

# Second Quarter Report 2019









# Contents

**02**

Message from  
the President

**14**

Sustainable  
Mobility

**24**

Management Discussion  
and Analysis

**04**

Second Quarter  
at a Glance

**20**

Key Performance  
Indicators

**38**

Interim Condensed  
Financial Statements

**06**

Review  
of Operations

**22**

Governance  
and Accountability

# Message from the President

**I am proud to be leading VIA Rail at such an important time in our history, one in which we are seeing our comprehensive modernization take place. In June, just as the quarter was coming to a close, Transport Canada and the Infrastructure Bank of Canada announced that \$71M in funding had been allocated to advance VIA Rail Canada's proposal for High Frequency Rail in the Québec City-Toronto Corridor. It is a critical step forward in bringing VIA Rail's vision for High Frequency Rail to fruition and in the building of a modern passenger rail service for a more connected, more sustainable, and more mobile Canada.**

Working in collaboration with the Canada Infrastructure Bank, we are setting up a Joint Project Office, which will combine our respective expertise in passenger rail and finance. Together we will finalize legal and regulatory work related to safety and environmental assessments; enter into meaningful dialogue and engagement with stakeholders and Indigenous communities; examine required land and track acquisition; and complete the technical, financial and commercial analysis required for a final investment decision on High Frequency Rail. We look forward to getting to work.

In the second quarter, the Corporation has once again recorded both increased revenues and ridership. Success is due to the excellent work and dedication of our team working from coast to coast: on-board employees as well as in stations, at maintenance centres, at the control centre, at our two call centres and at our head office. They are the driving force behind these positive results reflective of Canadians seeing the value in a sustainable mode of transportation. And with our many modernization projects now in full swing, including our Fleet Replacement Program, VIA Rail is well on its way to shaping the future by continuing to grow as the safe, accessible and affordable travel option.

This quarter, in the Québec City-Windsor corridor, ridership increased by 6.4% compared to the same quarter last year and the Corporation reported a total revenue increase of 3.6% versus Q2 2018. As for our regional services, ridership increased by 13.7% this past quarter, which is due in large part to the return of the Winnipeg-Churchill service. VIA Rail unites cities, towns and communities, and in many parts of the country, such as in northern Manitoba, train travel is the only way Canadians can reach one another. We were thrilled to have restored this service in December 2018, following the reparation of tracks which had been severely damaged by flooding.

Our Fleet Replacement Program also saw important advancements this quarter. Working with Siemens and specialized suppliers, the design of the interior and exterior of our trains is progressing. In June, VIA Rail held collaborative information sessions in Ottawa on the new fleet's proposed design and layout with groups representing people with disabilities. The feedback was positive and promising, but there is, of course, more work to be done.





**CYNTHIA GARNEAU**

President and Chief Executive Officer,  
VIA Rail

I wish to also point out that our steadfast pursuit of a barrier-free network of stations and trains for all Canadians is being recognized. In June, at the *Association québécoise des transports* gala, VIA Rail won the public's choice award and the *Prix Ambassadeur* for Clear Station, a project developed in collaboration with the International Union of Railways. Clear Station aims to help the visually-impaired navigate autonomously in our stations and reflects our innovative and engaged approach to ensuring that those with limited mobility have an equal opportunity to travel across the country.

And finally, it was an honour to participate in my first VIA Rail Annual Public Meeting in May. The live broadcast gave us the opportunity to communicate our achievements of 2018 and those of the first quarter of 2019, as well as updates on current projects. But most importantly, it was a way to answer your questions. Out of the 20 most asked questions submitted by the public, Canadians voted on the top ten, which were then answered live by members of our executive committee and me.

In looking ahead, VIA Rail is committed to being a competitive travel option *vis-à-vis* other means of transportation while ensuring we remain a sustainable driving force behind Canada's economic, social and environmental future.

A handwritten signature in black ink that reads "Cynthia Garneau," with a stylized flourish at the end.



# Second 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.

	Q2 2019	Q2 2018	YTD 2019	YTD 2018
<b>Key Financial Indicators</b> (in millions of dollars)				
Total passenger revenues <sup>(1)</sup>	94.3	90.1	174.4	163.6
<b>Total Revenues <sup>(1)</sup></b>	<b>99.9</b>	<b>96.4</b>	<b>185.6</b>	<b>175.5</b>
Operating expenses <sup>(1)</sup>	167.2	160.7	328.7	311.6
Contributions for employee benefits <sup>(1)</sup>	7.1	9.3	15.5	19.7
<b>Total Operating Expenses <sup>(1)</sup></b>	<b>174.3</b>	<b>170.0</b>	<b>344.2</b>	<b>331.3</b>
<b>Operating Loss</b>	<b>74.4</b>	<b>73.6</b>	<b>158.6</b>	<b>155.8</b>
Capital investments	25.1	26.2	47.7	44.5
Capital investments – Fleet Replacement Program	3.4	0.0	99.0	0.0
<b>Total Funding Required</b>	<b>102.9</b>	<b>99.8</b>	<b>305.3</b>	<b>200.3</b>
Government operating funding	74.4	73.6	158.6	155.8
Government capital funding	25.1	26.2	47.7	44.5
Government capital funding – Fleet Replacement Program	3.4	0.0	99.0	0.0
<b>Total Government Funding</b>	<b>102.9</b>	<b>99.8</b>	<b>305.3</b>	<b>200.3</b>
<b>Asset Renewal Funding</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Key Operating Statistics <sup>(2)</sup></b>				
Total passenger-miles (in millions)	256	240	480	451
Total passengers (in thousands)	1,203	1,131	2,348	2,221
Total seat-miles (in millions)	444	439	866	833
Operating deficit per passenger-mile (in cents)	29.1	30.7	33.0	34.5
Yield (cents per passenger-mile)	36.0	36.6	35.3	35.4
Train-miles operated (in thousands)	1,743	1,726	3,431	3,380
Car-miles operated (in thousands)	11,161	11,850	21,017	21,050
Average passenger load factor (%)	58	55	55	54
Average number of passenger-miles per train mile	147	139	140	133
On-time performance (%)	75	74	68	74
Number of full time equivalent employees during the period	3,248	3,186	3,183	3,082

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

(2) Key operating statistics are unaudited.



**Key Operating Statistics by Service Group for the Second Quarter of 2019**

<b>Train Services</b>	<b>Passengers Revenues*</b> (in thousands)	<b>Passengers</b> (in thousands)	<b>Passengers Miles</b> (in thousands)	<b>Government Funding</b> (per passenger mile)
Québec City – Windsor corridor	\$72,961	1,147.8	214,728	\$0.19
<i>Canadian</i>	\$15,375	21.7	27,813	\$0.39
<i>Ocean</i>	\$2,634	17.8	9,600	\$1.25
Regional services	\$991	15.8	3,619	\$3.11
<b>Total</b>	<b>\$91,961</b>	<b>1,203.1</b>	<b>255,760</b>	<b>\$0.29</b>

**Key Operating Statistics by Service Group for the Second Quarter of 2018**

<b>Train Services</b>	<b>Passengers Revenues*</b> (in thousands)	<b>Passengers</b> (in thousands)	<b>Passengers Miles</b> (in thousands)	<b>Government Funding</b> (per passenger mile)
Québec City – Windsor corridor	\$68,383	1,079.5	200,349	\$0.21
<i>Canadian</i>	\$16,393	20.5	27,734	\$0.46
<i>Ocean</i>	\$2,348	17.3	8,913	\$1.17
Regional services	\$702	13.9	2,750	\$3.39
<b>Total</b>	<b>\$87,826</b>	<b>1,131.2</b>	<b>239,746</b>	<b>\$0.31</b>

\* Excluding off-train and other passenger revenues.



# Review of Operations





In addition to a continued growth in ridership and revenue, VIA Rail's second quarter of 2019 saw exciting announcements and strengthened collaborations. From the allocation of new funding to advance VIA Rail's High Frequency Rail project, to our continued collaboration with community organizations, VIA Rail has a long-term vision of sustainability for all Canadians, from coast to coast. And with the arrival in May of the Corporation's first female President and Chief Executive Officer, Cynthia Garneau, a new chapter begins in the history of Canada's only dedicated inter-city passenger rail provider.

## Putting Passengers First

### Funding for High Frequency Rail (HFR)

On June 25, the Government of Canada and the Canada Infrastructure Bank joined with VIA Rail to announce at news conferences in Peterborough, ON, and Trois-Rivières, QC, that \$71 million in new funding has been allocated to advance VIA Rail's Québec City to Toronto HFR project. This announcement, which involves the creation of a Joint Project Office (JPO), is a critical step forward in ensuring VIA Rail continues to offer a modern passenger rail service for a more connected, more sustainable and more mobile Canada. The JPO, which is currently being established, will focus on key components of the project such as: finalizing legal and regulatory work related to safety and environmental assessments; consulting with stakeholders and Indigenous communities; examining required land and track acquisition; and completing the technical, financial and commercial analysis required for a final investment decision on HFR.



← Press conferences announcing funding for HFR were held at the Trois-Rivières (pictured) and Peterborough stations. Left to right: the Hon. Marc Garneau, Minister of Transport; the Hon. François-Philippe Champagne, Minister of Infrastructure and Communities; Pierre Lavallée, President and CEO of the Canada Infrastructure Bank; and Cynthia Garneau, President and CEO of VIA Rail.

## Vote of Confidence from Canadians

VIA Rail is the highest-ranked transportation company, and 19<sup>th</sup> overall on the list of 50 most reputable and trusted companies in Canada according to the Boston-based Reputation Institute's 2019 RepTrack, released in May. The study ranks companies based on criteria such as their ability to innovate and meet the needs of their customers, the quality of their products and services, and their business performance and positive influence on society.

In another study, the Gustavson Brand Trust Index, published by the University of Victoria's Gustavson School of Business, VIA Rail was included in the 50 most trusted brands in Canada and was the only transportation company on the list, making it number one in that category.

## New About VIA Page

In order to showcase the many modernization initiatives underway, the Digital team at VIA Rail recently unveiled a new *About VIA* corporate site. This revamped space will serve to highlight the change our Corporation is undergoing. It will help keep Canadians informed of and engaged with our major projects such as our new fleet, accessibility improvements, the Heritage Fleet Refurbishment Program and our proposed High Frequency Rail. As we continue to develop this space, visitors will be able to follow the stories of our initiatives through video, articles and photo galleries.



←  
The *About VIA* page provides updates and insights into our many modernization projects.

# Partnerships and Sponsorships



↑  
Beehives placed on the roof of Ottawa station as part of our partnership with Alvéole.

## Saving the Bees with Alvéole

VIA Rail has furthered its environmental protection efforts by establishing a partnership with Alvéole, a Canadian company that merges beekeeping with education and local communities. This partnership saw the installation of beehives on the rooftops of four VIA Rail stations: Vancouver, Winnipeg, Ottawa and Québec City. These eight hives (two at each station) are expected to produce a total of 800 pots of honey, 400 lip balms and 400 candles over one season, all of which will be donated to charity.





Students eager to board the train at Toronto's Union Station in April for an event on Parliament Hill celebrating Black History Month.

## Black History Month

In April, VIA Rail collaborated for the tenth consecutive year with the Children's Breakfast Club of Toronto to highlight Black History Month in an initiative that saw 200 young students from diverse cultural communities across southern Ontario travel by train to Parliament Hill. The event, themed *Generations of keeping Canadians healthy*, was initially intended to be held in February but was postponed due to a severe snowstorm. On the train, the Honourable Jean Augustine, first black woman to be elected to Parliament, and other community leaders engaged with students who also received a complete tour of Parliament, and met Members of Parliament and representatives of the Prime Minister.



## Butterflyway Project

The Butterflyway Project, created by the David Suzuki Foundation, is a citizen-led movement which works to grow "highways of habitat" for bees and butterflies across Canada. VIA Rail has proudly partnered with the foundation and our Pacific Central Station in Vancouver has become a Butterflyway patch following the installation of six new pollinator plots this past quarter.



↑  
Captain Lemaire (left) of the Canadian Armed Forces, D-Day veteran Alexander Polowin (centre) and VIA Rail employee and veteran Alain Fillion at the D-Day combat boots commemorative event in Kingston, ON in May.

## D-Day Boots Initiative

To commemorate the 75<sup>th</sup> anniversary of D-Day and the battle of Normandy, VIA Rail partnered with Veterans Affairs Canada to recreate the journey Canadian soldiers took from Vancouver to Halifax before travelling overseas to serve in Europe. For more than a month, several pairs of combat boots were placed on our trains during ceremonies hosted in VIA Rail's stations across the country. Veterans, their families and members of the Canadian Armed Forces were present to honour our soldiers' courage and sacrifice. In June, the combat boots that started their journey last March in Vancouver arrived at their destination of Halifax where a ceremony was then held.

## Commemorating Juno Beach

In honour of the 75<sup>th</sup> anniversary of D-Day and the Battle of Normandy, VIA Rail featured content on its On-Train Entertainment system about the historic event. The episodes, which include interviews with D-Day veterans, can be found in the Legacy of Honour channel.

