

ITEM 1. FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	For the three months ended March 31	
	2026	2025
(in millions of Canadian dollars, except share and per share data)		
Revenues (Note 3)		
Freight	\$ 3,628	\$ 3,727
Non-freight	73	68
Total revenues	3,701	3,795
Operating expenses		
Compensation and benefits	691	682
Fuel	458	481
Materials	127	124
Equipment rents	95	99
Depreciation and amortization	512	504
Purchased services and other	560	588
Total operating expenses	2,443	2,478
Operating income	1,258	1,317
Other expense	20	7
Other components of net periodic benefit recovery (Note 11)	(110)	(107)
Net interest expense	228	216
Income before income tax expense	1,120	1,201
Current income tax expense	260	266
Deferred income tax expense	15	26
Income tax expense (Note 4)	275	292
Net income	\$ 845	\$ 909
Net loss attributable to non-controlling interest	(1)	(1)
Net income attributable to controlling shareholders	\$ 846	\$ 910
Earnings per share (Note 5)		
Basic earnings per share	\$ 0.94	\$ 0.98
Diluted earnings per share	\$ 0.94	\$ 0.97
Weighted-average number of shares (millions) (Note 5)		
Basic	896.8	933.2
Diluted	897.3	934.3
Dividends declared per share	\$ 0.228	\$ 0.190

See Notes to Interim Consolidated Financial Statements.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(in millions of Canadian dollars)	For the three months ended March 31	
	2026	2025
Net income	\$ 845	\$ 909
Net gain (loss) in foreign currency translation adjustments, net of hedging activities	538	(29)
Change in derivatives designated as cash flow hedges	(1)	1
Change in pension and post-retirement defined benefit plans	1	3
Other comprehensive income from equity investees	1	—
Other comprehensive income (loss) before income taxes	539	(25)
Income tax recovery (expense)	14	(3)
Other comprehensive income (loss)	553	(28)
Comprehensive income	\$ 1,398	\$ 881
Comprehensive income (loss) attributable to non-controlling interest	15	(2)
Comprehensive income attributable to controlling shareholders	\$ 1,383	\$ 883

See Notes to Interim Consolidated Financial Statements.

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

(in millions of Canadian dollars)	March 31 2026	December 31 2025
Assets		
Current assets		
Cash and cash equivalents	\$ 409	\$ 184
Accounts receivable, net (Note 7)	2,196	2,029
Materials and supplies	534	502
Other current assets	265	224
	3,404	2,939
Investments	485	473
Properties	56,126	55,323
Goodwill	18,748	18,436
Intangible assets	2,939	2,911
Pension asset	5,229	5,129
Other assets	753	734
Total assets	\$ 87,684	\$ 85,945
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,632	\$ 2,751
Long-term debt maturing within one year (Note 8, 9)	2,437	3,240
	5,069	5,991
Pension and other benefit liabilities	537	537
Other long-term liabilities	811	815
Long-term debt (Note 8, 9)	21,883	19,948
Deferred income taxes	11,968	11,829
Total liabilities	40,268	39,120
Shareholders' equity		
Share capital	24,623	24,751
Additional paid-in capital	118	105
Accumulated other comprehensive income (Note 6)	1,775	1,238
Retained earnings	19,937	19,783
	46,453	45,877
Non-controlling interest	963	948
Total equity	47,416	46,825
Total liabilities and equity	\$ 87,684	\$ 85,945

See Contingencies (Note 13).

