# SECOND QUARTER REPORT

## July 30, 2025

**NEWS**

cpkcr.com (TSX:CP) (NYSE:CP)

Release: July 30, 2025

**CPKC second quarter delivers strong growth, carries momentum into second half of 2025**

Calgary – Canadian Pacific Kansas City (TSX: CP) (NYSE: CP) (CPKC) today announced its second-quarter results, including revenues of $3.7 billion, diluted earnings per share (EPS) of $1.33 and core adjusted diluted EPS[1] of $1.12.

“Our exceptional team of railroaders again delivered strong operating and financial results in the second quarter as we realize more of the value created by this unrivalled North American network,” said Keith Creel, CPKC President and Chief Executive Officer. “Our dedicated team pulled together to overcome challenges in portions of our southern U.S. network following our complex system integration. Across our network, we are focused on delivering the service that our customers expect as we carry growing momentum into the second half of 2025.”

**Second-quarter 2025 results**

- Volumes, as measured in Revenue Ton-Miles, increased seven percent
- Revenues increased three percent to $3.7 billion from $3.6 billion in Q2 2024
- Reported operating ratio (OR) decreased 110 basis points to 63.7 percent from 64.8 percent in Q2 2024
- Core adjusted OR[1] decreased 110 basis points to 60.7 percent from 61.8 percent in Q2 2024
- Reported diluted EPS increased to $1.33 from $0.97 in Q2 2024
- Core adjusted diluted EPS[1] increased seven percent to $1.12 from $1.05 in Q2 2024
- Federal Railroad Administration (FRA)-reportable personal injury frequency decreased to 0.77 from 0.84 in Q2 2024[2]
- FRA-reportable train accident frequency increased to 0.97 from 0.70 in Q2 2024[2]

“We are executing our strategy by capitalizing on a range of opportunities unique to our three-nation network, opportunities to grow our business by supporting our customers in reaching new markets,” added Creel. “Looking ahead, we remain confident in our ability to deliver on our full-year guidance while realizing sustainable growth that provides value for our shareholders, customers and all stakeholders."

**Conference Call Details**

CPKC 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 July 30, 2025.

**Conference Call Access**

Canada and U.S.: 800-274-8461
International: 203-518-9814
*Conference ID: CPKCQ225
*Callers should dial in 10 minutes prior to the call.*

[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 and forward-looking non-GAAP measures, see attached supplementary schedule of Non-GAAP Measures.

[2] The second-quarter 2024 FRA-reportable personal injury frequency and FRA-reportable train accident frequency have been restated to reflect new information available within specified periods stipulated by the FRA but that exceed CPKC's financial reporting timeline.

**Webcast**
We encourage you to access the webcast and presentation material in the Investors section of CPKC's website at investor.cpkcr.com.

A replay of the second-quarter conference call will be available through August 6, 2025, at 800-723-0544 (Canada/U.S.) or 402-220-2656 (International).

**Forward-looking information**
This news release contains certain forward-looking information and forward-looking statements (collectively, "forward-looking information") within the meaning of applicable securities laws in both the U.S. and Canada. 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", “guidance”, "should" or similar words suggesting future outcomes. This news release contains forward-looking information relating, but not limited, to statements concerning our ability to deliver on our financial guidance for 2025, strategic initiatives and investments, the success of our business, the realization of anticipated benefits and synergies of the CP-KCS combination, and the opportunities arising therefrom, our operations, priorities and plans, anticipated financial and operational performance, business prospects and demand for our services and growth opportunities.

The forward-looking information in this news release is based on current expectations, estimates, projections and assumptions, having regard to CPKC'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 and conditions; 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, including, without limitation, those relating to regulation of rates, tariffs, import/export, trade, taxes, wages, labour and immigration; the availability and cost of labour, services and infrastructure; labour disruptions; the satisfaction by third parties of their obligations to CPKC; and carbon markets, evolving sustainability strategies, and scientific or technological developments. Although CPKC 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, CPKC’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 and conditions; industry capacity; shifts in market demand; changes in commodity prices and commodity demand; uncertainty surrounding timing and volumes of commodities being shipped via CPKC; inflation; geopolitical instability; changes in laws, regulations and government policies, including, without limitation, those relating to regulation of rates, tariffs, import/export, trade, wages, labour and immigration; 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 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 CP-KCS transaction and the timing thereof; the satisfaction of the conditions imposed by the U.S. Surface Transportation Board in its March 15, 2023 final decision; the success of integration plans for KCS; other disruptions arising from the CP-KCS integration; 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; improvement in data collection and measuring systems; industry-driven changes to methodologies; and the ability of the management of CPKC to execute key priorities, including those in connection with the CP-KCS transaction. The foregoing list of factors is not exhaustive. These and other factors are detailed from time to time in reports filed by CPKC 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 CPKC'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, CPKC 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 CPKC**

With its global headquarters in Calgary, Alta., Canada, CPKC is the first and only single-line transnational railway linking Canada, the United States and México, with unrivaled access to major ports from Vancouver to Atlantic Canada to the Gulf Coast to Lázaro Cárdenas, México. Stretching approximately 20,000 route miles and employing 20,000 railroaders, CPKC provides North American customers unparalleled rail service and network reach to key markets across the continent. CPKC is growing with its customers, offering a suite of freight transportation services, logistics solutions and supply chain expertise. Visit cpkcr.com to learn more about the rail advantages of CPKC. CP-IR

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# Summary of Rail Data

| Financial (in millions, except per share data) | Second Quarter 2025 | Second Quarter 2024 | Second Quarter Total Change | Second Quarter % Change | Year-to-date 2025 | Year-to-date 2024 | Year-to-date Total Change | Year-to-date % Change |
|---|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | | |
| Freight | $ 3,629 | $ 3,534 | $ 95 | 3 | $ 7,356 | $ 6,961 | $ 395 | 6 |
| Non-freight | 70 | 69 | 1 | 1 | 138 | 162 | (24) | (15) |
| Total revenues | 3,699 | 3,603 | 96 | 3 | 7,494 | 7,123 | 371 | 5 |
| Operating expenses | | | | | | | | |
| Compensation and benefits | 659 | 612 | 47 | 8 | 1,341 | 1,302 | 39 | 3 |
| Fuel | 405 | 466 | (61) | (13) | 886 | 924 | (38) | (4) |
| Materials | 124 | 97 | 27 | 28 | 248 | 191 | 57 | 30 |
| Equipment rents | 103 | 82 | 21 | 26 | 202 | 164 | 38 | 23 |
| Depreciation and amortization | 493 | 473 | 20 | 4 | 997 | 940 | 57 | 6 |
| Purchased services and other | 572 | 606 | (34) | (6) | 1,160 | 1,186 | (26) | (2) |
| Total operating expenses | 2,356 | 2,336 | 20 | 1 | 4,834 | 4,707 | 127 | 3 |
| Operating income | 1,343 | 1,267 | 76 | 6 | 2,660 | 2,416 | 244 | 10 |
| Other income | (16) | (40) | 24 | (60) | (9) | (42) | 33 | (79) |
| Other components of net periodic benefit recovery | (107) | (88) | (19) | 22 | (214) | (176) | (38) | 22 |
| Net interest expense | 208 | 200 | 8 | 4 | 424 | 406 | 18 | 4 |
| Gain on sale of equity investment | (333) | — | (333) | 100 | (333) | — | (333) | 100 |
| Income before income tax expense | 1,591 | 1,195 | 396 | 33 | 2,792 | 2,228 | 564 | 25 |
| Current income tax expense | 348 | 274 | 74 | 27 | 614 | 516 | 98 | 19 |
| Deferred income tax expense | 9 | 18 | (9) | (50) | 35 | 35 | — | — |
| Income tax expense | 357 | 292 | 65 | 22 | 649 | 551 | 98 | 18 |
| Net income | $ 1,234 | $ 903 | $ 331 | 37 | $ 2,143 | $ 1,677 | $ 466 | 28 |
| Net loss attributable to non-controlling interest | — | (2) | 2 | (100) | (1) | (3) | 2 | (67) |
| Net income attributable to controlling shareholders | $ 1,234 | $ 905 | $ 329 | 36 | $ 2,144 | $ 1,680 | $ 464 | 28 |
| Operating ratio (%) | 63.7 | 64.8 | (1.1) | (110) bps | 64.5 | 66.1 | (1.6) | (160) bps |
| Basic earnings per share | $ 1.34 | $ 0.97 | $ 0.37 | 38 | $ 2.31 | $ 1.80 | $ 0.51 | 28 |
| Diluted earnings per share | $ 1.33 | $ 0.97 | $ 0.36 | 37 | $ 2.31 | $ 1.80 | $ 0.51 | 28 |
| **Shares Outstanding** | | | | | | | | |
| Weighted average number of basic shares outstanding (millions) | 923.8 | 932.8 | (9.0) | (1) | 928.4 | 932.6 | (4.2) | — |
| Weighted average number of diluted shares outstanding (millions) | 924.8 | 934.6 | (9.8) | (1) | 929.5 | 934.5 | (5.0) | (1) |
| **Foreign Exchange** | | | | | | | | |
| Average foreign exchange rate (U.S.$/Canadian$) | 0.72 | 0.73 | (0.01) | (1) | 0.71 | 0.74 | (0.03) | (4) |
| Average foreign exchange rate (Canadian$/U.S.$) | 1.38 | 1.37 | 0.01 | 1 | 1.41 | 1.36 | 0.05 | 4 |
| Average foreign exchange rate (Mexican peso/Canadian$) | 14.09 | 12.61 | 1.48 | 12 | 14.16 | 12.61 | 1.55 | 12 |
| Average foreign exchange rate (Canadian$/Mexican peso) | 0.0710 | 0.0794 | (0.0084) | (11) | 0.0706 | 0.0794 | (0.0088) | (11) |

## Summary of Rail Data (Continued)

| Commodity Data | Second Quarter 2025 | Second Quarter 2024 | Second Quarter Total Change | Second Quarter % Change | Second Quarter FX Adjusted % Change[1] | Year-to-date 2025 | Year-to-date 2024 | Year-to-date Total Change | Year-to-date % Change | Year-to-date FX Adjusted % Change[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Freight Revenues (millions)** | | | | | | | | | | |
| - Grain | **$ 743** | $ 665 | $ 78 | **12** | 11 | **$1,531** | $1,395 | $ 136 | **10** | 7 |
| - Coal | **256** | 236 | 20 | **8** | 8 | **513** | 445 | 68 | **15** | 14 |
| - Potash | **167** | 180 | (13) | **(7)** | (8) | **323** | 317 | 6 | **2** | — |
| - Fertilizers and sulphur | **98** | 103 | (5) | **(5)** | (6) | **212** | 207 | 5 | **2** | — |
| - Forest products | **195** | 203 | (8) | **(4)** | (5) | **412** | 405 | 7 | **2** | (1) |
| - Energy, chemicals and plastics | **712** | 695 | 17 | **2** | 2 | **1,470** | 1,397 | 73 | **5** | 3 |
| - Metals, minerals and consumer products | **444** | 464 | (20) | **(4)** | (3) | **892** | 904 | (12) | **(1)** | (2) |
| - Automotive | **330** | 358 | (28) | **(8)** | (5) | **645** | 623 | 22 | **4** | 5 |
| - Intermodal | **684** | 630 | 54 | **9** | 8 | **1,358** | 1,268 | 90 | **7** | 6 |
| Total Freight Revenues | **$3,629** | $3,534 | $ 95 | **3** | 3 | **$7,356** | $6,961 | $ 395 | **6** | 4 |
| **Freight Revenue per Revenue Ton-Mile ("RTM") (cents)** | | | | | | | | | | |
| - Grain | **4.96** | 5.02 | (0.06) | **(1)** | (2) | **5.12** | 5.02 | 0.10 | **2** | (1) |
| - Coal | **4.22** | 4.07 | 0.15 | **4** | 3 | **4.33** | 4.03 | 0.30 | **7** | 6 |
| - Potash | **3.15** | 3.63 | (0.48) | **(13)** | (14) | **3.32** | 3.49 | (0.17) | **(5)** | (7) |
| - Fertilizers and sulphur | **8.03** | 7.89 | 0.14 | **2** | 1 | **8.01** | 7.75 | 0.26 | **3** | 1 |
| - Forest products | **8.72** | 9.05 | (0.33) | **(4)** | (5) | **9.00** | 9.02 | (0.02) | **—** | (3) |
| - Energy, chemicals and plastics | **7.78** | 7.21 | 0.57 | **8** | 8 | **7.80** | 7.21 | 0.59 | **8** | 6 |
| - Metals, minerals and consumer products | **9.05** | 9.33 | (0.28) | **(3)** | (2) | **9.31** | 9.34 | (0.03) | **—** | (1) |
| - Automotive | **23.31** | 27.41 | (4.10) | **(15)** | (12) | **24.35** | 27.05 | (2.70) | **(10)** | (9) |
| - Intermodal | **6.67** | 7.28 | (0.61) | **(8)** | (9) | **6.98** | 7.23 | (0.25) | **(3)** | (5) |
| Total Freight Revenue per RTM | **6.54** | 6.78 | (0.24) | **(4)** | (4) | **6.73** | 6.70 | 0.03 | **—** | (1) |
| **Freight Revenue per Carload** | | | | | | | | | | |
| - Grain | **$5,210** | $5,159 | $ 51 | **1** | — | **$5,541** | $5,341 | $ 200 | **4** | 1 |
| - Coal | **2,159** | 2,167 | (8) | **—** | (1) | **2,165** | 2,050 | 115 | **6** | 4 |
| - Potash | **3,523** | 3,644 | (121) | **(3)** | (4) | **3,704** | 3,669 | 35 | **1** | (1) |
| - Fertilizers and sulphur | **6,282** | 6,059 | 223 | **4** | 3 | **6,347** | 6,053 | 294 | **5** | 2 |
| - Forest products | **5,945** | 5,867 | 78 | **1** | — | **6,095** | 5,745 | 350 | **6** | 3 |
| - Energy, chemicals and plastics | **4,989** | 4,881 | 108 | **2** | 2 | **5,154** | 4,869 | 285 | **6** | 3 |
| - Metals, minerals and consumer products | **3,541** | 3,447 | 94 | **3** | 4 | **3,571** | 3,420 | 151 | **4** | 4 |
| - Automotive | **5,288** | 5,416 | (128) | **(2)** | 1 | **5,366** | 5,115 | 251 | **5** | 6 |
| - Intermodal | **1,489** | 1,561 | (72) | **(5)** | (5) | **1,517** | 1,555 | (38) | **(2)** | (4) |
| Total Freight Revenue per Carload | **$3,164** | $3,256 | $ (92) | **(3)** | (3) | **$3,267** | $3,226 | $ 41 | **1** | — |

(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 | Second Quarter 2025 | Second Quarter 2024 | Total Change | % Change | Year-to-date 2025 | Year-to-date 2024 | Total Change | % Change |
|---|---|---|---|---|---|---|---|---|
| **Millions of RTM** | | | | | | | | |
| - Grain | **14,970** | 13,240 | 1,730 | **13** | **29,912** | 27,810 | 2,102 | **8** |
| - Coal | **6,073** | 5,794 | 279 | **5** | **11,856** | 11,046 | 810 | **7** |
| - Potash | **5,304** | 4,965 | 339 | **7** | **9,723** | 9,075 | 648 | **7** |
| - Fertilizers and sulphur | **1,220** | 1,305 | (85) | **(7)** | **2,647** | 2,671 | (24) | **(1)** |
| - Forest products | **2,236** | 2,244 | (8) | **—** | **4,579** | 4,488 | 91 | **2** |
| - Energy, chemicals and plastics | **9,148** | 9,644 | (496) | **(5)** | **18,849** | 19,363 | (514) | **(3)** |
| - Metals, minerals and consumer products | **4,905** | 4,974 | (69) | **(1)** | **9,586** | 9,675 | (89) | **(1)** |
| - Automotive | **1,416** | 1,306 | 110 | **8** | **2,649** | 2,303 | 346 | **15** |
| - Intermodal | **10,257** | 8,658 | 1,599 | **18** | **19,452** | 17,537 | 1,915 | **11** |
| Total RTMs | **55,529** | 52,130 | 3,399 | **7** | **109,253** | 103,968 | 5,285 | **5** |
| **Carloads (thousands)** | | | | | | | | |
| - Grain | **142.6** | 128.9 | 13.7 | **11** | **276.3** | 261.2 | 15.1 | **6** |
| - Coal | **118.6** | 108.9 | 9.7 | **9** | **237.0** | 217.1 | 19.9 | **9** |
| - Potash | **47.4** | 49.4 | (2.0) | **(4)** | **87.2** | 86.4 | 0.8 | **1** |
| - Fertilizers and sulphur | **15.6** | 17.0 | (1.4) | **(8)** | **33.4** | 34.2 | (0.8) | **(2)** |
| - Forest products | **32.8** | 34.6 | (1.8) | **(5)** | **67.6** | 70.5 | (2.9) | **(4)** |
| - Energy, chemicals and plastics | **142.7** | 142.4 | 0.3 | **—** | **285.2** | 286.9 | (1.7) | **(1)** |
| - Metals, minerals and consumer products | **125.4** | 134.6 | (9.2) | **(7)** | **249.8** | 264.3 | (14.5) | **(5)** |
| - Automotive | **62.4** | 66.1 | (3.7) | **(6)** | **120.2** | 121.8 | (1.6) | **(1)** |
| - Intermodal | **459.5** | 403.5 | 56.0 | **14** | **894.9** | 815.6 | 79.3 | **10** |
| Total Carloads | **1,147.0** | 1,085.4 | 61.6 | **6** | **2,251.6** | 2,158.0 | 93.6 | **4** |

| | Second Quarter 2025 | Second Quarter 2024 | Total Change | % Change | FX Adjusted % Change[1] | Year-to-date 2025 | Year-to-date 2024 | Total Change | % Change | FX Adjusted % Change[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Expenses (millions)** | | | | | | | | | | |
| Compensation and benefits | **$ 659** | $ 612 | $ 47 | **8** | 9 | **$ 1,341** | $ 1,302 | $ 39 | **3** | 3 |
| Fuel | **405** | 466 | (61) | **(13)** | (12) | **886** | 924 | (38) | **(4)** | (5) |
| Materials | **124** | 97 | 27 | **28** | 29 | **248** | 191 | 57 | **30** | 31 |
| Equipment rents | **103** | 82 | 21 | **26** | 23 | **202** | 164 | 38 | **23** | 18 |
| Depreciation and amortization | **493** | 473 | 20 | **4** | 4 | **997** | 940 | 57 | **6** | 4 |
| Purchased services and other | **572** | 606 | (34) | **(6)** | (5) | **1,160** | 1,186 | (26) | **(2)** | (3) |
| Total Operating Expenses | **$ 2,356** | $ 2,336 | $ 20 | **1** | 1 | **$ 4,834** | $ 4,707 | $ 127 | **3** | 2 |

(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)

| | Second Quarter | | | | Year-to-date | | | |
|---|---|---|---|---|---|---|---|---|
| | **2025** | **2024** | **Total Change** | **% Change** | **2025** | **2024** | **Total Change** | **% Change** |
| **Operations Performance** | | | | | | | | |
| Gross ton-miles ("GTMs") (millions) | **101,973** | 96,579 | 5,394 | **6** | **200,385** | 192,388 | 7,997 | **4** |
| Train miles (thousands) | **11,960** | 11,523 | 437 | **4** | **23,764** | 23,518 | 246 | **1** |
| Average train weight - excluding local traffic (tons) | **9,187** | 9,090 | 97 | **1** | **9,111** | 8,860 | 251 | **3** |
| Average train length - excluding local traffic (feet) | **7,844** | 7,761 | 83 | **1** | **7,737** | 7,538 | 199 | **3** |
| Average terminal dwell (hours) | **10.2** | 9.5 | 0.7 | **7** | **10.2** | 9.6 | 0.6 | **6** |
| Average train speed (miles per hour, or "mph")(1) | **19.3** | 19.3 | — | **—** | **19.2** | 19.2 | — | **—** |
| Locomotive productivity (GTMs / operating horsepower)(2) | **169** | 172 | (3) | **(2)** | **166** | 165 | 1 | **1** |
| Fuel efficiency(3) | **1.034** | 1.027 | 0.007 | **1** | **1.049** | 1.046 | 0.003 | **—** |
| U.S. gallons of locomotive fuel consumed (millions)(4) | **105.5** | 99.2 | 6.3 | **6** | **210.2** | 201.3 | 8.9 | **4** |
| Average fuel price (U.S. dollars per U.S. gallon) | **2.77** | 3.44 | (0.67) | **(19)** | **2.99** | 3.39 | (0.40) | **(12)** |
| **Total Employees and Workforce** | | | | | | | | |
| Total employees (average)(5) | **20,138** | 20,441 | (303) | **(1)** | **19,943** | 20,219 | (276) | **(1)** |
| Total employees (end of period)(5) | **20,107** | 20,374 | (267) | **(1)** | **20,107** | 20,374 | (267) | **(1)** |
| Workforce (end of period)(6) | **20,189** | 20,482 | (293) | **(1)** | **20,189** | 20,482 | (293) | **(1)** |
| **Safety Indicators**(7) | | | | | | | | |
| FRA personal injuries per 200,000 employee-hours | **0.77** | 0.84 | (0.07) | **(8)** | **0.88** | 0.99 | (0.11) | **(11)** |
| FRA train accidents per million train-miles | **0.97** | 0.70 | 0.27 | **39** | **0.68** | 0.80 | (0.12) | **(15)** |

(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 CPKC's yards; ii) passenger trains; and iii) trains used for repairing track. An increase in average train speed indicates improved on-time performance resulting in improved asset utilization.

(2) Locomotive productivity is defined as the daily average 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.

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

(4) Fuel consumed includes gallons 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 CPKC. CPKC monitors employment levels in order to efficiently meet service and strategic requirements. The number of employees is a key driver to total compensation and benefits costs.

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

(7) Federal Railroad Administration ("FRA") personal injuries per 200,000 employee-hours and FRA train accidents per million train-miles for the three and six months ended June 30, 2024 have been restated to 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 current period's financial results that can be compared with the results of operations in prior periods. Management believes these Non-GAAP measures facilitate a multi-period assessment of long-term profitability.

These Non-GAAP measures have no standardized meanings 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 and Liquidity Measures

Beginning in the first quarter 2025, Core adjusted operating income, Core adjusted operating ratio, Core adjusted income, Core adjusted diluted earnings per share ("EPS"), Adjusted free cash, and Adjusted net debt to adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio have been used in continuity of the Non-GAAP measures previously known as Core adjusted combined operating income, Core adjusted combined operating ratio, Core adjusted combined income, Core adjusted combined diluted EPS, Adjusted combined free cash, and Adjusted combined net debt to adjusted combined EBITDA ratio respectively. No adjustments are required to the previously presented Non-GAAP measures as reported in 2024 to present them on a comparable basis, as Kansas City Southern ("KCS") was consolidated within the Company's results throughout the whole year and therefore, no combination adjustments exist.

The Company uses Core adjusted operating income, Core adjusted operating ratio, Core adjusted income, and Core adjusted diluted EPS to evaluate the Company's operating performance and for planning and forecasting future business operations and future profitability. In addition to the Core adjusted Non-GAAP performance measures noted above, other Non-GAAP liquidity measures include Adjusted free cash and Adjusted net debt to adjusted EBITDA ratio.

