PORT DE SAGUENAY

SAGUENAY PORT AUTHORITY

2011 ANNUAL REPORT

Canada

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PORT DE SAGUENAY

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Ghislain Harvey
Appointed by Ville de Saguenay;
In office since May 1, 2003, third term;
Chairman of the Board.

Jean-Guy Bonneau
Appointed by the Governor in concil on the recommendation of the users;
In office since February 28, 2008, second term;
Director.

Bernard Larouche
Appointed by the Quebec Government;
In office since July 17, 2004, third term;
Vice-chairman.

Martial Bouchard
Appointed by the Governor in concil on the recommendation of the users;
In office since December 11, 2009, first term.
Director.

Richard Létourneau
Appointed by the Governor in concil on the recommendation of the users;
In office since May 1, 2006, second term;
Secretary-treasurer.

Jean-Sébastien Harvey
Appointed by the Governor in concil on the recommendation of the users;
In office since September 4, 2008, first term.
Director.

Jean-Guy Bergeron
Appointed by the Governor in concil on the recommendation of the Federal Minister of Transport.
In office since May 1, 2008, second term;
Director.

Alain Bouchard
General Manager

Carl Laberge
Director Marketing and Projects

2011, development objectives maintained …

During 2011, the management and the board of the Port of Saguenay emphasized development projects in order to ensure that they could be implemented to meet the objectives set. Not forgetting the establishment of the Industrial Marine Intermodal Park (IMIP), the Authority placed its focus on factors furthering implementation of the project to provide rail service which is scheduled to come on stream in the fall of 2013. In this connection, the environmental studies were completed for publication in early 2012; efforts were made to put the funding in place; with the participation of the owners, the footprint was determined and the process of acquiring rights of way over a total length of 12.5 km was begun. In addition, we stressed the promotion of the project within the community, among clients and toward the political and social stakeholders.

In the case of the IMIP, work on Phase I was completed in October 2011. No less than 120,000 m2 of land have been developed to meet industrial and storage requirements. We also constructed a service building to meet the needs of the Port and the future industrial park, including refurbishment of the security office and creation of a service centre, workshop and garage. Total costs amounted to $4.8 million and the project was finished in October.

Serge Simard, the Minister of Natural Resources and Wildlife, announced a contribution of $300,000 for the work in Phase I of this project, which demonstrated the provincial government's commitment to the development of infrastructures at Grande-Anse. Moreover, the process of acquiring property to create the park was finalized and the park received the necessary approvals from the province as part of the City of Saguenay development plan.

During the year, the level of activity generated at the Grande-Anse terminal was slightly above the average for the last ten (10) years, despite the decline in shipments of pulp and paper to Europe. Total traffic passing through the facilities amounted to 327,000 mt loaded or unloaded onto or from a total of fifty-four (54) vessels.

The cruise-ship wharf located at Baie des Ha! Ha! Bears witness to a quality destination and an undoubted welcome. During the cruise season, four (4) ships had to change their itineraries on account of bad weather and opted for Saguenay as an alternative port of call, which goes to show the reputation we have already earned in this particular industry. Thus, fifteen (15) vessels used the Bagotville wharf bringing a total of 16,000 passengers. One of the unscheduled vessels, the M/S Silver Whisper, reserved three (3) stopovers for the 2013 season shortly after it called in at Saguenay and this confirms the quality of Saguenay as a destination in every regard.

Investments during the year totalled some $3,795,000, of which $2,148,000 were provided from the port's working capital. In addition to Phase I of the IMPI project, the Port has developed a dry-bulk storage site in the park, which also created 7,000 m2 of storage space at the wharf when the storage area for de-icing salt was moved. This change will give the Port greater flexibility to receive larger dry-bulk carriers while ensuring that they can move several products at the same time.

In March 2011, the government of Quebec announced the details of Plan Nord. This project is designed to promote the development of the Port of Saguenay and also provides a reason to modernize its facilities by adding a rail bypass connecting the intermodal marine industrial park to the national rail system and rail lines in northwestern Quebec. A number of mineral deposits are being developed and the natural corridor of the Saguenay is vital to the exploitation of those deposits in terms of shipping logistics.

