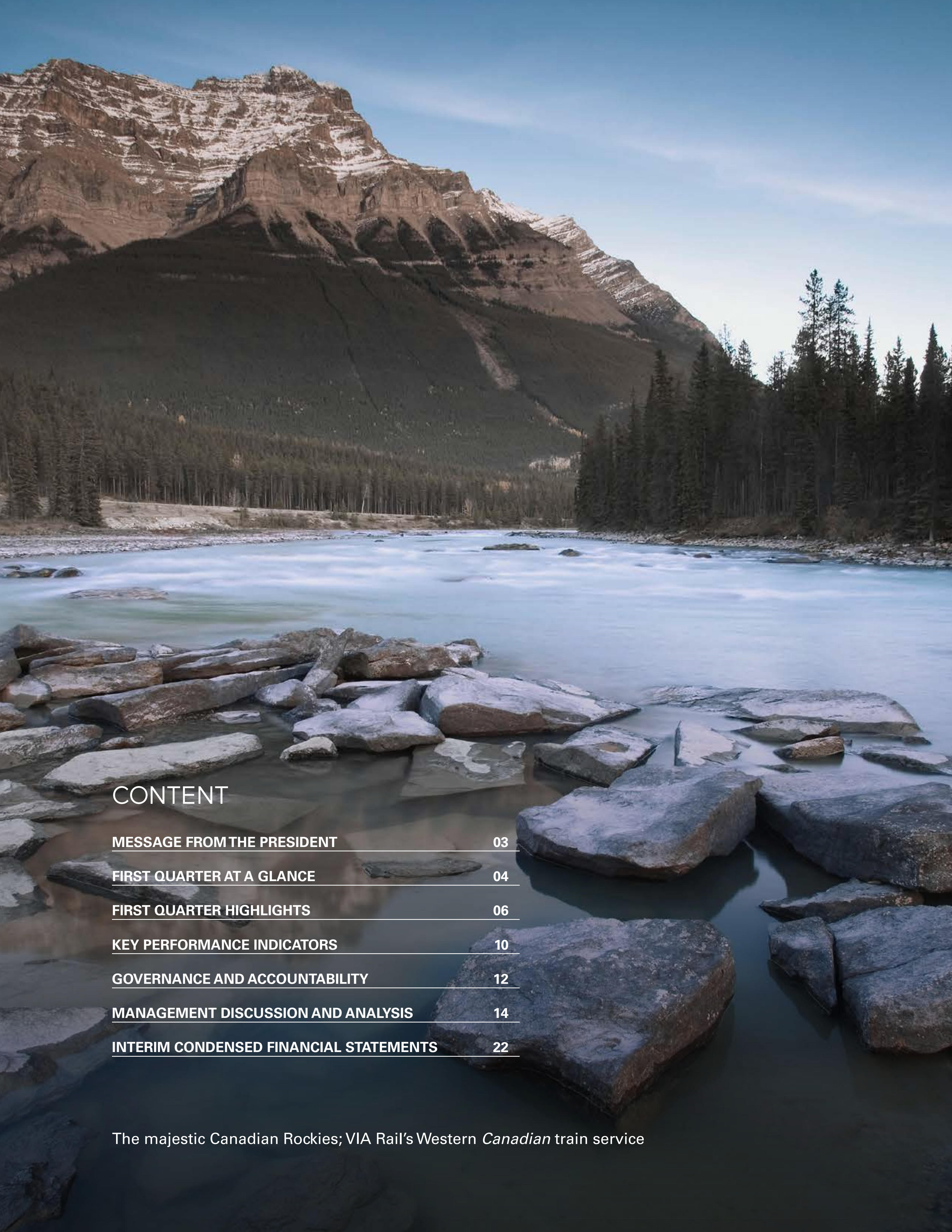
2014 FIRST QUARTER REPORT

VIA Rail Canada



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The majestic Canadian Rockies; VIA Rail's Western *Canadian* train service

MESSAGE FROM THE PRESIDENT

It is with great pleasure that I present this First Quarter report, my first as the new President and CEO of VIA Rail Canada. I am honoured to have been appointed by the Government of Canada with the support of our Board of Directors, and to serve in this capacity.

Previously, as VIA Rail's Chief, Corporate and Legal Officer, I came to recognize and appreciate the high level of knowledge, commitment and professionalism that its employees exhibit in everything they do.

Over the past 5 years, the Government of Canada invested over $1 billion in VIA Rail. We must now build on the projects and improvements made over the past few years and turn the national pride for VIA Rail into increased ridership. We must get more Canadians to use our trains more often and at a price that reflects its true cost of operation. The expertise and determination of VIA Rail's employees can make VIA Rail more successful.

A successful VIA Rail provides an exceptional service that customers recognize and appreciate, at its true value; A successful VIA Rail operates safely and safety is everyone's first and foremost concern in everything we do; A successful VIA Rail is top-of-mind for individual and family travellers, in the Corridor, as an alternative to their cars; and, a successful VIA Rail is one that provides for Canadian and foreign tourists, a unique way to experience Canada.

The results for our first quarter are disappointing. Many key performance indicators are deteriorating after several consecutive years of improvement, none more so than on-time performance (OTP). OTP is key to our commercial success. Our passengers expect to arrive at their destinations on schedule; it is one of the most important variables of travel choice, and the one over which VIA Rail has the least amount of control. Approximately 98% of its traffic operates on rails owned by infrastructure providers other than VIA Rail, mostly by CN and CP. Working with these partners, we must continue to attempt to improve this operational measure.

Although it took place after the end of the first quarter, I am happy to report that on my first day at the job, I joined the Minister of Transport, the Honourable Lisa Raitt, for an announcement about funding of the Newcastle subdivision in New-Brunswick. As a result, thanks to a $10.2M investment, the *Ocean* service between Montréal and Halifax will continue for the foreseeable future.

The same week, we appeared before a committee of the City of Ottawa. Numerous recurring issues with railway crossings in the Barrhaven area required corrective actions. We presented our plans to remedy the situation, eliminate inconveniences to motorists and pedestrians and, most importantly, rebuild the trust of the community in the safety of our operations. Safety is the cornerstone of our business.

I invite you to connect with us and follow future announcements through VIA Rail's Facebook and Twitter accounts, or by following me personally on Twitter at @VIARailPrez.

To head an iconic Crown corporation such as VIA Rail is an important and humbling endeavour. I am honoured and grateful for the opportunity to serve Canadians. I intend to make the most of my time at VIA Rail and I look forward to taking this journey with our passengers and employees.

Yves Desjardins-Siciliano
President and CEO, VIA Rail Canada

FIRST QUARTER AT A GLANCE

Financial Results are produced according to International Financial Reporting Standards. Financial statement results by line have been reclassified to reflect the internal presentation.

