

First Quarter Report 2021

Management Discussion and Analysis



1. Introduction

Management's discussion and analysis report outlines the financial results of VIA Rail for the quarter ended March 31, 2021, compared with the quarter ended March 31, 2020. 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.

Forward-Looking Statement Disclosure

This Management's discussion and analysis report contains forward-looking statements which may be identified with the words "may", "likely to", "could". These statements reflect our evaluation of the information currently available and are subject to a number of risks and uncertainties referred to in the risk section of this document.

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 passenger rail service that meets the needs of travelers 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. COVID-19 Pandemic

VIA Rail, as well as all other passenger transportation providers, remains significantly affected by the COVID-19 pandemic. The Corporation reduced its capacity by 71 per cent as demand for travel plummeted, resulting in a decrease of 75.5 per cent in revenues compared to the corresponding quarter last year which was less impacted by the pandemic.

Operating expenses for the quarter decreased in part due to the impact of the reduction in services but also as a result of the cost-cutting measures implemented in the second half of 2020 which have been maintained, including employee layoffs and reduced pay for some employees not at work, as well as the cancellation or delay of operating initiatives non-essential to current operations.

Safety of passengers and employees remains the Corporation's key priority and new health and safety measures were implemented to address health & safety requirements. These measures include physical distancing in stations, health screening procedures for passengers boarding trains and the requirement for passengers and staff who interact with customers to wear protective face covering. Sanitizing products are distributed to passengers in key contact points and additional cleaning protocols have also been put in place on board trains, in stations, maintenance centers and offices. The Corporation continues to monitor safety requirements in all provinces in which trains operate to ensure they are all respected.

4. Highlights of Financial Results and Major Key Operating Statistics of the Quarter

	Quarters ended March 31			
<i>(in millions of Canadian dollars)</i>	2021	2020	Var \$	Var %
Financial Performance				
Passenger revenues (section 5.2)	8.8	46.1	(37.3)	(80.9%)
Other revenues	3.7	4.9	(1.2)	(24.5%)
Total revenues	12.5	51.0	(38.5)	(75.5%)
Operating expenses (section 5.3)	133.6	202.7	(69.1)	(34.1%)
Operating loss before funding from the Government of Canada and income taxes (section 5.1)	(121.1)	(151.7)	(30.6)	(20.2%)
Net loss for the period	(2.2)	(23.6)	21.4	90.7%
Remeasurements of defined benefit components of the pension plans and post-employment benefit plans	210.8	77.1	133.7	173.4%
Comprehensive income for the period	208.6	53.5	155.1	289.9%
Financial Position and Cash Flows				
Total assets (section 5.4)	1,870.8	1,685.7	185.1	11.0%
Total liabilities and deferred capital funding (section 5.4)	1,821.1	1,844.6	(23.5)	(1.3%)
Cash (section 5.5)	8.7	9.2	(0.5)	(5.4%)
Net cash generated by operating activities (section 5.5)	23.8	-	23.8	n/a
Net cash (used in) provided by investing activities (section 5.5)	(26.6)	6.5	(33.1)	(509.2%)
Net cash (used in) financing activities (section 5.5)	(0.7)	(0.7)	-	0.0%
Government Funding				
Operating funding from the Government of Canada (section 5.1)	96.2	104.8	(8.6)	(8.2%)
Capital funding (section 5.5)	46.9	55.5	(8.6)	(15.5%)
Total Government funding	143.1	160.3	(17.2)	(10.7%)
Key Operating Statistics				
Train-miles operated (in thousands)	612	1,145	(533)	(46.6%)
Seat-miles (in millions)	77	267	(190)	(71.2%)
Passengers-miles (in millions)	27	125	(98)	(78.4%)
Passengers (in thousands)	127	643	(516)	(80.2%)
Average passenger load factor (%)	35	47	(12)	(25.5%)
RASM (revenue per available seat-mile) (in cents) - Note 1	15.97	19.11	(3.14)	(16.4%)
CASM (cost per available seat-mile) (in cents) - Note 1	140.91	58.20	82.71	142.1%
Cost recovery ratio (%) - Note 1	11.3	32.8	(21.5)	(65.5%)
Operating deficit per passenger-mile (in cents) - Note 1	356.3	83.8	272.5	325.2%
On-time Performance (%)	87	76	11	14.5%

(Amounts in bracket represent decreases)

Note 1: based on funded results

Financial Highlights – First Quarter

- VIA Rail total revenues decreased by 75.5 per cent mainly due to the decrease ridership and associated service adjustments caused by the impact of COVID-19.
- Operating expenses decreased by 34.1 per cent primarily due to the lower costs directly associated to the operations of trains, reflecting the service level adjustment as well as to employee layoffs made during the quarter.
- The operating loss decreased by 20.2 per cent due to the lower level of revenue partly offset by lower level of operating expenses.
- Operating funding decreased by 8.2 per cent, reflecting the lower amounts required for funded activities.
- VIA Rail generated a comprehensive income of \$208.6 million compared to an income of \$53.5 million in 2020. The variation is due to the remeasurements of defined benefit component of the pension plans and post-employment benefit plans.

All key operating statistics were negatively impacted during the quarter by the events described, except for the On-time Performance which improved as a result of reduced VIA Rail operating levels which generated less congestion on the host rail network.

5. Analysis of Financial Results

5.1 Comparison of IFRS and Funded Operating Results

	Quarters ended March 31			
<i>(in millions of Canadian dollars)</i>	2021	2020	Var \$	Var %
Operating loss on a funded basis	(96.2)	(104.8)	(8.6)	(8.2%)
NON-FUNDED ADJUSTMENT TO REVENUES				
Adjustment for VIA Préférence points and other	0.2	(0.1)	0.3	300.0%
NON-FUNDED ADJUSTMENTS TO EXPENSES				
Pension and other employee future benefits	(3.0)	(6.1)	3.1	50.8%
Depreciation of property, plant and equipment, amortization of intangible assets, depreciation of right-of-use assets and loss on disposal	(23.9)	(24.4)	0.5	2.0%
Other provisions for non-cash items	1.8	(16.3)	18.1	111.0%
Total non-funded adjustments to expenses	(25.1)	(46.8)	21.7	46.4%
Total items not requiring funds from operations	(24.9)	(46.9)	22.0	46.9%
Operating loss under IFRS	(121.1)	(151.7)	(30.6)	(20.2%)
Operating funding from the Government of Canada	96.2	104.8	(8.6)	(8.2%)
Amortization of deferred capital funding	22.8	23.4	(0.6)	(2.6%)
Net loss before income tax	(2.1)	(23.5)	21.4	91.1%
Income tax expense	0.1	0.1	-	0.0%
Net loss under IFRS for the period	(2.2)	(23.6)	21.4	90.7%
Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans	210.8	77.1	133.7	173.4%
Comprehensive income for the period	208.6	53.5	155.1	289.9%

(Amounts in bracket represent decreases)

Net loss under IFRS for the quarter:

Net loss of \$2.2 million this quarter, compared to a net loss of \$23.6 million last year, representing an improvement of \$21.4 million mainly due to:

- Lower operating loss (\$30.6 million), attributable to the combination of lower revenues of \$38.5 million and lower expenses of \$69.1 million;
- Lower government funding received during the quarter (decrease of \$8.6 million);
- Lower amortization of deferred capital funding (\$0.6 million).

