THIRD QUARTER REPORT 2015

VIA Rail Canada

CONTENTS

MESSAGE FROM THE PRESIDENT

With the close of the third quarter of 2015, we have seen our best three consecutive months in years. The growth in revenue and in ridership was accompanied by a rise of the employee engagement. This significant progress on all fronts is evidence that our growth strategy and the dedication and efforts of all of us at VIA Rail can produce great results. They also confirm that the changes we have been implementing together are appreciated by our passengers.

At this time, most of the train cars that underwent renovations are on the rails and more departures have been added to our schedule. The service onboard remains spectacular, and our clients love the food upgrades we've made in all service classes.

In this quarter, we furthered our investment in the mobile future by launching the VIA Rail app, compatible on iPhone and Android mobile devices. The app makes it easier to book, check and manage ticket reservations and also provides an e-boarding pass. To travel with VIA Rail, your phone is all you need!

Our successful "Who's on Board" marketing platform is ongoing, with plans for an inspired holiday campaign. Online, our social media fans and passengers continue to interact with us every day. The ongoing discussion helps shape who we are and who we will become. Listening to our passengers is a priority, as is listening to the people who understand our passengers best, our employees.

This quarter, we received the results of an important company-wide employee engagement survey. More employees participated in the survey and the results show an increasing level of engagement. However, lots of work and change still need to happen before VIA Rail employee engagement can reach the level of the best Canadian companies. Our objective is nothing less since it takes a company's engaged workforce to meet the ever-expanding needs and expectations of its customers. Over the coming months, action plans are being developed across all departments with the involvement of front line employees. Our best is yet to come!

Our infrastructure was also given a boost, with a $102 million investment from the Government of Canada. This capital funding will be used to improve the VIA Rail-owned infrastructure and its services in and around the Ottawa area.

Finally, it is with great pride that we share the financial results for the quarter. It has been years since VIA Rail has seen positive results across all of its services, from inter-city and long-distance to Regional services. Most major services completed the quarter with higher revenue and more passengers than the same period last year - an astounding accomplishment. Of particular note is the increase in both revenue and passengers within the Toronto-Ottawa-Montreal corridor. This growth confirms our confidence that there is an ever-increasing demand for reliable, safe and environmentally-responsible inter-city passenger rail services.

Overall, revenue increased by 10%, and passengers across all services increased by 4%. These improvements come at a time when on-time performance continues to be a challenge. Only VIA Rail's superior customer service can explain these results. Thank you to our staff, on-board, in-station, and at our call centres and maintenance centres, their dedication and support are our greatest assets.

As we move forward with many projects to improve the customer experience, one pivotal factor hinders our continued success: our on-time performance (OTP), the punctuality of our trains, has continued its year-over-year decline. This is even more frustrating as we have greatly improved on our on-time departures. Because of the high volume of freight trains and the fact that VIA Rail trains run mainly on freight railway infrastructure, VIA Rail trip times are longer, the number of trains we can run is reduced and our punctuality is beyond our control. In fact, on the limited infrastructure owned by VIA Rail, punctuality is in the mid-90%. During the last quarter, on railways owned and controlled by freight operators, the on-time performance of VIA Rail trains ranged from 25.3% on the *Canadian* service to 79.5% on the *Ocean* and 73.8% on the Quebec – Windsor corridor, a further reduction of 4.9 percentage points over last year's results.

In response to these ongoing OTP issues and to help mitigate its effects, we are developing a plan to build a dedicated passenger train infrastructure within the busiest Toronto–Ottawa–Montréal triangle. This plan would eliminate the challenges of sharing tracks with freight trains. For more information about this, please watch the speech given at the Canadian Council for Public Private Partnerships: Top 5 Things to Know about VIA Rail's plan for Dedicated Tracks. As for the iconic *Canadian*, we are reviewing every component of this long-distance service for 2017.

Please keep informed by following our Facebook and Twitter feeds. We look forward to welcoming you onboard 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 - 2015	Q3 - 2014	YTD - 2015	YTD - 2014
KEY FINANCIAL INDICATORS (IN MILLIONS OF DOLLARS)				
Total passenger revenues (1)	84.8	77.0	206.5	194.5
Total revenues (1)	**90.3**	**82.4**	**222.5**	**209.6**
Operating expenses (1)	138.4	130.3	387.8	377.1
Contributions for employee benefits (1)	9.7	17.9	44.9	59.8
Total Operating expenses (1)	**(148.1)**	**(148.2)**	**(432.7)**	**(436.9)**
Operating Income (Deficit)	**(57.8)**	**(65.8)**	**(210.2)**	**(227.3)**
Capital expenditures	(20.0)	(17.2)	(68.6)	(53.5)
Total Funding Required	**(77.8)**	**(83.0)**	**(278.8)**	**(280.8)**
Government Operating Funding	57.8	65.8	210.2	227.3
Government Capital Funding	20.0	17.3	68.6	53.1
Total Government Funding	**77.8**	**83.1**	**278.8**	**280.4**
Asset Renewal Funding	**0.0**	**(0.1)**	**0.0**	**0.4**
KEY OPERATING STATISTICS (2)				
Total passenger-miles (IN MILLIONS)	**246**	233	**624**	611
Total seat-miles (IN MILLIONS)	**390**	368	**1,077**	1,009
Operating deficit per passenger-mile (IN CENTS)	**23.5**	28.3	**33.7**	37.2
Yield (CENTS PER PASSENGER-MILE)	**33.5**	32.3	**32.3**	31.0
Train-miles operated (IN THOUSANDS)	**1,662**	1,584	**4,749**	4,621
Car-miles operated (IN THOUSANDS)	**12,283**	10,704	**30,576**	27,770
Average passenger load factor (%)	**63**	63	**58**	61
Average number of passenger-miles per train-mile	**148**	147	**131**	132
On-time performance (%)	**72**	77	**69**	76
Number of full time equivalent employees during the period	**2,937**	2,798	**2,684**	2,600

(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 2015

Train Service	Passenger Revenues* (IN THOUSANDS)	Passengers	Passenger-Miles (IN THOUSANDS)	Government Funding (PER PASSENGER MILE)
Québec City – Windsor corridor	$55,020	924,270	175,355	$0.18
Longhaul West	$21,931	41,154	47,803	$0.14
Longhaul East	$3,691	28,811	16,101	$0.47
Regional Services	$2,014	25,287	7,107	$1.54
Total	$82,656	1,019,522	246,366	$0.23

* Excluding off-train and other passenger revenues.

KEY OPERATING STATISTICS BY SERVICE GROUP FOR THE THIRD QUARTER OF 2014

Train Service	Passenger Revenues* (IN THOUSANDS)	Passengers	Passenger-Miles (IN THOUSANDS)	Government Funding (PER PASSENGER MILE)
Québec City – Windsor corridor	$50,859	893,660	165,482	$0.23
Longhaul West	$19,454	40,099	47,567	$0.19
Longhaul East	$3,250	24,890	13,707	$0.51
Regional Services	$1,574	22,469	6,025	$1.98
Total	$75,137	981,118	232,781	$0.28

* Excluding off-train and other passenger revenues.

REVIEW OF OPERATIONS

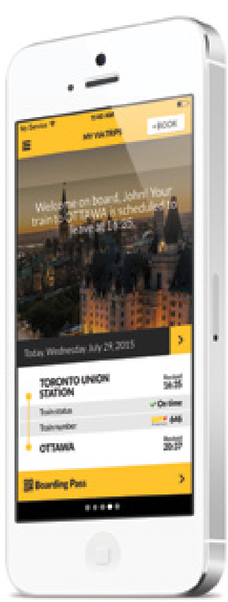
ATTRACTING MORE PEOPLE TO OUR TRAINS

TRAVEL JUST GOT EASIER: NEW MOBILE APP

VIA Rail launched its new mobile app, compatible with iPhone and Android devices. The new app provides a simple and easy-to-use tool for purchasing tickets, modifying bookings and reviewing reservation details. The app provides an e-boarding pass and automatic insertion of travel information into the user's calendar. As well, real-time updates of departures and arrivals are provided.

Other features include information about train stations, boarding and the on-train services that will be available during the trip. The app provides access to the on-train entertainment system, which offers hundreds of hours of Canadian programming to passengers travelling within the Québec City – Windsor corridor. Passengers can also create a personal profile and share trip information with friends over social media.

Along with the new app, VIA Rail launched a new mobile site (m.viarail.ca) available on all mobile operating systems. The mobile site offers similar features to the app and allows passengers to manage their train trips on the go.



BACK TO SCHOOL, BACK TO WORK

A new "Back to School / Back to Work" marketing campaign, aimed at demystifying the travel train experience for potential newcomers and creating new train lovers was launched this quarter as a sequel to the very successful "Who's On Board" campaign. Inserts in school agendas, door hangs, posters around university campuses and new student testimonials encourage youth to get on board our trains. The "Back to Work" campaign targets the business community, specifically small business owners and self-employed professionals. The campaign is being disseminated through video testimonials on viarail.ca, as well as through radio, posters and digital ads.

SEMESTER PASS RENEWED

Following the success of the unlimited semester pass offered in the 2014-2015 school year, we have renewed this offer for the 2015 fall semester. This semester pass offers 120 days of unlimited travel to students within the Québec City – Windsor corridor for as little as $499.

SAFETY

Safety remains VIA Rail's top priority in order to ensure our passengers arrive safely at their destinations, our employees work in a safe environment and the public is informed about how to be safe around railways. We continue to work on these priorities through improved safety of our operations, addressed below, as well as Corporate Social Responsibility (CSR) measures aimed at educating and informing the Canadian public about rail safety, which is addressed in the CSR section of the this report.

INFRASTRUCTURE UPGRADES

This summer, VIA Rail completed many planned infrastructure improvement projects across our network.

