PORT DE SAGUENAY

SAGUENAY PORT AUTHORITY

ANNUAL REPORT 2013

Canada

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

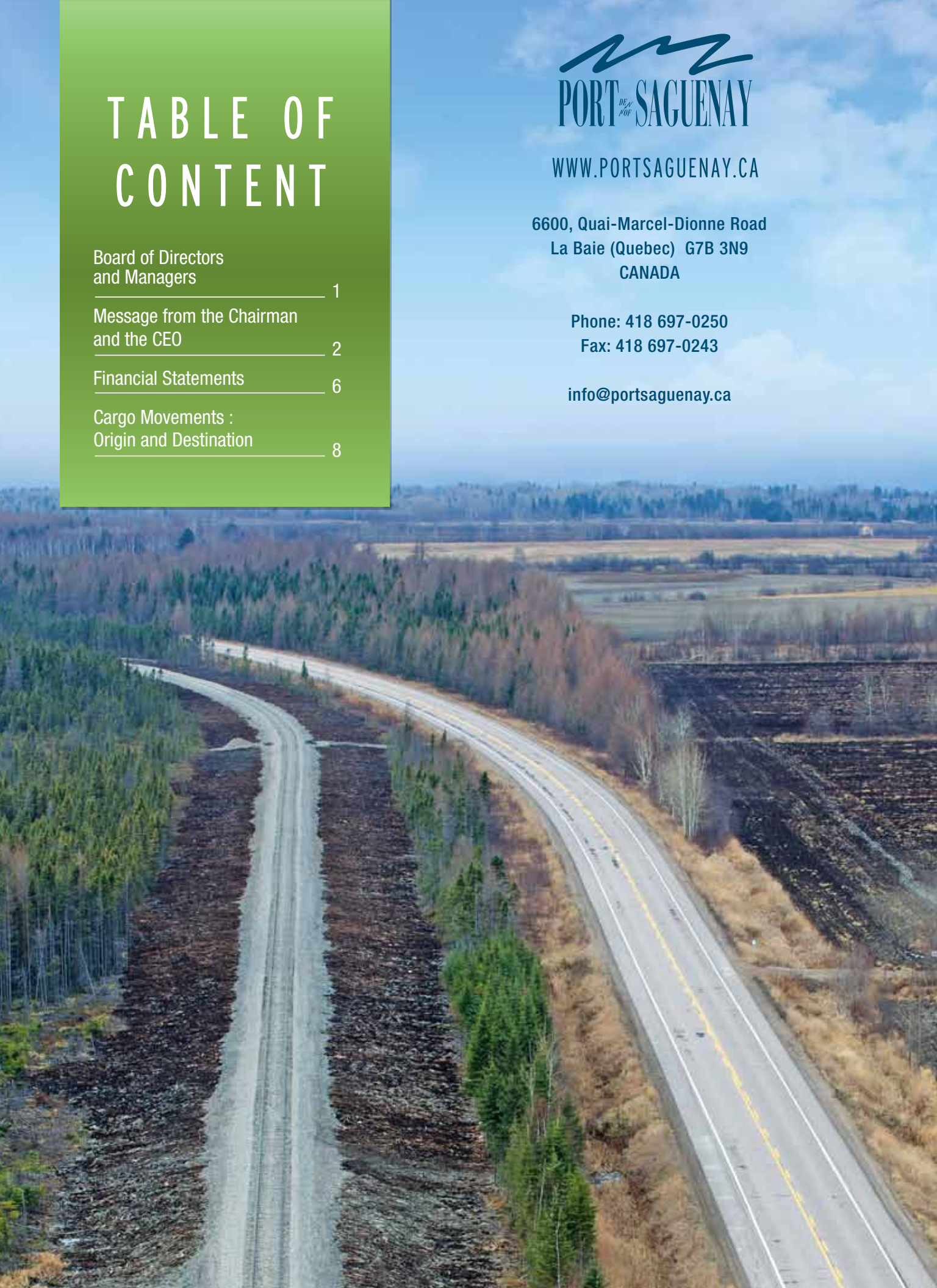
PORT DE SAGUENAY

WWW.PORTSAGUENAY.CA

6600, Quai-Marcel-Dionne Road
La Baie (Quebec) G7B 3N9
CANADA

Phone: 418 697-0250
Fax: 418 697-0243

info@portsaguenay.ca



Ghislain Harvey

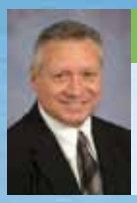
Appointed by Ville de Saguenay;
In office since May 1, 2013, first term;
Chairman of the Board.

