



**U.S. \$14,000,000,000**  
**Euro Medium Term Note Programme**  
for the issue of Notes with maturities of one month or longer

This Supplement (the "Prospectus Supplement") to the Prospectus (the "Prospectus") dated July 18, 2005 which comprises a base prospectus under Article 5.4 of the Prospectus Directive for Québec (the "Issuer"), constitutes a supplementary prospectus in respect of the base prospectus for the Issuer for purposes of Section 87G of the *Financial Services and Markets Act 2000* (the "FSMA") and is prepared in connection with the U.S.\$10,000,000,000 Euro Medium Term Note Programme established by the Issuer.

Terms defined in the Prospectus have the same meaning when used in this Prospectus Supplement. The Prospectus Supplement is supplemental to, and shall be read in conjunction with, the Prospectus and any other supplements to the Prospectus issued by the Issuer.

The Issuer accepts responsibility for the information in this Prospectus Supplement. To the best of the knowledge of the Issuer, having taken reasonable care to ensure that such is the case, the information contained in this Prospectus Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The purpose of this Prospectus Supplement is (i) to increase the maximum aggregate nominal amount of the Programme, (ii) to amend the minimum denomination of Notes issuable under the Programme, (iii) to incorporate by reference in the Prospectus the Issuer's latest annual consolidated financial statements for the fiscal year ended March 31, 2005 and its Quarterly Presentation of Financial Transactions as at September 30, 2005, (iv) to amend the form of publication of the Prospectus and the documents incorporated by reference therein as well as any future Final Terms in respect of Notes offered to the public in the European Economic Area or admitted to trading on a regulated market in the European Economic Area, (v) to amend the Summary in the Prospectus, and (vi) to amend the description of the Issuer to revise certain economic figures in the Prospectus and reflect some recent developments.

To the extent that there is any inconsistency between (a) any statement in this Prospectus Supplement or any statement incorporated by reference into the Prospectus by this Prospectus Supplement and (b) any other statement in, or incorporated by reference in, the Prospectus, the statements in (a) above will prevail.

Application has been made to the Financial Services Authority in its capacity as competent authority (the "UK Listing Authority") under the Financial Services and Markets Act 2000 (the "FSMA") for Notes issued under the Programme during the 12-month period after the date of the Prospectus to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's Gilt

Edged and Fixed Interest Market and have been admitted to the Official List. The London Stock Exchange's Gilt Edged and Fixed Interest Market is a regulated market for the purposes of Directive 93/22/EEC (the "Investment Services Directive").

Save as disclosed in this Prospectus Supplement, no significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus which is capable of affecting the assessment of Notes issued under the Programme has arisen or been noted, as the case may be, since the publication of the Prospectus.

## **INCREASE IN PROGRAMME SIZE**

The maximum aggregate nominal amount of all Notes that may from time to time be outstanding under the Programme is increased from U.S. \$10,000,000,000 to U.S. \$14,000,000,000 in accordance with the terms of the amended and restated Programme Agreement dated 18 July, 2005 between Québec and the Dealers named therein. All references in the Offering Circular to “U.S. \$10,000,000,000” shall be deleted and replaced by “U.S. \$14,000,000,000”.

## **MINIMUM DENOMINATION OF NOTES**

The first sentence of the second paragraph on the front page of the Prospectus is replaced by the following:

“Under this U.S. \$14,000,000,000 Programme, Québec may from time to time issue Notes (the “Notes”) denominated in any currency agreed by Québec and the relevant Purchaser(s) (as defined below).”

The statement in “Key Features of the Programme – Denomination of Notes” on page 16 of the Prospectus is deleted and replaced by the following.

“Notes will be issued in such denominations as may be agreed between Québec and the relevant Purchaser(s) as specified in the applicable Final Terms, subject to such minimum denominations as may be allowed or required from time to time by the relevant central bank or monetary authority (or equivalent banks, however, called) or any laws or regulations applicable to Québec or to the relevant currency. See “Maturities” below.”

Finally, the second italicised paragraph on page 20 of the Prospectus under “Applicable Final Terms – 6. Specified Denominations” is deleted.

## **PUBLICATION OF FINAL TERMS**

Paragraph 6 on the front page of the Prospectus is replaced by the following:

“Copies of Final Terms, in the case of either Notes that are offered to the public in the European Economic Area or admitted to trading on a regulated market in the European Economic Area in circumstances requiring publication of a prospectus in accordance with the Prospectus Directive (i) can be viewed on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/> under the name of Quebec and the headline “Publication of Prospectus” and (ii) will be available from the specified office of the Agent (as defined below) in London, United Kingdom and for collection without charge from the office of the Direction du financement des organismes publics et de la documentation financière, at the ministère des Finances in Ville de Québec, Canada (see “Terms and Conditions of the Notes”).”

Paragraph 5 in “Terms and Conditions of the Notes” on page 31 of the Prospectus is amended by adding the following after the first sentence of the paragraph:

“Copies of Final Terms, in the case of either, can be viewed on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/> under the name of Quebec and the headline “Publication of Prospectus”.”

