



ANNUAL REPORT

2018

RENEWAL & GROWTH





PREVIEW



RENEWAL & GROWTH



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Pride



Photos : PSI



PIERRE D. GAGNON
President & CEO



PIERRE CÔTÉ
Chairman



A WORD FROM MANAGEMENT

There's no question that 2018 was a year that turned things around at the Port as the new state-of-the-art multi-user dock came online and the Port charted a new course toward a future of sustained growth.

Another highlight was the arrival of Tacora Resources as a new partner in the multi-user dock. Tacora will bring a significant increase—6.5 million tons—in the annual volume handled by the Port and will spend close to \$50 million to get the facilities of SFPPN (Société ferroviaire et portuaire de Pointe-Noire) up to speed.

Early in the year, the Port's partnership with SFPPN led to the successful startup of Pointe-Noire's facilities in preparation for Quebec Iron Ore's reopening of the Bloom Lake Mine. Inspired by that partnership, we are pursuing our efforts to attract new industries here to diversify the local economy. Soon the Port, SFPPN, and their main user-partners will have added a third pillar to the Sept-Îles economy to go with the Iron Ore Company (IOC) and Aluminerie Alouette.

We were however forced to close down the Pointe-aux-Basques Intermodal Terminal due to delayed financing for needed repairs and updates. The Pointe-aux-Basques Terminal is the supply gateway to the interior and connects the remote villages of the Lower North Shore. The shutdown has also hurt the Bella-Desgagnés connection, which will be temporarily rerouted to the cruise-ship wharf, and complicated the transportation logistics for other terminal users.

The Port continued to advocate with other regional economic actors for a regional approach that would leverage the tremendous potential and complementarity of the area's maritime, rail, and road transportation infrastructure. The City of Sept-Îles and the Innu TakuaiKAN Uashat mak Mani-utenam (ITUM) Council are also working together to develop services and attractions for cruise-ship passengers and to improve the bay area so it can be enjoyed by both locals and tourists. All these joint projects will also create jobs, enhance the vitality of the area, and boost quality of life in neighbouring communities.

That momentum is also behind a concerted effort by the community's social and economic stakeholders to develop Sept-Îles's industrial port zone. Public consultations on the issue were held throughout the area in fall 2018 to sound out people's concerns and collect suggestions.

In the past 20 years, we at the Port have grown into and taken on the role of a catalyst for local development, always inspired by the strength of partnerships. Today we have the wind in our sails and are ready to seize the opportunities for growth approaching on the horizon.



THE PORT AT A GLANCE

428
SHIPS 

25,362,602
TONS OF CARGO  

4
CRUISE SHIPS, INCLUDING
THE QUEEN MARY 2


7,960
PASSENGERS
AND CREW 

20
COMMUNITY
ACTIONS 



US

Photo : PSI

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

Partnership, commitment, expertise, and client-centricity are our core values at the Port of Sept-Îles. We are a seven-star team, proudly and boldly striving to excel, always in a spirit of solidarity. These values define who we are, what we aim to achieve, and what inspires us.

VISION

The Port of Sept-Îles will maintain its enviable position on the international stage thanks to its advanced, world-class port facilities, which include the new multi-user dock, whose 50 million-ton annual shipping capacity is the highest of any dock in North America.

The Port of Sept-Îles will be an active and inspiring partner—a model corporate citizen supporting the well-being of the community and safeguarding the ecological integrity of the Bay of Sept-Îles.



