

## 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 months ended March 31, 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, which includes Kansas City Southern ("KCS") as a consolidated subsidiary.

### 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 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

#### *First Quarter of 2025 Results*

- Total revenues were \$3,795 million, an increase of 8% compared to \$3,520 million in 2024. The increase was primarily due to higher freight revenue per revenue ton-mile ("RTM") and higher volumes as measured by RTMs.
- Diluted earnings per share ("EPS") was \$0.97, an increase of 17% compared \$0.83 in 2024.
- Core adjusted diluted EPS was \$1.06, an increase of 14% compared to \$0.93 in 2024.
- Operating ratio was 65.3%, a 210 basis point improvement from 67.4% in 2024.
- Core adjusted operating ratio was 62.5%, a 150 basis point improvement from 64.0% 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 April 29, 2025, the Company declared a quarterly dividend of \$0.228 per share on the outstanding Common Shares, an increase of 20% from \$0.190 per share from the prior quarter. The dividend is payable on July 28, 2025 to holders of record at the close of business on June 27, 2025.
- On April 2, 2025, the Company announced that CPKC and the Lanco Group/Mi-Jack sold the Panama Canal Railway Company to APM Terminals Panama Rail LP, a subsidiary of A.P. Moller - Maersk A/S. The sale closed on April 1, 2025. See Item 1. Financial Statements, Note 14. Subsequent events for further details.
- On February 27, 2025, the Company announced a normal course issuer bid, commencing March 3, 2025, to purchase up to 37.3 million Common Shares in the open market for cancellation before March 2, 2026. See Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds for further details of share repurchases.

## Performance Indicators

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

	For the three months ended March 31		
	2025	2024	% Change
<b>Operations Performance</b>			
Gross ton-miles ("GTMs") (millions)	98,412	95,809	3
Train miles (thousands)	11,804	11,995	(2)
Fuel efficiency (U.S. gallons of locomotive fuel consumed / 1,000 GTMs)	1.064	1.065	—
Total employees (average)	19,749	19,997	(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 first quarter of 2025 was primarily due to higher volumes of Coal, Grain, Intermodal, Potash and Automotive.

**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 decrease in train miles in the first quarter of 2025 reflects the impact of a 5% increase in average train weights primarily due to improvement in operating plan efficiency and moving longer and heavier Grain trains, partially offset by a 3% increase in workload (GTM).

**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. Fuel efficiency in the first quarter of 2025 remained flat compared to the first quarter 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 of 1% in the average number of total employees in the first quarter of 2025 was due to efficient resource planning.

## Financial Highlights

The following table presents selected financial data related to the Company's financial results for the three months ended March 31, 2025 and the comparative period in 2024.

(in millions, except per share data, percentages and ratios)	For the three months ended March 31	
	2025	2024
<b>Financial Performance</b>		
Total revenues	\$ 3,795	\$ 3,520
Operating income	1,317	1,149
Net income attributable to controlling shareholders	910	775
Basic EPS	0.98	0.83
Diluted EPS	0.97	0.83
Core adjusted diluted EPS <sup>(1)</sup>	1.06	0.93
Dividends declared per share	0.19	0.19
<b>Financial Ratios</b>		
Operating ratio <sup>(2)</sup>	65.3%	67.4%
Core adjusted operating ratio <sup>(1)</sup>	62.5%	64.0%

<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 operating expenses divided by 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 March 31	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 3,727	\$ 3,427	\$ 300	9
Non-freight revenues (in millions)	68	93	(25)	(27)
Total revenues (in millions)	\$ 3,795	\$ 3,520	\$ 275	8
Carloads (in thousands)	1,104.6	1,072.6	32.0	3
Revenue ton-miles (in millions)	53,724	51,838	1,886	4
Freight revenue per carload (in dollars)	\$ 3,374	\$ 3,195	\$ 179	6
Freight revenue per revenue ton-mile (in cents)	6.94	6.61	0.33	5

### Total Revenues

The increase in Freight revenues in the first quarter of 2025 was primarily due to higher freight revenue per RTM and 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

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 first quarter of 2025 was primarily due to higher volumes of Coal, Grain, Intermodal, Potash, and Automotive.

### 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 increase in freight revenue per RTM in the first quarter of 2025 was primarily due to the favourable impact of the change in foreign exchange ("FX") of \$114 million and higher freight rates, partially offset by the unfavourable impact of lower fuel prices on fuel surcharge revenue of \$33 million.