In late 2011, the Authority was rewarded for its efforts in the area of financing. The Prime Minister of Canada, the Right Honourable Stephen Harper, announced here in January 2012 that the federal government would contribute $15 million to the implementation of the rail service project. He was accompanied by the Honourable Denis Lebel, Minister of Transport, Infrastructure and Communities. This announcement was followed by that of the provincial government, represented by Serge Simard, Minister of Natural Resources and Wildlife, on 21 February 2012 of a contribution of $10 million. As a result of these announcements, we are extremely confident that we can meet all the conditions required for the implementation of this project and that we shall witness the arrival of a first convoy in the fall of 2013.

Activities at facilities

2011 produced an average performance as traffic flow varied as a result of the cost price of paper products on domestic markets, which proved more advantageous than export prices. Arrivals of de-icing salt were delayed as a result of a reassignment for a period of six (6) months to the Great Lakes of the self-unloading vessel M/V Salarium. Following this delay, the last load arrived in early 2012. However, we unloaded more ships carrying fluor spath and this tonnage recorded exceeded the 48,000 mt handled last year.

In terms of extraordinary cargo, we received the 13th turbine in the alternator set for the Shipshaw dam belonging to Rio Tinto Alcan. In addition, several vessels heading for northern Quebec and Canada's Far North called in at Grande-Anse to load containers of explosives for the mining industry.

The M/V Jaeger Arrow owned by Gearbulk has enabled us to open up a new market segment as a result of the monthly link between the Saguenay and Europe, allowing for the movement of aluminum ingots, wood pulp and general cargo to or from Europe. This vessel was in dry dock for inspection for four (4) months, and this meant that some cargoes were diverted to Montreal. A total of sixty-two (62) ship movements, that is arrivals and departures, were recorded in 2011. Two vessels from the port facilities of Rio Tinto Alcan also made use of our facilities for cleaning and repairs.

Participation and involvement

During 2011, the board and all the staff doubled their efforts to attain the development objectives set. Several meetings took place with government departments, organizations, clients, stakeholders and the community for the purpose of defining the winning conditions for the implementation of the rail service project and to allow us to position ourselves as the gateway to the north.

The board and its committees met nineteen times, which reflects the level of activity in the organization. The level of attendance was 95%. The term of office of one director, namely Jean-Guy Bergeron, who represents the federal government, was renewed for a second term. We wish to thank all the members of the board for their work and congratulate Mr. Bergeron on his appointment.

On 11 September 2011, on the occasion of the 25th anniversary of the Grande-Anse Marine Terminal, the Port of Saguenay invited everyone to a doors-open activity at its facilities for the first time in 25 years. No fewer than 1,500 people paid us a visit and we are very proud of this fact. Berthed in the port at the time was the Louis M. Lauzier of the Canadian Coast Guard, a merchant marine vessel being unloaded, and guided tours, snacks, an exhibition as well as a demonstration of trans-shipping equipment were offered to the public. The event was a resounding success.

The Authority remains very involved at the national level. It has joined the Highway H_2O, an alliance of stakeholders in the marine transport industry within the Great Lakes – St Lawrence Seaway system. It is a certified member of Green Marine. The Port Authority also participated in the spring activity of the American Association of Port Authorities (AAPA) and this gave the Port visibility on the North American and international stages.

In May 2011, the Deputy Premier of Quebec, Nathalie Normandeau, requested information concerning projects under way in the Port of Saguenay and its vision relating to the North.

What the future holds

The rail service project linking the Port to the national railway system and the announcements of federal and provincial funding have helped ensure that this project will be implemented and will allow it to be completed on schedule. New opportunities will become visible in 2014 that should maintain the expected growth of the Port. Our Port and our facilities will be unavoidable assets for the supply of the Far North of Quebec. Finally, the Authority will continue its development efforts in terms of both its regional clientele and clients in the Far North. On the basis of its location and the strategic advantages it offers, the Saguenay Port Authority aims to ensure that the Grande-Anse Marine Terminal is recognized nation-wide as an ideal marine access point for serving resource projects located in the area of Saguenay and Lac St-Jean as well as accessible areas further north. The future is extremely promising.

We still have a lot of work to do and the challenge is substantial, but we are in an advantageous situation to succeed. In this process it is important to note that we have always enjoyed the support of the City of Saguenay and exceptional co-operation from all services of the City. We are confident that the City of Saguenay will continue to support us as nowhere else in the future. Part of our success is linked to this close co-operation between these two organizations.