See Notes to Interim Consolidated Financial Statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in millions of Canadian dollars)	For the three months ended March 31	
	2026	2025
Operating activities		
Net income	\$ 845	\$ 909
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	512	504
Deferred income tax expense	15	26
Pension recovery and funding (Note 11)	(99)	(95)
Settlement of Mexican taxes	—	(11)
Other operating activities, net	(12)	(11)
Changes in non-cash working capital balances related to operations	(285)	(166)
Net cash provided by operating activities	976	1,156
Investing activities		
Additions to properties	(664)	(711)
Additions to Meridian Speedway properties	(5)	(12)
Proceeds from sale of properties and other assets	8	11
Other investing activities, net	(11)	(3)
Net cash used in investing activities	(672)	(715)
Financing activities		
Dividends paid	(204)	(177)
Issuance of Common Shares	25	8
Purchase of Common Shares (Note 10)	(680)	(347)
Repayment of long-term debt, excluding commercial paper (Note 8)	(345)	(935)
Issuance of long-term debt, excluding commercial paper (Note 8)	1,621	1,710
Net repayment of commercial paper (Note 8)	(494)	(453)
Net repayment of short-term borrowings	—	(285)
Other financing activities, net	(4)	(5)
Net cash used in financing activities	(81)	(484)
Effect of foreign currency fluctuations on foreign-denominated cash and cash equivalents	2	(1)
Cash position		
Net increase (decrease) in cash and cash equivalents	225	(44)
Cash and cash equivalents at beginning of period	184	739
Cash and cash equivalents at end of period	\$ 409	\$ 695
Supplemental cash flow information		
Income taxes paid	\$ 291	\$ 237
Interest paid	\$ 203	\$ 180

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 March 31							
	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
Balance as at January 1, 2026	897.6	\$ 24,751	\$ 105	\$ 1,238	\$ 19,783	\$ 45,877	\$ 948	\$ 46,825
Net Income (loss)	—	—	—	—	846	846	(1)	845
Other comprehensive income (Note 6)	—	—	—	537	—	537	16	553
Dividends declared (\$0.228 per share)	—	—	—	—	(204)	(204)	—	(204)
Effect of stock-based compensation expense	—	—	19	—	—	19	—	19
Common Shares repurchased (Note 10)	(5.4)	(158)	—	—	(488)	(646)	—	(646)
Common Shares issued under stock option plan	0.4	6	(6)	—	—	—	—	—
Cash received upon options exercised	—	24	—	—	—	24	—	24
Balance as at March 31, 2026	892.6	\$ 24,623	\$ 118	\$ 1,775	\$ 19,937	\$ 46,453	\$ 963	\$ 47,416
Balance as at January 1, 2025	933.5	\$ 25,689	\$ 94	\$ 2,680	\$ 19,429	\$ 47,892	\$ 998	\$ 48,890
Net Income (loss)	—	—	—	—	910	910	(1)	909
Contribution from non-controlling interest	—	—	—	—	—	—	1	1
Other comprehensive loss (Note 6)	—	—	—	(27)	—	(27)	(1)	(28)
Dividends declared (\$0.190 per share)	—	—	—	—	(177)	(177)	—	(177)
Effect of stock-based compensation expense	—	—	16	—	—	16	—	16
Common Shares repurchased (Note 10)	(3.3)	(96)	—	—	(279)	(375)	—	(375)
Common Shares issued under stock option plan	0.2	10	(3)	—	—	7	—	7
Balance as at March 31, 2025	930.4	\$ 25,603	\$ 107	\$ 2,653	\$ 19,883	\$ 48,246	\$ 997	\$ 49,243

See Notes to Interim Consolidated Financial Statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2026

(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 freight, and intermodal traffic. CPKC's Common Shares ("Common Shares") trade on the Toronto Stock Exchange ("TSX") 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, 2025 ("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, except for the adoption of new accounting standards (see Note 2). 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

Accounting Standards Update ("ASU") 2025-05 *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*

On January 1, 2026, the Company prospectively adopted ASU 2025-05, which simplifies estimating credit losses on current accounts receivable and current contract assets. Under the new guidance, CPKC elected to adopt a practical expedient allowing the Company to assume that conditions existing as of the balance sheet date will remain unchanged over the remaining life of the asset when developing reasonable and supportable forecasts for estimating expected credit losses. Adoption of ASU 2025-05 did not have a material impact on the Company's Interim Consolidated Financial Statements.

Other accounting standards that became effective during the three months ended March 31, 2026, did not have a material impact on the Company's Interim Consolidated Financial Statements. Recently issued accounting pronouncements are not expected to have a material impact on the Company's financial position or results of operations upon adoption.

