

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to enhance a reader's understanding of the Company's results of operations and financial condition. The MD&A is provided as a supplement to, and should be read in conjunction with, the Company's Interim Consolidated Financial Statements and the related notes as at and for the three and six months ended June 30, 2025 in Item 1. Financial Statements, other information in this report, and Item 8. Financial Statements and Supplementary Data of the Company's 2024 Annual Report on Form 10-K. Except where otherwise indicated, all financial information reflected herein is expressed in Canadian dollars.

In this Quarterly Report on Form 10-Q, unless the context indicates otherwise, references to "CPKC", "the Company", "our", or "us" are to Canadian Pacific Kansas City Limited ("CPKC") and its subsidiaries.

### Available Information

The Company makes available on or through its website [www.cpkcr.com](http://www.cpkcr.com) free of charge, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such reports are filed with or furnished to the Securities and Exchange Commission ("SEC"). Our website also contains charters for our Board of Directors and each of its committees, our corporate governance guidelines and our Code of Business Ethics. SEC filings made by the Company are also accessible through the SEC's website at [www.sec.gov](http://www.sec.gov). The information on our website is not part of this quarterly report on Form 10-Q.

The Company has included the Chief Executive Officer's ("CEO") and Chief Financial Officer's ("CFO") certifications regarding the Company's public disclosure required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits to this report.

### Executive Summary

#### *Second Quarter of 2025 Results*

- Total revenues were \$3,699 million, an increase of 3% compared to \$3,603 million in 2024. The increase was primarily due to higher volumes as measured by revenue per ton-miles ("RTMs"), partially offset by a decrease in freight revenue per RTM.
- Diluted earnings per share ("EPS") was \$1.33, an increase of 37% compared to \$0.97 in 2024.
- Core adjusted diluted EPS was \$1.12, an increase of 7% compared to \$1.05 in 2024.
- Operating ratio was 63.7%, a 110 basis point improvement from 64.8% in 2024.
- Core adjusted operating ratio was 60.7%, a 110 basis point improvement from 61.8% in 2024.

Core adjusted diluted EPS and Core adjusted operating ratio are defined and reconciled in the "Non-GAAP Measures" section of this Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

#### *Recent Developments*

- On May 30, 2025, the Company entered into new four-year collective agreements with the Teamsters Canada Rail Conference ("TCRC") – Train and Engine division and the TCRC - Rail Canada Traffic Controllers division, following binding arbitration. The new collective agreements include annual wage increases of 3%, effective from January 1, 2024 to December 31, 2027.
- On April 1, 2025, CPKC sold its 50% equity method investment in the Panama Canal Railway Company ("PCRC") to APM Terminals Panama Rail LP ("APM Terminals"), a subsidiary of A.P. Moller-Maersk A/S, for gross proceeds of U.S. \$350 million. The Company received cash consideration of U.S. \$344 million (\$493 million) and recorded a pre-tax gain of U.S. \$232 million (\$333 million) (U.S. \$196 million after tax (\$282 million)).

## Performance Indicators

The following table lists the key measures of the Company's operating performance:

	For the three months ended June 30			For the six months ended June 30		
	2025	2024	% Change	2025	2024	% Change
<b>Operations Performance</b>						
Gross ton-miles ("GTMs") (millions)	<b>101,973</b>	96,579	6	<b>200,385</b>	192,388	4
Train miles (thousands)	<b>11,960</b>	11,523	4	<b>23,764</b>	23,518	1
Fuel efficiency (U.S. gallons of locomotive fuel consumed / 1,000 GTMs)	<b>1.034</b>	1.027	1	<b>1.049</b>	1.046	—
Total employees (average)	<b>20,138</b>	20,441	(1)	<b>19,943</b>	20,219	(1)

These key measures are used by management in the planning process to facilitate decisions that continue to drive further productivity improvements in the Company's operations. These key measures reflect how effective the Company's management is at controlling costs and executing the Company's operating plan and strategy. Continued monitoring of these key measures enables the Company to take appropriate actions to deliver superior service and grow its business at low incremental cost.

A **GTM** is defined as the movement of one ton of train weight over one mile. GTMs are calculated by multiplying total train weight by the distance the train moved. Total train weight comprises the weight of the freight cars, their contents, and any inactive locomotives. An increase in GTMs indicates additional workload. The increase in GTMs in the second quarter of 2025 was primarily due to higher volumes of Grain, Intermodal, Potash, and Coal, partially offset by lower volumes of crude.

The increase in GTMs in the first six months of 2025 was primarily due to higher volumes of Grain, Intermodal, Coal, Energy, chemicals and plastics, excluding crude, Potash, and Automotive, partially offset by lower volumes of crude.

**Train miles** are defined as the sum of the distance moved by all trains operated on the network. Train miles provide a measure of the productive utilization of our network. A smaller increase in train miles relative to increases in volumes, as measured by RTMs, and/or workload, as measured by GTMs, indicates improved train productivity. The increase in train miles in the second quarter of 2025 reflected the impact of a 6% increase in workload (GTM), partially offset by a 1% increase in average train weights, which was primarily due to an improvement in operating plan efficiency and moving longer and heavier Grain trains.

The increase in train miles in the first six months of 2025 reflected the impact of a 4% increase in workload (GTM) partially offset by a 3% increase in average train weights, which was primarily due to an improvement in operating plan efficiency and moving longer and heavier Grain trains.

**Fuel efficiency** is defined as U.S. gallons of locomotive fuel consumed per 1,000 GTMs. Fuel consumed includes gallons from freight, yard and commuter service but excludes fuel used in capital projects and other non-freight activities. An improvement in fuel efficiency indicates operational cost savings. The decrease in fuel efficiency in the second quarter of 2025 was due to a decrease in locomotive productivity as measured by GTMs / operating horsepower. Fuel efficiency in the first six months of 2025 remained flat compared to the first six months of 2024.

An **employee** is defined as an individual currently engaged in full-time, part-time, or seasonal employment with the Company. The Company monitors employment and workforce levels in order to efficiently meet service and strategic requirements. The number of employees is a key driver of total compensation and benefits costs. The decrease in the average number of total employees in the second quarter and in the first six months of 2025 was primarily due to efficient resource planning.

## Financial Highlights

The following table presents selected financial data related to the Company's financial results for the three and six months ended June 30, 2025 and the comparative periods in 2024.

	For the three months ended June 30		For the six months ended June 30	
(in millions, except per share data, percentages and ratios)	2025	2024	2025	2024
<b>Financial Performance</b>				
Total revenues	\$ 3,699	\$ 3,603	\$ 7,494	\$ 7,123
Operating income	1,343	1,267	2,660	2,416
Net income attributable to controlling shareholders	1,234	905	2,144	1,680
Basic EPS	1.34	0.97	2.31	1.80
Diluted EPS	1.33	0.97	2.31	1.80
Core adjusted diluted EPS <sup>(1)</sup>	1.12	1.05	2.18	1.98
Dividends declared per share	0.228	0.190	0.418	0.380
<b>Financial Ratios</b>				
Operating ratio <sup>(2)</sup>	63.7%	64.8%	64.5%	66.1%
Core adjusted operating ratio <sup>(1)</sup>	60.7%	61.8%	61.6%	62.9%

<sup>(1)</sup> 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 the Non-GAAP Measures section.

<sup>(2)</sup> Operating ratio is defined as total operating expenses divided by total revenues.

## Results of Operations

### Operating Revenues

The Company's revenues are primarily derived from transporting freight. Changes in freight volumes generally contribute to corresponding changes in Freight revenues and certain variable expenses such as fuel, equipment rents, and crew costs. Non-freight revenues are generated from leasing certain assets, interline switching, and other arrangements including contracts with passenger service operators, subsurface and mineral rights agreements, and logistical services.

For the three months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 3,629	\$ 3,534	\$ 95	3
Non-freight revenues (in millions)	70	69	1	1
Total revenues (in millions)	\$ 3,699	\$ 3,603	\$ 96	3
Carloads (in thousands)	1,147.0	1,085.4	61.6	6
Revenue ton-miles (in millions)	55,529	52,130	3,399	7
Freight revenue per carload (in dollars)	\$ 3,164	\$ 3,256	\$ (92)	(3)
Freight revenue per revenue ton-mile (in cents)	6.54	6.78	(0.24)	(4)

### Total Revenues

The increase in Freight revenues in the second quarter of 2025 was primarily due to higher volumes as measured by RTMs, partially offset by a decrease in freight revenue per RTM.

### RTMs

RTMs are defined as the movement of one revenue-producing ton of freight over a distance of one mile. RTMs measure the relative weight and distance of rail freight moved by the Company. The increase in RTMs in the second quarter of 2025 was primarily due to higher volumes of Grain, Intermodal, Potash, and Coal, partially offset by lower volumes of crude.

### Freight Revenue per RTM

Freight revenue per RTM is defined as freight revenue per revenue-producing ton of freight over a distance of one mile. This is an indicator of yield. The decrease in freight revenue per RTM in the second quarter of 2025 was primarily due to the unfavourable impact of lower fuel prices on fuel surcharge revenue of \$100 million, which includes lower carbon levy surcharge revenue due to the elimination of the Canadian federal carbon tax program effective April 1, 2025, partially offset by higher freight rates.

For the six months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 7,356	\$ 6,961	\$ 395	6
Non-freight revenues (in millions)	138	162	(24)	(15)
Total revenues (in millions)	\$ 7,494	\$ 7,123	\$ 371	5
Carloads (in thousands)	2,251.6	2,158.0	93.6	4
Revenue ton-miles (in millions)	109,253	103,968	5,285	5
Freight revenue per carload (in dollars)	\$ 3,267	\$ 3,226	\$ 41	1
Freight revenue per revenue ton-mile (in cents)	6.73	6.70	0.03	—

### Total Revenues

The increase in Freight revenues in the first six months of 2025 was primarily due to higher volumes as measured by RTMs. The decrease in Non-freight revenues was primarily due to lower revenue related to a subsurface fibre optic agreement.

