



SECOND QUARTER REPORT 2018



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MESSAGE FROM THE PRESIDENT



It has been a whirlwind second quarter for VIA Rail. We continued our 40th anniversary celebrations by launching our *40 Sustainable Actions for Our 40th Anniversary* initiative; we held our Annual Public Meeting with a record-breaking number of questions from the public and ridership and revenue results continued to grow including an important growth in passenger traffic over the May long weekend. However, we were also confronted by new challenges.

I'll begin with our overall results, which remained strong: ridership increased by 10%, while revenues improved 8.4% compared to the same quarter last year. Our ridership in the Québec City – Windsor corridor also grew, with an increase of 11.5% compared to 2017. And then, over the May long weekend, we saw a nearly 10% increase in passenger revenue over 2017.

This quarter we moved forward with our Fleet Replacement project, which will see new trainsets in our Québec City – Windsor corridor, by announcing the names of the shortlisted applicants that will participate in the Request for Proposals. As well, we made important announcements regarding the refurbishment of a large portion of our stainless steel Heritage Fleet. Please see the Historic Announcements section of this report for more information.

But despite our sustained efforts to offer a dependable service, we reached an impasse in May when we were forced to cancel two departures on the *Canadian* service due to extraordinary delays. Beyond the frustration to our passengers whose travels were altered, and our employees who admirably displayed the professionalism and resilience required to ensure a safe and comfortable trip for our passengers, these delays significantly increased the costs associated with the *Canadian* while reducing its revenues. VIA Rail offered passengers meals and accommodations to help ease the effects of the late trains. Meanwhile, public awareness of the delays caused many travellers to cancel their initial bookings in addition to creating a slowdown in bookings.

In order to address this situation, VIA Rail and its infrastructure partner CN jointly developed a new schedule for the *Canadian*, which went into effect on July 26, 2018. Though the new schedule has a longer trip time, it is expected to provide passengers with a more predictable travel experience, both at departure and on arrival. The updated schedule was also designed with other benefits in mind, including the opportunity for travellers to appreciate the beauty of the landscape as the train passes the Rocky Mountains during the daylight hours. As well, the train will now be stopping in all larger cities (except for Saskatoon, unfortunately) between the hours of 6 a.m. – 11 p.m.

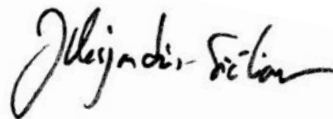
Meanwhile, we continued to mark our 40th anniversary with the VIA40 contest where lucky winners will get to take the trip of a lifetime across the country. We also launched a new community initiative that touches on VIA Rail's pillars of sustainability. For every one of our 40 years of service, we will be undertaking a collaborative action in communities across Canada with the goal of creating a more sustainable future.

In May, as part of our ongoing efforts to engage with the public, we once again held our [Annual Public Meeting](#) by webcast to allow for the greatest participation. This year, we received an unprecedented number of questions from the public – close to 1,500! We collected the most asked questions and put them to a vote, and the top 10 questions were answered live during the webcast. We thank you for your support, curiosity and enthusiasm! You can watch the full event online here, or browse through the published questions on our website in the [Annual Public Meeting](#) section.

On a more personal note, I was honoured to be appointed Chairman of the Canadian Forces Liaison Council for Québec. VIA Rail is proud of its relationship with the Canadian Forces, which is a valued source of both employees and passengers. This mandate aims to foster strong ties between the military and civilian communities.

As these lines are being written, we are at the height of our summer peak season, and I'd like to take a moment, as always, to acknowledge our employees in every station, aboard every train, in our call centres, maintenance centres and in our offices. It's thanks to your dedication and spirit that we can continue to offer our valued passengers the high quality service we are known for.

Thanks to you and our loyal passengers, we can confidently say: The future is on board!



YVES DESJARDINS-SICILIANO
President and Chief Executive Officer,
VIA Rail

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 2018	Q2 2017	YTD 2018	YTD 2017
KEY FINANCIAL INDICATORS (IN MILLIONS OF DOLLARS)				
Total passenger revenues ⁽¹⁾	90.1	83.1	163.6	148.8
Total revenues ⁽¹⁾	96.4	88.9	175.5	159.9
Operating expenses ⁽¹⁾	(160.7)	(150.2)	(311.6)	(287.8)
Contributions for employee benefits ⁽¹⁾	(9.3)	(10.1)	(19.7)	(19.4)
Total Operating expenses ⁽¹⁾	(170.0)	(160.3)	(331.3)	(307.2)
Operating loss	73.6	71.4	155.8	147.3
Capital Investments	26.2	16.2	44.5	37.0
Total Funding Required	99.8	87.6	200.3	(184.3)
Government Operating Funding	73.6	71.4	155.8	147.3
Government Capital Funding	26.2	16.2	44.5	37.0
Total Government Funding	99.8	87.6	200.3	184.3
Asset Renewal Fund	0.0	0.0	0.0	0.0
KEY OPERATING STATISTICS ⁽²⁾				
Total passenger-miles (IN MILLIONS)	240	226	451	417
Total seat-miles (IN MILLIONS)	439	418	833	796
Operating deficit per passenger-mile (IN CENTS)	30.7	31.6	34.5	35.4
Yield (CENTS PER PASSENGER-MILE)	36.6	35.9	35.4	34.8
Train-miles operated (IN THOUSANDS)	1,726	1,692	3,380	3,319
Car-miles operated (IN THOUSANDS)	11,850	11,399	21,050	20,403
Average passenger load factor (%)	55	54	54	52
Average number of passenger-miles per train mile	139	133	133	126
On-time performance (%)	74	75	74	76
Number of full time equivalent employees during the period	3,186	2,888	3,082	2,836

(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 2018

Train Services	Passenger Revenues* (IN THOUSANDS)	Passengers (IN THOUSANDS)	Passengers-Miles (IN THOUSANDS)	Government Funding (PER PASSENGER-MILE)
Québec City - Windsor corridor	\$68,383	1,079	200,349	\$0.21
Longhaul West	\$16,393	21	27,734	\$0.46
Longhaul East	\$2,348	17	8,913	\$1.17
Regional Services	\$702	14	2,750	\$3.39
Total	\$87,826	1,131	239,746	\$0.31

KEY OPERATING STATISTICS BY SERVICE GROUP FOR THE SECOND QUARTER OF 2017

Train Services	Passenger Revenues* (IN THOUSANDS)	Passengers (IN THOUSANDS)	Passengers-Miles (IN THOUSANDS)	Government Funding (PER PASSENGER-MILE)
Québec City - Windsor corridor	\$60,142	968	180,951	\$0.22
Longhaul West	\$17,502	26	31,586	\$0.31
Longhaul East	\$2,325	18	9,350	\$1.15
Regional Services	\$972	16	3,716	\$2.89
Total	\$80,941	1,028	225,603	\$0.32

* Excluding off-train and other passenger revenues.

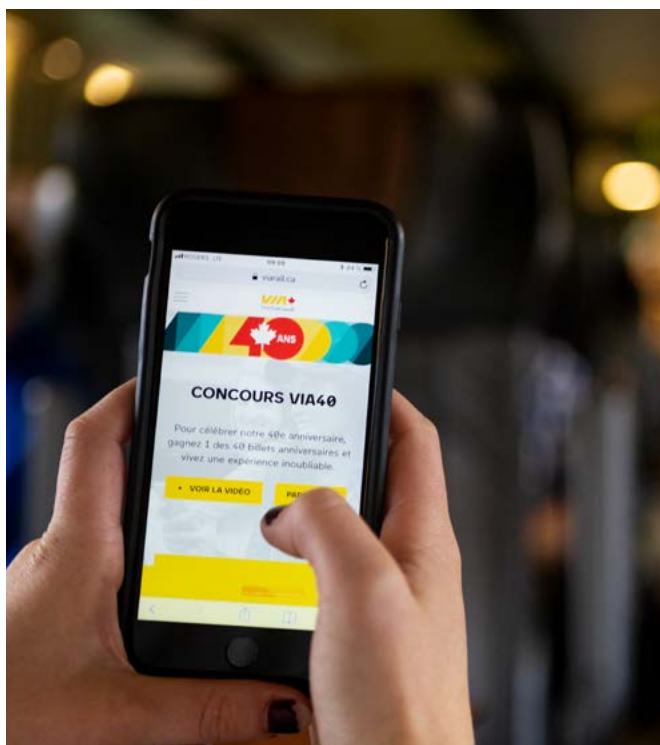
REVIEW OF OPERATIONS



PUTTING PASSENGERS FIRST

CELEBRATING VIA RAIL'S 40TH ANNIVERSARY

Over the second quarter, VIA Rail continued its 40th anniversary celebrations by launching a unique travel contest for Canadians. From May 17 to June 17, close to 275,000 people registered online for their chance to win one of 40 commemorative steel anniversary tickets, forged from a retired train part that had covered over six million kilometers, the equivalent of 1,000 trips across the country. Accompanied by a guest of their choice, contest winners received a round trip for two to travel from coast to coast or to any destination served by VIA Rail.



Close to 275,000 people registered online for the VIA40 contest

NEW CANADIAN WINES AND BEERS

In an effort to promote local products, VIA Rail continued its wine and craft beer rotation in the Québec City - Windsor corridor this quarter. The beer and wine selection is rotated every six months to offer passengers the opportunity to sip on beverages from across the country. Over the second quarter, wines from the Palatine Hills Estate Winery in Niagara-on-the-Lake were introduced along with beer options from Toronto-based Steam Whistle Brewing.