Management believes these Non-GAAP measures provide meaningful supplemental information about our financial results and improved comparability to past performance because they exclude certain significant items that are not considered indicative of future or past financial trends either by nature or amount. As a result, these items are excluded for management's 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, adjustments to provisions and settlements of Mexican taxes, a gain on sale of an equity investment, discrete tax items, 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, integration costs including third-party services and system migration, restructuring, and employee retention and synergy incentive costs. These items may not be non-recurring and may include items that are settled in cash. Specifically, due to the magnitude of the acquisition, its significant impact to the Company's business and complexity of integrating the acquired business and operations, the Company continues to expect to incur acquisition-related costs beyond the year of acquisition. Management believes excluding these significant items from GAAP results provides an additional viewpoint which may give users a consistent understanding of the Company's financial performance when performing a multi-period assessment including assessing the likelihood of future results. Accordingly, these Non-GAAP financial measures may provide additional insight to investors and other external users of the Company's financial information.

In addition, these Non-GAAP measures exclude KCS purchase accounting. KCS purchase accounting represents the amortization of basis differences being the incremental depreciation and amortization in relation to fair value adjustments to properties and intangible assets, incremental amortization in relation to fair value adjustments to KCS's investments, amortization of the change in fair value of debt of KCS assumed on April 14, 2023 (the "Control Date"), and depreciation and amortization of fair value adjustments that are attributable to the non-controlling interest, as recognized within "Depreciation and amortization", "Other income", "Net interest expense", and "Net loss attributable to non-controlling interest", respectively, in the Company's Interim Consolidated Statements of Income. All assets subject to KCS purchase accounting contribute to income generation and will continue to amortize over their estimated useful lives. Excluding KCS purchase accounting from GAAP results provides financial statement users with additional transparency by isolating the impact of KCS purchase accounting.

Significant items that impact "Net income attributable to controlling shareholders" as reported on a GAAP basis for the first six months of 2025, the twelve months of 2024 and the six months ended December 31, 2023 include:

2025:

- in the second quarter, a gain on sale of an equity investment of $333 million ($282 million after current income tax expense of $76 million net of deferred income tax recovery of $25 million) recognized in "Gain on sale of equity investment", that favourably impacted Diluted EPS by 30 cents;
- during the first six months, acquisition-related costs of $39 million in connection with the KCS acquisition ($29 million after current income tax recovery of $10 million), including an expense of $12 million recognized in "Compensation and benefits" primarily related to retention and synergy related incentive compensation costs; $1 million recognized in "Materials"; and $26 million recognized in "Purchased services and other" primarily related to system migration, legal fees, and other third party purchased services, that unfavourably impacted Diluted EPS by 3 cents as follows:
  - in the second quarter, acquisition-related costs of $19 million in connection with the KCS acquisition ($14 million after current income tax recovery of $5 million) including costs of $7 million recognized in "Compensation and benefits"; and $12 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents; and
  - in the first quarter, acquisition-related costs of $20 million in connection with the KCS acquisition ($15 million after current income tax recovery of $5 million) including costs of $5 million recognized in "Compensation and benefits"; $1 million recognized in "Materials"; and $14 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents.

2024:
- during the course of the year, a deferred income tax recovery of $81 million on account of changes in tax rates, that favourably impacted Diluted EPS by 9 cents as follows:
  - in the fourth quarter, a deferred income tax recovery of $78 million due to a decrease in the Louisiana state corporate income tax rate, that favourably impacted Diluted EPS by 9 cents; and
  - in the second quarter, a deferred income tax recovery of $3 million due to a decrease in the Arkansas state corporate income tax rate, that had minimal impact on Diluted EPS;
- during the course of the year, adjustments to provisions and settlements of Mexican taxes of $4 million recovery ($2 million after deferred income tax expense of $2 million) recognized in "Compensation and benefits", that had minimal impact on Diluted EPS as follows:
  - in the fourth quarter, adjustments to provisions and settlements of Mexican taxes of $7 million recovery ($6 million after deferred income tax expense of $1 million) recognized in "Compensation and benefits", that had minimal impact on Diluted EPS;
  - in the third quarter, adjustments to provisions and settlements of Mexican taxes of $7 million recovery ($6 million after deferred income tax expense of $1 million) recognized in "Compensation and benefits", that favourably impacted Diluted EPS by 1 cent; and
  - in the first quarter, adjustments to provisions and settlements of Mexican taxes of $10 million expense ($10 million after deferred income tax recovery) recognized in "Compensation and benefits", that unfavourably impacted Diluted EPS by 1 cent; and
- during the course of the year, acquisition-related costs of $112 million in connection with the KCS acquisition ($82 million after current income tax recovery of $30 million), including an expense of $18 million recognized in "Compensation and benefits" primarily related to retention and synergy related incentive compensation costs; $6 million recognized in "Materials"; and $88 million recognized in "Purchased services and other" primarily related to system migration, relocation expenses, legal and consulting fees, that unfavourably impacted Diluted EPS by 9 cents as follows:
  - in the fourth quarter, acquisition-related costs of $22 million in connection with the KCS acquisition ($17 million after current income tax recovery of $5 million) including costs of $1 million recognized in "Compensation and benefits", $1 million recognized in "Materials", and $20 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents;
  - in the third quarter, acquisition-related costs of $36 million in connection with the KCS acquisition ($26 million after current income tax recovery of $10 million) including costs of $11 million recognized in "Compensation and benefits", $1 million recognized in "Materials", and $24 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 3 cents;
  - in the second quarter, acquisition-related costs of $28 million in connection with the KCS acquisition ($19 million after current income tax recovery of $9 million) including costs of $2 million recognized in "Compensation and benefits", $2 million recognized in "Materials", and $24 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents; and
  - in the first quarter, acquisition-related costs of $26 million in connection with the KCS acquisition ($20 million after current income tax recovery of $6 million) including costs of $4 million recognized in "Compensation and benefits", $2 million recognized in "Materials", and $20 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents.

2023:
- during the six months ended December 31, 2023, a current tax expense of $16 million related to a tax settlement with the Servicio de Administracion Tributaria ("SAT") of $13 million and a reserve for the estimated impact of potential future audit settlements of $3 million, that unfavourably impacted Diluted EPS by 2 cents as follows:
  - in the fourth quarter, a current tax expense of $1 million related to a tax settlement with the SAT that had minimal impact on Diluted EPS; and
  - in the third quarter, adjustments to provisions and settlements of Mexican taxes of $15 million related to a tax settlement with the Servicio de Administracion Tributaria ("SAT") of $9 million and reserves for the estimated impact of potential future audit settlements of $6 million of which $3 million was settled in the fourth quarter, that unfavourably impacted Diluted EPS by 2 cents;
- during the six months ended December 31, 2023, a deferred income tax recovery of $21 million on account of changes in tax rates and apportionment, that favourably impacted Diluted EPS by 3 cents as follows:
  - in the fourth quarter, a deferred income tax recovery of $7 million due to CPKC unitary state apportionment changes, that favourably impacted Diluted EPS by 1 cent;
  - in the third quarter, a deferred income tax recovery of $14 million due to decreases in the Iowa and Arkansas state corporate income tax rates, that favourably impacted Diluted EPS by 2 cents; and
- during the six months ended December 31, 2023, acquisition-related costs of $56 million in connection with the KCS acquisition ($42 million after current income tax recovery of $14 million), including an expense of $8 million recognized in "Compensation and benefits" primarily related to restructuring costs, retention and synergy related incentive compensation costs; $2 million recognized in "Materials"; $46 million recognized in "Purchased services and other" primarily related to third party purchased services, that unfavourably impacted Diluted EPS by 4 cents as follows:
  - in the fourth quarter, acquisition-related costs of $32 million ($24 million after current income tax recovery of $8 million), including costs of $7 million recognized in "Compensation and benefits", $1 million recognized in "Materials", and $24 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents;
  - in the third quarter, acquisition-related costs of $24 million ($18 million after current income tax recovery of $6 million), including costs of $1 million recognized in "Compensation and benefits", $1 million recognized in "Materials", and $22 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents.

KCS purchase accounting included in "Net income attributable to controlling shareholders" as reported on a GAAP basis for the first six months of 2025, the twelve months of 2024 and the last six months ended December 31, 2023 was as follows:

2025:
- during the first six months, KCS purchase accounting of $187 million ($137 million after deferred income tax recovery of $50 million), including costs of $178 million recognized in "Depreciation and amortization", $1 million recognized in "Purchased services and other" related to the amortization of equity investments, $10 million recognized in "Net interest expense", $1 million recognized in "Other income", and a recovery of $3 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 14 cents as follows:

- in the second quarter, KCS purchase accounting of $95 million ($70 million after deferred income tax recovery of $25 million), including costs of $91 million recognized in "Depreciation and amortization", $5 million recognized in "Net interest expense", and a recovery of $1 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 7 cents; and
- in the first quarter, KCS purchase accounting of $92 million ($67 million after deferred income tax recovery of $25 million), including costs of $87 million recognized in "Depreciation and amortization", $1 million recognized in "Purchased services and other", $5 million recognized in "Net interest expense", $1 million recognized in "Other income", and a recovery of $2 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 7 cents.

2024:

- during the course of the year, KCS purchase accounting of $352 million ($256 million after deferred income tax recovery of $96 million), including costs of $333 million recognized in "Depreciation and amortization", $3 million recognized in "Purchased services and other" related to the amortization of equity investments, $20 million recognized in "Net interest expense", $3 million recognized in "Other income", and a recovery of $7 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 27 cents as follows:
  - in the fourth quarter, KCS purchase accounting of $93 million ($68 million after deferred income tax recovery of $25 million), including costs of $87 million recognized in "Depreciation and amortization", $1 million recognized in "Purchased services and other", $6 million recognized in "Net interest expense", $1 million recognized in "Other income", and a recovery of $2 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 8 cents;
  - in the third quarter, KCS purchase accounting of $89 million ($65 million after deferred income tax recovery of $24 million), including costs of $85 million recognized in "Depreciation and amortization", $4 million recognized in "Net interest expense", $1 million recognized in "Other income", and a recovery of $1 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 7 cents;
  - in the second quarter, KCS purchase accounting of $86 million ($62 million after deferred income tax recovery of $24 million), including costs of $82 million recognized in "Depreciation and amortization", $1 million recognized in "Purchased services and other", $5 million recognized in "Net interest expense", and a recovery of $2 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 6 cents; and
  - in the first quarter, KCS purchase accounting of $84 million ($61 million after deferred income tax recovery of $23 million), including costs of $79 million recognized in "Depreciation and amortization", $1 million recognized in "Purchased services and other", $5 million recognized in "Net interest expense", $1 million recognized in "Other income", and a recovery of $2 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 7 cents.

2023:

- during the six months ended December 31, 2023, KCS purchase accounting of $174 million ($125 million after deferred income tax recovery of $49 million), including costs of $166 million recognized in "Depreciation and amortization", $1 million recognized in "Purchased services and other" related to the amortization of equity investments, $11 million recognized in "Net interest expense", $1 million recognized in "Other income", and a recovery of $5 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 14 cents as follows:
  - in the fourth quarter, KCS purchase accounting of $87 million ($62 million after deferred income tax recovery of $25 million), including costs of $85 million recognized in "Depreciation and amortization", $1 million recognized in "Purchased services and other", $6 million recognized in "Net interest expense", and a recovery of $5 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 7 cents;
  - in the third quarter, KCS purchase accounting of $87 million ($63 million after deferred income tax recovery of $24 million), including costs of $81 million recognized in "Depreciation and amortization", $5 million recognized in "Net interest expense", and $1 million recognized in "Other income", that unfavourably impacted Diluted EPS by 7 cents.

## Reconciliation of GAAP Performance Measures to Non-GAAP Performance Measures

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

*Core Adjusted Income and Core Adjusted Diluted Earnings per Share*

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

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| (in millions of Canadian dollars) | **2025** | 2024 | **2025** | 2024 |
| **Net income attributable to controlling shareholders as reported** | **$ 1,234** | $ 905 | **$ 2,144** | $ 1,680 |
| Less: | | | | |
| Significant items (pre-tax): | | | | |
| Gain on sale of equity investment | **333** | — | **333** | — |
| Adjustments to provisions and settlements of Mexican taxes | **—** | — | **—** | (10) |
| Acquisition-related costs | **(19)** | (28) | **(39)** | (54) |
| KCS purchase accounting | **(95)** | (86) | **(187)** | (170) |
| Add: | | | | |
| Tax effect of adjustments[(1)] | **21** | (33) | **(9)** | (62) |
| Income tax rate changes | **—** | (3) | **—** | (3) |
| **Core adjusted income** | **$ 1,036** | $ 983 | **$ 2,028** | $ 1,849 |

(1) The tax effect of adjustments was calculated as the pre-tax effect of the significant items and KCS purchase accounting listed above multiplied by the applicable tax rate for the above items of 9.45% and 8.67% for the three and six months ended June 30, 2025, and 28.72% and 26.61% for the three and six months ended June 30, 2024, respectively. The applicable tax rates reflect the taxable jurisdictions and nature, being on account of capital or income, of the adjustments.

Core adjusted diluted EPS is calculated using Diluted EPS reported on a GAAP basis adjusted for significant items less KCS purchase accounting.

| | For the three months ended June 30 | | For the six months ended June 30 | | For the year ended December 31 |
|---|---|---|---|---|---|
| | **2025** | 2024 | **2025** | 2024 | 2024 |
| **Diluted earnings per share as reported** | **$ 1.33** | $ 0.97 | **$ 2.31** | $ 1.80 | $ 3.98 |
| Less: | | | | | |
| Significant items (pre-tax): | | | | | |
| Gain on sale of equity investment | **0.36** | — | **0.36** | — | — |
| Adjustments to provisions and settlements of Mexican taxes | **—** | — | **—** | (0.01) | — |
| Acquisition-related costs | **(0.02)** | (0.03) | **(0.04)** | (0.06) | (0.12) |
| KCS purchase accounting | **(0.10)** | (0.09) | **(0.20)** | (0.18) | (0.38) |
| Add: | | | | | |
| Tax effect of adjustments[(1)] | **0.03** | (0.04) | **(0.01)** | (0.07) | (0.14) |
| Income tax rate changes | **—** | — | **—** | — | (0.09) |
| **Core adjusted diluted earnings per share** | **$ 1.12** | $ 1.05 | **$ 2.18** | $ 1.98 | $ 4.25 |

(1) The tax effect of adjustments was calculated as the pre-tax effect of the significant items and KCS purchase accounting listed above multiplied by the applicable tax rate for the above items of 9.45% and 8.67% for the three and six months ended June 30, 2025, 28.72% and 26.61% for the three and six months ended June 30, 2024, and 27.13% for the year ended December 31, 2024, respectively. The applicable tax rates reflect the taxable jurisdictions and nature, being on account of capital or income, of the adjustments.

*Core Adjusted Operating Income and Core Adjusted Operating Ratio*

Core adjusted operating income and Core adjusted operating ratio are calculated from reported GAAP revenue and operating expenses adjusted for, where applicable, (1) significant items (acquisition-related costs and adjustments to provisions and settlement of Mexican taxes) that are reported within Operating income, and (2) KCS purchase accounting recognized in "Depreciation and amortization" and "Purchased services and other".

| (in millions of Canadian dollars) | For the three months ended June 30 2025 | 2024 | For the six months ended June 30 2025 | 2024 |
|---|---|---|---|---|
| **Operating income as reported** | **$ 1,343** | $ 1,267 | **$ 2,660** | $ 2,416 |
| Less: | | | | |
| Adjustments to provisions and settlements of Mexican taxes | **—** | — | **—** | (10) |
| Acquisition-related costs | **(19)** | (28) | **(39)** | (54) |
| KCS purchase accounting in Operating expenses | **(91)** | (83) | **(179)** | (163) |
| **Core adjusted operating income** | **$ 1,453** | $ 1,378 | **$ 2,878** | $ 2,643 |

| | For the three months ended June 30 2025 | 2024 | For the six months ended June 30 2025 | 2024 |
|---|---|---|---|---|
| **Operating ratio as reported** | **63.7 %** | 64.8 % | **64.5 %** | 66.1 % |
| Less: | | | | |
| Adjustments to provisions and settlements of Mexican taxes | **— %** | — % | **— %** | 0.1 % |
| Acquisition-related costs | **0.5 %** | 0.7 % | **0.5 %** | 0.8 % |
| KCS purchase accounting in Operating expenses | **2.5 %** | 2.3 % | **2.4 %** | 2.3 % |
| **Core adjusted operating ratio** | **60.7 %** | 61.8 % | **61.6 %** | 62.9 % |

*Adjusted Free Cash*

Adjusted free cash is calculated as Net cash provided by operating activities, less Net cash used in investing activities, adjusted for changes in Cash and cash equivalents balances resulting from FX fluctuations, the cash flow impacts of acquisition-related costs associated with the KCS acquisition, settlements of Mexican taxes, settlement of foreign currency forward contracts, net of tax, and net proceeds from the sale of an equity investment, net of tax. The acquisition-related costs associated with the KCS acquisition, settlements of Mexican taxes, and settlement of foreign currency forward contracts, net of tax, are not indicative of operating trends and have been excluded from Adjusted free cash. Net proceeds from the sale of an equity investment, net of tax, is not indicative of investment trends and has also been excluded from Adjusted free cash. Adjusted free cash is useful to investors and other external users of the Company's Interim Consolidated Financial Statements as it assists with the evaluation of the Company's ability to generate cash to satisfy debt obligations and other activities such as dividends, share repurchase programs, and other strategic opportunities, and is an important performance criterion in determining certain elements of the Company's long-term incentive plan. Adjusted free cash should be considered in addition to, rather than as a substitute for, Net cash provided by operating activities.

Reconciliation of Net Cash Provided by Operating Activities to Adjusted Free Cash

| (in millions of Canadian dollars) | For the three months ended June 30 2025 | 2024 | For the six months ended June 30 2025 | 2024 |
|---|---|---|---|---|
| **Net cash provided by operating activities as reported** | **$ 1,355** | $ 1,278 | **$ 2,511** | $ 2,293 |
| Net cash used in investing activities | **(306)** | (782) | **(1,021)** | (1,324) |
| Effect of foreign currency fluctuations on foreign currency-denominated cash and cash equivalents | **(44)** | 6 | **(45)** | 19 |
| Less: | | | | |
| Settlements of Mexican taxes | **(1)** | — | **(12)** | (1) |
| Settlement of foreign currency forward contracts, net of tax | **—** | — | **—** | (46) |
| Acquisition-related costs | **(8)** | (24) | **(23)** | (46) |
| Net proceeds from sale of equity investment, net of tax | **409** | — | **409** | — |
| **Adjusted free cash** | **$ 605** | $ 526 | **$ 1,071** | $ 1,081 |

*Foreign Exchange Adjusted % Change*

FX adjusted % change allows certain financial results to be viewed without the impact of fluctuations in FX 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's results denominated in U.S. dollars and Mexican pesos at the FX rates of the current period.

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

| | For the three months ended June 30 | | | | |
|---|---|---|---|---|---|
| (in millions of Canadian dollars) | **Reported 2025** | Reported 2024 | Variance due to FX | FX Adjusted 2024 | FX Adjusted % Change |
| Freight revenues by line of business | | | | | |
| Grain | **$ 743** | $ 665 | $ 5 | $ 670 | 11 |
| Coal | **256** | 236 | 2 | 238 | 8 |
| Potash | **167** | 180 | 1 | 181 | (8) |
| Fertilizers and sulphur | **98** | 103 | 1 | 104 | (6) |
| Forest products | **195** | 203 | 2 | 205 | (5) |
| Energy, chemicals and plastics | **712** | 695 | 1 | 696 | 2 |
| Metals, minerals and consumer products | **444** | 464 | (6) | 458 | (3) |
| Automotive | **330** | 358 | (11) | 347 | (5) |
| Intermodal | **684** | 630 | 3 | 633 | 8 |
| Freight revenues | **3,629** | 3,534 | (2) | 3,532 | 3 |
| Non-freight revenues | **70** | 69 | — | 69 | 1 |
| **Total revenues** | **$ 3,699** | $ 3,603 | $ (2) | $ 3,601 | 3 |

| | For the six months ended June 30 | | | | |
|---|---|---|---|---|---|
| (in millions of Canadian dollars) | **Reported 2025** | Reported 2024 | Variance due to FX | FX Adjusted 2024 | FX Adjusted % Change |
| Freight revenues by line of business | | | | | |
| Grain | **$ 1,531** | $ 1,395 | $ 36 | $ 1,431 | 7 |
| Coal | **513** | 445 | 5 | 450 | 14 |
| Potash | **323** | 317 | 6 | 323 | — |
| Fertilizers and sulphur | **212** | 207 | 6 | 213 | — |
| Forest products | **412** | 405 | 12 | 417 | (1) |
| Energy, chemicals and plastics | **1,470** | 1,397 | 34 | 1,431 | 3 |
| Metals, minerals and consumer products | **892** | 904 | 5 | 909 | (2) |
| Automotive | **645** | 623 | (8) | 615 | 5 |
| Intermodal | **1,358** | 1,268 | 16 | 1,284 | 6 |
| Freight revenues | **7,356** | 6,961 | 112 | 7,073 | 4 |
| Non-freight revenues | **138** | 162 | 1 | 163 | (15) |
| **Total revenues** | **$ 7,494** | $ 7,123 | $ 113 | $ 7,236 | 4 |

FX adjusted % changes in Operating expenses are as follows:

| | For the three months ended June 30 | | | | |
|---|---|---|---|---|---|
| (in millions of Canadian dollars) | **Reported 2025** | Reported 2024 | Variance due to FX | FX Adjusted 2024 | FX Adjusted % Change |
| Compensation and benefits | **$ 659** | $ 612 | $ (8) | $ 604 | 9 |
| Fuel | **405** | 466 | (6) | 460 | (12) |
| Materials | **124** | 97 | (1) | 96 | 29 |
| Equipment rents | **103** | 82 | 2 | 84 | 23 |
| Depreciation and amortization | **493** | 473 | 2 | 475 | 4 |
| Purchased services and other | **572** | 606 | (3) | 603 | (5) |
| **Total operating expenses** | **$ 2,356** | $ 2,336 | $ (14) | $ 2,322 | 1 |

| (in millions of Canadian dollars) | **For the six months ended June 30** Reported 2025 | Reported 2024 | Variance due to FX | FX Adjusted 2024 | FX Adjusted % Change |
|---|---|---|---|---|---|
| Compensation and benefits | **$ 1,341** | $ 1,302 | $ (1) | $ 1,301 | 3 |
| Fuel | **886** | 924 | 5 | 929 | (5) |
| Materials | **248** | 191 | (1) | 190 | 31 |
| Equipment rents | **202** | 164 | 7 | 171 | 18 |
| Depreciation and amortization | **997** | 940 | 21 | 961 | 4 |
| Purchased services and other | **1,160** | 1,186 | 11 | 1,197 | (3) |
| **Total operating expenses** | **$ 4,834** | $ 4,707 | $ 42 | $ 4,749 | 2 |

FX adjusted % change in Operating income is as follows:

| (in millions of Canadian dollars) | **For the three months ended June 30** Reported 2025 | Reported 2024 | Variance due to FX | FX Adjusted 2024 | FX Adjusted % Change |
|---|---|---|---|---|---|
| Total revenues | **$ 3,699** | $ 3,603 | $ (2) | $ 3,601 | 3 |
| Total operating expenses | **2,356** | 2,336 | (14) | 2,322 | 1 |
| **Operating income** | **$ 1,343** | $ 1,267 | $ 12 | $ 1,279 | 5 |

| (in millions of Canadian dollars) | **For the six months ended June 30** Reported 2025 | Reported 2024 | Variance due to FX | FX Adjusted 2024 | FX Adjusted % Change |
|---|---|---|---|---|---|
| Total revenues | **$ 7,494** | $ 7,123 | $ 113 | $ 7,236 | 4 |
| Total operating expenses | **4,834** | 4,707 | 42 | 4,749 | 2 |
| **Operating income** | **$ 2,660** | $ 2,416 | $ 71 | $ 2,487 | 7 |

*Adjusted Net Debt to Adjusted EBITDA Ratio*

Adjusted net debt to adjusted 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, and is an important performance criterion in determining certain elements of the Company's long-term incentive plan. The Adjusted net debt to adjusted EBITDA ratio which is reconciled below from the Long-term debt to Net income attributable to controlling shareholders ratio, the most comparable measure calculated in accordance with GAAP.

