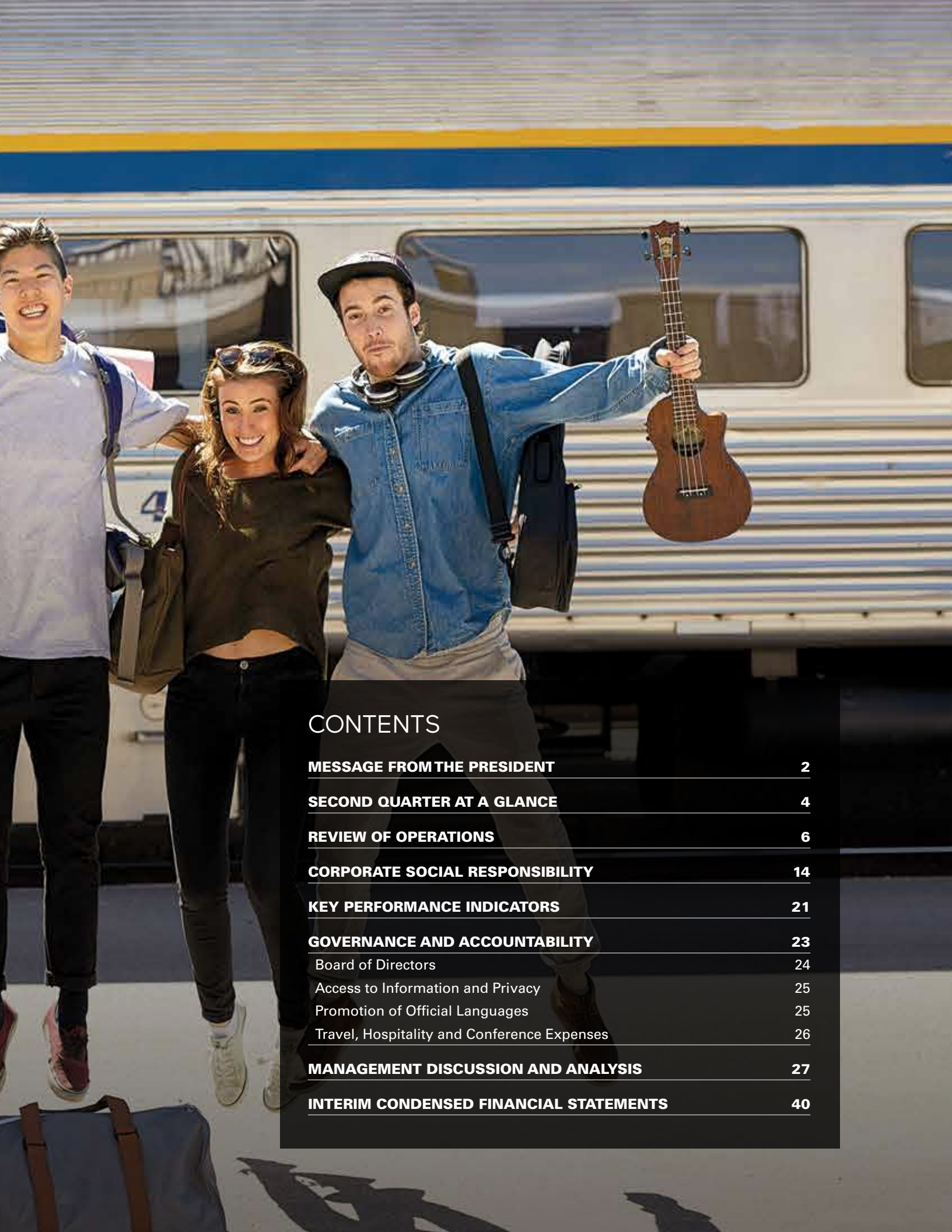


# SECOND QUARTER REPORT 2015





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# MESSAGE FROM THE PRESIDENT

This quarter was about reaching out to many different communities, listening to the needs of these various groups, and taking these needs into account - both internally and externally.

On April 1<sup>st</sup> I had the honour and thrill to represent VIA Rail as the co-chairman at National We Day, to an audience of 16,000 youths who earned their ticket to this full-day event through positive action in their communities. Who best to talk to about taking action and making choices that are good for the planet, such as transport sharing or taking the train instead of a car, than these future leaders?

Other speeches followed, at several Chambers of Commerce in Southwest Ontario including London, Stratford, Sarnia and Windsor where we are hoping to increase and improve train services in 2016. Finally, VIA Rail's plan for dedicated tracks was presented at both The Canadian Council for Public-Private Partnerships in Toronto and the Institut pour le partenariat public-privé in Montréal.

Internally, we continued our employee listening tours and conducted an employee engagement survey. An increasing number of employees took the time to share their views: this year's response rate is 65%, compared to 58% in our last survey in 2011. The information received will be collated and sent to us in August, at which time an action plan based on the results will be developed to continue to improve the working environment.

To attract even more people to our trains, we launched our new, comprehensive "Who's On Board" marketing campaign, which highlights real stories from our train-loving passengers. The dynamic and integrated campaign crosses all our platforms on all media. Although we were hoping to capture the true experience of people who take the train, we were not expecting the heartfelt and inspiring stories and testimonials volunteered by clients and we thank them whole-heartedly for their participation. I encourage you to take a few moments to hear their stories at [viarail.ca/en/whos-on-board](http://viarail.ca/en/whos-on-board).

Once again, revenues increased compared to last year, which is great news for the corporation and shows that our efforts are yielding results. In fact, year-over-year on a per passenger-mile basis, we have improved our revenue by 5% while reducing the operating deficit by 11%.

Despite our success in this area, On Time Performance continues to deteriorate due to increased freight traffic on third-party owned railways. We continue to look for creative ways to improve services within these limitations, in cooperation with our infrastructure partners.

In our effort to expand our service offering and increase our passenger base, we added more train departures to our schedules this quarter which resulted in slightly increased operating expenses. New departures were added to the summer schedule between Montréal – Toronto and Montréal – Ottawa, and additional stops have been added to key stations in the Québec city – Windsor corridor to better serve a larger passenger base. In addition, new

train schedules for Southwestern Ontario are being proposed and finalized this year, for implementation in 2016. Even as I write this message, we have seen more people riding the train from this region, and positive ridership results on the additional routes.

These trends demonstrate that VIA Rail can be relevant and an important travel option for Canadians. While we are working hard on keeping it that way, these trends also tell us that VIA Rail cannot be expected to expand its ridership and reduce its operating deficit if it continues to function under the current constraints imposed by a shared railway infrastructure. That is why we have been working on a plan for dedicated passenger rail which would eliminate the challenges associated with sharing tracks with freight trains. It would allow for a greater number of frequencies, shorter trip times and ultimately a more reliable service. Information about these plans can be found by watching the speeches given this quarter (links on previous page). For a broader view of our corporation and future plans, please watch the presentation given at the [Canadian Club of Montréal](#).

As always, we look forward to meeting you onboard soon.



A handwritten signature in black ink that reads "Yves Desjardins-Siciliano". The signature is fluid and cursive, written in a professional style.

**YVES DESJARDINS-SICILIANO**  
President and Chief Executive Officer

# 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 - 2015	Q2 - 2014	YTD - 2015	YTD - 2014
<b>KEY FINANCIAL INDICATORS (IN MILLIONS OF DOLLARS)</b>				
Total passenger revenues (1)	66.9	63.9	121.7	117.5
<b>Total revenues (1)</b>	<b>72.3</b>	<b>68.7</b>	<b>132.2</b>	<b>127.2</b>
Operating expenses (1)	122.5	119.5	249.4	246.8
Contributions for employee benefits (1)	15.9	23.6	35.2	41.9
<b>Total Operating expenses (1)</b>	<b>(138.4)</b>	<b>(143.1)</b>	<b>(284.6)</b>	<b>(288.7)</b>
<b>Operating Income (Deficit)</b>	<b>(66.1)</b>	<b>(74.4)</b>	<b>(152.4)</b>	<b>(161.5)</b>
Capital expenditures	(20.3)	(16.7)	(48.6)	(36.3)
<b>Total Funding Required</b>	<b>(86.4)</b>	<b>(91.1)</b>	<b>(201.0)</b>	<b>(197.8)</b>
Government Operating Funding	66.1	74.4	152.4	161.5
Government Capital Funding	20.3	16.6	48.6	35.8
<b>Total Government Funding</b>	<b>86.4</b>	<b>91.0</b>	<b>201.0</b>	<b>197.3</b>
<b>Asset Renewal Funding</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.5</b>
<b>KEY OPERATING STATISTICS (2)</b>				
Total passenger-miles (IN MILLIONS)	<b>200</b>	200	<b>377</b>	379
Total seat-miles (IN MILLIONS) (3)	<b>362</b>	342	<b>687</b>	641
Operating deficit per passenger-mile (IN CENTS) (3)	<b>33.1</b>	37.2	<b>40.4</b>	42.7
Yield (CENTS PER PASSENGER-MILE)	<b>32.5</b>	31.0	<b>31.4</b>	30.2
Train-miles operated (IN THOUSANDS)	<b>1,592</b>	1,554	<b>3,087</b>	3,037
Car-miles operated (IN THOUSANDS)	<b>10,559</b>	9,760	<b>18,293</b>	17,066
Average passenger load factor (%) (3)	<b>55</b>	58	<b>55</b>	59
Average number of passenger-miles per train-mile	<b>126</b>	129	<b>122</b>	125
On-time performance (%)	<b>70</b>	79	<b>66</b>	75
<b>Number of full time equivalent employees during the period</b>	<b>2,625</b>	2,554	<b>2,558</b>	2,501

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

(2) Key operating statistics are unaudited

(3) Comparative statistics and ratios were adjusted to reflect an adjustment done after Q2-2014 publication

## KEY OPERATING STATISTICS BY SERVICE GROUP FOR THE SECOND QUARTER OF 2015

Train Service	Passenger Revenues* (IN THOUSANDS)	Passengers (IN THOUSANDS)	Passenger-Miles (IN THOUSANDS)	Government Funding (PER PASSENGER MILE)
Québec City – Windsor corridor	\$49,694	853	157,104	\$0.23
Longhaul West	\$12,523	25	29,841	\$0.30
Longhaul East	\$2,081	18	9,615	\$0.95
Regional Services	\$890	17	3,794	\$2.98
<b>Total</b>	<b>\$65,188</b>	<b>913</b>	<b>200,354</b>	<b>\$0.33</b>

\* Excluding off-train and other passenger revenues.

## KEY OPERATING STATISTICS BY SERVICE GROUP FOR THE SECOND QUARTER OF 2014

Train Service	Passenger Revenues* (IN THOUSANDS)	Passengers (IN THOUSANDS)	Passenger-Miles (IN THOUSANDS)	Government Funding (PER PASSENGER MILE)
Québec City – Windsor corridor	\$47,896	851	153,285	\$0.26
Longhaul West	\$11,554	27	34,389	\$0.36
Longhaul East	\$1,848	17	8,672	\$0.97
Regional Services	\$803	17	3,812	\$3.51
<b>Total</b>	<b>\$62,101</b>	<b>912</b>	<b>200,158</b>	<b>\$0.37</b>

\* Excluding off-train and other passenger revenues.

