



ANNUAL REPORT

2015

DELIVERING
THE BEST TO
OUR WORLD 





PREVIEW



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TO OUR WORLD**

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PIERRE D. GAGNON
CEO



AVIT OUELLET
Chairman

MESSAGE FROM MANAGEMENT

2015 was quite a demanding, unexpected and stimulating year! We went through a period of turbulence; we had to defend our interests, secure our gains and most importantly, “deliver the best to our world”. We had no control over the sudden and steep drop in the price of iron or on the business decisions of some of our users. 2015 was marked by major changes, creating an opportunity for self-assessment, renewed dialogue and growth.

The final impact was a 40% decrease in revenues and a major drop in the handling at our facilities. Now more than ever, there is a need for prudence and sensible management in the wake of upcoming operations and activities.

The delivery of a world-class infrastructure such as the multi-user dock comes at a time when its many qualities can make a difference in the falling iron market. In fact, the use of large vessels such as the Chinamax can represent a 30 to 40% decrease in shipping costs and allow shippers to remain competitive within an abundant market.

The sale of Cliffs Natural Resource’s Pointe-Noire assets through the Companies’ Creditors Arrangement Act was an opportunity for the Port of Sept-Îles and government authorities to ensure the continued existence of operations in the sector as well as to support the revitalization of Pointe-Noire, very important stepping stone for our community, and the implementation of the Plan Nord.

The activities we have implemented in the last 15 years have allowed us to remain competitive on all fronts. We rely on the commitment of the **Board members** as well as the professionalism and passion of the **Port’s team**. We also build on the excellent relationships with our partners, users and community, built over time on a foundation of strong mutual respect, trust and partnership.

A QUICK GLANCE





US

MISSION

The Port of Sept-Îles, benefitting from the natural advantages of the Bay of Sept-Îles, has the mission to remain an important development agent by providing adequate facilities and efficient services in a partnership framework and with a sustainable development approach.

VALUES

The Port of Sept-Îles' performance is based on its values: partnership, commitment, professionalism, client-oriented, expertise and that of its 7-star team: pride, audacity, solidarity and the desire to continuously surpass ourselves.

These values define who we are, what is important to us, and what inspires us. We share them on a daily basis with a multitude of individuals, organisations and partners, all as important, whether big or small.

COMMUNICATIONS

We have always made our relationships with our partners and community a priority. However, this year's context has pushed us to further our communication skills to get even closer to our community and develop a sense of pride and belonging to the Port. We consulted with local collaborators and experts to implement our action plan. [Our revamped website](#) is at the heart of our strategy. Going forward, other communication tools will be put in place in order to quickly and easily, deliver the best to our world!



OUR PORT

PORT OPERATIONS

The volume of cargo handled at the Port of Sept-Îles facilities in 2015 dropped 4.6%, totalling 22.7 million metric tons compared to 23.8 million in 2014. This decrease is essentially attributable to the end of Cliffs Natural Resources' activities at Pointe-Noire, which was however compensated by an increase in Rio Tinto IOC's productivity, which increased its shipments by 24%, reaching 17.8 million tons. As for Tata Steel Minerals Canada, it reached 2.3 million in handled tons, making the company an important player with close to 10% of the Port's annual volume.

As for the cruises, the rejuvenation of the cruise pavilion and the signage project in the downtown area marked the beginning of the season. Despite the cancellation of two visits due to weather, the arrival of the MS Marco Polo for an overnight stay was quite enriching and rewarding for everyone involved, with the added bonus of great worldwide visibility thanks to media attention.

POINTE-NOIRE STATUS

Cliffs Natural Resources' announcement that it was ceasing all operations added major constraints to the Port and its users but its impact was less negative than expected. The beginning of 2016 saw a positive outcome for us, our partners and the current and future users. Throughout this process, a lot of energy was invested in sometimes sensitive and complex actions undertaken in collaboration with government authorities. The path is now open to new opportunities for this strategic sector.



ACHIEVEMENTS

2015 was marked with the February arrival of two huge shiploaders (the largest in North America) at the multi-user dock, catching the maritime community’s attention worldwide thanks to a feature on an episode of Mighty Ships on the Discovery Channel. The installation of this equipment was completed at the end of October. The multi-user dock will be ready to welcome its first ore carrier as soon as the connection to it is completed by the users.

