FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(in millions of Canadian dollars, except share and per share data)	For the three months ended March 31 **2025**	2024
Revenues (Note 3)		
Freight	**$ 3,727**	$ 3,427
Non-freight	**68**	93
Total revenues	**3,795**	3,520
Operating expenses		
Compensation and benefits	**682**	690
Fuel	**481**	458
Materials	**124**	94
Equipment rents	**99**	82
Depreciation and amortization	**504**	467
Purchased services and other	**588**	580
Total operating expenses	**2,478**	2,371
Operating income	**1,317**	1,149
Other expense (income)	**7**	(2)
Other components of net periodic benefit recovery (Note 11)	**(107)**	(88)
Net interest expense	**216**	206
Income before income tax expense	**1,201**	1,033
Current income tax expense	**266**	242
Deferred income tax expense	**26**	17
Income tax expense (Note 4)	**292**	259
Net income	**$ 909**	$ 774
Net loss attributable to non-controlling interest	**(1)**	(1)
Net income attributable to controlling shareholders	**$ 910**	$ 775
Earnings per share (Note 5)		
Basic earnings per share	**$ 0.98**	$ 0.83
Diluted earnings per share	**$ 0.97**	$ 0.83
Weighted-average number of shares (millions) (Note 5)		
Basic	**933.2**	932.4
Diluted	**934.3**	934.4
Dividends declared per share	**$ 0.19**	$ 0.19

See Notes to Interim Consolidated Financial Statements.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(in millions of Canadian dollars)	For the three months ended March 31	
	2025	2024
Net income	**$ 909**	$ 774
Net (loss) gain in foreign currency translation adjustments, net of hedging activities	**(29)**	699
Change in derivatives designated as cash flow hedges	**1**	1
Change in pension and post-retirement defined benefit plans	**3**	12
Other comprehensive (loss) income before income taxes	**(25)**	712
Income tax (expense) recovery	**(3)**	6
Other comprehensive (loss) income (Note 6)	**(28)**	718
Comprehensive income	**$ 881**	$ 1,492
Comprehensive (loss) income attributable to non-controlling interest	**(2)**	22
Comprehensive income attributable to controlling shareholders	**$ 883**	$ 1,470

See Notes to Interim Consolidated Financial Statements.

INTERIM CONSOLIDATED BALANCE SHEETS AS AT
(unaudited)

(in millions of Canadian dollars)	March 31 2025	December 31 2024
Assets		
Current assets		
Cash and cash equivalents	**$ 695**	$ 739
Accounts receivable, net (Note 7)	**2,044**	1,968
Materials and supplies	**466**	457
Other current assets	**255**	220
	3,460	3,384
Investments	**588**	586
Properties	**56,165**	56,024
Goodwill	**19,333**	19,350
Intangible assets	**3,120**	3,146
Pension asset	**4,684**	4,586
Other assets	**690**	668
Total assets	**$ 88,040**	$ 87,744
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 2,735**	$ 2,842
Long-term debt maturing within one year (Note 8, 9)	**1,512**	2,819
	4,247	5,661
Pension and other benefit liabilities	**547**	548
Other long-term liabilities	**866**	867
Long-term debt (Note 8, 9)	**21,140**	19,804
Deferred income taxes	**11,997**	11,974
Total liabilities	**38,797**	38,854
Shareholders' equity		
Share capital	**25,603**	25,689
Additional paid-in capital	**107**	94
Accumulated other comprehensive income (Note 6)	**2,653**	2,680
Retained earnings	**19,883**	19,429
	48,246	47,892
Non-controlling interest	**997**	998
Total equity	**49,243**	48,890
Total liabilities and equity	**$ 88,040**	$ 87,744

See Contingencies (Note 13).

See Notes to Interim Consolidated Financial Statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in millions of Canadian dollars)	For the three months ended March 31 2025	2024
Operating activities		
Net income	**$ 909**	$ 774
Reconciliation of net income to cash provided by operating activities:		
Depreciation and amortization	**504**	467
Deferred income tax expense	**26**	17
Pension recovery and funding (Note 11)	**(95)**	(76)
Settlement of Mexican taxes (Note 4)	**(11)**	—
Settlement of foreign currency forward contracts (Note 9)	**—**	(65)
Other operating activities, net	**(11)**	1
Changes in non-cash working capital balances related to operations	**(166)**	(103)
Net cash provided by operating activities	**1,156**	1,015
Investing activities		
Additions to properties	**(711)**	(527)
Additions to Meridian Speedway properties	**(12)**	(4)
Proceeds from sale of properties and other assets	**11**	1
Other investing activities, net	**(3)**	(12)
Net cash used in investing activities	**(715)**	(542)
Financing activities		
Dividends paid	**(177)**	(177)
Issuance of Common Shares	**8**	22
Purchase of Common Shares (Note 10)	**(347)**	—
Repayment of long-term debt, excluding commercial paper (Note 8)	**(935)**	(71)
Issuance of long-term debt, excluding commercial paper (Note 8)	**1,710**	—
Net repayment of commercial paper (Note 8)	**(453)**	(205)
Net repayment of short term borrowings (Note 8)	**(285)**	—
Other financing activities, net	**(5)**	—
Net cash used in financing activities	**(484)**	(431)
Effect of foreign currency fluctuations on foreign-denominated cash and cash equivalents	**(1)**	13
Cash position		
Net (decrease) increase in cash and cash equivalents	**(44)**	55
Cash and cash equivalents at beginning of period	**739**	464
Cash and cash equivalents at end of period	**$ 695**	$ 519
Supplemental cash flow information		
Income taxes paid	**$ 237**	$ 242
Interest paid	**$ 180**	$ 245

See Notes to Interim Consolidated Financial Statements.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited)

	For the three months ended March 31							
(in millions of Canadian dollars except per share data)	Common shares (in millions)	Share capital	Additional paid-in capital	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interest	Total equity
Balance as at January 1, 2025	**933.5**	**$ 25,689**	**$ 94**	**$ 2,680**	**$ 19,429**	**$ 47,892**	**$ 998**	**$ 48,890**
Net income (loss)	**—**	**—**	**—**	**—**	**910**	**910**	**(1)**	**909**
Contribution from non-controlling interest	**—**	**—**	**—**	**—**	**—**	**—**	**1**	**1**
Other comprehensive loss (Note 6)	**—**	**—**	**—**	**(27)**	**—**	**(27)**	**(1)**	**(28)**
Dividends declared ($0.19 per share)	**—**	**—**	**—**	**—**	**(177)**	**(177)**	**—**	**(177)**
Effect of stock-based compensation expense	**—**	**—**	**16**	**—**	**—**	**16**	**—**	**16**
Common Shares repurchased (Note 10)	**(3.3)**	**(96)**	**—**	**—**	**(279)**	**(375)**	**—**	**(375)**
Shares issued under stock option plan	**0.2**	**10**	**(3)**	**—**	**—**	**7**	**—**	**7**
Balance as at March 31, 2025	**930.4**	**$ 25,603**	**$ 107**	**$ 2,653**	**$ 19,883**	**$ 48,246**	**$ 997**	**$ 49,243**
Balance as at January 1, 2024	932.1	$ 25,602	$ 88	$ (618)	$ 16,420	$ 41,492	$ 919	$ 42,411
Net income (loss)	—	—	—	—	775	775	(1)	774
Contribution from non-controlling interest	—	—	—	—	—	—	1	1
Other comprehensive income (Note 6)	—	—	—	695	—	695	23	718
Dividends declared ($0.19 per share)	—	—	—	—	(177)	(177)	—	(177)
Effect of stock-based compensation expense	—	—	13	—	—	13	—	13
Shares issued under stock option plan	0.5	27	(6)	—	—	21	—	21
Balance as at March 31, 2024	932.6	$ 25,629	$ 95	$ 77	$ 17,018	$ 42,819	$ 942	$ 43,761

See Notes to Interim Consolidated Financial Statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2025
(unaudited)

1 Description of business and basis of presentation

Canadian Pacific Kansas City Limited ("CPKC" or the "Company") owns and operates a transcontinental freight railway spanning Canada, the United States ("U.S."), and Mexico. CPKC provides rail and intermodal transportation services over a network of approximately 20,000 miles, serving principal business centres across Canada, the U.S., and Mexico. The Company transports bulk commodities, merchandise, and intermodal freight. CPKC's Common Shares ("Common Shares") trade on the Toronto Stock Exchange and New York Stock Exchange under the symbol "CP".

These unaudited interim consolidated financial statements ("Interim Consolidated Financial Statements") have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). They do not include all of the information required for a complete set of annual financial statements prepared in accordance with GAAP and should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2024 ("last annual consolidated financial statements"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and results of operations since the last annual consolidated financial statements. These Interim Consolidated Financial Statements have been prepared using the same significant accounting policies used in the last annual consolidated financial statements. Amounts are stated in Canadian dollars unless otherwise noted.