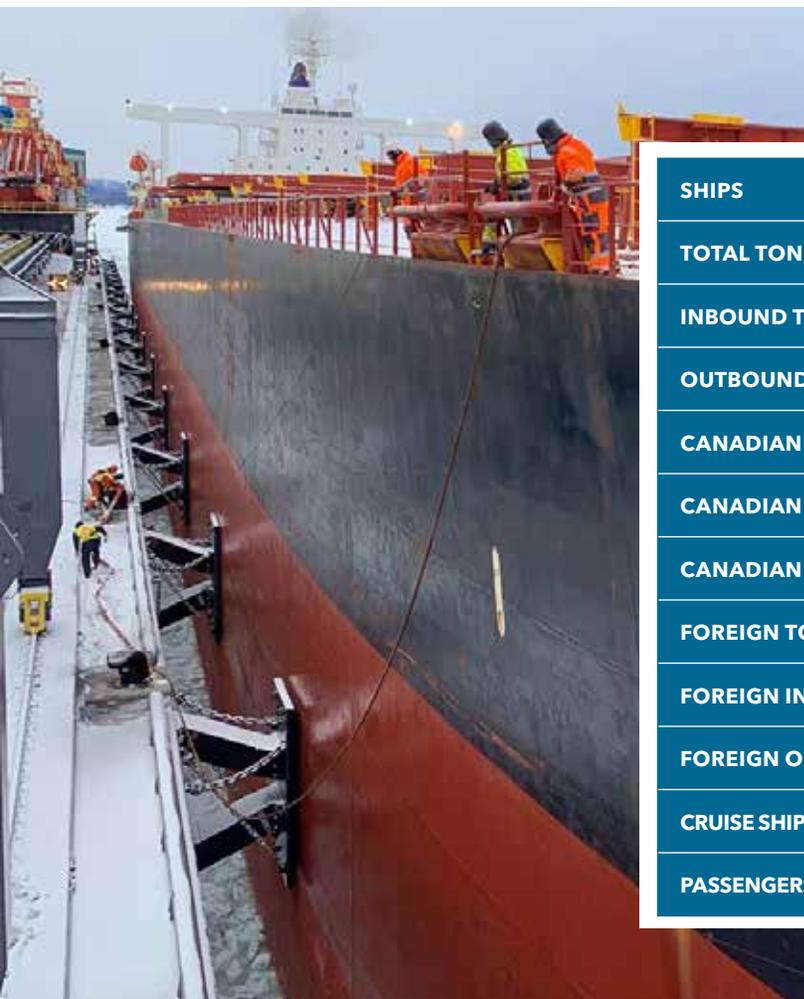
Photo : DSIN

OUR PORT

PORTRAIT OF PORT OPERATIONS

The Port of Sept-Îles is pleased to announce a 4.7% increase in cargo handled, to 25,362,602 t versus 24,231,004 t in 2017. The increase is entirely attributable to the multi-user dock, which shipped more than 5.5 million tons to more than offset a drop in shipments due to a labour dispute at IOC-Rio Tinto early in the year.

For cruise ships, 2018 was the second best season in Port history, with four ships bringing 7,960 passengers and crew members to our shores. And there's no keeping quiet about the return of the Queen Mary 2, or the visit by Mylène Paquette, who came to talk about her harrowing solo crossing of the Atlantic.



	2018	2017
SHIPS	428	457
TOTAL TONNAGE	25,362,602	24,231,004
INBOUND TONNAGE	2,102,688	2,150,554
OUTBOUND TONNAGE	23,259,914	22,080,450
CANADIAN TONNAGE	428,309	547,814
CANADIAN INBOUND	407,888	406,600
CANADIAN OUTBOUND	20,421	141,214
FOREIGN TONNAGE	24,934,293	23,683,190
FOREIGN INBOUND	1,694,800	1,743,954
FOREIGN OUTBOUND	23,239,493	21,939,236
CRUISE SHIPS	4	5
PASSENGERS	5,202	4,896

TOP MARCHANDISES			
		2018	2017
1	Iron ore	22,816,600	21,531,404
2	Alumina	1,137,107	1,159,357
3	Aluminum	432,016	475,745
4	Fuel oil/diesel/gasoline	319,944	286,617
5	Petroleum coke	245,154	237,050
6	Dolomite	139,987	0
7	Coke breeze	86,991	90,243
8	Bentonite	78,500	104,551
9	Other liquid bulk	56,016	42,861
10	Other cargo	38,749	42,017
11	Other dry bulk	11,538	261,159



