2011 INVESTOR BOOK

CANADIAN PACIFIC
DRIVING THE DIGITAL RAILWAY »


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CONTENTS

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FORWARD-LOOKING INFORMATION

This Investor Book contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (United States) and other relevant securities legislation relating but not limited to Canadian Pacific's (CP) operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipate," "believe," "expect," "plan" or similar words suggesting future outcomes.

Readers are cautioned to not place undue reliance on forward-looking information because it is possible that we will not achieve predictions, forecasts, projections and other forms of forward-looking information. In addition, except as required by law, we undertake no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.

By its nature, our forward-looking information involves numerous assumptions, inherent risks and uncertainties, including but not limited to the following factors: changes in business strategies; general global economic credit and business conditions; risks in 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 demands; changes in laws and regulations, including regulation of rates; changes in taxes and tax rates; potential increases in maintenance and operating costs; uncertainties of litigation; 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 liquidity of investments; and various events that could disrupt operations, including severe weather conditions, security threats and governmental response to them; and technological changes.

Other factors relevant to forward-looking statements are contained in CP's annual and interim Management's Discussion and Analysis (MD&A) and other documents and press releases filed with or provided by CP to securities regulatory authorities in Canada and the U.S. from time to time.


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FINANCIAL HIGHLIGHTS – FOUR-YEAR SUMMARY

(in millions of Canadian dollars)	2007[(1)(2)]	2008 Pro forma[(1)(3)(4)]	2009[(1)]	2010
Total revenues	$ 4,754.1	$ 5,349.2	$ 4,402.2	**$ 4,981.5**
Adjusted operating expenses[(3)]	3,593.9	4,224.0	3,596.7	**3,865.4**
Adjusted operating income[(3)]	1,160.2	1,125.2	805.5	**1,116.1**
Income (before foreign exchange gains and losses on long-term debt and other specified items)[(3)]	697.7	631.2	418.3	**654.2**
Net income	907.6	627.8	550.0	**650.7**
Adjusted operating ratio (percentage)[(3)]	75.6	79.0	81.7	**77.6**
Earnings per share (EPS) (dollars) (before foreign exchange gains and losses on long-term debt and other specified items)[(3)]				
Basic	4.53	4.11	2.52	**3.88**
Diluted	4.48	4.06	2.51	**3.87**
EPS (dollars)				
Basic	5.89	4.08	3.31	**3.86**
Diluted	5.83	4.04	3.30	**3.85**
Weighted average number of diluted shares (millions)	155.6	155.5	166.8	**169.2**
Average foreign exchange rate (Canadian$/US$)	1.08	1.05	1.15	**1.03**
Average foreign exchange rate (US$/Canadian$)	0.93	0.95	0.87	**0.97**

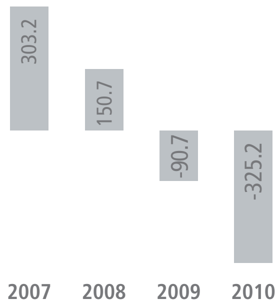
(1) Restated for the Company's change in accounting policy in relation to the accounting for rail grinding (discussed further in Section 13.1.1 Rail Grinding in the 2010 MD&A).

(2) The 2007 figures include the results of the DM&E on an equity income basis from October 4, 2007 to December 31, 2007.

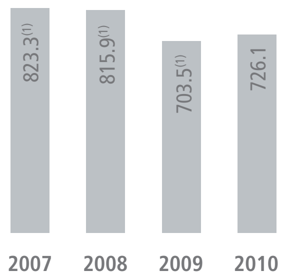
(3) These earnings measures have no standardized meanings prescribed by GAAP and, therefore, are unlikely to be comparable to similar measures of other companies. A reconciliation of Non-GAAP measures to GAAP measures is presented on pages 58-61.

(4) Pro forma basis redistributes DM&E equity income to a line by line consolidation of DM&E results for full year 2008.

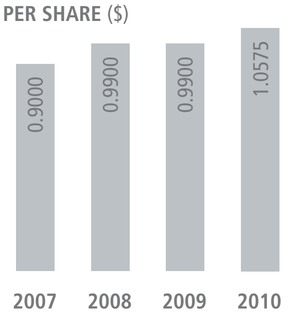
FREE CASH ($ millions)[(1)]



CAPITAL EXPENDITURES
($ millions)



DIVIDENDS DECLARED PER SHARE ($)



KEY METRICS – FOUR-YEAR SUMMARY

	2007	2008 Pro forma[1]	2009	2010
Gross ton-miles (GTM) (millions)	246,322	250,991	209,475	242,757
Train miles (thousands)	42,804	43,243	34,757	39,576
Revenue ton-miles (RTM) (millions)	129,352	131,053	108,352	126,428
Freight revenue per RTM (cents)	3.57	3.98	3.95	3.84
Average number of active employees - total	15,675	16,793	15,175	15,460
Average number of active employees - expense	14,172	15,107	13,619	13,879
Miles of road operated at end of year[2][3]	13,199	15,510	15,385	14,785
GTMs per average number of active employees - expense (thousands)	17,381	16,614	15,381	17,491
U.S. gallons of locomotive fuel consumed per 1,000 GTMs - freight and yard	1.21	1.22	1.19	1.17
Average fuel price (U.S.$ per U.S. gallon)	2.33	3.30	2.04	2.50
U.S. gallons of locomotive fuel consumed - total (millions)[4]	296.7	305.0	246.7	282.0

(1) The 2008 figures include the DM&E for the full year.

(2) Excludes track on which CP has haulage rights.

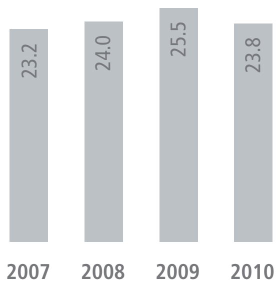
(3) Certain prior period figures have been revised to conform with current presentation or have been updated to reflect new information.

(4) Includes gallons of fuel consumed from freight, yard and commuter service but excludes fuel used in capital projects and other non-freight activities.

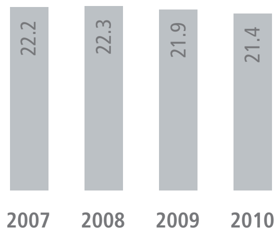
(5) AAR = Association of American Railroads.

(6) Fluidity data excluding DM&E.

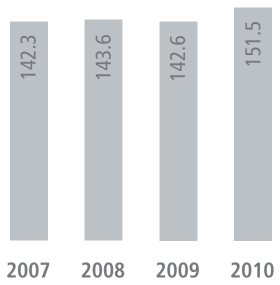
AVERAGE TRAIN SPEED (MPH) - AAR[5][6] DEFINITION



AVERAGE TERMINAL DWELL (HOURS) - AAR[5][6] DEFINITION



CAR MILES / CAR DAY[6]



UNRELENTING FOCUS ON SAFETY AND THE QUALITY OF OUR SERVICE

CHIEF EXECUTIVE OFFICER'S MESSAGE

At Canadian Pacific our vision is to be the safest, most fluid railway in North America. We are continuing down the strategic path of enabling low cost growth and driving efficiency by improving the productivity of all of our assets – people, rolling stock, network and facilities. By driving improvement in service execution and leveraging the capabilities of our network we will improve customer service, reduce costs, enhance margins and increase shareholder value.

After experiencing one of the largest drop-offs in volume in our history during 2009, 2010 brought a remarkable turnaround, with volumes recovering at a pace that exceeded the expectations of both CP and most of our customers.

The lower volumes in 2009 allowed us to find innovative ways to improve our business. We sustained these improvements in 2010 and in spite of the significant increase in workload, achieved productivity gains in key metrics including car miles per car day, fuel efficiency, train lengths and weights, and yard dwell. We handled a remarkable 17 per cent increase in workload which highlighted opportunities for improvement in how we plan and execute our scheduled railway and we are leveraging the lessons learned in 2010. Our first-mile, last-mile yard service plan and bulk scheduling program are two examples of how we will provide an increasingly reliable service by emphasizing execution and asset velocity.

In 2011 we are bringing on additional resources and enhancing our track infrastructure to meet our customers' growing needs. We intend to invest over $1 billion in capital, with carefully targeted investments focused on sustaining the quality of our existing infrastructure, providing capacity for growth, leveraging technology for customer service and efficiency and realizing the potential of market development initiatives carefully nurtured over the past few years. Our large capital investment plan is made possible because of the focus we have had on ensuring balance sheet strength and having the liquidity necessary to allow us to execute elements of our strategy without delay.

Our long train strategy provides a proven productivity lift, however it does require some capital investment to allow for broad application under higher traffic levels. We know where these targeted investments are needed and the scope requires multi-year phasing. During 2009 and much of 2010, with the weak economy and the uncertainty of the recovery we believed it was prudent to defer these multi-year plans in order to rebuild the asset base of our main pension plan, which was negatively impacted by the 2008 decline in equity markets, and ensure continued financial flexibility. Today, with the recovery of our bulk franchise, we are moving forward with these new sidings and siding extensions to enable longer trains for today's business and for efficient growth. These capital investments along with our industry-leading train marshalling software, TrAM, allows us to better respond to customer's needs while operating more efficiently and safely, extending rail asset-life, and reducing fuel consumption. This long train strategy is a key part of our operations plan.

The application of technology is foundational to the operation of the railway. CP is committed to continuous improvement, what we call "Driving the Digital Railway". This broad and comprehensive program will ensure CP takes advantage of technology innovations to deliver a successful and prosperous future for shareholders, employees, and customers. We are investing in new technologies to increase efficiency, service and safety and are in the process of strengthening and upgrading our core IT systems. This will help us further enhance the collection and analysis of information so we can improve service and productivity as well as enable more timely decision making.

In addition, our team has worked hard over the last year to achieve a historic agreement with one of our key customers. In October we announced a collaborative 10-year agreement with Teck Resources. This agreement sets the stage for growth and improved supply chain efficiencies.

Canadian Pacific also continues to strengthen its reputation as a responsible and active corporate citizen.

I am proud to say, that for the fifth consecutive year, Canadian Pacific was the industry leader in train safety performance. The Company has also continued to make improvements in reducing personal injuries. These improvements are testaments of the dedication and diligence of our employees and to the effectiveness of our underlying safety management process.

Environmental and social responsibility is important to Canadian Pacific and in 2010 CP was rated as one of the top ten companies in North America for environmental, social and governance practices.

Canadian Pacific also prides itself on its active involvement in the many communities in which it operates. In 2010, CP was the official rail services supplier for the 2010 Vancouver Olympic and Paralympic Winter Games and played an important role in bringing the Olympic experience to the people of Canada. CP's Holiday Train completed its 12th consecutive year, this year visiting over 140 communities throughout North America. Since its inception in 1999, the Holiday Train has helped raise $5.6 million and collected 2.6 million pounds of food in support of community food banks.

In 2010, CP celebrated the 125th anniversary of the completion of the construction of the transcontinental railway. CP has been at the forefront of innovation throughout its long history and we used this anniversary of the "driving the last spike" to announce the Company's commitment to "Driving the Digital Railway."

In 2011 there is still much that can and must be done to continue our steady march to achieving our stated financial goals. It is an exciting time for this Company and all of those we work with. The cornerstone of CP's success will be an unrelenting focus on safety of our operations and the quality of our service.

I thank you for your interest in Canadian Pacific and hope you enjoy learning more about our Company in the pages ahead.

Sincerely,

Fred J. Green
President and CEO
May 1, 2011

OUR COMPANY

Canadian Pacific Railway Limited, through its subsidiaries, operates a transcontinental railway in Canada and the United States and provides logistics and supply chain expertise. CP provides rail, transload and intermodal transportation services over a network of approximately 14,800 miles and through more than 40 classification yards and 14 intermodal facilities. We serve every major centre in Canada from Montreal, Quebec, to Vancouver, British Columbia, and the U.S. Northeast and Midwest regions including Chicago, Minneapolis, Detroit, New York, Philadelphia and Kansas City.

CP's network connects to the two major Canadian ports in Vancouver and Montreal, and to the ports of Philadelphia and New York in the northeast U.S. CP's railway feeds directly into the U.S. heartland from the east and west coasts. Agreements with other carriers extend our market reach east of Montreal in Canada, throughout the U.S. and into Mexico.

CP transports bulk commodities, merchandise freight and intermodal traffic. Bulk commodities include grain, coal, sulphur and fertilizers. Merchandise freight consists of finished vehicles and automotive parts, as well as forest, industrial and consumer products. Included in industrial and consumer products is one of our fastest growing markets, energy. Intermodal traffic consists largely of high-value, time-sensitive retail goods in overseas containers that are transported by train, ship and truck, or in domestic containers and trailers that are moved by train and truck.

In 2010, CP earned $4.9 billion in freight revenues and moved 2.7 million carloads.

OUR VISION IS TO BE THE SAFEST, MOST FLUID RAILWAY IN NORTH AMERICA

CORPORATE STRATEGY

Through the ingenuity of our people, our objective is to create long-term value for customers, shareholders and employees. We seek to accomplish this objective through the following three-part strategy:

- generating quality revenue growth by realizing the benefits of demand growth in our bulk, merchandise and intermodal business lines with targeted infrastructure capacity investments linked to global trade opportunities;
- improving productivity by leveraging strategic marketing and operating partnerships, executing a scheduled railway through our bulk, merchandise and intermodal Integrated Operating Plan and driving more value from existing assets and resources by lengthening our trains, investing in operating and enterprise systems renewal and reducing our cost structure; and
- continuing to develop a dedicated, professional and knowledgeable workforce that is committed to safety and sustainable financial performance through steady improvements in profitability, increased free cash flow and a competitive return on investment.

CORE NETWORK MAP

WELL-POSITIONED TO CAPTURE OPPORTUNITIES IN THE MARKETPLACE

MARKETS

The environment for rail remains compelling. The industry has high barriers to entry and is privately funded at a time when governments are facing increasing demands for infrastructure. Rail is also fuel efficient and has fewer emissions than other forms of transportation. CP is well-positioned to capture opportunities in the marketplace.

We are strategically positioned to create value and benefit from growth in Asian trade, energy and an improving North American economy. The development of traditional and new sectors within these markets creates significant inbound and outbound rail opportunities for CP. We are continuing down a path of real change in our operations, building on our strengths while looking to innovative ideas to improve the way we do business. CP is ready to both serve our customers and to capitalize on growth opportunities.

CP has numerous routing options across Canada and through the U.S. Midwest and Northeast and excellent North American reach with multiple gateways with all Class I railways. We have extensive Canadian and U.S. shortline partners and serve leading Atlantic and Pacific port facilities. Collectively, the extent of our franchise will allow CP to continue to deliver increased value from international trade, as well as North American business. CP's franchise was made even stronger with the purchase of the DM&E in 2007 which extended our network reach in the U.S. northern plains and to Kansas City.

Our competitive strengths extend far beyond the reach of our network. CP is working to capture added value across all markets. While the timing of some of these opportunities will depend on such factors as the economic environment and the construction schedules of customers' facilities, our focus is on current and future opportunities.

The key for CP is to fully utilize our network and make our presence in markets we serve through our proven customer-focused strategies, market development activity and disciplined yield management. Our approach is to deliver consistent, reliable products that are priced for value.

CP's yield program is focused on generating returns through:

- continued improvement in the quality of service;
- pricing that supports growth and reinvestment;
- margin improvement; and
- effective fuel recovery.

Through a disciplined approach, our yield program reaches beyond basic freight rates to include revenue and margin improvement, value-added services and reducing cost-to-serve.

