NEWS

www.cpr.ca (TSX:CP) (NYSE:CP)

Release: April 27, 2022

CP reports first-quarter results; building momentum in Q2

Calgary - Canadian Pacific Railway Limited (TSX: CP) (NYSE: CP) (the "Company") today announced first-quarter operating results.

In light of the financial complexity of acquiring Kansas City Southern (“KCS”) into voting trust on Dec. 14, 2021, CP is reporting additional financial metrics, including Core adjusted income[1] and Core adjusted diluted earnings per share[1] (“EPS”). These metrics have been added to provide more transparency by isolating for the impact of KCS purchase accounting. KCS purchase accounting represents the amortization of the difference in value between the consideration paid to acquire KCS and the underlying carrying value of the net assets of KCS immediately prior to the acquisition by the Company.

“I’m proud of the way CP’s team of professional railroaders managed the difficult operating environment they faced in the first quarter of 2022,” said Keith Creel, CP President and CEO. “The quarter reflected the impact of last year’s drought on Canadian grain volumes, harsh winter operating conditions and the effects of a work stoppage.”

First-quarter highlights

- Revenues decreased by 6 percent to $1.84 billion from $1.96 billion last year
- Reported Operating Ratio ("OR") increased by 1,070 basis points to 70.9 percent from 60.2 percent
- Adjusted OR[1] increased by 1,130 basis points to 69.8 percent
- Reported diluted EPS was $0.63, a 30 percent decrease from last year
- Core adjusted diluted EPS[1], excluding significant items and KCS purchase accounting, was $0.67

“CP continues to see a strong, supportive macroeconomic environment and is focused on providing customers with creative service offerings,” added Creel. “With a difficult quarter behind us, we are building momentum, which I fully expect will continue to carry through the remainder of 2022.”

CP is continuing its work preparing to create the first single-line rail network linking the U.S., Mexico and Canada by combining KCS, subject to U.S. Surface Transportation Board approval.

“The demand for North American goods and commodities only continues to grow and highlight the need for new single-line routes and outlets to reach global markets,” Creel said. “Our excitement about the opportunities ahead with the combined companies continues to grow.”

Conference Call Details

CP will discuss its results with the financial community in a conference call beginning at 4:30 p.m. ET (2:30 p.m. MT) on April 27, 2022.

Conference Call Access

Canada and U.S.: 866-342-8591
International: 203-518-9713

[1] These measures have no standardized meanings prescribed by accounting principles generally accepted in the United States of America ("GAAP") and, therefore, may not be comparable to similar measures presented by other companies. For information regarding non-GAAP measures, including reconciliations to the most comparable GAAP measures, see the attached supplementary schedule Non-GAAP Measures.

*Conference ID: CPQ122
Callers should dial in 15 minutes prior to the call.

Webcast
We encourage you to access the webcast and presentation material in the Investors section of CP's website at investor.cpr.ca.

A replay of the first-quarter conference call will be available by phone through to May 4, 2022 at 800-688-9445 (U.S.) or 402-220-1371 (International).

Note on forward-looking information
This news release may contain certain forward-looking information and forward-looking statements (collectively, "forward-looking information") within the meaning of applicable securities laws. Forward-looking information includes, but is not limited to, statements concerning expectations, beliefs, plans, goals, objectives, assumptions and statements about possible future events, conditions, and results of operations or performance. Forward-looking information may contain statements with words or headings such as "financial expectations", "key assumptions", "anticipate", "believe", "expect", "plan", "will", "outlook", "should" or similar words suggesting future outcomes. This news release contains forward-looking information relating, but not limited to statements concerning, cost control efforts, the success of our business, changes to economic and industry conditions, our operations, priorities and plans, anticipated financial and operational performance, business prospects and demand for our services and growth opportunities.

The forward-looking information that may be in this news release is based on current expectations, estimates, projections and assumptions, having regard to CP's experience and its perception of historical trends, and includes, but is not limited to, expectations, estimates, projections and assumptions relating to: changes in business strategies, North American and global economic growth; commodity demand growth; sustainable industrial and agricultural production; commodity prices and interest rates; performance of our assets and equipment; sufficiency of our budgeted capital expenditures in carrying out our business plan; geopolitical conditions, applicable laws, regulations and government policies; the availability and cost of labour, services and infrastructure; the satisfaction by third parties of their obligations to CP; and the anticipated impacts of the COVID-19 pandemic on CP businesses, operating results, cash flows and/or financial condition. Although CP believes the expectations, estimates, projections and assumptions reflected in the forward-looking information presented herein are reasonable as of the date hereof, there can be no assurance that they will prove to be correct. Current conditions, economic and otherwise, render assumptions, although reasonable when made, subject to greater uncertainty.

Undue reliance should not be placed on forward-looking information as actual results may differ materially from those expressed or implied by forward-looking information. By its nature, CP's forward-looking information involves inherent risks and uncertainties that could cause actual results to differ materially from the forward looking information, including, but not limited to, the following factors: changes in business strategies and strategic opportunities; general Canadian, U.S., Mexican and global social, economic, political, credit and business conditions; risks associated with agricultural production such as weather conditions and insect populations; the availability and price of energy commodities; the effects of competition and pricing pressures, including competition from other rail carriers, trucking companies and maritime shippers in Canada, the U.S. and Mexico; North American and global economic growth; industry capacity; shifts in market demand; changes in commodity prices and commodity demand; uncertainty surrounding timing and volumes of commodities being shipped via CP; inflation; geopolitical instability; changes in laws, regulations and government policies, including regulation of rates; changes in taxes and tax rates; potential increases in maintenance and operating costs; changes in fuel prices; disruption in fuel supplies; uncertainties of investigations, proceedings or other types of claims and litigation; compliance with environmental regulations; labour disputes; changes in labour costs and labour difficulties; risks and liabilities arising from derailments; transportation of dangerous goods; timing of completion of capital and maintenance projects; sufficiency of budgeted capital expenditures in carrying out business plans; services and infrastructure; the satisfaction by third parties of their obligations; currency and interest rate fluctuations; exchange rates; effects of changes in market conditions and discount rates on the financial position of pension plans and investments; trade restrictions or other changes to international trade arrangements; the effects of current and future multinational trade agreements on the level of trade among Canada, the U.S. and Mexico; climate change and the market and regulatory responses to climate change; anticipated in-service dates; success of hedging activities; operational performance and reliability; customer, regulatory and other stakeholder approvals and support; regulatory and legislative decisions and actions; the adverse impact of any termination or revocation by the Mexican government of Kansas City Southern de México, S.A. de C.V.'s Concession; public opinion; various events that could disrupt operations, including severe weather, such as droughts, floods, avalanches and earthquakes, and cybersecurity attacks, as well as security threats and governmental response to them, and technological changes; acts of

terrorism, war or other acts of violence or crime or risk of such activities; insurance coverage limitations; material adverse changes in economic and industry conditions, including the availability of short and long-term financing; the pandemic created by the outbreak of COVID-19 and its variants and resulting effects on economic conditions, the demand environment for logistics requirements and energy prices, restrictions imposed by public health authorities or governments, fiscal and monetary policy responses by governments and financial institutions, and disruptions to global supply chains; the realization of anticipated benefits and synergies of the KCS transaction and the timing thereof; the success of integration plans for KCS; the focus of management time and attention on the KCS transaction and other disruptions arising from the transaction; estimated future dividends; financial strength and flexibility; debt and equity market conditions, including the ability to access capital markets on favourable terms or at all; cost of debt and equity capital; and the ability of the management of the Company, to execute key priorities, including those in connection with the KCS transaction. The foregoing list of factors is not exhaustive. These and other factors are detailed from time to time in reports filed by CP with securities regulators in Canada and the United States. Reference should be made to "Item 1A - Risk Factors" and "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Statements" in CP's annual and interim reports on Form 10-K and 10-Q.

Any forward-looking information contained in this news release is made as of the date hereof. Except as required by law, CP undertakes no obligation to update publicly or otherwise revise any forward-looking information, or the foregoing assumptions and risks affecting such forward-looking information, whether as a result of new information, future events or otherwise.

About Canadian Pacific
Canadian Pacific is a transcontinental railway in Canada and the United States with direct links to major ports on the west and east coasts. CP provides North American customers a competitive rail service with access to key markets in every corner of the globe. CP is growing with its customers, offering a suite of freight transportation services, logistics solutions and supply chain expertise. Visit cpr.ca to see the rail advantages of CP. CP-IR

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FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(in millions of Canadian dollars, except share and per share data)	For the three months ended March 31	
	2022	2021
Revenues (Note 3)		
Freight	**$ 1,796**	$ 1,918
Non-freight	**42**	41
Total revenues	**1,838**	1,959
Operating expenses		
Compensation and benefits	**413**	405
Fuel	**273**	206
Materials	**62**	59
Equipment rents	**35**	33
Depreciation and amortization	**210**	202
Purchased services and other (Note 10)	**310**	274
Total operating expenses	**1,303**	1,179
Operating income	**535**	780
Less:		
Equity earnings of Kansas City Southern (Note 10)	**(198)**	—
Other income (Note 4, 10)	**(1)**	(28)
Other components of net periodic benefit recovery (Note 15)	**(101)**	(95)
Net interest expense	**160**	110
Income before income tax expense	**675**	793
Income tax expense (Note 5)	**85**	191
Net income	**$ 590**	$ 602
Earnings per share (Note 1, 6)		
Basic earnings per share	**$ 0.63**	$ 0.90
Diluted earnings per share	**$ 0.63**	$ 0.90
Weighted-average number of shares (millions) (Note 1, 6)		
Basic	**929.7**	666.5
Diluted	**932.7**	669.6
Dividends declared per share (Note 1)	**$ 0.190**	$ 0.190

See Notes to Interim Consolidated Financial Statements.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(in millions of Canadian dollars)	For the three months ended March 31	
	2022	2021
Net income	**$ 590**	$ 602
Net (loss) gain in foreign currency translation adjustments, net of hedging activities	**(336)**	10
Change in derivatives designated as cash flow hedges	**1**	25
Change in pension and post-retirement defined benefit plans	**39**	53
Equity accounted investments	**62**	—
Other comprehensive (loss) income before income taxes	**(234)**	88
Income tax expense on above items	**(36)**	(30)
Other comprehensive (loss) income (Note 7)	**(270)**	58
Comprehensive income	**$ 320**	$ 660

See Notes to Interim Consolidated Financial Statements.

