



○ ○ ○ **2006**
ANNUAL REPORT



PORT DE QUÉBEC

Canada



QPA'S Mission

The mission of the **Québec Port Authority** is to promote and develop **maritime trade**, to serve the economic **interest** of the **Québec** area and of **Canada** and to ensure that it is profitable while respecting both its **community** and the **environment**.

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Once the City supports its Port and projects in the same way as the City's maritime industry responded to the regional appeal for projects to develop recreational facilities, the result will then be a win-win situation for the City.





CLEAR FOR ALL to see



Photo : Pierre Coulombe

The maritime industry in Québec City demonstrated this more than ever in 2006; Québec City can fully count on its Port and the economic windfall it generates without compromising its other areas of development. Québec City can also count on its maritime community to integrate perfectly into its urban environment. Finally, Québec City can be extremely proud of an industry with a rich past that has shaped the City's development and that beckons toward a very promising future.

The Port scaled new heights in 2006. More than 23.5 million tonnes of cargo were transshipped and nearly 100,000 cruise ship passengers and crew members visited Québec City. This was unprecedented!

But that's not all; in addition to carrying on its regular activities, the Québec Port Authority (QPA) has set to work and started to develop the facilities that will constitute the federal government's legacy for the 400th Anniversary of the founding of Québec City, which will take place in 2008. By thus dedicating approximately 20% of its properties to public and recreational purposes, a share unequalled in any other

Canadian port, the QPA has exceeded all standards in effect regarding the proportion of a property to be devoted to green space.

The planning of the projects that the QPA is currently implementing for this historic anniversary is not hampering its efforts to develop the Port. The planning is designed to pay full homage to its mission by promoting the growth of Québec City's maritime industry for decades to come. Because the City supported its Port and its projects in the same way as the City's maritime industry responded to the regional appeal for projects to develop recreational facilities, the result is a win-win situation for the City. The most beautiful city in the Americas will thus be able to benefit from a modern industry that is growing rapidly and that is part of the solution for greater collective wealth and a better environment.

*Québec, a port city.
A jewel shining forth to the four corners
of the globe.*

For the fourth consecutive year, the QPA and its terminal operator partners reached an unprecedented level of activity with more than 23.5 million tonnes of cargo handled.



REVIEW OF THE YEAR

by the chairman of the board and the president & ceo



Left : Yvon Bureau, Chairman of the Board Right : Ross Gaudreault, President and CEO

It is once again an honour and a pleasure to sign this annual report and to present in it the highlights of a fourth consecutive year in which the tonnage handled in the different terminals of the Port of Québec reached unprecedented levels.

The year 2006 began by awarding the Gold Cane, a tradition dating back to 1835. It was on January 2 that this valuable maritime trophy was awarded to Captain Adipas Adonios of the vessel *Minerva*. Arriving on the evening of January 1 from Klaipeda, in Russia, the vessel, sailing under the Maltese flag, was carrying a cargo of petroleum products to the Canterm Canadian Terminals located in the Beauport sector.

On January 4, the QPA welcomed guests of the maritime industry along with members of Québec City's business community at the Pointe-à-Carcy Cruise Ship Terminal for the ceremony of awarding the cane, to review the events of 2006 and to announce the main goals for 2007.

For the fourth consecutive year, the QPA and its terminal operator partners reached an unprecedented level of activity with more than 23.5 million tonnes of cargo handled. This is an increase of 4% over 2005 and

more than 50% compared to 2001. There are several reasons for this remarkable performance, among which we note: the investments made in the Port in recent years, the commercial positioning promoted by the QPA and its partners and the excellent economic situation favourable to trade between the Great Lakes market and the rest of the world.

The number of cruise ship passengers and crew members was more or less the same in 2006 as in 2005, that is 91,148 compared with 92,949 (-2%). Despite this slight decrease, the number of cruise ship passengers and crew members increased by more than 60% from 2000 to 2006, making the cruise industry the tourist activity with the highest growth rate in Québec City. The QPA finds the 2006 results particularly satisfying in view of the strong competition the St. Lawrence continues to face from the Mediterranean region.

The Port of Québec Marina and Espaces Dalhousie both experienced a particularly high level of business. It should be noted that these two activities are some of the many services and infrastructures the QPA provides to its region that are shared by both regional and tourist clientele.

REVIEW OF THE YEAR BY THE CHAIRMAN OF THE BOARD AND THE PRESIDENT & CEO



In financial terms, the QPA is pleased with the results obtained. Operating revenues were 13% higher than in 2005, that is \$17.9 million compared with \$15.8 million, while operating expenses, excluding depreciation, grew by less than 1% compared to 2005, namely \$12.5 million versus \$12.4 million. The operating income before depreciation, financial income and other revenue grew from \$3.5 million in 2005 to \$5.4 million in 2006, an increase of over 54%. The increase in the QPA's profitability is essential to continuing investment pertaining to its commercial development and to the restoration of the infrastructures under its control.

The QPA has continued making investments to support commercial development relating to the types of cargo in which the Port is active and to bring certain aging infrastructures up to standard. A total of \$4.1 million was invested in 2006, notably to upgrade certain leased infrastructures in the Beauport sector, to refurbish part of the roof of Shed 27 and for a storm sewer in the eastern sector of Anse-au-Foulon. The investments in these fixed assets are evidence of the QPA's willingness to carry out more preventive maintenance on its infrastructures.

Following the public consultations held in the winter and spring of 2006, the first sod was turned on two of the three sites that are part of the federal government's legacy for Québec City's 400th Anniversary, those at Beauport Bay and Brown Basin. In the case of Pointe-à-Carcy, the QPA had to revise the proposed development plan. The outdoor stage located in the Agora will thus be improved and reintegrated into the project to better meet the federal government's expectations. Construction work is scheduled to begin in the winter of 2007. A total of more than \$5.6 million has been invested by the QPA in 2006 for the federal legacy on the Port of Québec properties.

Environmental challenges were at the heart of the QPA's daily concerns in 2006. Eleven environmental assessment screening reports were analyzed over the course of the year, all of which were approved in accordance with the environmental legislation to which the QPA is subject. The QPA was also active in following up on several matters, including those linked to the characterization and restoration of contaminated soil during past activities.



Since the ISPS (*International Ship & Port Safety*) standards came into force in Canadian ports in 2004, the QPA has successfully met all the challenges they involve. After adopting safety plans and proceeding to install surveillance cameras and security perimeters, the QPA introduced new access standards for the various sectors of the Port. After the Beauport sector in 2005, the Estuary sector was completely secured in 2006. For these, projects and other capital projects realised in 2006 and expected in 2007, the QPA obtained a contribution of \$401 000 from the federal government, which covered 75% of the costs relating to the integration of different security measures.



As always, the QPA was able to co-operate with various associations involved in promoting and defending the interests of the Canadian maritime industry, including the American Association of Port Authorities, the Association of Canadian Port Authorities and the *Société de développement économique du Saint-Laurent*. The QPA's involvement at the regional level was particularly visible owing to its provision of speakers at the most important venues, particularly the Québec City Chamber of Commerce.

As in the past, the QPA was very active within the region in 2006. In addition to helping to organize numerous events connected with the tourism industry, the QPA also supported a large number of charitable causes and foundations.

The QPA manages infrastructures that, in some cases, were developed in a different era. This is the case with some of the wharves located in the Estuary and Anse-au-Foulon sectors, which came into operation in

the late 19th century and the first half of the 20th century. However, the Port's heritage as a whole must be maintained, even if in some cases the potential for revenue generation (from port or other activities) is very limited. In addition to continuing to make investments related to future commercial opportunities, the QPA will, in short and medium terms, have to invest substantially in refurbishing its infrastructures. The challenge is significant since the QPA manages some of the oldest port assets in Canada.

