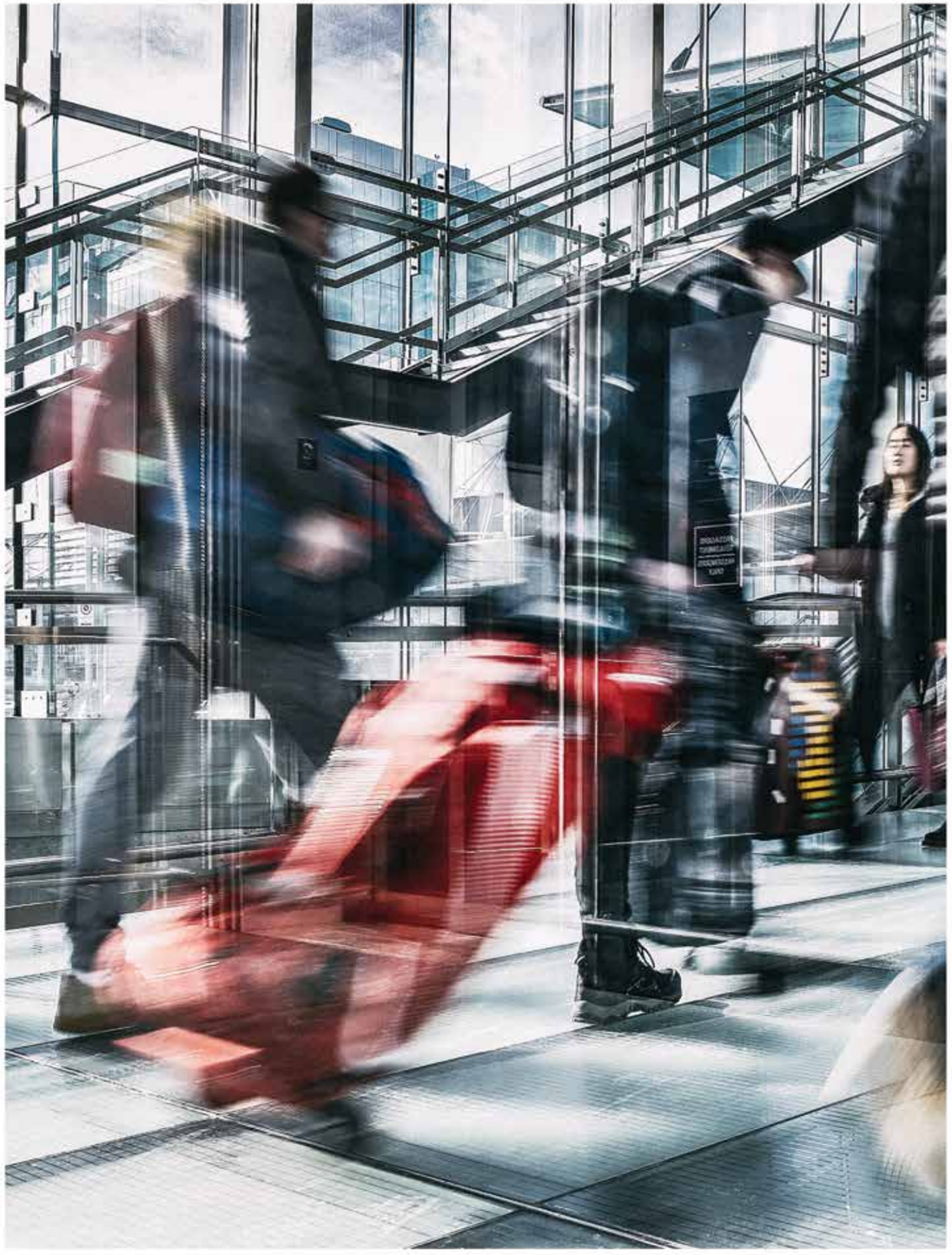
The Governance and Human Resources Committee is comprised of the following directors: Hélène V. Gagnon (Chair), José P. Dorais, and Mélanie Kau.

Community Advisory Committee

The Community Advisory Committee assists ADM's management. Its mandate is to submit, as required, relevant observations with respect to any project or decision relating to the subjects set out in Article 9 of ADM's administrative by-laws. The Committee is comprised of members from organizations that share an interest in airport development issues and that represent the various regions of Greater Montréal. The Committee reports to the President and Chief Executive Officer. The Committee's operating budget is determined annually by the Board of Directors. Members are appointed for a renewable three-year term. In 2018, the Community Advisory Committee met once and addressed ADM's main challenges. Specifically, the Committee reviewed investments made in response to growing passenger traffic and continued to review progress on road access at Montréal-Trudeau and to examine ADM's major capital projects. The composition of the Committee was modified in 2018.

Members of the Community Advisory Committee

Eve Paré (Chair) Hotel Association of Greater Montréal **François Alepin** Club des professionnels du transport Québec **Paul Arseneault** Chaire de tourisme Transat, UQAM **Pierre Bellerose** Tourisme Montréal **Suzanne Benoît** Aéro Montréal **Ghislain Bilodeau** FADOQ **Mario Boily** City of Mirabel **Hubert Bolduc** Montréal International **Robert Bourbeau** City of Dorval **Geneviève Brault-Sabourin** Mirabel Chamber of Commerce and Industry **Cameron Charlebois** Campus Planning and Development Office, McGill University **France Dionne** Institut de tourisme et d'hôtellerie du Québec **Yves-Thomas Dorval** Quebec Employers' Council **Véronique Doucet** Ville de Montréal **Céline Huot** Chamber of Commerce of Metropolitan Montreal **Joseph Huza** West Island Chamber of Commerce **André Leclerc** Kéroul **Denis Leclerc** Écotech **Selena Lu** Junior Chamber of commerce of Montreal **Robert Mercure** Palais des congrès de Montréal **Catherine Morency** Chaire Mobilité, Polytechnique Montréal **Thomas Mulcair** Jour de la Terre **François Pépin** Trajectoire Québec **Véronique Proulx** Manufacturiers et Exportateurs du Québec **Martin Roy** Regroupement des événements majeurs internationaux **Sylvie Séguin** Chamber of Commerce and Industry of Saint-Laurent – Mount Royal **Pierre Tremblay** eng., Québec Road Builders and Heavy Construction Association



Compensation of Directors in 2018

Name	Attendance, Board of Directors	Attendance, Audit Committee	Attendance, Capital Investment Projects and Environmental Committee	Attendance, Governance and Human Resources Committee	Retainer	Fees	Total
Jean-Jacques Bourgeault	9	6			$18,000	$23,250	$41,250
Marc G. Bruneau[1]	7	1			$12,000	$11,250	$23,250
Jean Pierre Desrosiers, Chairman of the Audit Committee	9	6			$24,500	$21,750	$46,250
José P. Dorais	9			10	$18,000	$25,500	$43,500
Yves Filion	8		5		$18,000	$20,250	$38,250
Hélène V. Gagnon, Chairwoman of the Governance and Human Resources Committee	9			10	$22,333	$27,000	$49,333
Mélanie Kau	7			10	$18,000	$24,000	$42,000
Danielle Laberge, Vice Chairwoman of the Board	9	6		1	$18,000	$21,750	$39,750
Robert Lefebvre	9		6		$18,000	$23,250	$41,250
Normand Legault, Chairman of the Board	8	5	5	9	$110,000	---	$110,000
Mario Messier	7		5		$18,000	$17,250	$35,250
Danielle Poudrette, Chairwoman of the Capital Investment Projects and Environmental Committee	9		6		$23,417	$23,250	$46,667
Philippe Rainville	9	6	5	10	---	---	---
Suzanne Rancourt[2]	9		5		$16,500	$20,250	$36,750
TOTAL					**$334,750**	**$258,750**	**$593 500**

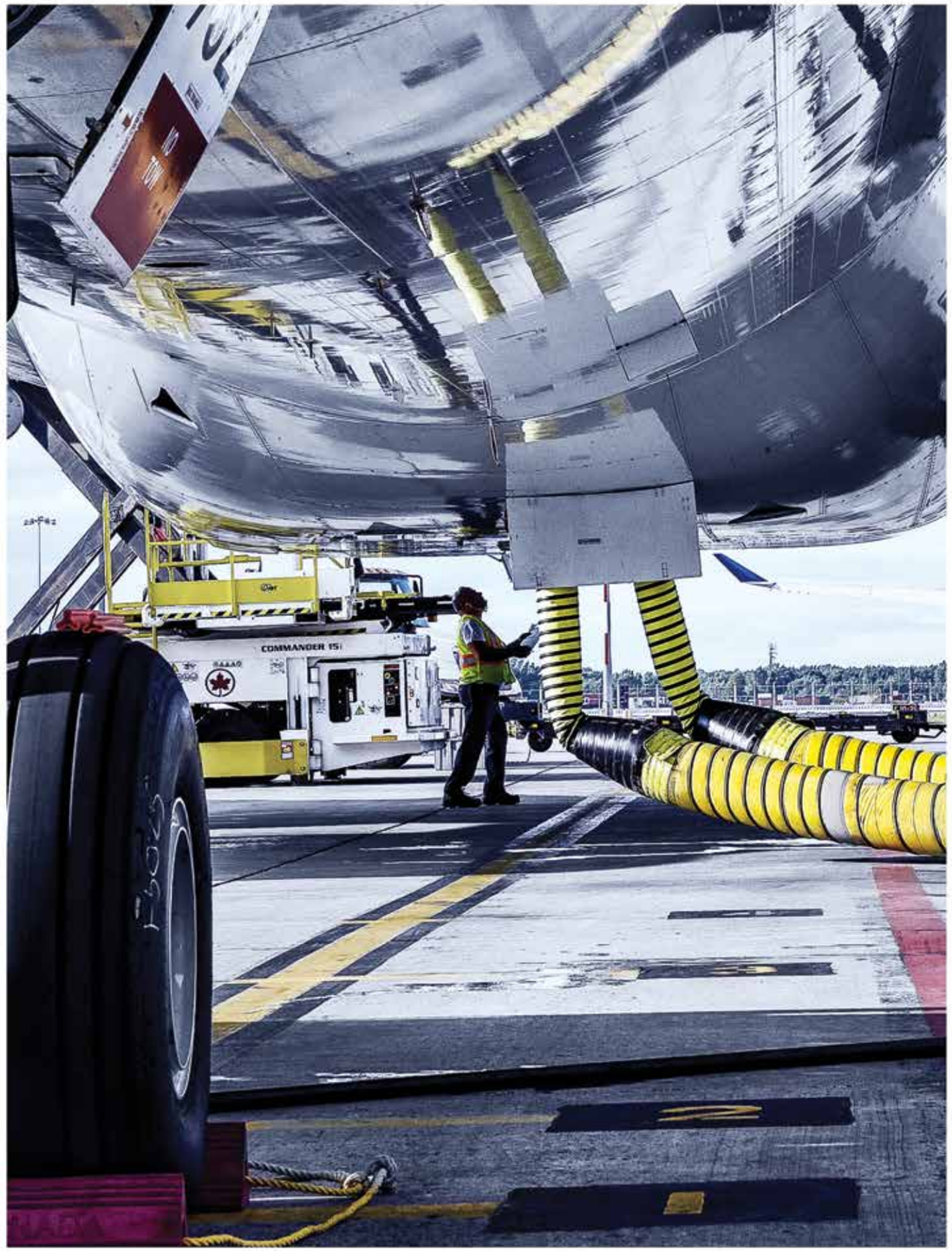
1) Mandate began May 3, 2018
2) Mandate began February 8, 2018

Executive Compensation

The annual salaries of the President and other members of the Management Committee range from $160,000 to $410,400. In addition, performance bonuses paid to executives totalled $849,134.

Directors who are board members of a “reporting issuer”

Hélène V. Gagnon, Hydro Québec; Mélanie Kau, Alimentation Couche Tard Inc.; Normand Legault, Cogeco Inc.; Suzanne Rancourt, WSP Global inc.



2019-2023 **Strategic review**

Grow successfully

The 2019-2023 Strategic Review updates the 2018-2022 strategic plan, which was the result of extensive analysis and consultation. It follows the creation of a new Management Committee within Aéroports de Montréal.

Strategic Review

Last year, ADM expressed its desire to "grow successfully" by progressively adjusting YUL's capacity to increasing passenger volumes. The 2019-2023 strategic plan confirms the validity of the detailed roadmap in the 2018-2022 plan and the veracity of the growth projections and financial assumptions made. The approach developed by ADM is rigorous and modular, making it possible to adapt the investment program to real needs and their evolution.

Priority

ADM's priority is to progressively adapt YUL's ability to respond to traffic growth, which remains strong, while maintaining the highest level of quality of service to travellers. This strategic priority is based on the six strategic pillars set out last year: customers, competitiveness, community, culture, sustainable development and governance.

Capacity challenges

Operational capacity

In 12 months, sustained growth in traffic continued to put pressure on our capacity (parking and drop-off zone, waiting hall, check-in, baggage check, baggage carousels). ADM is addressing this situation in two ways:

- Structurally, ADM is undertaking construction work to respond to the challenges by adding capacity (e.g., parking, drop-off zone);
- Operationally, ADM is freeing up capacity and ensuring a quality customer experience through the use of new technologies and careful management (e.g., customer journey analysis, improved signage, etc.).