Photo : PSI

HIGHLIGHTS OF 2018

- ▶ Successful startup of the Bloom Lake iron mine, whose production exceeded projections. Kudos to Quebec Iron Ore, a subsidiary of Champion Iron.
- ▶ All challenges adroitly handled by multi-user dock operator Logistec on operations and maintenance together with the Port's multi-user dock team.
- ▶ The Port of Sept-Îles is thrilled with its acquisition of 17 sculptures by local artist Jean-Pier Synnott. Each work is made entirely out of scrap metal, with pieces depicting various animals, whimsical characters, and even a complete underwater scene. They will be on permanent display at the Monseigneur Blanche Terminal connecting to the cruise ship dock.



Photo : Claudy Deschenes

OUR WORLD

ENVIRONMENT

The City and Port of Sept-Îles initiated a research project five years ago and this year released the report on all the research conducted by the Environmental Observatory in the Bay of Sept-Îles, including data and findings from phases I, II, and III. The primary objective for both the City and the Port was to better understand the bay, its current condition and how it has been affected by the surrounding development. The new knowledge will be used to develop and implement the right programs to preserve and protect the bay in the long term. We should now for example be able to assess ecosystem carrying capacity and make sure that projects are acceptable and safe both for the public and the environment.

This extensive, comprehensive study—the first of its kind ever conducted within the St. Lawrence River System—attests to our leadership and determination to pursue sustainable development in harmony with the priceless ecosystem of the Bay of Sept-Îles.

A First | Contributions from Users | A Focus of International Research





The new Le Virage volunteer centre in Sept-Îles
Partnership with meals on wheels for volunteer centre clients



Media Food Drive
Partnership with the Comptoir alimentaire de Sept-Îles



MS Bike (for multiple sclerosis)
Partnership to support medical research



Galleries Montagnaises Mamu Marathon
Partnership to support healthy lifestyles



Vieux-Quai en fête
Partnership to support family quality of life

COMMUNITY ACTION

The Port's donations and funding policy was updated in 2018 to help meet the needs of community organizations and families.

Fundraiser

5 à Huîtres maritime oysterfest | L'Élyme des Sables Palliative Care Home

Schools

Building a Wharf in Deep Water

- November 20, grade 6, Gamache School
- November 22, grade 5, Maisonneuve School

Débrouillards Club

Building a Wharf in Deep Water

- February 28 and August 15

Loan of materials

- Sept-Îles en mots
- Hommes Sept-Îles Classique Oxygène hockey tournament
- Galleries Montagnaises Marathon Mamu
- Maison du Transit (Dragon Boats and Homeless Night)
- Percussion Festival
- L'Envol Maison de la Famille (Beer and Sausage event)

Dons

- Le Virage volunteer centre: \$25,000
- Vieux-Quai en fête: \$10,000
- Gallix Ski and Recreation Centre: \$5,000
- Comptoir alimentaire de Sept-Îles Foodbank: \$2,000
- Hivernants winter festival: \$1,000



SHARING THE PRIDE

Destination Sept-Îles Nakauinanu was a big winner at the Quebec Tourism Industry Alliance’s 2018 Awards Gala, taking home the Award of Excellence in the Partnership Initiative category. The jury of industry professionals across the province noted the wonderful synergy that developed among the collaborators responding to the surprise announcement of a visit by HMS Queen Mary 2 in October 2017 on two weeks’ notice. The three partners involved—the City and Port of Sept-Îles and Innu TakuaiKAN Uashat mak Mani-Utenam (ITUM)—stood out for the original, open-ended, creative partnership they established. This tip of the hat from the industry recognizes all the hard work and determination of the whole community to cement the status of Sept-Îles and ITUM as world-class travel destinations.