### RTMs

The increase in RTMs in the first six months of 2025 was primarily due to higher volumes of Grain, Intermodal, Coal, Energy, chemicals and plastics, excluding crude, Potash, and Automotive, partially offset by lower volumes of crude.

### Freight Revenue per RTM

Freight revenue per RTM in the first six months of 2025 remained flat primarily due to higher freight rates and the favourable impact of the change in foreign exchange "FX" of \$112 million, offset by the unfavourable impact of lower fuel prices on fuel surcharge revenue of \$133 million, which includes lower carbon levy surcharge revenue due to the elimination of the Canadian federal carbon tax program effective April 1, 2025.

### Fuel Cost Adjustment Program

Freight revenues include fuel surcharge revenues associated with the Company's fuel cost adjustment program, which is designed to respond to fluctuations in fuel prices and reduce exposure to changes in fuel prices. The surcharge is applied to shippers through tariffs and by contract, within agreed-upon guidelines. This program includes recoveries of carbon taxes, levies, and obligations under cap-and-trade programs. Freight revenues included fuel surcharge revenues of \$350 million in the second quarter of 2025, a decrease of \$92 million, or 21%, from \$442 million in the same period of 2024. This decrease was primarily due to lower fuel prices, which includes lower carbon levy surcharge revenue due to the elimination of the Canadian federal carbon tax program effective April 1, 2025, and the unfavourable impact from the timing of recoveries under the Company's fuel cost adjustment program, partially offset by higher volumes.

In the first six months of 2025, fuel surcharge revenues were \$752 million, a decrease of \$102 million, or 12%, from \$854 million in the same period of 2024. This decrease was primarily due to lower fuel prices, which includes lower carbon levy surcharge revenue due to the elimination of the federal carbon tax program effective April 1, 2025, and the unfavourable impact from the timing of recoveries under the Company's fuel cost adjustment program, partially offset by higher volumes and the favourable impact of the change in FX.

### Lines of Business

#### Grain

For the three months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 743	\$ 665	\$ 78	12
Carloads (in thousands)	142.6	128.9	13.7	11
Revenue ton-miles (in millions)	14,970	13,240	1,730	13
Freight revenue per carload (in dollars)	\$ 5,210	\$ 5,159	\$ 51	1
Freight revenue per revenue ton-mile (in cents)	4.96	5.02	(0.06)	(1)

The increase in Grain revenue in the second quarter of 2025 was primarily due to higher volumes of Canadian grain to Vancouver, British Columbia ("B.C.") and Thunder Bay, Ontario due to a larger crop size for the 2024-2025 crop year, higher volumes of U.S. grain to Mexico and the U.S. Pacific Northwest, and higher freight rates. This increase was partially offset by a decrease in freight revenue per RTM due to lower fuel surcharge revenue.

For the six months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 1,531	\$ 1,395	\$ 136	10
Carloads (in thousands)	276.3	261.2	15.1	6
Revenue ton-miles (in millions)	29,912	27,810	2,102	8
Freight revenue per carload (in dollars)	\$ 5,541	\$ 5,341	\$ 200	4
Freight revenue per revenue ton-mile (in cents)	5.12	5.02	0.10	2

The increase in Grain revenue in the first six months of 2025 was primarily due to higher volumes of Canadian grain to Vancouver and Thunder Bay due to a larger crop size for the 2024-2025 crop year, higher volumes of U.S. grain to Mexico, and an increase in freight revenue per RTM. This increase was partially offset by lower fuel surcharge revenue. Freight revenue per RTM increased due to higher freight rates and the favourable impact of the change in FX.

#### Coal

For the three months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 256	\$ 236	\$ 20	8
Carloads (in thousands)	118.6	108.9	9.7	9
Revenue ton-miles (in millions)	6,073	5,794	279	5
Freight revenue per carload (in dollars)	\$ 2,159	\$ 2,167	\$ (8)	—
Freight revenue per revenue ton-mile (in cents)	4.22	4.07	0.15	4

The increase in Coal revenue in the second quarter of 2025 was primarily due to higher volumes of U.S. coal, higher volumes of Canadian coal to Kamloops, B.C., and an increase in freight revenue per RTM. This increase was partially offset by lower fuel surcharge revenue. Freight revenue per RTM increased due to higher freight rates. Carloads increased more than RTMs due to moving higher volumes of U.S. coal, which has a shorter average length of haul versus Canadian coal.

For the six months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 513	\$ 445	\$ 68	15
Carloads (in thousands)	237.0	217.1	19.9	9
Revenue ton-miles (in millions)	11,856	11,046	810	7
Freight revenue per carload (in dollars)	\$ 2,165	\$ 2,050	\$ 115	6
Freight revenue per revenue ton-mile (in cents)	4.33	4.03	0.30	7

The increase in Coal revenue in the first six months of 2025 was primarily due to an increase in freight revenue per RTM, higher volumes of Canadian coal to Kamloops and Vancouver, and higher volumes of U.S. coal. This increase was partially offset by lower fuel surcharge revenue. Freight revenue per RTM increased due to higher freight rates and the favourable impact of the change in FX.

#### Potash

For the three months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 167	\$ 180	\$ (13)	(7)
Carloads (in thousands)	47.4	49.4	(2.0)	(4)
Revenue ton-miles (in millions)	5,304	4,965	339	7
Freight revenue per carload (in dollars)	\$ 3,523	\$ 3,644	\$ (121)	(3)
Freight revenue per revenue ton-mile (in cents)	3.15	3.63	(0.48)	(13)

The decrease in Potash revenue in the second quarter of 2025 was primarily due to lower volumes of export potash to the U.S. Pacific Northwest, lower volumes of domestic potash, and a decrease in freight revenue per RTM. This decrease was partially offset by higher volumes of export potash to Vancouver and higher freight rates. Freight revenue per RTM decreased due to lower fuel surcharge revenue. RTMs increased while carloads decreased due to moving higher volumes of export potash to Vancouver, which has a longer length of haul, and lower volumes of export potash to the U.S. Pacific Northwest, which has a shorter length of haul.

For the six months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 323	\$ 317	\$ 6	2
Carloads (in thousands)	87.2	86.4	0.8	1
Revenue ton-miles (in millions)	9,723	9,075	648	7
Freight revenue per carload (in dollars)	\$ 3,704	\$ 3,669	\$ 35	1
Freight revenue per revenue ton-mile (in cents)	3.32	3.49	(0.17)	(5)

The increase in Potash revenue in the first six months of 2025 was primarily due to higher volumes of export potash to Vancouver, higher freight rates, and the favourable impact of the change in FX. This increase was partially offset by lower volumes of export potash to the U.S. Pacific Northwest, lower volumes of domestic potash, and a decrease in freight revenue per RTM. Freight revenue per RTM decreased due to lower fuel surcharge revenue. RTMs increased more than carloads due to moving higher volumes of export potash to Vancouver, which has a longer length of haul, and lower volumes of export potash to the U.S. Pacific Northwest, which has a shorter length of haul.

#### *Fertilizers and Sulphur*

For the three months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 98	\$ 103	\$ (5)	(5)
Carloads (in thousands)	15.6	17.0	(1.4)	(8)
Revenue ton-miles (in millions)	1,220	1,305	(85)	(7)
Freight revenue per carload (in dollars)	\$ 6,282	\$ 6,059	\$ 223	4
Freight revenue per revenue ton-mile (in cents)	8.03	7.89	0.14	2

The decrease in Fertilizers and sulphur revenue in the second quarter of 2025 was primarily due to lower volumes of dry fertilizers and lower fuel surcharge revenue, partially offset by an increase in freight revenue per RTM due to higher freight rates.

For the six months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 212	\$ 207	\$ 5	2
Carloads (in thousands)	33.4	34.2	(0.8)	(2)
Revenue ton-miles (in millions)	2,647	2,671	(24)	(1)
Freight revenue per carload (in dollars)	\$ 6,347	\$ 6,053	\$ 294	5
Freight revenue per revenue ton-mile (in cents)	8.01	7.75	0.26	3

The increase in Fertilizers and sulphur revenue in the first six months of 2025 was primarily due to higher volumes of sulphur and wet fertilizers and an increase in freight revenue per RTM, partially offset by lower volumes of dry fertilizers and lower fuel surcharge revenue. Freight revenue per RTM increased due to the favourable impact of the change in FX and higher freight rates.

## Forest Products

For the three months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 195	\$ 203	\$ (8)	(4)
Carloads (in thousands)	32.8	34.6	(1.8)	(5)
Revenue ton-miles (in millions)	2,236	2,244	(8)	—
Freight revenue per carload (in dollars)	\$ 5,945	\$ 5,867	\$ 78	1
Freight revenue per revenue ton-mile (in cents)	8.72	9.05	(0.33)	(4)

The decrease in Forest products revenue in the second quarter of 2025 was primarily due to a decrease in freight revenue per RTM and lower volumes of lumber and paperboard. This decrease was partially offset by higher freight rates and higher volumes of wood pulp and panel products. Freight revenue per RTM decreased due to lower fuel surcharge revenue. Carloads decreased while RTMs remained flat due to moving lower volumes of paperboard from Louisiana to Mississippi and Texas, which have shorter lengths of haul, and extending the length of haul of wood pulp from Alberta to Mexico.

