

CANADA 150



# THIRD QUARTER REPORT 2017





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Cover image: @bskphoto





# MESSAGE FROM THE PRESIDENT



As Canada's 150<sup>th</sup> anniversary year draws to a close, I am happy to report another successful quarter at VIA Rail, worthy of its own celebration. Over the past three months, we have witnessed several impressive achievements, including our 14<sup>th</sup> consecutive quarter of revenue growth and our 7<sup>th</sup> consecutive quarter of ridership growth — both increasing by double digits compared to last year. Over the summer, we also posted record results in August, which is now our highest revenue month on record, and experienced double-digit growth over Labour Day weekend, compared to last year. Growth of this kind is extraordinary, and every day I take pride in the work that all VIA Rail employees perform in service to their fellow Canadians.

July 1 marked Canada's official 150<sup>th</sup> birthday, and VIA Rail was there, participating in many of the festivities across the country. In fact, in July, over 4,000 young Canadians hopped on our trains to explore our nation's incredible sights, thanks to VIA Rail's Canada 150 Youth Pass. The pass, which offered unlimited travel from coast to coast over the month, was an overwhelming success, and passengers proudly shared their memories

online (using our hashtag #VIACanada150), and through our [blog](#). Our involvement with Canada 150 this quarter is further detailed in this report.

VIA Rail participated in many other events, including the [Invictus Games](#), for which we transported the Canadian contingent of 90 active and former military athletes to Toronto from Ottawa. We also sponsored the military's Army Run in Ottawa. VIA Rail's support of the military and veteran communities has remained steadfast, and we are dedicated to honouring and supporting those who serve our country.

Other celebrations this quarter included the centennial anniversary of our own heritage station in Alexandria, Ontario. To commemorate the event, VIA Rail gifted 10 sugar maple trees, known as the emblem of Canada, to the Township of North Glengarry. It's events like this that remind us of the foundational role the railway has played in building our country, and reaffirms our commitment to connecting communities across Canada.



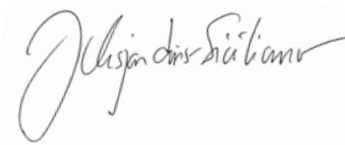
As well, in August, VIA Rail humbly welcomed [30 new citizens](#) at our Gare du Palais station in Québec City. At the citizenship ceremony, organized in conjunction with Immigration, Refugees and Citizenship Canada, and the Institute for Canadian Citizenship, our new friends and citizens shared their personal journeys and expressed what being Canadian meant to them.

Meanwhile, internally, and for the third consecutive year, we held our Employee Engagement Survey. VIA Rail prides itself on offering our employees a professional work environment built on collaboration and mutual respect. Through our survey, members of the VIA Rail family were able to voice their comments and suggestions on how to create a more efficient and rewarding workspace. This year, employee engagement reached an all-time high of 62 per cent, which marks a 5 per cent improvement over last year and a remarkable 16 per cent improvement since 2014.

With employees so connected and involved, it's no wonder we achieved yet another praise-worthy quarter.

I'd like to express my gratitude to all of our employees, who make VIA Rail what it is, and to all our passengers, for whom we work so hard, and who reward us by returning to our trains more often, in ever growing numbers.

I look forward to meeting you on board soon,



**YVES DESJARDINS-SICILIANO**

President and Chief Executive Officer

# 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.

	Q3-2017	Q3-2016	YTD 2017	YTD 2016
<b>KEY FINANCIAL INDICATORS (IN MILLIONS OF DOLLARS)</b>				
Passenger revenues <sup>(1)</sup>	107.3	93.5	256.1	225.9
<b>Total revenues <sup>(1)</sup></b>	<b>113.1</b>	<b>99.3</b>	<b>273.1</b>	<b>242.7</b>
Operating expenses <sup>(1)</sup>	(146.6)	(139.2)	(434.5)	(406.0)
Contributions for employee benefits <sup>(1)</sup>	(9.6)	(5.9)	(29.0)	(31.3)
<b>Total Operating expenses <sup>(1)</sup></b>	<b>(156.2)</b>	<b>(145.1)</b>	<b>(463.5)</b>	<b>(437.3)</b>
<b>Operating Income (Deficit)</b>	<b>(43.1)</b>	<b>(45.8)</b>	<b>(190.4)</b>	<b>(194.6)</b>
Capital expenditures	(15.4)	(19.0)	(52.4)	(58.4)
<b>Total Funding Required</b>	<b>(58.5)</b>	<b>(64.8)</b>	<b>(242.8)</b>	<b>(253.0)</b>
Government Operating Funding	43.1	45.8	190.4	194.6
Government Capital Funding	15.4	19.0	52.4	58.4
<b>Total Government Funding</b>	<b>58.5</b>	<b>64.8</b>	<b>242.8</b>	<b>253.0</b>
<b>Asset Renewal Fund</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>KEY OPERATING STATISTICS <sup>(2)</sup></b>				
Total passenger-miles (IN MILLIONS)	296	258	713	646
Total seat-miles (IN MILLIONS)	454	442	1,249	1,188
Operating deficit per passenger-mile (IN CENTS)	14.5	17.7	26.7	30.1
Yield (CENTS PER PASSENGER-MILE)	35.2	34.2	35.0	35.7
Train-miles operated (IN THOUSANDS)	1,718	1,670	5,036	4,923
Car-miles operated (IN THOUSANDS)	12,887	12,825	33,290	32,810
Average passenger load factor (%)	65	58	57	54
Average number of passenger-miles per train mile	173	155	142	131
On-time performance (%)	70	69	74	74
<i>Number of full time equivalent employees during the period</i>	<b>3,240</b>	2,986	<b>2,971</b>	2,764

(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 2017

Train Services	Passenger Revenues* (IN THOUSANDS)	Passengers (IN THOUSANDS)	Passengers-Miles (IN THOUSANDS)	Government Funding (PER PASSENGER-MILE)
Québec City - Windsor Corridor	\$69,163	1,098	20,495	\$0.11
Longhaul West	\$29,754	53	65,054	\$0.04
Longhaul East	\$4,074	29	16,681	\$0.47
Regional Services	\$1,543	21	5,361	\$1.72
<b>Total</b>	<b>\$104,534</b>	<b>1,201</b>	<b>296,591</b>	<b>\$0.15</b>

## KEY OPERATING STATISTICS BY SERVICE GROUP FOR THE THIRD QUARTER OF 2016

Train Services	Passenger Revenues* (IN THOUSANDS)	Passengers (IN THOUSANDS)	Passengers-Miles (IN THOUSANDS)	Government Funding (PER PASSENGER-MILE)
Québec City - Windsor Corridor	\$60,278	980	186,930	\$0.14
Longhaul West	\$25,466	42	47,411	\$0.08
Longhaul East	\$3,944	28	15,738	\$0.48
Regional Services	\$2,185	25	7,319	\$1.23
<b>Total</b>	<b>\$91,873</b>	<b>1,075</b>	<b>257,398</b>	<b>\$0.18</b>

\* Excluding off-train and other passenger revenues.



# REVIEW OF OPERATIONS



## CANADA 150 CELEBRATIONS

### OVER 4,000 YOUTH DISCOVERED CANADA

As part of this year's 150<sup>th</sup> anniversary celebrations, VIA Rail offered a Canada 150 Youth Pass for unlimited travel to any of our destinations for the month of July. The pass, commemoratively priced at \$150, created a huge buzz online and was purchased by 4,283 lucky youth who prepared for the summer of a lifetime.

VIA Rail planned well for the adventure in every department: from network planning to safety and security. Meanwhile, the dedicated in-station and on-train staff ensured that our travellers were well cared

for, so that they could experience the romance of train travel and create lasting memories. The Pass holders told the stories of their journeys, meeting new people and discovering their country using VIA Rail's hashtag #VIACanada150 on Instagram, Twitter, Facebook and other social media platforms. VIA Rail also hosted their longer form tales on the dedicated [Canada 150 page of our blog](#).

The event was a huge success, as reflected by the thousands of posts online. Here are a few highlights:



@ahmad.shafiq11



@hopee.n



@mireillestp

## TAKING PART IN THE FESTIVITIES

Along with welcoming passengers who were discovering the country by train this summer, VIA Rail also partnered with many organizations and participated in events across the country.



Montréal Pride Parade



La Machine, Ottawa, Ontario



National Youth Orchestra (@NYO\_Can)



Ottawa Pride Parade



## PUTTING PASSENGERS FIRST

### THE ANTI-TRAFFIC WAY TO TRAVEL

VIA Rail's successful "Why don't you take the train?" marketing campaign, which challenged people to pause and re-evaluate their habits, continued this quarter with a focus on drivers. The smart and timely media messages encouraged travellers to leave their cars at home and avoid traffic jams and stress by choosing a smarter, simpler, and greener way to travel – the train! Messages were disseminated online in the Québec City – Windsor corridor through social media and other web platforms as well as on outdoor billboards along highways.



### RECHARGE AT OUR CAR-CHARGING KIOSKS

VIA Rail has started installing electric car charging stations in the parking lots of several train stations! In partnership with the electric vehicle charging networks *Electric Circuit*, in Québec, and Flo in the rest of Canada, electric car owners can now "get some juice" at our stations in Windsor, Ontario and Ste-Foy and Québec. By the end of the year, charging stations will also be installed at London, Dorval, Kingston, Belleville, Cobourg and Fallowfield train stations, as well as at our Montréal and Toronto Maintenance Centres (as requested by employees).

### IMPROVING OUR SCHEDULES

By working in conjunction with the railway owners, VIA Rail is always trying to improve its schedule to better serve passengers' needs. This quarter we made additions to our trains in the Eastern corridor, with an added round trip on Sundays between Ottawa-Québec City. There were also stops added in Saint-Hyacinthe, which gives people an opportunity to commute from Montréal for the work day.

## STRENGTHENING OUR ASSETS

### ALEXANDRIA STATION CENTENNIAL

In September, our heritage train station in Alexandria, Ontario celebrated its 100<sup>th</sup> anniversary. VIA Rail President Yves Desjardins-Siciliano was on site along with Members of Parliament, and the Mayor of the Township of North Glengarry to celebrate this major event.

To mark the occasion, VIA Rail gave a gift of 10 sugar maples to residents of the Township of North Glengarry, representing the station's 10 decades of history and the collaboration between the township and VIA Rail. The sugar maple tree is the emblem of Canada and was selected for its sturdiness and stately beauty. A commemorative plaque marking this anniversary was also unveiled at the press conference, which was attended by the Federal Member of Parliament for Glengarry-Prescott-Russell, Francis Drouin and Mayor of the Township of North Glengarry, Chris McDonell along with VIA Rail's President, Yves Desjardins-Siciliano.



Left to right: Member of the Provincial Parliament of Ontario for Glengarry-Prescott-Russell, Grant Crack, Federal Member of Parliament for Glengarry-Prescott-Russell, Francis Drouin; President and Chief Executive Officer of VIA Rail, Yves Desjardins-Siciliano, Mayor of the Township of North Glengarry, Chris McDonell

### VANCOUVER PANORAMA LOUNGE GETS A MAKEOVER

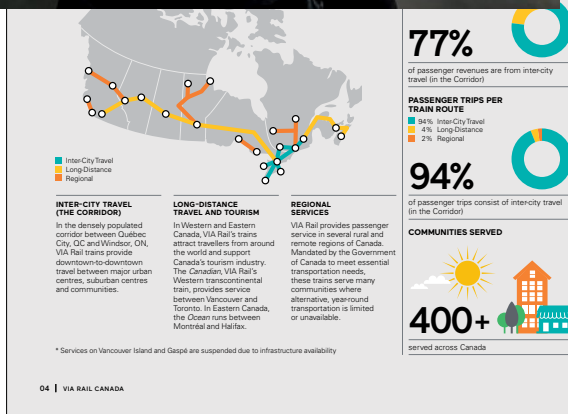
To improve our service offer in Vancouver, the Panorama Business class lounge underwent a full makeover. In May, following a five-month renovation, our beautiful new lounge was re-opened to passengers. The décor is in line with those found at our Business lounges in other cities, and offers a more comfortable visit.





