ANNUAL REPORT

SAGUENAY PORT AUTHORITY

PORT DE SAGUENAY

2015

Canada

PORT DE SAGUENAY

WWW.PORTSAGUENAY.CA

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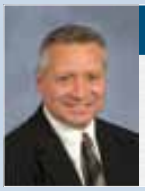
BOARD OF DIRECTORS AND CEO

GHISLAIN HARVEY

Appointed by Ville de Saguenay;
In office since May 1, 2013, first 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

A BRIGHT FUTURE TAKES SHAPE ....

We can truly say that 2015 has been a year that served to propel the organization towards a future that looks promising and this is true in a number of different ways. Indeed, important developments have taken place this year both in terms of our infrastructure and industrial projects and in terms of the recognition of the strategic positioning of our administration, at the local, regional, provincial and national levels.

FROM THE FJORD TO THE RAILS!

First of all, the new rail spur linking Grande-Anse to the nationwide network was officially launched in May, in the presence of dignitaries and representatives of partner organizations which have contributed financially to its implementation, by the Governments of Canada and Quebec, the City of Saguenay and the Port of Saguenay. This significant project, which was completed on time and within budget has shown once again the exceptional ability of our organization to achieve great things, particularly when we can also rely on the support of our partners.

2015 was also the year, shortly before the new spur was inaugurated, when the first railway convoys began to use this new infrastructure, in co-operation with the Roberval-Saguenay team that performed the first ship-handling exercise in the history of Grande-Anse Marine Terminal to ship aluminum to the United States. The Port of Saguenay's contribution to the development of rail transport has been officially recognized this year with the award to our organization of the Richard Legendre prize by TRAQ GROUP as the organization that has made the most significant contribution to rail transport in Quebec in 2015, at a ceremony held in March.

A PRESENCE ON BOTH BANKS

This year, we also officially initiated the most significant project in the Port's history, estimated to cost approximately $200 million, with the launch of this new marine terminal on the Saguenay north shore in the municipality of Ste-Rose-du-Nord, required for the completion of Arianne Phosphate's apatite mine project. The Port of Saguenay also began engineering studies and an environmental assessment as part of the run-up to the implementation of the project.

This involvement once again shows the vital role played by our organization in efforts toward regional economic development, since it is an essential partner in implementing this overall project costing more than $1.2 billion, authorized by a decree issued by the Quebec Government in December 2015. Moreover, we are confident that the construction of a new multi-user marine terminal will act eventually as a catalyst in the future for the completion of new wealth-creation projects on the north shore of the Saguenay.

AT THE CROSSROADS OF QUEBEC'S ECONOMIC DEVELOPMENT

In June 2015, the Government of Quebec unveiled the first Maritime Strategy in its history. As soon as this was announced, the Port of Saguenay was targeted to be a major player in the marine industry. Indeed, given the location of its facilities on deep water and its unique strategic links with northern Quebec, our organization strives to be a true crossroads in the main development thrusts advocated by the Government of Quebec as part of its overall economic diversification strategy.

Also, given its advantageous location, the Grande-Anse Marine Terminal is well positioned to become one of the leading industrial-port complexes contemplated by the Maritime Strategy with its extensive spaces, access to all services and its unique potential as a port. The Port of Saguenay was actively involved during the year in promoting the Maritime Strategy by taking part in the Government of Quebec's economic missions to Europe (Netherlands and Belgium) as well to the Chicago area in the United States.

In addition the Port of Saguenay hosts the largest industrial project in Quebec, the construction of a liquefied natural gas (LNG) plant, Energie Saguenay Project, by LNG Quebec. The project, which is estimated to cost more than $7.5 billion, has made substantial progress this year, including the decision of the National Energy Board (NEB) to issue a permit to export LNG, with continuing and intensifying consultations with the community and the completion of new engineering work and preparatory work for the environmental assessment project.