	Q1 - 2014	Q1 - 2013
KEY FINANCIAL INDICATORS (IN MILLIONS OF DOLLARS)		
Total passenger revenues (1)	53.6	54.2
Total revenues (1)	**58.4**	**59.0**
Operating expenses (1)	127.2	122.9
Contributions for employee benefits (1)	18.3	19.4
Total Operating expenses (1)	**(145.5)**	**(142.3)**
Operating Income (Deficit)	**(87.1)**	**(83.3)**
Capital expenditures	(19.6)	(23.6)
Total Funding Required	**(106.7)**	**(106.9)**
Government Operating Funding	87.1	83.3
Government Capital Funding	19.1	23.5
Total Government Funding	**106.2**	**106.8**
Asset Renewal Funding	**0.5**	**0.1**
KEY OPERATING STATISTICS (2)		
Total passenger-miles (IN MILLIONS)	**178**	184
Total seat-miles (IN MILLIONS)	**307**	352
Operating deficit per passenger-mile (IN CENTS)	**48.8**	45.2
Yield (CENTS PER PASSENGER-MILE)	**29.3**	28.8
Train-miles operated (IN THOUSANDS)	**1,482**	1,511
Car-miles operated (IN THOUSANDS)	**7,306**	8,594
Average passenger load factor (%)	**58**	52
Average number of passenger-miles per train mile	**120**	122
On-time performance (%)	**71**	82
Number of full time equivalent employees during the period	**2,447**	2,538

(1) Financial statement amounts were adjusted to reflect funded activities

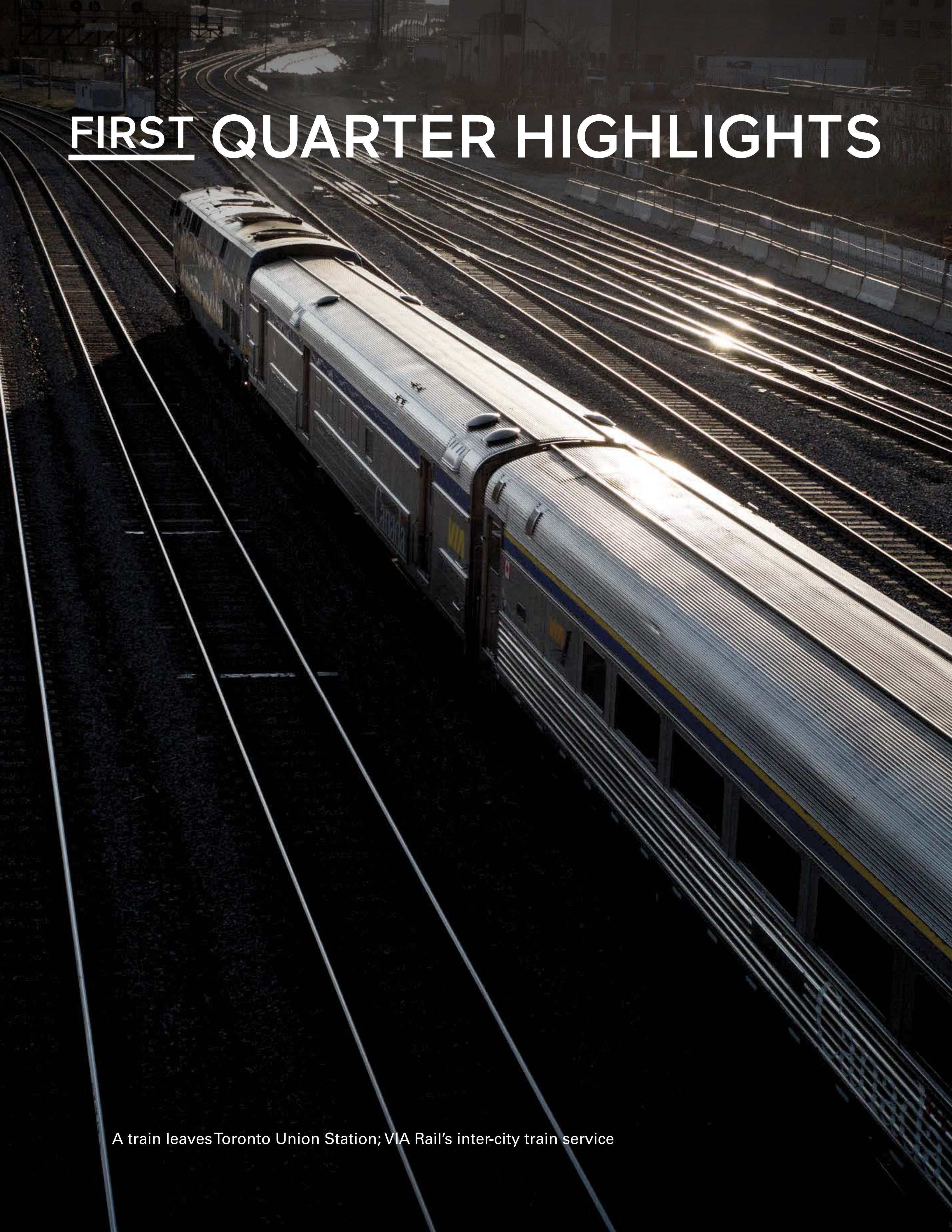
(2) Key operating statistics are unaudited

KEY OPERATING STATISTICS BY SERVICE GROUP FOR THE FIRST QUARTER OF 2014

Train Service	Passenger Revenues* (IN THOUSANDS)	Passengers (IN THOUSANDS)	Passenger-Miles (IN THOUSANDS)	Government Funding (PER PASSENGER MILE)
Corridor	$46,983	890	155,480	$0.31
Longhaul West	$3,116	11	12,828	$1.22
Longhaul East	$1,459	15	7,135	$1.39
Mandatory Services	$563	12	2,969	$4.54
Total	$51,121	928	178,412	$0.49

* Excluding off-train and other passenger revenues.

FIRST QUARTER HIGHLIGHTS



A train leaves Toronto Union Station; VIA Rail's inter-city train service

MARKETING PROJECTS

MARKETING CAMPAIGNS

Two new marketing campaigns were launched this quarter. The national advertising campaigns have received great feedback.

Long-distance Marketing Campaign: Beauty Takes No Shortcuts

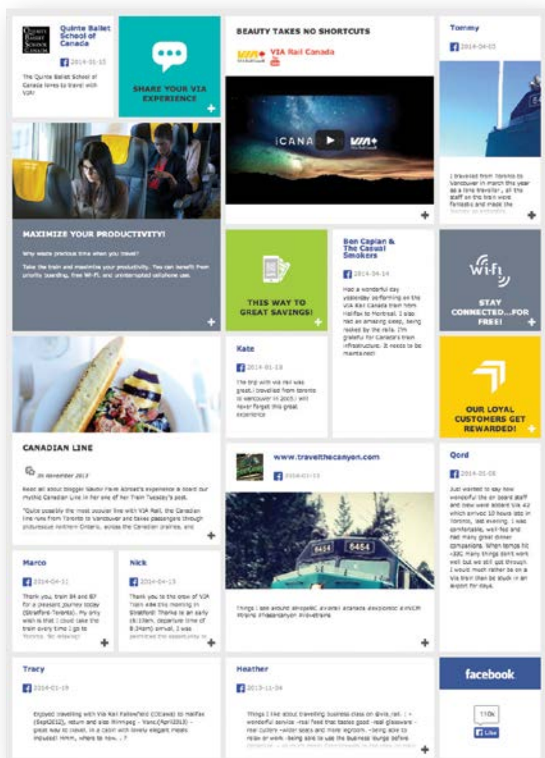
The new campaign for the long-distance *Ocean* and *Canadian* trains, launched this quarter, focuses on the magnificence of Canada's natural landscape. The campaign is about being inspired, awed, and taking the time to appreciate what it took nature thousands of years to create. The ads also talk about the VIA Rail experience and encourage Canadians to discover their country in the best way possible – by train.