In terms of internal management, 2006 was also a very busy year. Access to training and support for initiatives proposed by all employees were continually encouraged by the Port management so that all hierarchical levels of the organization could benefit.

In the area of information systems management, the QPA completed the major migration of its entire information management system to a web environment. The introduction of these new systems

REVIEW OF THE YEAR BY THE CHAIRMAN OF THE BOARD AND THE PRESIDENT & CEO

has made it possible to improve user, client and supplier connectivity, all the while ensuring increased security. The QPA is thus able to reap the benefits of cutting-edge computerization to optimize the performance of multiple tasks associated with managing an organization whose activities are as complex and diversified as ours.

In 2006, the QPA insisted that the socio-economic benefits of modern industrial development along with maritime and port activities be recognized. Consequently, because it feels that the promoter is in a position to make it a success, the QPA has strongly supported the Rabaska project. In addition to being perfectly suited to its mission, the QPA considers that the region has all the assets, including the maritime interface, to contribute to the security of Québec's energy supplies.

The QPA also intervened publicly in January to sound the alarm concerning the announced closure of the Davie Industries shipyard. Other developments that have occurred over the year lead the Port Authority to believe that a serious revival of this regional asset, which is one of the most important stakeholders in Québec City's maritime and port industry, is very possible.

The future of the Port of Québec is dependent first and foremost on the support of its region. Without this support, the Port has less of a chance to embark on future projects that will create the economic spin-offs and the jobs of tomorrow. Its planning, its activities and future development are based on the mandate it is given by the *Canada Marine Act*.

The maritime and Port activities perfectly meet the social, environmental and economic goals that the Québec City region endorses and recognizes. The laws that regulate the development of Canadian port authorities, their mandate, the role they play in economic and environmental terms, notably by contributing to the effective and efficient use of modes of transportation, combine to create a context that reflects prospects for sustainable development. What is recognized at the international level must also be recognized for the Port of Québec and its region.

Over the years, the maritime industry has shown itself to be a wonderful economic engine and a business community that is centered on the harmonious integration of port activities into the urban environment. Just like several large Mediterranean cities that are rich in history and culture, Québec is the envy of many cities that have been unable to meet the challenge of integrating their ports into an urban environment. In short, whether it be in the past, present, or future, the Port and the City are two institutions that combine harmoniously.



Yvon Bureau
Chairman of the Board



Ross Gaudreault
President and CEO



Québec's location as a port has the advantage of a vast continental hinterland that allows the region to take advantage of one of the most important economic areas in the world: the Great Lakes market.



COMMERCIAL EXCHANGES

with 56 countries



for either the steel, food processing or oil industries or for the transport, chemical, pulp and paper or metal industries, the various terminals in the Port of Québec are at the service of the large Great Lakes regional market.

In total, more than 23.5 million tonnes of cargo was handled for an increase of 4% over volumes transhipped in 2005 and an increase of more than 50% over 2001. This performance makes the Port of Québec the port which experienced the largest increase in tonnage and the second most active port on the St. Lawrence.

Dry bulk tonnages increased by 1.5 million tonnes for a total of 9.6 million tonnes in 2006 compared with 8.1 million tonnes in 2005 (+19%). Tonnages of grain, feed and of industrial and agricultural fertilizers in transit at the Bunge of Canada, Sillery Distribution Centre and La Coop Fédérée Terminals all experienced an increase. Overall, these terminal operators recorded volumes in the order of 3.5 million tonnes in 2006 compared with 2.9 million tonnes in 2004, for an increase of 22%.

These results are noteworthy because this is Bunge of Canada's best performance since 1995 while in the case of La Coop Fédérée, 2006 was a record year for their activities.

Other remarkable performances were recorded at the dedicated terminals of Alcan, Xstrata, Béton Provincial, Canadian Salt Corporation and Midatlantic Minerals. With an increase of 20%, the volumes in transit reached 1.1 million tonnes in 2006 compared with 900,000 tonnes in 2005. It should be noted that with the exception of the activity of the Canadian Salt Corporation and of one of the Xstrata terminals, the other terminals identified were all developed over the course of the last 10 years. The QPA is proud of this significant diversification of activities that took place in all sectors of the Port.

The terminals operated by St. Lawrence Stevedoring (SLS), including Inco's, which was in its first full year of operation, once again experienced an extremely busy year. The total tonnages handled at these terminals grew by 15% compared to 2005, reaching 5 million tonnes for the first time. The range of goods

COMMERCIAL EXCHANGES WITH 56 COUNTRIES



in transit through these terminals remained more or less the same. Thus, the decrease in certain cargoes, especially ore and concentrates, was more than offset by the significant increases in other cargoes, including metallurgic coke. The investments made in recent years by SLS and the QPA such as the purchase of handling equipment, the construction of warehouses and the development of storage areas made possible this growth of over 300% in less than 5 years.

The decrease in business recorded at the Ultramar terminal explains the 8% drop in total liquid bulk tonnage seen in 2006 compared to 2005. However, 13.8 million tonnes, mostly petroleum products, essentially passed through the terminals of Ultramar, IMTT-Québec and Canterm Canadian Terminals.

2006 was a record year in terms of tonnages of liquid products handled at the QPA wharves. There was also an increase of 42% in transshipped volumes compared with those of 2005 and of more than 100% over the year 2000. This performance results primarily from the activities of IMTT-Québec and, to a lesser extent, from those of Canterm Canadian Terminals, both of which witnessed record performances in terms of the tonnages handled. As in the case of dry bulk

cargoes transshipped in the Port, most of the products that move through the liquid bulk terminals located in the Beauport sector form part of the commercial positioning promoted by the port, that is to say serving the Great Lakes market.

The substantial growth the Port has seen in dry and liquid bulks is far from over. The QPA is working together with the main operators specializing in this type of activity so that the Port will be ready to take advantage of future opportunities. In this regard, the next two years will be particularly important with respect to the planning of new means of access to the Port.

As was the case in 2005, the main volumes of general cargo in transit through the Port were essentially destined to supply the Raglan and Voisey Bay mines for the Xstrata and Inco mining companies.



Photo : Ultramar

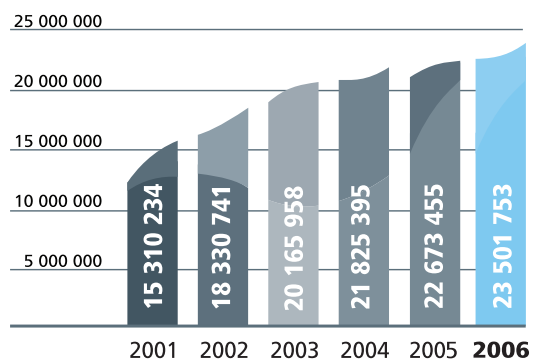
The intermodal nature of the terminals located in the Port is essential in order for goods to be conveyed efficiently and quickly to shippers. The hundreds of ships, as well as the tens of thousands of rail cars and trucks that passed through the Beauport, Anse-au-Foulon and Estuary sectors are indicative of this need for intermodality. Consequently, it is the QPA's duty to ensure that each and every one of these modes of transport connecting the region to the rest of the continent or to the rest of the world is protected.

The tonnages of cargo in transit over the Port of Québec's wharves are constantly changing. Some of them decrease or leave the port while others appear or increase. Overall, however, they are more numerous and present in greater quantities. With a base of activities tied to diversified industries, the QPA is of the opinion that it now enjoys an excellent commercial position.

