Third Quarter Report 2019

VIA Rail Canada

Contents

Message from the President

Since joining Via Rail five months ago, I have had the pleasure of criss-crossing the country, reviewing our operations and meeting with our employees. I am energized by the passion and professionalism of our team, and I appreciate that thanks to them more and more Canadians are turning to VIA Rail for their travel needs.

Ridership and revenues continued to grow in the third quarter, increasing for the 15th and 22nd consecutive quarter, respectively. The most noticeable increases were in the Corridor and on our long-distance services. Ridership for Canada Day and Labour Day long weekends was the highest it has been in the past ten years, which shows that Canadians are continuing to see the great value in passenger rail. To date, 3.7 million passengers have travelled on our trains, and we are on track for a record year in terms of ridership.

During the third quarter, we also moved forward with our modernization program. I am pleased to report that the design phase of our new fleet of trains for the Québec City-Windsor corridor is on schedule. The second of the three design phases was launched as planned at the end of September, and it is exciting to see our new trains take shape. We remain confident that the first trains will be commissioned in 2022.

As a follow-up to the June announcement of a $71 million investment in our High Frequency Rail (HFR) project, we are setting up a Joint Project Office (JPO) team in partnership with the Canada Infrastructure Bank. The JPO will combine our respective expertise in passenger rail and finance and will be responsible for all the studies and collaborative processes required to complete the analysis of our project in a timely fashion. We are delighted to be working alongside the Canada Infrastructure Bank to advance HFR, which we believe will change the way people move in Canada. We will spare no effort to complete this work efficiently and successfully.

In order to support our continued growth, we launched the Locomotive Engineer Apprenticeship Program this past August with a goal of recruiting and training the next generation of VIA Rail train conductors. Following the launch of a Canada-wide, multi-channel recruitment campaign, we received over 1,600 applications, and we are in the midst of a rigorous selection and interview process.

CYNTHIA GARNEAU

President and Chief Executive Officer,
VIA Rail

As we look to the future, passenger rail in Canada continues to be on the upswing, and VIA Rail is proud to be leading the way. Through our modernization program and by offering a safe, sustainable, easy, accessible and enjoyable experience from station to station, we are committed to being a leader in sustainable mobility in Canada heading into the next decade and beyond. I'm proud to be part of this journey.

Third Quarter at a Glance

Financial Results are produced according to International Financial Reporting Standards. Financial statement results by line have been reclassified to reflect the internal presentation.

	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Key Financial Indicators (in millions of dollars)				
Total passenger revenues [1]	**113.4**	112.3	**287.8**	275.9
Total Revenues [1]	**119.1**	**118.0**	**304.7**	**293.5**
Operating expenses [1]	**161.6**	156.5	**490.2**	468.1
Contributions for employee benefits [1]	**5.9**	6.9	**21.5**	26.6
Total Operating Expenses [1]	**167.5**	**163.4**	**511.7**	**494.7**
Operating Loss	**48.4**	**45.4**	**207.0**	**201.2**
Capital investments	**29.5**	33.7	**77.2**	78.2
Capital investments – Fleet Replacement Program	**13.8**	0.0	**112.8**	0.0
Total Funding Required	**91.7**	**79.1**	**397.0**	**279.4**
Government operating funding	**48.4**	45.4	**207.0**	201.2
Government capital funding	**33.5**	31.7	**86.2**	76.2
Government capital funding – Fleet Replacement Program	**9.8**	0.0	**103.8**	0.0
Total Government Funding	**91.7**	**77.1**	**397.0**	**277.4**
Asset Renewal Funding	**0.0**	**0.0**	**0.0**	**0.0**
Key Operating Statistics [2]				
Total passenger-miles (in millions)	**308**	291	**788**	742
Total passengers (in thousands)	**1,364**	1,276	**3,712**	3,496
Total seat-miles (in millions)	**465**	477	**1,331**	1,310
Operating deficit per passenger-mile (in cents)	**15.7**	15.6	**26.3**	27.1
Yield (cents per passenger-mile)	**36.3**	38.1	**35.7**	36.4
Train-miles operated (in thousands)	**1,761**	1,758	**5,192**	5,138
Car-miles operated (in thousands)	**11,986**	13,237	**33,003**	34,288
Average passenger load factor (%)	**66**	61	**59**	57
Average number of passenger-miles per train mile	**175**	165	**152**	144
On-time performance (%)	**63**	65	**66**	71
Number of full time equivalent employees during the period	**3,415**	3,349	**3,261**	3,201

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

Key Operating Statistics by Service Group for the Third Quarter of 2019

Train Services	Passengers Revenues* (in thousands)	Passengers (in thousands)	Passengers Miles (in thousands)	Government Funding (per passenger mile)
Québec City – Windsor corridor	$81,117	1,276.4	245,641	$0.11
Canadian	$23,821	34.0	38,975	$0.27
Ocean	$4,954	29.5	17,176	$0.09
Regional services	$2,013	23.9	6,683	$1.55
Total	**$111,905**	**1,363.8**	**308,475**	**$0.16**

Key Operating Statistics by Service Group for the Third Quarter of 2018

Train Services	Passengers Revenues* (in thousands)	Passengers (in thousands)	Passengers Miles (in thousands)	Government Funding (per passenger mile)
Québec City – Windsor corridor	$76,833	1,190.2	225,828	$0.11
Canadian	$28,070	37.5	44,277	$0.09
Ocean	$4,528	29.0	16,368	$0.50
Regional services	$1,278	18.9	4,416	$1.83
Total	**$110,709**	**1,275.6**	**290,889**	**$0.16**

* Excluding off-train and other passenger revenues.

Review of Operations

Putting Passengers First

Loving the Way Even More

In September, VIA Rail unveiled a brand new marketing campaign with a specific clientele in mind, targeting Canadians who already make regular use of public transportation and sustainable transit options. VIA Rail is the natural extension of public transport within cities and towns, and a perfect fit for those who already use it.

By positioning advertisements in metro stations, bus shelters and bike-share stations in Toronto, Montréal and Ottawa, we inspire commuters to intrinsically adopt VIA Rail as part of their habitual public transportation routine, and we highlight VIA Rail as an integral part of Canada's sustainable transportation networks.

The campaign, which also included videos, banners and ads on a variety of Canadian-owned news and entertainment sites, builds on the momentum of our new identity and tagline "Love the Way", which positions VIA Rail as an integral part of Canada's sustainable future.

→ **VIA Rail advertisements placed near public transit hubs in major Canadian cities aimed at further inspiring commuter inter-modality.**

Get Connected on Board

Being able to connect on board is one of the great advantages of taking the train. To improve the online experience for passengers, upgrades were made to the Wi-Fi service in our Economy and Business class cars in the Corridor and between Montréal and Halifax (the *Ocean*). Not only is the onboard passenger Wi-Fi service more reliable, but now up to 300 devices can connect per train car (previously only 50 could).

As of the end of the third quarter of 2019, more than 80% of cars travelling in the Corridor and along the *Ocean* route now have improved Wi-Fi, with the remainder to be completed by the end of the second quarter of 2020. As a result, customer feedback shows a higher level of satisfaction with connectivity on board.

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An onboard corporate workshop provided insight into the opportunities available for tailored business experiences.

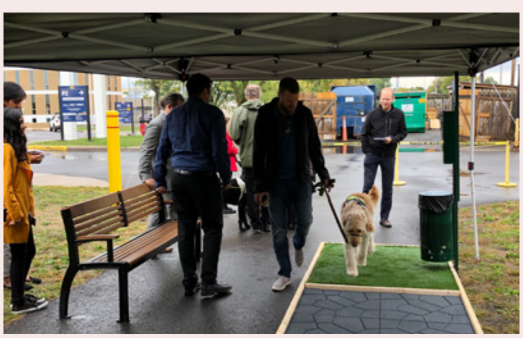
"Trainstorm" Trial Workshop

In July, participants from HEC Montréal, Ubisoft, Cirque du Soleil, Bell and other organizations participated in a corporate workshop on board a train travelling between Montréal and Toronto. This workshop experience, developed by VIA's Innovation team, was conceived to create "magic moments" in products, services, and experiences. The principles could then be applied for their respective clientele, customers and colleagues.

VIA Rail is always looking for ways to improve our services to Canadians. These types of workshops help us innovate and think creatively about how to improve the onboard experience, the station experience, and how we engage with our partners and communities. Participants in the trial workshop provided rave reviews, and VIA Rail gained insight into the potential for new tailored corporate and business experiences on board.

Making Travel with Service Animals Easier

In September, VIA Rail's Innovation and Accessibility teams hosted a joint pilot project at Ottawa station where they tested potential service animal relief stations for indoor and outdoor use. The aim is to make travelling easier for those accompanied by a service animal. In attendance were representatives from the Canadian Council of Disabilities, Courageous Companions, the Canadian Council of the Blind and the Canadian National Institute for the Blind. The learnings from the session will inform version two of the relief station, and soon thereafter, their installation in our stations in 2020.



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A pilot project in accessibility saw VIA Rail explore options for future interior and exterior service animal relief areas at our stations.

Performance

In the third quarter, VIA Rail once again reported overall growth in ridership (+6.9%), passenger revenues (+1.1%) and total revenues (+0.9%) compared to the third quarter of 2018. In the Québec City-Windsor corridor, ridership (+7.2%) and passenger revenues (+5.5%) increased versus the same period in 2018. As for the Montréal-Halifax service (the *Ocean*), passenger revenues (+8.9%) climbed versus the third quarter of 2018, and ridership (+1.7%) increased as well. And finally, ridership (+26.5%) and passenger revenues (+61.5%) for our regional services increased significantly this past quarter compared to the same period last year, due in large part to the return of the regional Winnipeg-Churchill service.

As a result of restrictions to infrastructure access, starting in May VIA had to shorten the peak season third weekly departure for the *Canadian*. Consequently, ridership (-9.3%) and passenger revenues (-15.3%) for that service declined considerably in the third quarter, at a time when travel on the *Canadian* is most popular.

Long Weekends Are Made for Travelling

During the Canada Day, August Civic Holiday and Labour Day long weekends this summer, VIA Rail reported excellent ridership, at many times breaking records. For Canada Day long weekend, VIA Rail recorded 100,072 passengers travelling in the Corridor, a 10.0% increase compared to 2018.

VIA Rail also recorded its busiest Labour Day long weekend in ten years, with a ridership increase of 3.8% compared to the same period last year. Over this long weekend, our trains covered a total distance of 32 million kilometres and on Friday, the weekend's busiest day, 18,952 passengers used VIA Rail to travel throughout the country.

Modernization Projects

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Taking into account passenger needs, the design of our new fleet of trains includes amenities such as bike racks to make inter-modal travel easier.

New Fleet Update

This exciting program which will see VIA Rail deploy a brand new fleet of trains to service our increasingly busy Québec City-Windsor corridor is progressing well and is on target to introduce these new trains beginning in 2022. We are hard at work on the design of the new fleet, making sure to take into account the important and varied needs of our passengers. We have just completed the first of the scheduled three design phases and expect the second phase to be completed by early 2020. In addition to key system-related elements, particular emphasis is placed on passenger amenities, including innovations in universal accessibility as we progress on the journey to a barrier-free Canada. A comprehensive review of many of the planned accessibility features, including life sized mock ups, is planned with our universal accessibility partners in early 2020.