Business Class Campaign: Buy Yourself Some Time

Targeted at business travellers, the campaign invites consumers to discover our new Business class, redesigned to provide passengers with a more comfortable, spacious, productive and peaceful environment. The ads feature known Canadians such as Bruce Croxon from Dragon's Den and Isabelle Hudon, President of Sun Life Financial in Québec.

VIA EXPERIENCE

The end of March saw the launch of a new interactive page on VIA Rail's website. VIA Experience (viarail.ca/en/experience) tells the story of travelling with VIA Rail through passenger testimonies, journalists' articles and travel blog stories.



TRAINS PROJECTS

Our Light, Rapid, Comfortable (LRC) cars have been undergoing an overhaul. By the end of the first quarter 2014, there were 18 renovated Economy class cars and 11 overhauled Business class cars in service. In 2014, more Economy class and 15 Business class cars will be completed.

Many of our locomotives have benefitted from safety improvements including new lighting and better ventilation systems to improve air quality.

MAINTENANCE OPTIMIZATION PROGRAM

VIA Rail's Maintenance Optimization Program focused on evolving from a reactive maintenance approach to a proactive approach. The benefits include increased time available for repairs and a reduction of work backlog by reducing time spent on supplemental servicing of trains.

INFRASTRUCTURE PROJECTS

Work has been underway to perform extensive steel and concrete repairs to a bridge on the Beachburg subdivision, originally built in 1912. The work will allow a lifting of the "slow order", obliging trains to slow down while passing over the bridge, and new walkways on each side will improve safety for train crews.

TECHNOLOGY PROJECTS

TELEMETRY

Through the Wi-Fi system, VIA Rail has equipped 60 of their 73 locomotives with a telemetry system, with completion of all locomotives expected in 2014. Data can now be gathered remotely and used to increase the efficiency of these locomotives by reducing idling time and improving train handling practices. Thanks to telemetry, a fuel savings of $314,000 has been recorded for the quarter, compared to the same quarter in 2013.

INTERNAL UPGRADES

VIA Rail's Mainframe Migration project, now near completion, is transferring many important technology applications to a new platform. This will facilitate the maintenance and evolution of these applications while reducing operational costs. Estimated annual cost saving is $1.2 Million.

Various upgrades of internal systems have been ongoing to streamline many processes and keep them relevant long-term. New internal communication and evaluation tools with long-term sustainability have also been implemented.

WORKFORCE OPTIMIZATION

Work on new projects to optimize workforce management and apply standard business rules across the network is underway. Through this project, VIA Rail will modernize and optimize the train crew scheduling process. Internally, managers and employees will have the tools to better manage their workday. By basing on-board crew scheduling on customer demand, this streamlining process will also save operational costs and improve efficiency.

SAFETY AND SECURITY

Safety and Security are VIA Rail's top priorities. Throughout the first quarter of 2014 we worked to improve the safety and security of our operations and to inform the Canadian public about safety around railroads.

TRANSPORT CANADA: NEW REGULATORY AGENDA

A significant new regulatory agenda was put out by Transport Canada this quarter. VIA Rail deliverables will include completion of new Crossing Regulations, Safety Management System Regulations, Railway Operating Certificates requirements, and new monetary penalties requirements and applications. Publishing of these new regulations is expected take place in the second and third quarters of 2014. Other regulatory requirements related to Fatigue Management and Train Control will also be addressed. Once finalized, VIA Rail will comply with all due requirements.

ENVIRONMENT

REDUCTION OF FUEL CONSUMPTION

This quarter, VIA Rail saw a fuel consumption reduction of 12,6% compared to the same time period in 2013. These improvements can be attributed to the recent locomotive fleet overhaul, fleet optimization and the installation of telemetry to the trains, which provided information to help reduce idling time and improve train handling (see Telemetry in the Technology section of this report for more information). The full budgetary benefit of the fuel cost reduction was affected by an increase in fuel prices, which were 7% higher than the same period in 2013.

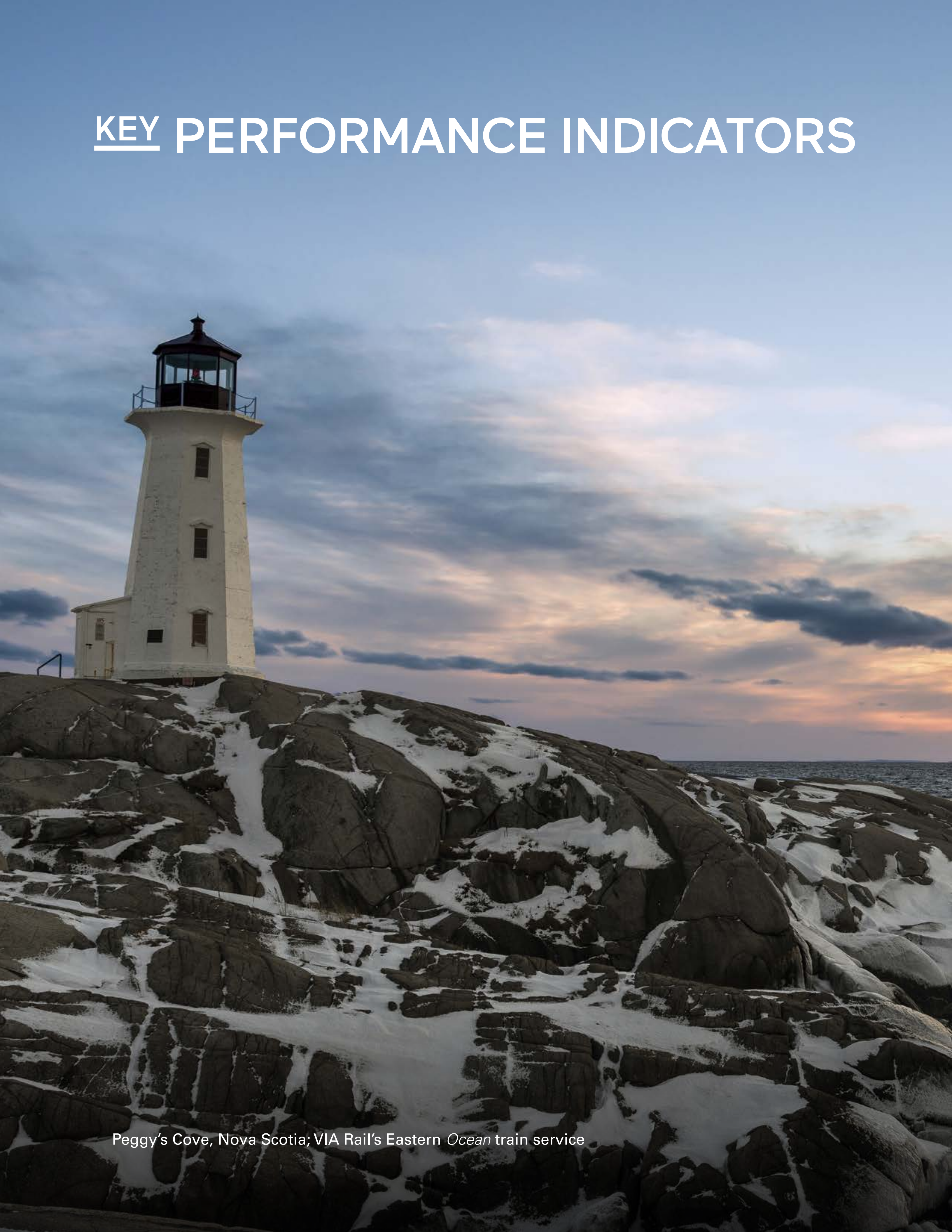
IMPORTANT EVENTS

OTTAWA AREA CROSSING SIGNAL ISSUES

Issues with the Automatic Warning Devices (AWD) at various crossings in the Ottawa area were reported in the first quarter of 2014. Following these events, temporary personnel was placed at these locations in order to provide supplementary support. VIA Rail is working with its contractor, RailTerm, and two other independent engineering consulting firms to determine the origin of the occurrences of unusual activations.

