

Q4 2014 EARNINGS REVIEW

JANUARY 22, 2015

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

CHIEF EXECUTIVE OFFICER

CP

HIGHLIGHTS

Q4

10%
REVENUE GROWTH

59.8%
OPERATING RATIO

$2.68
ADJUSTED EPS(1)

2014

8%
REVENUE GROWTH

64.7%
OPERATING RATIO

$8.50
ADJUSTED EPS(1)

(1) For a full description and reconciliation of Non-GAAP Measures see CP's Q4 2014 Earnings Release on www.cpr.ca


2015 GUIDANCE
7 TO 8% REVENUE GROWTH
BELOW 62% OPERATING RATIO
25% OR GREATER ADJUSTED EPS
CP



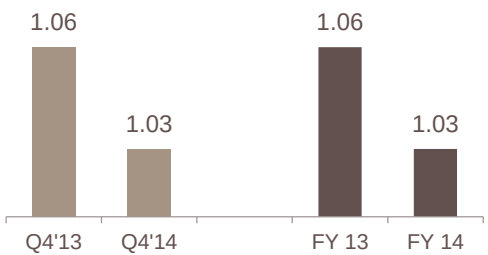
KEITH CREEL

PRESIDENT & CHIEF OPERATING OFFICER

OPERATIONAL PERFORMANCE

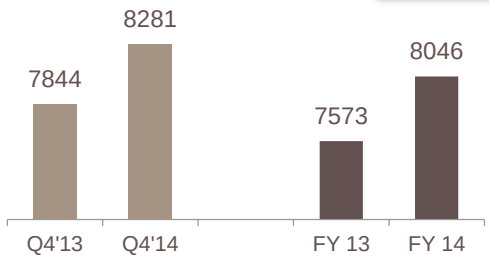
Fuel Efficiency
(US Gallons/000GTMs)

Q4: 3% better
FY: 3% better



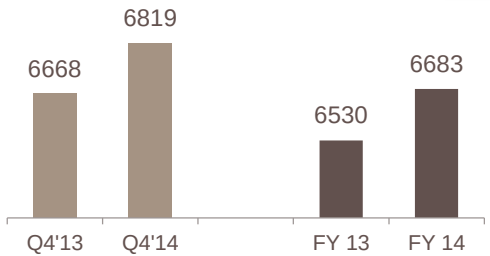
Train Weight
(tons)

Q4: 6% better
FY: 6% better



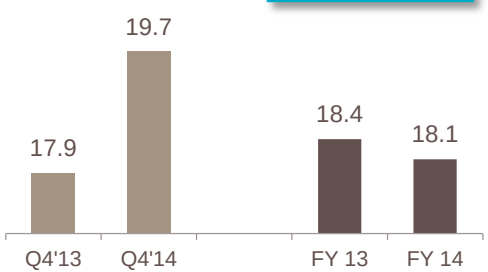
Train Length
(feet)

Q4: 2% better
FY: 2% better



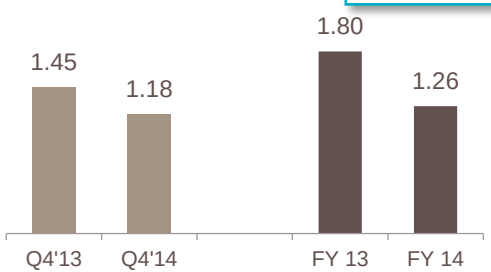
Train Speed
(miles per hour)

Q4: 10% better
FY: 2% decline



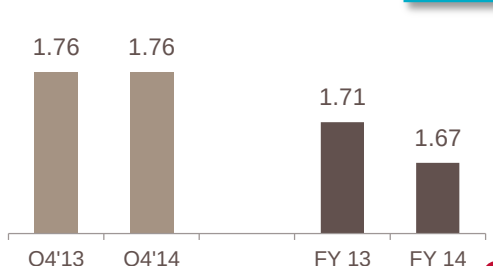
Train Accident Frequency
(accidents per million train miles)

Q4: 19% better
FY: 30% better



Personal Injury Frequency
(injuries per 200,000 employee hours)

