

Q3 2014

EARNINGS REVIEW
OCTOBER 21, 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

Q3 HIGHLIGHTS

▼ OPERATING RATIO

62.8%

310 BP IMPROVEMENT

▲ EARNINGS PER SHARE

$2.31

26% INCREASE

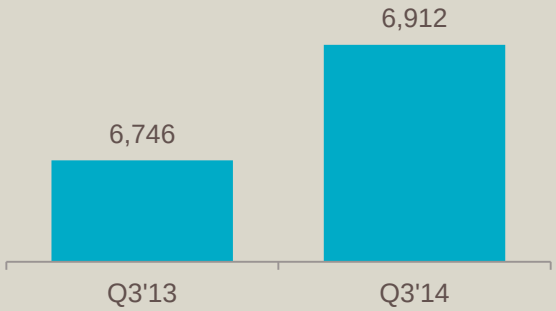
- Record quarter on all accounts
- Rewarding shareholders through increased buyback



KEITH CREEL
PRESIDENT & COO

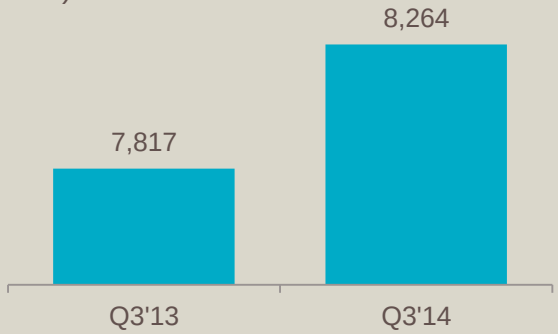
Q3 OPERATING PERFORMANCE

Train Length
(Feet)



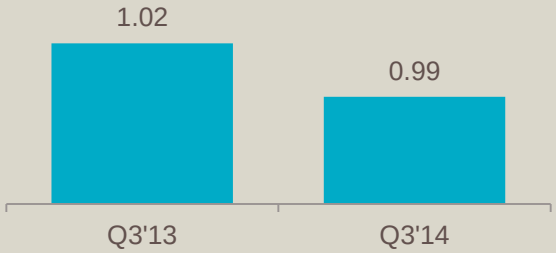
▲ **2%**
improvement

Train Weight
(Tons)



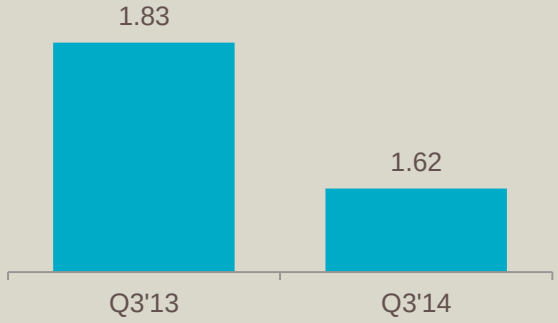
▲ **6%**
improvement

Fuel Efficiency
(US Gallons per 1,000 GTMs)



▼ **3%**
improvement

Train Accident Frequency
(Accidents per million train-miles)



▼ **11%**
improvement

Q3 REVENUE PERFORMANCE

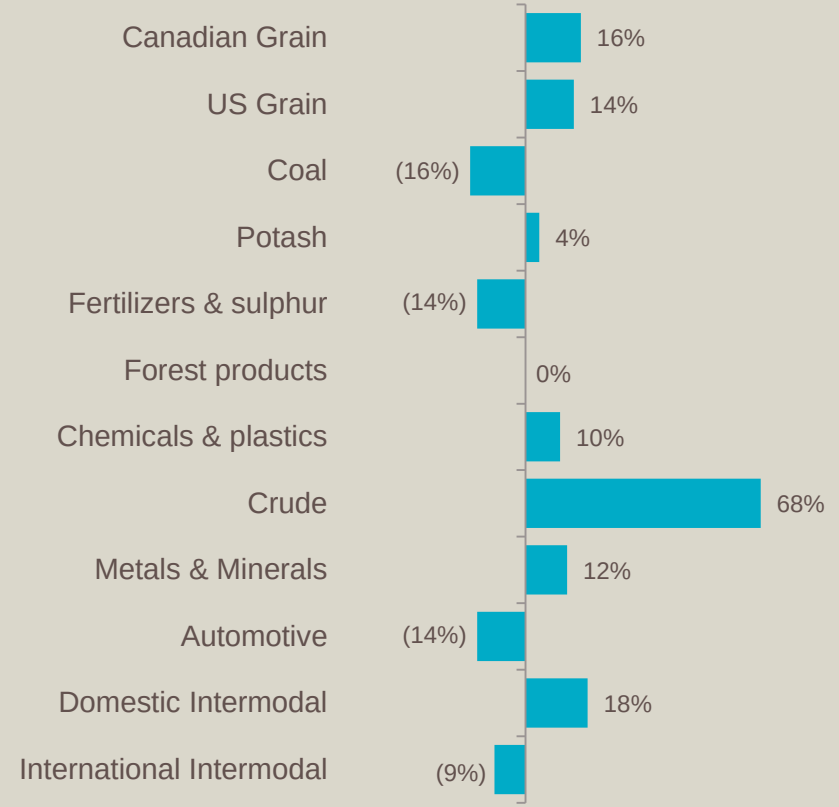
▲ TOTAL REVENUES

+9%

VS Q3 2013

- ▲ RTMs up 8%
- ▲ Revenue per RTM up 1%
- ▲ Carloads up 2%
- ▲ Revenue per carload up 7%