A COMMITTED TEAM WHOSE IMPACT REACHES BEYOND ITS REGION

In spite of the limited workforce, members of the Board of Directors and the whole Port team have been very active throughout the year through their involvement in the community as well as in several organization to which we belong and this has taken place at all levels. The Board of Directors held 15 meetings during the year with a participation rate of 93%. This strong involvement of the Board members and the success stories to which they bear witness demonstrate the quality and of the work they have done.

The Port was also particularly active in its participation at the Regional Economic Summit which took place in June at Alma. During the event, the Port Authority made a significant contribution by participating in two different discussion panels on mining development and the regional transport network.

In addition, the Port Authority also participated actively by having a seat on the Board of Directors of the Association of Canadian Port Authorities (ACPA), Board of Directors of the American Association of Port Authorities (AAPA), St. Lawrence Economic Development Council (SODES) and the Saguenay Chamber of Commerce. The Port is very proud and committed to playing a role in other associations in the marine industry such as Green Marine Association, the St. Lawrence Cruise Association, Cruise Lines International Association (CLIA), St. Lawrence Ship Operators and HWY H_2O.

The attraction of the Port of Saguenay has also begun to have a positive effect in regional media and also to share its expertise by providing input into conferences held outside the region. As usual, the Port Authority has also continued its direct involvement in the community by supporting many worthy causes. For instance, 30 organizations enjoyed our support in 2015.

ACTIVITIES AT THE GRANDE-ANSE FACILITIES

The level of activity at the Port's Grande-Anse Marine Terminal reached its highest point for a period of ten years with a total of 66 vessels berthing at the Marcel-Dionne Wharf and a total of 341,042 tonnes handled, an increase of approximately 22% over the 2014 figures. Among the factors contributing to this increase we should note a number of major industrial projects that have been completed in the region, including the last stage in the construction of the Rivière-du-Moulin wind park (wind turbine nacelles and hubs) and the refurbishment of the Riedhammer furnace at the Grande-Baie plant of Rio Tinto's aluminum division (fire brick). Regional companies like Proco, which is involved in a project in Surinam, have also used the facilities to export equipment parts and structures for the implementation of contracts on the international stage.

Another factor that has made a substantial contribution to the Port's activity is the receipt of shipments of a new product, namely kaolin, a type of clay involved in the manufacture of certain papers and destined for Résolu's Kénogami plant. Growth in the volume of road salt carried over from 2014 also explains some of the increased tonnage handled. Several vessels heading for northern Quebec also berthed at our facilities to load miscellaneous cargo intended to supply working mines in that part of the country.

As in 2014, shipments of forest products and primary aluminum were limited, primarily because of the vigour of the American economy and the strength of its currency. Thus, the great majority of exports from the region moved over land to the United States and this explains the low volume of this kind of product exported through our facilities.

BAGOTVILLE WHARF

Once again in 2015, there has been substantial growth in international cruise-ship activity. The Bagotville Wharf, which is managed by the Port Authority, has in fact seen explosive growth of 15% in the number of ships berthing there since 2014 for an historic high of 37 vessels and almost 30,000 passengers who came to enjoy the delights of the region. In addition, Saguenay was awarded the title of Best Port Welcome for the fourth time since 2009 at the Cruise Insight Awards for 2015, an indicator of the excellent work done by the team responsible for welcoming visitors, which is now recognized across the industry. More than 33,000 passengers are expected in 2016, including those travelling on the Queen Mary II, which will honour us with a visit in October. The presence of this iconic vessel will certainly further burnish the favoured position of Saguenay as a destination on the St Lawrence that is not to be avoided.

FINANCIAL RESULTS

The financial year ending December 31, 2015 showed a net surplus of $726,000, an increase of $201,000 over 2014. Operating revenues increased by 15% to a total of $2.8 million.

Operating expenditures totalled some $2.4 million, an increase of $301,000 over 2014. Part of this increase is directly linked to the growth in traffic. Major maintenance expenditures for the wharf and the costs of maintaining and operating the new rail spur also account for this increase.