The Company's operations and income for interim periods can be affected by seasonal fluctuations such as changes in customer demand and weather conditions, and may not be indicative of annual results.

Operating segment

The Company only has one operating segment: rail transportation. The Company's measure of segment profit is reported on the Interim Consolidated Statements of Income as "Net income attributable to controlling shareholders". CPKC's significant segment expenses are consistent with the expenses presented on the Interim Consolidated Statements of Income.

2 Accounting changes

Recently adopted accounting standards

The accounting standards that have become effective during the three months ended March 31, 2025 did not have a material impact on the Interim Consolidated Financial Statements.

Accounting standards not yet adopted

Recently issued accounting pronouncements are not expected to have a material impact on the Company's financial position or results of operations when they are adopted.

3 Revenues

The following table presents disaggregated information about the Company's revenues from contracts with customers by major source:

(in millions of Canadian dollars)	For the three months ended March 31 2025	2024
Grain	**$ 788**	$ 730
Coal	**257**	209
Potash	**156**	137
Fertilizers and sulphur	**114**	104
Forest products	**217**	202
Energy, chemicals and plastics	**758**	702
Metals, minerals and consumer products	**448**	440
Automotive	**315**	265
Intermodal	**674**	638
Total freight revenues	**3,727**	3,427
Non-freight excluding leasing revenues	**41**	63
Revenues from contracts with customers	**3,768**	3,490
Leasing revenues	**27**	30
Total revenues	**$ 3,795**	$ 3,520

4 Income taxes

The effective income tax rate including discrete items for the three months ended March 31, 2025 was 24.32%, compared to 25.09% for the same period of 2024.

For the three months ended March 31, 2025, the effective income tax rate was 24.50%, excluding the discrete items of amortization of business acquisition fair value adjustments of $94 million, and acquisition-related costs incurred by the Company of $20 million.

For the three months ended March 31, 2024, the effective income tax rate was 25.00%, excluding the discrete items of amortization of business acquisition fair value adjustments of $86 million, acquisition-related costs incurred by CPKC of $26 million, and adjustments to provisions for Mexican taxes of $10 million recognized in "Compensation and benefits".

Mexican Tax Settlements

During the three months ended March 31, 2025, the company received final audit letters for Kansas City Southern de México, S.A. de C.V. (also known as Canadian Pacific Kansas City Mexico) ("CPKCM") for 2021 and a payment of $11 million was made in respect of that year.

2014 Tax Assessment

CPKCM's 2014 Tax Assessment is currently in litigation before the Federal Collegiate Circuit Courts (see Note 13).

5 Earnings per share

(in millions, except per share data)	For the three months ended March 31 **2025**	2024
Net income attributable to controlling shareholders	**$ 910**	$ 775
Weighted-average basic shares outstanding	**933.2**	932.4
Dilutive effect of stock options	**1.1**	2.0
Weighted-average diluted shares outstanding	**934.3**	934.4
Earnings per share - basic	**$ 0.98**	$ 0.83
Earnings per share - diluted	**$ 0.97**	$ 0.83

For the three months ended March 31, 2025, there were 1.5 million stock options excluded from the computation of diluted earnings per share because their effects were not dilutive (three months ended March 31, 2024 - 0.3 million).

6 Changes in Accumulated other comprehensive income ("AOCI") by component

Changes in AOCI attributable to controlling shareholders, net of tax, by component are as follows:

	For the three months ended March 31				
(in millions of Canadian dollars)	Foreign currency net of hedging activities	Derivatives	Pension and post-retirement defined benefit plans	Equity accounted investments	Total
Opening balance, January 1, 2025	**$ 3,413**	**$ 10**	**$ (738)**	**$ (5)**	**$ 2,680**
Other comprehensive loss before reclassifications	**(28)**	**—**	**—**	**—**	**(28)**
Amounts reclassified from AOCI	**—**	**—**	**1**	**—**	**1**
Net other comprehensive (loss) income	**(28)**	**—**	**1**	**—**	**(27)**
Balance as at March 31, 2025	**$ 3,385**	**$ 10**	**$ (737)**	**$ (5)**	**$ 2,653**
Opening balance, January 1, 2024	$ 837	$ 5	$ (1,463)	$ 3	$ (618)
Other comprehensive income before reclassifications	685	—	—	—	685
Amounts reclassified from AOCI	—	1	9	—	10
Net other comprehensive income	685	1	9	—	695
Balance as at March 31, 2024	$ 1,522	$ 6	$ (1,454)	$ 3	$ 77

7 Accounts receivable, net

(in millions of Canadian dollars)	As at March 31, 2025	As at December 31, 2024
Total accounts receivable	**$ 2,150**	$ 2,066
Allowance for credit losses	**(106)**	(98)
Total accounts receivable, net	**$ 2,044**	$ 1,968

8 Debt

During the three months ended March 31, 2025, the Company repaid, at maturity, the remaining balance of U.S. $642 million ($930 million) on its 2.90% 10-year Notes.

Issuance of long-term debt

During the three months ended March 31, 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). These notes pay interest semi-annually and carry a negative pledge.

Term credit facility

During the three months ended March 31, 2025, the Company entered into, and fully repaid, a U.S. $500 million unsecured non-revolving term credit facility (the "term facility"). The Company presents draws and repayments on its term facility in the Interim Consolidated Statements of Cash Flows on a net basis.

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 presents draws and repayments on the facility in the Interim Consolidated Statements of Cash Flows on a net basis.

Commercial paper program

The Company has a commercial paper program, under which it may issue up to a maximum aggregate principal amount of U.S. $1.5 billion in the form of unsecured promissory notes. This 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) included in "Long-term debt maturing within one year" on the Company's Interim Consolidated Balance Sheets (December 31, 2024 - U.S. $1,102 million ($1,586 million)). The weighted-average interest rate on these borrowings as at March 31, 2025 was 4.60% (December 31, 2024 - 4.75%). The Company presents issuances and repayments of commercial paper, all of which have a maturity of less than 90 days, in the Interim Consolidated Statements of Cash Flows on a net basis.

9 Financial instruments

A. Fair values of financial instruments

The Company categorizes its financial assets and liabilities measured at fair value into a three-level hierarchy that prioritizes those inputs to valuation techniques used to measure fair value based on the degree to which they are observable. The three levels of the fair value hierarchy are as follows: Level 1 inputs are quoted prices in active markets for identical assets and liabilities; Level 2 inputs, other than quoted prices included within Level 1, are observable for the asset or liability either directly or indirectly; and Level 3 inputs are not observable in the market.

The Company's short-term financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and short-term borrowings, including commercial paper and term loans. The carrying value of short-term financial instruments approximate their fair value.

The carrying value of the Company's debt does not approximate its fair value. The estimated fair value has been determined based on market information, where available, or by discounting future payments of principal and interest at estimated interest rates expected to be available to the Company at the balance sheet date. All measurements are classified as Level 2. The Company's long-term debt, including current maturities, with a carrying value of $21,523 million as at March 31, 2025 (December 31, 2024 - $20,749 million), had a fair value of $19,853 million (December 31, 2024 - $18,911 million).

B. Financial risk management

FX management

Net investment hedge

The majority of the Company's U.S. dollar-denominated long-term debt, finance lease obligations, and operating lease liabilities have been designated as a hedge of the Company's net investment in foreign subsidiaries. This designation has the effect of mitigating volatility on Net income by offsetting long-term FX gains and losses on U.S. dollar-denominated long-term debt and gains and losses on its net investment. The effect of the Company's net investment hedge included in "Other comprehensive (loss) income" for the three months ended March 31, 2025 was an unrealized FX gain of $6 million (three months ended March 31, 2024 - unrealized FX loss of $103 million).

Mexican Peso- U.S. dollar FX Forward contracts

The Company's Mexican subsidiaries have net U.S. dollar-denominated monetary assets or liabilities which, for Mexican income tax purposes, are subject to periodic revaluation based on changes in the value of the Mexican peso ("Ps.") against the U.S dollar. This revaluation creates fluctuations in the Company's Mexican income tax expense and the amount of income taxes paid in Mexican pesos. The Company also has monetary assets or liabilities denominated in Mexican pesos that are subject to periodic re-measurement and settlement that create fluctuations within "Other expense (income)". Until January 2024, the Company had hedged its net exposure to Ps./U.S. dollar fluctuations in earnings with foreign currency forward contracts. The foreign currency forward contracts involved the Company's agreement to buy or sell Ps. at an agreed-upon exchange rate on a future date.

