



Third Quarter Report 2022



Management's Discussion and Analysis

1. Introduction

Management's discussion and analysis report outlines the financial results of VIA Rail Canada Inc. (The Corporation) for the quarter and the nine-month period ended September 30, 2022, compared with the quarter and the nine-month period ended September 30, 2021. This document should be read in conjunction with the interim condensed financial statements and notes.

Materiality

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

Forward-Looking Statement Disclosure

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

2. Corporate Overview

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

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

3. COVID-19 Pandemic

This quarter, the Corporation's operations returned to levels which are slightly below those operated before the pandemic, which is a significant increase compared to the corresponding quarter of 2021. As a result, capacity has increased by 52.0 per cent in terms of train-miles, and by 77.6 per cent in terms of seat-miles.

Safety of passengers and employees remains the Corporation's key priority as services resume and health and safety measures evolve. The Corporation continues to monitor federal safety requirements as well as those in all provinces and adapts safety measures accordingly.

4. Highlights of Financial Results and Major Key Operating Statistics

<i>(in millions of Canadian dollars)</i>	Quarters ended September 30				Nine-month periods ended September 30			
	2022	2021	Var \$	Var %	2022	2021	Var \$	Var %
Financial Performance								
Passenger revenues <i>(section 5.2)</i>	113.7	44.0	69.7	158.4%	219.7	64.7	155.0	239.6%
Other revenues	4.6	3.4	1.2	35.3%	11.6	11.0	0.6	5.5%
Total revenues	118.3	47.4	70.9	149.6%	231.3	75.7	155.6	205.5%
Operating expenses <i>(section 5.3)</i>	216.9	164.0	52.9	32.3%	576.4	434.2	142.2	32.7%
Operating loss before funding from the Government of Canada and income taxes <i>(section 5.1)</i>	(98.6)	(116.6)	18.0	15.4%	(345.1)	(358.5)	13.4	3.7%
Net (loss) income for the period	(4.3)	0.2	(4.5)	(2,250.0%)	6.8	2.6	4.2	161.5%
Remeasurements of defined benefit components of the pension plans and post-employment benefit plans (net of tax)	(10.5)	30.0	(40.5)	(135.0%)	292.4	284.9	7.5	2.6%
Comprehensive (loss) income for the period	(14.8)	30.2	(45.0)	(149.0%)	299.2	287.5	11.7	4.1%
Financial Position and Cash Flows								
Total assets <i>(section 5.4)</i>	2,703.6	1,989.6	714.0	35.9%	2,703.6	1,989.6	714.0	35.9%
Total liabilities and deferred capital funding <i>(section 5.4)</i>	2,250.4	1,861.0	389.4	20.9%	2,250.4	1,861.0	389.4	20.9%
Cash <i>(section 5.5)</i>	20.9	27.7	(6.8)	(24.5%)	20.9	27.7	(6.8)	(24.5%)
Net cash (used in) provided by operating activities <i>(section 5.5)</i>	(1.2)	–	(1.2)	n/a	32.4	46.4	(14.0)	(30.2%)
Net cash provided by (used in) investing activities <i>(section 5.5)</i>	4.3	(2.2)	6.5	295.5%	(12.6)	(28.9)	16.3	56.4%
Net cash (used in) financing activities <i>(section 5.5)</i>	(1.0)	(0.6)	(0.4)	(66.7%)	(3.3)	(2.0)	(1.3)	(65.0%)
Government Funding								
Operating <i>(section 6)</i>	67.0	89.0	(22.0)	(24.7%)	267.2	282.5	(15.3)	(5.4%)
Capital <i>(section 6)</i>	84.3	59.2	25.1	42.4%	204.2	154.3	49.9	32.3%
Total Government funding	151.3	148.2	3.1	2.1%	471.4	436.8	34.6	7.9%
Key Operating Statistics								
Train-miles operated <i>(in thousands)</i>	1,610	1,059	551	52.0%	3,822	2,366	1,456	61.5%
Seat-miles <i>(in millions)</i>	396	223	173	77.6%	875	380	495	130.3%
Passenger-miles <i>(in millions)</i>	257	119	138	116.0%	525	183	342	186.9%
Passengers <i>(in thousands)</i>	1,080.1	535.3	544.8	101.8%	2,270.5	835.0	1,435.5	171.9%
Average passenger load factor (%)	65	53	12	22.6%	60	48	12	25.0%
RASM (revenue per available seat-mile) <i>(in cents) – Note 1</i>	30.08	21.21	8.87	41.8%	26.49	19.84	6.65	33.5%
CASM (cost per available seat-mile) <i>(in cents) – Note 1</i>	46.99	61.12	(14.13)	(23.1%)	57.03	94.18	(37.15)	(39.4%)
Cost recovery ratio (%) – Note 1	64.0	34.7	29.3	84.4%	46.4	21.1	25.3	119.9%
Operating deficit per passenger-mile <i>(in cents) – Note 1</i>	26.1	74.8	(48.7)	(65.1%)	50.9	154.4	(103.5)	(67.0%)
On-time performance (%)	47	65	(18)	(27.7%)	56	75	(19)	(25.3%)

(Amounts in bracket represent decreases)

Note 1: based on funded results

Financial Highlights – Third quarter

- Total revenues increased by 149.6 per cent resulting from an increase in frequencies led by higher demand.
- Operating expenses increased by 32.3 per cent primarily due to the operating costs associated to the additional frequencies.
- The operating loss decreased by 15.4 per cent due to an increase in revenues, partly offset by an increase in operating expenses.
- Operating funding decreased by 24.7 per cent, reflecting the lower amounts required for funded activities.
- The Corporation generated a comprehensive loss of \$14.8 million compared to a comprehensive income of \$30.2 million in 2021. The variation is due to the remeasurements of the defined benefit components of the pension plans and post-employment benefit plans.

Nine-month period

- Total revenues increased by 205.5 per cent also resulting from an increase in frequencies led by higher demand.
- Operating expenses increased by 32.7 per cent due to the higher costs directly associated to the additional frequencies operated compared to the corresponding nine-month period of 2021.
- The operating loss decreased by 3.7 per cent due to an increase in revenues partly offset by an increase in operating expenses.
- Operating funding decreased by 5.4 per cent, reflecting lower amounts required for funded activities.
- The Corporation generated a comprehensive income of \$299.2 million compared to a comprehensive income of \$287.5 million in 2021. The variation is due to the remeasurements of the defined benefit components of the pension plans and post-employment benefit plans.

Most of the operating statistics including train-miles, seat-miles, passenger-miles, as well as revenues and cost per available seat miles were positively impacted during the third quarter and on a cumulative basis due to the increase in frequencies. On-time performance was negatively impacted due to congestion on third party infrastructure.