Heritage Fleet Refurbishment Program

Work has been completed on six HEP II Economy cars and one Business car as of the end of September 2019. Upgrades include the overhaul of their mechanical system to ensure long-term reliability and the improvement of their interior design. At the end of the third quarter, four more HEP II cars were on the production line—one Economy and three Business cars. As well, work and required analysis to extend the lifecycle of additional HEP cars continued in the third quarter.

And finally, 12 units have been completed out of a total of 15 as part of the P42 locomotive partial overhaul project, which is on schedule for completion in 2020. The partial overhaul consists of major systems requalification and/or rebuild, engine full rebuild, and corrosion repair.

Operating Safely and Securely

Police and Corporate Security

VIA Rail Police and Corporate Security oversee the enhancement of security on board our trains and in our stations by taking significant leadership roles in areas such as fraud reduction, threat monitoring and intelligence sharing.

During Rail Safety Week in September, VIA Rail employees, management and police officers were heavily involved in events throughout the country alongside Operation Lifesaver's Safety Ambassadors. Together, they set up kiosks and held information sessions in stations, on board trains and near railway crossings to educate the public and draw attention to the dangers of venturing near tracks.

VIA Rail's Police were also one of 17 Canadian police services participating in Operation Clear Track, the largest rail-safety law enforcement initiative in North America, enforcing laws about railway crossings and trespassing, and distributing tip sheets to drivers, pedestrians and cyclists across Canada.

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VIA Rail Police and Corporate Security were present at locations across Canada during Rail Safety Week and as part of Operation Clear Track.

VIA Rail Tracks

VIA Rail continued the 2019 Track program this past quarter. The program involves the rehabilitation of crossings, reinforcement of curves and turnout replacements, all of which will help improve ride quality. Three crossing rehabilitations and four turnout rehabilitations were completed in the Alexandria, Beachburg, Brockville and Smiths Falls Subdivisions of Ontario.

Furthermore, in order to improve ride quality, track surfacing was completed on five miles of track and on seven turnouts as well as switch ties replacements on various turnouts in the Corridor.

Sustainable Development

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

Our Sustainability Pillars

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

Provide the Best Customer Experience

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

Support Socio-Economic Development

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

Operate Safely and Securely

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

Reduce our Impact on the Environment

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

Be an Attractive Employer

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

Manage our Business Responsibly

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

Managing our Business Responsibly

Maintaining an Open Dialogue with our Communities

VIA Rail accords great importance to maintaining positive relationships with the communities it serves with a goal of enhancing the safety and security of railway operations, our passengers and our neighbours.

As part of the 2019 Track program (p.11), VIA Rail has taken steps to raise community awareness of the track repairs and modernization work before they begin, and to ensure continued communication as they unfold. Through in-person distribution of notices to residents, the publication and updating of these notices on the In your community website, and the opening of communication channels, VIA Rail is sharing important information with people residing near tracks and benefitting from their feedback.

VIA Rail also met with municipal stakeholders from the locations targeted by the work to share information, answer questions from elected officials and solicit their feedback. In addition, VIA Rail has worked closely with municipal governments, as well as provincial and federal elected officials to obtain support in disseminating information on their respective communication platforms and in answering questions from citizens.

Staying Connected to the Transportation Ecosystem

In September, VIA participated in the first ever *Forum annuel de la Politique de mobilité durable*, organized by the government of Québec. Bringing together the various transportation stakeholders in Québec, this event enabled VIA Rail to maintain its close relationship with this network and to discuss various issues and common concerns. This meeting was also an opportunity to promote VIA Rail’s projects and activities to government actors and collaborators, all while encouraging knowledge-sharing. And finally, the forum was an opportunity for VIA Rail to position itself as a major player in sustainable mobility in Québec and Canada.

Reducing our Impact on the Environment

An Environmentally Sound Infrastructure

In September, VIA Rail announced that its Winnipeg station has once again earned the BOMA BEST sustainable buildings certification at the Certified level of performance. BOMA BEST sustainable buildings certification is managed by the Building Owners and Managers Association of Canada and is Canada's largest environmental assessment and certification program for existing buildings. It recognizes excellence in energy and environmental management and performance in commercial real estate.

The BOMA BEST Certification reflects VIA Rail's commitment to a more sustainable and low carbon future and brings us one step closer towards our green building goal. This certification has allowed VIA Rail to identify opportunities to increase the efficiency of Winnipeg's station's operations and reduce its environmental footprint, through projects such as a Green Cleaning Policy, an Environmental Policy, an Occupancy Environmental Communication program and an Indoor Air Quality Monitoring plan, as well as sustainability projects (lighting optimization, recommissioning and installation of an air to water heat pump).

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Winnipeg's historic Union Station has once again earned BOMA BEST certification, which recognizes its excellence in sustainability.

Supporting Socio-Economic Development

Side-by-side at Pride

Once again this year, VIA Rail was a proud supporter of Pride festivities across Canada. More than 80 VIA Rail employees joined in the celebrations in Winnipeg, Toronto, Montréal, Ottawa and Moncton, proudly representing the Corporation and our commitment to inclusion and diversity.

←
VIA Rail employees at Toronto's 2019 Pride Parade in June.

WE Schools: Leadership, Empathy and Connection

VIA Rail proudly partnered with WE Schools in support of a week of programming on environmental sustainability and Indigenous Reconciliation by providing transportation for 46 students to travel between Thompson and Churchill, MB. Throughout the week, students from Winnipeg and communities across Northern Manitoba developed leadership skills, built empathy and connections with their peers from across the province and explored the concept of Reconciliation and what actions all Canadians can take to participate in it. They also learned about local challenges with a focus on issues facing Indigenous communities in Northern Manitoba and created an action plan to lead social action when they return home.

↑
WE Schools participants at Thompson, MB station.

Being an Attractive Employer

Locomotive Engineer Apprenticeship Program (LEAP)

After receiving over 1,600 applications, both internally and externally, VIA Rail invited the top candidates to a LEAP Candidate Information Session, held in September. The information session represented another first for our organization with respect to the LEAP program and Locomotive Engineer recruitment. Over the course of a few sessions, VIA Rail subsequently met with potential candidates and presented the position description and the lifestyle related to it. This is a very important step in selecting the best candidates for these crucial positions, and VIA Rail is committed to working with the successful candidates, supporting them as they move forward in the LEAP program and helping them become successful VIA Locomotive Engineers.

Women in Governance Certification

Continuing in our efforts to become a top-level employer when it comes to gender parity, inclusion and diversity, we are proud to have been awarded Gold certification by Women in Governance, a not-for-profit organization whose mission is to support women in their leadership development, career advancement and access to Board participation. To become certified, organizations must achieve specific results and criteria by adopting measures, practices and programs to promote parity in their respective organizations. We were able to achieve this new level of certification by refining our objectives and re-evaluating some of our current programs.

Recognizing Female Leadership

In keeping with Inclusion and Diversity Committee activities, VIA Rail is proud to have collaborated with Women's Executive Network (WXN) to recognize the leadership of inspiring women by sitting on the WXN Proxy Committee and evaluating the nominations for Canada's Most Powerful Women: Top 100™ awards. This award, which focuses on the outstanding achievements of 100 women who have distinguished themselves by their leadership, is the most recognized in its category in Canada. VIA Rail representatives, along with a team from CIBC, evaluated applications from women who stand out in their workplace and community. This participation is part of VIA Rail's vision of promoting and valuing inclusion and diversity.

Key Performance Indicators

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

Key Performance Indicators		**Quarters ended September 30**			**Periods ended September 30**		
Indicator	**Unit**	**Q3 2019**	**Q3 2018**	**Vs 2018**	**2019**	**2018**	**Vs 2018**
Capacity Deployed *(in millions)* Number of available seat-miles (ASM) (1)	ASM	465	477	-2.5%	1,331	1,310	1.6%
Total Revenues / ASM (RASM) Total revenues divided by total ASM	cents	25.59	24.74		22.89	22.40	
Total Costs (2) **/ ASM** (CASM) Total operating expenses divided by total ASM	cents	36.03	34.23		38.26	37.15	
RASM / CASM Revenues per available seat-mile divided by the costs per available seat-mile	%	71.0%	72.3%		59.8%	60.3%	
On-Time Performance On-Time Performance of all VIA Rail trains	%	63.0%	65.0%		66.1%	70.8%	
On-Time Performance – VIA Rail Infrastructure On-Time performance of all VIA Rail trains on VIA Rail owned infrastructure	%	93%	94%		94%	94%	
Train Incidents Includes mainline derailments, cardinal rule violations, critical speed violations, or critical rule violations which result in injury to passengers and/or employees, or damage to the rolling stock or infrastructure for a value of $25,000 or more	#	1	1		4	4	
Employee Attendance (excluding long-term disability) Total hours worked per month divided by the total possible work hours per month	%	94%	95%		94%	95%	

(1) Seat-miles are the number of seats available for sale, multiplied by the number of miles travelled.
(2) Total costs include pension costs for current services but exclude cost for past services.

Performance on or above previous year.

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

Performance below last year (10% or more).

Governance and Accountability

The Board of Directors

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

The Chairperson of the Board of Directors is an ex officio member of all Committees. The President and Chief Executive Officer is also an ex officio member of all Committees, except the Audit & Pension Investment Committee. Throughout the third quarter of 2019, two (2) Board meetings were held. With the exception of the Fleet Modernization Committee, who met twice between July and September 2019, the six (6) regular Board committees met once. The attendance rate at the meetings held during the third quarter was 96.5 per cent. Cumulative fees paid to Board members during this period totaled $81,239.

