

## ITEM 1. FINANCIAL STATEMENTS

### INTERIM CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(in millions of Canadian dollars, except share and per share data)	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
<b>Revenues (Note 3)</b>				
Freight	\$ 3,629	\$ 3,534	\$ 7,356	\$ 6,961
Non-freight	70	69	138	162
<b>Total revenues</b>	<b>3,699</b>	<b>3,603</b>	<b>7,494</b>	<b>7,123</b>
<b>Operating expenses</b>				
Compensation and benefits	659	612	1,341	1,302
Fuel	405	466	886	924
Materials	124	97	248	191
Equipment rents	103	82	202	164
Depreciation and amortization	493	473	997	940
Purchased services and other	572	606	1,160	1,186
<b>Total operating expenses</b>	<b>2,356</b>	<b>2,336</b>	<b>4,834</b>	<b>4,707</b>
<b>Operating income</b>	<b>1,343</b>	<b>1,267</b>	<b>2,660</b>	<b>2,416</b>
Other income	(16)	(40)	(9)	(42)
Other components of net periodic benefit recovery (Note 12)	(107)	(88)	(214)	(176)
Net interest expense	208	200	424	406
Gain on sale of equity investment (Note 4)	(333)	—	(333)	—
<b>Income before income tax expense</b>	<b>1,591</b>	<b>1,195</b>	<b>2,792</b>	<b>2,228</b>
Current income tax expense	348	274	614	516
Deferred income tax expense	9	18	35	35
Income tax expense (Note 5)	357	292	649	551
<b>Net income</b>	<b>\$ 1,234</b>	<b>\$ 903</b>	<b>\$ 2,143</b>	<b>\$ 1,677</b>
Net loss attributable to non-controlling interest	—	(2)	(1)	(3)
<b>Net income attributable to controlling shareholders</b>	<b>\$ 1,234</b>	<b>\$ 905</b>	<b>\$ 2,144</b>	<b>\$ 1,680</b>
<b>Earnings per share (Note 6)</b>				
Basic earnings per share	\$ 1.34	\$ 0.97	\$ 2.31	\$ 1.80
Diluted earnings per share	\$ 1.33	\$ 0.97	\$ 2.31	\$ 1.80
<b>Weighted-average number of shares (millions) (Note 6)</b>				
Basic	923.8	932.8	928.4	932.6
Diluted	924.8	934.6	929.5	934.5
<b>Dividends declared per share</b>	<b>\$ 0.228</b>	<b>\$ 0.190</b>	<b>\$ 0.418</b>	<b>\$ 0.380</b>

See Notes to Interim Consolidated Financial Statements.

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(unaudited)**

(in millions of Canadian dollars)	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
Net income	\$ 1,234	\$ 903	\$ 2,143	\$ 1,677
Net (loss) gain in foreign currency translation adjustments, net of hedging activities	(1,729)	301	(1,758)	1,000
Change in derivatives designated as cash flow hedges	—	3	1	4
Change in pension and post-retirement defined benefit plans	2	11	5	23
Other comprehensive income (loss) from equity investees	3	(2)	3	(2)
Other comprehensive (loss) income before income taxes	(1,724)	313	(1,749)	1,025
Income tax (expense) recovery	(32)	—	(35)	6
Other comprehensive (loss) income (Note 7)	(1,756)	313	(1,784)	1,031
<b>Comprehensive (loss) income</b>	<b>\$ (522)</b>	<b>\$ 1,216</b>	<b>\$ 359</b>	<b>\$ 2,708</b>
Comprehensive (loss) income attributable to non-controlling interest	(54)	9	(56)	31
<b>Comprehensive (loss) income attributable to controlling shareholders</b>	<b>\$ (468)</b>	<b>\$ 1,207</b>	<b>\$ 415</b>	<b>\$ 2,677</b>

See Notes to Interim Consolidated Financial Statements.

