SECOND QUARTER REPORT 2023

VIA Rail Canada

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. Introduction

Management's discussion and analysis report outlines the financial results of VIA Rail Canada Inc. (The Corporation) for the quarter and the six-month period ended June 30, 2023, compared with the quarter and the six-month period ended June 30, 2022. 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 the Corporation's stakeholders make on the basis of the financial information.

Forward-Looking Statement Disclosure

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

2. Corporate Overview

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

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

3. COVID-19 Pandemic

This year as things returned to normal following the pandemic, the Corporation's operations are back to levels that are significantly higher than those of the corresponding quarter of 2022, which was affected by the Omicron COVID variant with 26.5 per cent more train miles and 21.6 per cent in terms of seat miles.

4. Highlights of Financial Results and Major Key Operating Statistics

	Quarters ended June 30				Six-month periods ended June 30			
(in millions of Canadian dollars)	**2023**	**2022**	**Var $**	**Var %**	**2023**	**2022**	**Var $**	**Var %**
Financial Performance								
Passenger revenues *(section 5.2)*	**102.3**	74.5	27.8	37.3%	**182.7**	106.0	76.7	72.4%
Other revenues	**5.6**	3.9	1.7	43.6%	**10.7**	7.0	3.7	52.9%
Total revenues	**107.9**	78.4	29.5	37.6%	**193.4**	113.0	80.4	71.2%
Operating expenses *(section 5.3)*	**227.7**	191.6	36.1	18.8%	**454.5**	359.5	95.0	26.4%
Operating loss before funding from the Government of Canada and income taxes *(section 5.1)*	**(119.8)**	(113.2)	(6.6)	(5.8%)	**(261.1)**	(246.5)	(14.6)	(5.9%)
Net (loss) income for the period	**(7.2)**	(12.4)	5.2	41.9%	**(3.4)**	11.1	(14.5)	(130.6%)
Remeasurements of defined benefit components of the pension plans and post-employment benefit plans (net of tax)	**(27.1)**	428.0	(455.1)	(106.3%)	**(19.7)**	302.9	(322.6)	(106.5%)
Comprehensive (loss) income for the period	**(34.3)**	415.6	(449.9)	(108.3%)	**(23.1)**	314.0	(337.1)	(107.4%)
Financial Position and Cash Flows								
Total assets *(section 5.4) – Note 1*	**2,670.2**	2,591.3	78.9	3.0%	**2,670.2**	2,591.3	78.9	3.0%
Total liabilities and deferred capital funding *(section 5.4) – Note 1*	**2,458.0**	2,356.1	101.9	4.3%	**2,458.0**	2,356.1	101.9	4.3%
Cash *(section 5.5)*	**62.1**	18.8	43.3	230.3%	**62.1**	18.8	43.3	230.3%
Net cash provided by operating activities *(section 5.5)*	**21.4**	15.3	6.1	39.9%	**34.3**	33.6	0.7	2.1%
Net cash provided by (used in) investing activities *(section 5.5)*	**0.6**	(21.1)	21.7	102.8%	**20.2**	(16.9)	37.1	219.5%
Net cash (used in) financing activities *(section 5.5)*	**(1.0)**	(1.0)	–	0.0%	**(2.1)**	(2.3)	0.2	8.7%
Government Funding								
Operating *(section 6)*	**85.6**	79.9	5.7	7.1%	**205.8**	200.2	5.6	2.8%
Capital *(section 6)*	**67.1**	65.1	2.0	3.1%	**139.9**	119.9	20.0	16.7%
Total Government funding	**152.7**	**145.0**	**7.7**	**5.3%**	**345.7**	**320.1**	**25.6**	**8.0%**
Key Operating Statistics								
Train miles operated *(in thousands)*	**1,552**	1,227	325	26.5%	**3,096**	2,212	884	40.0%
Seat miles *(in millions)*	**366**	301	65	21.6%	**710**	479	231	48.2%
Passenger miles *(in millions)*	**227**	177	50	28.2%	**411**	268	143	53.4%
Passengers *(in thousands)*	**1,007.0**	766.9	240.1	31.3%	**1,881.7**	1,190.4	691.3	58.1%
Average passenger load factor *(%)*	**62**	59	3	5.1%	**58**	56	2	3.6%
RASM (revenue per available seat mile) *(in cents) – Note 2*	**29.48**	26.10	3.38	13.0%	**27.11**	23.55	3.56	15.1%
CASM (cost per available seat mile) *(in cents) – Note 2*	**52.87**	52.80	0.07	0.1%	**56.10**	65.37	(9.27)	(14.2%)
Cost recovery ratio *(%) – Note 2*	**55.8**	49.4	6.4	13.0%	**48.3**	36.0	12.3	34.2%
Operating deficit per passenger mile *(in cents) – Note 2*	**37.8**	45.1	(7.3)	(16.2%)	**50.0**	74.7	(24.7)	(33.1%)
On-time performance *(%)*	**62**	53	9	17.0%	**66**	62	4	6.5%

(Amounts in bracket represent decreases)

Note 1: Comparative figures as at December 31, 2022
Note 2: Based on funded results

Financial Highlights – Second Quarter

- Total revenues increased by 37.6 per cent resulting from an increase in frequencies led by higher demand, compared to the corresponding quarter of 2022, which was still affected by the Omicron COVID variant.
- Operating expenses increased by 18.8 per cent primarily due to the operating costs associated to the additional frequencies and cost increases reflecting inflation.
- The operating loss increased by 5.8 per cent due to an increase in operating expenses, partly offset by an increase in revenues.
- Operating funding increased by 7.1 per cent, reflecting the higher amounts required for funded activities.
- The Corporation generated a comprehensive loss of $34.3 million compared to a comprehensive income of $415.6 million in 2022. The variation is due to the remeasurements of the defined benefit components of the pension plans and post-employment benefit plans.

Six-Month Period

- Total revenues increased by 71.2 per cent also resulting from an increase in frequencies led by higher demand.
- Operating expenses increased by 26.4 per cent due to the higher costs directly associated to the additional frequencies operated compared to the corresponding six-month period of 2022.
- The operating loss increased by 5.9 per cent due to an increase in operating expenses, mostly offset by an increase in revenues.
- Operating funding increased by 2.8 per cent, reflected by higher amounts required for funded activities.
- The Corporation generated a comprehensive loss of $23.1 million compared to a comprehensive income of $314.0 million in 2022. The variation is due to the remeasurements of the defined benefit components of the pension plans and post-employment benefit plans.

Most of the operating statistics including train miles, seat miles, passenger miles, as well as revenues and cost per available seat miles were positively impacted during the second quarter and on a cumulative basis due to the increase in service levels. On-time performance was slightly improved compared to the corresponding period last year which was impacted by various slow orders and difficult weather conditions.

5. Analysis of Financial Results
5.1 Comparison of IFRS and Funded Operating Results

(in millions of Canadian dollars)	Quarters ended June 30				Six-month periods ended June 30			
	2023	**2022**	**Var $**	**Var %**	**2023**	**2022**	**Var $**	**Var %**
Operating loss on a funded basis	**(85.6)**	**(79.9)**	**(5.7)**	**(7.1%)**	**(205.8)**	**(200.2)**	**(5.6)**	**(2.8%)**
NON-FUNDED ADJUSTMENT TO REVENUES								
Adjustment for VIA Préférence points and other	**–**	–	–	n/a	**0.9**	0.3	0.6	200.0%
NON-FUNDED ADJUSTMENTS TO EXPENSES								
Pension and other employee future benefits	**(1.6)**	(1.8)	0.2	11.1%	**(3.1)**	(1.1)	(2.0)	(181.8%)
Depreciation of property, plant and equipment, amortization of intangible assets, depreciation of right-of-use assets and loss on disposal	**(27.1)**	(26.2)	(0.9)	(3.4%)	**(54.7)**	(51.8)	(2.9)	(5.6%)
Other provisions for non-cash items	**(5.5)**	(5.3)	(0.2)	(3.8%)	**1.6**	6.3	(4.7)	(74.6%)
Total non-funded adjustments to expenses	**(34.2)**	(33.3)	(0.9)	(2.7%)	**(56.2)**	(46.6)	(9.6)	(20.6%)
Total items not requiring funds from operations	**(34.2)**	**(33.3)**	**(0.9)**	**(2.7%)**	**(55.3)**	**(46.3)**	**(9.0)**	**(19.4%)**
Operating loss under IFRS	**(119.8)**	**(113.2)**	**(6.6)**	**(5.8%)**	**(261.1)**	**(246.5)**	**(14.6)**	**(5.9%)**
Operating funding from the Government of Canada	**85.6**	79.9	5.7	7.1%	**205.8**	200.2	5.6	2.8%
Amortization of deferred capital funding	**25.7**	25.0	0.7	2.8%	**51.9**	49.2	2.7	5.5%
Net (loss) income before income taxes	**(8.5)**	**(8.3)**	**(0.2)**	**(2.4%)**	**(3.4)**	**2.9**	**(6.3)**	**217.2%**
Income tax recovery (expense)	**1.3**	(4.1)	5.4	131.7%	**–**	8.2	(8.2)	(100.0%)
Net (loss) income under IFRS for the period	**(7.2)**	**(12.4)**	**5.2**	**41.9%**	**(3.4)**	**11.1**	**(14.5)**	**130.6%**
Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans	**(36.9)**	538.4	(575.3)	(106.9%)	**(26.8)**	403.0	(429.8)	(106.7%)
Income tax recovery (expense)	**9.8**	(110.4)	120.2	(108.9%)	**7.1**	(100.1)	107.2	107.1%
Other comprehensive (loss) income	**(27.1)**	**428.0**	**(455.1)**	**(106.3%)**	**(19.7)**	**302.9**	**(322.6)**	**(106.5%)**
Comprehensive (loss) income for the period	**(34.3)**	**415.6**	**(449.9)**	**(108.3%)**	**(23.1)**	**314.0**	**(337.1)**	**(107.4%)**

