

FORWARD MOMENTUM
**INVESTOR FACT
BOOK 2017**



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KEY METRICS

\$ in millions, except per share data or unless otherwise indicated

FINANCIAL HIGHLIGHTS	2012	2013	2014	2015	2016
Total revenues	\$ 5,695	\$ 6,133	\$ 6,620	\$ 6,712	\$ 6,232
Operating income	949	1,420	2,339	2,688	2,578
Adjusted operating income ⁽¹⁾	1,309	1,844	2,335	2,620	2,578
Operating ratio	83.3%	76.8%	64.7%	60.0%	58.6%
Adjusted operating ratio ⁽¹⁾	77.0%	69.9%	64.7%	61.0%	58.6%
Net income	484	875	1,476	1,352	1,599
Adjusted income ⁽¹⁾	753	1,132	1,482	1,625	1,549
Diluted earnings per share (EPS)	2.79	4.96	8.46	8.40	10.63
Adjusted diluted EPS ⁽¹⁾	4.34	6.42	8.50	10.10	10.29
Free cash ⁽¹⁾	316	774	969	1,381	1,007
Return on invested capital (ROIC) ⁽¹⁾	7.3%	10.1%	14.4%	12.9%	14.4%
Adjusted ROIC ⁽¹⁾	10.0%	12.3%	14.5%	15.2%	14.0%
Adjusted net debt to Adjusted EBITDA ratio ⁽¹⁾	2.9	2.1	2.2	2.8	2.9

STATISTICAL HIGHLIGHTS⁽²⁾	2012	2013	2014	2015	2016
Revenue ton-miles (RTMs) (millions)	135,032	144,249	149,849	145,257	135,952
Carloads (thousands)	2,669	2,688	2,684	2,628	2,525
Gross ton-miles (millions)	254,354	267,629	272,862	263,344	242,694
Fuel efficiency (U.S. gallons of locomotive fuel consumed /1,000 GTMs)	1.149	1.060	1.035	0.999	0.980
Average train weight - excluding local traffic (tons)	6,709	7,573	8,076	8,314	8,614
Average train length - excluding local traffic (feet)	5,981	6,530	6,682	6,935	7,217
Average terminal dwell (hours)	7.5	7.1	8.7	7.2	6.7
Average train speed (mph)	18.0	18.4	18.0	21.4	23.5
Total employees (end of period)	15,713	14,506	14,255	12,817	11,653
Total workforce (end of period)	16,907	14,977	14,385	12,899	11,698

SAFETY INDICATORS⁽²⁾	2012	2013	2014	2015	2016
Federal Railway Administration (FRA) personal injuries per 200,000 employee hours	1.56	1.71	1.67	1.84	1.66
FRA train accidents per million train-miles	1.69	1.80	1.26	1.41	1.03

⁽¹⁾ These measures have no standardized meanings prescribed by accounting principles generally accepted in the United States of America (GAAP) and, therefore, may not be comparable to similar measures presented by other companies. These measures are defined and reconciled in Non-GAAP Measures on page 126.

⁽²⁾ Certain statistical highlights and safety indicators figures have been updated to reflect new information or have been revised to conform with current presentation.

FORWARD-LOOKING INFORMATION

This Investor Fact Book contains certain forward-looking information within the meaning of the United States Private Securities Litigation Reform Act of 1995 and under Canadian securities laws. This forward-looking information relates, but is not limited, to Canadian Pacific's operations, priorities and plans, anticipated financial performance, business prospects, planned capital expenditures, programs, strategies and financial guidance. 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. 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; changes in commodity prices; uncertainty surrounding timing and volumes of commodities being shipped by CP; 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. 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. 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 “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Information” in CP’s annual and interim reports on Form 10-K and 10-Q. Readers are cautioned not to place undue reliance on forward-looking information. 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.



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CP AT A GLANCE

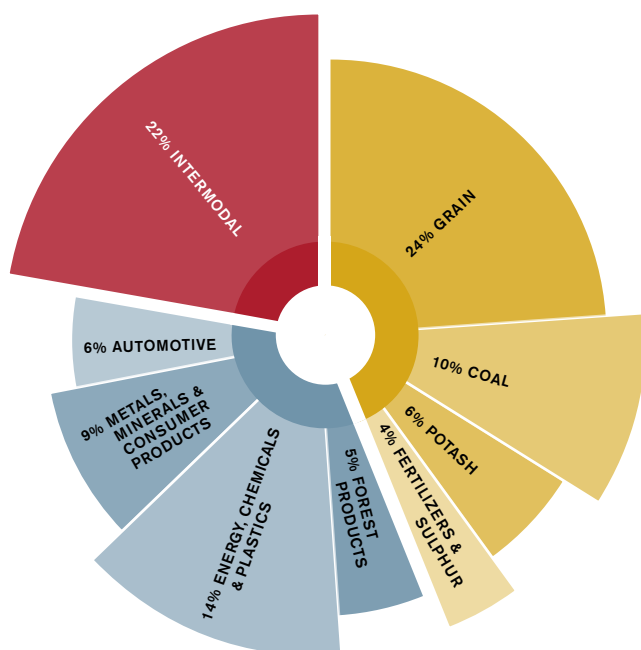
CP OPERATES AND OWNS A TRANSCONTINENTAL FREIGHT RAILWAY IN CANADA AND THE UNITED STATES, PROVIDING INDUSTRY-LEADING TRANSPORTATION SERVICES AND SUPPLY CHAIN SOLUTIONS FOR A DIVERSE BOOK OF BUSINESS.

COMPETITIVE ACCESS TO KEY MARKETS

Our rail network of approximately 12,400 miles serves principal business centres in Canada from Montreal to Vancouver, and in the U.S. Midwest and U.S. northeast regions. CP's partnerships with Class 1 and short-line railroads allow us to extend the reach of our rail service, and trucking and transload services enable us to access markets not directly served by rail. Our access to key ports on both the west and east coasts provides gateways to overseas markets in Asia, Europe and around the globe.

A DIVERSE BOOK OF BUSINESS

% OF 2016 FREIGHT REVENUE



OPERATING SAFELY AND SUSTAINABLY

We provide a vital service to the economy by ensuring the efficient and reliable movement of commodities and goods. This is a privilege that we do not take for granted—safety and sustainability are integral to our pursuit of long-term shareholder value creation. CP has had the lowest FRA train accident frequency of any North American Class 1 railway for the last 11 years, and moving freight by rail produces, on average, 75% less greenhouse gas emissions than by truck.

\$6.2 BILLION TOTAL REVENUE

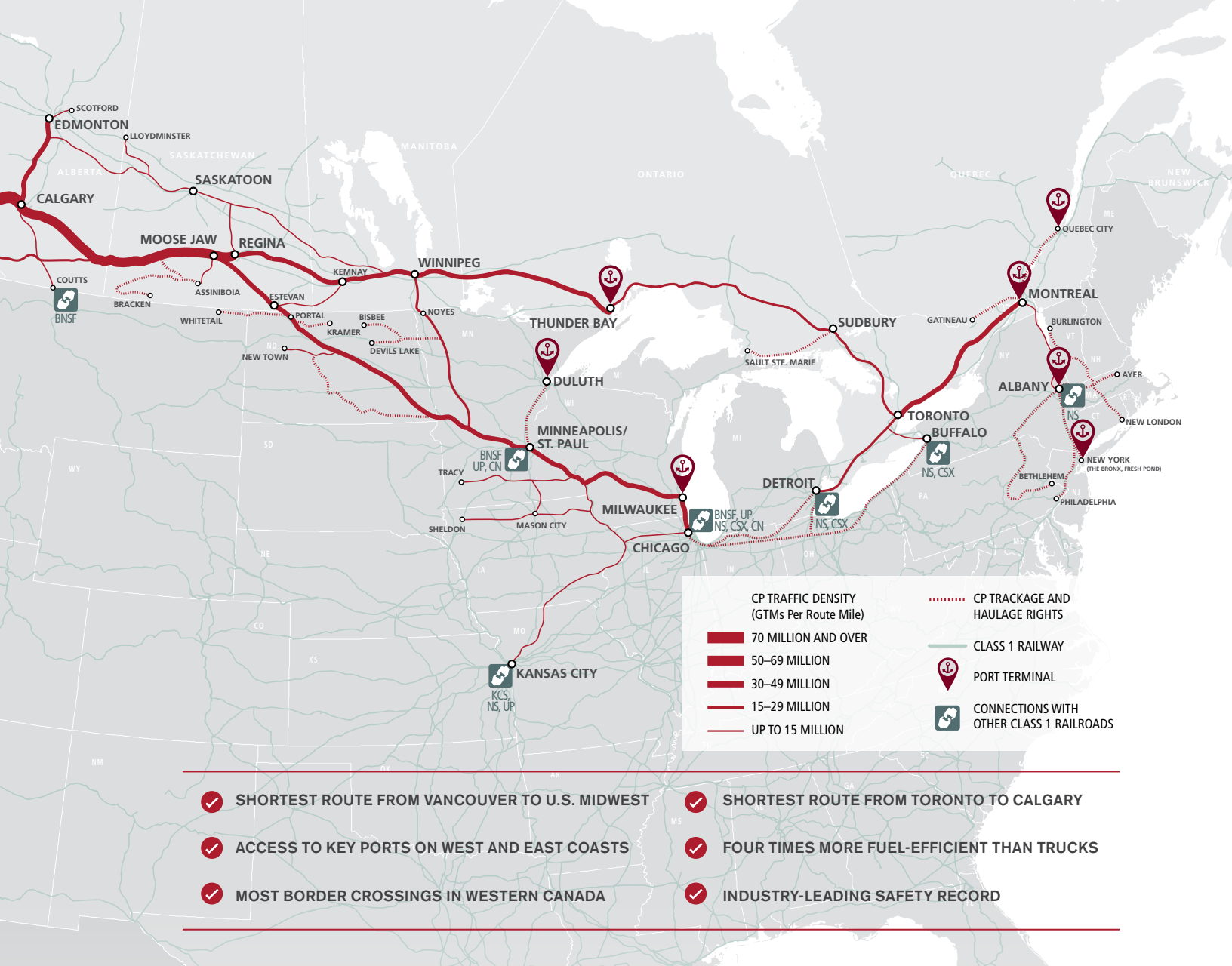
2.5 MILLION CARLOADS

162 MILLION TONS OF FREIGHT

846 MILES AVERAGE LENGTH OF HAUL

(2016 FIGURES)

44% BULK
34% MERCHANDISE
22% INTERMODAL



OUR SUCCESS IS BUILT ON OUR FIVE FOUNDATIONS

In 2012, we began a corporate turnaround with a long-term strategy based on five foundational principles. Since then, we have transformed our operations by executing a precision railroading model that lowers costs, optimizes assets and provides better, more competitive service. The results are incredible—we went from an industry laggard to an industry leader and achieved cost reduction targets several years ahead of schedule. While these accomplishments were tremendous, our journey to become North America's best-performing rail carrier is far from over.



PROVIDE SERVICE

Delivering efficient, consistent and reliable service.



CONTROL COSTS

Strategically eliminating unnecessary costs.



OPTIMIZE ASSETS

Finding new ways to use assets more efficiently and productively.



OPERATE SAFELY

Safety is our top priority—we are the safest railway in North America.



DEVELOP PEOPLE

Cultivating the best team of railroaders in the industry.

FORWARD MOMENTUM



OUR CORPORATE TURNAROUND WAS JUST THE BEGINNING—WE'RE FOCUSED ON THE NEXT LEVEL OF PRODUCTIVITY, SERVICE AND INNOVATION TO DRIVE SUSTAINABLE, PROFITABLE GROWTH.

The corporate transformation at CP has been tremendous. We've dramatically lowered our cost base, invested substantially in the business, and markedly improved service and performance. We nearly tripled earnings, cash flow and shareholder value. All of this was accomplished without compromising on our commitment to safety—we've been the safest railway in North America for more than a decade.

"It's not just about growing with the economy—it's about partnering and innovating with our customers to drive the economy forward."

— KEITH E. CREEL

**ADJUSTED
INCOME ⁽¹⁾**

19.8%

COMPOUND ANNUAL GROWTH RATE (CAGR) (2012-2016)

**ADJUSTED OPERATING
INCOME ⁽¹⁾**

18.5%
(CAGR 2012-2016)

ADJUSTED OPERATING RATIO ⁽¹⁾

1,840 BPS REDUCTION
(2012-2016)

⁽¹⁾ These measures are defined and reconciled in Non-GAAP Measures on page 126.

It didn't come easily. Led by railroading legend Hunter Harrison, we embarked on a five-year journey that some have called the greatest turnaround in corporate history. In the middle of it all, we experienced an economic contraction that tested our resilience, and proved that this team and this operating model can perform in any environment.

We came out stronger than ever, with unwavering determination and incredible forward momentum. My planned succession as the seventeenth leader of this iconic company came with great reverence for our deeply rooted history, immense pride in our franchise, and immeasurable excitement for our bright future ahead.

The long-term strategy remains the same—leverage our low cost base, network strengths and improved service to drive sustainable, profitable growth.

With our asset base rightsized and a more competitive cost structure, we are turning our focus towards the next level of productivity, service and innovation to grow the top line and further improve margins.

This book is meant to serve as a guide to understanding our key markets, franchise strengths and operating strategies, and how we're writing the next chapter of our success. With the top-performing team of railroaders in the industry, we continue to build on our strong foundation, with a relentless drive to deliver more for our shareholders, customers and communities.

Sincerely,



Keith Creel

President & Chief Executive Officer

FUEL EFFICIENCY
(GALLONS PER 1,000 GTMs)

15%
LOWER
(2012-2016)

FREE CASH ⁽¹⁾
MORE THAN

\$1 BILLION **IN 2016**

TRAIN LENGTH (FEET)

21% HIGHER
(2012-2016)

**TRAIN
ACCIDENT
FREQUENCY**
(PER MILLION TRAIN-MILES)

39%
LOWER

BUSINESS MIX

CP'S DIVERSE BOOK OF BUSINESS CREATES A POWERFUL BASE FROM WHICH TO DRIVE SUSTAINABLE, PROFITABLE GROWTH.

Our freight revenues are derived from diversified lines of business representing a balanced portfolio of industries, goods and commodities transported between domestic and export markets. We consider traffic moving into and out of a port as export, within a nation's borders as domestic, and between nations in North America as cross-border.

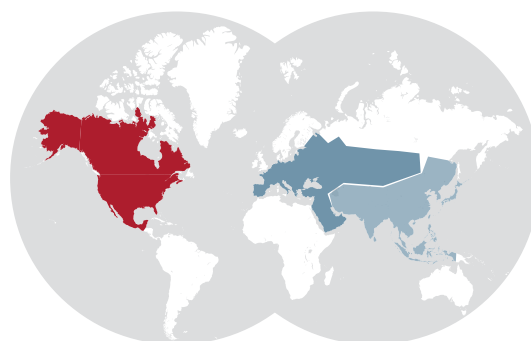
We organize our freight traffic into three business groups based on the service and equipment requirements of our customers—bulk, merchandise and intermodal. Bulk commodities, which typically move in large volumes across long distances, include grain, coal, potash, fertilizers and sulphur. Merchandise products typically move in trains of mixed freight and in a variety of car types containing a range of products such as finished vehicles and automotive parts, chemicals and plastics, crude oil and forest products, as well as metals, minerals, and consumer products. Intermodal traffic consists largely of high-value, time-sensitive retail goods in overseas containers that can be transported by train, ship and truck, and in domestic containers and trailers that can be moved by train and truck.

GEOGRAPHIC DISTRIBUTION % OF 2016 FREIGHT REVENUE



38% **GLOBAL**
31% **CROSS-BORDER**
31% **DOMESTIC**
16% WITHIN CANADA
15% WITHIN U.S.

31% **DOMESTIC** 5% **EUROPE**



33% **ASIA**



31% **CROSS-BORDER**
22% CANADA TO U.S.
8% U.S. TO CANADA
1% MEXICO

LINES OF BUSINESS

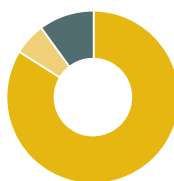
BULK

GRAIN
(BASED ON 2016
REVENUES OF \$1,480M)



CANADIAN GRAIN 64%
REGULATED 45%
NON-REGULATED 19%
U.S. GRAIN 36%
DOMESTIC 22%
EXPORT 14%

COAL
(BASED ON 2016
REVENUES OF \$606M)



CANADIAN COAL 90%
EXPORT 84%
DOMESTIC 6%
U.S. COAL 10%
DOMESTIC 10%
EXPORT 0%

**POTASH, FERTILIZERS
& SULPHUR**
(BASED ON 2016
REVENUES OF \$622M)



POTASH 55%
EXPORT 30%
DOMESTIC 25%
FERTILIZERS 36%
CROSS-BORDER 28%
CANADA 6%
U.S. 2%
SULPHUR 9%

INTERMODAL

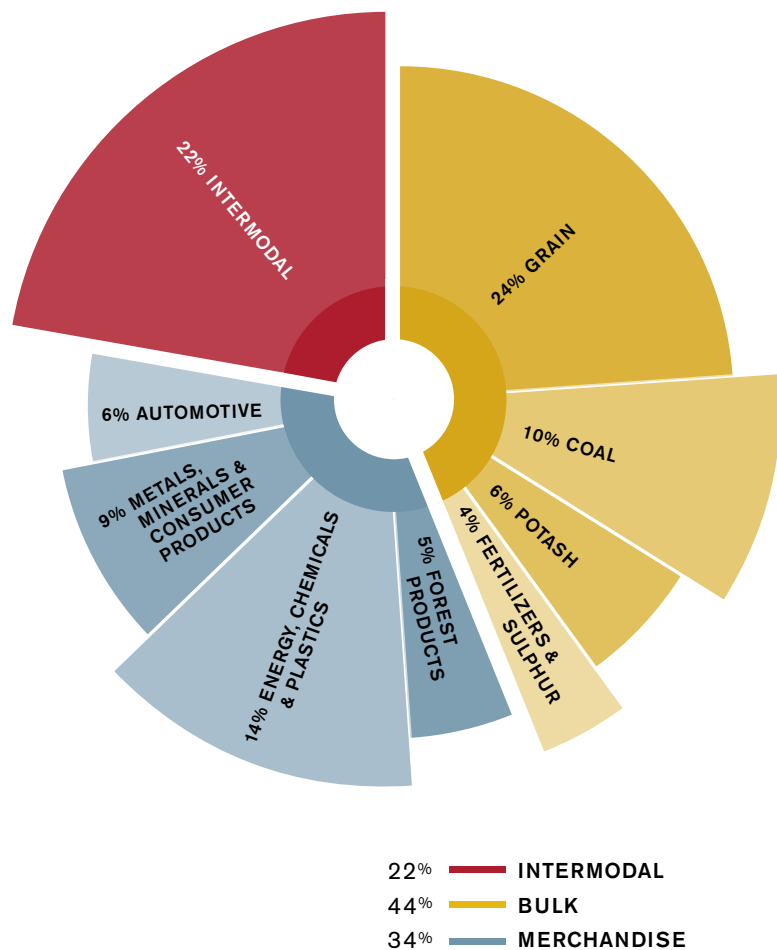
INTERMODAL
(BASED ON 2016
REVENUES OF \$1,311M)



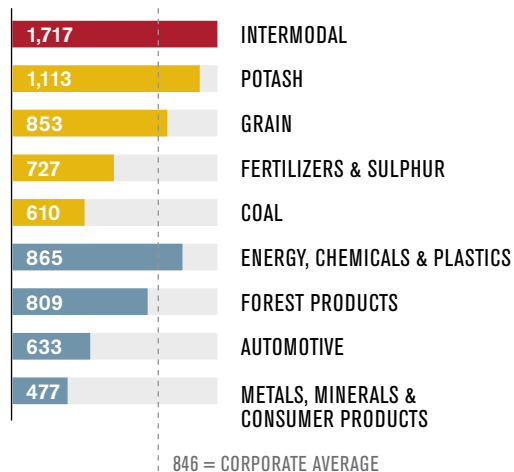
DOMESTIC 55%
WITHIN CANADA OR U.S. 48%
CROSS-BORDER 7%
INTERNATIONAL 45%
PORT OF VANCOUVER 31%
PORT OF MONTREAL 10%
OTHER 4%

TRAFFIC MIX

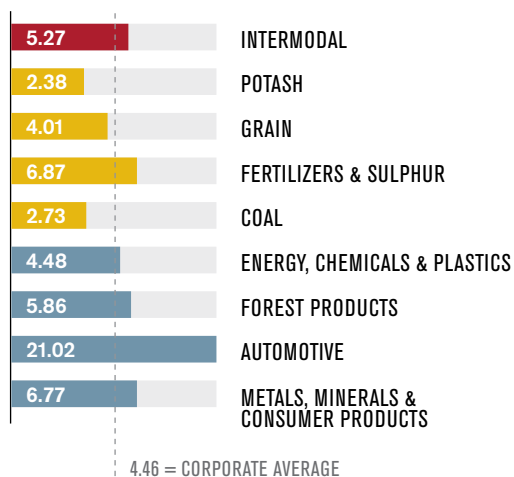
% OF 2016 FREIGHT REVENUE



2016 AVERAGE LENGTH OF HAUL (MILES)



2016 FREIGHT REVENUE PER RTM (CENTS)



MERCHANDISE

FOREST PRODUCTS (BASED ON 2016 REVENUES OF \$275M)



- LUMBER 36%
- PANEL 8%
- PULP 35%
- PAPER 18%
- OTHER 3%

ENERGY, CHEMICALS & PLASTICS (BASED ON 2016 REVENUES OF \$852M)



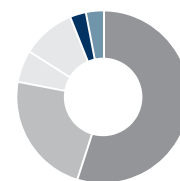
- BIOFUELS 22%
- CHEMICALS 22%
- CRUDE 17%
- PETROLEUM PRODUCTS 17%
- PLASTICS 9%
- LPG 13%

METALS, MINERALS & CONSUMER PRODUCTS (BASED ON 2016 REVENUES OF \$564M)



- FRAC SAND 19%
- OTHER AGGREGATES 31%
- STEEL 30%
- MINES & METALS 5%
- CONSUMER PRODUCTS 15%

AUTOMOTIVE (BASED ON 2016 REVENUES OF \$350M)



- FINISHED VEHICLES 94%
- ORIGIN CANADA 55%
- ORIGIN U.S. 23%
- ORIGIN MEXICO 6%
- ORIGIN OVERSEAS 10%
- MACHINERY 3%
- PARTS & OTHER 3%

GRAIN

A WORLD-CLASS SUPPLY CHAIN

GRAIN IS CP'S SINGLE LARGEST MARKET SEGMENT, ACCOUNTING FOR 24% OF OUR FREIGHT REVENUES. CP IS THE ONLY CLASS 1 RAILWAY WITH MEANINGFUL GRAIN FRANCHISES IN BOTH CANADA AND THE U.S.

A LEADER IN GRAIN TRANSPORTATION FOR OVER A CENTURY

CP's grain network is unique among railways in North America. Our network is strategically positioned through the heart of the grain-producing regions of Western Canada and the Northern Plains of the U.S. We provide direct access from high-throughput unit train loading elevators to major export port terminals for shipments overseas.

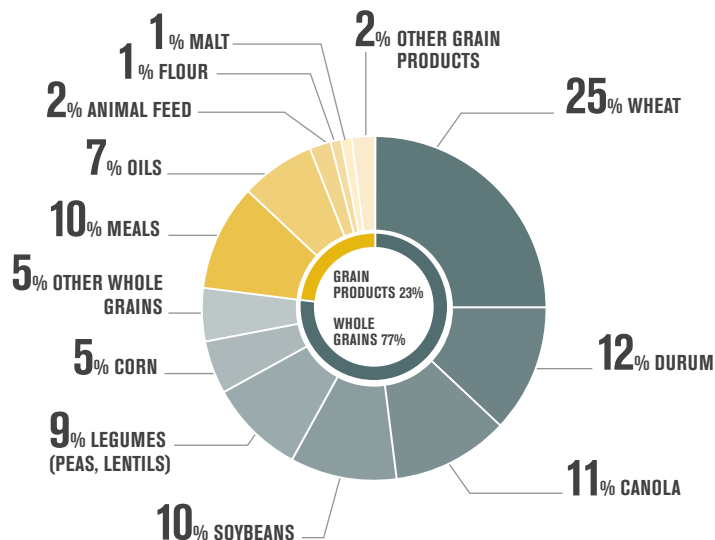
Grain transported by CP consists of both whole grains—such as wheat, corn, soybeans and canola—and processed products such as meals, oils, flour, and distillers dried grains (DDG).

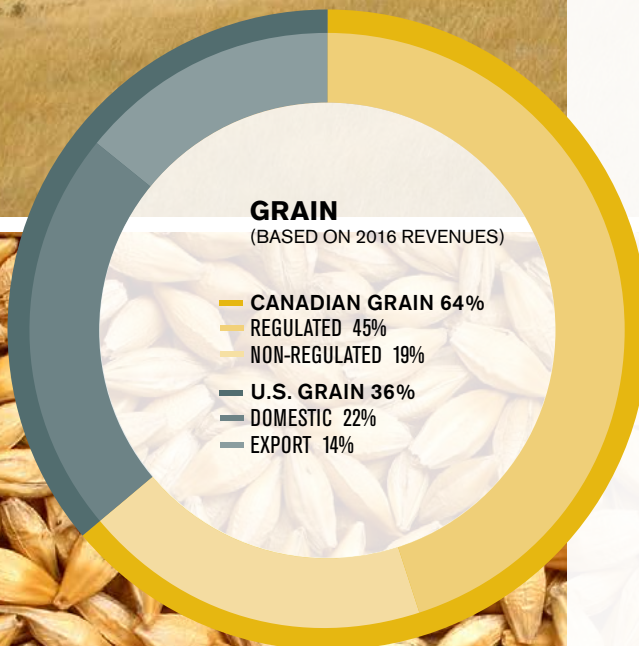
The domestic movement of grain consists of whole grains moving to grain processors. CP has access to a large network of grain processing facilities in Western Canada and the U.S. Midwest. We then move the resulting finished products and byproducts from these processors.

In addition to moving product for domestic use, our network reach utilizes multiple export terminals for shipments overseas, with major outlets on the west and east coasts, as well as connections with rail partners to service Mexico and the southern ports in the U.S.

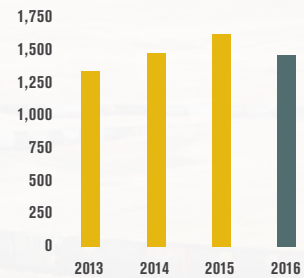
In 2016, we moved approximately 432,000 carloads of grain and grain products, resulting in \$1.5 billion of freight revenue. Approximately 64% of CP's grain revenues are from Canada and the remaining 36% from the U.S. CP is the only railway with seamless, continuous access to both the Canadian and U.S. grain markets. Our Dedicated Train Program is available in both Canada and the U.S., and our fleet of grain hopper cars is managed as one integrated fleet.

GRAIN REVENUE BY GRAIN TYPE (% OF 2016 REVENUE)





FREIGHT REVENUES



Freight Revenues (\$ millions)

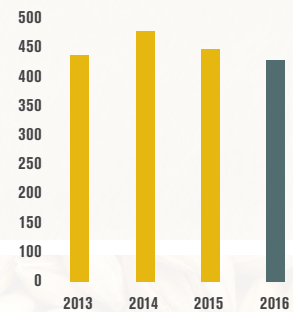
2013 1,300

2014 1,491

2015 1,589

2016 1,480

CARLOADS



Carloads (in thousands)

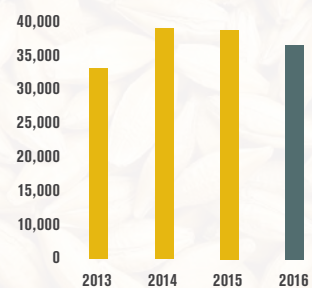
2013 438

2014 464

2015 442

2016 432

REVENUE TON-MILES



Revenue ton-miles (millions)

2013 33,983

2014 38,415

2015 38,067

2016 36,892

CANADIAN GRAIN

STRONG ORIGATION NETWORK AND ACCESS TO KEY PORTS

Wheat (including durum) is Western Canada's main crop, accounting for approximately 40% of total grain production, and is primarily exported to Asia, North America and the Middle East. The vast majority of grain exports utilize rail to access export terminals located in Vancouver, Thunder Bay, Quebec and the U.S. Pacific Northwest. Canada also ships a large amount of its grain production to the U.S. and Mexico for domestic processing.

We have a strong origination network that includes 163 elevators across the Canadian Prairies, of which 79 are high-throughput, high-efficiency elevators capable of loading unit trains exceeding 100 cars in less than 24 hours.

CONTINUED GROWTH IN OILSEEDS PROCESSING

The canola processing industry has grown significantly in recent years, driven by increased demand overseas. The majority of canola seed, oil and meal produced in Canada is shipped for export, with 80% of exports going to the U.S., Mexico, China and Japan.

The industry has invested heavily in canola processing capacity in Western Canada, increasing Canadian canola oil and meal production by 33% in the past five years. The oil is used in the restaurant industry, in consumer households and in biodiesel production, while the byproduct meal is used as an animal feed product. With access to 12 major canola crush facilities representing 9 million tonnes of annual production, CP is the top transportation provider for the growing oilseed processing industry in Canada.

SPECIALTY CROPS ARE A GROWING INTERNATIONAL MARKET

Specialty crops—which include grains such as lentils, peas, chickpeas and beans—are an exciting area of growth. With an expanding world population, pulse and specialty crops will become even more important as consumers become more nutritionally conscious. Canadian production of specialty crops was 9 million tonnes for the 2016-17 crop year, a 37% increase over the previous crop year. Specialty crops are primarily grown in the southern regions of the Prairies, where CP has an extensive network of grain elevators and the shortest route to export terminals on the West Coast.

U.S. GRAIN

OFFERING MULTIPLE GATEWAYS TO DOMESTIC AND EXPORT MARKETS

The U.S. is by far the largest producer of corn in the world, producing over 37% of the world's corn supply. Approximately 15% of this corn is for export and a large portion of the remaining crop goes towards the production of ethanol.⁽¹⁾

The U.S. is also the world's largest producer and exporter of soybeans, accounting for more than 35% of the world's soybean production. Soybeans are used to create a variety of products, such as soybean oil (used in food manufacturing and frying) and meal.

Our origination network spans key producing states across the U.S. Midwest, accessing 191 elevators in North Dakota, Minnesota, Iowa, South Dakota, and Montana. CP has access to canola crush facilities in North Dakota and Minnesota with a total production capacity of 2 million tonnes, as well as soybean crush plants in Iowa. We utilize multiple gateways within the U.S. for delivery to both domestic and export markets. Our reach expands to the U.S. Pacific Northwest via Kingsgate, B.C., the Northeast U.S. via Chicago, and south to markets in the Gulf and Mexico via Kansas City.

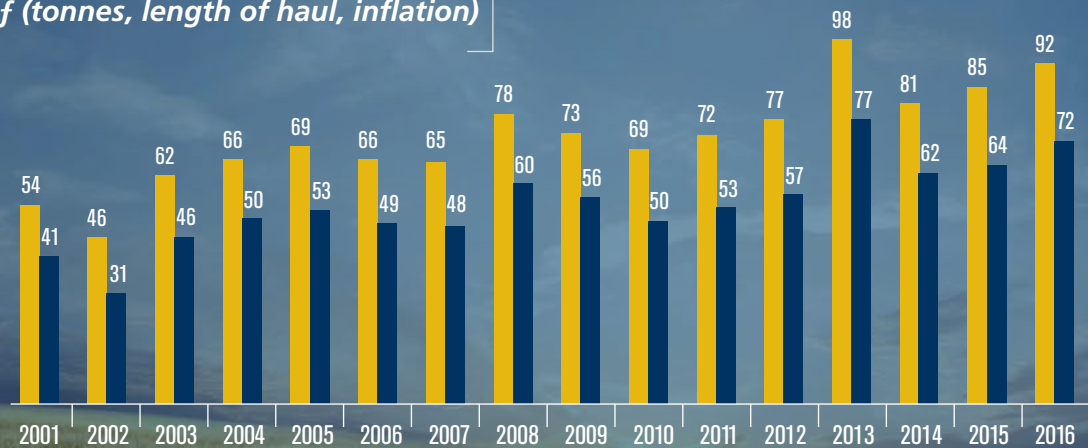
⁽¹⁾ CP reports ethanol as part of its Energy, Chemicals & Plastics line of business. For more information on CP's ethanol business, see page 42.

REGULATED GRAIN IN CANADA

Canadian grain includes a segment of business that is regulated by the Canadian government, which is subject to a maximum revenue entitlement (MRE). Under this regulation, railroads can set their own freight rates for individual movements, allowing the forces of competition to govern pricing. However, the MRE governs the aggregate revenue earned by the railroad each crop year (August to July). The MRE is based on a formula that factors in the length of haul, total volumes (measured in tonnes), and inflationary adjustments. The regulation applies to grain shipments originating in Western Canada destined to the ports of Vancouver and Thunder Bay for export.

On average, grain traffic subject to the MRE accounts for 70% of Canadian grain revenues.

MRE = f (tonnes, length of haul, inflation)



CANADIAN GRAIN CROP PRODUCTION*
FOR THE 2001-2016 CROP YEARS (MILLION METRIC TONNES)

■ Total Canada ■ Prairie Provinces (AB, SK, MB)

*Source: Statistics Canada. Total crop production includes all principal field crops (grains, oilseeds, pulses and special crops)

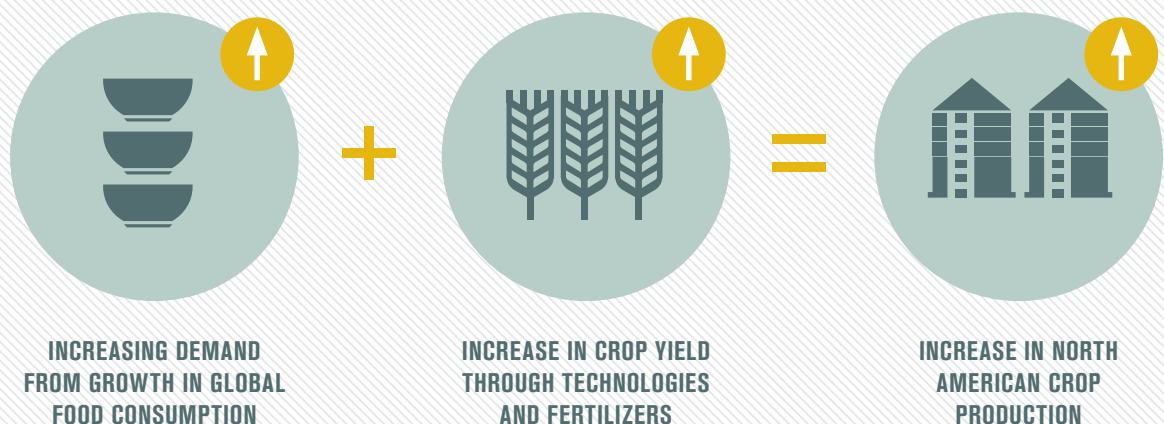
ENABLING THE WORLD'S BEST GRAIN TRANSPORTATION SYSTEM

GLOBAL GRAIN DEMAND IS CLOSELY TIED TO GLOBAL POPULATION AND ECONOMIC GROWTH. COUNTRIES LIKE CHINA AND INDIA, WITH POPULATION AND ECONOMIC GROWTH RATES ABOVE THE GLOBAL AVERAGE, ARE SEEING CHANGES IN DIETARY BEHAVIOUR AS THEIR POPULATIONS CONSUME MORE PROTEINS AND FATS DUE TO HIGHER DISPOSABLE INCOMES. THESE CHANGES IN DIET REQUIRE NEW AND EXPANDED GRAIN INPUTS FOR FOOD AND FOR LIVESTOCK FEED.

North America is well positioned to supply this growing demand for food and livestock feed. Continued advancements in technology, fertilizers and plant genetics have increased crop yields in all of the principal field grains. Within both Canada and the U.S., the acreages farmed are growing, driven by better overall economic returns for farmers. These long-term demand trends have promoted continued strong production of wheat and increased production of canola, corn, soybeans, and other grains and grain products in North America.

With the ongoing evolution of the North American marketplace, we continue to integrate our U.S. and Canadian grain transportation programs, allowing us to broaden our destination reach, offer more competitive services, increase market share, and better utilize our railcar fleet.

We continue to engage customers and industry stakeholders in initiatives to maximize capacity and drive efficiency in the grain supply chain. These initiatives include development of new and more efficient loading facilities, increasing and improving the capabilities of existing terminals, and maximizing rail capacity with increased asset utilization, longer trains and improved cycle times.

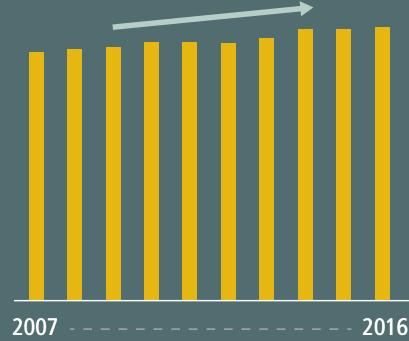




FOOD CONSUMPTION



CAGR +1.3%

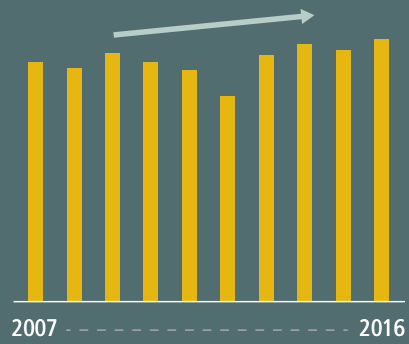


Source: Organisation for Economic Co-operation and Development (OECD)

AVERAGE CROP YIELD CANADA AND U.S. COMBINED



CAGR +1.4%



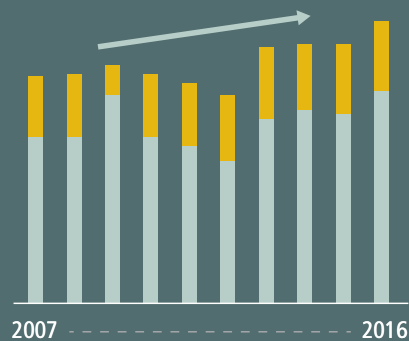
■ TOTAL

Source: Statistics Canada and U.S. Department of Agriculture

TOTAL CROP PRODUCTION CANADA AND U.S.



CAGR +2.3%



■ UNITED STATES ■ CANADA

Source: Statistics Canada and U.S. Department of Agriculture

SPOTLIGHT

Grain

COMMERCIAL INNOVATION WITH THE DEDICATED TRAIN PROGRAM

CP's Dedicated Train Program (DTP) service offering was first introduced in 2014 as an alternative to the previous open distribution car ordering system. The DTP provides our customers with greater transparency and control of railcar supply, allowing customers to manage their supply chains more efficiently. Dedicated trains are commercially negotiated with customers and the program is available to all customers, large and small.

This market-based product provides balanced service commitments for CP and our customers. Dedicated trains can be used in Canada and the U.S., allowing customers to take advantage of the program in any part of CP's network.

The program has received overwhelmingly positive feedback from customers, with approximately 75% of CP's grain franchise served by the DTP in 2017 and record sign-up for the 2017-18 crop year.

**CP'S DEDICATED TRAIN PROGRAM**

- Customers can ensure they have the necessary capacity to ship their products to market.
- Customers control their own train assets for a period of 12 months.
- DTP trains can be used in Canada or the U.S., so customers have flexibility to use the capacity wherever they need it.



THE FUTURE OF GRAIN TRANSPORTATION: CP'S 8,500-FOOT TRAIN MODEL

CP is driving towards a supply chain model capable of loading, transporting and unloading 8,500-foot-long unit trains of grain.

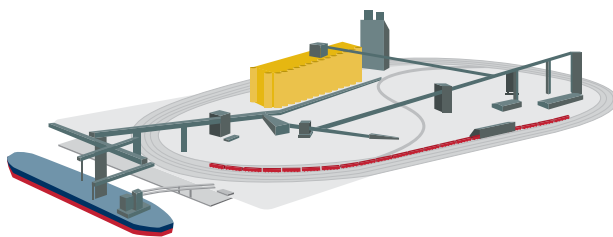
Through infrastructure investment and collaboration with grain companies and port operators, this enhanced train model allows railways, elevators, and ports to increase throughput and better utilize resources.

Grain elevator and port terminal infrastructure is being built and expanded to load and unload 8,500-foot trains on continuous loop tracks, allowing trains to remain intact and clear of the mainline track. CP's investment in longer

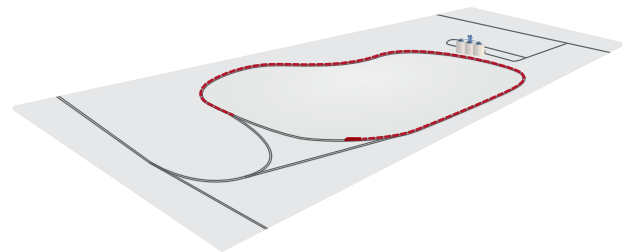
sidings and upgraded track infrastructure enables these longer trains to move seamlessly between elevators and ports.

The 8,500-foot train model will carry a minimum of 134 grain hopper cars, based on industry-average car lengths, which allows for 20% more grain than traditional 112-car grain trains. As CP and the industry move towards shorter, higher-capacity cars, CP will be able to fit more cars and more grain on each 8,500-foot train. The end result is more grain transported to market more efficiently than ever before.

INVESTMENTS IN RAILWAY, PORT, AND INLAND ELEVATOR INFRASTRUCTURE SUPPORT CP'S 8,500-FOOT TRAINS

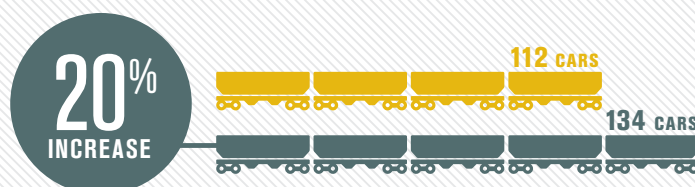


Port terminal capable of efficiently handling 8,500-foot trains



High-throughput elevator with loop track designed for 8,500-foot trains

8,500-FOOT TRAIN MODEL



UTILIZATION

Better labour utilization at the elevator and port.

