

First Quarter Report 2019







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Message from the President

I am delighted to report that the first three months of 2019 marked the 20th straight quarter of revenue growth and 13th straight quarter of increased ridership for VIA Rail. Revenues have increased across all major services resulting in an 8.3% total increase compared to the same period last year. Overall, ridership has increased 5.1% compared to Q1 2018.

These sustained results are indicative of the increasing value Canadians are placing on travelling by train. VIA Rail remains the smart, sustainable, safe, accessible and enjoyable option for intercity travel in Canada.

As well, we are moving forward with our modernization plans. We are committed to ensuring that VIA Rail remains the best travel option for Canadians, and most importantly, that it becomes a unifying force for sustainable passenger mobility. As an example, we made impressive strides to improving accessibility in our stations and on our trains. In February, we inaugurated major renovations at Ottawa station, including elevators and an elevated platform. This \$15 million project is making Ottawa station fully accessible for people with limited mobility, placing it on par with international accessibility standards. Moreover, Ottawa station will serve as inspiration for future accessibility improvements in our other stations. In recognition of our commitment to being a leader in accessibility and for promoting a barrier-free Canada, we received the 2019 President's Award from the Canadian Council of the Blind in February.

Furthermore, two Canadian supplier days for the Québec City – Windsor corridor Fleet Replacement Program were held alongside Siemens Canada in Montréal. We initiated work on interior design elements of passenger cars while testing the new locomotives. These activities were conducted by teams consisting of sponsoring executives, operations management and front-line workers. With the delivery of the first car scheduled for 2022, the coming months will see this project continue to progress rapidly.

As for the non-Corridor fleet renovation, a first newly renovated HEP II car was unveiled to employees in February and officially commissioned on the Corridor soon thereafter until the arrival of the new fleet. The refurbishment of four HEP II cars has been completed by VIA Rail's Montréal Maintenance Centre team. VIA Rail is continuing its collaboration with selected suppliers on the refurbishment of its HEP fleet.

In closing on a more personal note, this first quarter of 2019 marks my 20th and last quarterly report. On May 8, I will complete my 5-year term as CEO of VIA Rail. On May 9, my successor Ms. Cynthia Garneau will take over as President and Chief Executive Officer.

YVES DESJARDINS-SICILIANO

President and Chief Executive Officer,
VIA Rail



It has been an absolute privilege and honour to have spent the past five years working alongside such dedicated and talented colleagues. As a true testament to their abilities, it is no coincidence that we have once again begun the year in excellent fashion.

Since joining this great Canadian institution in 2010, I have tried to live our purpose every day: that of creating a smart, efficient, safe, accessible and sustainable way to move Canadians. As always, I thank the Corporation's dedicated employees for all their hard work in bringing us to the next level. I am extremely grateful for the trust and support they have shown me. I am extremely proud of what we've been able to accomplish together. I also wish to thank our shareholder the Government of Canada and our Board of Directors for the honour and the privilege they gave me to serve Canadians as CEO of this iconic brand. I believe more than ever that the future is bright for VIA Rail and the best is yet to come.

A handwritten signature in black ink, reading "Yves Desjardins-Siciliano". The signature is fluid and cursive, with the first name "Yves" being the most prominent.

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 2019	Q1 2018
Key Financial Indicators (in millions of dollars)		
Passenger revenues ⁽¹⁾	80.1	73.5
Revenues ⁽¹⁾	85.7	79.1
Operating expenses ⁽¹⁾	161.5	150.8
Contributions for employee benefits ⁽¹⁾	8.4	10.5
Operating Expenses ⁽¹⁾	169.9	161.3
Operating Loss	84.2	82.2
Capital investments	118.2	18.3
Funding Required	202.4	100.5
Government Operating Funding	84.2	82.2
Government Capital Funding	118.2	18.3
Government Funding	202.4	100.5
Asset Renewal Fund	0.0	0.0
Key Operating Statistics ⁽²⁾		
Passenger-miles (in millions)	224	211
Passengers (in thousands)	1,145	1,090
Seat-miles (in millions)	421	394
Operating deficit per passenger-mile (in cents)	37.6	39.0
Yield (cents per passenger-mile)	34.6	33.9
Train-miles operated (in thousands)	1,688	1,654
Car-miles operated (in thousands)	9,880	9,200
Average passenger load factor (%)	53	54
Average number of passenger-miles per train mile	126	128
On-time performance (%)	60	73
Number of full time equivalent employees during the period	3,091	2,920

(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 2019

Train Services	Passengers Revenues* (in thousands)	Passengers (in thousands)	Passengers Miles (in thousands)	Government Funding (per passenger mile)
Québec City – Windsor corridor	\$70,051	1,110.3	201,684	\$0.22
<i>Canadian</i>	\$5,354	10.4	13,037	\$1.29
<i>Ocean</i>	\$1,652	14.1	6,821	\$1.75
Regional services	\$550	10.3	2,448	\$4.71
Total	\$77,607	1,145.1	223,990	\$0.38

Key Operating Statistics by Service Group for the First Quarter of 2018

Train Services	Passengers Revenues* (in thousands)	Passengers (in thousands)	Passengers Miles (in thousands)	Government Funding (per passenger mile)
Québec City – Windsor corridor	\$65,011	1,057.3	191,005	\$0.23
<i>Canadian</i>	\$4,678	8.9	11,198	\$1.46
<i>Ocean</i>	\$1,540	14.3	6,965	\$1.63
Regional services	\$415	9.0	1,883	\$5.45
Total	\$71,644	1,089.5	211,051	\$0.39

* Excluding off-train and other passenger revenues.

Review of Operations



VIA Rail continues to lead the way by being the smart, sustainable and enjoyable option for intercity travel in Canada. Whether it's through increasing accessibility on our trains and in our stations, or through forming partnerships with organizations to bring travellers dynamic experiences and content, VIA Rail is committed to taking passengers where they want to go and making sure the journey is just as enjoyable as the destination. This quarter, while working hard to live up to this commitment, VIA Rail was rewarded with its 13th straight quarter of increased ridership and its 20th straight quarter of increased revenue.

Putting Passengers First

Ottawa Station Unveiling

On February 6, VIA Rail President and CEO Yves Desjardins-Siciliano hosted the ceremonial unveiling of our newly renovated Ottawa station, which is now on par with international accessibility standards for people with reduced mobility and their caregivers. During the event, attended by the Honourable Chantal Petitclerc, Senator, and Ms. Kate Young, Parliamentary Secretary to the Minister of Public Services and Procurement and Accessibility, Mr. Desjardins-Siciliano spoke about the Ottawa station being the gold standard of sustainable mobility hubs, upon which VIA Rail intends to base future designs.

The accessibility renovations, representing a \$15 million investment, include the installation of two elevators to provide universal access to all platforms, as well as the construction of a heated and tactile (for the visually impaired) boarding platform with an access ramp at level with the train door for ease of boarding and detraining of passengers. Regarding the improvements, Senator Petitclerc said: "This decision is part of the wave of change regarding accessibility sweeping the country in recent years, as we work to break down barriers faced by Canadians with disabilities."



↑ Ceremonial opening of Ottawa station. From left to right: Yves Desjardins-Siciliano, the Honourable Chantal Petitclerc, Senator, Jim Tokos of the Canadian Council of the Blind, and the Honourable Kate Young, MP.

Partnerships and Sponsorships

Carnaval de Québec

From February 8 to 17 in Québec City, VIA Rail continued its long-time partnership with the Carnaval de Québec, celebrating together the 65th edition of the largest winter carnival in the world. This year, VIA Rail's participation featured an ice sculpture created by the Carnaval's very own master sculptor, as well as a giant 13'x36' mural. Both works were inspired by the locomotive prototype of our upcoming new fleet. More than 1,250 Carnaval-goers visited our displays animated by VIA Rail ambassadors, where they had the opportunity to pose aboard the sculpture wearing giants VIA Rail mittens and hats. And just like last year, VIA Rail welcomed the winners of a Québec City getaway contest, which included Carnaval passes, a train trip, and two nights at the Fairmont Le Château Frontenac.



↑ VIA Rail's 2019 Carnaval ice sculpture at Place George-V in front of the Québec City Armoury.

JUNO Express

As part of our partnership with the Canadian Academy of Recording Arts and Sciences, VIA Rail hosted 250 Canadian music industry professionals and fans on the JUNO Express in March, a VIP train journeying from Toronto to London, Ontario where the event took place. The lucky guests experienced intimate performances by four JUNO nominees, immersive brand experiences by Stingray (a Canadian company), and many other musical surprises and delights.

The CBC, Sirius XM, Stingray and many others were there to report on the action, interviewing some of Canada's best homegrown talent on board the VIA Rail train and capturing the excitement via live-stream on social media platforms. The coverage reached an estimated 250,000 people. At VIA Rail's London station, crowds welcomed the eager passengers for a kick-off celebration marking the beginning of the festivities.



← JUNOS-nominated and Vancouver-based country music trio The Washboard Union performing on board the JUNO Express.

Performance

Festival Regard

The REGARD International Short Film Festival in Saguenay, Québec, is one of the major short film festivals in North America. Founded in 1995, the event presents nearly 200 short films from Québec and around the world each year. In March, a handful of lucky screenwriters, filmmakers and festival-goers were invited to take a VIA Rail train headed to the REGARD festival. Once on board, they took part in various workshops on the theme of cinema and filmmaking.

REGARD is a gateway to the Americas for short film and an international launching pad for Canadian cinema, giving access to the OSCARS® for the short film category (Academy Qualifying Festivals for the Short Film Awards).



↑ An episode recording of the *Ciné-Bulles* podcast taking place aboard the VIA Rail train headed to Festival REGARD in Saguenay.

Ridership and Revenues

The first quarter of 2019 got off to a great start as VIA Rail saw both ridership and revenues over all major services increase as Canadians continue to adopt VIA Rail as a preferred way to travel. Ridership increased for a remarkable 13th straight quarter, up 5.1% vs the same quarter last year, while total revenues saw an equally impressive increase of 8.3% compared to the same period. This revenue increase represents the 20th straight quarter of revenue growth, a notable achievement. Furthermore, passenger revenues increased by 8.4% vs Q1 2018, as did capacity (seat availability), up 6.8%.



Modernization Projects



A HEP II Economy service car for use in the Québec City – Windsor corridor refurbished for improved comfort and accessibility.



New Train Fleet

In December 2018, VIA Rail announced the awarding of a contract to Siemens Canada to build 32 new train sets for use in the Québec City – Windsor corridor. The first quarter of 2019 marked the kick-off of project activities with different internal VIA Rail teams, as well as the launch of the Siemens Canada procurement process to find suppliers for this important project. Shortlisted applicants were invited to the Siemens Canada Supplier Day event on March 27-28 in Montréal, during which they were briefed on the project and our needs and presented with the schedule and timeline. Selection of suppliers will be based on pricing, quality and ability to deliver on schedule.