(Amounts in bracket represent decreases)

Net loss under IFRS for the quarter:

Net loss of $7.2 million this quarter, compared to a net loss of $12.4 million last year, representing an improvement of $5.2 million mainly due to:

- Higher government funding recognized during the quarter ($5.7 million).
- Higher amortization of deferred capital funding ($0.7 million).
- Lower deferred income tax expense of $5.4 million.
- Partially offset by higher operating loss ($6.6 million), resulting from additional operating expenses ($36.1 million), partially offset by higher revenues ($29.5 million).

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

Net loss of $3.4 million for the six-month period, compared to a net income of $11.1 million last year, representing a deterioration of $14.5 million mainly due to:

- Higher operating loss ($14.6 million), attributable to higher expenses of $95.0 million partially offset by higher revenues of $80.4 million.
- Lower deferred income tax recovery of $8.2 million.
- Partially offset by higher government funding recognized during the six-month period ($5.6 million) and higher amortization of deferred capital funding ($2.7 million).

Comprehensive (loss) income

Comprehensive (loss) income includes remeasurement of defined benefit component of the pension plans and post-employment benefit plans which is composed of quarterly non-cash remeasurements resulting from changes in actuarial assumptions and the return on pension plan assets.

Comprehensive (loss) income also includes income tax recovery (expense) associated with the above remeasurement.

5.1 Comparison of IFRS and Funded Operating Results (cont'd)

Comprehensive loss of ($34.3) million in the second quarter of 2023 and comprehensive loss of ($23.1) million for the six-month period ended June 30, 2023, include the following:

The comprehensive loss for the period includes a remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of ($36.9) million in the second quarter of 2023 resulting from an actuarial loss of $22.5 million on the defined benefit obligation, and from a lower remeasurement of $14.3 million resulting from the actual rate of return on plan assets and from an actuarial loss of $0.1 million regarding to the post-employment benefit plan. The comprehensive loss includes a deferred income tax recovery of $9.8 million due to the employee benefit assets.

The comprehensive loss for the cumulative period includes a remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of ($26.8) million for the six-month period resulting from the decrease in the discount rate used to determine the defined benefit obligation (4.80 per cent as at June 30, 2023, compared to 5.10 per cent as at December 31, 2022), which resulted in an actuarial loss of $67.8 million, combined with a remeasurement gain of $41.6 million resulting from the return on plan assets during the six-month period. The remeasurement includes an actuarial loss of $0.6 million due to the decrease in the discount rate used to determine the post-employment benefit obligation (4.80 per cent as at June 30, 2023, compared to 5.10 per cent as at December 31, 2022). The comprehensive loss includes a deferred income tax recovery of $7.1 million due to the employee benefit assets.

Comprehensive income of $415.6 million in the second quarter of 2022 and comprehensive income of $314.0 million for the six-month period ended June 30, 2022, include the following:

The comprehensive income for the period includes a remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of $538.4 million in the second quarter of 2022 which is due to an actuarial gain of $304.3 million on the defined benefit obligation arising from a 100 basis point increase in the discount rate since March 31, 2022, and to a remeasurement gain of $230.4 million resulting from higher actual rate of return on plan assets. The remeasurement also includes an actuarial gain of $3.7 million due to the increase in the discount rate used to determine the post-employment benefit obligation. The comprehensive income also includes a deferred income tax expense of $110.4 million due to the employee benefit assets.

The comprehensive income for the cumulative period includes a remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of $403.0 million for the six-month period resulting from the increase in the discount rate used to determine the defined benefit obligation (5.00 per cent as at June 30, 2022, compared to 3.00 per cent as at December 31, 2021), which resulted in an actuarial gain of $411.1 million, combined with a remeasurement loss of $15.7 million resulting from lower actual rate of return on plan assets during the six-month period. The remeasurement also includes an actuarial gain of $7.6 million due to the increase in the discount rate used to determine the post-employment benefit obligation (5.10 per cent as at June 30, 2022, compared to 3.00 per cent as at December 31, 2021). The comprehensive income is partly offset by a deferred income tax expense of $100.1 million due to the employee benefit assets.

5.2 Revenues

(in millions of Canadian dollars)	Quarters ended June 30				Six-month periods ended June 30			
	2023	**2022**	**Var $**	**Var %**	**2023**	**2022**	**Var $**	**Var %**
Passenger revenues								
Corridor East	**68.2**	50.6	17.6	34.8%	**124.4**	75.1	49.3	65.6%
Southwestern Ontario (SWO)	**11.4**	8.0	3.4	42.5%	**22.2**	12.5	9.7	77.6%
Québec City – Windsor corridor	**79.6**	**58.6**	**21.0**	**35.8%**	**146.6**	**87.6**	**59.0**	**67.4%**
Ocean	**3.1**	2.0	1.1	55.0%	**5.0**	2.8	2.2	78.6%
Canadian	**16.3**	12.4	3.9	31.5%	**21.8**	13.7	8.1	59.1%
Regional services	**0.8**	0.6	0.2	33.3%	**1.4**	0.9	0.5	55.6%
Non-Corridor	**20.2**	**15.0**	**5.2**	**34.7%**	**28.2**	**17.4**	**10.8**	**62.1%**
Other	**2.5**	0.9	1.6	177.8%	**7.9**	1.0	6.9	690.0%
Total passenger revenues under IFRS	**102.3**	**74.5**	**27.8**	**37.3%**	**182.7**	**106.0**	**76.7**	**72.4%**
Other revenues	**5.6**	3.9	1.7	43.6%	**10.7**	7.0	3.7	52.9%
Total revenues under IFRS	**107.9**	**78.4**	**29.5**	**37.6%**	**193.4**	**113.0**	**80.4**	**71.2%**
Adjustment for VIA Préférence points (non-funded) and other	**–**	–	–	n/a	**(0.9)**	(0.3)	(0.6)	(200.0%)
TOTAL FUNDED REVENUES	**107.9**	**78.4**	**29.5**	**37.6%**	**192.5**	**112.7**	**79.8**	**70.8%**

(Amounts in bracket represent decreases)

Passengers

(in thousands)	Quarters ended June 30				Six-month periods ended June 30			
	2023	**2022**	**Var #**	**Var %**	**2023**	**2022**	**Var #**	**Var %**
Passengers								
Corridor East	**760.2**	583.7	176.5	30.2%	**1,415.7**	904.0	511.7	56.6%
Southwestern Ontario (SWO)	**201.1**	150.0	51.1	34.1%	**389.1**	239.8	149.3	62.3%
Québec City – Windsor corridor	**961.3**	**733.7**	**227.6**	**31.0%**	**1,804.8**	**1,143.8**	**661.0**	**57.8%**
Ocean	**16.1**	11.0	5.1	46.4%	**28.4**	16.6	11.8	71.1%
Canadian	**16.4**	12.5	3.9	31.2%	**25.5**	15.4	10.1	65.6%
Regional services	**13.2**	9.7	3.5	36.1%	**23.0**	14.6	8.4	57.5%
Non-Corridor	**45.7**	**33.2**	**12.5**	**37.7%**	**76.9**	**46.6**	**30.3**	**65.0%**
TOTAL PASSENGERS	**1,007.0**	**766.9**	**240.1**	**31.3%**	**1,881.7**	**1,190.4**	**691.3**	**58.1%**

(Amounts in bracket represent decreases)

5.2 Revenues (cont'd)

Passenger revenues

Passenger revenues have increased by $27.8 million (37.3 per cent) during the quarter and by $76.7 million (72.4 per cent) for the six-month period. Both increases are mainly attributable to higher revenues generated in all major train services reflecting the impact of the reintroduction of services and resulting, in most services, from a combination of higher ridership (31.3 per cent for the quarter and 58.1 per cent for the period), and higher average revenues (4.6 per cent for the quarter and 9.0 per cent for the period).