### **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 help reduce exposure to changing 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 \$402 million in the first quarter of 2025, a decrease of \$10 million, or 2%, from \$412 million in the same period of 2024. This decrease was primarily due to lower fuel prices, partially offset by increased carbon levy surcharge revenue, higher volumes, and the favourable impact of the change in FX.

### **Lines of Business**

#### *Grain*

For the three months ended March 31	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 788	\$ 730	\$ 58	8
Carloads (in thousands)	133.7	132.3	1.4	1
Revenue ton-miles (in millions)	14,942	14,570	372	3
Freight revenue per carload (in dollars)	\$ 5,894	\$ 5,518	\$ 376	7
Freight revenue per revenue ton-mile (in cents)	5.27	5.01	0.26	5

The increase in Grain revenue in the first quarter of 2025 was primarily due to higher volumes of Canadian grain to Vancouver, British Columbia ("B.C.") and Mexico due to a larger crop size for the 2024-2025 crop year, higher volumes of U.S. corn to the U.S. Pacific Northwest and U.S. soybean meal products to Mexico, and an increase in freight revenue per RTM. This increase was partially offset by lower volumes of U.S. corn to Mexico and Alberta, U.S. soybeans to the U.S. Pacific Northwest, and the unfavourable impact of lower fuel prices on fuel surcharge revenue. Freight revenue per RTM increased due to the favourable impact of the change in FX and higher freight rates.

#### *Coal*

For the three months ended March 31	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 257	\$ 209	\$ 48	23
Carloads (in thousands)	118.4	108.2	10.2	9
Revenue ton-miles (in millions)	5,783	5,252	531	10
Freight revenue per carload (in dollars)	\$ 2,171	\$ 1,932	\$ 239	12
Freight revenue per revenue ton-mile (in cents)	4.44	3.98	0.46	12

The increase in Coal revenue in the first quarter of 2025 was primarily due to an increase in freight revenue per RTM, higher volumes of Canadian coal to Kamloops, B.C., Vancouver, and Thunder Bay, Ontario and higher volumes of U.S. coal. This increase was partially offset by the unfavourable impact of lower fuel prices on 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 March 31	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 156	\$ 137	\$ 19	14
Carloads (in thousands)	39.8	37.0	2.8	8
Revenue ton-miles (in millions)	4,419	4,110	309	8
Freight revenue per carload (in dollars)	\$ 3,920	\$ 3,703	\$ 217	6
Freight revenue per revenue ton-mile (in cents)	3.53	3.33	0.20	6

The increase in Potash revenue in the first quarter of 2025 was primarily due to higher volumes of export potash to Vancouver and the U.S. Pacific Northwest and an increase in freight revenue per RTM. This increase was partially offset by lower volumes

of export potash to Texas and Kamloops and the unfavourable impact of lower fuel prices on fuel surcharge revenue. Freight revenue per RTM increased due to higher freight rates and the favourable impact of the change in FX.

#### *Fertilizers and Sulphur*

For the three months ended March 31	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 114	\$ 104	\$ 10	10
Carloads (in thousands)	17.8	17.2	0.6	3
Revenue ton-miles (in millions)	1,427	1,366	61	4
Freight revenue per carload (in dollars)	\$ 6,404	\$ 6,047	\$ 357	6
Freight revenue per revenue ton-mile (in cents)	7.99	7.61	0.38	5

The increase in Fertilizers and sulphur revenue in the first quarter of 2025 was primarily due to an increase in freight revenue per RTM and higher volumes of sulphur and wet fertilizers, partially offset by the unfavourable impact of lower fuel prices on 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 March 31	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 217	\$ 202	\$ 15	7
Carloads (in thousands)	34.8	35.9	(1.1)	(3)
Revenue ton-miles (in millions)	2,343	2,244	99	4
Freight revenue per carload (in dollars)	\$ 6,236	\$ 5,627	\$ 609	11
Freight revenue per revenue ton-mile (in cents)	9.26	9.00	0.26	3

The increase in Forest products revenue in the first quarter of 2025 was primarily due to higher volumes of wood pulp and paperboard and an increase in freight revenue per RTM, partially offset by the unfavourable impact of lower fuel prices on fuel surcharge revenue and lower volumes of newsprint. Freight revenue per RTM increased due to the favourable impact of the change in FX and higher freight rates. RTMs increased while carloads decreased due to extending the length of haul of wood pulp from B.C. to Texas, Ontario, and New York and moving lower volumes of wood pulp within B.C., which has a shorter length of haul.