For example, in the Ottawa region we installed a new siding, now in operation on the Beachburg subdivision (between Ottawa and Fallowfield) which will allow for more flexibility in managing train meets and provide relief in the Barrhaven area where crossings are frequent and close one to another. Throughout the duration of the project, VIA Rail's community relations staff maintained ongoing dialogue with nearby residents about the construction schedule and worked with colleagues across the organization to resolve all issues that were raised by members of the community and by local elected representatives.

In Southwestern Ontario, between Kitchener and London, the installation of a centralized traffic control (CTC) system is nearing completion and is expected to be operational by the end of the year. With this upgrade, we are proud to announce that all of the infrastructure owned by VIA Rail in the Québec City – Windsor corridor will be equipped with the CTC system.

EQUIPMENT MAINTENANCE IMPROVEMENT PROGRAM

Following equipment reliability challenges caused by extreme weather conditions last winter, VIA Rail reviewed the tools and processes used to maintain our aging rolling stock to improve its performance and reliability. Earlier this year, the second phase of this project was launched at the Montréal Maintenance Center and a review of operations was launched at the Toronto Maintenance Center. Reliability improvements have already been noted in the third quarter, both compared to last winter as well as to the same quarter in previous years.

OPTIMIZING PERFORMANCE AND VALUE CREATION

CREATIVE IDEAS, GREAT RESULTS

The excellent revenue and passenger results this quarter can be attributed to many factors, including service adjustments, new departures, an impressive marketing campaign as well as the efforts of VIA Rail's General Managers. For example, the revenues of our Regional services saw an amazing increase of 25 per cent thanks in part to community involvement projects, a tourism initiative between Senneterre and Press / LaTuque as well as the addition of several cars to the train which allowed an extended peak season. We appreciate the creative ideas of all the General Managers, whose efforts achieved noticeable results.

ON-TIME PERFORMANCE

Although on-time performance (OTP) has been improving over the last quarter compared to the first two quarters of the year, it has decreased compared to the same time period of 2014 and remains below historical averages. Increased freight traffic and infrastructure work conducted within the Québec City – Windsor corridor largely explain the low OTP for this quarter. This quarter's On-time performance across our network, by region, is as follows:

Service	**Q3 2015 (%)**	Q3 2014 (%)
Corridor East	**75.3**	79.4
Southwestern Ontario	**69.2**	76.6
Corridor	**73.8**	78.7
Montreal – Halifax	**79.4**	85.9
Toronto – Vancouver	**25.3**	25.3
Total Services	**72.3**	76.7

NETWORK PLANNING FOR A STRONG FUTURE

In response to ongoing OTP issues, new plans for the long-distance routes are in the works for 2017 and over the long term. In the Québec City – Windsor corridor, our proposal for dedicated passenger rail for the busiest Toronto – Ottawa – Montréal routes continues to gain momentum. This plan would eliminate the challenges of sharing tracks with freight trains and would allow for a greater number of frequencies, shorter trip times and ultimately a safer and more reliable service. For more information about the plan for dedicated tracks, please watch a video of the speech given by VIA Rail's President and CEO, Yves Desjardins-Siciliano, at the Canadian Council for Public Private Partnerships: Top 5 Things to Know about VIA Rail's plan for Dedicated Tracks.

In the meantime, VIA Rail has requested access to rail infrastructure owned by other railways in order to introduce up to eight new return departures daily in 2016 in the Québec City – Windsor corridor.

CORPORATE SOCIAL RESPONSIBILITY

TO PURSUE OUR MISSION IN A RESPONSIBLE WAY, WE HAVE IDENTIFIED FOUR KEY AREAS THAT REPRESENT THE PILLARS OF OUR CORPORATE SOCIAL RESPONSIBILITY PRINCIPLES: **SAFETY, ENVIRONMENT, PASSENGERS AND COMMUNITIES, AND EMPLOYEES.**

The following are the highlights of the third quarter of the year in each category.

SAFETY

The safety pillar focuses on two priorities: ensuring the safety of our operations, which is addressed in the Review of Operations section of this quarterly report; and informing the Canadian public about safety around railroads, which is an ongoing effort at VIA Rail.

OPERATION LIFESAVER AND VIA RAIL AT THE FERGUS TRUCK SHOW

In collaboration with the Operation Lifesaver (OL) national office, VIA Rail participated in The Fergus Truck Show, one of the trucking industry's premier events in North America. VIA Rail had an on-site presence with a focus on informing truck drivers about safety around railways. VIA Rail Locomotive Engineer Shawn Whaling was on site sharing his insights with the many people who visited the OL booth during the day.

VEGETATION CONTROL

VIA Rail's annual vegetation control program was carried out this summer, which consists of grass, weed, and brush control on and along VIA Rail-owned train tracks. This work is important to ensure vegetation adjacent to the railway does not pose risks to the safe operation of trains, including trackside fires, impaired visibility of train signals at railway crossings or tree branches falling onto the tracks.

VIA Rail Community Relations staff and Operations staff worked with local officials to inform residents and respond to their questions about how this work would affect them. This effort led to the creation of a community outreach infographic titled "Vegetation Management: VIA Rail's Commitment to Track Safety and Fire Control Regulations". In addition, plans are underway to develop a comprehensive vegetation management policy that will outline the various reasons and methods of vegetation control, as well as ensure advanced notice is given to communities prior to the beginning of these works.

PASSENGERS AND COMMUNITY

2015 PAN AM AND PARA PAN AM GAMES

VIA Rail Canada was a proud supporter of the 2015 Pan Am Games and Para Pan Am Games hosted across the Greater Toronto Area this summer. Highlights from the partnership included the Torch Run, which featured VIA Rail's own Rita Toporowski, General Manager, Central Canada, carrying the torch on July 9 through downtown Toronto. In the final days of the Games, over 200 athletes and 100 officials from 41 countries across the Americas boarded VIA Rail trains from Toronto Union Station to Niagara Falls to enjoy a train ride and see the legendary Niagara Falls.

Rita Toporowski, General Manager, Central Canada

103rd GREY CUP

As the Official Partner of the Grey Cup Festival, VIA Rail will be very active in Manitoba and other regions throughout the fall. In August, the season was launched with the "Ride with the Cup to Churchill" contest, in partnership with Travel Manitoba, Frontiers North and the Winnipeg Free Press. The winner of the contest will take the train from Winnipeg to Churchill with former Blue Bomber football players and the Grey Cup itself! VIA Rail has engaged with local communities at stations and "whistle stops" along the rail line (including Dauphin, The Pas, Thompson, Ilford, Pikwitonei, Thicket Portage and Churchill) through special events and photo opportunities.

SUPPORTING OUR TROOPS

NATIONAL CAPITAL OPEN

VIA Rail Canada is a member of the Founder's Club and has committed to three years of support of the National Capital Open. The National Capital Open generates funds for the Military Families Fund which supports members of the Canadian Armed Forces and their families. The tournament, held at Hylands Golf Course in Ottawa this past August, provided a platform to present young professional golf talent to the broad National Capital Region and showcase the strong relationship between the Canadian Armed Forces, VIA Rail and the PGA Tour Canada. It also highlights the tremendous value that the Military Families Fund delivers to the Canadian Armed Forces community.

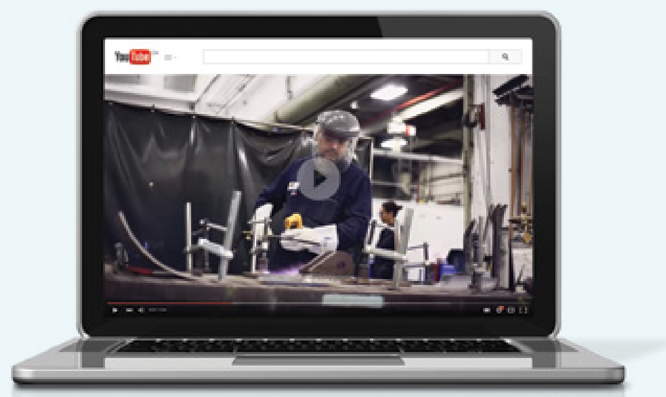
ARMY RUN

In September, VIA Rail sponsored the 8th Annual Canadian Army Run. We offered a special 20% discount for participants and family members travelling to Ottawa for the race, as well as train travel prizes. VIA Rail employees attended the three day event, both running in the race and promoting our ongoing 25% discount for veterans, military members and their families.

Jacques Fauteux, Director, Governmental and Community Relations, VIA Rail and Lt. - Cmdr (ret) at the Army Run

NEW VIDEO: VIA RAIL AND THE CANADIAN ARMED FORCES

Many initiatives have been put into place in order to attract bright new talent to VIA Rail and to make this transition a time of optimism, new ideas and advancement for the company. One very important partnership in this regard is with the Canada Company Military Employment Program (MET). The MET is an initiative developed to help members of the Canadian Armed Forces (CAF), reservists and veterans transition out of the military into the civilian workforce. There are in fact many parallels between the CAF and VIA Rail in terms of work ethics and skills.



A video produced by Canada Company highlighting the strong partnership between VIA Rail and the Canadian Armed Forces as well as VIA Rail's commitment to hiring reservists and veterans was released this quarter. The video can be watched on VIA Rail's You Tube Channel.

COMMUNITY INVOLVEMENT

VIA Rail works with a variety of local, regional and national charity groups and non-profit organizations to support community activities, fundraisers and initiatives across the country. Promotional travel credits are donated to qualifying organizations. Donation requests may be submitted through VIA Rail's website.

During the third quarter of 2015, VIA Rail supported 200 non-profit and charitable organizations who submitted requests through our website. Travel credit donations during this period represent $165,328.

ENVIRONMENT

FUEL CONSUMPTION

VIA Rail takes great pride in being the "Green Choice" for travel within Canada. As such, we are always looking for ways to help keep Canada environmentally strong. We have a solid environmental record and continue to work on improving it year over year.

