ANNUAL REPORT 2015

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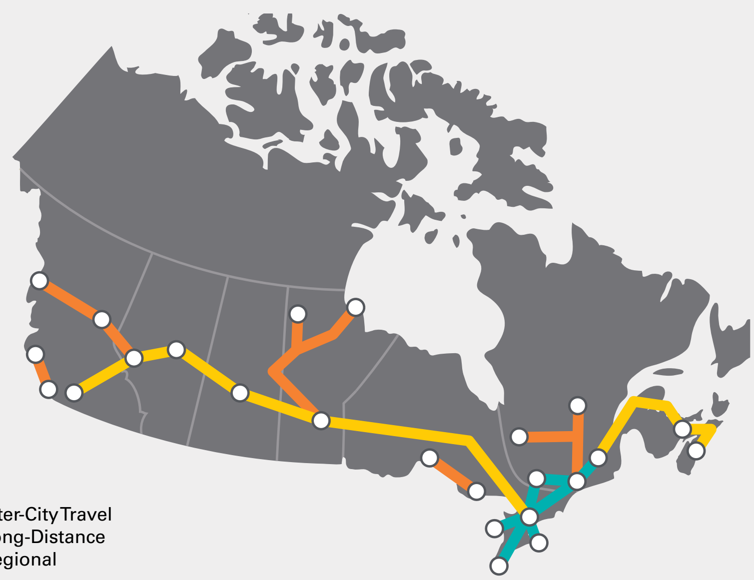
CORPORATE OVERVIEW

WHO WE ARE

VIA Rail operates Canada's national passenger rail service on behalf of the Government of Canada. An independent Crown corporation established in 1977, VIA Rail provides a safe, cost-effective and environmentally responsible service from coast to coast in both official languages. The corporation operates close to 475 train departures weekly on a 12,500 km network, connecting over 400 Canadian communities. With approximately 2,600 active employees, VIA Rail carried 3.8 million passengers in 2015.

WHERE WE OPERATE



Inter-City Travel
Long-Distance
Regional

INTER-CITY TRAVEL (THE CORRIDOR)

In the densely populated corridor between Québec City, QC and Windsor, ON, VIA Rail trains provide downtown-to-downtown travel between major urban centres, suburban centres and communities.

LONG-DISTANCE TRAVEL AND TOURISM

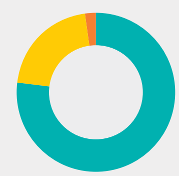
In Western and Eastern Canada, VIA Rail's trains attract travellers from around the world and support Canada's tourism industry. The *Canadian*, VIA Rail's Western transcontinental train, provides service between Vancouver and Toronto. In Eastern Canada, The *Ocean* runs between Montréal and Halifax.

REGIONAL SERVICES

VIA Rail provides passenger service in several rural and remote regions of Canada. Mandated by the Government of Canada to meet essential transportation needs, these trains serve many communities where alternative, year-round transportation is limited or unavailable.

PASSENGER REVENUES PER TRAIN ROUTE

77% Inter-City Travel
21% Long-Distance
2% Regional

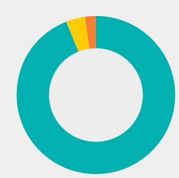


77%

of passenger revenues are from inter-city travel (in the corridor)

PASSENGER TRIPS PER TRAIN ROUTE

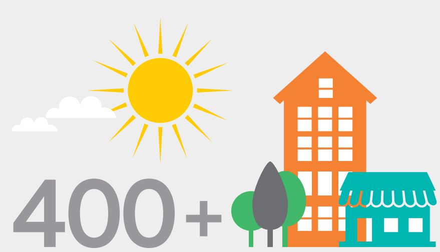
94% Inter-City Travel
4% Long-Distance
2% Regional



94%

of passenger trips consist of inter-city travel (in the corridor)

COMMUNITIES SERVED



400+

served across Canada

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

RAIL

RAIL NETWORK

12,500 km

of which 98 % is owned by railway partners (primarily CN and CP) and 2 % by VIA Rail

PASSENGERS

PASSENGER TRIPS

3.8 million

KILOMETRES COVERED

1.3 billion

ON-TIME PERFORMANCE

71 %

EMPLOYEES

ACTIVE EMPLOYEES AS OF THE END OF THE CALENDAR YEAR

2,577

EMPLOYEE DIVERSITY

34 %

of our employee diversity is represented by women, 8.5 % by visible minorities, 2 % people with disabilities, and 2 % Aboriginal People

FLEET

LOCOMOTIVES

73

of which 71 % have been rebuilt for improved operational and environmental efficiency

TRAIN CARS (IN OPERATION)

444

BUILDINGS

TRAIN STATIONS

121

of which 54 are heritage stations

OFFICES

7

1 head office, 6 regional

MAINTENANCE CENTRES

4

state-of-the-art facilities

MESSAGE FROM THE CHAIRMAN

In 2015, VIA Rail made significant progress and improvement in several areas and has many accomplishments to celebrate. The corporation worked to improve its service offering by focusing on customers and their travel needs. This customer-centric vision encouraged more people to take the train, and VIA Rail increased both its passenger base and its revenues simultaneously for the first time in many years. This notable accomplishment also helped reduce the 2015 subsidy provided by the Government of Canada.

There are also many reasons to be optimistic for the upcoming year, including the focus that our Government has on strengthening the Canadian economy through job-creating investments in infrastructure and sustainable transportation. Keeping Canadians mobile is imperative to a strong and healthy economy. VIA Rail's Board of Directors is looking forward to working with the Honourable Marc Garneau, the new Minister of Transport, to support the implementation of public policy in this regard.

This year, the Government of Canada confirmed additional capital funding of $102 million for VIA Rail. This investment will be used to improve the infrastructure VIA Rail owns, as well as the safety and efficiency of the Ottawa-Montréal corridor; the projects which will be funded through this envelope are currently in the start up phase. It is the perfect time to make upgrades to Ottawa station and surrounding regions to improve the inter-modality of our services, given the new municipal light rail O-Train that will connect VIA Rail's station to the downtown core of Ottawa. We continue to look for ways to make train travel more relevant to all Canadians by consulting with communities across the country in order to develop solutions that meet their specific needs, such as regional train service in Atlantic Canada and improved frequencies in Southwestern Ontario.

These projects, along with many more, are aimed at making VIA Rail the preferred choice of Canadians for inter-city travel. These enhancements help set the stage for 2016, when we will be continuing our efforts to grow our revenues, passenger base and our presence in the minds of Canadians. It is, in essence, our ramp-up to 2017, during which VIA Rail will celebrate its 40th anniversary as the country's national passenger rail service and Canada will celebrate the Confederation's 150th anniversary. Train service should be the natural link between the celebrations across Canada, as well as celebrated for the role it played in the building of Canada itself.

2015 also saw VIA Rail's participation in the United Nations' COP21 event, which made a pointed effort to get companies to commit to reducing their environmental impact. Our aim is to continue to improve the efficiency of our trains, and to get more people to leave their cars at home, both of which will contribute significantly to this effort.

Over the year, VIA Rail's Board of Directors held numerous meetings, including two strategic planning sessions to discuss the Dedicated Tracks Project (further explained in this report), as well as our fleet renewal project. Other topics covered included oversight of initiatives to improve service, expected ridership, train scheduling and monitoring the implementation of important capital projects. There was also a significant focus on risk oversight and the continuous improvement of safety and security, our top priority. VIA Rail's GPS train safety system, developed in house, was successfully road-tested, along with other safety and security initiatives, including enhancing our cybersecurity posture. Overall VIA Rail's Board of Directors continued to maintain a strong governance framework that measures up well to governance best practices and standards.

VIA Rail was honoured with recognition for its enterprise risk management framework, detailed in the awards section of this report, and upgraded its safety management system to improve the monitoring of its railway safety practices and processes while continuing to build a strong relationship with Transport Canada, our regulator.

Overall, VIA Rail had an excellent year, which has laid the groundwork for the years to come. Thank you to everyone who contributed to this success, from our passengers and supporters to our exceptional employees. I would also like to thank my colleagues on the Board of Directors for their commitment and dedication.

ERIC STEFANSON
Interim Chairman

MESSAGE FROM THE PRESIDENT

It is hard to believe how quickly the time passes, and that I have already come to the end of my first full calendar year as President and CEO of VIA Rail. The past year was a whirlwind of meetings and events with the communities we serve through varied speaking engagements, participating in inspiring initiatives such as National WE Day in Ottawa, and, fuelled by our positive results for the year: optimism. New technology is making travelling by train easier, more people communicate with us through social media every day, our employee engagement is on the rise, and most importantly, more people are taking the train.

In the coming years, we will continue our efforts to increase our ridership, not only for the good of the Canadian economy and the Canadian population, but also for the good of the environment. As the world sets its sights on mitigating or stopping the hazardous effects of climate change, the train continues to stand out as one of the greenest ways to travel. At VIA Rail, we have been working for years to further diminish our environmental impact by improving the efficiency of our trains, a commitment we reaffirmed by taking the COP21 pledge to support international goals to reduce our carbon footprint.

We are proud to say that all of these goals can be achieved through the Dedicated Tracks Project. The project entails the building of a dedicated passenger rail line (the first segment being in the busiest Toronto – Ottawa – Montréal corridor), on which we would run a new, more efficient fleet of trains on a high-frequency schedule. More information about this project can be found on p.14 of this report and on our website's Dedicated Tracks Project page. Among the benefits of the Dedicated Tracks Project are a significant reduction in the environmental impact of intercity passenger transportation in Canada, a large reduction of the yearly subsidy VIA Rail is given by the Government of Canada, and the creation of many thousands of jobs for Canadians.

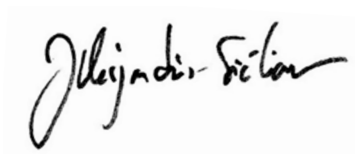
The Dedicated Tracks Project, designed to improve and enhance the mobility of Canadians in a responsible way, is even more relevant given our financial results for the year. In 2015, VIA Rail saw increases in both ridership and revenues for the first time in seven years. This tells us that people are appreciating the great service, productive travel time and convenience of train travel more and more, and underlines that our work toward a dedicated passenger railway is the right project at the right time.

In the meantime, we are looking forward to the coming year, during which our main initiatives will include – in addition to the Dedicated Tracks Project – a renewal of our train car fleet in the Québec City – Windsor corridor, the addition of more trains to our schedule and a new regional service in the Maritimes to meet the needs of our passengers in the area. We will also be busy preparing for a year of big celebrations: 2017 marks the 40th anniversary of VIA Rail, the 375th anniversary of Montréal, and the 150th anniversary Canada itself, whose confederation was based on the completion of a national railway.

At the end of the day, the success of these plans and projects are dependent on many things, but the two most important are the engagement and support of our employees and the safe operation of our trains. We are proud to be strong on both of these fronts. Our employee engagement survey, conducted in 2015, had a response rate of 63 per cent (an increase of nine percentage points over the previous survey). In terms of safety, our ongoing activities are outlined in this report, including the recognition and awards we were honoured to receive for our Enterprise Risk Management (ERM) framework which identifies and assesses key risk factors across our company in order to make us a safer corporation. Please see p.28 to read more about both ERM and safety, or for more detailed information, see our Sustainable Mobility Report, published for the first time this year and available through our website.

There is no question that 2015 was a pivotal year for passenger rail in Canada. In the year ahead, VIA Rail will continue to move forward with many different projects and initiatives aimed at making our service the greener, smarter, better way to travel in Canada.

We hope to see you on-board soon!



YVES DESJARDINS-SICILIANO
President and Chief Executive Officer

YEAR 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.

	2015	2014	2013	2012	2011
KEY FINANCIAL INDICATORS (IN MILLIONS OF DOLLARS)					
Total passenger revenues [1]	**275.0**	259.6	249.6	257.4	265.4
Total revenues [1]	**297.8**	**280.3**	**270.4**	**276.9**	**282.8**
Operating expenses [1]	**(520.0)**	(509.0)	(482.4)	(478.2)	(492.4)
Contributions for employee benefits [1]	**(57.8)**	(88.4)	(95.6)	(77.8)	(51.3)
Total Operating expenses [1]	**(577.8)**	**(597.4)**	**(578.0)**	**(556.0)**	**(543.7)**
Operating Income (Deficit)	**(280.0)**	**(317.1)**	**(307.6)**	**(279.1)**	**(260.9)**
Capital expenditures	**(97.9)**	(81.8)	(96.2)	(170.3)	(237.0)
Total Funding Required	**(377.9)**	**(398.9)**	**(403.8)**	**(449.4)**	**(497.9)**
Government Operating Funding	**280.0**	317.1	307.6	279.1	260.9
Government Capital Funding	**97.9**	80.9	90.8	167.2	224.8
Total Government Funding	**377.9**	**398.0**	**398.4**	**446.3**	**485.7**
Asset Renewal Fund	**0.0**	**0.9**	**5.4**	**3.1**	**12.2**
KEY OPERATING STATISTICS [2]					
Total passenger-miles (IN MILLIONS)	**822**	808	832	834	851
Total seat-miles (IN MILLIONS)	**1,457**	1,349	1,482	1,541	1,541
Operating deficit per passenger-mile (IN CENTS)	**34.1**	39.2	37.0	33.5	30.7
Yield (CENTS PER PASSENGER-MILE)	**32.5**	31.2	29.4	30.3	30.8
Train-miles operated (IN THOUSANDS)	**6,347**	6,160	6,244	6,441	6,580
Car-miles operated (IN THOUSANDS)	**40,120**	36,958	39,699	44,379	44,988
Average passenger load factor (%)	**56**	60	56	54	55
Average number of passenger-miles per train mile	**130**	131	133	129	129
On-time performance (%)	**71**	76	82	83	84
Number of full time equivalent employees during the year	**2,694**	2,608	2,662	2,800	2,899

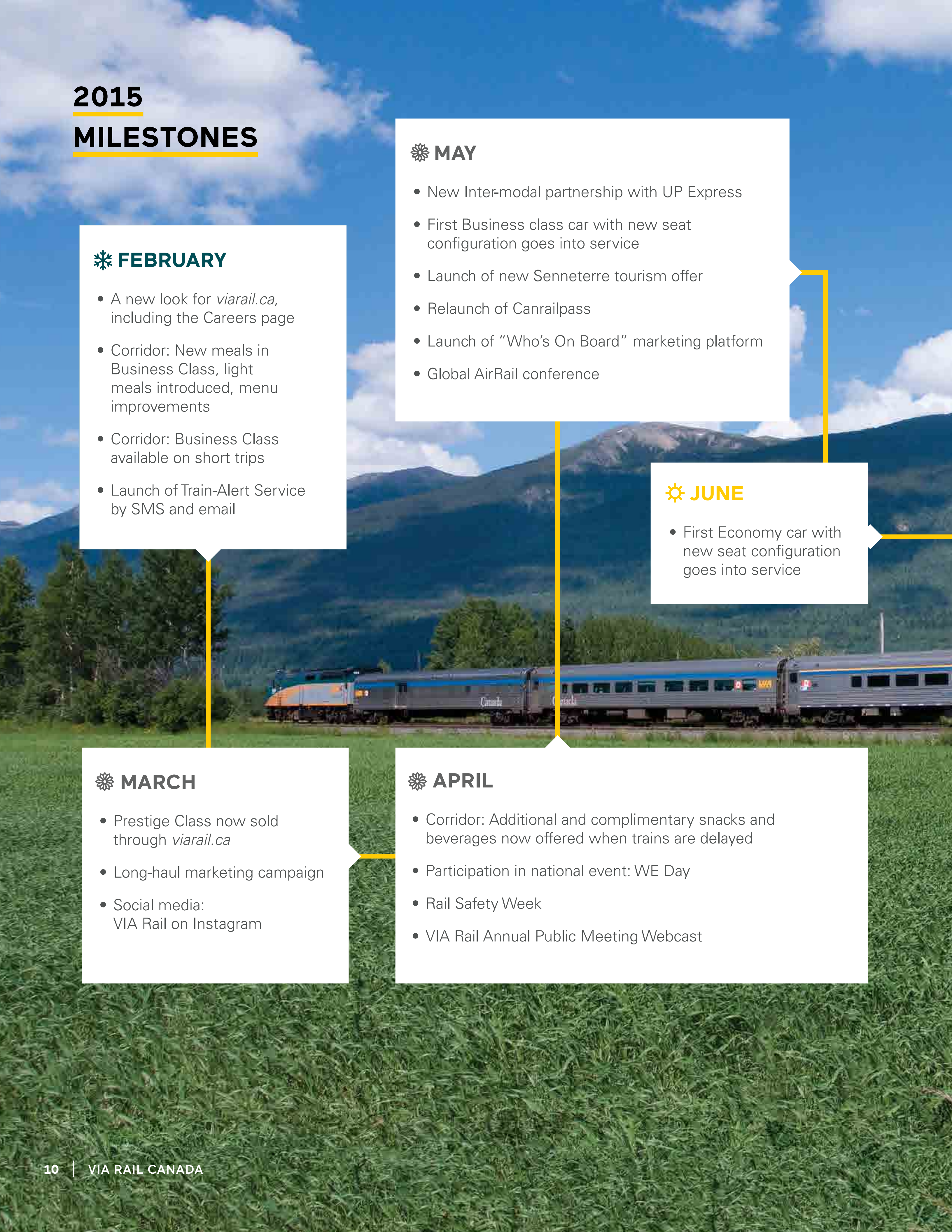
(1) Financial statement amounts were adjusted to reflect funded activities
(2) Key operating statistics are unaudited

KEY OPERATING STATISTICS BY SERVICE GROUP

Train Service Summary - For the year 2015
(Revenues and costs by train service are unaudited)

Train Services	Revenues (IN THOUSANDS)	Costs (IN THOUSANDS)	Shortfall (IN THOUSANDS)	Subsidy per passenger	Subsidy per passenger-mile	Passengers per week	Passengers per year
Montréal-Ottawa-Toronto	$154,999	$234,835	$79,836	$36.64	$0.17	41,902	2,178,900
Québec-Montréal-Ottawa	$29,019	$47,169	$18,150	$40.55	$0.26	8,608	447,600
Corr East	**$184,018**	**$282,004**	**$97,986**	**$37.31**	**$0.18**	**50,510**	**2,626,500**
Toronto-London-Sarnia-Windsor	$44,530	$87,010	$42,480	$46.16	$0.39	17,697	920,252
Toronto-Niagara	$1,105	$11,079	$9,974	$316.58	$4.02	606	31,509
SWO	**$45,635**	**$98,089**	**$52,454**	**$55.11**	**$0.46**	**18,303**	**951,761**
Corridor	**$229,653**	**$380,093**	**$150,440**	**$42.04**	**$0.23**	**68,813**	**3,578,261**
Montréal-Halifax	$10,288	$47,031	$36,743	$460.53	$0.89	1,534	79,785
Toronto-Vancouver	$51,541	$98,888	$47,347	$527.69	$0.45	1,725	89,725
Longhauls	**$61,829**	**$145,919**	**$84,090**	**$496.08**	**$0.58**	**3,260**	**169,510**
Montréal-Gaspé	$0	$0	$0	n/a	n/a	0	0
Montréal-Jonquière	$465	$5,305	$4,840	$462.98	$2.69	201	10,454
Montréal-Senneterre	$454	$5,355	$4,901	$434.68	$2.22	217	11,275
Sudbury-White River	$177	$3,245	$3,068	$606.56	$3.98	97	5,058
Winnipeg- Churchill	$3,709	$23,913	$20,204	$778.60	$2.66	499	25,948
Jasper-Prince Rupert	$1,495	$11,071	$9,576	$551.40	$1.66	334	17,365
Regional services	**$6,300**	**$48,889**	**$42,589**	**$607.52**	**$2.35**	**1,348**	**70,100**
The Pas and Pukatawagan(1)	n/a	$2,862	$2,862	n/a	n/a	n/a	n/a
System	**$297,782**	**$577,763**	**$279,981**	**$73.33**	**$0.34**	**73,421**	**3,817,871**

(1) Service operated by Keewatin Railway Company between The Pas and Pukatawagan



2015 MILESTONES

FEBRUARY

- A new look for *viarail.ca*, including the Careers page
- Corridor: New meals in Business Class, light meals introduced, menu improvements
- Corridor: Business Class available on short trips
- Launch of Train-Alert Service by SMS and email

MARCH

- Prestige Class now sold through *viarail.ca*
- Long-haul marketing campaign
- Social media: VIA Rail on Instagram

APRIL

- Corridor: Additional and complimentary snacks and beverages now offered when trains are delayed
- Participation in national event: WE Day
- Rail Safety Week
- VIA Rail Annual Public Meeting Webcast

MAY

- New Inter-modal partnership with UP Express
- First Business class car with new seat configuration goes into service
- Launch of new Senneterre tourism offer
- Relaunch of Canrailpass
- Launch of "Who's On Board" marketing platform
- Global AirRail conference

JUNE

- First Economy car with new seat configuration goes into service

☼ JULY

- Launch of new VIA Rail mobile reservation site
- Business class table d'hôte meals sold in Economy Class
- Federal government announces $102M infrastructure investment on Montréal – Ottawa corridor

☼ AUGUST

- Launch of VIA Rail mobile app
- Wass siding put into service

SEPTEMBER

- Railway Association of Canada Safety Award recipient

OCTOBER

- Launch of revised Safety Management System
- In-house contest: "My recipe in Business Class"
- Honourable mention for Enterprise Risk Management from the Risk Management Society

NOVEMBER

- Acquisition of Brockville subdivision (45 kilometers of track)
- COP21 in Paris: Pact signed with 65 other International Union of Railways members, to reduce the impact of our activities on climate change

DECEMBER

- More *Ocean* departures for the holiday season

VISION AND MISSION

Looking forward to the year ahead, VIA Rail has developed a vision and mission to match its current efforts and to point us in the right direction for our future success in 2016 and beyond.