Operating profit for 2015 totalled $438,000. Investments in bonds held by the Authority generated $169,000 in interest. The effective rate of return on investments was 3.04% in 2015. The Authority also recorded a profit of $178,000 on disposals of certain investments.

The Port made investments totalling $1.2 million during the year, primarily in the completion of the rail spur, expanding the administrative offices and acquiring land that has enabled the Port to expand the space available for industrial development.

A YEAR THAT PROMISES TO BE HECTIC

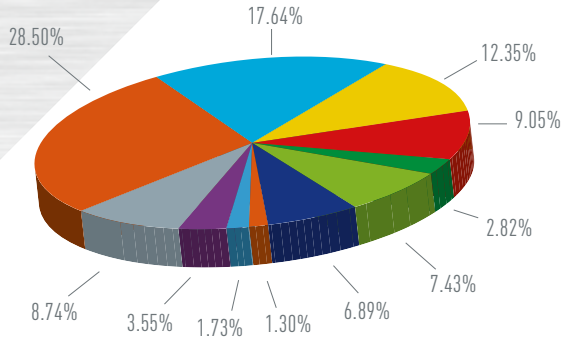
2016 promises to be a highly exciting and very busy year for the Port of Saguenay and the whole team there. The many projects currently being developed will certainly continue to move forward on a broad front and we shall continue to support our partners with all our determination as we work toward the attainment of our common goals. The level of involvement will remain high, especially with the opening of several sites of major importance such as the designation of the Industrial Port Area of Port of Saguenay by the government of Quebec and the completion of work resulting from the Regional Economic Summit in the Transportation Industry. Speaking more broadly, the weakness of the Canadian dollar, the upcoming implementation of the free-trade agreement with Europe and the Trans-Pacific Partnership are likely to favour exports to those parts of the world through the Seaway and already augur well for our organization. We accordingly look to the future with a great deal of optimism and we shall continue to work closely with our partners in contributing to the economic growth of Canada, all the while respecting and working for the benefit of our community and our environment.

GHISLAIN HARVEY
Chairman of the Board

CARL LABERGE
General Manager & CEO

BREAKDOWN OF VOLUMES
BY PRODUCTS (MT)

De-icing salt	97,190	Others	23,490
Liquid Pitch	60,146	Wood pulp and paper	4,440
Coal	42,106	Sand	5,916
Anodes	30,885	Aluminum	12,093
Brick	9,618	Kaolin	29,811
Fluorspath	25,347		

