

LAURENTIAN PILOTAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED MARCH 31, 2018

Notice to reader

The current report covers the LPA's activities and financial situation for the three-month period ended March 31, 2018. You should read this report in conjunction with the unaudited financial statements for the three-month period ended March 31, 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 \$21.3 million for the quarter ended March 31, 2018 versus \$ 20.7 million for the corresponding budget period. Variance in traffic estimates caused by a greater number of bulk carriers and tankers than planned, but less container ships, resulted in a favorable variance.

Other revenues

The LPA's other revenues totalled \$ 48,615 for the quarter ended March 31, 2018 compared to \$ 43,000 for the corresponding budget period; this favourable variation is not material.

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EXPENSES

Pilot fees

Pilot fees have reached \$ 17.8 million for the quarter ended March 31, 2018 compared to \$ 17.4 million for the corresponding budget 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 \$ 3.0 million for the quarter ended March 31, 2018 versus \$3.0 million for the corresponding budget period, and are therefore in line with budget estimates.

Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.8 million for the quarter ended March 31, 2018 compared to \$ 1.8 million for the same period in 2017, and are in line with budget estimates.

COMPARISON WITH THE 2017 FINANCIAL YEAR

REVENUES

Pilotage charges

Pilotage charges amounted to \$ 21.3 million for the quarter ended March 31, 2018 versus \$ 19.9 million for the corresponding period last year. This favourable variation originates from a variance in traffic estimates caused by a greater number of bulk carriers and tankers, and less container ships than planned. Assignments are higher than the same period last year by 6.1% for the quarter.

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Other revenues

The LPA's other revenues totalled \$ 48,615 for the quarter ended March 31, 2018 compared to \$ 40,463 for the corresponding period last year, leaving a non material variation for the period.

EXPENSES

Pilot fees

Pilot fees have reached \$ 17.8 million for the quarter ended March 31, 2018 compared to \$ 16.3 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 2018 compared to the one in 2017.

Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 3.0 million for the quarter ended March 31, 2018 versus \$ 2.7 million for the corresponding previous year period, originating from a change in assignment volume.

Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.8 million for the quarter ended March 31, 2018, compared to \$ 1.7 million for the corresponding period last year. This unfavorable variation is largely due to personnel costs.

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, the LPA has carried out a full update of operational and strategic risks, which has been integrated into the 2018-2022 Corporate Plan.