The two firms performed inspections of all crossing protection devices and VIA Rail has completed some minor repairs and preventive maintenance to further enhance the reliability of these AWDs. VIA Rail continues to work with technical specialists to improve reliability at all times.

KEY PERFORMANCE INDICATORS



Peggy's Cove, Nova Scotia; VIA Rail's Eastern *Ocean* train service

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 - 2014	Q1 - 2013
Total Revenue per Employee ($000s) YTD revenues divided by the number of employees (full time equivalent). A measure of productivity.	**96**	93
Passenger Revenues per Available Seat-Mile (¢) Revenues divided by available seat-miles.	**17**	15
Direct Costs per Available Seat-Mile (¢) Direct costs divided by available seat-miles.	**28**	24
On-Time Performance (%) Excludes mandatory services.	**71**	82
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.	**3**	1

GOVERNANCE AND ACCOUNTABILITY

Oakville station, Ontario; VIA Rail's inter-city train service

THE BOARD OF DIRECTORS

The Board of Directors consists of the Chairperson, the President and Chief Executive Officer and nine 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 through the Honourable Lisa Raitt, Minister of Transport.

PUBLIC MEETINGS AND REPORTS

During the first quarter of 2014, two Board meetings were held. The five different Board committees met a total of one time each. The overall average attendance rate of Board members at these meetings was 100%.

Cumulative fees paid to Board members during this time period totaled $35,559.

ACCESS TO INFORMATION AND PRIVACY

VIA Rail believes that openness and transparency are the starting point in building a trusted relationship with customers, its partners and with the public in general. VIA Rail became subject to both the *Access to Information Act* and the *Privacy Act* (ATIP) in 2007.

Since then, we have been committed to responding promptly to information requests from the public, the media and all those interested in VIA Rail's operations. During the first quarter of 2014, VIA Rail received 48 new requests, 39 of which were still in progress at the end of the quarter.

PROMOTION OF OFFICIAL LANGUAGES

VIA Rail complies with the *Official Languages Act* and is proud to offer its services in both official languages.

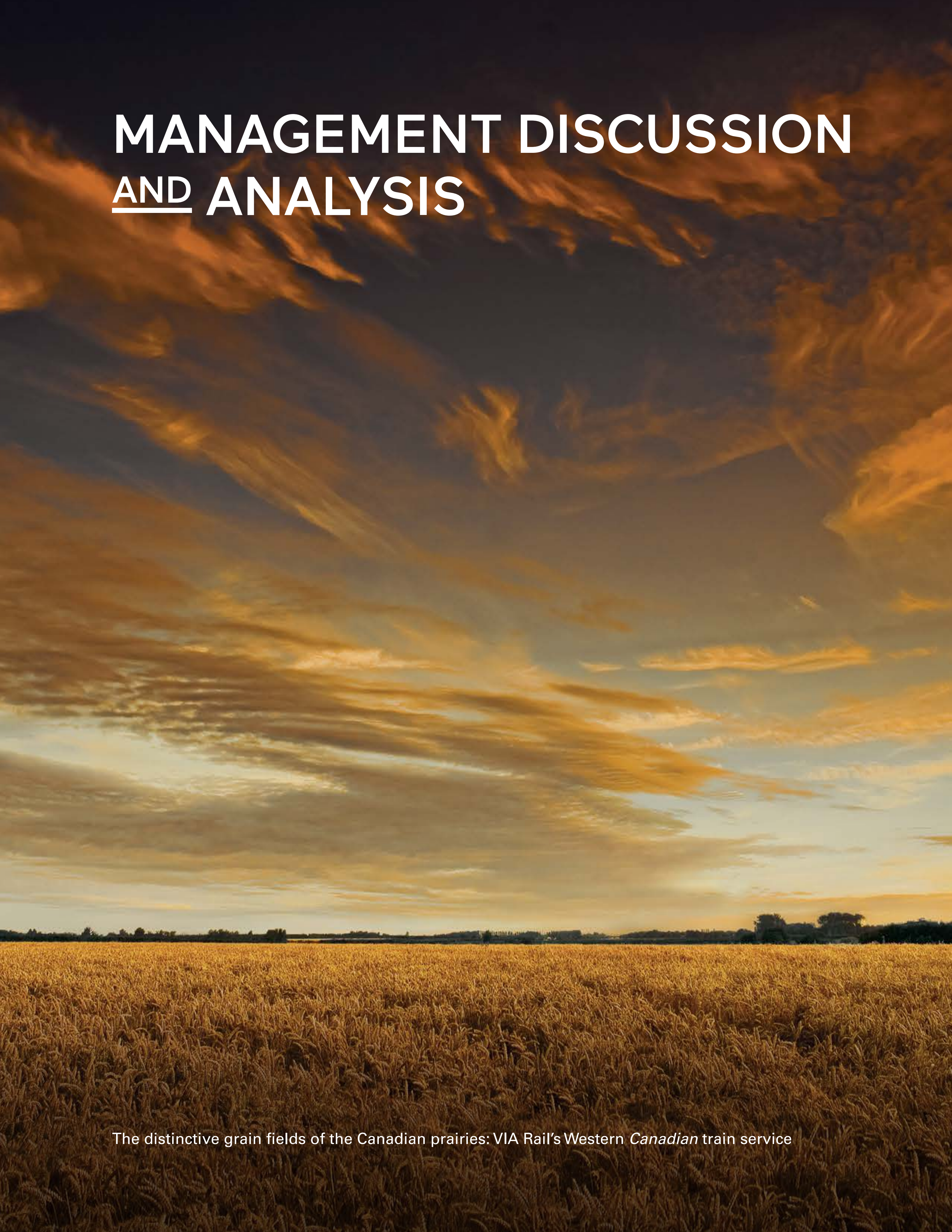
During the first quarter of 2014, VIA Rail promoted Canada's two official languages by participating in bilingual events such as the *Festival du Voyageur de Saint Boniface* in Manitoba.

TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES

The following travel, hospitality and conference expenses were submitted during the first quarter of 2014:

Paul G. Smith, Chairman of the Board	$2,623
Steve Del Bosco, Interim President and CEO	$1,092
Executive management committee members	$9,414
Board of Directors members	$5,714

MANAGEMENT DISCUSSION AND ANALYSIS



The distinctive grain fields of the Canadian prairies: VIA Rail's Western *Canadian* train service

This is a review of VIA Rail Canada's operations, performance and financial position for the quarter ended March 31, 2014, compared with the quarter ended March 31, 2013. It should be read in conjunction with the condensed financial statements and notes.

1. FINANCIAL HIGHLIGHTS

The following table shows the financial results of the Corporation illustrating the activities which were funded during the quarter, and then showing the other non-funded elements and accounting adjustments required under the International Financial Reporting Standards (IFRS).

The Corporation received Operating funding from the Government of Canada to compensate its funded activities. Funded activities are the revenues and expenses which generate or require cashflow (they exclude other accounting entries which are required under the IFRS but which do not result in cashflow transactions).