3 Revenues

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

(in millions of Canadian dollars)	For the three months ended March 31	
	2026	2025
Grain	\$ 871	\$ 788
Coal	226	257
Potash	149	156
Fertilizers and sulphur	112	114
Forest products	181	217
Energy, chemicals and plastics	700	758
Metals, minerals and consumer products	438	448
Automotive	296	315
Intermodal	655	674
Total freight revenues	3,628	3,727
Non-freight excluding leasing revenues	45	41
Revenues from contracts with customers	3,673	3,768
Leasing revenues	28	27
Total revenues	\$ 3,701	\$ 3,795

4 Income taxes

The effective income tax rate including discrete items for the three months ended March 31, 2026 was 24.60%, compared to 24.32% for the same period in 2025.

For the three months ended March 31, 2026, the effective income tax rate was 24.75%, excluding the discrete items of amortization of the fair value adjustments associated with purchase accounting of \$93 million and acquisition-related costs of \$9 million, both related to the Kansas City Southern ("KCS") acquisition, and advisory costs related to the analysis and advocacy in connection with the U.S. Surface Transportation Board's review of the proposed merger between Union Pacific Corporation and Norfolk Southern Corporation of \$13 million.

For the three months ended March 31, 2025, the effective income tax rate was 24.50%, excluding the discrete items of amortization of the fair value adjustments associated with purchase accounting of \$94 million and acquisition-related costs of \$20 million, both related to the KCS acquisition.

2014 Tax Assessment

Canadian Pacific Kansas City Mexico's ("CPKCM") 2014 Tax Assessment is currently in litigation (see Note 13).

5 Earnings per share

(in millions, except per share data)	For the three months ended March 31	
	2026	2025
Net income attributable to controlling shareholders	\$ 846	\$ 910
Weighted-average basic shares outstanding	896.8	933.2
Dilutive effect of stock options	0.5	1.1
Weighted-average diluted shares outstanding	897.3	934.3
Basic earnings per share	\$ 0.94	\$ 0.98
Diluted earnings per share	\$ 0.94	\$ 0.97

For the three months ended March 31, 2026, there were 1.3 million stock options excluded from the computation of diluted earnings per share because their effects were not dilutive (three months ended March 31, 2025 - 1.5 million).

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

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

(in millions of Canadian dollars)	For the three months ended March 31					Total
	Foreign currency net of hedging activities	Derivatives	Pension and post-retirement defined benefit plans	Equity accounted investments		
Opening balance, January 1, 2026	\$ 1,829	\$ 9	\$ (602)	\$ 2		\$ 1,238
Other comprehensive income before reclassifications	536	—	—	1		537
Amounts reclassified from AOCI	—	(1)	1	—		—
Net other comprehensive income (loss)	536	(1)	1	1		537
Balance as at March 31, 2026	\$ 2,365	\$ 8	\$ (601)	\$ 3		\$ 1,775
Opening balance, January 1, 2025	\$ 3,413	\$ 10	\$ (738)	\$ (5)		2,680
Other comprehensive loss before reclassifications	(28)	—	—	—		(28)
Amounts reclassified from AOCI	—	—	1	—		1
Net other comprehensive (loss) income	(28)	—	1	—		(27)
Balance as at March 31, 2025	\$ 3,385	\$ 10	\$ (737)	\$ (5)		2,653

7 Accounts receivable, net

(in millions of Canadian dollars)	As at March 31, 2026	As at December 31, 2025
Total accounts receivable	\$ 2,306	\$ 2,146
Allowance for credit losses	(110)	(117)
Total accounts receivable, net	\$ 2,196	\$ 2,029

8 Debt

During the three months ended March 31, 2026, the Company repaid, at maturity, U.S. \$250 million (\$339 million) 3.70% 10.5-year notes.

Issuance of long-term debt

During the three months ended March 31, 2026, the Company issued U.S. \$600 million (\$821 million) 4.00% 3-year unsecured notes due March 15, 2029 for net proceeds of U.S. \$597 million (\$816 million), and U.S. \$600 million (\$821 million) 5.50% 30-year unsecured notes due March 15, 2056 for net proceeds of U.S. \$589 million (\$805 million). The issued notes pay interest semi-annually and carry a negative pledge.