**INTERIM CONSOLIDATED BALANCE SHEETS AS AT  
(unaudited)**

(in millions of Canadian dollars)	June 30 2025	December 31 2024
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 799	\$ 739
Accounts receivable, net (Note 8)	2,005	1,968
Materials and supplies	455	457
Other current assets	266	220
	<b>3,525</b>	<b>3,384</b>
Investments (Note 4)	454	586
Properties	54,458	56,024
Goodwill	18,352	19,350
Intangible assets	2,940	3,146
Pension asset	4,782	4,586
Other assets	669	668
<b>Total assets</b>	<b>\$ 85,180</b>	<b>\$ 87,744</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,736	\$ 2,842
Long-term debt maturing within one year (Note 9, 10)	1,042	2,819
	<b>3,778</b>	<b>5,661</b>
Pension and other benefit liabilities	545	548
Other long-term liabilities	875	867
Long-term debt (Note 9, 10)	21,227	19,804
Deferred income taxes	11,608	11,974
<b>Total liabilities</b>	<b>38,033</b>	<b>38,854</b>
<b>Shareholders' equity</b>		
Share capital	25,285	25,689
Additional paid-in capital	105	94
Accumulated other comprehensive income (Note 7)	951	2,680
Retained earnings	19,863	19,429
	<b>46,204</b>	<b>47,892</b>
<b>Non-controlling interest</b>	<b>943</b>	<b>998</b>
<b>Total equity</b>	<b>47,147</b>	<b>48,890</b>
<b>Total liabilities and equity</b>	<b>\$ 85,180</b>	<b>\$ 87,744</b>

See Contingencies (Note 14).

See Notes to Interim Consolidated Financial Statements.

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

(in millions of Canadian dollars)	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
<b>Operating activities</b>				
Net income	\$ 1,234	\$ 903	\$ 2,143	\$ 1,677
Reconciliation of net income to cash provided by operating activities:				
Depreciation and amortization	493	473	997	940
Deferred income tax expense	9	18	35	35
Pension recovery and funding (Note 12)	(95)	(75)	(190)	(151)
Gain on sale of equity investment (Note 4)	(333)	—	(333)	—
Settlement of Mexican taxes (Note 5)	(1)	—	(12)	—
Settlement of foreign currency forward contracts (Note 10)	—	—	—	(65)
Other operating activities, net	39	(69)	28	(68)
Changes in non-cash working capital balances related to operations	9	28	(157)	(75)
<b>Net cash provided by operating activities</b>	<b>1,355</b>	<b>1,278</b>	<b>2,511</b>	<b>2,293</b>
<b>Investing activities</b>				
Additions to properties	(743)	(808)	(1,454)	(1,335)
Additions to Meridian Speedway properties	(12)	(16)	(24)	(20)
Proceeds from sale of properties and other assets	4	9	15	10
Proceeds from sale of equity investment (Note 4)	493	—	493	—
Other investing activities, net	(48)	33	(51)	21
<b>Net cash used in investing activities</b>	<b>(306)</b>	<b>(782)</b>	<b>(1,021)</b>	<b>(1,324)</b>
<b>Financing activities</b>				
Dividends paid	(210)	(178)	(387)	(355)
Issuance of Common Shares	30	20	38	42
Purchase of Common Shares (Note 11)	(1,393)	—	(1,740)	—
Repayment of long-term debt, excluding commercial paper (Note 9)	(5)	(149)	(940)	(220)
Issuance of long-term debt, excluding commercial paper (Note 9)	1,392	—	3,102	—
Net repayment of commercial paper (Note 9)	(722)	(157)	(1,175)	(362)
Net issuance (repayment) of short term borrowings (Note 9)	8	—	(277)	—
Other financing activities, net	(1)	—	(6)	—
<b>Net cash used in financing activities</b>	<b>(901)</b>	<b>(464)</b>	<b>(1,385)</b>	<b>(895)</b>
<b>Effect of foreign currency fluctuations on foreign-denominated cash and cash equivalents</b>	<b>(44)</b>	<b>6</b>	<b>(45)</b>	<b>19</b>
<b>Cash position</b>				
Net increase in cash and cash equivalents	104	38	60	93
Cash and cash equivalents at beginning of period	695	519	739	464
<b>Cash and cash equivalents at end of period</b>	<b>\$ 799</b>	<b>\$ 557</b>	<b>\$ 799</b>	<b>\$ 557</b>
<b>Supplemental cash flow information</b>				
Income taxes paid	\$ 409	\$ 309	\$ 646	\$ 551
Interest paid	\$ 234	\$ 161	\$ 414	\$ 406

See Notes to Interim Consolidated Financial Statements.

