

2012 ANNUAL REPORT




PORT DE SAGUENAY

SAGUENAY PORT
AUTHORITY

TABLE OF CONTENT

Board of Directors and Managers	1
Message from the Chairman and the CEO	2
Financial Statements	6
Cargo Movements: Origin and Destination	8



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Bernard Larouche

Appointed by the Quebec Government;
In office since July 17, 2004, third term;
Chairman of the Board.



Jean-Guy Bonneau

Appointed by the Governor in council on the
recommendation of the users;
In office since February 28, 2008, second term;
Director.



Richard Létourneau

Appointed by the Governor in council on the
recommendation of the users;
In office since May 1, 2006, third term;
Vice-chairman.



Martial Bouchard

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



Jean-Sébastien Harvey

Appointed by the Governor in council on the
recommendation of the users;
In office since September 4, 2008, second term.
Secretary-treasurer.



Claude Bouchard

Appointed by Ville de Saguenay;
In office since May 1, 2012, first term;
Director.



Jean-Guy Bergeron

Appointed by the Governor in council on the
recommendation of the Federal Minister of Transport.
In office since May 1, 2008, second term;
Director.



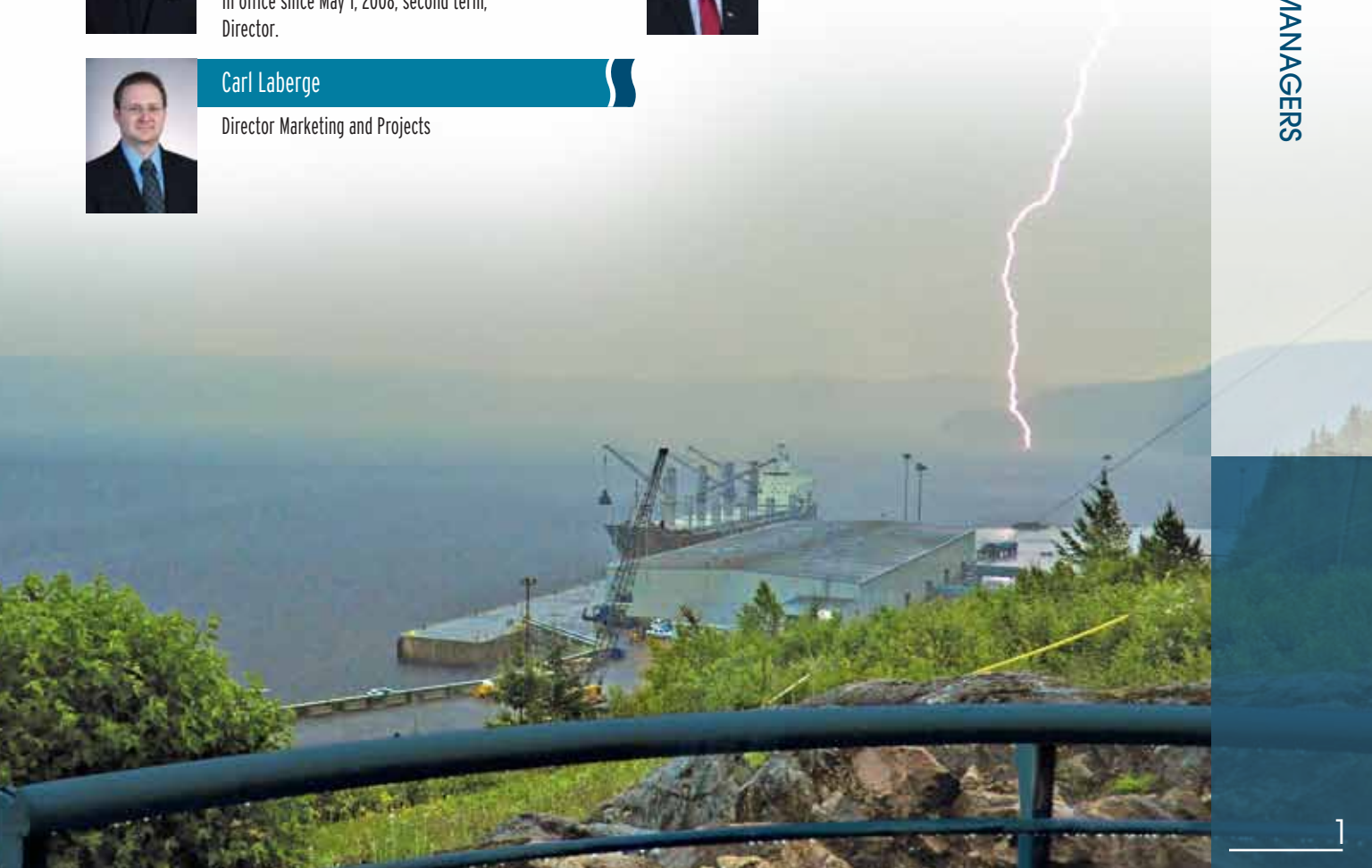
Alain Bouchard

General Manager



Carl Laberge

Director Marketing and Projects





2012, the rail connection becomes a reality

During 2012, the management and board of the Port of Saguenay made every effort to connect the links required to ensure that the rail service project takes concrete form. It is widely known that, once this project is completed, the Grande-Anse marine terminal and the intermodal marine industrial park (IMIP) located there will be connected to the national rail network via the Roberval-Saguenay Railway. The project involves building 12.5 km of railroad and an intermodal harbour railway station. Start-up of the project was conditional on a number of factors and the challenge was major.

Acquisition of property - Agreements were concluded for the purchase of no fewer than 45 lots, parcels of land belonging to 21 property owners, most of them located in areas devoted to forest and farming, as well as 2 residences. The process of acquiring the property was lengthy before all of the transactions were finalized. Parts of some of the properties acquired will be used to make up for the loss of wetlands. The land in question consists of a peat bog that the Port Authority has agreed to protect in future years.



Decision of the Commission de protection du territoire agricole du Québec (CPTAQ) - This decision was issued in October 2012. At the same time it gave official sanction to the route selected, and this validated the approach embarked upon in 2009 with members of the community, which involved maintaining the integrity of farm and forest lands while minimizing the environmental impact.