Calculation of Long-term Debt to Net Income Attributable to Controlling Shareholders Ratio

The Long-term debt to Net income attributable to controlling shareholders ratio is calculated as Long-term debt, including Long-term debt maturing within one year, divided by Net income attributable to controlling shareholders.

| (in millions of Canadian dollars, except for ratios) | **2025** | 2024 |
|---|---|---|
| Long-term debt including long-term debt maturing within one year as at June 30 | **$ 22,269** | $ 22,624 |
| Net income attributable to controlling shareholders for the twelve months ended June 30 | **4,182** | 3,483 |
| **Long-term debt to Net income attributable to controlling shareholders ratio** | **5.3** | 6.5 |

Reconciliation of Long-term Debt to Adjusted Net Debt

Adjusted net debt is defined as Long-term debt and Long-term debt maturing within one year, as reported on the Company's Consolidated Balance Sheets adjusted for pension plans' deficit, operating lease liabilities, Cash and cash equivalents, and the fair value adjustment to KCS debt on the Control Date which is recognized under Long-term debt on the Company's Consolidated Balance Sheets. 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) | | 2025 | | 2024 |
|---|---|---|---|---|
| **Long-term debt including long-term debt maturing within one year as at June 30** | **$** | **22,269** | $ | 22,624 |
| Add: | | | | |
| Pension plans deficit[(1)] | | **160** | | 175 |
| Operating lease liabilities | | **390** | | 337 |
| Fair value adjustment to KCS debt upon Control[(2)] | | **465** | | 487 |
| Less: | | | | |
| Cash and cash equivalents | | **799** | | 557 |
| **Adjusted net debt** | **$** | **22,485** | $ | 23,066 |

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

(2) The fair value adjustment to KCS debt upon control represents the fair value adjustment based on the purchase price allocation at fair value, net of amortization of fair value adjustments from April 14, 2023 and the foreign currency translation impact on the fair value adjustment.

Reconciliation of Net Income Attributable to Controlling Shareholders to Adjusted EBITDA

Adjusted EBITDA is calculated as Net income attributable to controlling shareholders before Net interest expense, Income tax expense, Depreciation and amortization, and Operating lease expense recognized on the Company's Consolidated Statement of Income, excluding significant items reported in "Operating income" and "Other income", less "Other components of net periodic benefit recovery" recognized on the Company's Consolidated Statement of Income. Adjusted EBITDA is used as a performance measure derived from operating results, excluding significant items, as part of the calculation of Adjusted net debt to adjusted EBITDA. Detailed quarterly information on significant items that occurred within the 12 months ended June 30, 2025 and 2024 can be found under the earlier section *Core Adjusted Income and Core Adjusted Diluted Earnings Per Share.*

| | For the twelve months ended June 30 | | | |
|---|---|---|---|---|
| (in millions of Canadian dollars) | | 2025 | | 2024 |
| **Net income attributable to controlling shareholders as reported** | **$** | **4,182** | $ | 3,483 |
| Add: | | | | |
| Net interest expense | | **819** | | 819 |
| Income tax expense | | **1,157** | | 1,084 |
| Depreciation and amortization | | **1,957** | | 1,848 |
| Operating lease expense | | **111** | | 101 |
| Less: | | | | |
| Significant items (pre-tax): | | | | |
| Adjustments to provisions and settlements of Mexican taxes | | **14** | | (10) |
| Acquisition-related costs | | **(97)** | | (110) |
| Gain on sale of equity investment | | **333** | | — |
| Other components of net periodic benefit recovery | | **390** | | 334 |
| **Adjusted EBITDA** | **$** | **7,586** | $ | 7,121 |

Calculation of Adjusted Net Debt to Adjusted EBITDA Ratio

| (in millions of Canadian dollars, except for ratios) | | 2025 | | 2024 |
|---|---|---|---|---|
| Adjusted net debt as at June 30 | **$** | **22,485** | $ | 23,066 |
| Adjusted EBITDA for the twelve months ended June 30 | | **7,586** | | 7,121 |
| **Adjusted net debt to adjusted EBITDA ratio** | | **3.0** | | 3.2 |

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

**(Mark one)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2025**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**
**Commission File Number 001-01342**

# Canadian Pacific Kansas City Limited

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Canada** | **98-0355078** |
| (State or Other Jurisdiction of Incorporation or Organization) | (IRS Employer Identification No.) |
| **7550 Ogden Dale Road S.E., Calgary, Alberta, Canada** | **T2C 4X9** |
| (Address of principal executive offices) | (Zip Code) |

**(403) 319-7000**

Registrant’s Telephone Number, Including Area Code:

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Trading Symbol(s) | Name of each exchange on which Registered |
|---|---|---|
| **Common Shares, without par value, of Canadian Pacific Kansas City Limited** | **CP** | **New York Stock Exchange** |
| **Common Shares, without par value, of Canadian Pacific Kansas City Limited** | **CP** | **Toronto Stock Exchange** |
| **Perpetual 4% Consolidated Debenture Stock of Canadian Pacific Railway Company** | **CP40** | **New York Stock Exchange** |
| **Perpetual 4% Consolidated Debenture Stock of Canadian Pacific Railway Company** | **BC87** | **London Stock Exchange** |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | | |
|---|---|---|---|---|
| Large Accelerated Filer ☑ | Accelerated Filer ☐ | Non-accelerated Filer ☐ | Smaller Reporting Company ☐ | Emerging Growth Company ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of the close of business on July 29, 2025, there were 917,976,339 of the registrant’s Common Shares issued and outstanding.

# CANADIAN PACIFIC KANSAS CITY LIMITED
# FORM 10-Q
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**PART I - FINANCIAL INFORMATION**



**PART II - OTHER INFORMATION**

# PART I

## ITEM 1. FINANCIAL STATEMENTS

### INTERIM CONSOLIDATED STATEMENTS OF INCOME
**(unaudited)**

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| (in millions of Canadian dollars, except share and per share data) | **2025** | 2024 | **2025** | 2024 |
| **Revenues (Note 3)** | | | | |
| Freight | **$ 3,629** | $ 3,534 | **$ 7,356** | $ 6,961 |
| Non-freight | **70** | 69 | **138** | 162 |
| **Total revenues** | **3,699** | 3,603 | **7,494** | 7,123 |
| **Operating expenses** | | | | |
| Compensation and benefits | **659** | 612 | **1,341** | 1,302 |
| Fuel | **405** | 466 | **886** | 924 |
| Materials | **124** | 97 | **248** | 191 |
| Equipment rents | **103** | 82 | **202** | 164 |
| Depreciation and amortization | **493** | 473 | **997** | 940 |
| Purchased services and other | **572** | 606 | **1,160** | 1,186 |
| **Total operating expenses** | **2,356** | 2,336 | **4,834** | 4,707 |
| | | | | |
| **Operating income** | **1,343** | 1,267 | **2,660** | 2,416 |
| Other income | **(16)** | (40) | **(9)** | (42) |
| Other components of net periodic benefit recovery (Note 12) | **(107)** | (88) | **(214)** | (176) |
| Net interest expense | **208** | 200 | **424** | 406 |
| Gain on sale of equity investment (Note 4) | **(333)** | — | **(333)** | — |
| **Income before income tax expense** | **1,591** | 1,195 | **2,792** | 2,228 |
| Current income tax expense | **348** | 274 | **614** | 516 |
| Deferred income tax expense | **9** | 18 | **35** | 35 |
| Income tax expense (Note 5) | **357** | 292 | **649** | 551 |
| **Net income** | **$ 1,234** | $ 903 | **$ 2,143** | $ 1,677 |
| Net loss attributable to non-controlling interest | **—** | (2) | **(1)** | (3) |
| **Net income attributable to controlling shareholders** | **$ 1,234** | $ 905 | **$ 2,144** | $ 1,680 |
| | | | | |
| **Earnings per share (Note 6)** | | | | |
| Basic earnings per share | **$ 1.34** | $ 0.97 | **$ 2.31** | $ 1.80 |
| Diluted earnings per share | **$ 1.33** | $ 0.97 | **$ 2.31** | $ 1.80 |
| | | | | |
| **Weighted-average number of shares (millions) (Note 6)** | | | | |
| Basic | **923.8** | 932.8 | **928.4** | 932.6 |
| Diluted | **924.8** | 934.6 | **929.5** | 934.5 |
| | | | | |
| **Dividends declared per share** | **$ 0.228** | $ 0.190 | **$ 0.418** | $ 0.380 |

See Notes to Interim Consolidated Financial Statements.

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(unaudited)**

| (in millions of Canadian dollars) | For the three months ended June 30 **2025** | 2024 | For the six months ended June 30 **2025** | 2024 |
|---|---|---|---|---|
| Net income | **$ 1,234** | $ 903 | **$ 2,143** | $ 1,677 |
| Net (loss) gain in foreign currency translation adjustments, net of hedging activities | **(1,729)** | 301 | **(1,758)** | 1,000 |
| Change in derivatives designated as cash flow hedges | **—** | 3 | **1** | 4 |
| Change in pension and post-retirement defined benefit plans | **2** | 11 | **5** | 23 |
| Other comprehensive income (loss) from equity investees | **3** | (2) | **3** | (2) |
| Other comprehensive (loss) income before income taxes | **(1,724)** | 313 | **(1,749)** | 1,025 |
| Income tax (expense) recovery | **(32)** | — | **(35)** | 6 |
| Other comprehensive (loss) income (Note 7) | **(1,756)** | 313 | **(1,784)** | 1,031 |
| **Comprehensive (loss) income** | **$ (522)** | $ 1,216 | **$ 359** | $ 2,708 |
| Comprehensive (loss) income attributable to non-controlling interest | **(54)** | 9 | **(56)** | 31 |
| **Comprehensive (loss) income attributable to controlling shareholders** | **$ (468)** | $ 1,207 | **$ 415** | $ 2,677 |

See Notes to Interim Consolidated Financial Statements.

**INTERIM CONSOLIDATED BALANCE SHEETS AS AT**
**(unaudited)**

| (in millions of Canadian dollars) | | June 30 2025 | | December 31 2024 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | **$** | **799** | $ | 739 |
| Accounts receivable, net (Note 8) | | **2,005** | | 1,968 |
| Materials and supplies | | **455** | | 457 |
| Other current assets | | **266** | | 220 |
| | | **3,525** | | 3,384 |
| Investments (Note 4) | | **454** | | 586 |
| Properties | | **54,458** | | 56,024 |
| Goodwill | | **18,352** | | 19,350 |
| Intangible assets | | **2,940** | | 3,146 |
| Pension asset | | **4,782** | | 4,586 |
| Other assets | | **669** | | 668 |
| **Total assets** | **$** | **85,180** | $ | 87,744 |
| **Liabilities and equity** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities | **$** | **2,736** | $ | 2,842 |
| Long-term debt maturing within one year (Note 9, 10) | | **1,042** | | 2,819 |
| | | **3,778** | | 5,661 |
| Pension and other benefit liabilities | | **545** | | 548 |
| Other long-term liabilities | | **875** | | 867 |
| Long-term debt (Note 9, 10) | | **21,227** | | 19,804 |
| Deferred income taxes | | **11,608** | | 11,974 |
| **Total liabilities** | | **38,033** | | 38,854 |
| **Shareholders' equity** | | | | |
| Share capital | | **25,285** | | 25,689 |
| Additional paid-in capital | | **105** | | 94 |
| Accumulated other comprehensive income (Note 7) | | **951** | | 2,680 |
| Retained earnings | | **19,863** | | 19,429 |
| | | **46,204** | | 47,892 |
| **Non-controlling interest** | | **943** | | 998 |
| **Total equity** | | **47,147** | | 48,890 |
| **Total liabilities and equity** | **$** | **85,180** | $ | 87,744 |

See Contingencies (Note 14).

See Notes to Interim Consolidated Financial Statements.

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(unaudited)**

| (in millions of Canadian dollars) | For the three months ended June 30 2025 | For the three months ended June 30 2024 | For the six months ended June 30 2025 | For the six months ended June 30 2024 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net income | **$ 1,234** | $ 903 | **$ 2,143** | $ 1,677 |
| Reconciliation of net income to cash provided by operating activities: | | | | |
| Depreciation and amortization | **493** | 473 | **997** | 940 |
| Deferred income tax expense | **9** | 18 | **35** | 35 |
| Pension recovery and funding (Note 12) | **(95)** | (75) | **(190)** | (151) |
| Gain on sale of equity investment (Note 4) | **(333)** | — | **(333)** | — |
| Settlement of Mexican taxes (Note 5) | **(1)** | — | **(12)** | — |
| Settlement of foreign currency forward contracts (Note 10) | **—** | — | **—** | (65) |
| Other operating activities, net | **39** | (69) | **28** | (68) |
| Changes in non-cash working capital balances related to operations | **9** | 28 | **(157)** | (75) |
| **Net cash provided by operating activities** | **1,355** | 1,278 | **2,511** | 2,293 |
| **Investing activities** | | | | |
| Additions to properties | **(743)** | (808) | **(1,454)** | (1,335) |
| Additions to Meridian Speedway properties | **(12)** | (16) | **(24)** | (20) |
| Proceeds from sale of properties and other assets | **4** | 9 | **15** | 10 |
| Proceeds from sale of equity investment (Note 4) | **493** | — | **493** | — |
| Other investing activities, net | **(48)** | 33 | **(51)** | 21 |
| **Net cash used in investing activities** | **(306)** | (782) | **(1,021)** | (1,324) |
| **Financing activities** | | | | |
| Dividends paid | **(210)** | (178) | **(387)** | (355) |
| Issuance of Common Shares | **30** | 20 | **38** | 42 |
| Purchase of Common Shares (Note 11) | **(1,393)** | — | **(1,740)** | — |
| Repayment of long-term debt, excluding commercial paper (Note 9) | **(5)** | (149) | **(940)** | (220) |
| Issuance of long-term debt, excluding commercial paper (Note 9) | **1,392** | — | **3,102** | — |
| Net repayment of commercial paper (Note 9) | **(722)** | (157) | **(1,175)** | (362) |
| Net issuance (repayment) of short term borrowings (Note 9) | **8** | — | **(277)** | — |
| Other financing activities, net | **(1)** | — | **(6)** | — |
| **Net cash used in financing activities** | **(901)** | (464) | **(1,385)** | (895) |
| **Effect of foreign currency fluctuations on foreign-denominated cash and cash equivalents** | **(44)** | 6 | **(45)** | 19 |
| **Cash position** | | | | |
| Net increase in cash and cash equivalents | **104** | 38 | **60** | 93 |
| Cash and cash equivalents at beginning of period | **695** | 519 | **739** | 464 |
| **Cash and cash equivalents at end of period** | **$ 799** | $ 557 | **$ 799** | $ 557 |
| | | | | |
| **Supplemental cash flow information** | | | | |
| Income taxes paid | **$ 409** | $ 309 | **$ 646** | $ 551 |
| Interest paid | **$ 234** | $ 161 | **$ 414** | $ 406 |

See Notes to Interim Consolidated Financial Statements.

## INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
**(unaudited)**

| (in millions of Canadian dollars except per share data) | Common shares (in millions) | Share capital | Additional paid-in capital | Accumulated other comprehensive income (loss) | Retained earnings | Total shareholders' equity | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | **For the three months ended June 30** | | | | | | | |
| **Balance as at April 1, 2025** | **930.4** | **$ 25,603** | **$ 107** | **$ 2,653** | **$ 19,883** | **$ 48,246** | **$ 997** | **$ 49,243** |
| Net income | **—** | **—** | **—** | **—** | **1,234** | **1,234** | **—** | **1,234** |
| Other comprehensive loss (Note 7) | **—** | **—** | **—** | **(1,702)** | **—** | **(1,702)** | **(54)** | **(1,756)** |
| Dividends declared ($0.228 per share) | **—** | **—** | **—** | **—** | **(210)** | **(210)** | **—** | **(210)** |
| Effect of stock-based compensation expense | **—** | **—** | **4** | **—** | **—** | **4** | **—** | **4** |
| Common Shares repurchased (Note 11) | **(13.1)** | **(354)** | **—** | **—** | **(1,044)** | **(1,398)** | **—** | **(1,398)** |
| Shares issued under stock option plan | **0.6** | **36** | **(6)** | **—** | **—** | **30** | **—** | **30** |
| **Balance as at June 30, 2025** | **917.9** | **$ 25,285** | **$ 105** | **$ 951** | **$ 19,863** | **$ 46,204** | **$ 943** | **$ 47,147** |
| Balance as at April 1, 2024 | 932.6 | $ 25,629 | $ 95 | $ 77 | $ 17,018 | $ 42,819 | $ 942 | $ 43,761 |
| Net income (loss) | — | — | — | — | 905 | 905 | (2) | 903 |
| Other comprehensive income (Note 7) | — | — | — | 302 | — | 302 | 11 | 313 |
| Dividends declared ($0.190 per share) | — | — | — | — | (178) | (178) | — | (178) |
| Effect of stock-based compensation expense | — | — | 3 | — | — | 3 | — | 3 |
| Shares issued under stock option plan | 0.5 | 26 | (5) | — | — | 21 | — | 21 |
| Balance as at June 30, 2024 | 933.1 | $ 25,655 | $ 93 | $ 379 | $ 17,745 | $ 43,872 | $ 951 | $ 44,823 |

| (in millions of Canadian dollars except per share data) | Common shares (in millions) | Share capital | Additional paid-in capital | Accumulated other comprehensive Income (loss) | Retained earnings | Total shareholders' equity | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | **For the six months ended June 30** | | | | | | | |
| **Balance at January 1, 2025** | **933.5** | **$ 25,689** | **$ 94** | **$ 2,680** | **$ 19,429** | **$ 47,892** | **$ 998** | **$ 48,890** |
| Net income (loss) | **—** | **—** | **—** | **—** | **2,144** | **2,144** | **(1)** | **2,143** |
| Contribution from non-controlling interest | **—** | **—** | **—** | **—** | **—** | **—** | **1** | **1** |
| Other comprehensive loss (Note 7) | **—** | **—** | **—** | **(1,729)** | **—** | **(1,729)** | **(55)** | **(1,784)** |
| Dividends declared ($0.418 per share) | **—** | **—** | **—** | **—** | **(387)** | **(387)** | **—** | **(387)** |
| Effect of stock-based compensation expense | **—** | **—** | **20** | **—** | **—** | **20** | **—** | **20** |
| Common Shares repurchased (Note 11) | **(16.4)** | **(450)** | **—** | **—** | **(1,323)** | **(1,773)** | **—** | **(1,773)** |
| Shares issued under stock option plan | **0.8** | **46** | **(9)** | **—** | **—** | **37** | **—** | **37** |
| **Balance as at June 30, 2025** | **917.9** | **$ 25,285** | **$ 105** | **$ 951** | **$ 19,863** | **$ 46,204** | **$ 943** | **$ 47,147** |
| Balance at January 1, 2024 | 932.1 | $ 25,602 | $ 88 | $ (618) | $ 16,420 | $ 41,492 | $ 919 | $ 42,411 |
| Net income (loss) | — | — | — | — | 1,680 | 1,680 | (3) | 1,677 |
| Contribution from non-controlling interest | — | — | — | — | — | — | 1 | 1 |
| Other comprehensive income (Note 7) | — | — | — | 997 | — | 997 | 34 | 1,031 |
| Dividends declared ($0.380 per share) | — | — | — | — | (355) | (355) | — | (355) |
| Effect of stock-based compensation expense | — | — | 16 | — | — | 16 | — | 16 |
| Shares issued under stock option plan | 1.0 | 53 | (11) | — | — | 42 | — | 42 |
| Balance as at June 30, 2024 | 933.1 | $ 25,655 | $ 93 | $ 379 | $ 17,745 | $ 43,872 | $ 951 | $ 44,823 |

See Notes to Interim Consolidated Financial Statements.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**June 30, 2025**
**(unaudited)**

## 1 Description of business and basis of presentation

Canadian Pacific Kansas City Limited ("CPKC" or the "Company") owns and operates a transcontinental freight railway spanning Canada, the United States ("U.S."), and Mexico. CPKC provides rail and intermodal transportation services over a network of approximately 20,000 miles, serving principal business centres across Canada, the U.S., and Mexico. The Company transports bulk commodities, merchandise, and intermodal freight. CPKC's Common Shares ("Common Shares") trade on the Toronto Stock Exchange and New York Stock Exchange under the symbol "CP".

These unaudited interim consolidated financial statements ("Interim Consolidated Financial Statements") have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). They do not include all of the information required for a complete set of annual financial statements prepared in accordance with GAAP and should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2024 ("last annual consolidated financial statements"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and results of operations since the last annual consolidated financial statements. These Interim Consolidated Financial Statements have been prepared using the same significant accounting policies used in the last annual consolidated financial statements. Amounts are stated in Canadian dollars unless otherwise noted.

The Company's operations and income for interim periods can be affected by seasonal fluctuations such as changes in customer demand and weather conditions, and may not be indicative of annual results.

**Operating segment**

The Company only has one operating segment: rail transportation. The Company's measure of segment profit is reported on the Interim Consolidated Statements of Income as "Net income attributable to controlling shareholders". CPKC's significant segment expenses are consistent with the expenses presented on the Interim Consolidated Statements of Income.

## 2 Accounting changes

**Recently adopted accounting standards**

The accounting standards that have become effective during the three and six months ended June 30, 2025 did not have a material impact on the Interim Consolidated Financial Statements.

**Accounting standards not yet adopted**

Recently issued accounting pronouncements are not expected to have a material impact on the Company's financial position or results of operations when they are adopted.

## 3 Revenues

The following table presents disaggregated information about the Company's revenues from contracts with customers by major source:

| (in millions of Canadian dollars) | For the three months ended June 30 2025 | 2024 | For the six months ended June 30 2025 | 2024 |
|---|---|---|---|---|
| Grain | **$ 743** | $ 665 | **$ 1,531** | $ 1,395 |
| Coal | **256** | 236 | **513** | 445 |
| Potash | **167** | 180 | **323** | 317 |
| Fertilizers and sulphur | **98** | 103 | **212** | 207 |
| Forest products | **195** | 203 | **412** | 405 |
| Energy, chemicals and plastics | **712** | 695 | **1,470** | 1,397 |
| Metals, minerals and consumer products | **444** | 464 | **892** | 904 |
| Automotive | **330** | 358 | **645** | 623 |
| Intermodal | **684** | 630 | **1,358** | 1,268 |
| Total freight revenues | **3,629** | 3,534 | **7,356** | 6,961 |
| Non-freight excluding leasing revenues | **44** | 43 | **85** | 106 |
| Revenues from contracts with customers | **3,673** | 3,577 | **7,441** | 7,067 |
| Leasing revenues | **26** | 26 | **53** | 56 |
| **Total revenues** | **$ 3,699** | $ 3,603 | **$ 7,494** | $ 7,123 |

## 4 Gain on sale of equity investment

On April 1, 2025, CPKC sold its 50% equity method investment in the Panama Canal Railway Company to APM Terminals Panama Rail LP ("APM Terminals"), a subsidiary of A.P. Moller-Maersk A/S, for gross proceeds of U.S. $350 million. After finalizing purchase price adjustments for cash acquired and debt and net working capital assumed by APM Terminals, the Company received cash consideration of U.S. $344 million ($493 million) and recognized a pre-tax gain of U.S. $232 million ($333 million) in "Gain on sale of equity investment". The after-tax gain was U.S. $196 million ($282 million).