© 2018, VIA Rail Canada. Preliminary drawing only

Heritage Fleet Refurbishment Program

In February, VIA Rail employees were invited to take a tour of the first, newly renovated HEP II Business car. It was then officially commissioned on the Québec City – Windsor corridor until the arrival of the new fleet. The refurbishment includes the overhaul of the cars' current system to ensure long-term fleet reliability and the improvement of the design of its interior. Upon completion in the winter of 2020, the Montréal Maintenance Centre will have delivered refurbished cars for both Economy and Business service.

In addition to the HEP II car renewal, 17 HEP I cars are being upgraded and rebuilt to full accessibility, while 25 HEP I cars and 4 HEP I Dining cars are being rebuilt for use on the *Canadian*. Upgrades will include a new interior design, more comfortable seating, Wi-Fi devices, mechanical upgrading, renewed heating systems and replacement of electronic/electrical components.

The Heritage Fleet Refurbishment Program, which is in keeping with VIA Rail's "reuse-recycle-repurpose" approach, is extending the useful life of these cars.

Innovation

VIA Rail-UIC Pilot Project

In the first quarter of 2019, the VIA Rail Innovation team provided all deliverables back to the International Union of Railways (UIC) headquarters after successfully completing a proof of concept initiative at the Ottawa station, where two technologies to help the blind and partially sighted were successfully demonstrated. Using beacon-based wayfinding (through a mobile app) and echolocation obstacle detection (using a wearable device, in this case a wristband), blind and partially sighted passengers would be able to navigate a station from entrance to platform and back autonomously. We are continuing to explore where this technology can best be deployed.



→ Participants in the VIA Rail-UIC proof of concept pilot project for which deliverables were shared with the UIC this past quarter.

Sustainable Mobility



Sustainable mobility is an integral part of who we are and how we conduct our business. Since we issued our first Sustainable Mobility Report for 2015, we have continued to innovate and transform our business for future growth. For us, sustainable mobility is about contributing to a greener transportation system for Canada in a way that promotes economic prosperity, improves quality of life and provides more environmentally responsible mobility options. The following section highlights VIA Rail’s ongoing efforts to nurture an in-depth dialogue with stakeholders and associations that represent the interests of Canadians, travellers and communities—those we are currently serving and those of the future.

Our Sustainability Pillars

Six pillars underline what sustainable mobility means at VIA Rail. These pillars guide our vision to be a smarter way to move people – ensuring we manage operations efficiently, effectively, and economically, while providing a safe, secure, reliable, and environmentally sustainable rail passenger service.

Providing the Best Customer Experience

by ensuring a reliable, affordable and accessible service for our customers that enables them to experience Canada in a unique way

Promote Socio-Economic Development

by using public funds efficiently and effectively while contributing to Canada’s economy by providing access and connectivity to a sustainable transportation system

Operate Safely and Securely

by embedding a culture where safety is everyone’s first and foremost concern

Reduce our Impact on the Environment

by being the preferred greener travel choice for Canadians while reducing our emissions per passenger-kilometer and increasing our resource efficiency

Be an Attractive Employer

by supporting a workplace where each employee feels recognized and rewarded for being of service to passengers, to each other, and to the communities VIA Rail serves

Managing our Business Responsibly

by ensuring transparency, accountability, and integrity in everything we do while engaging and consulting stakeholders on their viewpoints

Promote Socio-Economic Development

VIA Rail contributed to and participated in several events hosted by organizations with a mission to promote a sustainable economy and greener mobility, such as *Trajectoire Québec*, the Global Infrastructure Leadership Forum, the *Association québécoise des transports*, the *Regroupement des jeunes chambres de commerce du Québec*, the Railway Association of Canada, the Manning Institute, the Broadbent Institute, Equal Voice's "Daughters of the Vote" and the Femessor Institute.



↑
Yves Desjardins-Siciliano (right) with the Québec Minister of Transport François Bonnardel (centre) and the president of *Trajectoire Québec*, François Pépin at the *Trajectoire Québec* luncheon in Montréal.



↑
VIA Rail Director of Governmental and Community Relations Jacques Fauteux with the Honourable Maryam Monsef, MP, and delegates at the Equal Voice "Daughters of the Vote" event in Ottawa.

Continuing to Strengthen our Ties with Indigenous Communities

This has been a particularly pivotal period in terms of consolidating our ties to certain Indigenous representatives. As part of our renewed collaboration with the Canadian Council for Aboriginal Business (CCAB), we held meetings to discuss procurement and the certification program for corporate performance in Aboriginal relations, as the Corporation is on track to receive its level II PAR certification. Members of the VIA Rail Progressive Aboriginal Relations (PAR) Working Group and the Government and Community Relations team attended the CCAB's annual gala on January 29, 2019 and participated in the Public Policy Forum's reconciliation program. VIA Rail was also a proud partner of the 2019 Indspire gala, an annual event that supports educational programs for Indigenous youth and recognizes the achievements of Indigenous peoples.

Encouraging the Diversity and Development of Cultural Communities

Through the Institute for Canadian Citizenship's Canoo program, formerly called the Cultural Access Pass program, new Canadians can travel at a discounted rate during their first year of citizenship. Since the launch of this partnership in July 2012, nearly 31,000 trips have been made thanks to VIA Rail's offer, with 800 trips in the first quarter of 2019 alone. VIA Rail also relaunched its partnership with Immigrant Québec and will be involved in the next edition of the immigration fair in Montréal.



↑
Members of VIA Rail's PAR Working Group and the Governmental and Community Relations team at the CCAB Annual Gala. Left to right: Sarah Perron McLean, Melanie Book, Michael Woelcke, Tiffany-Ann Ouimet and Denis Lavoie.

Recognizing our Armed Forces

To highlight the contributions of the Canadian Armed Forces during the Second World War, VIA Rail partnered with Veterans Affairs Canada to mark the 75th anniversary of the Battle of Normandy, launching the commemoration on March 29 at the Pacific Central Station in Vancouver, the point of departure for thousands of soldiers setting off to join the Allied forces. A pair of combat boots were placed on a train to make the long journey from Vancouver to Halifax, stopping in different communities along the way for ceremonies with veterans and their families in VIA Rail stations.

VIA Rail also contributed during this quarter to the Women in Defence and Security scholarship event.



Canadian Armed Forces veterans at an event at Vancouver's Pacific Station commemorating the 75th anniversary of D-Day and the Battle of Normandy.



VIA Rail participating in a Canadian Forces Liaison Council event at the Naval Reserve Headquarters in Québec City.



Members of the Canadian Armed Forces in the process of placing ceremonial combat boots aboard a VIA Rail train at Vancouver's Pacific Station for a commemorative cross-country journey.



Managing our Business Responsibly

High Frequency Rail

Part of our modernization plan is our proposed High Frequency Rail (HFR). Through HFR, VIA Rail would acquire the rights to use or build tracks in the Québec City – Windsor corridor, where passenger trains will be the priority.

By way of nearly a hundred meetings with different representatives from civil society across the Québec-Ontario corridor, VIA Rail has been able to continue the dialogue and gather the perspectives of groups on this initiative. Among other outcomes, this community dialogue led Central Frontenac, the *Chambre de commerce et d'industries de Trois-Rivières* and the city of Trois-Rivières to confirm their support for High Frequency Rail (HFR). Discussions also took place with elected officials of Havelock-Belmont-Methuen, Ontario, and the Mayor of Tweed, Ontario.

In addition, VIA Rail met with the Peterborough Chamber of Commerce to learn more about opportunities in the area and to share information about how we're transforming to be the smarter way to travel in Ontario and in Canada, supporting mobility, local economic development and tourism.



↑

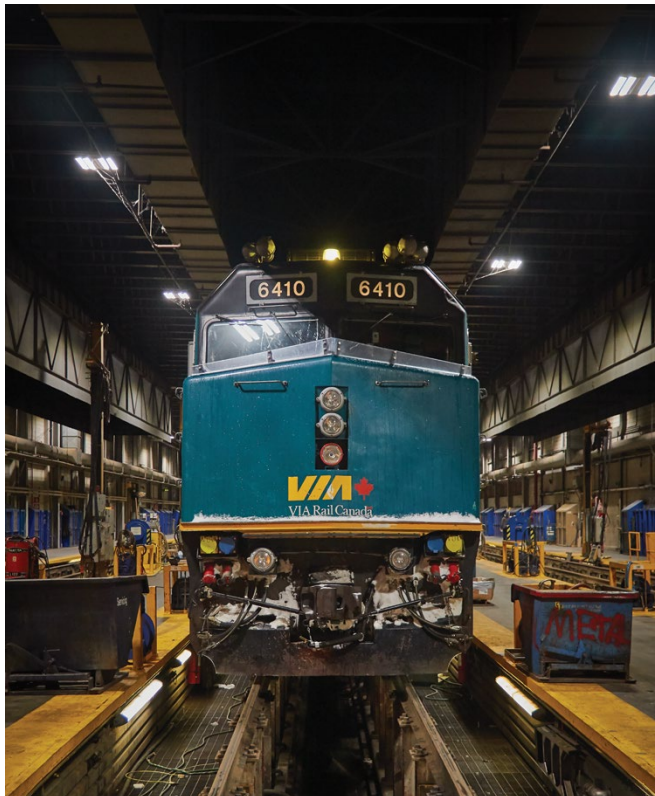
1. VIA Rail Director of Governmental and Community Relations Jacques Fauteux meeting with the Mayor of Tweed, ON, as well as a city councillor and other town staff as part of our HFR stakeholder engagement work.
2. Jacques Fauteux (left) meeting with Stuart Harrison of the Peterborough Chamber of Commerce to discuss how HFR can promote local community development.

Be an Attractive Employer

Diversity and Inclusion Recruitment Session

On February 16, VIA Rail police officers and our recruiters attended the first edition of the Diversité en uniforme (Diversity in Uniform) in Montréal. Our participation in such events helps us ensure that VIA Rail's work force reflects the diversity of the communities that we serve. During the event, VIA Rail spoke with over 300 visitors about the company and our team of police officers.

Operate Safely and Securely



↑
A VIA Rail locomotive being serviced
at the Montréal Maintenance Centre
this past winter.

VIA Rail Police

During the quarter, VIA Rail Police and Corporate Security continued to hire and deploy railway police constables within the Québec City – Windsor corridor, and expanded its second detachment in London, Ontario. Furthermore, VIA Rail Police and Corporate Security established its three-year objectives, which include supporting victims of crime and enhancing operational effectiveness. These measures will ensure the ongoing protection of VIA Rail passengers, employees, and property while supporting passenger train services.

→
VIA Rail Canada Police
Constables at the
Montréal Central Station.