Placing passengers at the core of everything we do, VIA Rail's mission is to strive to offer a safe and smart travel experience across Canada. VIA Rail's vision is:

TO BE A SMARTER WAY TO MOVE PEOPLE.

This 2015 Annual Report, which outlines our projects and accomplishments for the year, demonstrates our commitment to our values, which include: Innovation, Know-how, Trust, Agility, Accountability and Integrity. Moving forward, these principles will be even further ensconced in everything we do and will help guide how we do business.

DEDICATED TRACKS PROJECT

The trend of deteriorating On Time Performance (OTP) continued this year due to ongoing challenges associated with sharing the railway with ever-increasing freight traffic. Though we are working hard to increase our passenger base, not being able to deliver a reliable service makes this a challenge. VIA Rail owns only two per cent of the infrastructure on which it operates, while the remaining 98 per cent is controlled by freight rail companies. This not only impacts our OTP, but it means that our train schedules are dependent on the access we are granted by the owners of the infrastructure.

As a Crown corporation, we have a responsibility to Canadians to be the best, safest and most efficient transportation company possible. The fact remains, however, that we cannot grow our ridership and reduce our operating deficit if we continue to function under the current constraints posed by a shared railway infrastructure.

In order to address this, VIA Rail has developed a project which proposes to build a dedicated passenger rail corridor, between Toronto, Ottawa and Montréal (TOM Corridor): the "Dedicated Tracks Project". A railway dedicated to passenger trains would eliminate the challenges of sharing tracks with freight trains. It would allow for a greater number of frequencies, shorter trip times and ultimately a safer and more reliable service. As well, it would allow the re-design of the current frequencies operating on the shared environment to better meet regional needs for increased service.

For the past two years, we have been analyzing, researching and testing this strategy, which is aimed at making VIA Rail more relevant to Canadians and to improving its service and financial performance. The project will also increase Canada's productivity, strengthen the economy and decrease environmental impact.

The first phase of the project targets the TOM Corridor, while a second phase would link Montréal and Québec City, as well as Toronto and London. This project would also require a new, more efficient train car fleet.

THE RIGHT PROJECT AT THE RIGHT TIME

Low frequency is the single most important obstacle to train travel in the TOM Corridor. VIA Rail's options for service enhancements are hindered by its limited rights of access to the rail infrastructure. A dedicated rail would provide the Crown corporation with full control over its schedule. Experts estimate that once in place, the dedicated tracks project would triple the current train ridership. This increase in passengers coupled with the use of modern equipment would result in a highly positive environmental impact through greenhouse gas reductions equivalent to taking 2.4 million cars off the road every year. From a congestion point of view, we estimate a reduction of 5.5 million car trips in the TOM Corridor leading to enhanced productivity.

The positive economic impact of the Dedicated Tracks Project would be substantial. Whether through reduced congestion, increased productivity or employment creation, Canada would benefit. Approximately 26,000 person years of project employment will be generated, and close to 298,000 permanent jobs would be created. It would also have a highly positive impact on Canada's rail infrastructure by improving both freight and passenger rail efficiency.

Furthermore, because within a decade of its implementation this project would become self-funded, the current Government of Canada subsidy provided to VIA Rail on a yearly basis would be significantly reduced.

In brief, the Dedicated Tracks Project is a game-changing plan for Canadian passenger rail. It would allow VIA Rail to leverage its own assets and Government of Canada investments into an environmentally sustainable, economy stimulating, and highly service-enhancing nation-building project.

QUICK FACTS

4 YEAR
DEPLOYMENT

HYBRID ELECTRIC
AND DIESEL

COST: $ 4B
(including electrification of tracks)

LEVERAGING
VIA RAIL ASSETS

For more information about this project, please consult our website:

http://www.viarail.ca/en/about-via-rail/governance-and-reports/dedicated-tracks

REVIEW OF OPERATIONS

ATTRACTING PEOPLE TO OUR TRAINS

In 2015, VIA Rail pursued its efforts to attract new passengers and improve its customer service so that more Canadians would choose the train as their preferred travel option. Our aim is to make it easier for travellers to access our services and travel information so that they can enjoy our renowned on-board experience and the benefits of train travel.

MORE TRAIN OPTIONS FOR TRAVELLERS

Beginning in June 2015, VIA Rail added one train in each direction between Montréal – Toronto to the daily schedule, one train in each direction between Montréal – Ottawa on Fridays, and three additional round-trip trains between Toronto – Ottawa per week. These changes were made to respond to the needs of our customers by offering more options for travel.

In addition to the improved schedule, we added more stops at key stations in the Québec City – Windsor corridor which increased our ability to serve a larger passenger base and improved our service offering to many markets.

Finally, over the summer and fall, VIA Rail adjusted the distribution of train cars in order to make more seats available on higher demand days (Fridays, Sundays and Mondays). This reorganization better served a greater number of passengers within the framework of our current infrastructure and equipment availability.

WHO'S ON BOARD: ADVERTISING PLATFORM

This year, VIA Rail launched a comprehensive new advertising campaign which focused on the power of storytelling to demystify train travel, stimulate ridership, amplify passenger experience and encourage loyalty.

The "Who's On Board" platform features real passengers telling true stories. Through this no-script testimonial approach, actual train users have been telling the VIA Rail story – one that is authentic, reliable, social and warm.

A "Who's On Board" section was added to VIA Rail's website featuring stories from passengers, videos demonstrating the ease of booking, boarding and taking the train, as well as inspiration for those who want to take the train to visit new places.

The "Who's On Board" platform, which was launched online, through VIA Rail's social media sites, on billboards, in newspapers and on the radio, has been very well received and will continue throughout 2016.

Campaigns throughout 2015 included those targeted to the "Back To School / Back to Work" and Holiday seasons as well as summer and winter travel.

MOBILE AND ONLINE

Travel just got easier: New mobile application

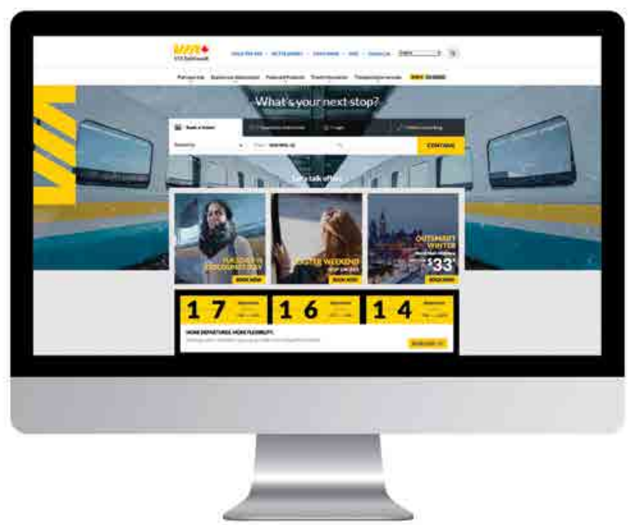
At the end of August, VIA Rail launched its new mobile application for Apple iPhone and Android devices. The new app provides a simple and easy-to-use tool for purchasing tickets, modifying bookings and reviewing reservation details – all from the convenience of your smart phone. The app provides an e-boarding pass and automatic insertion of travel information into the user's calendar, as well as real-time updates of departures and arrivals.

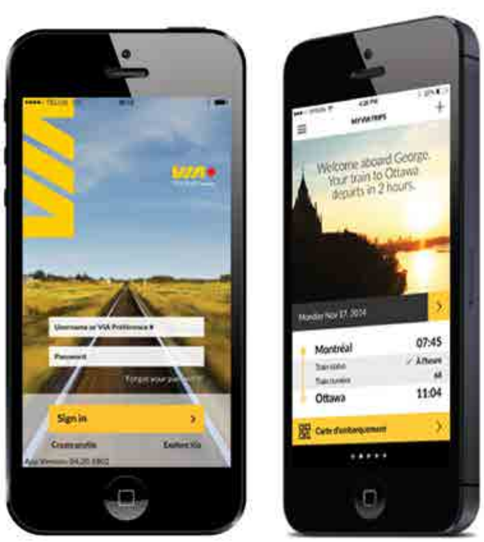
Other features include information about train stations, boarding and the on-train services that will be available during the trip. The app provides access to the on-train entertainment system, which offers hundreds of hours of Canadian programming to passengers travelling within the Québec City – Windsor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

New website design

In 2015, VIA Rail launched a new simplified website. The more modern and user-friendly site is better optimized, more graphics-focused and easier to navigate. The website is also equipped with geo-localization, which allows us to display more relevant information to our customers.





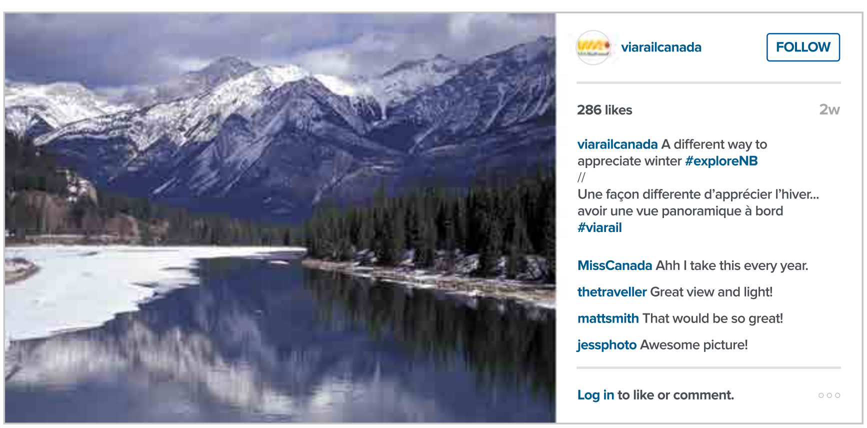
OVER
35,000
DOWNLOADS

OF VIA RAIL'S APP FROM SEPTEMBER TO DECEMBER 2015

Connecting through social media

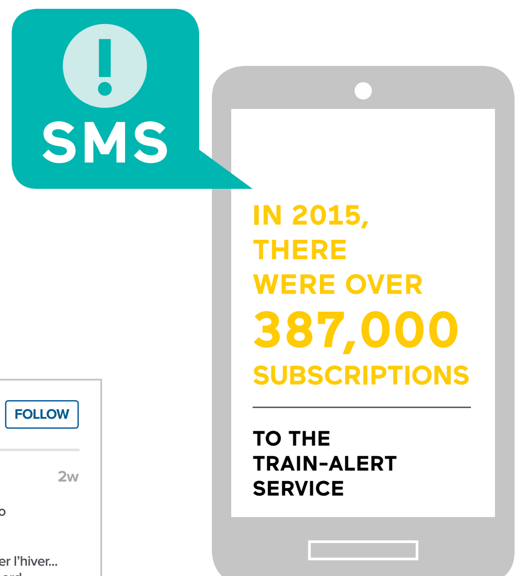
Social media outlets are vital marketing and communication tools, and we are always looking to increase our online presence. Through Facebook (close to 150,000 fans by the end of 2015), our corporate Twitter account @VIA_Rail (close to 38,000 followers as of the end of 2015) as well as the President and CEO's account @VIARailPrez, we are able to successfully communicate with our customers on a daily basis.

To add to our online initiative, VIA Rail launched its presence on Instagram in February. Through this image-based social network, we have been showcasing the beauty of train travel and enticing people to see Canada by train. Over the year, VIA Rail worked with different influencers/Instagrammers to generate great content and increase our reach. By the end of the year we had grown our account to include over 3,400 followers and over 150 posts. Visit us on Instagram at: https://instagram.com/viarailcanada



VIA Rail train-alert service

This year, VIA Rail launched its SMS (text message) and email Train Status Alert Service. By subscribing, customers receive email or SMS notifications on VIA Rail train statuses, service disruptions and delays. Travellers may access the service through the online booking process or through the email and boarding pass sent to confirm their reservation. The service can also be accessed through VIA Rail's app, mobile site, and through the departure status section of our website.



NEW, CONVENIENT FARE OPTIONS

Part of the realization of the year's positive financial results can be attributed to the many new and flexible fare options for travel. Following the success of the Canrailpass and Youth Summer Passes introduced in 2014, these train travel passes were renewed for the 2015 summer season, with sales increasing fivefold compared to the previous year. The popular semester passes, allowing students unlimited travel within their region for the duration of their school term, were also renewed in 2015.

Two new passes were also introduced: the Commuter ePass (with a Business lounge access option) is an easy, convenient and economical way for commuters to travel each month, and new route-specific Bizpak options were introduced which offers travel to and from certain specific locations, such as London, Ontario at a discounted rate.

THE FUTURE OF TRAVEL: DOOR-TO-DOOR SERVICE

For VIA Rail, becoming more accessible and encouraging more people to leave their cars at home can happen through partnerships with other transport services. To this end, VIA Rail continues to forge new inter-modal partnerships that will help achieve our objectives to provide passengers with a simplified travel experience while increasing ridership and revenues.

In 2015, we developed new partnerships with many companies and opened up new options for inter-modal travellers. Our partnership with UP Express, which links Toronto's Union Station to Pearson International Airport, came into effect and UP Express tickets are available for purchase through VIA Rail's website. A pilot project with Discount Car Rental allowing passengers to seamlessly book and drive through kiosk technology was a success in both Ottawa and Kingston train stations and will be expanded to more train stations in 2016. This initiative has been shortlisted by Transport Ticketing Global Awards in the "Best Customer Serving Operator" category. Additionally, VIA Rail entered into interline partnerships with Cathay Pacific and Qatar Airways, who both signed up with AccesRail to publish air and train fares as one combined thoroughfare. VIA Rail also extended its inter-modal service with AMT to include Mascouche - Montréal Central Station.

By the end of 2015, VIA Rail had 24 inter-modal and affiliate partners, with plans for more.

2015 GLOBAL AIR-RAIL CONFERENCE

VIA Rail, along with UP Express and Greater Toronto Airports Authority proudly hosted the 2015 GlobalAir-Rail Conference in Toronto. With representatives from international railways and airlines, the yearly event is dedicated to the growing passenger inter-modality segment between air and rail. It is a time for the two industries to come together and discuss new ideas to improve all aspects of travel for the passenger.

ENHANCING THE TRAIN EXPERIENCE

Taking the train is, in itself, one of the most relaxing ways to travel. The on-board experience is part of the romanticism of train travel. Thanks to our station and on-train staff, our customers have let us know that they feel cared for, which is one of the key reasons they choose to travel with us. We also recognize the importance of keeping our train equipment and services updated and customer-centric. We continuously listen to feedback from both our passengers and our staff and make ongoing improvements to the train travel experience.

OUTSTANDING RESULTS ON REGIONAL ROUTES

2015 was a great year in terms of revenue for all of our services, but the results for the Regional trains were particularly noteworthy with an almost 20 % increase in revenue compared to the previous year.

Our Regional service covers three main train routes: Winnipeg – Churchill, Montréal – Senneterre and Jonquière, and Sudbury – White River. New customer-centric changes were incorporated to these services a couple of years ago. Of these, the changes that were most appreciated by our travellers were further improved upon and reintroduced in 2015.

To improve the peak season experience on the Winnipeg-Churchill route, a cook was added to prepare fresh meals on all trains, and a Park car (a place where passengers can relax and enjoy the view) was added to certain departures. The peak season was extended to a full five months so that our clients could enjoy these advantages for almost half of the year.

In the Senneterre / La Tuque region, community tourism initiatives were activated and succeeded in increasing visitors to the area and generating positive media attention. In fact, more communities have approached VIA Rail with interest to develop similar programs in their areas in the coming year.

Finally, in Sudbury – White River, a much appreciated meal service was launched in May 2015.

All of these projects contributed to the amazing results for our Regional service.

The elegance of Prestige class

In 2015, our new Prestige class cars and service was launched. This new class is a unique travel experience which includes a personalized concierge service, refined and comfortable cabins with a double bed, an ensuite bathroom (with shower) and upgraded amenities. Customer and employee reaction has been very positive and the Prestige cars are exceeding expectations. Following the gradual launch, a series of retrofits are underway to further improve the service. The work will be completed quickly, allowing for all Prestige cars to be available for the next peak season during summer 2016.

CALLING ALL FOODIES

New Business class menus

To offer novelty and diversity, new Business class breakfast, lunch and dinner menus were introduced in the Québec City – Windsor corridor. The number of menus was also increased, which is a benefit to our regular and returning customers. As well, a new cold meal option was introduced.

Re-designed menus for long distance and remote trains

The reaction of passengers to the addition of snack options to our Sudbury – White River remote train service was very favourable. In addition, our Jasper – Prince-Rupert line benefitted from increased meal selection options.

On the *Ocean* train between Montréal and Halifax, as well as the Jonquière and Senneterre trains, hot meal selections were added and the menu cycling was increased to benefit returning passengers on the *Ocean*. Meanwhile, the menu on the *Canadian*, running between Toronto and Vancouver, was also re-vamped with added meal selections.

"My recipe in Business class" contest

A contest to introduce a new menu item to Business class in the Québec City – Windsor corridor inspired employees to submit their favourite original recipes. Two winners were chosen, and starting March 2016, Éric Thibault's *Chicken Curry with Apple, Pears and Cranberries* and Elsie Lepp's *Marbella Chicken* will be featured among the menus on-board.

Éric, Senior Service Attendant (left), and Elsie, Service Manager (right), present their winning recipes to our on-board food supplier (Gate Gourmet) with executive chef David Tushingham

Business class option for shorter routes

VIA Rail introduced new Business class options on certain shorter trips in the Québec City - Windsor corridor for passengers departing from and bound for cities including Alexandria, Cornwall, Brockville, Kingston, Belleville, Cobourg, Oshawa, Chatham and Drummondville. These initiatives were put in place in response to requests received from passengers to enhance our service offering in these areas.

Car Refurbishments

Our Economy class Light, Rapid, Comfortable (LRC) cars, used in the busy Québec City-Windsor corridor, have been undergoing an overhaul. At the end of 2015, 38 of 71 cars were refurbished with an estimated completion date of summer 2017 for the remaining cars. The majority of the refurbishment is being done at VIA Rail's Montréal Maintenance Centre (MMC).

Along with the LRC cars, the MMC crew began work on 14 Renaissance cars which will be upgraded and put into service on the *Ocean*, between Montréal and Halifax. To date, one car is completed and the second is underway with the remaining 12 cars slated for completion by 2017.

OPTIMIZING OUR OPERATIONS

In keeping with our commitment to be responsible in the use of taxpayer money and reduce the Corporation's dependency on Government funding, VIA Rail's strategy is to complement initiatives on the revenue side of the ledger – attracting more people to our trains – with a focus on reducing costs while optimizing performance and value creation. Identifying, managing and mitigating risks is another top priority.

ON-TIME PERFORMANCE

Despite improvements of our On-Time Performance (OTP) in the second half of the year, our performance remains below historical averages. Increased freight traffic across the whole network and infrastructure work conducted within the Québec City – Windsor corridor and elsewhere largely explain the low OTP for the year. Other causes for delays included mechanical issues triggered by severe winter weather conditions at the beginning of the year and a freight derailment in March which caused a disruption to the Western long distance service.

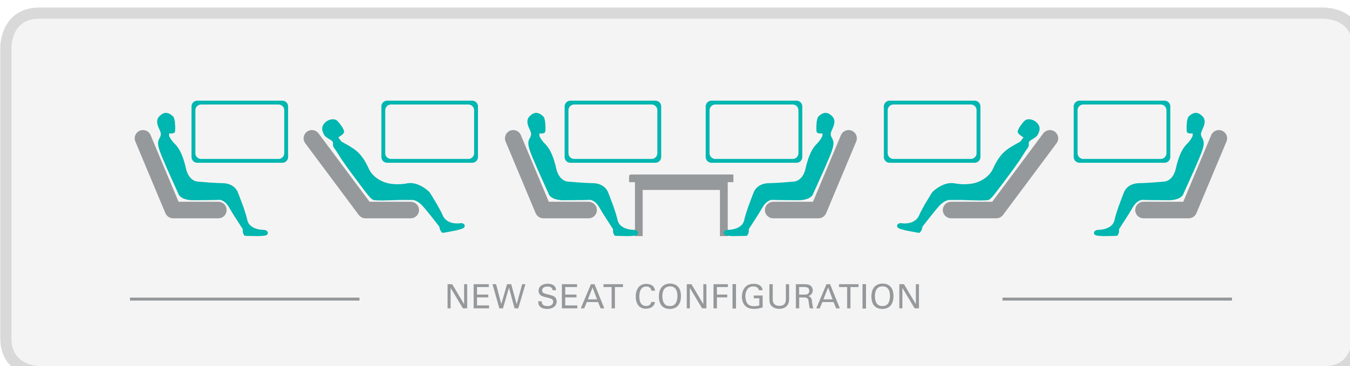
Low OTP is a source of frustration to both VIA Rail and our passengers, and would largely disappear with the creation of a dedicated passenger rail line. To read more about our dedicated passenger rail project, please see p.14 of this report.

EXPANDING OUR NETWORK

VIA Rail acquired the Brockville Subdivision, consisting of 45 kilometers (28 miles) of single track between Smiths Falls and Brockville, Ontario. This acquisition increases the productivity and performance of our operations, and strengthens our rail network focused on passenger trains in the Ottawa region, where VIA Rail now owns more than 200 kilometers (140 miles) of track.

SEAT CONFIGURATION

VIA Rail debuted a new seat configuration which will soon allow us to operate more efficiently and add additional departures to our schedule with greater ease and with fewer operational constraints. Five Business class cars and 10 Economy cars with the new seating configuration are in service. This seat arrangement will be used in all of our refurbished LRC cars, to be completed by 2016. The configuration is the standard with commuter and intercity train operators globally and will allow us to enhance our schedule and provide more choice to our passengers.