The preparation of construction work on the cityside to improve access to the terminal has progressed with the establishment of a project office and the selection of a quantity surveyor. Three key milestones will mark the sequence of work:

- Spring 2019: Award of the construction management contract and review of the phasing of work;
- Early 2020: Commissioning of P4 parking;
- End of 2023: Opening of the REM station.

The airside construction work has begun and includes several infrastructures to be modified and built over the period 2018-2028:

- Preliminary work based on the construction of a new jetty;
- Rapid exits;
- Parallel and transverse circulation lanes;
- Waiting bays to double.

A final decision regarding the airside should be taken in the next few years.

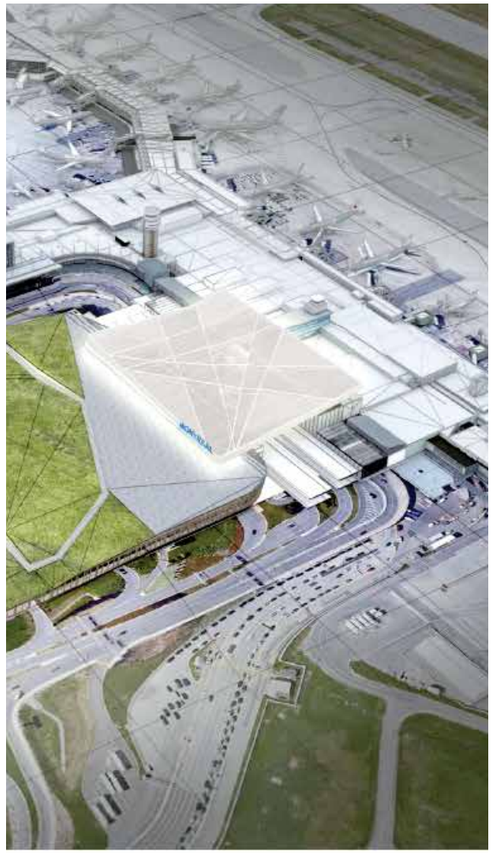
Financial capability

Cityside development program

ADM's financial capability allows for the funding of projects that address capacity challenges and without the need for alternative financing. They include:

- Building the REM station, the drop-off zone, YULtransit;
- Adding parking spaces;
- Repositioning of the facade.

The decision to add the signature project (cloud, observatory, offices, wooded border around the parking lots) will have to be taken around 2025; it will be conditional upon the achievement of anticipated passenger growth.



Airside development projects

Investments in the new jetty will become necessary to accommodate the growing number of passengers by 2035.

Airside development projects include:

- A new remote jetty adding boarding gates;
- A connection between the remote jetty and the existing terminal, providing space for a new baggage room, additional boarding gates and the addition of commercial sectors, giving us the necessary capacity to meet demand in 2035.

The completion of these projects requires ADM to analyze various financing options to minimize the cost increases for passengers.

In all the scenarios being considered, ADM will respect the maximum debt threshold so that it can maintain an A2 credit rating and repay its debt in full several years before the expiry of the lease between ADM and Transport Canada.

The capacity challenge is crucial. But ADM's success is based just as much on the organization's ability to maintain a high level of service quality and offer travellers a unique experience that will live up to Montréal's extraordinary reputation. Build properly, absolutely, but "thrill and delight" as well. These are the two indivisible facets of ADM's development that are brought together in a service culture that engages the entire corporation as well as all employees of the airport community.

Management Committee 2018-2019

Committee members

Martin Massé, Vice President, Public Affairs, **Pierre Loyer,** Vice President, Airport Infrastructure, **Sylvain Choinière,** Vice President, Legal Affairs and Corporate Secretary, **Charles A Gratton,** Vice President, Commercial Services and Real Estate development, **Philippe Rainville,** President and CEO, **Ginette Maillé,** Vice President, Finance and Administration, and Chief Financial Officer, **Stéphane Lapierre,** Vice President, Airport Operations and Air Services Development, **Joanne Bergeron,** Vice President, Human Resources and Vice President Sustainability

Transparency

Accountability

Aéroports de Montréal has a policy of holding itself accountable to the community, of practicing transparency in its relationships with its customers and stakeholders, and of communicating openly with the public. ADM reports on its administration in various ways, including the following:

- Publishing an annual report that contains, in addition to audited financial statements, specific information with respect to corporate governance, compensation of directors and officers, and exemptions to the procurement policy for goods and services;
- Issuing press releases similar to those issued by publicly listed companies;
- Holding an annual public meeting;
- Holding annual meetings with each of the nominating entities.

Satisfying the financial requirements of bond holders and the bank syndicates. Every year ADM appears before the city or borough councils of neighbouring communities, including Dorval, Pointe Claire and Saint Laurent.

Consultation

In addition to its work with the Community Advisory Committee, ADM consults its various stakeholders on any relevant issues concerning management, operations and airport development, either directly or by way of committees set up specifically for this purpose. Below are several examples.

Airport Soundscape Advisory Committee
Composed of 15 members appointed respectively by the City of Montréal (1), the cities of Dorval and Pointe Claire, and the borough of Saint Laurent (1 each), Transport Canada (1), the Government of Québec (1), Nav Canada (1), air carriers (3) and ADM (5), this committee holds regular meetings to discuss soundscape issues.

Airline Consultative Committee
This committee is an effective forum for discussing matters of common interest to carriers and for officially representing their interests during consultations or formal presentations with Aéroports de Montréal, particularly with respect to developing the infrastructure needed to expand air service.

Airport Operators Committee
Bringing together members of Aéroports de Montréal's management, carriers' station managers, service representatives from federal inspection agencies, NAV CANADA, material handlers and other aviation service suppliers, this committee oversees the coordination of airport activities.

Master Plan
Updates to the master plans of both airports are required every 10 years and must be reviewed by various groups that Aéroports de Montréal deems appropriate, including the municipalities of Montréal and Mirabel and the Community Advisory Committee. Once comments have been received, updates are filed with the Canadian Minister of Transport. YUL and YMX's master plans were the subject of consultations in 2013 and were filed with the Canadian Minister of Transport. These plans cover the period from 2013-2033.

Land-Use Plan
A consultation plan must be filed with Transport Canada before any change is made to the land-use plan. These consultations must be carried out with the Community Advisory Committee as well as with other organizations, bodies and government departments deemed appropriate by Aéroports de Montréal. An approval request for the intended changes must then be filed with the Canadian Minister of Transport.

Information
The public may contact Aéroports de Montréal representatives and access information on ADM's activities by:

- Visiting the Aéroports de Montréal website at **admtl.com;**
- Calling the general information numbers (514 633-3333 or 1 800 465-1213);
- Completing a comment card available at different points in the terminal;
- The travelling public can also share comments, questions or suggestions by phone (514 633-3351), fax (514 394-7356) or email (yulclientele@admtl.com);
- Writing to the Public Affairs Department.

Aéroports de Montréal conducts surveys on a continual basis to ensure that airport services adequately meet the needs of customers. Close to 2,300 passengers are interviewed each quarter on various aspects of customer service.

Report of contracts not subject to public tendering

In accordance with the accountability principles issued by Transport Canada, the administrative by-laws and Aéroports de Montréal's policy on the procurement of goods and services, all contracts in excess of $110,000 must be publicly tendered, unless the authorized signatory, for reasons of efficiency and practicality, decides otherwise. In all cases, a price validation process is systematically applied.

A.
When Aéroports de Montréal considers that it is more efficient to award a new contract to an existing supplier, when service providers have gained specific experience related to the previous contract or when there is an urgent need to undertake work to avoid compromising the safety of premises and persons.

B.
When the acquired technology remains the property of the supplier, is under patent or licence or when the specialized experience and expertise of the supplier are quasi-exclusive, or when the maintenance of a source of supply is essential in view of substantial investment already made to establish a standard.

Contracts of $1 million and over:

Value of the contract	Company	Nature of the contract	Reason
$20,059,117	L.A. Hébert Itée	Rehabilitation of B1, B3 taxiways and runway 06L-24R and reconstruction of rapid taxiway E	A
$13,190,534	Canadian Corps of Commissionnaires	Airport security services – Runway side block - NPS-V	B
$4,632,591	Canadian Corps of Commissionnaires	Resources for passenger services at primary inspection line	B
$3,900,000	Eurovia Québec Construction inc.	Repaving of pavement, runways, taxiways and apron	A
$3,900,000	Cobus Industries LP	Acquisition of passenger boarding vehicles	B
$3,571,674	Engie Services inc.	Modification of baggage handling system for thre reintroduction of temporarily stored baggage	B
$1,858,000	J. A. Larue inc.	Acquisition of 2 Larue blowers	B
$1,586,302	Alstef Canada inc.	Increasing the capacity of baggage room summer 2018	B

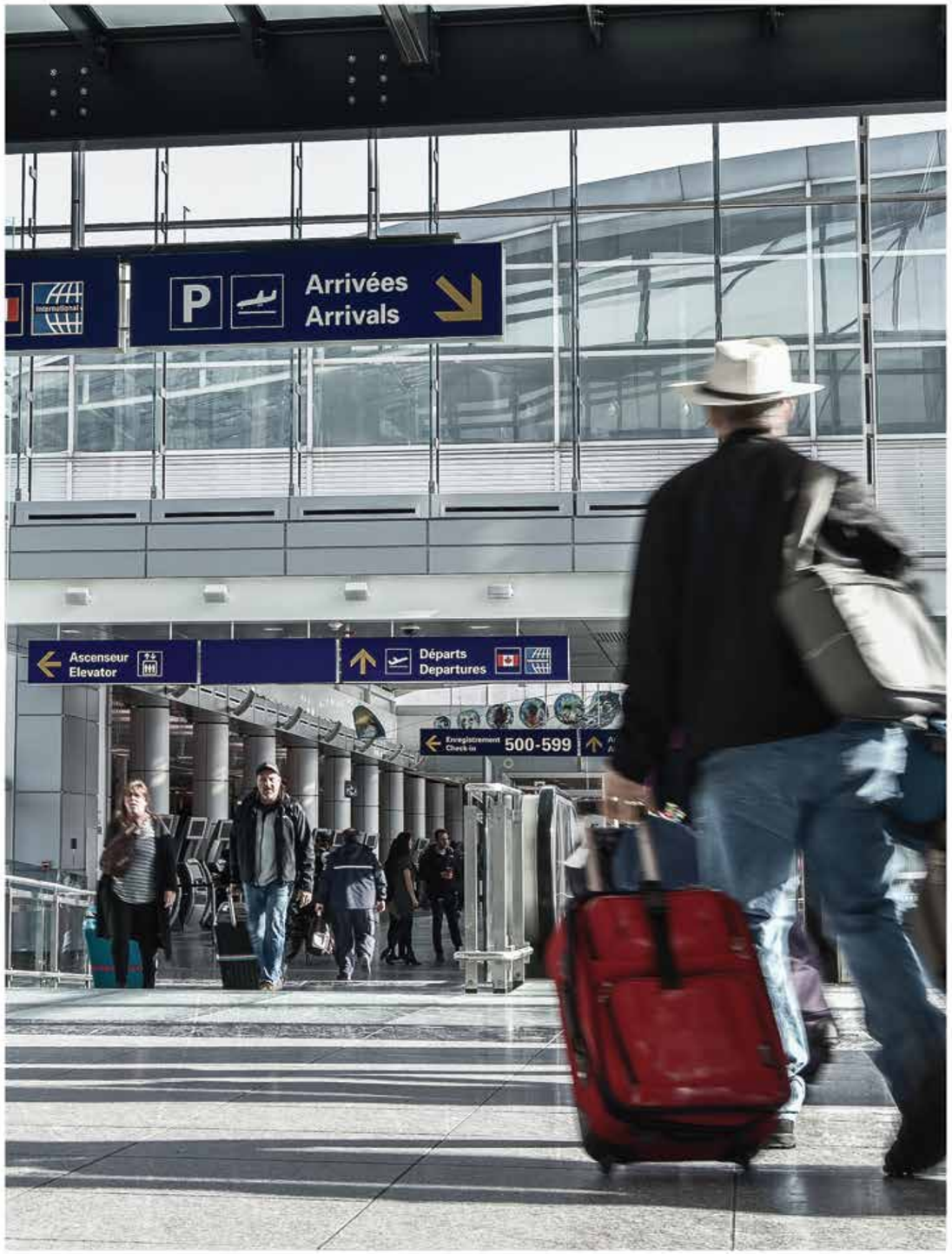
Contracts of under $1 million:

Reason for exemption A – Company (contract)

Dell Canada Inc. (laptops), Gil Goyette Architecture Conseil inc. (terminal expansion program), Les Constructions Serbec inc. (checkpoint development), J.A.D. Construction Renovation inc. (sanitary block), Helios, Aviation Consultancy of Egis (soundscape support), Verde GSE JBT (acquisition of PCAs), Urgences-santé Corporation (ambulance services), Macogep inc. (governance structure, cityside construction program), KPMG s.r.l./S.E.N.C.R.L. (external auditors), Dataglobe inc. (uninterruptible power systems), Cima + S.E.N.C. (BIM/VDC support), Five Services inc. (rehabilitation of mobile crowns, high mast lifting system), PricewaterhouseCoopers LLP (selection of a construction manager, cityside program), Eurovia Québec Construction inc. (securing pavements in baggage rooms/ Breezways), DRL Beaudoin Équipement inc. (blades, clogs and knives for heavy vehicles), Copenhagen Optimization (passenger capacity management), De Mathieu & Bard inc. (rehabilitation of the west ramp of multi-level parking lot), Optiqo inc. (management tool provider), Zendesk inc. (complaints and comments management tool), GSS Inc. (support, simulation for explosives detection system integration).