Credit facility

The Company's revolving credit facility agreement (the "facility") consists of a two-year U.S. \$1.1 billion tranche maturing June 25, 2027, and a five-year U.S. \$1.1 billion tranche maturing June 25, 2030. As at March 31, 2026, the facility was undrawn (December 31, 2025 - undrawn). The Company presents draws and repayments on the facility in the Interim Consolidated Statements of Cash Flows on a net basis.

Commercial paper program

Effective March 27, 2026, the Company increased the maximum size of its commercial paper program through the addition of a Canadian dollar commercial paper program which allows the Company to borrow Canadian dollars in the form of unsecured promissory notes. This increased the maximum amount the Company can borrow under the program from U.S. \$1.5 billion to U.S. \$2.2 billion, or the Canadian dollar equivalent, on a combined basis. This commercial paper program is backed by the U.S. \$2.2 billion facility. As at March 31, 2026, the Company had total commercial paper borrowings outstanding of U.S. \$485 million (\$676 million) recognized in "Long-term debt maturing within one year" on the Company's Interim Consolidated Balance Sheets (December 31, 2025 - U.S. \$850 million (\$1,165 million)). The weighted-average interest rate on these borrowings as at March 31, 2026 was 4.04% (December 31, 2025 - 4.02%). The Company presents issuances and repayments of commercial paper, all of which have a maturity of less than 90 days, in the Interim Consolidated Statements of Cash Flows on a net basis.

9 Financial instruments

A. Fair values of financial instruments

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

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

The carrying value of the Company's debt does not approximate its fair value. The estimated fair value has been determined based on market information, where available, or by discounting future payments of principal and interest at estimated interest rates expected to be available to the Company at the balance sheet date. All measurements are classified as Level 2. The Company's long-term debt, including current maturities, with a carrying value of \$23,644 million as at March 31, 2026 (December 31, 2025 - \$22,023 million), had a fair value of \$22,089 million (December 31, 2025 - \$20,740 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 months ended March 31, 2026 was an unrealized FX loss of \$123 million (three months ended March 31, 2025 - unrealized FX gain of \$6 million) recognized in "Other comprehensive income (loss)".

10 Share repurchases

On January 28, 2026, the Company announced a normal course issuer bid ("NCIB"), commencing February 2, 2026, to purchase up to 44.9 million Common Shares in the open market for cancellation on or before February 1, 2027.

On February 27, 2025, the Company announced a 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. By October 29, 2025, the Company had purchased and cancelled all 37.3 million Common Shares authorized to be purchased under the NCIB.

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 Common 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 Common Shares repurchased (net of qualifying issuances of equity) as a direct cost of Common Share repurchases recognized in Shareholders' equity. During the three months ended March 31, 2026, the Company has accrued a liability of \$11 million (three months ended March 31, 2025 - \$7 million), for the tax due on the net Common 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 March 31	
	2026	2025
Number of Common Shares repurchased ⁽¹⁾	5,735,907	3,480,658
Weighted-average price per Common Share ⁽²⁾	\$112.62	\$107.68
Amount of repurchase (in millions of Canadian dollars) ⁽¹⁾⁽²⁾	\$646	\$375

⁽¹⁾ Includes Common Shares repurchased but not yet cancelled at end of period.

⁽²⁾ Includes brokerage fees and applicable tax on Common Share repurchases.

11 Pension and other benefits

During the three months ended March 31, 2026, the Company made contributions to its defined benefit pension plans of \$3 million (three months ended March 31, 2025 - \$4 million).