INFRASTRUCTURE UPGRADES

This year, 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. In addition, we have installed state-of-the-art technology on our automatic warning devices in the Ottawa (Barrhaven) area where vehicle traffic is the highest, providing us wireless access to event recorder information and live camera access (CCTV) to monitor and avoid road traffic disruptions.

Throughout the duration of these construction projects, VIA Rail's community relations staff maintained ongoing dialogue with nearby residents and worked with colleagues across the organization to resolve all issues raised by members of the community and by local elected representatives.

In Southwestern Ontario, between Silver Junction and London, the installation of a centralized traffic control (CTC) system has been completed and is now operational. With this upgrade, we are proud to announce that all of the infrastructure owned by VIA Rail in the Québec City – Windsor corridor is equipped with the CTC system.

FOOD PROVISIONS IN CASE OF EMERGENCY

When train delays occur in the Québec City – Windsor corridor, we focus all of our efforts on resuming service as quickly and effectively as possible. In order to further improve the on-board experience and address passengers' needs during these times, we have reviewed our service recovery standards and implemented measures to ensure that there are ample supplies of snacks and refreshments on all Corridor trains.

SAFETY

Safety is VIA Rail's number one priority. We work hard to ensure that our passengers arrive safely at their destinations, that our employees work in a safe environment, and that the public is informed about safety around railways. Ongoing improvements to our practices and our Safety Management System (SMS) as well as the strengthening of our operational structure are reflections of the importance we place on safety.

Our approach to safety issues focuses on two key priorities: ensuring the safety of our operations and informing the Canadian public about safety around railroads. Operational safety information for the year is addressed below. Information about how VIA Rail promoted safety around the railroads was published earlier this year in our Sustainable Mobility Report, which can be found on our website.

ENSURING THE SAFETY OF OUR OPERATIONS

VIA Rail's SMS provides the framework to implement our Safety Policy and to comply with the *Railway Safety Act* and Safety Management System Regulations. It is also the reference for setting goals, planning and measuring safety performance. We regularly review the SMS and introduce changes and improvements as required.

To implement the SMS and continuously improve its performance, we foster a very strong safety culture. At the heart of all that we do is the engagement and contribution to safety of all VIA Rail employees in every train, station, maintenance facility and office. At VIA Rail, safety is a group effort and everyone's responsibility.

NEW SAFETY REGULATIONS

New SMS regulations under Transport Canada's *Railway Safety Act* were published on February 25, 2015 and have been in effect since April 1, 2015. The upgrade and optimization of VIA Rail's SMS was implemented as of October, 2015, ahead of Transport Canada's required timeline.

In order to achieve this goal, VIA Rail named one of its executive members to be accountable and created an SMS executive team to spearhead the project. As well, we assembled internal subject matter expert teams to ensure collaboration and consultation with employees, capitalizing on their expertise and knowledge to develop an efficient SMS. Furthermore, we called upon external experts to benchmark our SMS against leading practices within and outside the industry, in keeping with our commitment to go above and beyond mere compliance.

In 2015, VIA Rail successfully addressed the recommendations from Transport Canada's 2014 SMS audit, complied with revised and new SMS regulations, and maintained and fostered strong participation by all employees. In addition, we focused on the monitoring of day-to-day compliance, effectiveness and the evaluation of these within the SMS governance structure.

ENTERPRISE RISK MANAGEMENT

Following the appointment of an Enterprise Risk Management (ERM) Director, and the adoption of an ERM Policy in 2014, VIA Rail is continuing to take a proactive stance on safety by moving from a compliance-based to a risk-based approach.

VIA Rail's innovative and comprehensive approach to ERM was recognized with two awards in 2015: a Safety Award from the Railway Association of Canada and an ERM Award of Distinction from the United States' Risk Management Society. More about VIA Rail's ERM can be found in our new, Sustainable Mobility Report, published earlier this year on our website.

In 2015, VIA Rail continued to strengthen and enhance its Enterprise Risk Management framework, not only monitoring its key risks on a quarterly basis, but also staying alert to potential emerging risks that may affect its strategies. As an example, in light of worldwide events, VIA Rail, like many other organizations, reviewed and strengthened the management of cyber risk. The corporation also reviewed the effectiveness and efficiency of its risk management methods regarding other risks, such as the risk of fuel price fluctuations.

Anticipation and resiliency

During the year, VIA Rail started to complement its risk anticipation and prevention system with a revised approach to make the corporation more resilient. To that effect, it reviewed its models for emergency management planning purposes – a first step in the integration of all resiliency measures, from emergency situations to business continuity to crisis management.

Risk-aware culture

VIA Rail continued to implement a sound risk-aware culture throughout the corporation. The Chief Executive Officer and other chiefs regularly addressed employees on risk issues and underscored the importance of ERM for the achievement of VIA Rail objectives during management meetings. In addition, approximately 100 of the most senior managers of VIA Rail were trained in ERM. These substantial sessions also allowed managers to discuss and communicate on VIA Rail's operational risks. The outcome of those meetings will complement the management of our key risks.

IN-HOUSE GPS TRAIN SAFETY SYSTEM

VIA Rail is proud to be developing a new train safety system using GPS tracking – the first of its kind in Canada. The safety system – which is being developed in-house – will assist locomotive engineers by providing notifications of upcoming speed changes or restrictions, approaching changes in applicable rules and upcoming landmarks along the route.

VIA Rail has successfully completed the first live road test of its GPS Train Safety system in order to validate critical foundational system capabilities, accuracy, precision of real time GPS feed and track database in a real environment. This was a significant achievement and further development and testing of the system will continue in 2016.

Image from the the live road test of the GPS Train Safety System

WINTER PREPARATION PROGRAM

Following equipment reliability challenges caused by extreme weather last winter, VIA Rail launched an initiative to review the tools and processes used on our rolling stock in order to mitigate the impacts of harsh weather conditions. This initiative delivered strengthened preparation for the 2015-16 winter season. Reliability improvements have already been noted: the first major snowstorm hit the Québec City – Windsor corridor in December, with no major disruptions to our train service.

CENTRES OF EXCELLENCE

The winter preparation program is part of a larger initiative to improve overall equipment reliability. It comprises a review of the maintenance program and inspection procedures, the planning aspect of maintenance initiatives and projects, the material availability and other issues that may lead to reduced reliability. A diagnostic phase was launched at the Montréal Maintenance Centre, followed by an implementation phase in the second half of the year. In addition, an initiative was launched at the Toronto Maintenance Centre in the second half of the year to improve the train yard logistics and efficiency. Over the year, reliability results have improved by 4 per cent on a per million-miles basis compared to the previous year.

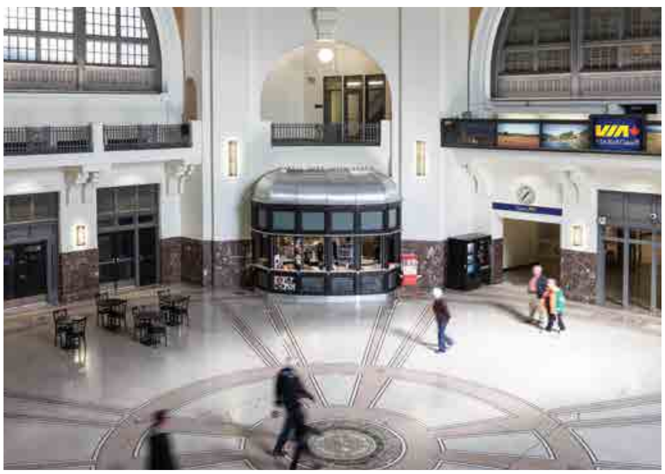
AWARDS

2015 PRESERVATION AWARD FOR WINNIPEG'S UNION STATION

At the 30th Annual Preservation Awards on February 16, Heritage Winnipeg honoured VIA Rail for its work and vision to preserve its historic Winnipeg Union Station, built in 1911. The Corporation and its architecture partner were recognized for their leadership in the restoration of the historic rotunda, the enhancement of the passenger area and the expansion of the exterior at the back entrance, strengthening the connection of the building to the Forks and Saint Boniface.

VIA RAIL'S RISING STAR

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.

AWARDS FOR VIA RAIL'S ENTERPRISE RISK MANAGEMENT SYSTEM

Railway Association of Canada Safety Award

A Safety Award from the Railway Association of Canada recognized VIA Rail for its "ERM system designed to proactively address potential safety risks." Our Enterprise Risk Management framework was honoured for its success in identifying and assessing key risks, which aided in the development and adoption of proactive measures to prevent potential incidents and implement corrective measures.

International recognition in risk management

Denis Lavoie, Director of Enterprise Risk Management at VIA Rail, was shortlisted as finalist for a 2015 Global Risk Awards in the category of Risk Management Newcomer of the Year by the London-based Institute of Risk Management, the leading professional body for risk management. This achievement is a nod from the renowned group confirming that VIA Rail is doing a remarkable job in seizing opportunities for growth while anticipating and alleviating risk wherever and whenever possible.

Risk Management Society: Honourable Mention

An honourable mention for the ERM Award of Distinction was presented to VIA Rail by the Risk Management Society (RIMS) – the preeminent organization dedicated to advancing the practice of risk management. Stating that VIA Rail's program demonstrates the tangible value that ERM brings for both strategy-setting and strategy execution, RIMS' recognition confirmed that the corporation is successfully managing risks and developing a risk appetite and tolerance framework that will help support its future success.

Denis Lavoie accepts the Honourable Mention from RIMS

EXCELLENCE IN MARKETING: PRIX MÉDIA INFOPRESSE

Best use of search engine award

This prize was awarded in recognition of VIA Rail's competitive and targeted search engine program, which highlighted the benefits and advantages of travelling with VIA Rail to anyone searching for Canadian travel options online.

Grand prize: Public services

This prize was awarded in recognition of VIA Rail's Back-to-School campaign, which targeted students in a fun and engaging way. The campaign, which garnered impressive revenue results, was celebrated for its creative and accessible approach geared to the youth market.

MEDIA INNOVATION AWARD

VIA Rail was presented the Bronze Award by Marketing Magazine in the category of "Niche Marketing, Best in Search" for its competitive and targeted approach to search engine optimization. People searching online for travel within Canada received targeted messages displaying the benefits and advantages of travelling with VIA Rail.

SUSTAINABLE MOBILITY REPORT

Sustainable mobility is an integral part of who we are and how we have always conducted our business. Last year, we reported our actions with regard to corporate social responsibility in our Annual Report. In 2016, VIA Rail published a 2015 Sustainable Mobility report which expanded on our activities and detailed our future objectives. The following is a brief overview of our pillars of Sustainability. For more information, the full report can be found on our website.

PILLARS OF SUSTAINABLE MOBILITY

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

Our Six Sustainability Pillars

1 **Provide the Best Customer Experience:** by ensuring a reliable, affordable and accessible service for our customers that enables them to experience Canada in a unique way

2 **Support Socio-Economic Development:** by using public funds efficiently and effectively, while contributing to Canada's economy by providing access and connectivity to a sustainable transportation system

3 **Operate Safely and Efficiently:** by embedding a culture where safety is everyone's first and foremost concern.

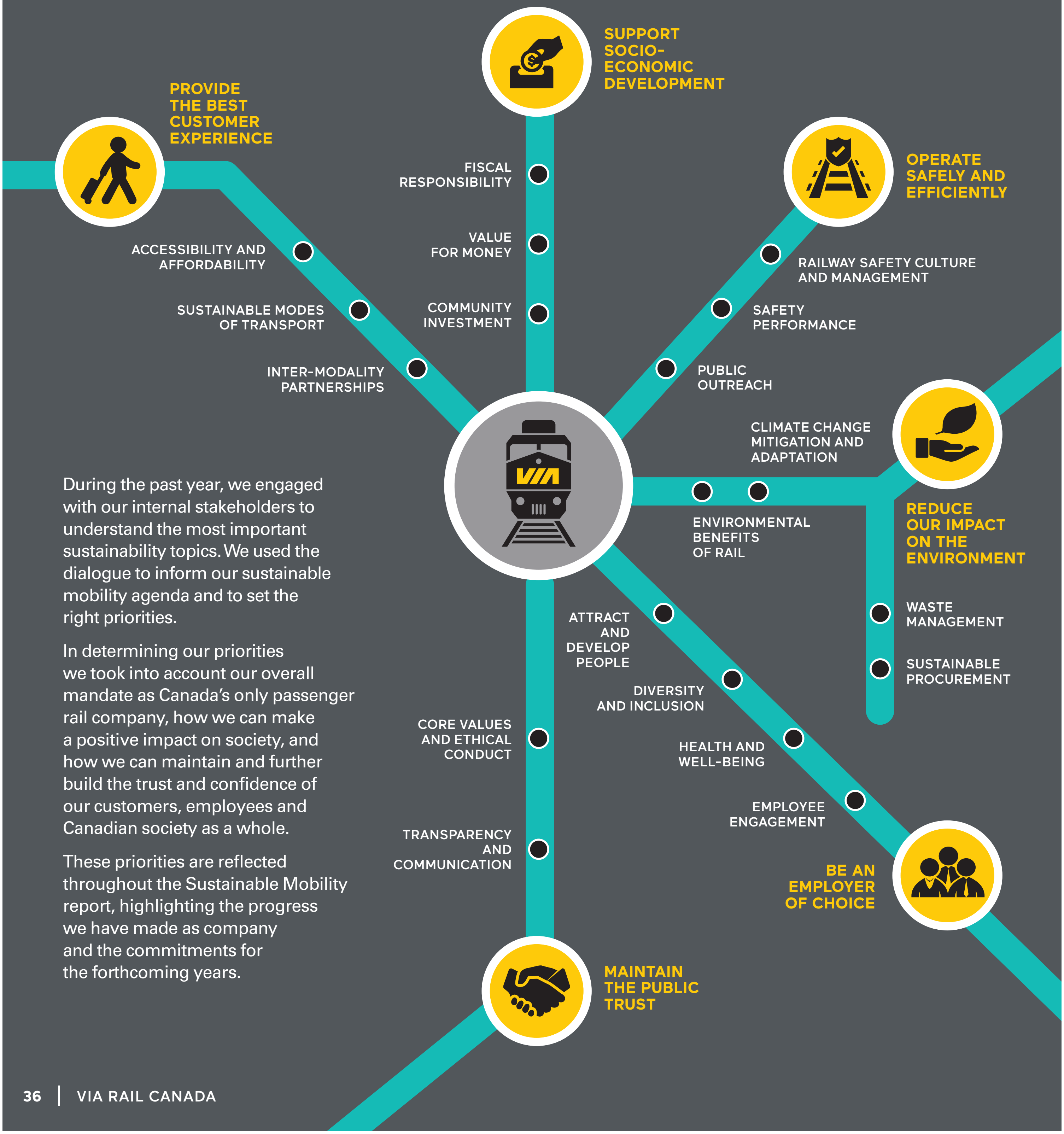
4 **Reduce our Impact on the Environment:** by being the preferred greener travel choice for Canadians, while reducing our emissions per passenger and increasing our resource efficiency

5 **Be an Employer of Choice:** by supporting a workplace where each employee feels recognized and rewarded for being of service to passengers, to each other, and to the communities VIA Rail serves

6 **Maintain the Public Trust:** by ensuring transparency, accountability and integrity in everything we do, while engaging and consulting stakeholders on their viewpoints

REFINING OUR PILLARS AND PRIORITIES

The priorities we have set for ourselves were created to help focus our efforts on the issues that matter most to our stakeholders and to define where we can create the greatest societal value.



During the past year, we engaged with our internal stakeholders to understand the most important sustainability topics. We used the dialogue to inform our sustainable mobility agenda and to set the right priorities.

In determining our priorities we took into account our overall mandate as Canada's only passenger rail company, how we can make a positive impact on society, and how we can maintain and further build the trust and confidence of our customers, employees and Canadian society as a whole.

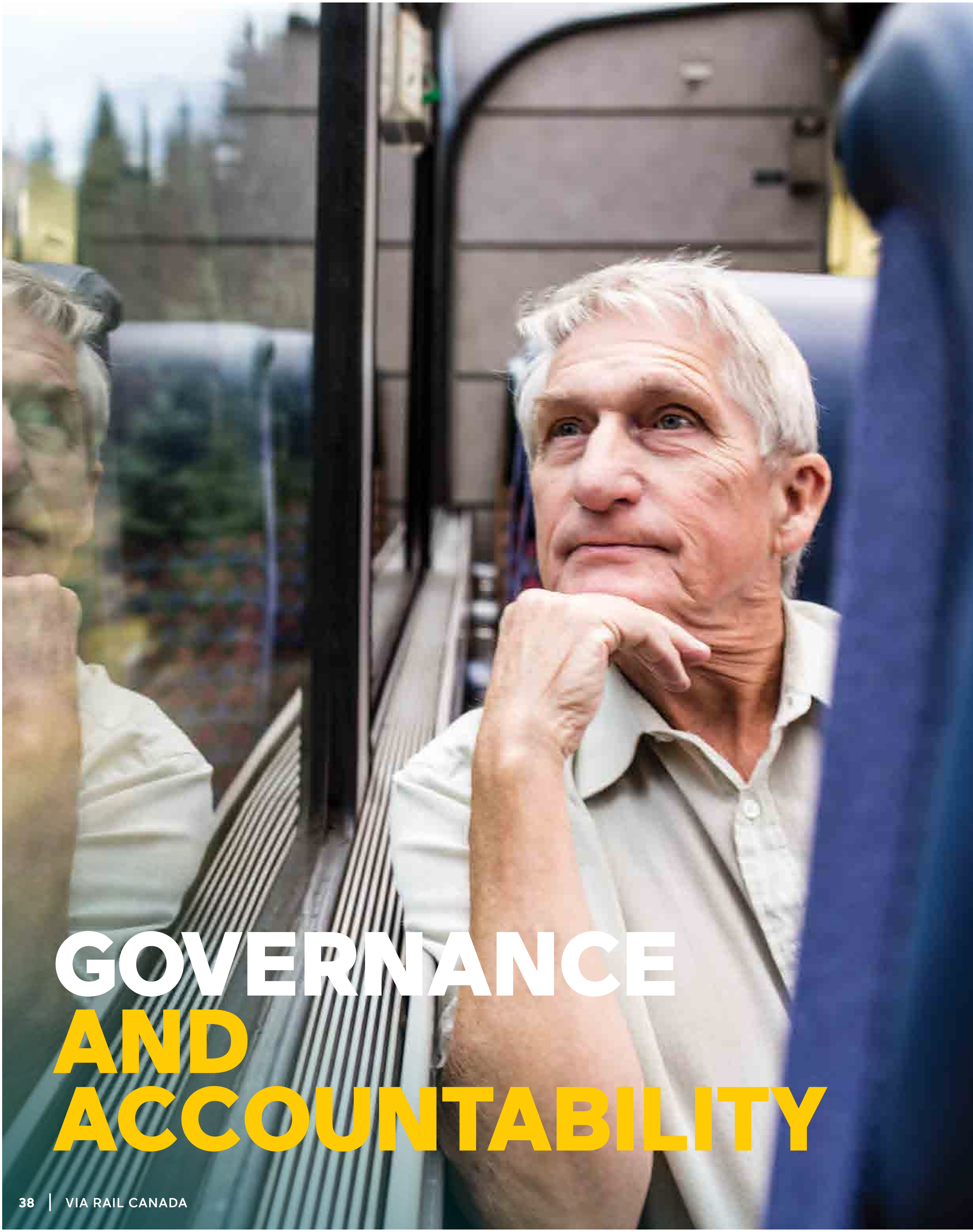
These priorities are reflected throughout the Sustainable Mobility report, highlighting the progress we have made as company and the commitments for the forthcoming years.

ENVIRONMENT

VIA Rail Canada Inc. has defined processes within its Environmental Management System to evaluate the environmental impact of its projects and activities, if any, and to determine if the environmental impacts are likely to cause significant adverse environmental effects.

In 2015, all new projects, new initiatives and activities were assessed using VIA Rail's Hazard Assessment and Risk Control Strategies (HARCS) process. This process is implemented by the project manager at the planning phase to identify and assess environmental risks and to identify appropriate controls to mitigate the risks, as required. In addition to the HARCS process, VIA Rail's Environmental Evaluation Checklist and process were used for projects and initiatives larger in scope. As a second step, an evaluation of the environmental impacts of projects is performed, when required, to identify the environmental impact, determine if any had significant effects on the environment and to implement appropriate mitigation measures.

In 2015, VIA Rail did not carry any project or activity that generated significant adverse environmental effects. Major projects for 2015 consisted of the initiation of the demolition and construction of a train station on existing railway property and of regular maintenance and repair activities of railway bridges. In all cases, VIA Rail processes were followed, environmental evaluations were completed, identification and implementation of appropriate mitigation measures were performed as per project plan and assessment report, and appropriate permits received.



GOVERNANCE AND ACCOUNTABILITY

THE BOARD OF DIRECTORS

The Board of Directors consists of the Chair, the President and Chief Executive Officer and nine directors appointed by the Government of Canada. Of the ten directors (not including the CEO of VIA Rail), 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 Honourable Marc Garneau, Minister of Transport.

The Corporation's Board of Directors and management are always seeking ways to provide Canadians with greater insights into the management of its affairs. VIA Rail regularly publishes information on executive compensation, statistics on the performance of its railway passenger services and on the Board of Directors' governance policies. This information can be found in the Governance and Reports section of our website, under the following headings: Annual Reports, Quarterly Reports and Board of Directors.

During 2015, nine Board meetings were held. The four different Board committees met a total of twenty-seven (27) times. The overall average attendance rate of Board members at these meetings was 90 %. Cumulative fees paid to Board members during this time period totaled $181,476.

