

LAURENTIAN PILOTAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED MARCH 31, 2017

Notice to reader

The current report covers the LPA's activities and financial situation for the three-month period ended March 31, 2017. You should read this report in conjunction with the unaudited financial statements for the three-month period ended March 31, 2017 and with the audited financial statements for the financial year ended December 31, 2016. These financial statements were established and are presented following IFRSs and are included in the LPA's 2016 Annual Report.

1. **Analysis of financial results**

COMPARISON WITH THE 2017 BUDGET

REVENUES

Pilotage charges

Pilotage charges amounted to \$19.9 million for the quarter ended March 31, 2017 versus \$ 20.6 million for the corresponding budget period. Variance in traffic estimates caused by more container ships than planned, but less bulk carriers and fewer tankers, resulted in an unfavorable variance. Assignments are lower than budget estimates by 1.3% for the quarter.

Other revenues

The LPA's other revenues totalled \$ 40,463 for the quarter ended March 31, 2017 compared to \$ 44,000 for the corresponding budget period; this unfavourable variation is not material.

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EXPENSES

Pilot fees

Pilot fees have reached \$ 16.3 million for the quarter ended March 31, 2017 compared to \$ 16.7 million for the corresponding budget period. This favorable variation originates from a variance in traffic estimates caused by more container ships than planned, but less bulk carriers and fewer tankers.

Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 2.7 million for the quarter ended March 31, 2017 versus \$3.0 million for the corresponding budget period. The variance is due to fewer pilotage missions compared to budget assumptions.

Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.7 million for the quarter ended March 31, in line with budget estimates.

COMPARISON WITH THE 2016 FINANCIAL YEAR

REVENUES

Pilotage charges

Pilotage charges amounted to \$ 19.9 million for the quarter ended March 31, 2017 versus \$ 20.1 million for the corresponding period last year. This unfavourable variation originates from a variance in traffic estimates caused by more container ships than planned, but less bulk carriers and fewer tankers. Assignments are lower than budget estimates by 1.3% for the quarter.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED MARCH 31, 2017

Other revenues

The LPA's other revenues totalled \$ 40,463 for the quarter ended March 31, 2017 compared to \$ 44,835 for the corresponding period last year, leaving a non material variation for the period.

EXPENSES

Pilot fees

Pilot fees have reached \$ 16.3 million for the quarter ended March 31, 2017 compared to \$ 16.0 million for the corresponding previous year period. This unfavourable variation originates from the increase in pilotage fees under service contracts with pilot corporations, and in the variation in the type of traffic in 2017 compared to the one in 2016.

Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 2.7 million for the quarter ended March 31, 2017 versus \$ 2.8 million for the corresponding previous year period, originating from a fewer assignment volume than last year's period.

Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.7 million for the quarter ended March 31, 2017, compared to \$ 1.6 million for the corresponding period last year. This unfavorable variation is due to higher professional service fees.

2. Risk analysis

No major change in the risk analysis of the Authority's operations has occurred since the preparation of its 2016 Annual Report. Furthermore, the Authority's operational and personnel activities have not significantly changed since the preparation of the LPA's 2017-2021 Corporate Plan. During its next strategic planning, the LPA will carry out a full update of operational and strategic risks which will be integrated into the 2018-2022 Corporate Plan.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED MARCH 31, 2017

3. Guidelines for Travel, Hospitality and Conference Expenditures

In accordance with the directives specified in the guidelines for travel, hospitality and conference expenditures, the amounts related to these costs are as follows, for the three-month period ending March 31:

TRAVEL, HOSPITALITY AND CONFERENCE EXPENDITURES SUMMARY
For the three-month period ending March 31

	Actual 2017	Actual 2016
Interim Chairperson of the Board of Directors	\$ 460	\$ 142
Chief Executive Officer	\$ 6,693	\$ 6,572
Board of Directors (6 members)	\$ 1,807	\$ 1,326