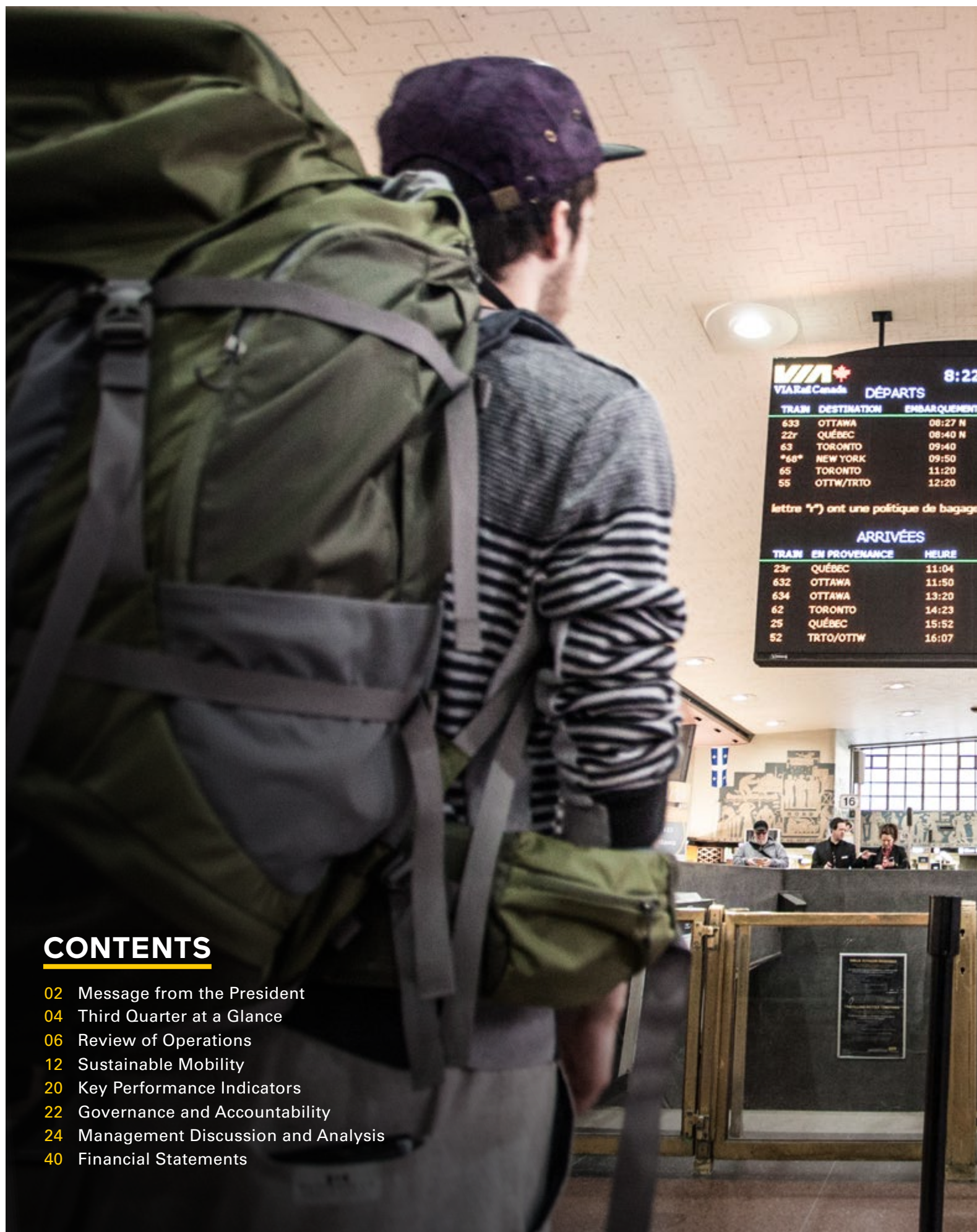




THIRD QUARTER REPORT 2016



VIA Rail Canada 8:22
DÉPARTS

TRAIN	DESTINATION	EMBARQUEMENT
633	OTTAWA	08:27 N
22r	QUÉBEC	08:40 N
63	TORONTO	09:40
68	NEW YORK	09:50
65	TORONTO	11:20
55	OTTW/TRTO	12:20

lettre "r") ont une politique de bagage

ARRIVÉES

TRAIN	EN PROVENANCE	HEURE
23r	QUÉBEC	11:04
632	OTTAWA	11:50
634	OTTAWA	13:20
62	TORONTO	14:23
25	QUÉBEC	15:52
52	TRTO/OTTW	16:07

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02

VIA 
VIA Rail Canada

DEPARTURES

DÉPART	VOIE	REMARQUES
08:57	13	À L'HEURE
09:10	17	À L'HEURE
10:10	13	À L'HEURE
10:20	19	À L'HEURE
11:50	13	À L'HEURE
12:50	17	À L'HEURE

es à main différente. S.V.P. vérifiez :

ARRIVALS

PRÉVU	VOIE	REMARQUES
	14	À L'HEURE
	18	À L'HEURE
	19	À L'HEURE
	17	À L'HEURE
	18	À L'HEURE
	15	À L'HEURE



MESSAGE FROM THE PRESIDENT



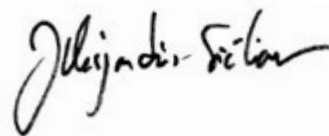
It was a busy summer at VIA Rail. Onboard, we broke performance records and hit record highs for ridership in July and August, while across the Corporation we benefited from a more engaged workforce, and to top it off, celebrated landmark station anniversaries. In August Gare du Palais, our heritage station in Québec City, celebrated its centennial and in September Ottawa station turned 50. Milestones like these give us a chance to reflect on how far our company has come and the positive impact we can continue to have on the environmental and economic future of our country.

This quarter ridership and revenues maintained their positive trend. We saw double digit growth in revenues, which increased by 10.3 per cent compared to the same quarter of last year. Ridership increased by 5.5 per cent across our network, and our results are similarly positive within the Québec City – Windsor corridor. Ridership in the Corridor East grew by 8 per cent and has stabilized in Southwestern Ontario, remaining flat after several quarters of decreasing passengers. In case there is any doubt, these results are extraordinary, especially in the transportation industry.

Thanks to VIA Rail's continued growth and success, we are now in a position to optimistically plan for the long term. VIA Rail is proposing two projects that have the potential to completely transform our company and our passengers' rail experience: the renewal of the Québec City – Windsor corridor fleet, and the creation of a dedicated passenger rail corridor. Replacing our fleet with modern equipment will significantly reduce our greenhouse gas emissions and provide a more comfortable experience for our customers, while separating passenger rail from freight will make train travel faster, safer, more frequent, more accessible, and more reliable. The growth we have experienced over the past couple of years makes projects like these possible, and highlights the need for increased service that only a dedicated passenger rail corridor can provide.

Despite our increased ridership, there are still travellers who have yet to get onboard, quite literally. That is why we launched a new marketing campaign to reach out to them this quarter, asking one simple question: "Why don't you take the train?" You might have seen our ads online, or even at rest stops along the highway. By using a touch of humour we hope to encourage more Canadians to pause and consider changing their habits.

As travellers, we can all reduce the environmental impact of our trips by choosing the smarter way to travel. So next time you are considering driving, ask yourself: why don't I take the train?

A handwritten signature in black ink, reading "Yves Desjardins-Siciliano". The signature is fluid and cursive, with the first name "Yves" being the most prominent.

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.

	Q3-2016	Q3-2015	YTD 2016	YTD 2015
KEY FINANCIAL INDICATORS (IN MILLIONS OF DOLLARS)				
Total passenger revenues ⁽¹⁾	93.5	84.8	225.9	206.5
Total revenues ⁽¹⁾	99.3	90.3	242.7	222.5
Operating expenses ⁽¹⁾	(139.2)	(138.4)	(406.0)	(387.8)
Contributions for employee benefits ⁽¹⁾	(5.9)	(9.7)	(31.3)	(44.9)
Total Operating expenses ⁽¹⁾	(145.1)	(148.1)	(437.3)	(432.7)
Operating Income (Deficit)	(45.8)	(57.8)	(194.6)	(210.2)
Capital expenditures	(19.0)	(20.0)	(58.4)	(68.6)
Total Funding Required	(64.8)	(77.8)	(253.0)	(278.8)
Government Operating Funding	45.8	57.8	194.6	210.2
Government Capital Funding	19.0	20.0	58.4	68.6
Total Government Funding	64.8	77.8	253.0	278.8
Asset Renewal Funding	0.0	0.0	0.0	0.0
KEY OPERATING STATISTICS ⁽²⁾				
Total passenger-miles (IN MILLIONS)	258	246	646	624
Total seat-miles (IN MILLIONS) ⁽³⁾	442	401	1,188	1,088
Operating deficit per passenger-mile (IN CENTS)	17.7	23.5	30.1	33.7
Yield (CENTS PER PASSENGER-MILE)	36.2	34.5	35.0	33.1
Train-miles operated (IN THOUSANDS)	1,670	1,662	4,923	4,749
Car-miles operated (IN THOUSANDS)	12,825	12,283	32,810	30,576
Average passenger load factor (%)	58	61	54	57
Average number of passenger-miles per train mile	155	148	131	131
On-time performance (%)	69	72	74	69
<i>Number of full time equivalent employees during the period</i>	2,986	2,937	2,764	2,684

(1) Financial statement amounts were adjusted to reflect funded activities

(2) Key operating statistics are unaudited

(3) 2015 seat-miles were restarted this change has impact on load factor of Q3 2015 and year to date 2015

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

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

KEY OPERATING STATISTICS BY SERVICE GROUP FOR THE THIRD QUARTER OF 2015

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

* Excluding off-train and other passenger revenues.



REVIEW OF OPERATIONS

ATTRACTING PEOPLE **TO OUR TRAINS**

WHY DON'T YOU TAKE THE TRAIN?

