

LAURENTIAN PILOTAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED MARCH 31, 2014

1. Highlights

The current report covers the LPA's activities and financial situation for the three month period ended March 31, 2014; this report must be read in conjunction with the unaudited financial statements for the three month period ended March 31, 2014, as well as the audited financial statements for the financial year ended December 31, 2013 which have been prepared and presented according to IFRS and which can be found in the Authority's 2013 Annual Report.

2. Financial results analysis

COMPARISON WITH THE 2014 BUDGET

REVENUES

Pilotage charges

Pilotage charges amounted to \$17.1 million for the quarter ended March 31, 2013 versus \$ 18.2 million for the corresponding budget period. Assignments are lower than budget estimates by 1.2% for the period but first quarter variations are generally not yet representative of annual trends as the St-Lawrence Seaway is closed during this period. Moreover, delays in the approval process of the new tariff program, budgeted to be effective on January 1st, 2014, resulted in an unfavorable variation of \$200,000.

Other revenues

The LPA's other revenues totalled \$ 23,088 for the quarter ended March 31, 2014 compared to \$ 32,000 for the corresponding budget period; this unfavourable variation is not material.

EXPENSES

Pilot fees

Pilot fees have reached \$ 13.9 million for the quarter ended March 31, 2014 compared to \$ 14.6 million for the corresponding budget period; this favorable variation mostly originates from a lower assignment volume than budgeted.

LAURENTIAN PILOTAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED MARCH 31, 2014

Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 2.7 million for the quarter ended March 31, 2014 versus \$2.6 million for the corresponding budget period, representing therefore a non material variation.

Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.3 million for the quarter ended March 31, 2014 in line with budgeted levels of \$ 1.4 million for the corresponding budget period.

COMPARISON WITH THE 2013 FINANCIAL YEAR

REVENUES

Pilotage charges

Pilotage charges amounted to \$ 17.1 million for the quarter ended March 31, 2014 versus \$ 16.1 million for the corresponding previous year period; this favourable variation originates from a 9.6% increase in the number of assignments compared to the 2013 first quarter numbers. First quarter variations are generally not yet representative of annual trends as the St-Lawrence Seaway is closed during this period.

Other revenues

The LPA's other revenues totalled \$ 23,088 for the quarter ended March 31, 2014 compared to \$ 31,746 for the corresponding previous year period, leaving a non material variation for the period.

EXPENSES

Pilot fees

Pilot fees have reached \$ 13.9 million for the quarter ended March 31, 2014 compared to \$ 12.8 million for the corresponding previous year period; this unfavourable variation originates from a 9.6% increase in the number of assignments compared to the 2013 first quarter numbers. The Lower St-Lawrence Pilot Corporation's annual contractual increase became effective on January 1st, 2014.

LAURENTIAN PILOTAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED MARCH 31, 2014

Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 2.7 million for the quarter ended March 31, 2014 versus \$ 2.5 million for the corresponding previous year period originating from a higher assignment volume than last year's period.

Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.3 million for the quarter ended March 31, 2014, similar to \$ 1.2 million for the corresponding previous year's three-month period.

3. Risk analysis

No major change in the risk analysis of the Authority's operations has occurred since the preparation of its 2013 Annual Report. Furthermore, the Authority's operational and personnel activities have not significantly changed since the preparation of the LPA's Corporate Plan.

4. Cost Reduction Initiatives

The Authority monitors various initiatives in order to control costs. Operational expenses, for the first quarter ended March 31, 2014, are generally in line with the budgeted estimates for the corresponding period.