# Performance

## Ridership and Revenues

The second quarter of 2019 presented positive results as VIA Rail saw ridership increase across all services in addition to an increase in total revenues and passenger revenues. As Canadians continue to adopt VIA Rail as a preferred way to travel, total revenues during the quarter increased 3.6% vs the same period last year, whereas passenger revenues increased by 4.9% vs Q2 2018. This marks the 21<sup>st</sup> consecutive quarter of revenue increases.

For its part, ridership increased across all services for an impressive 14<sup>th</sup> straight quarter. When compared to Q2 2018, the increases in ridership per service are as follows: Corridor 6.3%, *Ocean* 2.9%, *Canadian* 5.9% and regional services 13.7%. The significant increase in ridership for the latter category of services is due in large part to the return of the Winnipeg – Churchill service, which was restored following the reparation of the tracks damaged by severe flooding in May 2017.

# Modernization Projects

## New Fleet

Since the signing of the contract to build a new fleet of trains with Siemens last December, the project has progressed well. The concept and design phases, including the livery (exterior branding), the selection of interior colours and the configuration of seating, continue on schedule. We are working within the timeline to engage stakeholders, and at each stage of the project, all aspects of the security, accessibility and comfort of our passengers is taken into consideration. The progression of these phases is attributable notably to the collaboration of Siemens, of design specialists, and to the expertise of VIA Rail teams.



**Wider seats and lower noise emissions are among the benefits passengers will get to enjoy aboard VIA Rail's new fleet of trains.**



**In Ottawa, the accessible car layouts of VIA's new fleet were shared with representatives of organizations that represent people with disabilities, including the Canadian Council of the Blind and the Council of Canadians with Disabilities.**



↓  
Newly renovated concourse roof  
and skylight at Halifax station



## New Fleet Accessibility Information Sessions

In June, as part of VIA Rail's ongoing commitment to offer barrier-free transportation for those with functional limitations or disabilities, we held an information session to showcase the accessibility areas of the new fleet. People with functional limitations or disabilities and their attendants were invited to review and comment on the progress made since initial consultations held in 2018. The session, supported by several VIA Rail teams, also facilitated an open discussion and conversational exploration of the new fleet with representatives of the accessibility community and government and standards association observers (Canadian Transportation Agency). Participants were enthusiastic that their recommendations from previous consultation events were integrated within the new fleet layouts. VIA Rail's ongoing collaboration with accessibility partners demonstrates its proactive approach to accessibility and its commitment to complying with new regulations under the Accessible Canada Act, which will help to create a barrier-free Canada through the proactive identification, removal and prevention of barriers to accessibility wherever Canadians interact with areas under federal jurisdiction.

## Halifax Station

Work continued at Halifax Station as part of a project to make significant improvements to the overall condition of the building and showcase its historic heritage architecture. Once completed, the renovations will also improve accessibility and comfort for our passengers. As of the end of the quarter, the main concourse roof area had been rebuilt, including the replacement of the central roof and skylights which have led to an impressive increase of natural light in the station. Renovations, which include accessibility features, will be completed in the fourth quarter.

## Heritage Fleet Refurbishment Program Update

At the Montréal Maintenance Centre (MMC), work has been completed on five HEP II Economy cars and one Business car as of the end of June 2019. Upgrades include the overhaul of their mechanical system to ensure long-term reliability and the improvement of their interior design. At the end of the quarter, four HEP II cars were in the production line at the MMC, two Economy and two Business cars.

Selected suppliers also continued with the refurbishment and renovation of other VIA Rail HEP cars in the second quarter. At CAD Railway Industries in Lachine, Québec, work continues on six HEP I cars for use on the *Canadian*. At Bombardier facilities in La Pocatière, Québec, the age and the state of certain cars led to the reassessment of the scope of work that needed to be done. VIA Rail and Bombardier engineers are pursuing their analysis in order to assess the options available for the renovations of the cars. At Rail GD in New Richmond, Québec, four HEP I Diner cars are being fully refurbished to extend their lifecycle, which includes a completely new and modernized kitchen and service area. And finally, 11 units have been completed out of a total of 15 as part of the P42 locomotive partial overhaul project, which is on schedule for completion in 2020. The partial overhaul consists of major systems requalification or rebuild, engine full rebuild, and structure corrosion repair.

# Innovation

## Moving Toward Condition-Based Maintenance

Earlier this year, VIA Rail's Innovation team and Reliability Engineers partnered with the University of Waterloo School of Engineering to develop a testing workbench for braking sensors. This puts our Reliability Engineers in a position to decide whether the sensors need to be replaced or not. Previously, these sensors would be replaced on a set schedule, regardless of their condition. The aim is to bring significant data-driven insights and savings by partnering with cutting-edge institutions. The testbench was delivered to our Montréal Maintenance Centre in May 2019 and has already generated positive results, having saved the Corporation more than its cost.

# Awards and Recognition

## Accessibility

On June 18, during the 2019 *Association québécoise des transports* (AQTr) gala, which seeks to highlight outstanding transportation projects, VIA Rail won the public's choice award for Clear Station, its pilot project designed to help the blind and partially sighted navigate its stations autonomously. For this initiative, which was developed in collaboration with the International Union of Railways, VIA Rail also received the *Prix Ambassadeur* (Ambassador's Award), which recognizes a transportation project standing out for its innovation and technical realization aligned with sustainable mobility objectives.

## Veterans Employment

VIA Rail was honored in April with the Veterans Employment Transition Award at the annual Celebration of service on Parliament Hill in Ottawa. Bestowed by an all-party committee of Parliamentarian veterans, the award acknowledges the contributions of private and public sector employers valuing the unique experience of our Veterans and Reservists. It was awarded this year to VIA Rail in recognition of our exceptional commitment to implementing innovative programs supporting veterans re-entering the workforce.



↑  
VIA Rail recognized in Ottawa for its commitment to employing veterans. Left to right: the Hon. Erin O'Toole; Leona Alleslev, MP; Marc Rousseau, Lt-Col (ret'd) & VIA Rail military consultant; Jacques Fauteux, Lt-Commander (ret'd) & former VIA Rail Director, Governmental and Community Relations; the Hon. Karen McCrimmon; and the Hon. Andrew Leslie.



# Maintaining our Infrastructure



In May, engineers and crews worked throughout the night to replace a bridge span located on a VIA Rail-owned track in Ontario, allowing service to go uninterrupted.

## Bridge Replacement Project

On May 12, over the course of one night, VIA Rail completely replaced a bridge span located in Glen Robertson, Ontario. Without disrupting service, work began in the evening and followed a strict schedule in order to successfully carry out the transformation before the first VIA Rail train was scheduled to pass the next morning. More than six different trades took part in this project which required over 12 months of engineering, surveying and planning prior to its execution.

Lifting the bridge using a 300-ton hydraulic jack, engineers from the Infrastructure and Bridge Maintenance team converted the open deck structure to a ballast deck to increase passenger comfort and reduce maintenance costs.

The bridge replacement, aimed at improving ride comfort for passengers first and foremost, was a success. Feedback from train crews and VIA Rail management has been positive, and further bridge renovations are scheduled in Q3.

## VIA Rail Tracks

The VIA Rail team responsible for the maintenance of our infrastructure started the 2019 Track program this past quarter. The program involves the rehabilitation of crossings, reinforcement of curves and turnout replacements, all of which will help improve ride quality. VIA Rail is also continuing with its crossing rehabilitations program, and we are looking to develop new engineering standards to convert some existing wood tie segments to concrete ties. This would reduce the environmental footprint associated with the use of wood ties in addition to improving passenger comfort.

# Sustainable Mobility





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

## Our Sustainability Pillars

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

### Provide the Best Customer Experience

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

### Support Socio-Economic Development

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

### Operate Safely and Securely

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

### Reduce our Impact on the Environment

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

### Be an Attractive Employer

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

### Manage our Business Responsibly

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

# Manage our Business Responsibly

In the last quarter, VIA Rail met on several occasions with partners, collaborators and representatives from different levels of government to promote the positive impact of its operations and its High Frequency Rail. Representatives from VIA Rail shared their vision at various public affairs events, including the Public Policy Forum in Toronto and conferences held by the Montreal Council on Foreign Relations and the *Fédération des chambres de commerce du Québec*, among others. VIA Rail continues to work closely with business networks and chambers of commerce and was present at a variety of activities, galas and business meetings in recent months.

It was a particularly productive period for developing relationships with stakeholders in the transportation sector. Several meetings were held with representatives from transportation groups and agencies, including Transport Action Canada, Southwestern Ontario Transportation Alliance and the Railway Association of Canada. These meetings and presentations allowed us to reaffirm our role as a key player in Canada's transportation ecosystem and promote our vision for inter-city passenger rail.



← VIA Rail's Annual Public Meeting, held at the Delta Hotel in Montréal, saw executives answer the public's top-picked questions via live webcast.

## Annual Public Meeting

At the end of May, VIA Rail held its 2019 Annual Public Meeting by webcast in order to reach a larger audience and engage with the public. During the meeting, Françoise Bertrand, the Chairperson of the Board, Cynthia Garneau, President and CEO, and Patricia Jasmin, Chief Financial Officer, shared and discussed results from 2018 along with VIA Rail's plans for the future. The event, which was simultaneously translated, was hosted by Marie-Anna Murat, Senior Director, Corporate Communications. Canadians were invited to submit questions about our operations and services in the weeks leading up to the meeting. We received over 300 questions, and the ones that came up the most were collected and put to a vote, and the top 10 were answered by the President and members of the Executive Committee during the live event. Subtitled versions of the Annual Public Meeting are available on VIA Rail's YouTube channel in both official languages.

## Collaborating for Accessible Transportation for All

The Corporation is proud to be one of the most accessible modes of transport in Canada and is determined to continue collaborating with stakeholders from accessibility organizations to improve access in all its services. We were therefore pleased to participate in the 2<sup>nd</sup> Annual Digital Access Day, organized by the Internet Society Canada Chapter. We intend to continue our accessibility work in the coming quarters, particularly through collaboration with Public Works Canada, with whom we are currently engaged in knowledge-sharing efforts.



↑ VIA Rail representatives attending the Royal Assent Ceremony at the Senate of Canada for Bill C-81, the Government of Canada's landmark accessibility legislation. Left to right: Allan Fisher, Director, Facility Management; Catherine Langlois, Advisor, Universal Accessibility; the Hon. Carla Qualtrough, Minister of Public Services and Procurement and Accessibility; Helen Louise Gillis of the CCB; and Sean Schofield, Senior Advisor, Innovation.



# Support Socio-Economic Development

## Reinforcing our Relationships with Indigenous Communities

Over the past three months, VIA Rail has continued its work to strengthen its relations and cultural and economic connectedness with Indigenous communities. Meetings intended to foster mutual understanding were held with representatives from the Kitigan Zibi Anishinabeg community, and discussions took place with several Indigenous organizations, including KAIROS and imagineNATIVE, to explore potential partnerships.

Efforts to bring VIA Rail closer to Indigenous communities were also made within the organization itself. VIA Rail also continued to work towards meeting the requirements of the second phase of the Progressive Aboriginal Relations (PAR) Committed pre-certification stage, which focuses primarily on the development and deployment of Indigenous cultural awareness training for employees and on reinforcing the corporate Indigenous relations commitment and strategy created in the first phase.

Lastly, the Corporation took part in various events and activities, including a professional development webinar focused on emerging trends in Indigenous law.

## Empowering Women and Young Canadians

Over the past few months, our discussions and renewed partnerships with organizations such as Equal Voice, Women in Defense and Security, and the Forum for Young Canadians have demonstrated VIA Rail's commitment to collaborating with and supporting groups and partners promoting equality for women and youth engagement.

## Ongoing Collaboration with our Armed Forces

Since 2014, VIA Rail has employed a growing number of veterans and reservists. Supporting members of the military community is made possible in part through partnerships established to facilitate their transition and recruitment. On April 8, representatives from VIA Rail appeared before the Standing Committee on Government Operations and Estimates to present our best practices for veteran and reservist recruitment and the positive impact they have had.

## Diversity and Inclusion

In recent months, an internal committee was created to develop a diversity and inclusion policy for the company. VIA Rail also attended the annual fundraiser for ENSEMBLE for the respect of diversity, as well as the *Salon de l'immigration et de l'intégration au Québec*. In addition to these steps, VIA Rail has renewed its partnership with the Institute for Canadian Citizenship (ICC), which since 2012 has provided discounted VIA Rail travel rates to new immigrants during their first year of citizenship. The launch of the mobile application Canoo, which is replacing the ICC's Cultural Access Pass, has increased the use of this promotional offer by 92.6% compared to the same quarter in 2018.

# Reduce the Impact on the Environment

## Canadian Environment Week

At VIA Rail's headquarters, internal initiatives were implemented to mark Canadian Environment Week, including a used clothing drive to raise money for Big Brothers Big Sisters of Greater Montreal. VIA Rail is also proud to partner with the Earth Day organization and Nature Conservancy of Canada to contribute to the preservation of our environment.



↑  
VIA Rail student interns taking part in a clothing drive at VIA offices in Montréal in Q2.

