

2010 ANNUAL REPORT



PORT DE QUÉBEC



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A FEW NUMBERS

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MISSION

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

2010 **ANNUAL REPORT**



RETURN TO GROWTH: A FEW NUMBERS

ONE PORT AND ITS CLIENTELE: THE WORLD...

THE ECONOMIC AND FINANCIAL HEALTH OF THE INTERNATIONAL MARKETS CONSIDERABLY INFLUENCES THE PORT OF QUÉBEC'S PERFORMANCE...

8.3 billion

tons of merchandise have been transported by ship in 2010 all over the world. An unprecedented year in history...¹



OVER **70%** of the world's commercial fleet is made of ships transporting liquid and dry bulk.³



2.3 billion

tons. The quantity of grain, iron, coal and other mining products transported by ship in 2010 all over the world.⁵

Approximately **40%** of all the merchandise transported on water in 2010 was dry bulk.⁴

12%

This represents the growth percentage in the volume of world trade (goods and services) in 2010 according to the IMF.⁶

1 Lloyd's List (July 1st, 2010), *Shipping: Seaborne trade heading for all-time record.*

2 Deloitte (2010), *Shipping Report Always onboard.*

3 Deloitte (2010), *Shipping Report Always onboard.*

4 Lloyd's List (July 1st, 2010), *Shipping: Seaborne trade heading for all-time record.*

5 Lloyd's List (July 1st, 2010), *Shipping: Seaborne trade heading for all-time record.*

6 International Monetary Fund (January 24th, 2011), *World Economic Outlook: Update.*

CLOSER TO HOME...

JUST LIKE ELSEWHERE IN THE WORLD...

7%

This is the traffic increase predicted by the St. Lawrence Seaway Management Corporation (SLSMC) for 2011.⁹



Overall, close to
5,000

ships transited through the province of Québec's ports in 2010. This represents an increase of 5% when compared to 2009. Close to 25% of these ships docked at the Port of Québec's wharves.⁸

With bulk traffic making up

99%

of its activities, the Port of Québec remains well-positioned within the globalization of commercial trade.¹⁰

The tonnage handled in Québec's main ports totalled **118.1 million tons** in 2010, an increase of **11%** when compared to 2009.⁷

Close to

85%

of the **78.8 million** tons of merchandise having transited through the Canadian Port Authorities (CPA) on the St. Lawrence in 2010 was liquid and dry bulk. Note that the CPAs on the St. Lawrence are the ports of Montreal, Trois-Rivières, Québec, Saguenay and Sept-Îles.¹¹

7 Fisheries and Oceans Canada (March 2011), *Bulletin - Maritime Outlook, Transport Canada, No. 28.*

8 Fisheries and Oceans Canada (March 2011), *Bulletin - Maritime Outlook, Transport Canada, No. 28.*

9 St. Lawrence Seaway Management Corporation (2011). *La voie maritime: Fiable, efficace et sûre.*

10 Québec Port Authority (March 2011).

11 Montréal, Québec, Trois-Rivières, Saguenay and Sept-Îles Port Authorities (March 2011).



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MESSAGE FROM THE CHAIRMAN OF THE BOARD

2010 WILL GO DOWN IN HISTORY HAVING BEEN A MILESTONE YEAR FOR THE QUÉBEC PORT AUTHORITY

AFTER GOING THROUGH THE ECONOMIC SLOWDOWN CAUSED BY THE WORLDWIDE ECONOMIC CRISIS OF 2009, THE ORGANIZATION HAD TO DEAL WITH THE DOUBLE CHALLENGE OF GOING BACK TO THE GROWTH OF ITS MAIN TRAFFICS, IN ADDITION TO PROCEEDING WITH THE SELECTION OF THE SUCCESSOR OF THE CEO OF THE QPA.



The economic recovery the Port of Québec has known in 2010 is linked to that of the world economy versus 2008 and 2009. Although the QPA's traffics have decreased by approximately 20% in 2009, the QPA was happy to see that close to half of that decrease was gained back in 2010 by the different terminals. As for the cruises, the port and the city have known the best season in their history by reaching the remarkable threshold of 100,000 passengers.

At the Board of Directors level, the main challenge on the program in 2010 was without doubt having to find a successor to Mr. Ross Gaudreault. Let's mention that Mr. Gaudreault had been the CEO of the QPA from 1987 to the end of 2010 and did a tremendously successful job throughout his mandate. Last May, after Mr. Gaudreault announced he would be retiring in December, the Board hired a head hunter firm in order to plan and see the selection process through. At the end of this process, the QPA announced, on October 25, 2010, that Mr. Mario Girard would be the organization's new CEO starting in January 2011.

Under Mr. Gaudreault's direction, the Port of Québec has been profoundly transformed. Among other realizations, let's mention the massive investments related to the diversification of the terminals and the bulk merchandise traffic growth, as well as the impressive development of the cruise industry, not only in Québec City, but also

on the entire St. Lawrence. Beyond those results, the integration of port activities within the urban environment of Québec City should also be mentioned. These are only a few examples of the successes of this builder well-known throughout the industry, the region and the country.

Consequently, ensuring the transition related to such a strategic function in an organization as important as the QPA was no small affair. Indeed, the Québec Port Authority is without doubt an economic motor of considerable value not only in the region, but also for the entire country. This reality was at the center of the Board of Directors' reflections all along the selection process and they were quite pleased when Mr. Mario Girard accepted the position in order to continue the development of the Port of Québec.

Finally, it is important to note that the Port of Québec is today at a crossroads. The QPA must, in order to move on, find the necessary impetus to be able to restore the port heritage already in place in addition to planning the new spaces that will be essential in the coming years' development. This is a vital challenge that is at the heart of the QPA's mission. The upgrading and development of the port infrastructures are an invaluable token of success for the Canadian foreign trade. The Port of Québec has to, for both the region and the country, continue to assume its role of forefront hub for the commercial trade linking the North American industrial and agricultural heartland to the rest of the world.