Comprehensive income of \$208.6 million in the first quarter of 2021:

Remeasurement of defined benefit component of the pension plans and post-employment benefit plans is composed of quarterly non-cash remeasurements resulting from changes in actuarial assumptions and the return on pension plan assets.

The remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of \$210.8 million in the first quarter of 2021 is due to an actuarial gain of \$292.3 million on the defined benefit obligation arising from a 80 basis point increase in the discount rate since December 31, 2020, and to a remeasurement loss of \$84.6 million resulting from lower actual rate of return on plan assets. The remeasurement also includes an actuarial gain of \$3.1 million due to the increase in the discount rate used to determine the post-employment benefit obligation.

Comprehensive income of \$53.5 million in the first quarter of 2020:

Remeasurement of defined benefit component of the pension plans and post-employment benefit plans is composed of quarterly non-cash remeasurements resulting from changes in actuarial assumptions and the return on pension plan assets.

The remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of \$77.1 million in the first quarter of 2020 is due to an actuarial gain of \$223.2 million on the defined benefit obligation arising from a 70 basis point increase in the discount rate since December 31, 2019, and to a remeasurement loss of \$148.9 million resulting from lower actual rate of return on plan assets. The remeasurement also includes an actuarial gain of \$2.8 million due to the increase in the discount rate used to determine the post-employment benefit obligation.

5.2 Revenues

<i>(in millions of Canadian dollars)</i>	Quarters ended March 31			
	2021	2020	Var \$	Var %
Passenger revenues				
Corridor East	6.3	30.9	(24.6)	(79.6%)
Southwestern Ontario (SWO)	1.3	8.2	(6.9)	(84.1%)
Québec City – Windsor corridor	7.6	39.1	(31.5)	(80.6%)
Ocean	-	1.1	(1.1)	(100.0%)
Canadian	0.2	3.1	(2.9)	(93.5%)
Regional services	0.1	0.4	(0.3)	(75.0%)
Non corridor	0.3	4.6	(4.3)	(93.5%)
Other	0.9	2.4	(1.5)	(62.5%)
Total passenger revenues under IFRS	8.8	46.1	(37.3)	(80.9%)
Other revenues	3.7	4.9	(1.2)	(24.5%)
Total revenues under IFRS	12.5	51.0	(38.5)	(75.5%)
Adjustment for VIA Préférence points (non-funded) and other	(0.2)	0.1	(0.3)	(300.0%)
TOTAL FUNDED REVENUES	12.3	51.1	(38.8)	(75.9%)

(Amounts in bracket represent decreases)

<i>(in thousands)</i>	Quarters ended March 31			
	2021	2020	Var #	Var %
Passengers				
Corridor East	90.5	446.5	(356.0)	(79.7%)
Southwestern Ontario (SWO)	31.7	175.4	(143.7)	(81.9%)
Québec City – Windsor corridor	122.2	621.9	(499.7)	(80.4%)
Ocean	-	8.2	(8.2)	(100.0%)
Canadian	1.3	5.7	(4.4)	(77.2%)
Regional services	3.6	6.7	(3.1)	(46.3%)
Non corridor	4.9	20.6	(15.7)	(76.2%)
TOTAL PASSENGERS	127.1	642.5	(515.4)	(80.2%)

(Amounts in bracket represent decreases)

Passenger revenues

Passenger revenues have decreased by \$37.3 million (80.9 per cent) during the quarter. The decrease is mainly attributable to the adjustments made to service levels for most train services as a direct result of the pandemic and the associated travel restrictions which had a significant negative impact on passenger demand.

The COVID-19 outbreak was declared a pandemic on March 11, 2020 by the World Health Organization and has ever since significantly impacted VIA Rail's operations which have been reduced. Frequencies have been decreased in most major train services and fully interrupted on the *Ocean*.

Québec City – Windsor corridor

Revenues have decreased by \$31.5 million (80.6 per cent) during the quarter, due to lower passenger levels (80.4 per cent), partly offset by higher average revenues (0.6 per cent).

Capacity (in terms of seat-miles offered) was reduced by 71.7 per cent compared to the corresponding quarter last year.

Ocean

No revenues were generated on this service since it ceased in March 2020, and has not operated since then due to travel restrictions implemented by some Atlantic provinces.

Revenues for the quarter have therefore decreased by \$1.1 million (100.0 per cent).

Canadian

The service was initially shutdown on February 12, 2020 as a result of the blockades and resumed on March 4, 2020. It was shut down again on March 13, 2020, because of the COVID-19 pandemic. The Winnipeg–Vancouver portion of the service was reintroduced in December 2020 and has operated at one weekly round-trip during the quarter.

Capacity decreased by 66.6 per cent as compared to the first quarter of 2020.

Revenues have consequently decreased by \$2.9 million (93.5 per cent), with lower ridership (77.2 per cent) and lower average revenues (71.7 per cent).

Regional services

Capacity was reduced by 48.1 per cent compared to the first quarter of 2020, this reduction in capacity was made to adjust to the very low passenger volume.

Revenues have decreased by \$0.3 million (75.0 per cent) during the quarter.

Ridership decreased by 46.3 per cent, while average revenues have decreased by 54.7 per cent.

Other revenues

Other revenues for the quarter have decreased by \$1.2 million (24.5 per cent). This decrease is mainly attributable to lower station revenues due to lower ridership and to the loss of tenants in some stations and to rent relief provided to some tenants as part of the Canada Emergency Commercial Rent Assistance (CECRA) program.

