



INVESTOR FACT BOOK

2021 DATA SUPPLEMENT

To be read in conjunction with the 2019 Fact Book and 2020 Fact Book Supplement.

FORWARD-LOOKING INFORMATION

This Investor Fact Book contains certain forward-looking information and forward-looking statements (collectively, “forward-looking information”), within the meaning of applicable United States and Canadian securities law. This forward-looking information relates, but is not limited, to Canadian Pacific’s operations, priorities and plans (including planned acquisitions), anticipated financial performance, dividends, growth, business prospects, planned capital expenditures, programs, and strategies . This forward-looking information also includes, but is not limited to, statements concerning expectations, beliefs, plans, goals, objectives, assumptions and statements about possible future events, conditions and results of operations or performance.

Forward-looking information may contain statements with words such as “anticipate”, “believe”, “expect”, “plan” or similar words suggesting future outcomes. By its nature, CP’s forward-looking information involves numerous projections and assumptions, inherent risks and uncertainties that could cause actual results to differ materially from the forward-looking information, including but not limited to the following factors: changes in business strategies and strategic opportunities; general North American and global social, economic, political, credit and business conditions; risks associated with agricultural production such as weather conditions and insect populations; the availability and price of energy commodities; the effects of competition and pricing pressures; industry capacity; shifts in market demand; changes in commodity prices and demand; uncertainty surrounding timing and volumes of commodities being shipped via CP; inflation; geopolitical instability; compliance with environmental regulations; changes in laws, regulations and government policies, including regulation of rates; changes in taxes and tax rates; potential increases in maintenance and operating costs; changes in fuel prices; uncertainties of investigations, proceedings or other types of claims and litigation; effectiveness of our various rail safety technologies; labour disputes; risks and liabilities arising from derailments; transportation of dangerous goods; timing of completion of capital and maintenance projects; currency and interest rate fluctuations; effects of changes in market conditions and discount rates on the financial position of pension plans and investments; trade restrictions or other changes to international trade arrangements; climate change; various events that could disrupt operations, including severe weather, such as droughts, floods, avalanches and earthquakes, and cybersecurity attacks, as well as security threats and governmental response to them, and technological changes; insurance coverage limitations; and the pandemic created by the outbreak of the novel strain of coronavirus (and the disease known as COVID-19) and resulting effects on economic conditions, the demand environment for logistics requirements and energy prices, restrictions imposed by public health authorities or governments, fiscal and monetary policy responses by governments and financial institutions, and disruptions to global supply chains; estimated future dividends; and financial strength and flexibility. The foregoing list of factors is not exhaustive. Undue reliance should not be placed on forward-looking information as actual results may differ materially from the forward-looking information. Although CP believes the expectations, estimates projections and assumptions reflecting in the forward-looking information presented herein are reasonable as of the date hereof, there can be no assurance that they will prove to be correct. Current conditions, economic and otherwise, render assumptions, although reasonable when made, subject to greater uncertainty.

Forward-looking information is not a guarantee of future performance. The foregoing lists of factors is not exhaustive. These and other factors are detailed

from time to time in reports filed by CP with securities regulators in Canada and the United States. Reference should be made to “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition” and “Results of Operations – Forward-Looking Information” in CP’s annual and interim reports on Form 10-K and 10-Q, filed on SEDAR (www.sedar.com) and EDGAR (www.sec.gov). Readers are cautioned not to place undue reliance on forward-looking information. Forward-looking information is based on current expectations, estimates and projections and it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved by CP. Except as required by law, CP undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.

BASIS OF PRESENTATION

Except where noted, all amounts per share are in Canadian dollars and all other amounts are in millions of Canadian dollars.

Financial information is prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), unless otherwise noted.

As a result of the five-for-one share split of the Company’s issued and outstanding Common Shares, which began trading on a post-split basis on May 14, 2021, per share amounts and all outstanding Common Shares for comparative periods of 2020 have been retrospectively adjusted.

NON-GAAP MEASURES

CP presents Non-GAAP measures in this presentation to provide a basis for evaluating underlying earnings and liquidity trends in CP’s business that can be compared with the prior period’s results.

It should be noted that CP’s Non-GAAP measures as described in this presentation, have no standardized meanings and are not defined by U.S. GAAP and, therefore, may not be comparable to similar measures presented by other companies.

Although CP has provided target non-GAAP measures (Adjusted net debt to Adjusted EBITDA ratio and Adjusted dividend payout ratio), management is unable to reconcile, without unreasonable efforts, the target Adjusted net debt to Adjusted EBITDA ratio to the most comparable GAAP measures (Long-term debt to Net income ratio and Dividend payout ratio respectively), due to unknown variables and uncertainty related to future results. These unknown variables may include unpredictable transactions of significant value. In recent years, CP has recognized acquisition-related costs (including legal, consulting, and financing fees and fair value gain or loss on FX forward contracts and interest rate hedges), the merger termination fee, changes in income tax rates and a change to an uncertain tax item. These or other similar, large unforeseen transactions affect Net income and Diluted EPS but may be excluded from CP’s Adjusted EBITDA and Adjusted diluted EPS. Additionally, the U.S.-to-Canadian dollar exchange rate is unpredictable and can have a significant impact on CP’s reported results but may be excluded from CP’s Adjusted EBITDA and Adjusted diluted EPS. In particular, CP excludes the FX impact of translating the Company’s debt and lease liabilities from Adjusted EBITDA and Adjusted diluted EPS, and also excludes interest and taxes from Adjusted EBITDA.

A COMMITMENT TO EXCELLENCE.

There are no shortcuts to long-term, sustainable success.

At CP, precision scheduled railroading is not just an operating model; it’s a culture of continuous improvement. Our over 12,000-strong CP family is committed to redefining expectations for a Class 1 railway.

Our playbook for profitable, sustainable growth is straightforward: deliver excellent service that provides value to customers and rewards shareholders; do it safely and with the lowest possible environmental impact; provide a rewarding workplace that invests in its people; and grow in lockstep with our operating model, not at its expense.

There is no destination; it is an ongoing journey.

Year-in, year-out, our CP family will continue to develop and implement improvements that drive safety, sustainability, reliability and efficiency.

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PERFORMANCE HIGHLIGHTS

\$ in millions of Canadian dollars except for per share data, ratios, or unless otherwise indicated

	2016	2017	2018	2019	2020
FINANCIAL HIGHLIGHTS					
Total revenues	\$6,232	\$6,554	\$7,316	\$7,792	\$7,710
Operating income	\$2,411	\$2,519	\$2,831	\$3,124	\$3,311
Adjusted operating income ⁽¹⁾	\$2,411	\$2,468	\$2,831	\$3,124	\$3,311
Operating ratio	61.3%	61.6%	61.3%	59.9%	57.1%
Adjusted operating ratio ⁽¹⁾	61.3%	62.4%	61.3%	59.9%	57.1%
Net income	\$1,599	\$2,405	\$1,951	\$2,440	\$2,444
Adjusted income ⁽¹⁾	\$1,549	\$1,666	\$2,080	\$2,290	\$2,403
Diluted earnings per share ("EPS") ⁽²⁾	\$2.13	\$3.29	\$2.72	\$3.50	\$3.59
Adjusted diluted EPS ⁽¹⁾⁽²⁾	\$2.06	\$2.28	\$2.90	\$3.29	\$3.53
Cash provided by operating activities	\$2,089	\$2,182	\$2,712	\$2,990	\$2,802
Cash used in investing activities	(\$1,069)	(\$1,295)	(\$1,458)	(\$1,803)	(\$2,030)
Cash used in financing activities	(\$1,493)	(\$700)	(\$1,542)	(\$1,111)	(\$764)
Free cash ⁽¹⁾	\$1,007	\$874	\$1,289	\$1,357	\$1,157
Return on average shareholders' equity	33.9%	43.4%	29.8%	35.6%	34.0%
Adjusted return on invested capital ("Adjusted ROIC") ⁽¹⁾	14.0%	14.7%	16.2%	16.9%	16.7%
Dividend payout ratio	17.4%	13.3%	18.5%	17.9%	19.8%
Adjusted dividend payout ratio ⁽¹⁾	18.0%	19.2%	17.3%	19.1%	20.1%
Long-term debt to Net income ratio	5.4	3.4	4.5	3.6	4.0
Adjusted net debt to Adjusted EBITDA ratio ⁽¹⁾	2.9	2.6	2.6	2.4	2.5
STATISTICAL HIGHLIGHTS ⁽³⁾					
Revenue ton-miles ("RTMs") (millions)	135,952	142,540	154,207	154,378	151,891
Carloads (thousands)	2,525	2,634	2,740	2,766	2,708
Gross ton-miles ("GTMs") (millions)	242,694	252,195	275,362	280,724	272,360
Locomotive productivity (GTMs / operating horsepower)	204	201	198	202	207
Fuel efficiency (U.S. gallons of locomotive fuel consumed / 1,000 GTMs)	0.980	0.980	0.953	0.955	0.942
Average train weight - excluding local traffic (tons)	8,614	8,806	9,100	9,129	9,707
Average train length - excluding local traffic (feet)	7,217	7,214	7,313	7,388	7,929
Average terminal dwell (hours)	6.7	6.6	6.8	6.4	6.5
Average train speed (miles per hour, or "mph")	23.5	22.6	21.5	22.2	22.0
Total employees (end of period)	11,693	12,215	12,840	12,694	11,890
Workforce (end of period)	11,738	12,294	12,866	12,732	11,904
SAFETY INDICATORS ⁽³⁾					
FRA personal injuries per 200,000 employee-hours	1.67	1.65	1.47	1.42	1.11
FRA train accidents per million train-miles	1.12	0.99	1.10	1.06	0.96

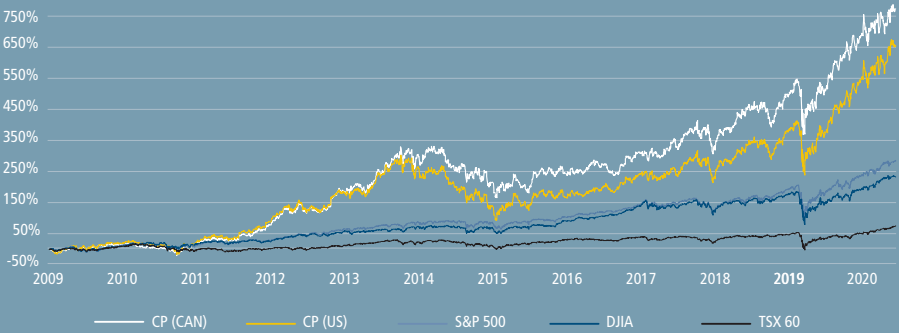
⁽¹⁾ These measures have no standardized meanings prescribed by accounting principles generally accepted in the United States of America ("GAAP") and, therefore, may not be comparable to similar measures presented by other companies. These measures are defined and reconciled in Non-GAAP Measures on page 20.