Over the past 5 years, we have made significant strides in reducing overall fuel consumption by improving the efficiency of our locomotives. Fuel consumption (and therefore Greenhouse Gas Emissions) in 2014 was 29.9% lower than that of 2009.

Fuel consumption varies from quarter to quarter depending on the weather conditions and other factors related to the infrastructure. In the third quarter of 2015, fuel consumption increased by 12.7 per cent compared to the third quarter of 2014. This is attributable to VIA Rail operating longer trains (added capacity), more trains (added departures), and stopping more often in communities to serve a larger passenger base. It is also caused by deteriorating On-time performance (longer train trips and train idling) due to sharing the railway with freight trains.

EMPLOYEES

VIA Rail relies on an engaged workforce of more than 2,500 people across Canada. Our success depends on the entire team taking the Corporation's values to heart and sharing a common vision of excellence. From front-line employees, maintenance or administrative workers, to management or specialized professionals, our people stand out for their energy, professionalism and dedication to making VIA Rail one of the top railways in the world for customer service.

RECERTIFYING EMPLOYEES

Over the course of the third quarter, one third of our unionized employees were recertified in training modules related to health and safety (e.g., first aid, use of a defibrillator, etc.). In addition, a new version of our certification and training program was launched to on-train employees. All participants successfully passed the new course.

LOCOMOTIVE ENGINEERS RECERTIFICATION PROGRAM

An enhanced two-week recertification program for Locomotive Engineers was launched with revamped and enriched content and a stronger focus on human factors to improve vigilance that may intervene in train handling. Additional safety practices and an updated course entitled "Consciousness in the Cabin" were added to our current program. The recertification course, which was developed internally, was designed to reinforce knowledge and awareness of the Locomotive Engineers and will continue building on our already strong safety performance.

EMPLOYEE ENGAGEMENT SURVEY RESULTS

The 2015 Employee Engagement Survey results were delivered this quarter with promising results. The participation rate reached a record high of 63 per cent (as compared to 54 per cent in 2011). This encouraging outcome indicates that more VIA Rail employees want to express their opinions and make a positive difference. We appreciate and thank all employees who participated in this survey.

The survey showed that overall employee engagement saw an increase of five per cent since 2011 and that more employees are actively engaged.

Despite these encouraging numbers, we recognize there is still much work to be done and we remain committed to improving employee engagement. Using the results of the survey, concrete action plans will be prepared by all Chiefs to align the priorities of their departments. In addition, a corporate action plan will be developed.

PSYCHOLOGICAL HEALTH AND SAFETY IN THE WORKPLACE

VIA Rail is participating in a three-year case study research project, led by the Mental Health Commission of Canada (MHCC), to identify promising practices, gaps, and challenges around the implementation of the National Standard for Psychological Health and Safety in the Workplace. As part of these efforts, this quarter, both unionized and non-unionized employees received training to be able to administer Mental Health First Aid. This program – which is certified by the MHCC – gives staff the knowledge and skills needed to provide immediate support and guidance in a safe environment for someone who is developing a mental health problem or who may be experiencing a mental health crisis.

EMPLOYEE RECOGNITION

DISTINCTION AWARDS

With the launch of new Regional Distinction Awards, VIA Rail aims to recognize employees for their efforts, their behaviours and the results they achieve in relation to our business strategy, our values and our corporate competencies. These awards will be presented on an annual basis in the following four categories: Five-Star Service, Maintenance Excellence, Success Story and Team Spirit.

CLIENT INNOVATION CHALLENGE

VIA Rail encourages employees to develop key competencies that contribute to the organization's success. As such, we like to encourage our employees to distinguish themselves through their ideas and actions. VIA Rail launched its first "Client Innovation Challenge", inviting employees to submit their ideas to improve customer service. The ideas will be evaluated by a selection committee in terms of their feasibility and the winning idea will be recognized through an award. Furthermore, an in-depth evaluation of the project will be carried out internally and the project may be officially implemented.

AWARDS

VIA RAIL'S RISING STAR

This quarter, Bruno Riendeau, Director, Safety and Environment, was awarded Progressive Railroading's Rising Stars Award and was profiled in the September issue of their magazine. This award is given to 20 people under the age of 40 who have been identified as up-and-comers – people who are already making a difference – in the railway industry through their leadership, passion and innovation. Congratulations, Bruno!

HI-C PARTNER OF THE YEAR

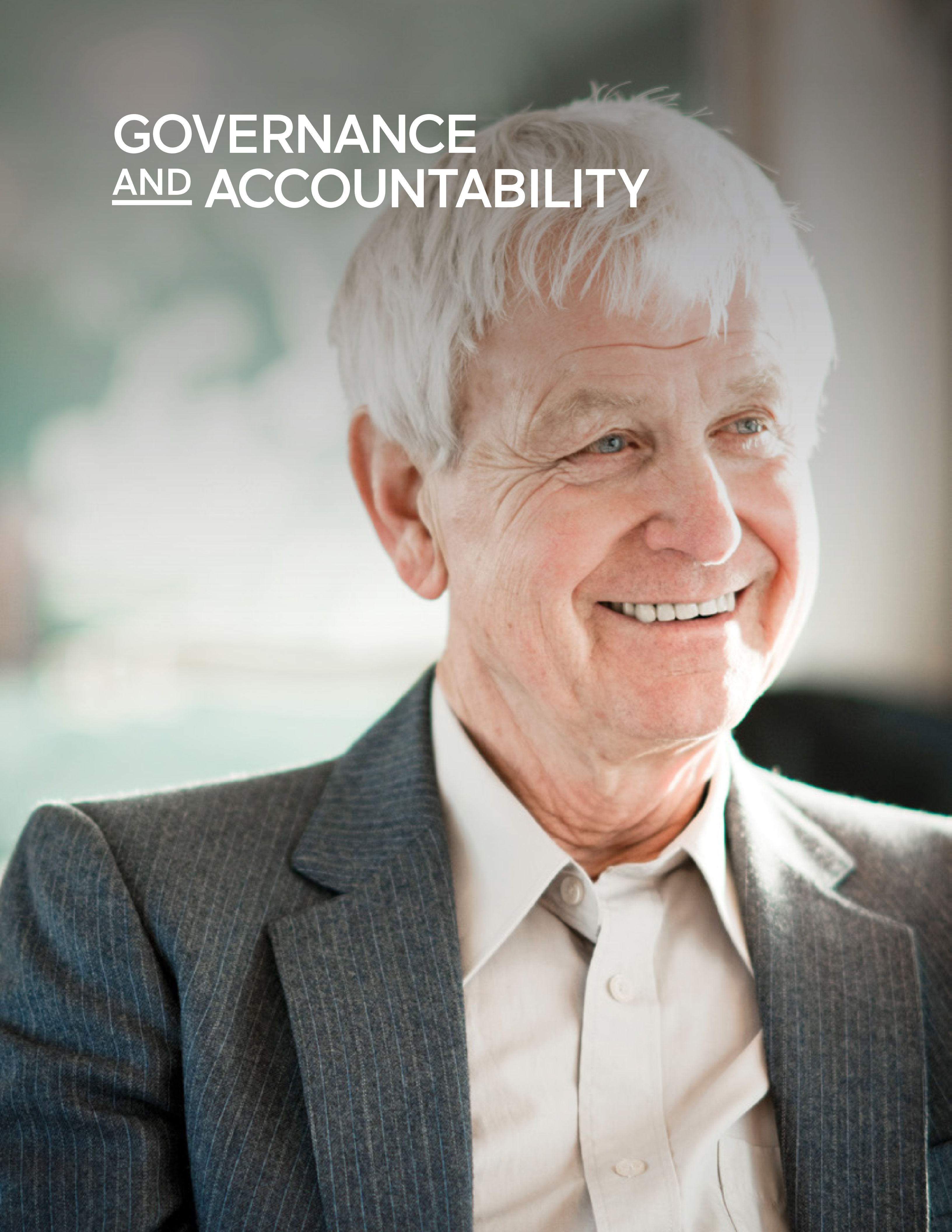
Hostelling International-Canada (HI-C) is a not-for-profit, member-based organization and a national member of the International Youth Hostel Federation, the largest travel association in the world. HI-C's mission is to help make travel affordable and practical for everyone, especially young people – making it possible for anyone to experience different cultures, languages and landscapes. VIA Rail has been a national partner of HI-C for many years and received its Partner of the Year award this quarter.

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.

	Q3 - 2015	Q3 - 2014
Total Revenue per Employee ($000s) Annualized YTD revenues divided by the number of employees (full time equivalent). A measure of productivity.	**123.0**	117.8
Passenger Revenues per Available Seat-Mile (¢) Revenues divided by available seat-miles.	**21.5**	20.7
Direct Costs per Available Seat-Mile (¢) Direct costs divided by available seat-miles.	**25.5**	25.2
On-Time Performance (%) Excludes Regional and Remote services.	**72.3**	77.0
Employee Attendance (%) Total hours worked per month divided by the total possible work hours per month.	**93.8**	92.7
Train Incidents per Million Train-Miles Includes collisions between two (2) trains; derailments with at least one wheel off the track; all cardinal rule violations; excludes crossing accidents and trespassing.	**3.0**	1.9

GOVERNANCE AND ACCOUNTABILITY



BOARD OF DIRECTORS

Currently, the Board of Directors consists of the Chairperson, the President and Chief Executive Officer and nine directors appointed by the Government of Canada. Of the ten non-executive directors, five 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 Minister of Transport.

PUBLIC MEETINGS AND REPORTS

During the third quarter of 2015, two Board meetings were held. The four different Board committees met a total of seven times. The attendance rate of Board members at these meetings was 88 per cent. Cumulative fees paid to Board members during this time period totalled $44,754.

