

LAURENTIAN PILOTAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED SEPTEMBER 30, 2015

1. Highlights

The current report covers the LPA's activities and financial situation for the nine month period ended September 30, 2015; this report must be read in conjunction with the unaudited financial statements for the nine month period ended September 30, 2015, as well as the audited financial statements for the financial year ended December 31, 2014 which have been prepared and presented according to IFRS and which can be found in the Authority's 2014 Annual Report.

2. Financial results analysis

COMPARISON WITH THE 2015 BUDGET

REVENUES

Pilotage charges

Charges from services provided by pilots amounted to \$20.2 million for the quarter ended September 30, 2015 (\$53.4 million for the nine month period) versus \$20.6 million for the corresponding budget period (\$54.4 million for the nine month period). Assignments are 4.9% lower than the third quarter budget estimates and 4.8% lower for the nine-month period due to, among other things, higher average ship dimensions per voyage. Budgeted pilotage charges during these periods were based on an increase in the number of assignments of 4.3% for the full 2015 year versus 2014.

Other revenues

The LPA's other revenues totalled \$406,317 for the quarter ended September 30, 2015 (\$503,349 for the nine month period) compared to \$21,000 for the corresponding budget period (\$63,000 for the nine month period); this favorable variation is due to the unbudgeted disposal of a pilot boat at the Escoumins boarding base.

EXPENSES

Pilots' fees

Pilots' fees have reached \$ 17.8 million for the quarter ended September 30, 2015 (\$47.9 million for the nine month period) compared to \$18.9 million for the corresponding budget period (\$50.9 million for the nine month period); this variation mostly originates from a 4.9% lower assignment volume than budgeted and from a lower increase of pilotage fee rates compared to lower estimates.

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Operating costs of pilot boats

Operating costs of pilot boats amounted to \$2.1 million for the quarter ended September 30, 2015 (\$7.1 million for the nine month period) versus \$2.2 million for the corresponding budget period (\$7.5 million for the nine month period); assignment number decreases explain this variation.

Administrative and operational expenses

Administrative and operational expenses totalled \$1.3 million for the quarter ended September 30, 2015 (\$4.0 million for the nine month period) compared to budgeted levels of \$1.3 million for the corresponding budget period (\$4.2 million for the nine month period), resulting in a minor favorable variation for the nine-month period.

COMPARISON WITH THE 2014 FINANCIAL YEAR

REVENUES

Pilotage charges

Charges from services provided by pilots amounted to \$20.2 million for the quarter ended September 30, 2015 (\$53.4 million for the nine month period) versus \$19.7 million for the corresponding previous year period (\$52.1 million for the nine month period); these variations originate from an increase in average ships' dimensions per voyage compared to last year's second quarter results coupled to a 2.00% tariff increase that became effective January 1st, 2015.

Other revenues

The LPA's other revenues totalled \$406,317 for the quarter ended September 30, 2015 (\$503,349 for the nine month period) compared to \$23,114 for the corresponding previous year period (\$73,111 for the nine month period); this favorable variation is due to the disposal of a pilot boat at the Escoumins boarding base during the 3rd quarter.

EXPENSES

Pilots' fees

Pilots' fees have reached \$17.8 million for the quarter ended September 30, 2015 (\$47.9 million for the nine month period) compared to \$17.8 million for the corresponding previous year period (\$47.6 million for the nine month period); for the nine-month period, these unfavorable variations originate from an increase in average ships' dimensions per voyage and from the annual increase in pilotage fee rates covered in current service contracts between the Authority and the two pilot corporations.

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Operating costs of pilot boats

Operating costs of pilot boats amounted to \$2.1 million for the quarter ended September 30, 2015 (\$7.1 million for the nine month period) versus \$2.1 million for the corresponding previous year period (\$7.4 million for the nine month period); decreases in the number of assignments explain this variation.

Administrative and operational expenses

Administrative and operational expenses totalled \$1.3 million for the quarter ended September 30, 2015 (\$4.0 million for the nine month period) compared to \$1.2 million for the corresponding previous year period (\$3.8 million for the nine month period). This variation is mostly due to higher professional fees this year.

3. Risk analysis

No major change in the risk analysis of the Authority's operations has occurred since the preparation of its 2014 Annual Report. Furthermore, the Authority's operational and personnel activities have not significantly changed since the preparation of the LPA's 2015-2019 Corporate Plan. Operational and strategic risks are being updated as part of the 2016-2020 Corporate Plan preparation process.

4. Cost Reduction Initiatives

Operational expenses, for the third quarter ended September 30, 2015, are generally in line and even lower than the budgeted estimates.