For the six months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 412	\$ 405	\$ 7	2
Carloads (in thousands)	67.6	70.5	(2.9)	(4)
Revenue ton-miles (in millions)	4,579	4,488	91	2
Freight revenue per carload (in dollars)	\$ 6,095	\$ 5,745	\$ 350	6
Freight revenue per revenue ton-mile (in cents)	9.00	9.02	(0.02)	—

The increase in Forest products revenue in the first six months of 2025 was primarily due to higher freight rates, higher volumes of wood pulp, panel products, and paperboard, and the favourable impact of the change in FX. This increase was partially offset by lower fuel surcharge revenue and lower volumes of newsprint and lumber. Carloads decreased while RTMs increased due to moving lower volumes of paperboard from Louisiana to Mississippi and Texas, which have shorter lengths of haul, and extending the length of haul of wood pulp from Alberta to Mexico and from B.C. to Ontario and Texas.

## Energy, Chemicals and Plastics

For the three months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 712	\$ 695	\$ 17	2
Carloads (in thousands)	142.7	142.4	0.3	—
Revenue ton-miles (in millions)	9,148	9,644	(496)	(5)
Freight revenue per carload (in dollars)	\$ 4,989	\$ 4,881	\$ 108	2
Freight revenue per revenue ton-mile (in cents)	7.78	7.21	0.57	8

The increase in Energy, chemicals and plastics revenue in the second quarter of 2025 was primarily due to an increase in freight revenue per RTM, higher volumes of liquefied petroleum gas ("L.P.G.") primarily from western Canada to Mexico and Texas, and higher volumes of plastics and gasoline. This increase was partially offset by lower volumes of crude, ethylene glycol, diluents, and biofuels and lower fuel surcharge revenue. Freight revenue per RTM increased due to higher freight rates. RTMs decreased while carloads remained flat due to moving lower volumes of crude, which has a longer length of haul.

For the six months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 1,470	\$ 1,397	\$ 73	5
Carloads (in thousands)	285.2	286.9	(1.7)	(1)
Revenue ton-miles (in millions)	18,849	19,363	(514)	(3)
Freight revenue per carload (in dollars)	\$ 5,154	\$ 4,869	\$ 285	6
Freight revenue per revenue ton-mile (in cents)	7.80	7.21	0.59	8

The increase in Energy, chemicals and plastics revenue in the first six months of 2025 was primarily due to an increase in freight revenue per RTM, higher volumes of L.P.G. primarily from western Canada to Mexico and Texas, and higher volumes of gasoline. This increase was partially offset by lower volumes of crude and lower fuel surcharge revenue. Freight revenue per RTM increased due to higher freight rates and the favourable impact of the change in FX.

#### *Metals, Minerals and Consumer Products*

For the three months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 444	\$ 464	\$ (20)	(4)
Carloads (in thousands)	125.4	134.6	(9.2)	(7)
Revenue ton-miles (in millions)	4,905	4,974	(69)	(1)
Freight revenue per carload (in dollars)	\$ 3,541	\$ 3,447	\$ 94	3
Freight revenue per revenue ton-mile (in cents)	9.05	9.33	(0.28)	(3)

The decrease in Metals, minerals and consumer products revenue in the second quarter of 2025 was primarily due to lower volumes of steel and clay bentonite and a decrease in freight revenue per RTM. This decrease was partially offset by higher freight rates and higher volumes of frac sand. Freight revenue per RTM decreased due to lower fuel surcharge revenue and the unfavourable impact of the change in FX. Carloads decreased more than RTMs due to moving lower volumes of steel within Mexico, which has a shorter length of haul, and moving higher volumes of frac sand to the Bakken shale formation, which has a longer length of haul.

For the six months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 892	\$ 904	\$ (12)	(1)
Carloads (in thousands)	249.8	264.3	(14.5)	(5)
Revenue ton-miles (in millions)	9,586	9,675	(89)	(1)
Freight revenue per carload (in dollars)	\$ 3,571	\$ 3,420	\$ 151	4
Freight revenue per revenue ton-mile (in cents)	9.31	9.34	(0.03)	—

The decrease in Metals, minerals and consumer products revenue in the first six months of 2025 was primarily due to lower volumes of steel and lower fuel surcharge revenue. This decrease was partially offset by higher freight rates, higher volumes of frac sand, and the favourable impact of the change in FX. Carloads decreased more than RTMs due to moving lower volumes of steel within Mexico, which has a shorter length of haul, and moving higher volumes of frac sand to the Bakken shale formation, which has a longer length of haul.

#### *Automotive*

For the three months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 330	\$ 358	\$ (28)	(8)
Carloads (in thousands)	62.4	66.1	(3.7)	(6)
Revenue ton-miles (in millions)	1,416	1,306	110	8
Freight revenue per carload (in dollars)	\$ 5,288	\$ 5,416	\$ (128)	(2)
Freight revenue per revenue ton-mile (in cents)	23.31	27.41	(4.10)	(15)

The decrease in Automotive revenue in the second quarter of 2025 was primarily due to a decrease in freight revenue per RTM, partially offset by higher volumes from Mexico to the U.S. Midwest and Texas and from Vancouver to eastern Canada and higher freight rates. Freight revenue per RTM decreased due to lower fuel surcharge revenue and the unfavourable impact of the change in FX. RTMs increased while carloads decreased due to extending the length of haul from Mexico to the U.S. Midwest and moving lower volumes from Mexico to Laredo, Texas, which has a shorter length of haul.



For the six months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 645	\$ 623	\$ 22	4
Carloads (in thousands)	120.2	121.8	(1.6)	(1)
Revenue ton-miles (in millions)	2,649	2,303	346	15
Freight revenue per carload (in dollars)	\$ 5,366	\$ 5,115	\$ 251	5
Freight revenue per revenue ton-mile (in cents)	24.35	27.05	(2.70)	(10)

The increase in Automotive revenue in the first six months of 2025 was primarily due to higher volumes from Mexico to the U.S. Midwest and Texas and from Vancouver to eastern Canada and higher freight rates. This increase was partially offset by a decrease in freight revenue per RTM due to lower fuel surcharge revenue and the unfavourable impact of the change in FX. RTMs increased while carloads decreased due to extending the length of haul from Mexico to the U.S. Midwest and moving lower volumes from Mexico to Laredo, which has a shorter length of haul.

#### *Intermodal*

For the three months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 684	\$ 630	\$ 54	9
Carloads (in thousands)	459.5	403.5	56.0	14
Revenue ton-miles (in millions)	10,257	8,658	1,599	18
Freight revenue per carload (in dollars)	\$ 1,489	\$ 1,561	\$ (72)	(5)
Freight revenue per revenue ton-mile (in cents)	6.67	7.28	(0.61)	(8)

The increase in Intermodal revenue in the second quarter of 2025 was primarily due to higher international intermodal volumes to and from the Port of Vancouver and the Port of Saint John, including with the new Gemini Cooperation shipping alliance, higher domestic intermodal wholesale and retail volumes, and higher freight rates. This increase was partially offset by a decrease in freight revenue per RTM due to lower fuel surcharge revenue. RTMs increased more than carloads due to moving higher volumes of international intermodal to and from the Port of Vancouver, which has a longer length of haul.

For the six months ended June 30	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 1,358	\$ 1,268	\$ 90	7
Carloads (in thousands)	894.9	815.6	79.3	10
Revenue ton-miles (in millions)	19,452	17,537	1,915	11
Freight revenue per carload (in dollars)	\$ 1,517	\$ 1,555	\$ (38)	(2)
Freight revenue per revenue ton-mile (in cents)	6.98	7.23	(0.25)	(3)

The increase in Intermodal revenue in the first six months of 2025 was primarily due to higher international intermodal volumes to and from the Port of Vancouver and the Port of Saint John, including with the new Gemini Cooperation shipping alliance, higher domestic intermodal wholesale and retail volumes, higher freight rates, and the favourable impact of the change in FX. This increase was partially offset by a decrease in freight revenue per RTM due to lower fuel surcharge revenue.

## Operating Expenses

For the three months ended June 30  
(in millions of Canadian dollars)

	2025	2024	Total Change	% Change
Compensation and benefits	\$ 659	\$ 612	\$ 47	8
Fuel	405	466	(61)	(13)
Materials	124	97	27	28
Equipment rents	103	82	21	26
Depreciation and amortization	493	473	20	4
Purchased services and other	572	606	(34)	(6)
<b>Total operating expenses</b>	<b>\$ 2,356</b>	<b>\$ 2,336</b>	<b>\$ 20</b>	<b>1</b>

For the six months ended June 30  
(in millions of Canadian dollars)

	2025	2024	Total Change	% Change
Compensation and benefits	\$ 1,341	\$ 1,302	\$ 39	3
Fuel	886	924	(38)	(4)
Materials	248	191	57	30
Equipment rents	202	164	38	23
Depreciation and amortization	997	940	57	6
Purchased services and other	1,160	1,186	(26)	(2)
<b>Total operating expenses</b>	<b>\$ 4,834</b>	<b>\$ 4,707</b>	<b>\$ 127</b>	<b>3</b>

### Compensation and Benefits

Compensation and benefits expense includes employee wages, salaries, fringe benefits, and stock-based compensation. The increase in Compensation and benefits expense in the second quarter of 2025 was primarily due to an increase in stock-based compensation of \$50 million largely driven by changes in the Common Share price, and the impact of wage and benefit inflation. This increase was partially offset by lower incentive compensation.

The increase in Compensation and benefits expense in the first six months of 2025 was primarily due to:

- the impact of wage and benefit inflation;
- increased stock-based compensation expense of \$24 million, largely driven by changes in the Common Share price; and
- increased volume variable expenses as a result of increased workload as measured by GTMs.

This increase was partially offset by efficiencies gained by a reduction in headcount and lower incentive compensation.

### Fuel

Fuel expense consists primarily of fuel used by locomotives and includes provincial, state, and federal fuel taxes. The decreases in Fuel expense in the second quarter of 2025 and first six months of 2025 were primarily due to the impact of lower fuel prices of \$75 million and \$86 million, respectively, which includes lower carbon tax expense due to the elimination of the Canadian federal carbon tax program effective April 1, 2025. The decreases were partially offset by an increase in workload, as measured by GTMs.