Québec City – Windsor corridor

Revenues have increased by $21.0 million (35.8 per cent) during the quarter as a result of the reintroduction of frequencies to match passenger demand.

Capacity (in terms of seat miles offered) increased by 25.7 per cent compared to the corresponding quarter last year. The increase in revenues reflects the increase in ridership (31.0 per cent), as well as improved average revenues (3.7 per cent).

On a cumulative basis, revenues have increased by $59.0 million (67.4 per cent) for the six-month period. Capacity increased by 53.1 per cent, ridership has increased by 57.8 per cent, while average revenues have improved by 6.1 per cent.

Ocean

Revenues for the quarter have increased by $1.1 million (55.0 per cent) compared to last year.

Ridership has increased by 46.4 per cent for the quarter and average revenues have improved by 5.9 per cent. On a cumulative basis, revenues have increased by $2.2 million (78.6 per cent), mostly due to higher ridership (71.1 per cent).

Canadian

Revenues have increased by $3.9 million (31.5 per cent) compared to the same quarter last year and by $8.1 million (59.1 per cent) compared to last six-month period. These increases result mainly from higher ridership (31.2 per cent for the quarter and 65.6 per cent for the six-month period).

Regional services

Revenues have increased by $0.2 million (33.3 per cent) for the quarter. The increase is mainly attributed to ridership (increase of 36.1 per cent).

On a cumulative basis, revenues have increased by $0.5 million (55.6 per cent) due in most part to the increase in ridership (57.5 per cent).

Other revenues

Other revenues have increased by $1.7 million (43.6 per cent) for the quarter and have increased by $3.7 million (52.9 per cent) for the six-month period. These increase for the quarter is due to higher investment income and third-party revenues. The cumulative increase results from higher station revenues, reflecting the increased levels of operations, as well as to higher investment income, driven by the high interest rates.

5.3 Operating Expenses

(in millions of Canadian dollars)	Quarters ended June 30				Six-month periods ended June 30			
	2023	**2022**	**Var $**	**Var %**	**2023**	**2022**	**Var $**	**Var %**
Compensation and employee benefits	**91.9**	81.7	10.2	12.5%	**177.5**	153.5	24.0	15.6%
Train operations and fuel	**40.9**	36.8	4.1	11.1%	**87.1**	67.1	20.0	29.8%
Stations and property	**11.5**	9.7	1.8	18.6%	**24.0**	20.3	3.7	18.2%
Marketing and sales	**10.7**	8.2	2.5	30.5%	**19.3**	11.7	7.6	65.0%
Maintenance material	**10.1**	8.7	1.4	16.1%	**20.0**	17.5	2.5	14.3%
On-train product costs	**10.1**	7.6	2.5	32.9%	**18.7**	11.5	7.2	62.6%
Professional services	**9.0**	3.3	5.7	172.7%	**16.7**	6.8	9.9	145.6%
Telecommunications	**6.7**	5.4	1.3	24.1%	**13.8**	13.0	0.8	6.2%
Technical services	**1.2**	–	1.2	n/a	**2.2**	–	2.2	n/a
Depreciation and amortization	**27.1**	24.8	2.3	9.3%	**53.9**	50.4	3.5	6.9%
Loss on disposal of property, plant and equipment and intangible assets	**–**	1.4	(1.4)	(100.0%)	**0.8**	1.4	(0.6)	(42.9%)
Unrealized net loss (net gain) on derivative financial instruments	**0.5**	(0.7)	1.2	171.4%	**3.2**	(4.0)	7.2	180.0%
Others	**8.0**	4.7	3.3	70.2%	**17.3**	10.3	7.0	68.0%
Total operating expenses under IFRS	**227.7**	**191.6**	**36.1**	**18.8%**	**454.5**	**359.5**	**95.0**	**26.4%**
Non-funded adjustments *(section 5.1)*	**(34.2)**	(33.3)	(0.9)	(2.7%)	**(56.2)**	(46.6)	(9.6)	(20.6%)
Total funded expenses	**193.5**	**158.3**	**35.2**	**22.2%**	**398.3**	**312.9**	**85.4**	**27.3%**

(Amounts in bracket represent decreases)
(Explanations are provided for expenses for which quarterly variances are of $3 million or more, and/or 10 per cent or more)

Total operating expenses increased by $36.1 million (18.8 per cent) for the quarter and by $95.0 million (26.4 per cent) for the six-month period. The primary variances are:

Compensation and employee benefits

The expenses increased by $10.2 million (12.5 per cent) during the quarter and by $24.0 million (15.6 per cent) for the six-month period. The increases for both the quarter and the six-month period are mainly due to higher staffing costs associated to the additional frequencies operated compared to the corresponding quarter in 2022 as well as the impact of annual salary increases.

Train operations and fuel

The expenses increased by $4.1 million (11.1 per cent) during the quarter and by $20.0 million (29.8 per cent) for the six-month period. The increases for both the quarter and the six-month period are a result of the additional frequencies operated in 2023 as well as from contractual cost increases.

5.3 Operating Expenses (cont'd)

Stations and property

The expenses increased by $1.8 million (18.6 per cent) during the quarter and by $3.7 million (18.2 per cent) for the six-month period due to leasing cost increases, as well as additional building and site maintenance expenses reflecting the increased level of frequencies.

Marketing and sales

The expenses increased by $2.5 million (30.5 per cent) during the quarter and by $7.6 million (65.0 per cent) for the six-month period. These increases are mainly attributable to higher credit card fees and reservation transaction costs associated to passenger revenues.

Maintenance material

The expenses have increased by $1.4 million (16.1 per cent) for the quarter and by $2.5 million (14.3 per cent) for the six-month period. These increases are mainly due to the cost associated with the additional frequencies and the increase in price for parts which are impacted by current inflation rates.

On-train product costs

The expenses increased by $2.5 million (32.9 per cent) for the quarter and by $7.2 million (62.6 per cent) for the six-month period resulting from the distribution of ridership, as Business and Sleeper classes were reintroduced in 2023, increasing the on-train product costs.

Professional services

The expenses increased by $5.7 million (172.7 per cent) during the quarter and by $9.9 million (145.6 per cent) for the six-month period. These increases are due in part to the higher level of activity compared to the corresponding quarter last year, as well as to a corporate initiative aiming at reviewing internal processes and identify additional cost-saving initiatives.

Telecommunications

The expenses increased by $1.3 million (24.1 per cent) during the quarter and increased by $0.8 million (6.2 per cent) for the six-month period. These increases result from support and license costs associated with newly implemented systems.

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

The expenses decreased by $1.4 million (100.0 per cent) during the quarter and by $0.6 million (42.9 per cent) for the six-month period as fewer assets were disposed for both the quarter and the six-month period.

Unrealized net loss (net gain) on derivative financial instruments

Net loss of $0.5 million for the quarter and of $3.2 million for the six-month period compared to a net gain of $0.7 million for the quarter ended June 30, 2022, and of $4.0 million for the six-month period. Net loss for the cumulative period ending June 30, 2023, reflects the fact that market fuel prices are lower than contract prices.

Other expenses

The expenses increased by $4.5 million (95.7 per cent) for the quarter and by $9.2 million (89.3 per cent) for the six-month period. These increases result mainly from lower realized gains on derivative financial instruments ($6.1 million) for the six-month period.

5.4 Financial Position

(in millions of Canadian dollars)	June 30, 2023	December 31, 2022	Var $	Var %
ASSETS				
Current assets	**218.3**	200.1	18.2	9.1%
Advances on contracts	**51.3**	51.1	0.2	0.4%
Property, plant and equipment	**1,552.2**	1,473.6	78.6	5.3%
Right-of-use assets	**94.0**	95.0	(1.0)	(1.1%)
Intangible assets	**397.8**	388.0	9.8	2.5%
Employee benefit assets	**356.6**	383.5	(26.9)	(7.0%)
Total Assets	**2,670.2**	**2,591.3**	**78.9**	**3.0%**
LIABILITIES				
Current liabilities	**301.9**	280.4	21.5	7.7%
Other payables	**29.6**	29.5	0.1	0.3%
Deferred income tax	**40.9**	48.0	(7.1)	(14.8%)
Lease liabilities	**100.1**	99.9	0.2	0.2%
Employee benefit liabilities	**31.4**	31.2	0.2	0.6%
Total Liabilities	**503.9**	**489.0**	**14.9**	**3.0%**
Deferred capital funding	**1,954.1**	1,867.1	87.0	4.7%
Share capital	**9.3**	9.3	–	0.0%
Accumulated surplus, beginning of period	**225.9**	144.7	81.2	56.1%
Net loss	**(3.3)**	(15.2)	11.9	78.3%
Other comprehensive (loss) income	**(19.7)**	96.4	(116.1)	(120.4%)
Accumulated surplus, end of period	**202.9**	**225.9**	**(23.0)**	**(10.2%)**
Total Liabilities and Shareholder's equity	**2,670.2**	**2,591.3**	**78.9**	**3.0%**

(Amounts in bracket represent decreases)
(Explanations are provided for expenses for which quarterly variances are of $3 million or more, or 10 per cent or more)

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

Assets

Total assets have increased by $78.9 million due mainly to an increase in property, plant and equipment by $78.6 million and intangible assets have increased by $9.8 million as the Corridor Fleet Replacement Project and Information Technology projects are progressing. The current assets have increased by $18.2 million due to the timing for the cash received from Transport Canada while employee benefit assets have decreased by $26.9 million due to a decrease of discount rates.