INTERIM CONSOLIDATED BALANCE SHEETS AS AT
(unaudited)

(in millions of Canadian dollars)		March 31 2022		December 31 2021
Assets				
Current assets				
Cash and cash equivalents	**$**	**85**	$	69
Restricted cash and cash equivalents		**13**		13
Accounts receivable, net (Note 8)		**818**		819
Materials and supplies		**251**		235
Other current assets		**240**		216
		1,407		1,352
Investment in Kansas City Southern (Note 11)		**41,626**		42,309
Investments		**201**		209
Properties		**21,120**		21,200
Goodwill and intangible assets		**366**		371
Pension asset		**2,428**		2,317
Other assets		**444**		419
Total assets	**$**	**67,592**	$	68,177
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**1,445**	$	1,609
Long-term debt maturing within one year (Note 12, 13)		**1,746**		1,550
		3,191		3,159
Pension and other benefit liabilities		**715**		718
Other long-term liabilities		**521**		542
Long-term debt (Note 12, 13)		**17,917**		18,577
Deferred income taxes		**11,263**		11,352
Total liabilities		**33,607**		34,348
Shareholders' equity				
Share capital		**25,486**		25,475
Additional paid-in capital		**68**		66
Accumulated other comprehensive loss (Note 7)		**(2,373)**		(2,103)
Retained earnings		**10,804**		10,391
		33,985		33,829
Total liabilities and shareholders' equity	**$**	**67,592**	$	68,177

See Contingencies (Note 17).

See Notes to Interim Consolidated Financial Statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in millions of Canadian dollars)	For the three months ended March 31	
	2022	2021
Operating activities		
Net income	**$ 590**	$ 602
Reconciliation of net income to cash provided by operating activities:		
Depreciation and amortization	**210**	202
Deferred income tax (recovery) expense (Note 5)	**(1)**	51
Pension recovery and funding (Note 15)	**(72)**	(61)
Equity earnings of Kansas City Southern (Note 10)	**(198)**	—
Foreign exchange gain on debt and lease liabilities (Note 4)	**—**	(33)
Dividend from Kansas City Southern (Note 10)	**334**	—
Other operating activities, net	**(83)**	(88)
Change in non-cash working capital balances related to operations	**(167)**	(91)
Cash provided by operating activities	**613**	582
Investing activities		
Additions to properties	**(226)**	(323)
Proceeds from sale of properties and other assets	**15**	37
Other	**5**	—
Cash used in investing activities	**(206)**	(286)
Financing activities		
Dividends paid	**(177)**	(127)
Issuance of CP Common Shares	**8**	8
Repayment of long-term debt, excluding commercial paper (Note 12)	**(542)**	(21)
Net issuance of commercial paper (Note 12)	**320**	93
Acquisition-related financing fees (Note 10)	**—**	(33)
Cash used in financing activities	**(391)**	(80)
Effect of foreign currency fluctuations on U.S. dollar-denominated cash and cash equivalents	**—**	(3)
Cash position		
Increase in cash, cash equivalents, and restricted cash	**16**	213
Cash, cash equivalents, and restricted cash at beginning of period	**82**	147
Cash, cash equivalents, and restricted cash at end of period	**$ 98**	$ 360
Supplemental disclosures of cash flow information:		
Income taxes paid	**$ 159**	$ 133
Interest paid	**$ 150**	$ 155

See Notes to Interim Consolidated Financial Statements.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

(in millions of Canadian dollars except per share data)	For the three months ended March 31					
	Common Shares (in millions)	**Share capital**	**Additional paid-in capital**	**Accumulated other comprehensive loss**	**Retained earnings**	**Total shareholders' equity**
Balance at January 1, 2022	**929.7**	**$25,475**	**$ 66**	**$ (2,103)**	**$ 10,391**	**$ 33,829**
Net income	**—**	**—**	**—**	**—**	**590**	**590**
Other comprehensive loss (Note 7)	**—**	**—**	**—**	**(270)**	**—**	**(270)**
Dividends declared ($0.190 per share)	**—**	**—**	**—**	**—**	**(177)**	**(177)**
Effect of stock-based compensation expense	**—**	**—**	**7**	**—**	**—**	**7**
Shares issued for Kansas City Southern acquisition	**—**	**—**	**(2)**	**—**	**—**	**(2)**
Shares issued under stock option plan	**0.2**	**11**	**(3)**	**—**	**—**	**8**
Balance at March 31, 2022	**929.9**	**$25,486**	**$ 68**	**$ (2,373)**	**$ 10,804**	**$ 33,985**
Balance at January 1, 2021	666.3	$ 1,983	$ 55	$ (2,814)	$ 8,095	$ 7,319
Net income	—	—	—	—	602	602
Other comprehensive income (Note 7)	—	—	—	58	—	58
Dividends declared ($0.190 per share) (Note 1)	—	—	—	—	(126)	(126)
Effect of stock-based compensation expense	—	—	5	—	—	5
Shares issued under stock option plan	0.3	10	(2)	—	—	8
Balance at March 31, 2021	666.6	$ 1,993	$ 58	$ (2,756)	$ 8,571	$ 7,866

See Notes to Interim Consolidated Financial Statements.

1 Basis of presentation

These unaudited Interim Consolidated Financial Statements ("Interim Consolidated Financial Statements") of Canadian Pacific Railway Limited ("CPRL") and its subsidiaries (collectively, “CP”, or “the Company”), expressed in Canadian dollars, reflect management’s estimates and assumptions that are necessary for their fair presentation in conformity with generally accepted accounting principles in the United States of America (“GAAP”). They do not include all disclosures required under GAAP for annual financial statements and should be read in conjunction with the 2021 annual Consolidated Financial Statements and notes included in CP's 2021 Annual Report on Form 10-K. The accounting policies used are consistent with the accounting policies used in preparing the 2021 annual Consolidated Financial Statements.

On April 21, 2021, the Company's shareholders approved a five-for-one share split of the Company's issued and outstanding Common Shares. On May 13, 2021, the Company's shareholders of record, as of May 5, 2021 received four additional shares for every Common Share held. Ex-distribution trading in the Company’s Common Shares on a split-adjusted basis commenced on May 14, 2021. Proportional adjustments were also made to outstanding awards under the Company's stock-based compensation plans in order to reflect the share split. All outstanding Common Shares, stock-based compensation awards, and per share amounts herein have been retrospectively adjusted to reflect the share split.

CP's operations can be affected by seasonal fluctuations such as changes in customer demand and weather-related issues. This seasonality could impact quarter-over-quarter comparisons.

In management’s opinion, the Interim Consolidated Financial Statements include all adjustments (consisting of normal and recurring adjustments) necessary to present fairly such information. Interim results are not necessarily indicative of the results expected for the fiscal year.

2 Accounting changes

Implemented in 2022

Government Assistance

On January 1, 2022, the Company adopted the new Accounting Standards Update ("ASU") 2021-10, issued by the Financial Accounting Standards Board ("FASB"), and all related amendments under FASB Accounting Standards Codification ("ASC") Topic 832, Government Assistance. The amendment is made to increase transparency by introducing specific disclosure requirements for entities who apply a grant or contribution model by analogy to account for transactions with a government. This update will be applied to government assistance transactions within the scope of this amendment that are in the financial statements at the date of initial application and prospectively to new transactions entered into after initial application. See Note 9 for further discussion on government assistance.

All other accounting pronouncements that became effective during the period covered by the Interim Consolidated Financial Statements did not have a material impact on the Company's Consolidated Financial Statements and related disclosures.

Future changes

Contract Assets and Contract Liabilities Acquired in a Business Combination

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. This amendment introduces the requirement for an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with the requirements of FASB ASC Topic 606, Revenue from Contracts with Customers, rather than at fair value. This amendment will be effective prospectively from January 1, 2023, with early adoption permitted. The Company is currently assessing the impact of this amendment.

All other recently issued accounting pronouncements issued, but not effective until after March 31, 2022 have been assessed and are not expected to have a material impact on the Company's Consolidated Financial Statements and related disclosures.

3 Revenues

The following table disaggregates the Company's revenues from contracts with customers by major source:

	For the three months ended March 31	
(in millions of Canadian dollars)	**2022**	2021
Freight		
Grain	**$ 360**	$ 448
Coal	**139**	163
Potash	**104**	101
Fertilizers and sulphur	**78**	77
Forest products	**86**	80
Energy, chemicals and plastics	**310**	388
Metals, minerals and consumer products	**181**	159
Automotive	**91**	108
Intermodal	**447**	394
Total freight revenues	**1,796**	1,918
Non-freight excluding leasing revenues	**22**	24
Revenues from contracts with customers	**1,818**	1,942
Leasing revenues	**20**	17
Total revenues	**$ 1,838**	$ 1,959

Contract liabilities

Contract liabilities represent payments received for performance obligations not yet satisfied and relate to deferred revenue and are presented as components of "Accounts payable and accrued liabilities" and "Other long-term liabilities" on the Company's Interim Consolidated Balance Sheets.