The Company measured the foreign currency derivative contracts at fair value each period and recognized any change in "Other expense (income)". The cash flows associated with these instruments were classified as "Operating activities" in the Interim Consolidated Statements of Cash Flows. The Company's foreign currency forward contracts were executed with counterparties in the U.S. and were governed by International Swaps and Derivatives Association agreements that included standard netting arrangements.

On January 12, 2024, the Company settled all outstanding foreign currency forward contracts, resulting in a cash outflow of $65 million. During the three months ended March 31, 2025, the Company recorded $nil related to foreign exchange currency forwards (three months ended March 31, 2024 - loss of $4 million). As of March 31, 2025 the Company had no outstanding foreign currency forward contracts (December 31, 2024 - $nil).

10 Share repurchases

On February 27, 2025, the Company announced a normal course issuer bid ("NCIB"), commencing March 3, 2025, to purchase up to 37.3 million Common Shares in the open market for cancellation on or before March 2, 2026. All purchases were made in accordance with the respective NCIB at prevailing market prices plus brokerage fees, with consideration allocated to "Share capital" up to the average carrying amount of the shares and any excess allocated to "Retained earnings".

In accordance with Canadian federal income tax legislation, the Company has accrued for a two percent tax on the fair market value of shares repurchased (net of qualifying issuances of equity) as a direct cost of common share repurchases recorded in Shareholders' equity. The Company has accrued a liability of $7 million for the tax due on the net share repurchases made in the first three months of 2025, payable within the first quarter of the following year.

The following table provides activities under the share repurchase program:

	For the three months ended March 31 2025
Number of Common Shares repurchased[1]	**3,480,658**
Weighted-average price per share[2]	**$107.68**
Amount of repurchase (in millions of Canadian dollars)[2]	**$375**

[1] Includes shares repurchased but not yet cancelled at end of period.
[2] Includes brokerage fees and applicable tax on share repurchases.

11 Pension and other benefits

During the three months ended March 31, 2025, the Company made contributions to its defined benefit pension plans of $4 million (three months ended March 31, 2024 - $3 million).

Net periodic benefit (recovery) cost for defined benefit pension plans and other benefits included the following components:

	For the three months ended March 31					
	Pensions		**Other benefits**		**Total**	
(in millions of Canadian dollars)	**2025**	2024	**2025**	2024	**2025**	2024
Current service cost	**$ 21**	$ 21	**$ 3**	$ 3	**$ 24**	$ 24
Other components of net periodic benefit (recovery) cost:						
Interest cost on benefit obligation	**117**	117	**5**	6	**122**	123
Expected return on plan assets	**(232)**	(223)	**—**	—	**(232)**	(223)
Recognized net actuarial loss	**2**	10	**—**	—	**2**	10
Amortization of prior service costs	**1**	2	**—**	—	**1**	2
Total other components of net periodic benefit (recovery) cost	**(112)**	(94)	**5**	6	**(107)**	(88)
Net periodic benefit (recovery) cost	**$ (91)**	$ (73)	**$ 8**	$ 9	**$ (83)**	$ (64)

12 Stock-based compensation

As at March 31, 2025, the Company had several stock-based compensation plans including a stock options plan, various cash-settled liability plans, and an employee share purchase plan. These plans resulted in an expense for the three months ended March 31, 2025 of $34 million (three months ended March 31, 2024 - expense of $59 million).

Stock options plan

In the three months ended March 31, 2025, under the Company's stock options plan, the Company issued 967,335 options at the weighted-average price of $110.48 per share, based on the closing price on the grant date. Pursuant to the employee plan, these options may be exercised upon vesting, which is between 12 months and 48 months after the grant date, and will expire seven years from the grant date.

Under the fair value method, the fair value of the stock options at the grant date was approximately $28 million.

Performance share unit plans

During the three months ended March 31, 2025, the Company issued 594,802 Performance Share Units ("PSUs") with a grant date fair value of $66 million and 24,149 Performance Deferred Share Units ("PDSUs") with a grant date fair value, including the fair value of expected future matching units, of $3 million. PSUs and PDSUs attract dividend equivalents in the form of additional units based on dividends paid on the Company's Common Shares, and vest three to four years after the grant date, contingent on the Company's performance ("performance factor"). Vested PSUs are settled in cash. Vested PDSUs are converted into DSUs pursuant to the DSU plan, are eligible for a 25% Company match if the employee has not exceeded their Common Share ownership requirements, and are settled in cash only when the holder ceases their employment with the Company.

The performance period for all PSUs and all PDSUs granted in the three months ended March 31, 2025 is January 1, 2025 to December 31, 2027 and the performance factors are Free Cash Flow ("FCF") and Total Shareholder Return ("TSR"), compared to the S&P/TSX 60 Index, TSR compared to the S&P 500 Industrials Index, and TSR compared to Class I railways.

The performance period for all of the 415,660 PSUs and 13,506 PDSUs granted in 2022 was January 1, 2022 to December 31, 2024, and the performance factors were FCF, Adjusted net debt to Adjusted EBITDA Modifier, TSR compared to the S&P/TSX 60 Index, and TSR compared to the S&P 500 Industrials Index. The resulting payout was 120% of the outstanding units multiplied by the Company's average common share price calculated based on the last 30 trading days preceding December 31, 2024. In the first quarter of 2025, payouts were $48 million on 381,759 PSUs, including dividends reinvested. The 9,774 PDSUs that vested on December 31, 2024, with a fair value of $2 million, including dividends reinvested and matching units, will be paid out in future reporting periods pursuant to the DSU plan (as described above).

13 Contingencies

<u>Litigation</u>

In the normal course of its operations, the Company becomes involved in various legal actions, including claims relating to injuries and damage to property. The Company maintains provisions it considers to be adequate for such actions. While the final outcome with respect to actions outstanding or pending at March 31, 2025 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Company's business, financial position, results of operations, or liquidity. However, an unexpected adverse resolution of one or more of these legal actions could have a material adverse effect on the Company's business, financial position, results of operations, or liquidity in a particular quarter or fiscal year.

Legal proceedings related to Lac-Mégantic rail accident

On July 6, 2013, a train carrying petroleum crude oil operated by Montréal Maine and Atlantic Railway ("MMAR") or a subsidiary, Montréal Maine & Atlantic Canada Co. ("MMAC" and collectively the "MMA Group"), derailed in Lac-Mégantic, Québec. The derailment occurred on a section of railway owned and operated by the MMA Group and while the MMA Group exclusively controlled the train.

Following the derailment, MMAC sought court protection in Canada under the *Companies' Creditors Arrangement Act* and MMAR filed for bankruptcy in the U.S. Plans of arrangement were approved in both Canada and the U.S. (the "Plans"), providing for the distribution of approximately $440 million amongst those claiming derailment damages.

A number of legal proceedings, set out below, were commenced in Canada and the U.S. against the Company and others:

(1) Québec's Minister of Sustainable Development, Environment, Wildlife and Parks ordered various parties, including the Company, to remediate the derailment site (the "Cleanup Order") and served the Company with a Notice of Claim for $95 million for those costs. The Company appealed the Cleanup Order and contested the Notice of Claim with the Administrative Tribunal of Québec. These proceedings are stayed pending determination of the Attorney General of Québec ("AGQ") action (paragraph 2 below).

(2) The AGQ sued the Company in the Québec Superior Court claiming $409 million in damages, which was further amended and reduced to $231 million (the "AGQ Action"). The AGQ Action alleges that: (i) the Company was responsible for the

petroleum crude oil from its point of origin until its delivery to Irving Oil Ltd.; and (ii) the Company is vicariously liable for the acts and omissions of the MMA Group.

(3) A class action in the Québec Superior Court on behalf of persons and entities residing in, owning or leasing property in, operating a business in, or physically present in Lac-Mégantic at the time of the derailment was certified against the Company on May 8, 2015 (the "Class Action"). Other defendants including MMAC and Mr. Thomas Harding ("Harding") were added to the Class Action on January 25, 2017. On November 28, 2019, the plaintiffs' motion to discontinue their action against Harding was granted. The Class Action seeks unquantified damages, including for wrongful death, personal injury, property damage, and economic loss.

(4) Eight subrogated insurers sued the Company in the Québec Superior Court claiming approximately $16 million in damages, which was amended and reduced to approximately $14 million (the “Promutuel Action”), and two additional subrogated insurers sued the Company claiming approximately $3 million in damages (the “Royal Action”). Both actions contain similar allegations as the AGQ Action. The actions do not identify the subrogated parties. As such, the extent of any overlap between the damages claimed in these actions and under the Plans is unclear. The Royal Action is stayed pending determination of the consolidated proceedings described below.