5.3 Operating Expenses

<i>(in millions of Canadian dollars)</i>	Quarters ended March 31			
	2021	2020	Var \$	Var %
Compensation and employee benefits	63.7	84.2	(20.5)	(24.3%)
Train operations and fuel	16.6	27.7	(11.1)	(40.1%)
Stations and property	10.7	11.7	(1.0)	(8.5%)
Marketing and sales	1.7	7.9	(6.2)	(78.5%)
Maintenance material	5.8	10.2	(4.4)	(43.1%)
Professional services	1.6	2.9	(1.3)	(44.8%)
Telecommunications	5.5	5.9	(0.4)	(6.8%)
Depreciation and amortization	23.6	24.4	(0.8)	(3.3%)
Loss on disposal of property, plant and equipment and intangible assets	0.4	-	0.4	n/a
Unrealized (net gain) net loss on derivative financial instruments	(3.4)	13.6	(17.0)	125.0%
Other	7.4	14.2	(6.8)	(47.9%)
Total operating expenses under IFRS	133.6	202.7	(69.1)	(34.1%)
Non-funded adjustments <i>(section 5.1)</i>	(25.1)	(46.8)	21.7	46.4%
Total funded expenses	108.5	155.9	(47.4)	(30.4%)

(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)

The Corporation, in its objective to reduce costs and minimize the impact of the pandemic on its revenues and deficit, has implemented various cost-saving measures including:

- The reduction of some of its operating expenses in proportion to the level of operations,
- Employee layoffs and reduction of compensation for some employees not working,
- Reduction of publicity and advertising activities,
- Reduction of services in stations, as well as
- Reduction of administrative costs and the postponement of non-essential initiatives.

VIA Rail's cost structure includes a substantial portion of fixed costs which cannot easily be reduced on a short-term basis, the Corporation is therefore constantly searching for different ways to maintain fixed costs as the lowest level possible.

Total operating expenses decreased by \$69.1 million (34.1 per cent) for the quarter. The primary variances are:

Compensation and employee benefits

The expenses decreased by \$20.5 million (24.3 per cent) during the quarter as a result of the reduced level of operations due to the COVID-19 pandemic and, of employee layoffs and reduction of pay for some employees not at work.

In March, VIA Rail employees represented by Unifor ratified a two-year collective agreement. The union represents more than 1,600 VIA Rail employees working in train stations, on board trains, in customer call centers and in certain administrative positions. The financial terms of the agreement are in line with the assumptions used to record compensation expenses.

Train operations and fuel

The expenses decreased by \$11.1 million (40.1 per cent) during the quarter. The decrease results mainly from the reduced level of operations during the quarter of 2021 compared to last year due to the COVID-19 pandemic.

Marketing and sales

The expenses decreased by \$6.2 million (78.5 per cent) during the quarter as a result of the suspension of most advertising campaigns, as well as to lower credit card commissions reflecting the lower sales generated during the quarter.

Maintenance material

The expenses decreased by \$4.4 million (43.1 per cent) for the quarter reflecting the lower utilization of equipment with the reduced level of services.

Professional services

The expenses decreased by \$1.3 million (44.8 per cent) during the quarter. This decrease is attributable to the fact that because of the COVID-19 pandemic, various initiatives requiring consulting services non-essential for current operations have been postponed or cancelled.

Loss on disposal of property, plant and equipment and intangible assets

The expenses increased by \$0.4 million, as more assets were disposed of during the quarter.

Unrealized (net gain) net loss on derivative financial instruments

Net gain of \$3.4 million for the quarter compared to net loss of \$13.6 million. Net gain for the quarter 2021 reflects the fact that market fuel prices are higher than contract prices. Last year, losses were generated for the quarter, as the market fuel prices were lower than the contract prices.

5.4 Financial Position

<i>(in millions of Canadian dollars)</i>	March 31, 2021	December 31, 2020	Var \$	Var %
ASSETS				
Current assets	87.1	79.0	8.1	10.3%
Advance on contract	56.4	57.5	(1.1)	(1.9%)
Property, plant and equipment	1,201.3	1,176.9	24.4	2.1%
Right-of-use assets	32.6	33.4	(0.8)	(2.4%)
Intangible assets	337.5	336.0	1.5	0.4%
Other	0.9	0.9	-	0.0%
Employee benefit assets	155.0	2.0	153.0	7,650.0%
Total assets	1,870.8	1,685.7	185.1	11.0%
LIABILITIES				
Current liabilities	166.1	159.1	7.0	4.4%
Other payables	17.8	16.8	1.0	6.0%
Lease liabilities	31.4	32.1	(0.7)	(2.2%)
Employee benefit liabilities	43.0	97.8	(54.8)	(56.0%)
Total liabilities	258.3	305.8	(47.5)	(15.5%)
Deferred capital funding	1,562.8	1,538.8	24.0	1.6%
Share capital	9.3	9.3	-	0.0%
Accumulated deficit, beginning of period	(168.2)	(146.2)	(22.0)	(15.0%)
Net loss	(2.2)	(16.0)	13.8	86.3%
Other comprehensive income (loss)	210.8	(6.0)	216.8	3,613.3%
Accumulated surplus (deficit), end of period	40.4	(168.2)	208.6	124.0%
Total liabilities and shareholder's surplus (deficit)	1,870.8	1,685.7	185.1	11.0%

(Amounts in bracket represent decreases)

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

Assets

Total assets increased by \$185.1 million due mainly to the increase in employee benefit assets by \$153.0 million due to the increase in discount rates, as well as to the increase in property, plant and equipment by \$24.4 million.

Comprehensive income

Other comprehensive income increased due to the increase in discount rates affecting employee benefit assets and liabilities, as explained in section 5.1 of this document.

Liabilities and deferred capital funding

Total liabilities decreased by \$47.5 million mainly due to a decrease in employee benefit liabilities by \$54.8 million because of the increase in discount rates and deferred capital funding increased by \$24.0 million due to addition of property, plant and equipment.

5.5 Liquidity, Cash Flows and Capital Investments

Liquidity and cash flows

<i>(in millions of Canadian dollars)</i>	Quarters ended March 31			
	2021	2020	Var \$	Var %
Balance, beginning of period	12.2	3.4	8.8	258.8%
Net cash provided by operating activities	23.8	-	23.8	n/a
Net cash (used in) provided by investing activities	(26.6)	6.5	(33.1)	(509.2%)
Net cash (used in) financing activities	(0.7)	(0.7)	-	0.0%
Balance, end of period	8.7	9.2	(0.5)	(5.4%)

(Amounts in bracket represent decreases)

Operating activities

Net cash increased by \$23.8 million for the quarter. The increase is mainly due to the variance in working capital items of \$22.2 million, as shown in Note 18 of the interim condensed financial statements.