## DOCUMENTS INCORPORATED BY REFERENCE

The Issuer's (i) annual consolidated financial statements for the fiscal year ended March 31, 2005, and (ii) its Quarterly Presentation of Financial Transactions as at September 30, 2005, have been filed with the Financial Services Authority and, by virtue of this Prospectus Supplement, are incorporated in, and form part of, the Prospectus.

Paragraph 2 on page 12 of the Prospectus is replaced by the following:

"Copies of this Prospectus, any supplementary prospectus and the documents incorporated by reference in this Prospectus and any supplementary prospectus can be (i) viewed on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/> under the name of Quebec and the heading "Publication of Prospectus" and (ii) obtained without charge from the office in London, England of Citibank, N.A., the issuing and principal paying agent for the Notes (the "Agent"), and for collection without charge from the office of the Direction du financement des organismes publics et de la documentation financière, at the ministère des Finances in Ville de Québec, Canada."

## SUMMARY OF THE PROGRAMME

The Summary on pages 3 to 7 of the Prospectus is hereby amended to read as follows with all changes to the existing Summary being indicated by \*\*:

### **SUMMARY\***

This summary must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area no civil liability will attach to the Responsible Person in any such Member State solely on the basis of the summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

*The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the Final Terms relevant thereto. Notes may also be issued in such other form and on such other terms as Québec may from time to time agree with the relevant Purchaser(s), in which case a supplemental prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes. Words and expressions defined in "Form of the Notes", "Applicable Final Terms" and "Terms and Conditions of the Notes" below shall have the same meanings in this summary.*

### **Essential Characteristics of the Issuer**

Québec is one of the ten provinces of Canada. Québec is the largest province by area (1,541,000 square kilometres or 594,860 square miles, representing 15.4% of the geographical area of Canada) and the second largest province

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\*This summary has been prepared in accordance with Article 5(2) of the Prospectus Directive and, for the avoidance of doubt, relates only to issues of Notes with a denomination per unit of less than €50,000.

by population (7.6 million, representing 23.5\*\*% of the population of Canada, as of July\*\* 2005). French is the official language of Québec and is spoken by approximately 95% of its population.

In this Summary, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. The fiscal year of Québec ends March 31. Unless otherwise indicated, “2004” means the calendar year ended December 31, 2004. Other calendar years are referred to in a corresponding manner. Any discrepancies between the amounts listed and their totals in the tables included in this Prospectus are due to rounding.

Québec has a modern, developed economy, in which the service sector contributed 70.4\*\*%, the manufacturing industry 21.2\*\*%, the construction industry 5.8\*\*% and the primary sector 2.6\*\*% of real GDP at basic prices in chained 1997 dollars in 2004. Québec’s real GDP represented 20.9%\*\* of Canada’s real GDP in 2004. The leading manufacturing industries in Québec are primary metal products (including aluminium smelting), food products, transportation equipment products (including aircraft and motor vehicles and associated parts), paper products, wood products and petroleum and coal products. Québec also has significant hydroelectric resources, generating approximately one-third of the electricity produced in Canada.

Montréal and Ville de Québec, the capital of Québec, are the centers of economic activity. Montréal is one of the main industrial, commercial and financial centers of North America and is Canada’s second largest urban area as measured by population. Montréal is also Canada’s largest port, situated on the St. Lawrence River, which provides access to the Atlantic Ocean and the inland navigation system of the Great Lakes.

Québec and Canada share the power to levy personal income taxes in Québec. The Government currently levies and collects its own personal income tax at rates ranging from 16% to 24%. Québec corporations are subject to taxation at the provincial level on profits, capital and wages. Québec’s other major source of revenue other than taxes are transfer payments from the federal government.

### ***Constitutional Framework***

Canada is a federation of ten provinces and three federal territories, with a constitutional division of responsibilities between the federal and provincial governments as set out in *The Constitution Acts, 1867 to 1982* (the “Constitution”).

Under the Constitution, each provincial government has exclusive authority to raise revenue through direct taxation within its territorial limits, each provincial government also has exclusive authority to regulate education, health, social services, property and civil rights, natural resources, municipal institutions and, generally, to regulate all other matters of a purely local or private nature in its province, and to regulate and raise revenue from the exploration, development, conservation and management of natural resources.

The Parti Québécois, which has as its principal objective the sovereignty of Québec, formed the Government from September 1994 to April 14, 2003. During its term in office, the Parti Québécois tabled in the National Assembly a Bill entitled *An Act respecting the future of Québec* (the “Act”) which provided that upon receipt of a favourable vote in a referendum, the Act would be enacted and Québec would proclaim its sovereignty following a formal offer to Canada of a treaty of economic and political partnership. In November 1995, a slight majority of Québec citizens (50.6%) voted against the Act. The Québec Liberal Party, a federalist party, won the last general election on April 14, 2003\*\*, and currently forms the Government with 72 out of 125 seats in the National Assembly. With regard to the constitutional issue, the Québec Liberal Party pursues a policy which emphasises the values of Canadian federalism. In particular, its platform is focused on strengthening Québec’s place within the federation, on forming new alliances with the other provinces, and on promoting inter-governmental cooperation. The next general election must be called no later than April 2008.