On December 11, 2017, the AGQ Action, the Class Action and the Promutuel Action were consolidated. The joint liability trial of these consolidated claims commenced on September 21, 2021 with oral arguments ending on June 15, 2022. The Québec Superior Court issued a decision on December 14, 2022 dismissing all claims against the Company, finding that the Company’s actions were not the direct and immediate cause of the accident and the damages suffered by the plaintiffs. All three plaintiffs filed a declaration of appeal on January 13, 2023. The appeal was heard October 7 to 10, 2024 by the Québec Court of Appeal. On February 26, 2025, the Québec Court of Appeal issued its unanimous decision upholding the trial decision and dismissing the appeals in their entirety. On April 28, 2025, all three plaintiffs filed applications for leave to appeal to the Supreme Court of Canada. The Company has 30 days from the date that the Supreme Court of Canada Registry opens a file to provide its response. A damages trial will follow after the disposition of all appeals, if necessary.

(5) Forty-eight plaintiffs (all individual claims joined in one action) sued the Company, MMAC, and Harding in the Québec Superior Court claiming approximately $5 million in damages for economic loss and pain and suffering, and asserting similar allegations as in the Class Action and the AGQ Action. The majority of the plaintiffs opted-out of the Class Action and all but two are also plaintiffs in litigation against the Company, described in paragraph 7 below. This action is stayed pending determination of the consolidated claims described above.

(6) The MMAR U.S. bankruptcy estate representative commenced an action against the Company in November 2014 in the Maine Bankruptcy Court claiming that the Company failed to abide by certain regulations and seeking approximately U.S. $30 million in damages for MMAR’s loss in business value according to an expert report filed by the bankruptcy estate. This action asserts that the Company knew or ought to have known that the shipper misclassified the petroleum crude oil and therefore should have refused to transport it. Summary judgement motion was argued and taken under advisement on June 9, 2022. On May 23, 2023, the case management judge stayed the proceedings pending the outcome of the appeal in the Canadian consolidated claims. On April 18, 2025, the Court lifted the stay and ordered briefing concerning the Company’s request for summary judgement based on the preclusive effect of matters decided in other Lac-Mégantic cases. The Court will address that basis for summary judgement first, then will address other arguments for summary judgement, if necessary, afterwards.

(7) The class and mass tort action commenced against the Company in June 2015 in Texas (on behalf of Lac-Mégantic residents and wrongful death representatives) and the wrongful death and personal injury actions commenced against the Company in June 2015 in Illinois and Maine, were all transferred and consolidated in Federal District Court in Maine (the “Maine Actions”). The Maine Actions allege that the Company negligently misclassified and improperly packaged the petroleum crude oil. On the Company’s motion, the Maine Actions were dismissed. The plaintiffs appealed the dismissal decision to the U.S. First Circuit Court of Appeals, which dismissed the plaintiffs' appeal on June 2, 2021. The plaintiffs further petitioned the U.S. First Circuit Court of Appeals for a rehearing, which was denied on September 8, 2021. On January 24, 2022, the plaintiffs further appealed to the U.S. Supreme Court on two bankruptcy procedural grounds. On May 31, 2022, the U.S. Supreme Court denied the petition, thereby rejecting the plaintiffs' appeal.

(8) The trustee for the wrongful death trust commenced Carmack Amendment claims against the Company in North Dakota Federal Court, seeking to recover approximately U.S. $6 million for damaged rail cars and lost crude oil and reimbursement for the settlement paid by the consignor and the consignee under the Plans (alleged to be U.S. $110 million and U.S. $60 million, respectively). The Court issued an Order on August 6, 2020 granting and denying in parts the parties' summary judgement motions which has been reviewed and confirmed following motions by the parties for clarification and reconsideration. Final briefs of dispositive motions for summary judgement and for reconsideration on tariff applicability were submitted on September 30, 2022. On January 20, 2023, the Court granted in part the Company's summary judgement motion by dismissing all claims for recovery of settlement payments but leaving for trial the determination of the value of the lost crude oil. It also dismissed the Company's motion for reconsideration on tariff applicability. The remaining issues of the value of the lost crude oil and applicability of judgement reduction provisions do not require trial, and were fully briefed in 2024. On January 5, 2024, the Court issued its decision finding that the Company is liable for approximately U.S.

$3.9 million plus pre-judgement interest, but declined to determine whether judgement reduction provisions were applicable, referring the parties to a court in Maine on that issue. On January 18, 2024, the Company filed a motion for reconsideration for the Court to apply the judgement reduction provisions. On January 19, 2024, the trustee for the wrongful death trust filed a Notice of Appeal for the January 5, 2024 decision, as well as prior decisions. On February 23, 2024, the Court denied the Company's motion for reconsideration, again referring the parties to a court in Maine to apply the judgement reduction provision. On March 6, 2024, the Company filed its notice of appeal of this latest ruling, as well as prior decisions. The appeal was heard on March 18, 2025 and the Court reserved its decision.

At this stage of the proceedings, any potential responsibility and the quantum of potential losses cannot be determined. Nevertheless, the Company denies liability and is vigorously defending these proceedings.

Court decision related to Remington Development Corporation legal claim

On October 20, 2022, the Court of King's Bench of Alberta issued a decision in a claim brought by Remington Development Corporation ("Remington") against the Company and the Province of Alberta ("Alberta") with respect to an alleged breach of contract by the Company in relation to the sale of certain properties in Calgary. In its decision, the Court found the Company had breached its contract with Remington and Alberta had induced the contract breach. The Court found the Company and Alberta liable for damages of approximately $164 million plus interest and costs, and subject to an adjustment to the acquisition value of the property. In a further decision on August 30, 2023, the Court determined that adjustment and set the total damages at $165 million plus interest and costs. On October 20, 2023, the Court determined the costs payable to Remington, however, the Court has not provided any indication of how the damages, which are currently estimated to total approximately $230 million, should be apportioned between the Company and Alberta. On November 17, 2022, the Company filed an appeal of the Court's decision. On April 11, 2024, the Court of Appeal of Alberta stayed the judgement pending the outcome of the appeal. On September 10, 2024, the Court of Appeal of Alberta heard the Company's appeal and reserved its decision. At this time, the Company cannot reasonably estimate the amount of damages for which it is liable under the ruling of the Court.

2014 tax assessment

On April 13, 2022, the SAT delivered an audit assessment of CPKCM's 2014 tax returns (the "2014 Assessment"). As at March 31, 2025, the 2014 Assessment was Ps.6,372 million ($451 million), which included inflation, interest, and penalties. On July 7, 2022, CPKCM filed an administrative appeal (the "Administrative Appeal") before the SAT, seeking to revoke the 2014 Assessment and claiming that the notification of the 2014 Assessment was not legal for being made through the tax mailbox in violation of a tax mailbox injunction previously granted on March 19, 2015, to CPKCM. On September 26, 2022, the SAT issued a resolution dismissing the Administrative Appeal filed by CPKCM arguing that it was not submitted timely (the "Administrative Appeal Resolution"). On October 10, 2022, CPKCM submitted a petition of annulment lawsuit before the Federal Administrative Court, challenging the 2014 Assessment, its notification, and the dismissal of the Administrative Appeal Resolution.

On January 5, 2023, the Federal Administrative Court granted a definitive injunction against the enforcement and collection of the 2014 Assessment. On April 24, 2024, the Federal Administrative Court resolved the annulment lawsuit confirming the Administrative Appeal Resolution and the 2014 Assessment (the "Administrative Court Resolution"). On June 21, 2024, CPKCM challenged the Administrative Court Resolution by submitting an Amparo petition (Demanda de Amparo) before the Collegiate Circuit Court (Tribunal Colegiado de Circuito). CPKCM expects to prevail based on the technical merits of its case. On August 15, 2024, the Federal Administrative Court informed CPKCM that the SAT submitted two motions (recurso de reclamación and recurso de queja) claiming that the Federal Administrative Court did not cite the applicable legal provisions when granting the definitive injunction against the enforcement and collection of the 2014 Assessment. On November 8, 2024, CPKCM was notified that the Federal Administrative Court issued a resolution on October 9, 2024 dismissing one of the motions (recurso de reclamación). On February 12, 2025, the other motion (recurso de queja) was resolved. The Collegiate Circuit Court ordered the Federal Administrative Court to issue a new resolution on the injunction. On February 19, 2025, the Federal Administrative Court issued the new resolution granting the injunction as long as the 2014 Assessment is duly guaranteed. Given that all applicable requirements to grant the injunction were satisfied by CPKCM and the surety bond was approved and accepted by the SAT, this resolution is not expected to result in any change to CPKCM's status regarding the enforcement and collection of the 2014 Assessment, which shall remain the same until the Amparo petition is resolved by the Collegiate Circuit Court.

