FIRST QUARTER REPORT 2015

VIA Rail Canada


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VIA Rail Canada

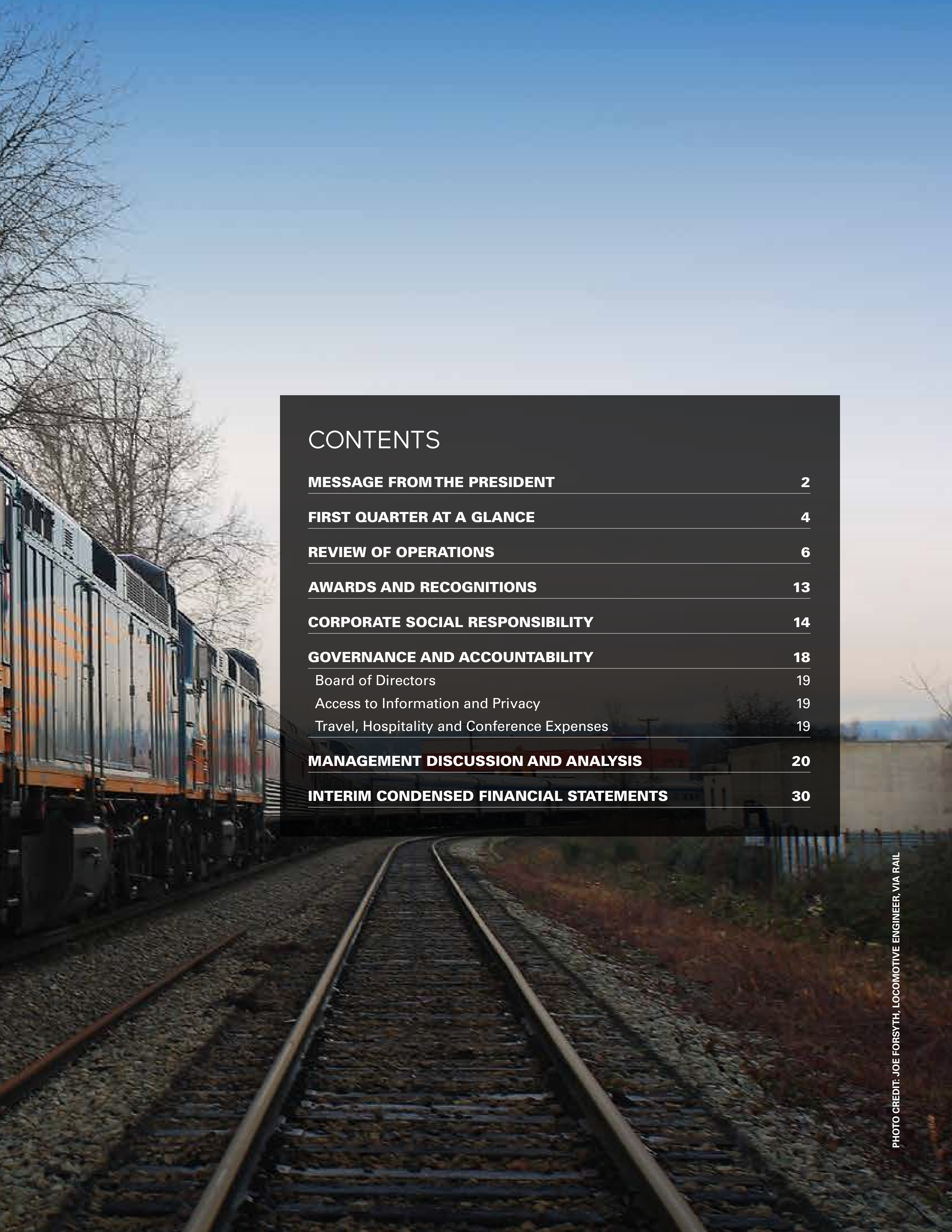

PHOTO CREDIT: JOE FORSYTH, LOCOMOTIVE ENGINEER, VIA RAIL

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MESSAGE FROM THE PRESIDENT

Living in Canada, we are all accustomed to the snow, ice and cold winds that winter brings. This year, however, the conditions were particularly harsh, even for Canadians. It's winters like these that test every person's limits as well as the limits of our transportation systems.

Harsh conditions do encourage people to travel with VIA Rail, both because the train is the most reliable means of transport and because people prefer not to drive in bad weather. However, our equipment is not immune to the icy conditions, and our aging rolling stock was particularly vulnerable to mechanical failures due to the cold weather. The higher-than-normal number of significant mechanical problems was exacerbated by the substantial increase in time to destination and train idling caused by freight traffic on the shared railway. These factors explain this quarter's lowest overall On Time Performance (OTP) in years, which was recorded at 63.3% across our main market, the Québec City – Windsor Corridor.

This situation also explains the increase in operating expenses this quarter, which was due to the combination of added fuel costs associated with longer trip times and idling and the maintenance costs related to the mechanical issues mentioned above. The additional operating expenses resulting from the low On Time Performance amount to $1.5M for the quarter. The lower fuel market prices seen this quarter have only limited impact on our budget because, like other transport companies, VIA Rail uses hedging strategies to mitigate the risk of fluctuating fuel prices.

Finally, over the three months of the first quarter, our western long-distance *Canadian* train was suspended between Toronto and Winnipeg for 31 days due to several freight train derailments. These railway closures reduced VIA Rail's revenues by over $0.6 million.

Despite all this, from a revenue perspective, the positive trend in increasing returns continued this quarter, although our passenger volume continues to decline.

In order for VIA Rail to improve its reliability and its passenger base, we need to remove passenger trains from freight train infrastructure by building or acquiring dedicated passenger rail tracks for the busiest Toronto-Ottawa-Montreal routes. In an address made at the Montreal Canadian Club in February, this goal was discussed. A video of this speech can be watched on VIA Rail's YouTube channel.

In its April 21 budget, the Government of Canada continued its support of passenger rail by investing significant amounts to enhance the safety and reliability of VIA Rail's infrastructure. The Federal Government's Economic Action Plan also proposes to provide PPP Canada (Public-Private Partnerships) with new funding of $750 million over two years, starting in 2017–18, and $1 billion per year thereafter for a new Public Transit Fund. As commuter trains like AMT, Go Transit and UP Express grow their service within the cities they serve, VIA Rail will need to provide reliable inter-city service, to link these metropolitan areas.

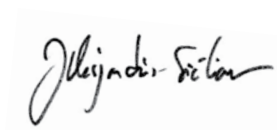
Our vision of having dedicated tracks is a significant endeavour but it is one we believe can be funded by taking an approach similar to the one proposed by the Government's 2015 budget for transit funding – by looking to public-private partnerships. As we investigate the investment possibilities from likely players to help finance this goal, we will continue to enhance and improve the passenger experience under current conditions.

Moving forward, ridership remains a concern as we watch our OTP continue to deteriorate. In the Review of Operations section of this report, you will find information about the projects we worked on over the first three months of 2015. This quarter, our major capital expenditures included investments in the rebuild of our LRC Economy class cars as well as Information Technology projects - but there are many more in the works that you will hear about in the coming months. We are hopeful that these service enhancements and improvements will attract new passengers and reinforce our value proposition.

Notwithstanding the challenges above, the part of our business that remains steady and that our passengers' comments attest to is the outstanding service provided by our on-train and in-station staff as well as our call centre agents. Less visible, but just as important, is the dedication and professionalism of our equipment maintenance staff. We are grateful for their continued commitment to excellence and thank them for their work, which was put to the test this past winter.

We encourage you to stay connected and send us your comments about recent improvements and about VIA Rail overall. Your feedback is the most valuable source of information we have when it comes to improving our service to meet your demands. You can follow us on Facebook or Twitter, and we are now on Instagram too.

Looking forward to seeing you onboard in 2015.