The Supreme Court of Canada decided in August 1998, on a reference from the federal government in which Québec did not participate, that (i) under the Constitution, Québec may not secede unilaterally without negotiation with the other parties in the Canadian Confederation within the existing Constitutional framework; (ii) under international law, Québec has no right to secede unilaterally from Canada; (iii) nonetheless, the clear repudiation by the people of Québec of the existing constitutional order and the clear expression of a desire to pursue secession would oblige the other provinces and the federal government to negotiate in accordance with constitutional principles, and Québec would also have to negotiate in accordance with such principles; and (iv) if Québec were to so negotiate but face unreasonable intransigence from the other parties, it would be more likely to be recognised than if it did not itself act according to constitutional principles in the negotiations.

## Public Finances

The Minister of Finance is responsible for the general administration of Québec's finances. The *Financial Administration Act*, the *Balanced Budget Act* and the *Act to establish a budgetary surplus reserve fund* govern the management of public monies of Québec and the *Public Administration Act* governs the management of financial, human, physical and information resources of the Administration.

All revenues and monies over which the Parliament has power of appropriation form the Consolidated Revenue Fund of Québec. The Budget and appropriations from the Consolidated Revenue Fund and consolidated organizations are published at the beginning of each fiscal year. Interim financial statements and revisions to the Budget forecast are published quarterly.

The *Balanced Budget Act* is designed to ensure that over time and on a cumulative basis the Government maintains budgetary balance.

## Economy

	2000	2001	2002	2003	2004
	(dollar amounts in millions)				
GDP at current market prices .....	\$224,928	\$231,624 **	\$242,011 **	\$252,367 **	\$265,063 **
% change – GDP in chained 1997 dollars <sup>(1)</sup> .....	4.3%	1.5%**	2.7%**	2.1%**	2.3%**
Personal income .....	\$187,089	\$194,499 **	\$199,402 **	\$206,970 **	\$215,424 **
Capital expenditures .....	\$36,487 **	\$ 37,559	\$ 40,743	\$ 43,485	\$ 49,144
International exports of goods .....	\$ 74,120	\$ 70,819	\$ 68,246	\$ 64,228	\$ 68,563 **
Population at July 1 (in thousands).....	7,357	7,397	7,446	7,494 **	7,548 **
Unemployment rate (level in percentage).....	8.5%	8.8%	8.7%	9.2%	8.5%
Consumer Price Index - % change.....	2.4%	2.4%	2.0%	2.5%	1.9%
Average exchange rate (US\$ per C\$)	0.67	0.65	0.64	0.71	0.77

<sup>(1)</sup> Adjusted for the effects of inflation in the currency from year to year.

## Essential Characteristics and Risks Associated with the Notes

Under this Programme, Québec may from time to time issue Notes denominated in any currency agreed by Québec and the relevant Purchaser. The Notes will have maturities of one month or longer or such other maturity as may be allowed or required. Québec may issue Fixed Rate Notes, Floating Rate Notes, Index Linked Notes, Dual Currency Notes, Zero Coupon Notes, Partly Paid Notes, Instalment Notes and any other type of Notes agreed between Québec and the relevant Purchaser. The applicable terms of any Notes will be agreed between

Québec and the relevant Purchaser prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes in the Prospectus, as modified and supplemented by the applicable Final Terms and any supplemental Prospectus.

The Notes may be offered for sale only to non-U.S. person in reliance on and in accordance with Regulation S and in accordance with applicable laws.

Unless otherwise specified in the applicable Final Terms, the Notes of each issue will be in bearer form with or without coupons and will be initially be represented by one or more temporary global Notes which will be deposited on the issue date thereof with a depositary or a common depositary on behalf of Euroclear and/or Clearstream, Luxembourg or as otherwise agreed. Interests in a temporary global Note will be exchangeable for interests in a permanent global Note upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. Interests in a permanent global Note will be exchangeable for definitive Notes only in the limited circumstances described in “Terms and Conditions of the Notes – Definitive Certificates” or as specified in the applicable Final Terms.

The Notes will be governed by, and construed in accordance with, the laws of Québec and the laws of Canada applicable therein.

The Notes will constitute direct, unsecured, legal, valid, binding and unconditional obligations of Québec. The Notes will rank equally among themselves and with all other debentures, notes or similar debt securities issued by Québec and outstanding at the date of issue of the Notes and in the future. The payment of principal and interest on the Notes will be a charge on and payable out of the Consolidated Revenue Fund of Québec.