# REVIEW OF OPERATIONS





# SAFETY

Safety remains VIA Rail's number one priority in order to ensure that our passengers arrive safely at their destinations, that our employees work in a safe environment and that the public is informed about safety around railways.

In this regard, our two main priorities are: ensuring the safety of our operations, as addressed below; and informing the Canadian public about safety around railroads, which is addressed in the Corporate Social Responsibility section of this report.

## IMPROVING OUR SAFETY MANAGEMENT SYSTEM

New Safety Management System (SMS) regulations under the *Railway Safety Act* were published in the Gazette II on February 25 and have been in effect since April 1, 2015. In order to upgrade and optimize the SMS to comply with the new Transport Canada regulations, VIA Rail undertook a major project in the first quarter of the year to create an SMS executive team to spearhead the project. During the second quarter, significant progress was made in updating the SMS to the new regulations. The new SMS will be implemented by October 1, 2015, as per Transport Canada's required timeline. Meeting this aggressive timeline will keep VIA Rail at the forefront of best safety management practices in its industry.



# ATTRACTING MORE PEOPLE TO OUR TRAINS

## WHO'S ON BOARD

This quarter VIA Rail launched a comprehensive new marketing campaign which focused on the power of storytelling to demystify train travel, stimulate ridership, amplify passenger experience and encourage loyalty.

The “Who’s On Board” (WOB) campaign is populated by real passengers telling true stories. Through this no-script testimonial approach, actual train lovers are telling the VIA Rail story – one that is authentic, reliable, social and warm.

A WOB section was added to VIA Rail’s website which features stories from passengers, videos demonstrating the ease of booking, boarding and taking the train, as well as providing inspiration for those who want to take the train to visit new places.

The WOB platform, which was launched on the web, through VIA Rail’s social media sites, on billboards, in newspapers and on the radio, has been very well received and will continue throughout 2015.



## WHO'S ON BOARD: EASTERN CFL TEAMS



As part of the WOB campaign, VIA Rail partnered with the Eastern CFL Teams in order to capture fans wishing to support their team on the road.

## RAIL PASSES: NEW AND RENEWED

Following the success of the Canrailpass and Youth Summer Passes in 2014, these train travel passes have been renewed for the 2015 summer season. Various Canrailpass choices offer unlimited travel across the Québec city – Windsor corridor or system-wide. The Youth Summer Pass offers similar choices and is available to youths aged 12-25 and to students with an International Student Identity Card.

VIA Rail is also proud to introduce two new passes this quarter. The Commuter epass is an easy, convenient and economical way for commuters to travel each month. As well, the new Southwestern Ontario focused Bizpak offers travel to and from London, Ontario at a discounted rate.

## MORE OPTIONS FOR THE SUMMER

To offer more options to customers and to accommodate expected ridership increase over the summer, VIA Rail has added one train in each direction between Montréal – Toronto to the daily schedule, and one train in each direction between Montréal – Ottawa on Fridays. These additional trains will be running from June through September, 2015, with the possibility of continuing into the fall.

In addition to the improved schedule, we are adding more stops at key stations in the Québec City – Windsor corridor. With up to 22 new stops per week at stations like Kingston, Ontario, we have increased our ability to serve a larger passenger base and improved our service offering to many markets.

Finally, over the summer, VIA Rail will be adjusting the distribution of train cars in order to make more seats available during higher demand days (Fridays, Sundays and Mondays). This reorganization will better serve our passengers within the framework of current infrastructure and equipment availability.

## REFURBISHED CARS, IMPROVED COMFORT, BETTER SERVICE

Our Light, Rapid, Comfortable (LRC) cars, used in the busy Québec City – Windsor corridor have been undergoing an overhaul. The LRC cars will be furnished with new seats and updated washrooms. Most of the refurbishments are being made through VIA Rail's Montreal Maintenance Centre.

VIA Rail debuted a new seat configuration in one Business class car and introduced one Economy car with the new seating to VIA Rail employees. The new seat arrangement, which will be used in all of our refurbished LRC cars to be completed by 2016, means we can operate more efficiently and add additional departures to our schedule with greater ease and fewer operational constraints. This configuration is the standard with commuter and intercity train operators globally and will allow us to enhance our schedule and provide more choice to our passengers.



## BUILDING INTER-MODALITY

VIA Rail continues to forge new inter-modal partnerships that will help achieve our objectives to increase ridership and revenues and provide passengers with a simplified travel experience. In the second quarter of 2015, our inter-modal partnership with UP Express (which links Toronto's Pearson International Airport to Union Station) went into effect. We began selling UP Express tickets through our website as of May 11, 2015 and sold over 1,100 tickets by the end of June. The UP Express train opened to the public on June 5, 2015.

VIA Rail has also partnered with Discount Car Rental in Ottawa to pilot their innovative kiosk technology project and test out this door-to-door mobility solution. Upon arrival at Ottawa station, passengers can seamlessly make a car rental reservation, pick-up the car from VIA Rail's parking lot and drive to their destination.

In addition, our inter-modal service with Montréal's commuter train service, AMT, was extended to include the line running from Mascouche, Québec to Montréal's Central Station.

### 2015 GLOBAL AIR-RAIL CONFERENCE



VIA Rail, along with UP Express and Greater Toronto Airports Authority proudly hosted the 2015 Global Air-Rail Conference in Toronto. With representatives from international railways and airlines, the yearly event is dedicated to the growing passenger inter-modality segment between air and rail. It is a time for the two industries to come together and discuss new ideas to improve all aspects of travelling for the passenger.

# OPTIMIZING PERFORMANCE AND VALUE CREATION

## DEDICATED TRACKS

The trend of deteriorating On Time Performance (OTP) continued this quarter due to ongoing challenges associated with sharing the railway with ever-increasing freight traffic. Though we are working hard to increase our passenger base, not being able to deliver a reliable service makes this a challenge. As Canada's flag carrier transportation service, we also have a responsibility to Canadians to be the best, the safest and the most efficient transportation company possible. The fact remains, however, that we cannot grow our ridership and reduce our operating deficit if we continue to function under the current constraints posed by a shared railway infrastructure.

In order to address this, we have been working on a plan for dedicated passenger rail for the busiest Toronto – Ottawa – Montréal routes, which would eliminate the challenges of sharing tracks with freight trains. It would allow for a greater number of frequencies, shorter trip times and ultimately a safer and more reliable service.

Over the past few months, our President and CEO Yves Desjardins-Siciliano has been presenting and discussing VIA Rail's plan for dedicated passenger rail at venues across the Québec City – Windsor corridor, from the London Chamber of Commerce to the Canadian Club of Montréal.



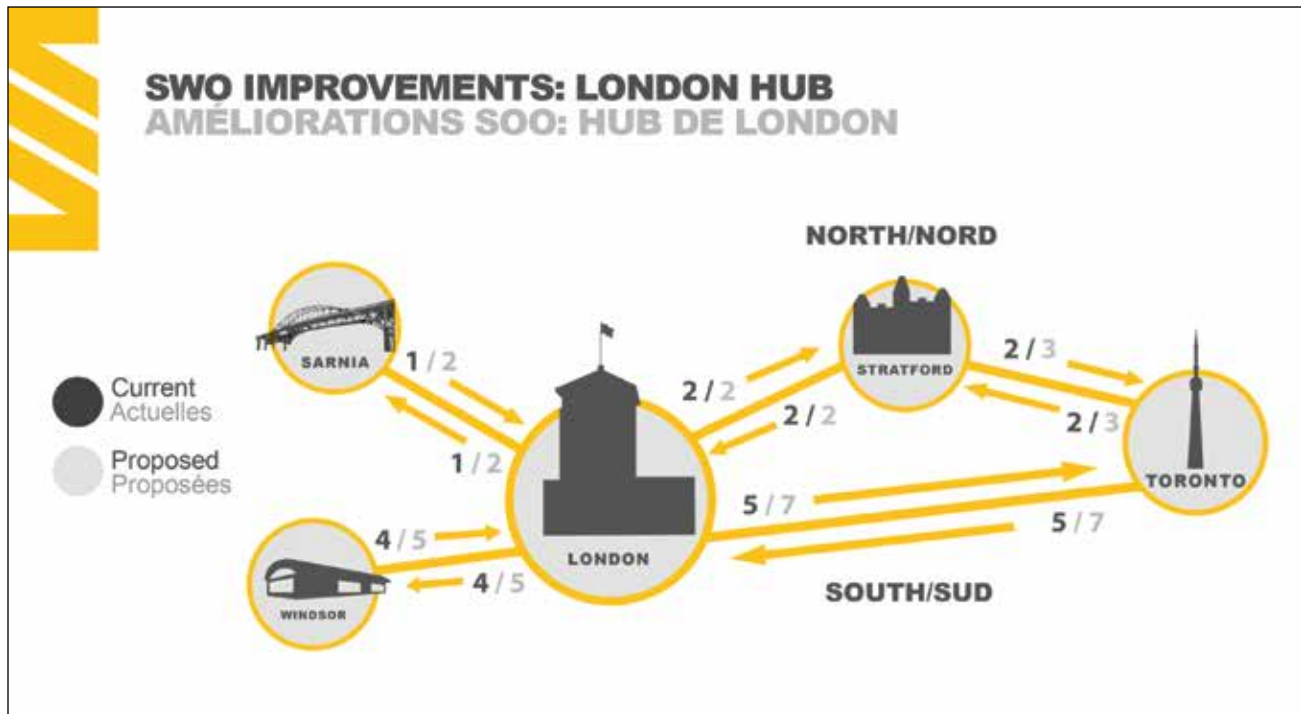
Short videos in both French and English, explaining VIA Rail's plan for dedicated passenger rail can be viewed on [VIA Rail's YouTube channel](#), or at the following links:

- / [Top 5 things to Know About VIA Rail's Plan for Dedicated Tracks](#): speech given at the The Canadian Council for Public-Private Partnerships in Toronto
- / [Top 5 choses que vous devez savoir au sujet du projet de voies dédiées de VIA Rail](#) : speech given at the *Institut pour le partenariat public-privé* (Montréal)
- / [A Strategy for a Reliable, Frequent and Affordable VIA Train Service](#): speech given at the Canadian Club of Montréal

## REVITALIZATION OF TRAIN SERVICE IN SOUTHWESTERN ONTARIO

In the second quarter, Mr. Desjardins-Siciliano toured Southwestern Ontario, speaking at the Chambers of Commerce in London, Stratford, Sarnia and Windsor. The visits were an opportunity to speak with local representatives to learn more about the travel needs of their region, and to present ideas for future train service.

Plans to increase and improve service in the area were presented, with a target to have them finalized by the end of 2015 and implemented in 2016.



Proposed service enhancements for 2016

# CORPORATE SOCIAL RESPONSIBILITY





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

The following are the highlights of the second quarter of the year in each category.



## SAFETY

The safety pillar focuses on two priorities: ensuring the safety of our operations, which is addressed in the Review of Operations section of this quarterly report; and informing the Canadian public about safety around railroads, which is an ongoing effort at VIA Rail.

The second quarter of 2015 saw two important safety events:

### NAOSH WEEK

VIA Rail participated in the North American Occupational Safety & Health week (NAOSH), which focuses on the importance of preventing injury and illness in the workplace, at home and in the community.