YVES DESJARDINS-SICILIANO
President and Chief Executive Officer

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 - 2015	Q1 - 2014
KEY FINANCIAL INDICATORS (IN MILLIONS OF DOLLARS)		
Total passenger revenues (1)	54.8	53.6
Total revenues (1)	**59.9**	**58.4**
Operating expenses (1)	126.9	127.2
Contributions for employee benefits (1)	19.3	18.3
Total Operating expenses (1)	**(146.2)**	**(145.5)**
Operating Income (Deficit)	**(86.3)**	**(87.1)**
Capital expenditures	(28.3)	(19.6)
Total Funding Required	**(114.6)**	**(106.7)**
Government Operating Funding	86.3	87.1
Government Capital Funding	28.3	19.1
Total Government Funding	**114.6**	**106.2**
Asset Renewal Funding	**0.0**	**0.5**
KEY OPERATING STATISTICS (2)		
Total passenger-miles (IN MILLIONS)	**177**	**178**
Total seat-miles (IN MILLIONS) (3)	**325**	**299**
Operating deficit per passenger-mile (IN CENTS) (3)	**48.8**	**48.9**
Yield (CENTS PER PASSENGER-MILE)	**30.2**	**29.3**
Train-miles operated (IN THOUSANDS)	**1,494.1**	**1,482**
Car-miles operated (IN THOUSANDS)	**7,734**	**7,306**
Average passenger load factor (%) (3)	**54**	**60**
Average number of passenger-miles per train-mile	**118**	**120**
On-time performance (%)	**63**	**71**
Number of full time equivalent employees during the period	**2,490**	**2,447**

(1) Financial statement amounts were adjusted to reflect funded activities
(2) Key operating statistics are unaudited
(3) Comparative statistics and ratios were adjusted to reflect an adjustment done after Q1-2014 publication

KEY OPERATING STATISTICS BY SERVICE GROUP FOR THE FIRST QUARTER OF 2015

Train Service	Passenger Revenues* (IN THOUSANDS)	Passengers (IN THOUSANDS)	Passenger-Miles (IN THOUSANDS)	Government Funding (PER PASSENGER MILE)
Québec City - Windsor Corridor	$48,464	877	157,549	$0.30
Longhaul West	$2,925	9	9,765	$1.59
Longhaul East	$1,479	14	7,003	$1.51
Regional	$574	12	2,762	$4.50
Total	$53,442	912	177,079	$0.49

* Excluding off-train and other passenger revenues.

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

Train Service	Passenger Revenues* (IN THOUSANDS)	Passengers (IN THOUSANDS)	Passenger-Miles (IN THOUSANDS)	Government Funding (PER PASSENGER MILE)
Québec City - Windsor Corridor	$46,983	890	155,480	$0.31
Longhaul West	$3,116	11	12,828	$1.22
Longhaul East	$1,459	15	7,135	$1.39
Regional	$563	12	2,969	$4.54
Total	$52,121	928	178,412	$0.49

* Excluding off-train and other passenger revenues.

REVIEW OF OPERATIONS

SAFETY

Safety remains VIA Rail's number one priority in order to ensure that our passengers arrive safely at their destinations, that our employees work in a safe environment and that the public is informed about safety around railways. Recent improvements to our practices and our Safety Management System (SMS) as well as the strengthening of our operational structure have helped us better manage safety throughout the corporation and are a reflection of the importance we place on safety.

The following significant events have also marked the start of the year:

WORKING WITH TRANSPORT CANADA

In January 2015, VIA Rail and Transport Canada held their annual meeting to share priorities and operational plans for the coming year. To further align the activities of both organizations and continuously improve passenger safety in Canada, quarterly meetings were added to the annual work session. Going above and beyond our commitment to comply with Transport Canada regulations, VIA Rail aims to implement the highest safety standards in order to be even more effective. We believe that transparent, open and ongoing communications with Transport Canada will help us follow up on issues, focus on solutions and further improve our safety management.

At the beginning of the year, the Enterprise Risk Management (ERM) framework and the safety priorities and plan were also presented to Catherine Higgins, Assistant Deputy Minister Rail Policy, and her team.

CONTINUOUS IMPROVEMENTS TO THE SAFETY MANAGEMENT SYSTEM

The new Safety Management System (SMS) regulations under the *Railway Safety Act* were published in the *Gazette II* on February 25 and have been in effect since April 1. In order to upgrade and optimize the SMS to comply with the new Transport Canada regulations, VIA Rail undertook a major project in the first quarter of the year. The plan calls for the new SMS to be implemented by November 1, as per Transport Canada's required timeline.

To achieve this goal, VIA Rail created an SMS executive team to spearhead the project. As well, we assembled Subject Matter Expert teams to ensure collaboration and consultation with employees, capitalizing on their expertise and knowledge in order to develop an efficient SMS. Furthermore, we called upon external experts to benchmark our SMS against leading practices within and outside the industry, in keeping with our commitment to go above and beyond compliance.

IMPROVEMENTS TO THE NETWORK

The City of Ottawa initiated the construction of a new underpass beneath the rail line at Greenbank Road. This project will improve the level of safety at the crossing, which has experienced increased vehicular and rail traffic in the past five years. A detour road was built, and a new railway crossing system was installed on March 31, 2015. VIA Rail representatives were onsite to oversee the operations and proceed with the required checks to ensure that the crossing and signal system on the diversion road were fully operational.

TO ENSURE SAFETY: SERVICE BETWEEN TORONTO AND WINNIPEG TEMPORARILY INTERRUPTED

On March 9, VIA Rail suspended its service between Toronto and Winnipeg due to unfavourable operating conditions for passenger trains. The interruption was caused by the derailing of a CN freight train in Northern Ontario on March 7. VIA Rail resumed the service in early April after confirming that all passenger and employee safety conditions on the route were met. The affected customers were informed of the cancellation by email and telephone.

ATTRACTING MORE PEOPLE TO OUR TRAINS

In 2015, VIA Rail will pursue its efforts to attract new passengers and improve its customer service so that more and more Canadians choose the train as their preferred travel option. We aim to make it easier for travellers to access our services and travel information so that they can enjoy our renowned onboard experience and the benefits of train travel. The following pages include operational highlights from the first quarter of 2015.

STAYING CONNECTED: VIA TRAIN-ALERT SERVICE

In February 2015, VIA Rail launched an SMS and email Train Status Alert Service. By subscribing to this new service, customers receive email or SMS (text message) notifications on VIA Rail train statuses, service disruptions and delays. Travellers may access the service through the online booking process or through the email and boarding pass sent to confirm their reservation. The service can also be accessed through the departure status section of VIA Rail's website. By the end of the first quarter, some 51,500 subscribers had already registered.

NEW SERVICES: BUSINESS CLASS AVAILABLE ON SHORTER CORRIDOR ROUTES

VIA Rail introduced Business class service on certain shorter trips in the Québec City - Windsor corridor (on which Business class was not previously offered) for passengers departing from and bound for cities including Alexandria, Cornwall, Brockville, Kingston, Belleville, Cobourg, Oshawa, Chatham and Drummondville. These initiatives were put in place in response to requests received from passengers in order to enhance our service offering in the area. The new service was promoted to the target markets through web banners, radio and social media.

REFURBISHED CARS, IMPROVED COMFORT

Our Light, Rapid, Comfortable (LRC) cars, used in the busy Québec City-Windsor corridor have been undergoing an overhaul. Following the rebuild of the Business class cars, which was completed in 2014, the Economy class cars continue being overhauled. By the end of the first quarter, 22 renovated Economy Class cars were completed, with another 22 Economy class cars on the way in 2015.

ENHANCED BUSINESS CLASS MENUS

To offer novelty and diversity, new Business class breakfast, lunch and dinner menus were introduced in the Québec City – Windsor corridor. Several changes were made to increase passenger satisfaction, including the doubling of the number of menus, from four to eight. The new menus will be available and rotated on a bi-weekly basis and is an asset for returning passengers.

