ANNUAL REPORT 2014

VIA Rail Canada

THE HONOURABLE LISA RAITT
Minister of Transport, Ottawa

Dear Minister,

In accordance with the provisions of the *Financial Administration Act*, I am pleased to submit VIA Rail Canada Inc.'s Annual Report for the year ending December 31, 2014.

Eric Stefanson
Interim Chairman of the Board

viarail.ca

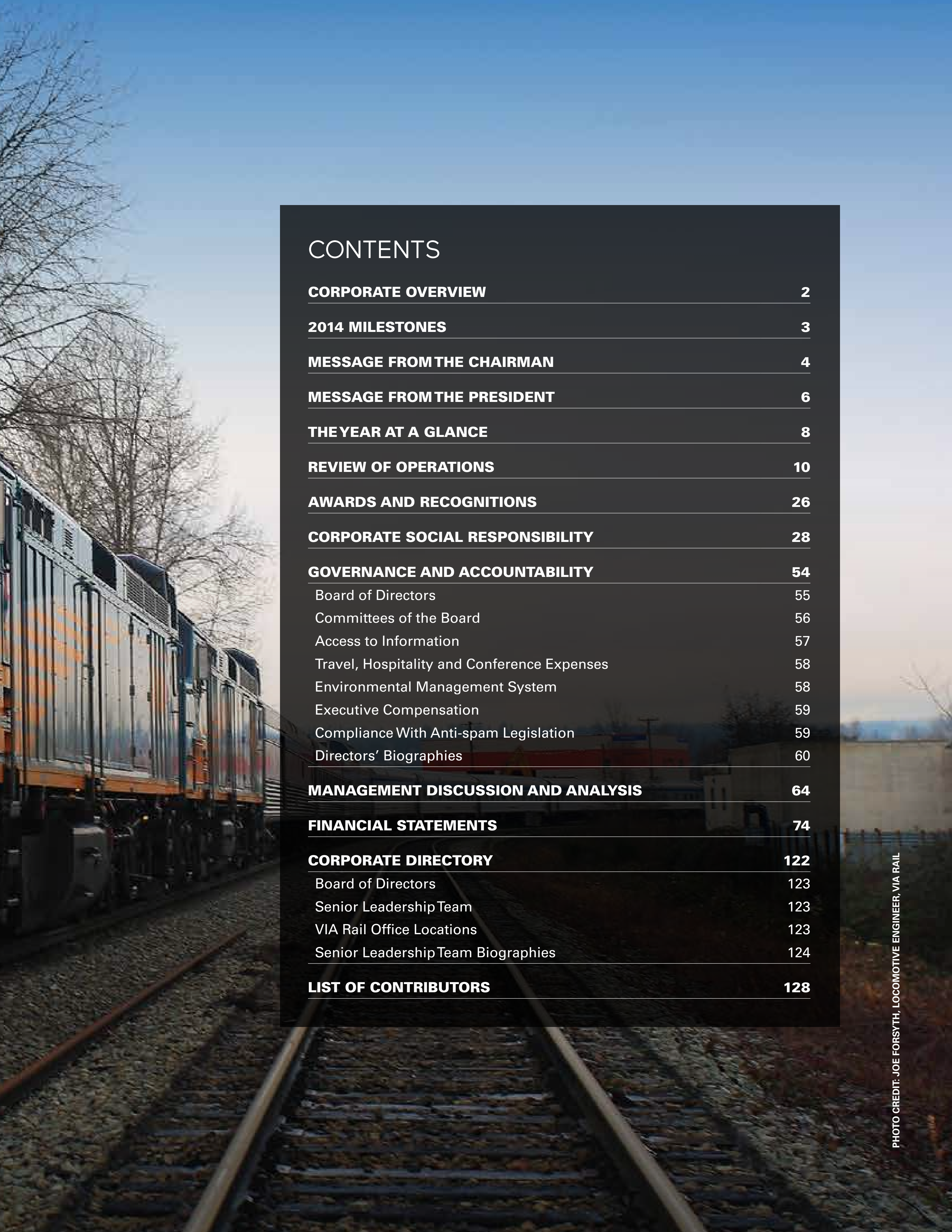

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PHOTO CREDIT: JOE FORSYTH, LOCOMOTIVE ENGINEER, VIA RAIL

CORPORATE OVERVIEW

VIA Rail operates Canada's national passenger rail service on behalf of the Government of Canada. An independent Crown corporation established in 1977, VIA Rail provides a safe, cost-effective and environmentally responsible service from coast to coast in both official languages. The corporation operates over 500 trains weekly on a 12,500 kilometre rail network, connecting over 450 Canadian communities. With approximately 2,500 active employees, VIA Rail carried 3.8 million passengers in 2014.

VIA RAIL'S SERVICES

Inter-city Travel

In the densely populated Corridor between Windsor, ON and Québec City, QC, VIA Rail trains provide downtown-to-downtown travel between major urban centres, suburban centres and communities.

Long-distance Travel and Tourism

In Western and Eastern Canada, VIA Rail's trains attract travellers from around the world and support Canada's tourism industry. The *Canadian*, VIA Rail's Western transcontinental train, provides service between Vancouver and Toronto. In Eastern Canada, The *Ocean* runs between Montréal and Halifax.

Mandatory services

VIA Rail provides passenger service in several rural and remote regions of Canada. Mandated by the Government of Canada to meet essential transportation needs, these trains serve many communities where alternative, year-round transportation is limited or unavailable.

2014 MILESTONES

JANUARY

/ New partnership with Canada Company, a non-profit entity that aims to build bridges between business and the Canadian military

FEBRUARY

/ Seat assignment introduced in Economy class within the Québec City-Windsor Corridor

APRIL

/ New 'VIA Experience' section launches on viarail.ca website

MAY

/ Yves Desjardins-Siciliano appointed VIA Rail's new President and CEO

/ Prestige class sleeper service previews to tourism industry reps at Rendez-vous Canada in Vancouver

JUNE

/ Project to refurbish all 32 LRC Economy class cars announced

/ New 'Discover Canada' card enables young people to explore the country during the summer months at discounted fares

JULY

/ Celebrations mark 110th Anniversary of iconic *Ocean* service linking Montréal and Halifax

/ Phase 1 of VIA Rail's new Economy class service introduced in Québec City-Windsor Corridor

AUGUST

/ Launch of VIA Rail's new mobile portal

/ New accessible sleeping accommodations introduced on the *Canadian*

/ Introduction of new student-oriented products – the 20/20 Discount Card and Unlimited Semester Pass

/ Official opening of new overhead walkway in Cobourg, Ontario

SEPTEMBER

/ VIA Rail's innovative new GPS-based Train Safety System begins trials

OCTOBER

/ Additional express train departures Monday through Friday introduced on popular Ottawa-Toronto service

/ Revised Baggage Policy better aligned with inter-modal strategy implemented

/ Major new international partnership forged with AccesRail

/ Winnipeg's newly renovated and restored Union Station officially inaugurated

DECEMBER

/ Phase 2 of enhanced Economy class service offering – featuring new fresh foods and Canadian wine selections – introduced in the Québec City-Windsor Corridor

/ Refurbishing of 26 LRC Business class cars caps overhaul of Business class service

/ Interline pact with Hainan Airlines gives VIA Rail a foothold in China

/ VIA Rail partners with CAA to make train travel even more affordable for six million CAA members

MESSAGE FROM THE CHAIRMAN

The year 2014 was one of significant change – and substantial progress – at VIA Rail, as we worked to realize our vision of making passenger rail the preferred way to move and connect people in Canada.

May saw the appointment of a new President and CEO with a new vision, as Yves Desjardins-Siciliano was named to succeed Interim President and CEO Steve Del Bosco. Prior to his appointment, Yves was Chief Corporate and Legal Officer and Corporate Secretary. He possesses a wealth of experience garnered in executive positions in both the public and private sectors, including a keen understanding of public policy, which will serve him well in his new role.

In August, Paul G. Smith announced his decision to step down from his position as VIA Rail's Chair to pursue other interests, and I was pleased to accept an invitation to take on the role of Interim Chair. VIA Rail benefited greatly from Paul's tenure as a member of our Board, which he joined in 2006, and as Chair from December 2010 on. We are thankful for the commitment, dedication and energy he invested to advance the Corporation's interests, and wish him well in his new endeavours.

The past year was exceptionally busy from a governance perspective. To ensure that the VIA Rail Board continues to measure up to current governance best practices and standards, a comprehensive review of its committee structure was carried out, based in part on a comparative study of the boards of other Crown corporations as well as publicly-traded companies in the transport sector.

Acting on recommendations stemming from that review, Board members voted at a May 2014 meeting to reduce the number of Board committees from five to four, while realigning their respective mandates and responsibilities to maximize their effectiveness. The four committees comprising the new structure include: Audit and Finance; Governance, Risk and Strategy; Human Resources; and Pension Investment.

Other major Board-led initiatives in 2014 included overseeing succession planning and the search process for a new CEO, which culminated in Yves' appointment, and the approval process of a new hybrid pension plan for new hires. Additional information on the revamped pension regime can be found in the comprehensive new Corporate Social Responsibility section of this report.

I would like to take this opportunity to thank fellow Board members for their wise counsel and support, and formally welcome two new members who were appointed in June 2014: Deborah Robinson and Melissa Sonberg. Ms. Robinson and Ms. Sonberg bring to the boardroom table impressive credentials in passenger transport, finance and human resources. I should note, too, that with these appointments, our 10 directors (not including the CEO) are now evenly divided in terms of gender – five men and five women – placing VIA Rail in the forefront of board gender equality for both public and private corporations in Canada.

Finally, I wish to congratulate Yves and his Senior Leadership Team for achieving a smooth transition and pushing forward with VIA Rail's strategic agenda. Thanks as well to employees everywhere for their hard work and commitment to serving our customers.

ERIC STEFANSON
Interim Chairman

MESSAGE FROM THE PRESIDENT

I would like to begin by expressing what an honour and privilege it is to lead the outstanding group of people that comprise VIA Rail. In my first eight months as President, I have endeavoured to display an unwavering and relentless commitment to our passengers, employees, partners and Government stakeholders. At VIA Rail, I work with an exceptional and dedicated team. Together, we are pursuing a renewed vision of a more relevant and useful VIA Rail. This Corporation offers the safest, most efficient and most environmentally responsible mode of intercity transport in Canada. Most importantly, it is an engine of economic growth and prosperity for the communities we serve across Canada, particularly in the Québec City-Windsor corridor. In order to realize its full economic potential going forward, our job is to make its services more reliable. We accept this challenge with cautious optimism.

While challenges abound, VIA Rail's overall 2014 performance confirms that the travelling public is buying into our value proposition. During the second half of the year, we saw a welcome trend of increasing revenues. Total revenues for 2014 increased 3.7% to $280.3 million. However, growth in passenger volume has been slow to materialize. In fact, total ridership declined marginally in 2014. This decline can be attributed primarily to rail congestion issues.

Service reliability defined as on-time performance ("OTP") will remain an obstacle to passenger growth for the foreseeable future. Currently, VIA Rail trains mostly run on tracks owned and used by freight railway companies. Growth in freight, grain and oil traffic coupled with an increase in regional passenger services in Toronto and Montréal will further exacerbate rail congestion.

In order to improve VIA Rail's OTP, provide a reliable service to inter-city passengers and ultimately grow its ridership, VIA Rail is exploring the feasibility of acquiring or building dedicated passenger tracks. This strategy would solicit private sector investments in infrastructure as well as potentially engage provincial and municipal governments, as they stand to benefit economically from improved transportation links to their communities. We all share the same objective: to be of greater service to our communities and to foster economic growth and prosperity.

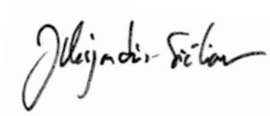
In the meantime, we will continue utilizing VIA Rail's resources and energy to enhance value to customers. Key elements of our vision and strategy include working to ensure that VIA Rail is top of mind for individuals and family travellers in the heavily populated Québec City-Windsor corridor, our single largest source of traffic. At the same time, we are enthusiastically marketing our iconic long-distance services, including the *Canadian* and the *Ocean*, as a unique way for home-grown and foreign tourists alike to experience the natural beauty and diversity that is Canada.

Since being named President and CEO, I have had conversations with a majority of the 2,500 VIA Rail employees. On my weekly train trips, I have met hundreds of passengers who shared their likes, dislikes and perceived opportunities for improvement with respect to travel on VIA Rail trains. Their first-hand input is reflected in a number of service enhancements either already introduced or soon to be implemented.

As always, the safety of passengers, employees and the public remains our foremost concern. We are also strongly committed to the protection of the environment and the well-being of our communities. For more information on how VIA Rail is addressing these vital interests, please refer to the Safety section included in the Review of Operations as well as our first comprehensive Corporate Social Responsibility report incorporated into this year's Annual Report.

In closing, I would like to acknowledge the contributions of my two immediate predecessors, Marc Laliberté and Steve Del Bosco. Marc, a true railroader, hired me at VIA Rail in 2010. I learned much by his side and I thank him for this opportunity. He retired at the beginning of 2014. Steve capped a stellar 37-year career by stepping into the breach and serving as Interim President and CEO until my appointment. He exemplifies all that is good at VIA Rail: commitment to the task at hand; respect for customers and teammates; dedication to public service and resilience in the face of challenges beyond one's control. If VIA Rail has survived the end of the 20th century to be born again in the 21st, it is thanks to the efforts and perseverance of people like Steve. He began a well-deserved retirement on January 31, 2015. Finally, I wish to express my gratitude to the Board of Directors and, in particular, Paul G. Smith, our former Board Chairman and Eric Stefanson our Interim Chairman for their confidence, advice and support. I would also like to thank our dedicated hard-working employees, who provide the outstanding service that is VIA Rail's hallmark. Their great work and success are the main source of my own inspiration and motivation.

YVES DESJARDINS-SICILIANO
President and Chief Executive Officer



THE YEAR 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

	2014	**2013**	**2012**	**2011**	**2010**
KEY FINANCIAL INDICATORS (IN MILLIONS OF DOLLARS)					
Total passenger revenues [1]	**259.6**	249.6	257.4	265.4	258.2
Total revenues [1]	**280.3**	**270.4**	**276.9**	**282.8**	**274.4**
Operating expenses [1]	**(509.0)**	(482.4)	(478.2)	(492.4)	(504.5)
Contributions for employee benefits [1]	**(88.4)**	(95.6)	(77.8)	(51.3)	(31.4)
Total Operating expenses [1]	**(597.4)**	**(578.0)**	**(556.0)**	**(543.7)**	**(535.9)**
Operating Income (Deficit)	**(317.1)**	**(307.6)**	**(279.1)**	**(260.9)**	**(261.5)**
Capital expenditures	**(81.8)**	(96.2)	(170.3)	(237.0)	(268.6)
Total Funding Required	**(398.9)**	**(403.8)**	**(449.4)**	**(497.9)**	**(530.1)**
Government Operating Funding	**317.1**	307.6	279.1	260.9	261.5
Government Capital Funding	**80.9**	90.8	167.2	224.8	268.6
Total Government Funding	**398.0**	**398.4**	**446.3**	**485.7**	**530.1**
Asset Renewal Fund	**0.9**	**5.4**	**3.1**	**12.2**	**0.0**
KEY OPERATING STATISTICS [2]					
Total passenger-miles (IN MILLIONS)	**808**	832	834	851	846
Total seat-miles (IN MILLIONS)	**1,349**	1,482	1,541	1,541	1,495
Operating deficit per passenger-mile (IN CENTS)	**39.2**	37.0	33.5	30.7	30.9
Yield (CENTS PER PASSENGER-MILE)	**31.2**	29.4	30.3	30.8	30.2
Train-miles operated (IN THOUSANDS)	**6,160**	6,244	6,441	6,580	6,668
Car-miles operated (IN THOUSANDS)	**36,958**	39,699	44,379	44,988	43,651
Average passenger load factor (%)	**60**	56	54	55	57
Average number of passenger-miles per train mile	**131**	133	129	129	127
On-time performance (%)	**76**	82	83	84	82
Number of full time equivalent employees during the year	**2,608**	2,662	2,800	2,899	2,937

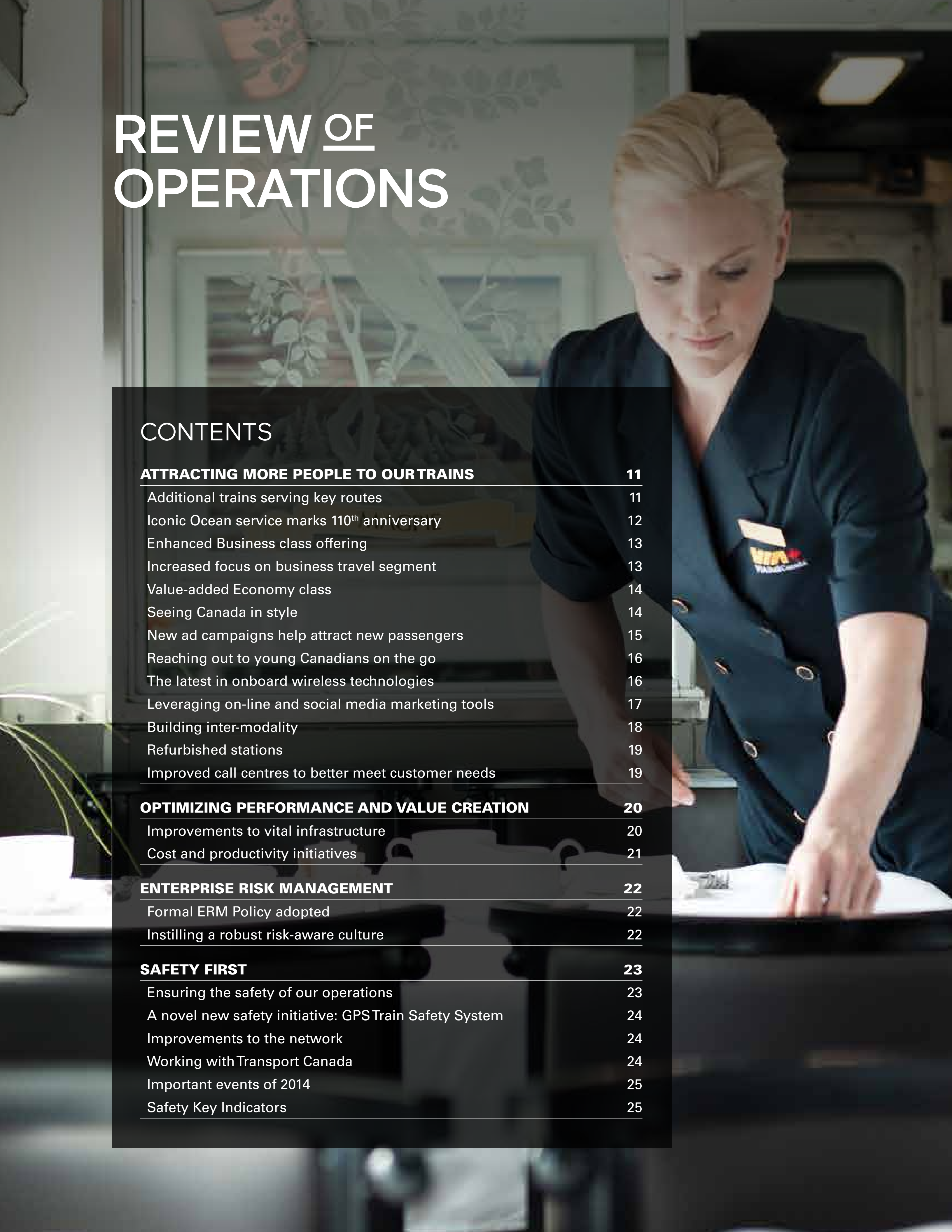
(1) Financial statement amounts were adjusted to reflect funded activities
(2) Key operating statistics are unaudited

KEY OPERATING STATISTICS BY SERVICE GROUP

Train Service Summary - For the year 2014
(Unaudited)

Train Services	Revenues (in thousands)	Costs (in thousands)	Shortfall (in thousands)	Subsidy per passenger	Subsidy per passen-ger-mile	Passengers per week	Passengers per year
Montréal-Ottawa-Toronto	$145,516	$238,970	$93,454	$44.31	$0.21	40,556	2,108,934
Québec-Montréal-Ottawa	$28,183	$49,300	$21,117	$45.89	$0.30	8,850	460,197
Corridor East	**$173,699**	**$288,270**	**$114,571**	**$44.60**	**$0.22**	**49,406**	**2,569,131**
Toronto-London-Sarnia-Windsor	$43,040	$90,361	$47,321	$49.16	$0.41	18,510	962,520
Toronto-Niagara	$1,120	$11,338	$10,218	$296.84	$3.82	662	34,423
Southwestern Ontario	**$44,160**	**$101,699**	**$57,539**	**$57.72**	**$0.50**	**19,172**	**996,943**
Corridor	**$217,859**	**$389,969**	**$172,110**	**$48.26**	**$0.27**	**68,578**	**3,566,074**
Montréal-Halifax	$9,804	$45,420	$35,617	$480.17	$0.93	1,426	74,175
Toronto-Vancouver	$47,145	$102,609	$55,463	$591.23	$0.50	1,804	93,810
Longhauls	**$56,949**	**$148,029**	**$91,080**	**$542.19**	**$0.61**	**3,230**	**167,985**
Montréal-Gaspé	$32	$5,078	$5,046	n/a	n/a	-	-
Montréal-Jonquière	$449	$5,403	$4,954	$453.14	$2.54	210	10,933
Montréal-Senneterre	$458	$5,353	$4,895	$453.60	$2.32	208	10,792
Sudbury-White River	$169	$3,534	$3,365	$658.63	$4.77	98	5,109
Winnipeg-Churchill	$2,980	$26,392	$23,412	$1,092.89	$3.97	412	21,423
Jasper-Prince Rupert	$1,446	$11,138	$9,692	$542.56	$1.56	344	17,863
Mandatory	**$5,534**	**$56,898**	**$51,364**	**$776.85**	**$3.04**	**1,272**	**66,120**
The Pas-Pukatawagan[1]	n/a	$2,500	$2,500	n/a	n/a	n/a	n/a
System	**$280,342**	**$597,396**	**$317,054**	**$83.43**	**$0.39**	**73,080**	**3,800,179**

[1] Service operated by Keewatin Railway Company between The Pas and Pukatawagan



REVIEW OF OPERATIONS

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ATTRACTING MORE PEOPLE TO OUR TRAINS

Going forward, we are confident that increasing numbers of Canadians will choose VIA Rail as their principal means of transportation for business and recreational trips. Why? Because the train saves time and money, it's safe, comfortable and relaxing, and it represents a "green" choice for environmentally conscious travellers.

Frequent travellers also can benefit from membership in the VIA Préférence program, which offers escalating levels of advantages and rewards – Préférence, Privilège and Premier – based on frequency and distances travelled.

During 2014 we worked hard to further enhance the VIA Rail advantage, adding more trains on key routes, modernizing our fleet, upgrading our service offerings in both Business and Economy classes – including the latest in onboard wireless technology – and making train travel more accessible for everyone.

Here are some highlights of our operations in 2014:

ADDITIONAL TRAINS SERVING KEY ROUTES

In response to market demand, VIA Rail has added eight more trains each week linking Ottawa and Toronto – one additional train in each direction on Fridays, Saturdays, Sundays and Mondays. Travellers between the two cities now can choose from 48 weekly departure options in each direction.

Holiday travellers heading home to see family and loved ones also benefitted from six additional trains added to the iconic *Ocean service*, linking Montréal and Halifax, over the peak Holiday travel season.

OVER 500,000 PEOPLE

TRAVELLED ONBOARD VIA RAIL TRAINS ALONG THE OTTAWA-TORONTO ROUTE IN 2014

250,000

THE APPROXIMATE NUMBER OF PASSENGERS WHO TRAVELLED ON VIA RAIL TRAINS DURING THE HOLIDAY SEASON IN 2014-15

251 TRAINS

EACH WEEK SERVE TRAVELLERS IN THE BUSY MONTRÉAL-OTTAWA-TORONTO TRIANGLE

ICONIC *OCEAN* SERVICE MARKS 110TH ANNIVERSARY

Wilfrid Laurier was Prime Minister and Albert Grey, the 4th Earl Grey – best remembered for the football championship trophy donated in his name – was Governor General back in 1904, when the iconic *Ocean* (then named the *Ocean Limited*) made its first 1,100-km run from Montréal to Halifax.

Over the years, the train carried countless numbers of immigrants to new homes in communities that were springing up across the country, contributing in a major way to the development of Canada. Throughout two World Wars, tens of thousands of Canadian troops travelled by train to Halifax, where they transferred to ships that carried them overseas. When the wars ended, the soldiers headed back to Halifax and boarded the train once again on their way home.

The *Ocean's* many milestones have included the replacement in 1937 of wooden Victorian-style cars with the first stainless steel air-conditioned coaches. In 1954, it became the first Canadian train equipped with a diesel locomotive.

To mark the *Ocean's* 110th anniversary, VIA Rail President and CEO Yves Desjardins-Siciliano, accompanied by mayors and Members of Parliament from communities along the *Ocean's* route, boarded a special train that embarked from Montréal's Central Station on July 2, 2014 – 110 years to the day from the *Ocean's* inaugural run. Upon arrival in Halifax the following day, dignitaries, train aficionados and members of the public participated in a commemorative celebration.

Today, the *Ocean* remains a favorite with travellers destined to and from Atlantic Canada and tourists who marvel at the breathtaking forest and ocean scenery enroute. The thrice-weekly service, whose other major stop is Moncton, N.B., offers passengers a choice of three different service classes: Economy, Sleeper and Sleeper Plus (available exclusively in high season, from mid-June to mid-October).

ENHANCED BUSINESS CLASS OFFERING

For busy executives and professionals, travel time need not translate into down-time. VIA Rail travellers can be productive throughout their trip, working away in the comfort of our (free) Wi-Fi equipped Business class cars.

The refurbishment of VIA Rail's entire fleet of LRC (light, rapid, comfortable) Business class cars was completed in December 2014. This culminated a transformation of our Business class service that also includes renovated Business class lounges, new menus and wine lists.

Introduction of the redesigned Business class was supported by targeted marketing and advertising initiatives, including the "*With VIA, You're the Boss.*" campaign launched in September, which highlights how business travellers can spend their train travel time however they choose: working, resting or socializing.

INCREASED FOCUS ON BUSINESS TRAVEL SEGMENT

During 2014, VIA Rail sales teams stepped up their efforts aimed at attracting more ridership from the broader business travel segment, through initiatives such as the very successful MasterCard® for Small Business Owners program and the opening of a significant number of new Corporate Accounts.

VALUE-ADDED ECONOMY CLASS

During 2014 we continued to upgrade and add value for Economy class passengers as well.

