CANADIAN PACIFIC RAILWAY LTD/CN
Form 6-K
April 22, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 6-K
Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934
For the month of April, 2008
CANADIAN PACIFIC RAILWAY LIMITED
(Commission File No. 1-01342)
CANADIAN PACIFIC RAILWAY COMPANY
(Commission File No. 1-15272)
(translation of each Registrant s name into English)
Suite 500, Gulf Canada Square, 401 9th Avenue, S.W., Calgary, Alberta, Canada, T2P 4Z4
(address of principal executive offices)

Indicate by check mark whether the registrants file or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F o Form 40-F þ

Indicate by check mark whether the registrants by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-______

This Report furnished on Form 6-K shall be incorporated by reference into each of the following Registration Statements under the Securities Act of 1933 of the registrant: Form S-8 No. 333-140955 (Canadian Pacific Railway Limited), Form S-8 No. 333-127943 (Canadian Pacific Railway Limited), and Form S-8 No. 333-13962 (Canadian Pacific Railway Limited).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CANADIAN PACIFIC RAILWAY LIMITED
CANADIAN PACIFIC RAILWAY COMPANY
(Registrants)

Date: April 22, 2008	By:	Signed:	Karen L. Fleming
		Name:	Karen L. Fleming
		Title:	Associate Corporate Secretary

Release: Immediate, April 22nd, 2008

CANADIAN PACIFIC ANNOUNCES ITS FIRST-QUARTER RESULTS

Company adjusts guidance

CALGARY - Canadian Pacific Railway Limited (TSX/NYSE: CP) announced its first-quarter results today. Net income in the first quarter was $91 million, a decrease of 29 per cent from $129 million in 2007, and diluted earnings per share was $0.59, a decrease of $0.23 from $0.82 in the first quarter of 2007. Diluted earnings per share, excluding the effects of foreign exchange gains and losses on long-term debt and other specified items, decreased $0.03 as there was a favourable change in provincial tax rates which partially offset the impacts of severe winter operating conditions and the increase in fuel costs. However, foreign exchange gains and losses and other specified items, discussed below, reduced earnings by a further $0.20.

SUMMARY OF FIRST-QUARTER 2008 COMPARED WITH FIRST-QUARTER 2007

- Total revenues rose three per cent to $1.15 billion from $1.12 billion

- Income before foreign exchange gains and losses on long-term debt and other specified items decreased five per cent to $116 million from $123 million

- Adjusted diluted earnings per share decreased to $0.75 from $0.78

- Operating ratio was 82.7 per cent compared with 79.5 per cent

The first quarter brought many challenges as we continued to face remarkable year-over-year increases in both fuel prices and the Canadian dollar, said Fred Green, President and CEO. At the same time, we had a difficult winter with prolonged cold spells and record snowfall which affected the entire supply chain and resulted in very tough operating conditions throughout the central and eastern parts of our network. Although our busy western corridor remained fluid, the winter weather had a significant impact on our overall ability to move traffic efficiently.

The team will continue to focus on execution excellence and we intend to exploit all opportunities to improve efficiency including cost management, yield improvement and other strategic initiatives. Despite the tough first-quarter and continuing headwinds, our goal is still to deliver positive earnings growth in 2008.

Freight revenues increased 10 per cent in the quarter, as global demand for bulk products remained solid, but the foreign exchange impact of a stronger Canadian dollar reduced this growth to three per cent. Grain, coal and sulphur and fertilizers all saw growth in the six to seven percent range. Industrial and consumer products increased 10 per cent over first-quarter 2007, built on a foundation of continued strength in Alberta. Intermodal revenues were also up four per cent. These gains were offset, in part, by decreases in forest products and automotive of 19 per cent and 12 per cent respectively, reflecting a weaker US economy.

Operating expenses in the quarter increased 13 per cent, but the positive foreign exchange impact of a stronger Canadian dollar reduced the increase to seven per cent. The majority of this increase was due to higher fuel costs and less efficient operations resulting from the challenging winter operating conditions.

2008 OUTLOOK

We faced a tough first quarter with substantial headwinds, and as we look to the balance of the year, we anticipate the continuing effects of a slowing North American economy on our business. Although demand remains strong for our bulk portfolio, we expect to see an impact on our intermodal business, and further deterioration of our merchandise business. We also expect high fuel prices, including the price of WTI and refining margins, will continue, said Mike Lambert, CFO. As a result, we are reducing our earnings guidance for 2008 and due to the ongoing economic uncertainty we are also widening the range of our guidance. We now expect that diluted earnings per share (before foreign exchange gains and losses on long-term debt and other specified items) will be in the range of $4.40 to $4.60, a change from $4.65 to $4.80.

The 2008 estimate assumes an average currency exchange rate of the U.S. dollar at par with the Canadian dollar. Crude oil prices are expected to average US $98 per barrel, while crack spread is expected to increase an average of US $7 per barrel in 2008 compared with 2007 with an estimated all-in fuel price of US $3.35 per US gallon for the year. WTI is updated from US $87 per barrel.

CP expects to grow total revenue by four to six per cent in 2008, unchanged from previous assumptions as volume declines will be offset by fuel recovery. Total operating expenses are expected to increase by six to eight per cent, revised from the original assumption of three to five per cent due principally to higher fuel cost.

CP expects its tax rate to be in the 27 per cent to 29 per cent range, a change from the original outlook of 29 per cent to 31 per cent as a result of decreasing Canadian tax rates.

CP expects free cash to be approximately $200 million, adjusted downwards from the original outlook of in excess of $250 million in 2008, resulting from the expected decline in Operating Income.

The 2008 outlook includes the projected earnings of the Dakota Minnesota & Eastern Railroad (DM&E) on an equity accounting basis for the full year.

FOREIGN EXCHANGE GAINS AND LOSSES ON LONG-TERM DEBT AND OTHER SPECIFIED ITEMS

CP had a foreign exchange loss on long-term debt of $16 million ($11 million after tax) in the first quarter of 2008, compared with a foreign exchange gain on long-term debt of $9 million ($6 million after tax) in the first quarter of 2007.

At March 31, 2008 CP held investments in Canadian Non-Bank Asset Backed Commercial Paper (ABCP) with an original cost of approximately $144 million. In the third-quarter of 2007, CP adjusted the estimated fair value of the investment and took a charge of $21 million ($15 million after tax) and classified the investments as long-term investments. In recognition of current credit market conditions impacting these investments, CP has further adjusted the estimated fair value of the investments and taken an additional charge in the first-quarter of 2008 of $21 million ($15 million after tax).

Continuing uncertainties regarding the value of the assets which underlie the ABCP, the amount and timing of cash flows and the outcome of the restructuring process could give rise to a material change in the value of the Company s investments in ABCP which would impact the Company s near-term earnings.

Presentation of non-GAAP earnings

CP presents non-GAAP earnings in this news release to provide a basis for evaluating underlying earnings and liquidity trends in its business that can be compared with prior periods results of operations. These non-GAAP earnings exclude foreign currency translation impacts on long-term debt, which can be volatile and short term, and other specified items, which are not among CP s normal ongoing revenues and operating expenses. The impact of volatile short-term rate fluctuations on foreign-denominated debt is only realized when long-term debt matures or is settled. A reconciliation of income, excluding foreign exchange gains and losses on long-term debt and other specified items, to net income as presented in the financial statements is detailed in the attached Summary of Rail Data. Diluted EPS, excluding foreign exchange gains and losses on long-term debt and other specified items, is also referred to in this news release as adjusted diluted EPS .

Free cash is calculated as cash provided by operating activities, less cash used in investing activities and dividends paid, and adjusted for the acquisition cost of DM&E. Free cash is adjusted for the DM&E acquisition, as it is not indicative of normal day-to-day investments in the Company s asset base.

Earnings that exclude the foreign exchange currency translation impact on long-term debt and other specified items, and free cash after dividends, as described in this news release, have no standardized meanings and are not defined by Canadian generally accepted accounting principles and, therefore, are unlikely to be comparable to similar measures presented by other companies.

Other specified items are material transactions that may include, but are not limited to, restructuring and asset impairment charges, gains and losses on non-routine sales of assets, unusual income tax adjustments, and other items that do not typify normal business activities.

Note on forward-looking information

This news release contains certain forward-looking statements relating but not limited to our operations, anticipated financial performance and business prospects. Undue reliance should not be placed on forward-looking information as actual results may differ materially.

By its nature, CP s forward-looking information involves numerous assumptions, inherent risks and uncertainties, including but not limited to the following factors: changes in business strategies; general North American and global economic and business conditions; risks in agricultural production such as weather conditions and insect populations; the availability and price of energy commodities; the effects of competition and pricing pressures; industry capacity; shifts in market demand; changes in laws and regulations, including regulation of rates; changes in taxes and tax rates; potential increases in maintenance and operating costs; uncertainties of litigation; labour disputes; risks and liabilities arising from derailments; timing of completion of capital and maintenance projects; currency and interest rate fluctuations; effects of changes in market conditions on the financial position of pension plans and investments; and various events that could disrupt operations, including severe weather conditions, security threats and governmental response to them, and technological changes.