Reason for exemption B – Company (contract)

Bédard Resources inc. (sanitary inspections), Jaquith Industries Inc. (rehabilitation of traffic lanes), Daifuku Logan Ltd. (adding a baggage carousel, conveyor modifications), Motorola (body cameras), Matrec Services Inc. (sanitary blocks), Precise Parklink (parking equipment), Créatech Group (Success Factors implementation and SAP maintenance), Groupe Nexio inc. (SharePoint application and change support), Alstef Canada inc. (baggage transport and checkpoint expansion), Engie Services inc. (addition of a baggage carousel and baggage management solution), Mobile Maestria (wireless and mobile services), BBA inc. (electrical network management and protection system), DP Printing Solutions inc. (baggage tag paper), Bell Canada inc. (network and telephony evolution, Cisco switch acquisition and F5 network data protection), Geomatik Group (professional surveying services), Toyota Gabriel St-Laurent (hybrid vehicles), Team Eagle Ltd (brake test equipment and multi-function tractor), Cubex Ltd (street brooms), JLD Laguë (John Deere Tractor), Régulvar inc. (Lot 32 - regulation - construction of a connections centre), Nortrax Québec inc. (wheel loaders), Artopex inc. (passenger seats upgrade), Industrielles Marchand Industrial Technical Services inc. (manufacture of PCA and boom air supports), Siemens Canada Ltd (remote monitoring and cameras), Kenworth Montréal (heavy truck), Black & McDonald Ltd. (air conditioner/heating for VTP), ADB Safegate Canada inc. (runway and taxiway light control system), Equipment Simard inc. (spreader trucks), Jaquith Industries inc. (light box components), Bruel & Kjaer (soundscape management), Maintenance 2 frères enr. (maintenance of baggage carts and crowd control posts), Edgenda Group (audit of EMS and SMS), Publitech inc. (targeted marketing emails), United Rotary Brush Corporation (runway and street sweeper brushes), Construction Chartel inc. (mounting of the Chinese Transit Program exhibition).



Consolidated financial statements

for the year ended December 31, 2018

Management's Report

Management is responsible for the preparation and integrity of the financial statements presented in this annual report.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include figures based on the best estimates and judgment of management. Financial information found elsewhere in this annual report is consistent with these consolidated financial statements.

Management is of the opinion that these consolidated statements present fairly the Corporation's financial situation, operating results and cash flow. To discharge its responsibilities the Corporation applies controls, internal accounting procedures and methods aimed at ensuring the reliability of the financial information and the protection of corporate assets.

The external auditors, KPMG, have audited the Corporation's consolidated financial statements. Their report defines the scope of their audit as well as their opinion on the consolidated financial statements.

The Audit Committee of the Board of Directors holds meetings periodically with the external auditors, as well as with management to examine the extent of the audit and assess the audit reports. These consolidated financial statements have been examined and approved by the Board of Directors upon recommendation by the Audit Committee.
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President and Chief Executive Officer

PHILIPPE RAINVILLE, CPA, CA

Vice President, Finance and Administration
and Chief Financial Officer

GINETTE MAILLÉ, CPA, CA

March 14, 2019

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report

to the Directors of Aéroports de Montréal

OPINION

We have audited the consolidated financial statements of Aéroports de Montréal ("the Entity"), which comprise:
- the consolidated statement of net assets as at December 31, 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in net assets for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies;

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:
• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP*

Montréal, Canada
March 14, 2019

*CPA auditor, CA, public accountancy permit n° A122264

Consolidated Statement of Net Assets

December 31, 2018, with comparative information for 2017 (In thousands of Canadian dollars)

	Note	December 31, 2018	December 31, 2017 (note 1 (c))
ASSETS			
Current			
Cash and cash equivalents		**$ 193,759**	$ 193,125
Restricted cash	2	**55,492**	54,978
Trade and other receivables	3	**34,358**	36,956
Inventories		**6,525**	6,252
		290,134	291,311
Non-current			
Property and equipment	4	**2,195,364**	2,125,030
Receivables		**1,729**	19,138
Other assets		**28,439**	25,733
		$ 2,225,532	$ 2,169,901
		$ 2,515,666	$ 2,461,212
LIABILITIES			
Current			
Trade and other payables		**$ 163,938**	$ 165,442
Current portion of long-term bonds and finance lease liabilities	7 and 8	**13,020**	11,311
Provisions	9	**8,931**	9 587
Other employee liabilities	10	**13,771**	12,153
Deferred revenue		**3,741**	4,321
		203,401	202,814
Non-current			
Long-term bonds	7	**1,999,949**	2,011,424
Finance lease liabilities	8	**18,830**	19,163
Pension benefit liability	10	**28,298**	31,244
Deferred revenue		**46,054**	51,715
		2,093,131	2,113,546
Commitments	17		
NET ASSETS			
Net assets of the Corporation		**219,134**	144,852
		$ 2,515,666	$ 2,461,212

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors, these consolidated financial statements have been approved on March 14, 2019.

NORMAND LEGAULT, Director

JEAN PIERRE DESROSIERS, Director

Consolidated Statement of Comprehensive Income (Loss)

Year ended December 31, 2018, with comparative information for 2017 (In thousands of Canadian dollars)

	Note	2018	2017
			(note 1 (c))
REVENUES			
Aeronautical activities		$ 228,494	$ 214,426
Airport improvement fees ("AIF")	13	215,081	179,877
Parkings and ground transportation		92,290	86,761
Concessions		59,884	54,303
Real estate		47,328	45,959
Other income		1,944	1,560
	12	645,021	582,886
EXPENSES			
Salaries and benefits	10	77,169	72,295
Maintenance and services		92,883	82,560
Goods and utilities		22,669	21,108
AIF collection costs		8,770	7,347
Other operating expenses		14,210	12,882
Payments in lieu of municipal taxes		38,366	40,203
Transport Canada rent	5	69,307	61,404
Depreciation of property and equipment		147,574	139,066
Impairment of property and equipment		2,708	-
		473,656	436,865
Financial expenses	12	107,279	105,462
Financial income		(4,086)	(2,357)
		103,193	103,105
		576,849	539,970
EXCESS OF REVENUES OVER EXPENSES		$ 68,172	$ 42,916
Other comprehensive gain (loss)			
Items that will never be reclassified subsequently to excess of revenues over expenses:			
Pension and other employee obligations			
Actuarial gains (losses) of defined benefit pension plans		$ 5,024	$ (21,788)
Items that are or may be reclassified to excess of revenues over expenses			
Cash flow hedges			
Reclassification to excess of revenues over expenses	12	1,086	1,086
		6,110	(20,702)
COMPREHENSIVE INCOME		$ 74,282	$ 22,214

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Year ended December 31, 2018, with comparative information for 2017 (In thousands of Canadian dollars)

	Note	2018	2017
Balance, beginning of year			
Balance, as previously reported		$ 143,512	$ 124,523
Change in accounting policies	1 (c)	1,340	(1,885)
Balance, as restated		144,852	122,638
Excess of revenues over expenses		68,172	42,916
Other comprehensive gain (loss)		6,110	(20,702)
Balance, end of year		$ 219,134	$ 144,852

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017 (In thousands of Canadian dollars)

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses		**$ 68,172**	$ 42,916
Non-cash items:			
Depreciation of property and equipment		**147,574**	139,066
Impairment of property and equipment		**2,708**	-
Amortization of lease incentives		**1,800**	1,202
Change in deferred revenue		**(6,241)**	(8,713)
Transport Canada rent	5	**277**	-
Employee pension benefit expense		**10,578**	8,895
Financial expenses		**107,279**	105,354
Financial income		**(3,950)**	(2,357)
		328,197	286,363
Contributions to the pension plan		**(8,500)**	(13,644)
Changes in working capital items	14	**12,114**	6,880
		331,811	279,599
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Proceeds from borrowing under the credit facility	6	**-**	77,000
Repayment of borrowing under the credit facilty	6	**-**	(86,000)
Increase in long-term bonds	7	**-**	250,000
Debt issue costs	7	**-**	(1,735)
Repayment of long-term bonds and of finance lease liabilities		**(11,311)**	(9,838)
Restricted cash		**(514)**	(433)
Interest paid		**(110,794)**	(107,062)
		(122,619)	121,932
CASH FLOWS USED IN INVESTING ACTIVITIES			
Short-term investments		**408**	(16,434)
Acquisition of property and equipment		**(213,625)**	(219,317)
Proceeds on disposal of property and equipment		**10**	-
Interest received		**4,649**	2,521
		(208,558)	(233,230)
Net increase in cash and cash equivalents		**634**	168,301
Cash and cash equivalents, beginning of year		**193,125**	24,824
CASH AND CASH EQUIVALENTS, END OF YEAR		**$ 193,759**	$ 193,125

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended December 31, 2018 (In thousands of Canadian dollars)

Aéroports de Montréal ("ADM") was incorporated, without share capital, under Part II of the Canada Corporations Act on November 21, 1989. The registered address and principal place of business is 800 Leigh-Capreol Place, Suite 1000, Dorval, Québec, H4Y 0A5, Canada.
ADM and its subsidiary (collectively, the "Corporation") are responsible for the management, operation and development of Montréal-Pierre Elliott Trudeau International Airport ("Montreal-Trudeau") and of Montréal-Mirabel International Airport ("Montreal-Mirabel").

The Corporation's mission is threefold:

- Provide quality airport services that are safe, secure, efficient and consistent with the specific needs of the community;
- Foster economic development in the Greater Montréal Area, especially through the development of facilities for which it is responsible; and;
- Co-exist in harmony with the surrounding environment, particularly in matters of environmental protection.

ADM's wholly owned subsidiary, Aéroports de Montréal Capital Inc. ("ADMC"), acts as an investment or financing partner or as an advisor in projects related directly or indirectly to airport management.

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used to prepare the consolidated financial statements are summarized below.

(A) Statement of compliance

These consolidated financial statements have been prepared using accounting policies in accordance with International Financial Reporting Standards ("IFRS") as at December 31, 2018. Certain comparative information have been reclassified to conform to current-year presentation.
The consolidated financial statements were authorized for issue by the Board of Directors on March 14, 2019.

(B) Basis of presentation

These consolidated financial statements are prepared using the historical cost method, except for certain financial instruments which are measured at fair value and for the pension benefit liability and other employee benefits, which are measured as described in the accounting policy for "Post-employment benefits". The historical cost is usually the fair value of the consideration given to acquire assets.
The consolidated financial statements are expressed in Canadian dollars rounded to the nearest thousand.

(C) Changes in accounting policies

Certain new standards, amendments to and interpretations of existing standards, have been published and have been effective since January 1, 2018. Changes in accounting policies and their impact on the consolidated financial statements of the Corporation are as follows:

IFRS 15, *Revenue from Contracts with Customers*
In May 2014, the International Accounting Standards Board ("IASB") released IFRS 15, *Revenue from Contracts with Customers* which supersedes IAS 11, *Construction Contracts* and IAS 18, *Revenue* and related interpretations.
The fundamental principle of the new standard is to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Entity expects to be entitled in exchange for those goods or services using a five-step model. Revenue is recognized progressively or at a moment in time. The objective is to provide users of financial statements with more informative and relevant disclosures.
The Corporation adopted IFRS 15 for the period beginning on January 1, 2018 in its consolidated financial statements and elected to implement the fully retrospective method with prior period restatements.
Under IAS 18, revenue was measured by reference to the fair value of consideration received or receivable by the Corporation for services rendered, net of rebates and discounts.
Under IFRS 15, certain incentive and promotional programs to ensure the development of air services give customers a material right. The Corporation recognizes revenue when these services are provided.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(C) Changes in accounting policies (continued)

IFRS 15, *Revenue from Contracts with Customers (continued)*

The impact of the retrospective application of this new standard on the Corporation's consolidated financial statements is the following:

	December 31, 2017		
	As presented	Restatement IFRS 15	As restated
Current assets			
Trade and other receivables	$ 27,477	$ 9,479	$ 36,956
Current liabilities			
Trade and other payables	155,963	9,479	165,442
Deferred revenue	5,661	(1,340)	4,321
Net assets			
Net assets of the Corporation	143,512	1,340	144,852
Revenues			
Aeronautical activities	211,201	3,225	214,426
Excess of revenues over expenses	39,691	3,225	42,916

	January 1, 2017		
	As presented	Restatement IFRS 15	As restated
Current assets			
Trade and other receivables	$ 29,628	$ 7,058	$ 36,686
Current liabilities			
Trade and other payables	144,188	7,058	151,246
Deferred revenue	5,661	1,885	7,546
Net assets			
Net assets of the Corporation	124,523	(1,885)	122,638

The impact of the adoption of IFRS 15 on the consolidated statement of net assets is limited to the items above. Therefore, a consolidated statement of net assets as at January 1, 2017 was not presented in the Corporation's consolidated financial statements.

