



Q4 2017 EARNINGS REVIEW

JANUARY 18, 2018



FORWARD LOOKING STATEMENTS

The following investor presentation contains certain forward-looking information within the meaning of applicable securities laws relating, but not limited, to Canadian Pacific's operations, priorities and plans, anticipated financial performance, including our 2018 full-year guidance, business prospects, planned capital expenditures, programs and strategies. This forward-looking information also includes, but is not limited to, statements concerning expectations, beliefs, plans, goals, objectives, assumptions and statements about possible future events, conditions, and results of operations or performance.

Forward-looking information may contain statements with words such as "anticipate", "believe", "expect", "plan", "financial expectations", "key assumptions", "outlook", "guidance", or similar words suggesting future outcomes.

Undue reliance should not be placed on forward-looking information as actual results may differ materially from the forward-looking information. Forward-looking information is not a guarantee of future performance.

By its nature, CP's forward-looking information involves numerous assumptions, inherent risks and uncertainties that could cause actual results to differ materially from the forward-looking information, including but not limited to the following factors: changes in business strategies; general North American and global economic, credit and business conditions; risks in agricultural production such as weather conditions and insect populations; the availability and price of energy commodities; the effects of competition and pricing pressures; industry capacity; shifts in

market demand; inflation; changes in laws and regulations, including regulation of rates; changes in taxes and tax rates; potential increases in maintenance and operating costs; uncertainties of investigations, proceedings or other types of claims and litigation; labour disputes; risks and liabilities arising from derailments; transportation of dangerous goods; timing of completion of capital and maintenance projects; currency and interest rate fluctuations; effects of changes in market conditions and discount rates on the financial position of pension plans and including long-term floating rate notes; and investments, various events that could disrupt operations, including severe weather, droughts, floods, avalanches and earthquakes as well as security threats and governmental response to them, and technological changes.

The foregoing list of factors is not exhaustive. These and other factors are detailed from time to time in reports filed by CP with securities regulators in Canada and the United States. Reference should be made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" in CP's annual and quarterly reports filed on Form 10-K and 10-Q, respectively.

Forward-looking information is based on current expectations, estimates and projections and it is possible that predictions, forecasts, projections, and other forms of forward-looking information will not be achieved by CP. Except as required by law, CP undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.

NOTE ON NON-GAAP MEASURES

Except where noted, all figures are in millions of Canadian dollars.

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

CP presents non-GAAP earnings information in this presentation to provide a basis for evaluating underlying earnings trends that can be compared with the prior period's results.

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

For further information regarding non-GAAP measures see the Non-GAAP Measures supplement to the press release on our website at www.cpr.ca.