Yvon Bureau







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PRESIDENT AND CEO'S REVIEW OF THE YEAR*



“Although officially CEO since January 2011, I had the opportunity to become familiar with the QPA’s activities during the mandate I assumed from May 2008 to December 2010 as a member of the Board of Directors. The wide diversity and complexity of the commercial trade, as well as the stakes the organization is faced with make for a stimulating challenge equalled only by the importance of the harbour and maritime place of Québec City on the national scale. I enthusiastically decided to accept the position of CEO of this organization in order to continue its development. To succeed, I intend to build on the base of what has already been accomplished over the last 25 years, while at the same time exploring new avenues and commercial opportunities. It is vital that the Port remains competitive and attractive on its business aspect, but also in the matter of the planning of the territory’s layout, both on the regional and national points of view. I will devote myself to devising a new development plan according to that vision.”

A NEW BREATH

After seeing its activities slow down during 2009, and that for the first time since the beginning of the current millennium, the Port of Québec was able to bounce back as soon as the first signs announcing the end of the economic crisis materialized. 2010 was a recovery year all over the world, both on the commercial and financial aspects. Although termed fragile by experts, the economic recovery made itself felt in the port world, considerably so. Fortunately, thanks to the commercial trade the QPA cultivates annually with over sixty countries through its partners and terminal operators, the Port of Québec was no exception when it came to going back to growth.

In this economic recovery and growth context that coincided with the arrival of a new CEO at the Port, the entire QPA team wishes to give new momentum to the development and growth of the Port of Québec.

* On December 31, 2010, Mr. Ross Gaudreault officially retired from his position of President and CEO of the Québec Port Authority (QPA). At the same time, Mr. Mario Girard resigned from his position of representative of the Federal government within the Board of Directors, a position he had been occupying since 2008. Thus, even though Mr. Girard only became President and CEO on January 1, 2011, it was agreed he would be commenting the review of 2010, especially since the production of the 2010 annual report and its follow-up were to be made in the first few months of 2011.

Other than an efficient management of the existing infrastructures, the diversity of the different traffics transiting through the port, combined to the expertise of its partners and operators, have enabled the Port of Québec to regain close to 47% of the tonnage lost between the record year of 2008 and the slowdown year of 2009. Indeed, the port has registered a growth of approximately

Indeed, the port has registered a growth of approximately 11% of its handled tonnage in 2010, going from 22.1 million tons in 2009 to close to 24.5 million tons in 2010.

11% of its handled tonnage in 2010, going from 22.1 million tons in 2009 to close to 24.5 million tons in 2010. In this regard, it would be important to note that this statistic corresponds to the 3rd best result ever of the QPA, after the record years of 2007 and 2008.

Incidentally, this positive bottom line enables the QPA to remain among the five largest Canadian port authorities, in addition to being one of the three main ports on the St. Lawrence.

This increase in the Port of Québec's activities is particularly due to the strong demand for raw materials from the Asian market as

well as to the economic recovery of the American market. In this context, the QPA was able to record an increase of 31% in the transshipment of its dry bulk. From approximately 8.6 million tons in 2009, they went up to close to 11.3 million tons in 2010.

This growth translated itself, among other things, into the transit of approximately 4.7 million tons of cereal, fertilizer and other agri-food products, an increase of more than 15% over the preceding year. To this, we add an increase of over 59% of the tonnage handled in ore and concentrates, which went from 3.2 million tons in 2009 to over 5.1 million tons in 2010. Coal, metallurgical coke and products related to the construction industry went for their part from 1.3 million tons in 2009 to close to 1.5 million tons in 2010, an improvement of approximately 15% over the preceding year.

The recovery also made itself felt in the liquid bulk traffic. At the QPA's wharves, approximately 1.6 million tons of petroleum products have been transhipped compared to almost 1.3 million tons at the same date last year, an increase of close to 24%. Including the other liquid bulk products, the QPA has recorded an increase of over 19% at its wharves as compared to 2009 when it comes to petroleum and chemical products.





As for Ultramar, the traffic has been slightly inferior in 2010 when compared to 2009 due to passing perturbations to operations and reduction of the demand in petroleum products. The company had to partly compensate with volumes of petroleum products that transited through other facilities. However, the Jean-Gaulin refinery, one of the most modern and efficient in North America, foresees an increase in traffic in 2011, in a context of world economic recovery. Incidentally, Ultramar has received the government authorizations to proceed to the construction of a new pipeline between its Lévis and Montreal facilities, enabling it to diversify the means of distribution of its refined products.

Regarding general cargo, like the previous years, this product category is mainly composed of cargo destined to the supply activities of two large mining companies in the Canadian Great North. Close to 76,000 tons of that type of cargo have transited through the QPA's wharves in 2010, an increase of approximately 7% when compared to the preceding year.

The diversity of the products handled is at the very heart of the past, present and future achievements when it comes to Québec's harbour operations. This strategy has proved successful despite the recession and has profited from the economic recovery. The potential of the different terminals making up the core of the QPA's activities is just as promising as the number of traffics that can be exploited. Just like the port authorities in the province of Québec, the partners and operators located in the Port of Québec remain attentive to the different market needs, an attitude that promotes the recovery and favours growth and development.

ANOTHER RECORD INTERNATIONAL CRUISE SEASON

FOR A FOURTH CONSECUTIVE YEAR, THE INTERNATIONAL CRUISE SEASON WAS A RESOUNDING SUCCESS AS IT ACCUMULATED NEW RECORDS AND ENABLED THE PORT OF QUÉBEC TO REACH THE 100,000 PASSENGER MARK FOR THE FIRST TIME IN ITS HISTORY.

The 2010 season started early with the arrival of the Costa Atlantica, from Costa Cruises line, on April 23rd, this early start of activities equalling the record established in 1998. The Costa Atlantica was also the last cruise ship to call in Québec on October 25, effectively putting a term to the season.

Overall, 102,254 passengers have walked the Port of Québec wharves in 2010, a figure unparalleled in any port on the St. Lawrence. This represents an increase of 18% over the record 2009 season. From that number, 42,116 passengers have chosen Québec City as their port of origin/destination for their voyage. This constitutes over 41% of the total number of passengers.

The global increase in passenger traffic can partly be explained through the inaugural trip of MSC Cruises line, whose MSC Poesia visited three times. In addition, two of these three visits saw Québec City as the point of origin/destination of the passengers' cruise.



