ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Canadian Pacific Kansas City Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Canadian Pacific Kansas City Limited and its subsidiaries (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, changes in equity and cash flows, for each of the three years in the period ended December 31, 2024, and the related notes and financial statements schedule listed in the Index at Item 15 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission framework (2013) and our report dated February 27, 2025, expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that were communicated or required to be communicated to the Audit and Finance Committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgements. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

Defined Benefit Pension

Description of the Matter

At December 31, 2024, the projected benefit obligation of the Company's defined benefit pension plan was $10,166 million, of which the Canadian pension plans represent nearly all the combined pension obligations. As explained in Notes 2 and 22 to the consolidated financial statements, the discount rate used to determine the projected benefit obligation is based on blended market interest rates on high-quality debt instruments with matching cash flows.

Auditing the Canadian projected benefit obligation was complex and required the involvement of specialists due to the magnitude of the projected benefit obligation and judgement applied related to the discount rate used in the measurement process.

How We Addressed the Matter in Our Audit

To test the discount rate for the Canadian projected benefit obligation, our audit procedures included, among others, testing the Company's internal controls over the assumptions and data used in the determination of the discount rate.

We assessed the competence and objectivity of the qualified actuary engaged by the Company to value the Canadian projected benefit obligation under ASC 715 'Compensation Retirement Benefits'.

We involved an actuarial specialist to assist with our procedures. We evaluated management’s methodology and actuarial assumptions with respect to the determination of the discount rate for the Canadian plans in accordance with actuarial principles and practices under Canadian actuarial standards of practice. We developed an independent estimate of the expected duration of the Canadian plans’ projected benefit cash flows and used other common methodologies to determine the discount rate for the Canadian plans, at the current measurement date, that reflects the maturity and duration of the Canadian expected benefit payments and compared those to the discount rate for the Canadian plans selected by management.

/s/ Ernst & Young LLP

Chartered Professional Accountants
Calgary, Canada
February 27, 2025

We have served as the Company's auditor since 2021.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Canadian Pacific Kansas City Limited

Opinion on Internal Control Over Financial Reporting

We have audited Canadian Pacific Kansas City Limited and subsidiaries' internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, Canadian Pacific Kansas City Limited and subsidiaries ("the Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and our report dated February 27, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chartered Professional Accountants
Calgary, Canada
February 27, 2025

CONSOLIDATED STATEMENTS OF INCOME

Year ended December 31 (in millions of Canadian dollars, except share and per share data)	2024	2023	2022
Revenues (Note 4)			
Freight	**$ 14,223**	$ 12,281	$ 8,627
Non-freight	**323**	274	187
Total revenues	**14,546**	12,555	8,814
Operating expenses			
Compensation and benefits (Note 10, 22, 23)	**2,565**	2,332	1,570
Fuel	**1,802**	1,681	1,400
Materials (Note 10)	**406**	346	260
Equipment rents	**347**	277	140
Depreciation and amortization (Note 10, 12, 14)	**1,900**	1,543	853
Purchased services and other (Note 10, 25)	**2,347**	1,988	1,262
Total operating expenses	**9,367**	8,167	5,485
Operating income	**5,179**	4,388	3,329
Equity earnings of Kansas City Southern (Note 10, 11)	**—**	(230)	(1,074)
Other (income) expense (Note 5, 10, 16, 17)	**(42)**	52	17
Other components of net periodic benefit recovery (Note 22)	**(352)**	(327)	(411)
Net interest expense (Note 10)	**801**	771	652
Remeasurement loss of Kansas City Southern (Note 10)	**—**	7,175	—
Income (loss) before income tax expense (recovery)	**4,772**	(3,053)	4,145
Current income tax expense	**1,031**	909	492
Deferred income tax expense (recovery) (Note 10)	**28**	(7,885)	136
Income tax expense (recovery) (Note 6)	**1,059**	(6,976)	628
Net income	**$ 3,713**	$ 3,923	$ 3,517
Net loss attributable to non-controlling interest (Note 10)	**(5)**	(4)	—
Net income attributable to controlling shareholders	**$ 3,718**	$ 3,927	$ 3,517
Earnings per share (Note 7)			
Basic earnings per share	**$ 3.98**	$ 4.22	$ 3.78
Diluted earnings per share	**$ 3.98**	$ 4.21	$ 3.77
Weighted-average number of shares (millions) (Note 7)			
Basic	**933.0**	931.3	930.0
Diluted	**934.6**	933.7	932.9

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31 (in millions of Canadian dollars)		**2024**		2023		2022
Net income	**$**	**3,713**	$	3,923	$	3,517
Net gain (loss) in foreign currency translation adjustments, net of hedging activities		**2,622**		(655)		1,628
Change in derivatives designated as cash flow hedges		**6**		7		6
Change in pension and post-retirement defined benefit plans		**979**		(73)		680
Other comprehensive (loss) income from equity investees		**(8)**		7		(5)
Other comprehensive income (loss) before income taxes		**3,599**		(714)		2,309
Income tax expense on above items		**(219)**		(4)		(115)
Other comprehensive income (loss) (Note 8)		**3,380**		(718)		2,194
Comprehensive income	**$**	**7,093**	$	3,205	$	5,711
Comprehensive income (loss) attributable to non-controlling interest		**77**		(13)		—
Comprehensive income attributable to controlling shareholders	**$**	**7,016**	**$**	**3,218**	**$**	**5,711**

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

As at December 31 (in millions of Canadian dollars, except Common Shares)	2024	2023
Assets		
Current assets		
Cash and cash equivalents	$ 739	$ 464
Accounts receivable, net (Note 9)	1,968	1,887
Materials and supplies	457	400
Other current assets	220	251
	3,384	3,002
Investments	586	533
Properties (Note 12, 19)	56,024	51,744
Goodwill (Note 10, 13)	19,350	17,729
Intangible assets (Note 14)	3,146	2,974
Pension asset (Note 22)	4,586	3,338
Other assets (Note 19)	668	582
Total assets	$ 87,744	$ 79,902
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 15, 19)	$ 2,842	$ 2,567
Long-term debt maturing within one year (Note 16, 17, 19)	2,819	3,143
	5,661	5,710
Pension and other benefit liabilities (Note 22)	548	581
Other long-term liabilities (Note 18, 19)	867	797
Long-term debt (Note 16, 17, 19)	19,804	19,351
Deferred income taxes (Note 6)	11,974	11,052
Total liabilities	38,854	37,491
Shareholders' equity		
Share capital (Note 20)		
Authorized unlimited Common Shares without par value. Issued and outstanding are 933.5 million and 932.1 million as at December 31, 2024 and 2023, respectively.	25,689	25,602
Authorized unlimited number of first and second preferred shares; none outstanding.		
Additional paid-in capital	94	88
Accumulated other comprehensive income (loss) (Note 8)	2,680	(618)
Retained earnings	19,429	16,420
	47,892	41,492
Non-controlling interest	998	919
Total equity	48,890	42,411
Total liabilities and equity	$ 87,744	$ 79,902

See Commitments and contingencies (Note 25).

See Notes to Consolidated Financial Statements.

Approved on behalf of the Board:

/s/ ISABELLE COURVILLE

Isabelle Courville, Director,

Chair of the Board

/s/ JANET H. KENNEDY

Janet H. Kennedy, Director,

Chair of the Audit and Finance Committee

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31 (in millions of Canadian dollars)	**2024**	2023	2022
Operating activities			
Net income	**$ 3,713**	$ 3,923	$ 3,517
Reconciliation of net income to cash provided by operating activities:			
Depreciation and amortization	**1,900**	1,543	853
Deferred income tax expense (recovery) (Note 6)	**28**	(7,885)	136
Pension recovery and funding (Note 22)	**(305)**	(306)	(288)
Equity earnings of Kansas City Southern (Note 10, 11)	**—**	(230)	(1,074)
Remeasurement loss of Kansas City Southern (Note 10)	**—**	7,175	—
Dividends from Kansas City Southern (Note 11)	**—**	300	1,157
Settlement of Mexican taxes (Note 6)	**(12)**	(135)	—
Settlement of foreign currency forward contracts (Note 17)	**(65)**	—	—
Other operating activities, net	**(14)**	60	(67)
Change in non-cash working capital balances related to operations (Note 21)	**24**	(308)	(92)
Net cash provided by operating activities	**5,269**	4,137	4,142
Investing activities			
Additions to properties	**(2,825)**	(2,468)	(1,557)
Additions to Meridian Speedway properties	**(38)**	(31)	—
Proceeds from sale of properties and other assets	**64**	57	58
Cash acquired on control of Kansas City Southern (Note 10)	**—**	298	—
Investment in government securities (Note 16)	**—**	(267)	—
Proceeds from settlement of government securities (Note 16)	**—**	274	—
Other investing activities, net	**3**	(25)	3
Net cash used in investing activities	**(2,796)**	(2,162)	(1,496)
Financing activities			
Dividends paid	**(709)**	(707)	(707)
Issuance of Common Shares (Note 20)	**69**	69	32
Repayment of long-term debt, excluding commercial paper (Note 16)	**(2,327)**	(2,395)	(571)
Repayment of term loan (Note 16)	—	—	(636)
Net issuance (repayment) of commercial paper (Note 16)	**439**	1,095	(415)
Net increase in short-term borrowings (Note 16)	**274**	—	—
Acquisition-related financing fees (Note 10)	**—**	(17)	—
Other financing activities, net	**2**	—	—
Net cash used in financing activities	**(2,252)**	(1,955)	(2,297)
Effect of foreign currency fluctuations on foreign-denominated cash and cash equivalents	**54**	(7)	20
Cash position			
Increase in cash and cash equivalents	**275**	13	369
Cash and cash equivalents at beginning of period[(1)]	**464**	451	82
Cash and cash equivalents at end of year	**$ 739**	$ 464	$ 451
Supplemental disclosures of cash flow information:			
Income taxes paid	**$ 958**	$ 906	$ 408
Interest paid	**$ 814**	$ 825	$ 641

(1) As at January 1, 2022, cash and cash equivalents of $82 million included $13 million of restricted cash.

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of Canadian dollars, except per share data)	Share capital	Additional paid-in capital	Accumulated other comprehensive (loss) income	Retained earnings	Total shareholders' equity	Non-controlling interest	Total equity
Balance as at December 31, 2021	$ 25,475	$ 66	$ (2,103)	$ 10,391	$ 33,829	$ —	$ 33,829
Net income	—	—	—	3,517	3,517	—	3,517
Other comprehensive income (Note 8)	—	—	2,194	—	2,194	—	2,194
Dividends declared ($0.76 per share)	—	—	—	(707)	(707)	—	(707)
Effect of stock-based compensation expense	—	23	—	—	23	—	23
Common Shares issued for Kansas City Southern acquisition (Note 20)	—	(2)	—	—	(2)	—	(2)
Common Shares issued under stock option plans (Note 20)	41	(9)	—	—	32	—	32
Balance as at December 31, 2022	25,516	78	91	13,201	38,886	—	38,886
Net income (loss)	—	—	—	3,927	3,927	(4)	3,923
Other comprehensive loss (Note 8)	—	—	(709)	—	(709)	(9)	(718)
Dividends declared ($0.76 per share)	—	—	—	(708)	(708)	—	(708)
Effect of stock-based compensation expense	—	27	—	—	27	—	27
Shares issued under stock option plan (Note 20)	86	(17)	—	—	69	—	69
Non-controlling interest in connection with business acquisition (Note 10)	—	—	—	—	—	932	932
Balance as at December 31, 2023	25,602	88	(618)	16,420	41,492	919	42,411
Net income (loss)	—	—	—	3,718	3,718	(5)	3,713
Contribution from non-controlling interest	—	—	—	—	—	2	2
Other comprehensive income (Note 8)	—	—	3,298	—	3,298	82	3,380
Dividends declared ($0.76 per share)	—	—	—	(709)	(709)	—	(709)
Effect of stock-based compensation expense	—	24	—	—	24	—	24
Shares issued under stock option plan (Note 20)	87	(18)	—	—	69	—	69
Balance as at December 31, 2024	**$ 25,689**	**$ 94**	**$ 2,680**	**$ 19,429**	**$ 47,892**	**$ 998**	**$ 48,890**

See Notes to Consolidated Financial Statements.

CANADIAN PACIFIC KANSAS CITY LIMITED
Notes to Consolidated Financial Statements
December 31, 2024

1. Description of the business

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".

On April 14, 2023, Canadian Pacific Railway Limited ("CPRL") assumed control of Kansas City Southern ("KCS") and changed its name to Canadian Pacific Kansas City Limited. The Company's Consolidated Financial Statements include KCS as a consolidated subsidiary from April 14, 2023. For the period beginning on January 1, 2022 and ending on April 13, 2023, the Company's 100% interest in KCS was accounted for and reported as an equity-method investment (see Notes 10 and 11).

2. Summary of significant accounting policies

Basis of presentation

The Company's Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). Amounts are expressed in Canadian dollars, unless otherwise noted.

Use of estimates and judgements

The preparation of financial statements in conformity with GAAP requires management to make estimates, assumptions, and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts and classification of revenues, expenses, and other income items during the reporting period. These estimates, assumptions, and judgements are based on management's best knowledge of current events and actions, and results could differ. Critical estimates, assumptions, and judgements used in the preparation of the Company's Consolidated Financial Statements relate to:

- Deferred income taxes (Note 6);
- Business acquisitions (Note 10);
- Properties (Note 12);
- Goodwill (Note 13);
- Intangible assets (Note 14);
- Pensions and other benefits (Note 22); and
- Contingent liabilities (Notes 18 and 25).

Principles of consolidation

The Company's Consolidated Financial Statements include the accounts of the Company's subsidiaries from the date the Company assumed control. Intercompany accounts and transactions are eliminated. Third-party ownership interest in the Company's subsidiaries is presented in the Company's Consolidated Financial Statements as activities and amounts attributable to non-controlling interests.

Revenues

Revenues are primarily derived from the provision of freight rail transportation services. Non-freight revenues are primarily derived from passenger service operators, switching fees, and logistics services, and also from leasing land and other property.

Revenue is recognized when promised services are delivered and obligations under the terms of a contract with a customer are satisfied. Revenue is measured as the amount of consideration the Company expects to receive in exchange for providing services. In the normal course of business, the Company does not generate material revenues through acting as an agent for other entities. Revenues are presented net of taxes collected from customers and remitted to governmental authorities.

Freight revenues

The Company has master service agreements with customers which establish pricing, terms and conditions for future freight services the Company will provide when service requests or bills of lading are received from those customers. Each bill of lading or service request is a distinct performance obligation. Transaction prices are generally determined when bills of lading or service requests are initiated, and are allocated to distinct performance obligations based on estimated standalone selling prices which are determined based on observable fair market values. The Company also provides freight transportation services to customers at published rates established in public tariff agreements. In those arrangements, a performance obligation is triggered at the time the freight transportation services are ordered by the customer.

Freight revenues are recognized over time as transportation services are provided and obligations under the terms of a contract with a customer are satisfied. Inputs are used to measure the percentage of completion towards satisfaction of performance obligations. Progress is measured based on elapsed freight transit time relative to total expected freight transit time from origination to destination. The short duration of freight delivery performance obligations generally results in immaterial services in progress at the end of each reporting period.

Certain customer arrangements include variable consideration in the form of rebates, discounts, or incentives. The expected value method is used to estimate the amount of variable consideration to allocate to performance obligations as they are satisfied. Volume rebates are accrued based on estimated volumes and contract terms, and recognized as a reduction of freight revenues as the related freight services are provided. Customer incentives are amortized over the term of the related service agreement.

Customers are invoiced when a bill of lading or service request is processed. Payment for services are due when performance obligations are satisfied. Amounts outstanding at the end of each reporting period are generally collected in the following reporting period. Performance obligations not fully satisfied at the end of a reporting period are generally expected to be satisfied in the following reporting period.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, a deferred income tax asset or liability is determined based on the difference between the financial reporting and tax basis of the asset or liability, using enacted tax rates and laws that will be in effect when the difference is expected to reverse. The change in the net deferred income tax asset or liability is included in the computation of "Net income" and "Other comprehensive income (loss)". The effect of changes in income tax rates on deferred income tax assets and liabilities are recognized in income in the reporting period that the change occurs.

The Company records a valuation allowance to reduce deferred income tax assets if it is more likely than not, based on available evidence about future events, that some or all of the deferred income tax assets will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by taxing authorities based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. A liability for "unrecognized tax benefits" is recorded for any tax benefits claimed in the Company’s tax returns that do not have a greater than 50% likelihood of being realized upon ultimate settlement.

Investment and other similar tax credits are recognized in "Deferred income taxes" on the Company's Consolidated Balance Sheets and in "Deferred income tax expense (recovery)" on the Company's Consolidated Statements of Income as the related asset is recognized in income.