FOOD PROVISIONS IN CASE OF EMERGENCY

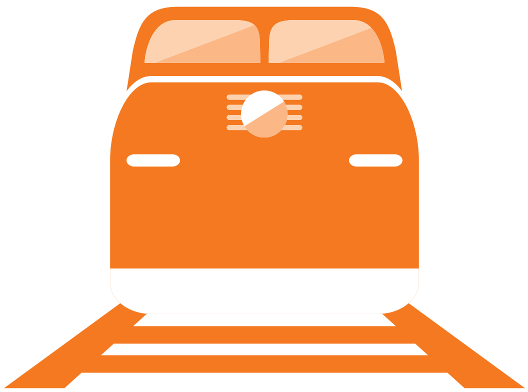
When train delays occur in the Corridor, we focus all of our efforts on resuming service as quickly and effectively as possible. However, in order to improve the onboard experience and address passengers' needs during these times, we have reviewed our service recovery standards and implemented measures to ensure that there are ample supplies of snacks on all Corridor trains.

A LITTLE SOMETHING SWEET FOR OUR CUSTOMERS

To mark Valentine's Day and Easter, VIA Rail offered heart-shaped and bunny-shaped chocolates to every passenger onboard our trains during these periods. Quality dark and milk chocolates made in Canada were selected.

RENEWED DYNAMISM IN EASTERN CANADA

In the first quarter of 2015, additional cars were added to existing long-distance *Ocean* trains in response to market demand. The initiative resulted in a 25% increase in capacity in Economy class and a 13% increase in capacity in Sleeper class.

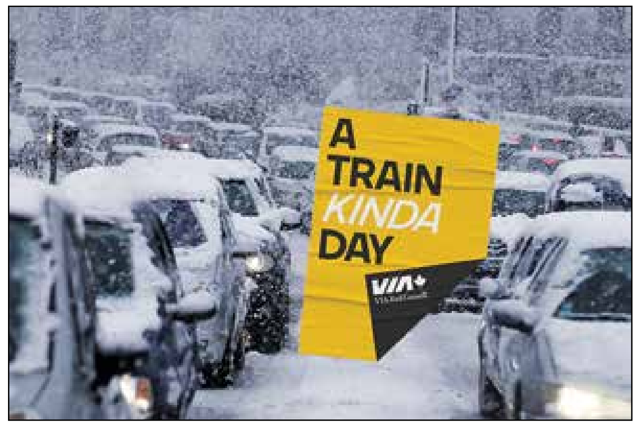


BUILDING INTER-MODALITY

VIA Rail continues to forge new inter-modal partnerships that will help achieve its objectives to increase ridership and revenues and provide passengers with a simplified travel experience. In the first quarter of 2015, VIA Rail entered into partnerships with two airlines: Cathay Pacific and Qatar Airways. Both have signed up with AccesRail to publish their air fare with our rail fare as a combined through fare.

THE TRAIN: THE MOST RELIABLE WAY TO TRAVEL IN WINTER

This past winter was particularly harsh and snow storms were still affecting travel plans as late as March. While the weather may be a big factor to consider when choosing other forms of travel, it usually has little to no effect on train travel. To remind people that the train is the most reliable mode of transportation in winter, VIA Rail introduced "Train Day". This multimedia marketing campaign was developed and rolled out at the earliest sign of a storm. The first initiatives were launched in both the Toronto and Montréal markets this quarter.



LEVERAGING SOCIAL MEDIA: VIA RAIL ON INSTAGRAM

Social media outlets are vital marketing and communication tools, and we are always looking to increase our online presence. As part of this approach, VIA Rail launched its Instagram account this quarter. Instagram is a mobile application that enables users to share photos and videos and is a great venue for VIA Rail to showcase its travel experience and entice people to see Canada by train. To date, we have posted 15 awe-inspiring images, shared images posted by passengers, bloggers and other photographers and attracted 537 followers. Our Instagram account can be viewed at: https://instagram.com/viarailcanada

AWARDS AND RECOGNITIONS

2015 PRESERVATION AWARD FOR WINNIPEG'S UNION STATION

At the 30th Annual Preservation Awards on February 16, Heritage Winnipeg honoured VIA Rail for its work and vision to preserve its historic Winnipeg Union Station built in 1911. The Corporation and its architecture partner were recognized for their leadership in the restoration of the historic rotunda, the enhancement of the passenger area and the expansion of the exterior at the back entrance, strengthening the connection of the building to the Forks and Saint Boniface.

INTERNATIONAL RECOGNITION IN RISK MANAGEMENT

Denis Lavoie, Director of Enterprise Risk Management at VIA Rail, was shortlisted for the Institute of Risk Management's (IRM) 2015 Global Risk Awards in the category of *Risk Management Newcomer of the Year*. Founded in 1986, IRM is the leading professional body for risk management. With an international judging panel of over 30 leading risk management practitioners and academics and entries submitted from around the globe, the awards represent the pinnacle of achievement for risk professionals and organizations. This achievement is a nod from the renowned group confirming that VIA Rail is doing a remarkable job in seizing opportunities for growth while anticipating and alleviating risk wherever and whenever possible.

irm Global Risk

CORPORATE SOCIAL RESPONSIBILITY

TO PURSUE OUR MISSION IN A RESPONSIBLE WAY, WE HAVE IDENTIFIED FOUR KEY AREAS THAT REPRESENT THE PILLARS OF OUR CORPORATE SOCIAL RESPONSIBILITY PRINCIPLES: **SAFETY, ENVIRONMENT, PASSENGERS AND COMMUNITIES, AND EMPLOYEES.**

Here are the highlights of the first quarter of the year:

SAFETY

The safety pillar focuses on two priorities: ensuring the safety of our operations, which is addressed in the Review of Operations section of this quarterly report; and informing the Canadian public about safety around railroads, which is an ongoing effort at VIA Rail. Our highlights in this respect will be addressed in the second quarter report as more activities take place during those months.

ENVIRONMENT

FUEL CONSUMPTION

Due to historically low average temperatures, increased capacity and poorer on-time performance - all factors that lead to higher fuel consumption - the first quarter results in terms of fuel consumption in liters per gross ton miles show an increased of 7.5% compared to the first quarter of 2014. Consumption is expected to improve when milder temperatures set in.

PASSENGERS AND COMMUNITIES

CANADIAN MILITARY AND VETERANS PROGRAM

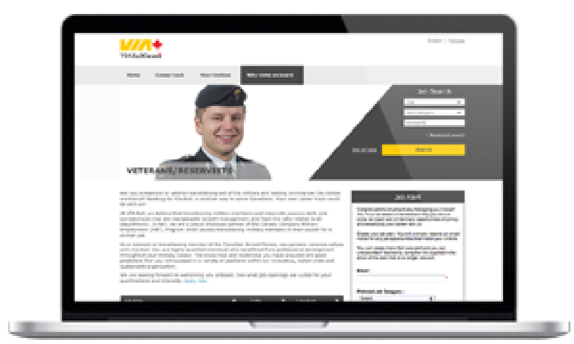
VIA Rail is an institution with a rich Canadian history. As part of our commitment to promote Canadian culture, we take every opportunity to show our gratitude for the dedication and work of military and veterans across the country through time.

During the first quarter, VIA Rail participated in a series of events organized by the Canadian military and veteran community. In February, President and CEO Yves Desjardins-Siciliano spoke to the Honorary Circle of the Régiment de Maisonneuve in Montréal and VIA Rail representatives attended a training session for Les Fusiliers Mont-Royal recruits.

VIA Rail also attended the Women in Defence and Security (WiDS) Canada Annual Memorial Scholarship Awards Ceremony and extended its support of the organization. The event honoured the memory of Master Corporal Kristal Lee-Anne Giesebrecht, a fallen female soldier, and supported the WiDS scholarship program. WiDS is a volunteer organization whose primary goal is the advancement of women leaders in defence and security professions across Canada.

At the end of March, VIA Rail took part in the annual reception for the Vimy Foundation, a national non-profit organization dedicated to preserving and promoting Canada's First World War legacy through education and awareness. At their event held at the Embassy of France in Canada, VIA Rail supported the Foundation through a donation of train travel credits.

