

LAURENTIAN PILOTAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED MARCH 31, 2013

1. Highlights

The current report covers the LPA's activities and financial situation for the three month period ended March 31, 2013; this report must be read in conjunction with the unaudited financial statements for the three month period ended March 31, 2013, as well as the audited financial statements for the financial year ended December 31, 2012 which have been prepared and presented according to IFRS and which can be found in the Authority's 2012 Annual Report.

2. Financial results analysis

COMPARISON WITH THE 2013 BUDGET

REVENUES

Pilotage charges

No material variation occurred as pilotage charges amounted to \$16.1 million for the quarter ended March 31, 2012 versus \$ 17.5 million for the corresponding budget period. Assignments are lower than budget estimates by 15.2% 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.

Other revenues

The LPA's other revenues totalled \$ 31,746 for the quarter ended March 31, 2013 compared to \$ 34,000 for the corresponding budget period; this unfavourable variation is not material.

EXPENSES

Pilots' fees, salaries and benefits

Pilots' fees, salaries and benefits have reached \$ 12.8 million for the quarter ended March 31, 2013 compared to \$ 14.3 million for the corresponding budget period; this favorable variation mostly originates from a lower assignment volume than budgeted for each district.

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Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 2.5 million for the quarter ended March 31, 2013 versus \$2.7 million for the corresponding budget period; this favorable variation mostly originates from a lower assignment volume than budgeted.

Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.2 million for the quarter ended March 31, 2013 in line with budgeted levels of \$ 1.3 million for the corresponding budget period.

COMPARISON WITH THE 2012 FINANCIAL YEAR

REVENUES

Pilotage charges

Pilotage charges amounted to \$ 16.1 million for the quarter ended March 31, 2013 versus \$ 16.8 million for the corresponding previous year period; this unfavourable variation originates from a 13.8% decrease in the number of assignments compared to the 2012 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 \$ 31,746 for the quarter ended March 31, 2013 compared to \$ 49,725 for the corresponding previous year period, leaving a non-material variation for the period.

EXPENSES

Pilots' fees, salaries and benefits

Pilots' fees, salaries and benefits have reached \$ 12.8 million for the quarter ended March 31, 2013 compared to \$ 13.1 million for the corresponding previous year period; this favourable variation originates from a 13.8% decrease in the number of assignments compared to the 2012 first quarter numbers. However, this variation was affected by increased pilotage fees resulting from the new service contract with the mid St-Lawrence pilots effective on July 1st, 2012.

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Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 2.5 million for the quarter ended March 31, 2013 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 \$ 1.2 million for the quarter ended March 31, 2013 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 2012 Annual Report. Furthermore, the Authority's operational and personnel activities have not significantly changed since the preparation of the LPA's Business Plan. The Special Exam continued during the first quarter of 2013, conducted by representatives from the Auditor General of Canada

4. Budget 2012 Reduction Measures

The Authority follows the Budget 2012 Reduction Measures. Operational expenses, for the first quarter ended March 31, 2013, are generally in line with the budgeted estimates for the corresponding period.