ACCESS TO INFORMATION AND PRIVACY

VIA Rail became subject to both the *Access to Information Act* and the *Privacy Act* in 2007. As we strongly believe that openness and transparency are the starting point in building a trusted relationship with customers, its partners and with the public in general, VIA Rail is committed to responding to information requests from the public, the media and all those interested in VIA Rail's operations in a timely fashion. During the third quarter of 2015, VIA Rail received ten new requests, two of which were still in progress at the end of the quarter.

TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES

THE FOLLOWING TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES WERE SUBMITTED DURING THE THIRD QUARTER OF 2015:	
Eric Stefanson Interim Chairman of the Board	$1,619
Yves Desjardins-Siciliano President and CEO	$15,629
Executive management committee (7 members)	$22,047
Board of Directors (9 members)	$14,865
Total	**$54,160**

PROMOTION OF OFFICIAL LANGUAGES

VIA Rail complies with the *Official Languages Act* and is proud to offer its services in both official languages. In the third quarter, no complaints were filed against VIA Rail to the Commissioner of Official languages regarding our responsibility to offer bilingual services to our passengers.

During the third quarter of 2015, VIA Rail promoted Canada's two official languages as well as communities in linguistic minority by participating in events such as the annual galas for the Centaur Theatre company of Montréal and the *Théâtre français* of Toronto as well as the 90th anniversary of the *Théâtre du Cercle de Molière de St-Boniface*, the oldest theatre in North America.

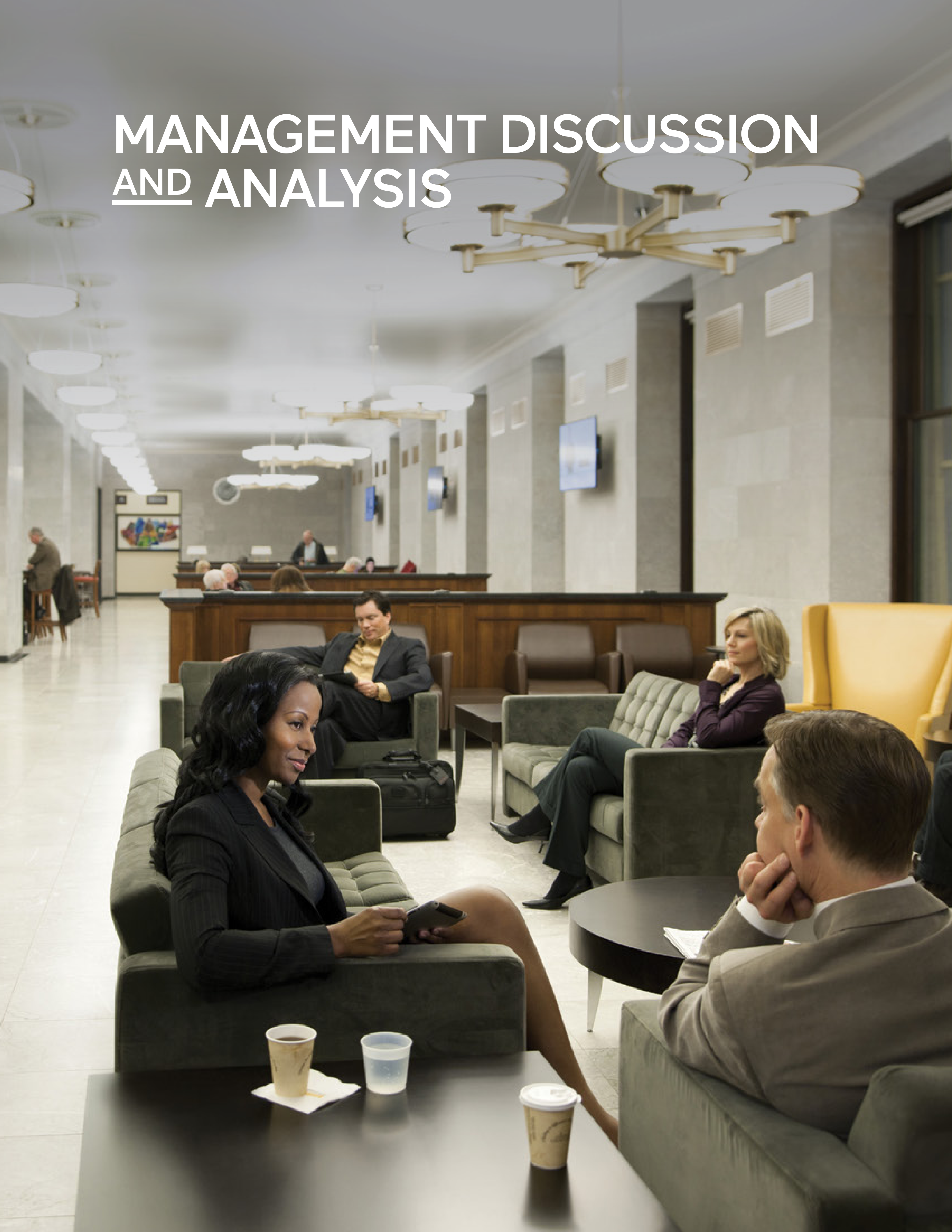
To mark the 400th anniversary of a francophone presence in Ontario, VIA Rail partnered with *l'Assemblée francophone* of Ontario to celebrate at the *Grand rassemblement de Toronto* event and with *l'Alliance Française* of Toronto for their creative 2015-2016 programming.

WELCOMING NEW CANADIANS

Following the success of VIA Rail's association with the Institute for Canadian Citizenship (ICC) for the past three years, this partnership was renewed in order to encourage and facilitate the cultural and societal integration of new citizens through Canadian experiences. Thanks to this collaboration, over 10,000 new Canadians have discovered their new country by train.

As well, for the first time ever, VIA Rail, in collaboration with the ICC and Ministry of Citizenship and Immigration, hosted the swearing in ceremony for new Canadians in its Vancouver train station.

MANAGEMENT DISCUSSION AND ANALYSIS



This is a review of VIA Rail's operations, performance and financial position for the quarter and nine-month period ended September 30, 2015, compared with the quarter and nine-month period ended September 30, 2014. It should be read in conjunction with the condensed financial statements and notes.

1. FINANCIAL HIGHLIGHTS

The following table shows the financial results of the Corporation, illustrating the activities which were funded during the quarter and nine-month period, and then showing the other non-funded elements and accounting adjustments required under the International Financial Reporting Standards (IFRS).

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

	Quarters ended September 30				Nine-month periods ended September 30			
IN MILLION OF CANADIAN DOLLARS	2015	2014	Var $	Var %	2015	2014	Var $	Var %
Passenger Revenues *	**84.8**	77.0	7.8	10.1	**206.5**	194.5	12.0	6.2
Total Revenues *	**90.3**	82.4	7.9	9.6	**222.5**	209.6	12.9	6.2
Operating expenses *	**138.4**	130.3	8.1	6.2	**387.8**	377.1	10.7	2.8
Employer contributions for employee benefits *	**9.7**	17.9	(8.2)	(45.8)	**44.9**	59.8	(14.9)	(24.9)
Total Operating expenses *	**148.1**	148.2	(0.1)	(0.1)	**432.7**	436.9	(4.2)	(1.0)
Operating Loss	**(57.8)**	(65.8)	(8.0)	(12.2)	**(210.2)**	(227.3)	(17.1)	(7.5)
Operating funding from Government of Canada	**57.8**	65.8	(8.0)	(12.2)	**210.2**	227.3	(17.1)	(7.5)
Non funded elements and other accounting adjustments								
Employee Benefits to be funded in subsequent years	**3.0**	8.4	(5.4)	(64.3)	**25.6**	32.0	(6.4)	(20.0)
Depreciation and amortization/ Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets	**(18.4)**	(19.1)	0.7	3.5	**(60.1)**	(56.6)	(3.5)	(6.2)
Amortization of deferred capital funding	**18.0**	18.7	(0.7)	(3.7)	**59.0**	55.3	3.7	6.7
Other	**0.7**	1.0	(0.3)	30.0	**(3.6)**	(0.1)	(3.5)	n/a
Net income (loss) for the quarter	**3.3**	9.0	(5.7)	(63.5)	**20.9**	30.6	(9.7)	(31.8)
Actuarial gain (loss) on defined benefit plans	**(43.8)**	(18.6)	(25.2)	(135.5)	**29.8**	(81.5)	111.3	136.6
Total comprehensive income (Loss)	**(40.5)**	(9.6)	(30.9)	n/a	**50.7**	(50.9)	101.6	n/a

* Financial statements amounts adjusted to reflect funded activities

2. HIGHLIGHTS OF OPERATING RESULTS

This section of the document provides comments on the funded activities of the quarter and nine-month period ended September 30, 2015 (before non-funded elements and other accounting adjustments).