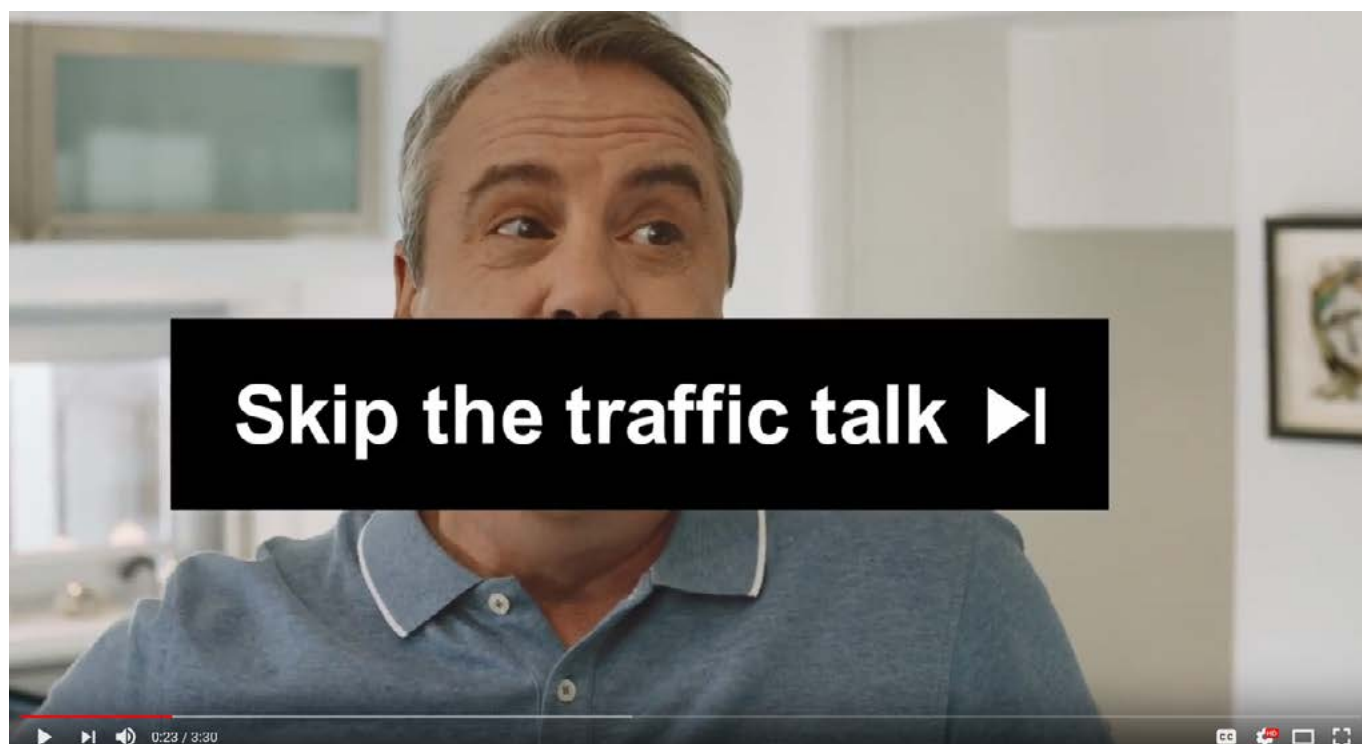


New Canadian wines and beers

GROWING OUR COMMUNITY

NEW ANTI-TRAFFIC CAMPAIGN AD

As part of the “Why don’t you take the train?” marketing campaign, VIA Rail’s newest ads made their online debut during the second quarter. In these ads, VIA Rail takes a comical look at how our frustrations with traffic are a regular part of our daily conversations. Playing on the concept of skipping video ads online, VIA Rail encourages travellers to “skip” the traffic talk by taking the train. Messages were disseminated online in the Québec City – Windsor corridor through social media and other web platforms.



VIA Rail's newest online ads poke fun at how our frustrations with traffic are a regular part of our daily conversations

STRENGTHENING OUR ASSETS

IMPROVING ACCESSIBILITY

Since 2010, VIA Rail has invested \$108M into its assets and amenities in order to improve accessibility and to enhance the overall passenger experience, \$76M of which was invested in its stations. An additional \$54M was allocated for the refurbishment of 17 train cars to full accessibility. This train refurbishment project was initiated over the second quarter and is scheduled for completion in early 2020. The following is an overview of important projects that took place over the quarter.

ACCESSIBILITY AT OTTAWA STATION

VIA Rail completed significant renovations to Ottawa station over the second quarter. Early in April, the station's new heated and elevated platform for level boarding was put into service. The platform is also equipped with an access ramp to facilitate travel for passengers with reduced mobility. This project, along with a new electrical and mechanical room, and new elevators providing access to the tunnel and boarding platforms, represent a \$20M capital investment. These renovations are in addition to previously completed work including upgrades to the roof and canopies which improve insulation and extend the life of the station.

VIA Rail also partnered with the International Union of Railways in the design, development and testing of two innovative projects with the goal of increasing accessibility in-station for passengers that are blind or partially sighted, and enhancing safety at level crossings at Ottawa station and in the surrounding area.

MAINTAINING OUR INFRASTRUCTURE

VIA Rail is continuing with the projects planned for 2018-2019 including maintenance projects for ties replacement, a rail maintenance program, and bridge repair to maintain the overall safety of our infrastructure. VIA Rail is also transitioning from jointed tracks to continuous welded tracks in the Ottawa region to create a more comfortable and smoother ride for passengers.

A program was also initiated over the quarter to improve the reliability of the crossing warning system and centralized train control in case of extreme weather conditions. VIA Rail continues to work in collaboration with Transport Canada to develop new passenger engineering standards which will improve comfort and enhance the overall passenger experience.



The new elevated platform in Ottawa will allow for easier boarding and disembarking

Historic Announcements

As part of VIA Rail’s commitment to leading Canadians towards a more sustainable future, important announcements were made by the Corporation over the second quarter. VIA Rail awarded a contract to Bombardier for the refurbishment of 17 Heritage Fleet train cars set to be deployed over its long distance routes by 2020. This new generation of stainless steel cars will be fully accessible: equipped with two wheelchair lifts, two accessible spaces with anchoring devices, an accessible washroom and announcement display screens. Amongst others, these renovations will also include an improved interior design of the cars and an upgrade to the heating system.

Later in the month, VIA Rail announced it would be awarding a contract to Cad Railway Industries for the upgrade and refurbishment of 25 Heritage Fleet train cars. Employing a “reuse-recycle-repurpose” approach, this refurbishment will include the improvement of seat comfort, mechanical upgrades, and the renewal of the heating systems, which will extend the cars’ useful life by several decades.

The contracts with Cad and Bombardier are in addition to 33 cars currently under renovation by VIA Rail’s Montreal Maintenance Centre. These investments totalling close to \$140M for our HEP Heritage Fleet are an important step in VIA Rail’s plan to offer Canadians a more accessible and sustainable passenger rail service.

VIA Rail is also moving forward with its Fleet Replacement project in a timely manner. In June, we announced the names of the shortlisted applicants that will participate in the Request for Proposals (RFP) to manufacture the trainsets to replace the current fleet that operates in the Quebec City-Windsor corridor. The next phase of the project will take place in the fall, leading to a contract in place by year’s end.

HERITAGE FLEET REFURBISHMENT PROJECT FOR THE <i>CANADIAN, OCEAN</i> AND REMOTE SERVICES			
Supplier	Number of cars	Work	Projected completion of projects
Bombardier	17	Full accessibility	Q1 2020
Cad Railway Industries	25	Complete refurbishment	Q1 2020
Montreal Maintenance Center	33	Complete refurbishment	Q1 2020



VIA Rail President and Chief Executive Officer Yves Desjardins-Siciliano during the Bombardier contract announcement in La Pocatière, Quebec, in the presence of the Honourable Marc Garneau, Minister of Transport, Françoise Bertrand, Chairperson of the Board of Directors of VIA Rail, Sylvain Lévesque, Vice-President, Corporate Strategy, and David Van der Wee, Chief Executive Officer at Bombardier Transportation, Americas

PERFORMANCE



SUSTAINED RIDERSHIP INCREASES: MAY LONG WEEKEND

VIA Rail continued its multiple-quarter streak of increased revenues and ridership. This was reflected by a strong performance over the May long weekend. Ridership increased by 8.4%, while revenue increased by 9.7% compared to the same period last year, as approximately 79,700 passengers chose to travel with VIA Rail. The most significant growth was seen, however, in the Québec City - Windsor corridor where ridership increased by 10.2% and revenue went up by 15.8% compared to the previous year. Along the London - Toronto route, ridership jumped by 23.4%, while 19.1% more passengers travelled between Kingston and Toronto compared to 2017.

NEW SCHEDULE FOR THE CANADIAN

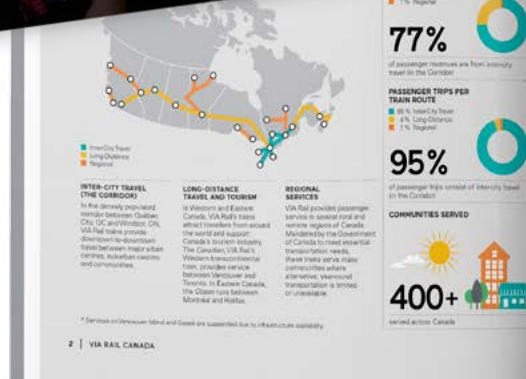
VIA Rail prides itself on providing passengers with the highest quality of dependable service. But after a series of continuous delays, VIA Rail announced the cancellation of two departures on its *Canadian* train between Toronto and Vancouver at the end of May, in order to put an end to the cumulative effect of delays incurred up to that point. Several mitigation measures were also put in place to limit the impact on the customer experience and on our employees' work environment.

In order to provide passengers with the best possible customer experience and with the safety of our customers at the forefront of our operations, VIA Rail has adjusted the *Canadian* schedule to address these ongoing delays. This new schedule, which came into effect on July 26, was implemented to offer passengers a more predictable travel experience at both departure and arrival. VIA Rail worked in conjunction with its infrastructure partner, CN, to develop this schedule. The new schedule will offer passengers the opportunity to take in the Canadian landscapes as the train will be passing through the Rockies during the day. As well, stops to most of the larger cities will occur during daylight hours.

SUSTAINABLE MOBILITY



Sustainable mobility is an integral part of who we are and how we have always conducted our business. Our annual Sustainable Mobility Reports detail our activities and our journey 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 enables economic prosperity, improves quality of life and provides more environmentally responsible mobility options. The following is a brief overview of our activities this quarter that are aligned with our sustainable mobility pillars. For more information, the full 2017 Sustainable Mobility Report can be found in the “About VIA Rail” section of our website under [“Governance and Reports”](#).



Our key assets reflect the breadth of our business, from our stations and maintenance centers to the fleet of locomotives and train cars we operate, the passengers we serve, the buildings we occupy and the employees who work for us.

FREQUENCY

TRAIN DEPARTURES

514 per week
of which 89% of our trains depart on time



PASSENGERS

PASSENGER TRIPS

4.39 million
covering 15 billion kilometres across Canada of which: 86% is intercity travel, 4% is long-distance and 1% is regional.

EMPLOYEES

ACTIVE EMPLOYEES AS OF THE END OF THE CALENDAR YEAR

2,899
EMPLOYEE DIVERSITY
34% of our employees are women, 11% are visible minorities, 2% are people with disabilities and 2% are Aboriginal People.

FLEET

TRAIN CARS (IN AND OUT OF SERVICE)

428
LOCOMOTIVES
73 of which 71% have been rebuilt for improved operational and environmental efficiency, 1% are safety and fuel savings.

BUILDINGS

TRAIN STATIONS

121
of which 54 are heritage stations



OFFICES

7
1 head office, 6 regional

MAINTENANCE CENTRES

4
operate the art facilities

OUR BUSINESS AT-A-GLANCE | 3

PROVIDING THE BEST CUSTOMER SERVICE EXPERIENCE

GREATER ACCESSIBILITY AT VIA RAIL

In June, VIA Rail held a session with a working group of approximately 20 individuals from different provinces representing people living with accessibility issues, including individuals with physical, visual and hearing disabilities. The goal of the session was to seek advice and a firsthand perspective on the best practices with respect to bringing universal accessibility to VIA Rail's services. Participants were invited to make suggestions on potential improvements with regards to the accessibility of VIA Rail's services and amenities.



