

2020

ANNUAL REPORT



PORT
SEPT-ÎLES

« Behind every tonne handled throughout the year stands a multitude of men and women working in various logistics chains to serve the port. »

PIERRE D. GAGNON
President & CEO, Port of Sept-Îles

WE ARE

THE LARGEST IRON ORE HANDLING PORT IN NORTH AMERICA



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

The Port of Sept-Îles's performance hinges on the values of partnership, commitment, customer focus, professionalism, and expertise. Our 7-star team runs on pride, boldness, solidarity, and a desire to excel. These values define who we are, what we hold dear, and what inspires us.

OUR PERFORMANCE AT A GLANCE



\$25 M

Revenues



\$35 M

Investments



33,1 Mt

Volume of goods handled



508

Number of ships accommodated



\$125 k

Contribution to community life

HIGHLIGHTS



30 MILLION TONNES OF GOODS SHIPPED

The Port of Sept-Îles is proud to announce that in early December 2020, well before year end, it had shipped 30 million tonnes of goods. The symbolic 30 millionth tonne shipped out from the Port on its way to China aboard the C. VISION from Quebec Iron Ore.



RECORD SHIPPING VOLUME

Maritime shipments in the first quarter of 2020 set new records for the Port of Sept-Îles. We started the new year with a record shipping volume. The Port experienced major growth through January, February, and March, handling 7.9 million tonnes transported by 112 vessels. This growth was partly due to a new player, Tacora, which accounted for 600,000 tonnes. In comparison, by the end of the first quarter of 2019, the Port saw 5.3 million tonnes shipped on 75 vessels.



MODERNIZING THE POINTE-AUX-BASQUES TERMINAL

The work mainly consists of installing a new facade made up of piles and sheet piles in front of the existing wharf, replacing the upper tie-rods, improving the defense and mooring system, extending the facade to the existing jetty and redoing the terminal's surface.

MESSAGE FROM MANAGEMENT



Well before the end of the year, the Port of Sept-Îles proudly announced it had surpassed the 30-million-tonne mark for goods shipped in early December. This level of activity has not been seen since the iron industry's late-1970s boom, when the Port ranked second in Canada. Reaching this major milestone was one of the year's main highlights. It cements the Port's position as a leader among top-tier cargo ports in North America.

Behind every tonne handled throughout the year stands a multitude of men and women working in various logistics chains to serve the port. Together they account for more than 4,000 direct and indirect jobs in and around the port of Sept-Îles. They all deserve recognition.

This is even more remarkable given the COVID-19 pandemic that disrupted our lives and work. We hold in high regard and sincerely thank all healthcare and other service workers who stood strong on the front lines to manage this unprecedented crisis.

STRONG RESULTS, SUSTAINABLE ACTIONS

It was with determination in the face of pandemic-fueled adversity that we handled 33.1 million tonnes, making 2020 the best year for the Port since the Port Authority was created in 1999. By handling this much cargo, the Port rose to third among Canadian ports, behind only Vancouver and Montreal. A 13% year-over-year increase in shipping volumes was primarily due to growth in iron ore shipments from Rio Tinto IOC and Tacora.

Unfortunately, the cruise industry suffered a severe downturn due to COVID-19 as cruise activity was cancelled for all destinations across the country, a once-unthinkable scenario.

The Port also recorded great achievements throughout 2020 as it continued its environmental leadership on the St. Lawrence: - \$500,000 in funding towards the creation of a research chair at the start of the year with Université Laval and INREST to study coastal

ecosystems and port activity - \$250,000 in funding towards the launch of the Centre for Industrial Port Expertise (CEIP) in July - Arrival of two scientific research missions in the Bay of Sept-Îles on board the Amundsen and Corialis II research vessels.

This track record proves the Port's unshakable commitment to protecting the invaluable bay ecosystem in Sept-Îles, as well as a firm desire to ensure sustainable management of port operations by improving scientific knowledge via research activities. We proudly recall the remarks of Chantal Rouleau, Minister for Transport and Minister Responsible for the Metropolis and the Montréal Region, at the announcement of the research chair on coastal ecosystems and port activity at Université Laval :

"The creation of this research chair aligns perfectly with initiatives our government wants to see develop as a result of Quebec's new maritime vision for 2035. This maritime vision, which is currently being developed, will help guide the government as it reconciles economic, social, and environmental progress in Quebec."

