



## ANNUAL REPORT 2011



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## Message from the Chairman of the Board and President & CEO

For over a decade, the Port of Sept-Îles has gone from strength to strength thanks to the forces that drive it: a dedicated team inspired by a rich and valuable partnership with all the Port's users. When it came to achieving the very highest rankings in terms of handling capacity, international recognition and environmental responsibility, the challenges were huge, as big as the Port's growth potential — XXL in fact!

And the challenge to grow continues. 2011 has seen the Port reach new heights on two specific fronts: increased capacity thanks to new infrastructure and the benefits of implementing its sustainable development initiatives.

The completion of the optimization of La Relance and Pointe-Noire terminals, initiated in 2009 and representing a record investment totaling \$63 million, means we can now respond immediately to the growing needs of our users and partners while at the same time putting ourselves in pole position for the future. We are particularly proud that this work has been done on budget and on schedule.

And we want to stay on course for success with the imminent construction of a new multi-user wharf, a \$220 million investment that will allow us to further expand our capacity.

When it comes to sustainable development, the Port of Sept-Îles is not content to be a follower. We are in fact a recognized leader, as reflected in numerous ways since we gained our status as a port authority back in 1999. Moreover, the Port became the first in North America to have all of its stakeholders, users and terminals alike, join the Green Marine voluntary environmental program.

The hosting of the 53<sup>rd</sup> Annual Conference of the Association of Canadian Port Authorities (ACPA) saw the Port shine at the national level. With the support of the Sept-Îles maritime community, the Port welcomed Canadian port representatives in order to discuss and broaden topics critical to the industry such as competitiveness, the environment and freight trends in the continental and international maritime markets.

Being XXL in size and in quality demands the cultivation of shared values with our community and users. The Port of Sept-Îles promotes values of respect, transparency and reciprocity as part of a conscious decision to move forward together through growth guided by sustainable development.



M. PIERRE D. GAGNON,  
President and CEO

M. CAROL SOUCY,  
Chairman of the Board



# SUSTAINABLE DEVELOPMENT

## An Unwavering Policy and Commitment

Sustainable development has long been one of the Port's concerns and commitments. For example, as early as 2005, the Port of Sept-Îles won the Phénix Award for the environment, the most prestigious award of its type an organization can receive in Quebec.

This context of sustainable development has led to a long term vision aimed at propelling the Port to the position of world leader, the "best in class" when it comes to maritime and port concerns.

The five pillars of this vision are:

- ★ Reduced environmental impact through optimal management of energy, water and waste, as well as the protection of biodiversity.
- ★ A shared vision for the future focused on quality of life for people within the community.
- ★ Port growth and diversification in order to maintain the economic momentum essential to sustaining jobs and development in the region.
- ★ Respect for the work-life balance key to personal development and growth on a human scale.
- ★ Management aimed at continuous improvement and achievement of the highest international certifications in sustainable development.

### **Our mission**

The Port of Sept-Îles, which benefits from the natural advantages of the Bay of Sept-Îles, is committed to remaining an important development agent by providing appropriate facilities and efficient services in a spirit of partnership and sustainable development.

### **Our vision**

By 2020 we want to make the Port of Sept-Îles one of the largest bulk transshipment ports in North America while being recognized for our leadership in sustainable development.

### **Our values**

We seek to strengthen ties with our customers, our partners and the community through the values that guide us: dynamism, innovation, commitment, professionalism and partnership.

## XXL Growth

Given our phenomenal growth in 2010, one may have expected the Port of Sept-Îles to experience a slight slowdown in 2011. This was not the case: on the contrary, business increased to 26 million tonnes, nearly 4% higher than the previous year. We have to go back to 1981 to see equivalent volumes.

While this performance is obviously partly attributable to user activity, anticipation of this potential growth is what allowed the Port to invest in and undertake the efforts needed to increase its capacity. The close

relationship between the Port Authority and each of its users takes on full meaning here: the most spectacular illustration of this is the delivery of new infrastructure for La Relance and Pointe-Noire terminals.

Without incurring cost overruns and without delays, the capacity of these terminals was greatly enhanced. Pointe-Noire Terminal was quick to show the value of this investment: its operations grew 49% to a record 9.5 million tonnes handled.

In terms of shipments, iron ore accounted for most of the volume and growth, representing 22.8 million tonnes.

Achieving record upon record, the Port of Sept-Îles is on its way to attaining a volume of business which should soon see it become the second-largest Canadian port and confirm—if it was ever in doubt—that its growth is sustainable over the long term.