A working group was held in Ottawa to promote greater accessibility at VIA Rail

PROMOTE SOCIO ECONOMIC DEVELOPMENT

GIVING BACK FOR VIA RAIL'S 40TH ANNIVERSARY

In 2018, VIA Rail celebrates four decades as an autonomous Crown Corporation. To give back and to thank Canadians for their loyalty throughout the years, VIA Rail launched the *40 Sustainable Actions for Our 40th Anniversary* national initiative. This community-based initiative touches on the Corporation's sustainability pillars as we undertake 40 collective actions across the country to represent each year of service. For example, in June students and staff from Drummondville's Marie-Rivier High School worked alongside ten VIA Rail employees to build water storage ponds for the subsequent installation of an urban ecosystem. Actions such as this one were selected for the long-term potential they offer communities with the goal of creating a more sustainable future.



VIA Rail employees and students in Drummondville building water storage ponds for the *40 Sustainable Actions for Our 40th Anniversary* initiative

STRENGTHENING TIES WITH CANADA'S INDIGENOUS COMMUNITIES

The second quarter of 2018 has been pivotal in establishing new connections between VIA Rail and Canada's Indigenous communities. Several meetings were held with Chiefs and representatives of Mohawk Band Councils of Kahnawake, the Huron-Wendat Nation, the Atikamekw Nation, and the Assembly of First Nations. The second quarter also brought about numerous discussions on VIA Rail's vision for the future of passenger rail and the future implications for its Indigenous partners. VIA Rail participated in flagship events including the Canada 2020 Aboriginal Economic Symposium, the Canadian Council for Aboriginal Business, the Aboriginal Economic Development Conference, and the Aboriginal Women's Leadership Award.

As well, VIA Rail was a proud sponsor of the Aboriginal Peoples Television Network (APTN)'s Indigenous Day Live event on June 23 in celebration of National Indigenous Peoples Day. Formerly known as National Aboriginal Day, the day honours and recognizes the vital role of Indigenous heritage and culture in Canadian society. The APTN hosted festivities in Ottawa, Toronto and Winnipeg where VIA Rail had the opportunity to engage with the public. VIA Rail also provided transportation for Indigenous youth and leaders to attend the Toronto event.



From left: James Peters, Manager, Customer Relations, Colleen Nolan, the Economic Development Officer of the Mohawk Nation at Akwesasne, Jacques Fauteux, Director, Governmental and Community Relations, and entrepreneur Tisha Thompson, at a Canadian Council of Aboriginal Business event in Montreal



From left: David Boivin, Constant Awashish, Atikamekw Nation Grand Chief, Yves Desjardins-Siciliano, President and Chief Executive Officer of VIA Rail, and Dany Chilton

STRONG TIES TO THE CANADIAN ARMED FORCES

In an effort to highlight the contribution of the Canadian Armed Forces, VIA Rail has partnered and participated in the activities of many organizations including the Canadian Forces Leadership and Recruit School, the Prince's Operation Entrepreneur program, the gala Hall of Femmes by *La Force au Féminin*, Canada Company, the George Vanier Foundation, and the Voltigeurs Regime Ball for the inauguration of their restored carousel.

President and Chief Executive Officer, Yves Desjardins-Siciliano was appointed the Québec Chair of the Canadian Forces Liaison Council (CFLC) for a three-year term, which he will serve alongside his position as Honorary Lieutenant-Colonel of the Régiment de Maisonneuve, held since November 2016. The CFLC aims to facilitate the civilian employment of reservists during or following their military career, and to ensure the needs of employers who support them are fully met. As the Québec Chair, the President will work to further strengthen ties between the military community and the civilian population, and to obtain the support of fellow business leaders to ease the transition from the military to a civilian career.

CELEBRATING PRIDE

In June, VIA Rail celebrated Pride in Toronto as the official Family Pride presenting partner. Held at the Church Street Public School, families and children aged one to 12 were invited to take part in different activities including sports, games, arts and crafts, face painting, and a ride on VIA Rail's mini train.



Visitors to Family Pride in Toronto were treated to a ride on VIA Rail's mini-train

SUPPORTING OUR YOUTH

Young delegates representing their respective G7 countries met over the second quarter during the Y7 Summit in Ottawa. The event brings together young people from the seven nations to discuss topics relating to climate change and the environment, the economy, and gender equality with the goal of presenting their ideas to G7 Summit leaders in June. VIA Rail participated in the event by transporting several of these young delegates to the event in Ottawa.



Jacques Fauteux, Director, Governmental and Community Relations, speaking at the Y7 Summit in Ottawa

OPERATE SAFELY AND SECURELY

FATIGUE MANAGEMENT PLAN

VIA Rail has completed work on a fatigue management policy in order to maintain a safe and efficient work environment for employees. Following a risk assessment, the policy was presented to and signed by our infrastructure partner CN, and will be implemented at the beginning of August.

HEALTH AND SAFETY

In partnership with the *Université du Québec à Montréal*, VIA Rail is developing a training program that will deal with critical incident management and support. The content was developed and piloted in Toronto with VIA Rail transportation managers and received positive feedback from the Health and Safety National Policy Committee. The training program was later presented to the Teamsters Canada Rail Conference in June and is expected to be implemented later this summer.

RAIL SAFETY DAY

Every year, VIA Rail teams up with CN for Safety Day in Moncton. This year's event took place in June and was an opportunity to promote and encourage rail safety in a fun, educational and interactive setting. Over 1,000 visitors were treated to a 20-minute free train ride between the station and the CN Rail yard where there were many fun kid-friendly surprises like balloons, temporary tattoos and activity bags. A food drive was also held to help less fortunate members of the community where 512 lbs. of food were collected and \$230 was raised. Operation Lifesaver participated in the event to offer information on rail safety. VIA Rail also participated in Rail Safety Day in Colborne, Ontario, during the Apple Blossom Festival.



Rail Safety Day in Colborne, ON

BE AN ATTRACTIVE EMPLOYER



Yves Desjardins-Siciliano, President and Chief Executive Officer, Ann Bouthillier, Chief Communications Officer, Linda Bergeron, Chief Human Resources Officer and Marc Beaulieu, Chief Transportation and Safety Officer, alongside graduates of VIA Rail's Leadership School

HIGHLIGHTING EMPLOYEE ACHIEVEMENTS

On June 3, VIA Rail held its first graduation ceremony for managers who completed the VIA Rail Leadership School program. Seventy-one managers were presented a diploma by Yves Desjardins-Siciliano, President and Chief Executive Officer, and Linda Bergeron, Chief Human Resources Officer. The VIA Rail Leadership School, open to all managers, was designed to accelerate the growth of our future leaders by helping them develop stronger management reflexes and giving them the tools to engage and empower their teams. It consists of 15 courses over two years, totalling 92 hours of training per person. A second graduation ceremony will be held in December.

REDUCE OUR IMPACT ON THE ENVIRONMENT

LIMITING PAPER CONSUMPTION

In April, VIA Rail implemented a new system for on-train staff that will allow them to digitally consult their schedules and confirm assignments instead of using paper timesheets. This new system, known as the VIA360 employee portal, is in line with VIA Rail's commitment to the environment and will save over 100,000 pieces of paper each year!

MANAGING OUR BUSINESS RESPONSIBLY



Marie-Anna Murat, Senior Director, Corporate Communications, speaking at the 2018 Annual Public Meeting alongside Françoise Bertrand, Chairperson of the Board of Directors, Yves Desjardins-Siciliano, President and Chief Executive Officer, and Patricia Jasmin, Chief Financial Officer

ANNUAL PUBLIC MEETING

At the end of May, VIA Rail held its 2018 Annual Public Meeting by webcast with the goal of reaching a greater audience and engaging with the public. During the meeting, Françoise Bertrand, the Chairperson of the Board, Yves Desjardins-Siciliano, President and CEO, and Patricia Jasmin, Chief Financial Officer, shared and discussed results from 2017 as well as the first quarter of 2018 along with VIA Rail's plans for the future. The event 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 and during the meeting.

This year we received an unprecedented number of questions - almost 1,500! The most frequently asked questions were collected and put to a vote, and the top 10 were discussed by the President during the live event. A subtitled version of the Annual Public Meeting is available online on [VIA Rail's YouTube channel](#) in French, English, or the original bilingual version. The answers to all the questions we received will be published in the "[Annual Public Meeting](#)" section of our website.



Carole Grenier (left) and Jacques Fauteux (centre) of VIA Rail's Government and Community Relations team with representatives from the Trois-Rivières mayoral office

FORGING TIES WITH COMMUNITIES

Over the second quarter, VIA Rail contributed to and participated in many events with the goal of leading Canadians towards a more sustainable future. VIA Rail also met with representatives from several Canadian cities including Peterborough, St-Hyacinthe, Napanee, Trois-Rivières, Winnipeg, Ottawa, Québec City and Lachine to discuss the effects and benefits of the proposed future High Frequency Rail Project.

AWARDS



FIVE INTERNATIONAL MARKETING AWARDS

Innovation is at the heart of VIA Rail's corporate values. Over the second quarter, the corporation was recognized as best in class internationally for its Anti-Traffic Way to Travel campaign. VIA Rail and its media agency took home two prestigious awards at the Cannes Lions Festival in France: a silver prize in the "Travel" category, and a bronze prize in the "Creative Data" category.

Then in May, at the Festival of Media Global in Rome, Italy, we also won Gold Awards for "Best Use of Data & Insight," "Best Use of Geo-Location," and "Best Use of Real-Time Marketing."



MARKETING TEAM WINS BIG AT THE PRIX MÉDIA D'INFOPRESSE

VIA Rail won three prizes at the *Prix Média d'Infopresse* for its 2017 "Why don't you take the train?" campaign, taking home the grand prizes in the categories of "Best Use of Digital Innovation," "Best Use of Data and Research," and "Best Use of Mobility." These awards highlight creativity and innovation of media strategy in Québec.



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			Six-month periods ended June 30		
INDICATOR	UNIT	Q2-2018	Q2-2017	Vs 2017	YTD 2018	YTD 2017	Vs 2017
CAPACITY DEPLOYED (IN MILLIONS) Number of available seat-miles (ASM)	ASM	439	418	5.0%	833	796	4.6%
TOTAL REVENUES / ASM (RASM) Total revenues divided by total ASM	cents	21.95	21.32	■	21.06	20.11	■
TOTAL COSTS ⁽¹⁾ / ASM (CASM) Total operating expenses divided by total ASM	cents	38.02	37.53	■	38.83	37.66	■
RASM / CASM Revenues per available seat-mile divided by the costs per available seat-mile	%	57.7%	56.8%	■	54.2%	53.4%	■
ON-TIME PERFORMANCE On-Time Performance of all VIA Rail trains	%	74.4%	74.8%	■	73.8%	75.7%	■
ON-TIME PERFORMANCE - VIA RAIL INFRASTRUCTURE On-Time performance of all VIA Rail trains on VIA Rail owned infrastructure	%	94.7%	94.0%	■	94.6%	94.7%	■
TRAIN INCIDENTS Includes mainline derailments, cardinal rule violations, critical speed violations, or critical rule violations which result in injury to passengers and/or employees, or damage to the rolling stock or infrastructure for a value of \$25,000 or more	#	0	0	■	3	2	■
EMPLOYEE ATTENDANCE (EXCLUDING LTD) Total hours worked per month divided by the total possible work hours per month	%	95.2%	94.3%	■	94.8%	94.0%	■

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

- Performance on or above previous year
- Performance slightly below target (less than 10% below previous year)
- Performance below target (10% and more below previous year)

GOVERNANCE AND ACCOUNTABILITY



THE BOARD OF DIRECTORS

As of June 30, 2018, the Board of Directors consists of the Chairperson of the Board of Directors, the President and Chief Executive Officer and nine directors appointed by the Government of Canada. Of the 10 directors (not including the CEO of VIA Rail), six are women and four 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.

