



Laurentian

Pilotage

Authority

MANAGEMENT REPORT

SECOND QUARTER (Q2)

Ended June 30th, 2018

LAURENTIAN PILOTAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED JUNE 30, 2018

Notice to reader

The current report covers the LPA's activities and financial situation for the six-month period ended June 30, 2018. You should read this report in conjunction with the unaudited financial statements for the six-month period ended June 30, 2018 and with the audited financial statements for the financial year ended December 31, 2017. These financial statements were established and are presented following IFRSs and are included in the LPA's 2017 Annual Report.

1. **Analysis of financial results**

COMPARISON WITH THE 2018 BUDGET

REVENUES

Pilotage charges

Pilotage charges amounted to \$ 25.6 million for the quarter ended June 30, 2018 (\$ 47.0 million for the six-month period) versus \$ 24.8 million for the corresponding budget period (\$ 45.5 million for the six-month period). Variance in traffic estimates caused by a greater number of bulk carriers and tankers than planned. Meanwhile, revenues from container ships and general cargo ships have been lower than planned. That resulted in a favorable variance.

Other revenues

The LPA's other revenues totalled \$ 63,658 for the quarter ended June 30, 2018 (\$ 112,273 for the six-month period) compared to \$ 40,000 for the corresponding budget period (\$ 83,000 for the six-month period); this favourable variation is not material.

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EXPENSES

Pilot fees

Pilot fees have reached \$ 21.2 million for the quarter ended June 30, 2018 (\$ 39.1 million for the six-month period) compared to \$ 20.4 million for the corresponding budget period (\$ 37.8 million for the six-month period). This unfavorable variation originates from a variance in traffic estimates that negatively affected the pilot fees.

Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 2.9 million for the quarter ended June 30, 2018 (\$ 5.9 million for the six-month period) versus \$ 2.9 million for the corresponding budget period (\$ 5.8 million for the six-month period), and are therefore in line with budget estimates after six months.

Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.8 million for the quarter ended June 30, 2018 (3.6 million for the six-month period) compared to \$ 1.7 million for the corresponding budget period (\$ 3.5 million for the six-month period), and are in line with budget estimates.

COMPARISON WITH THE 2017 FINANCIAL YEAR

REVENUES

Pilotage charges

Pilotage charges amounted to \$ 25.6 million for the quarter ended June 30, 2018 (\$ 47.0 million for the six-month period) versus \$ 23.3 million for the corresponding period last year (\$ 43.2 million for the six-month period). This favourable variation originates from a variance in traffic estimates; revenues from tankers ships and bulk carriers ships are greater than 2017. In addition, revenues from general cargo ships are lower than 2017 while revenues from container ships are likewise.

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Other revenues

The LPA's other revenues totalled \$ 63,658 for the quarter ended June 30, 2018 (\$ 112,273 for the six-month period) compared to \$ 37,985 for the corresponding period last year (\$ 78,448 for the six-month period), leaving a non material variation for the period.

EXPENSES

Pilot fees

Pilot fees have reached \$ 21.2 million for the quarter ended June 30, 2018 (\$ 39.1 million for the six-month period) compared to \$ 19.1 million for the corresponding previous year period (\$ 35.4 million for the six-month 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 2018 compared to the one in 2017.

Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 2.9 million for the quarter ended June 30, 2018 (\$ 5.9 million for the six-month period) versus \$ 2.6 million for the corresponding previous year period (\$ 5.3 million for the six-month period), originating from a change in assignment volume and the annual increase in the cost of service contract.

Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.8 million for the quarter ended June 30, 2018 (\$ 3.6 million for the six-month period), compared to \$ 1.9 million for the corresponding period last year (\$ 3.6 million for the six-month period), in line with last year results.

2. Risk analysis

No major change in the risk analysis of the Authority's operations has occurred since the preparation of its 2017 Annual Report; as mentioned in the Report, the LPA has filed its proposals with the *Pilotage Act Review* President. Furthermore, the Authority's operational and personnel activities have not significantly changed since the preparation of the LPA's 2018-2022 Corporate Plan. During its last strategic planning in summer 2018, the LPA has carried out a full update of operational and strategic risks, which will be integrated into the 2019-2023 Corporate Plan.