Financial results

The year 2011 was marked by a change in accounting methods as we converted from the « Generally Accepted Accounting Principles in Canada » to the « International Financial Reporting Standards ». This change became necessary to ensure compliance as a public corporation with these new requirements. The impact of these changes will be felt in the accounting methods applying to capital investments in factors such as their useful life, to the market value of the investments and the actuarial value of the defined-benefits pension plan. Following these changes, we recorded a decrease of some $70,000 in the expenditure for depreciation and an increase of $70,000 in the value of investments as well as recording an actuarial loss of $324,500 with respect to retirement benefits.

Net operating revenues totalled $34,000, compared with $361,000 in 2010. It will be noted that 2010 was an exceptional year with 384,000 mt of products transshipped, compared with 327,000 mt in 2011. Negative movements were recorded for port services as a result of this change. Leasing revenues were also impacted by the decline in traffic and the cargo mix in the sense that there was more dry bulk and less general cargo, an important factor here being the loss of two tenants from shed II combined with the business conditions to which those tenants were subject. Management income

also declined as a result of the level of activity. The decline in income can be described as the result of economic conditions, where several factors converged to influence the situation in a single year.

Expenditures, for their part, totalled $1.7 million for a decline of $38,000, which was the result of the amount of maintenance and repair of equipment. A decline of $58,000 was recorded for this item. Under other proceeds, studies from more than seven (7) years ago were written off for a total of $161,260. These studies will now have to be repeated in their entirety if the Authority decides in the future to reactivate the project to carry petroleum products by sea to supply the area. The net revenue recorded in 2011 of $390,000 showed a decline from the $846,000 recorded in 2010.

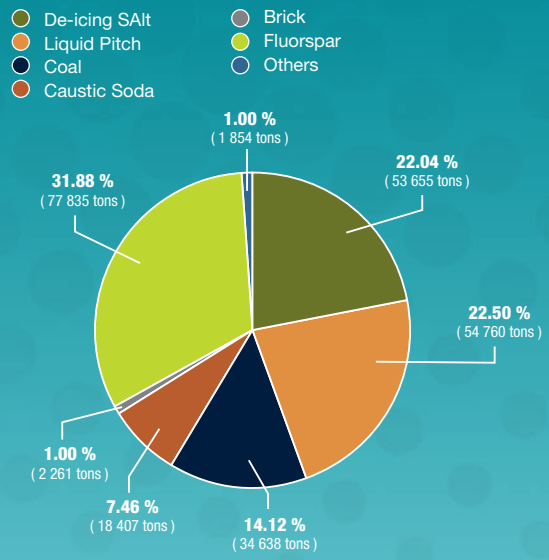
Investment income totalled $517,000 compared with $536,000 in 2010, the result of investments made in projects totalling $2,148,000, which were made up in part by the profits earned in 2011 on the sale of investments. The real rate of return was 4.83% and the market value rate of return was 5.42%.

In conclusion, it is important to note that the Port of Saguenay is the only public port serving the area of Saguenay–Lac-St-Jean that allows for the movement of between 300,000 and 500,000 metric tonnes of cargo annually, which makes a substantial contribution to the economies of Canada and Quebec. The Port Authority had made it a policy to develop its infrastructures in order to offer its users the strategic advantages offered by the proximity of its port facilities while they can also benefit from the opportunities for intermodal transport.