	Quarters ended March 31			
IN MILLION OF CANADIAN DOLLARS	2014	2013	Var $	Var %
Passsenger Revenues *	**53.6**	54.2	(0.6)	(1.1%)
Total Revenues *	**58.4**	59.0	(0.6)	(1.0%)
Operating expenses *	**127.2**	122.9	4.3	3.5%
Employer contributions for employee benefits *	**18.3**	19.4	(1.1)	(5.7%)
Total Operating expenses *	**145.5**	142.3	3.2	2.2%
Operating Loss	**(87.1)**	(83.3)	(3.8)	(4.6%)
Operating funding from Government of Canada	**87.1**	83.3	3.8	4.6%
Non funded elements and other accounting adjustments				
Employee Benefits to be funded in subsequent years	**9.9**	5.5	4.4	80.0%
Depreciation and amortization / Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets	**(18.9)**	(17.5)	(1.4)	(8.0%)
Amortization of deferred capital funding	**18.2**	17.2	1.0	5.8%
Other	**4.9**	6.3	(1.4)	(22.2%)
Net income (loss) for the quarter	**14.1**	11.5	2.6	22.6%
Actuarial gain (loss) on on defined benefit plans	**(57.3)**	133.3	(190.6)	n/a
Total comprehensive income (Loss) for the quarter	**(43.2)**	144.8	(188.0)	n/a

* Financial statement amounts were adjusted to reflect funded activities

HIGHLIGHTS OF THE QUARTER

Compared with the quarter ended March 31, 2013:

- Revenues have decreased by 1.0 percent and total $58.4 million for the quarter;
- Funded Operating expenses increased by 2.2 percent and amount to 145.5 million for the quarter;
- Operating loss funded by the Government of Canada increased by 4.6 percent to $87.1 million for the quarter;
- There is a net income of $14.1 million for the quarter, compared to a net income of $11.5 million for the same quarter of 2013;
- There were actuarial losses on defined benefit plans of $57.3 million for the quarter compared to gain of $133.3 million for the corresponding quarter last year;
- There is a total comprehensive loss of $43.2 million for the quarter, compared to a gain of $144.8 million for the first quarter of 2013.

2. HIGHLIGHTS OF OPERATING RESULTS

This section of the document provides comments on the funded activities of the quarter ended March 31, 2014 (before non-funded elements and other accounting adjustments).

A) PASSENGER REVENUES

	REVENUES (IN '000 000$)				PASSENGER MILES (IN '000 000)			
	Quarters ended March 31				Quarters ended March 31			
	2014	2013	Var $	Var %	**2014**	2013	Var #	Var %
Corridor East	**37.1**	37.4	(0.3)	(0.8%)	**125.0**	126.5	(1.5)	(1.2%)
Southwestern Ontario (SWO)	**9.9**	9.4	0.5	5.3%	**30.5**	28.0	2.5	8.9%
Corridor	**47.0**	46.8	0.2	0.4%	**155.5**	154.5	1.0	0.6%
Ocean	**1.5**	1.5	0.0	0.0%	**7.1**	7.8	(0.7)	(9.0%)
Canadian	**3.1**	3.7	(0.6)	(16.2%)	**12.8**	17.0	(4.2)	(24.7%)
Mandatory Services	**0.6**	1.1	(0.5)	(45.5%)	**3.0**	5.1	(2.1)	(41.2%)
Non Corridor	**5.2**	6.3	(1.1)	(17.5%)	**22.9**	29.9	(7.0)	(23.4%)
Other	**1.4**	1.1	0.3	27.3%	**-**	-	-	-
TOTAL	**53.6**	54.2	(0.6)	(1.1%)	**178.4**	184.4	(6.0)	(3.3%)

* Revenue amounts were adjusted to reflect funded activities

Passenger revenues total $53.6 million, a decrease of 1.1 percent compared to the corresponding quarter last year. The decrease stems mainly from lower revenues on the *Canadian* and on Mandatory services. Revenues on the *Canadian* were impacted by the poor on-time performance of the service, while revenues on Mandatory services declined as a result of the interruption of the Montreal-Gaspe route (the service was interrupted in September 2013 and has not yet resumed).

FOR THE QUARTER:

- Corridor East revenues are 0.8 percent below last year, and due mainly to lower volumes (1.2 percent fewer passenger-miles), partly offset by improved yields (0.5 percent). The decline in passenger volumes is explained in part by the fact that last year, Easter was celebrated in March, whereas this year it was in April;
- Revenues in SWO have increased by 5.3 percent, as a result of higher volumes (8.9 percent more passenger-miles), partly offset by lower yields (3.3 percent);
- Revenues on the *Ocean* are in line with last year. Passenger volumes decreased by 9.0 percent but this decrease was totally offset by higher yields;
- Revenues on the *Canadian* have decreased by 16.2 percent over the corresponding quarter last year. The performance is mainly attributable to lower passenger volumes (24.7 percent less passenger-miles), partly offset by improved yields (10.8 percent). The decline in volumes is due in part to the poor on-time performance of the service and was more significant in Economy class where passengers travel on shorter segments and are more sensitive to on-time performance;
- Revenues on Mandatory services have decreased by 45.5 percent, and the decrease is mainly due to the interruption of the Montreal-Gaspe service which has not operated since September 2013.

B) OPERATING EXPENSES

IN MILLIONS OF CANADIAN DOLLARS	Quarters ended March 31 2014	2013	Var $	Var %
Compensation & Benefits *	**54.7**	55.8	(1.1)	(2.0%)
Train Operations & Fuel	**30.9**	30.3	0.6	2.0%
Realized loss (gain) on derivative financial instruments	**(0.6)**	(0.1)	(0.5)	500.0%
Corporate Tax expense (recovery)	**0.1**	0.0	0.1	n/a
Other operating expenses *	**42.1**	36.9	5.2	14.1%
Total Operating expenses (before employer contributions for employee benefits)	**127.2**	122.9	4.3	3.5%
Employer Contributions for employee benefits *	**18.3**	19.4	(1.1)	(5.7%)
TOTAL FUNDED OPERATING EXPENSES	**145.5**	142.3	3.2	2.2%

* Financial statement amounts adjusted to reflect funded activities

FOR THE QUARTER:

/ Operating expenses before employer contributions for employee benefits rose by 3.5 percent and totaled $127.2 million for the quarter. The increase is mainly due to higher maintenance material, marketing and sales, as well as data and voice telecommunications costs (all included on other expenses). Maintenance material costs increased due to more wheel and locomotive repairs (partly due to the harsh winter conditions), and data and voice telecommunications costs are higher as a result of new technology and higher Wifi usage. As for marketing and sales costs, the increase is due in part to timing in the promotional campaigns. These cost increases were partly offset by lower compensation and benefit costs, resulting from abolished positions following the implementation of productivity initiatives;

/ Employer contributions for employee benefits decreased by 5.7 percent and total $18.3 million for the quarter, the decrease due to favorable timing in the contributions made to the employees' pension plans to fund the pension plan deficits.

3. CAPITAL INVESTMENTS

Fixed assets (net of accumulated depreciation) amount to $1,251.5 million, up $0.7 million compared to the balance as at December 31, 2013. Capital investments totaled $19.6 million for the quarter.