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(unaudited)

(in millions of Canadian dollars except per share data)	For the three months ended June 30							
	Common shares (in millions)	Share capital	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity	Non- controlling interest	Total equity
<b>Balance as at April 1, 2025</b>	<b>930.4</b>	<b>\$ 25,603</b>	<b>\$ 107</b>	<b>\$ 2,653</b>	<b>\$ 19,883</b>	<b>\$ 48,246</b>	<b>\$ 997</b>	<b>\$ 49,243</b>
Net income	—	—	—	—	1,234	1,234	—	1,234
Other comprehensive loss (Note 7)	—	—	—	(1,702)	—	(1,702)	(54)	(1,756)
Dividends declared (\$0.228 per share)	—	—	—	—	(210)	(210)	—	(210)
Effect of stock-based compensation expense	—	—	4	—	—	4	—	4
Common Shares repurchased (Note 11)	(13.1)	(354)	—	—	(1,044)	(1,398)	—	(1,398)
Shares issued under stock option plan	0.6	36	(6)	—	—	30	—	30
<b>Balance as at June 30, 2025</b>	<b>917.9</b>	<b>\$ 25,285</b>	<b>\$ 105</b>	<b>\$ 951</b>	<b>\$ 19,863</b>	<b>\$ 46,204</b>	<b>\$ 943</b>	<b>\$ 47,147</b>
Balance as at April 1, 2024	932.6	\$ 25,629	\$ 95	\$ 77	\$ 17,018	\$ 42,819	\$ 942	\$ 43,761
Net income (loss)	—	—	—	—	905	905	(2)	903
Other comprehensive income (Note 7)	—	—	—	302	—	302	11	313
Dividends declared (\$0.190 per share)	—	—	—	—	(178)	(178)	—	(178)
Effect of stock-based compensation expense	—	—	3	—	—	3	—	3
Shares issued under stock option plan	0.5	26	(5)	—	—	21	—	21
<b>Balance as at June 30, 2024</b>	<b>933.1</b>	<b>\$ 25,655</b>	<b>\$ 93</b>	<b>\$ 379</b>	<b>\$ 17,745</b>	<b>\$ 43,872</b>	<b>\$ 951</b>	<b>\$ 44,823</b>

(in millions of Canadian dollars except per share data)	For the six months ended June 30							
	Common shares (in millions)	Share capital	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity	Non- controlling interest	Total equity
<b>Balance at January 1, 2025</b>	<b>933.5</b>	<b>\$ 25,689</b>	<b>\$ 94</b>	<b>\$ 2,680</b>	<b>\$ 19,429</b>	<b>\$ 47,892</b>	<b>\$ 998</b>	<b>\$ 48,890</b>
Net income (loss)	—	—	—	—	2,144	2,144	(1)	2,143
Contribution from non-controlling interest	—	—	—	—	—	—	1	1
Other comprehensive loss (Note 7)	—	—	—	(1,729)	—	(1,729)	(55)	(1,784)
Dividends declared (\$0.418 per share)	—	—	—	—	(387)	(387)	—	(387)
Effect of stock-based compensation expense	—	—	20	—	—	20	—	20
Common Shares repurchased (Note 11)	(16.4)	(450)	—	—	(1,323)	(1,773)	—	(1,773)
Shares issued under stock option plan	0.8	46	(9)	—	—	37	—	37
<b>Balance as at June 30, 2025</b>	<b>917.9</b>	<b>\$ 25,285</b>	<b>\$ 105</b>	<b>\$ 951</b>	<b>\$ 19,863</b>	<b>\$ 46,204</b>	<b>\$ 943</b>	<b>\$ 47,147</b>
Balance at January 1, 2024	932.1	\$ 25,602	\$ 88	\$ (618)	\$ 16,420	\$ 41,492	\$ 919	\$ 42,411
Net income (loss)	—	—	—	—	1,680	1,680	(3)	1,677
Contribution from non-controlling interest	—	—	—	—	—	—	1	1
Other comprehensive income (Note 7)	—	—	—	997	—	997	34	1,031
Dividends declared (\$0.380 per share)	—	—	—	—	(355)	(355)	—	(355)
Effect of stock-based compensation expense	—	—	16	—	—	16	—	16
Shares issued under stock option plan	1.0	53	(11)	—	—	42	—	42
<b>Balance as at June 30, 2024</b>	<b>933.1</b>	<b>\$ 25,655</b>	<b>\$ 93</b>	<b>\$ 379</b>	<b>\$ 17,745</b>	<b>\$ 43,872</b>	<b>\$ 951</b>	<b>\$ 44,823</b>