CP organizes its freight traffic into two business groups, carload and intermodal based on the service and equipment requirements of our customers. CP's carload business is comprised of bulk traffic and merchandise traffic. Our intermodal group consists of domestic traffic and international traffic.

CARLOAD – BULK

CP moves bulk traffic such as grain, coal, sulphur and fertilizers. This bulk portfolio represents approximately 43% of our freight revenue.

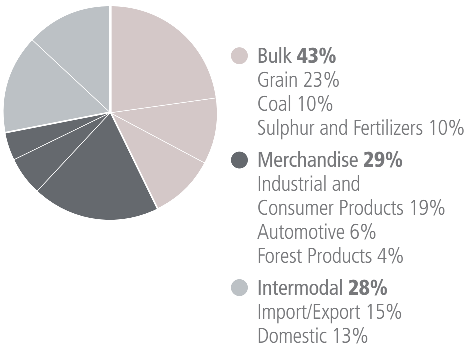
The majority of our bulk traffic originates in Western Canada and moves to ports in Vancouver, Thunder Bay and Portland, as well as major markets in the U.S.

The largest component of our bulk business, approximately 40%, moves through Port Metro Vancouver to Asian destinations.

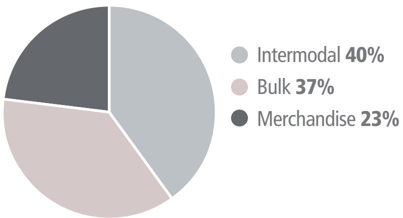
We provide a reliable, efficient model for moving bulk materials in single commodity unit trains, in addition to mixed freight trains that leverage the strengths of our Integrated Operating Plan. The focus of our bulk franchise is to:

- deliver a superior service offering to our customers;
- generate greater value through improved supply chain management;
- expand train capacity through technology; and
- grow our business with strategic customers.

FREIGHT REVENUE
(Percentage of 2010 Freight Revenues)



CARLOADS
(Percentage of 2010 Carloads)



GRAIN

CP plays a critical role in the movement of agricultural products from key producing regions in Canada and the U.S. to markets throughout North America and the world.

The core of our grain business is the movement of whole grains such as wheat, canola, corn, soybeans and other specialty crops. CP holds a strong position in the growing markets for canola and soybean oils and meals. We are also well positioned to capitalize on the inbound grain and outbound transportation requirements of ethanol and biofuels producers throughout the U.S. Midwest.

CP plays a primary role in supplying the continent's livestock and poultry markets with feed grains and crushed oilseed meal, which are shipped to large-scale production sites throughout the U.S. and Mexico.

As a whole, grain products move out of two primary regions: the Canadian prairies and the U.S. north central states of North Dakota, South Dakota, Minnesota and Iowa.

Canadian originated traffic is predominantly destined to export markets through the key gateways of Vancouver and Thunder Bay, as well as Montreal and Quebec City during the winter months. Canadian crops are also valued in large consumption markets in the eastern portion of North America, as well as the U.S. Midwest and Mexico.

CP's success in the Canadian grain market is deeply rooted in our ability to be a valuable and effective partner in the grain handling and transportation system. It requires innovation and collaboration with our customers and our services continue to evolve to meet the growing and changing needs of all segments of the grain shipping market. Whether we are participating in the construction or expansion of a facility, or finding more innovative ways to do business, we know our collaborative approach adds value.

We have forged collaborative relationships with all participants in the export pipeline and have taken a leadership role in developing a highly efficient, demand-based approach to moving grain. A key growth example is the recent development of canola crush facilities in Western Canada, which have created new opportunities for growth and diversity. The partnership approach to our business along with our reliable delivery of products and services will continue to enhance value from our Canadian grain franchise.

Grain produced in our draw territory in the U.S. is destined for domestic consumption as well as global markets via the Pacific Northwest and Gulf of Mexico gateway terminals. Strong interline partnerships with other railways enable us to reach these ports, as well as important domestic markets in the U.S.

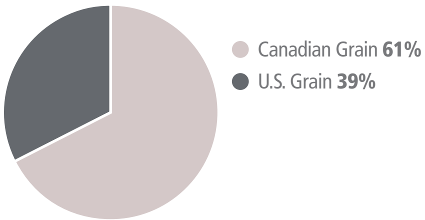
Our U.S. grain territory is origin-rich for wheat, soybeans and corn. Our U.S. grain business also leverages partnerships with key customers invested in the supply chain, largely customers with processing facilities. Several high capacity, oilseed processing facilities are located on our line and we have a significant number of ethanol facilities either on or near our network. This processing market adds to the diversity of our agricultural portfolio.

We continue to develop service offerings for our shippers to extend their reach to critical destination gateways and markets. Chief among these is our Union Pacific (UP) connection to the Pacific Northwest for North Dakota grain exports, as well as the Burlington Northern Santa Fe Railway (BNSF) shuttle traffic for Midwest export corn headed to the Pacific Northwest. While different markets may require different line-haul partners, in each case our operational and logistical strengths ensure our shippers have efficient access to their destination markets.

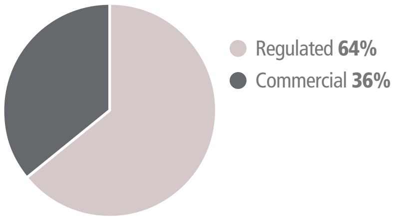
Overall, CP's targeted investments with key partners, plus our ongoing efforts in efficient shipment management and execution are delivering consistent and reliable results in this core component of our franchise.

POSITIONED AS A VALUABLE AND EFFECTIVE PARTNER

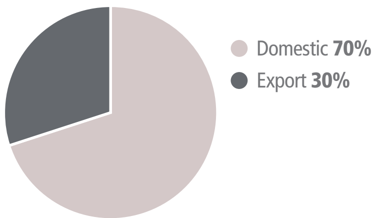
GRAIN BREAKOUT
(Percentage of 2010 Freight Revenues)



CANADIAN GRAIN
(Percentage of 2010 Freight Revenues)



U.S. GRAIN
(Percentage of 2010 Freight Revenues)



GRAIN TRAFFIC FLOW

COAL

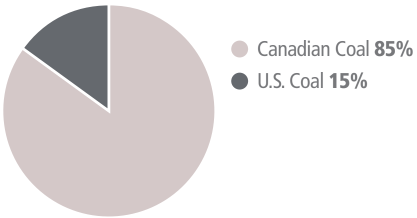
CP serves both the metallurgical and thermal coal markets. Metallurgical coal is primarily used in the steel manufacturing process, while thermal coal is used mostly for power generation. CP has invested, and continues to invest, in building a truly world-class coal transportation model. Our service is based on highly efficient unit trains in continuous motion through the mine-port transportation cycle.

Our Canadian metallurgical coal business is almost entirely generated from Teck Resources' (Teck) five mines in the Elk Valley region of southeastern British Columbia. Teck is one of the world's largest players in the seaborne export of metallurgical coal. Most of the volume is moved to Port Metro Vancouver for export throughout the world. Teck also moves product to steel manufacturers in the Great Lakes area. Commencing in 2011, CP will ship coal for Teck under an innovative 10-year agreement. The agreement provides for a collaborative approach to the coal supply chain and investments by CP that will increase our coal handling capacity to support Teck's volume growth.

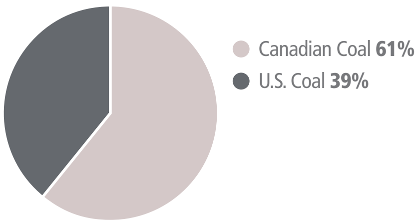
CP receives U.S. coal from connecting railways serving the thermal coal fields in the Powder River Basin in Montana and Wyoming. It is then delivered to power generating facilities in the Midwest U.S. We also serve petroleum coke operations in Canada and the U.S. where the product is used for power generation and aluminum production.

In the U.S. sector, our primary focus is to increase our Powder River Basin business through our network reach and length-of-haul opportunities. As in all of our operations, the key is operational efficiency and innovation.

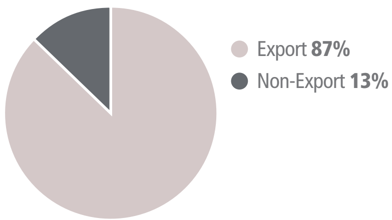
COAL BREAKOUT
(Percentage of 2010 Revenues)



COAL CARLOADS
(Percentage of 2010 Carloads)



CANADIAN COAL
(Percentage of 2010 Revenues)



COAL TRAFFIC FLOW

LONG-TERM PROSPECTS ARE FOR STRONG GROWTH AND SIGNIFICANT EXPANSION

SULPHUR AND FERTILIZERS

CP's sulphur and fertilizers sector benefits from the solid global fundamentals of agribusiness. The majority of our traffic originates at potash mines, plants where sulphur is extracted from natural gas, and nitrogen plants in Canada's prairie provinces.

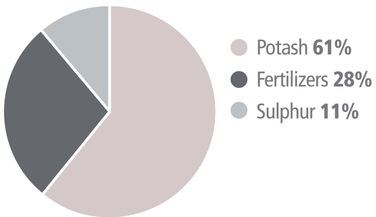
Potash makes up approximately 60% of this portfolio and is moved by CP into both the export and North American markets. Canpotex ships Western Canadian potash to offshore markets through Vancouver and Portland. CP enjoys a dominant position in the potash market.

Sulphur moves through Vancouver for export via vessels to Brazil, China and Australia and also by rail direct to phosphate plants in Florida and Idaho.

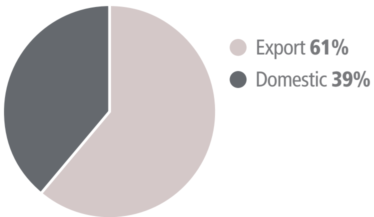
Nitrogen moves primarily throughout Western Canada and the northern parts of the Western and Midwest U.S.

While these businesses are subject to fluctuations due to a number of factors, including crop and global commodity pricing, the long-term prospects are for strong growth and significant capacity expansion. The outlook is particularly promising for potash.

SULPHUR AND FERTILIZERS BREAKOUT
(Percentage of 2010 Revenues)



POTASH BREAKOUT
(Percentage of 2010 Revenues)



Our business in this sector is characterized by strong and deep relationships with a small number of large players. Our focus going forward is to:

- maintain our strong position in potash including harnessing mine expansion opportunities;
- improve access to new sulphur production, primarily from oil sands-related facilities;
- strengthen our relationships through service reliability and responsiveness; and
- improve productivity and equipment cycle times through a combination of unit and mixed product train services within our Integrated Operating Plan.

POTASH TRAFFIC FLOW

CARLOAD – MERCHANDISE

CP's merchandise traffic includes forest products, industrial and consumer products, and automotive. The merchandise portfolio represents 29% of our overall freight revenues. We define our merchandise portfolio as "the manufacturers' pipeline" because our job is to move our customers' products – on a consistent and reliable schedule – from their manufacturing facilities to the end customer.

Approximately 45% of this portfolio's business moves cross-border between Canada and the U.S. Our product offering is built on the reliability of our Integrated Operating Plan; we are able to respond to customers' changing volumes, while simultaneously maintaining the fluidity of shipments and our entire rail network.

Our focus in the merchandise franchise is to:

- deliver increasingly reliable and efficient services to expand our markets;
- improve the yield on our existing business through disciplined pricing;
- pursue targeted growth from existing and emerging markets by utilizing CP's expanded network and transload facilities; and
- grow our business with strategic customers.

FOREST PRODUCTS

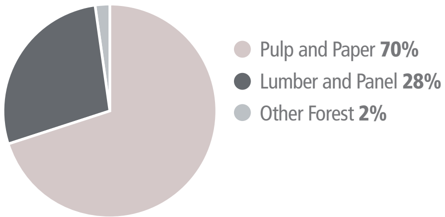
CP's forest products business consists of lumber, panel, and pulp and paper products.

In the forest products sector, pulp and paper accounts for nearly 70% of freight revenues, originating from CP-served mills in B.C., Ontario and Quebec. Mills in the interior of B.C. ship two-thirds of their production to Asia through Port Metro Vancouver and the balance moves to various North American markets. Mills in Eastern Canada ship a higher percentage of their products into North American markets. In recent years, B.C. mills have made capital investments and, with a recovering economy, are positioned for long term success.

CP's lumber movements represent 28% of CP's forest products business and move primarily from western-based reload facilities to markets across North America. As U.S. housing starts recover, we expect this segment to see an increase in shipments.

We also handle lumber, panel and oriented strandboard products through major reload centres in Kamloops and Edmonton, which provide value-added services to our shippers and reduce train handling costs.

FOREST PRODUCTS BREAKOUT
(Percentage of 2010 Revenues)



FOREST PRODUCTS TRAFFIC FLOW

INDUSTRIAL AND CONSUMER PRODUCTS

Our industrial and consumer products segment encompasses a wide array of commodities grouped under chemicals, energy and plastics as well as mines, metals and aggregates.

CP's industrial products traffic is dispersed widely across our Canadian and U.S. network with large bases in Alberta, Ontario, Quebec and the Midwest U.S. We are also taking advantage of our new Kansas City connection to move energy, chemical and steel products between the Gulf Coast and Alberta thus bypassing the busy Chicago rail interchange. Our industrial products traffic to and from Alberta has seen significant growth over the past few years and now represents approximately 25% of the total industrial products carloads on CP.

Energy is a key market for CP and the increase in traffic has been particularly strong as we have pursued a targeted growth strategy. Energy-related traffic represented approximately 45% of this portfolio's revenue in 2010. CP has the market reach, experience and expertise to support existing and emerging energy markets. These include the Alberta Industrial Heartland near Edmonton, Alberta; the Bakken formation in Saskatchewan and North Dakota; ethanol; the Marcellus Shale in the Northeast U.S.; and wind energy.

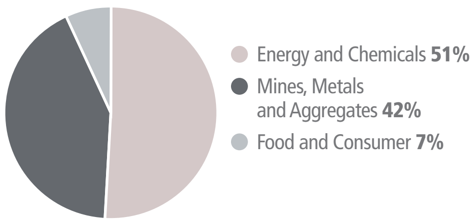
THE ALBERTA INDUSTRIAL HEARTLAND

The Alberta Industrial Heartland (AIH) is a world-class industrial development located north of the Edmonton capital region in Alberta. The AIH is one of the premier chemical, mineral, and energy-related processing districts in North America and is known for its concentration of oil refineries and a major oil sands upgrading facility. The location is ideal for the development of future upgraders due to its proximity to the Alberta oil sands and offers growth opportunities for shipments both into and out of the region. CP secured the land corridor to access all the major upgrader sites in the AIH.

The demand for diluent, which is required in the pipeline transport of bitumen, has created an inbound diluents market, with some volumes moving into the Edmonton region by rail from the U.S. As oil sands production increases over time, so will the need for diluent.

The construction of upgrader facilities provides inbound rail opportunities for steel, pipe, cement, vessels, modules and many other construction materials. Although development activity stalled during 2008 – 2009, 2010 saw renewed interest and activity. Companies are revisiting the economics of shelved upgrader construction projects, and activity in the region has picked up.

INDUSTRIAL AND CONSUMER PRODUCTS BREAKOUT
(Percentage of 2010 Revenues)



CP HAS THE EXPERTISE TO SUPPORT EXISTING AND EMERGING MARKETS

Oil sands upgrading is a significant rail market for products that are not traditionally shipped by pipelines, including petroleum coke, sulphur, asphaltine and various hydrocarbon liquids and gases. Our Scotford Transfer Facility and our South Edmonton Transfer Facility can accommodate aggregates, pipe, dimensional loads and some liquids.