5. Analysis of Financial Results

5.1 Comparison of IFRS and Funded Operating Results

	Quarters ended September 30				Nine-month periods ended September 30			
<i>(in millions of Canadian dollars)</i>	2022	2021	Var \$	Var %	2022	2021	Var \$	Var %
Operating loss on a funded basis	(67.0)	(89.0)	22.0	24.7%	(267.2)	(282.5)	15.3	5.4%
NON-FUNDED ADJUSTMENT TO REVENUES								
Adjustment for VIA Préférence points and other	(0.8)	0.1	(0.9)	(900.0%)	(0.5)	0.3	(0.8)	(266.7%)
NON-FUNDED ADJUSTMENTS TO EXPENSES								
Pension and other employee future benefits	(4.2)	(3.0)	(1.2)	(40.0%)	(5.3)	(8.1)	2.8	34.6%
Depreciation of property, plant and equipment, amortization of intangible assets, depreciation of right-of-use assets and loss on disposal	(27.0)	(28.9)	1.9	6.6%	(78.8)	(81.8)	3.0	3.7%
Other provisions for non-cash items	0.4	4.2	(3.8)	(90.5%)	6.7	13.6	(6.9)	(50.7%)
Total non-funded adjustments to expenses	(30.8)	(27.7)	(3.1)	(11.2%)	(77.4)	(76.3)	(1.1)	(1.4%)
Total items not requiring funds from operations	(31.6)	(27.6)	(4.0)	(14.5%)	(77.9)	(76.0)	(1.9)	(2.5%)
Operating loss under IFRS	(98.6)	(116.6)	18.0	15.4%	(345.1)	(358.5)	13.4	3.7%
Operating funding from the Government of Canada	67.0	89.0	(22.0)	(24.7%)	267.2	282.5	(15.3)	(5.4%)
Amortization of deferred capital funding	25.7	27.8	(2.1)	(7.6%)	74.9	78.8	(3.9)	(4.9%)
Net (loss) income before income taxes	(5.9)	0.2	(6.1)	(3,050.0%)	(3.0)	2.8	(5.8)	(207.1%)
Income tax (recovery) expense	(1.6)	-	1.6	n/a	(9.8)	0.2	10.0	5,000.0%
Net (loss) income under IFRS for the period	(4.3)	0.2	(4.5)	(2,250.0%)	6.8	2.6	4.2	161.5%
Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans	(14.0)	30.0	(44.0)	(146.7%)	389.0	284.9	104.1	36.5%
Income tax recovery (expense)	3.5	-	3.5	n/a	(96.6)	-	(96.6)	n/a
Other comprehensive (loss) income	(10.5)	30.0	(40.5)	(135.0%)	292.4	284.9	7.5	2.6%
Comprehensive (loss) income for the period	(14.8)	30.2	(45.0)	(149.0%)	299.2	287.5	11.7	(4.1%)

(Amounts in bracket represent decreases)

Net loss under IFRS for the quarter:

Net loss of \$4.3 million this quarter, compared to a net income of \$0.2 million last year, representing a deterioration of \$4.5 million mainly due to:

- Lower government funding recognized during the quarter (\$22.0 million).
- Lower amortization of deferred capital funding (\$2.1 million).
- Partly offset by lower operating loss (\$18.0 million), resulting from additional revenues (\$70.9 million), combined with higher expenses (\$52.9 million).
- And higher deferred income tax recovery of \$1.6 million.

Net income under IFRS for the nine-month period:

Net income of \$6.8 million for the nine-month period, compared to a net income of \$2.6 million last year, representing an improvement of \$4.2 million mainly due to:

- Lower operating loss (\$13.4 million), attributable to higher revenues of \$155.6 million partially offset by higher expenses of \$142.2 million.
- Higher deferred income tax recovery of \$10.0 million.
- Partly offset by lower government funding recognized during the nine-month period (\$15.3 million).

Comprehensive (loss) income

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

Comprehensive loss of (\$14.8) million in the third quarter of 2022 and comprehensive income of \$299.2 million for the nine-month period ended September 30, 2022, include the following:

Remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of (\$14.0) million in the third quarter of 2022 is due to an actuarial gain of \$5.0 million on the defined benefit obligation, to a lower remeasurement of \$18.6 million resulting from the actual rate of return on plan assets as well as to actuarial loss of \$0.4 million related to the post-employment benefit plan. The remeasurement is partly offset by a deferred income tax recovery of \$3.5 million due to the employee benefit assets.

The remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of \$389.0 million for the nine-month period is due to the increase in the discount rate used to determine the defined benefit obligation (5.00 per cent as at September 30, 2022, compared to 3.00 per cent as at December 31, 2021), which resulted in an actuarial gain of \$416.1 million, combined with a remeasurement loss of \$34.3 million resulting from the return on plan assets during the nine-month period. The remeasurement also includes an actuarial gain of \$7.2 million due to the increase in the discount rate used to determine the post-employment benefit obligation (5.00 per cent as at September 30, 2022, compared to 3.00 per cent as at December 31, 2021). The remeasurement is partly offset by a deferred income tax expense of \$96.6 million due to the employee benefit assets.

Comprehensive income of \$30.2 million in the third quarter of 2021 and comprehensive income of \$287.5 million for the nine-month period ended September 30, 2021, include the following:

Remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of \$30.0 million in the third quarter of 2021 is due to an actuarial gain of \$37.8 million on the defined benefit obligation arising from a 10 basis point increase in the discount rate since June 30, 2021, partly offset by a remeasurement loss of \$8.1 million resulting from lower actual rate of return on plan assets. The remeasurement also includes an actuarial gain of \$0.3 million due to the increase in the discount rate used to determine the post-employment benefit obligation.

The remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of (\$284.9) million for the nine-month period is due to the increase in the discount rate used to determine the defined benefit obligation (3.20 per cent as at September 30, 2021, compared to 2.50 per cent as at December 31, 2020), which resulted in an actuarial gain of \$261.4 million, combined with a return on plan assets of \$20.6 million during the period. The remeasurement also includes an actuarial gain of \$2.9 million due to the increase in the discount rate used to determine the post-employment benefit obligation (3.30 per cent as at September 30, 2021, compared to 2.60 per cent as at December 31, 2020).

5.2 Revenues

<i>(in millions of Canadian dollars)</i>	Quarters ended September 30				Nine-month periods ended September 30			
	2022	2021	Var \$	Var %	2022	2021	Var \$	Var %
Passenger revenues								
Corridor East	73.0	34.3	38.7	112.8%	148.1	49.7	98.4	198.0%
Southwestern Ontario (SWO)	11.4	5.5	5.9	107.3%	23.9	8.7	15.2	174.7%
Québec City – Windsor corridor	84.4	39.8	44.6	112.1%	172.0	58.4	113.6	194.5%
Ocean	4.3	0.7	3.6	514.3%	7.1	0.7	6.4	914.3%
Canadian	22.0	2.5	19.5	780.0%	35.7	3.1	32.6	1,051.6%
Regional services	1.4	0.5	0.9	180.0%	2.3	0.9	1.4	155.6%
Non-Corridor	27.7	3.7	24.0	648.6%	45.1	4.7	40.4	859.6%
Other	1.6	0.5	1.1	220.0%	2.6	1.6	1.0	62.5%
Total passenger revenues under IFRS	113.7	44.0	69.7	158.4%	219.7	64.7	155.0	239.6%
Other revenues	4.6	3.4	1.2	35.3%	11.6	11.0	0.6	5.5%
Total revenues under IFRS	118.3	47.4	70.9	149.6%	231.3	75.7	155.6	205.5%
Adjustment for VIA Pr�f�rence points (non-funded) and other	0.8	(0.1)	0.9	900.0%	0.5	(0.3)	0.8	266.7%
TOTAL FUNDED REVENUES	119.1	47.3	71.8	151.8%	231.8	75.4	156.4	207.4%

(Amounts in bracket represent decreases)

<i>(in thousands)</i>	Quarters ended September 30				Nine-month periods ended September 30			
	2022	2021	Var #	Var %	2022	2021	Var #	Var %
Passengers								
Corridor East	806.3	410.9	395.4	96.2%	1,710.3	625.6	1,084.7	173.4%
Southwestern Ontario (SWO)	210.3	103.1	107.2	104.0%	450.1	174.5	275.6	157.9%
Québec City – Windsor corridor	1,016.6	514.0	502.6	97.8%	2,160.4	800.1	1,360.3	170.0%
Ocean	23.0	3.8	19.2	505.3%	39.6	3.8	35.8	942.1%
Canadian	23.3	6.9	16.4	237.7%	38.7	10.2	28.5	279.4%
Regional services	17.2	10.6	6.6	62.3%	31.8	20.9	10.9	52.2%
Non-Corridor	63.5	21.3	42.2	198.1%	110.1	34.9	75.2	215.5%
TOTAL PASSENGERS	1,080.1	535.3	544.8	101.8%	2,270.5	835.0	1,435.5	171.9%

(Amounts in bracket represent decreases)

Passenger revenues

Passenger revenues have increased by \$69.7 million (158.4 per cent) during the quarter and by \$155.0 million (239.6 per cent) for the nine-month period. The increase during the quarter and the nine-month period are mainly attributable to the adjustments made to service levels for most train services driven by the significant increase in demand, as well as to higher average fares.

Québec City – Windsor corridor

Revenues have increased by \$44.6 million (112.1 per cent) during the quarter as a result of the reintroduction of frequencies to match passenger demand.

