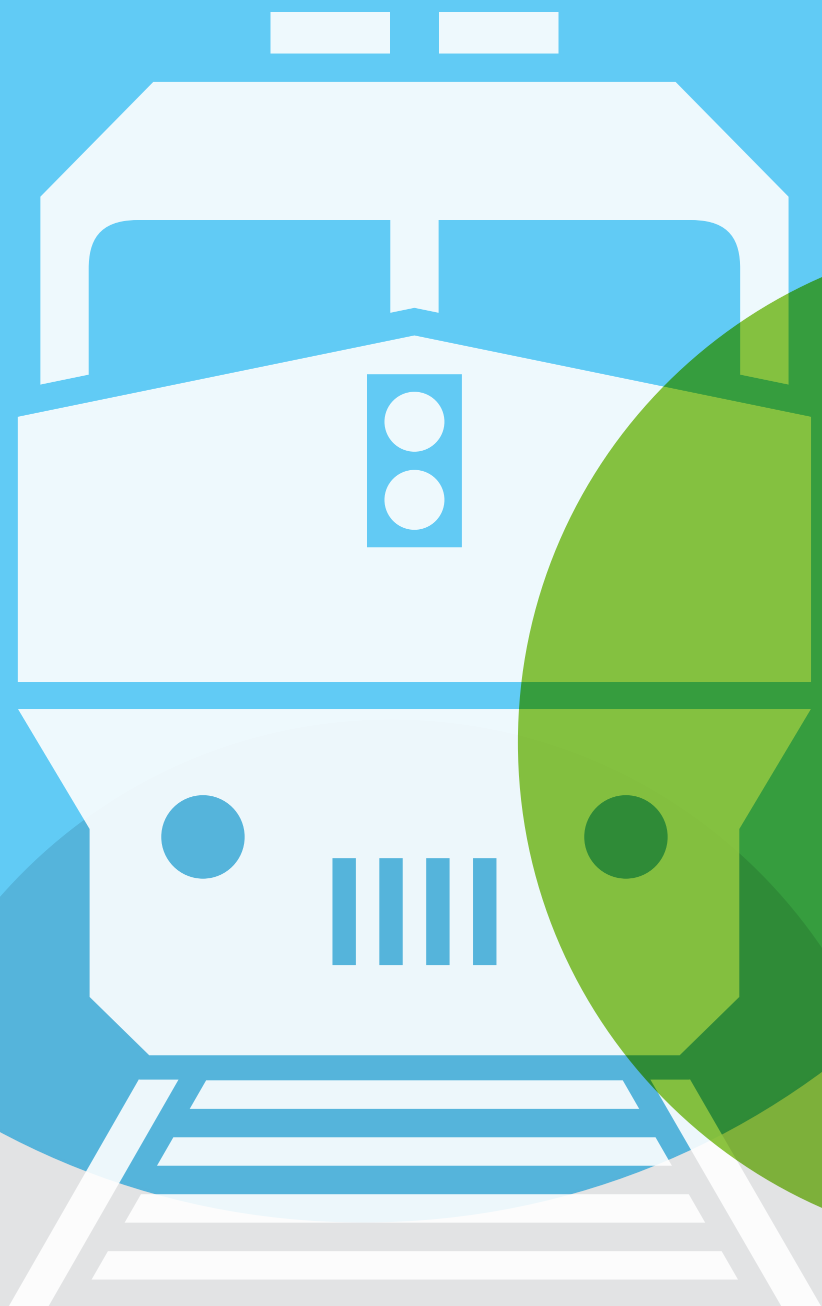


VIA Rail Canada

2013 FIRST QUARTER REPORT

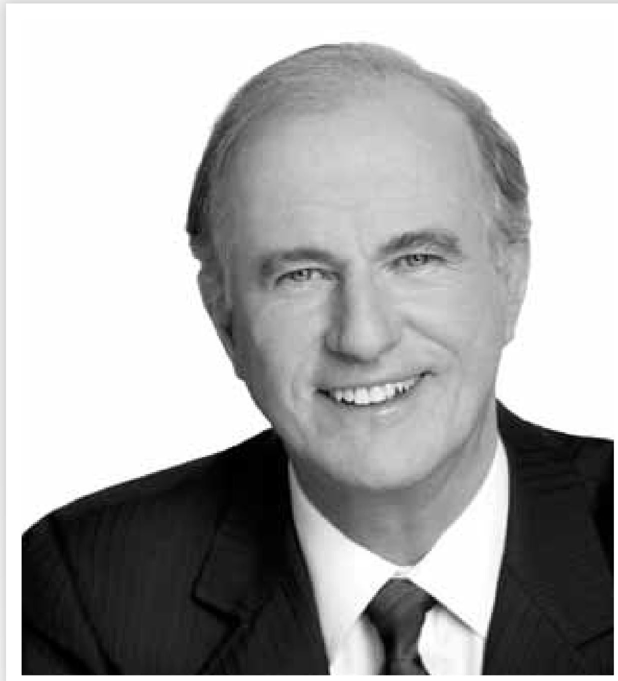
CONTENT

MESSAGE FROM THE PRESIDENT

2012 was a year of change and transformation for VIA Rail. Over the course of the year, many adjustments were made, most notably to our train schedules. Frequencies were added in areas where market demand was higher, such as the Eastern Corridor. In the Southwestern Corridor and the Long Haul services, where ridership was too low to justify the existing level of service, frequencies were reduced. However, in order to maintain or grow the available schedule options for customers we have been increasing inter-modal partnerships. These partnerships, particularly with GO Transit and Robert Q in Southwestern Ontario, have actually expanded the number of travel options compared to those that existed prior to the reduction of train frequencies. For example, connections to and from points in the Oakville to Niagara Falls market to points east of Toronto have increased from four per day (VIA train alone) to 42 per day through our partnership with GO Transit and includes seamless planning, booking and payment online.

2013 will be the first year during which VIA Rail will be able to measure the impact of these decisions, and so far, things are looking promising. In the first quarter of 2013, VIA Rail's overall ridership remained steady, despite the changes. In the Eastern Corridor, where VIA Rail concentrated their efforts by adding train frequencies, there was a significant increase in passengers of 9.2% as compared to the first quarter of 2012.

Despite the expected decrease in ridership (due to reduction of frequencies) on the Long Haul services in this quarter (compared to the same quarter in 2012), there is news to be optimistic about. The fourth quarter of 2012 saw an overall increase in occupancy rates to both Long Haul services. As well, an increase of 14% more passengers on the *Canadian*, travelling between Toronto and Vancouver was seen over the holiday season (December 20, 2012 – January 6, 2013).



Marc Laliberté
President and Chief Executive Officer
VIA Rail Canada

It is early in 2013 and much remains to be done. However, we are confident that if we stay focused on providing a travel experience that meets passengers' expectations of comfort, reliability, accessibility, affordability and the benefit of productive and connected travel time, our ridership will continue to grow. This makes us optimistic that VIA Rail's performance should continue to improve throughout the rest of 2013.