As a result of the initial adoption of IFRS 15, the Corporation has updated its accounting policies for revenue recognition. The Corporation's principal sources of revenues are comprised of revenue from aeronautical activities, AIF, parking facilities and ground transportation, concessions, real estate activities as well as other income.

A performance obligation is a contractual promise to transfer a good or service to a customer. The transaction price is the amount agreed upon in a contract, including an estimate of variable consideration to the extent that it is highly probable that a significant reversal will not subsequently occur. Variable consideration is usually derived from incentives such as discounts and rebates. The Corporation recognizes revenue when, or as, the customer obtains control of the goods or services.

Notes to the Consolidated Financial Statements
Year ended December 31, 2018 (In thousands of Canadian dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(C) Changes in accounting policies (continued)

IFRS 15, *Revenue from Contracts with Customers (continued)*

Aeronautical activities

Revenues from aeronautical activities, which generally consist of landing and terminal fees, primarily received from airline companies, are recognized when the facilities are utilized.

Aeronautical activities also include deferred revenue which is recognized on a straight-line basis over the term of the corresponding licence agreements or when services are rendered. Deferred revenue is comprised of revenue related to licence fees of certain assets stemming from agreements entered with third parties and upfront payments for services to be rendered the following year.

AIF

Revenues from AIF are recognized when departing passengers board the aircraft using information from air carriers obtained after boarding has occurred. Under an agreement with the airlines, AIF are collected by the airlines and are included in the price of a plane ticket. They are paid to the Corporation net of airline collection fees.

Parkings and ground transportation

Revenues from parkings facilities and ground transportation are recognized when the facilities are used or under the straight-line method over the term of the respective agreements.

Concessions

Concession rental payments are calculated based on the greater of the agreed-upon percentages of reported concessionaire sales and specified minimum rentals. Minimum rentals are recognized under the straight-line method over the term of the respective leases, and concession rental payments based on sales are recognized when tenants reach the agreed upon objectives.

Real estate

Real estate revenues are recognized under the straight-line method over the terms of the respective leases.

Other income

Other income includes income from other operations and is recognized as the performance obligation is satisfied.

(D) Principles of consolidation

These consolidated financial statements include the accounts of ADM and its wholly owned subsidiary, ADMC. A corporation controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of a subsidiary are included in the consolidated financial statements from the date the control is obtained until the date that control ceases. All intercompany accounts and transactions have been eliminated upon consolidation.

(E) Financial instruments

The Corporation initially recognizes financial assets on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Corporation classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(E) Financial instruments (continued)

The classification of the Corporation's financial instruments is presented in the following table:

Class	Financial instrument
Financial assets at amortized cost	Cash and cash equivalents
	Restricted cash
	Trade and other receivables
Financial liabilities at amortized cost	Trade and other payables
	Credit facility
	Long-term bonds
	Finance lease liabilities

Financial assets measured at amortized cost
After the initial recognition, non-derivative financial asset are subsequently measured at amortized cost using the effective interest rate method, less any impairment loss, if the following conditions are met:
• The assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
• The contractual terms of the financial assets give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

Impairment of financial assets
The Corporation uses the "expected credit loss" model for calculating impairment and recognizes expected credit losses as a loss allowance in the consolidated statement of net assets if they relate to a financial asset measured at amortized cost. The Corporation's trade and other receivables, typically short-term receivables with payments received within a 12-month period, do not have a significant financing component.
Therefore, the Corporation recognizes impairment and measures expected credit losses as lifetime expected credit losses. The carrying amount of these assets in the consolidated statement of net assets is stated net of any loss allowance. Impairment of trade and other receivables is presented within "Other operating expenses" in excess of revenues over expenses.

Financial assets measured at fair value.
These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in excess of revenues over expenses. The Corporation currently does not hold any financial assets measured at fair value.
The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial liabilities measured at amortized cost
Financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest-related charges are reported in excess of revenues over expenses within "Financial expenses".
The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Derivatives
The Corporation manages its exposure to interest rate volatility through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. All derivatives are recorded at fair value either as assets or liabilities. The effective portion of the change in fair value arising from derivative financial instruments designated as cash flow hedges is recorded in other comprehensive income (loss) and any ineffective portion of change in fair value is reclassified immediately to excess of revenues over expenses. The effective portion of the hedge is then recognized in excess of revenues over expenses over the same period as the related underlying.

Notes to the Consolidated Financial Statements
Year ended December 31, 2018 (In thousands of Canadian dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(F) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term highly liquid investments that can be converted into known amounts of cash and which are subject to an insignificant risk of changes in value. Also, their term to maturity is three months or less from the date of acquisition. Interest income on these assets is included in "Financial income".

(G) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined according to the average cost method for replacement parts and according to the first in, first out method for bulk inventories.

(H) Government grants

Government grants related to the construction of property and equipment are recognized when there is reasonable assurance that the Corporation will comply with the conditions required by the grants, and that the grants will be received. Grants are recognized as a deduction of property and equipment, and depreciation expense is calculated on the net amount over the useful life of the related asset.

(I) Property and equipment

Property and equipment are measured at cost less subsequent depreciation and impairment losses. The cost includes expenses that are directly attributable to the acquisition or construction of the asset, and the costs of dismantling and removing the asset, and restoring the site on which it is located.

Under the terms of the long-term lease ("Ground Lease") entered into with Transport Canada, all properties acquired by the Corporation in the vicinity of the airport and outside of the perimeter of the demised premises, and that are used for competing activities, require the consent of the Minister of Transport, at his own conditions, including the sale of these properties in favour of Her Majesty for a nominal amount and their transfer into the demised premises of the Ground Lease. The acquisition cost of such transferred land is accounted for as property and equipment under "Land" and amortized using the straight-line method over the remaining term of the lease with Transport Canada. This expense is recognized under "Transport Canada rent" in the consolidated statement of comprehensive income (loss) (Note 5 (a)).

Construction-in-progress projects are transferred to the appropriate category of property and equipment only when they are available for use (which corresponds to the moment when they are in the location and condition necessary for them to be capable of operating in the manner intended by management), or are written off when, due to changed circumstances, management does not expect the project to be completed. The cost of a self-constructed item of property or equipment includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the location and conditions necessary for it to be capable of operating in the manner intended by management. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized to the cost of such asset until they are ready for their intended use. Capitalization of borrowing costs is suspended during extended periods in which the Corporation suspends active development of qualifying assets, and it ceases when substantially all the activities necessary to prepare qualifying assets for their intended use are complete. For generally borrowed funds used for the purpose of obtaining a qualifying asset, the capitalization rate used is the weighted average cost of capital of outstanding loans during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Property and equipment that are leasehold property are included in property and equipment if they are held under a finance lease.

Buildings and leasehold improvements include leased assets under finance leases, which are comprised of office spaces, as well as of property and equipment for which the licensing rights were awarded to a third party under operating leases. Software that is an integral part of the related hardware is capitalized to the cost of computer equipment and included in property and equipment.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Property and equipment (continued)

Normal repairs and maintenance are expensed as incurred. Expenditures constituting enhancements to the assets by way of change in capacity or extension of useful life are capitalized.

Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately when its useful life is different.

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition of an item of property and equipment (determined as the difference between the net disposal proceeds and the carrying amount of the item) is included in excess of revenues over expenses when the item is derecognized.

Each item of property and equipment is amortized over its estimated useful life or over the term of the related lease, if shorter, using the straight-line method as follows:

Asset	Period
Buildings and leasehold improvements	4-50 years
Civil infrastructures	4-40 years
Furniture and equipment	3-30 years
Technological and electronic equipments	2-20 years
Vehicles	3-15 years

Residual values, useful lives and depreciation methods are reviewed at each reporting period and adjusted for prospectively, if appropriate.

(J) Leases

A lease is classified as a finance lease when it transfers to the lessee substantially all the risks and rewards related to the ownership of the leased asset. All other leases are classified as operating leases.

The Corporation as lessor

The amount receivable from the lessee in accordance with a finance lease is recognized at an amount equal to the net investment of the Corporation in the lease. Lease income from finance leases is recognized over the term of the lease in order to reflect a constant periodic return on the Corporation's net investment in the finance lease.

Lease income from operating leases is recognized in income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging an operating lease and lease incentives that are incurred in the initial lease of an asset are capitalized within "Property and equipment". They are both amortized on a straight-line basis over the term of the related lease and recorded as a reduction of the related revenues.

Contingent rents arising from a finance or an operating lease are recognized as rental income when the amount can be estimated reliably, and collectability is considered likely. Any differences arising subsequent to initial recognition of contingent rent are recognized in excess of revenues over expenses.

The Corporation as lessee

A leased asset in accordance with a finance lease is recognized at the commencement of the lease term as an item of property and equipment at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is recognized in the consolidated statement of net assets as a financial liability within "Finance lease liabilities".

Minimum lease payments of a finance lease are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charges are expensed as part of "Financial expenses".

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

Operating and maintenance costs arising from a finance or an operating lease are expensed in the period in which they are incurred under "Other operating expenses".

Notes to the Consolidated Financial Statements
Year ended December 31, 2018 (In thousands of Canadian dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(K) Impairment of assets

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows ("cash-generating units"). Cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. To determine the value in use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Corporation's latest approved budget and strategic plan, adjusted as necessary to exclude asset enhancements, but include asset maintenance programs. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

(L) Provisions, contingent assets and contingent liabilities

Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of economic resources will be required to settle the obligation, and when the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected when the time value of money is significant. Provisions are not recognized for future operating losses.

The increase in the provision associated with the passage of time is recognized as a financial expense.

Site restoration obligation

The Corporation recognizes a site restoration obligation based on the present value of the estimated non-recoverable costs.

Contingent assets and contingent liabilities

Possible inflows of economic benefits to the Corporation that do not yet meet the recognition criteria of an asset are considered contingent assets. They are described along with the Corporation's contingent liabilities in Note 16.

The Corporation does not recognize any liabilities where the outflow of economic resources as a result of present obligations is considered improbable or remote.

(M) Income taxes

Current taxes

Under the agreement with the Government of Québec, dated July 29, 1992, and pursuant to the Federal Airports Disposal Act, dated June 23, 1992, the Corporation, excluding its subsidiary, is exempt from income taxes relating to its airports' activities.

Deferred taxes

The subsidiary uses the asset and liability method of accounting for deferred income taxes. Under this method, deferred income tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws that are expected to apply to their respective period of realization. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to set off current tax assets and liabilities from the same taxation authority.

(N) Municipal taxes

The Corporation is also exempt from the provincial Act respecting Municipal Taxation. However, by virtue of a contract with Public Services and Procurement Canada, payments in lieu of municipal taxes are paid under the Municipal Grants Act.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(O) Short-term employee obligations

Short-term employee obligations, including vacation entitlement, are current liabilities included in "Other employee liabilities" measured at the undiscounted amount that the Corporation expects to pay as a result of the unused entitlement.

(P) Post-employment benefits

The Corporation provides post-employment benefits through a pension plan registered under federal jurisdiction which has two components: defined contribution and defined benefit based on final salary. The defined contribution component of the plan is offered to all new employees hired.

Under the defined contribution component, the Corporation pays fixed contributions into an independent entity. The Corporation has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. Contributions to the plan are recognized as an expense in the period in which the employee rendered services.

Under the defined benefit component, the amount of pension benefit that a participating employee will receive on retirement is determined by reference to length of service and expected average final earnings. The legal obligation for any benefits remains with the Corporation, even if plan assets for funding the defined benefit component have been set aside.

The Corporation also provides a supplemental defined benefit pension plan for designated officers hired prior to April 1, 2017. For designated officers hired as of April 1, 2017, the Corporation provides a supplemental defined contribution pension plan. The benefits paid are in accordance with applicable laws and provisions of the plans. The defined benefit supplemental plan is secured by a letter of credit. The defined-contribution supplemental pension plan will be secured by a letter of credit.

The liability related to the defined-benefit pension plans is the present value of the defined-benefit obligation at the reporting date less the fair value of plan assets. The liability related to the defined-contribution supplemental plan is the fair value of the obligation at the reporting date. The liability related to these pension plans is accounted for under "Pension benefit liability" in the consolidated statement of net assets.

Management estimates the defined-benefit obligation annually with the assistance of independent actuaries. The estimate of its post-retirement benefit obligation is determined using the projected unit credit method and is charged to consoli dated comprehensive income (loss) as services are provided by the employees. The calculations take into account management's best estimate of the salary escalations, retirement ages of employees and expected retirement benefits. The discount rate is determined by reference to high quality corporate bonds that have terms to maturity approximating the terms of the related pension obligation.

Actuarial gains (losses) arise from the difference between actuarial assumptions and plan experience and from changes in actuarial assumptions used to determine the defined-benefit obligation. All actuarial gains and losses relating to defined-benefit plans are recognized in the period in which they occur in Other comprehensive income (loss). Past service costs are recognized immediately in excess of revenues over expenses.

Net interest expense related to the pension obligation and all other post-employment benefit expenses are included in "Salaries and benefits" in the consolidated statement of comprehensive income (loss).