KEITH CREEL

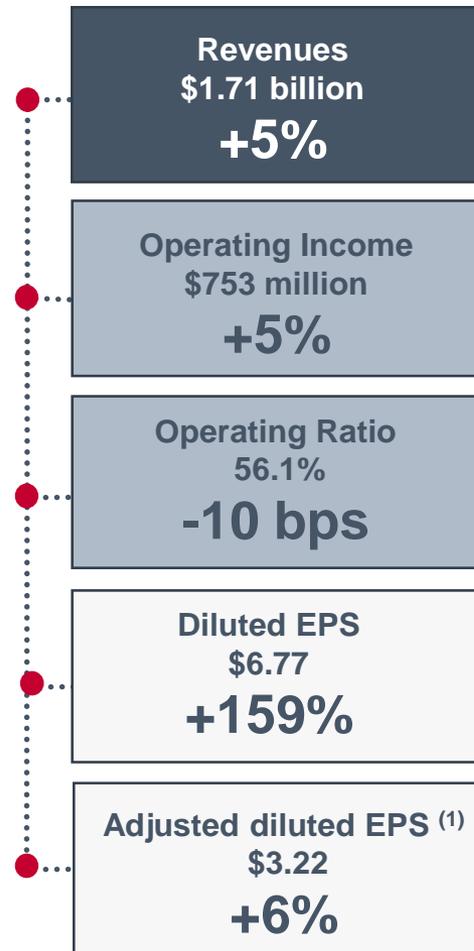
PRESIDENT & CHIEF EXECUTIVE OFFICER



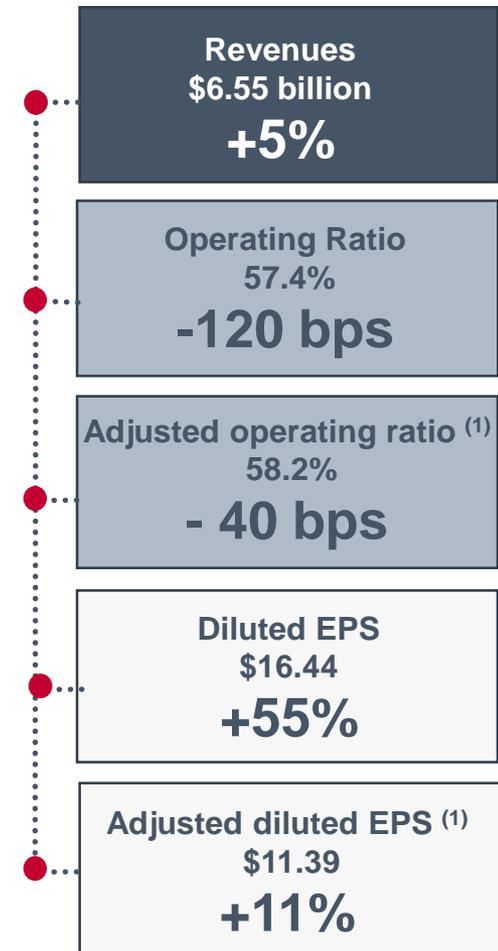
HIGHLIGHTS

- Record quarter and year by nearly every measure
- Full year adjusted EPS growth of 11%
- Industry-leading safety performance
- Poised for another record-setting year in 2018

Q4



2017



(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2017 Earnings Release on www.cpr.ca

2018 OUTLOOK

MID SINGLE-DIGIT
REVENUE GROWTH

LOW DOUBLE-DIGIT
EPS GROWTH*

CAPITAL EXPENDITURES
\$1.35B - \$1.5B



* Versus 2017 adjusted diluted EPS of \$11.39. For a full description of 2018 Outlook and Non-GAAP measures, see CP's Q4 2017 Earnings Release on www.cpr.ca

CP



JOHN BROOKS
CHIEF MARKETING OFFICER



REVENUE PERFORMANCE

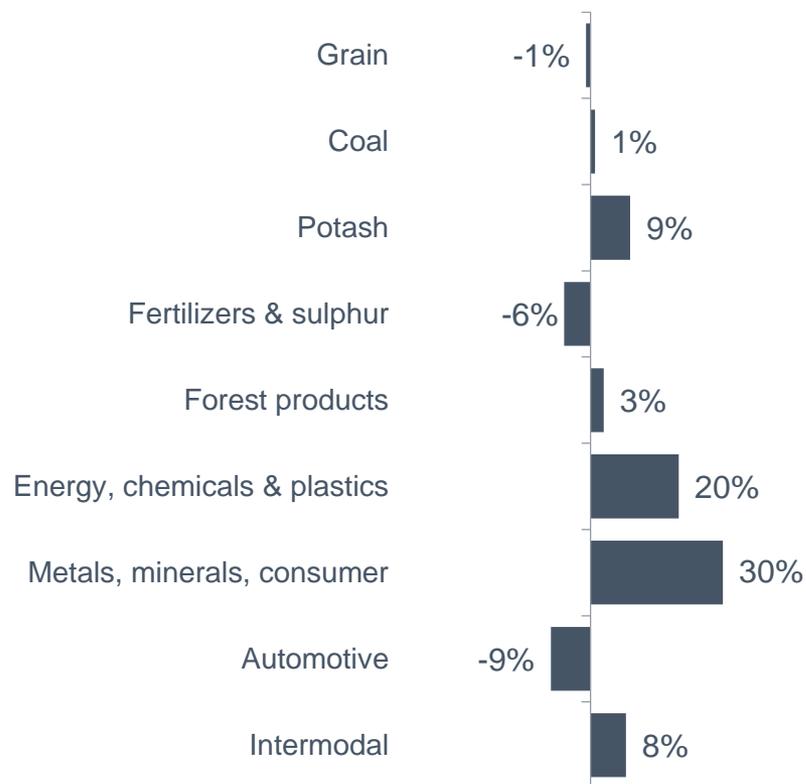
TOTAL REVENUE

+5%

VS Q4 2016

- RTMs: +4%
- FX: -2%
- Fuel: +2%
- Price/mix: flat
- Other +1%

FX-adjusted revenue variance⁽¹⁾



(1) For a reconciliation of FX-adjusted variances, see CP's Q4 2017 Earnings Release on www.cpr.ca