#### *Energy, Chemicals and Plastics*

For the three months ended March 31	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 758	\$ 702	\$ 56	8
Carloads (in thousands)	142.5	144.5	(2.0)	(1)
Revenue ton-miles (in millions)	9,701	9,719	(18)	—
Freight revenue per carload (in dollars)	\$ 5,319	\$ 4,858	\$ 461	9
Freight revenue per revenue ton-mile (in cents)	7.81	7.22	0.59	8

The increase in Energy, chemicals and plastics revenue in the first quarter of 2025 was primarily due to higher volumes of liquefied petroleum gas, styrene, gasoline, and ethylene glycol and an increase in freight revenue per RTM. This increase was partially offset by lower volumes of crude and the unfavourable impact of lower fuel prices on fuel surcharge revenue. Freight revenue per RTM increased due to the favourable impact of the change in FX and higher freight rates.

## Metals, Minerals and Consumer Products

For the three months ended March 31	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 448	\$ 440	\$ 8	2
Carloads (in thousands)	124.4	129.7	(5.3)	(4)
Revenue ton-miles (in millions)	4,681	4,701	(20)	—
Freight revenue per carload (in dollars)	\$ 3,601	\$ 3,392	\$ 209	6
Freight revenue per revenue ton-mile (in cents)	9.57	9.36	0.21	2

The increase in Metals, minerals and consumer products revenue in the first quarter of 2025 was primarily due to an increase in freight revenue per RTM and higher volumes of frac sand and cement, partially offset by lower volumes of steel and the unfavourable impact of lower fuel prices on fuel surcharge revenue. Freight revenue per RTM increased due to higher freight rates and the favourable impact of the change in FX. Carloads decreased while RTMs remained flat due to moving lower volumes of steel within Mexico, which has a shorter length of haul.

## Automotive

For the three months ended March 31	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 315	\$ 265	\$ 50	19
Carloads (in thousands)	57.8	55.7	2.1	4
Revenue ton-miles (in millions)	1,233	997	236	24
Freight revenue per carload (in dollars)	\$ 5,450	\$ 4,758	\$ 692	15
Freight revenue per revenue ton-mile (in cents)	25.55	26.58	(1.03)	(4)

The increase in Automotive revenue in the first quarter of 2025 was primarily due to higher volumes from Mexico to the U.S. Midwest and Texas, from Chicago, Illinois and Kansas City, Missouri to Canada, and from Vancouver to eastern Canada, 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 the unfavourable impact of lower fuel prices on fuel surcharge revenue. RTMs increased more than carloads due to extending the length of haul from Mexico to the U.S. Midwest and moving higher volumes from Vancouver to eastern Canada, which has a longer length of haul.

## Intermodal

For the three months ended March 31	2025	2024	Total Change	% Change
Freight revenues (in millions)	\$ 674	\$ 638	\$ 36	6
Carloads (in thousands)	435.4	412.1	23.3	6
Revenue ton-miles (in millions)	9,195	8,879	316	4
Freight revenue per carload (in dollars)	\$ 1,548	\$ 1,548	\$ —	—
Freight revenue per revenue ton-mile (in cents)	7.33	7.19	0.14	2

The increase in Intermodal revenue in the first quarter of 2025 was primarily due to higher domestic intermodal wholesale and retail volumes, higher international intermodal volumes to and from the Port of Saint John and the Port of Lazaro, and an increase in freight revenue per RTM. This increase was partially offset by lower international intermodal volumes to and from the Port of Vancouver and the Port of Montréal and the unfavourable impact of lower fuel prices on fuel surcharge revenue. Freight revenue per RTM increased due to the favourable impact of the change in FX and higher freight rates.

## Operating Expenses

For the three months ended March 31  
(in millions of Canadian dollars)

	2025	2024	Total Change	% Change
Compensation and benefits	\$ 682	\$ 690	\$ (8)	(1)
Fuel	481	458	23	5
Materials	124	94	30	32
Equipment rents	99	82	17	21
Depreciation and amortization	504	467	37	8
Purchased services and other	588	580	8	1
<b>Total operating expenses</b>	<b>\$ 2,478</b>	<b>\$ 2,371</b>	<b>\$ 107</b>	<b>5</b>

### Compensation and Benefits

Compensation and benefits expense includes employee wages, salaries, fringe benefits, and stock-based compensation. The decrease in Compensation and benefits expense in the first quarter of 2025 was primarily due to a decrease in stock-based compensation of \$26 million primarily driven by the change in share price, and adjustments to provisions for Mexican taxes of \$10 million recognized in 2024. The decrease was partially offset by the impact of wage and benefit inflation.