See Notes to Interim Consolidated Financial Statements.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 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 and six months ended June 30, 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 June 30		For the six months ended June 30	
	2025	2024	2025	2024
Grain	\$ 743	\$ 665	\$ 1,531	\$ 1,395
Coal	256	236	513	445
Potash	167	180	323	317
Fertilizers and sulphur	98	103	212	207
Forest products	195	203	412	405
Energy, chemicals and plastics	712	695	1,470	1,397
Metals, minerals and consumer products	444	464	892	904
Automotive	330	358	645	623
Intermodal	684	630	1,358	1,268
Total freight revenues	3,629	3,534	7,356	6,961
Non-freight excluding leasing revenues	44	43	85	106
Revenues from contracts with customers	3,673	3,577	7,441	7,067
Leasing revenues	26	26	53	56
<b>Total revenues</b>	<b>\$ 3,699</b>	<b>\$ 3,603</b>	<b>\$ 7,494</b>	<b>\$ 7,123</b>

### 4 Gain on sale of equity investment

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. After finalizing purchase price adjustments for cash acquired and debt and net working capital assumed by APM Terminals, the Company received cash consideration of U.S. \$344 million (\$493 million) and recognized a pre-tax gain of U.S. \$232 million (\$333 million) in "Gain on sale of equity investment". The after-tax gain was U.S. \$196 million (\$282 million).

### 5 Income taxes

The effective income tax rate including discrete items for the three and six months ended June 30, 2025 was 22.45% and 23.26%, respectively, compared to 24.40% and 24.72%, respectively for the same periods in 2024.

For the three months ended June 30, 2025, the effective income tax rate was 24.50%, excluding the discrete items of a gain on sale of an equity investment of \$333 million, amortization of the fair value adjustments associated with purchase accounting of \$96 million related to the Kansas City Southern ("KCS") acquisition, and acquisition-related costs of \$19 million related to the KCS acquisition.

For the three months ended June 30, 2024, the effective income tax rate was 25.00%, excluding the discrete items of amortization of the fair value adjustments associated with purchase accounting of \$88 million related to the KCS acquisition, acquisition-related costs of \$28 million related to the KCS acquisition, and a deferred tax recovery of \$3 million on the Arkansas state corporate income tax rate change.

For the six months ended June 30, 2025, the effective tax rate was 24.50%, excluding the discrete items of a gain on sale of an equity investment of \$333 million, amortization of the fair value adjustments associated with purchase accounting of \$190 million related to the KCS acquisition, and acquisition-related costs of \$39 million related to the KCS acquisition.

For the six months ended June 30, 2024, the effective tax rate was 25.00%, excluding the discrete items of amortization of the fair value adjustments associated with purchase accounting of \$174 million related to the KCS acquisition, acquisition-related costs of \$54 million related to the KCS acquisition, adjustments to provisions and settlements of Mexican taxes of \$10 million recognized in "Compensation and benefits", and a deferred tax recovery of \$3 million on the Arkansas state corporate income tax rate change.

## Mexican Tax Settlements

During the six months ended June 30, 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 (see Note 14).