On September 2, VIA Rail launched a new marketing campaign with the goal of persuading people to change their travel habits by asking them one simple question: "Why don't you take the train?" The campaign encourages Canadians residing in the Québec City – Windsor corridor, with a touch of humour, to pause and reevaluate their habits, and the accompanying website dispels some common myths about train travel, like cost and travel time. This new campaign will run until the 2016 holiday season and includes online videos, roadside advertising, indoor advertising in highway rest areas, service stations, and restaurants, as well as web banners and social media posts.



ANNIVERSARIES FOR TWO HERITAGE STATIONS

This quarter two VIA Rail stations celebrated landmark anniversaries. On August 24, Gare du Palais, VIA Rail's designated heritage station in Québec City, celebrated the 100th anniversary of its inauguration. Historical tours of the station are being given by station employees, and the day was celebrated with the unveiling of a commemorative plaque.



Gare du Palais was decorated to celebrate the station's centennial.

At the end of September, Ottawa station turned 50. As part of the celebrations VIA Rail announced a major renovation project to improve accessibility and the customer experience at the station (further details on page 13), as well as two new departures between Toronto and Ottawa (which were added at the start of November.)



VIA Rail employees handed out these handmade cookies to passengers travelling through Ottawa station on its birthday.

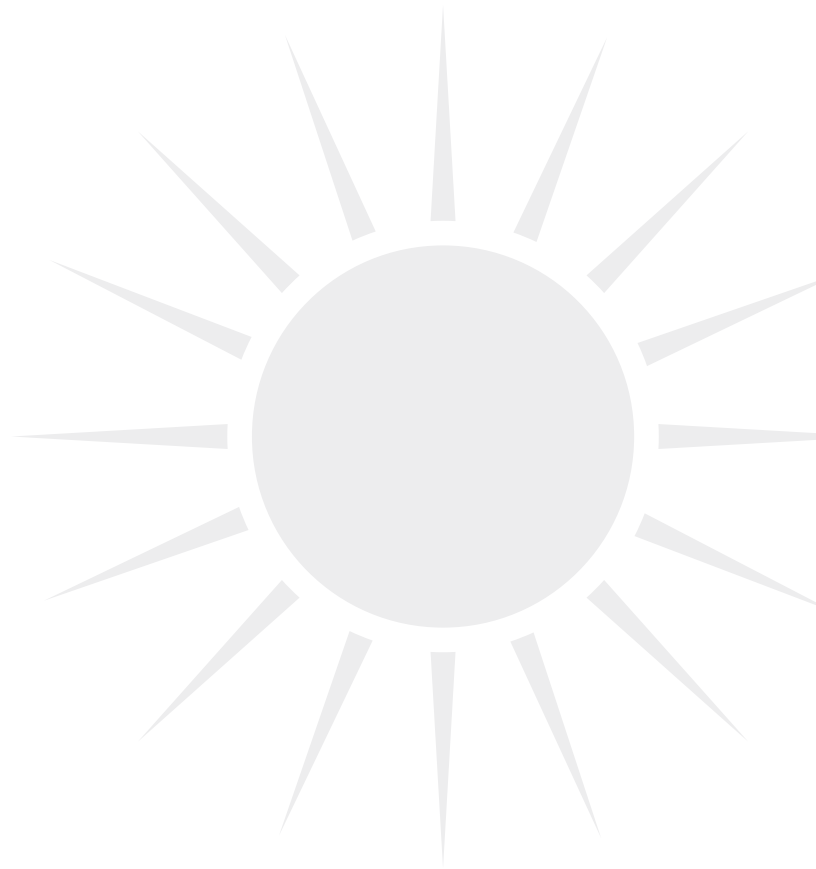
OPTIMIZING PERFORMANCE AND VALUE CREATION

A RECORD-BREAKING SUMMER

VIA Rail hit record highs for ridership this summer. From June 21 to September 6 we welcomed more than 926,000 passengers onboard. This is an increase of 4.8 per cent compared to last summer. Strategic scheduling changes were implemented, including the expansion of services between Ottawa and Québec City and additional stations stops, to improve choices for the travelling public. Our optimization resulted in increases in revenues and ridership for the busy summer season, including all the summer long weekends. Ridership was up 9.2 per cent over the Canada Day long weekend compared to last year. Before the August Civic Holiday, certain trains were lengthened to accommodate the high demand. Ridership was up 4.3 per cent and revenues increased by 13.4 per cent compared to the same period last year. The upward trend continued over Labour Day, when we set a new performance record with a 5.4 per cent increase in ridership compared to last year.

ON-TIME PERFORMANCE

On-Time Performance (OTP) in the Québec City – Windsor corridor was negatively affected by two factors this quarter: heat temporary slow orders (TSOs) and seasonal work programs on host and VIA Rail-owned infrastructure. The summer of 2016 was one of the warmest summers on record and heat TSOs were applied on an almost daily basis. As a result, OTP in the Corridor was at 70 per cent this quarter, compared to 74 per cent in the same quarter of last year. The western transcontinental OTP continued to improve however, due to reduced freight traffic on the rails. Compared to the third quarter 2015, when it was at 25 per cent, western transcontinental OTP increased to 49 per cent in this quarter.



BECOMING MORE INTER-MODAL

VIA Rail continued to enhance its inter-modal partnerships this quarter to seamlessly integrate the train with other modes of transportation. Thanks to VIA Rail's enhanced partnership with Maritime Bus, planning travel to Charlottetown, PEI or Saint John, NB is now easier than ever. As of July 14, passengers can book their Maritime Bus tickets directly from VIA Rail's website.

For those who need a car at their destination, VIA Rail added Discount Car Rental kiosks and cars to Belleville, Cobourg, Moncton, and Windsor stations. Discount kiosks are already in operation at Ottawa, Fallowfield, Kingston, and London stations and additional locations are planned for the fourth quarter of this year.



MAKING IMPROVEMENTS ONBOARD

We are constantly refreshing our service offerings to offer the best customer experience onboard. This quarter we conducted passenger and employee surveys to evaluate the food, beverage, and WIFI services. We revamped the alcohol selection available in Business class, and added Glutenberg Brewing Company's award-winning blond beer to both our Economy and Business class menus. This gluten-free craft beer adds value to our menus while increasing our support of local suppliers and adding more options for our passengers.

In response to customer feedback, we started equipping our new Business class cars with table extensions. These extensions reduce the gap between the actual table and the seat, which offers passengers a larger work surface for their computer, or during meal service.

On the *Canadian*, we continued to enhance the Prestige class by creating a priority Prestige telephone number and email address at the VIA Customer Centres for post-booking support. Prestige passengers now receive a detailed pre-departure email from the VIA Customer Centre with all pertinent information to ensure a seamless travel experience.



SUBSTAINABLE MOBILITY

PROVIDE THE BEST CUSTOMER EXPERIENCE

MAJOR RENOVATIONS ANNOUNCED FOR OTTAWA STATION

On September 29, VIA Rail announced a \$20 million renovation project for Ottawa Station. The renovation will bring the station's facilities in line with international accessibility standards and will support the company's commitment to sustainable mobility. The renovations will include the construction of an elevated and heated passenger platform, installation of elevators to improve access to the tunnel and boarding platforms, and a new electrical room, as well as the installation of an upgraded electrical system. The work is scheduled to run from September 2016 to the fall of 2017.



Artist's renderings of the elevator and elevated platforms that will make Ottawa station more accessible.

A \$34 MILLION FEDERAL INVESTMENT

On July 22, the Honourable Marc Garneau, Minister of Transport paid a visit to VIA Rail's Montréal Maintenance Centre to announce several improvements to the facility. These projects are part of the \$34 million federal infrastructure initiative announced in Budget 2016 and include repairs and upgrades to various mechanical, electrical, heating and ventilation, and water treatment systems, as well as roof replacements.



Members of VIA Rail's Management Committee and Board of Directors flank Minister Garneau (centre) and Angelo Iacono (right of centre), Member of Parliament for Alfred-Pellan at the Montréal Maintenance Centre.

This \$34 million investment also includes upgrades to VIA Rail's London and Sarnia stations. These upgrades were detailed by Kate Young, Parliamentary Secretary to the Minister of Transport and Member of Parliament for London West, together with Yves Desjardins-Siciliano, President and CEO of VIA Rail at VIA Rail's London Station in September. \$2.55 million will go towards improving the pedestrian tunnel and signage, washroom facilities, heating system, and tower cladding.

Improvements to Sarnia station include roof repairs, upgraded washrooms, repairs to masonry and doors, and relocating wayside power panels.

Ottawa station will also benefit from this federal investment. In addition to the renovation mentioned earlier, \$1.7 million of the federal funding will be spent on partial roof renovations and various system improvements.



Kate Young, Member of Parliament for London West, Yves Desjardins-Siciliano, and Peter Fragiskatos, Member of Parliament for London North Centre, at the London station funding announcement.

SUPPORT SOCIO-ECONOMIC DEVELOPMENT

COMMUNITY INVOLVEMENT AND SPONSORSHIPS

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 and vouchers are donated to qualifying organizations who submit requests through [VIA Rail's website](#). During the third quarter of 2016 VIA Rail supported 396 non-profit and charitable organizations through travel credit or voucher donations totalling \$314,361 in train tickets.

VIA Rail also has a more in-depth sponsorship program that supports initiatives that correspond to our partnership pillars: Canadian Heritage, Youth, and Community and Diversity, in addition to commercial partnerships. This quarter VIA Rail partnered with Montréal Pride, and several employees from our headquarters marched in the parade alongside our train float. VIA Rail was an official sponsor of the Americas Masters Games in Vancouver this summer and supported international media and athletes participating in the games. The Americas Masters Games encourage athletes aged 30 to 100+ to strive towards sporting success, while still having fun. VIA Rail renewed its partnership with Osheaga music festival again this year, transporting local media contest winners from Toronto to Montréal in three special train cars co-branded with VANS. Finally, VIA Rail became the primary sponsor of the Family Fun Fest, a military appreciation day at Canadian Forces Base in Kingston. Over 10,000 people attended this year's VIA Rail Family Fun Fest, and over 15,000 are expected next year for the Canada 150 edition.



A proud group of VIA Rail employees, including Yves Desjardins-Siciliano (centre) and Chief Commercial Officer Martin R. Landry (far right) at Montréal Pride.