(Q) Financial expenses and income

Financial expenses include interest expense on long-term bonds and finance lease liabilities, amortization of debt issue expenses as well as the reclassification of the net change in fair value arising from derivative financial instruments designated as cash flow hedges previously recorded in Other comprehensive income (loss). Borrowing costs that are not

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(Q) Financial expenses and income (continued)

directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the consolidated statement of comprehensive income (loss) using the effective interest rate method.

Financial income comprises interest income from invested funds. Accrued interest income is recognized in the consolidated statement of comprehensive income (loss) when earned, using the effective interest rate method.

(R) Environmental costs

The Corporation expenses recurring costs associated with managing hazardous substances in ongoing operations as incurred.

(S) Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Corporation.
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the respective date of the transaction.
Monetary items in foreign currency are translated into Canadian dollars at the closing rate at the reporting date.
Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not remeasured.
Foreign exchange gains or losses are recognized in the consolidated statement of comprehensive income (loss) in the period in which they occur.

(T) Estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies as well as the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. These estimates and assumptions are based on historical experience, future expectations as well as other relevant factors that are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, and any future periods affected. Actual results may differ from these estimates.
Following are the most important accounting policies subject to such judgments and the key sources of estimation uncertainty that the Corporation believes could have the most significant impact on the results and financial position.

Key sources of estimation uncertainty

Airport improvement fees

AIF are recognized when departing passengers board the aircraft using information from air carriers obtained after the boarding has occurred. Therefore, management estimates AIF using information obtained from carriers, if available, as well as their knowledge of the market, economic conditions and historical experience.

Loss allowance

The Corporation makes an assessment of whether trade accounts receivable are collectable, which considers the creditworthiness of each customer, taking into account each customer's financial condition and payment history, in order to estimate an appropriate loss allowance. Furthermore, these estimates must be continuously evaluated and updated. The Corporation is not able to predict changes in the financial condition of its customers, and if circumstances related to its customers' financial condition deteriorate, the estimates of the recoverability of trade accounts receivable could be materially affected and the Corporation may be required to record additional allowances. Alternatively, if the Corporation provides more allowances than needed, a reversal of a portion of such allowances in future periods may be required based on actual collection experience.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(T) Estimation uncertainty (continued)

Useful lives of property and equipment

Management reviews the useful lives of property and equipment at each reporting date. Management concluded that the useful lives represent the expected utility of the assets of the Corporation.

Fair value of financial instruments

Some of the Corporation's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Corporation uses market observable data as far as possible. Fair values are categorized into different levels in a fair-value hierarchy based on the inputs used in the valuation techniques, as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs);
If the inputs used to measure the fair-value of an asset or a liability might be categorized in different levels of the fair-value hierarchy, then the fair-value measurement is categorized in its entirety in the same level of the fair-value hierarchy as the lowest level input that is significant to the entire measurement;
The Corporation recognizes transfers between levels of the fair-value hierarchy at the end of the reporting period during which the change has occurred;
The details of the assumptions used are listed in Note 18 (b).

Provisions

The Corporation is defending certain lawsuits where the actual outcome may vary from the amount recognized in the consolidated financial statements.
The measurement of a site restoration obligation requires assumptions to be made, including expected timing of the event that would result in the outflow of economic resources, the range of possible site restoration methods and the expected costs that would be incurred to settle the liability. The Corporation evaluates its obligation based on expected expenditures. Revisions to any of the assumptions and estimates used by management may result in changes to the expected expenditures to settle the liability, which would require adjustments to the provision. This may have an impact on the operating results of the Corporation in the period the change occurs.

Defined-benefit obligation

Management estimates the defined-benefit obligation annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of the Corporation's defined-benefit obligation is based on management's best estimate of the discount rate, salary escalations, retirement ages of employees and expected retirement benefits. The discount rate is determined by reference to high-quality corporate bonds that have terms to maturity approximating the terms of the related pension obligation.
The actuarial report for the year ended December 31, 2018 was unavailable at the reporting date. However, management considers the extrapolation of the December 31, 2017 figures to be the best method to estimate the Corporation's defined-benefit obligation and expense as at and for the year ended December 31, 2018. The revised assumptions used to extrapolate have been reviewed and deemed accurate.

Judgments made in relation to applied accounting policies

Leases

In some cases, the lease transaction is not always conclusive, and management uses its judgment in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

Notes to the Consolidated Financial Statements
Year ended December 31, 2018 (In thousands of Canadian dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(U) Standards and amendments to and interpretations of existing standards, that are not yet effective and that have not been adopted early by the Corporation

At the date of authorization of these consolidated financial statements, certain new standards, and amendments to and interpretations of existing standards, have been published but are not yet effective and have not been adopted by the Corporation.

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a significant impact on the Corporation's consolidated financial statements.

IAS 19, *Employee Benefits*

The IASB issued amendments to IAS 19, *Employee Benefits* to modify the guidance in connection with defined-benefit plans and accounting for plan amendments, settlements or curtailments. The amendments are effective for annual periods beginning on or after January 1, 2019 and will not have an impact on the consolidated financial statements of the Corporation.

IAS 23, *Borrowing Costs*

IAS 23, *Borrowing Costs* was amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. The amendments are effective for annual periods beginning on or after January 1st, 2019 and will not have an impact on the consolidated financial statements of the Corporation.

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, *Leases*, completing its long-term project to replace IAS 17, *Leases* as well as all corresponding interpretations. This standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model for the lessee under which a lease liability and a right-of-use asset are recognized for all leases with a term of more than 12 months. IFRS 16 essentially carries forward the lessor accounting requirements whereas a lessor continues to classify its leases as operating or finance leases.

The Corporation will adopt IFRS 16 for the period beginning on January 1, 2019 and intends to transition in accordance with the fully retrospective approach, with prior period restatements. As part of the initial application of IFRS 16, the Corporation does not intend to apply the new standard to short-term lease contracts (whose term is under 12 months) and to lease contracts for which the underlying asset has a low value (under $5). The Corporation also intends to apply the practical expedient where it is not required to reassess whether a contract is, or contains, a lease at the date of initial application.

For contracts where the Corporation is the intermediate lessor, the Corporation will reassess subleases that were classified as operating leases applying IAS 17, but that under IFRS 16, should be classified as finance leases. The Corporation will perform this assessment on January 1, 2019 on the basis of the remaining contractual terms and conditions of the head lease with Transport Canada and subleases at that date. Upon adoption of IFRS 16, the Corporation will account for these subleases as new finance leases entered into on January 1, 2019.

Applying IFRS 16 will have no impact on the accounting for the long-term lease with Transport Canada, as lease payments are contingent on airport revenues. As rent payment is variable, this contingent rent will continue to be recorded as "Transport Canada rent" expense in the consolidated statement of comprehensive income (loss).

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(U) Standards and amendments to and interpretations of existing standards, that are not yet effective and that have not been adopted early by the Corporation (continued)

IFRS 16, *Leases* (continued)

The impact of this new standard on the Corporation's consolidated financial statements in 2018, once adopted in 2019, will be the following:

	December 31, 2018				January 1, 2019
	As presented	Restatement IFRS 16 - leases	As restated	Restatement IFRS 16 - intermediate lessor	Opening balance
Current assets					
Trade and other receivables	$ 34,358	$ -	$ 34,358	$ 33	$ 34,391
Non-current assets					
Long-term receivables	1,729	-	1,729	27,707	29,436
Other assets	28,439	-	28,439	(257)	28,182
Property and equipment	2,195,364	(13,164)	2,182,200	-	2,182,200
Right-of-use assets	-	16,426	16,426	-	16,426
Current and non-current liabilities					
Finance lease liabilities	19,163	(19,163)	-	-	-
Lease liabilities	-	22,532	22,532	-	22,532
Net assets					
Net assets of the Corporation	219,134	(107)	219,027	27,483	246,510
Expenses					
Maintenance and services	92,883	(717)	92,166	-	92,166
Depreciation of property and equipment	147,574	677	148,251	-	148,251
Financial expenses	107,279	38	107,317	-	107,317
Excess of revenues over expenses	68,172	2	68,174	-	68,174

			January 1, 2018
	As presented	Restatement IFRS 16 - leases	As restated
Non-current assets			
Property and equipment	$ 2,125,030	$ (14,048)	$ 2,110,982
Right-of-use assets	-	15,765	15,765
Current and non-current liabilities			
Finance lease liabilities	19,365	(19,365)	-
Lease liabilities	-	21,191	21,191
Net assets			
Net assets of the Corporation	144,852	(109)	144,743

Notes to the Consolidated Financial Statements

Year ended December 31, 2018 (In thousands of Canadian dollars)

2. RESTRICTED CASH

Under the terms of the trust indenture and the Series N supplemental indenture, the Corporation is required to maintain a debt service reserve fund in the form of cash, investments or letter of credit to cover the principal and interest payments to be made on the long-term bonds in the upcoming six-month period, amounting to $59,432 (2017 - $59,039). As at December 31, 2018, $55,492 (2017 - $54,978) was held as restricted cash and $4,200 (2017 - $4,200) was issued as a letter of credit.

3. TRADE AND OTHER RECEIVABLES

	2018	2017
Trade accounts receivable	**$ 12,964**	$ 8,807
Loss allowance	**(326)**	(392)
	$ 12,638	$ 8,415
AIF, landing and terminal charges	**$ 7,659**	$ 16,303
Cost recovery of property improvement	**6,409**	2,727
Concession revenues	**1,951**	1,719
Recoverable consumption taxes	**3**	1,295
Other	**1,336**	1,700
	$ 17,358	$ 23,744
Financial assets	**$ 29,996**	$ 32,159
Non-financial assets - Prepaids	**4,362**	4,797
	$ 34,358	$ 36,956

4. PROPERTY AND EQUIPMENT

2018

	Land	Buildings and leasehold improvements	Civil infra-structures	Furniture and equipment	Technological and electronic equipment	Vehicles	Construction projects in progress[a]	Total
Cost								
Beginning balance	**$ 31,319**	**$ 1,816,845**	**$ 917,205**	**$ 332,861**	**$ 174,544**	**$ 64,446**	**$ 143,749**	**$ 3,480,969**
Acquisitions	**1,586**	**78,111**	**62,052**	**17,710**	**26,946**	**10,796**	**22,637**	**219,838**
Disposals and write-offs	**-**	**-**	**-**	**-**	**(195)**	**(788)**	**-**	**(983)**
Ending balance	**32,905**	**1,894,956**	**979,257**	**350,571**	**201,295**	**74,454**	**166,386**	**3,699,824**
Depreciation and impairment								
Beginning balance	**-**	**708,543**	**323,026**	**188,191**	**105,692**	**30,487**	**-**	**1,355,939**
Depreciation	**277**	**71,284**	**39,620**	**12,366**	**20,960**	**4,853**	**-**	**149,360**
Disposals and write-offs	**-**	**-**	**-**	**-**	**(61)**	**(778)**	**-**	**(839)**
Ending balance	**277**	**779,827**	**362,646**	**200,557**	**126,591**	**34,562**	**-**	**1,504,460**
Net carrying value	**$ 32,628**	**$ 1,115,129**	**$ 616,611**	**$ 150,014**	**$ 74,704**	**$ 39,892**	**$ 166,386**	**$ 2,195,364**

(a) Net of transfers to other categories of property and equipment when it becomes available for use.

4. PROPERTY AND EQUIPMENT (continued)

2017

	Land	Buildings and leasehold improvements	Civil infra-structures	Furniture and equipment	Technological and electronic equipment	Vehicles	Construction projects in progress[a]	Total
Cost								
Beginning balance	$ 31,099	$ 1,738,006	$ 829,093	$ 327,655	$ 126,794	$ 55,182	$ 147,306	$ 3,255,135
Acquisitions	220	81,175	88,165	5,719	47,750	10,099	(3,557)	229,571
Disposals and write-offs	-	(2,336)	(53)	(513)	-	(835)	-	(3,737)
Ending balance	31,319	1,816,845	917,205	332,861	174,544	64,446	143,749	3,480,969
Depreciation and impairment								
Beginning balance	-	641,597	286,475	176,711	87,009	27,616	-	1,219,408
Depreciation	-	67,388	36,556	11,993	18,683	3,706	-	138,326
Disposals and write-offs	-	(442)	(5)	(513)	-	(835)	-	(1,795)
Ending balance	-	708,543	323,026	188,191	105,692	30,487	-	1,355,939
Net carrying value	$ 31,319	$ 1,108,302	$ 594,179	$ 144,670	$ 68,852	$ 33,159	$ 143,749	$ 2,125,030

(a) Net of transfers to other categories of property and equipment when it becomes available for use.

Included in buildings and leasehold improvements are assets held under finance leases with cost and accumulated depreciation of $20,479 and $7,193, respectively (December 31, 2017 - $20,479 and $6,431, respectively).
Also included in buildings and leasehold improvements are assets leased by the Corporation to third parties under operating leases with cost and accumulated depreciation of $132,672 and $55,575, respectively (December 31, 2017 - $132,672 and $52,782, respectively).
Acquisitions were reduced by $1,994 (2017 - $13,018), representing contributions from the Canadian Air Transport Security Authority ("CATSA"). Short-term receivables include a recoverable amount of $6,409 from CATSA (December 31, 2017 in short-term and long-term receivables - $19,556).