Throughout the second quarter of 2018, four Board meetings were held. As well, the five different Board committees met a total of eight times. The attendance rate at the meetings held during the second quarter was 95 per cent. Cumulative fees paid to Board members during this period totaled \$100,614.

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 responding to information requests from the public, the media and all those interested in VIA Rail's operations. During the second quarter of 2018, VIA Rail received 14 new requests.

PROMOTING OUR OFFICIAL LANGUAGES

VIA Rail complies with the Official Languages Act and is proud to offer services in both English and French. While more than 1.1 million passengers travelled on our trains over the second quarter, no complaints were made in regards to our serving Canadians in the language of their choice. This reflects VIA Rail's commitment to providing a bilingual service across the country, in our stations, on board our trains and in our call centres.

Over the quarter, VIA Rail promoted Canada's official languages by participating in the Canadian planning committee for the 50th anniversary of the *Official Languages Act* taking place in 2019. VIA Rail also joined in on the festivities for the 50th anniversary of the *Théâtre français de Toronto*, as well as *Francofonds'* culinary event in Winnipeg. These events are important cultural gatherings for minority language communities in Ontario and Manitoba.

TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES

THE FOLLOWING TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES WERE SUBMITTED DURING THE SECOND QUARTER OF 2018

Françoise Bertrand Chairperson of the Board of Directors	\$1,601
Yves Desjardins-Siciliano President and CEO	\$22,694
Executive management committee members (9 members)	\$38,880
Board of Directors (10 members)	\$10,150
Total VIA Rail (including above expenses)	\$393,799

MANAGEMENT DISCUSSION AND ANALYSIS



1. INTRODUCTION

The management discussion and analysis report outlines the financial results of VIA Rail for the quarter and six-month period ended June 30, 2018 compared with the quarter and six-month period ended June 30, 2017. 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 MILLION OF CANADIAN DOLLARS)	2018	2017	Var \$	Var %	2018	2017	Var \$	Var %
FINANCIAL PERFORMANCE								
Passenger revenues (SECTION 4.2)	89.9	82.7	7.2	8.7%	163.4	148.0	15.4	10.4%
Other revenues	6.3	5.9	0.4	6.8%	11.9	11.1	0.8	7.2%
Total revenues	96.2	88.6	7.6	8.6%	175.3	159.1	16.2	10.2%
Operating expenses (SECTION 4.3)	192.0	184.0	8.0	4.3%	379.7	357.5	22.2	6.2%
Operating loss before funding from the Government of Canada and income taxes (SECTION 4.1)	(95.8)	(95.4)	(0.4)	(0.4%)	(204.4)	(198.4)	(6.0)	(3.0%)
Operating funding from the Government of Canada (SECTION 4.1)	73.6	71.4	2.2	3.1%	155.8	147.3	8.5	5.8%
Amortization of deferred capital funding	27.3	21.9	5.4	24.7%	52.2	44.9	7.3	16.3%
Net income (loss) for the period	4.9	(2.1)	7.0	333.3%	3.4	(6.3)	9.7	154.0%
Remeasurements of defined benefit components of the pension plans	51.8	(32.6)	84.4	258.9%	78.6	(49.2)	127.8	259.8%
Comprehensive income (loss) for the period	56.7	(34.7)	91.4	263.4%	82.0	(55.5)	137.5	247.7%
FINANCIAL POSITION AND CASH FLOWS								
Total assets (SECTION 4.4)	1,408.4	1,346.3	62.1	4.6%	1,408.4	1,346.3	62.1	4.6%
Total liabilities (SECTION 4.4)	1,439.9	1,537.8	(97.9)	(6.4%)	1,439.9	1,537.8	(97.9)	(6.4%)
Cash (SECTION 4.5)	18.8	37.1	(18.3)	(49.3%)	18.8	37.1	(18.3)	(49.3%)
Net cash (used in) provided by operating activities (SECTION 4.5)	(1.3)	21.4	(22.7)	(106.1%)	2.6	26.1	(23.5)	(90.0%)
Net cash provided by investing activities (SECTION 4.5)	10.2	3.5	6.7	191.4%	13.0	0.1	12.9	12900.0%
Capital funding (SECTION 4.5)	26.2	16.2	10.0	61.7%	44.5	37.0	7.5	20.3%
KEY OPERATING STATISTICS								
Train-miles operated (IN THOUSANDS)	1,726	1,692	34	2.0%	3,380	3,319	61	1.8%
Seat-miles (IN MILLIONS)	439	418	21	5.0%	833	796	37	4.6%
Passengers-miles (IN MILLIONS)	240	226	14	6.2%	451	417	34	8.2%
Average passenger load factor (%)	55	54	1	1.9%	54	52	2	3.8%
Operating deficit per passenger-mile (IN CENTS)	30.7	31.6	(0.9)	(2.8%)	34.5	35.4	(0.9)	(2.5%)

FINANCIAL HIGHLIGHTS – SECOND QUARTER

- / VIA Rail recorded a 8.6 per cent increase in total revenues.
- / Operating expenses increased by 4.3 per cent.
- / The operating loss increased by 0.4 per cent.
- / Operating funding increased by 3.1 per cent.
- / VIA Rail generated a comprehensive income of \$56.7M compared to a loss of \$34.7M in 2017.
The variation is due to the remeasurements of defined benefit components of the pension plans.

FINANCIAL HIGHLIGHTS – SIX-MONTH PERIOD

- / VIA Rail recorded a 10.2 per cent increase in revenues.
- / Operating expenses increased by 6.2 per cent.
- / The operating loss increased by 3.0 per cent.
- / Operating funding increased by 5.8 per cent.
- / VIA Rail generated a comprehensive income of \$82.0M compared to a loss of \$55.5M in 2017.
The variation is due to the remeasurements of defined benefit components of the pension plans.

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)	2018	2017	Var \$	Var %	2018	2017	Var \$	Var %
Operating loss on a funded basis	(73.6)	(71.4)	(2.2)	(3.1%)	(155.8)	(147.3)	(8.5)	(5.8%)
NON-FUNDED ADJUSTMENT TO REVENUES								
Adjustment for VIA Préférence points	(0.2)	(0.3)	0.1	33.3%	(0.2)	(0.8)	0.6	75.0%
NON-FUNDED ADJUSTMENTS TO EXPENSES								
Pension and other employee future benefits	(1.7)	(1.4)	(0.3)	(21.4%)	(1.3)	(1.1)	(0.2)	(18.2%)
Depreciation and loss on disposal of property, plant, equipment and intangible assets	(27.7)	(22.1)	(5.6)	(25.3%)	(52.9)	(45.5)	(7.4)	(16.3%)
Other provisions for non-cash items	7.4	(0.2)	7.6	3800.0%	5.8	(3.7)	9.5	256.8%
Total non-funded adjustments to expenses	(22.0)	(23.7)	1.7	7.2%	(48.4)	(50.3)	1.9	3.8%
Total items not requiring funds from operations	(22.2)	(24.0)	1.8	7.5%	(48.6)	(51.1)	2.5	4.9%
Operating loss under IFRS	(95.8)	(95.4)	(0.4)	(0.4%)	(204.4)	(198.4)	(6.0)	(3.0%)
Operating funding from the Government of Canada	73.6	71.4	2.2	3.1%	155.8	147.3	8.5	5.8%
Amortization of deferred capital funding	27.3	21.9	5.4	24.7%	52.2	44.9	7.3	16.3%
Net income (loss) before income taxes	5.1	(2.1)	7.2	342.9%	3.6	(6.2)	9.8	158.1%
Income tax expense	0.2	-	0.2	n/a	0.2	0.1	0.1	100.0%
Net income (loss) under IFRS for the period	4.9	(2.1)	7.0	333.3%	3.4	(6.3)	9.7	154.0%
Remeasurements of defined benefit component of the pension plans	51.8	(32.6)	84.4	258.9%	78.6	(49.2)	127.8	259.8%
Comprehensive income (loss) for the period	56.7	(34.7)	91.4	263.4%	82.0	(55.5)	137.5	247.7%

Net income (loss) under IFRS for the quarter:

A net income of \$4.9M for this quarter, compared to a loss of \$2.1M last year, for an improvement of \$7.0M mainly due to:

- / higher amortization of deferred capital funding (\$5.4M);
- / higher government funding received during the quarter (\$2.2M);
- / higher operating loss (\$0.4M) explained by higher expenses of \$8.0M and higher revenues of \$7.6M.

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

A net income of \$3.4M for the period, compared to a loss of \$6.3M last year, for an improvement of \$9.7M mainly due to:

- / higher government funding received during the period (\$8.5M)
- / higher amortization of deferred capital funding (\$7.3M);
- / higher operating loss (\$6.0M) explained by higher expenses of \$22.2M and higher revenues of \$16.2M.

Remeasurements of defined benefit component of the pension plans

COMPREHENSIVE INCOME OF \$56.7M IN Q2 2018, AND \$82.0M FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018:

As at June 30, 2018, the discount rate used to determine the defined benefit obligation was 3.60 per cent, compared to 3.40 per cent as at December 31, 2017, which represents \$30.0M increase in comprehensive income for the second quarter, and \$57.3M for the six-month period. The return on plan assets was \$21.8M during the second quarter, and 21.3M for the six-month period.

COMPREHENSIVE LOSS OF \$34.7M IN Q2 2017, AND \$55.5M FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017:

As at June 30, 2017, the discount rate used to determine the defined benefit obligation was 3.30 per cent compared to 3.80 per cent as at December 31, 2016, which represents a \$69.0M expense in Q2 2017, and a \$128.2M expense for the six-month period. The return on plan assets generated was \$36.4M in Q2 2017, and \$79.0M for the six-month period.