WELCOMING NEW CANADIANS

As part of the Institute for Canadian Citizenship's Cultural Access Pass program, new citizens enjoy a discounted VIA Rail trip in their first year of citizenship. Since the launch of this program in July 2012, more than 22,400 trips have been made through VIA Rail's offer.

Vancouver's Pacific Central station hosted a citizenship ceremony in September which welcomed 30 new Canadians. This is the third citizenship ceremony that VIA Rail and the Institute for Canadian Citizenship have hosted together in the past 12 months.



SUPPORTING THE MEN AND WOMEN WHO SERVE

To recognize the men and women who devote themselves to serving their country, VIA Rail offers the military community, including Armed Forces members, Veterans, and their families, a discount of 25 per cent on their personal travel. 9,417 trips were made this quarter, which represents an increase of 9.7 per cent compared to the same quarter of last year. More than 166,000 trips have been taken since the program was launched five years ago.

Over the quarter, VIA Rail partnered with several events supporting the Armed Forces such as the 8th Army Run, the *Force au féminin* conference night, the 25th anniversary of the *Fondation du centre de la famille de Valcartier*, and the Halifax & Region Military Family Resource Centre's Commando Challenge. VIA Rail also supports Wounded Warriors, an organization that helps Veterans, especially those effected by Post-Traumatic Stress Disorder.



Galiane Yergeau, Senior Advisor, Corporate Security and Regulatory Affairs, and Noemie Yergeau, Administrative Support Clerk, at this year's Army Run.

BE AN EMPLOYER **OF CHOICE**

TOWARDS A MORE ENGAGED WORKFORCE

This September, VIA Rail employees completed the 2016 Employee Engagement Survey. In total, 71 per cent of employees completed the survey, surpassing our participation rate goal of 65 per cent as well as last year's participation rate of 63 per cent. This level of participation will allow us to draw meaningful conclusions about our company as a whole. Using the detailed survey results, we will work on developing appropriate action plans together so we can increase engagement and face 2017 with an understanding of our challenges and build the confidence to overcome them.

LOCOMOTIVE ENGINEERS GET CONNECTED

VIA Rail launched an important project this quarter to improve the work environment and engagement of our Locomotive Engineers (LEs). We deployed tablets to the LEs, who operate the trains, providing them with an improved communications and document management tool. LEs no longer need to carry paper copies of the necessary operating and regulatory documents; they can access the updated electronic versions on their iPads. The tablets also facilitate corporate and internal communications by making it easy for LEs to access to the corporate intranet, our internal social network, and their VIA Rail email accounts. By the end of the quarter, 99 per cent of the tablets had been deployed. Paper documents are now slowly being phased out, which will reduce waste.



AWARDS AND RECOGNITIONS



WOMEN AND BOARDS

Yves Desjardins-Siciliano, the President and CEO of VIA Rail Canada, received an award this quarter from Women and Boards, a non-for-profit organization that supports women in their leadership development, career enhancement, and access to Board seats. He was honoured during the Women and Boards recognition gala in the CEO category for his outstanding contributions to advancing the role of at VIA Rail. VIA Rail has positioned itself as a Canadian leader in diversity in governance. Its Board of Directors achieved gender parity in 2014. Three of its eight executives are women, and 30% of senior managers within the company are women.



Caroline Codsì, Founding President of Women and Boards with honourees Yves Desjardins-Siciliano, Robert Tessier, Chairman of the Board of the Caisse de dépôt et placement du Québec, and François J. Coutu, President and CEO of Jean Coutu.

A woman with dark, curly hair and orange-rimmed glasses is sitting in a train window seat. She is wearing a black tank top and a patterned skirt, and she is smiling while reading a book. The background shows a bright window with a view of greenery outside.

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.

KEY PERFORMANCE INDICATORS		Quarters ending September 30			Nine-month periods ending September 30		
INDICATOR	UNIT	Q3 2016	Q3 2015	Vs 2015	YTD 2016	YTD 2015	Vs 2015
CAPACITY DEPLOYED (IN MILLIONS) Number of available seat-miles (ASM) ⁽¹⁾	ASM	442	401	10.2%	1,188	1,088	9.2
TOTAL REVENUES / ASM (RASM) Total revenues divided by total ASM	cents	22.45	22.53	■	20.42	20.45	■
TOTAL COSTS ⁽²⁾ / ASM (CASM) Total operating expenses divided by total ASM	cents	32.79	36.12	■	35.66	37.27	■
RASM / CASM Revenues per available seat-mile divided by the costs per available seat-mile	%	68.5	62.4	■	57.3%	54.9%	■
ON-TIME PERFORMANCE On-Time Performance of all VIA Rail trains	%	69	72	■	74	69	■
ON-TIME PERFORMANCE - VIA RAIL INFRASTRUCTURE ⁽³⁾ On-Time performance of all VIA Rail trains on VIA Rail owned infrastructure	%	95.7	91.3	■	95.6	90.8	■
TRAIN INCIDENTS Includes mainline derailments, cardinal rule violations, critical speed violations, or critical rule violations which result in injury to passengers and/or employees, or damage to the rolling stock or infrastructure for a value of \$25,000 or more	#	3	3	■	8	10	■
EMPLOYEE ATTENDANCE Total hours of absences per month divided by the total possible work hours per month	%	95.2	95.0	■	95.2	94.8	■

(1) Seat-miles are the number of seats available for sale, multiplied by the number of miles travelled

(2) Total costs include pension costs for current services but exclude cost for past services

(3) This indicator has been tracked since May 2015

- Performance on or above previous year
- Performance slightly below target or last year (less than 10 %)
- Performance below target or last year (10 % or more)



GOVERNANCE AND ACCOUNTABILITY

THE BOARD OF DIRECTORS

The Board of Directors consists of the Lead Director, the President & Chief Executive Officer, and eight directors appointed by the Government of Canada. Of the nine directors (not including the CEO of VIA Rail), five are women and four are men. The Board is responsible for overseeing the strategic direction and management of the Corporation, and reports on VIA Rail's operations to Parliament through the Honourable Marc Garneau, Minister of Transport.

ACCESS TO INFORMATION AND PRIVACY

VIA Rail believes that openness and transparency are the foundations of a trusting relationship with customers, its partners, and with the general public. VIA Rail became subject to both the *Access to Information Act* and the *Privacy Act* in 2007. Since then, we have been committed to responding to information requests from the public, the media, and all those interested in VIA Rail's operations.

During the third quarter of 2016, VIA Rail received nine new requests, and five were still in progress at the end of the quarter.

PUBLIC MEETINGS AND REPORTS

During the third quarter of 2016, six Board meetings were held. The four different Board committees met a total of five times. The attendance rate of Board members at these meetings was 96.4 per cent. Cumulative fees paid to Board members during this time period totalled \$45,150.

PROMOTION OF OFFICIAL LANGUAGES

VIA Rail complies with the *Official Languages Act* and is proud to offer services in both official languages.

Over the quarter, VIA Rail contributed to the development of linguistic minority communities in Canada by participating in events such as the launch of *l'Alliance française de Toronto's* 2016-2017 programming, participating in the Centaur Theatre's annual gala in Montréal for the second consecutive year, and in the organizing of speakers and French language teachers for the *Symposium des Rocheuses*.

VIA Rail is also working with the *Fondation Paul Gérin-Lajoie (FPGL)* on their project for Canada 150. At the launch of this initiative on September 28, the *FPGL* announced that a national dictation contest would take place in 2017 in up to 3000 secondary school across Canada. The *FPGL* together with the *Ligue Nationale d'Improvisation* will organize a series of improv workshops in six major Canadian cities to crown the winners of the *dictée* in each region. These groups will travel together to Ottawa from Vancouver and Halifax aboard VIA Rail's *Canadian* and *Ocean* trains.

TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES

THE FOLLOWING TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES WERE SUBMITTED DURING THE THIRD QUARTER OF 2016:

Jane Mowat Lead Director of the Board	\$1,847
Yves Desjardins-Siciliano President and CEO	\$33,650
Board of Directors (9 members)	\$7,825
Executive management committee (7 members)	\$46,275
Total VIA Rail Management (513 employees including Board, Executives and all Management employees)	\$180,484



MANAGEMENT DISCUSSION AND ANALYSIS

This is a review of VIA Rail Canada's (VIA Rail) operations, performance and financial position for the quarter and nine-month period ended September 30, 2016, compared with the quarter and nine-month period ended September 30, 2015. It should be read in conjunction with the interim 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 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).

IN MILLIONS OF CANADIAN DOLLARS	Quarters ended September 30				Nine-month periods ended September 30			
	2016	2015	Var \$	Var %	2016	2015	Var \$	Var %
Passenger Revenues*	93.5	84.8	8.7	10.3%	225.9	206.5	19.4	9.4%
Total Revenues*	99.3	90.3	9.0	10.0%	242.7	222.5	20.2	9.1%
Operating expenses*	139.2	138.4	0.8	0.6%	406.0	387.8	18.2	4.7%
Employer contributions for employee benefits*	5.9	9.7	(3.8)	(39.2%)	31.3	44.9	(13.6)	(30.3%)
Total Operating expenses*	145.1	148.1	(3.0)	(2.0%)	437.3	432.7	4.6	1.1%
Operating Loss	(45.8)	(57.8)	(12.0)	(20.8%)	(194.6)	(210.2)	(15.6)	(7.4%)
Operating funding from Government of Canada	45.8	57.8	(12.0)	(20.8%)	194.6	210.2	(15.6)	(7.4%)
Non funded elements and other accounting adjustments								
Employee Benefits to be funded in subsequent years	(6.4)	3.0	(9.4)	313.3%	(4.4)	25.6	(30.0)	(117.2%)
Depreciation and amortization / Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets	(23.7)	(18.4)	(5.3)	(28.8%)	(65.9)	(60.1)	(5.8)	(9.7%)
Amortization of deferred capital funding	23.5	18.0	5.5	30.6%	65.0	59.0	6.0	10.2%
Other	(4.2)	0.7	(4.9)	700.0%	1.1	(3.6)	4.7	130.6%
Net income (loss) for the quarter	(10.8)	3.3	(14.1)	(427.3%)	(4.2)	20.9	(25.1)	(120.1%)
Actuarial gain (loss) on defined benefit plans	22.3	(43.8)	66.1	(150.9%)	(121.6)	29.8	(151.4)	(508.1%)
Total comprehensive income (loss) for the quarter	11.5	(40.5)	52.0	(128.4%)	(125.8)	50.7	(176.5)	(348.1%)

* Financial statements amounts adjusted to reflect funded activities.