A) PASSENGER REVENUES

	REVENUES (IN '000 000$)							
	Quarters ended September 30				Nine-month periods ended September 30			
	2015	2014	Var $	Var %	**2015**	2014	Var $	Var %
Corridor East	**44.8**	41.0	3.8	9.3	**123.4**	116.7	6.7	5.7
Southwestern Ontario (SWO)	**10.2**	9.9	0.3	3.0	**29.8**	29.1	0.7	2.4
Quebec-City – Windsor Corridor	**55.0**	**50.9**	**4.1**	**8.1**	**153.2**	**145.8**	**7.4**	**5.1**
Ocean	**3.7**	3.2	0.5	15.6	**7.3**	6.6	0.7	10.6
Canadian	**22.0**	19.4	2.6	13.4	**37.4**	34.1	3.3	9.7
Regional Services	**2.0**	1.6	0.4	25.0	**3.5**	2.9	0.6	20.7
Non Corridor	**27.7**	**24.2**	**3.5**	**14.5**	**48.2**	**43.6**	**4.6**	**10.6**
Other	**2.1**	1.9	0.2	10.5	**5.1**	5.1	0.0	0.0
TOTAL	**84.8**	**77.0**	**7.8**	**10.1**	**206.5**	**194.5**	**12.0**	**6.2**

	PASSENGERS (IN '000)							
	Quarters ended September 30				Nine-month periods ended September 30			
	2015	2014	Var #	Var %	**2015**	2014	Var #	Var %
Corridor East	**684.0**	650.7	33.3	5.1	**1,951.1**	1,895.3	55.8	2.9
Southwestern Ontario (SWO)	**240.3**	243.0	(2.7)	(1.1)	**702.9**	738.9	(36.0)	(4.9)
Quebec-City – Windsor Corridor	**924.3**	**893.7**	**30.6**	**3.4**	**2,654.0**	**2,634.2**	**19.8**	**0.8**
Ocean	**28.8**	24.9	3.9	15.7	**62.1**	57.0	5.1	8.9
Canadian	**41.1**	40.1	1.0	2.5	**74.8**	78.9	(4.1)	(5.2)
Regional Services	**25.3**	22.4	2.9	12.9	**53.7**	51.4	2.3	4.5
Non Corridor	**95.2**	**87.4**	**7.8**	**8.9**	**190.6**	**187.3**	**3.3**	**1.8**
TOTAL	**1,019.5**	**981.1**	**38.4**	**3.9**	**2,844.6**	**2,821.5**	**23.1**	**0.8**

* Revenue amounts were adjusted to reflect funded activities

Passenger revenues total $84.8 million, an increase of 10.1 percent compared to the corresponding quarter last year. The increase is mostly associated with additional revenues stemming in part from the additional frequencies introduced in Corridor East in the fall of 2014 and during 2015, as well as revenue increases in all major train services. The increases in average revenues stem mainly from the revenue management strategies initiated in mid 2014 to better manage seat inventory and maximize revenues on popular trains.

On a year-to-date basis, revenues total $206.5 million, which represents an increase of 6.2 percent versus last year. The increase also stems from higher revenues generated for all the services (including revenues generated on the new frequencies in Corridor East) as a result of the revenue management strategies initiated in mid 2014 by the Revenue management team.

FOR THE QUARTER:

/ Corridor East revenues are 9.3 percent above last year, and are due to the combination of higher passenger volumes (5.1 percent), explained in part by new frequencies, and higher average revenue (3.9 percent);

/ Revenues in SWO have increased by 3.0 percent, as a result of higher average revenue (4.2 percent), partly offset by lower passengers volumes (1.1 percent);

/ Revenues on the *Ocean* are 15.6 percent higher than last year; the increase is mainly attributable to higher ridership (15.7 percent) stemming from additional capacity deployed during the quarter;

/ Revenues on the *Canadian* have increased by 13.4 percent over the corresponding quarter last year. The performance is attributable in most part to improved average revenue (10.6 percent) in Sleeper and Prestige classes, combined with more passenger volume (2.5 percent);

/ Revenues on Regional services have also increased by 25.0 percent, and the increase is due to both higher average revenue (10.7 percent), and higher ridership (12.9 percent). This increase in ridership is due in part to the fact that during a portion the third quarter of 2014, service was interrupted on a portion of the Winnipeg-Churchill route.

FOR THE NINE-MONTH PERIOD:

/ Corridor East revenues are 5.7 percent above last year, due the combination of both increased ridership (2.9 percent), and higher average revenue (2.7 percent);

/ Revenues in SWO have increased by 2.4 percent, as a result of higher average revenue (7.7 percent), partly offset by lower passenger volumes (4.9 percent);

/ Revenues on the *Ocean* are 10.6 percent above last year, due to higher passenger volumes (8.9 percent) associated with increased capacity, as well as higher average revenue (1.5 percent);

/ Revenues on the *Canadian* have increased by 9.7 percent compared to the corresponding period in 2014. This performance is mainly attributable to higher average revenue (15.7 percent), partly offset by lower volumes (5.2 percent). The loss in ridership is attributable in most part to the cancellation of the Toronto-Winnipeg segment in March, and for an additional few days in the beginning of April;

/ Revenues on Regional services have increased by 20.7 percent, mainly due to higher average revenue (15.5 percent), combined with higher ridership (4.5 percent).

B) OPERATING EXPENSES

IN MILLIONS OF CANADIAN DOLLARS	Quarters ended September 30				Nine-month periods ended September 30			
	2015	2014	Var $	Var %	**2015**	2014	Var $	Var %
Compensation & Benefits *	**65.3**	**64.3**	1.0	1.6	**168.5**	**167.3**	1.2	0.7
Train Operations & Fuel	**31.9**	**31.8**	0.1	0.3	**93.7**	**93.8**	(0.1)	(0.1)
Realized loss (gain) on derivative financial instruments	**2.4**	**(0.1)**	2.5	n/a	**5.6**	**(1.0)**	6.6	n/a
Corporate Tax expense (recovery)	**0.2**	**0.2**	0.0	0.0	**0.7**	**0.5**	0.2	(40.0)
Other operating expenses *	**38.6**	**34.1**	4.5	13.2	**119.3**	**116.5**	2.8	2.4
TOTAL OPERATING EXPENSES (BEFORE EMPLOYER CONTRIBUTIONS FOR EMPLOYEE BENEFITS)	**138.4**	**130.3**	8.1	6.2	**387.8**	**377.1**	10.7	2.8
Employer Contributions for employee benefits*	**9.7**	**17.9**	(8.2)	(45.8)	**44.9**	**59.8**	(14.9)	(24.9)
TOTAL FUNDED OPERATING EXPENSES	**148.1**	**148.2**	(0.1)	(0.1)	**432.7**	**436.9**	(4.2)	(1.0)

*Financial statement amounts adjusted to reflect funded activities

FOR THE QUARTER:

- Operating expenses before employer contributions for employee benefits rose by 6.2 percent and totaled $138.4 million for the quarter. The increase is mainly due to higher marketing and sales expenses (timing), operating taxes (increase due to the impact of a credit recorded in 2014), and maintenance material costs (more repairs); these cost categories are included in other operating expenses. The other major cost increase relates to the loss on financial derivative instruments (impact of the hedging contracts for fuel);
- Employer contributions for employee benefits decreased by 45.8 percent and total $9.7 million for the quarter, as a result of the sharp solvency improvement experienced in 2014, which improved the regulatory basis of the Corporation's pension plans for funding requirement in 2015.

FOR THE NINE-MONTH PERIOD:

- Operating expenses before employer contributions for employee benefits rose by 2.8 percent and totaled $387.8 million for the period. The increase is mainly due to the loss on derivative financial instruments (impact of the hedging contracts for fuel), as well as from higher maintenance material costs (additional repairs due to harsh winter conditions and aging fleet); maintenance material costs are included in other operating expenses.
- Employer contributions for employee benefits decreased by 24.9 percent and total $44.9 million for the period. This decrease also results from the sharp solvency improvement experienced in 2014, which improved the regulatory basis of the Corporation's pension plans for funding requirement in 2015.

3. CAPITAL INVESTMENTS

Fixed assets (net of accumulated depreciation) amount to $1,269.0 million, a $8.4 million increase compared to the balance as at December 31, 2014. Capital investments totaled $20.0 million for the quarter, composed mainly of:

- Investments of $7.0 million made in Major Equipment projects, including $6.6 million for the LRC car fleet revitalization project, and $0.4 million for the HEP1 cars modernization program;
- Investments of $5.8 million made in Major Infrastructure projects including $1.5 million for the Guelph GEXR subdivision project, and $4.5 million for infrastructure between Montreal and Ottawa, of which $1.7 million was made for bridge and track repairs near Alexandria and Smith Falls, and $2.2 million for a new siding in Beachburg;
- An amount of $4.4 million invested in Information Technology during the quarter for projects such as the reservation system modernization and the workforce management system;
- Investments of $1.1 million were also made in Other Equipment projects during the quarter.

Investments for the nine-month period total $68.6 million and were made mostly in the following projects:

- Investments of $21.8 million in Major Equipment projects, including $18.1 million for the LRC car fleet revitalization, and $3.7 million for the HEP1 cars;
- A total of $11.4 million invested in Major Infrastructure projects, of which $4.1 million were for the GEXR Guelph Subdivision project, and $7.3 million invested in the infrastructure between Montreal and Ottawa;
- Investments of $17.1 million in Information Technology for projects such as the reservation system modernization, workforce management and mobile application (door to door) projects;
- A total of $11.7 million invested in Other Infrastructure projects (including the acquisition of the CP Brockville track).

4. CASH FLOW AND FINANCIAL POSITION

The Corporation's cash balance is $13.4 million as at September 30, 2015, which is $0.4 million below the balance as at December 31, 2014 and as at June 30, 2015. The decrease in cash for the quarter is due to investment activities.

5. RISK ANALYSIS (compared to December 31, 2014)

This section highlights VIA Rail's key risks which may have potential impact on the Company's financial results, and shows the trend compared to the previous year.

RISK	TREND	CURRENT SITUATION
SAFETY OF PASSENGERS, EMPLOYEES AND THE PUBLIC		
Events such as collisions, derailments and pedestrian accidents may negatively impact revenues. Such events and new regulation on grade crossings may also result in significant non-budgeted costs for the Corporation.		The Corporation has adopted operational procedures and controls which adhere to government regulations and also aim to go beyond compliance in terms of railway safety. VIA Rail completes regular inspections of its equipment and infrastructure. These activities are carried on to manage and mitigate the safety risks of our railway operations, as well as the potential significant unexpected costs which may result from incidents or otherthese events. Transport Canada has issued a new regulatory agenda concerning the safety of grade crossings which may require infrastructure modifications which are not currently quantified or funded. Upgrades to existing infrastructure to comply with the grade crossing regulations must be completed by no later than November 27, 2021.
GOVERNMENT AND STRATEGY		
VIA Rail's 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 continues to work with Transport Canada on a long-term solution to identify and revise an appropriate level of base operating funding, to address ongoing capital funding requirements and to ensure that VIA Rail has the capital funding it requires to deliver on its mandate. VIA Rail received new envelopes for operating, pension and ongoing capital for government fiscal year 2015-2016.