REVENUE OUTLOOK

Expecting mid-single digit revenue growth in 2018

BULK	44%	<ul style="list-style-type: none">• Strong global potash demand and ramp up of K+S traffic• Canadian grain crop (2017/18) now expected to be in-line with previous year• Steady coal volumes• Headwinds in US grain expected to persist through 1H
MERCHANDISE	35%	<ul style="list-style-type: none">• Continued strength in Energy & Chemicals from refined petroleum products, increased crude-by rail demand• Increased infrastructure spending and construction supportive for aggregates and steel• Cyclical weakness in automotive
INTERMODAL	21%	<ul style="list-style-type: none">• Economic momentum and tighter trucking capacity to support growth• Domestic intermodal to continue to outpace the Canadian economy• Leveraging our new products and services (i.e. Detroit and the Ohio Valley)



NADEEM VELANI

CHIEF FINANCIAL OFFICER



FINANCIAL PERFORMANCE – Q4

(In millions, except percentages and per share data)

	Fourth Quarter		Change %	FX-adjusted Change ⁽²⁾ %
	2017	2016		
Total revenues	\$ 1,713	\$ 1,637	5 %	7 %
Compensation and benefits	269	282	(5%)	(3%)
Fuel	197	173	14 %	19 %
Materials	48	47	2 %	4 %
Equipment rents	34	41	(17%)	(15%)
Depreciation and amortization	168	162	4 %	5 %
Purchased services and other	244	215	13 %	16 %
Total operating expenses	960	920	4 %	7 %
Operating income	753	717	5 %	8 %
Other income and charges	16	74	(78%)	
Net interest expense	116	116	—%	
Income tax expense	(363)	143	(354%)	
Net income	984	384	156 %	
Adjusted income⁽¹⁾	469	448	5 %	
Diluted earnings per share	6.77	2.61	159 %	
Adjusted diluted earnings per share⁽¹⁾	3.22	3.04	6 %	
Operating ratio	56.1%	56.2%	(10)bps	

(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2017 Earnings Release on www.cpr.ca

(2) For a reconciliation of FX-adjusted variances, see CP's Q4 2017 Earnings Release on www.cpr.ca



FINANCIAL PERFORMANCE – FULL YEAR

<i>(In millions, except percentages and per share data)</i>	Full Year		
	2017	2016	% Change
Total revenues	\$ 6,554	\$ 6,232	5 %
Total operating expenses	3,761	3,654	3 %
Adjusted total operating expenses ⁽¹⁾	3,812	3,654	4 %
Operating income	2,793	2,578	8 %
Adjusted operating income ⁽²⁾	2,742	2,578	6 %
Net income	2,405	1,599	50 %
Adjusted income ⁽²⁾	1,666	1,549	8 %
Operating ratio	57.4%	58.6%	(120)bps
Adjusted operating ratio⁽²⁾	58.2%	58.6%	(40)bps
Diluted earnings per share	16.44	10.63	55 %
Adjusted diluted earnings per share⁽²⁾	11.39	10.29	11 %
Adjusted net debt to adjusted EBITDA ratio ⁽²⁾	2.6	2.9	
Effective income tax rate	3.7%	25.7%	
Adjusted effective income tax rate ⁽³⁾	26.4%	26.2%	

(1) Adjusted for \$51 million of management transition recovery in Q1 2017

(2) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2017 Earnings Release on www.cpr.ca

