PORT DE SAGUENAY

SAGUENAY PORT AUTHORITY

2017

ANNUAL REPORT

FORCE D'AVENIR

DRIVING THE FUTURE

Canada

PORT DE SAGUENAY

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BOARD OF DIRECTORS AND MANAGEMENT

MARTIAL BOUCHARD

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

STÉPHANE BÉDARD

Appointed by the City of Saguenay;
In office since December 18, 2017, first 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;
Secretary-treasurer

URSULA F. LAROUCHE

Appointed by the Government of Quebec
on the recommendation of the provincial Minister of Transport;
In office since October 2, 2017, first term;
Director

LINA BOIVIN

Appointed by the Governor in Council
on the recommendation of the federal Minister of Transport;
In office since December 14, 2017, first term;
Director

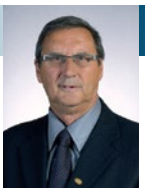
CARL LABERGE

General Manager & CEO

OUTGOING MEMBERS

GHISLAIN HARVEY

Appointed by the City of Saguenay;
In office since May 1, 2013, second term;
End of term in December 2017;



JEAN-GUY BONNEAU

Appointed by the Governor in Council
on the recommendation of the users;
In office since February 28, 2008, third term;
End of term in February 2017;

JEAN-SÉBASTIEN HARVEY

Appointed by the Governor in Council
on the recommendation of the users;
In office since September 4, 2008, third term;
End of term in September 2017;

JEAN-GUY BERGERON

Appointed by the Governor in Council
on the recommendation of the federal Minister of Transport;
In office since May 1, 2008, third term;
End of term in May 2017;

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;
End of term in August 2017;

TOWARDS THE REALIZATION OF MAJOR PROJECTS

The year 2017 can certainly be described as a pivotal year in the history of the port.

Indeed, significant progress has been made in the development of major projects this year which points to a bright future for our organization. The entire Port team and its partners, including the City of Saguenay, Promotion Saguenay and the Government of Quebec, worked together in the same direction to allow the development of the Saguenay Industrial-Port Zone and the significant benefits that will result from that development. The regional community has also confirmed its commitment and support by highlighting the strategic importance of our facilities in the aftermath of the 2015 Regional Economic Summit.

DEVELOPMENT OF INDUSTRIAL-PORT ZONE (IP ZONE)

The industrial-port zone of Saguenay was officially recognized in 2016 by the Government of Quebec as part of its Maritime Strategy. Following the signing of an agreement to this effect, a local committee was formed. This committee is made up of various departments of the Government of Quebec as well as the City of Saguenay, Promotion Saguenay and the Saguenay Port Authority, which chairs it. In 2017, the committee formalized the territorial boundaries of the IP Zone, which regroups all of the Authority's properties around the Grande-Anse terminal. A mandate to develop the zone's development plan was also granted by the committee. The final report is expected in 2018.

A lot of efforts have been made to equip the IP Zone with the service infrastructures required for its development and the establishment of businesses. In order to do this, it is essential that the sector be served by natural gas, high-voltage electricity, process water and fire protection, water treatment and sewer systems as well as a mechanized bulk material transport system (conveyor).

More specifically, some important steps have been taken. During the year, Hydro-Québec carried out engineering studies and conducted citizen consultations to determine the route of the high-voltage line that will serve the area. Énergir (formerly Gaz Métro) did some field and engineering work to determine the supply scenarios for the area. The City of Saguenay has also carried out studies on the supply of process water and fire protection. All the partners involved are thus mobilized and committed to enable the entire region to take advantage of the development potential of the port and the industrial-port zone.

THE MAIN FOCUS OF REGIONAL PRIORITIES

Initiated following the 2015 Regional Economic Summit, Port of Saguenay actively participated in the Transport Working Group, representing 12 concerned and representative members from different interests. The working group submitted its final report in June 2017 at a press conference held at the port's rail yard. The work of the committee members resulted in 12 recommendations, many of which highlighted the strategic importance of marine transportation for the region. The support of the Port's investment plan for the Industrial-Port Zone (IP Zone) development and the support of the Saguenay Port Authority's North Shore Marine Terminal Project are two of the recommendations aimed at directly support the development of the organization.