Indeed, counting the crewmembers, more than 136,000 people discovered the streets, shops, restaurants and hotels of the city of Champlain. This is assuredly a major advantage for the economic and touristic development of the greater Québec region. The attraction of the Québec population towards cruises is a well-known fact. Every year, cruise ships draw numerous people, both among the local population and people visiting the region. Hundreds, even thousands of people come walking around the Pointe-à-Carcy sector in order to admire some of the most beautiful cruise ships in the world. We must admit that the love story goes both ways. Since the "official" beginning of international cruises in Québec City in 1987, 1.2 million passengers have transited through the port. Interestingly, the mutual attraction between Québec City and cruise ships passengers is growing with time.

Overall, 102,254 passengers have walked the Port of Québec wharves in 2010, a figure unparalleled in any port on the St. Lawrence.

Indeed, since the construction of the cruise terminal at the beginning of the current millennium, the traffic has almost tripled.

On five different occasions this year, the people of Québec City were able to admire at least three cruise ships docked at the same time. Moreover, on October 16, the Port of Québec welcomed, during 48 hours, four ships simultaneously docked at its wharves, which represents a total of over 10,200 passengers. According to an estimate made for the occasion with data gathered by Tourisme Québec, the presence of all those passengers generated economic benefits of 1.3 million dollars within less than two days. That type of result is telling enough of the importance of the Port of Québec within the regional economy.

Challenges will be numerous for the St. Lawrence cruise industry in the coming years. Among the main ones, let's mention that of developing the cruise ship traffic during the summer months. Even though, as mentioned before, the 2010 season started at the end of April, the fact remains that no less than 80% of the traffic takes place in the months of September and October. In 2011, the QPA will make the necessary efforts with the people of Québec and Canada in order to promote the possibility of going on a cruise with Québec City as the point of origin, thanks to Holland America, Yachts of Seabourn and MSC Cruises lines, which will all be offering this product. The competition remains fierce and we will have to be in on trends and innovations so the Port of Québec can continue to rival, during the summer months, such destinations as Barcelona, Singapore and Copenhagen when it comes to welcoming cruise ship tourists.





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A MARINA THAT KNOWS HOW TO GRATIFY ITS VISITORS

DURING THE 2010 SEASON, IN ADDITION TO ITS REGULAR MEMBER CUSTOMER BASE, THE MARINA PORT OF QUÉBEC GREETED 1,109 VISITING BOATS, FOR A TOTAL OF OVER 4,000 PERSON-NIGHTS. THIS TOTAL REPRESENTS AN INCREASE OF APPROXIMATELY 25% WHEN COMPARED TO THE 2009 SEASON. THOSE THOUSANDS OF VISITORS CONSTITUTE A CONSIDERABLE ECONOMIC BENEFIT FOR BOTH THE CITY AND THE REGION, WHILE MAINTAINING LOUISE BASIN'S MARITIME CALLING. THIS SECTOR SEES MORE AND MORE NAUTICAL AND TERRESTRIAL TOURISTS, WHO ARE DRAWN BY THE SITE'S BEAUTY AND THE INCREASED ANIMATION AROUND THE MARINA WITH, AMONG OTHERS, THE IMAGE MILL, CIRQUE DU SOLEIL, ANIMATION AT THE ESPACE 400° WHARF, THE OLD PORT MARKET AND THE PRESENCE OF THE PLEIN ART EVENT.

One of the most memorable events of the season was no doubt the first edition of an event offering a day out on a boat for sick children and their families. The members of the Club nautique du Vieux-Port organized the event in collaboration with the Fondation Maurice Tanguay. From this association, an exceptional event was born that took place on September 11 on the Marina Port of Québec site. On that day, approximately 50 families with one or more sick children took part in this very special event. Families were coupled with marina members who generously welcomed them on board their boats for an excursion out on the river. Yachts, sailboats and even a tugboat from Ocean Group made up the 60-ship flotilla. There is no doubt this river

outing will have given the families and mostly the children involved indelible memories. Moreover, this initiative also enabled the Fondation Maurice Tanguay to amass precious donations from several generous benefactors. All the volunteers involved themselves wholeheartedly and with dedication and everyone was happy to have been able to share such magical moments with their special guests.

The Marina Port of Québec greeted 1,109 visiting boats, for a total of over 4,000 person-nights.



In the coming years, the greatest challenge the marina has to face is the renewal of its infrastructures. The goal is to upgrade the facilities, the infrastructures and the services so they meet the industry's new standards, as well as the expectations of its distinguished clientele, while maintaining profitable operations. This is an important challenge, since the success of these projects will enable us to remain a first choice destination in the heart of the nautical clientele for decades to come. The Marina Port of Québec is one of the city's trademarks. Because of the extraordinary access it provides to the thousands of nautical visitors passing through town or to the entire population of Québec through its walkways, the marina is a unique asset, perfectly integrated in the urban landscape of the sector.

ESPACES DALHOUSIE: A PLACE FOR MEETINGS AND INCOMPARABLE EVENTS AT THE VERY HEART OF THE PORT OF QUÉBEC

THE PORT OF QUÉBEC DOES NOT ONLY ATTRACT EXPORTERS AND IMPORTERS, CRUISE SHIP PASSENGERS AND BOATERS. IN FACT, BECAUSE OF ITS GEOGRAPHICAL LOCATION AND ITS EXCEPTIONAL BEAUTY, THE PORT DRAWS LOTS OF EVENTS AND MEETINGS OF ALL KINDS, THEREBY CONSOLIDATING ITS ROLE AS A MAJOR ECONOMIC PLAYER WITHIN THE GREATER QUÉBEC REGION.

Under the QPA's management, Espaces Dalhousie handles the logistics and organizes all the commercial and maritime activities, enabling the Ross Gaudreault Cruise Terminal to be one of the most visited buildings in the Port of Québec. In this matter, and many others, Espaces Dalhousie assumes a very important task towards the realization of the QPA's mission. This year, in addition

and hundreds of cyclists took over the Pointe-à-Carcy in order to bring awareness to the cause of people suffering from lactic acidosis. Both the cyclists and the event's organizers said that, of all the stages in the challenge, the Ross Gaudreault Cruise Terminal stop was the one participants appreciated the most. The terminal is also the theatre of several charity events, conventions and other types of

This year, in addition to the many cruise ship passengers, more than 43,000 people have visited Espaces Dalhousie, taking part in any one of the 130 events and meetings of all kinds that were held in the cruise terminal.

events imagined by companies and organizations from every field of activity. One of many such highlights in 2010 was the launch of the new 2011 Porsche Cayenne.