### Fuel

Fuel expense consists mainly of fuel used by locomotives and includes provincial, state, and federal fuel taxes. The increase in Fuel expense in the first quarter of 2025 was primarily due to an increase in workload, as measured by GTMs and the unfavourable impact of change in FX of \$11 million. The increase was partially offset by the impact of lower fuel prices of \$11 million.

### 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 increase in Materials expense in the first quarter of 2025 was primarily due to higher locomotive materials 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, and increased track 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 was primarily due to:

- greater usage of pooled freight cars by the Company;
- slower cycle times; and
- the unfavourable impact of change in FX of \$5 million.

### 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 a concession granted by the Mexican government, as well as amortization of finite life intangible assets. The increase in Depreciation and amortization expense in the first quarter of 2025 was primarily due to a higher depreciable asset base increasing depreciation by \$16 million and the unfavourable impact of the change in FX of \$19 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, provisions for environmental remediation, property taxes, contractor and consulting fees, and insurance premiums. The increase in Purchased services and other expense in the first quarter of 2025 was primarily due to:

- 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 unfavorable impact of the change in FX of \$14 million; and
- the impact of cost inflation.

The increase was partially offset by:

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

### **Other Income Statement Items**

#### *Other expense (income)*

Other expense (income) consists of gains and losses from the change in FX on cash and working capital, financing costs, shareholder costs, equity earnings, and other non-operating expenditures. Other expense was \$7 million in the first quarter of 2025, a change of \$9 million, or 450%, compared to income of \$2 million in the same period of 2024. This change was primarily due to the unfavourable impact of net FX losses on U.S. denominated cash and working capital compared to net FX gains in the same period of 2024.

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

Other components of net periodic benefit recovery are related to the Company's 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 was \$107 million in the first quarter of 2025, an increase of \$19 million, or 22%, compared to the same period of 2024. The increase was primarily due to an increase in expected return on plan assets of \$9 million and a decrease in recognized net actuarial loss of \$8 million.

#### *Net Interest Expense*

Net interest expense includes interest on long-term debt, short-term debt, and finance leases. Net interest expense was \$216 million in the first quarter of 2025, an increase of \$10 million, or 5%, from \$206 million in the same period of 2024. The increase was primarily due to interest of \$16 million incurred on short-term borrowings and the issuance of long-term notes, along with the unfavourable impact of the change in FX of \$12 million. The increase was partially offset by lower interest costs of \$14 million following the repayment of maturing long-term debt.

#### *Income Tax Expense*

Income tax expense was \$292 million in the first quarter of 2025, an increase of \$33 million, or 13%, from \$259 million in the same period of 2024. The increase was primarily due to higher taxable earnings.

The effective income tax rate in the first quarter of 2025 was 24.32% compared to 25.09% in the same period of 2024. The Core adjusted effective tax rate in the first quarter of 2025 was 24.50%, compared to 25.00% in the same period of 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 Foreign Exchange 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 ("Ps."). 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 financial 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 first quarter of 2025, the U.S. dollar strengthened to an average rate of \$1.44 Canadian/U.S. dollar and the Mexican Peso weakened to an average rate of Ps. 14.23 Mexican Peso/Canadian dollar, compared to \$1.35 Canadian/U.S. dollar and Ps. 12.61 Mexican Peso/Canadian dollar in the first quarter of 2024, resulting in an increase in Total revenues of \$115 million, an increase in Total operating expenses of \$55 million, and an increase in "Net interest expense" of \$12 million.

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 Operating expenses by approximately \$43 million (December 31, 2024 – approximately \$43 million), and negatively (or positively) impacts "Net interest expense" by approximately \$6 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 \$6 million (December 31, 2024 – approximately \$6 million) and negatively (or positively) impacts 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 an 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 first quarter of 2025, the unfavourable impact of fuel prices on Operating income was \$22 million. Lower fuel prices, partially offset by increased carbon levy surcharge revenues, resulted in a decrease in Total revenues of \$33 million from the same period of 2024. Lower fuel prices resulted in a decrease in Total operating expenses of \$11 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 stock-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 ticker symbol "CP".

In the first quarter of 2025, the change in the Company's Common Share price resulted in a stock-based compensation recovery of \$9 million, a change of \$30 million, from \$21 million expense in the same period of 2024.

Based on information available at March 31, 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 \$2.1 million to \$2.7 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 12 Stock-based compensation.