During NAOSH week, VIA Rail’s Health and Safety committees held information sessions and conducted an internal survey about safety awareness. Events took place in Montréal, Toronto, Ottawa and Winnipeg. In addition, VIA Rail hosted a very successful “open doors” event for passengers and the public at our station in Halifax, Nova Scotia, with over 6,000 people participating



Open doors event at Halifax station



## OPERATION LIFESAVER'S RAIL SAFETY WEEK

As in years past, VIA Rail was a major supporter of Operation Lifesaver's 2015 Rail Safety Week (RSW). In our ongoing effort to keep the public safe around the railway, VIA Rail pulled out all the stops during this year's event with participation from every department in the corporation, including retirees. Activities included:

- / Outreach to the Standing Committee on Transportation, Infrastructure and Communities as well as to local Members of parliament
- / Announcements made onboard our trains
- / Presence through VIA Rail booths in stations and at other community events
- / Rail Safety Days hosted at Halifax station
- / Outreach to the Federation of Canadian Municipalities, federal and provincial regulators and the Conference Board of Canada
- / [President's blog promoting RSW](#)





## ENVIRONMENT

### FUEL CONSUMPTION

VIA Rail takes great pride in being the “Green Choice” for travel within Canada. As such, we are always looking for ways to help keep Canada environmentally strong. We have a solid environmental record and continue to work on improving it year over year.

Over the past 5 years, we have made significant strides in reducing overall fuel consumption by improving the efficiency of our locomotives. Fuel consumption (and therefore Greenhouse Gas Emissions) in 2014 was 29.9% lower than that of 2009.

Fuel consumption varies from quarter to quarter depending on the weather conditions and other factors related to the infrastructure. In the second

quarter of 2015, fuel consumption increased by 11.9% compared to the second quarter of 2014. This was mainly attributable to the increase in capacity (both through the addition of more trains to our schedule and through additional cars added to existing trains), as well as deteriorating OnTime Performance (longer train trips and train idling) due to sharing the railway with freight trains.

VIA Rail continues to implement various strategies to reduce its environmental impact including new training for Locomotive Engineers to reduce train idling and fuel consumption. Improvements have already been noted for those who have undergone training.



## PASSENGERS AND COMMUNITIES

### SUPPORTING CANADA'S YOUTH

#### VIA RAIL AND WE DAY

On April 1, VIA Rail had the honour of co-chairing National We Day to an audience of 16,000 youths who earned their ticket to this event through participation in positive global projects. National We Day, which took place in Ottawa, Ontario, was a kick-off event for a year of action called "We Act." The "We Act" program offers educational resources and campaigns to help young people turn the inspirational content of We Day into sustained action over the course of the year. VIA Rail's role as a supporter was to participate in the day's events as well as to promote the train as Canada's most environmentally friendly way to travel. Watch VIA Rail President and CEO Yves Desjardins-Siciliano's inspiring speech at the event in this video: [VIA Rail at National We Day](#).

#### CHILDREN'S BREAKFAST CLUBS

Once again this year, VIA Rail partnered with The Children's Breakfast Clubs, a non-profit charitable organization that believes every child is entitled to a nutritious breakfast. The successful event saw over 200 kids and teachers transported from Toronto to Ottawa (and back) onboard our trains to spend a day in the nation's capital.

#### YMCA SUMMER WORK EXCHANGE

VIA Rail is a proud sponsor of the national YMCA and participated as the official transporter for the YMCA Summer Work Student Exchange through which students gain invaluable work and life experience. In June, over 650 students aged 16-17 years old travelled across Canada on VIA Rail trains to learn a second language and gain some work experience. VIA Rail is planning to extend this opportunity to even more students next year.



Via Rail's President and CEO, Yves Desjardins-Siciliano (left), co-chairing National We Day

## STRONG TIES WITH THE CANADIAN ARMED FORCES

In recognition of the men and women who devote their lives to serving Canada, VIA Rail offers a special discounted fare to the military community for their personal travel needs. This 25% discount on the best available train fare is offered to all Canadian Armed Forces members, veterans and their families. We are proud to report that since the launch of this promotion in 2010, close to 120,000 trips have been taken.

This quarter, VIA Rail has also sponsored events hosted by the Vimy Foundation, Canada Company, the *Régiment des Fusiliers Mont-Royal* and of the Royal Military College of St-Jean. VIA Rail also welcomed 120 young cadets from Charlottetown onboard the *Ocean* and transported them from Moncton to Ottawa, as part of their training program.

These programs are VIA Rail's way of supporting the efforts and the well-being of those who defend Canada's values at home and abroad.



## COMMUNITY INVOLVEMENT

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

During the second quarter of 2015, VIA Rail supported 275 non-profit and charitable organizations who submitted requests through our website. Travel credit donations during this period represented \$219,859.



## EMPLOYEES

VIA Rail relies on an engaged workforce of more than 2,500 people across Canada. Our success depends on the entire team taking the Corporation's values to heart and sharing a common vision of excellence. From front-line employees, maintenance or administrative workers, to management or specialized professionals, our people stand out for their energy, professionalism and dedication to making VIA Rail one of the top railways in the world for customer service.

### EMPLOYEE ENGAGEMENT

VIA Rail put out and promoted an Employee Engagement Survey, which yielded a response rate of 65%. The information gathered will be collected, analyzed and delivered to VIA Rail in August. From this, an action plan will be created to address issues and improve the workplace environment.

### ATTRACTING NEW TALENT

Over the next five years, VIA Rail will face a great number of retirements. As such, considerable efforts are being made to attract new talent. This quarter, over 200 new unionized employees were hired for positions in stations, onboard trains, in maintenance centers, and in management offices.

To further attract people to the corporation, VIA Rail attended 17 job fairs this quarter. We also continued working and attending events in association with Canada Company's Military Employment Transition Program.

### TRAINING AND DEVELOPMENT

Over the course of the second quarter, employees received 40,000 hours of training. 17,000 hours were dedicated to safety and health, and another 20,000 to customer service. The remaining 3,000 hours covered various other topics.

### CORPORATE PROGRAMS

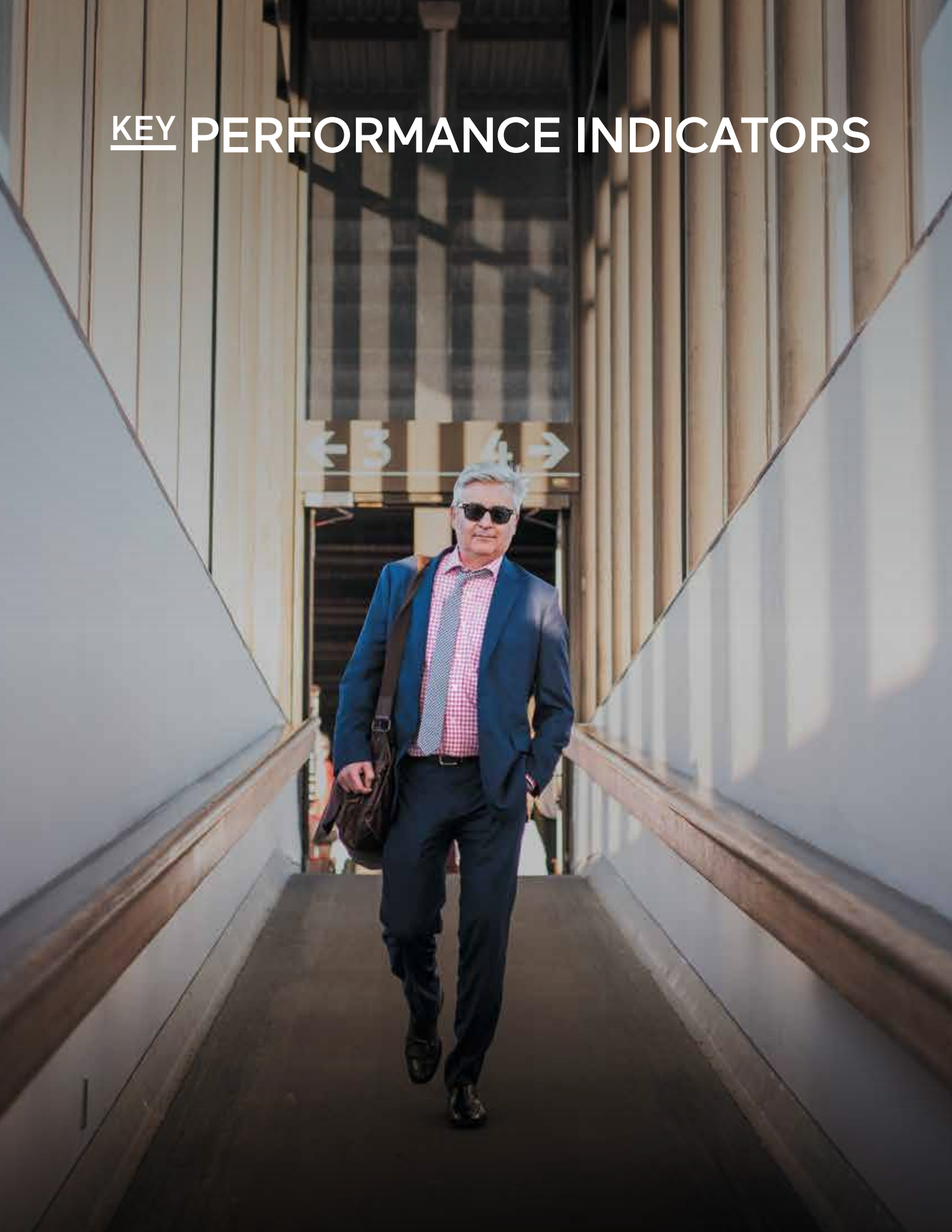
VIA Rail has completely revised its Code of Ethics. The new code is a reflection of who we are and what governs us. It highlights the values of the organization and demonstrates our commitment to implementing best ethical practices.

To attract and retain a diverse and talented workforce, we have also set up a new program supporting diversity and inclusion, including regional committees and a national committee to actively promote diversity and inclusion throughout the company.

### WELLNESS: MENTAL HEALTH ONBOARD

Working onboard our trains brings with it unique challenges with respect to work-life balance. In the spring of 2015, VIA Rail began a pilot project in Toronto for onboard employees to better handle the challenges they may encounter and to work with them to promote mental health in the workplace.

# 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.

	Q2 - 2015	Q2 - 2014
<b>Total Revenue per Employee (\$000s)</b> Annualized YTD revenues divided by the number of employees (full time equivalent). A measure of productivity.	110.0	107.8
<b>Passenger Revenues per Available Seat-Mile (¢)</b> Revenues divided by available seat-miles.	18.2	18.9
<b>Direct Costs per Available Seat-Mile (¢)</b> Direct costs divided by available seat-miles.	23.1	23.6
<b>On-Time Performance (%)</b> Excludes Regional and Remote services.	69.5	79.3
<b>Employee Attendance (%)</b> Total hours worked per month divided by the total possible work hours per month.	93.3	92.3
<b>Train Incidents per Million Train-Miles</b> Includes collisions between two (2) trains; derailments with at least one wheel off the track; all cardinal rule violations; excludes crossing accidents and trespassing.	1.3	1.3



# GOVERNANCE AND ACCOUNTABILITY



# BOARD OF DIRECTORS

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

## PUBLIC MEETINGS AND REPORTS

During the second quarter of 2015, one Board meeting was held. The four different Board committees met a total of six times. The attendance rate of Board members at these meetings was 86%. Cumulative fees paid to Board members during this time period totalled \$54,344.