# SUSTAINABLE MOBILITY

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 the year 2015, we have continued our journey to innovate and transform our business for future growth. For us, sustainable mobility is about contributing to a greener transportation system for Canada, in a way that enables economic prosperity, improves quality of life and provides more environmentally responsible mobility options. The following is a brief overview of our activities this quarter that are aligned with our sustainable mobility pillars. The full 2016 Sustainable Mobility Report, which was issued earlier this year, can be found in the “[Governance and Reports](#)” section of our website.



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

#### FREQUENCY

##### TRAIN DEPARTURES

**494 per week**

of which 92% of our trains depart on time



#### PASSENGERS

##### PASSENGER TRIPS



covering 137 billion kilometres across Canada of which: 94% is intercity travel, 4% is long-distance and 2% is regional.

#### EMPLOYEES

##### ACTIVE EMPLOYEES AS OF THE END OF THE CALENDAR YEAR

**2,731**

##### EMPLOYEE DIVERSITY

**32%**  
of our employees are women, 10% are visible minorities, 2% are people with disabilities and 2% are Aboriginal People

#### FLEET

##### TRAIN CARS (IN AND OUT OF SERVICE)

**426**

##### LOCOMOTIVES

**73**  
of which 71% have been rebuilt for improved operational and environmental efficiency, to run a safe and fluid service

#### BUILDINGS

##### TRAIN STATIONS

**121**

of which 54 are heritage stations

##### OFFICES

**7**

1 head office, 6 regional

##### MAINTENANCE CENTRES

**4**

state-of-the-art facilities



## SUPPORT SOCIO-ECONOMIC DEVELOPMENT

### WELCOMING NEW CANADIANS AND INTERNATIONAL STUDENTS

As part of the Institute for Canadian Citizenship's Canadian Cultural Passport program, new citizens can benefit from a discount to travel on VIA Rail trains during their first year of citizenship. Since its launch in July 2012, close to 27,000 new Canadians have travelled on our trains. This quarter, VIA Rail hosted a citizenship ceremony in Québec City. Thirty new Canadians were sworn in, with their families proudly watching, at our Gare du Palais train station.

In addition, VIA Rail has joined the initiatives of Montréal International and Québec International as part of their retention programs for international students.



Citizenship ceremony at the Gare du Palais train station in Québec City.

## STRONG TIES TO THE CANADIAN ARMED FORCES

### TRAVEL OFFER

To recognize the men and women who devote themselves to serving their country, VIA Rail offers the military community a discounted fare for personal travel. This offer, available to members of the Canadian Armed Forces, Veterans, and their families, is a discount of 25 per cent off on the lowest available fare. Through this initiative, 4,836 more trips were taken in first three quarters of 2017, compared to the same time frame in 2016 — which represents an increase of 18.6 per cent. In total, more than 205,000 trips have been taken by members of the military since the offer was launched seven years ago.

Over the third quarter, in honour of Canada's 150<sup>th</sup> anniversary, a further discount was added to this offer. The military community also benefitted from a 35 per cent discount off of our [adventure routes](#).

### SUPPORTING MILITARY EVENTS

VIA Rail took part in many other events of importance to the military community such as the 2017 edition of the Army Run. We also sponsored the Commando Challenge, a charity hockey game in support of the Halifax & Region Military Family Resource Centre in collaboration with the Canadian Military magazine *Esprit de Corps*.

VIA Rail participated in the annual conferences of both the Canadian Institute for Military and Veteran Health Research and Canada Company as part of its support in helping military members with their transition to professional civilian life. VIA Rail also teamed up with the charitable organization Wounded Warriors to help raise funds through the 2017 Highway of Heroes Bike Ride.



Supporting the Highway of Heroes Bike Ride



Army Run



## INVICTUS GAMES

VIA Rail was proud to be a sponsor of this year's Invictus Games, which took place at the end of September. The Invictus Games is an international adaptive multi-sport event, created by Prince Harry, in which wounded, injured or sick armed services personnel and their associated veterans take part. This year saw over 550 athletes from 17 competing countries. VIA Rail showed its support by transporting the Canadian delegation of military athletes from Ottawa to the games in Toronto.



## PARTNERING WITH INDIGENOUS COMMUNITIES

VIA Rail is committed to enhancing its relationship with Canada's Indigenous communities. In this spirit, the corporation recently became a member of the Canadian Council for Aboriginal Business (CCAB) to forge closer ties with Indigenous businesses and surrounding communities. Through the CCAB, VIA Rail also began work toward achieving a base level Progressive Aboriginal Relations certification. This partnership was initiated because VIA Rail strives to be a good business partner, dedicated to indigenous employment, and is committed to prosperity in Indigenous communities.

## PROMOTING CANADA'S OFFICIAL LANGUAGES

VIA Rail complies with the *Official Languages Act* and is proud to offer services in both official languages. Over the quarter, VIA Rail contributed to the development of linguistic minority communities in Canada by participating in the Centaur Theatre's annual gala in Montréal for the third consecutive year. The Centaur is the city's largest English-language theatre company.

## VIA RAIL IN THE COMMUNITIES

In an effort to better serve the cities and towns along its route, VIA Rail is increasing its dialogue with many of the communities it serves. Throughout the third quarter, over 76 formal meetings were held with stakeholders from various levels of government, business communities as well as groups associated with sustainable mobility.

During the quarter, VIA Rail's Government and Community Relations team responded to requests from several organizations, such as the Eastern Ontario Wardens Caucus, the Eastern Ontario Mayor's Caucus, along with the Chambers of Commerce of Drummondville, Trois-Rivières, Québec City, Peterborough and Ottawa for meetings on the High Frequency Rail project and the VIA Rail fleet renewal project.



To support the missions of organizations that, like VIA Rail, are dedicated to sustainable transportation, we contributed to activities such as the Canadian Urban Transit Association's "Transit Awareness Day," the inauguration of the new organization *Trajectoire Québec* and a summit hosted by the *Association québécoise des transports*. VIA Rail was also proud to be a part of the celebrations for the 100<sup>th</sup> anniversary of the Québec Bridge.

During this quarter's Board meeting, which took place in Moncton, several members of VIA Rail's team took the opportunity to meet with the Honorable Bill Fraser, the Minister of Transport of New Brunswick, as well as with other key stakeholders.

VIA Rail also participated in and presented at the Canadian Chamber of Commerce's annual convention, which took place in Fredericton, in the discussion concerning sustainable business practices.

Furthermore, VIA Rail took part in the launch of Eastern Montréal Chamber of Commerce's conference season and was a proud partner of the Junior Economic Club of Canada's "North Meets South Exchange". This initiative aims to create links between young entrepreneurs from Northern Canada and Greater Toronto.



VIA Rail President Yves Desjardins-Siciliano (far left), VIA Rail's [Board of Directors](#) and the Honorable Bill Fraser (sixth from the right) meet in Moncton, New Brunswick

# REPORT ON OPERATIONS

## ON-TIME PERFORMANCE

This quarter, on-time performance (OTP) in the Québec City – Windsor corridor decreased for the third consecutive quarter and is now at 71 per cent. This can be explained by several factors including an increase of freight mechanical issues combined with the continual increase in freight train volume, signal issues on host railways, seasonal work blocks, a record month for heat restrictions in September and increase of station dwell times as a result of our higher load factor.

Our Eastern service maintained its strong OTP trend at 86 per cent this quarter, while our Western service hit a new critical low at 3 per cent. The host railway freight volume was extremely high this summer due to some trains being rerouted from the USA onto the Northern Ontario line. In addition, the host railway pursued its summer infrastructure maintenance work blocks which created significant congestion on their network.

## SERVICE BETWEEN CHURCHILL AND GILLAM SUSPENDED

In May, due to severe flooding that damaged some infrastructure, VIA Rail was obliged to suspend service indefinitely on the Gillam – Churchill portion of the Winnipeg – Churchill route. Discussions are ongoing with the infrastructure owners regarding the repair of the railway and bridges.

As of the fall, VIA Rail [temporarily modified the schedule](#) between Winnipeg and Gillam to better serve our customers and the communities in the area, until the full route to Churchill is reinstated.



## REDUCE OUR ENVIRONMENTAL IMPACT

### IMPROVING EFFICIENCY

As the most environmentally-friendly inter-city transportation mode, VIA Rail believes passenger rail is an important part of the environmental solution for Canada. We are always looking for ways to further reduce our ecological impact. There are many initiatives currently underway, and we have made great strides in terms of lowering our carbon footprint.

For example, in September, VIA Rail completed the replacement of original lighting fixtures with LED lighting fixtures in the Toronto Maintenance Center's (TMC) outdoor yard, following the TMC's interior lights replacement completed earlier in 2017. Both of these projects help to reduce energy consumption, while improving the lighting quality for employees as well as the safety of our operations.

This may seem like a small change, but it is one more step toward a more sustainable future — and the potential savings are significant! The energy savings have been evaluated at approximately 2,200,000 kWh per year for the facility which translates into a savings of \$250,000 per year in operating expenses.



New more energy efficient lighting at the TMC

## BE AN ATTRACTIVE EMPLOYER

### EMPLOYEE ENGAGEMENT

In September, for the third consecutive year, VIA Rail held an Employee Engagement Survey. Open to all employees across the organization, the survey serves not only to measure engagement and progress made from year to year, it is also a vehicle for sharing opinions on our processes in order to create a more rewarding and engaging work environment.

For the first time this year, the survey was conducted entirely online, which provided easy access to VIA Rail's employees and improved the efficiency of the process. Participation reached a record high, with 78 per cent of employees taking the time to voice their opinion, surpassing our goal of 75 per cent. Participation rates in 2015 and 2016 were 63 per cent and 71 per cent, respectively. As well, employee engagement reached an all-time high of 62 per cent, which marks a 5 per cent improvement over last year and a remarkable 16 per cent improvement since 2014.

The survey results will be communicated to employees in November and each department will develop action plans in response to the feedback received so that VIA Rail is ready to take on the challenges of 2018 in a stimulating and motivating environment.