- Investments of $8.3 million were made in Major Equipment projects including $5.3 million for the LRC car fleet revitalization project, and $2.8M for the HEP1 cars modernization program;
- Investments of $2.2 million were made in Major infrastructure projects of which $1.3 million for the improvement of the GEXR Guelph Subdivision project, and $0.9 million were invested in the CN Kingston subdivision where sections of a third track are added to minimize congestion;
- An amount of $2.9 million was invested in Information Technology projects (including the station automation, and mainframe migration projects).
- Investments of $2.5 million were made in station projects.

4. CASH FLOW AND FINANCIAL POSITION

The Corporation's cash balance is $5.3 million as at March 31, 2014, down $16.5 million compared to December 31, 2013. The decrease in cash for the quarter is due to the change in non-cash working capital items, partly offset by the change in capital funding receivable from the Government of Canada.

5. RISK ANALYSIS

This section highlights the main risks affecting the Corporation during the quarter and which may have impacts in the future.

RISK	CURRENT SITUATION
DETERIORATION OF ON-TIME PERFORMANCE	
On-Time performance deteriorated significantly during the quarter, especially on the *Canadian* where it plummeted to less than 25%, having negative impact on customer satisfaction.	The Corporation is working with the various track owners, including CN which owns most of the infrastructure, to try and resolve the issues causing train delays, and improve on-time performance before the peak summer season begins.
NEW REQUIREMENTS CONCERNING GRADE CROSSINGS REGULATIONS	
Transport Canada has put out a new regulatory agenda concerning grade crossings regulations which may require that VIA and other infrastructure owners modify their crossing infrastructure and reduce speed of trains near crossings.	Transport Canada is expected to publish the new requirements in May 2014. Once these requirements are known, a VIA team comprised of Operations and Safety and Security department representatives will assess the required steps and associated costs to comply with the new regulations.
INFRASTRUCTURE ON THE NEWCASTLE SUBDIVISION	
CN announced that effective July 2014, unless it received funding, it would no longer maintain the infrastructure on the NewCastle subdivision, on which VIA's *Ocean* train operates.	Other scenarios according to which the *Ocean* would operate on a different route have been evaluated to assess the financial viability and impact of the communities served by the train. Negociations were also underway with the Government to find a solution and enable the *Ocean* to operate on the infrastructure. On May 12th, the Government of Canada allowed VIA Rail to use $10.2 million of its approved capital funding for the repair of the infrastructure, and as a result the Ocean will continue to operate.

RISK	CURRENT SITUATION
OPERATING AND CAPITAL FUNDING	
VIA continues to face operational funding challenges.	The Corporation is continuously pursuing the development and the implementation of a range of initiatives to reduce its deficit by increasing revenues and reducing costs. Furthermore, VIA continues to work with Transport Canada to address the challenge of operating loss and develop sustainable funding solutions. VIA received new envelopes for 2014-2015 fiscal year.

6. OUTLOOK

Results of the first quarter of 2014 were below management's expectations in terms of passenger revenues, as ridership did not increase as anticipated even though yields improved. Tactical actions are taken to ensure yields continue to be maximized without creating an adverse impact on ridership.

The introduction of new technology in 2013 and during the first quarter of 2014 has allowed us to continue to reduce fuel consumption in our locomotives and help modernizing our stations. Efforts continue to identify and implement additional cost reduction initiatives and other automation projects which will improve efficiency while maintaining high customer service levels and satisfaction.

INTERIM CONDENSED FINANCIAL STATEMENTS

A polar bear in Manitoba; VIA Rail's remote train service

MANAGEMENT'S RESPONSIBILITY STATEMENT

QUARTER ENDED MARCH 31, 2014

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.

Steve Del Bosco
Interim President and
Chief Executive Officer

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

Montréal, Canada
May 28, 2014

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As at (IN THOUSANDS OF CANADIAN DOLLARS)	March 31, 2014 (unaudited)	December 31, 2013 (audited)
CURRENT ASSETS		
Cash	**$ 5,287**	$ 21,757
Accounts receivable, trade	**5,745**	5,696
Prepaids, advances on contracts and other receivables	**13,152**	3,808
Receivable from the Government of Canada	**9,478**	-
Derivative financial instruments	**1,726**	1,733
Materials	**23,659**	24,924
Asset Renewal Fund	**12,164**	12,164
	71,211	70,082
NON-CURRENT ASSETS		
Property, plant and equipment (NOTE 8)	**858,234**	854,630
Intangible assets (NOTE 9)	**393,243**	396,165
Asset Renewal Fund	**678**	610
	1 252,155	1,251,405
Total assets	**$ 1 323,366**	$ 1,321,487
CURRENT LIABILITIES		
Trade and other payables (NOTE 10)	**$ 82,626**	$ 90,223
Provisions (NOTE 11)	**12,611**	13,219
Deferred government funding	**-**	5,595
Derivative financial instruments	**269**	-
Deferred revenues (NOTE 14)	**41,107**	30,770
	136,613	139,807
NON-CURRENT LIABILITIES		
Post-employment and other employee benefits (NOTE 12)	**91,100**	43,699
	91,100	43,699
DEFERRED CAPITAL FUNDING (NOTE 13)	**1,238,322**	1,237,399
SHAREHOLDER'S EQUITY		
Share capital	**9,300**	9,300
Retained earnings	**(151,969)**	(108,718)
	(142,669)	(99,418)
Total liabilities and shareholder's equity	**$ 1,323,366**	$ 1,321,487

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 OTHER COMPREHENSIVE INCOME

(IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended March 31 2014	2013
REVENUES		
Passenger	**$ 52,989**	$ 54,017
Other	**4,895**	4,967
	57,884	58,984
EXPENSES		
Compensation and employee benefits	**57,476**	64,402
Train operations and fuel	**30,888**	30,261
Stations and property	**10,079**	9,595
Marketing and sales	**8,039**	7,255
Maintenance material	**8,630**	6,910
On-train product costs	**3,389**	3,428
Operating taxes	**2,680**	2,547
Professional services	**2,341**	1,790
Telecommunications	**4,255**	3,119
Depreciation and amortization (NOTE 8 & 9)	**18,084**	17,495
Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets	**857**	-
Unrealized net loss (net gain) on derivative financial instruments	**276**	(1,049)
Realized loss (gain) on derivative financial instruments	**(567)**	(122)
Other	**2,678**	2,336
	149,105	147,967
Operating loss before funding from the Government of Canada and income taxes	**91,221**	88,983
Operating funding from the Government of Canada (NOTE 7)	**87,149**	83,282
Amortization of deferred capital funding (NOTE 13)	**18,202**	17,179
Net income before income taxes	**14,130**	11,478
Income tax (expense) recovery	**(87)**	-
Net income for the period	**14,043**	11,478
Other comprehensive income (loss)		
Amounts not to be reclassified subsequently to net income:		
Actuarial gain (loss) on defined benefit plans (NOTE 12)	**(57,294)**	133,304
Other comprehensive income (loss) for the period	**(57,294)**	133,304
Total comprehensive income (loss) for the period	**$ (43,251)**	$ 144,782

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	
	2014	2013
Share Capital	**$ 9,300**	$ 9,300
Retained Earnings		
Balance, beginning of period	**(108,718)**	(454,165)
Net income for the period	**14,043**	11,478
Other comprehensive income (loss) for the period	**(57,294)**	133,304
Balance, end of period	**(151,969)**	(309,383)
Total Shareholder's equity	**$ (142,669)**	$ (300,083)

