CANADIAN PACIFIC RAILWAY LTD/CN
Form 6-K
April 21, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 under
the Securities Exchange Act of 1934
For the month of April, 2011
CANADIAN PACIFIC RAILWAY LIMITED
(Commission File No. 1-01342)
CANADIAN PACIFIC RAILWAY COMPANY
(Commission File No. 1-15272)
(translation of each Registrant s name into English)
Suite 500, Gulf Canada Square, 401 9th Avenue, S.W., Calgary, Alberta, Canada, T2P 4Z4
(address of principal executive offices)

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

Form 20-F o Form 40-F þ

Indicate by check mark if the registrants are submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Indicate by check mark if the registrants are submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

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

SIGNATURES

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

CANADIAN PACIFIC RAILWAY LIMITED
(Registrant)

Date: April 21, 2011

Signed: /s/ Karen L. Fleming

By: Name: Karen L. Fleming
Title: Corporate Secretary

CANADIAN PACIFIC RAILWAY COMPANY
(Registrant)

Date: April 21, 2011

Signed: /s/ Karen L. Fleming

By: Name: Karen L. Fleming
Title: Corporate Secretary

Release: Immediate April 21, 2011

CANADIAN PACIFIC ANNOUNCES FIRST QUARTER 2011 RESULTS

CALGARY Canadian Pacific Railway Limited (TSX: CP) (NYSE: CP) announced its first-quarter 2011 results today. Reported net income in the first-quarter was $33.7 million and diluted earnings per share were $0.20. As previously announced, operations were impacted by unusually severe winter weather decreasing shipping volumes and increasing costs.

We are intensely focused on improving network velocity and service reliability, said Fred Green, President and Chief Executive Officer. Demand is strong and we have additional resources coming online to meet our customers growth.

FIRST-QUARTER 2011 RESULTS COMPARED WITH FIRST-QUARTER 2010

- Total revenues were $1.2 billion, essentially flat
- Operating expenses were $1.1 billion, an increase of $94.0 million
- Average fuel price was $3.12 U.S. dollars per U.S. gallon, an increase of 28 per cent
- Operating income was $109.2 million, a decrease of $97.4 million
- Net income was $33.7 million, a decrease of $67.3 million
- Diluted earnings per share were $0.20 per share, a decline of $0.40 per share

The first quarter was an extremely difficult winter with weather-related outages significantly constraining our capacity and our service to our customers, added Fred Green. We remain committed to delivering our two- to four-year target of a low 70 s operating ratio and providing a quality service offering.

Note on forward-looking information

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

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

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

About Canadian Pacific

Canadian Pacific (TSX: CP) (NYSE: CP) operates a North American transcontinental railroad providing freight transportation services, logistics solutions and supply chain expertise. Incorporating best-in-class technology and environmental practices, CP is re-defining itself as a modern 21st century transportation company built on safety, service reliability and operational efficiency. Visit cpr.ca and see how Canadian Pacific is Driving the Digital Railway.

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CANADIAN PACIFIC RAILWAY LIMITED
CONSOLIDATED STATEMENT OF INCOME
(in millions of Canadian dollars, except per share data)
(unaudited)

	For the three months ended March 31	
	2011	**2010** Restated (see Note 2)
Revenues		
Freight	$1,135.2	$1,138.2
Other	28.2	28.6
	1,163.4	1,166.8
Operating expenses		
Compensation and benefits	364.5	353.8
Fuel	225.7	181.7
Materials	71.6	64.0
Equipment rents	51.4	49.0
Depreciation and amortization	122.3	121.2
Purchased services and other	218.7	190.5
	1,054.2	960.2
Operating income	**109.2**	**206.6**
Less:		
Other income and charges	(0.5)	(4.9)
Net interest expense	64.2	66.7
Income before income tax expense	45.5	144.8
Income tax expense *(Note 3)*	11.8	43.8
Net income	**$ 33.7**	**$ 101.0**
Earnings per share *(Note 4)*		
Basic earnings per share	**$ 0.20**	**$ 0.60**
Diluted earnings per share	**$ 0.20**	**$ 0.60**
Weighted-average number of shares (millions)		
Basic	169.3	168.5
Diluted	170.7	169.1

Dividends declared per share	**$ 0.2700**	**$ 0.2475**

See notes to Consolidated Financial Statements.