Investing activities

Net cash decreased by \$33.1 million for the quarter. The decrease during the quarter results from the lower amount of government funding received during the period compared to the same period last year partly offset by lower investments in property, plant and equipment.

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

Funded capital investments

Property, plant and equipment and intangible assets totaled \$1,538.8 million as at March 31, 2021, which is an increase of \$25.9 million compared to the balance as at December 31, 2020.

Funded capital investments of \$46.9 million were made during the quarter.

<i>(in millions of Canadian dollars)</i>	Quarters ended March 31			
	2021	2020	Var \$	Var %
Equipment	15.1	8.4	6.7	79.8%
Infrastructure	2.0	3.5	(1.5)	(42.9%)
Information technology	6.6	3.3	3.3	100.0%
Stations	2.7	4.3	(1.6)	(37.2%)
Fleet Replacement Program	18.4	31.5	(13.1)	(41.6%)
Other	2.1	2.0	0.1	5.0%
Capital investments	46.9	53.0	(6.1)	(11.5%)
Advance on contract – Fleet Replacement Program	-	2.5	(2.5)	(100.0%)
Total	46.9	55.5	(8.6)	(15.5%)

(Amounts in bracket represent decreases)

The most significant investments made during the quarter were in equipment projects such as the Fleet Replacement Program as well as the HEP (head-end power) long haul and Corridor equipment rebuild program.

6. Results compared to the 2020–2024 Corporate Plan ⁽¹⁾

(1): The Corporate plan provides information on funded activities, therefore comparison between actual and planned results are based on funded activities.

The Corporation continues to work towards achieving the goals and strategies identified in its corporate plan. However the financial results of the quarter differ from the plan as a result of the impact of the COVID-19 pandemic, mostly due to lower revenues reflecting the sharp decrease in travel and the associated reductions in capacity.


In terms of capital expenditures, work progresses on the major strategic projects identified in the plan such as the Fleet Replacement Program, rolling equipment modernization, station upgrades and new reservation system.

7. 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, 2020.

This section must be read in conjunction with the risk section of the Management Discussion and Analysis as at December 31, 2020, included in the 2020 annual report.

The COVID-19 pandemic has not only significantly affected VIA Rail’s operations during the first quarter, it also has an impact on several of the Corporation’s major risks.

Nature of Risk	Trend	Current Situation
Government and Strategy		
<p>VIA Rail has limited powers as a non-agent Crown Corporation and is dependent on annual government budgetary allocations to fund its operations, capital and pension obligations.</p> <p>Insufficient funding constitutes a risk in the efficient delivery of its services, as well as in the planning and execution of its medium to long-term strategies.</p>		<p>VIA Rail received, in July 2020, confirmation of funding envelopes for operations, capital and pension costs for the next five years.</p> <p>The COVID-19 pandemic has, however, significantly impacted VIA Rail’s financial results, and with the impact of the third wave of the coronavirus, current confirmed funding levels will not be sufficient to offset the potential operating deficits for 2021. VIA Rail is in discussion with Transport Canada representatives to address the additional funding required for the next government year (April 2021 to March 2022).</p>



Increasing



Stable



Decreasing

8. Outlook

The results of the first quarter have been greatly impacted by the COVID-19 pandemic and have significantly deteriorated compared to last year.

The reduction of service levels across all major train services and the cost reduction measures management has put in place have generated cost savings. However the revenue loss is so significant that it is not offset by the savings in expenses.

The situation with regards to the COVID-19 pandemic, the emergence of a third wave of the pandemic and new more contagious variants of the virus and the timeline for the vaccination of the population are such that it is still very difficult to assess when operations will return to more normal levels.

Future revenue potential remains unknown and will be based on the ability to have both essential and non-essential travel and the level of confidence travelers have regarding the safety of train travel. It is currently most probable that the 2021 financial results will be well below planned levels, resulting in additional funding requirements.

In the meantime, management continues to work on the implementation of initiatives to minimize operating costs with measures such as temporarily layoffs of a portion of its workforce and the cancelling/delay of non-essential operational initiatives. Major strategic projects such as the Fleet Replacement Program, Heritage Program, High Frequency Rail and the new reservation system are maintained as they are key to the Corporation's transformation. Management continues to be in close contact with the Government of Canada to assess the situation and identify additional funding options during this unprecedented and sustaining situation.

Interim Condensed Financial Statements



Management's Responsibility Statement

Montréal, Canada
May 28, 2021

Quarter ended March 31, 2021

Management of the Corporation is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with The Treasury Board of Canada's *Directive on Accounting Standards: GC 5200 Crown Corporation Quarterly Financial Reports*, and for such internal controls as management determines are necessary to enable the presentation of quarterly financial statements that are free from material misstatements.

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.



Cynthia Garneau
President and Chief Executive Officer



Marie-Claude Cardin, CPA, CA
Chief Financial Officer

Interim Condensed Financial Statements

Statement of Financial Position

<i>(in thousands of Canadian dollars)</i>	March 31, 2021 <i>(unaudited)</i>	December 31, 2020 <i>(audited)</i>
CURRENT ASSETS		
Cash	\$ 8,668	\$ 12,213
Trade and other receivables <i>(Notes 7 and 8)</i>	39,167	29,088
Other assets	7,053	6,696
Derivative financial instruments <i>(Note 9)</i>	1,327	230
Materials	29,883	29,703
Asset Renewal Fund	1,096	1,096
	87,194	79,026
NON-CURRENT ASSETS		
Advance on contract	56,377	57,538
Property, plant and equipment <i>(Note 10)</i>	1,201,278	1,176,894
Right-of-use assets <i>(Note 13)</i>	32,569	33,392
Intangible assets <i>(Note 11)</i>	337,475	335,952
Asset Renewal Fund	873	873
Employee benefit assets <i>(Note 16)</i>	154,999	2,024
	1,783,571	1,606,673
Total Assets	\$ 1,870,765	\$ 1,685,699
CURRENT LIABILITIES		
Trade and other payables <i>(Note 12)</i>	\$ 127,841	\$ 122,594
Lease liabilities <i>(Note 13)</i>	2,944	2,984
Provisions <i>(Note 14)</i>	13,651	10,437
Derivative financial instruments <i>(Note 9)</i>	1,192	3,489
Deferred revenues <i>(Note 15)</i>	20,351	19,634
	165,979	159,138
NON-CURRENT LIABILITIES		
Other payables	17,823	16,814
Lease liabilities <i>(Note 13)</i>	31,428	32,079
Employee benefit liabilities <i>(Note 16)</i>	43,020	97,804
	92,271	146,697
Deferred capital funding <i>(Note 17)</i>	1,562,786	1,538,752
SHAREHOLDER'S EQUITY (DEFICIENCY)		
Share capital	9,300	9,300
Accumulated surplus (deficit)	40,429	(168,188)
	49,729	(158,888)
Total Liabilities and Shareholder's equity (deficiency)	\$ 1,870,765	\$ 1,685,699

Commitments *(Note 20)*

The notes are an integral part of the financial statements.