4.2 REVENUES

	Quarters ended June 30				Six-month periods ended June 30			
(IN MILLIONS OF CANADIAN DOLLARS)	2018	2017	Var \$	Var %	2018	2017	Var \$	Var %
Passenger revenues								
Corridor East	56.6	49.6	7.0	14.1%	109.4	96.5	12.9	13.4%
Southwestern Ontario (SWO)	11.8	10.6	1.2	11.3%	24.0	21.1	2.9	13.7%
Quebec-City Windsor corridor	68.4	60.2	8.2	13.6%	133.4	117.6	15.8	13.4%
<i>Ocean</i>	2.3	2.3	-	0.0%	3.9	3.8	0.1	2.6%
<i>Canadian</i>	16.3	17.5	(1.2)	(6.9%)	21.1	22.0	(0.9)	(4.1%)
Regional services	0.8	1.0	(0.2)	(20.0%)	1.1	1.7	(0.6)	(35.3%)
Non corridor	19.4	20.8	(1.4)	(6.7%)	26.1	27.5	(1.4)	(5.1%)
Other	2.1	1.7	0.4	23.5%	3.9	2.9	1.0	34.5%
Total passenger revenues under IFRS	89.9	82.7	7.2	8.7%	163.4	148.0	15.4	10.4%
Other revenues	6.3	5.9	0.4	6.8%	11.9	11.1	0.8	7.2%
Total revenues under IFRS	96.2	88.6	7.6	8.6%	175.3	159.1	16.2	10.2%
Adjustment for VIA Préférence points (non-funded)	0.2	0.3	(0.1)	(33.3%)	0.2	0.8	(0.6)	(75.0%)
TOTAL FUNDED REVENUES	96.4	88.9	7.5	8.4%	175.5	159.9	15.6	9.8%

PASSENGERS

	Quarters ended June 30				Six-month periods ended June 30			
(IN THOUSANDS)	2018	2017	Var #	Var %	2018	2017	Var #	Var %
Passengers								
Corridor East	810.5	732.4	78.1	10.7%	1,598.4	1,429.3	169.1	11.8%
Southwestern Ontario (SWO)	269.0	235.8	33.2	14.1%	538.4	471.7	66.7	14.1%
Québec-City Windsor corridor	1,079.5	968.2	111.3	11.5%	2,136.8	1,901.0	235.8	12.4%
<i>Ocean</i>	17.3	18.0	(0.7)	(3.9%)	31.6	32.4	(0.8)	(2.5%)
<i>Canadian</i>	20.5	26.0	(5.5)	(21.2%)	29.4	36.2	(6.8)	(18.8%)
Regional services	13.9	16.5	(2.6)	(15.8%)	22.9	28.3	(5.4)	(19.1%)
Non corridor	51.7	60.5	(8.8)	(14.5%)	83.9	96.9	(13.0)	(13.4%)
TOTAL PASSENGERS	1,131.2	1,028.7	102.5	10.0%	2,220.7	1,997.9	222.8	11.2%

PASSENGER REVENUES:

Passenger revenues have increased by \$7.2M (8.7 per cent) during the second quarter, the increase is mainly attributable to higher passenger volumes (10.0 per cent).

Passenger revenues have increased by \$15.4M (10.4 per cent) for the six-month period, the increase is also mainly attributable to higher passenger volumes (11.2 per cent).

CORRIDOR EAST:

Revenues for the quarter are \$7.0M (14.1 per cent) higher than last year. The increase stems from higher ridership (10.7 per cent), combined with improved average revenues (3.1 per cent).

On a cumulative basis, revenues have increased by \$12.9M (13.4 per cent), and the increase is also due to higher passenger volumes (11.8 per cent), combined with improved average revenues (1.4 per cent).

SOUTHWESTERN ONTARIO:

Revenues have grown by \$1.2M (11.3 per cent) during the quarter, due to higher passenger levels (14.1 per cent), partly offset by lower average revenues (-2.4 per cent).

For the six-month period, revenues have increased by \$2.9M (13.7 per cent), and the increase stems in most part from the increase in ridership (14.1 per cent).

OCEAN:

Revenues for the quarter have remained stable compared to last year. Passenger levels decreased by 3.9 per cent however this decrease was offset by the improvement in average fares (4.0 per cent).

CANADIAN:

Revenues on the *Canadian* have decreased by \$1.2M (-6.9 per cent) for the quarter, and by \$0.9M (-4.1 per cent) for the six-month period.

This performance is due to the poor on-time performance of the quarter, which resulted in the cancellation of two trains in early May. Passenger levels decreased by 21.2 per cent during the quarter, and 18.8 per cent in the six-month period.

REGIONAL SERVICES:

Revenues on Regional services have decreased by \$0.2M (-20.0 per cent) during the quarter, and by \$0.6M (-35.3 per cent) for the six-month period. This decrease is due to the interruption 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 the date at which the service will resume has not been determined.

ADJUSTMENT FOR VIA PRÉFÉRENCE POINTS:

VIA Rail recorded an adjustment of \$0.2M for the quarter, this is \$0.1M (-33.3 per cent) lower than last year. The adjustment for the six-month period is also \$0.2M which represents a decrease of \$0.6M (-75.0 per cent) compared to last year. The adjustment of 2017 results from a change in estimate relative to the probabilities of awarded points being converted into tickets.

OTHER REVENUES:

Other revenues have increased by \$0.4M (6.8 per cent) for the quarter, and by \$0.8M (7.2 per cent) for the six-month period. The increases for both the quarter and the six-month period are attributable to third-party revenues as well as to higher investment.

4.3 OPERATING EXPENSES

	Quarters ended June 30				Six-month periods ended June 30			
(IN MILLIONS OF CANADIAN DOLLARS)	2018	2017	Var \$	Var %	2018	2017	Var \$	Var %
Compensation and employee benefits	84.0	78.5	5.5	7.0%	162.0	145.9	16.1	11.0%
Train operations and fuel	34.4	32.3	2.1	6.5%	71.2	63.7	7.5	11.8%
Stations and property	10.0	9.7	0.3	3.1%	22.0	21.3	0.7	3.3%
Marketing and sales	10.2	7.2	3.0	41.7%	17.6	15.5	2.1	13.5%
Maintenance material	8.4	9.6	(1.2)	(12.5%)	18.3	18.8	(0.5)	(2.7%)
Professional services	5.0	3.9	1.1	28.2%	10.1	7.9	2.2	27.8%
Telecommunications	5.5	5.0	0.5	10.0%	10.1	9.5	0.6	6.3%
Depreciation and amortization	25.7	22.0	3.7	16.8%	49.5	44.9	4.6	10.2%
Loss on disposal of property, plant and equipment and intangible assets	2.0	0.1	1.9	1,900.0%	3.4	0.6	2.8	466.7%
Unrealized net loss (net gain) on derivative financial instruments	(4.6)	1.4	(6.0)	(428.6%)	(6.6)	4.2	(10.8)	(257.1%)
Other	11.4	14.3	(2.9)	(20.3%)	22.1	25.2	(3.1)	(12.3%)
Total operating expenses under IFRS	192.0	184.0	8.0	4.3%	379.7	357.5	22.2	6.2%
Non-funded adjustments (SECTION 4.1)	(22.0)	(23.7)	1.7	7.2%	(48.4)	(50.3)	1.9	3.8%
Total funded expenses	170.0	160.3	9.7	6.1%	331.3	307.2	24.1	7.8%

Total operating expenses increased by \$8.0M (4.3 per cent) for the quarter, and by \$22.2M (6.2 per cent) for the six-month period, and the primary variances are:

COMPENSATION AND EMPLOYEE BENEFITS:

Increase of \$5.5M (7.0 per cent) for the quarter, and \$16.1M (11.0 per cent) for the six-month period. The increases for both the quarter and six-month period are due to higher staffing levels (in part due to the additional capacity deployed), annual salary increases, and higher costs (overtime and additional staffing) resulting from the poor on-time performance of the *Canadian*.

TRAIN OPERATIONS AND FUEL:

Increase of \$2.1M (6.5 per cent) for the quarter, and \$7.5M (11.8 per cent) for the six-month period. The increase is attributable to higher infrastructure usage fees and fuel resulting from the additional capacity deployed (new frequencies introduced in the fall of 2017), as well as to the annual contractual cost increases (7 per cent) for infrastructure usage fees paid to infrastructure owners.

The percentage increase in costs of the quarter (6.5 per cent) is lower than the cumulative increase (11.8 per cent), and this is due to the fact during the quarter VIA Rail received a \$3.2M refund for fuel excise tax paid in prior years.

MARKETING AND SALES:

Increase of \$3.0M (41.7 per cent) for the quarter, and \$2.1M (13.5 per cent) for the six-month period. The increase for both the quarter and six-month period is attributable to additional advertising campaigns made in the Corridor.

MAINTENANCE MATERIALS:

Decrease of \$1.2M (-12.5 per cent), for the quarter, mainly due to timing in major overhaul of equipment.

PROFESSIONAL SERVICES:

Increase of \$1.1M (28.2 per cent) for the quarter, and of \$2.2M (27.8 per cent) for the six-month period. The increase is due in part to more Cloud IT projects, as well as amounts invested in additional high frequency rail studies.

DEPRECIATION AND AMORTIZATION:

Increase of \$3.7M (16.8 per cent) for the quarter, and \$4.6M (10.2 per cent) for the six-month period. The increase results from various capital projects completed in 2017 which are now amortized.

UNREALIZED NET LOSS (NET GAIN) ON DERIVATIVE FINANCIAL INSTRUMENTS:

Net gain of \$4.6M for the quarter and \$6.6M for the six-month period, compared to net losses of \$1.4M and \$4.2M for the quarter and six-month period ended June 30, 2017. Net gain for the quarter and for the six-month period of 2018 reflect the fact that market fuel prices are higher than contract prices. Last year, the situation was reversed with market prices being below contract prices, resulting in a loss.

4.4 FINANCIAL POSITION

(IN MILLIONS OF CANADIAN DOLLARS)	June 30, 2018	Dec. 31, 2017	Var \$	Var %
ASSETS				
Current assets	103.8	92.5	11.3	12.2%
Property, plant and equipment	882.9	883.8	(0.9)	(0.1%)
Intangible assets	362.1	369.5	(7.4)	(2.0%)
Post-employment and other employee benefits	58.8	4.6	54.2	1,178.3%
Other	0.8	0.8	-	0.0%
Total assets	1,408.4	1,351.2	57.2	4.2%
LIABILITIES				
Current liabilities	165.5	159.6	5.9	3.7%
Post-employment and other employee benefits	42.6	65.6	(23.0)	(35.1%)
Total liabilities	208.1	225.2	(17.1)	(7.6%)
Deferred capital funding	1,231.8	1,239.5	(7.7)	(0.6%)
Share capital	9.3	9.3	-	0.0%
Accumulated deficit beginning of period	(122.8)	(145.3)	22.5	15.5%
Net income	3.4	12.9	(9.5)	(73.6%)
Other comprehensive income	78.6	9.6	69.0	718.8%
Accumulated deficit, end of period	(40.8)	(122.8)	82.0	66.8%
Total liabilities and shareholder's deficit	1,408.4	1,351.2	57.2	4.2%

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

ASSETS

Total assets increased by \$57.2M due mainly to the increase in post-employment and other employee benefits. This increase is directly attributable to the increase in long-term discount rates on which the determination of the post-employment and other employee assets and liabilities are based.

LIABILITIES

Post-employment and other employee benefits decreased also as a result of the increase in discount rates.

OTHER COMPREHENSIVE INCOME

Other comprehensive income has increased due to the increase in discount rates affecting pension plan 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)	2018	2017	Var \$	Var %	2018	2017	Var \$	Var %
Balance, beginning of period	9.9	12.2	(2.3)	(18.9%)	3.2	10.9	(7.7)	(70.6%)
Net cash (used in) provided by operating activities	(1.3)	21.4	(22.7)	(106.1%)	2.6	26.1	(23.5)	(90.0%)
Net cash provided by investing activities	10.2	3.5	6.7	191.4%	13.0	0.1	12.9	12,900.0%
Balance, end of period	18.8	37.1	(18.3)	(49.3%)	18.8	37.1	(18.3)	(49.3%)

OPERATING ACTIVITIES:

Net cash decreased by \$22.7M (-106.1 per cent) for the quarter and \$23.5M (-90.0 per cent) for the six-month period. The decrease is mainly due to the variance in non-cash working capital items.