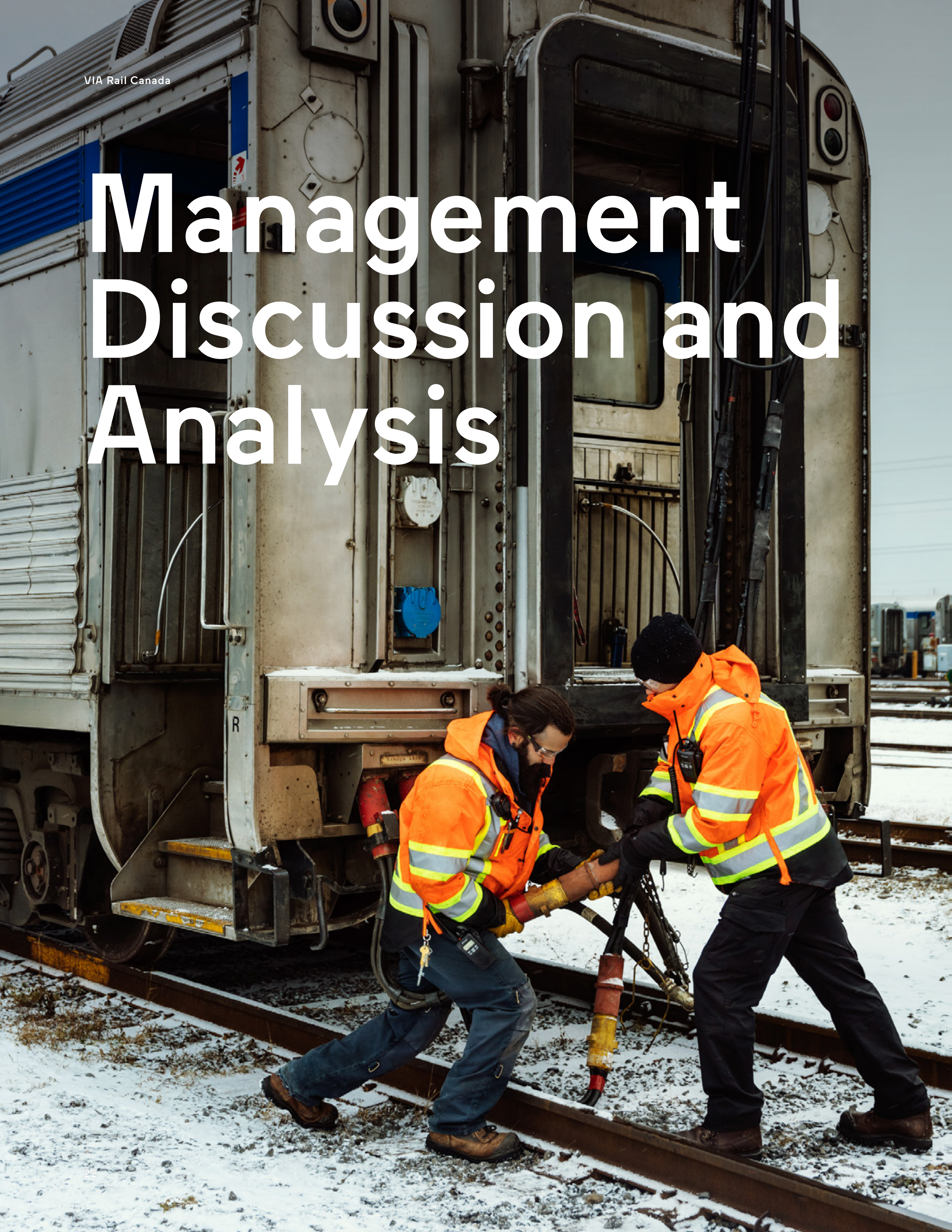
Access to Information and Privacy

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

Travel, Hospitality and Conference Expenses

The following travel, hospitality and conference expenses were submitted during the third quarter of 2019	
Françoise Bertrand Chairperson of the Board of Directors	$1,476
Cynthia Garneau President and CEO	$10,893
Yves Desjardins-Siciliano President and CEO (exiting)	$20,390
Executive management committee members (9)	$65,596
Board of Directors (12)	$22,555
Total VIA Rail (including above expenses)	**$365,807**

Management Discussion and Analysis



1. Introduction

The Management Discussion and Analysis report outlines the financial results of VIA Rail for quarter and the nine-month period ended September 30, 2019 compared with the quarter and nine-month period ended September 30, 2018. This document should be read in conjunction with the interim condensed financial statements and notes.

Materiality

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

2. Corporate Overview

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

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

3. Highlights of Financial Results and Major Key Operating Statistics

	Quarters ended September 30				Nine-month periods ended September 30			
(in millions of Canadian dollars)	**2019**	2018	Var $	Var %	**2019**	2018	Var $	Var %
Financial Performance								
Passenger revenues *(section 4.2)*	**113.5**	112.3	1.2	1.1%	**287.5**	275.7	11.8	4.3%
Other revenues	**5.7**	5.7	-	0.0%	**16.9**	17.6	(0.7)	(4.0%)
Total revenues	**119.2**	118.0	1.2	1.0%	**304.4**	293.3	11.1	3.8%
Operating expenses *(section 4.3)*	**205.4**	197.4	8.0	4.1%	**602.3**	577.1	25.2	4.4%
Operating loss before funding from the Government of Canada and income taxes *(section 4.1)*	**(86.2)**	(79.4)	(6.8)	(8.6%)	**(297.9)**	(283.8)	(14.1)	(5.0%)
Operating funding from the Government of Canada *(section 4.1)*	**48.4**	45.4	3.0	6.6%	**207.0**	201.2	5.8	2.9%
Amortization of deferred capital funding	**26.3**	25.6	0.7	2.7%	**77.3**	77.8	(0.5)	(0.6%)
Income tax expense	**0.1**	-	0.1	n/a	**0.2**	0.2	-	(0.0%)
Net (loss) for the period	**(11.6)**	(8.4)	3.2	38.1%	**(13.8)**	(5.0)	8.8	176.0%
Remeasurements of the defined benefit components of the pension plans and post-employment benefit plans	**50.3**	47.7	2.6	5.5%	**(57.3)**	126.3	(183.6)	(145.4%)
Comprehensive income (loss) for the period	**38.7**	39.3	(0.6)	(1.5%)	**(71.1)**	121.3	(192.4)	(158.6%)
Financial Position and Cash Flows								
Total assets *(section 4.4)*	**1,519.6**	1,459.1	60.5	4.1%	**1,519.6**	1,459.1	60.5	4.1%
Total liabilities and deferred capital funding *(section 4.4)*	**1,676.3**	1,451.3	225.0	15.5%	**1,676.3**	1,451.3	225.0	15.5%
Cash *(section 4.5)*	**10.7**	47.7	(37.0)	(77.6%)	**10.7**	47.7	(37.0)	(77.6%)
Net cash (used in) provided by operating activities *(section 4.5)*	**(26.4)**	21.1	(47.5)	(225.1%)	**(23.7)**	23.7	(47.4)	(200.0%)
Net cash (used in) provided by investing activities *(section 4.5)*	**(3.8)**	7.8	(11.6)	(148.7%)	**21.5**	20.8	0.7	3.4%
Net cash (used in) financing activities *(section 4.5)*	**(0.6)**	-	(0.6)	n/a	**(1.9)**	-	(1.9)	n/a
Capital funding *(section 4.5)*	**43.3**	31.7	11.6	36.6%	**190.0**	76.2	113.8	149.3%
Key Operating Statistics								
Train-miles operated *(in thousands)*	**1,761**	1,758	3	0.2%	**5,192**	5,138	54	1.1%
Seat-miles *(in millions)*	**465**	477	(12)	(2.5%)	**1,331**	1,310	21	1.6%
Passenger-miles *(in millions)*	**308**	291	17	5.8%	**788**	742	46	6.2%
Average passenger load factor *(%)*	**66**	61	5	8.2%	**59**	57	2	3.5%
Operating deficit per passenger-mile *(in cents)*	**15.7**	15.6	0.1	0.6%	**26.3**	27.1	(0.8)	(3.0%)

(Amounts in bracket represent decreases)

Financial highlights

Third quarter

- VIA Rail's total revenues increased by 1.0 per cent due to higher passenger revenues in all major train services, except for the *Canadian.*
- Operating expenses increased by 4.1 per cent as a result of annual cost increases in most expense categories as well to an unrealized net loss on derivative financial instruments and to the annualization of new and vacant positions filled.
- The operating loss increased by 8.6 per cent due to the fact that the increase in operating expenses exceeded the increase in revenues.
- Operating funding increased by 6.6 per cent, reflecting the higher amounts required for funded activities.
- VIA Rail generated a comprehensive income of $38.7 million compared to a comprehensive income of $39.3 million in 2018. The variation is due to the remeasurements of the defined benefit components of the pension plans and post-employment benefit plans.

Nine-month period

- VIA Rail's total revenues increased by 3.8 per cent due to higher passenger revenues in all major train services, except for the *Canadian*.
- Operating expenses increased by 4.4 per cent as a result of annual cost increases in most expense categories, as well as higher depreciation and amortization and higher costs for commercial and passenger litigation and the annualization of new and vacant positions filled.
- The operating loss increased by 5.0 per cent due to the fact that the increase in operating expenses exceeded the increase in revenues.
- Operating funding increased by 2.9 per cent, reflecting the higher amounts required for funded activities.
- VIA Rail generated a comprehensive loss of $71.1 million compared to a comprehensive income of $121.3 million in 2018. The variation is due to the remeasurements of the defined benefit components of the pension plans and post-employment benefit plans.

Operating statistics highlights

Third quarter

- Train-miles have increased by 0.2 per cent compared to previous year and seat-miles have decreased by 2.5 per cent compared to previous year.
- Passenger-miles increased by 5.8 per cent.
- Operating deficit per passenger-mile increased by 0.6 per cent.

Nine-month period

- Capacity increased (1.1 per cent for train-miles and 1.6 per cent for seat-miles) compared to previous year.
- Passenger-miles increased by 6.2 per cent.
- Operating deficit per passenger-mile decreased by 3.0 per cent.

4. Analysis of Financial Results

4.1 Comparison of IFRS and Funded Operating Results

	Quarters ended September 30				Nine-month periods ended September 30			
(in millions of Canadian dollars)	**2019**	**2018**	**Var $**	**Var %**	**2019**	**2018**	**Var $**	**Var %**
Operating loss on a funded basis	**(48.4)**	**(45.4)**	**(3.0)**	**(6.6%)**	**(207.0)**	**(201.2)**	**(5.8)**	**(2.9%)**
NON-FUNDED ADJUSTMENT TO REVENUES								
Adjustment for VIA Préférence points and other	**0.1**	-	0.1	n/a	**(0.3)**	(0.2)	(0.1)	(50.0%)
NON-FUNDED ADJUSTMENTS TO EXPENSES								
Pension and other employee future benefits	**(3.6)**	(3.1)	(0.5)	(16.1%)	**(9.4)**	(4.4)	(5.0)	(113.6%)
Depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of intangible assets, and loss on disposal	**(27.2)**	(25.7)	(1.5)	(5.8%)	**(79.8)**	(78.6)	(1.2)	(1.5%)
Other provisions for non-cash items	**(7.1)**	(5.2)	(1.9)	(36.5%)	**(1.4)**	0.6	(2.0)	(333.3%)
Total non-funded adjustments to expenses	**(37.9)**	(34.0)	(3.9)	(11.5%)	**(90.6)**	(82.4)	(8.2)	(10.0%)
Total items not requiring funds from operations	**(37.8)**	**(34.0)**	**(3.8)**	**(11.2%)**	**(90.9)**	**(82.6)**	**(8.3)**	**(10.0%)**
Operating loss under IFRS	**(86.2)**	**(79.4)**	**(6.8)**	**(8.6%)**	**(297.9)**	**(283.8)**	**(14.1)**	**(5.0%)**
Operating funding from the Government of Canada	**48.4**	45.4	3.0	6.6%	**207.0**	201.2	5.8	2.9%
Amortization of deferred capital funding	**26.3**	25.6	0.7	2.7%	**77.3**	77.8	(0.5)	(0.6%)
Net (loss) before income taxes	**(11.5)**	**(8.4)**	**(3.1)**	**(36.9%)**	**(13.6)**	**(4.8)**	**(8.8)**	**(183.3%)**
Income tax expense	**0.1**	-	0.1	n/a	**0.2**	0.2	-	0.0%
Net (loss) under IFRS for the period	**(11.6)**	**(8.4)**	**(3.2)**	**(38.1%)**	**(13.8)**	**(5.0)**	**(8.8)**	**(176.0%)**
Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans	**50.3**	47.7	2.6	5.5%	**(57.3)**	126.3	(183.6)	(145.4%)
Comprehensive income (loss) for the period	**38.7**	**39.3**	**(0.6)**	**(1.5%)**	**(71.1)**	**121.3**	**(192.4)**	**(158.6%)**

(Amounts in bracket represent decreases)

Net loss under IFRS for the quarter:

Net loss of $11.6 million this quarter, compared to a net loss of $8.4 million last year, representing a decrease of $3.2 million mainly due to:

- Higher operating loss ($6.8 million), attributable to higher expenses of $8.0 million partly offset by higher revenues of $1.2 million.
- Higher amortization of deferred capital funding ($0.7 million).
- Higher government funding received during the quarter ($3.0 million).