(3) Adjusted for the tax impact of significant items in Adjusted income



2018 OUTLOOK

MID SINGLE-DIGIT REVENUE GROWTH

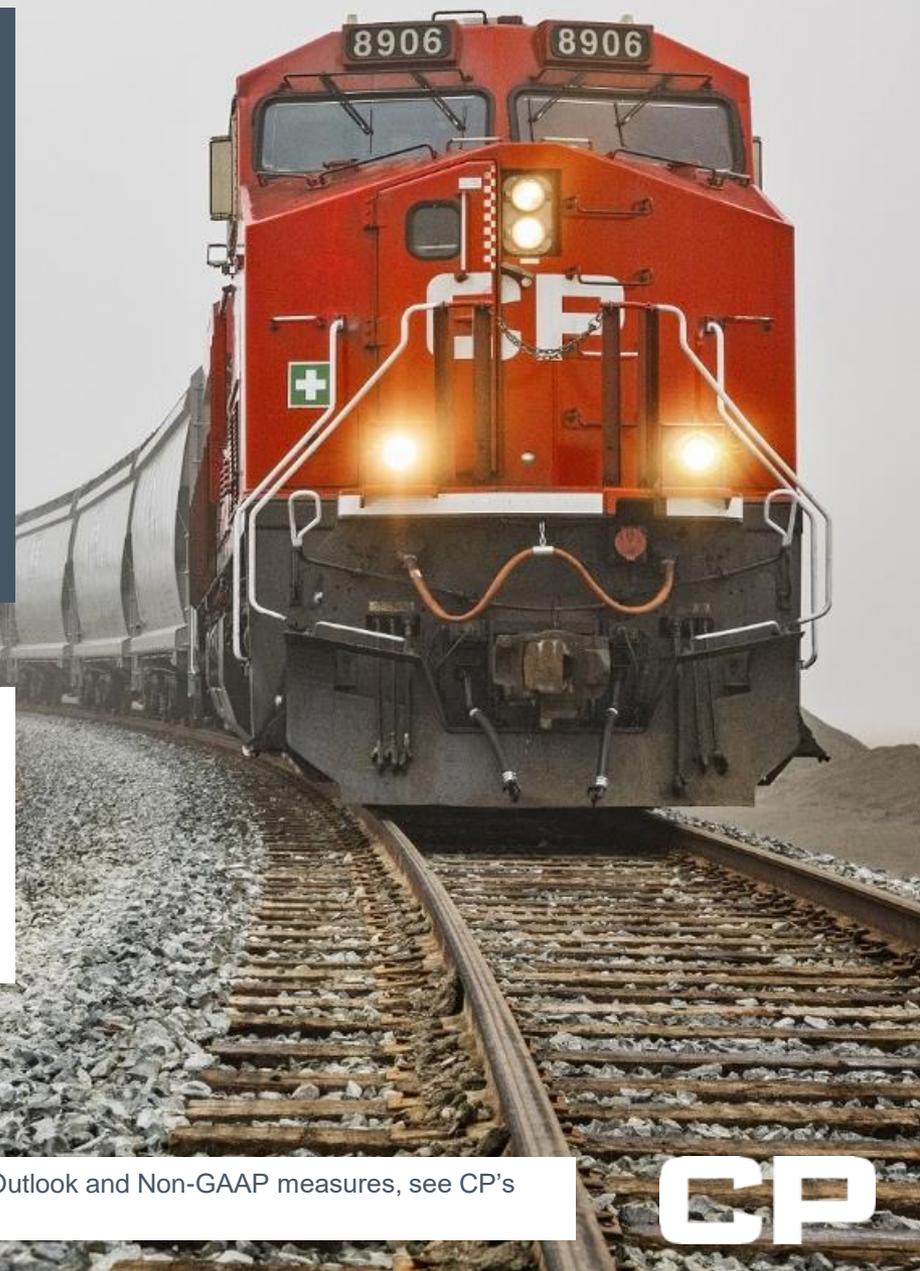
LOW DOUBLE-DIGIT EPS GROWTH*

CAPITAL EXPENDITURES \$1.35B - \$1.5B

ASSUMPTIONS

- FX rate in the range of \$1.25 to \$1.30
- Tax rate in the range of 24.5% to 25%

* Versus 2017 adjusted diluted EPS of \$11.39. For a full description of 2018 Outlook and Non-GAAP measures, see CP's Q4 2017 Earnings Release on www.cpr.ca



CP



KEITH CREEL

PRESIDENT & CHIEF EXECUTIVE OFFICER

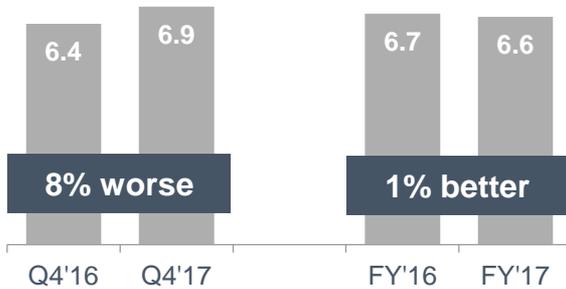


APPENDIX

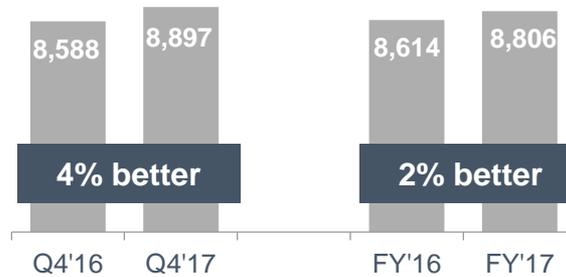


OPERATING PERFORMANCE

Average terminal dwell
(hours)



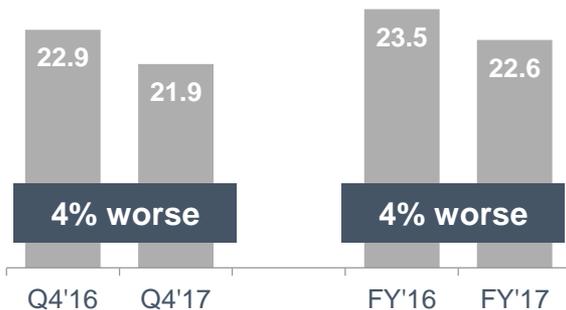
Average train weight
(tons)