A PORT INVOLVED IN ITS COMMUNITY

As in the past, the Port of Saguenay has been deeply involved in the industry and its community, notably by participating on several boards of directors and committees such as the Association of Canadian Port Authorities (ACPA), the American Association of Port Authorities (AAPA), the Saguenay-Le Fjord Chamber of Commerce and Industry (CCISF), the St. Lawrence Economic Development Council (SODES) and the La Baie Good Neighbor Committee.

The Authority also sponsored and participated in several important activities and events in 2017, such as the Double défi des deux Mario (Sur la pointe des pieds Foundation), the Défi kayak Desgagnés (Jeunes musiciens du monde) and the Course en sentiers of Parc Aventures Cap Jaseux (Coopérative de Solidarité du Cap Jaseux) just to name a few.

In addition, a new formula was applied this year on the occasion of our 25th annual golf tournament where Port of Saguenay has chosen to join and support the Fondation Jean Allard, which helps families whose children are affected by autism spectrum disorder. The generosity of the Port and its partners has made it possible to donate $ 5,150 to the Foundation.

A DYNAMIC AND COMMITTED BOARD OF DIRECTORS

The year has been very active in the board of directors, both in terms of activities and movements.

The term of office of Mr. Ghislain Harvey, who had been Chairman of the Board of Directors since 2013, ended in December. The directorships of Mr. Jean-Guy Bergeron, Mr. Jean-Guy Bonneau, Mr. Jean-Sebastien Harvey and Mr. Arthur Gobeil were also completed during the year. We wish to thank them sincerely for the important work they have done during their years of service. They have all contributed significantly to the successes we have had recently and shaped the future of the organization that looks bright. We also take the opportunity to highlight the arrival of new members on the board of directors, namely Mrs. Ursula F. Larouche and Mrs. Lina Boivin as well as Mr. Stéphane Bédard. They will certainly help to propel our organization further. As usual, the members were very engaged with a participation rate of 94% at the various meetings.

A TEAM IN ACTION

One of the main reasons for the success of our administration, and the significant progress made in 2017, is without question the commitment and competence of the employees who run it.

Indeed, without the contribution of all, it would not be possible to advance towards our objectives with such acuity, while offering such a high level of service to its partners and users. We would like to thank them especially for their hard work throughout the year and take this opportunity to welcome Mr. Frédéric Lebrun who joined the team in the fall as Director, Marketing and Projects.

LAST STEPS TOWARDS THE CONSTRUCTION OF A MARINE TERMINAL ON THE NORTH SHORE

In 2017, the Saguenay Port Authority's project to build a new marine terminal on the north shore of the Saguenay, necessary for the shipment of Arianne Phosphate mine concentrate, made further significant progress. Efforts to obtain the necessary authorizations from the Canadian Environmental Assessment Agency (CEAA) have thus continued intensively. Indeed, the Authority was able to answer all the questions and requests for additional information raised on the project during the year. We can now target the decision of the Minister of Environment and Climate Change to the end of summer 2018. The impact study was initially submitted in the summer of 2016.

Among other highlights of the studies conducted under the project, underwater noise measurements were made in the Saguenay in June to assess the effects of increased marine traffic on the underwater sound environment in the Saguenay. Nearly 500 hours of recording using four (4) hydrophones enabled live measurements of the acoustic oscillations of passages of different types of vessels in four sectors over an area of nearly 100 kilometers, from the mouth of the Saguenay (lower zone) to Anse-au-Sable and cape Eternité (upper zone). The report of this study was tabled and made public in October and it was shown that the beluga acoustic environment would not be affected 95.7% of the time in a scenario involving an increase of approximately 300% of the Saguenay traffic by 2030.

The steps taken are continuing more than ever for the construction of this multi-user terminal, which is essential for the operation of the future Arianne Phosphate's Lac-à-Paul mine whose the project is to export annually some 3 million tonnes of apatite concentrate by ship. The future terminal's facilities will also be used in the future for other development projects on the north shore of the Saguenay related to the Plan Nord strategy.

