

LAURENTIAN PILOTAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED JUNE 30, 2017

Notice to reader

The current report covers the LPA's activities and financial situation for the six-month period ended June 30, 2017. You should read this report in conjunction with the unaudited financial statements for the six-month period ended June 30, 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 \$23.3 million for the quarter ended June 30, 2017 (\$ 43.2 million for the six-month period) versus \$ 21.2 million for the corresponding budget period (\$ 41.8 million for the six-month period). Variance in traffic estimates caused by more bulk carriers and general cargo ships than planned resulted in a favorable variance. Assignments are higher than budget estimates by 4.8 % for the six-month period.

Other revenues

The LPA's other revenues totalled \$ 37,985 for the quarter ended June 30, 2017 (\$ 78,448 for the six-month period) compared to \$ 38,000 for the corresponding budget period (\$ 82,000 for the six-month period); this unfavourable variation is not material.

LAURENTIAN PILOTAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED JUNE 30, 2017

EXPENSES

Pilot fees

Pilot fees have reached \$ 19.1 million for the quarter ended June 30, 2017 (\$ 35.4 million for the six-month period) compared to \$ 17.8 million for the corresponding budget period (\$ 34.6 million for the six-month period). This unfavorable variation originates from a variance in traffic estimates caused by more bulk carriers and general cargo ships than planned.

Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 2.6 million for the quarter ended June 30, 2017 (\$ 5.3 million for the six-month period) versus \$2.3 million for the corresponding budget period (\$ 5.4 million for the six-month period). The variance is due to higher pilotage missions compared to budget assumptions.

Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.9 million for the quarter ended June 30, 2017 (\$ 3.6 million for the six-month period), compared to \$ 1.7 million for the corresponding budget period (\$ 3.3 million for the six-month period); the unfavorable variation can be explained, in large part, from costs associated to professional and special services.

COMPARISON WITH THE 2016 FINANCIAL YEAR

REVENUES

Pilotage charges

Pilotage charges amounted to \$ 23.3 million for the quarter ended June 30, 2017 (\$ 43.2 million for the six-month period) versus \$ 20.4 million for the corresponding period last year (\$ 40.5 million for the six-month period). This variation originates from a variance in traffic estimates caused by more bulk carriers and general cargo ships when compared to last year. For the six-month period, assignments are up 4.8% versus last year.

LAURENTIAN PILOTAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED JUNE 30, 2017

Other revenues

The LPA's other revenues totalled \$ 37,985 for the quarter ended June 30, 2017 (\$ 78,448 for the six-month period) compared to \$ 51,143 for the corresponding period last year (\$ 95,978 for the six-month period), leaving a non-material unfavorable variation for the period.

EXPENSES

Pilot fees

Pilot fees have reached \$ 19.1 million for the quarter ended June 30, 2017 (\$ 35.4 million for the six-month period) compared to \$ 16.6 million for the corresponding previous year period (\$ 32.6 million for the six-month period). This unfavourable variation originates from the increase in pilotage fees covered by service contracts with pilot corporations, and in the variation in the type of traffic in 2017 compared to 2016.

Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 2.6 million for the quarter ended June 30, 2017 (\$ 5.3 million for the six-month period) versus \$ 2.2 million for the corresponding previous year period (\$ 5.0 million for the six-month period). The variance is due to traffic variation for this period.

Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.9 million for the quarter ended June 30, 2017 (\$ 3.6 million for the six-month period), compared to \$ 1.5 million for the corresponding period last year (\$ 3.1 million for the six-month period). These unfavorable variations are mostly due to higher professional and special 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.