CANADIAN PACIFIC RAILWAY LIMITED
CONSOLIDATED BALANCE SHEET
(in millions of Canadian dollars)
(unaudited)

	March 31 2011	December 31 2010
Assets		
Current assets		
Cash and cash equivalents	$ 310.5	$ 360.6
Accounts receivable, net	520.2	459.0
Materials and supplies	122.4	114.1
Deferred income taxes	140.9	222.3
Other current assets	60.2	47.8
	1,154.2	1,203.8
Investments	145.5	144.9
Net properties	11,902.6	11,996.8
Goodwill and intangible assets	184.7	189.8
Other assets	136.3	140.6
Total assets	$13,523.3	$13,675.9
Liabilities and shareholders equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,029.2	$ 1,007.8
Long-term debt maturing within one year	279.8	281.7
	1,309.0	1,289.5
Pension and other benefit liabilities	1,069.3	1,115.7
Other long-term liabilities	420.9	468.0
Long-term debt	3,940.9	4,033.2
Deferred income taxes	1,882.5	1,944.8
Total liabilities	8,622.6	8,851.2
Shareholders equity		
Share capital	1,824.0	1,812.8
Additional paid-in capital	80.2	24.7
Accumulated other comprehensive loss	(2,064.5)	(2,085.8)
Retained earnings	5,061.0	5,073.0
	4,900.7	4,824.7

Total liabilities and shareholders equity	$13,523.3	$13,675.9

Commitments and contingencies *(Note 8)*
See notes to Consolidated Financial Statements.

CANADIAN PACIFIC RAILWAY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions of Canadian dollars)
(unaudited)

	For the three months ended March 31	
	2011	**2010** Restated (see Note 2)
Operating activities		
Net income	$ 33.7	$101.0
Reconciliation of net income to cash provided by operating activities:		
Depreciation and amortization	122.3	121.2
Deferred income taxes	7.9	41.5
Pension funding in excess of expense *(Note 7)*	(11.5)	(9.3)
Other operating activities, net	2.4	11.9
Change in non-cash working capital balances related to operations	(19.8)	(82.0)
Net cash provided by operating activities	**135.0**	**184.3**
Investing activities		
Additions to properties	(133.2)	(90.8)
Proceeds from the sale of properties and other assets	5.6	9.0
Net cash used in investing activities	**(127.6)**	**(81.8)**
Financing activities		
Dividends paid	(45.7)	(41.7)
Issuance of CP Common Shares	9.1	3.0
Repayment of long-term debt	(12.4)	(9.1)
Net cash used in financing activities	**(49.0)**	**(47.8)**
Effect of foreign currency fluctuations on U.S. dollar-denominated cash and cash equivalents	**(8.5)**	**(10.0)**
Cash position		
(Decrease) increase in cash and cash equivalents	(50.1)	44.7
Cash and cash equivalents at beginning of period	360.6	679.1
Cash and cash equivalents at end of period	$ 310.5	$723.8

Supplemental disclosures of cash flow information:		
Income taxes (refunded) paid	$ (0.1)	$ 1.9
Interest paid	$ 49.1	$ 45.1

See notes to Consolidated Financial Statements.