Espaces Dalhousie is also a choice spot for media events and was, again this year, the site of many press conferences. The building, which offers an unparalleled view on the river, remains one of the locations privileged by the different government

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levels when it comes to speaking to the press.

One of the most memorable events was assuredly the charity cocktail event orchestrated by the One Drop Foundation which reunited more than 2,500 people. Another event that was quite popular was the Grand défi Pierre Lavoie, a stage of which took place at the cruise terminal. For this activity, over 150 motor homes

Concerned with involving itself in the region's economic and social life in a significant manner, the QPA is particularly proud of the success and the undeniable potential of the Ross Gaudreault Cruise Terminal through the work of the Espaces Dalhousie team.



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A PORT THAT REINVENTS AND UPGRADES ITSELF IN ORDER TO CONTINUE ITS DEVELOPMENT

IN THIS YEAR OF RECOVERY, TWO PRELIMINARY STUDIES HAVE BEEN SUBMITTED AND ANALYZED BY THE QUÉBEC PORT AUTHORITY. THE LEGISLATIVE BASE THAT REGULATES THE CANADIAN PORT AUTHORITIES IS CONSIDERED WITH THE UTMOST RESPECT BY THE QPA AND ALL OF ITS PARTNERS. THUS, EVERY NEW PROJECT IS DULY EVALUATED AND REVIEWED IN DETAIL IN ORDER TO MEET THE GOVERNMENTAL STANDARDS AND REQUIREMENTS.

Among the projects that highlighted 2010 by their importance is the rehabilitation of the lands at Wharf 105. Conscious of the necessity to favour and involve itself directly in a context of sustainable development, the QPA is scrupulously instilling this philosophy into its day-to-day activities. The treatment area for land contaminated with hydrocarbons represents this context well. In operation since 2008, this treatment area enables us to remedy the contamination of the lands from Anse au foulon, among others. Indeed, part of these lands was contaminated during the 1960s by the oil companies who were the tenants at the time. This year, close to 8,000 m³ of these lands has been decontaminated at the QPA's treatment area. Once treated, the lands are then used as filling material for the different needs of the QPA.

The upgrading of the existing infrastructures also represents a major part of the reflections and actions of the QPA. In that frame of mind, work has been started in 2010 in the Beauport sector on the fire protection system. To sum it up, a subterranean pipeline of approximately 1.3 km has been installed to feed the whole sector in raw water (pumped directly from the river by tugboats) in order to efficiently distribute the water pumped in case of a fire. This is Phase I of this project, which will be finished in 2011 with the construction of a pumping station that will increase the system's efficiency. This project will necessitate a total investment of 7 million dollars. It is important to mention that, through its program to aid infrastructures, the federal government has, to this day, participated financially by injecting a contribution of approximately 2 million dollars. The Port of Québec and its partners have, for their part, invested up until now about 2.5 million dollars.

In the same frame of mind, the winter doors of the Marina Port of Québec's lock have been renovated. For this work, half a million dollars have been invested by the QPA in order to optimize and improve on the safety of this equipment vital for the protection of the lock and its facilities against the harshness of winter.

In the list of the projects achieved during this busy year, the QPA has also followed closely the construction of a new, multi-uses building at Wharf 20 by one of its main partners, Ocean Group. True to its nature and duty as port authority, the QPA made certain, throughout the construction, that the work done respected all technical and environmental standards in effect.

Finally, in the fall, the Centre de distribution Sillery terminal operator started on the construction of a new building dedicated to the storing of bicalcic phosphate. This project was started at the end of 2010 and will be completed in 2011. In order to ensure its realization and success, the QPA teamed up with the operator in order to facilitate its execution.



SECURITY AND HARBOUR OPERATIONS, AN ESSENTIAL ASSOCIATION AT THE PORT OF QUÉBEC

For an effervescent and dynamic port such as Québec, the services of the Harbour Master and of security play a role as strategic as it is essential. The port is a hub full of commercial, industrial, recreational and touristic activities. It is important for the QPA that all the elements necessary to secure and efficient operations be solidly implemented and respected.

Watchfulness is vital within those departments, intimately linked by their very nature and role. It has been clearly demonstrated in the previous paragraphs that the Port of Québec simultaneously coordinates a multitude of operations, events and crowds. To achieve that, the QPA can always count on the different police and emergency services of the City of Québec, the Sûreté du Québec, the Royal Canadian Mounted Police, the Canadian Coast Guard and the Customs and Border Services of Canada.

The year 2010 has also enabled the QPA to enhance its leadership in matters of security by actively participating in the drafting of amendments and new regulations in the security of maritime transportation. In this matter, it could be said that the QPA is a leader for all of its partners and operators. Indeed, they can count on the QPA to inform the different government levels of their own realities and subtleties.





Tomorrow looks promising, not only for the QPA, but also for the city and the greater region of Québec.

A VERY OPTIMISTIC HORIZON

Before finishing this overview of the successful year 2010 was for the Port of Québec, it is necessary to highlight the exceptional work of our partners and terminal operators. Their expertise and collaboration are the port's pride and let us contemplate the future with optimism.

In this regard, the first months of 2011 will be used by the team in place and the QPA's partners to update the entirety of the harbour's needs and priorities and to review together the entire strategic planning. This endeavour should permit the re-evaluation, mainly, of the needs in infrastructures, the restoration of the existing harbour heritage, as well as the entire stakes to which the QPA is faced. The organization wishes to proceed with this vital exercise in collaboration with the port users and the different stakeholders.

In light of everything that has been mentioned in this overview, it is now possible to state that the growth potential the Québec harbour offers is most promising. Moreover, based on the responsibilities that result from the QPA's main mission, it appears logical

and essential to believe that the coming years will be particularly important ones for all that is related to the development of the Port of Québec.

Tomorrow looks promising, not only for the QPA, but also for the city and the greater region of Québec. It should not be forgotten that both entities, while remaining separate, share a common destiny. Both must grow and develop together while respecting the needs and requirements of one another. The excellent communication level that currently prevails lets us foresee a horizon filled with promise for this precious union, synonym of success and prosperity.