NEW PORT FACILITIES

Work on the \$20 million Pointe-aux-Basques terminal upgrade project has proceeded smoothly and remained on time and on budget despite the brief pandemic-related work stoppage. Thanks to about 150 workers on site, about 90% of the work was completed by the end of the year. The new terminal, which is expected to be completed at the start of summer 2021, will enable the ship Bella Desgagnés to return to the terminal and provide service to the lower North Shore. Completion of the innovative \$3 million modular service building at the multi-user dock will bring in the facilities needed to ensure effective and reliable ship loading operations.

TOGETHER!

2020 challenged us to find new ways of working and living, both professionally and in our personal lives. It showed our ability to innovate, adapt, and stay resilient in a situation that has lasted longer than anyone ever imagined. Despite all this, we managed to scale new heights together! We would like to sincerely thank all the Port's board members and the entire team for their remarkable dedication throughout this exceptional year, which made our outstanding results possible. Finally, we're pleased and proud to see how the actions we took to support families and other clients of many local organizations made a real difference. Our actions showed our commitment to our community and proved, now more than ever, that we are "Together, with you!"



CAROL SOUCY

/ CHAIRMAN OF THE BOARD

PIERRE D. GAGNON

/ PRESIDENT AND CHIEF EXECUTIVE OFFICER

In the company of Mr. Jean Caron, Chairman of Recyk et frip, Ms. Patsy Keays, Director Corporate Affairs and Corporate Secretary of the Port of Sept-Îles, Ms. Maryse Gagnon, General Director of Recyk et frip.

COMMUNITY ACTIVITIES

When the pandemic and lockdown started, the Port sought to do things differently, reaching out to various community and family organizations to help them in a variety of ways. This outreach brought about a number of initiatives and donations (financial aid, services, and information sharing via social media) aimed at various needs and activities: the purchase of a freezer for the Centre d'action bénévole Le Virage de Sept-Îles, the purchase of Easter eggs for all seniors in social housing, and contributions to three fundraising campaigns for L'Envol Maison de la famille, Centraide Duplessis, and L'Élyme des sables, a palliative care home in Sept-Îles.

Other initiatives included advertising packages with TVA to promote four community organizations: Centre d'action bénévole Le Virage de Sept-Îles, Recyk et Frip, Comptoir Alimentaire de Sept-Îles, and L'Élyme des sables, a palliative care home in Sept-Îles. Each ad ran for four weeks, giving these organizations regional exposure they would not otherwise have been able to afford.

We're particularly proud of our partnership with Marée motrice and the Patinoire du gardien skating rink at Vieux Poste. This tireless and committed group of volunteers created a magical Christmas experience at Vieux-Poste. The Port was more than happy to pitch in for upgrades to the skating oval and its enchanting site, which has become a gathering place for the Uashat mak Mani-utenam and Sept-Îles communities. Skaters and spectators of all ages came together to savour a moment of pure skating pleasure or a sip of hot chocolate in front of a fire as retro music echoed through the trees.

Other beneficiaries:

- Chantier Jeunesse Loisirs
- Maison Alouette
- Hommes Sept-Îles
- Station de ski Gallix
- Café jeunesse de Clarke
- Centre de dépannage du Parc Ferland
- Office municipal d'habitation de Sept-Îles
- Centre d'action bénévole de Port-Cartier



COMMUNITY
ACTIVITIES



JANUARY

18

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GRAND OPENING: THE PATINOIRE DU GARDIEN SKATING RINK AT VIEUX-POSTE

The Patinoire du gardien skating rink at Vieux Poste was inaugurated in collaboration with Marée Motrice. The entire population was invited to lace up their skates and enjoy this magical rink. More than 7,000 skaters turned out to take in the enchanting atmosphere and hospitality of this spectacular skating oval.



FEBRUARY

17

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THE PORT OF SEPT-ÎLES DONATES \$60,000 TO RECYK ET FRIP

The Port of Sept-Îles's \$60,000 contribution over two fiscal years will be used to renovate and maintain the Recyk & Frip building and make it a safer and more enjoyable place for staff and volunteers to work.



OCTOBER

23

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5 À HUÎTRES MARITIME

The special "home" edition of the 5 à Huîtres maritime oysterfest raised \$49,664 for L'Élyme des sables, a palliative care home in Sept-Îles. The Port of Sept-Îles is always happy to participate in this fundraiser with its many partners and collaborators.