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CANADIAN PACIFIC RAILWAY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
(in millions of Canadian dollars, except common share amounts)
(unaudited)

	Common shares (in millions)	**Share capital**	**Additional paid-in capital**	**Accumulated other comprehensive loss**	**Retained earnings**	**Total shareholders equity**
Balance at January 1, 2011	169.2	$1,812.8	$24.7	$(2,085.8)	$5,073.0	$ 4,824.7
Net income					33.7	33.7
Other comprehensive income				21.3		21.3
Comprehensive income				21.3	33.7	55.0
Dividends declared					(45.7)	(45.7)
Effect of stock-based compensation expense			5.3			5.3
Change to stock-based compensation awards *(Note 6)*			51.9			51.9
Shares issued under stock option plans	0.2	11.2	(1.7)			9.5
Balance at March 31, 2011	169.4	$1,824.0	$80.2	$(2,064.5)	$5,061.0	$ 4,900.7

	Other comprehensive income	**Net income**	**Comprehensive income**
Comprehensive income three months ended March 31, 2010	$10.6	$101.0	$ 111.6

See notes to Consolidated Financial Statements.

CANADIAN PACIFIC RAILWAY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011
(unaudited)

1 Basis of presentation

These unaudited interim consolidated financial statements of Canadian Pacific Railway Limited (CP , the Company or Canadian Pacific Railway) reflect management s estimates and assumptions that are necessary for their fair presentation in conformity with accounting principles generally accepted in the United States (GAAP). They do not include all disclosures required under GAAP for annual financial statements and should be read in conjunction with the 2010 consolidated financial statements. The policies used are consistent with the policies used in preparing the 2010 consolidated financial statements. The Company s investments in which CP has significant influence, which are not consolidated, are accounted for using the equity method.

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

In management s opinion, the unaudited interim consolidated financial statements include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly such information. Interim results are not necessarily indicative of the results expected for the fiscal year.

2 Accounting changes

Fair value measurement and disclosure

In January 2010, the Financial Accounting Standards Board amended the disclosure requirements related to fair value measurements. Most of the new disclosures and clarifications of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for the expanded disclosures in the Level 3 reconciliation, which are effective for fiscal years beginning after December 15, 2010. The Company has adopted the remaining guidance which did not impact the consolidated financial statements.

Rail grinding

During the second quarter of 2010, the Company changed its accounting policy for the treatment of rail grinding costs. In prior periods, CP had capitalized such costs and depreciated them over the expected economic life of the rail grinding. The Company concluded that, although the accounting treatment was within acceptable accounting standards, it is preferable to expense the costs as incurred, given the subjectivity in determining the expected economic life and the associated depreciation methodology. The accounting policy change has been accounted for on a retrospective basis. The effects of the adjustment to January 1, 2010 resulted in an adjustment to decrease net properties by $89.0 million, deferred income tax liability by $26.3 million, and shareholders equity by $62.7 million. As a result of the change the following increases (decreases) to financial statement line items occurred:

(in millions of Canadian dollars, except per share data)		**For the three months ended March 31, 2010**
Changes to the Consolidated Statement of Income and Comprehensive Income (Loss)		
Depreciation and amortization	$	(3.8)
Compensation and benefits		0.3

Materials		0.1
Purchased services and other		1.8
Total operating expenses		(1.6)
Income tax expense		0.4
Net income	$	1.2
Basic earnings per share	$	0.01
Diluted earnings per share	$	0.01
Other comprehensive income (loss)		0.5
Comprehensive income (loss)	$	1.7

Changes to the Consolidated Statement of Cash Flows		
Net cash provided by operating activities (decrease)	$	(2.2)
Net cash used in investing activities (decrease)	$	(2.2)

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CANADIAN PACIFIC RAILWAY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011
(unaudited)
2 Accounting changes (continued)

	As at March 31, 2010
Changes to the Consolidated Balance Sheet	
Net properties	$ (86.5)
Deferred income tax liability	(25.5)
Accumulated other comprehensive loss (income)	2.1
Retained earnings	(63.1)

3 Income taxes

	For the three months ended March 31	
(in millions of Canadian dollars)	**2011**	**2010** Restated (see Note 2)
Current income tax expense	$ 3.9	$ 2.3
Deferred income tax expense	7.9	41.5
Income tax expense	$11.8	$43.8

4 Earnings per share

At March 31, 2011, the number of shares outstanding was 169.4 million (March 31, 2010 168.6 million).