WORLD-CLASS SPECIFICATIONS

TRESTLE	560 m long x15 m wide 42 piles between 15 m and 50 m long
WHARF	400 m long x 21 m wide 88 piles approximately 50 m long
DEPTH	20.7 m (25.3 m potential)
LOADING EQUIPMENT	2 shiploaders with a nominal capacity of 8,000 tons an hour 2,015 m of ore conveyors

IMPRESSIVE STATISTICS

5,277 LINEAR METERS OF STEEL PILES	Placed end to end, these 0.9 m to 1.8 m diameter piles would be as long as 444 school buses.
22,200 M³ OF CONCRETE	Enough to fill 8 Olympic-sized pools.
14 CONVEYOR GALLERIES	Each gallery is 15 m wide by 40 m long by 10 m tall and weighs 130 metric tons—the equivalent of 16.5 school buses.
222 PRESTRESSED CONCRETE BEAMS	Each beam weighs between 33 and 63 tons, for a total weight equivalent to 1,090 school buses.
550 TONS OF IRON REINFORCEMENT	95% of the reinforcement is made of galvanized steel to extend the wharf’s life cycle.
700 WORKERS	In November 2013, 320 workers were on site, nearly 70% of whom were local. In all, 700 workers took part in building the site.



We are particularly proud of the inauguration of the **Hermel exhibition site** at our Marina, putting the spotlight on the transatlantic rowboat which was recently acquired by the Port. Thanks to the collaboration of Tourisme Sept-Îles and Club nautique de Sept-Îles, a record number of more than 4 000 visitors were able to see the rowboat during the short opening period at the end of the summer. The Marina can now bear the title of Hermel's home port.

To Push the Limits– Mylène Paquette is the first person in the Americas to have crossed the North Atlantic Ocean by paddle, alone. She achieved this long voyage on board the Hermel, named in honor of her mentor.

To Recall – During the production of this report, Mylène's mentor, Mr. Hermel Lavoie passed away. Mr. Lavoie was a major force behind Mylène's great adventure: he was a great support during the building of the rowboat and the preparation for her journey. As her navigation consultant, he maintained phone contact with her during her 129 day voyage, providing constant support. He also acted as our intermediary during the purchase of this precious rowboat and we would like to pay him tribute.

OUR WORLD

ENVIRONMENT

In 2015, the Port focused on maintaining and improving its performance environmentally. We have renewed our commitment to the Green Alliance program as well as ensured the environmental compliance of our on-site facilities.

We measured the greenhouse gas emissions caused by our electricity consumption and use of automobiles. The Port now uses its electric car to travel to Pointe-Noire on a daily basis.

Environmental compliance of the Port of Sept-Îles facilities and that of its users allows us to target and remedy all non-compliance as soon as it occurs. This year's particular focus was ensuring the quality of our multi-user terminal upon its completion. Furthermore, we authorised the removal of old underground piping belonging to Shell on the Pointe-aux-Basques terminal. The site is now as it was initially thanks to the removal of a bitumen pipe and two oil pipes that existed on the width of the dock since the 1960s.





COMMUNITY

We have been active in our community through contributions to over 80 local organisations. We acted as a major partner for Vieux-Quai en Fête ; financed the "5 à Huîtres maritime" benefiting Élyme des sables, and donated 100 turkeys to Comptoir alimentaire de Sept-Îles during the Grande guignolée des médias. These are only a few examples of the Port's involvement and that of our team in our community, totalling more than \$ 120,000 in contributions.

PRIDE

The Port of Sept-Îles is always very proud to hear good news about the performances and achievements of athletes, artists and local organisations.

We have had the pleasure of greeting Mylène Paquette during her annual visit. She was able to see where her precious Hermel is exposed as well as share her experience with highschool students during two conferences.

Véronik Mallet, member of the Canadian Figure Skating Team, and guest of honour at the 5 à Huîtres maritime, received the Port's corporate support for her participation in the next Olympic Games.

We now have a community bulletin board on our website showcasing the people, projects and actions that draw our attention and make us proud.