FRA Train Accident Frequency
(per million train miles)



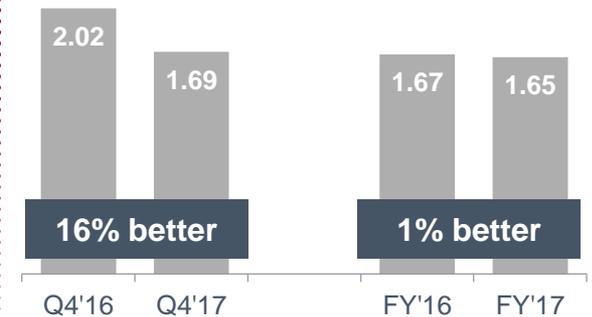
Average train speed
(mph)



Average train length
(feet)



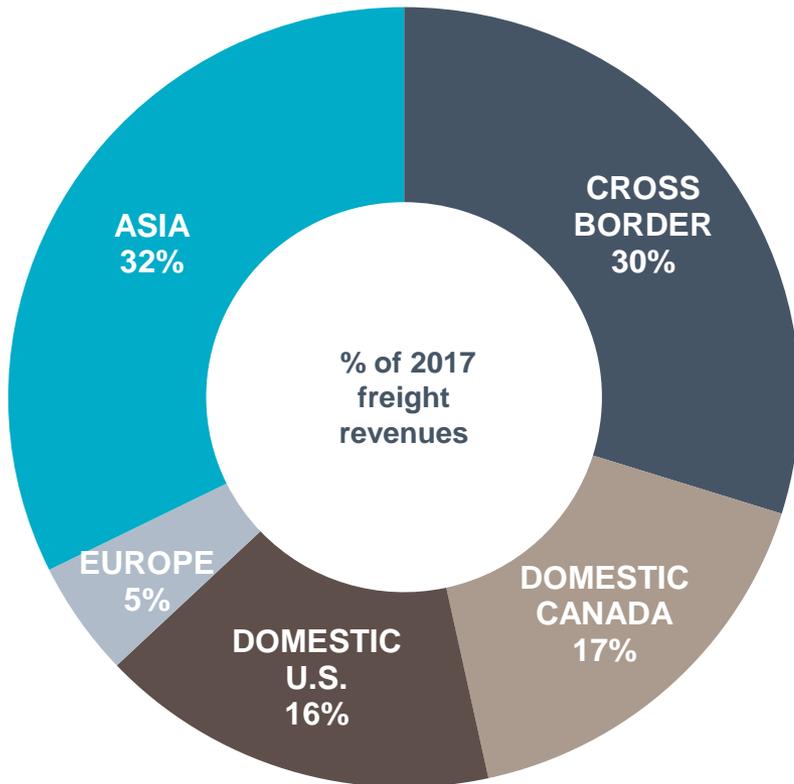
FRA personal injury rate
(per 200,000 employee hours)



Certain figures have been revised to conform with current presentation or have been updated to reflect new information.



CP TRAFFIC MIX



CROSS-BORDER 30%

CANADA TO U.S. 22%

Grain and fertilizers	8%
Energy, chemicals & plastics	6%
Forest products	3%
Automotive	3%
Metals, minerals, consumer	2%

U.S. TO CANADA 7%

Grain and fertilizers	1%
Energy, chemicals & plastics	2%
Metals, minerals, consumer	2%
Intermodal	1%
Automotive	1%

MEXICO 1%

Primarily energy, automotive, grain



KEY MODELING SENSITIVITIES

Key sensitivities

Foreign exchange rate*

For every \$0.01 decline in the Canadian dollar:

- Revenues increase by approximately \$27 million
- Expenses increase by approximately \$14 million
- Interest expense increases by approximately \$3 million

*Sensitivities are quoted on a full year basis; Q4 average CAD/USD was 1.27. Large shifts in exchange rates, fuel costs or revenue mix may cause the sensitivities listed above to change.

Stock-based compensation

For every \$1 appreciation in share price, compensation & benefits expense increases by approximately \$0.3 million to \$0.5 million.

MAEGHAN ALBISTON
ASSISTANT VICE PRESIDENT
INVESTOR RELATIONS

ANDREW ELFORD
DIRECTOR
INVESTOR RELATIONS

403-319-3591
investor@cpr.ca
investor.cpr.ca

