

Q4 2015 EARNINGS REVIEW

JANUARY 21, 2016

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 an including long-term floating rate notes; and d 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" in CP's annual and interim reports, and Form 10-K.

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.


CANADIAN PACIFIC
E. HUNTER HARRISON
CHIEF EXECUTIVE OFFICER
CP

HIGHLIGHTS

Q4

59.8%

OPERATING RATIO
FLAT

$2.72

ADJUSTED DILUTED EPS(1)
UP 1%

2015

61.0%

ADJUSTED OPERATING RATIO(1)
370 BP IMPROVEMENT

$10.10

ADJUSTED DILUTED EPS(1)
UP 19%

(1) For a full description and reconciliation of Non-GAAP Measures see CP's Q4 2015 Earnings Release on www.cpr.ca



2016 GUIDANCE

OPERATING RATIO BELOW 59

DOUBLE-DIGIT EPS GROWTH[(1)]

CAPITAL EXPENDITURES OF $1.1B

(1) Double-digit EPS growth versus CP's 2015 adjusted diluted EPS of $10.10.

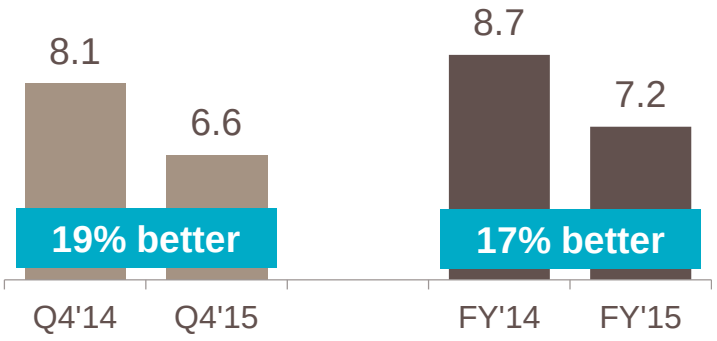


KEITH CREEL

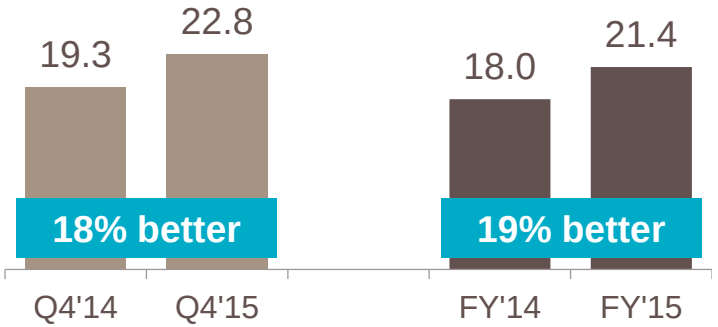
PRESIDENT & CHIEF OPERATING OFFICER

EXECUTING THE PLAN

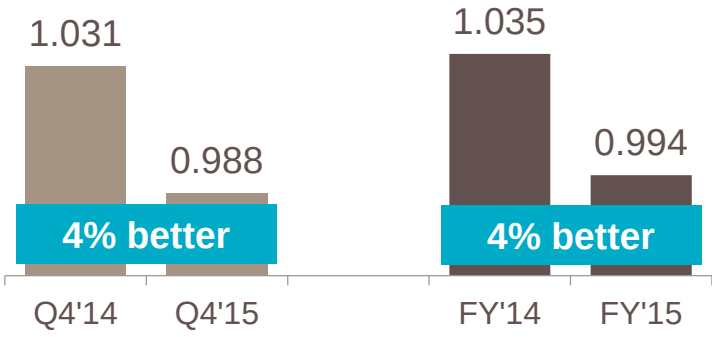
Terminal dwell
(hours)



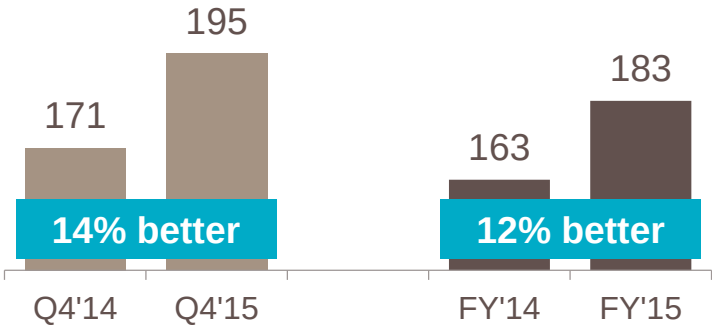
Network speed
(miles per hour)



Fuel efficiency
(gallons per 1,000 GTMs)



Locomotive productivity
(GTMs per available HP)



