2016 ANNUAL REPORT

PORT DE SAGUENAY

SAGUENAY PORT AUTHORITY

Canada

PORT DE SAGUENAY

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ANNUAL

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BOARD OF DIRECTORS AND CEO

GHISLAIN HARVEY

Appointed by the City of Saguenay;
In office since May 1, 2013, second term;
Chairman of the Board

MARTIAL BOUCHARD

Appointed by the Governor in Council
on the recommendation of the users;
In office since December 11, 2009; second term;
Director

JEAN-GUY BONNEAU

Appointed by the Governor in Council
on the recommendation of the users;
In office since February 28, 2008, third term;
Vice-chairman

LAURAINE GAGNON

Appointed by the Governor in Council
on the recommendation of the users;
In office since May 31, 2015; first term;
Director

JEAN-SÉBASTIEN HARVEY

Appointed by the Governor in Council
on the recommendation of the users;
In office since September 4, 2008, third term;
Secretary-treasurer

ARTHUR GOBEIL

Appointed by the Government of Quebec on the
recommendation of the provincial Minister of Transport;
In office since September 1, 2014; first term;
Director

JEAN-GUY BERGERON

Appointed by the Governor General in Council on the
recommendation of the federal Minister of Transport;
In office since May 1, 2008, third term;
Director

CARL LABERGE

General Manager & CEO

2016, A YEAR OF GREAT PROGRESS

The year that just ended was once again very busy and full of new developments for the Port of Saguenay. Several important events that will certainly remain etched in the history of our port authority have indeed marked 2016. More than ever, the entire Port team has been involved to the maximum in order to make the strategic plan of the organization progress and thus offer the highest quality level of service to its customers and its partners.

SOME PRESTIGIOUS GUEST

The Port of Saguenay was fortunate again this year to receive important visitors at its facilities. We were very pleased to welcome the Honorable Marc Garneau, the Canadian Minister of Transport, in August. During this meeting, the minister and the port team were able to discuss together the development projects of our administration and its promising future.

The Government of Quebec has also been an important and active partner this year. Indeed, during 2016 Quebec Premier Philippe Couillard paid two visits to our facilities. In February, he was able to inquire about the activities and projects being developed at the port, and was able to see the importance and dynamism of the organization, as well as the potential of the site and its terminal. A few weeks later, on June 6, Premier Couillard, accompanied by the Minister for Maritime Affairs Jean D'Amour, Serge Simard, MP for Dubuc, and the mayor of Saguenay, Jean Tremblay, officially announced the establishment of an industrial port zone (IPZ) in Saguenay, as part of the Quebec Maritime Strategy.

These visits once again confirm the importance of our administration to the national and provincial economies.

MORE GOOD NEWS FOR THE PORT OF SAGUENAY INDUSTRIAL PORT AREA

Last December, BlackRock Metals officially announced that it had chosen the industrial port zone of the Port of Saguenay to establish its pig iron and ferrovanadium production plant. The plant, which will be built near the port facilities, will transform the 850,000 tonnes of ferrovanadium ore concentrate extracted from its future Chibougamau mine, which will be transported to our facilities by rail, notably by using the railway service inaugurated in 2015.

This announcement represents an important step towards realizing this project, which will greatly benefit the Chibougamau and the Saguenay–Lac-St-Jean regions, where the ore will be processed before being sent to international markets. This project illustrates the complementarity between the Northern Quebec region and our port facilities, specifically in the context of the Plan Nord.

In addition, GNL Quebec continued to make every effort to develop the Énergie Saguenay project to build a natural gas liquefaction (LNG) complex. This $7.5 billion project will also be built within the boundaries of the Port of Saguenay industrial port zone.

GIVING CONCRETE SHAPE TO A TERMINAL ON THE NORTH SHORE

In 2015, the Port of Saguenay initiated the process leading to the construction of a new marine terminal on the north shore of the Saguenay River, within the boundaries of the municipality of Ste-Rose-du-Nord. This new multi-user maritime infrastructure is essential to the realization of the Arianne Phosphate project, which aims to export to external markets some 3 million tonnes of apatite concentrate annually that will be extracted from its future Lac-à-Paul mine, located about 200 km north of Saguenay.