Environmental liabilities

Environmental remediation accruals, recorded on an undiscounted basis unless a reliable, determinable estimate as to an amount and timing of costs can be established, cover site-specific remediation programs.

The accruals for environmental remediation represent the Company's best estimate of its probable future obligation and include both asserted and unasserted claims, without reduction for anticipated recoveries from third parties. Although the recorded accruals include the Company's best estimate of all probable costs, the Company's total environmental remediation costs cannot be predicted with certainty. Accruals for environmental remediation may change from time to time as new information about previously untested sites becomes known, and as environmental laws and regulations evolve and advances are made in environmental remediation technology. The accruals may also vary as the courts decide legal proceedings against outside parties responsible for contamination. These potential charges, which cannot be quantified at this time, may materially affect income in the particular period in which a charge is recognized. Costs related to existing, but as yet unknown, or future contamination will be accrued in the period in which they become probable and reasonably estimable.

The expense included in “Purchased services and other” in the Company's Interim Consolidated Statements of Income for the three months ended March 31, 2025 was $2 million (three months ended March 31, 2024 - $2 million). Provisions for environmental remediation costs are recorded in the Company's Interim Consolidated Balance Sheets in “Other long-term liabilities”, except for the current portion, which is recorded in “Accounts payable and accrued liabilities”. The total amount provided as at March 31, 2025 was $258 million (December 31, 2024 - $257 million). Payments are expected to be made over 10 years through 2034.

14 Subsequent events

On April 1, 2025, CPKC sold its 50% equity method investment in the Panama Canal Railway Company 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 before purchase price adjustments for cash acquired and debt and net working capital assumed by APM Terminals, and transaction costs. CPKC anticipates a pre-tax gain of approximately U.S. $230 million in the second quarter of 2025, subject to finalization of the purchase price adjustments.

Summary of Rail Data

Financial (in millions, except per share data)	First Quarter 2025	2024	Total Change	% Change
Revenues				
Freight	**$ 3,727**	$ 3,427	$ 300	**9**
Non-freight	**68**	93	(25)	**(27)**
Total revenues	**3,795**	3,520	275	**8**
Operating expenses				
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**
Total operating expenses	**2,478**	2,371	107	**5**
Operating income	**1,317**	1,149	168	**15**
Other expense (income)	**7**	(2)	9	**(450)**
Other components of net periodic benefit recovery	**(107)**	(88)	(19)	**22**
Net interest expense	**216**	206	10	**5**
Income before income tax expense	**1,201**	1,033	168	**16**
Current income tax expense	**266**	242	24	**10**
Deferred income tax expense	**26**	17	9	**53**
Income tax expense	**292**	259	33	**13**
Net income	**$ 909**	$ 774	$ 135	**17**
Net loss attributable to non-controlling interest	**(1)**	(1)	—	**—**
Net income attributable to controlling shareholders	**$ 910**	$ 775	$ 135	**17**
Operating ratio (%)	**65.3**	67.4	(2.1)	**(210) bps**
Basic earnings per share	**$ 0.98**	$ 0.83	$ 0.15	**18**
Diluted earnings per share	**$ 0.97**	$ 0.83	$ 0.14	**17**
Shares Outstanding				
Weighted average number of basic shares outstanding (millions)	**933.2**	932.4	0.8	**—**
Weighted average number of diluted shares outstanding (millions)	**934.3**	934.4	(0.1)	**—**
Foreign Exchange				
Average foreign exchange rate (U.S.$/Canadian$)	**0.70**	0.74	(0.04)	**(5)**
Average foreign exchange rate (Canadian$/U.S.$)	**1.44**	1.35	0.09	**7**
Average foreign exchange rate (Mexican peso/Canadian$)	**14.23**	12.61	1.62	**13**
Average foreign exchange rate (Canadian$/Mexican peso)	**0.0703**	0.0793	(0.0090)	**(11)**

Summary of Rail Data (Continued)

Commodity Data	First Quarter 2025	2024	Total Change	% Change	FX Adjusted % Change[(1)]
Freight Revenues (millions)					
- Grain	**$ 788**	$ 730	$ 58	**8**	4
- Coal	**257**	209	48	**23**	21
- Potash	**156**	137	19	**14**	10
- Fertilizers and sulphur	**114**	104	10	**10**	5
- Forest products	**217**	202	15	**7**	2
- Energy, chemicals and plastics	**758**	702	56	**8**	3
- Metals, minerals and consumer products	**448**	440	8	**2**	(1)
- Automotive	**315**	265	50	**19**	18
- Intermodal	**674**	638	36	**6**	4
Total Freight Revenues	**$ 3,727**	$ 3,427	$ 300	**9**	5
Freight Revenue per Revenue Ton-Mile ("RTM") (cents)					
- Grain	**5.27**	5.01	0.26	**5**	1
- Coal	**4.44**	3.98	0.46	**12**	10
- Potash	**3.53**	3.33	0.20	**6**	2
- Fertilizers and sulphur	**7.99**	7.61	0.38	**5**	—
- Forest products	**9.26**	9.00	0.26	**3**	(2)
- Energy, chemicals and plastics	**7.81**	7.22	0.59	**8**	3
- Metals, minerals and consumer products	**9.57**	9.36	0.21	**2**	—
- Automotive	**25.55**	26.58	(1.03)	**(4)**	(5)
- Intermodal	**7.33**	7.19	0.14	**2**	—
Total Freight Revenue per RTM	**6.94**	6.61	0.33	**5**	2
Freight Revenue per Carload					
- Grain	**$ 5,894**	$ 5,518	$ 376	**7**	2
- Coal	**2,171**	1,932	239	**12**	11
- Potash	**3,920**	3,703	217	**6**	2
- Fertilizers and sulphur	**6,404**	6,047	357	**6**	1
- Forest products	**6,236**	5,627	609	**11**	6
- Energy, chemicals and plastics	**5,319**	4,858	461	**9**	5
- Metals, minerals and consumer products	**3,601**	3,392	209	**6**	4
- Automotive	**5,450**	4,758	692	**15**	13
- Intermodal	**1,548**	1,548	—	**—**	(2)
Total Freight Revenue per Carload	**$ 3,374**	$ 3,195	$ 179	**6**	2

(1) This earnings measure has no standardized meaning prescribed by GAAP and, therefore, is unlikely to be comparable to similar measures presented by other companies. This measure is defined and reconciled in Non-GAAP Measures of this Earnings Release.

Summary of Rail Data (Continued)

Commodity Data	First Quarter 2025	2024	Total Change	% Change
Millions of RTM				
- Grain	**14,942**	14,570	372	**3**
- Coal	**5,783**	5,252	531	**10**
- Potash	**4,419**	4,110	309	**8**
- Fertilizers and sulphur	**1,427**	1,366	61	**4**
- Forest products	**2,343**	2,244	99	**4**
- Energy, chemicals and plastics	**9,701**	9,719	(18)	**—**
- Metals, minerals and consumer products	**4,681**	4,701	(20)	**—**
- Automotive	**1,233**	997	236	**24**
- Intermodal	**9,195**	8,879	316	**4**
Total RTMs	**53,724**	51,838	1,886	**4**
Carloads (thousands)				
- Grain	**133.7**	132.3	1.4	**1**
- Coal	**118.4**	108.2	10.2	**9**
- Potash	**39.8**	37.0	2.8	**8**
- Fertilizers and sulphur	**17.8**	17.2	0.6	**3**
- Forest products	**34.8**	35.9	(1.1)	**(3)**
- Energy, chemicals and plastics	**142.5**	144.5	(2.0)	**(1)**
- Metals, minerals and consumer products	**124.4**	129.7	(5.3)	**(4)**
- Automotive	**57.8**	55.7	2.1	**4**
- Intermodal	**435.4**	412.1	23.3	**6**
Total Carloads	**1,104.6**	1,072.6	32.0	**3**

	First Quarter 2025	2024	Total Change	% Change	FX Adjusted % Change[1]
Operating Expenses (millions)					
Compensation and benefits	**$ 682**	$ 690	$ (8)	**(1)**	(2)
Fuel	**481**	458	23	**5**	3
Materials	**124**	94	30	**32**	32
Equipment rents	**99**	82	17	**21**	14
Depreciation and amortization	**504**	467	37	**8**	4
Purchased services and other	**588**	580	8	**1**	(1)
Total Operating Expenses	**$ 2,478**	$ 2,371	$ 107	**5**	2

(1) This earnings measure has no standardized meaning prescribed by GAAP and, therefore, is unlikely to be comparable to similar measures presented by other companies. This measure is defined and reconciled in Non-GAAP Measures of this Earnings Release.