Revenues and sources of funding for the quarter

Q3 2016

- 68 % Operating revenues
- 32 % Government operating funding



Q3 2015

- 61 % Operating revenues
- 39 % Government operating funding



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

Year to date 2016

- 55 % Operating revenues
- 45 % Government operating funding



Year to date 2015

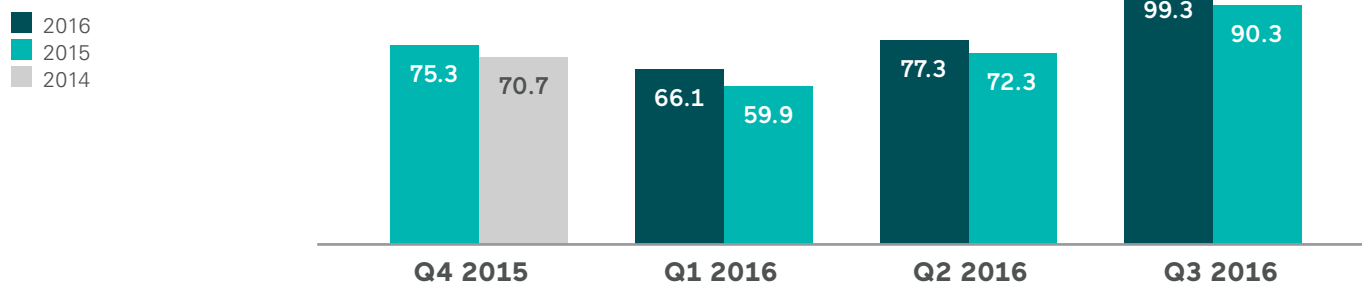
- 51 % Operating revenues
- 49 % Government operating funding



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

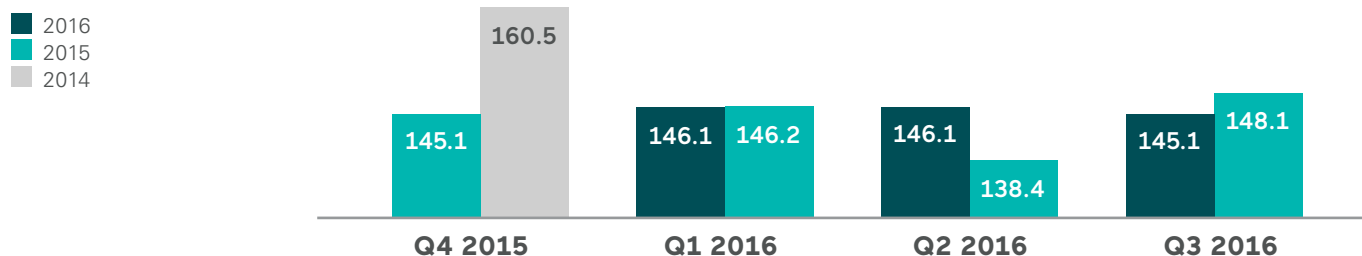
Quarterly revenues

(In Million of Canadian dollars)



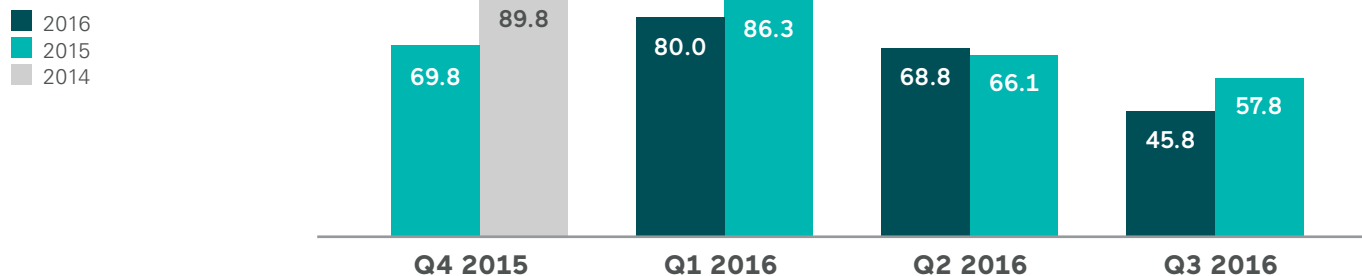
Quarterly operating expenses

(In Million of Canadian dollars)



Quarterly operating deficit

(In Million of Canadian dollars)



The following sections of the document provide comments on the funded activities of the quarter and nine-month period ended September 30, 2016 (before non-funded elements and other accounting adjustments), compared to the quarter and nine-month period ended September 30, 2015.

2. REVENUES

Operating revenues

	Quarters ended September 30				Nine-month periods ended September 30			
IN MILLIONS OF CANADIAN DOLLARS	2016	2015	Var \$	Var %	2016	2015	Var \$	Var %
Passenger Revenues	93.5	84.8	8.7	10.3%	225.9	206.5	19.4	9.4%
Other Revenues	5.8	5.5	0.3	5.5%	16.8	16.0	0.8	5.0%
Total Revenues	99.3	90.3	9.0	10.0%	242.7	222.5	20.2	9.1%

* Financial statements amounts adjusted to reflect funded activities.

For the quarter:

Passenger revenues total \$93.5 million for the quarter, an increase of 10.3 percent compared to the corresponding quarter last year. The increase results from the additional revenues generated from the additional frequencies introduced in Corridor East during the second half of 2015, as well as from the revenues of the *Canadian* and associated to the Prestige class.

Other revenues total \$5.8 million for the quarter, an increase of 5.5 percent compared to the corresponding quarter last year. This increase for the quarter is attributable in most part to higher third-party revenues.

For the nine-month period:

Passenger revenues total \$225.9 million, an increase of 9.4 percent compared to last year. The increase stems from the impact of the additional frequencies introduced in Corridor East during the second half of 2015, the additional revenues generated on the Prestige Class of the *Canadian*, as well as from improved average fares in all major train services.

Other revenues total \$16.8 million for the period, and are 5.0 percent higher compared to the corresponding period last year. The increase is mainly attributable to higher station and third party revenues.

a) Passenger Revenues

	REVENUES (IN MILLIONS)*							
	Quarters ended September 30				Nine-month periods ended September 30			
IN MILLIONS OF CANADIAN DOLLARS	2016	2015	Var \$	Var %	2016	2015	Var \$	Var %
Corridor East	49.5	44.8	4.7	10.5%	134.0	123.4	10.6	8.6%
Southwestern Ontario (SWO)	10.8	10.2	0.6	5.9%	30.8	29.8	1.0	3.4%
Québec City – Windsor corridor	60.3	55.0	5.3	9.6%	164.8	153.2	11.6	7.6%
<i>Ocean</i>	4.0	3.7	0.3	8.1%	7.6	7.3	0.3	4.1%
<i>Canadian</i>	25.4	22.0	3.4	15.5%	44.8	37.4	7.4	19.8%
Regional Services	2.2	2.0	0.2	10.0%	3.8	3.5	0.3	8.6%
Non Corridor	31.6	27.7	3.9	14.1%	56.2	48.2	8.0	16.6%
Other	1.6	2.1	(0.5)	(23.8%)	4.9	5.1	(0.2)	(3.9%)
TOTAL	93.5	84.8	8.7	10.3%	225.9	206.5	19.4	9.4%

* Revenue amounts were adjusted to reflect funded activities

	PASSENGERS (IN THOUSANDS)							
	Quarters ended September 30				Nine-month periods ended September 30			
IN MILLIONS OF CANADIAN DOLLARS	2016	2015	Var #	Var %	2016	2015	Var #	Var %
Corridor East	738.9	684.0	54.9	8.0%	2,039.6	1,951.1	88.5	4.5%
Southwestern Ontario (SWO)	240.7	240.3	0.4	0.2%	697.1	702.9	(5.8)	(0.8%)
Québec City – Windsor corridor	979.6	924.3	55.3	6.0%	2,736.7	2,654.0	82.7	3.1%
<i>Ocean</i>	28.3	28.8	(0.5)	(1.7%)	60.8	62.1	(1.3)	(2.1%)
<i>Canadian</i>	42.0	41.1	0.9	2.2%	77.5	74.8	2.7	3.6%
Regional Services	25.5	25.3	0.2	0.8%	54.8	53.7	1.1	2.0%
Non Corridor	95.8	95.2	0.6	0.6%	193.1	190.6	2.5	1.3%
TOTAL	1,075.4	1,019.5	55.9	5.5%	2,929.8	2,844.6	85.2	3.0%

* Revenue amounts were adjusted to reflect funded activities

For the quarter:

- / Corridor East revenues are 10.5 percent above last year, mostly due to higher ridership (8.0 percent), combined with improved average revenues (2.3 percent);
- / Revenues in SWO increased by 5.9 percent, the increase attributable to higher average revenues which increased by 5.7 percent, while ridership remained stable;
- / Revenues on the *Ocean* increased by 8.1 percent as a result of higher average revenues (10.0 percent), partly offset by a decline in ridership (1.7 percent);
- / Revenues on the *Canadian* are 15.5 percent higher than those of the corresponding quarter last year. The performance is attributable to higher average revenues (13.0 percent) associated with the Prestige class, as more capacity was offered for sale this year. Ridership also increased by 2.2 percent;
- / Revenues on Regional services have increased by 10.0 percent, due in most part to higher average revenues (increase of 9.1 percent, achieved on the Jasper-Prince Rupert and Winnipeg-Churchill services).