The following table summarizes the changes in contract liabilities:

	For the three months ended March 31	
(in millions of Canadian dollars)	**2022**	2021
Opening balance	**$ 67**	$ 61
Revenue recognized that was included in the contract liability balance at the beginning of the period	**(7)**	(11)
Increase due to consideration received, net of revenue recognized during the period	**7**	64
Closing balance	**$ 67**	$ 114

4 Other income

	For the three months ended March 31	
(in millions of Canadian dollars)	**2022**	2021
Foreign exchange gain on debt and lease liabilities	**$ —**	$ (33)
Other foreign exchange (gains) losses	**(2)**	1
Acquisition-related costs (Note 10)	**—**	3
Other	**1**	1
Other income	**$ (1)**	$ (28)

5 Income taxes

(in millions of Canadian dollars)	For the three months ended March 31	
	2022	2021
Current income tax expense	**$ 86**	$ 140
Deferred income tax (recovery) expense	**(1)**	51
Income tax expense	**$ 85**	$ 191

The effective tax rates including discrete items for the three months ended March 31, 2022 was 12.67%, compared to 24.05% for the same period of 2021.

For the three months ended March 31, 2022, the effective tax rate was 24.25%, excluding equity earnings of Kansas City Southern ("KCS"), acquisition-related costs incurred by CP of $20 million, and an outside basis deferred tax recovery of $32 million arising from the difference between the carrying amount of CP's investment in KCS for financial reporting, and the underlying tax basis of this investment.

For the three months ended March 31, 2021, the effective tax rate was 24.60%, excluding acquisition-related costs incurred by CP of $36 million and the FX gain of $33 million on debt and lease liabilities.

6 Earnings per share

Basic earnings per share has been calculated using Net income for the period divided by the weighted-average number of shares outstanding during the period. The number of shares used in the earnings per share calculations are reconciled as follows:

(in millions)	For the three months ended March 31	
	2022	2021
Weighted-average basic shares outstanding	**929.7**	666.5
Dilutive effect of stock options	**3.0**	3.1
Weighted-average diluted shares outstanding	**932.7**	669.6

For the three months ended March 31, 2022, there were nil options excluded from the computation of diluted earnings per share because their effects were not dilutive (three months ended March 31, 2021 - nil).

7 Changes in Accumulated other comprehensive loss ("AOCL") by component

(in millions of Canadian dollars)	For the three months ended March 31				
	Foreign currency net of hedging activities[1]	Derivatives[1][2]	Pension and post-retirement defined benefit plans[1]	Equity accounted investments[1][2]	Total[1]
Opening balance, January 1, 2022	**$ (182)**	**$ (4)**	**$ (1,915)**	**$ (2)**	**$ (2,103)**
Other comprehensive (loss) income before reclassifications	**(349)**	**—**	**—**	**46**	**(303)**
Amounts reclassified from accumulated other comprehensive loss	**—**	**1**	**31**	**1**	**33**
Net other comprehensive (loss) income	**(349)**	**1**	**31**	**47**	**(270)**
Closing balance, March 31, 2022	**$ (531)**	**$ (3)**	**$ (1,884)**	**$ 45**	**$ (2,373)**
Opening balance, January 1, 2021	$ 112	$ (40)	$ (2,878)	$ (8)	$ (2,814)
Other comprehensive income before reclassifications	—	17	—	—	17
Amounts reclassified from accumulated other comprehensive loss	—	2	39	—	41
Net other comprehensive income	—	19	39	—	58
Closing balance, March 31, 2021	$ 112	$ (21)	$ (2,839)	$ (8)	$ (2,756)

[1] Amounts are presented net of tax.
[2] Comparative figures have been reclassified to conform with current period presentation.

Amounts in Pension and post-retirement defined benefit plans reclassified from AOCL are as follows:

(in millions of Canadian dollars)	For the three months ended March 31	
	2022	2021
Recognition of net actuarial loss[1]	**$ 39**	$ 53
Income tax recovery	**(8)**	(14)
Total net of income tax	**$ 31**	$ 39

[1] Impacts "Other components of net periodic benefit recovery" on the Interim Consolidated Statements of Income.

8 Accounts receivable, net

(in millions of Canadian dollars)	As at March 31, 2022			As at December 31, 2021		
	Freight	Non-freight	Total	Freight	Non-freight	Total
Total accounts receivable	**$ 599**	**$ 255**	**$ 854**	$ 614	$ 239	$ 853
Allowance for credit losses	**(22)**	**(14)**	**(36)**	(20)	(14)	(34)
Total accounts receivable, net	**$ 577**	**$ 241**	**$ 818**	$ 594	$ 225	$ 819

(in millions of Canadian dollars)	For the three months ended March 31, 2022			For the three months ended March 31, 2021		
	Freight	Non-freight	Total	Freight	Non-freight	Total
Allowance for credit losses, opening balance	**$ (20)**	**$ (14)**	**$ (34)**	$ (25)	$ (15)	$ (40)
Current period credit loss provision, net	**(2)**	**—**	**(2)**	1	—	1
Allowance for credit losses, closing balance	**$ (22)**	**$ (14)**	**$ (36)**	$ (24)	$ (15)	$ (39)

9 Government Assistance

By analogy to the grant model of accounting within International Accounting Standards ("IAS") 20, Accounting for Government Grants and Disclosure of Government Assistance, CP records government assistance from various levels of Canadian and U.S. governments and government agencies when the conditions of their receipt are complied with and there is reasonable assurance that the assistance will be received.

Government assistance related to properties have as a primary condition that CP should purchase, construct, or otherwise acquire property, plant and equipment. Under certain government assistance arrangements, there is a secondary condition which requires CP to repay a portion of the assistance if certain conditions related to the assets are not adhered to during a specified period. In these cases, it is CP's intention to comply with all conditions imposed by the terms of the government assistance. Government assistance received or receivable related to CP's property assets are deducted from the cost of the assets in the Consolidated Balance Sheets and amortized over the same period as the related assets in "Depreciation and amortization" in the Consolidated Statements of Income.

During the three months ended March 31, 2022, the Company received $13 million of government assistance towards the purchase and construction of properties. Government assistance received is netted against "Properties" in the Company's Interim Consolidated Balance Sheets.

As of March 31, 2022, the total Properties balance of $21,120 million is net of $269 million of unamortized government assistance (December 31, 2021 - $259 million), primarily related to the enhancement of CP's track and roadway infrastructure. Amortization expense related to government assistance for the three months ended March 31, 2022 was $3 million (three months ended March 31, 2021 - $3 million).

10 Business acquisition

Kansas City Southern

The Company accounts for its investment in KCS using the equity method of accounting while the United States Surface Transportation Board's ("STB") considers the Company's application to control KCS. The STB review of CP's proposed control of KCS while KCS is in the voting trust is expected to be completed in the first quarter of 2023. The investment in KCS of $41,626 million at March 31, 2022 includes $198 million of equity earnings of KCS for the first quarter of 2022, offset by a dividend received of $334 million on January 27, 2022. Included within the $198 million of equity earnings of KCS in the first quarter of 2022 is $40 million amortization (net of tax) of the approximately $30 billion basis difference, representing the difference in value between the consideration paid to acquire KCS and the underlying carrying value of the net assets of KCS as at December 14, 2021, immediately prior to the acquisition by CP. The basis difference is related to depreciable property, plant and equipment, intangible assets with definite lives, and long-term debt, and is amortized over the related assets' remaining useful lives, and the remaining terms to maturity of the debt instruments.

During the three months ended March 31, 2022, the Company incurred $20 million in acquisition-related costs, recorded within "Purchased services and other" in the Company's Interim Consolidated Statements of Income. Acquisition-related costs of $13 million incurred by KCS during the three months ended March 31, 2022 are included within "Equity earnings of Kansas City Southern" in the Company's Interim Consolidated Statements of Income.

During the three months ended March 31, 2021, the Company incurred $36 million in acquisition-related costs, of which $33 million was recorded within "Purchased services and other" and $3 million was recorded within "Other income" including the amortization of financing fees associated with new credit facilities. Total financing fees paid for a bridge facility associated with the KCS acquisition during the three months ended March 31, 2021 were $33 million, presented under Cash used in financing activities in the Company's Interim Consolidated Statements of Cash Flows.

11 Investment in KCS

The KCS investment carrying cost of $41,626 million reported on the Company's Interim Consolidated Balance Sheets as at March 31, 2022 reflects the consideration paid to acquire KCS, the asset recorded upon recognition of a deferred tax liability computed on an outside basis (see Note 5), the subsequent recognition of equity earnings, the dividend received from KCS, and foreign currency translation based on the quarter-end exchange rate.

The following table presents summarized financial information for KCS, on its historical cost basis:

Statement of Income

(in millions of Canadian dollars)[1]		For the three months ended March 31, 2022
Total revenues	$	986
Total operating expenses		617
Operating Income		369
Less: Other[2]		39
Income before income taxes		330
Net Income	**$**	**238**

[1] Amounts translated at the average FX rate for the three months ended March 31, 2022 of $1.00 USD = $1.27 CAD.

[2] Includes Equity in net earnings of KCS's affiliates, Interest expense, FX loss, and Other income, net.

12 Debt

During the three months ended March 31, 2022, the Company repaid at maturity $125 million 5.100% 10-year Medium Term Notes, U.S. $250 million ($313 million) 4.500% 10-year Notes, and a U.S. $76 million ($97 million) 6.99% finance lease.