### ***Liquidity and Capital Resources***

The Company's primary sources of liquidity include its Cash and cash equivalents, commercial paper program, bilateral letter of credit facilities, and revolving credit facility. 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 March 31, 2025, the Company had \$695 million of Cash and cash equivalents compared to \$739 million at December 31, 2024.

During the first quarter of 2025, the Company repaid, at maturity, the remaining balance of U.S. \$642 million (\$930 million) on its 2.90% 10-year Notes.

During the first quarter of 2025, the Company issued U.S. \$600 million 4.80% 5-year unsecured notes due March 30, 2030 for net proceeds of approximately 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 approximately 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 December 31, 2024 the Company had U.S. \$200 million drawn from the two-year U.S. \$1.1 billion tranche, which was subsequently repaid in full during the first quarter of 2025. As at March 31, 2025, the facility was undrawn (December 31, 2024 - U.S. \$200 million (\$288 million)).

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 a U.S. \$2.2 billion revolving credit facility. As at March 31, 2025, the Company had total commercial paper borrowings outstanding of U.S. \$786 million (\$1,129 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 March 31, 2025, the Company did not have any collateral posted on its bilateral letter of credit facilities (December 31, 2024 - \$nil) and had letters of credit drawn of \$89 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 March 31, 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 8 Debt.

### ***Concession Duty***

The Company's subsidiary, Kansas City Southern de México, S.A. de C.V. (also known as Canadian Pacific Kansas City Mexico) ("CPKCM") has a fifty-year concession (the "Concession"), which will expire in 2047 but is renewable under certain conditions, for additional periods, each up to 50 years. Under the Concession, CPKCM pays annual concession duties equal to 1.25% of its gross revenues.

### ***Guarantees***

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

### ***Operating Activities***

Net cash provided by operating activities increased \$141 million in the first quarter of 2025, compared to the same period in 2024. The increase was primarily due to higher cash generating income.

### ***Investing Activities***

Net cash used in investing activities increased \$173 million in the first quarter of 2025, compared to the same period in 2024. The increase was primarily due to higher capital additions during the first quarter of 2025.

### ***Financing Activities***

Net cash used in financing activities increased \$53 million in the first quarter of 2025, compared to the same period in 2024. The increase was primarily due to:

- higher principal repayments on long-term debt of \$864 million driven by repayment of the 2.90% 10-year Notes at maturity;
- higher repayments of short-term borrowings and net repayments of commercial paper of \$533 million; and

- the impact of share repurchases of \$347 million.

This increase was partially offset by net proceeds from debt issuances of \$1,710 million resulting from the U.S. \$600 million 4.80% 5-year unsecured notes due March 30, 2030 and U.S. \$600 million 5.20% 10-year unsecured notes due March 30, 2035.

### *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 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 March 31, 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 March 31, 2025 and is being presented as it relates to the Company's cost of funds and liquidity.

### *Credit ratings as at March 31, 2025<sup>(1)</sup>*

<b>Long-term debt</b>		<b>Outlook</b>
<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**

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 other 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 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 \$2,300 million principal amount of debt securities outstanding due through 2050 issued in Canada under our Canadian base shelf prospectus 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 three months ended March 31, 2025	For the year ended December 31, 2024
Total revenues	\$ 1,774	\$ 6,877
Total operating expenses	1,153	4,300
Operating income <sup>(1)</sup>	621	2,577
Less: Other <sup>(2)</sup>	88	516
Income before income tax expense	533	2,061
<b>Net income</b>	<b>\$ 397</b>	<b>\$ 1,496</b>

<sup>(1)</sup> Includes net lease costs incurred from non-guarantor subsidiaries for the three months ended March 31, 2025 and for the year ended December 31, 2024 of \$115 million and \$462 million, respectively.

<sup>(2)</sup> Includes "Other expense (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 March 31, 2025	As at December 31, 2024
<b>Assets</b>		
Current assets	\$ 1,281	\$ 1,237
Properties	13,165	12,904
Other non-current assets	5,003	4,901
<b>Liabilities</b>		
Current liabilities	\$ 2,859	\$ 4,128
Long-term debt	20,956	19,618
Other non-current liabilities	3,894	3,832

Excluded from the Income Statement 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 three months ended March 31, 2025	For the year ended December 31, 2024
Dividend income from Non-guarantor subsidiaries	\$ 137	\$ 622
Return of capital from Non-Guarantor Subsidiaries	—	422