Confirmation of funding - Funding support was required from the two levels of government and from the municipality. Funding from the government of Canada in the amount of \$15 million, and from the government of Quebec in the amount of \$10 million, was announced in the winter of 2012 and contribution agreements were signed in the fall. Funding from the City of Saguenay in the amount of \$6 million was also announced in the fall following the agreements with the federal and provincial governments. The Port of Saguenay's contribution totalled \$6 million toward the total project cost of \$37 million.

Request to increase the borrowing limit - The limit on the amount the Port could borrow also needed to be increased. From the beginning of the year, steps were taken with Transport Canada and the Department of Finance to submit a request to increase the limits on the credit facilities available to the Port from \$3 million to \$14 million, the latter figure being predicated on future revenues of the Port Authority. Once again, a favourable response was received to this request in December.



Issuance by the government of Quebec of an order in council authorizing the project to go ahead - The last element, the impact study found the project to be acceptable in February 2012, public hearings were held in the summer and the report was published by the Minister in November. The order in council was signed on 20 February 2013, the last link required for the official launch of the work.



In short, 2012 was a very busy year, when a refusal or a delay in any of the sensitive elements of the project could have jeopardized the whole. In that event, it would have been necessary to wait for another favourable window. The years 2012 and 2013 can also be described as historic since 2012 witnessed the obtaining of authorizations and funding and 2013, on the other hand, will see the completion of the work and the start of a new era for the Port of Saguenay.

We should also note the favourable decision of the CPTAQ on the application by the City of Saguenay not to zone as agricultural land the lands identified as being required for the industrial park (IMIP) located at Grande-Anse and belonging to the Port Authority. With the upcoming addition of the railway line and the fact that it is no longer zoned for agriculture make this a prime site for heavy industry. In this regard, we have received a number of visitors from other countries to discuss the possibility of giving concrete form to their projects to establish plants in Canada. Several mining companies have also displayed interest, including BlackRock Metals inc., which has officially announced its intention to ship its ore through our facilities. There is also Ariane Phosphate, which has indicated its intention to use the Port of Saguenay as the entryway for its products carried by ship. A number of other mining companies have also displayed interest in our development opportunities.

In addition, during the year many investment firms have met with us in order to inspect the facilities, get to know the Port and the development projects that are under way as well as our short- and medium-term planning and also to discover the Port's potential.