# KEY PERFORMANCE INDICATORS

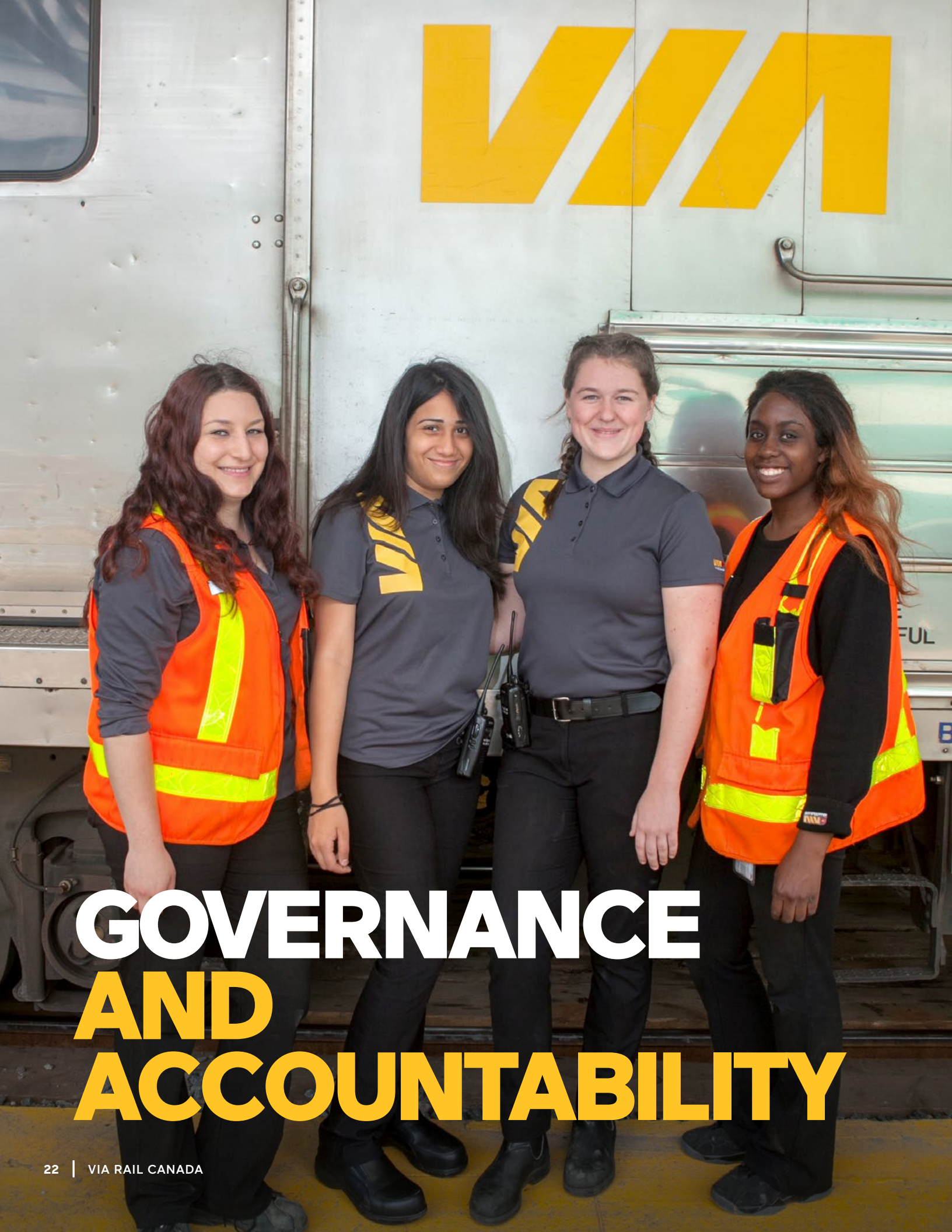


VIA Rail uses the following performance indicators as an integral part of its LEAN Management process. For detailed information on financial and operating performance during the quarter, consult the Management Discussion and Analysis section.

KEY PERFORMANCE INDICATORS		Quarters ended September 30			Nine month periods ended September 30		
INDICATOR	UNIT	Q3-2017	Q3-2016	Vs 2016	YTD 2017	YTD 2016	Vs 2016
CAPACITY DEPLOYED (IN MILLIONS) Number of available seat-miles (ASM)	ASM	454	442	2.7%	1,249	1,188	5.1%
TOTAL REVENUES / ASM (RASM) Total revenues divided by total ASM	cents	24.95	22.45	■	21.86	20.42	■
TOTAL COSTS <sup>(1)</sup> / ASM (CASM) Total operating expenses divided by total ASM	cents	33.57	32.79	■	36.18	35.66	■
RASM / CASM Revenues per available seat-mile divided by the costs per available seat-mile	%	74.3	68.5	■	60.4	57.3	■
ON-TIME PERFORMANCE On-Time Performance of all VIA Rail trains	%	70	69	■	74	74	■
ON-TIME PERFORMANCE - VIA RAIL INFRASTRUCTURE On-Time performance of all VIA Rail trains on VIA Rail owned infrastructure	%	95	96	■	95	96	■
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	3	■	3	8	■
EMPLOYEE ATTENDANCE Total hours worked per month divided by the total possible work hours per month	%	95%	95%	■	95%	95%	■

(1) 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



## PUBLIC MEETINGS AND REPORTS

During the third quarter of 2017, three Board meetings were held, including a strategic planning session and a quarterly meeting in August. During these meetings and following the appointment of the new Chairperson of the Board, Françoise Bertrand, the Board and Committee structure, as well as their respective mandates, were reviewed and officially adopted on August 22, 2017.

The new structure is now composed of the following Committees: Human Resources Committee, Major Projects Committee, Audit & Pension Investment Committee and Communication and Stakeholders' Relations Committee. The Committees' membership and mandates are now available under the "[Governance and Reports](#)" section of VIA Rail's website.

The Communication and Stakeholders' Relations Committee met once during the third quarter. The other Committees will hold their first meeting at the end of November, during the next Board of Directors' quarterly meeting.

The attendance rate of Board members at the meetings held during the third quarter was 96 per cent. Cumulative fees paid to Board members during this time period totalled \$53,689.

## THE BOARD OF DIRECTORS

As of September 30, 2017, the Board of Directors consists of the Chairperson, the President and Chief Executive Officer and 10 directors appointed by the Government of Canada. Of the 11 directors (not including the CEO of VIA Rail), six are women and five 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.

## ACCESS TO INFORMATION AND PRIVACY

VIA Rail believes that openness and transparency are the starting points in building a trusted relationship with customers, its partners and with the public in general. VIA Rail became subject to both the *Access to Information Act* and the *Privacy Act* in 2007. Since then, we have been committed to responding to information requests from the public, the media and all those interested in VIA Rail's operations. During the third quarter of 2017, VIA Rail received 27 new requests.

## TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES

### THE FOLLOWING TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES WERE SUBMITTED DURING THE THIRD QUARTER OF 2017

<b>Françoise Bertrand</b> Chairperson of the Board of Directors	\$921
<b>Yves Desjardins-Siciliano</b> President and CEO	\$1,793
Executive management committee members (8 members)	\$42,349
Board of Directors (11 members)	\$23,215
<b>Total VIA Rail (including above expenses)</b>	<b>\$280,000</b>



# **MANAGEMENT DISCUSSION AND ANALYSIS**



This is a review of VIA Rail Canada's (VIA Rail) operations, performance and financial position for the quarter and nine month period ended September 30, 2017, compared with the quarter and nine month period ended September 30, 2016. It should be read in conjunction with the interim condensed financial statements and notes.

## 1. FINANCIAL HIGHLIGHTS – STATEMENT OF COMPREHENSIVE INCOME

The following table shows the highlights of the Statement of comprehensive income of the Corporation for the quarters and nine month periods ended September 30, 2017 and September 30, 2016, as per IFRS (International Financial Reporting Standards).

	Quarters ended September 30				Nine month periods ended September 30			
IN MILLIONS OF CANADIAN DOLLARS	2017	2016	Var \$	Var %	2017	2016	Var \$	Var %
Passenger Revenues	106.9	93.4	13.5	14.5%	254.9	225.0	29.9	13.3%
Other Revenues	5.9	5.8	0.1	1.7%	17.0	16.7	0.3	1.8%
<b>Total Revenues</b>	<b>112.8</b>	<b>99.2</b>	<b>13.6</b>	<b>13.7%</b>	<b>271.9</b>	<b>241.7</b>	<b>30.2</b>	<b>12.5%</b>
Total Operating expenses	178.7	179.3	(0.6)	(0.3%)	536.2	505.1	31.1	6.2%
<b>Operating Loss</b>	<b>65.9</b>	<b>80.1</b>	<b>(14.2)</b>	<b>(17.7%)</b>	<b>264.3</b>	<b>263.4</b>	<b>0.9</b>	<b>0.3%</b>
Operating funding from the Government of Canada	43.1	45.8	(2.7)	(5.9%)	190.4	194.6	(4.2)	(2.2%)
Amortization of deferred capital funding	22.3	23.5	(1.2)	(5.1%)	67.2	65.0	2.2	3.4%
<b>Net income (loss) before income taxes</b>	<b>(0.5)</b>	<b>(10.8)</b>	<b>10.3</b>	<b>95.4%</b>	<b>(6.7)</b>	<b>(3.8)</b>	<b>(2.9)</b>	<b>(76.3%)</b>
Income tax (expense) recovery	(0.1)	(0.1)	0.0	0.0%	(0.2)	(0.4)	0.2	50.0%
<b>Net income (loss) for the period</b>	<b>(0.6)</b>	<b>(10.9)</b>	<b>10.3</b>	<b>94.5%</b>	<b>(6.9)</b>	<b>(4.2)</b>	<b>(2.7)</b>	<b>(64.3%)</b>
Remeasurements of defined benefit plans	72.4	22.3	50.1	224.7%	23.2	(121.6)	144.8	119.1%
<b>Total comprehensive income (loss) for the period</b>	<b>71.8</b>	<b>11.4</b>	<b>60.4</b>	<b>529.8%</b>	<b>16.3</b>	<b>(125.8)</b>	<b>142.1</b>	<b>113.0%</b>

The operating loss for the quarter decreased by \$14.2 million compared to last year. This decrease is mainly due to the decrease in non-funded elements (\$11.5 million), and the decrease of \$2.7 million in the funded deficit.

The cumulative operating loss increased by \$0.9 million. This increase is attributable to higher non-funded expenses (\$5.1 million), partly offset by the decrease of \$4.2 million in the funded deficit.

## 2. COMPARISON OF OPERATING LOSS UNDER IFRS AND FUNDED OPERATING LOSS

The following table provides information on the non-funded elements which are not included in funded results.

	Quarters ended September 30				Nine month periods ended September 30			
IN MILLIONS OF CANADIAN DOLLARS	2017	2016	Var \$	Var %	2017	2016	Var \$	Var %
<b>IFRS - RESULTS</b>								
<b>Operating Loss</b>	<b>65.9</b>	<b>80.1</b>	<b>(14.2)</b>	<b>(17.7%)</b>	<b>264.3</b>	<b>263.4</b>	<b>0.9</b>	<b>0.3%</b>
<b>NON-FUNDED ELEMENTS INCLUDED IN IFRS RESULTS</b>								
Revenues - adjustment for VIA Préférence points	<b>(0.4)</b>	(0.3)	(0.1)	33.3%	<b>(1.2)</b>	(1.0)	(0.2)	(20.0%)
<b>EXPENSES</b>								
Depreciation and amortization/Impairment and loss on disposal of property, plant and equipment and intangible assets	<b>(22.6)</b>	(23.7)	1.1	4.6%	<b>(68.1)</b>	(65.9)	(2.2)	(3.3%)
Unrealized net gain (net loss) on derivative financial instruments	<b>4.5</b>	1.5	3.0	(200.0%)	<b>0.3</b>	7.0	(6.7)	(95.7%)
Other	<b>(4.3)</b>	(11.8)	7.5	63.6%	<b>(4.9)</b>	(8.9)	4.0	(44.9%)
<b>TOTAL NON-FUNDED ELEMENTS</b>	<b>(22.8)</b>	(34.3)	11.5	33.5%	<b>(73.9)</b>	(68.8)	(5.1)	(7.4%)
<b>Funded results</b>								
<b>Funded operating loss</b>	<b>43.1</b>	<b>45.8</b>	<b>(2.7)</b>	<b>(5.9%)</b>	<b>190.4</b>	<b>194.6</b>	<b>(4.2)</b>	<b>(2.2%)</b>

For the quarter, non-funded elements decreased by \$11.5 million compared to last year. The decrease is due mostly from lower costs for post-employment and other employee benefits (included in the "other" category), as well as from higher unrealized gains on derivative financial instruments.

For the nine month period, non-funded elements increased by \$5.1 million, the increase is due mainly to a lower unrealized gain on derivative financial instruments, and higher depreciation and amortization expense. These increases were partly offset by lower post-employment and other employee costs (included in the "other" category).



### 3. FINANCIAL HIGHLIGHTS – FUNDED ACTIVITIES

The following table shows the financial results of the Corporation, illustrating the activities which were funded during the quarter and the nine month period.