Interim Condensed Financial Statements

Statement of Comprehensive Income

	Quarters ended March 31	
(in thousands of Canadian dollars) (unaudited)	2021	2020
REVENUES (Note 5)		
Passenger	\$ 8,801	\$ 46,100
Other	3,684	4,867
	12,485	50,967
EXPENSES		
Compensation and employee benefits	63,729	84,227
Train operations and fuel	16,564	27,660
Stations and property	10,683	11,732
Marketing and sales	1,657	7,925
Maintenance material	5,766	10,217
On-train product costs	2,250	5,482
Operating taxes	2,841	2,881
Professional services	1,562	2,904
Telecommunications	5,459	5,941
Depreciation of property, plant and equipment (Note 10)	17,584	17,767
Amortization of intangible assets (Note 11)	5,145	5,718
Depreciation of right-of-use assets (Note 13)	823	883
Loss (gain) on disposal of property, plant and equipment (Note 10)	383	(2)
Loss (gain) on disposal of intangible assets (Note 11)	6	(2)
Unrealized (net gain) net loss on derivative financial instruments	(3,394)	13,567
Realized net loss on derivative financial instruments	124	1,621
Interest expense on lease liabilities	224	244
Other	2,242	3,921
	133,648	202,686
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES	(121,163)	(151,719)
Operating funding from the Government of Canada (Note 6)	96,240	104,833
Amortization of deferred capital funding (Note 17)	22,819	23,355
Net loss before income taxes	(2,104)	(23,531)
Income tax expense	76	76
NET LOSS FOR THE PERIOD	(2,180)	(23,607)
Other comprehensive income		
Amounts not to be reclassified subsequently to net income (net of tax):		
Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans (Note 16)	210,797	77,065
COMPREHENSIVE INCOME FOR THE PERIOD	\$ 208,617	\$ 53,458

The notes are an integral part of the financial statements.

Interim Condensed Financial Statements

Statement of Changes in Shareholder's Equity (Deficiency)

<i>(in thousands of Canadian dollars) (unaudited)</i>	Quarters ended March 31	
	2021	2020
SHARE CAPITAL	\$ 9,300	\$ 9,300
Accumulated surplus (deficit)		
Balance, beginning of period	(168,188)	(146,247)
Net loss for the period	(2,180)	(23,607)
Other comprehensive income for the period	210,797	77,065
Balance, end of period	40,429	(92,789)
Total Shareholder's equity (deficiency)	\$ 49,729	\$ (83,489)

The notes are an integral part of the financial statements.

Interim Condensed Financial Statements

Statement of Cash Flows

	Quarters ended March 31	
<i>(in thousands of Canadian dollars) (unaudited)</i>	2021	2020
OPERATING ACTIVITIES		
Net loss for the period	\$ (2,180)	\$ (23,607)
Adjustments to determine net cash (used in) provided by operating activities:		
Depreciation of property, plant and equipment (Note 10)	17,584	17,767
Amortization of intangible assets (Note 11)	5,145	5,718
Depreciation of right-of-use assets (Note 13)	823	883
Loss (gain) on disposal of property, plant and equipment (Note 10)	383	(2)
Loss (gain) on disposal of intangible assets (Note 11)	6	(2)
Unpaid employee benefits liabilities	17	-
Amortization of deferred capital funding (Note 17)	(22,819)	(23,355)
Interest income	(62)	(172)
Interest paid	(224)	(244)
Unrealized (net gain) net loss on derivative financial instruments	(3,394)	13,567
Post-employment and other employee benefit expenses (Note 16)	8,488	11,912
Employer post-employment and other employee benefit contributions (Note 16)	(5,467)	(5,836)
Interest expense on lease liabilities	224	244
Net change in working capital items (Note 18)	25,284	3,141
Net cash provided by operating activities	23,808	14
INVESTING ACTIVITIES		
Government funding received related to acquisition of property, plant and equipment and intangible assets (Notes 7, 17 and 18)	13,000	58,518
Government funding received related to an advance on contract (Note 17)	-	2,482
Acquisition of property, plant and equipment and intangible assets (Notes 10, 11, 12 and 18)	(39,724)	(54,636)
Interest received	62	172
Net cash (used in) provided by investing activities	(26,662)	6,536
FINANCING ACTIVITIES		
Payment of the lease liabilities	(691)	(673)
Net cash (used in) financing activities	(691)	(673)
CASH		
(Decrease) increase during the period	(3,545)	5,877
Balance, beginning of period	12,213	3,355
Balance, end of period	\$ 8,668	\$ 9,232
REPRESENTED BY:		
Cash	8,668	9,232
	\$ 8,668	\$ 9,232

The notes are an integral part of the financial statements.

Notes to the Interim Condensed Financial Statements

Quarter ended March 31

1. Authority, Objectives and General Information

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 strive 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 financial statements were approved and authorized for issue by the Board of Directors on May 28, 2021.

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. On March 12, 2020, in response to the COVID-19 outbreak, the Corporation enforced special health and safety measures for its passengers and employees, and subsequently reduced service levels for most major train services. During the year, the Corporation faced a severe and abrupt drop in services and a corresponding decline in revenue as a result of the COVID-19 pandemic. The impact of the COVID-19 pandemic began to be felt at the end of the first quarter. These impacts include drastic increase in operating loss and substantial decline in cash from operations, increasing the necessity to obtain funding from the Government of Canada. With a limited visibility on travel demand, the Corporation cannot predict the full impact of the pandemic and is actively monitoring the situation.

The Corporation, in its objective to reduce costs and minimize the impact of the pandemic on its deficit, has implemented various cost saving measures including:

- The reduction of a portion of its operating expenses in proportion to the level of operations,
- Employee layoffs and reduction of compensation for some employees not working,
- Reduction of publicity and advertising activities,
- Reduction of services in stations, as well as
- Reduction of administrative costs and the postponement of non-essential initiatives.