NOVEMBER

16

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WINTER CLOTHING FOR OMHSI'S YOUNG MEMBERS

We were delighted to work with SFP Pointe-Noire and L'Envol Maison de la famille to help distribute winter boots and clothing to children and teenagers of OMHSI member families. After eagerly awaiting the four Santas and their elves, the children were all smiles as they received their gifts. Hats off to OMHSI for this brilliant initiative! The big smiles on the children's faces made it all worthwhile!



NOVEMBER

18

2 0 2 0

THE PORT OF SEPT-ÎLES, MAJOR PARTNER OF POPOTE ROULANTE

The Port of Sept-Îles was pleased to announce \$78,000 in funding for Centre d'action bénévole Le Virage, or \$26,000 per year over three years. This funding will support the meals-on-wheels program, an essential service appreciated by the community.



NOVEMBER

26

2 0 2 0

\$5,000 FOR LE COMPTOIR ALIMENTAIRE DE SEPT-ÎLES

The Port of Sept-Îles and Logistec once again joined forces to give \$5,000 to the Christmas basket drive in support of Comptoir alimentaire de Sept-Îles. The money was used to buy turkeys for the many Christmas baskets.

PORT ACTIVITIES



Despite the pandemic's worldwide disruption of economic activity, the Port of Sept-Îles continued to grow, with a 13% increase in volume handled or 33,076,357 tonnes in 2020 versus 29,324,703 tonnes for the previous year. It was the second-best year since the record-setting 34,948,000 tonnes handled in 1979, and the best year since the Sept-Îles Port Authority was created in 1999.

This volume of cargo also lifted the Port to third among Canadian ports, chiefly due to a 14% year-over-year increase in iron ore shipments.

In 2020, 508 ships anchored in the Bay of Sept-Îles—26 more than in 2019. The cruise industry suffered in 2020 due to a country-wide ban on cruise ship traffic during the pandemic. This is a major change from 2019, which was a record year with eight stopovers and 18,655 passengers and crew.

	2020	2019
SHIPS	508	482
TOTAL TONNAGE	33,076,357	29,324,703
INBOUND TONNAGE	2,207,704	2,098,680
OUTBOUND TONNAGE	30,868,653	27,226,023
CANADIAN TONNAGE	596,413	487,183
CANADIAN INBOUND	455,718	409,795
CANADIAN OUTBOUND	140,695	77,388
FOREIGN TONNAGE	32,479,944	28,837,520
FOREIGN INBOUND	1,751,986	1,688,885
FOREIGN OUTBOUND	30,727,958	27,148,635
CRUISE SHIPS	0	8
PASSENGERS (including crew as of 2019)	0	18 655

TOP CARGO TYPES			
		2020	2019
1	Iron ore	30,300,425	26,675,731
2	Aluminum	1,212,085	1,081,140
3	Alumina	562,242	518,131
4	Fuel oil/diesel/gasoline	288,456	326,760
5	Petroleum coke	236,353	214,545
6	Dolomite (Limestone)	168,919	169,427
7	Coke breeze	117,155	145,045
8	Bentonite	107,500	101,610
9	Other liquid bulk	49,647	50,577
10	Other cargo	21,686	30,381
11	Other dry bulk	11,889	11,356

FINANCIAL RESULTS

The \$24.6 million growth in revenues (+18%) stems mainly from increased activities at the multi-user dock. Operating expenses fell 9% to \$14.1 million due to lower administrative expenses for the year.

Higher revenues and lower operating expenses resulted in a healthy year-end operating income of \$10.5 million, up \$5.3 million from the previous year.

Other items were exceptionally impacted by amounts related to the settlement of the \$5.5 million multi-user dock construction dispute, as well as by changes in the fair market value of interest-rate swaps.

The overall result is a positive balance of \$12.8 million, down from \$14.7 million the previous year.

Key investments made by the Port during the year were allocated to the Pointe-aux-Basques terminal rehabilitation project (\$17.7 million), the new multi-user dock service building (\$3.2 million), and the \$13.3 million in compensation the Superior Court of Quebec awarded in April 2020 to Pomerleau Inc., which had filed a motion for over \$59 million in 2014.