	Quarters ended September 30				Nine month periods ended September 30			
IN MILLIONS OF CANADIAN DOLLARS	2017	2016	Var \$	Var %	2017	2016	Var \$	Var %
Passenger Revenues	107.3	93.5	13.8	14.8%	256.1	225.9	30.2	13.4%
Total Revenues	113.1	99.3	13.8	13.9%	273.1	242.7	30.4	12.5%
Operating expenses	146.6	139.2	7.4	5.3%	434.5	406.0	28.5	7.0%
Employer contributions for employee benefits	9.6	5.9	3.7	62.7%	29.0	31.3	(2.3)	(7.3%)
Total Operating expenses	156.2	145.1	11.1	7.6%	463.5	437.3	26.2	6.0%
<b>Operating Loss</b>	<b>(43.1)</b>	<b>(45.8)</b>	<b>(2.7)</b>	<b>(5.9%)</b>	<b>(190.4)</b>	<b>(194.6)</b>	<b>(4.2)</b>	<b>(2.2%)</b>
<b>Operating funding from Government of Canada</b>	<b>43.1</b>	<b>45.8</b>	<b>(2.7)</b>	<b>(5.9%)</b>	<b>190.4</b>	<b>194.6</b>	<b>(4.2)</b>	<b>(2.2%)</b>

#### Revenues and sources of funding for the quarter:

##### Q3 2017

72% Operating revenues  
28% Government operating funding



##### Q3 2016

68% Operating revenues  
32% Government operating funding



#### Revenues and sources of funding for the nine month period:

##### Year to date 2017

59% Operating revenues  
41% Government operating funding



##### Year to date 2016

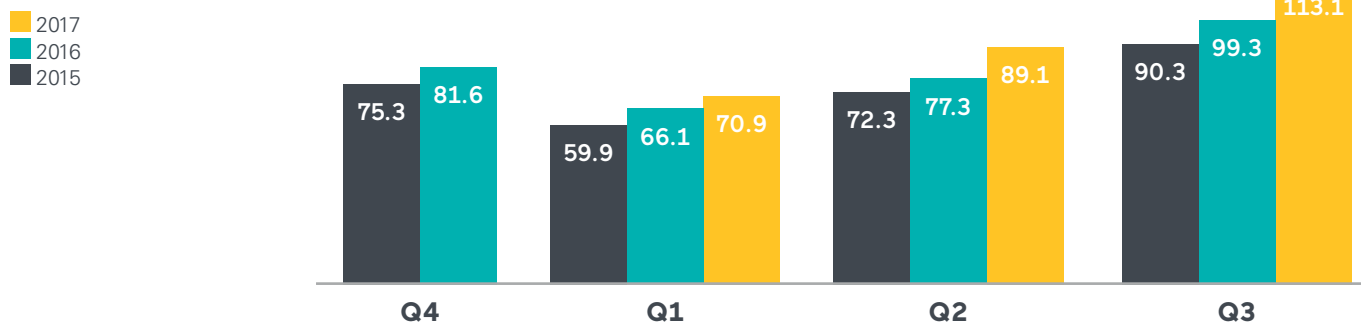
55% Operating revenues  
45% Government operating funding



The following tables show financial data for the eleven most recent quarters. This quarterly information is based on funded activities. Revenues vary throughout the year, reflecting the seasonality of activities, with the highest demand for services occurring during summer in the third quarter.

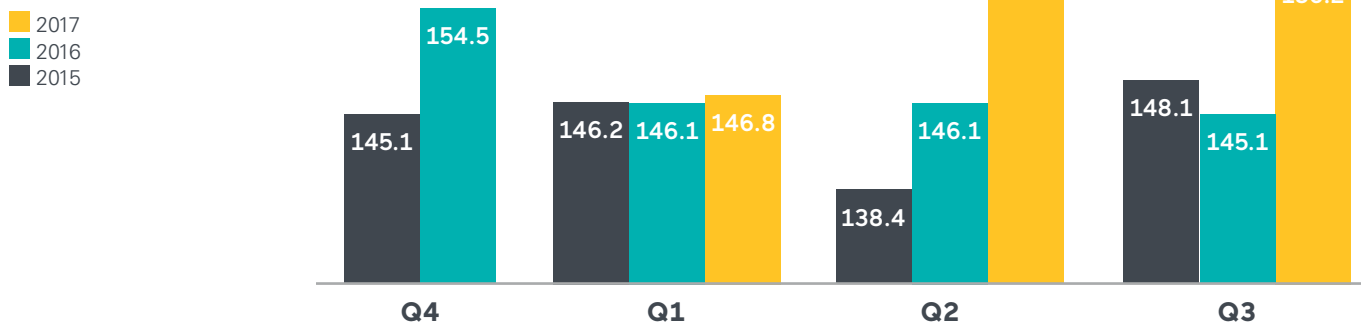
## Quarterly revenues

(In millions of Canadian dollars)



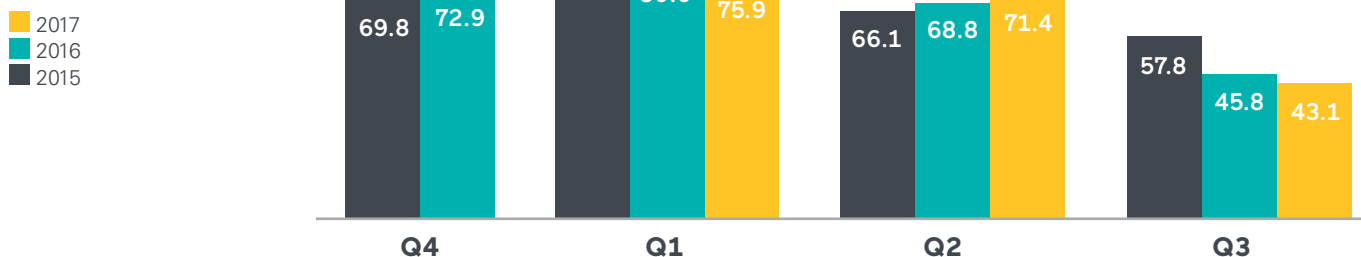
## Quarterly operating expenses

(In millions of Canadian dollars)



## Quarterly operating deficit

(In millions of Canadian dollars)



The following sections of the document provide comments on the funded activities of the quarter and nine month period ended September 30, 2017 (before non-funded elements and other accounting adjustments), compared to the quarter and nine month period ended September 30, 2016.

## 4. REVENUES

### Operating revenues

	Quarters ended September 30				Nine month periods ended September 30			
IN MILLIONS OF CANADIAN DOLLARS	2017	2016	Var \$	Var %	2017	2016	Var \$	Var %
Passenger Revenues	107.3	93.5	13.8	14.8%	256.1	225.9	30.2	13.4%
Other Revenues	5.8	5.8	0.0	0.0%	17.0	16.8	0.2	1.2%
<b>Total Revenues</b>	<b>113.1</b>	<b>99.3</b>	<b>13.8</b>	<b>13.9%</b>	<b>273.1</b>	<b>242.7</b>	<b>30.4</b>	<b>12.5%</b>

### For the quarter:

Passenger revenues total \$107.3 million, an increase of 14.8 per cent compared to the corresponding quarter last year. The increase results from additional ridership in most major train services, combined with improved average fares in the Corridor.

Other revenues total \$5.8 million, in line with the revenues generated during the third quarter of 2016.

### For the nine month period:

Passenger revenues total \$256.1 million, an increase of 13.4 per cent compared to last year. The increase stems from the additional capacity deployed in Corridor East and on the *Canadian* during the first half of the year, as well as increased ridership and improved average fares in most major train services.

Other revenues total \$17.0 million for the period, and are 1.2 per cent higher compared to the corresponding period last year.



## a) Passenger Revenues

	REVENUES (IN MILLIONS)							
	Quarters ended September 30				Nine month periods ended September 30			
IN MILLIONS OF CANADIAN DOLLARS	2017	2016	Var \$	Var %	2017	2016	Var \$	Var %
Corridor East	57.6	49.5	8.1	16.4%	154.1	134.0	20.1	15.0%
Southwestern Ontario (SWO)	11.6	10.8	0.8	7.4%	32.7	30.8	1.9	6.2%
<b>Quebec-City Windsor Corridor</b>	<b>69.2</b>	<b>60.3</b>	<b>8.9</b>	<b>14.8%</b>	<b>186.8</b>	<b>164.8</b>	<b>22.0</b>	<b>13.3%</b>
<i>Ocean</i>	4.1	4.0	0.1	2.5%	7.9	7.6	0.3	3.9%
<i>Canadian</i>	29.8	25.4	4.4	17.3%	51.7	44.8	6.9	15.4%
Regional Services	1.5	2.2	(0.7)	(31.8%)	3.3	3.8	(0.5)	(13.2%)
<b>Non Corridor</b>	<b>35.4</b>	<b>31.6</b>	<b>3.8</b>	<b>12.0%</b>	<b>62.9</b>	<b>56.2</b>	<b>6.7</b>	<b>11.9%</b>
Other	2.7	1.6	1.1	68.8%	6.4	4.9	1.5	30.6%
<b>TOTAL</b>	<b>107.3</b>	<b>93.5</b>	<b>13.8</b>	<b>14.8%</b>	<b>256.1</b>	<b>225.9</b>	<b>30.2</b>	<b>13.4%</b>

	PASSENGERS (IN THOUSANDS)							
	Quarters ended September 30				Nine month periods ended September 30			
	2017	2016	Var #	Var %	2017	2016	Var #	Var %
Corridor East	837.9	738.9	99.0	13.4%	2,267.2	2,039.6	227.6	11.2%
SWO	260.8	240.7	20.1	8.4%	732.5	697.1	35.4	5.1%
<i>Ocean</i>	28.7	28.3	0.4	1.4%	61.1	60.8	0.3	0.5%
<i>Canadian</i>	52.7	42.0	10.7	25.5%	88.9	77.5	11.4	14.7%
Regional Services	21.2	25.5	(4.3)	(16.9%)	49.5	54.8	(5.3)	(9.7%)
<b>TOTAL</b>	<b>1,201.3</b>	<b>1,075.4</b>	<b>125.9</b>	<b>11.7%</b>	<b>3,199.2</b>	<b>2,929.8</b>	<b>269.4</b>	<b>9.2%</b>

### For the quarter:

- Corridor East revenues are 16.4 per cent above last year, mostly due to higher ridership (13.4 per cent), combined with improved average revenues (2.6 per cent);
- Revenues in SWO increased by 7.4 per cent, the increase is attributable to higher passenger volumes (8.4 per cent), partly offset by lower average revenues (-0.9 per cent);
- Revenues on the *Ocean* increased by 2.5 per cent as a result of higher ridership (1.4 per cent) and improved average revenues (1.1 per cent);
- Revenues on the *Canadian* are 17.3 per cent higher than those of the corresponding quarter last year. The performance is attributable to increased ridership (25.5 per cent), partly offset by lower average revenues (decrease of 6.5 per cent). These results reflect the impact of the many Canada 150 Youth pass holders who travelled on board the train in July 2017;
- Revenues on Regional services have decreased by 31.8 per cent. The decrease is due in most part by the interruption, in May, of the Gillam-Churchill portion of the Winnipeg-Churchill service, as a result of severe flooding which damaged some infrastructure.

## For the nine month period:

- / Corridor East revenues are 15.0 per cent above last year, and the increase stems from both higher ridership (increase of 11.2 per cent) associated with the additional capacity deployed during the first half of the year, and improved average revenues (3.5 per cent);
- / Revenues in SWO increased by 6.2 per cent, the increase is attributable to additional passenger volumes (5.1 per cent) and improved average revenues (increase of 1.0 per cent);
- / Revenues on the *Ocean* increased by 3.9 per cent, average revenues are 3.4 per cent higher than last year, while ridership increased by 0.5 per cent;
- / Revenues on the *Canadian* are 15.4 per cent higher than those of the corresponding period last year. The performance is attributable to increased ridership (14.7 per cent), as well as to slightly higher average revenues (0.6 per cent);
- / Revenues on Regional services have decreased by 13.2 per cent, as a direct result of the interruption, in May of the Gillam-Churchill portion of the Winnipeg-Churchill service due to damaged infrastructure following severe flooding. Ridership has decreased by 9.7% and average revenues are 3.9 per cent lower than last year.