INCREASING STABLE DECREASING

RISK	TREND	CURRENT SITUATION
EMPLOYEE CONTRIBUTION		
Low contribution and engagement of employees could lead to high employee turnover. VIA Rail's workforce is mature and many employees could retire in the next few years, including some with specific technical skills. Without proper succession planning, key knowledge and competencies could be lost. These situations could result in loss of productivity and increased costs.	Stable	VIA Rail conducted an engagement survey during the summer and results were positive as employee engagement level is higher than it was in 2011 when the previous survey was completed. Management is currently examining the detailed results of the survey and actions will be taken to improve the elements for which survey results were the lowest. VIA Rail has also put in place various initiatives such as hiring grids, talent development programs and succession plans. The objectives of these initiatives are to ensure employees share VIA Rail's values and have the proper competencies, and that knowledge transfer is made for key strategic positions as well as those positions requiring specific technical skills. The Corporation has also developed a training program specifically for locomotive engineers and maintains a sufficient spare board list of qualified employees who can operate the trains. In addition to the locomotive engineer training program, the Corporation plans to launch an apprenticeship program in its maintenance department to ensure key technical knowledge is transferred to new employees.

INCREASING STABLE DECREASING

RISK	TREND	CURRENT SITUATION
REVENUE GENERATION		
Failure to meet our revenue plan can cause our funding to be insufficient and lead to cost/service reductions. Current revenue challenges include: - Deteriorating on-time performance due to infrastructure issues - Reduced capacity due to an aging fleet - Competition - A slowing economic environment.	Stable	The Corporation is taking actions and implementing initiatives to maximize revenue generation and enhance customer service to attract and retain customers. These revenue actions and initiatives include the addition of trains in the Corridor, the introduction of refurbished and modernized Economy and Business class equipment, including Wifi and the introduction of new modernized stations.
COSTS INFLUENCED BY EXTERNAL FACTORS		
Elements exist ouside of the Corporation's control such as harsh weather and financial and commodity market conditions that can have an adverse impact on costs such as fuel, equipment maintenance and pension costs. Failure to meet our budgeted costs can cause funding to be insufficient and lead to service reductions.	Stable	The Corporation has taken actions to minimize the portion of these costs on which it has control. Such actions include numerous initiatives implemented during the last few years to improve fuel consumption. As for fuel costs which can vary significantly in a volatile market, VIA Rail's hedging strategy is intended to minimize the impact of fuel price fluctuations. Despite challenging capital market circumstances in 2015 to date that saw major equity markets post losses and an interest environment that remains near record low levels, the pension fund asset performance remains positive year to date and lower funding requirements are projected for 2016 vs 2015.

INCREASING STABLE DECREASING

RISK	TREND	CURRENT SITUATION
EQUIPMENT QUALITY, AVAILABILITY AND RELIABILITY		
VIA Rail's equipment is aging and its reliability has deteriorated in the past few years, resulting in delays and additional operating costs. Furthermore, VIA Rail's future needs and funding may be uncertain, while decisions must be made to replace the fleet, and VIA Rail may not be able to find quality cars in the short term to support growth while adding frequencies. Maintenance costs could increase significantly in the next few years until a new fleet is introduced as reliability of the aging fleet may continue to deteriorate.	Increasing	VIA Rail is investing in the existing fleet through ongoing capital injections to maintain it in a state of good repair, improve reliability and minimize increased maintenance costs associated with to an aging fleet. A planning exercise for long term fleet replacement is currently under way. In the near term there is a potential need for additional equipment, the Corporation is looking into potential suppliers who could rent equipment to VIA Rail on a short-term basis.
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.	Increasing	The Corporation continues to work with the various track owners, including CN, who owns most of the infrastructure, to try and resolve the issues causing train delays, and improve on-time performance.

INCREASING STABLE DECREASING

RISK	TREND	CURRENT SITUATION
INFORMATION TECHNOLOGY		
The availability, reliability and responsiveness of existing and new information technology may have a positive or negative impact on the achievement of VIA Rail's strategic objectives and management of other key risks. Underinvestment in IT technology, security threats and lack of reliability of equipment could have significant impacts on the Corporation's performance.	STABLE	An information technology risk map was completed in 2014 and key actions are being undertaken to minimize risks. These actions include the elaboration and implementation of an ongoing security framework; IT processes directives and standards, and perimeter and critical systems security event monitoring.

INCREASING STABLE DECREASING

6. OUTLOOK

Management expects to be able to continue to attain modest growth in its top line revenues through increased ridership and average fare improvements due to its new offerings.

However such revenue increases will be challenged due to continued on-time performance issues which detract ridership. Also there is no near term expectation of additional frequencies which is required for real growth due to limited capacity on the existing rail lines owned by the freight carriers. As such increasing capacity while an objective is a long term and costly proposition and is why the Corporation is advocating for a dedicated track strategy.

Costs will continue to be a challenge in an environment with an aging fleet and poor on-time performance which causes additional stress on our equipment.

Management continues to pursue cost reduction initiatives and efficiency gains through in investments information technology and process re-engineering to help offset these impacts.

INTERIM CONDENSED FINANCIAL STATEMENTS

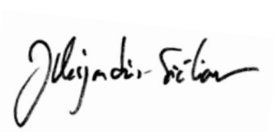
MANAGEMENT'S RESPONSIBILITY STATEMENT

QUARTER ENDED SEPTEMBER 30, 2015

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 20, 2015

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As at (IN THOUSANDS OF CANADIAN DOLLARS)	September 30, 2015 (unaudited)	December 31, 2014 (audited)
CURRENT ASSETS		
Cash	**$ 13,438**	$ 13,872
Accounts receivable, trade	**7,765**	6,759
Prepaids, advances on contracts and other receivables	**8,238**	3,572
Receivable from the Government of Canada	**7,461**	16,805
Derivative financial instruments (NOTE 16)	**2,546**	1,760
Materials	**26,759**	21,836
Asset Renewal Fund	**8,217**	8,217
	74,424	72,821
NON-CURRENT ASSETS		
Property, plant and equipment (NOTE 7)	**861,218**	856,821
Intangible assets (NOTE 8)	**407,807**	403,722
Asset Renewal Fund	**873**	873
Post-employment and other employee benefits (NOTE 11)	**6,586**	2,326
	1,276,484	1,263,742
Total assets	**$ 1,350,908**	$ 1,336,563
CURRENT LIABILITIES		
Trade and other payables (NOTE 9)	**$ 93,175**	$ 88,967
Provisions (NOTE 10)	**12,039**	14,752
Derivative financial instruments (NOTE 16)	**14,145**	13,864
Deferred revenues (NOTE 13)	**37,939**	34,535
	157,298	152,118
NON-CURRENT LIABILITIES		
Post-employment and other employee benefits (NOTE 11)	**44,312**	95,411
	44,312	95,411
DEFERRED CAPITAL FUNDING (NOTE 12)	**1,257,360**	1,247,831
SHAREHOLDER'S EQUITY		
Share capital	**9,300**	9,300
Retained earnings	**(117,362)**	(168,097)
	(108,062)	(158,797)
Total liabilities and shareholder's equity	**$ 1,350,908**	$ 1,336,563

Commitments (Note 14)

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

Approved on behalf of the Board,

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

Eric Stefanson, FCA
Director and Interim Chairman of the Board

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

Quarter ended September 30 (IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended 2015	Quarters ended 2014	Nine-month periods ended 2015	Nine-month periods ended 2014
REVENUES				
Passenger	**$ 84,829**	$ 76,397	**$ 206,851**	$ 193,152
Other	**5,583**	5,364	**16,056**	15,205
	90,412	81,761	**222,907**	208,357
EXPENSES				
Compensation and employee benefits	**67,211**	69,857	**192,225**	191,364
Train operations and fuel	**31,839**	31,785	**93,676**	93,774
Stations and property	**8,182**	7,971	**26,228**	26,425
Marketing and sales	**7,483**	6,186	**22,262**	22,397
Maintenance material	**7,138**	6,457	**25,261**	22,145
On-train product costs	**4,798**	4,353	**12,395**	11,655
Operating taxes	**2,673**	1,338	**7,352**	7,075
Professional services	**3,157**	2,463	**8,381**	7,043
Telecommunications	**3,452**	2,826	**9,111**	10,290
Depreciation and amortization (NOTES 7 AND 8)	**17,160**	18,480	**55,090**	54,699
Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets	**1,211**	582	**4,989**	1,868
Unrealized net loss (net gain) on derivative financial instruments	**4,186**	2,479	**(505)**	2,779
Realized loss (gain) on derivative financial instruments	**2,392**	(115)	**5,605**	(1,046)
Other	**1,688**	2,412	**8,370**	9,407
	162,570	157,074	**470,440**	459,875
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES	**72,158**	75,313	**247,533**	251,518
Operating funding from the Government of Canada (NOTE 6)	**57,727**	65,757	**210,150**	227,284
Amortization of deferred capital funding (NOTE 12)	**18,029**	18,749	**59,033**	55,312
NET INCOME BEFORE INCOME TAXES	**3,598**	9,193	**21,650**	31,078
Income tax (expense) recovery	**(215)**	(164)	**(678)**	(489)
NET INCOME FOR THE PERIOD	**3,383**	9,029	**20,972**	30,589
Other comprehensive income (loss)				
Amounts not to be reclassified subsequently to net income (net of tax):				
Remeasurements of defined benefit plans (NOTE 11)	**(43,819)**	(18,603)	**29,763**	(81,459)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**(43,819)**	(18,603)	**29,763**	(81,459)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**$ (40,436)**	$ (9,574)	**$ 50,735**	$ (50,870)