Our support seeks to enhance the well-being of those who defend Canadian values both at home and abroad. In 2014, VIA Rail launched a recruiting strategy that aims to make the corporation an employer of choice for former soldiers as well as reservists. Given our labour needs in the years to come and the nature of the positions we will have to fill, the military represents a pool of talented candidates who share our values and possess the skills, training and experience we need. A career web page for soldiers and reservists was recently put online.



SUPPORTING THE INUIT POPULATION

VIA Rail contributed to the Inuit Tapirit Kanatami Association's (ITK) event *A Taste of the Arctic* held in Ottawa in March. In its fifth year, the event brought together hundreds of Ottawa foodies and influential decision-makers keen to sample some Northern culture and cuisine. The event also showcased Inuit culture and talented performers who demonstrate the modern connections and conservation of long-standing Inuit traditions that keep the beautiful Inuit culture alive and strong.

COMMUNITY INVOLVEMENT

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

During the first quarter of 2015, VIA Rail supported 282 non-profit and charitable organizations who submitted requests through our website with travel credit donations representing $331,963.

EMPLOYEES

SHARING OUR EXPERTISE IN WORK-RELATED STRESS

VIA Rail was invited to speak at a summit on work-related traumatic mental stress on March 5 in Toronto. The one-day session organized by the Ontario government brought together workers and experts from a wide range of sectors who shared experiences and best practices to assist workplaces and sectors across Ontario in lessening the stigma, supporting workers and developing effective measures to manage job-related traumatic mental stress. At the event, VIA Rail presented its Critical Incident Care Program and shared its expertise on how to support the mental health and safety of employees. At VIA Rail, we strongly believe in the importance of implementing comprehensive programs to help employees deal with trauma and return to work faster.

ATTENDANCE MANAGEMENT

VIA Rail's absenteeism rate in the first quarter of 2015 was 7.33%, which is 1.06% better than the same period last year (2014). The improvement of a full percentage point is the most significant progress seen over any quarter since the inception of the program in 2010. The lower number of absences is in keeping with the trend from the previous year and stems from a reduction in all types of absences: occasional, short and long-term illnesses, unjustified leaves and, specifically, in time lost due to work accidents. Consequently, WCB/CSST costs incurred due to workplace injuries also dropped dramatically.

GOVERNANCE AND ACCOUNTABILITY

BOARD OF DIRECTORS

The Board of Directors consists of the Chair, the President and Chief Executive Officer and nine directors appointed by the Government of Canada. Of the ten directors (not including the CEO of VIA Rail), five are women and five are men. The Board oversees the strategic direction and management of the Corporation and reports on VIA Rail's operations to parliament through the Honourable Lisa Raitt, Minister of Transport.

PUBLIC MEETINGS AND REPORTS

Three Board meetings were held in the first quarter of 2015, and the four Board committees met a total of eight times. The attendance rate of Board members at these meetings was 95%. Cumulative fees paid to Board members during this time period totalled $33,919.

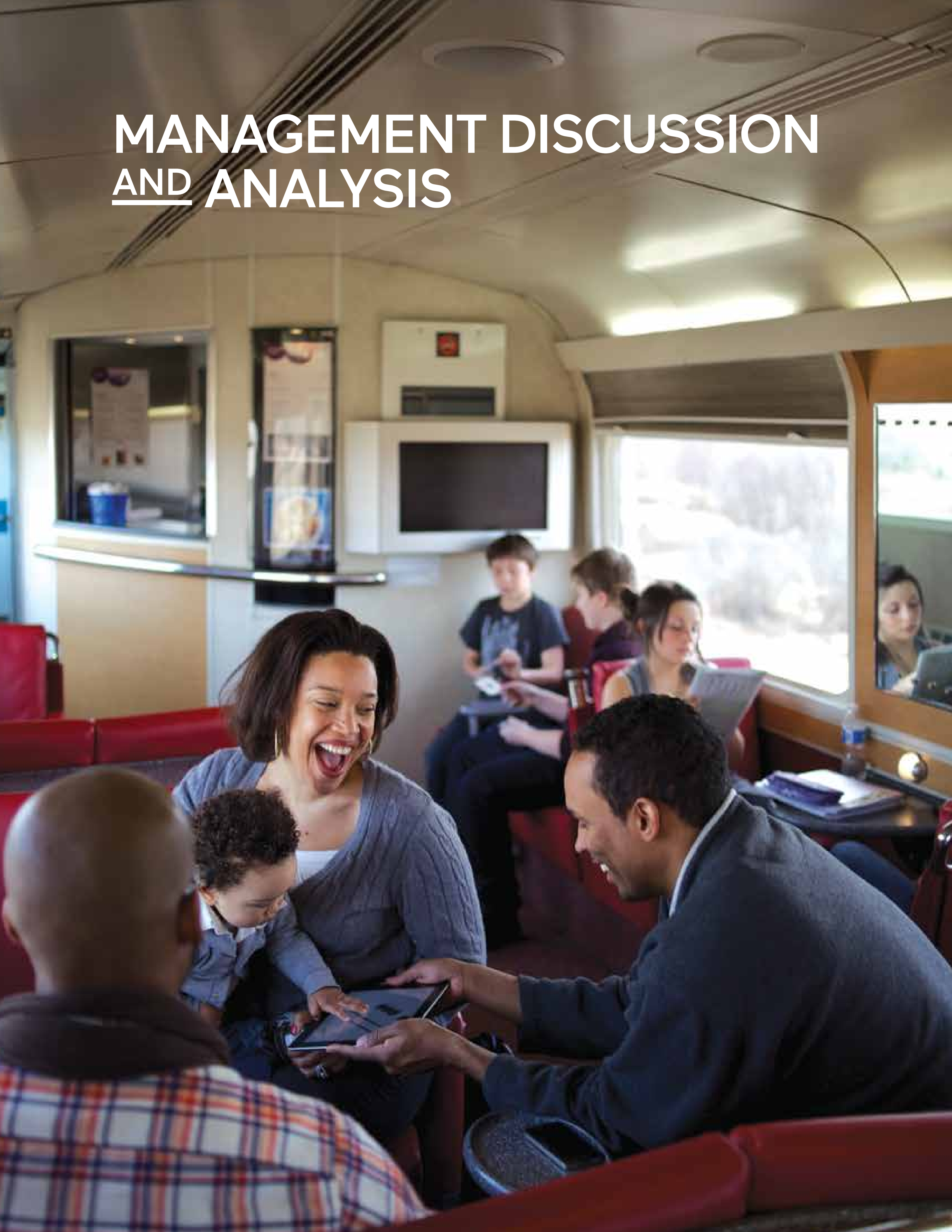
ACCESS TO INFORMATION AND PRIVACY

VIA Rail believes that openness and transparency are the starting points to building trusting relationships with its customers, its partners and the public. In 2007, VIA Rail became subject to the *Access to Information Act* and the *Privacy Act*. Since then, we have been committed to responding to information requests from the public, the media and all those interested in VIA Rail's operations. During the first quarter of 2015, VIA Rail received thirteen new requests, seven of which were still being processed at the end of the quarter.

TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES

THE FOLLOWING TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES WERE SUBMITTED DURING THE FIRST QUARTER OF 2015:	
Eric Stefanson Interim Chairman of the Board	$1,936
Yves Desjardins-Siciliano President and CEO	$18,394
Executive management committee (8 members)	$31,913
Board of Directors (9 members)	$3,899

MANAGEMENT DISCUSSION AND ANALYSIS



This is a review of VIA Rail Canada's operations, performance and financial position for the quarter ended March 31, 2015, compared with the quarter ended March 31, 2014. It should be read in conjunction with the interim condensed financial statements and notes.