## Going Green with Digital Trip Reports

VIA Rail's Innovation team collaborated with the Customer Experience team as well as On-Train Service (OTS) Managers to develop electronic versions of Service Managers' Trip Reports. This initiative successfully replaced the paper-based process with a simple intuitive application. The application was developed in close collaboration with Service Managers to ensure it met the needs of the SMs onboard. This initiative should result in the elimination of 30,000 paper reports per year and enable the sharing of data in real time with OTS Managers.

## Onboard Products Lifecycle Management

A sustainability pilot project was conducted on two VIA trains (one Economy class and one Business class) between Montréal and Québec City by an external environmental firm in order to evaluate VIA Rail's onboard products lifecycle and recommend better environmental practices. We are currently in the phase of reviewing onboard service products and defining key drivers to measure and track change impact. Our ultimate objective is to optimize the recycling process in order to reduce the waste, to increase recycling and reuse of products used onboard.

# Operating Safely and Securely

## Police and Corporate Security

VIA Rail Police and Corporate Security supported the 5<sup>th</sup> International Union of Railways (UIC) Security Week. They were present on trains and at information booths in major cities across Canada, engaging with passengers and employees on the topic of rail safety. VIA Rail Police had the opportunity to engage with a group of students returning to Halifax from an end-of-year school trip on the importance of awareness when around trains and train tracks. The children received CHOO CLUB activity bags for their excellent participation.

↓  
A VIA Police Officer poses for a photo with students aboard a Halifax-bound train during UIC Security Week in June.





# Provide the Best Customer Experience



Renderings of Ottawa station's Business lounge show a space conceptually redesigned for increased accessibility, functionality and capacity.



## Ottawa Station Business Lounge

A major renovation program was started this past quarter in the station's west wing, which involves the construction of a new Business lounge. This new lounge will feature increased capacity and functionality to better support operational needs. The concept for the Business lounge was concluded after several consultations with dozens of stakeholders through a successful iterative design process.

## Winter Readiness

Last year, in order to mitigate the effects of severe winter weather conditions, the Mechanical & Maintenance team, in collaboration with many implicated other departments at VIA Rail, created a Winter Readiness Playbook. The purpose of the playbook is to mitigate the effects of winter on our departure times and our fleet overall by better preparing for winter elements. Following its successful first year in use, VIA Rail will be implementing the playbook once again for the winter of 2019-2020.



# Key Performance Indicators





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

Key Performance Indicators		Quarters ended June 30			Periods ended June 30		
Indicator	Unit	Q2 2019	Q2 2018	Vs 2018	2019	2018	Vs 2018
<b>Capacity Deployed</b> (in millions) Number of available seat-miles (ASM) <sup>(1)</sup>	ASM	444	439	1.1%	866	833	4.0%
<b>Total Revenues / ASM</b> (RASM) Total revenues divided by total ASM	cents	22.47	21.95	■	21.44	21.06	■
<b>Total Costs <sup>(2)</sup> / ASM</b> (CASM) Total operating expenses divided by total ASM	cents	39.20	38.02	■	39.46	38.83	■
<b>RASM / CASM</b> Revenues per available seat-mile divided by the costs per available seat-mile	%	57.3%	57.7%	■	54.3%	54.2%	■
<b>On-Time Performance</b> On-Time Performance of all VIA Rail trains	%	75%	74%	■	68%	74%	■
<b>On-Time Performance – VIA Rail Infrastructure</b> On-Time performance of all VIA Rail trains on VIA Rail owned infrastructure	%	92%	95%	■	93%	95%	■
<b>Train Incidents</b> Includes mainline derailments, cardinal rule violations, critical speed violations, or critical rule violations which result in injury to passengers and/or employees, or damage to the rolling stock or infrastructure for a value of \$25,000 or more	#	2	0	■	3	3	■
<b>Employee Attendance</b> (excluding long-term disability) Total hours worked per month divided by the total possible work hours per month	%	95%	95%	■	94%	95%	■

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

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

■ Performance on or above previous year.

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

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



# Governance and Accountability





## Promoting and Celebrating our Official Languages

Celebrating the 50<sup>th</sup> anniversary of the *Official Languages Act*, VIA Rail published this past May its annual report on official languages. In keeping with its ongoing commitment to promote and endorse linguistic duality within the institution, VIA Rail closely monitors its language objectives and is proud that over the second quarter no complaints were made in regard to serving Canadians in the language of their choice.

In the second quarter, VIA Rail joined forces with *Fondation Paul Gérin-Lajoie* and the *Chambre de commerce francophone de St-Boniface* to promote linguistic duality. VIA Rail's Official Languages Champion attended the Network of Official Language Champions' annual meeting and the Symposium on the 50<sup>th</sup> Anniversary of the *Official Languages Act*.

## Total Compensation Statement

As part of our efforts to inspire loyalty and appreciation among our employees, non-unionized management employees received total compensation statements. The statements detailed the value of each component of their compensation (salary, bonus, group insurance, retirement) as well as the value of each non-monetary component (training, development, wellness, corporate discounts, train passes, flexibility, etc.). Each manager was responsible for meeting with their employees and distributing the statement. To prepare for the meeting, managers received an explanatory guide and were given the opportunity to register for a virtual training session. We received much positive feedback from both employees, who appreciated gaining an understanding of the total value of their compensation, and managers, who reported that they appreciated having another tool to encourage employee retention.

## The Board of Directors

As of June 30, 2019, the Board of Directors consists of the Chairperson of the Board of Directors, the President and Chief Executive Officer and 11 directors appointed by the Government of Canada. Of the 12 directors (not including the CEO of VIA Rail), seven (7) are women and five (5) are men. The Board is responsible for overseeing the strategic direction and management of the Corporation, and reports on VIA Rail's operations

to Parliament through the Honourable Marc Garneau, Minister of Transport.

The Chairperson of the Board of Directors is an ex officio member of all Committees. The President and Chief Executive Officer is also an ex officio member of all Committees, except the Audit & Pension Investment Committee. Throughout the second quarter of 2019, four (4) Board meetings were held. As well, the six (6) regular Board committees met eight (8) times between April and June 2019. The attendance rate at the meetings held during the second quarter was 90 per cent. Cumulative fees paid to Board members during this period totaled \$129,119.

## Access to Information and Privacy

VIA Rail believes that openness and transparency are essential to building a trusted relationship with customers, its partners and with the public in general. VIA Rail became subject to both the Access to Information Act and the Privacy Act in 2007. Since then, we have been committed to fulfilling our obligations and responding to information requests from the public, the media and all those interested in VIA Rail's operations. During the second quarter of 2019, VIA Rail received 10 new requests. VIA Rail also received five requests for personal information and six consultation requests.

## Travel, Hospitality and Conference Expenses

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

<b>Françoise Bertrand</b> Chairperson of the Board of Directors	\$1,806
<b>Yves Desjardins-Siciliano</b> President and CEO (exiting)	\$16,440
Executive management committee members (9)	\$40,943
Board of Directors (11)	\$24,763
<b>Total VIA Rail</b> (including above expenses)	<b>\$384,667</b>



# Management Discussion and Analysis





## 1. Introduction

The management discussion and analysis report outlines the financial results of VIA Rail for the quarter and the six-month period ended June 30, 2019 compared with the quarter and the six-month period ended June 30, 2018. This document should be read in conjunction with the interim condensed financial statements and notes.

### Materiality

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

## 2. Corporate Overview

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

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

### 3. Highlights of Financial Results and Major Key Operating Statistics

	Quarters ended June 30				Six-month periods ended June 30			
(in millions of Canadian dollars)	2019	2018	Var \$	Var %	2019	2018	Var \$	Var %
<b>Financial Performance</b>								
Passenger revenues <i>(section 4.2)</i>	<b>94.3</b>	89.9	4.4	4.9%	<b>174.0</b>	163.4	10.6	6.5%
Other revenues	<b>5.6</b>	6.3	(0.7)	(11.1%)	<b>11.2</b>	11.9	(0.7)	(5.9%)
Total revenues	<b>99.9</b>	96.2	3.7	3.8%	<b>185.2</b>	175.3	9.9	5.6%
Operating expenses <i>(section 4.3)</i>	<b>202.1</b>	192.0	10.1	5.3%	<b>396.9</b>	379.7	17.2	4.5%
Operating loss before funding from the Government of Canada and income taxes <i>(section 4.1)</i>	<b>(102.2)</b>	(95.8)	(6.4)	(6.7%)	<b>(211.7)</b>	(204.4)	(7.3)	(3.6%)
Operating funding from the Government of Canada <i>(section 4.1)</i>	<b>74.4</b>	73.6	0.8	1.1%	<b>158.6</b>	155.8	2.8	1.8%
Amortization of deferred capital funding	<b>25.1</b>	27.3	(2.2)	(8.1%)	<b>51.0</b>	52.2	(1.2)	(2.3%)
Income tax expense	<b>-</b>	0.2	(0.2)	(100.0%)	<b>0.1</b>	0.2	(0.1)	(50.0%)
Net income (loss) for the period	<b>(2.7)</b>	4.9	(7.6)	(155.1%)	<b>(2.2)</b>	3.4	(5.6)	(164.7%)
Remeasurements of the defined benefit components of the pension plans and post-employment benefit plans	<b>(69.3)</b>	51.8	(121.1)	(233.8%)	<b>(107.6)</b>	78.6	(186.2)	(236.9%)
Comprehensive income (loss) for the period	<b>(72.0)</b>	56.7	(128.7)	(227.0%)	<b>(109.8)</b>	82.0	(191.8)	(233.9%)
<b>Financial Position and Cash Flows</b>								
Total assets <i>(section 4.4)</i>	<b>1,515.4</b>	1,408.4	107.0	7.6%	<b>1,515.4</b>	1,408.4	107.0	7.6%
Total liabilities and deferred capital funding <i>(section 4.4)</i>	<b>1,710.8</b>	1,439.9	270.9	18.8%	<b>1,710.8</b>	1,439.9	270.9	18.8%
Cash <i>(section 4.5)</i>	<b>41.5</b>	18.8	22.7	120.7%	<b>41.5</b>	18.8	22.7	120.7%
Net cash (used in) provided by operating activities <i>(section 4.5)</i>	<b>18.8</b>	(1.3)	20.1	1,546.2%	<b>2.7</b>	2.6	0.1	3.8%
Net cash (used in) provided by investing activities <i>(section 4.5)</i>	<b>(2.5)</b>	10.2	(12.7)	(124.5%)	<b>25.3</b>	13.0	12.3	94.6%
Net cash (used in) financing activities <i>(section 4.5)</i>	<b>(0.6)</b>	-	(0.6)	n/a	<b>(1.3)</b>	-	(1.3)	n/a
Capital funding <i>(section 4.5)</i>	<b>28.5</b>	26.2	2.3	8.8%	<b>146.7</b>	44.5	102.2	229.7%
<b>Key Operating Statistics</b>								
Train-miles operated <i>(in thousands)</i>	<b>1,743</b>	1,726	17	1.0%	<b>3,431</b>	3,380	51	1.5%
Seat-miles <i>(in millions)</i>	<b>444</b>	439	5	1.1%	<b>866</b>	833	33	4.0%
Passenger-miles <i>(in millions)</i>	<b>256</b>	240	16	6.7%	<b>480</b>	451	29	6.4%
Average passenger load factor (%)	<b>58</b>	55	3	5.5%	<b>55</b>	54	1	1.9%
Operating deficit per passenger-mile <i>(in cents)</i>	<b>29.1</b>	30.7	(1.6)	(5.2%)	<b>33.0</b>	34.5	(1.5)	(4.3%)

(Amounts in bracket represent decreases)



## Financial highlights

### Second quarter

- VIA Rail's total revenues increased by 3.8 per cent due to higher passenger revenues in most major train services.
- Operating expenses increased by 5.3 per cent as a result of annual cost increases in most expense categories, as well as higher depreciation and amortization.
- The operating loss increased by 6.7 per cent due to the fact that the increase in operating expenses exceeded the increase in revenues.
- Operating funding increased by 1.1 per cent, reflecting the higher amounts required for funded activities.
- VIA Rail generated a comprehensive loss of \$72.0 million compared to an income of \$56.7 million in 2018. The variation is due to the remeasurements of defined benefit components of the pension plans and post-employment benefit plans.

### Six-month period

- VIA Rail's total revenues increased by 5.6 per cent due to higher passenger revenues in most major train services.
- Operating expenses increased by 4.5 per cent as a result of annual cost increases in most expense categories, as well as higher depreciation and amortization.
- The operating loss increased by 3.6 per cent due to the fact that the increase in operating expenses exceeded the increase in revenues.
- Operating funding increased by 1.8 per cent, reflecting the higher amounts required for funded activities.
- VIA Rail generated a comprehensive loss of \$109.8 million compared to an income of \$82.0 million in 2018. The variation is due to the remeasurements of defined benefit components of the pension plans and post-employment benefit plans.

## Operating statistics highlights

### Second quarter

- Capacity increased compared to previous year (1.0 per cent train-miles and 1.1 per cent seat-miles).
- Passenger-miles increased by 6.7 per cent.
- Operating deficit per passenger-mile decreased by 5.2 per cent.