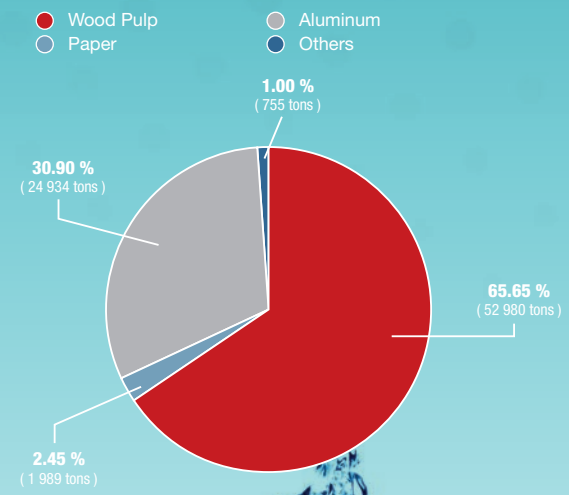
Ghislain Harvey,
Chairman of the board

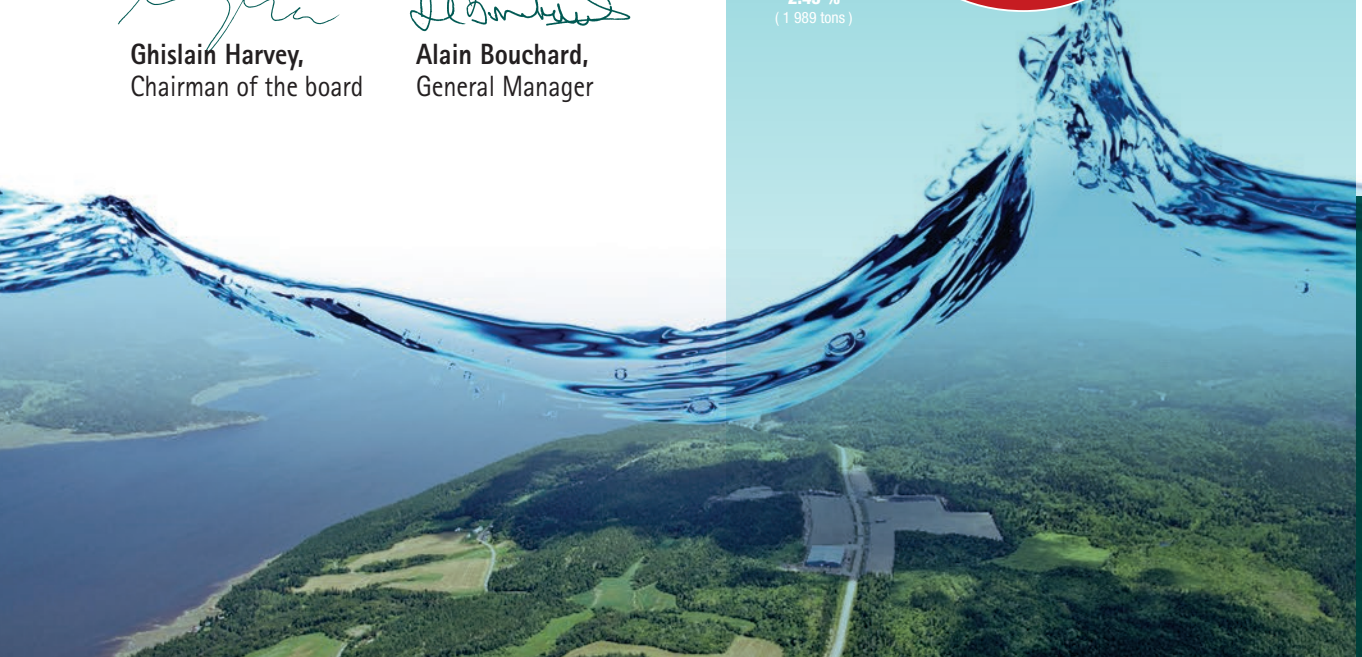
Alain Bouchard,
General Manager

Breakdown of volume
Received



Breakdown of volume
Shipped





Independent Auditor's Report on the summary consolidated financial statements

To the administrators of
Saguenay Port Authority

The accompanying summary consolidated financial statements, which comprise, the summary consolidated statement of financial position as at December 31, 2011 and the summary consolidated statement of earnings and comprehensive income and summary consolidated statement of changes in capital are derived from the audited consolidated financial statements of Saguenay Port Authority for the year ended December 31, 2011. We expressed an unmodified opinion on those consolidated financial statements in our report dated March 23, 2012. Neither the summary consolidated financial statements nor the audited consolidated financial statements reflect the effects of events which have occurred after March 15, 2012.

The summary consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Saguenay Port Authority.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of a summary of the consolidated audited financial statements on the basis described in Note 2.

Auditor's Responsability

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, « Engagements to Report on Summary Financial Statements. »

Opinion

In our opinion, the summary consolidated financial statements derived from the consolidated audited financial statements of Saguenay Port Authority for the year ended December 31, 2011 are a fair summary of those consolidated financial statements, on the basis described in Note 2.

Comparative information

Without modifying our opinion, we draw attention to Note 1 which mentions that Saguenay Port Authority adopted International Financial Reporting Standards on January 1, 2011 with a transition date of January 1, 2010. These standards were applied retrospectively by management to the comparative information in these summary consolidated financial statements, including the summary consolidated statements of financial position as at December 31, 2010 and January 1, 2010, the summary consolidated statement of earnings and comprehensive income and the summary consolidated statement of changes in capital for the year ended December 31, 2010. We were not engaged to report on the restated comparative information and as such, it is unaudited.