Activities at the facilities

As far as operations were concerned, 2012 was a year that fell below average. Conditions in the pulp and paper market substantially reduced movements of these products and of several products linked with their production, including caustic soda, deliveries of which through Grande-Anse ceased altogether in January 2012. Declines in these products totalled more than 50,000 mt in 2012 and 100,000 mt over earlier

years. The lock-out at the Rio Tinto Alcan plant in Alma also had a major impact on traffic, resulting in a drop in cargo movements of over 90,000 mt and this figure includes the unexpected arrival of pre-baked anodes from China. In the fall, we began receiving anodes for the new Rio Tinto Alcan AP-60 pilot plant, which is just starting up. A total of 47 ship movements, which includes arrivals and departures, were recorded in 2012, 15 fewer than in 2011. Movements of liquid pitch should rebound to their normal level in 2013 as well as movements of fluorspath and related products such as aluminum and brick. We can only do better in 2013 and subsequent years following the construction of the railway link.



Bagotville Wharf

On the other hand, the cruise-ship wharf located in Baie des Ha ! Ha ! has once again demonstrated its importance as a destination on the St Lawrence River. A total of 25 vessels used the facilities at the Saguenay municipal wharf, 6 of which required the use of shuttles, and they brought in a total of 28,843 passengers, a record since the wharf came into service in 2008. Worthy of note is the fact that on 27 September, 3 cruise ships were present in the Baie des Ha! Ha!, two of them at anchor, something never witnessed before. The welcome accorded the passengers on these vessels was truly exceptional.



Investments

Capital investments made during the year totalled some \$2,345,000, including \$1,555,000 in grants, while the balance of \$790,000 was taken from the Port's working capital. Aside from the moneys invested in port planning, a sum of \$2,238,000 was invested in the railway project to cover the completion of studies, acquisition of property, the cost of managing the project and technical surveys in addition to the preparation of detailed engineering plans and specifications.



Participation and involvement

Once again, the board of directors and all the staff have made a superhuman effort in order to meet the development goals that had been established. A host of regular targeted meetings was held with departments, organizations, clients, stakeholders and the community in order to establish the conditions necessary for the success of the railway link project in addition to reaffirming our position as the entryway to the north.



The board and its committees met a total of sixteen (16) times, which shows the interest displayed by members in the various projects under development. The level of attendance at these meetings was 89%. The term of Ghislain Harvey, who represents the City of Saguenay, concluded after nine years of faithful service, for which we thank him; a new representative, Claude Bouchard, has been appointed. The positions of two directors were renewed, namely Richard Létourneau for a third term and Jean-Sébastien Harvey for a second. They were both recommended by port users and appointed by the Minister of Transport. We wish to thank all the members of the board for their dedication to the organization and we congratulate the directors on their appointment.

In 2011, the Port of Saguenay opened its facilities in Grande-Anse for the first time to the general public and this constituted a wonderful experience. We shall certainly make this event a date once again in the future after the railway link project and the intermodal port railway station have become a reality.

The Port Authority remains very involved on the national level. For the first time we attended activities relating to the Blue Highway H₂O held in Toronto last fall. The Authority is a certified member of the Green Marine. It is also a member of



the Association of Canadian Port Authorities, the American Association of Port Authorities, the Association des croisières du St-Laurent, the Société de développement économique du St-Laurent and the Cruise Lines International Association. It is also involved in local activities such as those of the Chambre de commerce du Saguenay, Réseau environnement, Comité du bon voisinage, to name only a few.

A promising future

With the creation of the railway link, the Port is being targeted by the mining companies of northeastern Quebec that are its clients. BlackRock Metals inc., one of these mining companies, has identified the Grande-Anse site for the shipment of its ore, 3.5 million tonnes annually, production of which is scheduled to start in 2015. Arianne Phosphate, another mining company, expects to start its operations in 2016 and annual anticipated traffic could reach 3 million tonnes. The use of Grande-Anse figures in its transportation logistics. Several international investors have displayed an interest in the intermodal marine industrial park (IMIP) as offering an opportunity for them to become established in Canada. The geographic location of the Port on deep water, its isolation from major urban centres, the proximity of the railway and the large developed spaces available make it a truly exceptional site for the establishment of major industry.