There are factors that could cause actual results to differ from those described in the forward-looking statements contained in this news release. These more specific factors are identified and discussed in the Outlook section and elsewhere in this news release with the particular forward-looking statement in question.

CP undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise except as required by law.

Canadian Pacific, through the ingenuity of its employees located across Canada and in the United States, remains committed to being the safest, most fluid railway in North America. Our people are the key to delivering innovative transportation solutions to our customers and to ensuring the safe operation of our trains through the more than 900 communities where we operate. Our combined ingenuity makes CP a better place to work, rail a better way to ship, and North America a better place to live. Come and visit us at www.cpr.ca to see how we can put our ingenuity to work for you. Canadian Pacific is proud to be the official rail freight services provider for the Vancouver 2010 Olympic and Paralympic Winter Games.

Contacts:

Media	Investment Community
Leslie Pidcock	Janet Weiss, Assistant Vice-President Investor Relations
Tel.: (403) 880-4349	Tel.: (403) 319-3591
email: leslie_pidcock@cpr.ca	email: investor@cpr.ca

STATEMENT OF CONSOLIDATED INCOME
(in millions, except per share data)

	For the three months ended March 31	
	2008	**2007**
	(unaudited)	
Revenues		
Freight	$ 1,124.4	$ 1,090.9
Other	22.5	25.0
	1,146.9	1,115.9
Operating expenses		
Compensation and benefits	328.3	332.5
Fuel	230.2	171.2
Materials	65.5	62.4
Equipment rents	45.9	55.5
Depreciation and amortization	119.9	118.6
Purchased services and other	158.9	146.4
	948.7	886.6
Operating income	**198.2**	**229.3**
Other charges *(Note 4)*	6.7	4.8
Equity income in Dakota, Minnesota & Eastern Railroad Corporation *(Note 9)*	(11.0)	
Change in estimated fair value of Canadian third party asset-backed commercial paper *(Note 9)*	21.3	
Foreign exchange losses (gains) on long-term debt	16.3	(8.6)
Interest expense *(Note 5)*	59.9	46.8
Income tax expense *(Note 6)*	14.2	57.7
Net income	**$ 90.8**	**$ 128.6**
Basic earnings per share *(Note 7)*	**$ 0.59**	**$ 0.83**

Diluted earnings per share *(Note 7)*	**$ 0.59**	**$ 0.82**

See notes to interim consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	For the three months ended March 31	
	2008	**2007**
	(unaudited)	
Comprehensive income		
Net income	$ 90.8	$ 128.6
Other comprehensive income		
Net change in foreign currency translation adjustments, net of hedging activities	3.3	(0.3)
Net change in gains on derivatives designated as cash flow hedges	(8.8)	(3.2)
Other comprehensive loss before income taxes	(5.5)	(3.5)
Income tax recovery	8.0	0.7
Other comprehensive income (loss) (*Note 11*)	2.5	(2.8)
Comprehensive income	$ 93.3	$ 125.8

See notes to interim consolidated financial statements.

CONSOLIDATED BALANCE SHEET
(in millions)

	March 31 2008	December 31 2007
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 71.3	$ 378.1
Accounts receivable and other current assets	585.2	542.8
Materials and supplies	176.7	179.5
Future income taxes	70.6	67.3
	903.8	1,167.7
Investments *(Note 9)*	1,719.0	1,668.6
Net properties	9,360.4	9,293.1
Other assets and deferred charges	1,392.0	1,235.6
Total assets	$ 13,375.2	$ 13,365.0
Liabilities and shareholders equity		
Current liabilities		
Short-term borrowing	$ 66.7	$ 229.7
Accounts payable and accrued liabilities	995.5	980.8
Income and other taxes payable	50.9	68.8
Dividends payable	38.0	34.5
Long-term debt maturing within one year	31.1	31.0
	1,182.2	1,344.8
Deferred liabilities	690.4	714.6
Long-term debt	4,267.6	4,146.2
Future income taxes	1,703.9	1,701.5
Shareholders equity		
Share capital *(Note 10)*	1,210.4	1,188.6
Contributed surplus	38.5	42.4
Accumulated other comprehensive income *(Note 11)*	42.1	39.6
Retained income	4,240.1	4,187.3

	5,531.1	5,457.9
Total liabilities and shareholders equity	$ 13,375.2	$ 13,365.0

Commitments and contingencies *(Note 17)*.
See notes to interim consolidated financial statements.

STATEMENT OF CONSOLIDATED CASH FLOWS
(in millions)

	For the three months ended March 31	
	2008	**2007**
	(unaudited)	
Operating activities		
Net income	$ 90.8	$ 128.6
Add (deduct) items not affecting cash:		
Depreciation and amortization	119.9	118.6
Future income taxes	(4.5)	38.5
Change in estimated fair value of Canadian third party asset-backed commercial paper *(Note 9)*	21.3	
Foreign exchange losses (gains) on long-term debt	16.3	(8.6)
Amortization of deferred charges	2.5	3.1
Equity income, net of cash received	(9.4)	
Restructuring and environmental remediation payments *(Note 8)*	(13.7)	(13.2)
Other operating activities, net	(25.5)	(2.7)
Change in non-cash working capital balances related to operations	(37.7)	(36.6)
Cash provided by operating activities	**160.0**	**227.7**
Investing activities		
Additions to properties	(127.4)	(204.2)
Additions to investments and other assets *(Note 13)*	(134.7)	(0.3)
Additions to investment in Dakota, Minnesota & Eastern Railroad Corporation (*Note 9)*	(6.3)	
Net (cost) proceeds from disposal of transportation properties	(2.5)	8.9
Cash used in investing activities	**(270.9)**	**(195.6)**
Financing activities		
Dividends paid	(34.5)	(29.1)
Issuance of CP Common Shares	12.2	10.1
Purchase of CP Common Shares		(16.1)
Net (decrease) increase in short-term borrowing	(163.0)	77.7
Repayment of long-term debt	(10.6)	(173.4)
Cash used in financing activities	**(195.9)**	**(130.8)**

Cash position		
Decrease in cash and cash equivalents	(306.8)	(98.7)
Cash and cash equivalents at beginning of period	378.1	124.3
Cash and cash equivalents at end of period	$ 71.3	$ 25.6

See notes to interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
(in millions)

	For the three months ended March 31	
	2008	**2007**
	(unaudited)	
Share capital		
Balance, beginning of period	$ 1,188.6	$ 1,175.7
Shares issued under stock option plans	21.8	12.3
Shares purchased		(5.1)
Balance, end of period	1,210.4	1,182.9
Contributed surplus		
Balance, beginning of period	42.4	32.3
Stock compensation expense	4.5	5.2
Stock compensation expense related to shares issued under stock option plans	(8.4)	(0.4)
Balance, end of period	38.5	37.1
Accumulated other comprehensive income		
Balance, beginning of period	39.6	80.4
Other comprehensive income (loss) (*Note 11*)	2.5	(2.8)
Balance, end of period	42.1	77.6
Retained income		
Balance, beginning of period	4,187.3	3,586.1
Net income for the period	90.8	128.6

Shares purchased		(38.0)
Dividends	(38.0)	(35.0)
Balance, end of period	4,240.1	3,641.7
Total accumulated other comprehensive income and retained income	4,282.2	3,719.3
Shareholders equity, end of period	$ 5,531.1	$ 4,939.3

See notes to interim consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)
1 Basis of presentation

These unaudited interim consolidated financial statements and notes have been prepared using accounting policies that are consistent with the policies used in preparing Canadian Pacific Railway Limited s (CP , the Company or Canadian Pacific Railway) 2007 annual consolidated financial statements, except as discussed below and in Note 2 for the adoption of new accounting standards. They do not include all disclosures required under Generally Accepted Accounting Principles for annual financial statements and should be read in conjunction with the annual consolidated financial statements.

CP s operations can be affected by seasonal fluctuations such as changes in customer demand and weather-related issues. This seasonality could impact quarter-over-quarter comparisons.

2 New accounting changes

Financial Instrument and Capital Disclosures

The CICA has issued the following accounting standards effective for fiscal years beginning on or after January 1, 2008: Section 3862 Financial Instruments Disclosures , Section 3863 Financial Instruments Presentation , and Section 1535 Capital Disclosures .

Section 3862 Financial Instruments Disclosures and Section 3863 Financial Instruments Presentation replace Section 3861 Financial Instruments Disclosure and Presentation , revising disclosures related to financial instruments, including hedging instruments, and carrying forward unchanged presentation requirements.

Section 1535 Capital Disclosures requires the Company to provide disclosures about the Company s capital and how it is managed.

The adoption of these new accounting standards did not impact the amounts reported in the Company s financial statements; however, it did result in expanded note disclosure (see Note 12 and Note 18).