Credit Facility

Effective March 14, 2022, the Company extended the maturity date of the U.S. $500 million unsecured non-revolving term credit facility (the "term facility") to September 15, 2022. As at March 31, 2022, the Company had borrowings of U.S. $500 million ($625 million) under this term facility (December 31, 2021 - U.S. $500 million) at a weighted-average interest rate of 1.55% (December 31, 2021 - 1.38%).

Commercial paper program

The Company has a commercial paper program which enables it to issue commercial paper up to a maximum aggregate principal amount of U.S. $1.0 billion in the form of unsecured promissory notes. This commercial paper program is backed by the U.S. $1.3 billion revolving credit facility. As at March 31, 2022, the Company had total commercial paper borrowings of U.S. $520 million ($650 million), included in "Long-term debt maturing within one year" on the Company's Interim Consolidated Balance sheets (December 31, 2021 - U.S. $265 million). The weighted-average interest rate on these borrowings was 0.82% (December 31, 2021 - 0.32%). The Company presents issuances and repayments of commercial paper, all of which have a maturity of less than 90 days, in the Company's Interim Consolidated Statements of Cash Flows on a net basis.

13 Financial instruments

A. Fair values of financial instruments

The Company categorizes its financial assets and liabilities measured at fair value into a three-level hierarchy established by GAAP that prioritizes those inputs to valuation techniques used to measure fair value based on the degree to which they are observable. The three levels of the fair value hierarchy are as follows: Level 1 inputs are quoted prices in active markets for identical assets and liabilities; Level 2 inputs, other than quoted prices included within Level 1, are observable for the asset or liability either directly or indirectly; and Level 3 inputs are not observable in the market.

The Company’s short-term financial instruments include cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and short-term borrowings including commercial paper and term loans. The carrying values of short-term financial instruments approximate their fair values.

The carrying value of the Company’s long-term debt and finance lease liabilities does not approximate their fair value. Their estimated fair value has been determined based on market information, where available, or by discounting future payments of principal and interest at estimated interest rates expected to be available to the Company at period end. All measurements are classified as Level 2. The Company’s long-term debt and finance lease liabilities, including current maturities, with a carrying value of $18,389 million at March 31, 2022 (December 31, 2021 - $19,151 million), had a fair value of $18,699 million (December 31, 2021 - $21,265 million).

B. Financial risk management

FX management

Net investment hedge

The effect of the Company's net investment hedge for the three months ended March 31, 2022 was an unrealized FX gain of $98 million (three months ended March 31, 2021 - unrealized FX gain of $76 million) recognized in “Other comprehensive (loss) income”.

14 Shareholders' equity

On January 27, 2021, the Company announced a normal course issuer bid ("NCIB"), commencing January 29, 2021, to purchase up to 16.7 million Common Shares in the open market for cancellation on or before January 28, 2022. Upon expiry of this NCIB, the Company had not purchased any Common Shares under this NCIB.

15 Pension and other benefits

In the three months ended March 31, 2022, the Company made contributions to its defined benefit pension plans of $3 million (three months ended March 31, 2021 - $4 million).

Net periodic benefit costs for defined benefit pension plans and other benefits included the following components:

	For the three months ended March 31			
	Pensions		Other benefits	
(in millions of Canadian dollars)	**2022**	2021	**2022**	2021
Current service cost (benefits earned by employees)	**$ 37**	$ 43	**$ 2**	$ 3
Other components of net periodic benefit (recovery) cost:				
Interest cost on benefit obligation	**96**	88	**4**	4
Expected return on fund assets	**(240)**	(240)	**—**	—
Recognized net actuarial loss	**38**	52	**1**	1
Total other components of net periodic benefit (recovery) cost	**(106)**	(100)	**5**	5
Net periodic benefit (recovery) cost	**$ (69)**	$ (57)	**$ 7**	$ 8

16 Stock-based compensation

At March 31, 2022, the Company had several stock-based compensation plans including stock option plans, various cash-settled liability plans, and an employee share purchase plan. These plans resulted in an expense for the three months ended March 31, 2022 of $44 million (three months ended March 31, 2021 - expense of $24 million).

Stock option plan

In the three months ended March 31, 2022, under CP’s stock option plans, the Company issued 819,760 options at the weighted-average price of $90.86 per share, based on the closing price on the grant date. Pursuant to the employee plan, these options may be exercised upon vesting, which is between 12 months and 48 months after the grant date, and will expire after seven years.

Under the fair value method, the fair value of the stock options at grant date was approximately $15 million. The weighted-average fair value assumptions were approximately:

	For the three months ended March 31, 2022
Expected option life (years)[1]	4.75
Risk-free interest rate[2]	1.59%
Expected share price volatility[3]	26.84%
Expected annual dividends per share[4]	$0.760
Expected forfeiture rate[5]	2.98%
Weighted-average grant date fair value per option granted during the period	$18.69

[1] Represents the period of time that awards are expected to be outstanding. Historical data on exercise behaviour or, when available, specific expectations regarding future exercise behaviour were used to estimate the expected life of the option.
[2] Based on the implied yield available on zero-coupon government issues with an equivalent term commensurate with the expected term of the option.
[3] Based on the historical volatility of the Company's share price over a period commensurate with the expected term of the option.
[4] Determined by the current annual dividend at the time of grant. The Company does not employ different dividend yields throughout the contractual term of the option.
[5] The Company estimates forfeitures based on past experience. This rate is monitored on a periodic basis.

Performance share unit plans

During the three months ended March 31, 2022, the Company issued 411,999 Performance Share Units ("PSUs") with a grant date fair value of approximately $36 million and 13,506 Performance Deferred Share Units ("PDSUs") with a grant date fair value, including the value of expected future matching units, of approximately $2 million. PSUs and PDSUs attract dividend equivalents in the form of additional units based on dividends paid on the Company's Common Shares, and vest approximately three years after the grant date, contingent upon CP's performance ("performance factor"). The fair value of these PSUs and PDSUs is measured periodically until settlement. Vested PSUs are settled in cash. Vested PDSUs are settled in cash pursuant to the Deferred Share Unit ("DSU") Plan and are eligible for a 25% match if the holder has not exceeded their share ownership requirements, and are paid out only when the holder ceases their employment with CP.

The performance period for PSUs and PDSUs issued in the three months ended March 31, 2022 is January 1, 2022 to December 31, 2024 and the performance factors are Free Cash Flow ("FCF"), Adjusted Net Debt to Adjusted earnings before interest, tax, depreciation, and amortization ("EBITDA") Modifier, Total Shareholder Return ("TSR") compared to the S&P/TSX 60 Index, and TSR compared to S&P 500 Industrials Index.

The performance period for PSUs issued in 2019 was January 1, 2019 to December 31, 2021. The performance factors for 668,405 PSUs were Return on Invested Capital ("ROIC"), TSR compared to the S&P/TSX 60 Index, and TSR compared to Class I Railways. The resulting payout was 200% of the outstanding units multiplied by the Company's average share price calculated using the last 30 trading days preceding December 31, 2021. In the first quarter of 2022, payouts occurred on 631,457 total outstanding awards, including dividends reinvested, totalling $116 million.

Deferred share unit plan

During the three months ended March 31, 2022, the Company granted 39,409 DSUs with a grant date fair value of approximately $4 million. DSUs vest over various periods of up to 36 months and are only redeemable for a specified period after employment is terminated. The expense for DSUs is recognized over the vesting period for both the initial subscription price and the change in value between reporting periods.

17 Contingencies

In the normal course of its operations, the Company becomes involved in various legal actions, including claims relating to injuries and damage to property. The Company maintains provisions it considers to be adequate for such actions. While the final outcome with respect to actions outstanding or pending at March 31, 2022 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Company's business, financial position or results of operations. However, an unexpected adverse resolution of one or more of these legal actions could have a material adverse effect on the Company's business, financial position, results of operations, or liquidity in a particular quarter or fiscal year.

Legal proceedings related to Lac-Mégantic rail accident

On July 6, 2013, a train carrying petroleum crude oil operated by Montréal Maine and Atlantic Railway ("MMAR") or a subsidiary, Montréal Maine & Atlantic Canada Co. ("MMAC" and collectively the "MMA Group"), derailed in Lac-Mégantic, Québec. The derailment occurred on a section of railway owned and operated by the MMA Group and while the MMA Group exclusively controlled the train.

Following the derailment, MMAC sought court protection in Canada under the *Companies' Creditors Arrangement Act* and MMAR filed for bankruptcy in the U.S. Plans of arrangement were approved in both Canada and the U.S. (the "Plans"), providing for the distribution of approximately $440 million amongst those claiming derailment damages.

A number of legal proceedings, set out below, were commenced in Canada and the U.S. against CP and others:

(1) Québec's Minister of Sustainable Development, Environment, Wildlife and Parks ordered various parties, including CP, to remediate the derailment site (the "Cleanup Order") and served CP with a Notice of Claim for $95 million for those costs. CP appealed the Cleanup Order and contested the Notice of Claim with the Administrative Tribunal of Québec. These proceedings are stayed pending determination of the Attorney General of Québec ("AGQ") action (paragraph 2 below).

(2) The AGQ sued CP in the Québec Superior Court claiming $409 million in damages, which was amended and reduced to $315 million (the "AGQ Action"). The AGQ Action alleges that: (i) CP was responsible for the petroleum crude oil from its point of origin until its delivery to Irving Oil Ltd.; and (ii) CP is vicariously liable for the acts and omissions of the MMA Group.