Earnings per share

Basic earnings per share is calculated using the weighted-average number of the Company's Common Shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method for determining the dilutive effect of Common Shares issuable upon exercise of outstanding stock options.

Equity method investments

The Company's investments in entities over which it can exercise significant influence or has joint control are accounted for using the equity method. Equity-method investments are initially recognized at cost. Subsequently, the carrying amount of the investment is recognized on the Company's Consolidated Balance Sheets, with adjustments to reflect:

- the Company's share of the investment's income or losses, and comprehensive income or losses, based on the Company's share of its common stock and in-substance common stock;
- depreciation, amortization, or accretion related to any basis differences identified at the time the investment was initially recognized;
- dividends and distributions received;
- other-than-temporary impairments; and
- the effects of any intra-entity income or losses and capital transactions.

Distributions from equity-method investments are classified on the Company's Consolidated Statements of Cash Flows according to the nature of the activities that generated the distributions.

If the Company acquires control of an equity-method investment, it stops accounting for the investment using the equity method. The investment is remeasured to fair value as of the date control was acquired, and any gain or loss is recognized in the Company's Consolidated Statements of Income. Any amounts in "Accumulated other comprehensive income (loss)" ("AOCI") related to the investment are reclassified and included in the calculation of the gain or loss. Any gain or loss on the settlement of a pre-existing relationship between the Company and the investment is recognized in the Company's Consolidated Statements of Income, separately from the business acquisition.

Business acquisitions

Management makes estimates and assumptions to determine the fair values of assets acquired and liabilities and non-controlling interest assumed in a business combination at the acquisition date. Such estimates and assumptions are inherently uncertain and subject to refinement. During the measurement period, the Company may adjust any provisional amounts reported on the acquisition date if additional information is obtained about facts and circumstances that existed on the acquisition date that, if known, would have affected their measurement on that date. Adjustments to provisional amounts are recognized with corresponding adjustments to "Goodwill".

If the acquisition-date fair value of an asset or liability arising from pre-acquisition contingencies cannot be determined as of the acquisition date or during the measurement period, the estimated amount of the asset or liability is recognized if it is probable that the asset existed or the liability had been incurred as of the acquisition date based on information available prior to the end of the measurement period and the amount of the asset or liability can be reasonably estimated. The measurement period ends at the earlier of one year or the date that the necessary information about the facts and circumstances that existed as of the acquisition date concerning the provisional amounts is obtained.

Foreign currency translation

Foreign currency transactions

Foreign currency transactions are denominated in currencies other than CPKC's functional currency, which is the Canadian dollar. Transactions denominated in foreign currencies are translated to the functional currency using the exchange rate prevailing on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured to the functional currency using the exchange rate in effect at the balance sheet date. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities are included in income in the reporting period they arise.

Foreign operations

Foreign exchange gains and losses arising from the translation of the Company's foreign subsidiaries’ and equity-method investees' functional currencies to CPKC's Canadian dollar presentation are included in "Other comprehensive income (loss)" and recognized in income upon the sale of the foreign operation. Asset and liability accounts are translated at the exchange rates in effect as at the balance sheet date, and revenues and expenses are translated using monthly average exchange rates.

U.S. dollar-denominated debt, finance lease obligations, and operating lease liabilities are designated as hedges of the Company's net investment in foreign subsidiaries and foreign equity-method investees. Accordingly, unrealized gains and losses arising from the translation of the designated U.S. dollar-denominated debt, finance lease obligations, and operating lease liabilities are offset against gains and losses arising from the translation of the Company's foreign operations' accounts in "Other comprehensive income (loss)".

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of less than three months.

Accounts receivable, net

Accounts receivable are recorded at cost net of an allowance for expected credit losses. The allowance for expected credit losses is estimated based on relevant information about historical credit loss experience of receivables with similar risk characteristics, current conditions, and forecasts of future conditions expected to affect collectability.

Accounts receivable are written off against the allowance for credit losses when it is probable that the remaining contractual payments will not be collected. Subsequent recoveries of amounts previously written off are credited to income in the reporting period they are recovered.

Materials and supplies

Materials and supplies, including fuel and parts used in the repair and maintenance of track structures, equipment, locomotives, and freight cars, are measured at the lower of average cost or net realizable value.

Properties

Properties are reported at historical cost, less accumulated depreciation or amortization and any impairment. The Company reviews property for impairment when changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated future undiscounted cash flows are less than the carrying amount, the carrying amount is reduced to the estimated fair values, measured using discounted cash flows, and a corresponding impairment loss is recognized in income.

Additions to properties

For property additions and betterments, the Company capitalizes all costs necessary to make the assets ready for their intended use.

A large amount of the Company's capital expenditures are for self-constructed properties, both new and the replacement of existing properties. Self-constructed assets are initially recorded at cost, including direct costs, attributable indirect costs, overheads, and carrying costs.

- direct costs include labour, purchased services, materials and equipment, project supervision costs, and fringe benefits.
- attributable indirect costs mainly include costs associated with work trains, material distribution, highway vehicles, and work equipment.
- overheads primarily relate to engineering department costs of planning, designing, and administering the capital projects, which are allocated to projects using a measure consistent with the nature of the cost, based on cost studies.

The Company capitalizes costs incurred for replacements or betterments that enhance the service potential or extend the useful life of the properties, when the expenditures exceed minimum physical and financial thresholds:

- The cost of ballast programs, including undercutting, shoulder ballasting, and renewal programs that form part of the annual track program are capitalized because the work and related added ballast material significantly improves drainage, which in turn extends the life of ties and other track materials. The cost of ballast programs are tracked separately from the underlying assets and depreciated over the estimated period to the next similar ballast program. Spot replacement of ballast is considered a repair, which is expensed as incurred.
- Significant freight car refurbishments, locomotive overhauls, and other capital improvements that enhance service potential or extend useful life are capitalized.
- Replacement project costs, including dismantling costs, are expensed or capitalized based on studies of the activities performed in the projects.

Costs to repair or maintain the service potential of properties are expensed.

The Company also capitalizes development costs for major new computer systems.

Group depreciation

The Company primarily uses the group method of depreciation, in which properties with similar characteristics, use, and expected lives are allocated to asset groups:

- The asset groups are depreciated on a straight-line basis reflecting their expected economic lives, using composite depreciation rates. All track assets are depreciated using a straight-line method which recognizes the value of the asset consumed as a percentage of the whole life of the asset.
- Composite depreciation rates are established through depreciation studies, which are regular, detailed reviews, performed by asset group, of service lives, salvage values, accumulated depreciation, and other related matters.
- The depreciation studies also estimate accumulated depreciation surpluses or deficiencies for each asset group, which are amortized over the remaining life of the respective asset group.
- When depreciable property is retired or otherwise disposed in the normal course of business, its life generally approximates its expected useful life as determined in the depreciation studies. For this reason, under group depreciation, a gain or loss on disposal is not recognized. Instead, the asset's net book value, less net salvage proceeds, is charged to accumulated depreciation.
- For certain asset groups, the historical cost of the asset is separately recorded in the Company's property records. This amount is retired from the property records upon retirement of the asset. For assets for which the historical cost cannot be separately identified, the asset's gross book value is estimated using an indexation methodology, whereby the retired property's current replacement cost is indexed to its estimated year of installation, or a first-in, first-out approach, or statistical analysis is used to determine its retired age. The Company uses indices that closely correlate to the principal costs of the assets.
- When removal costs exceed the property's salvage value and removal is not a legal obligation, the removal costs are charged to income when the property is removed.
- For the disposal of larger groups of depreciable assets that are unusual and were not considered in the Company's depreciation studies, the Company records a gain or loss for the difference between the net proceeds and the net book value of the assets sold or retired. The accumulated depreciation that is derecognized includes asset-specific accumulated depreciation, when known, or an appropriate portion of the accumulated depreciation recorded for the relevant asset class as a whole, calculated using a cost-based allocation.

Concession assets

CPKC holds a concession from the Mexican government which authorizes the Company to provide freight transportation services over certain rail lines, including the use of all related track and other assets necessary for the rail lines' operation (the "Concession"). The Concession term ends in June 2047, but is renewable under certain conditions, for additional periods, each up to 50 years.

The underlying tangible assets that the Concession provides the Company with the right to use are capitalized in "Properties", and amortized using the group method. Amortization is recognized over the lesser of the expected concession term, including one renewal period of 50 years, or the estimated useful life of the underlying asset groups. The intangible rights granted under the Concession are amortized over the expected term of the Concession.

Finance lease right-of-use ("ROU") assets

Finance lease ROU assets included in "Properties" are amortized to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

Government assistance

The Company records government assistance from various levels of governments and government agencies when there is reasonable assurance that the assistance will be received.

Government assistance in connection with the acquisition or construction of properties sometimes includes conditions which, if not met within a certain period of time, may require repayment of some or all of the assistance received. It is the Company's intention to comply with all conditions imposed by the terms of government assistance accepted. Government assistance received or receivable related to property is recorded as a reduction of the cost of the property and amortized over the same period as the related assets.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets upon acquisition of a business. On the acquisition date, goodwill is allocated to the reporting unit expected to benefit from the acquisition. The carrying value of goodwill, which is not amortized, is assessed for impairment annually, or more frequently if events or changes in circumstances arise that suggest goodwill may be impaired. The Company's annual review of goodwill is performed in the fourth quarter, on the October 1 balance.

The Company first assesses qualitative factors, including, but not limited to economic, market, and industry conditions, the reporting unit's overall financial performance, and events such as notable changes in management or customers. If the qualitative assessment indicates that it is more likely than not that the fair value of the reporting unit is less than its carrying value, a quantitative assessment is undertaken. The quantitative assessment is a comparison of the reporting unit's carrying value and fair value. The reporting unit's fair value is defined as the price expected to be received if it was sold in an orderly transaction between market participants. It is determined based on pre-tax discounted cash flows that reflect management's best estimates of the time value of money and risks specific to the reporting unit and its assets. If the carrying value of the reporting unit, including goodwill, exceeds its fair value, an impairment is recognized, measured at the amount by which the reporting unit's carrying value exceeds its fair value.

Intangible assets

Intangible assets with finite lives, consisting primarily of customer contracts, customer relationships, and favourable leases are amortized on a straight-line basis over their estimated useful lives. When there is a change in the estimated useful life of an intangible asset with a finite life, amortization is adjusted prospectively. An intangible asset with a finite life is assessed for impairment whenever events or circumstances indicate that its carrying amount may not be recoverable.

Intangible assets with indefinite useful lives are primarily trackage rights that are expected to generate cash flows indefinitely. They are not amortized but an evaluation is made at least annually of whether indicators of impairment exist. A quantitative impairment assessment is performed if such indicators are identified.

When assessing an intangible asset for impairment, if the undiscounted cash flows indicate that its carrying amount may not be recoverable, an impairment loss will be recognized for the amount that its carrying amount exceeds its fair value, determined based on pre-tax discounted cash flows that reflect management's best estimates of the time value of money and risks specific to the asset.

Financial instruments

Financial instruments are contracts that give rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments are recognized initially at fair value, which is the amount of consideration that would be agreed upon in an arm’s-length transaction between willing parties.

Cash and cash equivalents are classified as amortized cost, which approximates fair value. Accounts receivable and investments consisting of loans and receivables are subsequently measured at amortized cost, using the effective interest method. Accounts payable and accrued liabilities, other long-term liabilities, and long-term debt are also subsequently measured at amortized cost.

Derivative financial instruments

Derivative financial instruments may be used from time to time to manage the Company's exposure to changes in foreign exchange rates, interest rates, fuel price, and certain compensation tied to the Company's Common Share price. When derivative instruments are used in hedging relationships, the Company identifies, designates, and documents those hedging transactions and regularly tests the transactions to demonstrate effectiveness in order to continue hedge accounting.

The Company's derivative instruments are classified as held-for-trading and recorded at fair value on the Company's Consolidated Balance Sheets as current or non-current assets or liabilities depending on the timing of settlements and the resulting cash flows associated with the instrument. Any changes in the fair value of derivatives that are not designated as hedges are recognized in income in the reporting period the change occurs.

For fair value hedges, changes in the fair value of the hedging instrument are recognized in income along with changes in the fair value of the hedged risk of the asset or liability that is designated as part of the hedging relationship.

For designated cash flow hedges, changes in the fair value of the hedging instrument are recorded in "Other comprehensive income (loss)" and reclassified to income when the hedged item impacts income. If a derivative instrument designated as a cash flow hedge ceases to be effective or is terminated, hedge accounting is discontinued and the gain or loss at that date is deferred in "Other comprehensive income (loss)" and recognized in income concurrently with the related transaction. If an anticipated hedged transaction is no longer probable, the gain or loss is recognized immediately in income. Subsequent gains and losses from derivative instruments for which hedge accounting has been discontinued are recognized in income in the reporting period in which they occur.

Cash flows relating to derivative instruments designated as hedges are included in the same category as the related hedged items on the Company's Consolidated Statements of Cash Flows.

Leases

The Company leases rolling stock, buildings, vehicles, railway equipment, roadway machines, and information systems hardware. Lease liabilities and ROU assets are recognized on the Company's Consolidated Balance Sheets for finance leases and operating leases with fixed terms and in-substance fixed terms.

- ROU assets and lease liabilities are recognized on the lease commencement date at the present value of the future lease payments over the lease term. Lease payments include fixed and variable payments that are based on an index or a rate. If the rate implicit in the lease is not readily determinable, the Company uses internal incremental secured borrowing rates for a comparable tenor and in the same currency at the lease commencement date to determine the present value of lease payments.
- Certain leases of rolling stock and roadway machines are fully variable or contain both fixed and variable components. Variable components are dependent on the hours and miles that the underlying equipment has been used. Fixed-term, short-term, and variable operating lease costs are recorded in "Equipment rents" and "Purchased services and other" on the Company's Consolidated Statements of Income.
- Components of finance lease costs are recorded in "Depreciation and amortization" and "Net interest expense" on the Company's Consolidated Statements of Income.
- ROU assets are adjusted for lease prepayments, initial direct costs, and lease incentives.
- Lease terms include periods associated with options to extend or exclude periods associated with termination options when the Company is reasonably certain of exercising such options.
- Non-lease components are accounted for separately from lease components of roadway machine, information systems hardware, and fleet vehicle lease contracts. Otherwise, lease and non-lease components are combined and accounted as a single lease component.

Leases with terms of 12 months or less that do not contain an option to purchase the underlying asset at the end of the lease term that the Company intends to exercise are not recorded on the Company's Consolidated Balance Sheets; lease payments are recognized as expenses in the Company's Consolidated Statements of Income on a straight-line basis over the lease term.

Provision for environmental remediation

Environmental remediation accruals, covering site-specific remediation programs, are recorded on an undiscounted basis unless a reliably determinable estimate of the amount and timing of costs can be established. The accruals are recorded when the costs to remediate are probable and can be reasonably estimated. Certain future costs to monitor sites are discounted at an adjusted risk-free rate. Provisions for environmental remediation costs are recorded in "Other long-term liabilities", except for the current portion, which is recorded in "Accounts payable and accrued liabilities".

Pensions and other benefits

Obligations and net periodic benefit costs for the Company's defined benefit pension plans are actuarially determined using the projected benefit method, pro-rated over the credited service periods of employees. This method incorporates management’s best estimates of actuarial assumptions, such as discount rates, salary and other cost escalations, employees' retirement ages and mortality. The discount rates are based on blended market interest rates on high-quality debt instruments with matching cash flows.

Plan assets are measured at fair value. The expected return on plan assets is calculated using market-related asset values, developed from a five-year average of adjusted market values for the fund’s public equity securities and absolute return strategies, plus the market value of the fund’s other asset classes, subject to the market-related asset value not being greater than 120% nor less than 80% of the market value.

Actuarial gains and losses arise from the difference between the actual and expected return on plan assets, and changes in the measurement of the benefit obligation. Periodic net actuarial gains and losses and prior service costs are accumulated and presented as a component of AOCI on the Company's Consolidated Balance Sheets.

Obligations and net periodic benefit costs for the Company's other post-retirement and post-employment benefits are actuarially determined on a similar basis.

The status of over and under funded defined benefit pension and benefit plans, measured as the difference between the fair value of a plan's assets and benefit obligation, are reported on the Company's Consolidated Balance Sheets.

Components of net periodic benefit cost included in "Operating income" in the Company's Consolidated Statements of Income include:
- current service costs for defined benefit pension and post-retirement benefits, and the Company's contributions to defined contribution pension plans are recorded in "Compensation and benefits" expense; and
- current service costs for self-insured workers' compensation and long-term disability benefits, which are recorded in "Purchased services and other".