Application has been made for Notes issued under the Programme \*\* to be admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange’s Gilt Edged and Fixed Interest Market. Notes may also be issued under the Programme on an unlisted basis or be admitted to listing, trading and/or quotation by other stock exchanges, listing authorities and/or quotation systems, and the Final Terms applicable to a Series will specify whether or not Notes of such Series have been admitted to the Official List and admitted to trading on the London Stock Exchange or admitted to listing, trading and/or quotation by any other stock exchange, listing authority and/or quotation system.

An event of default will occur if Québec does not pay the principal of, or premium, interest or additional amounts on, the Notes or Coupons as and when the same become due and payable and such default continues for 45 days. An event of default will also occur if Québec does not pay any principal of, or premium, interest or additional amounts on, any indebtedness (direct or under a guarantee) for borrowed money of Québec exceeding U.S.\$50,000,000 (or its equivalent in other currencies) in aggregate nominal amount, other than the Notes, as and when the same becomes due and payable. An event of default will occur if Québec does not duly perform or observe any covenant or agreement contained in the Notes (other than the payment of principal, premium, interest or additional amounts) or in the Agency Agreement and such default continues for a period of 60 days.

The Notes will not contain a negative pledge provision.

Under current Québec law, Québec’s obligation to make any payment on any Note, Receipt or Coupon will be extinguished three years after the date such payment is due unless such right to payment is judicially exercised prior to the expiration of such three-year period.

The Notes may be redeemed prior to maturity at par or at such other Redemption Amount as may be specified in the relevant Final Terms. Early redemption may reduce the return on investment provided by the relevant Note compared to the return that would have been achieved had the Notes been redeemed at maturity.

The Notes may have no active trading market or such market might not be very liquid which may affect the ability of the investor to sell the Notes.

Notes issued under the Programme may be linked to one or more indices or other underlying variable. Any such Notes may entail significant risks not associated with a similar investment in fixed or floating rate debt securities, including a return that may be significantly less than the return available on an investment in Fixed Rate Notes or Floating Rate Notes. In some cases such Notes may also carry the risk of a total or partial loss of principal.

Québec enjoys no right of immunity under Québec law from suit or judgment. However, it is immune from set-off, attachment and execution on judgment as well as execution before judgment. In addition, in enforcing a foreign judgment in foreign currency, a Québec court will convert into Canadian currency at the rate of exchange prevailing on the day the foreign judgment became enforceable at the place where it was rendered.

## QUÉBEC

The first two paragraphs under “Overview” on page 46 of the Prospectus are replaced by the following:

Québec is the largest by area of the ten provinces in Canada (1,541,000 square kilometers or 594,860 square miles, representing 15.4% of the geographical area of Canada) and the second largest by population (7.6 million, representing 23.5% of the population of Canada, as of July 2005).

Québec has a modern, developed economy, in which the service sector contributed 70.4%, the manufacturing industry 21.2%, the construction industry 5.8% and the primary sector 2.6% of real GDP at basic prices in chained 1997 dollars in 2004. The leading manufacturing industries in Québec are primary metal products (including aluminum smelting), food products, transportation equipment products (including aircraft and motor vehicles and associated parts), paper products, wood products and petroleum and coal products. Québec also has significant hydroelectric resources, generating approximately one-third of the electricity produced in Canada.

The section “Native Peoples” on page 47 of the Prospectus is amended by adding the following paragraph after the second paragraph:

On December 15, 2005, representatives of the Innu Community of Pessamit (previously Betsiamites) filed a legal action against the Attorney-General of Canada and the Attorney-General of Quebec seeking a judicial recognition of their aboriginal rights and title over certain areas of land in Quebec. Plaintiffs allege that Quebec could not authorize the exploitation of forestry resources over their ancestral territories without obtaining their consent. Consequently, the plaintiffs are claiming an aggregate amount of \$3.0 billion from the defendants for the loss of enjoyment of their ancestral rights and violation of the plaintiffs’ rights to exploit these natural resources. Furthermore, plaintiffs ask for the cancellation of all forestry concessions granted by the Government over their territories

The section “Economy – Economic Developments in 2004 – Québec” on pages 48-54 of the Prospectus is replaced by the following:

**Québec.** Real GDP growth was 2.3% in 2004, compared to a 2.1% increase in 2003. Final domestic demand increased by 4.4% in real terms, compared to 3.7% in 2003. Real consumer spending increased by 3.2% in 2004, compared to 3.3% in 2003. The value of non-residential investment increased in 2004 by 8.1%, with a 10.6% increase in the public sector and a 6.8% increase in the private sector. The value of residential investment increased in 2004 by 22.9%. In 2004, international exports of goods increased by 5.6% in volume and by 6.7% in value, compared with decreases of 1.7% and 5.9% respectively in 2003. Imports of goods increased by 10.2% in volume in 2004 compared to 6.8% in 2003 and by 8.0% in value compared with increase of 0.2% in 2003.

The CPI increased by 1.9% in 2004. Overall employment rose 1.7%, while the unemployment rate decreased to 8.5% from 9.2% in 2003.