(3) A class action in the Québec Superior Court on behalf of persons and entities residing in, owning or leasing property in, operating a business in, or physically present in Lac-Mégantic at the time of the derailment was certified against CP on May 8, 2015 (the "Class Action"). Other defendants including MMAC and Mr. Thomas Harding ("Harding") were added to the Class Action on January 25, 2017. On November 28, 2019, the plaintiffs' motion to discontinue their action against Harding was granted. The Class Action seeks unquantified damages, including for wrongful death, personal injury, property damage, and economic loss.

(4) Eight subrogated insurers sued CP in the Québec Superior Court claiming approximately $16 million in damages, which was amended and reduced to approximately $15 million (the "Promutuel Action"), and two additional subrogated insurers sued CP claiming approximately $3 million in damages (the "Royal Action"). Both actions contain similar allegations as the AGQ Action. The actions do not identify the subrogated parties. As such, the extent of any overlap between the damages claimed in these actions and under the Plans is unclear. The Royal Action is stayed pending determination of the consolidated proceedings described below.

On December 11, 2017, the AGQ Action, the Class Action and the Promutuel Action were consolidated. The joint liability trial of these consolidated claims commenced on September 21, 2021 and will be followed by a damages trial, if necessary.

(5) Forty-eight plaintiffs (all individual claims joined in one action) sued CP, MMAC, and Harding in the Québec Superior Court claiming approximately $5 million in damages for economic loss and pain and suffering, and asserting similar allegations as in the Class Action and the AGQ Action. The majority of the plaintiffs opted-out of the Class Action and all but two are also plaintiffs in litigation against CP, described in paragraph 7 below. This action is stayed pending determination of the consolidated claims described above.

(6) The MMAR U.S. bankruptcy estate representative commenced an action against CP in November 2014 in the Maine Bankruptcy Court claiming that CP failed to abide by certain regulations and seeking approximately U.S. $30 million in damages for MMAR's loss in business value according to a recent expert report filed by the bankruptcy estate. This action asserts that CP knew or ought to have known that the shipper misclassified the petroleum crude oil and therefore should have refused to transport it.

(7) The class and mass tort action commenced against CP in June 2015 in Texas (on behalf of Lac-Mégantic residents and wrongful death representatives) and the wrongful death and personal injury actions commenced against CP in June 2015 in Illinois and Maine, were all transferred and consolidated in Federal District Court in Maine (the "Maine Actions"). The Maine Actions allege that CP negligently misclassified and improperly packaged the petroleum crude oil. On CP's motion, the Maine Actions were dismissed. The plaintiffs appealed the dismissal decision to the United States First Circuit Court of Appeals, which dismissed the plaintiffs' appeal on June 2, 2021. The plaintiffs further petitioned the United States First Circuit Court of Appeals for a rehearing, which was denied on September 8, 2021. On January 24, 2022, the plaintiffs further appealed to the U.S. Supreme Court on two bankruptcy procedural grounds. CP filed its opposition to the appeal on April 20, 2022.

(8) The trustee for the wrongful death trust commenced Carmack Amendment claims against CP in North Dakota Federal Court, seeking to recover approximately U.S. $6 million for damaged rail cars and lost crude and reimbursement for the settlement paid by the consignor and the consignee under the Plans (alleged to be U.S. $110 million and U.S. $60 million, respectively). The Court issued an Order on August 6, 2020 granting and denying in parts the parties' summary judgment motions which has been reviewed and confirmed following motions by the parties for clarification and reconsideration. This action is scheduled for trial on July 11 to 14, 2022.

At this stage of the proceedings, any potential responsibility and the quantum of potential losses cannot be determined. Nevertheless, CP denies liability and is vigorously defending these proceedings.

Environmental liabilities

Environmental remediation accruals, recorded on an undiscounted basis unless a reliable, determinable estimate as to an amount and timing of costs can be established, cover site-specific remediation programs.

The accruals for environmental remediation represent CP's best estimate of its probable future obligation and include both asserted and unasserted claims, without reduction for anticipated recoveries from third parties. Although the recorded accruals include CP's best estimate of all probable costs, CP's total environmental remediation costs cannot be predicted with certainty. Accruals for environmental remediation may change from time to time as new information about previously untested sites becomes known, and as environmental laws and regulations evolve and advances are made in environmental remediation technology. The accruals may also vary as the courts decide legal proceedings against outside parties responsible for contamination. These potential charges, which cannot be quantified at this time, may materially affect income in the particular period in which a charge is recognized. Costs related to existing, but as yet unknown, or future contamination will be accrued in the period in which they become probable and reasonably estimable.

The expense included in "Purchased services and other" in the Company's Interim Consolidated Statements of Income for the three months ended March 31, 2022 was $2 million (three months ended March 31, 2021 - $2 million). Provisions for environmental remediation costs are recorded in the Company's Interim Consolidated Balance Sheets in "Other long-term liabilities", except for the current portion which is recorded in "Accounts payable and accrued liabilities". The total amount provided at March 31, 2022 was $79 million (December 31, 2021 - $79 million). Payments are expected to be made over 10 years through 2031.

Summary of Rail Data

Financial (millions, except per share data)	First Quarter 2022	2021	Total Change	% Change
Revenues				
Freight	**$ 1,796**	$ 1,918	$ (122)	**(6)**
Non-freight	**42**	41	1	**2**
Total revenues	**1,838**	1,959	(121)	**(6)**
Operating expenses				
Compensation and benefits	**413**	405	8	**2**
Fuel	**273**	206	67	**33**
Materials	**62**	59	3	**5**
Equipment rents	**35**	33	2	**6**
Depreciation and amortization	**210**	202	8	**4**
Purchased services and other	**310**	274	36	**13**
Total operating expenses	**1,303**	1,179	124	**11**
Operating income	**535**	780	(245)	**(31)**
Less:				
Equity earnings of Kansas City Southern	**(198)**	—	(198)	**100**
Other income	**(1)**	(28)	27	**(96)**
Other components of net periodic benefit recovery	**(101)**	(95)	(6)	**6**
Net interest expense	**160**	110	50	**45**
Income before income tax expense	**675**	793	(118)	**(15)**
Income tax expense	**85**	191	(106)	**(55)**
Net income	**$ 590**	$ 602	$ (12)	**(2)**
Operating ratio (%)	**70.9**	60.2	10.7	**1,070 bps**
Basic earnings per share[1]	**$ 0.63**	$ 0.90	$ (0.27)	**(30)**
Diluted earnings per share[1]	**$ 0.63**	$ 0.90	$ (0.27)	**(30)**
Shares Outstanding[1]				
Weighted average number of basic shares outstanding (millions)	**929.7**	666.5	263.2	**39**
Weighted average number of diluted shares outstanding (millions)	**932.7**	669.6	263.1	**39**
Foreign Exchange				
Average foreign exchange rate (U.S.$/Canadian$)	**0.79**	0.79	—	**—**
Average foreign exchange rate (Canadian$/U.S.$)	**1.27**	1.27	—	**—**

(1) As a result of the five-for-one share split of the Company's issued and outstanding Common Shares, which began trading on a post-split basis on May 14, 2021, per share amounts and all outstanding Common Shares for Q1 2021 have been retrospectively adjusted.

Summary of Rail Data (Continued)

Commodity Data	First Quarter 2022	2021	Total Change	% Change	FX Adjusted % Change[1]
Freight Revenues (millions)					
- Grain	**$ 360**	$ 448	$ (88)	**(20)**	(20)
- Coal	**139**	163	(24)	**(15)**	(15)
- Potash	**104**	101	3	**3**	3
- Fertilizers and sulphur	**78**	77	1	**1**	—
- Forest products	**86**	80	6	**8**	8
- Energy, chemicals and plastics	**310**	388	(78)	**(20)**	(20)
- Metals, minerals and consumer products	**181**	159	22	**14**	14
- Automotive	**91**	108	(17)	**(16)**	(16)
- Intermodal	**447**	394	53	**13**	13
Total Freight Revenues	**$ 1,796**	$ 1,918	$ (122)	**(6)**	(6)
Freight Revenue per Revenue Ton-Mile ("RTM") (cents)					
- Grain	**4.51**	4.16	0.35	**8**	8
- Coal	**3.48**	3.09	0.39	**13**	13
- Potash	**2.85**	2.67	0.18	**7**	7
- Fertilizers and sulphur	**6.40**	6.07	0.33	**5**	4
- Forest products	**6.32**	5.87	0.45	**8**	8
- Energy, chemicals and plastics	**5.25**	5.43	(0.18)	**(3)**	(3)
- Metals, minerals and consumer products	**7.19**	6.36	0.83	**13**	13
- Automotive	**22.58**	21.26	1.32	**6**	6
- Intermodal	**6.71**	5.92	0.79	**13**	13
Total Freight Revenue per RTM	**5.33**	4.88	0.45	**9**	9
Freight Revenue per Carload					
- Grain	**$ 4,301**	$ 3,849	$ 452	**12**	12
- Coal	**1,989**	2,264	(275)	**(12)**	(12)
- Potash	**3,240**	2,936	304	**10**	10
- Fertilizers and sulphur	**4,906**	4,724	182	**4**	3
- Forest products	**4,943**	4,571	372	**8**	8
- Energy, chemicals and plastics	**4,270**	4,450	(180)	**(4)**	(4)
- Metals, minerals and consumer products	**3,315**	2,855	460	**16**	16
- Automotive	**3,776**	3,234	542	**17**	17
- Intermodal	**1,750**	1,524	226	**15**	15
Total Freight Revenue per Carload	**$ 2,870**	$ 2,774	$ 96	**3**	3

[1] This earnings measure has no standardized meaning prescribed by GAAP and, therefore, is unlikely to be comparable to similar measures presented by other companies. This measure is defined and reconciled in Non-GAAP Measures of this Earnings Release.