There is one appointment that the QPA cannot miss with History, and that is to perpetuate its mission and continue to generate prosperity and collective riches. This leads us to believe that we will indeed get there.


Mario Girard

FINANCIAL RESULTS

The QPA has enjoyed an increase of more than 15% of its operating revenues in 2010 when compared to 2009; they have gone from \$21.6M to \$24.9M, even going over the record revenues earned before the 2009 recession. A large part of this increase can be explained by the general increase in tonnage and revenues associated with the cruise activities.

Operating expenses remained the same, i.e. \$14.4M for each of the two years. Amortization having gone from \$5.2M in 2009 to \$5M in 2010, the QPA thus records earnings before other items of \$5.5M in 2010, compared to \$2M in 2009.

Regarding other items, the QPA has recorded a write-off of assets in the amount of \$4.3M in 2010, compared to none in 2009, environmental costs of \$0.4M in 2010 compared to revenues of \$0.5M in 2009 in environmental activities, and acknowledgement of profits of \$51K in 2010 compared to \$657K in 2009 regarding the variation of the fair market value of interest rates swaps.

The activity in 2010 generated a net income of \$1.2M, compared to \$3.5M in 2009, while the revenue from operations, taking into account the amortization and asset depreciation, is \$10.5M in 2010, compared to \$8.7M in 2009. Retained earnings of the Québec Port Authority's equity represent, at the end of the year, an amount of \$32.7M, compared to \$31.4M at the end of 2009.

Other items of a financial nature

Investments made in 2010 represent \$3.8M, compared to \$26.3M in 2009, a difference that can be explained mainly by the investments made in 2009 to improve the dry bulk terminal in the Beauport sector.

Liquidity risk

The Port Authority counts on credit facilities it can access to meet its liquidity needs. The internally generated funds are sufficient to respect the obligations relative to its long-term loan.

Risk related to interest rates

Like any company whose revenues come from commercial activities, the QPA is exposed to the variations of interest rates because of its long-term debt at variable rates. The Port Authority manages its exposure to variations of interest rates and concludes swap agreements that consist into exchanging variable rates for fixed rates. As at December 31, 2010, should the interest rates at that date had varied from 25 base points, higher or lower, with the hypothesis that all other variables had remained constant, the net result of the Port Authority for the year ended as at December 31, 2010 would have been either higher or lower by \$18,000.

Economic and structural factors

An important slowdown of the economy in North America or on the international markets can have marked consequences on the results. The same thing can happen because of lack of competitiveness of Canadian or American industries on certain import or export markets. The commercial results achieved during the economic crisis of 2008 and 2009 demonstrate that the QPA can still count on a solid base of revenues.

Government regulations

The future results of the Port Authority can vary depending on measures taken by the different government agencies having jurisdiction on its activities, including the granting or delays in granting certain authorizations or permits from said government agencies, the adoption of regulations having an incidence on the customer service standards, mainly certain security standards, the adoption of noise pollution reduction standards or navigation standards. The income taxes required for the sharing of external costs such as maintenance dredging on the river or for specific security measures such as the International Ship and Port Safety (ISPS) standard can also have consequences on the financial situation and results.

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the Directors of Québec Port Authority,

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 2010, and the summary statements of income and comprehensive income and cash flows for the year then ended, are derived from the audited financial statements of QUÉBEC PORT AUTHORITY for the year ended December 31, 2010. We expressed an unmodified audit opinion on those financial statements in our report dated April 4, 2011. Those financial statements and the summary financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Québec Port Authority.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements. Management presents the balance sheet and the statements of income and comprehensive income and cash flows. The notes are not reproduced.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary 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 financial statements derived from the audited financial statements of Québec Port Authority for the year ended December 31, 2010 are a fair summary of those financial statements, in accordance with criteria established in the section on Management's Responsibility for the summary financial statements.

*Mallette*¹

Mallette
L.L.P
Chartered Accountants

Québec City, Canada
April 4, 2011

¹ CA auditor permit No 12506

Summary balance sheet

As at December 31

	2010	2009
Current assets	\$ 13,195,984	\$ 8,993,991
Long-term assets		
Net investments in direct financing leases	18,530,380	21,008,713
Environmental expenses recoverable	1,454,162	949,143
Capital assets	143,572,901	152,310,451
	163,557,443	174,268,307
	\$ 176,753,427	\$ 183,262,298
Current liabilities	\$ 11,444,305	\$ 14,091,545
Long-term liabilities		
Environmental liabilities	4,155,048	3,358,681
Long-term debt	23,014,852	25,768,804
Deferred contributions	83,133,736	84,554,805
Employee future benefits	122,000	1,814,000
	110,425,636	115,496,290
Authority's equity	54,883,486	53,674,463
	\$ 176,753,427	\$ 183,262,298

On behalf of the Board,

 _____, Chairman

 _____, President and Chief Executive Officer

Summary statement of income and comprehensive income

For the year ended December 31

	2010	2009
Revenue from operations	\$ 24,928,801	\$ 21,578,017
Expenses	14,444,089	14,407,130
Income before amortization and other items	10,484,712	7,170,887
Amortization, net of deferred contributions amortization	4,985,761	5,166,507
Income before other items	5,498,951	2,004,380
Other items	(4,289,928)	1,502,933
Net income and comprehensive income	\$ 1,209,023	\$ 3,507,313

Summary cash flows

For the year ended December 31

	2010	2009
Operating activities	\$ 7,831,925	\$ 8,548,411
Investing activities		
Capital assets paid	(7,333,102)	(22,062,588)
Receipts from direct financing leases	2,355,035	2,066,601
	(4,978,067)	(19,995,987)
Financing activities		
Net change in long-term debt	(2,753,952)	8,345,664
Receipts related to deferred contributions	-	2,102,889
Environmental liabilities settled, net of recoveries	68,051	1,842,473
	(2,685,901)	12,291,026
Increase in cash	\$ 167,957	\$ 843,450



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BOARD OF DIRECTORS OF THE QUÉBEC PORT AUTHORITY

As at December 31



Yvon Bureau

Chairman of the Board
Chairman of the Executive Committee
Chairman of the Port Users Committee
Nominated by the federal Minister of Transports following the port users' recommendation