Liabilities and deferred capital funding

Total liabilities have increased by $14.9 million mainly due to an increase by $21.5 million in current liabilities mostly due to an increase in deferred revenues while deferred income tax liabilities have decreased by $7.1 million due to a decrease of the employee benefits assets. Deferred capital funding has increased by $87.0 million due to capital investments.

Comprehensive income

Other comprehensive income decreased due to a lower rate of return on pension plan assets and a decrease in discount rates affecting employee benefit assets and liabilities, as explained in section 5.1 of this document.

5.5 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)	**2023**	**2022**	**Var $**	**Var %**	**2023**	**2022**	**Var $**	**Var %**
Cash balance, beginning of period	**41.1**	25.6	15.5	60.5%	**9.7**	4.4	5.3	120.5%
Net cash provided by operating activities	**21.4**	15.3	6.1	39.9%	**34.3**	33.6	0.7	2.1%
Net cash provided by (used in) investing activities	**0.6**	(21.1)	21.7	102.8%	**20.2**	(16.9)	37.1	219.5%
Net cash (used in) financing activities	**(1.0)**	(1.0)	–	0.0%	**(2.1)**	(2.3)	0.2	8.7%
Cash balance, end of period	**62.1**	**18.8**	**43.3**	**230.3%**	**62.1**	**18.8**	**43.3**	**230.3%**

(Amounts in bracket represent decreases)

Operating activities

Net cash increased by $6.1 million (39.9 per cent) for the quarter and by $0.7 million (2.1 per cent) for the six-month period. The variances are mainly due to the change in working capital items ($7.8 million for the quarter and $1.3 million for the six-month period) as shown in note 19 of the interim condensed financial statements.

Investing activities

Net cash increased by $21.7 million (102.8 per cent) for the quarter and increased by $37.1 million (219.5 per cent) for the six-month period. The increases are mainly due to the timing of the amount received from the government during the quarter or the six-month period compared to the amount of acquisition of property, plant and equipment and intangible assets paid.

Funded capital investments

Property, plant and equipment and intangible assets totalled $1,950.0 million at June 30, 2023, which is an increase of $88.4 million compared to the balance as at December 31, 2022.

Funded capital investments of $139.9 million were made during the six-month period.

	Quarters ended June 30				Six-month periods ended June 30			
(in millions of Canadian dollars)	**2023**	**2022**	**Var $**	**Var %**	**2023**	**2022**	**Var $**	**Var %**
Equipment	**9.8**	8.9	0.9	10.1%	**18.2**	19.7	(1.5)	(7.6%)
Infrastructure	**2.3**	3.5	(1.2)	(34.3%)	**7.6**	4.7	2.9	61.7%
Information technology	**8.7**	10.7	(2.0)	(18.7%)	**18.7**	22.6	(3.9)	(17.3%)
Stations	**7.4**	2.5	4.9	196.0%	**12.3**	4.6	7.7	167.4%
Corridor Fleet Replacement Program	**32.9**	38.0	(5.1)	(13.4%)	**71.3**	65.1	6.2	9.5%
Other	**6.0**	1.5	4.5	300.0%	**11.8**	3.2	8.6	268.8%
Total	**67.1**	**65.1**	**2.0**	**3.1%**	**139.9**	**119.9**	**20.0**	**16.7%**

(Amounts in bracket represent decreases)

The most significant investments made during the quarter and the six-month period were in the Corridor Fleet Replacement Program, in Information Technology projects such as the new reservation system, in Equipment projects including the HEP (head-end power) long haul and Corridor equipment rebuild program (referred to as the "Heritage program") and in Infrastructure projects (for track and bridge improvements as well as for the infrastructure project to improve the fluidity and connectivity in Montréal for which the Corporation received funding of $490.1 million).

6. Results compared to the 2022-2026 Corporate Plan (1)

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

The Corporation continues to work towards achieving the goals and strategies identified in its corporate plan. The financial results of the quarter were above the corporate plan assumptions and forecasts.

In terms of capital expenditures, although investments for the quarter were below planned expenditures, work progresses on the major strategic projects identified in the plan such as the Corridor Fleet Replacement Program, infrastructure projects, as well as our HEP equipment rebuild programs.

Government funding relating to operating expenses: *(in millions of Canadian dollars)*	**June 30, 2023**	**June 30, 2022**
Balance, beginning of period (January 1)	**91.0**	63.3
Received to fund operating expenses	**(233.3)**	(207.6)
Recognized in financial results	**204.9**	200.2
Balance, end of period	**62.6**	55.9

Government funding relating to capital expenditures: *(in millions of Canadian dollars)*	**June 30, 2023**	**June 30, 2022**
Balance, beginning of period (January 1)	**42.5**	(7.4)
Received to fund the acquisition of property, plant and equipment and intangible assets (including the cost of land)	**(149.3)**	(62.3)
Used to fund capital expenditures	**139.9**	119.9
Balance, end of period	**33.1**	50.2

Parliamentary appropriations

The Corporation receives its funding from the Government of Canada based on the Government's fiscal year which begins April 1 and ends March 31. Thus, parliamentary appropriations for operating expenses and capital expenditures are based on the Government's fiscal year.

Parliamentary appropriation for operating expenses	For the twelve-month period ending March 31, 2024	For the twelve-month period ending March 31, 2023
Original parliamentary appropriation	**390.3**	339.8
Supplementary parliamentary appropriation	**–**	14.4
Revised annual parliamentary appropriation	**390.3**	354.2
Appropriation recognized for the three months ended June 30	**85.6**	79.9
Appropriation available for remainder of the government fiscal year	**304.7**	274.3

For year 2022-2023 – includes an amount of $14.4 million received for the creation of VIA's HFR subsidiary

Parliamentary appropriation for capital expenditures	For the twelve-month period ending March 31, 2024	For the twelve-month period ending March 31, 2023
Original parliamentary appropriation	**843.4**	671.8
Supplementary parliamentary appropriation *(Note 1)*	**–**	101.4
Revised annual parliamentary appropriation	**843.4**	773.2
Appropriation recognized for the three months ended June 30	**67.1**	65.1
Appropriation available for remainder of the government fiscal year	**776.3**	708.1

Note 1: For 2022-2023 – includes $96.3 million obtained through Supplementary Estimates B and $5.2 million obtained through Supplementary Estimates C

↑	→	↓
Increasing	Stable	Decreasing

7. Risk Analysis

This section highlights the Corporation'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, 2022. See Annual Report 2022, Section 7 of the Management's Discussion and Analysis.

As at the quarter ended June 30, 2023, the trend changed for the two following risks:

Nature of Risk	Trend	Current Situation
Financial Sustainability		
The Corporation 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. Government funding constitutes a risk in the efficient delivery of the Corporation's services, as well as in the planning and execution of its medium-to-long-term strategies.	↑	The Corporation has been faced with increasing costs since 2022 due to the high inflation, particularly in compensation costs but also in fuel, maintenance materials, on-train product costs and third-party access costs. The Corporation received additional operational funding from the Government of Canada as part of the 2023 Federal Budget and will have sufficient funding for the year 2023. However, with the end of the current funding envelope approaching and with insufficient operating funding and no capital funding confirmed for the years beyond the current funding envelope, there is a risk that the Corporation may not be able to efficiently deliver its services nor execute its medium-to-long term strategies. The Corporation continues to closely monitor the situation and is in communication with Transport Canada concerning potential additional funding requirements for years beyond 2023.