Summary of Rail Data (Continued)

Commodity Data (Continued)	First Quarter 2022	2021	Total Change	% Change
Millions of RTM				
- Grain	**7,974**	10,773	(2,799)	**(26)**
- Coal	**3,997**	5,280	(1,283)	**(24)**
- Potash	**3,652**	3,786	(134)	**(4)**
- Fertilizers and sulphur	**1,219**	1,269	(50)	**(4)**
- Forest products	**1,361**	1,363	(2)	**—**
- Energy, chemicals and plastics	**5,907**	7,142	(1,235)	**(17)**
- Metals, minerals and consumer products	**2,519**	2,499	20	**1**
- Automotive	**403**	508	(105)	**(21)**
- Intermodal	**6,661**	6,653	8	**—**
Total RTMs	**33,693**	39,273	(5,580)	**(14)**
Carloads (thousands)				
- Grain	**83.7**	116.4	(32.7)	**(28)**
- Coal	**69.9**	72.0	(2.1)	**(3)**
- Potash	**32.1**	34.4	(2.3)	**(7)**
- Fertilizers and sulphur	**15.9**	16.3	(0.4)	**(2)**
- Forest products	**17.4**	17.5	(0.1)	**(1)**
- Energy, chemicals and plastics	**72.6**	87.2	(14.6)	**(17)**
- Metals, minerals and consumer products	**54.6**	55.7	(1.1)	**(2)**
- Automotive	**24.1**	33.4	(9.3)	**(28)**
- Intermodal	**255.4**	258.5	(3.1)	**(1)**
Total Carloads	**625.7**	691.4	(65.7)	**(10)**

	First Quarter 2022	2021	Total Change	% Change	FX Adjusted % Change[1]
Operating Expenses (millions)					
Compensation and benefits	**$ 413**	$ 405	$ 8	**2**	2
Fuel	**273**	206	67	**33**	33
Materials	**62**	59	3	**5**	5
Equipment rents	**35**	33	2	**6**	6
Depreciation and amortization	**210**	202	8	**4**	4
Purchased services and other	**310**	274	36	**13**	13
Total Operating Expenses	**$ 1,303**	$ 1,179	$ 124	**11**	11

(1) This earnings measure has no standardized meaning prescribed by GAAP and, therefore, is unlikely to be comparable to similar measures presented by other companies. This measure is defined and reconciled in Non-GAAP Measures of this Earnings Release.

Summary of Rail Data (Continued)

	First Quarter			
	2022	2021	Total Change	% Change
Operations Performance				
Gross ton-miles ("GTMs") (millions)	**62,182**	71,326	(9,144)	**(13)**
Train miles (thousands)	**6,893**	7,803	(910)	**(12)**
Average train weight - excluding local traffic (tons)	**9,757**	9,795	(38)	**—**
Average train length - excluding local traffic (feet)	**8,050**	7,972	78	**1**
Average terminal dwell (hours)	**8.7**	7.4	1.3	**18**
Average train speed (miles per hour, or "mph")[1]	**21.2**	20.9	0.3	**1**
Locomotive productivity (GTMs / operating horsepower)[2]	**178**	201	(23)	**(11)**
Fuel efficiency[3]	**0.994**	0.958	0.036	**4**
U.S. gallons of locomotive fuel consumed (millions)[4]	**61.8**	68.3	(6.5)	**(10)**
Average fuel price (U.S. dollars per U.S. gallon)	**3.49**	2.39	1.10	**46**
Total Employees and Workforce				
Total employees (average)[5]	**11,767**	12,061	(294)	**(2)**
Total employees (end of period)[5]	**11,942**	12,398	(456)	**(4)**
Workforce (end of period)[6]	**11,977**	12,426	(449)	**(4)**
Safety Indicators[7]				
FRA personal injuries per 200,000 employee-hours	**1.31**	1.16	0.15	**13**
FRA train accidents per million train-miles	**1.04**	1.39	(0.35)	**(25)**

(1) Average train speed is defined as a measure of the line-haul movement from origin to destination including terminal dwell hours. It is calculated by dividing the total train miles travelled by the total train hours operated. This calculation does not include delay time related to customers or foreign railroads and excludes the time and distance travelled by: i) trains used in or around CP's yards; ii) passenger trains; and iii) trains used for repairing track.

(2) Locomotive productivity is defined as daily GTMs divided by daily average operating horsepower. Operating horsepower excludes units offline, tied up or in storage, or in use on other railways, and includes foreign units online.

(3) Fuel efficiency is defined as U.S. gallons of locomotive fuel consumed per 1,000 GTMs.

(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) An employee is defined as an individual currently engaged in full-time, part-time, or seasonal employment with CP.

(6) Workforce is defined as total employees plus contractors and consultants.

(7) Federal Railroad Administration ("FRA") personal injuries per 200,000 employee-hours for the three months ended March 31, 2021, previously reported as 1.20, was restated to 1.16 in this Earnings Release. FRA train accidents per million train-miles for the three months ended March 31, 2021, previously reported as 1.28, was restated to 1.39 in this Earnings Release. These restatements reflect new information available within specified periods stipulated by the FRA but that exceed the Company's financial reporting timeline.

Non-GAAP Measures

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

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

Non-GAAP Performance Measures

The Company uses adjusted earnings results including Adjusted income, Adjusted diluted earnings per share, Adjusted operating income and Adjusted operating ratio to evaluate the Company's operating performance and for planning and forecasting future business operations and future profitability. Core adjusted income and Core adjusted diluted earnings per share are presented to provide financial statement users with additional transparency by isolating for the impact of KCS purchase accounting. KCS purchase accounting represents the amortization of basis differences, being the difference in value between the consideration paid to acquire KCS and the underlying carrying value of the net assets of KCS immediately prior to its acquisition by the Company. All assets subject to KCS purchase accounting contribute to income generation and will continue to amortize over their estimated useful lives. These Non-GAAP measures provide meaningful supplemental information regarding operating results because they exclude certain significant items that are not considered indicative of future financial trends either by nature or amount or provide improved comparability to past performance. As a result, these items are excluded for management assessment of operational performance, allocation of resources and preparation of annual budgets. These significant items may include, but are not limited to, restructuring and asset impairment charges, individually significant gains and losses from sales of assets, acquisition-related costs, the merger termination payment received, the foreign exchange ("FX") impact of translating the Company's debt and lease liabilities (including borrowings under the credit facility), discrete tax items, changes in the outside basis tax difference between the carrying amount of CP's equity investment in KCS and its tax basis of this investment, changes in income tax rates, changes to an uncertain tax item, and certain items outside the control of management. Acquisition-related costs include legal, consulting, financing fees, integration planning costs consisting of third-party services and system migration, fair value gain or loss on FX forward contracts and interest rate hedges, FX gain on U.S. dollar-denominated cash on hand from the issuances of long-term debt to fund the KCS acquisition, and transaction and integration costs incurred by KCS which were recognized within Equity earnings of Kansas City Southern in the Company's Interim Consolidated Statements of Income. These items may not be non-recurring. However, excluding these significant items from GAAP results allows for a consistent understanding of the Company's consolidated financial performance when performing a multi-period assessment including assessing the likelihood of future results. Accordingly, these Non-GAAP financial measures may provide insight to investors and other external users of the Company's consolidated financial information.

Significant items that impact reported earnings for the first three months of 2022, the twelve months of 2021, and the last nine months of 2020 include:

2022:

- Deferred tax recovery of $32 million on changes in the outside basis difference of the equity investment in KCS that favourably impacted Diluted EPS by 3 cents; and
- Acquisition-related costs of $33 million in connection with the KCS acquisition ($30 million after current tax recovery of $3 million), including an expense of $20 million recognized in Purchased services and other and $13 million recognized in Equity earnings of KCS that unfavourably impacted Diluted EPS by 3 cents.

2021:

- In the fourth quarter, a deferred tax recovery of $33 million on changes in the outside basis difference of the equity investment in KCS that favourably impacted Diluted EPS by 5 cents;
- in the second quarter, merger termination payment received of $845 million ($748 million after current taxes) in connection with KCS's termination of the Original Merger Agreement effective May 21, 2021, that favourably impacted Diluted EPS by $1.11;
- during the course of the year, acquisition-related costs of $599 million in connection with the KCS acquisition ($500 million after current tax recovery of $107 million net of deferred tax expense of $8 million), including an expense of $183 million recognized in Purchased services and other, $169 million recognized in Equity loss of KCS, and $247 million recognized in Other expense (income), that unfavourably impacted Diluted EPS by 75 cents as follows:
  - in the fourth quarter, acquisition-related costs of $157 million ($157 million after current tax recovery of $13 million net of deferred tax expense of $13 million), including costs of $36 million recognized in Purchased services and

other, $169 million in Equity loss of KCS, and a $48 million recovery recognized in Other (income) expense, that unfavourably impacted Diluted EPS by 22 cents;
  - in the third quarter, acquisition-related costs of $98 million ($80 million after current tax recovery of $61 million net of deferred tax expense of $43 million), including costs of $15 million recognized in Purchased services and other and $83 million recognized in Other expense (income), that unfavourably impacted Diluted EPS by 12 cents;
  - in the second quarter, acquisition-related costs of $308 million ($236 million after current taxes of $25 million and deferred taxes of $47 million), including costs of $99 million recognized in Purchased services and other and $209 million recognized in Other expense (income), that unfavourably impacted Diluted EPS by 35 cents; and
  - in the first quarter, acquisition-related costs of $36 million ($27 million after current taxes of $8 million and deferred taxes of $1 million), including costs of $33 million recognized in Purchased services and other and $3 million recognized in Other expense (income), that unfavourably impacted Diluted EPS by 4 cents; and
- during the course of the year, a net non-cash gain of $7 million ($6 million after deferred tax) due to FX translation of debt and lease liabilities that favourably impacted Diluted EPS by 1 cent as follows:
  - in the fourth quarter, a $32 million loss ($28 million after deferred tax) that unfavourably impacted Diluted EPS by 4 cents;
  - in the third quarter, a $46 million loss ($40 million after deferred tax) that unfavourably impacted Diluted EPS by 6 cents;
  - in the second quarter, a $52 million gain ($45 million after deferred tax) that favourably impacted Diluted EPS by 7 cents; and
  - in the first quarter, a $33 million gain ($29 million after deferred tax) that favourably impacted Diluted EPS by 4 cents.