PROMOTERS OF MAJOR INDUSTRIAL PROJECTS MORE ACTIVE THAN EVER

BlackRock Metals presented the population last September with its proposed ore processing plant. This plant will be built on the Industrial-Port Zone and will transform 850,000 tonnes of ore concentrate from the Chibougamau mine to produce 500,000 tonnes of pig iron and 5,000 tonnes of ferrovanadium. The processed products will subsequently transit through the port facilities at Grande-Anse for exportation abroad.

GNL Québec is continuing its efforts to implement the Énergie Saguenay Project, a $ 7.5 billion natural gas liquefaction project that will also be located in the Industrial-Port Zone.

The Arianne Phosphate mine is still active with the objective of opening their mining site at Lac-à-Paul in order to extract apatite. The high quality ore will be concentrated on-site to give it a higher phosphorus content and will be transported to the future multi-user marine terminal on the north shore of the Saguenay.

INTERNATIONAL CRUISES STILL GROWING

2017 was another good year for international cruises at the Bagotville wharf. The Bagotville wharf is the third largest stopover on the St. Lawrence (after Montreal and Quebec City). It welcomed 50 ships carrying more than 40,500 passengers who enjoyed the attractions and the warm welcome of our region.

Saguenay's reputation for international cruises continues unabated, with the most prestigious ships, including the return of the Queen Mary 2 for a second year in a row, in addition to Disney Cruise Lines, which officially announced its presence at La Baie in 2018. Projections of an increase in traffic for the coming years make it now clear that Saguenay has positioned itself as a must among the major players in the industry.

ACTIVITY AT THE GRANDE-ANSE MARINE TERMINAL

In terms of activities at our Grande-Anse marine terminal facilities, 2017 will have been somewhat better than the average of the last 10 years, which is approximately 310,000 tonnes, with a total of products handled at 326,000 tonnes. Once again, the trend in recent years towards the handling of solid bulk products at our facilities has increased, representing 2/3 of the tonnages mentioned and consisting mainly of de-icing salt, fluorspath, coal and kaolin. Receipts of liquid pitch for aluminum production remained stable at nearly 56,000 tonnes, accounting for 16% of the total. The number of vessels that attended the facilities is similar to the previous year with a total of 51.

2017 also marks the reception of the first off-standard rail transports in the terminal's history. In fact, during the summer, the Canmec company shipped to Grande-Anse by rail, from its La Baie borough factory, several large pieces destined for the Romaine Hydro-Québec complex. After being prepared on the Grande-Anse site, the pieces were loaded onto a ship bound for Havre-St-Pierre. Port of Saguenay's infra-structures were used to enable a regional company to realize this important contract once again.

MARTIAL BOUCHARD
Chairman of the Board

CARL LABERGE
General Manager & CEO

FINANCIAL RESULTS

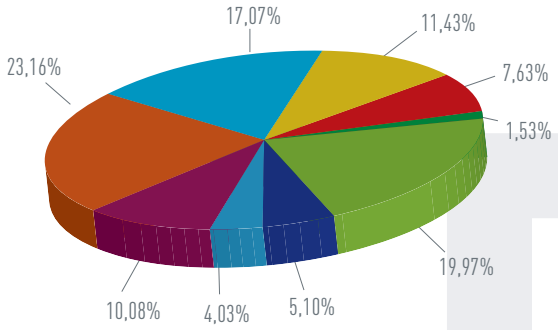
The increase in the level of activity recorded and the tight control of expenditures have allowed the Port Authority to have another excellent fiscal year. Operating revenues increased by 21% compared to 2016, totaling $ 3,179,800 and generating an operating income of $ 786,100. The net income amounted to $ 845,700 compared to $ 401,000 for the previous year.

LOOKING TOWARDS 2018

In 2018, the entire Port team will continue to work hard to continue implementing its development strategy and to provide infrastructures and services that live up to its reputation. Obtaining authorizations for the North Shore Marine Terminal Project and for the BlackRock Metals Project during the year should allow the Port and its partners to see the beginning of these important projects in the near future. The best is yet to come!