Net loss under IFRS for the nine-month period:

Net loss of $13.8 million for the nine-month period, compared to a net loss of $5.0 million last year, representing a decrease of $8.8 million mainly due to:

- Higher operating loss ($14.1 million), attributable to higher expenses of $25.2 million partly offset by higher revenues of $11.1 million.
- Lower amortization of deferred capital funding ($0.5 million).
- Higher government funding received during the nine-month period ($5.8 million).

Comprehensive income of $38.7 million in the third quarter of 2019 and comprehensive loss of $71.1 million for the nine-month period ended September 30, 2019 include the following:

Remeasurement of defined benefit component of the pension plans and post-employment benefit plans is composed of quarterly non-cash remeasurements resulting from changes in actuarial assumptions and the return on pension plan assets.

Remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of $50.3 million in the third quarter of 2019 is due to an actuarial gain of $29.0 million on the defined benefit liability arising from a 10 basis point increase in the discount rate since June 30, 2019 and to a remeasurement gain of $21.3 million resulting from higher actual rate of return on plan assets.

The remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of ($57.3) million for the nine-month period is due to the decrease in discount rate used to determine the defined benefit obligation (3.00 per cent as at September 30, 2019 compare to 3.90 per cent as at December 31, 2018), which resulted in an actuarial loss of $270.4 million, partly offset by the return on plan assets of $217.0 million during the period. The remeasurement also includes an actuarial loss of $3.9 million due to the decrease in discount rate used to determine the post-employment benefit obligation (3.00 per cent as at September 30, 2019 compared to 4.00 per cent as at December 31, 2018).

Comprehensive income of $39.3 million in the third quarter of 2018 and comprehensive income of $121.3 million for the nine-month period ended September 30, 2018 include the following:

The remeasurement of the defined benefit component of the pension plans of $47.7 million for the third quarter of 2018 is due to an actuarial gain of $88.7 million arising from a 30 basis point increase in the discount rate since June 30, 2018 and to a remeasurement loss of $41.0 million resulting from lower return on assets.

The remeasurements of the defined benefit component of the pension plans of $126.3 million for the nine-month period ended September 30, 2018 was due to the increase of the discount rate used to determine the defined benefit obligation (3.90 per cent as at September 30, 2018 compared to 3.40 per cent as at December 31, 2017) which resulted in an actuarial gain of $146.0 million for the period, partly offset by a lower return on plan assets of ($19.7) million generated during the period.

4.2 Revenues

(in millions of Canadian dollars)	Quarters ended September 30				Nine-month periods ended September 30			
	2019	**2018**	**Var $**	**Var %**	**2019**	**2018**	**Var $**	**Var %**
Passenger revenues								
Corridor East	**68.1**	63.8	4.3	6.7%	**186.5**	173.3	13.2	7.6%
Southwestern Ontario (SWO)	**12.9**	13.0	(0.1)	(0.8%)	**37.6**	37.0	0.6	1.6%
Québec City – Windsor corridor	**81.0**	**76.8**	**4.2**	**5.5%**	**224.1**	**210.3**	**13.8**	**6.6%**
Ocean	**4.9**	4.5	0.4	8.9%	**9.2**	8.4	0.8	9.5%
Canadian	**23.8**	28.1	(4.3)	(15.3%)	**44.5**	49.1	(4.6)	(9.4%)
Regional services	**2.1**	1.3	0.8	61.5%	**3.6**	2.4	1.2	50.0%
Non corridor	**30.8**	**33.9**	**(3.1)**	**(9.1%)**	**57.3**	**59.9**	**(2.6)**	**(4.3%)**
Other	**1.7**	1.6	0.1	6.3%	**6.1**	5.5	0.6	10.9%
Total passenger revenues under IFRS	**113.5**	**112.3**	**1.2**	**1.1%**	**287.5**	**275.7**	**11.8**	**4.3%**
Other revenues	**5.7**	5.7	-	0.0%	**16.9**	17.6	(0.7)	(4.0%)
Total revenues under IFRS	**119.2**	**118.0**	**1.2**	**1.0%**	**304.4**	**293.3**	**11.1**	**3.8%**
Adjustment for VIA Préférence points (non-funded) and other	**(0.1)**	-	(0.1)	n/a	**0.3**	0.2	0.1	50.0%
TOTAL FUNDED REVENUES	**119.1**	**118.0**	**1.1**	**0.9%**	**304.7**	**293.5**	**11.2**	**3.8%**

(Amounts in bracket represent decreases)

Passengers (in thousands)	Quarters ended September 30				Nine-month periods ended September 30			
	2019	**2018**	**Var #**	**Var %**	**2019**	**2018**	**Var #**	**Var %**
Passengers								
Corridor East	**980.7**	896.3	84.4	9.4%	**2,678.0**	2,494.7	183.3	7.3%
Southwestern Ontario (SWO)	**295.7**	293.9	1.8	0.6%	**856.5**	832.3	24.2	2.9%
Québec City – Windsor corridor	**1,276.4**	**1,190.2**	**86.2**	**7.2%**	**3,534.5**	**3,327.0**	**207.5**	**6.2%**
Ocean	**29.5**	29.0	0.5	1.7%	**61.4**	60.6	0.8	1.3%
Canadian	**34.0**	37.5	(3.5)	(9.3%)	**66.1**	66.9	(0.8)	(1.2%)
Regional services	**23.9**	18.9	5.0	26.5%	**50.0**	41.8	8.2	19.6%
Non corridor	**87.4**	**85.4**	**2.0**	**2.3%**	**177.5**	**169.3**	**8.2**	**4.8%**
TOTAL PASSENGERS	**1,363.8**	**1,275.6**	**88.2**	**6.9%**	**3,712.0**	**3,496.3**	**215.7**	**6.2%**

(Amounts in bracket represent decreases)

Passenger revenues

Revenues for the quarter and the nine month period have increased by $1.2 million (1.1 per cent) and $11.8 million (4.3 per cent).

The increases are due to higher revenues on all train services except on the *Canadian* (decreases of 15.3 per cent for the quarter and 9.4 per cent year to date explained below.

Corridor East

Revenues for the quarter are $4.3 million (6.7 per cent) higher than last year. The increase stems from higher ridership (9.4 per cent), partly offset by a decrease in average revenues (2.4 per cent).

On a cumulative basis, revenues have increased by $13.2 million (7.6 per cent) for the nine-month period. The increase is due to higher passenger volumes (7.3 per cent), combined with improved average revenues (0.3 per cent).

Southwestern Ontario

Revenues have decreased by $0.1 million (0.8 per cent) during the quarter, due to slightly lower average revenues (1.4 per cent), partly offset by higher passenger levels (0.6 per cent).

For the nine-month period, revenues have increased by $0.6 million (1.6 per cent), and the increase stems in most part from the increase in ridership (2.9 per cent), partly offset by lower average revenues (1.2 per cent).

Ocean

Revenues for the quarter have increased by $0.4 million (8.9 per cent). The increase is attributable to both improved average revenues (7.0 per cent) and increased ridership (1.7 per cent).

For the nine-month period, revenues increased by $0.8 million (9.5 per cent). The increase is due to the improved average revenues (8.1 per cent) and an increase in ridership (1.3 per cent).

Canadian

Revenues on the *Canadian* have decreased by $4.3 million (15.3 per cent), due to decreases in both average revenues (6.6 per cent) and ridership (9.3 per cent). The decline in average revenues stems from the changes in capacity during the peak season. Trains sizes are shorter compared to last year and the third peak weekly frequency operates only between Edmonton and Vancouver instead of between Toronto and Vancouver. As a result, there are fewer passengers in sleeper classes, impacting average revenues.

On a cumulative basis, revenues have decreased by $4.6 million (9.4 per cent) for the nine-month period, due to the decline in both average revenues (8.3 per cent) and ridership (1.2 per cent).

Regional services

Revenues on Regional services have increased by $0.8 million (61.5 per cent) for the quarter, and by $1.2 million (50.0 per cent) for the nine-month period. This increase is due to the return of service on the Gillam-Churchill segment of the Winnipeg-Churchill train. The service was interrupted in May 2017 following severe flooding which damaged the infrastructure, and only resumed in December 2018.

Adjustment for VIA Préférence points and other non-funded element

There was an adjustment of ($0.1) million recorded during the quarter, which represents a decrease of $0.1 million compared to last year. The adjustment for the nine-month period is $0.3 million, which represents an increase of $0.1 million (50.0 per cent) compared to prior year attributable to the increase in the travel credits issued as a consequence of the poor on-time performance of the trains.

Other revenues

Other revenues for the quarter have remained stable during the quarter and have decreased by $0.7 million (4.0 per cent) for the nine-month period. The decrease for the nine-month period is attributable to lower station revenues due to the loss of tenants in some stations, as well as lower third-party revenues at the Toronto Maintenance Center.

4.3 Operating Expenses

(in millions of Canadian dollars)	Quarters ended September 30				Nine-month periods ended September 30			
	2019	**2018**	**Var $**	**Var %**	**2019**	**2018**	**Var $**	**Var %**
Compensation and employee benefits	**89.1**	84.9	4.2	4.9%	**257.6**	246.9	10.7	4.3%
Train operations and fuel	**37.5**	39.0	(1.5)	(3.8%)	**111.9**	110.2	1.7	1.5%
Stations and property	**8.6**	8.4	0.2	2.4%	**29.2**	30.4	(1.2)	(3.9%)
Marketing and sales	**9.5**	9.5	-	0.0%	**26.5**	27.1	(0.6)	(2.2%)
Maintenance material	**9.2**	8.8	0.4	4.5%	**28.8**	27.1	1.7	6.3%
Professional services	**3.6**	5.8	(2.2)	(37.9%)	**13.6**	15.9	(2.3)	(14.5%)
Telecommunications	**5.9**	4.6	1.3	28.3%	**16.5**	14.7	1.8	12.2%
Depreciation and amortization	**25.6**	25.0	0.6	2.4%	**77.7**	74.5	3.2	4.3%
Loss on disposal of property, plant and equipment and intangible assets	**1.6**	0.7	0.9	128.6%	**2.1**	4.1	(2.0)	(48.8%)
Unrealized net loss (net gain) on derivative financial instruments	**1.6**	(0.6)	2.2	366.7%	**(1.9)**	(7.2)	5.3	73.6%
Other	**13.2**	11.3	1.9	16.8%	**40.3**	33.4	6.9	20.7%
Total operating expenses under IFRS	**205.4**	**197.4**	**8.0**	**4.1%**	**602.3**	**577.1**	**25.2**	**4.4%**
Non-funded adjustments *(section 4.1)*	**(37.9)**	(34.0)	(3.9)	(11.5%)	**(90.6)**	(82.4)	(8.2)	(10.0%)
Total funded expenses	**167.5**	**163.4**	**4.1**	**2.5%**	**511.7**	**494.7**	**17.0**	**3.4%**

(Amounts in bracket represent decreases)

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

Total operating expenses increased by $8.0 million (4.1 per cent) for the quarter, and by $25.2 million (4.4 per cent) for the nine-month period. The primary variances are:

Compensation and employee benefits
The expenses increased by $4.2 million (4.9 per cent) during the quarter and by $10.7 million (4.3 per cent) for the nine-month period. The increase for the quarter is due to annual salary increases and the impact of new/vacant positions filled as well as from higher fringe benefit costs. The increase for the nine-month period is due to the same factors as well to more overtime costs associated with train delays.