## ANNUAL PUBLIC MEETING

On May 26<sup>th</sup> at 2 pm, VIA Rail's third webcast-only Annual Public Meeting took place. Aiming to connect with as many Canadians as possible and to responsibly manage public funds, VIA Rail opted to use a webcast to broadcast the highlights of its 2014 financial results. This meeting gave the public the opportunity to hear directly from the Chairman of the Board, the President and CEO and senior management of VIA Rail. Executives also responded to questions from the public sent by email and through Twitter.

The webcast can be watched and the full list of questions and answers can be downloaded in the Annual Public Meeting section of [viarail.ca](http://viarail.ca) at [www.viarail.ca/en/about-via-rail/our-company/annual-public-meeting](http://www.viarail.ca/en/about-via-rail/our-company/annual-public-meeting).

# ACCESS TO INFORMATION AND PRIVACY

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

# PROMOTION OF OFFICIAL LANGUAGES

VIA Rail complies with the *Official Languages Act* and is proud to offer its services in both official languages. VIA Rail submitted its 2014-2015 Annual Review on Official Languages to the Office of the Commissioner of Official Languages on May 29. VIA Rail also participated in the hearings of the Senate committee on official languages in order to confirm the importance that we offer our services in both official languages on trains, in stations and in call centers.

During the second quarter of 2015, VIA Rail promoted Canada's two official languages by participating in events such as *Francofonds Manitoba's* annual benefit. To celebrate the 400<sup>th</sup> anniversary of a francophone presence in Ontario, VIA Rail partnered with the *Alliance Française de Toronto* and *l'Écriture en mouvement* to promote their cultural programs. VIA Rail also supported the Morrin Center's 2015 ImagiNation writers' Festival (Québec city) and the Centaur Theatre Company (Montréal) in taking their shows to other Canadian cities.

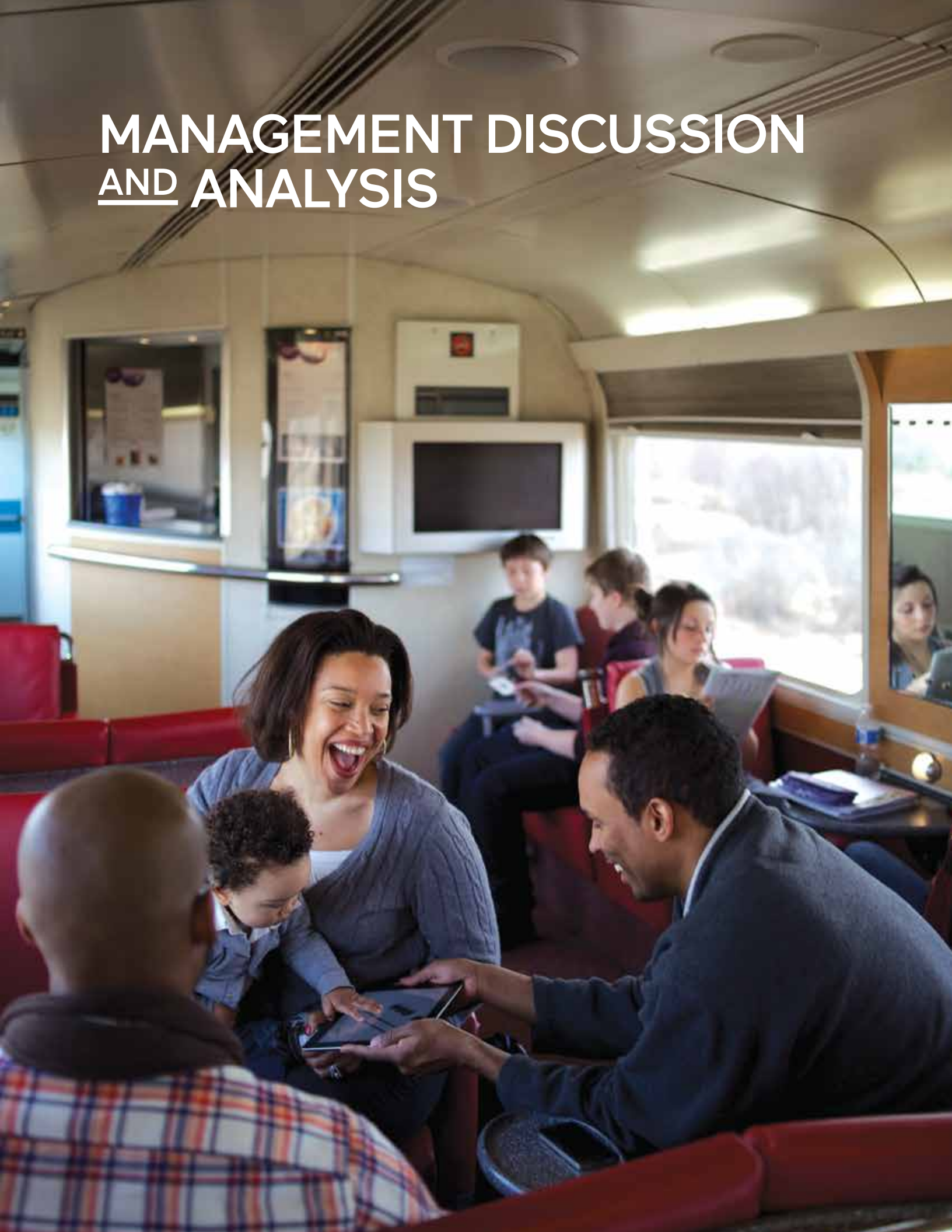
For the second consecutive quarter in 2015, there were no complaints filed against VIA Rail to the Commissioner of Official languages.

# TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES

## THE FOLLOWING TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES WERE SUBMITTED DURING THE SECOND QUARTER OF 2015:

<b>Eric Stefanson</b> Interim Chairman of the Board	\$1,435
<b>Yves Desjardins-Siciliano</b> President and CEO	\$16,234
Executive management committee (7 members)	\$28,087
Board of Directors (9 members)	\$4,536
<b>Total</b>	<b>\$50,292</b>

# MANAGEMENT DISCUSSION AND ANALYSIS



This is a review of VIA Rail Canada's (VIA Rail) operations, performance and financial position for the quarter and six-month period ended June 30, 2015, compared with the quarter and six-month period ended June 30, 2014. It should be read in conjunction with the condensed financial statements and notes.

## 1. FINANCIAL HIGHLIGHTS

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

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

IN MILLION OF CANADIAN DOLLARS	Quarters ended June 30				Six-month periods ended June 30			
	2015	2014	Var \$	Var %	2015	2014	Var \$	Var %
Passenger Revenues *	66.9	63.9	3.0	4.7	121.7	117.5	4.2	3.6
Total Revenues *	72.3	68.7	3.6	5.2	132.2	127.2	5.0	3.9
Operating expenses *	122.5	119.5	3.0	2.5	249.4	246.8	2.6	1.1
Employer contributions for employee benefits *	15.9	23.6	(7.7)	(32.6)	35.2	41.9	(6.7)	(16.0)
Total Operating expenses *	138.4	143.1	(4.7)	(3.3)	284.6	288.7	(4.1)	(1.4)
<b>Operating Loss</b>	<b>(66.1)</b>	<b>(74.4)</b>	<b>(8.3)</b>	<b>(11.2)</b>	<b>(152.4)</b>	<b>(161.5)</b>	<b>(9.1)</b>	<b>(5.6)</b>
<b>Operating funding from Government of Canada</b>	<b>66.1</b>	<b>74.4</b>	<b>(8.3)</b>	<b>(11.2)</b>	<b>152.4</b>	<b>161.5</b>	<b>(9.1)</b>	<b>(5.6)</b>
<b>Non funded elements and other accounting adjustments</b>								
Employee Benefits to be funded in subsequent years	9.3	13.7	(4.4)	(32.1)	22.6	23.6	(1.0)	(4.2)
Depreciation and amortization/ Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets	(20.5)	(18.5)	(2.0)	(10.8)	(41.7)	(37.5)	(4.2)	(11.2)
Amortization of deferred capital funding	20.2	18.4	1.8	9.8	41.0	36.6	4.4	12.0
Other	(2.7)	(6.0)	3.3	55.0	(4.3)	(1.1)	(3.2)	n/a
<b>Net income (loss) for the quarter</b>	<b>6.3</b>	<b>7.6</b>	<b>(1.3)</b>	<b>(17.1)</b>	<b>17.6</b>	<b>21.6</b>	<b>(4.0)</b>	<b>(18.5)</b>
Actuarial gain (loss) on defined benefit plans	46.1	(5.6)	51.7	n/a	73.6	(62.9)	136.5	n/a
<b>Total comprehensive income (Loss)</b>	<b>52.4</b>	<b>2.0</b>	<b>50.4</b>	<b>n/a</b>	<b>91.2</b>	<b>(41.3)</b>	<b>132.5</b>	<b>n/a</b>

\* Financial statements amounts adjusted to reflect funded activities

## 2. HIGHLIGHTS OF OPERATING RESULTS

This section of the document provides comments on the funded activities of the quarter and six-month period ended June 30, 2015 (before non-funded elements and other accounting adjustments).

### A) PASSENGER REVENUES

	REVENUES (IN '000 000\$)							
	Quarters ended June 30				Periods ended June 30			
	2015	2014	Var \$	Var %	2015	2014	Var \$	Var %
Corridor East	40.2	38.6	1.6	4.1%	78.6	75.7	2.9	3.8%
Southwestern Ontario (SWO)	9.4	9.3	0.1	1.1%	19.5	19.2	0.3	1.6%
<b>Quebec-City - Windsor Corridor</b>	<b>49.6</b>	<b>47.9</b>	<b>1.7</b>	<b>3.5%</b>	<b>98.1</b>	<b>94.9</b>	<b>3.2</b>	<b>3.4%</b>
<i>Ocean</i>	2.1	1.8	0.3	16.7%	3.6	3.3	0.3	9.1%
<i>Canadian</i>	12.5	11.6	0.9	7.8%	15.4	14.7	0.7	4.8%
Regional Services	0.9	0.8	0.1	12.5%	1.5	1.4	0.1	7.1%
<b>Non Corridor</b>	<b>15.5</b>	<b>14.2</b>	<b>1.3</b>	<b>9.2%</b>	<b>20.5</b>	<b>19.4</b>	<b>1.1</b>	<b>5.7%</b>
Other	1.8	1.8	0.0	0.0%	3.1	3.2	(0.1)	(3.1%)
<b>TOTAL</b>	<b>66.9</b>	<b>63.9</b>	<b>3.0</b>	<b>4.7%</b>	<b>121.7</b>	<b>117.5</b>	<b>4.2</b>	<b>3.6%</b>