⁽²⁾ As a result of the five-for-one share split of the Company's issued and outstanding Common Shares, which began trading on a post-split basis on May 14, 2021, per share amounts and all outstanding Common Shares have been retrospectively adjusted.

⁽³⁾ Certain statistical highlights and safety indicators have been updated to reflect new information or have been restated to conform with current presentation. The restatements of safety indicators reflect new information available within specified periods stipulated by the Federal Railroad Administration ("FRA") but that exceed the Company's financial reporting timeline.

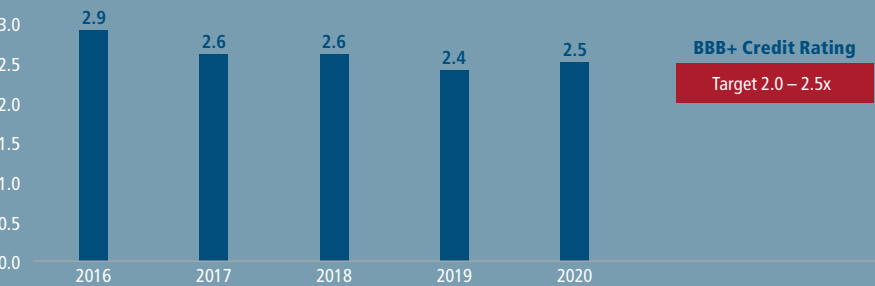
2016 – 2020

CP'S STOCK PERFORMANCE

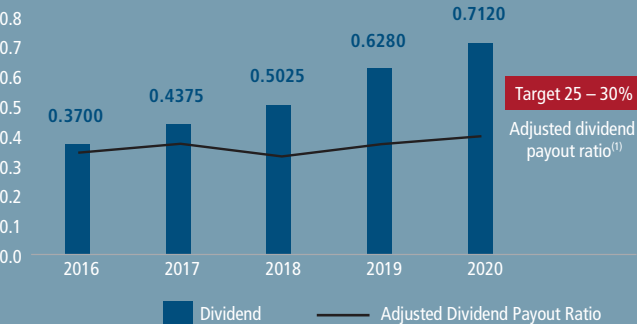


16.7% ADJUSTED ROIC⁽¹⁾
(2020)

ADJUSTED NET DEBT / ADJUSTED EBITDA⁽¹⁾



DIVIDEND DECLARED PER SHARE⁽²⁾



⁽¹⁾ These measures have no standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures presented by other companies. These measures are defined and reconciled in Non-GAAP measures on page 22.

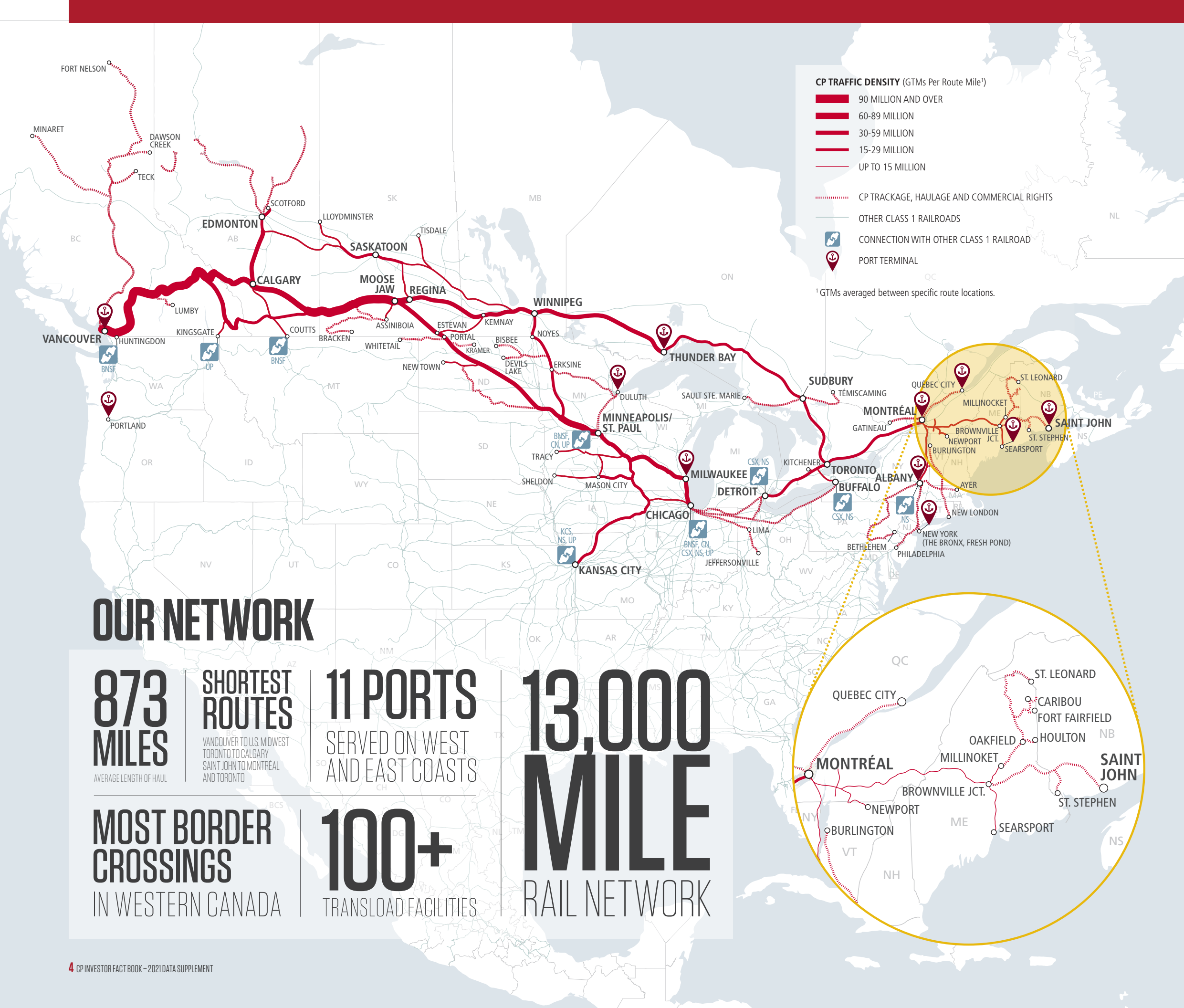
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57.1% ADJUSTED OPERATING RATIO⁽¹⁾
420 BPS IMPROVEMENT

ADJUSTED DILUTED EPS GROWTH⁽¹⁾⁽²⁾
71.7%

\$5.3B SHARES REPURCHASED

\$1.8B DIVIDENDS PAID



CUSTOMER-FOCUSED FOOTPRINT

CP has the most compelling value proposition for customers.

We have the shortest and fastest routes in key lanes across Canada and the U.S. Our flagship transcontinental service provides the fastest and most consistent service between Eastern Canada, Calgary and Vancouver.

We've made our customer-service offering even stronger by transforming a significant portion of our network.

CP's purchase of the Central Maine & Québec Railway (CMQ) and acquisition of the full ownership of the Detroit River Tunnel Partnership (D RTP) strengthens our eastern network and marks CP's return as a truly coast-to-coast railroad. Together with increased efficiencies, extended sidings, optimized surplus land and innovation, we continue to create new service offerings and optimize our capacity.

We leverage strategic relationships to extend our reach past the mainline. CP has connections with other railways; a network of more than 100 transload facilities across Canada and the U.S. to further our reach to markets not directly served by rail; and, links with ports on both the west and east coasts.

We are also developing and implementing technology that provides practical solutions to enhance our best-in-class safety and efficiency. Our technology innovations are aimed at reducing dwell, improving speed, running longer and heavier trains and ensuring we continue to operate North America's safest railway.

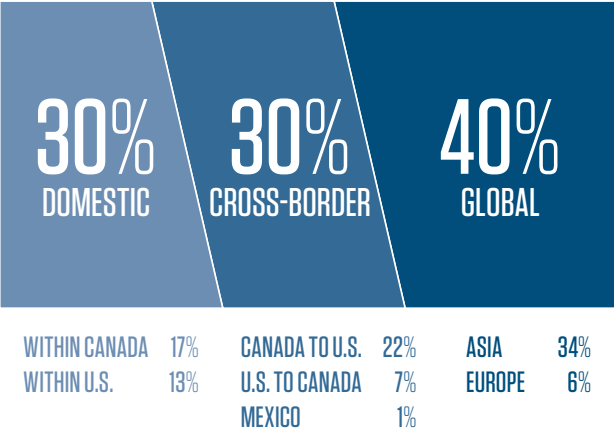
Service excellence wins business. Capacity allows it to grow.

DIVERSIFIED BOOK OF BUSINESS

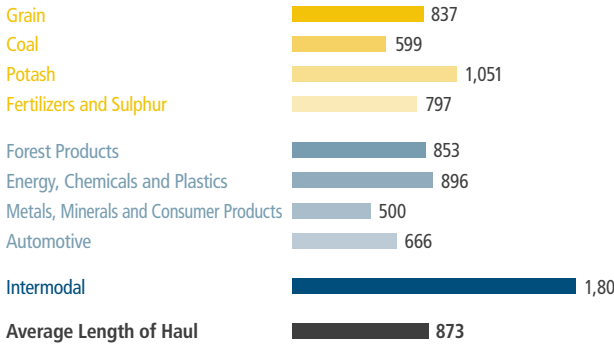
A powerful base to drive sustainable growth.



