

Q2 2014

EARNINGS REVIEW
JULY 17, 2014

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 investments, including long-term floating rate notes; and 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" in CP's annual and interim reports, Annual Information Form and Form 40-F.

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 statements are 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.

T denotes Target, E denotes Estimate.



E. HUNTER HARRISON
CEO

Q2 HIGHLIGHTS

▼ OPERATING RATIO

65.1%

680 BP IMPROVEMENT

▲ EARNINGS PER SHARE

$2.11

48% INCREASE

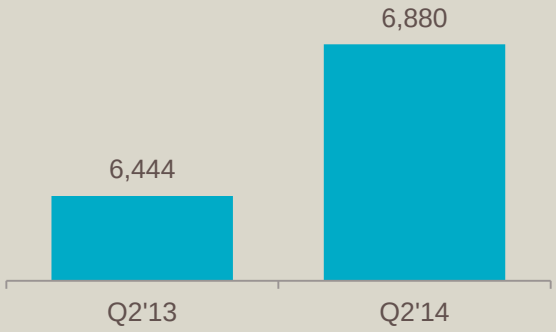
- Record quarter on all accounts
- Southern corridor remains challenged
- Demand environment is strong
- Rewarding shareholders through buyback



KEITH CREEL
PRESIDENT & COO

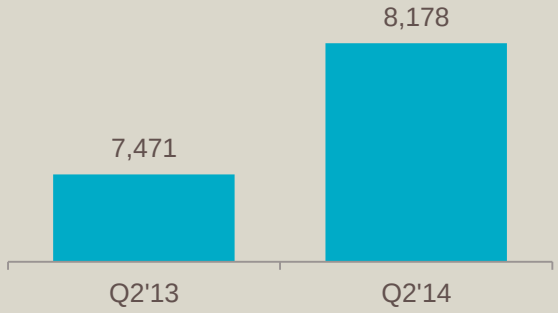
Q2 OPERATING PERFORMANCE

Train Length
(Feet)



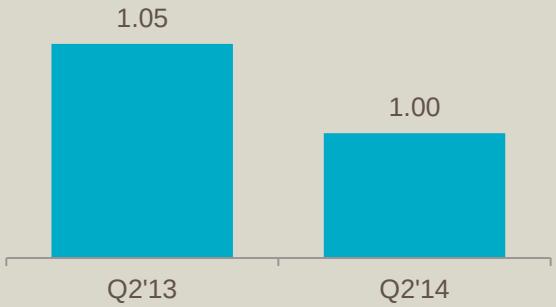
▲ **7%**
improvement

Train Weight
(Tons)



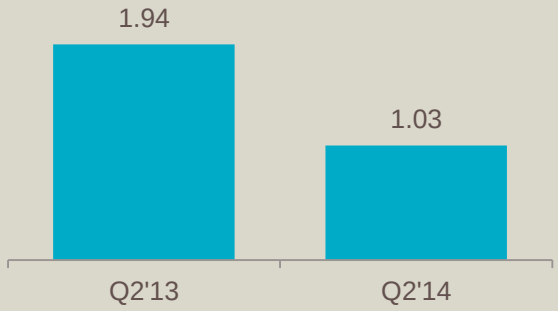
▲ **9%**
improvement

Fuel Efficiency
(US Gallons per 1,000 GTMs)



▼ **5%**
improvement

Train accident frequency
(Accidents per million train-miles)