FIRST QUARTER AT A GLANCE

	Q1 - 2013	Q1 - 2012
KEY FINANCIAL INDICATORS (IN MILLIONS OF DOLLARS)		
Total passenger revenues	**54.0**	55.5
Total revenues	**59.0**	60.7
Operating expenses before employee benefits	**134.9**	139.6
Employee benefits	**13.1**	12.5
Operating expenses	**148.0**	152.1
Operating funding from the Government of Canada	**83.3**	79.5
Amortization of deferred capital funding	**17.2**	15.9
Corporate taxes (recovery)	**0.0**	0.1
Net income (loss)	**11.5**	3.9
Actuarial gains (losses) on defined benefit plans	**133.3**	(16.1)
Total comprehensive income (loss)	**144.8**	(12.2)
Capital expenditures	**23.6**	43.3
KEY OPERATING STATISTICS (1)		
Total passenger-miles (IN MILLIONS)	**184**	176
Total seat-miles (IN MILLIONS)	**352**	362
Operating funding per passenger-mile (IN CENTS) (2)	**45.2**	45.2
Yield (CENTS PER PASSENGER-MILE)	**28.8**	30.9
Train-miles operated (IN THOUSANDS)	**1,511**	1,640
Car-miles operated (IN THOUSANDS)	**8,594**	9,700
Average passenger load factor (%)	**52**	49
Average number of passenger-miles per train mile	**122**	107
On-time performance (%)	**82**	88
Average number of full time employees during the period	**2,538**	2,716

(1) Key operating statistics are unaudited.
(2) Operating government funding received during the period.

PASSENGER REVENUES AND RIDERSHIP FOR THE FIRST QUARTER OF 2013

Train Service	Passenger Revenues* (IN THOUSANDS)	Passengers (IN THOUSANDS)	Passenger-Miles (IN THOUSANDS)	Government Funding (PER PASSENGER MILE)
Corridor	$47,342	887	154,527	$0.30
Longhaul West	$3,716	15	16,970	$0.89
Longhaul East	$1,558	16	7,788	$1.20
Mandatory Services	$1,078	18	5,131	$2.54

* Excluding off-train and other passenger revenues.

FIRST QUARTER HIGHLIGHTS

TRAINS

Work to our trains in the first quarter of 2013 included:

Conceptual design work to our Head End Power (HEP-1) cars, used on the *Canadian* travelling between Toronto and Vancouver, is now complete and detailed designs are also complete for several systems. The work (which will be done to eight Sleeper cars and four Park cars) is progressing very well, in fact, various prototypes should be ready by the second quarter of 2013. The first three cars, one Park and two Sleepers, are scheduled for delivery in December 2013.

Our Light, Rapid, Comfortable (LRC) cars have been undergoing an overhaul and work is progressing nicely. The first two completed coach cars were delivered on schedule in the first quarter of 2013, with a third car coming in early April.

On VIA Rail's Rail Diesel Cars (RDC), the overhaul is also going very well, with three out of the six units delivered. Two of the RDCs have already entered operation on the Sudbury-White River service.

SOCIAL MEDIA: 75,000 FACEBOOK FANS

In January of this year, VIA Rail reached a very significant social media milestone: 75,000 Facebook fans.

Over the past two years, we have worked to build our social media presence and to have a receptive, responsive and informative online presence. This milestone proved that we are definitely on the right track.

Our most widely used social media accounts (Facebook and Twitter) allowed us to hold fun contests, announce sales and host bloggers on board. More importantly, though, they have been very helpful in the distribution of important information to our followers and fans. When trains are delayed, for example, or when there are unforeseen incidents, social media sites have given us the benefit of keeping people informed throughout the day and night, and of communicating important information instantaneously to the public.

The first quarter of 2013 continued to see a big increase VIA Rail's Facebook numbers, ending the term with over 82,000 followers.

TELEMETRY: A VERY USEFUL TOOL

In this quarter, through the Wi-Fi system, VIA Rail was able to introduce telemetry systems to 21 of its 73 locomotives so far. Telemetry will allow VIA to remotely gather operational data of locomotives, in order to optimize performance. This information will enable VIA to monitor and improve:

- The safe operation of its trains
- Fuel consumption, which will be based on information gathered about driving and downtime when the engine is idling
- Fuel management

Telemetry will also allow for remote access to main locomotive systems.

ALL-CANADIAN ON-BOARD ENTERTAINMENT SYSTEM

On March 11, 2013, VIA Rail proudly announced an upcoming all-Canadian On-Board Entertainment system, which is built on the foundation of our Wi-Fi system, a best-in-class service introduced in 2011. Launching in spring 2013, the interactive digital platform will provide passengers on VIA Rail trains within the Québec City - Windsor corridor free access to Canadian programming, including current news from CBC/Radio-Canada (refreshed up to 12 times a day). The system will also offer television programs and series from CBC/Radio-Canada, documentaries and animation from the National Film Board of Canada, and "Heritage Minute" vignettes produced by The Historica-Dominion Institute. With up to 100 hours of content, accessible through any type of laptop, tablet or handheld device, passengers will never find themselves bored, on-board our trains.

KEY PERFORMANCE INDICATORS

VIA uses the following performance indicators as an integral part of its Lean Management process. For detailed information on financial and operating performance during the quarter consult the Management Discussion and Analysis.

	Q1 - 2013	Q1 - 2012
Total Revenue per Employee ($000s) YTD revenues divided by the number of employees. A measure of productivity.	**93**	89
Passenger Revenues per Available Seat-Mile (¢) Revenues divided by available seat-miles.	**15**	15
Direct Costs per Available Seat-Mile (¢) Direct costs divided by available seat-miles.	**24**	24
On-Time Performance (%) Excludes mandatory services	**82**	88
Employee Attendance (%) Total hours of absences per month divided by the total possible work hours per month.	**92**	92
Train Incidents per Million Train-Miles Includes collisions between two (2) trains; derailments with at least one wheel off the track; all cardinal rule violations; excludes crossing accidents and trespassing.	**1**	1

COMMUNITY AND GOVERNANCE

THE BOARD OF DIRECTORS

The Board of Directors consists of the Chairperson, the President and Chief Executive Officer and 12 other directors appointed by the Government of Canada. The Board is responsible for overseeing the strategic direction and management of the Corporation, and reports on VIA Rail's operations to Parliament.

During the first quarter of 2013, two Board Meetings and five Board Committee meetings were held. The overall average attendance rate of Board members at these meetings was 100%. Cumulative fees for Board members during this time period totaled $42,989.

OFFICIAL LANGUAGES

VIA Rail complies to the rules under the Official Languages Act and is proud to offer its services in both official languages. No complaints were received during the first quarter of 2013.