COMMITTEES OF THE BOARD*

AUDIT & FINANCE

Mowat, Jane (Chairperson)
Durand, Denis
Materi, Ramona
Sonberg, Melissa

HUMAN RESOURCES

Hoff, David (Chairperson)
Materi, Ramona
Robinson, Deborah
Sergieh, Hind
Sonberg, Melissa

GOVERNANCE, RISK & STRATEGY

Mallory, Stephen (Chairperson)
Hoff, David
Robinson, Deborah
Sergieh, Hind
Wheatley, William

PENSION INVESTMENT

Durand, Denis (Chairperson)
Mallory, Stephen
Mowat, Jane
Wheatley, William

*Interim Chairman Eric Stefanson is an ex officio member of all Committees

ACCESS TO INFORMATION AND PRIVACY

VIA Rail believes that openness and transparency are the starting points in building a relationship of trust with its customers, partners and the public in general. VIA Rail has continuously improved its practices related to access to information as provided in the *Access to Information Act* and the *Privacy Act*, to which VIA Rail became subject in 2007.

In the spring of 2015, VIA Rail submitted its 2014-2015 annual reports on access to information and privacy, respectively, to the Access to Information Commissioner and the Privacy Commissioner, as well as to the Minister of Transport.

VIA Rail has been committed to responding to information requests from the public, the media and all those interested in our operations in a timely manner. From April 1, 2014, to March 31, 2015, VIA Rail received 64 new requests under the *Access to Information Act* and the *Privacy Act*. This compared to a total of 72 requests received during the corresponding period from April 2013 to March 2014.

TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES

THE FOLLOWING TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES WERE SUBMITTED DURING 2015:	
Eric Stefanson Interim Chairman of the Board	$8,315
Yves Desjardins-Siciliano President and CEO	$63,672
Executive management committee (7 members)	$107,969
Board of Directors (9 members)	$31,091
Total VIA Rail	**$990,012**

EXECUTIVE COMPENSATION

2015 EXECUTIVE COMPENSATION RANGE DISCLOSURE[1]		
Cash Compensation[2]	**President and CEO**	**Officers**
Base Salary Range	$255,200 - $300,200	$187,000 - $300,000
Incentive Program Range	13 % - 26 %	35 % - 50 %
Total Compensation Range per Calendar Year	$288,376 - $378,252	$252,450 - $450,000

PERQUISITES PROGRAM		
Car Allowance	$40,000	$24,000
Social, Sport Club Memberships		
Health Care Spending Account		
Comprehensive Medical Exams		
Financial Planning Services		

1 On December 31st, 2015, Executives were: President and Chief Executive Officer, Chief Commercial Officer, Chief Transport and Security Officer, Chief Asset Management Officer, Chief Financial Officer, Chief Business Transformation Officer, Chief Human Resources Officer, and Chief Legal & Risks Officer and Corporate Secretary.

2 The Cash Compensation does not report the actual salary and incentives paid to Executives but merely the range for their respective positions.

DIRECTORS' BIOGRAPHIES

ERIC STEFANSON

WINNIPEG, MANITOBA

Interim Chairman, VIA Rail Canada
Ex officio member of all Board committees

Board member since January 2007

Mr. Stefanson is a corporate director and Chartered Accountant, who has served in a number of senior roles in the private sector and held elected office at both the municipal and provincial levels. After launching his career as a partner in the accountancy firm Stefanson and Lee, he entered politics, serving as a Winnipeg City Councillor and as Deputy Mayor. Mr. Stefanson subsequently was elected a Member of Manitoba's Legislative Assembly and held a number of senior Cabinet posts, including Minister of Health, Deputy Premier, Minister of Finance, Chair of the Treasury Board and Minister of Industry, Trade and Tourism. He later joined the Assante group of companies, serving initially as Chief Operating Officer of Assante Asset Management Ltd. and then Chief Financial Officer of Assante Canada. Mr. Stefanson also was Managing Partner, Central Canada Region, for BDO Canada LLP Chartered Accountants and Advisors. He currently chairs the Audit Committees of the boards of the North West Company and of FWS Holdings Limited, while also serving as a director of People Corporation and Chair of the Investment Committee of the Winnipeg Civic Employees' Benefits Program. Mr. Stefanson received a Bachelor of Arts degree from the University of Manitoba and is a Fellow of the Chartered Accountants of Manitoba.

DENIS DURAND

MONTRÉAL, QUÉBEC

Chairman - Pension Investment Committee
Member - Audit & Finance Committee

Board member since June 2008

Mr. Durand is a partner at Jarislowsky Fraser Ltd., a leading Montréal-based investment counselling firm that manages pension and endowment funds as well as corporate and private portfolios for clients in North America and overseas. He began his career with the Government of Québec, first as an economist and then as a financial analyst, before joining Jarislowsky Fraser as a manager and associate, a position he held from 1981 to 1988. After five years as President and Investment Director at Gentrust Investment Counsellors, where he launched an international fund and a pioneering stock-savings plan fund, Mr. Durand returned to Jarislowsky Fraser in 1993 as a partner. A former Vice-Chair and member of the board of CARE Canada, he currently serves as President of the *Association des économistes Québécois*. He also served as an Honorary Lieutenant-Colonel for the Regiment de Maisonneuve from 2008 to 2011. Mr. Durand holds a Bachelor's degree from *Université Laval* and is working towards a Master's degree in Economics.

RAMONA MATERI

VANCOUVER, BRITISH COLUMBIA

Member - Audit and Finance Committee;
Human Resources Committee

Board member since October 2012

Ms. Materi is the founder and President of Ingenia Consulting, with a mission to provide labour market research and human resources strategic planning to governments and business. Under her leadership, the firm has carried out assignments across Canada and in the United States and Vietnam. Ms. Materi serves on the Small and Medium Sized Enterprise Advisory Board to the Minister of International Trade. She is a member of the Vancouver Board of Trade and the Institute of Corporate Directors, and is a past Director of the Canadian Society for Training and Development. Ms. Materi writes frequently on business issues and is the author of a book on doing business in Northern British Columbia. Ms. Materi holds a Master of Public Affairs from the University of Texas at Austin, a Master of Education from Athabasca University and a Diploma in Environmental Science from Capilano University. She completed graduate studies in economics at the *Institut de Hautes Études Internationales et du Développement* in Geneva.

JANE MOWAT

TORONTO, ONTARIO

Vice-Chairperson, VIA Rail Canada
Chairperson - Audit & Finance Committee
Member - Pension Investment Committee

Board member since September 2013

Ms. Mowat is a former information technology executive who, since 2003, has worked as an independent consultant, advising clients on acquisitions in the software industry, as well as providing advice on corporate finance, borrowings and business valuations. She previously served as Chief Financial Officer of Centrinity, a TSX-listed software company, from 2001 to 2003, General Manager of IBM's financing business in Canada and the United States, from 1996 to 2000, and as Chief Financial Officer of ISM Information System Management Corporation from 1990 to 1995. Ms. Mowat has considerable governance experience, having served on the boards of both private and public companies, including Allstream, Coventree Inc. and Centrinity. She holds a Bachelor of Commerce degree from the University of Toronto and earned her Chartered Accountant designation while employed with Price Waterhouse.

DAVID HOFF

VANCOUVER, BRITISH COLUMBIA

Chairman - Human Resources Committee
Member - Governance, Risk & Strategy Committee

Board member since January 2007

Mr. Hoff is Senior Vice-President, Corporate and Marketing Communications and Public Affairs, for Ledcor, an employee-owned construction, resource and transportation conglomerate with corporate offices in Vancouver and San Diego, CA and operations across North America. He previously served as Senior Director, Provincial Government Relations, Western Canada, for Bell Canada and Bell Mobility, and as CIBC's Regional Director, Corporate Communications and Public Affairs for Western Canada. Earlier in his career, Mr. Hoff held the posts of Executive Assistant to the President of the Treasury Board and Policy Advisor, Asia, Africa and Development, to the Minister of Foreign Affairs, and also worked as a consultant. Active in community circles, he currently serves on the boards of two non-profit organizations, the Vancouver Board of Trade and the Jack Webster Foundation, and is a former member of the boards of the University of Calgary, KCTS – PBS TV (Canada), Save the Children Canada, and the Vancouver Economic Development Commission. He holds a Bachelor of Science degree from the University of Calgary.

STEPHEN MALLORY

TORONTO, ONTARIO

Chairman - Governance, Risk & Strategy Committee
Member - Pension Investment Committee

Board member since December 2012

Mr. Mallory is President and CEO of Directors Global Insurance Brokers Ltd., a Toronto based firm which provides commercial insurance brokerage and enterprise-risk-management services for organizations located across Canada and internationally. He previously held senior leadership positions within two of Canada's largest insurance brokerages, including as CEO. Prior to serving on the board of VIA Rail, he served as a director with the Standards Council of Canada, also a Federal Crown Corporation. He completed the Directors Education Program at Rotman Business School / University of Toronto, and he holds a Bachelor of Arts degree from the University of Western Ontario, as well as the CRM (Canadian Risk Management) and FCIP (Fellow, Chartered Insurance Professional) designations. Mr. Mallory has been member of the CSA Canadian Risk Management Mirror Committee TC 262 since 2011, and is an Instructor for the Institute of Corporate Directors, DEP / ICD.D program.

DEBORAH ROBINSON
TORONTO, ONTARIO

Member - Governance, Risk & Strategy Committee; Human Resources Committee

Board member since June 2014

Ms. Robinson is the founder and President of Bay Street HR, a human-resources outsourcing service provider to small and mid-sized financial and professional firms. She previously was Executive Director at CIBC World Markets, where she oversaw human resources for global Investment Banking, Merchant Banking and Loan Products. She also held senior HR positions at Fidelity Investments and American Express in the United States. Ms. Robinson is a former member of the Board of Directors and Chair of the Human Resources Committee of Frontline Technologies Inc., a TSX-listed company. She currently serves as a member of the Board and Chair of the Human Resources and Governance Committee of Best Buddies Canada, a non-profit charitable organization. A graduate of the Directors Education Program at the Institute of Corporate Directors, Ms. Robinson holds the ICD.D designation.

HIND SERGIEH
MONTRÉAL, QUÉBEC

Member - Governance, Risk & Strategy Committee; Human Resources Committee

Board member since December 2012

Ms. Sergieh is the founder and President of the Sergieh Group, a Montréal-based consultancy that provides strategic marketing advice and business development plans to Canadian companies interested in expanding to overseas markets, particularly the Gulf region. Prior to founding the Sergieh Group in 2006, she held a number of leadership positions in international firms, with responsibilities ranging from recruitment to project management and business strategies. Ms. Sergieh is a member of the Board of Directors of Québec's *Office de la Protection du Consommateur*, an organization that informs, educates and investigates complaints from consumers, and has contributed to the development of the Association of Québec Women in Finance. She holds a Bachelor's degree in Administration, specializing in finance, as well as a certificate in marketing from McGill University.

MELISSA SONBERG

MONTRÉAL, QUÉBEC

Member - Audit and Finance Committee; Human Resources Committee

Board member since June 2014

Ms. Sonberg was a founding executive of Aeroplan, now known as AIMIA, a global leader in customer loyalty management, where she subsequently served as Senior Vice-President, Human Resources and Corporate Affairs, and Senior Vice-President, Global Brand, Communications and External Affairs. She previously held a number of senior positions at Air Canada, which included representing the Canadian carrier at the Star Alliance, and she led the organizational redesign following the merger of Air Canada and Canadian Airlines. Ms. Sonberg began her career in human resources at the Royal Victoria and Montréal Neurological Hospitals. She currently is an Adjunct Professor, Desautels Faculty of Management at McGill University and Chairperson of Equitas – International Centre for Human Rights Education, and serves on the Boards and Committees of the McGill University Health Centre and Research Institute (MUHC), the University of Ottawa and Groupe Touchette. Ms. Sonberg holds a Bachelor of Science degree from McGill as well as a Master's degree from the University of Ottawa. She is a Certified Corporate Director (ICD.D), and in 2011 was awarded the Canadian Human Resources Executive (CHRE) designation.

WILLIAM M. WHEATLEY

REGINA, SASKATCHEWAN

Member – Governance, Risk & Strategy Committee; Pension Investment Committee

Board member since December 2007

Mr. Wheatley, now retired, most recently was Secretary, General Counsel and Managing Director of Greystone Capital Management Inc. He previously served as Senior Vice-President of Real Estate, Senior Vice-President of Administration and Chief Compliance Officer at Greystone. Earlier in his career, Mr. Wheatley was Chairperson of the Saskatchewan Securities Commission. He also served as Chief of Staff to the Minister of Justice and to the Minister of Finance for the province of Saskatchewan, and was President of Drope and Associates Realty. Mr. Wheatley currently is Vice-Chairperson of the Board of Directors of Saskatchewan Power Corporation. He holds two degrees from the University of Saskatchewan: a Bachelor of Law and a Bachelor of Commerce.

MANAGEMENT DISCUSSION AND ANALYSIS

This is a review of VIA Rail Canada's (VIA Rail) operations, performance and financial position for the quarter and year ended December 31, 2015, compared with the quarter and year ended December 31, 2014. It should be read in conjunction with the audited 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 year, 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 December 31				Years ended December 31			
IN MILLION OF CANADIAN DOLLARS	2015	2014	Var $	Var %	2015	2014	Var $	Var %
Passenger Revenues*	**68.5**	65.1	3.4	5.2 %	**275.0**	259.6	15.4	5.9 %
Total Revenues*	**75.3**	70.7	4.6	6.5 %	**297.8**	280.3	17.5	6.2 %
Operating expenses*	**132.2**	131.9	0.3	0.2 %	**520.0**	509.0	11.0	2.2 %
Employer contributions for employee benefits*	**12.9**	28.6	(15.7)	(54.9 %)	**57.8**	88.4	(30.6)	(34.6 %)
Total Operating expenses*	**145.1**	160.5	(15.4)	(9.6 %)	**577.8**	597.4	(19.6)	(3.3 %)
Operating Loss	**(69.8)**	**(89.8)**	**(20.0)**	**(22.3 %)**	**(280.0)**	**(317.1)**	**(37.1)**	**(11.7 %)**
Operating funding from Government of Canada	**69.8**	89.8	(20.0)	(22.3 %)	**280.0**	317.1	(37.1)	(11.7 %)
Non funded elements and other accounting adjustments								
Employee Benefits to be funded in subsequent years	**(10.8)**	26.9	(37.7)	(140.1 %)	**14.8**	58.9	(44.1)	(74.9 %)
Depreciation and amortization/ Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets	**(25.2)**	(15.4)	(9.8)	(63.3 %)	**(83.8)**	(72.0)	(11.8)	(16.4 %)
Amortization of deferred capital funding	**25.1**	15.1	10.0	66.2 %	**82.6**	70.4	12.2	17.3 %
Other	**(0.9)**	(8.3)	7.4	89.2 %	**(4.5)**	(8.4)	3.9	46.4 %
Net income (loss)	**(11.8)**	**18.3**	**(30.1)**	**(164.6%)**	**9.1**	**48.9**	**(39.8)**	**(81.4 %)**
Remeasurements of defined benefit plans	**6.0**	(26.8)	32.8	122.4 %	**35.8**	(108.3)	144.1	133.1 %
Total comprehensive income (loss)	**(5.8)**	**(8.5)**	**2.7**	**31.8%**	**44.9**	**(59.4)**	**104.3**	**n/a**

* Financial statement amounts were adjusted to reflect funded activities.

Revenues and sources of funding for the year

Year 2015

52 % Operating revenues
48 % Government operating funding

Year 2014

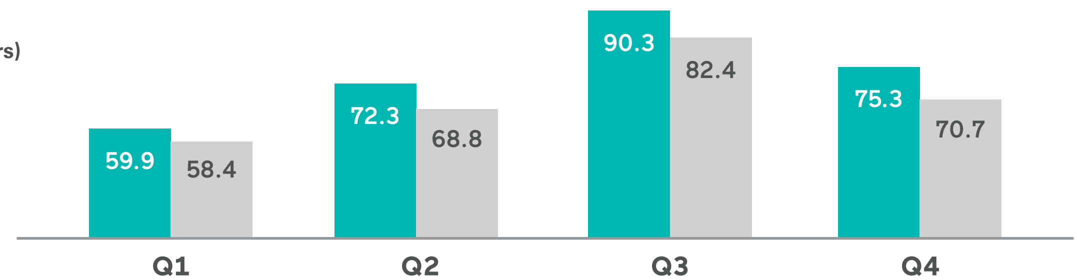
47 % Operating revenues
53 % Government operating funding

The following table shows financial data for the previous eight 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)

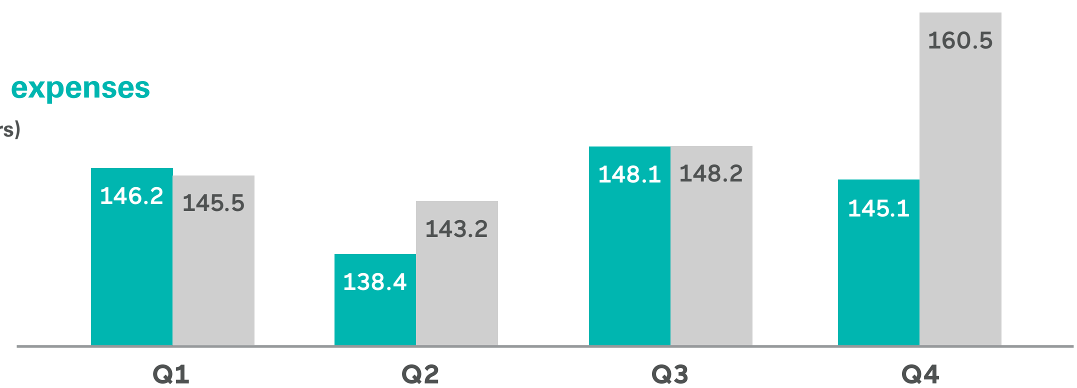
2015
2014



Quarterly operating expenses

(In Million of Canadian dollars)

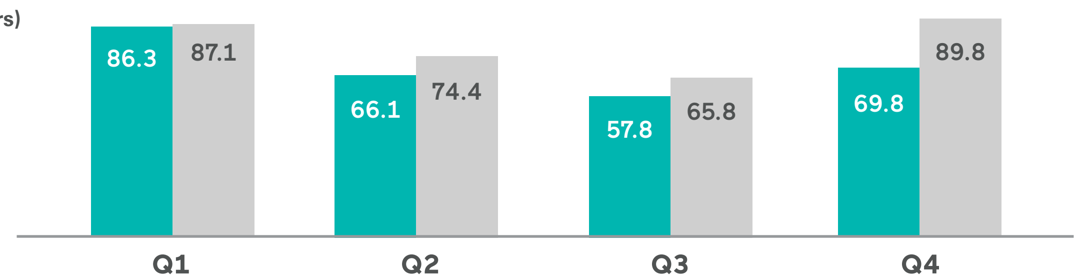
2015
2014



Quarterly operating deficit

(In Million of Canadian dollars)

2015
2014



The following sections of the document provide comments on the funded activities of the quarter and year ended December 31, 2015 (before non-funded elements and other accounting adjustments), compared to the fourth quarter and year ended December 31, 2014.

2. REVENUES

Operating revenues:

	Quarters ended December 31				Years ended December 31			
IN MILLIONS OF CANADIAN DOLLARS	2015	2014	Var $	Var %	2015	2014	Var $	Var %
Passenger Revenues	**68.5**	65.1	3.4	5.2%	**275.0**	259.6	15.4	5.9%
Other Revenues	**6.8**	5.6	1.2	21.4%	**22.8**	20.7	2.1	10.1%
Total Revenues	**75.3**	**70.7**	**4.6**	**6.5%**	**297.8**	**280.3**	**17.5**	**6.2%**

* Financial statement amounts adjusted to reflect funded activities.

Passenger revenues total $68.5 million for the quarter, an increase of 5.2 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 during 2015, as well as revenue increases in most major train services.

On a total year basis, revenues total $275.0 million, which represents an increase of 5.9 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. Another factor explaining this increase is the strong performance achieved on the *Canadian* due in most part to the success of the new Prestige class.