EFFICIENCY

Rail efficiencies in labour, locomotive utilization and fuel efficiency.

VOLUME

More grain transported in fewer trains means more supply chain capacity for Canada's agricultural industry.



CP has 14 new high-throughput grain elevators being built or recently completed, and 60+ potential expansions to align with CP's 8,500-foot unit train model.

GRAIN ELEVATORS SERVED BY CP

STATE/PROVINCE	HIGH-THROUGHPUT (HTP) ELEVATORS	ALL ELEVATORS (INCLUDING HTP)	8,500-FOOT TRAIN CAPABLE HTP
Alberta	23	43	5
Saskatchewan	39	81	5
Manitoba	17	39	2
TOTAL CANADA	79	163	12
North Dakota	26	84	0
Minnesota	13	68	0
Other	8	39	0
TOTAL U.S.	47	191	0
GRAND TOTAL	126	354	12



GREATER REACH, LONGER TRAINS, FASTER CYCLES, BETTER SERVICE

WE ARE EXPANDING OUR REACH AND DRIVING INCREASED THROUGHPUT AND PRODUCTIVITY ACROSS THE ENTIRE GRAIN SUPPLY CHAIN.

Our network currently has 350+ grain origination points across North America, with 126 high-throughput elevators that load unit trains in excess of 100 cars per train. Approximately 80% of CP's grain shipments move in efficient unit trains containing 112 railcars or more.

We are continuously expanding our network reach—we have 14 new high-throughput grain elevators being built or recently completed, and 60+ potential expansions to convert our entire network to handle 8,500-foot unit trains carrying a minimum of 134 cars.

We are working with industry partners to increase throughput and drive efficiencies across the entire grain supply chain.

This includes loading on placement at elevators, demand-pull management at the ports, 24/7 railcar unloading, and power-on loading and unloading, as well as capital investments in infrastructure.

This enables longer, faster trains, which reduces cycle times, increases the utilization of assets and creates additional supply chain capacity.

COAL

FOCUSED ON EFFICIENCY AND ADAPTABILITY IN A DYNAMIC MARKET

CP SERVES BOTH THE METALLURGICAL AND THERMAL COAL MARKETS. OUR CANADIAN COAL BUSINESS PRIMARILY CONSISTS OF METALLURGICAL COAL TRANSPORTED FROM SOUTHEASTERN B.C. TO THE PORTS OF VANCOUVER AND THUNDER BAY, AND TO THE U.S. MIDWEST. OUR U.S. COAL BUSINESS CONSISTS MAINLY OF THERMAL COAL TRANSPORTED TO THE U.S. MIDWEST.

METALLURGICAL COAL

Metallurgical coal is a primary feedstock in the steel manufacturing process. Metallurgical coal has lower ash and sulphur contents with the volatile constituents driven off, which are attractive qualities for steel production. Southeast B.C. coal is considered to be high quality and one of the more sought-after coals on the global market.

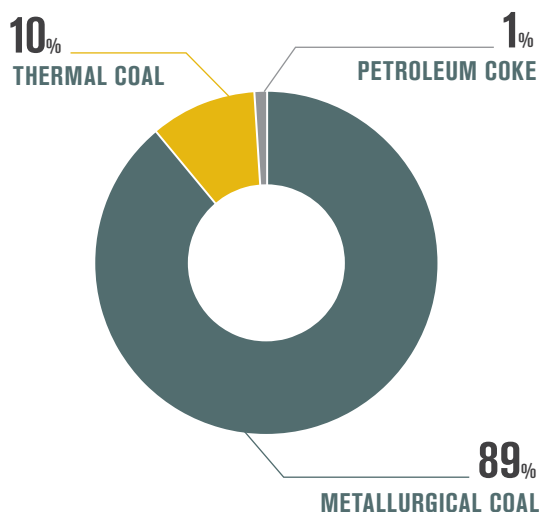
THERMAL COAL

Thermal coal is used as a fuel to produce electricity through combustion. Thermal coal is made attractive by middle-to-high British thermal unit (BTU) values and low amounts of sulphur, mercury and other impurities.

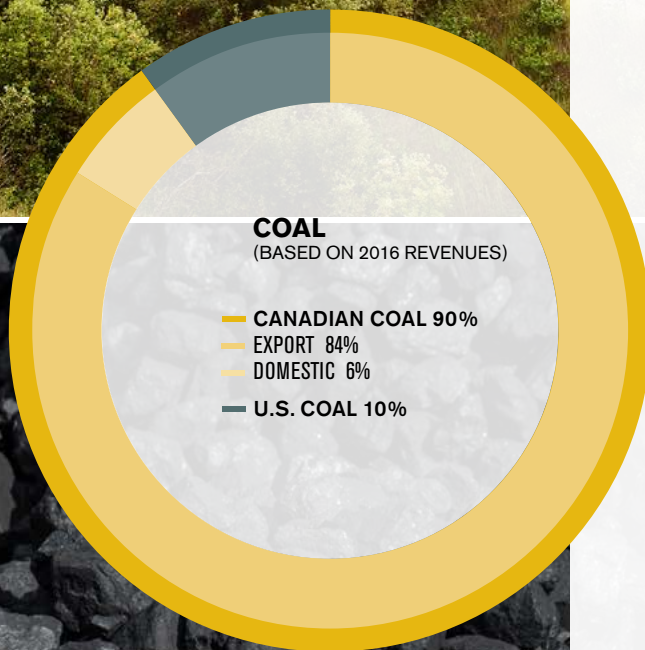
PETROLEUM COKE

Petroleum coke (or petcoke) is a carbonaceous material that results from the coking process during bitumen upgrading. It has higher energy content and higher emissions than thermal coal, and it is used in power generation and aluminum production.

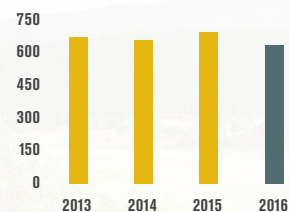
% OF 2016 REVENUE



Our industry-leading service allows the supply chain to maximize capacity, improve mine-to-port service, optimize asset use and decrease cycle times.



FREIGHT REVENUES



Freight Revenues (\$ millions)

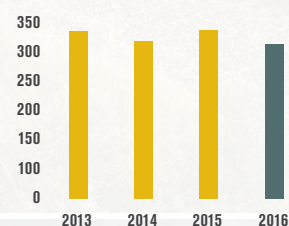
2013 627

2014 621

2015 639

2016 606

CARLOADS



Carloads (in thousands)

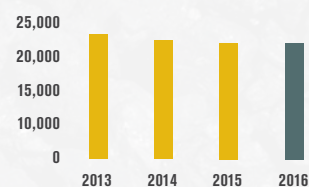
2013 330

2014 313

2015 323

2016 305

REVENUE TON-MILES



Revenue ton-miles (millions)

2013 23,172

2014 22,443

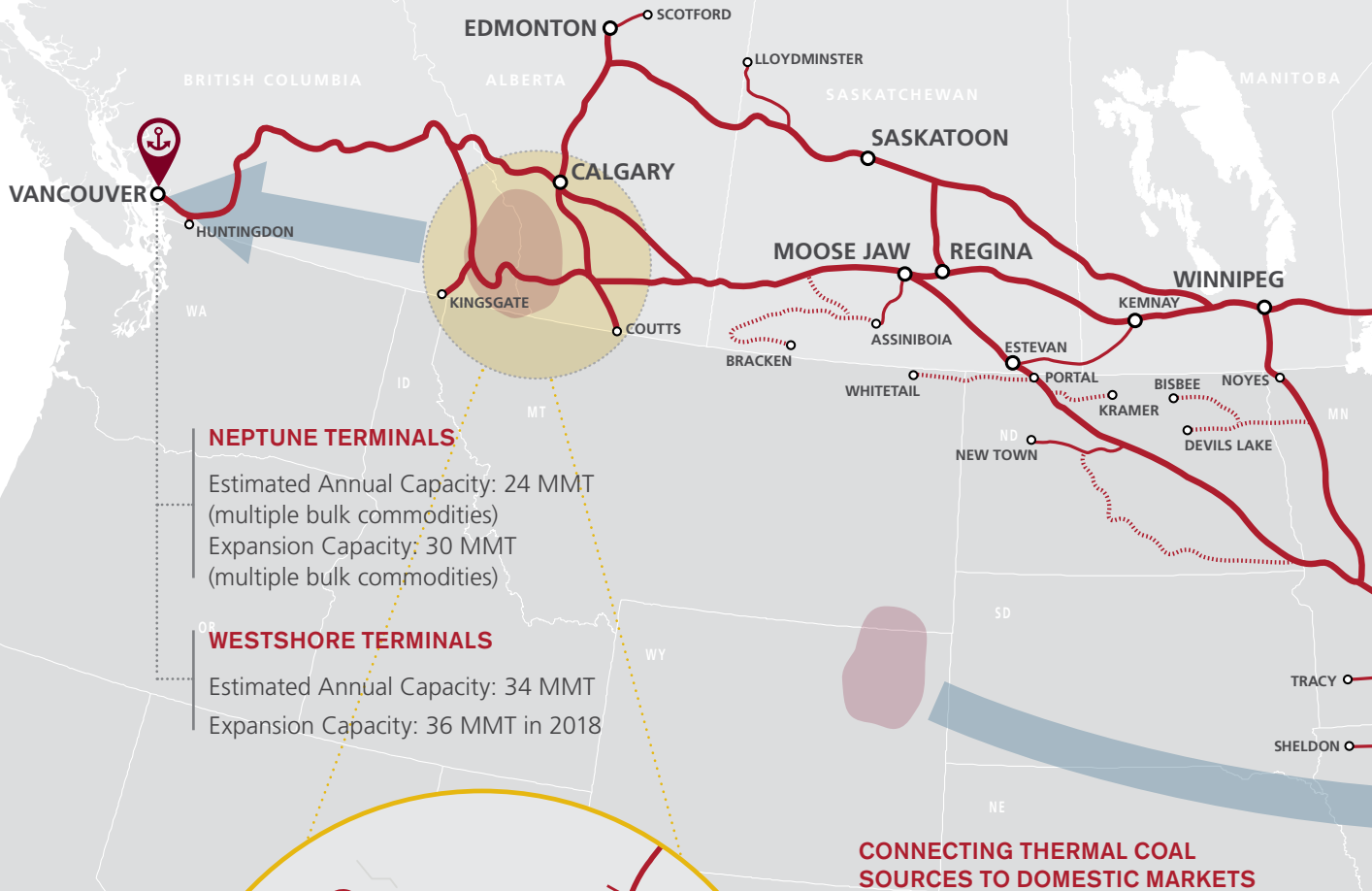
2015 22,164

2016 22,171



WORLD-CLASS SUPPLY CHAIN FOR EXPORT COAL

Coal

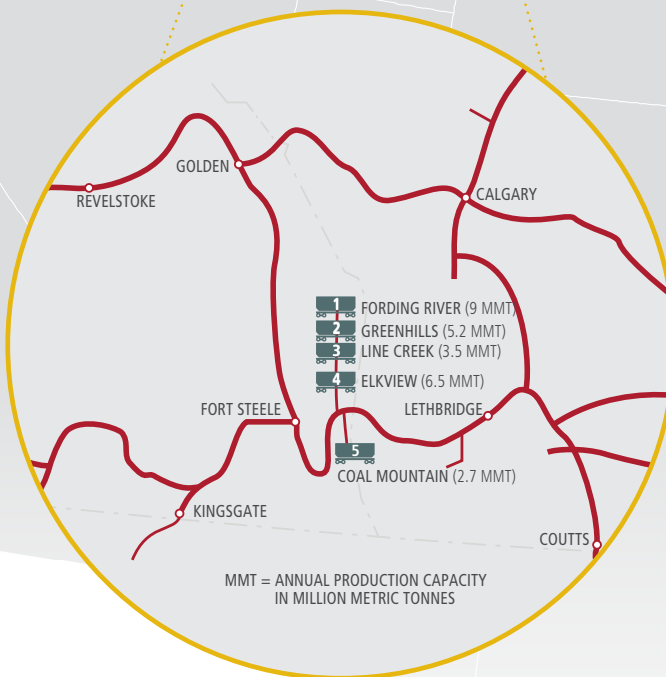


NEPTUNE TERMINALS

Estimated Annual Capacity: 24 MMT
(multiple bulk commodities)
Expansion Capacity: 30 MMT
(multiple bulk commodities)

WESTSHORE TERMINALS

Estimated Annual Capacity: 34 MMT
Expansion Capacity: 36 MMT in 2018



MMT = ANNUAL PRODUCTION CAPACITY
IN MILLION METRIC TONNES



CANADIAN COAL

HELPING OUR LONG-TERM PARTNER SUCCEED IN THE GLOBAL MARKETPLACE

Our Canadian coal portfolio comprised 27 million metric tonnes (MMT) of shipments in 2016—equating to approximately 249,000 carloads and \$541 million of revenue. In 2016, more than 95% of our Canadian coal shipments were exported through the West Coast, and the remaining 5% went to Thunder Bay terminals or to Chicago for interchange with other rail carriers.

Teck Resources is the world's second-largest seaborne exporter of steelmaking coal and one of the most competitive global sources for metallurgical coal, due to both their high-quality product and low cost. The coal is produced at Teck's five southeast B.C. mines, which are considered to be among the most productive

in the world. Teck plans to close their Coal Mountain mine in late 2017 but expects total production to be unaffected, as the remaining mines will increase production to compensate. Coal produced by Teck is exported through Westshore and Neptune terminals in Vancouver and is destined to steelmakers located in the Pacific Rim, Europe and South America. By investing in network infrastructure and continuously improving our highly efficient rail operations between Teck's mines and West Coast ports, CP is helping to make Teck even more competitive in the global coal market. CP and Teck have a 10-year transportation agreement that expires in 2021.

U.S. COAL

AN IMPORTANT LINK BETWEEN DOMESTIC COAL SOURCES AND END MARKETS

CP moved 56,000 carloads of U.S. coal in 2016, generating \$65 million of revenue. We receive U.S. coal from connecting railroads serving the thermal coal fields in the Powder River Basin (PRB) in Montana and Wyoming. It is then delivered to power generating facilities in the Midwest states of Minnesota, Illinois and Iowa. In previous years, we have also moved PRB coal destined for export from Sweetgrass, Montana through Edmonton, Alberta to Ridley Terminals in Prince Rupert, British Columbia for delivery into Asia for power generation.

AVERAGE LENGTH OF HAUL 2016 (MILES)

CANADIAN COAL



U.S. COAL



AVERAGE COAL





OUTLOOK

A DYNAMIC MARKET FUELLED BY AN EXPANDING GLOBAL ECONOMY AND U.S. REGULATORY CHANGES

Global demand for steel production is driven by population growth and demographic changes, which results in economic growth, urbanization and industrial development. Australia remains the world's largest exporter of steelmaking coal, followed by the United States, Canada, Russia, and Mongolia. China is the world's largest consumer of metallurgical coal, accounting for over 60% of global consumption.

Global metallurgical coal production decreased by 1.6% in 2015—the first decrease in 12 years—as challenging economic conditions forced certain high-cost producers to exit the market. Coal prices were depressed through 2015 and most of 2016 until the market took a sudden turn, partially due to China's decision to limit the number of days that domestic coal mines would operate. Continuing high prices and recovering global economic conditions in 2017 have supported near-record volumes of exported Canadian metallurgical coal.

In the U.S., the change in the presidential administration could potentially impact environmental regulations that were put in place to curb greenhouse gas emissions from coal-fired power plants. The Clean Power Plan implemented by the Obama administration is designed to dramatically lower carbon emissions from U.S. power plants by nearly one-third (below 2005 levels) by the year 2030. These regulations are being challenged by the Trump administration with support from dozens of states and industry groups, in the hopes of re-energizing the U.S. coal mining and energy drilling industries. An abundance of cheap natural gas in the U.S. continues to provide a competitive alternative to thermal coal, but growth in Asia and Europe might encourage more natural gas to be exported to markets overseas.

COLLABORATING WITH OUR STRATEGIC PARTNERS TO OPERATE A WORLD-CLASS SUPPLY CHAIN FOR CANADIAN EXPORT COAL

WE CONTINUE TO ENHANCE AND IMPROVE OUR WORLD-CLASS COAL TRANSPORTATION MODEL. OUR SERVICE IS BASED ON HIGHLY EFFICIENT UNIT TRAINS THAT TRAVEL IN A BALANCED PULL-TO-DEMAND MODEL BETWEEN THE MINES AND THE PORTS.

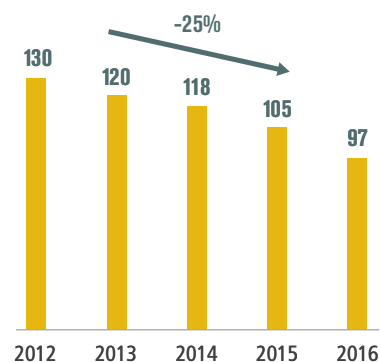
In the past, train flows were dictated by mine production, resulting in more coal than the terminals could load onto incoming ocean vessels, causing train delays and supply chain inefficiencies. In collaboration with the mines and ports, we have successfully implemented a pull-to-demand model that allows coal trains to run at evenly spaced intervals, with a consistent flow to ports. The result is a balanced, predictable supply chain with increased throughput capacity. This means that service is improved, railcars are better utilized and our partners can better schedule production, inventory and vessels.

Our collaborative approach with industry partners is an ongoing commitment to continuous improvement to the supply chain and supporting technologies. This includes communication and data-sharing initiatives, remote loading systems, and ongoing review and revision to ensure the operating model is working as planned.

Cycle times—measured in terms of the number of hours that it takes a coal train to load at the mine, travel from the mine to the port, unload at the port, and return to the mine—have improved by an impressive 25% since 2012 as a result of continuous supply chain collaboration.

Highly efficient operating strategies and continued investment in our network, along with expansions to mine and port capacities, will ensure that we continue to operate a world-class coal supply chain capable of handling future growth.

VANCOUVER EXPORT COAL - AVERAGE CYCLE TIME (HOURS)



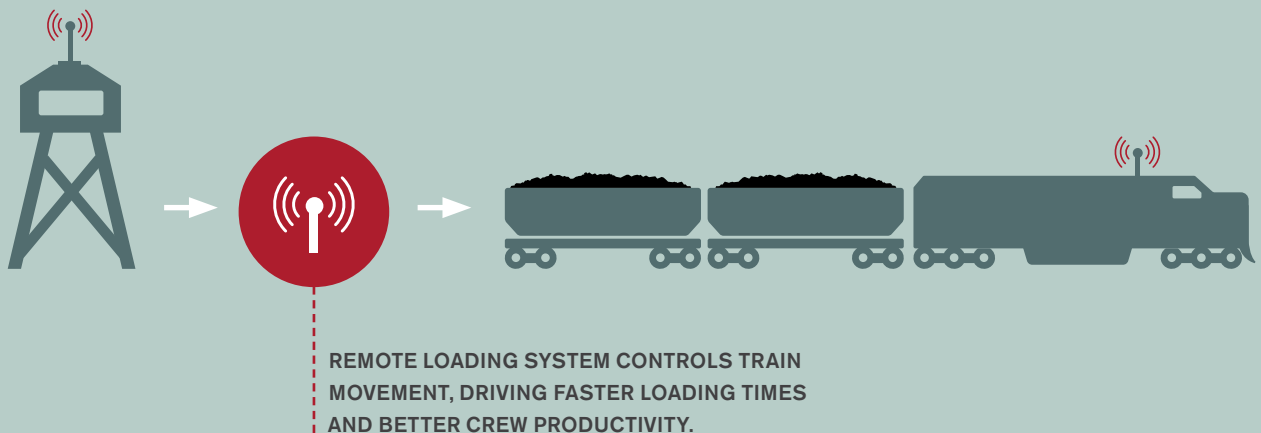
SPOTLIGHT

DRIVING EFFICIENCIES WITH REMOTE TRAIN LOADING

CP and Teck have worked together to implement remote loading systems at Teck's Fording River mine and, more recently, at their Greenhills mine. At these mines, CP has invested in tower control systems and has trained Teck staff to operate a remote system for controlling train movement while loading railcars. The mines that have implemented remote loading are consistently the fastest loading Teck mines. Where non-remote loading mines will load 152 car unit trains in eight hours (on average), remote loading mines can load trains in close to five hours. The result is better crew productivity, cycle times and equipment utilization throughout the coal supply chain.

BETTER PRODUCTIVITY WITH EXTENDED SERVICE RUNS

Coal trains departing from mines in southeastern B.C. travel north on CP's coal loop to connect to the main rail network heading west to Vancouver. Historically, CP crews would operate trains over a short distance between Fort Steele and Sparwood, B.C. CP and the unions representing train crews have worked together to relocate the crew terminal to Sparwood, allowing train crews to operate Extended Services Runs from Sparwood to Golden, B.C. This allows crews to run longer distances, be more productive, improve service and reduce costs.



POTASH, FERTILIZERS & SULPHUR

CP IS THE LEADING RAIL CARRIER FOR EXPORT POTASH, DRIVING ONE OF THE WORLD'S MOST COST-EFFICIENT SUPPLY CHAINS. OUR STRONG ORIGIN ACCESS TO FERTILIZER PRODUCERS IN WESTERN CANADA AND SHORTEST ROUTES TO DESTINATIONS IN THE U.S. MIDWEST SUPPORT GROWTH IN THE FERTILIZER MARKET.

THE PREFERRED RAIL CARRIER FOR EXPORT POTASH

Potash, which makes up 55% of this portfolio, originates in Saskatchewan, where we currently serve all 11 potash mines. We move potash both to domestic markets and for export overseas. The majority of potash shipments for export are handled by Canpotex, one of world's largest exporters of potash. In 2012, we began a 10-year transportation agreement with Canpotex for product moving to Vancouver and Portland.

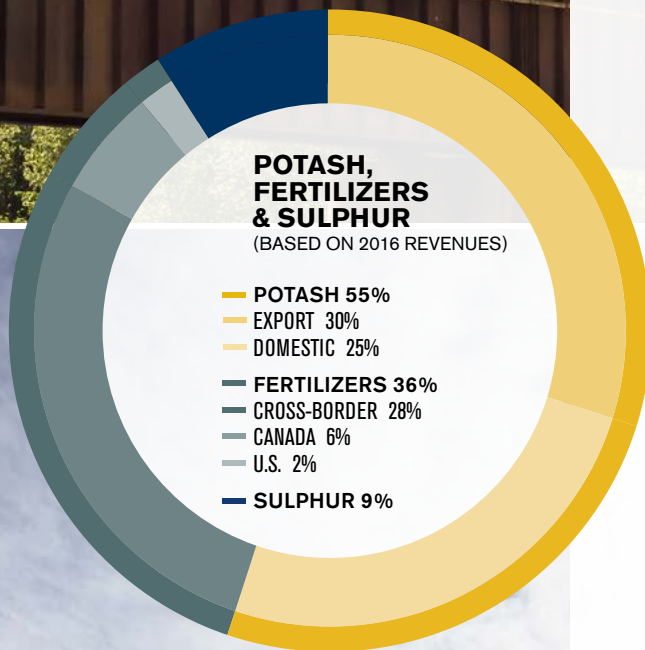
Our shortest route to Vancouver and the U.S. Pacific Northwest via connections with U.S. carriers provides key competitive advantages in export potash. Our unparalleled expertise in providing rail service for export potash enables us to operate one of the world's most efficient supply chains.

In 2016, we handled 73,000 carloads of export potash (80% Vancouver, 20% Portland) and moved 43,000 carloads of potash domestically. Domestic potash is moved primarily to the U.S. Midwest for local application. Our shortest route and direct service from Saskatchewan into key agricultural regions in the U.S. Midwest provides a unique advantage in the domestic potash market.

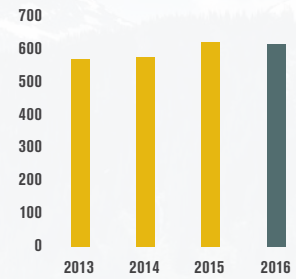
THE EXCLUSIVE SERVICE PROVIDER FOR K+S POTASH

K+S Potash Canada (KSPC) made history in 2017 with the opening of their Bethune potash mine, the first greenfield potash mine built in Western Canada in over 40 years. KSPC invested about \$4.1 billion over the course of the five-year construction project.

CP's extensive knowledge and experience in export potash rail operations and our routing advantages to both export and domestic markets make us the ideal service provider for the new Bethune mine. We constructed a new 30-kilometre rail line to the mine site, which was the most significant engineering project undertaken by CP since the mid 1980s. CP has signed an exclusive, long-term contract with KSPC to deliver approximately 2 million tonnes of potash to market each year; shipments began in the third quarter of 2017.



FREIGHT REVENUES



Freight Revenues (\$ millions)

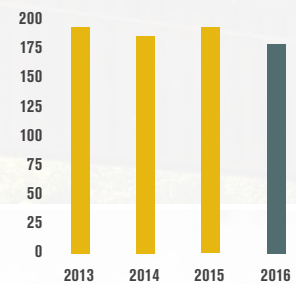
2013 570

2014 581

2015 631

2016 622

CARLOADS



Carloads (in thousands)

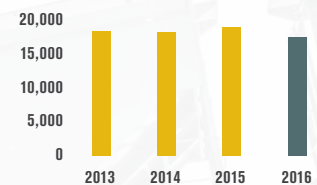
2013 185

2014 179

2015 186

2016 176

REVENUE TON-MILES



Revenue ton-miles (millions)

2013 18,170

2014 18,279

2015 19,161

2016 18,315

IDEALLY SITUATED TO SERVE FERTILIZER PRODUCERS AND END MARKETS

Fertilizers—which include urea, nitrogen solutions, phosphate rock, phosphate fertilizers, and ammonium nitrate and sulphate—are transported throughout North America. Roughly half of CP's fertilizer shipments originate from production facilities in Alberta, where abundant sources of natural gas and other chemicals provide feedstock for fertilizer production.

We have access to Canada's largest nitrogen production facility in Medicine Hat and several other fertilizer production facilities in Alberta.

Other fertilizer shipments are received from distribution points along the Mississippi River and various interchange points across the system. Fertilizers are delivered to our local customers in key agricultural regions in Western Canada and the U.S. Midwest. Our access to fertilizer producers in Western Canada and direct routes to end markets has us ideally situated to succeed in the fertilizers market.

CP TRANSPORTS BOTH DRY AND LIQUID SULPHUR

Sulphur is a byproduct from natural gas production and oil refining processes. The majority of molten (liquid) sulphur is moved from the plant where it is extracted, whereas dry sulphur is shipped from handling and forming facilities. CP is the leading transporter of formed dry sulphur shipped from facilities in southern Alberta to the Port of Vancouver.

In 2016, we moved 18,000 carloads of sulphur: approximately half moved as a formed dry product to Pacific Coast Terminals in Vancouver for export and the remainder moved in molten liquid form domestically to points in Idaho and the southern U.S. for use in fertilizer production.



STRONG LONG-TERM DEMAND FUNDAMENTALS FOR POTASH & FERTILIZERS

GLOBAL POPULATION GROWTH AND INCREASING NORTH AMERICAN CROP YIELDS SUPPORT SUSTAINABLE, LONG-TERM DEMAND FOR POTASH AND FERTILIZERS.

Highly populated countries such as China, India and Brazil will continue to drive growth in global potash. China and India have strong government backing, in the form of farm or input subsidies, to support the use of fertilizers to increase crop yield and secure national food supply.

Increased crop production and yield in North America will also continue to support strong demand for potash. Western Canada has the largest deposits of high-quality potash in the world, and producers continue to invest for long-term growth.

CP's expertise in potash operations and competitive access to export and domestic markets has us well positioned to remain the preferred rail carrier for potash.

Domestic demand for fertilizers continues to grow with increasing crop production and yields. Traffic flows for fertilizers are influenced by regional natural gas prices, fertilizer production costs and transportation costs. Fertilizers produced in Western Canada compete against U.S. Gulf fertilizers for market share in key agricultural areas in the U.S. Midwest. We collaborate with our customers to enhance their competitiveness in end markets and to grow their market share.

Sulphur production in Western Canada will continue to grow as oil and gas production expands. Demand for domestic shipments of molten sulphur has decreased due to changes to fertilizer production facilities in Florida. However, lower sulphur prices and the weaker Canadian dollar are supportive of sulphur exports to markets overseas.

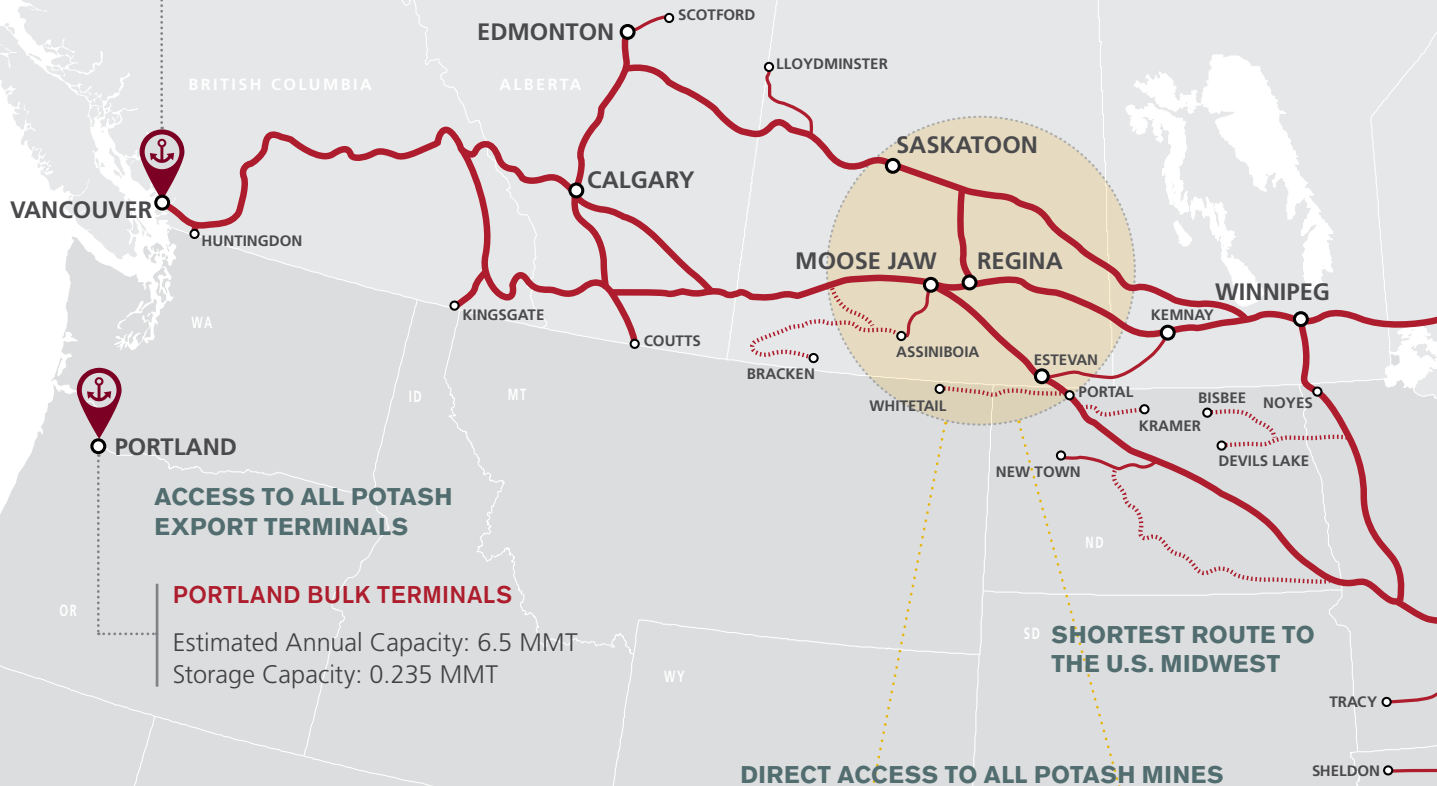


NEPTUNE TERMINALS

Annual Throughput Capacity: 12.5 MMT
Storage Capacity: 0.420 MMT

PACIFIC COAST TERMINALS

Annual Throughput Capacity: 3.0 MMT
Storage Capacity: 0.160 MMT

**ACCESS TO ALL POTASH EXPORT TERMINALS****PORTLAND BULK TERMINALS**

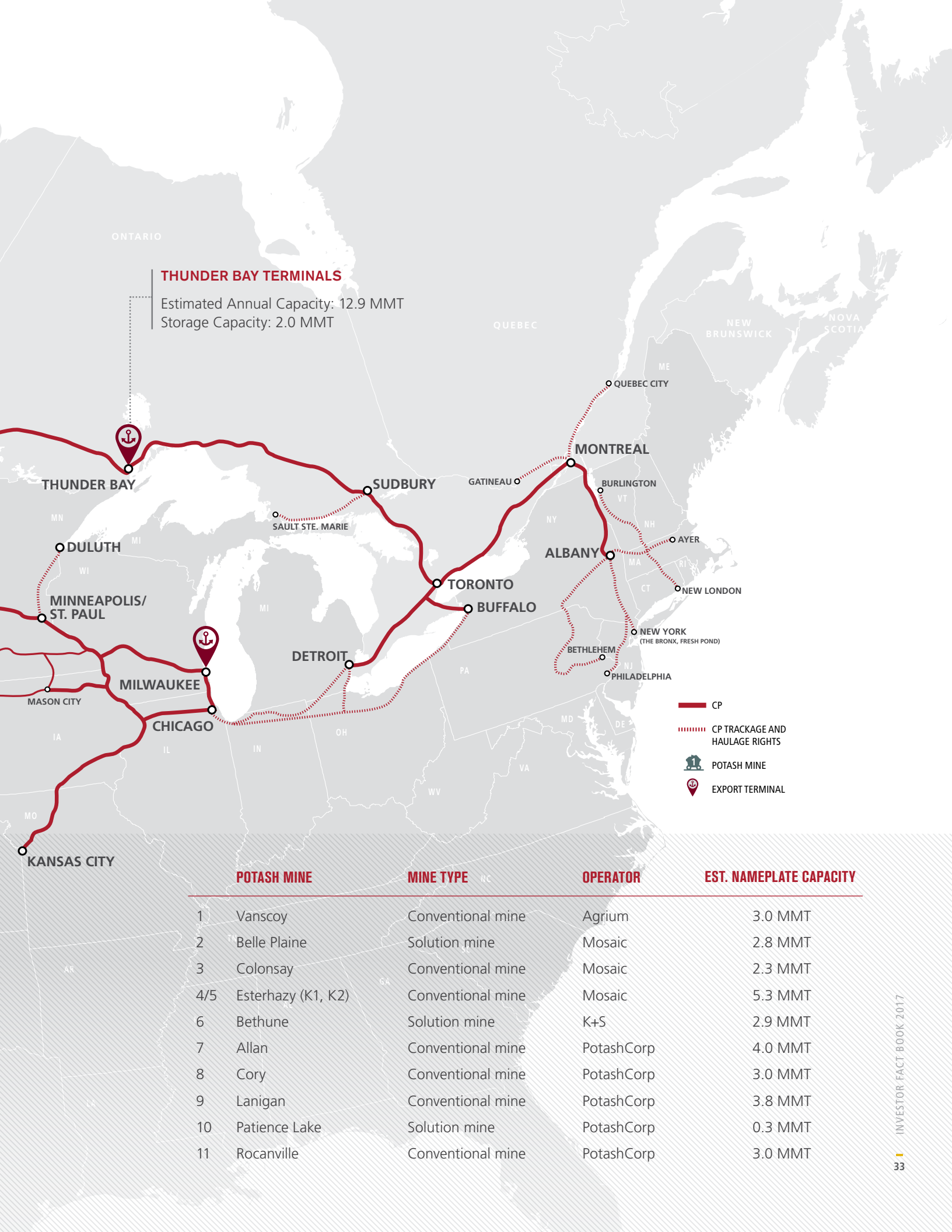
Estimated Annual Capacity: 6.5 MMT
Storage Capacity: 0.235 MMT

PORTLAND EXPANSION

Portland Bulk Terminals (PBT) is a potash bulk-handling facility wholly owned by Canpotex, used primarily to ship specialty white potash products to markets in Asia and South America. Spanning roughly 100 acres in the Port of Portland, the full operation includes rail facilities, a storage shed and a concrete berth on the Willamette River. The facility is able to load potash from the storage shed or directly from railcars to vessels on the berth.

In October 2014, Canpotex announced plans to invest U.S. \$140 million to expand the throughput capacity of its Portland facility. The expansion increased the total capacity at PBT to approximately 7 million tonnes from 4 million tonnes. The investment enables faster turnaround times for both ships and trains, driving efficiencies throughout the export potash supply chain.





THUNDER BAY TERMINALS

Estimated Annual Capacity: 12.9 MMT
Storage Capacity: 2.0 MMT

	POTASH MINE	MINE TYPE	OPERATOR	EST. NAMEPLATE CAPACITY
1	Vanscoy	Conventional mine	Agrium	3.0 MMT
2	Belle Plaine	Solution mine	Mosaic	2.8 MMT
3	Colonsay	Conventional mine	Mosaic	2.3 MMT
4/5	Esterhazy (K1, K2)	Conventional mine	Mosaic	5.3 MMT
6	Bethune	Solution mine	K+S	2.9 MMT
7	Allan	Conventional mine	PotashCorp	4.0 MMT
8	Cory	Conventional mine	PotashCorp	3.0 MMT
9	Lanigan	Conventional mine	PotashCorp	3.8 MMT
10	Patience Lake	Solution mine	PotashCorp	0.3 MMT
11	Rocanville	Conventional mine	PotashCorp	3.0 MMT

SPOTLIGHT

MOSAIC'S ESTERHAZY POTASH MINES: A CITY UNDERGROUND

It is widely known that Canada is the world's largest producer and exporter of potash, one of the three primary crop nutrients required for plant growth. However, many people would be surprised by the immense scale and complexity of underground potash mining operations.

Located in southeastern Saskatchewan, Mosaic's Esterhazy mine is the largest potash mine in the world and has been producing potash since the 1960s. The Esterhazy mine is a conventional potash mine, meaning that potash is mined using machines underground, in comparison to solution mining, which uses water to bring potash to the surface. In order to access the 365 million-year-old potash, two massive shafts (named K1 and K2) were built nearly a kilometre deep. The shafts are used for two purposes: to transport people and equipment and to hoist potash to the surface.

Each day, hundreds of miners travel down the mine shafts nearly a kilometre underground, where geothermal energy keeps the air temperature consistently around 26 to 27 degrees Celsius. Travelling down to the mine takes about three minutes and is just the beginning of the daily journey—the underground mine is so big that it takes nearly an hour to drive 20 kilometres from the shaft to the mining face. In order to travel this great distance underground, trucks are transported underground in pieces and then reassembled in the mine to transport workers and equipment.

The potash ore is mined using massive boring machines with enormous circular rotors. The rotors slowly grind the ore into smaller pieces, which then travel on conveyor belts to the shaft to be hoisted to the surface. The mine produces 17 million tonnes of ore per year, which is processed and refined into 5.3 million tonnes of various grades of finished product.

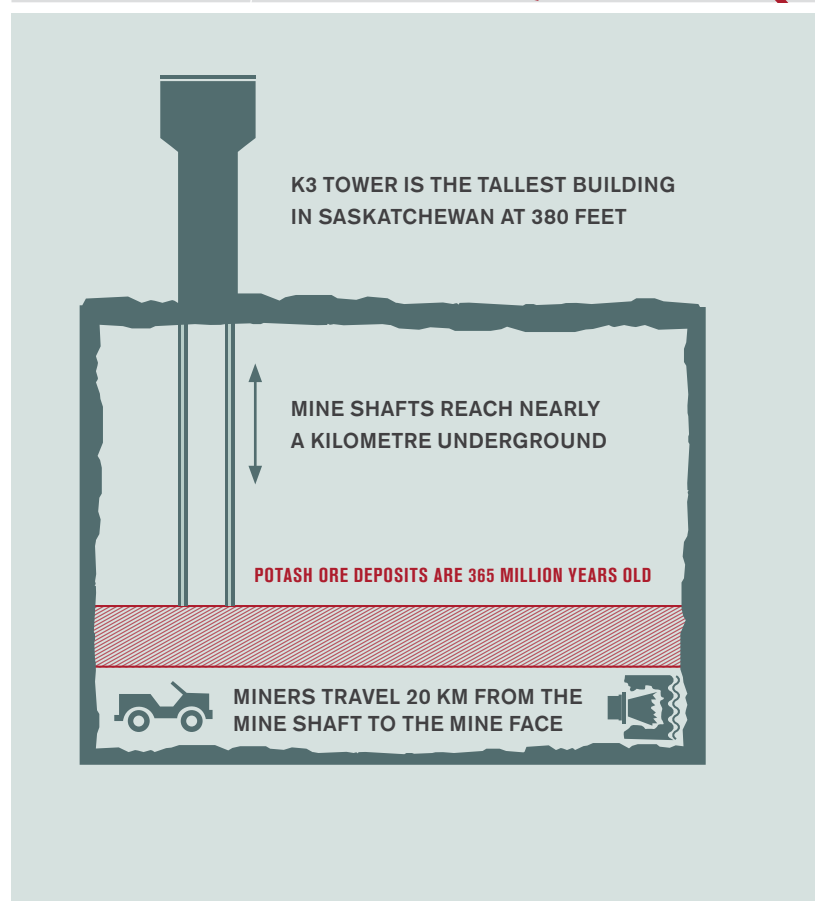
Half a century of mining at Esterhazy has created a vast network of parallel tunnels spanning over 5,400 kilometres underground. To put that into perspective, it is greater than the distance between Los Angeles and New York. The total area of this underground city is an astounding 359 square kilometres, roughly the same size as the cities of Regina and Saskatoon combined.

Mosaic is currently expanding its Esterhazy mine operations with their K3 mine project with two 20-foot-diameter mine shafts and a 380-foot-tall head frame, which is the tallest building in Saskatchewan. K3 signifies "the next 50 years" for Mosaic and its Esterhazy operations, increasing mine production to 6.3 million tonnes per year, and is a testament to Mosaic's world-class operations, innovation, and focus on sustainability. CP and Mosaic have a long-standing partnership, collaboratively operating an industry-leading supply chain transporting potash from Mosaic's mines in Saskatchewan to markets all around the world.