THE BAKKEN FORMATION

The Bakken formation lies within southeastern Saskatchewan and northwestern North Dakota. While the oil formation had been known to exist for decades, it was only with recent technological advances that crude oil could be produced economically. CP is working with companies on both sides of the border to ship crude oil to refineries throughout North America. Crude oil has historically been transported to refineries via pipeline, but limited pipeline capacity in the area has led to the development of the crude by rail market. While additional pipeline capacity may be developed, it is not expected to eliminate the inroads that rail has made in this market sector. In addition to outbound crude oil, the Bakken offers opportunities for inbound drilling materials and construction materials.

CP has a strong position for long-term participation in the energy play through our shortlines and transload facilities. Our Newtown Subdivision reaches into North Dakota's active drilling territory, while our shortline partners further extend our service. With our extensive network in Saskatchewan, CP is well positioned as drilling activity moves north.

ETHANOL

The large corn production area in Iowa and Minnesota has attracted a number of ethanol production facilities. CP offers the only direct, single line-haul from these U.S. Midwest production facilities to U.S. Northeast markets.

CP's network has a clear competitive advantage from the standpoint of origin market share and destination market reach. These factors provide the basis for continued strong and growing participation. In Canada, the commitment to E5, a low ethanol blended fuel, implementation introduces growth opportunities for CP. With transload facilities in place at the key destinations of Calgary, Edmonton and Vancouver, CP is well positioned to serve these new markets.

MARCELLUS SHALE

The Marcellus Shale lies under the four states of Pennsylvania, Ohio, West Virginia and New York. The Marcellus is purported to be the second largest natural gas reserve in the world.

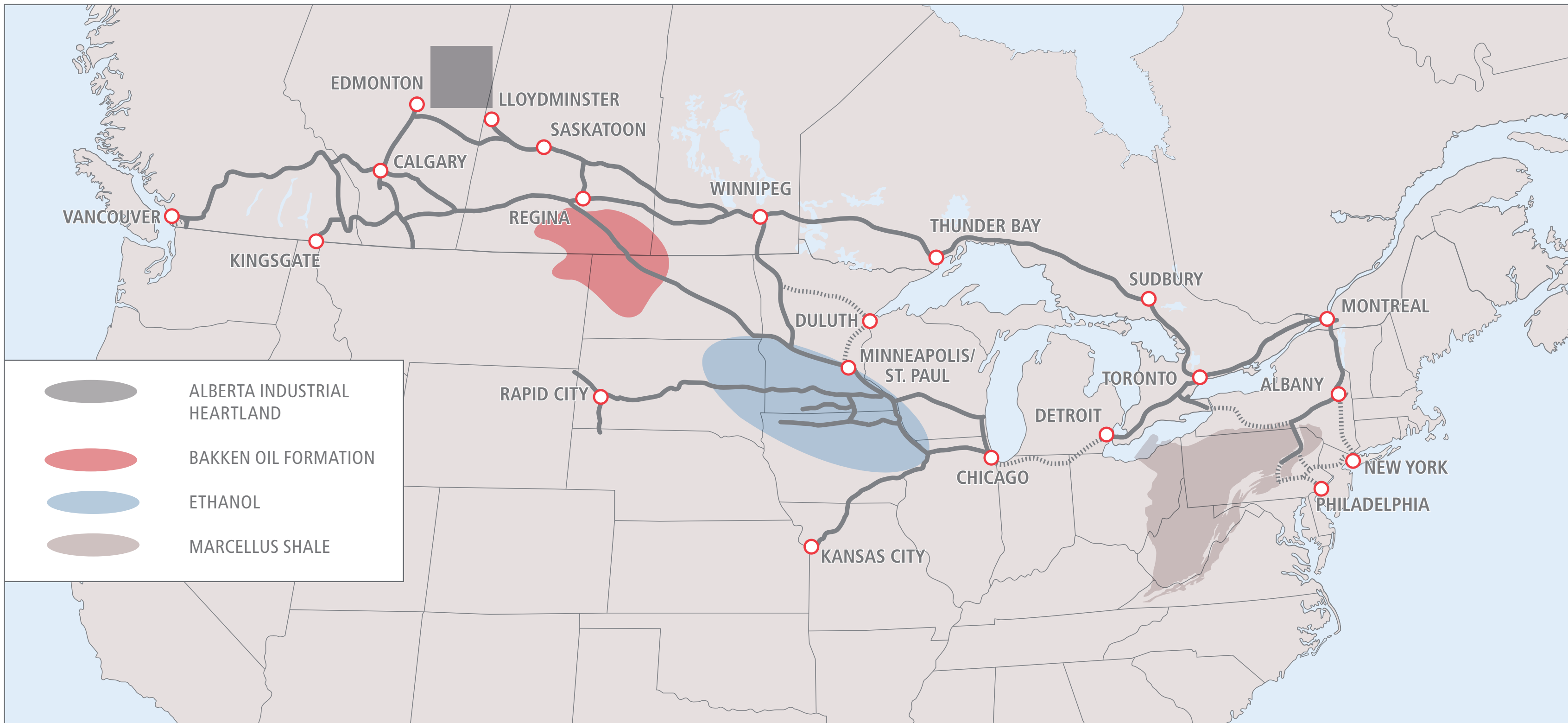
Our Northeast U.S. network, transload facilities and shortline partnerships enable us to participate in the movement of drilling and construction materials; primarily fracture sand, steel pipe, chemicals and construction products. These same access advantages allow us to participate in the transportation of various outbound products.

WIND

Wind energy provides good growth opportunities. In Canada, CP serves three major wind tower manufacturers, with an additional plant coming online in late 2011. CP provides the network reach and access to transload facilities that deliver those customers' products close to their final destination. Our service is now concentrated on transporting wind energy components into southern Alberta and South Dakota. In the U.S., CP's strong position in the U.S. Midwest aligns well with anticipated new wind farm projects in the region.

Rail currently handles 10-15% of the wind energy market's transportation requirements, and that share is expected to increase as the market matures and shippers gain more experience with rail as a reliable and cost effective transportation solution. CP is positioned to build on its network strength and proven market experience to participate in future wind farm development and component manufacturing.

ENERGY SOURCES



AUTOMOTIVE

Our automotive business consists of three core finished-vehicle traffic segments: import vehicles that move through Port Metro Vancouver to Eastern Canadian markets; Canadian-produced vehicles that ship to the U.S. from Ontario production facilities; and U.S.-produced vehicles that travel cross-border into Canadian markets. In all of these segments, our business has been built on strategic alliances with major car manufacturers and designing services to complement their shipping needs.

CP operates a number of automotive compounds in key markets in Canada and the U.S., providing our customers with a complete array of line-haul and compound services. These compound operations provide distribution services, which are well regarded in the marketplace, and complement CP's rail capabilities.

While late 2008 and 2009 were challenging periods for automotive sales in the U.S. and Canada, volumes have begun to recover and CP is solidly positioned in the automotive marketplace.

Our automotive franchise is built around strong industry transplant production companies, such as Toyota and Honda, sometimes referenced as the New Domestics. Our relationship and business within this segment has grown steadily. Today, the New Domestic segment represents almost 40% of automotive carloads.

In 2008, Toyota opened its new Canadian production facility at Woodstock, Ontario, which is producing the RAV 4 model for the North American market. CP was chosen as the direct rail service provider for the facility. When combined with Toyota's Cambridge production plant, located in the same region, we have been able to consolidate equipment supply and train service activities to provide a more efficient and reliable product.

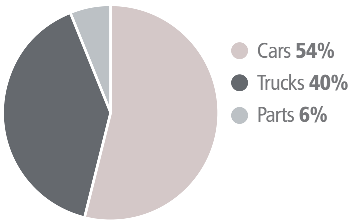
In addition to finished vehicle traffic, CP participates in automotive parts shipments, such as inbound traffic to GM's production facility in Oshawa, Ontario.

We also have a strong market share in the Canadian personal and pre-owned vehicle segments.

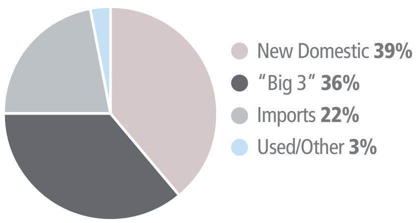
Our product offering, which combines reliable train service with automotive facility services, low damage occurrence and quality equipment supply, has translated into value improvement opportunities. Our service offering has earned awards from customers such as American Honda, Chrysler and Toyota.

As automotive sales rebound over the next several years, our automotive franchise should continue to benefit from strategic alignments with our customers and strong product offerings.

AUTOMOTIVE BREAKOUT
(Percentage of 2010 Revenues)



PASSENGER VEHICLES BREAKOUT
(Percentage of 2010 Revenues)

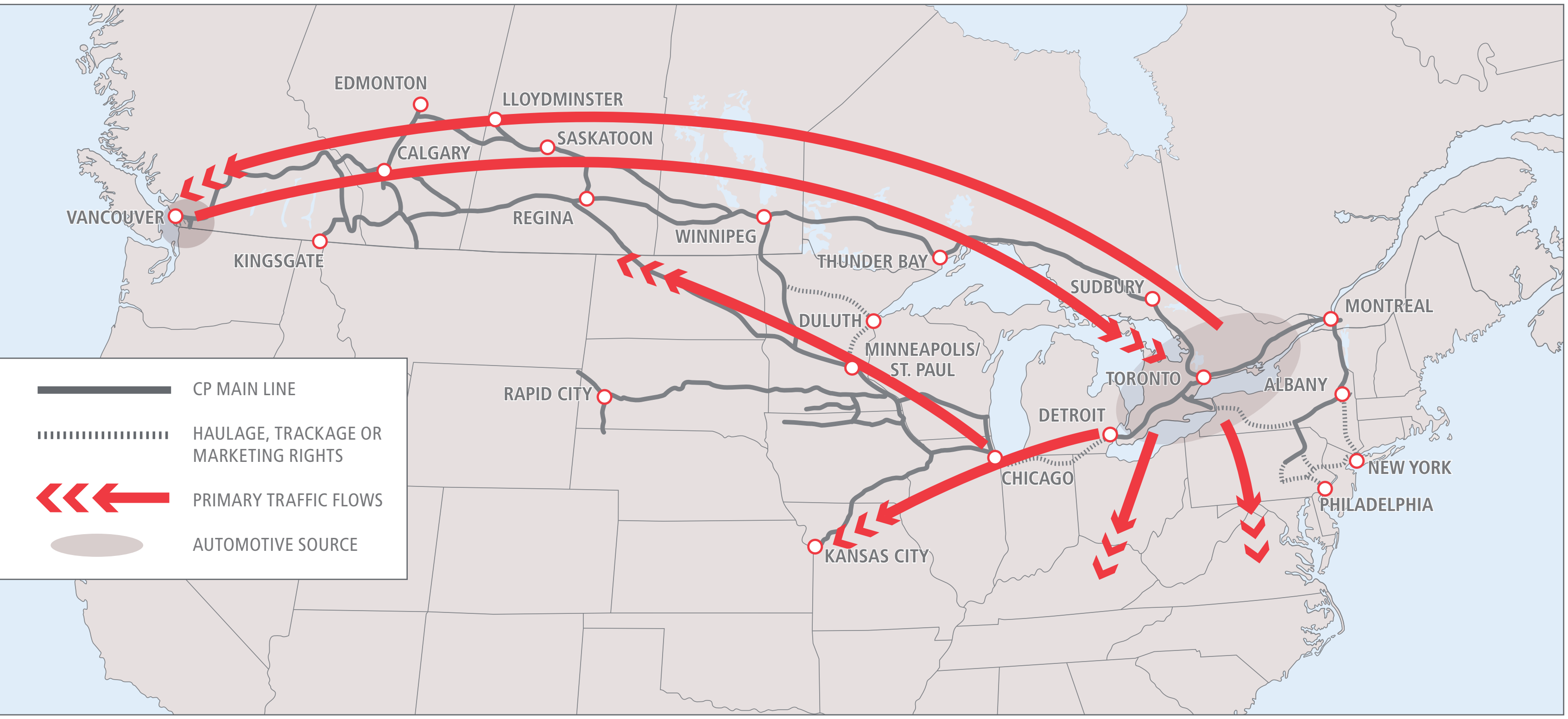


2011 PLANT SOURCING	PLANT SERVED	MODELS PRODUCED
Models produced		
Oshawa #1 car	Ontario	Chevrolet Camaro, Buick Regal
Oshawa #2 car	Ontario	Chevrolet Impala
Ford		
Oakville(1)	Ontario	Ford Edge, Ford Flex, Lincoln MKX, Lincoln MKT
St. Thomas(1)	Ontario	Crown Victoria, Grand Marquis, Town Car
Twin Cities	Minnesota	Ranger
Chrysler		
Brampton(2)	Ontario	Chrysler 300, Dodge Challenger, Dodge Charger
Windsor Assembly(2)	Ontario	Dodge Grand Caravan, Chrysler Town & Country (plus VW Routan)
CAMI		
Ingersoll	Ontario	Chevrolet Equinox, GMC Terrain
Honda		
Alliston –"#1"	Ontario	Civic 4-door Si, Civic 2-door, Acura CSX
Alliston –"#2"	Ontario	Civic 4-door, Acura MDX , Acura ZDX
Toyota		
Cambridge	Ontario	Corolla, Matrix, Lexus RX
Woodstock	Ontario	RAV 4

(1) Plants accessed via joint section or interswitching agreement.

(2) Plant is not direct-rail served, although CP carries 100% of Canadian traffic to Canadian rail-served points.