## 5 Income taxes

The effective income tax rate including discrete items for the three and six months ended June 30, 2025 was 22.45% and 23.26%, respectively, compared to 24.40% and 24.72%, respectively for the same periods in 2024.

For the three months ended June 30, 2025, the effective income tax rate was 24.50%, excluding the discrete items of a gain on sale of an equity investment of $333 million, amortization of the fair value adjustments associated with purchase accounting of $96 million related to the Kansas City Southern ("KCS") acquisition, and acquisition-related costs of $19 million related to the KCS acquisition.

For the three months ended June 30, 2024, the effective income tax rate was 25.00%, excluding the discrete items of amortization of the fair value adjustments associated with purchase accounting of $88 million related to the KCS acquisition, acquisition-related costs of $28 million related to the KCS acquisition, and a deferred tax recovery of $3 million on the Arkansas state corporate income tax rate change.

For the six months ended June 30, 2025, the effective tax rate was 24.50%, excluding the discrete items of a gain on sale of an equity investment of $333 million, amortization of the fair value adjustments associated with purchase accounting of $190 million related to the KCS acquisition, and acquisition-related costs of $39 million related to the KCS acquisition.

For the six months ended June 30, 2024, the effective tax rate was 25.00%, excluding the discrete items of amortization of the fair value adjustments associated with purchase accounting of $174 million related to the KCS acquisition, acquisition-related costs of $54 million related to the KCS acquisition, adjustments to provisions and settlements of Mexican taxes of $10 million recognized in "Compensation and benefits", and a deferred tax recovery of $3 million on the Arkansas state corporate income tax rate change.

**Mexican Tax Settlements**

During the six months ended June 30, 2025, the Company received final audit letters for Kansas City Southern de México, S.A. de C.V. (also known as Canadian Pacific Kansas City Mexico) ("CPKCM") for 2021 and a payment of $11 million was made in respect of that year.

**2014 Tax Assessment**

CPKCM's 2014 Tax Assessment is currently in litigation (see Note 14).

## 6 Earnings per share

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| (in millions, except per share data) | **2025** | 2024 | **2025** | 2024 |
| Net income attributable to controlling shareholders | **$ 1,234** | $ 905 | **$ 2,144** | $ 1,680 |
| Weighted-average basic shares outstanding | **923.8** | 932.8 | **928.4** | 932.6 |
| Dilutive effect of stock options | **1.0** | 1.8 | **1.1** | 1.9 |
| Weighted-average diluted shares outstanding | **924.8** | 934.6 | **929.5** | 934.5 |
| Earnings per share - basic | **$ 1.34** | $ 0.97 | **$ 2.31** | $ 1.80 |
| Earnings per share - diluted | **$ 1.33** | $ 0.97 | **$ 2.31** | $ 1.80 |

For the three and six months ended June 30, 2025, there were 1.8 million and 1.6 million options, respectively, excluded from the computation of diluted earnings per share because their effects were not dilutive (three and six months ended June 30, 2024 - 0.7 million and 0.5 million, respectively).

## 7 Changes in Accumulated other comprehensive income ("AOCI") by component

Changes in AOCI attributable to controlling shareholders, net of tax, by component are as follows:

| (in millions of Canadian dollars) | Foreign currency net of hedging activities | Derivatives | Pension and post-retirement defined benefit plans | Equity accounted investments | Total |
|---|---|---|---|---|---|
| **Opening balance, April 1, 2025** | **$ 3,385** | **$ 10** | **$ (737)** | **$ (5)** | **$ 2,653** |
| Other comprehensive (loss) income before reclassifications | **(1,707)** | **—** | **—** | **3** | **(1,704)** |
| Amounts reclassified from AOCI | **—** | **1** | **1** | **—** | **2** |
| Net other comprehensive (loss) income | **(1,707)** | **1** | **1** | **3** | **(1,702)** |
| **Balance as at June 30, 2025** | **$ 1,678** | **$ 11** | **$ (736)** | **$ (2)** | **$ 951** |
| Opening balance, April 1, 2024 | $ 1,522 | $ 6 | $ (1,454) | $ 3 | $ 77 |
| Other comprehensive income (loss) before reclassifications | 294 | — | — | (2) | 292 |
| Amounts reclassified from AOCI | — | 2 | 8 | — | 10 |
| Net other comprehensive income (loss) | 294 | 2 | 8 | (2) | 302 |
| Balance as at June 30, 2024 | $ 1,816 | $ 8 | $ (1,446) | $ 1 | $ 379 |

| | Foreign currency net of hedging activities | Derivatives | Pension and post-retirement defined benefit plans | Equity accounted investments | Total |
|---|---|---|---|---|---|
| **Opening balance, January 1, 2025** | **$ 3,413** | **$ 10** | **$ (738)** | **$ (5)** | **$ 2,680** |
| Other comprehensive loss before reclassifications | **(1,735)** | **—** | **—** | **3** | **(1,732)** |
| Amounts reclassified from AOCI | **—** | **1** | **2** | **—** | **3** |
| Net other comprehensive (loss) income | **(1,735)** | **1** | **2** | **3** | **(1,729)** |
| **Balance as at June 30, 2025** | **$ 1,678** | **$ 11** | **$ (736)** | **$ (2)** | **$ 951** |
| Opening balance, January 1, 2024 | $ 837 | $ 5 | $ (1,463) | $ 3 | $ (618) |
| Other comprehensive income (loss) before reclassifications | 979 | — | — | (2) | 977 |
| Amounts reclassified from AOCI | — | 3 | 17 | — | 20 |
| Net other comprehensive income (loss) | 979 | 3 | 17 | (2) | 997 |
| Balance as at June 30, 2024 | $ 1,816 | $ 8 | $ (1,446) | $ 1 | $ 379 |

## 8 Accounts receivable, net

| (in millions of Canadian dollars) | As at June 30, 2025 | As at December 31, 2024 |
|---|---|---|
| Total accounts receivable | **$ 2,130** | $ 2,066 |
| Allowance for credit losses | **(125)** | (98) |
| **Total accounts receivable, net** | **$ 2,005** | $ 1,968 |

## 9 Debt

During the six months ended June 30, 2025, the Company repaid, at maturity, the remaining balance of U.S. $642 million ($930 million) on its 2.90% 10-year Notes.

**Issuance of long-term debt**

During the three months ended June 30, 2025, the Company issued $500 million 4.00% 7-year unsecured notes due June 13, 2032 for net proceeds of approximately $498 million, $600 million 4.40% 10.5-year unsecured notes due January 13, 2036 for net proceeds of approximately $598 million, and $300 million 4.80% 30-year unsecured notes due June 13, 2055 for net proceeds of approximately $296 million.

In addition to the second quarter issuances, during the six months ended June 30, 2025, the Company issued U.S. $600 million 4.80% 5-year unsecured notes due March 30, 2030 for net proceeds of U.S. $596 million ($857 million) and U.S. $600 million 5.20% 10-year unsecured notes due March 30, 2035 for net proceeds of U.S. $593 million ($853 million).

The issued Notes pay interest semi-annually and carry a negative pledge.

**Term credit facility**

During the six months ended June 30, 2025, the Company entered into, and fully repaid, a U.S. $500 million unsecured non-revolving term credit facility (the "term facility"). The Company presents draws and repayments on its term facility in the Interim Consolidated Statements of Cash Flows on a net basis.

**Credit facility**

The Company's revolving credit facility agreement (the "facility") consists of a five-year U.S. $1.1 billion tranche maturing June 25, 2029 and a two-year U.S. $1.1 billion tranche maturing June 25, 2026. As at June 30, 2025, the facility was undrawn. As at December 31, 2024 the Company had U.S. $200 million ($288 million) drawn from the two-year U.S. $1.1 billion tranche, which was subsequently repaid in full during the first quarter of 2025. The Company presents draws and repayments on the facility in the Interim Consolidated Statements of Cash Flows on a net basis.

**Commercial paper program**

The Company has a commercial paper program, under which it may issue up to a maximum aggregate principal amount of U.S. $1.5 billion in the form of unsecured promissory notes. This commercial paper program is backed by a U.S. $2.2 billion revolving credit facility. As at June 30, 2025, the Company had total commercial paper borrowings outstanding of U.S. $250 million ($341 million) included in "Long-term debt maturing within one year" on the Company's Interim Consolidated Balance Sheets (December 31, 2024 - U.S. $1,102 million ($1,586 million)). The weighted-average interest rate on these borrowings as at June 30, 2025 was 4.69% (December 31, 2024 - 4.75%). The Company presents issuances and repayments of commercial paper, all of which have a maturity of less than 90 days, in the Interim Consolidated Statements of Cash Flows on a net basis.

## 10 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 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, accounts receivable, accounts payable and accrued liabilities, and short-term borrowings, including commercial paper and term loans. The carrying value of short-term financial instruments approximate their fair value.

The carrying value of the Company’s debt does not approximate its fair value. The 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 the balance sheet date. All measurements are classified as Level 2. The Company’s long-term debt, including current maturities, with a carrying value of $21,928 million as at June 30, 2025 (December 31, 2024 - $20,749 million), had a fair value of $20,508 million (December 31, 2024 - $18,911 million).

### B. Financial risk management

**Foreign exchange ("FX") management**

**Net investment hedge**

The majority of the Company’s U.S. dollar-denominated long-term debt, finance lease obligations, and operating lease liabilities have been designated as a hedge of the Company's net investment in foreign subsidiaries. This designation has the effect of mitigating volatility on Net income by offsetting long-term FX gains and losses on U.S. dollar-denominated long-term debt and gains and losses on its net investment. The effect of the Company's net investment hedge for the three and six months ended June 30, 2025 was an unrealized FX gain of $299 million and $305 million, respectively (three and six months ended June 30, 2024 - unrealized FX loss of $41 million and unrealized FX loss of $144 million, respectively) recognized in “Other comprehensive (loss) income”.

**Mexican Peso - U.S. dollar FX Forward contracts**

The Company’s Mexican subsidiaries have net U.S. dollar-denominated monetary assets or liabilities which, for Mexican income tax purposes, are subject to periodic revaluation based on changes in the value of the Mexican peso ("Ps.") against the U.S dollar. This revaluation creates fluctuations in the Company’s Mexican income tax expense and the amount of income taxes paid in Mexican pesos. The Company also has monetary assets or liabilities denominated in Mexican pesos that are subject to periodic re-measurement and settlement that create fluctuations within "Other income". Until January 2024, the Company had hedged its net exposure to Ps./U.S. dollar fluctuations in earnings with foreign currency forward contracts. The foreign currency forward contracts involved the Company’s agreement to buy or sell Ps. at an agreed-upon exchange rate on a future date.

The Company measured the foreign currency derivative contracts at fair value each period and recognized any change in "Other income". The cash flows associated with these instruments were classified as "Operating activities" in the Interim Consolidated Statements of Cash Flows. The Company’s foreign currency forward contracts were executed with counterparties in the U.S. and were governed by International Swaps and Derivatives Association agreements that included standard netting arrangements.

On January 12, 2024, the Company settled all outstanding foreign currency forward contracts, resulting in a cash outflow of $65 million. During the six months ended June 30, 2025, the Company recognized $nil related to foreign exchange currency forwards (three and six months ended June 30, 2024 - loss of $4 million). As of June 30, 2025 the Company had no outstanding foreign currency forward contracts (December 31, 2024 - $nil).

## 11 Share repurchases

On February 27, 2025, the Company announced a normal course issuer bid ("NCIB"), commencing March 3, 2025, to purchase up to 37.3 million Common Shares in the open market for cancellation on or before March 2, 2026. All purchases were made in accordance with the respective NCIB at prevailing market prices plus brokerage fees, with consideration allocated to "Share capital" up to the average carrying amount of the shares and any excess allocated to "Retained earnings".

In accordance with Canadian tax legislation, the Company has accrued for a 2% tax on the fair market value of shares repurchased (net of qualifying issuances of equity) as a direct cost of Common Share repurchases recognized in Shareholders' equity. During the three and six months ended June 30, 2025, the Company has accrued a liability of $26 million and $33 million, respectively, for the tax due on the net share repurchases made, payable within the first quarter of the following year.

The following table provides activities under the share repurchase program:

| | For the three months ended June 30 | For the six months ended June 30 |
|---|---|---|
| | **2025** | **2025** |
| Number of Common Shares repurchased | **12,882,454** | **16,363,112** |
| Weighted-average price per share[(1)] | **$108.52** | **$108.34** |
| Amount of repurchase (in millions of Canadian dollars)[(1)] | **$1,398** | **$1,773** |

[(1)] Includes brokerage fees and applicable tax on share repurchases.

## 12 Pension and other benefits

During the three and six months ended June 30, 2025, the Company made contributions to its defined benefit pension plans of $4 million and $8 million, respectively (three and six months ended June 30, 2024 - $2 million and $5 million, respectively).

Net periodic benefit (recovery) cost for defined benefit pension plans and other benefits included the following components:

| | For the three months ended June 30 | | | | | |
|---|---|---|---|---|---|---|
| | **Pensions** | | **Other benefits** | | **Total** | |
| (in millions of Canadian dollars) | **2025** | 2024 | **2025** | 2024 | **2025** | 2024 |
| Current service cost | **$ 21** | $ 21 | **$ 4** | $ 3 | **$ 25** | $ 24 |
| Other components of net periodic benefit (recovery) cost: | | | | | | |
| Interest cost on benefit obligation | **116** | 117 | **6** | 6 | **122** | 123 |
| Expected return on plan assets | **(231)** | (222) | **—** | — | **(231)** | (222) |
| Recognized net actuarial loss (gain) | **2** | 10 | **(1)** | — | **1** | 10 |
| Amortization of prior service costs | **1** | 1 | **—** | — | **1** | 1 |
| Total other components of net periodic benefit (recovery) cost | **(112)** | (94) | **5** | 6 | **(107)** | (88) |
| Net periodic benefit (recovery) cost | **$ (91)** | $ (73) | **$ 9** | $ 9 | **$ (82)** | $ (64) |

| | For the six months ended June 30 | | | | | |
|---|---|---|---|---|---|---|
| | **Pensions** | | **Other benefits** | | **Total** | |
| (in millions of Canadian dollars) | **2025** | 2024 | **2025** | 2024 | **2025** | 2024 |
| Current service cost | **$ 42** | $ 42 | **$ 7** | $ 6 | **$ 49** | $ 48 |
| Other components of net periodic benefit (recovery) cost: | | | | | | |
| Interest cost on benefit obligation | **233** | 234 | **11** | 12 | **244** | 246 |
| Expected return on plan assets | **(463)** | (445) | **—** | — | **(463)** | (445) |
| Recognized net actuarial loss (gain) | **4** | 20 | **(1)** | — | **3** | 20 |
| Amortization of prior service costs | **2** | 3 | **—** | — | **2** | 3 |
| Total other components of net periodic benefit (recovery) cost | **(224)** | (188) | **10** | 12 | **(214)** | (176) |
| Net periodic benefit (recovery) cost | **$ (182)** | $ (146) | **$ 17** | $ 18 | **$ (165)** | $ (128) |

## 13 Stock-based compensation

At June 30, 2025, 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 and six months ended June 30, 2025 of $59 million and $92 million, respectively (three and six months ended June 30, 2024 - expense of $9 million and $68 million, respectively).

### Stock options plan

In the six months ended June 30, 2025, under the Company’s stock options plan, the Company issued 967,335 options at the weighted-average price of $110.48 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 seven years from the grant date.

Under the fair value method, the fair value of the stock options at the grant date was approximately $28 million.

### Performance share unit plans

During the six months ended June 30, 2025, the Company issued 611,516 Performance Share Units ("PSUs") with a grant date fair value of $68 million and 24,149 Performance Deferred Share Units ("PDSUs") with a grant date fair value, including the fair value of expected future matching units, of $3 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 three to four years after the grant date, contingent on the Company’s performance ("performance factor"). Vested PSUs are settled in cash. Vested PDSUs are converted into Deferred Share Units ("DSUs") pursuant to the DSU plan, are eligible for a 25% Company match if the employee has not exceeded their Common Share ownership requirements, and are settled in cash only when the holder ceases their employment with the Company.

The performance period for all PSUs and all PDSUs granted in the six months ended June 30, 2025 is January 1, 2025 to December 31, 2027 and the performance factors are Free Cash Flow ("FCF") and Total Shareholder Return ("TSR") compared to the S&P/TSX 60 Index, TSR compared to the S&P 500 Industrials Index, and TSR compared to Class I railways.

The performance period for all of the 415,660 PSUs and 13,506 PDSUs granted in 2022 was January 1, 2022 to December 31, 2024, and the performance factors were FCF, Adjusted net debt to Adjusted Earnings Before Interest, Taxes, Depreciation, Amortization ("EBITDA"), TSR compared to the S&P/TSX 60 Index, and TSR compared to the S&P 500 Industrials Index. The resulting payout was 120% of the outstanding units multiplied by the Company's average Common Share price calculated based on the last 30 trading days preceding December 31, 2024. In the first quarter of 2025, payouts were $48 million on 381,759 PSUs, including dividends reinvested. The 9,774 PDSUs that vested on December 31, 2024, with a fair value of $2 million, including dividends reinvested and matching units, will be paid out in future reporting periods pursuant to the DSU plan (as described above).

## 14 Contingencies

### <u>Litigation</u>

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 June 30, 2025 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, results of operations, or liquidity. 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 the Company and others:

(1) Québec's Minister of Sustainable Development, Environment, Wildlife and Parks ordered various parties, including the Company, to remediate the derailment site (the "Cleanup Order") and served the Company with a Notice of Claim for $95 million for those costs. The Company 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 the Company in the Québec Superior Court claiming $409 million in damages, which was further amended and reduced to $231 million (the “AGQ Action”). The AGQ Action alleges that: (i) the Company was responsible for the petroleum crude oil from its point of origin until its delivery to Irving Oil Ltd.; and (ii) the Company 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 the Company 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 the Company in the Québec Superior Court claiming approximately $16 million in damages, which was amended and reduced to approximately $14 million (the “Promutuel Action”), and two additional subrogated insurers sued the Company 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 with oral arguments ending on June 15, 2022. The Québec Superior Court issued a decision on December 14, 2022 dismissing all claims against the Company, finding that the Company’s actions were not the direct and immediate cause of the accident and the damages suffered by the plaintiffs. All three plaintiffs filed a declaration of appeal on January 13, 2023. The appeal was heard October 7 to 10, 2024 by the Québec Court of Appeal. On February 26, 2025, the Québec Court of Appeal issued its unanimous decision upholding the trial decision and dismissing the appeals in their entirety. On April 28, 2025, all three plaintiffs filed applications for leave to appeal to the Supreme Court of Canada. On May 30, 2025, the Company filed its response to the plaintiffs' leave applications. A damages trial will follow after the disposition of all appeals, if necessary.

(5) Forty-eight plaintiffs (all individual claims joined in one action) sued the Company, 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 the Company, 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 the Company in November 2014 in the Maine Bankruptcy Court claiming that the Company failed to abide by certain regulations and seeking approximately U.S. $30 million in damages for MMAR’s loss in business value according to an expert report filed by the bankruptcy estate. This action asserts that the Company knew or ought to have known that the shipper misclassified the petroleum crude oil and therefore should have refused to transport it. Summary judgement motion was argued and taken under advisement on June 9, 2022. On May 23, 2023, the case management judge stayed the proceedings pending the outcome of the appeal in the Canadian consolidated claims. On April 18, 2025, the Court lifted the stay and ordered briefing concerning the Company’s request for summary judgement based on the preclusive effect of matters decided in other Lac-Mégantic cases. The Court will address that basis for summary judgement first, then will address other arguments for summary judgement, if necessary, afterwards.

(7) The class and mass tort action commenced against the Company 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 the Company 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 the Company negligently misclassified and improperly packaged the petroleum crude oil. On the Company’s motion, the Maine Actions were dismissed. The plaintiffs appealed the dismissal decision to the U.S. First Circuit Court of Appeals, which dismissed the plaintiffs' appeal on June 2, 2021. The plaintiffs further petitioned the U.S. 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. On May 31, 2022, the U.S. Supreme Court denied the petition, thereby rejecting the plaintiffs' appeal.

(8) The trustee for the wrongful death trust commenced Carmack Amendment claims against the Company in North Dakota Federal Court, seeking to recover approximately U.S. $6 million for damaged rail cars and lost crude oil 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 judgement motions which has been reviewed and confirmed following motions by the parties for clarification and reconsideration. Final briefs of dispositive motions for summary judgement and for reconsideration on tariff applicability were submitted on September 30, 2022. On January 20, 2023, the Court granted in part the Company's summary judgement motion by dismissing all claims for recovery of settlement payments but leaving for trial the determination of the value of the lost crude oil. It also dismissed the Company's motion for reconsideration on tariff applicability. The remaining issues of the value of the lost crude oil and applicability of judgement reduction provisions do not require trial, and were fully briefed in 2024. On January 5, 2024, the Court issued its decision finding that the Company is liable for approximately U.S. $3.9 million plus pre-judgement interest, but declined to determine whether judgement reduction provisions were applicable, referring the parties to a court in Maine on that issue. On January 18, 2024, the Company filed a motion for reconsideration for the Court to apply the judgement reduction provisions. On January 19, 2024, the trustee for the wrongful death trust filed a Notice of Appeal for the January 5, 2024 decision, as well as prior decisions. On February 23, 2024, the Court denied the Company's motion for reconsideration, again referring the parties to a court in Maine to apply the judgement reduction provision. On March 6, 2024, the Company filed its notice of appeal of this latest ruling, as well as prior decisions. The appeal was heard on March 18, 2025. On July 3, 2025, the U.S. Eighth Circuit Court of Appeals unanimously allowed the Company's appeal, reversing the district court decision and remanding the matter back to the district court for a complete reduction of the judgement against the Company. On July 17, 2025, the trustee for the wrongful death trust petitioned the U.S. Eighth Circuit Court of Appeals for a rehearing.

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

**Court decision related to Remington Development Corporation legal claim**

On October 20, 2022, the Court of King's Bench of Alberta issued a decision in a claim brought by Remington Development Corporation ("Remington") against the Company and the Province of Alberta ("Alberta") with respect to an alleged breach of contract by the Company in relation to the sale of certain properties in Calgary. In its decision, the Court found the Company had breached its contract with Remington and Alberta had induced the contract breach. The Court found the Company and Alberta liable for damages of approximately $164 million plus interest and costs, and subject to an adjustment to the acquisition value of the property. In a further decision on August 30, 2023, the Court determined that adjustment and set the total damages at $165 million plus interest and costs. On October 20, 2023, the Court determined the costs payable to Remington, however, the Court had not provided any indication of how the damages, which were estimated to total approximately $232 million as at June 30, 2025, should be apportioned between the Company and Alberta. On November 17, 2022, the Company filed an appeal of the Court's decision. On April 11, 2024, the Court of Appeal of Alberta ("ABCA") stayed the judgement pending the outcome of the appeal. On September 10, 2024, the ABCA heard the Company's appeal and reserved its decision. On July 2, 2025, the ABCA unanimously allowed the Company's appeal and set aside the trial judgement and costs order. A majority of the ABCA ordered a new trial in the Court of King's Bench.