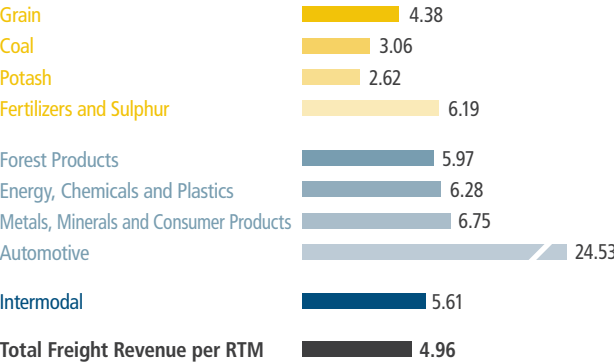
GEOGRAPHICAL DISTRIBUTION % OF 2020 FREIGHT REVENUE



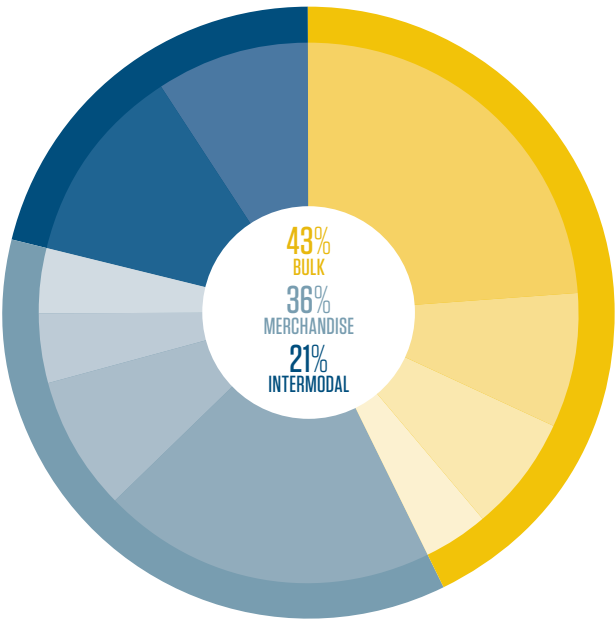
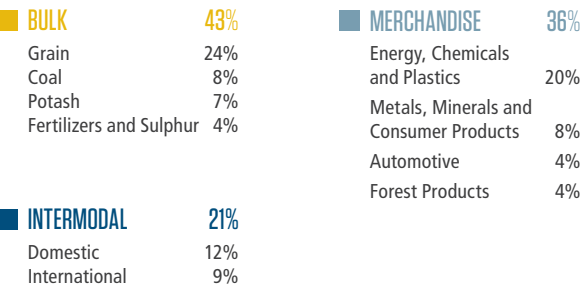
2020 AVERAGE LENGTH OF HAUL (MILES)



2020 FREIGHT REVENUE PER REVENUE TON-MILE (CENTS)

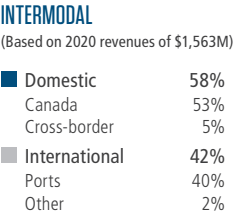
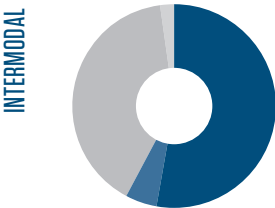
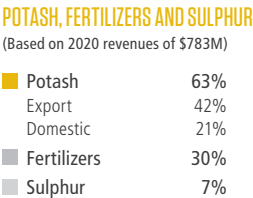
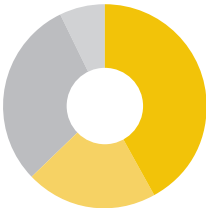
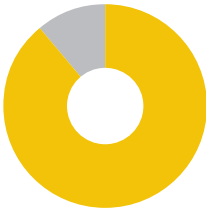
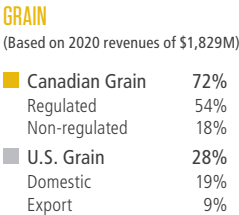
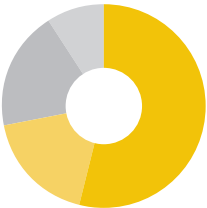


BUSINESS MIX % OF 2020 FREIGHT REVENUE

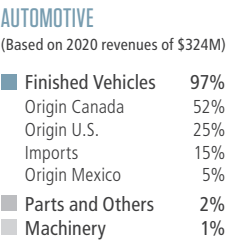
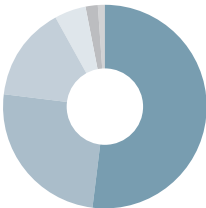
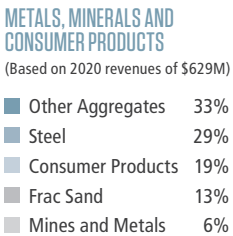
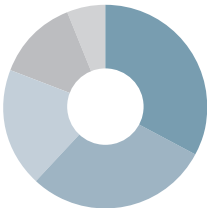
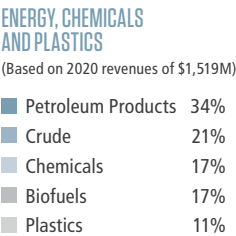
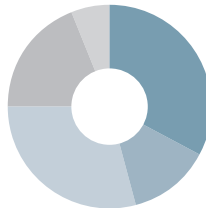
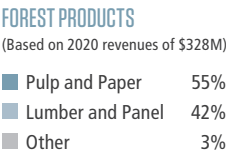
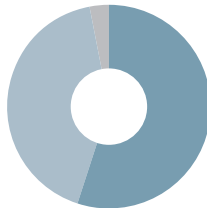


LINE OF BUSINESS

BULK



MERCHANDISE



SUSTAINABLY DRIVEN GROWTH

Operate safely. Reduce our environmental impact. Develop win-win relationships with stakeholders. Create long-term value.

Our focus on long-term sustainable growth is aligned with environmental, social and governance (ESG) performance. We are committed to operating in an ethical and responsible manner that considers our obligations to employees, customers, communities and shareholders – and we are seeking to understand how we can leverage our people, processes and technology to become even better.

Profitable, sustainable growth means having a modern long-term vision. And it starts with our greatest asset: our people. Our CP family’s ability to not only overcome the challenges

presented by the pandemic but make our franchise stronger underlined this. That is why we have further ramped up training and leadership development so that our railroaders can continue to grow and unlock new potential.

We are aligned with global standards and committed to regular transparent reporting on our ESG performance. As these pages highlight, our world-class railroaders continue to develop and implement solutions that drive safety, sustainability, reliability and efficiency.

In September, CP and A.P. Moller-Maersk opened a new world-class transload and distribution facility in Vancouver, expanding supply chain options for customers of both companies. The opportunity matches CP’s strategic land holdings with a new customer looking to control their end-to-end supply chain, reduce third-party truck involvement and remove thousands of round trips from Vancouver roads. The unique service solution enables ocean containers to efficiently move back to the ship and loaded domestic containers to move inland all while keeping trucks off public roads. In Vancouver, approximately 25 percent of inbound international containers are transloaded compared to 75 percent at other West Coast ports. The ability to rail transload volumes directly from the port to the new facility provides a compelling value proposition and meaningful carbon reduction in Vancouver. Estimates show that our new transload facility with Maersk will remove up to 100,000 truck trips from Metro Vancouver’s congested roads and reduce greenhouse gas emissions by over 4,000 tonnes per year.



GROWING SERVICE SOLUTIONS, REDUCING GHG EMISSIONS



HYDROGEN: A NEW WAY TO DRIVE BUSINESS

Initiated in 2020, CP’s Hydrogen Locomotive Program aims to develop a zero-emissions line-haul locomotive prototype by retrofitting a diesel-powered road service locomotive with hydrogen fuel cells and battery technology. Once the pilot locomotive is operational, we will conduct qualification testing and service trials to evaluate the technology’s readiness for future opportunities in the freight-rail sector. As nearly the entire North American freight locomotive fleet is currently diesel-powered, this globally significant project positions CP at the leading edge of freight sector decarbonization. This initiative is part of our larger efforts to reduce our carbon footprint. CP has improved fuel efficiency by 44 percent since 1990, through advancements in technology, investments in innovation and improvements to operating practices. While CP regularly outperforms industry averages for fuel efficiency – 11.3 percent below the 2020 North American Class I freight railway average – we understand the need to further reduce the carbon footprint of our locomotives and operations. Our support for the advancement of alternative fuels and investing in emerging technologies complements our longer-term climate ambition.

CP completed installation of a solar energy farm at our Calgary headquarters in 2021. The project is one of the largest private solar farms in Alberta and is expected to generate more power than consumed annually by the main headquarters building. The solar energy farm will generate up to five megawatts of electricity while avoiding an estimated 2,600 tonnes of carbon emissions a year, equal to taking approximately 570 cars off the road. The project will reduce CP’s total scope 2 emissions footprint. Scope 2 emissions are indirect greenhouse gases emitted from sources that are owned or controlled by an organization. For CP, scope 2 emissions are generated during the production of electricity purchased from local utilities. Construction of the solar farm began in October 2020 with utilities being placed into the ground before winter weather settled in. The completed installation spans approximately five hectares and provides covered parking for up to 500 employee vehicles. Four electric car-charging stations with the ability to fully charge most electrical cars in up to five hours were also added to provide employees with quick and efficient access.



HEADQUARTERS HARNESSING THE SUN

LEVERAGING
TECHNOLOGY TO LEAD
IN SAFETY AND SERVICE



Safety is foundational at CP and our commitment is uncompromising. Safety is a journey not a destination and our culture of continuous improvement means we are never satisfied. Our team is constantly innovating new ways to leverage data and technology to find safer ways to operate. We use predictive analytics to identify opportunities for preventative maintenance resulting in a substantial reduction in on-line failures, increased network fluidity and reduced casualty incidents. For 2020, CP achieved a new record low for Federal Railroad Administration (FRA)-reportable injuries and held our position as the safest Class 1 railroad in North America for the 15th straight year, based on FRA-reportable train accident frequency. Our first-in-the-industry regulatory exemptions for the use of our Maple Creek remote train inspection portal on loaded potash trains and cold wheel technology on potash, grain and coal fleets enable a meaningful reduction in terminal dwell at some of our busiest terminals, an increase in network fluidity and improved safety as they detect up to 80 percent-plus more defects than manual inspection. In 2021, we are adapting cold wheel technology to our intermodal fleet – transcontinental cars that receive a lot of mileage – to identify maintenance opportunities, with a plan to apply for a regulatory exemption afterwards.

Our commitment to diversity is guided by our Board of Directors, comprising a talented group of individuals with expertise in rail, strategic planning, risk management, crisis response, finance and accounting, executive compensation and human resources. Led by Isabelle Courville, the first female to chair the board of a Class 1 railroad in North America, women make up 45 percent of CP’s Board of Directors. With 9 percent visibility minority representation, 54.5 percent of CP’s Board are members of designated groups. CP remains committed to increasing diversity throughout all levels of the organization and implemented an employee diversity and inclusion policy to guide our progress. This includes three new diversity councils – racial, Indigenous and gender (including 2SLGBTQ+) – that were established to help ensure that we consider diversity and gender and inclusion when we make decisions, provide feedback on corporate direction and promote initiatives that relate to each council’s area of focus.