Other revenues total $6.8 million for the quarter, an increase of 21.4 percent compared to the corresponding quarter last year, and amount to $22.8 million for the year, an increase of 10.1 percent. This increase for the quarter and the year is attributable in most part to higher third party revenues and station revenues.

a) Passenger Revenues

	REVENUES (IN MILLIONS)*							
	Quarters ended December 31				Years ended December 31			
IN MILLIONS OF CANADIAN DOLLARS	2015	2014	Var $	Var %	2015	2014	Var $	Var %
Corridor East	**44.8**	43.2	1.6	3.7 %	**168.2**	159.9	8.3	5.2 %
Southwestern Ontario (SWO)	**10.9**	10.9	0.0	0.0 %	**40.7**	40.0	0.7	1.8 %
Corridor	**55.7**	**54.1**	**1.6**	**3.0%**	**208.9**	**199.9**	**9.0**	**4.5 %**
Ocean	**1.9**	1.9	0.0	0.0 %	**9.2**	8.5	0.7	8.2 %
Canadian	**6.6**	6.0	0.6	10.0 %	**44.0**	40.1	3.9	9.7 %
Regional Services	**1.2**	1.0	0.2	20.0 %	**4.7**	3.9	0.8	20.5 %
Non Corridor	**9.7**	**8.9**	**0.8**	**9.0%**	**57.9**	**52.5**	**5.4**	**10.3%**
Other	**3.1**	2.1	1.0	47.6 %	**8.2**	7.2	1.0	13.9 %
TOTAL	**68.5**	**65.1**	**3.4**	**5.2 %**	**275.0**	**259.6**	**15.4**	**5.9 %**

* Revenue amounts were adjusted to reflect funded activities

	PASSENGERS (IN THOUSANDS)							
	Quarters ended December 31				Years ended December 31			
	2015	2014	Var #	Var %	**2015**	2014	Var #	Var %
Corridor East	**675.4**	673.8	1.6	0.2 %	**2,626.5**	2,569.1	57.4	2.2 %
Southwestern Ontario (SWO)	**248.9**	258.0	(9.1)	(3.5 %)	**951.8**	996.9	(45.1)	(4.5 %)
Corridor	**924.3**	**931.8**	**(7.5)**	**(0.8%)**	**3,578.3**	**3,566.0**	**12.3**	**0.3 %**
Ocean	**17.7**	17.1	0.6	3.5 %	**79.8**	74.2	5.6	7.5 %
Canadian	**14.9**	14.9	0.0	0.0 %	**89.7**	93.8	(4.1)	(4.4 %)
Regional Services	**16.4**	14.7	1.7	11.6 %	**70.1**	66.1	4.0	6.1 %
Non Corridor	**49.0**	**46.7**	**2.3**	**4.9%**	**239.6**	**234.1**	**5.5**	**2.3%**
Total	**973.3**	978.5	(5.2)	(0.5 %)	**3,817.9**	3,800.1	17.8	0.5 %

For the quarter:

- Corridor East revenues are 3.7 percent above last year, and are due to the combination of higher average revenues and higher passenger volumes (0.2 percent), explained in part by new frequencies;
- Revenues in SWO remained stable, although average revenues increased by 3.7 percent, the increase was totally offset by the decline in ridership (3.5 percent);
- Revenues on the *Ocean* are the same as last year; the increase in ridership (3.5 percent) was totally offset by lower average revenues;
- Revenues on the *Canadian* have increased by 10.0 percent over the corresponding quarter last year. The performance is attributable in most part to improved average revenues (16.6 percent) in Sleeper and Prestige classes;
- Revenues on Regional services have also increased by 20.0 percent, and the increase is due to both higher average revenues (7.6 percent), and higher ridership (11.6 percent).

For the year ended December 31, 2015:

- Corridor East revenues are 5.2 percent above last year, due the combination of both increased ridership (2.2 percent), and higher average revenues (2.9 percent);
- Revenues in SWO have increased by 1.8 percent, as a result of higher average revenues (6.6 percent) partly offset by lower passenger volumes (4.5 percent);
- Revenues on the *Ocean* are 8.2 percent above last year, due to higher passenger volumes (7.5 percent) associated with increased capacity, as well as higher average revenues (0.6 percent);
- Revenues on the *Canadian* have increased by 9.7 percent compared to 2014. This performance is mainly attributable to higher average revenues (14.7 percent) partly offset by lower volumes (4.4 percent). The loss in ridership is attributable in most part to the cancellation of the Toronto-Winnipeg segment for a period of 39 days in March-April 2015;
- Revenues on Regional services have increased by 20.5 percent, mainly due to higher average revenues (13.6 percent), combined with increased ridership (6.1 percent).

3. OPERATING EXPENSES

	Quarters ended December 31				Years ended December 31			
IN MILLIONS OF CANADIAN DOLLARS	**2015**	2014	Var $	Var %	**2015**	2014	Var $	Var %
Compensation & employee benefits*	**60.4**	55.6	4.8	8.6 %	**228.9**	222.9	6.0	2.7 %
Train Operations & Fuel	**29.6**	30.8	(1.2)	(3.9 %)	**123.3**	124.6	(1.3)	(1.0 %)
Realized loss (gain) on derivative financial instruments	**2.9**	0.7	2.2	n/a	**8.5**	(0.3)	8.8	n/a
Income Tax (expense) recovery	**(0.5)**	0.3	(0.8)	n/a	**0.2**	0.8	(0.6)	(75.0 %)
Other operating expenses*	**39.8**	44.5	(4.7)	(10.6 %)	**159.1**	161.0	(1.9)	(1.2 %)
Total Operating expenses (before employer contributions for employee benefits)	**132.2**	**131.9**	**0.3**	**0.2 %**	**520.0**	**509.0**	**11.0**	**2.2 %**
Employer Contributions for employee benefits*	**12.9**	28.6	(15.7)	(54.9 %)	**57.8**	88.4	(30.6)	(34.6 %)
TOTAL FUNDED OPERATING EXPENSES	**145.1**	**160.5**	**(15.4)**	**(9.6 %)**	**577.8**	**597.4**	**(19.6)**	**(3.3 %)**

* Financial statement amounts adjusted to reflect funded activities.

Year 2015

- 40% Compensation and employee benefits ($228.9M)
- 10% Employer contribution for employee benefits ($57.8M)
- 21% Train operations and fuel ($123.3M)
- 6% Stations and property ($36.8M)
- 6% Maintenance material ($31.7M)
- 5% Marketing and sales ($30.7M)
- 3% On-train product costs ($17.2M)
- 9% Other ($51.4M)

Year 2014

- 37% Compensation and employee benefits ($222.9M)
- 15% Employer contribution for employee benefits ($88.4M)
- 21% Train operations and fuel ($124.6M)
- 6% Stations and property ($35.6M)
- 6% Maintenance material ($33.3M)
- 5% Marketing and sales ($31.9M)
- 3% On-train product costs ($15.7M)
- 7% Other ($45M)

For the quarter:

- Operating expenses before employer contributions for employee benefits increased by 0.2 percent and totaled $132.2 million for the quarter, the variance stemming from the following major elements:
  - Higher compensation and employee benefits with an increase of $4.8 million, due mainly to additional capacity deployed in 2015 and salary increases (including variable incentive plan);
  - Higher realized loss on derivative financial instruments, which increased by $2.2 million as a result of the impact of the hedging contracts for fuel (market fuel costs were lower than the contract prices);
  - Lower other operating expenses of $4.7 million with major variances due to:
    - Lower marketing and sales expenses, resulting from lower advertising costs
    - Lower maintenance material expenses, due in part to the fact that the 2014 expenses included an adjustment for obsolete inventory;
- Employer contributions for employee benefits decreased by 54.9 percent mostly due to lower past services contributions 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 and lower contributions to the supplemental executive retirement plan.

For the year ended December 31, 2015:

- Operating expenses before employer contributions for employee benefits increased by 2.2 percent and amounted to $520.0 million for the year, mainly as a result of:
  - Higher realized loss on derivative financial instruments which rose by 8.8 million due to the impact of the hedging contracts for fuel (market fuel costs were lower than contract prices);
  - Increase in compensation and employee benefit costs by 2.7 percent due to additional frequencies in 2015, annual salary increases and variable incentive plan;
  - Lower other operating expenses with the most significant decreases associated
    - lower marketing and sales expenses, resulting from lower advertising costs
    - Lower maintenance material costs (impact of the adjustment for obsolete inventory recorded in 2014);
- Employer contributions for employee benefits decreased by 34.6 percent mostly due to lower past services contributions 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.

4. GOVERNMENT FUNDING

	Quarters ended December 31				Years ended December 31			
IN MILLIONS OF CANADIAN DOLLARS	**2015**	2014	Var $	Var %	**2015**	2014	Var $	Var %
Operating funding from the Government of Canada	**69.8**	89.8	(20.0)	(22.3 %)	**280.0**	317.1	(37.1)	(11.7 %)
Capital funding	**29.3**	28.3	1.0	3.5 %	**97.9**	80.9	17.0	21.0 %
Total	**99.1**	118.1	(19.0)	(16.1 %)	**377.9**	398.0	(20.1)	(5.1 %)
Detailed funding from government								
Total funded revenues (section 2)	**75.3**	70.7	4.6	6.5 %	**297.8**	280.3	17.5	6.2 %
Total funded operating expenses (section 3)	**145.1**	160.5	(15.4)	(9.6 %)	**577.8**	597.4	(19.6)	(3.3 %)
Total funded operating loss	**69.8**	**89.8**	**(20.0)**	**(22.3 %)**	**280.0**	**317.1**	**(37.1)**	**(11.7 %)**

Operating funding decreased by $20.0 million (22.3 %) in the last quarter, and by $37.1 million (11.7 %) for the year. The decrease is the result of higher revenues and lower funded expenses as shown in sections 2 and 3.

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

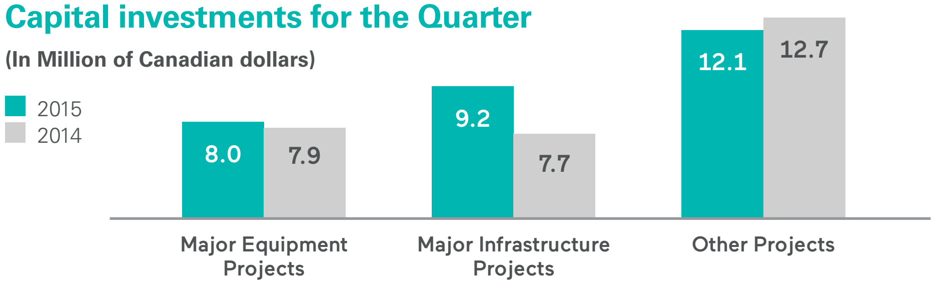
Capital funding is recorded as deferred capital funding in the statement of financial position. It is amortized and recognized as revenue over the same periods as the related property and equipment, and intangible assets are used in VIA Rail's operations.

5. CAPITAL INVESTMENTS

Fixed assets (net of accumulated depreciation) amounted to $1,274.6 million, a $14.1 million increase compared to the balance as at December 31, 2014.

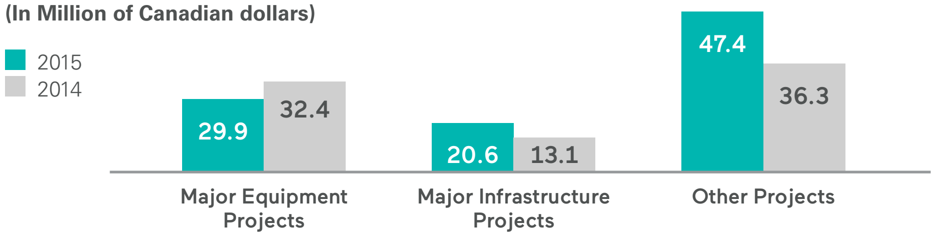
Capital investments for the Quarter

(In Million of Canadian dollars)



Capital investments for the Year

(In Million of Canadian dollars)



Capital investments totaled $29.3 million for the quarter, composed mainly of:

- Investments of $8.0 million made in Major Equipment projects, including $7.8 million for the LRC car fleet revitalization project, and $0.2 million for the HEP1 cars modernization program;
- Investments of $9.2 million made in Major Infrastructure projects including 2.5 million for the Guelph GEXR subdivision project, and $5.5 million for infrastructure between Montréal and Ottawa;
- An amount of $5.2 million invested in Information Technology during the quarter for projects such as the reservation system modernization and the workforce management system;
- Investments of $2.8 million were also made in Other Equipment projects during the quarter.

Capital investments for the year totaled $97.9 million and were made mostly in the following projects:

- Investments of $29.9 million in Major Equipment projects, including $25.9 million for the LRC car fleet revitalization, and $4.0 million for the HEP1 cars;
- A total of $20.6 million invested in Major Infrastructure projects, of which $6.9 million were for the GEXR Guelph Subdivision project, and $12.8 million invested in the infrastructure between Montréal and Ottawa;
- Investments of $22.3 million in Information Technology for projects such as the reservation system modernization, workforce management system and mobile application (door-to-door) projects;
- A total of $13.1 million invested in Other Infrastructure projects (including the acquisition of the CP Brockville).

6.CASH FLOW AND FINANCIAL POSITION

	Quarters ended December 31				Years ended December 31			
IN MILLIONS OF CANADIAN DOLLARS	2015	2014	Var $	Var %	2015	2014	Var $	Var %
Balance, beginning of the period / year	**13.4**	21.1	(7.7)	(36.5 %)	**13.9**	21.8	(7.9)	(36.2 %)
Net cash (used in) provided by operating activities	**3.1**	(9.0)	12.1	n/a	**10.1**	(16.1)	26.2	n/a
Net cash (used in) provided by operating activities	**(7.2)**	1.8	(9.0)	n/a	**(14.7)**	8.2	(22.9)	n/a
BALANCE, END OF THE PERIOD / YEAR	**9.3**	**13.9**	**(4.6)**	**(33.1 %)**	**9.3**	**13.9**	**(4.6)**	**(33.1 %)**

The Corporation's cash balance is $9.3 million as at December 31, 2015, which is $4.6 million below the balance as at December 31, 2014 and down $4.1 million compared to the balance as at September 30, 2015.

The decrease in cash for the quarter and the year is due to higher investment activities mostly due to acquisition of property, plant and equipment and intangible assets.

7. 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 regulations 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 implemented, on October 1, 2015, its enhanced Safety Management System (SMS) which is aligned with Federal Regulations and leading industry standards. This system provides the processes to systematically embed safety in our day to day operations.

INCREASING STABLE DECREASING

RISK	TREND	CURRENT SITUATION
SAFETY OF PASSENGERS, EMPLOYEES AND THE PUBLIC (CONT'D)		
		VIA Rail also 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 these 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, seven year after the coming into force of the regulations. As VIA operates on infrastructure which belongs to other carriers, it will have to rely on these other carriers for the execution of the work on their infrastructure. The Corporation has requested, in its 2016-2020 Corporate Plan, additional capital funding which will be used in part for the payment of these upgrades.
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 and pension 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.		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 examined the detailed results and prepared action plans to address the major elements for which survey results were the lowest. These plans will be implemented in 2016, and a new condensed survey will be completed in fall 2016 to monitor the improvement in engagement levels. VIA Rail has also put in place various initiatives such as hiring grids, 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 training and apprenticeship programs to ensure key technical knowledge is transferred to new employees. During the fourth quarter, a new training program called the "VIA leadership school" was developed and will be given to managers of all levels and departments of the Corporation. This program, which will be launched in the first quarter of 2016, will enable them to better understand the VIA vision and objectives, as well as provide them with tools and skills to accomplish their tasks and be better leaders.

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. This quarter again, these initiatives have allowed the Corporation to improve average fares, however ridership growth remains below expectations.
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 that saw major equity markets post losses and an interest environment that remains near record low levels, the pension fund asset performance remained positive for the year and lower funding requirements are projected for 2016 and 2017.

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.		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, and additional capital funding has been requested for the purchase of the new fleet. 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. On-time performance, despite improvements during the fourth quarter, continues to be below historical levels for both the quarter and the full year.		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 and key actions were 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

8. OUTLOOK

The performance of revenues for 2015 has been the best in recent years, and can be attributed to the Corporation's new offerings, as well as the initiatives to optimize capacity and pricing on key trains, which allowed the Corporation to improve average revenues while achieving a moderate growth in ridership.

However such revenue increases will be challenged in future years due mainly to continued on-time performance issues and insufficient daily frequencies on key markets which detract ridership. 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.

Although costs were contained in 2015, they 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, and can result in substantial additional costs.

Management continues to pursue cost reduction initiatives and efficiency gains through investments in information technology and process re-engineering to help offset these impacts. It has also formally requested additional funding to initiate the fleet renewal process to improve the customer experience and avoid the additional operating costs associated with an aging fleet.

FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY STATEMENT

YEAR ENDED DECEMBER 31, 2015

Management of the Corporation is responsible for the preparation and fair presentation of the financial statements contained in the Annual Report. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and necessarily include certain amounts that are based on management's best estimates and judgment. Financial information contained throughout the Annual Report is consistent with that in the financial statements. Management considers that the financial statements present fairly the financial position of the Corporation and its financial performance and its cash flows.

To fulfil its responsibility, the Corporation maintains systems of internal controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The external auditor, the Auditor General of Canada, has audited the Corporation's financial statements for the year ended December 31, 2015 and his report indicates the scope of his audit and his opinion on the financial statements.

The Audit and Finance Committee of the Board of Directors, consisting of independent Directors, meets periodically with the internal auditors PricewaterhouseCoopers, LLP and external auditors and with management, to review the scope of their audits and to assess reports on audit work performed. The financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit and Finance Committee.

Yves Desjardins-Siciliano
President and Chief Executive Officer

Patricia Jasmin, CPA, CA
Chief Financial Officer

Montréal, Canada
March 17, 2016

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Financial Statements

I have audited the accompanying financial statements of VIA Rail Canada Inc., which comprise the statement of financial position as at 31 December 2015, and the statement of operations and other comprehensive income, statement of changes in shareholder's (deficiency) and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of VIA Rail Canada Inc. as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of VIA Rail Canada Inc. that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and regulations, the articles and by-laws of VIA Rail Canada Inc., and the directives issued pursuant to section 89 of the *Financial Administration Act* described in Note 1 to the financial statements.

Maurice Laplante

Maurice Laplante, CPA auditor, CA
Assistant Auditor General
for the Auditor General of Canada

17 March 2016
Montréal, Canada

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As at December 31 (IN THOUSANDS OF CANADIAN DOLLARS)	**2015**	2014
CURRENT ASSETS		
Cash	**$ 9,318**	$ 13,872
Accounts receivable, trade	**9,913**	6,759
Prepaids, advances on contracts and other receivables	**4,722**	3,572
Receivable from the Government of Canada	**9,433**	16,805
Derivative financial instruments (NOTE 21)	**2,668**	1,760
Materials (NOTE 7)	**28,241**	21,836
Asset Renewal Fund (NOTE 10)	**7,780**	8,217
	72,075	72,821
NON-CURRENT ASSETS		
Property, plant and equipment (NOTE 8)	**884,806**	856,821
Intangible assets (NOTE 9)	**389,814**	403,722
Asset Renewal Fund (NOTE 10)	**873**	873
Post-employment and other employee benefits (NOTE 13)	**9,525**	2,326
	1,285,018	1,263,742
Total Assets	**$ 1,357,093**	$ 1,336,563
CURRENT LIABILITIES		
Trade and other payables (NOTE 11)	**$ 90,727**	$ 88,967
Provisions (NOTE 12)	**10,787**	14,752
Derivative financial instruments (NOTE 21)	**18,900**	13,864
Deferred revenues (NOTE 16)	**35,492**	34,535
	155,906	152,118
NON-CURRENT LIABILITIES		
Post-employment and other employee benefits (NOTE 13)	**51,940**	95,411
	51,940	95,411
Deferred capital funding (NOTE 15)	**1,263,122**	1,247,831
Shareholder's (deficiency)		
Share capital (NOTE 17)	**9,300**	9,300
Accumulated deficit	**(123,175)**	(168,097)
Shareholder's (deficiency)	**(113,875)**	(158,797)
Total liabilities and shareholder's (deficiency)	**$ 1,357,093**	$ 1,336,563

Commitments and Contingencies (Notes 18 and 24, respectively)

The notes are an integral part of the 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

FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

Year ended December 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2015	2014
REVENUES		
Passenger	**$ 275,166**	$ 258,118
Other	**22,772**	21,050
	297,938	279,168
EXPENSES		
Compensation and employee benefits	**272,828**	245,686
Train operations and fuel	**123,314**	124,555
Stations and property	**36,759**	35,563
Marketing and sales	**30,671**	31,866
Maintenance material	**31,737**	33,342
On-train product costs	**17,161**	15,691
Operating taxes	**9,687**	9,267
Professional services	**11,448**	10,324
Telecommunications	**11,594**	13,290
Depreciation and amortization (NOTES 8 AND 9)	**79,439**	68,838
Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets (NOTES 8 AND 9)	**4,374**	3,187
Unrealized net loss (gain) on derivative financial instruments	**4,128**	13,837
Realized loss (gain) on derivative financial instruments	**8,476**	(303)
Other	**9,684**	11,832
	651,300	616,975
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES	**353,362**	337,807
Operating funding from the Government of Canada (NOTE 6)	**279,981**	317,055
Amortization of deferred capital funding (NOTE 15)	**82,613**	70,445
Net income before income taxes	**9,232**	49,693
Income tax (expense) recovery (NOTE 14)	**(152)**	(760)
NET INCOME FOR THE YEAR	**9,080**	48,933
Other comprehensive income (loss)		
Amounts not to be reclassified subsequently to net income (net of tax):		
Remeasurements of defined benefit plans (NOTE 13)	**35,842**	(108,312)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**35,842**	(108,312)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**$ 44,922**	$ (59,379)

The notes are an integral part of the financial statements.

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN SHAREHOLDER'S (DEFICIENCY)

Year ended December 31 (IN THOUSANDS OF CANADIAN DOLLARS)	**2015**	2014
SHARE CAPITAL	**$ 9,300**	$ 9,300
Accumulated deficit		
Balance, beginning of year	**(168,097)**	(108,718)
Net income for the year	**9,080**	48,933
Other comprehensive income (loss) for the year	**35,842**	(108,312)
Balance, end of year	**(123,175)**	(168,097)
Total Shareholder's (deficiency)	**$ (113,875)**	$ (158,797)

The notes are an integral part of the financial statements.