Jean-Guy Bonneau

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

Richard Létourneau

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



Martial Bouchard

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

Jean-Sébastien Harvey

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

Bernard Larouche

Appointed by the Quebec Government;
In office since July 17, 2004, term ended on April 30, 2013.
Appointment pending.

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

© Érick Girard

2013
Rail link: CONSTRUCTION

The last year was primarily marked by construction work on the rail link, which began in March with the removal of trees from the proposed route of the whole project, over a distance of 12.5 km. This work was followed by the award on 17 April 2013 of the contract for levelling, which covered excavation, dynamiting and construction of the rail bed. Among other things, this contract required the movement of 850,000 metric tonnes of topsoil and the dynamiting of some 1,600,000 metric tonnes of rock, as well as the placement of 1,225,000 tonnes of dynamited stone and more than 250,000 tonnes of crushed stone. We also relied on small local trucking companies to transport more than 450,000 tonnes of material.

The laying of the railway track began in August 2013, starting in the area of Grande-Baie North as far as the junction with the Roberval-Saguenay railway. The contract required the laying of 31.8 linear kilometers of railway track, including service lines and the intermodal marine railway station. In addition to the major contracts awarded for levelling the ground and laying the track, additional agreements were included such as signalling, fences, lighting, project supervision and a laboratory. All the work to clear the trees from the proposed route, levelling the ground and laying the track was done after the relevant authorizations had been obtained from the Department of sustainable development, environment and parks.

The total project costing $37 million will be completed in the spring of 2014 as a result of delays in obtaining certain authorizations, the early onset of winter and the slow-down in the work as a result of the strike in the construction industry. A total of 12 substantial contracts were awarded for a sum of $27,149,663, primarily to contractors from the area. Since the laying of the track and installation of the signals along it involved specialist work, these contracts were awarded to two firms located in the area around Montreal. In the history of Port of Saguenay and the Port Authority, these were the largest contracts ever awarded in terms of investment in today's dollars.

The process of purchasing the land was speeded up following the grant of supplementary letters patent in the summer of 2013 and by the end of December, only four segments of the project remained to be finalized. It is now known that the total project cost will be $37 million, including $3 million for costs that were not related to the work to be done but covered items such as the purchase of land and related expenses.

While construction work was going on, no fewer than 100 people were present on the site and a total of 125 workers were assigned to the project. In addition to this, reference should be made to the indirect jobs created by this massive injection of capital over a relatively short period. Work with a value of more than $27 million was done between March and December 2013.

The following contracts were awarded under the project:

PROJECT AND CONSTRUCTION MANAGEMENT	DESSAU INC.	**$1 675 000**
DETAILED ENGINEERING AND TECHNICAL SUPPORT	GROUPE CONSEIL ROCHE LTÉE	**$541 970**
GEOTECHNICAL STUDY	INSPEC-SOL INC.	**$67 011**
REMOVAL OF TREES	GAZON SAVARD	**$297 177**
SUPERVISION	CÉGERTEC WORLEY PARSONS	**$373 739**
LEVELLING	ENTREPRISES ALFRED BOIVIN	**$10 319 682**
QUALITY CONTROL	INSPEC-SOL INC.	**$37 167**
RAILS AND INSTALLATION	PNR RAILWORKS QUÉBEC INC.	**$12 572 550**
SIGNALLING	X-RAIL SIGNALISATION INC.	**$527 130**
LIGHTING AND ELECTRICITY SUPPLY	SHIPSHAW ÉLECTRIQUE LTÉE	**$324 829**
STORAGE	CONSTRUCTION GRIMARD	**$196 534**
FENCING	INTER-PROJET	**$216 874**