### Materials

Materials expense includes the cost of materials used for the maintenance of track, locomotives, freight cars, and buildings, as well as software sustainment. The increases in Materials expense in the second quarter and in the first six months of 2025 were primarily due to:

- higher locomotive material costs due to a new parts agreement insourcing a subset of maintenance work with a favourable offset in "Purchased services and other" effective in the fourth quarter of 2024;
- increased safety material costs; and
- higher freight car maintenance.

### *Equipment Rents*

Equipment rents expense includes the cost associated with using other railways' freight cars, intermodal equipment, and locomotives, net of recoveries received from other railways for the use of the Company's equipment. The increase in Equipment rents expense in the second quarter of 2025 was primarily due to:

- slower cycle times;
- the impact of cost inflation; and
- greater usage of other railways' freight cars.

The increase in Equipment rents expense in the first six months of 2025 was primarily due to:

- slower cycle times;
- greater usage of other railways' freight cars;
- the impact of change in FX of \$7 million; and
- the impact of cost of inflation.

### *Depreciation and Amortization*

Depreciation and amortization expense is the charge associated with the use of track and roadway, rolling stock, buildings, and other depreciable assets, including assets related to the Company's concession granted by the Mexican government, as well as amortization of finite life intangible assets. The increase in Depreciation and amortization expense in the second quarter of 2025, compared to the same period in 2024, was primarily due to a larger depreciable asset base increasing depreciation by \$18 million.

The increase in Depreciation and amortization expense in the first six months of 2025, compared to the same period in 2024, was primarily due to a larger depreciable asset base increasing depreciation by \$38 million and the unfavourable impact of the change in FX of \$21 million.

### *Purchased Services and Other*

Purchased services and other expense encompasses a wide range of third-party costs, including expenses for joint facilities, personal injury and damage claims, environmental remediation, property taxes, contractor and consulting fees, and insurance premiums. The decrease in Purchased services and other expense in the second quarter of 2025 was primarily due to:

- lower third-party locomotive costs due to insourcing and a new parts agreement embedded in "Materials" effective in the fourth quarter of 2024;
- lower acquisition-related costs; and
- lower terminal service costs.

The decrease in Purchased services and other expense in the first six months of 2025 was primarily due to:

- lower third-party locomotive costs due to insourcing and a new parts agreement embedded in "Materials" effective in the fourth quarter of 2024;
- a decrease in casualty incident costs; and
- lower acquisition-related costs.

This decrease was partially offset by:

- a one-time fee of \$34 million (U.S. \$25 million) received in 2024 in connection with the Company's agreement to waive a departing executive's non-competition agreement with respect to their employment with Norfolk Southern Corporation;
- the impact of cost inflation;
- the impact of the change in FX of \$10 million; and
- higher environmental management expenses.

### ***Other Income Statement Items***

#### *Other Income*

Other income consists of gains and losses from the change in FX on cash and working capital, the impact of foreign currency forwards, financing costs, shareholder costs, equity earnings, and other non-operating expenditures. Other Income was \$16 million in the second quarter of 2025, a decrease of \$24 million, or 60%, from \$40 million in the same period of 2024. The decrease was primarily due to lower equity income of \$24 million, driven by the settlement of a property disposition by an equity investee in 2024, and a \$16 million gain on debt extinguishment in 2024. This decrease was offset by a \$16 million net FX gain from the re-measurement of cash and working capital denominated in Mexican pesos and U.S. dollars compared to a net FX loss on the re-measurement in the same period of 2024.

Other Income was \$9 million in the first six months of 2025, a decrease of \$33 million, or 79%, from \$42 million in the same period of 2024. The decrease was primarily due to lower equity income of \$26 million, driven by the settlement of a property disposition by an equity investee in 2024 and a \$16 million gain on debt extinguishment in 2024. This decrease was partially offset by an FX loss of \$4 million on forward contracts to sell Mexican pesos and buy U.S. dollars in 2024 (see Item 1. Financial Statements, Note 10 Financial Instruments for details) and a \$10 million FX gain from the re-measurement of cash and working capital denominated in Mexican pesos and U.S. dollars compared to a net FX loss in the same period in 2024.

#### *Other Components of Net Periodic Benefit Recovery*

Other components of net periodic benefit recovery are related to the Company's defined benefit pension and other post-retirement and post-employment benefit plans. It includes interest cost on benefit obligation, expected return on plan assets, recognized net actuarial loss, and amortization of prior service costs. Other components of net periodic benefit recovery were \$107 million and \$214 million for the three and six months ended June 30, 2025, an increase of \$19 million or 22%, and \$38 million or 22%, respectively, compared to the same periods of 2024. These increases were primarily due to an increase in the expected return on plan assets for the three and six months ended June 30, 2025 of \$9 million and \$18 million, respectively, and a decrease in the recognized net actuarial loss of \$9 million and \$17 million, respectively.

#### *Net Interest Expense*

Net interest expense includes interest on long-term debt, short-term debt, and finance leases. Net interest expense was \$208 million in the second quarter of 2025, an increase of \$8 million, or 4%, from \$200 million in the same period of 2024. The increase was primarily due to interest of \$24 million incurred on long-term notes issue during the quarter. This increase was partially offset by lower interest costs of \$15 million following the repayment of maturing long-term debt.

Net interest expense was \$424 million in the first six months of 2025, an increase of \$18 million, or 4%, from \$406 million in the same period of 2024. The increase was primarily due to interest of \$39 million incurred on short-term borrowings and long-term notes issued during the period along with the unfavourable impact of the change in FX of \$15 million. This increase was partially offset by lower interest costs of \$30 million following the repayment of maturing long-term debt.

#### *Gain on Sale of Equity Investment*

On April 1, 2025, CPKC sold its 50% equity method investment in the PCRC to APM Terminals. The Company recognized a pre-tax gain of U.S. \$232 million (\$333 million). See item 1, Financial Statements Note 4 Gain on sale of equity investment for further details.

#### *Income Tax Expense*

Income tax expense was \$357 million and \$649 million in the second quarter and first six months of 2025, an increase of \$65 million or 22%, and \$98 million or 18%, from \$292 million and \$551 million in the same periods of 2024, respectively. The increases were primarily due to income tax expense on a gain on sale of an equity investment of \$51 million and higher taxable earnings.

The effective tax rates for the second quarter and first six months of 2025 were 22.45% and 23.26%, respectively, compared to 24.40% and 24.72% for the same periods in 2024. The Core adjusted effective income tax rate for the second quarter and first six months of 2025 was 24.50%, compared to 25.00% for the same periods in 2024. The Company's 2025 Core adjusted effective tax rate is expected to be approximately 24.50%. The Core adjusted effective tax rate is a Non-GAAP measure, calculated as the effective tax rate adjusted for significant items as they are not considered indicative of future or past financial trends either by nature or amount. The Company uses the Core adjusted effective tax rate to evaluate CPKC's operating performance and for planning and forecasting future profitability. Core adjusted effective tax rate also excludes KCS purchase accounting to provide financial statement users with additional transparency by isolating the impact of KCS purchase accounting. This Non-GAAP measure does not have a standardized meaning and is not defined by GAAP and, therefore, may not be comparable to similar measures presented by other companies. Significant items and KCS purchase accounting are discussed further in Non-GAAP Measures of this Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. The outlook for the Company's 2025 Core adjusted effective tax rate is based on certain assumptions about events and developments that may or may not materialize, or that may be offset entirely or partially by new events and developments. This is discussed further in Item 1A. Risk Factors of the Company's 2024 Annual Report on Form 10-K. Refer also to "Forward-Looking Statements" below for further details.

### ***Impact of FX on Earnings and Foreign Exchange Risk***

Although the Company is headquartered in Canada and reports in Canadian dollars, a significant portion of its revenues, expenses, assets and liabilities including debt are denominated in U.S. dollars and Mexican pesos. The value of the Canadian dollar is affected by a number of domestic and international factors, including, without limitation, economic performance, commodity prices, and Canadian, U.S., and international monetary policies. Fluctuations in FX affect the Company's results because revenues and expenses denominated in U.S. dollars and Mexican pesos are translated into Canadian dollars. U.S. dollar-denominated revenues and expenses increase (decrease) when the Canadian dollar weakens (strengthens) in relation to the U.S. dollar. Mexican peso-denominated revenues and expenses increase (decrease) when the U.S. dollar weakens (strengthens) in relation to the Mexican peso.

In the second quarter of 2025, the U.S. dollar strengthened to an average rate of \$1.38 Canadian/U.S. dollar and the Mexican Peso weakened to an average rate of Ps. 14.09 Mexican Peso/Canadian dollar, compared to \$1.37 Canadian/U.S. dollar and Ps. 12.61 Mexican Peso/Canadian dollar in the second quarter of 2024, resulting in a decrease in "Total revenues" of \$2 million, a decrease in "Total operating expenses" of \$14 million, and an increase in "Net interest expense" of \$3 million from the same period of 2024.

In the first six months of 2025, the U.S. dollar strengthened to an average rate of \$1.41 Canadian/U.S. dollar and the Mexican peso weakened to an average rate of Ps. 14.16 Mexican Peso/Canadian dollar, compared to \$1.36 Canadian/U.S. dollar and Ps. 12.61 Mexican Peso/Canadian dollar in the first six months of 2024, resulting in an increase in "Total revenues" of \$113 million, an increase in "Total operating expenses" of \$42 million, and an increase in "Net interest expense" of \$15 million from the same period of 2024.