## Main Economic Indicators of Québec <sup>(1)</sup>

	2000	2001	2002	2003	2004	Compound Annual Rate of Growth 1999-2004
<b>(dollar amounts in millions, except for per capita amounts)</b>						
GDP						
At current market	\$224,928 6.7%	\$231,624 3.0%	\$242,011 4.5%	\$252,367 4.3%	\$265,063 5.0%	4.7%
In chained 1997 dollars	\$215,424 4.3%	\$218,626 1.5%	\$224,574 2.7%	\$229,244 2.1%	\$234,445 2.3%	2.6%
Per capita .....	\$ 29,281 3.9%	\$ 29,556 0.9%	\$ 30,161 2.0%	\$ 30,591 1.4%	\$ 31,062 1.5%	2.0%
Personal income.....	\$187,089 7.1%	\$194,499 4.0%	\$199,402 2.5%	\$206,970 3.8%	\$ 215,424 4.1%	4.3%
Per capita .....	\$ 25,430 6.6%	\$ 26,294 3.4%	\$ 26,781 1.8%	\$ 27,618 3.1%	\$ 28,542 3.3%	3.7%
Capital expenditures .....	\$ 36,487 3.2%	\$ 37,559 2.9%	\$ 40,743 8.5%	\$ 43,485 6.7%	\$ 49,144 13.0%	6.8%
Value of manufacturers' shipments.....	\$136,920 16.1%	\$131,945 -3.6%	\$130,802 -0.9%	\$129,027 -1.4%	\$ 137,786 6.8%	3.2%
Retail trade.....	\$ 65,245 5.1%	\$ 67,956 4.2%	\$ 72,099 6.1%	\$ 75,326 4.5%	\$ 78,518 4.2%	4.8%
<b>(in thousands of persons)</b>						
Population (at July 1).....	7,357 0.5%	7,397 0.5%	7,446 0.7%	7,494 0.6%	7,548 0.7%	0.6%
Labor force.....	3,717 1.5%	3,772 1.5%	3,908 3.6%	3,991 2.1%	4,028 0.9%	1.9%
Employment.....	3,402 2.5%	3,440 1.1%	3,568 3.7%	3,625 1.6%	3,686 1.7%	2.1%
Unemployment rate (level in percentage).....	8.5%	8.8%	8.7%	9.2%	8.5%	
<b>(1992 = 100)</b>						
CPI.....	110.6 2.4%	113.2 2.4%	115.5 2.0%	118.4 2.5%	120.7 1.9%	2.2%

<sup>(1)</sup> Unless otherwise indicated, percentages are percentage changes from the previous year.

Source: Statistics Canada.

## Economic Structure

In 2004, Québec accounted for 21.0% of Canada's real GDP. The service sector accounted for 70.4% of Québec's real GDP, compared with 27.0% for the secondary sector and 2.6% for the primary sector. Québec's economy is influenced by developments in the economies of its major trading partners, especially the United States, which is Québec's largest export market. In 2004, the value of exports to other Canadian provinces and the rest of the world represented 53% of Québec's GDP.

The following table shows the contribution of each sector to real GDP which includes net taxes (taxes less subsidies) paid on factors of production. GDP is a measure of value added (the total value of goods delivered and services rendered less the cost of materials and supplies, fuel and electricity).

### Real Gross Domestic Product by Sector at Basic Prices in Chained 1997 Dollars<sup>(1)</sup>

	% of Total 2003			% of Total 2004		
	2003	Québec	Canada	2004	Québec	Canada
	(dollar amounts in millions)					
Primary Sector:						
Agriculture, forestry, fishing and hunting.....	\$ 4,209	2.0%	2.3%	\$4,398	2.0%	2.4%
Mining and oil and gas extraction.....	1,387	0.6	3.8	1,326	0.6	3.8
	5,596	2.6	6.1	5,724	2.6	6.2
Secondary Sector:						
Manufacturing .....	45,695	21.4	17.0	46,394	21.2	17.2
Construction.....	11,608	5.4	5.7	12,821	5.8	5.8
	57,303	26.8	22.7	59,215	27.0	23.0
Service Sector:						
Community, business and personal services...	49,724	23.2	22.8	50,541	23.0	22.2
Finance, insurance and real estate.....	36,141	16.9	20.0	37,184	17.0	20.1
Wholesale and retail trade.....	24,860	11.6	11.4	25,948	11.8	11.7
Governmental services.....	13,339	6.2	5.6	13,428	6.1	5.5
Information and cultural services.....	9,776	4.6	4.1	9,897	4.5	4.1
Transportation and warehousing.....	9,258	4.3	4.7	9,571	4.4	4.8
Other utility services.....	8,023	3.8	2.6	7,958	3.6	2.5
	151,045	70.6	71.2	154,255	70.4	70.8
Real GDP .....	\$213,944	100.0%	100.0%	219,194	100.0%	100.0%

<sup>(1)</sup> North American Industrial Classification System (NAICS) in chained 1997 dollars. For the chained 1997 dollars, the aggregate amounts are not equal to the sums of their components.