Q4: flat
FY: 2% better



Q4 REVENUE PERFORMANCE

▲ TOTAL REVENUE

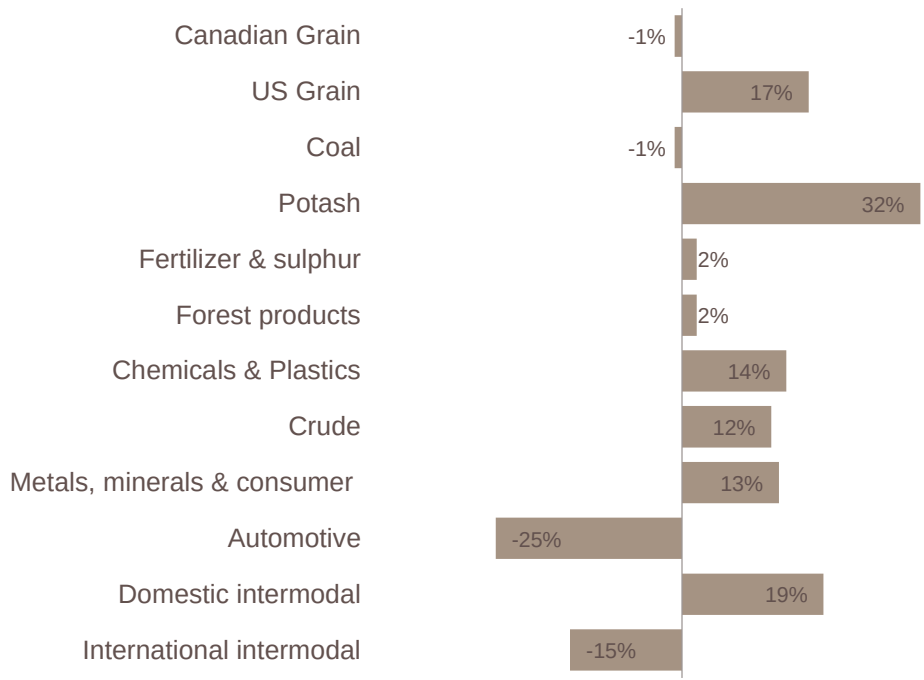
+10%

VS Q4 2013

- ▲ RTMs up 6%
- ▲ Revenue per RTM up 4%

- ▲ Carloads up 1%
- ▲ Revenue per carload up 9%

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



(1) For a full description and reconciliation of Non-GAAP Measures see CP's Q4 2014 Earnings Release on www.cpr.ca

REVENUE OUTLOOK

2015 REVENUE GROWTH

7-8%

- 3-4% RTM growth
- 4% revenue per RTM
  - Lower fuel surcharge offset by FX benefits
- Includes D&H sale in second half

Merchandise

- 140,000 carloads crude
- double digit revenue growth for Forest Products, Chemicals & Plastics and Metals & Minerals

Bulk

- low single digit revenue growth

Intermodal

- mid-to-high single digit revenue growth

(1) For a full description and reconciliation of Non-GAAP Measures see CP's Q4 2014 Earnings Release on www.cpr.ca


BART DEMOSKY
CHIEF FINANCIAL OFFICER
CP

Q4 HIGHLIGHTS

In millions, except percentages and per share data	2014	2013	Variance Fav/ (Unfav) Reported	FX Adj[1]
Total revenues	$ 1,760	$ 1,607	10%	5%
Total operating expenses	1,052	1,493	30%	33%
Compensation & benefits	314	335	6%	8%
Fuel	255	262	3%	9%
Materials	47	45	(4%)	(4%)
Equipment rents	38	39	3%	10%
Depreciation	139	144	3%	5%
Purchased services & other	259	240	(8%)	(5%)
Asset impairments	-	435		
Labour restructuring	-	(7)		
Operating income	708	114	521%	544%
Other charges	15	6	(150%)	
Net interest expense	73	70	(4%)	
Income tax expense (recovery)	169	(44)	(484%)	
Net income	451	82	450%	
Adjusted earnings[1]	460	338	36%	
Diluted earnings per share	$ 2.63	$ 0.47	460%	
Adjusted earnings per share[1]	$ 2.68	$ 1.91	40%	
Adjusted operating ratio[1]	59.8%	65.9%	610 bps	

(1) For a full description and reconciliation of Non-GAAP Measures see CP's Q4 2014 Earnings Release on www.cpr.ca