# AN XXL HISTORICAL MARKER

## The 53<sup>rd</sup> Annual Conference of the ACPA in Sept-Îles

This year, Sept-Îles and its Port hosted the 53<sup>rd</sup> Conference of the Association of Canadian Port Authorities (ACPA). The ACPA is an association founded in 1958 to unite the strength and talent of all organizations and companies related to port activities in Canada.

Over 200 participants gathered for three days around the theme "Ports: linking natural resources to Canada's prosperity." Sept-Îles was the perfect showcase as its Port is dedicated to this purpose.

The opening ceremony presented an opportunity to hear the Honourable Denis Lebel, Minister of Transport, Infrastructure and

Communities and Minister of the Economic Development Agency of Canada, as well as Serge Simard, Minister for Natural Resources and Wildlife and Minister responsible for the Saguenay-Lac-Saint-Jean and Côte-Nord region.

Delegates were able to appreciate the scale of the Port of Sept-Îles infrastructure and enjoy the warm welcome provided by our entire community. The success of the event was largely due to the support of the Port's many partners, the maritime community and the entire Sept-Îles community.

Participants were full of praise: superbly planned and boasting a wide variety of activities,

the conference facilitated genuinely constructive dialogue on the future of Canada's maritime industry.

Organizers of the event's social activities emphasized local talent. The folk troupe Tam Ti Delam and the Zoot Band certainly won over our guests with their homegrown rhythms. They helped make sure that the region's culture and creativity stood proud in an event that takes place in Sept-Îles only once every twenty years. Our visitors had an opportunity to vibe to the rhythm of the North Shore!





## SODES and the Port: Proud Supporters of the Blue Highway

At an event held at the Sept-Îles Marina on September 22, 2011, the St. Lawrence Economic Development Council (SODES) and the Port of Sept-Îles joined forces to promote regional development of the St. Lawrence River shipping route.

Serge Miller, president and CEO of Arcelor Mittal Mines Canada, described the impact of the company's major expansion project for the entire maritime community specially gathered for the occasion.





# SUSTAINABLE DEVELOPMENT ENVIRONMENT

## An XXL Environment

Since 1999, the Sept-Îles Port Authority has carried out environmental audits in collaboration with its tenants. These five-year audits and annual follow-ups identify the measures needed to ensure that all users and partners of the Port attain and surpass current standards for environmental compliance.

No less than \$1.8 million has been invested over the last twelve years in projects directly related to environmental restoration, preservation and enhancement.

These major sums have certainly paid off:

- ★ A capelin spawning ground has been built in the Du Poste River.
- ★ Clet Stream has been beautified.
- ★ More than 1,150 square meters of kelp forest has been created in the Bay of Sept-Îles.

- ★ In collaboration with the Innu Takuikan Uashat mak Mani-Utenam (ITUM) Band Council, the old marina banks have been restored and transplanted with marine plants creating 2.3 hectares of fish habitat.
- ★ Spartina and other marine plants have been seeded and transplanted in nearly 9,000 square meters of shoreline and river banks that now provide shelter and a feeding site for a dozen fish species.
- ★ A rail trans-shipment center was commissioned in 2008, reducing GHG emissions by more than 20,000 tonnes per year by reducing truck traffic on Route 138.
- ★ A cruise ship dock was built in a planned and responsible manner that ensured marine mammals in the bay were not affected. The Sept-Îles Center for Education and Research contributed by providing relevant information through its previous monitoring.

- ★ Invasive aquatic species are regularly monitored with the Canadian Department of Fisheries and Oceans and scientific organizations. The Port is pleased to report that no such species has been identified to date in its waters.

These commitments and actions have helped the Port of Sept-Îles win three prestigious awards in the field of sustainable development in recent years: the 2005 Phénix Award for the environment, with the ITUM Band Council; the 2010 Freight Transportation Award from Association québécoise du transport et des routes (AQTR), with the CN; and the 2010 St. Lawrence Award from the St. Lawrence Economic Development Council (SODES).



## An XXL First

The Port of Sept-Îles became the very first port in North America to have all of its stakeholders—users and terminals—join the Green Marine’s environmental program.

This outstanding achievement, of which we are very proud, is the result of close collaboration between all the Port’s partners. It also sent a very clear message to the entire North American maritime industry: environmental leadership based on close communication with the community can generate a ripple effect and create a movement that highlights environmental concerns within the industry.

The Green Marine is a voluntary initiative that brings together more than 140 Canadian and American members, mainly ports, terminals, ship owners, shipyards and heavy users of port facilities. The program unites the industry around environmental leadership in order to reduce greenhouse gas emissions, manage waste and control cargo involving all types of pollutants including noise, dust, odors and even light. Member commitment is verified by an external audit based on outcomes, not only on intentions—a reflection of the organization’s tremendous commitment.

