



MISSION OF THE QUÉBEC PORT AUTHORITY

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.



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The year 2007 was particularly eventful, with intense traffic at Port terminals and construction underway at sites supervised by the QPA as part of the federal government legacy to mark Québec City's 400th anniversary.

For the fifth consecutive year, the Port of Québec registered a record performance, with nearly 27 million tons of cargo handled. In 2007, these results made the Port of Québec the leading St. Lawrence port with respect to tonnage handled, and the third largest Canadian port authority in Canada.

The QPA posted another banner year for cruise business, as its thriving cruise terminal welcomed nearly 100,000 passengers and crew on the world's largest liners, such as the Queen Mary 2 and the Grand Princess.

The QPA has stepped up efforts to plan the capital spending that will be required for future Port of Québec development. The expansion projects the QPA and its operator partners are considering were a major item on the planning agenda. In

this regard, the QPA is confident that the proposed facilities will be able to meet both commercial and urban requirements.

The Port of Québec is perfectly integrated into its community. Like the local population, Québec City's unique port and maritime communities are dynamic and forward-looking.



Photo : Pierre Terrien



The Port Authority's desire to continue its mission and growth is equal only to its commitment to its community's environment. In this respect, 2007 was another opportunity for the port community to demonstrate that its growth has a significant positive impact on its region economically, socially, and environmentally.



On the eve of the 150th anniversary of its incorporation, the Port Authority has demonstrated—through its trade performance and regional commitments—that the Port of Québec's best years are yet to come. Together, we are writing the finest pages in the Port of Québec's history.

The port city of Québec, a focal point for trade and community.







Signing an annual report for a year in which primary port operations broke records for the fifth consecutive year is a true honour, especially since the Port of Québec's results come on the heels of recent investments by the Port Authority and its partners, as well as efforts to redefine the Port's commercial position.

TRADITION

The year began with the awarding of the gold-headed cane, a proud tradition that maritime industry stakeholders have carried on since 1835. This trophy was awarded on January 2 to Captain Nikolaos Sarris of the tanker Cap Georges. On January 1, this ship, flying the Greek flag, arrived from Arzew, Algeria carrying crude oil bound for the Ultramar Refinery.



TONNAGE

For the fifth consecutive year, the QPA and its terminal operator partners achieved unprecedented performance levels, handling nearly 27 million tons of cargo—up 15% from 2006 and more than 75% from 2001. This increase in growth is among the highest recorded by a Canadian port authority since the early 2000s. Once again this year, we note that the \$200 million in funding invested in the Port over the past 15 years, the commercial positioning strategy developed by QPA and its partners, and an outstanding economic situation favorable to trade between the Great Lakes market and the rest of the world have enabled the Québec port community to achieve these remarkable results.

CRUISES

Cruise passenger and crew traffic increased by approximately 100,000, up 3% compared to 2006. The QPA considers the 2007 results particularly satisfying given fierce ongoing competition from the Mediterranean region. The QPA also notes that operations at the Pointe-à-Carcy cruise terminal have continued to improve, meeting cruise companies' highest expectations.



OTHER COMMERCIAL ACTIVITIES

With the various properties under its management, the QPA is also very active in other areas, particularly with the Port of Québec Marina and Espaces Dalhousie, which drew considerable traffic in 2007 without, however, setting any new records. These two facilities are among the many QPA services and facilities used by both local and tourist clientele.

FINANCIAL RESULTS

The QPA increased its revenues significantly while maintaining operating expenses at the same level. Operating revenue rose from \$17.9 million in 2006 to a record \$20.9 million in 2007, whereas operating expenses held steady at \$12.4 million despite expanding operations, thanks to tight controls. Operating income before amortization and other items rose from \$5.4 million in 2006 to \$8.4 million in 2007, up more than 55%. The QPA is pleased to have achieved these results, as these profits are essential to restoring certain facilities and ensuring the Port's future development.

INVESTMENTS

The QPA continued to invest in upgrading certain facilities and supporting commercial development tied to cargo traffic. More than \$4 million was invested in 2007, particularly in leasehold improvements for certain facilities in various port sectors under QPA responsibility, primarily at the dry bulk terminal in Beauport. However, the desire to maintain growth in the dry bulk niche in the Beauport sector gave rise to the biggest investment in 2007—nearly \$30 million for purchasing new handling equipment and restructuring part of the terminal operated by St. Lawrence Stevedoring. This investment, combined with those made and planned by the operator partner, will help the Port strengthen its commercial position while awaiting the construction of new facilities in 2008 and 2009. In addition, nearly \$4 million was invested in a variety of Port security projects in 2007.



2008 FEDERAL LEGACY

Following a public consultation and meetings held in 2006 with various stakeholders and associations involved in the improvement, operation, and use of the sites to be developed, 2007 was an extremely busy year with the management of active construction sites in Baie de Beauport, Pointe-à-Carcy, and Bassin Brown. At the end of the year, the QPA was pleased to report that work was on schedule and would be completed in time for the 2008 summer season. The federal legacy project as a whole represents a \$46 million contribution from the federal government for the development of property under QPA management valued at \$30 million. This makes the federal legacy one of the biggest permanent contributions generated by Québec's 400th anniversary.

THE ENVIRONMENT

Environmental issues were central to the QPA's daily operations in 2007. Seven preliminary environmental reviews were carried out primarily for commercial development projects and certain leasehold improvements to existing facilities. All of these projects were approved in accordance with the environmental legislation that applies to the QPA. The QPA also followed up on a number of matters, including the characterization and restoration of soil contaminated during past operations, and projects related to the federal legacy project.



