Q4 2016 EARNINGS REVIEW

JANUARY 18, 2017



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, business prospects, planned capital expenditures, programs and strategies. This forward-looking information also includes, but is not limited to, statements concerning expectations, beliefs, plans, goals, objectives, assumptions and statements about possible future events, conditions, and results of operations or performance.

Forward-looking information may contain statements with words such as "anticipate", "believe", "expect", "plan" or similar words suggesting future outcomes.

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 OPERATING OFFICER

HIGHLIGHTS

Q4

56.2%

OPERATING RATIO

$3.04

ADJUSTED DILUTED EPS(1)

2016

58.6%

OPERATING RATIO

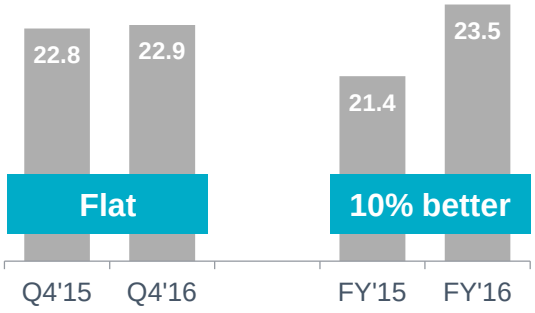
$10.29

ADJUSTED DILUTED EPS(1)

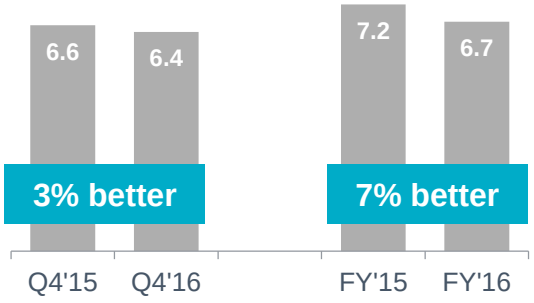
(1) For a full description and reconciliation of Non-GAAP Measures see CP's Q4 2016 Earnings Release on www.cpr.ca

OPERATING PERFORMANCE

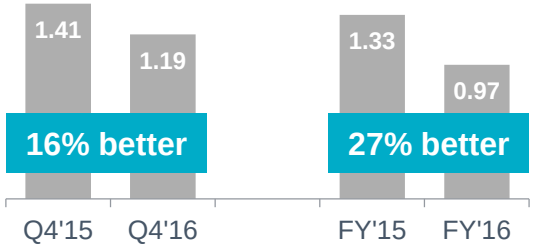
Average network speed
(mph)



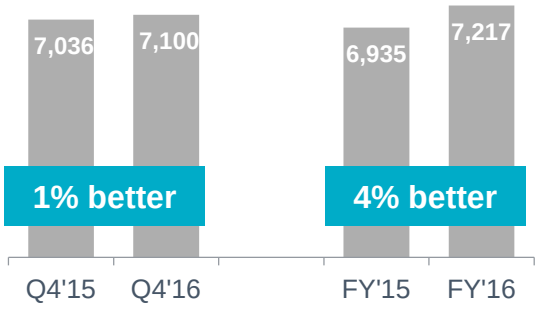
Average terminal dwell
(hours)



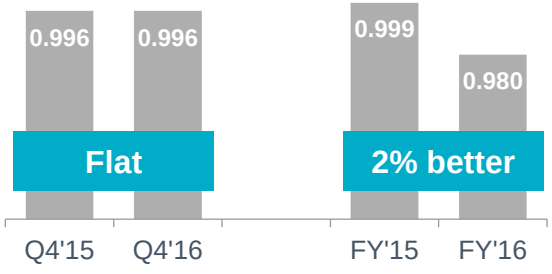
FRA Train Accident Frequency
(per million train miles)



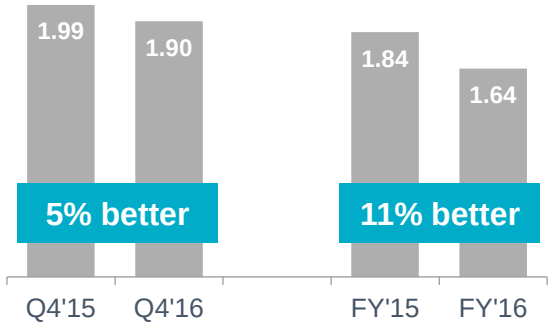
Average train length
(feet)



Fuel efficiency
(US gallons per 1,000 GTMs)



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.