	PASSENGERS (IN '000)							
	Quarters ended June 30				Periods ended June 30			
	2015	2014	Var #	Var %	2015	2014	Var #	Var %
Corridor East	630.7	615.7	15.0	2.4%	1,267.1	1,244.7	22.4	1.8%
Southwestern Ontario (SWO)	222.0	235.2	(13.2)	(5.6%)	462.6	495.9	(33.3)	(6.7%)
<b>Quebec-City - Windsor Corridor</b>	<b>852.7</b>	<b>850.9</b>	<b>1.8</b>	<b>0.2%</b>	<b>1,729.7</b>	<b>1,740.6</b>	<b>(10.9)</b>	<b>(0.6%)</b>
<i>Ocean</i>	18.7	17.2	1.5	8.7%	33.2	32.2	1.0	3.1%
<i>Canadian</i>	24.8	27.4	(2.6)	(9.5%)	33.7	38.8	(5.1)	(13.1%)
Regional Services	16.7	16.9	(0.2)	(1.2%)	28.4	29.0	(0.6)	(2.1%)
<b>Non Corridor</b>	<b>60.2</b>	<b>61.5</b>	<b>(1.3)</b>	<b>(2.1%)</b>	<b>95.3</b>	<b>100.0</b>	<b>(4.7)</b>	<b>(4.7%)</b>
<b>TOTAL</b>	<b>912.9</b>	<b>912.4</b>	<b>0.5</b>	<b>0.1%</b>	<b>1,825.0</b>	<b>1,840.6</b>	<b>(15.6)</b>	<b>(0.8%)</b>

\* Revenue amounts were adjusted to reflect funded activities

Passenger revenues total \$66.9 million, an increase of 4.7 percent compared to the corresponding quarter last year. The increase is mostly associated with additional revenues stemming from the additional frequencies introduced in Corridor East in the fall of 2014, as well as improved average revenue in all major train services.

On a year-to-date basis, revenues total \$121.7 million, which represents an increase of 4.2 percent versus last year. The increase also stems from higher revenues generated for all the services (including revenues generated on the new frequencies in Corridor East), and to higher average revenue in all major services. Revenues and passenger levels on the *Canadian* were impacted in March and April by the cancellation of the Toronto-Winnipeg service.

### FOR THE QUARTER:

- / Corridor East revenues are 4.1 percent above last year, and are due to the combination of higher passenger volumes (2.4 percent more passengers), caused in part by new frequencies and higher average revenue (1.7 percent);
- / Revenues in SWO have increased by 1.1 percent, as a result of higher average revenue (7.1 percent), partly offset by lower passengers volumes (5.6 percent fewer passengers);
- / Revenues on the *Ocean* are 16.7 percent higher than last year; the increase is due to higher average revenue (7.3 percent) and higher passenger volumes (8.7 percent more passengers);
- / Revenues on the *Canadian* have increased by 7.8 percent over the corresponding quarter last year. The performance is mainly attributable to improved average revenue (19.1 percent), partly offset by lower passenger volumes (9.5 percent less passengers);
- / Revenues on Regional services have increased by 12.5 percent, and the increase is mainly due to higher average revenue (13.8 percent), partly offset by lower passenger volumes (1.2 percent less passengers).

### FOR THE SIX-MONTH PERIOD:

- / Corridor East revenues are 3.8 percent above last year, due mainly to higher average revenue (2.0 percent) and higher passenger volumes (1.8 percent more passengers);
- / Revenues in SWO have increased by 1.6 percent, as a result of higher average revenue (8.9 percent), partly offset by lower passenger volumes (6.7 percent fewer passengers);
- / Revenues on the *Ocean* are 9.1 percent above last year, due to higher average revenue (5.8 percent) and higher passenger volumes (3.1 percent more passengers);
- / Revenues on the *Canadian* have increased by 4.8 percent compared to the first six months of 2014. This performance is mainly attributable to higher average revenue (20.6 percent), partly offset by lower volumes (13.1 percent fewer passengers). The loss in ridership was more significant during the first quarter, and directly due to the cancellation of the Toronto-Winnipeg segment in March and for an additional few days in the beginning of April;
- / Revenues on Regional services have increased by 7.1 percent, mainly due to higher average revenue (9.4 percent) partly offset by lower volumes (2.1 percent fewer passengers).



## B) OPERATING EXPENSES

IN MILLIONS OF CANADIAN DOLLARS	Quarters ended June 30				Six-month periods ended June 30			
	2015	2014	Var \$	Var %	2015	2014	Var \$	Var %
Compensation & Benefits *	51.5	48.2	3.3	6.8%	103.2	103.0	0.2	0.2%
Train Operations & Fuel	31.0	31.1	(0.1)	(0.3%)	61.8	62.0	(0.2)	(0.3%)
Realized loss (gain) on derivative financial instruments	1.4	(0.4)	1.8	450.0%	3.2	(0.9)	4.1	455.6%
Corporate Tax expense (recovery)	0.3	0.2	0.1	n/a	0.5	0.3	0.2	n/a
Other operating expenses *	38.3	40.4	(2.1)	(5.2%)	80.7	82.4	(1.7)	(2.1%)
<b>TOTAL OPERATING EXPENSES (BEFORE EMPLOYER CONTRIBUTIONS FOR EMPLOYEE BENEFITS)</b>	<b>122.5</b>	<b>119.5</b>	3.0	2.5	<b>249.4</b>	<b>246.8</b>	2.6	1.1%
Employer Contributions for employee benefits*	15.9	23.6	(7.7)	(32.6%)	35.2	41.9	(6.7)	(16.0%)
<b>TOTAL FUNDED OPERATING EXPENSES</b>	<b>138.4</b>	<b>143.1</b>	(4.7)	(3.3%)	<b>284.6</b>	<b>288.7</b>	(4.1)	(1.4%)

\*Financial statement amounts adjusted to reflect funded activities

### FOR THE QUARTER:

/ Operating expenses before employer contributions for employee benefits rose by 2.5 percent and totaled \$122.5 million for the quarter. The increase is mainly due to higher compensation (additional frequencies and maintenance repairs), higher maintenance material costs (additional repairs on the cars and locomotives) and loss on derivative financial instruments (impact of the hedging contracts for fuel). These increases were partly offset by lower station and property costs and marketing and sales expenses (included in other operating expenses category);

/ Employer contributions for employee benefits decreased by 32.6 percent and total \$15.9 million for the quarter, as a result of the sharp solvency improvement experienced in 2014, which improved the regulatory basis of the Corporation's pension plans for funding requirement.

## FOR THE SIX-MONTH PERIOD:

- / Operating expenses before employer contributions for employee benefits rose by 1.1 percent and totaled \$249.4 million for the period. The increase is due to higher compensation costs (additional frequencies and maintenance work, partially offset by the impact of one less pay period), as well as the loss on derivative financial instruments (impact of the hedging contracts for fuel).
- / Other operating expenses decreased by \$1.7 million, due to lower marketing and sales, as well as data and voice telecommunications costs, partly offset by maintenance material costs (additional locomotive and cars repairs).
- / Employer contributions for employee benefits decreased by 16.0 percent and total \$35.2 million for the period. This decrease also results from the sharp solvency improvement experienced in 2014, which improved the regulatory basis of the Corporation's pension plans for funding requirement.

### 3. CAPITAL INVESTMENTS

Fixed assets (net of accumulated depreciation) amount to \$1,267.4 million, a \$6.9 million increase compared to the balance as at December 31, 2014. Capital investments totaled \$20.3 million for the quarter, composed mainly of:

- / Investments of \$6.9 million made in Major Equipment projects, including \$6.1 million for the LRC car fleet revitalization project, and \$0.8 million for the HEP1 cars modernization program;
- / Investments of \$3.2 million made in Major Infrastructure projects for the quarter, mostly for the improvement of the GEXR Guelph Subdivision project, (\$1.8 million) and the Montreal-Ottawa program (\$1.4 million);
- / An amount of \$6.0 million invested in Information Technology during the quarter for projects such as the reservation system modernization and the workforce management system;
- / Investments of \$1.6 million were also made in Other Infrastructure projects during the quarter.

Investments for the six-month period total \$48.6 million and were made mostly in the following projects:



- / Investments of \$14.8 million in Major Equipment projects, including \$11.5 million for the LRC car fleet revitalization, and \$3.3 million for the HEP1 cars;
- / Investments of \$12.7 million in Information Technology for projects such as the reservation system modernization, workforce management and mobile (door to door) application;
- / A total of \$5.2 million invested Major Infrastructure projects, of which \$2.9 million were for the GEXR Guelph Subdivision project, and \$2.3 million for the Montreal-Ottawa-Toronto program to minimize congestion and improve on time performance;
- / A total of \$10.9 million invested in Other Infrastructure projects (including the acquisition of the CP Brockville track).

### 4. CASH FLOW AND FINANCIAL POSITION

The Corporation's cash balance is \$13.9 million as at June 30, 2015, which is equal to the balance as at December 31, 2014, but up by \$78 million compared to the balance at March 31, 2015. The increase in cash for the quarter is due to the change in non-cash working capital items and change in capital funding receivable from the Government of Canada.

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

This section highlights VIA Rail's key risks which may have potential impact on the Company's financial results, and shows the trend compared to the previous year.

RISK	TREND	CURRENT SITUATION
<b>SAFETY OF PASSENGERS, EMPLOYEES AND THE PUBLIC</b>		
<p>Events such as collisions, derailments and crossing and pedestrian accidents may negatively impact revenues. Such events and new regulation on grade crossings may also result in significant non-budgeted additional costs for the Corporation.</p>		<p>The Corporation has adopted operational procedures and controls which adhere to government regulations and also aim to go beyond compliance in terms of railway safety. VIA Rail completes regular inspections of its equipment and infrastructure. These activities are carried on to manage and mitigate the safety risks of our railway operations, as well as the potential significant unexpected costs which may result from these events.</p> <p>Transport Canada has issued a new regulatory agenda concerning the safety of grade crossings which may require infrastructure modifications which are not currently funded. Upgrades to existing infrastructure to comply with the grade crossing regulations must be completed by no later than November 27, 2021, seven years after the coming into force of the regulations.</p>
<b>GOVERNMENT AND STRATEGY</b>		
<p>VIA Rail has limited powers as a non-agent Crown Corporation and is dependent on annual Government budgetary allocations to fund its operations, capital and pension obligations. Insufficient funding constitutes a risk in the efficient delivery of its services, as well as in the planning and execution of its medium-to-long-term strategies.</p>		<p>VIA Rail continues to work with Transport Canada on a long-term solution to identify and revise an appropriate level of base operating funding, to address ongoing capital funding requirements and to ensure that VIA Rail has the capital funding it requires to deliver on its mandate.</p> <p>VIA Rail received new envelopes for operating, pension and ongoing capital for government fiscal year 2015-2016.</p>