K3 will increase Esterhazy mine production capacity to 6.3 million tonnes per year



Photo Credit: Mosaic



**K3 TOWER IS THE TALLEST BUILDING
IN SASKATCHEWAN AT 380 FEET**

**MINE SHAFTS REACH NEARLY
A KILOMETRE UNDERGROUND**

POTASH ORE DEPOSITS ARE 365 MILLION YEARS OLD



**MINERS TRAVEL 20 KM FROM THE
MINE SHAFT TO THE MINE FACE**



FOREST PRODUCTS

CP PLAYS A VITAL ROLE IN THE FOREST PRODUCTS INDUSTRY. OUR NETWORK IS IDEALLY SITUATED TO CONNECT RAW MATERIALS AND FINISHED PRODUCTS TO MARKET.

PULP & PAPER

Pulp and paper products account for 53% of CP's forest products revenues. We serve 11 pulp mills in British Columbia, Ontario, Quebec and New York. Pulp is the primary raw material used in the manufacture of cardboard packaging, finished paper products such as newsprint and magazine paper, and personal care products such as tissues and diapers.

Newsprint originates primarily in Quebec and is shipped to New York and Pennsylvania, as well as many other destinations across North America. Paperboard typically originates on foreign lines and is interchanged with us for delivery to destinations in the U.S. Midwest.

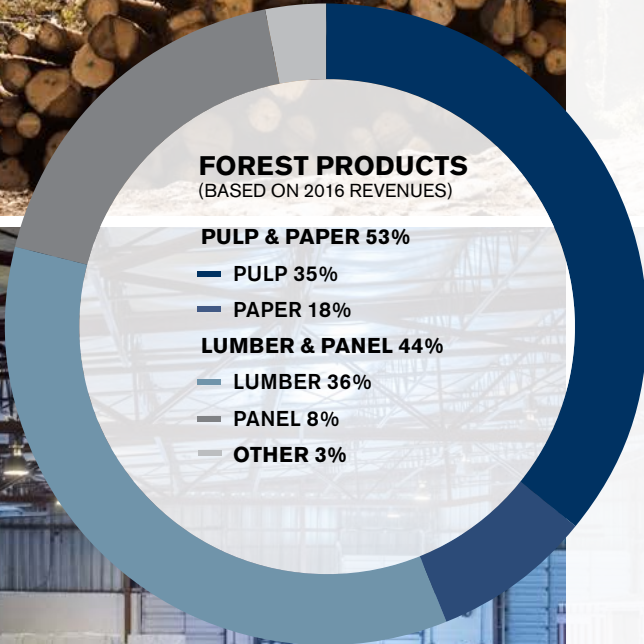
Approximately half of the pulp produced on our lines is consumed by the North American market, and the other half of the pulp is exported to Asia. Pulp can be transferred from boxcars into intermodal containers at CP's new transload facility in Vancouver for export overseas.

LUMBER & PANEL

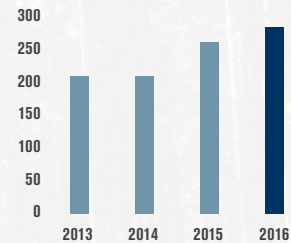
Lumber and panel account for 44% of forest product revenues. Lumber includes timber logs as well as cut lumber, and panel products include plywood, strand board and particle board.

Lumber and panel shipments originate primarily in B.C., Alberta and Ontario, and are shipped to markets across North America. CP directly serves eight lumber and panel mills in B.C. and Ontario. We are able to extend our origin reach and grow our business by utilizing strategically located transload facilities to service mills that are not directly served by CP. Our routing advantages and partnerships with other railroads provide competitive service offerings to end markets.

Our new Vancouver transload facility is ideally situated to efficiently load pulp and lumber into intermodal containers for export to growing markets overseas.



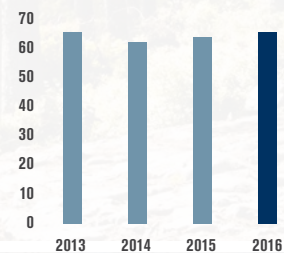
FREIGHT REVENUES



Freight Revenues (\$ millions)

2013	206
2014	206
2015	249
2016	275

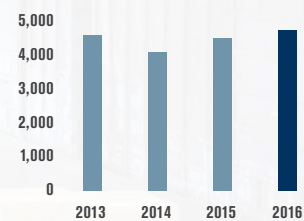
CARLOADS



Carloads (in thousands)

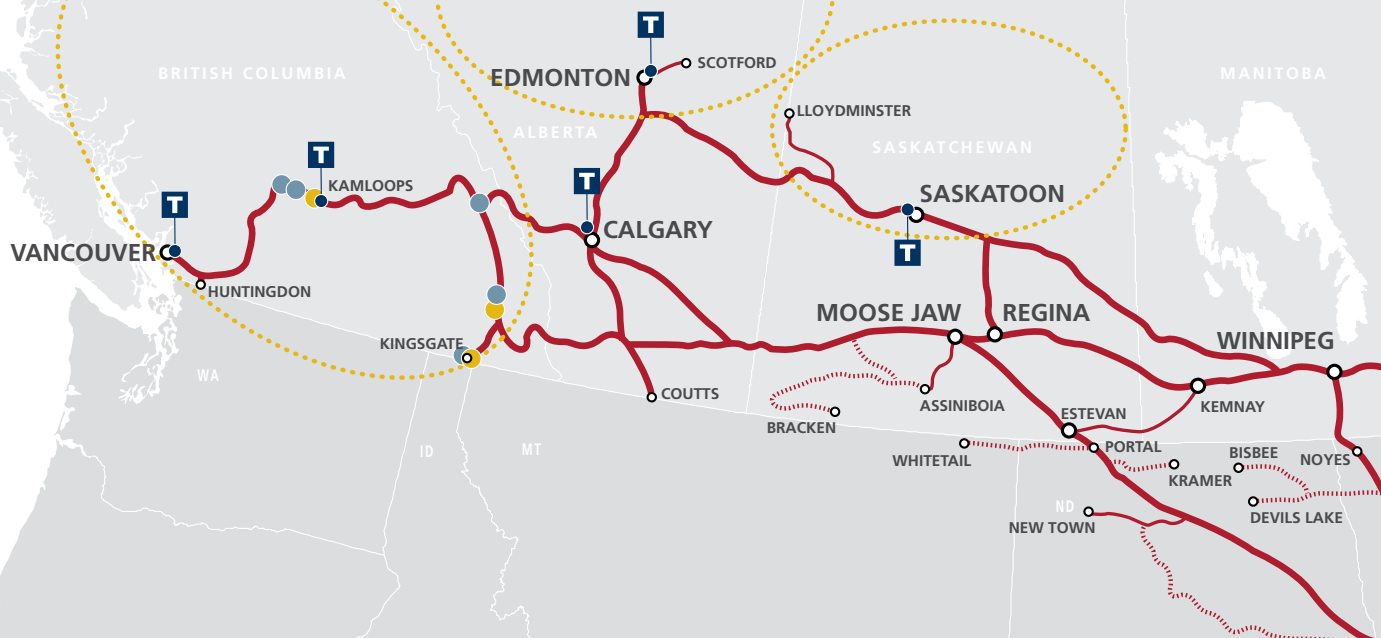
2013	66
2014	59
2015	62
2016	66

REVENUE TON-MILES



Revenue ton-miles (millions)

2013	4,619
2014	3,956
2015	4,201
2016	4,691



WE ARE ABLE TO EXTEND OUR REACH AND GROW OUR BUSINESS BY LEVERAGING STRATEGICALLY LOCATED TRANSLOAD FACILITIES AND BY PARTNERING WITH OTHER RAILWAYS.

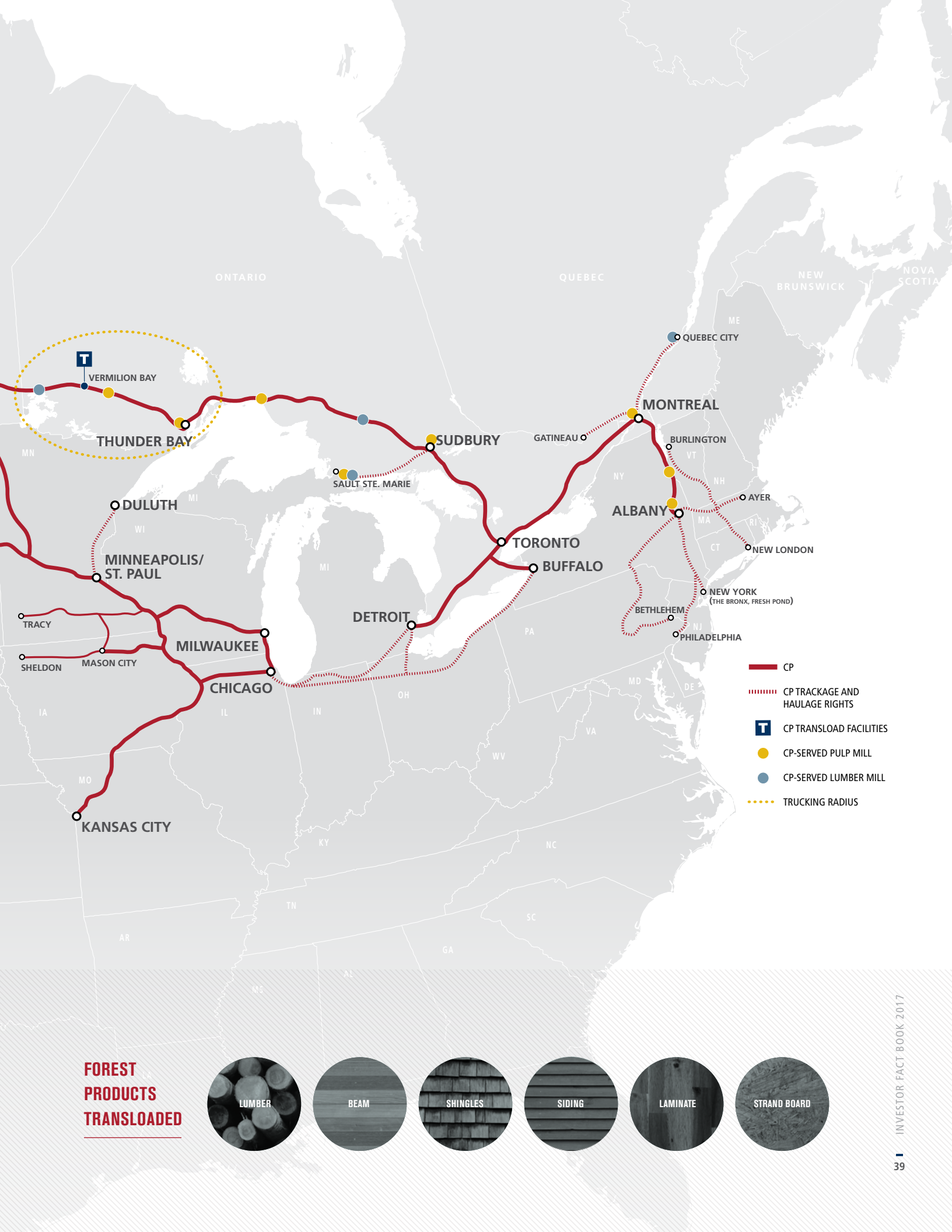
Lumber mills aren't always located right next to railroad tracks, but this doesn't mean that these lumber producers can't still gain access to CP's rail network.

Our extensive network of transload facilities operated by key business partners provides efficient and seamless trucking and transload services for lumber and panel products.

We have key transload facilities strategically located in B.C., Alberta, Ontario, Quebec and Saskatchewan. These facilities allow CP to reach lumber mills even in remote locations in key lumber producing regions.

We are ideally situated to ship from major lumber production regions in Canada to markets across North America. Our direct line to Minneapolis-St. Paul and Chicago provides the shortest and fastest route from Western Canada to the markets in the Midwest. Exclusive connections with U.S. carriers in Alberta and B.C. provide the most efficient route to the U.S. Pacific Northwest.

Strategic partnerships with short-line rail carriers allow us to service pulp mills in northern Ontario and east of Montreal. Our network in the Northeast U.S. connects to Class 1 and short-line rail carriers, allowing us to connect to key markets for paperboard and newsprint.



**FOREST
PRODUCTS
TRANSLOADED**



A MATURE MARKET WITH EMERGING OPPORTUNITIES

CP ENABLES PRODUCERS TO CAPITALIZE ON OPPORTUNITIES SUCH AS PACKAGING FOR E-COMMERCE, GROWING OVERSEAS PULP DEMAND AND A ROBUST HOUSING MARKET.

The forest products industry is generally considered to be a mature market with limited growth potential. Demand for newsprint, for example, has been gradually declining with media moving more towards paperless alternatives. However, exciting growth opportunities continue to emerge in other areas of the market.

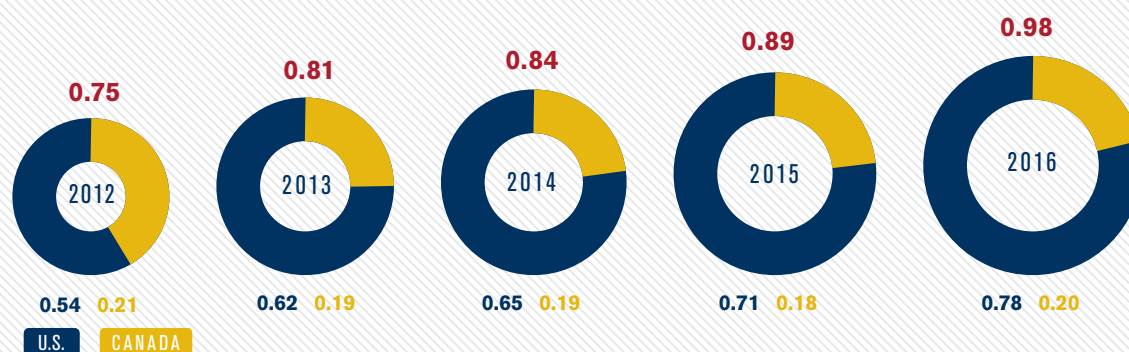
There are attractive growth opportunities in the pulp market such as cardboard packaging and personal care products. The continued growth in e-commerce, particularly for larger retail goods, is fuelling growth in cardboard packaging. Expanding demand from China and other emerging Asian markets for tissues, diapers and other personal care products is generating growth in export pulp.

Demand for lumber and panel is closely tied to North American housing starts, which have grown significantly in the U.S. and are expected to remain strong as the North American economy continues to expand.

CP's new multi-commodity transload facility and warehouse in Vancouver enables pulp to be loaded into containers indoors and transported efficiently by rail to port terminals. This provides our forest products customers with competitive freight services to growing overseas markets while allowing our intermodal customers to generate additional revenue from containers that would otherwise be returning empty.

CP has abundant railcar supply and network capacity to capture emerging growth opportunities in forest products. We leverage our routing advantages, industry-leading operating performance, and network of transload facilities to capitalize on growth opportunities by capturing volumes that may have previously moved via truck or other carriers.

TOTAL SINGLE-FAMILY HOUSING STARTS (MILLIONS)





ENERGY, CHEMICALS & PLASTICS

CP'S ENERGY, CHEMICALS AND PLASTICS PORTFOLIO ENCOMPASSES A WIDE VARIETY OF COMMODITIES—SUCH AS BIOFUELS, CHEMICALS, CRUDE, PETROLEUM PRODUCTS, PLASTICS AND LPG—THAT SHIP ACROSS OUR NETWORK.



BIOFUELS

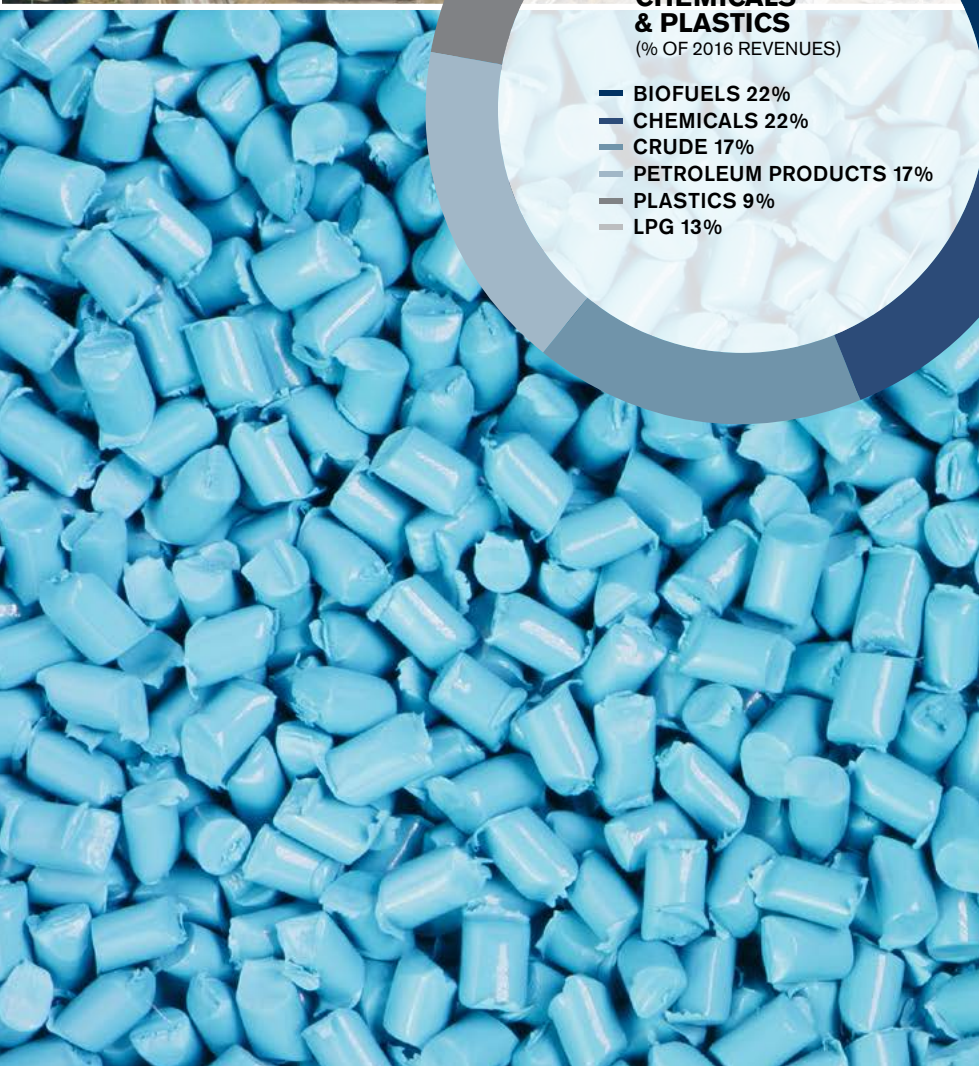
Ethanol is the primary commodity in biofuels, although this segment also includes biodiesel, which is processed from renewable oils such as soybean or canola oil. More than 98% of the ethanol produced is made from corn—each bushel of corn typically yields about 2.8 gallons of ethanol. Nearly all gasoline in North America is blended with a portion of ethanol, and ethanol accounts for 10% of gasoline supply in the U.S.

CP's ethanol shipments originate mostly in Iowa, Minnesota and North Dakota, and are transported to refineries in the northeastern U.S. either directly on CP or via interchange at Chicago. A small amount of ethanol is also shipped from the U.S. Midwest to refineries in Western Canada. Roughly three-quarters of ethanol shipments move in unit trains of 80 to 100 railcars.

RENEWABLE FUEL STANDARDS SUPPORT LONG-TERM GROWTH

The Renewable Fuel Standard (RFS) program created by the Environmental Protection Agency (EPA) in 2007 and amended in 2010 mandated that 36 billion gallons of renewable fuels be produced annually by 2022. Since then, ethanol production in the U.S. has nearly tripled to total production capacity of approximately 13 billion gallons. CP has direct access to 1.3 billion gallons or 10% of ethanol production capacity in the U.S. and has access to another 3% through short-line railroads, and is well positioned to benefit from the long-term growth of renewable fuels.

**CP has direct access to
1.3 billion gallons or 10% of
ethanol production capacity
in the U.S.**

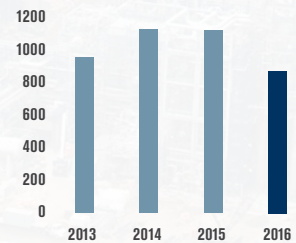


ENERGY, CHEMICALS & PLASTICS

(% OF 2016 REVENUES)

- BIOFUELS 22%
- CHEMICALS 22%
- CRUDE 17%
- PETROLEUM PRODUCTS 17%
- PLASTICS 9%
- LPG 13%

FREIGHT REVENUES



Freight Revenues (\$ millions)

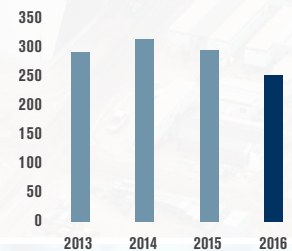
2013 940

2014 1,121

2015 1,102

2016 852

CARLOADS



Carloads (in thousands)

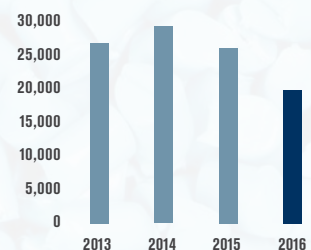
2013 287

2014 308

2015 294

2016 250

REVENUE TON-MILES



Revenue ton-miles (millions)

2013 27,471

2014 29,947

2015 26,891

2016 19,021

STRATEGICALLY POSITIONED TO SERVE KEY MARKETS



CHEMICALS

Our chemical shipments originate from one of four key regions: Eastern Canada (primarily Ontario and Quebec), Alberta, the U.S. Midwest and the Gulf of Mexico. Our chemical carloads include products such as ethylene glycol, styrene, sulphuric acid, methanol, sodium chlorate, caustic soda, insecticides and herbicides, as well as soda ash, which move to end markets in Canada, the U.S. and overseas.

Our chemical shipments primarily serve the oil and gas, automotive, food and beverage, construction, plastics, and forest products industries. Since chemicals are used as raw input materials in the manufacturing of goods critical to the North American economy, demand will be closely correlated with North American gross domestic product (GDP).



CRUDE

CP has a strong origination franchise for crude-by-rail with access to key terminals throughout Alberta, Saskatchewan and North Dakota. We provide efficient routes to refining markets in the Northeast U.S., the Gulf Coast and the West Coast through connections with our railroad partners.

CRUDE-BY-RAIL HAS SEVERAL ADVANTAGES OVER PIPELINES

- **Capacity** – Rail capacity is immediately available, easy to access and has lower upfront capital costs relative to pipeline projects.
- **Optionality** – Rail provides industry with access to all refining markets from all producing regions. Rail serves as a supplement to pipelines that do not have either sufficient capacity or access to markets. With rail, the oil has the ability to supply primary refining facilities or to easily shift between markets to capture the benefit of changing conditions.

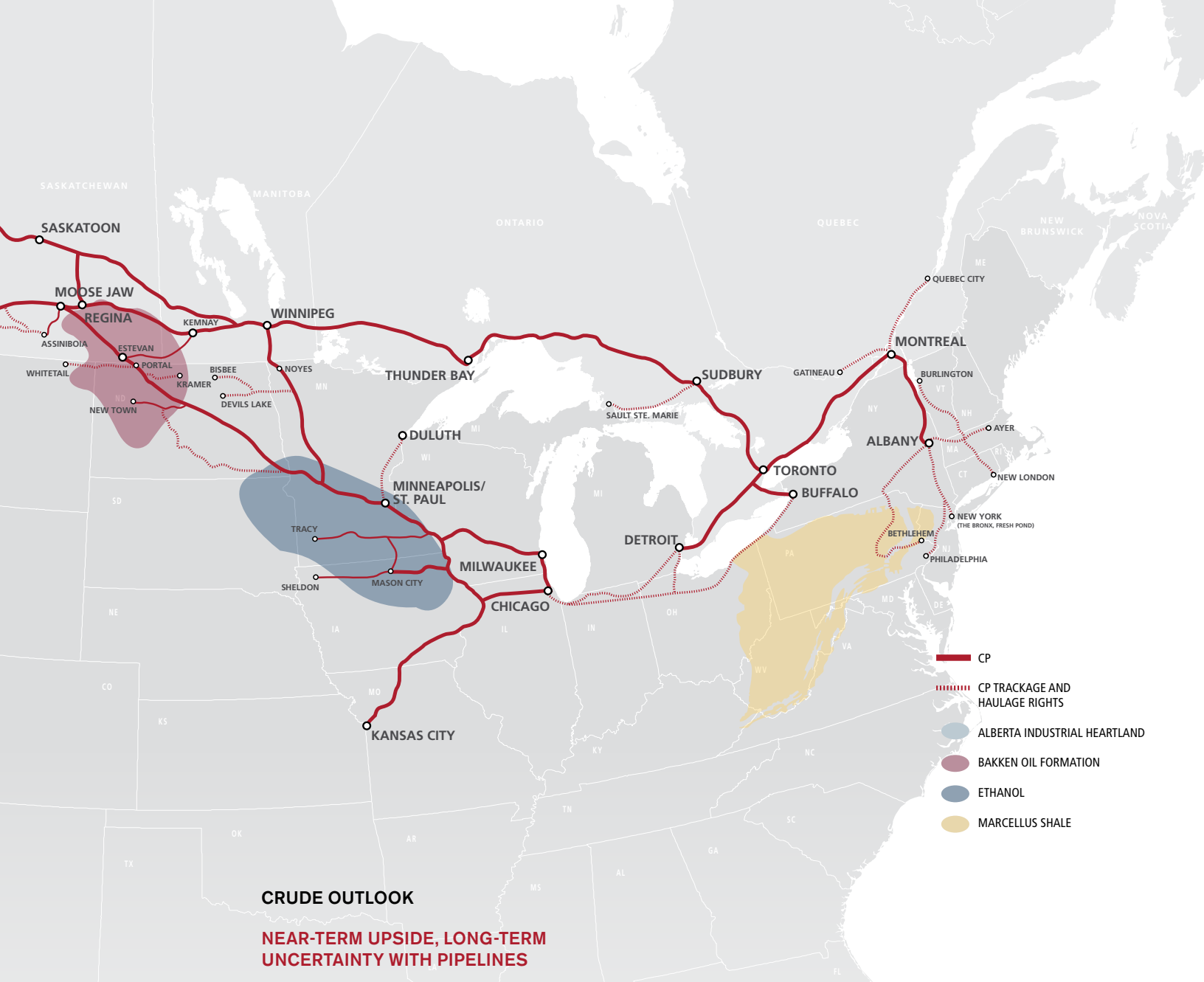
CREATING GROWTH THROUGH SERVICE ADVANTAGES

CP is winning market share and growing its chemicals business by demonstrating our ability to generate substantial value for our customers. We work closely with our customers to understand their business needs and supply chain characteristics. This allows us to identify unique opportunities to leverage our network strengths and operational performance to optimize the supply chain and reduce costs for our customers.

- **Flexibility** – Rail provides solutions for both small- and large-scale operations, and accommodates terms ranging from a few months to several years.
- **Value** – Although rail is not always equal to existing pipelines in terms of price, the model provides more compelling value through its service features. In the case of heavy oil, rail economics become more compelling. Where bitumen is required to be diluted up to 30% to travel in pipelines, rail can transport it in general-purpose tank cars at dilution levels of 15% to 20% or in insulated tank cars with little to no dilution. Thus, rail reduces the requirement to both purchase and ship diluent.

CP is the only railroad with access to all of the heavier oil production in northern Alberta and Saskatchewan, medium-grade oil-producing regions in Alberta, and Bakken light-sweet crude.





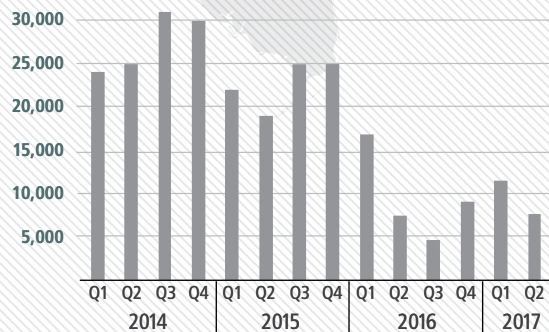
CRUDE OUTLOOK

NEAR-TERM UPSIDE, LONG-TERM UNCERTAINTY WITH PIPELINES

The decline in energy prices from 2014 to 2016 resulted in a precipitous drop in crude-by-rail demand as oil production slowed and available pipeline capacity increased. Recent trends in crude oil price spreads are more supportive of crude-by-rail economics, but the long-term fundamentals remain uncertain.

With additional production capacity in coming online in Western Canada and pipeline expansions, such as Trans Mountain and Line 3, not expected to be completed until 2019-2020, there is the potential for near-term upside in crude-by-rail. CP has access to rail loading terminals and direct routes to key interchanges, and will leverage existing resources to accommodate growth.

CP CRUDE CARLOADS BY QUARTER





PETROLEUM PRODUCTS

Refined petroleum products consist of commodities such as gasoline, diesel, condensate (diluent), asphalt and lubricants. The majority of our petroleum product shipments originate in Saskatchewan and the Alberta industrial heartland—Canada's largest hydrocarbon processing region and one of the world's most attractive locations for chemical, petrochemical, oil, and gas investment.

Our network also reaches the Bakken formation in Saskatchewan and North Dakota. Although the Bakken is better known for its oil production, the region continues to present exciting opportunities for growth in condensate, given our ability to provide efficient truck-to-rail transportation solutions.

Our connectivity to several rail interline partners gives us strong and long-term exposure to refineries and export facilities in the Pacific Northwest, the Gulf Coast and the Northeast U.S. In addition, our interline connections provide us access to the Texas and Louisiana petrochemical corridor and port connections, enabling our customers to penetrate markets not only in Canada, but throughout the U.S. and beyond.

REFINERY EXPANSIONS FUELLING GROWTH

Refinery projects, such as the North West Redwater Sturgeon refinery and Gibsons expansions at Hardisty and Edmonton, are increasing the production of diesel and other petroleum products in Alberta. With production outpacing local demand, rail volumes to export markets are expected to increase.

CP has direct routes with proven exceptional transit times to reach British Columbia and eastern markets. Additionally, with connectivity to interline partners, CP is ideally positioned to help customers access U.S. markets.



PLASTICS

Plastics are most heavily used in food packaging and consumer products, building and construction materials, and automotive materials. The most commonly shipped plastic resins are polyethylene and polypropylene.

Nearly half of our plastic shipments originate in central and northern Alberta, where we have a strong presence with petrochemical manufacturers. The durability and moisture resistance of plastic means it can remain in storage, or be transloaded into silos, with very little impact on the integrity of the product.

PRODUCTION FACILITIES PROJECTS AND LOW NATURAL GAS PRICES SUPPORT CP GROWTH

The abundance of competitively priced energy products and feedstock (such as natural gas) is expected to benefit the plastics industry through low input costs, facility expansions and new project approvals. Inter Pipeline is currently building a major polypropylene facility near Edmonton, Alberta that could benefit CP's plastics business. The recently completed expansion at the Nova Chemicals facility in Joffre, Alberta will also benefit CP for years to come.

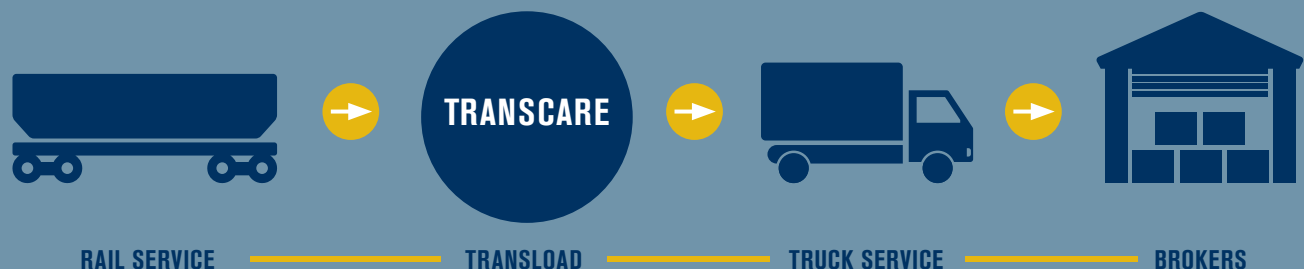
The proportion of plastics shipped through brokers is expected to continue to increase, and CP is building strong relationships with top brokers to become more integrated in the supply chain. The majority of brokers are truck-served, while most production facilities are served by rail. CP transload facilities provide an important link between producers and brokers by loading plastics from rail to truck.

SPOTLIGHT

TRANSCARE—AN ESSENTIAL LINK IN THE PLASTICS SUPPLY CHAIN

Transcare Logistics is a wholly owned subsidiary of CP that provides door-to-door transportation solutions including transload services. CP is expanding the Transcare brand and service offering to other transload facilities and commodities in Eastern Canada. In 2017, the expansion will include bulk plastics facilities in Toronto, Ontario; Mississauga, Ontario; and Montreal, Quebec providing transloading and delivery services.

Transloading is an essential link in the bulk plastics supply chain as nearly one-third of products are sold through brokers who are typically not rail-served. By insourcing transload operations at key facilities, CP gains better control of its service offering and provides customers with the flexibility to select their own trucking service providers, a key advantage over our competitors. In addition, we build vital one-on-one relationships with brokers and gain invaluable insights into market opportunities, enabling our customers to be more competitive in the market.



TRANSCARE TRANSLOADING SERVICES PROVIDES AN ESSENTIAL LINK BETWEEN RAIL-SERVED PRODUCERS AND TRUCK-SERVED BROKERS.

**LPG**

Liquefied Petroleum Gas (LPG) consists of commodities such as propane, isooctane and butane. Propane is used primarily for commercial and residential heating, crop drying and petroleum refining. Isooctane is an important component of gasoline to help reduce engine knocking. Butane can be blended into gasoline or propane to be used as fuel, or as a feedstock for manufacturing synthetic rubber. In Canada, the majority of LPG products originate in Alberta and are shipped to destinations in the U.S. Midwest and Northeast U.S., as well as to destinations in Mexico. Energy reforms in Mexico are driving significant growth in LPG demand, creating exciting opportunities for Canadian producers.

SHALE PRODUCTION INCREASING SUPPLY

The increase in shale production in the U.S. in recent years has resulted in an oversupplied LPG market, leading to lower prices and tight margins for producers. Demand continues to grow and supply is expected to remain relatively flat in coming years, which could result in a more balanced market, higher commodity prices and increased rail demand.

We are continuously working on strengthening partnerships with LPG producers whose facilities are primarily located in Alberta and who ship to the Midwest, the Northeast U.S. and the West Coast. We are also looking to build new partnerships through our improved operating performance and competitive service offering in order to allow us to access new markets. Leveraging our network of transload facilities enables us to extend our reach even further to new opportunities.



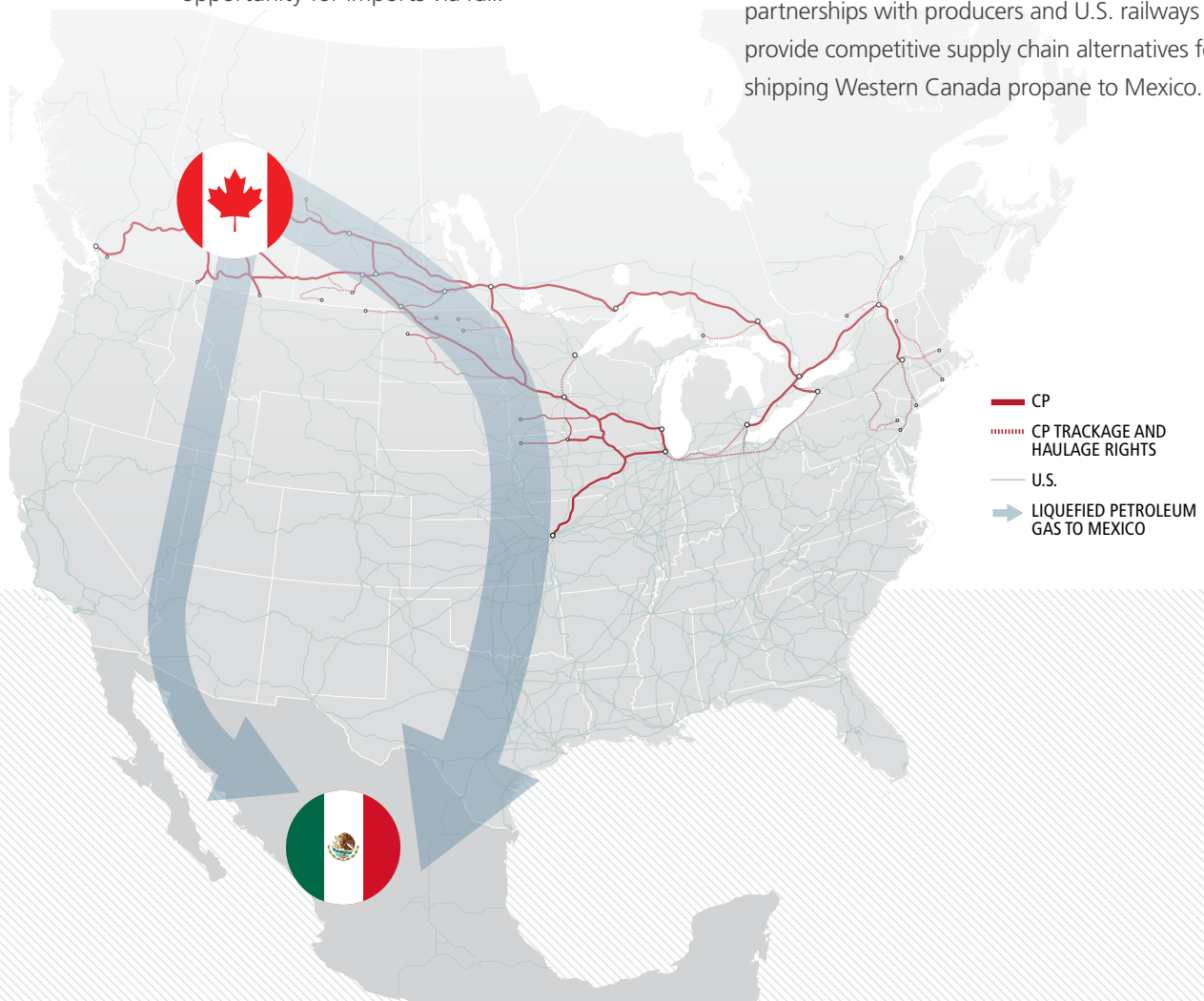
SPOTLIGHT

MEXICO—AN EXCITING OPPORTUNITY FOR LPG

Mexico, like many countries, is progressively moving towards LPG products, specifically propane, for residential heating and cooking. In 2014, the Mexican government passed a constitutional reform that restructured Mexico's energy sector and opened their LPG market to foreign suppliers, creating a more competitive industry and driving economic growth. Mexico currently produces approximately 70% of its propane demand; consequently, the remaining 30% is imported. While the majority of imports are shipped in marine vessels, there is a growing opportunity for imports via rail.

Western Canada has a long trading history with Mexico, specifically in the energy sector, with Mexico being Alberta's fourth-largest trading partner. The propane composition originating in Alberta has a competitive advantage in this new market—Alberta propane meets the specifications favoured by the Mexican market with 3% ethanol content.

CP's direct access to southern Alberta LPG production and connections with multiple U.S. carriers creates a unique positioning as an attractive LPG supply chain partner. We're building strategic partnerships with producers and U.S. railways to provide competitive supply chain alternatives for shipping Western Canada propane to Mexico.



METALS, MINERALS & CONSUMER PRODUCTS

OUR METALS, MINERALS AND CONSUMER PRODUCTS (MM&C) SEGMENT IS ONE OF OUR HIGHEST GROWTH POTENTIAL PORTFOLIOS. THIS SEGMENT INCLUDES A DIVERSE MIX OF MANUFACTURING AND CONSTRUCTION INPUT MATERIALS SUCH AS FRAC SAND, AGGREGATES, STEEL AND NON-FERROUS METALS, AS WELL AS A WIDE RANGE OF CONSUMER PRODUCTS.