AUTOMOTIVE TRAFFIC FLOW



AUTOMOTIVE COMPOUNDS

TRANSLOAD SERVICES

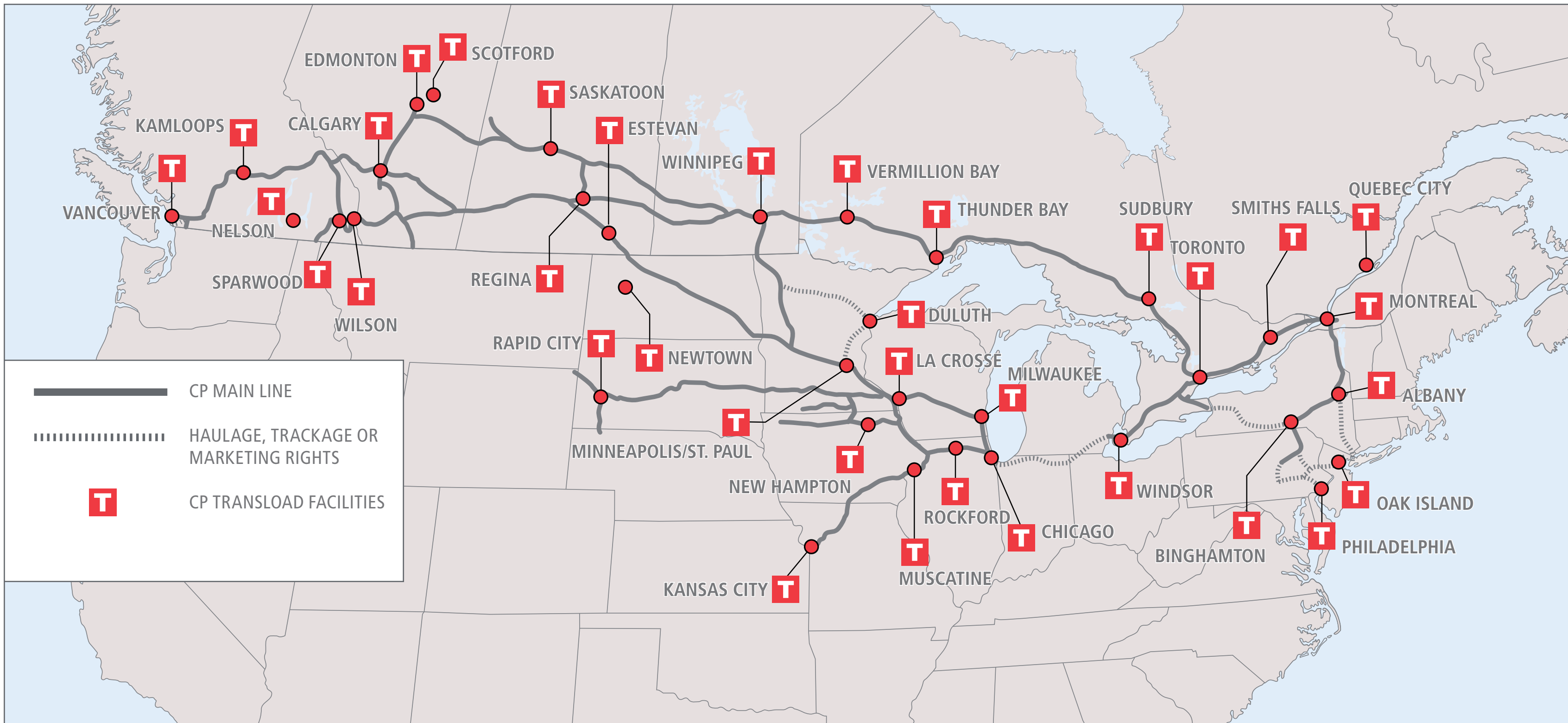
CP's transload facilities are the link between non-rail transportation and our rail network. Our customers are served through a variety of transload facilities that offer various services like trucking and storage, managed by operator partners.

Historically these services have focused on industrial products, specifically on steel products, metals, aggregates, forest products and plastics. We have expanded our scope to include commodities like fuels, sulphur, condensate, crude and other energy-related products. Transloading is a key component in our continued development of opportunities in the energy market including the Alberta Industrial Heartland, Marcellus Shale and Bakken formation.

In 2010, CP entered into an agreement with Global Partners LP to create and expand the ethanol transload capabilities in Albany, New York, creating a new destination market for ethanol production on CP's U.S. Midwest network.

Our network along with our comprehensive and densely located transload facilities allow us to continually develop new market opportunities. A good example is the proposed Strathcona Logistics Centre, located northeast of Edmonton in the heart of the Alberta Industrial Heartland, which is a growth opportunity considering the close proximity to oil sands projects.

TRANSLOAD FACILITIES



INTERMODAL

CP's intermodal portfolio includes domestic and international services. Intermodal has been one of our fastest growing business segments.

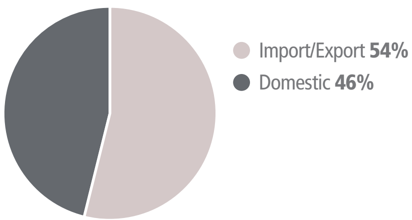
Domestic intermodal primarily involves moving manufactured consumer products in containers within North America. International intermodal is the movement of marine containers to and from ports and into North American inland markets.

The long-term fundamentals for intermodal remain strong. The rail industry's position as an environmentally friendly transportation choice combined with global sourcing, general population growth, highway congestion and rising fuel cost all support long-term growth.

The focus of our intermodal franchise is to:

- deliver a reliable and consistent product;
- provide a suite of value-added service offerings that meet our customers' diversified supply chain needs;
- ensure timely access to incremental capacity at ports and inland terminals to meet existing and future demand;
- grow business with strategic customers through co-location and strategic partnerships; and
- operate an efficient, balanced network.

INTERMODAL BREAKOUT
(Percentage of 2010 Revenues)



INTERMODAL UNITS
(Percentage of 2010 Carloads)

LONG-TERM FUNDAMENTALS FOR INTERMODAL REMAIN STRONG

DOMESTIC INTERMODAL

Our domestic customer portfolio is diversified and covers a broad spectrum of industries including: food, retail, less-than truckload shipping, forest products and various other consumer-related products.

In the U.S. and in our cross-border business between Canada and the U.S., CP's intermodal service is delivered mainly through wholesalers known as intermodal marketing companies. In Canada, our domestic intermodal segment is marketed directly to shippers and consists primarily of long-haul intra-Canada business. For most of our domestic intermodal service CP provides complete door-to-door service.

We have developed significant partnerships with key Canadian retail customers which have led to a number of customers constructing major warehouse distribution facilities adjacent to CP's primary intermodal terminals, often referred to as co-location. These co-location initiatives extend CP's role beyond that of a traditional railway by making us part of our customers' supply and logistics chains.

A major strategic focus on the domestic side of our business continues to be enhancing the door-to-door product offering. As customers' shipping requirements evolve and their supply chains become more complex, we believe there will be a growing need for more value-added services.

INTERMODAL TRAFFIC FLOW

INTERNATIONAL INTERMODAL

CP's international intermodal service is marketed to ocean carriers with CP providing line-haul intermodal containerized service via ports in Vancouver, Montreal, New York and Philadelphia to and from inland points across Canada and the U.S.

Port of Montreal (POM) and Port Metro Vancouver (PMV), which are CP's two key ports, primarily serve Canadian and U.S. Midwest markets. Traffic to and from these two ports represents approximately 85% of CP's total international intermodal revenue. Our U.S. Northeast service connects Eastern Canada with the ports of Philadelphia and New York as a competitive alternative to trucks.

The POM is a major year-round east-coast gateway and CP has a competitive advantage due to our dominant market share. The port's ability to unload ship-to-rail direct combined with CP's excellent rail connectivity to Chicago provides a superior service gateway into the Midwest versus the U.S. east coast ports. The POM is also an important gateway for the Northern Europe and Mediterranean trade lanes. CP expects that with general economic recovery, this port will complete its return to a steady growth pattern.

The PMV is Canada's largest intermodal port. More than 85% of Canada's Pacific Gateway is handled through this port. CP directly serves all four port facilities – Centerm, Vanterm, Deltaport and Fraser Surrey Docks. Significant volumes of containers move through the port and inland to key destination markets of Toronto, Montreal and Chicago. CP's trans-pacific gateway offers the shortest route between the Canadian west coast and Chicago. CP anticipates that large Canadian and U.S. retailers sourcing Asian consumer goods, especially from China, will continue to grow.

CP has worked with key stakeholders at POM and PMV to ensure that the supply chain operates efficiently and the network is prepared to handle future growth. CP has entered into a number of collaboration agreements with ports and terminals in order to further improve performance and service for our customers. In Montreal, POM plans to spend $155 million by 2015 for asset maintenance and development to meet future volume growth.

At the PMV, Berth 3 at Deltaport was officially opened in January 2010, which added approximately 600,000 20-foot equivalent units (TEU) of capacity and expanded the terminal capacity by 50%. As part of the Pacific Gateway Initiative, PMV has additional capital projects planned, worth over $700 million, which are expected to be completed by 2014. These projects are focused on the Roberts Bank Rail Corridor and both North and South Shore Trade Areas.

In addition, CP is currently working in conjunction with port and ocean carrier stakeholders in Vancouver to enhance the supply chain. Through 'lean thinking' and a more coordinated approach to managing all the elements of the supply chain, CP is seeking to improve rail car and container velocity and service quality at a lower cost.

CP will continue to work with key port stakeholders to ensure the port gateways provide a reliable and cost-competitive option for our customers. Both the Vancouver and Montreal gateways have ample capacity in place or planned to support growth in our container business.

TERMINALS AND NETWORK

CP has been able to leverage growth through our expanded Western Corridor and our strong network of 14 modern intermodal terminals within Canada and the U.S. We continue to invest in new technologies and infrastructure designed to support growth and improve supply chain efficiency.

Our strategy is to be proactive in ensuring infrastructure capacity and to that end we have acquired land for future terminal expansions in Edmonton, Montreal and Regina. CP's 2011 projects include starting construction of a new Regina intermodal facility, in partnership with the province of Saskatchewan. Upon completion of the first phase of this project, the facility will have a handling capacity of 90,000 units. The facility will also allow for co-location with customers, further strengthening our partnerships.

Through a network approach to facility planning, CP is well positioned to grow with our customers at all major hubs including Toronto, Chicago, Calgary and Vancouver.

Success in the intermodal portfolio will come from providing customers with consistent, reliable and efficient transportation solutions. We will continue to deliver efficient service solutions to our customers by focusing on running highly productive double-stack transcontinental trains within a balanced integrated operations design. Our intermodal service will be supported by strong operating processes and technologies that improve integration and the visibility of shipments during their distribution to customers.

INTERMODAL TERMINALS

LOGISTICS SOLUTIONS - CPLS

Canadian Pacific Logistics Solutions (CPLS) delivers logistics and transportation management solutions that create value within our customers' supply chains. The segment continues to experience double-digit annual growth.

When the movement of goods requires a single party to coordinate activities and information from end-to-end, CPLS works with railways, truckers, facility operators, freight forwarders and other vendors to deliver integrated logistics solutions.

We focus on customers' goals, and managing and controlling operational activities across different organizations and regions to bring the advantages of CP's rail services to our customers. Working with customers in a variety of industries, including packaged goods, bulk liquids, industrial materials and dimensional machinery, CPLS designs, builds and executes customized transportation solutions.

CPLS generates value for customers by:

- evaluating distribution and transportation strategies to meet a customer's supply chain goals;
- designing and managing solutions that bring together the capabilities of a number of logistics service providers;
- sourcing lower-cost, quality providers of transportation, warehousing and distribution services;
- streamlining the delivery of goods through integrated logistics and transportation management solutions; and
- capturing and reporting performance information and identifying opportunities for supply chain performance improvement.

CPLS develops shipment plans that balance customer delivery commitments, mode selection and overall lowest total cost. We facilitate the flow of goods across modes, facilities, borders and agencies. We also provide intervention, problem resolution and vendor management. Acting as an extension of a customer's logistics team, CPLS integrates processes and technology at an operational level.

Our ability to provide effective solutions means we can respond to market changes in established industries such as food manufacturing and retailing, and new emerging markets such as energy and other industrial products. We provide custom design and manage multi-modal distribution solutions, delivering added value for our customers and CP. This winning combination enhances benefits to customers, while generating profits and new rail business. It is also integral to our goal of fluidity and an important tool for CP to be able to adapt and grow in new markets.

OPERATIONS

INTEGRATED OPERATING PLAN

With such a vast network, our scheduled operations are planned and managed through an Integrated Operating Plan (IOP) designed to meet service and productivity requirements. The plan allows us to sustain performance through two key principles: product standardization and a core commitment to continuous improvement.

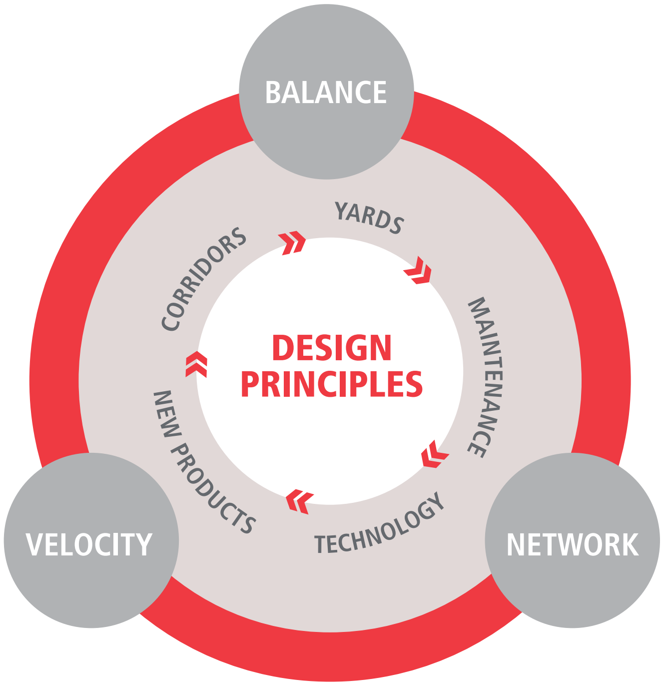
The goals of the plan are: driving service reliability, year-over-year continuous improvement, compliance, standards and performance sustainability.

The design principles of the IOP are:

- Velocity – A 24/7 approach is used to schedule destination trains and local pickup and delivery services to ensure reliable execution.
- Balance – Operations are balanced to drive execution excellence and move assets quickly and more frequently. Train movements are balanced daily in each corridor, yard and terminal, and within hubs, through local service operating plans.
- Network – A network-centric approach is used to attain optimal overall service performance and efficiency. The objective is to fully leverage CP's network capability including how it works with all connecting rail carriers and supply chain partners.

With these principles in place, our commitment to service and productivity is imbedded in the Integrated Operating Plan.

DESIGN PRINCIPLES



HOW THE INTEGRATED OPERATING PLAN WORKS

CP establishes a plan for each rail car from point of origin to final destination. We strategically concentrate volumes into key hubs and consolidate cars with similar destinations into blocks. Multiple blocks are then scheduled onto trains designed to run long distances. Altogether, this scheduling activity reduces car processing at intermediate locations and ensures a fluid and productive railroad.

The Integrated Operating Plan:

- Minimizes switching to speed shipment velocity;
- Drives asset utilization;
- Creates efficiencies in local pickup and delivery service;
- Improves the planning and execution of our engineering and maintenance programs to increase service reliability; and
- Increases direct services to bypass yards and support long train operations.

To continuously improve, CP must understand the complexity of hundreds of varied supply chains. To this end, CP has implemented railway operating and measurement systems which provide management with superior information about near-term demand, the availability of resources and supply chain capabilities.

LONG TRAINS

CP's long train strategy is a cornerstone of operations as we move forward to improve efficiencies and better respond to the needs of our customers. CP has a long history as an industry leader in designing and running long trains using distributed power technology for remote locomotive operation. Our upgraded locomotive fleet with its distributed power capability has allowed CP to continue to expand the number of trains running long.

When operating long trains, CP utilizes industry-leading train marshalling software that checks and ensures safe operations across our network. Advanced Train Area Marshaling software, or TrAM, ensures proper placement of locomotives and car configuration for safe operations. The software simulates the in-train forces a train would experience, before it is ever launched, and takes into account the features of the territory on which the train will be traveling. This allows the optimal distribution of power along the length of our trains to significantly lower lateral forces on the track (see diagrams below). This optimal design represents an opportunity to improve safety, extend rail asset life and reduce fuel consumption. TrAM abilities are integral to the safe operation of our long train strategy.