Nature of Risk	Trend	Current Situation
Asset Management		
The Corporation's HEP rolling stock equipment has essentially reached the end of its operating life. Its reliability has deteriorated in the past few years, resulting in delays and additional operating costs to maintain a state of good repair. Maintenance costs are projected to increase significantly in upcoming years until a replacement fleet of equipment is introduced, both in the Corridor where the Corporation counts on 31 HEP2 coaches representing more than 25 per cent of current Corridor capacity and non-Corridor services, as reliability of the aging fleet will continue to deteriorate, as well as all of the non-Corridor services who depend on HEP equipment to provide services to communities.	↑	The Corporation is running an aging fleet requiring more inspections and repairs, as a result of which service revenues and costs as well as equipment availability will be negatively impacted in the future. Following the discovery of new structural conditions with the HEP equipment, and the filing of a thorough engineering assessment by a competent third party, the Corporation had to put in place additional safety measures to mitigate the safety concern until a structural reinforcement and repair program of the entire HEP fleet has been undertaken. These measures included the use of buffer cars, teardowns of cars with structural defects to identify potential additional structural conditions as well as structural compressions tests to validate the structural capacity of the HEP cars. The results of these measures showed that the structure of the equipment is adequate, and the structural reinforcement and repair program will not be as substantive as initially projected. In addition, the ministerial order issued by Transport Canada in October 2022 requesting that the Corporation add buffer cars in its trains was lifted on May 18, 2023. Nonetheless, the fleet is ageing and will require substantial investments to keep it in operating conditions until it is replaced by a new fleet.

8. Outlook

The results of the second quarter improved compared to those of the corresponding quarter of 2022 which was partly affected by the Omicron COVID variant as the Corporation has now deployed its maximal available capacity and reintroduced almost all its frequencies across the network.

The reintroduction of frequencies in services which do not all cover their costs, as well as higher costs resulting from current inflation rates have increased the Corporation's deficit and could result in a funding shortfall for future Government fiscal years. The Corporation received, through Budget 2023, additional operating funding for 2023-24 Government fiscal year and will continue to closely monitor the situation and communicate with Transport Canada concerning potential additional funding requirements.

In the meantime, work continues to pursue and implement initiatives to minimize operating costs and work with third-party infrastructure owners to improve on-time performance and protect the Corporation's operations on their network. In parallel, strategic projects such as the Corridor Fleet Replacement Program and the new reservation system will be reaching important milestones with the introduction of a portion of the new fleet this year and the upcoming launch of the new reservation system. The Heritage Program and High Frequency Rail (HFR) are also progressing as planned.

INTERIM CONDENSED FINANCIAL STATEMENTS

Management's Responsibility Statement

Montréal, Canada
August 23, 2023

Quarter ended June 30, 2023

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

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

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

Mario Péloquin, MBA
President and Chief Executive Officer

Marie-Claude Cardin, CPA
Chief Financial Officer

Interim Condensed Financial Statements

Statement of Financial Position

(in thousands of Canadian dollars)	**June 30, 2023** *(unaudited)*	December 31, 2022 *(audited)*
CURRENT ASSETS		
Cash	**$ 62,071**	$ 9,741
Trade and other receivables *(Note 7)*	**107,632**	154,189
Other assets *(Note 8)*	**18,599**	7,838
Derivative financial instruments *(Note 9)*	**–**	765
Materials	**28,963**	25,655
Asset Renewal Fund	**1,096**	1,969
	218,361	200,157
NON-CURRENT ASSETS		
Advances on contracts	**51,265**	51,140
Property, plant and equipment *(Note 10)*	**1,552,195**	1,473,578
Right-of-use assets *(Note 13)*	**94,040**	94,972
Intangible assets *(Note 11)*	**397,812**	387,958
Employee benefit assets *(Note 16)*	**356,553**	383,522
	2,451,865	2,391,170
Total Assets	**$ 2,670,226**	$ 2,591,327
CURRENT LIABILITIES		
Trade and other payables *(Note 12)*	**$ 235,718**	$ 234,498
Lease liabilities *(Note 13)*	**3,226**	3,971
Provisions *(Note 14)*	**3,454**	3,983
Derivative financial instruments *(Note 9)*	**2,605**	183
Deferred revenues *(Note 15)*	**56,970**	37,680
	301,973	280,315
NON-CURRENT LIABILITIES		
Other payables	**29,627**	29,543
Deferred income tax *(Note 17)*	**40,854**	48,038
Lease liabilities *(Note 13)*	**100,135**	99,934
Employee benefit liabilities *(Note 16)*	**31,354**	31,234
	201,970	208,749
Deferred capital funding *(Note 18)*	**1,954,148**	1,867,080
SHAREHOLDER'S EQUITY		
Share capital	**9,300**	9,300
Accumulated surplus	**202,835**	225,883
	212,135	235,183
Total Liabilities and Shareholder's equity	**$ 2,670,226**	$ 2,591,327

Commitments (Note 21)

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 2023	Quarters ended June 30 2022	Six-month periods ended June 30 2023	Six-month periods ended June 30 2022
REVENUES *(Note 5)*				
Passenger	**$ 102,301**	$ 74,471	**$ 182,728**	$ 105,950
Other	**5,671**	3,907	**10,710**	7,019
	107,972	78,378	**193,438**	112,969
EXPENSES				
Compensation and employee benefits	**91,889**	81,691	**177,458**	153,450
Train operations and fuel	**40,945**	36,752	**87,137**	67,091
Stations and property	**11,515**	9,763	**23,980**	20,324
Marketing and sales	**10,686**	8,130	**19,282**	11,678
Maintenance material	**10,084**	8,701	**20,018**	17,473
On-train product costs	**10,065**	7,639	**18,683**	11,534
Operating taxes	**3,049**	3,324	**7,436**	6,693
Professional services	**9,013**	3,329	**16,686**	6,809
Telecommunications	**6,641**	5,403	**13,764**	12,958
Technical services	**1,166**	–	**2,208**	–
Depreciation of property, plant and equipment *(Note 10)*	**21,333**	18,899	**42,355**	38,466
Amortization of intangible assets *(Note 11)*	**4,464**	4,750	**9,006**	9,472
Depreciation of right-of-use assets *(Note 13)*	**1,362**	1,130	**2,548**	2,442
Loss on disposal of property, plant and equipment *(Note 10)*	**–**	1,405	**766**	1,406
Unrealized net loss (net gain) on derivative financial instruments	**524**	(717)	**3,187**	(3,997)
Realized net loss (net gain) on derivative financial instruments	**936**	(3,438)	**848**	(5,231)
Interest expense on lease liabilities	**654**	650	**1,156**	1,150
Other	**3,383**	4,152	**8,026**	7,752
	227,709	191,563	**454,544**	359,470
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES	**(119,737)**	(113,185)	**(261,106)**	(246,501)
Operating funding from the Government of Canada *(Note 6)*	**85,570**	79,877	**205,780**	200,184
Amortization of deferred capital funding *(Note 18)*	**25,701**	24,958	**51,940**	49,152
Net (loss) income before income taxes	**(8,466)**	(8,350)	**(3,386)**	2,835
Income tax recovery (expense)	**1,317**	(4,063)	**41**	8,249
NET (LOSS) INCOME FOR THE PERIOD	**(7,149)**	(12,413)	**(3,345)**	11,084
Other comprehensive (loss) income				
Amounts not to be reclassified subsequently to net income: Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans *(Note 16)*	**(36,975)**	538,356	**(26,846)**	402,977
Income tax recovery (expense)	**9,831**	(110,291)	**7,143**	(100,023)
	(27,144)	428,065	**(19,703)**	302,954
COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	**$ (34,293)**	$ 415,652	**$ (23,048)**	$ 314,038

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

Interim Condensed Financial Statements

Statement of Changes in Shareholder's Equity

(in thousands of Canadian dollars) (unaudited)	Quarters ended June 30		Six-month periods ended June 30	
	2023	2022	**2023**	2022
SHARE CAPITAL	**$ 9,300**	$ 9,300	**$ 9,300**	$ 9,300
Accumulated surplus				
Balance, beginning of period	**237,128**	43,095	**225,883**	144,709
Net (loss) income for the period	**(7,149)**	(12,413)	**(3,345)**	11,084
Other comprehensive (loss) income for the period	**(27,144)**	428,065	**(19,703)**	302,954
Balance, end of period	**202,835**	458,747	**202,835**	458,747
Total Shareholder's equity	**$ 212,135**	$ 468,047	**$ 212,135**	$ 468,047