Capacity (in terms of seat-miles offered) increased by 67.2 per cent compared to the corresponding quarter last year. The increase in revenues reflects the increase in ridership (increase of 97.8 per cent), as well as improved average revenues (6.9 per cent).

On a cumulative basis, revenues have increased by \$113.6 million (194.5 per cent) for the nine-month period. Capacity increased by 120.8 per cent, ridership has increased by 170.0 per cent, while average revenues have improved by 9.0 per cent.

Ocean

Revenues for the quarter have increased by \$3.6 million (514.3 per cent) compared to last year, reflecting the impact of the re-introduction of frequencies (capacity in terms of seat-miles increased by 429.0 per cent for the quarter and by 1,065.2 per cent for the nine-month period).

Ridership has increased by 505.3 per cent for the quarter and average revenues have improved by 7.8 per cent. On a cumulative basis, revenues have increased by \$6.4 million (914.3 per cent), mostly due to higher ridership (increase of 921.5 per cent).

Canadian

Revenues have increased by \$19.5 million (780.0 per cent) compared to the same quarter last year and by \$32.6 million (1,051.6 per cent) compared to last nine-month period. The increases result from the resumption of the second round-trip frequency between Vancouver and Toronto.

Regional services

Revenues have increased by \$0.9 million (180.0 per cent) for the quarter. Capacity in terms of seat-miles was increased by 53.3 per cent as frequencies were reintroduced during the first half of 2022. Ridership increased by 62.3 per cent and average revenues grew by 58.8 per cent.

On a cumulative basis, revenues have increased by \$1.4 million (155.6 per cent) due to the increase in ridership (55.6 per cent) and to the improved average revenues (60.3 per cent).

Other revenues

Other revenues have increased by \$1.2 million (35.3 per cent) for the quarter and have increased by \$0.6 million (5.5 per cent) for the nine-month period. These increases are attributable to higher station revenues, reflecting the increased levels of operations, as well as to higher investment income, driven by the high interest rates.

5.3 Operating Expenses

<i>(in millions of Canadian dollars)</i>	Quarters ended September 30				Nine-month periods ended September 30			
	2022	2021	Var \$	Var %	2022	2021	Var \$	Var %
Compensation and employee benefits	86.2	70.9	15.3	21.6%	239.7	193.3	46.4	24.0%
Train operations and fuel	45.0	24.5	20.5	83.7%	112.1	58.2	53.9	92.6%
Stations and property	9.9	9.3	0.6	6.5%	30.2	30.4	(0.2)	(0.7%)
Marketing and sales	9.8	5.3	4.5	84.9%	21.5	10.0	11.5	115.0%
Maintenance material	8.1	7.5	0.6	8.0%	25.6	19.4	6.2	32.0%
Professional services	4.9	4.6	0.3	6.5%	11.7	9.5	2.2	23.2%
Telecommunications	6.5	5.2	1.3	25.0%	19.5	16.2	3.3	20.4%
Depreciation and amortization	26.7	26.1	0.6	2.3%	77.1	75.9	1.2	1.6%
Loss on disposal of property, plant and equipment and intangible assets	0.3	2.8	(2.5)	(89.3%)	1.7	5.9	(4.2)	(71.2%)
Unrealized net loss (net gain) on derivative financial instruments	3.9	(0.8)	4.7	587.5%	(0.1)	(6.9)	6.8	98.6%
Other	15.6	8.6	7.0	81.4%	37.4	22.3	15.1	67.7%
Total operating expenses under IFRS	216.9	164.0	52.9	32.3%	576.4	434.2	142.2	32.7%
Non-funded adjustments <i>(section 5.1)</i>	(30.8)	(27.7)	(3.1)	(11.2%)	(77.4)	(76.3)	(1.1)	(1.4%)
Total funded expenses	186.1	136.3	49.8	36.5%	499.0	357.9	141.1	39.4%

(Amounts in bracket represent decreases)

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

Total operating expenses increased by \$52.9 million (32.3 per cent) for the quarter and by \$142.2 million (32.7 per cent) for the nine-month period. The primary variances are:

Compensation and employee benefits

The expenses increased by \$15.3 million (21.6 per cent) during the quarter and by \$46.4 million (24.0 per cent) for the nine-month period. The increases for both the quarter and the nine-month period are attributable to higher staffing costs associated to the additional frequencies operated compared to the corresponding quarter in 2021 as well as the impact of annual salary increases.

Train operations and fuel

The expenses increased by \$20.5 million (83.7 per cent) during the quarter and by \$53.9 million (92.6 per cent) for the nine-month period. The increases for both the quarter and the nine-month period are a result of the additional frequencies operated in 2022 as well as from contractual cost increases and higher market fuel prices.

Marketing and sales

The expenses increased by \$4.5 million (84.9 per cent) during the quarter and by \$11.5 million (115.0 per cent) for the nine-month period. These increases are mainly attributable to advertising campaigns launched to inform passengers of the reintroduction of frequencies in the Corridor as well as to higher credit card transaction fees associated to passenger revenues.

Maintenance material

The expenses have increased by \$0.6 million (8.0 per cent) for the quarter and by \$6.2 million (32.0 per cent) for the nine-month period. These increases are mainly due to the cost associated with the additional frequencies and the increase in price for parts which are impacted by current inflation rates.

Telecommunications

The expenses increased by \$1.3 million (25.0 per cent) during the quarter and increased by \$3.3 million (20.4 per cent) for the nine-month period. These increases result from support and license costs associated with newly implemented systems.

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

The expenses decreased by \$2.5 million (89.3 per cent) during the quarter and by \$4.2 million (71.2 per cent) for the nine-month period as fewer assets were disposed for both the quarter and the nine-month period.

Unrealized net loss (net gain) on derivative financial instruments

Net loss of \$3.9 million for the quarter and net gain of \$0.1 million for the nine-month period compared to a net gain of \$0.8 million for the quarter ended September 30, 2021, and of \$6.9 million for the nine-month period. Net gain for the cumulative period ending September 30, 2022, reflects the fact that market fuel prices are higher than contract prices.

Other expenses

The expenses increased by \$7.0 million (81.4 per cent) for the quarter and by \$15.1 million (67.7 per cent) for the nine-month period. The increase for the quarter and nine-month period stems mainly from higher on-train product costs (\$5.4 million or 114.5 per cent) resulting from the increased ridership in all service classes (Economy, Business and Sleeper) as well as higher prices reflecting current inflation rates.

5.4 Financial Position

<i>(in millions of Canadian dollars)</i>	September 30, 2022	December 31, 2021	Var \$	Var %
ASSETS				
Current assets	132.9	115.0	17.9	15.6%
Advances on contracts	54.2	52.5	1.7	3.2%
Property, plant and equipment	1,398.5	1,285.9	112.6	8.8%
Right-of-use assets	85.2	87.8	(2.6)	(3.0%)
Intangible assets	377.0	356.1	20.9	5.9%
Employee benefit assets	655.8	280.2	375.6	134.0%
Total Assets	2,703.6	2,177.5	526.1	24.2%
LIABILITIES				
Current liabilities	209.1	192.7	16.4	8.5%
Other payables	27.4	22.2	5.2	23.4%
Deferred income tax	109.1	22.6	86.5	382.7%
Lease liabilities	83.9	86.3	(2.4)	(2.8%)
Employee benefit liabilities	33.5	41.6	(8.1)	(19.5%)
Total Liabilities	463.0	365.4	97.6	26.7%
Deferred capital funding	1,787.4	1,658.1	129.3	7.8%
Share capital	9.3	9.3	-	0.0%
Accumulated surplus (deficit), beginning of period	144.7	(168.2)	312.9	186.0%
Net income (loss)	6.8	(26.3)	33.1	125.9%
Other comprehensive income	292.4	339.2	(46.8)	(13.8%)
Accumulated surplus, end of period	443.9	144.7	299.2	206.8%
Total Liabilities and Shareholder's equity	2,703.6	2,177.5	526.1	24.2%

(Amounts in bracket represent decreases)

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

Assets

Total assets have increased by \$526.1 million due mainly to an increase in employee benefit assets by \$375.6 million due to an increase in discount rates, by an increase in property, plant and equipment by \$112.6 million and an increase in intangible assets of \$20.9 million.