DIAGRAM 1: TRAIN WITH TRAM DISTRIBUTED POWER

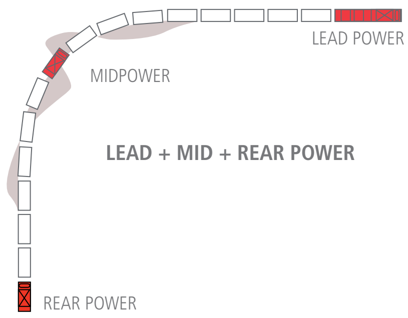


DIAGRAM 2: TRAIN WITHOUT DISTRIBUTED POWER

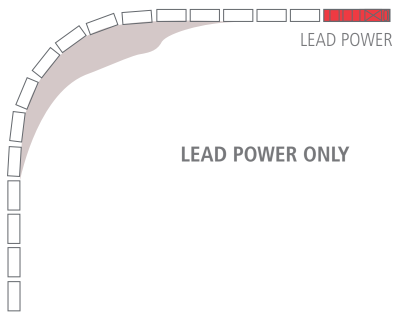
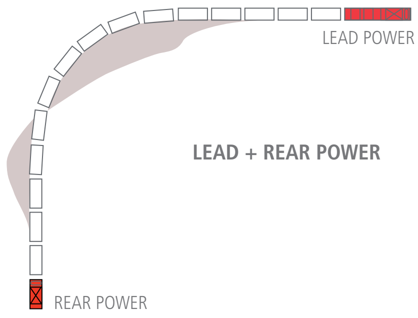


DIAGRAM 3: TRAIN WITH POWER AT THE HEAD AND REAR OF THE TRAIN



TRACK/TRAIN LATERAL FORCE CURVE

CONTINUOUSLY IMPROVING OPERATING EFFICIENCIES

STRATEGIC NETWORK DEVELOPMENT

We strive to ensure our rail network is sized to capitalize on prevailing and future market opportunities.

Agreements and commercial arrangements with other rail carriers, including shortline, regional and Class I railways, enable CP to provide our customers with competitive services while extending our market reach to virtually all of North America. Similar agreements are required between CP and the many customers across our network to support infrastructure and services.

Continuously improving operating efficiencies between rail carriers fosters the development of new business by extending services into markets previously beyond the reach of individual railways. As a result, rail carriers are shipping goods to new markets and moving goods that were traditionally carried by trucks. Approximately 40% of CP's business is either received from or handed off to other railways.

We are dedicated to building relationships with other rail carriers and our individual customers to position CP as their preferred business partner. This includes developing and implementing strategic initiatives, meeting today's and tomorrow's needs through sophisticated modelling and coordinating with other rails. As part of the process we seek to capitalize on shortline business development opportunities and pursue rail expansions with new and existing customers.

CP has working partnerships with all Class I railways, various shortline and regional railways in Canada and the U.S., Kansas City Southern de Mexico and Ferrocarril Mexicano in Mexico.

INCREASE CAPACITY UTILIZATION BY SHARING ROUTES

NETWORK AGREEMENTS

CP has entered into several co-production agreements with Class I railways as part of our ongoing strategy to increase capacity utilization by sharing routes and track while maintaining vigorous competition.

PORT METRO VANCOUVER OPERATIONS

In 2008, CP and Canadian National (CN) renegotiated the Fraser Canyon directional running zone agreement. This agreement allows both companies to mitigate the effects of steep and difficult operating terrain and improve fluidity for import and export goods.

CP, CN and shippers benefit from a series of agreements to realize efficiencies and improve rail service to and from Canada's largest, busiest and most diversified port, Port Metro Vancouver located in British Columbia. These agreements provide:

- reciprocal access to Vancouver's north and south shores, with CP potash and coal trains having direct access to Neptune Terminals and CN sulphur trains having direct access to Pacific Coast Terminals;
- the option to operate longer, heavier trains; and
- a reciprocal interchange at CN's Thornton Yard and CP's Coquitlam Yard that replaces a less efficient interchange arrangement.

These CP/CN reciprocal arrangements have been enhanced to optimize railway infrastructure in the Lower Mainland of British Columbia. Under the arrangements, CP operates the trains of both railways using CP crews a distance of approximately 127 miles from Boston Bar to the terminals on the south shore of Burrard Inlet in Vancouver and return to North Bend. CN operates trains of both railways using CN crews a distance of approximately 140 miles from Boston Bar to the terminals on the north shore of Burrard Inlet and return to North Bend. CP provides all switching on the south shore of Burrard Inlet and CN provides all switching on the north shore of Burrard Inlet. In addition, CP operates some CN trains a distance of approximately 135 miles to or from the Roberts Bank port at Delta.

U.S. NORTHEAST OPERATIONS

CP, Norfolk Southern Corporation (NS) and CSX Transportation (CSX) have joint operations, including trackage rights, freight haulage trackage rights and yard services, to increase operational efficiency and enhance rail service to customers in the Northeast U.S.

Under an arrangement, CP and NS consolidate freight marshalling at yards in Buffalo and Binghamton, New York. CP, NS and CN also have an agreement to significantly improve freight service between eastern Canada and the eastern U.S. The three-party arrangement increases CP's density on its main north south corridor. In 2010, CP and CSX received approval from the Surface Transportation Board (STB) for a new joint use agreement. The segment of the agreement covering Selkirk to New York and Long Island was implemented in Q4 2010 and brings more benefits to CP by reducing our costs while at the same time increasing service frequency making CP more competitive in the New York market.

In 2010, CP exited its joint use agreement with the CSX between Chicago and Detroit eliminating a significant annual commitment. CP has converted this traffic to travel under the 2004 NS agreement with a significant net improvement in productivity.

ONTARIO OPERATIONS

CP and CN have additional network initiatives that improve transit times and asset utilization in Ontario.

These initiatives provide for:

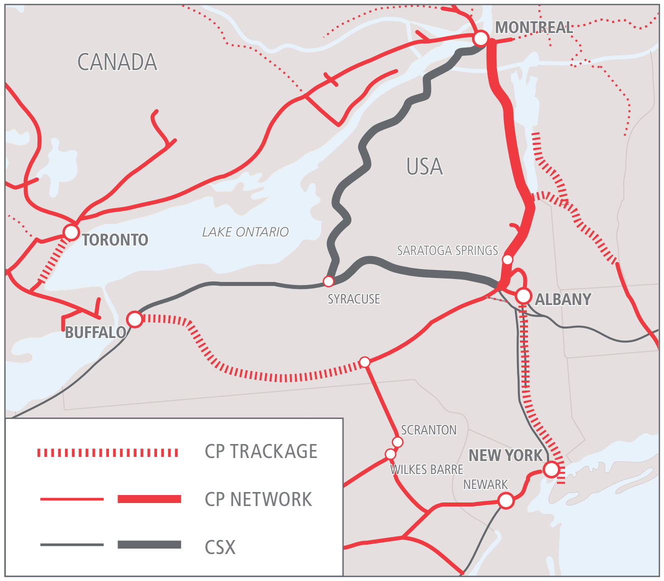
- directional running over approximately 100 miles of parallel CP and CN track in Ontario between Waterfall, near Sudbury, and Parry Sound. The two railways operate eastbound trains over the CN line and westbound trains over CP's line, improving network fluidity in this corridor; and
- a haulage arrangement with CN freight moving over about 300 miles of CP track in Ontario, between Thunder Bay and Franz using CP's route north of Lake Superior.

JOINT USE AGREEMENTS

A joint use agreement is an agreement under which two railways agree to share segments of track owned by each carrier. Implementation of a joint use arrangement may involve either trackage rights and/or haulage granted by either railway to the other.

In 2007, CP entered into joint use agreements with CN, complementing similar agreements already in place with Union Pacific (UP) and Burlington Northern Santa Fe Railway (BNSF). These agreements demonstrate CP's focus on providing the most fluid and dependable service for our customers and allows them to take advantage of new growth opportunities via the North American rail network. These agreements allow us to work more effectively with our connecting carriers and generate increased rail capacity. In doing so, we are better positioned to grow our overall share of transportation services on the continent.

U.S. NORTHEAST OPERATIONS



INFORMATION TECHNOLOGY

As a 24-hour-a-day, 7-day-a-week business, CP relies heavily on information technology (IT) systems for resource planning, scheduling, and for the safe, efficient execution of our operations. IT applications capture shipment orders, financial and operational data and map out complex interconnections of freight cars, locomotives, facilities, track and train crews. These applications help us to meet more than 10,000 individual customer service commitments every day.

To further improve our capabilities, CP is undertaking a multi-year, multi-phase program that will modernize, simplify, integrate and automate key business processes and systems across the entire company. It will also allow us to better use the skills and capabilities of our employees.

CUSTOMER RELATIONSHIP MANAGEMENT

Our Lead to Cash Program recognizes that the pursuit of new business through to the collection of cash for services performed is a single process. The program's foundation is Customer Relationship Management (CRM), and will be the customer facing portal for CP. CRM will integrate processes and systems, provide a single view of the customer, improve metrics, and enhance reporting capabilities and workflow. The tool will track our relationship with the customer and the success of transforming opportunities into new business, along with ensuring a more accurate and timely capture of value-added services provided by the railway.

CUSTOMER PORTAL

CP is making significant investments to enhance our customers' service experience. In 2011 we are launching a next-generation customer portal, the first in a series of upgrades aimed at improving customer self-service and the ease of doing business with CP.

Our portal features significant improvements in first-mile, last-mile functionality which allows customers to track their shipments. Our new tool provides customers with real-time visibility to terminal car supply and an enhanced capability to order and release empty and loaded equipment. Customers can see in real-time car inventory and the status of their order. This customer self-serve capability is expected to lead to improved service and customer satisfaction. For CP, it will improve efficiencies by eliminating manual order processing, and provide more accurate and timely operational information. By accelerating the car order and placement process, the productivity of both the railway and our customers' assets will continue to improve.

SHIPMENT MANAGEMENT

CP uses numerous IT systems for the planning and execution of our Integrated Operating Plan. By organizing and leveraging data currently housed in separate databases, new functionality is being delivered to field operations.

TRANSFORMING OPPORTUNITIES INTO NEW BUSINESS

One new development is the launch of an enhanced shipment visibility tool which is expected to provide greater insight into how we can improve scheduling and reduce total transit times. The new tool provides more timely and concise information on all aspects of a shipment, from load characteristics to transit guarantees. In turn, this information provides opportunities to enhance service quality, reduce yard dwell time, and improve asset utilization. In addition, with improved visibility, shipment plans can be adjusted dynamically and matched with emergent day-of-week capacity leading to consistently longer trains.

DEMAND FORECASTING SYSTEM

Mercury, a SAS-based statistical modeling tool for demand forecasting, was implemented in 2010. This enhanced forecasting methodology provides forecasts by customer, commodity, corridor and car type. The tool has also extended the detailed demand forecasting horizon allowing for better geographic planning of labour resources, locomotive and rail car fleet requirements where lead times can vary from six months to more than one year.

BUSINESS PROFITABILITY SYSTEM

Polaris, a profit management tool, is now being used to identify new market and margin opportunities.

The tool integrates operational and financial data offering new views of profitability, such as by customer, commodity, corridor, train and railcar. We now have the ability to measure and monitor the cost-to-serve on existing business through different product, geographic and operational lenses.

ENGINEERING EXCELLENCE

The railway is a highly capital intensive business. The single largest spend category is the renewal of the railway's track infrastructure. CP is making significant technology investments in Engineering Excellence to ensure information is available to make timely renewal decisions that can have far reaching impacts on maximizing track availability and protecting service quality, corridor capacity, network safety and reliability.

EQUIPMENT HEALTH MANAGEMENT SYSTEM

The Equipment Health Management System (EHMS) is a multi-year initiative that uses data from wayside detectors to predict maintenance requirements based on the condition of assets.

Identifying equipment defects prior to a train's arrival in a yard allows for proactive planning. This is what CP terms "turning finders into fixers". By receiving advance notice on specific repair requirements, equipment can be directed into specific areas upon the train's arrival and work can be pre-planned ensuring more timely and efficient repairs. These efforts will improve labour efficiencies and enhance service quality to our customers, while protecting the revenue generating capacity of our many different car fleets and the safe operating condition of our assets.

SAFETY

Safety is a priority for CP's management, employees and Board of Directors. We believe safety is good business and our corporate safety policy emphasizes that no job is so important that time cannot be taken to do it safely. CP has consistently sustained low U.S. Federal Railroad Administration reportable train accident rates. In 2010 we again led all North American railways with a rate of 1.63 train accidents per million train miles. In the area of personal injuries, CP achieved the second best performance in our history with a rate of 1.61 injuries per 200,000 employee hours.

CP's Health, Safety, Security and Environment Committee provides ongoing focus, leadership, commitment and support to improve the safety of our operations, the safety and health of all employees and the safety of communities through which we operate. A bottom-up safety action process, called the Safety Framework, actively involves over 1,000 employees, management and executives working together through local health and safety committees.

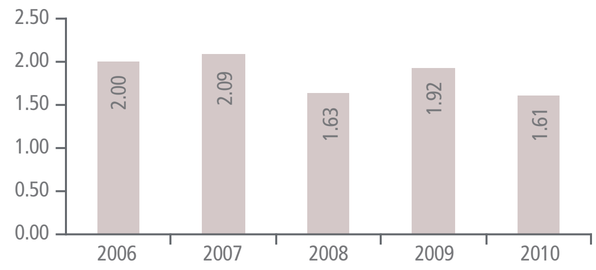
CP produces a comprehensive corporate safety plan each year that is supported by individual safety plans produced by each operating department. Additionally, senior union and operating employees meet regularly to discuss systemic safety enhancement opportunities. There are four functional policy committees in Canada, as well as three safety advisory boards in the U.S. This integrated approach to safety management covers all operating functions, ensures a consistent approach, promotes the sharing of best practices and has sustained our industry-leading safety performance.

We are also deeply committed to the safety and health of the public, working in cooperation with Operation Lifesaver® and Direction 2006® to educate the public about the potential hazards of railway crossings at grade and the dangers of trespassing on railway property. CP's business practices include consultations with communities, neighbours and other key stakeholders. CP also conducts regular emergency response exercises with communities.

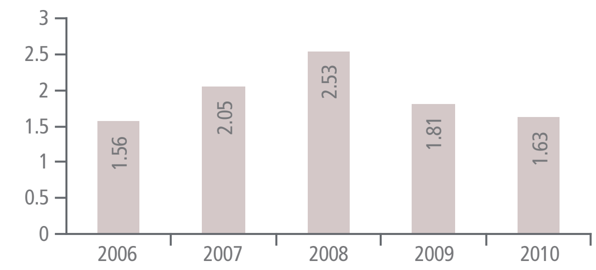
The safety of customers is another high priority. We have distributed over 15,000 copies of a Customer Safety Handbook. This provides key contacts and critical safety information about handling and securing rail cars, loading practices, facility and personal safety. CP regularly conducts facility safety audits and provides feedback to our customers. In 2009, this handbook won the industry's safety award for freight railways from the Railway Association of Canada.

Our commitment to railway and public safety can also be seen in our Responsible Care® partnership. As a partner, CP works with other companies to continuously improve health, safety, security and environmental performance. The Responsible Care® ethic is reflected in CP's corporate values, policies, business plans and management systems.

FRA PERSONAL INJURIES PER 200,000 EMPLOYEE-HOURS[1][2]



FRA TRAIN ACCIDENTS PER MILLION TRAIN-MILES[1][2]



(1) Certain prior period figures have been revised to conform with current presentation or have been updated to reflect new information.

(2) 2006 and 2007 data excludes DM&E.

CORPORATE SOCIAL RESPONSIBILITY

CP is continuing along a path of real change in the way it operates. We firmly believe that corporate social responsibility will make us more efficient, our services more marketable, and assist us in attracting and retaining the brightest talent. We also believe we have an important obligation to the communities in which we operate, to our customers, to our employees and to our investors – to operate safely, securely and in an environmentally sustainable way. In 2010, Canadian Pacific was rated as one of the top ten companies in North America for environmental, social and governance practices.