For its part, BlackRock Metals inc., a mining company, is planning to make investments in the order of \$100 million at Grande-Anse, which will include the development of rail lines connected with the mine's railway, installation of a rail car tipper, construction of closed storage areas fitted with stationary handling equipment, addition of a conveyor belt and a ship loader. On 17 December 2012, this firm announced a partnership with Oman Oil Company involving a 25% share of the company, which shows the growing level of interest in the start-up of the mine.

Further, mention should also be made of the fact that the railway line will certainly afford new opportunities and expand the area of reach of the Port to include potential clients. New cargoes will be transported to our facilities starting in 2014. Finally, there is much cause for optimism concerning the future of the Saguenay Port Authority.

Financial results

In 2012 the Port recorded revenues that were some \$50,000 greater than those for 2011, despite a decline in activity at the Grande-Anse port facilities. Leasehold revenues were higher, as were management revenues, which made up for the decline in port revenues of approximately \$174,000. Expenditures also came in higher by close to \$180,000, and this was primarily the result of cruise-ship activities and the professional fees required for negotiation of the Port Authority's business development, a change of accounting method to bring the situation into line with international standards of financial information and the updating of the land use plan. The net surplus amounted to \$356,000, compared with \$390,000 in 2011. In view of the decline in port activity and the unfavourable economic climate during the year, these are excellent results and show the tight governance that the Port's management and its board have applied on a daily basis.

Investment income totalled \$376,000 for a decline of \$61,000 over 2011. Capital investments for the rail link project account for this difference. The net real rate of return on investment was 4.47% compared with 4.83% in 2011. These results show the quality of the investments made by the Port Authority.

In conclusion, mention should be made of the fact that the Port of Saguenay is the only public port serving the area of Saguenay-Lac St Jean facilitating the movement of between 300,000 and 500,000 metric tonnes of cargo annually, which makes a substantial contribution to the economy of Quebec and of Canada. The Port Authority has made it a policy to develop its infrastructures in order to provide its users with the strategic benefits offered by the proximity of port facilities while taking advantage of the possibilities relating to intermodal transport.



Bernard Larouche
Chairman of the board

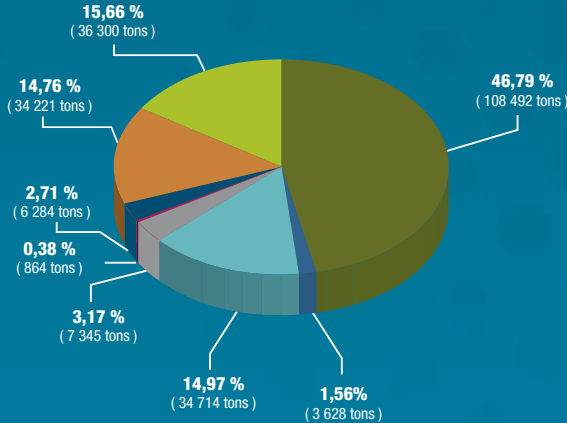
Alain Bouchard,
General Manager





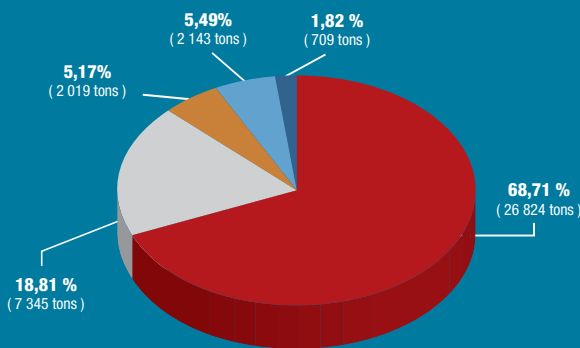
Breakdown of volume
Received

- De-icing Salt
- Liquid Pitch
- Coal
- Anodes
- Coke
- Brick
- Fluorspath
- Others



Breakdown of volume
Shipped

- Wood Pulp
- Coke
- Graphite
- Aluminum
- Others



Independent Auditor's report on the summary consolidated financial statements

To the directors of
Saguenay Port Authority

The accompanying summary consolidated financial statements of Saguenay Port Authority, which comprise, the summary consolidated statement of financial position as at December 31, 2012 and the summary consolidated statement of earnings and comprehensive income and summary consolidated statement of changes in capital for the year then ended are derived from the audited consolidated financial statements of Saguenay Port Authority for the year ended December 31, 2012. We expressed an unmodified opinion on those consolidated financial statements in our report dated March 13, 2013. Neither the summary consolidated financial statements or the audited consolidated financial statements reflect the effects of events which have occurred after March 13, 2013.