5. LEASES

(A) Operating leases

The Corporation as lessee

The airport facilities are leased under a long-term lease entered into on July 31, 1992 with Transport Canada (Note 1 (i)). As of August 1, 1992, the Corporation assumed the expenditure contracts and became the beneficiary of the revenue contracts in effect at that time. The Ground Lease is for a fixed term of 60 years and can be terminated only in the event of default. In 2012, the Corporation exercised its option to renew the lease for an additional 20 years, thus until July 31, 2072. The Ground Lease was negotiated on an "absolute net" basis, allowing the Corporation peaceful possession of the leased premises. The Corporation assumes full responsibility for the operation and development of the leased premises, including maintenance and renewal of assets, in order to maintain an integrated airport system in conformity with the standards applicable to a "Major International Airport".

During the term of the lease, Transport Canada has agreed not to operate any international or transborder airport within a radius of 75 kilometres of the Corporation's airports.

Transport Canada has agreed to assume the cost of any work ordered through a government notice and relating to the presence of hazardous substances affecting the soil, subterranean water or groundwater or buildings erected on the premises where such substances were present on the takeover date. An environmental audit carried out prior to the takeover constitutes *prima facie* evidence of the condition of the premises.

Notes to the Consolidated Financial Statements
Year ended December 31, 2018 (In thousands of Canadian dollars)

5. LEASES (continued)

(A) Operating leases (continued)

The Corporation as lessee (continued)

Ground rent is calculated as a percentage of revenues using a sliding scale percentage of airport revenues, as defined in the long-term lease between Transport Canada and the Corporation, according to the following ranges:

Airport revenue	Percentage
Less than or equal to $5,000	0%
$5,001 to $10,000	1%
$10,001 to $25,000	5%
$25,001 to $100,000	8%
$100,001 to $250,000	10%
Exceeding $250,000	12%

Furthermore, rent to Transport Canada includes depreciation of land transferred to Her Majesty as described in Note 1 (i). Since the rent is mainly calculated based on airport revenues, "Transport Canada rent" expense in the consolidated statement of comprehensive income (loss) is considered contingent rent.

The Corporation as lessor

The Corporation leases out, under operating leases, land and certain assets that are included in property and equipment. Many leases include renewal options, in which case they are subject to market price revisions. The lessee does not have the option to acquire the leased assets at the end of the lease. Contingent rents amount to $28,359 (2017 - $23,745) and represent the difference between the agreed-upon percentages of reported concessionaire sales and specified minimum rental payments.
Future minimum lease income from non-cancellable leases are as follows:

Minimum lease income	2018	2017
Within 1 year	$ 96,454	$ 94,983
1 to 5 years	288,749	329,518
After 5 years	519,440	469,427
	$ 904,643	$ 893,928

(B) Finance leases

The Corporation as lessee

Included in "Buildings and leasehold improvements" are assets held under finance leases (Note 4). Note 8 includes a description of the leases and details of the associated liabilities.
No contingent rents were recognized as an expense and no future sublease income is expected to be received, as all assets are used exclusively by the Corporation.

6. CREDIT FACILITY

The Corporation has an available $150,000 credit facility (2017 - $150,000) from a Canadian banking consortium expiring on April 4, 2023. The credit facility is secured by a bond issued pursuant to the terms of the trust indenture described in Note 7. The Corporation has the option to draw on the credit facility at a variable interest rate based on prime rate or at a fixed interest rate based on the banker's acceptance rate plus a premium of 70 basis points (2017 - 70 basis points). Standby fees are calculated at an annual rate of 40 basis points (2017 - 14 basis points) on the unused portion of the credit facility. A portion of this credit facility was used to issue a letter of credit totalling $18,371 (2017 - $18,371) (Note 10). This letter of credit is subject to the same terms and conditions as the credit facility. In addition, an amount of $53,406 (2017 - $50,228) of the credit facility is restricted for the operating and maintenance contingency fund under the trust indenture (Note 7).

7. LONG-TERM BONDS

	2018	2017
Series B bonds, face value at issuance of $300,000, coupon and effective interest rates of 6.95% and 7.10%, respectively, interest payable on April 16 and October 16 of each year, beginning October 16, 2002, principal payable on April 16 and October 16 of each year, beginning October 16, 2007 and maturing April 16, 2032	**$ 255,244**	$ 262,898
Series D bonds, face value at issuance of $200,000, coupon and effective interest rates of 6.55% and 6.87%, respectively, interest payable on April 11 and October 11 of each year, beginning April 11, 2004 and maturing October 11, 2033, with principal due at maturity	**193,957**	193,737
Series E bonds, face value at issuance of $150,000, coupon and effective interest rates of 6.61% and 6.98%, respectively, interest payable on April 11 and October 11 of each year, beginning April 11, 2004, principal payable on April 11 and October 11 of each year, beginning April 11, 2009 and maturing October 11, 2033	**131,112**	134,087
Series G bonds, face value at issuance of $300,000, coupon and effective interest rates of 5.17% and 5.45%, respectively, interest payable on March 17 and September 17 of each year, beginning March 17, 2006 and maturing September 17, 2035, with principal due at maturity	**290,877**	290,557
Series H bonds, face value at issuance of $300,000, coupon and effective interest rates of 5.67% and 5.74%, respectively, interest payable on April 16 and October 16 of each year, beginning April 16, 2008 and maturing October 16, 2037, with principal due at maturity	**297,290**	297,224
Series J bonds, face value at issuance of $150,000, coupon and effective interest rates of 5.47% and 5.55%, respectively, interest payable on April 16 and October 16 of each year, beginning October 16, 2010 and maturing April 16, 2040, with principal due at maturity	**148,583**	148,555
Series K bonds, face value at issuance of $250,000, coupon and effective interest rates of 3.92% and 3.96%, respectively, interest payable on March 26 and September 26 of each year, beginning September 26, 2012 and maturing September 26, 2042, with principal due at maturity	**248,548**	248,512
Series M bonds, face value at issuance of $200,000, coupon and effective interest rates of 3.92% and 3.96%[a], respectively, interest payable on June 12 and December 12 of each year, beginning December 12, 2015 and maturing June 12, 2045, with principal due at maturity	**198,702**	198,675
Series N bonds, face value at issuance of $250,000, coupon and effective interest rates of 3.36% and 3.40%, respectively, interest payable on April 24 and October 24 of each year, beginning October 24, 2017 and maturing April 24, 2047, with principal due at maturity	**248,323**	248,288
	2,012,636	2,022,533
Current portion of long-term bonds	**12,687**	11,109
	$ 1,999,949	$ 2,011,424

(a) If the loss on the cash flow hedge (derivative financial liability) is considered, the all-inclusive effective interest rate is 4.98%.

The long-term bonds are presented net of related debt issue costs amounting to $29,381 (2017 - $30,593).

The Corporation's bonds are secured by a hypothec on the universality of the present and future assets of the Corporation. The trust indenture, security or any other additional security will not be published or registered at any time against or in respect of any real or immovable property. The Corporation is required to maintain a gross debt service coverage ratio equal to or greater than 1.25 until the bonds are repaid in full and a debt to service coverage ratio equal to or greater than 1.00. As at December 31, 2018, the Corporation is in compliance with the various financial covenants set out in the trust indenture.

Notes to the Consolidated Financial Statements
Year ended December 31, 2018 (In thousands of Canadian dollars)

7. LONG-TERM BONDS (continued)

The bonds are redeemable in whole or in part at any time at the Corporation's option. The redemption price is equal to the greater of the aggregate principal amount remaining unpaid on the bond and the price which will provide a yield to maturity on such bond, equal to the yield to maturity of a Government of Canada bond with a term to maturity, calculated from the redemption date, equal to the average life of the bond to be redeemed plus a premium. This premium is equal to 0.24%, 0.34%, 0.35%, 0.25%, 0.29%, 0.34%, 0.38%, 0.37 % and 0.30% per year for Series B, Series D, Series E, Series G, Series H, Series J, Series K, Series M and Series N bonds, respectively.

The aggregate amounts of principal payments required for the next five reporting periods and thereafter are as follows:

Minimum payments due	2018	2017
Within 1 year	**$ 12,687**	$ 11,109
1 to 5 years	**69,195**	61,525
After 5 years	**1,960,135**	1,980,492
	$ 2,042,017	$ 2,053,126

The fair value of the long-term bonds is as follows:

	2018	2017
Series B	**$ 328,462**	$ 350,157
Series D	**267,980**	288,160
Series E	**170,127**	181,075
Series G	**357,960**	383,790
Series H	**383,370**	413,010
Series J	**191,025**	206,745
Series K	**261,900**	284,875
Series M	**210,040**	229,820
Series N	**238,625**	261,625
	$ 2,409,489	$ 2,599,257

8. FINANCE LEASE LIABILITIES

	2018	2017
Finance lease liabilities, bearing interest at an effective interest rate of 9.6%, payable in monthly instalments ranging from $111 to $174 including interest, starting March 30, 2009 and maturing on September 29, 2039	**$ 15,403**	$ 15,416
Finance lease liabilities, bearing interest at an effective interest rate of 7.23%, payable in monthly instalments ranging from $38 to $45 including interest, starting March 1, 2010 and maturing on February 28, 2030	**3,760**	3,949
	19,163	19,365
Current portion of finance lease liabilities	**333**	202
	$ 18,830	$ 19,163

These finance leases include possible renewal options for additional periods ranging from 5 to 20 years, and minimum payments are subject to escalation clauses ranging from 1.75% annually to 7.7% after a five-year period.

Future minimum finance lease payments are as follows:

			Minimum lease payments due	
	Within 1 year	1 to 5 years	After 5 years	Total
December 31, 2018				
Lease payments	**$ 2,007**	**$ 8,063**	**$ 31,680**	**$ 41,750**
Finance charges	**(1,674)**	**(6,403)**	**(14,510)**	**(22,587)**
	$ 333	**$ 1,660**	**$ 17,170**	**$ 19,163**
December 31, 2017				
Lease payments	$ 1,895	$ 8,042	$ 33,707	$ 43,644
Finance charges	(1,693)	(6,527)	(16,059)	(24,279)
	$ 202	$ 1,515	$ 17,648	$ 19,365

9. PROVISIONS

	Site restoration obligations	Other	Total
Balance as at January 1, 2018	**$ 1,349**	**$ 8,238**	**$ 9,587**
Increase of provisions	**4,315**	**467**	**4,782**
Decrease of provisions	**(4,332)**	**(1,106)**	**(5,438)**
Balance as at December 31, 2018	**$ 1,332**	**$ 7,599**	**$ 8,931**
Balance as at January 1, 2017	$ 2,015	$ 4,044	$ 6,059
Increase of provisions	943	6,241	7,184
Decrease of provisions	(1,609)	(2,047)	(3,656)
Balance as at December 31, 2017	$ 1,349	$ 8,238	$ 9,587

9. PROVISIONS (continued)

(A) Site restoration obligations

The estimated expected costs of site restoration obligations were not discounted, as the effects of discounting were not considered significant. The provision is adjusted as work is performed and disbursements are incurred.

(B) Other

Provisions include amounts stemming from claims submitted by various suppliers and/or clients and relate in particular to construction-in-progress projects. The provisions relating to these claims were recorded according to management's best estimate of the outflow required to settle the obligation based on its experience with similar transactions. None of the provisions will be discussed in further detail so as not to prejudice the Corporation's position in the related claims.

10. PENSION BENEFIT LIABILITY AND OTHER EMPLOYEE LIABILITIES

(A) Pension benefit liability and other employee liabilities

The liabilities recognized as pension benefit liability and other employee liabilities in the consolidated statement of net assets consist of the following amounts:

Minimum payments due	2018	2017
Current		
Other current employee liabilities	**$ 13,771**	$ 12,153
Non-current		
Defined benefit plans and defined contribution supplemental plan	**28,298**	31,244

The current portion of these liabilities represents the Corporation's obligations to its current and former employees that are expected to be settled one year from the reporting period, as salary, accrued vacation and holiday entitlement.

The non-current portion represents the pension benefit liability related to the defined-benefit component that the Corporation provides to employees, as well as the supplemental pension plans offered to designated officers of the Corporation. The defined-benefit component of the employee pension plan provides pension benefits to retiring employees based on length of service and average final earnings.

As at December 31, 2018, the outstanding balance of contributions is $534 (2017 - $576).

10. PENSION BENEFIT LIABILITY AND OTHER EMPLOYEE LIABILITIES (continued)

(A) Pension benefit liability and other employee liabilities (continued)

Details of the change in pension benefit liability are as follows:

	2018	2017
Defined-benefit obligation, beginning of year	**$ 356,399**	$ 315,257
Current service cost	**7,369**	6,451
Employee contributions	**1,575**	1,628
Interest cost	**12,091**	12,220
Benefits paid	**(10,733)**	(12,554)
Actuarial losses due to experience adjustments	**1,708**	2,652
Actuarial losses (gains) due to change in financial assumptions	**(17,558)**	27,938
Actuarial losses due to change in demographic assumptions	**-**	2,807
Defined-benefit obligation, end of year	**$ 350,851**	$ 356,399
Fair value of plan assets, beginning of year	**$ 325,155**	$ 301,052
Employer contributions	**6,777**	12,025
Employee contributions	**1,575**	1,628
Expected return on plan assets	**11,005**	11,795
Actuarial gains (losses)	**(10,826)**	11,609
Benefits paid	**(10,733)**	(12,554)
Administrative fees	**(400)**	(400)
Fair value of plan assets, end of year	**$ 322,553**	$ 325,155
Pension benefit liability	**$ 28,298**	$ 31,244

All defined-benefit plans are partially funded. Moreover, the Corporation issued letters of credit mainly to extend the solvency deficiency payment of its employees' defined-benefit pension plan. As at December 31, 2018, the outstanding amount of these letters of credit was $31,708 (2017 - $25,526).