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 2023	Quarters ended June 30 2022	Six-month periods ended June 30 2023	Six-month periods ended June 30 2022
OPERATING ACTIVITIES				
Net (loss) income for the period	**$ (7,149)**	$ (12,413)	**$ (3,345)**	$ 11,084
Adjustments to determine net cash (used in) provided by operating activities:				
Depreciation of property, plant and equipment *(Note 10)*	**21,333**	18,899	**42,355**	38,466
Amortization of intangible assets *(Note 11)*	**4,464**	4,750	**9,006**	9,472
Depreciation of right-of-use assets *(Note 13)*	**1,362**	1,130	**2,548**	2,442
Loss on disposal of property, plant and equipment *(Note 10)*	**–**	1,405	**766**	1,406
Other payables variations	**56**	16	**84**	49
Cash drawdown from the Asset Renewal Fund	**–**	–	**873**	–
Advances on contracts variations	**(756)**	(117)	**(842)**	(219)
Amortization of deferred capital funding *(Note 18)*	**(25,701)**	(24,958)	**(51,940)**	(49,152)
Income tax (recovery) expense	**(1,257)**	3,913	**(41)**	(8,399)
Interest income	**(893)**	(199)	**(1,636)**	(277)
Interest paid	**(654)**	(650)	**(1,156)**	(1,150)
Unrealized net loss (net gain) on derivative financial instruments	**524**	(717)	**3,187**	(3,997)
Post-employment and other employee benefit expenses *(Note 16)*	**1,350**	4,698	**3,333**	10,651
Employer post-employment and other employee benefit contributions *(Note 16)*	**(1,608)**	(2,943)	**(3,090)**	(9,593)
Interest expense on lease liabilities	**654**	650	**1,156**	1,150
Net change in working capital items *(Note 19)*	**29,656**	21,847	**33,051**	31,734
Net cash provided by operating activities	**21,381**	15,311	**34,309**	33,667
INVESTING ACTIVITIES				
Government funding received for acquisition of property, plant and equipment and intangible assets *(Notes 7, 18, 19)*	**59,292**	14,268	**149,292**	62,268
Government funding received for the Asset Renewal Fund transfer to operating funding	**–**	–	**(873)**	–
Acquisition of property, plant and equipment and intangible assets *(Notes 10, 11, 12 and 19)*	**(59,569)**	(35,594)	**(129,874)**	(79,463)
Interest received	**893**	199	**1,636**	277
Proceeds from the disposal of property, plant and equipment	**–**	2	**–**	2
Net cash provided by (used in) investing activities	**616**	(21,125)	**20,181**	(16,916)
FINANCING ACTIVITIES				
Payment of the lease liabilities	**(996)**	(977)	**(2,160)**	(2,307)
Net cash (used in) financing activities	**(996)**	(977)	**(2,160)**	(2,307)
CASH				
Increase (decrease) during the period	**21,001**	(6,791)	**52,330**	14,444
Balance, beginning of period	**41,070**	25,635	**9,741**	4,400
Balance, end of period	**$ 62,071**	$ 18,844	**$ 62,071**	$ 18,844
REPRESENTED BY:				
Cash	**62,071**	18,844	**62,071**	18,844
	$ 62,071	$ 18,844	**$ 62,071**	$ 18,844

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

Notes to the Interim Condensed Financial Statements

For the quarter ended June 30, 2023 (unaudited)

1. Authority, Objectives and General Information

VIA Rail Canada Inc. is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act* and is not an agent of His Majesty. The Corporation was incorporated in 1977 in Canada, under the *Canada Business Corporations Act*. The Corporation is subject to the provisions of *Income Tax Act*. The corporate headquarters is located at 3 Place Ville-Marie, Montréal (Quebec). The Corporation's vision is to be a smarter way to move people with a mission to place passengers at the core of everything we do and strive to offer a safe, smart and valued travel experience across Canada. The Corporation uses the roadway infrastructure of other railway companies and relies on them to control train operations. The Corporation 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.

The Corporation is subject to a directive (P.C. 2013-1354) that was issued on December 9, 2013, and a related subsequent directive (P.C. 2016-443) that was issued on June 3, 2016, pursuant to sections 89.8 and 89.9 of the *Financial Administration Act*. As per these directives, the Corporation must obtain Treasury Board approval on the terms and conditions of employment of its non-unionized employees who are not appointed by Governor in Council. The Corporation confirms that the requirements of these directives have been met.

In July 2015, the Corporation was issued a directive (P.C. 2015-1114) pursuant to section 89(1) of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. The Corporation confirms that the requirements of the directive have been met.

In March 2022, the Corporation was issued a directive (P.C. 2022-0259) pursuant to section 89 of the *Financial Administration Act* to:

a) procure the incorporation under the *Canada Business Corporations Act* of a wholly owned subsidiary, the mandate of which is to develop and implement the High Frequency Rail project, including the design, construction, financing, operation and maintenance of passenger rail services in Ontario and Quebec through one or more agreements with the private sector, in cooperation with the Minister of Transport;

b) provide all necessary support, expertise, and cooperation to the subsidiary to facilitate the subsidiary's role and fulfilment of its mandate; and

c) provide all necessary support, expertise, and cooperation to the Minister of Transport to facilitate the Minister's role in the development and implementation of the High Frequency Rail project.

The Corporation has incorporated the subsidiary, named VIA HFR – VIA TGF Inc. on November 29, 2022, and confirms that the Corporation will continue to implement the requirements of the directive.

These financial statements were approved and authorized for issue by the Board of Directors on August 23, 2023.

The Corporation has received the additional funding from the Government of Canada and has the adequate resources to continue to operate for the foreseeable future. Management continues to adopt the going concern basis of accounting in preparing the financial statements.

2. Basis of Preparation

a) Statement of compliance

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

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

These interim condensed financial statements have not been audited and should be read in conjunction with the annual financial statements for the year ended December 31, 2022, 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 audited financial statements for the year ended December 31, 2022.

4. Key Sources of Estimation Uncertainty and Critical Judgments

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

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

They are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected. However, uncertainties relating to assumptions, estimates and judgments could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in future years. Key sources of estimation uncertainty and critical judgments are disclosed in Note 5 of the Corporation's audited financial statements for the year ended December 31, 2022.

5. 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	
	2023	**2022**	**2023**	**2022**
REVENUES				
Transportation and accommodation	**99.7**	72.6	**178.1**	103.2
On-train food and beverages	**2.3**	1.7	**4.1**	2.5
Other revenues *(Note 1)*	**0.3**	0.2	**0.5**	0.3
Revenues from passengers	**102.3**	74.5	**182.7**	106.0
Investment income	**0.9**	0.2	**1.6**	0.3
Third-party servicing	**3.0**	2.0	**4.9**	3.4
Rental income and other	**1.7**	1.7	**4.2**	3.3
Revenues from other sources	**5.6**	3.9	**10.7**	7.0
Total revenues	**107.9**	78.4	**193.4**	113.0

Note 1: includes sales commissions and baggage revenues.

6. Reconciliation of Operating Loss to Government Funding

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

	Quarters ended June 30		Six–month periods ended June 30	
(in millions of Canadian dollars)	**2023**	**2022**	**2023**	**2022**
Operating loss before funding from the Government of Canada and income taxes	**119.7**	113.2	**261.1**	246.5
Items requiring operating funds:				
Income tax expense	**–**	0.2	**–**	0.2
Items (not requiring) not providing operating funds:				
Depreciation of property, plant and equipment	**(21.4)**	(18.9)	**(42.4)**	(38.5)
Amortization of intangible assets	**(4.5)**	(4.8)	**(9.0)**	(9.5)
Depreciation of right-of-use assets	**(1.3)**	(1.1)	**(2.5)**	(2.4)
Loss on disposal of property, plant and equipment	**–**	(1.4)	**(0.7)**	(1.4)
Post-employment and other employee benefit expenses in excess of contributions	**0.3**	(1.8)	**(0.2)**	(1.1)
Unrealized (net loss) net gain on derivative financial instruments	**(0.5)**	0.7	**(3.2)**	4.0
Non-cash transactions relating to lease liabilities	**1.7**	1.7	**3.3**	3.5
Interest expense on lease liabilities	**(0.7)**	(0.7)	**(1.2)**	(1.2)
Adjustment for accrued compensation	**(7.7)**	(7.2)	**(0.2)**	(0.1)
Adjustment for VIA Préférence loyalty program	**–**	0.1	**0.1**	0.2
Other	**–**	(0.1)	**0.7**	–
Operating funding from the Government of Canada	**85.6**	79.9	**205.8**	200.2

7. Trade and Other Receivables

The trade and other receivables balance includes the following:

(in millions of Canadian dollars)	**June 30, 2023**	**December 31, 2022**
Trade	**2.9**	4.5
Other receivables	**4.1**	9.8
Loss allowance	**(0.5)**	(0.4)
Trade and other receivables classified at amortized cost	**6.5**	13.9
Amount receivable from the Government of Canada – Operating funding	**62.6**	91.0
Amount receivable from the Government of Canada – Capital funding *(Note 19)*	**33.1**	42.5
Total receivable from the Government of Canada	**95.7**	133.5
Sales taxes	**5.4**	6.8
Total trade and other receivables	**107.6**	154.2

All trade and other receivables amounts have short-term maturities. Their net book values correspond to a reasonable approximation of their fair value.