Summary of Rail Data (Continued)

	First Quarter			
	2025	**2024**	**Total Change**	**% Change**
Operations Performance				
Gross ton-miles ("GTMs") (millions)	**98,412**	95,809	2,603	**3**
Train miles (thousands)	**11,804**	11,995	(191)	**(2)**
Average train weight - excluding local traffic (tons)	**9,034**	8,639	395	**5**
Average train length - excluding local traffic (feet)	**7,628**	7,324	304	**4**
Average terminal dwell (hours)	**10.3**	9.7	0.6	**6**
Average train speed (miles per hour, or "mph")(1)	**19.1**	19.1	—	**—**
Locomotive productivity (GTMs / operating horsepower)(2)	**163**	158	5	**3**
Fuel efficiency(3)	**1.064**	1.065	(0.001)	**—**
U.S. gallons of locomotive fuel consumed (millions)(4)	**104.7**	102.0	2.7	**3**
Average fuel price (U.S. dollars per U.S. gallon)	**3.20**	3.34	(0.14)	**(4)**
Total Employees and Workforce				
Total employees (average)(5)	**19,749**	19,997	(248)	**(1)**
Total employees (end of period)(5)	**19,992**	20,158	(166)	**(1)**
Workforce (end of period)(6)	**20,114**	20,261	(147)	**(1)**
Safety Indicators(7)				
FRA personal injuries per 200,000 employee-hours	**0.98**	1.14	(0.16)	**(14)**
FRA train accidents per million train-miles	**0.38**	0.90	(0.52)	**(58)**

(1) Average train speed is defined as a measure of the line-haul movement from origin to destination including terminal dwell hours. It is calculated by dividing the total train miles travelled by the total train hours operated. This calculation does not include delay time related to customers or foreign railroads and excludes the time and distance travelled by: i) trains used in or around CPKC's yards; ii) passenger trains; and iii) trains used for repairing track. An increase in average train speed indicates improved on-time performance resulting in improved asset utilization.

(2) Locomotive productivity is defined as the daily average GTMs divided by daily average operating horsepower. Operating horsepower excludes units offline, tied up or in storage, or in use on other railways, and includes foreign units.

(3) Fuel efficiency is defined as U.S. gallons of locomotive fuel consumed per 1,000 GTMs.

(4) Fuel consumed includes gallons from freight, yard and commuter service but excludes fuel used in capital projects and other non-freight activities.

(5) An employee is defined as an individual currently engaged in full-time, part-time, or seasonal employment with CPKC. CPKC monitors employment levels in order to efficiently meet service and strategic requirements. The number of employees is a key driver to total compensation and benefits costs.

(6) Workforce is defined as employees plus contractors and consultants.

(7) Federal Railroad Administration ("FRA") personal injuries per 200,000 employee-hours and FRA train accidents per million train-miles for the three months ended March 31, 2024 have been restated to reflect new information available within specified periods stipulated by the FRA but that exceed the Company's financial reporting timeline.

Non-GAAP Measures

The Company presents Non-GAAP measures to provide a basis for evaluating underlying earnings and liquidity 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 and Liquidity Measures

Beginning in the first quarter 2025, Core adjusted operating income, Core adjusted operating ratio, Core adjusted income, Core adjusted diluted earnings per share ("EPS") and Adjusted free cash have been used in continuity of the Non-GAAP measures previously known as Core adjusted combined operating income, Core adjusted combined operating ratio, Core adjusted combined income, Core adjusted combined diluted EPS and Adjusted combined free cash, respectively. No adjustments are required to the previously presented Non-GAAP measures as reported in 2024 to present them on a comparable basis, as Kansas City Southern ("KCS") was consolidated within the Company's results throughout the whole year and therefore, no combination adjustments exist. In addition to the above Non-GAAP performance and liquidity measures, Adjusted net debt to adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio has been used in continuity of the Non-GAAP measure previously known as Adjusted combined net debt to adjusted combined EBITDA ratio. Adjusted combined net debt to adjusted combined EBITDA ratio as previously reported in the first quarter of 2024 included certain combination adjustments for KCS within adjusted combined EBITDA for the period from April 1 to April 13, 2023 when the Company included the results of KCS by the equity method of accounting in its reported results. These combination adjustments were removed from adjusted EBITDA for the twelve months ended March 31, 2024 to present Adjusted net debt to adjusted EBITDA ratio on a comparable basis.

The Company uses Core adjusted operating income, Core adjusted operating ratio, Core adjusted income, and Core adjusted diluted EPS to evaluate the Company's operating performance and for planning and forecasting future business operations and future profitability. In addition to the Core adjusted Non-GAAP performance measures noted above, other Non-GAAP liquidity measures include Adjusted free cash and Adjusted net debt to adjusted EBITDA ratio.

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, loss on derecognition of CPKC's previously held equity method investment in KCS, discrete tax items, changes in the outside basis tax difference between the carrying amount of CPKC's equity investment in KCS and its tax basis of this investment, a deferred income tax recovery related to the elimination of the deferred income tax liability on the outside basis difference of the investment, 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, 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, these Non-GAAP measures 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. During the periods prior to the Control Date, KCS purchase accounting represents the amortization of basis differences, being the difference in value between the consideration paid to acquire KCS and the underlying carrying value of the net assets of KCS immediately prior to its acquisition by the Company, net of tax. 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, the twelve months of 2024 and the last nine months ended December 31, 2023 include:

2025:

- during 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" 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:

- during the course of the year, a deferred income tax recovery of $81 million on account of changes in tax rates, that favourably impacted Diluted EPS by 9 cents as follows:
  - in the fourth quarter, a deferred income tax recovery of $78 million due to a decrease in the Louisiana state corporate income tax rate, that favourably impacted Diluted EPS by 9 cents; and
  - 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;
- during the course of the year, adjustments to provisions and settlements of Mexican taxes of $4 million recovery ($2 million after deferred income tax expense of $2 million) recognized in "Compensation and benefits", that had minimal impact on Diluted EPS as follows:
  - in the fourth quarter, adjustments to provisions and settlements of Mexican taxes of $7 million recovery ($6 million after deferred income tax expense of $1 million) recognized in "Compensation and benefits", that had minimal impact on Diluted EPS;
  - in the third quarter, adjustments to provisions and settlements of Mexican taxes of $7 million recovery ($6 million after deferred income tax expense of $1 million) recognized in "Compensation and benefits", that favourably impacted Diluted EPS by 1 cent; and
  - 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 course of the year, acquisition-related costs of $112 million in connection with the KCS acquisition ($82 million after current income tax recovery of $30 million), including an expense of $18 million recognized in "Compensation and benefits" primarily related to retention and synergy related incentive compensation costs; $6 million recognized in "Materials"; and $88 million recognized in "Purchased services and other" primarily related to system migration, relocation expenses, legal and consulting fees, that unfavourably impacted Diluted EPS by 9 cents as follows:
  - in the fourth quarter, acquisition-related costs of $22 million in connection with the KCS acquisition ($17 million after current income tax recovery of $5 million) including costs of $1 million recognized in "Compensation and benefits", $1 million recognized in "Materials", and $20 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents;
  - in the third quarter, acquisition-related costs of $36 million in connection with the KCS acquisition ($26 million after current income tax recovery of $10 million) including costs of $11 million recognized in "Compensation and benefits", $1 million recognized in "Materials", and $24 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 3 cents;
  - 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.

2023:

- in the second quarter, a remeasurement loss of KCS of $7,175 million due to the derecognition of CPKC's previously held equity method investment in KCS and remeasurement at its Control Date fair value, that unfavourably impacted Diluted EPS by $7.68;
- in the second quarter, a deferred income tax recovery of $7,832 million related to the elimination of the deferred income tax liability on the outside basis difference of the investment in KCS, that favourably impacted Diluted EPS by $8.39;
- during the last nine months ended December 31, 2023, a total current tax expense of $16 million related to a tax settlement with the Servicio de Administracion Tributaria ("SAT") of $13 million and a reserve for the estimated impact of potential future audit settlements of $3 million, that unfavourably impacted Diluted EPS by 2 cents as follows:
  - in the fourth quarter, a current tax expense of $1 million related to a tax settlement with the SAT that had minimal impact on Diluted EPS; and
  - in the third quarter, adjustments to provisions and settlements of Mexican taxes of $15 million related to a tax settlement with the Servicio de Administracion Tributaria ("SAT") of $9 million and reserves for the estimated impact of potential future audit settlements of $6 million of which $3 million was settled in the fourth quarter, that unfavourably impacted Diluted EPS by 2 cents;
- during the last nine months ended December 31, 2023, a deferred income tax recovery of $72 million on account of changes in tax rates and apportionment, that favourably impacted Diluted EPS by 7 cents as follows:
  - in the fourth quarter, a deferred income tax recovery of $7 million due to CPKC unitary state apportionment changes, that favourably impacted Diluted EPS by 1 cent;
  - in the third quarter, a deferred income tax recovery of $14 million due to decreases in the Iowa and Arkansas state corporate income tax rates, that favourably impacted Diluted EPS by 2 cents; and
  - in the second quarter, a deferred income tax recovery of $51 million due to CPKC unitary state apportionment changes, that favourably impacted Diluted EPS by 5 cents; and
- during the last nine months ended December 31, 2023, acquisition-related costs of $176 million in connection with the KCS acquisition ($143 million after current income tax recovery of $33 million), including an expense of $71 million recognized in "Compensation and benefits" primarily related to restructuring costs, retention and synergy related incentive compensation costs; $2 million recognized in "Materials"; $99 million recognized in "Purchased services and other" primarily related to third party purchased services, and payments made to certain communities across the combined network to address the environmental and social impacts of increased traffic as required by voluntary agreements with communities and conditions imposed by the U.S. Surface Transportation Board (the "STB") pursuant to the STB's final decision approving the Company and KCS's joint merger application, including, but not limited to, payments related to new crossings, closure of existing crossings and other infrastructure projects; $3 million recognized in "Other (income) expense"; and $1 million of equity earnings from KCS recognized in Net income attributable to controlling shareholders, that unfavourably impacted Diluted EPS by 15 cents as follows:
  - in the fourth quarter, acquisition-related costs of $32 million ($24 million after current income tax recovery of $8 million), including costs of $7 million recognized in "Compensation and benefits", $1 million recognized in "Materials", and $24 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents;

- in the third quarter, acquisition-related costs of $24 million ($18 million after current income tax recovery of $6 million), including costs of $1 million recognized in "Compensation and benefits", $1 million recognized in "Materials", and $22 million recognized in "Purchased services and other", that unfavourably impacted Diluted EPS by 2 cents; and
- in the second quarter, acquisition-related costs of $120 million ($101 million after current income tax recovery of $19 million), including costs of $63 million recognized in "Compensation and benefits", $53 million recognized in "Purchased services and other", $3 million recognized in "Other (income) expense", and $1 million of equity earnings from KCS recognized in Net income attributable to controlling shareholders, that unfavourably impacted Diluted EPS by 11 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, the twelve months of 2024 and the last nine months ended December 31, 2023 was as follows:

2025:

- during 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" 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:

- during the course of the year, KCS purchase accounting of $352 million ($256 million after deferred income tax recovery of $96 million), including costs of $333 million recognized in "Depreciation and amortization", $3 million recognized in "Purchased services and other" related to the amortization of equity investments, $20 million recognized in "Net interest expense", $3 million recognized in "Other expense (income)", and a recovery of $7 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 27 cents as follows:
  - in the fourth quarter, KCS purchase accounting of $93 million ($68 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, $6 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 8 cents;
  - in the third quarter, KCS purchase accounting of $89 million ($65 million after deferred income tax recovery of $24 million), including costs of $85 million recognized in "Depreciation and amortization", $4 million recognized in "Net interest expense", $1 million recognized in "Other expense (income)", and a recovery of $1 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 7 cents;
  - 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" related to the amortization of equity investments, $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 of 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.

2023:

- during the last nine months ended December 31, 2023, KCS purchase accounting of $255 million ($186 million after deferred income tax recovery of $69 million), including costs of $234 million recognized in "Depreciation and amortization", $1 million recognized in "Purchased services and other" related to the amortization of equity investments, $17 million recognized in "Net interest expense", $2 million recognized in "Other expense (income)", $6 million of equity earnings from KCS recognized in Net income attributable to controlling shareholders, and a recovery of $5 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 20 cents as follows:
  - in the fourth quarter, KCS purchase accounting of $87 million ($62 million after deferred income tax recovery of $25 million), including costs of $85 million recognized in "Depreciation and amortization", $1 million recognized in "Purchased services and other" related to the amortization of equity investments, $6 million recognized in "Net interest expense", and a recovery of $5 million recognized in "Net loss attributable to non-controlling interest", that unfavourably impacted Diluted EPS by 7 cents;
  - in the third quarter, KCS purchase accounting of $87 million ($63 million after deferred income tax recovery of $24 million), including costs of $81 million recognized in "Depreciation and amortization", $5 million recognized in "Net interest expense", and $1 million in recognized in "Other expense (income)", that unfavourably impacted Diluted EPS by 7 cents; and
  - in the second quarter, KCS purchase accounting of $81 million ($61 million after deferred income tax recovery of $20 million), including costs of $68 million recognized in "Depreciation and amortization", $6 million recognized in "Net interest expense", $1 million recognized in "Other expense (income)", and $6 million of equity earnings from KCS recognized in Net income attributable to controlling shareholders, that unfavourably impacted Diluted EPS by 6 cents.

Updated 2025 Outlook

As a result of the ongoing tariff and trade policy uncertainty, CPKC now expects 2025 Core adjusted diluted EPS growth of 10-14% versus 2024 Core adjusted combined diluted EPS of $4.25. For the purposes of this outlook, CPKC continues to assume mid-single digit RTM growth, Core adjusted effective tax rate of 24.50%, other components of net periodic benefit recovery to increase by $76 million versus 2024 and $2.9 billion in capital programs, with the year over year increase in capital versus 2024 driven largely by a higher expected USD/CAD FX rate.

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 financial trends either by nature or amount nor provide comparability to past performance. 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.

Although CPKC has provided forward-looking Non-GAAP measures (Core adjusted diluted EPS and Core adjusted effective tax rate), management is unable to reconcile, without unreasonable efforts, the forward-looking Core adjusted diluted EPS and Core adjusted effective tax rate to the most comparable GAAP measures, 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 diluted EPS and effective tax rate but may be excluded from CPKC's Core adjusted diluted EPS and Core adjusted effective tax rate. 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 Core adjusted diluted EPS and Core adjusted effective tax rate.

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 Income and Core Adjusted Diluted Earnings per Share

Core adjusted income is calculated as Net income attributable to controlling shareholders reported on a GAAP basis adjusted for significant items less KCS purchase accounting.

	For the three months ended March 31	
(in millions of Canadian dollars)	**2025**	2024
Net income attributable to controlling shareholders as reported	**$ 910**	$ 775
Less:		
Significant items (pre-tax):		
Adjustments to provisions and settlements of Mexican taxes	**—**	(10)
Acquisition-related costs	**(20)**	(26)
KCS purchase accounting	**(92)**	(84)
Add:		
Tax effect of adjustments(1)	**(30)**	(29)
Core adjusted income	**$ 992**	$ 866

(1) 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 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		For the year ended December 31
	2025	2024	2024
Diluted earnings per share as reported	**$ 0.97**	$ 0.83	$ 3.98
Less:			
Significant items (pre-tax):			
Adjustments to provisions and settlements of Mexican taxes	**—**	(0.01)	—
Acquisition-related costs	**(0.02)**	(0.03)	(0.12)
KCS purchase accounting	**(0.10)**	(0.09)	(0.38)
Add:			
Tax effect of adjustments(1)	**(0.03)**	(0.03)	(0.14)
Income tax rate changes	**—**	—	(0.09)
Core adjusted diluted earnings per share	**$ 1.06**	$ 0.93	$ 4.25

(1) 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, 24.61% for the three months ended March 31, 2024, and 27.13% for the year ended December 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 Income and Core Adjusted Operating Ratio

Core adjusted operating income and Core adjusted operating ratio are 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".

(in millions of Canadian dollars)	For the three months ended March 31 2025	2024
Operating income as reported	**$ 1,317**	$ 1,149
Less:		
Adjustments to provisions and settlements of Mexican taxes	**—**	(10)
Acquisition-related costs	**(20)**	(26)
KCS purchase accounting in Operating expenses	**(88)**	(80)
Core adjusted operating income	**$ 1,425**	**$ 1,265**

	For the three months ended March 31 2025	2024
Operating ratio as reported	**65.3 %**	67.4 %
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 %
Core adjusted operating ratio	**62.5 %**	**64.0 %**

Adjusted Free Cash

Adjusted free cash is calculated as Net cash provided by operating activities, less Net cash used in investing activities, adjusted for changes in Cash and cash equivalents balances resulting from FX fluctuations, and the operating cash flow impacts of acquisition-related costs associated with the KCS acquisition, settlements of Mexican taxes, and settlement of foreign currency forward contracts, net of tax. The acquisition-related costs associated with the KCS acquisition, settlements of Mexican taxes, and settlement of foreign currency forward contracts, net of tax, are not indicative of operating trends and have been excluded from Adjusted free cash. Adjusted free cash is useful to investors and other external users of the Company's Interim Consolidated Financial Statements as it assists with the evaluation of the Company's ability to generate cash to satisfy debt obligations and other activities such as dividends, share repurchase programs, and other strategic opportunities, and is an important performance criterion in determining certain elements of the Company's long-term incentive plan. Adjusted free cash should be considered in addition to, rather than as a substitute for, Net cash provided by operating activities.