Other components of net periodic benefit cost or recovery, recognized outside of "Operating income" in the Company's Consolidated Statements of Income are:
- interest cost on benefit obligation;
- expected return on plan assets;
- amortization of net actuarial gains and losses in excess of 10% of the greater of the projected benefit obligation and the market-related value of plan assets, over the expected average remaining service period of the plan's active employee group (approximately 13 years);
- amortization of prior service costs arising from collectively bargained amendments to pension plan benefit provisions (over the term of the applicable union agreement) and from all other sources (over the expected average remaining service period of active employees who are expected to receive benefits under the plan at the date of the amendment); and
- gains and losses on post-employment benefits that do not vest or accumulate, including some workers’ compensation and long-term disability benefits in Canada.

Stock-based compensation

Stock options

The cost of awards of equity-settled employee stock options is measured based on their grant date fair values. "Compensation and benefits" expense, with a corresponding increase to "Additional paid-in capital" in "Shareholders' equity" is recognized over the shorter of the vesting period or the period from the grant date to the date the employee becomes eligible to retire. The grant date fair value is determined using the Black-Scholes option-pricing model. Forfeitures are estimated at the grant date, and changes in the estimate of forfeitures in subsequent reporting periods are recognized as adjustments to"Compensation and benefits" expense in the reporting period that the change in estimate occurs. As stock options are exercised, the related amount accumulated in "Additional paid-in capital" is reclassified to "Share Capital" and the proceeds are recognized in "Share Capital".

Share units

The Company also issues cash-settled awards, including deferred share units ("DSUs"), performance share units (“PSUs”) and performance deferred share units ("PDSUs"), for which a liability is remeasured each financial reporting period until settlement.

For DSUs,"Compensation and benefits" expense is recognized over the shorter of the vesting term, or the period from the grant date to the date the employee is eligible to retire, based on the number of units outstanding and the closing price of CPKC's Common Shares on the reporting date. For PSUs and PDSUs, fair values are recognized for units that are probable of vesting, based on forecasted performance factors, and"Compensation and benefits" expense is recognized over the performance period. Forfeitures of share units are estimated at the grant date, and changes in the estimate of forfeitures in subsequent periods are recognized as adjustments to "Compensation and benefits" expense in the period that the change in estimate occurs.

Share purchase plan

The Company's contributions to the employee share purchase plan gives rise to compensation expense that is recognized at the issue price and recognized as "Compensation and benefits" expense over a one year vesting period.

3. Accounting changes

Accounting pronouncements that became effective during the reporting period did not materially change the reported amounts of "Operating income", "Net income", or "Earnings per share".

Recently issued accounting standards that will become effective in future reporting periods are not expected to have a material impact on the Company's Consolidated Financial Statements when they are adopted.

4. Revenues

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

For the year ended December 31 (in millions of Canadian dollars)	**2024**	2023	2022
Grain	**$ 3,012**	$ 2,496	$ 1,776
Coal	**943**	859	577
Potash	**614**	566	581
Fertilizers and sulphur	**406**	385	332
Forest products	**816**	696	403
Energy, chemicals and plastics	**2,851**	2,301	1,394
Metals, minerals and consumer products	**1,777**	1,579	884
Automotive	**1,280**	934	438
Intermodal	**2,524**	2,465	2,242
Total freight revenues	**14,223**	12,281	8,627
Non-freight excluding leasing revenues	**191**	161	103
Revenues from contracts with customers	**14,414**	12,442	8,730
Leasing revenues	**132**	113	84
Total revenues	**$ 14,546**	$ 12,555	$ 8,814

Contract liabilities

Contract liabilities represent payments received for performance obligations not yet satisfied. They are presented within "Accounts payable and accrued liabilities" and "Other long-term liabilities" on the Company's Consolidated Balance Sheets.

The following table summarizes the changes in contract liabilities for the years ended December 31, 2024 and 2023:

(in millions of Canadian dollars)	**2024**	2023
Opening balance, January 1	**$ 52**	$ 64
Contract liabilities assumed upon the acquisition of KCS (Note 10)	**—**	7
Revenue recognized in the period that was included in the opening balance or liabilities assumed	**(33)**	(36)
Increase due to consideration received, net of revenue recognized in the period	**16**	17
Closing balance, December 31	**$ 35**	$ 52

5. Other (income) expense

For the year ended December 31 (in millions of Canadian dollars)		**2024**		2023		2022
Foreign exchange loss on FX forward contracts (Note 17)	**$**	**4**	$	39	$	—
Other foreign exchange gains		**(6)**		(12)		—
Acquisition-related costs (Note 10)		**—**		6		—
Gain on debt repurchases (Note 16)		**(22)**		—		—
Other		**(18)**		19		17
Other (income) expense	**$**	**(42)**	$	52	$	17

6. Income taxes

The following is a summary of the major components of the Company's income tax expense (recovery):

For the year ended December 31 (in millions of Canadian dollars)		**2024**		2023		2022
Current income tax expense	**$**	**1,031**	$	909	$	492
Deferred income tax expense (recovery)						
Reversal of outside basis deferred income tax (Note 10)		**—**		(7,832)		—
Origination and reversal of temporary differences		**65**		53		101
Effect of tax rate decrease		**(70)**		(72)		(25)
Effect of hedge of net investment in foreign subsidiaries and equity-method investees (Note 8)		**36**		(22)		59
Other		**(3)**		(12)		1
Total deferred income tax expense (recovery)		**28**		(7,885)		136
Total income tax expense (recovery)	**$**	**1,059**	$	(6,976)	$	628

Income (loss) before income tax expense (recovery)						
Canada		**2,426**		2,359		2,236
Foreign		**2,346**		(5,412)		1,909
Total income (loss) before income tax expense (recovery)		**4,772**		(3,053)		4,145
Income tax expense (recovery)						
Current						
Canada		**409**		377		333
Foreign		**622**		532		159
Total current income tax expense		**1,031**		909		492
Deferred						
Canada		**206**		238		177
Foreign		**(178)**		(8,123)		(41)
Total deferred income tax expense (recovery)		**28**		(7,885)		136
Total income tax expense (recovery)	**$**	**1,059**	$	(6,976)	$	628

The provision for deferred income taxes arises from temporary differences in the carrying values of assets and liabilities for financial statement and income tax purposes and the effect of loss carryforwards. The items comprising the deferred income tax assets and liabilities are as follows:

As at December 31 (in millions of Canadian dollars)	**2024**	2023
Deferred income tax assets		
Tax losses and other attributes carried forward	**$ 298**	$ 173
Liabilities carrying value in excess of tax basis	**300**	276
Unrealized foreign exchange losses	**57**	18
Environmental remediation costs	**50**	50
Other	**10**	7
Total deferred income tax assets	**715**	524
Valuation allowance	**(57)**	(36)
Total net deferred income tax assets	**$ 658**	$ 488
Deferred income tax liabilities		
Properties carrying value in excess of tax basis	**10,155**	9,481
Pensions carrying value in excess of tax basis	**1,084**	751
Intangibles carrying value in excess of tax basis	**824**	789
Investments carrying value in excess of tax basis	**498**	473
Other	**71**	46
Total deferred income tax liabilities	**12,632**	11,540
Total net deferred income tax liabilities	**$ 11,974**	$ 11,052

The Company's consolidated effective income tax rate differs from the expected Canadian statutory tax rates. Expected income tax expense (recovery) at statutory rates is reconciled to income tax expense (recovery) as follows:

For the year ended December 31 (in millions of Canadian dollars, except percentage)	**2024**	2023	2022
Statutory federal and provincial income tax rate (Canada)	**26.11 %**	26.11 %	26.12 %
Expected income tax expense (recovery) at Canadian enacted statutory tax rates	**$ 1,246**	$ (797)	$ 1,083
(Decrease) increase in taxes resulting from:			
Reversal of outside basis deferred income tax (Note 10)	**—**	(7,832)	—
Remeasurement loss of Kansas City Southern	**—**	1,873	—
(Gains) losses not subject to tax	**(10)**	10	(9)
Canadian tax rate differentials	**(17)**	(14)	(12)
Foreign tax rate differentials	**(41)**	(62)	(94)
Effect of tax rate decrease	**(70)**	(72)	(25)
Deduction for dividends taxed on outside basis	**—**	(68)	(270)
Unrecognized tax benefits	**3**	(10)	(24)
Inflation in Mexico	**(33)**	(31)	—
Valuation allowance	**5**	1	—
Other	**(24)**	26	(21)
Income tax expense (recovery)	**$ 1,059**	$ (6,976)	$ 628

In 2024, the Company revalued its deferred income tax balances as a result of decreases in the corporate income tax rates in the states of Louisiana and Arkansas, resulting in a net recovery of $81 million.

In 2023, the Company revalued its deferred income tax balances as a result of decreases in the corporate income tax rates in the states of Iowa and Arkansas, resulting in a net recovery of $13 million.

In 2023, the Company recorded a deferred income tax recovery of $23 million (U.S. $17 million) on the outside basis difference of the change in the equity investment in KCS for the period January 1, 2023 to April 13, 2023, prior to acquiring control of KCS. In 2022, a deferred income tax recovery of $19 million (U.S. $15 million) was recorded on the outside basis difference of the change in the equity investment in KCS. The outside basis difference is the excess of the carrying amount of the Company's investment in KCS for financial reporting over the tax basis of this investment.

In 2023, the Company recorded a deferred income tax recovery of $7,832 million on the derecognition of the deferred income tax liability on the outside basis difference of the investment in KCS upon acquiring control.

The Company has not provided a deferred liability for the income taxes which might become payable on any temporary difference associated with its foreign investments because the Company intends to indefinitely reinvest in its foreign investments and does not intend to realize this difference by a sale of its interest in foreign investments. It is not practical to calculate the amount of the deferred income tax liability.

It is more likely than not that the Company will realize the majority of its deferred income tax assets from the generation of future taxable income, as the payments for provisions, reserves, and accruals are made and losses and tax credits carried forward are utilized.

As at December 31, 2024, the Company had tax effected operating losses carried forward of $33 million (2023 - $52 million), which have been recognized as a deferred income tax asset. The losses carried forward will begin to expire in 2026. The Company expects to fully utilize these tax effected operating losses before their expiry.

As at December 31, 2024, the Company had $18 million (2023 - $2 million) in tax effected capital losses carried forward recognized as a deferred income tax asset. The losses carried forward will begin to expire in 2029. The Company expects to fully utilize these tax effected capital losses before their expiry.

As at December 31, 2024, the Company had $6 million (2023 - $4 million) in tax credits carried forward recognized as a deferred income tax asset, which will begin to expire in 2027. The Company did not have any minimum tax credits or investment tax credits carried forward.

The following table provides a reconciliation of uncertain tax positions in relation to unrecognized tax benefits for Canada, the U.S., and Mexico for the years ended December 31:

(in millions of Canadian dollars)		**2024**		2023		2022
Unrecognized tax benefits at January 1	**$**	**22**	$	20	$	49
Increase in unrecognized:						
Tax benefits related to the current year		**1**		2		1
Tax benefits related to prior years		**14**		10		—
Tax benefits acquired with KCS		**—**		2		—
Dispositions:						
Gross uncertain tax benefits related to prior years		**(1)**		(6)		(30)
Settlements with taxing authorities		**(7)**		(6)		—
Unrecognized tax benefits at December 31	**$**	**29**	$	22	$	20

If these unrecognized tax benefits were recognized, $24 million of unrecognized tax benefits as at December 31, 2024 would impact the Company's effective tax rate.

During the fourth quarter of 2022, the Company recorded a deferred income tax recovery of $24 million to reverse an uncertain tax position as the amount was no longer expected to be realized.

The Company recognizes accrued interest, inflation and penalties related to unrecognized tax benefits as a component of "Income tax expense (recovery)" in the Company's Consolidated Statements of Income. The net amount of accrued interest, inflation and penalties in 2024 was a $4 million recovery (2023 - $3 million recovery; 2022 - $5 million expense). The total amount of accrued interest, inflation and penalties associated with unrecognized tax benefits as at December 31, 2024 was $11 million (2023 - $15 million; 2022 - $18 million).

The Company and its subsidiaries are subject to either Canadian federal and provincial income tax, U.S. federal, state and local income tax, Mexican income tax or the relevant income tax in other international jurisdictions. The Company has substantially concluded all Canadian federal and provincial income tax matters for the years through 2019. The federal and provincial income tax returns filed for 2020 and subsequent years remain subject to examination by the Canadian taxation authorities. The 2019 and subsequent years remain subject to international audit examination by the Canadian taxation authorities. The U.S. income tax returns for 2021 and subsequent years continue to remain subject to examination by the Internal Revenue Service ("IRS") and U.S. state tax jurisdictions. Kansas City Southern de México, S.A. de C.V. (also known as Canadian Pacific Kansas City Mexico) ("CPKCM") has closed audit examinations for Mexican income tax returns for the years through 2020, except for the 2014 year which is currently in litigation before the Federal Collegiate Circuit Courts (see Note 25). The CPKCM Mexican income tax returns filed for 2021 and subsequent years remain subject to examination by the Servicio de Administración Tributaria ("SAT") (Mexican tax authority). There are certain other Mexican subsidiaries with ongoing audits for the years 2016-2019 and 2021. As at December 31, 2024, the Company believes that it has recorded sufficient income tax reserves with respect to these income tax examinations and open tax years.

Mexican tax audits

CPKCM closed audit examinations with the SAT for the tax years 2016-2020 in September 2023 and the tax years 2009-2010, 2013 and 2015 in November 2023. The audit examinations were for corporate income tax and value added tax ("VAT"). The settlement of these audits resulted in payments of $135 million and a $16 million reduction to the April 14, 2023 refundable VAT balance, which was classified within "Accounts receivable, net". The settlements primarily resulted in an increase of $90 million to "Goodwill" (see Note 10) and a current income tax expense to "Income tax (recovery) expense" of $13 million. In addition, a current income tax expense of $3 million for the year ended December 31, 2023 was recognized to reserve for potential future audit settlements. As a result, as at December 31, 2023, the estimated impact of potential future audit settlements for tax years after 2020 that were substantially reserved included a reduction to the April 14, 2023 refundable VAT balance of $9 million and an income tax reserve of $3 million, which was classified within "Accounts payable and accrued liabilities".

Mexican value added tax

As discussed above in Mexican tax audits, CPKCM closed audit examinations for Mexican VAT returns for the years through 2020, except for the 2014 year which is currently in litigation (see Note 25). The settlement and the estimated impact of potential future audit settlements resulted in an increase of $96 million to "Goodwill" (see Note 10) and a $25 million reduction to the April 14, 2023 refundable VAT balance. As of December 31, 2023 and April 14, 2023, the CPKCM refundable VAT balance was $nil and $55 million, respectively. Except for the 2014 year in litigation, there are no VAT disputes with the SAT as of December 31, 2023.

7. Earnings per share

For the year ended December 31 (in millions of Canadian dollars, except per share data)		**2024**		2023		2022
Net income attributable to controlling shareholders	**$**	**3,718**	$	3,927	$	3,517
Weighted-average basic shares outstanding (millions)		**933.0**		931.3		930.0
Dilutive effect of stock options (millions)		**1.6**		2.4		2.9
Weighted-average diluted shares outstanding (millions)		**934.6**		933.7		932.9
Earnings per share - basic	**$**	**3.98**	$	4.22	$	3.78
Earnings per share - diluted	**$**	**3.98**	$	4.21	$	3.77

In 2024, there were 0.6 million options excluded from the computation of diluted earnings per share because their effects were not dilutive (2023 - 0.6 million; 2022 - 0.3 million).