Source: Statistics Canada.

**Primary Sector.** In 2004, the primary sector, which includes agriculture, forestry, fishing and hunting, and mining and oil and gas extraction, contributed 2.6% of real GDP and accounted for 2.3% of employment in Québec. Québec's forests, covering 1,140,000 square kilometers or 440,000 square miles, are among its most important natural resources. Québec's logging operations were estimated to have produced approximately 1.4 billion cubic feet of timber in 2004, generating revenue of \$2.5 billion from sales to domestic and foreign customers.

In mining and oil and gas extraction, which represented 23.3% of the primary sector in 2004, production is concentrated mainly in iron ore, nickel, gold, zinc and cement. In 2004, the value of mineral production amounted to \$4.0 billion.

**Secondary Sector.** In 2004, the secondary sector, which consists of the manufacturing and construction industries, contributed 27.0% of real GDP and accounted for 21.6% of employment in Québec. In terms of real GDP, the construction industry recorded 10.4% increase in 2004 over 2003. Real GDP in manufacturing increased by 1.5% as export markets improved in 2004. The total value of manufacturers' shipments increased by 6.8% to \$137.8 billion in 2004, representing 23.2% of total Canadian shipments. Shipments of primary metal products increased by 18.1% in 2004, due entirely to price increases. Shipments of computer and electronic products (including telecommunications products) increased by 5.6% in 2004, following three years in which those shipments had decreased as a result of a significant decline in world demand, particularly for telecommunication products.

Durable goods accounted for 56.0% of manufacturing real GDP and 52.5% of manufacturing employment. The leading manufacturing industries in Québec are primary metal products (including aluminum smelting), food products, transportation equipment products (including aircraft and motor vehicles and associated parts), paper products, wood products and petroleum and coal products. As a result of its competitive advantage in low cost electricity production, Québec is one of the world's leading producers of aluminum.

**Value of Manufacturers' Shipments <sup>(1)</sup>**

	2000	2001	2002	2003	% of Total 2003	2004	% of Total 2004
	(dollar amounts in millions)						
Primary metals .....	\$ 14,127	\$ 13,720	\$ 14,337	\$ 14,781	11.5%	\$ 17,451	12.7%
Food .....	12,900	14,235	14,423	15,175	11.8	16,249	11.8
Transportation equipment .....	16,706	16,236	13,533	12,569	9.7	12,991	9.4
Paper .....	12,111	11,993	11,599	10,620	8.2	10,470	7.6
Wood .....	8,340	8,063	8,960	8,878	6.9	10,053	7.3
Petroleum and coal .....	6,982	6,687	7,157	8,024	6.2	9,888	7.2
Chemicals	7,559	8,231	8,557	8,544	6.6	9,052	6.6
Fabricated metals .....	6,452	6,477	6,607	6,634	5.1	7,183	5.2
Plastics and rubber .....	4,800	5,331	6,004	6,346	4.9	6,821	5.0
Computers and electronics .....	15,162	8,626	7,077	5,856	4.5	6,182	4.5
Machinery .....	5,216	5,180	5,107	4,920	3.8	5,159	3.7
Furniture .....	3,593	3,787	4,173	3,940	3.1	3,915	2.8
Other .....	22,972	23,378	23,268	22,741	17.6	22,372	16.2
	<u>\$136,920</u>	<u>\$131,945</u>	<u>\$130,802</u>	<u>\$129,027</u>	<u>100.0%</u>	<u>\$137,786</u>	<u>100.0%</u>

<sup>(1)</sup> North American Industrial Classification System (NAICS).  
Source: Statistics Canada.

**Service Sector.** The service sector includes a wide range of activities such as community, business and personal services, finance, insurance and real estate, wholesale and retail trade, governmental services, information and cultural services, transportation and warehousing, and other utility services. In 2004, the service sector contributed 70.4% of real GDP and accounted for 76.1% of employment in Québec.

In terms of real GDP, increases in the service sector in 2004 occurred in wholesale and retail trade (4.4%), transportation and warehousing (3.4%), finance, insurance and real estate (2.9%), community,

business and personal services (1.5%), information and cultural services (1.2%) and governmental services (0.7%). A 0.8% decrease was registered in other utility services .

Due to Québec's large territory, transportation facilities are essential to the development of its economy. Water transportation is provided mainly through the St. Lawrence River and Seaway. Approximately 26% of all international tonnage handled in Canadian ports in 2003 (the last year for which information is available) passed through Québec's shipping facilities. Highway, rail and air transportation systems service the populated areas, with higher concentrations in the metropolitan areas of Montréal and Ville de Québec.

The financial sector includes large Canadian and foreign financial institutions, Québec's cooperative institutions and Government financial intermediary enterprises and fiduciary agencies (particularly the Caisse de dépôt et placement du Québec).