SAFETY AND SECURITY

The QPA has successfully met the set of challenges that arose when International Ship & Port Safety (ISPS) standards came into effect in Canadian ports in 2004. In 2007, the Anse-au-Foulon sector was secured in accordance with ISPS standards, following similar initiatives in the Beauport sector in 2005, and the Estuary sector in 2006. Since 2004, the QPA has received nearly \$4 million in federal funding. This contribution has been used to finance a large portion of the capital assets invested by the QPA to ensure the Port is in compliance with standards.

With regard to internal management, 2007 was also a very eventful year. Management continued to promote access to training and support for employee initiatives for the benefit of all hierarchical levels. As regards information systems management, the QPA undertook a major optical fibre installation project throughout its property in order to enhance computer network connectivity. A number of cameras and automatic security barriers were also installed, and other technologies will be added in the near future. Various computer networks were also reengineered, and security was tightened on existing systems.

THE RABASKA PROJECT

The QPA continued its efforts to support the Rabaska project developer and its proposed LNG terminal on Québec's south shore. In January, the QPA took part in the public consultation held by Bureau d'audiences publiques sur l'environnement (BAPE) regarding Rabaska. Support for this project from the QPA and the entire maritime community reflects the industry's desire to promote sustainable development and strengthen the Québec maritime industry's position with promising new ventures. Not only does Rabaska dovetail with the Port's mission, but the QPA also believes that the region—with its outstanding maritime interface—is fully capable of helping to ensure the security of Québec's energy supply.





FACILITIES AND EXPANSION PROJECT

The QPA manages some of Canada's oldest port facilities. These make the Port of Québec a commercial and historic asset like none other in the country. The Port's challenge is therefore to continue restoring its assets while maintaining the investments needed to continue its commercial development. In 2007, the QPA rose to the challenge more strongly than ever.

The QPA also worked hard on planning the facilities it expects to complete in the coming years. The proposed new wharves and equipment will sustain the momentum of projects currently underway. In addition to enabling the QPA to fulfill its mission, these new assets will strengthen the Port's role as an economic driving force that is highly integrated into Québec City life.

A PORT IN SYNC WITH ITS CITY

The port authority and the entire Québec maritime community are among the main selling points that set the region apart internationally. As a major transshipment point for North America's industrial and agricultural core, and a centre for cruise industry development along the St. Lawrence River, the Port is one of Québec's top assets.

Over the years, the maritime industry has proven it is a formidable economic engine and a business community committed to ensuring port operations are in sync with the urban environment. Like a number of large Mediterranean cities with a rich history and culture, Québec is the envy of many cities that have risen to the challenge of integrating a busy port into an urban setting. In a nutshell, the Port and the city are two institutions that have coexisted harmoniously in the past, and will continue to do so well into the future.

Yvon Bureau
Chairman of the Board

Ross Gaudreault
President and CEO

The Port of Québec is proud to be a leading hub for Canadian foreign trade. Port of Québec terminals serve the large Great Lakes regional market with goods destined for the steel, agrifood, and oil industries, as well as with the transport of chemicals, pulp and paper, and metals. In 2007, a total of over 26.8 million tons of cargo passed through the Port terminals— up 15% from the 23.5 million tons transshipped in 2006. Since the turn of the century, the Port of Québec has therefore stepped up its main activity by approximately 75%. The year 2007 also marks the fifth record year with respect to tonnage handled.

In addition to this phenomenal growth, in 2007 the Port of Québec became the leading St. Lawrence port in terms of tonnage handled. The Port of Québec has also seen the strongest growth and boasts the third largest port authority in Canada, behind Vancouver Fraser River and Saint John (N.B.).

Dry bulk cargo tonnage increased by 2.2 million tons, from 9.6 million tons in 2006 to 11.8 million tons in 2007 (22%). Tonnage of grains, feed grain, and industrial and agricultural fertilizers in transit to Bunge du Canada, Sillery Distribution Centre, and La Coop Fédérée terminals dropped slightly (-6%). These terminal operators recorded total volumes of 3.3 million tons in 2007 compared to 3.5 million tons in 2006. Despite this slight decline, these results are among the best the Port has recorded in the past ten years.





Performance was also strong for the Rio Tinto Alcan, Xstrata Nickel, Béton Provincial, Canadian Salt Company, and Midatlantic Minerals terminals. Still, the increase recorded for the Xstrata Nickel, Béton Provincial, and Midatlantic Minerals terminals was not enough to offset the decline at the Canadian Salt Company and Rio Tinto Alcan terminals. Total volumes barely topped 1 million tons, compared to nearly 1.2 million tons in 2006. This decline is largely due to the fact that 2006 was an exceptional year for salt imports. 2007 was the second best year for ongoing operations at these terminals.

The other terminals operated by St. Lawrence Stevedoring (SLS) saw record traffic in 2007. Ore and iron, nickel, zinc, and copper concentrates, as well as bauxite, raw sugar, scrap metal, and cement performed especially well. Only metallurgical coke and coal tonnage declined sharply in 2007 compared to 2006. In 2007, the QPA and SLS agreed to invest \$30 million in new facility development with a view to continued growth. These investments will be realized in 2008 and 2009.

Since 2001, operations at the Port's dry bulk terminals as a whole have increased by 170% thanks to the commercial positioning strategy developed by the QPA and its operator partners, as well as significant investments in terminal development and enhancement.

With nearly 15 million tons of liquid cargo handled in the Ultramar, IMTT-Québec, and CanTerm terminals, 2007 was a record year for this type of traffic, up 10% from 2006. This overall growth is essentially the result of increased crude oil imports at the Jean Gaulin Refinery wharf. The total quantity of refined

petroleum products at all terminals amounted to approximately 4.4 million tons in 2007, down 5% from 2006. Lastly, tonnage of certain chemicals and other liquid products rose sharply at the IMTT-Québec terminal to nearly 500,000 tons compared to approximately 350,000 tons in 2006.