8. Other comprehensive income (loss) and Accumulated other comprehensive income (loss)

The components of Other comprehensive income (loss) and the related tax effects attributable to controlling shareholders are as follows:

(in millions of Canadian dollars)	Before tax amount	Income tax (expense) recovery	Net of tax amount
For the year ended December 31, 2024			
Unrealized foreign exchange gain (loss) on:			
Translation of net investment in U.S. subsidiaries and equity method investees	**$ 2,920**	**$ —**	**$ 2,920**
Translation of U.S. dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries and equity method investees (Note 17)	**(380)**	**36**	**(344)**
Realized loss on derivatives designated as cash flow hedges recognized in income	**6**	**(1)**	**5**
Change in pension and other benefits actuarial gains and losses	**990**	**(257)**	**733**
Change in prior service pension and other benefit costs	**(11)**	**3**	**(8)**
Equity accounted investments	**(8)**	**—**	**(8)**
Other comprehensive income	**$ 3,517**	**$ (219)**	**$ 3,298**
For the year ended December 31, 2023			
Unrealized foreign exchange (loss) gain on:			
Translation of net investment in U.S. subsidiaries and equity method investees	$ (840)	$ —	$ (840)
Translation of U.S. dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries and equity method investees (Note 17)	194	(22)	172
Realized loss on derivatives designated as cash flow hedges recognized in income	7	(2)	5
Change in pension and other benefits actuarial gains and losses	(57)	16	(41)
Change in prior service pension and other benefit costs	(16)	4	(12)
Equity accounted investments	7	—	7
Other comprehensive loss	$ (705)	$ (4)	$ (709)
For the year ended December 31, 2022			
Unrealized foreign exchange gain (loss) on:			
Translation of net investment in U.S. subsidiaries and equity method investees	$ 2,099	$ —	$ 2,099
Translation of U.S. dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries and equity method investees (Note 17)	(471)	59	(412)
Realized loss on derivatives designated as cash flow hedges recognized in income	6	(2)	4
Change in pension and other benefits actuarial gains and losses	706	(182)	524
Change in prior service pension and other benefit costs	(26)	7	(19)
Equity accounted investments	(5)	3	(2)
Other comprehensive income	$ 2,309	$ (115)	$ 2,194

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
Balance as at January 1, 2024	**$ 837**	**$ 5**	**$ (1,463)**	**$ 3**	**$ (618)**
Other comprehensive income (loss) before reclassifications	**2,576**	**—**	**690**	**(8)**	**3,258**
Amounts reclassified from AOCI	**—**	**5**	**35**	**—**	**40**
Net other comprehensive income (loss)	**2,576**	**5**	**725**	**(8)**	**3,298**
Balance as at December 31, 2024	**$ 3,413**	**$ 10**	**$ (738)**	**$ (5)**	**$ 2,680**
Balance as at January 1, 2023	$ 1,505	$ —	$ (1,410)	$ (4)	$ 91
Other comprehensive (loss) income before reclassifications	(668)	—	(79)	6	(741)
Amounts reclassified from AOCI	—	5	26	1	32
Net other comprehensive (loss) income	(668)	5	(53)	7	(709)
Balance as at December 31, 2023	$ 837	$ 5	$ (1,463)	$ 3	$ (618)

9. Accounts receivable, net

	As at December 31, 2024			As at December 31, 2023		
(in millions of Canadian dollars)	**Freight**	**Non-freight**	**Total**	Freight	Non-freight	Total
Total accounts receivable	**$ 1,635**	**$ 431**	**$ 2,066**	$ 1,559	$ 417	$ 1,976
Allowance for credit losses	**(75)**	**(23)**	**(98)**	(63)	(26)	(89)
Total accounts receivable, net	**$ 1,560**	**$ 408**	**$ 1,968**	$ 1,496	$ 391	$ 1,887

10. Business acquisition

On December 14, 2021, the Company purchased 100% of the issued and outstanding shares of KCS with the objective of creating the only single-line railroad linking the U.S., Mexico and Canada, and the Company placed the shares of KCS in a voting trust. On March 15, 2023, the U.S. Surface Transportation Board (the "STB") approved the Company and KCS's joint merger application, and the Company assumed control of KCS on April 14, 2023 (the "Control Date"). From December 14, 2021 to April 13, 2023, the Company recorded its investment in KCS using the equity method of accounting.

Accordingly, the Company commenced consolidation of KCS on the Control Date, accounting for the acquisition as a business combination achieved in stages. The results from operations and cash flows have been consolidated prospectively from the Control Date. The Company derecognized its previously held equity method investment in KCS of $44,402 million as at April 13, 2023 and remeasured the investment at its Control Date fair value of $37,227 million, which formed part of the purchase consideration, resulting in a remeasurement loss of $7,175 million recorded in the second quarter of 2023. In addition, and on the same date, a deferred income tax recovery of $7,832 million was recognized upon the derecognition of the deferred income tax liability computed on the outside basis that the Company had recognized in relation to its investment in KCS while accounted for using the equity method. The fair value of the previously held equity interest in KCS was determined by a discounted cash flow approach, which incorporated the Company's best estimates of long-term growth rates, tax rates, discount rates, and terminal multiples.

The identifiable assets acquired, and liabilities and non-controlling interest assumed were measured at their fair values at the Control Date, with certain exceptions, including income taxes, certain contingent liabilities and contract liabilities. The fair values of the tangible assets were determined using valuation techniques including, but not limited to, the market approach and the cost approach. The significant assumptions used to determine the fair value of the tangible assets included, but were not limited to, a selection of comparable assets and an appropriate inflation rate. Presented with the acquired Properties are concession and related assets held under the terms of the Concession. The Concession term ends in June 2047, but is renewable under certain conditions, for additional periods, each up to 50 years.

The fair values of the intangible assets were determined using valuation techniques including, but not limited to, the multi-period excess earnings method, the replacement cost method, the relief from royalty method and the income approach. The significant assumptions used to determine the fair values of the intangible assets included, but were not limited to, the renewal probability and term of the Mexican concession extension, discount rates, earnings before interest, tax, depreciation, and amortization ("EBITDA") margins and terminal growth rates.

The fair value of the non-controlling interest was determined using a combination of the income and market approaches to determine the fair value of Meridian Speedway LLC in which Norfolk Southern Corporation ("NSC") owns a non-controlling interest, and this fair value was allocated proportionately between KCS and NSC.

The accounting for the acquisition of KCS was completed on April 13, 2024, with the end of the measurement period and the final validation of the fair values assigned to acquired assets and assumed liabilities. This validation was completed using additional information about facts and circumstances as of the Control Date, that was obtained during the measurement period.

The following table summarizes the final purchase price allocation with the amounts recognized in respect of the identifiable assets acquired and liabilities and non-controlling interest assumed on the Control Date, as well as the fair value of the previously held equity interest in KCS and the measurement period adjustments recorded:

(in millions of Canadian dollars)		Preliminary allocation - April 14, 2023		Measurement period adjustments		Final allocation
Net assets acquired:						
Cash and cash equivalents	$	298	$	—	$	298
Net working capital		51		(161)		(110)
Properties		28,748		1		28,749
Intangible assets		3,022		—		3,022
Other long-term assets		496		(6)		490
Debt including debt maturing within one year		(4,545)		—		(4,545)
Deferred income taxes		(6,984)		62		(6,922)
Other long-term liabilities		(406)		(37)		(443)
Total identifiable net assets	**$**	**20,680**	**$**	**(141)**	**$**	**20,539**
Goodwill		17,491		141		17,632
	$	**38,171**	**$**	**—**	**$**	**38,171**
Consideration:						
Fair value of previously held equity method investment	**$**	**37,227**	**$**	**—**	**$**	**37,227**
Intercompany payable balance, net acquired		12		—		12
Fair value of non-controlling interest		932		—		932
Total	**$**	**38,171**	**$**	**—**	**$**	**38,171**

During the measurement period, adjustments were recorded as a result of new information that was obtained about facts and circumstances of certain KCS assets and liabilities as of the Control Date. New information obtained during 2023 was primarily in relation to CPKCM's value added tax assets and liabilities, as well as income and other tax positions. New information obtained during the first quarter of 2024 was primarily in relation to KCS's environmental liabilities, certain liabilities for other taxes in Mexico and legal and personal injury claims. Other adjustments recorded in relation to assets and liabilities were not significant in value. These adjustments to the Company's December 31, 2023 Consolidated Balance Sheet and March 31, 2024 Interim Consolidated Balance Sheet had a negligible impact to the Company's net income in 2023 and in the year ended December 31, 2024.

The net working capital acquired included trade receivables of $697 million and accounts payable and accrued liabilities of $1,014 million.

Intangible assets of $3,022 million consisted of contracts and customer relationships with amortization periods of nine to 22 years as well as U.S. trackage rights and the KCS brand with indefinite estimated useful lives. Included in the acquired Properties are concession rights and related assets held under the terms of a concession from the Mexican government, which have fair values totalling $9,176 million. The Concession rights and related assets are amortized over the shorter of the underlying asset lives and the estimated concession term, including one renewal period, of 74 years.

Net working capital and Other long-term liabilities included environmental liabilities of $15 million and $160 million, respectively, and legal and personal injury claims of $44 million and $40 million, respectively, which are contingent on the outcome of uncertain future events. The values are measured at estimated cost and evaluated for changes in facts at the end of the reporting period.

The excess of the total consideration, over the amounts allocated to acquired assets and assumed liabilities and non-controlling interest recognized, has been recognized as goodwill of $17,632 million. Goodwill represents future synergies and an acquired assembled workforce. All of the goodwill has been assigned to the Company's single, rail transportation operating segment. None of the goodwill is expected to be deductible for income tax purposes.

During the year ended December 31, 2024, in relation to certain Mexican tax liabilities identified and recorded through Goodwill during the measurement period, the Company also recorded further adjustments to provisions and settlements of Mexican taxes of $4 million net recovery recognized within "Compensation and benefits". This comprises $10 million for liabilities incurred since the Control Date recognized in the first quarter of 2024 and a $14 million related recovery.

On a pro forma basis, if the Company had consolidated KCS beginning on January 1, 2022, the revenue and net income attributable to controlling shareholders of the combined entity would be as follows for the years ended December 31, 2023 and December 31, 2022:

	For the year ended December 31, 2023		For the year ended December 31, 2022	
(in millions of Canadian dollars)	**KCS Historical[(1)]**	**Pro Forma CPKC**	KCS Historical[(1)]	Pro Forma CPKC
Revenue	**$ 1,351**	**$ 13,909**	$ 4,390	$ 13,217
Net income attributable to controlling shareholders	**280**	**3,174**	1,287	4,153

(1) KCS's historical amounts in U.S. dollars were translated into Canadian dollars at the Bank of Canada average exchange rate for the period from January 1 to April 13, 2023 and year ended December 31, 2022 with effective exchange rates of $1.35 and $1.30, respectively.

For the years ended December 31, 2023 and December 31, 2022, the supplemental pro forma Net income attributable to controlling shareholders for the combined entity were adjusted for:

- the removal of the remeasurement loss of $7,175 million upon the derecognition of CPRL's previously held equity method investment in KCS from the year ended December 31, 2023, which included the reclassification of associated AOCI to retained earnings; and recognition of this remeasurement loss in the year ended December 31, 2022;
- depreciation and amortization of differences between the historic carrying value and the fair value of tangible and intangible assets and investments prior to the Control Date;
- amortization of differences between the carrying amount and the fair value of debt through net interest expense prior to the Control Date;
- the elimination of intercompany transactions prior to the Control Date between the Company and KCS;
- miscellaneous amounts reclassified across revenue, operating expenses, and non-operating income or expense, consistent with CPKC's financial statement captions;
- the removal of equity earnings from KCS, previously recognized as an equity method investment prior to the Control Date, of $230 million and $1,074 million for the years ended December 31, 2023 and December 31, 2022, respectively;
- transaction costs incurred by the Company; and
- income tax adjustments including:
  - the derecognition of a deferred income tax recovery of $7,832 million for the year ended December 31, 2023 related to the elimination of the deferred income tax liability on the outside basis difference of the investment in KCS; and recognition of this deferred income tax recovery in the year ended December 31, 2022;
  - the derecognition of a deferred income tax recovery for the year ended December 31, 2023 on CPKC unitary state apportionment changes; and recognition of these CPKC unitary state apportionment changes in the year ended December 31, 2022;
  - a deferred income tax recovery prior to the Control Date on amortization of fair value adjustments to investments, properties, intangible assets, and debt; and
  - a current income tax recovery on transaction costs expected to be incurred by CPKC.

During the year ended December 31, 2024, the Company incurred $112 million in acquisition-related costs, of which:

- $18 million were recognized in "Compensation and benefits" primarily related to retention and synergy related incentive compensation costs;
- $6 million were recognized in "Materials"; and
- $88 million were recognized in "Purchased services and other" primarily related to system migration, relocation expenses, legal and consulting fees.

During the year ended December 31, 2023, the Company incurred $190 million in acquisition-related costs, of which:

- $71 million were recognized in "Compensation and benefits" primarily related to restructuring costs, retention and synergy related incentive compensation costs;
- $2 million were recognized in "Materials";
- $111 million were recognized in "Purchased services and other" primarily related to third party purchased services, and payments made to certain communities across the combined network to address the environmental and social impacts of increased traffic as required by voluntary agreements with communities and conditions imposed by the STB pursuant to the STB's final decision approving the Company and KCS's joint merger application, including, but not limited to, payments related to new crossings, closure of existing crossings and other infrastructure projects; and
- $6 million were recognized in "Other (income) expense".

KCS incurred acquisition-related costs of $11 million (net of tax) between January 1, 2023 and April 13, 2023, which were included within "Equity earnings of Kansas City Southern".

During the year ended December 31, 2022, the Company incurred $74 million in acquisition-related costs recognized within "Purchased services and other". Acquisition-related costs of $49 million (net of tax) incurred by KCS during the year ended December 31, 2022, were included in "Equity earnings of Kansas City Southern".

During the year ended December 31, 2024, the Company recognized $352 million of KCS purchase accounting (see Note 11 for further discussion), representing incremental expenses associated with the amortization of fair value adjustments associated with purchase accounting, as follows:
- $333 million recognized in "Depreciation and amortization";
- $3 million recognized in "Purchased services and others";
- $3 million recognized in "Other (income) expense";
- $20 million recognized in "Net interest expense"; and
- a recovery of $7 million recognized in "Net loss attributable to non-controlling interest".

During the year ended December 31, 2023, the Company recognized $297 million of KCS purchase accounting, as follows:
- $234 million recognized in "Depreciation and amortization";
- $1 million recognized in "Purchased services and others";
- $48 million (net of tax) recognized in "Equity earnings of Kansas City Southern";
- $2 million recognized in "Other (income) expense";
- $17 million recognized in "Net interest expense"; and
- a recovery of $5 million recognized in "Net loss attributable to non-controlling interest".

During the year ended December 31, 2022, the Company recognized $163 million (net of tax) of KCS purchase accounting in "Equity earnings of Kansas City Southern".

11. Investment in Kansas City Southern

On April 14, 2023, the Company assumed control of KCS and derecognized its equity method investment in KCS (see Note 10). The carrying amount of the Company's equity investment in KCS reported in the Consolidated Balance Sheets prior to derecognition reflected the total of the consideration paid to acquire KCS (see Note 10), the offsetting asset recorded on recognition of a deferred tax liability computed on an outside basis (see Note 6), the subsequent recognition of equity income recorded in "Equity earnings of Kansas City Southern" and "Other comprehensive income (loss) from equity investees", the receipt of dividends from KCS, and foreign currency translation based on the period-end exchange rate.

The Company estimated approximately $30 billion of basis differences between the consideration paid to acquire KCS and the underlying carrying value of the net assets of KCS as at December 14, 2021. While the Company accounted for its investment in KCS using the equity method of accounting from December 14, 2021 until April 13, 2023, the basis difference was amortized and recorded as a reduction of the Company's equity earnings of KCS. The basis differences that related to depreciable property, plant and equipment, intangible assets with definite lives, and long-term debt were amortized over the related assets' remaining useful lives, and the remaining terms to maturity of the debt instruments. The remainder of the basis differences, relating to non-depreciable property, plant and equipment, intangible assets with indefinite lives, and equity method goodwill, were not amortized and were carried at cost subject to an assessment for impairment.

For the period January 1 to April 13, 2023, the Company recognized $230 million of equity earnings of KCS (year ended December 31, 2022 - $1,074 million), and received dividends from KCS of $300 million (year ended December 31, 2022 - $1,157 million). The foreign currency translation of the investment in KCS totalled an FX loss of $578 million (year ended December 31, 2022 - an FX gain of $2,891 million). Included within the equity earnings of KCS recognized for the period from January 1 to April 13, 2023 was amortization (net of tax) of basis differences of $48 million (year ended December 31, 2022 - $163 million). Equity earnings of KCS recognized for the year ended December 31, 2022 also included KCS's gain on unwinding of interest rate hedges of $212 million, which was net of the Company's associated purchase accounting basis differences and tax.

The following table presents summarized financial information for KCS, on its historical cost basis:

Consolidated Statements of Income

(in millions of Canadian dollars)[1]	For the period January 1 to April 13, 2023	For the year ended December 31, 2022
Total revenues	$ 1,351	$ 4,390
Total operating expenses	888	2,794
Operating income	463	1,596
Other[2]	83	(119)
Income before income taxes	380	1,715
Net income	$ 280	$ 1,287

[1] Amounts translated at the average FX rate for the period from January 1 to April 13, 2023 of $1.00 USD = $1.35 CAD and for the year ended December 31, 2022 of $1.00 USD = $1.30 CAD.

[2] Includes Equity in net earnings of KCS's affiliates, Interest expense, FX loss, and Other income, net.