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

Year ended December 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2015	2014
OPERATING ACTIVITIES		
Net income for the year	**$ 9,080**	$ 48,933
Adjustments to determine net cash (used in) provided by operating activities:		
Depreciation and amortization (NOTES 8 AND 9)	**79,439**	68,838
Impairment and loss (gain) on disposal of property, plant and equipment and intangible assets (NOTES 8 AND 9)	**4,374**	3,187
Amortization of deferred capital funding (NOTE 15)	**(82,613)**	(70,445)
Interest income	**(355)**	(669)
Change in fair value of financial instruments (Asset Renewal Fund) (NOTE 10)	**-**	(263)
Unrealized net loss (gain) on derivative financial instruments	**4,128**	13,837
Post-employment and other employee benefit expenses (NOTE 13)	**43,013**	29,506
Employer post-employment and other employee benefit contributions (NOTE 13)	**(57,841)**	(88,432)
Net change in non-cash working capital items (NOTE 19)	**10,882**	(20,609)
Net cash (used in) provided by operating activities	**10,107**	(16,117)
INVESTING ACTIVITIES		
Capital funding (NOTE 15)	**97,904**	80,877
Change in capital funding receivable from the Government of Canada	**(12,716)**	7,558
Acquisition of investments in the Asset Renewal Fund	**-**	(27,696)
Proceeds from sale and maturity of investments in the Asset Renewal Fund	**437**	31,643
Change in capital accounts payable and accrued liabilities	**(2,751)**	(3,046)
Acquisition of property, plant and equipment and intangible assets (NOTES 8 AND 9)	**(97,891)**	(81,763)
Interest received	**355**	669
Proceeds from disposal of property, plant and equipment and intangible assets	**1**	(10)
Net cash (used in) provided by investing activities	**(14,661)**	8,232
CASH		
Increase (decrease) during the year	**(4,554)**	(7,885)
Balance, beginning of year	**13,872**	21,757
Balance, end of year	**$ 9,318**	$ 13,872
REPRESENTED BY:		
Cash	**$ 9,318**	$ 13,872
	$ 9,318	$ 13,872

The notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31

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, it strives 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 its negotiating mandates with respect to collective agreements as well as 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 financial statements were approved and authorized for issue by the Board of Directors on March 17, 2016.

2. BASIS OF PREPARATION

a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except when a specific IFRS standard required fair values measurement as explained in the accounting policies below.

c) Functional and presentation currency

These 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 Corporation's financial statements and rounded to the nearest million in the notes to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Corporation are summarized as follows:

a) Funding from the Government of Canada

Operating funding, which pertains to services, activities and other undertakings of the Corporation for the management and operation of railway passenger services in Canada, is recorded as a reduction of the operating loss (See Note 6 for reconciliation). The funding is determined on the basis of operating expenses less commercial revenues excluding unrealized gains and losses on financial instruments, non-cash employee benefits, non-cash transactions relating to property, plant and equipment, intangible assets and deferred taxes, and is based on the operating budget approved by the Government of Canada for each year.

Funding for depreciable property, plant and equipment and intangible assets is recorded as deferred capital funding in the statement of financial position and is amortized on the same basis and over the same periods as the funded depreciable property, plant and equipment and intangible assets. Upon disposal of the funded depreciable property, plant and equipment and intangible assets, the Corporation recognizes into net income all remaining deferred capital funding related to the relevant assets.

Funding for non-depreciable property, plant and equipment is recorded as deferred capital funding in the statement of financial position and is amortized on the same basis and over the same periods as the related depreciable property, plant and equipment.

b) Revenue recognition

The consideration received from the sale of tickets is allocated between the points attributed under the loyalty program (VIA Préférence) and the passenger transportation service based on their relative fair values. The revenue is recorded as deferred revenue until the transportation has been provided or, in the case of the points, until they are redeemed for train tickets. The deferred revenue related to the loyalty program points is recorded as revenue based on the number of points that have been redeemed in exchange for train tickets, relative to the total number of points that are expected to be redeemed in exchange for train tickets. Deferred revenues are also recorded as revenues when it is no longer considered probable that the related loyalty program points will be redeemed. Other revenues that include revenues from third parties and investment income are recorded as they are earned. The change in fair value of the financial instruments held for trading other than a derivative financial instrument is recorded in other revenues.

c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the end of the reporting period. Gains and losses resulting from the changes in exchange rates are reflected in the statement of operations and other comprehensive income.

Non-monetary statement of financial position items as well as foreign currency revenues and expenses are translated at the exchange rate in effect on the dates of the related transactions.

d) Materials

Materials, consisting primarily of items used for the maintenance of rolling stock, are valued at the lower of weighted average cost and net realizable value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Property, plant and equipment

Property, plant and equipment are recorded at the acquisition or manufacturing cost, less accumulated depreciation and any accumulated impairment losses. When major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and are depreciated over their respective useful lives.

Maintenance and repair costs are recognized as follows:

i) Rolling stock:
Maintenance expenses incurred during the useful life of equipment (regular maintenance activities to maintain the asset in a good condition) are recorded as operating expenses.

The cost of periodic major overhaul programs are capitalized as a separate component and depreciated over its expected useful life.

ii) Fixed installations:
Maintenance and repair expenses (technical inspections, maintenance contracts, etc.) are recorded as operating expenses.

The costs of periodic major building repair programs are capitalized as a separate component and depreciated over its expected useful life.

Depreciation of property, plant and equipment is calculated on a straight-line basis, from the date they are available for use, at rates sufficient to depreciate the cost of property, plant and equipment, less their residual value, over their estimated useful lives except for leasehold improvements related to the lease of buildings and stations where the depreciation period is the shorter of the lease term or its estimated useful life. The estimated useful lives are as follows:

	Years
Rolling stock	**10 to 75**
Maintenance buildings	**15 to 75**
Stations and facilities	**10 to 50**
Owned infrastructure	**10 to 50**
Leasehold improvements	**10 to 40**
Machinery and equipment	**5 to 15**
Computer hardware	**3 to 7**
Other property, plant and equipment	**20**

The estimated useful life, depreciation method and residual value are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. No depreciation is provided for projects in progress.

f) Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

For internally-generated intangible assets, the expenditure on research activities is recognized as an expense in the year in which it is incurred and the development expense from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to net income in the year in which it is incurred.

The Corporation's intangible assets have a finite useful life and are amortized over their useful life according to the straight-line method over the following years:

	Years
Software	**3 to 5**
Rights of access to rail infrastructure	**38**
Other Intangible assets	**20 to 25**

g) Impairment of non-financial assets

The Corporation reviews at each statement of financial position date whether there is any indication of impairment (obsolescence, physical deterioration, significant changes in the method of utilisation, performances falling short of forecasts, decline in revenues, other external indicators) or reversal of impairment loss. Non-financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the non-financial asset, the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. The value in use is determined by the estimated present value of future cash flows generated by the asset. The Corporation does not generate cash flows from the use of its assets, as its operations are funded by Government appropriations on a break-even basis. Therefore, value in use will always be zero.

The fair value is determined using the current replacement cost. An impairment loss is recognized in net income and calculated as the difference between its carrying amount and the recoverable amount.

When there is a reversal of impairment loss, the carrying amount of the asset is increased to the lower of the recoverable amount and the carrying amount (net of depreciation or amortization) that the asset would have had if previous impairment loss had not been recognized. The reversal of impairment loss is recognized in net income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

h) Provisions

Provisions, including provisions for legal litigations, restructuring and environmental issues, are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognized when the Corporation has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures, mainly severance costs, arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Corporation.

The environmental provision includes estimated costs to meet Government standards and regulations when such costs can be reasonably estimated. Estimates of the anticipated future costs for remediation work are based on the Corporation's prior experience.

i) Income taxes

The Corporation utilizes the asset and liability method of accounting for taxes under which deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount and the tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates that are expected to apply for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the year that includes the enactment date. Deferred tax assets are recognized to the extent that realization is considered probable.

j) Employee benefits

i) Post-employment benefits

Post-employment benefits include post-retirement medical and life insurance benefits as well as pension plans with defined benefit and defined contribution components.

Employer contributions related to the defined contribution component of the pension plan are recognized as an expense when employees render the service entitling them to the contributions.

The Corporation's obligations for the defined benefit component of the pension plans as well as for other post-employment benefits are actuarially determined using the projected unit credit method and management's best estimate. The present value of the defined benefit obligations are calculated using discount rates determined by reference to market yields at the end of the reporting period on high quality Canadian corporate bonds that have terms to maturity approximating the terms of the related defined benefit obligation.

The Corporation determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined obligation at the beginning of the year to the net defined benefit liability.

The current service costs, the net interest cost on the net defined benefit liability, the gains and losses on curtailment or settlement and plan amendments are recognized in net income in the year they are incurred.

Remeasurements arising from defined benefit plans comprised of changes in demographic assumptions, changes in financial assumptions, the return on plan assets excluding amounts included in net interest on the net defined benefit liability are recognized in other comprehensive income (loss) in the year they are incurred.

ii) Employment benefits other than post-employment benefits
The Corporation provides employment benefits other than post-employment benefits as follows:

- Compensation and short-term employee benefits include the annual salary, performance bonuses, paid vacations not included in the annual salary, short-term sick leave, health, dental and life insurance benefits. These benefits are measured on an undiscounted basis and are expensed as the related service is provided.

- Long-term employee benefits include workers' compensation benefits as well as long-term disability benefits and continuation of benefit coverage for employees on long-term disability.

  The actuarial obligation for workers' compensation benefits is calculated on an event driven basis. The method involves dividing the obligation into two distinct components: awarded pensions and future awards. The actuarial obligation for awarded pensions is the actuarial present value of all future projected payments for the award determined as at the valuation date. The actuarial obligation for future awards is the discounted value of expected cash flow for awards yet to be made. The Corporation is self-insured for its workers' compensation benefits.

  The actuarial obligation for other long-term disability benefits and continuation of benefit coverage for employees on long-term disability is calculated on an event driven basis. This method incorporates management's best estimate of cost escalation as well as demographic and other financial assumptions.

  Actuarial gains and losses and other changes in the Corporation's obligations are recognized in net income in the year in which they arise.

- Termination benefits include benefits that are payable when an employment contract is terminated before the normal retirement date. They are recognized as a liability and expense for termination benefits at the earlier of the following dates:

  (a) when the Corporation can no longer withdraw the offer of those benefits; and

  (b) when the Corporation recognizes costs for a restructuring (provision) and involves the payment of termination 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 represents management's best estimates of the present value of all future projected payments to unionized employees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

k) Financial instruments

Financial assets and financial liabilities, including derivative financial instruments, are initially measured at fair value at the date they are originated. Subsequent to initial recognition, financial instruments are measured based on their classification: fair value through profit and loss, loans and receivables, available for sale or other financial liabilities. The Corporation derecognizes a financial instrument when the contractual rights or obligation to the cash flows from the asset or liability expires.

i) Financial instruments at fair value through profit and loss (FVTPL)
Financial instruments are classified as FVTPL when they are principally acquired or incurred for the purpose of selling and repurchasing in the short-term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit taking or derivatives not designated for hedge accounting. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition.

The Corporation has classified derivative financial instruments as FVTPL.

Financial instruments recorded at FVTPL are measured at fair value with changes in those fair values recognized in net income under "Other revenues", except for derivative financial instruments for which fair value changes are recorded under "Unrealized net loss (gain) on derivative financial instruments". Transaction costs are expensed as incurred. Regular-way purchases or sales of financial assets are accounted for at settlement-date.

ii) Loans and receivables (L&R)
The L&R classification includes trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market. Assets are measured initially at fair value and then at amortized cost, using the effective interest rate method, less any impairment. The fair values of loans and receivables are estimated on the basis of the present value of the expected cash flows. Where the time value of money is not material due to their short-term nature, accounts receivable are carried at the original invoice amount less allowance for doubtful receivables.

iii) Available-for-sale (AFS)
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date. AFS financial assets are recognized at fair value. Fluctuations in fair value are recognized in other comprehensive income (loss).

iv) Other financial liabilities
Other financial liabilities represent liabilities that are not classified as FVTPL. They are initially measured at fair value, net of transaction costs and subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Where the time value of money is not material due to their short-term nature, they are carried at the original invoice amount.

v) Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the assets have been affected.

An impairment loss is recognized in net income and calculated as the difference between its carrying amount and the present value of the estimated future cash flows.

When a subsequent event such as a change in the estimates used to determine the recoverable amount, causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income.

However, any subsequent reversal of an impairment loss on an available-for-sale financial asset is recognized in other comprehensive income (loss).

l) Non-Monetary Transactions

Non-monetary transactions are recorded at the estimated fair value of the goods or services received. When the fair value of the goods and services received cannot be measured reliably, the transactions are recorded at the estimated fair value of the goods or services given. Revenues from non-monetary transactions are recognized when the related services are rendered. Expenses resulting from non-monetary transactions are recognized during the year when goods or services are provided by third parties.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

In the application of the Corporation accounting policies, management is required to make certain judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, 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 estimates are revised and in any future period affected. However, uncertainties relating to judgments, assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in future years.

a) Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets annually. As at December 31, 2015, management assessed that the useful lives represent the expected utility of the assets to the Corporation. The Corporation's management also uses judgment in the determination of the components related to the Corporation's property, plant and equipment and intangible assets.

b) *VIA Préférence* Program

The "*Via Préférence*" program allows members to acquire "award points" as they travel on the train. These award points entitle members to free travel on our trains. In determining the fair value of the award points, the Corporation takes into consideration the probability of the awards being converted into tickets. The estimated probabilities are based on historical information on point redemption and may not reflect the actual redemption rate in the future. As such, the amount allocated between the transportation service and the award points may have been significantly different if different probability estimates had been used.

c) Post-employment and other employee benefits

Except for the defined contribution component of the pension plans, the cost of post-employment and other employee benefits and the present value of the related obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates used to measure the obligations, expected future salary increases, expected retirement age, expected mortality rates, expected health care cost trends, expected inflation and expected future pension increase. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Actual results may differ from results that are estimated based on assumptions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS (CONT'D)

d) Income taxes

Management uses judgment and estimates in determining the appropriate rates and amounts in recording deferred income taxes, giving consideration to timing and probability of realization. Actual taxes could significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax law or the outcome of reviews by tax authorities and related appeals. The Corporation has not recognized any deferred tax assets on its deductible temporary differences and unused tax losses as it has determined that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Corporation's deferred and current tax assets and liabilities.

e) Impairment of non-financial assets

The Corporation uses judgment in assessing, at each reporting date, whether there is any indication that non-financial assets may have lost value requiring the completion of an impairment test. These tests are designed, in part, to determine a recoverable amount, which is the fair value, based on current replacement cost, less costs of disposal. The current replacement cost and the costs of disposal calculations are based on management's best estimates. Difference in estimates could materially affect the financial statements in determining both the impairment existence and the amount of impairment.

f) Provisions

Determining whether a liability should be recognized as a provision requires management to exercise judgment. The Corporation must determine if a present obligation arises from past events, if it is probable that the Corporation will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. The decision is based on management's experience and judgment. If the Corporation considers that one of the three conditions is not satisfied, it must still determine if a contingent liability should be disclosed in the notes, unless the possibility of any outflow in settlements is remote.

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.

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 practices - 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 adopt IFRS 16. The extent of the impact of adoption of IFRS 16 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 year may be funded by the Government of Canada in different years. Accordingly, the Corporation has different net results of operations for the year on a government funding basis than on an IFRS basis. These differences are outlined below:

(IN MILLIONS OF CANADIAN DOLLARS)	2015	2014
Operating loss before funding from the Government of Canada and income taxes	**353.4**	337.8
Items requiring (providing) operating funds:		
Income tax expense (recovery)	**0.4**	0.7
Items not requiring (not providing) operating funds:		
Depreciation and amortization	**(79.4)**	(68.8)
Impairment and (loss) gain on disposal of property, plant and equipment and intangible assets	**(4.4)**	(3.2)
Post-employment and other employee benefits contributions in excess of expenses	**14.8**	58.9
Unrealized net gain (net loss) on derivative financial instruments	**(4.1)**	(13.8)
Operating taxes	**-**	(0.2)
Adjustment for accrued compensation	**(0.9)**	6.9
Increase in investment's fair value	**-**	0.3
Other	**0.2**	(1.5)
Operating funding from the Government of Canada	**280.0**	317.1

7. MATERIALS

The cost of materials recorded as an expense during the year amounted to $32.2 million (December 31, 2014: $33.5 million). The Corporation has recorded an expense of $0.2 million related to write-down of the value of its materials for 2015 (December 31, 2014: $2.1 million). As at December 31, 2015 the Provision for obsolete inventory was $3.1 million (December 31, 2014: $2.9 million).

8. PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2015	Additions	Disposals	(Reversal) Impairment losses	Transfers	December 31, 2015
Cost:						
Land	12.1	-	-	-	4.9	**17.0**
Rolling stock	890.5	-	(23.5)	-	59.9	**926.9**
Maintenance buildings	165.2	-	(0.9)	-	2.0	**166.3**
Stations and facilities	127.9	-	(0.7)	-	1.8	**129.0**
Owned infrastructures	199.5	-	(2.9)	-	46.4	**243.0**
Leasehold improvements	76.5	-	(0.6)	-	3.7	**79.6**
Machinery and equipment	25.0	-	(0.3)	-	1.0	**25.7**
Computer hardware	32.1	-	(1.3)	-	2.1	**32.9**
Other property, plant and equipment	6.8	-	(0.1)	-	0.1	**6.8**
Projects in progress	56.4	69.1	-	-	(98.4)	**27.1**
Total cost	1,592.0	69.1	(30.3)	-	23.5	**1,654.3**
Accumulated depreciation and impairment:						
Rolling stock	431.0	37.8	(20.8)	-	-	**448.0**
Maintenance buildings	118.1	1.3	(0.7)	-	-	**118.7**
Stations and facilities	36.0	4.8	(0.5)	-	-	**40.3**
Owned infrastructures	68.8	5.8	(1.9)	-	3.0	**75.7**
Leasehold improvements	42.1	3.0	(0.6)	-	-	**44.5**
Machinery and equipment	18.1	0.7	(0.3)	-	-	**18.5**
Computer hardware	18.2	4.3	(1.3)	-	-	**21.2**
Other property, plant and equipment	2.9	(0.2)	(0.1)	-	-	**2.6**
Total accumulated depreciation and impairment	735.2	57.5	(26.2)	-	3.0	**769.5**
Total net carrying amount	856.8	11.6	(4.1)	-	20.5	**884.8**

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2014	Additions	Disposals	(Reversal) Impairment losses	Transfers	December 31, 2014
Cost:						
Land	12.1	-	-	-	-	12.1
Rolling stock	871.7	-	(23.8)	-	42.6	890.5
Maintenance buildings	172.1	-	(7.3)	-	0.4	165.2
Stations and facilities	105.9	-	(2.9)	-	24.9	127.9
Owned infrastructures	189.9	-	(1.5)	-	11.1	199.5
Leasehold improvements	78.0	-	(2.8)	-	1.3	76.5
Machinery and equipment	31.1	-	(6.3)	-	0.2	25.0
Computer hardware	29.9	-	(1.7)	-	3.9	32.1
Other property, plant and equipment	8.2	-	(0.4)	-	(1.0)	6.8
Projects in progress	84.9	55.6	(0.7)	-	(83.4)	56.4
Total cost	1,583.8	55.6	(47.4)	-	-	1,592.0
Accumulated depreciation and impairment:						
Rolling stock	417.6	33.1	(19.7)	-	-	431.0
Maintenance buildings	123.2	2.0	(7.1)	-	-	118.1
Stations and facilities	33.5	4.5	(2.0)	-	-	36.0
Owned infrastructures	67.7	5.5	(1.2)	(3.2)	-	68.8
Leasehold improvements	45.2	(0.4)	(2.7)	-	-	42.1
Machinery and equipment	23.3	1.1	(6.3)	-	-	18.1
Computer hardware	14.0	5.8	(1.6)	-	-	18.2
Other property, plant and equipment	4.7	(1.4)	(0.4)	-	-	2.9
Total accumulated depreciation and impairment	729.2	50.2	(41.0)	(3.2)	-	735.2
Total net carrying amount	854.6	5.4	(6.4)	3.2	-	856.8

The Corporation reviewed the presentation of its Property, plant and equipment and certain balances related to "Cost" and "Accumulated depreciation and impairment" were revised in order to properly reflect in the note those assets that had been write-off. As a result the "Cost" and "Accumulated depreciation and impairment" of Property, plant and equipment as at December 31, 2014 were decreased by $27.5 million (January 1, 2014: $23.9 million). There was no impact on the total net carrying amounts or on the Statement of financial position.

Projects in progress primarily consist of rolling stock, improvements to infrastructure and stations. The projects in progress amount includes $6.8 million (December 31, 2014 : $12.3 million) of materials used in the refurbishing of rail cars.

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Corporation has revised and modified the useful lives of certain components of its rolling stock and other property, plant and equipment in order to better align the depreciation expense with future benefits that will be obtained from these assets. The impact of these changes on the actual and expected depreciation expense and on the amortization of deferred capital funding is as follow:

(IN MILLIONS OF CANADIAN DOLLARS)	2015	2016	2017	2018	2019	Later
Increase in depreciation expense	3.8	4.9	4.9	4.9	4.9	10.4
Increase in amortization of deferred capital funding	3.8	4.9	4.9	4.9	4.9	10.4

The Corporation has transferred assets for a total amount of $20.5 million from its intangible assets to the Property Plant and Equipment in the statement of financial position. This transfer was performed in order to reclassify intangible assets included in the right of access to rail infrastructure related to improvements that were performed in prior years by the Corporation on the Brockville subdivision. The Corporation purchased the Brockville subdivision in 2015. This resulted in these assets no longer qualifying as intangible assets and therefore were transferred to the Property Plant and Equipment as part of the Brockville subdivision infrastructure asset in the statement of financial position.

9. INTANGIBLE ASSETS

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2015	Additions	Disposals	Impairment losses	Transfers	December 31, 2015
Cost:						
Software (NOTE 1)	80.6	-	(2.4)	-	14.9	**93.1**
Right of access to rail infrastructure	421.0	-	-	-	3.9	**424.9**
Other intangible assets	4.1	-	-	-	0.3	**4.4**
Projects in progress	29.2	28.8	-	-	(42.6)	**15.4**
Total cost	534.9	28.8	(2.4)	-	(23.5)	**537.8**
Accumulated amortization and impairment:						
Software	58.6	9.9	(2.1)	-	-	**66.4**
Right of access to rail infrastructure	71.2	11.8	-	-	(3.0)	**80.0**
Other intangible assets	1.4	0.2	-	-	-	**1.6**
Total accumulated amortization and impairment	131.2	21.9	(2.1)	-	(3.0)	**148.0**
Total net carrying amount	403.7	6.9	(0.3)	-	(20.5)	**389.8**

Note 1 - Includes mostly software developed in-house.