PROMOTION OF LINGUISTIC MINORITIES

In the first quarter of 2013, VIA Rail, the Canadian Broadcasting Corporation and the Community Foundations of Canada partnered and announced the "CANADA 150/2017 STARTS NOW" conference series, designed to spark a national conversation about Canada's upcoming 150th anniversary. The 12 one-day conferences will take place across the country from April 5th to June 27th 2013. The events are accessible to Canadians in both official languages and will bring together citizens and leaders from communities across every region of the country, representing many facets of our diverse society. These forums will be another opportunity for VIA Rail to promote linguistic duality and its many cultural expressions since this initiative is mobilizing the entire community foundation network.

ACCESS TO INFORMATION AND PRIVACY

VIA Rail is committed to responding promptly to information requests under the Access to Information Act and the Privacy Act. During the first quarter of 2013 VIA Rail received five new requests, only two of which were still in progress at the end of the quarter.

COMMUNITY INVOLVEMENT

VIA Rail works with a variety of local, regional and national charity groups and non-profit organizations to support community activities, fundraisers and initiatives across the country. Promotional travel credits are donated to qualifying organizations. Donation requests may be submitted through VIA Rail's website.

During the first quarter of 2013, VIA Rail supported 442 non-profit and charitable organizations with travel credit donations representing $258,255.18.

TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES

The following travel, hospitality and conference expenses were submitted during the first quarter of 2013:

Paul G. Smith, Chairman of the Board	$2,200
Marc Laliberté, President and CEO	$1,837
Executive management committee members	$18,213
Board of Directors members	$8,966

Travel expenses submitted by the Board of Directors reflect the diverse geographical locations of the members.

MANAGEMENT DISCUSSION AND ANALYSIS

This is a review of VIA Rail Canada's operations, performance and financial position for the quarter ended March 31, 2013, compared with the quarter ended March 31, 2012. It should be read in conjunction with the unaudited interim condensed financial statements and notes.

1. FINANCIAL HIGHLIGHTS

	Quarters ended March 31			
IN MILLION OF CANADIAN DOLLARS	**2013**	2012	Var $	Var %
Passenger Revenues	**54.0**	55.5	(1.5)	(2.7)
Total Revenues	**59.0**	60.7	(1.7)	(2.8)
Operating expenses	**148.0**	152.1	(4.1)	(2.7)
Operating loss before funding from Government of Canada and corporate taxes	**(89.0)**	(91.4)	(2.4)	(2.6)
Operating funding from Government of Canada	**83.3**	79.5	3.8	4.8
Amortization of deferred capital funding	**17.2**	15.9	1.3	8.2
Corporate taxes (recovery)	**0.0**	0.1	(0.1)	(100.0)
Net income (loss)	**11.5**	3.9	7.6	n/a
Actuarial gains (losses) on defined benefit plans	**133.3**	(16.1)	149.4	n/a
Total Comprehensive income (loss)	**144.8**	(12.2)	(157.0)	n/a

After three months completed in 2013, revenues have decreased by 2.8 percent compared to last year; yields have decreased by 7.3 percent, but passenger-miles have increased by 4.9 percent.

Operating expenses decreased by $4.1M, the decrease mainly due to lower compensation and benefit costs, resulting from frequency adjustments, as well as timing in the payment of employee benefit costs.

As a result, the Operating loss before funding from the Government of Canada, amortization of deferred capital funding and corporate taxes has decreased by $2.4M.

Highlights of the quarter

Compared with the quarter ended March 31, 2012:

- Revenues have decreased by 2.8 percent and total $59.0M for the quarter;
- Operating expenses before corporate taxes and amortization of deferred capital funding have decreased by 2.7 percent and amount to $148.0M for the quarter;
- Funding from Government of Canada totals $83.3M for the quarter;
- There is a net income of $11.5M for the quarter, compared to an income of $3.9M for the same quarter of 2012;
- There were actuarial gains on defined benefit plans of $133.3M for the quarter compared to losses of $16.1M for the corresponding quarter last year;
- There is a total comprehensive income of $144.8M for the quarter, compared to a loss of $12.2M for the first quarter of 2012.

2. HIGHLIGHTS OF OPERATING RESULTS

a) Passenger Revenues

	REVENUES (IN '000 000$)				PASSENGER MILES (IN '000 000)			
	Quarters ended March 31				Quarters ended March 31			
	2013	2012	Var $	Var %	**2013**	2012	Var #	Var %
Corridor East	**$37.8**	$36.8	$1.0	2.7%	**126.5**	112.5	14.0	12.4
Southwestern Ontario (SWO)	**$9.5**	$10.8	($1.3)	(12.0%)	**28.0**	29.5	(1.5)	(5.1)
Ocean	**$1.6**	$3.0	($1.4)	(46.7%)	**7.8**	13.7	(5.9)	(43.1)
Canadian	**$3.7**	$3.7	$0.0	0.0%	**17.0**	16.1	0.9	5.6
Remotes	**$1.1**	$0.8	$0.3	37.5%	**5.1**	4.0	1.1	27.5
Other	**$0.3**	$0.4	($0.1)	(25.0%)	**-**	-	-	-
TOTAL	**$54.0**	$55.5	($1.5)	(2.7%)	**184.4**	175.8	8.6	4.9

Passenger revenues have decreased by 2.7 percent and total $54.0M for the quarter. The reduction in revenues is attributable to the impact of the frequency adjustments made in 2012. Passenger-miles have grown by 4.9 percent and the most important growth was achieved in Corridor East (increase of 12.4 percent) where ridership increased on existing trains and where new frequencies were introduced. Yields have however declined by 7.3% compared to the first quarter of 2012.

For the quarter:

/ Corridor East revenues are 2.7 percent above last year, and result mainly from higher volumes (12.4 percent more passenger miles), partly offset by lower yields (-8.6 percent);

/ Revenues in SWO have decreased by 12.0 percent as a consequence of the frequency adjustments made in 2012, combined with lower yields. Passenger miles have decreased by 5.1 percent, while yields have decreased by 7.4 percent;

/ Revenues on the *Ocean* have decreased by 46.7 percent due to lower volume (-43.1 percent passenger-miles), mostly attributable to the frequency adjustments made in the fall of 2012, combined with lower yields (-6.4 percent);

/ Revenues on the *Canadian* are comparable to those of 2012 even though frequency adjustments were made on this service in the fall of 2012 (weekly frequencies were reduced from 3 to 2). Volumes have increased (+5.6 percent more passenger miles), but yields have decreased (-5.2 percent). The fact that volumes have increased signifies that the reduction in frequency did not adversely impact ridership and load factors improved on the remaining frequencies;

/ Mandatory services have generated higher revenues (+37.5 percent), the increase mainly due to the fact that, during the first quarter of 2012, the Montreal-Gaspe service was interrupted due to poor track conditions, and passengers traveling East did so aboard the *Ocean*. Volumes increased by 27.5 percent and yields improved by 8.0 percent.