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RISK	TREND	CURRENT SITUATION
<b>EMPLOYEE CONTRIBUTION</b>		
<p>Low contribution and engagement of employees could lead to high employee turnover.</p> <p>VIA Rail's workforce is mature and many employees could retire in the next few years, including some with specific technical skills. Without proper succession planning, key knowledge and competencies could be lost.</p> <p>These situations could result in loss of productivity and increased costs.</p>		<p>VIA Rail has put in place various initiatives such as hiring grids, talent development programs and succession plans.</p> <p>The objectives of these initiatives are to ensure employees have the proper competencies, and that knowledge transfer is made for key strategic positions as well as those positions requiring specific technical skills.</p> <p>The Corporation has also developed a training program specifically for locomotive engineers and maintains a sufficient spare board list of qualified employees who can operate the trains.</p>
<b>REVENUE GENERATION</b>		
<p>Failure to meet our revenue plan can cause our funding to be insufficient and lead to cost/service reductions.</p> <p>Current revenue challenges include:</p> <ul style="list-style-type: none"> <li>- deteriorating on time performance due to infrastructure issues</li> <li>- reduced capacity due to an aging fleet</li> <li>- competition</li> <li>- a slowing economic environment</li> </ul>		<p>The Corporation is taking actions and implementing initiatives to maximize revenue generation and enhance customer service to attract and retain customers</p> <p>These revenue actions and initiatives include the addition of trains in the Corridor, the introduction of refurbished and modernized Economy and Business class equipment, including wi fi and the introduction of new or modernized stations.</p>




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RISK	TREND	CURRENT SITUATION
<b>COSTS INFLUENCED BY EXTERNAL FACTORS</b>		
<p>Elements exist outside of the Corporation’s control such as harsh weather and financial and commodity market conditions that can have an adverse impact on costs such as fuel, equipment maintenance and pension costs. Failure to meet our budgeted costs can cause funding to be insufficient and lead to service reductions.</p>		<p>The Corporation has taken actions to minimize the portion of these costs on which it has control.</p> <p>Such actions include numerous initiatives implemented during the last few years to improve fuel consumption. As for fuel costs which can vary significantly in a volatile market, VIA Rail’s hedging strategy is intended to minimize the impact of fuel price fluctuations.</p> <p>The Corporation’s pension plans are exposed to global financial market conditions and associated funding risk. The Corporation has implemented and continues to explore various pension investments and plan design initiatives to reduce the volatility of pension funding requirements and lower the Corporation’s financial exposure to defined benefit plans.</p>



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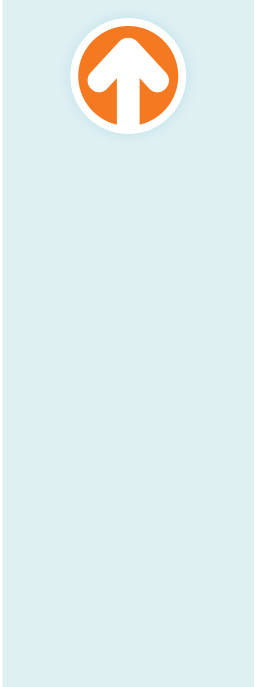
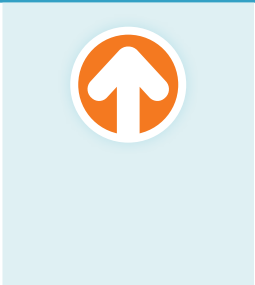



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RISK	TREND	CURRENT SITUATION
<b>EQUIPMENT QUALITY, AVAILABILITY AND RELIABILITY</b>		
<p>VIA Rail's equipment is aging and its reliability has deteriorated in the past few years, resulting in delays and additional operating costs.</p> <p>Furthermore, VIA Rail's future needs and funding may be uncertain, while decisions must be made to replace the fleet, and VIA Rail may not be able to find quality cars in the short term to support growth while adding frequencies.</p> <p>Maintenance costs could increase significantly in the next few years until a new fleet is introduced as reliability of the aging fleet may continue to deteriorate.</p>		<p>VIA Rail is investing in the existing fleet through ongoing capital injections to maintain it in a state of good repair and improve reliability.</p> <p>A planning exercise for long term fleet replacement is currently under way.</p> <p>As for the short term potential need for additional equipment, the Corporation is looking into potential suppliers which could lease equipment to VIA Rail on a short-term basis.</p>
<b>INFRASTRUCTURE AVAILABILITY, RELIABILITY AND QUALITY</b>		
<p>The services provided by host railways have been deteriorating, resulting in declining on-time performance, lower customer satisfaction and passenger revenues, as well as increased operating costs.</p>		<p>The Corporation continues to work with the various track owners, including CN, who owns most of the infrastructure, to try and resolve the issues causing train delays, and improve on-time performance.</p>


RISK	TREND	CURRENT SITUATION
<b>INFORMATION TECHNOLOGY</b>		
<p>The availability, reliability and responsiveness of information technology may have a positive or negative impact on the achievement of VIA Rail’s strategic objectives and management of other key risks.</p> <p>Underinvestment in IT technology, security threats and lack of reliability of equipment could have significant impacts on the Corporation’s performance.</p>		<p>An information technology risk map was completed in 2014 and key actions are being undertaken to minimize risks.</p> <p>These actions include the elaboration and implementation of an ongoing security framework; IT processes directives and standards, and perimeter and critical systems security event monitoring.</p>



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## 6. OUTLOOK

Results of the second quarter of 2015 were very positive in terms of both revenues and expenses and the operating loss improved for both the quarter and the six-month period. The Corporation will continue its tactical actions taken to ensure yields are maximized generating positive results, while increasing ridership.

The new technology projects, such as the reservation system modernization and mobile application, will bring value to our customers, while others such as the workforce management project, which will be fully implemented this fall, should provide operational efficiencies and cost savings.

However, poor on-time performance resulting from congestion on tracks continued to be an issue during the second quarter and impacted operating expenses; if the situation sustains or deteriorates, it could eventually affect ridership and revenues. While working with infrastructure owners to improve on-time performance, the Corporation is putting increased focus on cost control to ensure that the additional expenses resulting from poor on-time performance are minimized, and that they can be fully offset by savings in other controllable operating costs.

Management is also pursuing efforts to identify and implement other cost savings projects and attain its strategic objectives to increase value to customers while reducing its dependency on the Government of Canada.

# INTERIM CONDENSED FINANCIAL STATEMENTS



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

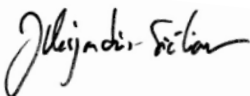
# MANAGEMENT'S RESPONSIBILITY STATEMENT

QUARTER ENDED JUNE 30, 2015

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines 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 25, 2015

# INTERIM CONDENSED FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION

As at (IN THOUSANDS OF CANADIAN DOLLARS)	June 30, 2015 (unaudited)	December 31, 2014 (audited)
<b>CURRENT ASSETS</b>		
Cash	\$ 13,922	\$ 13,872
Accounts receivable, trade	9,343	6,759
Prepays, advances on contracts and other receivables	8,376	3,572
Receivable from the Government of Canada	18,253	16,805
Derivative financial instruments (NOTE 16)	2,332	1,760
Materials	24,271	21,836
Asset Renewal Fund	8,217	8,217
	<b>84,714</b>	72,821
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment (NOTE 7)	860,519	856,821
Intangible assets (NOTE 8)	406,896	403,722
Asset Renewal Fund	873	873
Post-employment and other employee benefits (NOTE 11)	47,085	2,326
	<b>1,315,373</b>	1,263,742
<b>Total assets</b>	<b>\$ 1,400,087</b>	<b>\$ 1,336,563</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables (NOTE 9)	\$ 95,671	\$ 88,967
Provisions (NOTE 10)	14,183	14,752
Derivative financial instruments (NOTE 16)	9,745	13,864
Deferred revenues (NOTE 13)	48,678	34,535
	<b>168,277</b>	152,118
<b>NON-CURRENT LIABILITIES</b>		
Post-employment and other employee benefits (NOTE 11)	44,028	95,411
	<b>44,028</b>	95,411
<b>DEFERRED CAPITAL FUNDING (NOTE 12)</b>	<b>1,255,408</b>	1,247,831
<b>SHAREHOLDER'S EQUITY</b>		
Share capital	9,300	9,300
Retained earnings	(76,926)	(168,097)
	<b>(67,626)</b>	(158,797)
<b>Total liabilities and shareholder's equity</b>	<b>\$ 1,400,087</b>	<b>\$ 1,336,563</b>

Commitments (Note 14)

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

Approved on behalf of the Board,



**Jane Mowat, CPA, CA**

Director and Chair of the Audit  
and Finance Committee



**Eric Stefanson, FCA**

Director and Interim Chairman  
of the Board

# INTERIM CONDENSED FINANCIAL STATEMENTS

## STATEMENT OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

Quarter ended June 30 (IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended		Six-month periods ended	
	2015	2014	2015	2014
<b>REVENUES</b>				
Passenger	\$ 67,001	\$ 63,766	\$ 122,022	\$ 116,755
Other	5,385	4,946	10,473	9,841
	<b>72,386</b>	68,712	<b>132,495</b>	126,596
<b>EXPENSES</b>				
Compensation and employee benefits	64,787	64,031	125,014	121,507
Train operations and fuel	31,085	31,101	61,837	61,989
Stations and property	7,104	8,375	18,046	18,454
Marketing and sales	7,833	8,172	14,779	16,211
Maintenance material	8,675	7,058	18,123	15,688
On-train product costs	4,113	3,913	7,597	7,302
Operating taxes	2,349	3,057	4,679	5,737
Professional services	2,747	2,239	5,224	4,580
Telecommunications	2,365	3,209	5,659	7,464
Depreciation and amortization (NOTES 7 AND 8)	18,504	18,135	37,930	36,219
Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets	1,994	429	3,778	1,286
Unrealized net loss (net gain) on derivative financial instruments	(3,949)	24	(4,691)	300
Realized loss (gain) on derivative financial instruments	1,382	(364)	3,213	(931)
Other	3,178	4,317	6,682	6,995
	<b>152,167</b>	153,696	<b>307,870</b>	302,801
<b>OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES</b>	<b>79,781</b>	84,984	<b>175,375</b>	176,205
Operating funding from the Government of Canada (NOTE 6)	66,161	74,378	152,423	161,527
Amortization of deferred capital funding (NOTE 12)	20,162	18,361	41,004	36,563
<b>NET INCOME BEFORE INCOME TAXES</b>	<b>6,542</b>	7,755	<b>18,052</b>	21,885
Income tax (expense) recovery	(300)	(238)	(463)	(325)
<b>NET INCOME FOR THE PERIOD</b>	<b>6,242</b>	7,517	<b>17,589</b>	21,560
<b>Other comprehensive income (loss)</b>				
<b>Amounts not to be reclassified subsequently to net income (net of tax):</b>				
Remeasurements of defined benefit plans (NOTE 11)	46,118	(5,562)	73,582	(62,856)
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>46,118</b>	(5,562)	<b>73,582</b>	(62,856)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ 52,360</b>	\$ 1,955	<b>\$ 91,171</b>	\$ (41,296)

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

# INTERIM CONDENSED FINANCIAL STATEMENTS

## STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

Quarter ended June 30 (IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended		Six-month periods ended	
	2015	2014	2015	2014
SHARE CAPITAL	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300
<b>Retained Earnings</b>				
<b>Balance, beginning of period</b>	<b>(129,286)</b>	(151,969)	<b>(168,097)</b>	(108,718)
Net income for the period	<b>6,242</b>	7,517	<b>17,589</b>	21,560
Other comprehensive income (loss) for the period	<b>46,118</b>	(5,562)	<b>73,582</b>	(62,856)
<b>Balance, end of period</b>	<b>(76,926)</b>	(150,014)	<b>(76,926)</b>	(150,014)
<b>Total Shareholder's equity</b>	<b>\$ (67,626)</b>	\$ (140,714)	<b>\$ (67,626)</b>	\$ (140,714)