Québec's location as a port has the advantage of a vast continental hinterland that allows the region to take advantage of one of the most important economic areas in the world: the Great Lakes market. Thanks to the port facilities found in Québec City, the globalization

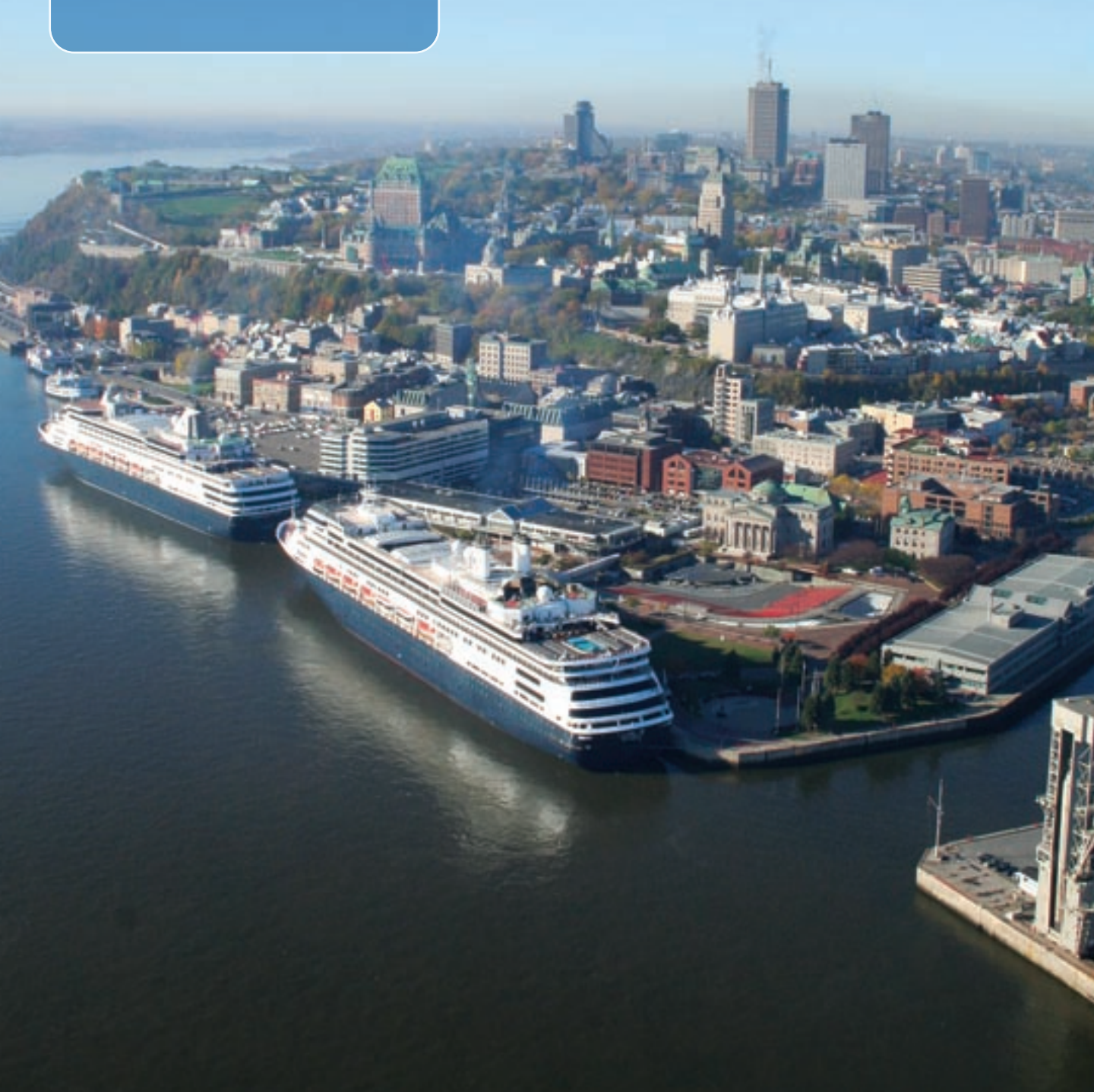
of trade is a daily reality from which the region benefits. The 56 countries, located all over the world, that were the source or destination of the various goods in transit through the Port in 2006 offered proof of this.

► TRENDS IN TONNAGES IN TRANSIT THROUGH THE PORT OF QUÉBEC (2001-2006)



Since 2001, the volumes transhipped at the various terminals in the Port increased from 15.3 million tonnes to more than 23.5 million tonnes.

The development of the cruise market offers one of the best possibilities for tourism development for many parts of Québec, including the regions of the North Shore, the Saguenay and the Gaspésie.





QUÉBEC CITY, a romantic port of call



The Port and its region enjoyed a very good cruise season in 2006. Overall, the number of cruise passengers and crew members was more or less the same in 2006 as in 2005, namely 91,148 compared with 92,949 (-2%). Despite this slight decrease, the number of cruise passengers and crew members increased by more than 60% between 2000 and 2006, making the cruise industry the tourist activity with the highest growth rate in Québec City.

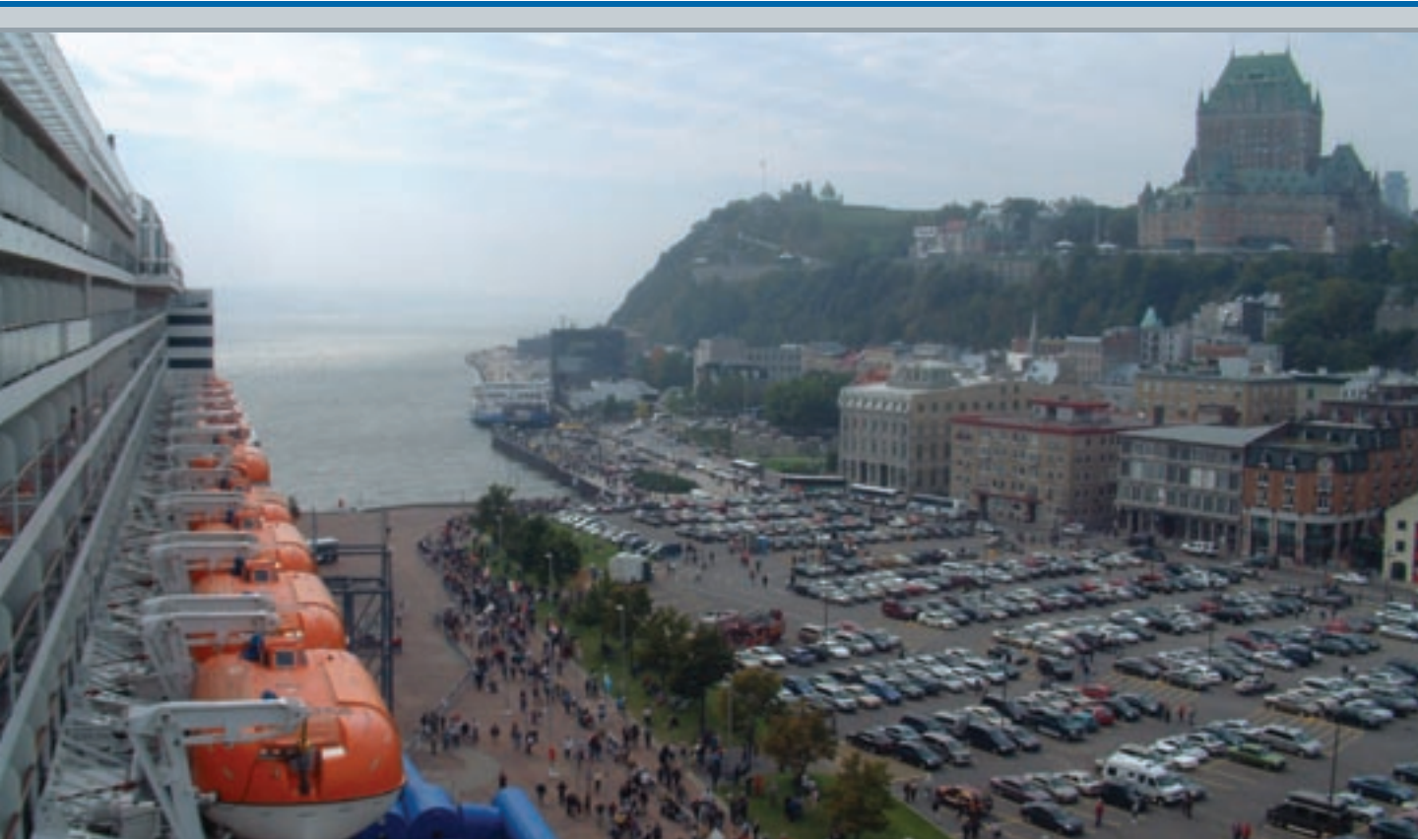
In 2006, however, the Québec City region and the entire St. Lawrence had to come to terms with the great popularity of the Mediterranean market. The excellent tourist features of that region combined with the profitability enjoyed by the cruise lines operating there have meant that some of them, including Princess Cruises, have allocated fewer ships to the St. Lawrence and other areas of the world in favour of the Mediterranean.