Inventories

Effective January 1, 2008, the CICA has issued accounting standard Section 3031 Inventories . Section 3031 Inventories provides guidance on the method of determining the cost of the Company s materials and supplies. The new accounting standard specifies that inventories are to be valued at the lower of cost and net realizable value. The standard requires the reversal of previously recorded write downs to realizable value when there is clear evidence that net realizable value has increased. The adoption of Section 3031 Inventories did not impact the Company s financial statements.

3 Future accounting changes

In February 2008, the CICA issued accounting standard Section 3064 Goodwill and intangible assets , replacing accounting standard Section 3062 Goodwill and other intangible assets and accounting standard Section 3450 Research and development costs . The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and

disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)

4 Other charges

(in millions)	For the three months ended March 31 2008	2007
Amortization of discount on accruals recorded at present value	$ 1.5	$ 2.0
Other exchange losses	1.3	(0.5)
Loss on sale of accounts receivable	1.6	1.3
Losses (gains) on non-hedging derivative instruments		(0.3)
Other	2.3	2.3
Total other charges	$ 6.7	$ 4.8

5 Interest expense

(in millions)	For the three months ended March 31 2008	2007
Interest expense	$ 64.7	$ 48.8
Interest income	(4.8)	(2.0)
Total interest expense	$ 59.9	$ 46.8

6 Income taxes

During the three months ended March 31, 2008, legislation was substantively enacted to reduce provincial income tax rates. As a result of these changes, the Company recorded a $10.6 million benefit in future tax liability and income tax expense for the three months ended March 31, 2008, related to the revaluation of its future income tax balances as at December 31, 2007.

Cash taxes paid for the quarter ended March 31, 2008, was $44.8 million (quarter ended March 31, 2007 cash taxes paid was $9.2 million).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)

7 Earnings per share

At March 31, 2008, the number of shares outstanding was 153.6 million (March 31, 2007 155.2 million).

Basic earnings per share have been calculated using net income for the period divided by the weighted average number of CP shares outstanding during the period.

Diluted earnings per share have been calculated using the treasury stock method, which gives effect to the dilutive value of outstanding options.

The number of shares used in earnings per share calculations is reconciled as follows:

	For the three months ended March 31	
(in millions)	**2008**	**2007**
Weighted average shares outstanding	153.5	155.5
Dilutive effect of stock options	1.3	1.9
Weighted average diluted shares outstanding	154.8	157.4
(in dollars)		
Basic earnings per share	0.59	0.83
Diluted earnings per share	0.59	0.82

8 Restructuring and environmental remediation

At March 31, 2008, the provision for restructuring and environmental remediation was $225.0 million (December 31, 2007 $234.0 million). This provision primarily includes labour liabilities for restructuring plans. Payments are expected to continue in diminishing amounts until 2025. The environmental remediation liability includes the cost of a multi-year soil remediation program.

Set out below is a reconciliation of CP s liabilities associated with restructuring and environmental remediation programs:

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)
8 Restructuring and environmental remediation (continued)

Three months ended March 31, 2008

(in millions)	**Opening Balance Jan. 1 2008**	**Accrued**	**Payments**	**Amortization of Discount**	**Foreign Exchange Impact**	**Closing Balance Mar. 31 2008**
Labour liability for terminations and severances	$ 129.2		(12.3)	1.1	0.9	$ 118.9
Other non-labour liabilities for exit plans	0.8		(0.2)			0.6
Total restructuring liability	**130.0**		**(12.5)**	**1.1**	**0.9**	**119.5**
Environmental remediation program	104.0	0.9	(1.2)		1.8	105.5
Total restructuring and environmental remediation liability	**$ 234.0**	**0.9**	**(13.7)**	**1.1**	**2.7**	**$ 225.0**

Three months ended March 31, 2007

(in millions)	**Opening Balance Jan. 1 2007**	**Accrued**	**Payments**	**Amortization of Discount**	**Foreign Exchange Impact**	**Closing Balance Mar. 31 2007**
Labour liability for terminations and severances	$ 187.4		(12.5)	1.5	(0.3)	$ 176.1
Other non-labour liabilities for exit plans	1.4		(0.1)			1.3
Total restructuring liability	**188.8**		**(12.6)**	**1.5**	**(0.3)**	**177.4**

Environmental remediation program	120.2	0.2	(0.6)		(0.6)	119.2
Total restructuring and environmental remediation liability	**$ 309.0**	**0.2**	**(13.2)**	**1.5**	**(0.9)**	**$ 296.6**

Amortization of Discount is charged to income as Other Charges , Compensation and Benefits and Purchased Services and Other as applicable. New accruals and adjustments to previous accruals are reflected in Compensation and Benefits and Purchased Services and Other as applicable.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)
9 Investments

Dakota, Minnesota & Eastern Railroad Corporation (DM&E)

Effective October 4, 2007, the Company acquired all of the issued and outstanding shares of DM&E. The Company is currently accounting for the purchase by the equity method until such time as the acquisition has been approved by the United States Surface Transportation Board (STB). The purchase price was $1.499 billion cash payment, including a $6 million post closing adjustment in the first quarter of 2008, and transaction costs of $20 million incurred to March 31, 2008. Future contingent payment of up to approximately US$1.05 billion may become payable upon achievement of certain milestones.

The equity income from the Company s investment in DM&E, which is recorded net of tax, was $11.0 million during the three months ended March 31, 2008, and is recorded in Other income and charges on the Statement of Consolidated Income. The difference between cost and the underlying net book value of DM&E at the date of acquisition was US$983.5 million. For the three months ended March 31, 2008 the equity income from the Company s investment in DM&E was reduced by $3.4 million to recognize additional depreciation expense based on the assigned cost using fair values at that date of acquisition and $0.4 million to recognize amortization of the fair value of intangible assets acquired.

Canadian Third Party Asset-backed Commercial Paper (ABCP)

At March 31, 2008, the Company held ABCP issued by a number of trusts with an original cost of $143.6 million. At the dates the Company acquired these investments they were rated R1 (High) by DBRS Limited (DBRS), the highest credit rating issued for commercial paper, and backed by R1 (High) rated assets and liquidity agreements. These investments matured during the third quarter of 2007 but, as a result of liquidity issues in the ABCP market, did not settle on maturity. As a result, the Company has classified its ABCP as long-term investments after initially classifying them as Cash and cash equivalents.

On August 16, 2007, an announcement was made by a group representing banks, asset providers and major investors on an agreement in principle to a long-term proposal and interim agreement to convert the ABCP into long-term floating rate notes maturing no earlier than the scheduled maturity of the underlying assets. On September 6, 2007, a pan-Canadian restructuring committee consisting of major investors was formed. The committee was created to propose a solution to the liquidity problem affecting the ABCP and has retained legal and financial advisors to oversee the proposed restructuring process.

The ABCP in which the Company has invested has not traded in an active market since mid-August 2007 and there are currently no market quotations available.

On March 17, 2008, a court order was obtained through which the restructuring of the ABCP is expected to occur under the protection of the Companies Creditors Arrangement Act. It is expected that a vote to approve the restructuring will occur on April 25, 2008. This approval will be requested on the basis of all ABCP investments being a single class for the purpose of voting. The restructuring must obtain a majority of votes by number of investors and a two-thirds majority by value of holding. Should these thresholds be reached it is likely the restructuring will be approved by the Court and implemented by the end of May 2008.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)
9 Investments (continued)

Canadian Third Party Asset-backed Commercial Paper (ABCP) (continued)

On March 20, 2008, the pan-Canadian restructuring committee issued an Information Statement containing details about the proposed restructuring. Based on this and other public information it is estimated that, of the $143.6 million of ABCP in which the Company has invested:

$12.5 million is represented by traditional securitized assets and the Company will, on restructuring, receive replacement TA Tracking long-term floating rate notes with a maturity of approximately eight and one half years. As the underlying assets are primarily comprised of cash and Canadian Lines of Credit which are subject to an offer to repurchase at par value, the Company has assumed that these notes will be repaid in full significantly in advance of maturity;

$117.8 million is represented by a combination of leveraged collateralized debt, synthetic assets and traditional securitized assets and the Company will, on restructuring, receive replacement senior Class A-1 and Class A-2 and subordinated Class B and Class C long-term floating rate notes with maturities of approximately eight years and nine months. The Company expects to receive replacement notes with par values as follows:

Class A-1: $61.4 million

Class A-2: $45.0 million

Class B: $7.9 million

Class C: $3.5 million

The replacement senior notes are expected to obtain a AA rating while the replacement subordinated notes are likely to be unrated; and

$13.3 million is represented by assets that have an exposure to US mortgages and sub-prime mortgages. On restructuring, the Company is likely to receive IA Tracking long-term floating rate notes with maturities of approximately between five years and three months and eight years and seven months. These notes may be rated, although at this time the pan-Canadian restructuring committee has provided no indication of the rating these notes may receive.