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

# INTERIM CONDENSED FINANCIAL STATEMENTS

## STATEMENT OF CASH FLOWS

Quarter ended June 30 (IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended		Six-month periods ended	
	2015	2014	2015	2014
<b>OPERATING ACTIVITIES</b>				
Net income for the period	\$ 6,242	\$ 7,517	\$ 17,589	\$ 21,560
Adjustments to determine net cash (used in) from operating activities:				
Depreciation and amortization (NOTES 7 AND 8)	18,504	18,135	37,930	36,219
Impairment of property, plant and equipment and intangible assets (NOTES 7 AND 8)	1,194	-	2,978	-
Loss (gain) on disposal of property, plant and equipment and intangible assets	800	429	800	1,286
Amortization of deferred capital funding (NOTE 12)	(20,162)	(18,361)	(41,004)	(36,563)
Interest income	(87)	(128)	(193)	(231)
Cashflows in fair value of financial instruments (Asset Renewal Fund)	-	(48)	-	(116)
Unrealized net loss (net gain) on derivative financial instruments	(3,949)	24	(4,691)	300
Post-employment and other employee benefit expenses (NOTE 11)	6,589	9,957	12,601	18,325
Employer post-employment and other employee benefit contributions (NOTE 11)	(15,894)	(23,623)	(35,161)	(41,884)
Net change in non-cash working capital items	12,644	27,684	16,225	(25,932)
<b>Net cash (used in) provided by operating activities</b>	<b>5,881</b>	<b>21,586</b>	<b>7,074</b>	<b>(27,036)</b>
<b>INVESTING ACTIVITIES</b>				
Capital funding (NOTE 12)	20,303	16,645	48,581	35,770
Change in capital funding receivable from the Government of Canada	3,185	(3,990)	(5,793)	31,585
Acquisition of investments in the Asset Renewal Fund	-	(6,935)	-	(14,467)
Proceeds from sale and maturity of investments in the Asset Renewal Fund	-	8,482	-	16,014
Change in capital accounts payable and accrued liabilities	(1,313)	(2,762)	(1,425)	(5,790)
Acquisition of property, plant and equipment and intangible assets (NOTES 7 AND 8)	(20,303)	(16,693)	(48,581)	(36,304)
Interest received	87	128	193	231
Proceeds from disposal of property, plant and equipment and intangible assets	-	(6)	1	(18)
<b>Net cash (used in) provided by investing activities</b>	<b>1,959</b>	<b>(5,131)</b>	<b>(7,024)</b>	<b>27,021</b>
<b>CASH</b>				
Increase (decrease) during the period	7,840	16,455	50	(15)
Balance, beginning of period	6,082	5,287	13,872	21,757
<b>Balance, end of period</b>	<b>\$ 13,922</b>	<b>\$ 21,742</b>	<b>\$ 13,922</b>	<b>\$ 21,742</b>
<b>REPRESENTED BY:</b>				
Cash	\$ 13,922	\$ 21,742	\$ 13,922	\$ 21,742
	\$ 13,922	\$ 21,742	\$ 13,922	\$ 21,742

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, 2015 (UNAUDITED)

## 1. AUTHORITY AND OBJECTIVES

VIA Rail Canada Inc. is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Corporation was incorporated in 1977 in Canada, under the *Canada Business Corporations Act*. The corporate headquarters is located at 3 Place Ville-Marie, Montréal (Québec). The Corporation's vision is to make passenger rail the preferred way to move and connect people in Canada with a mission to offer a safe, attractive and stress-free travel experience, while consistently providing the best value for money. The Corporation uses the roadway infrastructure of other railway companies and relies on them to control train operations.

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

The Corporation is not an agent of Her Majesty and is subject to income taxes.

The Corporation has one operating segment, passenger transportation and related services in Canada. The Corporation's activities are considered seasonal since passenger traffic increases significantly during the summer and holiday periods resulting in an increase in revenue for these same periods.

These interim condensed financial statements were approved and authorized for issue by the Board of Directors on August 25, 2015.

## 2. BASIS OF PREPARATION

### A) STATEMENT OF COMPLIANCE

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

These unaudited interim condensed financial statements have been prepared in accordance with IAS 34 - *Interim financial reporting*. The interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with the IFRS.



## **B) FUNCTIONAL AND PRESENTATION CURRENCY**

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

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in these unaudited interim condensed financial statements are disclosed in Note 4 of the Corporation's annual financial statements for the year ended December 31, 2014.

## **4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS**

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

Estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

They are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimate is revised. However, uncertainties relating to judgments, assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in future years. Key sources of estimation uncertainty and assumptions are disclosed in Note 5 of the Corporation's annual financial statements for the year ended December 31, 2014.

## 5. FUTURE ACCOUNTING CHANGES

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

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

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

This standard is applicable retrospectively, either fully or based on a modified retrospective approach, for periods beginning on or after January 1, 2018 with early application permitted. The Corporation does not intend to early adopt IFRS 15. The extent of the impact of adoption of IFRS 15 has not yet been determined.

## 6. RECONCILIATION OF OPERATING LOSS TO GOVERNMENT FUNDING

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

(IN MILLIONS OF CANADIAN DOLLARS)	Quarters ended June 30		Six-month periods ended June 30	
	2015	2014	2015	2014
Operating loss before funding from the Government of Canada and income taxes	<b>79.8</b>	85.0	<b>175.4</b>	176.2
Items requiring (providing) operating funds:				
Income tax expense (recovery)	<b>0.3</b>	0.2	<b>0.5</b>	0.3
Items not requiring (not providing) operating funds:				
Depreciation and amortization	<b>(18.5)</b>	(18.1)	<b>(37.9)</b>	(36.2)
Impairment and (loss) gain on disposal of property, plant and equipment and intangible assets	<b>(2.0)</b>	(0.4)	<b>(3.8)</b>	(1.3)
Post-employment and other employee benefits contributions in excess of expenses	<b>9.3</b>	13.7	<b>22.6</b>	23.6
Unrealized net gain (net loss) on derivative financial instruments	<b>3.9</b>	-	<b>4.7</b>	(0.3)
Adjustment for accrued compensation	<b>(6.7)</b>	(5.9)	<b>(9.2)</b>	(0.2)
Increase in investment's fair value	-	-	-	0.1
Other	-	(0.1)	<b>0.1</b>	(0.7)
<b>Operating funding from the Government of Canada</b>	<b>66.1</b>	74.4	<b>152.4</b>	161.5

## 7. PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2015	Additions	Disposals	(Reversal) Impairment losses	Transfers	June 30, 2015
<b>Cost:</b>						
Land	12.1	-	-	-	-	<b>12.1</b>
Rolling stock	917.3	-	(4.5)	-	17.5	<b>930.3</b>
Maintenance buildings	165.2	-	-	-	-	<b>165.2</b>
Stations and facilities	127.9	-	-	-	-	<b>127.9</b>
Owned infrastructures	199.5	-	-	-	0.7	<b>200.2</b>
Leasehold improvements	76.5	-	-	-	0.2	<b>76.7</b>
Machinery and equipment	25.0	-	-	-	0.1	<b>25.1</b>
Computer hardware	32.1	-	-	-	-	<b>32.1</b>
Other property, plant and equipment	6.8	-	-	-	0.4	<b>7.2</b>
Projects in progress	57.1	34.9	-	-	(18.8)	<b>73.2</b>
<b>Total cost</b>	<b>1,619.5</b>	<b>34.9</b>	<b>(4.5)</b>	<b>-</b>	<b>0.1</b>	<b>1,650.0</b>
<b>Accumulated depreciation and impairment:</b>						
Rolling stock	457.8	16.0	(4.0)	3.7	-	<b>473.5</b>
Maintenance buildings	118.1	1.8	-	-	-	<b>119.9</b>
Stations and facilities	36.0	2.4	-	-	-	<b>38.4</b>
Owned infrastructures	68.8	3.0	-	-	-	<b>71.8</b>
Leasehold improvements	42.1	1.4	-	-	-	<b>43.5</b>
Machinery and equipment	18.1	0.6	-	-	-	<b>18.7</b>
Computer hardware	18.2	2.4	-	-	-	<b>20.6</b>
Other property, plant and equipment	2.9	0.2	-	-	-	<b>3.1</b>
Projects in progress	0.7	-	-	(0.7)	-	<b>-</b>
<b>Total accumulated depreciation and impairment</b>	<b>762.7</b>	<b>27.8</b>	<b>(4.0)</b>	<b>3.0</b>	<b>-</b>	<b>789.5</b>
<b>Total net carrying amount</b>	<b>856.8</b>	<b>7.1</b>	<b>(0.5)</b>	<b>(3.0)</b>	<b>0.1</b>	<b>860.5</b>

### IMPAIRMENT LOSS

The Corporation has recorded an impairment loss of \$3.0 million (June 30, 2014: nil) in the statement of operations and other comprehensive income under "Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets". This amount consists of capital expenditures incurred that have no future benefits for the Corporation as a result of issues on railcars refurbishment projects. As at June 30, 2015, the recoverable amount of these railcars was \$13.5 million (June 30, 2014: nil), which is the fair value less costs of disposal. The fair value was calculated based on the current replacement cost (level 2).

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

## 8. INTANGIBLE ASSETS

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2015	Additions	Disposals	Impairment losses	Transfers	June 30, 2015
<b>Cost:</b>						
Software (NOTE 1)	80.6	-	(0.8)	-	0.6	<b>80.4</b>
Right of access to rail infrastructure	421.0	-	-	-	-	<b>421.0</b>
Other intangible assets	4.1	-	-	-	-	<b>4.1</b>
Projects in progress	29.2	13.7	-	-	(0.7)	<b>42.2</b>
<b>Total cost</b>	<b>534.9</b>	<b>13.7</b>	<b>(0.8)</b>	<b>-</b>	<b>(0.1)</b>	<b>547.7</b>
<b>Accumulated amortization and impairment:</b>						
Software	58.6	4.6	(0.5)	-	-	<b>62.7</b>
Right of access to rail infrastructure	71.2	5.5	-	-	-	<b>76.7</b>
Other intangible assets	1.4	-	-	-	-	<b>1.4</b>
<b>Total accumulated amortization and impairment</b>	<b>131.2</b>	<b>10.1</b>	<b>(0.5)</b>	<b>-</b>	<b>-</b>	<b>140.8</b>
<b>Total net carrying amount</b>	<b>403.7</b>	<b>3.6</b>	<b>(0.3)</b>	<b>-</b>	<b>(0.1)</b>	<b>406.9</b>

Note 1 - Includes mostly software developed in-house.