LEVERAGING OUR STRENGTHS TO GROW WITH OUR CUSTOMERS

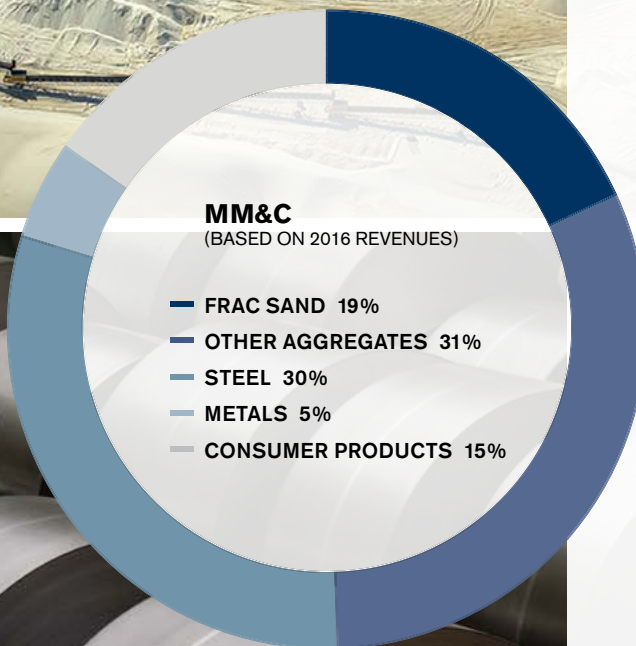
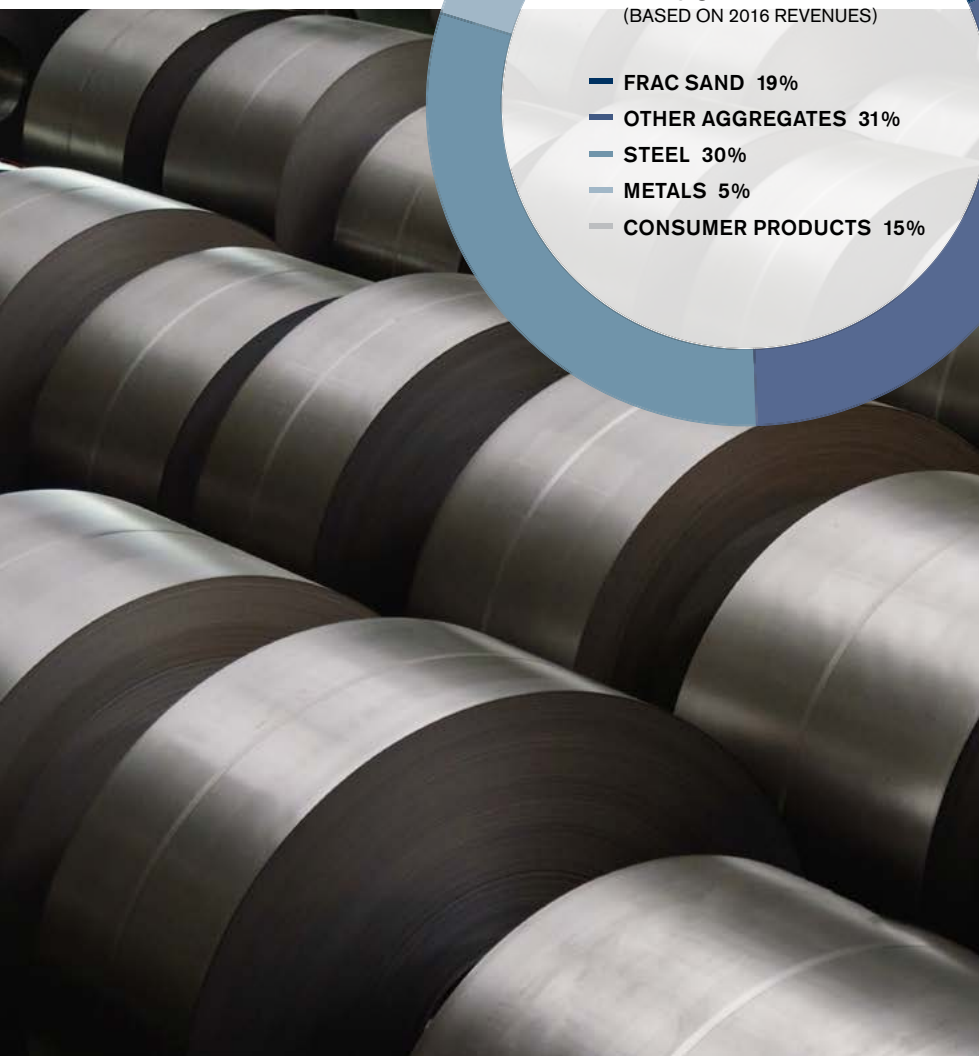
We are constantly working with our customers and industry partners to help grow their businesses. Our network has direct access to major production regions for sand, aggregates, steel and non-ferrous metals, as well as shortest route advantages in key lanes.

By working with our Class 1 partners, we can extend our reach across North America. Through major interchanges at Kansas City, Chicago and St. Paul, we are able to service all major manufacturing centres, and oil and gas shale plays in the U.S.

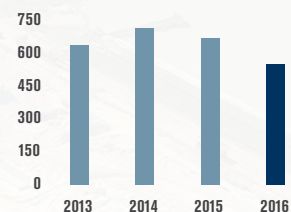
Our industry-leading operational performance provides faster and more consistent rail service, which helps our customers reduce cost and be more competitive in the markets they serve.

Our industry-leading operational performance provides faster and more consistent rail service for customers. Our customers can more precisely plan production cycles and inventory levels, as well as cycle their assets faster. This helps customers reduce underlying cost structures, making them more competitive in the markets they serve.

These network advantages and improved service offerings have enabled our industry partners to be more competitive and grow their businesses. This includes supporting a number of production facility expansions in frac sand, cement and steel. Our competitive service and extensive network of transload facilities has also allowed us to convert market share from truck to rail, grow our business, and enable our customers to reach new markets.



FREIGHT REVENUES



Freight Revenues (\$ millions)

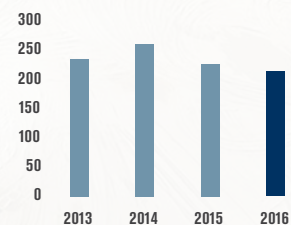
2013 608

2014 712

2015 643

2016 564

CARLOADS



Carloads (in thousands)

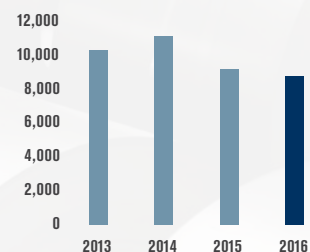
2013 232

2014 253

2015 217

2016 196

REVENUE TON-MILES



Revenue ton-miles (millions)

2013 10,404

2014 11,266

2015 9,020

2016 8,338

SPOTLIGHT

FRAC SAND DEMAND IS AT AN ALL-TIME HIGH

Frac sand has made a significant resurgence since its decline in 2016, with quarterly carloads increasing by nearly 300%.

It is used as a proppant in the hydraulic fracturing or fracking process to keep shale fractures and pores open so that oil and gas can flow to a well. The innovative technique of multi-stage horizontal fracturing has increased the economics of shale projects by significantly increasing the production from each well. Horizontal fracking uses significantly more frac sand than vertical fracking, so increases in horizontal fracking practices, coupled with increased oil and gas production, have resulted in strong demand for frac sand.

Wisconsin is the largest producer of the highly sought-after Northern White sand, which is known for its superior purity, higher crush strength, and finer 100-mesh grade. Fine-grade mesh sand is better for stimulating more flow back through the well in comparison to coarser brown sand.

STRONG ORIGIN FRANCHISE AND ACCESS TO KEY MARKETS

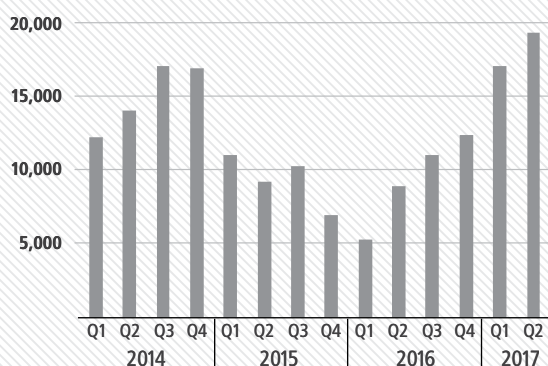
CP has direct and exclusive access to four of the largest producers of Northern White in Wisconsin and Iowa.

Through railway interchanges, CP moves frac sand from the mines primarily to the Permian and Eagle Ford shale drilling regions of Texas, as well as the Niobrara (Colorado), Woodford (Oklahoma) and Marcellus and Utica (Pennsylvania, New York, Ohio) shale formations.

In addition, CP moves volume to the Bakken region (North Dakota) and to Western Canada (Alberta, Saskatchewan) on a single-line haul. CP is pursuing opportunities to convert existing crude-by-rail terminals in the Bakken to receive shipments of frac sand.

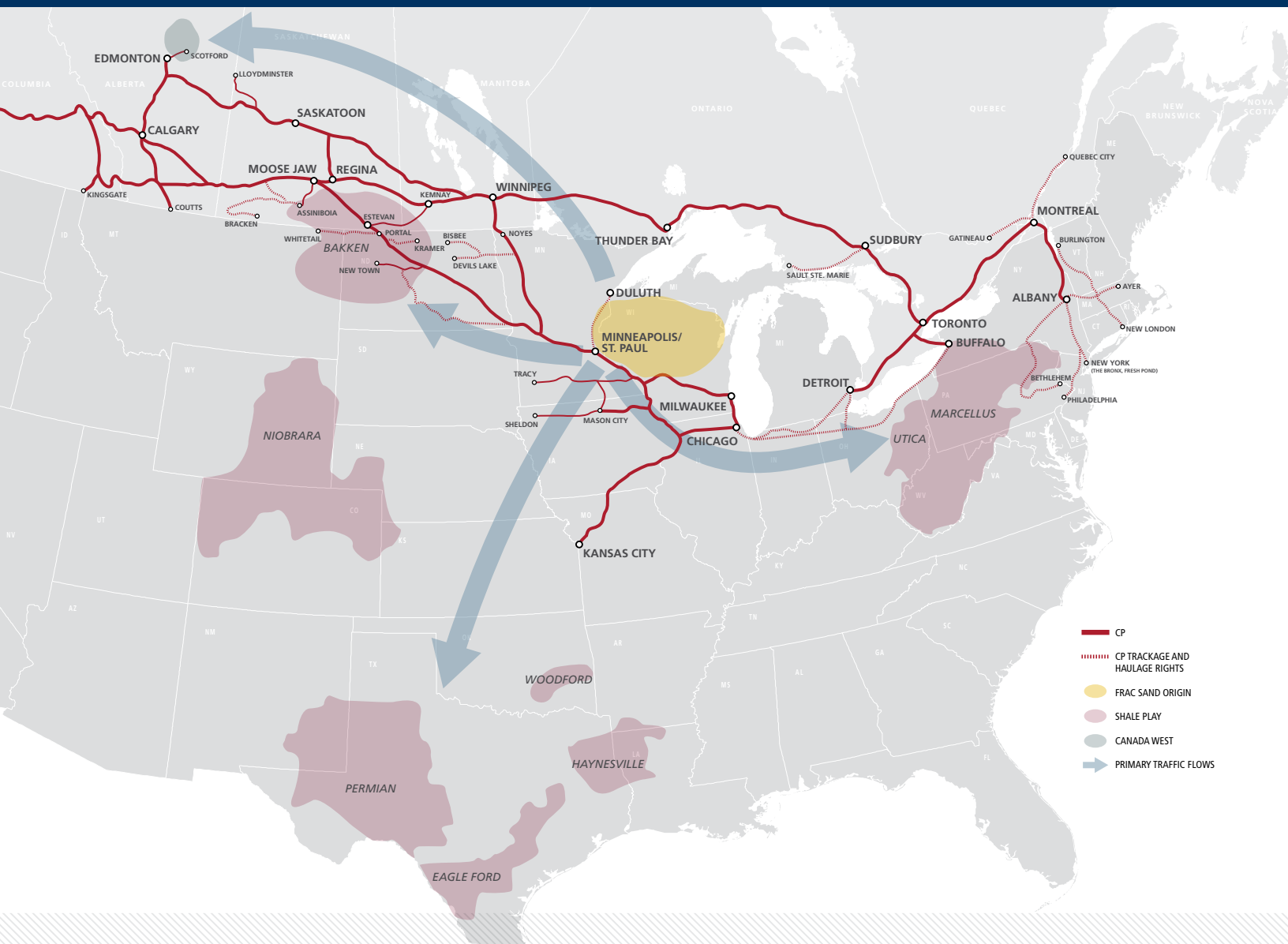
VANCOUVER
HUNTINGDON

CP FRAC SAND CARLOADS

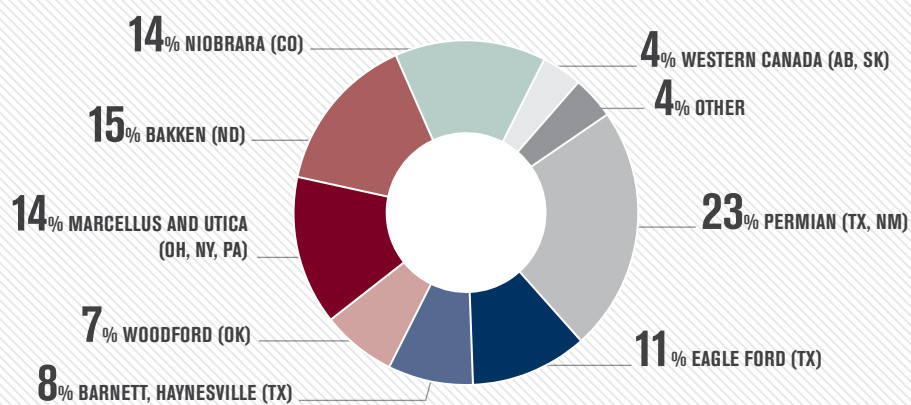


FRAC SAND PRODUCERS ON CP'S NETWORK

CUSTOMER	PLANT LOCATION	EST. CURRENT PRODUCTION CAPACITY
Smart Sand	Oakdale, WI	3.3 MMT
Unimin	Tunnel City, WI	3.0 MMT
U.S. Silica	Sparta, WI	1.8 MMT
Pattison Sand	Clayton, IA	1.7 MMT



CP FRAC SAND VOLUMES BY DESTINATION



IDEALLY POSITIONED TO CAPTURE STRENGTHENING DEMAND

THE REBOUNDED ENERGY MARKET, STRONG DEMAND FUNDAMENTALS FOR FRAC SAND, AND GROWTH IN CONSTRUCTION AND MANUFACTURING MATERIALS ARE SUPPORTING ACCELERATED GROWTH FOR CP.

Changes in oil and gas drilling technologies, new manufacturing processes, increased construction activity, and anticipated public infrastructure spending are all translating into growth for CP's MM&C business.

Following a period of depressed commodity prices, the North American energy market is growing again and is generating demand for a variety of raw materials such as frac sand, steel pipe and cement. Demand for frac sand is growing at an unprecedented rate, driven by new innovations in multi-stage horizontal fracking that uses large quantities of frac sand to extract more oil and gas from each well.

Demand for aggregates, mines and metals are closely tied to construction and manufacturing activity and general economic conditions in North America. With improving economic conditions and proposed infrastructure spending in the U.S., CP is poised to benefit from increased shipments of these raw materials. Changes in manufacturing practices, such as automotive manufacturers replacing steel with aluminum, will continue to support growth in our metals business.

MOMENTUM BUILDING IN AGGREGATES

Other aggregate products account for roughly one-third of the revenues in the MM&C portfolio, and include coarse particulate and composite materials such as cement, clay, gravel, limestone and gypsum. This segment also includes nepheline syenite used in the manufacturing of glass and ceramics, shipped primarily from Unimin's facility in Nepton, Ontario.

Cement accounts for more than a third of other aggregates, mostly shipping from production facilities in Alberta, Ontario, Iowa and Montana to construction and energy projects in North Dakota, Alberta, Manitoba and the U.S. Midwest.

CP's limestone segment has seen significant growth over the last few years. Raw limestone is used as an input into cement and roadbase, and limestone slurry is used in pulp coating and paper production. CP serves major limestone facilities in Exshaw, Alberta and Perth, Ontario.

DIVERSE RANGE OF CONSUMER PRODUCTS

Consumer products consist of a diverse mix of goods such as food products, building materials, packaging products, waste products, private railroad equipment, and other miscellaneous goods. Approximately half is represented by food products such as frozen french fries, meats and vegetables shipped in refrigerated boxcars, as well as sugar and beverages.



Photo Credit: Lafarge

INBOUND AND OUTBOUND ADVANTAGES IN STEEL

Scrap steel and steel products make up a third of the MM&C portfolio. Steel is made either using basic oxygen steelmaking, which involves using pig iron melted in a blast furnace, or using an electric arc furnace (EAF), which uses electric energy to melt solid scrap metal and iron. The EAF method is commonly used in North America and is more economical as it uses recycled scrap steel as the primary material. Roughly one-third of CP's steel volumes are scrap steel, moving primarily to steelmaking facilities in Regina, Saskatchewan, and Montpelier, Iowa.

We also transport steel in the form of steel products including pipe, plate and coil. Pipe is produced in larger diameters for use in pipelines and smaller diameter for use in oil country tubular goods such as drill pipe, central battery and casing wells. CP benefits from both inbound scrap volumes and outbound pipe shipments for pipe produced in Regina, Saskatchewan.


Likewise, CP benefits from both inbound scrap and outbound shipments of plate and coil steel from key producers in Montpelier, Iowa. Plate and coil is used in automotive manufacturing, machinery, and construction materials. We transport steel and coil to key manufacturing and construction centres in Hamilton and Toronto, Ontario; Minneapolis and St. Paul, Minnesota; and Western Canada.

Our transload facility in Hamilton, Ontario, operated by Transcare Logistics, a wholly owned subsidiary of CP, provides a vital link between steelmakers and manufacturers. The facility is the largest and fastest rail-to-truck steel transload facility in Canada.

CP SHIPS BOTH RAW AND PROCESSED METALS

We also carry mined non-ferrous base metals such as copper, lead, zinc and aluminum. Unrefined ores are transported from mines to smelters and refineries for processing. We then ship the processed metal to end customers in the automobile industry and makers of consumer products such as appliances and batteries.





CP's wholly owned Transcare Logistics facility in Hamilton, Ontario is the largest and fastest rail-to-truck steel transload facility in Canada.

SEE PAGE 90 FOR MORE INFORMATION ON TRANSCARE LOGISTICS

AUTOMOTIVE

CP IS A KEY PLAYER IN THE NORTH AMERICAN AUTOMOTIVE INDUSTRY. WE PROVIDE COMPETITIVE SERVICES FOR SHIPMENTS OF DOMESTICALLY PRODUCED FINISHED VEHICLES, IMPORTED VEHICLES, AUTOMOTIVE PARTS, AND MACHINERY.

A DIVERSE FRANCHISE

Our diverse portfolio of finished vehicles includes:

- Imports through the Port of Vancouver to a wide range of markets in Canada and the U.S.
- Canadian-produced vehicles shipped from Ontario production facilities across North America.
- American-made vehicles shipped within the U.S. and across the border into Canadian markets.
- Mexican-produced vehicles that ship to the U.S. and Canada.
- CP also has access to ports in the northeastern U.S. through partnerships with short-line railroads.

In addition to finished vehicles, CP also ships automotive parts and machinery. The majority of parts are imported through Vancouver in intermodal containers.

CP's new Vancouver to Detroit intermodal service provides the fastest and most reliable service offering for time-sensitive shipments of parts for Detroit automakers.

Machinery shipments are typically large-dimension high-value loads, such as power generators and wind turbines, that require special care and attention. CP has a unique advantage in handling dimensional loads in Canada with the greater clearances needed to accommodate exceptionally wide, tall and heavy loads.

IDEALLY SITUATED FOR GROWTH

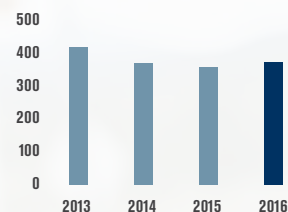
We provide direct rail service to five of the eight automotive manufacturers in southern Ontario, and service two others through automotive compounds. In addition, we handle significant volumes of shipments from other major railroads via interchange. Our extensive rail network allows us to ship North America's bestselling pickup truck from Ford plants in Kansas City to end markets across Canada and the U.S. Midwest.

CP operates a number of automotive compounds in key markets across Canada and the U.S. These facilities operate seven days a week, providing customers with efficient loading and unloading services.

Our network is ideally situated to provide premium coast-to-coast service. CP offers industry-leading service for finished vehicles imported through the Port of Vancouver, with the shortest route miles to key markets in Eastern Canada and the U.S. Midwest, giving CP a key competitive advantage.



FREIGHT REVENUES



Freight Revenues (\$ millions)

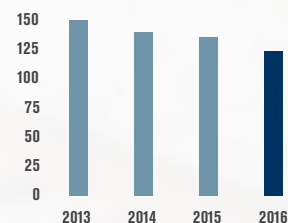
2013 403

2014 357

2015 349

2016 350

CARLOADS



Carloads (in thousands)

2013 146

2014 134

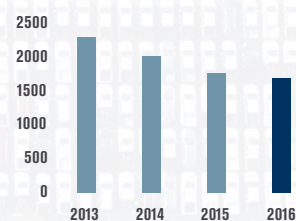
2015 131

2016 124

AUTOMOTIVE FINISHED VEHICLES

- ORIGIN CANADA 55%
- ORIGIN U.S. 23%
- ORIGIN OVERSEAS 10%
- ORIGIN MEXICO 6%
- MACHINERY 3%
- PARTS & OTHER 3%

REVENUE TON-MILES



Revenue ton-miles (millions)

2013 2,329

2014 1,953

2015 1,750

2016 1,667

VANCOUVER
11%

UNITED STATES
24%

With premium coast-to-coast service, access to major production plants, and automotive compounds strategically located across our network, CP is ideally situated to grow its automotive business.

ONTARIO AUTOMOTIVE PLANTS

VEHICLE(S) PRODUCED

Brampton, Ontario

Dodge Challenger, Charger

Windsor, Ontario

Dodge Grand Caravan

Oakville, Ontario

Ford Edge, Lincoln MKX, Ford Flex, Lincoln MKT

Ingersoll, Ontario

Chevrolet Equinox, GMC Terrain

Oshawa Consolidated (Ontario, Canada)

Buick Regal, Chevrolet Impala, Cadillac XTS

Oshawa Flex (Ontario, Canada)

Alliston, Ontario 1

Civic, C-RV

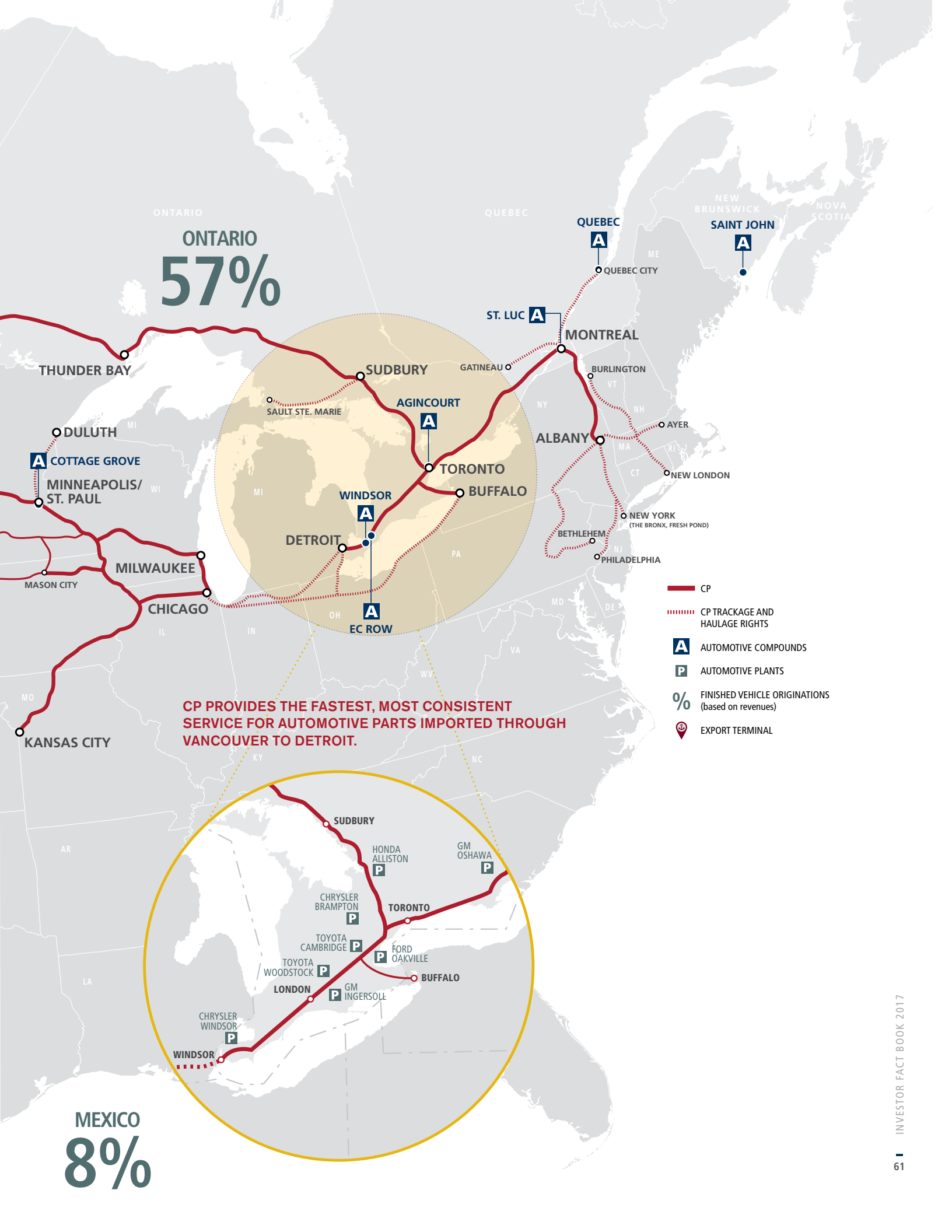
Alliston, Ontario 2

Cambridge, Ontario

Toyota Corolla, Lexus RX 350

Woodstock, Ontario

RAV4

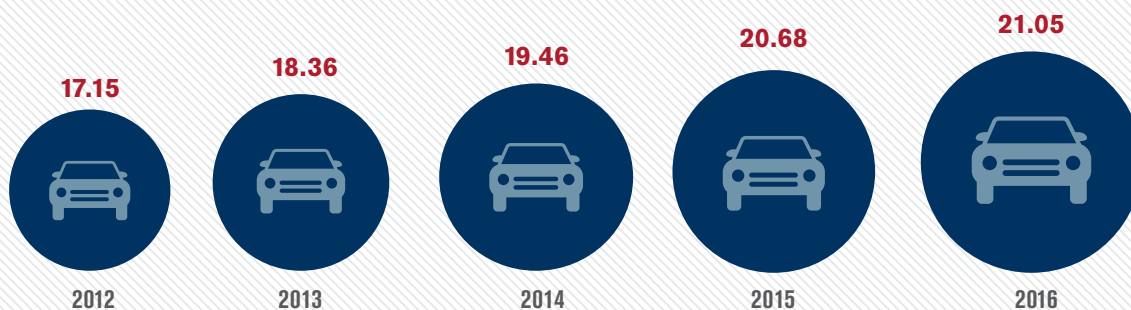


A DYNAMIC MARKET

New vehicle sales in North America have historically outpaced GDP in recent years and remain at strong levels. Automotive consumer trends continue to evolve, as the demand for luxury vehicles, trucks and SUVs continues to grow. These larger vehicles require more railcars to ship the same number of vehicles, translating into increased rail demand.

New models of subcompact SUVs and crossovers are being produced to compete with subcompact sedans. With access to ample supply of both bi-level and tri-level railcars, CP is well equipped to handle increasing demand for any variety of vehicle sizes.

TOTAL UNIT SALES IN NORTH AMERICA (MILLIONS)



Automotive

FOCUSED ON CONSISTENT, RELIABLE SERVICE

Service consistency and reliability are critically important to the automotive industry, which operates lean manufacturing processes and just-in-time deliveries. CP continues to find new ways to deliver even more consistent and reliable service.

With the introduction of Trip Plans, we're able to provide our customers with precision on-time delivery performance. We're investing in auto compounds to better manage car supply and vehicle inventory for more efficient haul-away services.

LEVERAGING OUR COMPETITIVE ADVANTAGES

CP offers a premium service for finished vehicles imported through the Port of Vancouver, with the shortest route miles to key markets in Eastern Canada and the U.S. Midwest, giving CP a competitive advantage on imports from Asia.

Our premium service will deliver products quickly and reliably, and our industry-leading handling means that products are delivered in showroom condition. CP's operational excellence in automotive compounds enables fluid and consistent loading and unloading. Combined with haul-away services, vehicles are delivered to dealers quickly and seamlessly.



OUR HANDLING CARE IS SECOND TO NONE

Automotive shippers trust CP's premium service offering and meticulous attention to detail to deliver their high-value cargo safely and securely. We continue to lead the industry with the lowest damage frequencies for finished vehicles—over 99.9% of vehicles arrive in showroom condition.

INTERMODAL

AN EXCITING AREA OF GROWTH FOR CP

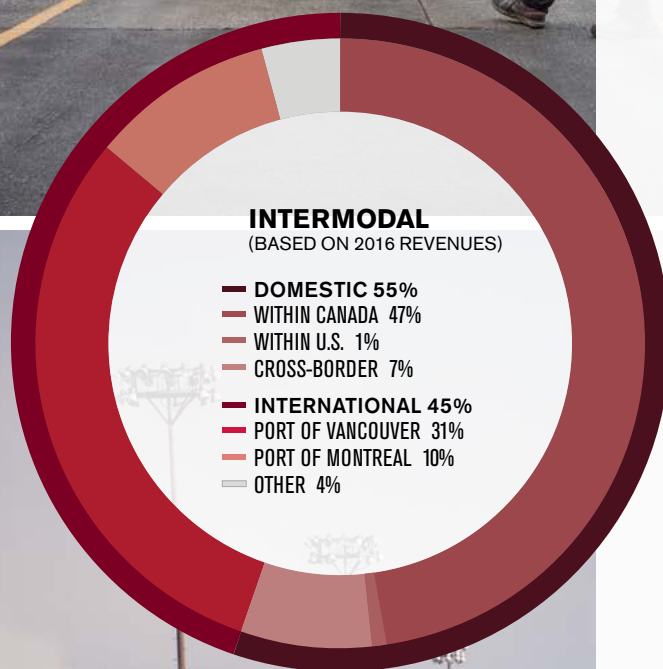
CP IS GROWING ITS INTERMODAL FRANCHISE BY LEVERAGING SUPERIOR OPERATING PERFORMANCE, NETWORK STRENGTHS AND EQUIPMENT ADVANTAGES TO DELIVER PREMIUM SERVICE OFFERINGS IN KEY MARKETS.

We are working closely with our customers to understand their needs and deliver new, innovative solutions that generate value for their businesses. With shortest routes in key lanes and industry-leading operating performance, we provide truck-like service for transcontinental and cross-border markets.

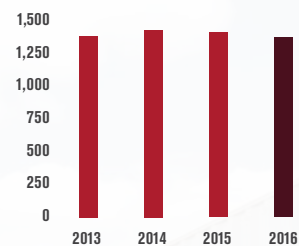
Our recent investments allow us to offer our customers one of the largest, most technologically advanced equipment fleets in the industry. Our newly built and strategically placed transload facilities are generating exciting opportunities in new markets. We've partnered with other railways to extend our service offering to key markets such as Detroit and the Ohio Valley. With capacity expansions at port terminals and substantial capacity to expand our Vancouver and Toronto terminals, we have room to accommodate long-term growth.

THE CP INTERMODAL ADVANTAGE

- Flagship transcontinental service with the fastest and most consistent priority service offering between Eastern Canada and the major distribution hubs of Calgary and Vancouver.
- Shortest route and competitive service from Vancouver to Minneapolis-St. Paul, Chicago and Detroit.
- Multiple cross-border corridors and investment in live-lift capability that enables faster customs inspections and more consistent service.
- Extensive network of transload facilities, allowing more goods to be containerized and shipped domestically or overseas.
- 10 modern intermodal container terminals ideally situated in high density areas in Canada and the U.S.
- Competitive door-to-door service, offering convenient pickup and delivery, paired with competitive rail transportation.
- Improved service and lower cost advantages, allowing growth in truck-competitive lanes.
- One of the largest fleets of refrigerated and heated containers.
- New fleet of modern generator sets equipped with advanced telematics.
- Domestic repositioning program that links domestic shippers to a supply of empty marine containers.



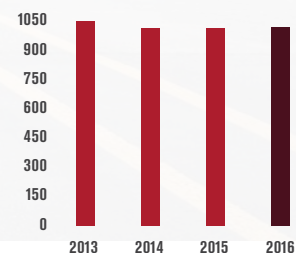
FREIGHT REVENUES



Freight Revenues (\$ millions)

2013	1,328
2014	1,375
2015	1,350
2016	1,311

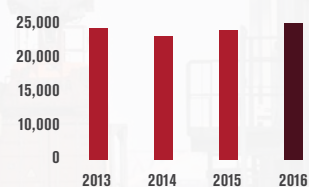
CARLOADS



Carloads (in thousands)

2013	1,004
2014	974
2015	973
2016	976

REVENUE TON-MILES



Revenue ton-miles (millions)

2013	24,101
2014	23,590
2015	24,003
2016	24,857

DOMESTIC INTERMODAL

SERVICE EXCELLENCE IN A DIVERSE MARKET

Our domestic segment, which represented 55% of intermodal revenues in 2016, covers a very diverse range of industries including retail, wholesale, less-than-truckload, full-truckload, food, forest products and various other commodities.

Domestic shipments travel within North America, with the majority of shipments originating in Canada and typically travelling long distances (1,700 miles, on average).

Domestic loads are primarily shipped in 53-foot containers, utilizing both conventional dry-van containers as well as heated and refrigerated containers. CP works directly with retail and wholesale customers in Canada to provide complete service solutions. In the U.S., our service is delivered predominantly through intermodal marketing companies (IMC).

THE CLEAR CHOICE FOR RETAIL SHIPPERS

CP is a clear leader in domestic intermodal services for retail shippers in Canada, with strong alliances with major shippers such as Canadian Tire, Home Depot, Loblaws, Winners, Nestlé, Purolator and UPS.

Many major retail shippers have invested in co-locating their distribution infrastructure adjacent to CP intermodal terminals. This allows them to take advantage of CP's flagship transcontinental service that delivers fast and reliable service for time-sensitive and high-value retail shipments.

CP also offers a large fleet of temperature-controlled domestic containers to ensure that perishable or fragile retail shipments are protected and secure.

CP excels at all key service factors in domestic intermodal including fast transit times, consistent on-time delivery, convenient door-to-door service, and refrigerated and heated container services for temperature-sensitive goods.

Our cross-border domestic product continues to be a key advantage and a strong source of growth, providing truck-like transit times even in short-haul lanes. Strengthening economic growth and changes in consumer trends, such as growing e-commerce and demand for courier services, are creating new growth opportunities for CP's domestic business.



SPOTLIGHT

BETTER EQUIPMENT, BETTER SERVICE

CP offers one of the largest, most advanced fleets of intermodal equipment in the industry. We provide different types of equipment in different sizes to cater to the diverse needs of our customers.

KEEPING IT COOL

With over 700 53-foot refrigerated containers, CP's growing fleet is one of the largest in the industry. Our refrigerated containers are equipped with GPS and the latest telematics technology that allows CP's dedicated team of equipment specialists to closely monitor temperature conditions while the shipment is en route. Mobile repair crews are available to quickly address issues, ensuring the cargo is protected and secure.



CP recently made the largest purchase of generator sets in railroad history, providing reliable and efficient power generation for refrigerated units. We also provide access to a large pool of 40-foot refrigerated and insulated containers owned by ocean shippers as part of our domestic repositioning program.

A WIDE RANGE OF EQUIPMENT OPTIONS

In addition to refrigerated container services, CP offers heated and insulated containers to protect goods against extreme cold weather conditions. For more conventional shipping needs, CP also has a large fleet of 53-foot dry-van containers as well as access to 40-foot ocean containers.



INTERNATIONAL INTERMODAL

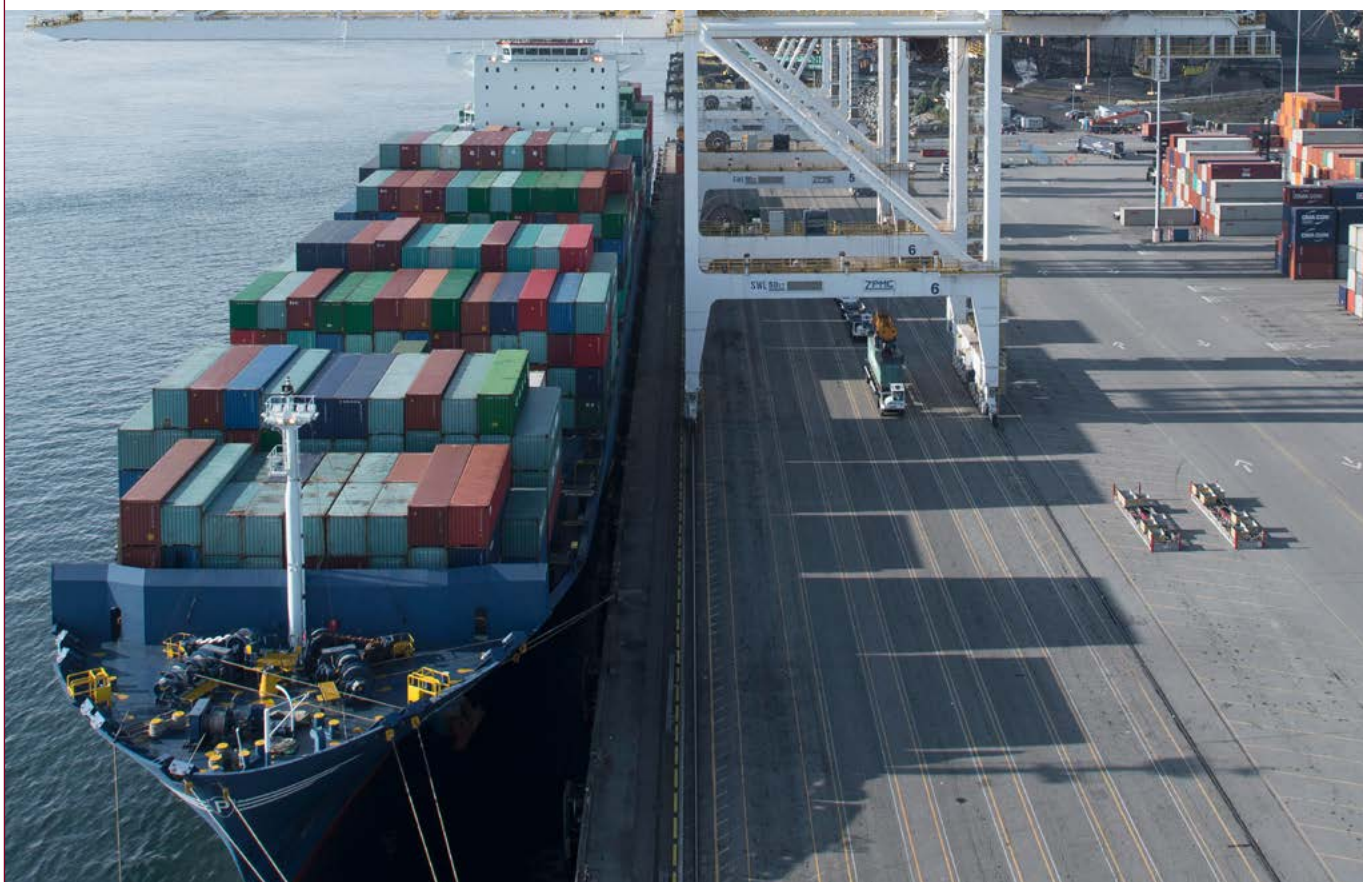
WELL POSITIONED FOR GROWTH

International intermodal involves the movement of ocean-carrier owned containers through the ports and into North American inland markets, as well as export shipments of goods to Asia, Europe and beyond. Our international business represented 45% of the intermodal segment in 2016, with a customer base primarily made up of ocean shipping lines.

CP's international intermodal traffic moves between ports and inland terminals across Canada and the U.S. Traffic from the Port of Vancouver is largely long-haul business destined for business centres across Canada and in the U.S. Midwest and Northeast U.S.

Montreal's port is a major East Coast gateway to Europe and primarily serves markets in Canada and the U.S. Midwest. Our U.S. northeast service connects the ports of New York to Canada, offering a competitive alternative to trucks.

North American demand for international intermodal will be driven by a stronger economy, and traffic patterns will be influenced by port terminal expansions, larger container ships and changes in ocean-shipper alliances. CP's strong presence in Vancouver and industry-leading service offering will support future growth in our international segment. We are generating new growth opportunities by transferring goods such as grains, fertilizers, pulp and lumber into intermodal containers for export.



SPOTLIGHT

UNPARALLELED TRANSCONTINENTAL SERVICE

First introduced in 2013, our flagship transcontinental service is second to none. We offer unparalleled speed and consistency for long-haul shipments that provide our customers with a significant advantage in their markets.

Our shortest routes and prioritized train service allow us to offer truck-like transit times combined with the cost-efficiencies of rail. Customers with highly time-sensitive shipments such as courier packages and fresh food can rely on CP's transcontinental service to deliver their shipments quickly and reliably.



FAST AND RELIABLE SERVICE TO DETROIT AND THE U.S. MIDWEST

CP provides fast, competitive, and consistent daily rail service for import and export cargo to Detroit and the U.S. Midwest markets from both the west and east coasts of Canada. We have strong partnerships with the Port of Vancouver and the Port of Montreal, and leverage our shortest route miles to provide transit time advantages.

Our direct route from Vancouver to the Minneapolis-St. Paul area provides the shortest distance and fastest transit time compared to any other port and railroad on the West Coast. CP recently reinstated intermodal service from the Port of Vancouver to Detroit with an enhanced 7-day-a-week service offering.

EXCITING GROWTH OPPORTUNITIES IN VANCOUVER

GCT DELTAPORT TERMINAL EXPANSION

Global Container Terminals (GCT) and CP continue to take a leading role in enabling intermodal growth at Canada's primary West Coast trade gateway. Located in the Port of Vancouver, GCT Deltaport is Canada's flagship container terminal. GCT Deltaport is the world's largest and most efficient ship-to-rail discharge terminal, providing competitive service to destinations across Canada and the U.S.

GCT Deltaport is nearing the completion of its \$300 million rail expansion that will not only accommodate future intermodal demand, but will also efficiently handle the largest container ships in the trans-Pacific trade lane. Complete in 2017, the expansion will improve service fluidity at their intermodal yard and increase rail throughput capacity by over 50% to 1.9 million twenty-foot equivalent units (TEUs) annually.

CP recently completed track infrastructure upgrades in Vancouver to provide more fluid operations and increased throughput. Our Vancouver intermodal facility is strategically located and has substantial room to expand. Combined with our shortest routes from Vancouver to the U.S. Midwest and premium transcontinental service, we are well positioned for exciting growth in Vancouver.

VANCOUVER TRANSLOAD FACILITY CREATING NEW OPPORTUNITIES

Our new Vancouver transload facility is generating new growth opportunities by providing multi-commodity transloading services. The new facility has a unique advantage of being the only transload facility in Vancouver providing rail service for intermodal containers. This allows us to deliver containers for transloading cheaper and faster than trucks, and removes hundreds of trucks from busy streets.



Photo Credit: Global Container Terminals

SPOTLIGHT



CP'S CROSS-BORDER ADVANTAGE

CP is leveraging its network advantages and industry-leading service to grow the cross-border segment of our intermodal business by actively converting volume to rail in truck-competitive lanes. Our service between Chicago, Toronto and Montreal offers customers a truck-like service with consistent transit, even in short-haul lanes. Our service into Western Canada has the shortest route miles and provides customers with access to growing markets.

We offer the fastest service between Vancouver and Minneapolis-St. Paul, Chicago and Detroit with fourth day service, connecting Canada's Pacific Gateway to the U.S. As an integral

part of intermodal supply chains, we're helping customers become more competitive with fast and reliable cross-border service.