INVESTING ACTIVITIES:

Net cash increased by \$6.7M (191.4 per cent) for the quarter, and by \$12.9M for the six-month period. The increase during the quarter results from the change in capital accounts payable and accrued liabilities.

The increase for the six-month period is also attributable to the change in the capital accounts payable and accrued liabilities, as well as from a \$4.7M drawdown from cash in the Asset Renewal Fund during the first quarter.

CAPITAL INVESTMENTS

Property, plant and equipment and intangible assets amounted to \$1,245.0M as at June 30, 2018, which is a decrease of \$8.3M compared to the balance as at December 31, 2017.

Capital investments of \$26.2M were made during the quarter, and \$44.5M were invested during the six-month period:

	Quarters ended June 30				Six-month periods ended June 30			
(IN MILLIONS OF CANADIAN DOLLARS)	2018	2017	Var \$	Var %	2018	2017	Var \$	Var %
Equipment	9.2	3.9	5.3	135.9%	14.9	8.9	6.0	67.4%
Infrastructure	4.3	0.9	3.4	377.8%	7.5	5.0	2.5	50.0%
Information technology	4.9	3.7	1.2	32.4%	9.4	6.4	3.0	46.9%
Stations	4.2	4.6	(0.4)	(8.7%)	7.5	10.7	(3.2)	(29.9%)
Other	3.6	3.1	0.5	16.1%	5.2	6.0	(0.8)	(13.3%)
Total	26.2	16.2	10.0	61.7%	44.5	37.0	7.5	20.3%

The most significant investments made during the quarter were for the mid-life overhaul of locomotives, the HEP Corridor Economy cars rebuild projects, in 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, 2017.

This section must be read in conjunction with the risk section of the Management Discussion and Analysis as at December 31, 2017, included in the 2017 annual report.

The only risk which changed since December 2017 is the following:

INFRASTRUCTURE AVAILABILITY, RELIABILITY AND QUALITY

NATURE OF RISK:

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.

CHANGE SINCE DECEMBER 2017:

On-time performance has continued to deteriorate during the second quarter, forcing the cancellation of two trains in May. These delays have resulted in additional costs and lost revenues for both the second quarter and summer months.

VIA Rail has been working with the host railway to address the situation, and a new schedule which adds 12 hours to the trip was launched on July 26, 2018. This new schedule should minimize delays.

During the quarter, VIA Rail and CN agreed to a three year contract extension for the access to their rail infrastructure. Other contracts with major host railways which allow VIA Rail access to their infrastructure will expire in the future and could be renewed at terms and conditions which are not known at this time.

THE OTHER RISKS FOR WHICH THERE ARE NO CHANGES SINCE DECEMBER 2017 ARE THE FOLLOWING:

- / Safety of passengers, employees and the public
- / Government and strategy
- / Employee contribution
- / Revenue generation
- / Costs influenced by external factors
- / Equipment quality, availability and reliability
- / Information technology

6. OUTLOOK

The results of the second quarter remain positive in terms of revenues and ridership in the Corridor, however the continued issues with the on-time performance of the *Canadian* have negatively impacted revenues and operating expenses.

The change in schedule implemented at the end of July 2018 is expected to help minimize the loss in revenues and the additional operating expenses. In parallel, management has put in place a plan to minimize operating expenses to offset the additional costs stemming from the situation on the *Canadian*, and respect the authorized funding levels for the year.

INTERIM CONDENSED FINANCIAL STATEMENTS



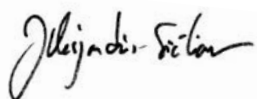
MANAGEMENT'S RESPONSIBILITY STATEMENT

QUARTER ENDED JUNE 30, 2018

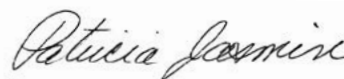
Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines are necessary to enable the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

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

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



Yves Desjardins-Siciliano
President and Chief Executive Officer



Patricia Jasmin, CPA, CA
Chief Financial Officer

Montréal, Canada
August 28, 2018

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(IN THOUSANDS OF CANADIAN DOLLARS)	June 30, 2018	December 31, 2017
CURRENT ASSETS	<i>(unaudited)</i>	<i>(audited)</i>
Cash	\$ 18,804	\$ 3,195
Trade and other receivables	6,589	11,264
Receivable from the Government of Canada	31,778	37,215
Other current assets	7,126	4,059
Derivative financial instruments (NOTE 9)	8,472	3,476
Materials	27,899	25,465
Asset Renewal Fund (NOTE 10)	3,096	7,780
	103,764	92,454
NON-CURRENT ASSETS		
Property, plant and equipment (NOTE 11)	882,905	883,847
Intangible assets (NOTE 12)	362,065	369,477
Asset Renewal Fund (NOTE 10)	873	873
Post-employment and other employee benefits (NOTE 16)	58,804	4,566
	1,304,647	1,258,763
Total Assets	\$ 1,408,411	\$ 1,351,217
CURRENT LIABILITIES		
Trade and other payables (NOTE 13)	\$ 108,318	\$ 113,791
Provisions (NOTE 14)	7,084	8,872
Derivative financial instruments (NOTE 9)	644	2,292
Deferred revenues (NOTE 15)	49,485	34,613
	165,531	159,568
NON-CURRENT LIABILITIES		
Post-employment and other employee benefits (NOTE 16)	42,581	65,620
	42,581	65,620
Deferred capital funding (NOTE 17)	1,231,780	1,239,544
SHAREHOLDER'S DEFICIENCY		
Share capital	9,300	9,300
Accumulated deficit	(40,781)	(122,815)
	(31,481)	(113,515)
Total Liabilities and Shareholder's deficiency	\$ 1,408,411	\$ 1,351,217

Commitments (Note 20)

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

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

(IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended June 30		Six-month periods ended June 30	
	2018	2017	2018	2017
REVENUES				
Passenger (NOTE 7)	\$ 89,888	\$ 82,686	\$ 163,391	\$ 147,953
Other (NOTE 7)	6,289	5,941	11,871	11,160
	96,177	88,627	175,262	159,113
EXPENSES				
Compensation and employee benefits	84,033	78,453	162,007	145,918
Train operations and fuel	34,452	32,309	71,224	63,740
Stations and property	9,987	9,689	21,958	21,293
Marketing and sales	10,114	7,230	17,558	15,541
Maintenance material	8,446	9,567	18,328	18,795
On-train product costs	6,282	5,208	11,004	9,317
Operating taxes	2,781	3,085	5,768	5,554
Professional services	5,027	3,851	10,082	7,909
Telecommunications	5,444	5,001	10,091	9,526
Depreciation and amortization (NOTES 11 & 12)	25,647	22,004	49,469	44,926
Loss on disposal of property, plant and equipment and intangible assets (NOTES 11 & 12)	1,968	137	3,352	588
Unrealized net loss (net gain) on derivative financial instruments	(4,622)	1,421	(6,644)	4,167
Realized net loss (net gain) on derivative financial instruments	(1,024)	1,398	(1,177)	2,543
Other	3,464	4,645	6,670	7,694
	191,999	183,998	379,690	357,511
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES	95,822	95,371	204,428	198,398
Operating funding from the Government of Canada (NOTE 8)	73,547	71,467	155,782	147,317
Amortization of deferred capital funding (NOTE 17)	27,318	21,844	52,231	44,923
Net income (loss) before income taxes	5,043	(2,060)	3,585	(6,158)
Income tax expense	78	78	155	146
NET INCOME (LOSS) FOR THE PERIOD	4,965	(2,138)	3,430	(6,304)
Other comprehensive income (loss)				
Amounts not to be reclassified subsequently to net income (net of tax):				
Remeasurements of defined benefit component of the pension plans (NOTE 16)	51,792	(32,554)	78,604	(49,178)
	51,792	(32,554)	78,604	(49,178)
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ 56,757	\$ (34,692)	\$ 82,034	\$ (55,482)

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

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN SHAREHOLDER'S DEFICIENCY

(IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended June 30		Six-month periods ended June 30	
	2018	2017	2018	2017
SHARE CAPITAL	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300
Accumulated deficit				
Balance, beginning of period	(97,538)	(166,124)	(122,815)	(145,334)
Net income (loss) for the period	4,965	(2,138)	3,430	(6,304)
Other comprehensive income (loss) for the period	51,792	(32,554)	78,604	(49,178)
Balance, end of period	(40,781)	(200,816)	(40,781)	(200,816)
Total Shareholder's deficiency	\$ (31,481)	\$ (191,516)	\$ (31,481)	\$ (191,516)

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

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

(IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended June 30		Six-month periods ended June 30	
	2018	2017	2018	2017
OPERATING ACTIVITIES				
Net income (loss) for the period	\$ 4,965	\$ (2,138)	\$ 3,430	\$ (6,304)
Adjustments to determine net cash (used in) provided by operating activities:				
Depreciation and amortization (NOTES 11 & 12)	25,647	22,004	49,469	44,926
Loss on disposal of property, plant and equipment and intangible assets (NOTES 11 & 12)	1,968	137	3,352	588
Amortization of deferred capital funding (NOTE 17)	(27,318)	(21,844)	(52,231)	(44,923)
Interest income	(339)	(90)	(441)	(175)
Unrealized net loss (net gain) on derivative financial instruments	(4,622)	1,421	(6,644)	4,167
Post-employment and other employee benefit expenses (NOTE 16)	11,021	11,505	21,064	20,501
Employer post-employment and other employee benefit contributions (NOTE 16)	(9,277)	(10,141)	(19,737)	(19,412)
Net change in non-cash working capital items (NOTE 18)	(3,367)	20,491	4,360	26,685
Net cash (used in) provided by operating activities	(1,322)	21,345	2,622	26,053
INVESTING ACTIVITIES				
Capital funding (NOTE 17)	26,231	16,183	44,467	37,027
Change in capital funding receivable from the Government of Canada	2,995	6,881	11,759	7,537
Drawdown from cash in the Asset Renewal Fund	-	-	4,684	-
Change in capital accounts payable and accrued liabilities	6,824	(3,455)	(3,897)	(7,569)
Acquisition of property, plant and equipment and intangible assets (NOTES 11, 12 & 13)	(26,231)	(16,183)	(44,467)	(37,027)
Interest received	339	90	441	175
Net cash provided by investing activities	10,158	3,516	12,987	143
CASH				
Increase during the period	8,836	24,861	15,609	26,196
Balance, beginning of period	9,968	12,196	3,195	10,861
Balance, end of period	\$ 18,804	\$ 37,057	\$ 18,804	\$ 37,057
REPRESENTED BY:				
Cash	18,804	37,057	18,804	37,057
	\$ 18,804	\$ 37,057	\$ 18,804	\$ 37,057

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, 2018 (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 corporations 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 their 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 28, 2018.