The Port and its partners have been enthusiastically welcomed by the Green Marine, an organization that itself received the coveted International Environmental Initiative of the Year Award for sustainable shipping in 2011. The Green Marine is also backed by prestigious environmental groups such as the World Wildlife Fund.





# SUSTAINABLE DEVELOPMENT SOCIAL

## XXL Events

### **Two Royal Canadian Navy Ships Visit Sept-Îles**

From September 26 to 28, the Port of Sept-Îles hosted two distinguished guests: the *HMCS Summerside* and the *HMCS Shawinigan* of the Royal Canadian Navy. Berthed at the cruise ship dock, they called into Sept-Îles as part of an extensive tour allowing Canadians to visit these two beautiful coastal defense vessels and get to know their crews. Knowing that these visits are always appreciated, Commander Gilles Goulet, Commanding Officer of the Naval Reserve unit in

Sept-Îles, ensures that Royal Canadian Navy ships anchor in Sept-Îles at every available opportunity.

### **The Port Community Gets Involved!**

Hosted by the Port of Sept-Îles in collaboration with Club Richelieu, the *HMCS Jolliet Naval Reserve* in Sept-Îles and L'Élyme des Sables, the "5 à huitres maritime" social event enjoyed its second edition. More than 300 people had the opportunity to savor oysters in support of a cherished organization for the community of Sept-Îles. Guests were

treated to the skills of Marc Bardier, holder of a Guinness record as a champion oyster opener.

The "5 à huitres maritime" is a Port of Sept-Îles initiative. This convivial event invites stakeholders and partners involved in the maritime industry to enjoy a fun networking event. The Port ensures that all monies collected through the sale of tickets are given to L'Élyme des Sables. A record sum of \$84,500 was donated to the organization at the end of the event held on October 27.



## Record Donations and Contributions

In 2011, the Port of Sept-Îles contributed nearly \$140,000 to the activities of over 80 organizations in the region. Recently augmented, our budget for donations confirms the Port's desire to be increasingly involved in the community.

As part of its contribution policy, the Port mainly supports the education and health sectors, culture and sports, and humanitarian causes including, for example, funding for the organization Vieux-Quai en Fête for a new costume for its mascot Bretelle.





# SUSTAINABLE DEVELOPMENT ECONOMY

## XXL Infrastructure

### Expanded Capacity

Following the record investment of \$63 million made over the last 2 years, the Port of Sept-Îles took delivery this year of major infrastructure designed to increase the capacity of La Relance and Pointe-Noire terminals.

Initiated in 2009, the work took place without any cost or schedule overruns and without accident. No negatives were recorded: in addition to increasing capacity and meeting the demands of its users, the Port has confirmed its XXL position.

### La Relance Terminal

To meet the growing needs of users including Aluminerie Alouette, the Port undertook two phases of capacity expansion at La Relance Terminal. First, a new petroleum coke silo was erected with its own distribution system, followed by major optimization work including implementation of a logistics center for the management of aluminum, berthing system improvements, increased electrical network capacity and construction of a new service building to ensure terminal security.

### Pointe-Noire Terminal

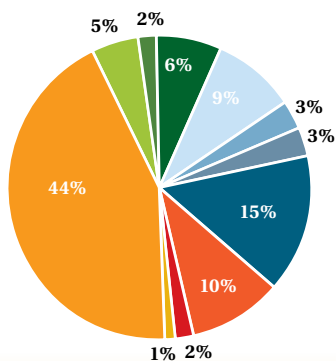
Work of the highest caliber has been undertaken in order to increase Pointe-Noire Terminal capacity. Pier 30 was extended by 50 meters and a dolphin added at its end. The structure of the wharf was reinforced. At Pier 31, maritime development work was carried out to allow Consolidated Thompson Iron Mines Ltd. to expand its shipping capacity. New storage areas were also created.



# Materials and Destinations: XXL Trends for 2011

## Imports

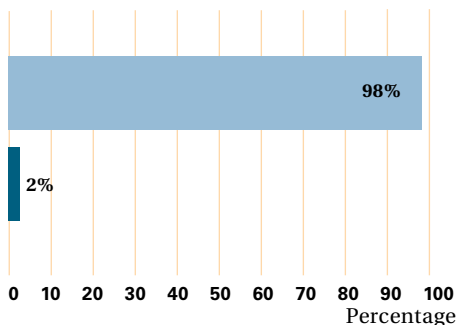
Two main materials can be readily identified: the alumina required for Aluminerie Alouette and petroleum products for Esso Imperial.