2020:
- In the fourth quarter, a deferred tax recovery of $29 million due to a change relating to a tax return filing election for the state of North Dakota that favourably impacted Diluted EPS by 5 cents; and
- during the course of the year, a net non-cash gain of $229 million ($210 million after deferred tax) due to FX translation of debt and lease liabilities that favourably impacted Diluted EPS by 31 cents as follows:
  - in the fourth quarter, a $103 million gain ($90 million after deferred tax) that favourably impacted Diluted EPS by 13 cents;
  - in the third quarter, a $40 million gain ($38 million after deferred tax) that favourably impacted Diluted EPS by 6 cents; and
  - in the second quarter, an $86 million gain ($82 million after deferred tax) that favourably impacted Diluted EPS by 12 cents.

Reconciliation of GAAP Performance Measures to Non-GAAP Performance Measures

The following tables reconcile the most directly comparable measures presented in accordance with GAAP to the Non-GAAP measures:

Adjusted income is calculated as Net income reported on a GAAP basis adjusted for significant items. Core adjusted income is calculated as Adjusted income less KCS purchase accounting.

	For the three months ended March 31	
(in millions of Canadian dollars)	**2022**	2021
Net income as reported	**$ 590**	$ 602
Less significant items (pre-tax):		
Acquisition-related costs	**(33)**	(36)
Impact of FX translation gain on debt and lease liabilities	**—**	33
Add:		
Tax effect of adjustments[1]	**(3)**	(5)
Deferred tax recovery on the outside basis difference of the investment in KCS	**(32)**	—
Adjusted income	**$ 588**	$ 600
Less: KCS purchase accounting	**(40)**	—
Core adjusted income	**$ 628**	$ 600

[1] The tax effect of adjustments was calculated as the pre-tax effect of the adjustments multiplied by the applicable tax rate for the above items of 8.69% for the three months ended March 31, 2022, and 223.54% for the three months ended March 31, 2021, respectively. The applicable tax rates reflect the taxable jurisdictions and nature, being on account of capital or income, of the significant items.

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

	For the three months ended March 31	
	2022	2021
Diluted earnings per share as reported	**$ 0.63**	$ 0.90
Less significant items (pre-tax):		
Acquisition-related costs	**(0.04)**	(0.06)
Impact of FX translation gain on debt and lease liabilities	**—**	0.05
Add:		
Tax effect of adjustments[(1)]	**(0.01)**	(0.01)
Deferred tax recovery on the outside basis difference of the investment in KCS	**(0.03)**	—
Adjusted diluted earnings per share	**$ 0.63**	$ 0.90
Less: KCS purchase accounting	**(0.04)**	—
Core adjusted diluted earnings per share	**$ 0.67**	$ 0.90

(1) The tax effect of adjustments was calculated as the pre-tax effect of the adjustments multiplied by the applicable tax rate for the above items of 8.69% for the three months ended March 31, 2022, and 223.54% for the three months ended March 31, 2021, respectively. The applicable tax rates reflect the taxable jurisdictions and nature, being on account of capital or income, of the significant items.

Adjusted operating income is calculated as Operating income reported on a GAAP basis less significant items.

	For the three months ended March 31	
(in millions of Canadian dollars)	**2022**	2021
Operating income as reported	**$ 535**	$ 780
Less significant item:		
Acquisition-related costs	**(20)**	(33)
Adjusted operating income	**$ 555**	$ 813

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

	For the three months ended March 31	
	2022	2021
Operating ratio as reported	**70.9 %**	60.2 %
Less significant item:		
Acquisition-related costs	**1.1 %**	1.7 %
Adjusted operating ratio	**69.8 %**	58.5 %

Adjusted Return on Invested Capital ("Adjusted ROIC")

Adjusted ROIC is calculated as Adjusted return divided by Adjusted average invested capital. Adjusted return is defined as Net income adjusted for interest expense, tax effected at the Company's adjusted annualized effective tax rate, and significant items in the Company's Consolidated Financial Statements, tax effected at the applicable tax rate. Adjusted average invested capital is defined as the sum of total Shareholders' equity, Long-term debt, and Long-term debt maturing within one year, as presented in the Company's Consolidated Financial Statements, each averaged between the beginning and ending balance over a trailing twelve month period, adjusted for the impact of significant items, tax effected at the applicable tax rate, on closing balances as part of this average. Adjusted ROIC excludes significant items reported in the Company's Consolidated Financial Statements, as these significant items are not considered indicative of future financial trends either by nature or amount, and excludes interest expense, net of tax, to incorporate returns on the Company's overall capitalization. Adjusted ROIC is a performance measure that measures how productively the Company uses its long-term capital investments, representing critical indicators of good operating and investment decisions made by management, and is an important performance criteria in determining certain

elements of the Company's long-term incentive plan. Adjusted ROIC is reconciled below from Return on average shareholders' equity, the most comparable measure calculated in accordance with GAAP.

Calculation of Return on average shareholders' equity

	For the twelve months ended March 31	
(in millions of Canadian dollars, except for percentages)	**2022**	2021
Net income as reported	**$ 2,840**	$ 2,637
Average shareholders' equity	**$ 20,926**	$ 7,411
Return on average shareholders' equity	**13.6 %**	35.6 %

Reconciliation of Net income to Adjusted return

	For the twelve months ended March 31	
(in millions of Canadian dollars)	**2022**	2021
Net income as reported	**$ 2,840**	$ 2,637
Add:		
Net interest expense	**490**	454
Tax on interest[1]	**(117)**	(112)
Significant items (pre-tax):		
Acquisition-related costs	**596**	36
Merger termination fee	**(845)**	—
Impact of FX translation loss (gain) on debt and lease liabilities	**26**	(262)
Tax on significant items[2]	**1**	14
Income tax rate changes	**—**	(29)
Deferred tax recovery on the outside basis difference of the investment in KCS	**(65)**	—
Adjusted return	**$ 2,926**	$ 2,738

[1] Tax was calculated at the adjusted annualized effective tax rate of 23.75% and 24.55% for the twelve months ended March 31, 2022 and 2021, respectively.

[2] Tax was calculated as the pre-tax effect of the adjustments multiplied by the applicable tax rate for the above items of 0.32% and 5.92% for the twelve months ended March 31, 2022 and 2021, respectively. The applicable tax rates reflect the taxable jurisdictions and nature, being on account of capital or income, of the significant items.

Reconciliation of Average shareholders' equity to Adjusted average invested capital

	For the twelve months ended March 31	
(in millions of Canadian dollars)	**2022**	2021
Average shareholders' equity	**$ 20,926**	$ 7,411
Average long-term debt, including long-term debt maturing within one year	**14,701**	9,905
	$ 35,627	$ 17,316
Less:		
Significant items (pre-tax):		
Acquisition-related costs	**(298)**	(18)
Merger termination fee	**423**	—
Tax on significant items[1]	**(2)**	4
Deferred tax recovery on the outside basis difference of the investment in KCS	**32**	—
Income tax rate changes	**—**	15
Adjusted average invested capital	**$ 35,472**	$ 17,315

[1] Tax was calculated at the pre-tax effect of the adjustment multiplied by the applicable tax rate of 1.71% and 26.13% for the twelve months ended March 31, 2022 and 2021, respectively. The applicable tax rate reflects the taxable jurisdiction and nature, being on account of capital or income, of the significant item.

Calculation of Adjusted ROIC

(in millions of Canadian dollars, except for percentages)	For the twelve months ended March 31 2022	2021
Adjusted return	**$ 2,926**	$ 2,738
Adjusted average invested capital	**$ 35,472**	$ 17,315
Adjusted ROIC	**8.2 %**	15.8 %

Free Cash

Free cash is calculated as Cash provided by operating activities, less Cash used in investing activities, adjusted for changes in cash and cash equivalents balances resulting from FX fluctuations, and the operating cash flow impacts of acquisition-related costs associated with the KCS transaction. Free cash is a measure that management considers to be a valuable indicator of liquidity. Free cash is useful to investors and other external users of the Company's Consolidated Financial Statements as it assists with the evaluation of the Company's ability to generate cash to satisfy debt obligations and discretionary activities such as dividends, share repurchase programs, and other strategic opportunities. The acquisition-related costs associated with the KCS acquisition are not indicative of operating trends and have been excluded from Free cash. Free cash should be considered in addition to, rather than as a substitute for, Cash provided by operating activities.