**2014 tax assessment**

On April 13, 2022, the Servicio de Administracion Tributaria ("SAT") delivered an audit assessment of CPKCM's 2014 tax returns (the "2014 Assessment"). As at June 30, 2025, the 2014 Assessment, including inflation, interest, and penalties was Ps.6,372 million ($451 million).

On July 7, 2022, CPKCM filed an administrative appeal (the "Administrative Appeal") before the SAT, seeking to revoke the 2014 Assessment on the basis that the SAT's notification of the 2014 Assessment through the tax mailbox was not legal, because it was in violation of a tax mailbox injunction previously granted to CPKCM on March 19, 2015. On September 26, 2022, the SAT dismissed the Administrative Appeal, on the basis that it was not a timely submission (the "Administrative Appeal Resolution").

On October 10, 2022, CPKCM submitted an annulment lawsuit (the "Annulment Lawsuit") before the Federal Administrative Court, challenging the 2014 Assessment, its notification, and the Administrative Appeal Resolution. On April 24, 2024, the Supreme Chamber of the Federal Administrative Court resolved the annulment lawsuit, confirming the Administrative Appeal Resolution and the 2014 Assessment (the "Administrative Court Resolution").

On June 21, 2024, CPKCM challenged the Administrative Court Resolution by submitting an Amparo lawsuit (Demanda de Amparo) before the Collegiate Circuit Court (Tribunal Colegiado de Circuito). On June 4, 2025, the Collegiate Circuit Court unanimously granted CPKCM's Amparo petition, vacating the prior decision and sending the matter back to the Supreme Chamber of the Federal Administrative Court with an order to issue a new resolution addressing CPKCM's arguments that were presented in the Annulment Lawsuit. On June 25, 2025, the Supreme Chamber of the Federal Administrative Court voted against CPKCM in the Annulment Lawsuit. CPKCM has the right to appeal the decision by filing an amparo appeal (juicio de amparo) with the Collegiate Circuit Court. The deadline to file the amparo appeal is August 21, 2025. CPKCM expects to prevail based on the technical merits of its case.

On January 5, 2023, the Federal Administrative Court granted a definitive injunction against the enforcement and collection of the 2014 Assessment. On February 19, 2025, the Federal Administrative Court issued the new resolution granting the injunction as long as the 2014 Assessment is duly guaranteed.

**Environmental liabilities**

Environmental remediation accruals, recognized 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 the Company’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 recognized accruals include the Company’s best estimate of all probable costs, the Company’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 and six months ended June 30, 2025 was $2 million and $4 million respectively (three and six months ended June 30, 2024 - $2 million and $4 million, respectively). Provisions for environmental remediation costs are recognized in the Company's Interim Consolidated Balance Sheets in “Other long-term liabilities”, except for the current portion, which is recognized in “Accounts payable and accrued liabilities”. The total amount provided as at June 30, 2025 was $246 million (December 31, 2024 - $257 million). Payments are expected to be made over 10 years through 2034.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to enhance a reader’s understanding of the Company’s results of operations and financial condition. The MD&A is provided as a supplement to, and should be read in conjunction with, the Company's Interim Consolidated Financial Statements and the related notes as at and for the three and six months ended June 30, 2025 in Item 1. Financial Statements, other information in this report, and Item 8. Financial Statements and Supplementary Data of the Company's 2024 Annual Report on Form 10-K. Except where otherwise indicated, all financial information reflected herein is expressed in Canadian dollars.

In this Quarterly Report on Form 10-Q, unless the context indicates otherwise, references to "CPKC", "the Company", "our", or "us" are to Canadian Pacific Kansas City Limited ("CPKC") and its subsidiaries.

### Available Information

The Company makes available on or through its website www.cpkcr.com free of charge, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such reports are filed with or furnished to the Securities and Exchange Commission (“SEC”). Our website also contains charters for our Board of Directors and each of its committees, our corporate governance guidelines and our Code of Business Ethics. SEC filings made by the Company are also accessible through the SEC’s website at www.sec.gov. The information on our website is not part of this quarterly report on Form 10-Q.

The Company has included the Chief Executive Officer's (“CEO”) and Chief Financial Officer's ("CFO") certifications regarding the Company's public disclosure required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits to this report.

### Executive Summary

#### *Second Quarter of 2025 Results*

- Total revenues were $3,699 million, an increase of 3% compared to $3,603 million in 2024. The increase was primarily due to higher volumes as measured by revenue per ton-miles ("RTMs"), partially offset by a decrease in freight revenue per RTM.
- Diluted earnings per share ("EPS") was $1.33, an increase of 37% compared to $0.97 in 2024.
- Core adjusted diluted EPS was $1.12, an increase of 7% compared to $1.05 in 2024.
- Operating ratio was 63.7%, a 110 basis point improvement from 64.8% in 2024.
- Core adjusted operating ratio was 60.7%, a 110 basis point improvement from 61.8% in 2024.

Core adjusted diluted EPS and Core adjusted operating ratio are defined and reconciled in the "Non-GAAP Measures" section of this Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

#### *Recent Developments*

- On May 30, 2025, the Company entered into new four-year collective agreements with the Teamsters Canada Rail Conference ("TCRC") – Train and Engine division and the TCRC - Rail Canada Traffic Controllers division, following binding arbitration. The new collective agreements include annual wage increases of 3%, effective from January 1, 2024 to December 31, 2027.

- On April 1, 2025, CPKC sold its 50% equity method investment in the Panama Canal Railway Company ("PCRC") to APM Terminals Panama Rail LP (“APM Terminals”), a subsidiary of A.P. Moller-Maersk A/S, for gross proceeds of U.S. $350 million. The Company received cash consideration of U.S. $344 million ($493 million) and recorded a pre-tax gain of U.S. $232 million ($333 million) (U.S. $196 million after tax ($282 million)).

## Performance Indicators

The following table lists the key measures of the Company’s operating performance:

| | For the three months ended June 30 | | | For the six months ended June 30 | | |
|---|---|---|---|---|---|---|
| | **2025** | 2024 | % Change | **2025** | 2024 | % Change |
| **Operations Performance** | | | | | | |
| Gross ton-miles (“GTMs”) (millions) | **101,973** | 96,579 | 6 | **200,385** | 192,388 | 4 |
| Train miles (thousands) | **11,960** | 11,523 | 4 | **23,764** | 23,518 | 1 |
| Fuel efficiency (U.S. gallons of locomotive fuel consumed / 1,000 GTMs) | **1.034** | 1.027 | 1 | **1.049** | 1.046 | — |
| Total employees (average) | **20,138** | 20,441 | (1) | **19,943** | 20,219 | (1) |

These key measures are used by management in the planning process to facilitate decisions that continue to drive further productivity improvements in the Company's operations. These key measures reflect how effective the Company’s management is at controlling costs and executing the Company’s operating plan and strategy. Continued monitoring of these key measures enables the Company to take appropriate actions to deliver superior service and grow its business at low incremental cost.

A **GTM** is defined as the movement of one ton of train weight over one mile. GTMs are calculated by multiplying total train weight by the distance the train moved. Total train weight comprises the weight of the freight cars, their contents, and any inactive locomotives. An increase in GTMs indicates additional workload. The increase in GTMs in the second quarter of 2025 was primarily due to higher volumes of Grain, Intermodal, Potash, and Coal, partially offset by lower volumes of crude.

The increase in GTMs in the first six months of 2025 was primarily due to higher volumes of Grain, Intermodal, Coal, Energy, chemicals and plastics, excluding crude, Potash, and Automotive, partially offset by lower volumes of crude.

**Train miles** are defined as the sum of the distance moved by all trains operated on the network. Train miles provide a measure of the productive utilization of our network. A smaller increase in train miles relative to increases in volumes, as measured by RTMs, and/or workload, as measured by GTMs, indicates improved train productivity. The increase in train miles in the second quarter of 2025 reflected the impact of a 6% increase in workload (GTMs), partially offset by a 1% increase in average train weights, which was primarily due to an improvement in operating plan efficiency and moving longer and heavier Grain trains.

The increase in train miles in the first six months of 2025 reflected the impact of a 4% increase in workload (GTMs) partially offset by a 3% increase in average train weights, which was primarily due to an improvement in operating plan efficiency and moving longer and heavier Grain trains.

**Fuel efficiency** is defined as U.S. gallons of locomotive fuel consumed per 1,000 GTMs. Fuel consumed includes gallons from freight, yard and commuter service but excludes fuel used in capital projects and other non-freight activities. An improvement in fuel efficiency indicates operational cost savings. The decrease in fuel efficiency in the second quarter of 2025 was due to a decrease in locomotive productivity as measured by GTMs / operating horsepower. Fuel efficiency in the first six months of 2025 remained flat compared to the first six months of 2024.

An **employee** is defined as an individual currently engaged in full-time, part-time, or seasonal employment with the Company. The Company monitors employment and workforce levels in order to efficiently meet service and strategic requirements. The number of employees is a key driver of total compensation and benefits costs. The decrease in the average number of total employees in the second quarter and in the first six months of 2025 was primarily due to efficient resource planning.

**Financial Highlights**

The following table presents selected financial data related to the Company's financial results for the three and six months ended June 30, 2025 and the comparative periods in 2024.

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| (in millions, except per share data, percentages and ratios) | **2025** | 2024 | **2025** | 2024 |
| **Financial Performance** | | | | |
| Total revenues | **$ 3,699** | $ 3,603 | **$ 7,494** | $ 7,123 |
| Operating income | **1,343** | 1,267 | **2,660** | 2,416 |
| Net income attributable to controlling shareholders | **1,234** | 905 | **2,144** | 1,680 |
| Basic EPS | **1.34** | 0.97 | **2.31** | 1.80 |
| Diluted EPS | **1.33** | 0.97 | **2.31** | 1.80 |
| Core adjusted diluted EPS[1] | **1.12** | 1.05 | **2.18** | 1.98 |
| Dividends declared per share | **0.228** | 0.190 | **0.418** | 0.380 |
| **Financial Ratios** | | | | |
| Operating ratio[2] | **63.7%** | 64.8% | **64.5%** | 66.1% |
| Core adjusted operating ratio[1] | **60.7%** | 61.8% | **61.6%** | 62.9% |

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

[2] Operating ratio is defined as total operating expenses divided by total revenues.

**Results of Operations**

***Operating Revenues***

The Company's revenues are primarily derived from transporting freight. Changes in freight volumes generally contribute to corresponding changes in Freight revenues and certain variable expenses such as fuel, equipment rents, and crew costs. Non-freight revenues are generated from leasing certain assets, interline switching, and other arrangements including contracts with passenger service operators, subsurface and mineral rights agreements, and logistical services.

| For the three months ended June 30 | **2025** | 2024 | Total Change | % Change |
|---|---|---|---|---|
| Freight revenues (in millions) | **$ 3,629** | $ 3,534 | $ 95 | 3 |
| Non-freight revenues (in millions) | **70** | 69 | 1 | 1 |
| Total revenues (in millions) | **$ 3,699** | $ 3,603 | $ 96 | 3 |
| Carloads (in thousands) | **1,147.0** | 1,085.4 | 61.6 | 6 |
| Revenue ton-miles (in millions) | **55,529** | 52,130 | 3,399 | 7 |
| Freight revenue per carload (in dollars) | **$ 3,164** | $ 3,256 | $ (92) | (3) |
| Freight revenue per revenue ton-mile (in cents) | **6.54** | 6.78 | (0.24) | (4) |

**Total Revenues**
The increase in Freight revenues in the second quarter of 2025 was primarily due to higher volumes as measured by RTMs, partially offset by a decrease in freight revenue per RTM.

**RTMs**
RTMs are defined as the movement of one revenue-producing ton of freight over a distance of one mile. RTMs measure the relative weight and distance of rail freight moved by the Company. The increase in RTMs in the second quarter of 2025 was primarily due to higher volumes of Grain, Intermodal, Potash, and Coal, partially offset by lower volumes of crude.

**Freight Revenue per RTM**
Freight revenue per RTM is defined as freight revenue per revenue-producing ton of freight over a distance of one mile. This is an indicator of yield. The decrease in freight revenue per RTM in the second quarter of 2025 was primarily due to the unfavourable impact of lower fuel prices on fuel surcharge revenue of $100 million, which includes lower carbon levy surcharge revenue due to the elimination of the Canadian federal carbon tax program effective April 1, 2025, partially offset by higher freight rates.

| For the six months ended June 30 | | **2025** | | 2024 | | Total Change | % Change |
|---|---|---|---|---|---|---|---|
| Freight revenues (in millions) | **$** | **7,356** | $ | 6,961 | $ | 395 | 6 |
| Non-freight revenues (in millions) | | **138** | | 162 | | (24) | (15) |
| Total revenues (in millions) | **$** | **7,494** | $ | 7,123 | $ | 371 | 5 |
| Carloads (in thousands) | | **2,251.6** | | 2,158.0 | | 93.6 | 4 |
| Revenue ton-miles (in millions) | | **109,253** | | 103,968 | | 5,285 | 5 |
| Freight revenue per carload (in dollars) | **$** | **3,267** | $ | 3,226 | $ | 41 | 1 |
| Freight revenue per revenue ton-mile (in cents) | | **6.73** | | 6.70 | | 0.03 | — |

**Total Revenues**
The increase in Freight revenues in the first six months of 2025 was primarily due to higher volumes as measured by RTMs. The decrease in Non-freight revenues was primarily due to lower revenue related to a subsurface fibre optic agreement.

**RTMs**
The increase in RTMs in the first six months of 2025 was primarily due to higher volumes of Grain, Intermodal, Coal, Energy, chemicals and plastics, excluding crude, Potash, and Automotive, partially offset by lower volumes of crude.

**Freight Revenue per RTM**
Freight revenue per RTM in the first six months of 2025 remained flat primarily due to higher freight rates and the favourable impact of the change in foreign exchange "FX" of $112 million, offset by the unfavourable impact of lower fuel prices on fuel surcharge revenue of $133 million, which includes lower carbon levy surcharge revenue due to the elimination of the Canadian federal carbon tax program effective April 1, 2025.

***Fuel Cost Adjustment Program***

Freight revenues include fuel surcharge revenues associated with the Company's fuel cost adjustment program, which is designed to respond to fluctuations in fuel prices and reduce exposure to changes in fuel prices. The surcharge is applied to shippers through tariffs and by contract, within agreed-upon guidelines. This program includes recoveries of carbon taxes, levies, and obligations under cap-and-trade programs. Freight revenues included fuel surcharge revenues of $350 million in the second quarter of 2025, a decrease of $92 million, or 21%, from $442 million in the same period of 2024. This decrease was primarily due to lower fuel prices, which includes lower carbon levy surcharge revenue due to the elimination of the Canadian federal carbon tax program effective April 1, 2025, and the unfavourable impact from the timing of recoveries under the Company's fuel cost adjustment program, partially offset by higher volumes.

In the first six months of 2025, fuel surcharge revenues were $752 million, a decrease of $102 million, or 12%, from $854 million in the same period of 2024. This decrease was primarily due to lower fuel prices, which includes lower carbon levy surcharge revenue due to the elimination of the federal carbon tax program effective April 1, 2025, and the unfavourable impact from the timing of recoveries under the Company's fuel cost adjustment program, partially offset by higher volumes and the favourable impact of the change in FX.

***Lines of Business***

*Grain*

| For the three months ended June 30 | | **2025** | | 2024 | | Total Change | % Change |
|---|---|---|---|---|---|---|---|
| Freight revenues (in millions) | **$** | **743** | $ | 665 | $ | 78 | 12 |
| Carloads (in thousands) | | **142.6** | | 128.9 | | 13.7 | 11 |
| Revenue ton-miles (in millions) | | **14,970** | | 13,240 | | 1,730 | 13 |
| Freight revenue per carload (in dollars) | **$** | **5,210** | $ | 5,159 | $ | 51 | 1 |
| Freight revenue per revenue ton-mile (in cents) | | **4.96** | | 5.02 | | (0.06) | (1) |

The increase in Grain revenue in the second quarter of 2025 was primarily due to higher volumes of Canadian grain to Vancouver, British Columbia ("B.C.") and Thunder Bay, Ontario due to a larger crop size for the 2024-2025 crop year, higher volumes of U.S. grain to Mexico and the U.S. Pacific Northwest, and higher freight rates. This increase was partially offset by a decrease in freight revenue per RTM due to lower fuel surcharge revenue.

| For the six months ended June 30 | 2025 | 2024 | Total Change | % Change |
|---|---|---|---|---|
| Freight revenues (in millions) | **$ 1,531** | $ 1,395 | $ 136 | 10 |
| Carloads (in thousands) | **276.3** | 261.2 | 15.1 | 6 |
| Revenue ton-miles (in millions) | **29,912** | 27,810 | 2,102 | 8 |
| Freight revenue per carload (in dollars) | **$ 5,541** | $ 5,341 | $ 200 | 4 |
| Freight revenue per revenue ton-mile (in cents) | **5.12** | 5.02 | 0.10 | 2 |

The increase in Grain revenue in the first six months of 2025 was primarily due to higher volumes of Canadian grain to Vancouver and Thunder Bay due to a larger crop size for the 2024-2025 crop year, higher volumes of U.S. grain to Mexico, and an increase in freight revenue per RTM. This increase was partially offset by lower fuel surcharge revenue. Freight revenue per RTM increased due to higher freight rates and the favourable impact of the change in FX.

*Coal*

| For the three months ended June 30 | 2025 | 2024 | Total Change | % Change |
|---|---|---|---|---|
| Freight revenues (in millions) | **$ 256** | $ 236 | $ 20 | 8 |
| Carloads (in thousands) | **118.6** | 108.9 | 9.7 | 9 |
| Revenue ton-miles (in millions) | **6,073** | 5,794 | 279 | 5 |
| Freight revenue per carload (in dollars) | **$ 2,159** | $ 2,167 | $ (8) | — |
| Freight revenue per revenue ton-mile (in cents) | **4.22** | 4.07 | 0.15 | 4 |

The increase in Coal revenue in the second quarter of 2025 was primarily due to higher volumes of U.S. coal, higher volumes of Canadian coal to Kamloops, B.C., and an increase in freight revenue per RTM. This increase was partially offset by lower fuel surcharge revenue. Freight revenue per RTM increased due to higher freight rates. Carloads increased more than RTMs due to moving higher volumes of U.S. coal, which has a shorter average length of haul versus Canadian coal.

| For the six months ended June 30 | 2025 | 2024 | Total Change | % Change |
|---|---|---|---|---|
| Freight revenues (in millions) | **$ 513** | $ 445 | $ 68 | 15 |
| Carloads (in thousands) | **237.0** | 217.1 | 19.9 | 9 |
| Revenue ton-miles (in millions) | **11,856** | 11,046 | 810 | 7 |
| Freight revenue per carload (in dollars) | **$ 2,165** | $ 2,050 | $ 115 | 6 |
| Freight revenue per revenue ton-mile (in cents) | **4.33** | 4.03 | 0.30 | 7 |

The increase in Coal revenue in the first six months of 2025 was primarily due to an increase in freight revenue per RTM, higher volumes of Canadian coal to Kamloops and Vancouver, and higher volumes of U.S. coal. This increase was partially offset by lower fuel surcharge revenue. Freight revenue per RTM increased due to higher freight rates and the favourable impact of the change in FX.

*Potash*

| For the three months ended June 30 | 2025 | 2024 | Total Change | % Change |
|---|---|---|---|---|
| Freight revenues (in millions) | **$ 167** | $ 180 | $ (13) | (7) |
| Carloads (in thousands) | **47.4** | 49.4 | (2.0) | (4) |
| Revenue ton-miles (in millions) | **5,304** | 4,965 | 339 | 7 |
| Freight revenue per carload (in dollars) | **$ 3,523** | $ 3,644 | $ (121) | (3) |
| Freight revenue per revenue ton-mile (in cents) | **3.15** | 3.63 | (0.48) | (13) |

The decrease in Potash revenue in the second quarter of 2025 was primarily due to lower volumes of export potash to the U.S. Pacific Northwest, lower volumes of domestic potash, and a decrease in freight revenue per RTM. This decrease was partially offset by higher volumes of export potash to Vancouver and higher freight rates. Freight revenue per RTM decreased due to lower fuel surcharge revenue. RTMs increased while carloads decreased due to moving higher volumes of export potash to Vancouver, which has a longer length of haul, and lower volumes of export potash to the U.S. Pacific Northwest, which has a shorter length of haul.

| For the six months ended June 30 | **2025** | 2024 | Total Change | % Change |
|---|---|---|---|---|
| Freight revenues (in millions) | **$ 323** | $ 317 | $ 6 | 2 |
| Carloads (in thousands) | **87.2** | 86.4 | 0.8 | 1 |
| Revenue ton-miles (in millions) | **9,723** | 9,075 | 648 | 7 |
| Freight revenue per carload (in dollars) | **$ 3,704** | $ 3,669 | $ 35 | 1 |
| Freight revenue per revenue ton-mile (in cents) | **3.32** | 3.49 | (0.17) | (5) |

The increase in Potash revenue in the first six months of 2025 was primarily due to higher volumes of export potash to Vancouver, higher freight rates, and the favourable impact of the change in FX. This increase was partially offset by lower volumes of export potash to the U.S. Pacific Northwest, lower volumes of domestic potash, and a decrease in freight revenue per RTM. Freight revenue per RTM decreased due to lower fuel surcharge revenue. RTMs increased more than carloads due to moving higher volumes of export potash to Vancouver, which has a longer length of haul, and lower volumes of export potash to the U.S. Pacific Northwest, which has a shorter length of haul.

*Fertilizers and Sulphur*

| For the three months ended June 30 | **2025** | 2024 | Total Change | % Change |
|---|---|---|---|---|
| Freight revenues (in millions) | **$ 98** | $ 103 | $ (5) | (5) |
| Carloads (in thousands) | **15.6** | 17.0 | (1.4) | (8) |
| Revenue ton-miles (in millions) | **1,220** | 1,305 | (85) | (7) |
| Freight revenue per carload (in dollars) | **$ 6,282** | $ 6,059 | $ 223 | 4 |
| Freight revenue per revenue ton-mile (in cents) | **8.03** | 7.89 | 0.14 | 2 |

The decrease in Fertilizers and sulphur revenue in the second quarter of 2025 was primarily due to lower volumes of dry fertilizers and lower fuel surcharge revenue, partially offset by an increase in freight revenue per RTM due to higher freight rates.

| For the six months ended June 30 | **2025** | 2024 | Total Change | % Change |
|---|---|---|---|---|
| Freight revenues (in millions) | **$ 212** | $ 207 | $ 5 | 2 |
| Carloads (in thousands) | **33.4** | 34.2 | (0.8) | (2) |
| Revenue ton-miles (in millions) | **2,647** | 2,671 | (24) | (1) |
| Freight revenue per carload (in dollars) | **$ 6,347** | $ 6,053 | $ 294 | 5 |
| Freight revenue per revenue ton-mile (in cents) | **8.01** | 7.75 | 0.26 | 3 |

The increase in Fertilizers and sulphur revenue in the first six months of 2025 was primarily due to higher volumes of sulphur and wet fertilizers and an increase in freight revenue per RTM, partially offset by lower volumes of dry fertilizers and lower fuel surcharge revenue. Freight revenue per RTM increased due to the favourable impact of the change in FX and higher freight rates.