- Alumina
- Bentonite
- Rail Cargo
- Coke Breeze
- Petroleum Coke
- Dolomie
- Gasoline
- Oil/Diesel
- Limestone
- Liquid Bulk
- Dry Bulk

## Exports

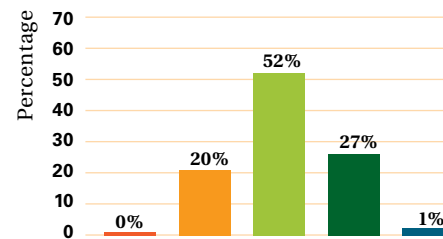
Inextricably linked to the development of the North Shore, iron ore represents 98% of the total volume handled and shipped to all continents.



- Iron Ore
- Aluminum

## Destinations

Asia is the top destination, representing 52% of shipments from the Port. The Americas and Europe follow, with 27% and 20% respectively. This trend continued in 2011.



- Africa
- Americas
- Asia
- Europe
- Oceania



# SUSTAINABLE DEVELOPMENT ECONOMY

## XXL Results

The Port Authority now has to file its financial results under the new international IFRS accounting standards.

In 2011, the Port generated the highest gross revenues in its history with 12.9 million dollars, a 41% increase over the previous year. This performance is primarily due to increased business volumes at Pointe-Noire Terminal.

Operating expenses of 7.1 million dollars were up 9% due to increased shipping activities and the impact of development work at La Relance and Pointe-Noire terminals.

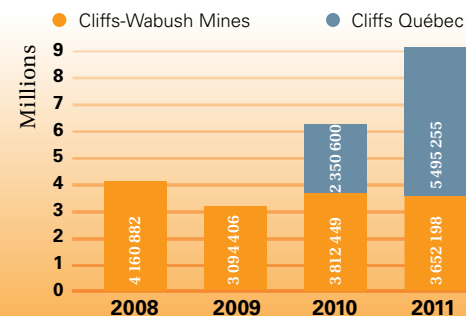
In terms of investments in port infrastructure, costs of \$11 million correspond to the finalization of work on La Relance and Pointe-Noire terminals under projects initiated in previous years.

Thus, the operating expenses result for the fiscal year “before other items” is 5.7 million dollars compared to 2.6 million dollars, more than double that of 2010.

The new accounting standards have significantly affected the financial presentation related to “other revenue,” which mainly concerns the lease financing activities of

the Port of Sept-Îles. These new standards require that income generated during the entire duration of the contracts be recorded as of the signature of the contract. As a result, a gain of 8.8 million dollars was considered in 2011 compared to 1.1 million dollars the previous year. This gain boosted net income to 11.8 million dollars for 2011.

**Tonnage Summary for Pointe-Noire Terminal 2008-2011**



## Fiscal Year 2011

Ended December 31 (in \$000)

	2011	2010
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 7,938	\$ 4,472
Accounts receivable	\$ 8,067	\$ 15,824
Prepaid expenses	\$ 232	\$ 284
Investments maturing in less than a year	\$ 2,000	\$ 2,000
Direct financing leases less than a year	\$ 2,870	\$ 4,430
	<b>\$ 21,107</b>	<b>\$ 27,010</b>
INVESTMENTS	\$ 2,500	\$ 2,500
DIRECT FINANCING LEASE	\$ 21,687	\$ 0
GRANT RECEIVABLE	\$ 5,475	\$ 6,041
CAPITAL ASSETS	\$ 86,355	\$ 116,699
	<b>\$137,124</b>	<b>\$152,250</b>

<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Bank loans	\$ 0	\$ 500
Operating debt	\$ 2,607	\$ 14,860
Deferred revenues	\$ 39	\$ 55
Long-term debt due	\$ 3,452	\$ 4,701
	<b>\$ 6,098</b>	<b>\$ 20,116</b>
LONG-TERM DEBT	\$ 21,041	\$ 20,435
FAIR VALUE OF INTEREST RATE SWAP	\$ 2,168	\$ 1,086
DEFERRRED CONTRIBUTIONS	\$ 53,021	\$ 68,275
DEFINED BENEFIT LIABILITY	\$ 1,002	\$ 389
	<b>\$ 83,331</b>	<b>\$ 110,300</b>
<b>AUTHORITY'S EQUITY</b>		
Contributed capital	\$ 11,707	\$ 11,707
Retained earnings	\$ 42,086	\$ 30,242
	<b>\$ 53,794</b>	<b>\$ 41,950</b>
	<b>\$137,124</b>	<b>\$152,250</b>

## Fiscal Year 2011

Ended December 31 (in \$000)