### Six-month period

- Capacity increased compared to previous year (1.5 per cent train-miles and 4.0 per cent seat-miles).
- Passenger-miles increased by 6.4 per cent.
- Operating deficit per passenger-mile decreased by 4.3 per cent.

## 4. Analysis of Financial Results

### 4.1 Comparison of IFRS and Funded Operating Results

	Quarters ended June 30				Six-month periods ended June 30			
(in millions of Canadian dollars)	2019	2018	Var \$	Var %	2019	2018	Var \$	Var %
<b>Operating loss on a funded basis</b>	<b>(74.4)</b>	<b>(73.6)</b>	<b>(0.8)</b>	<b>(1.1%)</b>	<b>(158.6)</b>	<b>(155.8)</b>	<b>(2.8)</b>	<b>(1.8%)</b>
<b>NON-FUNDED ADJUSTMENT TO REVENUES</b>								
Adjustment for VIA Préférence points and other	-	(0.2)	0.2	100.0%	(0.4)	(0.2)	(0.2)	(100.0%)
<b>NON-FUNDED ADJUSTMENTS TO EXPENSES</b>								
Pension and other employee future benefits	(4.4)	(1.7)	(2.7)	(158.8%)	(5.8)	(1.3)	(4.5)	(346.2%)
Depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of intangible assets, and loss on disposal	(26.2)	(27.7)	1.5	5.4%	(52.6)	(52.9)	0.3	0.6%
Other provisions for non-cash items	2.8	7.4	(4.6)	(62.2%)	5.7	5.8	(0.1)	(1.7%)
Total non-funded adjustments to expenses	(27.8)	(22.0)	(5.8)	(26.4%)	(52.7)	(48.4)	(4.3)	(8.9%)
<b>Total items not requiring funds from operations</b>	<b>(27.8)</b>	<b>(22.2)</b>	<b>(5.6)</b>	<b>(25.2%)</b>	<b>(53.1)</b>	<b>(48.6)</b>	<b>(4.5)</b>	<b>(9.3%)</b>
<b>Operating loss under IFRS</b>	<b>(102.2)</b>	<b>(95.8)</b>	<b>(6.4)</b>	<b>(6.7%)</b>	<b>(211.7)</b>	<b>(204.4)</b>	<b>(7.3)</b>	<b>(3.6%)</b>
Operating funding from the Government of Canada	74.4	73.6	0.8	1.1%	158.6	155.8	2.8	1.8%
Amortization of deferred capital funding	25.1	27.3	(2.2)	(8.1%)	51.0	52.2	(1.2)	(2.3%)
<b>Net income (loss) before income taxes</b>	<b>(2.7)</b>	<b>5.1</b>	<b>(7.8)</b>	<b>(152.9%)</b>	<b>(2.1)</b>	<b>3.6</b>	<b>(5.7)</b>	<b>(158.3%)</b>
Income tax expense	-	0.2	(0.2)	(100.0%)	0.1	0.2	(0.1)	(50.0%)
<b>Net income (loss) under IFRS for the period</b>	<b>(2.7)</b>	<b>4.9</b>	<b>(7.6)</b>	<b>(155.1%)</b>	<b>(2.2)</b>	<b>3.4</b>	<b>(5.6)</b>	<b>(164.7%)</b>
Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans	(69.3)	51.8	(121.1)	(233.8%)	(107.6)	78.6	(186.2)	(236.9%)
<b>Comprehensive income (loss) for the period</b>	<b>(72.0)</b>	<b>56.7</b>	<b>(128.7)</b>	<b>(227.0%)</b>	<b>(109.8)</b>	<b>82.0</b>	<b>(191.8)</b>	<b>(233.9%)</b>

(Amounts in bracket represent decreases)

**Net income (loss) under IFRS for the quarter:**

**Net loss of (\$2.7 million) this quarter, compared to a net income of \$4.9 million last year, representing a deterioration of \$7.6 million mainly due to:**

- Higher operating loss (\$6.4 million), attributable to higher expenses of \$10.1 million partly offset by higher revenues of \$3.7 million.
- Lower amortization of deferred capital funding (\$2.2 million).
- Higher government funding received during the quarter (\$0.8 million).

**Net income (loss) under IFRS for the six-month period:**

**Net loss of (\$2.2 million) for the six-month period, compared to a net income of \$3.4 million last year, representing a deterioration of \$5.6 million mainly due to:**

- Higher operating loss (\$7.3 million), attributable to higher expenses of \$17.2 million partly offset by higher revenues of \$9.9 million.
- Lower amortization of deferred capital funding (\$1.2 million).
- Higher government funding received during the six-month period (\$2.8 million).

**Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans**

**Comprehensive loss of (\$72.0 million) in the second quarter and (\$109.8 million) for the six-month period ended June 30, 2019:**

The comprehensive loss for the period is due to the decrease in discount rate used to determine the defined benefit obligation (2.90 per cent as at June 30, 2019 compared to 3.90 per cent as at December 31, 2018) which resulted in a comprehensive loss of \$299.4 million, partly offset by the return on plan assets of \$195.7 million during the period. The comprehensive loss is also partly due to the decrease in discount rate used to determine the post-employment benefit obligation (3.00 per cent as at June 30, 2019 compared to 4.00 per cent as at December 31, 2018) which resulted in a loss of \$3.9 million.

**Comprehensive income of \$56.7 million in the second quarter and \$82.0 million for the six-month period ended June 30, 2018:**

The comprehensive income for the period was due to the increase of the discount rate used to determine the defined benefit obligation (3.60 per cent as at June 30, 2018 compared to 3.40 per cent as at December 31, 2017) which resulted in a comprehensive income of \$57.3 million for the period, as well as to the return on plan assets of \$21.3 million generated during the period.



## 4.2 Revenues

	Quarters ended June 30				Six-month periods ended June 30			
(in millions of Canadian dollars)	2019	2018	Var \$	Var %	2019	2018	Var \$	Var %
Passenger revenues								
Corridor East	60.9	56.6	4.3	7.6%	118.4	109.4	9.0	8.2%
Southwestern Ontario (SWO)	12.1	11.8	0.3	2.5%	24.7	24.0	0.7	2.9%
<b>Québec City – Windsor corridor</b>	<b>73.0</b>	<b>68.4</b>	<b>4.6</b>	<b>6.7%</b>	<b>143.1</b>	<b>133.4</b>	<b>9.7</b>	<b>7.3%</b>
<i>Ocean</i>	2.7	2.3	0.4	17.4%	4.3	3.9	0.4	10.3%
<i>Canadian</i>	15.3	16.3	(1.0)	(6.1%)	20.7	21.1	(0.4)	(1.9%)
Regional services	1.0	0.8	0.2	25.0%	1.5	1.1	0.4	36.4%
<b>Non corridor</b>	<b>19.0</b>	<b>19.4</b>	<b>(0.4)</b>	<b>(2.1%)</b>	<b>26.5</b>	<b>26.1</b>	<b>0.4</b>	<b>1.5%</b>
Other	2.3	2.1	0.2	9.5%	4.4	3.9	0.5	12.8%
<b>Total passenger revenues under IFRS</b>	<b>94.3</b>	<b>89.9</b>	<b>4.4</b>	<b>4.9%</b>	<b>174.0</b>	<b>163.4</b>	<b>10.6</b>	<b>6.5%</b>
Other revenues	5.6	6.3	(0.7)	(11.1%)	11.2	11.9	(0.7)	(5.9%)
<b>Total revenues under IFRS</b>	<b>99.9</b>	<b>96.2</b>	<b>3.7</b>	<b>3.8%</b>	<b>185.2</b>	<b>175.3</b>	<b>9.9</b>	<b>5.6%</b>
Adjustment for VIA Préférence points (non-funded) and other	-	0.2	(0.2)	(100.0%)	0.4	0.2	0.2	100.0%
<b>TOTAL FUNDED REVENUES</b>	<b>99.9</b>	<b>96.4</b>	<b>3.5</b>	<b>3.6%</b>	<b>185.6</b>	<b>175.5</b>	<b>10.1</b>	<b>5.8%</b>

(Amounts in bracket represent decreases)

Passengers	Quarters ended June 30				Six-month periods ended June 30			
(in thousands)	2019	2018	Var #	Var %	2019	2018	Var #	Var %
Passengers								
Corridor East	869.4	810.5	58.9	7.3%	1,697.3	1,598.4	98.9	6.2%
Southwestern Ontario (SWO)	278.4	269.0	9.4	3.5%	560.8	538.4	22.4	4.2%
<b>Québec City – Windsor corridor</b>	<b>1,147.8</b>	<b>1,079.5</b>	<b>68.3</b>	<b>6.3%</b>	<b>2,258.1</b>	<b>2,136.8</b>	<b>121.3</b>	<b>5.7%</b>
<i>Ocean</i>	17.8	17.3	0.5	2.9%	31.9	31.6	0.3	0.9%
<i>Canadian</i>	21.7	20.5	1.2	5.9%	32.1	29.4	2.7	9.2%
Regional services	15.8	13.9	1.9	13.7%	26.1	22.9	3.2	14.0%
<b>Non corridor</b>	<b>55.3</b>	<b>51.7</b>	<b>3.6</b>	<b>7.0%</b>	<b>90.1</b>	<b>83.9</b>	<b>6.2</b>	<b>7.4%</b>
<b>TOTAL PASSENGERS</b>	<b>1,203.1</b>	<b>1,131.2</b>	<b>71.9</b>	<b>6.4%</b>	<b>2,348.2</b>	<b>2,220.7</b>	<b>127.5</b>	<b>5.7%</b>

(Amounts in bracket represent decreases)

## Passenger revenues

Passenger revenues have increased by \$4.4 million (4.9 per cent) during the quarter, the increase is attributable to higher revenues generated in most major train services, resulting mainly from higher ridership.

Passenger revenues have increased by \$10.6 million (6.5 per cent) for the six-month period, the increase is also attributable to higher revenues generated in most major train services, resulting from a combination of higher ridership and improved average revenues.

### Corridor East

Revenues for the quarter are \$4.3 million (7.6 per cent) higher than last year. The increase stems from higher ridership (7.3 per cent), combined with improved average revenues (0.3 per cent).

On a cumulative basis, revenues have increased by \$9.0 million (8.2 per cent) for the six-month period. The increase is due to higher passenger volumes (6.2 per cent), combined with improved average revenues (1.9 per cent).

### Southwestern Ontario

Revenues have grown by \$0.3 million (2.5 per cent) during the quarter, due to higher passenger levels (3.5 per cent), partly offset by slightly lower average revenues (0.9 per cent).

For the six-month period, revenues have increased by \$0.7 million (2.9 per cent), and the increase stems in most part from the increase in ridership (4.2 per cent), partly offset by lower average revenues (1.2 per cent).

### Ocean

Revenues for the quarter have increased by \$0.4 million (17.4 per cent). The increase is attributable to both improved average revenues (9.9 per cent) and increased ridership (2.9 per cent).

For the six-month period, revenues increased by \$0.4 million (10.3 per cent). The increase is due to improved average revenues (9.2 per cent) and an increase in ridership (0.9 per cent).

### Canadian

Revenues on the *Canadian* have decreased by \$1.0 million (6.1 per cent), due to the decrease in average revenues (10.2 per cent), partly offset by higher ridership (5.9 per cent). The decline in average revenues stems from the changes in capacity during the peak season.

Trains sizes are shorter compared to last year and the third peak weekly frequency operates only between Edmonton and Vancouver instead of between Toronto and Vancouver. As a result, there are fewer passengers in sleeper classes, impacting average revenues.

On a cumulative basis, revenues have decreased by \$0.4 million (1.9 per cent) for the sixth-month period, due to the decline in average revenues (10.1 per cent), partly offset by higher ridership (9.2 per cent).

### Regional services

Revenues on Regional services have increased by \$0.2 million (25.0 per cent) for the quarter, and by \$0.4 million (36.4 per cent) for the six-month period. This increase is due to the return of service on the Gillam-Churchill segment of the Winnipeg-Churchill train. The service was interrupted in May 2017 following severe flooding which damaged the infrastructure, and only resumed in December 2018.

### Adjustment for VIA Préférence points and other non-funded element

There was no adjustment recorded during the quarter, which represents a decrease of \$0.2 million compared to last year. The adjustment for the six-month period is \$0.4 million, which represents an increase of \$0.2 million (100.0 per cent) compared to the prior year.

### Other revenues

Other revenues for the quarter have decreased by \$0.7 million (11.1 per cent), and by \$0.7 million (5.9 per cent) for the six-month period. The decrease for both the quarter and the six-month period is attributable to lower station revenues due to the loss of tenants in some stations, as well as lower third-party revenues at the Toronto Maintenance Center.