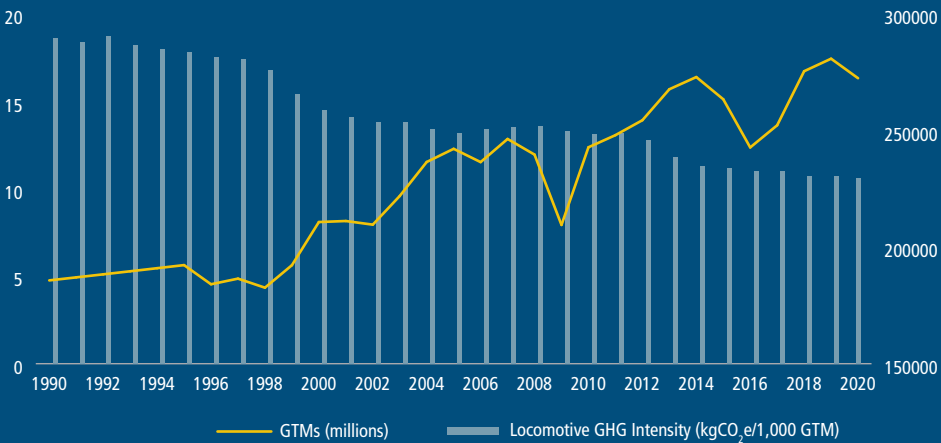
EMBRACING
DIVERSITY



ENVIRONMENTAL

RAIL VS. TRUCKING 75% ↓ LESS GHG EMISSIONS

LOCOMOTIVE GHG INTENSITY



REDUCED
GHG INTENSITY
44%* ↓
AVOIDING
OVER 33 MILLION
METRIC TONNES OF CARBON
*Since 1990

SOCIAL

HELPED RAISE THROUGH
CP HAS HEART \$2.47M
TO IMPROVE THE HEART HEALTH OF NORTH AMERICANS (2020)

43% ↓ REDUCED
TRAIN ACCIDENT
FREQUENCY
(2020 VS 2012)

GOVERNANCE

54.5%
OF DIRECTORS
ARE MEMBERS OF
DESIGNATED GROUPS



2021 FINANCIALS

FINANCIALS

QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

\$ in millions of Canadian dollars except for per share data, ratios, or unless otherwise indicated

	2019					2020					2021	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2
REVENUES												
Freight	\$1,726	\$1,931	\$1,932	\$2,024	\$7,613	\$2,000	\$1,752	\$1,821	\$1,968	\$7,541	\$1,918	\$2,008
Non-freight	41	46	47	45	179	43	40	42	44	169	41	46
Total revenues	1,767	1,977	1,979	2,069	7,792	2,043	1,792	1,863	2,012	7,710	1,959	2,054
OPERATING EXPENSES												
Compensation and benefits	406	383	355	396	1,540	398	347	382	433	1,560	405	379
Current service cost - net periodic benefit cost	30	30	30	28	118	38	38	38	38	152	46	46
Stock-based compensation	34	39	15	45	133	11	43	56	60	170	24	25
Compensation and benefits - all other components	342	314	310	323	1,289	349	266	288	335	1,238	335	308
Fuel	209	236	210	227	882	212	131	140	169	652	206	218
Materials	57	54	50	49	210	59	50	53	54	216	59	54
Equipment rents	35	34	33	35	137	36	33	39	34	142	33	28
Depreciation and amortization	160	183	185	178	706	192	195	195	197	779	202	200
Purchased services and other	357	265	277	294	1,193	312	266	275	197	1,050	274	355
Total operating expenses	1,224	1,155	1,110	1,179	4,668	1,209	1,022	1,084	1,084	4,399	1,179	1,234
Operating income	543	822	869	890	3,124	834	770	779	928	3,311	780	820
Adjusted operating income⁽¹⁾	543	822	869	890	3,124	834	770	779	928	3,311	813	919
Other (income) expense	(47)	(40)	29	(31)	(89)	211	(86)	(36)	(96)	(7)	(28)	157
Merger termination fee	—	—	—	—	—	—	—	—	—	—	—	(845)
Other components of net periodic benefit recovery	(97)	(98)	(99)	(87)	(381)	(85)	(86)	(86)	(85)	(342)	(95)	(96)
Net interest expense	114	112	110	112	448	114	118	114	112	458	110	101
Income before income tax expense	573	848	829	896	3,146	594	824	787	997	3,202	793	1,503
Income tax expense	139	124	211	232	706	185	189	189	195	758	191	257
Net income	\$434	\$724	\$618	\$664	\$2,440	\$409	\$635	\$598	\$802	\$2,444	\$602	\$1,246
Adjusted income⁽¹⁾	\$392	\$602	\$640	\$656	\$2,290	\$607	\$553	\$560	\$683	\$2,403	\$600	\$689
Operating ratio (%)	69.3%	58.4%	56.1%	57.0%	59.9%	59.2%	57.0%	58.2%	53.9%	57.1%	60.2%	60.1%
Adjusted operating ratio (%)⁽¹⁾	69.3%	58.4%	56.1%	57.0%	59.9%	59.2%	57.0%	58.2%	53.9%	57.1%	58.5%	55.3%
Diluted EPS⁽²⁾	\$0.62	\$1.03	\$0.89	\$0.96	\$3.50	\$0.60	\$0.93	\$0.88	\$1.19	\$3.59	\$0.90	\$1.86
Adjusted diluted EPS⁽¹⁾⁽²⁾	\$0.56	\$0.86	\$0.92	\$0.95	\$3.29	\$0.88	\$0.81	\$0.82	\$1.01	\$3.53	\$0.90	\$1.03
Weighted average number of diluted shares outstanding (millions)⁽²⁾	702.6	701.2	693.5	688.5	696.3	685.8	680.5	679.0	674.1	679.9	669.6	669.9
FOREIGN EXCHANGE ("FX")												
Average FX rate (U.S.\$/Canadian\$)	0.75	0.75	0.76	0.76	0.75	0.75	0.72	0.75	0.77	0.75	0.79	0.81
Average FX rate (Canadian\$/U.S.\$)	1.33	1.34	1.32	1.32	1.33	1.34	1.39	1.33	1.30	1.34	1.27	1.23

⁽¹⁾ These measures have no standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures presented by other companies. These measures are defined and reconciled in Non-GAAP Measures on page 20.

⁽²⁾ As a result of the five-for-one share split of the Company's issued and outstanding Common Shares, which began trading on a post-split basis on May 14, 2021, per share amounts and all outstanding Common Shares for periods prior to Q2 2021 have been retrospectively adjusted.

QUARTERLY CONSOLIDATED BALANCE SHEETS

\$ in millions of Canadian dollars

	2019				2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
ASSETS										
Current assets										
Cash and cash equivalents	\$352	\$45	\$145	\$133	\$247	\$277	\$183	\$147	\$360	\$892
Accounts receivable, net	744	795	770	805	885	776	840	825	840	755
Materials and supplies	182	195	188	182	177	192	185	208	213	218
Other current assets	98	80	83	90	98	110	116	141	211	122
Total current assets	1,376	1,115	1,186	1,210	1,407	1,355	1,324	1,321	1,624	1,987
Non-current assets										
Investments	201	210	215	341	369	223	223	199	199	197
Properties	18,312	18,489	18,909	19,156	19,900	20,019	20,169	20,422	20,503	20,639
Goodwill and intangible assets	198	193	195	206	223	291	284	366	371	366
Pension asset	1,352	1,460	1,572	1,003	1,111	1,214	1,317	894	1,007	1,119
Other assets	471	466	462	451	478	460	470	438	417	396
Total assets	\$21,910	\$21,933	\$22,539	\$22,367	\$23,488	\$23,562	\$23,787	\$23,640	\$24,121	\$24,704
LIABILITIES AND SHAREHOLDERS' EQUITY										
Current liabilities										
Accounts payable and accrued liabilities	\$1,312	\$1,401	\$1,415	\$1,693	\$1,528	\$1,577	\$1,380	\$1,467	\$1,418	\$1,945
Long-term debt maturing within one year	496	273	675	599	266	91	841	1,186	1,782	872
Total current liabilities	1,808	1,674	2,090	2,292	1,794	1,668	2,221	2,653	3,200	2,817
Non-current liabilities										
Pension and other benefit liabilities	714	713	712	785	790	784	777	832	829	823
Other long-term liabilities	598	598	579	562	541	544	576	585	537	525
Long-term debt	8,427	8,266	8,308	8,158	9,804	9,457	8,945	8,585	7,958	7,850
Deferred income taxes	3,549	3,525	3,635	3,501	3,604	3,644	3,689	3,666	3,731	3,724
Total liabilities	\$15,096	\$14,776	\$15,324	\$15,298	\$16,533	\$16,097	\$16,208	\$16,321	\$16,255	\$15,739
Shareholders' equity										
Share capital	1,997	1,996	1,982	1,993	1,985	1,990	1,978	1,983	1,993	2,003
Additional paid-in capital	46	45	45	48	51	53	56	55	58	63
Accumulated other comprehensive loss	(2,027)	(2,009)	(1,992)	(2,522)	(2,480)	(2,450)	(2,416)	(2,814)	(2,756)	(2,791)
Retained earnings	6,798	7,125	7,180	7,550	7,399	7,872	7,961	8,095	8,571	9,690
Total shareholders' equity	6,814	7,157	7,215	7,069	6,955	7,465	7,579	7,319	7,866	8,965
Total liabilities and shareholders' equity	\$21,910	\$21,933	\$22,539	\$22,367	\$23,488	\$23,562	\$23,787	\$23,640	\$24,121	\$24,704