Samson Bélair
Deloitte & Touche s.e.n.c.[1]

March 23, 2012

[1] Comptable agréé auditeur permis nº 11848

Summary consolidated statement of earnings and comprehensive income

year ended December 31, 2011

	2011 $	2010 (unaudited) $
REVENUES		
Port services	**750,968**	883,767
Rentals	**544,611**	691,134
Management revenue	**323,930**	402,312
Security	**146,526**	153,837
	1,766,035	2,131,050
EXPENSES		
Salaries and fringe benefits	**717,771**	664,719
Equipment repairs and maintenance	**178,973**	235,039
Professional and consulting fees	**101,631**	122,123
Other operating expenses	**17,072**	12,745
Office supplies	**7,657**	8,210
Supplies and tools	**11,861**	24,560
Computer supplies	**6,209**	4,820
Energy	**24,885**	23,706
Telecommunications	**14,204**	17,861
Travel and entertainment	**86,762**	66,282
Advertising and promotion	**46,365**	61,836
Bad debts (recovered)	**(4,353)**	4,979
Insurance	**42,587**	44,464
Contributions and donation	**37,556**	38,752
Payments in lieu of property taxes	**76,626**	71,023
Depreciation of property, plant and equipment	**320,733**	312,874
Fees on gross revenues	**45,670**	57,089
Gain on disposal of property, plant and equipment	**-**	(1,318)
	1,732,209	1,769,764
Profit from operations	**33,826**	361,286
OTHER REVENUES (EXPENSES)		
Net investment income	**517,444**	535,740
Impairment of construction in progress	**(161,260)**	(38,145)
Write-off of supplies	**-**	(13,157)
NET EARNINGS	**390,010**	845,724
Other comprehensive income (LOSS)		
Actuarial loss on retirement benefits	**(324,500)**	(125,800)
Gain on changes in fair value of available-for-sale investments	**69,907**	187,660
	(254,593)	61,860
COMPREHENSIVE INCOME	**135,417**	907,584

Summary consolidated statement of financial position

as at December 31, 2011

	December 31, 2011 $	December 31, 2010 (unaudited) $	January 1, 2010 (unaudited) $
ASSETS			
CURRENT ASSETS			
Cash	**62,649**	700,634	193,450
Account receivable	**1,122,193**	1,906,965	471,437
Supplies	**-**	-	13,157
Short-term investments	**-**	493,154	432,343
Prepaid expenses	**17,226**	12,920	12,600
	1,202,068	3,113,673	1,122,987
Investments	**10,280,785**	11,257,592	11,711,054
Property, plant and equipment	**11,482,316**	9,894,954	8,758,907
	22,965,169	24,266,219	21,592,948
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	**403,525**	2,084,616	399,514
Deferred revenues	**46,775**	52,629	49,985
	450,300	2,137,245	449,499
Accrued social benefits	**64,603**	60,225	55,984
Employee benefits	**469,600**	223,500	149,800
	984,503	2,420,970	655,283
CAPITAL			
Contributed capital	**13,999,183**	13,999,183	13,999,183
Retained earnings	**7,879,182**	7,489,172	6,643,448
Reserves	**102,301**	356,894	295,034
	21,980,666	21,845,249	20,937,665
	22,965,169	24,266,219	21,592,948

Approved by the Board and authorized for issue on March 23, 2012

Director

Director

Cargo Movements - Origin and Destination

RECEIVED

Brick
Netherlands	2 261	tons

Caustic Soda
United-States	18 407	tons

Coal
United-States	34 638	tons

De-icing Salt
Canada	53 655	tons

Fluorspar
Africa	22 133	tons
China	45 112	tons
Mexico	10 590	tons

General Goods
China	149	tons
Germany	1 014	tons
Turkey	551	tons

Liquid Pitch
Belgium	54 760	tons

SHIPPED

Aluminium
Brazil	17 027	tons
France	7 907	tons

General Goods
Canada	895	tons

Paper
Florida	245	tons
Guatemala	1 387	tons
Venezuela	357	tons

Wood Pulp
Belgium	31 707	tons
England	21 273	tons