Non-GAAP Measures - Unaudited

The Company presents non-GAAP measures, cash flow information and credit metrics to provide a basis for evaluating underlying earnings and liquidity trends in its business that can be compared with the results of operations in prior periods. These non-GAAP measures have no standardized meaning and are not defined by GAAP and, therefore, are unlikely to be comparable to similar measures presented by other companies.

Credit Measures

Adjusted debt to Adjusted earnings before interest, tax, depreciation and amortization ("EBITDA") is a non-GAAP measure that management uses to evaluate CP's financial discipline with respect to capital markets credit sensitivities. Adjusted debt is defined as Long-term debt, Long-term debt maturing within one year and Short-term borrowing as reported on the Consolidated Balance Sheets adjusted for unfunded pension and other benefits liability, net of tax and the net present value of operating leases, which is discounted by the Company's effective interest rate for each of the periods presented. Adjusted EBITDA is calculated as Adjusted EBIT plus Depreciation and amortization, adjusted for net periodic pension and other benefit cost and operating lease expense.

The following tables reconcile Adjusted debt to Long-term debt and Adjusted EBITDA to Adjusted EBIT for the years ended December 31, 2013, 2012, and 2011. Refer to Section 15, Non-GAAP Measures of the 2013 annual MD&A for the reconciliation of Adjusted EBIT to Operating for the years ended December 31, 2012 and 2011.

Reconciliation of Adjusted debt to Long-term debt

(in millions)	2013	2012	2011
Adjusted debt as at December 31	**$ 5,394**	$ 6,247	$ 6,395
Less:			
Net unfunded pension and other benefits liability, net of tax	**-**	(1,042)	(1,004)
Net present value of operating leases[(1)]	**(518)**	(515)	(619)
Long-term debt as at December 31	**$ 4,876**	$ 4,690	$ 4,772

[(1)] Operating leases were discounted at the Company's effective interest rate for each of the periods presented.

Reconciliation of Adjusted EBITDA to Adjusted EBIT

(in millions)	2013	2012	2011
Adjusted EBITDA for the year ended December 31	**$ 2,464**	$ 1,957	$ 1,579
Less (Add):			
Adjustment for net periodic pension and other benefit cost	**82**	63	27
Operating lease expense	**(154)**	(182)	(161)
Depreciation and amortization	**(565)**	(539)	(490)
Adjusted EBIT for the year ended December 31	**$ 1,827**	$ 1,299	$ 955

Foreign Exchange Adjusted Variance

Foreign exchange adjusted variance ("FX adj. variance") allows certain financial results to be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons in the analysis of trends in business performance. Financial results at a constant currency are obtained by translating the previous period results in U.S. dollars at the foreign exchange rate of the comparable period of the current year. Measures at constant currency are considered non-GAAP measures and do not have any standardized meaning prescribed by GAAP and, therefore, are unlikely to be comparable to similar measures presented by other companies.

	For the three months ended March 31				
(in millions of Canadian dollars)	**2014**	2013	Variance due to FX	Adjusted 2013[1]	FX Adj. %[1]
Freight revenues	**$ 1,474**	$ 1,459	$ 67	$ 1,526	(3)%
Other revenues	**35**	36	-	36	(3)%
Total revenues	**1,509**	1,495	67	1,562	(3)%
Total operating expenses	**1,086**	1,133	43	1,176	(8)%
Operating income	**$ 423**	$ 362	$ 24	$ 386	10%

[1] These earnings measures have no standardized meaning prescribed by GAAP and, therefore, are unlikely to be comparable to similar measures of other companies.