**Capital Expenditures.** In 2004, the value of capital expenditures by the private and public sectors increased by 13.0% in Québec. Total capital expenditures increased as a result of a 22.9% increase in residential investment and an 8.1% increase in non-residential investment. Concerning non-residential investment, increases were 10.6 % in the public sector and 6.8% in the private sector.

The increase in non-residential investment resulted in major part from increases in information, cultural and other utilities (27.4%), transportation and warehousing (16.8%), construction (15.3%), finance, insurance and real estate operators (11.0%), governmental, educational, health and social services (6.8%) business services, accommodation and other services (2.2%) and wholesale and retail trade (1.0%). These increases were partially offset by decreases in manufacturing (-5.2%), mining and oil and gas extraction (-5.2%) and agriculture, forestry, fishing and hunting (-4.3%).

## Private and Public Sectors Capital Expenditures in Québec <sup>(1)</sup>

	2000	2001	2002	2003	% of Total 2003	2004	% of Total 2004
(dollar amounts in millions)							
Non-residential Investment:							
Governmental, educational, health and social services .....	\$ 4,965	\$ 5,468	\$ 6,340	\$ 6,436	14.8%	\$ 6,874	14.0%
Information, cultural and other utilities.....	4,245	4,408	4,245	4,607	10.6	5,867	12.0
Finance, insurance and real estate operators .....	4,582	4,789	4,857	4,788	11.0	5,316	10.8
Manufacturing .....	6,735	5,290	4,490	5,081	11.7	4,817	9.8
Wholesale and retail trade .....	1,761	2,014	2,207	2,247	5.1	2,270	4.6
Business services, accommodation and other services .....	2,085	1,997	2,113	2,221	5.1	2,270	4.6
Transportation and warehousing .....	1,547	1,787	1,865	1,549	3.6	1,809	3.7
Construction .....	655	699	853	945	2.2	1,090	2.2
Agriculture, forestry, fishing and hunting.....	891	837	971	768	1.8	735	1.5
Mining and oil and gas extraction .....	1,207	829	560	534	1.2	506	1.0
	<u>\$28,673</u>	<u>\$28,117</u>	<u>\$28,499</u>	<u>\$29,177</u>	<u>67.1%</u>	<u>\$31,554</u>	<u>64.2%</u>
Residential Investment.....	7,814	9,442	12,244	14,309	32.9	17,591	35.8
	<u>\$36,487</u>	<u>\$37,559</u>	<u>\$40,743</u>	<u>\$43,485</u>	<u>100.0%</u>	<u>\$49,144</u>	<u>100.0%</u>
Private sector .....	\$29,228	\$29,358	\$31,040	\$33,423	76.9%	\$38,012	77.3%
Public sector.....	7,259	8,201	9,703	10,063	23.1	11,132	22.7
	<u>\$36,487</u>	<u>\$37,559</u>	<u>\$40,743</u>	<u>\$43,485</u>	<u>100.0%</u>	<u>\$49,144</u>	<u>100.0%</u>

<sup>(1)</sup> North American Industrial Classification System (NAICS).

Source: Statistics Canada.

**Exports and Imports.** In 2004, Québec's exports of goods and services totalled \$140.7 billion, of which \$88.4 billion (62.8%) were international exports and \$52.3 billion (37.2%) were inter-provincial exports. Québec's international exports represented 17.9 % of Canada's total exports. Québec's imports of goods and services totalled \$142.9 billion, of which \$87.4 billion (61.2%) were international imports and \$55.5 billion (38.8%) were inter-provincial imports. Québec's international imports represented 19.9 % of Canada's total imports. For the first time since 1997, Québec's external sector (as defined under the Provincial Economic Accounts of Statistics Canada) registered a small overall deficit of \$2.2 billion, a net result of a surplus of \$1.0 billion on international trade and a deficit of \$3.2 billion on inter-provincial trade. In 2003, Québec registered an overall surplus of \$0.9 billion, as a \$2.9 billion surplus on the international account was more than sufficient to cover a \$2.0 billion deficit on the inter-provincial account.

International exports of goods originating from Québec, computed by the Institut de la statistique du Québec from data on Canada's total exports of goods, were \$68.6 billion for 2004, compared with \$64.2 billion for 2003, representing an increase of 6.7%. Increases occurred in 2004 in the value of exports of chemical products (40.9%), lumber and wood products (25.7%), electronic products (13.1%), plastic products (9.9%), machinery (9.4%), newsprint and printing paper (5.1%), tools and other equipment (3.2%), clothing and apparel (1.9%), motor vehicles and associated parts (1.4%), and aluminum and

alloys (1.2%). The increase in exports of electronic products followed three years of decreases resulting from a significant decline in world demand, particularly for telecommunication products, from 2001 to 2003 following a period of strong growth. These increases were partially offset by a decrease in the value of exports of aircraft and associated parts (-14.5%).

The United States is Québec's principal international export market, accounting for 81.7% of the international exports of goods in 2004.