The valuation technique used by the Company to estimate the fair value of its investment in ABCP at March 31, 2008, incorporates probability weighted discounted cash flows considering the best available public information regarding market conditions and other factors that a market participant would consider for such investments. The assumptions used in determining the estimated fair value reflect the details included in the Information Statement issued by the pan-Canadian restructuring committee and the risks associated with the long-term floating rate notes. The interest rates and maturities of the various long-term floating rate notes, discount rates and credit losses modelled are:

Probability weighted average interest rate	3.6 per cent
Weighted average discount rate	7.1 per cent
Maturity of long-term floating rate notes	five to nine years
Credit losses	rated notes[1]: nil to 15 percent
	unrated notes[2]: 15 to 100 percent

(1) TA Tracking,
Class A-1 and

Class A-2 senior notes and IA Tracking notes.

(2) Class B and Class C subordinated notes.

Interest rates and credit losses vary by each of the different replacement long-term floating rate notes to be issued as each has different credit ratings and risks. Interest rates and credit losses also vary by the different probable cash flow scenarios that have been modelled.

Discount rates vary dependent upon the credit rating of the replacement long-term floating rate notes. Discount rates have been estimated using Government of Canada benchmark rates plus expected spreads for similarly rated instruments with similar maturities and structure. An increase in the estimated discount rates of 1 percent would reduce the estimated fair value of the Company s investment in ABCP by approximately $5 million.

Maturities vary by different replacement long-term floating rate notes as a result of the expected maturity of the underlying assets.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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9 Investments (continued)

Canadian Third Party Asset-backed Commercial Paper (ABCP) (continued)

One of the cash flow scenarios modelled is a liquidation scenario whereby, if the restructuring is not successfully completed, recovery of the Company s investment is through the liquidation of the underlying assets of the ABCP trusts. In addition, while the likelihood is remote, there remains a possibility that a liquidation scenario may occur even with a successful approval of the restructuring plan.

In addition, assumptions have also been made as to the amount of restructuring costs that the Company will bear.

Based on additional information that became available during the first quarter of 2008, the probability weighted discounted cash flows resulted in an estimated fair value of the Company s ABCP of $100.8 million at March 31, 2008. This was a reduction from the estimated fair value at December 31, 2007 of $122.1 million. As a result, a further $21.3 million before tax ($15.0 million after tax) was recorded as a charge to income in the first quarter of 2008. This represents 15 percent of the original value, bringing the total write-down to a total of approximately 30 percent of the original value.

Continuing uncertainties regarding the value of the assets which underlie the ABCP, the amount and timing of cash flows and the outcome of the restructuring process could give rise to a further material change in the value of the Company s investment in ABCP which could impact the Company s near term earnings.

10 Shareholders equity

An analysis of Common Share balances is as follows:

	For the three months ended March 31	
(millions of shares)	**2008**	**2007**
Share capital, beginning of period	153.3	155.5
Shares issued under stock option plans	0.3	0.4
Shares purchased		(0.7)
Share capital, end of period	153.6	155.2

For the three months ended March 31, 2008, there were no shares purchased (2007 0.7 million shares were purchased at an average price per share of $63.85).

Purchases are made at the market price on the day of purchase, with consideration allocated to share capital up to the average carrying amount of the shares, and any excess allocated to retained earnings. When shares are purchased, it takes three days before the transaction is settled and the shares are cancelled. The cost of shares purchased in a given month and settled in the following month is accrued in the month of purchase.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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11 Other comprehensive income and accumulated other comprehensive income

Components of other comprehensive income and the related tax effects are as follows:

	For the three months ended March 31 2008		
(in millions)	**Before tax amount**	**Income tax (expense) recovery**	**Net of tax amount**
Unrealized foreign exchange loss on translation of U.S. dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries	$ (43.0)	$ 5.8	$ (37.2)
Unrealized foreign exchange gain on translation of the net investment in U.S. subsidiaries	46.3		46.3
Realized gain on cash flow hedges settled in the period	(3.0)	0.8	(2.2)
Decrease in unrealized holding gains on cash flow hedges	(5.7)	1.4	(4.3)
Realized gain on cash flow hedges settled in prior periods	(0.1)		(0.1)
Other comprehensive income (loss)	$ (5.5)	$ 8.0	$ 2.5

	For the three months ended March 31 2007		
(in millions)	**Before tax amount**	**Income tax (expense) recovery**	**Net of tax amount**
Unrealized foreign exchange gain on translation of U.S. dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries	$ 3.9	$ (0.6)	$ 3.3
Unrealized foreign exchange loss on translation of the net investment in U.S. subsidiaries	(4.2)		(4.2)
Realized gain on cash flow hedges settled in the period	(3.3)	1.3	(2.0)

Increase in unrealized holding gains on cash flow hedges	0.1		0.1
Other comprehensive loss	$ (3.5)	$ 0.7	$ (2.8)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)
11 Other comprehensive income and accumulated other comprehensive income (continued)

Changes in the balances of each classification within Accumulated other comprehensive income are as follows:

Three months ended March 31, 2008

(in millions)	**Opening Balance, Jan. 1, 2008**	**Period change**	**Closing Balance, Mar. 31, 2008**
Foreign exchange gain on U.S. dollar debt designated as a hedge of the net investment in U.S. subsidiaries	$ 296.6	$ (37.2)	$ 259.4
Foreign exchange loss on net investment in U.S. subsidiaries	(246.9)	46.3	(200.6)
Unrealized effective gains on cash flow hedges	(6.2)	(6.5)	(12.7)
Deferred loss on settled hedge instruments	(3.9)	(0.1)	(4.0)
Accumulated other comprehensive income	$ 39.6	$ 2.5	$ 42.1

Three months ended March 31, 2007

(in millions)	**Opening Balance, Jan. 1, 2007**	**Period change**	**Closing Balance, Mar. 31, 2007**
Foreign exchange gain on U.S. dollar debt designated as a hedge of the net investment in U.S. subsidiaries	$ 235.3	$ 3.3	$ 238.6
Foreign exchange loss on net investment in U.S. subsidiaries	(168.5)	(4.2)	(172.7)
Unrealized effective gains of cash flow hedges	18.9	(1.9)	17.0
Deferred loss on settled hedge instruments	(5.3)		(5.3)
Accumulated other comprehensive income	$ 80.4	$ (2.8)	$ 77.6

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(unaudited)

11 Other comprehensive income and accumulated other comprehensive income (continued)

During the next twelve months, the Company expects $11.3 million of unrealized holding gains on derivative instruments to be realized and recognized in the Statement of Consolidated Income. Existing derivative instruments designated as cash flow hedges will be fully matured by December 31, 2009.

12 Financial instruments

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm s length transaction between willing parties. The Company uses the following methods and assumptions to estimate fair value of each class of financial instruments for which carrying amounts are included in the Consolidated Balance Sheet as follows:

Loans and receivables
Accounts receivable and other current assets The carrying amounts approximate fair value because of the short maturity of these instruments.

Investments Long-term receivable balances are carried at amortized cost based on an initial fair value as determined at the time using discounted cash flow analysis and observable market based inputs.

Financial liabilities
Accounts payable and accrued liabilities, short-term borrowings, and deferred liabilities The carrying amounts approximate fair value because of the short maturity of these instruments.

Long-term debt The carrying amount of long-term debt is at amortized cost based on an initial fair value as determined at the time using the quoted market prices for the same or similar debt instruments.

Available for sale
Investments Certain equity investments which are recorded on a cost basis have a carrying value that equals cost as fair value cannot be reliably established as there are no quoted prices in an active market for these investments.

Held for trading
Derivative instruments that are designated as hedging instruments are measured at fair value determined using the quoted market prices for the same or similar instruments. Derivative instruments that are not designated in hedging relationships are classified as held for trading and measured at fair value determined by using quoted market prices for similar instruments and changes in fair values of such derivatives are recognized in net income as they arise.

Cash and cash equivalents The carrying amounts approximate fair value because of the short maturity of these instruments.