QUARTERLY CONSOLIDATED STATEMENTS OF CASH FLOWS

\$ in millions of Canadian dollars

	2019					2020					2021	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2
OPERATING ACTIVITIES												
Net income	\$434	\$724	\$618	\$664	\$2,440	\$409	\$635	\$598	\$802	\$2,444	\$602	\$1,246
Reconciliation of net income to cash provided by operating activities:												
Depreciation and amortization	160	183	185	178	706	192	195	195	197	779	202	200
Deferred income tax expense (recovery)	38	(18)	96	65	181	39	49	45	88	221	51	9
Pension recovery and funding	(88)	(89)	(94)	(89)	(360)	(65)	(62)	(65)	(58)	(250)	(61)	(65)
Foreign exchange (gain) loss on debt and lease liabilities	(45)	(37)	25	(37)	(94)	215	(86)	(40)	(103)	(14)	(33)	(52)
Other operating activities, net	45	18	24	56	143	(72)	27	56	—	11	(88)	52
Change in non-cash working capital balances related to operations	(131)	(60)	(31)	196	(26)	(229)	77	(296)	59	(389)	(91)	564
Cash provided by operating activities	413	721	823	1,033	2,990	489	835	493	985	2,802	582	1,954
INVESTING ACTIVITIES												
Additions to properties	(224)	(459)	(464)	(500)	(1,647)	(355)	(502)	(484)	(330)	(1,671)	(323)	(416)
Investment in Detroit River Tunnel Partnership ("DRTP")	—	—	—	—	—	—	—	—	(398)	(398)	—	—
Investment in Central Maine & Québec Railway ("CMQ")	—	—	—	(174)	(174)	—	19	—	—	19	—	—
Proceeds from sale of properties and other assets	6	8	4	8	26	2	5	2	13	22	37	12
Other	(1)	(4)	(1)	(2)	(8)	(9)	10	(1)	(2)	(2)	—	(1)
Cash used in investing activities	(219)	(455)	(461)	(668)	(1,803)	(362)	(468)	(483)	(717)	(2,030)	(286)	(405)
FINANCING ACTIVITIES												
Dividends paid	(91)	(91)	(116)	(114)	(412)	(114)	(112)	(113)	(128)	(467)	(127)	(126)
Issuance of CP Common Shares	4	10	6	6	26	24	5	3	20	52	8	8
Purchase of CP Common shares	(207)	(257)	(500)	(170)	(1,134)	(501)	(44)	(400)	(564)	(1,509)	—	—
Issuance of long-term debt, excluding commercial paper	397	—	—	—	397	959	(1)	—	—	958	—	—
Repayment of long-term debt, excluding commercial paper	(5)	(480)	(6)	(9)	(500)	(15)	(10)	(49)	(10)	(84)	(21)	(10)
Net issuance (repayment) of commercial paper	—	246	355	(77)	524	(553)	(20)	459	384	270	93	(872)
Net increase (decrease) in short-term borrowings	—	—	—	—	—	145	(140)	—	—	5	—	—
Acquisition-related financing fees	—	—	—	—	—	—	—	—	—	—	(33)	(12)
Other	—	—	(2)	(10)	(12)	11	—	—	—	11	—	(4)
Cash provided by (used in) financing activities	98	(572)	(263)	(374)	(1,111)	(44)	(322)	(100)	(298)	(764)	(80)	(1,016)
Effect of foreign currency fluctuations on U.S. dollar-denominated cash and cash equivalents	(1)	(1)	1	(3)	(4)	31	(15)	(4)	(6)	6	(3)	(1)
CASH POSITION												
Increase (decrease) in cash and cash equivalents	291	(307)	100	(12)	72	114	30	(94)	(36)	14	213	532
Cash and cash equivalents at beginning of period	61	352	45	145	61	133	247	277	183	133	147	360
Cash and cash equivalents at end of period	\$352	\$45	\$145	\$133	\$133	\$247	\$277	\$183	\$147	\$147	\$360	\$892
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION												
Income taxes paid	\$149	\$108	\$122	\$127	\$506	\$139	\$5	\$311	\$127	\$582	\$133	\$139
Interest paid	\$149	\$83	\$141	\$71	\$444	\$157	\$63	\$163	\$60	\$443	\$155	\$57
Free cash ⁽¹⁾	\$193	\$265	\$363	\$536	\$1,357	\$158	\$333	\$6	\$660	\$1,157	\$296	\$746

⁽¹⁾ This measure has no standardized meaning prescribed by GAAP and, therefore, may not be comparable to similar measures presented by other companies. This measure is defined and reconciled in Non-GAAP Measures on page 20.

OPERATING METRICS

QUARTERLY STATISTICAL DATA

	2019					2020					2021	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2
OPERATIONS PERFORMANCE												
GTMs (millions)	64,854	72,717	71,658	71,495	280,724	71,309	63,077	65,997	71,977	272,360	71,326	71,355
Train miles (thousands)	7,823	8,373	8,354	8,374	32,924	8,367	6,865	7,247	7,844	30,324	7,803	7,605
Average train weight - excluding local traffic (tons)	8,868	9,295	9,173	9,163	9,129	9,188	9,984	9,857	9,889	9,707	9,795	10,101
Average train length - excluding local traffic (feet)	7,165	7,523	7,446	7,405	7,388	7,409	8,089	8,082	8,207	7,929	7,972	8,335
Average terminal dwell (hours)	7.9	6.4	5.8	5.9	6.4	6.2	6.5	6.7	6.7	6.5	7.4	6.8
Average train speed (miles per hour, or "mph")	21.1	22.4	22.7	22.4	22.2	21.6	22.4	22.5	21.9	22.0	20.9	21.8
Locomotive productivity (GTMs / operating horsepower)	184	207	208	210	202	201	212	207	207	207	201	208
Fuel efficiency (U.S. gallons of locomotive fuel consumed / 1,000 GTMs)	1.014	0.934	0.927	0.952	0.955	0.971	0.921	0.926	0.948	0.942	0.958	0.918
U.S. gallons of locomotive fuel consumed (millions)	65.7	67.9	66.4	68.1	268.1	69.3	58.1	61.1	68.2	256.7	68.3	65.5
Average fuel price (U.S. dollars per U.S. gallon)	2.40	2.61	2.41	2.53	2.49	2.33	1.63	1.72	1.91	1.90	2.39	2.71
TOTAL EMPLOYEES AND WORKFORCE ⁽¹⁾												
Total employees (average)	12,844	13,274	13,203	12,860	13,103	12,486	12,001	12,156	12,028	12,168	12,061	12,688
Total employees (end of period)	12,995	13,330	13,104	12,694	12,694	12,330	11,988	12,166	11,890	11,890	12,398	12,709
Workforce (end of period)	13,037	13,365	13,134	12,732	12,732	12,366	12,033	12,185	11,904	11,904	12,426	12,749
SAFETY INDICATORS ⁽¹⁾												
FRA personal injuries per 200,000 employee-hours	1.93	1.00	1.44	1.36	1.42	1.13	1.16	1.06	1.07	1.11	1.20	0.77
FRA train accidents per million train-miles	1.62	0.87	1.31	0.44	1.06	0.87	1.19	1.13	0.70	0.96	1.28	0.36

⁽¹⁾ Certain employee and workforce data and safety indicators have been updated to reflect new information or have been restated to conform with current presentation. The restatements of safety indicators reflect new information available within specified periods stipulated by the Federal Railroad Administration ("FRA") but that exceed the Company's financial reporting timeline.

REVENUE METRICS

QUARTERLY REVENUE AND VOLUME DATA

	2019					2020					2021	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2
FREIGHT REVENUES												
(in millions)												
Grain	\$380	\$422	\$409	\$473	\$1,684	\$418	\$446	\$457	\$508	\$1,829	\$448	\$444
Coal	158	173	183	168	682	150	131	130	155	566	163	170
Potash	114	136	117	95	462	112	146	132	103	493	101	134
Fertilizers and sulphur	57	63	66	64	250	70	77	65	78	290	77	78
Forest products	73	78	78	75	304	78	81	85	84	328	80	90
Energy, chemicals and plastics	315	346	382	491	1,534	491	341	321	366	1,519	388	369
Metals, minerals and consumer products	173	205	201	173	752	189	133	152	155	629	159	180
Automotive	76	104	87	85	352	87	34	94	109	324	108	98
Intermodal	380	404	409	400	1,593	405	363	385	410	1,563	394	445
Total freight revenues	\$1,726	\$1,931	\$1,932	\$2,024	\$7,613	\$2,000	\$1,752	\$1,821	\$1,968	\$7,541	\$1,918	\$2,008

	2019					2020					2021	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2
CARLOADS												
(in thousands)												
Grain	92.8	113.1	106.6	118.9	431.4	100.6	118.4	124.5	136.6	480.1	116.4	118.4
Coal	70.4	77.7	81.2	75.0	304.3	63.8	59.4	63.5	73.7	260.4	72.0	78.8
Potash	37.9	44.4	36.3	30.7	149.3	36.4	47.0	43.6	35.9	162.9	34.4	44.6
Fertilizers and sulphur	13.7	14.1	14.8	14.4	57.0	15.1	16.7	13.9	15.9	61.6	16.3	17.0
Forest products	17.1	18.5	18.5	17.4	71.5	18.1	17.5	17.9	18.1	71.6	17.5	18.9
Energy, chemicals and plastics	78.8	87.4	90.8	101.1	358.1	101.8	62.8	63.6	80.6	308.8	87.2	76.1
Metals, minerals and consumer products	53.5	63.7	62.9	54.2	234.3	58.2	45.1	50.8	53.2	207.3	55.7	61.1
Automotive	25.1	31.5	29.2	28.6	114.4	28.2	11.9	31.2	34.8	106.1	33.4	28.7
Intermodal	246.3	266.4	271.6	261.8	1,046.1	268.4	252.2	250.0	279.0	1,049.6	258.5	279.9
Total carloads	635.6	716.8	711.9	702.1	2,766.4	690.6	631.0	659.0	727.8	2,708.4	691.4	723.5

	2019					2020					2021	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2
REVENUE TON-MILES												
(in millions)												
Grain	8,352	9,452	8,953	10,184	36,941	9,016	10,169	10,549	12,013	41,747	10,773	10,076
Coal	5,232	5,492	5,761	5,335	21,820	4,435	4,337	4,437	5,301	18,510	5,280	4,837
Potash	4,573	5,242	4,188	3,294	17,297	4,138	5,490	5,036	4,120	18,784	3,786	4,978
Fertilizers and sulphur	902	940	1,030	974	3,846	1,095	1,233	1,059	1,296	4,683	1,269	1,263
Forest products	1,179	1,289	1,278	1,228	4,974	1,277	1,319	1,463	1,432	5,491	1,363	1,508
Energy, chemicals and plastics	6,359	6,971	7,571	8,455	29,356	8,849	4,512	4,620	6,191	24,172	7,142	5,856
Metals, minerals and consumer products	2,448	2,867	2,910	2,459	10,684	2,771	1,877	2,303	2,374	9,325	2,499	2,837
Automotive	335	439	351	302	1,427	326	130	390	475	1,321	508	467
Intermodal	6,622	7,128	7,130	7,153	28,033	7,311	6,660	6,833	7,054	27,858	6,653	7,239
Total revenue ton-miles	36,002	39,820	39,172	39,384	154,378	39,218	35,727	36,690	40,256	151,891	39,273	39,061