ENVIRONMENTAL MANAGEMENT

Our environment management system is based on the five basic components of ISO14001 – policy, planning, implementation and operation, checking and corrective action and management review. Our policies are based on regulatory requirements and industry best practices. Our plans strive to reduce risk, minimize waste and introduce leading practices. Our programs are focused on cleaning up our past, managing our present and protecting our future.

PROACTIVE SITE REMEDIATION

CP's proactive Environmental Accrual Program remediates historically impacted sites with a target of achieving a 10% reduction in environmental liability per year. In 2010, we achieved a 12.4% reduction.

COMPLIANCE MANAGEMENT

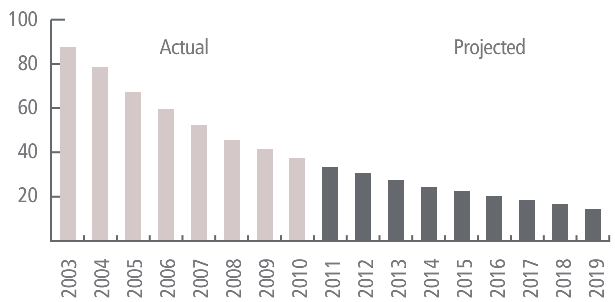
Annually, third-party environmental auditors assess our compliance to regulatory requirements and against internal policies and standards. A corrective action planning process ensures audit findings are completed in a timely fashion.

ENVIRONMENTAL ASSESSMENTS

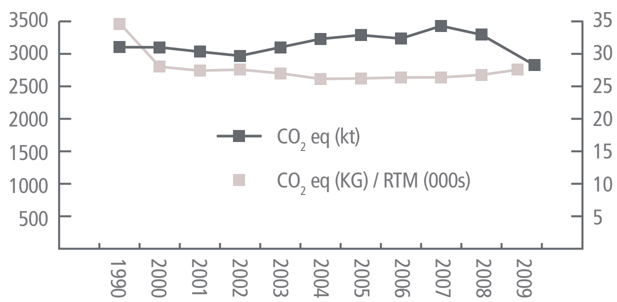
Our environmental assessment program ensures that projects and activities are designed and undertaken carefully and without causing adverse environmental impacts. Environmental assessment (EA) work supports opportunities to grow our business in a sustainable way.

Rail is already an environmental leader in transportation – the railway sector represents only 3% of transportation-related greenhouse gases. Still, CP continues to pursue fuel conservation and locomotive fleet renewal to support our target for further greenhouse gas reductions.

ENVIRONMENTAL ACCRUAL LIABILITY REDUCTION
(percentage)



CANADIAN PACIFIC GREENHOUSE GAS EMISSIONS



BUILDING MEANINGFUL RELATIONSHIPS THROUGH MUTUAL UNDERSTANDING

COMMUNITY RELATIONS

CP operates through more than 1,100 North American communities. We strive to uphold our reputation as a valued and integral part of these communities, and that means knowing what matters to local residents and building meaningful relationships through mutual understanding. It also means doing the right thing. Our community efforts can be seen through our communication and joint issues management, emergency response training and community investment.

EMERGENCY RESPONSE PREPAREDNESS

CP has developed an industry-leading emergency response protocol to ensure that communities and the environment are protected. To build understanding and preparedness capabilities, CP supports and participates in various emergency response preparedness activities including:

- mock disasters/exercises, drills and table-top exercises;
- awareness sessions with municipal leaders and first responders;
- education and audits for shippers of hazardous materials; and
- regional/national TRANSCAER® (Transportation Community Awareness and Emergency Response) meetings and workshops.

All exercises include participation from fire departments, police, emergency medical services, hospitals, surrounding community facilities (e.g. schools), public works and others.

In the event that an incident occurs, our priorities are to:

- ensure community and employee safety;
- mitigate and remediate potential environmental concerns;
- investigate and preserve evidence; and
- restore railway operations.

COMMUNITY CONNECT

CP's Community Connect Line is a toll-free phone and email service that provides education, information and a convenient way to address community inquiries about CP and its operations. It offers a single point of contact for local governments, residents, and stakeholders to address concerns and to ensure potential issues are managed promptly and consistently. CP is the only North American Class I railway to offer a service dedicated specifically to direct community dialogue and issues resolution.

The Community Connect Line is also used in emergency response situations when rapid exchange of public information is a priority.

COMMUNITY ADVISORY PANELS

As part of our community commitment, we sometimes establish a joint Community Advisory Panel (CAP), made up of CP staff, municipal officials and local residents. These are effective forums for addressing rail-related issues and promoting dialogue on topics such as safety, community planning in proximity to the railway, new facility construction, traffic and noise concerns, and incident recovery.

To maintain and build on our reputation as a responsible neighbour, we have established CAPs in more than 14 key communities.

ABORIGINAL RELATIONS

More than 100 aboriginal communities border our tracks in Canada. Each aboriginal group offers a unique cultural and historical perspective on how we do business. We frequently meet with our aboriginal neighbours to discuss issues ranging from safety and taxation to fencing and the environment.

COMMUNITY INVESTMENT

Our community investment program focuses on the past and present ties we have with those along our network. Our goal is to make meaningful and lasting contributions to the quality of life in the communities through which we operate and encourage our employees to likewise support their local causes. CP employees are encouraged to volunteer time and donate to charities of their choice throughout the year, with a portion of their funds matched by the company.

VANCOUVER 2010 OLYMPIC AND PARALYMPIC WINTER GAMES

CP was proud to be the official rail freight services provider for the Vancouver 2010 Winter Games. In addition to moving supplies and providing logistics support, CP played an important role in the torch relay and supported the volunteer efforts of 50 employees during the games.

HOLIDAY TRAIN

Our Holiday Train program, which celebrated its 12th anniversary in 2010, travels across Canada and the U.S. every December raising food donations, funds and awareness for local food banks. Since its launch, the Holiday Train has raised more than $5.6 million and 2.6 million pounds of food for local food charities.

CELEBRATING THE LAST SPIKE AND DRIVING THE DIGITAL RAILWAY

On November 7, 2010, CP celebrated the 125th anniversary of the driving of the Last Spike at a special commemoration ceremony in Craigellachie, B.C. In recognition of CP's past innovation which helped build Canada, President and CEO Fred Green announced more than $2 million in donations aimed at supporting future generations of innovators. Beneficiaries include Simon Fraser University, University of British Columbia, Trinity Western University, The University of Saskatchewan, Parks Canada and the Military Families Fund.

2816 EMPRESS STEAM TRAIN

This past summer, CP's passenger fleet embarked on a community tour to celebrate CP's 125th anniversary of the Last Spike. Traveling from Schreiber, ON to Revelstoke, B.C., this special fleet consisting of a Museum Car and often pulled by the 2816 Empress Steam locomotive visited a number of established CP communities to connect Canadians East and West with their history and celebrate local events. Public ticket sales from this community tour raised more than $50,000 and increased awareness for the Children's Wish Foundation of Canada.

UNITED WAY

CP and its employees are long-standing supporters of the United Way, annually donating more than $1 million to local United Way campaigns across the CP network. In 2010, employee volunteers in more than 20 locations held their own unique and creative fundraising events to collect an additional $150,800.

PEOPLE

HUMAN RESOURCES

CP strives to attract and retain a dedicated, professional and knowledgeable workforce committed to safety and sustainable financial performance. As part of our retention strategy, we have both short- and long-term incentive programs with targets that include measures and standards closely tied to business objectives, such as free cash, return on capital employed, safety, and expense reduction.

To ensure the organization is positioned to succeed now and in the years to come, our approach to human resource management includes process enhancements that address both emerging demographic shifts and our productivity goals.

Over the next five years, almost one-third of CP's employee base will become eligible to retire. The demographics of our workforce provide the opportunity for cost-effective process changes. There is also a unique opportunity for CP employees to participate in knowledge transfer, and to develop new skills and pursue new roles within CP. To ensure our continued success we will:

- undertake an in-depth review of work processes and implement organizational changes to reduce layers of management and strengthen cross functional work processes;
- pursue enabling technologies that will support a smaller, more productive workforce; and
- support "lean thinking" to enable a culture of continuous improvement.

As an example of CP's approach, Centres of Excellence are being formed. These geographic and organizational centres will allow processes to be standardized and support the development of specialized skills within the Company. The goal is to increase productivity and the knowledge transfer required for the demographic changes ahead.

LABOUR RELATIONS

CP employs approximately 15,500 employees across North America with approximately 75% based in Canada and the remainder in the United States. Unionized employees represent approximately 79% of the CP workforce and are represented by 39 bargaining units.

During bargaining, we continue to drive for business-based settlements with the unions that:

- enhance productivity and flexibility;
- protect our future workforce; and
- simplify and modernize our work procedures with technology.

Within Canada there are seven bargaining units representing approximately 8,700 Canadian unionized employees. CP has concluded 41 collective agreements since 1996 with only brief strikes in 2003 (Traffic Controllers) and 2007 (Maintenance of Way Employees), during which we continued to operate.

In the United States, there are currently 32 bargaining units on three subsidiary railroads representing approximately 3,400 unionized employees or approximately 86% of our U.S. workforce. Agreements are in place with 15 of the bargaining units; three bargaining units have been certified by the National Mediation Board (NMB) and a first contract is currently being negotiated. Negotiations with another 14 bargaining units are being handled as part of U.S. railroad industry national negotiations. In addition to contract negotiations, Labour Relations works with union leaders to create additional efficiencies and productivity improvements, including the rationalization of facilities, modified operating arrangements, and other changes that impact the unionized workforce.

CANADIAN UNIONS	As of March 1 # of Employees(1)	Type of Employees	Expiration
Teamsters Canada Rail Conference - Running Trades Employees (TCRC-RTE)	4,037	Train / Engine crews	31-Dec-11
Canadian Auto Workers (CAW)	1,826	Car & locomotive repair employees	31-Dec-14
Teamsters Canada Rail Conference - Maintenance of Way Employees Division (TCRC-MWED)	1,793	Track maintainers	31-Dec-12
United Steelworkers TC Local 1976 (USW)	871	Clerical	31-Dec-12
International Brotherhood of Electrical Workers (IBEW)	404	Signal maintainers	31-Dec-12
Teamsters Canada Rail Conference - Rail Canada Traffic Controllers (TCRC-RCTC)	216	Rail traffic controllers	31-Dec-11
Canadian Pacific Police Association (CPPA)	59	Police	31-Dec-12
Total	**9,206**		

(1)Employee counts include both capital and expense employees.

UNITED STATES UNIONS	As of March 1 # of Employees[1]	Type of Employees	Expiration
SOO Line			
United Transportation Union (UTU)	668	Train Service Employees	31-Dec-09
Transportation Communications International Union (TCU)	202	Clerical Employees	31-Dec-09
Teamsters (BLE&T)	414	Locomotive Engineers	31-Dec-09
Brotherhood of Railway Carmen – Division of Transportation Communications International Union (TCU-BRC)	162	Car Repair Employees	31-Dec-09
Brotherhood of Railway Signalmen (BRS)	84	Signal Maintainers	31-Dec-09
Soo Line Locomotive and Car Foremen Association (SLL&CFA)	25	Locomotive/ Car Foremen	31-Dec-09
Teamsters (BMWE)	351	Track Maintainers	31-Dec-09
American Train Dispatchers Association (ATDA)	45	Train Dispatchers	31-Dec-09
National Conference of Firemen and Oilers (NCF&O)	40	Mechanical Laborers	31-Dec-09
International Association of Machinists & Aerospace Workers (IAM)	130	Machinists	31-Dec-09
International Brotherhood of Electrical Workers (IBEW)	66	Electricians	31-Dec-09
United Transportation Union – Yardmasters (UTU-Y)	45	Yardmasters	31-Dec-09
Various	5	Various	31-Dec-09
Deleware and Hudson			
Brotherhood of Railway Carmen – Division of Transportation Communications International Union (BRC)	19	Car Repair Employees	31-Dec-14[2]
Brotherhood of Railway Signalmen (BRS)	27	Signal Maintainers	31-Dec-14[2]
United Transportation Union (UTU)	91	Conductors & Trainpersons	31-Dec-14[2]
Teamsters (BLE&T)	66	Locomotive Engineers	31-Dec-14[2]
Teamsters (BMWE)	140	Track Maintainers	31-Dec-14[2]
Various	42	Various	31-Dec-14[2]
Dakota, Minnesota and Eastern			
International Association of Machinists & Aerospace Workers (IAM)	104	Machinists	Certified by NMB[3] 8-Jun-10
Teamsters (BMWE)	220	Track Maintainers	Certified by NMB[3] 27-Apr-10
Brotherhood of Railway Signalmen (BRS)	44	Signal Maintainers	Certified by NMB[3] 13-Apr-09
Brotherhood of Locomotive Engineers and Trainmen (BLET)	292	Locomotive Engineers, Conductors and Trainmen	31-Dec-08
United Transportation Union (UTU)	162	Locomotive Engineers, Conductors and Trainmen	31-Dec-13
Total	**3,444**		

(1) Employee counts include both capital and expense employees.

(2) Contractual commitment to apply National Agreements. Once ratified agreement will most likely expire on 31-Dec-14.

(3) National Mediation Board (NMB).

GOVERNANCE

The Board of Directors and management believe that good corporate governance practices are essential to the effective management of CP and to the protection of its investors, employees and other stakeholders. CP is dedicated to maintaining the highest standards of corporate governance. As developments in corporate governance have occurred in Canada and the United States, CP has been, and continues to be, engaged in an ongoing review and updating of governance practices to ensure that they are of the highest standard and in compliance with all applicable requirements, including:

- comprehensive Corporate Governance Guidelines and charters for the Board of Directors and all committees available on our website describing the significant responsibilities of the Board and its committees;
- separate roles for the Chairman and CEO;
- independence of all Board members with the exception of the CEO;
- compensation committee, audit committee, and governance/nominating committee comprised entirely of independent directors;
- a majority voting policy for the election of directors;
- meetings of the independent directors in executive sessions at Board and committee meetings without management present;
- a formal process including peer review for assessing the effectiveness and contribution of the Board, Board committees, individual directors, and the Chairman;
- adoption of a Code of Business Ethics which applies to all directors, officers, and employees with mandatory annual online ethics training for all officers and non-union employees;
- creation of a skills matrix as to what competencies and skills the Board, as a whole, should possess and a review of what competencies, skills and personal qualities the existing directors possess to ensure directors have career experience and expertise relevant to the corporation's business purpose, financial responsibilities and risk profile;
- maintenance of an evergreen list of potential director candidates for consideration as the need for new directors arise;
- development of a directors' education and orientation program to ensure that the directors are conversant with the Corporation and the railway industry including site visits, orientation, education sessions and a directors' handbook;
- disclosure of all other directorships held by CP directors and any interlocking directorships; and
- adoption of executive and director compensation programs to attract and retain skilled talent, and pay for performance, which are aligned with shareholder interests.

As part of CP's ongoing commitment to strong corporate governance practices, the Board has approved the adoption of a non-binding advisory vote by shareholders on executive compensation, commonly known as "Say on Pay", starting at our annual meeting of shareholders in 2011.

EXECUTIVE PROFILES

John E. Cleghorn, O.C., F.C.A.
Chairman of the Board

Mr. Cleghorn is the Chairman of the Board of Directors of the Corporation. He is the retired Chief Executive Officer of the Royal Bank of Canada, a position he held from November 1994 until his retirement in July 2001. He is a director of Molson Coors Brewing Company. He was Chairman of the Board of SNC-Lavalin Group Inc. from May 2002 until May 2007. He is Governor Emeritus of McGill University, Chancellor Emeritus of Wilfrid Laurier University, and a director of the Atlantic Salmon Federation. He was appointed an Officer of the Order of Canada in 2001.