Several important milestones were also reached in 2016 as part of the progress of this project. Thus, considerable work has been done on both the engineering and environmental aspects of the project. These activities resulted in the filing of a full environmental impact study with the Canadian Environmental Assessment Agency (CEAA) last August. Following this filing, the Port of Saguenay participated in the public consultation concerning the project, which took place in October. We are confident that we will be able to bring together all the necessary elements to construction of the terminal to begin at the start of 2018.

INTERNATIONAL CRUISES: RECORD, BIRTHDAY AND GREAT FIRST

International cruise activities at the Bagotville wharf were once again marked by a record year. Indeed, 36 vessels and nearly 31,000 passengers were able to take advantage of the now world-renowned hospitality of the people of Saguenay. These figures, which are very enviable and rich in economic benefits, rank Saguenay in 3rd place in the province, just behind Quebec and Montreal, and further consolidate its importance in this niche of the tourism industry.

2016 also saw the milestone 10th anniversary of the start of Saguenay's international cruise adventure. It was on September 15, 2006 that Saguenay hosted its first cruise ship, the Amsterdam, property of Holland of America. Since then, more than 220 ships have anchored in the waters of La Baie des Ha! Ha!

The culmination of the 2016 season, however, was the arrival of the emblematic Queen Mary II of the Cunard Company, which we had the pleasure of welcoming to Saguenay on October 6th. On this day, over 20,000 people converged on La Baie Harbor Village, where an official ceremony took place. The arrival of the famous ship has really dedicated and positioned Saguenay as a must-see in the cruise industry.

OPERATIONS AT THE GRANDE-ANSE TERMINAL

With respect to activities at the Grande-Anse terminal, the year 2016 can be described as having seen a consolidation of traffic, with good traffic and tonnage handled of 50 ships and nearly 300,000 metric tonnes, with results somewhat above the average of the last 5 years.

Interestingly, receipt of goods accounted for 96.2% of the tonnage handled, with the main shipments received consisting of solid bulk goods such as road salt, coal and fluorspar. The main other goods transshipped were liquid pitch, anodes and various containerized specialty goods.

Concerning shipments of heavy equipment, it is worth noting that the Grande-Anse terminal was used for the launch of a "bateau-mouche" tour boat. This vessel, made entirely of aluminum, was manufactured in the region by the Coupesag company for a Canadian customer, a first for this company.

Thus, in 2016, we noted that regional industrial production, consisting primarily of aluminum products and forest products, was exported mainly to the United States by land, due, among other factors, to the strength of the US economy and the weakness of the Canadian dollar.

Our new rail infrastructure was not left behind in 2016 and also contributed to the activity at the terminal. Indeed, carbon products were shipped from the Grande-Anse facilities to western Canada at the beginning of the year. Rail infrastructure was also used by other customers during the year to transport different types of freight cars. It should be added that the interest in railway services continues to be confirmed by the promoters who aim to develop industrial projects in the industrial zone of the Port.

Top: **Olivier Turcotte,** Director, Marketing and Projects
From left to right...
In the center: **Patrice Maltais,** Projects Manager and **Marc-André Savard,** Co-ordinator Maintenance Security / Harbour Master
Bottom: **Isabelle Blackburn,** Executive Assistant, **Mercedes Gilbert,** Accounting Technician, **Annie Poudrier,** Controller and **Carl Laberge,** General Manager and CEO

A DYNAMIC TEAM INVOLVED IN ITS COMMUNITY

It can therefore be said that the entire team at the Port of Saguenay has been at the heart of the action and has assumed its role as an economic catalyst more strongly than ever during 2016. As a result of the support and the will of the board of directors, as well as the ongoing work and dynamism of all the staff, the Port has been able to achieve so many things this year and we would like to thank all those concerned.