▼ **47%**
improvement

Q2 REVENUE PERFORMANCE

▲ TOTAL REVENUES

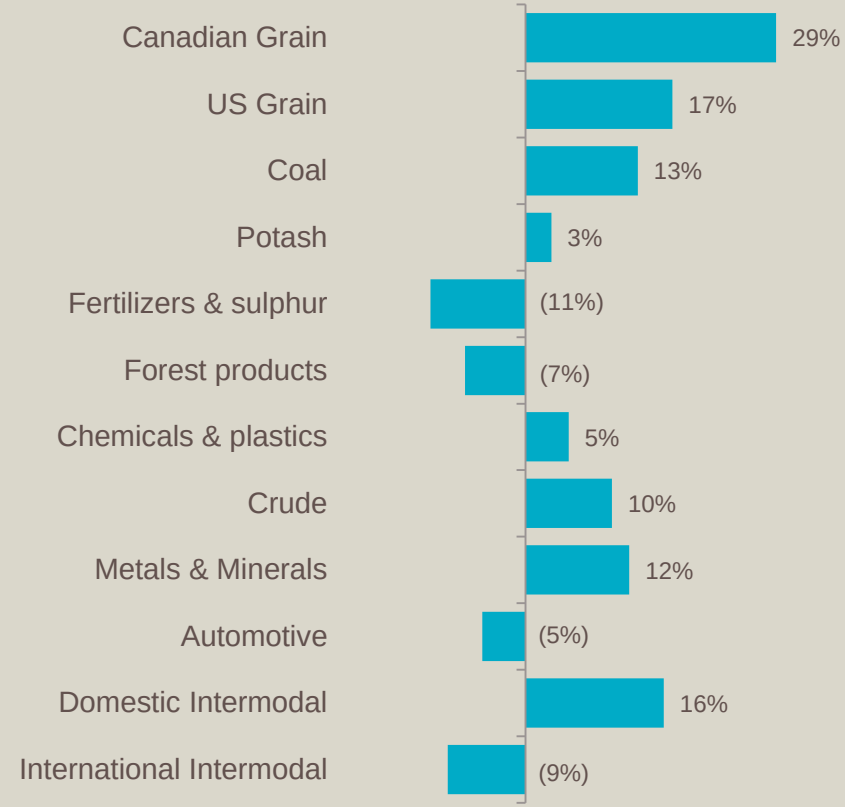
+12%

VS Q2 2013

- ▲ RTMs up 7%
- ▲ Revenue per RTM up 5%

- ▲ Carloads up 3%
- ▲ Revenue per carload up 9%

FX-adjusted variance[1]
favorable/(unfavorable)



(1) For a full description of foreign exchange adjusted variances see Non-GAAP Measures on www.cpr.ca



BART DEMOSKY
EVP & CFO

Q2 FINANCIAL HIGHLIGHTS

In millions, except percentages and per share data			Variance Fav/ (Unfav)	
	2014	2013	Reported	FX Adj[1]
Total revenues	$ 1,681	$ 1,497	12%	8%
Total operating expenses	1,094	1,077	(2%)	2%
Operating income	587	420	40%	33%
Other charges	3	8	63%	
Net interest expense	69	68	(1%)	
Income tax expense	144	92	(57%)	
Net income	371	252	47%	
Diluted earnings per share	$ 2.11	$ 1.43	48%	
Operating ratio	65.1%	71.9%	680bps	

(1) For a full description of foreign exchange adjusted variances see Non-GAAP Measures on www.cpr.ca

FREE CASH

in millions	For six months ended June 30th	
	2014	2013
Cash from operating activities	$ 932	$ 787
Capital expenditures	(522)	(504)
Proceeds from the sale of properties	16	27
Proceeds from the sale of the DM&E West	236	-
Change in restricted cash & cash equivalents	9	(99)
Other	(1)	(26)
Cash from investing activities	(262)	(602)
Change in restricted cash & cash equivalents	(9)	99
Dividends paid	(123)	(121)
Effect of FX on USD denominated cash & cash equivalents	(4)	8
Free cash[(1)]	**$ 534**	**$ 171**

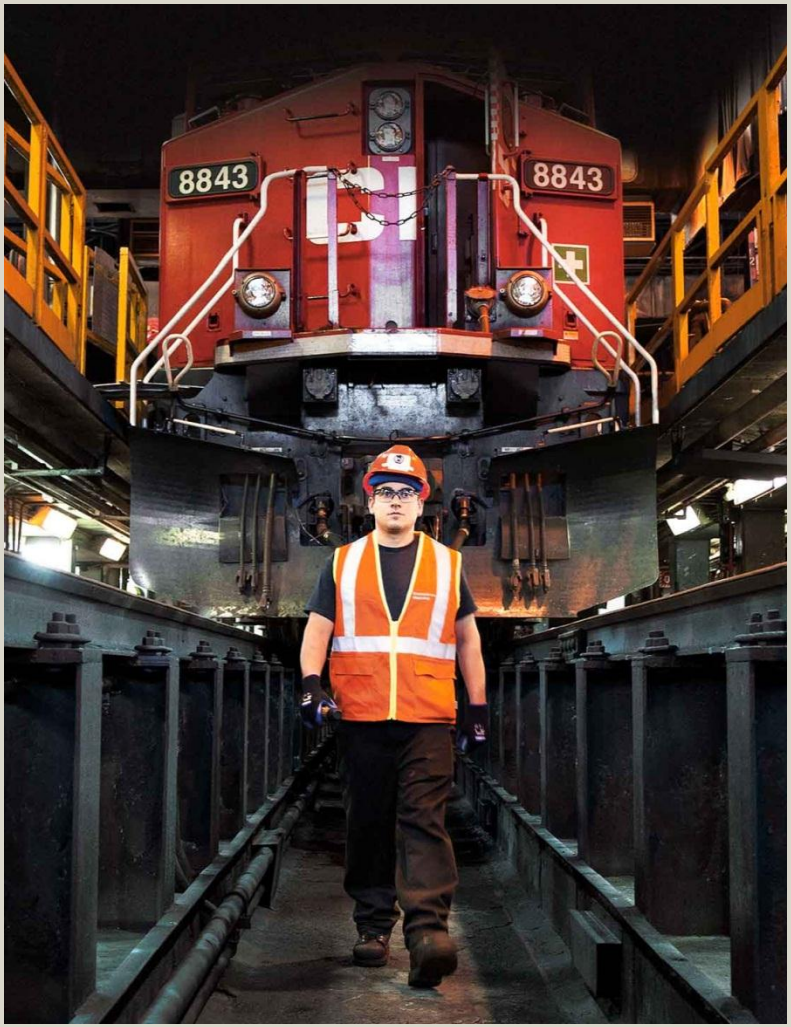
- Generating strong free cash
- Ratings upgrades from S&P, Moody's and DBRS
- Buyback program well underway