In December, we rolled out Phase Two of our revised (free) Wi-Fi-enabled Economy class service in the densely populated Québec City-Windsor corridor. Economy class passengers can now choose from new healthy food and beverage options, including salads, vegetarian wraps and fresh juices, as well as a new selection of Canadian wines. The introduction of seat assignment in Economy class on trains within the Corridor provides added comfort and convenience for travellers.

A redesigned Economy class menu was also introduced on the *Ocean* service in fall 2014.

SEEING CANADA IN STYLE

VIA Rail's new Prestige Sleeper class service was officially launched to the worldwide travel trade and travel press in May 2014, at the annual Rendez-vous Canada tourism conference in Vancouver. Prestige Sleeper class, exclusive to the transcontinental *Canadian* linking Toronto and Vancouver, features personalized Concierge service as well as upgraded amenities. The Prestige car also features one accessible private sleeping accommodation for passengers with disabilities.

Elsewhere in 2014, we reintroduced a Touring class offering featuring a Panorama dome car and all-inclusive meals on the two-day Skeena run between Jasper, Alberta and Prince Rupert, British Columbia. To meet expectations of tour operators and foreign travellers, our all-inclusive Sleeper Plus service – including complimentary meals – offered on the route from Winnipeg to Churchill, Manitoba, was extended over summer and fall peak travel periods. In eastern Canada, all-inclusive class options are now available year-round on the *Ocean* service.

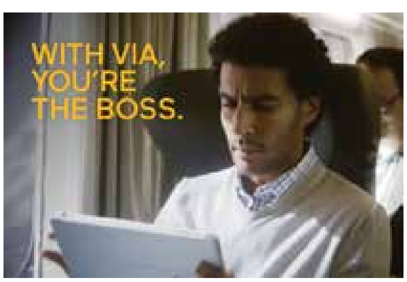
NEW AD CAMPAIGNS HELP ATTRACT NEW PASSENGERS

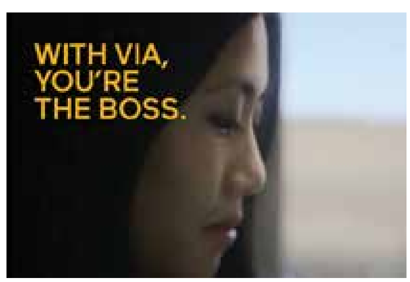
In addition to the "*With VIA, You're the Boss.*" campaign aimed at business travellers, a number of other effective advertising and marketing campaigns were rolled out in 2014 to support new VIA Rail service offerings and highlight the benefits of train travel.

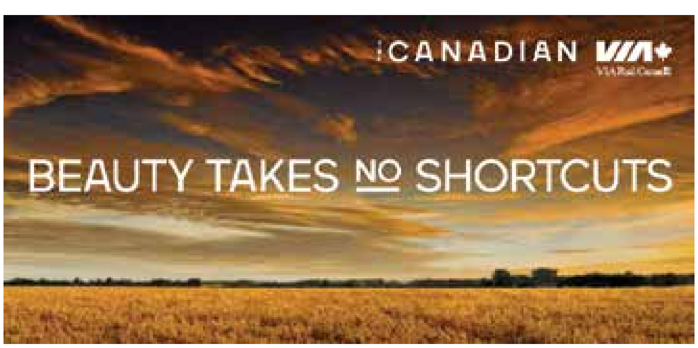
Our "*Beauty Takes No Shortcuts*" campaign, launched at the start of the year, focused on the stunning landscapes that passengers on the *Canadian* and the *Ocean* are treated to.

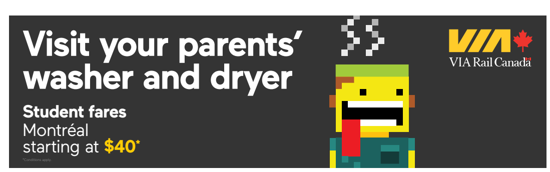
During back-to-school season, and again at Thanksgiving, a humorous multi-media campaign using tag lines such as "*Visit your parents' washer and dryer*" proved to be a hit with our target student market. In December, in time for the busy holiday season, we produced a television campaign with songs recorded by Canadian artists Les Trois Accords (for the French ad) and Jonas (for the English ad), which promoted train travel as the sensible choice for holiday travel. This campaign was also promoted through billboards and on the web.

As well, an online and print campaign was created to help generate traffic for additional holiday trains on the *Ocean* service.









REACHING OUT TO YOUNG CANADIANS ON THE GO

In August 2014, VIA Rail introduced two new products for the student market: the 20/20 Discount Card, priced at $20, provides 20% savings off Economy or Economy Plus fares across VIA Rail's network; the Semester Pass allows unlimited travel between Kingston and Windsor or between Kingston and Québec City for a discounted flat rate. A campaign to promote the new products, which included the deployment of on-site tactical teams to select university campuses, was launched for the return-to-school period. The very positive reception prompted a decision to re-introduce the 20/20 Card and the Semester Pass (with a full Québec City-Windsor corridor option) for the winter semester.

To encourage young people to discover their country during the summer months, VIA Rail also launched on a trial basis an unlimited youth travel pass valid for July and August. Sales results exceeded expectations and the Summer Youth Pass will be back in 2015.

THE LATEST IN ONBOARD WIRELESS TECHNOLOGIES

Our new high-tech Train Status Information system provides customers onboard or off – as well as front-line employees – with timely, accurate information regarding train status. Up-to-the-minute information is conveyed to passengers by means of automated public-address announcements, large-screen displays in key stations and on the VIA Rail website. In 2015, this information, along with travel advisories, will be delivered by email and text message.

VIA Rail's complimentary onboard Wi-Fi service is increasingly popular with passengers who want to stay connected. The percentage of people on trains in the Québec City-Windsor corridor using the Wi-Fi service reached 68% in 2014, accounting for a 50% increase in data traffic over the course of the year. More than three Terabytes (TB) of data was transferred each week (one TB is equal to 1 trillion bytes, which represents over 1 million emails sent). A capacity increase is under way for 2015.

Our all-Canadian On-Train Entertainment (OTE) system has also been a hit with travellers. OTE is an interactive digital platform that provides passengers on trains in the Québec City-Windsor corridor with free access to 150 hours of Canadian programming, including current news from CBC/Radio Canada, documentaries and animated features from the National Film Board of Canada, "Heritage Minute" vignettes produced by Historica Canada, and "History Matters" vignettes by the Virtual Museum of Canada.

68%

OF PASSENGERS

IN THE CORRIDOR CONNECTED TO THE ON TRAIN WI-FI SYSTEM

LEVERAGING ONLINE AND SOCIAL MEDIA MARKETING TOOLS

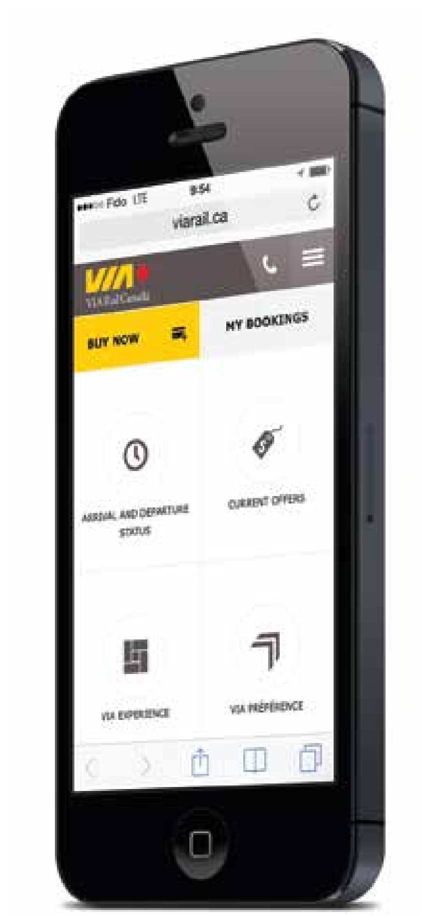
VIA Rail's website (www.viarail.ca) registered more than 23 million visits over the course of the year – an average of 1.9 million per month – underscoring its role as the preferred method used by travellers to purchase train tickets. In late 2014, we extended VIA Rail's on-line reach to foreign-language international markets with the introduction of a Spanish-language version (http://international.viarail.ca) of the website and, subsequent to the year end, a Chinese version (http://international.viarail.ca/cn). German and Portuguese-language versions are to be launched later in 2015.

In August 2014, VIA Rail launched a new rendition of its mobile portal page, providing easier access to train status information, ticketing and reservation services, special offers and a link to VIA Préférence. With its sleek modern look and "big tile" navigation, the new portal offers an improved mobile experience to clients.

130,000
FOLLOWERS
ON VIA RAIL'S FACEBOOK PAGE IN 2014

As well, we have continued to leverage social media as vital marketing and communications tools: 2014 saw another significant increase in VIA Rail Facebook fans, with close to 130,000 followers – up 20% from year-end 2013.

Passengers and stakeholders can also follow us on Twitter through @VIA_Rail or through President and CEO Yves Desjardins-Siciliano's own Twitter account @VIARailPrez. Also, check out our *VIA Evolution* blog at viaevolution.ca.



BUILDING INTER-MODALITY

VIA Rail continues to forge new inter-modal partnerships that will help it achieve its objectives of increasing ridership and revenues and providing passengers with a simplified and seamless travel experience.

Noteworthy agreements in 2014 included a partnership with AccesRail that enables more than 120,000 travel agencies around the globe to book VIA Rail tickets through their reservation systems. A partnership with Hainan Airlines (China's largest privately owned air transport company that serves nearly 500 domestic and international routes) gives VIA Rail a foothold in the emerging travel market of China, and will enable passengers to book all legs of their journey at once on a single electronic ticket. Closer to home, we signed agreements with Union Pearson (UP) Express to provide a vital link between Toronto's Union Station and Pearson Airport, (scheduled for spring 2015) as well as with Québec City's Réseau de transport de la Capitale.

In December 2014, VIA Rail signed a partnership agreement with the Canadian Automobile Association to make train travel even more affordable for some six million CAA members, as well as members of its international affiliates. Under the program, CAA members can earn a discount on the best-available VIA Rail fares.

Also in 2014, VIA Rail introduced a new carry-on baggage policy better aligned with its inter-modal strategy and partnerships.

Our inter-modal network now encompasses over 20 partners, offering rail, air, motor coach and automobile connections to provide VIA Rail passengers with seamless service to and from their travel destinations.

MORE THAN 120,000
TRAVEL AGENCIES WORLDWIDE CAN NOW ISSUE VIA RAIL TICKETS THROUGH ACCESRAIL

REFURBISHED STATIONS

For most passengers, the rail travel experience begins and ends at a VIA Rail station. Accordingly, the refurbishment of train stations is an integral, on-going part of our strategy to improve customer experience and attract more traffic.

August 2014 saw the official opening of a new overhead walkway and heated central platform at the busy Cobourg Station in southern Ontario, providing passengers with improved accessibility as well as enhanced security, safety and comfort. Winnipeg's newly renovated Union Station, a heritage structure that officially opened in 1912, was inaugurated in October. Work also got underway in mid-2014 on a major renovation of VIA Rail's Brockville, Ontario station.

The new overhead walkway at Cobourg Station

The newly renovated Union Station in Winnipeg

IMPROVED CALL CENTRES TO BETTER MEET CUSTOMER NEEDS

VIA Rail constantly strives to provide the best possible service to passengers and travel-industry partners with respect to reservation and ticketing services.

Operations at our customer contact centers in Montréal and Moncton were revamped during the first half of 2014 to provide faster response times and service more aligned with industry best practices. The changes resulted in enhanced customer satisfaction and increased revenues.

OPTIMIZING PERFORMANCE AND VALUE CREATION

In keeping with our commitment to be responsible in the use of taxpayer money and reduce the Corporation's dependency on Government funding, VIA Rail's strategy is to complement initiatives on the revenue side of the ledger – attracting more people to our trains – with a strong focus on reducing costs while optimizing performance and value creation. Identifying, managing and mitigating risks is another top priority.

The year 2014 saw the completion of a multi-year, near-billion-dollar capital improvement program, financed by the Government of Canada. This substantial injection of capital facilitated crucial investments in a range of areas from refurbished locomotives and passenger cars to upgraded infrastructure, renovated stations and new technology. These improvements have significantly benefitted the Corporation and its customers. Service has been enhanced. Safety has been improved. We have significantly improved the state of our equipment, and VIA Rail customers and employees enjoy a more pleasant environment.

IMPROVEMENTS TO VITAL INFRASTRUCTURE

Going forward, VIA Rail will continue to exercise stringent control over capital spending, investing available funds primarily in its own infrastructure to enhance safety, reliability and on-time performance.

VIA Rail welcomed the announcement in May 2014 by Federal Transport Minister Lisa Raitt of a $10.2-million agreement with CN Rail for the rehabilitation of a crucial 70-kilometre section of track on CN's Newcastle Subdivision in New Brunswick, which CN had been planning to abandon. Under the terms of the agreement, VIA Rail provided funding to CN for repairing and upgrading the infrastructure, which was partially completed in October. The work is to be completed in 2015.

As a result, VIA Rail has been able to continue its vital *Ocean* rail service that links Montréal, Halifax and 26 other communities along its route through Eastern Canada. In order to ensure a minimum return on its investment, the Corporation has been holding discussions with representatives of the Province of New Brunswick as well as municipalities in the region to explore ways they can assist in increasing train ridership.

$923 MILLION

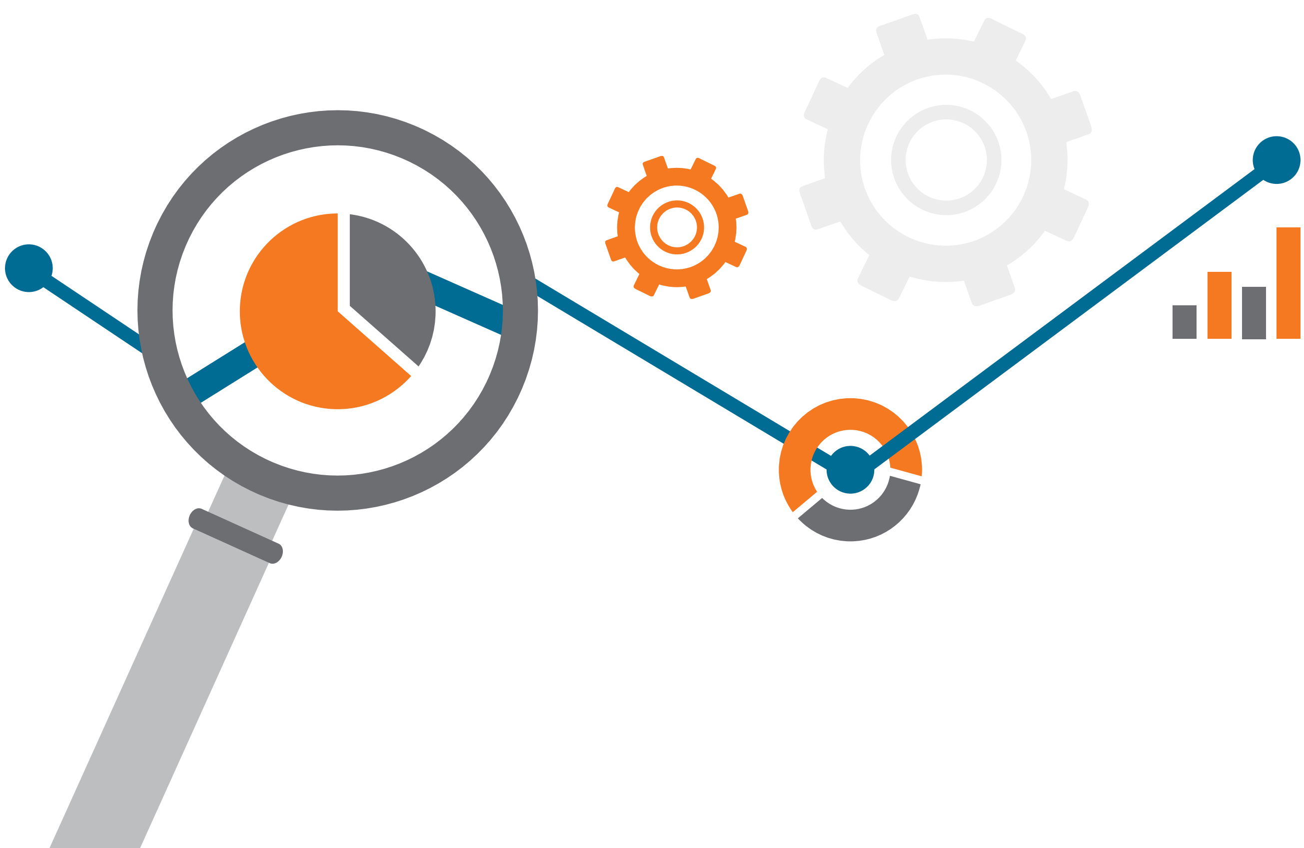
THE AMOUNT INVESTED IN VIA RAIL BY THE GOVERNMENT OF CANADA IN A MULTI-YEAR CAPITAL IMPROVEMENT PROGRAM COMPLETED IN 2014

COST AND PRODUCTIVITY INITIATIVES

VIA Rail exercises rigorous cost containment and is pursuing ongoing productivity-improvement initiatives focused on four key areas; compensation management, operating and maintenance efficiencies, capital-investment benefits as well as traffic and revenue growth.

Our Customer Experience-Operations group continued to improve their control over operating costs, achieving savings versus the 2014 budget figure. For example, an initiative to reduce costs at VIA Rail's Toronto food and beverage supply operations – without negatively impacting customer service – also was completed and is expected to yield annual savings of close to $1 million.

Other cost-related undertakings include performing more maintenance work in-house (without significantly increasing staffing) and introducing new initiatives for fuel savings, such as the use of advanced telemetry on trains. More information about fuel savings initiatives can be found in the Corporate Social Responsibility section of this report.



ENTERPRISE RISK MANAGEMENT

VIA Rail strives to continuously strengthen and enhance its enterprise risk management framework, conducting annual risk assessments and reviews of key controls, systems, policies and procedures.

FORMAL ERM POLICY ADOPTED

Following the appointment of a new Director of Enterprise Risk Management, Insurance and Claims, VIA Rail moved ahead in early 2014 with the adoption by the Board of Directors of a formal Enterprise Risk Management Policy and risk-oversight approach. As well, risk appetites and tolerance levels were developed for the Corporation's top risks and a mechanism for dealing with rail-industry events and emerging risks was established. A training session on the Corporation's top risks was also given to the Board of Directors.

INSTILLING A ROBUST RISK-AWARE CULTURE

One of the main challenges for the Risk Management team in 2015 will be to continue instilling a robust risk-aware culture among VIA Rail employees, along with the key risk indicators and metrics required to ensure effective and proactive risk management.

VIA Rail's innovative and comprehensive new approach to enterprise risk management is part of a series of ongoing initiatives designed to continuously improve the safety and efficiency of our operations. Our efforts have been recognized by the nomination of VIA Rail's Director of Enterprise Risk Management as a finalist for a coveted international prize, to be awarded by the Institute of Risk Management at the Global Risk Awards 2015.

SAFETY FIRST

Safety remains the number one priority for VIA Rail, underlying all aspects of our operations. It is part of our corporate DNA.

Nothing is more important to us then ensuring that our passengers arrive safely at their destinations and that all of our VIA Rail colleagues return home safely to their families and loved ones at the end of the day.

Our approach to safety issues focuses on two key priorities: ensuring the safety of our operations; and informing the Canadian public about safety around railroads, which is addressed in the Corporate Social Responsibility section of this annual report (see page 28).

ENSURING THE SAFETY OF OUR OPERATIONS

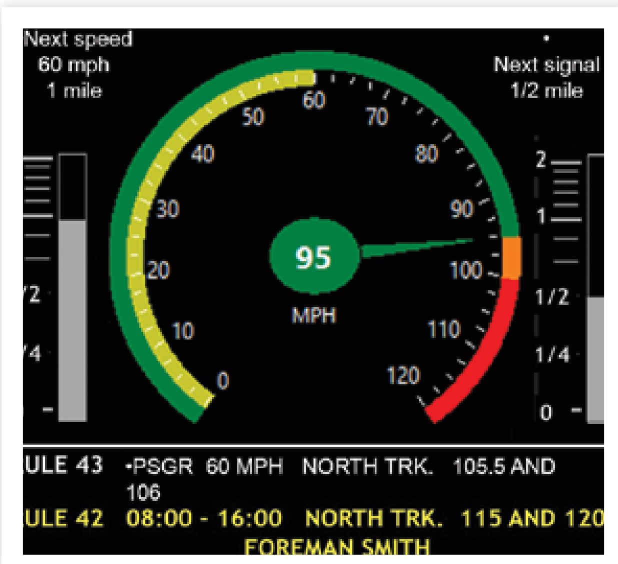
VIA Rail's Safety Management System (SMS) provides the framework to implement our Safety Policy and to comply with the Railway Safety Act and Safety Management System Regulations. It is also the reference for setting goals, planning and measuring safety performance; we regularly review the SMS and introduce changes and improvements as required.

To implement the SMS and continuously improve its performance, we foster a very strong safety culture. At the heart of it is the engagement and contribution to safety of all employees, in every office, on every train and in every station. At VIA Rail, safety is a group effort and everyone's responsibility.

Ongoing projects include the improvement of our infrastructure (tracks, crossings, bridges, culverts, stations and maintenance centers) and rolling stock; plans are continuously evolving and corrective measures are implemented in a timely manner, when necessary.

A NOVEL NEW SAFETY INITIATIVE: GPS TRAIN SAFETY SYSTEM

VIA Rail is proud to have developed and built, in house, a new train safety system using GPS tracking – the first of its kind in Canada. The proof of concept was successful and the system is currently being tested. The safety system will assist locomotive engineers by providing notifications of upcoming speed changes or restrictions, approaching changes in applicable rules and upcoming landmarks along the route. The system will also provide locomotive engineers the assistance they need to perform essential tasks, and improve overall safety of our rail operations.



An example of information available through the GPS Train Safety System

IMPROVEMENTS TO THE NETWORK

A milestone was achieved when VIA Rail crews began to be governed by VIA Rail's own internal instructions instead of General Operating Instructions of 3rd party host railways. This marks a recognition that VIA Rail has the expertise and the credibility to manage its own operating instructions, even when running trains on another rail company's infrastructure. It is a testament to the high level of safety and trust achieved by VIA Rail and to the work that is being done to continuously improve our safety and operating standards.

Important infrastructure work has been undertaken to perform extensive steel and concrete repairs to a bridge on the Beachburg subdivision (Ontario), originally built in 1912. The work will enable the lifting of a 'slow order' (a local speed restriction on a stretch of rail line that currently obliges trains to reduce their speed while passing over the bridge). As well, new walkways on each side of the bridge will improve safety for train crews.

Moreover, many of our locomotives have benefitted from safety improvements, including new lighting and better ventilation systems to improve air quality in the cabin.

WORKING WITH TRANSPORT CANADA

A significant new regulatory agenda was put forward by Transport Canada in 2014. VIA Rail will upgrade and optimize its Safety Management System and/or safety processes in order to address the new and upcoming regulations. Once finalized, VIA Rail will be in compliance with all requirements.

IMPORTANT EVENTS

Two noteworthy events took place in 2014:

- Issues with the Automatic Warning Devices (AWD) at various crossings in the Ottawa area were reported in the first quarter of 2014. Following these events, VIA Rail worked with its contractor, RailTerm, and two other independent engineering consulting firms to conduct an investigation of its infrastructure and signaling system and identify the root causes of these occurrences. In the second quarter of 2014, during a technical briefing to Ottawa City's Council, the consulting firms presented their report and VIA Rail presented its action plan, which detailed the necessary corrections and upgrades required at these crossings. All of the recommended action items were successfully completed in 2014.
- In June, freight train cars operated by Hudson Bay Railway derailed near Churchill in Northern Manitoba, forcing VIA Rail to suspend its service between Gillam and Churchill. The Corporation ordered a comprehensive review to determine whether VIA Rail's safety requirements were being met in order to ensure the safety of its passengers and employees travelling on this route. As of July 18, VIA Rail confirmed that its safety conditions were being met and passenger train service was resumed on the Gillam–Churchill line.

KEY SAFETY INDICATORS

	2014	2013	2012
Train Incidents per Million Miles Includes rail yard collisions, mainline collisions, derailments with at least one wheel off the track, all cardinal rule violations; excludes crossing accidents and trespassing.	**1.9**	1.3	2.0
Crossing accidents	**14**	11	11
Trespassing accidents	**10**	8	11

Thanks to efforts in partnership with Operation Lifesaver and other infrastructure owners, the number of crossing accidents and trespassing accidents has declined significantly over the past few years. By way of comparison, in 2010 there were 21 crossing accidents and 18 trespassing accidents.

AWARDS AND RECOGNITIONS

RAILWAY ASSOCIATION OF CANADA AWARD

★★★★★★★★★★★★★★★★★★★★★★★★★★

The Railway Association of Canada honoured VIA Rail with a prize for excellence in safety for a pilot project related to the handling of workplace accidents involving service attendants. The project aims to reduce the interval between employee accidents in the workplace and their subsequent return to work. By collecting precise information about such accidents, VIA Rail has improved the quality of health and safety investigations, mobilized its staff and increased safety in its workplace.

IMMIGRANT SERVICES SOCIETY OF BC RECOGNITION

★★★★★★★★★★★★★★★★★★★★★★★★★★

The Immigrant Services Society (ISS) of British Columbia celebrated the organization's dedicated employer partnerships by recognizing their business partners' contributions towards helping new immigrants. VIA Rail was one of 10 companies to receive "Outstanding Partner Awards" for their continued support, contributions and mentoring. Some 85% of the ISS clients who had internships with VIA Rail – mainly engineers – are now working in their specialized fields.

ORGANISATION OF THE YEAR AWARD

★★★★★★★★★★★★★★★★★★★★★★★★★★

Following its service on the jury of Dawson College's annual Bilingual Business Administration Case Competition, VIA Rail was presented with the Montréal college's Organisation of the Year Award, honouring its exceptional leadership as well as its exemplary customer service and employee relations.

RECOGNITION BY THE COMMISSIONER OF OFFICIAL LANGUAGES

Our efforts were recognized by Canada's Commissioner of Official Languages, who cited VIA Rail in his annual report as one of only two organizations to receive an "Exemplary" rating. As well, the Office of the Commissioner congratulated VIA Rail on its efforts to promote both official languages through our On Train Entertainment initiative and our in-house official languages survey.

HIGHLY RANKED IN CORPORATE REPUTATION SURVEY

VIA Rail ranked in 2nd place among companies in the transportation sector in the Léger Corporate Reputation Survey (2014). VIA Rail's high ranking shows a continuing strong rapport with consumers, who also gave the Corporation high scores in the 2013 and 2012 Léger surveys.

ONTARIO SPORTS AWARD

In April, VIA Rail was presented with an Ontario Sports Award to honour its support of amateur sports in the province. The award recognized the Corporation's continued sponsorship of the Special Olympics in Ontario. For the past eight years VIA Rail has been a transportation supplier to Special Olympics Ontario, providing complimentary travel for families and athletes to attend the Ontario and Canadian games.