Winter Readiness

Frustrated with higher-than-usual number of departure and arrival delays due to challenging weather during the 2017-2018 winter season, the Mechanical and Maintenance team launched the Winter Readiness Playbook project. The purpose is to mitigate the effects of severe winter conditions on our departure times and our fleet overall by better working with the winter elements. The Playbook, which is the result of extensive collaboration between several teams, clearly defines the required contributions and commitment of all implicated VIA Rail teams. Following a successful first activation in December 2018, the Playbook was implemented three more times in the first quarter of 2019, with further positive results. The following are just a few of the many initiatives documented in the Playbook: the setting up of an active weather monitoring system to receive advance detailed weather alerts allowing VIA Rail to prepare proactively, the implementation of a winter operation call contributing to improved communication and coordination between departments, and a snow removal process at stations and maintenance centres that has been extensively reviewed to ensure better passenger and employee safety. When comparing winter 2018-2019 to winter 2017-2018*, the Winter Readiness Playbook contributed to a 28% reduction in all mechanics and maintenance-related train delays per million miles and a 31% reduction in mechanics and maintenance-related departure delays. With the continued collaboration of employees, the Playbook will continuously be refined and improved.



* Winter season is from October 1 to March 31.

Strengthening our Assets

VIA Rail Tracks

The VIA Rail team responsible for the maintenance of our infrastructure completed planning for the 2019 track program, with implementation to commence as soon as weather permits. The maintenance program, to be completed this year, involves the rehabilitation of crossings, reinforcement of curves, and turnout replacements, all of which will improve ride quality.

Grade Crossing Regulation Implementation

As soon as the weather permits, the implementation of the modifications required to meet the new Transport Canada regulation concerning rail crossings will be continuing, with 293 crossings completed to date and 7 left to complete. The deadline for completion is November 2021.

Reducing Intrusions and Increasing Safety

The extensive fencing program in order to limit intrusions and trespassers in VIA Rail right-of-way in the Windsor region and in a few locations in the Smiths Falls subdivision was completed this past quarter.

→
VIA Rail employees with Luna Bengio, Principal Advisor to the Deputy Minister at the Office of Public Service Accessibility (second from right) at the CCB's 75th Anniversary Dinner on February 6 in Ottawa.

Awards and Recognition

Accessibility

President and CEO Yves Desjardins-Siciliano accepted, on behalf of VIA Rail, the Canadian Council of the Blind's (CCB) 2019 President's Award in Ottawa, on the same day as the unveiling of Ottawa station. The award recognizes our efforts to innovate and find new ways to break down barriers for those with limited mobility, a notable example being our Ottawa station pilot project (p. 11). VIA Rail's ultimate goal is to increase accessibility across all our assets, helping to create a barrier-free Canada.

International Brand Recognition

In March, the WARC Media 100, an independent annual ranking of the world's most awarded campaigns and companies for creativity and innovation in media, named VIA Rail fifth on its list of the world's top ten brands for media excellence. We also came in second in the category "World's top 10 campaigns for media excellence" for our Data vs Car media strategy. The WARC Media 100 is compiled by tracking the performance of campaigns, brands and agencies at the most important advertising media competitions around the world.



Key Performance Indicators



VIA Rail 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 section.

Key Performance Indicators		Quarters ended March 31		
Indicator	Unit	Q1 2019	Q1 2018	Vs 2018
Capacity Deployed (in millions) Number of available seat-miles (ASM) ⁽¹⁾	ASM	421	394	6.8%
Total Revenues / ASM (RASM) Total revenues divided by total ASM	cents	20.35	20.07	■
Total Costs ⁽²⁾ / ASM (CASM) Total operating expenses divided by total ASM	cents	39.73	39.73	■
RASM / CASM Revenues per available seat-mile divided by the costs per available seat-mile	%	51.2%	50.5%	■
On-Time Performance On-Time Performance of all VIA Rail trains	%	60%	73%	■
On-Time Performance – VIA Rail Infrastructure On-Time performance of all VIA Rail trains on VIA Rail owned infrastructure	%	90%	95%	■
Train Incidents Includes mainline derailments, cardinal rule violations, critical speed violations, or critical rule violations which result in injury to passengers and/or employees, or damage to the rolling stock or infrastructure for a value of \$25,000 or more	#	1	3	■
Employee Attendance (excluding long-term disability) Total hours worked per month divided by the total possible work hours per month	%	94%	94%	■

(1) Seat-miles are the number of seats available for sale, multiplied by the number of miles travelled.

(2) Total costs include pension costs for current services but exclude cost for past services.

■ Performance on or above previous year.

■ Performance slightly below last year (less than 10%).

■ Performance below last year (10% or more).

Governance and Accountability



Appointments to the President's Office and Board of Directors

On March 28, VIA Rail's new President and Chief Executive Officer, Ms. Cynthia Garneau, was announced. She began her five-year mandate on May 9, 2019.

Also on March 28, three (3) new members were appointed to the VIA Rail Board of Directors. The new members are: Mr. Grant Christoff (Vancouver, BC), Ms. Miranda Keating Erickson (Calgary, AB), and Ms. Viola Ann Timmons (Regina, SK). They have backgrounds in aboriginal rights law, the public energy sector and academic governance respectively. Ramona Materi's mandate as a Board Member has been completed as of March 28, 2019. More information on VIA Rail's new President and Board Members can be found on the **About VIA Rail** page of our corporate website.

The Board of Directors

As of March 31, 2019, the Board of Directors consists of the Chairperson of the Board of Directors, the President and Chief Executive Officer and 11 directors appointed by the Government of Canada. Of the 12 directors (not including the CEO of VIA Rail), seven (7) are women and five (5) are men. 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 Marc Garneau, Minister of Transport. During the first Board of Directors meeting held in March 2019, a new Committee was created, the High Frequency Rail Committee, and two (2) Committees adopted new names, to accurately reflect their respective roles. The Communication & Stakeholders' Relations Committee will hereinafter be referred to as the Commercial & Stakeholders' Relations Committee. Similarly, the Fleet Procurement Committee is now the Fleet Modernization Committee, following the completion of the procurement process in December 2018. The revised Committees' mandates will be available under the "Governance and Reports" section of VIA Rail's website, once finalized.

The Chairperson of the Board of Directors is an ex officio member of all Committees. The President and Chief Executive Officer is also an ex officio member of all Committees, except the Audit & Pension Investment Committee. Throughout the first quarter of 2019, three (3) Board meetings were held. As well, the four (4) regular Board committees, (before the implemented changes mentioned hereinabove) met once, in March 2019, with the exception of the Human Resources and Audit & Pension Investment Committees, which met twice so far in 2019, in February and March. The attendance rate at the meetings held during the first quarter was 97.5 per cent. Cumulative fees paid to Board members during this period totaled \$78,282.

Promoting our Official Languages

VIA Rail complies with the Official Languages Act and is proud to offer services in both English and French. While close to 1.2 million passengers travelled on our trains over the past quarter, no complaints were made in regard to serving Canadians in the official language of their choice. This reflects VIA Rail's commitment to providing a bilingual service across the country, in our stations, on board our trains, and in our call centres. Over the past quarter, VIA Rail contributed in promoting the French language by partnering with the *Fondation canadienne pour le dialogue des cultures* within the framework of the *Rendez-vous de la Francophonie 2019*.

This partnership also coincided with the *Journée Internationale de la Francophonie*. These festivities represent can't-miss cultural gatherings, while programming contributes to the growth of this minority language community.

Access to Information and Privacy

VIA Rail believes that openness and transparency are essential to 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 in 2007. Since then, we have been committed to fulfilling our obligations and responding to information requests from the public, the media and all those interested in VIA Rail's operations. During the first quarter of 2019, VIA Rail received 13 new requests.

Travel, Hospitality and Conference Expenses

The following travel, hospitality and conference expenses were submitted during the first quarter of 2019

Cumulative Fees for Board members	\$78,282
Travel & Hospitality	
Françoise Bertrand Chairperson of the Board of Directors	\$3,793
Yves Desjardins-Siciliano President and CEO	\$39,536
Executive management committee members (9)	\$84,088
Board of Directors (11)	\$8,928
	\$136,345
Total VIA Rail (including above expenses)	\$393,962

Management Discussion and Analysis

A female worker with blonde hair, wearing a black long-sleeved shirt, black pants, a black cap, and safety glasses, is smiling and looking upwards while working on a large industrial machine. Her hands are on a vertical metal component. The background is a blurred industrial setting with warm lighting.

1. Introduction

The management discussion and analysis report outlines the financial results of VIA Rail for the quarter ended March 31, 2019 compared with the quarter ended March 31, 2018. This document should be read in conjunction with the interim condensed financial statements and notes.

Materiality

In assessing what information is to be provided in this report, management applies the materiality principle as guidance for disclosure. Management considers information material if it is probable that its omission or misstatement, judged in the surrounding circumstances, would influence decisions that VIA Rail's stakeholders make on the basis of the financial information.

2. Corporate Overview

VIA Rail is a non-agent Crown corporation which operates Canada's national passenger rail service on behalf of the Government of Canada. The Corporation's objectives are to manage and provide a safe, efficient, reliable, and environmentally sustainable rail passenger service that meets the needs of Canadian travellers in Canada.

The Government of Canada determines VIA Rail's role within the overall structure and services provided by the Federal government and provides appropriations to subsidize passenger rail services.

3. Highlights of Financial Results and Major Key Operating Statistics

(in millions of Canadian dollars)	Quarters ended March 31			
	2019	2018	Var \$	Var %
Financial Performance				
Passenger revenues <i>(section 4.2)</i>	79.7	73.5	6.2	8.4%
Other revenues	5.6	5.6	-	0.0%
Total revenues	85.3	79.1	6.2	7.8%
Operating expenses <i>(section 4.3)</i>	194.8	187.7	7.1	3.8%
Operating loss before funding from the Government of Canada and income taxes <i>(section 4.1)</i>	(109.5)	(108.6)	(0.9)	(0.8%)
Operating funding from the Government of Canada <i>(section 4.1)</i>	84.2	82.2	2.0	2.4%
Amortization of deferred capital funding	25.9	24.9	1.0	4.0%
Income tax expense	0.1	-	0.1	n/a
Net income (loss) for the period	0.5	(1.5)	2.0	133.3%
Remeasurements of defined benefit components of the pension plans	(38.3)	26.8	(65.1)	(242.9%)
Comprehensive income (loss) for the period	(37.8)	25.3	(63.1)	(249.4%)
Financial Position and Cash Flows				
Total assets <i>(section 4.4)</i>	1,518.5	1,348.5	170.0	12.6%
Total liabilities and deferred capital funding <i>(section 4.4)</i>	1,641.9	1,436.7	205.2	14.3%
Cash <i>(section 4.5)</i>	25.8	10.0	15.8	158.0%
Net cash (used in) provided by operating activities <i>(section 4.5)</i>	(16.1)	4.0	(20.1)	(502.5%)
Net cash provided by investing activities <i>(section 4.5)</i>	27.8	2.8	25.0	892.9%
Net cash (used in) financing activities <i>(section 4.5)</i>	(0.7)	-	(0.7)	n/a
Capital funding <i>(section 4.5)</i>	118.2	18.3	99.9	545.9%
Key Operating Statistics				
Train-miles operated <i>(in thousands)</i>	1,688	1,654	34	2.1%
Seat-miles <i>(in millions)</i>	421	394	27	6.9%
Passenger-miles <i>(in millions)</i>	224	211	13	6.2%
Average passenger load factor (%)	53	54	(1)	(1.9%)
Operating deficit per passenger-mile <i>(in cents)</i>	37.6	39.0	(1.4)	(3.6%)

(amounts in bracket represent decreases)

Financial highlights

First quarter

- VIA Rail total revenues increased by 7.8 per cent due to higher passenger revenues in all major train services.
- Operating expenses increased by 3.8 per cent as a result of annual cost increases in most expense categories, as well as higher depreciation and amortization.
- The operating loss increased by 0.8 per cent due to the fact that the increase in operating expenses exceeded the increase in revenues.
- Operating funding increased by 2.4 per cent, reflecting the higher amounts required for funded activities.
- VIA Rail generated a comprehensive loss of \$37.8 million compared to an income of \$25.3 million in 2018. The variation is due to the remeasurements of defined benefit components of the pension plans.