## 6 Earnings per share

(in millions, except per share data)	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
Net income attributable to controlling shareholders	\$ 1,234	\$ 905	\$ 2,144	\$ 1,680
Weighted-average basic shares outstanding	923.8	932.8	928.4	932.6
Dilutive effect of stock options	1.0	1.8	1.1	1.9
Weighted-average diluted shares outstanding	924.8	934.6	929.5	934.5
Earnings per share - basic	\$ 1.34	\$ 0.97	\$ 2.31	\$ 1.80
Earnings per share - diluted	\$ 1.33	\$ 0.97	\$ 2.31	\$ 1.80

For the three and six months ended June 30, 2025, there were 1.8 million and 1.6 million options, respectively, excluded from the computation of diluted earnings per share because their effects were not dilutive (three and six months ended June 30, 2024 - 0.7 million and 0.5 million, respectively).

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

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

(in millions of Canadian dollars)	Foreign currency net of hedging activities	Derivatives	Pension and post-retirement defined benefit plans	Equity accounted investments	Total
<b>Opening balance, April 1, 2025</b>	\$ 3,385	\$ 10	\$ (737)	\$ (5)	\$ 2,653
Other comprehensive (loss) income before reclassifications	(1,707)	—	—	3	(1,704)
Amounts reclassified from AOCI	—	1	1	—	2
Net other comprehensive (loss) income	(1,707)	1	1	3	(1,702)
<b>Balance as at June 30, 2025</b>	\$ 1,678	\$ 11	\$ (736)	\$ (2)	\$ 951
Opening balance, April 1, 2024	\$ 1,522	\$ 6	\$ (1,454)	\$ 3	\$ 77
Other comprehensive income (loss) before reclassifications	294	—	—	(2)	292
Amounts reclassified from AOCI	—	2	8	—	10
Net other comprehensive income (loss)	294	2	8	(2)	302
<b>Balance as at June 30, 2024</b>	\$ 1,816	\$ 8	\$ (1,446)	\$ 1	\$ 379

	Foreign currency net of hedging activities	Derivatives	Pension and post- retirement defined benefit plans	Equity accounted investments	Total
<b>Opening balance, January 1, 2025</b>	\$ 3,413	\$ 10	\$ (738)	\$ (5)	2,680
Other comprehensive loss before reclassifications	(1,735)	—	—	3	(1,732)
Amounts reclassified from AOCI	—	1	2	—	3
Net other comprehensive (loss) income	(1,735)	1	2	3	(1,729)
<b>Balance as at June 30, 2025</b>	\$ 1,678	\$ 11	\$ (736)	\$ (2)	951
Opening balance, January 1, 2024	\$ 837	\$ 5	\$ (1,463)	\$ 3	(618)
Other comprehensive income (loss) before reclassifications	979	—	—	(2)	977
Amounts reclassified from AOCI	—	3	17	—	20
Net other comprehensive income (loss)	979	3	17	(2)	997
Balance as at June 30, 2024	\$ 1,816	\$ 8	\$ (1,446)	\$ 1	379

## 8 Accounts receivable, net

(in millions of Canadian dollars)	As at June 30, 2025	As at December 31, 2024
Total accounts receivable	\$ 2,130	\$ 2,066
Allowance for credit losses	(125)	(98)
<b>Total accounts receivable, net</b>	<b>\$ 2,005</b>	<b>\$ 1,968</b>

## 9 Debt

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

In addition to the second quarter issuances, during the six months ended June 30, 2025, the Company issued U.S. \$600 million 4.80% 5-year unsecured notes due March 30, 2030 for net proceeds of U.S. \$596 million (\$857 million) and U.S. \$600 million 5.20% 10-year unsecured notes due March 30, 2035 for net proceeds of U.S. \$593 million (\$853 million).

The issued Notes pay interest semi-annually and carry a negative pledge.

### Term credit facility

During the six months ended June 30, 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 June 30, 2025, the facility was undrawn. As at December 31, 2024 the Company had U.S. \$200 million (\$288 million) drawn from the two-year U.S. \$1.1 billion tranche, which was subsequently repaid in full during the first quarter of 2025. The Company presents draws and repayments on the facility in the Interim Consolidated Statements of Cash Flows on a net basis.

