

CANADIAN PACIFIC RAILWAY LTD/CN
Form 6-K
July 28, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 6-K
Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934
For the month of July, 2010

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 Form 40-F

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):

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):

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

Yes No

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

The interim financial statements, Management's Discussion and Analysis, and updated earnings coverage calculations included in this Report furnished on Form 6-K shall be incorporated by reference into, or as an exhibit to, as applicable, 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), Form S-8 No. 333-13962 (Canadian Pacific Railway Limited), and Form F-10 No. 333-159945 (Canadian Pacific Railway Limited) and Form F-9 No. 333-159943 (Canadian Pacific Railway Company).

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: July 28, 2010

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

CANADIAN PACIFIC RAILWAY COMPANY
(Registrant)

Date: July 28, 2010

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

CANADIAN PACIFIC ANNOUNCES SECOND-QUARTER RESULTS

CALGARY Canadian Pacific Railway Limited (TSX/NYSE: CP) today announced second-quarter net income of \$166.6 million. Diluted earnings per share were \$0.98, up 23 per cent from \$0.80 in the second-quarter 2009 which included a \$0.41 per share gain from an asset sale.

We leveraged volume growth in the quarter to deliver a solid financial performance through a keen focus on cost management, said Fred Green, President and CEO. Our emphasis on safety, productivity and asset velocity is improving service reliability for our customers.

SECOND-QUARTER 2010 COMPARED WITH SECOND-QUARTER 2009

Adjusted diluted earnings per share increased 96 per cent to \$0.92

Total revenues were up 20 per cent to \$1.23 billion

Operating income increased 48 per cent to \$274.1 million

Adjusted earnings increased 97 per cent to \$156.2 million

Operating ratio improved 430 basis points to 77.8 per cent

Markets are likely to remain volatile, added Green. Our proven track record of quickly adjusting our resources to meet changing volume demands position us well for the second half.

Presentation of non-GAAP earnings measures

CP presents non-GAAP earnings measures in this news release to provide an additional basis for evaluating underlying earnings and liquidity trends in its business that can be compared with prior periods' results of operations. When foreign exchange gains and losses on long-term debt and other specified items are excluded from diluted earnings per share, income and income tax expense, these are non-GAAP measures.

These non-GAAP earnings measures exclude foreign currency translation effects on long-term debt and related income taxes, which can be volatile and short term. The impact of volatile short-term rate fluctuations on foreign-denominated debt is only realized when long-term debt matures or is settled. A reconciliation of income, excluding foreign exchange gains and losses on long-term debt and other specified items, to net income as presented in the financial statements is detailed in the attached Summary of Rail Data. In addition, these non-GAAP measures exclude other specified items (described below) that are not a part of CP's normal ongoing revenues and operating expenses.

Net income and diluted earnings per share, excluding foreign exchange gains and losses on long-term debt and other specified items, are referred to in this news release as Adjusted earnings and Adjusted diluted earnings per share.

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

The non-GAAP earnings measures described in this news release have no standardized meanings and are not defined by accounting principles generally accepted in the United States and, therefore, are unlikely to be comparable to similar measures presented by other companies.

FOREIGN EXCHANGE GAIN AND LOSS ON LONG-TERM DEBT AND OTHER SPECIFIED ITEMS

CP had a net foreign exchange gain on long-term debt of \$9.4 million after tax in the second-quarter of 2010, compared with a loss of \$15.7 million after tax in second-quarter of 2009.

As part of a consolidated financing strategy, CP structures its U.S. dollar long-term debt in different taxing jurisdictions. As well, a portion of this debt is designated as a net investment hedge against the net investment in foreign subsidiaries. Although the taxes on foreign exchange gains and losses on long-term debt generally offset one another, because they may be in different tax jurisdictions, the resulting net tax can vary significantly.

In the second quarter of 2010 the Company recorded an unrealized gain of \$1.0 million after tax as a result of the change in the market assumptions used to estimate the fair value of our investment in long-term floating rate notes. Other specified items in the second-quarter of 2009 included an after tax gain on the sale of a portion of CP's interest in the Detroit River Tunnel Partnership of \$68.7 million. There was also a gain in 2009 in the fair value of long-term floating rates of \$3.2 million after tax as a result of the change in the market assumptions.

For the first six months of 2010, CP had a foreign exchange gain on long-term debt of \$6.3 million after tax, compared to a loss of \$9.2 million after tax in the first half of 2009. CP also had a gain on long-term floating rate notes of \$1.9 million after tax, down from \$3.2 million after tax in the first half of 2009.

CP began reporting its financial results in accordance with U.S. GAAP as of January 1, 2010. All prior period comparative numbers contained in this release are to U.S. GAAP. Additional historical U.S. GAAP financial reports can be found at www.cpr.ca.

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.

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

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, through the ingenuity of its employees located across Canada and in the United States, remains committed to being the safest, most fluid railway in North America. Our people are the key to delivering innovative transportation solutions to our customers and to ensuring the safe operation of our trains through the more than 1,100 communities where we operate. Our combined ingenuity makes Canadian Pacific a better place to work, rail a better way to ship, and North America a better place to live. Come and visit us at www.cpr.ca to see how we can put our ingenuity to work for you.