Liabilities and deferred capital funding

Total liabilities have increased by \$97.6 million mainly due to an increase by \$86.5 million in deferred income tax liabilities due to an increase of the employee benefits assets and by a \$16.4 million increase in current liabilities. Deferred capital funding has increased by \$129.3 million due to capital investments. The decrease in employee benefit liabilities of \$8.1 million is due to an increase in the discount rates.

Comprehensive income

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

5.5 Liquidity, Cash Flows and Capital Investments

Liquidity and cash flows

<i>(in millions of Canadian dollars)</i>	Quarters ended September 30				Nine-month periods ended September 30			
	2022	2021	Var \$	Var %	2022	2021	Var \$	Var %
Balance, beginning of period	18.8	30.5	(11.7)	(38.4%)	4.4	12.2	(7.8)	(63.9%)
Net cash (used in) provided by operating activities	(1.2)	-	(1.2)	n/a	32.4	46.4	(14.0)	(30.2%)
Net cash provided by (used in) investing activities	4.3	(2.2)	6.5	295.5%	(12.6)	(28.9)	16.3	56.4%
Net cash (used in) financing activities	(1.0)	(0.6)	(0.4)	(66.7%)	(3.3)	(2.0)	(1.3)	(65.0%)
Balance, end of period	20.9	27.7	(6.8)	(24.5%)	20.9	27.7	(6.8)	(24.5%)

(Amounts in bracket represent decreases)

Operating activities

Net cash decreased by \$1.2 million for the quarter and by \$14.0 million (30.2 per cent) for the nine-month period. The variances are mainly due to the change in working capital items ((\$3.3) million for the quarter and \$28.4 million for the nine-month period) as shown in Note 18 of the interim condensed financial statements.

Investing activities

Net cash increased by \$6.5 million (295.5 per cent) for the quarter and increased by \$16.3 million (56.4 per cent) for the nine-month period. The increases are mainly due to the timing of the amount received from the government during the quarter or the nine-month period compared to the amount of acquisition of property, plant and equipment and intangible assets paid.

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

Funded capital investments

Property, plant and equipment and intangible assets totalled \$1,775.5 million at September 30, 2022, which is an increase of \$133.5 million compared to the balance as at December 31, 2021.

Funded capital investments of \$204.2 million were made during the nine-month period.

<i>(in millions of Canadian dollars)</i>	Quarters ended September 30				Nine-month periods ended September 30			
	2022	2021	Var \$	Var %	2022	2021	Var \$	Var %
Equipment	6.7	14.9	(8.2)	(55.0%)	26.4	44.5	(18.1)	(40.7%)
Infrastructure	7.3	1.7	5.6	329.4%	12.0	4.4	7.6	172.7%
Information technology	12.7	8.9	3.8	42.7%	35.3	23.7	11.6	48.9%
Stations	5.4	5.4	–	0.0%	10.0	11.3	(1.3)	(11.5%)
Corridor Fleet Replacement Program	49.7	25.7	24.0	93.4%	114.8	62.6	52.2	83.4%
Other	2.5	2.6	(0.1)	(3.8%)	5.7	7.8	(2.1)	(26.9%)
Total	84.3	59.2	25.1	42.4%	204.2	154.3	49.9	32.3%

(Amounts in bracket represent decreases)

The most significant investments made during the quarter and the nine-month period were in the Corridor fleet Replacement Program, in Information Technology projects such as the new reservation system, as well as in the HEP (head-end power) long haul and Corridor equipment rebuild program (referred to as the “Heritage program”).

6. Results compared to the 2021-2025 Corporate Plan ⁽¹⁾

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

The Corporation continues to work towards achieving the goals and strategies identified in its corporate plan. The financial results of the quarter and the nine-month period are below planned results due to impact of Omicron during the first half of 2022.

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

Government funding relating to operating expenses: <i>(in millions of Canadian dollars)</i>	September 30, 2022	September 30, 2021
Balance, beginning of period (January 1)	63.3	47.0
Received to fund operating expenses	(281.6)	(306.2)
Recognized in financial results	267.2	282.4
Balance, end of period (September 30)	48.9	23.2

Government funding relating to capital expenditures: <i>(in millions of Canadian dollars)</i>	September 30, 2022	September 30, 2021
Balance, beginning of period (January 1)	(7.4)	(36.5)
Received to fund the acquisition of property, plant and equipment and intangible assets (including the cost of land)	(197.2)	(140.3)
Used to fund capital expenditures	204.2	154.3
Balance, end of period (September 30)	(0.4)	(22.5)

6. Results compared to the 2021-2025 Corporate Plan ⁽¹⁾ (cont'd)

Parliamentary appropriations

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

	For the twelve-month period ending March 31, 2023	For the twelve-month period ending March 31, 2022
Parliamentary appropriation for operating expenses		
Original parliamentary appropriation	308.8	326.4
Supplementary parliamentary appropriation (Note 1)	-	97.8
Revised annual parliamentary appropriation	308.8	424.2
Appropriation recognized for the three months ended June 30	79.9	97.3
Appropriation recognized for the three months ended September 30	67.0	89.0
Total appropriation recognized for the period	146.9	186.3
Appropriation available for remainder of the government fiscal year	161.9	237.9

Note 1: For 2021-22 – includes \$95 million in Suppl A and \$2.8 million in Suppl C through after December 31, 2021, through Suppl C Estimates (related to the additional funding received for COVID-19 relief)


	For the twelve-month period ending March 31, 2023	For the twelve-month period ending March 31, 2022
Parliamentary appropriation for capital expenditures		
Original parliamentary appropriation	671.8	443.4
Supplementary parliamentary appropriation (Note 1)	96.2	32.4
Revised annual parliamentary appropriation	768.0	475.8
Appropriation recognized for the three months ended June 30	65.1	48.3
Appropriation recognized for the three months ended September 30	84.3	59.2
Total appropriation recognized for the period	149.4	107.5
Appropriation available for remainder of the government fiscal year	618.6	368.3

Note 1: For 2022-23 – includes \$96.3 million in Suppl B

7. Risk Analysis

This section highlights the Corporation’s key risks which may have potential impact on the Corporation’s financial results and provides information on risks for which the trend or status has changed compared to the status as at December 31, 2021.

As at the quarter ended September 30, 2022, the status of the following risks has changed since December 31, 2021.

Nature of Risk	Trend	Current Situation
Asset Management		
<p>The Corporation’s HEP rolling stock equipment has essentially reached the end of its operating life. Its reliability has deteriorated in the past few years, resulting in delays and additional operating costs to maintain a state of good repair.</p> <p>Maintenance costs are projected to increase significantly in upcoming years until a replacement fleet of equipment is introduced, both in the Corridor where the Corporation counts on 31 HEP2 coaches representing more than 25 per cent of current Corridor capacity and non-Corridor services, as reliability of the aging fleet will continue to deteriorate, as well as all of the non-Corridor services who depend on HEP equipment to provide services to communities.</p>		<p>The Corporation is running an aging fleet requiring more inspections and repairs, as a result of which service revenues and costs as well as equipment availability will be negatively impacted in the future.</p> <p>Furthermore, following the discovery of new structural conditions with the HEP equipment, and a thorough engineering assessment by a competent third party, the Corporation had to put in place additional measures until a structural reinforcement and repair program of the entire HEP fleet is undertaken. These measures include, amongst others, the addition of empty cars on trains to act as buffers at the front and rear of trainsets, the teardown of cars with structural defects to identify potential additional structural conditions as well as structural compressions tests to validate the structural capacity of the HEP cars.</p>