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	
	2014	2013
OPERATING ACTIVITIES		Restated
Net income for the period	**$ 14,043**	$ 11,478
Adjustments to determine net cash (used in) from operating activities:		
Depreciation and amortization (NOTE 8 & 9)	**18,084**	17,495
Loss (gains) on disposal of property, plant and equipment and intangible assets	**857**	-
Amortization of deferred investment tax credits	**-**	(70)
Amortization of deferred capital funding (NOTE 13)	**(18,202)**	(17,179)
Interest income	**(103)**	(139)
Change in fair value of financial instruments (Asset Renewal Fund)	**(68)**	(123)
Unrealized net loss (net gain) on derivative financial instruments	**276**	(1,049)
Post-employment and other employee benefit expenses (NOTE 12)	**8,368**	13,895
Employer post-employment and other employee benefit contributions (NOTE 12)	**(18,261)**	(19,441)
Net change in non-cash working capital items	**(53,616)**	(11,471)
Net cash (used in) provided by operating activities	**(48,622)**	(6,604)
INVESTING ACTIVITIES		
Capital funding (NOTE 13)	**19,125**	23,450
Change in capital funding receivable from the Government of Canada	**35,575**	10,050
Acquisition of investments in the Asset Renewal Fund	**(7,532)**	(8,648)
Proceeds from sale and maturity of investments in the Asset Renewal Fund	**7,532**	8,648
Change in capital accounts payable and accrued liabilities	**(3,028)**	(2,979)
Acquisition of property, plant and equipment and intangible assets (NOTE 8 & 9)	**(19,611)**	(23,587)
Interest received	**103**	139
Proceeds from disposal of property, plant and equipment and intangible assets	**(12)**	-
Net cash (used in) provided by investing activities	**32,152**	7,073
CASH		
Increase (decrease) during the period	**(16,470)**	469
Balance, beginning of period	**21,757**	15,857
BALANCE, END OF PERIOD	**$ 5,287**	$ 16,326

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT MARCH 31, 2014 (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, 2014.

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, 2013, which have been prepared in accordance with the IFRS. Certain comparative figures in the quarterly financial statements have been reclassified to conform to the December 31, 2013 presentation.

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. CHANGES IN ACCOUNTING POLICIES

The Corporation has adopted the amendment of IAS 36 – *Impairment of Assets* – effective January 1, 2014, which requires additional disclosure on the measurement of the recoverable amount of impaired assets, particularly if the amount is based on the fair value less costs of disposal. This amendment has no impact on the financial statements.

IAS 19 – *Employee Benefits (2011)* - On November 21, 2013, the IASB issued amendments to IAS 19, Employee Benefits, entitled "Amendments to IAS 19, Defined Benefit Plans: Employee Contributions". The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. These amendments have no impact on the financial statements.

The "Annual Improvements to IFRSs 2010-2012 Cycle" and the "Annual Improvements to IFRSs 2011-2013 Cycle" issued in December, 2013, included a number of amendments to various IFRSs. The Corporations has analyzed these amendments and has determined that they have no impact on the financial statements.

4. 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, 2013.

5. FUTURE ACCOUNTING CHANGES

IFRS 9 – *Financial Instruments* – is a new Standard for financial instruments that is ultimately intended to replace IAS 39 in it's entirely. The new standard sets out the recognition and measurement requirements for financial instruments and some contracts to buy or sell non-financial items.

This standard is applicable retrospectively, with early adoption permitted. The date of application has not yet been determined. The Corporation does not intend to early adopt IFRS 9. The extent of the impact of adoption of IFRS 9 has not yet been determined.

6. 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, 2013.

7. RECONCILIATION OF OPERATING LOSS TO GOVERNMENT FUNDING

The Corporation receives its funding from the Government of Canada based primarily on cash flow requirements. Items recognized in the Statement of Operations and Other 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)	2014	2013
Operating loss before funding from the Government of Canada and income taxes	**91.2**	89.0
Items requiring (providing) operating funds:		
Income tax expense (recovery)	**0.1**	-
Items not requiring (not providing) operating funds:		
Depreciation and amortization	**(18.1)**	(17.5)
Impairment and (loss) gain on disposal of property, plant and equipment and intangible assets	**(0.9)**	-
Post-employment and other employee benefits contributions in excess of expenses	**9.9**	5.5
Unrealized net gain (net loss) on derivative financial instruments	**(0.3)**	1.0
Increase in investment fair value	**0.1**	0.1
Adjustment for accrued compensation	**5.7**	5.2
Other	**(0.6)**	-
Operating funding from the Government of Canada	**87.1**	83.3

8. PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS OF DOLLARS)	January 1, 2014	Additions	Disposals	Transfers	March 31, 2014
Cost:					
Land	12.1	-	-	-	**12.1**
Rolling stock	871.7	-	(3.0)	7.4	**876.1**
Maintenance buildings	138.0	-	-	0.3	**138.3**
Stations and facilities	105.9	-	-	19.0	**124.9**
Owned infrastructures	181.2	-	-	1.4	**182.6**
Leasehold improvements	78.0	-	(0.1)	0.3	**78.2**
Machinery and equipment	31.1	-	(0.1)	0.1	**31.1**
Computer hardware	29.8	-	(0.1)	0.7	**30.4**
Other property, plant and equipment	8.2	-	-	0.1	**8.3**
Projects in progress	84.9	17.4	-	(29.3)	**73.0**
Total cost	1,540.9	17.4	(3.3)	-	**1,555.0**
Accumulated depreciation:				-	
Rolling stock	417.6	7.7	(2.4)	-	**422.9**
Maintenance buildings	89.1	0.7	-	-	**89.8**
Stations and facilities	33.5	1.0	-	-	**34.5**
Owned infrastructures	59.0	1.4	-	-	**60.4**
Leasehold improvements	45.2	0.6	(0.1)	-	**45.7**
Machinery and equipment	23.3	0.3	(0.1)	-	**23.5**
Computer hardware	13.9	1.4	(0.1)	-	**15.2**
Other property, plant and equipment	4.7	0.1	-	-	**4.8**
Total accumulated depreciation	686.3	13.2	(2.7)	-	**696.8**
Total net carrying amount	854.6	4.2	(0.6)	-	**858.2**

9. INTANGIBLE ASSETS

(IN MILLIONS OF DOLLARS)	January 1, 2014	Additions	Disposals	Transfers	March 31, 2014
Cost:					
Software	73.5	-	-	0.2	**73.7**
Right of access to rail infrastructure	415.4	-	(0.9)	0.3	**414.8**
Other intangible assets	4.1	-	-	-	**4.1**
Projects in progress	24.0	2.2	-	(0.5)	**25.7**
Total cost	517.0	2.2	(0.9)	-	**518.3**
Accumulated amortization:					
Software	59.4	2.2	-	-	**61.6**
Right of access to rail infrastructure	60.2	2.7	(0.6)	-	**62.3**
Other intangible assets	1.2	-	-	-	**1.2**
Total accumulated amortization	120.8	4.9	(0.6)	-	**125.1**
Total net carrying amount	396.2	(2.7)	(0.3)	-	**393.2**

10. TRADE AND OTHER PAYABLES

The Trade and other payables balance includes the following:

(IN MILLIONS OF DOLLARS)	March 31, 2014	December 31, 2013
Wages payable and accrued	**30.7**	36.7
Capital Payables	**16.8**	19.8
Trade payables	**29.9**	28.0
Capital tax, income tax and other taxes payable	**5.2**	5.5
Other	**-**	0.2
	82.6	90.2

11. PROVISIONS

The provision balance includes:

(IN MILLIONS OF DOLLARS)	January 1, 2014	Charge (used)	Reversal (used)	Reversal (not used)	March 31, 2014
Environmental costs	1.1	-	(0.6)	-	**0.5**
Litigation and equipment repairs (NOTE A)	11.8	0.7	-	(0.5)	**12.0**
Restructuring costs	0.3	-	(0.2)	-	**0.1**
Total provisions	13.2	0.7	(0.8)	(0.5)	**12.6**

A) LITIGATION AND EQUIPMENT REPAIRS

The Corporation is subject to claims and legal proceedings brought against it in the normal course of business. Also, the Corporation incurs equipment repair costs as a result of crossing accidents and other incidents causing damages to rolling stock. Such matters are subject to many uncertainties. Management believes that adequate provisions for litigation and equipment repairs have been made in the accounts where required and the ultimate resolution of those matters is not expected to have a material adverse effect on the financial position of the Corporation.