Reconciliation of Cash Provided by Operating Activities to Free Cash

(in millions of Canadian dollars)	For the three months ended March 31 2022	2021
Cash provided by operating activities	**$ 613**	$ 582
Cash used in investing activities	**(206)**	(286)
Effect of foreign currency fluctuations on U.S. dollar-denominated cash and cash equivalents	**—**	(3)
Less:		
Acquisition-related costs	**(17)**	(3)
Free cash	**$ 424**	$ 296

Foreign Exchange Adjusted % Change

FX adjusted % change allows certain financial results to be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons in the analysis of trends in business performance. Financial result variances at constant currency are obtained by translating the comparable period of the prior year results denominated in U.S. dollars at the foreign exchange rates of the current period.

FX adjusted % changes in revenues are further used in calculating FX adjusted % change in freight revenue per carload and RTM. FX adjusted % changes in revenues are as follows:

(in millions of Canadian dollars)	For the three months ended March 31				
	Reported 2022	Reported 2021	Variance due to FX	FX Adjusted 2021	FX Adjusted % Change
Freight revenues by line of business					
Grain	**$ 360**	$ 448	$ —	$ 448	(20)
Coal	**139**	163	—	163	(15)
Potash	**104**	101	—	101	3
Fertilizers and sulphur	**78**	77	1	78	—
Forest products	**86**	80	—	80	8
Energy, chemicals and plastics	**310**	388	—	388	(20)
Metals, minerals and consumer products	**181**	159	—	159	14
Automotive	**91**	108	—	108	(16)
Intermodal	**447**	394	—	394	13
Freight revenues	**1,796**	1,918	1	1,919	(6)
Non-freight revenues	**42**	41	—	41	2
Total revenues	**$ 1,838**	$ 1,959	$ 1	$ 1,960	(6)

FX adjusted % changes in operating expenses are as follows:

(in millions of Canadian dollars)	For the three months ended March 31				
	Reported 2022	Reported 2021	Variance due to FX	FX Adjusted 2021	FX Adjusted % Change
Compensation and benefits	**$ 413**	$ 405	$ —	$ 405	2
Fuel	**273**	206	—	206	33
Materials	**62**	59	—	59	5
Equipment rents	**35**	33	—	33	6
Depreciation and amortization	**210**	202	—	202	4
Purchased services and other	**310**	274	—	274	13
Total operating expenses	**$ 1,303**	$ 1,179	$ —	$ 1,179	11

FX adjusted % change in operating income is as follows:

(in millions of Canadian dollars)	For the three months ended March 31				
	Reported 2022	Reported 2021	Variance due to FX	FX Adjusted 2021	FX Adjusted % Change
Operating income	**$ 535**	$ 780	$ 1	$ 781	(31)

Adjusted Net Debt to Adjusted EBITDA Ratio and Pro-forma adjusted Net Debt to Pro-forma adjusted EBITDA Ratio

Adjusted net debt to Adjusted earnings before interest, tax, depreciation and amortization ("EBITDA") ratio is calculated as Adjusted net debt divided by Adjusted EBITDA. The Adjusted net debt to Adjusted EBITDA ratio is a key credit measure used to assess the Company's financial capacity. The ratio provides information on the Company's ability to service its debt and other long-term obligations from operations, excluding significant items. The Adjusted net debt to Adjusted EBITDA ratio is reconciled below from the Long-term debt to Net income ratio, the most comparable measure calculated in accordance with GAAP.

Beginning in the first quarter of 2022, CP added disclosure of Pro-forma adjusted net debt to Pro-forma adjusted EBITDA ratio to better align with CP's debt covenant calculation, which incorporates the trailing twelve month adjusted EBITDA of KCS as well as KCS's outstanding debt. CP is incorporating the trailing twelve month adjusted EBITDA of KCS on a pro-forma basis, as CP is not entitled to earnings prior to the acquisition date of December 14, 2021. CP does not control KCS while it is in voting trust

during review of our merger application by the United States Surface Transportation Board ("STB"), though CP is the beneficial owner of KCS's outstanding shares and receives cash dividends from KCS. The adjustment to include the trailing twelve month EBITDA and KCS's outstanding debt provides users of the financial statements with better insight into CP's progress in achieving deleveraging commitments. KCS's disclosed U.S. dollar financial values for the trailing twelve month ended March 31, 2022 were adjusted to Canadian dollars reflecting the FX rate for the appropriate periods presented. We have not presented 2021 Pro-forma adjusted net debt to Pro-forma adjusted EBITDA as CP was not the beneficial owner of KCS's shares as at March 31, 2021.

Calculation of Long-term Debt to Net Income Ratio

(in millions of Canadian dollars, except for ratios)		**2022**		2021
Long-term debt including long-term debt maturing within one year as at March 31	**$**	**19,663**	$	9,740
Net income for the twelve months ended March 31		**2,840**		2,637
Long-term debt to Net income ratio		**6.9**		3.7

Reconciliation of Long-term Debt to Adjusted Net Debt and Pro-forma Adjusted Net Debt

Adjusted net debt is defined as Long-term debt, Long-term debt maturing within one year, and Short-term borrowing as reported on the Company's Consolidated Balance Sheets adjusted for pension plans deficit, operating lease liabilities recognized on the Company's Consolidated Balance Sheets, and Cash and cash equivalents. Adjusted net debt is used as a measure of debt and long-term obligations as part of the calculation of Adjusted Net Debt to Adjusted EBITDA.

(in millions of Canadian dollars)[1]		**2022**		2021
CP Long-term debt including long-term debt maturing within one year as at March 31	**$**	**19,663**	$	9,740
Add:				
Pension plans deficit[2]		**263**		327
Operating lease liabilities		**279**		284
Less:				
Cash and cash equivalents		**85**		360
CP Adjusted net debt as at March 31	**$**	**20,120**	$	9,991
KCS Long-term debt including long-term debt maturing within one year as at March 31	**$**	**4,726**		N/A
Add:				
KCS operating lease liabilities		**79**		N/A
Less:				
KCS cash and cash equivalents		**131**		N/A
KCS Adjusted net debt as at March 31		**4,674**		N/A
CP Adjusted net debt as at March 31		**20,120**		N/A
Pro-forma Adjusted net debt as at March 31	**$**	**24,794**		N/A

[1] KCS's amounts were translated at the March 31, 2022 period end FX rate of $1.25.
[2] Pension plans deficit is the total funded status of the Pension plans in deficit only.

Reconciliation of Net Income to EBIT, Adjusted EBIT and Adjusted EBITDA and Pro-forma Adjusted EBITDA

Earnings before interest and tax ("EBIT") is calculated as Net income before Net interest expense and Income tax expense. Adjusted EBIT excludes significant items reported in both Operating income and Other income. Adjusted EBITDA is calculated as Adjusted EBIT plus operating lease expense and Depreciation and amortization, less Other components of net periodic benefit recovery. Adjusted EBITDA is used as a measure of liquidity derived from operations, excluding significant items, as part of the calculation of Adjusted Net Debt to Adjusted EBITDA.

(in millions of Canadian dollars)[1]	For the twelve months ended March 31	
	2022	2021
CP Net income as reported	**$ 2,840**	$ 2,637
Add:		
Net interest expense	**490**	454
Income tax expense	**662**	764
EBIT	**3,992**	3,855
Less significant items (pre-tax):		
Acquisition-related costs	**(596)**	(36)
Merger termination fee	**845**	—
Impact of FX translation (loss) gain on debt and lease liabilities	**(26)**	262
Adjusted EBIT	**3,769**	3,629
Add:		
Operating lease expense	**73**	76
Depreciation and amortization	**819**	789
Less:		
Other components of net periodic benefit recovery	**393**	352
CP Adjusted EBITDA	**$ 4,268**	$ 4,142
Net income attributable to KCS and subsidiaries	**$ 718**	N/A
Add:		
KCS interest expense	**195**	N/A
KCS income tax expense	**287**	N/A
KCS EBIT	**1,200**	N/A
Less significant items (pre-tax):		
KCS merger costs	**(302)**	N/A
KCS Adjusted EBIT	**1,502**	N/A
Add:		
KCS total lease cost	**40**	N/A
KCS depreciation and amortization	**464**	N/A
KCS Adjusted EBITDA	**2,006**	N/A
CP Adjusted EBITDA	**4,268**	N/A
Less:		
Equity earnings of KCS[2]	**57**	N/A
Acquisition-related costs of KCS[3]	**182**	N/A
Pro-forma Adjusted EBITDA	**$ 6,035**	N/A

[1] KCS's amounts were translated at the quarterly average FX rate of $1.27, $1.26, $1.26, and $1.23 for Q1 2022, Q4 2021, Q3 2021 and Q2 2021, respectively.
[2] Equity earnings of KCS were part of CP's reported net income and therefore have been deducted in arriving to the Pro-forma Adjusted EBITDA.
[3] Acquisition-related costs of KCS have been adjusted in CP's Adjusted EBITDA calculation above, therefore have been deducted in arriving to the Pro-forma Adjusted EBITDA.

Calculation of Adjusted Net Debt to Adjusted EBITDA Ratio and Pro-forma Adjusted Net Debt to Pro-forma Adjusted EBITDA Ratio

(in millions of Canadian dollars, except for ratios)		**2022**		2021
Adjusted net debt as at March 31	**$**	**20,120**	$	9,991
Adjusted EBITDA for the twelve months ended March 31		**4,268**		4,142
Adjusted net debt to Adjusted EBITDA ratio		**4.7**		2.4

(in millions of Canadian dollars, except for ratios)		**2022**	2021
Pro-forma adjusted net debt as at March 31	**$**	**24,794**	N/A
Pro-forma adjusted EBITDA for the twelve months ended March 31		**6,035**	N/A
Pro-forma adjusted net debt to Pro-forma adjusted EBITDA ratio		**4.1**	N/A