BREAKDOWN OF VOLUMES BY PRODUCTS (MT)

- De-icing salt 75,478
- Liquid Pitch 55,657
- Coal 37,261
- Anodes 24,868
- Brick 4,980
- Fluorspath 65,086
- Others 16,630
- Aluminum 13,136
- Kaolin 32,850

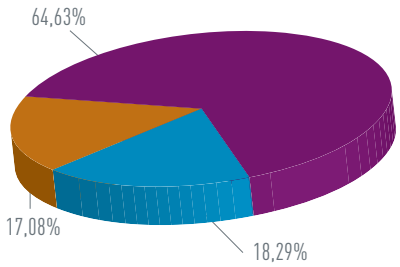


SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31

		2017	2016
REVENUES	Port services	$ 945,388	$ 785,233
	Rentals	1,252,160	1,042,174
	Management revenues	454,050	348,281
	Other services	528,137	436,834
		3,179,735	2,612,522
EXPENSES	Salaries and fringe benefits	803,913	765,535
	External fees - mooring and security	380,657	310,104
	Professional and consulting fees	90,312	122,975
	Equipment repairs and maintenance	212,579	232,304
	Payments in lieu of property taxes	129,313	113,365
	Other operating and administrative expenses	346,617	309,893
	Reversal of provision for payments in lieu of property	430,255	426,968
		2,393,646	2,281,144
	EARNINGS FROM OPERATION	**786,089**	**331,378**
OTHER REVENUE	Interest revenues	125,747	124,243
	Fees on gross revenues	(66,110)	(54,744)
		59,637	69,499
	NET EARNINGS	**845,726**	**400,877**
OTHER COMPREHENSIVE INCOME	Items that will not be subsequently reclassified to net earnings		
	Remeasurement of defined benefit obligation	(46,500)	(57,200)
	Items that may be subsequently reclassified to net earnings		
	Loss on changes in fair value of available-for-sale investments	(35,511)	(36,014)
	Total of other comprehensive income	(82,011)	(93,214)
	COMPREHENSIVE INCOME	**$ 763,715**	**$ 307,663**

BREAKDOWN OF VOLUMES BY CATEGORY (MT)



- Liquid bulk 55,657
- Dry bulk 210,675
- General goods 59,614

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

		2017	2016
ASSETS			
CURRENT ASSETS	Cash and cash equivalents	$ 1,355,735	$ 477,845
	Trade and other receivables	1,046,234	843,158
	Grants receivable	580,000	570,000
	Current portion of investments	440,596	500,000
	Prepaid expenses	25,789	26,288
		3,448,354	2,417,291
NON-CURRENT ASSETS	Grants receivable	3,270,000	3,850,000
	Investments	5,021,090	4,593,793
	Property, plant and equipment	17,734,446	18,092,489
	Defined benefit asset	8,000	9,000
		29,481,890	**28,962,573**
LIABILITIES			
CURRENT LIABILITIES	Trade and other payables	642,936	567,421
	Deferred revenues	293,263	58,509
	Current portion of long-term debt	580,000	570,000
		1,516,199	1,195,930
NON-CURRENT LIABILITIES	Long-term debt	3,270,000	3,850,000
	Accrued social benefits	116,549	101,216
		4,902,748	**5,147,146**
CAPITAL			
	Contributed capital	13,999,183	13,999,183
	Retained earnings	11,197,717	10,351,991
	Accumulated other comprehensive income	(617,758)	(535,747)
		24,579,142	**23,815,427**
		$ 29,481,890	**$ 28,962,573**

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.