More than 500 oil and other tankers dock annually at the Ultramar wharf and Beauport sector terminals, making the Port of Québec the leading port for this type of traffic on the St. Lawrence River, and one of the leading ports in Canada. This considerable growth in dry and liquid bulk tonnage passing through the Port is not over. The QPA is working with the main operators specializing in this type of activity to ensure it is ready to take advantage of future opportunities. In 2008, the QPA expects to finish development plans for the new facilities that will be needed for future Port growth.

As in recent years, most general cargo passing through the Port is bound mainly for the Raglan and Voisey Bay mines for the Xstrata Nickel and Vale Inco mining companies, respectively.

The intermodality of Port terminals is essential to the fast and efficient transshipment of goods to shippers. The hundreds of ships and tens of thousands of railway cars and trucks that have passed through the Beauport, Anse-au-Foulon, and Estuary sectors bear witness to this need for intermodality. Consequently, the QPA has a duty to help protect each of these modes of transport that connect the region to the rest of North America and the world.

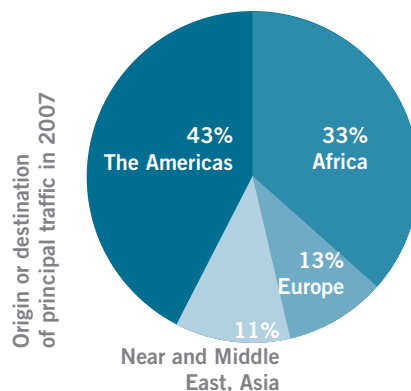




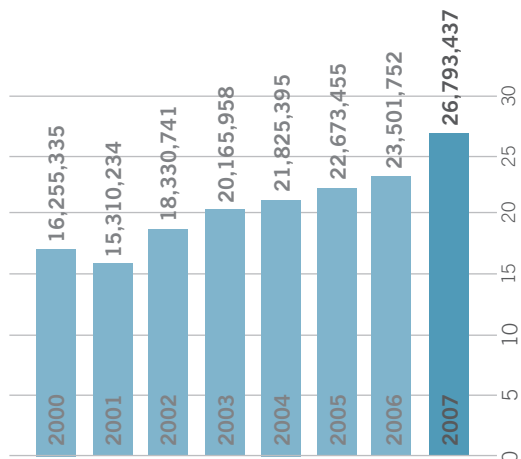
Photo : Quebec Stevedoring Ltd.



Tonnage crossing Port of Québec wharves is in constant flux. Certain goods diminish or taper off altogether, while others emerge or increase in importance. Over all, goods are increasing in number and quantity. With core activities in diverse industries, the QPA believes it enjoys an outstanding commercial position.

The Port of Québec benefits from a vast continental hinterland that gives the region access to one of the world's largest economic zones: the Great Lakes market. Thanks to the port facilities in Québec City, the globalization of trade is a daily reality that benefits the entire region. The 58 countries around the world that sent or received goods that passed through the Port in 2007 more than prove this.

TRENDS IN PORT OF QUÉBEC CARGO TRANSIT (2000–2007)



Since 2000, cargo passing through the various Port terminals has increased by 65%, from 16.3 million tons to nearly 26.8 million tons.

As in past years, the Port and its region experienced a highly successful cruise season in 2007. The number of cruise passengers and crew reached 93,759 in 2007, up nearly 3% from 91,148 in 2006.

Among the highlights of 2007 is continued growth in the number of cruise passengers departing from and arriving in Québec City. Nearly 12,000 passengers chose Québec City as their cruise destination or departure point. The QPA is expecting a major increase in the number of passengers departing from Québec City in the coming years. The QPA believes its partnership with the airport is one of the keys to further developing Québec City's role as a cruise destination. Further, airport modernization expected to be completed in 2008 will enable the Port and airport to efficiently meet the expectations and needs of cruise lines that make Québec City a port of call.

The QPA has observed that operations at the Pointe-à-Carcy cruise terminal continue to improve, meeting cruise companies' highest expectations. This progress is crucial to cruise development not only in Québec City but also along the entire St. Lawrence. As liners continue to increase in size, the Port of Québec will soon become the only port where cruise companies can plan future itineraries, with the St. Lawrence region providing all the required services.

The QPA plays a key role in cruise market promotion and development throughout the St. Lawrence region, particularly through the St. Lawrence Cruise Association. For many years, the QPA has worked actively to ensure that cruise lines include regions like the Saguenay and North Shore. The QPA is confident that cruise lines will bring new ships

onto the St. Lawrence by adding this new tourist attraction to their itineraries. This increase in tourism products is also the St. Lawrence region's best strategy for competing with other regions that are extremely popular with cruise companies, particularly the Mediterranean market. September and October continue to attract the most traffic of the season. Approximately 80% of the passengers welcomed during the season arrived during these months. In response, the QPA will continue efforts to promote the appeal of the St. Lawrence during the months of May to August. With the arrival of new cruise ships on the market and enhanced tourism products in Eastern



Québec, the QPA is confident it will be able to increase traffic during the summer months.





Photo: Jean-François Therreault



Photo: Port of Québec/Camirand



Despite a decrease in the number of person-nights recorded, particularly among its tourist clientele, the QPA is satisfied with the Port of Québec Marina's 2007 season. The relatively calm 2007 season is sandwiched between an eventful 2006 and the many events expected in 2008 for Québec City's 400th anniversary.