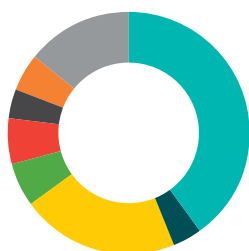
For the nine-month period ended September 30:

- / Corridor East revenues are 8.6 percent above last year, and the increase stems from both higher ridership (increase of 4.5 percent) associated with the additional capacity introduced during the second half of 2015, and improved average revenues (3.9 percent);
- / Revenues in SWO increased by 3.4 percent, the increase attributable to higher average revenues which increased by 4.2 percent, partly offset by lower ridership (0.8 percent);
- / Revenues on the *Ocean* have grown by 4.1 percent, average revenues have increased by 6.3 percent and ridership is 2.1 percent lower than last year;
- / Revenues on the *Canadian* are 19.8 percent higher than those of the corresponding period last year. The performance is attributable to higher average revenue (15.6 percent) associated with the Prestige class which was only introduced in May 2015, combined with increased ridership (3.6 percent);
- / Revenues on Regional services have increased by 8.6 percent, as a result of improved average revenues (6.4 percent) combined with higher ridership (2.0 percent).

3. FUNDED OPERATING EXPENSES

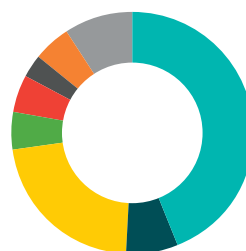
	Quarters ended September 30				Nine-month periods ended September 30			
IN MILLIONS OF CANADIAN DOLLARS	2016	2015	Var \$	Var %	2016	2015	Var \$	Var %
Compensation & Benefits*	58.8	65.3	(6.5)	(10.0%)	175.1	168.5	6.6	3.9%
Train Operations & Fuel	30.1	31.9	(1.8)	(5.6%)	89.9	93.7	(3.8)	(4.1%)
Realized loss (gain) on derivative financial instruments	1.4	2.4	(1.0)	(41.7%)	5.7	5.6	0.1	1.8%
Corporate Tax expense (recovery)	0.0	0.2	(0.2)	(100.0%)	0.4	0.7	(0.3)	(42.9%)
Other operating expenses*	<u>48.9</u>	<u>38.6</u>	<u>10.3</u>	<u>26.7%</u>	<u>134.9</u>	<u>119.3</u>	<u>15.6</u>	<u>13.1%</u>
Total Operating expenses (before employer contributions for employee benefits)	139.2	138.4	0.8	0.6%	406.0	387.8	18.2	4.7%
Employer Contributions for employee benefits*	<u>5.9</u>	<u>9.7</u>	<u>(3.8)</u>	<u>(39.2%)</u>	<u>31.3</u>	<u>44.9</u>	<u>(13.6)</u>	<u>(30.3%)</u>
TOTAL FUNDED OPERATING EXPENSES	145.1	148.1	(3.0)	(2.0%)	437.3	432.7	4.6	1.1%

* Financial statement amounts adjusted to reflect funded activities.



Operating costs by category - Q3 2016

40 %	Compensation and employee benefits (\$58.8M)
4 %	Employer contribution for employee benefits (\$5.9M)
21 %	Train operations and fuel (\$30.1M)
6 %	Stations and property (\$8.5M)
6 %	Maintenance material (\$8.6M)
4 %	On-train product costs (\$5.3M)
5 %	Marketing and sales (\$7.3M)
14 %	Other (\$20.6M)

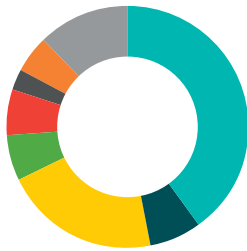


Operating costs by category - Q3 2015

44 %	Compensation and employee benefits (\$65.3M)
7 %	Employer contribution for employee benefits (\$9.7M)
22 %	Train operations and fuel (\$31.9M)
5 %	Stations and property (\$8.2M)
5 %	Maintenance material (\$7.2M)
3 %	On-train product costs (\$4.8M)
5 %	Marketing and sales (\$7.5M)
9 %	Other (\$13.5M)

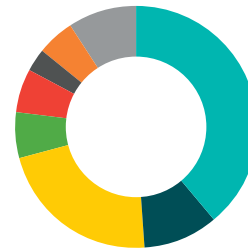
For the quarter:

- / Funded operating expenses before employer contributions for employee benefits increased by 0.6 percent and totaled \$139.2 million for the quarter, the variance stemming from the following major elements:
 - / Higher costs for professional services (\$5.1 million) including costs for the high frequency rail study and fleet renewal project for which VIA received some additional funding. These projects, if completed, should provide substantial benefits in future years;
 - / Higher costs for equipment repairs due to train incidents (\$2.4 million), these elements are included in the "other operating expenses" category;
 - / Lower compensation costs (\$6.5 million) due to the impact of one less pay period in the third quarter of 2016;
 - / Lower train operations and fuel costs (\$1.8 million - market fuel prices have decreased compared to last year). This variance partly offsets the increase of \$1.0 million in realized loss on financial instruments which results from the impact of hedging contracts (market fuel costs were lower than the contract prices).
- / Employer contributions for employee benefits decreased by 39.2 percent, mostly due to lower pension contributions for past services, resulting from an improving solvency funding status which serves as basis for determination of the Corporation's pension plans for funding requirement in 2016.



Operating costs by category
Nine-month period ended September 30 2016

40 %	Compensation and employee benefits (\$175.1M)
7 %	Employer contribution for employee benefits (\$31.3M)
21 %	Train operations and fuel (\$89.9M)
6 %	Stations and property (\$28.5M)
6 %	Maintenance material (\$25.3M)
3 %	On-train product costs (\$13.5M)
5 %	Marketing and sales (\$22.2M)
12 %	Other (\$51.5M)



Operating costs by category
Nine-month period ended September 30 2015

39 %	Compensation and employee benefits (\$168.5M)
10 %	Employer contribution for employee benefits (\$44.9M)
22 %	Train operations and fuel (\$93.7M)
6 %	Stations and property (\$26.2M)
6 %	Maintenance material (\$25.3M)
3 %	On-train product costs (\$12.4M)
5 %	Marketing and sales (\$22.3M)
9 %	Other (\$39.4M)

For the nine-month period ended September 30:

- / Funded operating expenses before employer contributions for employee benefits increased by 4.7 percent and totaled \$406.0 million for the period, the variance attributable to the following major elements:
 - / Higher compensation and benefits with an increase of \$6.6 million, mainly associated to the additional capacity deployed and the annual salary increases;
 - / Increase in other expenses of \$15.6 million including \$2.5 million for equipment repairs due to train incidents, and \$2.5 million for station and property costs due to contractual cost increases combined with the fact that the 2015 expenses were impacted by a favorable non-recurring adjustment;
 - / Increase of \$6.3 million for professional services, mostly for the high frequency rail study and the fleet renewal project for which the Corporation received some additional funding and which, upon completion, could provide substantial benefits to the Corporation;
 - / Lower train Operations and fuel of \$3.8 million, mostly due to lower fuel prices.
- / Employer contributions for employee benefits decreased by 30.3 percent, mostly due to lower pension contributions for past services, resulting from an improving solvency funding status which serves as the basis for determination of the Corporation's pension plans for funding requirement in 2016.

4. GOVERNMENT FUNDING

	Quarters ended September 30				Nine-month periods ended September 30			
IN MILLIONS OF CANADIAN DOLLARS	2016	2015	Var \$	Var %	2016	2015	Var \$	Var %
Operating funding from the Government of Canada	45.8	57.8	(12.0)	(20.8%)	194.6	210.2	(15.6)	(7.4%)
Capital funding	19.0	20.0	(1.0)	(5.0%)	58.4	68.6	(10.2)	(14.9%)
Total	64.8	77.8	(13.0)	(16.7%)	253.0	278.8	(25.8)	(9.3%)
Detailed funding from Government								
Total funded revenues (section 2)	99.3	90.3	9.0	10.0%	242.7	222.5	20.2	9.1%
Total funded operating expenses (section 3)	145.1	148.1	(3.0)	(2.0%)	437.3	432.7	4.6	1.1%
Total funded operating loss	45.8	57.8	(12.0)	(20.8%)	194.6	210.2	(15.6)	(7.4%)

For the quarter:

Operating funding decreased by \$12.0 million (20.8 percent) compared to the corresponding quarter last year and is attributable to the lower operating loss. The reduction in the operating loss results from the combination of higher revenues and lower operating costs, as shown in sections 2 and 3 of this document.

Capital funding decreased by \$1.0 million (5.0 percent) and reflects the fact that lower capital investments were made than during the corresponding quarter last year.

For the nine-month period:

Operating funding decreased by 7.4 percent and reflects the decrease in operating loss for the period. This decrease is the result of higher revenues and lower funded operating expenses, as shown in sections 2 and 3 of this document.

Capital funding decreased by 14.9 percent and also reflects the fact fewer investments were made compared to last year.

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

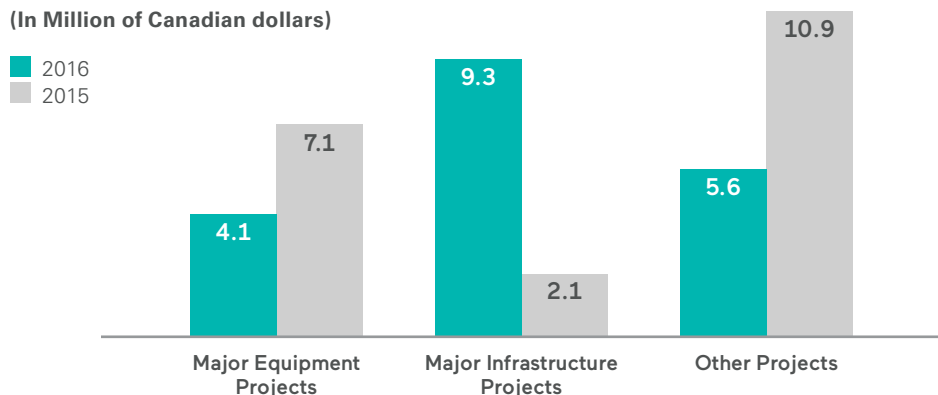
Capital funding is recorded as deferred capital funding in the statement of financial position. It is amortized and recognized as revenue over the same periods as the related property and equipment, and intangible assets are used in VIA Rail's operations.

5. CAPITAL INVESTMENTS

Fixed assets (net of accumulated depreciation) amounted to \$1,267.1 million, a \$7.5 million decrease compared to the balance as at December 31, 2015.