## 4.3 Operating Expenses

	Quarters ended June 30				Six-month periods ended June 30			
(in millions of Canadian dollars)	2019	2018	Var \$	Var %	2019	2018	Var \$	Var %
Compensation and employee benefits	86.7	84.0	2.7	3.2%	168.5	162.0	6.5	4.0%
Train operations and fuel	36.4	34.4	2.0	5.8%	74.4	71.2	3.2	4.5%
Stations and property	8.7	10.0	(1.3)	(13.0%)	20.6	22.0	(1.4)	(6.4%)
Marketing and sales	8.0	10.2	(2.2)	(21.6%)	17.0	17.6	(0.6)	(3.4%)
Maintenance material	10.2	8.4	1.8	21.4%	19.6	18.3	1.3	7.1%
Professional services	4.8	5.0	(0.2)	(4.0%)	10.0	10.1	(0.1)	(1.0%)
Telecommunications	5.3	5.5	(0.2)	(3.6%)	10.6	10.1	0.5	5.0%
Depreciation and amortization	26.0	25.7	0.3	1.2%	52.1	49.5	2.6	5.3%
Loss on disposal of property, plant and equipment and intangible assets	0.2	2.0	(1.8)	(90.0%)	0.5	3.4	(2.9)	(85.3%)
Unrealized net loss (net gain) on derivative financial instruments	2.2	(4.6)	6.8	147.8%	(3.5)	(6.6)	3.1	47.0%
Other	13.6	11.4	2.2	19.3%	27.1	22.1	5.0	22.6%
<b>Total operating expenses under IFRS</b>	<b>202.1</b>	<b>192.0</b>	<b>10.1</b>	<b>5.3%</b>	<b>396.9</b>	<b>379.7</b>	<b>17.2</b>	<b>4.5%</b>
Non-funded adjustments <i>(section 4.1)</i>	(27.8)	(22.0)	(5.8)	(26.4%)	(52.7)	(48.4)	(4.3)	(8.9%)
<b>Total funded expenses</b>	<b>174.3</b>	<b>170.0</b>	<b>4.3</b>	<b>2.5%</b>	<b>344.2</b>	<b>331.3</b>	<b>12.9</b>	<b>3.9%</b>

(Amounts in bracket represent decreases)

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

Total operating expenses increased by \$10.1 million (5.3 per cent) for the quarter, and by \$17.2 million (4.5 per cent) for the six-month period. The primary variances are:

#### **Stations and property**

Decrease of \$1.3 million (13.0 per cent) for the quarter, and of \$1.4 million (6.4 per cent) for the six-month period. The decreases are attributable to the impact of a credit recorded during the second quarter of 2019 related to the 2018 rent agreement at Toronto Union station and are also due to the application of IFRS 16 as at January 1, 2019. The decreases are partly offset by higher utilities and snow removal expenses associated with the harsh 2019 winter conditions.

#### **Marketing and sales**

The expenses decreased by \$2.2 million (21.6 per cent) during the quarter, and by \$0.6 million (3.4 per cent) for the six-month period. Both decreases result from timing in advertising campaigns.

#### **Maintenance material**

Increase of \$1.8 million (21.4 per cent) for the quarter, and an increase of \$1.3 million (7.1 per cent) for the six-month period. Both increases are mainly due to higher costs for materials resulting from additional preventative maintenance work, as well as timing in the replacement of wheels.

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

The expense decreased by \$1.8 million (90.0 per cent) for the quarter and by \$2.9 million (85.3 per cent) for the six-month period. The decrease is explained by the fact that in 2018, some components of GPA30 were retired as part of the GPA30 overhaul program. In 2019, no project resulted in such retirement of components.

#### **Unrealized net loss (net gain) on derivative financial instruments**

Net loss of \$2.2 million for the quarter and net gain of \$3.5 million for the six-month period compared to a net gain of \$4.6 million for the quarter ended June 30, 2018 and a net gain of \$6.6 million for the six-month period. As at June 30, 2019, contract prices are below market prices, explaining the gain of \$3.5 million, however market prices have decreased compared to what they were as at March 31, 2019 justifying the loss during second quarter.

#### **Other**

The expenses increased by \$2.2 million (19.3 per cent) for the quarter and by \$5.0 million (22.6 per cent) for the six-month period. The increase for the quarter and six-month period stems mainly from higher costs for equipment repairs associated with train incidents.



## 4.4 Financial Position

(in millions of Canadian dollars)	June 30, 2019	December 31, 2018	Var \$	Var %
<b>ASSETS</b>				
Current assets	109.3	102.4	6.9	6.7%
Property, plant and equipment	921.2	911.4	9.8	1.1%
Right-of-use assets	33.5	-	33.5	n/a
Intangible assets	352.2	360.2	(8.0)	(2.2%)
Advance on contract	94.0	74.4	19.6	26.3%
Employee benefit assets	4.3	17.6	(13.3)	(75.6%)
Other	0.9	0.9	-	0.0%
<b>Total assets</b>	<b>1,515.4</b>	<b>1,466.9</b>	<b>48.5</b>	<b>3.3%</b>
<b>LIABILITIES</b>				
Current liabilities	186.6	255.5	(68.9)	(27.0%)
Employee benefit liabilities	140.1	40.0	100.1	250.3%
Lease liabilities	31.4	-	31.4	n/a
<b>Total liabilities</b>	<b>358.1</b>	<b>295.5</b>	<b>62.6</b>	<b>21.2%</b>
<b>Deferred capital funding</b>	<b>1,352.7</b>	<b>1,257.0</b>	<b>95.7</b>	<b>7.6%</b>
Share capital	9.3	9.3	-	0.0%
Accumulated deficit, beginning of period	(94.9)	(122.8)	27.9	22.7%
Net (loss)	(2.2)	(19.0)	16.8	88.4%
Other comprehensive income (loss)	(107.6)	46.9	(154.5)	(329.4%)
<b>Accumulated deficit, end of period</b>	<b>(204.7)</b>	<b>(94.9)</b>	<b>(109.8)</b>	<b>(115.7%)</b>
<b>Total liabilities and shareholder's deficit</b>	<b>1,515.4</b>	<b>1,466.9</b>	<b>48.5</b>	<b>3.3%</b>

(Amounts in bracket represent decreases)

The main changes in the Statement of Financial Position result from the following major elements:

### Assets

Total assets increased by \$48.5 million due mainly to an advance on a contract as well as the increase in the right-of-use assets due to the application of IFRS 16 as at January 1, 2019.

the application of IFRS 16. Employee benefit liabilities have also increased by \$100.1 million because of the decrease in discount rates. Deferred capital funding has increased by \$95.7 million mainly due to the government funding received for an advance on contract for the fleet replacement.

### Liabilities and deferred capital funding

The current liabilities have decreased by \$68.9 million as a result of the payment of an advance on contract, while the lease liabilities have increased by \$31.4 million due to

### Other comprehensive income (loss)

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

## 4.5 Liquidity, Cash Flows and Capital Investments

### Liquidity and cash flows

	Quarters ended June 30				Six-month periods ended June 30			
(in millions of Canadian dollars)	2019	2018	Var \$	Var %	2019	2018	Var \$	Var %
<b>Balance, beginning of period</b>	<b>25.8</b>	9.9	15.9	160.6%	<b>14.8</b>	3.2	11.6	362.5%
Net cash (used in) provided by operating activities	<b>18.8</b>	(1.3)	20.1	1,546.2%	<b>2.7</b>	2.6	0.1	3.8%
Net cash (used in) provided by investing activities	<b>(2.5)</b>	10.2	(12.7)	(124.5%)	<b>25.3</b>	13.0	12.3	94.6%
Net cash (used in) financing activities	<b>(0.6)</b>	-	(0.6)	n/a	<b>(1.3)</b>	-	(1.3)	n/a
<b>Balance, end of period</b>	<b>41.5</b>	<b>18.8</b>	<b>22.7</b>	<b>120.7%</b>	<b>41.5</b>	<b>18.8</b>	<b>22.7</b>	<b>120.7%</b>

(Amounts in bracket represent decreases)

#### Operating activities

Net cash increased by \$20.1 million (1,546.2 per cent) for the quarter and \$0.1 million (3.8 per cent) for the six-month period. The increase for the quarter is mainly due to the variance of \$14.0 million in non-cash working capital items, as shown in Note 21 of the interim condensed financial statements and the variance of \$4.5 million between the post-employment and other employee benefits expenses that was higher than the contributions. The increase for the six-month period is mainly due to the variance of \$5.8 million between the post-employment and other employee benefits expenses in excess of employer contributions partly offset by the non-cash unrealized net gain on derivative financial instruments of \$3.5 million.

#### Investing activities

Net cash decreased by \$12.7 million for the quarter and increased by \$12.3 million for the six-month period. The decrease during the quarter results mainly from the payment of an advance on contract for which government funding was received during the previous quarter.

The increase during the six-month period is attributable to the fact that the amount of government funding received was higher than the amounts paid for the acquisition of fixed assets.

#### Financing activities

Net cash decreased by \$0.6 million for the quarter and by \$1.3 million for the six-month period due to the application of IFRS 16. This decrease is offset by an increase in cash provided by operating activities, resulting from a lower lease expense. Globally, IFRS 16 had no impact on the Corporation's cash flows.



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

### Capital investments

Property, plant and equipment and intangible assets totalled \$1,273.4 million as at June 30, 2019, which is an increase of \$1.8 million compared to the balance as at December 31, 2018.

Capital investments of \$28.5 million were made during the quarter and \$146.7 million were invested during the six-month period:

(in millions of Canadian dollars)	Quarters ended June 30				Six-month periods ended June 30			
	2019	2018	Var \$	Var %	2019	2018	Var \$	Var %
Equipment	10.3	9.2	1.1	12.0%	22.6	14.9	7.7	51.7%
Infrastructure	1.9	4.3	(2.4)	(55.8%)	4.1	7.5	(3.4)	(45.3%)
Information technology	5.4	4.9	0.5	10.2%	9.5	9.4	0.1	1.1%
Stations	4.4	4.2	0.2	4.8%	6.5	7.5	(1.0)	(13.3%)
Fleet Replacement Program	3.4	-	5.0	n/a	5.0	-	5.0	n/a
Other	3.1	3.6	(2.1)	(58.3%)	5.0	5.2	(0.2)	(3.8%)
<b>Capital investments</b>	<b>28.5</b>	<b>26.2</b>	<b>2.3</b>	<b>8.8%</b>	<b>52.7</b>	<b>44.5</b>	<b>8.2</b>	<b>18.4%</b>
Advance on contract – Fleet Replacement Program	-	-	-	n/a	94.0	-	94.0	n/a
<b>Total</b>	<b>28.5</b>	<b>26.2</b>	<b>2.3</b>	<b>8.8%</b>	<b>146.7</b>	<b>44.5</b>	<b>102.2</b>	<b>229.7%</b>

(Amounts in bracket represent decreases)

The most significant investments made during the quarter were for the HEP Corridor Economy and Business cars rebuild projects, the mid-life overhaul of locomotives, various bridge and deck improvements, as well as in the infrastructure track program on infrastructure owned by VIA Rail.

The most significant projects made during the six-month period include the ones made during the second quarter, as well as the investments made in Ottawa station for the main concourse roof, electrical room and elevated platform.

## 5. Risk Analysis

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

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

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

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



Increasing



Stable



Decreasing

## 6. Outlook

VIA Rail's performance during the second quarter continued to be very positive in terms of revenues and ridership, with yet another consecutive quarter in revenue growth and a fourteenth consecutive quarter in ridership growth. However with an aging fleet and declining on-time performance, optimization of capacity is becoming more challenging.

Management remains focused on pursuing its transformation to deploy its Destination 2025, and the completion of its capital investment projects including the Heritage Program and the Fleet Replacement Program, while managing its costs to ensure authorized funding levels are respected.