Increasing





Stable



Decreasing

7. Risk Analysis (cont'd)

Nature of Risk	Trend	Current Situation
Financial Sustainability		
<p>The Corporation has limited powers as a non-agent Crown Corporation and is dependent on annual government budgetary allocations to fund its operations, capital and pension obligations.</p> <p>Government funding constitutes a risk in the efficient delivery of the Corporation's services, as well as in the planning and execution of its medium-to-long-term strategies.</p>		<p>The Corporation has been faced with increasing costs in 2022 due to the high inflation, particularly in compensation costs but also in fuel, maintenance materials, on-train product costs and third-party access costs, as well as negative pressures on revenues due to reduced car inventory limiting its ability to increase top line revenues. The Corporation has sufficient funding for the year 2022, however, expected cost increases coupled with limited ability to generate additional revenues due to fleet availability will generate additional financial pressures and result in probable additional funding shortfalls.</p> <p>The Corporation is closely monitoring the situation and is in communication with Transport Canada concerning potential additional funding requirements to address this unprecedented situation.</p>
Access to Third-Party Assets		
<p>The services provided by host railways have been deteriorating during the past few years, resulting in declining on-time performance, which resulted in increased operating costs and which could lead to lower customer satisfaction and revenue generation.</p>		<p>On-time performance has deteriorated since the beginning of the year, down to 47 per cent this quarter. The deterioration was seen across all the network, including the Corridor where on-time performance decreased from 73 per cent during the first quarter, to 46 per cent this current quarter. Poor on-time performance and associated delays could have a negative impact on customer satisfaction and ridership and could hinder the Corporation's efforts to bring passengers back on the trains.</p>



Increasing



Stable



Decreasing

8. Outlook

The results of the third quarter improved compared to those of the corresponding quarter of 2021 as the Corporation reintroduced almost all its frequencies across the network. The Corporation continues to monitor customer demand as the pandemic evolves with potential new waves and contagious variants of the virus.

The reintroduction of frequencies in services which do not all cover their costs, as well as the higher costs resulting from current inflation rates, will increase the Corporation's deficit and could result in a funding shortfall for the next Government fiscal year (2022-23). Management is closely monitoring the situation and is in communication with Transport Canada concerning potential additional funding requirements during this unprecedented and sustaining situation.

In the meantime, work continues to pursue initiatives to minimize operating costs. In parallel, strategic projects such as the Corridor Fleet Replacement Program, Heritage Program, High Frequency Rail (HFR) and the new reservation system are progressing.

In addition to working on its transformation, and pursuant to the P.C. directive 2022-259 issued on March 24, the Corporation is working closely with the Government of Canada towards the creation of a wholly owned subsidiary with the mandate to develop and implement HFR project as well as to provide all necessary support to facilitate the subsidiary's role and fulfillment of its mandate.

Interim Condensed Financial Statements



Management's Responsibility Statement

Montréal, Canada
November 23, 2022

Quarter ended September 30, 2022

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

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

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



Martin R Landry

Interim President and Chief Executive Officer



Marie-Claude Cardin, CPA

Chief Financial Officer

Interim Condensed Financial Statements

Statement of Financial Position

<i>(in thousands of Canadian dollars)</i>	September 30, 2022 <i>(unaudited)</i>	December 31, 2021 <i>(audited)</i>
CURRENT ASSETS		
Cash	\$ 20,948	\$ 4,400
Trade and other receivables <i>(Note 7)</i>	70,562	71,186
Other assets	9,303	4,924
Derivative financial instruments <i>(Note 8)</i>	2,747	2,341
Materials	27,352	30,191
Asset Renewal Fund	1,969	1,969
	132,881	115,011
NON-CURRENT ASSETS		
Advances on contracts	54,167	52,405
Property, plant and equipment <i>(Note 9)</i>	1,398,545	1,285,893
Right-of-use assets <i>(Note 12)</i>	85,223	87,834
Intangible assets <i>(Note 10)</i>	376,974	356,119
Employee benefit assets <i>(Note 15)</i>	655,775	280,231
	2,570,684	2,062,482
Total Assets	\$ 2,703,565	\$ 2,177,493
CURRENT LIABILITIES		
Trade and other payables <i>(Note 11)</i>	\$ 157,466	\$ 161,637
Lease liabilities <i>(Note 12)</i>	3,822	3,681
Provisions <i>(Note 13)</i>	3,671	5,214
Derivative financial instruments <i>(Note 8)</i>	394	113
Deferred revenues <i>(Note 14)</i>	43,652	21,999
	209,005	192,644
NON-CURRENT LIABILITIES		
Other payables	27,357	22,206
Deferred income tax <i>(Note 16)</i>	109,102	22,580
Lease liabilities <i>(Note 12)</i>	83,858	86,316
Employee benefit liabilities <i>(Note 15)</i>	33,532	41,629
	253,849	172,731
Deferred capital funding <i>(Note 17)</i>	1,787,429	1,658,109
SHAREHOLDER'S EQUITY		
Share capital	9,300	9,300
Accumulated surplus	443,982	144,709
	453,282	154,009
Total Liabilities and Shareholder's equity	\$ 2,703,565	\$ 2,177,493

Commitments *(Note 20)*

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	
	2022	2021	2022	2021
REVENUES (Note 5)				
Passenger	\$ 113,708	\$ 43,956	\$ 219,658	\$ 64,688
Other	4,671	3,423	11,690	11,040
	118,379	47,379	231,348	75,728
EXPENSES				
Compensation and employee benefits	86,213	70,858	239,663	193,268
Train operations and fuel	45,038	24,450	112,129	58,180
Stations and property	9,923	9,295	30,247	30,371
Marketing and sales	9,818	5,257	21,496	9,953
Maintenance material	8,150	7,491	25,623	19,434
On-train product costs	10,169	4,741	21,703	9,490
Operating taxes	3,881	2,972	10,574	8,558
Professional services	4,916	4,618	11,725	9,495
Telecommunications	6,581	5,235	19,539	16,240
Depreciation of property, plant and equipment (Note 9)	20,957	20,220	59,423	57,649
Amortization of intangible assets (Note 10)	4,603	5,036	14,075	15,867
Depreciation of right-of-use assets (Note 12)	1,138	745	3,580	2,353
Loss on disposal of property, plant and equipment (Note 9)	283	2,784	1,689	5,852
Loss on disposal of intangible assets (Note 10)	14	-	14	6
Unrealized net loss (net gain) on derivative financial instruments	3,872	(857)	(125)	(6,920)
Realized net gain on derivative financial instruments	(2,785)	(795)	(8,016)	(1,026)
Interest expense on lease liabilities	647	224	1,797	672
Other	3,554	1,657	11,306	4,755
	216,972	163,931	576,442	434,197
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES	(98,593)	(116,552)	(345,094)	(358,469)
Operating funding from the Government of Canada (Note 6)	67,034	88,940	267,218	282,474
Amortization of deferred capital funding (Note 17)	25,762	27,837	74,914	78,854
Net (loss) income before income taxes	(5,797)	225	(2,962)	2,859
Income tax (recovery) expense	(1,555)	85	(9,804)	237
NET (LOSS) INCOME FOR THE PERIOD	(4,242)	140	6,842	2,622
Other comprehensive (loss) income				
Amounts not to be reclassified subsequently to net income: Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans (Note 15)	(13,995)	29,998	388,982	284,883
Income tax recovery (expense)	3,472	-	(96,551)	-
	(10,523)	29,998	292,431	284,883
COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	\$ (14,765)	\$ 30,138	\$ 299,273	\$ 287,505

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

Interim Condensed Financial Statements

Statement of Changes in Shareholder's Equity

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	Quarters ended September 30		Nine-month periods ended September 30	
	2022	2021	2022	2021
SHARE CAPITAL	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300
Accumulated surplus (deficit)				
Balance, beginning of period	458,747	89,179	144,709	(168,188)
Net (loss) income for the period	(4,242)	140	6,842	2,622
Other comprehensive (loss) income for the period	(10,523)	29,998	292,431	284,883
Balance, end of period	443,982	119,317	443,982	119,317
Total Shareholder's equity	\$ 453,282	\$ 128,617	\$ 453,282	\$ 128,617