Capital investments for the Quarter

(In Million of Canadian dollars)

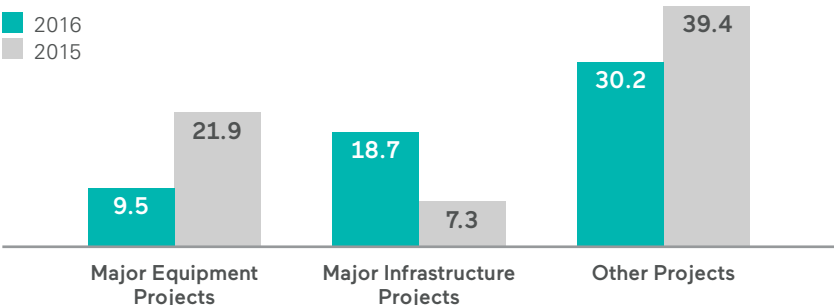


Capital investments totaled \$19.0 million for the quarter, composed mainly of:

- / Investments of \$9.3 million made in projects for infrastructure between Montreal and Ottawa, including upgrade of tracks and bridges, refurbishment of cars, and improved accessibility to stations;
- / An amount of \$4.1 million invested in Major Equipment Projects for the LRC rebuild program;
- / Investments of \$2.0 million were also made in Information Technology projects.

Capital investments for the Nine-month period ended September 30

(In Million of Canadian dollars)



Capital investments totaled \$58.4 million for the period, composed mainly of:

- / Investments of \$18.7 million made in projects for infrastructure between Montreal and Ottawa, including upgrade of tracks and bridges, refurbishment of cars, and improved accessibility to stations;
- / Investments of \$9.5 million in Major Equipment projects for the LRC rebuild program;
- / Investments of \$14.0 million in Information Technology for projects such as the customer relationship management system, PCI compliance, automation of on train services system, and reservation system enhancements;
- / Investments of \$8.3 million were also made in Other Equipment projects.

6.CASH FLOW AND FINANCIAL POSITION

	Quarters ended September 30				Nine-month periods ended September 30			
IN MILLIONS OF CANADIAN DOLLARS	2016	2015	Var \$	Var %	2016	2015	Var \$	Var %
Balance, beginning of the period	17.7	13.9	3.8	27.3%	9.3	13.9	(4.6)	(33.1%)
Net cash (used in) provided by operating activities	(3.7)	(0.1)	(3.6)	n/a	(1.3)	6.9	(8.2)	(118.8%)
Net cash (used in) provided by investing activities	20.5	(0.4)	20.9	n/a	26.5	(7.4)	33.9	(458.1%)
BALANCE, END OF THE PERIOD	34.5	13.4	21.1	157.5%	34.5	13.4	21.1	157.5%

The Corporation's cash balance is \$34.5 million as at September 30, 2016, which is \$21.1 million higher than the balance as at September 30, 2015.



The increase in cash for the quarter is mostly due to a higher amount of capital funding received from the Government of Canada, partly offset by lower operating funding received.

7. RISKS ANALYSIS (COMPARED TO DECEMBER 31, 2015)

This section highlights VIA Rail's key risks which may have potential impact on the Company's financial results, and provides information on risks for which the trend or status has changed compared to the status as at December 31, 2015.

This section must be read in conjunction with the risk section of the Management Discussion and Analysis as at December 31, 2015, included in the 2015 annual report.

Key risks for which trend varied since December 31, 2015:

GOVERNMENT AND STRATEGY			
NATURE OF RISK	TREND AS AT DEC. 31, 2015	NEW TREND	NATURE OF CHANGE SINCE DECEMBER 31, 2015
VIA Rail has limited powers as a non-agent Crown Corporation and is dependent on annual Government budgetary allocations to fund its operations, capital and pension obligations. Insufficient funding constitutes a risk in the efficient delivery of its services, as well as in the planning and execution of its medium-to-long-term strategies.			<p>VIA Rail has not yet received confirmed capital, operating and pension funding envelopes for years beyond the 2016-2017 government fiscal year.</p> <p>The current confirmed funding envelopes expire in March 2017, there is therefore a risk that additional capital, operating and pension funding for the following years may not be obtained, or be only obtained in March 2017 or after. Insufficient funding levels will impact efficient operations and the continuity of projects.</p>



INCREASING





STABLE





DECREASING

EQUIPMENT QUALITY, AVAILABILITY AND RELIABILITY

NATURE OF RISK	TREND AS AT DEC. 31, 2015	NEW TREND	NATURE OF CHANGE SINCE DECEMBER 31, 2015
<p>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 an aging fleet.</p> <p>In the near term, should there be a need for additional equipment, the Corporation has identified potential suppliers who could rent equipment to VIA Rail on a short-term basis</p>			<p>Although the situation pertaining to the current fleet has not changed, VIA Rail received, through the March 2016 Federal budget, an additional funding envelope of \$3 million to complete technical analysis and pre procurement activities for the renewal of its fleet, which is the first stage towards the acquisition of a new fleet. These activities will be completed during the fourth quarter and a fleet renewal business case will be presented to Transport Canada.</p>

COSTS INFLUENCED BY EXTERIOR FACTORS

NATURE OF RISK	TREND AS AT DEC. 31, 2015	NEW TREND	NATURE OF CHANGE SINCE DECEMBER 31, 2015
<p>Elements exist outside 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.</p>			<p>The solvency of pension plans have deteriorated year to date due to declining long interest rates which increased liability valuations, despite strong returns registered on plan assets. Should this trend be maintained by year end, pension funding requirements are likely to increase in 2017.</p>



INCREASING








STABLE



DECREASING

KEY RISKS WHICH REMAINED UNCHANGED SINCE DECEMBER 31, 2015

RISK	STATUS
Safety of passengers, employees and the public	
Employee contribution	
Revenue generation	
Infrastructure availability, reliability and quality	
Information technology	

8. OUTLOOK

The results of the third quarter were again very positive and the performance of passenger revenues was the best in recent years as the Corporation was able to gain ridership while improving average revenues. On-time performance slightly decreased, in part due to high temperatures which resulted in slow orders, but it is has still improved compared to the previous year.

Focus continues to be maintained on enhancing service offerings and customer service, investing in initiatives which will provide benefits in future years, while maximizing efforts to contain costs and improve efficiency in its daily operations. The positive trend initiated in the first half of the year continued during this most recent quarter, and if it sustains in the next and last quarter of the year, the Corporation should be able to meet its targets for the year and respect its authorized capital, operation and pension funding envelopes.

Meanwhile, Management is still focusing on the promotion of its dedicated track project and on the technical and pre-procurement activities for the renewal of its fleet, as the challenges which the Corporation faces in terms of its limited potential for real growth on existing rail lines, as well as those related to its aging fleet still remain.

These two initiatives, given the positive impact they could have on the Corporation, are the most important of 2016 in terms of required resources, both financial and human, as operating on dedicated tracks with an improved fleet would allow VIA Rail to provide a more reliable service for Canadians, allow more passengers to experience train travel, and potentially eliminate the Corporation's annual operating deficit which is currently subsidized by the Government.



INTERIM CONDENSED FINANCIAL STATEMENTS

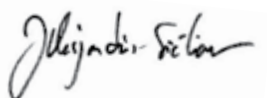
MANAGEMENT'S RESPONSIBILITY STATEMENT

QUARTER ENDED SEPTEMBER 30, 2016

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 25, 2016

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(IN THOUSANDS OF CANADIAN DOLLARS)	September 30, 2016	December 31, 2015
CURRENT ASSETS	<i>(unaudited)</i>	<i>(audited)</i>
Cash	\$ 34,508	\$ 9,318
Accounts receivable, trade	6,801	9,913
Prepays, advances on contracts and other receivables	5,524	4,722
Receivable from the Government of Canada	792	9,433
Derivative financial instruments (NOTE 17)	1,369	2,668
Materials	23,828	28,241
Asset Renewal Fund	7,780	7,780
	80,602	72,075
NON-CURRENT ASSETS		
Property, plant and equipment (NOTE 7)	881,336	884,806
Intangible assets (NOTE 8)	385,792	389,814
Asset Renewal Fund	873	873
Post-employment and other employee benefits (NOTE 11)	3,050	9,525
	1,271,051	1,285,018
Total Assets	\$ 1,351,653	\$ 1,357,093
CURRENT LIABILITIES		
Trade and other payables (NOTE 9)	\$ 98,097	\$ 90,727
Provisions (NOTE 10)	13,641	10,787
Derivative financial instruments (NOTE 17)	10,615	18,900
Deferred revenues (NOTE 13)	40,999	35,492
	163,352	155,906
NON-CURRENT LIABILITIES		
Post-employment and other employee benefits (NOTE 11)	171,480	51,940
	171,480	51,940
DEFERRED CAPITAL FUNDING (NOTE 12)	1,256,540	1,263,122
SHAREHOLDER'S (DEFICIENCY)		
Share capital	9,300	9,300
Accumulated deficit	(249,019)	(123,175)
Shareholder's (deficiency)	(239,719)	(113,875)
Total liabilities and shareholder's (deficiency)	\$ 1,351,653	\$ 1,357,093

Commitments (NOTES 14)

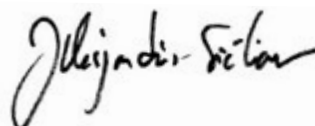
The notes are an integral part of the interim condensed financial statements.