The Port has continued to distinguish itself by its very high level of involvement in various regional and national organizations and associations despite limited staffing and resources. For example, the Port Authority has been very active in serving several associations and committees such as the Association of Canadian Port Authorities (ACPA), the American Association of Port Authorities (AAPA), the Chamber of Commerce and The Saguenay-Charlevoix ZIP, and the Good Neighborly Committee of La Baie.

Our organization was also very involved in the work of the transport committee resulting from the regional economic summit held in Alma in June 2015. As usual, the Port has also been very involved in its community through various donations and sponsorships. The Port of Saguenay has, among other things, been the principal sponsor of a series of talks held by the Musée du Fjord to offer free conferences to the public on various topics of interest.

In order to increase the level of service to its customers and to focus on the development of its assets, a new marketing and project manager position was created and a new resource was hired to consolidate and strengthen the team already in place.

The organization's website has also been completely revamped this year to better reflect the new orientations of the organization and its image, resolutely turned towards industrial development.

FINANCIAL RESULTS

At the financial level, the Port Authority had a year deviating little from the average of the last three years, although figures were down slightly from the previous year, reflecting the level of traffic and activity recorded. As a result, revenues were $2,612,522 for operating income of $331,378. Net income was $400,877 compared to $726,086 in 2015 due to the decline in activity, a lower interest rate on the Authority's investments and the gain on the sale of an exceptional investment received in that year.

NEW CHALLENGES AHEAD

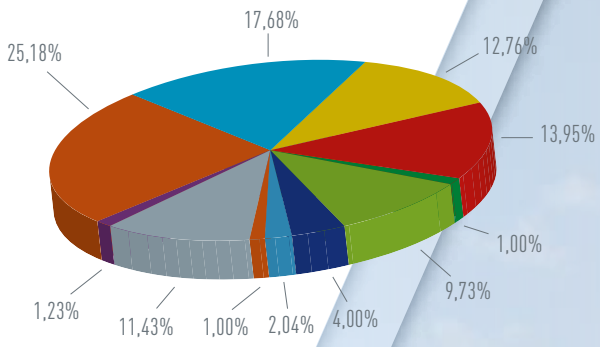
Over the next year, the entire port team will continue to make the necessary efforts, with the participation of its partners, to advance priority issues. These include the completion of the necessary steps to obtain the required approvals for the construction of the new terminal on the north shore of the Saguenay with the support of our partner, Arianne Phosphate, which will be the main and first user of the infrastructure. The arrival of new projects in the IPZ and the development work carried out within the framework of the Quebec Government's Maritime Strategy also requires us to put a lot of effort into the development of the common infrastructures and services needed to allow for the establishment of industries in the park: high-power electricity, natural gas, process water and wastewater treatment and disposal. These industries are necessary to support the development of the port's full potential and to enable the Authority to continue to play its role as a driver of economic development, to consolidate its competitiveness in the industry and to continue its outreach beyond the region's boundaries.

GHISLAIN HARVEY
Chairman of the Board

CARL LABERGE
General Manager & CEO

BREAKDOWN OF VOLUMES BY PRODUCTS (MT)

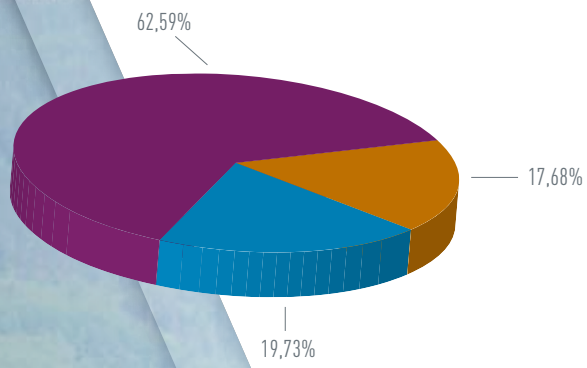
De-icing salt	75 138	Others	11 857
Liquid Pitch	52 311	Sand	6 047
Coal	37 759	Metal products	2 898
Anodes	41 285	Kaolin	33 819
Brick	2 365	Ferrosilicon	3 648
Fluorspath	28 803		



SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31

		2016	2015
REVENUES	Port services	$ 785,233	$ 922,080
	Rentals	1,042,174	1,021,387
	Management revenues	348,281	330,565
	Others services	436,834	543,270
		2,612,522	2,817,302
EXPENSES	Salaries and fringe benefits	765,535	873,934
	External fees - mooring and security	310,104	293,162
	Professional and consulting fees	122,975	93,726
	Equipment repairs and maintenance	232,304	333,000
	Payments in lieu of property taxes	113,365	106,266
	Depreciation of property, plant and equipment	426,968	420,421
	Other operating and administrative expenses	309,893	316,165
	Reversal of provision for payments in lieu of property taxes for previous years	-	(57,660)
		2,281,144	2,379,014
	EARNINGS FROM OPERATION	**331,378**	**438,288**
OTHER REVENUES	Interest revenues	124,243	169,029
	Gain on disposal of investments	-	178,394
	Fees on gross revenues	(54,744)	(59,625)
		69,499	287,798
	NET EARNINGS	**400,877**	**726,086**
OTHER COMPREHENSIVE INCOME	Items that will not be subsequently reclassified to net earnings		
	Remeasurement of defined benefit obligation	(57,200)	(85,700)
	Items that may be subsequently reclassified to net earnings		
	Loss on changes in fair value of available-for-sale investments	(36,014)	(74,954)
	Reclassification of realized gains on available-for-sale investments	-	(178,394)
	Change in available-for-sale investments	(36,014)	(253,348)
	Total of other comprehensive income	(93,214)	(339,048)
	COMPREHENSIVE INCOME	**$307,663**	**$387,038**



BREAKDOWN OF VOLUMES BY CATEGORY (MT)

- Liquid bulk 52 311
- Dry bulk 185 214
- General goods 58 405

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

		2016	2015
ASSETS			
CURRENT ASSETS	Cash and cash equivalents	$ 477,845	$ 249,498
	Trade and other receivables	843,158	1,087,275
	Grants receivable	570,000	540,000
	Current portion of investments	500,000	2,204,577
	Prepaid expenses	26,288	22,152
		2,417,291	4,103,502
NON-CURRENT ASSETS	Grants receivable	3,850,000	4,420,000
	Investments	4,593,793	2,670,409
	Property, plant and equipment	18,092,489	18,464,454
	Defined benefit asset	9,000	10,300
		28,962,573	**29,668,665**
LIABILITIES			
CURRENT LIABILITIES	Trade and other payables	567,421	1,009,082
	Deferred revenues	58,509	105,378
	Current portion of long-term debt	570,000	540,000
		1,195,930	1,654,460
NON-CURRENT LIABILITIES	Long-term debt	3,850,000	4,420,000
	Accrued social benefits	101,216	86,441
		5,147,146	**6,160,901**
CAPITAL			
	Contributed capital	13,999,183	13,999,183
	Retained earnings	10,351,991	9,951,114
	Accumulated other comprehensive income	(535,747)	(442,533)
		23,815,427	**23,507,764**
		$ 28,962,573	**$ 29,668,665**

The financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS). The complete version of the audited financial statements is available upon request.

Approved and authorized for publication by the Board of Directors.

GHISLAIN HARVEY
Chairman of the Board

JEAN-SÉBASTIEN HARVEY
Secretary-treasurer

TRANSIT PRODUCTS IN METRIC TONNES 2016

RECEIVED (MT)

ALUMINUM
- Germany 323
- Netherlands 2 575

ANODES
- China 10 470
- Netherlands 19 911
- Singapore 4 835
- Switzerland 6 137

LIQUID PITCH
- Belgium 52 311

BRICK
- Germany 640
- France 947
- Netherlands 644
- Czech Republic 134

COAL
- United States 37 759

KAOLIN
- Brazil 33 819

GENERAL GOODS
- Germany 537
- Canada 1 225
- Spain 578
- Netherlands 137
- Poland 5 490
- Russia 1 528
- Sweden 876