FREE CASH

In millions	2014	2013
Cash from operations	2,123	1,950
Capital expenditures	(1,449)	(1,236)
Asset sales	52	73
Proceeds from the sale of the DM&E West	236	-
Change in restricted cash & cash equivalents	411	(411)
Other	-	(23)
Cash from investing	(750)	(1,597)
Change in restricted cash & cash equivalents	(411)	411
Dividends paid	(244)	(244)
Effect of FX on USD denominated cash & cash equivalents	7	10
Free cash[(1)]	**$ 725**	**$ 530**

(1) For a full description and reconciliation of Non-GAAP Measures see CP's Q4 2014 Earnings Release on www.cpr.ca

OUTLOOK

- Revenue growth: 7 to 8%
- Operating ratio: below 62%
- EPS growth: greater than 25% (1)

Key Assumptions:

- Capital expenditures: $1.5 billion
- Exchange rate: C$1.20/USD
- Defined benefit pension expense: $45 million
- Tax rate: 27.5%
- Average WTI price: US$46
- Average On Highway Diesel price: US$2.70
- Crude carloads: 140,000



(1) vs 2014 adjusted EPS of $8.50. No assumption on share buybacks beyond current NCIB program expiring March 16, 2015.

APPENDIX



FX ADJUSTED VARIANCES

	Fourth Quarter				Full Year			
	2014	2013	Reported Variance *Fav/(Unfav)*	FX Adj[(1)] Variance *Fav/(Unfav)*	2014	2013	Reported Variance *Fav/(Unfav)*	FX Adj[(1)] Variance *Fav/(Unfav)*
Canadian Grain	267	263	2%	(1%)	988	869	14%	11%
U.S. Grain	155	122	27%	17%	503	431	17%	9%
Coal	158	157	1%	(1%)	621	627	(1%)	(2%)
Potash	96	69	39%	32%	347	312	11%	7%
Fertilizers & sulphur	61	57	7%	2%	234	258	(9%)	(13%)
Forest products	54	49	10%	2%	206	206	-	(6%)
Chemicals & plastics	175	146	20%	14%	637	565	13%	7%
Crude	130	108	20%	12%	484	375	29%	21%
Metals, minerals & consumer products	191	159	20%	13%	712	608	17%	11%
Automotive	82	105	(22%)	(25%)	357	403	(11%)	(15%)
Domestic intermodal	208	173	20%	19%	787	684	15%	14%
International intermodal	142	162	(12%)	(15%)	588	644	(9%)	(11%)
Freight revenues	**$1,719**	**$1,570**	**9%**	**5%**	**$6,464**	**$5,982**	**8%**	**4%**
Compensation & benefits	314	335	6%	8%	1,352	1,385	2%	4%
Fuel	255	262	3%	9%	1,048	1,004	(4%)	2%
Materials	47	45	(4%)	(4%)	193	160	(21%)	(20%)
Equipment rents	38	39	3%	10%	155	173	10%	15%
Depreciation	139	144	3%	5%	552	565	2%	4%
Purchased services & other	259	240	(8%)	(5%)	985	998	1%	4%
Asset impairments	-	435	100%	100%	-	435	100%	100%
Labour restructuring	-	(7)	(100%)	(100%)	(4)	(7)	(43%)	(43%)
Total operating expenses	**$1,052**	**$1,493**	**30%**	**33%**	**$4,281**	**$4,713**	**9%**	**12%**

(1) For a full description and reconciliation of Non-GAAP Measures see CP's Q4 2014 Earnings Release on www.cpr.ca

MODELING ASSUMPTIONS & SENSITIVITIES

Key sensitivities	
Exchange rate*	For every $0.01 decline in the Canadian dollar, EPS increases by $0.07* • Revenues increase by $35 million • Expenses increase by $16 million • Other charges increase by $0.5 to $1 million • Interest expense increases by $3 million **Sensitivities are based on the assumptions listed below; large shifts in FX rates or fuel costs may cause sensitivities to change*
Stock based compensation	For every $1 appreciation in share price, compensation & benefits increases by $1 million

Key assumptions	
Capital expenditures	$1.5 billion
Exchange rate	C$1.20/USD
DB pension expense	$45 million
Tax rate	27.5%
Average WTI price	US$46
Average On Highway Diesel (OHD) price	US$2.70
Crude carloads	140,000