Operating statistics highlights

First quarter

- Capacity increased compared to previous year (2.1 per cent train-miles and 6.9 per cent seat-miles).
- Passenger-miles increased by 6.2 per cent.
- Operating deficit per passenger-mile decreased by 3.6 per cent.

4. Analysis of Financial Results

4.1 Comparison of IFRS and Funded Operating Results

	Quarters ended March 31			
(in millions of Canadian dollars)	2019	2018	Var \$	Var %
Operating loss on a funded basis	(84.2)	(82.2)	(2.0)	(2.4%)
NON-FUNDED ADJUSTMENT TO REVENUES				
Adjustment for VIA Préférence points and other	(0.4)	-	(0.4)	n/a
NON-FUNDED ADJUSTMENTS TO EXPENSES				
Pension and other employee future benefits	(1.4)	0.4	(1.8)	(450.0%)
Depreciation of property, plant and equipment, amortization of intangible assets, depreciation of right-of-use assets and loss on disposal	(26.4)	(25.2)	(1.2)	(4.8%)
Other provisions for non-cash items	2.9	(1.6)	4.5	(281.3%)
Total non-funded adjustments to expenses	(24.9)	(26.4)	1.5	5.7%
Total items not requiring funds from operations	(25.3)	(26.4)	1.1	4.2%
Operating loss under IFRS	(109.5)	(108.6)	(0.9)	(0.8%)
Operating funding from the Government of Canada	84.2	82.2	2.0	2.4%
Amortization of deferred capital funding	25.9	24.9	1.0	4.0%
Net income (loss) before income taxes	0.6	(1.5)	2.1	140.0%
Income tax expense	0.1	-	0.1	n/a
Net income (loss) under IFRS for the period	0.5	(1.5)	2.0	133.3%
Remeasurements of defined benefit component of the pension plans	(38.3)	26.8	(65.1)	(242.9%)
Comprehensive income (loss) for the period	(37.8)	25.3	(63.1)	(249.4%)

(amounts in bracket represent decreases)

Net income (loss) under IFRS for the quarter:

Net income of \$0.5 million this quarter, compared to a net loss of \$1.5 million last year, representing an improvement of \$2.0 million mainly due to:

- Higher government funding received during the quarter (\$2.0 million).
- Higher operating loss (\$0.9 million), attributable to higher expenses of \$7.1 million partly offset by higher revenues of \$6.2 million.
- Higher amortization of deferred capital funding (\$1.0 million).

Remeasurements of defined benefit component of the pension plans

Comprehensive loss of \$38.3 million in the first quarter of 2019:

The comprehensive loss is explained by the decrease in the discount rate (3.30 per cent as at March 31, 2019 compared to 3.90 per cent as at December 31, 2018) which resulted in a \$174.9 million comprehensive loss partly offset by a return on plan assets of \$136.6 million during the quarter.

Comprehensive income of \$26.8 million in the first quarter of 2018:

The comprehensive income is explained by the increase in the discount rate (3.50 per cent as at March 31, 2018 compared to 3.40 per cent as at December 31, 2017) which resulted in a \$27.3 million comprehensive income partly offset by a negative return on plan assets of (\$0.5) million during the quarter (return on plan assets lower than expectations).

4.2 Revenues

(in millions of Canadian dollars)	Quarters ended March 31			
	2019	2018	Var \$	Var %
Passenger revenues				
Corridor East	57.5	52.8	4.7	8.9%
Southwestern Ontario (SWO)	12.6	12.2	0.4	3.3%
Québec City – Windsor corridor	70.1	65.0	5.1	7.8%
<i>Ocean</i>	1.6	1.5	0.1	6.7%
<i>Canadian</i>	5.4	4.8	0.6	12.5%
Regional services	0.5	0.3	0.2	66.7%
Non corridor	7.5	6.6	0.9	13.6%
Other	2.1	1.9	0.2	10.5%
Total passenger revenues under IFRS	79.7	73.5	6.2	8.4%
Other revenues	5.6	5.6	-	0.0%
Total revenues under IFRS	85.3	79.1	6.2	7.8%
Adjustment for VIA Préférence points (non-funded) and other	0.4	-	0.4	n/a
TOTAL FUNDED REVENUES	85.7	79.1	6.6	8.3%

Passengers	Quarters ended March 31			
	2019	2018	Var #	Var %
(in thousands)				
Passengers				
Corridor East	827.9	787.9	40.0	5.1%
Southwestern Ontario (SWO)	282.4	269.4	13.0	4.8%
Québec City – Windsor corridor	1,110.3	1,057.3	53.0	5.0%
<i>Ocean</i>	14.1	14.3	(0.2)	(1.4%)
<i>Canadian</i>	10.4	8.9	1.5	16.9%
Regional services	10.3	9.0	1.3	14.4%
Non corridor	34.8	32.2	2.6	8.1%
TOTAL PASSENGERS	1,145.1	1,089.5	55.6	5.1%

(amounts in bracket represent decreases)

Passenger revenues

Passenger revenues have increased by \$6.2 million (8.4 per cent) during the quarter, the increase is attributable to higher revenues generated in all major train services, resulting, in most services, from a combination of higher ridership and improved average revenues.

Corridor East

Revenues for the quarter are \$4.7 million (8.9 per cent) higher than last year. The increase stems from higher ridership (5.1 per cent), combined with improved average revenues (3.6 per cent).

Southwestern Ontario

Revenues have grown by \$0.4 million (3.3 per cent) during the quarter, due in most part to higher passenger levels (4.8 per cent), partly offset by slightly lower average revenues (1.4 per cent).

Ocean

Revenues for the quarter have increased by \$0.1 million (6.7 per cent). The increase is attributable to improved average revenues (8.2 per cent), partly offset by lower ridership (1.4 per cent).

Canadian

Revenues on the *Canadian* have increased by \$0.6 million (12.5 per cent), due to the increase in ridership (16.9 per cent), partly offset by lower average revenues (3.7 per cent).

Regional services

Revenues on Regional services have increased by \$0.2 million for the quarter.

This increase is due to the return of service on the Gillam-Churchill segment of the Winnipeg-Churchill train. The service was interrupted in May 2017 following severe flooding which damaged the infrastructure, and only resumed in December 2018.

Adjustment for VIA Préférence points and other non-funded element

VIA Rail has recorded an adjustment of \$0.4 million for the quarter, this is \$0.4 million higher than last year.

Other revenues

Other revenues have remained stable for the quarter.

4.3 Operating Expenses

	Quarters ended March 31			
(in millions of Canadian dollars)	2019	2018	Var \$	Var %
Compensation and employee benefits	81.8	78.0	3.8	4.9%
Train operations and fuel	38.0	36.8	1.2	3.3%
Stations and property	11.9	12.0	(0.1)	(0.8%)
Marketing and sales	9.0	7.4	1.6	21.6%
Maintenance material	9.4	9.9	(0.5)	(5.1%)
Professional services	5.2	5.1	0.1	2.0%
Telecommunications	5.3	4.6	0.7	15.2%
Depreciation and amortization	26.1	23.8	2.3	9.7%
Loss on disposal of property, plant and equipment	0.3	1.4	(1.1)	(78.6%)
Unrealized (net gain) on derivative financial instruments	(5.7)	(2.0)	(3.7)	(185.0%)
Other	13.5	10.7	2.8	26.2%
Total operating expenses under IFRS	194.8	187.7	7.1	3.8%
Non-funded adjustments <i>(section 4.1)</i>	(24.9)	(26.4)	1.5	5.7%
Total funded expenses	169.9	161.3	8.6	5.3%

(amounts in bracket represent decreases)

(Explanations are provided for expenses for which quarterly variances are of \$3 million or more, or 10 per cent or more)

Total operating expenses increased by \$7.1 million (3.8 per cent) for the quarter. The primary variances are:

Compensation and employee benefits

The expense increased by \$3.8 million (4.9 per cent) during the quarter. The increase is due in most part to higher compensation costs associated with annual salary increases (\$1.5 million), increased capacity on the Corridor and for the Winnipeg-Churchill service (\$0.6 million), higher costs for overtime (\$0.5 million), and vacant/new positions filled (\$0.5 million).

Marketing and sales

The expenses increased by \$1.6 million (21.6 per cent) during the quarter, and results from timing in advertising campaigns.

Telecommunications

The expenses increased by \$0.7 million (15.2 per cent) during the quarter. The increase is attributable to additional maintenance costs associated with new systems implemented during 2018.

Loss on disposal of property, plant and equipment

The expense decreased by \$1.1 million (78.6 per cent) and the decrease is explained by the fact that in 2018, some components of GPA30 were retired as part of the GPA30 overhaul program. In 2019 no project resulted in such retirement of components.

Unrealized (net gain) on derivative financial instruments

Net gain of \$5.7 million for the quarter compared to net gain of \$2.0 million for the quarter ended March 31, 2018.

Other

The expenses increased by \$2.8 million (26.2 per cent), and the increase stems mainly from higher costs for equipment repairs associated with train incidents.

4.4 Financial Position

(in millions of Canadian dollars)	March 31, 2019	December 31, 2018	Var \$	Var %
ASSETS				
Current assets	114.3	102.4	11.9	11.6%
Property, plant and equipment	914.3	911.4	2.9	0.3%
Intangible assets	355.9	360.2	(4.3)	(1.2%)
Right-of-use assets	34.3	-	34.3	n/a
Advance on contract	94.0	74.4	19.6	26.3%
Employee benefit assets	4.8	17.6	(12.8)	(72.7%)
Other	0.9	0.9	-	0.0%
Total assets	1,518.5	1,466.9	51.6	3.5%
LIABILITIES				
Current liabilities	193.7	255.5	(61.8)	(24.2%)
Employee benefit liabilities	66.9	40.0	26.9	67.3%
Lease liabilities	32.0	-	32.0	n/a
Total liabilities	292.6	295.5	(2.9)	(1.0%)
Deferred capital funding	1,349.3	1,257.0	92.3	7.3%
Share capital	9.3	9.3	-	0.0%
Accumulated deficit, beginning of period	(94.9)	(122.8)	27.9	22.7%
Net income (loss)	0.5	(19.0)	19.5	(102.6%)
Other comprehensive income (loss)	(38.3)	46.9	(85.2)	(181.7%)
Accumulated deficit, end of period	(132.7)	(94.9)	(37.8)	(39.8%)
Total liabilities and shareholder's deficit	1,518.5	1,466.9	51.6	3.5%

(amounts in bracket represent decreases)

The main changes in the financial position result from the following major elements:

Assets

Total assets increased by \$51.6 million due mainly to an advance on a contract as well as the increase in the right-of-use assets due to the application of IFRS 16 as at January 1, 2019.

the application of IFRS 16. Employee benefit liabilities have also increased by \$26.9 million because of the decrease in discount rates. Deferred capital funding increased by \$92.3 million mainly due to an advance on contract for the fleet replacement.