STATEMENT OF COMPREHENSIVE INCOME		
Fiscal year ended at December 31, 2020 (in \$000s)		
	2020	2019
GROSS REVENUE	24,612	20,792
OPERATING EXPENSES		
Operating expenses	10,897	10,539
Administrative expenses	3,210	5,011
	14,107	15,550
INCOME BEFORE OTHER ELEMENTS	10,505	5,242
OTHER ELEMENTS		
Other revenues	203	864
Change in the fair value of interest rate swaps	(1,789)	(284)
Financial expenses	(1,145)	(1,337)
Contract obligations - multi-user wharf	11,028	10,688
Dispute settlement - multi-user wharf	(5,506)	
OTHER COMPREHENSIVE INCOME	(460)	(446)
COMPREHENSIVE INCOME	12,836	14,727
CAPITAL EXPENDITURES	35,256	1,799

STATEMENT OF FINANCIAL POSITION		
as at December 31, 2020 (in \$000s)		
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	11,204	24,742
Accounts receivable	2,904	4,485
Prepaid expenses	3,106	2,886
Current portion of investments	0	2,500
Current portion of net investments in direct financing leases	0	2,486
	17,214	37,099
INVESTMENTS	2,000	500
NET INVESTMENT IN DIRECT FINANCING LEASES	315,318	289,747
	334,532	327,346
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	5,802	2,437
Deferred revenues	9,922	6,704
Current portion of long-term debt	11,041	5,954
	26,765	15,095
DEFERRED REVENUES	50,814	67,686
LONG-TERM DEBT	29,639	33,681
DERIVATIVE INSTRUMENTS	3,044	1,254
DEFERRED CONTRIBUTIONS	94,765	93,318
DEFINED BENEFIT LIABILITIES - PENSION PLAN	448	196
DEFINED BENEFIT LIABILITIES - SEVERANCE PAYMENTS	829	724
	206,304	211,954
EQUITY		
Contributed capital	11,707	11,707
Retained earnings	118,357	105,062
Accumulated other comprehensive income	(1,836)	(1,377)
	128,228	115,392
	334,532	327,346

SUSTAINABLE
DEVELOPMENT

While we have achieved record levels of port activity, we made similar strides in demonstrating our commitment and leadership in sustainable management and protection of the Bay of Sept-Îles. We supported various projects that we were proud and eager to embrace. Here are the highlights in chronological order :

FEBRUARY

05

2 0 2 0

Université Laval, INREST (Northern Institute for Research in Environment and Occupational Health and Safety), and the Port of Sept-Îles announced a new research chair on coastal ecosystems and industrial and maritime port activities dedicated to improving knowledge of the functioning of coastal ecosystems in industrial and port areas in order to identify sustainable environmental management practices.

This initiative is certain to inspire many research projects, partnerships, and collaborations up and down our splendid St. Lawrence River. Pierre D. Gagnon, President & CEO, Port of Sept-Îles



* The event was attended by Chantal Rouleau, Minister for Transport and Minister Responsible for the Metropolis and the Montréal Region, and Jonatan Julien, Minister of Energy and Natural Resources, Minister Responsible for the Côte-Nord Region and Minister Responsible for the Gaspésie-Îles-de-la-Madeleine Region.

**PORT OF SEPT-ÎLES CONTRIBUTION
 \$ 500,000 / 5 YEARS**

CHAIR OBJECTIVES

- Measure the impact of human activities on industrial and port areas.
- Describe and quantify the effects of these activities on various coastal areas.
- Develop methods and tools to distinguish major natural environmental changes from those linked to human activities.
- Advise and support organizations as they plan and implement sustainable solutions to adapt to the issues found.

MARCH

06

2020

The Port of Sept-Îles and INREST (Northern Institute for Research in Environment and Occupational Health and Safety) were proud to welcome the Canadian Coast Guard's research icebreaker Amundsen. The Amundsen carried the Odyssée Saint-Laurent research program's third winter oceanography mission to collect advanced data on the St. Lawrence Estuary ecosystem in winter. The research included taking samples at locations within the waters of the Port of Sept-Îles. Those samples will yield strategic winter results to complement the data already collected by the Bay of Sept-Îles Environmental Observatory.

It was a tremendous opportunity for the Port and the Observatory to welcome the Odyssée Saint-Laurent research program and be part of its research loop. The scientific data it reveals will boost our understanding of this precious ecosystem and help us manage our operations sustainably.