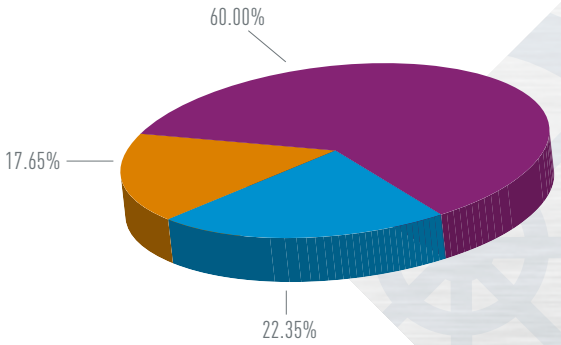


SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

		2015 $	2014 $
REVENUES	Port services	922,080	735,715
	Rentals	1 021,387	1 062,166
	Management revenues	330,565	306,217
	Other services	543,270	352,594
		2 817,302	2 456,692
EXPENSES	Salaries and fringe benefits	873,934	831, 741
	Equipment repairs and maintenance	333,000	181,501
	Professional and consulting fees	147,918	143,368
	External fees –mooring	238,970	174,963
	Other operating expenses	9,591	11,413
	Office supplies	5,917	6,120
	Supplies and tools	11,006	7,794
	Computer supplies	9,218	6,779
	Energy	56,052	39,052
	Telecommunications	14,950	14,267
	Travel and entertainment	64,158	50,253
	Advertising and promotion	62,375	42,514
	Bad debts (recovered)	(14,661)	1,730
	Insurance	42,827	39,365
	Contributions and donation	54,732	48,611
	Payments in lieu of property taxes	106,266	105,221
	Reversal of provision for payments in lieu of property taxes for previous years	(57,660)	-
	Depreciation of property, plant and equipment	420,421	373,294
	Gain on disposal of property, plant and equipment	-	(100)
		2 379,014	2 077,886
	EARNINGS FROM OPERATION	**438,288**	**378,806**
OTHER REVENUES	Interest revenues	169,029	177,236
	Gain on disposal of investments	178,394	18,630
	Fees on gross revenues	(59,625)	(49,503)
		287,798	146,363
	NET EARNINGS	**726,086**	**525,169**
OTHER COMPREHENSIVE INCOME	Items that will not be subsequently reclassified to net earnings		
	Remeasurement of defined benefit obligation	(85,700)	(93,900)
	Items that may be subsequently reclassified to net earnings		
	Loss on changes in fair value of available-for-sale investments	(74,954)	(22,593)
	Reclassification of realized gains on available-for-sale investments	(178,394)	(18,630)
	Change in available-for-sale investments	(253,348)	(41,223)
		(339,048)	(135,123)
	COMPREHENSIVE INCOME	**387,038**	**390,046**

BREAKDOWN OF VOLUMES
BY CATEGORY (MT)

- Liquid bulk 60,146
- Dry bulk 204,673
- General goods 76,223



SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

		2015 $	2014 $
ASSETS			
CURRENT ASSETS	Cash	249,498	-
	Accounts receivable	976,143	1,038,327
	Grants receivable	651,132	2,653,345
	Current portion of investments	2,204,577	-
	Prepaid expenses	22,152	41,966
		4,103,502	3,733,638
NON-CURRENT ASSETS	Grants receivable	4,420,000	4,960,000
	Investments	2,670,409	4,918,069
	Property, plant and equipment	18,464,453	17,722,145
	Employee benefits	10,300	12,500
		29,668,664	**31,346,352**
LIABILITIES			
CURRENT LIABILITIES	Bank overdraft	-	111,696
	Bank loan	-	160,000
	Accounts payable	1,009,081	2,332,969
	Deferred revenues	105,378	104,507
	Current portion of long-term debt	540,000	530,000
		1,654,459	3,239,172
NON-CURRENT LIABILITIES	Long-term debt	4,420,000	4,960,000
	Accrued social benefits	86,441	26,454
		6,160,900	**8,225,626**
CAPITAL			
	Contributed capital	13,999,183	13,999,183
	Retained earnings	9,951,114	9,225,028
	Reserves	(442,533)	(103,485)
		23,507,764	**23,120,726**
		29,668,664	**31,346,352**

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.

Approuved by the board and atthorized for issues on February 18, 2016.

GHISLAIN HARVEY
Chairman of the Board

JEAN-SÉBASTIEN HARVEY
Secretary-treasurer

CARGO MOVEMENTS - ORIGIN AND DESTINATION

RECEIVED (MT)

ALUMINUM
Germany	161
France	3,006
Hungary	95
Netherlands	8,319
Switzerland	664

ANODES
Netherlands	4,941
Switzerland	25,944

LIQUID PITCH
Belgium	60,146

BRICK
Germany	9,618

COAL
United States	42,106

KAOLIN
Brazil	29,811

GENERAL GOODS
Germany	8,021
Antilles	295
Canada	883
Spain	172
Netherlands	1,620
Poland	3,822
Sweden	165