Liabilities and deferred capital funding

The current liabilities have decreased by \$61.8 million as a result of the payment of an advance on contract, while the lease liabilities have increased by \$32.0 million due to

Other comprehensive income (loss)

Other comprehensive income decreased due to the decrease in discount rates affecting employee benefit assets and liabilities, as explained in section 4.1 of this document.

4.5 Liquidity, Cash Flows and Capital Investments

Liquidity and cash flows

(in millions of Canadian dollars)	Quarters ended March 31			
	2019	2018	Var \$	Var %
Balance, beginning of period	14.8	3.2	11.6	362.5%
Net cash (used in) provided by operating activities	(16.1)	4.0	(20.1)	(502.5%)
Net cash provided by investing activities	27.8	2.8	25.0	892.9%
Net cash (used in) financing activities	(0.7)	-	(0.7)	n/a
Balance, end of period	25.8	10.0	15.8	158.0%

(amounts in bracket represent decreases)

Operating activities

Net cash decreased by \$20.1 million (502.5 per cent) for the quarter. The decrease is mainly due to the variance in non-cash working capital items, as shown in Note 21 of the interim condensed financial statements.

Investing activities

Net cash increased by \$25.0 million for the quarter. The increase during the quarter results mainly from the government funding received for an advance on contract which was higher than the amount of advance paid. This advance on contract relates to the fleet replacement program for which the Corporation received \$94.0 million from the Government and of which \$74.4 million was paid to the supplier.

Financing activities

Net cash decreased by \$0.7 million for the quarter due to the application of IFRS 16. This decrease is offset by an increase in cash provided by operating activities, resulting from a lower lease expense. Globally, IFRS 16 had no impact on the Corporation's cash flows.

4.5 Liquidity, Cash Flows and Capital Investments (cont'd)

Capital investments

Property, plant and equipment and intangible assets amounted to \$1,270.2 million as at March 31, 2019, which is a decrease of \$1.4 million compared to the balance as at December 31, 2018.

Total investments of \$118.2 million were made during the quarter. The amount is composed of \$24.2 million for property, plant and equipment and intangible assets and \$94.0 million for an advance on contract related to the fleet replacement program.

(in millions of Canadian dollars)	Quarters ended March 31			
	2019	2018	Var \$	Var %
Equipment	12.3	5.7	6.6	115.8%
Infrastructure	2.2	3.2	(1.0)	(31.3%)
Information technology	4.1	4.5	(0.4)	(8.9%)
Stations	2.1	3.3	(1.2)	(36.4%)
Other	3.5	1.6	1.9	118.8%
Capital investments	24.2	18.3	5.9	32.2%
Advance on contract – Corridor fleet replacement	94.0	-	94.0	n/a
Total	118.2	18.3	99.9	545.9%

(amounts in bracket represent decreases)

The most significant capital investments made during the quarter were in equipment projects for the HEPI and HEPII Corridor and long haul rebuild projects, as well as in information technology projects such as the on-board Wi-Fi optimization and new reservation system projects.

5. Risk Analysis

This section highlights VIA Rail's key risks which may have potential impact on the Corporation's financial results and provides information on risks for which the trend or status has changed compared to the status as at December 31, 2018.

This section must be read in conjunction with the risk section of the Management Discussion and Analysis as at December 31, 2018, included in the 2018 annual report.

The only risk which changed since December 2018 is the following:

Nature of Risk	Trend	Current Situation
Infrastructure availability, reliability and quality		
The services provided by host railways have been deteriorating, resulting in declining on-time performance, which resulted in increased operating costs and which could lead to lower customer satisfaction and revenue generation.	↑	<p>On-time performance has deteriorated on all major train services including on the <i>Canadian</i>, even with the new schedule introduced in summer 2018 where an additional 12 hours was added to trip times. Poor on-time performance can negatively impact customer satisfaction as well as generate lost revenues and additional operating costs.</p> <p>VIA Rail continues to work with host railways to minimize delays and their impact on customers.</p>



Increasing



Stable



Decreasing

6. Outlook

VIA Rail's performance during the quarter continued to be very positive in terms of revenues and ridership, with a twentieth consecutive quarter in revenue growth and a thirteenth consecutive quarter in ridership growth. VIA Rail was able to increase capacity as a result of the optimized cycling initiatives implemented last year, however additional future optimization opportunities are minimal.

Management is focusing on pursuing its transformation to deploy its Destination 2025, and the completion of its capital investment projects including the Heritage program and fleet replacement project, while controlling its costs to ensure authorized funding levels are respected. Cost control is essential given the limited potential to increase revenues and the declining on-time performance which could result in additional unforeseen expenses.

Interim Condensed Financial Statements



Management's Responsibility Statement

Quarter ended March 31, 2019

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 are necessary to enable the presentation 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.



Patricia Jasmin, CPA, CA
Chief Financial Officer



Danielle Boisvert, CPA, CA
Corporate Comptroller

Interim Condensed Financial Statements

Statement of Financial Position

(in thousands of Canadian dollars)	March 31, 2019	December 31, 2018
	(unaudited)	(audited)
CURRENT ASSETS		
Cash	\$ 25,882	\$ 14,823
Trade and other receivables (Note 8)	48,212	49,051
Other current assets	6,943	6,107
Derivative financial instruments (Note 9)	2,607	620
Materials	29,532	28,751
Asset Renewal Fund (Note 10)	1,096	3,096
	114,272	102,448
NON-CURRENT ASSETS		
Property, plant and equipment (Note 11)	914,297	911,374
Intangible assets (Note 12)	355,909	360,190
Right-of-use assets (Note 13)	34,317	-
Advance on contract (Note 14)	93,999	74,399
Asset Renewal Fund (Note 10)	873	873
Employee benefits assets (Note 19)	4,821	17,634
	1,404,216	1,364,470
Total Assets	\$ 1,518,488	\$ 1,466,918
CURRENT LIABILITIES		
Trade and other payables (Note 15)	\$ 132,785	\$ 203,852
Lease liabilities (Note 16)	2,468	-
Provisions (Note 17)	10,133	9,423
Derivative financial instruments (Note 9)	1,527	5,287
Deferred revenues (Note 18)	46,797	36,961
	193,710	255,523
NON-CURRENT LIABILITIES		
Lease liabilities (Note 16)	31,979	-
Employee benefits liabilities (Note 19)	66,911	40,020
	98,890	40,020
Deferred capital funding (Note 20)	1,349,314	1,256,975
SHAREHOLDER'S DEFICIENCY		
Share capital	9,300	9,300
Accumulated deficit	(132,726)	(94,900)
	(123,426)	(85,600)
Total Liabilities and Shareholder's deficiency	\$ 1,518,488	\$ 1,466,918

Commitments (Note 23)

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

Interim Condensed Financial Statements

Statement of Comprehensive Income

Quarters ended March 31 (in thousands of Canadian dollars) (unaudited)	2019	2018
REVENUES (Note 6)		
Passenger	\$ 79,681	\$ 73,503
Other	5,608	5,582
	85,289	79,085
EXPENSES		
Compensation and employee benefits	81,819	77,974
Train operations and fuel	37,969	36,772
Stations and property	11,893	11,971
Marketing and sales	8,996	7,444
Maintenance material	9,433	9,882
On-train product costs	5,592	4,722
Operating taxes	3,150	2,987
Professional services	5,180	5,055
Telecommunications	5,264	4,647
Depreciation of property, plant and equipment (Notes 11 and 24)	18,868	17,029
Amortization of intangible assets (Notes 12 and 24)	6,432	6,793
Depreciation of right-of-use assets (Note 13)	817	-
Loss on disposal of property, plant and equipment (Notes 11 and 24)	279	1,384
Unrealized (net gain) on derivative financial instruments	(5,747)	(2,022)
Realized (net gain) on derivative financial instruments	(173)	(153)
Interest expenses on lease liabilities	186	-
Other	4,821	3,206
	194,779	187,691
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES	(109,490)	(108,606)
Operating funding from the Government of Canada (Note 7)	84,173	82,235
Amortization of deferred capital funding (Note 20)	25,882	24,913
Net income (loss) before income taxes	565	(1,458)
Income tax expense	67	77
NET INCOME (LOSS) FOR THE PERIOD	498	(1,535)
Other comprehensive income (loss)		
Amounts not to be reclassified subsequently to net income (net of tax):		
Remeasurements of defined benefit component of the pension plans (Note 19)	(38,324)	26,812
	(38,324)	26,812
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ (37,826)	\$ 25,277

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

Interim Condensed Financial Statements

Statement of Changes in Shareholder's Deficiency

Quarters ended March 31 (in thousands of Canadian dollars) (unaudited)	2019	2018
SHARE CAPITAL	\$ 9,300	\$ 9,300
Accumulated deficit		
Balance, beginning of period	(94,900)	(122,815)
Net income (loss) for the period	498	(1,535)
Other comprehensive income (loss) for the period	(38,324)	26,812
Balance, end of period	(132,726)	(97,538)
Total Shareholder's deficiency	\$ (123,426)	\$ (88,238)

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

Interim Condensed Financial Statements

Statement of Cash Flows

Quarters ended March 31 (in thousands of Canadian dollars) (unaudited)	2019	2018
OPERATING ACTIVITIES		
Net income (loss) for the period	\$ 498	\$ (1,535)
Adjustments to determine net cash (used in) provided by operating activities:		
Depreciation of property, plant and equipment (Notes 11 and 24)	18,868	17,029
Amortization of intangible assets (Notes 12 and 24)	6,432	6,793
Depreciation of right-of-use assets (Note 13)	817	-
Loss on disposal of property, plant and equipment (Notes 11 and 24)	279	1,384
Amortization of deferred capital funding (Note 20)	(25,882)	(24,913)
Interest income	(302)	(102)
Interest paid	(186)	-
Unrealized (net gain) on derivative financial instruments	(5,747)	(2,022)
Post-employment and other employee benefit expenses (Note 19)	9,569	10,043
Employer post-employment and other employee benefit contributions (Note 19)	(8,189)	(10,460)
Interest expenses on lease liabilities	186	-
Net change in non-cash working capital items (Note 21)	(12,428)	7,727
Net cash (used in) provided by operating activities	(16,085)	3,944
INVESTING ACTIVITIES		
Government funding related to acquisition of property, plant and equipment and intangible assets received (Notes 20 and 24)	45,301	27,000
Government funding related to an advance on contract received	93,999	-
Cash drawdown from the Asset Renewal Fund (Note 10)	2,000	4,684
Acquisition of property, plant and equipment and intangible assets (Notes 11, 12, 15 and 24)	(39,373)	(28,957)
Payment of an advance on contract	(74,399)	-
Interest received	302	102
Proceeds from disposal of property, plant and equipment	1	-
Net cash provided by investing activities	27,831	2,829
FINANCING ACTIVITIES		
Payment of the lease liabilities	(687)	-
Net cash (used in) financing activities	(687)	-
CASH		
Increase during the period	11,059	6,773
Balance, beginning of period	14,823	3,195
Balance, end of period	\$ 25,882	\$ 9,968
REPRESENTED BY:		
Cash	\$ 25,882	\$ 9,968
	\$ 25,882	\$ 9,968

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

Notes to the Interim Condensed Financial Statements

For the period ended March 31, 2019 (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, Montréal (Québec). The Corporation's vision is to be a smarter way to move people with a mission to place passengers at the core of everything we do and strives to offer a safe, smart and valued travel experience across Canada. The Corporation uses the roadway infrastructure of other railway companies and relies on them to control train operations.