FINANCIAL PERFORMANCE

2015 marked the end of Cliffs Natural Resources' activities. The absence of ore shipments at Pointe-Noire during the year was the main cause of the **43% decrease in revenues, down to \$7,423 k.**

The Port had to review its approach in order to lower operating expenses compared to 2014 and reach **positive earnings from operations of \$ 222 k** at the end of 2015.

As for other income and expenses, 2015 was the first year that the fair value of interest rate swaps was accounted for the new debt related to the multi-user dock. Its impact was mostly felt on long-term debt adjustments with the **accounting of \$ 3,602 k in expenses** in the income statement.

Consequently, a **negative income of \$ 3,042 k has resulted**, compared to last year's \$ 6,001 k gain.

Almost all investments made by the Port in the last year were concentrated on the completion of the multi-user dock, for a total amount of **\$ 17,7 M.**

COMPREHENSIVE FINANCIAL STATEMENT

Year ended December 31, 2015

(in thousands of dollars)

	2015	2014
REVENUES	7,423	13,047
EXPENSES		
Operating expenses	3,699	4,287
Administrative expenses	3,502	3,005
	7,201	7,292
EARNINGS FROM OPERATIONS	222	5,755
OTHER REVENUES (EXPENSES)		
Other revenues	1,047	1,519
Changes in the fair value of interest rate swaps	(3,602)	55
Interest on long-term debt	(841)	(681)
OTHER COMPREHENSIVE INCOME	132	(647)
COMPREHENSIVE INCOME	(3,042)	6,001
CAPITAL EXPENDITURES	17,991	55,676



STATEMENT OF FINANCIAL POSITION

as at December 31, 2015
(in thousands of dollars)

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	11,550	34,313
Accounts receivable	2,522	9,361
Prepaid expenses	108	115
Current portion of investments	1,500	1,000
Current portion of net investment in finance leases	3,033	3,223
	18,713	48,012
INVESTMENTS	2,500	3,000
NET INVESTMENTS IN FINANCE LEASES	9,346	12,380
GRANTS RECEIVABLE	2,965	3,630
CONTRIBUTIONS RECEIVABLE	11,000	11,000
DEPOSIT ON PROPERTY AND EQUIPMENT	1,000	
PROPERTY AND EQUIPMENT	303,546	287,980
	349,070	366,002
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Bank loan	0	10,000
Accounts payable and accrued liabilities	2,554	12,009
Deferred revenues	45	688
Current portion of long-term debt	7,168	6,352
	9,767	29,049
DEFERRED REVENUES	95,023	94,460
LONG-TERM DEBT	66,382	63,782
DERIVATIVE INSTRUMENTS - INTEREST RATE SWAPS	4,557	955
DEFERRED GRANTS ON PROPERTY AND EQUIPMENT	101,219	102,408
DEFINED BENEFIT LIABILITIES	951	1,135
	277,899	291,789
CAPITAL		
Contributed capital	11,707	11,707
Retained earnings	60,405	63,580
Reserve	(941)	(1,074)
	71,171	74,213
	349,070	366,002



DELIVERING THE BEST TO OUR WORLD

The Port of Sept-Îles is keen on preserving its competitive position on the international level mainly because of the leading edge and the quality of its world-class port facilities.

The Port of Sept-Îles is a very active and inspiring partner, an exemplary citizen supporting common objectives and strong relationships. It is the way it intends to ensure a bright future for everyone.

INFRASTRUCTURE

The arrival of Société du Plan Nord as a new partner at Pointe-Noire will lead to a shared **management approach of the installations**, which in the long term will allow us to welcome other major industrial projects. A new era, a new beginning!

ENVIRONMENT

The Port of Sept-Îles continues its efforts and investments to maintain its leadership position in the field of **environment** and to support research projects which may have an impact on natural habitats. We are proud to support the work of Observatoire de veille environnementale de la baie de Sept-Îles and its unprecedented characterization efforts on the St-Lawrence.

COMMUNITY

The Port of Sept-Îles holds its relationship with the **community** close to heart. Our foray into social media allows us a new way of connecting but it will never replace human contacts, warm handshakes and our presence at activities and events.