# Interim Condensed Financial Statements





# Management's Responsibility Statement

**Quarter ended June 30, 2019**

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 Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines are necessary to enable the presentation of quarterly financial statements that are free from material 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



**Patricia Jasmin, CPA, CA**  
Chief Financial Officer

# Interim Condensed Financial Statements

## Statement of Financial Position

(in thousands of Canadian dollars)	June 30, 2019	December 31, 2018
	(unaudited)	(audited)
<b>CURRENT ASSETS</b>		
Cash	\$ 41,498	\$ 14,823
Trade and other receivables (Note 8)	25,392	49,051
Other current assets	9,075	6,107
Derivative financial instruments (Note 9)	1,324	620
Materials	31,022	28,751
Asset Renewal Fund (Note 10)	1,096	3,096
	109,407	102,448
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment (Note 11)	921,153	911,374
Right-of-use assets (Note 12)	33,497	-
Intangible assets (Note 13)	352,175	360,190
Advance on contract (Note 14)	93,999	74,399
Asset Renewal Fund (Note 10)	873	873
Employee benefit assets (Note 19)	4,321	17,634
	1,406,018	1,364,470
<b>Total Assets</b>	<b>\$ 1,515,425</b>	<b>\$ 1,466,918</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables (Note 15)	\$ 105,670	\$ 203,852
Lease liabilities (Note 16)	2,457	-
Provisions (Note 17)	10,160	9,423
Deferred government funding related to capital expenditures	16,494	-
Derivative financial instruments (Note 9)	2,522	5,287
Deferred revenues (Note 18)	49,323	36,961
	186,626	255,523
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities (Note 16)	31,398	-
Employee benefit liabilities (Note 19)	140,147	40,020
	171,545	40,020
<b>Deferred capital funding (Note 20)</b>	<b>1,352,682</b>	<b>1,256,975</b>
<b>SHAREHOLDER'S DEFICIENCY</b>		
Share capital	9,300	9,300
Accumulated deficit	(204,728)	(94,900)
	(195,428)	(85,600)
<b>Total Liabilities and Shareholder's deficiency</b>	<b>\$ 1,515,425</b>	<b>\$ 1,466,918</b>

Commitments (Note 23)

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

# Interim Condensed Financial Statements

## Statement of Comprehensive Income

	Quarters ended June 30		Six-month periods ended June 30	
(in thousands of Canadian dollars) (unaudited)	2019	2018	2019	2018
<b>REVENUES</b> (Note 6)				
Passenger	\$ 94,295	\$ 89,888	\$ 173,976	\$ 163,391
Other	5,601	6,289	11,209	11,871
	<b>99,896</b>	<b>96,177</b>	<b>185,185</b>	<b>175,262</b>
<b>EXPENSES</b>				
Compensation and employee benefits	86,656	84,033	168,475	162,007
Train operations and fuel	36,385	34,452	74,354	71,224
Stations and property	8,660	9,987	20,553	21,958
Marketing and sales	8,034	10,114	17,030	17,558
Maintenance material	10,176	8,446	19,609	18,328
On-train product costs	6,661	6,282	12,253	11,004
Operating taxes	3,308	2,781	6,458	5,768
Professional services	4,852	5,027	10,032	10,082
Telecommunications	5,315	5,444	10,579	10,091
Depreciation of property, plant and equipment (Notes 11 and 24)	18,745	18,752	37,613	35,781
Depreciation of right-of-use assets (Note 12)	820	-	1,637	-
Amortization of intangible assets (Notes 13 and 24)	6,431	6,895	12,863	13,688
Loss on disposal of property, plant and equipment (Notes 11 and 24)	209	1,846	488	3,230
Loss on disposal of intangible assets (Notes 13 and 24)	-	122	-	122
Unrealized net loss (net gain) on derivative financial instruments	2,278	(4,622)	(3,469)	(6,644)
Realized (net gain) on derivative financial instruments	(394)	(1,024)	(567)	(1,177)
Interest expense on lease liabilities	255	-	441	-
Other	3,749	3,464	8,570	6,670
	<b>202,140</b>	<b>191,999</b>	<b>396,919</b>	<b>379,690</b>
<b>OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES</b>	<b>(102,244)</b>	<b>(95,822)</b>	<b>(211,734)</b>	<b>(204,428)</b>
Operating funding from the Government of Canada (Note 7)	74,443	73,547	158,616	155,782
Amortization of deferred capital funding (Note 20)	25,138	27,318	51,020	52,231
Net income (loss) before income taxes	(2,663)	5,043	(2,098)	3,585
Income tax expense	71	78	138	155
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>(2,734)</b>	<b>4,965</b>	<b>(2,236)</b>	<b>3,430</b>
Other comprehensive income (loss)				
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 19)	(69,268)	51,792	(107,592)	78,604
	<b>(69,268)</b>	<b>51,792</b>	<b>(107,592)</b>	<b>78,604</b>
<b>COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ (72,002)</b>	<b>\$ 56,757</b>	<b>\$ (109,828)</b>	<b>\$ 82,034</b>

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



# Interim Condensed Financial Statements

## Statement of Changes in Shareholder's Deficiency

	Quarters ended June 30		Six-month periods ended June 30	
(in thousands of Canadian dollars) (unaudited)	2019	2018	2019	2018
SHARE CAPITAL	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300
<b>Accumulated deficit</b>				
<b>Balance, beginning of period</b>	<b>(132,726)</b>	(97,538)	<b>(94,900)</b>	(122,815)
Net income (loss) for the period	<b>(2,734)</b>	4,965	<b>(2,236)</b>	3,430
Other comprehensive income (loss) for the period	<b>(69,268)</b>	51,792	<b>(107,592)</b>	78,604
<b>Balance, end of period</b>	<b>(204,728)</b>	(40,781)	<b>(204,728)</b>	(40,781)
<b>Total Shareholder's deficiency</b>	<b>\$ (195,428)</b>	\$ (31,481)	<b>\$ (195,428)</b>	\$ (31,481)

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

# Interim Condensed Financial Statements

## Statement of Cash Flows

	Quarters ended June 30		Six-month periods ended June 30	
(in thousands of Canadian dollars) (unaudited)	2019	2018	2019	2018
<b>OPERATING ACTIVITIES</b>				
Net income (loss) for the period	\$ (2,734)	\$ 4,965	\$ (2,236)	\$ 3,430
Adjustments to determine net cash (used in) provided by operating activities:				
Depreciation of property, plant and equipment (Notes 11 and 24)	18,745	18,752	37,613	35,781
Depreciation of right-of-use assets (Note 12)	820	-	1,637	-
Amortization of intangible assets (Notes 13 and 24)	6,431	6,895	12,863	13,688
Loss on disposal of property, plant and equipment (Notes 11 and 24)	209	1,846	488	3,230
Loss on disposal of intangible assets (Notes 13 and 24)	-	122	-	122
Amortization of deferred capital funding (Note 20)	(25,138)	(27,318)	(51,020)	(52,231)
Interest income	(263)	(339)	(565)	(441)
Interest paid	(255)	-	(441)	-
Unrealized net loss (net gain) on derivative financial instruments	2,278	(4,622)	(3,469)	(6,644)
Post-employment and other employee benefit expenses (Note 19)	11,374	11,021	20,943	21,064
Employer post-employment and other employee benefit contributions (Note 19)	(6,907)	(9,277)	(15,096)	(19,737)
Interest expense on lease liabilities	255	-	441	-
Net change in non-cash working capital items (Note 21)	13,984	(3,367)	1,556	4,360
<b>Net cash (used in) provided by operating activities</b>	<b>18,799</b>	<b>(1,322)</b>	<b>2,714</b>	<b>2,622</b>
<b>INVESTING ACTIVITIES</b>				
Government funding received related to acquisition of property, plant and equipment and intangible assets (Notes 20 and 24)	47,444	29,226	92,745	56,226
Government funding received related to an advance on contract	-	-	93,999	-
Cash drawdown from the Asset Renewal Fund (Note 10)	-	-	2,000	4,684
Acquisition of property, plant and equipment and intangible assets (Notes 11, 13, 15 and 24)	(30,698)	(19,407)	(70,071)	(48,364)
Payment of an advance on contract	(19,600)	-	(93,999)	-
Interest received	263	339	565	441
Proceeds from the disposal of property, plant and equipment	-	-	1	-
<b>Net cash (used in) provided by investing activities</b>	<b>(2,591)</b>	<b>10,158</b>	<b>25,240</b>	<b>12,987</b>
<b>FINANCING ACTIVITIES</b>				
Payment of the lease liabilities	(592)	-	(1,279)	-
<b>Net cash (used in) financing activities</b>	<b>(592)</b>	<b>-</b>	<b>(1,279)</b>	<b>-</b>
<b>CASH</b>				
Increase during the period	15,616	8,836	26,675	15,609
Balance, beginning of period	25,882	9,968	14,823	3,195
<b>Balance, end of period</b>	<b>\$ 41,498</b>	<b>\$ 18,804</b>	<b>\$ 41,498</b>	<b>\$ 18,804</b>
<b>REPRESENTED BY:</b>				
Cash	41,498	18,804	41,498	18,804
	<b>\$ 41,498</b>	<b>\$ 18,804</b>	<b>\$ 41,498</b>	<b>\$ 18,804</b>

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

# Notes to the Interim Condensed Financial Statements

For the period ended June 30, 2019 (unaudited)

## 1. Authority and Objectives

VIA Rail Canada Inc. is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Corporation was incorporated in 1977 in Canada, under the *Canada Business Corporations Act*. The corporate headquarters is located at 3 Place Ville-Marie, Montréal (Québec). The Corporation's vision is to be a smarter way to move people with a mission to place passengers at the core of everything we do and 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 interim condensed financial statements were approved and authorized for issue by the Board of Directors on August 23, 2019.

## 2. Basis of Preparation

### a) Statement of compliance

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

These unaudited interim condensed financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting*. The interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with the IFRS.



## b) Functional and presentation currency

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

## 3. Changes in Accounting Policies Adopted in the Period

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

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

Lessor accounting remains largely unchanged from current practice – i.e. lessors continue to classify leases as finance and operating leases. Therefore, IFRS 16 did not have any impact on leases in which the Corporation is the lessor.

The Corporation has elected to use the modified retrospective approach, under which the cumulative effect of initial application is recognized in accumulated deficit at January 1, 2019. The comparative financial information for the period ended June 30, 2018 was not adjusted in the period ended June 30, 2019. IFRS 16 did not have any impact on the opening balance of accumulated deficit.

As part of the initial application of IFRS 16, the Corporation chose to apply the practical expedient which allows to adjust right-of-use assets by the amount of any provision for onerous leases recognized in the Statement of Financial Position immediately before the date of initial application as an alternative to performing an impairment review. The Corporation recorded no amount for onerous leases at the date of initial application.

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

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

#### Nature of the effect of the adoption of IFRS 16

The Corporation has lease contracts for various assets including lands, stations, facilities, office spaces and information technology equipment. Before the adoption of IFRS 16, the Corporation (as a lessee) classified leases solely as operating leases. In an operating lease, the leased property was not capitalized, and the payments were recognized as an expense in the Statement of Comprehensive Income. Upon adoption of IFRS 16, the Corporation applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific requirements and practical expedients, which have been applied by the Corporation.

The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Corporation also applies the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied exemptions for short-term contracts whose lease term is within 12 months of the date of the initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at January 1, 2019, 17 leases for a total value of \$35.0 million were recognized as right-of-use assets and lease liabilities, - i.e. these leases were reclassified from the Statement of Comprehensive Income to the Statement of Financial Position at the date of initial application. Due to the application of IFRS 16, the Corporation's interest, depreciation and amortization have increased while the stations and property expenses and the telecommunication expenses have decreased. The impact of adopting this standard on the Statement of Cash Flows is neutral, however the principal repayment of the lease liabilities will be presented in financing activities under IFRS 16, whereas previously it was presented in operating activities.

At the date of initial application, the incremental borrowing rates applied to lease liabilities vary from 2.30 per cent to 3.27 per cent according to the duration of the lease while the weighted average incremental borrowing rate is 3.00 per cent.

The amount of commitments relating to operating leases is reduced significantly because the non-cancellable operating leases are considered as leases under IFRS 16 and are presented in the Statement of Financial Position.

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

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

## 4. Summary of Significant Accounting Policies

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

Only the following significant accounting policies have changed since December 31, 2018:

### a) Right-of-use assets

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

The Corporation assesses whether a contract is or contains a lease, at inception of a contract. The Corporation recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases who at the commencement date, have a term of 12 months or less) and leases of low-value assets.

The Corporation recognizes right-of-use assets at the commencement date of a lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the liabilities. The cost of right-of-use assets includes the amount of lease liability recognized, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs.

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

The right-of-use assets are presented as a separate line in the Statement of Financial Position.

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



## 4. Summary of Significant Accounting Policies (cont'd)

### b) Lease liabilities

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

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

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

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

The lease liability is presented as a separate line in the Statement of Financial Position.

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

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

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

### c) Short-term leases and leases of low-value assets

The Corporation applies the short-term lease recognition exemption to its short-term leases (i.e. those with a lease term of 12 months or less from the commencement date and who do not contain a purchase option). The Corporation also applies the low-value asset recognition exemption to leases that are considered of low value (i.e. below 5,000 USD). For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 5. Key Sources of Estimation Uncertainty and Critical Judgments

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

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

The application of IFRS 16 requires significant judgments and certain key estimations that have an impact on the amounts presented in the Statement of Financial Position.