On an annualized basis, the Company expects that every \$0.01 weakening (or strengthening) of the Canadian dollar relative to the U.S. dollar, positively (or negatively) impacts "Total revenues" by approximately \$76 million (December 31, 2024 – approximately \$76 million), negatively (or positively) impacts "Total operating expenses" by approximately \$42 million (December 31, 2024 – approximately \$43 million), and negatively (or positively) impacts "Net interest expense" by approximately \$5 million (December 31, 2024 – approximately \$6 million).

On an annualized basis, the Company expects that every Ps.0.10 strengthening (or weakening) of the Mexican peso relative to the Canadian dollar, positively (or negatively) impacts "Total revenues" by approximately \$7 million (December 31, 2024 – approximately \$6 million) and negatively (or positively) impacts "Total operating expenses" by approximately \$7 million (December 31, 2024 – approximately \$6 million).

To manage its exposure to fluctuations in exchange rates between Canadian dollars, U.S. dollars, and or Mexican pesos, the Company may sell or purchase U.S. dollar or Mexican peso forwards at fixed rates in future periods. In addition, changes in the exchange rate between the Canadian dollar and other currencies (including the U.S. dollar and Mexican peso) make the goods transported by the Company more or less competitive in the world marketplace and may in turn positively or negatively affect revenues.

### ***Impact of Fuel Price on Earnings***

Fluctuations in fuel prices affect the Company's results because fuel expense constitutes a significant portion of the Company's operating expenses. As fuel prices fluctuate, there will be a timing impact on earnings due to the timing of recoveries from the Company's fuel cost adjustment program.

The impact of fuel price on earnings includes the impacts of carbon taxes, levies, and obligations under cap-and-trade programs recovered and paid, on revenues and expenses, respectively.

In the second quarter of 2025, the unfavourable impact of fuel prices on "Operating income" was \$25 million. Lower fuel prices, which includes lower carbon levy surcharge revenue due to the elimination of the Canadian federal carbon tax program effective April 1, 2025, and the unfavourable impact of the timing of recoveries under the Company's fuel cost adjustment program, resulted in a decrease in "Total revenues" of \$100 million. Lower fuel prices, which includes lower carbon tax expense due to the elimination of the Canadian federal carbon tax program effective April 1, 2025, resulted in a decrease in "Total operating expenses" of \$75 million from the same period of 2024.

In the first six months of 2025, the unfavourable impact of fuel prices on "Operating income" was \$47 million. Lower fuel prices, which includes lower carbon levy surcharge revenue due to the elimination of the Canadian federal carbon tax program effective April 1, 2025, and the unfavourable impact of the timing of recoveries under the Company's fuel cost adjustment program, resulted in a decrease in "Total revenues" of \$133 million. Lower fuel prices, which includes lower carbon tax expense due to the elimination of the Canadian federal carbon tax program effective April 1, 2025, resulted in a decrease in "Total operating expenses" of \$86 million from the same period of 2024.

### ***Impact of Share Price on Earnings and Stock-Based Compensation***

Fluctuations in the Common Share price affect the Company's Operating expenses because share-based compensation liabilities are measured at fair value. The Company's Common Shares are listed on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE") with the ticker symbol "CP".

In the second quarter of 2025, the change in Common Share price resulted in an increase in stock-based compensation expense of \$22 million, a change of \$43 million, compared to a recovery of \$21 million in the same period of 2024.

In the first six months of 2025, the change in Common Share price resulted in an increase in stock-based compensation expense of \$13 million, a change of \$13 million, compared to no impact in the same period of 2024 as the Common Share price stayed the same.

Based on information available at June 30, 2025 and expectations for 2025 share-based grants, for every \$1.00 change in the Company's Common Share price, stock-based compensation expense has a corresponding change of approximately \$2.3 million to \$2.6 million (December 31, 2024 - approximately \$1.9 million to \$2.7 million). This excludes the impact of changes in Common Share price relative to the S&P/TSX 60 Index, S&P 500 Industrials Index, and to Class I railways, which may trigger different performance share unit payouts. Stock-based compensation expense may also be impacted by non-market performance conditions.

Additional information concerning stock-based compensation is included in Item 1. Financial Statements, Note 13 Stock-based compensation.

### **Liquidity and Capital Resources**

The Company's primary sources of liquidity include its Cash and cash equivalents, commercial paper program, revolving credit facility, and bilateral letter of credit facilities. The Company believes that these sources as well as cash flow generated through operations and existing debt capacity are adequate to meet its short-term and long-term cash requirements. The Company is not aware of any material trends, events, or uncertainties that would create any deficiencies in the Company's liquidity.

As at June 30, 2025, the Company had \$799 million of Cash and cash equivalents compared to \$739 million at December 31, 2024.

During the three months ended June 30, 2025, the Company issued \$500 million 4.00% 7-year unsecured notes due June 13, 2032 for net proceeds of approximately \$498 million, \$600 million 4.40% 10.5-year unsecured notes due January 13, 2036 for net proceeds of approximately \$598 million, and \$300 million 4.80% 30-year unsecured notes due June 13, 2055 for net proceeds of approximately \$296 million.

In addition to the second quarter issuances, during the six months ended June 30, 2025, the Company issued U.S. \$600 million 4.80% 5-year unsecured notes due March 30, 2030 for net proceeds of U.S. \$596 million (\$857 million) and U.S. \$600 million 5.20% 10-year unsecured notes due March 30, 2035 for net proceeds of U.S. \$593 million (\$853 million). The Company also entered into, and fully repaid, a U.S. \$500 million unsecured non-revolving term credit facility.

The Company's revolving credit facility agreement (the "facility") consists of a five-year U.S. \$1.1 billion tranche maturing June 25, 2029 and a two-year U.S. \$1.1 billion tranche maturing June 25, 2026. As at June 30, 2025, the facility was undrawn. As at December 31, 2024 the Company had U.S. \$200 million (\$288 million) drawn from the two-year U.S. \$1.1 billion tranche, which was subsequently repaid in full during the first quarter of 2025. The Company presents draws and repayments on the facility in the Interim Consolidated Statements of Cash Flows on a net basis.

The Company has a commercial paper program that enables it to issue commercial paper in the form of unsecured promissory notes. The Company's existing commercial paper program is backed by the revolving credit facility. As at June 30, 2025, the Company had total commercial paper borrowings outstanding of U.S. \$250 million (\$341 million) (December 31, 2024 - U.S. \$1,102 million (\$1,586 million)).

The Company has bilateral letter of credit facilities with six financial institutions to support its requirement to post letters of credit in the ordinary course of business. Under these agreements, the Company has the option to post collateral in the form of cash or cash equivalents, equal at least to the face value of the letter of credit issued. These agreements permit the Company to withdraw amounts posted as collateral at any time; therefore, the amounts posted as collateral are presented as "Cash and cash equivalents" on the Company's Interim Consolidated Balance Sheets. As at June 30, 2025, the Company had \$80 million collateral posted on its bilateral letter of credit facilities (December 31, 2024 - \$nil) and had letters of credit drawn of \$80 million (December 31, 2024 - \$95 million) from a total available amount of \$300 million.

## ***Contractual Commitments***

The Company's material cash requirements from known contractual obligations and commitments to make future payments primarily consist of long-term debt and related interest, capital commitments, supplier purchases, leases, and other long term liabilities.

As at June 30, 2025, other than changes to long-term debt, there have been no material changes in our contractual commitments from the year ended December 31, 2024, a description of which can be found in Contractual Commitments of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company's Annual Report on Form 10-K. For further information concerning long-term debt, refer to Item 1. Financial Statements, Note 9 Debt.

### ***Concession Duty***

The Company's subsidiary, Kansas City Southern de México, S.A. de C.V. ("CPKCM") has a fifty-year concession, which will expire in 2047 unless the fifty-year renewal option is exercised. Under the concession, CPKCM pays annual concession duties equal to 1.25% of its gross revenues.

## ***Guarantees***

The Company accrues provisions for all guarantees that it expects to pay. As at June 30, 2025, these provisions amounted to \$11 million (December 31, 2024 - \$8 million).

## ***Cash Flow***

### ***Operating Activities***

Net cash provided by operating activities increased \$77 million and \$218 million in the second quarter and the first six months of 2025, respectively, compared to the same periods in 2024. These increases were primarily due to higher cash generating operating income, partially offset by an unfavourable change in working capital.

### ***Investing Activities***

Net cash used in investing activities decreased \$476 million and in the second quarter of 2025, compared to the same period in 2024. The decrease was primarily due to proceeds received from a sale of an equity investment of \$493 million, and a decrease in capital additions. This decrease was partially offset by transaction costs paid on the sale of an equity investment.

Net cash used in investing activities decreased \$303 million in the first six months of 2025, compared to the same period in 2024. The decrease was primarily due to proceeds received from the sale of an equity investment of \$493 million, partially offset by higher capital additions and transaction costs paid on the sale of an equity investment.

### ***Financing Activities***

Net cash used in financing activities increased \$437 million in the second quarter of 2025, compared to the same period in 2024. The increase was primarily due to the impact of share repurchases of \$1,393 million and higher net repayments of commercial paper of \$565 million. This increase was partially offset by net proceeds from debt issuances of \$1,392 million resulting from the issuances of \$500 million 4.00% 7-year unsecured notes due June 13, 2032, \$600 million 4.40% 10.5-year unsecured notes due January 13, 2036, and \$300 million 4.80% 30-year unsecured notes due June 13, 2055, and a decrease in repayments of long-term debt of \$144 million.

Net cash used in financing activities increased \$490 million in the first six months of 2025, compared to the same period in 2024. The increase was primarily due to:

- the impact of share repurchases of \$1,740 million;
- higher repayments of short-term borrowings and net repayments of commercial paper of \$1,090 million; and
- higher principal repayments on long-term debt driven by repayment of the 2.90% 10-year Notes at maturity.