For the Saguenay Port Authority, the project was a success from start to finish and that is very much to the credit of the organization and its staff. No project of this size had ever been carried out in the Port since its relocation. Moreover, this project is, in fact, Phase II of the relocation of the port facilities from Chicoutimi to Grande-Anse. We expended every effort and the necessary resources for the completion of this project. Not only has the Port Authority acquired a link with the rest of North America but it has also taken concrete steps toward the creation of an intermodal marine industrial part (IMIP), which will be an incredible development tool for the future of the whole Saguenay-Lac-St-Jean area. All of this is the result of the leadership shown by management and the unconditional support provided by the board. With these assets in place, the future of the Saguenay Port Authority is assured. In conclusion, we should like to note the exceptional co-operation of our financial partners in this project, namely the City of Saguenay, the government of Quebec and the government of Canada, without which this project would never have seen the light of day

Activities at the facilities

In terms of operations, 2013 was a better year than 2012 in terms of business. No fewer than 49 ships moored at our wharves, compared with 40 in 2012. Most of the cargoes loaded and unloaded posted lower average figures for a total of 267,000 mt, compared with 270,000 mt in 2012. Three shiploads of road salt totalling 70,000 mt were received, compared with four in 2012, for a total of 90,000 mt. The most recent year was marked by the movement of three (3) shipments of wood pellets totalling 27,000 mt from Granules LG destined for Italy. This product represents a new market niche for the Port of Saguenay and replaces pulp and paper products, the figures for which have been in free fall for the last three (3) years. Arrivals of anodes from the new AP-60 Rio Tinto Alcan pilot plant increased and several cargoes passed through our facilities destined for northern Canada. Shipments of liquid tar and bricks returned to normal following the lock-out at the Rio Tinto Alcan plant in Alma in 2012.

During the year, several inquiries were received from industrialist firms on the international stage concerning the implementation of projects to establish plants in Canada. Mining companies also continued to display their interest in exporting their products through the facilities of Port of Saguenay. Among other things, the Port Authority has continued to support the projects of mining companies, including BlackRock Metals Inc for the export of 3 million tonnes of iron ore annually and Arianne Phosphate for the export of 3 million mt, in this case of apatite.

Bagotville Wharf

The cruise-ship wharf located at Baie des Ha ! Ha ! clearly demonstrated its importance as a destination on the St. Lawrence River. In fact, 23 vessels used the facilities at the Saguenay municipal wharf, carrying a total of 20,380 passengers, this decline in passenger numbers being directly related to the capacity of these vessels. The fleet of ships was smaller than in 2012. We welcomed the hundredth vessel since the Bagotville service came into service in September 2008. The quality of the reception afforded allowed the port to achieve global distinction and Saguenay was justly awarded the world prize for offering the best welcome. As on the St. Lawrence, the growth in cold-water cruises is continuing and more than 30 vessels have made reservations for 2014. A new drinking-water service was added in 2013 and over 90% of the vessels made use of it.

Investments

Capital investments totalled some $29,725,000, the sources of which could be classified as follows: $20,923,000 in grants, a loan of $6,000,000 and the remainder was taken from Port Saguenay's working capital. Beside the investment made in the refurbishment of the roofing on shed I for a total of $387,000, a sum of $29,260,000 was invested in the rail link project including the completion of studies, acquisition of land, project management costs, supervision, completion of engineering plans and specifications as well as the cost of constructing the link. This was the largest capital investment ever made by the Port Authority. This project will pave the road to the Authority's future.