## **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 June 30, 2025, the Company had total commercial paper borrowings outstanding of U.S. \$250 million (\$341 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 June 30, 2025 was 4.69% (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.

## **10 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 \$21,928 million as at June 30, 2025 (December 31, 2024 - \$20,749 million), had a fair value of \$20,508 million (December 31, 2024 - \$18,911 million).

### **B. Financial risk management**

#### **Foreign exchange ("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 for the three and six months ended June 30, 2025 was an unrealized FX gain of \$299 million and \$305 million, respectively (three and six months ended June 30, 2024 - unrealized FX loss of \$41 million and unrealized FX loss of \$144 million, respectively) recognized in "Other comprehensive (loss) income".

##### **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 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 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 six months ended June 30, 2025, the Company recognized \$nil related to foreign exchange currency forwards (three and six months ended June 30, 2024 - loss of \$4 million). As of June 30, 2025 the Company had no outstanding foreign currency forward contracts (December 31, 2024 - \$nil).

## 11 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 tax legislation, the Company has accrued for a 2% tax on the fair market value of shares repurchased (net of qualifying issuances of equity) as a direct cost of Common Share repurchases recognized in Shareholders' equity. During the three and six months ended June 30, 2025, the Company has accrued a liability of \$26 million and \$33 million, respectively, for the tax due on the net share repurchases made, payable within the first quarter of the following year.

The following table provides activities under the share repurchase program:

	For the three months ended June 30	For the six months ended June 30
	2025	2025
Number of Common Shares repurchased	12,882,454	16,363,112
Weighted-average price per share <sup>(1)</sup>	\$108.52	\$108.34
Amount of repurchase (in millions of Canadian dollars) <sup>(1)</sup>	\$1,398	\$1,773

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

## 12 Pension and other benefits

During the three and six months ended June 30, 2025, the Company made contributions to its defined benefit pension plans of \$4 million and \$8 million, respectively (three and six months ended June 30, 2024 - \$2 million and \$5 million, respectively).

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

(in millions of Canadian dollars)	For the three months ended June 30					
	Pensions		Other benefits		Total	
	2025	2024	2025	2024	2025	2024
Current service cost	\$ 21	\$ 21	\$ 4	\$ 3	\$ 25	\$ 24
Other components of net periodic benefit (recovery) cost:						
Interest cost on benefit obligation	116	117	6	6	122	123
Expected return on plan assets	(231)	(222)	—	—	(231)	(222)
Recognized net actuarial loss (gain)	2	10	(1)	—	1	10
Amortization of prior service costs	1	1	—	—	1	1
Total other components of net periodic benefit (recovery) cost	(112)	(94)	5	6	(107)	(88)
Net periodic benefit (recovery) cost	\$ (91)	\$ (73)	\$ 9	\$ 9	\$ (82)	\$ (64)

(in millions of Canadian dollars)	For the six months ended June 30					
	Pensions		Other benefits		Total	
	2025	2024	2025	2024	2025	2024
Current service cost	\$ 42	\$ 42	\$ 7	\$ 6	\$ 49	\$ 48
Other components of net periodic benefit (recovery) cost:						
Interest cost on benefit obligation	233	234	11	12	244	246
Expected return on plan assets	(463)	(445)	—	—	(463)	(445)
Recognized net actuarial loss (gain)	4	20	(1)	—	3	20
Amortization of prior service costs	2	3	—	—	2	3
Total other components of net periodic benefit (recovery) cost	(224)	(188)	10	12	(214)	(176)
Net periodic benefit (recovery) cost	\$ (182)	\$ (146)	\$ 17	\$ 18	\$ (165)	\$ (128)

### **13 Stock-based compensation**

At June 30, 2025, the Company had several stock-based compensation plans including stock option plans, various cash-settled liability plans, and an employee share purchase plan. These plans resulted in an expense for the three and six months ended June 30, 2025 of \$59 million and \$92 million, respectively (three and six months ended June 30, 2024 - expense of \$9 million and \$68 million, respectively).