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2014	Additions	Disposals	Impairment losses	Transfers	December 31, 2014
Cost:						
Software (NOTE 1)	74.4	-	(9.2)	-	15.4	80.6
Right of access to rail infrastructure	415.4	-	-	-	5.6	421.0
Other intangible assets	4.1	-	-	-	-	4.1
Projects in progress	24.0	26.2	-	-	(21.0)	29.2
Total cost	517.9	26.2	(9.2)	-	-	534.9
Accumulated amortization and impairment:						
Software	60.3	7.4	(9.1)	-	-	58.6
Right of access to rail infrastructure	60.2	11.0	-	-	-	71.2
Other intangible assets	1.2	0.2	-	-	-	1.4
Total accumulated amortization and impairment	121.7	18.6	(9.1)	-	-	131.2
Total net carrying amount	396.2	7.6	(0.1)	-	-	403.7

Note 1 - Includes mostly software developed in-house.

10. ASSET RENEWAL FUND

a) Asset Renewal Fund

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

The Treasury Board of Canada Secretariat has authorized the Corporation to use up to $7.8 million (December 31, 2014 : $8.2 million) of the Asset Renewal Fund to meet future working capital requirements. This amount is presented in the current portion of the Asset Renewal Fund. The remaining balance of $0.9 million (December 31, 2014: $0.9 million) is presented in the non-current portion of the Asset Renewal Fund.

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

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

b) Changes in the Asset Renewal Fund

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

(IN MILLIONS OF CANADIAN DOLLARS)	2015	2014
Balance at beginning of the year	**9.1**	12.8
Change in fair value	**-**	0.3
Less: Cash drawdown during the year (NOTE 1)	**(0.4)**	(4.0)
Balance at end of the year	**8.7**	9.1

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

11. TRADE AND OTHER PAYABLES

The Trade and other payables balance includes the following:

(IN MILLIONS OF CANADIAN DOLLARS)	2015	2014
Wages payable and accrued	**37.6**	33.1
Accounts payable and accruals - Capital assets	**14.1**	16.8
Accounts payable and accruals - Trade	**33.5**	33.9
Capital tax, income tax and other taxes payable	**5.5**	5.2
	90.7	89.0

12. PROVISIONS

The provision balance includes the following:

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2015	Charge (used)	Reversal (used)	Reversal (not used)	December 31, 2015
Environmental costs (NOTE A)	0.2	0.1	-	-	**0.3**
Litigation and equipment repairs (NOTE B)	14.6	3.4	(6.7)	(0.8)	**10.5**
Total provisions	14.8	3.5	(6.7)	(0.8)	**10.8**

(IN MILLIONS OF CANADIAN DOLLARS)	January 1, 2014	Charge (used)	Reversal (used)	Reversal (not used)	December 31, 2014
Environmental costs (NOTE A)	1.1	0.4	(1.3)	-	0.2
Litigation and equipment repairs (NOTE B)	11.8	5.8	(2.4)	(0.6)	14.6
Restructuring costs	0.3	-	(0.2)	(0.1)	-
Total provisions	13.2	6.2	(3.9)	(0.7)	14.8

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).

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.

13. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

The Corporation provides a number of pension plans with defined benefit (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 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 service 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 maximum based on the sum of the participant's age and years of service.

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

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

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

Actuarial valuations

The actuarial valuations for these employee benefits, except for the defined contribution component of the pension plans, are carried out by external actuaries who are members of the Canadian Institute of Actuaries.

The actuarial valuations of the various employee benefit plans are as follows:

EMPLOYEE BENEFIT PLANS	Actuarial Valuation	
	Latest valuation	**Next valuation**
Pension Plans	December 31, 2014	**December 31, 2015**
Supplemental Executive Retirement Plan	December 31, 2015	**December 31, 2016**
Supplemental Retirement Plan for management employees (SRP), with respect to active members	December 31, 2014	**December 31, 2015**
Supplemental Retirement Plan for management employees (SRP), with respect to retired members	December 31, 2015	**December 31, 2016**
Post-employment unfunded plan	May 1, 2013	**May 1, 2016**
Self-insured Workers' Compensation	December 31, 2012	**December 31, 2015**
Long-term employee benefits plans, other than "Self-insured Workers' Compensation"	December 31, 2014	**December 31, 2016**

a) Defined Benefit Component of the Pension Plans and Post-employment Benefit Plans

Based on these actuarial valuations and projections to December 31, the summary of the principal valuation results, in aggregate, is as follows:

(IN MILLIONS OF CANADIAN DOLLARS)	Defined Benefit Component of the Pension Plans		Post-employment Benefit Plans	
	2015	2014	**2015**	2014
DEFINED BENEFIT OBLIGATION:				
Balance at beginning of the year	**2,181.9**	1,925.3	**19.4**	16.3
Service cost	**27.9**	22.2	**0.5**	0.3
Past service cost	**4.0**	-	**-**	-
Interest expense	**87.5**	91.3	**0.6**	0.8
Employee contributions	**12.6**	12.4	**-**	-
Benefits paid	**(111.7)**	(103.3)	**(0.4)**	(0.4)
Effect of change in demographic assumptions	**25.0**	15.9	**-**	(0.2)
Effect of change in financial assumptions	**(32.8)**	224.2	**(0.2)**	2.6
Effect of employee transfers	**6.5**	-	**-**	-
Effect of experience adjustments	**22.4**	(6.1)	**(0.2)**	-
Balance at end of the year	**2,223.3**	2,181.9	**19.7**	19.4
FAIR VALUE OF PLAN ASSETS:				
Balance at beginning of the year	**2,132.5**	1,923.9	**-**	-
Interest Income	**84.3**	91.9	**-**	-
Return on plan assets (excluding interest income)	**50.0**	128.1	**-**	-
Employer contributions	**52.3**	81.4	**0.4**	0.4
Employee contributions	**12.6**	12.4	**-**	-
Benefits paid	**(111.7)**	(103.3)	**(0.4)**	(0.4)
Effect of employee transfers	**6.5**	-	**-**	-
Administration expenses	**(2.9)**	(1.9)	**-**	-
Balance at end of the year	**2,223.6**	2,132.5	**-**	-
Net Defined benefit asset (liability)	**0.3**	(49.4)	**(19.7)**	(19.4)

The percentages of the fair value of the defined benefit component of the pension plan assets by major category are as follows:

ASSET CATEGORIES (IN PERCENTAGES)	**2015**		2014	
	Quoted market price in an active market	Not quoted market price in an active market	Quoted market price in an active market	Not quoted market price in an active market
Cash and short-term notes	**1.1 %**	**0.1 %**	0.7 %	0.3 %
Equity securities	**20.9 %**	**-**	23.9 %	-
Fixed income securities	**-**	**28.7 % ***	-	31.2 % *
Mutual fund units	**6.8 %**	**42.4 % ***	7.6 %	36.3 % *
	28.8 %	**71.2 %**	32.2 %	67.8 %

* The fair value of the majority of the above fixed income and mutual fund instruments is determined based on quoted market prices in active markets.

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

Expected employer contribution for the next year:

(IN MILLIONS OF CANADIAN DOLLARS)	Defined Benefit Component of the Pension Plans	Post-employment Benefit Plans
	2016	2016
Expected employer contribution for the next year	**32.0**	**0.7**

The weighted average duration of the defined benefit obligation is 12.9 years (December 31, 2014: 14.0 years).

	Defined Benefit Component of the Pension Plans		Post-employment Benefit Plans	
	2015	2014	**2015**	2014
WEIGHTED-AVERAGE OF SIGNIFICANT FINANCIAL ASSUMPTIONS:				
Defined benefit obligation:				
Discount rate	**4.00 %**	4.00 %	**4.10 %**	4.00 %
Rate of salary increase	**2.75 % - 3.00 %**	3.00 % - 3.25 %	**3.00 %***	3.25 % *
Initial weighted average health care trend rate	**-**	-	**5.90 %**	6.00 %
Ultimate weighted average health care trend rate	**-**	-	**4.30 %**	4.30 %
Year ultimate rate reached	**-**	-	**2029**	2029
Rate of price inflation	**2.00 %**	2.25 %	**-**	-
Rate of pension increase	**1.00 %**	1.13 %	**-**	-
Defined benefit cost:				
Discount rate	**4.00 %**	4.80 %	**4.00 %**	4.90 %
Rate of price inflation	**2.25 %**	2.25 %	**-**	-
Rate of salary increase	**3.00 % - 3.25 %**	3.00 % - 3.25 %	**3.25 %***	3.25 % *
Rate of pension increase	**1.13 %**	1.13 %	**-**	-
Initial weighted average health care trend rate	**-**	-	**6.00 %**	6.09 %
Ultimate weighted average health care trend rate	**-**	-	**4.30 %**	4.26 %
Year ultimate rate reached	**-**	-	**2029**	2029

* Applicable to executive employees only.

Significant demographic assumptions — Post-retirement mortality tables:	
DEFINED BENEFIT OBLIGATION:	
Defined Benefit Component of the Pension plans:	
2015	**2014**
110 % of CPM2014Priv for unionized plan and 95 % of CPM2014Priv for non-unionized plans. 100 % of CPM scale B for all plans.	110 % of CPM2014Priv for unionized plan and 95 % of CPM2014Priv for non-unionized plans. 100 % of CPM scale B for all plans.
Post-employment Benefit plans:	
2015	**2014**
110 % of CPM2014Priv for unionized plan and 95 % of CPM2014Priv for non-unionized plans. 100 % of CPM scale B for all plans.	110 % of CPM2014Priv for unionized plan and 95 % of CPM2014Priv for non-unionized plans. 100 % of CPM scale B for all plans.
DEFINED BENEFIT COST:	
Defined Benefit Component of the Pension plans:	
2015	**2014**
110 % of CPM2014Priv for unionized plan and 95 % of CPM2014Priv for non-unionized plans. 100 % of CPM scale B for all plans.	100 % of UP94 generational for unionized plan and 90 % of UP94 generational for non-unionized plans. 150 % of AA scale for all plans.
Post-employment Benefit plans:	
2015	**2014**
110 % of CPM2014Priv for unionized plan and 95 % of CPM2014Priv for non-unionized plans. 100 % of CPM scale B for all plans.	100 % of UP94 generational for unionized plan and 90 % of UP94 generational for non-unionized plans. 150 % of AA scale for all plans.

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

Risk associated with defined benefit plans

The major risk associated with the pension plans is the funding risk, which is the risk that the investment asset growth and the contributions to the pension plans will not be sufficient to cover the pension obligations, resulting in unfunded liabilities.

The funding risk is linked to the following risks: investment risk, interest rate risk, longevity risk, salary risk and inflation risk.

Investment risk: The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality Canadian corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Consequently, the Corporation has adopted a conservative investment policy which is overseen by the investment committee of the Board.

Interest rate risk: A decrease in the bond interest rate will increase the plan liability; however, due to a liability alignment investment policy, this will be partially offset by an increase in value on the plan's debt investments.

Longevity risk: The present value of the defined plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk: The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Inflation risk: A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Corporation's liability. A portion of the plan assets are in real returns bonds which will mitigate some of the effects of inflation.

Sensitivity analysis

The Corporation has reviewed the assumptions used in the actuarial calculations and has identified the following assumptions as those that could result in a significant impact on the defined benefit obligation:

(IN MILLIONS OF CANADIAN DOLLARS)	Defined benefit obligation Increase / (decrease)	
	2015	2014
Defined Benefit Component of the Pension Plans:		
Inflation Rates		
Increase of 25 basis points	**36.5**	38.5
Decrease of 25 basis points	**(36.1)**	(37.7)
Discount Rates		
Increase of 25 basis points	**(69.7)**	(73.9)
Decrease of 25 basis points	**73.2**	78.1
Salary increase Rates		
Increase of 25 basis points	**4.1**	7.2
Decrease of 25 basis points	**(4.7)**	(7.4)
Mortality tables		
1 year younger	**55.3**	57.0
1 year older	**(56.2)**	(57.7)
Post-employment benefits Plans:		
Discount Rates		
Increase of 25 basis points	**(0.8)**	(0.8)
Decrease of 25 basis points	**0.8**	0.8

In the sensitivity analysis presented above, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as the one applied in calculating the defined benefit obligation recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

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

Asset-liability matching strategies

The Corporation reassesses the Pension Plans investment policy and asset mix positioning annually to take into account changes in plan demographics, the investment environment, the financial circumstances of the Plans and of the sponsor as well as changes in risk tolerance. Every few years or when significant changes in circumstances warrant it, the Corporation will conduct a more complete Asset Liability modelling exercise to determine an optimal investment policy asset mix.

The most recent investment policy reviews have led to the progressive implementation of liability matching asset mix shifts that seek to increase the plans fixed income investment duration subject to implementation triggers, secondly to decrease the plans exposure to public equities via a reallocation to fixed income securities and income generating alternative investments that exhibit some degree of interest rate sensitivity akin to pension liabilities and to establish and fund overtime an interest rate hedging mandate subject to implementation trigger. The resulting benefit of these measures is expected to achieve a lower volatility of required funding while preserving ongoing funding costs at an acceptable level.

b) Defined Contribution Component of the pension plan

There was no significant expense for the defined contribution component of the plan for the year ended December 31, 2015. The employer contributions are not expected to be significant in 2016.

c) Long-term employee benefit plans

Based on these actuarial valuations and projections to December 31, 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)	2015	2014
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance at beginning of the year	**22.8**	23.8
Service cost	**4.8**	4.8
Interest expense	**0.7**	1.0
Benefits paid	**(4.5)**	(5.6)
Effect of change in demographic assumptions	**-**	(0.1)
Effect of change in financial assumptions	**-**	0.7
Effect of experience adjustments	**(1.9)**	(1.8)
Balance at end of the year	**21.9**	22.8
FAIR VALUE OF PLAN ASSETS:		
Balance at beginning of the year	**-**	-
Employer contributions	**4.5**	5.6
Benefits paid	**(4.5)**	(5.6)
Balance at end of the year	**-**	-
Net long-term employee benefit liability	**(21.9)**	(22.8)

Expected employer contribution for the next year:

(IN MILLIONS OF CANADIAN DOLLARS)	2016
Expected employer contribution for the next year	**6.6**

Weighted-average of significant assumptions:

	2015	2014
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Discount rate	**3.30 %**	3.40 %
Rate of salary increase	**2.75 % - 3.00 %**	3.00 % - 3.25 %
Initial weighted average health care trend rate	**5.19 %**	5.29 %
Ultimate weighted average health care trend rate	**3.78 %**	3.78 %
Year ultimate rate reached	**2029**	2029
Rate of price inflation	**2.00 %**	2.25 %
Mortality tables	**90% of WC 1996-2000 mortality table projected to 2010 for workers' compensation and 2009 CIA study for Other employment benefits**	90 % of WC 1996-2000 mortality table projected to 2010 for workers' compensation and 2009 CIA study for Other employment benefits
LONG-TERM EMPLOYEE BENEFIT COST:		
Discount rate	**3.40 %**	3.90 %
Rate of salary increase	**3.00 % - 3.25 %**	3.00 % - 3.25 %
Initial weighted average health care trend rate	**5.29 %**	5.40 %
Ultimate weighted average health care trend rate	**3.78 %**	3.78 %
Year ultimate rate reached	**2029**	2029
Rate of price inflation	**2.25 %**	2.25 %
Mortality tables	**90% of WC 1996-2000 mortality table projected to 2010 for workers' compensation and 2009 CIA study for Other employment benefits**	90 % of WC 1996-2000 mortality table projected to 2010 for workers' compensation and 2009 CIA study for Other employment benefits

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

Sensitivity analysis

The Corporation has reviewed the assumptions used in the actuarial calculations and has identified the following assumption that could result in a significant impact on the long-term employee benefit obligation:

(IN MILLIONS OF CANADIAN DOLLARS)	Long-term employee benefit obligation Increase / (decrease)	
	2015	2014
Discount Rates		
Increase of 25 basis points	**(0.3)**	(0.4)
Decrease of 25 basis points	**0.3**	0.4

d) 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)	**2015**	2014
OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance at beginning of the year	**1.5**	2.2
Service cost	**0.3**	0.3
Benefits paid	**(0.7)**	(1.0)
Balance at end of the year	**1.1**	1.5
FAIR VALUE OF PLAN ASSETS:		
Balance at beginning of the year	**-**	-
Employer contributions	**0.7**	1.0
Benefits paid	**(0.7)**	(1.0)
Balance at end of the year	**-**	-
Net other long-term employee benefit liability	**(1.1)**	(1.5)

e) Summary of Pension plans, Post-employment benefit plans and Long-term employee benefit plans recognized in the financial statements

Total amounts recognized in the statement of financial position:

(IN MILLIONS OF CANADIAN DOLLARS)	2015	2014
Assets:		
Defined Benefit Component of the Pension Plans	**9.5**	2.3
Liabilities:		
Defined Benefit Component of the Pension Plans	**(9.2)**	(51.7)
Post-employment benefit plans	**(19.7)**	(19.4)
Long-term employee benefit plans	**(21.9)**	(22.8)
Other long-term employee benefits	**(1.1)**	(1.5)
Total liabilities	**(51.9)**	(95.4)

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

(IN MILLIONS OF CANADIAN DOLLARS)	2015	2014
Operating expense:		
Defined Benefit Component of the Pension Plans	**38.0**	23.5
Post-employment benefit plans	**1.1**	1.1
Long-term employee benefit plans	**3.6**	4.6
Other long-term employee benefits	**0.3**	0.3
Total	**43.0**	29.5

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)	2015	2014
Other comprehensive income (loss):		
Defined Benefit Component of the Pension Plans	**35.4**	(105.9)
Post-employment benefit plans	**0.4**	(2.4)
Total	**35.8**	(108.3)

14. INCOME TAXES

The income tax expense (recovery) of the Corporation consists of the following:

(IN MILLIONS OF CANADIAN DOLLARS)	2015	2014
Current income tax expense (recovery)	**0.2**	0.8
Deferred income tax expense (recovery)	**-**	-
Income tax expense (recovery)	**0.2**	0.8

The overall income tax expense (recovery) for the year differs from the amount that would be computed by applying the combined Federal and provincial statutory income tax rates of 24.43 per cent (December 2014: 24.43 per cent) to income before taxes. The reasons for the differences are as follows:

(IN MILLIONS OF CANADIAN DOLLARS)	2015	2014
Net Income before income taxes	**9.2**	49.7
Computed income tax expense (recovery) - statutory rates	**2.3**	12.1
Large corporation tax and corporate minimum tax	**0.2**	0.8
Effect of (decrease) increase in unrecognized tax attributes	**(2.6)**	(11.8)
Effect of tax rate changes on deferred income taxes	**0.3**	(0.3)
Income tax expense (recovery)	**0.2**	0.8

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

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

Deferred income tax balances December 31, 2015

(IN MILLIONS OF CANADIAN DOLLARS)	Opening Balance	Recognized in net income	Closing Balance
Deferred income tax assets (liabilities):			
Unrealized loss on derivative financial instruments	(0.4)	(0.2)	**(0.6)**
Accrued benefit asset	-	(2.3)	**(2.3)**
Total deferred income tax assets	(0.4)	(2.5)	**(2.9)**
Losses carried forward	0.4	2.5	**2.9**
Deferred income tax assets (liabilities)	-	-	**-**

Deferred income tax balances December 31, 2014

(IN MILLIONS OF CANADIAN DOLLARS)	Opening Balance	Recognized in net income	Closing Balance
Deferred income tax assets (liabilities):			
Unrealized loss on derivative financial instruments	(0.4)	-	(0.4)
Losses carried forward	0.4	-	0.4
Deferred income tax assets (liabilities)	-	-	-

The Corporation has $54.2 million (December 31, 2014 : $49.1 million) of unused Québec and $51.7 million (December 31, 2014 : $46.6 million) of unused Federal non-capital tax losses carried forward and expiring between 2029 and 2035.

The Corporation has not recognized any deferred tax assets on its deductible temporary differences and unused tax losses as it has determined that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. Unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributed to the following:

(IN MILLIONS OF CANADIAN DOLLARS)	2015	2014
Federal:		
Property, plant and equipment	**85.8**	84.6
Contingencies, other liabilities and net amounts	**32.4**	32.6
Defined benefit liability	**50.9**	91.6
Losses carried forward	**39.5**	44.9
	208.6	253.7
Québec:		
Property, plant and equipment	**467.4**	466.2
Contingencies, other liabilities and net amounts	**30.9**	31.3
Defined benefit liability	**50.9**	91.6
Losses carried forward	**42.0**	47.3
	591.2	636.4

15. 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)	2015	2014
Balance at beginning of the year	**1,247.8**	1,237.4
Government funding for property, plant and equipment and intangible assets (including the cost of land)	**97.9**	80.9
Amortization of deferred capital funding	**(82.6)**	(70.5)
Balance at end of the year	**1,263.1**	1,247.8

16. DEFERRED REVENUES

Deferred revenues are comprised of the following:

(IN MILLIONS OF CANADIAN DOLLARS)	2015	2014
Advance ticket sales	**15.3**	12.8
Gift cards	**2.0**	3.0
Non-monetary transactions	**2.3**	2.7
VIA Préférence (NOTE 1)	**15.6**	16.0
Other	**0.3**	-
Total deferred revenues	**35.5**	34.5

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

17. SHARE CAPITAL

The authorized share capital of the Corporation is comprised of an unlimited number of common shares with no par value. For all years presented, 93,000 shares at $100 per share are issued and fully paid.