Approved on behalf of the Board,



Jane Mowat, CPA, CA

Lead Director and Chair of the Audit
and Finance Committee



Yves Desjardins-Siciliano

President and Chief
Executive Officer

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

(IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended September 30		Nine-month periods ended September 30	
	2016	2015	2016	2015
REVENUES				
Passenger	\$ 93,372	\$ 84,829	\$ 224,971	\$ 206,851
Other	5,785	5,583	16,781	16,056
	99,157	90,412	241,752	222,907
EXPENSES				
Compensation and employee benefits	76,622	67,211	215,733	192,225
Train operations and fuel	30,041	31,839	89,855	93,676
Stations and property	8,537	8,182	28,501	26,228
Marketing and sales	7,351	7,483	22,224	22,262
Maintenance material	8,595	7,138	25,256	25,261
On-train product costs	5,231	4,798	13,468	12,395
Operating taxes	2,571	2,673	7,774	7,352
Professional services	8,325	3,157	14,717	8,381
Telecommunications	3,772	3,452	10,943	9,111
Depreciation and amortization (NOTES 7 AND 8)	21,021	17,160	62,867	55,090
Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets (NOTES 7 AND 8)	2,662	1,211	3,047	4,989
Unrealized net loss (net gain) on derivative financial instruments	(1,487)	4,186	(6,986)	(505)
Realized loss (gain) on derivative financial instruments	1,351	2,392	5,690	5,605
Other	4,671	1,688	12,055	8,370
	179,263	162,570	505,144	470,440
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES	80,106	72,158	263,392	247,533
Operating funding from the Government of Canada (NOTE 6)	45,843	57,727	194,631	210,150
Amortization of deferred capital funding (NOTE 12)	23,474	18,029	65,011	59,033
NET INCOME (LOSS) BEFORE INCOME TAXES	(10,789)	3,598	(3,750)	21,650
Income tax (expense) recovery	(50)	(215)	(450)	(678)
NET INCOME (LOSS) FOR THE PERIOD	(10,839)	3,383	(4,200)	20,972
OTHER COMPREHENSIVE INCOME (LOSS)				
Amounts not to be reclassified subsequently to net income (net of tax):				
Remeasurements of defined benefit plans (NOTE 11)	22,278	(43,819)	(121,644)	29,763
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	22,278	(43,819)	(121,644)	29,763
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ 11,439	\$ (40,436)	\$ (125,844)	\$ 50,735

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

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN SHAREHOLDER'S (DEFICIENCY)

(IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended September 30		Nine-month periods ended September 30	
	2016	2015	2016	2015
SHARE CAPITAL	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300
ACCUMULATED DEFICIT				
Balance, beginning of period	(260,458)	(76,926)	(123,175)	(168,097)
Net income (loss) for the period	(10,839)	3,383	(4,200)	20,972
Other comprehensive income (loss) for the period	22,278	(43,819)	(121,644)	29,763
Balance, end of period	(249,019)	(117,362)	(249,019)	(117,362)
Total Shareholder's (deficiency)	\$ (239,719)	\$ (108,062)	\$ (239,719)	\$ (108,062)

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

INTERIM CONDENSED FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

(IN THOUSANDS OF CANADIAN DOLLARS) (UNAUDITED)	Quarters ended September 30		Nine-month periods ended September 30	
	2016	2015	2016	2015
OPERATING ACTIVITIES				
Net income (loss) for the period	\$ (10,839)	\$ 3,383	\$ (4,200)	\$ 20,972
Adjustments to determine net cash (used in) provided by operating activities:				
Depreciation and amortization (NOTES 7 AND 8)	21,021	17,160	62,867	55,090
Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets (NOTES 7 AND 8)	2,662	1,211	3,047	4,989
Amortization of deferred capital funding (NOTE 12)	(23,474)	(18,029)	(65,011)	(59,033)
Interest income	(76)	(72)	(268)	(265)
Unrealized net loss (net gain) on derivative financial instruments	(1,487)	4,186	(6,986)	(505)
Post-employment and other employee benefit expenses (NOTE 11)	12,307	6,689	35,681	19,290
Employer post-employment and other employee benefit contributions (NOTE 11)	(5,921)	(9,725)	(31,310)	(44,886)
Net change in non-cash working capital items (NOTE 15)	14,469	(4,904)	17,231	11,321
Net cash (used in) provided by operating activities	8,662	(101)	11,051	6,973
INVESTING ACTIVITIES				
Capital funding (NOTE 12)	18,977	19,981	58,429	68,562
Change in capital funding receivable from the Government of Canada	8,023	1,819	15,414	(3,974)
Change in capital accounts payable and accrued liabilities	44	(2,274)	(1,550)	(3,699)
Acquisition of property, plant and equipment and intangible assets (NOTES 7 AND 8)	(18,977)	(19,981)	(58,429)	(68,562)
Interest received	76	72	268	265
Proceeds from disposal of property, plant and equipment and intangible assets	-	-	7	1
Net cash (used in) provided by investing activities	8,143	(383)	14,139	(7,407)
CASH				
Increase (decrease) during the period	16,805	(484)	25,190	(434)
Balance, beginning of period	17,703	13,922	9,318	13,872
Balance, end of period	\$ 34,508	\$ 13,438	\$ 34,508	\$ 13,438
REPRESENTED BY:				
Cash	\$ 34,508	\$ 13,438	\$ 34,508	\$ 13,438
	\$ 34,508	\$ 13,438	\$ 34,508	\$ 13,438

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, 2016 (UNAUDITED)

1. AUTHORITY AND OBJECTIVES

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

The Corporation is subject to a directive that was issued in December 2013 pursuant to sections 89.8 and 89.9 of the *Financial Administration Act*. As per this directive, the Corporation must obtain Treasury Board approval on the terms and conditions of employment of its non-unionized employees who are not appointed by Governor in Council. The Corporation confirms that the requirements of the instructions have been met.

In July 2015, the Corporation was issued a directive (P.C. 2015-1114) pursuant to section 89.1 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with their legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. The Corporation has compared and revised its policy on travel expenses with the Treasury Board directives and related instruments on travel, hospitality, conference and event expenditures. As a result of this exercise, the Corporation confirms that the requirements of the instruction have been met.

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

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

These interim condensed financial statements were approved and authorized for issue by the Board of Directors on November 25, 2016.

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, 2015, which have been prepared in accordance with the IFRS.

b) Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in these unaudited interim condensed financial statements are disclosed in Note 3 of the Corporation's annual financial statements for the year ended December 31, 2015.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

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

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

They are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimate is revised. However, uncertainties relating to judgments, assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in future years. Key sources of estimation uncertainty and assumptions are disclosed in Note 4 of the Corporation's annual financial statements for the year ended December 31, 2015.

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 application permitted. The Corporation does not intend to early apply IFRS 9. The Corporation is currently assessing the impact of applying this standard on its financial statements.

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 apply IFRS 15. The Corporation is currently assessing the impact of applying this standard on its financial statements.

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

This standard is effective for periods beginning on or after January 1, 2019, with early application permitted for companies that also apply IFRS 15 – *Revenue from Contracts with Customers*. The Corporation does not intend to early apply IFRS 16. The extent of the impact of applying IFRS 16 has not yet been determined.

IAS 7 – Statement of cash flows – In January 2016, the IASB published amendments to IAS 7, Statement of cash flows. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Corporation does not intend to early apply these amendments and is currently assessing the impact of applying IAS 7 on its financial statements.

IAS 12 – Income taxes – In February 2016, the IASB issued amendments to IAS 12, Income Taxes regarding the recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The Corporation does not intend to early apply these amendments and is currently assessing the impact of applying IAS 12 on its financial statements.

6. RECONCILIATION OF OPERATING LOSS TO GOVERNMENT FUNDING

The Corporation receives its funding from the Government of Canada based primarily on cash flow requirements. Items recognized in the statement of 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:

(IN THOUSANDS OF CANADIAN DOLLARS)	Quarters ended September 30		Nine-month periods ended September 30	
	2016	2015	2016	2015
Operating loss before funding from the Government of Canada and income taxes	80.1	72.1	263.4	247.5
Items requiring (providing) operating funds:				
Income tax expense (recovery)	0.1	0.2	0.5	0.7
Items (not requiring) not providing operating funds:				
Depreciation and amortization	(21.0)	(17.2)	(62.9)	(55.1)
Impairment and (loss) gain on disposal of property, plant and equipment and intangible assets	(2.7)	(1.2)	(3.0)	(5.0)
Post-employment and other employee benefits contributions in excess of expenses	(6.4)	3.0	(4.4)	25.6
Unrealized net gain (net loss) on derivative financial instruments	1.5	(4.2)	7.0	0.5
Adjustment for accrued compensation	(5.5)	4.8	(4.9)	(4.4)
Other	(0.3)	0.3	(1.1)	0.4
Operating funding from the Government of Canada	45.8	57.8	194.6	210.2

7. PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2016	Additions	Disposals	Transfers	September 30, 2016
Cost:					
Land	17.0	-	-	-	17.0
Rolling stock	926.9	-	(15.3)	23.7	935.3
Maintenance buildings	166.3	-	(1.0)	0.8	166.1
Stations and facilities	129.0	-	(2.3)	0.1	126.8
Owned infrastructures	243.0	-	(0.3)	1.3	244.0
Leasehold improvements	79.6	-	(0.6)	0.8	79.8
Machinery and equipment	25.7	-	(1.0)	0.9	25.6
Computer hardware	32.9	-	(0.8)	1.1	33.2
Other property, plant and equipment	6.8	-	(0.3)	-	6.5
Projects in progress	27.1	44.7	-	(28.7)	43.1
Total cost	1,654.3	44.7	(21.6)	-	1,677.4
Accumulated depreciation and impairment:					
Rolling stock	448.0	29.7	(13.6)	-	464.1
Maintenance buildings	118.7	1.3	(1.0)	-	119.0
Stations and facilities	40.3	3.6	(2.3)	-	41.6
Owned infrastructures	75.7	5.6	(0.1)	-	81.2
Leasehold improvements	44.5	2.3	(0.5)	-	46.3
Machinery and equipment	18.5	0.9	(1.0)	-	18.4
Computer hardware	21.2	2.7	(0.8)	-	23.1
Other property, plant and equipment	2.6	0.2	(0.4)	-	2.4
Total accumulated depreciation and impairment	769.5	46.3	(19.7)	-	796.1
Total net carrying amount	884.8	(1.6)	(1.9)	-	881.3