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

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

	For the three months ended March 31	
(in millions)	**2011**	**2010**
Weighted average shares outstanding	169.3	168.5
Dilutive effect of stock options	1.4	0.6
Weighted average diluted shares outstanding	170.7	169.1

For the three months ended March 31, 2011, 888,542 options were excluded from the computation of diluted earnings per share because their effects were not dilutive (three months ended March 31, 2010 2,529,642).

CANADIAN PACIFIC RAILWAY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011
(unaudited)

5 Financial instruments

A. Fair values of financial instruments

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement.

Level 1: Unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: Directly or indirectly observable inputs other than quoted prices included within Level 1 or quoted prices for similar assets and liabilities. Derivative instruments in this category are valued using models or other industry standard valuation techniques derived from observable market data.

Level 3: Valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments fair value. Generally, Level 3 valuations are longer dated transactions, occur in less active markets, occur at locations where pricing information is not available, or have no binding broker quote to support Level 2 classifications.

When possible, the estimated fair value is based on quoted market prices and, if not available, estimates from third party brokers. For non-exchange traded derivatives classified in Level 2, the Company uses standard valuation techniques to calculate fair value. These methods include discounted mark to market for forwards, futures and swaps. Primary inputs to these techniques include observable market prices (interest, foreign exchange and commodity) and volatility, depending on the type of derivative and nature of the underlying risk. The Company uses inputs and data used by willing market participants when valuing derivatives and considers its own credit default swap spread as well as those of its counterparties in its determination of fair value. Wherever possible the Company uses observable inputs. All derivatives are classified as Level 2. A detailed analysis of the techniques used to value long-term floating rate notes, which are classified as Level 3, is discussed below.

Gain/loss in fair value of long-term floating rate notes

At March 31, 2011, and December 31, 2010, the Company held long-term floating rate notes with a total settlement value of $117.0 million, and carrying values of $71.3 million and $69.5 million, respectively. The carrying values, being the estimated fair values, are reported in Investments .

At March 31, 2011 the Company held long-term floating rate notes with settlement value, as follows:

$116.8 million Master Asset Vehicle (MAV) 2 notes with eligible assets; and

$0.2 million MAV 3 Class 9 Traditional Asset (TA) Tracking notes.

The valuation technique used by the Company to estimate the fair value of its investment in long-term floating rate notes at March 31, 2011 and December 31, 2010, incorporates probability weighted discounted cash flows considering the best available public information regarding market conditions and other factors that a market participant would consider for such investments. Accretion and other minor changes in assumptions have resulted in a gain of $1.8 million in the three months ended March 31, 2011 (three months ended March 31, 2010 gain of $2.5 million) which was reported in Other income and charges . The interest rates and maturities of the various long-term floating rate notes, discount rates and credit losses modelled at March 31, 2011 and December 31, 2010, respectively, are:

	March 31, 2011	**December 31, 2010**
Probability weighted average coupon interest rate	0.8%	0.8%

Weighted average discount rate	7.4%	7.1%
Expected repayments of long-term floating rate notes	Approximately $5\frac{1}{2}$ to 6 years	Approximately 6 years
Credit losses	MAV 2 eligible asset notes: nil to 100% MAV 3 Class 9 TA Tracking notes: nil 9	MAV 2 eligible asset notes: 1% to 100% MAV 3 Class 9 TA Tracking notes: 1%

CANADIAN PACIFIC RAILWAY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011
(unaudited)
5 Financial instruments (continued)

The probability weighted discounted cash flows resulted in an estimated fair value of the Company s long-term floating rate notes of $71.3 million at March 31, 2011 (December 31, 2010 $69.5 million). The change in the original cost and estimated fair value of the Company s long-term floating rate notes is as follows (representing a roll-forward of assets measured at fair value using Level 3 inputs):

	2011		**2010**	
(in millions of Canadian dollars)	**Original cost**	**Estimated fair value**	**Original cost**	**Estimated fair value**
As at January 1	$117.0	$69.5	$129.1	$69.3
Redemption of notes			(0.1)	
Accretion		1.4		1.5
Change in market assumptions		0.4		1.0
As at March 31	$117.0	$71.3	$129.0	$71.8

B. Financial risk management

The Company s policy with respect to using derivative financial instruments is to selectively reduce volatility associated with fluctuations in interest rates, foreign exchange (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 Consolidated Balance Sheet, commitments or forecasted transactions. At the time a derivative contract is entered into, and at least quarterly thereafter, an assessment is made 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.