Investments Canadian third party asset-backed commercial paper (ABCP) is carried at fair value, which has been determined using valuation techniques that incorporate probability weighted discounted future cash flows reflecting market conditions and other factors that a market participant would consider (see Note 9).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)
12 Financial instruments (continued)

The table below reconciles carrying value positions of the Company s financial instruments with Consolidated Balance Sheet categories:

(in millions)	March 31, 2008 Carrying Value of Financial Assets / Liabilities	Carrying Value of Other Assets / Liabilities	Balance Sheet Amount	December 31, 2007 Carrying Value of Financial Assets / Liabilities	Carrying Value of Other Assets / Liabilities	Balance Sheet Amount
Assets						
Cash and cash equivalents	$ 71.3	$	$ 71.3	$ 378.1	$	$ 378.1
Accounts receivable and other current assets						
Accounts receivable	507.7			483.0		
Current portion of crude oil swaps	12.9			12.9		
Current portion of interest rate swaps	2.6					
Other		62.0			46.9	
	523.2	62.0	585.2	495.9	46.9	542.8
Investments						
Equity investments at cost	1.2			1.3		
Long-term receivables at amortized cost	17.6			17.5		
ABCP	100.8			122.1		
Other		1,599.4			1,527.7	
	119.6	1,599.4	1,719.0	140.9	1,527.7	1,668.6
Other assets and deferred charges						
Long-term portion of crude oil swaps	7.7			8.5		
Long-term portion of interest rate swaps	10.6					
Other		1,373.7			1,227.1	
	18.3	1,373.7	1,392.0	8.5	1,227.1	1,235.6

Liabilities						
Short-term borrowings	66.7		66.7	229.7		229.7
Accounts payable and accrued liabilities						
Accounts payable and accrued liabilities	770.0			750.6		
Current portion of foreign exchange contracts on fuel	1.5			2.1		
Current portion of bond forward	40.5			30.6		
Current portion of interest rate swaps				(1.0)		
Other		183.5			198.5	
	812.0	183.5	995.5	782.3	198.5	980.8

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(unaudited)
12 Financial instruments (continued)

	March 31, 2008			December 31, 2007		
(in millions)	**Carrying Value of Financial Assets / Liabilities**	**Carrying Value of Other Assets / Liabilities**	**Balance Sheet Amount**	**Carrying Value of Financial Assets / Liabilities**	**Carrying Value of Other Assets / Liabilities**	**Balance Sheet Amount**
Liabilities						
Long-term debt maturing within one year	$ 31.1	$	$ 31.1	$ 31.0	$	$ 31.0
Deferred liabilities						
Long-term portion of foreign exchange contracts on fuel	1.0			1.5		
Long-term portion of currency forward	1.8			15.7		
Long-term portion of interest rate swaps				(4.5)		
Total return swap	1.1			3.8		
Long-term portion of Accounts payable and accrued liabilities	42.6			41.9		
Other		643.9			656.2	
	46.5	643.9	690.4	58.4	656.2	714.6
Long-term debt	4,267.6		4,267.6	4,146.2		4,146.2

<u>Carrying value and fair value of financial instruments</u>

The carrying values of financial instruments equal or approximate their fair values with the exception of long-term debt which has a carrying value of approximately $4,298.7 million (December 31, 2007 $4,177.2 million) and a fair value of approximately $4,320.9 million at March 31, 2008 (December 31, 2007 $4,302.6 million). The fair value of publicly traded long-term debt is determined based on market prices at March 31, 2008 and December 31, 2007, respectively. The fair value of other long-term debt is estimated based on rates currently available to the Company for long-term borrowings, with terms and conditions similar to those borrowings in place at the applicable Consolidated Balance Sheet date.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)
12 Financial instruments (continued)

Financial risk management

In the normal course of operations, the Company is exposed to various market risks such as foreign exchange risk, interest rate risk, other price risk, as well as credit risk and liquidity risk. To manage these risks, the Company utilizes a Financial Risk Management (FRM) framework. The FRM goals and strategy are outlined below:

FRM objectives:

Maintaining sound financial condition as an ongoing entity;

Optimizing earnings per share and cash flow;

Financing operations of the group of CP companies at the optimal cost of capital; and

Ensuring liquidity to all Canadian and U.S. operations.

In order to satisfy the objectives above, the Company has adopted the following strategies:

Prepare multi-year planning and budget documents at prevailing market rates to ensure clear, corporate alignment to performance management and achievement of targets;

Measure the extent of operating risk within the business;

Identify the magnitude of the impact of market risk factors on the overall risk of the business and take advantage of natural risk reductions that arise from these relationships; and

Utilize financial instruments, including derivatives to manage the remaining residual risk to levels that fall within the risk tolerance of the Company.

Under the governance structure established by the Company and approved by the Audit, Finance and Financial Risk Management Committee (Audit Committee), the Board of Directors has the authority to approve the Financial Risk Management Policies of the Company. The Board has delegated to the Audit Committee the accountability for ensuring a structure is in place to ensure compliance with the individual Corporate Risk Management Policies across the Company s operations.

The policy objective with respect to the utilization of derivative financial instruments is to selectively mitigate the impact of fluctuations in foreign exchange (FX) rates, interest rates, fuel price, and share price. The use of any derivative instruments is carried out in accordance with approved trading limits and authorized counterparties as specified in the policy and/or mandate. It is not the Company s intent to use financial derivatives or commodity instruments for trading or speculative purposes.

Risk factors

The following is a discussion of market, credit and liquidity risks and related mitigation strategies that have been identified through the FRM framework. The is not an exhaustive list of all risks, nor will the mitigation strategies

eliminate all risks listed. Risks related to the Company s investment in ABCP are discussed in more detail in Note 9.

Foreign exchange risk

This risk refers to the fluctuation of financial commitments, assets, liabilities, income or cash flows due to changes in FX rates. The Company conducts business transactions and owns assets in both Canada and the United States; as a result, revenues and expenses are incurred in both Canadian dollars and U.S. dollars. The Company s income is exposed to FX risk largely in the following ways:

Translation of U.S. dollar denominated revenues and expenses into Canadian dollars When the Canadian dollar changes relative to the U.S. dollar, income reported in Canadian dollars will change. The impact of a strengthening Canadian dollar on U.S. dollar revenues and expenses will reduce net income because the Company has more U.S. dollar revenues than expenses. This impact is excluded from the sensitivity in the table below; and

Translation of U.S. dollar denominated debt and other monetary items A strengthening Canadian dollar will reduce the Company s U.S. dollar denominated debt in Canadian dollar terms and generate a FX gain on long-term debt, which is recorded in income. The Company calculates FX on long-term debt using the difference in FX rates at the beginning and at the end of each reporting period. Other U.S. dollar denominated monetary items will also be impacted by changes in FX rates.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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12 Financial instruments (continued)

Foreign exchange management

In terms of net income, excluding FX on long-term debt, mitigation of U.S. dollar FX exposure is provided primarily through offsets created by revenues and expenses incurred in the same currency. Where appropriate the Company negotiates with U.S. customers and suppliers to reduce the net exposure. The Company may from time to time reduce residual exposure by hedging revenues through FX forward contracts. The Company had no revenue forward sales of U.S. dollars outstanding at March 31, 2008.

The FX gains and losses on long-term debt are mainly unrealized and can only be realized when U.S. dollar denominated long-term debt matures or is settled. The Company also has long term FX exposure on its investment in U.S. affiliates. A portion of the Company s U.S. dollar denominated long-term debt has been designated as a hedge of the net investment in self-sustaining foreign subsidiaries. This designation has the effect of mitigating volatility on net income by offsetting long-term FX gains and losses on long-term debt. In addition, for long-term debt denominated in U.S. dollars in Canada, the Company may enter into currency forwards to hedge debt that is denominated in U.S. dollars.

Occasionally the Company will enter into short-term FX forward contracts as part of its cash management strategy.

The table below depicts the quarterly impact to net income and other comprehensive income of long-term debt had the exchange rate increased or decreased by one cent. The impact on other U.S. dollar denominated monetary items is not considered to be material.

	Three months ended March 31, 2008	
(in millions)	**Impact to Net income**	**Impact to Other comprehensive income**
1 cent strengthening in Canadian dollar	$ 3.0	$ (2.0)
1 cent weakening in Canadian dollar	(3.0)	2.0

Note: All variables excluding FX are held constant. Impact to net income and other comprehensive income would be increased by $10.6 million if the net investment hedge was not included in the above table.

Foreign exchange forward contracts

In June 2007, the Company entered into a currency forward to fix the exchange rate on US$400 million 6.250% Notes due 2011. This derivative guarantees the amount of Canadian dollars that the Company will repay when its US$400 million 6.25% note matures in October 2011. During the three months ended March 31, 2008, the Company recorded a gain of $13.9 million to Foreign exchange (gain) loss on long-term debt . At March 31, 2008,

the unrealized loss on the forward was $1.8 million (December 31, 2007 $15.7 million).

Interest rate risk

This refers to the risk that the fair value or income and future cash flows of a financial instrument will vary as a result of changes in market interest rates.

In order to manage funding needs or capital structure goals, the Company enters into debt or capital lease agreements that are subject to either fixed market interest rates set at the time of issue or floating rates determined by on-going market conditions. Debt subject to variable interest rates exposes the Company to variability in interest expense, while debt subject to fixed interest rates exposes the Company to variability in the fair value of the debt.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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12 Financial instruments (continued)

The table below depicts the floating and fixed maturities for all financial assets and liabilities:

(in millions)	**March 31, 2008** At floating interest rates	At fixed interest rates
Financial assets		
Cash and short-term investments	$ 71.3	$
ABCP	100.8	
Financial liabilities		
Short-term borrowings	66.7	
Long-term debt	1,446.7	2,852.0
Notional amount		
Interest rate swaps	205.3	

Interest rate management

To manage interest rate exposure, the Company accesses diverse sources of financing and manages borrowings in line with a targeted range of capital structure, debt ratings, liquidity needs, maturity schedule, and currency and interest rate profiles. In anticipation of future debt issuance, the Company may enter into forward rate agreements such as treasury rate locks, bond forwards or forward starting swaps to substantially lock in all or a portion of the effective future interest expense. The Company may also enter into swap agreements to manage the mix of fixed and floating rate debt.