The Corporation is subject to a directive (P.C. 2013-1354) that was issued on December 9, 2013, and a related subsequent directive (P.C. 2016-443) that was issued on June 3, 2016, pursuant to sections 89.8 and 89.9 of the *Financial Administration Act*. As per these directives, the Corporation must obtain Treasury Board approval on the terms and conditions of employment of its non-unionized employees who are not appointed by Governor in Council. The Corporation confirms that the requirements of these directives have been met.

In July 2015, the Corporation was issued a directive (P.C. 2015-1114) pursuant to section 89(1) of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. The Corporation confirms that the requirements of the directive have been met.

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, 2019.

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, 2018, 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. Changes in Accounting Policies Adopted in the Period

IFRS 16 – Leases – The Corporation has applied IFRS 16 – *Leases* with a date of initial application of January 1, 2019. IFRS 16 replaces existing guidance under IAS 17 – *Leases*, IFRIC 4 – *Determining whether an Arrangement contains a lease*, SIC-15 – *Operating Leases incentives*, and SIC-27 – *Evaluating the substance of Transactions in the Legal Form of a Lease*. IFRS 16 objective is to provide more transparency and improve comparability between corporations.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requires and requiring the recognition of a right-of-use asset and a liability at commencement for all leases, except for short-term leases and leases of low value assets.

Lessor accounting remains largely unchanged from current practice – i.e. lessors continue to classify leases as finance and operating leases.

The Corporation has elected to use the modified retrospective approach, under which the cumulative effect of initial application is recognized in accumulated deficit at January 1, 2019. The comparative financial information for the period ended March 31, 2018 was not adjusted in the period ended March 31, 2019. IFRS 16 did not have any impact on the opening balance of accumulated deficit. As part of the initial application of IFRS 16, the Corporation chose to apply the practical expedient which allows to adjust right-of-use assets by the amount of any provision for onerous leases recognized in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review. The Corporation recorded no amount for onerous leases at the initial application.

The Corporation has chosen to apply the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months of the date of initial application, and lease contracts for which the underlying asset is of low value. For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease in the statement of comprehensive income.

As a lessee, the Corporation previously classified leases solely as operating leases. Under IFRS 16, 17 leases for a total value of \$35.0 million were recognized as right-of-use assets and lease liabilities, – i.e. these leases were reclassified from the statement of comprehensive income to the statement of financial position at the date of initial application. At the date of initial application, the incremental borrowing rates applied to lease liabilities vary from 2.30% to 3.27% depending on the duration of the lease and the weighted average incremental borrowing rate is 3.00%.

3. Changes in Accounting Policies Adopted in the Period (cont'd)

Due to the application of IFRS 16, the Corporation's interest, depreciation and amortization have increased while the stations and property expenses have decreased.

The amount of commitments relating to operation leases is reduced significantly because the non-cancellable operating leases are considered as leases under IFRS 16 and are presented in the statement of financial position.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

(in millions of Canadian dollars)	
Non-cancellable operating lease commitments as at December 31, 2018	20.4
Effect of discounting non-cancellable operating lease commitments as at January 1, 2019	(0.9)
Impact of operational expenses not included in lease liabilities according to IFRS 16	(9.9)
Contracts considered under IFRS 16 as leases	25.4
Lease liabilities as at January 1, 2019	35.0

4. Summary of Significant Accounting Policies

The significant accounting policies applied for these condensed interim financial statements are presented in Note 5 of the Corporation's annual financial statements for the year ended December 31, 2018.

Only the following significant accounting policy has changed since December 31, 2018:

Leases

The Corporation leases several assets including lands, stations, facilities, office spaces and information technology equipment in the normal course of its business.

The Corporation assesses whether a contract is or contains a lease, at inception of a contract. The Corporation recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Corporation uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Corporation has not used this practical expedient.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Corporation remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Corporation expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Corporation applies IAS 36 – *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the notes.

5. Key Sources of Estimation Uncertainty and Critical Judgments

In the application of the Corporation's accounting policies, management is required to make certain judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities, at the reporting date.

Estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. They are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected. However, uncertainties relating to judgments, assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in future years. Key sources of estimation uncertainty and assumptions are disclosed in Note 6 of the Corporation's annual financial statements for the year ended December 31, 2018 and are unchanged, except for the following.

The application of IFRS 16 requires significant judgements and certain key estimations that have an impact on the amounts presented in the statement of financial position.

Key sources of estimation uncertainty in the application of IFRS 16 may include, among others, the following: estimation of a lease term, determination of the appropriate rate to discount the lease payments or the assessment of whether a right-of-use asset is impaired.

Critical judgements required in the application of IFRS 16 may include, among others, the following: identifying whether a contract (or a part of a contract) is a lease, determining whether it is reasonably certain that an extension or termination option will be exercised or determining of whether variable payments are in-substance fixed.

6. Revenues

The following table disaggregates the revenue by major sources:

Quarters ended March 31 (in millions of Canadian dollars)	2019	2018
REVENUES		
Transportation and accommodation	77.2	71.2
On-train food and beverages and other	2.5	2.3
Revenue from passengers	79.7	73.5
Investment income	0.3	0.1
Third-party servicing	2.1	2.1
Rental and sub-lease rental income	3.2	3.4
Revenue from other sources	5.6	5.6
Total	85.3	79.1

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 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 an IFRS basis. These differences are outlined below:

Quarters ended March 31 (in millions of Canadian dollars)	2019	2018
Operating loss before funding from the Government of Canada and income taxes	109.5	108.6
Items requiring operating funds:		
Income tax expense	0.1	0.1
Items (not requiring) not providing operating funds:		
Depreciation of property, plant and equipment	(18.9)	(17.0)
Amortization of intangible assets	(6.4)	(6.8)
Depreciation of right-of-use assets	(0.8)	-
Loss on disposal of property, plant and equipment	(0.3)	(1.4)
Post-employment and other employee benefits contributions in excess of expenses	(1.4)	0.4
Unrealized net gain on derivative financial instruments	5.7	2.0
Leases expenses under IFRS 16	0.9	-
Interest expenses on lease liabilities	(0.2)	-
Adjustment for accrued compensation	(3.6)	(3.7)
Adjustment for VIA Préférence	(0.1)	-
Other	(0.3)	-
Operating funding from the Government of Canada	84.2	82.2

8. Trade and Other Receivables

The trade and other receivables balance includes the following:

(in millions of Canadian dollars)	March 31, 2019	December 31, 2018
Trade	2.8	2.7
Other receivables	3.4	5.4
Loss allowance	(0.2)	(0.1)
Trade and other receivables classified at Amortized cost	6.0	8.0
Amount receivable from the Government of Canada – Operating funding <i>(Note 20)</i>	34.9	13.7
Amount receivable from the Government of Canada – Capital funding <i>(Note 20)</i>	2.5	23.6
Sales taxes	4.8	3.7
Total trade and other receivables	48.2	49.0

All trade and other receivables amounts have short-term maturities. Their net book values correspond to a reasonable approximation of their fair value.

The net book value of the past due receivables of the Corporation is \$0.8 million (December 31, 2018: \$1.1 million) at the closing date. The maturity of these receivables is detailed in the following table:

(in millions of Canadian dollars)	March 31, 2019	December 31, 2018
Not impaired and past due by:		
0 to 30 days	0.5	0.4
31 to 60 days	0.1	0.7
61 to 90 days	0.2	-
Over 90 days	-	-
Total	0.8	1.1

The Corporation has recognized in the current period an amount of \$0.3 million of impairment losses arising from contracts with customers and other receivables, which is presented in the line "Other" in the statement on comprehensive income (March 31, 2018: \$0.4 million).

9. Derivative Financial Instruments

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

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

Commodity Swaps	March 31, 2019		December 31, 2018	
	Notional quantity (000's of U.S. gallons)	Fair value CAD (millions)	Notional quantity (000's of U.S. gallons)	Fair value CAD (millions)
Assets	8,064	2.6	3,528	0.6
Liabilities	7,602	1.5	14,616	5.3

As at March 31, 2019, the commodity swaps in USD have a fixed price per U.S. gallon of 1.950 USD and the commodity swaps in CAD have a fixed price per U.S. gallon between 2.030 and 3.100 CAD (December 31, 2018: 1.950 USD and between 2.030 and 3.100 CAD). The maturity dates for both currencies range between 2019 to 2020 (December 31, 2018: 2019 to 2020 for both currencies). These financial instruments have a monthly settlement schedule.

Forward foreign exchange contracts	March 31, 2019		December 31, 2018	
	Notional amount USD (millions)	Fair value CAD (millions)	Notional amount USD (millions)	Fair value CAD (millions)
Assets	-	-	-	-
Liabilities	1.5	-	2.0	-

As at March 31, 2019, the forward contracts rate is 1.366 in USD (December 31, 2018: 1.366 in USD) and the maturity date is 2019 (December 31, 2018: 2019). These financial instruments have a monthly settlement schedule.

Amounts recognized in the statement of financial position:

	March 31, 2019	December 31, 2018
	Fair value CAD (millions)	Fair value CAD (millions)
Total assets	2.6	0.6
Total liabilities	1.5	5.3

10. Asset Renewal Fund

The Corporation has been authorized by the Treasury Board of Canada Secretariat to set aside funds in a manner which ensures that these funds are retained for future capital projects. However, the Treasury Board of Canada Secretariat could approve the use of the Asset Renewal Fund to finance operating deficits.

The Treasury Board of Canada Secretariat has authorized the Corporation to use up to \$1.1 million (December 31, 2018: \$3.1 million) of the Asset Renewal Fund. This amount is presented in the current portion of the Asset Renewal Fund. The remaining balance of \$0.9 million (December 31, 2018: \$0.9 million) is presented in the non-current portion of the Asset Renewal Fund.

The Asset Renewal Fund (ARF) is invested in an interest bearing account.

Liquidities in the Asset Renewal Fund are not considered to be cash for the purpose of the statement of cash flows since they can only be used for specific purposes and cannot serve in meeting regular operating commitments.