As was the case in 2005, two cruise lines made Québec City their point of departure and arrival for the Québec City – New England routes. All of these operations were carried out in partnership with the Québec City

Airport, which was able to meet the requirements and expectations of airlines passing through Québec City owing to the presence of ships in the port.

The QPA received almost all the ships at its Pointe-à-Carcy facilities. In contrast to 2005, when the wharves in the Anse-au-Foulon sector were used to meet the needs that arose during very busy periods, it was the Canadian Coast Guard's wharves, which had been recently restored, that were used to receive 2 of the 86 ships that came in over the season. Thanks to these operations, the QPA witnessed the great satisfaction of the cruise lines and the excellent complementarity provided by the government's wharves for receiving cruise ships.

The QPA considers the 2006 results to be particularly satisfying, given this competitive situation and the relatively limited means available to the stakeholders for marketing cruises at the provincial level. The development of the cruise market offers one of the best possibilities for tourism development for many parts of Québec, including the regions of the North Shore, the Saguenay and the Gaspésie.

QUEBEC CITY, A ROMANTIC PORT OF CALL

With the benefit of the leadership of the St. Lawrence Cruise Association (SLCA), which is chaired by the QPA, these areas will need support if they are to develop. It is in this spirit that the QPA is increasing its lobbying of governments to ensure that the SLCA will have sufficient financial resources to ensure the development of cruise activities throughout the province of Québec. In this regard, the various levels of government were made more aware than ever in the past year of the remarkable potential offered by international cruise activity to the province's tourist economy.

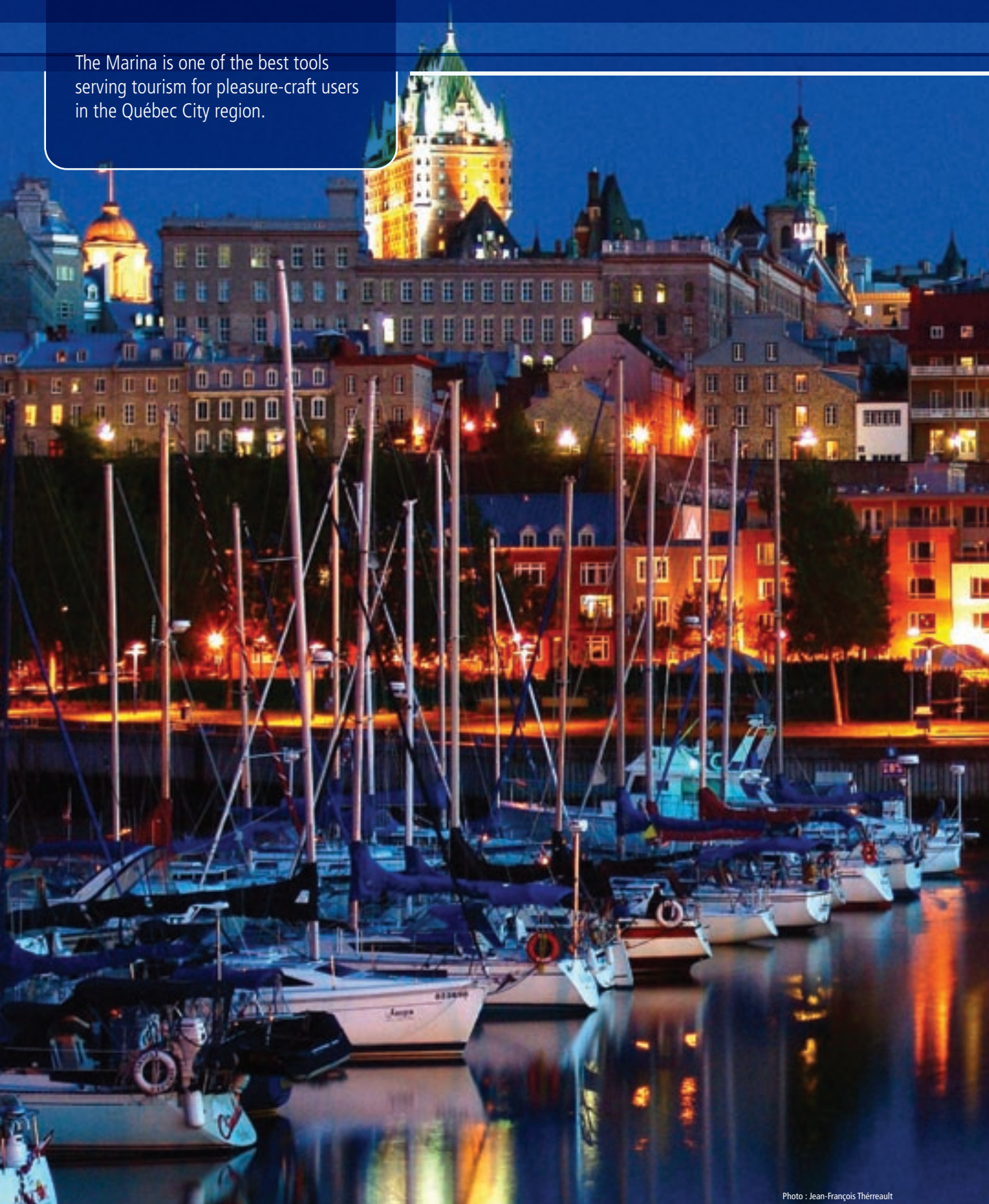




The autumn months continue to be the busiest of the season. Thus, of all the passengers received over the season, more than 70% arrived in September and October. In this regard, the QPA will continue its efforts to promote the charms of this destination from May to August. The arrival of new ships on the market and the improvement in the amount of cruise tourism east of Québec City give QPA confidence that it will be able to further increase traffic in the summer months.



The Marina is one of the best tools serving tourism for pleasure-craft users in the Québec City region.





ANCHORED

in the heart of the city



It was another excellent season for Québec's most beautiful marina.

The high point of the season saw the purchase of a new straddle carrier with a 50-tonne capacity. In addition to being safer to operate, this new equipment increases the productivity of employees in charge of launchings. The Marina staff was also able to meet the challenges of setting up the marquee for the Cavalia equestrian show at Wharf 30, primarily by temporarily reorganizing the spaces used for storing boats.

In 2006, the Port of Québec Marina participated in the new classification program for Québec marinas introduced by the *Association maritime du Québec* (AMQ). In this exercise, the Marina was awarded 4 gold anchors, mainly because of its excellent location and the range and quality of the services it offers.