REVENUE PERFORMANCE

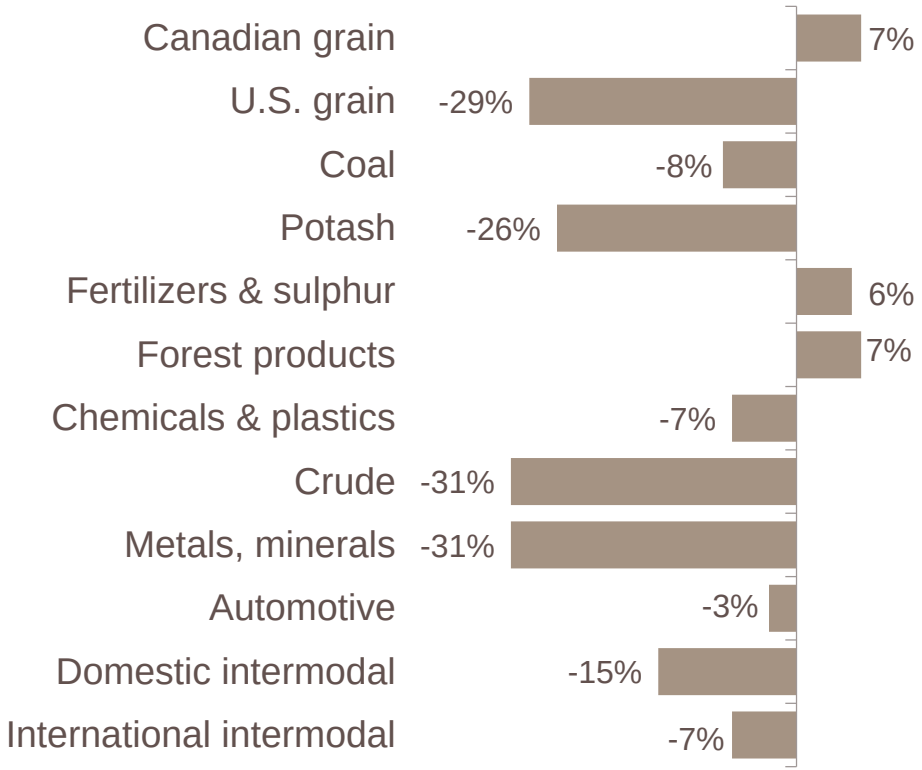
▲ FREIGHT REVENUE

-4%

VS Q4 2014

- ▲ RTMs -7%
- ▲ Freight Revenue per RTM +3%
  - FX +10%
  - Fuel -6%
  - Price/mix -1%

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



(1) For a full reconciliation of FX-adjusted revenue variances, see the appendix to this presentation



MARK ERCEG

CHIEF FINANCIAL OFFICER

FINANCIAL PERFORMANCE

(In millions, except percentages and per share data)	Fourth Quarter 2015	Fourth Quarter 2014	Variance *Fav/(Unfav)* Reported	Variance *Fav/(Unfav)* FX Adj[2]
Total revenues	$ 1,687	$ 1,760	(4%)	(12%)
Total expenses	1,010	1,052	4%	11%
Compensation & benefits	333	314	(6%)	-
Fuel	166	255	35%	43%
Materials	40	47	15%	17%
Equipment rents	44	38	(16%)	(2%)
Depreciation	155	139	(12%)	(7%)
Purchased services & other	272	259	(5%)	2%
Operating income	677	708	(4%)	(14%)
Other income & charges	99	15	(560%)	N/A
Net interest expense	122	73	(67%)	(47%)
Income tax expense	137	169	19%	25%
Net income	319	451	(29%)	(37%)
Adjusted income[1]	419	460	(9%)	(18%)
Diluted earnings per share	$ 2.08	$ 2.63	(21%)	
Adjusted diluted earnings per share[1]	$ 2.72	$ 2.68	1%	
Operating ratio	59.8%	59.8%	flat	

(1) For a full description and reconciliation of Non-GAAP Measures see CP's Q4 2015 Earnings Release on www.cpr.ca
(2) For a full reconciliation of FX-adjusted expense variances ,see the appendix to this presentation

FREE CASH

(In millions)	For twelve months ended December 31 2015	2014
Cash provided by operating activities	**$ 2,459**	**$ 2,123**
Capital expenditures	(1,522)	(1,449)
Proceeds from sale of D&H South	281	-
Proceeds from sale of DM&E West	-	236
Other property and asset sales	114	52
Dividends paid	(226)	(244)
Effect of FX on USD denominated cash & cash equivalents	45	7
Other	4	-
Free cash flow[(1)]	**$ 1,155**	**$ 725**

- Record free cash generation
- Share buybacks
  - Repurchased 0.6 million shares in Q4 and 13.5 million shares YTD
  - Approximately 0.6 million shares remain under current program