12. Properties

As at December 31 (in millions of Canadian dollars except percentages)	2024 Weighted-average annual depreciation rate	2024 Cost	2024 Accumulated depreciation	2024 Net book value	2023 Cost	2023 Accumulated depreciation	2023 Net book value
Track and roadway	2.8 %	$ 46,646	$ 7,741	$ 38,905	$ 42,597	$ 6,811	$ 35,786
Rolling stock	3.7 %	8,723	1,880	6,843	8,125	1,629	6,496
Land	N/A	3,765	—	3,765	3,487	—	3,487
Concession land rights	1.4 %	1,935	45	1,890	1,779	17	1,762
Buildings	2.9 %	1,927	319	1,608	1,732	281	1,451
Other	6.2 %	4,493	1,480	3,013	4,065	1,303	2,762
Total		$ 67,489	$ 11,465	$ 56,024	$ 61,785	$ 10,041	$ 51,744

Concession assets included within each asset group of Properties shown above are as follows:

As at December 31, 2024 (in millions of Canadian dollars)	2024 Cost	2024 Accumulated depreciation	2024 Net book value	2023 Cost	2023 Accumulated depreciation	2023 Net book value
Track and roadway	$ 7,871	$ 302	$ 7,569	$ 7,056	$ 99	$ 6,957
Concession land rights	1,935	45	1,890	1,779	17	1,762
Buildings	249	20	229	230	7	223
Other	157	9	148	141	4	137
Total	$ 10,212	$ 376	$ 9,836	$ 9,206	$ 127	$ 9,079

Finance lease ROU assets

As at December 31 (in millions of Canadian dollars)	2024 Cost	2024 Accumulated depreciation	2024 Net book value	2023 Cost	2023 Accumulated depreciation	2023 Net book value
Rolling stock	$ 186	$ 90	$ 96	$ 182	$ 79	$ 103
Other	8	2	6	14	6	8
Total ROU assets held under finance lease	$ 194	$ 92	$ 102	$ 196	$ 85	$ 111

Government assistance

During the year ended December 31, 2024, the Company received $26 million (2023 - $25 million) of government assistance towards the purchase and construction of properties.

As of December 31, 2024, the total Properties balance of $56,024 million includes $272 million (2023 - $272 million) of unamortized government assistance, primarily related to the enhancement of the Company's track and roadway infrastructure. Amortization expense related to government assistance for the year ended December 31, 2024, was $10 million (2023 - $11 million).

13. Goodwill

(in millions of Canadian dollars)		
Balance as at December 31, 2022	$	344
Addition (Note 10)		17,565
Foreign exchange impact		(180)
Balance as at December 31, 2023		17,729
Addition (Note 10)		67
Foreign exchange impact		1,554
Balance as at December 31, 2024	**$**	**19,350**

Additions to goodwill in 2023 and 2024 represent the excess of the purchase price over the fair value of the net assets acquired in the business acquisition of KCS, including adjustments arising in the measurement period. The goodwill represents synergies and an acquired assembled workforce.

14. Intangible assets

(in millions of Canadian dollars)		Cost[(1)]		Accumulated amortization		Net carrying amount
Balance as at December 31, 2022	$	66	$	(24)	$	42
Additions (Note 10)		3,022		—		3,022
Amortization		—		(61)		(61)
Foreign exchange impact		(27)		(2)		(29)
Balance as at December 31, 2023		3,061		(87)		2,974
Amortization		—		(85)		(85)
Foreign exchange impact		254		3		257
Balance as at December 31, 2024	**$**	**3,315**	**$**	**(169)**	**$**	**3,146**

(1) As at December 31, 2024, the Company held $1,956 million (2023 - $1,798 million) of Intangible assets not subject to amortization.

Provided below is the estimated aggregate amortization expense for each of the five succeeding fiscal years, and thereafter:

(in millions of Canadian dollars)		
2025	$	90
2026		90
2027		89
2028		89
2029		89
2030 and thereafter		743
Total	$	1,190

15. Accounts payable and accrued liabilities

As at December 31 (in millions of Canadian dollars)	2024	2023
Trade payables	**$ 768**	$ 680
Accrued charges	**732**	667
Income and other taxes payable	**379**	255
Dividends payable	**177**	177
Accrued interest	**167**	162
Payroll-related accruals	**151**	115
Operating lease liabilities (Note 19)	**112**	102
Accrued vacation	**99**	99
Personal injury and other claims provision[(1)]	**78**	69
Financial derivative liability (Note 17)	**—**	60
Stock-based compensation liabilities	**58**	50
Other[(1)]	**121**	131
Total accounts payable and accrued liabilities	**$ 2,842**	$ 2,567

[(1)] 2023 comparative figures have been reclassified to conform with current period presentation.

16. Debt

The following table outlines the Company's outstanding long-term debt as at December 31, 2024:

(in millions of Canadian dollars except percentages)			Maturity	Currency in which payable	2024	2023
1.35%	3-year Notes	(A)	Dec 2024	U.S.$	**—**	1,983
2.90%	10-year Notes	(A)	Feb 2025	U.S.$	**924**	926
3.70%	10.5-year Notes	(A)	Feb 2026	U.S.$	**360**	330
1.75%	5-year Notes	(A)	Dec 2026	U.S.$	**1,438**	1,321
2.54%	6.3-year Notes	(A)	Feb 2028	CDN$	**1,200**	1,200
4.00%	10-year Notes	(A)	Jun 2028	U.S.$	**719**	661
3.15%	10-year Notes	(A)	Mar 2029	CDN$	**400**	400
2.05%	10-year Notes	(A)	Mar 2030	U.S.$	**719**	660
7.125%	30-year Debentures	(A)	Oct 2031	U.S.$	**503**	463
2.45%	10-year Notes	(A)	Dec 2031	U.S.$	**2,014**	1,851
5.75%	30-year Debentures	(A)	Mar 2033	U.S.$	**355**	326
4.80%	20-year Notes	(A)	Sep 2035	U.S.$	**431**	396
5.95%	30-year Notes	(A)	May 2037	U.S.$	**642**	590
6.45%	30-year Notes	(A)	Nov 2039	CDN$	**400**	400
3.00%	20-year Notes	(A)	Dec 2041	U.S.$	**1,433**	1,317
5.75%	30-year Notes	(A)	Jan 2042	U.S.$	**355**	326
4.80%	30-year Notes	(A)	Aug 2045	U.S.$	**790**	725
3.05%	30-year Notes	(A)	Mar 2050	CDN$	**298**	298
3.10%	30-year Notes	(A)	Dec 2051	U.S.$	**2,507**	2,365
6.125%	100-year Notes	(A)	Sep 2115	U.S.$	**1,295**	1,190
CPRC Notes issued under Debt Exchange						
3.125%	10-year Notes	(B)	Jun 2026	U.S.$	**320**	291

2.875%	10-year Notes	(B)	Nov 2029	U.S.$	**551**	499
4.30%	30-year Notes	(B)	May 2043	U.S.$	**563**	515
4.95%	30-year Notes	(B)	Aug 2045	U.S.$	**626**	574
4.70%	30-year Notes	(B)	May 2048	U.S.$	**653**	599
3.50%	30-year Notes	(B)	May 2050	U.S.$	**591**	540
4.20%	50-year Notes	(B)	Nov 2069	U.S.$	**484**	444
2.875% - 7.00%	Other Senior Notes	(B)	up to Nov 2069	U.S.$	**114**	104
5.41%	Senior Secured Notes	(C)	Mar 2024	U.S.$	**—**	64
6.91%	Secured Equipment Notes	(C)	Oct 2024	CDN$	**—**	21
2.96% - 4.29%	RRIF Loans	(D)	up to Feb 2037	U.S.$	**69**	70
Obligations under finance leases						
Various		(E)	Various	CDN$/U.S.$	**6**	8
2.32%		(E)	Sep 2026	U.S.$	**6**	8
6.57%		(E)	Dec 2026	U.S.$	**16**	22
12.77%		(E)	Jan 2031	CDN$	**3**	3
1.93%		(E)	Feb 2041	U.S.$	**4**	4
Commercial Paper				U.S.$	**1,586**	1,058
Short-term Borrowing				U.S.$	**288**	—
					22,663	22,552
Perpetual 4% Consolidated Debenture Stock		(F)		U.S.$	**44**	40
Perpetual 4% Consolidated Debenture Stock		(F)		G.B.£	**6**	6
					22,713	22,598
Unamortized fees on long-term debt					**(90)**	(104)
					22,623	22,494
Less: Long-term debt maturing within one year					**2,819**	3,143
Total long-term debt					**$ 19,804**	$ 19,351

As at December 31, 2024, the gross amount of long-term debt denominated in U.S. dollars was U.S. $14,598 million (December 31, 2023 - U.S. $15,764 million).

Annual maturities and principal repayment requirements, excluding those pertaining to finance leases, for each of the five years following 2024 are (in millions): 2025 - $2,805; 2026 - $2,165; 2027 - $7; 2028 - $1,927; 2029 - $1,020; thereafter - $15,354.

Fees on long-term debt are amortized to income over the term of the related debt.

A. These debentures and notes are presented net of unamortized discounts, require interest payments semi-annually, and are unsecured but carry a negative pledge.

In 2024, the Company repaid, at maturity, the remaining balance of U.S. $1,429 million ($2,002 million) on its 1.35% 3-year Notes. The Company also repurchased, on the open market, certain Senior Notes with principal values of U.S. $176 million ($241 million). These repurchases were accounted for as debt extinguishments, with gains of $22 million recorded in "Other (income) expense" on the Company's Consolidated Statements of Income.

In 2023, the Company repaid $1,000 million 1.589% 2-year Notes, and U.S. $350 million ($479 million) 4.45% 12.5-year Notes. In addition, the Company repaid U.S. $199 million ($272 million) of 3.85% 10-year Senior Notes, and U.S. $439 million ($592 million) of 3.00% 10-year Senior Notes by release of funds from the trustee as discussed below in "Satisfaction and discharge of KCS 2023 Notes".

B. On March 20, 2023, the Company announced the commencement of offers to exchange any and all validly tendered (and not validly withdrawn notes) and accepted notes of seven series, each previously issued by KCS (the "Old Notes") for notes issued by Canadian Pacific Railway Company ("CPRC") (the "CPRC Notes"), a wholly-owned subsidiary of CPKC, and unconditionally guaranteed on an unsecured basis by CPKC. Each series of CPRC Notes has the same interest rates, interest payment dates, maturity dates, and substantively the same optional redemption provisions as the corresponding series of Old Notes.

In exchange for each U.S. $1,000 principal amount of Old Notes that was validly tendered prior to March 31, 2023 (the "Early Participation Date") and not validly withdrawn, holders of Old Notes received consideration consisting of U.S. $1,000 principal amount of CPRC Notes and a cash amount of U.S. $1.00. This total consideration included an early participation premium, consisting of U.S. $30 principal amount of CPRC Notes per U.S. $1,000 principal amount of Old Notes. In exchange for each U.S. $1,000 principal amount of Old Notes that was validly tendered after the Early Participation Date but prior to the expiration of the exchange offers on April 17, 2023 (the "Expiration Date") and not validly withdrawn, holders of Old Notes received consideration consisting of U.S. $970 principal amount of CPRC Notes and a cash amount of U.S. $1.00. On April 19, 2023, the exchange offerings were settled with the issuance of U.S. $3,014 million of CPRC Notes. The notes which were not exchanged had a carrying value of U.S. $104 million at December 31, 2023.

The Debt Exchange was accounted for as a modification of debt. During the year ended December 31, 2023, the Company incurred $12 million of costs associated with the Debt Exchange, recorded in "Other (income) expense"(see Note 5). These charges, and amounts paid to noteholders upon execution of the Debt Exchange, of $17 million, have been classified as "Acquisition-related financing fees" in the Company's Consolidated Statements of Cash Flows for the year ended December 31, 2023.

C. In 2024, the Company repaid, at maturity, U.S. $48 million ($66 million) 5.41% Senior Secured Notes collateralized by specific locomotives. The Company also repaid $21 million 6.91% Secured Equipment Notes which were full recourse obligation of the Company collateralized by a first charge on specific locomotives.

D. The following loans were made under the Railroad Rehabilitation and Improvement Financing (“RRIF”) Program administered by the Federal Railroad Administration:

The Kansas City Southern Railway Company ("KCSR") RRIF Loan Agreement was entered into on February 21, 2012 to borrow U.S. $55 million to be used to reimburse KCSR for a portion of the purchase price of 30 new locomotives (the “Locomotives”) in the fourth quarter of 2011. The loan bears interest at 2.96% annually and the principal balance amortizes quarterly with a final maturity of February 24, 2037. This loan is secured by a first priority security interest in the Locomotives with a carrying value of $14 million as at December 31, 2024.

The Texas Mexican Railway Company RRIF Loan Agreement was entered into on June 28, 2005 to borrow U.S. $50 million to be used for infrastructure improvements in order to accommodate growing freight rail traffic. The loan bears interest at 4.29% annually and the principal balance amortizes quarterly with a final maturity of July 13, 2030. The loan is guaranteed by Mexrail Inc. ("Mexrail"), which has issued a pledge agreement in favour of the lender equal to the gross revenues earned by Mexrail on per-car fees on traffic crossing the Texas Mexican Railway International Bridge in Laredo, Texas. The Company wholly owns Mexrail which, in turn, wholly owns The Texas Mexican Railway Company.

E. The carrying value of the assets collateralizing the Company's finance lease obligations was $102 million at December 31, 2024.

F. The Consolidated Debenture Stock, authorized by an *Act of Parliament of 1889*, constitutes a first charge upon and over the whole of the undertaking, railways, works, rolling stock, plant, property and effects of the Company, with certain exceptions.

Credit facilities

The Company has a revolving credit facility (the “facility”) agreement with 15 highly rated financial institutions for a commitment amount of U.S. $2.2 billion. The facility can accommodate draws of cash and/or letters of credit at market competitive pricing. Effective June 25, 2024, the Company entered into the facility agreement to extend the maturity dates of its five-year U.S. $1.1 billion tranche and two-year U.S. $1.1 billion tranche to June 25, 2029 and June 25, 2026, respectively. 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 (December 31, 2023 - undrawn) and was undrawn on the five-year U.S. $1.1 billion tranche (December 31, 2023 - undrawn). The interest rate on these borrowings is 5.57%. These borrowings are included in "Long-term debt maturing within one year" on the Company's Consolidated Balance Sheets. As at December 31, 2024 and 2023, the Company was in compliance with all terms and conditions of the credit facility arrangements and satisfied the financial covenant.

The Company also 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 the U.S. $2.2 billion revolving credit facility. As at December 31, 2024, the Company had total commercial paper borrowings outstanding of U.S. $1,102 million ($1,586 million), included in "Long-term debt maturing within one year" on the Company's Consolidated Balance Sheets (December 31, 2023 - U.S. $800 million ($1,058 million)). The weighted-average interest rate on these borrowings as at December 31, 2024 was 4.75% (December 31, 2023 - 5.59%). The Company presents issuances and repayments of commercial paper, all of which have a maturity of less than 90 days, in the Company's Consolidated Statements of Cash Flows, on a net basis.

The Company has bilateral letter of credit facilities with six highly rated financial institutions to support its requirement to post letters of credit in the ordinary course of business. Under these agreements, the Company has the option to post collateral in the form of cash or cash equivalents, equal at least to the face value of the letter of credit issued. These agreements permit the Company to withdraw amounts posted as collateral at any time; therefore, the amounts posted as collateral are presented as "Cash and cash equivalents" on the Company's Consolidated Balance Sheets. As at December 31, 2024 and 2023, the Company did not have any collateral posted on its bilateral letter of credit facilities but had letters of credit drawn of $95 million (December 31, 2023 - $93 million) from a total available amount of $300 million.

In May 2023 the Company terminated KCS's credit facility and commercial paper program.

Satisfaction and discharge of KCS 2023 Notes

On April 24, 2023, the Company irrevocably deposited U.S. $647 million of non-callable government securities with the trustee of two series of notes that matured in 2023 and were not included in the Debt Exchange (the "KCS 2023 Notes"), to satisfy and discharge KCS's obligations under the KCS 2023 Notes. As a result of the satisfaction and discharge, the obligations of the Company under the indenture with respect to the KCS 2023 Notes were terminated, except those provisions of the indenture that, by their terms, survived the satisfaction and discharge. The Company utilized existing cash resources and issuances of commercial paper to fund the satisfaction and discharge. On May 15, 2023 and November 15, 2023, the U.S. $439 million 3.00% senior notes and U.S. $199 million 3.85% senior notes, respectively, that comprise the KCS 2023 Notes were repaid by release of funds from the trustee. In the Company's Consolidated Statements of Cash Flows, the government securities purchased towards settlement of the May maturity were treated as a cash equivalent. The purchase of government securities of U.S. $198 million ($267 million) associated with the November maturity, along with the settlement of these government securities for U.S. $200 million ($274 million) were presented within investing activities. This transaction, along with the Debt Exchange mentioned above, relieved KCS from continuous disclosure obligations.