#### **Québec's International Exports of Goods**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>% of Total 2003</u>	<u>2004</u>	<u>% of Total 2004</u>
	(dollar amounts in millions)						
Aircraft and associated parts .....	\$ 8,043	\$10,858	\$10,428	\$10,960	17.1%	\$ 9,373	13.7%
Aluminum and alloys .....	4,630	5,168	5,265	5,194	8.1	5,254	7.7
Electronic products .....	13,283	6,678	4,639	4,336	6.7	4,903	7.2
Lumber and wood products .....	3,744	3,618	3,474	3,175	4.9	3,991	5.8
Newsprint and printing paper .....	4,604	4,734	3,975	3,652	5.7	3,839	5.6
Chemical products .....	1,813	2,048	2,045	1,850	2.9	2,606	3.8
Tools and other equipment .....	2,370	2,313	2,429	2,255	3.5	2,327	3.4
Machinery .....	2,004	2,064	1,990	2,095	3.3	2,291	3.3
Motor vehicles and associated parts .....	3,544	2,908	2,965	1,917	3.0	1,944	2.8
Clothing and apparel .....	1,664	1,699	1,760	1,613	2.5	1,643	2.4
Paperboard/Plastic products .....	1,315	1,264	1,339	1,330	2.1	1,462	2.1
Other goods .....	27,107	27,466	27,936	25,851	40.2	28,930	42.2
Total	<u>\$74,120</u>	<u>\$70,819</u>	<u>\$68,246</u>	<u>\$64,228</u>	<u>100.0%</u>	<u>\$68,563</u>	<u>100.0%</u>

Source: Institut de la statistique du Québec.

The section entitled "Free Trade Agreements – Softwood Dispute" on page 54 of the Prospectus is replaced by the following:

**Softwood Dispute.** In April 2001, a coalition of American lumber producers and various labor unions filed a petition with the U.S. Department of Commerce ("DoC") and the U.S. International Trade Commission ("ITC") alleging that softwood lumber imports from Canada were subsidized by the federal and provincial governments. As a result, in early 2002, the DoC and the ITC established countervailing duties ("CVD") and antidumping duties ("AD") on softwood lumber imports. The Government and the federal government have consistently denied these allegations, and the federal government and the Canadian lumber industry are challenging the U.S. measures under NAFTA and WTO agreements. A NAFTA panel and a WTO panel have issued various rulings in connection with these challenges, to which the DoC and ITC have responded. Over this period, the rates of CVD and AD have changed several times, and the combined rates have varied from 13.22% to 27.22%. Since December 24, 2004, the combined rates have equalled 20.96%.

In October 2004, a binational NAFTA panel determined that evidence on record does not support a finding of threat of material injury, and therefore the United States would be required to drop the AD and CVD duties and return the monies collected from the Canadian softwood exporters. However, in November 2004, the U.S. government appealed the panel's decision under the NAFTA "extraordinary challenge" procedure. On August 10, 2005, the Extraordinary Challenge Committee denied the US challenge and affirmed the Panel's October 12, 2004 decision.

Regarding subsidy calculations, on October 5, 2005, another NAFTA panel issued an order that required the U.S. to recalculate the CVD rates, and gave it a deadline of November 23, 2005. In compliance with this order, on November 22, 2005, the DoC recalculated a country-wide subsidiary rate of 0.80%, which is de minimis. If this “negligible” rate stands, the United States would be required to revoke the CVD order. However, under NAFTA procedures, a decision is not expected before 25-45 days. Consequently, this fifth remand determination has no immediate effect on cash deposit and assessment rates.

On December 6, 2005, the DoC in its second administrative review recalculated the rates of CVD and AD to be applied on exports for the period May 1, 2003 to April 30, 2004. The CVD rates are cut from 16.2% to 8.7% and AD rates from 4% to 2.1%, giving a combined rate of 10.8%, which is half the previously established rate. This also represents the cash deposit rate that will be applied going forward. The DoC is currently conducting the third administrative review and is expected to issue preliminary results by January 31, 2006.

Following the recent NAFTA panel decisions, the negotiations between Canada and the United States have been suspended. Given the ongoing reviews and appeals, it is not clear, however, how or when this dispute will be resolved.

### **GENERAL INFORMATION**

The first paragraph of the section “Legal and Arbitration Proceedings” on page 83 of the Prospectus is replaced by the following:

Save as disclosed in this Prospectus Supplement and the Prospectus (see “Québec – Native Peoples” on page 47 of the Prospectus and page 8 of this Prospectus Supplement, “Québec – Taxes” on page 60 of the Prospectus, “Québec – Retirement Plans” on page 65 of the Prospectus and “Québec – Government Enterprises and Agencies” on pages 67 through 74 of the Prospectus), there are no, and have not been any, governmental, legal, arbitration or administrative proceedings involving Québec (and, so far as Québec is aware, no such proceedings are pending or threatened) which may have or have had during the 12 months prior to the date of this Prospectus Supplement, a significant effect on the financial position of Québec.