The QPA continued to co-operate with those responsible for the celebrations planned for Québec City's 400th Anniversary in 2008. Future developments will make it possible to integrate the Marina's water area into the heart of the city in an even more spectacular way. These new facilities will be in addition to those found around the Louise Basin.

In addition to providing tourist facilities, the Marina is also the home port of *La Dauphine*, the Port of Québec's skiff which will take part in the International Youth Sailing Challenge in 2008.

The Marina is one of the best tools serving tourism for pleasure-craft users in the Québec City region. In addition to heavy mega-yacht traffic, a market that is experiencing exponential growth around the world, the Marina receives thousands of pleasure crafts annually (a minimum of 4,000 overnight stays), which brings a significant economic contribution to the city and its region.

Just like *Espace 400^e*, which will be set up along the southern edge of Louise Basin, the Marina's stretch of water is located in the exact place where the Port of Québec's main cargo-handling activities have been carried out for more than 100 years. By showcasing this exceptional site with a nautical activity such as pleasure-boating, the Port of Québec will protect and confirm the Louise Basin's marine role.



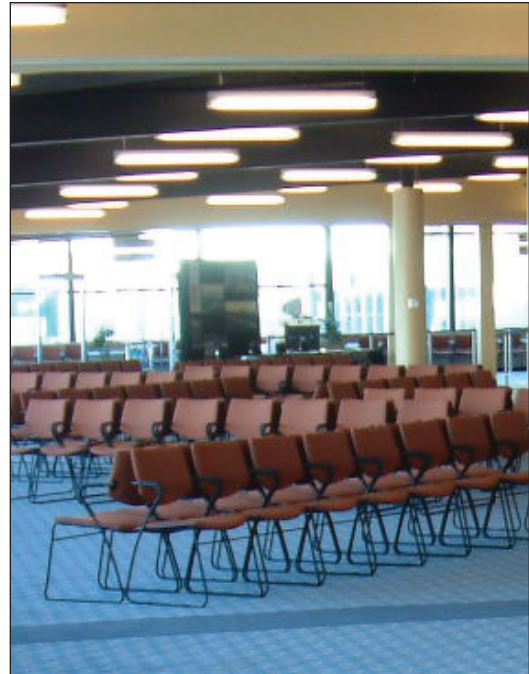
MARINA PORT DE QUÉBEC

A total of almost 150 events of all kinds took place at Espaces Dalhousie, bringing together approximately 100,000 people.





A WINDOW on the river



The year 2006 was synonymous with success for Espaces Dalhousie. A total of almost 150 events of all kinds took place, bringing together approximately 100,000 people.

Several key events took place throughout the year, namely the Government of Québec's 2006-2007 budget exercise and the dinner at the 52nd annual meeting of NATO. In addition to benefiting from the high profile of these events, Espaces Dalhousie and the QPA's security service also built a solid reputation with the security services of the Sûreté du Québec and the RCMP.

Two major auto manufacturers also made use of Espaces Dalhousie's services to present new car models, all under the eye of hundreds of expert journalists.

By staging three large shows, Espaces Dalhousie also gave more than 45,000 members of the general public an opportunity to come and enjoy the unrestricted view of the River that the building affords.

Espaces Dalhousie intends to continue developing its events in order to optimize the use made of the cruise terminal during the off-season, thus allowing the region to take advantage of an exceptional site. Whether it be on account of its unique advantages or the quality of the services offered, Espaces Dalhousie is one more strength on which the QPA can count to fulfill its mission.



espaces dalhousie
Terminal de croisières

By setting aside more than 20% of its properties in this manner, the QPA is exceeding all the standards generally applied in the field of urban planning.





A SYMBIOSIS OF PORT and city



All the properties administered by the QPA cover a total of 35 km² of water surface and more than 200 hectares of developed land located in 4 port sectors, namely l'Anse-au-Foulon, Pointe-à-Carcy, the Estuary and Beauport; all located on the north shore of the St. Lawrence.

The involvement of the QPA and its partners in Québec City's urban development is of long standing. The QPA has shown considerable co-operation and leadership in developing Jacques Cartier Beach, Notre-Dame de la Garde Park, the Champlain highway rest stop, the passage of the cycle path route along the shore, the boardwalks along the wharves located at the foot of the lower part of city, the Beauport Bay and beach. These facilities have helped provide the public with better access to the north shore of the River. Overall, approximately 90% of the access points to Québec City's north shore involve the QPA although its properties border only 20% of the coast located between the Montmorency and Cap-Rouge rivers.

In 2004, the QPA confirmed its intention to develop three sites located along the shore for Québec City's 400th Anniversary, with funding from the federal government. Since then, the QPA has continued its efforts to put in place work teams, consultants and professionals with various skills to complete the plans and specifications for the proposed developments.

The year 2006 witnessed public consultations concerning the development projects for the 400th Anniversary. The proposed developments at Beauport Bay and Brown Basin were both well received by all the regional representatives. City councillors and federal M.P.s were subsequently involved in the commencement of the work.

In the case of the Pointe-à-Carcy project, the approach that was adopted involved a more elaborate process, in particular by entrusting project analysis to commissioners appointed by the QPA, the City of Québec and Public Works and Government Services Canada. When the consultations were concluded, the project presented by the QPA was modified in order to meet the federal government's expectations,

A SYMBIOSIS OF PORT AND CITY



From left to right: Ross Gaudreault, president and CEO of the QPA, Sylvie Boucher, Parliamentary Secretary to the Prime Minister and for La Francophonie and Official Languages, The Honourable Jean-Pierre Blackburn, Minister of Labour and Minister of the Economic Development Agency of Canada for the Regions of Quebec, Andrée P. Boucher, mayor of Québec City, and Yvon Bureau, Chairman of the Board of the QPA.

in particular with respect to the modernization and improvement of the outdoor stage at the Agora.

Once completed, all the properties being developed for the 400th Anniversary celebrations should total nearly 5 million square feet of port land to be used for free public recreational space. By setting aside more than 20% of its properties in this manner, the QPA is exceeding all the standards generally applied in the field of urban planning.

In order to pursue its primary mission, the QPA has ensured that respect for the function of the Port remains an essential element in carrying out the projects at each of the three sites. In the case of

Pointe-à-Carcy, the cruise ship receiving function as well as the urban sensibility that characterizes this site have been two essential elements in the development of the concept. In the case of Brown Basin and Beauport Bay, the challenge will be to reconcile the proximity of the developed parks to the work of the Port. Moreover, in the case of Beauport Bay, the QPA has clearly identified port expansion as a future step that could be integrated into the developments that will be proposed for 2008.



The challenges of urban planning are changing constantly. Over the course of the next few years, the QPA plans to develop new facilities that will allow Québec City's maritime activities to grow. The entire maritime community would like to carry out these developments in a spirit of co-operation with the legitimate regional planning authorities. The QPA also expects the efforts, commitments and funds invested in recent years to be recognized when the time comes to evaluate the projects of Québec City's maritime community projects from a sustainable development perspective.

If we consider the energy required to move a tonne of goods one kilometre in each mode of transportation, the polluting emissions, the risk of accidents, the victims and, of course, the direct costs of each of these modes, maritime transportation is the best choice.



ENVIRONMENT: today for tomorrow



The QPA is closely following the environmental issues being discussed at the international level. The Authority feels that each mode of transportation is essential to the social and economic activities of Canadian society. Unfortunately, marine transportation must often defend itself in the public market place when the time comes to consider environmental issues related to transport.

However, if we consider the energy required to move a tonne of goods one kilometre in each mode of transportation, the polluting emissions, the risk of accidents, the victims and, of course, the direct costs of each of these modes, maritime transportation is the best choice. By bringing together the various modes of transportation, ports, including the Port of Québec, make it possible to optimize the transport required for economic activity.