CORPORATE SOCIAL RESPONSIBILITY

CONTENTS

MESSAGE FROM THE PRESIDENT

This section of VIA Rail's 2014 Annual Report represents our first comprehensive Corporate Social Responsibility (CSR) reporting initiative. Our goal is to provide stakeholders with a global overview of how we conduct our business in a responsible manner, and to align our reporting with recognized CSR best practices.

This initiative also reinforces our commitment to being a transparent Corporation. Over the past year, we have embraced an approach that emphasizes proactive disclosure and frequent communications with Canadians, and it is our intention to apply these same criteria to our CSR reporting.

Being a responsible corporate citizen is of utmost importance to VIA Rail. It means putting safety at the forefront of everything we do. It also means caring about people. As a Corporation, we pride ourselves on being close to our employees, our customers, and the citizens and communities we serve. Another crucial distinguishing feature is that rail travel represents a sound environmental choice.

Society today is facing numerous sustainability issues. The environment is one of them – it is under considerable pressure. As stated by the United Nations, climate change is the major, overriding environmental issue of our time. An across-the-board effort is required to reduce harmful greenhouse gas emissions. At VIA Rail, we are determined to make passenger rail part of the solution here in Canada. Given its attractive environmental profile vis-à-vis other modes of transport, optimizing the use of passenger rail travel by Canadians and Canadian companies can help reduce the country's carbon footprint. The train is a green choice, available to each and every one of us. Furthermore, it is a safe and comfortable way to travel.

This reporting initiative represents another step in the creation of a comprehensive CSR roadmap that will help us chart our path forward. In 2015, we intend to develop a detailed CSR Plan for the next four years, which will further address the significant sustainability-related issues relevant to our business. Underlying that plan will be our strong commitment to good governance, transparency and corporate social responsibility, as well as our determination to build strong, lasting relationships with stakeholders.

YVES DESJARDINS-SICILIANO
President and Chief Executive Officer

CORPORATE SOCIAL RESPONSIBILITY PRINCIPLES AND OBJECTIVES

Our approach to Corporate Social Responsibility (CSR) reflects the way in which we conduct our business and aims at supporting our business goals. Increasing ridership – getting more Canadians to use VIA Rail's trains more often – is our main business goal for the foreseeable future. We are committed to doing so in a responsible way. Furthermore, growing our core business contributes to the making of a more sustainable country. The more we increase ridership, the more we decrease overall travel-related impacts on the environment. The more we connect communities and people together, the more we contribute to wealth creation in Canada: directly by creating jobs in our operations and those of our suppliers, and indirectly through the economic stimulus that stems from vital transportation links.

As a Crown corporation, we also ensure that our objectives are harmonized with those of Transport Canada and Environment Canada.

SAFETY

/ **Ensuring the safety of our operations**

/ **Informing the Canadian public about safety around railroads**

ENVIRONMENT

/ **Reducing our environmental footprint**

/ **Promoting the environmental attributes of the train**

To pursue our mission in a responsible way, we have identified four key areas that represent the pillars of our CSR guiding principles:

- Safety
- Environment
- Passengers and Communities
- Employees

Each of these pillars has particular priorities on which we focus. They represent the backbone of our daily activities. The 2014 achievements in each of these areas are presented in the following pages.

PASSENGERS AND COMMUNITIES

- Expanding access to our services
- Promoting Canadian culture
- Serving communities

EMPLOYEES

- Attracting new talent
- Striving for optimal workplace health and safety
- Providing good working conditions and maintaining good employee relations
- Encouraging professional development
- Fostering employee engagement

OUR BUSINESS AT A GLANCE

VIA Rail operates Canada's national passenger rail service on behalf of the Government of Canada and provides a safe, cost-effective and environmentally responsible service from coast to coast.

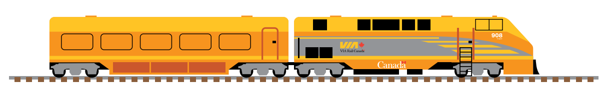
OUR NETWORK AND WORKFORCE: KEY ASSETS
(AS OF DECEMBER 31, 2014)

FLEET

75
LOCOMOTIVES
Including two switchers (a small locomotive used to "switch" equipment around)

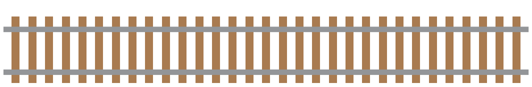
376
TRAIN CARS

PASSENGER CARS
SLEEPER CARS
DINING CARS
LOUNGE CARS
BAGGAGE CARS



RAIL

VIA RAIL OPERATES ON A
12,500-KM
RAIL NETWORK



98%
of the network is owned and operated by railway partners, primarily CN and CP

2%
is owned and operated by VIA Rail

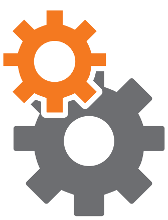
PASSENGERS

3.8
MILLION TRIPS
taken by VIA Rail passengers in 2014

9,914,317
KILOMETRES COVERED

BUILDINGS

81
TRAIN STATIONS
Including 59 Heritage stations



4
MAINTENANCE CENTERS

7
REGIONAL OFFICES

1 HEADQUARTERS

EMPLOYEES

2,516
EMPLOYEES

COMMUNITIES SERVED

450
COMMUNITIES SERVED ACROSS CANADA

SAFETY

At VIA Rail, safety has always been everyone's first and foremost concern. It is the cornerstone of our business, underlying everything we do. Both internally and externally, we put tremendous effort into protecting the safety and security of customers, employees and the general public.

Our two key safety priorities are:

/ Ensuring the safety of our operations

/ Informing the Canadian public about safety around railroads

VIA Rail's efforts have been recognized on numerous occasions with industry health-and-safety awards. In 2014, for instance, we received a prize from the Railway Association of Canada for a pilot project related to the handling of workplace accidents involving service attendants. However, we have no intention of resting on our laurels. Our goal is to go from safe to safer, through continuous improvement of safety policies and practices.

ENSURING THE SAFETY OF OUR OPERATIONS

VIA Rail's comprehensive Safety Management System (SMS) provides the framework for the implementation and oversight of our Safety Policy, in compliance with the Railway Safety Act as well as other applicable rules, regulations and best practices.

Detailed information regarding how we go about ensuring the safety of VIA Rail's operations can be found in the Review of Operations section of this report (see page 23).

INFORM THE CANADIAN PUBLIC ABOUT SAFETY AROUND RAILROADS

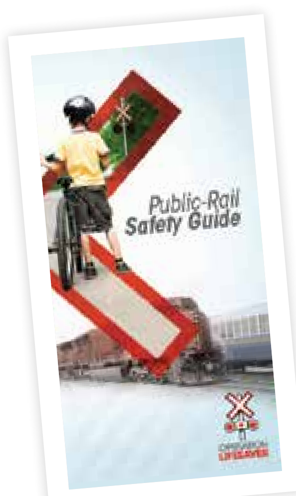
At VIA Rail, we put endless efforts into maintaining a very strong safety culture amongst our workforce. We wish to instill this same safety awareness in all Canadians. Safety around railroads is a shared responsibility between the Corporation and the population, and we are committed to educating people and raising awareness about this issue.

2014 ACHIEVEMENTS: SAFETY

OPERATION LIFESAVER

For many years, VIA Rail has worked with Operation Lifesaver (OL), in partnership with the Railway Association of Canada. The goal is to educate Canadians about safety around rail property and trains. Again in 2014, our teams participated in numerous OL - related events, including:

Public Rail Safety Week | (April 28 to May 4) VIA Rail made Operation Lifesaver's *Public Rail Safety Guide* and *Can you Make the Grade* documentation available in its offices, stations and onboard its trains in the Québec City-Windsor corridor. Moreover, VIA Rail hosted, for the 7th year, the *All Aboard for Safety* activities in Halifax on May 1st. Local schools, daycares and the general public were invited to participate in OL presentations and visit a number of kiosks, including one from VIA Rail, as well as tour a train – including the locomotive.



Operation Lifesaver is committed to preventing injuries and deaths due to railway-crossing and trespassing incidents. One of the main ways to achieve this goal is through education — using resources like this Safety Guide. VIA Rail has made this publication available in its stations and on trains.

On June 16, Operation Lifesaver volunteers Nevin Hamilton, Shawn Whaling accompanied by his son James, and Janet De Biasi were present at the Toronto Railway Museum during Toronto's very first Rail Safety Day, which was well attended by the public. This was another great opportunity for VIA Rail to promote awareness alongside some of its partners in the transport industry.

Event participation | VIA Rail increases opportunities to raise awareness around safety by operating information booths at diversified venues such as:

- Vélo Plaisir | Bike safety around trains and railroads – Lasalle, Québec
- Conference of the Canadian Association of Fire Chiefs – Montréal, Québec
- Canadian Rail Summit – Montréal, Québec

Attending conferences

- OL Leadership Conference | Brought together rail safety advocates under the theme *"See Tracks? Think Train!"* – Albuquerque, New Mexico
- VIA Rail participated in Operation Lifesaver's Board meeting and Advisory Committee meeting along with representatives from the Government of Canada, health and safety groups and other railway industry partners – Montréal, Québec

The success of the OL program at VIA Rail over the past years was made possible through the leadership of Jean Tierney, the Senior Director of Safety and Corporate Security at VIA Rail, recognized as an articulate advocate on all matters related to rail safety. Effective January 1st, 2015, Ms. Tierney was assigned to a senior position with the Railway Association of Canada's Operation Lifesaver program in Ottawa. This assignment reflects VIA Rail's ongoing efforts in ensuring safe rail operations in Canada for our passengers, our employees and the general public.

In addition to the initiatives conducted under the auspices of OL, VIA Rail hosted two events in Montréal during the second quarter of 2014: an Occupational Health and Safety Conference as well as a Conference Board of Canada meeting focused on the Council on Emergency Management.

ENVIRONMENT

The environmental footprint created by the mobility of Canadians is an important issue that VIA Rail takes to heart. Our goal is to serve our clients in an environmentally sustainable and responsible manner.

The train has proved to be a sound environmental choice for travellers. Its environmental profile makes it a greener choice and for each passenger-kilometre travelled, the train normally has a lower carbon footprint compared to other modes of transport. Furthermore, the train can accommodate increased traffic without significantly increasing its environmental footprint, since adding cars to a passenger train can have virtually no impact on Greenhouse Gas (GHG) emissions.

Though we have a favourable environmental profile, we recognize that VIA Rail's activities do have an impact on the environment. Accordingly, we continue working hard to improve our performance, focusing on two key priorities:

- Reducing our environmental footprint;
- Promoting the environmental attributes of the train.

Ridership on our trains can increase up to 40% with no significant impact to our GHG emissions

REDUCING OUR ENVIRONMENTAL FOOTPRINT

Reducing VIA Rail's environmental footprint entails working on many fronts, including energy efficiency with respect to its offices and operational facilities, water use, waste management, use of resources and, most importantly, fuel consumption – which generates GHG emissions. Fuel consumption accounts for the largest impact on climate change of all the Corporation's activities. Moreover, considering that climate change caused by GHG emissions is recognized by the United Nations as the major environmental issue of our time, it is clear to us that putting our efforts into improving VIA Rail's fuel efficiency is key to managing and reducing its environmental footprint.

Our teams use VIA Rail's Environmental Policy and Environmental Management System (EMS) as the framework to manage our environmental objectives and programs, and we work in accordance with best industry practices. For example, our three key maintenance centers – Montréal, Winnipeg and Vancouver – are ISO 14001 certified, a recognized standard for environmental management worldwide.

2014 ACHIEVEMENTS: ENVIRONMENT

Telemetry system and fuel efficiency | VIA Rail has now equipped all of its 73 locomotives with a telemetry system from Wi-tronix. Data can be gathered remotely and used to significantly increase fuel efficiency by reducing idling time and improving train-handling practices. As well, we have made available personalized Energy Management Score Cards for locomotive engineers. As part of this major initiative, locomotive engineers also have received training during the year on the safest and most fuel-efficient way to operate their trains on each particular route.

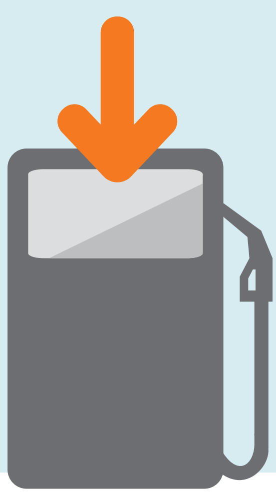
With the modernization of our fleet and the introduction of this new telemetry technology, VIA Rail can more efficiently manage its fuel consumption and has thus been able to improve its environmental performance year over year. Between 2009 and 2014, we consumed 29.9% less fuel, which translates into a 26.6% reduction in GHG emissions per passenger-km.

In 2014, VIA Rail used 2.2 million fewer litres of fuel compared to 2013, a reduction of 5.2%, representing a reduction of GHG emissions of 2.3% per passenger-km.

ENVIRONMENTAL PERFORMANCE SINCE 2009

29.9%

REDUCTION IN FUEL CONSUMPTION



26.6%

REDUCTION IN GREENHOUSE GAS EMISSIONS PER PASSENGER-KM

PROMOTING THE ENVIRONMENTAL ATTRIBUTES OF THE TRAIN

VIA Rail aims to further inform people about the advantages of train travel – for them as individuals and, collectively, for society. We are strongly committed to sustainable travel and believe that most people still have a lot to learn about trains. By promoting the environmental attributes of passenger trains, we hope to foster increased use of passenger rail by individual travellers, companies and tourists alike.

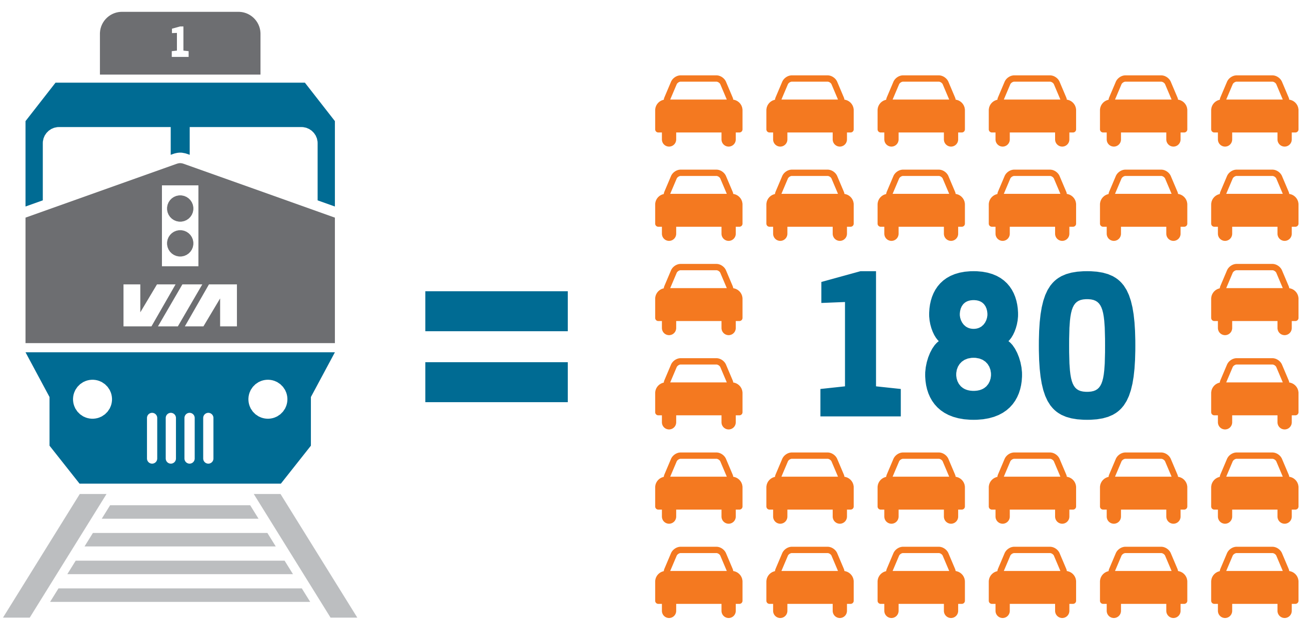
VIA Rail feels it can play an instrumental role in positioning the train as a sound, sustainable and appealing way to travel. To that end, we expend considerable effort participating in the public discussion about transport. For instance, in September 2014, we took part in the United Nations' Climate Summit, where VIA Rail President and CEO Yves Desjardins-Siciliano made the case for passenger trains as a participant in a panel discussion on sustainable mobility.

TRAIN TRAVEL: A LEVER TO ACHIEVING THE ENVIRONMENTAL GOALS OF NUMEROUS ENTITIES OF OUR SOCIETY

Train travel is an environmental lever for many entities:

1. Canadians and tourists who are concerned with their personal environmental footprints;
2. Canadian companies that wish to lower the carbon footprints associated with their transport; and
3. Canadian society as a whole to reduce the country's GHG emissions.

On that front, we plan to launch a program to help Canadian companies meet their environmental goals by choosing the train for their travel needs whenever possible.



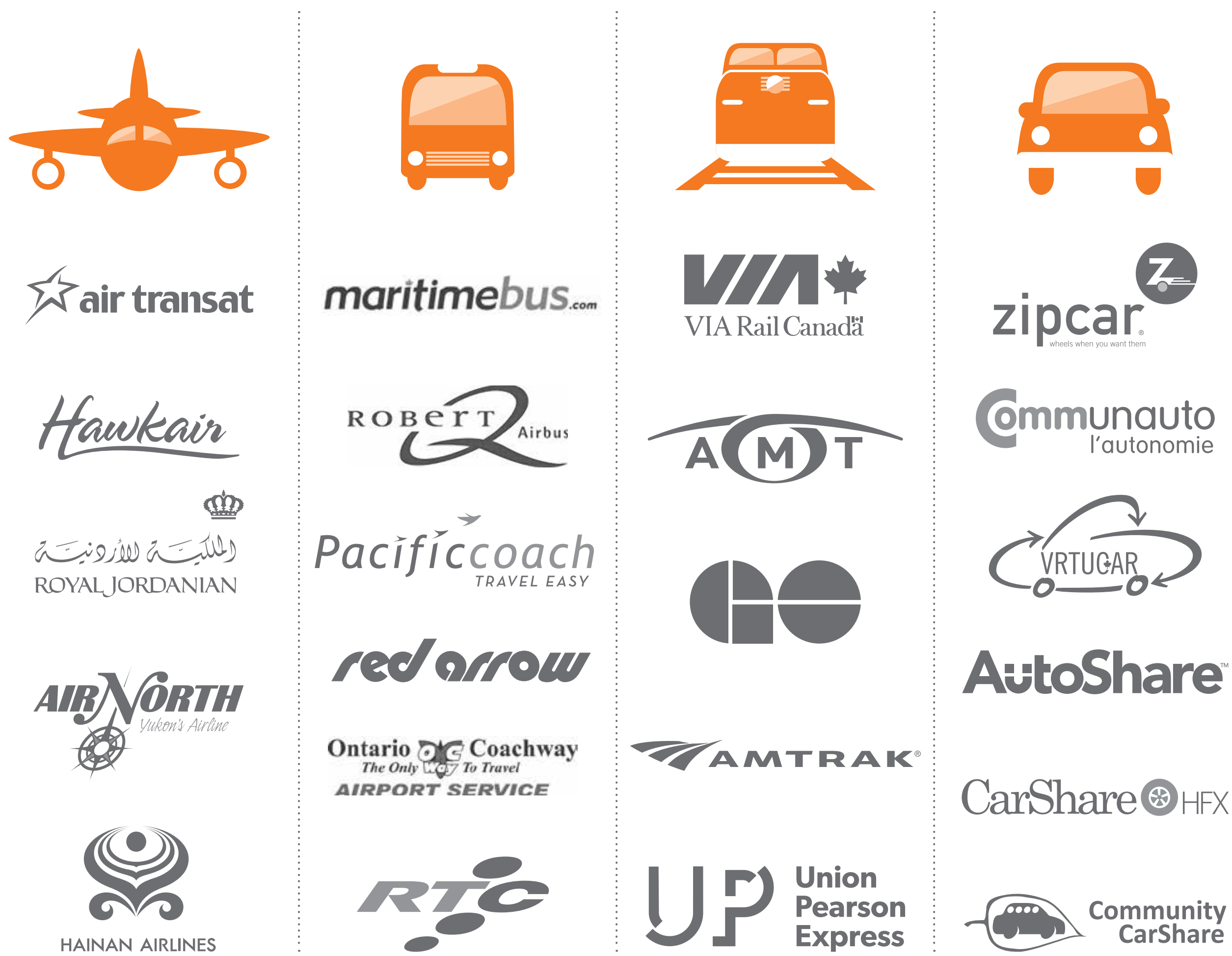
A GREEN CHOICE | One train can replace 10 buses or 180 cars when comparing GHG emissions per capacity, according to Environment Canada.

INTER-MODALITY

VIA Rail is committed to playing a key role in fostering inter-modality. The complementary use of different modes of transport is an efficient way to achieve a seamless travel experience while reducing GHG emissions. It also makes travel time more productive time and reduces fuel consumption overall. During the past few years, VIA Rail has partnered with numerous transportation companies to diversify our inter-modal offering, and we continue to seek out new partners.

2014 ACHIEVEMENT: INTER-MODALITY

A noteworthy achievement in 2014 was the agreement with Union Pearson (UP) Express to provide a connection between Toronto's Union Station and Pearson International Airport. The UP Express airport rail link is slated to be up and running in spring 2015, just in time for the Pan Am Games. The UP Express link will eliminate an estimated 1.2 million car rides in its first year.



VIA Rail's over 20 inter-modality partnerships – motor coach lines, airlines, shuttle and commuter services, and travel agencies – represent levers to increase ridership on trains and help reduce the carbon footprint of transportation in Canada.

PASSENGERS AND COMMUNITIES

Connecting passengers and communities while fostering Canadian culture – to which rail travel has contributed a rich legacy over the years – underlies VIA Rail's commitment to Corporate Social Responsibility.

Our three priorities with regard to passengers and communities include:

/ Expanding access to our services

/ Promoting Canadian culture

/ Serving communities

EXPANDING ACCESS TO OUR SERVICES

Expanding access to our services for all Canadians is a major focus for VIA Rail. We are committed to keeping passenger rail an accessible mode of transport for people challenged by a physical disability, as well as an aging population. To that end, we have undertaken a series of initiatives aimed at diminishing physical barriers to our services. In addition, we have been working to make train travel more affordable through special fare promotions.

For example, numerous discount fare initiatives have been developed for a broad range of customers, including children, students and youth, as well as business travellers. Full details of these initiatives can be found in the Review of Operations section.

2014 ACHIEVEMENTS: EXPANDING ACCESS

In 2014, two projects were realized to further increase accessibility to our services:

/ Many of VIA Rail's train stations are already accessible. As part of our ongoing efforts in this regard, now-completed renovations of our station in Brockville, originally built in 1872, included a new roof, a new building envelope, new lighting and finishes, the replacement of doors and windows and the installation of an automatic door and other accessibility improvements for people with disabilities. As well, a building adjacent to the station will be demolished and a passenger shelter constructed in its place.

/ With the launch of our new Prestige Park cars in August of 2014, VIA Rail introduced accessible private sleeping accommodations for passengers with disabilities to its iconic *Canadian* train.

PROMOTING CANADIAN CULTURE

VIA Rail is an institution with a rich Canadian history. Its roots go back to 1885, the year of completion of the national railway network that has contributed so much to the development of our multicultural society. It is the vital physical link between East and West, whose development was key to the waves of expansion and industrialization that formed the country.

Travelling by train represents a great opportunity to learn about Canada. As a Canadian institution, we have a duty – and a great opportunity – to make Canada better known to our customers, both Canadians and visitors. We deliver on this voluntary mandate in many ways, for example: our OnTrain Entertainment system presents programs with Canadian content, we offer locally-sourced menus, and we host the Salon theatre company, whose actors have performed the stories of Sir John A Macdonald and other historical events on our *Canadian* and *Ocean* routes. Since 2009, VIA Rail has also been hosting Canadian artists through the Artists onboard program. By supporting Canadian talent in this way, VIA Rail provides passengers with an enhanced travel experience, as well as a glimpse into popular Canadian culture.

Since its foundation, VIA Rail has supported hundreds of organizations active in the fields of culture, tourism, education, health, accessibility and amateur sport. These days, we focus particularly on supporting three elements of Canadian society that we believe symbolize our shared values: the military and veterans, new Canadian citizens, and minority linguistic communities. Through partnerships with these groups, VIA Rail has worked to develop their well-being, cultural development and social integration.

We are also committed to upholding the principles of the Official Languages Act.

2014 ACHIEVEMENTS: PROMOTING CANADIAN CULTURE

PROMOTION OF OFFICIAL LANGUAGES

VIA Rail is committed to the principles of the Official Languages Act. VIA Rail employees actively demonstrate a willingness to provide service in either English or French. Our Official Languages policies apply to our communications, whether on the telephone, in a station, or onboard our trains. We maintain a work environment where employees can speak the language of their choice, in regions designated bilingual. All internal and external communications are written in French and in English, and VIA Rail uses both languages in its business practices.

VIA Rail recognizes that it can play a valuable role in fostering linguistic duality in Canada. During the past year, it led by example, supporting events such as the *Festival du Voyageur de Saint Boniface* in Manitoba, and *Les Rendez-vous de la Francophonie* and contributed to events in collaboration with partners such as *Théâtre du Cercle de Molière*, the Morrin Center and the *Symposium des Rocheuses*.

Our efforts were recognized by Canada's Commissioner of Official Languages, who cited VIA Rail in his annual report as one of only two organizations to receive an "Exemplary" rating. As well, the Office of the Commissioner congratulated VIA Rail on its efforts to promote both official languages through our On Train Entertainment initiative and our in-house official languages survey.

CANADIAN MILITARY AND VETERANS PROGRAM

Since November 2010, VIA Rail has supported the Canadian military, veterans, and their families through its participation in several non-profit groups such as True Patriot Love Foundation and The Vimy Foundation. In addition, VIA Rail offers discounted fares for military members and their families as well as veterans, allowing them to travel across the country at very attractive rates. In the third quarter of 2014, we welcomed the 100,000th Canadian military passenger to benefit from this offer onboard our trains; in 2014 alone, VIA Rail carried 27,000 military travellers. To mark Remembrance Day, VIA Rail partnered with the Royal Canadian Legion and distributed poppies onboard its trains in honour of those who served Canada. In reflection of its support for the Canadian military and veteran communities and with great respect for the risks members take to protect our freedom and way of life, VIA Rail has also established a recruiting strategy that aims to make it an employer of choice for former soldiers and reservists.