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, 2017, 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 9 - *Financial Instruments*

In the period ending June 30, 2018, the Corporation has applied IFRS 9 - *Financial Instruments* (as revised in July 2014). IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and liabilities, 2) impairment for financial assets and 3) hedge accounting. Details of these new requirements as well as their impact on the Corporation's financial statements are described below.

a) Financial assets – Classification and measurement

IFRS 9 replaces classification and measurement models in IAS 39 – *Financial Instruments: Recognition and Measurement* with a single model under which financial assets are classified and measured at amortized cost, at fair value through profit or loss (FVTPL) or at fair value through other comprehensive income (FVTOCI). This classification is based on a business model in which a financial asset is managed and its contractual cash flows characteristics and eliminates the IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. The adoption of IFRS 9 did not, however, change the measurement base on the Corporation's financial assets.

The table below illustrates the classification of financial assets under IFRS 9 and IAS 39 at the date of initial application, as at January 1, 2017 and as at December 31, 2017:

Financial instruments	Original measurement category under IAS 39	New measurement category under IFRS 9
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Derivative financial instruments	FVTPL	FVTPL
Asset Renewal Fund	FVTPL	FVTPL

3. CHANGES IN ACCOUNTING POLICIES ADOPTED IN THE PERIOD (CONT'D)

The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model as opposed to an incurred credit loss model under IAS 39. IFRS 9 applies to financial assets measured at amortized cost and contract assets and requires that the Corporation considers factors that include historical, current and forward-looking information when measuring ECL. The Corporation uses the simplified approach for measuring losses based on the lifetime ECL for trade and other receivables. Amounts considered uncollectible are written off and are included in the "Other" expenses line item in the statement of comprehensive income.

The Corporation concluded that no impairment of financial assets is required by IFRS 9.

b) Financial liabilities - Classification and measurement

One major change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognized. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has no other impact on the measurement of the Corporation's financial liabilities.

The table below illustrates the classification of financial liabilities under IFRS 9 and IAS 39 at the date of initial application, as at January 1, 2017 and as at December 31, 2017:

Financial instruments	Original measurement category under IAS 39	New measurement category under IFRS 9
Trade and other payables	Other financial liabilities	Amortized cost
Derivative financial instruments	FVTPL	FVTPL

c) Derivative financial instruments

Hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship.” Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity’s risk management activities have been introduced.

The application of IFRS 9 has no impact on the Corporation’s derivative financial instruments such as commodity swaps and forward contracts.

These derivatives financial instruments are not designated as hedging instruments.

IFRS 15 – Revenue from Contracts with Customers

In the period ending June 30, 2018, the Corporation has applied IFRS 15 - *Revenue from Contracts with Customers* (as amended in April 2016). The standard specifies how and when revenue should be recognized and requires entities to provide more informative and relevant disclosures to users. The standard, which supersedes IAS 18 - *Revenue*, IAS 11 - *Construction Contracts* and a number of revenue-related interpretations applies to nearly all contracts with customers, unless the contracts are within the scope of other IFRS such as IAS 17 - *Leases*.

IFRS 15 introduces a five-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the Corporation’s financial statements are described below.

The Corporation has applied IFRS 15 in accordance with the fully retrospective transitional approach.

The Corporation’s accounting policies for its revenue streams are disclosed in detail in Note 5 below. Apart from providing more extensive disclosures on the Corporation’s revenue transactions, the application of IFRS 15 has no significant impact on the financial position and/or financial performance of the Corporation.

Under the basic principle of IFRS 15, a corporation must recognize revenue to show when the goods or services promised to customers are provided, and to what amount of consideration the entity expects to be entitled to in exchange of such goods or services. In particular, the standard proposes a five-step model for the recognition of revenue, identifying customer contracts, identifying contractual obligations, determining the transaction price, transaction price between the various contractual obligations and the recognition of revenue when the entity has (or as it fulfils) a performance obligation.

Under IFRS 15, a corporation recognizes revenue when a benefit obligation is fulfilled (or as it is met), that is, when control of the underlying goods or services under consideration by this obligation of service is transferred to the client.

3. CHANGES IN ACCOUNTING POLICIES ADOPTED IN THE PERIOD (CONT'D)

Passenger revenues and other revenues are not significantly impacted by IFRS 15. Even if the performance obligation related to these revenues are satisfied over time, most of the trips occur on the same day, so the Corporation uses the departure date to recognize passenger revenues. Other revenues are recognized over time because the Corporation fulfils its performance obligation progressively.

IFRS 15 has no impact on the deferred revenues such as advance ticket sales and gift cards, but has an impact on the deferred revenues related to the loyalty program. In previous reporting periods, the consideration received from the sale of train tickets was allocated to the points using the residual method. Under this method, a part of the consideration equalling the fair value of the points was allocated to the points. The residual part of the consideration was allocated to the train ticket. Under IFRS 15, the total consideration must be allocated to the points based on the relative stand-alone selling prices. The application of this new standard has no monetary impact on the Corporation's financial statements.

As required for the condensed interim financial statements, the Corporation disaggregated revenue recognized from contracts with customers into categories that depict how the nature of services rendered. Refer to Note 7 for disclosure on disaggregated revenue.

4. NEW AND REVISED IFRS ISSUED BUT NOT YET EFFECTIVE

IFRS 16 – Leases – In January 2016, the IASB published a new standard to replace the previous standard IAS 17 – *Leases*. The new standard requires leases to be reported on a lessee's balance sheet as assets and liabilities, provides more transparency and improves comparability between corporations. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

This standard is effective for periods beginning on or after January 1, 2019, with early application permitted for corporations that also apply IFRS 15 – *Revenue from Contracts with Customers*. The Corporation did not early apply IFRS 16 and intend to apply the modified approach. The Corporation is currently assessing the impact of applying this standard on its financial statements. An initial scoping of its agreement has identified approximately 60 agreements that will need to be analyzed. The Corporation has also begun the analysis of these leases and will continue this process during the year 2018.

IFRIC 23 – Uncertainty over Income Tax Treatment – In June 2017 the IASB issued IFRIC 23 - *Uncertainty over Income Tax Treatments*. This IFRIC Interpretation aims to reduce diversity in how Corporations recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments. This IFRIC Interpretation is effective for periods beginning on or after January 1, 2019. A full retrospective application is permitted if a corporation can do so without using hindsight. IFRIC 23 won't have any impact on the Corporation's financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied for these condensed interim financial statements are presented in Note 5 to the annual financial statements for the year ended December 31, 2017.

Only the following significant accounting policy has changed since December 31, 2017:

Revenue recognition

i) Passenger revenues

Revenue related to train services is recorded as deferred revenue until the transportation service has been provided. The service is rendered to the customer as the train journey is made. The performance obligation is satisfied over time.

The Corporation offers its customers the opportunity to earn points in a loyalty program. This program allows customers to purchase additional services - future train tickets from the accumulated VIA Préférence points. The Corporation considers that the awarding of points gives rise to a performance obligation separate from the purchase of the train ticket, since they confer on the customer a significant right to which he would not have been entitled if he had not bought a train ticket. The customer pays in advance for future services. The consideration received in respect of ticket sales is split between the points awarded under the VIA Préférence loyalty program and the passenger transportation services. The amount allocated to the loyalty program is based on the expected exchange rate of points estimated by management and their fair value. Revenue related to loyalty program points is recognized as deferred revenue until it is exchanged for train tickets. When points are redeemed, the proceeds are determined by the number of points redeemed in exchange for train tickets.

ii) Other revenues

Other revenues including third-party revenue and investment income are recognized as they are earned. The change in fair value of financial instruments that are held for trading and that are not derivative financial instruments is recognized in other revenues.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

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

Estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. They are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimate is revised. However, uncertainties relating to judgments, assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in future years. Key sources of estimation uncertainty and assumptions are disclosed in Note 6 of the Corporation's annual financial statements for the year ended December 31, 2017.

7. REVENUES

The following table disaggregates the revenue by major sources:

(IN MILLIONS OF CANADIAN DOLLARS)	Quarters ended June 30		Six-month periods ended June 30	
	2018	2017	2018	2017
REVENUES				
Transportation and accommodation	87.1	80.2	158.3	143.5
On-train food and beverages and off-train revenue / other	2.8	2.5	5.1	4.5
Revenue from passengers	89.9	82.7	163.4	148.0
Investment income	0.3	0.1	0.4	0.2
Third-party servicing	2.7	2.5	4.8	4.5
Rental and sub-lease rental income	3.3	3.3	6.7	6.4
Revenue from other sources	6.3	5.9	11.9	11.1
Total	96.2	88.6	175.3	159.1

8. 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:

(IN MILLIONS OF CANADIAN DOLLARS)	Quarters ended June 30		Six-month periods ended June 30	
	2018	2017	2018	2017
Operating loss before funding from the Government of Canada and income taxes	95.8	95.4	204.4	198.4
Items requiring operating funds:				
Income tax expense	0.1	-	0.2	0.1
Items (not requiring) not providing operating funds:				
Depreciation and amortization	(25.7)	(22.0)	(49.5)	(44.9)
Loss on disposal of property, plant and equipment and intangible assets	(2.0)	(0.1)	(3.4)	(0.6)
Post-employment and other employee benefits contributions in excess of expenses	(1.7)	(1.4)	(1.3)	(1.1)
Unrealized net gain (net loss) on derivative financial instruments	4.6	(1.5)	6.6	(4.2)
Adjustment for accrued compensation	2.7	1.3	(1.0)	0.4
Adjustment for VIA Préférence	(0.2)	(0.3)	(0.2)	(0.8)
Operating funding from the Government of Canada	73.6	71.4	155.8	147.3

9. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

COMMODITY SWAPS	June 30, 2018		December 31, 2017	
	Notional Quantity (000's of U.S. Gallons)	Fair Value CAD (millions)	Notional Quantity (000's of U.S. Gallons)	Fair Value CAD (millions)
Assets	16,632	8.3	14,112	3.3
Liabilities	588	0.3	4,032	1.3

As at June 30, 2018, the commodity swaps in USD have a fixed price per U.S. gallon between 1.840 and 2.655 USD and the commodity swaps in CAD have a fixed price per U.S. gallon between 1.950 and 2.780 CAD (December 31, 2017: between 1.840 and 2.655 USD and between 1.950 and 2.431 CAD). The maturity dates for both currencies range between 2018 to 2020 (December 31, 2017: 2018 to 2019). These financial instruments have a monthly settlement schedule.

FORWARD FOREIGN EXCHANGE CONTRACTS	June 30, 2018		December 31, 2017	
	Notional Amount (USD) (millions)	Fair Value CAD (millions)	Notional Amount (USD) (millions)	Fair Value CAD (millions)
Assets	1.4	0.2	1.8	0.2
Liabilities	5.1	0.3	8.2	1.0

As at June 30, 2018, the forward contracts rates are between 1.156 and 1.374 in USD (December 31, 2017: between 1.156 and 1.374 USD) and the maturity dates are 2018 to 2019 (December 31, 2017: 2018 to 2019). These financial instruments have a monthly settlement schedule.