*Forest Products*

| For the three months ended June 30 | | 2025 | | 2024 | | Total Change | % Change |
|---|---|---|---|---|---|---|---|
| Freight revenues (in millions) | $ | **195** | $ | 203 | $ | (8) | (4) |
| Carloads (in thousands) | | **32.8** | | 34.6 | | (1.8) | (5) |
| Revenue ton-miles (in millions) | | **2,236** | | 2,244 | | (8) | — |
| Freight revenue per carload (in dollars) | $ | **5,945** | $ | 5,867 | $ | 78 | 1 |
| Freight revenue per revenue ton-mile (in cents) | | **8.72** | | 9.05 | | (0.33) | (4) |

The decrease in Forest products revenue in the second quarter of 2025 was primarily due to a decrease in freight revenue per RTM and lower volumes of lumber and paperboard. This decrease was partially offset by higher freight rates and higher volumes of wood pulp and panel products. Freight revenue per RTM decreased due to lower fuel surcharge revenue. Carloads decreased while RTMs remained flat due to moving lower volumes of paperboard from Louisiana to Mississippi and Texas, which have shorter lengths of haul, and extending the length of haul of wood pulp from Alberta to Mexico.

| For the six months ended June 30 | | 2025 | | 2024 | | Total Change | % Change |
|---|---|---|---|---|---|---|---|
| Freight revenues (in millions) | $ | **412** | $ | 405 | $ | 7 | 2 |
| Carloads (in thousands) | | **67.6** | | 70.5 | | (2.9) | (4) |
| Revenue ton-miles (in millions) | | **4,579** | | 4,488 | | 91 | 2 |
| Freight revenue per carload (in dollars) | $ | **6,095** | $ | 5,745 | $ | 350 | 6 |
| Freight revenue per revenue ton-mile (in cents) | | **9.00** | | 9.02 | | (0.02) | — |

The increase in Forest products revenue in the first six months of 2025 was primarily due to higher freight rates, higher volumes of wood pulp, panel products, and paperboard, and the favourable impact of the change in FX. This increase was partially offset by lower fuel surcharge revenue and lower volumes of newsprint and lumber. Carloads decreased while RTMs increased due to moving lower volumes of paperboard from Louisiana to Mississippi and Texas, which have shorter lengths of haul, and extending the length of haul of wood pulp from Alberta to Mexico and from B.C. to Ontario and Texas.

*Energy, Chemicals and Plastics*

| For the three months ended June 30 | | 2025 | | 2024 | | Total Change | % Change |
|---|---|---|---|---|---|---|---|
| Freight revenues (in millions) | $ | **712** | $ | 695 | $ | 17 | 2 |
| Carloads (in thousands) | | **142.7** | | 142.4 | | 0.3 | — |
| Revenue ton-miles (in millions) | | **9,148** | | 9,644 | | (496) | (5) |
| Freight revenue per carload (in dollars) | $ | **4,989** | $ | 4,881 | $ | 108 | 2 |
| Freight revenue per revenue ton-mile (in cents) | | **7.78** | | 7.21 | | 0.57 | 8 |

The increase in Energy, chemicals and plastics revenue in the second quarter of 2025 was primarily due to an increase in freight revenue per RTM, higher volumes of liquefied petroleum gas ("L.P.G.") primarily from western Canada to Mexico and Texas, and higher volumes of plastics and gasoline. This increase was partially offset by lower volumes of crude, ethylene glycol, diluents, and biofuels and lower fuel surcharge revenue. Freight revenue per RTM increased due to higher freight rates. RTMs decreased while carloads remained flat due to moving lower volumes of crude, which has a longer length of haul.

| For the six months ended June 30 | | 2025 | | 2024 | | Total Change | % Change |
|---|---|---|---|---|---|---|---|
| Freight revenues (in millions) | $ | **1,470** | $ | 1,397 | $ | 73 | 5 |
| Carloads (in thousands) | | **285.2** | | 286.9 | | (1.7) | (1) |
| Revenue ton-miles (in millions) | | **18,849** | | 19,363 | | (514) | (3) |
| Freight revenue per carload (in dollars) | $ | **5,154** | $ | 4,869 | $ | 285 | 6 |
| Freight revenue per revenue ton-mile (in cents) | | **7.80** | | 7.21 | | 0.59 | 8 |

The increase in Energy, chemicals and plastics revenue in the first six months of 2025 was primarily due to an increase in freight revenue per RTM, higher volumes of L.P.G. primarily from western Canada to Mexico and Texas, and higher volumes of gasoline. This increase was partially offset by lower volumes of crude and lower fuel surcharge revenue. Freight revenue per RTM increased due to higher freight rates and the favourable impact of the change in FX.

*Metals, Minerals and Consumer Products*

| For the three months ended June 30 | | 2025 | | 2024 | | Total Change | % Change |
|---|---|---|---|---|---|---|---|
| Freight revenues (in millions) | $ | **444** | $ | 464 | $ | (20) | (4) |
| Carloads (in thousands) | | **125.4** | | 134.6 | | (9.2) | (7) |
| Revenue ton-miles (in millions) | | **4,905** | | 4,974 | | (69) | (1) |
| Freight revenue per carload (in dollars) | $ | **3,541** | $ | 3,447 | $ | 94 | 3 |
| Freight revenue per revenue ton-mile (in cents) | | **9.05** | | 9.33 | | (0.28) | (3) |

The decrease in Metals, minerals and consumer products revenue in the second quarter of 2025 was primarily due to lower volumes of steel and clay bentonite and a decrease in freight revenue per RTM. This decrease was partially offset by higher freight rates and higher volumes of frac sand. Freight revenue per RTM decreased due to lower fuel surcharge revenue and the unfavourable impact of the change in FX. Carloads decreased more than RTMs due to moving lower volumes of steel within Mexico, which has a shorter length of haul, and moving higher volumes of frac sand to the Bakken shale formation, which has a longer length of haul.

| For the six months ended June 30 | | 2025 | | 2024 | | Total Change | % Change |
|---|---|---|---|---|---|---|---|
| Freight revenues (in millions) | $ | **892** | $ | 904 | $ | (12) | (1) |
| Carloads (in thousands) | | **249.8** | | 264.3 | | (14.5) | (5) |
| Revenue ton-miles (in millions) | | **9,586** | | 9,675 | | (89) | (1) |
| Freight revenue per carload (in dollars) | $ | **3,571** | $ | 3,420 | $ | 151 | 4 |
| Freight revenue per revenue ton-mile (in cents) | | **9.31** | | 9.34 | | (0.03) | — |

The decrease in Metals, minerals and consumer products revenue in the first six months of 2025 was primarily due to lower volumes of steel and lower fuel surcharge revenue. This decrease was partially offset by higher freight rates, higher volumes of frac sand, and the favourable impact of the change in FX. Carloads decreased more than RTMs due to moving lower volumes of steel within Mexico, which has a shorter length of haul, and moving higher volumes of frac sand to the Bakken shale formation, which has a longer length of haul.

*Automotive*

| For the three months ended June 30 | | 2025 | | 2024 | | Total Change | % Change |
|---|---|---|---|---|---|---|---|
| Freight revenues (in millions) | $ | **330** | $ | 358 | $ | (28) | (8) |
| Carloads (in thousands) | | **62.4** | | 66.1 | | (3.7) | (6) |
| Revenue ton-miles (in millions) | | **1,416** | | 1,306 | | 110 | 8 |
| Freight revenue per carload (in dollars) | $ | **5,288** | $ | 5,416 | $ | (128) | (2) |
| Freight revenue per revenue ton-mile (in cents) | | **23.31** | | 27.41 | | (4.10) | (15) |

The decrease in Automotive revenue in the second quarter of 2025 was primarily due to a decrease in freight revenue per RTM, partially offset by higher volumes from Mexico to the U.S. Midwest and Texas and from Vancouver to eastern Canada and higher freight rates. Freight revenue per RTM decreased due to lower fuel surcharge revenue and the unfavourable impact of the change in FX. RTMs increased while carloads decreased due to extending the length of haul from Mexico to the U.S. Midwest and moving lower volumes from Mexico to Laredo, Texas, which has a shorter length of haul.

| For the six months ended June 30 | | 2025 | | 2024 | | Total Change | % Change |
|---|---|---|---|---|---|---|---|
| Freight revenues (in millions) | $ | **645** | $ | 623 | $ | 22 | 4 |
| Carloads (in thousands) | | **120.2** | | 121.8 | | (1.6) | (1) |
| Revenue ton-miles (in millions) | | **2,649** | | 2,303 | | 346 | 15 |
| Freight revenue per carload (in dollars) | $ | **5,366** | $ | 5,115 | $ | 251 | 5 |
| Freight revenue per revenue ton-mile (in cents) | | **24.35** | | 27.05 | | (2.70) | (10) |

The increase in Automotive revenue in the first six months of 2025 was primarily due to higher volumes from Mexico to the U.S. Midwest and Texas and from Vancouver to eastern Canada and higher freight rates. This increase was partially offset by a decrease in freight revenue per RTM due to lower fuel surcharge revenue and the unfavourable impact of the change in FX. RTMs increased while carloads decreased due to extending the length of haul from Mexico to the U.S. Midwest and moving lower volumes from Mexico to Laredo, which has a shorter length of haul.

*Intermodal*

| For the three months ended June 30 | | 2025 | | 2024 | | Total Change | % Change |
|---|---|---|---|---|---|---|---|
| Freight revenues (in millions) | $ | **684** | $ | 630 | $ | 54 | 9 |
| Carloads (in thousands) | | **459.5** | | 403.5 | | 56.0 | 14 |
| Revenue ton-miles (in millions) | | **10,257** | | 8,658 | | 1,599 | 18 |
| Freight revenue per carload (in dollars) | $ | **1,489** | $ | 1,561 | $ | (72) | (5) |
| Freight revenue per revenue ton-mile (in cents) | | **6.67** | | 7.28 | | (0.61) | (8) |

The increase in Intermodal revenue in the second quarter of 2025 was primarily due to higher international intermodal volumes to and from the Port of Vancouver and the Port of Saint John, including with the new Gemini Cooperation shipping alliance, higher domestic intermodal wholesale and retail volumes, and higher freight rates. This increase was partially offset by a decrease in freight revenue per RTM due to lower fuel surcharge revenue. RTMs increased more than carloads due to moving higher volumes of international intermodal to and from the Port of Vancouver, which has a longer length of haul.

| For the six months ended June 30 | | 2025 | | 2024 | | Total Change | % Change |
|---|---|---|---|---|---|---|---|
| Freight revenues (in millions) | $ | **1,358** | $ | 1,268 | $ | 90 | 7 |
| Carloads (in thousands) | | **894.9** | | 815.6 | | 79.3 | 10 |
| Revenue ton-miles (in millions) | | **19,452** | | 17,537 | | 1,915 | 11 |
| Freight revenue per carload (in dollars) | $ | **1,517** | $ | 1,555 | $ | (38) | (2) |
| Freight revenue per revenue ton-mile (in cents) | | **6.98** | | 7.23 | | (0.25) | (3) |

The increase in Intermodal revenue in the first six months of 2025 was primarily due to higher international intermodal volumes to and from the Port of Vancouver and the Port of Saint John, including with the new Gemini Cooperation shipping alliance, higher domestic intermodal wholesale and retail volumes, higher freight rates, and the favourable impact of the change in FX. This increase was partially offset by a decrease in freight revenue per RTM due to lower fuel surcharge revenue.

***Operating Expenses***

| For the three months ended June 30<br>(in millions of Canadian dollars) | **2025** | 2024 | Total Change | % Change |
|---|---|---|---|---|
| Compensation and benefits | **$ 659** | $ 612 | $ 47 | 8 |
| Fuel | **405** | 466 | (61) | (13) |
| Materials | **124** | 97 | 27 | 28 |
| Equipment rents | **103** | 82 | 21 | 26 |
| Depreciation and amortization | **493** | 473 | 20 | 4 |
| Purchased services and other | **572** | 606 | (34) | (6) |
| **Total operating expenses** | **$ 2,356** | $ 2,336 | $ 20 | 1 |

| For the six months ended June 30<br>(in millions of Canadian dollars) | **2025** | 2024 | Total Change | % Change |
|---|---|---|---|---|
| Compensation and benefits | **$ 1,341** | $ 1,302 | $ 39 | 3 |
| Fuel | **886** | 924 | (38) | (4) |
| Materials | **248** | 191 | 57 | 30 |
| Equipment rents | **202** | 164 | 38 | 23 |
| Depreciation and amortization | **997** | 940 | 57 | 6 |
| Purchased services and other | **1,160** | 1,186 | (26) | (2) |
| **Total operating expenses** | **$ 4,834** | $ 4,707 | $ 127 | 3 |

*Compensation and Benefits*

Compensation and benefits expense includes employee wages, salaries, fringe benefits, and stock-based compensation. The increase in Compensation and benefits expense in the second quarter of 2025 was primarily due to an increase in stock-based compensation of $50 million largely driven by changes in the Common Share price, and the impact of wage and benefit inflation. This increase was partially offset by lower incentive compensation.

The increase in Compensation and benefits expense in the first six months of 2025 was primarily due to:

- the impact of wage and benefit inflation;
- increased stock-based compensation expense of $24 million, largely driven by changes in the Common Share price; and
- increased volume variable expenses as a result of increased workload as measured by GTMs.

This increase was partially offset by efficiencies gained by a reduction in headcount and lower incentive compensation.

*Fuel*

Fuel expense consists primarily of fuel used by locomotives and includes provincial, state, and federal fuel taxes. The decreases in Fuel expense in the second quarter of 2025 and first six months of 2025 were primarily due to the impact of lower fuel prices of $75 million and $86 million, respectively, which includes lower carbon tax expense due to the elimination of the Canadian federal carbon tax program effective April 1, 2025. The decreases were partially offset by an increase in workload, as measured by GTMs.

*Materials*

Materials expense includes the cost of materials used for the maintenance of track, locomotives, freight cars, and buildings, as well as software sustainment. The increases in Materials expense in the second quarter and in the first six months of 2025 were primarily due to:

- higher locomotive material costs due to a new parts agreement insourcing a subset of maintenance work with a favourable offset in "Purchased services and other" effective in the fourth quarter of 2024;
- increased safety material costs; and
- higher freight car maintenance.

*Equipment Rents*

Equipment rents expense includes the cost associated with using other railways' freight cars, intermodal equipment, and locomotives, net of recoveries received from other railways for the use of the Company's equipment. The increase in Equipment rents expense in the second quarter of 2025 was primarily due to:

- slower cycle times;
- the impact of cost inflation; and
- greater usage of other railways' freight cars.

The increase in Equipment rents expense in the first six months of 2025 was primarily due to:

- slower cycle times;
- greater usage of other railways' freight cars;
- the impact of change in FX of $7 million; and
- the impact of cost of inflation.

*Depreciation and Amortization*

Depreciation and amortization expense is the charge associated with the use of track and roadway, rolling stock, buildings, and other depreciable assets, including assets related to the Company's concession granted by the Mexican government, as well as amortization of finite life intangible assets. The increase in Depreciation and amortization expense in the second quarter of 2025, compared to the same period in 2024, was primarily due to a larger depreciable asset base increasing depreciation by $18 million.

The increase in Depreciation and amortization expense in the first six months of 2025, compared to the same period in 2024, was primarily due to a larger depreciable asset base increasing depreciation by $38 million and the unfavourable impact of the change in FX of $21 million.

*Purchased Services and Other*

Purchased services and other expense encompasses a wide range of third-party costs, including expenses for joint facilities, personal injury and damage claims, environmental remediation, property taxes, contractor and consulting fees, and insurance premiums. The decrease in Purchased services and other expense in the second quarter of 2025 was primarily due to:

- lower third-party locomotive costs due to insourcing and a new parts agreement embedded in "Materials" effective in the fourth quarter of 2024;
- lower acquisition-related costs; and
- lower terminal service costs.

The decrease in Purchased services and other expense in the first six months of 2025 was primarily due to:

- lower third-party locomotive costs due to insourcing and a new parts agreement embedded in "Materials" effective in the fourth quarter of 2024;
- a decrease in casualty incident costs; and
- lower acquisition-related costs.

This decrease was partially offset by:

- a one-time fee of $34 million (U.S. $25 million) received in 2024 in connection with the Company's agreement to waive a departing executive's non-competition agreement with respect to their employment with Norfolk Southern Corporation;
- the impact of cost inflation;
- the impact of the change in FX of $10 million; and
- higher environmental management expenses.

***Other Income Statement Items***

*Other Income*

Other income consists of gains and losses from the change in FX on cash and working capital, the impact of foreign currency forwards, financing costs, shareholder costs, equity earnings, and other non-operating expenditures. Other Income was $16 million in the second quarter of 2025, a decrease of $24 million, or 60%, from $40 million in the same period of 2024. The decrease was primarily due to lower equity income of $24 million, driven by the settlement of a property disposition by an equity investee in 2024, and a $16 million gain on debt extinguishment in 2024. This decrease was offset by a $16 million net FX gain from the re-measurement of cash and working capital denominated in Mexican pesos and U.S. dollars compared to a net FX loss on the re-measurement in the same period of 2024.

Other Income was $9 million in the first six months of 2025, a decrease of $33 million, or 79%, from $42 million in the same period of 2024. The decrease was primarily due to lower equity income of $26 million, driven by the settlement of a property disposition by an equity investee in 2024 and a $16 million gain on debt extinguishment in 2024. This decrease was partially offset by an FX loss of $4 million on forward contracts to sell Mexican pesos and buy U.S. dollars in 2024 (see Item 1. Financial Statements, Note 10 Financial Instruments for details) and a $10 million FX gain from the re-measurement of cash and working capital denominated in Mexican pesos and U.S. dollars compared to a net FX loss in the same period in 2024.

*Other Components of Net Periodic Benefit Recovery*

Other components of net periodic benefit recovery are related to the Company's defined benefit pension and other post-retirement and post-employment benefit plans. It includes interest cost on benefit obligation, expected return on plan assets, recognized net actuarial loss, and amortization of prior service costs. Other components of net periodic benefit recovery were $107 million and $214 million for the three and six months ended June 30, 2025, an increase of $19 million or 22%, and $38 million or 22%, respectively, compared to the same periods of 2024. These increases were primarily due to an increase in the expected return on plan assets for the three and six months ended June 30, 2025 of $9 million and $18 million, respectively, and a decrease in the recognized net actuarial loss of $9 million and $17 million, respectively.

*Net Interest Expense*

Net interest expense includes interest on long-term debt, short-term debt, and finance leases. Net interest expense was $208 million in the second quarter of 2025, an increase of $8 million, or 4%, from $200 million in the same period of 2024. The increase was primarily due to interest of $24 million incurred on long-term notes issue during the quarter. This increase was partially offset by lower interest costs of $15 million following the repayment of maturing long-term debt.

Net interest expense was $424 million in the first six months of 2025, an increase of $18 million, or 4%, from $406 million in the same period of 2024. The increase was primarily due to interest of $39 million incurred on short-term borrowings and long-term notes issued during the period along with the unfavourable impact of the change in FX of $15 million. This increase was partially offset by lower interest costs of $30 million following the repayment of maturing long-term debt.

*Gain on Sale of Equity Investment*

On April 1, 2025, CPKC sold its 50% equity method investment in the PCRC to APM Terminals. The Company recognized a pre-tax gain of U.S. $232 million ($333 million). See item 1, Financial Statements Note 4 Gain on sale of equity investment for further details.

*Income Tax Expense*

Income tax expense was $357 million and $649 million in the second quarter and first six months of 2025, an increase of $65 million or 22%, and $98 million or 18%, from $292 million and $551 million in the same periods of 2024, respectively. The increases were primarily due to income tax expense on a gain on sale of an equity investment of $51 million and higher taxable earnings.

The effective tax rates for the second quarter and first six months of 2025 were 22.45% and 23.26%, respectively, compared to 24.40% and 24.72% for the same periods in 2024. The Core adjusted effective income tax rate for the second quarter and first six months of 2025 was 24.50%, compared to 25.00% for the same periods in 2024. The Company's 2025 Core adjusted effective tax rate is expected to be approximately 24.50%. The Core adjusted effective tax rate is a Non-GAAP measure, calculated as the effective tax rate adjusted for significant items as they are not considered indicative of future or past financial trends either by nature or amount. The Company uses the Core adjusted effective tax rate to evaluate CPKC's operating performance and for planning and forecasting future profitability. Core adjusted effective tax rate also excludes KCS purchase accounting to provide financial statement users with additional transparency by isolating the impact of KCS purchase accounting. This Non-GAAP measure does not have a standardized meaning and is not defined by GAAP and, therefore, may not be comparable to similar measures presented by other companies. Significant items and KCS purchase accounting are discussed further in Non-GAAP Measures of this Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. The outlook for the Company's 2025 Core adjusted effective tax rate is based on certain assumptions about events and developments that may or may not materialize, or that may be offset entirely or partially by new events and developments. This is discussed further in Item 1A. Risk Factors of the Company's 2024 Annual Report on Form 10-K. Refer also to "Forward-Looking Statements" below for further details.

***Impact of FX on Earnings and Foreign Exchange Risk***

Although the Company is headquartered in Canada and reports in Canadian dollars, a significant portion of its revenues, expenses, assets and liabilities including debt are denominated in U.S. dollars and Mexican pesos. The value of the Canadian dollar is affected by a number of domestic and international factors, including, without limitation, economic performance, commodity prices, and Canadian, U.S., and international monetary policies. Fluctuations in FX affect the Company’s results because revenues and expenses denominated in U.S. dollars and Mexican pesos are translated into Canadian dollars. U.S. dollar-denominated revenues and expenses increase (decrease) when the Canadian dollar weakens (strengthens) in relation to the U.S. dollar. Mexican peso-denominated revenues and expenses increase (decrease) when the U.S. dollar weakens (strengthens) in relation to the Mexican peso.

In the second quarter of 2025, the U.S. dollar strengthened to an average rate of $1.38 Canadian/U.S. dollar and the Mexican Peso weakened to an average rate of Ps. 14.09 Mexican Peso/Canadian dollar, compared to $1.37 Canadian/U.S. dollar and Ps. 12.61 Mexican Peso/Canadian dollar in the second quarter of 2024, resulting in a decrease in "Total revenues" of $2 million, a decrease in "Total operating expenses" of $14 million, and an increase in "Net interest expense" of $3 million from the same period of 2024.

In the first six months of 2025, the U.S. dollar strengthened to an average rate of $1.41 Canadian/U.S. dollar and the Mexican peso weakened to an average rate of Ps. 14.16 Mexican Peso/Canadian dollar, compared to $1.36 Canadian/U.S. dollar and Ps. 12.61 Mexican Peso/Canadian dollar in the first six months of 2024, resulting in an increase in "Total revenues" of $113 million, an increase in "Total operating expenses" of $42 million, and an increase in "Net interest expense" of $15 million from the same period of 2024.

On an annualized basis, the Company expects that every $0.01 weakening (or strengthening) of the Canadian dollar relative to the U.S. dollar, positively (or negatively) impacts "Total revenues" by approximately $76 million (December 31, 2024 – approximately $76 million), negatively (or positively) impacts "Total operating expenses" by approximately $42 million (December 31, 2024 – approximately $43 million), and negatively (or positively) impacts "Net interest expense" by approximately $5 million (December 31, 2024 – approximately $6 million).

On an annualized basis, the Company expects that every Ps.0.10 strengthening (or weakening) of the Mexican peso relative to the Canadian dollar, positively (or negatively) impacts "Total revenues" by approximately $7 million (December 31, 2024 – approximately $6 million) and negatively (or positively) impacts "Total operating expenses" by approximately $7 million (December 31, 2024 – approximately $6 million).

To manage its exposure to fluctuations in exchange rates between Canadian dollars, U.S. dollars, and or Mexican pesos, the Company may sell or purchase U.S. dollar or Mexican peso forwards at fixed rates in future periods. In addition, changes in the exchange rate between the Canadian dollar and other currencies (including the U.S. dollar and Mexican peso) make the goods transported by the Company more or less competitive in the world marketplace and may in turn positively or negatively affect revenues.