NEW CITIZENS PROGRAM

In July 2012, VIA Rail announced a partnership with the Institute for Canadian Citizenship, a national non-profit charity that helps accelerate new citizens' integration into Canadian life, which enables new Canadians to discover their adopted country by train. VIA Rail offers new citizens fare discounts on any VIA Rail train. Since the launch of the program, over 7,100 trips have been taken by new citizens, 4,900 of which were in 2014.

ON TRAIN ENTERTAINMENT

Originally launched in 2013, VIA Rail upgraded its complimentary On Train Entertainment system and doubled the video content library. The portal now offers 150 hours of all-Canadian programming for passengers to choose from. Daily news, and TV shows from the CBC, animation and documentaries from the National Film Board, and vignettes from Historica Canada and the Canadian Heritage Virtual Museum can now be found on all of VIA Rail's trains within the Québec City-Windsor corridor.

LOCAL ARTISTS IN ADVERTISING CAMPAIGN

For its winter advertising TV campaign launched in November 2014, which ran on TV, the internet and social media, VIA Rail called on Canadian musicians Jonas and Les Trois Accords.

LOCAL FOOD SOURCING

At VIA Rail, we pride ourselves on supporting local Canadian suppliers. Featuring Canadian products in our onboard food and beverage offerings is a guiding procurement principle. While having to take into account several considerations when selecting products, the source of the product is a key element in procurement decision-making.

In 2014, we stepped up our efforts to feature Canadian products on our trains. Among them:

- Fresh food products are sourced mainly from Canada and we forge special partnerships with select suppliers, such as a Winnipeg-based cooperative that produces the bread we serve;
- Canadian wines are featured in both Economy and Business class on trains in the Québec City-Windsor corridor;
- In Business class, passengers in the Corridor are offered desserts that are made-in-Canada;
- Both Sleeper Service and Economy class passengers on the *Ocean* are offered craft beers from Atlantic Canada micro-breweries and Canadian wines, including some from vineyards in Nova Scotia.

SERVING COMMUNITIES

VIA Rail works hard to make the best use of its finite resources to serve and support communities, providing financial support and contributions of goods and services in support of worthwhile endeavours.

2014 ACHIEVEMENTS: SERVING COMMUNITIES

NATIONAL CHARITABLE CAMPAIGN

VIA Rail employees once again participated in the annual National Charitable Campaign across the country. Under the theme "Give a little, Help a lot" the campaign raised over $200,000 in donations for United Way and HealthPartners, a unique collaboration of 16 national health charities that work together to transform the health of Canadians. Along with the payroll deductions that form the foundation of the Campaign, employees from across the Country raised money through bake sales, auctions and many local events. The funds are used to help youths, families, people with reduced mobility, immigrants and people with mental health problems, and to support research to combat several diseases.

HealthPartners United Way

COMPLIMENTARY AND DISCOUNT TRAVEL

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 by offering promotional travel credits. In 2014, VIA Rail supported 840 non-profit and charitable organizations with travel credit donations representing $840,000.

STUDENT CAREER EXPLORATION

As part of a career exploration course for high school students, VIA Rail opened its doors to eight participants. The course offered youths aged 14-17 the opportunity to explore occupations and professions related to their career interests. Participants visited VIA Rail's Montréal Maintenance Center, the train stations in both Montréal and Ottawa, and took a familiarization trip onboard our trains.

EMPLOYEES

VIA Rail relies on an engaged workforce of more than 2,500 people across Canada. Its success depends on this entire team taking the Corporation's values to heart and sharing a common vision of excellence. Be they front-line employees, maintenance or administrative workers, 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.

Over the next five years, however, VIA Rail will face a great number of retirements. Approximately 35% of its workforce will change, leaving many positions to be filled. The challenge for our organization during this time will be to ensure continuity and to attract the talented people needed to take over.

VIA Rail aims to become an employer of choice. To do so, we will continue to focus on these key aspects of workforce management:

/ Attracting new talent

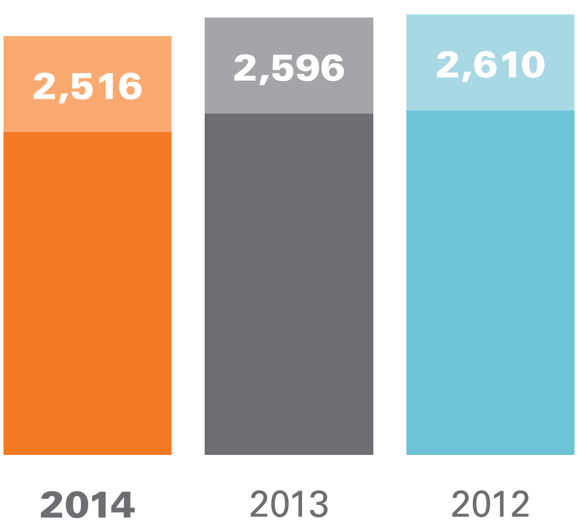
/ Striving for optimal workplace health and safety

/ Providing a safe, healthy work environment and maintaining good employee relations

/ Encouraging professional development

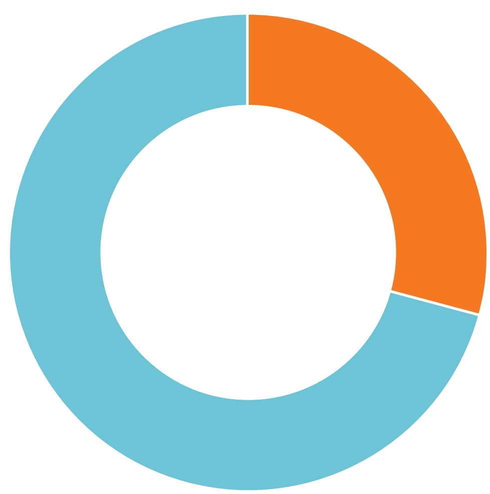
/ Fostering employee engagement

NUMBER OF EMPLOYEES*



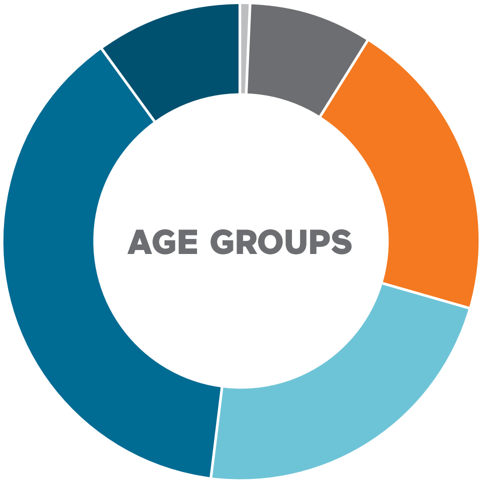
* Number of active employees at end of period

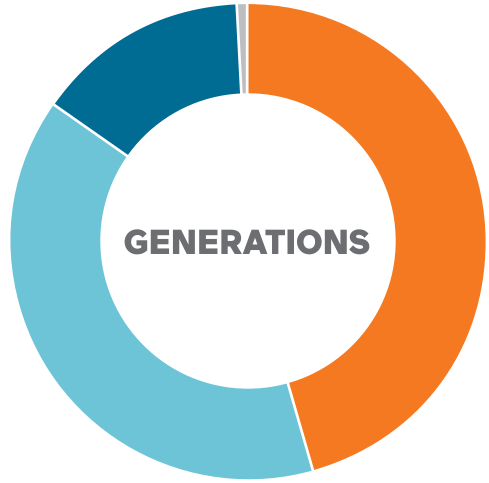
GENDER



FEMALE	739
MALE	1777

AGE OF EMPLOYEES





UNDER 20	2
20-30	216
30-40	519
40-50	566
50-60	962
60-70	251

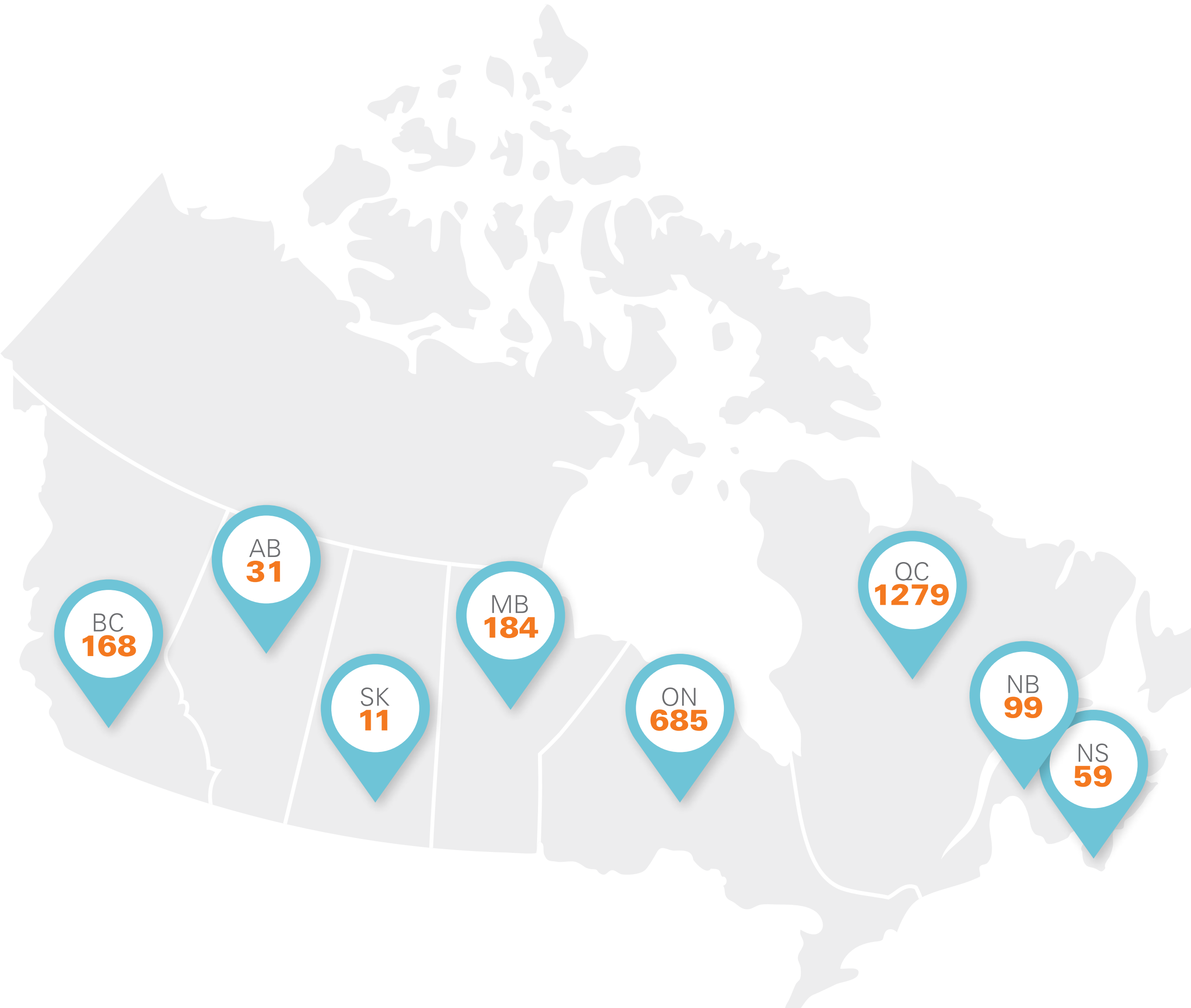
PARENT OF BABY BOOMERS (born between 1922 and 1945)	2
BOOMERS (born between 1946 and 1964)	1159
GENERATION X (born between 1965 and 1980)	984
MILLENIALS (OR GENY) (born between 1981 and 2000)	371

TYPE OF JOBS

FRONT-LINE STAFF

- TELEPHONE SALES AGENTS
- COUNTER SALES AGENTS
- STATION ATTENDANTS
- ON TRAIN SERVICE ATTENDANTS
- OPERATIONS / MAINTENANCE
- GENERAL WORKERS
- RAILWAY CAR ELECTRICIANS
- DIESEL ENGINES MECHANICS
- LOCOMOTIVE ATTENDANTS
- LOCOMOTIVE ENGINEERS

GEOGRAPHICAL BREAKDOWN OF EMPLOYEES



OFFICES

COMMUNICATIONS

LEGAL SERVICES

HUMAN RESOURCES

FINANCE

INFORMATION TECHNOLOGY

REAL ESTATE PROPERTY

MARKETING AND SALES

TRAVEL OR OTHER ADMINISTRATIVE SERVICES

2014 ACHIEVEMENTS: EMPLOYEES

In 2014, our teams undertook numerous initiatives designed to make VIA Rail even more appealing to potential new recruits, in order to attract the talent we require, while providing a better work environment for existing employees. A sample of these initiatives is listed below.

ATTRACTING NEW TALENT

Veteran and Reservist Hiring Program | VIA Rail became a partner of the Military Employment Transition Program of Canada Company, a charitable, non-partisan organization that serves to build bridges between business and community leaders and the Canadian Military. This agreement gives VIA Rail access to a pool of veterans who wish to transition to civilian life and, as a potential employer, helps the coalition move towards its goal of hiring 10,000 veterans by 2023. Canadian Armed Forces personnel and Veterans are recognized for their leadership and teamwork while serving their nation at home and abroad. They have many of the skills, training and experience that could enable them to make a positive difference at VIA Rail.

Partnership with Red River College | This agreement pertains to competency development for service enhancements (wine and meals) and qualification of our Concierge positions onboard the *Canadian*. It has enabled us to develop a pool of talent for Customer Service and Chef positions, certified to Red Seal qualification standards (the Red Seal Program is the Canadian standard of excellence for skilled trades).

Recruitment tools | VIA Rail took steps during 2014 to broaden and improve its range of recruitment tools. Among the initiatives implemented: workshops with employees and external stakeholders to help identify VIA Rail's best levers for talent attraction; VIA Rail's career site was updated to be better aligned with the new employer branding, as well as to promote ethics, diversity and inclusion and a new selection process has been implemented that will help VIA Rail identify the best candidates from the applications generated by our new career site.

STRIVING FOR OPTIMAL WORKPLACE HEALTH AND SAFETY

North American Occupational Safety and Health (NOASH) week | During NAOSH week last May, VIA Rail focused its attention on affirming the importance of health and safety throughout its workforce. This year's *Make Safety a Habit!* theme called on employees to integrate safety into all their day-to-day activities and review their workplace hazard registries.

Global Corporate Challenge (GCC) | 2014 marked VIA Rail's third year of participation in the GCC, an international wellness initiative utilized by businesses all over the world to help improve the health and fitness of their employees. This initiative lasts 100 days and challenges employees to get active by taking a minimum of 10,000 steps per day. Almost 700 employees participated in the 2014 challenge, achieving a daily average of 14,429 steps (or 9.23 km). VIA Rail was honoured by the GCC as the World's Most Active Company in the Transport and Logistics sector. More importantly, upon completion of the program, 80% of VIA Rail participants rated their overall health as good, very good or excellent.

PROVIDING A SAFE, HEALTHY WORK ENVIRONMENT AND MAINTAINING GOOD EMPLOYEE RELATIONS

Job Sharing Process | Starting in January, the Corporation, together with the Union representing onboard and off-train employees, developed a trial Job Sharing Process, allowing employees to temporarily share a position without changing their permanent status. This option, introduced for onboard and off-train staff, offers the possibility – for example – to spend more time with young children or aging parents, to ease into retirement, or for other personal reasons.

Peer support (in case of incident) | The objective of this program, which might be termed emotional first aid, is to assist employees in need who have suffered a work-related traumatic incident. It is one of the first key steps towards the recovery of employees involved in such situations. Peer support benefits the employees by bringing them back to work faster and helping them work through the trauma.

Inclusion and Diversity network | The regional network provides a forum to discuss and work towards improving inclusion and diversity within the workplace. The national network promotes inclusion and diversity from a strategic level within VIA Rail. Members are expected to share their knowledge, experience and informed opinions to assist in gathering input from colleagues and to act as ambassadors of inclusion and diversity throughout the company.

Hybrid pension plan | VIA Rail's goal is to offer pension plans that are sustainable, affordable and that share the costs and the risks between the Corporation and the employees. Pension contributions for the existing defined benefit plan were increased beginning in 2013. By 2017, the Corporation and the employees will be contributing on a 50/50 basis to the current service cost of this plan. Unifor unionized employees hired on or after January 1, 2014 will be enrolled in a hybrid pension plan that includes a defined benefit portion funded by the Corporation and a defined contribution portion funded by the employees with a formula for matching funds from the company. The new hybrid pension plan will be an important factor in attracting and retaining employees.

Employee Assistance Program | VIA Rail has enhanced its Employee Assistance Program to support employees experiencing performance issues at work that may be related to drug and alcohol abuse. Two new services were introduced: a Substance Abuse Program which provides professional assessment, treatment recommendations and referral to treatment as well as a Relapse Prevention Program to support employees who have successfully completed a substance abuse treatment programs and help them avoid a relapse.

ATTENDANCE MANAGEMENT

A positive trend began when the Attendance Policy was launched in August 2010, and the improvements continue. VIA Rail's Integrated Attendance Management model instigated a decrease in every category of absences since 2010, including sick days, personal days, and unjustified leave, and most importantly, absences due to injuries in the workplace.

	2014	2013	2012
Employee attendance Total hours worked per month / total possible work hours per month	**92.6%**	92.3%	91.9%
Lost time injuries	**87,000 hours**	103,000 hours	141,000 hours
Lost time injuries reduction	**16,000 hours – 15% reduction compared to 2013** **102,000 hours – 54% reduction compared to 2010**		
Financial impact – savings	**$221,000 – 4% compared to 2013** **$1.3 million – 19% compared to 2010**		

ENCOURAGING PROFESSIONAL DEVELOPMENT

Talent management system | In order to help employees progress at VIA Rail, we have introduced new functionalities to our Talent Management System: career planning, succession planning and talent review. Now, with the new employee portal, employees can update their information, including past work experience, education, work interests, professional associations and more. These new functionalities will enable VIA Rail to get a clearer picture of the available internal talent, and to determine what specific training programs could help VIA Rail employees develop and progress within the Corporation.

PROFESSIONAL DEVELOPMENT IN 2014

TOTAL HOURS OF TRAINING

83,916 HOURS

IN CLASS	E-LEARNING
74,936 HOURS	8,980 HOURS

NUMBER OF EMPLOYEES TRAINED

2,667

INCLUDING ALL EMPLOYEES
(full time and seasonal)

AVERAGE HOURS OF TRAINING PER EMPLOYEE

31.4 HOURS

5.23 DAYS

TYPES OF TRAINING	HOURS
HEALTH AND SAFETY Health and safety regulated and mandatory training to its employees is a top priority at VIA Rail.	50,565
CUSTOMER SERVICE Our Customer Service representatives, either on or off train have received training to maintain our high quality standards when dealing with our customers and the public. Main courses were Business class, Prestige Sleeper class, Economy class and all activities pertaining to the development of sales competencies.	15,468
TRAINING ON EQUIPMENT VIA Rail continues to maintain its train fleet and its equipment to a high standard of quality. During the year, training was provided to all maintenance and servicing employees.	6,567
SPECIFIC SKILL DEVELOPMENT A program which offers specific skill development activities that follow the best practices and allows our employees to be more competent. Activities include: coaching, wellness at work, project management and specific Information Technology courses.	3,670
CORPORATE PROGRAMS TRAINING Developmental activities that sensitize employees on environment, workplace violence, harassment, security, conduct and information technology security.	2,006
PROFESSIONAL EMPLOYEES DEVELOPMENT A training program addressing themes such as conflict management, change management, and efficient meetings.	1,747
MANAGEMENT Specific training addressing recognition, employee relations, attendance management, leadership skills and coaching is offered to managers.	2,573
SUPPORT TO EMPLOYEES' WORK Aside from technical training provided on train equipment, developmental activities pertaining to computers, software and new internal applications that facilitates the work of the employee are also offered.	1,256
BUSINESS CONTINUITY A specific training program to address business continuity needs.	64

FOSTERING EMPLOYEE ENGAGEMENT

Open employee communication | Immediately after being appointed President and CEO in May, Yves Desjardins-Siciliano undertook a cross-country tour that continued through the end of the year to meet employees, listen to their ideas and concerns and answer their questions. Over this seven-month period, he met with over 1,500 people, representing more than 50% of the total workforce.

Employee recognition | Recognizing the work and dedication of our employees is one of the keys to having a committed workforce. At VIA Rail, two initiatives play important roles in achieving this goal:

- **Years of Service Recognition program**
  Early in 2015, ceremonies were held in Halifax, Moncton, Québec City, Montréal, Toronto, Winnipeg and Vancouver to celebrate the employees who retired, as well as employees celebrating significant years of service with VIA Rail in 2014.

- **Recognition training program**
  A recognition training program for managers has been developed, focusing on how to effectively provide non-monetary recognition to employees. Implemented in 2014, this program is directly tied to VIA Rail's business strategy and corporate competencies. It includes guidelines and a set of tools to help managers in their recognition efforts. The objective is to improve employee engagement, which ultimately improves retention and has a positive impact on financial performance.

GOVERNANCE AND ACCOUNTABILITY

CONTENTS

BOARD OF DIRECTORS

The Board of Directors is composed of the Chairman, the President and Chief Executive Officer and directors, all appointed by the Government of Canada. The Board is responsible for overseeing the strategic direction and management of the Corporation, and reports on VIA Rail's operations to Parliament through the Honourable Lisa Raitt, Minister of Transport.

Working in an ever-evolving business environment, VIA Rail has to be innovative in its approach in order to address changing governance challenges and needs. To this end, and to support VIA Rail's efforts to meet these new challenges, the structure of the Board of Directors and the mandate of its Committees were reviewed and revised during 2014. This revision was conducted in accordance with recommendations contained in a report that compared the Board's previous structure to those of other major Crown corporations, as well as those of publicly traded companies operating in the transport sector. The goal was to maximize the effectiveness of the Board committees by evaluating and revising their mandates and responsibilities.

Based on recommendations stemming from the comparative study, the following structure was approved during a meeting that took place in May 2014. Effective July 1, 2014, mandates of the Board committees were realigned and the number of committees was reduced from five to four[1] as follows: Audit and Finance; Governance, Risk and Strategy; Human Resources; and Pension Investment.

As demonstrated over the past few years, the Corporation's Board of Directors and management are always seeking ways to provide Canadians with greater insights into the management of its affairs. VIA Rail regularly publishes information on executive compensation, statistics on the performance of its railway passenger services and on the Board of Directors' governance policies. This information can be found on our website, under the following sections: Annual Reports, Quarterly Reports and Board of Directors.

Finally, eight (8) Board meetings were held and Committees met a total of twenty five (25) times over the course of 2014. The overall average attendance rate of Board members at these meetings was 97%. Cumulative fees paid to Board members during this time period totaled $192,616. An internal evaluation was initiated at the end of 2014 in order to obtain feedback from Directors and help ensure that the best governance practices are in place.

1 On January 1st, 2014, the Board's Committees were: Audit, Risk and Finance; Real Estate, Environment and Major Capital Program; Investment; Corporate Governance; Human Resource.

COMMITTEES OF THE BOARD*

AUDIT AND FINANCE

Jane Mowat, Chairperson

Denis Durand

Ramona Materi

Melissa Sonberg

GOVERNANCE, RISK AND STRATEGY

Stephen Mallory, Chairman

David Hoff

Deborah Robinson

Hind Sergieh

HUMAN RESOURCES

David Hoff, Chairman

Ramona Materi

Deborah Robinson

Hind Sergieh

Melissa Sonberg

William M. Wheatley

PENSION INVESTMENT

Denis Durand, Chairman

Stephen Mallory

Jane Mowat

William M. Wheatley

* Interim Chairman Eric Stefanson is an ex officio member of all Board committees.

ACCESS TO INFORMATION

VIA Rail believes that openness and transparency are the starting point in building a relationship of trust with its customers, partners and the public in general. VIA Rail has continuously improved its practices related to access to information as provided in the *Access to Information Act* and the *Privacy Act*, to which VIA Rail became subject in 2007.

Our aim is to respond promptly, and with transparency, to information requests from the public, the media and all those interested in VIA Rail's operations. In this regard, VIA Rail has reviewed how information requests are received and processed. A new full-time position of Officer, Access to Information and Privacy (ATIP), was created. The Officer ATIP works exclusively on the interpretation and application of both Acts' provisions and requirements, including the administration of the process by which access to information and privacy requests are received and processed. This new structure enables the Corporation to process requests more efficiently, and also to work proactively on the development and implementation of access to information and privacy-related procedures and services.

In the spring of 2014, VIA Rail submitted its 2013-2014 annual reports on access to information and privacy, respectively, to the Access to Information Commissioner and the Privacy Commissioner, as well as to the Minister of Transport.

From April 1, 2013, to March 31, 2014, VIA Rail received 72 new requests and two new complaints under the *Access to Information Act* and the *Privacy Act*. This compared to a total of 34 requests and seven complaints received during the corresponding period from April 2012 to March 2013. A substantial increase in the number of access to information requests was noted over the course of the past two years. Also, from April 1 to December 31, 2014, 50 new requests and 54 new complaints were received. It is important to note that, as of January 1, 2015, 34 of those new complaints were deemed unfounded by the Access to Information Commissioner and 20 are still being reviewed.

VIA Rail posts a brief summary of all completed responses to requests it receives under the *Access to Information Act* on its website at viarail.ca.

TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES

THE FOLLOWING TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES WERE SUBMITTED DURING 2014:	
Paul G. Smith Chairman of the Board until August 2014	$8,376
Eric Stefanson Interim Chairman of the Board as of August 2014	$1,470
Steve Del Bosco Interim President and CEO from January 4th to May 8th, 2014	$1,092
Yves Desjardins-Siciliano President and CEO as of May 9th, 2014	$26,235
Executive management committee (8 members)	$45,025
Board of Directors (10 members)	$26,597

ENVIRONMENTAL MANAGEMENT SYSTEM

VIA Rail has defined processes within its Environmental Management System to evaluate the environmental impact of its projects and activities; and to determine if the environmental impacts, if any, are likely to cause significant adverse environmental effects.

In 2014, all new projects, new initiatives and activities were assessed using VIA Rail's Hazard Assessment and Risk Control Strategies (HARCS) process. This process is implemented by the project manager at the planning phase to identify and assess environmental risks and to identify appropriate controls to mitigate the risks, as required. In addition to the HARCS process, an evaluation of the environmental impacts of projects is performed, when required, to identify the environmental impact, determine if any had significant effect on the environment and implemented appropriate mitigation measures.

In 2014, VIA Rail did not carry any project or activities that generated significant adverse environmental effects. Major projects for 2014 consisted of construction on existing railway property and of regular maintenance and repair activities of railway infrastructure. In all cases, VIA Rail processes were followed, environmental evaluations were completed, identification and implementation of appropriate mitigation measures were performed as per project plan and assessment report, and appropriate permits received.