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

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

## 6. Revenues

The following table disaggregates the revenue by major sources:

	Quarters ended June 30		Six-month periods ended June 30	
(in millions of Canadian dollars)	2019	2018	2019	2018
<b>REVENUES</b>				
Transportation and accommodation	91.5	87.1	168.7	158.3
On-train food and beverages and other	2.8	2.8	5.3	5.1
<b>Revenues from passengers</b>	<b>94.3</b>	89.9	<b>174.0</b>	163.4
Investment income	0.2	0.3	0.5	0.4
Third-party servicing	2.4	2.7	4.5	4.8
Rental and sub-lease rental income	3.0	3.3	6.2	6.7
<b>Revenues from other sources</b>	<b>5.6</b>	6.3	<b>11.2</b>	11.9
<b>Total revenues</b>	<b>99.9</b>	96.2	<b>185.2</b>	175.3

## 7. Reconciliation of Operating Loss to Government Funding

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

	Quarters ended June 30		Six-month periods ended June 30	
(in millions of Canadian dollars)	2019	2018	2019	2018
Operating loss before funding from the Government of Canada and income taxes	102.2	95.8	211.7	204.4
Items requiring operating funds:				
Income tax expense	-	0.1	0.1	0.2
Items (not requiring) not providing operating funds:				
Depreciation of property, plant and equipment	(18.7)	(18.8)	(37.6)	(35.8)
Depreciation of right-of-use assets	(0.8)	-	(1.6)	-
Amortization of intangible assets	(6.5)	(6.9)	(12.9)	(13.7)
Loss on disposal of property, plant and equipment	(0.2)	(1.8)	(0.5)	(3.2)
Loss on disposal of intangible assets	-	(0.1)	-	(0.1)
Post-employment and other employee benefit contributions in excess of expenses	(4.4)	(1.7)	(5.8)	(1.3)
Unrealized (net loss) net gain on derivative financial instruments	(2.2)	4.6	3.5	6.6
Lease expense under IFRS 16	0.8	-	1.7	-
Interest expense on lease liabilities	(0.2)	-	(0.4)	-
Adjustment for accrued compensation	4.4	2.7	0.8	(1.0)
Adjustment for VIA Préférence	(0.2)	(0.2)	(0.3)	(0.2)
Other	0.2	(0.1)	(0.1)	(0.1)
<b>Operating funding from the Government of Canada</b>	<b>74.4</b>	<b>73.6</b>	<b>158.6</b>	<b>155.8</b>



## 8. Trade and Other Receivables

The trade and other receivables balance includes the following:

(in millions of Canadian dollars)	June 30, 2019	December 31, 2018
Trade	2.1	2.7
Other receivables	3.8	5.4
Loss allowance	(0.4)	(0.1)
<b>Trade and other receivables classified at Amortized cost</b>	<b>5.5</b>	<b>8.0</b>
Amount receivable from the Government of Canada – Operating funding (Note 20)	15.4	13.7
Amount receivable from the Government of Canada – Capital funding (Note 20)	-	23.6
Sales taxes	4.5	3.7
<b>Total trade and other receivables</b>	<b>25.4</b>	<b>49.0</b>

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 \$0.5 million (December 31, 2018: \$1.1 million) at the closing date. The maturity of these receivables is detailed in the following table:

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

The Corporation has recognized in the current period an amount of \$0.6 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 (June 30, 2018: \$0.8 million).

## 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. The Corporation also enters into forward foreign exchange contracts to buy USD at a specified price and date in the future. These contracts are related to the commodity swaps.

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

<b>Commodity swaps</b>	<b>June 30, 2019</b>		<b>December 31, 2018</b>	
	<b>Notional quantity</b> (000's of U.S. gallons)	<b>Fair value CAD</b> (millions)	<b>Notional quantity</b> (000's of U.S. gallons)	<b>Fair value CAD</b> (millions)
Assets	<b>8,190</b>	<b>1.3</b>	3,528	0.6
Liabilities	<b>9,492</b>	<b>2.4</b>	14,616	5.3

As at June 30, 2019, the commodity swaps in USD have a fixed price per U.S. gallon of 1.950 USD and the commodity swaps in CAD have a fixed price per U.S. gallon between 2.030 and 3.100 CAD (December 31, 2018: 1.950 USD and between 2.030 and 3.100 CAD). The maturity dates for both currencies range between 2019 and 2021 (December 31, 2018: 2019 and 2020 for both currencies). These financial instruments have a monthly settlement schedule.

<b>Forward foreign exchange contracts</b>	<b>June 30, 2019</b>		<b>December 31, 2018</b>	
	<b>Notional amount USD</b> (millions)	<b>Fair value CAD</b> (millions)	<b>Notional amount USD</b> (millions)	<b>Fair value CAD</b> (millions)
Assets	-	-	-	-
Liabilities	<b>1.0</b>	<b>0.1</b>	2.0	-

As at June 30, 2019, the forward contracts rate is 1.366 in USD (December 31, 2018: 1.366 USD) and the maturity date is 2019 (December 31, 2018: 2019). These financial instruments have a monthly settlement schedule.

Amounts recognized in the Statement of Financial Position:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>Fair value CAD</b> (millions)	<b>Fair value CAD</b> (millions)
<b>Total assets</b>	<b>1.3</b>	0.6
<b>Total liabilities</b>	<b>2.5</b>	5.3

## 10. Asset Renewal Fund

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

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

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

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

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

(in millions of Canadian dollars)	June 30, 2019	December 31, 2018
<b>Balance, beginning of period</b>	<b>4.0</b>	8.7
Less: Cash drawdown during the period ( <i>Note 1</i> )	<b>(2.0)</b>	(4.7)
<b>Balance, end of period</b>	<b>2.0</b>	4.0

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



## 11. Property, Plant and Equipment

(in millions of Canadian dollars)	January 1, 2019	Additions	Disposals	Transfers	June 30, 2019
<b>Cost:</b>					
Land	17.0	-	-	-	17.0
Rolling stock	948.5	-	(2.6)	3.6	949.5
Maintenance buildings	170.9	-	(0.6)	0.3	170.6
Stations and facilities	154.9	-	(0.1)	1.6	156.4
Owned infrastructures	290.0	-	(0.1)	0.3	290.2
Leasehold improvements	94.9	-	-	(0.3)	94.6
Machinery and equipment	28.6	-	-	2.0	30.6
Computer hardware	43.5	-	-	1.1	44.6
Other property, plant and equipment	8.0	-	-	-	8.0
Projects in progress	47.4	47.9	-	(8.6)	86.7
<b>Total cost</b>	1,803.7	47.9	(3.4)	-	1,848.2
<b>Accumulated depreciation and impairment:</b>					
Rolling stock	536.2	23.3	(2.3)	-	557.2
Maintenance buildings	109.9	1.1	(0.5)	-	110.5
Stations and facilities	50.0	3.1	-	-	53.1
Owned infrastructures	96.5	4.7	(0.1)	-	101.1
Leasehold improvements	49.6	1.9	-	-	51.5
Machinery and equipment	19.1	0.8	-	-	19.9
Computer hardware	28.0	2.5	-	-	30.5
Other property, plant and equipment	3.0	0.2	-	-	3.2
<b>Total accumulated depreciation and impairment</b>	892.3	37.6	(2.9)	-	927.0
<b>Total carrying amount</b>	911.4	10.3	(0.5)	-	921.2

## 12. Right-of-Use Assets

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

(in millions of Canadian dollars)	Land	Office spaces	Stations and facilities	Information technology equipment	Total
<b>Cost of right-of-use assets:</b>					
January 1, 2019	0.5	9.8	23.1	1.6	<b>35.0</b>
Addition	-	-	0.1	-	<b>0.1</b>
<b>Total cost</b>	<b>0.5</b>	<b>9.8</b>	<b>23.2</b>	<b>1.6</b>	<b>35.1</b>
<b>Accumulated depreciation of right-of-use assets:</b>					
January 1, 2019	-	-	-	-	-
Addition	-	0.8	0.5	0.3	<b>1.6</b>
<b>Total accumulated depreciation</b>	<b>-</b>	<b>0.8</b>	<b>0.5</b>	<b>0.3</b>	<b>1.6</b>
<b>Net carrying amount</b>	<b>0.5</b>	<b>9.0</b>	<b>22.7</b>	<b>1.3</b>	<b>33.5</b>

### Amount recognized in the Statement of Comprehensive Income:

(in millions of Canadian dollars)	Quarter ended June 30, 2019	Six-month period ended June 30, 2019
Expense relating to short-term leases	<b>0.4</b>	<b>0.8</b>
Expense relating to low-value assets	-	-

Total cash outflow is \$1.7 million and the average lease term is 8.8 years.

## 13. Intangible Assets

(in millions of Canadian dollars)	January 1, 2019	Additions	Disposals	Transfers	June 30, 2019
<b>Cost:</b>					
Software <i>(Note 1)</i>	117.3	-	-	0.7	<b>118.0</b>
Right of access to rail infrastructure	436.8	-	-	0.1	<b>436.9</b>
Other intangible assets	5.4	-	-	-	<b>5.4</b>
Projects in progress	4.1	4.8	-	(0.8)	<b>8.1</b>
<b>Total cost</b>	<b>563.6</b>	<b>4.8</b>	<b>-</b>	<b>-</b>	<b>568.4</b>
<b>Accumulated amortization and impairment:</b>					
Software	87.8	6.8	-	-	<b>94.6</b>
Right of access to rail infrastructure	113.2	5.7	-	-	<b>118.9</b>
Other intangible assets	2.4	0.3	-	-	<b>2.7</b>
<b>Total accumulated amortization and impairment</b>	<b>203.4</b>	<b>12.8</b>	<b>-</b>	<b>-</b>	<b>216.2</b>
<b>Total carrying amount</b>	<b>360.2</b>	<b>(8.0)</b>	<b>-</b>	<b>-</b>	<b>352.2</b>

Note 1: Includes mostly in-house developed software.

## 14. Advance on Contract

As at June 30, 2019, there is a \$94.0 million (December 31, 2018: \$74.4 million) advance on contract that will be transferred to property, plant and equipment in the upcoming years according to the progress of work. Refer to Note 20.

## 15. Trade and Other Payables

The trade and other payables balance includes the following:

(in millions of Canadian dollars)	June 30, 2019	December 31, 2018
Wages payable and accrued	<b>40.3</b>	43.7
Accounts payable and accruals – Trade	<b>35.8</b>	40.7
Accounts payable and accruals - Advance on contract	-	74.4
Accounts payable and accruals – Capital assets	<b>18.7</b>	36.1
<b>Trade and other payables classified at Amortized cost</b>	<b>94.8</b>	194.9
Capital tax, income tax and other taxes payable	<b>7.4</b>	6.1
Deductions at sources	<b>3.5</b>	2.8
<b>Total trade and other payables</b>	<b>105.7</b>	203.8

## 16. Lease Liabilities

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

(in millions of Canadian dollars)	June 30, 2019	December 31, 2018
Current	2.5	-
Non-current	31.4	-
<b>Total lease liabilities</b>	<b>33.9</b>	<b>-</b>

(in millions of Canadian dollars)	June 30, 2019
<b>Maturity:</b>	
Up to 3 months	0.6
Between 3 and 12 months	1.9
Between 1 and 2 years	2.7
Between 2 and 5 years	6.1
Over 5 years	22.6
<b>Total</b>	<b>33.9</b>

	Lease contracts number	Fixed payments (%)	Variable payments (%)
<b>June 30, 2019</b>			
Land leases with payments linked to inflation	1	-	1.3
Land leases with fixed payments	1	0.6	-
Office space leases with fixed payments	2	27.3	-
Stations and facilities leases with payments linked to inflation	3	-	3.6
Stations and facilities leases with fixed payments	9	62.4	-
Information technology equipment leases with fixed payments	2	4.8	-
<b>Total</b>	<b>18</b>	<b>95.1</b>	<b>4.9</b>



## 17. Provisions

The provisions balance includes the following:

(in millions of Canadian dollars)	January 1, 2019	Charge (used)	Reversal (used)	Reversal (not used)	June 30, 2019
Environmental costs	1.1	0.2	-	-	1.3
Litigation and equipment repairs <i>(Note a)</i>	8.3	2.5	(1.4)	(0.5)	8.9
<b>Total provisions</b>	9.4	2.7	(1.4)	(0.5)	10.2

### a) Litigation and equipment repairs

The Corporation is subject to claims and legal proceedings brought against it in the normal course of business. The timing of settlement of these claims 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, depending on the settlement procedures used.

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.

## 18. Deferred Revenues

Deferred revenues are comprised of the following:

(in millions of Canadian dollars)	June 30, 2019	December 31, 2018
Advance ticket sales	32.8	20.3
VIA Préférence	11.4	11.1
Non-monetary transactions	1.6	1.7
Gift cards	1.6	1.7
Other	1.9	2.2
<b>Total deferred revenues</b>	49.3	37.0

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

In the current period, an amount of \$18.7 million of revenue was recognized relating to advance ticket sales (June 30, 2018: \$17.6 million). Management expects that 100 per cent of the advance ticket sales will be recognized as revenue during the next reporting period.

In the current period, an amount of \$4.8 million of revenue was recognized relating to VIA Préférence performance obligations that were honored in the current period and who were included in the deferred revenues balance at the beginning of the period (June 30, 2018: \$4.3 million). Management expects that 70 per cent of the VIA Préférence unsatisfied performance obligations will be recognized as revenue during the next reporting period.

In the current reporting period, an amount of \$0.3 million of revenue was recognized relating to gift card obligations that were honored in the current period and who were included in the deferred revenues balance at the beginning of the period (June 30, 2018: \$0.3 million). Management expects that 37 per cent of gift card performance obligations will be recognized as revenue during the next period.

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

## 19. Employee 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 an unfunded self-insured workers' compensation benefits, long-term employee disability benefits and continuation of benefit coverage for employees on long-term disability.