On a daily basis, the environmental issues the QPA faces concern, above all, the activities engaged in by the operators whose equipment and facilities are located on its properties. Eleven projects were

the subject of environmental assessment screening reports during the year. These assessments concerned essentially certain projects implemented by the Port's operators.

Further action was taken on numerous projects initiated in recent years. These include the balancing of the fish habitat necessitated by the construction and refurbishment of wharves 49 and 103 as well as the dismantling and remediation of sites contaminated by past industrial activities.

The QPA completed planning the remediation work it intended to carry out on properties in the Anse-au-Foulon sector. A series of measures was therefore completed during the year in order to make available to the organization the technology and equipment needed for the project to function properly. The QPA expects to begin its first soil treatments in 2007.

Although all areas of activity were involved in this increase in revenues, the growth shown in dry bulk (+18%) made a special contribution to these results.



PROFITABLE

as expected



The record tonnages achieved in 2006 and the excellent performance recorded for other activities such as cruises, the Marina and Espaces Dalhousie had a significant impact in financial terms.

Operating revenues increased from \$15.8 million in 2005 to \$17.9 million in 2006, for an increase of more than 13%. This rise in revenues was primarily the result of growth in cargo traffic and the resulting marine charges and, to a lesser extent, the rents charged to terminal operators and other lessees.

Although all areas of activity were involved in this increase in revenues, the growth shown in dry bulk (+18%) made a special contribution to these results. It is worth noting that the level of business recorded in the Beauport sector during certain periods of the year benefited the l'Anse-au-Foulon sector, which saw growth of 25% in its operating revenues.

Thanks to strict controls, operating expenses before depreciation went from \$12.4 million in 2005 to \$12.5 in 2006, an increase of less than 1%. A greater

capitalization of salary costs, a reduction in the municipal tax base and better management of energy expenditures largely account for these results.

The operating income before depreciation, financial income and other revenue increased from \$3.5 million to \$5.4 million, an increase of more than 54%. The depreciation expense rose to \$2.4 million in 2006, compared with \$2.1 million in 2005. Other elements (financial income and environmental expenses) resulted in a net expense of \$100,000 in 2006 compared with \$200,000 in 2005. The income on the year thus totaled \$1.2 million in 2005 and \$3 million in 2006, an increase of 150%.

QUEBEC PORT AUTHORITY

Consolidated balance sheets

SUMMARIZED BALANCE SHEET

As at December 31,

2006


\$

2005

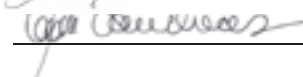
\$

	2006 \$	2005 \$
CURRENT ASSETS	10,893,928	8,335,689
LONG-TERM ASSETS		
NET INVESTMENTS IN DIRECT FINANCING LEASES	27,367,032	29,967,974
ENVIRONMENTAL EXPENSES RECOVERABLE	1,105,391	1,752,715
CAPITAL ASSETS	88,045,023	83,106,473
DEFERRED CHARGES	1,200,003	1,333,336
	117,717,449	116,160,498
	128,611,377	124,496,187
CURRENT LIABILITIES	13,112,108	6,502,578
LONG-TERM LIABILITIES		
ENVIRONMENTAL LIABILITIES	3,094,680	3,399,024
LONG-TERM DEBT	17,409,401	25,911,158
DEFERRED CONTRIBUTIONS	52,877,345	49,309,684
EMPLOYEE FUTURE BENEFITS	1,509,500	1,723,300
	74,890,926	80,343,166
AUTHORITY'S EQUITY	40,608,343	37,650,443
	128,611,377	124,496,187

On behalf of the Board,



Chairman



President and Chief Executive Officer

AUDITORS' REPORT ON SUMMARIZED FINANCIAL STATEMENTS

To the Directors,

The accompanying summarized balance sheet and statements of income and cash flows are derived from the complete financial statements of QUEBEC PORT AUTHORITY as at December 31, 2006 and for the year then ended on which we expressed an opinion without reservation in our report dated March 1, 2007. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These summarized financial statements do not contain all the disclosures required by generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the entity's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.



Mallette
L.L.P.
Chartered Accountants

Québec City, Canada
March 1, 2007

SUMMARIZED STATEMENT OF INCOME

For the year ended December 31,

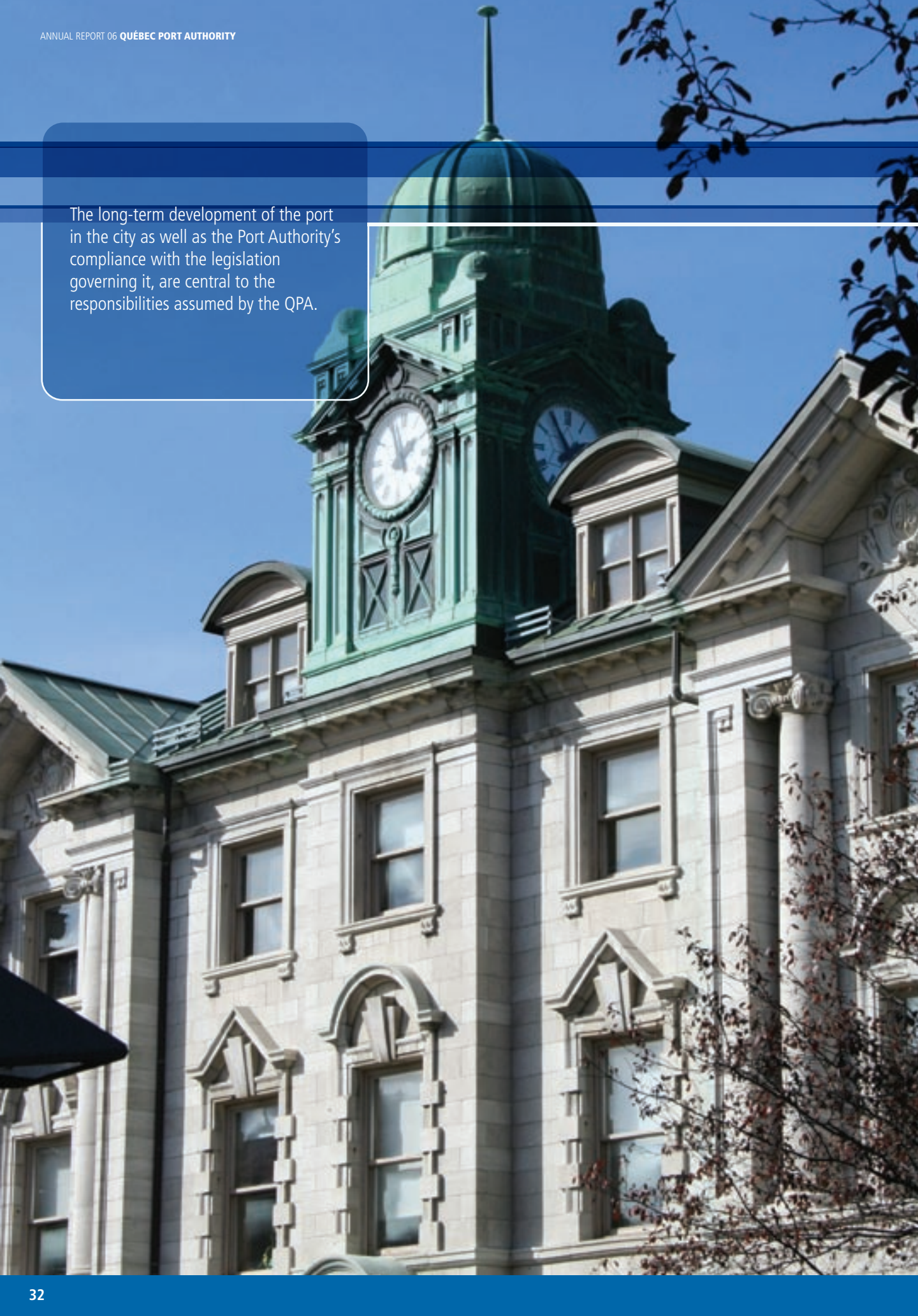
	2006 \$	2005 \$
REVENUE FROM OPERATIONS	17,866,064	15,769,591
EXPENSES	12,449,049	12,301,005
INCOME BEFORE AMORTIZATION AND OTHER ITEMS	5,417,015	3,468,586
AMORTIZATION NET OF DEFERRED CONTRIBUTIONS AMORTIZATION	2,372,576	2,129,719
INCOME BEFORE OTHER ITEMS	3,044,439	1,338,867
OTHER ITEMS	(86,539)	(169,184)
NET INCOME	2 957,900	1,169,683