This increase was partially offset by net proceeds from debt issuances of \$3,102 million resulting from the issuances of U.S. \$600 million 4.80% 5-year unsecured notes due March 30, 2030, U.S. \$600 million 5.20% 10-year unsecured notes due March 30, 2035, \$500 million 4.00% 7-year unsecured notes due June 13, 2032, \$600 million 4.40% 10.5-year unsecured notes due January 13, 2036, and \$300 million 4.80% 30-year unsecured notes due June 13, 2055.

## Credit Measures

Credit ratings provide information relating to the Company's operations and liquidity, and affect the Company's ability to obtain short-term and long-term financing and/or the cost of such financing. The applicable margin that applies to outstanding loans under the Company's revolving credit facility is based on the credit rating assigned to the Company's senior unsecured and unsubordinated debt.

If the Company's credit ratings were to decline to below investment-grade levels, the Company could experience a significant increase in its interest cost for new debt along with a negative effect on its ability to readily issue new debt.

Credit ratings and outlooks are based on the rating agencies' methodologies and can change from time to time to reflect their views of the Company. Their views are affected by numerous factors including, but not limited to, the Company's financial position and liquidity along with external factors beyond the Company's control.

As at June 30, 2025, the Company's credit ratings from Standard & Poor's Rating Services ("Standard & Poor's") remain unchanged from December 31, 2024. During the first quarter of 2025, Moody's Investor Service ("Moody's") upgraded the Company's Long-term debt rating to Baa1. The following table shows the ratings issued for the Company by the rating agencies noted as at June 30, 2025 and is being presented as it relates to the Company's cost of funds and liquidity.

*Credit ratings as at June 30, 2025<sup>(1)</sup>*

Long-term debt		Outlook
<b>Standard &amp; Poor's</b>	<b>BBB+</b>	stable
<b>Moody's</b>	<b>Baa1</b>	stable
<b>Commercial paper program</b>		
<b>Standard &amp; Poor's</b>	<b>A-2</b>	N/A
<b>Moody's</b>	<b>P-2</b>	N/A

<sup>(1)</sup> Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. Credit ratings are based on the rating agencies' methodologies and may be subject to revision or withdrawal at any time by the rating agencies.

## Supplemental Guarantor Financial Information

Canadian Pacific Railway Company ("CPRC"), a 100%-owned subsidiary of CPKC, is the issuer of certain securities which are fully and unconditionally guaranteed by CPKC on an unsecured basis. The subsidiaries of CPRC do not guarantee the securities and are referred to below as the "Non-Guarantor Subsidiaries".

As of the date of filing this Quarterly Report on Form 10-Q, CPRC had U.S. \$13,666 million principal amount of SEC-registered debt securities outstanding due through 2115 issued in the U.S. pursuant to a trust indenture, and U.S. \$30 million and GBP £3 million in perpetual 4% consolidated debenture stock, for all of which CPKC is the guarantor subject to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended. As of the same date, CPRC also had \$3,700 million principal amount of debt securities outstanding due through 2055 issued in Canada for which CPKC is the guarantor and not subject to the Exchange Act.

CPKC fully and unconditionally guarantees the payment of the principal (and premium, if any) and interest on the debt securities and consolidated debenture stock issued by CPRC, any sinking fund or analogous payments payable with respect to such securities, and any additional amounts payable when they become due, whether at maturity or otherwise. The guarantees are CPKC's unsubordinated and unsecured obligations and rank equally with all of CPKC's other unsecured, unsubordinated obligations. CPKC will be released and relieved of its obligations under the guarantees after obligations to the holders are satisfied in accordance with the terms of the respective instruments. More information on the securities under this guarantee structure can be found in Exhibit 22.1 List of Issuers and Guarantor Subsidiaries of this quarterly report.

Pursuant to Rules 3-01 and 13-01 of the SEC's Regulation S-X, the Company provides summarized financial and non-financial information of CPRC in lieu of providing separate financial statements of CPRC.

## Summarized Financial Information

The following tables present summarized financial information for CPRC (Subsidiary Issuer) and CPKC (Parent Guarantor) on a combined basis after elimination of (i) intercompany transactions and balances among CPRC and CPKC; (ii) equity in earnings from and investments in the Non-Guarantor Subsidiaries; and (iii) intercompany dividend income.



## Statement of Income Information

(in millions of Canadian dollars)	CPRC (Subsidiary Issuer) and CPKC (Parent Guarantor)	
	For the six months ended June 30, 2025	For the year ended December 31, 2024
Total revenues	\$ 3,537	\$ 6,877
Total operating expenses	2,265	4,300
Operating income <sup>(1)</sup>	1,272	2,577
Less: Other <sup>(2)</sup>	132	516
Income before income tax expense	1,140	2,061
<b>Net income</b>	<b>\$ 836</b>	<b>\$ 1,496</b>

<sup>(1)</sup> Includes net lease costs incurred from Non-Guarantor Subsidiaries for the six months ended June 30, 2025 and the year ended December 31, 2024 of \$230 million and \$462 million, respectively.

<sup>(2)</sup> Includes Other income, Other components of net periodic benefit recovery, and Net interest expense.

## Balance Sheet Information

(in millions of Canadian dollars)	CPRC (Subsidiary Issuer) and CPKC (Parent Guarantor)	
	As at June 30, 2025	As at December 31, 2024
<b>Assets</b>		
Current assets	\$ 1,484	\$ 1,237
Properties	13,406	12,904
Other non-current assets	5,085	4,901
<b>Liabilities</b>		
Current liabilities	\$ 2,345	\$ 4,128
Long-term debt	21,087	19,618
Other non-current liabilities	3,997	3,832

Excluded from the Statement of Income and Balance Sheet Information above are the following significant intercompany transactions and balances that CPRC and CPKC have with the Non-Guarantor Subsidiaries:

## Transactions with Non-Guarantor Subsidiaries

(in millions of Canadian dollars)	CPRC (Subsidiary Issuer) and CPKC (Parent Guarantor)	
	For the six months ended June 30, 2025	For the year ended December 31, 2024
Dividend income from Non-Guarantor Subsidiaries	\$ 321	\$ 622
Return of capital from Non-Guarantor Subsidiaries	—	422

## Balances with Non-Guarantor Subsidiaries

(in millions of Canadian dollars)	CPRC (Subsidiary Issuer) and CPKC (Parent Guarantor)	
	As at June 30, 2025	As at December 31, 2024
<b>Assets</b>		
Accounts receivable, intercompany	\$ 289	\$ 263
Short-term advances to affiliates	153	197
Long-term advances to affiliates	9,801	11,351
<b>Liabilities</b>		
Accounts payable, intercompany	\$ 330	\$ 230
Short-term advances from affiliates	224	130
Long-term advances from affiliates	3,968	3,968

## Share Capital

As of July 29, 2025, the latest practicable date, there were 917,976,339 Common Shares issued and outstanding, which consisted of 13,113 holders of record of the Common Shares, and no Preferred Shares issued and outstanding. In addition, the Company has a Management Stock Option Incentive Plan ("MSOIP"), under which key officers and employees are granted options to purchase Common Shares. All number of options presented herein are shown on the basis of the number of Common Shares subject to the options. As of July 29, 2025, 5,921,438 options were outstanding under the MSOIP and stand-alone option agreements entered into with Mr. Keith Creel. There are 20,099,497 options available to be issued by the Company's MSOIP in the future. The Company also has a Directors' Stock Option Plan ("DSOP"), under which directors are granted options to purchase Common Shares. There are no outstanding options under the DSOP, which has 1,700,000 options available to be issued in the future.

## Non-GAAP Measures

Beginning in the first quarter of 2025, Core adjusted diluted EPS and Core adjusted operating ratio have been used in continuity of Non-GAAP measures previously known as Core adjusted combined diluted EPS and Core adjusted combined operating ratio. No adjustments are required to Core adjusted combined diluted EPS and Core adjusted combined operating ratio as reported in 2024 to present them on a comparative basis as Core adjusted diluted EPS and Core adjusted operating ratio, as KCS was consolidated within the Company's results throughout the whole year and therefore, no combination adjustments exist.

The Company presents Non-GAAP measures, namely Core adjusted operating ratio and Core adjusted diluted EPS, to provide a basis for evaluating underlying earnings trends in the Company's current period's financial results that can be compared with the results of operations in prior periods. Management believes these Non-GAAP measures facilitate a multi-period assessment of long-term profitability.

These Non-GAAP measures have no standardized meanings and are not defined 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. 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.

## Non-GAAP Performance Measures

Management believes these Non-GAAP measures provide meaningful supplemental information about our financial results and improved comparability to past performance because they exclude certain significant items that are not considered indicative of future or past financial trends either by nature or amount. As a result, these items are excluded for management's 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, acquisition-related costs, adjustments to provisions and settlements of Mexican taxes, a gain on sale of an equity investment, discrete tax items, changes in income tax rates, changes to an uncertain tax item, and certain items outside the control of management. Acquisition-related costs include legal, consulting, integration costs including third-party services and system migration, restructuring, and employee retention and synergy incentive costs. These items may not be non-recurring and may include items that are settled in cash. Specifically, due to the magnitude of the acquisition, its significant impact to the Company's business and complexity of integrating the acquired business and operations, the Company continues to expect to incur acquisition-related costs beyond the year of acquisition. Management believes excluding these significant items from GAAP results provides an additional viewpoint which may give users a consistent understanding of the Company's financial performance when performing a multi-period assessment including assessing the likelihood of future results. Accordingly, these

Non-GAAP financial measures may provide additional insight to investors and other external users of the Company's financial information.