Among the events that marked the season, we would note the breakage of the lock's southeast gate at the very end of the season. The challenge of restoring this infrastructure that is crucial to Marina operation will be addressed in the first few months of 2008.

The Marina is one of the best tools for promoting pleasure boating in the Québec City area. In addition to the potential represented by mega-yachting—a booming worldwide market—the Marina plans to continue using the sailing area it manages to provide the facilities needed to welcome the thousands of pleasure boaters who come to enjoy the appeal of Québec City.

The QPA continued working with those responsible for Québec City's 400th anniversary celebrations in 2008. The planned facilities will help integrate the Marina into the centre of town even more spectacularly.

The Marina is located precisely where the main Port of Québec handling operations were carried out for more than 100 years. By showcasing this exceptional site with an activity such as pleasure boating, the QPA protects and asserts the maritime vocation of Bassin Louise.

In a nutshell, 2007 was a year of preparing for the many challenges the current team will face in meeting the demands on Bassin Louise expected in 2008.



Photo: Jean-François Therreault



espaces dalhousie
Terminal de croisières

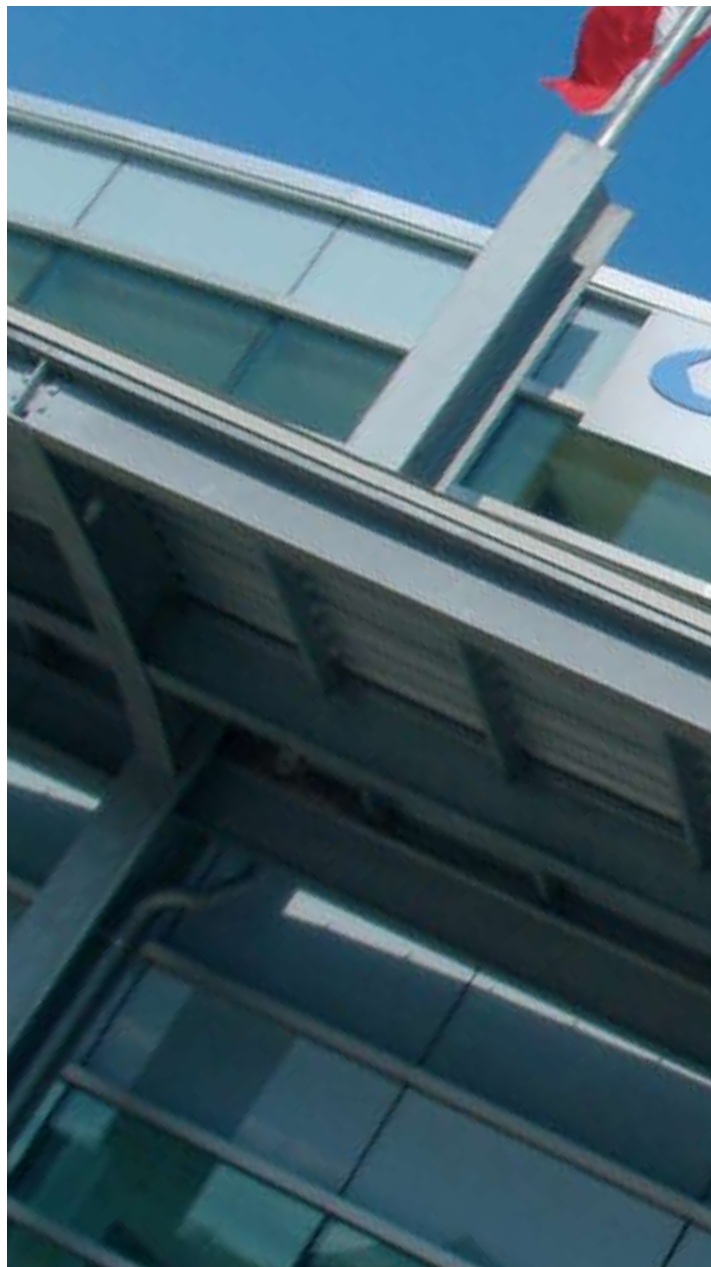
Espaces Dalhousie performed well in 2007. Nearly 100 events of all kinds were held in the cruise terminal under the supervision of the Espaces Dalhousie team.

Including Rendez-vous Canada, Canada's premier international tourism marketplace. Hosted by the Tourism Industry Association of Canada (TIAC) in cooperation with other tourism industry stakeholders, this event was one of the year's major successes for the current team. Another was the annual McDonald's Canada conference bringing together all franchises of this fast food banner in July.

In addition to these key events, a number of press conferences for different levels of government were held on the cruise terminal premises. The Québec Port Authority also used the terminal for its public consultation on the federal government legacy for the city's 400th anniversary. This was an opportunity to present the initial concepts to several thousand people who visited at different times in order to learn about the facilities planned for the Bassin Brown, Pointe-à-Carcy, and Baie de Beauport sites.

Espaces Dalhousie was also involved in supporting various social causes in the Québec City area. For example, the stained glass windows made by young people from Maison Dauphine were unveiled in 2007 at the cruise terminal. The ***Des vitraux pour le 400^e*** project showcases people that have marked Québec City since its founding.

The QPA plans to continue developing its special events in order to optimize cruise terminal use in the off-season and enable the region to enjoy an exceptional site. With its unique amenities and top quality services, Espaces Dalhousie is another strength the QPA can build on in fulfilling its mission.





The properties managed by the QPA total 35 km² of water area, and over 200 hectares of serviced land in four port sectors—Anse-au-Foulon, Pointe-à-Carcy, Estuaire, and Beauport—all on the north shore of the St. Lawrence River.