Our new Canada-U.S. product enables the fastest cross-border transit time, and recent investments in live-lift capabilities at Portal, North Dakota, allow for even more efficient cross-border service between Western Canada and the U.S. Midwest. The new service allows CP to lift single containers off trains for customs inspections rather than setting off entire railcars. This drastically reduces inspection time and eliminates delays on non-targeted containers.

DRIVING SHAREHOLDER VALUE

CP HAS ACCOMPLISHED AN UNPRECEDENTED CORPORATE TURNAROUND SINCE 2012, ENABLING A FINANCIAL TRANSFORMATION THAT HAS GENERATED OVER \$18 BILLION IN SHAREHOLDER VALUE.

STRONG BALANCE SHEET AND FINANCIAL FLEXIBILITY

The financial performance generated by our corporate transformation has been incredible and unprecedented. Between 2012 and 2016, adjusted diluted earnings per share grew by a CAGR of 24% and the company has generated over \$4 billion in free cash.

The strong earnings growth and free cash generation have allowed us to strengthen our balance sheet, and the improved financial flexibility has enabled us to generate significant shareholder value.

It has also resulted in an improvement to CP's credit metrics. From 2012 to 2016, CP received upgrades from all three major rating agencies, despite temporary pressure on our credit metrics due to weaker economic conditions.

In early 2017, Moody's upgraded our outlook on Baa1 from negative to stable—a reflection of CP's trend towards naturally de-levering in line with our long-term target of 2.0x-2.5x adjusted net debt to adjusted EBITDA.

CP'S DEBT RATING

	RATING	OUTLOOK
STANDARD & POOR'S	BBB+	Stable

Moody's	Baa1	Stable
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DBRS	BBB	Stable
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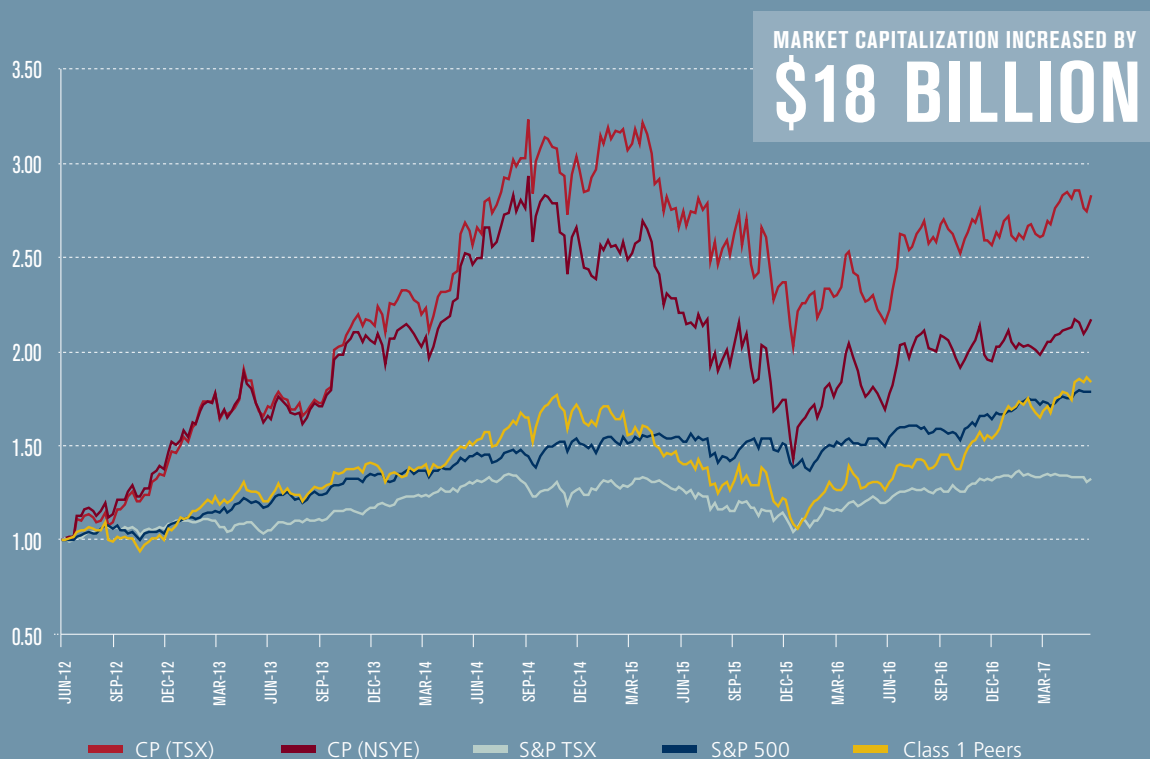
BALANCED, THOUGHTFUL AND OPPORTUNISTIC APPROACH TO CAPITAL ALLOCATION

Reinvesting in the business for future growth and continued productivity improvements is always the first call on capital.

The remaining capital is returned to shareholders in a balanced, thoughtful and opportunistic manner. During CP's turnaround, we recognized

immense upwards potential in our stock and returned \$6 billion in value to shareholders through share repurchase programs. We also continue to increase our dividend in a thoughtful manner, recognizing the importance of a balanced capital allocation program.

INDUSTRY-LEADING SHARE PRICE PERFORMANCE



CP SHARE PRICE PERFORMANCE JUNE 2012 – JUNE 2017 (JUNE 2012 = 100)

FREE CASH ⁽¹⁾

\$4B

GENERATED IN 2012-2016

ADJ. DILUTED EPS ⁽¹⁾

+24%
CAGR (2012-2016)

LEVERAGE
TARGET

2-2.5X

ADJUSTED NET DEBT
TO ADJUSTED EBITDA⁽¹⁾

31 MILLION

SHARES REPURCHASED FROM
2012 TO 2016, REPRESENTING
OVER 20% OF THE SHARE FLOAT

DIVIDEND
INCREASE
OF

12.5%
IN 2017

SHARE REPURCHASE
PROGRAM RETURNED

\$6B

IN VALUE TO
SHAREHOLDERS

⁽¹⁾ These measures are defined and reconciled in Non-GAAP Measures on page 126.

NETWORK OVERVIEW

CP'S NETWORK IS IDEALLY SITUATED TO PROVIDE COMPETITIVE ACCESS TO KEY MARKETS ACROSS NORTH AMERICA, AND WE ARE ACTIVELY ENHANCING OUR NETWORK AND EXTENDING OUR REACH TO NEW MARKETS. OUR PRECISION RAILROADING OPERATING MODEL, COMBINED WITH OUR NETWORK ADVANTAGES, IS THE FOUNDATION OF OUR LONG-TERM SUCCESS.

INDUSTRY-LEADING OPERATIONS

The cornerstone of our corporate turnaround was the complete transformation of our operating model and realignment of our asset base to implement precision railroading. This involved more than implementing new operating strategies—precision railroading requires a sharp focus on continuously rightsizing resources to precisely match the demands of the market.

It also requires strong leadership and a culture of accountability. Our operations team is among the most passionate and committed railroaders in North America, constantly pursuing new ways to drive efficiencies and improve customer service.

NETWORK ADVANTAGES

CP's rail network of approximately 12,400 miles serves principal business centres in Canada from Montreal to Vancouver, and in the U.S. Midwest and U.S. northeast regions. Our partnerships with Class 1 and short-line railroads allow us to extend the reach of our rail service and increase optionality for our customers.

Transload services enable us to access markets not directly served by rail, and to create efficient multi-modal supply chains by transferring between railcars and intermodal containers. Our access to key ports on both the west and east coasts connects our customers with markets around the world.



TRAIN LENGTH
(FEET)
+21%
(2012-2016)

HIGHEST NUMBER OF
**BORDER
CROSSINGS**
BETWEEN WESTERN CANADA
AND THE U.S.

RAIL NETWORK
12,400 MILES

SHORTEST ROUTES

FROM VANCOUVER TO THE U.S. MIDWEST
AND FROM TORONTO TO CALGARY

TERMINAL DWELL

-11%
(2012-2016)

TRAIN SPEED
(MILES PER HOUR)

+31%
(2012-2016)

CONNECTED TO OVER
**100 TRANSLOAD
FACILITIES**
ACROSS NORTH AMERICA

ACCESS TO A WIDE RANGE OF
PORTS IN CANADA AND THE U.S.
AND STRATEGICALLY POSITIONED FOR
GROWTH IN THE PORT OF VANCOUVER

TRAIN WEIGHTS
(TONS)
+28%
(2012-2016)

DIVISIONS IN THE WESTERN REGION

PACIFIC

PRAIRIE

CENTRAL

U.S. WEST

U.S. EAST

CANADA EAST
AND NORTHEAST U.S.

**Our network is organized into
two regions, each with three
geographical divisions.**

DIVISIONS IN THE EASTERN REGION

WESTERN REGION



PACIFIC DIVISION

This territory has the highest traffic density of our network, handling a wide range of commodities destined for the Port of Vancouver, as well as intermodal and automotive imports heading eastward. This area also includes the southeastern B.C. coal mines that ship on the coal loop to Vancouver. Our connections with U.S. carriers near the border provide unparalleled access between Western Canada and the Pacific Northwest.

CP has invested heavily in track infrastructure, including significant amounts of double track and centralized traffic control (CTC), to maximize capacity and productivity in our busiest corridor. This region also includes the directional running zone where CP and CN share rail infrastructure to maximize capacity for both railroads.

Key originating commodities: Coal (metallurgical), intermodal, forest products, automotive

Train length capability: 12,000 feet

Average train weight (excl. locals): 10,272 tons

Average train length (excl. locals): 7,620 feet

Average train speed: 21.4 mph

Train control system: CTC (64%),
OCS/TWC (36%)

PRAIRIE DIVISION

The Prairie Division is a key origination region for unit trains of many commodities including grain, potash, crude and sulphur, as well as shipments of various other bulk and merchandise commodities. The mainline between Calgary and Regina is a high density corridor carrying traffic originating in the Prairies as well as traffic in transit moving between the West Coast, the U.S. Midwest and Eastern Canada.

Siding extensions support running longer trains and CTC on the southern mainline allows for greater throughput capacity and speed. Extensive track upgrades, particularly on the northern part of the network, have increased train speeds by 33% since 2013.

Key originating commodities: Grain, potash, fertilizers, crude, sulphur, steel, chemicals, LPG, plastics

Train length capability: 12,000 feet

Average train weight (excl. locals): 8,805 tons

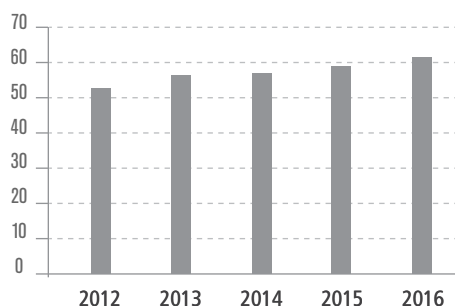
Average train length (excl. locals): 7,162 feet

Average train speed: 23.2 mph

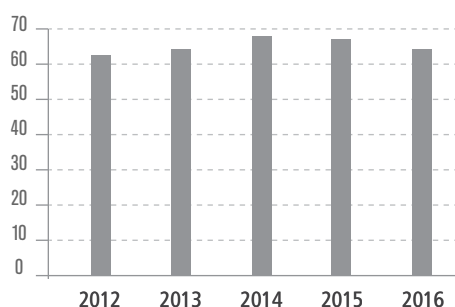
Train control system: CTC (32%),
OCS/TWC (68%)



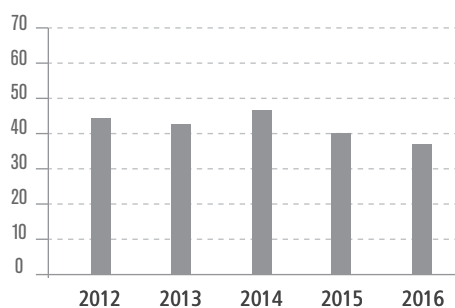
GTM's (BILLIONS)- PACIFIC



GTM's (BILLIONS)- PRAIRIE



GTM's (BILLIONS)- CENTRAL



CENTRAL DIVISION

Reaching from Saskatchewan to Ontario, our Central Division is a critical link between the eastern and western portions of our network. With the fastest average train speeds and highest proportion of CTC on the network, this division is well equipped to deliver time-sensitive transcontinental shipments to destination quickly and consistently.

Grain originates in Manitoba, and merchandise products such as metals, aggregates and forest products originate in Ontario. The primary destination in this region is the Port of Thunder Bay, which is a key outlet for grain and also handles potash and coal.

Key originating commodities: Grain, potash, metals, aggregates, forest products

Train length capability: 14,000 feet

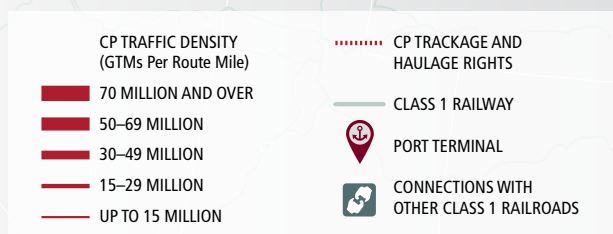
Average train weight (excl. locals): 8,418 tons

Average train length (excl. locals): 8,095 feet

Average train speed: 27.3 mph

Train control system: CTC (74%), OCS/TWC (26%)

EASTERN REGION



U.S. WEST DIVISION

This division provides the shortest and most direct rail connection between Western Canada and the U.S. Midwest. We reach deep into key agricultural regions, where we ship grain for export and ethanol for use in biofuels. We have direct access to the Bakken region, shipping both inbound and outbound products. Our network is a key link for thermal coal shipped to energy plants in the U.S. Midwest and Northeast U.S. CP accesses the Port of Duluth, a key seaway for the Midwest.

The mainline track from the border through Minneapolis-St. Paul is entirely equipped with CTC train control. Combined with other upgrades to our track infrastructure, this has enabled train speeds to increase by nearly 50% since 2013.

Key originating commodities: Grain, ethanol, coal (thermal), energy products

Train length capability: 10,000 feet

Average train weight (excl. locals): 9,179 tons

Average train length (excl. locals): 7,259 feet

Average train speed: 23.9 mph

Train control system: CTC (58%),
OCS/TWC (42%)

U.S. EAST DIVISION

Our network interchanges with all major rail carriers at Chicago, the largest rail hub in North America handling nearly a quarter of all rail shipments. Interchanges and inter-railway agreements with CSX and NS provide critical links to the eastern portion of our network via Detroit and Buffalo. At Kansas City, we connect with KCS, NS and UP, providing our customers with access to markets in the southern U.S. and Mexico.

The majority of mainline track is equipped with CTC, and mainline sidings can handle trains up to 14,000 feet. Speeds in this region have increased markedly as well, up nearly 40% since 2013.

Key originating commodities: Frac sand, grain, biofuels, automotive, intermodal

Train length capability: 14,000 feet

Average train weight (excl. locals): 7,266 tons

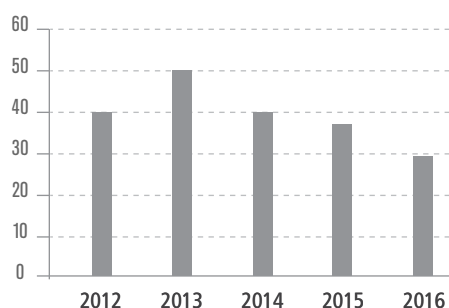
Average train length (excl. locals): 6,032 feet

Average train speed: 24.0 mph

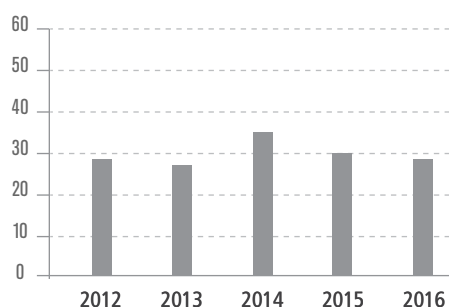
Train control system: CTC (42%),
OCS/TWC (58%)



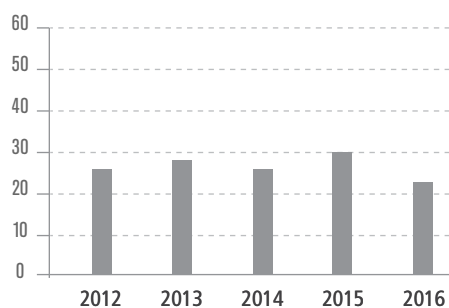
GTM\$ (BILLIONS)- U.S. WEST



GTM\$ (BILLIONS)- U.S. EAST



GTM\$ (BILLIONS)- CANADA EAST AND NORTHEAST U.S.



CANADA EAST AND NORTHEAST U.S. DIVISIONS

CP's network in Eastern Canada connects the business centres of Montreal and Toronto with the Northeast U.S., U.S. Midwest, and Western Canada. We have direct access to the Port of Montreal, the largest container port in Eastern Canada, as well as access to major automotive plants in Ontario. This area also produces a wide range of merchandise products, such as steel, forest products, aggregates, metals, chemicals and plastics.

Our partnership with the QGRY short-line railroad provides access east of Montreal to Quebec City and the Port of Quebec. Our Northeast U.S. network extends from Montreal to Albany, and inter-railway agreements extend our reach even further to New York and Philadelphia.

Key originating commodities: Intermodal, automotive, forest products, steel, plastics

Train length capability: 12,000 feet

Average train weight (excl. locals): 6,704 tons

Average train length (excl. locals): 7,066 feet

Average train speed: 23.4 mph

train control system: CTC (46%),

OCS/TWC (54%)

PORT OF VANCOUVER

VANCOUVER IS CANADA'S LARGEST PORT AND NORTH AMERICA'S MOST DIVERSIFIED PORT. CP AND THE PORT OF VANCOUVER CONTINUE TO TAKE LEADING ROLES IN GROWING NORTH AMERICAN TRANS-PACIFIC TRADE.

NORTH AMERICA'S MOST DIVERSIFIED PORT

Each day the Port of Vancouver moves \$550 million worth of cargo ranging from automobiles and containerized finished goods to essential commodities like grain, coal, potash, lumber, wood pulp, metals and energy products. The 27 major marine terminals are serviced by three Class 1 railroads, providing access to markets across North America.

Vancouver is poised to capitalize on the growing trade opportunities between North America and more than 170 international economies. Major infrastructure projects and terminal expansions—such as the expansion at GCT Deltaport, future G3 Grain Terminal, Centerm expansion project, and Pacific Coast Terminals' recent expansion—are all laying the foundation for long-term growth in Vancouver.

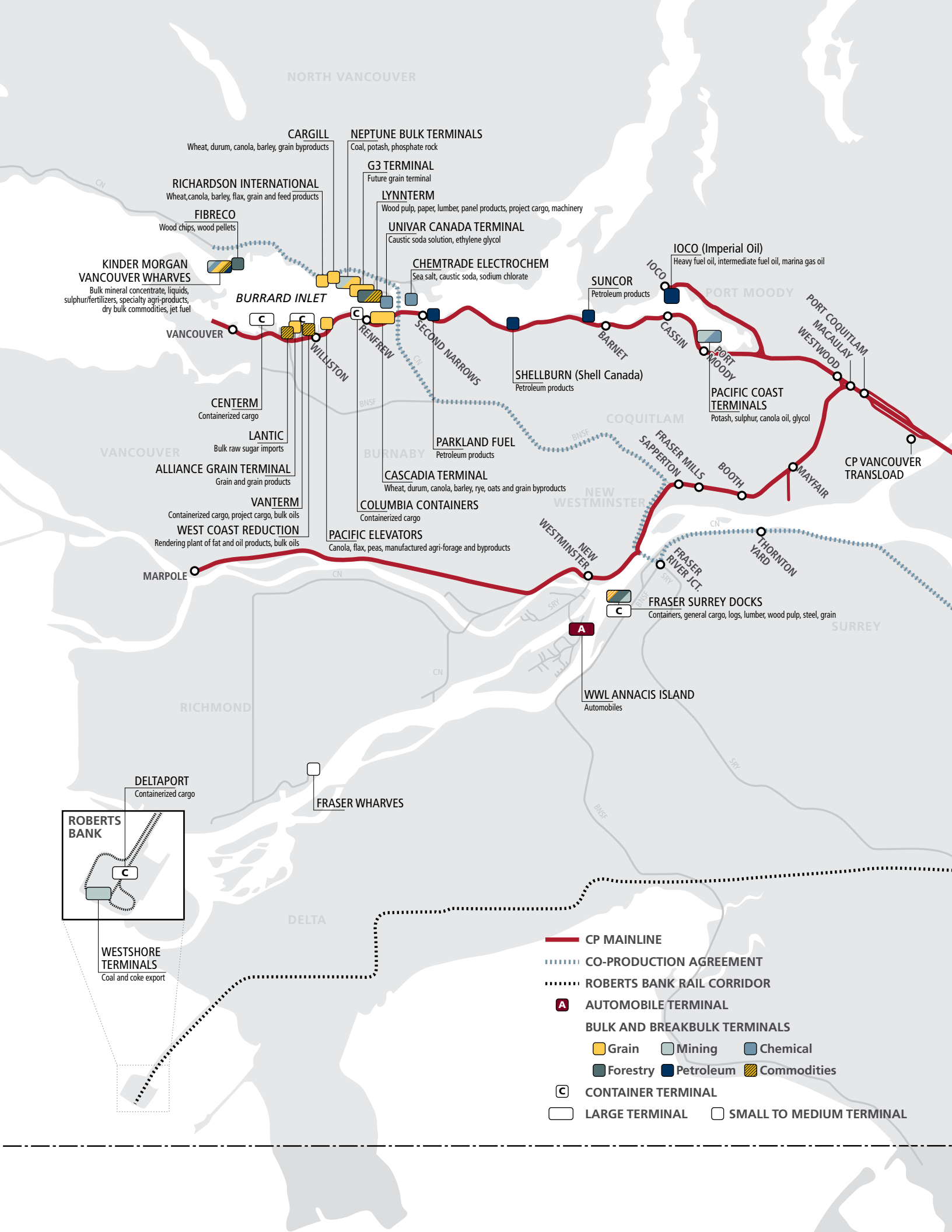
The Canadian government recognizes the importance of ensuring that Canada's trade corridors, such as the Port of Vancouver, have the necessary infrastructure to support the growing economy. The government's Transportation 2030 initiative will invest \$2 billion in various transportation infrastructure projects across Canada to eliminate bottlenecks and build for future growth.

CP IS STRATEGICALLY POSITIONED FOR GROWTH IN VANCOUVER

Our rail network in the Lower Mainland provides us with long-term access to key existing customers as they expand and to new customers as they come online. We recently made targeted investments in our rail infrastructure on the south shore to driver greater efficiencies and enhance customer service in this critical area of the Port of Vancouver.

Our co-production agreement with CN provides simplified access to terminals on the north shore and allows both railways to maximize throughput and fluidity. CP's intermodal traffic to GCT Deltaport and coal trains to Westshore Terminals gain direct access via the Roberts Bank Rail Corridor.

Our new Vancouver transload facility provides exciting growth opportunities and our Vancouver Intermodal Facility has substantial room to expand. Coupled with our network advantage between Vancouver and key markets in Canada and the U.S., we are well positioned to play a leading role in the continued growth of the Port of Vancouver.



EXTENDING OUR REACH

OUR MARKET REACH EXTENDS TO VIRTUALLY ALL OF NORTH AMERICA THROUGH AGREEMENTS AND COMMERCIAL ARRANGEMENTS WITH OTHER RAIL CARRIERS, INCLUDING SHORT-LINE, REGIONAL AND CLASS 1 RAILROADS.

Approximately 40% of our business is either received from or handed off to other railroads. By continuously improving operating efficiencies between rail carriers, rail services can be extended into markets that previously were beyond the reach of individual railroads. As a result, rail carriers are shipping goods to new markets and moving goods that had traditionally been carried by trucks. Through inter-railway agreements and commercial arrangements, we are providing our customers with more services and improved access to markets across North America.

INTER-RAILWAY AGREEMENTS

Agreements between railways, including Class 1 and short line railroads, allow rail carriers to share network access in order to increase capacity, competition, and cost savings. These agreements are typically for a fixed fee and form one of three types: trackage rights, haulage agreements, or jointly owned facilities.

Trackage rights agreements allow CP to operate its trains across track owned by other railroads. Haulage agreements, on the other hand, involve other railroads operating CP trains or cars over tracks owned by these other railroads. Agreements for jointly owned facilities entail two or more railroads, each operating their own trains across shared infrastructure.

Our network reach is extended through connections and partnerships with over 100 short-line and non-Class 1 railroads. These agreements, when partnered with CP's own network advantages, provide opportunities to reduce costs and significantly enhance growth.

COMMERCIAL AGREEMENTS

When a rail shipment originates on one rail carrier and terminates on another, one railway will often negotiate commercial rates with the other railway on behalf of the customer. This allows the customer to simply pay one "through rate" for the shipment from start to finish. These commercial agreements between railways allow customers to seamlessly ship goods virtually anywhere in North America.

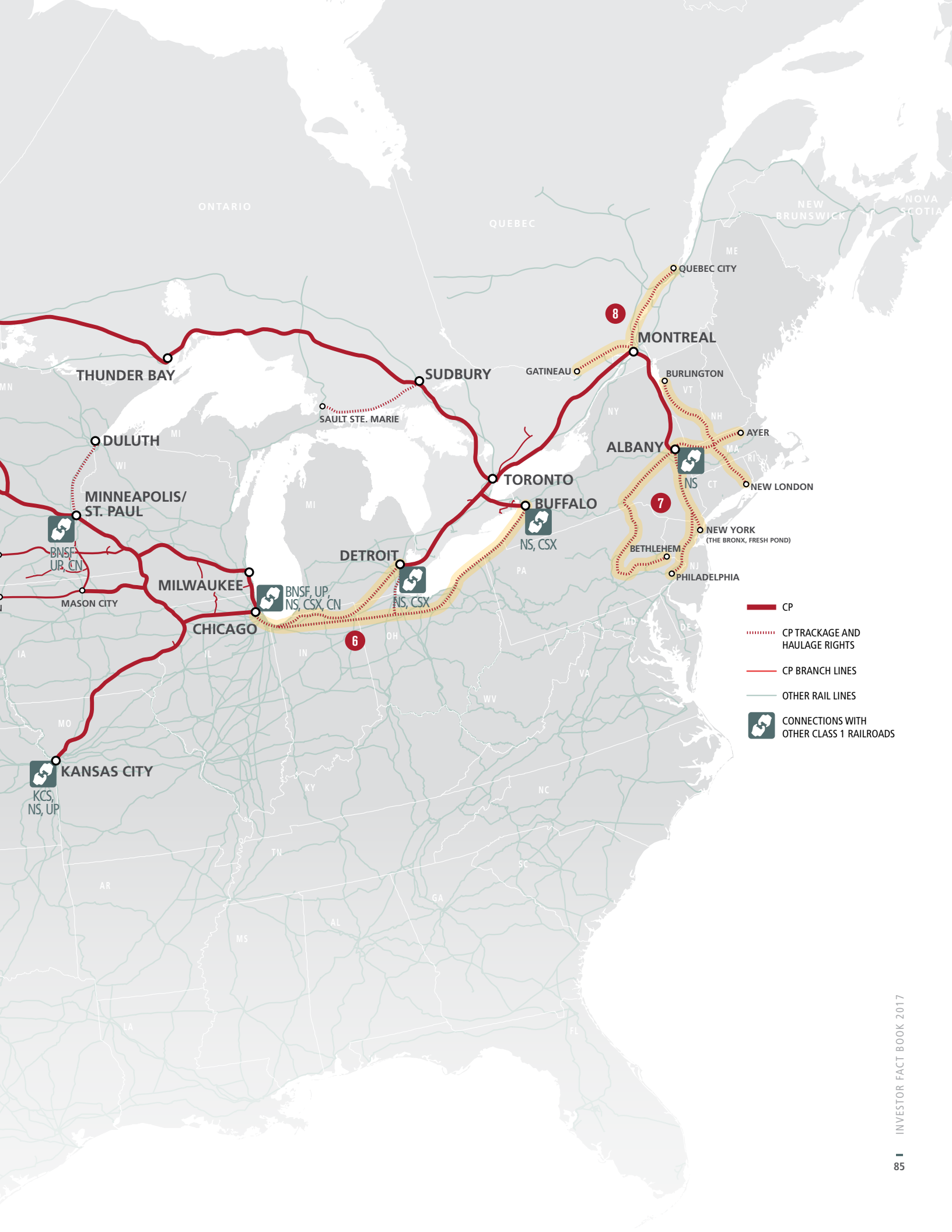
Through inter-railway agreements and commercial arrangements, we are providing our customers with more services and improved access to markets across North America.



INTER-RAILWAY AGREEMENTS

Inter-Railway Agreements

- 1** CP has direct commercial access stretching to northern British Columbia through the British Columbia Railway Open Gateway agreement, which allows CP to price traffic originating on CN.
- 2** The Northern Alberta Railway agreement allows CP to utilize Edmonton, Alberta as a gateway to quote business directly with CN.
- 3** Co-production agreements with CN in B.C., including the Fraser Canyon Directional Running agreement and the Vancouver Co-production Agreement, allow both major Canadian railways to maximize capacity and operate more efficiently.
- 4** The Great Sandhills Railway (GSR), Stewart Southern Railway (SSR) and Great Western Railway (GWR) provide exclusive access to key agricultural regions in Saskatchewan.
- 5** Northern Plains Railroad (NPR) and Dakota Missouri Valley and Western Railroad (DMVW) allow CP to reach a larger customer base in the U.S. Midwest.
- 6** Co-production agreement with CSX enables CP to deliver industry-leading intermodal service to Detroit and cross-border intermodal service via Buffalo. Trackage rights with NS between Chicago and Detroit provide an efficient route for cross-border service for all commodities.
- 7** In Northeastern U.S., following CP's sale of certain Delaware & Hudson assets, CP retained access to partner railroads through a haulage agreement with Norfolk Southern.
- 8** The Quebec Gatineau Railway (QGRY) extends our network reach further in Eastern Canada to Quebec City and Gatineau (Ottawa).



- CP
- CP TRackage AND HAULAGE RIGHTS
- CP BRANCH LINES
- OTHER RAIL LINES
- CONNECTIONS WITH OTHER CLASS 1 RAILROADS

TRANSLOAD NETWORK

CP'S TRANSLOAD SERVICES EXTENDS OUR SERVICE REACH AND CONNECTS BOTH US AND OUR CUSTOMERS TO NEW MARKET OPPORTUNITIES.

Transloading is the process of transferring a shipment from one mode of transportation to another to create an efficient multimodal supply chain. Customers that are not served directly by rail can transport product by truck to a transload facility where the product is then loaded onto a railcar, allowing these customers to benefit from the efficiencies and long-haul capabilities of rail transportation.

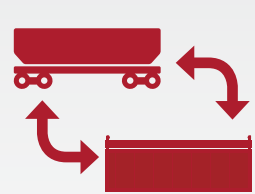
Import and export goods such as wood pulp, lumber, fertilizers and grain also benefit from transloading services. These goods can be shipped in railcars to a transload facility where they are then loaded into intermodal containers to be shipped overseas. Likewise, products imported in marine containers can be transferred to railcars or domestic containers for more efficient rail transportation.

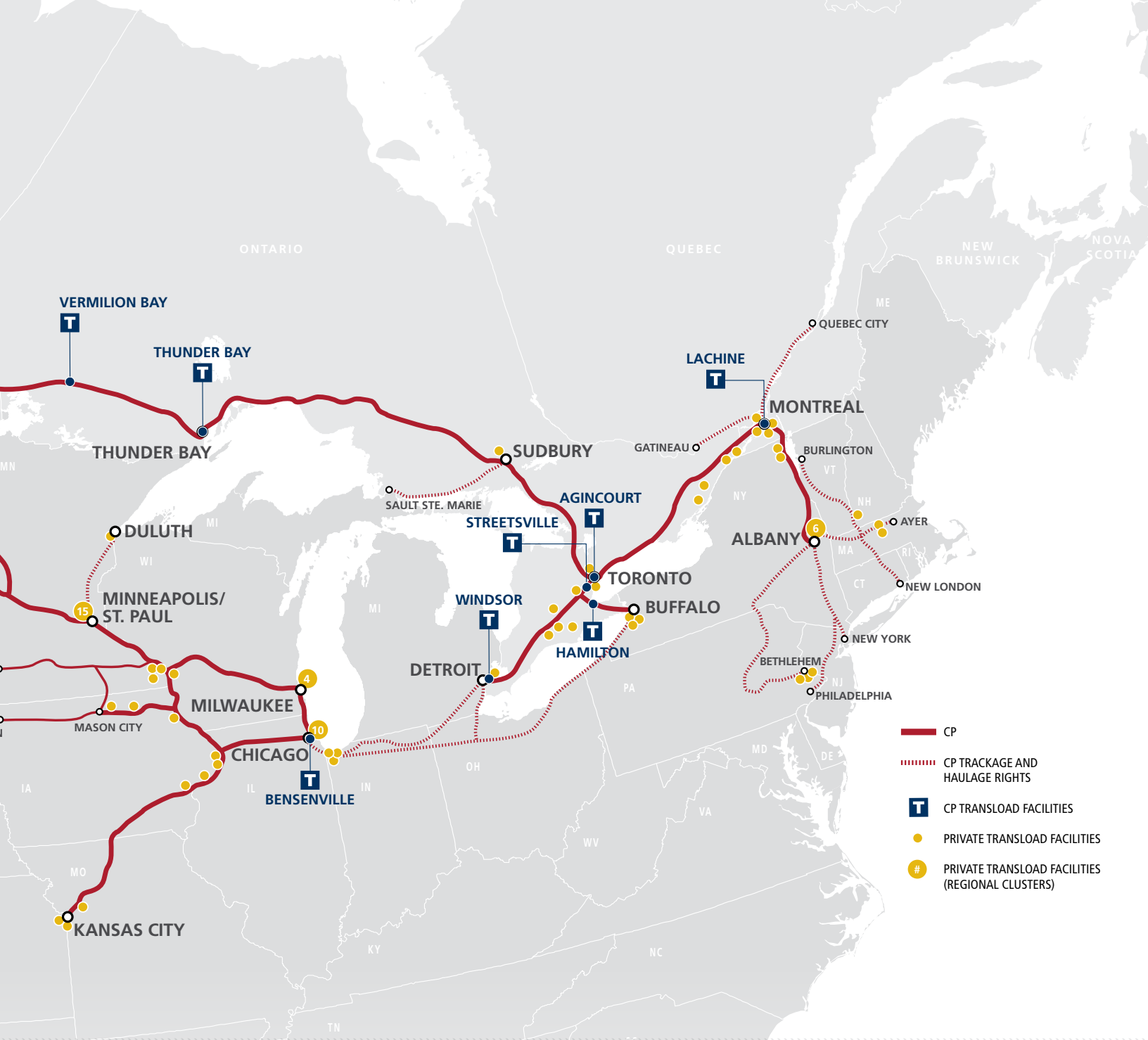
CP is connected to a network of over 100 transload facilities across North America, including 24 facilities owned by CP and operated by trusted third-party business partners. Our transload operators provide all of the necessary equipment to handle virtually any product or bulk commodity, including lumber, plastics, steel, grain, pipe, aggregates and cement, non-ferrous metals, and dry fertilizers.

TRUCK TO RAIL

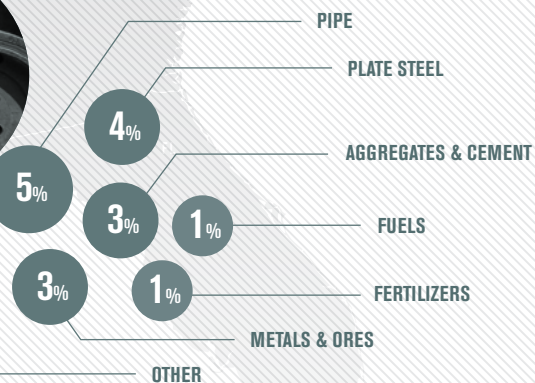
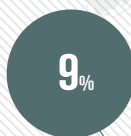


RAIL TO CONTAINER





TRANSLOAD BY COMMODITY (% OF 2016 REVENUES)



SPOTLIGHT

CP VANCOUVER TRANSLOAD FACILITY

CP'S NEW VANCOUVER TRANSLOAD FACILITY IS GENERATING NEW GROWTH OPPORTUNITIES BY PROVIDING EFFICIENT MULTI-COMMODITY TRANSLOADING SERVICES FOR IMPORT AND EXPORT GOODS.

Located near CP's carload and intermodal facility in Port Coquitlam, B.C., our new Vancouver Transload Facility provides a strategic advantage for goods imported and exported through the Port of Vancouver. By combining our domestic repositioning program (DRP) with our transloading services, ocean carriers can load empty containers with export goods and achieve better round-trip economics.

The new facility also has a unique advantage of being the only transload facility in Vancouver providing rail service for intermodal containers to the ports. This allows us to deliver containers faster and more cost-effectively than trucks, removes hundreds of trucks from busy streets, and eliminates the need for gate fees and reservations.

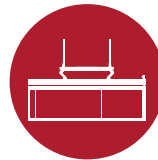
The facility currently specializes in the export of forest products such as pulp and lumber and in the transloading of finished goods from marine containers to domestic 53-foot containers.

FACILITY OVERVIEW

- 111 dock positions
- Three boxcar tracks and one centerbeam track
- Capacity for 6 boxcars indoors and 5 centerbeam cars
- 162,000-square-foot warehouse on 17 acres

**DIRECT RAIL TO PORT**

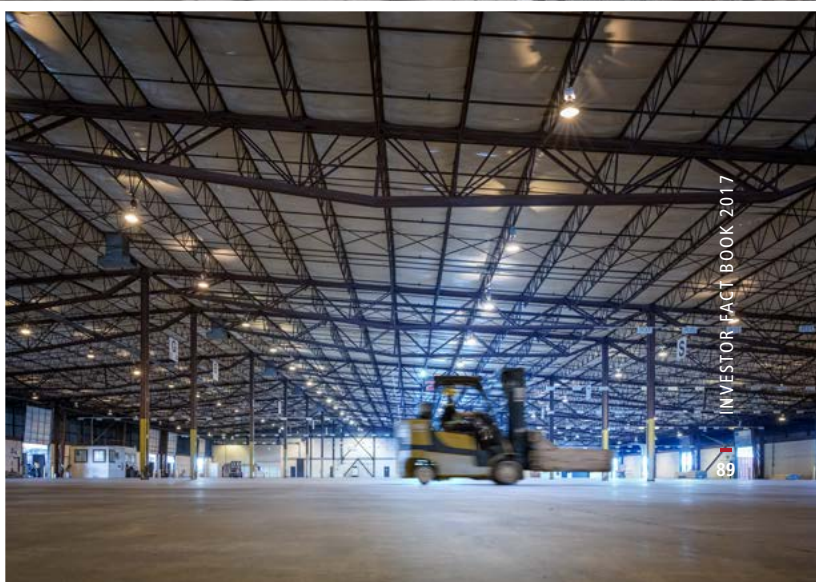
CP has the only transload facility in Vancouver with direct rail service to container terminals.

**TIME SAVINGS**

Close proximity to our Vancouver intermodal facility means that containers can be quickly loaded and delivered back to rail.

**COST-EFFICIENCY**

Ocean shippers can leverage CP's domestic repositioning program to maximize round-trip economics.



SPOTLIGHT



TRANSCARE LOGISTICS CORPORATION, A WHOLLY OWNED SUBSIDIARY OF CP, PROVIDES A ONE-STOP SHOP FOR DOOR-TO-DOOR TRANSPORTATION NEEDS.

The Transcare brand was launched in September 2015 when CP acquired the Steelcare transload facility located in Hamilton, Ontario—the steel manufacturing capital of Canada. The facility is the largest rail-to-truck steel transload facility in Canada, with a 150,000-square-foot building, including two drive-through rail and truck loading/unloading areas. The facility is capable of handling up to 1.5 million tons per year of steel products such as coil and plate.

Transcare's Hamilton facility is also the fastest steel transload facility, capable of loading or unloading a truck in as little as 6 minutes, or a railcar in as little as 20 minutes. This speed and efficiency are due to Transcare's modern technology and equipment, including its

automated crane system, automated inventory tracking system and automated driver check-in kiosk. Transcare also provides trucking services within southwest Ontario through their fleet of heavy-duty trailers and partnerships with trusted truck owner-operators. This means that customers can make a single call and receive a single invoice to have their products trucked, transloaded, and shipped by rail.

CP has recently expanded the Transcare brand and service offering to other transload facilities and commodities in Eastern Canada. The expansion includes transloading and delivery services for bulk plastics, centred out of CP's facilities in Toronto and Mississauga, Ontario, and in Montreal, Quebec.