Amounts recognized in the statement of financial position:

	June 30, 2018	December 31, 2017
	Fair Value CAD (millions)	Fair Value CAD (millions)
Total assets	8.5	3.5
Total liabilities	0.6	2.3

10. ASSET RENEWAL FUND

a) 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 \$3.1 million (June 30, 2017 : \$7.8 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 (June 30, 2017: \$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.

b) Changes in the Asset Renewal Fund

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, 2018	December 31, 2017
Balance, beginning of period	8.7	8.7
Less: Cash drawdown during the period (NOTE 1)	(4.7)	-
Balance, end of period	4.0	8.7

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

11. PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2018	Additions	Disposals	Transfers	June 30, 2018
Cost:					
Land	17.0	-	-	-	17.0
Rolling stock	942.4	-	(6.0)	7.7	944.1
Maintenance buildings	167.8	-	(0.6)	1.2	168.4
Stations and facilities	133.8	-	(0.9)	12.4	145.3
Owned infrastructures	269.5	-	(1.7)	5.0	272.8
Leasehold improvements	90.6	-	(1.5)	2.1	91.2
Machinery and equipment	26.0	-	-	1.1	27.1
Computer hardware	38.0	-	-	2.8	40.8
Other property, plant and equipment	7.2	-	-	0.4	7.6
Projects in progress	32.3	38.1	-	(32.7)	37.7
Total cost	1,724.6	38.1	(10.7)	-	1,752.0
Accumulated depreciation and impairment:					
Rolling stock	497.7	22.3	(3.2)	-	516.8
Maintenance buildings	112.8	1.0	(0.5)	-	113.3
Stations and facilities	46.0	2.6	(0.7)	-	47.9
Owned infrastructures	89.7	4.4	(1.7)	-	92.4
Leasehold improvements	47.7	2.0	(1.4)	-	48.3
Machinery and equipment	17.9	0.7	-	-	18.6
Computer hardware	26.4	2.6	-	-	29.0
Other property, plant and equipment	2.6	0.2	-	-	2.8
Total accumulated depreciation and impairment	840.8	35.8	(7.5)	-	869.1
Total carrying amount	883.8	2.3	(3.2)	-	882.9

12. INTANGIBLE ASSETS

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2018	Additions	Disposals	Transfers	June 30, 2018
Cost:					
Software (NOTE 1)	114.0	-	-	2.9	116.9
Right of access to rail infrastructure	430.4	-	(0.5)	0.6	430.5
Other intangible assets	4.4	-	-	-	4.4
Projects in progress	3.5	6.4	-	(3.5)	6.4
Total cost	552.3	6.4	(0.5)	-	558.2
Accumulated amortization and impairment:					
Software	78.5	7.9	-	-	86.4
Right of access to rail infrastructure	102.3	5.7	(0.4)	-	107.6
Other intangible assets	2.0	0.1	-	-	2.1
Total accumulated amortization and impairment	182.8	13.7	(0.4)	-	196.1
Total carrying amount	369.5	(7.3)	(0.1)	-	362.1

Note 1: Includes mostly software developed in-house.

13. TRADE AND OTHER PAYABLES

The trade and other payables balance includes the following:

(IN MILLIONS OF CANADIAN DOLLARS)	June 30, 2018	December 31, 2017
Wages payable and accrued	37.6	40.7
Accounts payable and accruals - Capital assets	19.2	23.1
Accounts payable and accruals - Trade	41.8	40.5
Trade and other payables classified as Amortized cost	98.6	104.3
Capital tax, income tax and other taxes payable	6.5	5.8
Deductions at sources	3.2	3.7
Total trade and other payables	108.3	113.8

14. PROVISIONS

The provision balance includes the following:

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2018	Charge (used)	Reversal (used)	Reversal (not used)	June 30, 2018
Environmental costs (NOTE A)	0.3	-	(0.1)	-	0.2
Litigation and equipment repairs (NOTE B)	8.6	1.9	(1.6)	(2.0)	6.9
Total provisions	8.9	1.9	(1.7)	(2.0)	7.1

a) Environmental costs

The Corporation has made a provision of \$0.2 million for environmental costs related to fuel spills (December 31, 2017: \$0.3 million).

b) Litigation and equipment repairs

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

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

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

15. DEFERRED REVENUES

Deferred revenues are comprised of the following:

(IN MILLIONS OF CANADIAN DOLLARS)	June 30, 2018	December 31, 2017
Advance ticket sales	34.1	19.6
Gift cards	1.6	1.5
Non-monetary transactions	2.2	2.2
VIA Préférence	11.0	10.8
Other	0.6	0.5
Total deferred revenues	49.5	34.6

16. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

The Corporation provides a number of pension plans with defined benefits (funded) and defined contributions components. The Corporation also provides unfunded other post-employment benefits, including post-retirement medical and life insurance benefits, and long-term employee benefits such as 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.

All participants to the pension plans are entitled to defined benefits pensions. Pension dispositions vary for a group of unionized employees hired on or after January 1, 2014.

Employees, other than certain unionized employees hired on or after January 1, 2014

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 earnings 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.

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

Certain unionized employees hired on or after January 1, 2014

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.

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 and cannot exceed the calculated maximums based on the sum of the participant's age and years of service.

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

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

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

The financial and demographic assumptions used to determine the actuarial valuations of the pension plans were the same assumptions as disclosed in the Corporation's annual financial statements for the year ended December 31, 2017, except for the discount rate used to determine the defined benefit obligation that has increased to 3.60 per cent (December 31, 2017: 3.40 per cent) and the discount rate used to determine the defined benefit cost that has decreased to 3.40 per cent (December 31, 2017: 3.80 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, 2017, except for the discount rate used to determine the defined benefit cost that has decreased to 3.40 per cent (December 31, 2017: 3.90 per cent). The discount rate used to determine the defined benefit obligation of the post-employment benefit plans remains unchanged.

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

(IN MILLIONS OF CANADIAN DOLLARS)	Defined benefit component of the pension plans		Post-employment benefit plans	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
DEFINED BENEFIT OBLIGATION:				
Balance, beginning of period	2,409.0	2,298.1	23.8	21.7
Service cost	17.2	27.9	0.2	0.3
Past service cost	-	(0.1)	-	-
Interest expense	43.0	86.3	0.4	0.8
Employee contributions	7.6	14.3	-	-
Benefits paid	(72.0)	(135.0)	(0.4)	(0.8)
Effect of change in demographic assumptions	-	(0.1)	-	-
Effect of change in financial assumptions	(57.3)	118.4	-	1.8
Effect of experience adjustments	-	(0.8)	-	-
Balance, end of period	2,347.5	2,409.0	24.0	23.8
FAIR VALUE OF PLAN ASSETS:				
Balance, beginning of period	2,390.5	2,267.2	-	-
Interest income	42.6	84.4	-	-
Return on plan assets (excluding interest income)	21.3	128.9	-	-
Employer contributions	17.0	33.4	0.4	0.8
Employee contributions	7.6	14.3	-	-
Benefits paid	(72.0)	(135.0)	(0.4)	(0.8)
Administration expenses	(0.7)	(2.7)	-	-
Balance, end of period	2,406.3	2,390.5	-	-
Net defined benefit liability (asset)	(58.8)	18.5	24.0	23.8

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, 2017 except for the discount rate used to determine the benefit cost that has decreased to 3.20 per cent (December 31, 2017: 3.40 per cent). The discount rate used to determine the long-term employee benefit obligation remains unchanged.

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

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, 2018	December 31, 2017
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance, beginning of period	18.2	18.5
Service cost	1.6	3.1
Interest expense	0.3	0.6
Benefits paid	(2.0)	(3.8)
Effect of change in demographic assumptions	-	(0.2)
Balance, end of period	18.1	18.2
FAIR VALUE OF PLAN ASSETS:		
Balance, beginning of period	-	-
Employer contributions	2.0	3.8
Benefits paid	(2.0)	(3.8)
Balance, end of period	-	-
Net long-term employee benefit liability	18.1	18.2

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, 2018	December 31, 2017
OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance, beginning of period	0.5	0.6
Service cost	0.3	0.4
Benefits paid	(0.3)	(0.5)
Balance, end of period	0.5	0.5
FAIR VALUE OF PLAN ASSETS:		
Balance, beginning of period	-	-
Employer contributions	0.3	0.5
Benefits paid	(0.3)	(0.5)
Balance, end of period	-	-
Net other long-term employee benefit liability	0.5	0.5

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, 2018	December 31, 2017
Assets:		
Defined benefit component of the pension plans	58.8	4.6
Liabilities:		
Defined benefit component of the pension plans	-	23.1
Post-employment benefit plans	24.0	23.8
Long-term employee benefit plans	18.1	18.2
Other long-term employee benefits	0.5	0.5
Total liabilities	42.6	65.6

Total amounts recognized in the statement of comprehensive income:

	Quarters ended June 30		Six-month periods ended June 30	
(IN MILLIONS OF CANADIAN DOLLARS)	2018	2017	2018	2017
Operating expense:				
Defined benefit component of the pension plans	9.7	10.1	18.3	17.7
Post-employment benefit plans	0.3	0.3	0.6	0.6
Long-term employee benefit plans	0.9	1.0	1.9	1.9
Other long-term employee benefits	0.1	0.1	0.3	0.3
Total	11.0	11.5	21.1	20.5

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)	2018	2017	2018	2017
Other comprehensive income (loss):				
Defined benefit component of the pension plans	51.8	(32.6)	78.6	(49.2)
Total	51.8	(32.6)	78.6	(49.2)

17. 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, 2018	December 31, 2017
Balance, beginning of period	1,239.5	1,247.2
Government funding for property, plant and equipment and intangible assets (including the cost of land)	44.5	88.4
Amortization of deferred capital funding	(52.2)	(96.1)
Balance, end of period	1,231.8	1,239.5

18. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	Quarters ended June 30		Six-month periods ended June 30	
(IN MILLIONS OF CANADIAN DOLLARS)	2018	2017	2018	2017
Trade and other receivables	6.1	1.5	4.7	(1.0)
Operating funding receivable from the Government of Canada	(3.6)	20.8	(6.3)	13.7
Other current assets	(2.9)	(0.2)	(3.1)	(1.3)
Materials	(1.2)	(0.8)	(2.4)	(0.3)
Trade and other payables	(2.9)	(5.9)	(1.6)	(7.1)
Provisions	(1.5)	(0.3)	(1.8)	(0.5)
Deferred revenues	2.7	5.4	14.9	23.2
Total	(3.3)	20.5	4.4	26.7

19. 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, 2017.

20. 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, 2018				December 31, 2017
	Total commitments	Less than one year	From one to five years	More than five years	Total commitments
COMMITMENTS RELATING TO OPERATIONS:					
Non-cancellable operating leases (NOTE A):					
Lessee	22.2	3.7	15.2	3.3	24.0
Total	22.2	3.7	15.2	3.3	24.0
COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS:					
Rolling stock	100.0	15.1	81.2	3.7	5.2
Maintenance buildings	0.2	0.2	-	-	0.7
Stations and facilities	1.1	1.1	-	-	2.4
Owned infrastructures	12.2	9.4	2.3	0.5	4.5
Computer hardware	0.6	0.6	-	-	0.7
Total	114.1	26.4	83.5	4.2	13.5
Total commitments	136.3	30.1	98.7	7.5	37.5

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

In 2018, an amount of \$8.3 million (June 30, 2017: \$8.2 million) was recognized as an expense related to facilities operating leases.

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

c) The Corporation has provided letters of credit from a banking institution totalling approximately \$22.9 million (December 31, 2017: \$22.8 million) to various provincial government workers' compensation boards as security for future payment streams.