Professional services
The expenses decreased by $2.2 million (37.9 per cent) during the quarter and by $2.3 million (14.5 per cent) for the nine-month period. These decreases are mainly due to lower amounts invested in the HFR project, lower costs for the new reservation system (amounts capitalized for current phases of the project) and lower amounts related to cloud-based projects.

Telecommunications
The expenses increased by $1.3 million (28.3 per cent) during the quarter and by $1.8 million (12.2 per cent) for the nine-month period. These increases are mainly due to additional capacity deployed for Wi-Fi on board trains, as well as higher support costs for various systems.

Depreciation of property, plant and equipment and of right-of-use assets and amortization of intangible assets
The expenses increased by $0.6 million (2.4 per cent) during the quarter and by $3.2 million (4.3 per cent) for the nine-month period. These increases are mainly due to the depreciation of right-of-use assets starting on January 1, 2019.

Loss on disposal of property, plant and equipment and intangible assets
The expenses increased by $0.9 million (128.6 per cent) during the quarter and have decreased by $2.0 million (48.8 per cent) for the nine-month period. The decrease is explained by the fact that in 2018, some components of GPA30 were retired as part of the GPA30 overhaul program. In 2019, no project resulted in such retirement of components.

Unrealized net loss (net gain) on derivative financial instruments
Net loss of $1.6 million for the quarter and net gain of $1.9 million for the nine-month period compared to a net gain of $0.6 million for the quarter ended September 30, 2018 and a net gain of $7.2 million for the nine-month period. As at September 30, 2019, contract prices are below market prices, explaining the gain of $1.9 million, however market prices have decreased compared to what they were as at June 30, 2019 justifying the loss during the third quarter.

Other
The expenses increased by $1.9 million (16.8 per cent) for the quarter and by $6.9 million (20.7 per cent) for the nine-month period. The increase for the quarter and nine-month period stems mainly from higher costs for commercial and passenger litigation and due to the impact of the reversal of a provision of $1.0 million in 2018 following the reevaluation of an outstanding claim. Costs for equipment repairs associated with train incidents have also increased compared to last year.

4.4 Financial Position

(in millions of Canadian dollars)	September 30, 2019	December 31, 2018	Var $	Var %
ASSETS				
Current assets	**97.0**	102.4	(5.4)	(5.3%)
Advance on contract	**103.8**	74.4	29.4	39.5%
Property, plant and equipment	**934.0**	911.4	22.6	2.5%
Right-of-use assets	**32.7**	-	32.7	n/a
Intangible assets	**346.4**	360.2	(13.8)	(3.8%)
Other	**0.9**	0.9	-	0.0%
Employee benefit assets	**4.8**	17.6	(12.8)	(72.7%)
Total assets	**1,519.6**	**1,466.9**	**52.7**	**3.6%**
LIABILITIES				
Current liabilities	**182.0**	255.5	(73.5)	(28.8%)
Lease liabilities	**30.7**	-	30.7	n/a
Employee benefit liabilities	**93.9**	40.0	53.9	134.8%
Total liabilities	**306.6**	**295.5**	**11.1**	**3.8%**
Deferred capital funding	**1,369.7**	**1,257.0**	**112.7**	**9.0%**
Share capital	**9.3**	9.3	-	0.0%
Accumulated deficit, beginning of period	**(94.9)**	(122.8)	27.9	22.7%
Net (loss)	**(13.8)**	(19.0)	5.2	27.4%
Other comprehensive income (loss)	**(57.3)**	46.9	(104.2)	(222.2%)
Accumulated deficit, end of period	**(166.0)**	**(94.9)**	**(71.1)**	**(74.9%)**
Total liabilities and shareholder's deficit	**1,519.6**	**1,466.9**	**52.7**	**3.6%**

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

Assets
Total assets increased by $52.7 million due mainly to an advance on a contract, the increase in the right-of-use assets due to the application of IFRS 16 as at January 1, 2019 as well as to acquisitions of property, plant and equipment partly offset by lower employee benefit assets.

Liabilities and deferred capital funding
The current liabilities have decreased by $73.5 million as a result of the payment of an advance on contract, while the lease liabilities have increased by $30.7 due to the application of IFRS 16. Employee benefit liabilities have also increased by $53.9 million because of the decrease in discount rates. Deferred capital funding has increased by $112.7 million mainly due to government funding received for an advance on contract for the fleet replacement.

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

4.5 Liquidity, Cash Flows and Capital Investments

Liquidity and cash flows

	Quarters ended September 30				Nine-month periods ended September 30			
(in millions of Canadian dollars)	**2019**	**2018**	**Var $**	**Var %**	**2019**	**2018**	**Var $**	**Var %**
Balance, beginning of period	**41.5**	18.8	22.7	120.7%	**14.8**	3.2	11.6	362.5%
Net cash (used in) provided by operating activities	**(26.4)**	21.1	(47.5)	(225.1%)	**(23.7)**	23.7	(47.4)	(200.0%)
Net cash (used in) provided by investing activities	**(3.8)**	7.8	(11.6)	(148.7%)	**21.5**	20.8	0.7	3.4%
Net cash (used in) financing activities	**(0.6)**	-	(0.6)	n/a	**(1.9)**	-	(1.9)	n/a
Balance, end of period	**10.7**	**47.7**	**(37.0)**	**(77.6%)**	**10.7**	**47.7**	**(37.0)**	**(77.6%)**

(Amounts in bracket represent decreases)

Operating activities

Net cash decreased by $47.5 million (225.1 per cent) for the quarter and by $47.4 million (200.0 per cent) for the nine-month period. The decrease for the quarter is mainly due to the variance of ($47.6) million in non-cash working capital items, as shown in Note 21 of the interim condensed financial statements. The decrease for the nine-month period is also mainly due to the variance of ($50.4) million in non-cash working capital items.

Investing activities

Net cash decreased by $11.6 million for the quarter and increased by $0.7 million for the nine-month period. The decrease for the quarter is mainly due to the variance in the amount of deferred government funding received related to capital expenditures.

Financing activities

Net cash decreased by $0.6 million for the quarter and by $1.9 million for nine-month period due to the application of IFRS 16. This decrease is offset by an increase in cash provided by operating activities, resulting from a lower lease expense. Globally, IFRS 16 had no impact on the Corporation's cash flows.

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

Capital investments

Property, plant and equipment and intangible assets totaled to $1,280.4 million as at September 30, 2019, which is an increase of $8.8 million compared to the balance as at December 31, 2018.

Capital investments of $43.3 million were made during the quarter and $190.0 million were invested during the nine-month period:

	Quarters ended September 30				Nine-month periods ended September 30			
(in millions of Canadian dollars)	**2019**	**2018**	**Var $**	**Var %**	**2019**	**2018**	**Var $**	**Var %**
Equipment	**11.0**	11.8	(0.8)	(6.8%)	**33.6**	26.7	6.9	25.8%
Infrastructure	**3.9**	9.2	(5.3)	(57.6%)	**8.0**	16.7	(8.7)	(52.1%)
Information technology	**2.9**	3.9	(1.0)	(25.6%)	**12.4**	13.3	(0.9)	(6.8%)
Stations	**8.3**	6.4	1.9	29.7%	**14.8**	13.9	0.9	6.5%
Fleet Replacement Program	**4.0**	-	4.0	n/a	**9.0**	-	9.0	n/a
Other	**3.4**	2.4	1.0	41.7%	**8.4**	7.6	0.8	10.5%
Capital investments	**33.5**	**33.7**	**(0.2)**	**(0.6%)**	**86.2**	**78.2**	**8.0**	**10.2%**
Advance on contract – Fleet Replacement Program	**9.8**	-	9.8	n/a	**103.8**	-	103.8	n/a
Total	**43.3**	**33.7**	**9.6**	**28.5%**	**190.0**	**78.2**	**111.8**	**143.0%**

(Amounts in bracket represent decreases)

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

The most significant projects made during the nine-month period include the ones made during the third quarter, as well as the investments made in Winnipeg station (escalator & stair replacement), in Halifax station (upgrades to exterior and interior) as well as in Ottawa station (East and West wing upgrades).

5. Risk Analysis

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

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

The only risk which changed since December 31, 2018 is the following:

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

↑ **Increasing** → **Stable** ↓ **Decreasing**

6. Outlook

VIA Rail's performance during the third quarter remained positive in terms of revenues and ridership, with yet another consecutive quarter in revenue growth and a fifteenth consecutive quarter in ridership growth. However, with an aging fleet and declining on-time performance, optimization of capacity is becoming more challenging, as seen during the quarter with a decrease of 2.5 per cent in seat-miles capacity.

Management remains focused on maximizing fleet availability to secure capacity and on the completion of its capital investment projects including the Heritage Program and Fleet Replacement Program. Meanwhile, efforts are deployed towards cost control to ensure authorized funding levels are respected.