Transload

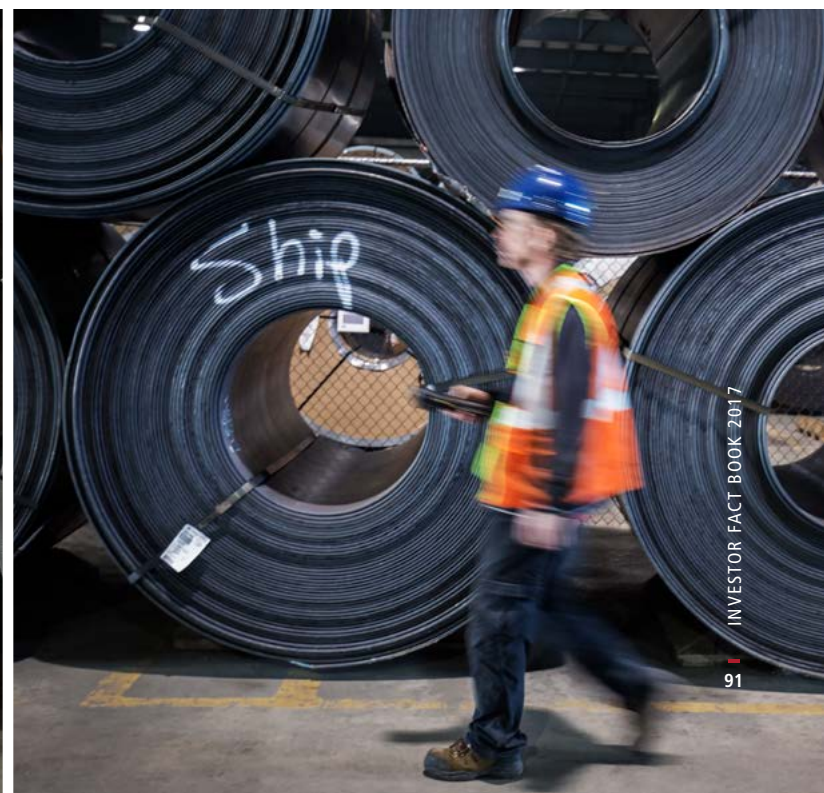
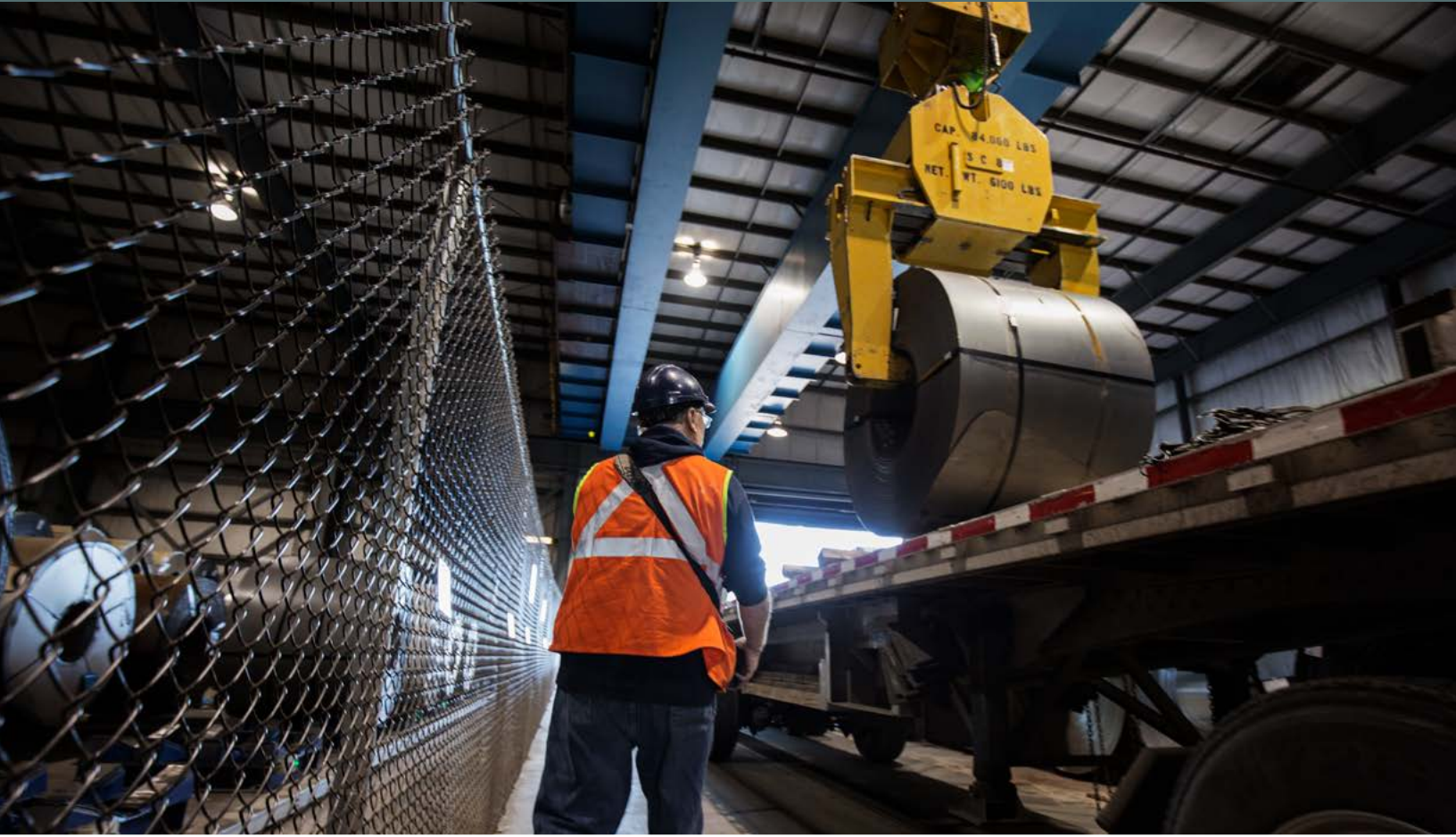
150,000
SQUARE-FOOT FACILITY

1.5M TONS
PER YEAR
(STEEL PRODUCTS)

MINUTES
(TRUCK UNLOADING TIME)

6

20 **MINUTES**
(RAILCAR UNLOADING TIME)



CAPITAL EXPENDITURES

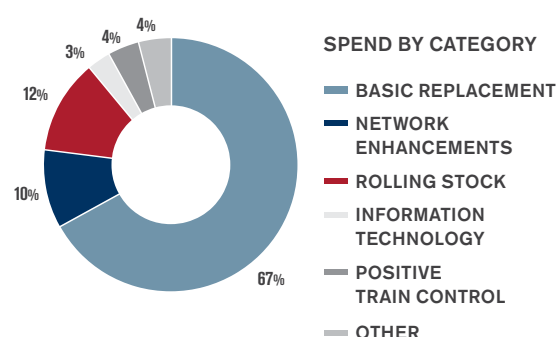
OVER THE PAST FIVE YEARS, CP HAS MADE SUBSTANTIAL INVESTMENTS IN ITS NETWORK INFRASTRUCTURE IN ORDER TO ENHANCE NETWORK CAPACITY AND DRIVE OPERATING EFFICIENCY. THESE INVESTMENTS WILL CONTINUE TO GENERATE ATTRACTIVE RATES OF RETURN THROUGH COST SAVINGS AND REVENUE GROWTH.

By upgrading and modernizing our network infrastructure, equipment, systems and facilities, we have been able to fully adopt a precision railroading model and have become one of the highest performing railroads in the industry. As we turn our focus to growth, we will leverage our network investments and lower cost base to offer a competitive service offering while continuing to improve margins.

BASIC REPLACEMENT

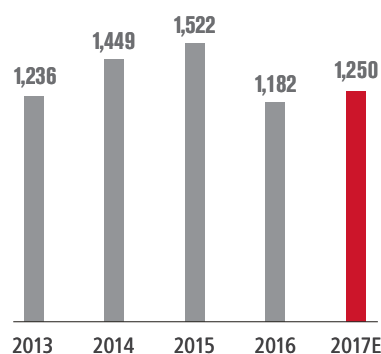
Each year, we invest heavily in replacing and updating depleted assets to ensure safety, reliability, and operating performance. Basic replacement spending accounts for roughly two-thirds of our capital expenditures. This includes replacement of track infrastructure such as rail, ties, ballast, bridges, and signals. In 2017, we plan to replace approximately 215 miles of rail, 1.2 million railway ties and 300,000 tons of ballast, and plan to spend over \$40 million on bridge repairs. While the vast majority of basic replacement spending is on our track infrastructure, this category also includes ongoing spending to replace aging equipment, buildings, IT systems, and vehicles used in the field.

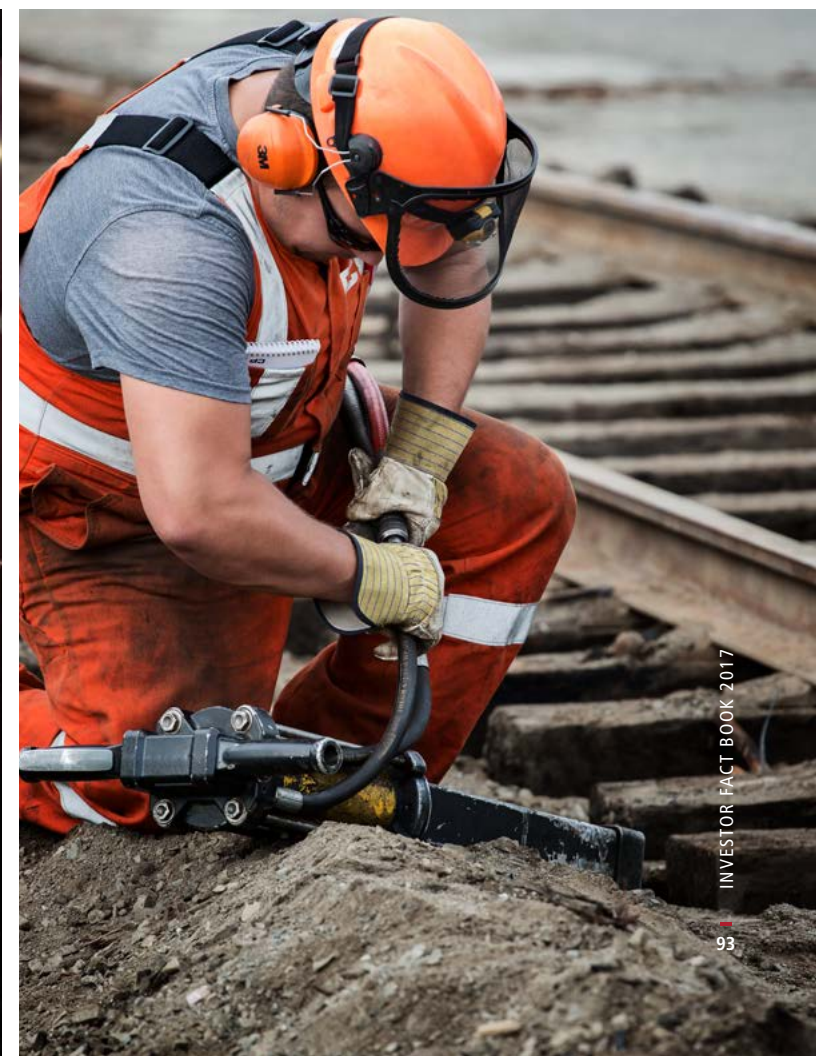
2017E CAPITAL EXPENDITURES

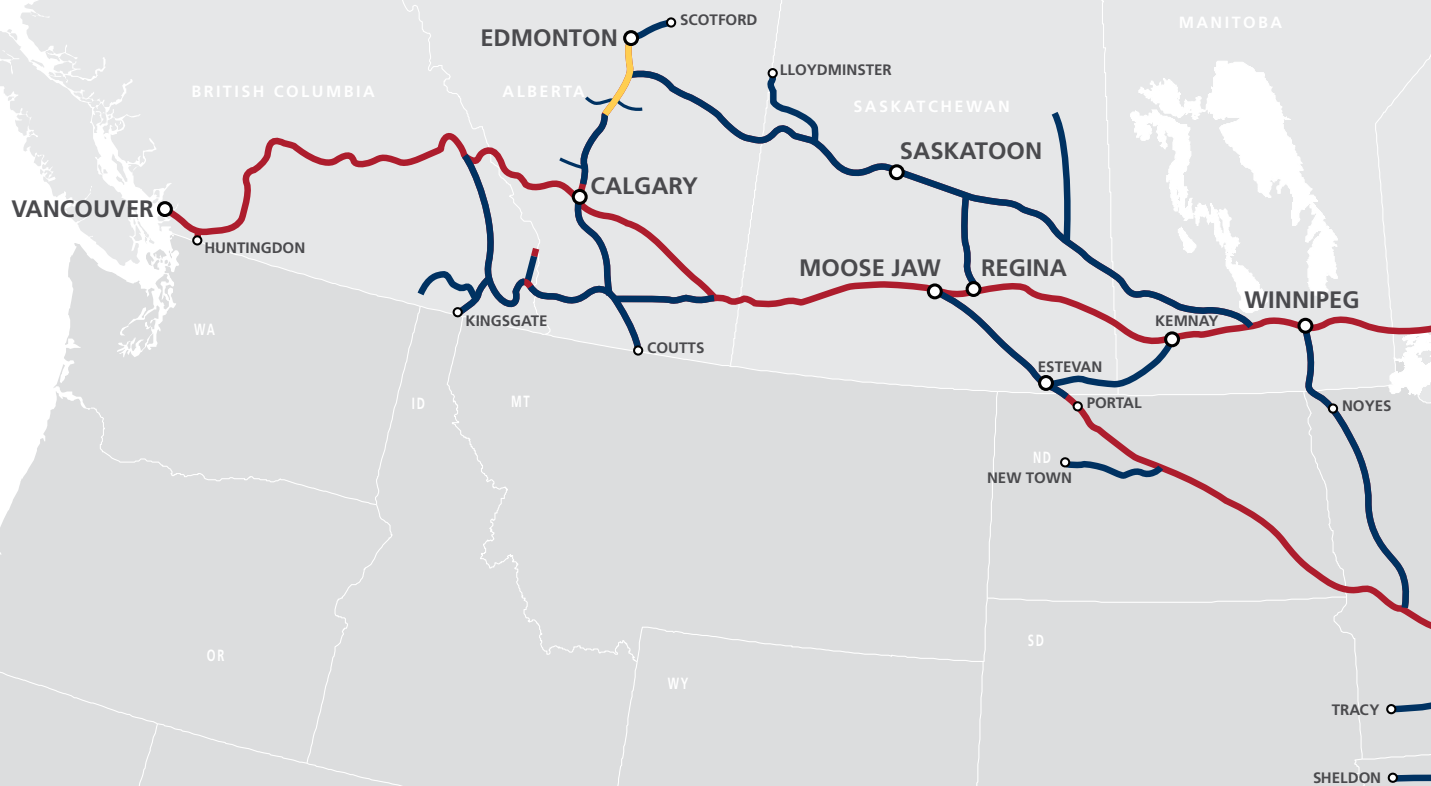


(based on estimated spend of \$1.25 billion)

CAPITAL EXPENDITURES (\$ MILLIONS)







NETWORK ENHANCEMENTS

We are continuously evaluating opportunities to invest capital in new initiatives to enhance the performance and capacity of our track network. Approximately 10% of our capital is spent on network enhancements, with a disciplined approach targeting initiatives with attractive rates of return.

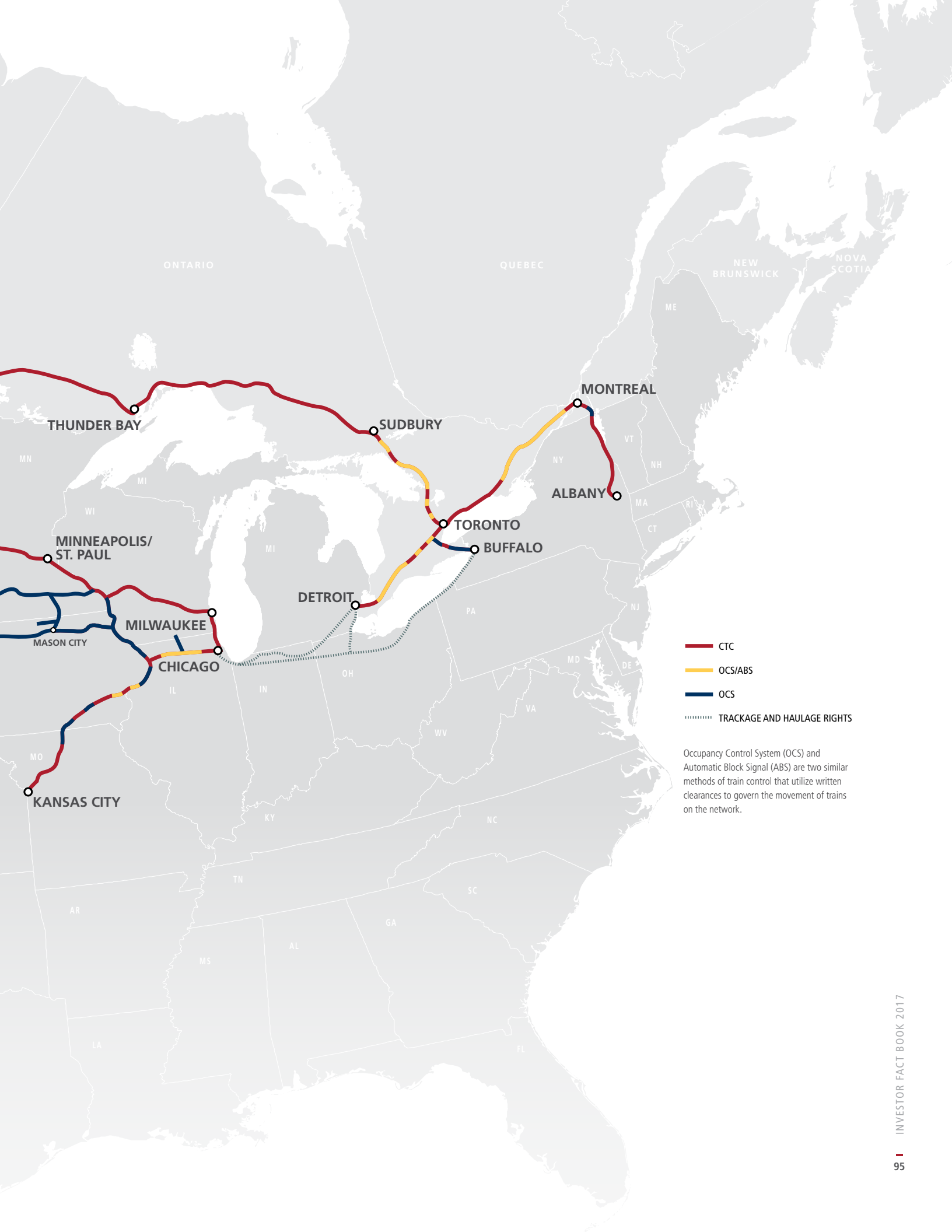
In 2017, we continue our multi-year network strategy aimed at upgrading track and roadway to increase train speeds, allowing us to reduce costs and increase capacity. Extending additional sidings allows us to run longer trains, which enables more product to be shipped with each train start.

A significant portion of our mainline train control systems have been upgraded to centralized traffic control (CTC), which allows power switches to be controlled centrally and routing instructions to be communicated to train crews using trackside

signals, rather than relying on radio-issued instructions. CTC dramatically increases network speed and throughput capacity by removing the need for train crews to stop and line up switches manually. In addition, CTC substantially improves safety through automated track occupancy detection and track signal fail-safe measures.

Our network enhancements extend well beyond our mainline track. We are investing in our yards, intermodal terminals and automotive facilities to enable faster terminal processing, ultimately allowing shipments to reach their destinations sooner and more consistently.

As our customers grow and expand, we also invest to grow with them. This means building new track or upgrading existing track, installing new turnouts, and building sidings to accommodate new customer facilities or facility expansions.



CTC

OCS/ABS

OCS

TRACKAGE AND HAULAGE RIGHTS

Occupancy Control System (OCS) and Automatic Block Signal (ABS) are two similar methods of train control that utilize written clearances to govern the movement of trains on the network.

ROLLING STOCK

CP's network and operations have transformed over the past five years, resulting in a remarkable increase in asset utilization and unleashing an incredible amount of additional capacity. With faster train speeds and a precision operating model, we now require substantially fewer locomotives and railcars to transport the same volume of traffic.

Our locomotive productivity, measured in terms of gross ton-miles shipped per available horsepower, has increased by over 50% since 2012.

As a result, we have been able to put over 500 locomotives into storage, saving costs while protecting future growth.

While we do not foresee the need to purchase any locomotives for the next several years, we continue to invest in maintaining and upgrading our fleet. In 2017, we are investing in a locomotive modernization initiative to upgrade components in some of our six-axle locomotives. Upgrades include new cabs, updated electronic components, and microprocessor control systems. This will lead to better service reliability, improved fuel efficiency and reduced greenhouse gas emissions. We also continue to upgrade our locomotive fleet to meet new regulatory emissions standards, as well as to upgrade air brake and remote-control systems to ensure safety and service reliability.

Similar to our locomotive fleet, our railcar fleet has been substantially reduced through improved operating performance. We have further reduced our railcar ownership costs by executing a multi-year lease buyout program, aimed at acquiring railcar equipment previously held under operating leases. Finally, we plan to purchase additional intermodal equipment to accommodate growing demand.

For 2017, CP plans on spending between 10% and 15% of its capital budget on these rolling stock initiatives.

INFORMATION TECHNOLOGY

We have completed an IT insourcing strategy and we have built an internal team of IT professionals with the skills and expertise needed to drive our information systems forward. We are on a multi-year journey to replace legacy systems with newer, more powerful and more efficient systems to integrate the hundreds of applications used to capture shipment information, operational metrics and financial data.

We have constructed, and continue to expand, a single dashboard that provides a cross-function view of all our key metrics so that management can detect, and respond to, operational changes in near real time. Leveraging big data analytics in our dashboard is allowing us to develop new predictive analytics to be able to accurately and proactively plan resources.



POSITIVE TRAIN CONTROL (PTC)

CP continues to implement its PTC strategy on its U.S. network in compliance with the U.S. Surface Transportation Board's requirements (refer to the Regulatory section of the Fact Book for additional details). During 2017, we will be completing the majority of the wayside hardware infrastructure construction and the installation of onboard locomotive hardware. In addition, further enhancements are being made to our train control systems, including testing and verification.

From now until completion, CP will be focusing on finishing hardware installation, further enhancing train control systems, testing interoperability with other railroads, training crews and verifying compliance with PTC requirements. At the end of 2016, CP had spent approximately \$270 million in capital expenditures for PTC and another \$48 million of spend is planned for 2017. By completion, we estimate that CP will spend over \$400 million on capital for PTC.

OTHER

The remaining capital spend is planned for improvements to buildings such as rest houses, and for environmental protection and remediation initiatives such as wastewater treatment plants. The capital budget also includes a small discretionary fund to allow CP to take advantage of unexpected investment opportunities with attractive returns.



SPOTLIGHT

BELLE PLAINE SPUR

CP is extending its network to reach new customers and markets. In 2017, CP completed its largest engineering project since the completion of the MacDonald tunnel in 1986. Our new Belle Plaine rail spur connects CP's mainline to the K+S Bethune potash mine—the first new greenfield potash mine built in Saskatchewan in over 40 years.

Construction on the Belle Plaine spur began in 2015 and consisted of 32 kilometres of new track, including over 60 kilometres of rail, nearly 50,000 ties and 90,000 tonnes of ballast. Before we could build the rail line, we first had to move massive amounts of earth. Grading and levelling required moving 10 million cubic metres of ground material, which is equivalent in volume to a football field filled with dirt stacked

2 kilometres high. CP constructed a new bridge spanning 137 metres wide in order to cross the Qu'Appelle River valley, and built a 70-metre tunnel to cross the hilly terrain.

Our investment in the Belle Plaine spur provides us with exclusive access to the new Legacy potash mine for the first 10 years of production; the mine is expected to produce over 2 million tons of potash each year.

CP's new Belle Plaine spur is our largest engineering project since the 1980s.

32 KM
OF NEW TRACK

60 KM OF RAIL

50,000 TIES

90,000 TONNES OF BALLAST



INFORMATION TECHNOLOGY

CP IS LEVERAGING PREDICTIVE ANALYTICS, DASHBOARD APPLICATIONS AND MOBILE DEVICES TO CREATE INDUSTRY-LEADING TECHNOLOGIES THAT ARE ADVANCING CUSTOMER SERVICE AND OPERATING PERFORMANCE.

BREAKING NEW GROUND THROUGH INFORMATION TECHNOLOGY

As part of our turnaround, we insourced certain IT activities and built an internal team of IT professionals with the skills and expertise needed to drive our information systems forward. Over the last few years, we have made foundational changes to our IT infrastructure to replace aging systems and build the foundation for leveraging new technologies.

Our team is now creating new in-house applications that far exceed the capabilities of off-the-shelf solutions. Our cutting-edge information technology infrastructure comprises hundreds of applications that track shipments, measure operational performance and provide financial information in near real time.

LEVERAGING BIG DATA

Predictive analytics will be a key thrust to driving the next generation of railway innovation. The volume of data available to CP is increasing exponentially through our various types of wayside and rolling stock sensors. The core technology to process and integrate this massive amount of data is in-memory data management technology with its unparalleled analytical

capability. This technology, coupled with our dashboard applications, has created a wealth of information that has enabled the use of predictive analytics. We can now better predict when our locomotives, railcars, and track assets will need maintenance. This allows maintenance to be completed more cost-effectively and reduces the likelihood of service interruptions and delays.

DASHBOARDS AND MOBILE TECHNOLOGIES

We have constructed, and continue to expand, a single dashboard that provides a cross-functional view of all our key metrics so that management can detect, and respond to, operational situations in near real time. This dashboard allows us, for example, to track the progress of a single shipment and measure the service performance against the Trip Plan for that shipment.

We are also expanding our use of mobile technologies and GPS to provide real-time information in the field. Recently, we created a new system that captures bridge inspection information, pictorially identifies needed repairs, and schedules maintenance crews—all in real time while on location.



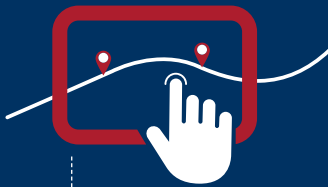
STRENGTHENING SERVICE THROUGH SHIPMENT TRACKING

CP is leveraging trackside sensors and big data analytics to introduce customer shipment tracking and location information through a map-based application. Soon, customers will be able to see the exact locations of trains containing their shipments and, through Trip Plans, will know when their shipment is expected to arrive. This will be a major enhancement to customer service, allowing CP's customers to have better service transparency and reliability.



MAKING THE SAFEST RAILWAY EVEN SAFER WITH PREDICTIVE ANALYTICS

CP is leveraging predictive analytics and data from wayside sensors—such as wheel impact load detectors, acoustic bearing detectors and hot-box detectors—to anticipate issues with locomotives, railcars, and track infrastructure and take preventive measures before an incident occurs.



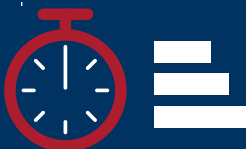
DEPLOYING GPS AND MOBILE APPLICATIONS TO OPTIMIZE ASSETS

CP has installed GPS devices in all corporate vehicles used in the field for track and equipment maintenance, allowing operations managers to better plan and deploy maintenance crews. This ensures that maintenance vehicles and crews are used as efficiently as possible and shortens response time and costly train delays. New end-of-train (EOT) devices are also equipped with GPS, which report their location, battery life and operating health in near real time. This allows for more preventive maintenance and fewer failures en route.



REDUCING OUR CARBON FOOTPRINT THROUGH PRECISION PLANNING

CP has implemented an application called Pace-to-Meet that allows the rail traffic controller to better plan train meets by pacing trains, resulting in lower fuel consumption and reduced greenhouse gas emissions while still maximizing network speed and transit time.



FULFILLING OUR SERVICE COMMITMENTS THROUGH TRIP PLANS

Trip Plans are bringing CP's service to the next level by ensuring that we deliver on the commitments we make to our customers. Every shipment now has a defined hour-by-hour Trip Plan and performance is tracked through consoles with drill-down capabilities. Mobile platforms allow operations managers to access real-time Trip Plan information on the go, providing valuable insights into opportunities for further service improvements.



ENHANCING BOTH SAFETY AND EFFICIENCY

Working with government agencies, CP has been able to leverage its proprietary safety dashboard with drill-down capabilities to enhance safety inspections. The dashboard prioritizes inspections based on various risk factors to enhance safety while simultaneously streamlining operations.

COST DRIVERS

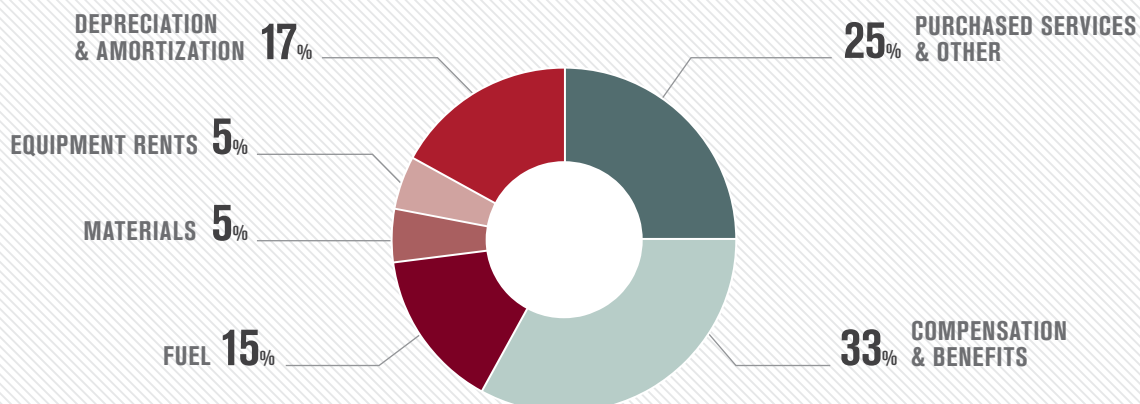
CP'S INDUSTRY-LEADING OPERATING MODEL, FOCUSED ON OPTIMIZING THE USE OF ASSETS AND REMOVING UNNECESSARY COSTS WHILE DELIVERING COMPETITIVE SERVICE, HAS ENABLED THE GREATEST MARGIN IMPROVEMENT IN THE HISTORY OF NORTH AMERICAN RAILROADING.

Our transformational journey began in 2012 when we adopted a precision railroading model, developing and executing our operating plan with a level of exactitude that drove an unprecedented improvement in our profitability. It's not just about cutting costs—it's about a level of precision that allows us to have exactly the right resources where we need them, when we need them.

Our operating expenses are grouped in six primary categories, each with unique cost drivers and all of which are closely managed to maximize margins.

It's not just about cutting costs—it's about a level of precision that allows us to have exactly the right resources where we need them, when we need them.

2016 OPERATING EXPENSES





COMPENSATION & BENEFITS

Compensation and benefits is our largest expense category and accounts for approximately one-third of our costs. This includes costs for all wages and salaries for company employees, which tracks closely with employee counts. Also included are costs for health and dental benefits programs, as well as company contributions to government benefit programs such as employment insurance and government healthcare premiums. Similar to wages and salaries, these benefit costs track closely with the size of our workforce.

Labour productivity has increased substantially as a result of our improved operating performance, reducing the size of the labour force needed for operations.

Streamlined processes and improved productivity at CP's head office also allowed headcount for support staff to be reduced. At the beginning of the turnaround, CP outlined plans to reduce approximately 4,500 employee and/or contractor positions by 2016. Through job reductions, natural attrition and reducing the number of contractors, CP reduced 4,500 positions by the end of 2013—two years ahead of schedule. A further

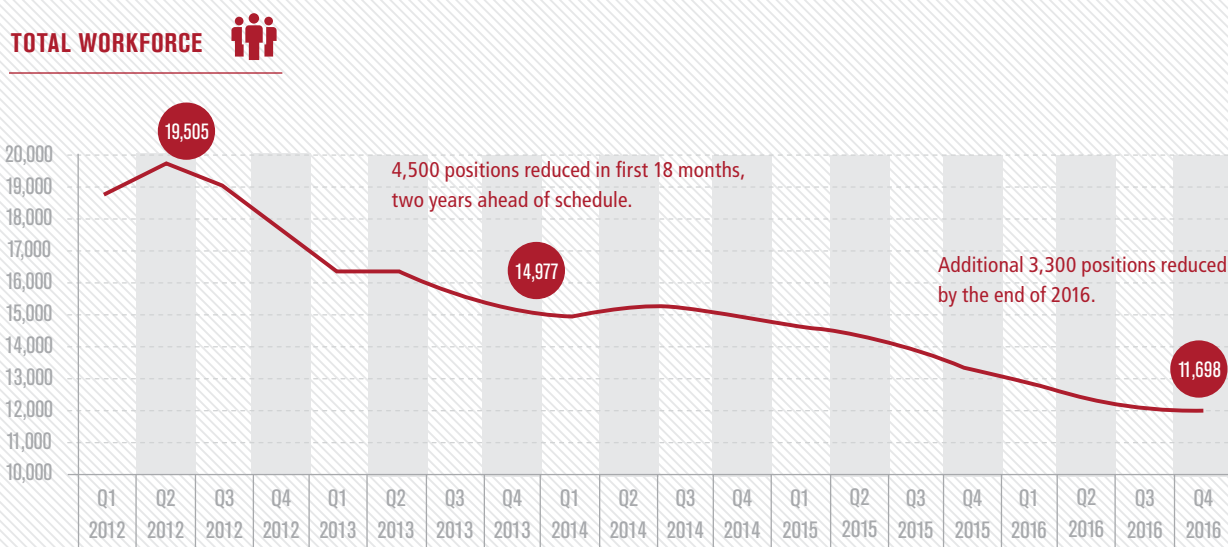
3,300 positions were reduced by the end of 2016, due to a challenging economic environment.

CP has both a defined benefit pension plan and a defined contribution pension plan. Pension expense reflects current service costs as well as actuarial gains and losses based on the performance of the pension plan assets relative to plan liabilities. Recently, our pension plan management has generated substantially improved asset returns, resulting in increasingly positive pension income.

Starting in 2018, new accounting rules will come into effect that will require companies to only report the current service costs of pension expense in operating expenses. The other components of pension expense will be required to be shown below the operating income line. The change will increase CP's operating ratio by approximately 420 basis points in 2017 but will not impact net earnings or cash.⁽¹⁾

Compensation and benefits also includes incentive compensation programs based on short-term and long-term performance objectives, which may be paid out either in cash or in company shares. Costs for these programs vary with company performance as well as stock price performance.

⁽¹⁾ Refer to CP's 2016 Annual Report for more information on the impact of Accounting Standard Update (ASU) 2017-07



FUEL

Fuel is a major component of our expenses as diesel fuel is used to run our locomotives and power our trains. Simply put, our fuel costs are driven by the price of diesel per gallon and the amount of fuel (in gallons) consumed. Although the majority of our fuel is purchased in Canada under private sourcing contracts, our fuel price follows trends similar to retail diesel prices. In order to reduce our financial exposure to fluctuations in fuel prices, we use natural hedges in the form of revenue fuel surcharges. As the price of diesel changes, our revenues and expenses move in tandem, minimizing the impact of fuel prices on net earnings.

Similar to labour costs, CP's improved operating performance has translated into substantial productivity gains in fuel consumption.

Fuel consumption is measured in terms of gallons of fuel consumed per gross ton-mile (GTM), meaning the movement of one ton of train weight over a distance of one mile. By increasing train lengths and weights and by reducing the number of active locomotives, we were able to drive a fuel consumption improvement of 15% from 2012 to 2016.

MATERIALS

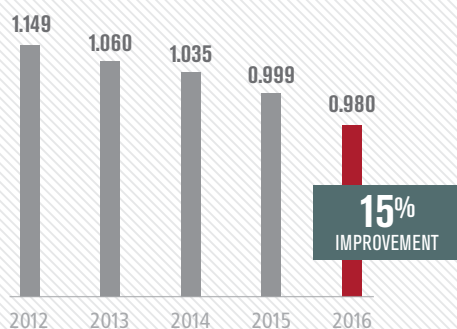
Materials expense consists primarily of consumable materials used to repair track, railcars, and locomotives, as well as costs for vehicles, and information services software and equipment. Track materials includes basic track infrastructure such as rails, ties and ballast, as well as repairs and maintenance of signals, crossings, and structures such as bridges and culverts. Materials for locomotive repairs include minor mechanical components, and materials for railcar repairs consist primarily of wheels and brakes. Railcar materials expense includes cost recoveries for repairs that CP performs on railcars owned by customers or other railways.

Materials expense also includes costs for vehicles, software maintenance and some building maintenance costs. As CP continues to reduce its cost base and better utilize our assets, we are able to reduce our materials expenses related to these assets.

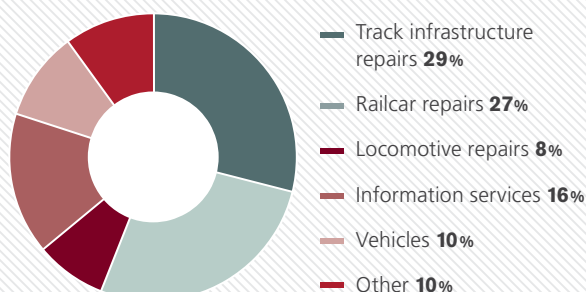
GALLONS OF LOCOMOTIVE FUEL CONSUMED



(gallons/1000 GTMs)



2016 MATERIALS EXPENSE BY TYPE



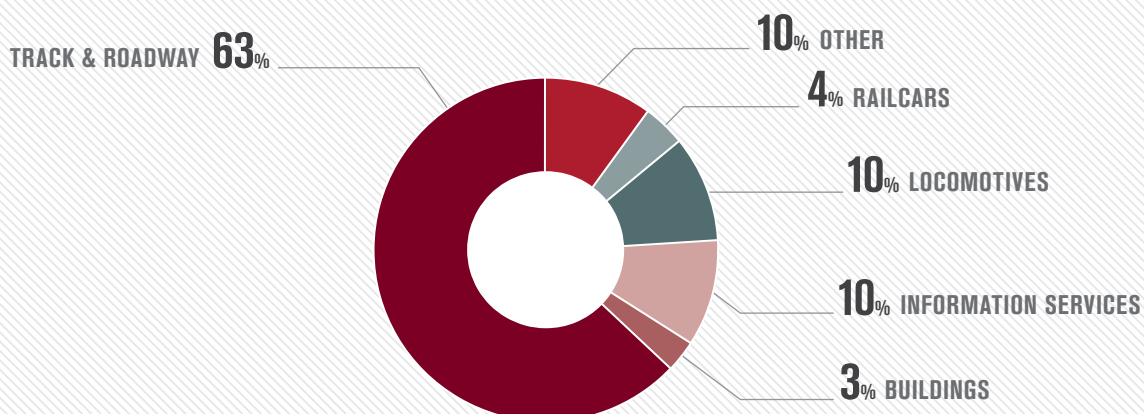
EQUIPMENT RENTS

CP leases a portion of its railcar fleet under operating lease agreements with various railcar lessors, and also leases a small number of locomotives. In addition, railways charge each other “rent” when their own railcars are being used on another railway. This means that a shipment in a CP railcar originating on CP’s network that is interchanged with another railway will collect rent while off CP’s network. Likewise, CP will pay equipment rental charges for shipments in railcars owned by foreign railways that travel across CP’s network. Equipment rents expense includes the net amount of freight car rent payments and receipts, as well as railcar and locomotive operating lease payments.

DEPRECIATION & AMORTIZATION

Depreciation and amortization expense represents the charge associated with the use of track and roadway, buildings, railcars, locomotives, information systems and other depreciable assets. CP continues to invest capital in long-term assets to support growth and productivity, while retiring assets that have reached the end of their useful lives.

2016 DEPRECIATION EXPENSE BY ASSET TYPE



PURCHASED SERVICES & OTHER

Purchased Services & Other expenses encompasses a wide range of costs related to services provided by third parties, as well as other costs that can be non-routine in nature.

- **Support & Facilities:** these costs include utilities, building rent and maintenance, information systems, insurance and legal fees, corporate sponsorships and donations.
- **Track & Operations:** third-party costs in this area include interline operations, track maintenance and engineering projects, crew accommodations and relocation costs, snow removal services, and other contracted services.
- **Intermodal Operations:** the majority of these costs relate to pickup and delivery trucking services, as well as container lifting services within CP's intermodal facilities.
- **Equipment:** locomotive maintenance and overhauls accounts for most of CP's third-party equipment costs, as well as railcar repairs performed by other railways while CP's cars are offline.
- **Casualty:** costs relating to repairing track and equipment, damaged lading, environmental remediation, and personal injuries caused by railway incidents.
- **Property Taxes:** CP owns a significant amount of land on which we operate our transcontinental rail network.
- **Land Sales:** as CP continues to drive efficiencies and rationalize its fixed assets, we are able to monetize real estate property that is no longer needed for railway operations.

PURCHASED SERVICES AND OTHER



FOR THE YEAR ENDED DECEMBER 31 (IN MILLIONS) ⁽¹⁾	2012	2013	2014	2015	2016
Support and facilities	347	320	297	298	271
Track and operations	215	227	243	266	238
Intermodal	161	169	176	184	180
Equipment	181	165	166	196	165
Casualty	80	63	35	74	68
Property taxes	83	91	94	103	116
Other	0	1	6	13	(27)
Land sales	(23)	(38)	(32)	(74)	(106)
Total purchased services and other	1,044	998	985	1,060	905

(1) Certain prior years' figures have been revised to conform with current presentation

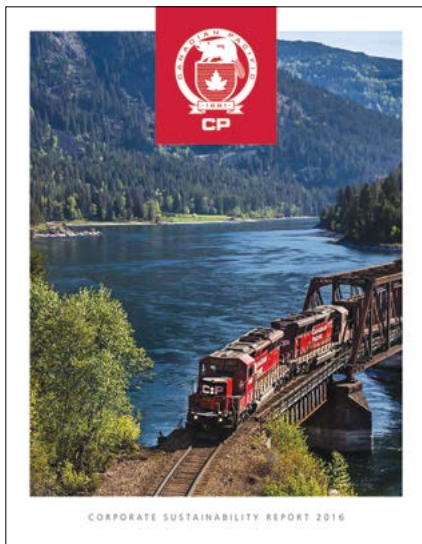
SAFETY & SUSTAINABILITY

OUR COMMITMENT TO SAFETY AND ENVIRONMENTAL SUSTAINABILITY IS INGRAINED IN EVERY ASPECT OF OUR BUSINESS AND AT EVERY LEVEL OF OUR ORGANIZATION.

IT'S WHO WE ARE

At CP, we know that operating safely and being environmentally responsible is integral to our long-term success. It's not just a requirement for doing business—it's part of who we are. This unwavering commitment to safety and sustainability is why we have been the safest railway in North America for the past 11 years, and why we are a critical component of a low-carbon economy.

Our corporate sustainability report provides an in-depth discussion and analysis of CP's environmental sustainability, commitment to safety, social responsibility, and corporate governance.



COMMITMENT TO SAFETY

At CP, the safety and security of our people and the communities in which we operate is a foundational value and our number one priority. Maintaining a strong safety culture is imperative to our continued success and is reinforced at every level of our organization.

Each year we review our safety management procedures and resources, with one main objective—to continually improve. This helps us understand our performance as a company, identify future potential risks, and develop targets and objectives for our safety performance and programs.

Guided by our plan, do, check, act approach, we seek to continually improve our safety practices and to be an advocate for new and innovative ways to keep raising the bar on rail safety.



Please visit www.cpr.ca for a copy of our latest Corporate Sustainability Report.



INVESTING IN SAFETY

Each year, we invest heavily in replacing and updating depleted assets to ensure safety, reliability, and operating performance. In 2017, we plan to replace approximately 215 miles of rail, 1.2 million railway ties and 300,000 tons of ballast, and we plan to spend over \$40 million on bridge repairs.