	2011	2010
<b>GROSS REVENUE</b>	<b>\$ 12,861</b>	<b>\$ 9,142</b>
<b>GENERAL EXPENSES</b>		
Operating expenses	\$ 4,747	\$ 4,435
Administrative expenses	\$ 2,376	\$ 2,084
	<b>\$ 7,123</b>	<b>\$ 6,519</b>
<b>INCOME BEFORE OTHER ITEMS</b>	<b>\$ 5,738</b>	<b>\$ 2,623</b>
<b>OTHER ITEMS</b>		
Change in fair value of interest rate swap	\$ (1,082)	\$ (1,086)
Other revenues	\$ 8,811	\$ 1,093
Financial charges	\$ (1,039)	\$ (505)
<b>NET RESULT</b>	<b>\$ 12,428</b>	<b>\$ 2,124</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>\$ (584)</b>	<b>\$ (107)</b>
<b>COMPREHENSIVE INCOME</b>	<b>\$ 11,844</b>	<b>\$ 2,017</b>
<b>CAPITAL EXPENDITURES</b>	\$ 11,009	\$ 59,109



# AN XXL TEAM

## Board of Directors

- 1 **CAROL SOUCY**  
**Chair**  
Appointed on recommendation of users
- 2 **AVIT OUELLET**  
**Vice Chair**  
Appointed on recommendation of users
- 3 **FRANÇOIS TURMEL**  
**Director**  
Appointed by the Minister of Transport Canada
- 4 **DANIEL JOUIS**  
**Director**  
Appointed by the City of Sept-Îles
- 5 **CHRISTIAN MICHAUD**  
**Director**  
Appointed by the Minister of Transport Quebec
- 6 **MANON LANGLOIS**  
**Director**  
Appointed on recommendation of users
- 7 **PIERRE CÔTÉ**  
**Director**  
Appointed on recommendation of users

## Committees

- Audit Committee**  
DANIEL JOUIS (in charge)  
AVIT OUELLET  
MANON LANGLOIS
- Environment Committee**  
FRANÇOIS TURMEL (in charge)  
CHRISTIAN MICHAUD  
CAROL SOUCY (ex officio)
- Finance Committee**  
AVIT OUELLET (in charge)  
PIERRE CÔTÉ  
CAROL SOUCY (ex officio)
- Human Resources Committee**  
AVIT OUELLET (in charge)  
DANIEL JOUIS  
CHRISTIAN MICHAUD  
CAROL SOUCY (ex officio)





## Employees

- 1 PIERRE D. GAGNON  
**President and CEO**
- 2 RAYNALD OUELLET  
**Vice President, Operations**
- 3 PATSY KEAYS  
**Director of Corporate Affairs**
- 4 MANON D'AUTEUIL  
**Director, Sustainable Development**

- 5 DIANE MORIN  
**Director of Finance and Administration**
- 6 SHAWN GRANT  
**Harbor Master and Port Security Officer**
- 7 CAROLINE GAUTHIER  
**Executive Assistant**
- 8 MARIE-ÈVE GUÉRIN  
**Accounting Technician**

- 9 JOËL RICHARD  
**Operations Clerk**
- 10 MARIO SÉVIGNY  
**Coordinator**





# ONWARD AND UPWARD TO XXL HEIGHTS

The Port of Sept-Îles is a leading economic player for the North Shore, Quebec and Canada as a whole. It is a generator of economic activity worth up to \$1 billion a year and an essential hub for over 4,000 workers. Considering recent developments on the energy agreements between Aluminerie Alouette and the Quebec government, the planned expansions for IOC and Cliffs mining companies and also the arrival of new producers in the iron market such as Labrador Iron Mines in 2011, the growth trend is unequivocally positive.

To meet the pressing demands of its current users as well as the expectations of its future clients, the Port is considering construction of a multi-user wharf at a cost of \$220 million starting in 2012. Built on piles in the Pointe-Noire sector, this 450-meter wharf will have a 420-meter approach. It will increase the capacity of the terminal to 50 million tons of iron per year. This much-needed dock will meet the growing and pressing needs of both current and future Port of Sept-Îles users.

It is expected that the steps being taken by steelmaker Severstal and its South African partner IMBS will soon bear fruit with respect to processing North Shore iron, thus providing significant added value for this raw material that has always been exported without any local processing.

The Mine Arnaud project is also progressing smoothly both in its development and its environmental efforts. What's more, the Port could soon diversify its merchandise handled to include apatite, which could be produced starting as soon as 2015 for the European markets.

In the meantime, the Port will "stay the course" by increasing port capacity, a considerable challenge which can only be achieved with the valuable support of both our private partners and government.



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**PORT**  
SEPT-ÎLES