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

Interim Condensed Financial Statements

Statement of Cash Flows

	Quarters ended September 30		Nine-month periods ended September 30	
<i>(in thousands of Canadian dollars) (unaudited)</i>	2022	2021	2022	2021
OPERATING ACTIVITIES				
Net (loss) income for the period	\$ (4,242)	\$ 140	\$ 6,842	\$ 2,622
Adjustments to determine net cash (used in) provided by operating activities:				
Depreciation of property, plant and equipment (Note 9)	20,957	20,220	59,423	57,649
Amortization of intangible assets (Note 10)	4,603	5,036	14,075	15,867
Depreciation of right-of-use assets (Note 12)	1,138	745	3,580	2,353
Loss on disposal of property, plant and equipment (Note 9)	283	2,784	1,689	5,852
Loss on disposal of intangible assets (Note 10)	14	-	14	6
Other payables variations	26	67	75	67
Advances on contracts variations	(960)	(52)	(1,179)	(419)
Amortization of deferred capital funding (Note 17)	(25,762)	(27,837)	(74,914)	(78,854)
Deferred income tax recovery	(1,630)	-	(10,029)	-
Interest income	(515)	(114)	(792)	(263)
Interest paid	(647)	(224)	(1,797)	(672)
Unrealized net loss (net gain) on derivative financial instruments	3,872	(857)	(125)	(6,920)
Post-employment and other employee benefit expenses (Note 15)	6,396	9,580	17,047	26,802
Employer post-employment and other employee benefit contributions (Note 15)	(2,113)	(6,640)	(11,706)	(18,777)
Interest expense on lease liabilities	647	224	1,797	672
Net change in working capital items (Note 18)	(3,287)	(3,132)	28,447	40,397
Net cash (used in) provided by operating activities	(1,220)	(60)	32,447	46,382
INVESTING ACTIVITIES				
Government funding received related to acquisition of property, plant and equipment and intangible assets (Notes 7, 17, 18)	135,000	92,001	197,268	140,320
Acquisition of property, plant and equipment and intangible assets (Notes 9, 10, 11 and 18)	(131,227)	(94,267)	(210,690)	(169,531)
Interest received	515	114	792	263
Proceeds from the disposal of property, plant and equipment	15	-	17	1
Net cash provided by (used in) investing activities	4,303	(2,152)	(12,613)	(28,947)
FINANCING ACTIVITIES				
Payment of the lease liabilities	(979)	(604)	(3,286)	(1,992)
Net cash (used in) financing activities	(979)	(604)	(3,286)	(1,992)
CASH				
Increase (decrease) during the period	2,104	(2,816)	16,548	15,443
Balance, beginning of period	18,844	30,472	4,400	12,213
Balance, end of period	\$ 20,948	\$ 27,656	\$ 20,948	\$ 27,656
REPRESENTED BY:				
Cash	20,948	27,656	20,948	27,656
	\$ 20,948	\$ 27,656	\$ 20,948	\$ 27,656

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, 2022 (unaudited)

1. Authority, Objectives and General Information

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

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

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

In March 2022, the Corporation was issued a directive (P.C. 2022-259) pursuant to section 89 of the *Financial Administration Act* to:

- a. procure the incorporation under the *Canada Business Corporations Act* of a wholly owned subsidiary, yet to be named, the mandate of which is to develop and implement the High Frequency Rail project, including the design, construction, financing, operation and maintenance of passenger rail services in Ontario and Québec through one or more agreements with the private sector, in co-operation with the Minister of Transport;
- b. provide all necessary support, expertise, and co-operation to the subsidiary to facilitate the subsidiary's role and fulfilment of its mandate; and
- c. provide all necessary support, expertise, and co-operation to the Minister of Transport to facilitate the Minister's role in the development and implementation of the High Frequency Rail project.

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 23, 2022.

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. In response to the COVID-19 outbreak, the Corporation enforced special health and safety measures for its passengers and employees, and subsequently reduced service levels for most major train services. In 2020 and 2021, as well as in the first quarter of 2022, the Corporation faced severe and abrupt drops in services and corresponding declines in revenue as a result of the numerous waves of the COVID-19 pandemic. These impacts include significant increases in operating loss and substantial decline in cash from operations, increasing required funding from the Government of Canada. With a limited visibility on travel demand and potential additional waves of COVID-19, the Corporation cannot predict the full impact of the pandemic and therefore continues to actively monitor the situation.

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

2. Basis of Preparation

a) Statement of compliance

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

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

These interim condensed financial statements have not been audited and should be read in conjunction with the annual financial statements for the year ended December 31, 2021, 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 for these condensed interim financial statements are presented in Note 4 of the Corporation's annual financial statements for the year ended December 31, 2021.

4. Key Sources of Estimation Uncertainty and Critical Judgments

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

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

They are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected. However, uncertainties relating to assumptions, estimates and judgments could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in future years. Key sources of estimation uncertainty and critical judgments are disclosed in Note 5 of the Corporation's annual financial statements for the year ended December 31, 2021.

5. Revenues

The following table disaggregates the revenue by major sources:

<i>(in millions of Canadian dollars)</i>	Quarters ended September 30		Nine-month periods ended September 30	
	2022	2021	2022	2021
REVENUES				
Transportation and accommodation	110.7	42.6	213.9	62.6
On-train food and beverages	2.7	1.3	5.2	1.8
Other revenues <i>(Note 1)</i>	0.3	0.1	0.6	0.3
Revenues from passengers	113.7	44.0	219.7	64.7
Investment income	0.5	0.2	0.8	0.3
Third party servicing	2.1	1.4	5.5	4.9
Rental income and other	2.0	1.8	5.3	5.8
Revenues from other sources	4.6	3.4	11.6	11.0
Total revenues	118.3	47.4	231.3	75.7

Note 1: includes sales commissions and baggage revenues.

6. Reconciliation of Operating Loss to Government Funding

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

	Quarters ended September 30		Nine-month periods ended September 30	
<i>(in millions of Canadian dollars)</i>	2022	2021	2022	2021
Operating loss before funding from the Government of Canada and income taxes	98.6	116.6	345.1	358.5
Items requiring operating funds:				
Income tax expense	–	–	0.2	0.2
Items (not requiring) not providing operating funds:				
Depreciation of property, plant and equipment	(20.9)	(20.2)	(59.4)	(57.6)
Amortization of intangible assets	(4.6)	(5.1)	(14.1)	(15.9)
Depreciation of right-of-use assets	(1.2)	(0.8)	(3.6)	(2.4)
Loss on disposal of property, plant and equipment	(0.3)	(2.8)	(1.7)	(5.9)
Post-employment and other employee benefit expenses in excess of contributions	(4.2)	(3.0)	(5.3)	(8.1)
Unrealized (net loss) net gain on derivative financial instruments	(3.9)	0.8	0.1	6.9
Non-cash transactions relating to lease liabilities	1.6	0.9	5.1	2.7
Interest expense on lease liabilities	(0.6)	(0.3)	(1.8)	(0.7)
Adjustment for accrued compensation	3.3	2.3	3.2	4.0
Adjustment for VIA Préférence loyalty program	0.2	0.3	0.4	0.3
Other	(1.0)	0.3	(1.0)	0.5
Operating funding from the Government of Canada	67.0	89.0	267.2	282.5

7. Trade and Other Receivables

The trade and other receivables balance includes the following:

<i>(in millions of Canadian dollars)</i>	September 30, 2022	December 31, 2021
Trade	2.1	2.8
Other receivables	7.8	5.3
Loss allowance	(0.3)	(0.5)
Trade and other receivables classified at Amortized cost	9.6	7.6
Amount receivable from the Government of Canada – Operating funding	48.9	63.3
Amount payable to the Government of Canada – Capital funding (Note 18)	(0.4)	(7.4)
Total receivable from the Government of Canada	48.5	55.9
Sales taxes	12.5	7.7
Total trade and other receivables	70.6	71.2

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

The net book value of the past due receivables of the Corporation is \$0.6 million (December 31, 2021: \$0.9 million) at the closing date. The maturity of these receivables is detailed in the following table:

<i>(in millions of Canadian dollars)</i>	September 30, 2022	December 31, 2021
Not impaired and past due by:		
0 to 30 days	0.5	0.4
31 to 60 days	0.1	0.4
61 to 90 days	–	0.1
Over 90 days	–	–
Total	0.6	0.9

The Corporation has recognized in the current period an amount of \$0.1 million of impairment loss arising from contracts with customers and other receivables, which is presented in the line “Other” in the Statement of Comprehensive Income (September 30, 2021: \$0.2 million).