Mario Girard

Member of the Board of Directors
Member of the Executive Committee
Chairman of the Audit Committee
Government of Canada representative



Jacques Tanguay

Vice Chairman of the Board
Vice Chairman of the Executive Committee
Member of the Port Users Committee
Nominated by the federal Minister of Transports following the port users' recommendation



Serge Lebel

Member of the Board of Directors
Member of the Port Users Committee
Government of Québec representative



Denis Bernier

Member of the Board of Directors
Chairman of the City/Harbour Consultative Committee
Nominated by the federal Minister of Transports following the port users' recommendation



Pierre Rivard

Member of the Board of Directors
Member of the Audit Committee
Member of the Port Users Committee
Nominated by the federal Minister of Transports following the port users' recommendation



Jacques Champagne

Member of the Board of Directors
Member of the Audit Committee
Member of the City/Harbour Consultative Committee
City of Québec representative

MANAGEMENT PERSONNEL

As at December 31



Ross Gaudreault
President and CEO



Marcel Labrecque
Executive Vice President



- 1 **Mario Bernard**
Vice President, Finance and Administration
- 2 **Martine Bélanger**
Vice President, Operations
- 3 **Pascal Raby**
Legal Counsellor and Corporate Secretary
- 4 **Patrick Robitaille**
Vice President, Marketing and Development



THE PORT OF QUÉBEC IS ALSO...

IN ADDITION TO BEING A MAJOR ECONOMIC PLAYER, THE PORT OF QUÉBEC IS FIRST AND FOREMOST AN ENSEMBLE OF WORKERS, BOATERS AND OTHER PASSING PEOPLE, WHO TRAVEL AROUND AND BRING, EACH DAY, THROUGH THEIR MERE PRESENCE, A HUMAN AND URBAN DIMENSION TO THIS MOST PRECIOUS JEWEL WITHIN THE CITY.

A few facts to illustrate what the Port of Québec also represents...



35 km²
of water bodies

The Port of Québec manages

30 wharves on its territory

3 recreo-touristic parks

that total more than 20 hectares of harbour land representing approximately 10% of the whole territory managed by the QPA.

A faithful partner for several important events such as the Rendez vous naval de Québec, the Fêtes de la Nouvelle-France, the Festival d'été de Québec, the Québec Winter Carnival and many others.



210

hectares of
harbour land



MULTIPLE POINTS OF ACCESS TO THE RIVER

A first rate welcoming site for great shows such as: the Image Mill, Cirque du Soleil, Cavalia, and more...



MORE THAN

5 km

of biking trails

MARINAS

In short, beyond tonnages and ships, the Port of Québec also defines itself through these thousands of people who contribute to its development by making the port the way they earn a living, day to day, in the maritime, touristic and cultural fields. The Port of Québec is without doubt an extraordinary meeting place where merchants, operators, boaters and vacationers live together. In this regard, the QPA is particularly proud of the integration of the port within the exceptional urban landscape of Québec.

THE PORT OF QUÉBEC: A FEW FIGURES

DID YOU KNOW THAT:

+70%

The Port of Québec has seen traffic increase by close to 70% since the beginning of the current millennium.

MAIN TYPES OF SHIPS THAT HAVE COME IN THE PORT OF QUÉBEC

BULK CARRIER



44%

TANKER

33%



CRUISE SHIP



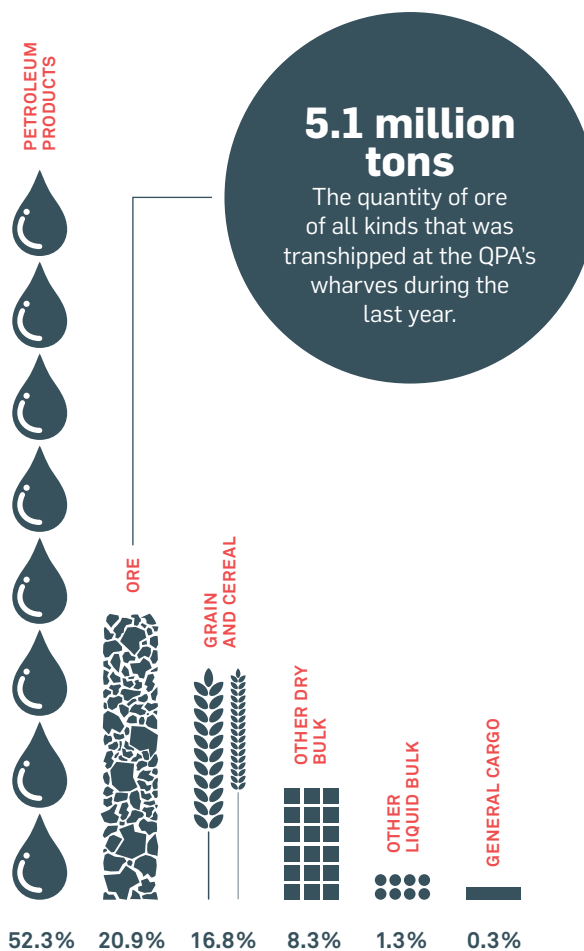
10%

OTHERS

13%



DISTRIBUTION OF TONNAGE HANDLED AT THE PORT OF QUÉBEC IN 2010



In 2010, over **53%** of the merchandise handled at the port was liquid bulk while dry bulk and general cargo represented respectively **46%** and less than **1%** of all tonnages.