Reconciliation of Net Cash Provided by Operating Activities to Adjusted Free Cash

(in millions of Canadian dollars)	For the three months ended March 31 2025	2024
Net cash provided by operating activities as reported	**$ 1,156**	$ 1,015
Net cash used in investing activities	**(715)**	(542)
Effect of foreign currency fluctuations on foreign currency-denominated cash and cash equivalents	**(1)**	13
Less:		
Settlements of Mexican taxes	**(11)**	(1)
Settlement of foreign currency forward contracts, net of tax	**—**	(46)
Acquisition-related costs	**(15)**	(22)
Adjusted free cash	**$ 466**	$ 555

Foreign Exchange Adjusted % Change

FX adjusted % change allows certain financial results to be viewed without the impact of fluctuations in FX rates, thereby facilitating period-to-period comparisons in the analysis of trends in business performance. Financial result variances at constant currency are obtained by translating the comparable period of the prior year's results denominated in U.S. dollars at the FX rates of the current period.

FX adjusted % changes in revenues are also used in calculating FX adjusted % change in Freight revenue per carload and per RTM. FX adjusted % changes in revenues are as follows:

	For the three months ended March 31				
(in millions of Canadian dollars)	**Reported 2025**	Reported 2024	Variance due to FX	FX Adjusted 2024	FX Adjusted % Change
Freight revenues by line of business					
Grain	**$ 788**	$ 730	$ 31	$ 761	4
Coal	**257**	209	3	212	21
Potash	**156**	137	5	142	10
Fertilizers and sulphur	**114**	104	5	109	5
Forest products	**217**	202	10	212	2
Energy, chemicals and plastics	**758**	702	33	735	3
Metals, minerals and consumer products	**448**	440	11	451	(1)
Automotive	**315**	265	3	268	18
Intermodal	**674**	638	13	651	4
Freight revenues	**3,727**	3,427	114	3,541	5
Non-freight revenues	**68**	93	1	94	(28)
Total revenues	**$ 3,795**	$ 3,520	$ 115	$ 3,635	4

FX adjusted % changes in Operating expenses are as follows:

	For the three months ended March 31				
(in millions of Canadian dollars)	**Reported 2025**	Reported 2024	Variance due to FX	FX Adjusted 2024	FX Adjusted % Change
Compensation and benefits	**$ 682**	$ 690	$ 7	$ 697	(2)
Fuel	**481**	458	11	469	3
Materials	**124**	94	—	94	32
Equipment rents	**99**	82	5	87	14
Depreciation and amortization	**504**	467	19	486	4
Purchased services and other	**588**	580	14	594	(1)
Total operating expenses	**$ 2,478**	$ 2,371	$ 56	$ 2,427	2

FX adjusted % change in Operating income is as follows:

	For the three months ended March 31				
(in millions of Canadian dollars)	**Reported 2025**	Reported 2024	Variance due to FX	FX Adjusted 2024	FX Adjusted % Change
Total revenues	**$ 3,795**	$ 3,520	$ 115	$ 3,635	4
Total operating expenses	**2,478**	2,371	56	2,427	2
Operating income	**$ 1,317**	$ 1,149	$ 59	$ 1,208	9

Adjusted Net Debt to Adjusted EBITDA Ratio

Beginning in the first quarter of 2025, Adjusted net debt to adjusted EBITDA ratio has been used in continuity of the Non-GAAP measure previously known as Adjusted combined net debt to adjusted combined EBITDA ratio. Adjusted combined net debt to adjusted combined EBITDA ratio as previously reported in the first quarter of 2024 included certain combination adjustments for KCS within Adjusted combined EBITDA for the period from April 1 to April 13, 2023 when the Company included the results of KCS by the equity method of accounting in its reported results. These combination adjustments were removed from Adjusted EBITDA for the twelve months ended March 31, 2024 to present Adjusted net debt to adjusted EBITDA ratio on a comparable basis, however, the ratio remains the same as previously reported.

Adjusted net debt to adjusted EBITDA ratio is calculated as Adjusted net debt divided by Adjusted EBITDA. The Adjusted net debt to adjusted EBITDA ratio is a key credit measure used to assess the Company's financial capacity. The ratio provides information on the Company's ability to service its debt and other long-term obligations from operations, excluding significant items, and is an important performance criterion in determining certain elements of the Company's long-term incentive plan. The Adjusted net debt to adjusted EBITDA ratio which is reconciled below from the Long-term debt to Net income attributable to controlling shareholders ratio, the most comparable measure calculated in accordance with GAAP.

Calculation of Long-term Debt to Net Income Attributable to Controlling Shareholders Ratio

The Long-term debt to Net income attributable to controlling shareholders ratio is calculated as Long-term debt, including Long-term debt maturing within one year, divided by Net income attributable to controlling shareholders.

(in millions of Canadian dollars, except for ratios)		2025	2024
Long-term debt including long-term debt maturing within one year as at March 31	$	**22,652**	$ 22,728
Net income attributable to controlling shareholders for the twelve months ended March 31		**3,853**	3,902
Long-term debt to Net income attributable to controlling shareholders ratio		**5.9**	5.8

Reconciliation of Long-term Debt to Adjusted Net Debt

Adjusted net debt is defined as Long-term debt and Long-term debt maturing within one year, as reported on the Company’s Consolidated Balance Sheets adjusted for pension plans' deficit, operating lease liabilities, Cash and cash equivalents, and the fair value adjustment to KCS debt on the Control Date which is recognized under Long-term debt on the Company''s Consolidated Balance Sheets. Adjusted net debt is used as a measure of debt and long-term obligations as part of the calculation of Adjusted net debt to Adjusted EBITDA.

(in millions of Canadian dollars)		2025	2024
Long-term debt including long-term debt maturing within one year as at March 31	$	**22,652**	$ 22,728
Add:			
Pension plans deficit[1]		**161**	173
Operating lease liabilities		**392**	348
Less:			
Fair value adjustment to KCS debt upon Control[2]		**(495)**	(479)
Cash and cash equivalents		**695**	519
Adjusted net debt	$	**23,005**	$ 23,209

(1) Pension plans' deficit is the total funded status of the Pension plans in deficit only.
(2) The fair value adjustment to KCS debt upon control represents the fair value adjustment based on the purchase price allocation at fair value, net of amortization of fair value adjustments from April 14, 2023 and the foreign currency translation impact on the fair value adjustment.

Reconciliation of Net Income Attributable to Controlling Shareholders to Adjusted EBITDA

Adjusted EBITDA is calculated as Net income attributable to controlling shareholders before Net interest expense, Income tax expense (recovery), Depreciation and amortization, and Operating lease expense recognized on the Company's Consolidated Statement of Income, excluding significant items reported in "Operating income" and "Other expense (income)", less "Other components of net periodic benefit recovery" recognized on the Company's Consolidated Statement of Income. Adjusted EBITDA is used as a performance measure derived from operating results, excluding significant items, as part of the calculation of Adjusted net debt to adjusted EBITDA. Detailed quarterly information on significant items that occurred within the 12 months ended March 31, 2025 and 2024 can be found under the earlier section *Core Adjusted Income and Core Adjusted Diluted Earnings Per Share.*

		For the twelve months ended March 31	
(in millions of Canadian dollars)		2025	2024
Net income attributable to controlling shareholders as reported	$	**3,853**	$ 3,902
Add:			
Net interest expense		**811**	823
Income tax expense (recovery)		**1,092**	(6,880)
Depreciation and amortization		**1,937**	1,785
Operating lease expense		**114**	100
Less:			
Significant items (pre-tax):			
Adjustments to provisions and settlements of Mexican taxes		**14**	(10)
Acquisition-related costs		**(106)**	(202)
Remeasurement loss of Kansas City Southern		**—**	(7,175)
Other components of net periodic benefit recovery		**371**	329
Adjusted EBITDA	$	**7,528**	$ 6,788

Calculation of Adjusted Net Debt to Adjusted EBITDA Ratio

(in millions of Canadian dollars, except for ratios)		2025	2024
Adjusted net debt as at March 31	$	**23,005**	$ 23,209
Adjusted EBITDA for the twelve months ended March 31		**7,528**	6,788
Adjusted net debt to adjusted EBITDA ratio		**3.1**	3.4