17. 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 values.

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 period end. All measurements are classified as Level 2. The Company's long-term debt, including current maturities, with a carrying value of $20,749 million as at December 31, 2024 (December 31, 2023 - $21,437 million), had a fair value of $18,911 million (December 31, 2023 - $20,550 million).

B. Financial risk management

Derivative financial instruments

Derivative financial instruments may be used to selectively reduce volatility associated with fluctuations in interest rates, FX rates, the price of fuel, and stock-based compensation expense. Where derivatives are designated as hedging instruments, the relationship between the hedging instruments and their associated hedged items is documented, as well as the risk management objective and strategy for the use of the hedging instruments. This documentation includes linking the derivatives that are designated as fair value or cash flow hedges to specific assets or liabilities on the Company's Consolidated Balance Sheets, commitments, or forecasted transactions. At the time a derivative contract is entered into and at least quarterly thereafter, an assessment is made as to whether the derivative item is effective in offsetting the changes in fair value or cash flows of the hedged items. The derivative qualifies for hedge accounting treatment if it is effective in substantially mitigating the risk it was designed to address.

It is not the Company's intent to use financial derivatives or commodity instruments for trading or speculative purposes.

Credit risk management

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 railway industry predominantly serves financially established customers, and the Company has experienced limited financial losses 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 collectability.

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. The Company does not anticipate non-performance that would materially impact the Company's Consolidated Financial Statements. In addition, the Company believes there are no significant concentrations of credit risk.

FX management

The Company conducts business transactions and owns assets in Canada, the U.S., and Mexico. As a result, the Company is exposed to fluctuations in the value of financial commitments, assets, liabilities, income, or cash flows due to changes in FX rates. The Company may enter into FX risk management transactions primarily to manage fluctuations in the exchange rate between Canadian and U.S. currencies, along with fluctuations in the Mexican peso and U.S dollar as discussed below in "Foreign currency derivative instruments". FX exposure is primarily mitigated through natural offsets created by revenues, expenditures, and balance sheet positions incurred in the same currency. Where appropriate, the Company may negotiate with customers and suppliers to reduce the net exposure.

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 recognized in "Other comprehensive income (loss)" in 2024 was an FX loss of $380 million, the majority of which was unrealized (2023 - unrealized FX gain of $194 million; 2022 - unrealized FX loss of $471 million) (see Note 8).

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 net monetary assets or liabilities denominated in Mexican pesos that are subject to periodic re-measurement and settlement that create fluctuations within "Other (income) expense". Until January 2024, the Company hedged its net exposure to Mexican peso/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 pesos at an agreed-upon exchange rate on a future date.

The Company measures the foreign currency derivative contracts at fair value each period and recognizes any change in "Other (income) expense". The cash flows associated with these instruments are classified as "Operating activities" within the Company's Consolidated Statements of Cash Flows.

During the year, the Company recorded a loss of $4 million related to foreign exchange currency forwards prior to settlement (2023 - loss of $39 million). As of January 12, 2024, the Company settled all outstanding foreign currency forward contracts, resulting in a cash outflow of $65 million. As at December 31, 2023, the fair value of outstanding foreign exchange contracts included in "Accounts payable and accrued liabilities" was $60 million.

Offsetting

The Company's foreign currency forward contracts are executed with counterparties in the U.S. and were governed by International Swaps and Derivatives Association agreements that included standard netting arrangements. Asset and liability positions from contracts with the same counterparty were net settled upon maturity/expiration and presented on a net basis in the Company's Consolidated Balance Sheets prior to settlement.

Interest rate management

The Company is exposed to interest rate risk, which is the risk that the fair value or 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 finance lease agreements that are subject to either fixed market interest rates set at the time of issue or floating rates determined by ongoing 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 debt.

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 issuances, the Company may enter into forward rate agreements that are designated as cash flow hedges, to substantially lock in all or a portion of the effective future interest expense. The Company may also enter into swap and lock agreements, designated as fair value hedges, to manage the mix of fixed and floating rate debt.

Designated hedges that were previously settled were amortized from AOCI to "Net interest expense" for a total of $6 million in the year ended December 31, 2024 (2023 - $7 million; 2022 - $6 million).

18. Other long-term liabilities

As at December 31 (in millions of Canadian dollars)	2024	2023
Operating lease liabilities, net of current portion (Note 19)	**$ 254**	$ 242
Provision for environmental remediation, net of current portion[1]	**231**	200
Stock-based compensation liabilities, net of current portion	**177**	161
Deferred lease and license revenue, net of current portion[2]	**67**	68
Deferred revenue, net of current portion (Note 4)	**20**	16
Other, net of current portion	**118**	110
Total other long-term liabilities	**$ 867**	$ 797

[1] As at December 31, 2024, the aggregate provision for environmental remediation, including the current portion was $257 million (2023 - $220 million).

[2] The deferred lease and license revenue is being amortized to income on a straight-line basis over the related lease terms.

Provision for environmental remediation

Environmental remediation accruals cover site-specific remediation programs. The estimate of the probable costs to be incurred in the remediation of properties contaminated by past activities reflects the nature of contamination at individual sites according to typical activities and scale of operations conducted. The Company has developed remediation strategies for each property based on the nature and extent of the contamination, as well as the location of the property and surrounding areas that may be adversely affected by the presence of contaminants, considering available technologies, treatment and disposal facilities and the acceptability of site-specific plans based on the local regulatory environment. Site-specific plans range from containment and risk management of the contaminants through to the removal and treatment of the contaminants and affected soils and groundwater. The details of the estimates reflect the environmental liability at each property. Provisions for environmental remediation costs are recorded in “Other long-term liabilities”, except for the current portion which is recorded in “Accounts payable and accrued liabilities”. Payments are expected to be made over 10 years to 2034.

The accruals for environmental remediation represent the Company’s best estimate of its probable future obligation and include both asserted and unasserted claims, without reduction for anticipated recoveries from third parties. Although the recorded accruals include the Company’s best estimate of all probable costs, the Company’s total environmental remediation costs cannot be predicted with certainty. Accruals for environmental remediation may change from time to time as new information about previously untested sites becomes known, 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. Changes to costs are reflected as changes to “Other long-term liabilities” or “Accounts payable and accrued liabilities” and, as a result of the acquisition of KCS and subsequent changes during the measurement period, to "Goodwill" on the Company's Consolidated Balance Sheets (see Note 10) and to “Purchased services and other” within operating expenses on the Company's Consolidated Statements of Income. The amount charged to income in 2024 was $8 million (2023 - $8 million; 2022 - $8 million).

19. Leases

The Company’s leases have remaining terms of less than one year to 16 years. Residual value guarantees are also provided on certain vehicle operating leases. Cumulatively, these guarantees are limited to $1 million and are not included in lease liabilities as it is not currently probable that any amounts will be owed.

Components of lease expense included in the Company's Consolidated Statements of Income for the years ended December 31 are as follows:

(in millions of Canadian dollars)	**2024**	2023	2022
Operating lease cost	**$ 111**	$ 94	$ 77
Short-term lease cost	**19**	29	17
Variable lease cost	**16**	10	9
Sublease income	**(2)**	(1)	(2)
Finance lease cost			
Amortization of ROU assets	**11**	10	6
Interest on lease liabilities	**2**	2	4
Total lease costs	**$ 157**	$ 144	$ 111

ROU Assets and Lease Liabilities included in the Company's Consolidated Balance Sheet are as follows:

As at December 31 (in millions of Canadian dollars)	**Classification**	**2024**	2023
ROU Assets			
Operating leases	Other assets (long-term)	**$ 364**	$ 347
Finance leases	Properties	**102**	111
Lease Liabilities			
Current liabilities			
Operating leases	Accounts payable and accrued liabilities	**112**	102
Finance leases	Long-term debt maturing within one year	**14**	14
Long-term liabilities			
Operating leases	Other long-term liabilities	**254**	242
Finance leases	Long-term debt	**21**	31

The following table provides the Company's weighted-average remaining lease terms and discount rates:

	2024	2023
Weighted-Average Remaining Lease Term		
Operating leases	**4 years**	5 years
Finance leases	**4 years**	4 years
Weighted-Average Discount Rate		
Operating leases	**3.61 %**	3.93 %
Finance leases	**5.39 %**	6.18 %

Cash Flow information related to leases is as follows:

As at December 31 (in millions of Canadian dollars)	**2024**	2023	2022
Cash paid for amounts included in measurement of lease liabilities			
Operating cash outflows from operating leases	**$ 114**	$ 96	$ 64
Operating cash outflows from finance leases	**1**	2	6
Financing cash outflows from finance leases	**13**	13	104
ROU assets obtained in exchange for lease liabilities			
Operating leases	**105**	62	34

The following table provides the maturities of lease liabilities for the next five years and thereafter as at December 31, 2024:

(in millions of Canadian dollars)	Finance leases	Operating leases
2025	$ 7	$ 126
2026	14	109
2027	10	78
2028	—	53
2029	—	26
Thereafter	7	16
Total lease future payments	**38**	**408**
Imputed interest	(3)	(42)
Present value of future lease payments	**$ 35**	**$ 366**

20. Shareholders' equity

Authorized and issued share capital

The Company is authorized to issue an unlimited number of Common Shares, an unlimited number of First Preferred Shares, and an unlimited number of Second Preferred Shares. As at December 31, 2024, no First or Second Preferred Shares had been issued.

The following table summarizes information related to Common Share balances:

(number of shares in millions)	**2024**	2023	2022
Share capital, January 1	**932.1**	930.5	929.7
Common Shares issued under stock option plans	**1.4**	1.6	0.8
Share capital, December 31	**933.5**	932.1	930.5

The change in the "Share capital" balance includes $18 million of stock-based compensation transferred from "Additional paid-in capital" (2023 - $17 million; 2022 - $9 million).

21. Change in non-cash working capital balances related to operations

For the year ended December 31 (in millions of Canadian dollars)	**2024**	2023	2022
(Use) source of cash:			
Accounts receivable, net	**$ (133)**	$ (317)	$ (147)
Materials and supplies	**(36)**	1	(27)
Other current assets	**(9)**	(49)	(13)
Accounts payable and accrued liabilities	**202**	57	95
Change in non-cash working capital balances related to operations	**$ 24**	$ (308)	$ (92)

22. Pensions and other benefits

The Company has both defined benefit ("DB") and defined contribution ("DC") pension plans. As at December 31, 2024, the Canadian pension plans represent nearly all of total combined pension plan assets and nearly all of total combined pension plan obligations.

The DB plans provide for pensions based principally on years of service and compensation rates near retirement. Pensions for Canadian pensioners are partially indexed to inflation. Annual employer contributions to the DB plans, which are actuarially determined, are made on the basis of being not less than the minimum amounts required by federal pension supervisory authorities.

The Company has other benefit plans including post-retirement health benefits and life insurance, post-employment long-term disability and workers' compensation benefits based on Company-specific claims, and certain other non-pension post-employment benefits. As at December 31, 2024, the Canadian other benefits plans represent nearly all of total combined other plan obligations.

The most recent actuarial valuation for pension funding purposes for the Company's main Canadian pension plan was performed as at January 1, 2024. During 2025, the Company expects to file with the pension regulator a new valuation performed as at January 1, 2025. In aggregate, the Company estimates that it will make contributions in 2025 of $13 million to the DB pension plans and of $35 million to the other benefit plans.

The Audit and Finance Committee of the Board of Directors has approved an investment policy that establishes long-term asset mix targets, which take into account the Company's expected risk tolerances. Pension plan assets are managed by a suite of independent investment managers, with the allocation by manager reflecting these asset mix targets. Most of the assets are actively managed with the objective of outperforming applicable benchmarks. In accordance with the investment policy, derivative instruments may be used by investment managers to hedge or adjust existing or anticipated exposures.

To develop the expected long-term rate of return assumption used in the calculation of net periodic benefit cost applicable to the market-related value of plan assets, the Company considers the expected composition of the plans' assets, past experience, and future estimates of long-term investment returns. Future estimates of investment returns reflect the long-term return expectation for fixed income, public equity, real estate, infrastructure, private debt, and absolute return investments, and the expected added value (relative to applicable benchmark indices) from active management of pension plan assets.

The Company has elected to use a market-related value of assets for the purpose of calculating net periodic benefit cost, developed from a five-year average of market values for the plans' public equity and absolute return investments (with each prior year's market value adjusted to the current date for assumed investment income during the intervening period) plus the market value of the plans' fixed income, real estate, infrastructure, and private debt securities.

The benefit obligation is discounted using a discount rate that is a blended yield to maturity for a hypothetical portfolio of high-quality debt instruments with cash flows matching projected benefit payments. The discount rate is determined by management.

Net periodic benefit (recovery) cost

The elements of net periodic benefit (recovery) cost for DB pension plans and other benefits recognized in the year include the following components:

	Pensions			Other benefits			Total		
For the year ended December 31 (in millions of Canadian dollars)	**2024**	2023	2022	**2024**	2023	2022	**2024**	2023	2022
Current service cost	**$ 84**	$ 71	$ 148	**$ 13**	$ 10	$ 11	**$ 97**	$ 81	$ 159
Other components of net periodic benefit (recovery) cost:									
Interest cost on benefit obligation	**468**	486	383	**23**	22	16	**491**	508	399
Expected return on plan assets	**(891)**	(882)	(959)	**—**	—	—	**(891)**	(882)	(959)
Recognized net actuarial loss (gain)	**40**	32	153	**1**	13	(5)	**41**	45	148
Amortization of prior service costs	**7**	2	1	**—**	—	—	**7**	2	1
Total other components of net periodic benefit (recovery) cost	**(376)**	(362)	(422)	**24**	35	11	**(352)**	(327)	(411)
Net periodic benefit (recovery) cost	**$ (292)**	$ (291)	$ (274)	**$ 37**	$ 45	$ 22	**$ (255)**	$ (246)	$ (252)

Projected benefit obligation, plan assets, and funded status

Information about the Company's DB pension plans and other benefits, in aggregate, is as follows:

	Pensions		Other benefits		Total	
(in millions of Canadian dollars)	**2024**	2023	**2024**	2023	**2024**	2023
Change in projected benefit obligation:						
Projected benefit obligation as at January 1	**$ 10,306**	$ 9,936	**$ 463**	$ 411	**$ 10,769**	$ 10,347
Current service cost	**84**	71	**13**	10	**97**	81
Interest cost	**468**	486	**23**	22	**491**	508
Employee contributions	**50**	48	**—**	—	**50**	48
Benefits paid	**(659)**	(656)	**(36)**	(37)	**(695)**	(693)
Foreign currency changes	**15**	(4)	**(1)**	6	**14**	2
Addition of KCS plans	**—**	—	**—**	31	**—**	31
Plan amendments and other	**18**	18	**—**	(1)	**18**	17
Net actuarial (gain) loss	**(116)**	407	**(23)**	21	**(139)**	428
Projected benefit obligation as at December 31	**$ 10,166**	$ 10,306	**$ 439**	$ 463	**$ 10,605**	$ 10,769

The net actuarial gains for Pensions and Other benefits in 2024 were primarily due to demographic experience and the increase in the discount rate from 4.64% to 4.68%. The net actuarial losses for Pensions and Other benefits in 2023 were primarily due to the decrease in the discount rate from 5.01% to 4.64%.

	Pensions		Other benefits		Total	
(in millions of Canadian dollars)	**2024**	2023	**2024**	2023	**2024**	2023
Change in plan assets:						
Fair value of plan assets as at January 1	**$ 13,472**	$ 12,862	**$ 6**	$ 5	**$ 13,478**	$ 12,867
Actual return on plan assets	**1,701**	1,207	**1**	1	**1,702**	1,208
Employer contributions	**13**	15	**35**	37	**48**	52
Employee contributions	**50**	48	**—**	—	**50**	48
Benefits paid	**(659)**	(656)	**(36)**	(37)	**(695)**	(693)
Foreign currency changes	**15**	(4)	**—**	—	**15**	(4)
Fair value of plan assets as at December 31	**$ 14,592**	$ 13,472	**$ 6**	$ 6	**$ 14,598**	$ 13,478
Funded status - plan surplus (deficit)	**$ 4,426**	$ 3,166	**$ (433)**	$ (457)	**$ 3,993**	$ 2,709

The table below shows the aggregate pension projected benefit obligation and aggregate fair value of plan assets for pension plans with fair value of plan assets in excess of projected benefit obligations (i.e. surplus), and for pension plans with projected benefit obligations in excess of fair value of plan assets (i.e. deficit):

	2024		2023	
(in millions of Canadian dollars)	**Pension plans in surplus**	**Pension plans in deficit**	Pension plans in surplus	Pension plans in deficit
Projected benefit obligation as at December 31	**$ (9,725)**	**$ (441)**	$ (9,872)	$ (434)
Fair value of plan assets as at December 31	**14,311**	**281**	13,210	262
Funded status	**$ 4,586**	**$ (160)**	$ 3,338	$ (172)

The DB pension plans' accumulated benefit obligation as at December 31, 2024 was $10,006 million (2023 - $10,155 million). The accumulated benefit obligation is calculated on a basis similar to the projected benefit obligation, except no future salary increases are assumed in the projection of future benefits. For pension plans with accumulated benefit obligations in excess of fair value of plan assets (i.e. deficit), the aggregate pension accumulated benefit obligation as at December 31, 2024 was $159 million (2023 - $327 million) and the aggregate fair value of plan assets as at December 31, 2024 was $21 million (2023 - $189 million).