EXECUTIVE COMPENSATION

2014 EXECUTIVE COMPENSATION RANGE DISCLOSURE[2]		
Cash Compensation[3]	**President and CEO**	**Officers**
Base Salary Range	$255,200 - $300,200	$184,399 - $305,614
Incentive Program Range	19.5% - 26%	30% - 40%
Total Compensation Range per Calendar Year	$304,965 - $378,250	$239,720 - $427,860

PERQUISITES PROGRAM		
Car Allowance		
Social, Sport Club Memberships		
Health Care Spending Account	$43,400	$26,000
Comprehensive Medical Exams		
Financial Planning Services		

2 On December 31st, 2014, Executives were: President and Chief Executive Officer, Chief Customer Experience & Operations Officer, Chief Financial & Administration Officer, Chief Business Transformation Officer, Chief Commercial Officer, Chief Legal Officer and Corporate Secretary, Chief Human Resources, Senior Advisor to the President and CEO. The upper management structure was reviewed over the course of 2014. On January 1st, 2015, Executives will be: President and Chief Executive Officer, Chief Commercial Officer, Chief Transport and Safety Officer, Chief Capital Asset Management Officer, Chief Financial Officer, Chief Business Transformation Officer, Chief Human Resources, and Chief Legal & Risks Officer and Corporate Secretary.

3 The Cash Compensation does not report the actual salary and incentives paid to Executives but merely the range for their respective positions.

COMPLIANCE WITH ANTI-SPAM LEGISLATION

VIA Rail strongly believes in respecting the wishes of its customers and third parties, especially regarding the use of commercial electronic messages. Accordingly, following the adoption of Canada's Anti-Spam Legislation (CASL), which came into force on July 1, 2014, VIA Rail has undertaken various initiatives in order to ensure that its practices are in compliance. The main objective of CASL is to eliminate unsolicited commercial electronic messages. The legislation's general principle states that such messages have to include predetermined mandatory content, and that the recipient's consent must be obtained before sending them. As part of the initiatives undertaken, a new corporate policy, the Anti-Spam Policy, was developed and now applies to all VIA Rail employees, representatives and agents. This policy aims to ensure that VIA Rail adapts its current operational practices to promote compliance with the spirit and letter of CASL.

DIRECTORS' BIOGRAPHIES

ERIC STEFANSON
Winnipeg, Manitoba

/ Interim Chairman, VIA Rail Canada
/ Ex officio member of all Board committees

BOARD MEMBER SINCE JANUARY 2007

Mr. Stefanson is a corporate director and Chartered Accountant, who has served in a number of senior roles in the private sector and held elected office at both the municipal and provincial levels. After launching his career as a partner in the accountancy firm Stefanson and Lee, he entered politics, serving as a Winnipeg City Councillor and as Deputy Mayor. Mr. Stefanson subsequently was elected a Member of Manitoba's Legislative Assembly and held a number of senior Cabinet posts, including Minister of Health, Deputy Premier, Minister of Finance, Chair of the Treasury Board and Minister of Industry, Trade and Tourism. He later joined the Assante group of companies, serving initially as Chief Operating Officer of Assante Asset Management Ltd. and then Chief Financial Officer of Assante Canada. Mr. Stefanson also was Managing Partner, Central Canada Region, for BDO Canada LLP Chartered Accountants and Advisors. He currently chairs the Audit Committees of the boards of the North West Company and of FWS Holdings Limited, while also serving as a director of People Corporation and Chair of the Investment Committee of the Winnipeg Civic Employees' Benefits Program. Mr. Stefanson received a Bachelor of Arts degree from the University of Manitoba and is a Fellow of the Chartered Accountants of Manitoba.

DENIS DURAND
Montréal, Québec

/ Chairman - Pension Investment Committee
/ Member - Audit & Finance Committee

BOARD MEMBER SINCE JUNE 2008

Mr. Durand is a partner at Jarislowsky Fraser Ltd., a leading Montréal-based investment counselling firm that manages pension and endowment funds as well as corporate and private portfolios for clients in North America and overseas. He began his career with the Government of Québec, first as an economist and then as a financial analyst, before joining Jarislowsky Fraser as a manager and associate, a position he held from 1981 to 1988. After five years as President and Investment Director at Gentrust Investment Counsellors, where he launched an international fund and a pioneering stock-savings plan fund, Mr. Durand returned to Jarislowsky Fraser in 1993 as a partner. A former Vice-Chair and member of the board of CARE Canada, he currently serves as President of the *Association des économistes Québécois*, Chair of the *Cercle Finance et Placement du Québec* and as a member of the board of Groupe Forex Inc. Mr. Durand holds a Bachelor's degree from *Université Laval* and is working towards a Master's degree in Economics.

DAVID HOFF

Vancouver, British Columbia

- Chairman - Human Resources Committee
- Member - Governance, Risk & Strategy Committee

BOARD MEMBER SINCE JANUARY 2007

Mr. Hoff is Vice-President, Corporate Communications and Public Affairs, for Ledcor, an employee-owned construction, resource and transportation conglomerate with corporate offices in Vancouver and San Diego, CA and operations across North America. He previously served as Senior Director, Provincial Government Relations, Western Canada, for Bell Canada and Bell Mobility, and as CIBC's Regional Director, Corporate Communications and Public Affairs for Western Canada. Earlier in his career, Mr. Hoff held the posts of Executive Assistant to the President of the Treasury Board and Policy Advisor, Asia, Africa and Development, to the Minister of Foreign Affairs, and also worked as a consultant. Active in community circles, he currently serves on the boards of two non-profit organizations, the Vancouver Board of Trade and the Jack Webster Foundation, and is a former member of the boards of the University of Calgary, KCTS – PBS TV (Canada), Save the Children Canada, and the Vancouver Economic Development Commission. He holds a Bachelor of Science degree from the University of Calgary.

STEPHEN MALLORY

Toronto, Ontario

- Chairman - Governance, Risk & Strategy Committee
- Member - Pension Investment Committee

BOARD MEMBER SINCE DECEMBER 2012

Mr. Mallory is President and CEO of Directors Global Insurance Brokers Ltd., a Toronto based firm which provides commercial insurance brokerage and enterprise-risk-management services for organizations located across Canada and internationally. He previously held senior leadership positions with two of Canada's largest insurance brokerages, including as CEO. Prior to VIA Rail, he served as a director with the Standards Council of Canada, a Federal Crown Corporation, and is a member of the CSA Canadian Risk Management Mirror Committee. He holds a Bachelor of Arts degree from the University of Western Ontario, as well as the CRM (Canadian Risk Management) and FCIP (Fellow, Chartered Insurance Professional) designations. A graduate of the Directors Education Program at the Institute of Corporate Directors, he has also earned his ICD.D designation.

RAMONA MATERI
Vancouver, British Columbia

/ Member - Audit & Finance Committee; Human Resources Committee

BOARD MEMBER SINCE OCTOBER 2012

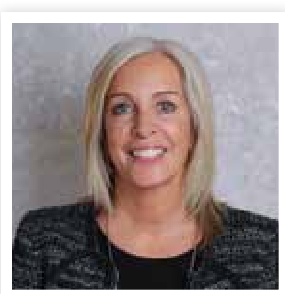
Ms. Materi is the President of Ingenia Consulting, which specializes in labour market research and analysis, workforce development and human resources strategic planning. She founded Ingenia in 1995. Under her leadership, the firm has carried out assignments across Canada as well as in the United States and Vietnam. Ms. Materi serves on the Small and Medium Sized Enterprise Advisory Board to the Minister of International Trade. She is a member of the Vancouver Board of Trade and the Institute of Corporate Directors, and is a past Director of the Canadian Society for Training and Development and of West Coast Legal Education and Action Fund. Ms. Materi holds a Bachelor of Arts from McGill University, a Master of Public Affairs from the University of Texas at Austin, and a Master of Education from Athabasca University. She completed graduate studies at the *Institut de Hautes Études Internationales et du Développement* in Geneva. Ms. Materi is an active volunteer with the St. Vincent de Paul Society and several other community organizations.

JANE MOWAT
Toronto, Ontario

/ Vice-Chairperson, VIA Rail Canada
/ Chairperson - Audit & Finance Committee
/ Member - Pension Investment Committee

BOARD MEMBER SINCE SEPTEMBER 2013

Ms. Mowat is a former information technology executive who, since 2003, has worked as an independent consultant, advising clients on acquisitions in the software industry, as well as providing advice on corporate finance, borrowings and business valuations. She previously served as Chief Financial Officer of Centrinity, a TSX-listed software company, from 2001 to 2003 General Manager of IBM's financing business in Canada and the United States, from 1996 to 2000, and as Chief Financial Officer of ISM Information System Management Corporation from 1990 to 1995. Ms. Mowat has considerable governance experience, having served on the boards of both private and public companies, including Allstream, Coventree Inc. and Centrinity. She holds a Bachelor of Commerce degree from the University of Toronto and earned her Chartered Accountant designation while employed with Price Waterhouse.



DEBORAH ROBINSON
Toronto, Ontario

/ Member - Governance, Risk & Strategy Committee; Human Resources Committee

BOARD MEMBER SINCE JUNE 2014

Ms. Robinson is the founder and President of Bay Street HR, a human-resources outsourcing service provider to small and mid-sized financial and professional firms. She previously was Executive Director at CIBC World Markets, where she oversaw human resources for global Investment Banking, Merchant Banking and Loan Products. She also held senior HR positions at Fidelity Investments and American Express in the United States. Ms. Robinson is a former member of the Board of Directors and Chair of the Human Resources Committee of Frontline Technologies Inc., a TSX-listed company. She currently serves as a member of the Board and Chair of the Human Resources and Governance Committee of Best Buddies Canada, a non-profit charitable organization. A graduate of the Directors Education Program at the Institute of Corporate Directors, Ms. Robinson holds the ICD.D designation.

HIND SERGIEH
Montréal, Québec

/ Member - Governance, Risk & Strategy Committee; Human Resources Committee

BOARD MEMBER SINCE DECEMBER 2012

Ms. Sergieh is the founder and President of the Sergieh Group, a Montréal-based consultancy that provides strategic marketing advice and business development plans to Canadian companies interested in expanding to overseas markets, particularly the Gulf region. Prior to founding the Sergieh Group in 2006, she held a number of leadership positions in international firms, with responsibilities ranging from recruitment to project management and business strategies. Ms. Sergieh is a member of the Board of Directors of Québec's *Office de la Protection du Consommateur*, an organization that informs, educates and investigates complaints from consumers, and has contributed to the development of the Association of Québec Women in Finance. She holds a Bachelor's degree in Administration, specializing in finance, as well as a certificate in marketing from McGill University.

MELISSA SONBERG
Montréal, Québec

/ Member - Audit & Finance Committee; Human Resources Committee

BOARD MEMBER SINCE JUNE 2014

Ms. Sonberg was a founding executive of Aeroplan, now known as AIMIA, a global leader in customer loyalty management, where she subsequently served as Senior Vice-President, Human Resources and Corporate Affairs, and Senior Vice-President, Global Brand, Communications and External Affairs. She previously held a number of senior positions at Air Canada, which included representing the Canadian carrier at the Star Alliance, and she led the organizational redesign following the merger of Air Canada and Canadian Airlines. Ms. Sonberg began her career in human resources at the Royal Victoria and Montréal Neurological Hospitals. She currently is an Adjunct Professor, Desautels Faculty of Management at McGill University and Chairperson of Equitas – International Centre for Human Rights Education, and serves on the Boards and Committees of McGill University, the University of Ottawa and Groupe Touchette. Ms. Sonberg holds a BSc degree from McGill as well as a Master's degree from the University of Ottawa. She is a Certified Corporate Director (ICD.D), and in 2011 was awarded the Canadian Human Resources Executive (CHRE) designation.

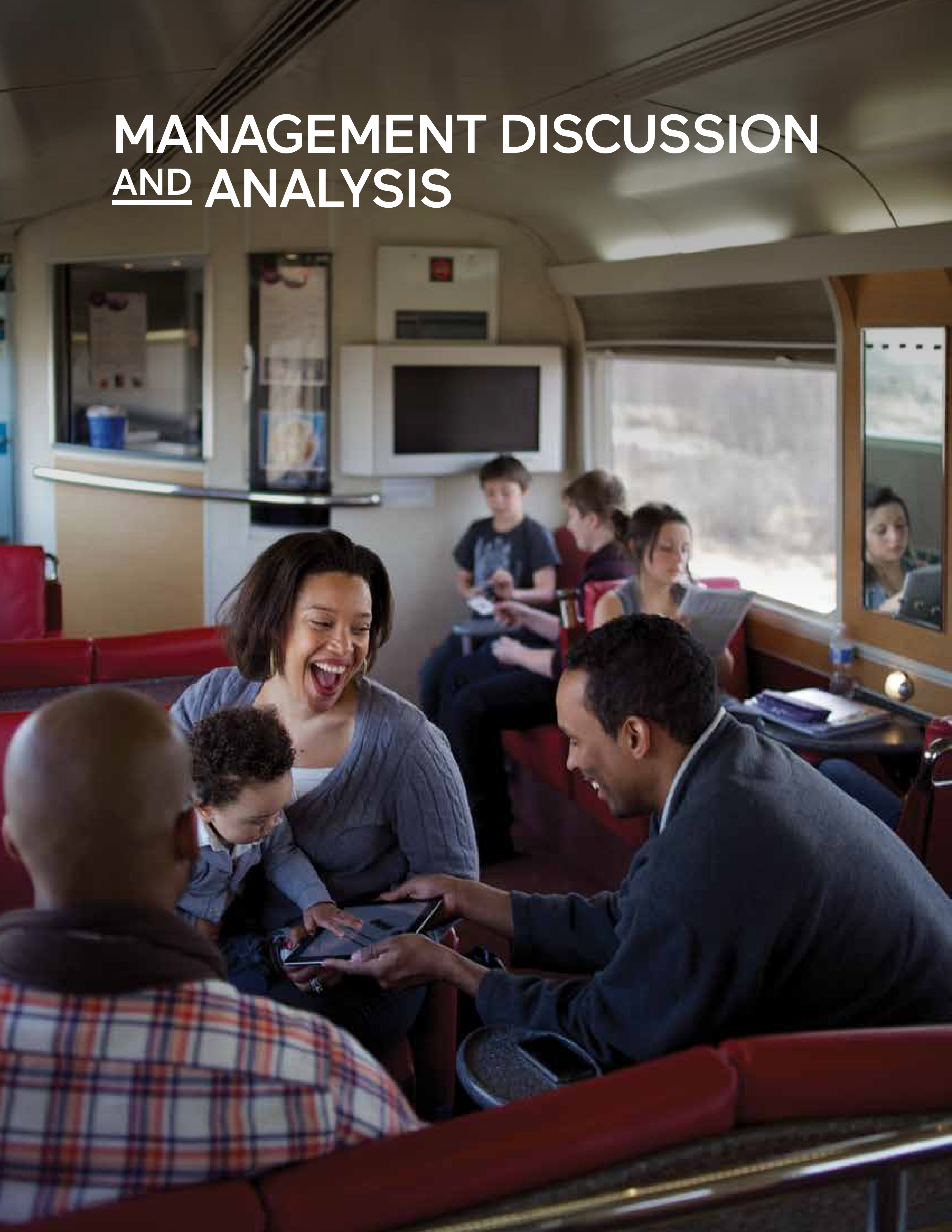
WILLIAM M. WHEATLEY
Regina, Saskatchewan

/ Member - Human Resources Committee; Pension Investment Committee

BOARD MEMBER SINCE DECEMBER 2007

Mr. Wheatley, now retired, most recently was Secretary, General Counsel and Managing Director of Greystone Capital Management Inc. He previously served as Senior Vice-President of Real Estate, Senior Vice-President of Administration and Chief Compliance Officer at Greystone. Earlier in his career, Mr. Wheatley was Chairperson of the Saskatchewan Securities Commission. He also served as Chief of Staff to the Minister of Justice and to the Minister of Finance for the province of Saskatchewan, and was President of Drope and Associates Realty. Mr. Wheatley currently is Vice-Chairperson of the Board of Directors of Saskatchewan Power Corporation and is involved with a number of charities and non-profit entities. He holds two degrees from the University of Saskatchewan: a Bachelor of Law and a Bachelor of Commerce.

MANAGEMENT DISCUSSION AND ANALYSIS



This is a review of VIA Rail Canada's operations, performance and financial position for the quarter and year ended December 31, 2014, compared with the quarter and year ended December 31, 2013. It should be read in conjunction with the audited 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 year, and then showing the other non-funded elements and accounting adjustments required under the International Financial Reporting Standards (IFRS).

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

	Quarters ended December 31				Years ended December 31			
IN MILLION OF CANADIAN DOLLARS	**2014**	2013	Var $	Var %	**2014**	2013	Var $	Var %
Passenger Revenues*	**65.1**	62.0	3.1	5.0%	**259.6**	249.6	10.0	4.0%
Total Revenues*	**70.7**	68.0	2.7	4.0%	**280.3**	270.4	9.9	3.7%
Operating expenses*	**131.9**	114.3	17.6	15.4%	**509.0**	482.4	26.6	5.5%
Employer contributions for employee benefits*	**28.6**	23.2	5.4	23.3%	**88.4**	95.6	(7.2)	(7.5%)
Total Operating expenses*	**160.5**	137.5	23.0	16.7%	**597.4**	578.0	19.4	3.4%
Operating Loss	**(89.8)**	**(69.5)**	**20.3**	**29.2%**	**(317.1)**	**(307.6)**	**9.5**	**3.1%**
Operating funding from Government of Canada	**89.8**	69.5	20.3	29.2%	**317.1**	307.6	9.5	3.1%
Non funded elements and other accounting adjustments								
Employee Benefits to be funded in subsequent years	**26.9**	9.5	17.4	183.2%	**58.9**	41.1	17.8	43.3%
Depreciation and amortization/ Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets	**(15.4)**	(29.8)	14.4	48.3%	**(72.0)**	(83.4)	11.4	13.7%
Amortization of deferred capital funding	**15.1**	29.7	(14.6)	(49.2%)	**70.4**	82.4	(12.0)	(14.6%)
Other	**(8.3)**	(3.0)	(5.3)	(176.7%)	**(8.4)**	1.7	(10.1)	n/a
Net income (loss)	**18.3**	**6.4**	**11.9**	**185.9%**	**48.9**	**41.8**	**7.1**	**17.0%**
Actuarial gain (loss) on defined benefit plans	**(26.8)**	36.7	(63.5)	(173.0%)	**(108.3)**	303.6	(411.9)	(135.7%)
Total comprehensive income (loss)	**(8.5)**	**43.1**	**(51.6)**	**(119.7%)**	**(59.4)**	**345.4**	**(404.8)**	**(117.2%)**

* Financial statement amounts were 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 year ended December 31, 2014 (before non-funded elements and other accounting adjustments).

A) PASSENGER REVENUES

	REVENUES*							
	Quarters ended December 31				Years ended December 31			
IN MILLIONS OF CANADIAN DOLLARS	2014	2013	Var $	Var %	2014	2013	Var $	Var %
Corridor East	**43.2**	41.4	1.8	4.3%	**159.9**	154.2	5.7	3.7%
Southwestern Ontario (SWO)	**10.9**	10.2	0.7	6.9%	**40.0**	37.2	2.8	7.5%
Corridor	**54.1**	**51.6**	**2.5**	**4.8%**	**199.9**	**191.4**	**8.5**	**4.4%**
Ocean	**1.9**	1.9	0.0	0.0%	**8.5**	8.6	(0.1)	(1.2%)
Canadian	**6.0**	5.8	0.2	3.4%	**40.1**	38.9	1.2	3.1%
Mandatory Services	**1.0**	1.0	0.0	0.0%	**3.9**	5.7	(1.8)	(31.6%)
Non Corridor	**8.9**	**8.7**	**0.2**	**2.3%**	**52.5**	**53.2**	**(0.7)**	**(1.3%)**
Other	**2.1**	1.7	0.4	23.5%	**7.2**	5.0	2.2	44.0%
TOTAL	**65.1**	**62.0**	**3.1**	**5.0%**	**259.6**	**249.6**	**10.0**	**4.0%**

	PASSENGERS							
	Quarters ended December 31				Years ended December 31			
IN THOUSANDS	2014	2013	Var #	Var %	2014	2013	Var #	Var %
Corridor East	**673.8**	690.6	(16.8)	(2.4%)	**2,569.1**	2,627.8	(58.7)	(2.2%)
Southwestern Ontario (SWO)	**258.0**	270.4	(12.4)	(4.6%)	**996.9**	997.1	(0.2)	(0.0%)
Corridor	**931.8**	**961.0**	**(29.2)**	**(3.0%)**	**3,566.0**	**3,624.9**	**(58.9)**	**(1.6%)**
Ocean	**17.1**	17.6	(0.5)	(2.8%)	**74.2**	76.3	(2.1)	(2.8%)
Canadian	**14.9**	17.5	(2.6)	(14.9%)	**93.8**	99.2	(5.4)	(5.4%)
Mandatory Services	**14.7**	15.7	(1.0)	(6.4%)	**66.1**	90.2	(24.1)	(26.7%)
Non Corridor	**46.7**	**50.8**	**(4.1)**	**(8.1%)**	**234.1**	**265.7**	**(31.6)**	**(11.9%)**
TOTAL	**978.5**	**1,011.8**	**(33.3)**	**(3.3%)**	**3,800.1**	**3,890.6**	**(90.5)**	**(2.3%)**

* Revenue amounts were adjusted to reflect funded activities.

Passenger revenues total $65.1 million for the quarter, an increase of 5.0 percent compared to the corresponding quarter last year. The increase stems from higher revenues generated in all major train services with the exception of the *Ocean* and Mandatory services where revenues remained stable.

On a total year basis, passenger revenues total $259.6M, which is an increase of 4.0% compared to the previous year. Revenues increased in all major train services expect Mandatory Services (due to the interruption of the Montreal-Gaspe service in September 2013).

The increase in revenues for both the quarter and the year was achieved through higher average fares, as passenger levels decreased in all major train services, except for Southwestern Ontario where they remained stable for the year. The increase also results from higher penalty and cancellation fees (included in other revenues).

FOR THE QUARTER:

/ Corridor East revenues are 4.3 percent above last year, and due mainly to improved average fares (7.0 percent), partly offset by lower volumes (2.4 percent fewer passengers);

/ Revenues in SWO have increased by 6.9 percent, also as a result of higher average fares (11.9 percent), partly offset by lower volumes (4.6 percent less passengers);

/ Revenues on the *Ocean* are stable compared to last year. Although passenger volumes decreased (2.8 percent fewer passengers), average fares increased by 2.9 percent;

/ Revenues on the *Canadian* have increased by 3.4 percent over the corresponding quarter last year. The performance results from higher average fares (21.5 percent), partly offset by lower passenger volumes (decrease of 14.9 percent);

/ Revenues on Mandatory services are stable compared to last year. Passenger volumes have decreased by 6.4 percent but this decrease was totally offset by higher average fares.

FOR THE YEAR ENDED DECEMBER 31, 2014:

/ Corridor East revenues are 3.7 percent above last year, and due mainly to improved average fares (6.0 percent), partly offset by lower volumes (2.2 percent fewer passengers);

/ Revenues in SWO have increased by 7.5 percent, as a result of higher average fares, as passenger volumes remained stable compared to the previous year;

/ Revenues on the *Ocean* have slightly decreased (1.2 percent) compared to last year, and the decrease stems from lower volumes (2.8 percent), partly offset by higher average fares (1.7 percent);

/ Revenues on the *Canadian* have increased by 3.1 percent compared to the previous year. The performance is mainly attributable to higher average fares (9.0 percent), partly offset by lower volumes (5.4 percent less passengers);

/ Revenues on Mandatory services have decreased by 31.6 percent, and the decrease is mainly due to the interruption of the Montreal-Gaspe service which has not operated since September 2013.

B) OPERATING EXPENSES

IN MILLIONS OF CANADIAN DOLLARS	Quarters ended December 31				Years ended December 31			
	2014	2013	Var $	Var %	**2014**	2013	Var $	Var %
Compensation & Benefits*	**55.6**	47.7	7.9	16.6%	**222.9**	211.8	11.1	5.2%
Train Operations & Fuel	**30.8**	31.1	(0.3)	(1.0%)	**124.6**	122.9	1.7	1.4%
Realized loss (gain) on derivative financial instruments	**0.7**	(0.3)	1.0	333.3%	**(0.3)**	(0.7)	0.4	57.1%
Corporate Tax expense (recovery)	**0.3**	0.4	(0.1)	(25.0%)	**0.8**	0.4	0.4	100.0%
Other operating expenses*	**44.5**	35.4	9.1	25.7%	**161.0**	148.0	13.0	8.8%
Total Operating expenses (before employer contributions for employee benefits)	**131.9**	**114.3**	**17.6**	**15.4%**	**509.0**	**482.4**	**26.6**	**5.5%**
Employer Contributions for employee benefits*	**28.6**	23.2	5.4	23.3%	**88.4**	95.6	(7.2)	(7.5%)
TOTAL FUNDED OPERATING EXPENSES	**160.5**	**137.5**	**23.0**	**16.7%**	**597.4**	**578.0**	**19.4**	**3.4%**

* Financial statement amounts adjusted to reflect funded activities.

FOR THE QUARTER:

- Operating expenses before employer contributions for employee benefits rose by 15.4 percent and totaled $131.9 million for the quarter. The increase is mainly due to higher compensation and benefits costs (additional pay period in 2014), as well as higher maintenance material costs (due to additional wheel and locomotive repairs, as well as the recording of a $2.1 million dollar provision for obsolete inventory). The increase is also attributable to advertising expenses and results mostly from the Christmas advertising campaign. Maintenance material costs and advertising expenses are included in other operating expenses.
- Employer contributions for employee benefits increased by 23.3 percent and total $28.6 million for the quarter, as a result of higher contributions to the supplemental executive retirement plan, and the impact of the additional pay period in 2014.

FOR THE YEAR ENDED DECEMBER 31, 2014:

- Operating expenses before employer contributions for employee benefits rose by 5.5 percent and totaled $509.0 million for the year. The increase is also due to higher compensation and benefit costs (mostly due to the impact of an additional pay period in 2014), as well as higher maintenance material costs, advertising expenses and track maintenance costs (all included in other expenses). Maintenance material costs increased due to additional wheel and locomotive repairs as well as the impact of a provision for obsolete inventory, and advertising costs increased as a result of the Christmas advertising campaign. Track maintenance costs also increased, the increase stemming from flagging and maintenance costs resulting from the signaling problems in Barrhaven;
- Employer contributions for employee benefits decreased by 7.5 percent and total $88.4 million for the year, the decrease results from the sharp solvency improvement experienced in 2013 which improved modestly the regulatory basis of the Corporation's pension plans for funding requirement, partly offset by higher contributions to the supplemental executive retirement plan.