	2019					2020					2021	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2
FREIGHT REVENUE PER CARLOAD												
(in dollars)												
Grain	\$4,089	\$3,731	\$3,837	\$3,978	\$3,904	\$4,155	\$3,767	\$3,671	\$3,719	\$3,810	\$3,849	\$3,750
Coal	2,237	2,227	2,254	2,240	2,241	2,351	2,205	2,047	2,103	2,174	2,264	2,157
Potash	2,996	3,063	3,223	3,094	3,094	3,077	3,106	3,028	2,869	3,026	2,936	3,004
Fertilizers and sulphur	4,197	4,468	4,459	4,444	4,386	4,636	4,611	4,676	4,906	4,708	4,724	4,588
Forest products	4,288	4,216	4,216	4,310	4,252	4,309	4,629	4,749	4,641	4,581	4,571	4,762
Energy, chemicals and plastics	3,998	3,959	4,207	4,857	4,284	4,823	5,430	5,047	4,541	4,919	4,450	4,849
Metals, minerals and consumer products	3,239	3,218	3,196	3,192	3,210	3,247	2,949	2,992	2,914	3,034	2,855	2,946
Automotive	3,048	3,302	2,979	2,972	3,077	3,085	2,857	3,013	3,132	3,054	3,234	3,415
Intermodal	1,542	1,517	1,506	1,528	1,523	1,509	1,439	1,540	1,470	1,489	1,524	1,590
Total freight revenue per carload	\$2,716	\$2,694	\$2,714	\$2,883	\$2,752	\$2,896	\$2,777	\$2,763	\$2,704	\$2,784	\$2,774	\$2,775

	2019					2020					2021	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2
FREIGHT REVENUE PER RTM												
(in cents)												
Grain	4.55	4.46	4.57	4.64	4.56	4.64	4.39	4.33	4.23	4.38	4.16	4.41
Coal	3.01	3.15	3.18	3.15	3.13	3.38	3.02	2.93	2.92	3.06	3.09	3.51
Potash	2.48	2.59	2.79	2.88	2.67	2.71	2.66	2.62	2.50	2.62	2.67	2.69
Fertilizers and sulphur	6.38	6.70	6.41	6.57	6.50	6.39	6.24	6.14	6.02	6.19	6.07	6.18
Forest products	6.23	6.05	6.10	6.11	6.11	6.11	6.14	5.81	5.87	5.97	5.87	5.97
Energy, chemicals and plastics	4.96	4.96	5.05	5.81	5.23	5.55	7.56	6.95	5.91	6.28	5.43	6.30
Metals, minerals and consumer products	7.07	7.15	6.91	7.04	7.04	6.82	7.09	6.60	6.53	6.75	6.36	6.34
Automotive	22.84	23.69	24.79	28.15	24.67	26.69	26.15	24.10	22.95	24.53	21.26	20.99
Intermodal	5.74	5.67	5.74	5.59	5.68	5.54	5.45	5.63	5.81	5.61	5.92	6.15
Total freight revenue per RTM	4.79	4.85	4.93	5.14	4.93	5.10	4.90	4.96	4.89	4.96	4.88	5.14

NON-GAAP MEASURES

The Company presents Non-GAAP measures to provide a basis for evaluating underlying earnings and liquidity trends in the Company's business that can be compared with the results of operations in prior periods. In addition, these Non-GAAP measures facilitate a multi-period assessment of long-term profitability, allowing management and other external users of the Company's consolidated financial information to compare profitability on a long-term basis, including assessing future profitability, with that of the Company's peers.

These Non-GAAP measures have no standardized meaning and are not defined by GAAP and, therefore may not be comparable to similar measures presented by other companies. The presentation of these Non-GAAP measures is not intended to be considered in isolation from, as a substitute for, or as superior to the financial information presented in accordance with GAAP.

As a result of the five-for-one share split of the Company's issued and outstanding Common Shares, which began trading on a post-split basis on May 14, 2021, per share amounts and all outstanding Common Shares for periods prior to Q2 2021 have been retrospectively adjusted.

NON-GAAP PERFORMANCE MEASURES

The Company uses adjusted earnings results including Adjusted income, Adjusted diluted earnings per share, Adjusted operating income, and Adjusted operating ratio to evaluate the Company's operating performance and for planning and forecasting future business operations and future profitability. These Non-GAAP measures provide meaningful supplemental information regarding operating results because they exclude certain significant items that are not considered indicative of future financial trends either by nature or amount. As a result, these items are excluded for management assessment of operational performance, allocation of resources and preparation of annual budgets. These significant items may include, but are not limited to, restructuring and asset impairment charges, individually significant gains and losses from sales of assets, acquisition-related costs (including legal, consulting, and financing fees and fair value gain or loss on FX forward contracts and interest rate hedges), the merger termination fee, the FX impact of translating the Company's debt and lease liabilities (including borrowings under the credit facility), discrete tax items, changes in income tax rates, changes to an uncertain tax item, and certain items outside the control of management. These items may not be non-recurring. However, excluding these significant items from GAAP results allows for a consistent understanding of the Company's consolidated financial performance when performing a multi-period assessment including assessing the likelihood of future results. Accordingly, these Non-GAAP financial measures may provide insight to investors and other external users of the Company's consolidated financial information.

In 2016, there were two significant items included in Net income as follows:

- in the third quarter, a \$25 million expense (\$18 million after current tax) related to a legal settlement that unfavourably impacted Diluted EPS by 2 cents; and

- during the course of the year, a net non-cash gain of \$79 million (\$68 million after deferred tax) due to FX translation of debt that favourably impacted Diluted EPS by 9 cents as follows:
 - in the first quarter, a \$181 million gain (\$156 million after deferred tax) that favourably impacted Diluted EPS by 20 cents;
 - in the second quarter, an \$18 million gain (\$16 million after deferred tax) that favourably impacted Diluted EPS by 2 cents;
 - in the third quarter, a \$46 million loss (\$40 million after deferred tax) that unfavourably impacted Diluted EPS by 6 cents; and
 - in the fourth quarter, a \$74 million loss (\$64 million after deferred tax) that unfavourably impacted Diluted EPS by 9 cents.

In 2017, there were five significant items included in Net income as follows:

- in the first quarter, a management transition recovery of \$51 million related to the retirement of Mr. E. Hunter Harrison as CEO of CP (\$39 million after deferred tax) that favourably impacted Diluted EPS by 5 cents;
- in the second quarter, a charge on hedge roll and de-designation of \$13 million (\$10 million after deferred tax) that unfavourably impacted Diluted EPS by 2 cents;
- in the second quarter, an insurance recovery of a legal settlement of \$10 million (\$7 million after current tax) that favourably impacted Diluted EPS by 1 cent;
- during the course of the year, a net deferred tax recovery of \$541 million as a result of changes in income tax rates that favourably impacted Diluted EPS by 75 cents as follows:
 - in the second quarter, a deferred tax recovery of \$17 million as a result of the change in the Saskatchewan provincial corporate income tax rate that favourably impacted Diluted EPS by 3 cents; and
 - in the fourth quarter, a deferred tax recovery of \$527 million, primarily due to the U.S. tax reform, that favourably impacted Diluted EPS by 73 cents; and
- during the course of the year, a net non-cash gain of \$186 million (\$162 million after deferred tax) due to FX translation of debt that favourably impacted Diluted EPS by 22 cents as follows:
 - in the first quarter, a \$28 million gain (\$24 million after deferred tax) that favourably impacted Diluted EPS by 4 cents;
 - in the second quarter, a \$67 million gain (\$59 million after deferred tax) that favourably impacted Diluted EPS by 8 cents;
 - in the third quarter, a \$105 million gain (\$91 million after deferred tax) that favourably impacted Diluted EPS by 12 cents; and
 - in the fourth quarter, a \$14 million loss (\$12 million after deferred tax) that unfavourably impacted Diluted EPS by 2 cents.

In 2018, there were two significant items included in Net income as follows:

- in the second quarter, a deferred tax recovery of \$21 million due to reductions in the Missouri and Iowa state tax rates that favourably impacted Diluted EPS by 3 cents; and

- during the course of the year, a net non-cash loss of \$168 million (\$150 million after deferred tax) due to FX translation of debt that unfavourably impacted Diluted EPS by 21 cents as follows:
 - in the first quarter, a \$49 million loss (\$42 million after deferred tax) that unfavourably impacted Diluted EPS by 6 cents;
 - in the second quarter, a \$44 million loss (\$38 million after deferred tax) that unfavourably impacted Diluted EPS by 5 cents;
 - in the third quarter, a \$38 million gain (\$33 million after deferred tax) that favourably impacted Diluted EPS by 5 cents; and
 - in the fourth quarter, a \$113 million loss (\$103 million after deferred tax) that unfavourably impacted Diluted EPS by 14 cents.

In 2019, there were three significant items included in Net income as follows:

- in the second quarter, a deferred tax recovery of \$88 million due to the change in the Alberta provincial corporate income tax rate that favourably impacted Diluted EPS by 13 cents;
- in the fourth quarter, a deferred tax expense of \$24 million as a result of a provision for an uncertain tax item of a prior period that unfavourably impacted Diluted EPS by 3 cents; and
- during the course of the year, a net non-cash gain of \$94 million (\$86 million after deferred tax) due to FX translation of debt and lease liabilities that favourably impacted Diluted EPS by 12 cents as follows:
 - in the first quarter, a \$45 million gain (\$42 million after deferred tax) that favourably impacted Diluted EPS by 6 cents;
 - in the second quarter, a \$37 million gain (\$34 million after deferred tax) that favourably impacted Diluted EPS by 4 cents;
 - in the third quarter, a \$25 million loss (\$22 million after deferred tax) that unfavourably impacted Diluted EPS by 3 cents; and
 - in the fourth quarter, a \$37 million gain (\$32 million after deferred tax) that favourably impacted Diluted EPS by 4 cents.

In 2020, there were two significant items included in Net income as follows:

- in the fourth quarter, a deferred tax recovery of \$29 million due to a change relating to a tax return filing election for the state of North Dakota that favourably impacted Diluted EPS by 5 cents; and
- during the course of the year, a net non-cash gain of \$14 million (\$12 million after deferred tax) due to FX translation of debt and lease liabilities that favourably impacted Diluted EPS by 2 cents as follows:
 - in the first quarter, a \$215 million loss (\$198 million after deferred tax) that unfavourably impacted Diluted EPS by 28 cents;
 - in the second quarter, an \$86 million gain (\$82 million after deferred tax) that favourably impacted Diluted EPS by 12 cents;
 - in the third quarter, a \$40 million gain (\$38 million after deferred tax) that favourably impacted Diluted EPS by 6 cents; and
 - in the fourth quarter, a \$103 million gain (\$90 million after deferred tax) that favourably impacted Diluted EPS by 13 cents.