In addition, Core adjusted operating ratio and Core adjusted diluted EPS exclude KCS purchase accounting. KCS purchase accounting represents the amortization of basis differences being the incremental depreciation and amortization in relation to fair value adjustments to properties and intangible assets, incremental amortization in relation to fair value adjustments to KCS's investments, amortization of the change in fair value of debt of KCS assumed on April 14, 2023 (the "Control Date"), and depreciation and amortization of fair value adjustments that are attributable to the non-controlling interest, as recognized within "Depreciation and amortization", "Other income", "Net interest expense", and "Net loss attributable to non-controlling interest", respectively, in the Company's Interim Consolidated Statements of Income. All assets subject to KCS purchase accounting contribute to income generation and will continue to amortize over their estimated useful lives. Excluding KCS purchase accounting from GAAP results provides financial statement users with additional transparency by isolating the impact of KCS purchase accounting.

Significant items that impact Net income attributable to controlling shareholders as reported on a GAAP basis for the first six months of 2025 and 2024 include:

2025:

- in the second quarter, a gain on sale of an equity investment of \$333 million (\$282 million after current income tax expense of \$76 million net of deferred income tax recovery of \$25 million) recognized in "Gain on sale of equity investment", that favourably impacted Diluted EPS by 30 cents;
- during the first six months, acquisition-related costs of \$39 million in connection with the KCS acquisition (\$29 million after current income tax recovery of \$10 million), including an expense of \$12 million recognized in "Compensation and benefits" primarily related to retention and synergy related incentive compensation costs; \$1 million recognized in "Materials"; and \$26 million recognized in "Purchased services and other" primarily related to system migration, legal fees, and other third party purchased services, that unfavourably impacted Diluted EPS by 3 cents as follows:
  - in the second quarter, acquisition-related costs of \$19 million in connection with the KCS acquisition (\$14 million after current income tax recovery of \$5 million) including costs of \$7 million recognized in "Compensation and benefits"; and \$12 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents; and
  - in the first quarter, acquisition-related costs of \$20 million in connection with the KCS acquisition (\$15 million after current income tax recovery of \$5 million) including costs of \$5 million recognized in "Compensation and benefits"; \$1 million recognized in "Materials"; and \$14 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents.

2024:

- in the second quarter, a deferred income tax recovery of \$3 million due to a decrease in the Arkansas state corporate income tax rate, that had minimal impact on Diluted EPS;
- in the first quarter, adjustments to provisions and settlements of Mexican taxes of \$10 million expense (\$10 million after deferred income tax recovery) recognized in "Compensation and benefits", that unfavourably impacted Diluted EPS by 1 cent; and
- during the first six months, acquisition-related costs of \$54 million in connection with the KCS acquisition (\$39 million after current income tax recovery of \$15 million), including an expense of \$6 million recognized in "Compensation and benefits" primarily related to retention and synergy related incentive compensation costs; \$4 million recognized in "Materials"; and \$44 million recognized in "Purchased services and other" primarily related to system migration, relocation expenses, legal and consulting fees, that unfavourably impacted Diluted EPS by 4 cents as follows:
  - in the second quarter, acquisition-related costs of \$28 million in connection with the KCS acquisition (\$19 million after current income tax recovery of \$9 million) including costs of \$2 million recognized in "Compensation and benefits", \$2 million recognized in "Materials", and \$24 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents; and
  - in the first quarter, acquisition-related costs of \$26 million in connection with the KCS acquisition (\$20 million after current income tax recovery of \$6 million) including costs of \$4 million recognized in "Compensation and benefits", \$2 million recognized in "Materials", and \$20 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents.

KCS purchase accounting included in Net income attributable to controlling shareholders as reported on a GAAP basis for the first six months of 2025 and 2024 was as follows:

2025:

- during the first six months, KCS purchase accounting of \$187 million (\$137 million after deferred income tax recovery of \$50 million), including costs of \$178 million recognized in "Depreciation and amortization", \$1 million recognized in "Purchased services and other" related to the amortization of equity investments, \$10 million recognized in "Net interest expense", \$1 million recognized in "Other income", and a recovery of \$3 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 14 cents as follows:
  - in the second quarter, KCS purchase accounting of \$95 million (\$70 million after deferred income tax recovery of \$25 million), including costs of \$91 million recognized in "Depreciation and amortization", \$5 million recognized in "Net

interest expense", and a recovery of \$1 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 7 cents; and

- in the first quarter, KCS purchase accounting of \$92 million (\$67 million after deferred income tax recovery of \$25 million), including costs of \$87 million recognized in "Depreciation and amortization", \$1 million recognized in "Purchased services and other", \$5 million recognized in "Net interest expense", \$1 million recognized in "Other income", and a recovery of \$2 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 7 cents.

2024:

- during the first six months, KCS purchase accounting of \$170 million (\$123 million after deferred income tax recovery of \$47 million), including costs of \$161 million recognized in "Depreciation and amortization", \$2 million recognized in "Purchased services and other" related to the amortization of equity investments, \$10 million recognized in "Net interest expense", \$1 million recognized in "Other income", and a recovery of \$4 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 13 cents as follows:
  - in the second quarter, KCS purchase accounting of \$86 million (\$62 million after deferred income tax recovery of \$24 million), including costs of \$82 million recognized in "Depreciation and amortization", \$1 million recognized in "Purchased services and other", \$5 million recognized in "Net interest expense", and a recovery of \$2 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 6 cents; and
  - in the first quarter, KCS purchase accounting of \$84 million (\$61 million after deferred income tax recovery of \$23 million), including costs of \$79 million recognized in "Depreciation and amortization", \$1 million recognized in "Purchased services and other", \$5 million recognized in "Net interest expense", \$1 million recognized in "Other income", and a recovery of \$2 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 7 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:

### Core Adjusted Diluted Earnings per Share

Core adjusted diluted EPS is calculated using Diluted EPS reported on a GAAP basis adjusted for significant items less KCS purchase accounting.

	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
<b>Diluted earnings per share as reported</b>	<b>\$ 1.33</b>	<b>\$ 0.97</b>	<b>\$ 2.31</b>	<b>\$ 1.80</b>
Less:				
Significant items (pre-tax):				
Gain on sale of equity investment	0.36	—	0.36	—
Adjustments to provisions and settlements of Mexican taxes	—	—	—	(0.01)
Acquisition-related costs	(0.02)	(0.03)	(0.04)	(0.06)
KCS purchase accounting	(0.10)	(0.09)	(0.20)	(0.18)
Add:				
Tax effect of adjustments <sup>(1)</sup>	0.03	(0.04)	(0.01)	(0.07)
<b>Core adjusted diluted earnings per share</b>	<b>\$ 1.12</b>	<b>\$ 1.05</b>	<b>\$ 2.18</b>	<b>\$ 1.98</b>

<sup>(1)</sup> The tax effect of adjustments was calculated as the pre-tax effect of the significant items and KCS purchase accounting listed above multiplied by the applicable tax rate for the above items of 9.45% and 8.67% for the three and six months ended June 30, 2025, and 28.72% and 26.61% for the three and six months ended June 30, 2024, respectively. The applicable tax rates reflect the taxable jurisdictions and nature, being on account of capital or income, of the adjustments.

### Core Adjusted Operating Ratio

Core adjusted operating ratio is calculated from reported GAAP revenue and operating expenses adjusted for, where applicable, (1) significant items (acquisition-related costs and adjustments to provisions and settlement of Mexican taxes) that are reported within Operating income, and (2) KCS purchase accounting recognized in "Depreciation and amortization" and "Purchased services and other".

	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
<b>Operating ratio as reported</b>	<b>63.7 %</b>	64.8 %	<b>64.5 %</b>	66.1 %
Less:				
Adjustments to provisions and settlements of Mexican taxes	— %	— %	— %	0.1 %
Acquisition-related costs	<b>0.5 %</b>	0.7 %	<b>0.5 %</b>	0.8 %
KCS purchase accounting in Operating expenses	<b>2.5 %</b>	2.3 %	<b>2.4 %</b>	2.3 %
<b>Core adjusted operating ratio</b>	<b>60.7 %</b>	61.8 %	<b>61.6 %</b>	62.9 %

### Critical Accounting Estimates

To prepare Consolidated Financial Statements that conform with GAAP, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements, and the reported amounts of revenues and expenses during the reported periods. Using the most current information available, the Company reviews estimates on an ongoing basis, including those related to goodwill and intangible assets, pensions and other benefits, properties, contingent liabilities, and deferred income taxes. Additional information concerning critical accounting estimates is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company's 2024 Annual Report on Form 10-K.

The development, selection and disclosure of these estimates, and this MD&A, have been reviewed by the Board of Directors' Audit and Finance Committee, which is composed entirely of independent directors.

### Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations and Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the *United States Private Securities Litigation Reform Act of 1995* and forward-looking information within the meaning of other relevant securities legislation, including applicable securities laws in Canada (collectively referred to herein as "forward-looking statements"). Forward-looking statements typically include words such as "financial expectations", "key assumptions", "anticipate", "believe", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "will", "outlook", "guidance", "should" or similar words suggesting future outcomes. All statements other than statements of historical fact may be forward-looking statements. To the extent that the Company has provided forecasts or targets using Non-GAAP financial measures, the Company may not be able to provide a reconciliation to the most directly comparable GAAP measures without unreasonable efforts, due to unknown variables and uncertainty related to future results. These unknown variables may include unpredictable transactions of significant value. In recent years, CPKC has recognized acquisition-related costs, KCS purchase accounting, adjustments to provisions and settlements of Mexican taxes, changes in income tax rates, a gain on the sale of an equity investment, and a change to an uncertain tax item. These or other similar large unforeseen transactions affect CPKC's results on a GAAP basis but may be excluded from CPKC's Non-GAAP financial measures. Additionally, the U.S.-to-Canadian dollar exchange rate is unpredictable and can have a significant impact on CPKC's reported results but may be excluded from CPKC's Non-GAAP financial measures.