Mr. Cleghorn graduated from McGill University in Montreal with a Bachelor of Commerce degree and is a Chartered Accountant.

Frederic J. Green
President and Chief Executive Officer

Fred Green is CP's 16th President and Chief Executive Officer. He is leading the corporation in its drive to be the safest, most fluid railway in North America.

Fred began his career at CP in 1978 and has held senior leadership positions throughout the railway in operations, sales and marketing, and yield that have taken him from coast to coast within Canada. He was promoted to Chief Operating Officer in 2004, President in 2005 and Chief Executive Officer in 2006.

Fred is Chairman and CEO of the Soo Line Railroad and the Delaware and Hudson Railroad, which are CP's subsidiaries in the United States.

He is Director and Vice-Chair of the Conference Board of Canada and a Board member of the Calgary Petroleum Club.

Fred holds a Bachelor of Commerce from Concordia University in Montreal.

Kathryn McQuade
Executive Vice-President and Chief Financial Officer

Kathryn McQuade was appointed Executive Vice-President and Chief Financial Officer in September 2008.

Kathryn is responsible for providing the strategic leadership for CP's finance, information technology and strategic sourcing groups. She is focused on driving the benefits of CP's efficiency initiatives to the bottom line. As CFO, Kathryn has led efforts to enhance financial flexibility during the recent economic downturn by completing an equity offering, three debt financings, a debt tender, and two pension plan prepayments, which collectively reduced indebtedness, extended maturities and improved near-term liquidity. She also led the integration of the DM&E acquisition.

Kathryn joined CP in June 2007 as Chief Operating Officer. Prior to her move to CP, she spent 27 years with Norfolk Southern in key leadership positions where she was involved in major change initiatives, Conrail restructuring and integration, and leadership in information technology, strategic planning and all finance functions.

Kathryn is a CPA and holds a Bachelors of Business Administration in Accounting with a minor in Mathematics from the College of William and Mary in Virginia. She has also completed the Advanced Management Program (AMP) at Harvard.

Jane O'Hagan

Executive Vice-President and Chief Marketing Officer

Jane O'Hagan was appointed Executive Vice-President and Chief Marketing Officer in December 2010. Jane is responsible for CP's marketing and sales, corporate communications and public affairs, and network strategy and interline relationships.

Jane's early career was with CP's sales and marketing group before establishing and running a successful consultancy for several years in the U.S. and Canada. Over the past nine years, she has taken on positions of increased scope and responsibility at CP including corporate strategy, yield, product design, government affairs and Canadian Pacific Logistics Services.

Jane rejoined CP in August 2002 as Assistant Vice-President, Strategy and Research. She was appointed Vice-President of Strategy and Research in November 2005; Senior Vice-President, Strategy and Yield in November 2008; and Senior Vice-President, Marketing and Sales and Chief Marketing Officer in April 2010.

She currently represents CP on the Asia Pacific Gateway Executive Committee.

Jane holds a Bachelor of Administrative and Commercial Studies (Finance) and a Bachelor of Arts (Honours), as well as graduate studies in Program and Policy Evaluation from the University of Western Ontario.

Mike Franczak

Executive Vice-President, Operations

Mike was appointed Executive Vice-President, Operations as of April 2011, previously holding the title Senior Vice-President, Operations.

Mike is responsible for operations activity across CP's network. This includes the safe execution of CP's Integrated Operating Plan as well as oversight for CP's network operations, which encompasses all field operations, customer service, transportation and service design, including car management.

He joined CP as a management trainee in 1987 after working as a geologist in the Canadian exploration industry. He has subsequently held a variety of railway operating positions throughout his career.

Mike currently sits as a member of the Safety and Operations Management Committees (SOMC) of both the Railway Association of Canada (RAC) and the American Association of Railroads (AAR).

He has a Bachelor of Science (Honours) in Geology from the University of Western Ontario and a Master of Business Administration from Western's Richard Ivey School of Business.

DIRECTORS

John E. Cleghorn, O.C., F.C.A.
Chairman
Canadian Pacific Railway Limited
Toronto, Ontario

Tim W. Faithfull
Retired President and Chief Executive Officer
Shell Canada Limited
Oxford, Oxfordshire, England

Richard L. George
President and Chief Executive Officer
Suncor Energy
Calgary, Alberta

Frederic J. Green
President and Chief Executive Officer
Canadian Pacific Railway Limited
Calgary, Alberta

Krystyna T. Hoeg, C.A.
Former President and Chief Executive Officer
Corby Distilleries Limited
Toronto, Ontario

Richard C. Kelly
Chairman, President and Chief Executive Officer
Xcel Energy Inc.
Minneapolis, Minnesota

The Honourable John P. Manley
President and Chief Executive Officer
Canadian Council of Chief Executives
Ottawa, Ontario

Linda J. Morgan
Counsel
Covington & Burling LLP
Bethesda, Maryland

Madeleine Paquin
President and Chief Executive Officer
Logistec Corporation
Montreal, Quebec

Michael E.J. Phelps, O.C.
Chairman
Dornoch Capital Inc.
West Vancouver, British Columbia

Roger Phillips, O.C., S.O.M., F.Inst.P.
Retired President and Chief Executive Officer
IPSCO Inc.
Regina, Saskatchewan

David W. Raisbeck
Retired Vice-Chairman
Cargill Inc.
Sanibel, Florida

Hartley T. Richardson, C.M., O.M.
President and Chief Executive Officer
James Richardson & Sons, Limited
Winnipeg, Manitoba

CONSOLIDATED STATEMENT OF INCOME AND PRO FORMA INCOME(1)

	Year ended December 31					
			2008(2)			
(in millions of Canadian dollars, except per share data)	2010	2009(2)	2008(3)	DM&E(4)	Pro forma(5)(6)	2007(2)(3)
Revenues						
Freight	$ **4,853.3**	$ 4,279.8	$ 4,921.5	$ 298.8	$ 5,220.3	$ 4,623.1
Other	**128.2**	122.4	127.0	1.9	128.9	131.0
	4,981.5	4,402.2	5,048.5	300.7	5,349.2	4,754.1
Operating expenses						
Compensation and benefits	**1,431.0**	1,306.6	1,289.8	63.0	1,352.8	1,266.0
Fuel	**728.1**	580.3	1,005.9	51.5	1,057.4	746.9
Materials	**214.2**	217.6	257.8	14.9	272.7	256.0
Equipment rents	**206.0**	226.0	218.5	13.0	231.5	234.8
Depreciation and amortization	**489.6**	483.2	428.2	35.9	464.1	413.5
Purchased services and other	**796.5**	783.0	809.3	36.2	845.5	676.7
Gain on sales of significant properties	**-**	(79.1)	-	-	-	-
Loss on termination of lease with shortline railway	**-**	54.5	-	-	-	-
	3,865.4	3,572.1	4,009.5	214.5	4,224.0	3,593.9
Operating income	**1,116.1**	830.1	1,039.0	86.2	1,125.2	1,160.2
Gain on sale of partnership interest	**-**	81.2	-	-	-	-
Equity income in Dakota, Minnesota & Eastern Railroad Corporation	**-**	-	50.9	(50.9)	-	11.2
Less:						
Other income and charges	**(12.0)**	12.4	72.3	(0.4)	71.9	(127.0)
Net interest expense	**257.3**	267.6	239.6	1.9	241.5	190.0
Income before income tax expense	**870.8**	631.3	778.0	33.8	811.8	1,108.4
Income tax expense	**220.1**	81.3	150.2	33.8	184.0	200.8
Net income	$ **650.7**	$ 550.0	$ 627.8	$ -	$ 627.8	$ 907.6
Basic earnings per share	$ **3.86**	$ 3.31	$ 4.08		$ 4.08	$ 5.89
Diluted earnings per share	$ **3.85**	$ 3.30	$ 4.04		$ 4.04	$ 5.83

(1) Certain of the comparative figures have been reclassified in order to be consistent with the 2010 presentation.

(2) Restated for the Company's change in accounting policy in relation to the accounting for rail grinding (discussed further in Section 13.1.1 Rail Grinding in the 2010 MD&A).

(3) The 2007 and 2008 figures include the results of DM&E on an equity income basis from October 4 to December 31, 2007 and January 1 to October 29, 2008, respectively, and on a fully consolidated basis for the period from October 30 to December 31, 2008.

(4) DM&E results for the period January 1, 2008 to October 29, 2008 which under GAAP were reported as one line in equity income in DM&E.

(5) Pro forma basis redistributes DM&E equity income to a line by line consolidation of DM&E results for full year 2008.

(6) Pro forma earnings has no standardized meaning prescribed by GAAP and, therefore, is unlikely to be comparable to similar measures of other companies. Pro forma earnings is discussed further in Section 6.0 Non-GAAP Earnings of the 2010 MD&A.

CONSOLIDATED BALANCE SHEET[1]

(in millions of Canadian dollars)	As at December 31			
	2010	2009[2]	2008[2][3]	2007[2][3]
ASSETS				
Current assets				
Cash and cash equivalents[4]	**$ 360.6**	$ 679.1	$ 117.5	$ 377.9
Accounts receivable, net	**459.0**	655.1	647.4	497.3
Materials and supplies	**114.1**	132.7	215.8	179.5
Deferred income taxes	**222.3**	128.1	76.5	67.3
Other current assets	**47.8**	46.5	65.7	46.9
	1,203.8	1,641.5	1,122.9	1,168.9
Investments	**144.9**	156.7	202.3	1,716.5
Net properties	**11,996.8**	11,978.5	12,364.4	9,105.4
Goodwill and intangible assets	**189.8**	202.3	237.2	-
Other assets	**140.6**	175.8	435.4	332.5
Total assets	**$ 13,675.9**	$ 14,154.8	$ 14,362.2	$ 12,323.3
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Short-term borrowing	**$ -**	$ -	$ 150.1	$ 229.7
Accounts payable and accrued liabilities	**1,007.8**	1,000.7	1,114.9	1,083.1
Long-term debt maturing within one year	**281.7**	605.3	43.2	30.3
	1,289.5	1,606.0	1,308.2	1,343.1
Pension and other benefit liabilities	**1,115.7**	1,453.9	1,338.1	856.2
Other long-term liabilities	**468.0**	479.9	553.7	426.1
Long-term debt	**4,033.2**	4,138.2	4,922.6	4,362.8
Deferred income taxes	**1,944.8**	1,818.7	1,964.5	1,189.6
Total liabilities	**8,851.2**	9,496.7	10,087.1	8,177.8
Shareholders' equity				
Share capital	**1,812.8**	1,771.1	1,242.3	1,209.5
Additional paid-in capital	**24.7**	30.8	40.6	47.6
Accumulated other comprehensive loss	**(2,085.8)**	(1,744.7)	(1,225.2)	(853.4)
Retained earnings	**5,073.0**	4,600.9	4,217.4	3,741.8
	4,824.7	4,658.1	4,275.1	4,145.5
Total liabilities and shareholders' equity	**$ 13,675.9**	$ 14,154.8	$ 14,362.2	$ 12,323.3

(1) Certain of the comparative figures have been reclassified in order to be consistent with the 2010 presentation.

(2) Restated for the Company's change in accounting policy in relation to the accounting for rail grinding (discussed further in Section 13.1.1 Rail Grinding in the 2010 MD&A).

(3) The 2007 and 2008 figures include the results of DM&E on an equity income basis from October 4 to December 31, 2007 and January 1 to October 29, 2008, respectively, and on a fully consolidated basis for the period from October 30 to December 31, 2008.

(4) Cash and cash equivalents is defined as cash and short-term investments.

CONSOLIDATED STATEMENT OF CASH FLOWS[1]

(in millions of Canadian dollars)	Year ended December 31			
	2010	2009[2]	2008[2][3]	2007[2][3]
Operating activities				
Net income	$ **650.7**	$ 550.0	$ 627.8	$ 907.6
Reconciliation of net income to cash provided by operating activities:				
Depreciation and amortization	**489.6**	483.2	428.2	413.5
Deferred income taxes	**211.2**	133.0	170.6	94.8
Gain on sale of partnership interest	**-**	(81.2)	-	-
Gain on sales of significant properties	**-**	(79.1)	-	-
Pension funding in excess of expense	**(800.9)**	(572.0)	(66.5)	(44.7)
Other operating activities, net	**(32.2)**	(85.7)	(85.0)	(243.7)
Change in non-cash working capital balances related to operations	**(16.3)**	102.7	(132.2)	50.3
Cash provided by operating activities	**502.1**	450.9	942.9	1,177.8
Investing activities				
Additions to properties	**(726.1)**	(703.5)	(815.9)	(823.3)
Additions to assets held for sale and other	**-**	-	(222.5)	(19.2)
Investment in Dakota, Minnesota & Eastern Railroad Corporation	**-**	-	(8.6)	(1,492.6)
Proceeds from the sale of properties and other assets	**88.9**	337.4	237.2	(23.7)
Other, net	**1.6**	7.4	9.7	-
Cash used in investing activities	**(635.6)**	(358.7)	(800.1)	(2,358.8)
Financing activities				
Dividends paid	**(174.5)**	(162.9)	(148.7)	(133.1)
Issuance of CP Common Shares	**32.4**	513.5	19.7	30.4
Collection of receivable from financial institution	**219.8**	-	-	-
Purchase of CP Common Shares	**-**	-	-	(231.1)
Issuance of long-term debt	**355.2**	872.7	1,148.2	1,745.3
Repayment of long-term debt	**(612.8)**	(617.9)	(1,339.9)	(187.3)
Net increase (decrease) in short-term borrowing	**9.0**	(150.1)	(79.6)	229.7
Other financing activities	**3.1**	34.1	(30.9)	-
Cash (used in) provided by financing activities	**(167.8)**	489.4	(431.2)	1,453.9
Effect of foreign currency fluctuations on U.S. dollar-denominated cash and cash equivalents	**(17.2)**	(20.0)	28.0	(18.9)
Cash position				
(Decrease) increase in cash and cash equivalents	**(318.5)**	561.6	(260.4)	254.0
Cash and cash equivalents at beginning of period[4]	**679.1**	117.5	377.9	123.9
Cash and cash equivalents at end of period[4]	$ **360.6**	$ 679.1	$ 117.5	$ 377.9

(1) Certain of the comparative figures have been reclassified in order to be consistent with the 2010 presentation.

(2) Restated for the Company's change in accounting policy in relation to the accounting for rail grinding (discussed further in Section 13.1.1 Rail Grinding in the 2010 MD&A).

(3) The 2007 and 2008 figures include the results of DM&E on an equity income basis from October 4 to December 31, 2007 and January 1 to October 29, 2008, respectively, and on a fully consolidated basis for the period from October 30 to December 31, 2008.

(4) Cash and cash equivalents is defined as cash and short-term investments.

NON-GAAP MEASURES

Canadian Pacific follows accounting principles generally accepted in the U.S. (GAAP).

We present non-GAAP measures and cash flow information in this Investor Book to provide a basis for evaluating underlying earnings and liquidity trends in our business that can be compared with the results of our operations in prior periods. These non-GAAP measures exclude foreign currency translation effects on long-term debt ("FX on LTD"), which can be volatile and short term, and other specified items that are not among our normal ongoing revenues and operating expenses.

