

LAURENTIAN PILOTAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED MARCH 31, 2015

1. Highlights

The current report covers the LPA's activities and financial situation for the three month period ended March 31, 2015; this report must be read in conjunction with the unaudited financial statements for the three month period ended March 31, 2015.

2. Financial results analysis

COMPARISON WITH THE 2015 BUDGET

REVENUES

Pilotage charges

Pilotage charges amounted to \$17.6 million for the quarter ended March 31, 2015 versus \$ 17.7 million for the corresponding budget period. Assignments are lower than budget estimates by 9.9% 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.

Other revenues

The LPA's other revenues totalled \$ 43,116 for the quarter ended March 31, 2015 compared to \$ 32,000 for the corresponding budget period; this favourable variation is not material.

EXPENSES

Pilot fees

Pilot fees have reached \$ 13.8 million for the quarter ended March 31, 2015 compared to \$ 14.9 million for the corresponding budget period; this favorable variation mostly originates from a lower assignment volume than budgeted and lower pilotage fee increases than budgeted.

Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 2.5 million for the quarter ended March 31, 2015 versus \$2.6 million for the corresponding budget period, representing therefore a non material variation.

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Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.4 million for the quarter ended March 31, 2015 in line with budgeted levels of \$ 1.4 million for the corresponding budget period.

COMPARISON WITH THE 2014 FINANCIAL YEAR

REVENUES

Pilotage charges

Pilotage charges amounted to \$ 17.6 million for the quarter ended March 31, 2015 versus \$ 17.1 million for the corresponding previous year period; this favourable variation originates from an increase in ship sizes (as measured in units) and from a non-recurrent pilot-boat rental revenue. 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 \$ 43,116 for the quarter ended March 31, 2015 compared to \$ 23,088 for the corresponding previous year period, leaving a non material variation for the period.

EXPENSES

Pilot fees

Pilot fees have reached \$ 13.8 million for the quarter ended March 31, 2015 compared to \$ 13.9 million for the corresponding previous year period; this favourable variation originates from a 6.0% decrease in the number of assignments compared to the 2014 first quarter numbers. The Lower St-Lawrence Pilot Corporation's annual contractual increase became effective on January 1st, 2015.

Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 2.5 million for the quarter ended March 31, 2015 versus \$ 2.7 million for the corresponding previous year period originating from a lower assignment volume than last year's period.

Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.4 million for the quarter ended March 31, 2015, compared to \$ 1.3 million for the corresponding previous year's three-month period; this variation is mostly due to higher professional service fees associated to risk studies.

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3. Risk analysis

No major change in the risk analysis of the Authority's operations has occurred since the preparation of its last 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, 2015, are generally in line with the budgeted estimates for the corresponding period.