8. Derivative Financial Instruments

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

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

Commodity swaps	September 30, 2022		December 31, 2021	
	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	2,436	2.7	4,032	2.3
Liabilities	2,016	0.4	1,008	0.1

Commodity swaps fixed price per U.S. gallon

Currency	September 30, 2022	December 31, 2021
CAD	Minimum: 1.950 CAD	Minimum: 1.950 CAD
CAD	Maximum: 4.088 CAD	Maximum: 2.978 CAD

The maturity dates range between 2022 and 2023 (December 31, 2021: 2022). These financial instruments have a monthly settlement schedule.

9. Property, Plant and Equipment

<i>(in millions of Canadian dollars)</i>	Land	Rolling stock	Maintenance buildings	Stations and facilities (Note 1)	Owned infrastructures	Leasehold improvements	Machinery and equipment	Computer hardware	Other	Projects in progress	Total
Cost:											
January 1, 2022	17.6	938.3	177.9	192.6	323.2	98.6	38.4	40.5	10.1	441.8	2,279.0
Additions	-	-	-	-	-	-	-	-	-	173.9	173.9
Disposals	-	(6.2)	-	(0.2)	(1.2)	(0.3)	(0.1)	(0.3)	-	-	(8.3)
Transfers	-	31.7	1.2	4.5	1.5	0.9	0.2	0.8	0.5	(41.3)	-
Total cost	17.6	963.8	179.1	196.9	323.5	99.2	38.5	41.0	10.6	574.4	2,444.6
Accumulated depreciation and impairment:											
January 1, 2022	-	585.8	108.3	66.5	122.9	58.5	22.2	24.4	4.5	-	993.1
Additions	-	33.3	2.4	6.3	7.5	3.1	1.6	4.7	0.6	-	59.5
Disposals	-	(5.7)	-	(0.1)	(0.2)	(0.2)	(0.1)	(0.2)	-	-	(6.5)
Total accumulated depreciation and impairment	-	613.4	110.7	72.7	130.2	61.4	23.7	28.9	5.1	-	1,046.1
Total carrying amount	17.6	350.4	68.4	124.2	193.3	37.8	14.8	12.1	5.5	574.4	1,398.5

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

10. Intangible Assets

	External software	In-house developed software	Right of access to rail infrastructure	Other	Projects in progress	Total
<i>(in millions of Canadian dollars)</i>						
Cost:						
January 1, 2022	113.6	7.8	438.3	4.5	52.9	617.1
Additions	-	-	-	-	34.9	34.9
Disposals	(0.1)	-	-	-	-	(0.1)
Transfers	0.8	-	0.2	-	(1.0)	-
Total cost	114.3	7.8	438.5	4.5	86.8	651.9
Accumulated amortization and impairment:						
January 1, 2022	102.3	7.8	147.8	3.1	-	261.0
Additions	5.2	-	8.6	0.2	-	14.0
Disposals	(0.1)	-	-	-	-	(0.1)
Total accumulated amortization and impairment	107.4	7.8	156.4	3.3	-	274.9
Total carrying amount	6.9	-	282.1	1.2	86.8	377.0

11. Trade and Other Payables

The trade and other payables balance includes the following:

<i>(in millions of Canadian dollars)</i>	September 30, 2022	December 31, 2021
Wages payable and accrued	44.1	44.1
Accounts payable and accruals – Trade	52.1	53.6
Accounts payable and accruals – Capital assets	47.5	54.0
Trade and other payables classified at Amortized cost	143.7	151.7
Capital tax, income tax and other taxes payable	9.3	7.1
Deductions at sources	4.5	2.8
Total trade and other payables	157.5	161.6

12. Leases

The Corporation as a lessee:

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

<i>(in millions of Canadian dollars)</i>	Land	Office spaces	Stations and facilities	Information technology equipment	Total
Cost:					
January 1, 2022	0.5	14.3	80.4	0.8	96.0
Additions	-	-	0.3	0.7	1.0
Disposals	-	-	(0.1)	-	(0.1)
Total cost	0.5	14.3	80.6	1.5	96.9
Accumulated depreciation:					
January 1, 2022	0.1	4.9	2.7	0.5	8.2
Additions	-	1.4	1.6	0.6	3.6
Disposals	-	-	(0.1)	-	(0.1)
Transfers	-	(0.2)	0.2	-	-
Total accumulated depreciation	0.1	6.1	4.4	1.1	11.7
Net carrying amount	0.4	8.2	76.2	0.4	85.2

Amount recognized in the Statement of Comprehensive Income:

<i>(in millions of Canadian dollars)</i>	Quarters ended September 30		Nine-month periods ended September 30	
	2022	2021	2022	2021
Short-term leases	0.2	0.4	0.2	1.0
Low-value assets	-	-	0.1	0.1

Total cash outflow is \$1.8 million for the quarter and \$5.4 million for the nine-month period (September 30, 2021: \$1.2 million for the quarter and \$3.7 million for the nine-month period).

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

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

<i>(in millions of Canadian dollars)</i>	September 30, 2022	December 31, 2021
Balance, beginning of period	90.0	35.1
Additions	1.0	57.5
Accretion of interest	1.8	0.9
Payments	(5.1)	(3.5)
Balance, end of period	87.7	90.0
Current	3.8	3.7
Non-current	83.9	86.3
Total lease liabilities	87.7	90.0

13. Provisions

The provisions balance includes the following:

<i>(in millions of Canadian dollars)</i>	January 1, 2022	Additional provisions recognized	Provisions utilized	Unused amounts reversed	September 30, 2022
Environmental costs	0.3	1.3	(0.7)	–	0.9
Litigation and equipment repairs (Note 1)	4.9	2.4	(3.6)	(0.9)	2.8
Total provisions	5.2	3.7	(4.3)	(0.9)	3.7

Note 1: Litigation and equipment repairs

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

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

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

14. Deferred Revenues

Deferred revenues are comprised of the following:

<i>(in millions of Canadian dollars)</i>	September 30, 2022	December 31, 2021
Advance ticket sales	27.6	6.4
VIA Préférence loyalty program	10.8	11.2
Non-monetary transactions	1.3	1.5
Gift cards	1.7	1.7
Other	2.3	1.2
Total deferred revenues	43.7	22.0

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

15. Employee Benefit Assets and Liabilities

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

As disclosed in Note 22 Employee benefit assets and liabilities of the Corporation's 2021 audited annual report, the Corporation reviews its actuarial assumptions at each reporting period to ensure that the net defined benefit asset (liability) recognized in the financial statements is updated for significant changes arising from non-recurring events. The impact on the net defined benefit asset (liability) arising from any such changes in assumptions is recognized in other comprehensive income as remeasurement for the period.