## 5. FUNDED OPERATING EXPENSES

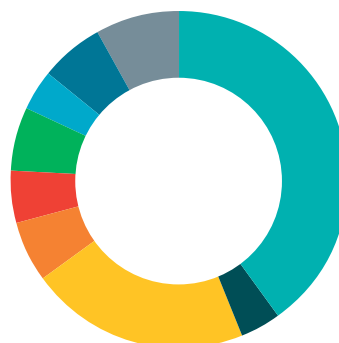
	Quarters ended September 30				Nine month periods ended September 30			
IN MILLIONS OF CANADIAN DOLLARS	2017	2016	Var \$	Var %	2017	2016	Var \$	Var %
Compensation & Benefits	64.9	58.8	6.1	10.4%	190.7	175.1	15.6	8.9%
Train Operations & Fuel	34.2	30.1	4.1	13.6%	97.9	89.9	8.0	8.9%
Realized loss (gain) on derivative financial instruments	1.3	1.4	(0.1)	(7.1%)	3.8	5.7	(1.9)	(33.3%)
Corporate Tax expense (recovery)	0.1	0.0	(0.1)	n/a	0.3	0.4	(0.1)	(25.0%)
Other operating expenses	46.1	48.9	2.8	(5.7%)	141.8	134.9	6.9	5.1%
<b>Total Operating expenses (before employer contributions for employee benefits)</b>	<b>146.6</b>	<b>139.2</b>	<b>7.4</b>	<b>5.3%</b>	<b>434.5</b>	<b>406.0</b>	<b>28.5</b>	<b>7.0%</b>
Employer Contributions for employee benefits	9.6	5.9	3.7	62.7%	29.0	31.3	(2.3)	(7.3%)
<b>TOTAL FUNDED OPERATING EXPENSES</b>	<b>156.2</b>	<b>145.1</b>	<b>11.1</b>	<b>7.6%</b>	<b>463.5</b>	<b>437.3</b>	<b>26.2</b>	<b>6.0%</b>

## Operating costs by category



### Q3 2017

41%	Compensation and employee benefits (\$64.9M)
6%	Employer contribution for employee benefits (\$9.6M)
22%	Train operations and fuel (\$34.2M)
6%	Stations and property (\$9.0M)
6%	Marketing and sales (\$8.8M)
5%	Maintenance material (\$7.9M)
4%	On-train product costs (\$6.2M)
3%	Telecommunications (\$4.6M)
7%	Other (\$11.0M)



### Q3 2016

40%	Compensation and employee benefits (\$58.8M)
4%	Employer contribution for employee benefits (\$5.9M)
21%	Train operations and fuel (\$30.1M)
6%	Stations and property (\$8.5M)
5%	Marketing and sales (\$7.3M)
6%	Maintenance material (\$8.6M)
4%	On-train product costs (\$5.3M)
6%	Professional services (\$8.3M)
8%	Other (\$12.3M)

## For the quarter:

/ Funded operating expenses before employer post-employment and other employee benefit contributions increased by 5.3 per cent and totaled \$146.6 million, the variance stemming from the following major elements:

- / Higher costs for compensation (\$6.1 million) due from the annual salary increases, as well as from higher costs resulting from increased ridership and train delays due to poor on-time performance, especially on the *Canadian*;
- / Higher train operations and fuel costs (\$4.1 million) resulting from additional capacity and contractual costs increased for infrastructure usage costs, as well as higher fuel costs (additional capacity and higher taxes and fees);

/ Other costs decreased by \$2.8 million, the decrease mostly due to lower costs for train incidents (in 2016, an expense of \$2.5 million was recorded due to a train accident).

/ Employer post-employment and other employee benefit contributions increased by 62.7 per cent, mostly due to timing in contributions for past services.

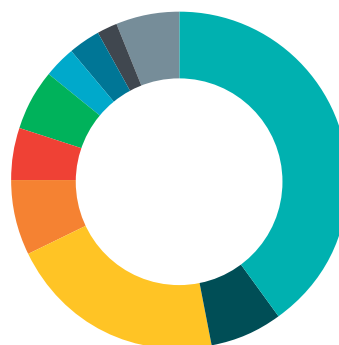


## Operating costs by category



**Nine month period ended September 30, 2017**

41%	Compensation and employee benefits (\$190.7M)
6%	Employer contribution for employee benefits (\$29.0M)
21%	Train operations and fuel (\$97.9M)
7%	Stations and property (\$30.3M)
5%	Marketing and sales (\$24.4M)
6%	Maintenance material (\$26.7M)
3%	On-train product costs (\$15.5M)
3%	Professional services (\$11.8M)
3%	Telecommunications (\$14.1M)
5%	Other (\$23.1M)



**Nine month period ended September 30, 2016**

40%	Compensation and employee benefits (\$175.1M)
9%	Employer contribution for employee benefits (\$31.3M)
20%	Train operations and fuel (\$89.9M)
7%	Stations and property (\$28.5M)
5%	Marketing and sales (\$22.2M)
6%	Maintenance material (\$25.3M)
3%	On-train product costs (\$13.5M)
2%	Professional services (\$14.7M)
2%	Telecommunications (\$10.9M)
6%	Other (\$25.9M)

## For the nine month period:

/ Funded operating expenses before employer post-employment and other employee benefit contributions increased by 7.0 per cent and totaled \$434.5 million for the period, the variance attributable to the following major elements:

- / Higher compensation and benefits with an increase of \$15.6 million, mainly associated with the additional capacity deployed, annual salary increases and higher costs resulting from additional ridership and poor on-time performance;
- / Increase of \$8.0 million for train operations and fuel, due in part to the additional capacity deployed generating additional fuel costs and train access fees, and the additional taxes and fees on fuel introduced in 2017;

/ Increase in other expenses of \$6.9 million including \$2.8 million for telecommunication costs (associated to cloud based projects), \$2.2 million for marketing and sales (additional advertising activities), as well as higher costs for on-train product costs (\$2.0 million) due to the higher passenger levels.

/ Employer post-employment and other employee benefit contributions decreased by 7.3 per cent, mostly due to lower pension contributions for past services, resulting from an improving solvency funding status which serves as the basis for determination of the Corporation's pension plans for funding requirement in 2017.

## 6. GOVERNMENT FUNDING

	Quarters ended September 30				Nine month periods ended September 30			
IN MILLIONS OF CANADIAN DOLLARS	2017	2016	Var \$	Var %	2017	2016	Var \$	Var %
Operating funding	43.1	45.8	(2.7)	(5.9%)	190.4	194.6	(4.2)	(2.2%)
Capital funding	15.4	19.0	(3.6)	(18.9%)	52.4	58.4	(6.0)	(10.3%)
<b>Total funding from the Government of Canada</b>	<b>58.5</b>	<b>64.8</b>	<b>(6.3)</b>	<b>(9.7%)</b>	<b>242.8</b>	<b>253.0</b>	<b>(10.2)</b>	<b>(4.0%)</b>
<b>Detail funding from the Government of Canada</b>								
Total funded revenues (section 4)	113.1	99.3	13.8	13.9%	273.1	242.7	30.4	12.5%
Total funded operating expenses (section 5)	156.2	145.1	11.1	7.6%	463.5	437.3	26.2	6.0%
<b>Total funded operating loss</b>	<b>43.1</b>	<b>45.8</b>	<b>(2.7)</b>	<b>(5.9%)</b>	<b>190.4</b>	<b>194.6</b>	<b>(4.2)</b>	<b>(2.2%)</b>

### For the quarter:

Operating funding decreased by \$6.3 million (9.7 per cent) compared to the corresponding quarter last year and is attributable to the improvement of the operating loss (decrease of 5.9 per cent), and to the lower capital funding required (fewer capital investments compared to the corresponding quarter last year). The decrease in the operating loss results from the increase in revenues partly offset by an increase in operating expenses, as shown in sections 4 and 5 of this document.

Capital funding decreased by \$3.6 million (18.9 per cent) and reflects the fact that lower capital investments were made than during the corresponding quarter last year.

### For the nine month period:

Operating funding decreased by 2.2 per cent and reflects the decrease in operating loss for the period. This decrease is the result of higher revenues partly offset by higher funded operating expenses, as shown in sections 4 and 5 of this document.

Capital funding decreased by 10.3 per cent and also reflects the fact fewer investments were made compared to last year, since many projects were completed last year, and new capital funding envelopes for future projects were not confirmed before the March 2017 federal budget.

Operating government funding is recognized in the comprehensive income statement and based the shortfall of revenues as compared to expenses.

Capital funding is recorded as deferred capital funding in the statement of financial position. It is amortized and recognized as revenue over the same periods as the related property, plant and equipment, and intangible assets are used in VIA Rail's operations.

## 7. TOTAL COMPREHENSIVE INCOME (LOSS)

	Quarters ended September 30				Nine month periods ended September 30			
IN MILLIONS OF CANADIAN DOLLARS	2017	2016	Var \$	Var %	2017	2016	Var \$	Var %
Net income (loss)	(0,6)	(10,9)	10,3	94,5%	(6,9)	(4,2)	(2,7)	(64,3%)
<b>Other comprehensive income (loss)</b>								
Remeasurements of defined benefit plans	72,4	22,3	50,1	224,7%	23,2	(121,6)	144,8	119,1%
<b>Total comprehensive income (loss)</b>	<b>71,8</b>	<b>11,4</b>	<b>60,4</b>	<b>529,8%</b>	<b>16,3</b>	<b>(125,8)</b>	<b>142,1</b>	<b>113,0%</b>

In addition to net income, the Corporation recorded a revenue of \$72.4 million for the quarter, and \$23.2 million for the nine month period, both associated with the re measurements of the pension and employee benefit plans. This revenue resulted from the fact that the returns generated on the plans assets for the quarter and nine month period exceed the charge associated with the change in actuarial valuation of the plan.

Further information on pension plan is provided in note 13 of the interim condensed financial statements.

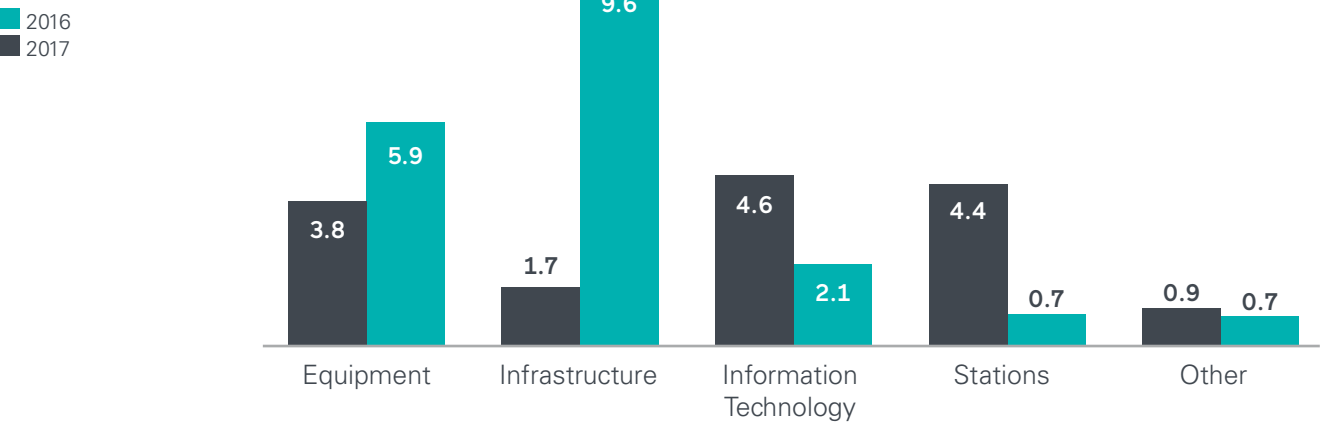


## 8. CAPITAL INVESTMENTS

Fixed assets (net of accumulated depreciation) amounted to \$1,246.4 million, a \$15.7 million decrease compared to the balance as at December 31, 2016.