SUMMARIZE CASH FLOWS

For the year ended December 31,

	2006 \$	2005 \$
OPERATING ACTIVITIES	4,935,969 \$	4,751,926
INVESTING ACTIVITIES		
Acquisition of capital assets	(8,621,827)	(4,587,046)
Receipts from direct financing leases	2,426,688	2,264,250
	(6,195,139)	(2,322,796)
FINANCING ACTIVITIES		
Change in amounts payable to a related party	3,451,515	-
Net change in long-term debt	(8,501,757)	(2,035,605)
Receipts related to deferred contributions	6,067,020	-
Environmental liabilities settled, net of recoveries	(14,001)	-
	1,002,777	(2,035,605)
INCREASE (DECREASE) IN CASH	(256,393)	393,525

The long-term development of the port in the city as well as the Port Authority's compliance with the legislation governing it, are central to the responsibilities assumed by the QPA.





CORPORATE affairs



From left to right, back row: Me Serge Lebel, Ross Gaudreault, Jean Chiasson, Me Pascal Raby
From left to right, front row: Me Louis Rochette, Yvon Bureau, Yvan Desgagnés, Maurice Carrier
Absent: Paul-Émile Barbeau

The long-term development of the port in the city as well as the Port Authority's compliance with the legislation governing it, are central to the responsibilities assumed by the QPA. Whether through various committees to which members of the board of directors belong or at regular meetings, they make certain that they cover this range of responsibilities thoroughly.

In 2006, the QPA undertook a major review of its strategic planning. The general situation in which the QPA finds itself both in financial and commercial terms led the directors and senior management of the Port to conduct an in-depth review of the challenges the organization will have to face over the next 5 years. The QPA plans to complete this exercise in 2007.

In the fall, the directors and senior management examined a preliminary investment project that could have taken place in 2007. The eventual realization of this investment, probably one of the most important to be undertaken over the past 30 years, would have fit

in perfectly with the type of commercial development favoured by the QPA.

The audit committee monitored changes in the financial situation throughout the year. Questions of governance, those concerning the employees' pension funds as well as all the measures taken with respect to the financing of development projects for the federal legacy, were all addressed in the context of the committee's work. The surplus in revenues as compared with the budget, as well as meeting projected expenses, allowed members to see that the QPA enjoyed improved financial health in 2006.

The Port-City Committee was to be the preferred forum for discussing the various issues concerning urban and port activities and their co-existence. The celebrations of Québec City's 400th Anniversary and all the factors relating to the three projects making up the federal contribution were on the agenda of every meeting held in 2006. Concerning the Beauport Bay

CORPORATE AFFAIRS



project, the QPA is waiting for the City to ratify the draft agreement aiming to recognize and support the legitimacy of the expansion of the area of the Port and its coexistence with the recreational function.

In the fall, the QPA re-established the users committee. The aim of this forum was to bring together the Port's main users in order to share certain common concerns. Various operational issues as well as others that related more to the visibility of the maritime industry within the region were discussed. A number of actions are planned for 2007.

Every month, the directors review an environmental report listing all the incidents that have occurred, the activities in progress and the projects under consideration on the various Port properties. By taking this approach, the QPA also ensures that it controls and documents the corporate memory in environmental matters.



BOARD OF **DIRECTORS** OF THE **QUEBEC PORT AUTHORITY** As of December 31st, 2006



Yvon Bureau
Chairman of the Board
Chairman of the Executive Committee

*Appointed by the federal Minister
of Transport on the recommendation
of port users*



Yvan Desgagnés
Vice Chairman of the Board
Vice Chairman of the Executive Committee
Chairman of the Users Advisory Committee

*Appointed by the federal Minister
of Transport on the recommendation
of port users*



Paul-Émile Barbeau
Member of the Board
Member of the Audit Committee

*Appointed by the federal Minister
of Transport on the recommendation
of port users*



Maurice Carrier
Member of the Board
Member of the Port/City Advisory
Committee

Representing the City of Québec



Jean Chiasson
Member of the Board
Chairman of the Audit Committee

*Appointed by the federal Minister
of Transport on the recommendation
of port users*