1. FINANCIAL HIGHLIGHTS

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

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

	Quarters ended March 31			
IN MILLIONS OF CANADIAN DOLLARS	2015	2014	Var $	Var %
Passenger Revenues*	**54.8**	53.6	1.2	2.2%
Total Revenues*	**59.9**	58.4	1.5	2.6%
Operating expenses*	**126.9**	127.2	(0.3)	(0.2%)
Employer contributions for employee benefits*	**19.3**	18.3	1.0	5.5%
Total Operating expenses*	**146.2**	145.5	0.7	0.5%
Operating Loss	**(86.3)**	(87.1)	0.8	0.9%
Operating funding from Government of Canada	**86.3**	87.1	(0.8)	(0.9%)
Non funded elements and other accounting adjustments				
Employee Benefits to be funded in subsequent years	**13.3**	9.9	3.4	34.3%
Depreciation and amortization/Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets	**(21.2)**	(18.9)	(2.3)	(12.2%)
Amortization of deferred capital funding	**20.8**	18.2	2.6	14.3%
Other	**(1.6)**	4.9	(6.5)	(132.7%)
Net income (loss) for the quarter	**11.3**	**14.1**	**(2.8)**	**(19.9%)**
Actuarial gain (loss) on defined benefit plans	**27.5**	(57.3)	84.8	(148.0%)
Total comprehensive income (Loss) for the quarter	**38.8**	**(43.2)**	**82.0**	**n/a**

* Financial statements amounts adjusted to reflect funded activities

2. HIGHLIGHTS OF OPERATING RESULTS

This section of the document provides comments on the funded activities of the quarter ended March 31, 2015 (before non-funded elements and other accounting adjustments).

A) PASSENGER REVENUES

	REVENUES* (IN '000 000$)				PASSENGERS (IN '000)			
	Quarters ended March 31				Quarters ended March 31			
	2015	2014	Var $	Var %	**2015**	2014	Var #	Var %
Corridor East	**38.4**	37.1	1.3	3.5%	**636.4**	629.0	7.4	1.2%
Southwestern Ontario (SWO)	**10.1**	9.9	0.2	2.0%	**240.6**	260.7	(20.1)	(7.7%)
Quebec-City - Windsor Corridor	**48.5**	**47.0**	**1.5**	**3.2%**	**877.0**	**889.7**	**(12.7)**	**(1.4%)**
Ocean	**1.5**	1.5	0.0	0.0%	**14.5**	15.0	(0.5)	(3.3%)
Canadian	**2.9**	3.1	(0.2)	(6.5%)	**8.9**	11.4	(2.5)	(21.9%)
Regional Services	**0.6**	0.6	0.0	0.0%	**11.7**	12.1	(0.4)	(3.3%)
Non Corridor	**5.0**	**5.2**	**(0.2)**	**(3.8%)**	**35.1**	**38.5**	**(3.4)**	**(8.8%)**
Other	**1.3**	1.4	(0.1)	(7.1%)	**-**	-	-	-
TOTAL	**54.8**	**53.6**	**1.2**	**2.2%**	**912.1**	**928.2**	**(16.1)**	**(1.7%)**

* Revenue amounts were adjusted to reflect funded activities

Passenger revenues total $54.8 million for the quarter, an increase of 2.2 percent compared to the corresponding quarter last year. The increase stems from higher revenues generated in the Corridor, partly offset by lower revenues from the *Canadian*. The service was suspended between Toronto and Winnipeg for 31 days due to several train derailments.

FOR THE QUARTER:

- Corridor East revenues are 3.5 percent above last year, and result from increased average fares (2.4 percent), combined with increased ridership (1.2 percent more passengers);
- Revenues in SWO have increased by 2.0 percent, also as a result of higher average fares (10.1 percent), partly offset by lower volumes (7.7 percent less passengers);
- Revenues on the *Ocean* are stable compared to last year. Although passenger volumes decreased (3.3 percent fewer passengers), average fares increased by 4.6 percent;
- Revenues on the *Canadian* have decreased by 6.5 percent over the corresponding quarter last year. The decrease is directly attributable to the interruption of service on the *Canadian*, as described avove. Ridership decreased by 21.9 percent compared to the corresponding quarter last year, however average fares improved by 20.7, mostly on the Sleeper class;
- Revenues on Regional services are stable compared to last year. Passenger volumes have decreased by 3.3 percent but this decrease was totally offset by higher average fares.

B) OPERATING EXPENSES

IN MILLIONS OF CANADIAN DOLLARS	Quarters ended March 31			
	2015	2014	Var $	Var %
Compensation & Benefits*	**51.7**	54.7	(3.0)	(5.5%)
Train Operations & Fuel	**30.8**	30.9	(0.1)	(0.3%)
Realized loss (gain) on derivative financial instruments	**1.8**	(0.6)	2.4	n/a
Corporate Tax expense (recovery)	**0.2**	0.1	0.1	100.0%
Other operating expenses*	**42.4**	42.1	0.3	0.7%
Total Operating expenses (before employer contributions for employee benefits)	**126.9**	**127.2**	**(0.3)**	**(0.2%)**
Employer Contributions for employee benefits*	**19.3**	18.3	1.0	5.5%
TOTAL FUNDED OPERATING EXPENSES	**146.2**	**145.5**	**0.7**	**0.5%**

* Financial statement amounts adjusted to reflect funded activities

FOR THE QUARTER:

- Operating expenses before employer contributions for employee benefits decreased by 0.2 percent and totaled $126.9 million for the quarter. The decrease is mainly due to lower compensation and benefits costs (decrease of $3.0 million due in most part to the impact of one less pay period in 2015), partly offset by the loss on derivative financial instruments (impact of the hedging contracts for fuel) which generated an increase of $2.4 million compared to the gain generated during the first quarter of 2014.

- Other operating expenses increased by $0.3 million. The increase is composed of higher maintenance material costs which rose by $0.8 million due to harsh winter conditions that affected the reliability of the equipment, and higher utility costs for stations and properties, also associated to winter conditions. These increases were partly offset by lower marketing and sales and telecommunications costs.

- Employer contributions for employee benefits increased by 5.5 percent and total $19.3 million for the quarter, as a result of higher contributions for past services to both unionized and non-unionized employees pension plans. The lower contributions of 2014 resulted from a yearly adjustment done in March 2014 and based on the new actuarial report.

3. CAPITAL INVESTMENTS

Fixed assets (net of accumulated depreciation) amount to $1,267.6 million, up $7.1 million compared to the balance as at December 31, 2014. Capital investments totaled $28.3 million for the quarter and composed mainly of:

- Investments of $7.9 million in Major Equipment projects including $5.4 million for the LRC car fleet revitalization project, and $2.5M for the HEP1 cars modernization program;
- Investments of $1.1 million in Major infrastructure projects, all for the improvement of the GEXR Guelph Subdivision project;
- Investments of $10.2 million in other infrastructure project of which $8.0 million relate to the acquisition of the Brockville subdivision;
- Investments of $6.7 million in information technology projects such as the reservation system modernization, the workforce management system and the Door to Door mobile application projects.

4. CASH FLOW AND FINANCIAL POSITION

The Corporation's cash balance is $6.1 million as at March 31, 2015, which is $7.8M below the balance as at December 31, 2014. The decrease in cash for the quarter is due in most part to the investing activities related to capital.

5. RISK ANALYSIS (compared to December 31, 2014)

This section highlights the main risks to which the Corporation is exposed and shows the trend compared to the previous year.

RISK	TREND	CURRENT SITUATION
DETERIORATION OF ON-TIME PERFORMANCE		
On-Time performance remained an important issue during the quarter, having negative impact on customer satisfaction and resulting in additional operational costs.	↑	The Corporation continues to work with the various track owners, including CN which owns most of the infrastructure, to try and resolve the issues causing train delays, and improve on-time performance.
NEW REQUIREMENTS CONCERNING GRADE CROSSINGS REGULATIONS		
Transport Canada has put out a new regulatory agenda concerning grade crossings regulations which may require that VIA and other infrastructure owners modify their crossing infrastructure and reduce speed of trains near crossings.	→	Transport Canada has published the new requirements. A VIA team comprised of Operations and Safety and Security department representatives is currently assessing the required steps and associated costs to comply with the new regulations.
PASSENGER REVENUES		
Deteriorating on-time performance and aging fleet challenge revenue growth.	↑	Revenues have continued to increase through average fares, but passenger volumes have decreased in all services except for Corridor East. The Corporation continues to implement initiatives to enhance customer service and attract new passengers, however deteriorating on-time performance and the aging fleet make customer retention more problematic.