The maturity of these receivables is detailed in the following table:

(in millions of Canadian dollars)	**June 30, 2023**	**December 31, 2022**
31 to 60 days	**0.4**	1.2
61 to 90 days	**0.4**	0.3
Over 90 days	**0.1**	–
Total	**0.9**	1.5

The Corporation has recognized in the current period an amount of $0.3 million of impairment loss arising from contracts with customers and other receivables, which is presented in the line "Other" in the Statement of Comprehensive Income (June 30, 2022: $0.1 million).

8. Other Assets

The other assets balance includes the following:

(in millions of Canadian dollars)	**2023**	**2022**
Prepaids	**9.4**	7.8
Advances to third parties	**9.2**	–
Total other assets	**18.6**	7.8

9. Derivative Financial Instruments

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

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

	June 30, 2023		**December 31, 2022**	
Commodity swaps	**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	–	–	4,032	0.8
Liabilities	**5,460**	**2.6**	2,016	0.2

Commodity swaps fixed price per U.S. gallon

Currency	**June 30, 2023**	**December 31, 2022**
CAD	Minimum: 3.191	Minimum: 3.167
CAD	Maximum: 4.098	Maximum: 4.098

The maturity date is 2023 (December 31, 2022: 2023). These financial instruments have a monthly settlement schedule.

10. Property, Plant and Equipment

(in millions of Canadian dollars)	**Land**	**Rolling stock**	**Maintenance buildings**	**Stations and facilities** *(Note 1)*	**Owned infrastructures**	**Leasehold improvements**	**Machinery and equipment**	**Computer hardware**	**Other**	**Projects in progress**	**Total**
Cost:											
January 1, 2023	17.6	997.9	180.7	192.6	340.7	98.0	38.8	40.5	10.6	597.8	2,515.2
Additions	–	–	–	–	–	–	–	–	–	121.6	121.6
Disposals	–	(26.4)	–	–	–	–	–	(0.6)	(0.1)	–	(27.1)
Transfers	–	35.2	0.1	0.5	0.2	2.0	0.1	0.8	–	(38.9)	–
Total cost	17.6	1,006.7	180.8	193.1	340.9	100.0	38.9	40.7	10.5	680.5	2,609.7
Accumulated depreciation and impairment:											
January 1, 2023	–	616.6	111.4	66.2	132.4	60.0	23.9	25.8	5.3	–	1,041.6
Additions	–	24.8	1.6	4.4	5.0	2.3	1.0	2.9	0.4	–	42.4
Disposals	–	(25.7)	–	(0.1)	–	–	(0.1)	(0.6)	–	–	(26.5)
Total accumulated depreciation and impairment	–	615.7	113.0	70.5	137.4	62.3	24.8	28.1	5.7	–	1,057.5
Total carrying amount	**17.6**	**391.0**	**67.8**	**122.6**	**203.5**	**37.7**	**14.1**	**12.6**	**4.8**	**680.5**	**1,552.2**

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

11. Intangible Assets

(in millions of Canadian dollars)	External software	In-house developed software	Right of access to rail infrastructure	Other	Projects in progress	Total
Cost:						
January 1, 2023	117.3	7.8	441.7	4.5	91.6	662.9
Additions	–	–	–	–	19.0	19.0
Disposals	(0.1)	–	–	–	–	(0.1)
Transfers	1.2	–	–	–	(1.2)	–
Total cost	118.4	7.8	441.7	4.5	109.4	681.8
Accumulated amortization and impairment:						
January 1, 2023	104.4	7.8	159.3	3.4	–	274.9
Additions	3.1	–	5.8	0.1	–	9.0
Disposals	(0.1)	–	0.2	–	–	0.1
Total accumulated amortization and impairment	107.4	7.8	165.3	3.5	–	284.0
Total carrying amount	**11.0**	**–**	**276.4**	**1.0**	**109.4**	**397.8**

12. Trade and Other Payables

The trade and other payables balance includes the following:

(in millions of Canadian dollars)	**June 30, 2023**	**December 31, 2022**
Wages payable and accrued	**50.9**	51.8
Accounts payable and accruals – Trade	**60.3**	69.3
Accounts payable and accruals – Capital assets	**114.1**	104.1
Trade and other payables classified at amortized cost	**225.3**	225.2
Capital tax and other taxes payable	**6.6**	6.1
Deductions at sources	**3.8**	3.2
Total trade and other payables	**235.7**	234.5

13. Leases

The Corporation as a lessee:

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

(in millions of Canadian dollars)	Land	Office spaces	Stations and facilities	Information technology equipment	Total
Cost:					
January 1, 2023	0.5	23.9	81.9	1.5	107.8
Additions	–	–	1.6	–	1.6
Total cost	0.5	23.9	83.5	1.5	109.4
Accumulated depreciation:					
January 1, 2023	0.1	6.7	4.8	1.2	12.8
Additions	–	1.0	1.3	0.3	2.6
Total accumulated depreciation	0.1	7.7	6.1	1.5	15.4
Net carrying amount	**0.4**	**16.2**	**77.4**	**–**	**94.0**

Amount recognized in the Statement of Comprehensive Income:

	Quarters ended June 30		**Six-month periods ended June 30**	
(in millions of Canadian dollars)	**2023**	**2022**	**2023**	**2022**
Short-term leases	**–**	–	**–**	–
Low-value assets	**–**	–	**0.1**	0.1

Total cash outflow is $1.7 million for the quarter and $3.4 million for the six-month period (June 30, 2022: $1.8 million for the quarter and $3.6 million for the six-month period).

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

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

(in millions of Canadian dollars)	**June 30, 2023**	**December 31, 2022**
Balance, beginning of period	**103.9**	90.0
Additions	**1.6**	18.2
Accretion of interest	**1.2**	2.4
Payment	**(3.3)**	(6.7)
Balance, end of period	**103.4**	103.9
Current	**3.3**	4.0
Non-current	**100.1**	99.9
Total lease liabilities	**103.4**	103.9

14. Provisions

The provisions balance includes the following:

(in millions of Canadian dollars)	January 1, 2023	Additional provisions recognized	Provisions utilized	Unused amounts reversed	June 30, 2023
Environmental costs	1.0	0.1	–	–	**1.1**
Litigation and equipment repairs *(Note 1)*	3.0	0.7	(0.5)	(0.8)	**2.4**
Total provisions	4.0	0.8	(0.5)	(0.8)	**3.5**

Note 1: Litigation and equipment repairs

The Corporation is subject to claims and legal proceedings brought against it in the normal course of business. The timing of the settlement of these claims depends to a large extent on the pace of negotiation with the various third parties and legal authorities. The Corporation cannot reliably estimate when these claims will be resolved.

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

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

15. Deferred Revenues

Deferred revenues are comprised of the following:

(in millions of Canadian dollars)	June 30, 2023	December 31, 2022
Advance ticket sales	**42.0**	21.4
VIA Préférence loyalty program	**10.7**	10.8
Non-monetary transactions	**0.9**	1.2
Gift cards	**1.8**	1.8
Other	**1.6**	2.5
Total deferred revenues	**57.0**	37.7

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

16. Employee Benefit Assets and Liabilities

The Corporation provides a number of pension plans with defined benefits (funded) and defined contribution components. The Corporation also provides unfunded other post-employment benefits, including post-retirement medical and life insurance benefits, and long-term employee benefits such as unfunded self-insured workers' compensation benefits, long-term employee disability benefits and continuation of benefit coverage for employees on long-term disability.