The adjoining table details a reconciliation of adjusted operating expenses, adjusted operating income, adjusted earnings before interest and taxes ("adjusted EBIT") and income, before FX on LTD and other specified items, to net income, as presented in the financial statements. Free cash is calculated as cash provided by operating activities, less cash used in investing activities and dividends paid, adjusted for the acquisition costs of DM&E, changes in cash and cash equivalent balances resulting from foreign exchange fluctuations, and excluding changes in the accounts receivable securitization program and the initial reclassification of cash to investment in Asset-backed Commercial Paper ("ABCP"). The measure is used by management to provide information with respect to investment and financing decisions and provides a comparable measure for period to period changes. Free cash is reconciled to the change in cash and cash equivalents as presented in the financial statements on page 61.

Earnings measures before FX on LTD and other specified items, adjusted operating expenses, adjusted operating income, adjusted EBIT, adjusted diluted earnings per share, adjusted operating ratio, free cash and other specified items as described in this Investor Book have no standardized meanings and are not defined by GAAP and, therefore, are unlikely to be comparable to similar measures presented by other companies. Adjusted operating expenses and adjusted operating income exclude other specified operating expenses (gain on sales of significant properties and loss on termination of lease with shortline railway). Adjusted EBIT is calculated as income, before FX on LTD and other specified items, plus income tax expense before income tax on FX on LTD and other specified items and interest expense. Income, before FX on LTD and other specified items provides management with a measure of income that can help in a multi-period assessment of long-term profitability and also allows management and other external users of our consolidated financial statements to compare our profitability on a long-term basis with that of our peers. Adjusted operating ratio is calculated as adjusted operating expenses divided by total revenues and is a common measure of profitability used in the railway industry.

CP's results for 2008 are presented as reported and on a pro forma basis on pages 6, 7, 55 and 59. Pro forma basis is a non-GAAP measure which redistributes the DM&E operating results originally reported on an equity income basis of accounting to a line-by-line consolidation of revenues and expenses. Doing so provided a comparable measure for period to period changes until DM&E results were fully consolidated with CP's operations for comparative periods.

RECONCILIATION OF NON-GAAP MEASURES TO GAAP MEASURES

(in millions of Canadian dollars, except diluted EPS)	Year ended December 31					
				2008		
	2010	2009[1]	2008[1][2]	DM&E[3]	Pro forma[1][4][5]	2007[1][2]
Revenues	$ **4,981.5**	$ 4,402.2	$ 5,048.5	$ 300.7	$ 5,349.2	$ 4,754.1
Adjusted operating expenses[5]	**3,865.4**	3,596.7	4,009.5	214.5	4,224.0	3,593.9
Adjusted operating income[5]	**1,116.1**	805.5	1,039.0	86.2	1,125.2	1,160.2
Equity income in DM&E	-	-	50.9	(50.9)	-	11.2
Less:						
Other income and charges, before FX on LTD and other specified items[5]	**(6.3)**	22.3	17.1	(0.4)	16.7	20.9
Adjusted EBIT[5]	**1,122.4**	783.2	1,072.8	35.7	1,108.5	1,150.5
Less:						
Net interest expense	**257.3**	267.6	239.6	1.9	241.5	190.0
Income tax expense, before income tax on FX on LTD and other specified items[5]	**210.9**	97.3	202.0	33.8	235.8	262.8
Income, before FX gain (loss) on LTD and other specified items[5]	**654.2**	418.3	631.2	-	631.2	697.7
Foreign exchange gain (loss) on long-term debt						
FX on LTD - gain (loss)	**2.3**	3.6	(5.8)	-	(5.8)	169.4
Income tax (expense) recovery on FX on LTD	**(8.2)**	(31.3)	37.2	-	37.2	(44.2)
FX on LTD, net of tax - (loss) gain	**(5.9)**	(27.7)	31.4	-	31.4	125.2
Other specified items[5]						
Loss on termination of lease with shortline railway	-	(54.5)	-	-	-	-
Income tax recovery	-	16.9	-	-	-	-
Loss on termination of lease with shortline railway, net of tax	-	(37.6)	-	-	-	-
Gain on sale of partnership interest	-	81.2	-	-	-	-
Income tax expense	-	(12.5)	-	-	-	-
Gain on sale of partnership interest, net of tax	-	68.7	-	-	-	-
Gain on sales of significant properties	-	79.1	-	-	-	-
Income tax expense	-	(11.0)	-	-	-	-
Gain on sales of significant properties, net of tax	-	68.1	-	-	-	-
Change in fair value of long-term floating rate notes / ABCP	**3.4**	6.3	(49.4)	-	(49.4)	(21.5)
Income tax (expense) recovery	**(1.0)**	(1.8)	14.6	-	14.6	6.5
Change in fair value of long-term floating rate notes / ABCP, net of tax	**2.4**	4.5	(34.8)	-	(34.8)	(15.0)
Income tax benefits due to rate reduction and settlement related to prior year	-	55.7	-	-	-	99.7
Net income	$ **650.7**	$ 550.0	$ 627.8	$ -	$ 627.8	$ 907.6
Diluted EPS, before FX on LTD and other specified items[5]	$ **3.87**	$ 2.51	$ 4.06	$ -	$ 4.06	$ 4.48
Diluted EPS, related to FX on LTD , net of tax[5]	**(0.03)**	(0.17)	0.20	-	0.20	0.81
Diluted EPS, related to other specified items, net of tax[5]	**0.01**	0.96	(0.22)	-	(0.22)	0.54
Diluted EPS	$ **3.85**	$ 3.30	$ 4.04	$ -	$ 4.04	$ 5.83

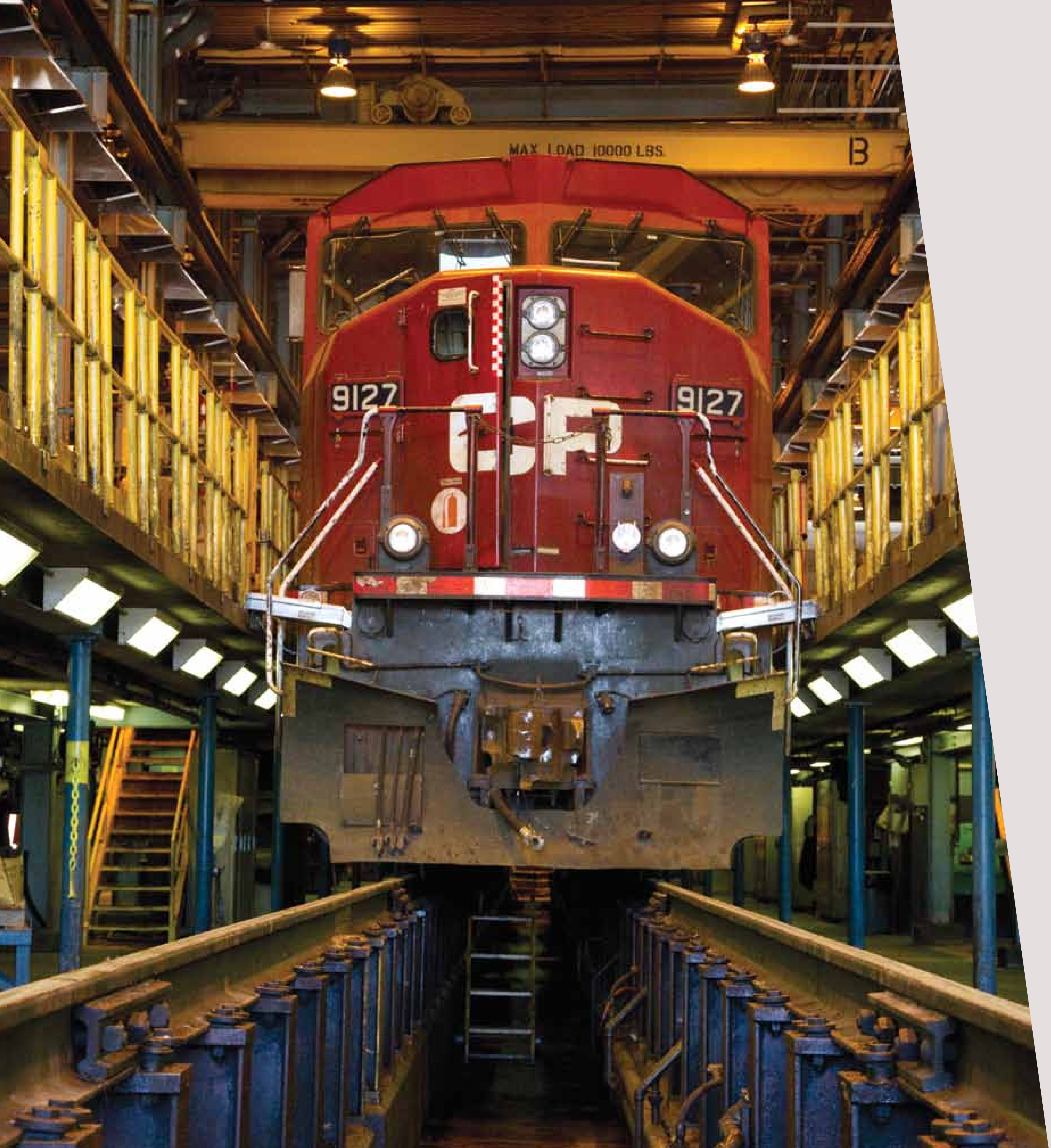
(1) Restated for the Company's change in accounting policy in relation to the accounting for rail grinding (discussed further in Section 13.1.1 Rail Grinding in the 2010 MD&A).

(2) The 2007 and 2008 figures include the results of DM&E on an equity income basis from October 4 to December 31, 2007 and January 1 to October 29, 2008, respectively, and on a fully consolidated basis for the period from October 30 to December 31, 2008.

(3) DM&E results for the period January 1, 2008 to October 29, 2008 which under GAAP were reported as one line in equity income in DM&E.

(4) Pro forma basis redistributes DM&E equity income to a line by line consolidation of DM&E results for full year 2008.

(5) These earnings measures have no standardized meanings prescribed by GAAP and, therefore, are unlikely to be comparable to similar measures of other companies. These earnings measures and other specified items are described in Section 6.0 Non-GAAP Earnings of the 2010 MD&A.



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CALCULATION OF FREE CASH[6]

(reconciliation of free cash to GAAP cash position)
(in millions of Canadian dollars)

	For the year ended December 31			
	2010	**2009**[1]	**2008**[1][2]	**2007**[1][2]
Cash provided by operating activities	**$ 502.1**	$ 450.9	$ 942.9	$ 1,177.8
Cash used in investing activities	**(635.6)**	(358.7)	(800.1)	(2,358.8)
Add back reclassification of ABCP[3]	**-**	-	-	143.6
Dividends paid	**(174.5)**	(162.9)	(148.7)	(133.1)
Add back acquisition of DM&E[4]	**-**	-	8.6	1,492.6
Termination of accounts receivable securitization program[5]	**-**	-	120.0	-
Foreign exchange effect on cash and cash equivalents	**(17.2)**	(20.0)	28.0	(18.9)
Free cash[6]	**(325.2)**	(90.7)	150.7	303.2
Cash provided by (used in) financing activities, excluding dividend payment	**6.7**	652.3	(282.5)	1,587.0
Reclassification of ABCP[3]	**-**	-	-	(143.6)
Investment in DM&E[4]	**-**	-	(8.6)	(1,492.6)
Accounts receivable securitization program[5]	**-**	-	(120.0)	-
(Decrease)/ increase in cash, as shown on the Consolidated Statement of Cash Flows	**(318.5)**	561.6	(260.4)	254.0
Net cash and cash equivalents at beginning of year[7]	**679.1**	117.5	377.9	123.9
Net cash and cash equivalents at end of year[7]	**$ 360.6**	$ 679.1	$ 117.5	$ 377.9

(1) Restated for the Company's change in accounting policy in relation to the accounting for rail grinding (discussed further in Section 13.1.1 Rail Grinding in the 2010 MD&A).

(2) The 2007 and 2008 figures include the results of DM&E on an equity income basis from October 4 to December 31, 2007 and January 1 to October 29, 2008, respectively, and on a fully consolidated basis for the period from October 30 to December 31, 2008.

(3) The reclassification of ABCP is discussed further in Section 10.2.1 Change in Estimated Fair Value of Long-term Floating Rate Notes and Asset-backed Commercial Paper of the 2009 U.S. GAAP MD&A.

(4) The acquisition of DM&E is discussed further in Section 18.0 Acquisition of the 2010 MD&A.

(5) The termination of accounts receivable securitization program (discussed further in Section 17.1 Sale of Accounts Receivable in the 2010 MD&A).

(6) Free cash has no standardized meaning prescribed by GAAP and, therefore, is unlikely to be comparable to similar measures of other companies. Free cash is discussed further in Section 6.0 Non-GAAP Earnings and Section 14.4 Free Cash in the 2010 MD&A.

(7) Cash and cash equivalents is defined as cash and short-term investments.

GLOSSARY

ACTIVE EMPLOYEE

Employees actively employed by the railway. Excludes employees who are not working for reasons other than normal vacation or short-term leaves, and individuals who have an ongoing employment relationship with CP but are not currently working.

AVERAGE ACTIVE EMPLOYEES - EXPENSE

The average number of actively employed workers during the period whose compensation costs are included in Compensation and Benefits Expense on the Consolidated Statement of Income. This includes employees who are taking vacation and statutory holidays and other forms of short-term paid leave, and excludes individuals who have an ongoing employment relationship but are not currently working, or who have not worked a minimum number of hours. This definition also excludes employees working on capital projects.

AVERAGE TRAIN WEIGHT

The average total weight (freight car tare plus content) of all trains operated in the period over CP's track including track on which CP has running rights.

CLASS I RAILWAY

A railway with annual operating revenues exceeding US $401.4 million.

CONTAINER

A large, weatherproof box designed for shipping and/or transferring freight between rail, truck or marine modes.

GROSS TON-MILES (GTM)

The movement of the combined tons (freight car tare, inactive locomotive tare, and contents) a distance of one mile.

HAULAGE

The right of one railway to have another railway transport freight over that railway's tracks, using the other's crews and usually its locomotives.

INTEGRATED OPERATING PLAN

CP's operating plan describes in detail all of the activities needed to provide the required level of dock-to-dock service. These include train scheduling, train design, locomotive cycling plans, major yard car processing plans and contingency plans.

INTERMODAL SERVICE

Freight moving via two or more modes of transport. Import/export containers generally move via marine and rail, while domestic intermodal typically utilizes truck and rail.

JOINT USE AGREEMENT

A joint use agreement is an agreement under which two railways agree to share segments of track owned by each carrier. Implementation of a joint use arrangement may involve either trackage rights and/or haulage granted by either railway to the other.

MAINLINE ROUTE

A primary rail line over which trains operate from terminal to terminal.

MARSHALLING

The activity of grouping and connecting together cars and locomotives in the correct sequence to make up a train that can safely travel between rail terminals.

METRIC TONNE

A metric tonne is 2,204.6 pounds.

OPERATING RATIO

The percentage of revenues expended in operating the railway. It is calculated by dividing operating expenses by operating revenues.

REVENUE TON-MILE (RTM)

The movement of one revenue-producing ton of freight one mile.

SHORTLINE

A railway that is not large enough to be classified as a Class I or regional railway.

TRACK CAPACITY

The maximum number of trains that can operate safely over a given segment of track during a specified time period (e.g., one day). Factors such as signal systems, siding lengths, number of tracks and geography all have an impact on track capacity.

TRACKAGE RIGHTS

The right of one railway to operate over another railway's tracks, using its own crews and locomotives.

TRANSLOAD FACILITY

A transfer facility enabling the railway to expand market reach through truck-to-rail service.

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