Me Serge Lebel
Member of the Board
Member of the Audit Committee

Representing the government of Québec

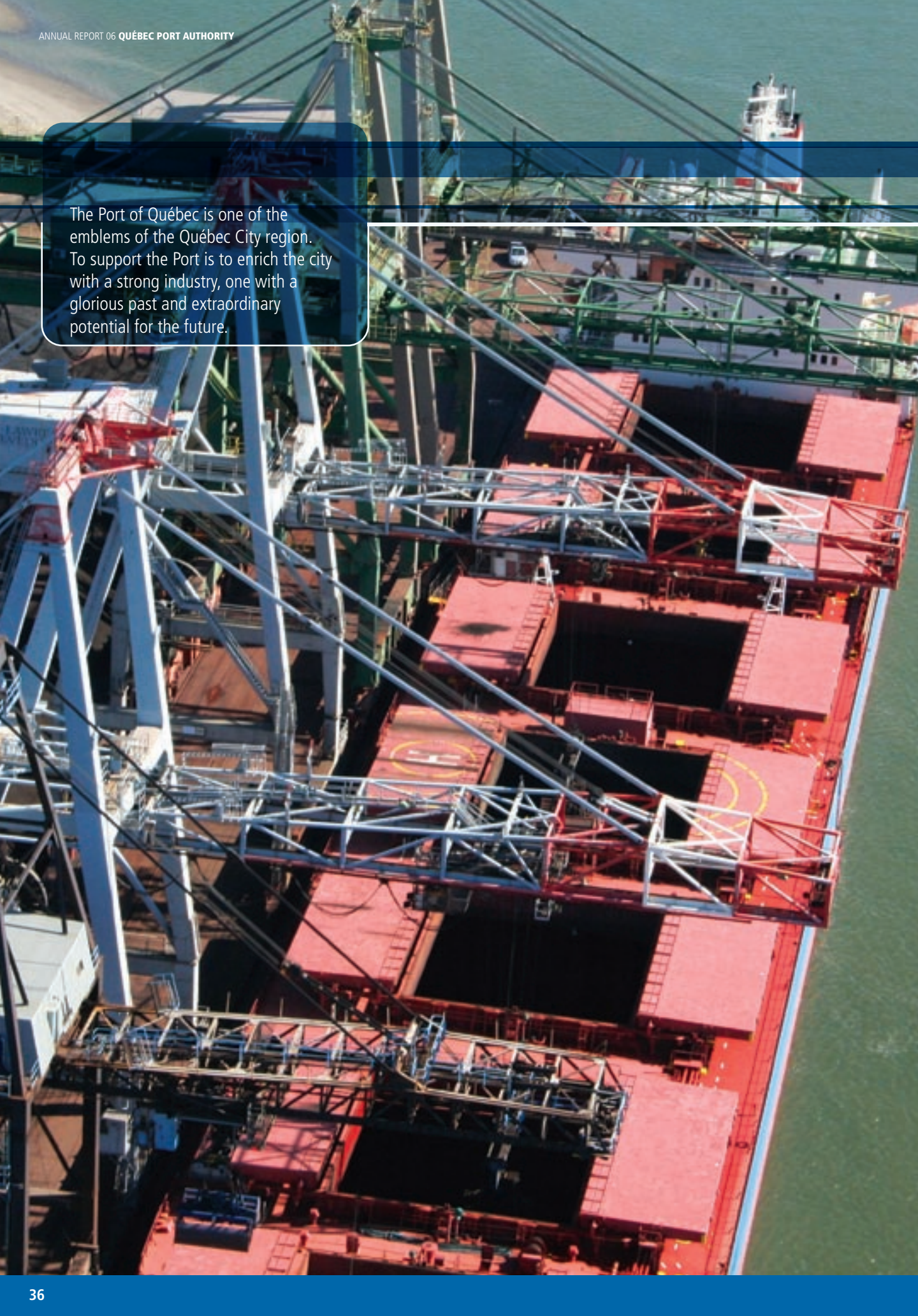


Me Louis Rochette
Member of the Board
Member of the Executive Committee
Chairman of the Port/City Advisory
Committee

Representing the government of Canada



Me Pascal Raby
Corporate Secretary

An aerial photograph of a large cargo ship docked at a port. The ship's deck is filled with numerous red shipping containers. A large gantry crane with a complex metal lattice structure is positioned over the ship. The water of the harbor is visible on the right side of the frame. The sky is clear and blue.

The Port of Québec is one of the emblems of the Québec City region. To support the Port is to enrich the city with a strong industry, one with a glorious past and extraordinary potential for the future.



INNOVATING AND PREPARING for tomorrow's activities



As it prepares to enter the 150th anniversary of its incorporation, the QPA is nonetheless a young organization. Whether because of its dynamism, its ability to adapt to change or because it succeeds in achieving results in an industry where competition is international, the QPA is proud of its evolution and its development.

The challenges faced by the QPA and the entire Québec City maritime community are numerous and diversified. The restoration of the Port's heritage, the legal constraints currently in place making it virtually impossible to finance large capital projects and certainly the Port's extraordinary potential for growth are all part of the issues confronting the QPA. To meet all these challenges, the QPA counts on the strengths that have made the Port successful over the years, specifically the expertise of the maritime community and the exceptional natural qualities of Québec City's harbour.

In commercial terms, the QPA has a particularly full agenda. Together with its operator partners, the Port Authority plans to take the necessary steps to obtain

a share of certain areas of trade that are currently developing, especially that related to the dynamic that China and other countries with emerging economies are creating.

The QPA considers that the globalization of markets is synonymous with opportunities and collective wealth for its region, in particular through its maritime community. Thanks to the Port and its activities involving the transshipment of bulk cargo, Québec City can thus diversify its economic base and benefit from the positive spin-off effects of industries located in the Great Lakes region.

The globalization of trade constitutes a challenge that is worth meeting. Whenever any one of the 1,200 cargo vessels and other ships pass through the Port each year and docks at one of the Port of Québec's wharves, approximately a quarter of a million dollars is injected into the regional economy. When an operator in the Port invests to purchase equipment or to develop new storage facilities, it is the job market in Québec City, not that of other areas, that benefits.

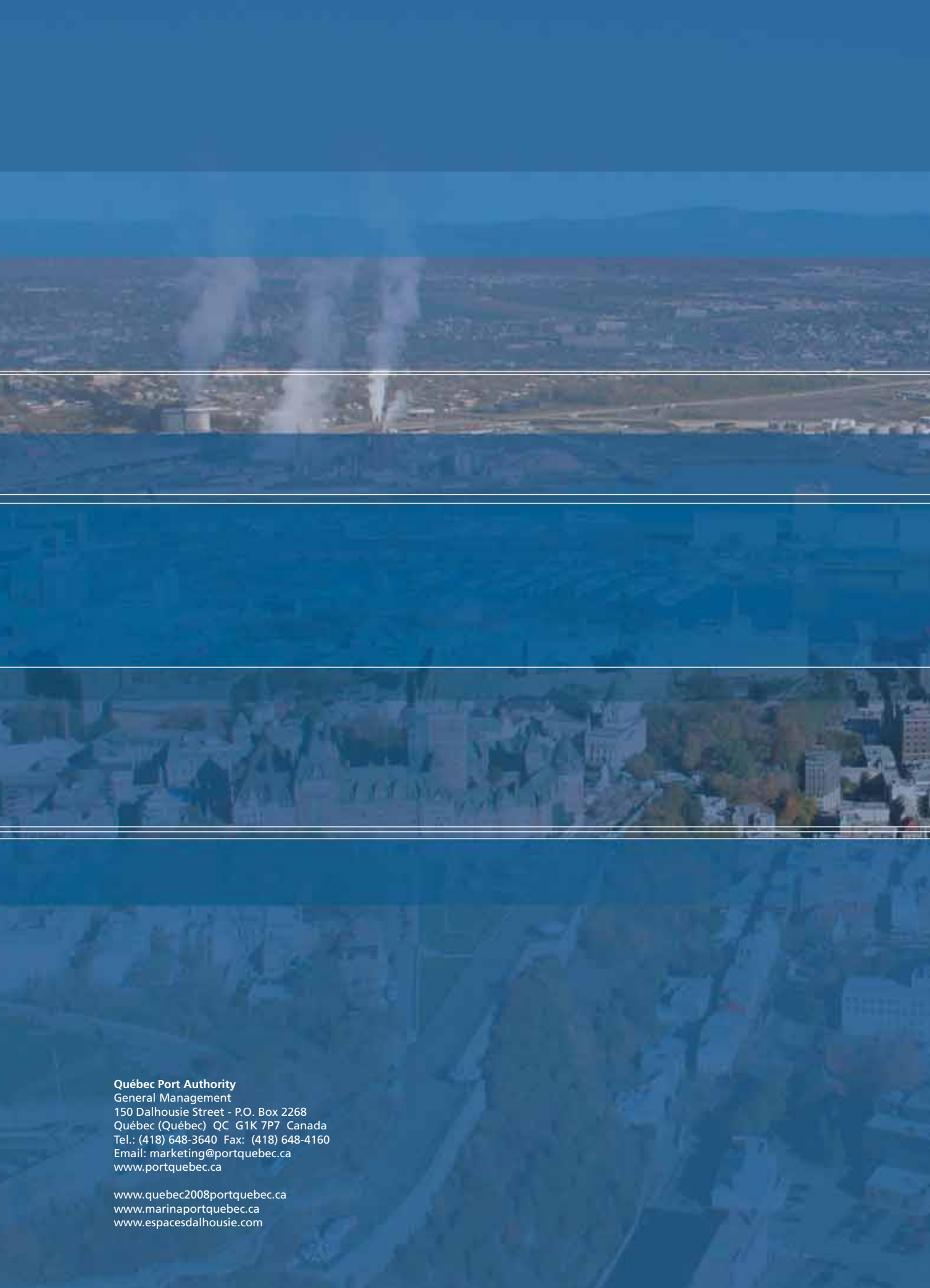
INNOVATING AND PREPARING FOR TOMORROW'S ACTIVITIES



It is today that the Port of Québec's commercial position of tomorrow will be planned and implemented. The cargoes and cruise passengers that move over the QPA's wharves in the next few years will be the result of the daily efforts of the Port Authority and its partners and the support of regional organizations.

The Port of Québec is one of the emblems of the Québec City region. To support the Port is to enrich the city with a strong industry, one with a glorious past and extraordinary potential for the future.





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