8. INTANGIBLE ASSETS

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2016	Additions	Disposals	Transfers	September 30, 2016
Cost:					
Software (NOTE 1)	93.1	-	(7.4)	8.2	93.9
Right of access to rail infrastructure	424.9	-	-	1.9	426.8
Other intangible assets	4.4	-	-	-	4.4
Projects in progress	15.4	13.7	-	(10.1)	19.0
Total cost	537.8	13.7	(7.4)	-	544.1
Accumulated amortization and impairment:					
Software	66.4	8.1	(6.3)	-	68.2
Right of access to rail infrastructure	80.0	8.4	-	-	88.4
Other intangible assets	1.6	0.1	-	-	1.7
Total accumulated amortization and impairment	148.0	16.6	(6.3)	-	158.3
Total net carrying amount	389.8	(2.9)	(1.1)	-	385.8

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, 2016	December 31, 2015
Wages payable and accrued	43.7	37.6
Accounts payable - Capital assets	12.5	14.1
Accounts payable - Trade	36.8	33.5
Capital tax, income tax and other taxes payable	5.1	5.5
Total trade and other payables	98.1	90.7

10. PROVISIONS

The provision balance includes the following:

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2016	Charge (used)	Reversal (used)	Reversal (not used)	September 30, 2016
Environmental costs (NOTE A)	0.3	-	-	-	0.3
Litigation and equipment repairs (NOTE B)	10.5	4.7	(1.3)	(0.6)	13.3
Total provisions	10.8	4.7	(1.3)	(0.6)	13.6

a) Environmental costs

The Corporation has made a provision of \$0.3 million for environmental costs related to fuel spills (December 31, 2015: \$0.3 million).

b) Litigation and equipment repairs

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

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

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

11. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

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

Pension plans

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

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

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

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

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

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

Certain unionized employees hired on or after January 1, 2014

A group of unionized employees hired on or after January 1, 2014 ceased accruing benefits under the current defined benefit plan as of June 18, 2015. Effective June 19, 2015, this group of unionized employees were prospectively provided pension benefits in part from a reduced formula of the defined benefit component of the pension plan, and in part from a defined contribution component.

i) Defined benefit component

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

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

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

ii) Defined contribution component

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

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

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

a) Defined benefit component of the Pension plans and Post-employment benefits plans

The financial and demographic assumptions used to determine the actuarial valuations of the pension plans were the same assumptions as disclosed in the Corporation's annual financial statements for the year ended December 31, 2015, except for the discount rate used to determine the defined benefit obligation that was decreased to 3.20 per cent (December 31, 2015: 4.00 per cent). The discount rate used to determine the defined benefit cost of the pension plans remains unchanged.

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, 2015, except for the discount rate used to determine the defined benefit cost that was increased to 4.10 per cent (December 31, 2015: 4.00 per cent). The discount rate used to determine the defined benefit obligation of the post-employment benefit plans remains unchanged.

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

	Defined benefit component of the Pension plans		Post-employment benefit plans	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
(IN MILLIONS OF CANADIAN DOLLARS)				
DEFINED BENEFIT OBLIGATION:				
Balance at beginning of the period	2,223.3	2,181.9	19.7	19.4
Service cost	24.6	27.9	0.3	0.5
Past service cost	-	4.0	-	-
Interest expense	53.0	87.5	0.6	0.6
Employee contributions	9.9	12.6	-	-
Benefits paid	(93.3)	(111.7)	(0.4)	(0.4)
Effect of change in demographic assumptions	-	25.0	-	-
Effect of change in financial assumptions	222.7	(32.8)	-	(0.2)
Effect of employee transfers	-	6.5	-	-
Effect of experience adjustments	-	22.4	-	(0.2)
Balance at end of the period	2,440.2	2,223.3	20.2	19.7
FAIR VALUE OF PLAN ASSETS:				
Balance at beginning of the period	2,223.6	2,132.5	-	-
Interest Income	49.2	84.3	-	-
Return on plan assets (excluding interest income)	101.1	50.0	-	-
Employer contributions	26.6	52.3	0.4	0.4
Employee contributions	9.9	12.6	-	-
Benefits paid	(93.3)	(111.7)	(0.4)	(0.4)
Effect of employee transfers	-	6.5	-	-
Administration expenses	(1.7)	(2.9)	-	-
Balance at end of the period	2,315.4	2,223.6	-	-
Net Defined benefit asset (liability)	(124.8)	0.3	(20.2)	(19.7)

b) Long-term employee benefit plans

The financial and demographic assumptions used to determine the actuarial valuations of the long-term employee benefit plans were the same assumptions as disclosed in the Corporation's annual financial statements for the year ended December 31, 2015 except for the discount rate used to determine the benefit cost that was decreased to 3.30 per cent (December 31, 2015: 3.40 per cent). The discount rate used to determine the long-term employee benefit obligation remains unchanged.

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

(IN MILLIONS OF CANADIAN DOLLARS)	September 30, 2016	December 31, 2015
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance at beginning of the period	21.9	22.8
Service cost	3.7	4.8
Interest expense	0.6	0.7
Benefits paid	(3.7)	(4.5)
Effect of experience adjustments	-	(1.9)
Balance at end of the period	22.5	21.9
FAIR VALUE OF PLAN ASSETS:		
Balance at beginning of the period	-	-
Employer contributions	3.7	4.5
Benefits paid	(3.7)	(4.5)
Balance at end of the period	-	-
Net long-term employee benefit liability	(22.5)	(21.9)

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, 2016	December 31, 2015
OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance at beginning of the period	1.1	1.5
Service cost	0.4	0.3
Benefits paid	(0.5)	(0.7)
Balance at end of the period	1.0	1.1
FAIR VALUE OF PLAN ASSETS:		
Balance at beginning of the period	-	-
Employer contributions	0.5	0.7
Benefits paid	(0.5)	(0.7)
Balance at end of the period	-	-
Net other long-term employee benefit liability	(1.0)	(1.1)

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, 2016	December 31, 2015
Assets:		
Defined benefit component of the Pension plans	3.0	9.5
Liabilities:		
Defined benefit component of the Pension plans	(127.8)	(9.2)
Post-employment benefit plans	(20.2)	(19.7)
Long-term employee benefit plans	(22.5)	(21.9)
Other long-term employee benefits	(1.0)	(1.1)
Total liabilities	(171.5)	(51.9)

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

	Quarters ended September 30		Nine-month periods ended September 30	
(IN MILLIONS OF CANADIAN DOLLARS)	2016	2015	2016	2015
Operating expense:				
Defined benefit component of the Pension plans	10.5	4.9	30.1	13.7
Post-employment benefit plans	0.3	0.3	0.9	0.8
Long-term employee benefit plans	1.4	1.4	4.3	4.2
Other long-term employee benefits	0.1	0.1	0.4	0.6
Total	12.3	6.7	35.7	19.3

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

	Quarters ended September 30		Nine-month periods ended September 30	
(IN MILLIONS OF CANADIAN DOLLARS)	2016	2015	2016	2015
Other comprehensive income (loss):				
Defined benefit component of the Pension plans	22.3	(43.8)	(121.6)	29.8
Total	22.3	(43.8)	(121.6)	29.8

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, 2016	December 31, 2015
Balance at beginning of the period	1,263.1	1,247.8
Government funding for property, plant and equipment and intangible assets (including the cost of land)	58.4	97.9
Amortization of deferred capital funding	(65.0)	(82.6)
Balance at end of the period	1,256.5	1,263.1

13. DEFERRED REVENUES

Deferred revenues are comprised of the following:

(IN MILLIONS OF CANADIAN DOLLARS)	September 30, 2016	December 31, 2015
Advance ticket sales	20.1	15.3
Gift cards	1.6	2.0
Non-monetary transactions	2.4	2.3
VIA Préférence	16.6	15.6
Other	0.3	0.3
Total	41.0	35.5

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, 2016				December 31, 2015
	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	31.9	3.5	11.0	17.4	34.6
Total	31.9	3.5	11.0	17.4	34.6
COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS:					
Rail infrastructure	7.8	5.9	1.9	-	5.4
Rolling stock	2.0	2.0	-	-	1.8
Total	9.8	7.9	1.9	-	7.2
Total commitments	41.7	11.4	12.9	17.4	41.8

- 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 2016, an amount of \$11.9 million (September 30, 2015: \$9.8 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 \$26.5 million (December 31, 2015: \$27.2 million) to various provincial government workers' compensation boards as security for future payment streams.

15. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	Quarters ended September 30		Nine-month periods ended September 30	
(IN MILLIONS OF CANADIAN DOLLARS)	2016	2015	2016	2015
Accounts receivable, trade	2.2	1.6	3.1	(1.0)
Prepays, advances on contracts and other receivables	1.7	0.1	(0.8)	(4.7)
Operating funding receivable from Government of Canada	11.7	9.0	(6.8)	13.3
Materials	0.3	(2.5)	4.4	(4.9)
Trade and other payables	9.9	(0.3)	8.9	7.9
Provisions	1.6	(2.1)	2.9	(2.7)
Deferred revenues	(13.0)	(10.7)	5.5	3.4
Total	14.4	(4.9)	17.2	11.3

16. 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, 2015.

17. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

COMMODITY SWAP	September 30, 2016		December 31, 2015	
	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	5,796	0.9	-	-
Liabilities	12,600	9.5	21,168	18.8

As at September 30, 2016, the commodity swaps have a fixed price per U.S. gallon in USD between 1.280 and 2.717 (December 31, 2015: between 1.280 and 2.745) and the maturity dates are 2016 to 2019 (December 31, 2015: 2016 to 2019). These financial instruments have a monthly settlement schedule.

FORWARD FOREIGN EXCHANGE CONTRACTS	September 30, 2016		December 31, 2015	
	Notional Amount (USD) (millions)	Fair Value CAD (millions)	Notional Amount (USD) (millions)	Fair Value CAD (millions)
Assets	12.5	0.5	24.1	2.7
Liabilities	19.6	1.1	18.5	0.1

As at September 30, 2016, the forward contracts rates are between 1.156 and 1.389 in US dollars (December 31, 2015: between 1.148 and 1.389) and the maturity dates are 2016 to 2019 (December 31, 2015: 2016 to 2019). These financial instruments have a monthly settlement schedule.

Amounts recognized in the statement of financial position:

	September 30, 2016	December 31, 2015
	Fair Value CAD (millions)	Fair Value CAD (millions)
Total assets	1.4	2.7
Total liabilities	10.6	18.9