***Impact of Fuel Price on Earnings***

Fluctuations in fuel prices affect the Company’s results because fuel expense constitutes a significant portion of the Company's operating expenses. As fuel prices fluctuate, there will be a timing impact on earnings due to the timing of recoveries from the Company's fuel cost adjustment program.

The impact of fuel price on earnings includes the impacts of carbon taxes, levies, and obligations under cap-and-trade programs recovered and paid, on revenues and expenses, respectively.

In the second quarter of 2025, the unfavourable impact of fuel prices on "Operating income" was $25 million. Lower fuel prices, which includes lower carbon levy surcharge revenue due to the elimination of the Canadian federal carbon tax program effective April 1, 2025, and the unfavourable impact of the timing of recoveries under the Company's fuel cost adjustment program, resulted in a decrease in "Total revenues" of $100 million. Lower fuel prices, which includes lower carbon tax expense due to the elimination of the Canadian federal carbon tax program effective April 1, 2025, resulted in a decrease in "Total operating expenses" of $75 million from the same period of 2024.

In the first six months of 2025, the unfavourable impact of fuel prices on "Operating income" was $47 million. Lower fuel prices, which includes lower carbon levy surcharge revenue due to the elimination of the Canadian federal carbon tax program effective April 1, 2025, and the unfavourable impact of the timing of recoveries under the Company's fuel cost adjustment program, resulted in a decrease in "Total revenues" of $133 million. Lower fuel prices, which includes lower carbon tax expense due to the elimination of the Canadian federal carbon tax program effective April 1, 2025, resulted in a decrease in "Total operating expenses" of $86 million from the same period of 2024.

***Impact of Share Price on Earnings and Stock-Based Compensation***

Fluctuations in the Common Share price affect the Company's Operating expenses because share-based compensation liabilities are measured at fair value. The Company's Common Shares are listed on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE") with the ticker symbol "CP".

In the second quarter of 2025, the change in Common Share price resulted in an increase in stock-based compensation expense of $22 million, a change of $43 million, compared to a recovery of $21 million in the same period of 2024.

In the first six months of 2025, the change in Common Share price resulted in an increase in stock-based compensation expense of $13 million, a change of $13 million, compared to no impact in the same period of 2024 as the Common Share price stayed the same.

Based on information available at June 30, 2025 and expectations for 2025 share-based grants, for every $1.00 change in the Company's Common Share price, stock-based compensation expense has a corresponding change of approximately $2.3 million to $2.6 million (December 31, 2024 - approximately $1.9 million to $2.7 million). This excludes the impact of changes in Common Share price relative to the S&P/TSX 60 Index, S&P 500 Industrials Index, and to Class I railways, which may trigger different performance share unit payouts. Stock-based compensation expense may also be impacted by non-market performance conditions.

Additional information concerning stock-based compensation is included in Item 1. Financial Statements, Note 13 Stock-based compensation.

**Liquidity and Capital Resources**

The Company's primary sources of liquidity include its Cash and cash equivalents, commercial paper program, revolving credit facility, and bilateral letter of credit facilities. The Company believes that these sources as well as cash flow generated through operations and existing debt capacity are adequate to meet its short-term and long-term cash requirements. The Company is not aware of any material trends, events, or uncertainties that would create any deficiencies in the Company's liquidity.

As at June 30, 2025, the Company had $799 million of Cash and cash equivalents compared to $739 million at December 31, 2024.

During the three months ended June 30, 2025, the Company issued $500 million 4.00% 7-year unsecured notes due June 13, 2032 for net proceeds of approximately $498 million, $600 million 4.40% 10.5-year unsecured notes due January 13, 2036 for net proceeds of approximately $598 million, and $300 million 4.80% 30-year unsecured notes due June 13, 2055 for net proceeds of approximately $296 million.

In addition to the second quarter issuances, during the six months ended June 30, 2025, the Company issued U.S. $600 million 4.80% 5-year unsecured notes due March 30, 2030 for net proceeds of U.S. $596 million ($857 million) and U.S. $600 million 5.20% 10-year unsecured notes due March 30, 2035 for net proceeds of U.S. $593 million ($853 million). The Company also entered into, and fully repaid, a U.S. $500 million unsecured non-revolving term credit facility.

The Company's revolving credit facility agreement (the "facility") consists of a five-year U.S. $1.1 billion tranche maturing June 25, 2029 and a two-year U.S. $1.1 billion tranche maturing June 25, 2026. As at June 30, 2025, the facility was undrawn. As at December 31, 2024 the Company had U.S. $200 million ($288 million) drawn from the two-year U.S. $1.1 billion tranche, which was subsequently repaid in full during the first quarter of 2025. The Company presents draws and repayments on the facility in the Interim Consolidated Statements of Cash Flows on a net basis.

The Company has a commercial paper program that enables it to issue commercial paper in the form of unsecured promissory notes. The Company's existing commercial paper program is backed by the revolving credit facility. As at June 30, 2025, the Company had total commercial paper borrowings outstanding of U.S. $250 million ($341 million) (December 31, 2024 - U.S. $1,102 million ($1,586 million)).

The Company has bilateral letter of credit facilities with six financial institutions to support its requirement to post letters of credit in the ordinary course of business. Under these agreements, the Company has the option to post collateral in the form of cash or cash equivalents, equal at least to the face value of the letter of credit issued. These agreements permit the Company to withdraw amounts posted as collateral at any time; therefore, the amounts posted as collateral are presented as “Cash and cash equivalents” on the Company’s Interim Consolidated Balance Sheets. As at June 30, 2025, the Company had $80 million collateral posted on its bilateral letter of credit facilities (December 31, 2024 - $nil) and had letters of credit drawn of $80 million (December 31, 2024 - $95 million) from a total available amount of $300 million.

***Contractual Commitments***

The Company’s material cash requirements from known contractual obligations and commitments to make future payments primarily consist of long-term debt and related interest, capital commitments, supplier purchases, leases, and other long term liabilities.

As at June 30, 2025, other than changes to long-term debt, there have been no material changes in our contractual commitments from the year ended December 31, 2024, a description of which can be found in Contractual Commitments of Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Company's Annual Report on Form 10-K. For further information concerning long-term debt, refer to Item 1. Financial Statements, Note 9 Debt.

*Concession Duty*

The Company's subsidiary, Kansas City Southern de México, S.A. de C.V. ("CPKCM") has a fifty-year concession, which will expire in 2047 unless the fifty-year renewal option is exercised. Under the concession, CPKCM pays annual concession duties equal to 1.25% of its gross revenues.

***Guarantees***

The Company accrues provisions for all guarantees that it expects to pay. As at June 30, 2025, these provisions amounted to $11 million (December 31, 2024 - $8 million).

***Cash Flow***

*Operating Activities*

Net cash provided by operating activities increased $77 million and $218 million in the second quarter and the first six months of 2025, respectively, compared to the same periods in 2024. These increases were primarily due to higher cash generating operating income, partially offset by an unfavourable change in working capital.

*Investing Activities*

Net cash used in investing activities decreased $476 million and in the second quarter of 2025, compared to the same period in 2024. The decrease was primarily due to proceeds received from a sale of an equity investment of $493 million, and a decrease in capital additions. This decrease was partially offset by transaction costs paid on the sale of an equity investment.

Net cash used in investing activities decreased $303 million in the first six months of 2025, compared to the same period in 2024. The decrease was primarily due to proceeds received from the sale of an equity investment of $493 million, partially offset by higher capital additions and transaction costs paid on the sale of an equity investment.

*Financing Activities*

Net cash used in financing activities increased $437 million in the second quarter of 2025, compared to the same period in 2024. The increase was primarily due to the impact of share repurchases of $1,393 million and higher net repayments of commercial paper of $565 million. This increase was partially offset by net proceeds from debt issuances of $1,392 million resulting from the issuances of $500 million 4.00% 7-year unsecured notes due June 13, 2032, $600 million 4.40% 10.5-year unsecured notes due January 13, 2036, and $300 million 4.80% 30-year unsecured notes due June 13, 2055, and a decrease in repayments of long-term debt of $144 million.

Net cash used in financing activities increased $490 million in the first six months of 2025, compared to the same period in 2024. The increase was primarily due to:
- the impact of share repurchases of $1,740 million;
- higher repayments of short-term borrowings and net repayments of commercial paper of $1,090 million; and
- higher principal repayments on long-term debt driven by repayment of the 2.90% 10-year Notes at maturity.

This increase was partially offset by net proceeds from debt issuances of $3,102 million resulting from the issuances of U.S. $600 million 4.80% 5-year unsecured notes due March 30, 2030, U.S. $600 million 5.20% 10-year unsecured notes due March 30, 2035, $500 million 4.00% 7-year unsecured notes due June 13, 2032, $600 million 4.40% 10.5-year unsecured notes due January 13, 2036, and $300 million 4.80% 30-year unsecured notes due June 13, 2055.

***Credit Measures***

Credit ratings provide information relating to the Company’s operations and liquidity, and affect the Company’s ability to obtain short-term and long-term financing and/or the cost of such financing. The applicable margin that applies to outstanding loans under the Company’s revolving credit facility is based on the credit rating assigned to the Company’s senior unsecured and unsubordinated debt.

If the Company’s credit ratings were to decline to below investment-grade levels, the Company could experience a significant increase in its interest cost for new debt along with a negative effect on its ability to readily issue new debt.

Credit ratings and outlooks are based on the rating agencies’ methodologies and can change from time to time to reflect their views of the Company. Their views are affected by numerous factors including, but not limited to, the Company’s financial position and liquidity along with external factors beyond the Company’s control.

As at June 30, 2025, the Company's credit ratings from Standard & Poor's Rating Services ("Standard & Poor's") remain unchanged from December 31, 2024. During the first quarter of 2025, Moody's Investor Service ("Moody's") upgraded the Company's Long-term debt rating to Baa1. The following table shows the ratings issued for the Company by the rating agencies noted as at June 30, 2025 and is being presented as it relates to the Company’s cost of funds and liquidity.

*Credit ratings as at June 30, 2025*[1]

| **Long-term debt** | | **Outlook** |
|---|---|---|
| ***Standard & Poor's*** | **BBB+** | stable |
| ***Moody's*** | **Baa1** | stable |
| | | |
| **Commercial paper program** | | |
| ***Standard & Poor's*** | **A-2** | N/A |
| ***Moody's*** | **P-2** | N/A |

[1] Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. Credit ratings are based on the rating agencies' methodologies and may be subject to revision or withdrawal at any time by the rating agencies.

***Supplemental Guarantor Financial Information***

Canadian Pacific Railway Company ("CPRC"), a 100%-owned subsidiary of CPKC, is the issuer of certain securities which are fully and unconditionally guaranteed by CPKC on an unsecured basis. The subsidiaries of CPRC do not guarantee the securities and are referred to below as the “Non-Guarantor Subsidiaries”.

As of the date of filing this Quarterly Report on Form 10-Q, CPRC had U.S. $13,666 million principal amount of SEC-registered debt securities outstanding due through 2115 issued in the U.S. pursuant to a trust indenture, and U.S. $30 million and GBP £3 million in perpetual 4% consolidated debenture stock, for all of which CPKC is the guarantor subject to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended. As of the same date, CPRC also had $3,700 million principal amount of debt securities outstanding due through 2055 issued in Canada for which CPKC is the guarantor and not subject to the Exchange Act.

CPKC fully and unconditionally guarantees the payment of the principal (and premium, if any) and interest on the debt securities and consolidated debenture stock issued by CPRC, any sinking fund or analogous payments payable with respect to such securities, and any additional amounts payable when they become due, whether at maturity or otherwise. The guarantees are CPKC’s unsubordinated and unsecured obligations and rank equally with all of CPKC’s other unsecured, unsubordinated obligations. CPKC will be released and relieved of its obligations under the guarantees after obligations to the holders are satisfied in accordance with the terms of the respective instruments. More information on the securities under this guarantee structure can be found in Exhibit 22.1 List of Issuers and Guarantor Subsidiaries of this quarterly report.

Pursuant to Rules 3-01 and 13-01 of the SEC's Regulation S-X, the Company provides summarized financial and non-financial information of CPRC in lieu of providing separate financial statements of CPRC.

*Summarized Financial Information*

The following tables present summarized financial information for CPRC (Subsidiary Issuer) and CPKC (Parent Guarantor) on a combined basis after elimination of (i) intercompany transactions and balances among CPRC and CPKC; (ii) equity in earnings from and investments in the Non-Guarantor Subsidiaries; and (iii) intercompany dividend income.

Statement of Income Information

| (in millions of Canadian dollars) | CPRC (Subsidiary Issuer) and CPKC (Parent Guarantor) For the six months ended June 30, 2025 | For the year ended December 31, 2024 |
|---|---|---|
| Total revenues | **$ 3,537** | $ 6,877 |
| Total operating expenses | **2,265** | 4,300 |
| Operating income(1) | **1,272** | 2,577 |
| Less: Other(2) | **132** | 516 |
| Income before income tax expense | **1,140** | 2,061 |
| **Net income** | **$ 836** | $ 1,496 |

(1) Includes net lease costs incurred from Non-Guarantor Subsidiaries for the six months ended June 30, 2025 and the year ended December 31, 2024 of $230 million and $462 million, respectively.

(2) Includes Other income, Other components of net periodic benefit recovery, and Net interest expense.

Balance Sheet Information

| (in millions of Canadian dollars) | CPRC (Subsidiary Issuer) and CPKC (Parent Guarantor) As at June 30, 2025 | As at December 31, 2024 |
|---|---|---|
| **Assets** | | |
| Current assets | **$ 1,484** | $ 1,237 |
| Properties | **13,406** | 12,904 |
| Other non-current assets | **5,085** | 4,901 |
| | | |
| **Liabilities** | | |
| Current liabilities | **$ 2,345** | $ 4,128 |
| Long-term debt | **21,087** | 19,618 |
| Other non-current liabilities | **3,997** | 3,832 |

Excluded from the Statement of Income and Balance Sheet Information above are the following significant intercompany transactions and balances that CPRC and CPKC have with the Non-Guarantor Subsidiaries:

Transactions with Non-Guarantor Subsidiaries

| (in millions of Canadian dollars) | CPRC (Subsidiary Issuer) and CPKC (Parent Guarantor) For the six months ended June 30, 2025 | For the year ended December 31, 2024 |
|---|---|---|
| Dividend income from Non-Guarantor Subsidiaries | **$ 321** | $ 622 |
| Return of capital from Non-Guarantor Subsidiaries | **—** | 422 |

Balances with Non-Guarantor Subsidiaries

| | CPRC (Subsidiary Issuer) and CPKC (Parent Guarantor) | |
|---|---|---|
| (in millions of Canadian dollars) | **As at June 30, 2025** | As at December 31, 2024 |
| **Assets** | | |
| Accounts receivable, intercompany | **$ 289** | $ 263 |
| Short-term advances to affiliates | **153** | 197 |
| Long-term advances to affiliates | **9,801** | 11,351 |
| | | |
| **Liabilities** | | |
| Accounts payable, intercompany | **$ 330** | $ 230 |
| Short-term advances from affiliates | **224** | 130 |
| Long-term advances from affiliates | **3,968** | 3,968 |

**Share Capital**

As of July 29, 2025, the latest practicable date, there were 917,976,339 Common Shares issued and outstanding, which consisted of 13,113 holders of record of the Common Shares, and no Preferred Shares issued and outstanding. In addition, the Company has a Management Stock Option Incentive Plan (“MSOIP”), under which key officers and employees are granted options to purchase Common Shares. All number of options presented herein are shown on the basis of the number of Common Shares subject to the options. As of July 29, 2025, 5,921,438 options were outstanding under the MSOIP and stand-alone option agreements entered into with Mr. Keith Creel. There are 20,099,497 options available to be issued by the Company’s MSOIP in the future. The Company also has a Directors' Stock Option Plan (“DSOP”), under which directors are granted options to purchase Common Shares. There are no outstanding options under the DSOP, which has 1,700,000 options available to be issued in the future.

**Non-GAAP Measures**

Beginning in the first quarter of 2025, Core adjusted diluted EPS and Core adjusted operating ratio have been used in continuity of Non-GAAP measures previously known as Core adjusted combined diluted EPS and Core adjusted combined operating ratio. No adjustments are required to Core adjusted combined diluted EPS and Core adjusted combined operating ratio as reported in 2024 to present them on a comparative basis as Core adjusted diluted EPS and Core adjusted operating ratio, as KCS was consolidated within the Company's results throughout the whole year and therefore, no combination adjustments exist.

The Company presents Non-GAAP measures, namely Core adjusted operating ratio and Core adjusted diluted EPS, to provide a basis for evaluating underlying earnings trends in the Company's current period's financial results that can be compared with the results of operations in prior periods. Management believes these Non-GAAP measures facilitate a multi-period assessment of long-term profitability.

These Non-GAAP measures have no standardized meanings 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**

Management believes these Non-GAAP measures provide meaningful supplemental information about our financial results and improved comparability to past performance because they exclude certain significant items that are not considered indicative of future or past financial trends either by nature or amount. As a result, these items are excluded for management's 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, adjustments to provisions and settlements of Mexican taxes, a gain on sale of an equity investment, discrete tax items, 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, integration costs including third-party services and system migration, restructuring, and employee retention and synergy incentive costs. These items may not be non-recurring and may include items that are settled in cash. Specifically, due to the magnitude of the acquisition, its significant impact to the Company’s business and complexity of integrating the acquired business and operations, the Company continues to expect to incur acquisition-related costs beyond the year of acquisition. Management believes excluding these significant items from GAAP results provides an additional viewpoint which may give users a consistent understanding of the Company's financial performance when performing a multi-period assessment including assessing the likelihood of future results. Accordingly, these

Non-GAAP financial measures may provide additional insight to investors and other external users of the Company's financial information.

In addition, Core adjusted operating ratio and Core adjusted diluted EPS exclude KCS purchase accounting. KCS purchase accounting represents the amortization of basis differences being the incremental depreciation and amortization in relation to fair value adjustments to properties and intangible assets, incremental amortization in relation to fair value adjustments to KCS's investments, amortization of the change in fair value of debt of KCS assumed on April 14, 2023 (the "Control Date"), and depreciation and amortization of fair value adjustments that are attributable to the non-controlling interest, as recognized within "Depreciation and amortization", "Other income", "Net interest expense", and "Net loss attributable to non-controlling interest", respectively, in the Company's Interim Consolidated Statements of Income. All assets subject to KCS purchase accounting contribute to income generation and will continue to amortize over their estimated useful lives. Excluding KCS purchase accounting from GAAP results provides financial statement users with additional transparency by isolating the impact of KCS purchase accounting.

Significant items that impact Net income attributable to controlling shareholders as reported on a GAAP basis for the first six months of 2025 and 2024 include:

2025:
- in the second quarter, a gain on sale of an equity investment of $333 million ($282 million after current income tax expense of $76 million  net of deferred income tax recovery of $25 million) recognized in "Gain on sale of equity investment", that favourably impacted Diluted EPS by 30 cents;
- during the first six months, acquisition-related costs of $39 million in connection with the KCS acquisition ($29 million after current income tax recovery of $10 million), including an expense of $12 million recognized in "Compensation and benefits" primarily related to retention and synergy related incentive compensation costs; $1 million recognized in "Materials"; and $26 million recognized in "Purchased services and other" primarily related to system migration, legal fees, and other third party purchased services, that unfavourably impacted Diluted EPS by 3 cents as follows:
  - in the second quarter, acquisition-related costs of $19 million in connection with the KCS acquisition ($14 million after current income tax recovery of $5 million) including costs of $7 million recognized in "Compensation and benefits"; and $12 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents; and
  - in the first quarter, acquisition-related costs of $20 million in connection with the KCS acquisition ($15 million after current income tax recovery of $5 million) including costs of $5 million recognized in "Compensation and benefits"; $1 million recognized in "Materials"; and $14 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents.

2024:
- in the second quarter, a deferred income tax recovery of $3 million due to a decrease in the Arkansas state corporate income tax rate, that had minimal impact on Diluted EPS;
- in the first quarter, adjustments to provisions and settlements of Mexican taxes of $10 million expense ($10 million after deferred income tax recovery) recognized in "Compensation and benefits", that unfavourably impacted Diluted EPS by 1 cent; and
- during the first six months, acquisition-related costs of $54 million in connection with the KCS acquisition ($39 million after current income tax recovery of $15 million), including an expense of $6 million recognized in "Compensation and benefits" primarily related to retention and synergy related incentive compensation costs; $4 million recognized in "Materials"; and $44 million recognized in "Purchased services and other" primarily related to system migration, relocation expenses, legal and consulting fees, that unfavourably impacted Diluted EPS by 4 cents as follows:
  - in the second quarter, acquisition-related costs of $28 million in connection with the KCS acquisition ($19 million after current income tax recovery of $9 million) including costs of $2 million recognized in "Compensation and benefits", $2 million recognized in "Materials", and $24 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents; and
  - in the first quarter, acquisition-related costs of $26 million in connection with the KCS acquisition ($20 million after current income tax recovery of $6 million) including costs of $4 million recognized in "Compensation and benefits", $2 million recognized in "Materials", and $20 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents.

KCS purchase accounting included in Net income attributable to controlling shareholders as reported on a GAAP basis for the first six months of 2025 and 2024 was as follows:

2025:
- during the first six months, KCS purchase accounting of $187 million ($137 million after deferred income tax recovery of $50 million), including costs of $178 million recognized in "Depreciation and amortization", $1 million recognized in "Purchased services and other" related to the amortization of equity investments, $10 million recognized in "Net interest expense", $1 million recognized in "Other income", and a recovery of $3 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 14 cents as follows:
  - in the second quarter, KCS purchase accounting of $95 million ($70 million after deferred income tax recovery of $25 million), including costs of $91 million recognized in "Depreciation and amortization", $5 million recognized in "Net

interest expense", and a recovery of $1 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 7 cents; and

– in the first quarter, KCS purchase accounting of $92 million ($67 million after deferred income tax recovery of $25 million), including costs of $87 million recognized in "Depreciation and amortization", $1 million recognized in "Purchased services and other", $5 million recognized in "Net interest expense", $1 million recognized in "Other income", and a recovery of $2 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 7 cents.

2024:

- during the first six months, KCS purchase accounting of $170 million ($123 million after deferred income tax recovery of $47 million), including costs of $161 million recognized in "Depreciation and amortization", $2 million recognized in "Purchased services and other" related to the amortization of equity investments, $10 million recognized in "Net interest expense", $1 million recognized in "Other income", and a recovery of $4 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 13 cents as follows:
  – in the second quarter, KCS purchase accounting of $86 million ($62 million after deferred income tax recovery of $24 million), including costs of $82 million recognized in "Depreciation and amortization", $1 million recognized in "Purchased services and other", $5 million recognized in "Net interest expense", and a recovery of $2 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 6 cents; and
  – in the first quarter, KCS purchase accounting of $84 million ($61 million after deferred income tax recovery of $23 million), including costs of $79 million recognized in "Depreciation and amortization", $1 million recognized in "Purchased services and other", $5 million recognized in "Net interest expense", $1 million recognized in "Other income", and a recovery of $2 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 7 cents.

**Reconciliation of GAAP Performance Measures to Non-GAAP Performance Measures**

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

*Core Adjusted Diluted Earnings per Share*

Core adjusted diluted EPS is calculated using Diluted EPS reported on a GAAP basis adjusted for significant items less KCS purchase accounting.