↑ INCREASING   → STABLE   ↓ DECREASING

RISK	TREND	CURRENT SITUATION
CAPITAL INVESTMENT PROJECTS		
Major delays in equipment projects, or an increase in project costs would adversely affect VIA's financial performance.		Capital projects are monitored each month to ensure they are completed as planned, and that all major issues are identified and addressed to minimize potential impacts on costs, scope and timelines.
OPERATING FUNDING		
VIA continues to face operational funding challenges.		The Corporation is continuously pursuing the development and the implementation of a range of initiatives to reduce its deficit by increasing revenues and reducing costs. Furthermore, VIA continues to work with Transport Canada to address the challenge of operating loss and develop sustainable funding solutions. VIA received a new funding envelope for 2015-2016 fiscal year.
CAPITAL FUNDING		
VIA needs to continue investing in equipment, stations, maintenance systems, facilities and information technology, when the current investment program is completed.		The Corporation is working with Transport Canada to address ongoing capital funding requirements, and to ensure that VIA has the capital funding it requires to deliver on its mandate. VIA received a new funding envelope for ongoing capital for fiscal year 2015-2016.

INCREASING STABLE DECREASING

RISK	TREND	CURRENT SITUATION
PENSION COSTS		
Pension costs may vary significantly from one year to the next given the sensitivity to discount rates and capital markets.	Stable	Solvency is estimated to have declined in the first quarter (-1 percent) despite very strong asset returns (+6.9 percent), due to declining interest rates that pushed up solvency liability valuations.
FUEL COST FLUCTUATIONS		
Fuel is a major cost for passenger rail operations, and could be impacted by additional consumption due to on-time performance and equipment reliability issues, as well as from the uncertainty and volatility of fuel prices.	Stable	Fuel consumption has decreased during the last few years as a result of various initiatives such as the introduction of the refurbished locomotives. However, deteriorating on-time performance and equipment reliability could adversely impact fuel consumption and partly offset the benefits stemming from the initiatives. With regards to fuel prices, VIA's proven hedging strategy adds certainty to future fuel costs and can delay the impact of fuel price fluctuations. Given that contracts used to hedge fuel prices are denominated in U.S. dollars, VIA also hedges against foreign exchange risks.

INCREASING STABLE DECREASING

6. OUTLOOK

Results of the quarter are positive in terms of revenues, with the exception of the situation which affected the *Canadian*. Tactical actions to attract new customers while protecting average fares have generated positive results in Corridor East and will be maintained. The Corporation also continues to work on the new projects aimed at enhancing customer experience to attract new passengers, some of which will be implemented during the year.

However poor on-time performance resulting from congestion on tracks continues to be an issue and affects operating expenses, and if the situation does not improve or deteriorates, it could eventually affect ridership and revenues. The Corporation is putting increased focus on cost control to ensure that the additional expenses resulting from poor on-time performance are minimized, and that they can be fully offset by savings in other controllable operating costs, while working with infrastructure owners to improve on-time performance.

The Corporation's actions will continue to aim at achieving some of VIA Rail's objectives for 2015, wich are to increase revenues and ridership, while maintaining operating costs as low as possible to improve the Corporation's financial situation and minimize the government subsidy.

INTERIM CONDENSED FINANCIAL STATEMENTS

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

MANAGEMENT'S RESPONSIBILITY STATEMENT

QUARTER ENDED MARCH 31, 2015

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

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

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

Yves Desjardins-Siciliano
President and Chief Executive Officer

Patricia Jasmin, CPA, CA
Chief Financial Officer

Montréal, Canada
May 26, 2015

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As at (IN THOUSANDS OF CANADIAN DOLLARS)	March 31, 2015 (unaudited)	December 31, 2014 (audited)
CURRENT ASSETS		
Cash	**$ 6,082**	$ 13,872
Accounts receivable, trade	**8,270**	6,759
Prepaids, advances on contracts and other receivables	**5,525**	3,572
Receivable from the Government of Canada	**30,846**	16,805
Derivative financial instruments	**3,586**	1,760
Materials	**23,045**	21,836
Asset Renewal Fund	**8,217**	8,217
	85,571	72,821
NON-CURRENT ASSETS		
Property, plant and equipment (NOTE 7)	**864,931**	856,821
Intangible assets (NOTE 8)	**402,679**	403,722
Asset Renewal Fund	**873**	873
Post-employment and other employee benefits (NOTE 11)	**30,871**	2,326
	1,299,354	1,263,742
Total assets	**$ 1,384,925**	$ 1,336,563
CURRENT LIABILITIES		
Trade and other payables (NOTE 9)	**$ 90,994**	$ 88,967
Provisions (NOTE 10)	**15,238**	14,752
Derivative financial instruments	**14,948**	13,864
Deferred revenues (NOTE 13)	**45,227**	34,535
	166,407	152,118
NON-CURRENT LIABILITIES		
Post-employment and other employee benefits (NOTE 11)	**83,237**	95,411
	83,237	95,411
DEFERRED CAPITAL FUNDING (NOTE 12)	**1,255,267**	1,247,831
SHAREHOLDER'S EQUITY		
Share capital	**9,300**	9,300
Retained earnings	**(129,286)**	(168,097)
	(119,986)	(158,797)
Total liabilities and shareholder's equity	**$ 1,384,925**	$ 1,336,563

Commitments (Notes 14)

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

Approved on behalf of the Board,

Jane Mowat, CPA, CA
Director and Chairman of the Audit and Finance Committee

Eric Stefanson, FCA
Director and Interim Chairman of the Board

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

(IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended March 31	
	2015	2014
REVENUES		
Passenger	**$ 55,021**	$ 52,989
Other	**5,088**	4,895
	60,109	57,884
EXPENSES		
Compensation and employee benefits	**60,227**	57,476
Train operations and fuel	**30,752**	30,888
Stations and property	**10,942**	10,079
Marketing and sales	**6,946**	8,039
Maintenance material	**9,448**	8,630
On-train product costs	**3,484**	3,389
Operating taxes	**2,330**	2,680
Professional services	**2,477**	2,341
Telecommunications	**3,294**	4,255
Depreciation and amortization (NOTES 7 AND 8)	**19,426**	18,084
Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets	**1,784**	857
Unrealized net loss (net gain) on derivative financial instruments	**(742)**	276
Realized loss (gain) on derivative financial instruments	**1,831**	(567)
Other	**3,504**	2,678
	155,703	149,105
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES	**95,594**	91,221
Operating funding from the Government of Canada (NOTE 6)	**86,262**	87,149
Amortization of deferred capital funding (NOTE 12)	**20,842**	18,202
NET INCOME BEFORE INCOME TAXES	**11,510**	14,130
Income tax (expense) recovery	**(163)**	(87)
NET INCOME FOR THE PERIOD	**11,347**	14,043
Other comprehensive income (loss)		
Amounts not to be reclassified subsequently to net income (net of tax):		
Remeasurements of defined benefit plans (NOTE 11)	**27,464**	(57,294)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**27,464**	(57,294)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**$ 38,811**	$ (43,251)

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

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

(IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended March 31	
	2015	2014
SHARE CAPITAL	**$ 9,300**	$ 9,300
Retained Earnings		
Balance, beginning of period	**(168,097)**	(108,718)
Net income for the period	**11,347**	14,043
Other comprehensive income (loss) for the period	**27,464**	(57,294)
Balance, end of period	**(129,286)**	(151,969)
Total Shareholder's equity	**$ (119,986)**	$ (142,669)