Participation and involvement

The magnitude of the task involved in completing the rail link project and the intermodal marine station has established beyond any doubt the effectiveness of the team now in place and the support of the board has thus made it possible to overcome this major challenge for the Port Authority. Targeted meetings took place at regular intervals with government departments, agencies, clients, stakeholders as well as with the community in order to create the conditions that would favour completion of the rail link project and the intermodal marine terminal. Our efforts were also stepped up in the mining sector as we provided support for construction of a wharf on the north shore of the Saguenay River to allow Arianne Phosphate to export apatite. We also continued to support the BlackRock Metals Inc. project by taking part in a number of regional conferences.

The board and its committees met on 27 occasions and the members' participation rate was 91.5%, which is indicative of the level of interest displayed by directors in the development of the Port of Saguenay and its emergence as an economic engine for the Saguenay-Lac St Jean area. The term of office of the provincial representative, Bernard Larouche, ended after nine years of loyal service, for which we thank him. Claude Bouchard also completed his term as the representative of the City of Saguenay. Ghislain Harvey was appointed as his replacement. No other appointments were made during the period under review. The position of director representing the province is still vacant. We thank all the members of the board for their dedication to the organization and congratulate them on their involvement.

The Port Authority remains very involved at the national level. It is an active member of a number of organizations, including Green Marine, the Association of Canadian Port Authorities, the Association of American Port Authorities, the Cruise the Saint Lawrence Association, the St. Lawrence Economic Development Council and Cruise Lines International Association. It is also involved in local activities such as those of the Saguenay chamber of commerce, Réseau environnement, Comité de bon voisinage, to name only a few. The members of management were also present at several activities relating to the field of mining development.

Area of jurisdiction

Port Saguenay has taken steps to expand its jurisdiction to the whole area of the waters in Baie des Ha ! Ha ! in order to facilitate the cohabitation of marine transportation and recreation activities in both summer and winter. This will make it possible to maintain a high level of safety while minimizing delays. It will also provide a management structure for the water area and marine traffic within the new limits. It will now also be possible to detain vessels within the new area of jurisdiction.

A promising future

The coming into service of the rail line and of the intermodal marine terminal in the near future will contribute to the development of new market segments. The imminent arrival of BlackRock Metals Inc. at the mine location currently being developed will increase traffic by a factor of 3 million tonnes annually. Mining company Arianne Phosphate will give Port Saguenay an opportunity to establish itself on the north bank of the Saguenay River for the export of some 3 million metric tonnes of its product annually. The industrial lands available at Grande-Anse, most of which have now been developed, allow for the establishment of industries while promoting the transhipment of cargo. Increasingly, international industrial companies are displaying interest in the site at Grande-Anse and its intermodal industrial park as they consider setting up in Canada. The Port's

deep-water geographic location, its remoteness from urban areas and the presence, now certain, of the railway and the availability on site of large areas dedicated to industrial development make it an exceptional location for the establishment of major industry.

The development of new wood products such as wood pellets, which is a promising market niche, will make it possible to replace traditional products such as wood pulp and paper. Current international demand is growing for the substitution of traditional energy products. There is also much reason for optimism concerning the prospects of the mining industry within Port Saguenay's area of influence and many potential new opportunities can be discerned. In 2014 and 2015, the Port will receive the major components of 175 wind generators imported from Europe and intended for the wind energy park currently being built at Rivière-du-Moulin. No fewer than eight (8) ships are expected and the existing traffic base will be maintained.

Financial results

Operating revenues totalled $2,093,000 in 2013. This total was $275,000 more than in 2012 despite the fact that a slightly lower quantity of cargo was transhipped than in the previous year. The product mix made it possible to increase port revenues by $92,000, whereas rental revenues, for their part, increased by $104,000 $. Revenues derived from management of the cruise-ship wharf in Bagotville amounted to $246,000 in 2013. This was $73,000 below the figure for 2012 as a result of the lower numbers of passengers disembarking in Saguenay. Revenues from other marine services increased by $151,000, which can be attributed in particular to the assumption of responsibility by the Port Authority for new services such as invoicing of berthings at the Grande-Anse wharf and a new drinking-water service for cruise ships.