The table below depicts the quarterly impact to net income and other comprehensive income had interest rates increased or decreased by 50 basis points. Typically, as rates increase, net income decreases.

(in millions)	**Three months ended March 31, 2008** Impact to Net income	Impact to Other comprehensive income
50 basis point increase in rates	$ (1.3)	$ 21.6
50 basis point decrease in rates	1.3	(21.6)

Note: All variables excluding interest rates are held constant.

At March 31, 2008, the Company had outstanding interest rate swap agreements, classified as a fair value hedge, for a notional amount of US$200 million or CDN$205.3 million. The swap agreements convert a portion of the

Company s fixed-interest-rate liability into a variable-rate liability for the 6.250% Notes. During the three months ended March 31, 2008, the Company recorded a loss of $0.2 million (March 31, 2007 $0.4 million) to Interest expense . At March 31, 2008, the unrealized gain, derived from the fair value of the swap, was $13.2 million (December 31, 2007 $5.5 million).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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12 Financial instruments (continued)

The following table discloses the terms of the swap agreements at March 31, 2008:

Expiration	October 15, 2011
Notional amount of principal (in CDN$ millions)	$ 205.3
Fixed receiving rate	6.250%
Variable paying rate	5.437%

Based on U.S. three-month LIBOR.

During 2007, the Company entered into agreements that established the benchmark rate on $350.0 million of long-term debt, which is expected to be issued in 2008. The fair value of this instrument, which is accounted for as a cash flow hedge, was a loss of $40.5 million at March 31, 2008 (December 31, 2007 $30.6 million). During the three months ended March 31, 2008, losses of $0.9 million were recognised and recorded in net income and unrealized losses of $9.0 million were recorded in other comprehensive income.

Stock-based compensation risk

This risk refers to the probability of increased compensation expense due to the increase in the Company s share price.

The Company s compensation expense is subject to volatility due to the movement of share price and its impact on the value of certain management and director stock-based compensation programs. These programs, as described in the management proxy circular, include deferred share units (DSU s), restricted share units (RSU s), performance share units (PSU s) and share appreciation rights (SAR s). As the share price appreciates, these instruments are marked to market increasing compensation expense.

Stock-based compensation expense management

To minimize the volatility to compensation expense created by changes in share price, the Company entered into a Total Return Swap (TRS) to reduce the volatility and total cost to the Company over time of the four types of stock-based compensation programs noted above. These are derivatives that provide price appreciation and dividends, in return for a charge by the counterparty. The swaps minimize volatility to compensation expense by providing a gain to substantially offset increased compensation expense as the share price increases and a loss to offset reduced compensation expense when the share price falls. If stock-based compensation share units fall out of the money after entering the program, the loss associated with the swap would no longer be offset by any compensation expense reductions.

The table below depicts the quarterly impact to net income as a result of the TRS had the share price increased or decreased $1 from the closing share price on March 31, 2008.

	Three months ended March

(in millions)	31, 2008 Impact to Net income
$1 increase in share price	$ 1.7
$1 decrease in share price	(1.7)

Note: All variables excluding share price are held constant.

During the three months ended March 31, 2008, Compensation and benefits expense decreased by $2.7 million (March 31, 2007 $6.3 million) due to unrealized gains for these swaps. At March 31, 2008, the unrealized loss on the swap was $1.1 million (December 31, 2007 $3.8 million).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)
12 Financial instruments (continued)

Commodity risk

The Company is exposed to commodity risk related to purchases of diesel fuel and the potential reduction in net income due to increases in the price of diesel. Because fuel expense constitutes a large portion of the Company s operating costs, volatility in diesel fuel prices can have a significant impact on the Company s income. Items affecting volatility in diesel prices include, but are not limited to, fluctuations in world markets for crude oil and distillate fuels, which can be affected by supply disruptions and geopolitical events.

Fuel price management

The impact of variable fuel expense is mitigated substantially through fuel recovery programs which apportion incremental changes in fuel prices to shippers through price indices, tariffs, and, by contract, within agreed upon guidelines. While these programs provide effective and meaningful coverage, residual exposure remains as the fuel expense risk cannot be completely recovered from shippers due to timing and volatility in the market. The Company continually monitors residual exposure, and where appropriate, may enter into derivative instruments.

Derivative instruments used by the Company to manage fuel expense risk may include, but are not limited to, swaps and options for crude oil and diesel. In addition, the Company may combine FX forward contracts with fuel derivatives to effectively hedge the risk associated with FX variability on fuel purchases and commodity hedges.

The table below depicts the quarterly impact to net income (excluding recoveries through pricing mechanisms) and other comprehensive income as a result of our crude forward contracts had the price of West Texas Intermediate (WTI) changed by $1 for the three months ended March 31, 2008:

	Three months ended March 31, 2008	
(in millions)	Impact to Net income	Impact to Other Comprehensive income
$1 increase in price per barrel	$ 0.1	$ 0.2
$1 decrease in price per barrel	(0.1)	(0.2)

Note: All variables excluding WTI per barrel are held constant.

At March 31, 2008, the Company had crude forwards contracts, which are accounted for as cash flow hedges, to purchase approximately 327,000 barrels over the 2008-2009 period at average quarterly prices ranging from US$30.59 to US$38.19 per barrel. This represents approximately 3% of estimated fuel purchases in 2008 and 2009. At March 31, 2008, the unrealized gain on these forward contracts was CDN$20.6 million (December 31, 2007 CDN$21.4 million).

At March 31, 2008, the Company had FX forward contracts (in conjunction with the crude purchases above), which are accounted for as cash flow hedges, totalling US$11.8 million over the 2008-2009 period at exchange rates ranging from 1.2276 to 1.3008. At March 31, 2008, the unrealized loss on these forward contracts was CDN$2.5 million (December 31, 2007 CDN$3.5 million).

For the three months ended March 31, 2008, Fuel expense was reduced by $3.9 million (three months ended March 31, 2007 $4.6 million) as a result of $4.6 million in realized gains (three months ended March 31, 2007 $4.9 million) arising from settled swaps, partially offset by $0.7 million in realized losses (three months ended March 31, 2007 $0.3 million) arising from the settled FX forward contracts.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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12 Financial instruments (continued)

Credit risk

Credit risk refers to the possibility that a customer or counterparty will fail to fulfil its obligations under a contract and as a result, create a financial loss for the Company. The Company s credit risk regarding its investment in ABCP are discussed in more detail in Note 9.

Credit risk management

The railway industry services predominantly financially established customers and the Company has experienced limited financial loss with respect to credit risk. The credit worthiness of customers is assessed using credit scores supplied by a third party, and through direct monitoring of their financial well-being on a continual basis. The Company establishes guidelines for customer credit limits and should thresholds in these areas be reached, appropriate precautions are taken to improve collectibility. Pursuant to their respective terms, accounts receivable are aged as follows at March 31, 2008:

(in millions)	
Up to date	$ 335.5
Under 30 days past due	100.1
30-60 days past due	27.1
61-90 days past due	11.8
Over 91 days past due	33.2
	$ 507.7

Counterparties to financial instruments expose the Company to credit losses in the event of non-performance. Counterparties for derivative and cash transactions are limited to high credit quality financial institutions, which are monitored on an ongoing basis. Counterparty credit assessments are based on the financial health of the institutions and their credit ratings from external agencies. With exception of ABCP, the Company does not anticipate non-performance that would materially impact the Company s financial statements.

With the exception of ABCP, the Company believes there are no significant concentrations of credit risk. The maximum exposure to credit risk can be taken from our financial assets values reported in the table reconciling the carrying value positions of the Company s financial instruments with Consolidated Balance Sheet categories.

Liquidity risk

The Company monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements.

Liquidity risk management

The Company has long-term debt ratings of Baa3, BBB, and BBB from Moody s Investors Service, Inc. (Moody s), Standard and Poor s Corporation (S&P), and DBRS respectively. The S&P rating has a negative outlook, while the ratings of Moody s and DBRS have a stable outlook. The Company intends to manage its capital structure and

liquidity at levels that sustain an investment grade rating.

The Company has the following liquidity lines available:

- a five year revolving credit facility of $945 million, with an accordion feature to $1.15 billion, of which $539 million was available on March 31, 2008;

- an accounts receivable securitization program that provides up to $200 million. On March 31, 2008, $80 million in available capacity remained. The program expires in September 2009; and

- an 18 month US$1.8 billion temporary credit facility established to acquire the DM&E. On October 4, 2007, US$1.27 billion was drawn to close the transaction. The facility expires in April 2009.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
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12 Financial instruments (continued)

These facilities are arranged with a core group of highly rated international financial institutions. They incorporate pre-agreed pricing. The revolving credit facility and the temporary credit facility are available on next day terms. The accounts receivable securitization program capacity is available on five days notice.