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

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

	June 30, 2023	**December 31, 2022**
ASSUMPTIONS — DISCOUNT RATES		
Assumptions for the calculation of the obligation		
Defined benefit component of the pension plans	**4.80%**	5.10%
Post-employment benefit plans	**4.80%**	5.10%
Long-term employee benefit plans	**5.00%**	5.00%
Assumptions for the calculation of the costs		
Defined benefit component of the pension plans	**5.10%**	3.00%
Post-employment benefit plans	**5.10%**	3.00%
Long-term employee benefit plans	**5.00%**	2.80%

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

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

	Defined benefit component of the pension plans		Post-employment benefit plans	
(in millions of Canadian dollars)	**June 30, 2023**	**December 31, 2022**	**June 30, 2023**	**December 31, 2022**
FAIR VALUE ON PLAN ASSETS:				
Balance, beginning of period	**2,334.2**	2,800.0	**–**	–
Interest income	**55.4**	82.4	**–**	–
Return on plan assets (excluding interest income)	**41.6**	(421.9)	**–**	–
Employer contributions	**–**	7.0	**0.4**	0.7
Employee contributions	**6.9**	12.0	**–**	–
Benefits paid	**(62.5)**	(142.8)	**(0.4)**	(0.7)
Administration expenses	**(1.1)**	(2.5)	**–**	–
Balance, end of period	**2,374.5**	2,334.2	**–**	–
DEFINED BENEFIT OBLIGATION:				
Balance, beginning of period	**1,950.7**	2,519.8	**18.7**	26.3
Service cost	**8.4**	33.1	**0.1**	0.4
Interest expense	**46.6**	74.7	**0.5**	0.8
Employee contributions	**6.9**	12.0	**–**	–
Benefits paid	**(62.5)**	(142.8)	**(0.4)**	(0.7)
Effect of change in demographic assumptions	**–**	–	**–**	(0.3)
Effect of change in financial assumptions	**67.8**	(581.7)	**0.6**	(7.2)
Effect of experience adjustments	**–**	35.6	**–**	(0.6)
Balance, end of period	**2,017.9**	1,950.7	**19.5**	18.7
Net defined benefit asset (liability)	**356.6**	383.5	**(19.5)**	(18.7)

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

b) Long-term employee benefit plans

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, 2023**	**December 31, 2022**
FAIR VALUE OF PLAN ASSETS:		
Balance, beginning of period	**–**	–
Employer contributions	**2.7**	5.6
Benefits paid	**(2.7)**	(5.6)
Balance, end of period	**–**	–
LONG-TERM BENEFIT OBLIGATION:		
Balance, beginning of period	**12.4**	15.1
Service cost	**1.7**	3.5
Interest expense	**0.3**	0.5
Benefits paid	**(2.7)**	(5.6)
Effect of change in demographic assumptions	**–**	1.5
Effect of change in financial assumptions	**–**	(1.3)
Effect of experience adjustments	**–**	(1.3)
Balance, end of period	**11.7**	12.4
Net long-term employee benefit liability	**11.7**	12.4

c) 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, 2023**	**December 31, 2022**
Assets:		
Defined benefit component of the pension plans	**356.6**	383.5
Liabilities:		
Post-employment benefit plans	**19.5**	18.7
Long-term employee benefit plans	**11.7**	12.4
Other long-term employee benefits	**0.1**	0.1
Total employee benefit liabilities	**31.3**	31.2

Total amounts recognized in the Statement of Comprehensive Income:

	Quarters ended June 30		Six-month periods ended June 30	
(in millions of Canadian dollars)	**2023**	**2022**	**2023**	**2022**
Operating expenses:				
Defined benefit component of the pension plans	**0.1**	3.4	**0.7**	8.1
Post-employment benefit plans	**0.4**	0.2	**0.6**	0.5
Long-term employee benefit plans	**0.8**	1.1	**2.0**	2.1
Total	**1.3**	4.7	**3.3**	10.7

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)	**2023**	**2022**	**2023**	**2022**
Other comprehensive (loss) income:				
Defined benefit component of the pension plans	**(36.8)**	534.7	**(26.2)**	395.4
Post-employment benefit plans	**(0.1)**	3.7	**(0.6)**	7.6
Total	**(36.9)**	538.4	**(26.8)**	403.0

17. Income Taxes

The income tax expense consists of the following:

(in millions of Canadian dollars)	Quarters ended June 30 2023	Quarters ended June 30 2022	Six-month periods ended June 30 2023	Six-month periods ended June 30 2022
Current	**0.1**	(0.2)	**–**	(0.2)
Deferred	**1.2**	(3.9)	**–**	8.4
Income tax recovery (expense)	**1.3**	(4.1)	**–**	8.2

Deferred income tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the deferred income tax assets and (liabilities) are as follows:

Deferred income tax balances June 30, 2023 *(in millions of Canadian dollars)*	**Opening Balance**	**Recognized in net income**	**Recognized in OCI**	**Closing Balance**
Deferred income tax assets (liabilities):				
Property, plant and equipment and intangible assets	**27.2**	(0.8)	–	**26.4**
Provisions	**1.3**	0.5	–	**1.8**
Lease liabilities	**28.0**	(0.5)	–	**27.5**
Employee benefit liabilities	**8.3**	–	–	**8.3**
Losses carry-forward	**16.2**	(1.5)	–	**14.7**
Total deferred income tax assets	**81.0**	**(2.3)**	**–**	**78.7**
Unrealized net gain on derivative financial instruments	**(0.2)**	0.2	–	**–**
Right-of-use assets	**(27.3)**	2.3	–	**(25.0)**
Employee benefit assets	**(101.5)**	(0.2)	7.1	**(94.6)**
Total deferred income tax liabilities	**(129.0)**	**2.3**	**7.1**	**(119.6)**
Deferred income tax liabilities	**(48.0)**	**–**	**7.1**	**(40.9)**

18. 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, 2023	December 31, 2022
Balance, beginning of period	**1,867.1**	1,658.1
Government funding for property, plant and equipment and intangible assets (including the cost of land)	**139.9**	310.2
Government funding for an advance on contract	**–**	8.0
Transfer from capital funding to operating funding	**(0.9)**	–
Total Government funding for property, plant and equipment, intangible assets and advance on contract	**139.0**	318.2
Amortization of deferred capital funding	**(51.9)**	(109.2)
Balance, end of period	**1,954.2**	1,867.1

19. Supplemental Cash Flows Information

Net change in working capital items:

	Quarters ended June 30		Six-month periods ended June 30	
(in millions of Canadian dollars)	2023	2022	2023	2022
Trade and other receivables	**20.0**	2.8	**37.1**	12.2
Other assets	**0.7**	(3.9)	**(10.8)**	(6.6)
Materials	**(2.1)**	0.6	**(3.3)**	2.1
Trade and other payables	**6.0**	10.7	**(8.7)**	(3.8)
Provisions	**(0.4)**	(2.7)	**(0.5)**	(1.4)
Deferred revenues	**5.5**	14.3	**19.3**	29.2
Total	**29.7**	21.8	**33.1**	31.7

The change in trade and other receivables excludes an amount of $9.4 million (June 30, 2022: ($57.6) million) in relation to government funding receivable from the Government of Canada for capital expenditures, as the amount relates to investing activities.

The change in trade and other payables excludes an amount of $10.0 million (June 30, 2022: $40.4 million) in relation to the acquisition of property, plant and equipment and intangible assets, as this amount relates to investing activities.

19. Supplemental Cash Flows Information (cont'd)

Investing activities supplemental information:

	Quarters ended June 30		Six-month periods ended June 30	
(in millions of Canadian dollars)	**2023**	**2022**	**2023**	**2022**
Government funding invoiced for property, plant and equipment and intangible assets	**67.0**	65.1	**139.9**	119.9
Change in amount receivable from (payable to) the Government of Canada – Capital funding	**(7.8)**	(50.8)	**9.4**	(57.6)
Total Government funding received for property, plant and equipment and intangible assets	**59.2**	14.3	**149.3**	62.3

Acquisition of property, plant and equipment and intangible assets	**(67.4)**	(68.7)	**(140.6)**	(126.4)
Additions to property, plant and equipment and intangible assets not affecting cash as they were previously cashed out through the advances on contracts	**0.3**	1.9	**0.7**	3.5
Change in accounts payable and accruals – Capital assets	**7.5**	29.5	**10.0**	40.4
Change in other payables	**–**	1.7	**–**	3.0
Total cash out for acquisition of property, plant and equipment and intangible assets	**(59.6)**	(35.6)	**(129.9)**	(79.5)

20. Financial Risks

The Corporation's financial instruments are exposed to the same risks as disclosed in Note 28 of its annual financial statements for the year ended December 31, 2022.

21. Commitments

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

	June 30, 2023				December 31, 2022
(in millions of Canadian dollars)	Total commitments	Less than 1 year	From 1 to 5 years	More than 5 years	Total commitments
COMMITMENTS RELATING TO OPERATIONS:					
Non-cancellable leases: Lessee	**125.9**	5.5	23.2	97.2	163.7
Technical services	**361.9**	15.2	87.7	259.0	365.8
Usage of tracks	**39.7**	1.4	5.6	32.7	40.4
Total	**527.5**	22.1	116.5	388.9	569.9
COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS:					
Rolling stock	**501.3**	34.1	467.2	–	551.8
Maintenance buildings	**212.2**	60.7	151.5	–	219.6
Stations and facilities	**11.7**	10.9	0.8	–	15.5
Computer hardware	**–**	–	–	–	0.5
Total	**725.2**	105.7	619.5	–	787.4
Total commitments	**1,252.7**	127.8	736.0	388.9	1,357.3

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

b) The Corporation has provided letters of credit from a financial institution totalling approximately $22.6 million (December 31, 2022: $22.5 million) to various provincial government workers' compensation boards as security for future payment streams.

VIA Rail Canada