3. CAPITAL INVESTMENTS

Fixed assets (net of accumulated depreciation) amount to $1,260.5 million, up $9.7 million compared to the balance as at December 31, 2013. Capital investments totaled $28.3 million for the quarter and comprised of:

- Investments of $7.9 million in Major Equipment projects including $5.1 million for the LRC car fleet revitalization project, and $2.7M for the HEP1 cars modernization program;
- Investments of $7.7 million in Major infrastructure projects, of which $4.7 million relate to the improvement of the GEXR Guelph subdivision project, and $2.4 million were invested in the Newcastle subdivision;
- A total of $5.7 in Information Technology projects (including the Customer Information and scheduling and bidding process improvement projects);
- Investments of $3.6 million in other infrastructure projects.

Capital investments totaled $81.8 million for the year and were made in the following projects:

- Investments of $32.4 million in Major Equipment projects, of which $22.2 million pertain to the LRC car fleet revitalization, and $10.1 million relate to the HEP1 cars;
- Investments of $13.1 million in Major infrastructure projects, including $6.8 million in the GEXR Guelph Subdivision project, $4.7 million in the Newcastle subdivision, and $1.6 million in the CN Kingston subdivision where sections of a third track are added to minimize congestion;
- Investments of $15.6 million in Information Technology projects;
- Investments of $8.8 million in other infrastructure projects.

4. CASH FLOW AND FINANCIAL POSITION

The Corporation's cash balance is $13.9 million as at December 31, 2014, which is $7.9 million below the balance as at December 31, 2013, and down $7.2 million compared to the balance at September 30, 2014. The decrease in cash for the quarter is due to the change in non-cash working capital items, partly offset by the change in capital funding receivable from the Government of Canada.

5. RISK ANALYSIS (compared to December 31, 2013)

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

RISK	TREND	CURRENT SITUATION
DETERIORATION OF ON-TIME PERFORMANCE		
On-Time performance remained an issue during the year, having negative impact on customer satisfaction and resulting in additional operational costs.		The Corporation continues to work with the various track owners, including CN which owns most of the infrastructure, to try and resolve the issues causing train delays, and improve on-time performance.
NEW REQUIREMENTS CONCERNING GRADE CROSSINGS REGULATIONS		
Transport Canada has put out a new regulatory agenda concerning grade crossings regulations which may require that VIA and other infrastructure owners modify their crossing infrastructure and reduce speed of trains near crossings.		Transport Canada has published the new requirements. A VIA team comprised of Operations and Safety and Security department representatives is currently assessing the required steps and associated costs to comply with the new regulations.
PASSENGER REVENUES		
Strong competitive and difficult economic environment continue to challenge revenue growth.		This year again, initiatives implemented by VIA to mitigate the impact of the competition and difficult economic environment have generated a significant increase in revenues, achieved through improved yields. These results are positive however, this year again, passenger volumes have continued to decline, therefore future initiatives and strategies will aim at improving yields but also generating additional ridership.

 INCREASING  STABLE  DECREASING

RISK	TREND	CURRENT SITUATION
CAPITAL INVESTMENT PROJECTS		
Major delays in equipment projects, or an increase in project costs would adversely affect VIA's financial performance.	Stable	Only 3 major equipment projects remain representing now less than 10% of the original capital envelope ($903M).
OPERATING FUNDING		
VIA continues to face operational funding challenges.	Stable	The Corporation is continuously pursuing the development and the implementation of a range of initiatives to reduce its deficit by increasing revenues and reducing costs. Furthermore, VIA continues to work with Transport Canada to address the challenge of operating loss and develop sustainable funding solutions. VIA received new envelopes for 2014-2015 fiscal year.
CAPITAL FUNDING		
VIA needs to continue investing in equipment, stations, maintenance systems, facilities and information technology, when the current investment program is completed.	Stable	The Corporation is working with Transport Canada to address ongoing capital funding requirements, and to ensure that VIA has the capital funding it requires to deliver on its mandate. VIA received new envelopes for ongoing capital for fiscal year 2014-2015.

INCREASING STABLE DECREASING

RISK	TREND	CURRENT SITUATION
PENSION COSTS		
Pension costs may vary significantly given the sensitivity to discount rates and demographics.	↓	A sharp increase in long term rates in the second half of 2013 improved pension funds solvency position. This improvement was reduced by the impact of a recently revised guidance from Canadian institute of Actuaries (CIA) in prescribed annuity rates.
FUEL COST FLUCTUATIONS		
Fuel is a major cost for passenger rail operations, and fuel costs could vary significantly from VIA's estimates due to the uncertainty and volatility of fuel prices.	↓	Fuel consumption has decreased compared to previous years as a result of the introduction of the refurbished locomotives as well as other initiatives to reduce fuel consumption. VIA's proven hedging strategy adds certainty to future fuel costs and can delay the impact of fuel price fluctuations. Given that contracts used to hedge fuel prices are denominated in U.S. dollars, VIA also hedges against foreign exchange risks.

↑ INCREASING   → STABLE   ↓ DECREASING

6. OUTLOOK

Results of the year are very positive in terms of revenues, and although expenses increased (mostly due to the impact of an additional pay period in 2014), the operating loss funded by the government only increased by 3.1 percent.

Tactical actions continue to ensure average fares are maximized generating positive results, but focus is also put on generating volume and attracting new customers.

The new telemetry technology introduced in 2013 and implemented in the beginning of 2014 has continued to allow us to reduce fuel consumption in our locomotives, while other technology projects have helped modernize our stations, and increase productivity. The Corporation is also working on new projects aimed at enhancing customer experience to attract new passengers.

The focus for 2015 will be on increasing revenues and ridership with potential additional frequencies, while maintaining operating costs as low as possible to improve the Corporation's financial situation and minimize the government subsidy.

FINANCIAL STATEMENTS

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

MANAGEMENT'S RESPONSIBILITY STATEMENT

YEAR ENDED DECEMBER 31, 2014

Management of the Corporation is responsible for the preparation and fair presentation of the financial statements contained in the Annual Report. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and necessarily include certain amounts that are based on management's best estimates and judgment. Financial information contained throughout the Annual Report is consistent with that in the financial statements. Management considers that the financial statements present fairly the financial position of the Corporation and its financial performance and its cash flows.

To fulfill its responsibility, the Corporation maintains systems of internal controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The external auditor, the Auditor General of Canada, has audited the Corporation's financial statements for the year ended December 31, 2014 and his report indicates the scope of his audit and his opinion on the financial statements.

The Audit and Finance Committee of the Board of Directors, consisting of independent Directors, meets periodically with the internal auditors PricewaterhouseCoopers, LLP and external auditors and with management, to review the scope of their audits and to assess reports on audit work performed. The financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit and Finance Committee.

Yves Desjardins-Siciliano
President and Chief Executive Officer

Patricia Jasmin, CPA, CA
Chief Financial Officer

Montréal, Canada
March 10, 2015

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Financial Statements

I have audited the accompanying financial statements of VIA Rail Canada Inc., which comprise the statement of financial position as at 31 December 2014, and the statement of operations and other comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of VIA Rail Canada Inc. as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of VIA Rail Canada Inc. that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and regulations, the articles and by-laws of VIA Rail Canada Inc. and the directive issued pursuant to section 89 of the *Financial Administration Act*.

Maurice Laplante, CPA auditor, CA
Assistant Auditor General
for the Auditor General of Canada

10 March 2015
Montréal, Canada

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As at (IN THOUSANDS OF CANADIAN DOLLARS)	December 31, 2014	December 31, 2013
CURRENT ASSETS		
Cash	$ 13,872	$ 21,757
Accounts receivable, trade	6,759	5,696
Prepaids, advances on contracts and other receivables	3,572	3,808
Receivable from the Government of Canada	16,805	-
Derivative financial instruments (NOTE 22)	1,760	1,733
Materials (NOTE 8)	21,836	24,924
Asset Renewal Fund (NOTE 11)	8,217	12,164
	72,821	70,082
NON-CURRENT ASSETS		
Property, plant and equipment (NOTE 9)	856,821	854,630
Intangible assets (NOTE 10)	403,722	396,165
Asset Renewal Fund (NOTE 11)	873	610
Post-employment and other employee benefits (NOTE 14)	2,326	-
	1,263,742	1,251,405
Total assets	$ 1,336,563	$ 1,321,487
CURRENT LIABILITIES		
Trade and other payables (NOTE 12)	$ 88,967	$ 90,223
Provisions (NOTE 13)	14,752	13,219
Deferred government funding	-	5,595
Derivative financial instruments (NOTE 22)	13,864	-
Deferred revenues (NOTE 17)	34,535	30,770
	152,118	139,807
NON-CURRENT LIABILITIES		
Post-employment and other employee benefits (NOTE 14)	95,411	43,699
	95,411	43,699
DEFERRED CAPITAL FUNDING (NOTE 16)	1,247,831	1,237,399
SHAREHOLDER'S EQUITY		
Share capital (NOTE 18)	9,300	9,300
Retained earnings	(168,097)	(108,718)
	(158,797)	(99,418)
Total liabilities and shareholder's equity	$ 1,336,563	$ 1,321,487

Commitments and Contingencies (Notes 19 and 25, respectively)

The notes are an integral part of the financial statements.

Approved on behalf of the Board,

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

Eric Stefanson, FCA
Director and Interim Chairman of the Board

FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

Year ended December 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2014	2013
REVENUES		
Passenger	**$ 258,118**	$ 249,064
Other	**21,050**	21,312
	279,168	270,376
EXPENSES		
Compensation and employee benefits	**245,686**	266,890
Train operations and fuel	**124,555**	122,894
Stations and property	**35,563**	35,047
Marketing and sales	**31,866**	29,749
Maintenance material	**33,342**	26,991
On-train product costs	**15,691**	15,491
Operating taxes	**9,267**	9,342
Professional services	**10,324**	9,227
Telecommunications	**13,290**	11,712
Depreciation and amortization (NOTES 9 AND 10)	**68,838**	72,522
Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets	**3,187**	10,877
Unrealized net loss (gain) on derivative financial instruments	**13,837**	(2,119)
Realized loss (gain) on derivative financial instruments	**(303)**	(679)
Other	**11,832**	10,170
	616,975	618,114
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES	**337,807**	347,738
Operating funding from the Government of Canada (NOTE 7)	**317,055**	307,617
Amortization of deferred capital funding (NOTE 16)	**70,445**	82,424
NET INCOME BEFORE INCOME TAXES	**49,693**	42,303
Income tax (expense) recovery (NOTE 15)	**(760)**	(450)
NET INCOME FOR THE YEAR	**48,933**	41,853
Other comprehensive income (loss)		
Amounts not to be reclassified subsequently to net income (net of tax):		
Remeasurements of defined benefit plans (NOTE 14)	**(108,312)**	303,594
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**(108,312)**	303,594
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**$ (59,379)**	$ 345,447

The notes are an integral part of the financial statements.

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

Year ended December 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2014	2013
SHARE CAPITAL	**$ 9,300**	$ 9,300
Retained Earnings		
Balance, beginning of year	**(108,718)**	(454,165)
Net income for the year	**48,933**	41,853
Other comprehensive income (loss) for the year	**(108,312)**	303,594
Balance, end of year	**(168,097)**	(108,718)
Total Shareholder's equity	**$ (158,797)**	$ (99,418)

The notes are an integral part of the financial statements.

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

Year ended December 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2014	2013
OPERATING ACTIVITIES		
Net income for the year	**$ 48,933**	$ 41,853
Adjustments to determine net cash (used in) from operating activities:		
Depreciation and amortization (NOTES 9 AND 10)	**68,838**	72,522
Impairment of property, plant and equipment and intangible assets (NOTES 9 AND 10)	**413**	5,908
Loss (gain) on disposal of property, plant and equipment and intangible assets	**2,774**	4,969
Amortization of deferred investment tax credits	**-**	(281)
Amortization of deferred capital funding (NOTE 16)	**(70,445)**	(82,424)
Interest income	**(669)**	(598)
Change in fair value of financial instruments (Asset Renewal Fund) (NOTE 11)	**(263)**	(525)
Unrealized net loss (gain) on derivative financial instruments	**13,837**	(2,119)
Post-employment and other employee benefit expenses (NOTE 14)	**29,506**	54,516
Employer post-employment and other employee benefit contributions (NOTE 14)	**(88,432)**	(95,568)
Net change in non-cash working capital items (NOTE 20)	**(20,609)**	42,484
Net cash (used in) provided by operating activities	**(16,117)**	40,737
INVESTING ACTIVITIES		
Capital funding (NOTE 16)	**80,877**	90,822
Change in capital funding receivable from the Government of Canada	**7,558**	(20,822)
Acquisition of investments in the Asset Renewal Fund	**(27,696)**	(54,154)
Proceeds from sale and maturity of investments in the Asset Renewal Fund	**31,643**	57,638
Change in capital accounts payable and accrued liabilities	**(3,046)**	(13,350)
Acquisition of property, plant and equipment and intangible assets (NOTES 9 AND 10)	**(81,763)**	(96,220)
Interest received	**669**	598
Proceeds from disposal of property, plant and equipment and intangible assets	**(10)**	651
Net cash (used in) provided by investing activities	**8,232**	(34,837)
CASH		
Increase (Decrease) during the year	**(7,885)**	5,900
Balance, beginning of year	**21,757**	15,857
Balance, end of year	**$ 13,872**	$ 21,757
REPRESENTED BY:		
Cash	**$ 13,872**	$ 21,757
	$ 13,872	$ 21,757

The notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31

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.

In December 2013, a directive was issued pursuant to sections 89.8 and 89.9 of the *Financial Administration Act* whereby the Corporation must obtain Treasury Board approval on its negotiating mandates with respect to collective agreements that expire in 2014 or later 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 financial statements were approved and authorized for issue by the Board of Directors on March 10, 2015.

2. BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

The Corporation's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

B) BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except when specific IFRS standard required fair values measurement as explained in the accounting policies below.

C) FUNCTIONAL AND PRESENTATION CURRENCY

These 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 Corporation's financial statements and rounded to the nearest million in the notes to the financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The Corporation has adopted the amendments of IAS 36 - *Impairment of Assets* - effective January 1, 2014, which requires additional disclosure on the measurement of the recoverable amount of impaired assets, particularly if the amount is based on the fair value less costs of disposal. This amendment has resulted in additional disclosure.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Corporation are summarized as follows:

A) FUNDING FROM THE GOVERNMENT OF CANADA

Operating funding, which pertains to services, activities and other undertakings of the Corporation for the management and operation of railway passenger services in Canada, is recorded as a reduction of the operating loss (See Note 7 for reconciliation). The funding is determined on the basis of operating expenses less commercial revenues excluding unrealized gains and losses on financial instruments, non-cash employee benefits, non-cash transactions relating to property, plant and equipment, intangible assets and deferred taxes, and is based on the operating budget approved by the Government of Canada for each year.

Funding for depreciable property, plant and equipment and intangible assets is recorded as deferred capital funding in the statement of financial position and is amortized on the same basis and over the same periods as the funded depreciable property, plant and equipment and intangible assets. Upon disposal of the funded depreciable property, plant and equipment and intangible assets, the Corporation recognizes into net income all remaining deferred capital funding related to the relevant assets.

Funding for non-depreciable property, plant and equipment is recorded as deferred capital funding in the statement of financial position and is amortized on the same basis and over the same periods as the related depreciable property, plant and equipment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B) REVENUE RECOGNITION

The consideration received from the sale of tickets is allocated between the points attributed under the loyalty program (VIA Préférence) and the passenger transportation service based on their relative fair values. The revenue is recorded as deferred revenue until the transportation has been provided or, in the case of the points, until they are redeemed for train tickets. The deferred revenue related to the loyalty program points is recorded as revenue based on the number of points that have been redeemed in exchange for train tickets, relative to the total number of points that are expected to be redeemed in exchange for train tickets. Deferred revenues are also recorded as revenues when it is no longer considered probable that the related loyalty program points will be redeemed. Other revenues that include revenues from third parties and investment income are recorded as they are earned. The change in fair value of the financial instruments held for trading other than a derivative financial instrument is recorded in other revenues.

C) FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the end of the reporting period. Gains and losses resulting from the changes in exchange rates are reflected in the statement of operations and other comprehensive income.

Non-monetary statement of financial position items as well as foreign currency revenues and expenses are translated at the exchange rate in effect on the dates of the related transactions.

D) MATERIALS

Materials, consisting primarily of items used for the maintenance of rolling stock, are valued at the lower of weighted average cost and net realizable value.

E) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at the acquisition or manufacturing cost, less accumulated depreciation and any accumulated impairment losses. When major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and are depreciated over their respective useful lives.

Maintenance and repair costs are recognized as follows:

i) Rolling stock:

Maintenance expenses incurred during the useful life of equipment (regular maintenance activities to maintain the asset in a good condition) are recorded as operating expenses.

The cost of periodic major overhaul programs are capitalized as a separate component and depreciated over its expected useful life.

ii) Fixed installations:

Maintenance and repair expenses (technical inspections, maintenance contracts, etc.) are recorded as operating expenses.

The costs of periodic major building repair programs are capitalized as a separate component and depreciated over its expected useful life.

Depreciation of property, plant and equipment is calculated on a straight-line basis, from the date they are available for use, at rates sufficient to depreciate the cost of property, plant and equipment, less their residual value, over their estimated useful lives except for leasehold improvements related to the lease of buildings and stations where the depreciation period is the shorter of the lease term or its estimated useful life. The estimated useful lives are as follows:

	Years
Rolling stock	**10 to 75**
Maintenance buildings	**15 to 75**
Stations and facilities	**10 to 50**
Owned infrastructure	**10 to 50**
Leasehold improvements	**10 to 40**
Machinery and equipment	**5 to 15**
Computer hardware	**3 to 7**
Other property, plant and equipment	**15**

The estimated useful life, depreciation method and residual value are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. No depreciation is provided for projects in progress.

F) INTANGIBLE ASSETS

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

For internally-generated intangible assets, the expenditure on research activities is recognized as an expense in the year in which it is incurred and the development expense from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

/ the technical feasibility of completing the intangible asset so that it will be available for use or sale;

/ the intention to complete the intangible asset and use or sell it;

/ the ability to use or sell the intangible asset;

/ how the intangible asset will generate probable future economic benefits;

/ the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

/ the ability to measure reliably the expenditure attributable to the intangible asset during its development.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to net income in the year in which it is incurred.

The Corporation's intangible assets have a finite useful life and are amortized over their useful life according to the straight-line method over the following years:

	Years
Software	**3 to 5**
Rights of access to rail infrastructure	**38**
Other Intangible assets	**20 to 25**

G) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Corporation reviews at each statement of financial position date whether there is any indication of impairment (obsolescence, physical deterioration, significant changes in the method of utilisation, performances falling short of forecasts, decline in revenues, other external indicators) or reversal of impairment loss. Non-financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the non-financial asset, the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. The value in use is determined by the estimated present value of future cash flows generated by the asset. The Corporation does not generate cash flows from the use of its assets, as its operations are funded by Government appropriations on a break-even basis. Therefore, value in use will always be zero.

The fair value is determined using the current replacement cost. An impairment loss is recognized in net income and calculated as the difference between its carrying amount and the recoverable amount.

When there is a reversal of impairment loss, the carrying amount of the asset is increased to the lower of the recoverable amount and the carrying amount (net of depreciation or amortization) that the asset would have had if previous impairment loss had not been recognized. The reversal of impairment loss is recognized in net income.

H) PROVISIONS

Provisions, including provisions for environmental issues, legal litigation and restructuring, are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognized when the Corporation has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures, mainly severance costs, arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Corporation.

The environmental provision includes estimated costs to meet Government standards and regulations when such costs can be reasonably estimated. Estimates of the anticipated future costs for remediation work are based on the Corporation's prior experience.

I) INCOME TAXES

The Corporation utilizes the asset and liability method of accounting for taxes under which deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount and the tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates that are expected to apply for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the year that includes the enactment date. Deferred tax assets are recognized to the extent that realization is considered probable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

J) EMPLOYEE BENEFITS

i) Post-employment benefits

The Corporation accrues obligations under its post-employment benefit plans.

Post-employment benefits include post-retirement medical and life insurance benefits as well as defined benefit pension plans.

The Corporation's obligations for the post-employment benefits are actuarially determined using the projected unit credit method and management's best estimate. The present value of the defined benefit obligations are calculated using discount rates determined by reference to market yields at the end of the reporting period on high quality Canadian corporate bonds that have terms to maturity approximating the terms of the related defined benefit obligation.

The Corporation determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined obligation at the beginning of the year to the net defined benefit liability.

The current service costs, the net interest cost on the net defined benefit liability, the gains and losses on curtailment or settlement and plan amendments are recognized in net income in the year they are incurred.

Remeasurements arising from defined benefit plans comprised of changes in demographic assumptions, changes in financial assumptions, the return on plan assets excluding amounts included in net interest on the net defined benefit liability are recognized in other comprehensive income (loss) in the year they are incurred.

ii) Employment benefits other than post-employment benefits

The Corporation provides employment benefits other than post-employment benefits as follows:

/ Compensation and short-term employee benefits include the annual salary, performance bonuses, paid vacations not included in the annual salary, short-term sick leave, health, dental and life insurance benefits. These benefits are measured on an undiscounted basis and are expensed as the related service is provided.

/ Long-term employee benefits include workers' compensation benefits as well as long-term disability benefits and continuation of benefit coverage for employees on long-term disability.

The actuarial obligation for workers' compensation benefits is calculated on an event driven basis. The method involves dividing the obligation into two distinct components: awarded pensions and future awards. The actuarial obligation for awarded pensions is the actuarial present value of all future projected payments for the award determined as at the valuation date. The actuarial obligation for future awards is the discounted value of expected cash flow for awards yet to be made. The Corporation is self-insured for its workers' compensation benefits.

The actuarial obligation for other long-term disability benefits and continuation of benefit coverage for employees on long-term disability is calculated on an event driven basis. This method incorporates management's best estimate of cost escalation as well as demographic and other financial assumptions.

Actuarial gains and losses and other changes in the Corporation's obligations are recognized in net income in the year in which they arise.

- Termination benefits include benefits that are payable when an employment contract is terminated before the normal retirement date. They are recognized as a liability and expense for termination benefits at the earlier of the following dates:

  (a) when the Corporation can no longer withdraw the offer of those benefits; and

  (b) when the Corporation recognizes costs for a restructuring (provision) and involves the payment of termination 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 represents management's best estimates of the present value of all future projected payments to unionized employees.

K) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities, including derivative financial instruments, are initially measured at fair value at the date they are originated. Subsequent to initial recognition, financial instruments are measured based on their classification: fair value through profit and loss, loans and receivables, available for sale or other financial liabilities. The Corporation derecognized a financial instrument when the contractual rights or obligation to the cash flows from the asset or liability expires.

i) Financial instruments at fair value through profit and loss (FVTPL)

Financial instruments are classified as FVTPL when they are principally acquired or incurred for the purpose of selling and repurchasing in the short-term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit taking or derivatives not designated for hedge accounting. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition.

The Corporation has classified derivative financial instruments as FVTPL.

Financial instruments recorded at FVTPL are measured at fair value with changes in those fair values recognized in net income under "Other revenue", except for derivative financial instruments for which fair value changes are recorded under "Unrealized net loss (gain) on derivative financial instruments". Transaction costs are expensed as incurred. Regular-way purchases or sales of financial assets are accounted for at settlement-date.

ii) Loans and receivables (L&R)

The L&R classification includes trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market. Assets are measured initially at fair value and then at amortized cost, using the effective interest rate method, less any impairment. The fair values of loans and receivables are estimated on the basis of the present value of the expected cash flows. Where the time value of money is not material due to their short-term nature, accounts receivable are carried at the original invoice amount less allowance for doubtful receivables.

iii) Available-for-sale (AFS)

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date. Short term investments and investments in the Asset Renewal Fund not designated as FVTPL have been classified as available for sale. AFS financial assets are recognized at fair value. Fluctuations in fair value are recognized in other comprehensive income (loss).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

iv) Other financial liabilities

Other financial liabilities represent liabilities that are not classified as FVTPL. They are initially measured at fair value, net of transaction costs and subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Where the time value of money is not material due to their short-term nature, they are carried at the original invoice amount.

v) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the assets have been affected.

An impairment loss is recognized in net income and calculated as the difference between its carrying amount and the present value of the estimated future cash flows.

When a subsequent event such as a change in the estimates used to determine the recoverable amount, causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income.

However, any subsequent reversal of an impairment loss on an available-for-sale financial asset is recognized in other comprehensive income (loss).

L) NON-MONETARY TRANSACTIONS

Non-monetary transactions are recorded at the estimated fair value of the goods or services received. When the fair value of the goods and services received cannot be measured reliably, the transactions are recorded at the estimated fair value of the goods or services given. Revenues from non-monetary transactions are recognized when the related services are rendered. Expenses resulting from non-monetary transactions are recognized during the year when goods or services are provided by third parties.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

In the application of the Corporation accounting policies, management is required to make certain judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, 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 estimates are revised and in any future period affected. However, uncertainties relating to judgments, assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in future years.

A) USEFUL LIVES OF DEPRECIABLE ASSETS

Management reviews the useful lives of depreciable assets annually. As at December 31, 2014 management assessed that the useful lives represent the expected utility of the assets to the Corporation. The Corporation's management also uses judgment in the determination of the components related to the Corporation's property, plant and equipment and intangible assets.

B) *VIA PRÉFÉRENCE* PROGRAM

The *"Via Préférence"* program allows members to acquire "award points" as they travel on the train. These award points entitle members to free travel on our trains. In determining the fair value of the award points, the Corporation takes into consideration the probability of the awards being converted into tickets. The estimated probabilities are based on historical information on point redemption and may not reflect the actual redemption rate in the future. As such, the amount allocated between the transportation service and the award points may have been significantly different if different probability estimates had been used.

C) POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

The cost of post-employment and other employee benefits and the present value of the related obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates used to measure the obligations, expected future salary increases, expected retirement age, expected mortality rates, expected health care cost trends, expected inflation and expected future pension increase. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Actual results may differ from results that are estimated based on assumptions.

D) INCOME TAXES

Management uses judgment and estimates in determining the appropriate rates and amounts in recording deferred income taxes, giving consideration to timing and probability of realization. Actual taxes could significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax law or the outcome of reviews by tax authorities and related appeals. The Corporation has not recognized any deferred tax assets on its deductible temporary differences and unused tax losses as it has determined that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Corporation's deferred and current tax assets and liabilities.

E) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Corporation uses judgment in assessing, at each reporting date, whether there is any indication that non-financial assets may have lost value requiring the completion of an impairment test. These tests are designed, in part, to determine a recoverable amount, which is the fair value, based on current replacement cost, less costs of disposal. The current replacement cost and the costs of disposal calculations are based on management's best estimates. Difference in estimates could materially affect the financial statements in determining both the impairment existence and the amount of impairment.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS (CONT'D)

F) PROVISIONS AND CONTINGENT LIABILITIES

Determining whether a liability should be recognized as a provision requires management to exercise judgment. The Corporation must determine if a present obligation arises from past events, if it is probable that the Corporation will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. The decision is based on management's experience and judgement. If the Corporation considers that one of the three conditions is not satisfied, it must still determine if a contingent liability should be disclosed in the notes, unless the possibility of any outflow in settlements is remote.