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

(in millions of Canadian dollars)	March 31, 2019	December 31, 2018
Balance, beginning of period	4.0	8.7
Less: Cash drawdown during the period (<i>Note 1</i>)	(2.0)	(4.7)
Balance, end of period	2.0	4.0

Note 1: Authorized cash drawdowns were used to fund capital projects.

11. Property, Plant and Equipment

(in millions of Canadian dollars)	January 1, 2019	Additions	Disposals	Transfers	March 31, 2019
Cost:					
Land	17.0	-	-	-	17.0
Rolling stock	948.5	-	(2.0)	3.0	949.5
Maintenance buildings	170.9	-	-	(0.5)	170.4
Stations and facilities	154.9	-	(0.1)	1.0	155.8
Owned infrastructures	290.0	-	-	(0.1)	289.9
Leasehold improvements	94.9	-	-	-	94.9
Machinery and equipment	28.6	-	-	1.3	29.9
Computer hardware	43.5	-	-	0.5	44.0
Other property, plant and equipment	8.0	-	-	-	8.0
Projects in progress	47.4	22.1	-	(5.2)	64.3
Total cost	1,803.7	22.1	(2.1)	-	1,823.7
Accumulated depreciation and impairment:					
Rolling stock	536.2	11.8	(1.8)	-	546.2
Maintenance buildings	109.9	0.6	-	-	110.5
Stations and facilities	50.0	1.5	-	-	51.5
Owned infrastructures	96.5	2.3	-	-	98.8
Leasehold improvements	49.6	1.0	-	-	50.6
Machinery and equipment	19.1	0.4	-	-	19.5
Computer hardware	28.0	1.2	-	-	29.2
Other property, plant and equipment	3.0	0.1	-	-	3.1
Total accumulated depreciation and impairment	892.3	18.9	(1.8)	-	909.4
Total carrying amount	911.4	3.2	(0.3)	-	914.3

12. Intangible Assets

(in millions of Canadian dollars)	January 1, 2019	Additions	Disposals	Transfers	March 31, 2019
Cost:					
Software <i>(Note 1)</i>	117.3	-	-	0.3	117.6
Right of access to rail infrastructure	436.8	-	-	-	436.8
Other intangible assets	5.4	-	-	-	5.4
Projects in progress	4.1	2.1	-	(0.3)	5.9
Total cost	563.6	2.1	-	-	565.7
Accumulated amortization and impairment:					
Software	87.8	3.6	-	-	91.4
Right of access to rail infrastructure	113.2	2.7	-	-	115.9
Other intangible assets	2.4	0.1	-	-	2.5
Total accumulated amortization and impairment	203.4	6.4	-	-	209.8
Net carrying amount	360.2	(4.3)	-	-	355.9

Note 1: Includes mostly software developed in-house.

13. Right-of-Use Assets

The Corporation leases several assets including land, office spaces, stations and facilities and information technologies equipment.

(in millions of Canadian dollars)	January 1, 2019	Additions	March 31, 2019
Cost of right-of-use assets:			
Land	0.5	-	0.5
Office spaces	9.8	-	9.8
Stations and facilities	23.1	0.1	23.2
Information technology equipment	1.6	-	1.6
Total cost	35.0	0.1	35.1
Accumulated depreciation of right-of-use assets:			
Office spaces	-	0.4	0.4
Stations and facilities	-	0.3	0.3
Information technology equipment	-	0.1	0.1
Total accumulated depreciation	-	0.8	0.8
Net carrying amount	35.0	(0.7)	34.3

Amount recognized in the statement of comprehensive income:

(in millions of Canadian dollars)	March 31, 2019
Expense relating to short-term leases	0.4
Expense relating to low-value assets	-

Total cash outflow is \$1.1 million and the average lease term is 8.8 years.

14. Advance on Contract

As at March 31, 2019, there is a \$94.0 million (December 31, 2018: \$74.4 million) of advance on contract that will be transferred to property, plant and equipment in the future years according to the progress of work. Refer to Note 20.

15. Trade and Other Payables

The trade and other payables balance includes the following:

(in millions of Canadian dollars)	March 31, 2019	December 31, 2018
Wages payable and accrued	49.3	43.7
Accounts payable and accruals – Trade	55.3	115.1
Accounts payable and accruals – Capital assets	20.9	36.1
Trade and other payables classified at Amortized cost	125.5	194.9
Capital tax, income tax and other taxes payable	6.6	6.1
Deductions at sources	0.7	2.8
Total trade and other payables	132.8	203.8

16. Lease Liabilities

The Corporation has not entered into any sale and leaseback transactions in the current or prior period and has no income from subleasing right-of-use assets. The Corporation has not entered any variable leases that do not depend on an index or rate.

(in millions of Canadian dollars)	March 31, 2019	December 31, 2018
Current	2.5	-
Non-current	32.0	-
Total lease liabilities	34.5	-

(in millions of Canadian dollars)	March 31, 2019
Maturity:	
Up to 3 months	0.6
Between 3 and 12 months	1.9
Between 1 and 2 years	2.6
Between 2 and 5 years	6.6
Over 5 years	22.8
Total	34.5

March 31, 2019	Lease contracts number	Fixed payments (%)	Variable payments (%)
Land leases with payments linked to inflation	1	-	1.3
Land leases with fixed payments	1	0.6	-
Office spaces leases with fixed payments	2	27.3	-
Stations and facilities leases with payments linked to inflation	3	-	3.6
Stations and facilities leases with fixed payments	9	62.4	-
Information technology equipment leases with fixed payments	2	4.8	-
	18	95.1	4.9

17. Provisions

The provisions balance includes the following:

(in millions of Canadian dollars)	January 1, 2019	Charge (used)	Reversal (used)	Reversal (not used)	March 31, 2019
Environmental costs	1.1	0.2	-	-	1.3
Litigation and equipment repairs <i>(Note a)</i>	8.3	1.3	(0.5)	(0.3)	8.8
Total provisions	9.4	1.5	(0.5)	(0.3)	10.1

a) Litigation and equipment repairs

The Corporation is subject to claims and legal proceedings brought against it in the normal course of business. The timing of settlement of these claims is to a large extent dependent on the pace of negotiation with the various counterparties and legal authorities. The Corporation cannot reliably estimate the timing of settlement of these claims.

Also, the Corporation incurs equipment repair costs as a result of crossing accidents and other incidents causing damages to the rolling stock. These equipment repair claims are mostly settled between 3 and 18 months from the date of initiation, depending on the settlement procedures used.

Such matters are subject to many uncertainties. Management believes that adequate provisions for litigation and equipment repairs have been made where required. The ultimate resolution of those matters is not expected to have a significant adverse effect on the financial position of the Corporation.

18. Deferred Revenues

Deferred revenues are comprised of the following:

(in millions of Canadian dollars)	March 31, 2019	December 31, 2018
Advance ticket sales	30.2	20.3
VIA Préférence	11.3	11.1
Non-monetary transactions	1.5	1.7
Gift cards	1.5	1.7
Other	2.3	2.2
Total deferred revenues	46.8	37.0

Advance ticket sales, which represent contract liabilities, relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) the Corporation performs the contract.

In the current period, an amount of \$13.0 million of revenue was recognized relates to advance ticket sales (March 31, 2018: \$11.3 million). Management expects that 100% of the advance ticket sales will be recognized as revenue during the next reporting period.

In the current period, an amount of \$2.3 million of revenue was recognized relating to VIA Préférence performance obligations that were satisfied in the current period and which was included in the deferred revenues balance at the beginning of the period (March 31, 2018: \$2.1 million). Management expects that 70% of the VIA Préférence unsatisfied performance obligation will be recognized as revenue during the next reporting period.

In the current reporting period, an amount of \$0.2 million of revenue was recognized relating to gift cards obligations that were satisfied in the current period and which was included in the deferred revenues balance at the beginning of the period (March 31, 2018: \$0.1 million). Management expects that 37.0% of gift cards performance obligation will be recognized as revenue during the next period.

There were no significant changes in the contract liability balances during the reporting period.

19. Employee Benefits Assets and Liabilities

The Corporation provides a number of pension plans with defined benefit (funded) and defined contributions components. The Corporation also provides unfunded other post-employment benefits, including post-retirement medical and life insurance benefits, and long-term employee benefits such as unfunded self-insured workers' compensation benefits, long-term employee disability benefits and continuation of benefit coverage for employees on long-term disability.

Pension plans

The Corporation's pension plans are governed according to applicable federal legislation such as the *Pension Benefits Standards Act* and the *Income Tax Act*. The Pension Plans are under the jurisdiction of the Office of the Superintendent of Financial Institutions Canada.

Pension dispositions vary for a group of unionized employees hired on or after January 1, 2014, a group of unionized employees hired on or after January 1, 2015 and for non-unionized employees hired on or after January 1, 2018. A group of unionized employees hired on or after January 1, 2014 ceased accruing benefits under the current defined benefit plan as of June 18, 2015. Effective June 19, 2015, this group of unionized employees as well as the other group of unionized employees hired on or after January 1, 2015, were prospectively provided pension benefits from a hybrid pension plan. Non-unionized employees hired after January 1, 2018 are prospectively provided pension benefits from a defined contribution pension plan.

Employees entitled to defined benefits pension

Pension benefits are based on years of service and average salary of the employee's best five consecutive calendar years up to retirement.

Benefits increase annually by 50 per cent of the increase in the Consumer Price Index in the 12 months ending in December subject to a maximum increase of 3 per cent in any year.

Participants contribute a fixed percentage of their salary to the pension plan while the Corporation contributes the amount needed to maintain adequate funding as dictated by the prevailing regulation. The Pension Plans may be required to take measures to offset any funding and solvency deficit by changing the Corporation's and participants' contribution rate. Moreover, additional contributions by the Corporation may be required if these rules are not complied with. The Audit & Pension Investment Committee of the Board is responsible for the investment policy with regard to the assets of the fund.

Employees entitled to a hybrid pension plan

Employees are provided pension benefits in part from a reduced formula of the defined benefit component of the pension plan, and in part from a defined contribution component.

i) Defined benefit component

Pension benefits under the reduced formula are based on years of service and average salary of the employee's best five consecutive calendar years up to retirement. On each April 1, following the third anniversary of the retirement date, the participant's pension benefits will be indexed by 50 per cent of the increase in the Consumer Price Index subject to a maximum increase of 3 per cent, but only if the plan is in a surplus situation.

The contributions required to fund the defined benefit component of the plan are entirely paid for by the Corporation. The Corporation's contributions vary according to the financial situation of the plan, as determined by the plan's actuary and in accordance with regulatory requirements for pension plan funding.

The Audit & Pension Investment Committee of the Board is responsible for the investment policy with regard to the assets of the fund.

19. Employee Benefits Assets and Liabilities (cont'd)

ii) Defined contribution component

Participants' contributions to the defined contribution component are mandatory and represent 4 per cent of their salary. Optional contributions to the defined contribution component can be made by the participants to a maximum of 3 per cent of their salary. The Corporation's contribution is equal to 50 per cent of participant's optional contributions.

The retirement income is based on the accumulation of funds in the individual retirement savings account of the defined contribution component of the plan.

Participants have control over the investment decisions and bear the investment risk.