The significant actuarial assumptions adopted are as follows:

	2018	2017
Corporation's defined-benefit - obligation as at the reporting date:		
Discount rate	**3.70 %**	3.40 %
Rate of compensation increase	**3.00**	3.00
Inflation rate	**2.00**	2.00
Net benefit plan expense for reporting years:		
Discount rate	**3.40**	3.90
Rate of compensation increase	**3.00**	3.00
Inflation rate	**2.00**	2.00

Notes to the Consolidated Financial Statements
Year ended December 31, 2018 (In thousands of Canadian dollars)

10. PENSION BENEFIT LIABILITY AND OTHER EMPLOYEE LIABILITIES (continued)

(A) Pension benefit liability and other employee liabilities (continued)

Mortality assumptions as at December 31, 2017 and 2018 are based on the mortality table with combined rates adjusted to the MI-2017 improvement scale.

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

	2018	2017
Current service cost	**$ 7,369**	$ 6,451
Net interest cost	**1,086**	425
Administrative fees	**400**	400
Net benefit plan expense	**$ 8,855**	$ 7,276

The distribution of total fair value of assets of the pension plans by major asset category is as follows:

	Level	2018	2017
Cash		**$ 2,902**	$ 8,997
Annuity buy-in contract	3	**153,364**	164,682
Mutual funds of Canadian bonds	2	**64,689**	46,231
Mutual funds of foreign equities	2	**24,390**	9,623
Mutual funds - Infrastructure	3	**22,700**	16,160
Mutual funds - Real estate	3	**22,082**	24,822
Canadian equities	1	**11,587**	11,517
Foreign equities	1	**10,349**	9,970
Mutual funds of Canadian equities	2	**9,153**	17,553
Money market mutual funds	2	**54**	125
Mutual funds - Other	2	**-**	8,017
Others		**1,283**	7,458
		$ 322,553	$ 325,155

The Pension Committee prepares the documentation relating to the management of asset allocation. The Audit Committee reviews the investment policy and recommends it to the Board of Directors for approval in the event of material changes to the policy. Quarterly monitoring of the asset allocation plan allows the Pension Committee, and ultimately the Audit Committee, to ensure that the limits of asset allocation of the entire plan are respected. Contributions in 2019 are expected to approximate $7,800, of which $3,000 will be issued as a letter of credit to fund the deficit.

The pension plans expose the Corporation to the following risks:
i) Investment risk
The defined-benefit obligation is calculated using a discount rate. If the fund's returns are lower than the discount rate, a deficit is created.

(ii) Interest rate risk:
Variation in bond rates will affect the value of the defined-benefit obligation.

10. PENSION BENEFIT LIABILITY AND OTHER EMPLOYEE LIABILITIES (continued)

(A) Pension benefit liability and other employee liabilities (continued)

(iii) Longevity risk:
An improvement in life expectancy greater than projected in the mortality tables used will increase the value of the defined-benefit obligation.

(iv) Inflation risk:
The defined-benefit obligation is calculated assuming a certain level of inflation. An actual inflation higher than expected will have the effect of increasing the value of the defined-benefit obligation.

(v) Sensitivity analysis:
As at December 31, 2018, reasonably possible changes in relevant actuarial assumptions would affect the defined-benefit obligation by the following amounts (other assumptions constant):

	Impact on total obligation	Impact on obligation excluding annuity buy-in contracts[a]
Interest rate: decrease of 1%	**$ 64,435**	$ 44,702
Inflation rate: increase of 1%	**52,678**	38,357
Rate of compensation increase: increase of 1%	**8,328**	8,328
Mortality: multiplication rate by 99%	**223**	146

(a) The variation of certain assumptions on the defined-benefit obligation related to the annuity buy-in contracts has a direct or close correlation to, impact on the asset value, mitigating the pension plan's risk.

As at December 31, 2018, the weighted average duration of the defined-benefit obligation amounted to 18,4 years (2017 – 19.3 years).

B) Employee benefits expense

Expenses recognized for employee benefits in "Salaries and benefits" are set out below:

	2018	2017
Salaries and benefits	**$ 66,591**	$ 63,400
Pension - defined benefit	**8,740**	7,276
Pension - defined contribution	**1,838**	1,619
	$ 77,169	$ 72,295

11. INCOME TAXES

The Corporation's subsidiary has accumulated approximately $629 in capital losses available to reduce future capital gains. As at December 31, 2018, the subsidiary has accumulated non-capital losses of $4,980 to reduce future years' taxable income. These losses expire as follows: $10 in 2029, $3,790 in 2031, $57 in 2032, $700 in 2033, $224 in 2036 and $199 in 2037. Also, the Corporation's subsidiary has accumulated federal and provincial research and development tax credits of approximately $278 and $479, respectively. These credits are available to reduce future taxable income.
The Corporation did not record any tax benefits related to any of the losses or research and development tax credits.

12. INFORMATION INCLUDED IN THE STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	2018	2017
Rendering of services	**$ 518,687**	$ 462,914
Revenues derived from operating leases	**124,390**	118,412
Other income	**1,944**	1,560
	645,021	582,886
Financial expenses		
Interest on long-term bonds	**107,068**	105,151
Interest on obligations under financial leases	**1,693**	1,707
Amortization of debt issue costs	**1,212**	1,151
Reclassification of losses on cash flow hedges[a]	**1,086**	1,086
Capitalized interest on property and equipment[b]	**(4,896)**	(5,335)
Other	**1,116**	1,702
	$ 107,279	$ 105,462

(a) Cumulative losses on hedge transactions included in other comprehensive income (loss) is $28,616 (2017 - $29,702).
(b) The weighted average cost of capital used to capitalize borrowing costs is 5.63% (2017 – 5.65%).

13. AIRPORT IMPROVEMENT FEES

The Corporation collects AIF from all passengers departing from Montréal-Trudeau. These fees are solely used to fund the Corporation's capital expenditure program at Montréal-Trudeau and Montréal-Mirabel. The Corporation also collected AIF from passengers departing form Montréal-Mirabel from 2001 to 2004, at which time it stopped financing Montréal-Mirabel's investments with AIF. These fees are collected by the airlines in the price of a plane ticket and are remitted to the Corporation, net of airline collection fees of 4%. Since the inception of the AIF, cumulative capital expenditures totalled $3,503,000 (2017 - $3,285,000), exceeding the cumulative amount of gross AIF collected (excluding airline collection fees) by $1,345,000, (2017 - $1,342,000).

14. INFORMATION INCLUDED IN CASH FLOWS

The changes in working capital items are detailed as follows:

	2018	2017
Trade and other receivables	**$ 17,189**	$ (321)
Inventories	**(273)**	(1,329)
Trade and other payables	**(3,056)**	4,932
Other employee liabilities	**1,618**	70
Provisions	**(3,364)**	3,528
	$ 12,114	$ 6,880

14. INFORMATION INCLUDED IN CASH FLOWS (continued)

The reconciliation of movements of liabilities to cash flows arising from financing activities is as follows:

	Long-term bonds[a]	Finance lease liabilities	Total
Balance as at January 1, 2018	$ 2,045,619	$ 19,365	**$ 2,064,984**
Changes from financing cash flows			
Repayment of long-term bonds	(11,109)	-	**(11,109)**
Repayment of finance lease liabilities	-	(202)	**(202)**
Liability-related changes			
Capitalized interest on property and equipment	4,896	-	**4,896**
Interest expense	102,172	1,693	**103,865**
Amortization of debt issue costs	1,212	-	**1,212**
Interest paid	(107,229)	(1,693)	**(108,922)**
Balance as at December 31, 2018	**$ 2,035 561**	**$ 19,163**	**$ 2,054,724**

(a) Balances include accrued interest.

Additions to property and equipment included in trade and other payables totalled $108,967 (2017 - $107,493).

15. RELATED-PARTY TRANSACTIONS

The Corporation's related parties include key management personnel. None of the transactions incorporate special terms and conditions, and no guarantees were given or received.

Key management of the Corporation is comprised of members of the Board of Directors, the President and vice-presidents. Key management personnel remuneration includes the following expense:

	2018	2017
Short-term employee benefits	**$ 5,945**	$ 8,580

16. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Corporation is party to legal proceedings in the normal course of operations involving financial demands which are being contested. Unless recognized as a provision (Note 9), management considers these claims to be unjustified and the probability that they will require settlement at the Corporation's expense to be remote. Management believes that the resolution of these claims will not have a significant adverse effect on the Corporation's consolidated financial statements.

17. COMMITMENTS

The Corporation entered into agreements for services, rentals, procurements and maintenance. Future minimum payments are as follows:

Within 1 year	**$ 38,988**
1 to 5 years	**20,446**
After 5 years	**-**
	$ 59,434

In addition to the commitments listed above, the Corporation entered into contracts for the acquisition and construction of property and equipment totalling $124,252 (2017 - $96,756), of which $5,929 (2017 - $4,732) are denominated in foreign currencies.

18. FINANCIAL INSTRUMENTS

(A) Financial risk management objectives and policies

The Corporation is exposed to various financial risks, including foreign exchange risk, interest rate risk, credit risk and liquidity risk resulting from its operations and business activities. Management is responsible for setting acceptable levels of these risks and reviewing their respective impact on the Corporation's activities.

The Corporation does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

(B) Fair value and classification of financial instruments

The following table provides the carrying amount and the fair value of financial assets and financial liabilities, including their fair value hierarchy class. It does not include information on the fair value of financial assets and financial liabilities that are not measured at fair value if the carrying amount is comparable. The Corporation has determined that the fair value of current financial assets and liabilities (other than those described below) is comparable to their respective carrying amount at the closing date, given their short maturity periods.

As at December 31, the classification of other financial instruments, their fair value hierarchy class, as well as their carrying amount and respective fair value, are as follows:

		Carrying amount	
	Level	Financial liabilities at amortized cost	Fair value
Financial liabilities as at December 31, 2018			
Long-term bonds	**2**	**$ 2,012,636**	**$ 2,409,489**
Finance lease liabilities	**2**	**$ 19,163**	**$ 19,163**
		$ 2,031,799	**$ 2,428,652**
Financial liabilities as at December 31, 2017			
Long-term bonds	2	$ 2,022,533	$ 2,599,257
Finance lease liabilities	2	19,365	19,365
		$ 2,041,898	$ 2 618,622

The fair value of the credit facility, long-term bonds and finance lease liabilities has been determined based on comparable quoted market prices adjusted for the Corporation's risk premium.

(C) Foreign exchange risk

The Corporation is exposed to foreign exchange risk due to purchases of goods and services in the regular course of business and payments received from clients in foreign currencies. Assets and liabilities denominated in foreign currencies converted into Canadian dollars, at the closing rate, are as follows:

	2018	2017
Cash and cash equivalents and trade and other receivables	**$ 2,731**	$ 2,589
Trade and other payables	**410**	433

The Corporation performed a sensitivity analysis on foreign currency rates used to convert assets and liabilities denominated in currencies other than the Canadian dollar. Management concluded that a 5% fluctuation of the foreign currency rates would not significantly impact the Corporation's assets and liabilities. The Corporation does not currently hold any derivative financial instruments to mitigate this risk.

18. FINANCIAL INSTRUMENTS (continued)

(D) Interest rate risk

The Corporation's cash equivalents and long-term bonds bear interest at fixed rates. The Corporation has the option to draw on its credit facility at a variable or fixed interest rate (Note 6).
The Corporation's policy, to the extent possible, is to maintain most of its borrowings at fixed interest rates.
The Corporation's cash equivalents, credit facility and long-term bonds are exposed to a risk of change in their fair value due to changes in the underlying interest rates. A fluctuation of 50 basis points in the interest rate would not have a significant impact on fair value.

(E) Credit risk

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Generally, the carrying amount of the Corporation's financial assets exposed to credit risk reported in the consolidated net assets, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk. Financial assets that potentially subject the Corporation to credit risk consist primarily of cash and cash equivalents, restricted cash and trade and other receivables.

Cash and cash equivalents, restricted cash and non-current receivables
The Corporation has an investment policy which stipulates that the objectives are to preserve capital and liquidity and to maximize the return on invested amounts. The policy specifies permitted types of investment instruments, authorized issuers, the maximum proportion of each type of investment instrument as well as the acceptable credit rating and maximum maturity of certain permitted investments.
Credit risk associated with cash and cash equivalents and restricted cash is substantially mitigated by ensuring that these financial assets are invested with major financial institutions that have been rated as investment grade by a primary rating agency and qualify as creditworthy counterparties.
Impairment on cash and cash equivalents and restricted cash has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Corporation considers that its non-current receivables have low credit risk based on the external credit ratings of the counterparty. The Corporation did not have any non-current receivables that were past due nor impaired at December 31, 2018.