6. FUTURE ACCOUNTING CHANGES

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

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

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

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

IAS 19 – *Employee Benefits (2011)* - On November 21, 2013, the IASB issued amendments to IAS 19, *Employee Benefits*, entitled *"Amendments to IAS 19, Defined Benefit Plans: Employee Contributions"*. The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The date of application is July 1, 2014 with early application permitted. These amendments will have no impact on the Corporation's financial statements.

The "Annual Improvements to IFRSs 2010-2012 Cycle", the "Annual Improvements to IFRSs 2011-2013 Cycle" issued in December, 2013 and the "Annual Improvements to IFRSs 2012-2014 Cycle" issued in September 2014, included a number of amendments to various IFRSs. The Corporation has analyzed these amendments and has determined that they have no impact on the financial statements.

7. RECONCILIATION OF OPERATING LOSS TO GOVERNMENT FUNDING

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

(IN MILLIONS OF DOLLARS)	2014	2013
Operating loss before funding from the Government of Canada and income taxes	**337.8**	347.7
Items requiring (providing) operating funds:		
Income tax expense (recovery)	**0.7**	0.5
Items not requiring (not providing) operating funds:		
Depreciation and amortization	**(68.8)**	(72.5)
Impairment and (loss) gain on disposal of property, plant and equipment and intangible assets	**(3.2)**	(10.9)
Post-employment and other employee benefits contributions in excess of expenses	**58.9**	41.1
Unrealized net gain (net loss) on derivative financial instruments	**(13.8)**	2.1
Operating taxes	**(0.2)**	-
Adjustment for accrued compensation	**6.9**	(0.6)
Increase in investment's fair value	**0.3**	0.5
Other	**(1.5)**	(0.3)
Operating funding from the Government of Canada	**317.1**	307.6

8. MATERIALS

The cost of materials recorded as an expense during the year amounted to $33.5 million (December 31, 2013: $25.4 million). The Corporation has recorded an expense of $2.1 million related to write-down of the value of its materials for 2014 (December 31, 2013: $0.1M). As at December 31, 2014 the Provision for obsolete inventory was $2.9 million (December 31, 2013: $1.8 million).

9. PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS OF DOLLARS)	January 1, 2014	Additions	Disposals	(Reversal) Impairment losses	Transfers	December 31, 2014
Cost:						
Land	12.1	-	-	-	-	**12.1**
Rolling stock	895.6	-	(20.9)	-	42.6	**917.3**
Maintenance buildings	172.1	-	(7.3)	-	0.4	**165.2**
Stations and facilities	105.9	-	(2.9)	-	24.9	**127.9**
Owned infrastructures	189.9	-	(1.5)	-	11.1	**199.5**
Leasehold improvements	78.0	-	(2.8)	-	1.3	**76.5**
Machinery and equipment	31.1	-	(6.3)	-	0.2	**25.0**
Computer hardware	29.9	-	(1.7)	-	3.9	**32.1**
Other property, plant and equipment	8.2	-	(0.4)	-	(1.0)	**6.8**
Projects in progress	84.9	55.6	-	-	(83.4)	**57.1**
Total cost	1,607.7	55.6	(43.8)	-	-	**1,619.5**
Accumulated depreciation and impairment:						
Rolling stock	441.5	33.1	(19.7)	2.9	-	**457.8**
Maintenance buildings	123.2	2.0	(7.1)	-	-	**118.1**
Stations and facilities	33.5	4.5	(2.0)	-	-	**36.0**
Owned infrastructures	67.7	5.5	(1.2)	(3.2)	-	**68.8**
Leasehold improvements	45.2	(0.4)	(2.7)	-	-	**42.1**
Machinery and equipment	23.3	1.1	(6.3)	-	-	**18.1**
Computer hardware	14.0	5.8	(1.6)	-	-	**18.2**
Other property, plant and equipment	4.7	(1.4)	(0.4)	-	-	**2.9**
Projects in progress	-	-	-	0.7	-	**0.7**
Total accumulated depreciation and impairment	753.1	50.2	(41.0)	0.4	-	**762.7**
Total net carrying amount	854.6	5.4	(2.8)	(0.4)	-	**856.8**

(IN MILLIONS OF DOLLARS)	January 1, 2013	Additions	Disposals	Impairment losses	Transfers	December 31, 2013
Cost:						
Land	12.3	-	(0.2)	-	-	12.1
Rolling stock	867.4	-	(6.7)	-	34.9	895.6
Maintenance buildings	171.9	-	(1.8)	-	2.0	172.1
Stations and facilities	102.8	-	(1.4)	-	4.5	105.9
Owned infrastructures	185.5	-	(1.1)	-	5.5	189.9
Leasehold improvements	77.3	-	(9.1)	-	9.8	78.0
Machinery and equipment	33.9	-	(3.4)	-	0.6	31.1
Computer hardware	19.1	-	(3.2)	-	14.0	29.9
Other property, plant and equipment	20.9	-	(14.3)	-	1.6	8.2
Projects in progress	80.8	77.0	-	-	(72.9)	84.9
Total cost	1,571.9	77.0	(41.2)	-	-	1,607.7
Accumulated depreciation and impairment:						
Rolling stock	412.9	29.8	(6.8)	5.6	-	441.5
Maintenance buildings	121.0	3.3	(1.1)	-	-	123.2
Stations and facilities	30.9	3.9	(1.3)	-	-	33.5
Owned infrastructures	62.9	5.5	(0.7)	-	-	67.7
Leasehold improvements	47.7	2.7	(5.2)	-	-	45.2
Machinery and equipment	25.4	1.2	(3.3)	-	-	23.3
Computer hardware	12.3	4.8	(3.2)	0.1	-	14.0
Other property, plant and equipment	18.5	0.3	(14.1)	-	-	4.7
Total accumulated depreciation and impairment	731.6	51.5	(35.7)	5.7	-	753.1
Total net carrying amount	840.3	25.5	(5.5)	(5.7)	-	854.6

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Projects in progress primarily consist of rolling stock, improvements to infrastructure and stations.

The projects in progress amount includes $12.3 million (December 31, 2013: $16.7 million) of materials used in the refurbishing of rail cars.

The Corporation has revised and modified the useful lives of certain components of its rolling stock and maintenance centers in order to better align the depreciation expense with future benefits that will be obtained from these assets. The impact of these changes on the actual and expected depreciation expense and on the amortization of deferred capital funding is as follow:

(IN MILLIONS OF DOLLARS)	2014	2015	2016	2017	2018	Later
Decrease in depreciation expense	(1.7)	(1.5)	(1.5)	(1.5)	(1.5)	(33.0)
Decrease in amortization of deferred capital funding	(1.7)	(1.5)	(1.5)	(1.5)	(1.5)	(33.0)

IMPAIRMENT LOSS AND SUBSEQUENT REVERSAL

The Corporation has recorded an impairment loss of $3.6 million (December 31, 2013: $5.6 million) in the statement of operations and other comprehensive income under "Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets". This amount consists of capital expenditures incurred that have no future benefits for the Corporation as a result of issues on railcars refurbishment projects. As at December 31, 2014, the recoverable amount of these railcars was $13.5 million (December 31, 2013: $6.0 million) which is the fair value less costs of disposal. The fair value was calculated based on the current replacement cost (level 2).

An impairment loss was recognized in previous years related to a maintenance center infrastructure. The impairment loss was caused by a business decision to substantially reduce the activity at this maintenance center resulting in having a major part of the assets not being used. Since then the Corporation has reactivated the assets and they are now being used. The reactivation resulted in the need to assess whether the impairment loss recognized in prior years may have decreased. As at December 31, 2014, the recoverable amount of the maintenance center infrastructure has been measured based on the fair value less cost of disposal ($6.4 million). The Corporation calculated the fair value based on the current replacement cost (level 2). The recoverable amount was determined to be higher than the carrying amount of the assets ($1.0 million) and the Corporation has recorded a reversal of impairment up to the limit of the net carrying amount that would have been determined if no impairment loss had been recognized for the asset in prior years. A reversal of impairment of $3.2 million related to the maintenance center infrastructure was recorded in the statement of operations and other comprehensive income under "Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets".

10. INTANGIBLE ASSETS

(IN MILLIONS OF DOLLARS)	January 1, 2014	Additions	Disposals	Impairment losses	Transfers	December 31, 2014
Cost:						
Software (NOTE 1)	74.4	-	(9.2)	-	15.4	**80.6**
Right of access to rail infrastructure	415.4	-	-	-	5.6	**421.0**
Other intangible assets	4.1	-	-	-	-	**4.1**
Projects in progress	24.0	26.2	-	-	(21.0)	**29.2**
Total cost	517.9	26.2	(9.2)	-	-	**534.9**
Accumulated amortization and impairment:						
Software	60.3	7.4	(9.1)	-	-	**58.6**
Right of access to rail infrastructure	60.2	11.0	-	-	-	**71.2**
Other intangible assets	1.2	0.2	-	-	-	**1.4**
Total accumulated amortization and impairment	121.7	18.6	(9.1)	-	-	**131.2**
Total net carrying amount	396.2	7.6	(0.1)	-	-	**403.7**

Note 1 - Includes mostly software developed in-house.

(IN MILLIONS OF DOLLARS)	January 1, 2013	Additions	Disposals	Impairment losses	Transfers	December 31, 2013
Cost:						
Software (NOTE 1)	67.5	-	(3.5)	-	10.4	74.4
Right of access to rail infrastructure	409.4	-	-	-	6.0	415.4
Other intangible assets	3.8	-	-	-	0.3	4.1
Projects in progress	21.5	19.2	-	-	(16.7)	24.0
Total cost	502.2	19.2	(3.5)	-	-	517.9
Accumulated amortization and impairment:						
Software	52.9	10.1	(2.9)	0.2	-	60.3
Right of access to rail infrastructure	49.3	10.9	-	-	-	60.2
Other intangible assets	1.6	-	(0.4)	-	-	1.2
Total accumulated amortization and impairment	103.8	21.0	(3.3)	0.2	-	121.7
Total net carrying amount	398.4	(1.8)	(0.2)	(0.2)	-	396.2

Note 1 - Includes mostly software developed in-house.

11. ASSET RENEWAL FUND

A) ASSET RENEWAL FUND

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

The Treasury Board of Canada Secretariat has authorized the Corporation to use up to $8.2 million (December 31, 2013: $12.2 million) of the Asset Renewal Fund to meet future working capital requirements. This amount is presented in the current portion of the Asset Renewal Fund.

The Asset Renewal Fund includes the following:

(IN MILLIONS OF DOLLARS)	2014 Carrying Value and Fair Value	2013 Carrying Value and Fair Value
Cash	**9.1**	-
Bankers' acceptances	**-**	6.2
Provincial Treasury bills and / or promissory notes	**-**	0.4
Master Asset Vehicle (MAV) notes	**-**	6.2
Balance at end of year	**9.1**	12.8
Less: Current portion	**8.2**	12.2
Non-current portion	**0.9**	0.6

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

As at December 31, 2014, the Asset Renewal Fund (ARF) is invested in an interest bearing account. As at December 31, 2013, the ARF was invested in short-term investments including Master Asset Vehicle (MAV) notes.

The short-term investments, excluding MAV notes, were invested in 8 short-term instruments that had a rating of "R-1 low" or higher. The weighted average effective rate of return was 1.1 per cent and the weighted average term to maturity was two months. The fair value was based on the current closing price at the statement of financial position.

In 2014, the Corporation liquidated all of its MAV notes at 95 per cent of their face value.

The Corporation is subject to credit risk from its holdings in the Asset Renewal Fund. The Corporation minimizes its credit risk by adhering to the *Minister of Finance of Canada Financial Risk Management Guidelines for Crown Corporations* and to the Corporation's Asset Renewal Fund Investment Policy, which requires that funds be invested in high quality financial instruments. Diversification in the short-term instruments is achieved by limiting to 10 per cent or less the percentage of the market value of the Asset Renewal Fund assets invested in instruments of a single issuer.

B) CHANGES IN THE ASSET RENEWAL FUND

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

(IN MILLIONS OF DOLLARS)	2014	2013
Balance at beginning of the year	**12.8**	15.7
Investment Income	**-**	0.2
Change in fair value	**0.3**	0.5
Less: Cash drawdown during the year (NOTE 1)	**(4.0)**	(3.6)
Balance at end of the year	**9.1**	12.8

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

12. TRADE AND OTHER PAYABLES

The Trade and other payables balance includes the following:

(IN MILLIONS OF DOLLARS)	2014	2013
Wages payable and accrued	**33.1**	36.7
Capital Payables	**16.8**	19.8
Trade payables	**33.9**	28.0
Capital tax, income tax and other taxes payable	**5.2**	5.5
Other	**-**	0.2
	89.0	90.2

13. PROVISIONS

The provision balance includes:

(IN MILLIONS OF DOLLARS)	January 1, 2014	Charge (used)	Reversal (used)	Reversal (not used)	Other movements	December 31, 2014
Environmental costs (NOTE A)	1.1	0.4	(1.3)	-	-	**0.2**
Litigation and equipment repairs (NOTE B)	11.8	5.8	(2.4)	(0.6)	-	**14.6**
Restructuring costs	0.3	-	(0.2)	(0.1)	-	**-**
Total provisions	13.2	6.2	(3.9)	(0.7)	-	**14.8**

(IN MILLIONS OF DOLLARS)	January 1, 2013	Charge (used)	Reversal (used)	Reversal (not used)	Other movements	December 31, 2013
Environmental costs (NOTE A)	1.1	0.3	(0.3)	-	-	1.1
Litigation and equipment repairs (NOTE B)	9.5	4.2	(0.8)	(1.1)	-	11.8
Restructuring costs	1.1	-	(0.8)	-	-	0.3
Other	0.8	-	-	-	(0.8)	-
Total provisions	12.5	4.5	(1.9)	(1.1)	(0.8)	13.2

A) ENVIRONMENTAL COSTS

The Corporation has made a provision of $0.2 million for environmental costs related to fuel spills (December 31, 2013: $1.1 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 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.

14. 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 these employee benefits are carried out by external actuaries who are members of the Canadian Institute of Actuaries.

DEFINED BENEFIT PENSION PLANS

The Corporation Pension Plans are governed according to applicable federal legislation such as the *Pension Benefits Standards Act* and the *Income Tax Act*. The Pension Plans are under the jurisdiction of the Office of the Superintendent of Financial Institutions Canada. Participants contribute a fixed percentage of their earnings to the Pension Plan while the sponsor contributes the amount needed to maintain adequate funding as dictated by the prevailing regulation. The Pension Plans may be required to take measures to offset any funding and solvency deficit by changing the Corporation's and participants' contribution rate. Moreover, additional contributions by the Corporation may be required if these rules are not complied with. The investment committee of the board is responsible for the investment policy with regard to the assets of the fund.

The defined benefit pension plans are based on years of service and average salary of the employee's best five consecutive calendar years up to retirement.

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

The actuarial valuations of the various employee benefit plans are as follows:

	Actuarial Valuation	
EMPLOYEE BENEFIT PLANS	Latest valuation	**Next valuation**
Pension Plans	December 31, 2013	**December 31, 2014**
Supplemental Executive Retirement Plan	December 31, 2014	**December 31, 2015**
Supplemental Retirement Plan for management employees (SRP), with respect to active members	December 31, 2013	**December 31, 2014**
Supplemental Retirement Plan for management employees (SRP), with respect to retired members	December 31, 2014	**December 31, 2015**
Post-employment unfunded plan	May 1, 2013	**May 1, 2016**
Self-insured Workers' Compensation	December 31, 2012	**December 31, 2015**
Long-term employee benefits plans, other than "Self-insured Workers' Compensation"	December 31, 2014	**December 31, 2016**

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

A) PENSION PLANS AND POST-EMPLOYMENT BENEFITS PLANS

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

	Pension Plans		Post-employment Benefit Plans	
(IN MILLIONS OF DOLLARS)	**2014**	2013	**2014**	2013
DEFINED BENEFIT OBLIGATION:				
Balance at beginning of the year	**1,925.3**	2,078.0	**16.3**	19.1
Service cost	**22.2**	30.0	**0.3**	0.5
Interest expense	**91.3**	81.9	**0.8**	0.8
Employee contributions	**12.4**	10.9	**-**	-
Benefits paid	**(103.3)**	(97.1)	**(0.4)**	(0.5)
Effect of change in demographic assumptions	**15.9**	32.9	**(0.2)**	(0.6)
Effect of change in financial assumptions	**224.2**	(248.5)	**2.6**	(2.4)
Effect of employee transfers	**-**	8.3	**-**	-
Effect of experience adjustments	**(6.1)**	28.9	**-**	(0.6)
Balance at end of the year	**2,181.9**	1,925.3	**19.4**	16.3
FAIR VALUE OF PLAN ASSETS:				
Balance at beginning of the year	**1,923.9**	1,735.0	**-**	-
Interest Income	**91.9**	67.7	**-**	-
Return on plan assets (excluding interest income)	**128.1**	113.2	**-**	-
Employer contributions	**81.4**	87.9	**0.4**	0.5
Employee contributions	**12.4**	10.9	**-**	-
Benefits paid	**(103.3)**	(97.1)	**(0.4)**	(0.5)
Effect of employee transfers	**-**	8.3	**-**	-
Administration expenses	**(1.9)**	(2.0)	**-**	-
Balance at end of the year	**2,132.5**	1,923.9	**-**	-
Net Defined benefit liability	**(49.4)**	(1.4)	**(19.4)**	(16.3)

The percentages of the fair value of the total pension plan assets by major category are as follows:

ASSET CATEGORIES	2014		2013	
	Quoted market price in an active market	Not quoted market price in an active market	Quoted market price in an active market	Not quoted market price in an active market
Cash and short-term notes	**0.7%**	**0.3%**	0.1%	0.2%
Equity securities	**23.9%**	**-**	29.3%	-
Fixed income securities	**-**	**31.2%***	-	26.7%*
Mutual fund units	**7.6%**	**36.3%***	7.0%	36.7%*
	32.2%	**67.8%**	36.4%	63.6%

* The fair value of the majority of the above fixed income and mutual fund instruments is determined based on quoted market prices in active markets.

Expected employer contribution for the next year:

(IN MILLIONS OF DOLLARS)	Pension Plans	Post-employment Benefit Plans
	2015	2015
Expected employer contribution for the next year	**60.0**	**0.6**

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

The weighted average duration of the defined benefit obligation is 14.0 years (December 31, 2013: 14.2 years).

	Pension Plans		Post-employment Benefit Plans	
	2014	2013	**2014**	2013
WEIGHTED-AVERAGE OF SIGNIFICANT FINANCIAL ASSUMPTIONS:				
Defined benefit obligation:				
Discount rate	**4.00%**	4.80%	**4.00%**	4.90%
Rate of salary increase	**3.00% - 3.25%**	3.00% - 3.25%	**3.25%***	3.25%*
Initial weighted average health care trend rate	**-**	-	**6.00%**	6.09%
Ultimate weighted average health care trend rate	**-**	-	**4.30%**	4.26%
Year ultimate rate reached	**-**	-	**2029**	2029
Rate of price inflation	**2.25%**	2.25%	**-**	-
Rate of pension increase	**1.13%**	1.13%	**-**	-
Defined benefit cost:				
Discount rate	**4.80%**	3.90%	**4.90%**	4.00%
Rate of price inflation	**2.25%**	2.25%	**-**	-
Rate of salary increase	**3.00% - 3.25%**	3.00% - 3.25%	**3.25%***	3.25%*
Rate of pension increase	**1.13%**	1.13%	**-**	-
Initial weighted average health care trend rate	**-**	-	**6.09%**	7.01%
Ultimate weighted average health care trend rate	**-**	-	**4.26%**	4.32%
Year ultimate rate reached	**-**	-	**2029**	2025
SIGNIFICANT DEMOGRAPHIC ASSUMPTIONS:				
Defined benefit obligation:				
Post retirement mortality tables	**110% of CPM2014Priv for unionized plan and 95% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.**	100% of UP94 generational for unionized plan and 90% of UP94 generational for non-unionized plans. 150% of AA scale for all plans.	**110% of CPM2014Priv for unionized plan and 95% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.**	100% of UP94 generational for unionized plan and 90% of UP94 generational for non-unionized plans. 150% of AA scale for all plans.
Defined benefit cost:				
Post retirement mortality tables	**100% of UP94 generational for unionized plan and 90% of UP94 generational for non-unionized plans. 150% of AA scale for all plans.**	UP94 generational scale AA	**100% of UP94 generational for unionized plan and 90% of UP94 generational for non-unionized plans. 150% of AA scale for all plans.**	UP94 generational

* Applicable to executive employees only.

RISK ASSOCIATED WITH DEFINED BENEFIT PLANS

The major risk associated with the pension plans is the funding risk, which is the risk that the investment asset growth and the contributions to the pension plans will not be sufficient to cover the pension obligations, resulting in unfunded liabilities.

The funding risk is linked to the following risks: investment risk, interest rate risk, longevity risk, salary risk and inflation risk.

Investment risk: The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality Canadian corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Consequently, the Corporation has adopted a conservative investment policy which is overseen by the investment committee of the board.

Interest rate risk: A decrease in the bond interest rate will increase the plan liability; however, due to a liability alignment investment policy, this will be partially offset by an increase in value on the plan's debt investments.

Longevity risk: The present value of the defined plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk: The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Inflation risk: A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Corporation's liability. A portion of the plan assets are in real returns bonds which will mitigate some of the effects of inflation.

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

SENSITIVITY ANALYSIS

The Corporation has reviewed the assumptions used in the actuarial calculations and has identified the following assumptions as those that could result in a significant impact on the defined benefit obligation:

	Defined benefit obligation Increase / (decrease)	
(IN MILLIONS OF DOLLARS)	**2014**	2013
Pension Plans:		
Inflation Rates		
Increase of 25 basis points	**38.5**	33.2
Decrease of 25 basis points	**(37.7)**	(31.8)
Discount Rates		
Increase of 25 basis points	**(73.9)**	(63.2)
Decrease of 25 basis points	**78.1**	67.2
Salary increase Rates		
Increase of 25 basis points	**7.2**	7.0
Decrease of 25 basis points	**(7.4)**	(6.8)
Mortality tables		
1 year younger	**57.0**	44.1
1 year older	**(57.7)**	(44.3)
Post-employment benefits Plans:		
Discount Rates		
Increase of 25 basis points	**(0.8)**	(0.6)
Decrease of 25 basis points	**0.8**	0.6

In the sensitivity analysis presented above, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as the one applied in calculating the defined benefit obligation recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

ASSET-LIABILITY MATCHING STRATEGIES

The Corporation reassesses the Pension Plans investment policy and asset mix positioning annually to take into account changes in plan demographics, the investment environment, the financial circumstances of the Plans and of the sponsor as well as changes in risk tolerance. Every few years or when significant changes in circumstances warrant it, the Corporation will conduct a more complete Asset Liability modelling exercise to determine an optimal investment policy asset mix.

The most recent investment policy reviews have led to the progressive implementation of liability matching asset mix shifts that seek to increase the plans assets sensitivity to interest rates as yields on long term bonds increase and secondly to decrease the plans exposure to equity market volatility via a greater allocation to more income based alternative investments such as real estate and infrastructure that exhibit some degree of interest rate sensitivity akin to pension liabilities. The resulting benefit of these measures is expected to achieve a lower volatility of required funding while preserving ongoing funding costs at an acceptable level.

B) LONG-TERM EMPLOYEE BENEFIT PLANS

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

(IN MILLIONS OF DOLLARS)	2014	2013
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance at beginning of the year	**23.8**	22.0
Service cost	**4.8**	5.4
Interest expense	**1.0**	0.8
Benefits paid	**(5.6)**	(5.8)
Effect of change in demographic assumptions	**(0.1)**	0.8
Effect of change in financial assumptions	**0.7**	(0.2)
Effect of experience adjustments	**(1.8)**	0.8
Balance at end of the year	**22.8**	23.8
FAIR VALUE OF PLAN ASSETS:		
Balance at beginning of the year	**-**	-
Employer contributions	**5.6**	5.8
Benefits paid	**(5.6)**	(5.8)
Balance at end of the year	**-**	-
Net long-term employee benefit liability	**(22.8)**	(23.8)

Expected employer contribution for the next year:

(IN MILLIONS OF DOLLARS)	2015
Expected employer contribution for the next year	**6.5**

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

Weighted-average of significant assumptions:

	2014	2013
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Discount rate	**3.40%**	3.90%
Rate of salary increase	**3.00%-3.25%**	3.00% - 3.25%
Initial weighted average health care trend rate	**5.29%**	5.40%
Ultimate weighted average health care trend rate	**3.78%**	3.78%
Year of ultimate rate reached	**2029**	2029
Rate of price inflation	**2.25%**	2.25%
Mortality tables	**90% of WC 1996-2000 mortality table projected to 2010 for workers' compensation and 2009 CIA study for Other employment benefits**	90% of WC 1996-2000 mortality table projected to 2010 for workers' compensation and 2009 CIA study for Other employment benefits
LONG-TERM EMPLOYEE BENEFIT COST:		
Discount rate	**3.90%**	3.20%
Rate of salary increase	**3.00% - 3.25%**	3.00% - 3.25%
Initial weighted average health care trend rate	**5.40%**	5.85%
Ultimate weighted average health care trend rate	**3.78%**	3.93%
Year of ultimate rate reached	**2029**	2029
Rate of price inflation	**2.25%**	2.25%
Mortality tables	**WC 1996-2000 mortality table projected to 2010 for workers' compensation and 2009 CIA study for Other employment benefits**	WC 1996-2000 mortality table projected to 2009 for workers' compensation and 2009 CIA study for Other employment benefits

SENSITIVITY ANALYSIS

The Corporation has reviewed the assumptions used in the actuarial calculations and has identified the following assumption that could result in a significant impact on the long-term employee benefit obligation:

	Long-term employee benefit obligation Increase / (decrease)	
(IN MILLIONS OF DOLLARS)	**2014**	2013
Discount Rates		
Increase of 25 basis points	**(0.4)**	(0.4)
Decrease of 25 basis points	**0.4**	0.4

C) OTHER LONG-TERM EMPLOYEE BENEFITS

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

(IN MILLIONS OF DOLLARS)	2014	2013
OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance at beginning of the year	**2.2**	4.2
Service cost	**0.3**	(0.6)
Benefits paid	**(1.0)**	(1.4)
Balance at end of the year	**1.5**	2.2
FAIR VALUE OF PLAN ASSETS:		
Balance at beginning of the year	**-**	-
Employer contributions	**1.0**	1.4
Benefits paid	**(1.0)**	(1.4)
Balance at end of the year	**-**	-
Net other long-term employee benefit liability	**(1.5)**	(2.2)

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

Total amounts recognized in the statement of financial position:

(IN MILLIONS OF DOLLARS)	2014	2013
Assets:		
Pension Plan	**2.3**	-
Liabilities:		
Pension Plans	**(51.7)**	(1.4)
Post-employment benefit plans	**(19.4)**	(16.3)
Long-term employee benefit plans	**(22.8)**	(23.8)
Other long-term employee benefits	**(1.5)**	(2.2)
Total liabilities	**(95.4)**	(43.7)

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

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

(IN MILLIONS OF DOLLARS)	2014	2013
Operating expense:		
Pension Plans	**23.5**	46.2
Post-employment benefit plans	**1.1**	1.3
Long-term employee benefit plans	**4.6**	7.6
Other long-term employee benefits	**0.3**	(0.6)
Total	**29.5**	54.5

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

(IN MILLIONS OF DOLLARS)	2014	2013
Other comprehensive income (loss):		
Pension Plans	**(105.9)**	299.9
Post-employment benefit plans	**(2.4)**	3.6
Total	**(108.3)**	303.5

15. INCOME TAXES

The income tax expense (recovery) of the Corporation consists of the following:

(IN MILLIONS OF DOLLARS)	2014	2013
Current income tax expense (recovery)	**0.8**	0.5
Deferred income tax expense (recovery)	**-**	-
Income tax expense (recovery)	**0.8**	0.5

The overall income tax expense (recovery) for the year differs from the amount that would be computed by applying the combined Federal and provincial statutory income tax rates of 24.43% (December 2013: 24.36%) to income before taxes. The reasons for the differences are as follows:

(IN MILLIONS OF DOLLARS)	2014	2013
Net Income before income taxes	**49.7**	42.3
Computed income tax expense (recovery) - statutory rates	**12.1**	10.3
Large corporation tax and corporate minimum tax	**0.8**	0.4
Effect of (decrease) increase in unrecognized tax attributes	**(11.8)**	(10.1)
Effect of tax rate changes on deferred income taxes	**(0.3)**	(0.1)
Income tax expense (recovery)	**0.8**	0.5

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) of the Corporation are as follows:

Deferred income tax balances – December 31, 2014

(IN MILLIONS OF DOLLARS)	Opening Balance	Recognized in net income	Closing Balance
Deferred income tax assets (liabilities):			
Unrealized loss on derivative financial instruments	(0.4)	-	**(0.4)**
Loss carry-forward	0.4	-	**0.4**
Deferred income tax assets (liabilities)	-	-	**-**

Deferred income tax balances – December 31, 2013

(IN MILLIONS OF DOLLARS)	Opening Balance	Recognized in net income	Closing Balance
Deferred income tax assets (liabilities):			
Unrealized loss on derivative financial instruments	-	(0.4)	(0.4)
Loss carry-forward	-	0.4	0.4
Deferred income tax assets (liabilities)	-	-	-

The Corporation has $49.1 million (December 31, 2013: $57.1 million) of unused Québec and $46.6 million (December 31, 2013: $54.7 million) of unused Federal non-capital tax losses carried forward and expiring between 2029 and 2033.