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 March 31					
	Pensions		Other benefits		Total	
	2026	2025	2026	2025	2026	2025
Current service cost	\$ 19	\$ 21	\$ 3	\$ 3	\$ 22	\$ 24
Other components of net periodic benefit (recovery) cost:						
Interest cost on benefit obligation	118	117	5	5	123	122
Expected return on plan assets	(234)	(232)	—	—	(234)	(232)
Recognized net actuarial (gain) loss	(1)	2	—	—	(1)	2
Amortization of prior service costs	2	1	—	—	2	1
Total other components of net periodic benefit (recovery) cost	(115)	(112)	5	5	(110)	(107)
Net periodic benefit (recovery) cost	\$ (96)	\$ (91)	\$ 8	\$ 8	\$ (88)	\$ (83)

12 Stock-based compensation

As at March 31, 2026, 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 months ended March 31, 2026 of \$49 million (three months ended March 31, 2025 - expense of \$34 million).

Stock options plan

In the three months ended March 31, 2026, under the Company's stock options plan, the Company issued 1,189,411 options at the weighted-average price of \$104.69 per share, based on the closing price of the Company's Common Shares on the TSX at 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 \$30 million.

Performance share unit plans

During the three months ended March 31, 2026, the Company issued 629,722 Performance Share Units ("PSUs") with a grant date fair value of \$66 million and 20,386 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 three months ended March 31, 2026 is January 1, 2026 to December 31, 2028 and the performance factors are Free Cash Flow ("FCF") and Total Shareholder Return ("TSR"), compared to the Standard and Poor's ("S&P")/TSX 60 Index, and TSR compared to the S&P 500 Industrials Index.

The performance period for all of the 544,175 PSUs and 26,333 PDSUs granted in 2023 was January 1, 2023 to December 31, 2025, and the performance factors were FCF, Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA"), 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 resulting payout was 91% of the outstanding units multiplied by the Company's average Common Share price calculated based on the last 30 trading days preceding December 31, 2025. In the first quarter of 2026, payouts were \$42 million on 461,766 PSUs, including dividends reinvested. The 26,555 PDSUs that vested on December 31, 2025, with a fair value of \$3 million, including dividends reinvested and matching units, will be paid out in future reporting periods pursuant to the DSU plan (as described above).

13 Contingencies

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 as at March 31, 2026 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 would address that basis for summary judgement first, then would address other arguments for summary judgement, if necessary, afterwards. On October 8, 2025, the Court heard the Company's summary judgement motion. On April 21, 2026, the Court granted CPKC's motion for summary judgement, dismissing the bankruptcy estate representative's claims.
- (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 did not require trial, and were fully briefed in 2024. On January 5, 2024, the Court issued its decision finding that the Company was 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. On August 7, 2025, the U.S. Eighth Circuit Court of Appeals denied the petition for a rehearing. The deadline for any petition to the U.S. Supreme Court for certiorari passed in November 2025 and no petition was filed.

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. On September 26, 2025, Remington sought leave to appeal the ABCA's decision to the Supreme Court of Canada.

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 March 31, 2026, the 2014 Assessment, including inflation, interest, and penalties was Mexican pesos ("Ps.") 6,686 million (\$518 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 (the "Administrative Court"), challenging the 2014 Assessment, its notification, and the Administrative Appeal Resolution. On April 24, 2024, the 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 appeal (Demanda de Amparo) before the Collegiate Circuit Courts (Tribunales Colegiados de Circuito). On June 4, 2025, the Twenty Third Collegiate Court of the First Circuit (the "Circuit Court") unanimously granted CPKCM's Amparo petition, vacating the prior decision and sending the matter back to the 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 Administrative Court resolved the Annulment Lawsuit unfavourably to CPKCM (the "2025 Administrative Court Resolution"). On August 19, 2025, CPKCM submitted a new Amparo appeal challenging the 2025 Administrative Court Resolution. On September 8, 2025, the Circuit Court admitted the Amparo appeal submitted by CPKCM. CPKCM expects to prevail based on the technical merits of its case.

On August 20, 2025, derived from the submission of the Amparo appeal, the Administrative Court issued a resolution granting an injunction against the enforcement and collection of the 2014 Assessment, 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 recognized in "Purchased services and other" in the Company's Interim Consolidated Statements of Income for the three months ended March 31, 2026 was \$nil (three months ended March 31, 2025 - \$2 million). 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 March 31, 2026 was \$243 million (December 31, 2025 - \$241 million). Payments are expected to be made over 10 years through 2035.