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

Q3 FINANCIAL HIGHLIGHTS

In millions, except percentages and per share data	2014	2013	Variance Fav/ (Unfav) Reported	Variance Fav/ (Unfav) FX Adj[1]
Total revenues	$ 1,670	$ 1,534	9%	7%
Total operating expenses	1,049	1,010	(4%)	(2%)
Operating income	621	524	19%	16%
Other charges	1	-	-	
Net interest expense	70	70	-	
Income tax expense	150	130	(15%)	
Net income	400	324	23%	
Diluted earnings per share	$ 2.31	$ 1.84	26%	
Operating ratio	62.8%	65.9%	310bps	

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

FREE CASH

in millions	For nine months ended September 30th	
	2014	2013
Cash from operating activities	$ 1,466	$ 1,291
Capital expenditures	(936)	(802)
Proceeds from the sale of properties	26	38
Proceeds from the sale of the DM&E West	236	-
Change in restricted cash & cash equivalents	327	(346)
Other	-	(27)
Cash used in investing activities	(347)	(1,137)
Change in restricted cash & cash equivalents	(327)	346
Dividends paid	(184)	(183)
Effect of FX on USD denominated cash & cash equivalents	2	1
Free cash[(1)]	**$ 610**	**$ 318**

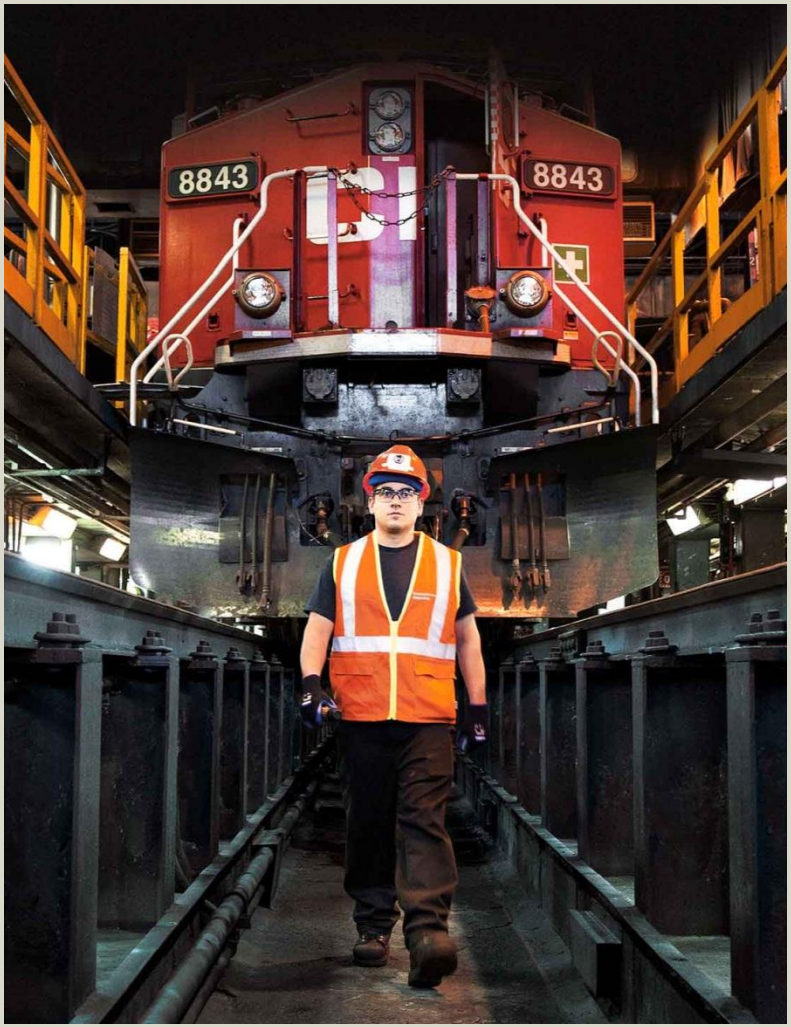
- ▲ Generating strong free cash
- ▲ Amended NCIB to repurchase up to 8% of float

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



E. HUNTER HARRISON
CEO

SUMMARY



- Demand environment is strong
- On track to finish the year with CP's strongest quarter to date
- Ready to deliver recently announced long-term plan

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APPENDIX: FOREIGN EXCHANGE IMPACT

	Quarterly Variance Fav/(Unfav)	
	Reported	FX adjusted(1)
Canadian Grain	17%	16%
U.S. Grain	19%	14%
Coal	(15%)	(16%)
Potash	6%	4%
Fertilizers & Sulphur	(13%)	(14%)
Forest products	2%	-
Chemicals & Plastics	13%	10%
Crude	74%	68%
Metals, Minerals & Consumer Products	16%	12%
Automotive	(13%)	(14%)
Domestic Intermodal	19%	18%
International Intermodal	(8%)	(9%)
Total freight revenues	9%	7%
Compensation & benefits	(7%)	(6%)
Fuel	(10%)	(7%)
Materials	(31%)	(31%)
Equipment rents	18%	20%
Depreciation	3%	4%
Purchased services & other	2%	4%
Total operating expenses	(4%)	(2%)

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