The Corporation will receive the additional funding from the Government of Canada and has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

2. Basis of Preparation

a) Statement of compliance

These interim condensed financial statements have been prepared in accordance with Section 131.1 of the *Financial Administration Act* and International Accounting Standards IAS 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and approved by the Accounting Standards Board of Canada.

Section 131.1 of the *Financial Administration Act* requires that most parent Crown corporations prepare and make public quarterly financial reports in compliance with The Treasury Board of Canada's *Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports*.

These interim condensed financial statements have not been audited and should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with the IFRS.

b) Functional and presentation currency

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

3. Summary of Significant Accounting Policies

The significant accounting policies applied in these unaudited interim condensed financial statements are disclosed in Note 4 of the Corporation's annual financial statements for the year ended December 31, 2020.

4. Key Sources of Estimation Uncertainty and Critical Judgments

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

Assumptions and estimates 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 assumptions, estimates and judgments 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 critical judgments are disclosed in Note 5 of the Corporation's annual financial statements for the year ended December 31, 2020.

5. Revenues

The following table disaggregates the revenue by major sources:

<i>(in millions of Canadian dollars)</i>	Quarters ended March 31	
	2021	2020
REVENUES		
Transportation and accommodation	8.5	44.8
On-train food and beverages	0.2	1.1
Other revenues <i>(Note 1)</i>	0.1	0.2
Revenues from passengers	8.8	46.1
Investment income	0.1	0.2
Third-party servicing	1.6	1.9
Rental income and other <i>(Note 13)</i>	2.0	2.8
Revenues from other sources	3.7	4.9
Total revenues	12.5	51.0

Note 1: includes sales commissions and baggage revenues.

6. 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 the 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	
<i>(in millions of Canadian dollars)</i>	2021	2020
Operating loss before funding from the Government of Canada and income taxes	121.2	151.7
Items requiring operating funds:		
Income tax expense	0.1	0.1
Items (not requiring) not providing operating funds:		
Depreciation of property, plant and equipment	(17.6)	(17.8)
Amortization of intangible assets	(5.1)	(5.7)
Depreciation of right-of-use assets	(0.8)	(0.9)
Loss on disposal of property, plant and equipment	(0.4)	-
Post-employment and other employee benefit contributions in excess of expenses	(3.0)	(6.1)
Unrealized net gain (net loss) on derivative financial instruments	3.4	(13.6)
Non-cash transactions relating to lease liabilities	0.9	0.9
Interest expense on lease liabilities	(0.2)	(0.2)
Adjustment for accrued compensation	(2.2)	(3.6)
Adjustment for VIA Préférence loyalty program	-	(0.3)
Other	(0.1)	0.3
Operating funding from the Government of Canada	96.2	104.8

7. Trade and Other Receivables

The trade and other receivables balance includes the following:

<i>(in millions of Canadian dollars)</i>	March 31, 2021	December 31, 2020
Trade	3.2	1.8
Other receivables	4.3	9.5
Loss allowance	(0.5)	(0.3)
Trade and other receivables classified at Amortized cost	7.0	11.0
Amount receivable from the Government of Canada – Operating funding <i>(Note 8)</i>	29.2	47.0
Amount payable to the Government of Canada – Capital funding <i>(Notes 8 and 18)</i>	(2.6)	(36.5)
Total receivable from the Government of Canada	26.6	10.5
Sales taxes	5.6	7.6
Total trade and other receivables	39.2	29.1

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, 2020: \$1.1 million) at the closing date. The maturity of these receivables is detailed in the following table:

<i>(in millions of Canadian dollars)</i>	March 31, 2021	December 31, 2020
Not impaired and past due by:		
0 to 30 days	0.5	0.9
31 to 60 days	0.3	0.2
61 to 90 days	-	-
Over 90 days	-	-
Total	0.8	1.1

The Corporation has recognized in the current period an amount of \$0.3 million of impairment loss arising from contracts with customers and other receivables, which is presented in the line "Other" in the Statement of Comprehensive Income (March 31, 2020: \$0.4 million).

8. Government Funding Receivable from (Payable to) the Government of Canada

Government funding relating to operating expenses:

<i>(in millions of Canadian dollars)</i>	March 31, 2021	December 31, 2020
Balance, beginning of period	47.0	36.1
Government funding received to fund operating expenses	(114.0)	(404.9)
Government funding recognized in financial results	96.2	415.8
Balance, end of period	29.2	47.0

Government funding relating to capital expenditures:

<i>(in millions of Canadian dollars)</i>	March 31, 2021	December 31, 2020
Balance, beginning of period	(36.5)	43.0
Government funding received to fund the acquisition of property, plant and equipment and intangible assets (including the cost of land)	(13.0)	(332.4)
Government funding used to fund capital expenditures	46.9	252.9
Balance, end of period	(2.6)	(36.5)

9. Derivative Financial Instruments

The Corporation uses commodity swaps where it exchanges cash payments based on variations in the price of a commodity (i.e. heating oil) compared to the agreed benchmark.

At the end of the period, the fair values of the derivative financial instruments are as follows:

	March 31, 2021		December 31, 2020	
	Notional quantity <i>(000's of U.S. gallons)</i>	Fair value CAD <i>(millions)</i>	Notional quantity <i>(000's of U.S. gallons)</i>	Fair value CAD <i>(millions)</i>
Commodity swaps				
Assets	4,032	1.3	3,528	0.2
Liabilities	4,998	1.2	7,056	3.5

As at March 31, 2021, the commodity swaps in CAD have a fixed price per U.S. gallon between 1.730 CAD and 2.651 CAD (December 31, 2020: between 1.735 CAD and 2.651 CAD for commodity swaps). The maturity dates range between 2021 to 2022 (December 31, 2020: 2021 to 2022). These financial instruments have a monthly settlement schedule.