### Capital investments for the quarters:

(In millions of Canadian dollars)



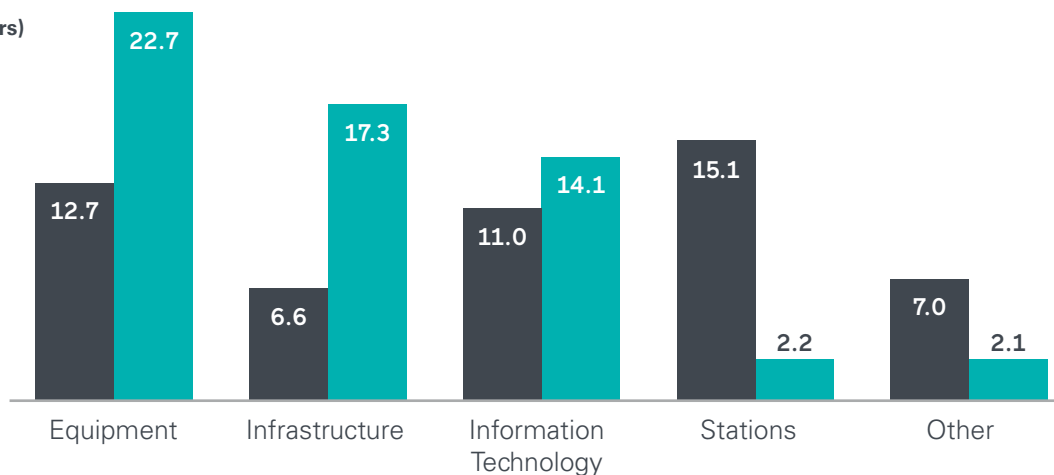
Capital investments totaled \$15.4 million for the quarter, composed mainly of:

- / Investments of \$4.6 million made in information technology projects including the Winnipeg data center migration, the security CCTV new platform, reservation system enhancements and corporate IT infrastructure upgrades;
- / Investments of \$3.8 million made in equipment projects mostly for the LRC rebuild program;
- / Investments of \$4.4 million made in Stations, including \$3.0 million for projects underway at Ottawa station;
- / Investments of \$1.7 million in infrastructure projects, mostly for upgrades to tracks.

## Capital investments for the nine month periods:

(In millions of Canadian dollars)

■ 2016  
■ 2017



Capital investments totaled \$52.4 million for the period, composed mainly of:

- / Investments of \$15.1 million made in Station projects, including \$11.4 million for projects at Ottawa station, such as the elevated platform and electrical room, and \$0.7 million for projects at Kingston station;
- / Investments of \$12.7 million made in equipment project, mainly for the LRC rebuild program;
- / Investments of \$11.0 million made in information technology projects, including the reservation system enhancement project, the identity access and access cards management projects, the locomotive engineers training program, and the Procure to Pay project;
- / Investments of \$7.0 million made in systems in the maintenance centers, including \$1.7 million for projects at TMC, and \$1.6 million for projects at MMC;
- / Investments of \$6.6 million in infrastructure projects, for projects such as track upgrades and bridge improvements.

## 9. CASH FLOWS AND FINANCIAL POSITION

	Quarters ended September 30				Nine month periods ended September 30			
IN MILLIONS OF CANADIAN DOLLARS	2017	2016	Var \$	Var %	2017	2016	Var \$	Var %
Balance, beginning of the period	37.1	17.7	19.4	109.6%	10.9	9.3	1.6	17.2%
Net cash (used in) provided by operating activities	(20.0)	8.7	(28.7)	(329.9%)	6.1	11.1	(5.0)	(45.0%)
Net cash (used in) provided by investing activities	1.0	8.1	(7.1)	(87.7%)	1.1	14.1	(13.0)	(92.2%)
<b>BALANCE, END OF THE PERIOD</b>	<b>18.1</b>	<b>34.5</b>	<b>(16.4)</b>	<b>(47.5%)</b>	<b>18.1</b>	<b>34.5</b>	<b>(16.4)</b>	<b>(47.5%)</b>

The Corporation's cash balance is \$18.1 million as at September 30, 2017, which is \$16.4 million lower than the balance as at September 30, 2016.

The decrease in cash for the quarter is mostly due to a lower amount of operating funding received from the Government of Canada.

## 10. RISK ANALYSIS (COMPARED TO DECEMBER 31, 2016)

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 new information is available or for which the trend or status has changed compared to the status as at December 31, 2016.

This section must be read in conjunction with the risk section of the Management Discussion and Analysis as at December 31, 2016, included in the 2016 annual report.



**Key risks for which new information is available or for which trend varied since December 31, 2016:**

SAFETY OF PASSENGERS, EMPLOYEES AND THE PUBLIC			
NATURE OF RISK	TREND AS AT DEC. 31, 2016	NEW TREND	NATURE OF CHANGE SINCE DECEMBER 31, 2016
Events such as collisions, derailments and pedestrian accidents may negatively impact revenues. Such events and new regulations on grade crossings may also result in significant non-budgeted costs for the Corporation.			VIA Rail received, as part of the March 2017 federal budget, a funding envelope over the next three years, to improve grade crossings, as required by the new regulation which will be effective in November 2021.
GOVERNMENT AND STRATEGY			
VIA Rail has limited powers as a non-agent Crown Corporation and is dependent on annual Government budgetary allocations to fund its operations, capital and pension obligations. Insufficient funding constitutes a risk in the efficient delivery of its services, as well as in the planning and execution of its medium-to-long-term strategies.			VIA Rail has received, as part of the March 2017 federal budget, confirmed capital, operating and pension funding envelopes for the next three government fiscal years (until March 2020).
INFRASTRUCTURE AVAILABILITY, RELIABILITY AND QUALITY			
The services provided by host railways have been deteriorating, resulting in declining on-time performance, lower customer satisfaction and passenger revenues, as well as increased operating costs.			On-Time performance has declined this year, and the decrease has been very significant on the <i>Canadian</i> where OTP for the quarter only reached 3 per cent, with delays of a longer duration (some delays reaching up to 22 hours). VIA Rail continues to work with host railways to resolve the issues causing delays, to improve customer service and reduce additional costs resulting from such delays.



INCREASING



STABLE



DECREASING

## Key risks which remained unchanged since December 31, 2016

RISK	STATUS
Employee contribution	
Revenue generation	
Costs influenced by external factors	
Equipment quality, availability and reliability	
Information technology	



INCREASING



STABLE



DECREASING

## 11. OUTLOOK

The third quarter results are again very positive, with the continued revenue growth, driven by increased ridership and improved average revenues, demonstrating, this quarter again, the results of VIA Rail's continued efforts to maximize the revenue potential of the Corporation.

The Corporation still faces challenges such as deteriorating on-time performance, which resulted in additional costs during the quarter, and negatively impacted customer satisfaction. Deteriorating on-time performance and the aging fleet are two important challenges which could have an adverse impact on future ridership and result in a combination of lower revenues and additional operating costs.

The new funding envelope received in March 2017 will allow for the implementation of various initiatives aimed at improving customer offerings, maintaining the current fleet in a state of good repairs, some of which are already underway. These initiatives, as well as the upgrading of our information technology systems, should minimize the negative impacts generated by poor on-time performance and aging equipment.





# INTERIM CONDENSED FINANCIAL STATEMENTS

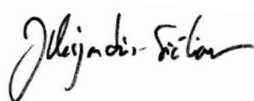
# MANAGEMENT'S RESPONSIBILITY STATEMENT

QUARTER ENDED SEPTEMBER 30, 2017

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

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

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



**Yves Desjardins-Siciliano**  
President and Chief Executive Officer



**Patricia Jasmin, CPA, CA**  
Chief Financial Officer

Montréal, Canada  
November 24, 2017

# INTERIM CONDENSED FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION

(IN THOUSANDS OF CANADIAN DOLLARS)	September 30, 2017	December 31, 2016
<b>CURRENT ASSETS</b>	<i>(unaudited)</i>	<i>(audited)</i>
Cash	\$ 18,089	\$ 10,861
Trade and other receivables	9,450	11,428
Receivable from the Government of Canada	10,503	22,593
Other current assets	4,342	2,927
Derivative financial instruments (NOTE 7)	1,042	2,507
Materials	24,027	24,112
Asset Renewal Fund	7,780	7,780
	<b>75,233</b>	82,208
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment (NOTE 8)	866,329	879,060
Intangible assets (NOTE 9)	380,117	383,075
Asset Renewal Fund	873	873
Post-employment and other employee benefits (NOTE 13)	4,508	4,151
	<b>1,251,827</b>	1,267,159
<b>Total Assets</b>	<b>\$ 1,327,060</b>	\$ 1,349,367
<b>CURRENT LIABILITIES</b>		
Trade and other payables (NOTE 10)	\$ 95,012	\$ 102,409
Provisions (NOTE 11)	12,714	13,507
Derivative financial instruments (NOTE 7)	5,207	6,962
Deferred revenues (NOTE 12)	48,196	39,483
	<b>161,129</b>	162,361
<b>NON-CURRENT LIABILITIES</b>		
Post-employment and other employee benefits (NOTE 13)	53,264	75,877
	<b>53,264</b>	75,877
<b>Deferred capital funding</b> (NOTE 14)	<b>1,232,365</b>	1,247,163
<b>SHAREHOLDER'S DEFICIENCY</b>		
Share capital	9,300	9,300
Accumulated deficit	(128,998)	(145,334)
	<b>(119,698)</b>	(136,034)
<b>Total Liabilities and Shareholder's deficiency</b>	<b>\$ 1,327,060</b>	\$ 1,349,367

Commitments (Note 17)

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		Nine-month periods ended September 30	
	2017	2016	2017	2016
<b>REVENUES</b>				
Passenger	\$ 106,908	\$ 93,372	\$ 254,861	\$ 224,971
Other	5,876	5,785	17,036	16,781
	<b>112,784</b>	99,157	<b>271,897</b>	241,752
<b>EXPENSES</b>				
Compensation and employee benefits	78,848	76,622	224,766	215,733
Train operations and fuel	34,119	30,041	97,859	89,855
Stations and property	8,987	8,537	30,280	28,501
Marketing and sales	8,827	7,351	24,368	22,224
Maintenance material	7,894	8,595	26,689	25,256
On-train product costs	6,223	5,231	15,540	13,468
Operating taxes	3,226	2,571	8,780	7,774
Professional services	3,925	8,325	11,834	14,717
Telecommunications	4,587	3,772	14,113	10,943
Depreciation and amortization (NOTES 8 AND 9)	22,132	21,021	67,058	62,867
Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets (NOTES 8 AND 9)	457	2,662	1,045	3,047
Unrealized net loss (net gain) on derivative financial instruments	(4,457)	(1,487)	(290)	(6,986)
Realized net loss (net gain) on derivative financial instruments	1,275	1,351	3,818	5,690
Other	2,630	4,671	10,324	12,055
	<b>178,673</b>	179,263	<b>536,184</b>	505,144
<b>OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES</b>	<b>65,889</b>	80,106	<b>264,287</b>	263,392
Operating funding from the Government of Canada (NOTE 6)	43,067	45,843	190,384	194,631
Amortization of deferred capital funding (NOTE 14)	22,289	23,474	67,212	65,011
Net income (loss) before income taxes	(533)	(10,789)	(6,691)	(3,750)
Income tax (expense) recovery	(77)	(50)	(223)	(450)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>(610)</b>	(10,839)	<b>(6,914)</b>	(4,200)
Other comprehensive income (loss)				
Amounts not to be reclassified subsequently to net income (net of tax):				
Remeasurements of defined benefit plans (NOTE 13)	72,428	22,278	23,250	(121,644)
	<b>72,428</b>	22,278	<b>23,250</b>	(121,644)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ 71,818</b>	\$ 11,439	<b>\$ 16,336</b>	\$ (125,844)