Employees entitled to defined contributions pension

Participants' contributions to the defined contributions plan are mandatory and represent 4 per cent of their salary. Optional contributions to the defined contribution component can be made by the participants to a maximum of 3 per cent of their salary. The Corporation's contribution is equal to 100 per cent of participant's contributions.

The retirement income is based on the accumulation of funds in the individual retirement savings account of the defined contribution component of the plan.

Participants have control over the investment decisions and bear the investment risk.

a) Defined benefit component of the 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, 2018, except for the discount rate used to determine the defined benefit obligation that was decreased to 3.30 per cent (December 31, 2018: 3.90 per cent) and the discount rate used to determine the defined benefit cost that was increased to 3.90 per cent (December 31, 2018: 3.40 per cent).

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, 2018, except for the discount rate used to determine the defined benefit cost that was increased to 3.90 per cent (December 31, 2018: 3.40 per cent). The discount rate used to determine the defined benefit obligation of the post-employment benefit plans remains unchanged.

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

	Defined benefit component of the pension plans		Post-employment benefit plans	
(in millions of Canadian dollars)	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
DEFINED BENEFIT OBLIGATION:				
Balance, beginning of period	2,284.0	2,409.0	22.1	23.8
Service cost	7.7	31.4	0.1	0.3
Interest expense	18.7	81.4	0.2	0.8
Employee contributions	3.5	14.3	-	-
Benefits paid	(31.7)	(135.1)	(0.2)	(0.8)
Effect of change in demographic assumptions	-	27.5	-	0.3
Effect of change in financial assumptions	174.9	(148.6)	-	(2.2)
Effect of employee transfers	-	2.8	-	-
Effect of experience adjustments	-	1.3	-	(0.1)
Balance, end of period	2,457.1	2,284.0	22.2	22.1
FAIR VALUE OF PLAN ASSETS:				
Balance, beginning of period	2,301.4	2,390.5	-	-
Interest income	18.9	79.7	-	-
Return on plan assets (excluding interest income)	136.6	(74.9)	-	-
Employer contributions	6.6	26.2	0.2	0.8
Employee contributions	3.5	14.3	-	-
Benefits paid	(31.7)	(135.1)	(0.2)	(0.8)
Effect of employee transfers	-	2.8	-	-
Administration expenses	(0.6)	(2.1)	-	-
Balance, end of period	2,434.7	2,301.4	-	-
Net defined benefit liability (asset)	22.4	(17.4)	22.2	22.1

19. Employee Benefits Assets and Liabilities (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, 2018 except for the discount rate used to determine the benefit cost that was increased to 3.60 per cent (December 31, 2018: 3.20 per cent). The discount rate used to determine the long-term employee benefit obligation remains unchanged.

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 Canadian dollars)	March 31, 2019	December 31, 2018
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance, beginning of period	17.3	18.2
Service cost	0.9	3.3
Interest expense	0.2	0.6
Benefits paid	(1.3)	(4.2)
Effect of change in demographic assumptions	-	(0.6)
Balance, end of period	17.1	17.3
FAIR VALUE OF PLAN ASSETS:		
Balance, beginning of period	-	-
Employer contributions	1.3	4.2
Benefits paid	(1.3)	(4.2)
Balance, end of period	-	-
Net long-term employee benefit liability	17.1	17.3

c) Other long-term employee benefits

Other long-term employee benefits include work security benefits administered by various union agreements. These benefits are recognized 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 Canadian dollars)	March 31, 2019	December 31, 2018
OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance, beginning of period	0.4	0.5
Service cost	0.1	0.3
Benefits paid	(0.1)	(0.4)
Balance, end of period	0.4	0.4
FAIR VALUE OF PLAN ASSETS:		
Balance, beginning of period	-	-
Employer contributions	0.1	0.4
Benefits paid	(0.1)	(0.4)
Balance, end of period	-	-
Net other long-term employee benefit liability	0.4	0.4

d) Summary of pension plans, post-employment benefit plans and long-term employee benefit plans recognized in the financial statements

Total amounts recognized in the statement of financial position:

(in millions of Canadian dollars)	March 31, 2019	December 31, 2018
Assets:		
Defined benefit component of the pension plans	4.8	17.6
Liabilities:		
Defined benefit component of the pension plans	27.2	0.2
Post-employment benefit plans	22.2	22.1
Long-term employee benefit plans	17.1	17.3
Other long-term employee benefits	0.4	0.4
Total liabilities	66.9	40.0

19. Employee Benefits Assets and Liabilities (cont'd)

Total amounts recognized in the statement of comprehensive income:

Quarters ended March 31 (in millions of Canadian dollars)	2019	2018
Operating expense:		
Defined benefit component of the pension plans	8.1	8.6
Post-employment benefit plans	0.3	0.3
Long-term employee benefit plans	1.1	1.0
Other long-term employee benefits	0.1	0.2
Total	9.6	10.1

These operating expenses are included in the "Compensation and employee benefits" line item of the statement of comprehensive income.

Quarters ended March 31 (in millions of Canadian dollars)	2019	2018
Other comprehensive income (loss):		
Defined benefit component of the pension plans	(38.3)	26.8

20. 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 Canadian dollars)	March 31, 2019	December 31, 2018
Balance, beginning of period	1,257.0	1,239.5
Government funding for property, plant and equipment and intangible assets (including the cost of land)	24.2	121.8
Government funding for advance on contract	94.0	-
Amortization of deferred capital funding	(25.9)	(104.3)
Balance, end of period	1,349.3	1,257.0

The amount of capital funding received during the period represents the amount of Government of Canada funding invoiced for the acquisition of property, plant and equipment and intangible assets for \$24.2 million (March 31, 2018: \$18.2 million) plus the variance of the amount of capital funding receivable from the Government of Canada of \$21.1 million (March 31, 2018: \$8.8 million) for a total amount of \$43.5 million (March 31, 2018: \$27.0 million). Refer to Note 8.

The Corporation also received during the period an amount of \$94.0 million for an advance on contract (March 31, 2018: no amount). Refer to Note 14.

21. Net Change in Non-Cash Working Capital Items

Quarters ended March 31 (in millions of Canadian dollars)	2019	2018
Trade and other receivables <i>(Note 24)</i>	(20.3)	(4.1)
Other current assets	(0.8)	(0.2)
Materials	(0.8)	(1.2)
Trade and other payables	(1.0)	1.3
Provisions	0.7	(0.3)
Deferred revenues	9.8	12.2
Total	(12.4)	7.7

The change in trade and other receivables excludes an amount of \$21.1 million (March 31, 2018: \$8.8 million) in relation to government funding for capital expenditures, as the amount relates to investing activities.

The change in trade and other payables excludes an amount of (\$15.2) million (March 31, 2018: (\$10.7) million) in relation to the acquisition of property, plant and equipment and intangible assets, as this amount relates to investing activities.

The change in trade and other payables also excludes an amount of \$19.6 million (March 31, 2018: no amount) and an amount of (\$74.4) million (March 31, 2018: no amount) in relation to an advance on contract, as these amounts relate to investing activities.

22. Financial Risks

The Corporation financial instruments are exposed to the same risk as disclosed in its annual financial statements for the year ended December 31, 2018.

23. Commitments

The following table presents the contractual commitments of the Corporation that are not included in the statement of financial position:

(in millions of Canadian dollars)	March 31, 2019				December 31, 2018
	Total commitments	Less than one year	From one to five years	More than five years	Total commitments
COMMITMENTS RELATING TO OPERATIONS:					
Non-cancellable operating leases: Lessee <i>(Note a)</i>	-	-	-	-	20.4
Technical services <i>(Note b)</i>	356.1	-	8.1	348.0	356.1
Total	356.1	-	8.1	348.0	376.5
COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS:					
Rolling stock <i>(Note b)</i>	995.7	88.6	832.6	74.5	1,019.3
Maintenance buildings	1.9	1.9	-	-	1.9
Stations and facilities	7.4	5.0	2.4	-	8.2
Owned infrastructures	11.1	10.9	0.2	-	11.1
Computer hardware	1.2	1.2	-	-	0.4
Total	1,017.3	107.6	835.2	74.5	1,040.9
Total commitments	1,373.4	107.6	843.3	422.5	1,417.4

a) In 2018, the Corporation had operating leases in place mainly for stations and facilities and office spaces. The most important lease is a non-cancellable lease for the corporate headquarters in Montréal with a term of 10 years with a renewal option. In March 2018, an amount of \$4.2 million was recognized as an expense related to operating leases. As a consequence of the application of IFRS 16 as at January 1, 2019, these operating leases are now presented as right-of-use asset and lease liabilities in the statement of financial position. Refer to Notes 13 and 16.

b) During the previous year, the Corporation signed an agreement to replace the current fleet in the Québec City – Windsor Corridor and the technical support on these cars.

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. No amounts are included in the table above regarding those contracts since the amount of the commitments is dependent on the annual usage of the tracks.

d) The Corporation has provided letters of credit from a banking institution totalling approximately \$22.1 million (December 31, 2018: \$22.2 million) to various provincial government workers' compensation boards as security for future payment streams.

24. Reclassification

To improve disclosure in the financial statements, the Corporation has changed the following comparative figures.

In the statement of cash flows, the Corporation has merged two different lines from the investing activities section into one line. The lines "Change in capital funding receivable from the Government of Canada" (March 31, 2018: \$8.8 million) and the line "Capital funding" (March 31, 2018: \$18.2 million) are now presented on one single line, "Government funding related to acquisition of property, plant and equipment and intangible assets received" for an amount of \$27.0 million for the period ended March 31, 2018 to reflect the funding received for the acquisition of property, plant and equipment and intangible assets.

In the statement of cash flows, the Corporation has also merged two different lines from the investing activities section into one line. The lines "Change in accounts payable and accrued liabilities" (March 31, 2018: (\$10.7) million) and the line "Acquisition of property, plant and equipment and intangible assets" (March 31, 2018: (\$18.2) million) are now presented on one single line, "Acquisition of property, plant and equipment and intangible assets" for an amount of (\$28.9) million for the period ended March 31, 2018 to reflect the net acquisition of property, plant and equipment and intangible assets.

The Corporation is now presenting the line "Depreciation and amortization" on two different lines: "Depreciation of property, plant and equipment" (March 31, 2018: \$17.0 million) and "Amortization of intangible assets" (March 31, 2018: \$6.8 million) in the statement of comprehensive income as well as in the statement of cash flows. The line "Loss on disposal of property, plant and equipment and intangible assets" is also presented in two separated lines: "Loss on disposal of property, plant and equipment" (March 31, 2018: \$1.4 million) and "Loss on disposal of intangible assets" (March 31, 2018: no amount) in the statement of comprehensive income as well as in the statement of cash flows.

The Corporation has merged the amount receivable from the Government of Canada with the trade and other receivables in the statement of financial position due to the nature of this amount.

The Corporation has modified the presentation of the operating loss before funding from the Government of Canada and income taxes in the statement of comprehensive income. An operating loss before funding from the Government of Canada and income taxes is now presented with parenthesis.