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

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

	Quarters ended March 31			
(IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)		**2015**		2014
OPERATING ACTIVITIES				
Net income for the period	**$**	**11,347**	$	14,043
Adjustments to determine net cash (used in) from operating activities:				
Depreciation and amortization (NOTES 7 AND 8)		**19,426**		18,084
Impairment of property, plant and equipment and intangible assets		**1,784**		-
Loss (gain) on disposal of property, plant and equipment and intangible assets		**-**		857
Amortization of deferred capital funding (NOTE 12)		**(20,842)**		(18,202)
Interest income		**(106)**		(103)
Change in fair value of financial instruments (Asset Renewal Fund)		**-**		(68)
Unrealized net loss (net gain) on derivative financial instruments		**(742)**		276
Post-employment and other employee benefit expenses (NOTE 11)		**6,012**		8,368
Employer post-employment and other employee benefit contributions (NOTE 11)		**(19,267)**		(18,261)
Net change in non-cash working capital items		**3,581**		(53,616)
Net cash (used in) provided by operating activities		**1,193**		(48,622)
INVESTING ACTIVITIES				
Capital funding (NOTE 12)		**28,278**		19,125
Change in capital funding receivable from the Government of Canada		**(8,978)**		35,575
Acquisition of investments in the Asset Renewal Fund		**-**		(7,532)
Proceeds from sale and maturity of investments in the Asset Renewal Fund		**-**		7,532
Change in capital accounts payable and accrued liabilities		**(112)**		(3,028)
Acquisition of property, plant and equipment and intangible assets (NOTES 7 AND 8)		**(28,278)**		(19,611)
Interest received		**106**		103
Proceeds from disposal of property, plant and equipment and intangible assets		**1**		(12)
Net cash (used in) provided by investing activities		**(8,983)**		32,152
CASH				
Increase (decrease) during the period		**(7,790)**		(16,470)
Balance, beginning of period		**13,872**		21,757
Balance, end of period	**$**	**6,082**	$	5,287
REPRESENTED BY:				
Cash	**$**	**6,082**	$	5,287
	$	**6,082**	$	5,287

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED MARCH 31, 2015 (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 make passenger rail the preferred way to move and connect people in Canada with a mission to offer a safe, attractive and stress-free travel experience, while consistently providing the best value for money. The Corporation uses the roadway infrastructure of other railway companies and relies on them to control train operations.

The Corporation is subject to a directive that was issued pursuant to sections 89.8 and 89.9 of the *Financial Administration Act.* As per this directive, the Corporation must obtain Treasury Board approval on its negotiating mandates with respect to collective agreements as well as the terms and conditions of employment of its non-unionized employees who are not appointed by Governor in Council.

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 26, 2015.

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, 2014, 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, 2014.

4. 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. 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 5 of the Corporation's annual financial statements for the year ended December 31, 2014.

5. FUTURE ACCOUNTING CHANGES

IFRS 9 - *Financial Instruments* - In July 2014, the IASB published the final version of IFRS 9 which replaces IAS 39 - *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

This standard is applicable retrospectively for periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation does not intend to early adopt IFRS 9. The extent of the impact of adoption of IFRS 9 has not yet been determined.

IFRS 15 - *Revenue from Contracts with Customers* - The standard specifies how and when revenue should be recognized and requires entities to provide more informative and relevant disclosures to users. The standard, which supersedes IAS 18 - *Revenue*, IAS 11 - *Construction Contracts* and a number of revenue-related interpretations applies to nearly all contracts with customers, unless the contracts are within the scope of other IFRS such as IAS 17 - *Leases*.

This standard is applicable retrospectively, either fully or based on a modified retrospective approach, for periods beginning on or after January 1, 2017 with early application permitted. The Corporation does not intend to early adopt IFRS 15. The extent of the impact of adoption of IFRS 15 has not yet been determined.

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 operations and other comprehensive income in one period may be funded by the Government of Canada in different periods. Accordingly, the Corporation has different net results of operations for the period on a government funding basis than on an IFRS basis. These differences are outlined below:

	Quarters ended March 31	
(IN MILLIONS OF DOLLARS)	**2015**	2014
Operating loss before funding from the Government of Canada and income taxes	**95.6**	91.2
Items requiring (providing) operating funds:		
Income tax expense (recovery)	**0.2**	0.1
Items not requiring (not providing) operating funds:		
Depreciation and amortization	**(19.4)**	(18.1)
Impairment and (loss) gain on disposal of property, plant and equipment and intangible assets	**(1.8)**	(0.9)
Post-employment and other employee benefits contributions in excess of expenses	**13.3**	9.9
Unrealized net gain (net loss) on derivative financial instruments	**0.8**	(0.3)
Adjustment for accrued compensation	**(2.5)**	5.7
Increase in investment's fair value	**-**	0.1
Other	**0.1**	(0.6)
Operating funding from the Government of Canada	**86.3**	87.1

7. PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS OF DOLLARS)	January 1, 2015	Additions	Disposals	Impairment losses	Transfers	March 31, 2015
Cost:						
Land	12.1	-	-	-	-	**12.1**
Rolling stock	917.3	-	(0.1)	-	6.8	**924.0**
Maintenance buildings	165.2	-	-	-	-	**165.2**
Stations and facilities	127.9	-	-	-	-	**127.9**
Owned infrastructures	199.5	-	-	-	0.7	**200.2**
Leasehold improvements	76.5	-	-	-	-	**76.5**
Machinery and equipment	25.0	-	-	-	-	**25.0**
Computer hardware	32.1	-	-	-	-	**32.1**
Other property, plant and equipment	6.8	-	-	-	-	**6.8**
Projects in progress	57.1	23.5	-	-	(6.8)	**73.8**
Total cost	1,619.5	23.5	(0.1)	-	0.7	**1,643.6**
Accumulated depreciation and impairment:						
Rolling stock	457.8	8.0	(0.1)	2.5	-	**468.2**
Maintenance buildings	118.1	1.2	-	-	-	**119.3**
Stations and facilities	36.0	1.1	-	-	-	**37.1**
Owned infrastructures	68.8	1.5	-	-	-	**70.3**
Leasehold improvements	42.1	0.7	-	-	-	**42.8**
Machinery and equipment	18.1	0.3	-	-	-	**18.4**
Computer hardware	18.2	1.4	-	-	-	**19.6**
Other property, plant and equipment	2.9	0.1	-	-	-	**3.0**
Projects in progress	0.7	-	-	(0.7)	-	**-**
Total accumulated depreciation and impairment	762.7	14.3	(0.1)	1.8	-	**778.7**
Total net carrying amount	856.8	9.2	-	(1.8)	0.7	**864.9**

IMPAIRMENT LOSS

The Corporation has recorded an impairment loss of $1.8 million (March 31, 2014: $0.4 million) in the statement of operations and other comprehensive income under "Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets". This amount consists of capital expenditures incurred that have no future benefits for the Corporation as a result of issues on railcars refurbishment projects. As at March 31, 2015, the recoverable amount of these railcars was $3.0 million (March 31, 2014: $1.5 million) which is the fair value less costs of disposal. The fair value was calculated based on the current replacement cost (level 2).

As at December 31, 2014, the Corporation had recorded an impairment loss of $3.6 million on railcars and the recoverable amount for these railcars was $13.5 million.

8. INTANGIBLE ASSETS

(IN MILLIONS OF DOLLARS)	January 1, 2015	Additions	Disposals	Impairment losses	Transfers	March 31, 2015
Cost:						
Software (NOTE 1)	80.6	-	-	-	-	**80.6**
Right of access to rail infrastructure	421.0	-	-	-	(0.7)	**420.3**
Other intangible assets	4.1	-	-	-	-	**4.1**
Projects in progress	29.2	4.8	-	-	-	**34.0**
Total cost	534.9	4.8	-	-	(0.7)	**539.0**
Accumulated amortization and impairment:						
Software	58.6	2.4	-	-	-	**61.0**
Right of access to rail infrastructure	71.2	2.7	-	-	-	**73.9**
Other intangible assets	1.4	-	-	-	-	**1.4**
Total accumulated amortization and impairment	131.2	5.1	-	-	-	**136.3**
Total net carrying amount	403.7	(0.3)	-	-	(0.7)	**402.7**

Note 1 - Includes mostly software developed in-house.