b) Operating Expenses

IN MILLIONS OF CANADIAN DOLLARS	Quarters ended March 31			
	2013	2012	Var $	Var %
Compensation & Benefits	**51.3**	57.8	(6.5)	(11.2)
Employee benefits	**13.1**	12.5	0.6	4.8
Train Operations & Fuel	**30.3**	32.4	(2.1)	(6.5)
Other operating expenses	**54.4**	52.6	1.8	3.4
Unrealized loss (gain) on derivative financial instruments	**(1.0)**	(2.4)	1.4	58.3
Realized loss (gain) on derivative financial instruments	**(0.1)**	(0.8)	0.7	87.5
Total Operating expenses before Amortization of deferred capital funding & Corporate Tax expense	**148.0**	152.1	(4.1)	(2.7)
Corporate Taxes	**0.0**	0.1	(0.1)	(100.0)
TOTAL OPERATING EXPENSES BEFORE AMORTIZATION OF DEFERRED CAPITAL FUNDING	**148.0**	152.2	(4.2)	(2.8)

For the quarter:

/ Operating expenses before amortization of deferred capital funding & corporate tax expense decreased by $4.1M and total $148.0M for the quarter. The reduction stems from lower compensation and benefit costs, as well as train operation and fuel expenses resulting from the frequency adjustments made in the fall of 2012. These reductions were partly offset by the decrease in gains (realized and unrealized) on derivative financial instruments for fuel hedging.

3. CAPITAL INVESTMENTS

Fixed assets (net of accumulated depreciation) amount to $1,244.7M, up $6.1M compared to the balance as at December 31, 2012. Capital investments for the quarter totaled $23.6M and include:

- Investments of $4.9M made in major equipment projects, including $4.3M for the LRC fleet rebuild project, and $0.5M for the Renaissance accessibility project;
- A total of $4.4M invested in major infrastructure projects, including $2.5M for the CN Kingston subdivision of the Montreal-Toronto line, where work is done to add sections of a third track between Montreal and Toronto to minimize congestion. Investments of $1.9M made on the GEXR Guelph subdivision to enhance safety and improve the reliability and flexibility of train operations;
- Investments of $6.6M made in Information Technology projects (including the Main frame migration, Telemetry and On Board entertainment projects);
- A total of $3.7M invested in other infrastructure projects, and $1.5M in station upgrading projects.

4. CASH FLOW AND FINANCIAL POSITION

The Corporation's cash balance is $16.3 as at March 31, 2013, up $0.4M compared to the balance as at December 31, 2012. The increase in cash position during the quarter is due to the change in capital funding receivable from the Government of Canada, partly offset by the additional cash used for operating activities.

5. RISK ANALYSIS

RISK	TREND	CURRENT SITUATION
PENSION COSTS		
Pension costs could increase further next year given the current and projected low interest rate environment impacting liability valuations as well as diminishing benefits from the solvency smoothing mechanism.	→	The situation has worsened in 2013 versus 2012 due to declining interest rates, despite strong investment returns. Management implemented measures to minimize the volatility of asset returns and further align its liabilities, while employee contribution increases have been implemented to rebalance cost sharing. Plan design modifications are also planned to minimize/contain future pension costs/risks.
CAPITAL INVESTMENT PROJECTS		
Major delays in infrastructure or equipment projects, and/or an increase in project costs would adversely affect VIA's financial performance.	→	Issues concerning the production timelines of specific equipment projects have materialized. VIA terminated its contracts with suppliers who failed to meet its obligations. Revised schedule and plan of action were implemented and work on the equipment has resumed.
PASSENGER REVENUES		
Ridership has increased in the last two quarters in services not impact by frequency adjustments but revenues remain below expected levels.	↑	The initiatives implemented by VIA to mitigate the impact of declining passenger revenues have generated additional ridership, and the Corporation is now focusing on maximizing its revenue management strategy to maximize yield on peak trains.
OPERATING FUNDING		
VIA continues to face operational funding challenges.	→	The Corporation is pursuing the development and the implementation of a range of initiatives to reduce its deficit by reducing costs and increasing revenues. VIA reduced, in the fall of 2012, frequency levels on the *Ocean*, the *Canadian*, and on certain trains in South Western Ontario to better align with demand and reduce its funding requirements. Furthermore, VIA continues to work with Transport Canada to address the challenge of operating loss and develop sustainable funding solutions.

↑ INCREASING → STABLE ↓ DECREASING

RISK	TREND	CURRENT SITUATION
CAPITAL FUNDING		
VIA will need to continue investing in equipment, stations, maintenance systems, facilities and information technology after 2012, when the current investment program is completed.		The Corporation is working with Transport Canada to address ongoing capital funding requirements, and to ensure that VIA has the capital funding it requires to deliver on its mandate. VIA received a new envelope for the 2013-2014 year.
FUEL COST FLUCTUATIONS		
Fuel is a major cost for passenger rail operations, and fuel costs could vary significantly from VIA's estimates due to the uncertainty and volatility of fuel prices.		Fuel consumption has decreased compared to previous years as a result of the introduction of the refurbished locomotives as well as other initiatives to reduce fuel consumption. VIA's proven hedging strategy adds certainty to future fuel costs and can delay the impact of fuel price fluctuations.
CROSSING INCIDENTS		
VIA's train operate through many protected and unprotected level road crossings where vehicles can cross and where incidents/ accidents could occur.		VIA has developed a crossing improvement (protection, fences) and closure program. VIA representatives work actively with communities and owners of the land where there are crossings. The objectives of the program are to close crossings where possible and to increase public awareness about the potential dangers they represent.

INCREASING STABLE DECREASING

6. OUTLOOK

The performance of revenues has improved, and for a second consecutive quarter, passenger levels increased in the Corridor East, where new frequencies were introduced, reflecting the positive impact of the initiatives launched by the Corporation to stimulate revenues and ridership.

The frequency adjustments made in 2012 have also generated cost savings which help reduce the Corporation's funding requirements, and the focus is still on cost control as measures are being maintained to ensure expense levels are minimized.

VIA will pursue efforts to increase ridership while optimizing yields through its revenue management system and achieve its corporate plan objectives to grow revenues and improve efficiency through rigorous control over operating costs.

At the same time, VIA is focusing on completing its capital investments projects and will ensure that passenger rail delivers better value to more Canadian travelers.

INTERIM CONDENSED

FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY STATEMENT

QUARTER ENDED MARCH 31, 2013

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement.

Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

Marc Laliberté
President and
Chief Executive Officer

Robert St-Jean, CPA, CA
Chief Financial
and Administration Officer

Montréal, Canada
May 28, 2013

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As at (IN THOUSANDS OF CANADIAN DOLLARS)	March 31, 2013 (unaudited)	December 31, 2012 (audited)
CURRENT ASSETS		
Cash and cash equivalents	**$ 16,326**	$ 15,857
Accounts receivable, trade	**7,988**	6,823
Prepaids, advances on contracts and other receivables	**4,099**	5,951
Receivable from the Government of Canada	**15,640**	10,408
Derivative financial instruments (NOTE 17)	**936**	771
Materials	**23,719**	22,646
Asset Renewal Fund (NOTE 8)	**13,248**	13,248
	81,956	75,704
NON-CURRENT ASSETS		
Property, plant and equipment (NOTE 6)	**848,099**	840,287
Intangible assets (NOTE 7)	**396,618**	398,338
Asset Renewal Fund (NOTE 8)	**2,608**	2,485
	1,247,325	1,241,110
Total assets	**$ 1,329,281**	$ 1,316,814
CURRENT LIABILITIES		
Trade and other payables (NOTE 9)	**$ 95,996**	$ 102,983
Provisions (NOTE 10)	**11,664**	12,551
Derivative financial instruments (NOTE 17)	**273**	1,157
Deferred revenues	**36,453**	27,361
	144,386	144,052
NON-CURRENT LIABILITIES		
Defined benefit liability (NOTE 11)	**249,495**	388,345
Deferred investment tax credits	**211**	281
	249,706	388,626
DEFERRED CAPITAL FUNDING (NOTE 13)	**1,235,272**	1,229,001
SHAREHOLDER'S EQUITY		
Share capital	**9,300**	9,300
Retained earnings	**(309,383)**	(454,165)
	(300,083)	(444,865)
Total liabilities and shareholder's equity	**$ 1,329,281**	$ 1,316,814

Commitments (Notes 15)

The notes are an integral part of the interim condensed financial statements.

Approved on behalf of the Board,

Eric L. Stefanson, FCA
Director and Chairman of the Audit,
Risk and Finance Committee

Paul G. Smith
Director and Chairman of the Board

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

(IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended March 31 2013	Quarters ended March 31 2012
REVENUES		Restated
Passenger	$ **54,017**	$ 55,477
Other	**4,967**	5,212
	58,984	60,689
EXPENSES		
Compensation and benefits	**64,402**	70,302
Train operations and fuel	**30,261**	32,388
Stations and property	**9,595**	9,407
Marketing and sales	**7,255**	7,704
Maintenance material	**6,910**	8,173
On-train product costs	**3,428**	3,266
Operating taxes	**2,547**	2,487
Professional services	**1,790**	1,980
Amortization and losses on write-down and disposal of property, plant and equipment and intangible assets (NOTES 6 AND 7)	**17,425**	13,112
Unrealized net gains on derivative financial instruments	**(1,049)**	(2,434)
Realized gain on derivative financial instruments	**(122)**	(802)
Other	**5,525**	6,486
	147,967	152,069
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND CORPORATE TAXES	**88,983**	91,380
Operating funding from the Government of Canada	**83,282**	79,495
Amortization of deferred capital funding (NOTE 13)	**17,179**	15,852
Income before corporate taxes	**11,478**	3,967
Corporate tax expense (NOTE 12)	**-**	75
NET INCOME FOR THE PERIOD	**11,478**	3,892
Other comprehensive income (loss)		
Amounts not to be reclassified subsequently to net income:		
Actuarial gain (loss) on defined benefit plans	**133,304**	(16,128)
Other comprehensive income (loss) for the period	**133,304**	(16,128)
Total comprehensive income (loss) for the period	$ **144,782**	$ (12,236)

The notes are an integral part of the interim condensed financial statements.

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

(IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended March 31	
	2013	2012
		Restated
SHARE CAPITAL	**$ 9,300**	$ 9,300
Retained Earnings		
Balance, beginning of period	**(454,165)**	(379,384)
Net income for the period	**11,478**	3,892
Other comprehensive income (loss) for the period	**133,304**	(16,128)
Balance, end of period	**(309,383)**	(391,620)
Total Shareholder's equity	**$ (300,083)**	$ (382,320)

The notes are an integral part of the interim condenced financial statements.

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

(IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended March 31	
	2013	2012
OPERATING ACTIVITIES		Restated
Net income for the period	$ 11,478	$ 3,892
Adjustments to determine net cash (used in) from operating activities:		
Amortization of property, plant and equipment and intangible assets	17,495	13,729
Losses on write-down and disposal of property, plant and equipment and intangible assets	-	(546)
Receipt of letters of credit	-	2,500
Amortization of deferred investment tax credits	(70)	(71)
Amortization of deferred capital funding	(17,179)	(15,852)
Interest income	(139)	(229)
Deferred corporate taxes	-	-
Change in fair value of financial instruments (Asset Renewal Fund)	(123)	(374)
Unrealized gains on derivative financial instruments	(1,049)	(2,434)
Post employment benefits funding in excess of amounts expensed	133,304	(16,128)
Change in defined benefit liability	(138,850)	15,830
Net change in non-cash working capital items	(18,158)	(7,459)
Net cash (used in) provided by operating activities	(13,291)	(7,142)
INVESTING ACTIVITIES		
Capital funding	23,450	43,276
Change in capital funding receivable from the Government of Canada	10,050	4,524
Acquisition of investments in the Asset Renewal Fund	(8,648)	(24,584)
Proceeds from sale and maturity of investments in the Asset Renewal Fund	8,648	30,889
Change in capital accounts payable and accrued liabilities	3,708	(3,233)
Acquisition of property, plant and equipment and intangible assets	(23,587)	(43,270)
Interest received	139	229
Proceeds from disposal of property, plant and equipment and intangible assets	-	1,023
Net cash (used in) provided by investing activities	13,760	8,854
CASH AND CASH EQUIVALENTS		
Increase during the period	469	1,712
Balance, beginning of period	15,857	13,253
BALANCE, END OF PERIOD	$ 16,326	$ 14,965
REPRESENTED BY:		
Cash	$ 16,326	$ 6,418
Short-term investments	-	8,547
	$ 16,326	$ 14,965

The notes are an integral part of the interim condenced financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT MARCH 31, 2013 (UNAUDITED)

1. AUTHORITY AND OBJECTIVES

VIA Rail Canada Inc. is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The corporation was incorporated in 1977 in Canada, under the *Canada Business Corporations Act*. The corporate headquarters is located at 3 Place Ville-Marie, Montreal (Quebec). The Corporation's vision is to make passenger rail the preferred way to move and connect people in Canada with a mission to offer a safe, attractive and stress-free travel experience, while consistently providing the best value for money. The Corporation uses the roadway infrastructure of other railway companies and relies on them to control train operations.

The Corporation is not an agent of Her Majesty and is subject to income taxes.

The Corporation has one operating segment, passenger transportation and related services in Canada. The corporation's activities are considered seasonal since passenger traffic increases significantly during the summer and holiday periods resulting in an increase in revenue for these same periods.

These interim condensed financial statements were approved and authorized for issue by the Board of Directors on May 28, 2013.

2. BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

Section 83 of the Financial Administration Act requires that most parent Crown Corporations prepare and make public quarterly financial reports for periods beginning on or after April 1, 2011 compliant with the *Standard on Quarterly Financial Reports for Crown Corporations*.