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		Nine-month periods ended September 30	
	2017	2016	2017	2016
SHARE CAPITAL	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300
<b>Accumulated deficit</b>				
<b>Balance, beginning of period</b>	<b>(200,816)</b>	(260,458)	<b>(145,334)</b>	(123,175)
Net income (loss) for the period	<b>(610)</b>	(10,839)	<b>(6,914)</b>	(4,200)
Other comprehensive income (loss) for the period	<b>72,428</b>	22,278	<b>23,250</b>	(121,644)
<b>Balance, end of period</b>	<b>(128,998)</b>	(249,019)	<b>(128,998)</b>	(249,019)
<b>Total Shareholder's deficiency</b>	<b>\$ (119,698)</b>	\$ (239,719)	<b>\$ (119,698)</b>	\$ (239,719)

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		Nine-month periods ended September 30	
	2017	2016	2017	2016
<b>OPERATING ACTIVITIES</b>				
Net income (loss) for the period	\$ (610)	\$ (10,839)	\$ (6,914)	\$ (4,200)
Adjustments to determine net cash (used in) provided by operating activities:				
Depreciation and amortization (NOTES 8 AND 9)	22,132	21,021	67,058	62,867
Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets (NOTES 8 AND 9)	457	2,662	1,045	3,047
Amortization of deferred capital funding (NOTE 14)	(22,289)	(23,474)	(67,212)	(65,011)
Interest income	(96)	(76)	(271)	(268)
Unrealized net loss (net gain) on derivative financial instruments	(4,457)	(1,487)	(290)	(6,986)
Post-employment and other employee benefit expenses (NOTE 13)	8,767	12,307	29,268	35,681
Employer post-employment and other employee benefit contributions (NOTE 13)	(9,576)	(5,921)	(28,988)	(31,310)
Net change in non-cash working capital items (NOTE 15)	(14,316)	14,469	12,369	17,231
<b>Net cash (used in) provided by operating activities</b>	<b>(19,988)</b>	<b>8,662</b>	<b>6,065</b>	<b>11,051</b>
<b>INVESTING ACTIVITIES</b>				
Capital funding (NOTE 14)	15,387	18,977	52,414	58,429
Change in capital funding receivable from the Government of Canada	(1,387)	8,023	6,150	15,414
Change in capital accounts payable and accrued liabilities	2,311	44	(5,258)	(1,550)
Acquisition of property, plant and equipment and intangible assets (NOTES 8 AND 9)	(15,387)	(18,977)	(52,414)	(58,429)
Interest received	96	76	271	268
Proceeds from disposal of property, plant and equipment and intangible assets	-	-	-	7
<b>Net cash (used in) provided by investing activities</b>	<b>1,020</b>	<b>8,143</b>	<b>1,163</b>	<b>14,139</b>
<b>CASH</b>				
Increase (decrease) during the period	(18,968)	16,805	7,228	25,190
Balance, beginning of period	37,057	17,703	10,861	9,318
<b>Balance, end of period</b>	<b>\$ 18,089</b>	<b>\$ 34,508</b>	<b>\$ 18,089</b>	<b>\$ 34,508</b>
<b>REPRESENTED BY:</b>				
Cash	\$ 18,089	\$ 34,508	\$ 18,089	\$ 34,508
	\$ 18,089	\$ 34,508	\$ 18,089	\$ 34,508

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, 2017 (UNAUDITED)

## 1. AUTHORITY AND OBJECTIVES

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

The Corporation is subject to a directive (P.C. 2013-1354) that was issued on December 9, 2013 pursuant to sections 89.8 and 89.9 of the *Financial Administration Act*. As per this directive the Corporation must obtain Treasury Board approval on 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 the instructions have been met.

In July 2015, the Corporation was issued a directive (P.C. 2015-1114) pursuant to section 89(1) of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with their legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. The Corporation confirms that the requirements of the instruction 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 24, 2017.

## 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, 2016, which have been prepared in accordance with the IFRS.

### b) Functional and presentation currency

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in these unaudited interim condensed financial statements are disclosed in Note 3 of the Corporation's annual financial statements for the year ended December 31, 2016.

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

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

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

They are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimate is revised. However, uncertainties relating to judgments, assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in future years. Key sources of estimation uncertainty and assumptions are disclosed in Note 4 of the Corporation's annual financial statements for the year ended December 31, 2016.

### 5. FUTURE ACCOUNTING CHANGES

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

This standard will be applied retrospectively for periods beginning on January 1, 2018. The Corporation has completed the process of analysing the impact of applying IFRS 9 on the Corporation's financial statements. The monetary impact is not significant.

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

This standard will be applied retrospectively for periods beginning on January 1, 2018. The Corporation is currently assessing the impact of applying this standard on its financial statements.

## 5. FUTURE ACCOUNTING CHANGES (CONT'D)

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

This standard is effective for periods beginning on or after January 1, 2019, with early application permitted for corporations that also apply IFRS 15 – *Revenue from Contracts with Customers*. The Corporation does not intend to early apply IFRS 16. The Corporation is currently assessing the impact of applying this standard on its financial statements.

## 6. RECONCILIATION OF OPERATING LOSS TO GOVERNMENT FUNDING

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

	Quarters ended September 30		Nine-month periods ended September 30	
(IN MILLIONS OF CANADIAN DOLLARS)	2017	2016	2017	2016
Operating loss before funding from the Government of Canada and income taxes	65.9	80.1	264.3	263.4
Items requiring (providing) operating funds:				
Income tax expense (recovery)	0.1	0.1	0.2	0.5
Items (not requiring) not providing operating funds:				
Depreciation and amortization	(22.2)	(21.0)	(67.1)	(62.9)
Impairment and (loss) gain on disposal of property, plant and equipment and intangible assets	(0.4)	(2.7)	(1.0)	(3.0)
Post-employment and other employee benefits contributions in excess of expenses	0.8	(6.4)	(0.3)	(4.4)
Unrealized net gain (net loss) on derivative financial instruments	4.5	1.5	0.3	7.0
Adjustment for accrued compensation	(5.2)	(5.5)	(4.8)	(4.9)
Other	(0.4)	(0.3)	(1.2)	(1.1)
<b>Operating funding from the Government of Canada</b>	<b>43.1</b>	<b>45.8</b>	<b>190.4</b>	<b>194.6</b>

## 7. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

COMMODITY SWAPS	September 30, 2017		December 31, 2016	
	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	6,132	0.8	8,064	2.0
Liabilities	9,324	3.9	10,080	6.4

As at September 30, 2017, the commodity swaps in USD have a fixed price per U.S. gallon between 1.770 and 2.705 USD and the commodity swaps in CAD have a fixed price per U.S. gallon between 1.890 and 2.283 CAD (December 31, 2016: between 1.770 and 2.705 USD and between 1.890 and 2.283 CAD). The maturity dates range between 2017 to 2019 (December 31, 2016: 2017 to 2019). These financial instruments have a monthly settlement schedule.

FORWARD FOREIGN EXCHANGE CONTRACTS	September 30, 2017		December 31, 2016	
	Notional Amount (USD) (millions)	Fair Value CAD (millions)	Notional Amount (USD) (millions)	Fair Value CAD (millions)
Assets	1.8	0.2	7.3	0.5
Liabilities	11.1	1.3	15.0	0.6

As at September 30, 2017, the forward contracts rates are between 1.156 and 1.382 in US dollars (December 31, 2016: between 1.156 and 1.389 ) and the maturity dates are 2017 to 2019 (December 31, 2016: 2017 to 2019). These financial instruments have a monthly settlement schedule.

Amounts recognized in the statement of financial position:

	September 30, 2017	December 31, 2016
	Fair Value CAD (millions)	Fair Value CAD (millions)
<b>Total assets</b>	1.0	2.5
<b>Total liabilities</b>	5.2	7.0



## 8. PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2017	Additions	Disposals	Transfers	September 30, 2017
<b>Cost:</b>					
Land	17.0	-	-	-	<b>17.0</b>
Rolling stock	935.2	-	(8.6)	11.8	<b>938.4</b>
Maintenance buildings	166.1	-	-	0.2	<b>166.3</b>
Stations and facilities	126.8	-	-	0.2	<b>127.0</b>
Owned infrastructures	255.8	-	-	0.5	<b>256.3</b>
Leasehold improvements	84.4	-	-	0.1	<b>84.5</b>
Machinery and equipment	25.1	-	(0.9)	0.3	<b>24.5</b>
Computer hardware	35.4	-	-	0.7	<b>36.1</b>
Other property, plant and equipment	6.6	-	-	0.1	<b>6.7</b>
Projects in progress	30.9	36.6	-	(13.1)	<b>54.4</b>
<b>Total cost</b>	<b>1,683.3</b>	<b>36.6</b>	<b>(9.5)</b>	<b>0.8</b>	<b>1,711.2</b>
<b>Accumulated depreciation and impairment:</b>					
Rolling stock	469.6	32.1	(8.4)	-	<b>493.3</b>
Maintenance buildings	119.3	1.3	-	-	<b>120.6</b>
Stations and facilities	42.5	3.5	-	-	<b>46.0</b>
Owned infrastructures	82.0	6.1	-	-	<b>88.1</b>
Leasehold improvements	46.6	2.5	-	-	<b>49.1</b>
Machinery and equipment	18.0	0.3	-	-	<b>18.3</b>
Computer hardware	23.9	3.1	-	-	<b>27.0</b>
Other property, plant and equipment	2.3	0.2	-	-	<b>2.5</b>
<b>Total accumulated depreciation and impairment</b>	<b>804.2</b>	<b>49.1</b>	<b>(8.4)</b>	<b>-</b>	<b>844.9</b>
<b>Net book value</b>	<b>879.1</b>	<b>(12.5)</b>	<b>(1.1)</b>	<b>0.8</b>	<b>866.3</b>

## 9. INTANGIBLE ASSETS

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2017	Additions	Disposals	Transfers	September 30, 2017
<b>Cost:</b>					
Software (NOTE 1)	102.6	-	-	2.6	<b>105.2</b>
Right of access to rail infrastructure	426.5	-	-	1.2	<b>427.7</b>
Other intangible assets	4.4	-	-	-	<b>4.4</b>
Projects in progress	13.4	15.8	-	(4.6)	<b>24.6</b>
<b>Total cost</b>	<b>546.9</b>	<b>15.8</b>	<b>-</b>	<b>(0.8)</b>	<b>561.9</b>
<b>Accumulated amortization and impairment:</b>					
Software	71.1	9.3	-	-	<b>80.4</b>
Right of access to rail infrastructure	90.9	8.5	-	-	<b>99.4</b>
Other intangible assets	1.8	0.2	-	-	<b>2.0</b>
<b>Total accumulated amortization and impairment</b>	<b>163.8</b>	<b>18.0</b>	<b>-</b>	<b>-</b>	<b>181.8</b>
<b>Net book value</b>	<b>383.1</b>	<b>(2.2)</b>	<b>-</b>	<b>(0.8)</b>	<b>380.1</b>

Note 1 - Includes mostly software developed in-house.