Operating expenditures totalled $1,908,000, an increase of $61,000 over 2012. Given the addition expenditure of more than $107,000 incurred to invoice berthings at the Grande-Anse marine terminal, these are excellent results and demonstrate the strict supervision applied on a daily basis by management and the board.

Investment income totalled $291,000, a decline of $85,000 compared with 2012. The capital investments required for the rail link project account for this difference. The net real rate of return on investment was 4.1%. These figures show the quality of the investments held by the Port Authority. The net surplus amounted to $465,000 as against $356,000 in 2012, an increase of $109,000. The Port Authority's results are determined in accordance with the International Financial Reporting Standards (IFRS). For those seeking further information, the statements are attached to this report.

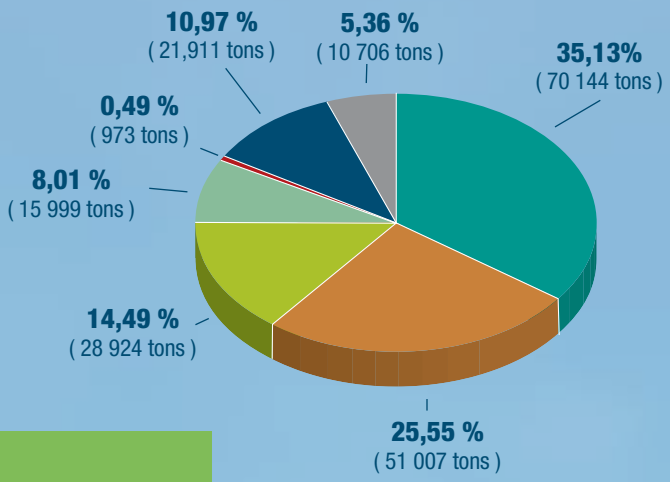
In conclusion, it is important to note that Port Saguenay is the only public port serving the Saguenay-Lac St Jean area and is responsible for the movement of between 300,000 and 500,000 metric tonnes of cargo annually, which makes a significant contribution to the economies of Quebec and Canada. The Port Authority has made it a policy to develop its infrastructures in order to provide its users with the strategic advantages associated with the proximity of port facilities and at the same time to allow them to enjoy the opportunities offered by intermodal transportation.