REVENUE PERFORMANCE

FREIGHT REVENUE

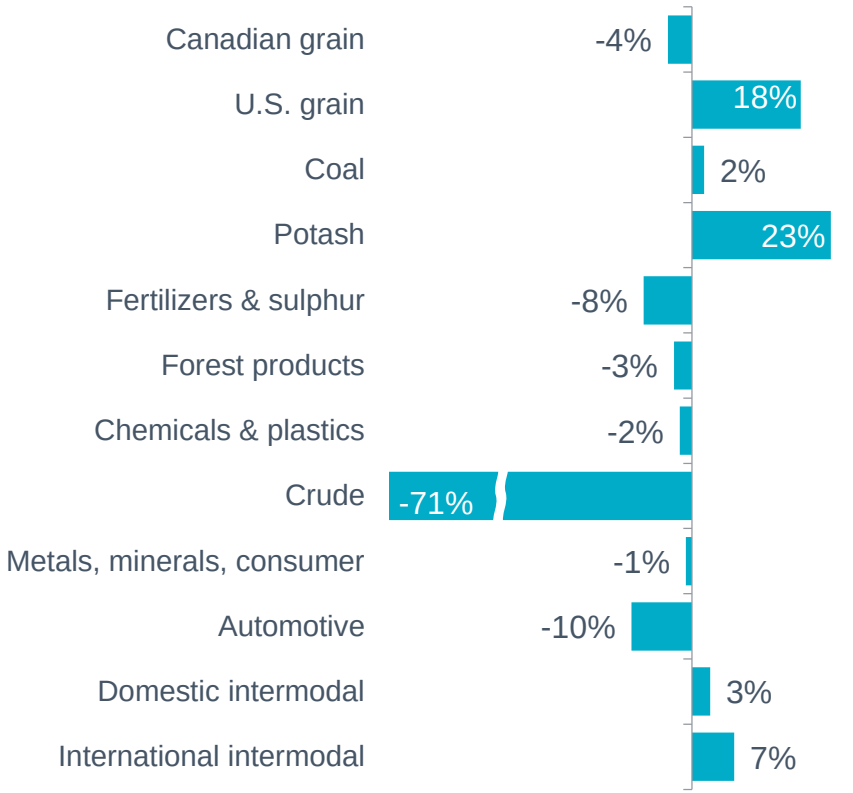
-3%

VS Q4 2015

- RTMs -3%
- Freight Revenue per RTM
  - FX and fuel neutral
  - Price offset by negative mix

FX-adjusted revenue variance(1)

favourable/(unfavourable)



(1) For a full reconciliation of FX-adjusted revenue variances, please see CP's Q4 2016 Earnings Release on www.cpr.ca



NADEEM VELANI

CHIEF FINANCIAL OFFICER

FINANCIAL PERFORMANCE

(In millions, except percentages and per share data)	Fourth Quarter			Year		
	2016	2015	Fav (unfav) %	2016	2015	Fav (unfav) %
Total revenues	$ 1,637	$ 1,687	(3%)	$ 6,232	$ 6,712	(7%)
Total operating expenses	920	1,010	9%	3,654	4,024	9%
Compensation and benefits	282	333	15%	1,189	1,371	13%
Fuel	173	166	(4%)	567	708	20%
Materials	47	40	(18%)	180	184	2%
Equipment rents	41	44	7%	173	174	1%
Depreciation and amortization	162	155	(5%)	640	595	(8%)
Purchased services and other	215	272	21%	905	1,060	15%
Gain on sale of Delaware & Hudson (D&H) South	—	—	—	—	(68)	(100%)
Operating income	717	677	6%	2,578	2,688	(4%)
Other income and charges	74	99	25%	(45)	335	113%
Net interest expense	116	122	5%	471	394	(20%)
Income tax expense	143	137	(4%)	553	607	9%
Net income	384	319	20%	1,599	1,352	18%
Adjusted income[(1)]	448	419	7%	1,549	1,625	(5%)
Diluted earnings per share	2.61	2.08	25%	10.63	8.40	27%
Adjusted diluted earnings per share[(1)]	3.04	2.72	12%	10.29	10.10	2%
Operating ratio	56.2%	59.8%	360bps	58.6%	60.0%	140bps
Adjusted operating ratio[(1)]	56.2%	59.8%	360bps	58.6%	61.0%	240bps

(1) For a full description and reconciliation of Non-GAAP Measures see CP's Q4 2016 Earnings Release on www.cpr.ca

FREE CASH

(in millions)	For twelve months ended December 31	
	2016	**2015**
Cash provided by operating activities	**$2,089**	**$2,459**
Capital expenditures	(1,182)	(1,522)
Proceeds from sale of D&H South	-	281
Other property and asset sales	116	114
Other	(3)	4
Cash used in investing activities	(1,069)	(1,123)
Effect of FX on USD-denominated cash & cash equivalents	(13)	45
Free cash flow [(1)]	**$1,007**	**$1,381**

(1) For a full description and reconciliation of Non-GAAP Measures see CP's Q4 2016 Earnings Release on www.cpr.ca



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