In the first six months of 2021, there were three significant items included in Net income as follows:

- acquisition-related costs of \$344 million in connection with the proposed Kansas City Southern ("KCS") transaction (\$263 million after current taxes of \$33 million and deferred taxes of \$48 million), including an expense of \$132 million recognized in Purchased services and other and \$212 million recognized in Other expense (income), that unfavourably impacted Diluted EPS by 38 cents as follows:
 - in the first quarter, acquisition-related costs of \$36 million (\$27 million after current taxes of \$8 million and deferred taxes of \$1 million), including an expense of \$33 million recognized in Purchased services and other and \$3 million recognized in Other expense (income), that unfavourably impacted Diluted EPS by 4 cents; and
 - in the second quarter, acquisition-related costs of \$308 million (\$236 million after current taxes of \$25 million and deferred taxes of \$47 million), including an expense of \$99 million recognized in Purchased services and other and \$209 million recognized in Other expense (income), that unfavourably impacted Diluted EPS by 35 cents.
- merger termination fee of \$845 million (\$748 million after current taxes) in connection with KCS' termination of the Merger Agreement effective May 21, 2021, that favourably impacted Diluted EPS by \$1.11; and
- during the year to date, a non-cash gain of \$85 million (\$74 million after deferred tax) due to FX translation of debt and lease liabilities that favourably impacted Diluted EPS by 11 cents as follows:
 - in the first quarter, a \$33 million gain (\$29 million after deferred tax) that favourably impacted Diluted EPS by 4 cents; and
 - in the second quarter, a \$52 million gain (\$45 million after deferred tax) that favourably impacted Diluted EPS by 7 cents.

RECONCILIATION OF GAAP PERFORMANCE MEASURES TO NON-GAAP PERFORMANCE MEASURES

The following tables reconcile the most directly comparable measures presented in accordance with GAAP to the Non-GAAP measures. These Non-GAAP measures are presented in Performance Highlights, Quarterly Consolidated Statements of Income, and Quarterly Consolidated Statements of Cash Flows on pages 4, 16, and 18, respectively.

Adjusted income is calculated as Net income reported on a GAAP basis adjusted for significant items.

For the year ended December 31 (in millions of Canadian dollars)	2016	2017	2018	2019	2020
Net income as reported	\$1,599	\$2,405	\$1,951	\$2,440	\$2,444
Less significant items (pre-tax):					
Legal settlement charge	(25)	—	—	—	—
Insurance recovery of legal settlement	—	10	—	—	—
Charge on hedge roll and de-designation	—	(13)	—	—	—
Management transition recovery	—	51	—	—	—
Impact of FX translation gain (loss) on debt and lease liabilities	79	186	(168)	94	14
Add:					
Tax effect of adjustments ⁽¹⁾	4	36	(18)	8	2
Income tax rate changes	—	(541)	(21)	(88)	(29)
Provision for uncertain tax item	—	—	—	24	—
Adjusted income	\$1,549	\$1,666	\$2,080	\$2,290	\$2,403

For the period (in millions of Canadian dollars)	2019				2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net income as reported	\$434	\$724	\$618	\$664	\$409	\$635	\$598	\$802	\$602	\$1,246
Less significant items (pre-tax):										
Acquisition-related costs	—	—	—	—	—	—	—	—	(36)	(308)
Merger termination fee	—	—	—	—	—	—	—	—	—	845
Impact of FX translation gain (loss) on debt and lease liabilities	45	37	(25)	37	(215)	86	40	103	33	52
Add:										
Tax effect of adjustments ⁽¹⁾	3	3	(3)	5	(17)	4	2	13	(5)	32
Income tax rate changes	—	(88)	—	—	—	—	—	(29)	—	—
Provision for uncertain tax item	—	—	—	24	—	—	—	—	—	—
Adjusted income	\$392	\$602	\$640	\$656	\$607	\$553	\$560	\$683	\$600	\$689

⁽¹⁾ Tax effect of adjustments was calculated as the pre-tax effect of the adjustments multiplied by the applicable tax rate for the above items for the periods presented on page 25.

Adjusted diluted earnings per share is calculated using Adjusted income, as defined above, divided by the weighted-average diluted number of Common Shares outstanding during the period as determined in accordance with GAAP.

For the year ended December 31	2016	2017	2018	2019	2020
Diluted earnings per share as reported	\$2.13	\$3.29	\$2.72	\$3.50	\$3.59
Less significant items (pre-tax):					
Legal settlement charge	(0.03)	—	—	—	—
Insurance recovery of legal settlement	—	0.01	—	—	—
Charge on hedge roll and de-designation	—	(0.02)	—	—	—
Management transition recovery	—	0.07	—	—	—
Impact of FX translation gain (loss) on debt and lease liabilities	0.11	0.25	(0.23)	0.13	0.02
Add:					
Tax effect of adjustments ⁽¹⁾	0.01	0.05	(0.02)	0.01	—
Income tax rate changes	—	(0.75)	(0.03)	(0.13)	(0.04)
Provision for uncertain tax item	—	—	—	0.04	—
Adjusted diluted earnings per share	\$2.06	\$2.28	\$2.90	\$3.29	\$3.53

For the period	2019				2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Diluted earnings per share as reported	\$0.62	\$1.03	\$0.89	\$0.96	\$0.60	\$0.93	\$0.88	\$1.19	\$0.90	\$1.86
Less significant items (pre-tax):										
Acquisition-related costs	—	—	—	—	—	—	—	—	(0.06)	(0.46)
Merger termination fee	—	—	—	—	—	—	—	—	—	1.26
Impact of FX translation gain (loss) on debt and lease liabilities	0.06	0.05	(0.04)	0.05	(0.31)	0.13	0.06	0.15	0.05	0.08
Add:										
Tax effect of adjustments ⁽¹⁾	—	0.01	(0.01)	0.01	(0.03)	0.01	—	0.02	(0.01)	0.05
Income tax rate changes	—	(0.13)	—	—	—	—	—	(0.05)	—	—
Provision for uncertain tax item	—	—	—	0.03	—	—	—	—	—	—
Adjusted diluted earnings per share	\$0.56	\$0.86	\$0.92	\$0.95	\$0.88	\$0.81	\$0.82	\$1.01	\$0.90	\$1.03

⁽¹⁾ Tax effect of adjustments was calculated as the pre-tax effect of the adjustments multiplied by the applicable tax rate for the above items for the periods presented below.

APPLICABLE TAX RATES - SIGNIFICANT ITEMS ADJUSTED IN NON-GAAP MEASURES

The applicable tax rates presented below reflect the taxable jurisdictions and nature, being on account of capital or income, of the significant items for the periods presented.

For the year ended December 31	2016	2017	2018	2019	2020
Applicable tax rate	7.17%	15.27%	10.64%	8.55%	13.58%

For the period	2019				2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Applicable tax rate	6.45%	9.47%	14.23%	13.43%	8.17%	5.62%	4.82%	12.35%	223.54%	5.48%

Adjusted operating income is calculated as Operating Income reported on a GAAP basis adjusted for significant items.

For the year ended December 31 (in millions of Canadian dollars)	2016	2017	2018	2019	2020
Operating income as reported	\$2,411	\$2,519	\$2,831	\$3,124	\$3,311
Less significant item:					
Management transition recovery	—	51	—	—	—
Adjusted operating income	\$2,411	\$2,468	\$2,831	\$3,124	\$3,311

For the period (in millions of Canadian dollars)	Q1	2019 Q2	Q3	Q4	Q1	2020 Q2	Q3	Q4	2021 Q1	Q2
Operating income as reported	\$543	\$822	\$869	\$890	\$834	\$770	\$779	\$928	\$780	\$820
Less significant item:										
Acquisition-related costs	—	—	—	—	—	—	—	—	(33)	(99)
Adjusted operating income	\$543	\$822	\$869	\$890	\$834	\$770	\$779	\$928	\$813	\$919

Adjusted operating ratio excludes those significant items that are reported within Operating income.

For the year ended December 31	2016	2017	2018	2019	2020
Operating ratio as reported	61.3%	61.6%	61.3%	59.9%	57.1%
Less significant item:					
Management transition recovery	—	(0.8)	—	—	—
Adjusted operating ratio	61.3%	62.4%	61.3%	59.9%	57.1%

For the period	Q1	2019 Q2	Q3	Q4	Q1	2020 Q2	Q3	Q4	2021 Q1	Q2
Operating ratio as reported	69.3%	58.4%	56.1%	57.0%	59.2%	57.0%	58.2%	53.9%	60.2%	60.1%
Less significant item:										
Acquisition-related costs	—	—	—	—	—	—	—	—	1.7	4.8
Adjusted operating ratio	69.3%	58.4%	56.1%	57.0%	59.2%	57.0%	58.2%	53.9%	58.5%	55.3%

ADJUSTED ROIC

Adjusted ROIC is calculated as Adjusted return divided by Adjusted average invested capital. Adjusted return is defined as Net income adjusted for interest expense, tax effected at the Company's adjusted annualized effective tax rate, and significant items in the Company's Consolidated Financial Statements, tax effected at the applicable tax rate. Adjusted average invested capital is defined as the sum of total Shareholders' equity, Long-term debt, and Long-term debt maturing within one year, as presented in the Company's Consolidated Financial Statements, each averaged between the beginning and ending balance over a rolling 12-month period, adjusted for the impact of significant items, tax effected at the applicable tax rate, on closing balances as part of this average. Adjusted ROIC excludes significant items reported in the Company's Consolidated Financial Statements, as these significant items are not considered indicative of future financial trends either by nature

or amount, and excludes interest expense, net of tax, to incorporate returns on the Company's overall capitalization. Adjusted ROIC is a performance measure that measures how productively the Company uses its long-term capital investments, representing critical indicators of good operating and investment decisions made by management, and is an important performance criteria in determining certain elements of the Company's long-term incentive plan. Adjusted ROIC is reconciled below from Return on average shareholders' equity, the most comparable measure calculated in accordance with GAAP.

Beginning in the first quarter of 2020, CP aligned the reconciliation sequence for Adjusted ROIC to start with Net income, with no change to the calculated Adjusted return.

CALCULATION OF RETURN ON AVERAGE SHAREHOLDERS' EQUITY

For the year ended December 31 (in millions of Canadian dollars, except for percentages)	2016	2017	2018	2019	2020
Net income as reported	\$1,599	\$2,405	\$1,951	\$2,440	\$2,444
Average shareholders' equity	\$4,711	\$5,539	\$6,537	\$6,853	\$7,194
Return on average shareholders' equity	33.9%	43.4%	29.8%	35.6%	34.0%

RECONCILIATION OF NET INCOME TO ADJUSTED RETURN

For the year ended December 31 (in millions of Canadian dollars)	2016	2017	2018	2019	2020
Net income as reported	\$1,599	\$2,405	\$1,951	\$2,440	\$2,444
Add:					
Net interest expense	471	473	453	448	458
Tax on interest ⁽¹⁾	(124)	(126)	(112)	(112)	(113)
Significant items (pre-tax):					
Legal settlement charge	25	—	—	—	—
Insurance recovery of legal settlement	—	(10)	—	—	—
Charge on hedge roll and de-designation	—	13	—	—	—
Management transition recovery	—	(51)	—	—	—
Impact of FX translation (gain) loss on debt and lease liabilities	(79)	(186)	168	(94)	(14)
Tax on significant items ⁽²⁾	4	36	(18)	8	2
Income tax rate changes	—	(541)	(21)	(88)	(29)
Provision for uncertain tax item	—	—	—	24	—
Adjusted return	\$1,896	\$2,013	\$2,421	\$2,626	\$2,748

⁽¹⁾ Tax was calculated at the adjusted annualized effective tax rate of 26.20%, 26.42%, 24.55%, 24.96%, and 24.61% for each of the above items for the years presented, respectively.