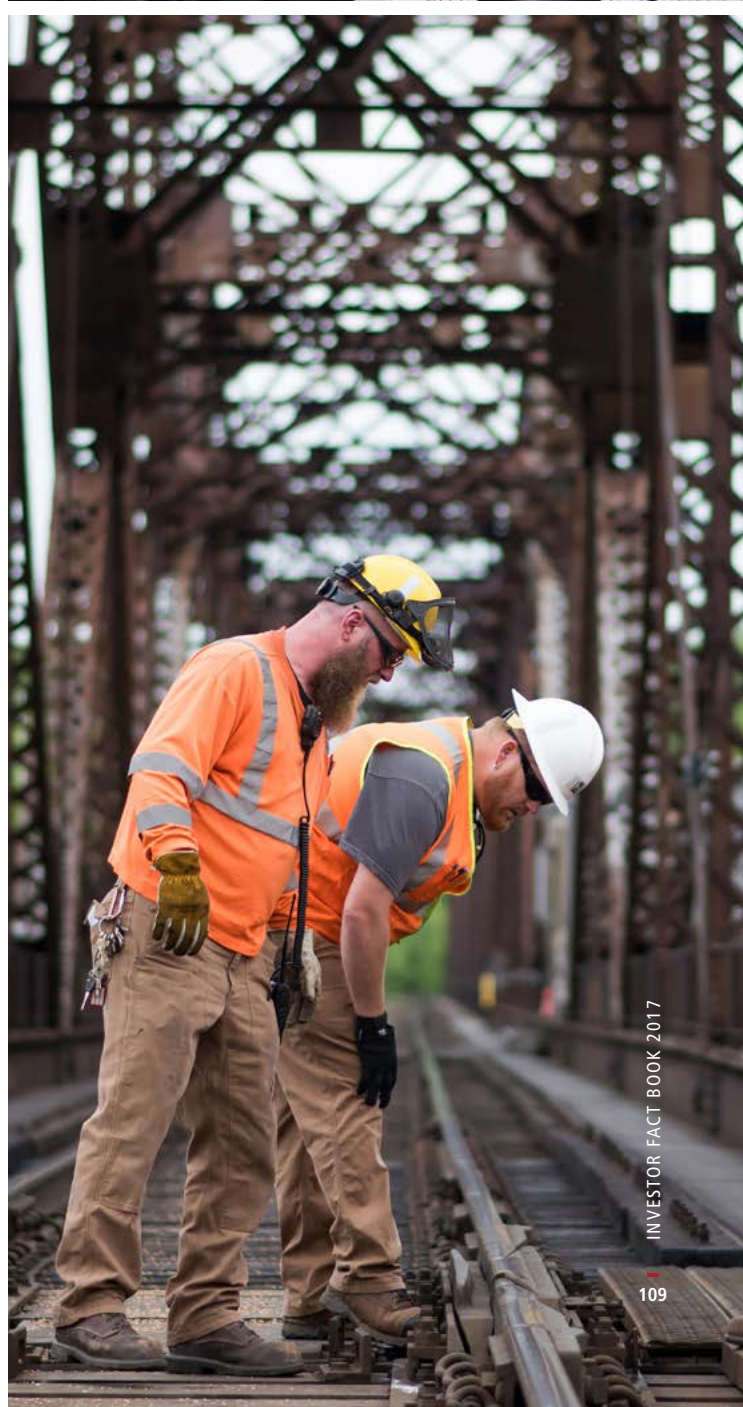
LEVERAGING NEW TECHNOLOGIES

We're making leaps forward in preventing train accidents by leveraging big data analysis and predictive technologies. Valuable data is collected by wayside detectors and analyzed to anticipate issues with locomotives, railcars and track infrastructure so that we can take preventive measures before an incident occurs.



ADVOCATING FOR INDUSTRY CHANGE

CP is a vocal proponent for the industry-wide use of locomotive voice and video recorders (LVVR) in a proactive manner to prevent incidents and improve rail safety. The Canadian government has recently shown support for this initiative by proposing amendments to legislation to mandate the installation of LVVR in locomotive cabs.



THE SAFEST RAILWAY IN NORTH AMERICA

For the past 11 consecutive years, CP has been the industry leader in operational safety and North America's safest railway, based on the Federal Railroad Administration (FRA) train accident frequency.

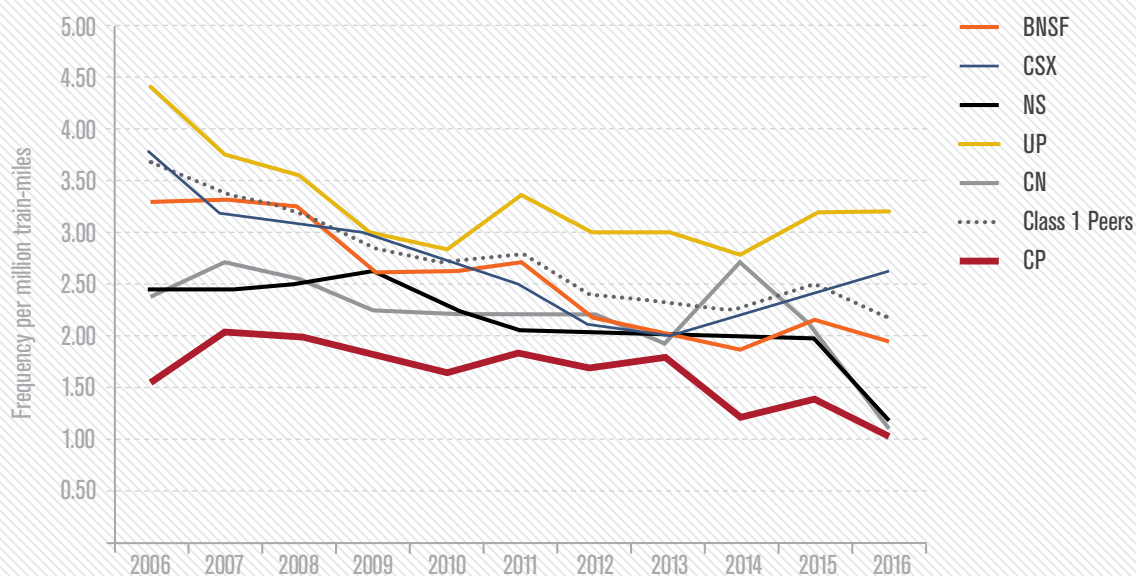
In 2016, we reduced our FRA train accident frequency rate to 1.03, a 27% improvement over 2015 and the lowest rate ever for our company.

While train accident frequency is our measure of operational safety, the FRA reportable personal injury rate is how we measure personal safety.

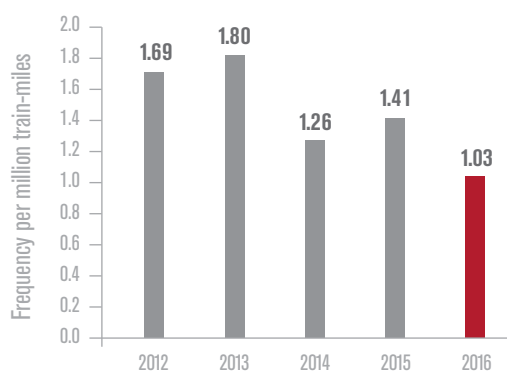
In 2016, we reported a personal injury frequency of 1.66, a 10% improvement over 2015, with 23% fewer injuries.

We have been working on strategies focused on improvements in personal injury frequency through training, enhanced education on better work-safe practices, and promoting safety accountability through our Home Safe initiative commitments.

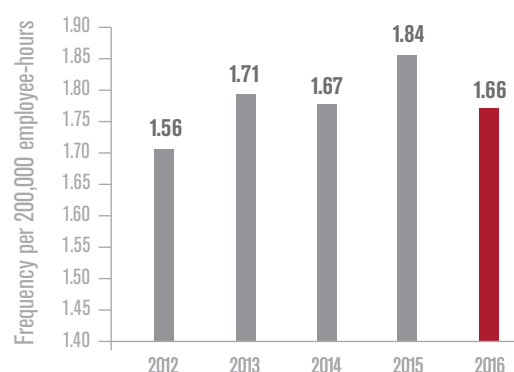
CLASS 1 COMPARE: FRA TRAIN ACCIDENT RATE 2000-2016



FRA TRAIN ACCIDENT FREQUENCY⁽¹⁾ CP 2012-2016



FRA PERSONAL INJURY FREQUENCY⁽¹⁾ CP 2012-2016



⁽¹⁾ Certain figures have been revised to conform with current presentation or have been updated to reflect new information as certain operating statistics are estimated and can continue to be updated as actuals settle.

HOME SAFE PROGRAM

Investigations into our safety failures identified that approximately 36% of incidents could have been prevented if a co-worker had intervened on an unnecessary exposure to a safety hazard. In 2016, we introduced Home Safe—an initiative designed to take our safety culture to the next level. By instilling in employees the importance of taking responsibility for their own safety, as well as the safety of their co-workers, we can better ensure everyone goes home safe after each and every shift.

The peer-to-peer commitment required by all participants has been well received, as has the ongoing reinforcement of our Home Safe actions: give a heads-up; offer and ask for help; warn people who you believe are putting themselves

or others at risk; and identify, report, and remove hazards. Home Safe is being rolled out across the entire network in 2017.

HOME SAFE ACTIONS



GIVE A HEADS-UP



OFFER AND ASK FOR HELP



WARN PEOPLE WHO YOU BELIEVE
ARE PUTTING THEMSELVES OR
OTHERS AT RISK



IDENTIFY, REPORT AND REMOVE HAZARDS

TransCAER®

The Transportation Community Awareness and Emergency Response (TransCAER®) program is a voluntary outreach effort that focuses on assisting communities to prepare for and respond to a possible hazardous materials emergency situation.

CP works closely with TransCAER and local first responders in communities where dangerous goods are transported to ensure local personnel are trained on equipment and on how to work with CP's emergency response teams.

In 2015, approximately 7,500 emergency responders from 87 cities, 11 states and five provinces attended TransCAER events put on by CP field hazmat specialists.

In 2016, 146 TransCAER outreach activities were completed with 4,480 attendees from fire departments, police, emergency planning, hospitals, surrounding community facilities (e.g., schools) and public works.

In 2016, CP earned one of 12 National Achievement Awards in recognition of extraordinary support of the TransCAER initiative.

ENVIRONMENTAL SUSTAINABILITY

CP is committed to minimizing both its immediate and long-term impacts on the environment. We work diligently to reduce the environmental risk and exposure of our current operations through targeted environmental programs that include regular monitoring, auditing and corrective actions where necessary. We also coordinate with communities and regulators on an ongoing basis to address the environmental impacts of our historical operations through our robust environmental remediation program.



RESPONSIBLE CARE[®]
OUR COMMITMENT TO SUSTAINABILITY

CP is a proud member of the Responsible Care Program. Since 2007, our Environmental, Health, Safety and Security programs have been certified to the Responsible Care Management System standard.

ENVIRONMENTAL PROTECTION

Both routine and emergent operating activities undergo a thorough environmental screening process to assess the potential impacts on surrounding ecosystems. Where necessary, mitigation measures are developed, implemented and monitored for effectiveness. This process helps ensure that our rail operations and activities are conducted in a manner that limits our overall impact on the environment. In 2015 and 2016, over 350 engineering projects were vetted through the environmental project screening process.

Projects to protect sensitive habitats often include the installation of fish-passable culverts, erosion control structures to prevent materials from washing into adjacent bodies of water, and vegetation management to control invasive plant species.

ENVIRONMENTAL REMEDIATION

We remain committed to addressing contamination that has resulted from current and historical railway operations. Since the inception of CP's environmental accrual program in 1996, we have invested \$313 million in remediation activities to address pollution at over 355 contaminated locations throughout our network. Our remediation experts work closely with communities and regulatory agencies to monitor, characterize and address contamination in order to reduce risk to communities, employee safety and the environment.

RAILWAY AND WILDLIFE INTERACTION

CP works closely with Parks Canada to implement mitigation measures to reduce the risk of wildlife-train collisions in the national parks. We have also committed \$250,000 per year for the next three years to remove brush and large trees along the railway to permit wildlife to detect trains sooner and to be able to safely escape.

CP also granted \$1 million to a five-year joint research initiative, alongside Parks Canada, the University of Alberta and the University of Calgary, to better understand rail-caused grizzly bear mortality. The research project aimed to better understand the underlying causes of bear-train collisions along the railway, and to begin implementing solutions to reduce grizzly bear mortality.

WASTE MANAGEMENT

CP remains committed to ensuring that railway materials such as wooden ties, steel rails and metal components are reused whenever possible, diverting materials away from landfills.

Any waste generated is carefully managed through robust waste management programs to ensure hazardous materials are managed safely and in accordance with regulatory requirements.

In 2015 and 2016, nearly 99% of CP's unusable railway ties were shipped to energy recovery facilities where they were combusted to generate electricity. This resulted in over two million railway ties being diverted from landfills.

RAILWAY TRANSPORTATION—A CRITICAL COMPONENT OF THE LOW-CARBON ECONOMY




IN CANADA, RAILWAYS ARE RESPONSIBLE FOR ONLY 1% OF THE COUNTRY'S ANNUAL GREENHOUSE GAS EMISSIONS. FREIGHT MOVED ON RAIL IS ON AVERAGE FOUR TIMES MORE EFFICIENT THAN TRUCKS.

Transportation by railway is the most economical and environmentally responsible mode of moving freight long distances over land. According to an independent study by the FRA, moving freight by rail is on average four times more fuel efficient than transport by truck, with approximately 75% less greenhouse gas (GHG) emissions.⁽¹⁾

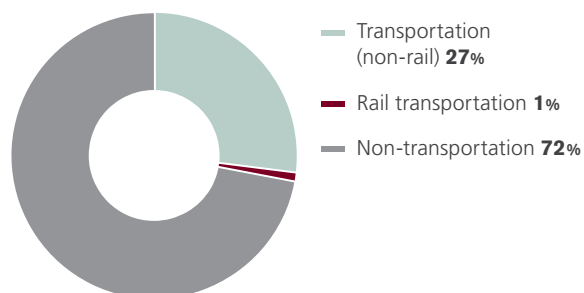
In Canada alone, the transportation industry is responsible for 28% of the country's annual GHG emissions, with the railway industry emitting just 5% of transportation-related GHG emissions and a corresponding total of 1% of the country's annual GHG emissions.⁽²⁾

A shift in freight transport from trucks to trains is critical to reduce highway gridlock, lower GHG emissions and minimize transport air pollution. The Association of American Railroads (AAR) has estimated that roughly 17 million tonnes less GHGs would be emitted annually if just 10% of the U.S. highway truck freight were to be moved by rail instead. The resulting impact would be equivalent to removing around 3.2 million cars from the highways for a year or planting 400 million trees.

CP has implemented a wide range of operational enhancements over the last five years, many of which have made a dramatic impact on reducing GHG emissions from railway operations.

-  **Renewable fuels:** CP regularly uses biodiesel blended fuels in our locomotive fleet in compliance with renewable fuels regulations.
-  **Infrastructure improvements:** investment in upgrading track infrastructure has allowed CP to substantially increase network speed and reduce dwell, driving further efficiency in fuel consumption.
-  **Upgrading locomotives:** Fuel trip optimizer equipment and software has been installed on nearly 400 locomotives to optimize throttle and brake application to reduce fuel consumption. Anti-idling devices installed on locomotives reduce unnecessary idling. Older, less fuel-efficient locomotives are retired or upgraded with new engine components to reduce emissions.

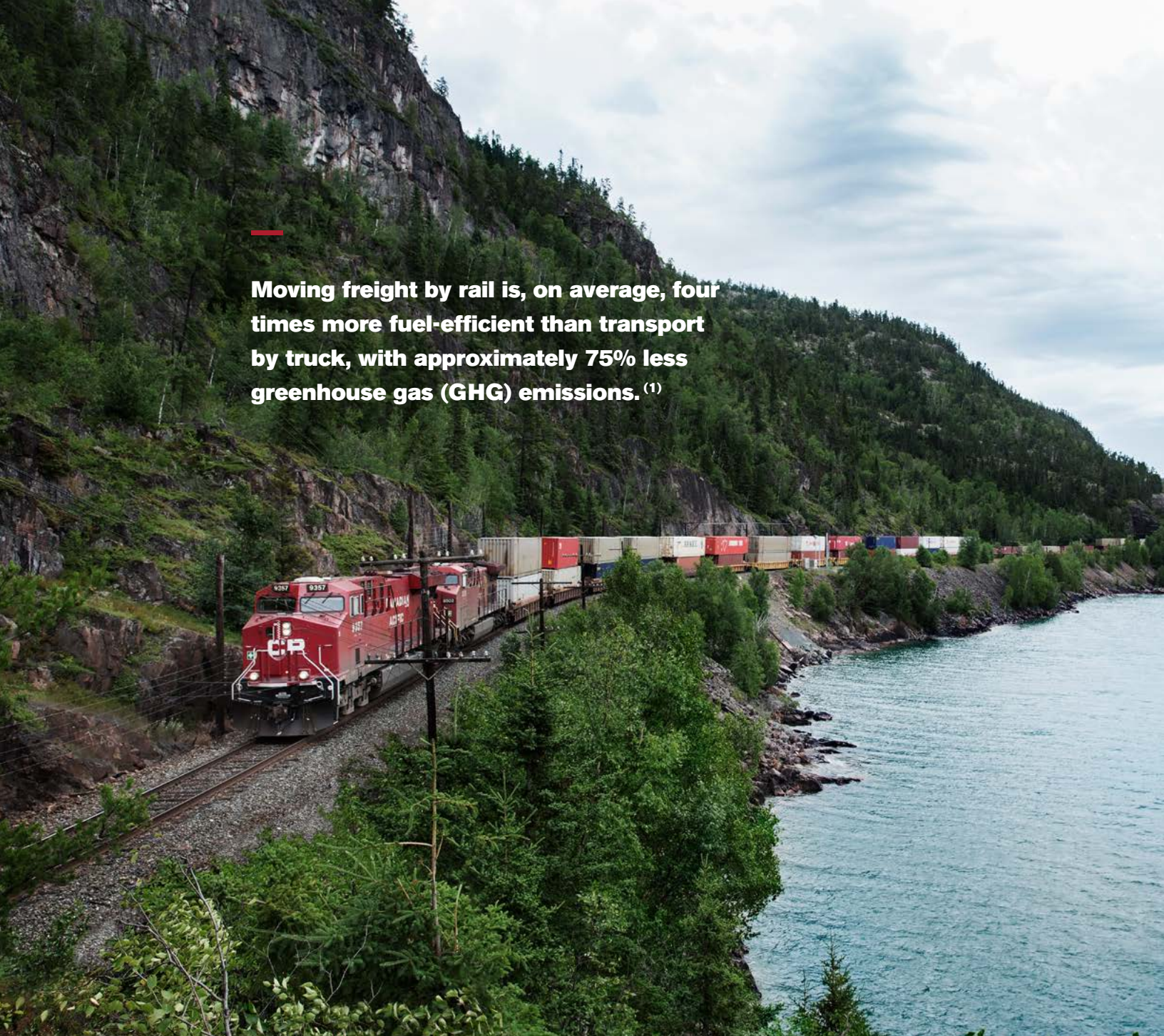
GHG EMISSIONS BY SECTOR ⁽²⁾ (% OF CANADIAN GHG EMISSIONS)



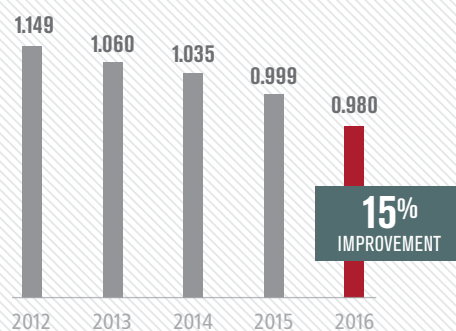
⁽¹⁾ Federal Railroad Administration. 2009. Comparative Evaluation of Rail and Truck Fuel Efficiency on Competitive Corridors. Available from: <https://www.fra.dot.gov/eLib/Details/L04317>

⁽²⁾ Environment Canada. 2015. National Inventory Report 1990 – 2013: Greenhouse Gas Sources and Sinks in Canada. Available from: http://publications.gc.ca/collections/collection_2016/eccc/En81-4-2013-3-eng.pdf

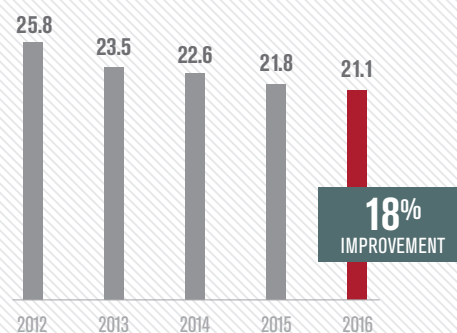
Moving freight by rail is, on average, four times more fuel-efficient than transport by truck, with approximately 75% less greenhouse gas (GHG) emissions.⁽¹⁾



LOCOMOTIVE FUEL EFFICIENCY
(GALLONS/1,000 GTMs)



CP GHG EMISSION INTENSITY
(KG CO₂E PER 1,000 GTMs)



REGULATORY

CP'S RAILROAD OPERATIONS ARE SUBJECT TO EXTENSIVE FEDERAL LAWS, REGULATIONS AND RULES IN BOTH CANADA AND THE UNITED STATES THAT DIRECTLY AFFECT HOW OPERATIONS AND BUSINESS ACTIVITIES ARE MANAGED.

CP's operations are subject to economic and safety regulation in Canada primarily by the Canadian Transportation Agency (the Agency) and Transport Canada through the Canada Transportation Act (CTA) and the Railway Safety Act (RSA). Pursuant to the policy set out in the CTA, the Agency adjudicates shipper rate and service remedies, including final offer arbitration, competitive lines rates and interswitching. The Agency also regulates the maximum revenue entitlement (MRE) for the movement of export grain, commuter and passenger access, charges for ancillary services, and/or mediates and adjudicates noise-related disputes. Transport Canada regulates safety-related aspects of railroad operations in Canada.

Our U.S. operations are subject to economic and safety regulation by the Surface Transportation Board (STB) and the Federal Railroad Administration (FRA). The STB is an economic regulatory body with jurisdiction over railroad rate and service issues and reviewing proposed railroad mergers. The FRA regulates safety-related aspects of our railroad operations in the U.S. under the Federal Railroad Safety Act, as well as rail portions of other safety statutes. State and local regulatory agencies may also exercise limited jurisdiction over certain safety and operational matters of local significance.

Various other regulators directly and indirectly affect our operations in areas such as health, safety, security and environmental and other

matters. To mitigate statutory and regulatory impacts, we are actively and extensively engaged throughout the different levels of government and regulators, both directly and indirectly through industry associations, including the Association of American Railroads and the Railway Association of Canada. Changes to regulations, or additional regulations, could have a material impact on CP's operations. No assurance can be given to the content, timing or effect on our company of any anticipated legislation or further legislative action.

REGULATORY CHANGE

On May 16, 2017, Canada's Federal Minister of Transport introduced Bill C-49, The Transportation Modernization Act into Parliament. The bill proposes amendments to the CTA and RSA, among others, to:

- (1) replace the 160-kilometre extended interswitching limit and the competitive line rate provisions with a new long-haul interswitching regime;
- (2) modify the existing level of service remedy for shippers by instructing the Canadian Transportation Agency to determine, upon receipt of a complaint, if a railway company is fulfilling its common carrier obligation to provide "adequate and suitable accommodation" of traffic, if it is satisfied that the service provided is the "highest level of service that is reasonable in the circumstances";

- (3) allow the existing service level agreement arbitration remedy to include the consideration of reciprocal financial penalties;
- (4) increase the threshold for summary final offer arbitrations from \$750,000 to \$2 million;
- (5) bifurcate the volume-related composite price index component of the annual maximum revenue entitlement determination for transportation of regulated grain, to encourage hopper car investment by CP and CN; and
- (6) mandate the installation of locomotive voice and video recorders (LVVRs), with statutory permission for random access by railway companies and Transport Canada to the LVVR data in order to proactively strengthen railway safety in Canada.

The bill is currently being considered by the Parliament of Canada. It is unclear when the proposed legislative amendments could be enacted into law.

After the tragic accident in Lac-Mégantic, Quebec in July of 2013 following a significant derailment involving a non-related short-line railroad, the Government of Canada implemented several measures pursuant to the RSA and the Transportation of Dangerous Goods Act. These modifications implemented changes with respect to rules associated with securing unattended trains, the classification of crude oil being imported, handled, offered for transport or transported and the provision of information to municipalities through which dangerous goods are transported by rail. These changes do not have a material impact on our operating practices.

On October 29, 2015, the Surface Transportation Extension Act of 2015 was signed into law. The law extends, by three years, the deadline for the U.S. rail industry to implement Positive

Train Control (PTC), a set of highly advanced technologies designed to prevent train-to-train collisions, speed-related derailments, and other accidents caused by human error by determining the precise location, direction and speed of trains, warning train operators of potential problems, and taking immediate action if an operator does not respond. Legislation passed by the U.S. Congress in 2008 mandated that PTC systems be put into service by the end of 2015 on rail lines used to transport passengers or toxic-by-inhalation materials. The Surface Transportation Extension Act of 2015 extended the deadline to install and activate PTC to December 31, 2018, or to December 31, 2020 under certain circumstances, allowing CP additional time to ensure safe and effective implementation of PTC on its rail network.

LABOUR RELATIONS

CP EMPLOYS APPROXIMATELY 12,000 ACTIVE EMPLOYEES ACROSS NORTH AMERICA WITH THREE-QUARTERS BASED IN CANADA AND THE REMAINDER IN THE UNITED STATES. UNIONIZED EMPLOYEES REPRESENT 75% OF OUR WORKFORCE AND ARE REPRESENTED BY 39 BARGAINING UNITS.

CANADA

Within Canada there are seven bargaining units representing approximately 6,500 Canadian unionized active employees. From time to time, we negotiate to renew collective agreements with various unionized groups of employees. In such cases, the collective agreements remain in effect until the bargaining process has been exhausted (per Canada Labour Code). Agreements are in place with all seven bargaining units in Canada, with three agreements, which are currently under negotiation, expiring at the end of 2017.

U.S.

In the U.S., there are currently 32 bargaining units on three subsidiary railroads representing 2,200 unionized active employees. Twenty-five agreements are open for amendment and under negotiation at this time. The remaining agreements expire in 2017, 2019, 2020 (three agreements) and in 2021 (two agreements).

CANADIAN UNIONS		# of Active Employees as of December 2016*	Type of Employees	Expiration
Canada	Teamsters Canada Rail Conference (TCRC - T&E)	2,696	Train & Engine Crews	31-Dec-17
	Teamsters Canada Rail Conference Maintenance of Way Employees Division (TCRC - MWED)	1,938	Track Maintainers, Buildings/Structures, TP&E	31-Dec-22
	Teamsters Canada Rail Conference - Rail Canada Traffic Controllers (TCRC - RCTC)	83	Rail Traffic Controllers	31-Dec-20
	International Brotherhood of Electrical Workers (IBEW)	331	Signal Maintainers	31-Dec-17
	Unifor Local 101R	941	Car & Locomotive Repair Employees	31-Dec-18
	United Steelworkers of America Transportation Communications Local 1976 (TC-USWA)	495	Clerical employees	31-Dec-22
	Canadian Pacific Police Association (CPPA)	58	Police	31-Dec-17
TOTAL		6,542		

*Does not include employees on extended leave of absence

U.S. UNIONS		# of Active Employees as of December 2016*	Type of Employees	Expiration
SOO	SMART-TD (UTU)	365	Train Service Employees	31-Dec-21
	Teamsters	333	Locomotive Engineers	31-Mar-20
	Teamsters	310	Track Maintainers	31-Dec-14
	Transportation Communications International Union (TCU)	108	Clerical Employees	31-Dec-14
	Brotherhood of Railway Carmen - Division of Transportation Communications International Union (TCU-BRC)	99	Car Repair Employees	31-Dec-20
	International Association of Machinists & Aerospace Workers (IAM)	53	Machinists	31-Dec-14
	Brotherhood of Railway Signalmen (BRS)	104	Signal Maintainers	31-Dec-14
	International Brotherhood of Electrical Workers (IBEW)	41	Electricians	31-Dec-14
	American Train Dispatchers Association (ATDA)	37	Train Dispatchers	31-Dec-21
	SMART-TD - Yardmasters (UTU-YM)	20	Yardmasters	31-Dec-14
	National Conference of Firemen and Oilers (NCFO)	11	Mechanical Laborers	31-Dec-14
	Soo Line Locomotive and Car Foremen's Association (SLL&CFA)	21	Locomotive/ Car Foremen	31-Dec-14
	International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers (IBBB)	2	Blacksmiths and Boilermakers	31-Dec-14
	Sheet Metal Workers International Association (SMWIA)	0	Sheet Metal Workers	31-Dec-14
D&H	Teamsters	80	Track Maintainers	31-Dec-14
	SMART-TD (UTU)	29	Conductors & Trainpersons	31-Dec-14
	Teamsters	24	Locomotive Engineers	31-Dec-14
	Brotherhood of Railway Carmen (BRC)	6	Car Repair Employees	31-Dec-14
	Brotherhood of Railway Signalmen (BRS)	19	Signal Maintainers	31-Dec-14
	American Railway and Airway Supervisors Association - Engineering (ARASA - ENG)	3	Engineering Supervisors	31-Dec-14
	SMART-TD - Yardmasters (UTU-YM)	7	Yardmasters	31-Dec-14
	International Association of Machinists & Aerospace Workers (IAM)	2	Machinists	31-Dec-14
	International Brotherhood of Electrical Workers (IBEW)	2	Electricians	31-Dec-14
	National Conference of Firemen and Oilers (NCFO)	0	Laborers	31-Dec-14
	Allied Services Division/Transportation Communications International Union (ASD - POLICE)	1	Police	31-Dec-14
	Transportation Communications International Union (TCU)	0	Clerical Employees	31-Dec-14
	American Railway and Airway Supervisors Association - Mechanical (ARASA - MECH)	0	Mechanical Supervisors	31-Dec-14
DM&E	Brotherhood of Locomotive Engineers and Trainmen (BLET - Teamsters)	267	Locomotive Engineers	31-Dec-19
	SMART-TD (UTU)	45	Conductors & Trainpersons	31-Dec-17
	Brotherhood of Railway Signalmen (BRS)	36	Signal Maintainers	31-Dec-14
	Brotherhood of Maintenance of Way (BMWED)	166	Track Maintainers	31-Dec-14
	International Association of Machinists & Aerospace Workers (IAM)	24	Mechanics	31-Dec-20
TOTAL		2,215		

*Does not include employees on extended leave of absence

FINANCIALS

QUARTERLY CONSOLIDATED STATEMENT OF INCOME

\$ in millions, except per share data or unless otherwise indicated

	2014					2015					2016				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
REVENUES															
Grain	\$ 327	\$ 367	\$ 375	\$ 422	\$ 1,491	\$ 393	\$ 361	\$ 409	\$ 426	\$ 1,589	\$ 367	\$ 302	\$ 372	\$ 439	\$ 1,480
Coal	148	165	150	158	621	160	167	163	149	639	145	149	160	152	606
Potash	80	101	70	96	347	93	106	82	78	359	82	79	81	96	338
Fertilizers & sulphur	54	64	55	61	234	71	67	62	72	272	81	73	64	66	284
Forest products	48	52	52	54	206	57	61	66	65	249	71	70	71	63	275
Energy, chemicals & plastics	251	269	296	305	1,121	276	252	282	292	1,102	265	186	187	214	852
Metals, minerals & consumer products	161	170	190	191	712	159	160	173	151	643	133	140	142	149	564
Automotive	88	104	83	82	357	82	91	87	89	349	91	93	86	80	350
Intermodal	317	350	358	350	1,375	339	345	343	323	1,350	313	314	347	337	1,311
Total freight revenues	1,474	1,642	1,629	1,719	6,464	1,630	1,610	1,667	1,645	6,552	1,548	1,406	1,510	1,596	6,060
Non-freight revenues	35	39	41	41	156	35	41	42	42	160	43	44	44	41	172
Total revenues	1,509	1,681	1,670	1,760	6,620	1,665	1,651	1,709	1,687	6,712	1,591	1,450	1,554	1,637	6,232
OPERATING EXPENSES															
Compensation and benefits	345	342	347	314	1,348	378	308	352	333	1,371	329	284	294	282	1,189
Fuel	271	273	249	255	1,048	195	185	162	166	708	125	131	138	173	567
Materials	52	47	47	47	193	52	45	47	40	184	56	38	39	47	180
Equipment rents	41	40	36	38	155	42	46	42	44	174	45	44	43	41	173
Depreciation and amortization	141	137	135	139	552	146	145	149	155	595	162	161	155	162	640
Purchased services and other	236	255	235	259	985	240	276	272	272	1,060	221	241	228	215	905
Gain on sale of Delaware & Hudson South	-	-	-	-	-	-	-	(68)	-	(68)	-	-	-	-	-
Total operating expenses	1,086	1,094	1,049	1,052	4,281	1,053	1,005	956	1,010	4,024	938	899	897	920	3,654
Operating income	423	587	621	708	2,339	612	646	753	677	2,688	653	551	657	717	2,578
Adjusted operating income⁽¹⁾	419	587	621	708	2,335	612	646	685	677	2,620	653	551	657	717	2,578
Other income and charges	-	3	1	15	19	73	(5)	168	99	335	(181)	(9)	71	74	(45)
Net interest expense	70	69	70	73	282	85	84	103	122	394	124	115	116	116	471
Income before income tax expense	353	515	550	620	2,038	454	567	482	456	1,959	710	445	470	527	2,152
Income tax expense	99	144	150	169	562	134	177	159	137	607	170	117	123	143	553
Net income	\$ 254	\$ 371	\$ 400	\$ 451	\$ 1,476	\$ 320	\$ 390	\$ 323	\$ 319	\$ 1,352	\$ 540	\$ 328	\$ 347	\$ 384	\$ 1,599
Adjusted income⁽¹⁾	251	371	400	460	1,482	375	404	427	419	1,625	384	312	405	448	1,549
Operating ratio (%)	72.0%	65.1%	62.8%	59.8%	64.7%	63.2%	60.9%	55.9%	59.8%	60.0%	58.9%	62.0%	57.7%	56.2%	58.6%
Adjusted operating ratio (%)⁽¹⁾	72.2%	65.1%	62.8%	59.8%	64.7%	63.2%	60.9%	59.9%	59.8%	61.0%	58.9%	62.0%	57.7%	56.2%	58.6%
Diluted earnings per share	\$ 1.44	\$ 2.11	\$ 2.31	\$ 2.63	\$ 8.46	\$ 1.92	\$ 2.36	\$ 2.04	\$ 2.08	\$ 8.40	\$ 3.51	\$ 2.15	\$ 2.34	\$ 2.61	\$ 10.63
Adjusted diluted earnings per share⁽¹⁾	\$ 1.42	\$ 2.11	\$ 2.31	\$ 2.68	\$ 8.50	\$ 2.26	\$ 2.45	\$ 2.69	\$ 2.72	\$ 10.10	\$ 2.50	\$ 2.05	\$ 2.73	\$ 3.04	\$ 10.29
Weighted average number of diluted shares outstanding (millions)	177.0	175.9	173.5	170.9	174.4	166.3	165.0	158.7	154.0	161.0	153.8	152.6	148.3	147.3	150.5
FOREIGN EXCHANGE															
Average foreign exchange rate (U.S. \$/Canadian \$)	0.92	0.91	0.93	0.88	0.91	0.81	0.81	0.76	0.75	0.78	0.73	0.78	0.77	0.75	0.75
Average foreign exchange rate (Canadian \$/U.S. \$)	1.09	1.10	1.08	1.13	1.10	1.24	1.23	1.31	1.34	1.28	1.37	1.29	1.30	1.33	1.33

⁽¹⁾ These measures are defined and reconciled in reconciliation of Non-GAAP Measures on page 126.

QUARTERLY CONSOLIDATED BALANCE SHEET

\$ in millions

	2014				2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASSETS												
Current assets												
Cash and cash equivalents	\$ 279	\$ 369	\$ 315	\$ 226	\$ 184	\$ 185	\$ 661	\$ 650	\$ 571	\$ 92	\$ 103	\$ 164
Restricted cash and cash equivalents	409	402	84	-	-	-	-	-	-	-	-	-
Accounts receivable, net	723	687	739	702	776	686	722	645	629	577	605	591
Materials and supplies	190	174	168	177	171	174	174	188	181	195	192	184
Deferred income taxes	345	220	164	56	76	69	79	-	-	-	-	-
Other current assets	64	61	68	116	67	99	69	54	69	59	64	70
Total current assets	2,010	1,913	1,538	1,277	1,274	1,213	1,705	1,537	1,450	923	964	1,009
Investments	98	98	107	112	125	134	144	152	148	155	169	194
Properties	13,518	13,538	14,040	14,438	14,933	15,104	15,762	16,273	16,013	16,160	16,382	16,689
Assets held for sale	230	-	-	182	200	198	-	-	-	-	-	-
Goodwill and intangible assets	168	162	170	176	192	189	204	211	196	195	198	202
Pension asset	1,092	1,151	1,210	304	385	469	543	1,401	1,489	1,565	1,638	1,070
Other assets	199	150	160	151	140	83	73	63	53	70	70	57
Total assets	\$ 17,315	\$ 17,012	\$ 17,225	\$ 16,640	\$ 17,249	\$ 17,390	\$ 18,431	\$ 19,637	\$ 19,349	\$ 19,068	\$ 19,421	\$ 19,221
LIABILITIES AND SHAREHOLDERS' EQUITY												
Current liabilities												
Accounts payable and accrued liabilities	\$ 1,144	\$ 1,257	\$ 1,213	\$ 1,277	\$ 1,280	\$ 1,331	\$ 1,587	\$ 1,417	\$ 1,143	\$ 1,247	\$ 1,246	\$ 1,322
Long-term debt maturing within one year	95	92	132	134	91	90	29	30	23	198	391	25
Total current liabilities	1,239	1,349	1,345	1,411	1,371	1,421	1,616	1,447	1,166	1,445	1,637	1,347
Pension and other benefit liabilities	663	660	657	755	760	759	763	758	750	751	756	734
Other long-term liabilities	348	364	399	432	437	362	343	318	291	286	280	284
Long-term debt	4,774	4,633	4,752	5,659	6,358	6,611	8,648	8,927	8,430	8,383	8,488	8,659
Deferred income taxes	3,028	2,870	2,980	2,773	2,905	2,986	3,069	3,391	3,422	3,512	3,591	3,571
Total liabilities	\$ 10,052	\$ 9,876	\$ 10,133	\$ 11,030	\$ 11,831	\$ 12,139	\$ 14,439	\$ 14,841	\$ 14,059	\$ 14,377	\$ 14,752	\$ 14,595
Shareholders' equity												
Share capital	2,253	2,248	2,240	2,185	2,177	2,151	2,054	2,058	2,065	2,000	2,000	2,002
Additional paid-in capital	36	34	35	36	38	40	42	43	48	49	43	52
Accumulated other comprehensive loss	(1,465)	(1,452)	(1,432)	(2,219)	(2,207)	(2,133)	(2,113)	(1,477)	(1,481)	(1,471)	(1,433)	(1,799)
Retained earnings	6,439	6,306	6,249	5,608	5,410	5,193	4,009	4,172	4,658	4,113	4,059	4,371
Total shareholders' equity	7,263	7,136	7,092	5,610	5,418	5,251	3,992	4,796	5,290	4,691	4,669	4,626
Total liabilities and shareholders' equity	\$ 17,315	\$ 17,012	\$ 17,225	\$ 16,640	\$ 17,249	\$ 17,390	\$ 18,431	\$ 19,637	\$ 19,349	\$ 19,068	\$ 19,421	\$ 19,221

QUARTERLY CONSOLIDATED STATEMENT OF CASH FLOWS

\$ in millions

	2014 ⁽¹⁾					2015					2016				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
OPERATING ACTIVITIES															
Net income	\$ 254	\$ 371	\$ 400	\$ 451	\$ 1,476	\$ 320	\$ 390	\$ 323	\$ 319	\$ 1,352	\$ 540	\$ 328	\$ 347	\$ 384	\$ 1,599
Reconciliation of net income to cash provided by (used in) operating activities:															
Depreciation and amortization	141	137	135	139	552	146	145	149	155	595	162	161	155	162	640
Deferred income taxes	89	(15)	120	160	354	32	74	-	128	234	93	90	50	87	320
Pension funding in (excess) of / less than expense	(32)	(33)	(38)	(29)	(132)	(10)	(20)	(10)	(9)	(49)	(42)	(37)	(26)	(33)	(138)
Foreign exchange (gain) loss on long-term debt	-	-	-	11	11	64	(10)	128	115	297	(181)	(18)	46	74	(79)
Other operating activities, net	17	23	(1)	(53)	(14)	(41)	(28)	(53)	(123)	(245)	(66)	(47)	(17)	(68)	(198)
Change in non-cash working capital balances related to operations	(182)	162	(82)	(22)	(124)	44	34	159	38	275	(288)	35	36	162	(55)
Cash provided by (used in) operating activities	287	645	534	657	2,123	555	585	696	623	2,459	218	512	591	768	2,089
INVESTING ACTIVITIES															
Additions to properties	(224)	(298)	(414)	(513)	(1,449)	(263)	(355)	(449)	(455)	(1,522)	(278)	(330)	(294)	(280)	(1,182)
Proceeds from sale of west end of Dakota, Minnesota & Eastern Railroad	-	236	-	-	236	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of D&H South	-	-	-	-	-	-	-	281	-	281	-	-	-	-	-
Proceeds from sale of properties and other assets	5	11	10	26	52	52	8	13	41	114	60	11	16	29	116
Other	-	(1)	1	-	-	20	(7)	(8)	(1)	4	-	(2)	-	(1)	(3)
Cash used in investing activities	(219)	(52)	(403)	(487)	(1,161)	(191)	(354)	(163)	(415)	(1,123)	(218)	(321)	(278)	(252)	(1,069)
FINANCING ACTIVITIES															
Dividends paid	(61)	(62)	(61)	(60)	(244)	(58)	(57)	(57)	(54)	(226)	(54)	(53)	(75)	(73)	(255)
Issuance of common shares	14	22	14	12	62	16	11	5	11	43	5	4	5	7	21
Purchase of common shares	(85)	(447)	(455)	(1,063)	(2,050)	(529)	(543)	(1,523)	(192)	(2,787)	-	(788)	(412)	(10)	(1,210)
Issuance of long-term debt, excluding commercial paper	-	-	-	-	-	810	-	2,601	-	3,411	-	-	-	-	-
Repayment of long-term debt, excluding commercial paper	(143)	(11)	(21)	(8)	(183)	(58)	(9)	(432)	(6)	(505)	(11)	(7)	(12)	(8)	(38)
Net (repayment) issuance of commercial paper	-	-	-	771	771	(593)	369	(669)	-	(893)	-	176	190	(374)	(8)
Settlement of foreign exchange forward on long-term debt	-	-	17	-	17	-	-	-	-	-	-	-	-	-	-
Other	-	-	(3)	-	(3)	-	-	-	-	-	(2)	(1)	-	-	(3)
Cash (used in) provided by financing activities	(275)	(498)	(509)	(348)	(1,630)	(412)	(229)	(75)	(241)	(957)	(62)	(669)	(304)	(458)	(1,493)
Effect of foreign currency fluctuations on U.S. dollar-denominated cash and cash equivalents	8	(12)	6	5	7	6	(1)	18	22	45	(17)	(1)	2	3	(13)
CASH POSITION															
Increase (decrease) in cash, cash equivalents, and restricted cash	(199)	83	(372)	(173)	(661)	(42)	1	476	(11)	424	(79)	(479)	11	61	(486)
Cash and cash equivalents at beginning of period	887	688	771	399	887	226	184	185	661	226	650	571	92	103	650
Cash and cash equivalents at end of period	\$ 688	\$ 771	\$ 399	\$ 226	\$ 226	\$ 184	\$ 185	\$ 661	\$ 650	\$ 650	\$ 571	\$ 92	\$ 103	\$ 164	\$ 164
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION															
Income taxes paid	\$ 9	\$ 30	\$ 103	\$ 84	\$ 226	\$ (3)	\$ 62	\$ 48	\$ 69	\$ 176	\$ 192	\$ 65	\$ 17	\$ 48	\$ 322
Interest paid	\$ 72	\$ 88	\$ 60	\$ 89	\$ 309	\$ 67	\$ 94	\$ 81	\$ 94	\$ 336	\$ 155	\$ 92	\$ 148	\$ 93	\$ 488
Free cash⁽²⁾⁽³⁾	76	581	137	175	969	370	230	551	230	1,381	(17)	190	315	519	1,007

⁽¹⁾ Certain figures have been reclassified due to a retrospective change in accounting policy (Refer to Note 2 in Item 8. Financial Statements and Supplemental Data of the Company's 2016 Annual Report on Form 10-K).