DE-ICING SALT
- Canada 75 138

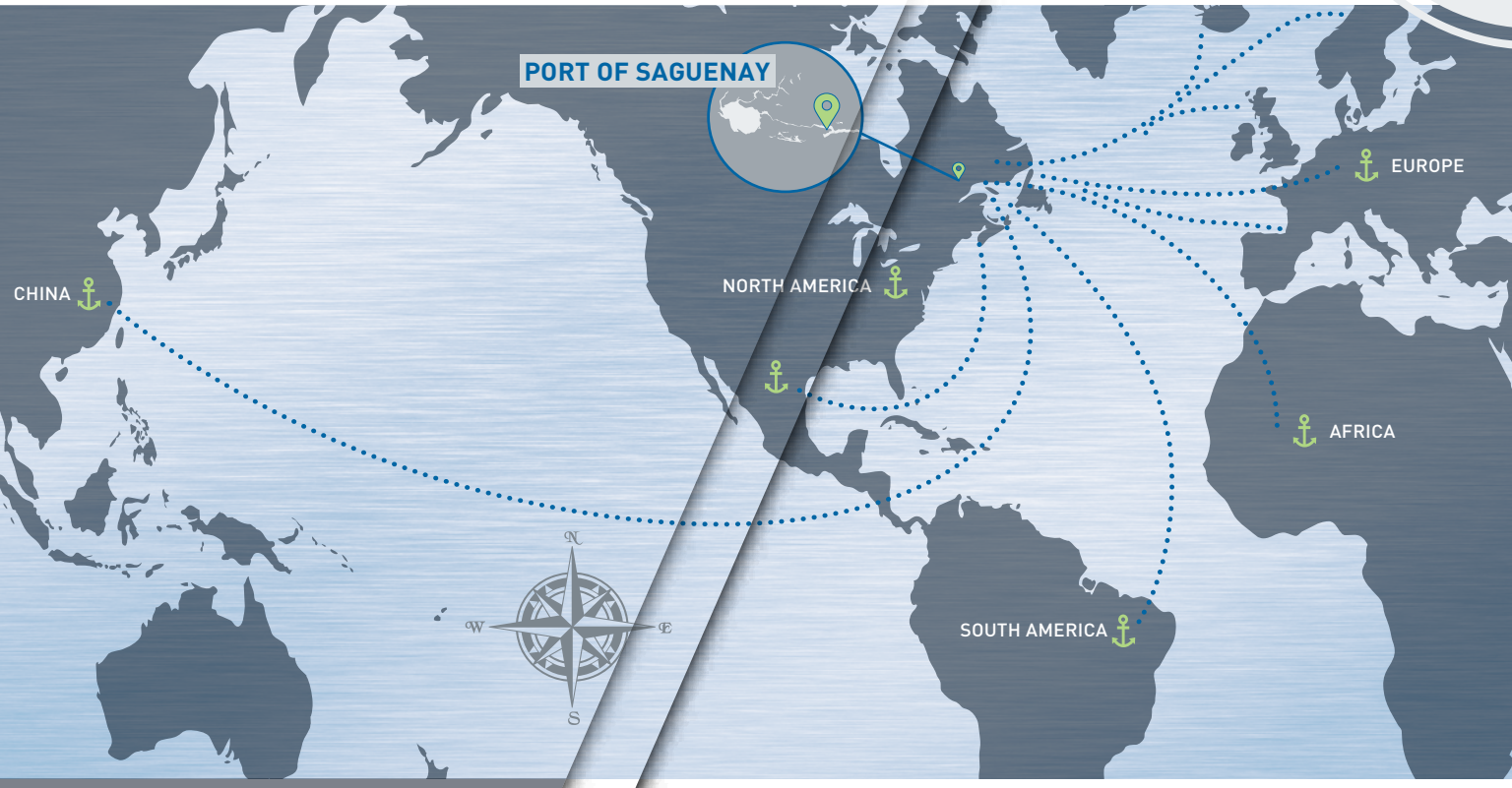
FLUORSPATH
- Vietnam 28 803

SHIPPED (MT)

FERROSILICON
- Norway 3 648

GENERAL GOODS
- Belgium 93
- Canada 1 325

SAND
- Canada 6 047



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