All Other benefits plans were in a deficit position as at December 31, 2024 and 2023.

Pension asset and liabilities in the Company's Consolidated Balance Sheets

Amounts recognized in the Company's Consolidated Balance Sheets are as follows:

	Pensions		Other benefits		Total	
As at December 31 (in millions of Canadian dollars)	**2024**	2023	**2024**	2023	**2024**	2023
Pension asset	**$ 4,586**	$ 3,338	**$ —**	$ —	**$ 4,586**	$ 3,338
Accounts payable and accrued liabilities	**(10)**	(11)	**(35)**	(37)	**(45)**	(48)
Pension and other benefit liabilities	**(150)**	(161)	**(398)**	(420)	**(548)**	(581)
Total amount recognized	**$ 4,426**	$ 3,166	**$ (433)**	$ (457)	**$ 3,993**	$ 2,709

The measurement date used to determine the plan assets and the benefit obligation is December 31.

Accumulated other comprehensive income (loss)

Amounts recognized in AOCI are as follows:

As at December 31 (in millions of Canadian dollars)	Pensions 2024	Pensions 2023	Other benefits 2024	Other benefits 2023	Total 2024	Total 2023
Net actuarial (loss) gain:						
Other than deferred investment (losses) gains	**$ (1,501)**	$ (1,871)	**$ 52**	$ 28	**$ (1,449)**	$ (1,843)
Deferred investment gains (losses)	**405**	(191)	**—**	—	**405**	(191)
Prior service cost	**(58)**	(47)	**(1)**	(1)	**(59)**	(48)
Deferred income tax	**377**	626	**(12)**	(7)	**365**	619
Total (Note 8)	**$ (777)**	$ (1,483)	**$ 39**	$ 20	**$ (738)**	$ (1,463)

Actuarial assumptions

Weighted-average actuarial assumptions used were approximately:

(percentages)	2024	2023	2022
Benefit obligation as at December 31:			
Discount rate	**4.68**	4.64	5.01
Projected future salary increases	**2.75**	2.75	2.75
Health care cost trend rate	**5.00**	5.00	5.00
Benefit cost for year ended December 31:			
Discount rate	**4.64**	5.01	3.01
Expected rate of return on plan assets [1]	**6.70**	6.90	6.90
Projected future salary increases	**2.75**	2.75	2.75
Health care cost trend rate	**5.00**	5.00	5.00

[1] The expected rate of return on plan assets that will be used to compute the 2025 net periodic benefit recovery is 6.70%.

Plan assets

Plan assets are recorded at fair value. The major asset categories are public equity securities, fixed income securities, real estate, infrastructure, absolute return investments, and private debt. The fair values of the public equity and fixed income securities are primarily based on quoted market prices. Real estate and infrastructure values are based on the value of each fund's assets as calculated by the fund manager, generally using third party appraisals or discounted cash flow analysis and taking into account current market conditions and recent sales transactions where practical and appropriate. Private debt values are based on the value of each fund's assets as calculated by the fund manager taking into account current market conditions and reviewed annually by external parties. Absolute return investments are a portfolio of units of externally managed hedge funds and are valued by the fund administrators.

The Company's pension plan asset allocation, the weighted-average asset allocation targets, and the weighted-average policy range for each major asset class at year-end were as follows:

			Percentage of plan assets as at December 31	
Asset allocation (percentages)	Asset allocation target	Policy range	**2024**	2023
Cash and cash equivalents	**2.7**	**0 - 10**	**2.2**	2.2
Fixed income	**38.2**	**26 - 43**	**36.0**	31.2
Public equity	**29.6**	**24 - 40**	**30.7**	35.8
Real estate and infrastructure	**14.7**	**6 - 20**	**11.7**	11.3
Private debt	**7.4**	**3 - 13**	**7.9**	8.4
Absolute return	**7.4**	**3 - 13**	**11.5**	11.1
Total	**100.0**		**100.0**	100.0

In April 2023, the Audit and Finance Committee approved changes to the asset allocation for the Company's main Canadian DB pension plan. The changes began in 2023 and were substantially completed in 2024. All asset allocations are within their policy ranges as at December 31, 2024.

Summary of the assets of the Company's DB pension plans

The following is a summary of the assets of the Company's DB pension plans as at December 31, 2024 and 2023. As at December 31, 2024 and 2023, there were no plan assets classified as Level 3 valued investments.

(in millions of Canadian dollars)	Assets Measured at Fair Value: Quoted prices in active markets for identical assets (Level 1)	Assets Measured at Fair Value: Significant other observable inputs (Level 2)	Investments measured at NAV[1]	Total Plan Assets
December 31, 2024				
Cash and cash equivalents	**$ 324**	**$ —**	**$ —**	**$ 324**
Fixed income				
Government bonds[2]	**192**	**2,541**	**—**	**2,733**
Corporate bonds[2]	**690**	**1,291**	**—**	**1,981**
Mortgages[3]	**194**	**—**	**—**	**194**
Mortgage-backed and asset-backed securities[4]	**—**	**356**	**—**	**356**
Public equities				
Canada	**482**	**—**	**—**	**482**
U.S. and international	**3,997**	**—**	**—**	**3,997**
Real estate[5]	**—**	**—**	**521**	**521**
Infrastructure[6]	**—**	**—**	**1,194**	**1,194**
Private debt[7]	**—**	**—**	**1,146**	**1,146**
Derivative instruments[8]	**—**	**(9)**	**—**	**(9)**
Absolute return[9]				
Funds of hedge funds	**—**	**—**	**1,673**	**1,673**
	$ 5,879	**$ 4,179**	**$ 4,534**	**$ 14,592**
December 31, 2023				
Cash and cash equivalents	$ 297	$ —	$ —	$ 297
Fixed income				
Government bonds[2]	211	1,900	—	2,111
Corporate bonds[2]	644	998	—	1,642
Mortgages[3]	206	—	—	206
Mortgage-backed and asset-backed securities[4]	—	123	—	123
Public equities				
Canada	534	—	—	534
U.S. and international	4,293	—	—	4,293
Real estate[5]	—	—	563	563
Infrastructure[6]	—	—	961	961
Private debt[7]	—	—	1,128	1,128
Derivative instruments[8]	—	116	—	116
Absolute return[9]				
Funds of hedge funds	—	—	1,498	1,498
	$ 6,185	$ 3,137	$ 4,150	$ 13,472

[1] Investments measured at net asset value ("NAV"):

Amounts are comprised of certain investments measured using NAV (or its equivalent) as a practical expedient. These investments have not been classified in the fair value hierarchy.

(2) Government & Corporate Bonds:

Fair values for bonds are based on market prices supplied by independent sources as of the last trading day.

(3) Mortgages:

The fair values of mortgages are based on current market yields of financial instruments of similar maturity, coupon and risk factors.

(4) Mortgage-backed and asset-backed securities:

The fair values of mortgage-backed and asset-backed securities are determined based on valuations from pricing sources that incorporate broker-dealer quotations, reported trades or valuation estimates from their internal pricing models which consider tranche-level attributes, current market data, estimated cash flows, and market-based yield spreads and incorporate deal collateral performance, as available.

(5) Real estate:

Real estate fund values are based on the NAV of the funds that invest directly in real estate investments. The values of the investments have been estimated using the capital accounts representing the plans' ownership interest in the funds. Of the total, $435 million is subject to redemption frequencies ranging from monthly to annually and a redemption notice period of 90 days (2023 - $480 million). The remaining $86 million is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying real estate investments (2023 - $83 million). As at December 31, 2024, there are $309 million of unfunded commitments for real estate investments (December 31, 2023 - $166 million).

(6) Infrastructure:

Infrastructure fund values are based on the NAV of the funds that invest directly in infrastructure investments. The values of the investments have been estimated using the capital accounts representing the plans' ownership interest in the funds. Of the total, $606 million is subject to redemption frequencies ranging from monthly to annually and a redemption notice period of 90 days (2023 - $493 million). The remaining $588 million is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying infrastructure investments (2023 - $468 million). As at December 31, 2024, there are $205 million of unfunded commitments for infrastructure investments (December 31, 2023 - $220 million).

(7) Private debt:

Private debt fund values are based on the NAV of the funds that invest directly in private debt investments. The values of the investments have been estimated using the capital accounts representing the plans' ownership interest in the funds. Of the total, $115 million is subject to redemption frequencies ranging from monthly to annually and a redemption notice period of 90 days (2023 - $124 million). The remaining $1,031 million is not subject to redemption and is normally returned through distributions as a result of the repayment of the underlying loans (2023 - $1,004 million). As at December 31, 2024, there are $764 million of unfunded commitments for private debt investments (December 31, 2023 - $540 million).

(8) Derivative Instruments:

The investment managers may utilize the following derivative instruments: equity futures to replicate equity index returns (Level 2); currency forwards to partially hedge foreign currency exposures (Level 2); bond futures and forwards to manage duration and interest rate risk (Level 2); interest rate swaps to manage duration and interest rate risk (Level 2); credit default swaps to manage credit risk (Level 2); and options to manage interest rate risk and volatility (Level 2). The Company may utilize derivatives directly, but only for the purpose of hedging foreign currency exposures. One of the fixed income investment managers utilizes a portfolio of bond forwards for the purpose of reducing asset/liability interest rate exposure. As at December 31, 2024, there are bond forwards with a notional value of $555 million (December 31, 2023 - $1,396 million) and a fair value of $2 million (December 31, 2023 - $116 million).

(9) Absolute return:

The value of absolute return fund investments is based on the NAV reported by the fund administrators. The funds have different redemption policies with redemption notice periods varying from 30 to 120 days and frequencies ranging from monthly to triennially.

Additional plan assets information

The Company's primary investment objective for pension plan assets is to achieve a long-term return, net of all fees and expenses, that is sufficient for the plan's assets to satisfy the current and future obligations to plan beneficiaries, while minimizing the financial impact on the Company. In identifying the asset allocation ranges, consideration was given to the long-term nature of the underlying plan liabilities, the solvency and going-concern financial position of the plan, long-term return expectations, and the risks associated with key asset classes as well as the relationships of returns on key asset classes with each other, inflation, and interest rates. When advantageous and with due consideration, derivative instruments may be utilized by investment managers, provided the total value of the underlying assets represented by financial derivatives (excluding currency forwards, liability hedging derivatives in fixed income portfolios, and derivatives held by absolute return funds) is limited to 30% of the market value of the fund.

The funded status of the plans is exposed to fluctuations in interest rates, which affects the relative values of the plans' liabilities and assets. In order to mitigate interest rate risk, the Company's main Canadian DB pension plan utilizes a liability driven investment strategy in its fixed income portfolio, which uses a combination of long duration bonds and derivatives to hedge interest rate risk, managed by the investment manager. As at December 31, 2024, the plan's solvency funded position was 51% hedged against interest rate risk (2023 - 50%).

When investing in foreign securities, the plans are exposed to foreign currency risk; the effect of which is included in the valuation of the foreign securities. As at December 31, 2024, the plans were 39% exposed to the U.S. dollar, 7% exposed to the Euro, and 5% exposed to various other currencies. As at December 31, 2023, the plans were 41% exposed to the U.S. dollar, 7% exposed to the Euro, and 9% exposed to various other currencies.

As at December 31, 2024, plan assets included 322,733 of the Common Shares of the Company (2023 - 354,530) at a market value of $34 million (2023 - $37 million) and Fixed income securities of the Company at a market value of $2 million (2023 - $2 million).

Estimated future benefit payments

The estimated future DB pension and other benefit payments to be paid by the plans for each of the next five years and the subsequent five-year period are as follows:

(in millions of Canadian dollars)	Pensions	Other benefits
2025	$ 674	$ 35
2026	665	33
2027	664	32
2028	666	36
2029	658	31
2030-2034	3,266	151

The benefit payments from the Canadian registered and U.S. qualified DB pension plans are payable from their respective pension funds. Benefit payments from the supplemental pension plans and from the other benefits plans are payable directly by the Company.

Defined contribution plan

The DC plans provide a pension benefit based on total employee and Company contributions plus investment income earned on those contributions.

Canadian non-unionized employees hired after July 1, 2010 are generally required to participate in the Canadian DC plan. Employee and Company contributions to this plan are based on a percentage of earnings.

U.S. non-unionized employees of Soo Line Railroad Company; Dakota, Minnesota & Eastern Railroad; and Delaware & Hudson Railway Company, Inc. hired after July 1, 2010 are generally required to participate in the U.S. DC plan. Employees do not contribute to this plan and Company contributions are based on a percentage of earnings.

In 2024, the net cost of the DC plans, which generally equals the Company’s required contribution, was $16 million (2023 - $14 million; 2022 - $12 million).

In 2025, the Company estimates that it will make contributions of $17 million to the DC plans.

Contributions to multi-employer plans

Some of the Company’s unionized employees in the U.S. are members of a U.S. national multi-employer benefit plan. Contributions made by the Company to this plan in 2024 in respect of post-retirement medical benefits were $3 million (2023 - $4 million; 2022 - $2 million).

23. Stock-based compensation

At December 31, 2024, the Company had several stock-based compensation plans including a stock options plan, various cash-settled liability plans, and an employee share purchase plan. These plans resulted in an expense of $108 million in 2024 (2023 - $122 million; 2022 - $113 million) and the total tax benefit related to these plans was $26 million in 2024 (2023 - $27 million; 2022 - $26 million).

A. Stock options plan

The following table summarizes the activity related to the stock options during 2024:

	Options outstanding		Non-vested options	
	Number of stock options	Weighted-average exercise price	Number of stock options	Weighted-average grant date fair value
Outstanding, January 1, 2024	6,471,932	$ 71.03	2,303,103	$ 22.87
Granted	817,609	$ 118.29	817,609	$ 33.27
Exercised	(1,445,290)	$ 48.29	N/A	N/A
Vested	N/A	N/A	(967,431)	$ 20.45
Forfeited	(109,651)	$ 116.48	(109,651)	$ 32.26
Outstanding, December 31, 2024	5,734,600	$ 86.59	2,043,630	$ 27.68
Vested or expected to vest at December 31, 2024[(1)]	5,697,159	$ 86.43	N/A	N/A
Exercisable, December 31, 2024	3,690,970	$ 74.40	N/A	N/A

[(1)] As at December 31, 2024, the weighted-average remaining term of vested or expected to vest options was 3.2 years with an aggregate intrinsic value of $116 million.

The following table provides the number of stock options outstanding and exercisable as at December 31, 2024 by range of exercise price and their related intrinsic aggregate value, and for stock options outstanding, the weighted-average years to expiration. The table also provides the aggregate intrinsic value for in-the-money stock options, which represents the amount that would have been received by option holders had they exercised their options on December 31, 2024 at the Company's closing stock price of $104.08.

	Options outstanding				Options exercisable		
Range of exercise prices	Number of stock options	Weighted-average years to expiration	Weighted-average exercise price	Aggregate intrinsic value (millions)	Number of stock options	Weighted-average exercise price	Aggregate intrinsic value (millions)
$33.15 - $68.94	1,371,256	1.0	$ 48.49	$ 77	1,371,256	$ 48.49	$ 76
$68.95 - $91.73	1,479,444	2.7	$ 80.21	$ 35	1,222,834	$ 78.30	$ 32
$91.74 - $105.49	1,357,794	3.5	$ 100.95	$ 4	906,268	$ 100.77	$ 2
$105.50 - $121.28	1,526,106	5.6	$ 114.24	$ —	190,612	$ 110.51	$ —
Total[(1)]	5,734,600	3.2	$ 86.59	$ 116	3,690,970	$ 74.40	$ 110

[(1)] As at December 31, 2024, the total number of in-the-money stock options outstanding was 4,206,139 with a weighted-average exercise price of $74.40. The weighted-average years to expiration of exercisable stock options is 2.1 years.