⁽²⁾ These measures are defined and reconciled in Non-GAAP Measures on page 126.

⁽³⁾ The definition of Free cash has been revised to exclude the deduction of dividends paid. As a result of this change, Free cash was increased by the amount of dividends paid in each quarter.

REVENUE METRICS

QUARTERLY REVENUE AND VOLUME DATA

FREIGHT REVENUES

(In millions)	2014					2015					2016				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Grain	\$ 327	\$ 367	\$ 375	\$ 422	\$ 1,491	\$ 393	\$ 361	\$ 409	\$ 426	\$ 1,589	\$ 367	\$ 302	\$ 372	\$ 439	\$ 1,480
Coal	148	165	150	158	621	160	167	163	149	639	145	149	160	152	606
Potash	80	101	70	96	347	93	106	82	78	359	82	79	81	96	338
Fertilizers & sulphur	54	64	55	61	234	71	67	62	72	272	81	73	64	66	284
Forest products	48	52	52	54	206	57	61	66	65	249	71	70	71	63	275
Energy, chemicals & plastics	251	269	296	305	1,121	276	252	282	292	1,102	265	186	187	214	852
Metals, minerals & consumer products	161	170	190	191	712	159	160	173	151	643	133	140	142	149	564
Automotive	88	104	83	82	357	82	91	87	89	349	91	93	86	80	350
Intermodal	317	350	358	350	1,375	339	345	343	323	1,350	313	314	347	337	1,311
Total freight revenues	\$ 1,474	\$ 1,642	\$ 1,629	\$ 1,719	\$ 6,464	\$ 1,630	\$ 1,610	\$ 1,667	\$ 1,645	\$ 6,552	\$ 1,548	\$ 1,406	\$ 1,510	\$ 1,596	\$ 6,060

CARLOADS

(In thousands)	2014					2015					2016				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Grain	101	122	120	121	464	101	105	116	120	442	100	99	114	119	432
Coal	78	82	73	80	313	82	84	79	78	323	72	75	80	78	305
Potash	28	33	24	33	118	31	37	29	27	124	27	28	29	32	116
Fertilizers & sulphur	15	16	15	15	61	17	15	14	16	62	16	15	14	15	60
Forest products	14	15	15	15	59	15	15	16	16	62	17	17	17	15	66
Energy, chemicals & plastics	69	74	83	82	308	73	70	75	76	294	71	56	58	65	250
Metals, minerals & consumer products	56	60	71	66	253	55	54	58	50	217	45	50	50	51	196
Automotive	30	37	33	34	134	30	36	32	33	131	33	35	29	27	124
Intermodal	227	250	253	244	974	238	252	250	233	973	233	239	258	246	976
Total carloads	618	689	687	690	2,684	642	668	669	649	2,628	614	614	649	648	2,525

REVENUE TON-MILES

(In millions)	2014					2015					2016				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Grain	8,385	9,753	9,801	10,476	38,415	9,349	8,806	9,366	10,546	38,067	9,255	7,969	9,180	10,488	36,892
Coal	5,441	5,941	5,422	5,639	22,443	5,704	5,894	5,316	5,250	22,164	5,348	5,394	5,798	5,631	22,171
Potash	3,293	4,114	2,812	3,880	14,099	3,675	4,514	3,569	3,359	15,117	3,185	3,497	3,651	3,842	14,175
Fertilizers & sulphur	1,074	1,130	915	1,061	4,180	1,115	935	973	1,021	4,044	1,167	1,019	958	996	4,140
Forest products	920	1,003	1,036	997	3,956	1,019	1,061	1,083	1,038	4,201	1,157	1,245	1,217	1,072	4,691
Energy, chemicals & plastics	6,564	7,142	8,034	8,207	29,947	6,602	6,219	6,930	7,140	26,891	6,122	4,202	3,971	4,726	19,021
Metals, minerals & consumer products	2,713	2,698	2,993	2,862	11,266	2,283	2,172	2,451	2,114	9,020	1,807	2,089	2,171	2,271	8,338
Automotive	514	597	420	422	1,953	419	496	424	411	1,750	417	495	393	362	1,667
Intermodal	5,471	6,051	6,116	5,952	23,590	5,897	6,184	6,026	5,896	24,003	5,877	6,181	6,576	6,223	24,857
Total revenue ton-miles	34,375	38,429	37,549	39,496	149,849	36,063	36,281	36,138	36,775	145,257	34,335	32,091	33,915	35,611	135,952

QUARTERLY REVENUE AND VOLUME DATA (CONTINUED)

FREIGHT REVENUE
PER CARLOAD

	2014					2015					2016				
(Dollars)	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Grain	\$ 3,238	\$ 3,014	\$ 3,122	\$ 3,477	\$ 3,212	\$ 3,893	\$ 3,433	\$ 3,537	\$ 3,560	\$ 3,600	\$ 3,658	\$ 3,081	\$ 3,272	\$ 3,659	\$ 3,426
Coal	1,897	2,027	2,040	1,979	1,985	1,939	1,996	2,057	1,920	1,978	2,001	2,001	2,007	1,932	1,984
Potash	2,902	3,046	2,917	2,915	2,941	3,028	2,854	2,816	2,849	2,887	3,064	2,800	2,782	2,973	2,904
Fertilizers & sulphur	3,533	3,925	3,835	3,834	3,801	4,268	4,508	4,265	4,604	4,410	4,993	4,981	4,476	4,593	4,769
Forest products	3,400	3,502	3,426	3,641	3,493	3,857	3,902	4,113	4,227	4,026	4,216	4,055	4,211	4,158	4,157
Energy, chemicals & plastics	3,633	3,649	3,596	3,692	3,643	3,801	3,609	3,749	3,788	3,739	3,753	3,264	3,254	3,302	3,410
Metals, minerals & consumer products	2,869	2,810	2,697	2,895	2,814	2,878	2,946	3,026	3,005	2,963	2,977	2,800	2,821	2,964	2,888
Automotive	2,913	2,798	2,519	2,455	2,670	2,692	2,541	2,719	2,698	2,659	2,754	2,629	2,985	3,006	2,825
Intermodal	1,396	1,403	1,409	1,437	1,411	1,426	1,369	1,374	1,387	1,388	1,338	1,316	1,345	1,368	1,342
Total freight revenue per carload	\$ 2,385	\$ 2,383	\$ 2,372	\$ 2,489	\$ 2,408	\$ 2,541	\$ 2,409	\$ 2,493	\$ 2,534	\$ 2,493	\$ 2,520	\$ 2,291	\$ 2,328	\$ 2,462	\$ 2,400

FREIGHT REVENUE PER RTM

	2014					2015					2016				
(Cents)	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Grain	3.90	3.77	3.83	4.03	3.88	4.20	4.10	4.37	4.04	4.17	3.97	3.79	4.05	4.17	4.01
Coal	2.72	2.79	2.76	2.80	2.77	2.80	2.83	3.07	2.85	2.88	2.70	2.76	2.77	2.70	2.73
Potash	2.41	2.46	2.51	2.46	2.46	2.54	2.34	2.29	2.32	2.37	2.58	2.27	2.21	2.49	2.38
Fertilizers & sulphur	4.98	5.61	6.06	5.70	5.59	6.40	7.12	6.38	7.00	6.71	6.93	7.16	6.68	6.68	6.87
Forest products	5.18	5.20	5.01	5.42	5.20	5.64	5.73	6.07	6.24	5.92	6.17	5.59	5.86	5.86	5.86
Energy, chemicals & plastics	3.81	3.78	3.67	3.73	3.74	4.19	4.06	4.06	4.08	4.10	4.33	4.43	4.71	4.53	4.48
Metals, minerals & consumer products	5.95	6.27	6.36	6.69	6.32	6.94	7.37	7.08	7.15	7.13	7.38	6.68	6.53	6.59	6.77
Automotive	17.23	17.37	19.74	19.26	18.26	19.49	18.37	20.64	21.71	19.97	21.75	18.79	21.91	22.31	21.02
Intermodal	5.79	5.79	5.84	5.89	5.83	5.75	5.58	5.69	5.48	5.62	5.32	5.09	5.27	5.41	5.27
Total freight revenue per RTM	4.29	4.27	4.34	4.35	4.31	4.52	4.44	4.61	4.47	4.51	4.51	4.38	4.45	4.48	4.46

OPERATING METRICS

QUARTERLY STATISTICAL DATA

	2014 ⁽¹⁾					2015 ⁽¹⁾					2016 ⁽¹⁾				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
OPERATIONS PERFORMANCE															
Gross ton-miles ("GTMs") (millions)	62,097	70,756	68,800	71,209	272,862	65,355	66,598	65,273	66,117	263,344	62,219	57,945	60,297	62,233	242,694
Train-miles (thousands)	8,770	9,297	8,977	9,208	36,252	8,540	8,705	8,427	8,390	34,064	7,930	7,391	7,305	7,748	30,373
Average train weight - excluding local traffic (tons)	7,625	8,149	8,234	8,278	8,076	8,183	8,253	8,322	8,505	8,314	8,480	8,513	8,891	8,588	8,614
Average train length - excluding local traffic (feet)	6,276	6,789	6,827	6,819	6,682	6,773	6,989	6,944	7,036	6,935	7,103	7,271	7,411	7,100	7,217
Average terminal dwell (hours)	10.3	8.6	8.1	8.1	8.7	8.9	6.7	6.6	6.6	7.2	6.9	6.5	7.0	6.4	6.7
Average train speed (mph)	16.1	18.0	18.6	19.3	18.0	19.5	21.7	22.2	22.8	21.4	23.5	24.1	23.9	22.9	23.5
Fuel efficiency (U.S. gallons of locomotive fuel consumed /1,000 GTMs)	1.115	1.004	1.000	1.031	1.035	1.049	0.998	0.955	0.996	0.999	1.002	0.979	0.940	0.996	0.980
U.S. gallons of locomotive fuel consumed (millions)	68.3	70.3	68.0	72.7	279.3	68.0	65.8	62.1	65.8	261.7	62.0	56.3	56.3	61.6	236.2
Average fuel price (U.S. dollars per U.S. gallon)	3.63	3.53	3.39	3.11	3.41	2.32	2.30	2.00	1.91	2.13	1.48	1.82	1.88	2.01	1.80
PEOPLE															
Total employees (average)	14,374	14,851	14,705	14,485	14,604	14,364	14,195	13,709	13,163	13,858	12,434	12,341	11,750	11,803	12,082
Total employees (end of period)	14,670	14,756	14,658	14,255	14,255	14,259	14,071	13,530	12,817	12,817	12,443	11,988	11,773	11,653	11,653
Workforce (end of period)	14,680	14,882	14,793	14,385	14,385	14,342	14,128	13,601	12,899	12,899	12,508	12,033	11,827	11,698	11,698
SAFETY															
FRA personal injuries per 200,000 employee-hours	1.60	1.74	1.57	1.78	1.67	2.09	1.44	1.87	1.99	1.84	1.45	1.36	1.87	2.02	1.66
FRA train accidents per million train-miles	1.12	1.15	1.62	1.18	1.26	1.48	1.45	1.29	1.41	1.41	0.93	0.74	1.24	1.19	1.03

⁽¹⁾ Certain figures have been revised to conform with current presentation or have been updated to reflect new information as certain operating statistics are estimated and can continue to be updated as actuals settle.

NON-GAAP MEASURES

The Company presents non-GAAP measures and cash flow information to provide a basis for evaluating underlying earnings and liquidity trends in the Company's business that can be compared with the results of operations in prior periods. In addition, these non-GAAP measures facilitate a multi-period assessment of long-term profitability, allowing management and other external users of the Company's consolidated financial information to compare profitability

on a long-term basis, including assessing future profitability, with that of the Company's peers.

These non-GAAP measures have no standardized meaning and are not defined by GAAP and, therefore may not be comparable to similar measures presented by other companies. The presentation of these non-GAAP measures is not intended to be considered in isolation from, as a substitute for, or as superior to the financial information presented in accordance with GAAP.

ADJUSTED PERFORMANCE MEASURES

The Company uses Adjusted income, Adjusted diluted earnings per share, Adjusted operating income, and Adjusted operating ratio to evaluate the Company's operating performance and for planning and forecasting future business operations and future profitability. These non-GAAP measures are presented in Financial and Statistical Highlights on page 1, Quarterly Consolidated Statement of Income on page 120 and Quarterly Consolidated Statement of Cash Flows on page 122. These non-GAAP measures provide meaningful supplemental information regarding operating results because they exclude certain significant items that are not considered indicative of future financial trends either by nature or amount. As a result, these items are excluded for management assessment of operational performance, allocation of resources and preparation of annual budgets. These significant items may include, but are not limited to, restructuring and asset impairment charges, individually significant gains and losses from sales of assets, and certain items outside the control

of management. These items may not be non-recurring. However, excluding these significant items from GAAP results allows for a consistent understanding of the Company's consolidated financial performance when performing a multi-period assessment including assessing the likelihood of future results. Accordingly, these non-GAAP financial measures may provide insight to investors and other external users of the Company's consolidated financial information.

In 2012, there were six significant items included in Net income as follows:

- in the first and second quarters, advisory fees of \$27 million (\$20 million after current tax) related to shareholder matters that unfavourably impacted Diluted EPS by 12 cents;
- in the second quarter, a deferred income tax expense of \$11 million as a result of the change in the province of Ontario's corporate income tax rate that unfavourably impacted Diluted EPS by 6 cents;

- in the second quarter, a charge of \$42 million (\$29 million after current tax) with respect to compensation and other management transition costs that unfavourably impacted Diluted EPS by 17 cents;
- in the fourth quarter, an asset impairment charge of \$185 million (\$111 million after deferred tax) with respect to the option to build into the Powder River Basin and another investment that unfavourably impacted Diluted EPS by 64 cents;
- in the fourth quarter, an asset impairment charge of \$80 million (\$59 million after deferred tax) related to a certain series of locomotives that unfavourably impacted Diluted EPS by 34 cents; and
- in the fourth quarter, a labour restructuring charge of \$53 million (\$39 million after current tax) as part of a restructuring initiative that unfavourably impacted Diluted EPS by 22 cents.

In 2013, there were five significant items included in Net income as follows:

- in the first quarter, a recovery of U.S. \$9 million (U.S. \$6 million after current tax) related to settlement of certain management transition amounts, which had been subject to legal proceedings, that favourably impacted Diluted EPS by 3 cents;
- in the third quarter, a deferred income tax expense of \$7 million as a result of the change in the province of British Columbia's corporate income tax rate that unfavourably impacted Diluted EPS by 4 cents;
- in the fourth quarter, an asset impairment charge and accruals for future costs totalling \$435 million (\$257 million after deferred tax) relating to the sale of DM&E West, which closed in the second quarter of 2014 and unfavourably impacted Diluted EPS by \$1.46;

- in the fourth quarter, management transition costs related to the retirement of the Company's CFO and the appointment of the new CFO of \$5 million (\$4 million after current tax) that unfavourably impacted Diluted EPS by 2 cents; and
- in the fourth quarter, a recovery of \$7 million (\$5 million after current tax) of the Company's 2012 labour restructuring initiative due to favourable experience gains that favourably impacted Diluted EPS by 3 cents.

In 2014, there were two significant items included in Net income as follows:

- in the first quarter, a recovery of \$4 million (\$3 million after current tax) was recorded for the Company's 2012 labour restructuring initiative due to favourable experience gains, recorded in Compensation and benefits that favourably impacted Diluted EPS by 1 cent; and
- in the fourth quarter, a net non-cash loss of \$12 million (\$9 million after deferred tax) due to FX translation on the Company's U.S. dollar-denominated debt that unfavourably impacted Diluted EPS by 5 cents.

In 2015, there were four significant items included in Net income as follows:

- in the second quarter, a deferred income tax expense of \$23 million as a result of the change in the Alberta provincial corporate income tax rate that unfavourably impacted Diluted EPS by 14 cents;
- in the third quarter, a \$68 million gain (\$42 million after current tax) related to the sale of D&H South that favourably impacted Diluted EPS by 26 cents;

- in the third quarter, a \$47 million charge (\$35 million after deferred tax) related to the early redemption premium on notes that unfavourably impacted Diluted EPS by 22 cents; and
- during the course of the year, a net non-cash loss of \$297 million (\$257 million after deferred tax) due to FX translation of the Company's U.S. dollar-denominated debt as follows:
 - in the first quarter, a \$64 million loss (\$55 million after deferred tax) that unfavourably impacted Diluted EPS by 34 cents;
 - in the second quarter, a \$10 million gain (\$9 million after deferred tax) that favourably impacted Diluted EPS by 5 cents;
 - in the third quarter, a \$128 million loss (\$111 million after deferred tax) that unfavourably impacted Diluted EPS by 69 cents; and
 - in the fourth quarter, a \$115 million loss (\$100 million after deferred tax) that unfavourably impacted Diluted EPS by 64 cents.

In 2016, there were two significant items included in Net income as follows:

- in the third quarter, a \$25 million expense (\$18 million after current tax) related to a legal settlement that unfavourably impacted Diluted EPS by 12 cents; and
- during the course of the year, a net non-cash gain of \$79 million (\$68 million after deferred tax) due to FX translation of the Company's U.S. dollar-denominated debt as follows:
 - in the first quarter, a \$181 million gain (\$156 million after deferred tax) that favourably impacted Diluted EPS by \$1.01;
 - in the second quarter, a \$18 million gain (\$16 million after deferred tax) that favourably impacted Diluted EPS by 10 cents;
 - in the third quarter, a \$46 million loss (\$40 million after deferred tax) that unfavourably impacted Diluted EPS by 27 cents; and
 - in the fourth quarter, a \$74 million loss (\$64 million after deferred tax) that unfavourably impacted Diluted EPS by 43 cents.

RECONCILIATION OF GAAP PERFORMANCE MEASURES TO NON-GAAP PERFORMANCE MEASURES

The following tables reconcile the most directly comparable measures presented in accordance with GAAP to the non-GAAP measures for the

years ended December 31, 2012, 2013, 2014, 2015 and 2016, as well as by quarters for 2014, 2015 and 2016:

Adjusted income is calculated as Net income reported on a GAAP basis less significant items.

For the year ended December 31 (in millions)

	2012	2013	2014	2015	2016
Net income as reported	\$ 484	\$ 875	\$ 1,476	\$ 1,352	\$ 1,599
Less significant items (pretax):					
Legal settlement charge	-	-	-	-	(25)
Gain on sale of D&H South	-	-	-	68	-
Labour restructuring	(53)	7	4	-	-
Asset impairments	(265)	(435)	-	-	-
Management transition costs	(42)	4	-	-	-
Advisory fees related to shareholder matters	(27)	-	-	-	-
Impact of FX translation on U.S. dollar-denominated debt	-	-	(12)	(297)	79
Early redemption premium on notes	-	-	-	(47)	-
Income tax rate change	(11)	(7)	-	(23)	-
Tax effect of adjustments ⁽¹⁾	(129)	(174)	(2)	(26)	4
Adjusted income	\$ 753	\$ 1,132	\$ 1,482	\$ 1,625	\$ 1,549

⁽¹⁾ Tax effect of adjustments was calculated as the pretax effect of the adjustments multiplied by the effective tax rate for each of the above items for the periods presented.

For the year ended December 31 (in millions)	2014					2015					2016				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Net income as reported	\$ 254	\$ 371	\$ 400	\$ 451	\$ 1,476	\$ 320	\$ 390	\$ 323	\$ 319	\$ 1,352	\$ 540	\$ 328	\$ 347	\$ 384	\$ 1,599
Less significant items (pretax):															
Legal settlement charge	-	-	-	-	-	-	-	-	-	-	-	-	(25)	-	(25)
Gain on sale of D&H South	-	-	-	-	-	-	-	68	-	68	-	-	-	-	-
Labour restructuring	4	-	-	-	4	-	-	-	-	-	-	-	-	-	-
Impact of FX translation on U.S. dollar-denominated debt	-	-	-	(12)	(12)	(64)	10	(128)	(115)	(297)	181	18	(46)	(74)	79
Early redemption premium on notes	-	-	-	-	-	-	-	(47)	-	(47)	-	-	-	-	-
Income tax rate change	-	-	-	-	-	-	(23)	-	-	(23)	-	-	-	-	-
Tax effect of adjustments ⁽¹⁾	1	-	-	(3)	(2)	(9)	1	(3)	(15)	(26)	25	2	(13)	(10)	4
Adjusted income	\$ 251	\$ 371	\$ 400	\$ 460	\$ 1,482	\$ 375	\$ 404	\$ 427	\$ 419	\$ 1,625	\$ 384	\$ 312	\$ 405	\$ 448	\$ 1,549

⁽¹⁾ Tax effect of adjustments was calculated as the pretax effect of the adjustments multiplied by the effective tax rate for each of the above items for the periods presented.

Adjusted diluted earnings per share is calculated using Adjusted income, as defined above, divided by the weighted-average diluted shares outstanding during the period as determined in accordance with GAAP.

For the year ended December 31 (in millions)	2012	2013	2014	2015	2016
Diluted earnings per share as reported	\$ 2.79	\$ 4.96	\$ 8.46	\$ 8.40	\$ 10.63
Less significant items (pretax):					
Legal settlement charge	-	-	-	-	(0.17)
Gain on sale of D&H South	-	-	-	0.42	-
Labour restructuring	(0.31)	0.04	0.02	-	-
Asset impairments	(1.53)	(2.47)	-	-	-
Management transition costs	(0.24)	0.02	-	-	-
Advisory fees related to shareholder matters	(0.16)	-	-	-	-
Impact of FX translation on U.S. dollar-denominated debt	-	-	(0.07)	(1.84)	0.53
Early redemption premium on notes	-	-	-	(0.30)	-
Income tax rate change	(0.06)	(0.04)	-	(0.14)	-
Tax effect of adjustments ⁽¹⁾	(0.75)	(0.99)	(0.01)	(0.16)	0.02
Adjusted diluted earnings per share	\$ 4.34	\$ 6.42	\$ 8.50	\$ 10.10	\$ 10.29

⁽¹⁾ Tax effect of adjustments was calculated as the pretax effect of the adjustments multiplied by the effective tax rate for each of the above items for the periods presented.

For the period ended December 31 (in millions)	2014					2015					2016				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Diluted earnings per share as reported	\$ 1.44	\$ 2.11	\$ 2.31	\$ 2.63	\$ 8.46	\$ 1.92	\$ 2.36	\$ 2.04	\$ 2.08	\$ 8.40	\$ 3.51	\$ 2.15	\$ 2.34	\$ 2.61	\$10.63
Less significant items (pretax):															
Legal settlement charge	-	-	-	-	-	-	-	-	-	-	-	-	(0.17)	-	(0.17)
Gain on sale of D&H South	-	-	-	-	-	-	-	0.42	-	0.42	-	-	-	-	-
Labour restructuring	0.02	-	-	-	0.02	-	-	-	-	-	-	-	-	-	-
Impact of FX translation on U.S. dollar-denominated debt	-	-	-	(0.07)	(0.07)	(0.39)	0.06	(0.81)	(0.74)	(1.84)	1.17	0.12	(0.31)	(0.50)	0.53
Early redemption premium on notes	-	-	-	-	-	-	-	(0.30)	-	(0.30)	-	-	-	-	-
Income tax rate change	-	-	-	-	-	-	(0.14)	-	-	(0.14)	-	-	-	-	-
Tax effect of adjustments ⁽¹⁾	-	-	-	(0.02)	(0.01)	(0.05)	0.01	(0.04)	(0.10)	(0.16)	0.16	0.02	(0.09)	(0.07)	0.02
Adjusted diluted earnings per share	\$ 1.42	\$ 2.11	\$ 2.31	\$ 2.68	\$ 8.50	\$ 2.26	\$ 2.45	\$ 2.69	\$ 2.72	\$10.10	\$ 2.50	\$ 2.05	\$ 2.73	\$ 3.04	\$10.29

⁽¹⁾ Tax effect of adjustments was calculated as the pretax effect of the adjustments multiplied by the effective tax rate for each of the above items for the periods presented.

Adjusted operating income is calculated as Operating income reported on a GAAP basis less significant items.

For the year ended December 31 (in millions)	2012	2013	2014	2015	2016
Operating income as reported	\$ 949	\$ 1,420	\$ 2,339	\$ 2,688	\$ 2,578
Less significant items:					
Gain on sale of D&H South	-	-	-	68	-
Labour restructuring	(53)	7	4	-	-
Asset impairments	(265)	(435)	-	-	-
Management transition costs	(42)	4	-	-	-
Adjusted Operating income	\$ 1,309	\$ 1,844	\$ 2,335	\$ 2,620	\$ 2,578

For the year ended December 31 (in millions)	2014					2015					2016				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Operating income as reported	\$ 423	\$ 587	\$ 621	\$ 708	\$ 2,339	\$ 612	\$ 646	\$ 753	\$ 677	\$ 2,688	\$ 653	\$ 551	\$ 657	\$ 717	\$ 2,578
Less significant items:															
Gain on sale of D&H South	-	-	-	-	-	-	-	68	-	68	-	-	-	-	-
Labour restructuring	4	-	-	-	4	-	-	-	-	-	-	-	-	-	-
Adjusted Operating income	\$ 419	\$ 587	\$ 621	\$ 708	\$ 2,335	\$ 612	\$ 646	\$ 685	\$ 677	\$ 2,620	\$ 653	\$ 551	\$ 657	\$ 717	\$ 2,578

Adjusted operating ratio excludes those significant items that are reported within Operating income.

For the year ended December 31	2012	2013	2014	2015	2016
Operating ratio as reported	83.3%	76.8%	64.7%	60.0%	58.6%
Less significant items:					
Gain on sale of D&H South	-%	-%	-%	(1.0)%	-%
Labour restructuring	0.9%	(0.1)%	-%	-%	-%
Asset impairments	4.7%	7.1%	-%	-%	-%
Management transition costs	0.7%	(0.1)%	-%	-%	-%
Adjusted Operating ratio	77.0%	69.9%	64.7%	61.0%	58.6%

For the year ended December 31	2014					2015					2016				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Operating ratio as reported	72.0%	65.1%	62.8%	59.8%	64.7%	63.2%	60.9%	55.9%	59.8%	60.0%	58.9%	62.0%	57.7%	56.2%	58.6%
Less significant items:															
Gain on sale of D&H South	-%	-%	-%	-%	-%	-%	-%	(4.0)%	-%	(1.0)%	-%	-%	-%	-%	-%
Labour restructuring	(0.2)%	-%	-%	-%	-%	-%	-%	-%	-%	-%	-%	-%	-%	-%	-%
Adjusted Operating ratio	72.2%	65.1%	62.8%	59.8%	64.7%	63.2%	60.9%	59.9%	59.8%	61.0%	58.9%	62.0%	57.7%	56.2%	58.6%

ROIC AND ADJUSTED ROIC

ROIC is calculated as Operating income less Other income and charges, tax effected at the Company's annualized effective tax rate, on a rolling twelve-month basis, divided by the sum of Total shareholders' equity, Long-term debt, Long-term debt maturing within one year and Short-term borrowing, as presented in the Company's Consolidated Financial Statements, averaged between the beginning and ending balance over a rolling twelve-month period. Adjusted ROIC excludes significant items reported in Operating income and Other income and charges in the Company's Consolidated

Financial Statements, as these significant items are not considered indicative of future financial trends either by nature or amount. ROIC and Adjusted ROIC are all-encompassing performance measures that measure how productively the Company uses its long-term capital investments, representing critical indicators of good operating and investment decisions made by management and are important performance criteria in determining certain elements of the Company's long-term incentive plan. ROIC and Adjusted ROIC are presented in Financial & Statistical Highlights on page 1.

CALCULATION OF ROIC AND ADJUSTED ROIC

(in millions, except for percentages)	2012	2013	2014	2015	2016
Operating income for the year ended December 31	\$ 949	\$ 1,420	\$ 2,339	\$ 2,688	\$ 2,578
Less:					
Other income and charges	37	17	19	335	(45)
Tax ⁽¹⁾	218	312	640	728	675
	\$ 694	\$ 1,091	\$ 1,680	\$ 1,625	\$ 1,948
Average for the twelve months of total shareholders' equity, long-term debt, long-term debt maturing within one year and short-term borrowing	\$ 9,564	\$ 10,842	\$ 11,653	\$ 12,561	\$ 13,532
ROIC	7.3%	10.1%	14.4%	12.9%	14.4%

⁽¹⁾ Tax was calculated at the annualized effective tax rate of 23.95%, 22.21%, 27.59%, 30.95%, and 25.72% for each of the above items for the years presented, respectively.

(in millions, except for percentages)	2012	2013	2014	2015	2016
Adjusted operating income for the year ended December 31	\$ 1,309	\$ 1,844	\$ 2,335	\$ 2,620	\$ 2,578
Less:					
Other income and charges	37	17	19	335	(45)
Add significant items (pretax):					
Legal settlement charge	-	-	-	-	25
Advisory fees related to shareholder matters	27	-	-	-	-
Impact of FX translation on U.S. dollar-denominated debt	-	-	12	297	(79)
Early redemption premium on notes	-	-	-	47	-
Less: Tax ⁽¹⁾	344	491	642	716	673
	\$ 955	\$ 1,336	\$ 1,686	\$ 1,913	\$ 1,896
Average for the twelve months of total shareholders' equity, long-term debt, long-term debt maturing within one year and short-term borrowing	\$ 9,564	\$ 10,842	\$ 11,653	\$ 12,561	\$ 13,532
Adjusted ROIC	10.0%	12.3%	14.5%	15.2%	14.0%

⁽¹⁾ Tax was calculated at the adjusted annualized effective tax rate of 26.49%, 26.88%, 27.58%, 27.25%, 26.20% for each of the above items for the years presented, respectively.

FREE CASH

Free cash is calculated as Cash provided by operating activities, less Cash used in investing activities, adjusted for changes in cash and cash equivalents balances resulting from FX fluctuations. Free cash is a measure that management considers to be an indicator of liquidity. Free cash is useful to investors and other external users of the consolidated financial statements as it assists with the evaluation of the Company's ability to generate cash from its operations without incurring additional external financing. Positive Free cash indicates the amount of cash available for reinvestment in the business, or cash that

can be returned to investors through dividends, stock repurchase programs, debt retirements or a combination of these. Conversely, negative Free cash indicates the amount of cash that must be raised from investors through new debt or equity issues, reduction in available cash balances or a combination of these. Free cash should be considered in addition to, rather than as a substitute for, Cash provided by operating activities. Free cash is presented in Financial and Statistical Highlights on page 1 and Quarterly Consolidated Statement of Cash Flows on page 122.

RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH

For the year ended December 31
(in millions)

	2012	2013	2014	2015	2016
Cash provided by operating activities	\$ 1,328	\$ 1,950	\$ 2,123	\$ 2,459	\$ 2,089
Cash used in investing activities	(1,011)	(1,186)	(1,161)	(1,123)	(1,069)
Effect of foreign currency fluctuations on U.S. dollar-denominated cash and cash equivalents	(1)	10	7	45	(13)
Free cash	\$ 316	\$ 774	\$ 969	\$ 1,381	\$ 1,007

For the year ended
December 31
(in millions)

	2014					2015					2016				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Cash provided by operating activities	\$ 287	\$ 645	\$ 534	\$ 657	\$ 2,123	\$ 555	\$ 585	\$ 696	\$ 623	\$ 2,459	\$ 218	\$ 512	\$ 591	\$ 768	\$ 2,089
Cash used in investing activities ⁽¹⁾	(219)	(52)	(403)	(487)	(1,161)	(191)	(354)	(163)	(415)	(1,123)	(218)	(321)	(278)	(252)	(1,069)
Effect of foreign currency fluctuations on U.S. dollar-denominated cash and cash equivalents	8	(12)	6	5	7	6	(1)	18	22	45	(17)	(1)	2	3	(13)
Free cash⁽²⁾	\$ 76	\$ 581	\$ 137	\$ 175	\$ 969	\$ 370	\$ 230	\$ 551	\$ 230	\$ 1,381	\$ (17)	\$ 190	\$ 315	\$ 519	\$ 1,007

⁽¹⁾ 2014 comparative figures have been restated due to the early adoption of Accounting Standards Update ("ASU") 2016-18. See further discussion in Item 8. Financial Statements and Supplemental Data of the Company's 2016 Annual Report on Form 10-K, Note 2 Accounting changes. As a result of the change, the offsetting adjustments for changes in restricted cash were also removed from this calculation in both years, resulting in no net change to Free cash.

⁽²⁾ The definition of Free cash has been revised to exclude the deduction of dividends paid. As a result of this change, Free cash was increased by the amount of dividends paid in each quarter.

RECONCILIATION OF NET INCOME TO EBIT, ADJUSTED EBIT AND ADJUSTED EBITDA

EBIT is calculated as Operating income, less Other income and charges. Adjusted EBIT excludes significant items reported in Operating income and Other income and charges. Adjusted EBITDA

is calculated as Adjusted EBIT plus Depreciation and amortization, net periodic pension and other benefit cost other than current service costs, and operating lease expense.

For the year ended December 31
(in millions)

	2012	2013	2014	2015	2016
Net income as reported	\$ 484	\$ 875	\$ 1,476	\$ 1,352	\$ 1,599
Add:					
Net interest expense	276	278	282	394	471
Income tax expense	152	250	562	607	553
EBIT	912	1,403	2,320	2,353	2,623
Less Significant items (pretax):					
Legal settlement charge	-	-	-	-	(25)
Gain on sale of D&H South	-	-	-	68	-
Labour restructuring	(53)	7	4	-	-
Asset impairments	(265)	(435)	-	-	-
Management transition	(42)	4	-	-	-
Advisory costs related to shareholder matters	(27)	-	-	-	-
Impact of FX translation on U.S. dollar-denominated debt	-	-	(12)	(297)	79
Early redemption premium on notes	-	-	-	(47)	-
Adjusted EBIT	1,299	1,827	2,328	2,629	2,569
Less:					
Net periodic pension and other benefit cost other than current service costs	63	82	137	70	167
Operating lease expense	(182)	(154)	(121)	(127)	(111)
Depreciation and amortization	(539)	(565)	(552)	(595)	(640)
Adjusted EBITDA	\$ 1,957	\$ 2,464	\$ 2,864	\$ 3,281	\$ 3,153

ADJUSTED NET DEBT TO ADJUSTED EBITDA RATIO

Adjusted net debt is defined as Long-term debt, Long-term debt maturing within one year and Short-term borrowing as reported on the Company's Consolidated Balance Sheets adjusted for pension plans deficit, the net present value of operating leases, which is discounted by the Company's effective interest rate for each of the years presented, and Cash and cash equivalents. Adjusted net debt to adjusted EBITDA ratio is calculated as Adjusted net debt divided by Adjusted EBITDA.

The Adjusted net debt to Adjusted EBITDA ratio is one of the key metrics used by credit rating agencies in assessing the Company's financial capacities and constraints and determining the credit rating of the Company. By excluding the impact of certain items that are not considered by management in developing a minimum threshold, Adjusted net debt to Adjusted EBITDA ratio provides a metric that management uses to evaluate the Company's financial discipline with respect to capital markets credit sensitivities from management's perspective and communicates it publicly with investors, analysts and credit rating agencies.

RECONCILIATION OF LONG-TERM DEBT TO ADJUSTED NET DEBT

(in millions)	2012	2013	2014	2015	2016
Long-term debt including long-term debt maturing within one year as at December 31⁽¹⁾	\$ 4,651	\$ 4,839	\$ 5,759	\$ 8,957	\$ 8,684
Less:					
Pension plans deficit ⁽²⁾	(884)	(227)	(288)	(295)	(273)
Net present value of operating leases ⁽³⁾	(515)	(518)	(447)	(439)	(361)
Cash and cash equivalents	333	476	226	650	164
Adjusted net debt as at December 31	\$ 5,717	\$ 5,108	\$ 6,268	\$ 9,041	\$ 9,154

⁽¹⁾ Comparative information has been updated to reflect the change in accounting policy requiring presentation of long-term debt issuance costs as a reduction of the carrying value of "Long-term debt".

⁽²⁾ Pension plans deficit is the total funded status of the Pension plans in deficit only.

⁽³⁾ Operating leases were discounted at the Company's effective interest rate for each of the years presented.

CALCULATION OF ADJUSTED NET DEBT TO ADJUSTED EBITDA RATIO

(in millions except for ratios)	2012	2013	2014	2015	2016
Adjusted net debt as at December 31	\$ 5,717	\$ 5,108	\$ 6,268	\$ 9,041	\$ 9,154
Adjusted EBITDA for the year ended December 31	\$ 1,957	\$ 2,464	\$ 2,864	\$ 3,281	\$ 3,153
Adjusted net debt to Adjusted EBITDA ratio	2.9	2.1	2.2	2.8	2.9

GLOSSARY

AVERAGE LENGTH OF HAUL

The average distance in miles one ton is carried. Calculated by dividing total ton-miles by tons of freight.

AVERAGE TERMINAL DWELL

The average time a freight car resides within terminal boundaries expressed in hours. The timing starts with a train arriving in the terminal, a customer releasing the car to CP, or a car arriving at interchange from another railway. The timing ends when the train leaves, a customer receives the car from CP, or the freight car is transferred to another railway.

AVERAGE TRAIN LENGTH

The sum of each car length multiplied by the distance travelled, divided by train-miles. Local trains are excluded from this measure.

AVERAGE TRAIN SPEED

A measure of the line-haul movement from origin to destination including terminal dwell hours, calculated by dividing the total train-miles travelled by the total train hours operated. This calculation excludes delay time related to customer or foreign railways, and also excludes the time and distance travelled by: i) trains used in or around CP's yards; ii) passenger trains; and iii) trains used for repairing track.

AVERAGE TRAIN WEIGHT

The average gross weight of CP trains, both loaded and empty. This excludes trains in short-haul service, work trains used to move CP's track equipment and materials, and the haulage of other railways' trains on CP's network.

CLASS 1 RAILROAD

A railroad with annual operating revenues exceeding U.S. \$447.6 million.

CARLOADS

Revenue-generating shipments of containers, trailers and freight cars.

CONTAINER

A large, weatherproof box designed for shipping and/or transferring freight between rail, truck or marine modes.

FREIGHT REVENUE PER CARLOAD

The amount of freight revenue earned for every carload moved, calculated by dividing the freight revenue for a commodity by the number of carloads of the commodity transported in the period.

FREIGHT REVENUE PER RTM

The amount of freight revenue earned for every RTM moved, calculated by dividing the total freight revenue by the total RTMs in the period.

GROSS TON-MILE (GTM)

The movement of the combined tons (freight car tare, inactive locomotive tare, and contents) a distance of one mile.

HAULAGE

The right of one railroad to have another railroad transport freight over that railroad's tracks, using the other's crews and usually its locomotives.

JOINT USE AGREEMENT

A joint use agreement is an agreement under which two railroads agree to share segments of track owned by each carrier. Implementation of a joint use arrangement may involve either trackage rights and/or haulage granted by either railroad to the other.

MAINLINE ROUTE

A primary rail line over which trains operate from terminal to terminal.

METRIC TONNE

A metric tonne is 2,204.6 pounds or 1.1023 tons.

OPERATING RATIO (OR)

The percentage of revenues expended in operating the railroad. It is calculated by dividing operating expenses by operating revenues.

REVENUE TON-MILE (RTM)

The movement of one revenue-producing ton of freight one mile.

ROLLING STOCK

General term for all locomotives and railcars.

SHORT-LINE RAILROAD

A railroad that is not large enough to be classified as a Class 1 or regional railroad.

SIDING

A section of track that is separate from, but connects to the mainline. Sidings enable trains travelling in opposite directions to pass.

TRackage RIGHTS

The right of one railroad to operate over another railroad's tracks, using its own crews and locomotives.

TRANSLOAD FACILITY

A facility providing the service of transferring shipments from truck-to-rail or rail-to-container.

UNIT TRAIN

A freight train consisting of carloads of the same commodity moving from origin to one destination.

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