The QPA and its partners' involvement in Québec City urban planning is not new. The Plage Jacques Cartier and Parc Notre-Dame-de-la-Garde sites, as well as the Champlain rest area, shoreline bicycle path, walkways along the wharves in the Old Port sector, the beach, and Beauport Bay, are only some of the facilities the QPA is involved in directly or indirectly. These facilities, which help improve public access to the north side of the river in the Québec City area, are a clear indication of the port community's desire to do more for its region.

After confirming in 2004 its plans to develop three shoreline sites for Québec City's 400th anniversary using federal government funding, the QPA quickly moved into action. While 2006 was the year of the public consultation regarding the 400th anniversary development projects, 2007 was the year for major construction, with nearly \$27 million invested. The Bassin Brown, Pointe-à-Carcy, and Baie de Beauport sites were busy with contractors and professionals tasked with carrying out the development work. As the main contractor for the federal legacy, the QPA is proud of the work completed during the year.

Planned for late spring 2008, the official opening of the three sites will give the City of Québec and its residents access to top quality, permanent public recreational facilities. By setting aside over 20% of its property for parkland, the QPA exceeds all generally recognized urban planning standards.





The entire federal legacy project represents \$46 million in federal government funding for the development of the three sites. This amount is being invested in property managed by the QPA with a commercial value of approximately \$30 million. This makes the federal legacy one of the largest permanent contributions generated by Québec City's 400th anniversary. As corporate citizens committed to integrating port operations into the region, the QPA and the entire maritime community are proud of this contribution.

Urban planning challenges are constantly evolving. In the coming years, the QPA expects to develop new capital assets to promote the growth of Québec's maritime operations. The entire maritime community wishes to realize this development in a spirit of collaboration with official regional planning authorities. Clearly, the QPA's proposed facilities will be integrated into current port operations, as well as in niches where the Port of Québec will be called on to perform in the coming years. Moreover, the Port expansion project will not in any way compromise the recreational potential or growth of nearby developed public sites. The QPA hopes that the efforts, commitments, and funds invested in recent years will be recognized for their fair value, with a view to sustainable development when it comes time to evaluate Québec City maritime community projects.

The QPA believes that each mode of transport is vital to the socioeconomic activities of Canadian society. Unfortunately, maritime transport is often on the defensive in public forums when environmental issues are raised, even though it is scientifically recognized as the mode of transport that generates the least pollution.

On a day-to-day basis, the main environmental issues the QPA faces deal with the activities of operators whose equipment and facilities are on its property. Over the course of the year, a preliminary environmental review of seven such projects by port operators was carried out, including the construction and relocation of liquid product tanks and the development of storage areas for dry bulk cargo.

In 2007, the 400th anniversary projects were the subject of intensive pre-consultations with various government stakeholders. In addition, a joint Québec Port Authority and Canada Economic Development committee was put in place to discuss and review any new issues and/or unforeseen constraints arising from said projects.

The QPA finished planning the rehabilitation work it will be completing on property in the western part of the Anseau-Foulon sector. A set of measures was developed in 2007, building on those of 2006. Once in place, the technology and equipment used will make it possible to restore soil contaminated from petroleum products at a time when no environmental standards existed.

The QPA is pleased to observe that operators take environmental issues very seriously, both with respect to their operations and in planning and developing new projects. Operators are also regularly installing handling equipment that is increasingly environmentally efficient.







With transshipping operations booming, 2007 was a very good year not only for total tonnage, which reached new heights, but also for resulting profits. The Port managed to significantly increase earnings while maintaining the same spending level, recording a particularly high operating income.

Operating revenue rose from \$17.9 million to \$20.9 million, up nearly 17%. This increase in revenue is primarily due to growth in cargo traffic and the resulting port fees. Again in 2007, recorded growth—particularly in dry bulk cargo traffic—contributed to these results. Fixed and other rents based on activities billed to terminal operators and other tenants also played a part.

Operating expenses held steady at \$12.4 million in 2006 and 2007 despite the significant increase in activity, thanks to tight control on spending in all areas of activity.

Operating income before depreciation and other items rose from \$5.4 million in 2006 to \$8.4 million in 2007, up more than 55%. Depreciation expenses were \$2.7 million in 2007 compared to \$2.4 million in 2006. Other items (financial revenue and environmental costs) generated a net profit of \$1.1 million compared to a net loss of \$87,000 in 2006. A \$138,000 increase in net interest income plus a \$1.1 million difference in environmental costs explain this difference. Net earnings for the fiscal year ending December 31, 2007 were \$6.9 million—a 230% increase from \$3 million in the previous year.



QUÉBEC PORT AUTHORITY		
	\$	\$
SUMMARIZED BALANCE SHEET		
As at December 31,		
	2007	2006
CURRENT ASSETS	13,152,566	10,893,928
LONG-TERM ASSETS		
NET INVESTMENTS IN DIRECT FINANCING LEASES	25,430,349	27,367,032
ENVIRONMENTAL EXPENSES RECOVERABLE	883,615	1,105,391
CAPITAL ASSETS	117,964,285	88,045,023
DEFERRED CHARGES	1,066,670	1,200,003
	145,344,919	117,717,449
	158,497,485	128,611,377
CURRENT LIABILITIES	17,566,357	13,112,108
LONG-TERM LIABILITIES		
ENVIRONMENTAL LIABILITIES	3,102,597	3,094,680
LONG-TERM DEBT	8,911,269	17,409,401
DEFERRED CONTRIBUTIONS	79,701,675	52,877,345
EMPLOYEE FUTURE BENEFITS	1,720,300	1,509,500
	93,435,841	74,890,926
AUTHORITY'S EQUITY	47,495,287	40,608,343
	158,497,485	128,611,377

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 QUÉBEC PORT AUTHORITY as at December 31, 2007 and for the year then ended on which we expressed an opinion without reservation in our report dated February 22, 2008. 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.