These unaudited interim condensed financial statements have been prepared in accordance with IAS 34 "Interim financial reporting". The interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with the IFRS.

B) FUNCTIONAL AND PRESENTATION CURRENCY

These interim condensed financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand in the interim condensed financial statements and rounded to the nearest million in the Notes to the interim condensed financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in these unaudited interim condensed financial statements are disclosed in note 4 of the Corporation's annual financial statements for the year ended December 31, 2012 except for the adoption of the accounting standard IFRS 13 – *Fair value measurement* with a date of application of January 1, 2013. The revised standard did not have a significant impact on the presentation of the Interim Condensed Financial Statements or the note disclosure. The accounting policies have been applied consistently to all periods presented.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the interim condensed financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years.

These estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Changes to accounting estimates are recognized in the period in which the estimate is revised. Key sources of estimation uncertainty and assumptions are disclosed in note 5 of the Corporation's annual financial statements for the year ended December 31, 2012.

5. RECONCILIATION OF NET INCOME AND COMPREHENSIVE INCOME TO GOVERNMENT FUNDING BASIS

The Corporation receives its funding from the Government of Canada based primarily on cash flow requirements. Items recognized in the Statement of Operations and Comprehensive Income in one period may be funded by the Government of Canada in different periods. Accordingly, the Corporation has different net results of operations for the period on a government funding basis than on a IFRS basis. These differences are outlined below:

	Quarters ended March 31	
(IN MILLIONS OF DOLLARS)	2013	2012
Total comprehensive income (loss) for the period	**144.8**	(12.2)
Items not requiring (not providing) operating funds:		
Amortization and losses on write-down and disposal of property, plant and equipment and intangible assets	**17.4**	15.6
Amortization of deferred capital funding	**(17.2)**	(15.9)
Employee benefits to be funded in subsequent years	**(138.7)**	15.8
Unrealized net gain on derivative financial instruments	**(1.0)**	(2.4)
Adjustment for accrued compensation	**(5.2)**	(5.9)
Increase in investment's fair value	**(0.1)**	(0.4)
Other	**-**	0.1
Operating funding deficit for the period	**-**	(5.3)

6. PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS OF DOLLARS)	December 31, 2012	Additions	Retirement and Disposals	Reclassifications	March 31, 2013
Cost:					
Land	12.3	-	-	-	**12.3**
Rolling stock	849.1	3.0	-	-	**852.1**
Maintenance buildings	137.8	0.2	-	-	**138.0**
Stations and facilities	102.8	0.5	-	-	**103.3**
Owned infrastructures	176.8	1.0	-	-	**177.8**
Leasehold improvements	77.3	0.2	-	-	**77.5**
Machinery and equipment	33.9	0.2	-	-	**34.1**
Computer hardware	19.1	0.2	-	-	**19.3**
Other property, plant and equipment	20.9	-	-	-	**20.9**
Total cost	1,430.0	5.3	-	-	**1,435.3**
Accumulated amortization and impairments:					
Rolling stock	394.6	7.3	-	-	**401.9**
Maintenance buildings	86.9	0.8	-	-	**87.7**
Stations and facilities	30.9	1.0	-	-	**31.9**
Owned infrastructures	54.2	1.4	-	-	**55.6**
Leasehold improvements	47.7	0.7	-	-	**48.4**
Machinery and equipment	25.4	0.3	-	-	**25.7**
Computer hardware	12.3	1.0	-	-	**13.3**
Other property, plant and equipment	18.5	0.1	-	-	**18.6**
Total accumulated amortization and impairments	670.5	12.6	-	-	**683.1**
Project in progress	80.8	15.1	-	-	**95.9**
Retired assets	-	-	-	-	**-**
Total net carrying amount	840.3	7.8	-	-	**848.1**

7. INTANGIBLE ASSETS

(IN MILLIONS OF DOLLARS)	December 31, 2012	Additions	Retirement and Disposals	Reclassifications	March 31, 2013
Cost:					
Internally generated software	66.8	1.6	-	-	**68.4**
Right of access to rail infrastructure	409.4	-	-	-	**409.4**
Other intangible	3.8	-	-	-	**3.8**
Total cost	480.0	1.6	-	-	**481.6**
Accumulated amortization and impairments:					
Internally generated software	52.2	2.3	-	-	**54.5**
Right of access to rail infrastructure	49.3	2.6	-	-	**51.9**
Other intangible	1.6	-	-	-	**1.6**
Total accumulated amortization and impairments	103.1	4.9	-	-	**108.0**
Project in progress	21.5	1.5	-	-	**23.0**
Total net carrying amount	398.4	(1.8)	-	-	**396.6**

8. ASSET RENEWAL FUND

CHANGES IN THE ASSET RENEWAL FUND

The changes in the closing balance of the Asset Renewal Fund resulted from the following movements during the period:

(IN MILLIONS OF DOLLARS)	March 31, 2013	December 31, 2012
Balance at beginning of the period	**15.7**	33.9
Proceeds from sale or lease of surplus assets	**-**	1.2
Investment Income	**-**	0.4
Change in fair value	**0.1**	1.0
Less: Cash drawdown during the period	**-**	(20.8)
Balance at end of the period	**15.8**	15.7

9. TRADE AND OTHER PAYABLES

The Trade and other payables balance includes the following:

(IN MILLIONS OF DOLLARS)	March 31, 2013	December 31, 2012
Wages payable and accrued	**34.1**	34.6
Capital Payables	**30.1**	33.2
Trade payables	**24.5**	27.1
Capital tax, income tax and other taxes payable	**6.6**	7.4
Other	**0.7**	0.7
	96.0	103.0

10. PROVISIONS

The provision balance includes:

(IN MILLIONS OF DOLLARS)	December 31, 2012	Charge (used)	Reversal (used)	Reversal (not used)	March31, 2013
Environmental costs (NOTE A)	1.1	(0.2)	-	-	**0.9**
Litigation and contractual disputes (NOTE B)	9.5	0.3	-	-	**9.8**
Restructuring costs (NOTE C)	1.1	-	(0.7)	-	**0.4**
Other	0.8	(0.2)	-	-	**0.6**
Total provisions	12.5	(0.1)	(0.7)	-	**11.7**

A) ENVIRONMENTAL COSTS

The Corporation has made a provision of $0.9 million for environmental costs related to fuel spills that occurred in 2012 (December 31, 2012: $1.1 million), which is recorded in Provisions.

B) LITIGATION AND CONTRACTUAL DISPUTES

The Corporation is subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that adequate provisions have been made in the accounts where required and the ultimate resolution of such contingencies is not expected to have a material adverse effect on the financial position of the Corporation.

C) RESTRUCTURING COSTS

The Corporation has announced some cost saving measures by implementing a new regionally-based organizational structure. These changes were announced in December 2011 and will be completed in 2013.