Pursuant to the plan, stock options may be exercised upon vesting, which is between 12 and 48 months after the grant date, and expire seven years from the grant date. The grant date fair value of the stock options granted in 2024 was $27 million (2023 - $26 million; 2022 - $16 million). The following table provides assumptions used to determine the fair values of stock option awards, and the weighted-average grant date fair values for units granted in 2024, 2023 and 2022:

		2024		2023		2022
Expected option life (years)(1)		**4.75**		4.75		4.75
Risk-free interest rate(2)		**3.88%**		3.35%		1.62%
Expected stock price volatility(3)		**28.38%**		28.44%		26.85%
Expected annual dividends per share(4)	**$**	**0.76**	$	0.76	$	0.76
Expected forfeiture rate(5)		**3.12%**		3.18%		3.01%
Weighted-average grant date fair value of options granted during the year	**$**	**33.27**	$	29.79	$	21.33

(1) Represents the period of time that awards are expected to be outstanding. Historical data on exercise behaviour or, when available, specific expectations regarding future exercise behaviour were used to estimate the expected life of the option.

(2) Based on the implied yield available on zero-coupon government issues with an equivalent term commensurate with the expected term of the option.

(3) Based on the historical volatility of the Company's stock price over a period commensurate with the expected term of the option.

(4) Determined by the current annual dividend at the time of grant. The Company does not employ different dividend yields throughout the contractual term of the option.

(5) The Company estimates forfeitures based on past experience. The rate is monitored on a periodic basis.

In 2024, the expense for stock options was $24 million (2023 - $25 million; 2022 - $23 million). At December 31, 2024, there was $10 million of total unrecognized compensation related to stock options, which is expected to be recognized over a weighted-average period of approximately 1.1 years.

The total fair value of shares vested for the stock option plan during 2024 was $20 million (2023 - $18 million; 2022 - $24 million).

The following table provides information related to all stock options exercised in the plan during the years ended December 31:

(in millions of Canadian dollars)		**2024**		2023		2022
Total intrinsic value	**$**	**92**	$	101	$	53
Cash received by the Company upon exercise of options		**69**		69		32

B. Share unit plans

Performance share unit plan

During 2024, the Company issued 568,159 PSUs with a grant date fair value of $65 million and 25,589 PDSUs with a grant date fair value, including the fair value of expected future matching units, of $3 million. PSUs and PDSUs attract dividend equivalents in the form of additional units based on dividends paid on the Company's Common Shares, and vest three to four years after the grant date, contingent on the Company's performance ("performance factor"). Vested PSUs are settled in cash. Vested PDSUs are converted into DSUs pursuant to the DSU plan, are eligible for a 25% Company match if the employee has not exceeded their Common Share ownership requirements, and are settled in cash only when the holder ceases their employment with the Company.

The performance period for all PSUs and PDSUs granted in 2024 is January 1, 2024 to December 31, 2026 and the performance factors are Free Cash Flow ("FCF"), annualized EBITDA, 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 544,175 PSUs and all PDSUs granted in 2023 is January 1, 2023 to December 31, 2025 and the performance factors are FCF, 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 performance period for the other 347,236 PSUs granted in 2023 is April 28, 2023 to December 1, 2026 and the performance factors are EBITDA and TSR compared to Class I railways.

The performance period for all of the 415,660 PSUs and 13,506 PDSUs granted in 2022 is January 1, 2022 to December 31, 2024, and the performance factors are FCF, Adjusted net debt to Adjusted EBITDA Modifier, TSR compared to the S&P/TSX 60 Index, and TSR compared to the S&P 500 Industrials Index. The payout on these awards is 120% on 381,760 PSUs (including dividends reinvested) and 9,774 PDSUs (including dividends reinvested and matching units) outstanding, representing fair values of $49 million and $2 million, respectively, as at December 31, 2024, calculated based on the Company's average common share price of the last 30 trading days preceding December 31, 2024.

The performance period for all of the 431,430 PSUs and 12,694 PDSUs granted in 2021 was January 1, 2021 to December 31, 2023 and the performance factors were Return on Invested Capital, TSR compared to the S&P/TSX 60 Index, and TSR compared to Class I railways. The payout on these awards was 135% on 399,372 PSUs (including dividends reinvested) and 11,372 PDSUs (including dividends reinvested and matching units) outstanding, representing fair values of $54 million and $2 million, respectively, as at December 31, 2023, calculated based on the Company's average common share price of the last 30 trading days preceding December 31, 2023.

The following table summarizes the activity related to PSUs and PDSUs for each of the years ended December 31:

	2024	2023
Outstanding, January 1	**1,678,553**	1,336,358
Granted	**593,748**	917,744
Issued in lieu of dividends	**12,843**	10,845
Settled	**(401,182)**	(460,667)
PDSUs converted into DSUs	**(11,461)**	(45,058)
Forfeited	**(128,768)**	(80,669)
Outstanding, December 31	**1,743,733**	1,678,553

In 2024, the expense for PSUs and PDSUs was $72 million (2023 - $78 million; 2022 - $69 million). At December 31, 2024, there was $49 million of total unrecognized compensation related to these awards, which is expected to be recognized over a weighted-average period of approximately 1.5 years.

Deferred share unit plan

The Company established the DSU plan as a means to compensate and assist in attaining Common Share ownership targets set for certain key employees and Directors. A DSU entitles the holder to receive, upon redemption, a cash payment equivalent to the Company's average Common Share price based on the 10 trading days prior to redemption. DSUs vest over various periods of up to 36 months and are only redeemable for a specified period after employment is terminated.

Senior managers may elect to receive DSUs in lieu of annual cash bonuses under the bonus deferral program. In addition, senior managers will be granted a 25% Company match of DSUs when deferring cash to DSUs to meet ownership targets. The election to receive eligible payments in DSUs is no longer available to a participant when the value of the participant’s DSUs is sufficient to meet the Company’s Common Share ownership guidelines. Senior managers have five years to meet their ownership targets.

The expense for DSUs is recognized over the vesting period for both the initial subscription price and the change in value between reporting periods.

The following table summarizes the activity related to DSUs for each of the years ended December 31:

	2024	2023
Outstanding, January 1	**899,818**	744,530
Granted	**71,082**	85,750
PDSUs converted into DSUs	**14,079**	81,533
Issued in lieu of dividends	**6,253**	5,685
Settled	**(82,624)**	(15,935)
Forfeited	**(5,554)**	(1,745)
Outstanding, December 31	**903,054**	899,818

During 2024, the Company granted 71,082 DSUs with a grant date fair value of approximately $8 million. In 2024, the expense recovery for DSUs was $1 million (2023 - $10 million of expense; 2022 - $10 million of expense). At December 31, 2024, there was $1 million of total unrecognized compensation related to DSUs, which is expected to be recognized over a weighted-average period of approximately 1.9 years.

Summary of share unit liabilities settled

The following table summarizes the total share unit liabilities settled for each of the years ended December 31:

(in millions of Canadian dollars)	2024	2023	2022
Plan			
PSUs	**$ 54**	$ 86	$ 116
DSUs	**9**	2	16
Other	**1**	1	5
Total	**$ 64**	$ 89	$ 137

C. Employee share purchase plan

The Company has an employee share purchase plan whereby both employee and the Company contributions are used to purchase Common Shares on the open market for employees. The Company's contributions are expensed over the one year vesting period. Under the plan, the Company matches $1 for every $3 contributed by employees up to a maximum employee contribution of 6% of annual salary.

The total number of Common Shares purchased in 2024 on behalf of participants, including the Company's contributions, was 746,544 (2023 - 600,730; 2022 - 566,902). In 2024, the Company's contributions were $17 million (2023 - $15 million; 2022 - $11 million) and the related compensation and benefits expense was $12 million (2023 - $11 million; 2022 - $9 million).

24. Variable interest entities

The Company leases equipment from certain trusts, which are financed by a combination of debt and equity and are unrelated third parties. The lease agreements, which are classified as operating leases, have fixed price purchase options that create the Company's variable interests and result in the trusts being considered variable interest entities ("VIE").

Maintaining and operating the leased assets according to specific contractual obligations outlined in the terms of the lease agreements and industry standards is the Company's responsibility. The rigour of the contractual terms of the lease agreements and industry standards are such that the Company has limited discretion over the maintenance activities associated with these assets. Accordingly, the Company does not have the power to direct the activities that most significantly impact these entities economic performance.

The Company's financial exposure resulting from its involvement with these entities, is limited to its fixed lease payments. In 2024, lease payments related to the VIE were $15 million. Total future minimum lease payments to the end of the lease term in 2030 are $53 million. The fixed price purchase options for all leased assets expire in 2026. Although the leased assets must be returned in good operating condition, subject to normal wear and tear, the Company does not guarantee the residual value of the assets at the end of the lease.

Since the Company has neither the power to direct the activities of the VIE, or the obligation to absorb expected losses or residual returns, it does not consolidate the VIE.

25. Commitments and contingencies

Commitments

At December 31, 2024, the Company had committed to total future capital expenditures amounting to $2.5 billion, which includes investments in the Celaya-NBA Line Railway Bypass and other capital expenditures related to the Concession. Future operating expenditures relating to supplier purchase obligations, such as bulk fuel purchase agreements, locomotive maintenance and overhaul agreements, as well as agreements to purchase other goods and services amount to approximately $3,915 million for the years 2025-2035.

Annual maturities and principal repayments of debt for the next five years and thereafter are provided in Note 16. Commitments related to leases, including minimum annual payments for the next five years and thereafter, are included in Note 19.

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 December 31, 2024 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. The appellants have 60 days to seek leave from the Supreme Court of Canada to further appeal. 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, and decision is pending. On May 23, 2023, the case management judge stayed the proceedings pending the outcome of the appeal in the Canadian consolidated 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 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 hearing of the appeal is set for March 18, 2025.

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

Court decision related to Remington Development Corporation legal claim

On October 20, 2022, the Court of King’s Bench of Alberta issued a decision in a claim brought by Remington Development Corporation (“Remington”) against the Company and the Province of Alberta (“Alberta”) with respect to an alleged breach of contract by the Company in relation to the sale of certain properties in Calgary. In its decision, the Court found the Company had breached its contract with Remington and Alberta had induced the contract breach. The Court found the Company and Alberta liable for damages of approximately $164 million plus interest and costs, and subject to an adjustment to the acquisition value of the property. In a further decision on August 30, 2023, the Court determined that adjustment and set the total damages at $165 million plus interest and costs. On October 20, 2023, the Court determined the costs payable to Remington, however, the Court has not provided any indication of how the damages, which are currently estimated to total approximately $228 million, should be apportioned between the Company and Alberta. On November 17, 2022, the Company filed an appeal of the Court’s decision. On April 11, 2024, the Court of Appeal of Alberta stayed the judgement pending the outcome of the appeal. On September 10, 2024, the Court of Appeal of Alberta heard the Company's appeal and reserved its decision. At this time, the Company cannot reasonably estimate the amount of damages for which it is liable under the ruling of the Court.

2014 tax assessment

On April 13, 2022, the SAT delivered an audit assessment of CPKCM’s 2014 tax returns (the "2014 Assessment"). As at December 31, 2024, the 2014 Assessment was Ps.6,313 million ($448 million), which included inflation, interest, and penalties. On July 7, 2022, CPKCM filed an administrative appeal (the “Administrative Appeal”) before the SAT, seeking to revoke the 2014 Assessment and claiming that the notification of the 2014 Assessment was not legal for being made through the tax mailbox in violation of a tax mailbox injunction previously granted on March 19, 2015 to CPKCM. On September 26, 2022, the SAT issued a resolution dismissing the Administrative Appeal filed by CPKCM arguing that it was not submitted timely (the “Administrative Appeal Resolution”). On October 10, 2022, CPKCM submitted a petition of annulment lawsuit before the Federal Administrative Court, challenging the 2014 Assessment, its notification, and the dismissal of the Administrative Appeal Resolution.

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

2023 business interruption insurance settlement

During the third quarter of 2023, the Company realized gain contingencies of $51 million recognized to "Purchased services and other", as a result of settlements reached with insurers for business interruption losses incurred by the Company related to a wildfire and flooding in B.C. in 2021.

26. Guarantees

In the normal course of operations, the Company enters into contractual arrangements that involve providing certain guarantees, which extend over the term of the contracts. These guarantees include, but are not limited to:

- guarantees to pay other parties in the event of the occurrence of specified events, including damage to equipment, in relation to assets used in the operation of the railway through operating leases, rental agreements, easements, trackage, and interline agreements;
- guarantees to pay other parties in the event of a specified change in control of the Company or particular subsidiaries of the Company;
- guarantees to repay amounts outstanding for certain debt obligations;
- a guarantee to repay a portion of amounts outstanding for certain debt obligations held by an equity investee; and
- indemnifications of certain tax-related payments incurred by lessors and lenders.

The maximum amount that could be payable under these guarantees, excluding residual value guarantees, cannot be reasonably estimated due to the nature of certain guarantees. All or a portion of amounts paid under guarantees to other parties in the event of the occurrence of specified events could be recoverable from other parties or through insurance. The Company has accrued for all guarantees that it expects to pay. As at December 31, 2024, accruals of $8 million (2023 - $8 million), were recorded in "Accounts payable and accrued liabilities".

Indemnification

Pursuant to a trust and custodial services agreement with the trustee of the Canadian Pacific Railway Company Pension Plan, the Company has undertaken to indemnify and save harmless the trustee, to the extent not paid by the fund, from any and all taxes, claims, liabilities, damages, costs, and expenses arising out of the performance of the trustee's obligations under the agreement, except as a result of misconduct by the trustee. The indemnity includes liabilities, costs, or expenses relating to any legal reporting or notification obligations of the trustee with respect to the defined benefit and defined contribution options of the pension plans, or otherwise with respect to the assets of the pension plans that are not part of the fund. The indemnity survives the termination or expiry of the agreement with respect to claims and liabilities arising prior to the termination or expiry. As at December 31, 2024, the Company had not recorded a liability associated with this indemnification as it does not expect to make any payments pertaining to it.

27. Segmented and geographic information

Operating segment

The Company only has one operating segment: rail transportation.

The Company's chief operating decision-maker ("CODM") is the Company's Chief Executive Officer. The CODM uses consolidated net income, which is reported in the Company's Consolidated Statements of Income as "Net income attributable to controlling shareholders" to assess the Company's performance and decide on the allocation of resources. Consolidated net income is used in conjunction with certain Non-GAAP measures, operational performance indicators, and figures prepared on a forecast basis to evaluate the return on the Company's assets and make operational and investment decisions. CPKC's significant segment expenses are consistent with the expenses presented on the Company's Consolidated Statements of Income.

For the years ended December 31, 2024, 2023, and 2022, no single customer accounted for more than 10% of total revenues.

Geographic information

All of the Company's revenues and long-lived assets disclosed in the table below are held within Canada, the U.S., and Mexico.

For the years ended and as at December 31 (in millions of Canadian dollars)	Canada	U.S.	Mexico	Total
2024				
Revenues	**$ 6,936**	**$ 4,988**	**$ 2,622**	**$ 14,546**
Long-lived assets: Properties and Operating lease ROU assets	**16,536**	**27,897**	**11,955**	**56,388**
2023				
Revenues	6,651	4,257	1,647	12,555
Long-lived assets: Properties and Operating lease ROU assets	15,933	25,141	11,017	52,091
2022				
Revenues	6,423	2,391	—	8,814

28. Subsequent events

Long-term debt

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

In February 2025, the Company also entered into a U.S. $500 million ($715 million) unsecured non-revolving term credit facility (the "term facility") with a due date of August 6, 2025. The agreement requires the Company to maintain a financial covenant in conjunction with the term facility.

Share repurchase program

On February 27, 2025, the Company announced that the TSX has accepted its notice of intention to implement a normal course issuer bid, commencing March 3, 2025, to purchase up to approximately 37.35 million Common Shares for cancellation on or before March 2, 2026.

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS SCHEDULE

The following documents are filed as part of this annual report:

(a) Financial Statements

The financial statements filed as part of this filing are listed on the Index to Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data.

(b) Financial Statements Schedule

Schedule II - Valuation and Qualifying Accounts

(in millions of Canadian dollars)	Balance as at January 1	Impact of KCS Acquisition	Additions charged to expenses	Payments and other reductions	Impact of FX	Balance as at December 31
Provisions for contingent liabilities[(1)(2)]						
2022	$ 114	$ —	$ 102	$ (92)	$ 6	$ 130
2023	$ 130	$ 215	$ 191	$ (218)	$ (4)	$ 314
2024	**$ 314**	**$ 44**	**$ 171**	**$ (194)**	**$ 25**	**$ 360**

(1) Includes provisions for environmental remediation, personal injury and other claims. Provisions associated with self-insured workers' compensation benefits are presented in Note 22 Pensions and Other Benefits of the Financial Statements.

(2) Certain comparative period balances have been reclassified to conform to the current period presentation in this Financial Statement Schedule. These reclassifications have no impact on the Consolidated Financial Statements in the current or comparative periods.