## 9. TRADE AND OTHER PAYABLES

The Trade and other payables balance includes the following:

(IN MILLIONS OF CANADIAN DOLLARS)	June 30, 2015	December 31, 2014
Wages payable and accrued	<b>42.2</b>	33.1
Accounts payable - Fixed Assets	<b>15.4</b>	16.8
Accounts payable - Trade	<b>32.8</b>	33.9
Capital tax, income tax and other taxes payable	<b>5.3</b>	5.2
<b>Total trade and other payables</b>	<b>95.7</b>	89.0

## 10. PROVISIONS

The provision balance includes:

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2015	Charge (used)	Reversal (used)	Reversal (not used)	Other movements	June 30, 2015
Environmental costs (NOTE A)	0.2	0.1	-	-	-	<b>0.3</b>
Litigation and equipment repairs (NOTE B)	14.6	1.8	(2.5)	-	-	<b>13.9</b>
<b>Total provisions</b>	<b>14.8</b>	<b>1.9</b>	<b>(2.5)</b>	<b>-</b>	<b>-</b>	<b>14.2</b>

### A) ENVIRONMENTAL COSTS

The Corporation has made a provision of \$0.3 million for environmental costs related to fuel spills (December 31, 2014: \$0.2 million), which is recorded in Provisions.

### B) LITIGATION AND EQUIPMENT REPAIRS

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

## 11. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

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

Effective June 19, 2015, the defined benefit pension plan ceased to be offered to certain new unionized employees. These new unionized employees hired on or after January 1, 2014 are provided pension benefits through a hybrid pension plan. This hybrid pension plan is a combination of defined benefit and defined contribution plans. The new hybrid plan provides that the pension benefits paid to these new unionized employees come in part from the current defined benefit pension plan for unionized employees at a reduced formula, and in part from a defined contribution plan, in which employees and employer will contribute.

Enrollment in this plan is mandatory for these full-time unionized employees.

Contributions to defined contribution plans are expensed over the periods during which services are rendered by these employees.

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

### A) PENSION PLANS AND POST-EMPLOYMENT BENEFITS PLANS

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

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

	Pension Plans		Post-employment Benefit Plans	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
(IN MILLIONS OF CANADIAN DOLLARS)				
<b>DEFINED BENEFIT OBLIGATION:</b>				
<b>Balance at beginning of the period</b>	<b>2,181.9</b>	1,925.3	<b>19.4</b>	16.3
Service cost	<b>6.5</b>	22.2	<b>0.2</b>	0.3
Interest expense	<b>43.3</b>	91.3	<b>0.3</b>	0.8
Employee contributions	<b>5.9</b>	12.4	-	-
Benefits paid	<b>(56.6)</b>	(103.3)	<b>(0.2)</b>	(0.4)
Effect of change in demographic assumptions	-	15.9	-	(0.2)
Effect of change in financial assumptions	<b>2.9</b>	224.2	-	2.6
Effect of experience adjustments	-	(6.1)	-	-
<b>Balance at end of the period</b>	<b>2,183.9</b>	2,181.9	<b>19.7</b>	19.4
<b>FAIR VALUE OF PLAN ASSETS:</b>				
<b>Balance at beginning of the period</b>	<b>2,132.5</b>	1,923.9	-	-
Interest Income	<b>42.4</b>	91.9	-	-
Return on plan assets (excluding interest income)	<b>76.5</b>	128.1	-	-
Employer contributions	<b>31.7</b>	81.4	<b>0.2</b>	0.4
Employee contributions	<b>5.9</b>	12.4	-	-
Benefits paid	<b>(56.6)</b>	(103.3)	<b>(0.2)</b>	(0.4)
Administration expenses	<b>(1.4)</b>	(1.9)	-	-
<b>Balance at end of the period</b>	<b>2,231.0</b>	2,132.5	-	-
<b>Net Defined benefit asset (liability)</b>	<b>47.1</b>	(49.4)	<b>(19.7)</b>	(19.4)

## B) LONG-TERM EMPLOYEE BENEFIT PLANS

The financial and demographic assumptions used to determine the actuarial valuations of the long-term employee benefit plans were the same assumptions as disclosed in the Corporation's annual financial statements for the year ended December 31, 2014 except for the discount rate used to determine the benefit cost that was decreased to 3.40 per cent.

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, 2015	December 31, 2014
<b>LONG-TERM EMPLOYEE BENEFIT OBLIGATION:</b>		
<b>Balance at beginning of the period</b>	<b>22.8</b>	23.8
Service cost	<b>2.4</b>	4.8
Interest expense	<b>0.4</b>	1.0
Benefits paid	<b>(2.8)</b>	(5.6)
Effect of change in demographic assumptions	-	(0.1)
Effect of change in financial assumptions	-	0.7
Effect of experience adjustments	-	(1.8)
<b>Balance at end of the period</b>	<b>22.8</b>	22.8
<b>FAIR VALUE OF PLAN ASSETS:</b>		
<b>Balance at beginning of the period</b>	-	-
Employer contributions	<b>2.8</b>	5.6
Benefits paid	<b>(2.8)</b>	(5.6)
<b>Balance at end of the period</b>	-	-
<b>Net long-term employee benefit liability</b>	<b>(22.8)</b>	(22.8)

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

### C) OTHER LONG-TERM EMPLOYEE BENEFITS

Other long-term employee benefits include job security benefits administered by various union agreements. These benefits are calculated on an event driven basis and represent management's best estimates of the present value of all future projected payments to unionized employees.

The change in the other long-term employee benefit obligation is explained as follows:

(IN MILLIONS OF CANADIAN DOLLARS)	June 30, 2015	December 31, 2014
<b>OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION:</b>		
<b>Balance at beginning of the period</b>	<b>1.5</b>	2.2
Service cost	<b>0.5</b>	0.3
Benefits paid	<b>(0.5)</b>	(1.0)
<b>Balance at end of the period</b>	<b>1.5</b>	1.5
<b>FAIR VALUE OF PLAN ASSETS:</b>		
<b>Balance at beginning of the period</b>	-	-
Employer contributions	<b>0.5</b>	1.0
Benefits paid	<b>(0.5)</b>	(1.0)
<b>Balance at end of the period</b>	-	-
<b>Net other long-term employee benefit liability</b>	<b>(1.5)</b>	(1.5)

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

**Total amounts recognized in the statement of financial position:**

(IN MILLIONS OF CANADIAN DOLLARS)	June 30, 2015	December 31, 2014
<b>Assets:</b>		
Pension Plans	<b>47.1</b>	2.3
<b>Liabilities:</b>		
Pension Plans	-	(51.7)
Post-employment benefit plans	<b>(19.7)</b>	(19.4)
Long-term employee benefit plans	<b>(22.8)</b>	(22.8)
Other long-term employee benefits	<b>(1.5)</b>	(1.5)
<b>Total liabilities</b>	<b>(44.0)</b>	(95.4)



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

(IN MILLIONS OF CANADIAN DOLLARS)	Quarters ended June 30		Six-month periods ended June 30	
	2015	2014	2015	2014
<b>Operating expenses:</b>				
Pension Plans	4.8	8.0	8.8	14.4
Post-employment benefit plans	0.2	0.3	0.5	0.6
Long-term employee benefit plans	1.4	1.5	2.8	2.9
Other long-term employee benefits	0.2	0.2	0.5	0.5
<b>Total</b>	<b>6.6</b>	<b>10.0</b>	<b>12.6</b>	<b>18.4</b>

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

(IN MILLIONS OF CANADIAN DOLLARS)	Quarters ended June 30		Six-month periods ended June 30	
	2015	2014	2015	2014
<b>Other comprehensive income (loss):</b>				
Pension Plans	46.2	(5.5)	73.6	(62.8)
<b>Total</b>	<b>46.2</b>	<b>(5.5)</b>	<b>73.6</b>	<b>(62.8)</b>

## 12. DEFERRED CAPITAL FUNDING

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

(IN MILLIONS OF CANADIAN DOLLARS)	June 30, 2015	December 31, 2014
<b>Balance, beginning of the period</b>	<b>1,247.8</b>	1,237.4
Government funding for property, plant and equipment and intangible assets (including the cost of land)	48.6	80.9
Amortization of deferred capital funding	(41.0)	(70.5)
<b>Balance, end of the period</b>	<b>1,255.4</b>	1,247.8

## 13. DEFERRED REVENUES

Deferred revenues are comprised of the following:

(IN MILLIONS OF CANADIAN DOLLARS)	June 30, 2015	December 31, 2014
Advanced ticket sales	27.2	12.8
Gift cards	2.9	3.0
Non-monetary transactions	2.8	2.7
VIA Préférence and Travel Credits	15.8	16.0
<b>Total deferred revenues</b>	<b>48.7</b>	34.5

## 14. 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, 2015				December 31, 2014
	Total commitments	Less than one year	One to five years	More than five years	Total commitments
<b>COMMITMENTS RELATING TO OPERATIONS:</b>					
Non-cancellable operating leases (NOTE A):					
Lessee	<b>36.3</b>	3.5	14.5	18.3	37.7
	<b>36.3</b>	3.5	14.5	18.3	37.7
<b>COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS:</b>					
Rail infrastructure	<b>15.3</b>	12.4	2.9	-	14.7
Rolling stock	<b>10.3</b>	10.3	-	-	14.1
	<b>25.6</b>	22.7	2.9	-	28.8
<b>Total commitments</b>	<b>61.9</b>	26.2	17.4	18.3	66.5

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

In 2015, an amount of \$6.1 million (December 31, 2014: \$13.7 million) was recognized as an expense related to facilities operating leases.

- b) As mentioned in Note 1, the Corporation has entered into train service agreements for the use of tracks and the control of train operations that expire on December 31, 2018. No amounts are included in the table above regarding those contracts since the amount of the commitments is dependent on the annual usage of the tracks.
- c) The Corporation has provided letters of credit from a banking institution totalling approximately \$27.1 million (December 31, 2014: \$31.2 million) to various provincial government workers' compensation boards as security for future payment streams.

## 15. FINANCIAL INSTRUMENTS

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

## 16. 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 either buy or sell USD at a specified price and date in the future. These contracts are related to the commodity swaps.

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

COMMODITY SWAP	June 30, 2015		December 31, 2014	
	Notional Quantity (000's of U.S. Gallons)	Fair Value CAD (millions)	Notional Quantity (000's of U.S. Gallons)	Fair Value CAD (millions)
Liabilities	<b>16,422</b>	<b>9.7</b>	21,168	13.9

As at June 30, 2015, the commodity swaps have a fixed price per U.S. gallon in USD between 2.010 and 2.959 (December 31, 2014: between 2.010 and 2.959) and the maturity dates are 2015 to 2018 (December 31, 2014: 2015 to 2018). These financial instruments have a monthly settlement schedule.

FORWARD FOREIGN EXCHANGE CONTRACTS	June 30, 2015		December 31, 2014	
	Notional Amount (USD) (millions)	Fair Value CAD (millions)	Notional Amount (USD) (millions)	Fair Value CAD (millions)
Assets	<b>29.4</b>	<b>2.3</b>	29.6	1.8

As at June 30, 2015, the forward contracts rates are between 1.047 and 1.222 (December 31, 2014: between 1.047 and 1.148) in US dollars and the maturity dates are 2015 to 2016 (December 31, 2014: 2015 to 2016). These financial instruments have a monthly settlement schedule.

Amounts recognized in the statement of financial position:

	June 30, 2015		December 31, 2014	
	Fair Value CAD (millions)		Fair Value CAD (millions)	
Total assets	<b>2.3</b>		1.8	
Total liabilities	<b>9.7</b>		13.9	