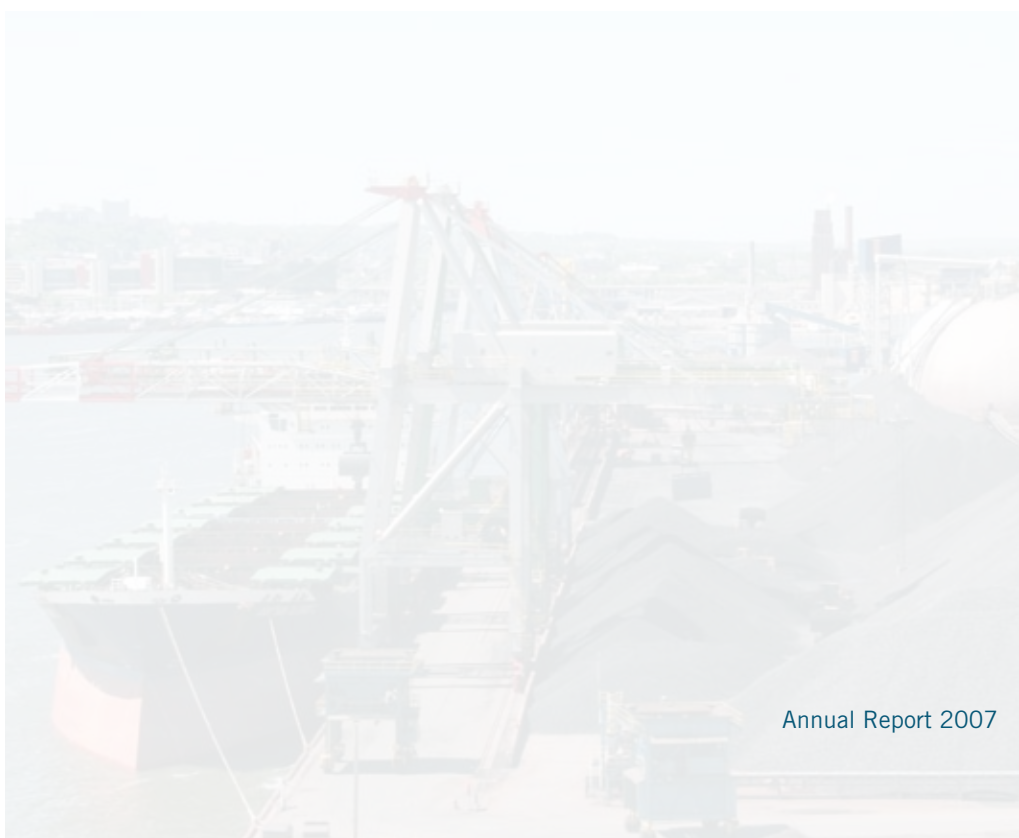
Mallette

Mallette
L.L.P.
Chartered Accountants

Québec City, Canada
February 22, 2008

QUÉBEC PORT AUTHORITY		\$	\$
SUMMARIZED STATEMENT OF INCOME			
For the year ended December 31,		2007	2006
REVENUE FROM OPERATIONS	20,880,989		17,866,064
EXPENSES	12,435,041		12,449,049
INCOME BEFORE AMORTIZATION AND OTHER ITEMS	8,445,948		5,417,015
AMORTIZATION NET OF DEFERRED CONTRIBUTIONS AMORTIZATION	2,690,494		2,372,576
INCOME BEFORE OTHER ITEMS	5,755,454		3,044,439
OTHER ITEMS	1,131,490		(86,539)
NET INCOME	6,886,944		2,957,900

SUMMARIZE CASH FLOWS			
For the year ended December 31,		2007	2006
OPERATING ACTIVITIES		7,737,404	4,935,969
INVESTING ACTIVITIES			
Acquisition of capital assets		(27,973,632)	(8,621,827)
Receipts from direct financing leases		2,600,942	2,426,688
		(25,372,690)	(6,195,139)
FINANCING ACTIVITIES			
Change in amounts payable to a related party		(2,217,463)	3,451,515
Net change in long-term debt		(8,498,132)	(8,501,757)
Receipts related to deferred contributions		28,558,362	6,067,020
Environmental liabilities settled, net of recoveries		(75,000)	(14,001)
		17,767,767	1,002,777
INCREASE (DECREASE) IN CASH		132,481	(256,393)



The QPA's directors are responsible for carrying out the QPA mission, planning the Port's long-term development, and ensuring its compliance with applicable legislation and regulations.

The vitality of Port operations and the QPA's many initiatives—particularly those tied to the federal legacy and certain activities and development projects planned for 2008—generally filled up the agenda of meetings held during the year.

The audit committee monitored developments in the QPA's financial position throughout the year. Governance issues, as well as the set of measures taken in funding development projects for the federal legacy were central to the committee's work. The committee also monitored the application of current and forthcoming accounting principles. In addition, favourable variance to budget in earnings tied to Port operations as well as compliance with scheduled spending led the committee members to observe that the QPA had again improved its financial health in 2007 compared to 2006.