This Management's Discussion and Analysis of Financial Condition and Results of Operations and Quarterly Report on Form 10-Q includes forward-looking statements relating, but not limited to statements concerning integration of KCS, forecasted performance factors, the Company's intention to indefinitely reinvest in its foreign investments, the Company's expected impacts resulting from changes in the U.S. dollar and Mexican peso exchange rates relative to the Canadian dollar, and the effective tax rate, as well as statements concerning the Company's operations, anticipated financial performance, business prospects and strategies, including statements concerning the anticipation that cash flow from operations and various sources of financing will be sufficient to meet debt repayments and obligations in the foreseeable future and concerning anticipated capital programs, and statements regarding future payments including income taxes.

The forward-looking statements contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations and Quarterly Report on Form 10-Q are based on current expectations, estimates, projections and assumptions, having regard to the Company's experience and its perception of historical trends, and include, but are not limited to, expectations, estimates, projections and assumptions relating to: change in business strategies; North American and global economic growth; commodity demand growth; sustainable industrial and agricultural production; commodity prices and interest rates; foreign exchange rates (as specified herein); effective tax rates (as specified herein); performance of our assets and equipment; sufficiency of our budgeted capital expenditures in carrying out our business plan; geopolitical conditions; applicable laws, regulations and government policies, including, without limitation, those relating to regulation of rates, tariffs, import/export, trade, taxes, wages, labour and immigration; the availability and cost of labour, services and infrastructure; labour disruptions; and the satisfaction by third parties of their obligations to the Company. Although the Company believes the expectations, estimates, projections and assumptions reflected in the forward-looking statements presented herein are reasonable as of the date hereof, there can be no assurance that they will prove to be correct. Current conditions, economic and otherwise, render assumptions, although reasonable when made, subject to greater uncertainty.

Undue reliance should not be placed on forward-looking statements as actual results may differ materially from those expressed or implied by forward-looking statements. By their nature, forward-looking statements involve numerous inherent risks and uncertainties that could cause actual results to differ materially from the forward-looking statements, including but not limited to the following factors: changes in business strategies and strategic opportunities; general North American and global social, economic, political, credit and business conditions; risks associated with 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 and commodity demand; uncertainty surrounding timing and volumes of commodities being shipped via the Company; inflation; geopolitical instability; changes in laws, regulations and government policies, including, without limitation, those relating to regulation of rates, tariffs, import/export, trade, wages, labour and immigration; changes in taxes and tax rates; potential increases in maintenance and operating costs; changes in fuel prices; disruption of fuel supplies; uncertainties of investigations, proceedings or other types of claims and litigation; compliance with environmental regulations; labour disputes; changes in labour costs and labour difficulties; risks and liabilities arising from derailments; transportation of dangerous goods; timing of completion of capital and maintenance projects; sufficiency of budgeted capital expenditures in carrying out business plans; services and infrastructure; the satisfaction by third parties of their obligations; currency and interest rate fluctuations; exchange rates; effects of changes in market conditions and discount rates on the financial position of pension plans and investments; trade restrictions, including the imposition of any tariffs, or other changes to international trade arrangements; the effects of current and future multinational trade agreements on or other developments affecting the level of trade among Canada, the U.S. and Mexico; climate change and the market and regulatory responses to climate change; anticipated in-service dates; success of hedging activities; operational performance and reliability; customer, regulatory and other stakeholder approvals and support; regulatory and legislative decisions and actions; the adverse impact of any termination or revocation by the Mexican government of the Concession; public opinion; various events that could disrupt operations, including severe weather, such as droughts, floods, avalanches, volcanism and earthquakes, and cybersecurity attacks, as well as security threats and governmental response to them, and technological changes; acts of terrorism, war or other acts of violence or crime or risk of such activities; insurance coverage limitations; material adverse changes in economic and industry conditions; the outbreak of a pandemic or contagious disease and the resulting effects on economic conditions, the demand environment for logistics requirements and energy prices; restrictions imposed by public health authorities or governments; fiscal and monetary policy responses by governments and financial institutions; disruptions to global supply chains; the realization of anticipated benefits and synergies of the CP-KCS transaction and the timing thereof; the satisfaction of the conditions imposed by the U.S. Surface Transportation Board in its March 15, 2023 decision; the successful integration of KCS into the Company; the focus of management time and attention on the CP-KCS transaction and other disruptions arising from the CP-KCS integration; estimated future dividends; financial strength and flexibility; debt and equity market conditions, including the ability to access capital markets on favourable terms or at all; cost of debt and equity capital; improvement in data collection and measuring systems; industry-driven changes to methodologies; and the ability of the management of CPKC to execute key priorities, including those in connection with the CP-KCS transaction. The foregoing list of factors is not exhaustive.

There are more specific factors that could cause actual results to differ materially from those described in the forward-looking statements contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations and Quarterly Report on Form 10-Q. These more specific factors are identified and discussed in Item 1A. Risk Factors of the Company's 2024 Annual Report on Form 10-K. Other risks are detailed from time to time in reports filed by the Company with securities regulators in Canada and the U.S., and filed on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)) and EDGAR ([www.sec.gov](http://www.sec.gov)).

The forward-looking statements contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations and Quarterly Report on Form 10-Q are made as of the date hereof. Except as required by law, the Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, or the foregoing assumptions and risks affecting such forward-looking statements, whether as a result of new information, future events or otherwise.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information concerning market risk sensitive instruments is set forth under Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Impact of FX on Earnings and Foreign Exchange Risk and Impact of Share Price on Earnings and Stock-Based Compensation.

#### Interest Rate Risk

Debt financing forms part of the Company's capital structure. The debt agreements entered into expose the Company to increased interest costs on future fixed debt instruments and existing variable rate debt instruments, should market rates increase.

As at June 30, 2025, a hypothetical one percentage point change in interest rates on the Company's floating rate debt obligations outstanding is not material. In addition, the present value of the Company's assets and liabilities will also vary with interest rate changes. To manage interest rate exposure, the Company may enter into forward rate agreements such as treasury rate locks or bond locks that protect against interest rate increases. The Company may also enter into swap agreements whereby one party agrees to pay a fixed rate of interest while the other party pays a floating rate. Contingent on the direction of interest rates, the Company may incur higher costs depending on the contracted rate.

The fair value of the Company's fixed rate debt may fluctuate with changes in market interest rates. A hypothetical one percentage point decrease in interest rates as of June 30, 2025 would increase the fair value of the Company's debt as at June 30, 2025 by approximately \$1.9 billion (June 30, 2024 - approximately \$1.8 billion). Fair values of the Company's fixed rate debt are estimated by considering the impact of the hypothetical interest rates on quoted market prices and current borrowing rates, but do not consider other factors that could impact actual results.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

As at June 30, 2025, an evaluation was carried out under the supervision of and with the participation of the Company's management, including its CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the *Exchange Act*. Based on that evaluation, the CEO and CFO concluded that these disclosure controls and procedures were effective as at June 30, 2025, to ensure that information required to be disclosed by the Company in reports that it files or submits under the *Exchange Act* is (i) recorded, processed, summarized and reported within the time periods specified by the SEC rules and forms and (ii) accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

### **Changes in Internal Control over Financial Reporting**

During the second quarter of 2025, the Company has not identified any changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II

### ITEM 1. LEGAL PROCEEDINGS

For further details refer to Item 1. Financial Statements, Note 14 Contingencies.

SEC regulations require the disclosure of any proceeding under environmental laws to which a government authority is a party unless the registrant reasonably believes it will not result in sanctions over a certain threshold. The Company uses a threshold of U.S. \$1 million for the purposes of determining proceedings requiring disclosure.

From time to time, the Company or its subsidiaries may be subject to information requests from U.S. State or Federal environmental regulatory authorities inquiring as to the Company's compliance or remediation practices in the U.S. In September 2020, the Company received an initial request for information from the U.S. Environmental Protection Agency ("EPA") inquiring into the Company's compliance with the mobile source provisions of the Clean Air Act ("CAA"). The Company has been providing information in response to the EPA's initial and follow-up requests, and the EPA has issued Notices of Violations, which preliminarily identify certain categories of alleged non-compliance with civil provisions of the CAA pertaining to locomotives and locomotive engines. In December 2022, the U.S. Department of Justice ("DOJ") sent a communication requesting a meeting with the Company to discuss potentially resolving any alleged noncompliance which included an initial draft consent decree from the DOJ. That initial meeting occurred in January 2023 and communications are ongoing. Neither the EPA nor the DOJ has issued a final compendium of alleged violations or a final demand for corrective or mitigating actions, and it remains too early to provide a fulsome evaluation of the likely outcome with respect to either the nature of any alleged violations, or the amount of any potential civil penalty. However, any potential civil penalty amount is not anticipated to be material. The Company will continue to fully cooperate and engage in discussions to resolve the matter.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

#### Issuer Purchase of Equity Securities

The Company has established a share repurchase program which is further described in Item 1. Financial Statements, Note 11 Share repurchase. The following table presents the number of Common Shares repurchased during each month of the second quarter of 2025 and the average price paid by CPKC for the repurchase of such Common Shares:

<b>Period</b>	<b>Total Number of Shares (or Units) Purchased</b>	<b>Average Price Paid per Share (or Unit)<sup>(1)</sup></b>	<b>Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares (or Units) that may yet be purchased under the Plans or Programs</b>
<i>Common Stock</i>				
April 1-30, 2025	4,392,960	\$ 100.23	4,392,960	29,474,921
May 1-31, 2025	4,675,789	\$ 112.75	4,675,789	24,799,132
June 1-30, 2025	3,813,705	\$ 112.89	3,813,705	20,985,427
<b>Total</b>	<b>12,882,454</b>	<b>\$ 108.52</b>	<b>12,882,454</b>	<b>20,985,427</b>

<sup>(1)</sup> Includes brokerage fees and applicable tax on share repurchases.