FINANCIAL RESULTS

The growth of \$16.1 million in sales (81%) and \$12.7 million in operating expenses (88%) are both attributable to the multi-user dock startup. The combined increases in revenue and expenses produced net profits of \$3.381 million at year's end, up \$1.27 million from the previous year.

Significant variations in other columns from fiscal 2017 are mainly related to multi-user dock user contract obligations, but required no outlay of Port funds. This was also the case for variation in the fair market value of interest-rate swaps.

The overall result is a positive balance of \$13.887 million, up from \$7.392 million in 2017.

Nearly all the Port's investments over the year went to the multi-user dock, with the completion of the dock's central transfer tower and acquisition of equipment.

COMPREHENSIVE INCOME STATEMENT
for the year ended December 31, 2018
(in thousands)

	2018	2017
REVENUE	16,061	8,857
EXPENSES		
Expenses	9,526	3,759
Administrative expenses	3,154	2,987
	12,680	6,746
EARNINGS FROM OPERATIONS	3,381	2,111
OTHER		
Other revenues	816	3,535
Variation in FMV of interest-rate swaps	507	2,172
Long-term debt	(1,542)	(1,903)
Multi-user dock	10,712	-
Gain on cancelled contract	-	1,594
OTHER COMPREHENSIVE INCOME	13	(117)
COMPREHENSIVE INCOME	13,887	7,392
CAPITAL EXPENDITURES	5,414	2,123

STATEMENT OF FINANCIAL POSITION

as at December 31, 2018
(in thousands)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	19,238	23,355
Accounts receivable	3,549	1,999
Prepaid expenses	1,923	78
Current portion of investments	1,500	2,500
Current portion of net investment in a finance lease	2,384	1,723
	28,594	29,655
INVESTMENTS	2,500	1,500
NET INVESTMENT IN A FINANCE LEASE	2,486	4,795
GRANTS RECEIVABLE	787	1,544
CONTRIBUTIONS RECEIVABLE	29	0
PROPERTY AND EQUIPMENT	298,006	302,228
	332,402	339,722

	2018	2017
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	2,967	3,363
Deferred revenues	2,404	1,622
Current portion of long-term debt	5,922	5,892
	11,293	10,877
DEFERRED REVENUES	83,076	95,664
LONG-TERM DEBT	39,635	45,557
DERIVATIVE INSTRUMENTS - INTEREST RATE SWAPS	970	1,477
DEFERRED CONTRIBUTIONS	96,098	98,612
DEFINED BENEFIT LIABILITIES - PENSION PLAN	0	189
DEFINED BENEFIT LIABILITIES - SEVERANCE PAYMENTS	665	568
	231,737	252,944
CAPITAL		
Contributed capital	11,707	11,707
Excess of assets over liabilities	89,888	76,015
Accumulated other comprehensive income	(930)	(944)
	100,665	86,778
	332,402	339,722



Photo : Jim Redmond

RENEWAL

The year 2018 will be remembered as a year when the Port was filled with a new energy, mainly because of the two massive and highly strategic undertakings that came online—the multi-user dock and the new partnership with SFPPN.

The multi-user dock is acknowledged as North America's biggest bulk terminal and is destined to be a powerful development driver.

These two great projects have turned things around for the iron ore sector and are kicking the local economy into a higher gear.

GROWTH

Current growth is driven by the numerous partnerships the Port has cemented in recent years. Partnerships with the Government of Quebec and with SFPPN, which have given rise to key long-term agreements for Pointe-Noire, are set to realize the full potential of this key sector in support of the mining industry. Existing and developing companies will also be contributing high cargo volumes of their own within three to five years, which could double Port activities over the same period.

OUR PORT, GOING ON 20 YEARS

Twenty years ago the Port of Sept-Îles gained control of its port facilities and infrastructure from the federal government and became master of its own destiny, as did 18 other Canadian ports. Local autonomy gave the community a powerful lever for economic development, and to date over \$500 million has been invested in the local economy to serve the needs and aspirations of our valued partners and consolidate our position as North America's foremost ore-handling port.