Interim Condensed Financial Statements

Management's Responsibility Statement

Quarter ended September 30, 2019

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

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

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

Cynthia Garneau
President and Chief Executive Officer

Patricia Jasmin, CPA, CA
Chief Financial Officer

Montréal, Canada
November 22, 2019

Interim Condensed Financial Statements

Statement of Financial Position

(in thousands of Canadian dollars)		September 30, 2019		December 31, 2018
CURRENT ASSETS		*(unaudited)*		*(audited)*
Cash	**$**	**10,658**	$	14,823
Trade and other receivables *(Note 8)*		**44,452**		49,051
Other current assets		**7,401**		6,107
Derivative financial instruments *(Note 9)*		**547**		620
Materials		**32,895**		28,751
Asset Renewal Fund *(Note 10)*		**1,096**		3,096
		97,049		102,448
NON-CURRENT ASSETS				
Advance on contract *(Note 11)*		**103,799**		74,399
Property, plant and equipment *(Note 12)*		**933,987**		911,374
Right-of-use assets *(Note 13)*		**32,677**		-
Intangible assets *(Note 14)*		**346,442**		360,190
Asset Renewal Fund *(Note 10)*		**873**		873
Employee benefit assets *(Note 19)*		**4,815**		17,634
		1,422,593		1,364,470
Total Assets	**$**	**1,519,642**	$	1,466,918
CURRENT LIABILITIES				
Trade and other payables *(Note 15)*	**$**	**121,061**	$	203,852
Lease liabilities *(Note 16)*		**2,515**		-
Provisions *(Note 17)*		**9,284**		9,423
Deferred government funding related to capital expenditures		**5,672**		-
Derivative financial instruments *(Note 9)*		**3,325**		5,287
Deferred revenues *(Note 18)*		**40,151**		36,961
		182,008		255,523
NON-CURRENT LIABILITIES				
Lease liabilities *(Note 16)*		**30,736**		-
Employee benefit liabilities *(Note 19)*		**93,851**		40,020
		124,587		40,020
Deferred capital funding *(Note 20)*		**1,369,691**		1,256,975
SHAREHOLDER'S DEFICIENCY				
Share capital		**9,300**		9,300
Accumulated deficit		**(165,944)**		(94,900)
		(156,644)		(85,600)
Total Liabilities and Shareholder's deficiency	**$**	**1,519,642**	$	1,466,918

Commitments *(Note 23)*

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

Interim Condensed Financial Statements

Statement of Comprehensive Income

(in thousands of Canadian dollars) (unaudited)	Quarters ended September 30 2019	Quarters ended September 30 2018	Nine-month periods ended September 30 2019	Nine-month periods ended September 30 2018
REVENUES *(Note 6)*				
Passenger	$ **113,494**	$ 112,332	$ **287,470**	$ 275,723
Other	**5,734**	5,685	**16,943**	17,556
	119,228	118,017	**304,413**	293,279
EXPENSES				
Compensation and employee benefits	**89,170**	84,878	**257,645**	246,885
Train operations and fuel	**37,509**	38,927	**111,863**	110,151
Stations and property	**8,645**	8,473	**29,198**	30,431
Marketing and sales	**9,463**	9,500	**26,493**	27,058
Maintenance material	**9,173**	8,735	**28,782**	27,063
On-train product costs	**7,102**	6,976	**19,355**	17,980
Operating taxes	**3,063**	2,540	**9,521**	8,308
Professional services	**3,579**	5,841	**13,611**	15,923
Telecommunications	**5,941**	4,562	**16,520**	14,653
Depreciation of property, plant and equipment *(Notes 12 and 24)*	**18,514**	17,770	**56,127**	53,551
Depreciation of right-of-use assets *(Note 13)*	**820**	-	**2,457**	-
Amortization of intangible assets *(Notes 14 and 24)*	**6,250**	7,298	**19,113**	20,986
Loss on disposal of property, plant and equipment *(Notes 12 and 24)*	**599**	772	**1,087**	4,002
Loss on disposal of intangible assets *(Notes 14 and 24)*	**1,057**	-	**1,057**	122
Unrealized net loss (net gain) on derivative financial instruments	**1,580**	(600)	**(1,889)**	(7,244)
Realized net loss (net gain) on derivative financial instruments	**39**	(1,306)	**(528)**	(2,483)
Interest expense on lease liabilities	**254**	-	**695**	-
Other	**2,646**	2,978	**11,216**	9,648
	205,404	197,344	**602,323**	577,034
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES	**(86,176)**	(79,327)	**(297,910)**	(283,755)
Operating funding from the Government of Canada *(Note 7)*	**48,419**	45,460	**207,035**	201,242
Amortization of deferred capital funding *(Note 20)*	**26,313**	25,539	**77,333**	77,770
Net (loss) before income taxes	**(11,444)**	(8,328)	**(13,542)**	(4,743)
Income tax expense	**86**	77	**224**	232
NET (LOSS) FOR THE PERIOD	**(11,530)**	(8,405)	**(13,766)**	(4,975)
Other comprehensive income (loss)				
Amounts not to be reclassified subsequently to net income (net of tax): Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans *(Note 19)*	**50,314**	47,664	**(57,278)**	126,268
	50,314	47,664	**(57,278)**	126,268
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ **38,784**	$ 39,259	$ **(71,044)**	$ 121,293

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

Interim Condensed Financial Statements

Statement of Changes in Shareholder's Deficiency

(in thousands of Canadian dollars) (unaudited)	Quarters ended September 30 2019	Quarters ended September 30 2018	Nine-month periods ended September 30 2019	Nine-month periods ended September 30 2018
SHARE CAPITAL	**$ 9,300**	$ 9,300	**$ 9,300**	$ 9,300
Accumulated deficit				
Balance, beginning of period	**(204,728)**	(40,781)	**(94,900)**	(122,815)
Net (loss) for the period	**(11,530)**	(8,405)	**(13,766)**	(4,975)
Other comprehensive income (loss) for the period	**50,314**	47,664	**(57,278)**	126,268
Balance, end of period	**(165,944)**	(1,522)	**(165,944)**	(1,522)
Total Shareholder's deficiency	**$ (156,644)**	$ 7,778	**$ (156,644)**	$ 7,778

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

Interim Condensed Financial Statements

Statement of Cash Flows

(in thousands of Canadian dollars) (unaudited)	Quarters ended September 30 2019	Quarters ended September 30 2018	Nine-month periods ended September 30 2019	Nine-month periods ended September 30 2018
OPERATING ACTIVITIES				
Net (loss) for the period	**$ (11,530)**	$ (8,405)	**$ (13,766)**	$ (4,975)
Adjustments to determine net cash (used in) provided by operating activities:				
Depreciation of property, plant and equipment *(Notes 12 and 24)*	**18,514**	17,770	**56,127**	53,551
Depreciation of right-of-use assets *(Note 13)*	**820**	-	**2,457**	-
Amortization of intangible assets *(Notes 14 and 24)*	**6,250**	7,298	**19,113**	20,986
Loss on disposal of property, plant and equipment *(Notes 12 and 24)*	**599**	772	**1,087**	4,002
Loss on disposal of intangible assets *(Notes 14 and 24)*	**1,057**	-	**1,057**	122
Amortization of deferred capital funding *(Note 20)*	**(26,313)**	(25,539)	**(77,333)**	(77,770)
Interest income	**(185)**	(172)	**(750)**	(613)
Interest paid	**(254)**	-	**(695)**	-
Unrealized net loss (net gain) on derivative financial instruments	**1,580**	(600)	**(1,889)**	(7,244)
Post-employment and other employee benefit expenses *(Note 19)*	**9,249**	9,887	**30,192**	30,951
Employer post-employment and other employee benefit contributions *(Note 19)*	**(5,724)**	(6,851)	**(20,820)**	(26,588)
Interest expense on lease liabilities	**254**	-	**695**	-
Net change in non-cash working capital items *(Note 21)*	**(20,759)**	26,872	**(19,203)**	31,232
Net cash (used in) provided by operating activities	**(26,442)**	21,032	**(23,728)**	23,654
INVESTING ACTIVITIES				
Government funding received related to acquisition of property, plant and equipment and intangible assets *(Notes 20, 21 and 24)*	**22,698**	32,000	**115,443**	88,226
Government funding received related to an advance on contract *(Note 20)*	**9,800**	-	**103,799**	-
Cash drawdown from the Asset Renewal Fund *(Note 10)*	**-**	-	**2,000**	4,684
Acquisition of property, plant and equipment and intangible assets *(Notes 12, 14, 15, 21 and 24)*	**(26,677)**	(24,338)	**(96,748)**	(72,702)
Payment of an advance on contract	**(9,800)**	-	**(103,799)**	-
Interest received	**185**	172	**750**	613
Proceeds from the disposal of property, plant and equipment	**-**	-	**1**	-
Net cash (used in) provided by investing activities	**(3,794)**	7,834	**21,446**	20,821
FINANCING ACTIVITIES				
Payment of the lease liabilities	**(604)**	-	**(1,883)**	-
Net cash (used in) financing activities	**(604)**	-	**(1,883)**	-
CASH				
Increase during the period	**(30,840)**	28,866	**(4,165)**	44,475
Balance, beginning of period	**41,498**	18,804	**14,823**	3,195
Balance, end of period	**$ 10,658**	$ 47,670	**$ 10,658**	$ 47,670
REPRESENTED BY:				
Cash	**10,658**	47,670	**10,658**	47,670
	$ 10,658	$ 47,670	**$ 10,658**	$ 47,670

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

Notes to the Interim Condensed Financial Statements

For the period ended September 30, 2019 (unaudited)

1. Authority and Objectives

VIA Rail Canada Inc. is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Corporation was incorporated in 1977 in Canada, under the *Canada Business Corporations Act*. The corporate headquarters is located at 3 Place Ville-Marie, Montréal (Québec). The Corporation's vision is to be a smarter way to move people with a mission to place passengers at the core of everything we do and strive to offer a safe, smart and valued travel experience across Canada. The Corporation uses the roadway infrastructure of other railway companies and relies on them to control train operations.

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

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

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

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

These interim condensed financial statements were approved and authorized for issue by the Board of Directors on November 22, 2019.

2. Basis of Preparation

a) Statement of compliance

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

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

b) Functional and presentation currency

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

3. Change in Accounting Policies Adopted in the Period

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

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

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

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

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

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

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

Nature of the effect of the adoption of IFRS 16

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

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

The Corporation also applies the available practical expedients wherein it:

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

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

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

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

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

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

4. Summary of Significant Accounting Policies

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

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

a) Right-of-use assets

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

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

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

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

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

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

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

b) Lease liabilities

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

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

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

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

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

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

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

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

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

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

5. Key Sources of Estimation Uncertainty and Critical Judgments

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

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

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

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

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

6. Revenues

The following table disaggregates the revenue by major sources:

	Quarters ended September 30		Nine-month periods ended September 30	
(in millions of Canadian dollars)	**2019**	**2018**	**2019**	**2018**
REVENUES				
Transportation and accommodation	**109.9**	109.5	**278.6**	267.8
On-train food and beverages and other	**3.6**	2.8	**8.9**	7.9
Revenues from passengers	**113.5**	112.3	**287.5**	275.7
Investment income	**0.3**	0.2	**0.8**	0.6
Third-party servicing	**2.4**	2.1	**6.9**	6.9
Rental income and other	**3.0**	3.4	**9.2**	10.1
Revenues from other sources	**5.7**	5.7	**16.9**	17.6
Total revenues	**119.2**	118.0	**304.4**	293.3

7. Reconciliation of Operating Loss to Government Funding

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

	Quarters ended September 30		Nine-month periods ended September 30	
(in millions of Canadian dollars)	**2019**	**2018**	**2019**	**2018**
Operating loss before funding from the Government of Canada and income taxes	**86.2**	79.4	**297.9**	283.8
Items requiring operating funds:				
Income tax expense	**0.1**	-	**0.2**	0.2
Items (not requiring) not providing operating funds:				
Depreciation of property, plant and equipment	**(18.5)**	(17.7)	**(56.1)**	(53.5)
Depreciation of right-of-use assets	**(0.9)**	-	**(2.5)**	-
Amortization of intangible assets	**(6.2)**	(7.3)	**(19.1)**	(21.0)
Loss on disposal of property, plant and equipment	**(0.6)**	(0.7)	**(1.1)**	(4.0)
Loss on disposal of intangible assets	**(1.0)**	-	**(1.0)**	(0.1)
Post-employment and other employee benefit contributions in excess of expenses	**(3.6)**	(3.1)	**(9.4)**	(4.4)
Unrealized (net loss) net gain on derivative financial instruments	**(1.6)**	0.6	**1.9**	7.2
Lease expense under IFRS 16	**0.9**	-	**2.6**	-
Interest expense on lease liabilities	**(0.3)**	-	**(0.7)**	-
Adjustment for accrued compensation	**(6.2)**	(5.8)	**(5.4)**	(6.8)
Adjustment for VIA Préférence	**0.2**	-	**(0.1)**	(0.2)
Other	**(0.1)**	-	**(0.2)**	-
Operating funding from the Government of Canada	**48.4**	45.4	**207.0**	201.2