11. EMPLOYEE BENEFITS

The Corporation provides a number of funded defined benefit pension plans as well as unfunded other post-employment benefits including post-retirement medical, dental and life insurance benefits. The Corporation also provides long-term employee benefits such as an unfunded self-insured workers' compensation benefits, long-term employee disability benefits and continuation of benefit coverage for employees on long-term disability. The actuarial valuations for employee benefits are carried out by external actuaries who are members of the Canadian Institute of Actuaries.

A) PENSION PLANS AND POST-EMPLOYMENT BENEFITS PLANS

Based on these actuarial valuations and projections to March 31, the summary of the principal valuation results, in aggregate, is as follows:

	Pension Plans		Post-employment Benefit Plans	
(IN MILLIONS OF DOLLARS)	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
DEFINED BENEFIT OBLIGATION:				
Balance at beginning of the period	**2,078.0**	1,860.6	**19.1**	16.9
Service cost	**7.9**	23.4	**0.1**	0.4
Interest expense	**20.2**	84.1	**0.2**	0.8
Employee contributions	**2.7**	10.1	**-**	-
Benefits paid	**(23.6)**	(97.0)	**(0.1)**	(0.5)
Effect of change in financial assumptions	**(89.8)**	170.4	**-**	1.6
Effect of employee transfers	**-**	26.4	**-**	-
Effect of experience adjustments	**-**	-	**-**	(0.1)
Balance at end of the period	**1,995.4**	2,078.0	**19.3**	19.1
FAIR VALUE OF PLAN ASSETS:				
Balance at beginning of the period	**1,735.0**	1,586.1	**-**	-
Interest Income	**16.9**	70.6	**-**	-
Return on plan assets (excluding interest income)	**43.5**	70.7	**-**	-
Employer contributions	**17.0**	70.2	**0.1**	0.5
Employee contributions	**2.7**	10.1	**-**	-
Benefits paid	**(23.6)**	(97.0)	**(0.1)**	(0.5)
Effect of employee transfers	**-**	26.4	**-**	-
Administration expenses	**(0.6)**	(2.1)	**-**	-
Balance at end of the period	**1790.9**	1,735.0	**-**	-
Net Defined benefit liability	**(204.5)**	(343.0)	**(19.3)**	(19.1)

	Pension Plans		Post-employment Benefit Plans	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
WEIGHTED-AVERAGE OF SIGNIFICANT FINANCIAL ASSUMPTIONS:				
Defined benefit obligation:				
Discount rate	**4.20%**	3.90%	**4.00%**	4.00%
Rate of salary increase	**3.00% - 3.25%**	3.00% - 3.25%	**3.25%**	3.25%
Initial weighted average health care trend rate	**-**	-	**7.01%**	7.01%
Ultimate weighted average health care trend rate	**-**	-	**4.32%**	4.32%
Year ultimate rate reached	**-**	-	**2025**	2025
Rate of price inflation	**2.25%**	2.25%	**-**	-
Rate of pension increase	**1.13%**	1.13%	**-**	-
Defined benefit cost:				
Discount rate	**3.90%**	4.50%	**4.00%**	4.50%
Rate of price inflation	**2.25%**	2.25%	**-**	-
Rate of salary increase	**3.00% - 3.25%**	3.00% - 3.25%	**3.25%***	3.25%*
Rate of pension increase	**1.13%**	1.13%	**-**	-
Initial weighted average health care trend rate	**-**	-	**7.01%**	7.31%
Ultimate weighted average health care trend rate	**-**	-	**4.32%**	4.33%
Year ultimate rate reached	**-**	-	**2025**	2025
SIGNIFICANT DEMOGRAPHIC ASSUMPTIONS:				
Defined benefit cost:				
Post retirement mortality tables	**UP94 generational scale AA**	UP94 generational scale AA	**UP94 generational**	UP94 generational

*Applicable to executive employees only.

11. EMPLOYEE BENEFITS (CONT'D)

B) LONG-TERM EMPLOYEE BENEFIT PLANS

Based on these actuarial valuations and projections to March 31, the summary of the principal valuation results for the self-insured workers' compensation benefits and other long-term employee benefits is as follows:

(IN MILLIONS OF DOLLARS)	March 31, 2013	December 31, 2012
DEFINED BENEFIT OBLIGATION:		
Balance at beginning of the period	**22.0**	22.2
Service cost	**1.3**	5.3
Interest expense	**0.2**	0.9
Plan amendment	**-**	-
Employee contributions	**-**	-
Benefits paid	**(1.5)**	(6.2)
Effect of change in demographic assumptions	**-**	(0.6)
Effect of change in financial assumptions	**-**	0.4
Effect of experience adjustments	**-**	-
Balance at end of the period	**22.0**	22.0
FAIR VALUE OF PLAN ASSETS:		
Balance at beginning of the period	**-**	-
Interest Income	**-**	-
Return on plan assets	**-**	-
Employer contributions	**1.5**	6.2
Employee contributions	**-**	-
Benefits paid	**(1.5)**	(6.2)
Administration expenses	**-**	-
Balance at end of the period	**-**	-
Net Defined benefit liability	**(22.0)**	(22.0)

Weighted-average of significant assumptions:

	March 31, 2013	December 31, 2012
Defined benefit obligation:		
Discount rate	**3.20%**	3.20%
Rate of salary increase	**3.00% - 3.25%**	3.00% - 3.25%
Initial weighted average health care trend rate	**5.85%**	5.85%
Ultimate weighted average health care trend rate	**3.93%**	3.93%
Rate of price inflation	**2.25%**	2.25%
Defined benefit cost:		
Discount rate	**3.20%**	3.75%
Rate of salary increase	**3.00% - 3.25%**	3.00% - 3.25%
Initial weighted average health care trend rate	**5.85%**	5.95%
Ultimate weighted average health care trend rate	**3.93%**	3.93%
Rate of price inflation	**2.25%**	2.25%
Post-retirement mortality tables	**WC 1996-2000 mortality table projected to 2009 for workers' compensation and 2009 CIA study for Other employment benefits**	WC 1996-2000 mortality table projected to 2009 for workers' compensation and 2009 CIA study for Other employment benefits

C) OTHER LONG-TERM BENEFIT PLANS

Other long-term employee benefit obligation for the maintenance of earnings is as follows:

(IN MILLIONS OF DOLLARS)	March 31, 2013	December 31, 2012
Network restructuring obligation	**(3.7)**	(4.2)

D) SUMMARY OF PENSIONS PLANS, POST-EMPLOYMENT BENEFIT PLANS AND LONG-TERM EMPLOYEE BENEFIT PLANS RECOGNIZED IN THE INTERIM CONDENSED FINANCIAL STATEMENTS

Total amounts recognized in the Statement of financial position:

(IN MILLIONS OF DOLLARS)	March 31, 2013	December 31, 2012
Liabilities:		
Pension Plans	**(204.5)**	(343.0)
Post-employment benefit plans	**(19.3)**	(19.1)
Long-term employee benefit plans	**(22.0)**	(22.0)
Network Restructuring obligation	**(3.7)**	(4.2)
Total	**(249.5)**	(388.3)

11. EMPLOYEE BENEFITS (CONT'D)

Total amounts recognized in the Statement of Operations and Comprehensive income:

(IN MILLIONS OF DOLLARS)	Quarters ended March 31	
	2013	2012
Operating expense:		
Pension Plans	**11.8**	10.8
Post-employment benefit plans	**0.3**	0.2
Long-term employee benefit plans	**1.5**	1.5
Network Restructuring obligation	**(0.5)**	-
Total	**13.1**	12.5

These operating expenses are included in the Compensation and benefits line item of the Statement of Operations and Comprehensive income.