The Port/City Committee also monitored the federal legacy construction projects being carried out by the QPA on its properties. Issues regarding the use and management of facilities under development were discussed. The QPA expected to sign an agreement with the National Battlefields Commission regarding Bassin Brown site management, while cooperation with the City of Québec is desirable for Baie de Beauport. As regards the Baie de Beauport development project, the QPA and the City of Québec signed an agreement recognizing the dual vocation of the Beauport sector, including current facilities and those the QPA plans to build in the future. The QPA expects to be more directly involved in

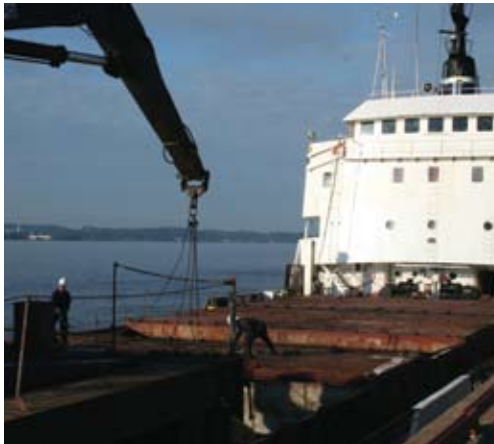
managing the Pointe-à-Carcy site given the proximity of other activities, particularly cruise ship reception. Although no agreement had been signed at the end of the year, the Port Authority expects that the parties concerned will cooperate on the matter.

Other topics addressed include possible access to Baie de Beauport via Rue d'Estimauville, redevelopment and reconstruction of the CN switching yard, shoreline erosion along Boulevard Champlain, and integrated transit management in Old Québec.

Every month, the directors review an environmental report covering all incidents, current operations, and projects under consideration on all Port properties. In taking this approach, the QPA also seeks to monitor and document corporate memory with respect to the environment.

The board of directors is satisfied with the measures put in place since the federal government agreed to comply with ISPS (International Ship & Ports Safety) standards. The adoption of these standards has led the QPA, in cooperation with its terminal operators, to secure the Baie de Beauport, Estuaire, and Anseau-Foulon port sectors.

Thanks to the security perimeter, cameras, and other computer equipment put in place, access to port sites is fully controlled by Harbour Services, 24 hours a day.



Work completed between 2004 and 2007 has generated capital spending of over \$5.3 million. It should be noted that under the federal program, the QPA—like the other Canadian port authorities—was reimbursed by the federal government for 75% of the amounts invested.

The board of directors is proud of the supervision and leadership management it provides to all QPA employees. The directors are also pleased to observe that the current staff work in a supportive, stimulating, and challenging environment, and enjoy access to training and assistance with information systems and communication tools.



BOARD OF DIRECTORS OF THE QUÉBEC PORT AUTHORITY

As of December 31st, 2007



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 Desagnés
*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



M° Serge Lebel
*Member of the Board
Member of the Audit Committee*

Representing the Government of Québec



M° Louis Rochette
*Member of the Board
Member of the Executive Committee
Chairman of the Port/City Advisory Committee*

Representing the Government of Canada



M° Pascal Raby
Corporate Secretary



The fact that 2007 was a banner year for the Port, which recorded its strongest performance ever, is highly significant. These results show how strongly the Port has contributed to Canadian foreign trade and the economic diversification of its region throughout the years.

In 2008, the Québec Port Authority will celebrate its 150th anniversary, an event that will coincide with Québec City's 400th anniversary. To mark the occasion, the QPA will get involved in its community in a way unequalled by any other Canadian port authority.





In the past 20 years, the QPA has made optimizing the use of the port properties under its management a main priority. To this end, the Port Authority and its partners have invested more than \$200 million in developing new terminals and upgrading various handling and storage facilities. These initiatives have paid off, as Québec is now the third leading Canadian port city in terms of tonnage. These results are not the QPA's only proud accomplishment. The fact that they were achieved in perfect harmony with its environment is even more gratifying. Consequently, the QPA has shown beyond a doubt that modern port operations can be fully integrated into the urban, environmental, and social reality of the Québec City area. The following three examples speak for themselves:

- The fact that three times more tonnage passed through the Beauport sector in 2007 than in 2001 without any impact on residents is highly significant. At the opening of the Baie de Beauport site in 2008, the QPA plans to emphasize that cohabitation between the sector's port and recreational vocations is possible and desirable.
- The number of passengers and crew passing through Québec City has doubled since the Pointe-à-Carcy cruise terminal was developed in 2000–2001. Thanks to the QPA's management of the terminal, this growth has generated none of the potential nuisances identified by certain opponents with regard to noise, traffic, or even the risk that the area where the terminal is located might lose its UNESCO world heritage status.

In the Estuaire and Anse-au-Foulon sectors, the QPA and its partners have agreed to various facilities and projects requested by municipal authorities, including bicycle paths, demonstrating the maritime community's strong commitment to contributing to city life. The staging of major performances such as Cavalia in the summer of 2006 on QPA property is an example of this. Also noteworthy is the Port's collaboration in organizing events for Québec City's 400th anniversary celebrations.

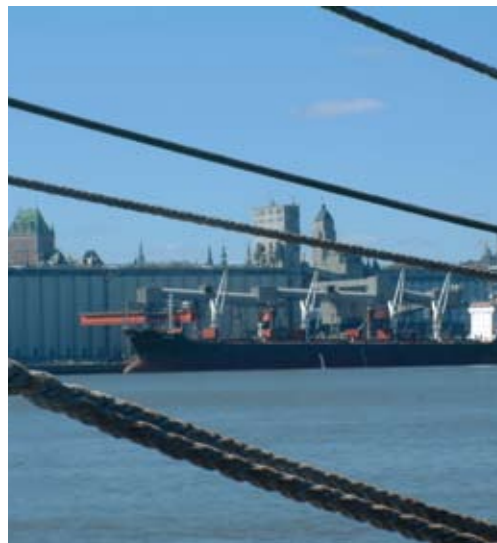
By taking an active role in urban projects and cooperating in a way that few corporate stakeholders do, the QPA is preparing for the port operations of tomorrow. By clearly demonstrating to the public and elected officials that the Port of Québec is indispensable economically, socially, and environmentally, the QPA can pursue the development of new port facilities.