The Company plans to access both Canadian and U.S. capital markets to secure long term financing for the temporary credit facility. Market conditions allowing, the Company will access debt capital markets in various maturities periodically prior to the expiry of the temporary credit facility in order to minimize risk and optimize pricing. It is the Company s intention to manage its long term financing structure to maintain its investment grade rating. The Company may decide to enter certain derivative instruments to reduce interest rate and foreign exchange exposure in advance of these issuances.

Surplus cash is invested into a range of short dated money market instruments meeting or exceeding the parameters of the Company s investment policy.

The table below reflects the contractual maturity of the Company s undiscounted cash flows for its financial liabilities and derivatives:

(in millions)	March 31, 2008			
	2008	**2009 2011**	**2012+**	**Total**
Financial liabilities				
Short-term borrowings	$ 66.7	$	$	$ 66.7
Accounts payable and accrued liabilities	770.0	42.6		812.6
Foreign exchange contracts on fuel	1.3	1.2		2.5
Bond forward	41.2			41.2
Currency forward		2.0		2.0
Total return swap		1.1		1.1
Long-term debt	23.7	2,226.8	2,238.2	4,488.7

13 Additions to investments and other assets

Additions to investment and other assets includes the acquisition of $134.7 million in locomotives and freight car assets for the quarter ended March 31, 2008 (quarter ended March 31, 2007 nil). These assets were purchased in anticipation of a sale and lease back arrangement with a financial institution.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)
14 Stock-based compensation

In the first quarter of 2008, under CP s stock option plans, the Company issued 1,335,500 options to purchase Common Shares at the weighted average price of $71.69 per share, based on the closing price on the grant date. In tandem with these options, 413,200 stock appreciation rights were issued at the weighted average exercise price of $71.69.

Pursuant to the employee plan, options may be exercised upon vesting, which is between 24 months and 36 months after the grant date, and will expire after 10 years. Some options vest after 48 months, unless certain performance targets are achieved, in which case vesting is accelerated. These options expire five years after the grant date. Other options only vest if certain performance targets are achieved and expire approximately five years after the grant date.

The following is a summary of the Company s fixed stock option plans as of March 31 (including options granted under the Directors Stock Option Plan, which was suspended in 2003):

	2008		**2007**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding, January 1	6,981,108	43.97	6,815,494	38.50
New options granted	1,335,500	71.69	1,299,800	62.57
Exercised	(361,225)	33.66	(356,491)	29.82
Forfeited/cancelled	(26,275)	34.83	(51,175)	35.48
Outstanding, March 31	7,929,108	49.14	7,707,628	42.98
Options exercisable at March 31	4,775,458	38.18	4,713,928	33.89

Compensation expense is recognized over the vesting period for stock options issued since January 1, 2003, based on their estimated fair values on the date of grants, as determined by the Black-Scholes option pricing model.

Under the fair value method, the fair value of options at the grant date was $14.0 million for options issued in the first quarter of 2008 (first quarter of 2007 $11.2 million). The weighted average fair value assumptions were approximately:

	For the three months Ended March 31	
	2008	**2007**
Expected option life (years)	4.38	4.00

Risk-free interest rate	3.54%	3.89%
Expected stock price volatility	22%	23%
Expected annual dividends per share	$ 0.99	$ 0.90
Weighted average fair value of options granted during the year	$ 15.13	$ 12.96

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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15 Pensions and other benefits

The total benefit cost for the Company s defined benefit pension plans and post-retirement benefits for the quarter ended March 31, 2008, was $18.2 million (quarter ended March 31, 2007 $26.3 million).

16 Significant customers

During the first quarter of 2008, one customer comprised 11.5% of total revenue (first quarter of 2007 11.1%). At March 31, 2008, that same customer represented 6.5% of total accounts receivable
(March 31, 2007 4.2%).

17 Commitments and contingencies

In the normal course of its operations, the Company becomes involved in various legal actions, including claims relating to injuries and damages 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, 2008, 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 financial position or results of operations.

During the quarter ended March 31, 2008, the Canadian Transportation Agency announced a Decision directing a downward adjustment of the railway maximum revenue entitlement for movement of regulated grain under the Canada Transportation Act, for the period from August 1, 2007 to July 31, 2008. The Company has applied to the Federal Court of Appeal for Leave to Appeal the Decision. A provision considered adequate by management shall be maintained for the prospective adjustment. The retroactive component of the adjustment, which is estimated to be $23 million, is not considered to be legally supportable and as such a provision has not been made.

Capital commitments

At March 31, 2008, the Company had multi-year capital commitments of $553.3 million, mainly for locomotive overhaul agreements, in the form of signed contracts. Payments for these commitments are due in 2008 through 2022.

Operating lease commitments

At March 31, 2008, minimum payments under operating leases were estimated at $683.6 million in aggregate, with annual payments in each of the next five years of: 2008 $97.3 million; 2009 $104.0 million; 2010 $85.2 million; 2011 $76.1 million; 2012 $71.7 million.

Guarantees

At March 31, 2008, the Company had residual value guarantees on operating lease commitments of $328.9 million and certain guarantees related to the Company s investment in the DM&E, which include minimum lease payments of $46.0 million, residual value guarantees of $11.4 million, and a line of credit of US$15 million. The maximum amount that could be payable under these and all of the Company s other guarantees cannot be reasonably estimated due to the nature of certain of the guarantees. All or a portion of amounts paid under certain guarantees could be recoverable from other parties or through insurance. The Company has accrued for all guarantees that it

expects to pay. At March 31, 2008, these accruals amounted to $9.2 million.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(unaudited)
18 Capital disclosures

The Company s objectives when managing its capital are:

- to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders;
- to manage capital in a manner which balances the interests of equity and debt holders;
- to manage capital in a manner that will maintain compliance with its financial covenants;
- to manage its long term financing structure to maintain its investment grade rating; and
- to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company defines its capital as follows:

- shareholders equity;
- long-term debt, including the current portion; and
- short-term borrowing.

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics, and/or increase or decrease the amount of sales of accounts receivables to an arm s-length securitization trust.

The Company monitors capital using a number of key financial metrics, including:

- net-debt to net-debt-plus-equity; and
- interest coverage ratio: earnings before interest and taxes (EBIT) to interest expense.

Both of these metrics have no standardized meanings prescribed by Canadian GAAP and, therefore, are unlikely to be comparable to similar measures of other companies.

The calculations for the aforementioned key financial metrics are as follows:

<u>Net-debt to net-debt-plus-equity</u>
Net debt, which is a non-GAAP measure, is the sum of long-term debt, long-term debt maturing within one year and short-term borrowing, less cash and short-term investments. This sum is divided by total net debt plus total shareholders equity as presented on our Consolidated Balance Sheet.

<u>Interest coverage ratio</u>
EBIT, which is a non-GAAP measure that is calculated, on a twelve month rolling basis, as operating income, before less other income and charges, divided by interest expense.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)
18 Capital disclosures (continued)

The following table illustrates the financial metrics and their corresponding guidelines currently in place:

(in millions)	Guidelines	March 31, 2008	March 31, 2007
Long-term debt		$ 4,267.6	$ 2,747.8
Long-term debt maturing within one year		31.1	31.5
Short-term borrowing		66.7	77.7
Less:			
Cash and cash equivalents		(71.3)	(25.6)
Net Debt[1]		**$ 4,294.1**	**$ 2,831.4**
Shareholders equity		$ 5,531.1	$ 4,939.3
Net debt		4,294.1	2,831.4
Net Debt plus Equity[1]		**$ 9,825.2**	**$ 7,770.7**
Operating income[1]		$ 1,133.1	$ 1,131.1
Less:			
ABCP		(42.8)	
Other income and charges		(31.5)	(25.8)
Equity income in DM&E		23.3	
EBIT[1][2]		**$ 1,082.1**	**$ 1,105.3**
Net debt		$ 4,294.1	$ 2,831.4
Net debt plus equity		$ 9,825.2	$ 7,770.7
Net-debt to Net-debt-plus-equity[1]	**No more than 50.0%**	**43.7%**	**36.4%**
EBIT		$ 1,082.1	$ 1,105.3
Interest expense		$ 217.4	$ 194.0
Interest Coverage Ratio[1][2]	**No less than 4.0**	**5.0**	**5.7**

(1) These earnings measures have no standardized meanings prescribed by Canadian GAAP and,

therefore, are unlikely to be comparable to similar measures of other companies.

(2) The balance is calculated on a rolling twelve month basis.

The Company s financial objectives and strategy as described above have remained substantially unchanged over the last two fiscal years. The objectives are reviewed on an annual basis and financial metrics and their guidelines are monitored on a quarterly basis. The Company believes that adherence to these guidelines increases its ability to access to capital at a reasonable cost and maintain credit ratings of an investment grade. The Company believes that these ratios are within reasonable limits, in light of the relative size of the Company and its capital management objectives.