### Pension plans

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

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

### Employees entitled to a defined benefit pension

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

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

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

### Employees entitled to a hybrid pension plan

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

#### i) Defined benefit component

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

## 19. Employee Benefit Assets and Liabilities (cont'd)

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

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

### ii) Defined contribution component

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

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

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

### Employees entitled to a defined contribution pension

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

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

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

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

The financial and demographic assumptions used to determine the actuarial valuations of the pension plans were the same assumptions as disclosed in the Corporation's annual financial statements for the year ended December 31, 2018, except for the discount rate used to determine the defined benefit obligation that has decreased to 2.90 per cent (December 31, 2018: 3.90 per cent) and the discount rate used to determine the defined benefit cost that has increased to 3.90 per cent (December 31, 2018: 3.40 per cent).

The financial and demographic assumptions used to determine the actuarial valuations of the post-employment benefits were the same assumptions as disclosed in the Corporation's annual financial statements for the year ended December 31, 2018, except for the discount rate used to determine the obligation that has decreased to 3.00 per cent (December 31, 2018: 4.00 per cent) and the discount rate used to determine the defined benefit cost that has increased to 4.00 per cent (December 31, 2018: 3.40 per cent).

Based on these actuarial valuations and projections to June 30, the summary of the principal valuation results, in aggregate, is as follows:

	Defined benefit component of the pension plans		Post-employment benefit plans	
(in millions of Canadian dollars)	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
<b>DEFINED BENEFIT OBLIGATION:</b>				
<b>Balance, beginning of period</b>	<b>2,284.0</b>	2,409.0	<b>22.1</b>	23.8
Service cost	<b>17.3</b>	31.4	<b>0.1</b>	0.3
Interest expense	<b>32.8</b>	81.4	<b>0.3</b>	0.8
Employee contributions	<b>7.6</b>	14.3	-	-
Benefits paid	<b>(64.8)</b>	(135.1)	<b>(0.3)</b>	(0.8)
Effect of change in demographic assumptions	-	27.5	-	0.3
Effect of change in financial assumptions	<b>299.4</b>	(148.6)	<b>3.9</b>	(2.2)
Effect of employee transfers	-	2.8	-	-
Effect of experience adjustments	-	1.3	-	(0.1)
<b>Balance, end of period</b>	<b>2,576.3</b>	2,284.0	<b>26.1</b>	22.1
<b>FAIR VALUE OF PLAN ASSETS:</b>				
<b>Balance, beginning of period</b>	<b>2,301.4</b>	2,390.5	-	-
Interest income	<b>33.0</b>	79.7	-	-
Return on plan assets (excluding interest income)	<b>195.7</b>	(74.9)	-	-
Employer contributions	<b>11.9</b>	26.2	<b>0.3</b>	0.8
Employee contributions	<b>7.6</b>	14.3	-	-
Benefits paid	<b>(64.8)</b>	(135.1)	<b>(0.3)</b>	(0.8)
Effect of employee transfers	-	2.8	-	-
Administration expenses	<b>(1.1)</b>	(2.1)	-	-
<b>Balance, end of period</b>	<b>2,483.7</b>	2,301.4	-	-
<b>Net defined benefit liability (asset)</b>	<b>92.6</b>	(17.4)	<b>26.1</b>	22.1



## 19. Employee Benefit Assets and Liabilities (cont'd)

### b) Long-term employee benefit plans

The financial and demographic assumptions used to determine the actuarial valuations of the long-term employee benefit plans were the same assumptions as disclosed in the Corporation's annual financial statements for the year ended December 31, 2018 except for the discount rate used to determine the benefit cost that has increased to 3.60 per cent (December 31, 2018: 3.20 per cent). The discount rate used to determine the long-term employee benefit obligation remains unchanged.

Based on these actuarial valuations and projections to June 30, the summary of the principal valuation results for the long-term employee benefits, including self-insured workers' compensation benefits is as follows:

(in millions of Canadian dollars)	June 30, 2019	December 31, 2018
<b>LONG-TERM EMPLOYEE BENEFIT OBLIGATION:</b>		
<b>Balance, beginning of period</b>	<b>17.3</b>	18.2
Service cost	<b>1.8</b>	3.3
Interest expense	<b>0.3</b>	0.6
Benefits paid	<b>(2.7)</b>	(4.2)
Effect of change in demographic assumptions	-	(0.6)
<b>Balance, end of period</b>	<b>16.7</b>	17.3
<b>FAIR VALUE OF PLAN ASSETS:</b>		
<b>Balance, beginning of period</b>	-	-
Employer contributions	<b>2.7</b>	4.2
Benefits paid	<b>(2.7)</b>	(4.2)
<b>Balance, end of period</b>	-	-
<b>Net long-term employee benefit liability</b>	<b>16.7</b>	17.3

### c) Other long-term employee benefits

Other long-term employee benefits include work security benefits administered by various union agreements. These benefits are 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 Canadian dollars)	June 30, 2019	December 31, 2018
<b>OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION:</b>		
<b>Balance, beginning of period</b>	<b>0.4</b>	0.5
Service cost	<b>0.2</b>	0.3
Benefits paid	<b>(0.2)</b>	(0.4)
<b>Balance, end of period</b>	<b>0.4</b>	0.4
<b>FAIR VALUE OF PLAN ASSETS:</b>		
<b>Balance, beginning of period</b>	<b>-</b>	-
Employer contributions	<b>0.2</b>	0.4
Benefits paid	<b>(0.2)</b>	(0.4)
<b>Balance, end of period</b>	<b>-</b>	-
<b>Net other long-term employee benefit liability</b>	<b>0.4</b>	0.4

### d) Summary of pension 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 Canadian dollars)	June 30, 2019	December 31, 2018
<b>Assets:</b>		
Defined benefit component of the pension plans	<b>4.3</b>	17.6
<b>Liabilities:</b>		
Defined benefit component of the pension plans	<b>96.9</b>	0.2
Post-employment benefit plans	<b>26.1</b>	22.1
Long-term employee benefit plans	<b>16.7</b>	17.3
Other long-term employee benefits	<b>0.4</b>	0.4
<b>Total liabilities</b>	<b>140.1</b>	40.0

## 19. Employee Benefit Assets and Liabilities (cont'd)

Total amounts recognized in the Statement of Comprehensive Income:

	Quarters ended June 30		Six-month periods ended June 30	
(in millions of Canadian dollars)	2019	2018	2019	2018
<b>Operating expenses:</b>				
Defined benefit component of the pension plans	10.1	9.7	18.2	18.3
Post-employment benefit plans	0.1	0.3	0.4	0.6
Long-term employee benefit plans	1.0	0.9	2.1	1.9
Other long-term employee benefits	0.1	0.1	0.2	0.3
<b>Total</b>	<b>11.3</b>	<b>11.0</b>	<b>20.9</b>	<b>21.1</b>

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

	Quarters ended June 30		Six-month periods ended June 30	
(in millions of Canadian dollars)	2019	2018	2019	2018
<b>Other comprehensive income (loss):</b>				
Defined benefit component of the pension plans	(65.4)	51.8	(103.7)	78.6
Post-employment benefit plans	(3.9)	-	(3.9)	-
<b>Total</b>	<b>(69.3)</b>	<b>51.8</b>	<b>(107.6)</b>	<b>78.6</b>

## 20. Deferred Capital Funding

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

(in millions of Canadian dollars)	June 30, 2019	December 31, 2018
<b>Balance, beginning of period</b>	<b>1,257.0</b>	1,239.5
Government funding for property, plant and equipment and intangible assets (including the cost of land)	<b>52.7</b>	121.8
Government funding for advance on contract	<b>94.0</b>	-
Amortization of deferred capital funding	<b>(51.0)</b>	(104.3)
<b>Balance, end of period</b>	<b>1,352.7</b>	<b>1,257.0</b>

The amount of capital funding recognized during the period represents the amount of Government of Canada funding invoiced for the acquisition of property, plant and equipment and intangible assets for \$52.7 million (December 31, 2018: \$121.8 million) plus the variance of the amount of capital funding from the Government of Canada of \$40.0 million (December 31, 2018: (\$13.1) million) for a total amount of \$92.7 million (December 31, 2018: \$108.7 million). Refer to Note 8.

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

## 21. Net Change in Non-Cash Working Capital Items

	Quarters ended June 30		Six-month periods ended June 30	
(in millions of Canadian dollars)	2019	2018	2019	2018
Trade and other receivables (Note 24)	<b>20.4</b>	2.5	<b>0.1</b>	(1.6)
Other current assets	<b>(2.2)</b>	(2.9)	<b>(3.0)</b>	(3.1)
Materials	<b>(1.5)</b>	(1.2)	<b>(2.3)</b>	(2.4)
Trade and other payables	<b>(5.3)</b>	(2.9)	<b>(6.3)</b>	(1.6)
Provisions	-	(1.5)	<b>0.7</b>	(1.8)
Deferred revenues	<b>2.6</b>	2.7	<b>12.4</b>	14.9
<b>Total</b>	<b>14.0</b>	(3.3)	<b>1.6</b>	4.4

The change in trade and other receivables excludes an amount of \$23.6 million (June 30, 2018: \$11.8 million) in relation to government funding for capital expenditures, as the amount relates to investing activities.

The change in trade and other payables excludes an amount of (\$17.4) million (June 30, 2018: (\$3.9) million) in relation to the acquisition of property, plant and equipment and intangible assets, as this amount relates to investing activities. The change in trade and other payables also excludes an amount of (\$74.4) million (June 30, 2018: no amount) in relation to an advance on contract, as these amounts relate to investing activities.



## 22. Financial Risks

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

## 23. Commitments

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

(in millions of Canadian dollars)	June 30, 2019				December 31, 2018
	Total commitments	Less than one year	One to five years	More than five years	Total commitments
<b>COMMITMENTS RELATING TO OPERATIONS:</b>					
Non-cancellable operating leases: Lessee <i>(Note a)</i>	-	-	-	-	20.4
Technical services <i>(Note b)</i>	356.1	-	8.1	348.0	356.1
<b>Total</b>	<b>356.1</b>	<b>-</b>	<b>8.1</b>	<b>348.0</b>	<b>376.5</b>
<b>COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS:</b>					
Rolling stock <i>(Note b)</i>	1,084.9	245.9	839.0	-	1,019.3
Maintenance buildings	2.8	2.8	-	-	1.9
Stations and facilities	7.4	7.4	-	-	8.2
Owned infrastructures	13.2	11.7	1.5	-	11.1
Computer hardware	0.8	0.8	-	-	0.4
<b>Total</b>	<b>1,109.1</b>	<b>268.6</b>	<b>840.5</b>	<b>-</b>	<b>1,040.9</b>
<b>Total commitments</b>	<b>1,465.2</b>	<b>268.6</b>	<b>848.6</b>	<b>348.0</b>	<b>1,417.4</b>

a) In 2018, the Corporation had operating leases in place mainly for stations and facilities and office spaces. The most important lease is a non-cancellable lease for the corporate headquarters in Montréal with a term of 10 years assorted with a renewal option. As at June 30, 2018, an amount of \$8.3 million was recognized as an expense related to operating leases. As a consequence of the application of IFRS 16 as at January 1, 2019, these operating leases are now presented as right-of-use assets and lease liabilities in the Statement of Financial Position. Refer to Notes 12 and 16.

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

c) As mentioned in Note 1, the Corporation has entered into train service agreements for the use of tracks and the control of train operations. No amounts are included in the table above regarding those contracts since the amount of the commitments depends on the annual usage of the tracks.

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

## 24. Reclassification

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

In the Statement of Cash Flows, the Corporation has merged two different lines from the investing activities section into one line. The lines "Change in capital funding receivable from the Government of Canada" (June 30, 2018: \$11.7 million) and the line "Capital funding" (June 30, 2018: \$44.5 million) are now presented on one single line, "Government funding related to acquisition of property, plant and equipment and intangible assets received" for an amount of \$56.2 million for the period ended June 30, 2018 to reflect the funding received for the acquisition of property, plant and equipment and intangible assets.

In the Statement of Cash Flows, the Corporation has also merged two different lines from the investing activities section into one line. The lines "Change in capital accounts payable and accrued liabilities" (June 30, 2018: (\$3.9) million) and the line "Acquisition of property, plant and equipment and intangible assets" (June 30, 2018: (\$44.5) million) are now presented on one single line, "Acquisition of property, plant and equipment and intangible assets" for an amount of (\$48.4) million for the period ended June 30, 2018 to reflect the net acquisition of property, plant and equipment and intangible assets.

The Corporation is now presenting the line "Depreciation and amortization" on two different lines: "Depreciation of property, plant and equipment" (June 30, 2018: \$35.8 million) and "Amortization of intangible assets" (June 30, 2018: \$13.7 million) in the Statement of Comprehensive Income as well as in the Statement of Cash Flows. The line "Loss on disposal of property, plant and equipment and intangible assets" is also presented in two separated lines: "Loss on disposal of property, plant and equipment" (June 30, 2018: \$3.2 million) and "Loss on disposal of intangible assets" (June 30, 2018: \$0.1 million) in the Statement of Comprehensive Income as well as in the Statement of Cash Flows.

The Corporation has merged the amount receivable from the Government of Canada with the trade and other receivables in the Statement of Financial Position due to the nature of this amount.

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

The Corporation has modified the presentation in the note trade and other payables by presenting separately the "Accounts payable and accruals – Advance on contract" from the "Accounts payable and accruals – Trade".