## 10. TRADE AND OTHER PAYABLES

The Trade and other payables balance includes the following:

(IN MILLIONS OF CANADIAN DOLLARS)	September 30, 2017	December 31, 2016
Wages payable and accrued	<b>41.3</b>	39.4
Payables and accruals - Capital assets	<b>16.1</b>	21.4
Payables and accruals - Trade and other	<b>29.3</b>	33.7
<b>Trade and other payables classified as other financial liabilities</b>	<b>86.7</b>	94.5
Capital tax, income tax and other taxes payable	<b>7.6</b>	4.8
Deductions at sources	<b>0.7</b>	3.1
<b>Total trade and other payables</b>	<b>95.0</b>	102.4

## 11. PROVISIONS

The provision balance includes the following:

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2017	Charge (used)	Reversal (used)	Reversal (not used)	September 30, 2017
Environmental costs (NOTE A)	0.3	-	-	-	<b>0.3</b>
Litigation and equipment repairs (NOTE B)	13.2	2.4	(2.7)	(0.5)	<b>12.4</b>
<b>Total provisions</b>	<b>13.5</b>	<b>2.4</b>	<b>(2.7)</b>	<b>(0.5)</b>	<b>12.7</b>

### a) Environmental costs

The Corporation has made a provision of \$0.3 million for environmental costs related to fuel spills (December 31, 2016: \$0.3 million).

### b) Litigation and equipment repairs

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

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

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

## 12. DEFERRED REVENUES

Deferred revenues are comprised of the following:

(IN MILLIONS OF CANADIAN DOLLARS)	September 30, 2017	December 31, 2016
Advance ticket sales	<b>25.8</b>	18.3
Gift cards	<b>1.4</b>	1.7
Non-monetary transactions	<b>2.3</b>	2.0
VIA Préférence (NOTE 1)	<b>18.3</b>	17.0
Other	<b>0.4</b>	0.5
<b>Total deferred revenues</b>	<b>48.2</b>	39.5

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

### 13. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

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

#### Pension plans

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

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

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

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

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

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

#### Certain unionized employees hired on or after January 1, 2014

##### i) Defined benefit component

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

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

The investment committee of the board is responsible for the investment policy with regard to the assets of the fund.

##### ii) Defined contribution component

Participants' contributions to the defined contribution component are mandatory and represent 4 per cent of their salary. Optional contributions to the defined contribution component can be made by the participants to a maximum of 3 per cent of their salary. The Corporation's contribution is equal to 50 per cent of participant's optional contributions and cannot exceed the calculated maximums based on the sum of the participant's age and years of service.

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

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



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

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

The financial and demographic assumptions used to determine the actuarial valuations of the pension plans were the same assumptions as disclosed in the Corporation's annual financial statements for the year ended December 31, 2016, except for the discount rate used to determine the defined benefit obligation that was decreased to 3.75 per cent (December 31, 2016: 3.80 per cent) and the discount rate used to determine the defined benefit cost that was decreased to 3.80 per cent (December 31, 2016: 4.00 per cent).

The financial and demographic assumptions used to determine the actuarial valuations of the post-employment benefits were the same assumptions as disclosed in the Corporation's annual financial statements for the year ended December 31, 2016, except for the discount rate used to determine the defined benefit cost that was decreased to 3.90 per cent (December 31, 2016: 4.10 per cent). The discount rate used to determine the defined benefit obligation of the post-employment benefit plans remains unchanged.

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

(IN MILLIONS OF CANADIAN DOLLARS)	Defined benefit component of the pension plans		Post-employment benefit plans	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
<b>DEFINED BENEFIT OBLIGATION:</b>				
<b>Balance at beginning of the period</b>	<b>2,298.1</b>	2,223.3	<b>21.7</b>	19.7
Service cost	<b>21.9</b>	26.1	<b>0.2</b>	0.4
Past service cost	-	4.7	-	-
Interest expense	<b>64.1</b>	88.3	<b>0.7</b>	0.8
Employee contributions	<b>10.8</b>	13.4	-	-
Benefits paid	<b>(102.3)</b>	(120.5)	<b>(0.5)</b>	(0.6)
Effect of change in demographic assumptions	-	-	-	(0.1)
Effect of change in financial assumptions	<b>16.8</b>	58.6	-	0.7
Effect of experience adjustments	-	4.2	-	0.8
<b>Balance at end of the period</b>	<b>2,309.4</b>	2,298.1	<b>22.1</b>	21.7
<b>FAIR VALUE OF PLAN ASSETS:</b>				
<b>Balance at beginning of the period</b>	<b>2,267.2</b>	2,223.6	-	-
Interest Income	<b>62.8</b>	87.4	-	-
Return on plan assets (excluding interest income)	<b>40.0</b>	33.7	-	-
Employer contributions	<b>25.0</b>	31.9	<b>0.5</b>	0.6
Employee contributions	<b>10.8</b>	13.4	-	-
Benefits paid	<b>(102.3)</b>	(120.5)	<b>(0.5)</b>	(0.6)
Administration expenses	<b>(2.1)</b>	(2.3)	-	-
<b>Balance at end of the period</b>	<b>2,301.4</b>	2,267.2	-	-
<b>Net defined benefit asset (liability)</b>	<b>(8.0)</b>	(30.9)	<b>(22.1)</b>	(21.7)

## 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, 2016 except for the discount rate used to determine the benefit cost that was increased to 3.40 per cent (December 31, 2016: 3.30 per cent). The discount rate used to determine the long-term employee benefit obligation remains unchanged.

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, 2017	December 31, 2016
<b>LONG-TERM EMPLOYEE BENEFIT OBLIGATION:</b>		
<b>Balance at beginning of the period</b>	<b>18.5</b>	21.9
Service cost	<b>2.3</b>	4.8
Interest expense	<b>0.5</b>	0.8
Benefits paid	<b>(3.1)</b>	(4.4)
Effect of change in demographic assumptions	-	(1.1)
Effect of experience adjustments	-	(3.5)
<b>Balance at end of the period</b>	<b>18.2</b>	18.5
<b>FAIR VALUE OF PLAN ASSETS:</b>		
<b>Balance at beginning of the period</b>	-	-
Employer contributions	<b>3.1</b>	4.4
Benefits paid	<b>(3.1)</b>	(4.4)
<b>Balance at end of the period</b>	-	-
<b>Net long-term employee benefit liability</b>	<b>(18.2)</b>	(18.5)

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

#### c) Other long-term employee benefits

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

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

(IN MILLIONS OF CANADIAN DOLLARS)	September 30, 2017	December 31, 2016
<b>OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION:</b>		
<b>Balance at beginning of the period</b>	<b>0.6</b>	1.1
Service cost	<b>0.3</b>	0.1
Benefits paid	<b>(0.4)</b>	(0.6)
<b>Balance at end of the period</b>	<b>0.5</b>	0.6
<b>FAIR VALUE OF PLAN ASSETS:</b>		
<b>Balance at beginning of the period</b>	<b>-</b>	-
Employer contributions	<b>0.4</b>	0.6
Benefits paid	<b>(0.4)</b>	(0.6)
<b>Balance at end of the period</b>	<b>-</b>	-
<b>Net other long-term employee benefit liability</b>	<b>(0.5)</b>	(0.6)

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

Total amounts recognized in the statement of financial position:

(IN MILLIONS OF CANADIAN DOLLARS)	September 30, 2017	December 31, 2016
<b>Assets:</b>		
Defined benefit component of the pension plans	<b>4.5</b>	4.2
<b>Liabilities:</b>		
Defined benefit component of the pension plans	<b>(12.5)</b>	(35.1)
Post-employment benefit plans	<b>(22.1)</b>	(21.7)
Long-term employee benefit plans	<b>(18.2)</b>	(18.5)
Other long-term employee benefits	<b>(0.5)</b>	(0.6)
<b>Total liabilities</b>	<b>(53.3)</b>	(75.9)

Total amounts recognized in the statement of comprehensive income:

	Quarters ended September 30		Nine-month periods ended September 30	
(IN MILLIONS OF CANADIAN DOLLARS)	2017	2016	2017	2016
<b>Operating expenses:</b>				
Defined benefit component of the pension plans	7.6	10.5	25.3	30.1
Post-employment benefit plans	0.3	0.3	0.9	0.9
Long-term employee benefit plans	0.9	1.4	2.8	4.3
Other long-term employee benefits	-	0.1	0.3	0.4
<b>Total</b>	<b>8.8</b>	<b>12.3</b>	<b>29.3</b>	<b>35.7</b>

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)	2017	2016	2017	2016
<b>Other comprehensive income (loss):</b>				
Defined benefit component of the pension plans	72.4	22.3	23.2	(121.6)
<b>Total</b>	<b>72.4</b>	<b>22.3</b>	<b>23.2</b>	<b>(121.6)</b>



## 14. 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, 2017	December 31, 2016
<b>Balance at beginning of the period</b>	<b>1,247.2</b>	1,263.1
Government funding for property, plant and equipment and intangible assets (including the cost of land)	<b>52.4</b>	86.4
Amortization of deferred capital funding	<b>(67.2)</b>	(102.3)
<b>Balance at end of the period</b>	<b>1,232.4</b>	1,247.2

## 15. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	Quarters ended September 30		Nine-month periods ended September 30	
(IN MILLIONS OF CANADIAN DOLLARS)	2017	2016	2017	2016
Trade and other receivables	<b>3.0</b>	2.5	<b>2.0</b>	4.0
Operating funding receivable from Government of Canada	<b>(7.8)</b>	11.7	<b>5.9</b>	(6.8)
Other current assets	<b>(0.1)</b>	1.4	<b>(1.4)</b>	(1.7)
Materials	<b>0.4</b>	0.3	<b>0.1</b>	4.4
Trade and other payables	<b>5.0</b>	9.9	<b>(2.1)</b>	8.9
Provisions	<b>(0.3)</b>	1.6	<b>(0.8)</b>	2.9
Deferred revenues	<b>(14.5)</b>	(13.0)	<b>8.7</b>	5.5
<b>Total</b>	<b>(14.3)</b>	14.4	<b>12.4</b>	17.2

## 16. FINANCIAL RISKS

The Corporation financial instruments are exposed to the same risk as disclosed in its annual financial statements for the year ended December 31, 2016.

## 17. COMMITMENTS

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

(IN MILLIONS OF CANADIAN DOLLARS)	September 30, 2017				December 31, 2016
	Total commitments	Less than one year	From one to five years	More than five years	Total commitments
<b>COMMITMENTS RELATING TO OPERATIONS:</b>					
Non-cancellable operating leases (NOTE A):					
Lessee	<b>28.4</b>	3.6	15.1	9.7	31.1
<b>Total</b>	<b>28.4</b>	3.6	15.1	9.7	31.1
<b>COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS:</b>					
Rolling stock	-	-	-	-	1.8
Maintenance buildings	<b>2.3</b>	2.3	-	-	-
Stations and facilities	<b>5.1</b>	5.1	-	-	-
Owned infrastructures	<b>7.3</b>	7.3	-	-	1.0
Computer hardware	<b>4.1</b>	4.1	-	-	-
Others	<b>0.3</b>	0.3	-	-	8.3
<b>Total</b>	<b>19.1</b>	19.1	-	-	11.1
<b>Total commitments</b>	<b>47.5</b>	22.7	15.1	9.7	42.2

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

In 2017, an amount of \$12.2 million (September 30, 2016: \$11.9 million) was recognized as an expense related to facilities operating leases.

- b) As mentioned in Note 1, the Corporation has entered into train service agreements for the use of tracks and the control of train operations that expire on December 31, 2018. No amounts are included in the table above regarding those contracts since the amount of the commitments is dependent on the annual usage of the tracks.
- c) The Corporation has provided letters of credit from a banking institution totalling approximately \$23.0 million (December 31, 2016: \$26.5 million) to various provincial government workers' compensation boards as security for future payment streams.