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

	September 30, 2022	December 31, 2021
ASSUMPTIONS — DISCOUNT RATES		
Assumptions for the calculation of the obligation		
Defined benefit component of the pension plans	5.00%	3.00%
Post-employment benefit plans	5.00%	3.00%
Long-term employee benefit plans	2.80%	2.80%
Assumptions for the calculation of the costs		
Defined benefit component of the pension plans	3.00%	2.50%
Post-employment benefit plans	3.00%	2.60%
Long-term employee benefit plans	2.80%	2.20%

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

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

	Defined benefit component of the pension plans		Post-employment benefit plans	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
<i>(in millions of Canadian dollars)</i>				
DEFINED BENEFIT OBLIGATION:				
Balance, beginning of period	2,519.8	2,746.4	26.3	28.1
Service cost	21.1	34.3	0.2	0.4
Past service cost	-	0.1	-	-
Interest expense	93.5	67.3	0.6	0.7
Employee contributions	9.5	11.0	-	-
Benefits paid	(110.1)	(145.1)	(0.4)	(0.9)
Effect of change in financial assumptions	(416.1)	(180.3)	(7.2)	(1.9)
Effect of experience adjustments	-	(13.9)	-	(0.1)
Balance, end of period	2,117.7	2,519.8	19.5	26.3
FAIR VALUE OF PLAN ASSETS:				
Balance, beginning of period	2,800.0	2,696.6	-	-
Interest income	103.2	66.3	-	-
Return on plan assets (excluding interest income)	(34.3)	153.2	-	-
Employer contributions	7.0	20.0	0.4	0.9
Employee contributions	9.5	11.0	-	-
Benefits paid	(110.1)	(145.1)	(0.4)	(0.9)
Administration expenses	(1.8)	(2.0)	-	-
Balance, end of period	2,773.5	2,800.0	-	-
Net defined benefit (asset) liability	(655.8)	(280.2)	19.5	26.3

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

b) Long-term employee benefit plans

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:

<i>(in millions of Canadian dollars)</i>	September 30, 2022	December 31, 2021
LONG-TERM BENEFIT OBLIGATION:		
Balance, beginning of period	15.1	17.6
Service cost	2.6	3.5
Interest expense	0.4	0.4
Benefits paid	(4.2)	(4.2)
Effect of change in financial assumptions	-	(0.9)
Effect of experience adjustments	-	(1.3)
Balance, end of period	13.9	15.1
FAIR VALUE OF PLAN ASSETS:		
Balance, beginning of period	-	-
Employer contributions	4.2	4.2
Benefits paid	(4.2)	(4.2)
Balance, end of period	-	-
Net long-term employee benefit liability	13.9	15.1

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

Total amounts recognized in the Statement of Financial Position:

<i>(in millions of Canadian dollars)</i>	September 30, 2022	December 31, 2021
Assets:		
Defined benefit component of the pension plans	655.8	280.2
Liabilities:		
Post-employment benefit plans	19.5	26.3
Long-term employee benefit plans	13.9	15.1
Other long-term employee benefits	0.1	0.2
Total liabilities	33.5	41.6

Total amounts recognized in the Statement of Comprehensive Income:

<i>(in millions of Canadian dollars)</i>	Quarters ended September 30		Nine-month periods ended September 30	
	2022	2021	2022	2021
Operating expenses:				
Defined benefit component of the pension plans	5.1	8.3	13.2	22.8
Post-employment benefit plans	0.3	0.3	0.8	1.0
Long-term employee benefit plans	0.9	1.0	3.0	3.0
Total	6.3	9.6	17.0	26.8

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

<i>(in millions of Canadian dollars)</i>	Quarters ended September 30		Nine-month periods ended September 30	
	2022	2021	2022	2021
Other comprehensive (loss) income:				
Defined benefit component of the pension plans	(13.6)	29.7	381.8	282.0
Post-employment benefit plans	(0.4)	0.3	7.2	2.9
Total	(14.0)	30.0	389.0	284.9

16. Income Taxes

The income tax expense consists of the following:

<i>(in millions of Canadian dollars)</i>	Quarters ended September 30		Nine-month periods ended September 30	
	2022	2021	2022	2021
Current	-	0.1	0.2	0.2
Deferred	(1.6)	-	(10.0)	-
Income tax (recovery) expense	(1.6)	0.1	(9.8)	0.2

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

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

Deferred income tax balances September 30, 2022 <i>(in millions of Canadian dollars)</i>	Opening Balance	Recognized in net income	Recognized in OCI	Closing Balance
Deferred income tax assets (liabilities):				
Unrealized net gain on derivative financial instruments	(0.6)	(0.1)	-	(0.7)
Right-of-use assets	(21.6)	0.5	-	(21.1)
Employee benefit assets	(69.0)	2.9	(96.5)	(162.6)
Total deferred income tax liabilities	(91.2)	3.3	(96.5)	(184.4)
Property, plant and equipment	20.8	9.4	-	30.2
Provisions	1.7	(0.5)	-	1.2
Lease liabilities	22.2	(0.4)	-	21.8
Employee benefit liabilities	10.2	(1.9)	-	8.3
Losses carry-forward	13.7	0.1	-	13.8
Total deferred income tax assets	68.6	6.7	-	75.3
Deferred income tax liabilities	(22.6)	10.0	(96.5)	(109.1)

17. Deferred Capital Funding

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

<i>(in millions of Canadian dollars)</i>	September 30, 2022	December 31, 2021
Balance, beginning of period	1,658.1	1,538.7
Government funding for property, plant and equipment and intangible assets (including the cost of land)	204.2	226.4
Amortization of deferred capital funding	(74.9)	(107.0)
Balance, end of period	1,787.4	1,658.1

18. Supplemental Cash Flows Information

Net change in working capital items:

<i>(in millions of Canadian dollars)</i>	Quarters ended September 30		Nine-month periods ended September 30	
	2022	2021	2022	2021
Trade and other receivables	(4.6)	(10.8)	7.6	25.8
Other assets	2.2	0.7	(4.4)	0.4
Materials	0.7	2.3	2.8	0.9
Trade and other payables	6.0	2.0	2.2	7.4
Provisions	(0.1)	(2.4)	(1.5)	(2.3)
Deferred revenues	(7.5)	5.1	21.7	8.2
Total	(3.3)	(3.1)	28.4	40.4

The change in trade and other receivables excludes an amount of (\$7.0) million (September 30, 2021: (\$14.0) million) in relation to government funding receivable from the Government of Canada for capital expenditures, as the amount relates to investing activities.

The change in trade and other payables excludes an amount of \$6.5 million (September 30, 2021: (\$15.3) million) in relation to the acquisition of property, plant and equipment and intangible assets, as this amount relates to investing activities.

18. Supplemental Cash Flows Information (cont'd)

Investing activities supplemental information:

	Quarters ended September 30		Nine-month periods ended September 30	
	2022	2021	2022	2021
<i>(in millions of Canadian dollars)</i>				
Government funding invoiced for property, plant and equipment and intangible assets	84.3	59.2	204.2	154.3
Change in amount receivable from the Government of Canada – Capital funding	50.6	32.8	(7.0)	(14.0)
Total Government funding received related to acquisition of property, plant and equipment and intangible assets	134.9	92.0	197.2	140.3
Acquisition of property, plant and equipment and intangible assets	(82.3)	(61.1)	(208.7)	(160.4)
Additions to property, plant and equipment and intangible assets not affecting cash as they were previously cashed out through the advances on contracts	(4.1)	1.1	(0.6)	3.3
Change in accounts payable and accruals – Capital assets	(46.9)	(35.2)	(6.5)	(15.3)
Change in other payables	2.1	1.0	5.1	2.9
Total cash out for acquisition of property, plant and equipment and intangible assets	(131.2)	(94.2)	(210.7)	(169.5)

19. Financial Risks

The Corporation's financial instruments are exposed to the same risks, as disclosed in its annual financial statements for the year ended December 31, 2021.

20. Commitments

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

	September 30, 2022				December 31, 2021
	Total commitments	Less than 1 year	From 1 to 5 years	More than 5 years	Total commitments
<i>(in millions of Canadian dollars)</i>					
COMMITMENTS RELATING TO OPERATIONS:					
Non-cancellable leases: Lessee	106.2	5.8	15.8	84.6	148.8
Technical services	356.0	4.3	67.1	284.6	356.0
Usage of tracks	40.8	1.4	5.6	33.8	41.8
TOTAL	503.0	11.5	88.5	403.0	546.6
COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS:					
Rolling stock	606.5	332.7	273.7	–	700.6
Maintenance buildings	258.5	64.6	193.9	–	1.8
Stations and facilities	21.2	19.6	1.6	–	2.0
Owned infrastructures	15.8	8.5	7.4	–	1.2
Software	–	–	–	–	1.7
Computer hardware	0.8	0.8	–	–	1.2
Total	902.8	426.2	476.6	–	708.5
Total commitments	1,405.8	437.7	565.1	403.0	1,255.1

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

b) The Corporation has provided letters of credit from a banking institution totalling approximately \$25.4 million (December 31, 2021: \$24.6 million) to various provincial government workers' compensation boards as security for future payment streams.



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