

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

Notice to reader

The current report covers the LPA's activities and financial situation for the nine-month period ended September 30, 2017. You should read this report in conjunction with the unaudited financial statements for the nine-month period ended September 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 IFRS 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 \$24.1 million for the quarter ended September 30, 2017 (\$ 67.4 million for the nine-month period) versus \$ 25.1 million for the corresponding budget period (\$ 66.9 million for the nine-month period). Variance in traffic estimates caused by more general cargo ships, tankers, and container ships than planned resulted in a favorable variance. Assignments are higher than budget estimates by 3.7 % for the nine-month period.

Other revenues

The LPA's other revenues totalled \$ 43,077 for the quarter ended September 30, 2017 (\$ 121,525 for the nine-month period) compared to \$ 31,000 for the corresponding budget period (\$ 113,000 for the nine-month period); this favourable variation is not material.

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EXPENSES

Pilot fees

Pilot fees have reached \$ 19.7 million for the quarter ended September 30, 2017 (\$ 55.0 million for the nine-month period) compared to \$ 20.5 million for the corresponding budget period (\$ 55.1 million for the nine-month period). This favorable variation originates from a variance in traffic estimates that has positively affected our margins.

Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 2.3 million for the quarter ended September 30, 2017 (\$ 7.6 million for the nine-month period) versus \$2.3 million for the corresponding budget period (\$ 7.7 million for the nine-month period). The variance after a nine-month period is not material.

Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.4 million for the quarter ended September 30, 2017 (\$ 5.1 million for the nine-month period), compared to \$ 1.7 million for the corresponding budget period (\$ 4.9 million for the nine-month period); the favorable variation for the quarter originates from costs associated to professional and special services that have been budgeted but not started.

COMPARISON WITH THE 2016 FINANCIAL YEAR

REVENUES

Pilotage charges

Pilotage charges amounted to \$ 24.1 million for the quarter ended September 30, 2017 (\$ 67.4 million for the nine-month period) versus \$ 23.3 million for the corresponding period last year (\$ 63.8 million for the nine-month period). This favorable variation originates from a variance in traffic estimates caused by more bulk carriers, more general cargo ships and more container ships than previous year. For the nine-month period, assignments are up 3.7% versus last year.

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Other revenues

The LPA's other revenues totalled \$ 43,077 for the quarter ended September 30, 2017 (\$ 121,525 for the nine-month period) compared to \$ 35,473 for the corresponding period last year (\$ 131,451 for the nine-month period), leaving a non-material unfavorable variation for the period.

EXPENSES

Pilot fees

Pilot fees have reached \$ 19.7 million for the quarter ended September 30, 2017 (\$ 55.0 million for the nine-month period) compared to \$ 18.7 million for the corresponding previous year period (\$ 51.3 million for the nine-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 \$ 2.3 million for the quarter ended September 30, 2017 (\$ 7.6 million for the nine-month period) versus \$ 2.2 million for the corresponding previous year period (\$ 7.2 million for the nine-month period). The variance is due to traffic variation for this period.

Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.4 million for the quarter ended September 30, 2017 (\$ 5.1 million for the nine-month period), compared to \$ 1.4 million for the corresponding period last year (\$ 4.5 million for the nine-month period). These unfavorable variations are mostly due to higher professional and special service fees.

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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 last strategic planning, the LPA has carried out a full update of operational and strategic risks that will be integrated into the 2018-2022 Corporate Plan.