(1) For a full description of free cash see Non-GAAP Measures on www.cpr.ca



E. HUNTER HARRISON
CEO

SUMMARY



- Strong first half performance
- Positioned for growth
- Investor Day – October 1 & 2

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APPENDIX: CHANGE TO REVENUE & EXPENSE PRESENTATION(1)

	Q1 2014	**FY 2013**	Q4 2013	Q3 2013	Q2 2013	Q1 2013	**FY 2012**	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Freight Revenues (millions)											
Canadian Grain	221	**869**	263	212	191	203	**767**	219	186	160	202
U.S. Grain	106	**431**	122	107	91	111	**405**	136	110	73	86
Coal	148	**627**	157	177	144	149	**602**	156	161	148	137
Potash	80	**312**	69	66	95	82	**281**	62	59	97	63
Fertilizers & Sulphur	54	**258**	57	63	68	70	**239**	71	52	53	63
Forest products	48	**206**	49	51	53	53	**193**	46	49	48	50
Chemicals & Plastics	147	**565**	146	142	138	139	**512**	133	125	120	134
Crude	104	**375**	108	78	97	92	**206**	71	59	48	28
Metals, Minerals & Consumer Products	161	**608**	159	164	144	141	**550**	131	145	138	136
Automotive	88	**403**	105	95	106	97	**425**	99	105	116	105
Domestic Intermodal	177	**684**	173	170	171	170	**653**	166	165	153	169
International Intermodal	140	**644**	162	170	160	152	**717**	174	198	178	167
Freight revenues	$1,474	**$5,982**	$1,570	$1,495	$1,458	$1,459	**$5,550**	$1,464	$1,414	$1,332	$1,340
Operating Expenses (millions)											
Compensation and benefits	345	**1,385**	335	324	334	392	**1,474**	371	364	358	382
Fuel	271	**1,004**	262	226	246	270	**999**	256	232	242	269
Materials	52	**160**	45	36	35	44	**166**	42	40	41	43
Equipment rents	41	**173**	39	44	44	46	**206**	48	52	56	50
Depreciation and amortization	141	**565**	144	139	141	141	**539**	140	137	135	127
Purchased services and other	236	**998**	240	241	277	240	**1,044**	267	251	295	231
Asset impairment		**435**	435				**265**	265			
Labour restruturing		**(7)**	(7)				**53**	53			
Total operating expenses	$1,086	**$4,713**	$1,493	$1,010	$1,077	$1,133	**$4,746**	$1,442	$1,075	$1,127	$1,102

Click here to download a detailed version of this data

(1) ***New revenue presentation***: to provide better visibility into CP's revenue drivers, revenues have been broken out into greater detail.
Expense reclassification: Billings to third parties for the recovery of costs incurred for freight car repairs and servicing have been reclassified from Purchased services and other to Compensation and benefits and Materials.

APPENDIX: FOREIGN EXCHANGE IMPACT

	Quarterly Variance Fav/(Unfav)	
	Reported	FX adjusted(1)
Canadian Grain	32%	29%
U.S. Grain	26%	17%
Coal	15%	13%
Potash	6%	3%
Fertilizers & Sulphur	(6%)	(11%)
Forest products	(2%)	(7%)
Chemicals & Plastics	12%	5%
Crude	18%	10%
Metals, Minerals & Consumer Products	18%	12%
Automotive	(2%)	(5%)
Domestic Intermodal	17%	16%
International Intermodal	(6%)	(9%)
Total freight revenues	13%	8%
Compensation & benefits	(2%)	(1%)
Fuel	(11%)	(4%)
Materials	(34%)	(34%)
Equipment rents	9%	13%
Depreciation	3%	4%
Purchased services & other	8%	11%
Total operating expenses	(2%)	2%

(1) For a full description of foreign exchange adjusted variances see Non-GAAP Measures on www.cpr.ca