The Company is also subject to financial covenants in the bridge financing agreement obtained for the acquisition of DM&E and revolver loan agreements. Net-debt to net-debt-plus-equity and interest coverage ratio are two financial metrics that provide indicators as to whether the Company will be in compliance with its financial covenants. The Company is in compliance with all financial covenants.

Summary of Rail Data

	First Quarter			
	2008	**2007**	**Variance**	**%**
Financial (millions, except per share data)				
Revenues				
Freight revenue	$1,124.4	$1,090.9	$ 33.5	3.1
Other revenue	22.5	25.0	(2.5)	(10.0)
	1,146.9	1,115.9	31.0	2.8
Operating expenses				
Compensation and benefits	328.3	332.5	(4.2)	(1.3)
Fuel	230.2	171.2	59.0	34.5
Materials	65.5	62.4	3.1	5.0
Equipment rents	45.9	55.5	(9.6)	(17.3)
Depreciation and amortization	119.9	118.6	1.3	1.1
Purchased services and other	158.9	146.4	12.5	8.5
	948.7	886.6	62.1	7.0
Operating income	198.2	229.3	(31.1)	(13.6)
Equity income (net of tax) in Dakota, Minnesota & Eastern Railroad Corporation (DM&E)	(11.0)		(11.0)	
Other charges	6.7	4.8	1.9	39.6
Interest expense	59.9	46.8	13.1	28.0
Income tax expense before foreign exchange (gains) losses on long-term debt and other specified items [1]	26.2	55.1	(28.9)	(52.5)
Income before foreign exchange (gains) losses on long-term debt and other specified items [1]	116.4	122.6	(6.2)	(5.1)
Foreign exchange (gains) losses on long-term debt (FX on LTD)				
FX on LTD	16.3	(8.6)	24.9	
Income tax on FX on LTD [2]	(5.7)	2.6	(8.3)	
FX on LTD (net of tax)	10.6	(6.0)	16.6	

Other specified items				
Change in estimated fair value of Canadian third party asset-backed commercial paper (ABCP)	21.3		21.3	
Income tax on change in estimated fair value of ABCP	(6.3)		(6.3)	
Change in estimated fair value of ABCP (net of tax)	15.0		15.0	
Net income	$ 90.8	$ 128.6	$ (37.8)	(29.4)
Earnings per share (EPS)				
Basic earnings per share	$ 0.59	$ 0.83	$ (0.24)	(28.9)
Diluted earnings per share	$ 0.59	$ 0.82	$ (0.23)	(28.0)
EPS before FX on LTD and other specified items [1]				
Basic earnings per share	$ 0.76	$ 0.79	$ (0.03)	(3.8)
Diluted earnings per share	$ 0.75	$ 0.78	$ (0.03)	(3.8)
Weighted average number of shares outstanding (millions)	153.5	155.5	(2.0)	(1.3)
Weighted average number of diluted shares outstanding (millions)	154.8	157.4	(2.6)	(1.7)
Operating ratio [1] [3] (%)	82.7	79.5	3.2	
ROCE before FX on LTD and other specified items (after tax) [1] [3] (%)	9.4	10.1	(0.7)	
Net debt to net debt plus equity (%)	43.7	36.4	7.3	
EBIT before FX on LTD and other specified items [1] [3] (millions)	$ 202.5	$ 224.5	$ (22.0)	(9.8)
EBITDA before FX on LTD and other specified items [1] [3] (millions)	$ 322.4	$ 343.1	$ (20.7)	(6.0)

(1) These earnings measures have no standardized meanings prescribed by GAAP and may not be comparable to similar

measures of other companies. See note on non-GAAP earnings measures attached to commentary.

(2) Income tax on FX on LTD is discussed in the MD&A in the Other Income Statement Items section Income Taxes .

(3)

EBIT:	Earnings before interest and taxes.
EBITDA:	Earnings before interest, taxes, and depreciation and amortization.
ROCE (after tax):	Return on capital employed (after tax) = earnings before after-tax interest expense (last 12 months) divided by average net debt plus equity.
Operating ratio:	Operating expenses divided by revenues.

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Summary of Rail Data (Page 2)

	First Quarter			
	2008	**2007**	**Variance**	**%**
Commodity Data				
Freight Revenues (millions)				
- Grain	$ 232.4	$ 219.6	$ 12.8	5.8
- Coal	140.1	131.3	8.8	6.7
- Sulphur and fertilizers	130.7	122.4	8.3	6.8
- Forest products	58.0	72.0	(14.0)	(19.4)
- Industrial and consumer products	167.4	151.9	15.5	10.2
- Automotive	72.1	82.1	(10.0)	(12.2)
- Intermodal	323.7	311.6	12.1	3.9
Total Freight Revenues	$1,124.4	$1,090.9	$ 33.5	3.1
Millions of Revenue Ton-Miles (RTM)				
- Grain	7,498	7,484	14	0.2
- Coal	5,086	4,583	503	11.0
- Sulphur and fertilizers	5,430	4,984	446	8.9
- Forest products	1,525	2,000	(475)	(23.8)
- Industrial and consumer products	4,487	4,133	354	8.6
- Automotive	548	625	(77)	(12.3)
- Intermodal	6,968	6,926	42	0.6
Total RTMs	31,542	30,735	807	2.6
Freight Revenue per RTM (cents)				
- Grain	3.10	2.93	0.17	5.8
- Coal	2.75	2.86	(0.11)	(3.8)
- Sulphur and fertilizers	2.41	2.46	(0.05)	(2.0)
- Forest products	3.80	3.60	0.20	5.6
- Industrial and consumer products	3.73	3.68	0.05	1.4
- Automotive	13.16	13.14	0.02	0.2
- Intermodal	4.65	4.50	0.15	3.3
Freight Revenue per RTM	3.56	3.55	0.01	0.3
Carloads (thousands)				
- Grain	92.3	89.3	3.0	3.4
- Coal	64.8	58.5	6.3	10.8
- Sulphur and fertilizers	52.3	50.2	2.1	4.2
- Forest products	24.5	30.1	(5.6)	(18.6)

- Industrial and consumer products	80.9	75.7	5.2	6.9
- Automotive	36.3	42.4	(6.1)	(14.4)
- Intermodal	296.7	287.6	9.1	3.2
Total Carloads	647.8	633.8	14.0	2.2
Freight Revenue per Carload				
- Grain	$ 2,518	$ 2,459	$ 59	2.4
- Coal	2,162	2,244	(82)	(3.7)
- Sulphur and fertilizers	2,499	2,438	61	2.5
- Forest products	2,367	2,392	(25)	(1.0)
- Industrial and consumer products	2,069	2,007	62	3.1
- Automotive	1,986	1,936	50	2.6
- Intermodal	1,091	1,083	8	0.7
Freight Revenue per Carload	$ 1,736	$ 1,721	$ 15	0.9

Summary of Rail Data (Page 3)

	First Quarter			
	2008	**2007**	**Variance**	**%**
Operations and Productivity				
Freight gross ton-miles (GTM) (millions)	59,861	57,560	2,301	4.0
Revenue ton-miles (RTM) (millions)	31,542	30,735	807	2.6
Average number of active employees	15,073	14,884	189	1.3
Number of active employees at end of period	15,312	15,048	264	1.8
FRA personal injuries per 200,000 employee-hours (3)	1.37	1.81	(0.44)	(24.3)
FRA train accidents per million train-miles (3)	2.38	2.01	0.37	18.4
Total operating expenses per RTM (cents)	3.01	2.88	0.13	4.5
Total operating expenses per GTM (cents)	1.58	1.54	0.04	2.6
Compensation and benefits expense per GTM (cents)	0.55	0.58	(0.03)	(5.2)
GTMs per average active employee (000)	3,971	3,867	104	2.7
Miles of road operated at end of period (1)	13,199	13,260	(61)	(0.5)
Average train speed AAR definition (mph)	23.4	23.2	0.2	0.9
Terminal dwell time AAR definition (hours)	24.1	24.0	0.1	0.4
Car miles per car day	138.3	134.6	3.7	2.7
Average daily total cars on-line AAR definition (000) (3)	82.8	81.2	1.6	2.0
Average daily active cars on-line (000)	57.2	59.0	(1.8)	(3.1)
U.S. gallons of locomotive fuel per 1,000 GTMs freight & yard	1.28	1.26	0.02	1.6
U.S. gallons of locomotive fuel consumed total (millions) (2)	76.3	72.3	4.0	5.5
Average foreign exchange rate (US$/Canadian$)	1.007	0.854	0.153	17.9
Average foreign exchange rate (Canadian$/US$)	0.993	1.171	(0.178)	(15.2)

(1) Excludes track on which CP has haulage rights.

(2) Includes gallons of fuel consumed from freight, yard and commuter

service but excludes fuel used in capital projects and other non-freight activities.

(3) Prior period figures have been updated to reflect new information.