8. Trade and Other Receivables

The trade and other receivables balance includes the following:

(in millions of Canadian dollars)	September 30, 2019	December 31, 2018
Trade	**2.7**	2.7
Other receivables	**3.6**	5.4
Loss allowance	**(0.2)**	(0.1)
Trade and other receivables classified at Amortized cost	**6.1**	8.0
Amount receivable from the Government of Canada – Operating funding	**37.4**	13.7
Amount receivable from the Government of Canada – Capital funding *(Note 20)*	**-**	23.6
Sales taxes	**1.0**	3.7
Total trade and other receivables	**44.5**	49.0

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

The net book value of the past due receivables of the Corporation is $0.4 million (December 31, 2018: $1.1 million) at the closing date. The maturity of these receivables is detailed in the following table:

(in millions of Canadian dollars)	September 30, 2019	December 31, 2018
Not impaired and past due by:		
0 to 30 days	**0.2**	0.4
31 to 60 days	**0.2**	0.7
61 to 90 days	**-**	-
Over 90 days	**-**	-
Total	**0.4**	1.1

The Corporation has recognized in the current period an amount of $0.6 million of impairment loss arising from contracts with customers and other receivables, which is presented in the line "Other" in the Statement of Comprehensive Income (September 30, 2018: $0.9 million).

9. Derivative Financial Instruments

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

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

	September 30, 2019		December 31, 2018	
Commodity swaps	**Notional quantity** (000's of U.S. gallons)	**Fair value CAD** (millions)	**Notional quantity** (000's of U.S. gallons)	**Fair value CAD** (millions)
Assets	**3,024**	**0.5**	3,528	0.6
Liabilities	**14,154**	**3.3**	14,616	5.3

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

	September 30, 2019		December 31, 2018	
Forward foreign exchange contracts	**Notional amount USD** (millions)	**Fair value CAD** (millions)	**Notional amount USD** (millions)	**Fair value CAD** (millions)
Assets	**-**	**-**	-	-
Liabilities	**0.5**	**-**	2.0	-

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

Amounts recognized in the Statement of Financial Position:

	September 30, 2019	December 31, 2018
	Fair value CAD (millions)	**Fair value CAD** (millions)
Total assets	**0.5**	0.6
Total liabilities	**3.3**	5.3

10. Asset Renewal Fund

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

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

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

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

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

(in millions of Canadian dollars)	**September 30, 2019**	**December 31, 2018**
Balance, beginning of period	**4.0**	8.7
Less: Cash drawdown during the period *(Note 1)*	**(2.0)**	(4.7)
Balance, end of period	**2.0**	4.0

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

11. Advance on Contract

As at September 30, 2019, there is a $103.8 million (December 31, 2018: $74.4 million) advance on contract that will be transferred to property, plant and equipment in the upcoming years according to the progress of work. Refer to Note 20.

12. Property, Plant and Equipment

(in millions of Canadian dollars)	January 1, 2019	Additions	Disposals	Transfers	September 30, 2019
Cost:					
Land	17.0	-	-	-	**17.0**
Rolling stock	948.5	-	(5.9)	10.3	**952.9**
Maintenance buildings	170.9	-	(1.4)	1.2	**170.7**
Stations and facilities	154.9	-	(1.3)	5.3	**158.9**
Owned infrastructures	290.0	-	(0.2)	0.6	**290.4**
Leasehold improvements	94.9	-	-	(0.3)	**94.6**
Machinery and equipment	28.6	-	(1.0)	2.8	**30.4**
Computer hardware	43.5	-	-	2.0	**45.5**
Other property, plant and equipment	8.0	-	-	-	**8.0**
Projects in progress	47.4	79.8	-	(21.9)	**105.3**
Total cost	1,803.7	79.8	(9.8)	-	**1,873.7**
Accumulated depreciation and impairment:					
Rolling stock	536.2	34.3	(5.2)	-	**565.3**
Maintenance buildings	109.9	1.7	(1.3)	-	**110.3**
Stations and facilities	50.0	4.7	(1.1)	-	**53.6**
Owned infrastructures	96.5	7.0	(0.1)	-	**103.4**
Leasehold improvements	49.6	2.9	-	-	**52.5**
Machinery and equipment	19.1	1.3	(1.0)	-	**19.4**
Computer hardware	28.0	3.9	-	-	**31.9**
Other property, plant and equipment	3.0	0.3	-	-	**3.3**
Total accumulated depreciation and impairment	892.3	56.1	(8.7)	-	**939.7**
Total carrying amount	911.4	23.7	(1.1)	-	**934.0**

13. Right-of-Use Assets

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

(in millions of Canadian dollars)	Land	Office spaces	Stations and facilities	Information technology equipment	Total
Cost of right-of-use assets:					
January 1, 2019	0.5	9.8	23.1	1.6	**35.0**
Addition	-	-	0.1	-	**0.1**
Total cost	0.5	9.8	23.2	1.6	**35.1**
Accumulated depreciation of right-of-use assets:					
January 1, 2019	-	-	-	-	**-**
Addition	-	1.2	0.8	0.4	**2.4**
Total accumulated depreciation	-	1.2	0.8	0.4	**2.4**
Net carrying amount	0.5	8.6	22.4	1.2	**32.7**

Amount recognized in the Statement of Comprehensive Income:

(in millions of Canadian dollars)	Quarter ended September 30, 2019	Nine-month period ended September 30, 2019
Expense relating to short-term leases	**0.5**	**1.3**
Expense relating to low-value assets	**-**	**-**

Total cash outflow is $2.6 million and the average lease term is 8.8 years.

14. Intangible Assets

(in millions of Canadian dollars)	January 1, 2019	Additions	Disposals	Transfers	September 30, 2019
Cost:					
Software *(Note 1)*	117.3	-	(1.6)	2.1	**117.8**
Right of access to rail infrastructure	436.8	-	-	0.1	**436.9**
Other intangible assets	5.4	-	-	-	**5.4**
Projects in progress	4.1	6.4	-	(2.2)	**8.3**
Total cost	563.6	6.4	(1.6)	-	**568.4**
Accumulated amortization and impairment:					
Software	87.8	10.2	(0.6)	-	**97.4**
Right of access to rail infrastructure	113.2	8.6	-	-	**121.8**
Other intangible assets	2.4	0.4	-	-	**2.8**
Total accumulated amortization and impairment	203.4	19.2	(0.6)	-	**222.0**
Total carrying amount	360.2	(12.8)	(1.0)	-	**346.4**

Note 1: Includes mostly in-house developed software.

15. Trade and Other Payables

The trade and other payables balance includes the following:

(in millions of Canadian dollars)	September 30, 2019	December 31, 2018
Wages payable and accrued	**48.5**	43.7
Accounts payable and accruals – Trade	**38.4**	40.7
Accounts payable and accruals – Advance on contract	**-**	74.4
Accounts payable and accruals – Capital assets	**25.6**	36.1
Trade and other payables classified at Amortized cost	**112.5**	194.9
Capital tax, income tax and other taxes payable	**8.0**	6.1
Deductions at sources	**0.6**	2.8
Total trade and other payables	**121.1**	203.8

16. Lease Liabilities

The Corporation has not entered into any sale and leaseback transactions in the current or prior period. The Corporation has not entered in any variable leases that do not depend on an index or rate.

(in millions of Canadian dollars)	September 30, 2019	December 31, 2018
Current	**2.5**	-
Non-current	**30.7**	-
Total lease liabilities	**33.2**	-

(in millions of Canadian dollars)	September 30, 2019
Maturity:	
Up to 3 months	**0.6**
Between 3 and 12 months	**1.9**
Between 1 and 2 years	**2.6**
Between 2 and 5 years	**5.6**
Over 5 years	**22.5**
Total	**33.2**

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

17. Provisions

The provisions balance includes the following:

(in millions of Canadian dollars)	January 1, 2019	Charge (used)	Reversal (used)	Reversal (not used)	September 30, 2019
Environmental costs	1.1	0.2	-	-	**1.3**
Litigation and equipment repairs *(Note a)*	8.3	4.4	(4.0)	(0.7)	**8.0**
Total provisions	9.4	4.6	(4.0)	(0.7)	**9.3**

a) Litigation and equipment repairs

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

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

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

18. Deferred Revenues

Deferred revenues are comprised of the following:

(in millions of Canadian dollars)	September 30, 2019	December 31, 2018
Advance ticket sales	**23.6**	20.3
VIA Préférence	**11.2**	11.1
Non-monetary transactions	**1.7**	1.7
Gift cards	**1.6**	1.7
Other	**2.1**	2.2
Total deferred revenues	**40.2**	37.0

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

In the current period, an amount of $19.7 million of revenue was recognized relating to advance ticket sales (September 30, 2018: $18.7 million). Management expects that 100 per cent of the advance ticket sales will be recognized as revenue during the next reporting period.

In the current period, an amount of $7.2 million of revenue was recognized relating to VIA Préférence performance obligations that were honored in the current period and which were included in the deferred revenues balance at the beginning of the period (September 30, 2018: $6.5 million). Management expects that 70 per cent of the VIA Préférence unsatisfied performance obligations will be recognized as revenue during the next reporting period.

In the current reporting period, an amount of $0.4 million of revenue was recognized relating to gift card obligations that were honored in the current period and which were included in the deferred revenues balance at the beginning of the period (September 30, 2018: $0.4 million). Management expects that 37 per cent of gift card performance obligations will be recognized as revenue during the next period.

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

19. Employee Benefit Assets and Liabilities

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

Pension plans

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

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

Employees entitled to a defined benefit pension

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

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

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

Employees entitled to a hybrid pension plan

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

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

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

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

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

ii) Defined contribution component

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

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

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

Employees entitled to a defined contribution pension

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

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

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

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

The financial and demographic assumptions used to determine the actuarial valuations of the pension plans were the same assumptions as disclosed in the Corporation's annual financial statements for the year ended December 31, 2018, except for the discount rate used to determine the defined benefit obligation that has decreased to 3.00 per cent (December 31, 2018: 3.90 per cent) and the discount rate used to determine the defined benefit cost that has increased to 3.90 per cent (December 31, 2018: 3.40 per cent).