Trade and other receivables
Credit risk with respect to trade and other receivables is limited due to the Corporation's credit evaluation process, reasonably short collection terms and the creditworthiness of its customers. The Corporation regularly monitors its credit risk exposures and takes steps to mitigate the likelihood of these exposures from resulting in actual losses. Credit risk related to receivables is also minimized by the fact that the Corporation requires security deposits from certain customers. Also, a portion of aeronautical revenues is invoiced and paid in advance, before services are rendered. A loss allowance is maintained, consistent with the credit risk, historical trends, general economic conditions and other information, as described below, and is taken into account in the consolidated financial statements.

Notes to the Consolidated Financial Statements
Year ended December 31, 2018 (In thousands of Canadian dollars)

18. FINANCIAL INSTRUMENTS (continued)

(E) Credit risk (continued)

Trade and other receivables (continued)
The following table presents information on credit risk exposure and expected credit losses related to trade accounts receivable:

	2018	2017
Current	**$ 9,878**	$ 5,880
30-60 days past due	**1,954**	1,763
61-90 days past due	**308**	378
Over 90 days past due	**824**	786
	12,964	8,807
Loss allowance	**(326)**	(392)
Balance, end of year	**$ 12,638**	$ 8,415

As at December 31, 2018, an amount of $250 (2017 - $226) included in the loss allowance represents a specific allowance for trade accounts receivable that amount to $289 (2017 - $928). As the expected credit losses, excluding those related to specific allowances, total $76 (2017 - 166$), they have not been allocated according to the aging of trade accounts receivable presented in the table above.

(F) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial liabilities and obligations as they become due. The Corporation is exposed to this risk mainly through its long-term bonds, credit facility, finance lease liabilities, trade and other payables and contractual commitments. The Corporation finances its operations through a combination of cash flows from operations and long-term borrowings.
Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Corporation has financing sources for a sufficient authorized amount. The Corporation establishes budgets, cash estimates and cash management policies to ensure it has the necessary funds to fulfill its obligations in the foreseeable future.
The following table sets out the Corporation's financial liabilities, including interest payments, where applicable:

	Finance lease liabilities	Long-term bonds	Contractual commitments[a]	Trade and other payables	Total
As at December 31, 2018					
Within 1 year	**$ 2,007**	**$ 120,206**	**$ 38,988**	**$ 163,938**	**$ 325,139**
1 to 5 years	**8,063**	**489,558**	**20,446**	**-**	**518,067**
After 5 years	**31,680**	**$ 3 317,756**	**-**	**-**	**3,349 436**
As at December 31, 2017					
Within 1 year	$ 1,895	$ 119,388	$ 28,042	$ 165,442	$ 314,767
1 to 5 years	8,042	486,133	26,257	-	520,432
After 5 years	33,707	3,441,387	-	-	3,475,094

(a) These amounts exclude commitments related to acquisition and construction of property and equipment.

Given the amount available under its credit facility, the amount of cash and cash equivalents and the timing of liability payments, management assesses the Corporation's liquidity risk as low.

Notes to the Consolidated Financial Statements

Year ended December 31, 2018 (In thousands of Canadian dollars)

19. CAPITAL MANAGEMENT

The Corporation's primary objectives when managing capital are: (i) to safeguard the Corporation's ability to continue as a going concern; and (ii) to provide financial capacity and flexibility to meet strategic objectives and growth.

The capital structure of the Corporation consists of cash and cash equivalents, restricted cash as well as long-term bonds and credit facility. As described in Note 1, the Corporation does not have any share capital. Accordingly, it is funded through cash flows, the issuance of bonds and other borrowings, as required.

A summary of the Corporation's capital structure is as follows:

	2018	2017
Long-term bonds	**$ 2,012,636**	$ 2,022,533
Cash and cash equivalents and restricted cash	**(249,251)**	(248,103)
	$ 1,763,385	$ 1,774,430

The Corporation manages its capital structure in accordance with its expected business growth, operational objectives and underlying industry, market and economic conditions. Consequently, the Corporation has developed a financial model which that enables it to estimate its capital requirements while ensuring that all financial covenants of the trust indenture are respected. Management reviews this financial model periodically and incorporates it in its five-year strategic plan presented and approved annually by its Board of Directors.

The Corporation's strategy for managing capital remained unchanged from 2017.

20. SUBSEQUENT EVENT

In January 2019, the Corporation extended its credit facility available through a Canadian banking consortium for an additional period of one year, thus until April 2024, under the same terms and conditions.

Carriers

35 PASSENGER CARRIERS

9 CANADIAN CARRIERS

Air Canada
Air Creebec
Air Inuit
Air Transat
First Air
Porter
Provincial Airlines
Sunwing
WestJet

23 INTERNATIONAL CARRIERS

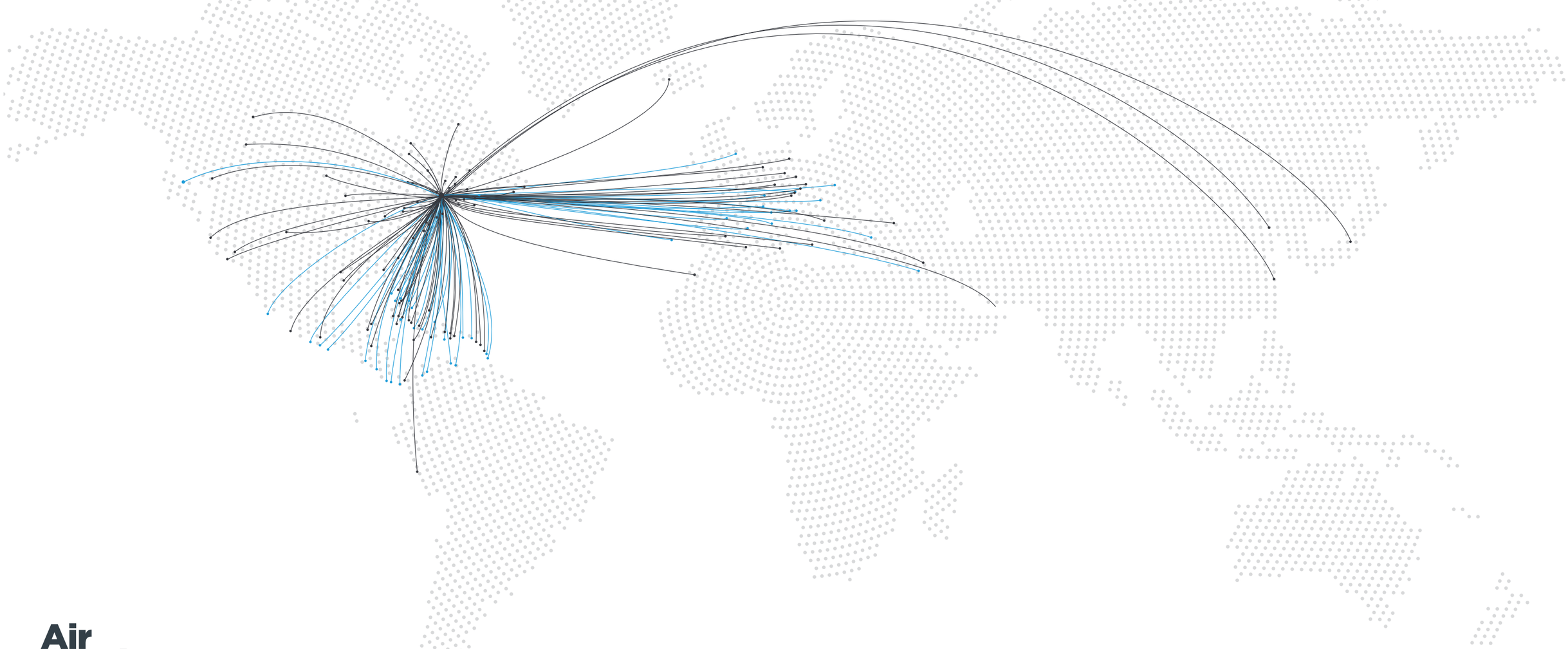
Aeromexico
Air Algérie
Air China
Air France
Air Saint-Pierre
British Airways
Copa Airlines
Corsair
Cubana de Aviación
Icelandair
Interjet
KLM
Level
Lufthansa
Norwegian
Qatar
Royal Air Maroc
Royal Jordanian
SATA Internacional
SWISS
Tunisair
Turkish Airlines
WOW air

3 U.S. CARRIERS

American Airlines
Delta
United

15 ALL-CARGO CARRIERS

Atlas Air
Antonov Airlines
AirBridge Cargo
CargoJet Airways
CargoLux
Castle Aviation
FedEx
Kalitta Air
Morningstar Air Express
Nolinor Aviation
Qatar Airways Cargo
Silkway West
Skylink Express
UPS
Volga Dnepr



Air Services

• SCHEDULED DESTINATIONS
• SEASONAL DESTINATIONS

31 CANADIAN DESTINATIONS

SCHEDULED (29)

Bagotville, QC
Baie-Comeau, QC
Bathurst, NB
Calgary, AB
Charlottetown, PE
Chibougamau, QC
Edmonton, AB
Fredericton, NB
Halifax, NS
Hamilton, ON
Kuujjuaq, QC
Kuujjuarapik, QC
La Grande, QC
London, ON
Moncton, NB
Mont-Joli, QC
Mont-Tremblant, QC
Ottawa, ON
Québec City, QC
Rouyn-Noranda, QC
Sept-Îles, QC
St. John, NB
St. John's, NL
Toronto (Billy Bishop), ON
Toronto (Pearson), ON
Val-d'Or, QC
Vancouver, BC
Windsor, ON
Winnipeg, MB

SUMMER (2)

Magdalen Islands, QC
Victoria, BC

28 DESTINATIONS IN THE UNITED STATES

SCHEDULED (24)

Atlanta, GA
Baltimore, MD
Boston, MA
Charlotte, NC
Chicago, IL
Dallas/Fort Worth, TX
Denver, CO
Detroit, MI
Fort Lauderdale, FL
Hartford, CT
Houston, TX
Las Vegas, NV
Los Angeles, CA
Miami, FL
Minneapolis/St. Paul, MN
Newark, NJ
New York (JFK), NY
New York (LGA), NY
Orlando (International), FL
Philadelphia, PA
Pittsburgh, PA
San Francisco, CA
Washington (Dulles), DC
Washington (Reagan), DC

WINTER (4)

Fort Myers, FL
Phoenix, AZ
Tampa, FL
West Palm Beach, FL

89 DESTINATIONS IN THE WORLD (EXCLUDING CANADA AND THE UNITED STATES)

SCHEDULED (48)

Algiers, Algeria
Amman, Jordan
Amsterdam, Netherlands
Antigua, Antigua-and-Barbuda
Beijing, China
Brussels, Belgium
Camagüey, Cuba
Cancún, Mexico
Casablanca, Morocco
Cayo Coco, Cuba
Cayo Largo del Sur, Cuba
Cozumel, Mexico
Doha, Qatar
Fort-de-France, Martinique
Frankfurt, Germany
Geneva, Switzerland
Havana, Cuba
Holguin, Cuba
Istanbul, Turkey
La Romana, Dominican Republic
Lima, Peru
Lisbon, Portugal
London (Heathrow), United Kingdom
Lyon, France
Málaga, Spain
Mexico City, Mexico
Montego Bay, Jamaica
Munich, Germany
Panama City, Panama
Paris (CDG), France
Pointe-à-Pitre, Guadeloupe
Port-au-Prince, Haiti
Puerto Plata, Dominican Republic
Puerto Vallarta, Mexico
Punta Cana, Dominican Republic
Reykjavik, Iceland
Roatan, Honduras
Rome, Italy
Samana, Dominican Republic
San Salvador, Bahamas
Santa Clara, Cuba
St. Marteen, Netherlands-Antilles
Shanghai, China
St-Pierre, St-Pierre-et-Miquelon
Tokyo, Japan
Tunis, Tunisia
Varadero, Cuba
Zurich, Switzerland

SUMMER (18)

Athens, Greece
Barcelona, Spain
Basel-Mulhouse, Switzerland
Bordeaux, France
Bucarest, Romania
Dublin, Ireland
London (Gatwick), United Kingdom
Madrid, Spain
Marseille, France
Nantes, France
Nice, France
Paris (Orly), France
Ponta Delgada, Portugal
Porto, Portugal
Prague, Czech Republic
Tel Aviv, Israel
Toulouse, France
Venice, Italy

WINTER (23)

Acapulco, Mexico
Aruba, Aruba
Bridgetown, Barbados
Cartagena, Colombia
Cienfuegos, Cuba
Freeport, Bahamas
Huatulco, Mexico
Ixtapa/Zihuatanejo, Mexico
Liberia, Costa Rica
Managua, Nicaragua
Manzanillo, Cuba
Nassau, Bahamas
Providenciales, Turks & Caicos
Rio Hato, Panama
Saint Lucia, Saint Lucia
San Andres Island, Colombia
San José, Costa Rica
San José del Cabo, Mexico
San Juan, Puerto Rico
San Salvador, Salvador
Santiago, Cuba
Santo Domingo, Dominican Republic
Willemstad, Curaçao

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800, place Leigh-Capreol, bureau 1000, Dorval (Québec)
CANADA H4Y 0A5
Téléphone : 514 394-7201, Télécopieur : 514 394-7356
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