9. TRADE AND OTHER PAYABLES

The Trade and other payables balance includes the following:

(IN MILLIONS OF DOLLARS)	March 31, 2015	December 31, 2014
Wages payable and accrued	**38.7**	33.1
Capital Payables	**16.7**	16.8
Trade payables	**30.3**	33.9
Capital tax, income tax and other taxes payable	**5.3**	5.2
	91.0	89.0

10. PROVISIONS

The provision balance includes:

(IN MILLIONS OF DOLLARS)	January 1, 2015	Charge (used)	Reversal (used)	Reversal (not used)	March 31, 2015
Environmental costs (NOTE A)	0.2	-	-	-	**0.2**
Litigation and equipment repairs (NOTE B)	14.6	1.1	(0.7)	-	**15.0**
Total provisions	14.8	1.1	(0.7)	-	**15.2**

A) ENVIRONMENTAL COSTS

The Corporation has made a provision of $0.2 million for environmental costs related to fuel spills (December 31, 2014: $0.2 million), which is recorded in Provisions.

B) LITIGATION AND EQUIPMENT REPAIRS

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

11. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

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

A) PENSION PLANS AND POST-EMPLOYMENT BENEFITS PLANS

The financial and demographic assumptions used to determine the actuarial valuations of the pension plans were the same assumptions as disclosed in the Corporation's annual financial statements for the year ended December 31, 2014, except for the discount rate used to determine the defined benefit obligation that was decreased to 3.6% while the discount rate used to determine the defined benefit cost was decreased to 4.00%.

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, 2014, except for the discount rate used to determine the defined benefit cost that was decreased to 4.00%.

11. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS (CONT'D)

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

(IN MILLIONS OF DOLLARS)	Pension Plans		Post-employment Benefit Plans	
	March 31, 2015	December 31, 2014	**March 31, 2015**	December 31, 2014
DEFINED BENEFIT OBLIGATION:				
Balance at beginning of the period	**2,181.9**	1,925.3	**19.4**	16.3
Service cost	**3.2**	22.2	**0.1**	0.3
Interest expense	**19.6**	91.3	**0.2**	0.8
Employee contributions	**3.0**	12.4	**-**	-
Benefits paid	**(27.9)**	(103.3)	**(0.1)**	(0.4)
Effect of change in demographic assumptions	**-**	15.9	**-**	(0.2)
Effect of change in financial assumptions	**97.9**	224.2	**-**	2.6
Effect of employee transfers	**-**	-	**-**	-
Effect of experience adjustments	**-**	(6.1)	**-**	-
Balance at end of the period	**2,277.7**	2,181.9	**19.6**	19.4
FAIR VALUE OF PLAN ASSETS:				
Balance at beginning of the period	**2,132.5**	1,923.9	**-**	-
Interest Income	**19.2**	91.9	**-**	-
Return on plan assets (excluding interest income)	**125.3**	128.1	**-**	-
Employer contributions	**17.5**	81.4	**0.1**	0.4
Employee contributions	**3.0**	12.4	**-**	-
Benefits paid	**(27.9)**	(103.3)	**(0.1)**	(0.4)
Effect of employee transfers	**-**	-	**-**	-
Administration expenses	**(0.4)**	(1.9)	**-**	-
Balance at end of the period	**2,269.2**	2,132.5	**-**	-
Net Defined benefit liability	**(8.5)**	(49.4)	**(19.6)**	(19.4)

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, 2014 except for the discount rate used to determine the benefit cost that was decreased to 3.40%.

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

(IN MILLIONS OF DOLLARS)	March 31, 2015	December 31, 2014
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance at beginning of the period	**22.8**	23.8
Service cost	**1.2**	4.8
Interest expense	**0.2**	1.0
Benefits paid	**(1.4)**	(5.6)
Effect of change in demographic assumptions	**-**	(0.1)
Effect of change in financial assumptions	**-**	0.7
Effect of experience adjustments	**-**	(1.8)
Balance at end of the period	**22.8**	22.8
FAIR VALUE OF PLAN ASSETS:		
Balance at beginning of the period	**-**	-
Employer contributions	**1.4**	5.6
Benefits paid	**(1.4)**	(5.6)
Balance at end of the period	**-**	-
Net long-term employee benefit liability	**(22.8)**	(22.8)

11. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS (CONT'D)

C) OTHER LONG-TERM EMPLOYEE BENEFITS

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

(IN MILLIONS OF DOLLARS)	March 31, 2015	December 31, 2014
OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance at beginning of the period	**1.5**	2.2
Service cost	**0.3**	0.3
Benefits paid	**(0.3)**	(1.0)
Balance at end of the period	**1.5**	1.5
FAIR VALUE OF PLAN ASSETS:		
Balance at beginning of the period	**-**	-
Employer contributions	**0.3**	1.0
Benefits paid	**(0.3)**	(1.0)
Balance at end of the period	**-**	-
Net other long-term employee benefit liability	**(1.5)**	(1.5)

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

Total amounts recognized in the statement of financial position:

(IN MILLIONS OF DOLLARS)	March 31, 2015	December 31, 2014
Assets:		
Pension Plan	**30.9**	2.3
Liabilities:		
Pension Plans	**(39.4)**	(51.7)
Post-employment benefit plans	**(19.6)**	(19.4)
Long-term employee benefit plans	**(22.8)**	(22.8)
Other long-term employee benefits	**(1.5)**	(1.5)
Total liabilities	**(83.3)**	(95.4)

Total amounts recognized in the statement of operations and other comprehensive income:

(IN MILLIONS OF DOLLARS)	Quarters ended March 31	
	2015	2014
Operating expense:		
Pension Plans	**4.0**	6.4
Post-employment benefit plans	**0.3**	0.3
Long-term employee benefit plans	**1.4**	1.4
Other long-term employee benefits	**0.3**	0.3
Total	**6.0**	8.4

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

(IN MILLIONS OF DOLLARS)	Quarters ended March 31	
	2015	2014
Other comprehensive income (loss):		
Pension Plans	**27.4**	(57.3)
Total	**27.4**	(57.3)

12. DEFERRED CAPITAL FUNDING

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

(IN MILLIONS OF DOLLARS)	**March 31, 2015**	December 31, 2014
Balance, beginning of the period	**1,247.8**	1,237.4
Government funding for property, plant and equipment and intangible assets (including the cost of land)	**28.3**	80.9
Amortization of deferred capital funding	**(20.8)**	(70.5)
Balance, end of the period	**1,255.3**	1,247.8

13. DEFERRED REVENUE

Deferred revenue is comprised of the following:

(IN MILLIONS OF DOLLARS)	March 31, 2015	December 31, 2014
Advanced ticket sales	**23.8**	12.8
Gift cards	**3.0**	3.0
Non-monetary transactions	**2.5**	2.7
VIA Préférence	**15.9**	16.0
Total deferred revenue	**45.2**	34.5

14. COMMITMENTS

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

	March 31, 2015				December 31,2014
(IN MILLIONS OF DOLLARS)	Total commitments	Less than one year	More than one year but not more than five years	More than five years	Total commitments
COMMITMENTS RELATING TO OPERATIONS:					
Non-cancellable operating leases (NOTE A):					
Lessee	**37.1**	3.4	14.4	19.3	37.7
Total	**37.1**	3.4	14.4	19.3	37.7
COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS:					
Rail infrastructure	**14.5**	9.0	5.5	-	14.7
Rolling stock	**14.5**	14.5	-	-	14.1
Total	**29.0**	23.5	5.5	-	28.8
Total commitments	**66.1**	26.9	19.9	19.3	66.5

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

In 2015, an amount of $3.6 million (December 31, 2014: $13.7 million) was recognized as an expense related to facilities operating leases.

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

c) The Corporation has provided letters of credit from a banking institution totalling approximately $30.9 million (December 31, 2014: $31.2 million) to various provincial government workers' compensation boards as security for future payment streams.

15. FINANCIAL INSTRUMENTS

The Corporation financial instruments are exposed to the same risk as disclose in its annual financial statements for the year ended December 31, 2014.

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