10. Property, Plant and Equipment

<i>(in millions of Canadian dollars)</i>	Land	Rolling stock	Maintenance buildings	Stations and facilities (Note 1)	Owned infrastructures	Leasehold improvements	Machinery and equipment	Computer hardware	Other	Projects in progress	Total
Cost:											
January 1, 2021	17.0	976.3	174.7	186.2	319.0	97.3	37.8	52.3	9.8	334.4	2,204.8
Additions	-	-	-	-	-	-	-	-	-	42.4	42.4
Disposals	-	(0.2)	-	(0.5)	(0.2)	-	(0.1)	-	-	-	(1.0)
Transfers	-	-	-	(0.7)	0.5	0.5	0.2	0.1	0.1	(0.7)	-
Total cost	17.0	976.1	174.7	185.0	319.3	97.8	37.9	52.4	9.9	376.1	2,246.2
Accumulated depreciation and impairment:											
January 1, 2021	-	626.4	109.8	61.0	113.6	57.0	21.5	34.7	3.9	-	1,027.9
Additions	-	9.1	0.6	2.0	2.6	1.0	0.6	1.4	0.3	-	17.6
Disposals	-	(0.1)	-	(0.4)	-	-	(0.1)	-	-	-	(0.6)
Total accumulated depreciation and impairment	-	635.4	110.4	62.6	116.2	58.0	22.0	36.1	4.2	-	1,044.9
Total carrying amount	17.0	340.7	64.3	122.4	203.1	39.8	15.9	16.3	5.7	376.1	1,201.3

Note 1 – The Corporation leases to third parties a small surface area of certain stations belonging to it. Given that this is only a non-significant proportion of certain stations, these assets are not presented on a separate line.

11. Intangible Assets

(in millions of Canadian dollars)

	External software	In-house developed software	Right of access to rail infrastructure	Other	Projects in progress	Total
Cost:						
January 1, 2021	114.0	7.8	438.3	5.4	15.7	581.2
Additions	-	-	-	-	6.6	6.6
Disposals	(0.1)	-	-	-	-	(0.1)
Total cost	113.9	7.8	438.3	5.4	22.3	587.7
Accumulated amortization and impairment:						
January 1, 2021	97.6	7.8	136.2	3.6	-	245.2
Additions	2.1	-	2.9	0.1	-	5.1
Disposals	(0.1)	-	-	-	-	(0.1)
Total accumulated amortization and impairment	99.6	7.8	139.1	3.7	-	250.2
Total carrying amount	14.3	-	299.2	1.7	22.3	337.5

12. Trade and Other Payables

The trade and other payables balance includes the following:

(in millions of Canadian dollars)

	March 31, 2021	December 31, 2020
Wages payable and accrued	43.6	40.6
Accounts payable and accruals – Trade	24.4	26.4
Accounts payable and accruals – Capital assets	52.9	45.8
Trade and other payables classified at Amortized cost	120.9	112.8
Capital tax, income tax and other taxes payable	6.8	7.6
Deductions at sources	0.1	2.2
Total trade and other payables	127.8	122.6

13. Leases

The Corporation as a lessee:

The Corporation leases several assets including land, office spaces, stations and facilities and information technologies equipment. The carrying amounts of right-of-use assets recognized and the movement during the period are as follow:

<i>(in millions of Canadian dollars)</i>	Land	Office spaces	Stations and facilities	Information technology equipment	Total
Cost:					
January 1, 2021	0.5	14.7	23.5	1.7	40.4
Total cost	0.5	14.7	23.5	1.7	40.4
Accumulated depreciation:					
January 1, 2021	0.1	3.5	2.2	1.2	7.0
Additions	-	0.5	0.3	-	0.8
Total accumulated depreciation	0.1	4.0	2.5	1.2	7.8
Net carrying amount	0.4	10.7	21.0	0.5	32.6

Amount recognized in the Statement of Comprehensive Income:

Quarters ended March 31 <i>(in millions of Canadian dollars)</i>	2021	2020
Expense relating to short-term leases	0.4	1.5

Total cash outflow is \$1.3 million (March 31, 2020: \$2.4 million).

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 in any variable leases that do not depend on an index or rate.

The carrying amounts of lease liabilities and the movements of the period are as follow:

<i>(in millions of Canadian dollars)</i>	March 31, 2021	December 31, 2020
Balance, beginning of period	35.1	33.1
Additions	-	4.8
Accretion of interest	0.2	0.9
Payments	(0.9)	(3.7)
Balance, end of period	34.4	35.1
Current	2.9	3.0
Non-current	31.5	32.1
Total lease liabilities	34.4	35.1

14. Provisions

The provisions balance includes the following:

<i>(in millions of Canadian dollars)</i>	January 1, 2021	Additional provisions recognized	Provisions utilized	March 31, 2021
Environmental costs	1.4	-	-	1.4
Litigation and equipment repairs <i>(Note 1)</i>	9.0	3.6	(0.3)	12.3
Total provisions	10.4	3.6	(0.3)	13.7

Note 1: 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 depends to a large extent on the pace of negotiation with the various counterparties and legal authorities. The Corporation cannot reliably estimate when these claims will be resolved.

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.

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

15. Deferred Revenues

Deferred revenues are comprised of the following:

<i>(in millions of Canadian dollars)</i>	March 31, 2021	December 31, 2020
Advance ticket sales	4.8	3.9
VIA Préférence loyalty program	11.5	11.5
Non-monetary transactions	1.5	1.6
Gift cards	1.7	1.7
Other	0.9	0.9
Total deferred revenues	20.4	19.6

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 the Corporation performs the contract.

16. Employee Benefit Assets and Liabilities

The Corporation provides a number of pension plans with defined benefits (funded) and defined contribution 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.

As disclosed in Note 22 Employee benefit assets and liabilities of the Corporation's 2020 audited annual report, the Corporation reviews its actuarial assumptions at each reporting period to ensure that the net defined benefit asset (liability) recognized in the financial statements is updated for significant changes arising from non-recurring events. The impact on the net defined benefit asset (liability) arising from any such changes in assumptions is recognized in other comprehensive income as remeasurement for the period.

The significant actuarial assumptions used for the purposes of determining the defined benefit obligation and pension benefit costs were:

	March 31, 2021	December 31, 2020
ASSUMPTIONS – DISCOUNT RATES		
Assumptions for the calculation of the obligation		
Defined benefit component of the pension plans	3.30%	2.50%
Post-employment benefit plans	3.30%	2.60%
Long-term employee benefit plans	2.20%	2.20%
Assumptions for the calculation of the costs		
Defined benefit component of the pension plans	2.50%	3.10%
Post-employment benefit plans	2.60%	3.10%
Long-term employee benefit plans	2.20%	2.90%

a) Defined benefit component of the pension plans and post-employment benefit plans