12. 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

The financial and demographic assumptions used to determine the actuarial valuations of the pension plans were the same assumptions as disclosed in the Corporation's annual financial statements for the year ended December 31, 2013, except for the discount rate used to determine the defined benefit obligation that was decreased to 4.40% while the discount rate used to determine the defined benefit cost was increased to 4.80%.

The financial and demographic assumptions used to determine the actuarial valuations of the post-employment benefits were the same assumptions as disclosed in the Corporation's annual financial statements for the year ended December 31, 2013, except for the discount rate used to determine the defined benefit cost that was increased to 4.90% as well as the initial weighted average health care trend rate used to determine the defined benefit obligation that was decreased to 5.99% and the initial weighted average health care trend rate used to determine the defined benefit cost that was decreased to 6.09%.

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

(IN MILLIONS OF DOLLARS)	Pension Plans		Post-employment Benefit Plans	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
DEFINED BENEFIT OBLIGATION:				
Balance at beginning of the period	**1,925.3**	2,078.0	**16.3**	19.1
Service cost	**6.0**	30.0	**0.1**	0.5
Interest expense	**23.1**	81.9	**0.2**	0.8
Employee contributions	**2.9**	10.9	**-**	-
Benefits paid	**(25.0)**	(97.1)	**(0.1)**	(0.5)
Effect of change in demographic assumptions	**-**	32.9	**-**	(0.6)
Effect of change in financial assumptions	**107.8**	(248.5)	**-**	(2.4)
Effect of employee transfers	**-**	8.3	**-**	-
Effect of experience adjustments	**-**	28.9	**-**	(0.6)
Balance at end of the period	**2,040.1**	1,925.3	**16.5**	16.3
FAIR VALUE OF PLAN ASSETS:				
Balance at beginning of the period	**1,923.9**	1,735.0	**-**	-
Interest Income	**23.1**	67.7	**-**	-
Return on plan assets (excluding interest income)	**50.5**	113.2	**-**	-
Employer contributions	**16.2**	87.9	**0.1**	0.5
Employee contributions	**2.9**	10.9	**-**	-
Benefits paid	**(25.0)**	(97.1)	**(0.1)**	(0.5)
Effect of employee transfers	**-**	8.3	**-**	-
Administration expenses	**(0.4)**	(2.0)	**-**	-
Balance at end of the period	**1,991.2**	1,923.9	**-**	-
Net Defined benefit liability	**(48.9)**	(1.4)	**(16.5)**	(16.3)

12. EMPLOYEE BENEFITS (CONT'D)

B) LONG-TERM EMPLOYEE BENEFIT PLANS

The financial and demographic assumptions used to determine the actuarial valuations of the long-term employee benefit plans were the same assumptions as disclosed in the Corporation's annual financial statements for the year ended December 31, 2013 except for the discount rate used to determine the benefit cost that was increased to 3.90% as well as the initial weighted average health care trend rate used to determine the benefit obligation that was decreased to 5.30% and the initial weighted average health care trend rate used to determine the benefit cost that was decreased to 5.40%.

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

(IN MILLIONS OF DOLLARS)	March 31, 2014	December 31, 2013
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance at beginning of the period	**23.8**	22.0
Service cost	**1.2**	5.4
Interest expense	**0.2**	0.8
Benefits paid	**(1.6)**	(5.8)
Effect of change in demographic assumptions	**-**	0.8
Effect of change in financial assumptions	**-**	(0.2)
Effect of experience adjustments	**-**	0.8
Balance at end of the period	**23.6**	23.8
FAIR VALUE OF PLAN ASSETS:		
Balance at beginning of the period	**-**	-
Employer contributions	**1.6**	5.8
Benefits paid	**(1.6)**	(5.8)
Balance at end of the period	**-**	-
Net long-term employee benefit liability	**(23.6)**	(23.8)

C) OTHER LONG-TERM EMPLOYEE BENEFITS

Other long-term employee benefits include job security benefits administered by various union agreements. These benefits are calculated on an event driven basis and represent management's best estimates of the present value of all future projected payments to unionized employees. The change in the other long-term employee benefit obligation is explained as follows:

(IN MILLIONS OF DOLLARS)	March 31, 2014	December 31, 2013
OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance at beginning of the period	**2.2**	4.2
Service cost	**0.3**	(0.6)
Benefits paid	**(0.4)**	(1.4)
Balance at end of the period	**2.1**	2.2
FAIR VALUE OF PLAN ASSETS:		
Balance at beginning of the period	**-**	-
Employer contributions	**0.4**	1.4
Benefits paid	**(0.4)**	(1.4)
Balance at end of the period	**-**	-
Net other long-term employee benefit liability	**(2.1)**	(2.2)

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, 2014	December 31, 2013
Liabilities:		
Pension Plans	**(48.9)**	(1.4)
Post-employment benefit plans	**(16.5)**	(16.3)
Long-term employee benefit plans	**(23.6)**	(23.8)
Other long-term employee benefits	**(2.1)**	(2.2)
Total	**(91.1)**	(43.7)

12. EMPLOYEE BENEFITS (CONT'D)

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

(IN MILLIONS OF DOLLARS)	Quarters ended March 31	
	2014	2013
Operating expense:		
Pension Plans	**6.4**	11.8
Post-employment benefit plans	**0.3**	0.3
Long-term employee benefit plans	**1.4**	1.5
Other long-term employee benefits	**0.3**	0.3
Total	**8.4**	13.9

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

(IN MILLIONS OF DOLLARS)	Quarters ended March 31	
	2014	2013
Other comprehensive income (loss):		
Pension Plans	**57.3**	133.3
Total	**57.3**	133.3

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, 2014	December 31, 2013
Balance, beginning of the period	**1,237.4**	1,229.0
Government funding for property, plant and equipment and intangible assets (including the cost of land)	**19.1**	90.8
Amortization of deferred capital funding	**(18.2)**	(82.4)
Balance, end of the period	**1,238.3**	1,237.4

14. DEFERRED REVENUE

Deferred revenue is comprised of the following:

(IN MILLIONS OF DOLLARS)	March 31, 2014	December 31, 2013
Advanced ticket sales	**20.5**	11.1
Gift cards	**2.7**	2.7
Non-monetary transactions	**2.5**	2.3
VIA Préférence	**14.2**	14.0
Other	**1.2**	0.7
Total deferred revenue	**41.1**	30.8

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, 2014, the Corporation has outstanding major contract commitments amounting to $34.6 million (December 31, 2013: $42.1 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 $28.9 million (December 31, 2013: $28.5 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, 2013.