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

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

Quarter ended September 30 (IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended		Nine-month periods ended	
	2015	2014	**2015**	2014
SHARE CAPITAL	**$ 9,300**	$ 9,300	**$ 9,300**	$ 9,300
Retained Earnings				
Balance, beginning of period	**(76,926)**	(150,014)	**(168,097)**	(108,718)
Net income for the period	**3,383**	9,029	**20,972**	30,589
Other comprehensive income (loss) for the period	**(43,819)**	(18,603)	**29,763**	(81,459)
Balance, end of period	**(117,362)**	(159,588)	**(117,362)**	(159,588)
Total Shareholder's equity	**$ (108,062)**	$ (150,288)	**$ (108,062)**	$ (150,288)

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

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

Quarter ended September 30 (IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended		Nine-month periods ended	
	2015	2014	**2015**	2014
OPERATING ACTIVITIES				
Net income for the period	**$ 3,383**	$ 9,029	**$ 20,972**	$ 30,589
Adjustments to determine net cash (used in) from operating activities:				
Depreciation and amortization (NOTES 7 AND 8)	**17,160**	18,480	**55,090**	54,699
Impairment of property, plant and equipment and intangible assets (NOTES 7 AND 8)	**693**	-	**3,671**	-
Loss (gain) on disposal of property, plant and equipment and intangible assets	**518**	582	**1,318**	1,868
Amortization of deferred capital funding (NOTE 12)	**(18,029)**	(18,749)	**(59,033)**	(55,312)
Interest income	**(72)**	(182)	**(265)**	(413)
Change in fair value of financial instruments (Asset Renewal Fund)	**-**	(20)	**-**	(136)
Unrealized net loss (net gain) on derivative financial instruments	**4,186**	2,479	**(505)**	2,779
Post-employment and other employee benefit expenses (NOTE 11)	**6,689**	9,540	**19,290**	27,865
Employer post-employment and other employee benefit contributions (NOTE 11)	**(9,725)**	(17,940)	**(44,886)**	(59,824)
Net change in non-cash working capital items	**(4,904)**	16,662	**11,321**	(9,270)
Net cash (used in) provided by operating activities	**(101)**	19,881	**6,973**	(7,155)
INVESTING ACTIVITIES				
Capital funding (NOTE 12)	**19,981**	17,329	**68,562**	53,099
Change in capital funding receivable from the Government of Canada	**1,819**	(18,949)	**(3,974)**	12,636
Acquisition of investments in the Asset Renewal Fund	**-**	(3,665)	**-**	(18,132)
Proceeds from sale and maturity of investments in the Asset Renewal Fund	**-**	6,065	**-**	22,079
Change in capital accounts payable and accrued liabilities	**(2,274)**	(4,329)	**(3,699)**	(10,119)
Acquisition of property, plant and equipment and intangible assets (NOTES 7 AND 8)	**(19,981)**	(17,191)	**(68,562)**	(53,495)
Interest received	**72**	182	**265**	413
Proceeds from disposal of property, plant and equipment and intangible assets	**-**	4	**1**	(14)
Net cash (used in) provided by investing activities	**(383)**	(20,554)	**(7,407)**	6,467
CASH				
Increase (decrease) during the period	**(484)**	(673)	**(434)**	(688)
Balance, beginning of period	**13,922**	21,742	**13,872**	21,757
Balance, end of period	**$ 13,438**	$ 21,069	**$ 13,438**	$ 21,069
REPRESENTED BY:				
Cash	**$ 13,438**	$ 21,069	**$ 13,438**	$ 21,069
	$ 13,438	$ 21,069	**$ 13,438**	$ 21,069

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, 2015 (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 make passenger rail the preferred way to move and connect people in Canada with a mission to offer a safe, attractive and stress-free travel experience, while consistently providing the best value for money. The Corporation uses the roadway infrastructure of other railway companies and relies on them to control train operations.

The Corporation is subject to a directive that was issued 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 its negotiating mandates with respect to collective agreements as well as the terms and conditions of employment of its non-unionized employees who are not appointed by Governor in Council.

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

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

These interim condensed financial statements were approved and authorized for issue by the Board of Directors on November 20, 2015.

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, 2014, which have been prepared in accordance with the IFRS.

B) FUNCTIONAL AND PRESENTATION CURRENCY

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in these unaudited interim condensed financial statements are disclosed in Note 4 of the Corporation's annual financial statements for the year ended December 31, 2014.

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 5 of the Corporation's annual financial statements for the year ended December 31, 2014.

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

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

This standard is applicable retrospectively, either fully or based on a modified retrospective approach, for periods beginning on or after January 1, 2018 with early application permitted. The Corporation does not intend to early adopt IFRS 15. The extent of the impact of adoption of IFRS 15 has not yet been determined.

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 operations and other 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)	**2015**	2014	**2015**	2014
Operating loss before funding from the Government of Canada and income taxes	**72.1**	75.3	**247.5**	251.5
Items requiring (providing) operating funds:				
Income tax expense (recovery)	**0.2**	0.2	**0.7**	0.5
Items not requiring (not providing) operating funds:				
Depreciation and amortization	**(17.2)**	(18.5)	**(55.1)**	(54.7)
Impairment and (loss) gain on disposal of property, plant and equipment and intangible assets	**(1.2)**	(0.6)	**(5.0)**	(1.9)
Post-employment and other employee benefits contributions in excess of expenses	**3.0**	8.4	**25.6**	32.0
Unrealized net gain (net loss) on derivative financial instruments	**(4.2)**	(2.5)	**0.5**	(2.8)
Adjustment for accrued compensation	**4.8**	4.1	**(4.4)**	3.9
Increase in investment's fair value	**-**	-	**-**	0.1
Other	**0.3**	(0.6)	**0.4**	(1.3)
Operating funding from the Government of Canada	**57.8**	65.8	**210.2**	227.3

7. PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2015	Additions	Disposals	(Reversal) Impairment losses	Transfers	September 30, 2015
Cost:						
Land	12.1	-	-	-	-	**12.1**
Rolling stock	917.3	-	(12.9)	-	41.2	**945.6**
Maintenance buildings	165.2	-	-	-	0.2	**165.4**
Stations and facilities	127.9	-	(0.3)	-	1.2	**128.8**
Owned infrastructures	199.5	-	-	-	1.0	**200.5**
Leasehold improvements	76.5	-	(0.3)	-	0.8	**77.0**
Machinery and equipment	25.0	-	(0.2)	-	0.5	**25.3**
Computer hardware	32.1	-	(1.3)	-	0.3	**31.1**
Other property, plant and equipment	6.8	-	-	-	0.4	**7.2**
Projects in progress	57.1	48.6	-	-	(45.7)	**60.0**
Total cost	1,619.5	48.6	(15.0)	-	(0.1)	**1,653.0**
Accumulated depreciation and impairment:						
Rolling stock	457.8	24.3	(11.9)	4.4	-	**474.6**
Maintenance buildings	118.1	1.0	-	-	-	**119.1**
Stations and facilities	36.0	3.6	(0.4)	-	-	**39.2**
Owned infrastructures	68.8	4.6	(0.1)	-	-	**73.3**
Leasehold improvements	42.1	2.3	(0.3)	-	-	**44.1**
Machinery and equipment	18.1	0.2	(0.2)	-	-	**18.1**
Computer hardware	18.2	3.2	(1.2)	-	-	**20.2**
Other property, plant and equipment	2.9	0.3	-	-	-	**3.2**
Projects in progress	0.7	-	-	(0.7)	-	**-**
Total accumulated depreciation and impairment	762.7	39.5	(14.1)	3.7	-	**791.8**
Total net carrying amount	856.8	9.1	(0.9)	(3.7)	(0.1)	**861.2**

IMPAIRMENT LOSS

The Corporation has recorded an impairment loss of $3.7 million (September 30, 2014: nil) in the statement of operations and other comprehensive income under "Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets". This amount consists of capital expenditures incurred that have no future benefits for the Corporation as a result of issues on railcars refurbishment projects. As at September 30, 2015, the recoverable amount of these railcars was $18.7 million (September 30, 2014: nil), which is the fair value less costs of disposal. The fair value was calculated based on the current replacement cost (level 2).

As at December 31, 2014, the Corporation had recorded an impairment loss of $3.6 million on railcars and the recoverable amount for these railcars was $13.5 million.

8. INTANGIBLE ASSETS

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2015	Additions	Disposals	Impairment losses	Transfers	September 30, 2015
Cost:						
Software (NOTE 1)	80.6	-	(1.7)	-	8.4	**87.3**
Right of access to rail infrastructure	421.0	-	-	-	-	**421.0**
Other intangible assets	4.1	-	-	-	0.3	**4.4**
Projects in progress	29.2	20.0	-	-	(8.6)	**40.6**
Total cost	534.9	20.0	(1.7)	-	0.1	**553.3**
Accumulated amortization and impairment:						
Software	58.6	7.3	(1.3)	-	-	**64.6**
Right of access to rail infrastructure	71.2	8.2	-	-	-	**79.4**
Other intangible assets	1.4	0.1	-	-	-	**1.5**
Total accumulated amortization and impairment	131.2	15.6	(1.3)	-	-	**145.5**
Total net carrying amount	403.7	4.4	(0.4)	-	0.1	**407.8**

Note 1 - Includes mostly software developed in-house.