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	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
<i>(in millions of Canadian dollars)</i>				
DEFINED BENEFIT OBLIGATION:				
Balance, beginning of period	2,746.4	2,535.3	28.1	26.1
Service cost	5.4	30.0	0.1	0.3
Interest expense	22.6	77.8	0.2	0.8
Employee contributions	2.6	12.2	-	-
Benefits paid	(40.2)	(138.1)	(0.2)	(0.8)
Effect of change in demographic assumptions	-	-	-	(0.5)
Effect of change in financial assumptions	(292.3)	227.1	(3.1)	2.4
Effect of employee transfers	-	1.4	-	-
Effect of experience adjustments	-	0.7	-	(0.2)
Balance, end of period	2,444.5	2,746.4	25.1	28.1
FAIR VALUE OF PLAN ASSETS:				
Balance, beginning of period	2,696.6	2,506.4	-	-
Interest income	22.1	76.3	-	-
Return on plan assets (excluding interest income)	(84.6)	223.5	-	-
Employer contributions	4.3	17.7	0.2	0.8
Employee contributions	2.6	12.2	-	-
Benefits paid	(40.2)	(138.1)	(0.2)	(0.8)
Effect of employee transfers	-	1.4	-	-
Administration expenses	(1.3)	(2.8)	-	-
Balance, end of period	2,599.5	2,696.6	-	-
Net defined benefit (asset) liability	(155.0)	49.8	25.1	28.1

16. Employee Benefit Assets and Liabilities (cont'd)

b) Long-term employee benefit plans

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

<i>(in millions of Canadian dollars)</i>	March 31, 2021	December 31, 2020
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance, beginning of period	17.6	19.2
Service cost	0.8	3.8
Interest expense	0.1	0.6
Benefits paid	(0.9)	(4.2)
Effect of change in financial assumptions	-	1.1
Effect of experience adjustments	-	(2.9)
Balance, end of period	17.6	17.6
FAIR VALUE OF PLAN ASSETS:		
Balance, beginning of period	-	-
Employer contributions	0.9	4.2
Benefits paid	(0.9)	(4.2)
Balance, end of period	-	-
Net long-term employee benefit liability	17.6	17.6

c) 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:

<i>(in millions of Canadian dollars)</i>	March 31, 2021	December 31, 2020
Assets:		
Defined benefit component of the pension plans	155.0	2.0
Liabilities:		
Defined benefit component of the pension plans	-	51.8
Post-employment benefit plans	25.1	28.1
Long-term employee benefit plans	17.6	17.6
Other long-term employee benefits	0.3	0.3
Total employee benefit liabilities	43.0	97.8

Total amounts recognized in the Statement of Comprehensive Income:

<i>(in millions of Canadian dollars)</i>	Quarters ended March 31	
	2021	2020
Operating expenses:		
Defined benefit component of the pension plans	7.2	10.5
Post-employment benefit plans	0.3	0.3
Long-term employee benefit plans	0.9	1.1
Total	8.4	11.9

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

<i>(in millions of Canadian dollars)</i>	Quarters ended March 31	
	2021	2020
Other comprehensive income:		
Defined benefit component of the pension plans	207.7	74.3
Post-employment benefit plans	3.1	2.8
Total	210.8	77.1

17. Deferred Capital Funding

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

<i>(in millions of Canadian dollars)</i>	March 31, 2021	December 31, 2020
Balance, beginning of period	1,538.7	1,407.0
Government funding for property, plant and equipment and intangible assets (including the cost of land)	46.9	250.4
Government funding for an advance on contract	-	2.5
Total Government funding for property, plant and equipment, intangible assets and advance on contract	46.9	252.9
Amortization of deferred capital funding	(22.8)	(121.2)
Balance, end of period	1,562.8	1,538.7

18. Supplemental Cash Flows Information

Net change in working capital items:

<i>(in millions of Canadian dollars)</i>	Quarters ended March 31	
	2021	2020
Trade and other receivables	23.8	17.6
Other assets	(0.4)	(2.4)
Materials	(0.2)	(0.9)
Trade and other payables	(1.8)	(4.0)
Provisions	3.2	(0.2)
Deferred revenues	0.7	(7.0)
Total	25.3	3.1

The change in trade and other receivables excludes an amount of \$33.9 million (March 31, 2020: (\$5.6) 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 \$7.1 million (March 31, 2020: (\$1.7) million) in relation to the acquisition of property, plant and equipment and intangible assets, as this amount relates to investing activities. As at March 31, 2021, the change in trade and other payables does not exclude any amount in relation with an advance on contract (March 31, 2020: \$2.5 million).

18. Supplemental Cash Flows Information (cont'd)

Investing activities supplemental information:

<i>(in millions of Canadian dollars)</i>	Quarters ended March 31	
	2021	2020
Total acquisition of property, plant and equipment and intangible assets	(49.0)	(56.4)
Additions to property, plant and equipment and intangibles assets not affecting cash as they were previously cash out through the advance on contract	1.2	1.9
Change in accounts payable and accruals – Capital assets	7.1	(1.7)
Change in other payables	1.0	1.6
Total cash out for acquisition of property, plant and equipment and intangible assets	(39.7)	(54.6)
Government funding invoiced for property, plant and equipment and intangible assets	46.9	52.9
Change in amount receivable from the Government of Canada – Capital funding	(33.9)	5.6
Total Government funding received for property, plant and equipment and intangible assets	13.0	58.5

19. Financial Risks

The Corporation financial instruments are exposed to the same risk, except for fuel price risk, as disclosed in its annual financial statements for the year ended December 31, 2020.

20. Commitments

The following table presents the contractual commitments of the Corporation that are not included in the Statement of Financial Position:

<i>(in millions of Canadian dollars)</i>	March 31, 2021				December 31, 2020
	Total commitments	Less than 1 year	From 1 to 5 years	More than 5 years	Total commitments
COMMITMENTS RELATING TO OPERATIONS:					
Non-cancellable leases: Lessee	9.8	2.4	5.8	1.6	10.6
Technical services	356.1	-	45.9	310.2	356.1
Total	365.9	2.4	51.7	311.8	366.7
COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS:					
Rolling stock	749.7	199.2	550.5	-	763.9
Maintenance buildings	0.7	0.7	-	-	1.0
Stations and facilities	6.6	6.6	-	-	7.2
Owned infrastructures	7.3	7.3	-	-	7.3
Software	19.8	14.5	5.3	-	19.2
Computer hardware	2.7	2.7	-	-	2.7
Total	786.8	231.0	555.8	-	801.3
Total commitments	1,152.7	233.4	607.5	311.8	1,168.0

a) 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 depends on the annual usage of the tracks.

b) The Corporation has provided letters of credit from a financial institution totaling approximately \$23.3 million (December 31, 2020: \$23.4 million) to various provincial government workers' compensation boards as security for future payment streams.