#### **Stock options plan**

In the six months ended June 30, 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 six months ended June 30, 2025, the Company issued 611,516 Performance Share Units ("PSUs") with a grant date fair value of \$68 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 Deferred Share Units ("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 six months ended June 30, 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 Earnings Before Interest, Taxes, Depreciation, Amortization ("EBITDA"), 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).

### **14 Contingencies**

#### **Litigation**

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 June 30, 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. On May 30, 2025, the Company filed its response to the plaintiffs' leave applications. 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. On July 3, 2025, the U.S. Eighth Circuit Court of Appeals unanimously allowed the Company's appeal, reversing the district court decision and remanding the matter back to the district court for a complete reduction of the judgement against the Company. On July 17, 2025, the trustee for the wrongful death trust petitioned the U.S. Eighth Circuit Court of Appeals for a rehearing.

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 had not provided any indication of how the damages, which were estimated to total approximately \$232 million as at June 30, 2025, 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 ("ABCA") stayed the judgement pending the outcome of the appeal. On September 10, 2024, the ABCA heard the Company's appeal and reserved its decision. On July 2, 2025, the ABCA unanimously allowed the Company's appeal and set aside the trial judgement and costs order. A majority of the ABCA ordered a new trial in the Court of King's Bench.

#### **2014 tax assessment**

On April 13, 2022, the Servicio de Administracion Tributaria ("SAT") delivered an audit assessment of CPKCM's 2014 tax returns (the "2014 Assessment"). As at June 30, 2025, the 2014 Assessment, including inflation, interest, and penalties was Ps.6,372 million (\$451 million).

On July 7, 2022, CPKCM filed an administrative appeal (the "Administrative Appeal") before the SAT, seeking to revoke the 2014 Assessment on the basis that the SAT's notification of the 2014 Assessment through the tax mailbox was not legal, because it was in violation of a tax mailbox injunction previously granted to CPKCM on March 19, 2015. On September 26, 2022, the SAT dismissed the Administrative Appeal, on the basis that it was not a timely submission (the "Administrative Appeal Resolution").

On October 10, 2022, CPKCM submitted an annulment lawsuit (the "Annulment Lawsuit") before the Federal Administrative Court, challenging the 2014 Assessment, its notification, and the Administrative Appeal Resolution. On April 24, 2024, the Supreme Chamber of 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 lawsuit (Demanda de Amparo) before the Collegiate Circuit Court (Tribunal Colegiado de Circuito). On June 4, 2025, the Collegiate Circuit Court unanimously granted CPKCM's Amparo petition, vacating the prior decision and sending the matter back to the Supreme Chamber of the Federal Administrative Court with an order to issue a new resolution addressing CPKCM's arguments that were presented in the Annulment Lawsuit. On June 25, 2025, the Supreme Chamber of the Federal Administrative Court voted against CPKCM in the Annulment Lawsuit. CPKCM has the right to appeal the decision by filing an amparo appeal (juicio de amparo) with the Collegiate Circuit Court. The deadline to file the amparo appeal is August 21, 2025. CPKCM expects to prevail based on the technical merits of its case.

On January 5, 2023, the Federal Administrative Court granted a definitive injunction against the enforcement and collection of the 2014 Assessment. On February 19, 2025, the Federal Administrative Court issued the new resolution granting the injunction as long as the 2014 Assessment is duly guaranteed.

### **Environmental liabilities**

Environmental remediation accruals, recognized 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 recognized 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 and six months ended June 30, 2025 was \$2 million and \$4 million respectively (three and six months ended June 30, 2024 - \$2 million and \$4 million, respectively). Provisions for environmental remediation costs are recognized in the Company's Interim Consolidated Balance Sheets in "Other long-term liabilities", except for the current portion, which is recognized in "Accounts payable and accrued liabilities". The total amount provided as at June 30, 2025 was \$246 million (December 31, 2024 - \$257 million). Payments are expected to be made over 10 years through 2034.