Foreign exchange management

The Company is exposed to fluctuations of financial commitments, assets, liabilities, income or cash flows due to changes in FX rates. The Company conducts business transactions and owns assets in both Canada and the United States; as a result, revenues and expenses are incurred in both Canadian and U.S. dollars. We enter into foreign exchange risk management transactions primarily to manage fluctuations in the exchange rate between Canadian and U.S. currencies. In terms of net income, excluding FX on long-term debt, mitigation of U.S. dollar FX exposure is provided primarily through offsets created by revenues and expenses incurred in the same currency. Where appropriate, the Company negotiates with customers and suppliers to reduce the net exposure.

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

CANADIAN PACIFIC RAILWAY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011
(unaudited)
5 Financial instruments (continued)

Net investment hedge

The FX gains and losses on long-term debt are mainly unrealized and can only be realized when U.S. dollar denominated long-term debt matures or is settled. The Company also has long-term FX exposure on its investment in U.S. affiliates. The majority of the Company s U.S. dollar denominated long-term debt has been designated as a hedge of the 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 long-term debt and gains and losses on its net investment. In addition, the Company may enter into FX forward contracts to lock-in the amount of Canadian dollars it has to pay on its U.S. denominated debt maturities.

Foreign exchange forward contracts

At March 31, 2011, the Company had FX forward contracts to fix the exchange rate on US$101.4 million of its 5.75% Notes due in May 2013 and US$125.0 million of its 6.50% Notes due in May 2018. These derivatives, which are accounted for as cash flow hedges, guarantee the amount of Canadian dollars that the Company will repay when these Notes mature. During the three months ended March 31, 2011, the Company recorded an unrealized foreign exchange loss on long-term debt of $4.0 million in Other income and charges and $0.3 million in Other comprehensive income in relation to these derivatives. During this period the underlying debt which these derivatives are designated to hedge benefited largely from an equal and offsetting unrealized FX gain on long-term debt also recorded in Other income and charges . At March 31, 2011, the unrealized loss derived from these FX forwards was $5.9 million (December 31, 2010 $1.6 million) which was included in Other long-term liabilities with the offset, net of tax, reflected in Accumulated other comprehensive loss of $1.4 million (December 31, 2010 $1.1 million), and Retained earnings of $4.5 million (December 31, 2010 $0.5 million), on the Consolidated Balance Sheet.

At March 31, 2010, the Company had FX forward contracts of US$70 million to fix the exchange rate on its 6.25% Notes due in October 2011. This derivative was not designated as a hedge and changes in fair value were recognized in net income in the period in which the change occurs. During the three months ended March 31, 2010, the Company recorded an unrealized foreign exchange loss on long-term debt of $1.9 million in Other income and charges . At March 31, 2010, the unrealized loss derived from these FX forwards was $1.7 million which was included in Other long-term liabilities . This derivative was subsequently unwound during the three months ended June 30, 2010, for total proceeds of $0.2 million.

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 capital lease agreements that are subject to either fixed market interest rates set at the time of issue or floating rates determined by on-going market conditions. Debt subject to variable interest rates exposes the Company to variability in interest expense, while debt subject to fixed interest rates exposes the Company to variability in the fair value of 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 such as treasury rate locks, bond forwards or forward starting swaps, 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 agreements to manage the mix of fixed and floating rate debt. The Company does not currently hold any derivative financial instruments to manage its interest rate risk.

Interest rate swaps