The Corporation defines its capital as share capital and accumulated deficit and is regulated by the *Financial Administration Act*. The Corporation is not allowed to modify its capital structure without Government approval. The Corporation must obtain Government approval to issue debt instruments. Accordingly, the Corporation does not have access to external financing and does not have a flexible capital structure.

The Corporation manages its equity by prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that the Corporation effectively achieves its objectives and purpose while remaining a going concern. The Corporation did not change the way it manages its equity compared to last year.

18. 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)	2015				2014
	Total commitment	**Less than one year**	**From one to five years**	**More than five years**	Total commitments
COMMITMENTS RELATING TO OPERATIONS:					
Non-cancellable operating leases (NOTE A):					
Lessee	**34.6**	3.5	14.6	16.5	37.7
Total	**34.6**	3.5	14.6	16.5	37.7
COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS:					
Rail infrastructure	**5.4**	2.8	2.6	-	14.7
Rolling stock	**1.8**	1.8	-	-	14.1
Total	**7.2**	4.6	2.6	-	28.8
Total commitments	**41.8**	8.1	17.2	16.5	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 terms of 10 years with a renewal option. The lease payments are increased to reflect normal inflation.

In 2015, an amount of $13.6 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 $27.2 million (December 31, 2014: $31.2 million) to various provincial government workers' compensation boards as security for future payment streams.

19. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

(IN MILLIONS OF CANADIAN DOLLARS)	2015	2014
Accounts receivable, trade	**(3.2)**	(1.1)
Prepaids, advances on contracts and other receivables	**(1.2)**	0.2
Operating funding receivable from Government of Canada (deferred government funding)	**20.1**	(30.0)
Materials	**(6.4)**	3.1
Trade and other payables	**4.6**	1.9
Provisions	**(4.0)**	1.5
Deferred revenues	**1.0**	3.8
Total	**10.9**	(20.6)

20. FINANCIAL INSTRUMENTS

a) Classification of financial instruments

The financial instruments held by the Corporation are classified as follows:

	2015 Carrying Value			2014 Carrying Value		
(IN MILLIONS OF CANADIAN DOLLARS)	FVTPL	AFS	L&R	FVTPL	AFS	L&R
Financial Assets:						
Accounts receivable and other receivables	**-**	**-**	**9.9** (1)	-	-	8.1 (1)
Derivative financial instruments	**2.7** (2)	**-**	**-**	1.8 (2)	-	-
Asset Renewal Fund – Cash	**8.7**	**-**	**-**	9.1	-	-
		FVTPL	Other financial liabilities		FVTPL	Other financial liabilities
Financial Liabilities:						
Trade and other payables		**-**	**84.8** (3)		-	83.3 (3)
Derivative financial instruments		**18.9** (2)	**-**		13.9 (2)	-

FVTPL - Fair Value through profit and loss
AFS - Available for sale
L&R - Loans and receivables
(1) Comprised of trade receivables.
(2) Comprised of derivative financial instruments not designated in a hedging relationship.
(3) Comprised of trade accounts payable, accrued liabilities and accrued wages.

b) Fair value

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

The following table summarizes the financial assets and financial liabilities held by the Corporation measured at fair value at the end of each reporting period. The table also discloses information about how the fair value of these financial assets and financial liabilities are determined and their fair value hierarchy:

Financial assets / financial liabilities	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Relationship unobservable inputs to fair value
Derivative financial instruments – forward foreign exchange contracts	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rate at the end of the reporting period) and forward contract rates, discounted at a market rate that reflects the credit risk of various counterparties	N/A	N/A
Derivative financial instruments – commodity swaps	Level 2	Discounted cash flow. Future cash flows are estimated based on commodity swap price (from observable commodity market price at the end of the reporting period) and contract commodity swap price, discounted at a market rate that reflects the credit risk of various counterparties.	N/A	N/A

There have been no significant transfers between level 1 and level 2 during the year.

There has been no change in the valuation techniques from the prior year.

20. FINANCIAL INSTRUMENTS (CONT'D)

The following table summarizes the financial assets and financial liabilities held by the Corporation that are not measured at fair value on a recurring basis and their fair value hierarchy:

	2015	2014
Assets:		
Accounts receivable and other receivables	**Level 2**	Level 2
Liabilities:		
Trade and other payables	**Level 2**	Level 2

The fair values of the financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk counterparties. However, where the time value of money is not material due to their short-term nature, they are carried at the original invoiced amount less required adjustment.

c) Risk management

As part of its operations, the Corporation enters into transactions with financial risks exposure such as credit, liquidity and market risks. Exposure to such risks is significantly reduced through close monitoring and strategies that include the use of derivative financial instruments.

Derivative financial instruments such as swaps and certain forward foreign exchange contracts are utilized by the Corporation in the management of its exposure to changes in fuel prices and the value of the U.S. dollar. Commodity swaps are used to manage its exposure to fuel prices on the entirety of its fuel consumption.

The Corporation does not enter into derivative financial instruments for trading or speculative purposes. The Corporation does not currently apply hedge accounting on these derivative financial instruments.

d) Foreign exchange risk

The Corporation is exposed to foreign exchange risks on the following balances that are denominated in U.S. dollars (USD):

(In millions of Canadian dollars)	2015	2014
Assets:		
Derivative financial instruments	**2.7**	1.8
Liabilities:		
Trade and other payables	**2.1**	-
Derivative financial instruments	**18.9**	13.9

The Corporation's risk management objective is to reduce cash flow risk related to foreign denominated cash flows. To help manage this risk, the Corporation has entered into forward foreign exchange contracts related to commodity swaps.

A variance of 5 per cent in the exchange rate of USD would not have a significant impact on the Corporation's net income.

e) Credit risk

Credit risk is the risk that one party to a financial instrument might not meet its obligations under the terms and conditions of the agreement. The carrying amount of financial assets is $30.6 million (December 31, 2014: $32.9 million) and represents the Corporation's maximum exposure to credit risk. The Corporation does not use credit derivatives or similar instruments to mitigate this risk and, as such, the maximum exposure is the full carrying value or face value of its financial assets. The Corporation minimizes credit risk on cash, the Asset Renewal Fund and derivative financial instruments by dealing only with reputable and high quality financial institutions. The Corporation's exposure to credit risks on trade accounts receivable is reduced by applying a credit policy that establishes limits on the concentration of risk, requires assessing and monitoring of counterparty credit risk and sets credit limits. Only Canadian Government departments and agencies, Crown corporations issuing government travel warrants and travel agents who are members of the International Air Transport Association (Billing and Settlement Plan /Airline Reporting Corporation) are exempt from the Corporation's credit approval process.

As at December 31, 2015, approximately 7.7 per cent (December 31, 2014 : 9.2 per cent) of trade accounts receivable were over 90 days past due, while approximately 78.8 per cent (December 31, 2014 : 88.2 per cent) of trade accounts receivable were current (under 30 days).

As at December 31, 2015, the allowance for bad debt was $0.5 million (December 31, 2014 : $0.7 million). The allowance for bad debt is based on an account by account analysis that considers the aging of the account and the current credit-worthiness of the customer.

f) Fuel price risk

In order to manage its exposure to changes in fuel prices and minimize volatility in operating cash flows, the Corporation enters into derivative contracts with financial intermediaries based on the price of a commodity (i.e. heating oil) or a market index. A fluctuation of 5 per cent in the USD price of heating oil or fuel would not have a significant impact on the financial statements.

g) Liquidity risk

The Corporation manages its liquidity risk by preparing and monitoring detailed forecasts of cash flows from operations and anticipated investing and funding activities. The liquidity risk is low since the Corporation does not have debt instruments to service and receives regular funding from the Government of Canada.

The reported financial liabilities in item a) above totaling $103.7 million (December 31, 2014: $97.2 million) represent the maximum liquidity risk exposure for the Corporation.

The following table summarizes the contractual maturities for the derivative and non-derivative financial liabilities, on a gross and undiscounted basis, as at December 31, 2015:

(In millions of Canadian dollars)	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Over 2 years	Total
Trade and other payables	84.8	-	-	-	-	**84.8**
Derivative financial liabilities	2.5	2.3	5.4	8.3	0.4	**18.9**

20. FINANCIAL INSTRUMENTS (CONT'D)

The following table summarizes the contractual maturities for the derivative and non-derivative financial liabilities, on a gross and undiscounted basis, as at December 31, 2014:

(IN MILLIONS OF CANADIAN DOLLARS)	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Over 2 years	Total
Trade and other payables	82.7	0.3	0.3	-	-	83.3
Derivative financial liabilities	2.4	2.4	4.6	4.4	0.1	13.9

h) Interest rate risk

Interest rate risk is defined as the Corporation's exposure to a loss of earnings or a loss in the value of its financial instruments as a result of fluctuations in interest rates. As at December 31, 2015 and December 31, 2014, there was no exposure to interest rate risk as all the Corporation's liquidity were invested in cash accounts.

21. 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 year, the fair value of the derivative financial instruments is as follows:

	2015		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	**21,168**	**18.8**	21,168	13.9

As at December 31, 2015, the commodity swaps have a fixed price per U.S. gallon in USD between 1.280 and 2.745 (December 31, 2014 : between 2.010 and 2.959) and the maturity dates are 2016 to 2019 (December 31, 2014 : 2015 to 2018). These financial instruments have a monthly settlement schedule.

	2015		2014	
FORWARD FOREIGN EXCHANGE CONTRACTS	**Notional Amount (USD) (millions)**	**Fair Value CAD (millions)**	Notional Amount (USD) (millions)	Fair Value CAD (millions)
Assets	**24.1**	**2.7**	29.6	1.8
Liabilities	**18.5**	**0.1**	-	-

As at December 31, 2015, the forward contracts rates are between 1.148 and 1.389 (December 31, 2014: between 1.047 and 1.148) in US dollars and the maturity dates are 2016 to 2019 (December 31, 2014: 2015 to 2016). These financial instruments have a monthly settlement schedule.

Amounts recognized in the statement of financial position:

	2015	2014
	Fair Value CAD (millions)	Fair Value CAD (millions)
Total assets	**2.7**	1.8
Total liabilities	**18.9**	13.9

22. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business on trade terms similar to those applied to other individuals and enterprises and these transactions are recorded at fair value. Other than disclosed elsewhere in these financial statements, related party transactions are not significant.

The remuneration of key executives with the exception of the President and Chief Executive Officer, is determined by the Human Resources Committee having regard to the performance of individuals and market trends. The Human Resources Committee recommendation is then presented and approved by the Board of Directors. The remuneration of the President and Chief Executive Officer is determined by the Governor in Council.

The Corporation's key executives have been defined as the executive staff members that are members of the Corporate Management Committee.

The compensation of the key executives of the Corporation is as follows:

(In millions of Canadian dollars)	2015	2014
Compensation and short-term employee benefits	**3.3**	2.8
Termination benefits	**0.2**	0.7
Post-employment benefits	**1.2**	0.4
Total	**4.7**	3.9

23. NON-MONETARY TRANSACTIONS

The Corporation recorded revenue from non-monetary transactions of approximately $2.1 million for the year ended December 31, 2015 (December 31, 2014 : $1.7 million) under "Passenger revenues" in the statement of operations and other comprehensive income. The Corporation also recorded expenses from non-monetary transactions of approximately $1.8 million (December 31, 2014 : $1.9 million) mainly under "Marketing and sales" and "Other expenses" in the statement of operations and other comprehensive income. The nature of non-monetary transactions is mainly related to advertising activities.

24. CONTINGENCIES

a) Environment

The Corporation's operations are subject to numerous federal, provincial, and municipal environmental laws and regulations concerning among other things, the management of air emissions, wastewater, hazardous materials, wastes and soil contamination as well as the management and decommissioning of underground and aboveground storage tanks. A risk of environmental liability is inherent in railroad and related transportation operations, real estate ownership and other activities of the Corporation with respect to both current and past operations.

The Corporation has performed a review of all of its operations and of all of its sites and facilities at risk in order to determine the potential environmental risks. The sites and the facilities for which environmental risks were identified were or will be the subject of thorough studies and corrective actions were or will be taken if necessary in order to eliminate or to mitigate these risks. The continuous risk management process that is in place allows the Corporation to monitor its activities and properties under normal operating conditions as well as monitor accidents that occur. The properties likely to be contaminated or the activities or property, plant and equipment likely to cause a contamination are addressed, at the moment of their observation, by the development of an action plan according to the nature and the importance of the impact and the applicable requirements.

When remediation costs can be reasonably estimated, a provision is recorded based on the anticipated future costs.

However, the Corporation's ongoing efforts to identify potential environmental concerns that may be associated with its properties may lead to future environmental investigations, which may result in the identification of additional environmental costs and liabilities. The magnitude of such additional liabilities and the costs of complying with environmental laws and containing or remediating contamination cannot be reasonably estimated due to:

(i) the lack of specific technical information available with respect to many sites;

(ii) the absence of any third-party claims with respect to particular sites;

(iii) the uncertainty regarding the ability to recover costs from any third parties with respect to particular sites;

(iv) the fact that the environmental responsibility has not been clearly attributed.

There can thus be no assurance that material liabilities or costs related to environmental matters will not be incurred in the future, or will not have a material adverse effect on the Corporation's financial position.

b) Asset retirement

The Corporation has entered into certain operating leases where the lessor has the option of requesting that the land/structures or the other assets be returned in the same condition as they were originally leased, or of retaking control of these assets without any compensation to the Corporation for any additions or modifications made to the initial assets. Given the nature of the assets under contract and the options available to the lessor, the asset retirement obligation cannot be reasonably estimated. No liability has been recognized in the financial statements.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

INTERIM CHAIRMAN, VIA RAIL CANADA

Eric Stefanson
Winnipeg, Manitoba

VICE-CHAIRPERSON, VIA RAIL CANADA

Jane Mowat
Toronto, Ontario

BOARD MEMBERS

Denis Durand
Montréal, Québec

David Hoff
Vancouver, British Columbia

Stephen Mallory
Toronto, Ontario

Ramona Materi
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Deborah Robinson
Toronto, Ontario

Hind Sergieh
Montréal, Québec

Melissa Sonberg
Montréal, Québec

William M. Wheatley
Regina, Saskatchewan

Yves Desjardins-Siciliano
Montréal, Québec

CORPORATE SECRETARY

Jean-François Legault

SENIOR LEADERSHIP TEAM

Yves Desjardins-Siciliano
President and Chief Executive Officer

Marc Beaulieu
Chief Transportation and Safety Officer

Laurent F. Caron*
Chief Human Resources Officer

Sonia Corriveau
Chief Business Transformation Officer

Patricia Jasmin
Chief Financial Officer

Martin R. Landry
Chief Commercial Officer

Jean-François Legault
Chief Legal & Risk Officer and Corporate Secretary

Robert St-Jean
Chief Capital Asset Management Officer

VIA OFFICE LOCATIONS

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V6A 4C7
604 640-3700

viarail.ca

*Until December 31, 2015

SENIOR LEADERSHIP TEAM BIOGRAPHIES

YVES DESJARDINS-SICILIANO

President and Chief Executive Officer

Mr. Desjardins-Siciliano joined VIA Rail in 2010 and was appointed President and CEO in May 2014. Prior to his appointment, he was the Corporation's Chief Corporate & Legal Officer and Corporate Secretary. A seasoned executive, Mr. Desjardins-Siciliano leads with passion, respect and transparency. He is known for embracing innovation and encouraging creative ideas. He prides himself on being an accessible CEO, and values every opportunity to meet and converse with both travellers and employees.

Prior to VIA Rail, Mr. Desjardins-Siciliano held several senior positions in legal, regulatory and government relations, business and corporate development, marketing communications and finance, in Montreal and Toronto. He worked for private and publicly held companies, in the information technology, telecommunications, marketing and entertainment industries.

Member of the Barreau du Quebec and Past President of the Canadian Bar Association, Quebec Division, Mr. Desjardins-Siciliano holds a law degrees (LL.L.) from *l'Université de Montréal* and Graduate Studies in Law (GSD) from McGill University. He holds an ICD.D designation from the Institute of Corporate Directors (ICD.D).

MARC BEAULIEU

Chief Transportation and Safety Officer

Mr.Beaulieu joined VIA Rail from Canadian National (CN) in 1985, and progressed through a number of increasingly senior management positions, including General Manager, Maintenance Operations, Chief Mechanical Officer, Regional General Manager, East, and Chief of Transportation, prior to being named to his current role. As Chief Transportation and Safety Officer, he is responsible for all network operations, transportation and operational safety, mechanical services and corporate security. Mr.Beaulieu's mandate is to ensure the safe and efficient operation of VIA Rail trains. To that end, his responsibilities include oversight of locomotive crews, maintenance and certain related engineering personnel, network operations staff, and safety and security professionals.

LAURENT F. CARON*

Chief Human Resources Officer

Mr. Caron joined VIA in 2010. As Chief Human Resources Officer, he implements strategies and programs that foster strong employee engagement with the Corporation's vision, mission and guiding principles. He oversees leadership development, succession planning, labour relations and enforcement of the Code of Conduct, and ensures that VIA Rail's core competencies are aligned with the activities under his supervision, including hiring, training and e-Learning, performance management, change management, total compensation, and human resources policies. Mr. Caron previously held positions of steadily increasing responsibility with CN, AMF Technotransport and the Quebec Railway Corporation. He holds a Bachelor's degree in Industrial Relations from McGill University and is a member of the *Ordre des conseillers en ressources humaines* and of the Society for Human Resource Management.

SONIA CORRIVEAU

Chief Business Transformation Officer

Ms. Corriveau joined VIA Rail in 2014. As Chief Business Transformation Officer, she is responsible for the re-engineering of the Corporation's business processes, overseeing the transformation and modernization of both internal and customer-facing activities. Her responsibilities include the Information Technology group and the Corporate Project Management Office, as well as the Corporate Architecture and Innovation team. Ms. Corriveau previously spent 25 years with IBM, where she held executive positions leading various business units across Canada and successfully managing complex organizational and operational changes. Prior to joining VIA Rail, she served as Vice President, IBM Global Business Services and President of LGS Group. Ms. Corriveau holds an MBA from University of Quebec (Montreal) and a Bachelor's degree in Business Computing from Sherbrooke University.

*Mr. Caron held the position of Chief Human Resources Officer until December 31, 2015

PATRICIA JASMIN

Chief Financial Officer

Ms. Jasmin joined VIA Rail in 2007 and served as the Corporate Comptroller prior to her appointment as Chief Financial Officer. Her responsibilities include financial administration, internal and external financial reports, budgets and controls, internal and external audits and corporate purchasing. A key contributor to the corporate planning process, Ms. Jasmin works closely with the Corporation's internal and external auditors and supports the Board of Directors' Audit and Finance Committee. She has extensive experience in finance and administration, having previously worked for large retail organisations, including Costco and Loblaw Companies Ltd., and in the telecom sector with Rogers and Téléglobe. Ms. Jasmin holds a Bachelor's degree in Business Administration from HEC (Université de Montréal). She is a member of the Canadian Institute of Chartered Accountants and holds the CPA,CA designation.

MARTIN R. LANDRY

Chief Commercial Officer

Mr. Landry joined VIA Rail in 2014. As Chief Commercial Officer, he oversees all employees and activities related to customer service in stations and on board trains across Canada. Mr. Martin's responsibilities also include marketing communications and advertising, B2B and international sales, commercial planning, sponsorships, product design, brand management, new product development, loyalty programs, partnerships and business development, customer service and marketing research, as well as analytics. He previously spent 30 years with IBM, during which he led a number of business units in North America and Europe, including a global financial services team based in Paris. Most recently, he served as General Manager for Canada of IBM's Global Process Services Unit, and was a member of IBM Canada's Executive Committee. Mr. Landry holds an Honours degree in Finance from the University of Ottawa.

JEAN-FRANÇOIS LEGAULT

Chief Legal & Risk Officer and Corporate Secretary

Mr. Legault joined VIA Rail in May 2014. As Chief Legal & Risk Officer and Corporate Secretary, he is responsible for the Corporation's governance, secretariat, the management of its safety compliance and all legal matters related to VIA Rail's operations, as well as for implementing its enterprise risk management and insurance claims program. Prior to joining VIA Rail, Mr. Legault practiced law for several years in Montreal and held a number of senior leadership roles in the corporate legal sphere, including serving as Vice-President, Legal Affairs at Bell Canada and Gildan Activewear and as General Counsel and Corporate Secretary at Transat. He possesses a wide range of experience with respect to corporate legal services and management of compliance, including governance, litigation management, contracts, acquisitions and divestitures, with particular expertise in the provision of legal advice aligned to corporate strategies and objectives. Mr. Legault obtained his law degree (LL.B) at the University of Ottawa, and is a member of the *Barreau du Québec*.

ROBERT ST-JEAN

Chief Capital Asset Management Officer

Mr. St-Jean joined VIA Rail in 2006 and served as Chief Financial and Administration Officer before being named Chief Capital Asset Management Officer, effective January 1, 2015. His mandate is to improve return on investment, reduce operating costs and improve the customer experience. He is responsible for the acquisition, management, development, monetization and renewal of all VIA Rail's tangible assets, including stations and other real estate, as well as track infrastructure, rolling stock and pension plan assets. Before joining VIA Rail, Mr. St-Jean served as Senior Vice President, Finance and Control, at Loblaw Companies Ltd. and Vice President and Controller, at Provigo Inc. and held senior management positions with Club Price Canada. He earned a Bachelor's degree in Business Administration from the *Université de Sherbrooke*. Mr. St-Jean is a member of the Canadian Institute of Chartered Accountants and holds the CPA, CA designation.

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