9. TRADE AND OTHER PAYABLES

The Trade and other payables balance includes the following:

(IN MILLIONS OF CANADIAN DOLLARS)	September 30, 2015	December 31, 2014
Wages payable and accrued	**37.0**	33.1
Accounts payable - Fixed Assets	**13.1**	16.8
Accounts payable - Trade	**36.4**	33.9
Capital tax, income tax and other taxes payable	**6.7**	5.2
Total trade and other payables	**93.2**	89.0

10. PROVISIONS

The provision balance includes:

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2015	Charge (used)	Reversal (used)	Reversal (not used)	Other movements	September 30, 2015
Environmental costs (NOTE A)	0.2	0.1	-	-	-	**0.3**
Litigation and equipment repairs (NOTE B)	14.6	2.3	(4.5)	(0.7)	-	**11.7**
Total provisions	14.8	2.4	(4.5)	(0.7)	-	**12.0**

A) ENVIRONMENTAL COSTS

The Corporation has made a provision of $0.3 million for environmental costs related to fuel spills (December 31, 2014: $0.2 million), which is recorded in Provisions.

B) LITIGATION AND EQUIPMENT REPAIRS

The Corporation is subject to claims and legal proceedings brought against it in the normal course of business. Also, the Corporation incurs equipment repair costs as a result of crossing accidents and other incidents causing damages to the rolling stock. Such matters are subject to many uncertainties. Management believes that adequate provisions for litigation and equipment repairs have been made in the accounts where required and the ultimate resolution of those matters is not expected to have a material adverse effect on the financial position of the Corporation.

11. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

The Corporation provides a number of funded defined benefit pension plans as well as unfunded other post-employment benefits including post-retirement medical and life insurance benefits. The Corporation also provides long-term employee benefits such as an unfunded self-insured workers' compensation benefits, long-term employee disability benefits and continuation of benefit coverage for employees on long-term disability. The actuarial valuations for employee benefits are carried out by external actuaries who are members of the Canadian Institute of Actuaries.

Effective June 19, 2015, the defined benefit pension plan ceased to be offered to certain new unionized employees. These new unionized employees hired on or after January 1, 2014 are provided pension benefits through a hybrid pension plan. This hybrid pension plan is a combination of defined benefit and defined contribution plans. The new hybrid plan provides that the pension benefits paid to these new unionized employees come in part from the current defined benefit pension plan for unionized employees at a reduced formula, and in part from a defined contribution plan, in which employees and the employer will contribute.

Enrollment in this plan is mandatory for these full-time unionized employees.

Contributions to defined contribution plans are expensed over the periods during which services are rendered by these employees.

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

A) 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, 2014, except for the discount rate used to determine the defined benefit obligation that was increased to 4.10 per cent while the discount rate used to determine the defined benefit cost was decreased to 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, 2014, except for the discount rate used to determine the defined benefit cost that was decreased to 4.00 per cent.

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

	Pension Plans		Post-employment Benefit Plans	
(IN MILLIONS OF CANADIAN DOLLARS)	**September 30, 2015**	December 31, 2014	**September 30, 2015**	December 31, 2014
DEFINED BENEFIT OBLIGATION:				
Balance at beginning of the period	**2,181.9**	1,925.3	**19.4**	16.3
Service cost	**10.5**	22.2	**0.3**	0.3
Interest expense	**66.4**	91.3	**0.5**	0.8
Employee contributions	**9.6**	12.4	**-**	-
Benefits paid	**(83.8)**	(103.3)	**(0.3)**	(0.4)
Effect of change in demographic assumptions	**-**	15.9	**-**	(0.2)
Effect of change in financial assumptions	**(27.8)**	224.2	**-**	2.6
Effect of experience adjustments	**-**	(6.1)	**-**	-
Balance at end of the period	**2,156.8**	2,181.9	**19.9**	19.4
FAIR VALUE OF PLAN ASSETS:				
Balance at beginning of the period	**2,132.5**	1,923.9	**-**	-
Interest income	**65.0**	91.9	**-**	-
Return on plan assets (excluding interest income)	**2.0**	128.1	**-**	-
Employer contributions	**39.9**	81.4	**0.3**	0.4
Employee contributions	**9.6**	12.4	**-**	-
Benefits paid	**(83.8)**	(103.3)	**(0.3)**	(0.4)
Administration expenses	**(1.8)**	(1.9)	**-**	-
Balance at end of the period	**2,163.4**	2,132.5	**-**	-
Net Defined benefit asset (liability)	**6.6**	(49.4)	**(19.9)**	(19.4)

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, 2014 except for the discount rate used to determine the benefit cost that was decreased to 3.40 per cent.

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, 2015	December 31, 2014
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance at beginning of the period	**22.8**	23.8
Service cost	**3.6**	4.8
Interest expense	**0.6**	1.0
Benefits paid	**(4.0)**	(5.6)
Effect of change in demographic assumptions	**-**	(0.1)
Effect of change in financial assumptions	**-**	0.7
Effect of experience adjustments	**-**	(1.8)
Balance at end of the period	**23.0**	22.8
FAIR VALUE OF PLAN ASSETS:		
Balance at beginning of the period	**-**	-
Employer contributions	**4.0**	5.6
Benefits paid	**(4.0)**	(5.6)
Balance at end of the period	**-**	-
Net long-term employee benefit liability	**(23.0)**	(22.8)

11. 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, 2015	December 31, 2014
OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance at beginning of the period	**1.5**	2.2
Service cost	**0.6**	0.3
Benefits paid	**(0.7)**	(1.0)
Balance at end of the period	**1.4**	1.5
FAIR VALUE OF PLAN ASSETS:		
Balance at beginning of the period	**-**	-
Employer contributions	**0.7**	1.0
Benefits paid	**(0.7)**	(1.0)
Balance at end of the period	**-**	-
Net other long-term employee benefit liability	**(1.4)**	(1.5)

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

Total amounts recognized in the statement of financial position:

(IN MILLIONS OF CANADIAN DOLLARS)	September 30, 2015	December 31, 2014
Assets:		
Pension plans	**6.6**	2.3
Liabilities:		
Pension plans	**-**	(51.7)
Post-employment benefit plans	**(19.9)**	(19.4)
Long-term employee benefit plans	**(23.0)**	(22.8)
Other long-term employee benefits	**(1.4)**	(1.5)
Total liabilities	**(44.3)**	(95.4)

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

(IN MILLIONS OF CANADIAN DOLLARS)	Quarters ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
Operating expenses:				
Pension plans	**4.9**	7.6	**13.7**	22.0
Post-employment benefit plans	**0.3**	0.3	**0.8**	0.9
Long-term employee benefit plans	**1.4**	1.5	**4.2**	4.4
Other long-term employee benefits	**0.1**	0.1	**0.6**	0.6
Total	**6.7**	9.5	**19.3**	27.9

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

(IN MILLIONS OF CANADIAN DOLLARS)	Quarters ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
Other comprehensive income (loss):				
Pension plans	**(43.8)**	(18.7)	**29.8**	(81.5)
Total	**(43.8)**	(18.7)	**29.8**	(81.5)

12. 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, 2015**	December 31, 2014
Balance, beginning of the period	**1,247.8**	1,237.4
Government funding for property, plant and equipment and intangible assets (including the cost of land)	**68.6**	80.9
Amortization of deferred capital funding	**(59.0)**	(70.5)
Balance, end of the period	**1,257.4**	1,247.8

13. DEFERRED REVENUES

Deferred revenues are comprised of the following:

(IN MILLIONS OF CANADIAN DOLLARS)	**September 30, 2015**	December 31, 2014
Advanced ticket sales	**17.1**	12.8
Gift cards	**2.7**	3.0
Non-monetary transactions	**2.4**	2.7
VIA Préférence and Travel Credits	**15.7**	16.0
Total deferred revenues	**37.9**	34.5

14. 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, 2015				December 31,2014
	Total commitments	Less than one year	One to five years	More than five years	Total commitments
COMMITMENTS RELATING TO OPERATIONS:					
Non-cancellable operating leases (NOTE A):					
Lessee	**35.4**	3.5	14.5	17.4	37.7
	35.4	3.5	14.5	17.4	37.7
COMMITMENTS RELATED TO MAJOR CAPITAL INVESTMENTS:					
Rail infrastructure	**11.6**	6.1	5.5	-	14.7
Rolling stock	**6.3**	6.3	-	-	14.1
	17.9	12.4	5.5	-	28.8
Total commitments	**53.3**	15.9	20.0	17.4	66.5

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 2015, an amount of $9.8 million (December 31, 2014: $13.7 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 $27.1 million (December 31, 2014: $31.2 million) to various provincial government workers' compensation boards as security for future payment streams.

15. FINANCIAL INSTRUMENTS

The Corporation financial instruments are exposed to the same risk as disclosed in its annual financial statements for the year ended December 31, 2014.

16. 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:

	September 30, 2015		December 31, 2014	
COMMODITY SWAP	**Notional Quantity (000's of U.S. Gallons)**	**Fair Value CAD (millions)**	Notional Quantity (000's of U.S. Gallons)	Fair Value CAD (millions)
Liabilities	**15,920**	**14.1**	21,168	13.9

As at September 30, 2015, the commodity swaps have a fixed price per U.S. gallon in USD between 1.620 and 2.959 (December 31, 2014: between 2.010 and 2.959) and the maturity dates are 2015 to 2018 (December 31, 2014: 2015 to 2018). These financial instruments have a monthly settlement schedule.

	September 30, 2015		December 31, 2014	
FORWARD FOREIGN EXCHANGE CONTRACTS	**Notional Amount (USD) (millions)**	**Fair Value CAD (millions)**	Notional Amount (USD) (millions)	Fair Value CAD (millions)
Assets	**25.0**	**2.5**	29.6	1.8

As at September 30, 2015, the forward contracts rates are between 1.047 and 1.327 (December 31, 2014: between 1.047 and 1.148) in US dollars and the maturity dates are 2015 to 2016 (December 31, 2014: 2015 to 2016). These financial instruments have a monthly settlement schedule.

Amounts recognized in the statement of financial position:

	September 30, 2015	December 31, 2014
	Fair Value CAD (millions)	Fair Value CAD (millions)
Total assets	**2.5**	1.8
Total liabilities	**14.1**	13.9

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