UTILIZATION OF THE DIFFERENT TRANSPORTATION MODES AT THE WHARVES MANAGED BY THE QPA IN 2010



71%
MARITIME



12%
ROAD

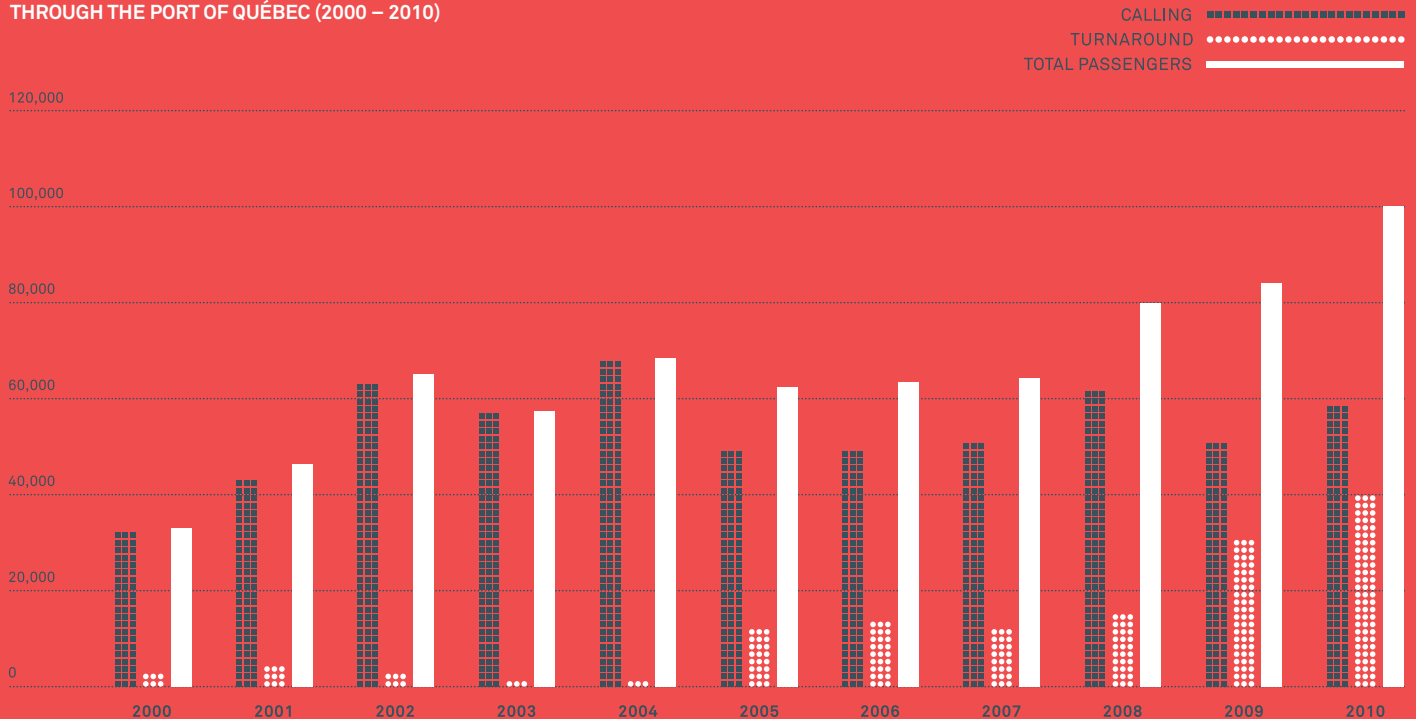


17%
RAIL

1,2 million passengers

have discovered Québec City's charms since 1987 thanks to the international cruise ships dropping anchor at the Port of Québec. From that number, **102,254 passengers** have walked the streets of Québec during last season.

NUMBER OF CRUISE SHIP PASSENGERS TRANSITING THROUGH THE PORT OF QUÉBEC (2000 – 2010)





Behind the Image Mill stand the **600 grain silos** of Bunge of Canada Ltd. These silos can contain up to **225,000 tons of cereal**, which represents approximately 500 million 450g cereal boxes. Over 4 million tons of grain transit through these silos annually.

TOTAL ECONOMIC IMPACTS INCLUDING INDUCED EFFECTS ASSOCIATED TO THE PORT OF QUÉBEC'S MARITIME AND HARBOUR ACTIVITIES

(FOR THE ENTIRE PROVINCE OF QUÉBEC – 2007)

TOTAL INCLUDING INDUCED EFFECTS

Québec

Manpower (persons-year)	7,380 jobs
Value added to basic prices	\$601.4 M
Revenues of the Government of Québec	\$108.2 M