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

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

	Defined benefit component of the pension plans		Post-employment benefit plans	
(in millions of Canadian dollars)	**Septembre 30, 2019**	**December 31, 2018**	**Septembre 30, 2019**	**December 31, 2018**
DEFINED BENEFIT OBLIGATION:				
Balance, beginning of period	**2,284.0**	2,409.0	**22.1**	23.8
Service cost	**24.6**	31.4	**0.2**	0.3
Interest expense	**50.6**	81.4	**0.6**	0.8
Employee contributions	**10.9**	14.3	**-**	-
Benefits paid	**(101.6)**	(135.1)	**(0.5)**	(0.8)
Effect of change in demographic assumptions	**-**	27.5	**-**	0.3
Effect of change in financial assumptions	**270.4**	(148.6)	**3.9**	(2.2)
Effect of employee transfers	**-**	2.8	**-**	-
Effect of experience adjustments	**-**	1.3	**-**	(0.1)
Balance, end of period	**2,538.9**	2,284.0	**26.3**	22.1
FAIR VALUE OF PLAN ASSETS:				
Balance, beginning of period	**2,301.4**	2,390.5	**-**	-
Interest income	**50.9**	79.7	**-**	-
Return on plan assets (excluding interest income)	**217.0**	(74.9)	**-**	-
Employer contributions	**16.2**	26.2	**0.5**	0.8
Employee contributions	**10.9**	14.3	**-**	-
Benefits paid	**(101.6)**	(135.1)	**(0.5)**	(0.8)
Effect of employee transfers	**-**	2.8	**-**	-
Administration expenses	**(1.8)**	(2.1)	**-**	-
Balance, end of period	**2,493.0**	2,301.4	**-**	-
Net defined benefit liability (asset)	**45.9**	(17.4)	**26.3**	22.1

b) Long-term employee benefit plans

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

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

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

(in millions of Canadian dollars)	September 30, 2019	December 31, 2018
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance, beginning of period	**17.3**	18.2
Service cost	**2.6**	3.3
Interest expense	**0.5**	0.6
Benefits paid	**(3.9)**	(4.2)
Effect of change in demographic assumptions	**-**	(0.6)
Balance, end of period	**16.5**	17.3
FAIR VALUE OF PLAN ASSETS:		
Balance, beginning of period	**-**	-
Employer contributions	**3.9**	4.2
Benefits paid	**(3.9)**	(4.2)
Balance, end of period	**-**	-
Net long-term employee benefit liability	**16.5**	17.3

c) Other long-term employee benefits

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

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

(in millions of Canadian dollars)	September 30, 2019	December 31, 2018
OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance, beginning of period	**0.4**	0.5
Service cost	**0.2**	0.3
Benefits paid	**(0.2)**	(0.4)
Balance, end of period	**0.4**	0.4
FAIR VALUE OF PLAN ASSETS:		
Balance, beginning of period	**-**	-
Employer contributions	**0.2**	0.4
Benefits paid	**(0.2)**	(0.4)
Balance, end of period	**-**	-
Net other long-term employee benefit liability	**0.4**	0.4

d) Summary of pension plans, post-employment benefit plans and long-term employee benefit plans recognized in the interim condensed financial statements

Total amounts recognized in the Statement of Financial Position:

(in millions of Canadian dollars)	September 30, 2019	December 31, 2018
Assets:		
Defined benefit component of the pension plans	**4.8**	17.6
Liabilities:		
Defined benefit component of the pension plans	**50.7**	0.2
Post-employment benefit plans	**26.3**	22.1
Long-term employee benefit plans	**16.5**	17.3
Other long-term employee benefits	**0.4**	0.4
Total liabilities	**93.9**	40.0

Total amounts recognized in the Statement of Comprehensive Income:

	Quarters ended September 30		Nine-month periods ended September 30	
(in millions of Canadian dollars)	**2019**	**2018**	**2019**	**2018**
Operating expenses:				
Defined benefit component of the pension plans	**7.9**	8.5	**26.1**	26.8
Post-employment benefit plans	**0.4**	0.3	**0.8**	0.9
Long-term employee benefit plans	**1.0**	1.1	**3.1**	3.0
Other long-term employee benefits	**-**	-	**0.2**	0.3
Total	**9.3**	9.9	**30.2**	31.0

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

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

	Quarters ended September 30		Nine-month periods ended September 30	
(in millions of Canadian dollars)	**2019**	**2018**	**2019**	**2018**
Other comprehensive income (loss):				
Defined benefit component of the pension plans	**50.3**	47.7	**(53.4)**	126.3
Post-employment benefit plans	**-**	-	**(3.9)**	-
Total	**50.3**	47.7	**(57.3)**	126.3

20. Deferred Capital Funding

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

(in millions of Canadian dollars)	**September 30, 2019**	**December 31, 2018**
Balance, beginning of period	**1,257.0**	1,239.5
Government funding for property, plant and equipment and intangible assets (including the cost of land)	**86.2**	121.8
Government funding for advance on contract	**103.8**	-
Amortization of deferred capital funding	**(77.3)**	(104.3)
Balance, end of period	**1,369.7**	**1,257.0**

The amount of capital funding recognized during the period represents the amount of Government of Canada funding invoiced for the acquisition of property, plant and equipment and intangible assets for $86.2 million (December 31, 2018: $121.8 million) plus the variance of the amount of capital funding from the Government of Canada of $29.2 million (December 31, 2018: ($13.1) million) for a total amount of $115.4 million (December 31, 2018: $108.7 million). Refer to Note 8.

The Corporation also received during the period an amount of $103.8 million for an advance on contract (December 31, 2018: no amount). Refer to Note 11.

21. Supplemental Cash Flows Information

Net change in non-cash working capital items:

(in millions of Canadian dollars)	Quarters ended September 30 2019	Quarters ended September 30 2018	Nine-month periods ended September 30 2019	Nine-month periods ended September 30 2018
Trade and other receivables *(Note 24)*	**(19.2)**	35.4	**(19.1)**	33.8
Other current assets	**1.7**	1.6	**(1.3)**	(1.5)
Materials	**(1.8)**	(1.4)	**(4.1)**	(3.8)
Trade and other payables	**8.5**	2.8	**2.2**	1.2
Provisions	**(0.8)**	-	**(0.1)**	(1.8)
Deferred revenues	**(9.2)**	(11.6)	**3.2**	3.3
Total	**(20.8)**	26.8	**(19.2)**	31.2

The change in trade and other receivables excludes an amount of $23.6 million (September 30, 2018: $10.5 million) in relation to government funding for capital expenditures, as the amount relates to investing activities.

The change in trade and other payables excludes an amount of ($10.5) million (September 30, 2018: $5.5 million) in relation to the acquisition of property, plant and equipment and intangible assets, as this amount relates to investing activities. The change in trade and other payables also excludes an amount of ($74.4) million (September 30, 2018: no amount) in relation to an advance on contract, as these amounts relate to investing activities.

The net change in non-cash working capital items also excludes an amount of $5.7 million (September 30, 2018: $1.5 million) of deferred government funding related to capital expenditure because this amount relates to investing activities.

Investing activities supplemental information:

(in millions of Canadian dollars)	Quarters ended September 30 2019	Quarters ended September 30 2018	Nine-month periods ended September 30 2019	Nine-month periods ended September 30 2018
Acquisition of property, plant and equipment and intangible assets	**(33.5)**	(31.8)	**(86.2)**	(76.2)
Acquisition of property, plant and equipment paid by the Asset Renewal Funds	**-**	(2.0)	**-**	(2.0)
Total acquisition of property, plant and equipment and intangible assets	**(33.5)**	(33.8)	**(86.2)**	(78.2)
Change in accounts payable and accruals – Capital assets	**6.8**	9.4	**(10.5)**	5.5
Total cash out for acquisition of property, plant and equipment and intangible assets	**(26.7)**	(24.4)	**(96.7)**	(72.7)
Government funding invoiced for property, plant and equipment and intangible assets	**33.5**	31.8	**86.2**	76.2
Change in amount receivable from the Government of Canada – Capital funding	**(10.8)**	0.2	**29.2**	12.0
Total Government funding received related to acquisition of property, plant and equipment and intangible assets	**22.7**	32.0	**115.4**	88.2

22. Financial Risks

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

23. Commitments

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

	September 30, 2019				December 31, 2018
(in millions of Canadian dollars)	Total commitments	Less than one year	One to five years	More than five years	Total commitments
COMMITMENTS RELATING TO OPERATIONS:					
Non-cancellable operating leases: Lessee *(Note a)*	**11.0**	1.0	9.5	0.5	20.4
Technical services *(Note b)*	**356.1**	-	8.1	348.0	356.1
Total	**367.1**	1.0	17.6	348.5	376.5
COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS:					
Rolling stock *(Note b)*	**976.9**	217.3	759.6	-	1,019.3
Maintenance buildings	**1.5**	1.5	-	-	1.9
Stations and facilities	**8.8**	8.8	-	-	8.2
Owned infrastructures	**12.0**	12.0	-	-	11.1
Computer hardware	**0.8**	0.8	-	-	0.4
Software	**4.9**	0.7	2.9	1.3	-
Total	**1,004.9**	241.1	762.5	1.3	1,040.9
Total commitments	**1,372.0**	242.1	780.1	349.8	1,417.4

a) In 2018, the Corporation had operating leases in place mainly for stations and facilities and office spaces. The most important lease is a non-cancellable lease for the corporate headquarters in Montréal with a term of 10 years assorted with a renewal option. As at September 30, 2018, an amount of $12.5 million was recognized as an expense related to operating leases. As a consequence of the application of IFRS 16 as at January 1, 2019, these operating leases are now presented as right-of-use assets and lease liabilities in the Statement of Financial Position. Refer to Notes 13 and 16.

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

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

d) The Corporation has provided letters of credit from a banking institution totaling approximately $24.3 million (December 31, 2018: $22.2 million) to various provincial government workers' compensation boards as security for future payment streams.

24. Reclassification

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

In the Statement of Cash Flows, the Corporation has merged two different lines from the investing activities section into one line. The lines "Change in capital funding receivable from the Government of Canada" (September 30, 2018: $12.0 million) and the line "Capital funding" (September 30, 2018: $76.2 million) are now presented on one single line, "Government funding received related to acquisition of property, plant and equipment and intangible assets" for an amount of $88.2 million for the period ended September 30, 2018 to reflect the funding received for the acquisition of property, plant and equipment and intangible assets.

In the Statement of Cash Flows, the Corporation has also merged two different lines from the investing activities section into one line. The lines "Change in capital accounts payable and accrued liabilities" (September 30, 2018: $5.5 million) and the line "Acquisition of property, plant and equipment and intangible assets" (September 30, 2018: ($78.2) million) are now presented on one single line, "Acquisition of property, plant and equipment and intangible assets" for an amount of ($72.7) million for the period ended September 30, 2018 to reflect the net acquisition of property, plant and equipment and intangible assets.

The Corporation is now presenting the line "Depreciation and amortization" on two different lines: "Depreciation of property, plant and equipment" (September 30, 2018: $53.5 million) and "Amortization of intangible assets" (September 30, 2018: $21.0 million) in the Statement of Comprehensive Income as well as in the Statement of Cash Flows. The line "Loss on disposal of property, plant and equipment and intangible assets" is also presented on two separated lines: "Loss on disposal of property, plant and equipment" (September 30, 2018: $4.0 million) and "Loss on disposal of intangible assets" (September 30, 2018: $0.1 million) in the Statement of Comprehensive Income as well as in the Statement of Cash Flows.

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

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

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