The Corporation has not recognized any deferred tax assets on its deductible temporary differences and unused tax losses as it has determined that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. Unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributed to the following:

(IN MILLIONS OF DOLLARS)	2014	2013
Federal:		
Property, plant and equipment	**84.6**	83.0
Contingencies, other liabilities and net amounts	**32.6**	17.0
Defined benefit liability	**91.6**	48.7
Losses carry forward	**44.9**	52.9
	253.7	201.6
Québec:		
Property, plant and equipment	**466.2**	464.6
Contingencies, other liabilities and net amounts	**31.3**	16.4
Defined benefit liability	**91.6**	48.7
Losses carry forward	**47.3**	55.4
	636.4	585.1

16. DEFERRED CAPITAL FUNDING

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

(IN MILLIONS OF DOLLARS)	2014	2013
Balance, beginning of the year	**1,237.4**	1,229.0
Government funding for property, plant and equipment and intangible assets (including the cost of land)	**80.9**	90.8
Amortization of deferred capital funding	**(70.5)**	(82.4)
Balance, end of the year	**1,247.8**	1,237.4

17. DEFERRED REVENUE

Deferred revenue is comprised of the following:

(IN MILLIONS OF DOLLARS)	2014	2013
Advanced ticket sales	**12.8**	11.1
Gift cards	**3.0**	2.7
Non-monetary transactions	**2.7**	2.3
VIA Préférence (1)	**16.0**	14.0
Other	**-**	0.7
Total deferred revenue	**34.5**	30.8

(1): The deferred revenue related to the loyalty program points is measured at fair value on a recurring basis and is evaluated based on train ticket price (level 2 of fair value hierarchy i.e. on significant input other than quoted prices included in active markets that are observable for asset or liability, either directly or indirectly).

18. SHARE CAPITAL

The authorized share capital of the Corporation is comprised of an unlimited number of common shares with no par value. For all years presented, 93,000 shares at $100 per share are issued and fully paid.

The Corporation defines its capital as share capital and retained earnings and is regulated by the *Financial Administration Act*. The Corporation is not allowed to modify its capital structure without Government approval. The Corporation must obtain Government approval to issue debt instruments. Accordingly, the Corporation does not have access to external financing and does not have a flexible capital structure.

The Corporation manages its equity by prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that the Corporation effectively achieves its objectives and purpose while remaining a going concern. The Corporation did not change the way it manages its equity compared to last year.

19. COMMITMENTS

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

(IN MILLIONS OF DOLLARS)	2014				2013
	Total commitments	**Less than one year**	**More than one year but not more than five years**	**More than five years**	Total commitments
COMMITMENTS RELATING TO OPERATIONS:					
Non-cancellable operating leases (NOTE A):	**37.7**	3.4	14.3	20.0	-
Lessee	**37.7**	3.4	14.3	20.0	-
Total					
COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS:					
Rail infrastructure	**14.7**	9.2	5.5	-	16.8
Rolling stock	**14.1**	14.1	-	-	24.5
Others	**-**	-	-	-	0.8
Total	**28.8**	23.3	5.5	-	42.1
Total commitments	**66.5**	26.7	19.8	20.0	42.1

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 terms of 10 years with a renewal option. The lease payments are increased to reflect normal inflation.

In 2014, an amount of $13.7 million (December 31, 2013: $13.9 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 $31.2 million (December 31, 2013: $28.5 million) to various provincial government workers' compensation boards as security for future payment streams.

20. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

(IN MILLIONS OF DOLLARS)	2014	2013
Accounts receivable, trade	**(1.1)**	1.1
Prepaids, advances on contracts and other receivables	**0.2**	2.1
Operating funding receivable from Government of Canada (deferred government funding)	**(30.0)**	36.8
Materials	**3.1**	(2.3)
Trade and other payables	**1.9**	0.7
Provisions	**1.5**	0.7
Deferred revenues	**3.8**	3.4
Total	**(20.6)**	42.5

21. FINANCIAL INSTRUMENTS

A) CLASSIFICATION OF FINANCIAL INSTRUMENTS

The financial instruments held by the Corporation are classified as follows:

	2014 Carrying Value			2013 Carrying Value		
(IN MILLIONS OF DOLLARS)	FVTPL	AFS	L&R	FVTPL	AFS	L&R
Financial Assets:						
Accounts receivables and other receivables	**-**	**-**	**8.1**[(1)]	-	-	5.5[(1)]
Derivative financial instruments	**1.8**[(2)]	**-**	**-**	1.7[(2)]	-	-
Asset Renewal Fund – MAV notes	**-**	**-**	**-**	6.2	-	-
Asset Renewal Fund – Cash and other investments	**9.1**	**-**	**-**	-	6.6[(3)]	-
		FVTPL	Other liability		FVTPL	Other liability
Financial Liabilities:						
Trade and other payables		**-**	**83.3**[(4)]		-	83.9[(4)]
Derivative financial instruments		**13.9**[(2)]	**-**		-	-

FVTPL – Fair Value through profit and losses
AFS – Available for sale
L&R – Loans and receivables
(1) Comprised of trade receivables.
(2) Comprised of derivative financial instruments not designated in a hedge relationship.
(3) Comprised of short-term investments.
(4) Comprised of trade accounts payable, accrued liabilities and accrued wages.

B) FAIR VALUE

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

The following table summarizes the financial assets and financial liabilities held by the Corporation measured at fair value at the end of each reporting period. The table also discloses information about how the fair value of these financial assets and financial liabilities are determined and their fair value hierarchy:

Financial assets / financial liabilities	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Relationship unobservable inputs to fair value
Derivative financial instruments – forward foreign exchange contracts	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rate at the end of the reporting period) and forward contract rates, discounted at a market rate that reflects the credit risk of various counterparties	N/A	N/A
Derivative financial instruments – commodity swaps	Level 2	Discounted cash flow. Future cash flows are estimated based on commodity swap price (from observable commodity market price at the end of the reporting period) and contract commodity swap price, discounted at a market rate that reflects the credit risk of various counterparties.	N/A	N/A

There have been no significant transfers between Level 1 and Level 2 during the year.

There has been no change in the valuation techniques from the prior year.

21. FINANCIAL INSTRUMENTS (CONT'D)

The following table summarizes the financial assets and financial liabilities held by the Corporation that are not measured at fair value on a recurring basis and their fair value hierarchy:

	2014	2013
Assets:		
Accounts receivables and other receivables	**Level 2**	Level 2
Liabilities:		
Trade and other payables	**Level 2**	Level 2

The fair values of the financial assets and financial liabilities included in the Level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk counterparties. However, where the time value of money is not material due to their short-term nature, they are carried at the original invoiced amount less required adjustment.

C) RISK MANAGEMENT

As part of its operations, the Corporation enters into transactions with financial risks exposure such as credit, liquidity and market risks. Exposure to such risks is significantly reduced through close monitoring and strategies that include the use of derivative financial instruments.

Derivative financial instruments such as swaps and certain forward foreign exchange contracts are utilized by the Corporation in the management of its exposure to changes in fuel prices and the value of the U.S. dollar. Commodity swaps are used to manage its exposure to fuel prices on at least 50 per cent and up to 80 per cent of its fuel consumption.

The Corporation does not enter into derivative financial instruments for trading or speculative purposes. The Corporation does not currently apply hedge accounting on these derivative financial instruments.

D) FOREIGN EXCHANGE RISK

The Corporation is exposed to foreign exchange risks on the following balances that are denominated in U.S. dollars (USD):

(IN MILLIONS OF DOLLARS)	2014	2013
Assets:		
Derivative financial instruments	**1.8**	1.7
Liabilities:		
Derivative financial instruments	**13.9**	-

The Corporation's risk management objective is to reduce cash flow risk related to foreign denominated cash flows. To help manage this risk, the Corporation has entered into forward foreign exchange contracts related to commodity swaps.

A variance of 5% in the exchange rate of USD would not have a significant impact on the Corporation's net income.

E) CREDIT RISK

Credit risk is the risk that one party to a financial instrument might not meet its obligations under the terms and conditions of the agreement. The carrying amount of financial assets is $32.9 million (December 31, 2013: $41.7 million) and represents the Corporation's maximum exposure to credit risk. The Corporation does not use credit derivatives or similar instruments to mitigate this risk and, as such, the maximum exposure is the full carrying value or face value of its financial assets. The Corporation minimizes credit risk on cash, the Asset Renewal Fund and derivative financial instruments by dealing only with reputable and high quality financial institutions. The Corporation's exposure to credit risks on trade accounts receivable is reduced by applying a credit policy that establishes limits on the concentration of risk, requires assessing and monitoring of counterparty credit risk and sets credit limits. Only Canadian Government departments and agencies, Crown corporations issuing government travel warrants and travel agents who are members of the International Air Transport Association (Billing and Settlement Plan / Airline Reporting Corporation) are exempt from the Corporation's credit approval process.

As at December 31, 2014, approximately 9.2% (December 31, 2013: 16.0%) of trade accounts receivable were over 90 days past due, while approximately 88.2% (December 31, 2013: 76.0%) of trade accounts receivable were current (under 30 days).

As at December 31, 2014, the allowance for bad debt was $0.7 million (December 31, 2013: $0.8 million). The allowance for bad debt is based on an account by account analysis that considers the aging of the account and the current credit-worthiness of the customer.

F) FUEL PRICE RISK

In order to manage its exposure to changes in fuel prices and minimize volatility in operating cash flows, the Corporation enters into derivative contracts with financial intermediaries based on the price of a commodity (i.e. heating oil) or a market index. A fluctuation of 5% in the USD price of heating oil or fuel would not have a significant impact on the financial statements.

21. FINANCIAL INSTRUMENTS (CONT'D)

G) LIQUIDITY RISK

The Corporation manages its liquidity risk by preparing and monitoring detailed forecasts of cash flows from operations and anticipated investing and funding activities. The liquidity risk is low since the Corporation does not have debt instruments to service and receives regular funding from the Government of Canada.

The reported financial liabilities in item a) above totaling $97.2 million (December 31, 2013: $83.9 million) represent the maximum liquidity risk exposure for the Corporation.

The following table summarizes the contractual maturities for the derivative and non-derivative financial liabilities, on a gross and undiscounted basis, as at December 31, 2014:

(IN MILLIONS OF DOLLARS)	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Over 2 years	Total
Trade and other payables	82.7	0.3	0.3	-	-	**83.3**
Derivative financial liabilities	2.4	2.4	4.6	4.4	0.1	**13.9**

The following table summarizes the contractual maturities for the non-derivative financial liabilities, on a gross and undiscounted basis, as at December 31, 2013:

(IN MILLIONS OF DOLLARS)	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Over 2 years	Total
Trade and other payables	75.7	0.3	5.6	0.2	2.1	83.9

H) INTEREST RATE RISK

Interest rate risk is defined as the Corporation's exposure to a loss of earnings or a loss in the value of its financial instruments as a result of fluctuations in interest rates. As at December 31, 2014, there was no exposure to interest rate risk as all the Corporation's liquidity were invested in cash accounts. As at December 31, 2013, the Corporation was exposed to interest rate risk associated with the Asset Renewal Fund for a total of $12.8 million. A variation of 100bps in the interest rates would not have had a significant impact on investment income.

22. 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:

	2014		2013	
COMMODITY SWAP	**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	**-**	**-**	9,072	0.9
Liabilities	**21,168**	**13.9**	-	-

As at December 31, 2014, the commodity swaps have a fixed price per U.S. gallon in USD between 2.010 and 2.959 (December 31, 2013: between 2.825 and 2.990) and the maturity dates are 2015 to 2018 (December 31, 2013: 2014 to 2015). These financial instruments have a monthly settlement schedule.

	2014		2013	
FORWARD FOREIGN EXCHANGE CONTRACTS	**Notional Amount (USD) (millions)**	**Fair Value CAD (millions)**	Notional Amount (USD) (millions)	Fair Value CAD (millions)
Assets	**29.6**	**1.8**	26.2	0.8

As at December 31, 2014, the forward contracts rates are between 1.047 and 1.148 (December 31, 2013: between 1.001 and 1.062) in US dollars and the maturity dates are 2015 to 2016 (December 31, 2013: 2014 to 2015). These financial instruments have a monthly settlement schedule.

Amounts recognized in the statement of financial position:

	2014	2013
	Fair Value CAD (millions)	Fair Value CAD (millions)
Total assets	**1.8**	1.7
Total liabilities	**13.9**	-

23. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business on trade terms similar to those applied to other individuals and enterprises and these transactions are recorded at fair value. Other than disclosed elsewhere in these financial statements, related party transactions are not significant.

The remuneration of key executives is determined by the Human Resources Committee having regard to the performance of individuals and market trends. The Human Resources Committee recommendation is then presented and approved by the Board of Directors.

The Corporation's key executives have been defined as the executive staff members that are members of the Corporate Management Committee.

The compensation of the key executives of the Corporation is as follows:

(IN MILLIONS OF DOLLARS)	2014	2013
Compensation and short-term employee benefits	**2.8**	2.4
Termination benefits	**0.7**	-
Post-employment benefits	**0.4**	0.8
Total	**3.9**	3.2

24. NON-MONETARY TRANSACTIONS

The Corporation recorded revenue from non-monetary transactions of approximately $1.7 million for the year ended December 31, 2014 (December 31, 2013: $1.6 million) under "Passenger revenue" in the statement of operations and other comprehensive income. The Corporation also recorded expenses from non-monetary transactions of approximately $1.9 million (December 31, 2013: $2.1 million) mainly under "Marketing and sales" and "Other expenses" in the statement of operations and other comprehensive income. The nature of non-monetary transactions is mainly related to advertising activities.

25. CONTINGENCIES

A) ENVIRONMENT

The Corporation's operations are subject to numerous federal, provincial, and municipal environmental laws and regulations concerning among other things, the management of air emissions, wastewater, hazardous materials, wastes and soil contamination as well as the management and decommissioning of underground and aboveground storage tanks. A risk of environmental liability is inherent in railroad and related transportation operations, real estate ownership and other activities of the Corporation with respect to both current and past operations.

The Corporation has performed a review of all of its operations and of all of its sites and facilities at risk in order to determine the potential environmental risks. The sites and the facilities for which environmental risks were identified were or will be the subject of thorough studies and corrective actions were or will be taken if necessary in order to eliminate or to mitigate these risks. The continuous risk management process that is in place allows the Corporation to monitor its activities and properties under normal operating conditions as well as monitor accidents that occur. The properties likely to be contaminated or the activities or property, plant and equipment likely to cause a contamination are addressed, at the moment of their observation, by the development of an action plan according to the nature and the importance of the impact and the applicable requirements.

When remediation costs can be reasonably estimated, a provision is recorded based on the anticipated future costs.

However, the Corporation's ongoing efforts to identify potential environmental concerns that may be associated with its properties may lead to future environmental investigations, which may result in the identification of additional environmental costs and liabilities. The magnitude of such additional liabilities and the costs of complying with environmental laws and containing or remediating contamination cannot be reasonably estimated due to:

(i) the lack of specific technical information available with respect to many sites;

(ii) the absence of any third-party claims with respect to particular sites;

(iii) the uncertainty regarding the ability to recover costs from any third parties with respect to particular sites;

(iv) the fact that the environmental responsibility has not been clearly attributed.

There can thus be no assurance that material liabilities or costs related to environmental matters will not be incurred in the future, or will not have a material adverse effect on the Corporation's financial position.

B) ASSET RETIREMENT

The Corporation has entered into certain operating leases where the lessor has the option of requesting that the land/structures or the other assets be returned in the same condition as they were originally leased, or of retaking control of these assets without any compensation to the Corporation for any additions or modifications made to the initial assets. Given the nature of the assets under contract and the options available to the lessor, the asset retirement obligation cannot be reasonably estimated. No liability has been recognized in the financial statements.

26. RECLASSIFICATION

The Corporation has reclassified the amounts of accumulated impairment presented in the "Property, plant and equipment" and the "Intangible Assets" notes in order to improve the disclosure of the impairment losses in the note. As a result of the reclassification, the Cost and the Accumulated depreciation and impairment of Property, plant and equipment as at December 31, 2013 were increased by $66.8 million and, for Intangible assets, by $0.9 million (January 1, 2013: $61.1 million for Property, plant and equipment and $0.7 million for Intangible assets). There were no impacts on the total net carrying amounts and, as such, a third statement of financial position as at the beginning of the preceding period was not presented.

CORPORATE DIRECTORY

CONTENTS

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Winnipeg, Manitoba

VICE-CHAIRPERSON

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Toronto, Ontario

BOARD MEMBERS

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Yves Desjardins-Siciliano
Montréal, Québec

CORPORATE SECRETARY

Jean-François Legault

SENIOR LEADERSHIP TEAM

Yves Desjardins-Siciliano
President and Chief Executive Officer

Marc Beaulieu
Chief Transportation and Safety Officer

Laurent F. Caron
Chief Human Resources Officer

Sonia Corriveau
Chief Business Transformation Officer

Patricia Jasmin
Chief Financial Officer

Martin R. Landry
Chief Commercial Officer

Jean-François Legault
Chief Legal & Risk Officer and Corporate Secretary

Robert St-Jean
Chief Capital Asset Management Officer

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viarail.ca

SENIOR LEADERSHIP TEAM BIOGRAPHIES

To watch a video of our President interviewing the Senior Leadership Team about their responsibilities and challenges, please see the video entitled "Interview with the Executive Officers, VIA Rail Canada" on VIA Rail's YouTube channel.

YVES DESJARDINS-SICILIANO

President and Chief Executive Officer

Mr. Desjardins-Siciliano joined VIA Rail in 2010 and was appointed President and CEO in May 2014. He previously served as the Corporation's Chief Corporate & Legal Officer and Corporate Secretary. An experienced attorney and seasoned executive, Mr. Desjardins-Siciliano earlier held senior positions in legal affairs, regulatory and government relations, business and corporate development, marketing communications and finance, in both the private and public sectors. From 1989 to 1991, he served as Chief of Staff to the federal Minister of Labour and Minister of State for Transport. Mr. Desjardins-Siciliano holds a law degree (LL.B.) from l'*Université de Montréal* and completed Graduate Studies in Law at McGill University. He also has a designation from the Institute of Corporate Directors (ICD.D). Mr. Desjardins-Siciliano is a member of the *Barreau du Québec* and Past President of the Canadian Bar Association, Québec Division.

MARC BEAULIEU

Chief Transportation and Safety Officer

Mr. Beaulieu joined VIA Rail from Canadian National (CN) in 1985, and progressed through a number of increasingly senior management positions, including General Manager, Maintenance Operations, Chief Mechanical Officer, Regional General Manager, East, and Chief of Transportation, prior to being named to his current role. As Chief Transportation and Safety Officer, he is responsible for all network operations, transportation and operational safety, mechanical services and corporate security. Mr. Beaulieu's mandate is to ensure the safe and efficient operation of VIA Rail trains. To that end, his responsibilities include oversight of locomotive crews, maintenance and certain related engineering personnel, network operations staff, and safety and security professionals.

LAURENT F. CARON

Chief Human Resources Officer

Mr. Caron joined VIA in 2010. As Chief Human Resources Officer, he implements strategies and programs that foster strong employee engagement with the Corporation's vision, mission and guiding principles. He oversees leadership development, succession planning, labour relations and enforcement of the Code of Conduct, and ensures that VIA Rail's core competencies are aligned with the activities under his supervision, including hiring, training and e-Learning, performance management, change management, total compensation, and human resources policies. Mr. Caron previously held positions of steadily increasing responsibility with CN, AMF Technotransport and the Quebec Railway Corporation. He holds a Bachelor's degree in Industrial Relations from McGill University and is a member of the *Ordre des conseillers en ressources humaines* and of the Society for Human Resource Management.

SONIA CORRIVEAU

Chief Business Transformation Officer

Ms. Corriveau joined VIA Rail in 2014. As Chief Business Transformation Officer, she is responsible for the re-engineering of the Corporation's business processes, overseeing the transformation and modernization of both internal and customer-facing activities. Her responsibilities include the Information Technology group and the Corporate Project Management Office, as well as the Corporate Architecture and Innovation team. Ms. Corriveau previously spent 25 years with IBM, where she held executive positions that included leading various business units across Canada and successfully managing complex organizational and operational changes. Immediately prior to joining VIA Rail, she served as Vice President, IBM Global Business Services and President of LGS Group. Ms. Corriveau holds an MBA from University of Quebec (Montreal) and a Bachelor's degree in Business Computing from Sherbrooke University.

PATRICIA JASMIN

Chief Financial Officer

Ms. Jasmin joined VIA Rail in 2007 and served as the Corporate Comptroller prior to her appointment as Chief Financial Officer. Her responsibilities include financial administration, internal and external financial reports, budgets and controls, internal and external audits and corporate purchasing. A key contributor to the corporate planning process, Ms. Jasmin works closely with the Corporation's internal and external auditors and supports the Board of Directors' Audit and Finance Committee. She has extensive experience in finance and administration, having previously worked for large retail organisations, including Costco and Loblaw Companies Ltd., and in the telecom sector with Rogers and Téléglobe. Ms. Jasmin holds a Bachelor's degree in Business Administration from HEC *(Université de Montréal)*. She is a member of the *Ordre des comptables professionnels agréés du Québec (CPA)* and holds the CPA, CA designation.

MARTIN R. LANDRY

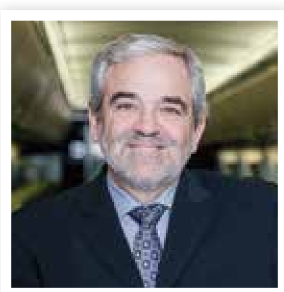
Chief Commercial Officer

Mr. Landry joined VIA Rail in 2014. As Chief Commercial Officer, he oversees all employees and activities related to customer service in stations and on board trains across Canada. Mr. Martin's responsibilities also include marketing communications and advertising, B2B and international sales, commercial planning, sponsorships, product design, brand management, new product development, loyalty programs, partnerships and business development, customer service and marketing research, as well as analytics. He previously spent 30 years with IBM, during which he led a number of business units in North America and Europe, including a global financial services team based in Paris. Most recently, he served as General Manager for Canada of IBM's Global Process Services Unit, and was a member of IBM Canada's Executive Committee. Mr. Landry holds an Honours degree in Finance from the University of Ottawa.

JEAN-FRANÇOIS LEGAULT

Chief Legal & Risk Officer
and Corporate Secretary

Mr. Legault joined VIA Rail in May 2014. As Chief Legal & Risk Officer and Corporate Secretary, he is responsible for the Corporation's governance, secretariat, the management of its safety compliance and all legal matters related to VIA Rail's operations, as well as for implementing its enterprise risk management and insurance claims program. Prior to joining VIA Rail, Mr. Legault practiced law for several years in Montreal and held a number of senior leadership roles in the corporate legal sphere, including serving as Vice-President, Legal Affairs at Bell Canada and Gildan Activewear and as General Counsel and Corporate Secretary at Transat. He possesses a wide range of experience with respect to corporate legal services and management of compliance, including governance, litigation management, contracts, acquisitions and divestitures, with particular expertise in the provision of legal advice aligned to corporate strategies and objectives. Mr. Legault obtained his law degree (LL.B) at the University of Ottawa, and is a member of the *Barreau du Québec*.



ROBERT ST-JEAN

Chief Capital Asset
Management Officer

Mr. St-Jean joined VIA Rail in 2006 and served as Chief Financial and Administration Officer before being named Chief Capital Asset Management Officer, effective January 1, 2015. His mandate is to improve return on investment, reduce operating costs and improve the customer experience. He is responsible for the acquisition, management, development, monetization and renewal of all VIA Rail's tangible assets, including stations and other real estate, as well as track infrastructure, rolling stock and pension plan assets. Before joining VIA Rail, Mr. St-Jean served as Senior Vice President, Finance and Control, at Loblaw Companies Ltd. and Vice President and Controller, at Provigo Inc. and held senior management positions with Club Price Canada. He earned a Bachelor's degree in Business Administration from the *Université de Sherbrooke*. Mr. St-Jean is a member of the *Ordre des comptables professionnels agréés du Québec (CPA)* and holds the CPA, CA designation.

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