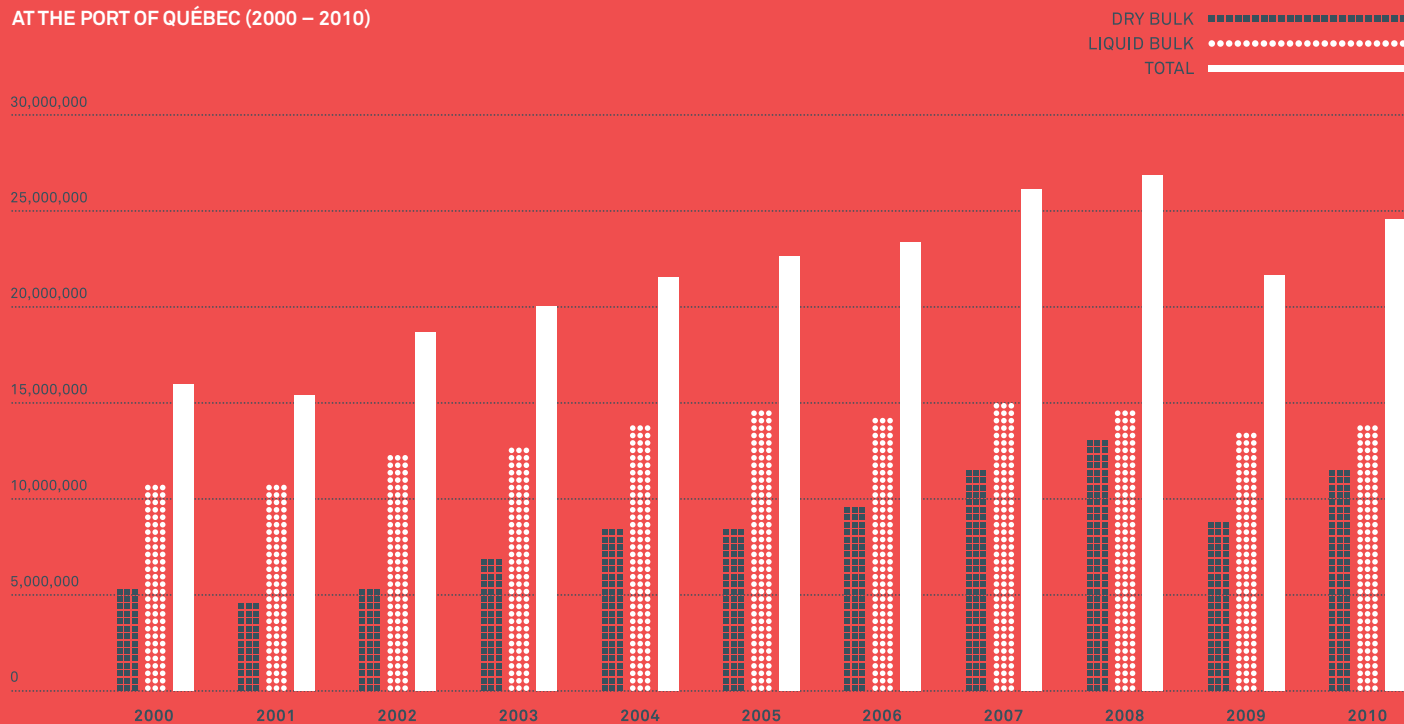
Canada

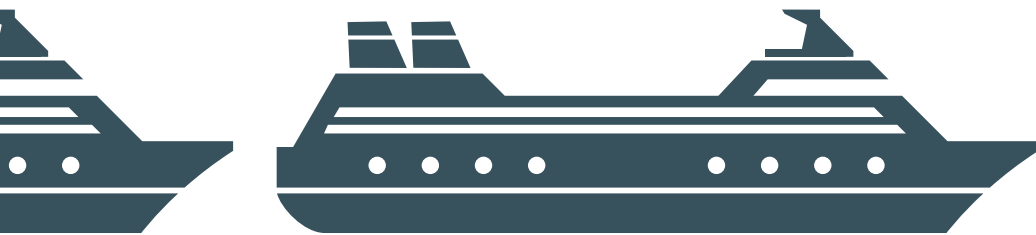
Manpower (persons-year)	9,750 jobs
Value added to basic prices	\$786.3 M
Revenues of the Government of Canada	\$54.9 M

Source: SECOR Corporate Consulting, Economic contribution of the Port of Québec and of the region's maritime community, 2007.

TONNAGE HANDLED

AT THE PORT OF QUÉBEC (2000 – 2010)

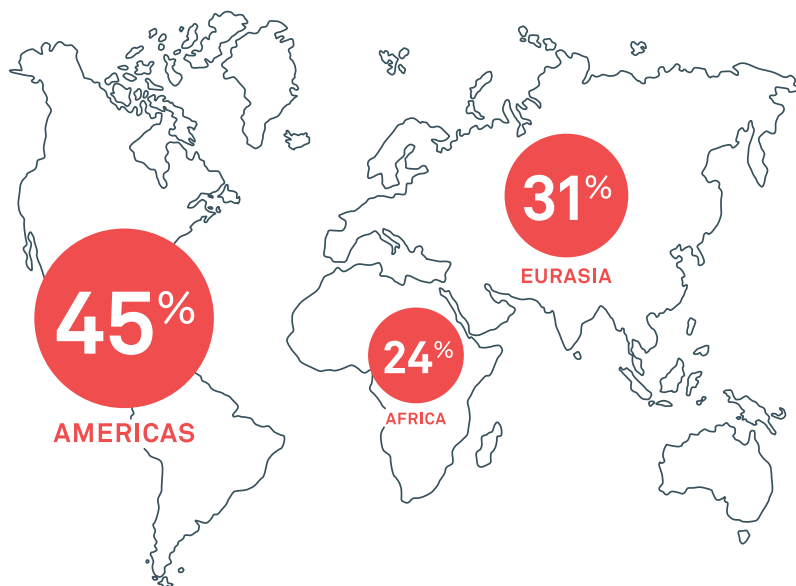




The international cruise market in Québec City has **increased by more than 185%** since the beginning of the current millennium.

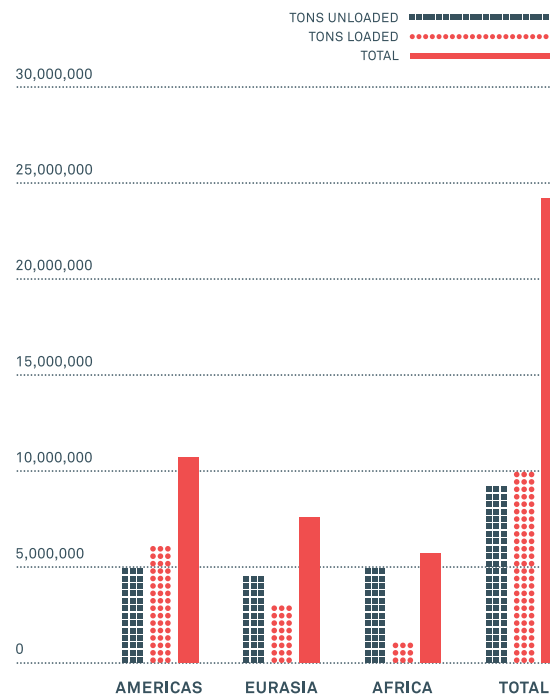
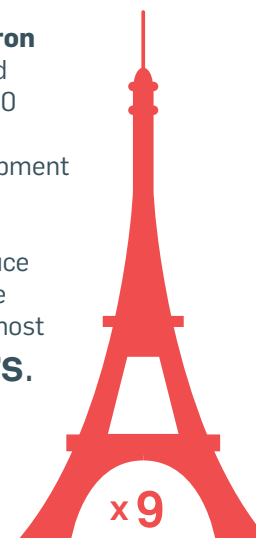
Every year, the Port of Québec deals in foreign trade with approximately
60 countries.

ORIGIN AND DESTINATION OF TRAFFICS THAT TRANSITED THROUGH THE PORT OF QUÉBEC IN 2010



From the 24,487,770 tons handled at the Port of Québec, approximately 45% come from or are arriving in the Americas, 31% come from or are going to Eurasia and finally, 24% come from or are going to Africa. In short, the port has maintained commercial trade relations with more than 220 ports in 2010.

Over **127,500 tons of iron** concentrate were loaded on board one ship in 2010 at the Port of Québec. This was the largest shipment in the port's history. This quantity of iron concentrate could produce enough steel to build the metallic structure of almost **9 Eiffel Towers.**



24.5 million tons have been handled in 2010 at the Port of Québec.

A PORT WHOSE CLIENTELE IS THE WORLD...



Québec Port Authority

General Management

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