(IN MILLIONS OF DOLLARS)	Quarters ended March 31	
	2013	2012
Other comprehensive income (loss):		
Pension Plans	**133.3**	(16.1)
Total	**133.3**	(16.1)

12. CORPORATE TAXES

The corporate tax expense of the Corporation consists of the following:

(IN MILLIONS OF DOLLARS)	Quarters ended March 31	
	2013	2012
Current corporate tax expense	**-**	0.1
Deferred corporate tax expense	**-**	-
Corporate tax expense	**-**	0.1

The overall corporate tax expense for the period differs from the amount that would be computed by applying the combined Federal and provincial statutory income tax rates of 24.37% (March 31, 2012: 24.39%) to income before corporate taxes. The reasons for the differences are as follows;

(IN MILLIONS OF DOLLARS)	Quarters ended March 31	
	2013	2012
Income before corporate taxes	**11.5**	4.0
Computed corporate tax expense - statutory rates	**2.8**	1.0
Effect of decrease in unrecognized tax attributes	**(2.8)**	(1.1)
Effect of tax rate changes on deferred corporate taxes	**-**	0.2
Corporate tax expense	**-**	0.1

Deferred corporate tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the deferred corporate tax liabilities of the Corporation are as follows:

Deferred tax balances – March 31, 2013

(IN MILLIONS OF DOLLARS)	December 31, 2012	Recognized in net income	March 31, 2013
Deferred corporate tax liabilities:			
Unrealized loss on derivative financial instruments	-	(0.2)	**(0.2)**
Loss carry-forward	-	0.2	**0.2**
Deferred corporate tax liabilities	-	-	**-**

The Corporation has $52.8 million (December 31: 2012: $55.9 million) of unused Quebec and $50.4 million (December 31: 2012, $53.5 million) of unused Federal non-capital tax losses carried forward and expiring between 2029 and 2032.

Unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributed to the following:

(IN MILLIONS OF DOLLARS)	March 31, 2013	December 31, 2012
Federal:		
Property, plant and equipment	**81.7**	81.4
Contingencies, other liabilities and net amounts	**17.3**	21.0
Defined benefit liability	**245.9**	384.2
Unused losses carry forward	**50.2**	53.5
	395.1	540.1
Quebec:		
Property, plant and equipment	**463.3**	463.0
Contingencies, other liabilities and net amounts	**14.8**	21.0
Defined benefit liability	**245.9**	384.2
Unused losses carry forward	**52.6**	55.9
	776.6	924.1

13. DEFERRED CAPITAL FUNDING

Deferred capital funding represents the unamortized portion of the funding used to purchase property, plant and equipment and intangible assets.

(IN MILLIONS OF DOLLARS)	March 31, 2013	December 31, 2012
Balance, beginning of the period	**1,229.0**	1,143.8
Government funding for property, plant and equipment and intangible assets (including the cost of land)	**23.5**	167.2
Amortization of deferred capital funding	**(17.2)**	(82.0)
Balance, end of the period	**1,235.3**	1,229.0

14. DEFERRED REVENUE

Deferred revenue is comprised of the following:

(IN MILLIONS OF DOLLARS)	March 31, 2013	December 31, 2012
Advanced ticket sales	**18.3**	9.4
Gift cards	**2.5**	2.5
Non-monetary transactions	**1.9**	1.6
VIA Préférence	**13.8**	13.6
Other	**-**	0.3
Total deferred revenue	**36.5**	27.4

15. COMMITMENTS

a) The Corporation has operating leases in place mainly for facilities, maintenance of way and computer equipment. The most important leases are for the Montreal and Toronto stations with respective terms of 10 and 49 years without renewal option as well as the lease for the corporate headquarters in Montreal for a term of 12 years with a renewal option. The lease payments are increased to reflect normal inflation.

b) As at March 31, 2013, the Corporation has outstanding major contract commitments amounting to $39.1 million (December 31, 2012: $45.5 million) consisting mainly for the completion of rolling stock refurbishment and infrastructure improvement projects.

c) As mentioned in note 1, the Corporation has entered into train service agreements for the use of tracks and the control of train operations that expire on December 31, 2018.

d) The Corporation has provided letters of credit from a banking institution totalling approximately $28.4 million (December 31, 2012: $28.4 million) to various provincial government workers' compensation boards as security for future payment streams.

16. FINANCIAL INSTRUMENTS

The Corporation financial instruments are exposed to the same risk as disclose in its annual financial statements for the year ended December 31, 2012.

17. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation uses commodity or price swaps where it exchanges cash payments based on changes in the price of a commodity (i.e. heating oil) compared to the agreed bench-mark. The Corporation also enters into foreign exchange forward contracts to either buy or sell USD at a specified price and date in the future. These contracts are related to fuel swaps.

At the end of the period, the fair value of the derivative financial instruments is as follows:

Crude swap	March 31, 2013		December 31, 2012	
	Notional Quantity (000's of U.S. Gallons)	Fair Value CAD (000's)	Notional Quantity (000's of U.S. Gallons)	Fair Value CAD (000's)
Assets	**8,064**	**579**	5,796	495
Liabilities	**5,040**	**207**	6,048	563

As at March 31, 2013, the fuel swaps have a fixed price per U.S. gallon in USD between 2.309 and 3.124 (December 31, 2012: between 2.309 and 3.124) and the maturity dates are 2013 to 2015 (December 31, 2012: 2013 to 2014). These financial instruments have a monthly settlement schedule.

Foreign Exchange contracts	March 31, 2013		December 31, 2012	
	Notional Amount (USD) (000's)	Fair Value CAD (000's)	Notional Amount (USD) (000's)	Fair Value CAD (000's)
Assets	**34,940**	**357**	11,132	276
Liabilities	**34,692**	**66**	16,081	594

As at March 31, 2013, the forward contracts rates are between 0.994 and 1.042 (December 31, 2012: between 0.980 and1.041) in US dollars and the maturity dates are 2013 to 2014 (December 31, 2012: 2013 to 2014). These financial instruments have a monthly settlement schedule.

Amounts recognized in the Statement of financial position:

	March 31, 2013	December 31, 2012
	Fair Value CAD (000's)	Fair Value CAD (000's)
Total assets	**936**	771
Total liabilities	**273**	1,157