⁽²⁾ Tax was calculated as the pre-tax effect of the adjustments multiplied by the applicable tax rate of 7.17%, 15.27%, 10.64%, 8.55%, and 13.58% for each of the above items for the years presented, respectively. The applicable tax rates reflect the taxable jurisdictions and nature, being on account of capital or income, of the significant items.

RECONCILIATION OF AVERAGE SHAREHOLDERS' EQUITY TO ADJUSTED AVERAGE INVESTED CAPITAL

For the year ended December 31 (in millions of Canadian dollars)	2016	2017	2018	2019	2020
Average shareholders' equity	\$4,711	\$5,539	\$6,537	\$6,853	\$7,194
Average Long-term debt, including long-term debt maturing within one year	8,821	8,422	8,427	8,726	9,264
	\$13,532	\$13,961	\$14,964	\$15,579	\$16,458
Less:					
Significant items (pre-tax):					
Legal settlement charge	(13)	—	—	—	—
Insurance recovery of legal settlement	—	5	—	—	—
Charge on hedge roll and de-designation	—	(7)	—	—	—
Management transition recovery	—	26	—	—	—
Tax on significant items ⁽¹⁾	4	(5)	—	—	—
Income tax rate changes	—	270	11	44	15
Provision for uncertain tax item	—	—	—	(12)	—
Adjusted average invested capital	\$13,541	\$13,672	\$14,953	\$15,547	\$16,443

⁽¹⁾ Tax was calculated as the pre-tax effect of the adjustments multiplied by the applicable tax rate of 7.17% and 15.27% for 2016 and 2017, respectively. The applicable tax rates reflect the taxable jurisdictions and nature, being on account of capital or income, of the significant items.

CALCULATION OF ADJUSTED ROIC

For the year ended December 31 (in millions of Canadian dollars)	2016	2017	2018	2019	2020
Adjusted return	\$1,896	\$2,013	\$2,421	\$2,626	\$2,748
Adjusted average invested capital	\$13,541	\$13,672	\$14,953	\$15,547	\$16,443
Adjusted ROIC	14.0%	14.7%	16.2%	16.9%	16.7%

FREE CASH

Free cash is calculated as Cash provided by operating activities, less Cash used in investing activities, adjusted for changes in cash and cash equivalents balances resulting from FX fluctuations, the acquisitions of CMQ and DRTP, the acquisition-related transaction costs paid in cash related to the proposed KCS transaction, and the merger termination fee received in cash related to the proposed KCS transaction. Free cash is a measure that management considers to be a valuable indicator of liquidity. Free cash is useful to investors and other external users of the Company's Consolidated Financial Statements as it assists with the evaluation of the Company's ability to generate cash to satisfy debt

obligations and discretionary activities such as dividends, share repurchase programs, and other strategic opportunities. The acquisitions of CMQ and DRTP are not indicative of investment trends and have also been excluded from Free cash. The acquisition-related transaction costs paid in cash and the merger termination fee received in cash related to the proposed KCS transaction are not indicative of operating trends and have been excluded from Free cash. Free cash should be considered in addition to, rather than as a substitute for, Cash provided by operating activities.

RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH

For the year ended December 31 (in millions of Canadian dollars)	2016	2017	2018	2019	2020
Cash provided by operating activities	\$2,089	\$2,182	\$2,712	\$2,990	\$2,802
Cash used in investing activities	(1,069)	(1,295)	(1,458)	(1,803)	(2,030)
Effect of foreign currency fluctuations on U.S. dollar-denominated cash and cash equivalents	(13)	(13)	11	(4)	6
Less:					
Settlement of forward starting swaps on debt issuance	—	—	(24)	—	—
Investment in CMQ	—	—	—	(174)	19
Investment in DRTP	—	—	—	—	(398)
Free cash	\$1,007	\$874	\$1,289	\$1,357	\$1,157

For the period (in millions of Canadian dollars)	2019				2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Cash provided by operating activities	\$413	\$721	\$823	\$1,033	\$489	\$835	\$493	\$985	\$582	\$1,954
Cash used in investing activities	(219)	(455)	(461)	(668)	(362)	(468)	(483)	(717)	(286)	(405)
Effect of foreign currency fluctuations on U.S. dollar-denominated cash and cash equivalents	(1)	(1)	1	(3)	31	(15)	(4)	(6)	(3)	(1)
Less:										
Investment in CMQ	—	—	—	(174)	—	19	—	—	—	—
Investment in DRTP	—	—	—	—	—	—	—	(398)	—	—
Acquisition-related costs	—	—	—	—	—	—	—	—	(3)	(43)
Merger termination fee	—	—	—	—	—	—	—	—	—	845
Free cash	\$193	\$265	\$363	\$536	\$158	\$333	\$6	\$660	\$296	\$746

DIVIDEND PAYOUT RATIO AND ADJUSTED DIVIDEND PAYOUT RATIO

Dividend payout ratio is calculated as dividends declared per share divided by Diluted EPS. Adjusted dividend payout ratio is calculated as dividends declared per share divided by Adjusted diluted EPS, as defined

above. These ratios are measures of shareholder return and provide information on the Company's ability to declare dividends on an ongoing basis.

CALCULATION OF DIVIDEND PAYOUT RATIO

For the year ended December 31 (in dollars, except for percentages)	2016	2017	2018	2019	2020
Dividends declared per share	\$0.3700	\$0.4375	\$0.5025	\$0.6280	\$0.7120
Diluted EPS	2.13	3.29	2.72	3.50	3.59
Dividend payout ratio	17.4%	13.3%	18.5%	17.9%	19.8%

CALCULATION OF ADJUSTED DIVIDEND PAYOUT RATIO

For the year ended December 31 (in dollars, except for percentages)	2016	2017	2018	2019	2020
Dividends declared per share	\$0.3700	\$0.4375	\$0.5025	\$0.6280	\$0.7120
Adjusted diluted EPS	2.06	2.28	2.90	3.29	3.53
Adjusted dividend payout ratio	18.0%	19.2%	17.3%	19.1%	20.1%

ADJUSTED NET DEBT TO ADJUSTED EBITDA RATIO

Adjusted net debt to Adjusted earnings before interest, tax, depreciation and amortization ("EBITDA") ratio is calculated as Adjusted net debt divided by Adjusted EBITDA. The Adjusted net debt to Adjusted EBITDA ratio is a key credit measure used to assess the Company's financial capacity. The ratio provides information on the Company's ability to

service its debt and other long-term obligations. The Adjusted net debt to Adjusted EBITDA ratio is reconciled below from the Long-term debt to Net income ratio, the most comparable measure calculated in accordance with GAAP.

CALCULATION OF LONG-TERM DEBT TO NET INCOME RATIO

(in millions of Canadian dollars, except for ratios)	2016	2017	2018	2019	2020
Long-term debt including long-term debt maturing within one year as at December 31	\$8,684	\$8,159	\$8,696	\$8,757	\$9,771
Net income for the year ended December 31	1,599	2,405	1,951	2,440	2,444
Long-term debt to Net income ratio	5.4	3.4	4.5	3.6	4.0

RECONCILIATION OF LONG-TERM DEBT TO ADJUSTED NET DEBT

Adjusted net debt is defined as Long-term debt, Long-term debt maturing within one year, and Short-term borrowing as reported on the Company’s Consolidated Balance Sheets adjusted for pension plans deficit, operating lease liabilities recognized on the Company’s Consolidated Balance Sheets, and Cash and cash equivalents.

(in millions of Canadian dollars)	2016	2017	2018	2019	2020
Long-term debt including long-term debt maturing within one year as at December 31	\$8,684	\$8,159	\$8,696	\$8,757	\$9,771
Add:					
Pension plans deficit ⁽¹⁾	273	278	266	294	328
Operating lease liabilities	361	281	387	354	311
Less:					
Cash and cash equivalents	164	338	61	133	147
Adjusted net debt as at December 31	\$9,154	\$8,380	\$9,288	\$9,272	\$10,263

⁽¹⁾ Pension plans deficit is the total funded status of the Pension plans in deficit only.

RECONCILIATION OF NET INCOME TO EBIT, ADJUSTED EBIT AND ADJUSTED EBITDA

Earnings before interest and tax ("EBIT") is calculated as Net income before Net interest expense and Income tax expense. Adjusted EBIT excludes significant items reported in both Operating income and Other (income) expense. Adjusted EBITDA is calculated as Adjusted EBIT plus operating lease expense and Depreciation and amortization, less Other components of net periodic benefit recovery.

For the year ended December 31 (in millions of Canadian dollars)	2016	2017	2018	2019	2020
Net income as reported	\$1,599	\$2,405	\$1,951	\$2,440	\$2,444
Add:					
Net interest expense	471	473	453	448	458
Income tax expense	553	93	637	706	758
EBIT	2,623	2,971	3,041	3,594	3,660
Less significant items (pre-tax):					
Legal settlement charge	(25)	—	—	—	—
Insurance recovery of legal settlement	—	10	—	—	—
Charge on hedge roll and de-designation	—	(13)	—	—	—
Management transition recovery	—	51	—	—	—
Impact of FX translation gain (loss) on debt and lease liabilities	79	186	(168)	94	14
Adjusted EBIT	2,569	2,737	3,209	3,500	3,646
Add:					
Operating lease expense	111	104	97	83	78
Depreciation and amortization	640	661	696	706	779
Less:					
Other components of net periodic benefit recovery	167	274	384	381	342
Adjusted EBITDA	\$3,153	\$3,228	\$3,618	\$3,908	\$4,161

CALCULATION OF ADJUSTED NET DEBT TO ADJUSTED EBITDA RATIO

(in millions of Canadian dollars, except for ratios)	2016	2017	2018	2019	2020
Adjusted net debt as at December 31	\$9,154	\$8,380	\$9,288	\$9,272	\$10,263
Adjusted EBITDA for the year ended December 31	3,153	3,228	3,618	3,908	4,161
Adjusted net debt to Adjusted EBITDA ratio	2.9	2.6	2.6	2.4	2.5

SHAREHOLDER ADMINISTRATION

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