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 Responsibility

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, 2012 are a fair summary of those consolidated financial statements. on the basis described in Note 2.

Deloitte S.E.M.C.S.

March 26, 2013

1 CPA auditor, CA, public accountancy permit No A107622

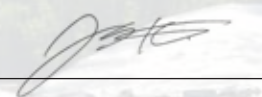
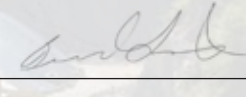
Summary consolidated statement of earnings and comprehensive income year ended December 31, 2012

Summary consolidated statement of financial position as at December 31, 2012

	2012 \$	2011 \$
REVENUES		
Port services	577 122	750 968
Rentals	626 071	544 611
Management revenues	460 357	323 930
Security	154 172	146 526
	1 817 722	1 766 035
EXPENSES		
Salaries and fringe benefits	740 381	717 771
Equipment repairs and maintenance	197 950	178 973
Professional and consulting fees	167 928	54 291
External fees - mooring	67 405	47 340
Other operating expenses	10 133	17 072
Office supplies	5 904	7 657
Supplies and tools	12 065	11 861
Computer supplies	6 827	6 209
Energy	32 881	24 885
Telecommunications	16 337	14 204
Travel and entertainment	63 145	86 762
Advertising and promotion	48 541	46 365
Bad debts (recovered)	4 230	(4 353)
Insurance	47 053	42 587
Contributions and donation	35 878	37 556
Payments in lieu of property taxes	94 743	76 626
Depreciation of property, plant and equipment	329 253	320 733
Gain on disposal of property, plant and equipment	(34 000)	-
	1 846 654	1 686 539
(LOSS) PROFIT FROM OPERATION	(28 932)	79 496
OTHER REVENUES (EXPENSES)		
Interest revenues	375 665	447 273
Gain on disposal of investments	44 500	70 171
Write-off of construction in progress	-	(161 260)
Fees on gross revenues	(35 231)	(45 670)
	384 934	310 514
NET EARNINGS	356 002	390 010
OTHER COMPREHENSIVE INCOME		
Actuarial loss on retirement benefits	(69 100)	(324 500)
(Loss) gain on changes in fair value of available-for-sale investments	(155 481)	140 078
Reclassification of gain on disposal of available-for-sale investments	(44 500)	(70 171)
Available-for-sale investments	(199 981)	69 907
	(269 081)	(254 593)
COMPREHENSIVE INCOME	86 921	135 417

	2012 \$	2011 \$
ASSETS		
Current assets		
Cash	178 222	62 649
Accounts receivable	2 237 672	1 122 193
Current portion of investments	2 203 217	-
Prepaid expenses	18 258	17 226
	4 637 369	1 202 068
Investments	6 835 829	10 280 785
Property, plant and equipment	11 942 768	11 482 316
	23 415 966	22 965 169
LIABILITIES		
Current liabilities		
Accounts payable	840 742	403 525
Deferred revenues	41 520	46 775
	882 262	450 300
Accrued social benefits	69 817	64 603
Employee benefits	396 300	469 600
	1 348 379	984 503
CAPITAL		
Contributed capital	13 999 183	13 999 183
Retained earnings	8 235 184	7 879 182
Reserves	(166 780)	102 301
	22 067 587	21 980 666
	23 415 966	22 965 169

Approved by the Audit committee and authorized for issue on March 26, 2013

 
Director Director



RECEIVED

Anodes	
England	2 471 tons
Netherlands.....	32 243 tons
Brick	
Netherlands	864 tons
Coal	
United-States	36 300 tons
Coke	
Georgia.....	7 345 tons
De-icing Salt	
Canada	108 492 tons
Fluorspath	
Africa	6 284 tons
General Goods	
Belgium	243 tons
Sweden.....	2 771 tons
Liquid Pitch	
Belgium	34 221 tons



SHIPPED

Aluminum	
France	1 056 tons
Netherlands	1 087 tons
Coke	
Georgia	7 345 tons
General Goods	
Saudi Arabia	123 tons
Canada	1 200 tons
Graphite	
Netherlands	2 019 tons
Wood Pulp	
England	10 488 tons
Belgium	16 336 tons