The QPA and the entire Québec City maritime community are currently facing a variety of challenges. Restoring Port heritage as a whole and funding port expansion projects are only two of them. The Port's extraordinary growth potential and the considerable economic spinoffs generated by current and future operations are the maritime community's main motivation. To tackle all these challenges, the QPA is building on the strengths that have made the Port successful over the years, i.e. the maritime community's expertise and the exceptional natural features of Québec Harbour.

The QPA believes that market globalization will bring opportunities and collective wealth to the region, particularly through its maritime community. With the Port and its bulk goods transshipping operations, Québec City can diversify its

economic base and take advantage of positive spinoffs from industries in the Great Lakes region.

The Port of Québec allows its region to benefit from the economic spinoffs generated by industries thousands of kilometres away. When a Toronto shipper chooses the Port of Québec to import goods from China, it is injecting new money into the Québec City area. Each time a ship docks at one of the Port's wharves, there is work for operators, stevedores, dockers, pilots, machinists, and professionals of all kinds. With approximately 1,000 ships welcomed in 2007, the Port has made a unique contribution to Québec City's international profile.



The future commercial positioning of the Port of Québec is being planned and realized today. Future Port traffic in goods and cruise passengers in the coming years will be the result of the work done every day by the Port Authority and its partners, with the support of regional authorities.

The Port of Québec is a symbol of its region. Supporting the Port means enriching the City of Québec with a strong industry blessed by a magnificent past and a brilliant future.

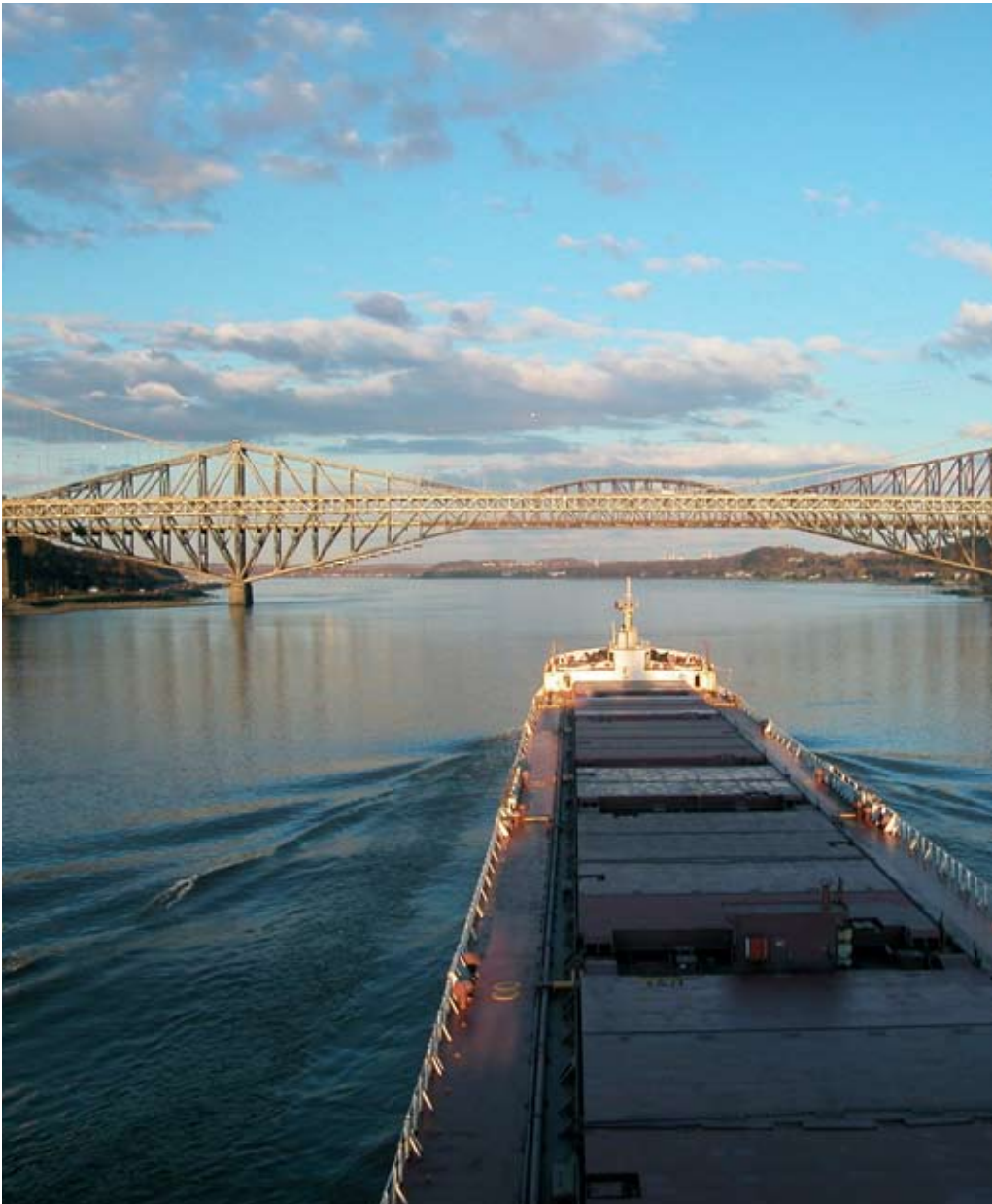


Photo: Jim McRae





Québec Port Authority

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