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | **2025** | 2024 | **2025** | 2024 |
| **Diluted earnings per share as reported** | **$ 1.33** | $ 0.97 | **$ 2.31** | $ 1.80 |
| Less: | | | | |
| Significant items (pre-tax): | | | | |
| Gain on sale of equity investment | **0.36** | — | **0.36** | — |
| Adjustments to provisions and settlements of Mexican taxes | **—** | — | **—** | (0.01) |
| Acquisition-related costs | **(0.02)** | (0.03) | **(0.04)** | (0.06) |
| KCS purchase accounting | **(0.10)** | (0.09) | **(0.20)** | (0.18) |
| Add: | | | | |
| Tax effect of adjustments[(1)] | **0.03** | (0.04) | **(0.01)** | (0.07) |
| **Core adjusted diluted earnings per share** | **$ 1.12** | $ 1.05 | **$ 2.18** | $ 1.98 |

[(1)] The tax effect of adjustments was calculated as the pre-tax effect of the significant items and KCS purchase accounting listed above multiplied by the applicable tax rate for the above items of 9.45% and 8.67% for the three and six months ended June 30, 2025, and 28.72% and 26.61%for the three and six months ended June 30, 2024, respectively. The applicable tax rates reflect the taxable jurisdictions and nature, being on account of capital or income, of the adjustments.

*Core Adjusted Operating Ratio*

Core adjusted operating ratio is calculated from reported GAAP revenue and operating expenses adjusted for, where applicable, (1) significant items (acquisition-related costs and adjustments to provisions and settlement of Mexican taxes) that are reported within Operating income, and (2) KCS purchase accounting recognized in "Depreciation and amortization" and "Purchased services and other".

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | **2025** | 2024 | **2025** | 2024 |
| **Operating ratio as reported** | **63.7 %** | 64.8 % | **64.5 %** | 66.1 % |
| Less: | | | | |
| Adjustments to provisions and settlements of Mexican taxes | **— %** | — % | **— %** | 0.1 % |
| Acquisition-related costs | **0.5 %** | 0.7 % | **0.5 %** | 0.8 % |
| KCS purchase accounting in Operating expenses | **2.5 %** | 2.3 % | **2.4 %** | 2.3 % |
| **Core adjusted operating ratio** | **60.7 %** | 61.8 % | **61.6 %** | 62.9 % |

**Critical Accounting Estimates**

To prepare Consolidated Financial Statements that conform with GAAP, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements, and the reported amounts of revenues and expenses during the reported periods. Using the most current information available, the Company reviews estimates on an ongoing basis, including those related to goodwill and intangible assets, pensions and other benefits, properties, contingent liabilities, and deferred income taxes. Additional information concerning critical accounting estimates is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company's 2024 Annual Report on Form 10-K.

The development, selection and disclosure of these estimates, and this MD&A, have been reviewed by the Board of Directors' Audit and Finance Committee, which is composed entirely of independent directors.

***Forward-Looking Statements***

This Management's Discussion and Analysis of Financial Condition and Results of Operations and Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the *United States Private Securities Litigation Reform Act of 1995* and forward-looking information within the meaning of other relevant securities legislation, including applicable securities laws in Canada (collectively referred to herein as "forward-looking statements"). Forward-looking statements typically include words such as “financial expectations”, “key assumptions”, “anticipate”, “believe”, “expect”, "project", "estimate", "forecast", “plan”, "intend", "target", “will”, “outlook”, "guidance", “should” or similar words suggesting future outcomes. All statements other than statements of historical fact may be forward-looking statements. To the extent that the Company has provided forecasts or targets using Non-GAAP financial measures, the Company may not be able to provide a reconciliation to the most directly comparable GAAP measures without unreasonable efforts, due to unknown variables and uncertainty related to future results. These unknown variables may include unpredictable transactions of significant value. In recent years, CPKC has recognized acquisition-related costs, KCS purchase accounting, adjustments to provisions and settlements of Mexican taxes, changes in income tax rates, a gain on the sale of an equity investment, and a change to an uncertain tax item. These or other similar large unforeseen transactions affect CPKC's results on a GAAP basis but may be excluded from CPKC’s Non-GAAP financial measures. Additionally, the U.S.-to-Canadian dollar exchange rate is unpredictable and can have a significant impact on CPKC’s reported results but may be excluded from CPKC’s Non-GAAP financial measures.

This Management's Discussion and Analysis of Financial Condition and Results of Operations and Quarterly Report on Form 10-Q includes forward-looking statements relating, but not limited to statements concerning integration of KCS, forecasted performance factors, the Company's intention to indefinitely reinvest in its foreign investments, the Company’s expected impacts resulting from changes in the U.S. dollar and Mexican peso exchange rates relative to the Canadian dollar, and the effective tax rate, as well as statements concerning the Company’s operations, anticipated financial performance, business prospects and strategies, including statements concerning the anticipation that cash flow from operations and various sources of financing will be sufficient to meet debt repayments and obligations in the foreseeable future and concerning anticipated capital programs, and statements regarding future payments including income taxes.

The forward-looking statements contained in this Management’s Discussion and Analysis of Financial Condition and Results of Operations and Quarterly Report on Form 10-Q are based on current expectations, estimates, projections and assumptions, having regard to the Company's experience and its perception of historical trends, and include, but are not limited to, expectations, estimates, projections and assumptions relating to: change in business strategies; North American and global economic growth; commodity demand growth; sustainable industrial and agricultural production; commodity prices and interest rates; foreign exchange rates (as specified herein); effective tax rates (as specified herein); 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, including, without limitation, those relating to regulation of rates, tariffs, import/export, trade, taxes, wages, labour and immigration; the availability and cost of labour, services and infrastructure; labour disruptions; and the satisfaction by third parties of their obligations to the Company. Although the Company believes the expectations, estimates, projections and assumptions reflected in the forward-looking statements 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 statements as actual results may differ materially from those expressed or implied by forward-looking statements. By their nature, forward-looking statements involve numerous inherent risks and uncertainties that could cause actual results to differ materially from the forward-looking statements, including but not limited to the following factors: changes in business strategies and strategic opportunities; general North American and global social, economic, political, credit and business conditions; risks associated with agricultural production such as weather conditions and insect populations; the availability and price of energy commodities; the effects of competition and pricing pressures; industry capacity; shifts in market demand; changes in commodity prices and commodity demand; uncertainty surrounding timing and volumes of commodities being shipped via the Company; inflation; geopolitical instability; changes in laws, regulations and government policies, including, without limitation, those relating to regulation of rates, tariffs, import/export, trade, wages, labour and immigration; changes in taxes and tax rates; potential increases in maintenance and operating costs; changes in fuel prices; disruption of 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, including the imposition of any tariffs, or other changes to international trade arrangements; the effects of current and future multinational trade agreements on or other developments affecting 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 the Concession; public opinion; various events that could disrupt operations, including severe weather, such as droughts, floods, avalanches, volcanism 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; the outbreak of a pandemic or contagious disease and the 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; disruptions to global supply chains; the realization of anticipated benefits and synergies of the CP-KCS transaction and the timing thereof; the satisfaction of the conditions imposed by the U.S. Surface Transportation Board in its March 15, 2023 decision; the successful integration of KCS into the Company; the focus of management time and attention on the CP-KCS transaction and other disruptions arising from the CP-KCS integration; 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; improvement in data collection and measuring systems; industry-driven changes to methodologies; and the ability of the management of CPKC to execute key priorities, including those in connection with the CP-KCS transaction. The foregoing list of factors is not exhaustive.

There are more specific factors that could cause actual results to differ materially from those described in the forward-looking statements contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations and Quarterly Report on Form 10-Q. These more specific factors are identified and discussed in Item 1A. Risk Factors of the Company's 2024 Annual Report on Form 10-K. Other risks are detailed from time to time in reports filed by the Company with securities regulators in Canada and the U.S., and filed on SEDAR+ (www.sedarplus.ca) and EDGAR (www.sec.gov).

The forward-looking statements contained in this Management’s Discussion and Analysis of Financial Condition and Results of Operations and Quarterly Report on Form 10-Q are made as of the date hereof. Except as required by law, the Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, or the foregoing assumptions and risks affecting such forward-looking statements, whether as a result of new information, future events or otherwise.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information concerning market risk sensitive instruments is set forth under Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Impact of FX on Earnings and Foreign Exchange Risk and Impact of Share Price on Earnings and Stock-Based Compensation.

### Interest Rate Risk

Debt financing forms part of the Company's capital structure. The debt agreements entered into expose the Company to increased interest costs on future fixed debt instruments and existing variable rate debt instruments, should market rates increase.

As at June 30, 2025, a hypothetical one percentage point change in interest rates on the Company's floating rate debt obligations outstanding is not material. In addition, the present value of the Company’s assets and liabilities will also vary with interest rate changes. To manage interest rate exposure, the Company may enter into forward rate agreements such as treasury rate locks or bond locks that protect against interest rate increases. The Company may also enter into swap agreements whereby one party agrees to pay a fixed rate of interest while the other party pays a floating rate. Contingent on the direction of interest rates, the Company may incur higher costs depending on the contracted rate.

The fair value of the Company’s fixed rate debt may fluctuate with changes in market interest rates. A hypothetical one percentage point decrease in interest rates as of June 30, 2025 would increase the fair value of the Company's debt as at June 30, 2025 by approximately $1.9 billion (June 30, 2024 - approximately $1.8 billion). Fair values of the Company’s fixed rate debt are estimated by considering the impact of the hypothetical interest rates on quoted market prices and current borrowing rates, but do not consider other factors that could impact actual results.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

As at June 30, 2025, an evaluation was carried out under the supervision of and with the participation of the Company's management, including its CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the *Exchange Act*. Based on that evaluation, the CEO and CFO concluded that these disclosure controls and procedures were effective as at June 30, 2025, to ensure that information required to be disclosed by the Company in reports that it files or submits under the *Exchange Act* is (i) recorded, processed, summarized and reported within the time periods specified by the SEC rules and forms and (ii) accumulated and communicated to the Company’s management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

### Changes in Internal Control over Financial Reporting

During the second quarter of 2025, the Company has not identified any changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# PART II

## ITEM 1. LEGAL PROCEEDINGS

For further details refer to Item 1. Financial Statements, Note 14 Contingencies.

SEC regulations require the disclosure of any proceeding under environmental laws to which a government authority is a party unless the registrant reasonably believes it will not result in sanctions over a certain threshold. The Company uses a threshold of U.S. $1 million for the purposes of determining proceedings requiring disclosure.

From time to time, the Company or its subsidiaries may be subject to information requests from U.S. State or Federal environmental regulatory authorities inquiring as to the Company's compliance or remediation practices in the U.S. In September 2020, the Company received an initial request for information from the U.S. Environmental Protection Agency ("EPA") inquiring into the Company's compliance with the mobile source provisions of the Clean Air Act ("CAA"). The Company has been providing information in response to the EPA's initial and follow-up requests, and the EPA has issued Notices of Violations, which preliminarily identify certain categories of alleged non-compliance with civil provisions of the CAA pertaining to locomotives and locomotive engines. In December 2022, the U.S. Department of Justice ("DOJ") sent a communication requesting a meeting with the Company to discuss potentially resolving any alleged noncompliance which included an initial draft consent decree from the DOJ. That initial meeting occurred in January 2023 and communications are ongoing. Neither the EPA nor the DOJ has issued a final compendium of alleged violations or a final demand for corrective or mitigating actions, and it remains too early to provide a fulsome evaluation of the likely outcome with respect to either the nature of any alleged violations, or the amount of any potential civil penalty. However, any potential civil penalty amount is not anticipated to be material. The Company will continue to fully cooperate and engage in discussions to resolve the matter.

## ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors from the information provided in Item 1A. Risk Factors of the Company's 2024 Annual Report on Form 10-K.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### Issuer Purchase of Equity Securities

The Company has established a share repurchase program which is further described in Item 1. Financial Statements, Note 11 Share repurchase. The following table presents the number of Common Shares repurchased during each month of the second quarter of 2025 and the average price paid by CPKC for the repurchase of such Common Shares:

| Period | Total Number of Shares (or Units) Purchased | Average Price Paid per Share (or Unit)[1] | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares (or Units) that may yet be purchased under the Plans or Programs |
|---|---|---|---|---|
| *Common Stock* | | | | |
| April 1-30, 2025 | 4,392,960 | $ 100.23 | 4,392,960 | 29,474,921 |
| May 1-31, 2025 | 4,675,789 | $ 112.75 | 4,675,789 | 24,799,132 |
| June 1-30, 2025 | 3,813,705 | $ 112.89 | 3,813,705 | 20,985,427 |
| Total | 12,882,454 | $ 108.52 | 12,882,454 | 20,985,427 |

(1) Includes brokerage fees and applicable tax on share repurchases.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

None.

**ITEM 6. EXHIBITS**

| Exhibit | Description |
| --- | --- |
| 3.1 | Restated Certificate and Articles of Incorporation of Canadian Pacific Railway Limited (incorporated by reference to Exhibit 99.2 to Canadian Pacific Railway Limited’s Form 6-K filed with the Securities and Exchange Commission on October 22, 2015, File No. 001-01342). |
| 3.2 | Articles of Amendment to Restated Certificate and Articles of Incorporation of Canadian Pacific Railway Limited (incorporated by reference to Exhibit 3.1 to Canadian Pacific Railway Limited’s Form 8-K filed with the Securities and Exchange Commission on May 5, 2021, File No. 001-01342). |
| 3.3 | Articles of Amendment to Restated Certificate and Articles of Incorporation of Canadian Pacific Kansas City Limited (incorporated by reference to Exhibit 3.1 to Canadian Pacific Kansas City Limited’s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 14, 2023, File No. 001-01342). |
| 3.4 | By-law No. 1, as amended, of Canadian Pacific Kansas City Limited (incorporated by reference to Exhibit 3.4 to Canadian Pacific Kansas City Limited's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 27, 2023, File No. 001-01342). |
| 3.5 | Amended and Restated By-law No. 2 of Canadian Pacific Kansas City Limited (incorporated by reference to Exhibit 3.1 to Canadian Pacific Kansas City Limited’s Current Report on Form 8-K filed with the Securities and Exchange Commission February 11, 2025, File No. 001-01342). |
| 3.6 | General By-law, as amended, of Canadian Pacific Railway Company, a wholly owned subsidiary of Canadian Pacific Railway Limited (incorporated by reference to Exhibit 2 to Canadian Pacific Railway Limited’s Form 6-K filed with the Securities and Exchange Commission on May 22, 2009, File No. 001-01342). |
| 22.1* | List of Issuers and Guarantor Subsidiaries |
| 31.1* | CEO Rule 13a-14(a) Certifications |
| 31.2* | CFO Rule 13a-14(a) Certifications |
| 32.1* | CEO Section 1350 Certifications |
| 32.2* | CFO Section 1350 Certifications |
| 101.INS* | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| | The following financial information from Canadian Pacific Kansas City Limited's Quarterly Report on Form 10-Q for the second quarter ended June 30, 2025, formatted in Extensible Business Reporting Language (XBRL) includes: (i) the Interim Consolidated Statements of Income for the second quarters and first six months ended June 30, 2025 and 2024; (ii) the Interim Consolidated Statements of Comprehensive Income for the second quarters and first six months ended June 30, 2025 and 2024; (iii) the Interim Consolidated Balance Sheets at June 30, 2025, and December 31, 2024; (iv) the Interim Consolidated Statements of Cash Flows for the second quarters and first six months ended June 30, 2025 and 2024; (v) the Interim Consolidated Statements of Changes in Equity for the second quarters and first six months ended June 30, 2025 and 2024; and (vi) the Notes to Interim Consolidated Financial Statements. |
| 104* | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

* Filed with this Quarterly Report on Form 10-Q

**Exhibit 22.1**

**List of Issuers and Guarantor Subsidiaries**

As of the date of the filing of the Form 10-Q of which this exhibit is a part, Canadian Pacific Kansas City Limited, a corporation incorporated under the laws of Canada (the “Registrant”) has guaranteed each of the following securities issued by Canadian Pacific Railway Company, a corporation incorporated under the laws of Canada and a direct, wholly owned subsidiary of the Registrant (the “Issuer”) subject to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended:

- The Issuer’s 3.700% notes due February 2026;
- The Issuer’s 3.125% notes due June 2026;
- The Issuer’s 1.750% notes due December 2026;
- The Issuer’s 4.000% notes due June 2028;
- The Issuer’s 2.875% notes due November 2029;
- The Issuer’s 2.050% notes due March 2030;
- The Issuer’s 4.800% notes due March 2030;
- The Issuer’s 7.125% notes due October 2031;
- The Issuer’s 2.450% notes due December 2031;
- The Issuer’s 5.750% notes due March 2033;
- The Issuer’s 5.200% notes due March 2035;
- The Issuer’s 4.800% notes due September 2035;
- The Issuer’s 5.950% notes due May 2037;
- The Issuer’s 3.000% notes due December 2041;
- The Issuer’s 5.750% notes due January 2042;
- The Issuer’s 4.300% notes due May 2043;
- The Issuer’s 4.800% notes due August 2045;
- The Issuer’s 4.950% notes due August 2045;
- The Issuer’s 4.700% notes due May 2048;
- The Issuer’s 3.500% notes due May 2050;
- The Issuer’s 3.100% notes due December 2051;
- The Issuer’s 4.200% notes due November 2069;
- The Issuer’s 6.125% notes due September 2115;
- The Issuer’s Perpetual 4% Consolidated Debenture Stock denominated in U.S. dollars; and
- The Issuer’s Perpetual 4% Consolidated Debenture Stock denominated in British Pounds Sterling.

The above list does not include the following securities guaranteed by the Registrant issued in Canada which are not subject to Section 13(a) or 15(d) of the Exchange Act:

- The Issuer’s 2.540% notes due February 2028;
- The Issuer’s 3.150% notes due March 2029;
- The Issuer’s 4.000% notes due June 2032;
- The Issuer’s 4.400% notes due January 2036;
- The Issuer’s 6.450% notes due November 2039;
- The Issuer’s 3.050% notes due March 2050; and
- The Issuer’s 4.800% notes due June 2055.

**Exhibit 31.1**

**Certification by the Chief Executive Officer of the Registrants filed pursuant to Rule 13a-14(a) of the Exchange Act.**
**Canadian Pacific Kansas City Limited**

I, Keith Creel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Canadian Pacific Kansas City Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **July 30, 2025**

/s/ KEITH CREEL
Keith Creel
President and Chief Executive Officer

**Exhibit 31.2**

**Certification by the Chief Financial Officer of the Registrants filed pursuant to Rule 13a-14(a) of the Exchange Act.**
**Canadian Pacific Kansas City Limited**

I, Nadeem Velani, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Canadian Pacific Kansas City Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **July 30, 2025**

/s/ NADEEM VELANI
Nadeem Velani
Executive Vice-President and Chief Financial Officer

Exhibit 32.1

**Certifications Furnished Pursuant to 18 U.S.C. Section 1350,**
**As Adopted Pursuant to**
**Section 906 of the Sarbanes-Oxley Act of 2002**

**Canadian Pacific Kansas City Limited**

In connection with the Quarterly Report of Canadian Pacific Kansas City Limited (the “Company”) on Form 10-Q for the period ended June 30, 2025 (the “Report”) to which this certificate is an exhibit, I, Keith Creel, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **July 30, 2025**

/s/ KEITH CREEL
Keith Creel
President and Chief Executive Officer

**Exhibit 32.2**

**Certifications Furnished Pursuant to 18 U.S.C. Section 1350,**
**As Adopted Pursuant to**
**Section 906 of the Sarbanes-Oxley Act of 2002**

**Canadian Pacific Kansas City Limited**

In connection with the Quarterly Report of Canadian Pacific Kansas City Limited (the “Company”) on Form 10-Q for the period ended June 30, 2025 (the “Report”) to which this certificate is an exhibit, I, Nadeem Velani, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **July 30, 2025**

/s/ NADEEM VELANI
Nadeem Velani
Executive Vice-President and Chief Financial Officer

# SIGNATURE

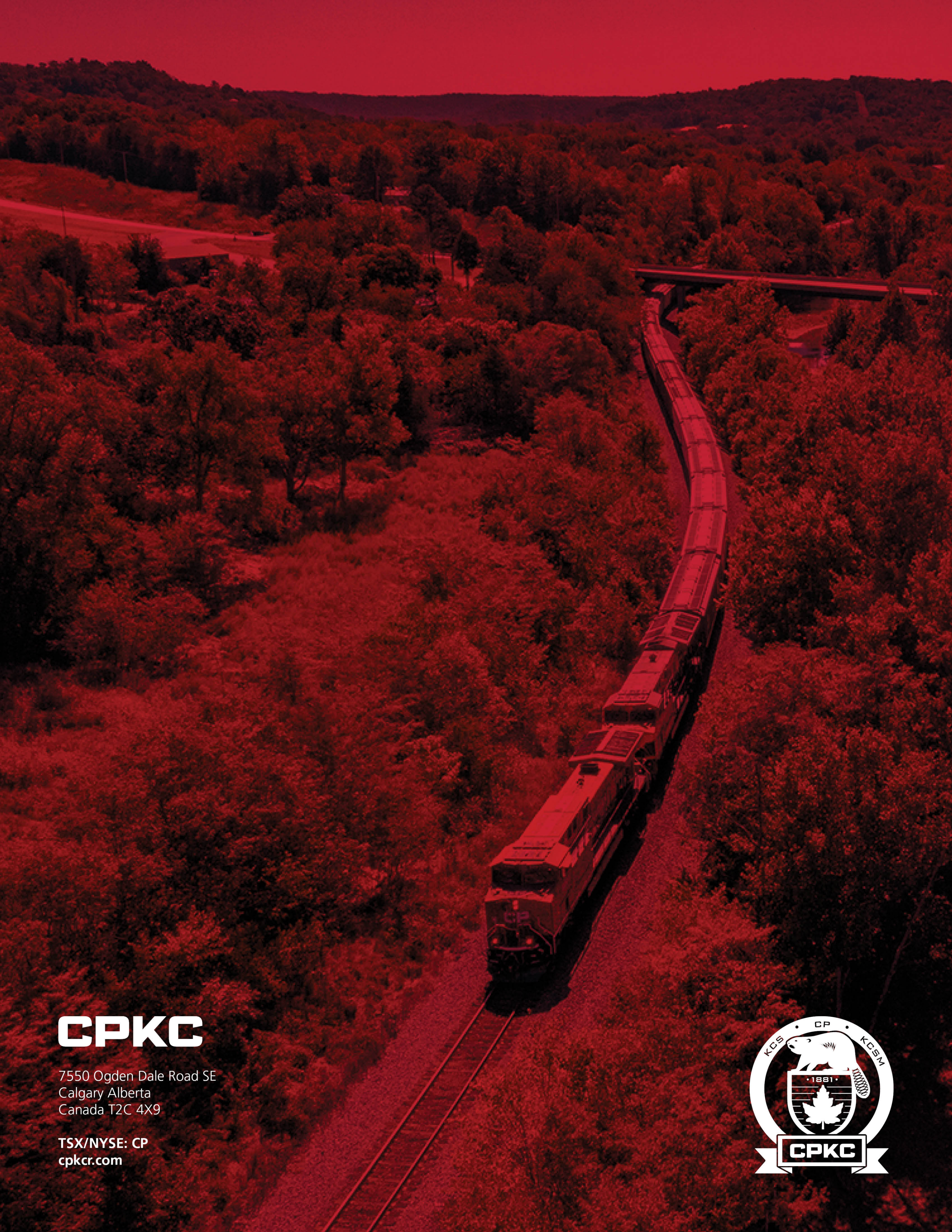
Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CANADIAN PACIFIC KANSAS CITY LIMITED**
(Registrant)

By: /s/ NADEEM VELANI

Nadeem Velani
Executive Vice-President and
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Date: **July 30, 2025**



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