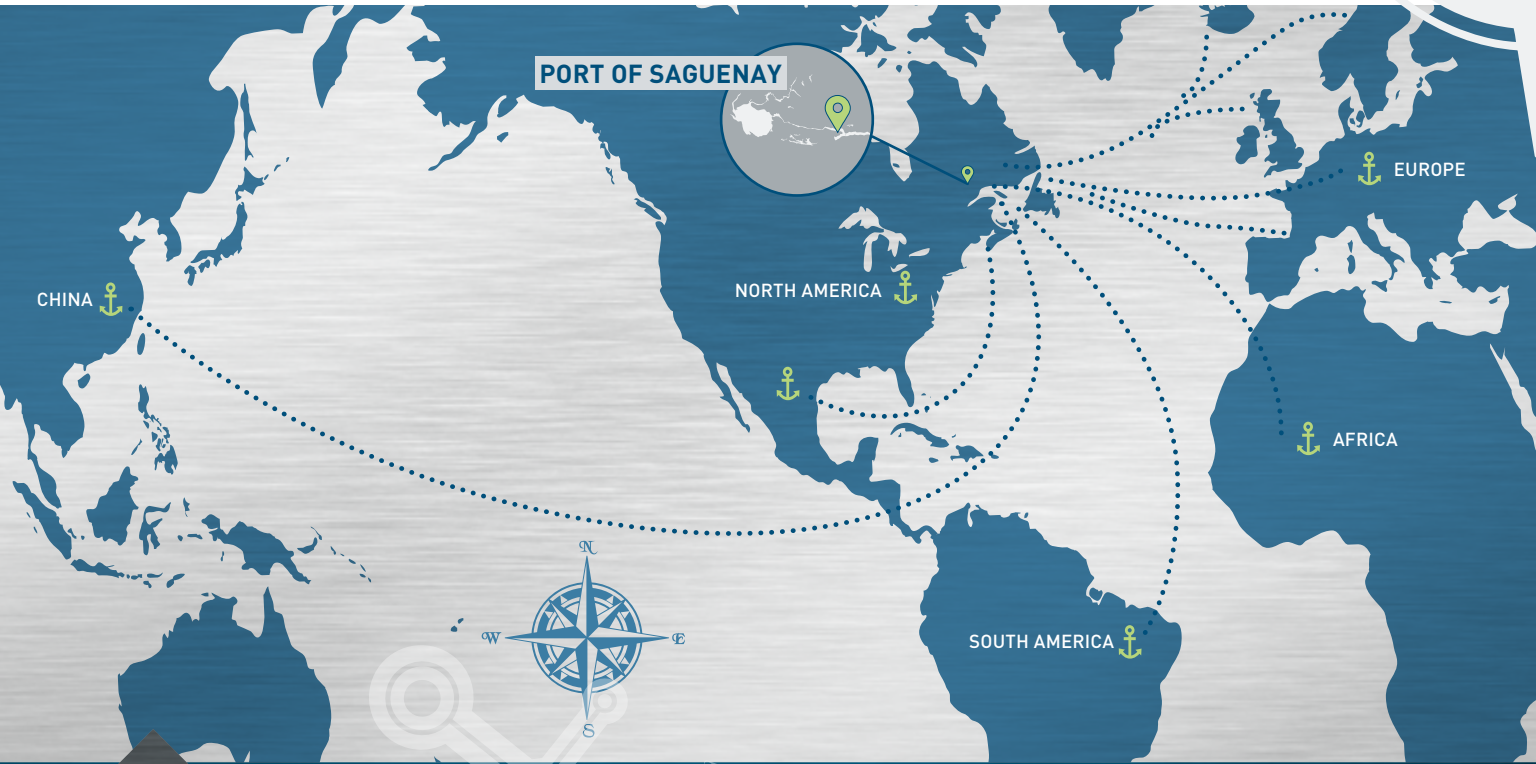
DE-ICING SALT
Canada	97,190

FLUORSPATH
China	14,280
Vietnam	11,067

SHIPPED (MT)

FERROSILICON
France	4,303

GENERAL GOODS
Belgium	160
Canada	1,360
Suriname	2,537

WOOD PULP AND PAPER
Netherlands	3,174
Venezuela	1,266

SAND
Canada	5,916