Pierre D. Gagnon, President & CEO, Port of Sept-Îles



*Réjean Porlier, Mayor of Sept-Îles, Jean-Carlos Montero-Serrano, Lead Investigator of the Odyssée Saint-Laurent Research Program, Julie Carrière, INREST Executive Director, Alain Gariépy, Captain of the NGCC Amundsen, Pierre D. Gagnon, President and CEO of the Port of Sept-Îles

JULY

17

2020

INREST (Northern Institute for Research in Environment and Occupational Health and Safety) and the Port of Sept-Îles were thrilled to announce the inauguration of the first research centre on industrial port ecosystems, the Centre for Industrial Port Expertise (CEIP), a division of INREST. CEIP's mission is to offer services and scientific expertise on the environment and occupational health. Experts and researchers from various sectors provide managers in the region and in other maritime regions of Quebec, Canada, and abroad with centralized R&D services and technical support adapted to the specific environmental, management, and operational challenges of industrial port areas.

This innovative initiative, which will support research by the Bay of Sept-Îles Environmental Observatory, was made possible thanks to a major grant (\$351,000) under the Quebec government's Blue Fund program set up to support initiatives in line with the objectives of the Quebec Maritime Strategy. The project also secured long-term funding from big industry, the City and the Port of Sept-Îles, and regional leaders and collaborators in support of CEIP. We would especially like to thank CEIP members on the North Shore: IOC/Rio Tinto, Aluminerie Alouette, Quebec Iron Ore, the City of Sept-Îles, and Développement économique Sept-Îles.

Our industrial port community's commitment to the only environmental monitoring observatory on the St. Lawrence sets us apart on the national scene. This unique initiative has many other benefits, including the creation of local scientific expertise that will help the region attract and retain talent as well as the broad-ranging impacts of the research projects and numerous future partnerships. *President & CEO, Port of Sept-Îles*

**PORT OF SEPT-ÎLES CONTRIBUTION
\$250,000 / 5 YEARS**

SEPTEMBER

22

2 0 2 0

The Centre for Industrial Port Expertise (CEIP), a division of INREST (Northern Institute for Research in Environment and Occupational Health and Safety) and the Port of Sept-Îles proudly welcomed the Coriolis II, a floating lab with space dedicated solely to research. The ship carried a summer oceanography mission to collect advanced data on the St. Lawrence River ecosystem as part of the Odyssée Saint-Laurent research program. INREST and its CEIP division were pleased to partner with the Quebec Maritime Network (RQM) on another Odyssée Saint-Laurent mission. The data acquired by CEIP through its partnership with RQM will be used for environmental monitoring and to implement the Enviro-Actions management model in the Sept-Îles port zone. The CEIP team will also share the knowledge it acquires with other port zones.

CEIP was just launched in July and already it's joining RQM's Odyssey mission and contributing to the environmental monitoring being done for our invaluable bay ecosystem in Sept-Îles. We're pleased and proud that this leadership will also benefit our neighbouring port zones and we wish all the research teams on board the Coriolis II a highly productive mission. Pierre D. Gagnon, President & CEO, Port of Sept-Îles



VISION

The Port of Sept-Îles is committed to preserving its enviable position as a global leader by leveraging its world-class, state-of-the-art port facilities, including the multi-user dock capable of handling 50 million tonnes of bulk cargo every year, making it the highest-capacity dock in North America.

The Port of Sept-Îles is positioned as an active and inspiring partner and a model citizen dedicated to supporting initiatives that promote the well-being of its community and protect the ecosystems of the Bay of Sept-Îles.



HIGHLIGHTS



Quebec Iron Ore, in partnership with Investissement Quebec and the Société du Plan Nord, announced investments totaling \$135 million to increase transshipment capacity at SFP Pointe-Noire and support its plans to double production through the Bloom Lake Phase II mine expansion.



The Pacific South set sail with 80,000 tonnes of Tacora Resources iron ore and 78,500 tonnes of Tata Steel iron ore, 40,000 tonnes of which were loaded at the multi-user dock and 38,500 tonnes at the IOC dock. It's extremely rare to carry cargo from different companies on the same ship. This is only the second time since the multi-user dock came into service, showcasing the level of flexibility the SFP Pointe-Noire and multi-user port facilities can offer to the iron industry.



The Port of Sept-Îles is an essential service during the COVID-19 pandemic. The Port's priority is to safeguard the health and well-being of its employees, maritime and port personnel, and the Sept-Îles community. In these challenging times, the Port of Sept-Îles has been able to safely ensure continuity in the merchandise transportation logistics chain, working with shippers, ship crews, dock workers, and all supply chain stakeholders to keep goods moving and preserve the important spinoff effects of uninterrupted shipping operations.



TOGETHER
**WITH
YOU***