TRANSIT PRODUCTS IN METRIC TONNES 2017

ALUMINUM received

Germany	198
France	581
Netherlands	1 267

ALUMINUM shipped

United States	11 090

ANODES received

Asia	10 033
Netherlands	14 835

LIQUID PITCH received

Belgium	55 657

BRICK received

Germany	935
France	3 658
Netherlands	387

COAL received

United States	37 261

KAOLIN received

Brazil	32 850

GENERAL GOODS received

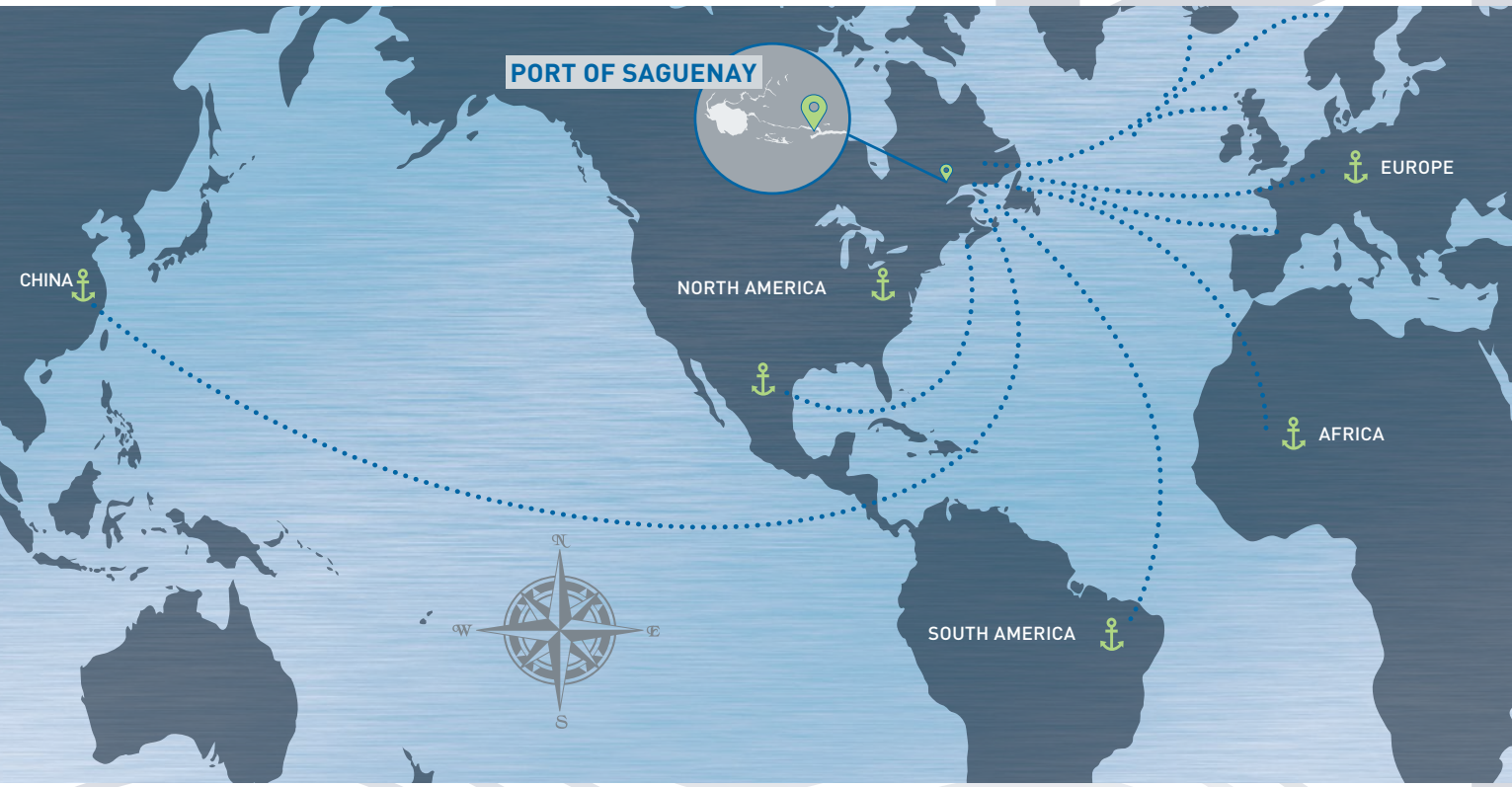
Spain	205
Netherlands	21
Poland	10 071
Russia	1 154
Sweden	1 139

GENERAL GOODS shipped

Canada	2 775
Poland	1 265

DE-ICING SALT received

Canada	75 478

FLUORSPATH received

Asia	34 044
Vietnam	31 042