(in millions of Canadian dollars)	CPRC (Subsidiary Issuer) and CPKC (Parent Guarantor)	
	As at March 31, 2025	As at December 31, 2024
<b>Assets</b>		
Accounts receivable, intercompany	\$ 291	\$ 263
Short-term advances to affiliates	171	197
Long-term advances to affiliates	11,081	11,351
<b>Liabilities</b>		
Accounts payable, intercompany	\$ 219	\$ 230
Short-term advances from affiliates	140	130
Long-term advances from affiliates	3,968	3,968

### Share Capital

As of April 29, 2025, the latest practicable date, there were 930,456,061 Common Shares issued and outstanding, which consisted of 13,504 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 April 29, 2025, 6,539,911 options were outstanding under the MSOIP and stand-alone option agreements entered into with Mr. Keith Creel. There are 20,088,456 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 operating 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, 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, debt exchange transaction costs, community investments, fair value gain or loss on FX forward contracts and interest rate hedges, restructuring, employee retention and synergy incentive costs, and transaction and integration costs incurred by KCS. 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 expense (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 three months of 2025 and 2024 include:

2025:

- 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" primarily related to restructuring costs, retention and synergy related incentive compensation costs; \$1 million recognized in "Materials"; and \$14 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 2 cents.

2024:

- 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
- Acquisition-related costs of \$26 million in connection with the KCS acquisition (\$20 million after current income tax recovery of \$6 million) including an expense of \$4 million recognized in "Compensation and benefits" primarily related to retention and synergy related incentive compensation costs; \$2 million recognized in "Materials"; and \$20 million recognized in "Purchased services and other" primarily related to software costs, relocation costs, and other third party purchased services, 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 three months of 2025 and 2024 was as follows:

2025:

- 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" related to the amortization of equity investments, \$5 million recognized in "Net interest expense", \$1 million recognized in "Other expense (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:

- 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" related to the amortization of equity investments, \$5 million recognized in "Net interest expense", \$1 million recognized in "Other expense (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 March 31	
	2025	2024
<b>Diluted earnings per share as reported</b>	<b>\$ 0.97</b>	<b>\$ 0.83</b>
Less:		
Significant items (pre-tax):		
Adjustments to provisions and settlements of Mexican taxes	—	(0.01)
Acquisition-related costs	(0.02)	(0.03)
KCS purchase accounting	(0.10)	(0.09)
Add:		
Tax effect of adjustments <sup>(1)</sup>	(0.03)	(0.03)
<b>Core adjusted diluted earnings per share</b>	<b>\$ 1.06</b>	<b>\$ 0.93</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 26.76% for the three months ended March 31, 2025 and 24.61% for the three months ended March 31, 2024. 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 March 31	
	2025	2024
<b>Operating ratio as reported</b>	<b>65.3 %</b>	<b>67.4 %</b>
Less:		
Adjustments to provisions and settlements of Mexican taxes	— %	0.3 %
Acquisition-related costs	0.5 %	0.8 %
KCS purchase accounting in Operating expenses	2.3 %	2.3 %
<b>Core adjusted operating ratio</b>	<b>62.5 %</b>	<b>64.0 %</b>

#### 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 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 March 31, 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 March 31, 2025 would increase the fair value of the Company's debt as at March 31, 2025 by approximately \$1.8 billion (March 31, 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 March 31, 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 March 31, 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 first 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 13 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, demand for corrective or mitigating actions, or articulated a preliminary civil penalty assessment, 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. 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 10 Share repurchase. The following table presents the number of Common Shares repurchased during each month of the first quarter of 2025 and the average price paid by CPKC for the repurchase of such Common Shares:

<u>Period</u>	<u>Total Number of Shares (or Units) Purchased<sup>(1)</sup></u>	<u>Average Price Paid per Share (or Unit)<sup>(2)</sup></u>	<u>Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs<sup>(1)</sup></u>	<u>Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may yet be purchased under the Plans or Programs</u>
<i>Common Stock</i>				
January 1-31, 2025	—	\$ —	—	—
February 1-28, 2025	—	\$ —	—	—
March 1-31, 2025	3,480,658	\$ 107.68	3,480,658	33,867,881
<b>Total</b>	<b>3,480,658</b>	<b>\$ 107.68</b>	<b>3,480,658</b>	<b>33,867,881</b>

<sup>(1)</sup> Includes shares repurchased but not yet cancelled at end of period.

<sup>(2)</sup> Includes brokerage fees and applicable tax on share repurchases.