(1) For a full description and reconciliation of Non-GAAP Measures see CP's Q4 2015 Earnings Release on www.cpr.ca

APPENDIX



ADJUSTED RESULTS

(In millions, except percentages and per share data)	Fourth Quarter 2015	Fourth Quarter 2014	Fourth Quarter Variance *Fav/(Unfav)*	Year to Date 2015	Year to Date 2014	Year to Date Variance *Fav/(Unfav)*
Adjusted operating income[1]	677	708	(4%)	2,620	2,335	12%
Adjusted income[1]	419	460	(9%)	1,625	1,482	10%
Other (income) & charges	99	15	(560%)	335	19	(1,663%)
includes:						
FX translation on USD-denominated debt	*115*	*12*		*297*	*12*	
Early redemption premium	*-*	*-*		*47*	*-*	
Net interest expense	122	73	(67%)	394	282	(40%)
Income tax expense	137	169	19%	607	562	(8%)
includes:						
Change in Alberta corporate tax rate	*-*	*-*		*23*	*-*	
Tax (recovery) on significant items	*(15)*	*(3)*		*(25)*	*(2)*	
Adjusted diluted EPS[1]	$2.72	$2.68	1%	$10.10	$8.50	19%
Adjusted operating ratio[1]	59.8%	59.8%	-	61.0%	64.7%	370 bps

(1) For a full description and reconciliation of Non-GAAP Measures see CP's Q4 2015 Earnings Release on www.cpr.ca

FX-ADJUSTED FREIGHT REVENUES

	Fourth Quarter					Year to Date				
	2015	2014	Reported Variance *Fav/(Unfav)*	FX Impact	FX Adj[(1)] Variance *Fav/(Unfav)*	2015	2014	Reported Variance *Fav/(Unfav)*	FX Impact	FX Adj[(1)] Variance *Fav/(Unfav)*
Canadian Grain	$296	$267	11%	$10	7%	$1,068	$988	8%	$38	4%
U.S. Grain	131	155	(15%)	29	(29%)	522	503	4%	87	(12%)
Coal	149	158	(6%)	4	(8%)	639	621	3%	12	1%
Potash	78	96	(19%)	9	(26%)	359	347	3%	28	(4%)
Fertilizers & sulphur	72	61	18%	7	6%	272	234	16%	23	6%
Forest products	65	54	20%	7	7%	249	206	21%	24	8%
Chemicals & plastics	187	175	7%	26	(7%)	709	637	11%	84	(2%)
Crude	105	130	(19%)	22	(31%)	393	484	(19%)	71	(29%)
Metals & minerals	151	191	(21%)	28	(31%)	643	712	(10%)	95	(20%)
Automotive	89	82	9%	10	(3%)	349	357	(2%)	35	(11%)
Domestic intermodal	182	208	(13%)	5	(15%)	757	787	(4%)	19	(6%)
International intermodal	140	142	(1%)	9	(7%)	592	588	1%	33	(5%)
Freight revenues	**$1,645**	**$1,719**	**(4%)**	**$166**	**(13%)**	**$6,552**	**$6,464**	**1%**	**$549**	**(7%)**

(1) For a full description of FX-adjusted variances see CP's Q4 2015 Earnings Release on www.cpr.ca

FX-ADJUSTED EXPENSES

	Fourth Quarter					Year to Date				
	2015	2014	Reported Variance *Fav/(Unfav)*	FX Impact	FX Adj[(1)] Variance *Fav/(Unfav)*	2015	2014	Reported Variance *Fav/(Unfav)*	FX Impact	FX Adj[(1)] Variance *Fav/(Unfav)*
Compensation & benefits	$333	$314	(6%)	18	-	$1,371	$1,348	(2%)	$62	3%
Fuel	166	255	35%	38	43%	708	1,048	32%	143	41%
Materials	40	47	15%	1	17%	184	193	5%	5	7%
Equipment rents	44	38	(16%)	5	(2%)	174	155	(12%)	18	(1%)
Depreciation	155	139	(12%)	6	(7%)	595	552	(8%)	18	(4%)
Purchased services & other	272	259	(5%)	19	2%	1,060	985	(8%)	60	(1%)
Gain on sale of D&H South	-	-	-	-	-	(68)	-	100%	-	-
Operating expenses	**$1,010**	**$1,052**	**4%**	**$87**	**11%**	**$4,024**	**$4,281**	**6%**	**$306**	**12%**

(1) For a full description of FX-adjusted variances see CP's Q4 2015 Earnings Release on www.cpr.ca

KEY MODELING SENSITIVITIES

Key sensitivities	
Exchange rate*	For every $0.01 decline in the Canadian dollar: • Revenues increase by $30 million • Expenses increase by $15 million • Interest expense increases by $3 million **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 increases by approximately $0.5 million (increasing to approximately $0.7 million over the course of the year)