Ghislain Harvey,
Charmain of the board

Alain Bouchard,
General manager

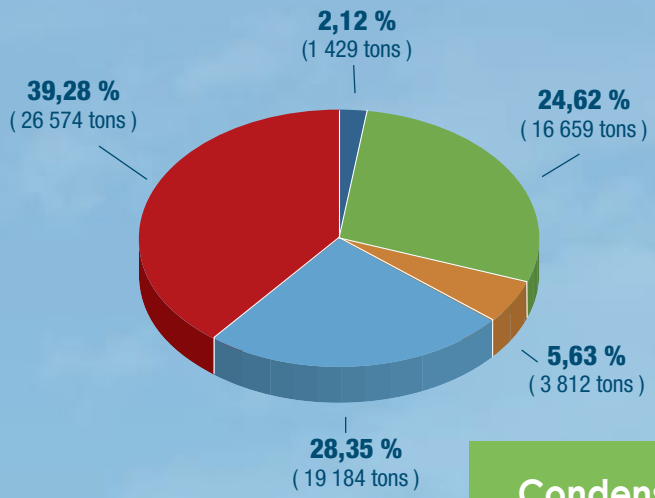
Breakdown of volume
Received

- De-icing Salt
- Liquid Pitch
- Coal
- Anodes
- Brick
- Spath Fluor
- Others



Condensed consolidated statement of earnings
year ended December 31, 2013

	2013 $	2012 $
REVENUES		
Port services	**669 101**	577 122
Rentals	**871 879**	767 636
Management revenues	**246 296**	318 792
Other marine services	**305 465**	154 172
	2 092 741	1 817 722
EXPENSES		
Salaries and fringe benefits	**699 803**	740 381
Equipement repairs and maintenance	**176 727**	197 950
Professional and consulting fees	**117 343**	167 928
External fees -mooring	**172 030**	67 405
Other operating expenses	**9 812**	10 133
Office supplies	**5 135**	5 904
Supplies and tools	**13 739**	12 065
Computer supplies	**6 629**	6 827
Energy	**38 101**	32 881
Telecommunications	**13 494**	16 337
Travel and entertainment	**68 461**	63 145
Advertising and promotion	**42 461**	48 541
Bad debts	**1 084**	4 230
Insurance	**43 087**	47 053
Contributions and donation	**47 702**	35 878
Payments in lieu of property taxes	**104 435**	94 743
Depreciation of property, plant and equipment	**338 286**	329 253
Loss (gain) on disposal of property, plant and equipment	**9 363**	**(34 000)**
	1 907 692	1 846 654
EARNINGS (LOSS) FROM OPERATION	**185 049**	**(28 932)**
OTHER REVENUES (EXPENSES)		
Interest revenues	**291 228**	375 665
Gain on disposal of investments	**36 914**	44 500
Fees on gross revenues	**(48 516)**	(35 231)
	279 626	384 934
NET EARNINGS	**464 675**	**356 002**
OTHER COMPREHENSIVE INCOME		
Items that will not be subsequently reclassified to net earnings		
Remeasurement of defined benefit obligation	**263 900**	(69 100)
Items that may be subsequently reclassified to net earnings		
Loss on changes in fair value of available-for-sale investments	**(28 568)**	(155 481)
Reclassification of realized gains on available-for-sale investments	**(36 914)**	(44 500)
Change in available-for-sale investments	**(65 482)**	(199 981)
	198 418	(269 081)
COMPREHENSIVE INCOME	**663 093**	**86 921**



Breakdown of volume
Shipped

- Wood Pellets
- Wood Pulp
- Paper
- Aluminum
- Others

Condensed consolidated statement of financial position
as at December 31, 2013

	2013 $	2012 $
ASSETS		
Current assets		
Cash	1 581 771	178 222
Accounts receivable	2 897 462	682 669
Grants receivable	5 420 041	722 630
Current portion of investments	361 442	2 203 217
Prepaid expenses	18 602	18 258
	10 279 318	3 804 996
Grant receivable	4 401 798	832 373
Investments	4 633 385	6 835 829
Property, plant and equipment	16 317 398	11 942 768
	35 631 899	23 415 966
LIABILITIES		
Current liabilities		
Accounts payable	6 698 746	840 742
Deferred revenues	99 922	41 520
Current portion of long-term debt	510 000	-
	7 308 668	882 262
Long-term debt	5 490 000	-
Accrued social benefits	74 551	69 817
Employee benefits	28 000	396 300
	12 901 219	1 348 379
CAPITAL		
Contribued capital	13 999 183	13 999 183
Retained earnings	8 699 859	8 235 184
Reserves	31 638	(166 780)
	22 730 680	22 067 587
	35 631 899	23 415 966

The financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS). The complete version of the audited financial statements is available upon request.

Approved by the board and authorized for issue on March 25, 2014

Ghislain Harvey
Chairman of the board

Jean-Sébastien Harvey
Secretary- treasurer

RECEIVED

Anodes

Netherlands	15 999	tonnes

Brick

Netherlands	973	tonnes

Coal

United-States	28 924	tonnes

De-icing Salt

Canada	70 144	tonnes

General Goods

Canada	5 422	tonnes
Germany	558	tonnes
Poland	2 282	tonnes
Sweden	482	tonnes
Turkey	126	tonnes
Ukraine	1890	tonnes

Liquid Pitch

Belgium	51 007	tonnes

Spath Fluor

Spain	21 911	tonnes

SHIPPED

Aluminum

Germany	4 118	tonnes
France	2 450	tonnes
Netherlands	12 616	tonnes

General Goods

Canada	1 375	tonnes

Paper

Guatemala	3 812	tonnes

Wood Pellets

Italy	26 574	tonnes

Wood Pulp

China	5 008	tonnes
Turkey	11 651	tonnes