Contacts

Media:

Mike LoVecchio

Senior Manager Media Relations

Tel.: (778) 772-9636

24/7 Media Pager: (416) 814-0948

e-mail: mike_lovecchio@cpr.ca

Investment Community:

Janet Weiss

Assistant Vice President Investor

Relations

Tel.: (403) 319-3591

e-mail: investor@cpr.ca

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

| | For the three months ended June 30 | | For the six months ended June 30 | |
|--|---------------------------------------|--------------------------|-------------------------------------|--------------------------|
| | 2009 | | 2009 | |
| | 2010 | Restated (see Note 2) | 2010 | Restated (see Note 2) |
| Revenues | | | | |
| Freight | \$ 1,202.2 | \$ 1,001.4 | \$ 2,340.4 | \$ 2,077.4 |
| Other | 32.0 | 29.9 | 60.6 | 63.5 |
| | 1,234.2 | 1,031.3 | 2,401.0 | 2,140.9 |
| Operating expenses | | | | |
| Compensation and benefits | 349.7 | 324.5 | 703.5 | 667.5 |
| Fuel | 177.9 | 117.7 | 359.6 | 288.7 |
| Materials | 51.0 | 53.5 | 115.0 | 130.2 |
| Equipment rents | 54.9 | 55.1 | 103.9 | 121.5 |
| Depreciation and amortization | 123.3 | 123.2 | 244.5 | 239.4 |
| Purchased services and other | 203.3 | 172.4 | 393.8 | 373.9 |
| | 960.1 | 846.4 | 1,920.3 | 1,821.2 |
| Operating income | 274.1 | 184.9 | 480.7 | 319.7 |
| Gain on sale of partnership interest (<i>Note 4</i>) | | 81.2 | | 81.2 |
| Less: | | | | |
| Other (income) and charges | (3.4) | 9.6 | (8.3) | 18.1 |
| Interest expense | 64.8 | 72.6 | 131.5 | 144.2 |
| Income before income tax expense | 212.7 | 183.9 | 357.5 | 238.6 |
| Income tax expense (<i>Note 5</i>) | 46.1 | 48.4 | 89.9 | 44.1 |
| Net income | \$ 166.6 | \$ 135.5 | \$ 267.6 | \$ 194.5 |
| Earnings per share (<i>Note 6</i>) | | | | |
| Basic earnings per share | \$ 0.99 | \$ 0.81 | \$ 1.59 | \$ 1.18 |

| | | | | |
|----------------------------|---------|---------|---------|---------|
| Diluted earnings per share | \$ 0.98 | \$ 0.80 | \$ 1.58 | \$ 1.18 |
|----------------------------|---------|---------|---------|---------|

**Weighted average number of shares
(millions)**

| | | | | |
|-------|-------|-------|-------|-------|
| Basic | 168.6 | 168.0 | 168.6 | 164.5 |
|-------|-------|-------|-------|-------|

| | | | | |
|---------|-------|-------|-------|-------|
| Diluted | 169.2 | 168.4 | 169.0 | 164.7 |
|---------|-------|-------|-------|-------|

| | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|
| Dividends declared per share | \$ 0.2700 | \$ 0.2475 | \$ 0.5175 | \$ 0.4950 |
|-------------------------------------|------------------|------------------|------------------|------------------|

See notes to consolidated financial statements.

4

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

| | June 30 2010 | December 31 2009 Restated (see Note 2) |
|--|-------------------------|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 373.6 | \$ 679.1 |
| Accounts receivable, net | 441.2 | 655.1 |
| Materials and supplies | 136.8 | 132.7 |
| Deferred income taxes | 137.6 | 128.1 |
| Other current assets | 62.2 | 46.5 |
| | 1,151.4 | 1,641.5 |
| Investments | 167.9 | 156.7 |
| Net properties | 12,044.5 | 11,978.5 |
| Goodwill and intangible assets | 204.0 | 202.3 |
| Other assets | 171.2 | 175.8 |
| Total assets | \$13,739.0 | \$14,154.8 |
| Liabilities and shareholders equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 897.7 | \$ 927.1 |
| Income and other taxes payable | 36.1 | 31.9 |
| Dividends payable | 45.5 | 41.7 |
| Long-term debt maturing within one year | 40.2 | 605.3 |
| | 1,019.5 | 1,606.0 |
| Pension and other benefits liabilities | 1,252.2 | 1,453.9 |
| Other long-term liabilities | 486.8 | 479.9 |
| Long-term debt | 4,160.4 | 4,138.2 |
| Deferred income taxes | 1,938.1 | 1,818.7 |
| Total liabilities | 8,857.0 | 9,496.7 |
| Shareholders equity | | |
| Share capital | 1,780.8 | 1,771.1 |
| Additional paid-in capital | 29.4 | 30.8 |
| Accumulated other comprehensive loss | (1,709.5) | (1,744.7) |

| | | |
|---|-------------------|-------------------|
| Retained earnings | 4,781.3 | 4,600.9 |
| | 4,882.0 | 4,658.1 |
| <i>Total liabilities and shareholders equity</i> | \$13,739.0 | \$14,154.8 |

Commitments and contingencies (*Note 12*)

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 June 30 | | For the six months ended June 30 | |
|--|---|--------------------------|---|--------------------------|
| | 2009 | | 2009 | |
| | 2010 | Restated (see Note 2) | 2010 | Restated (see Note 2) |
| Operating activities | | | | |
| Net income | \$ 166.6 | \$ 135.5 | \$ 267.6 | \$ 194.5 |
| Reconciliation of net income to cash provided by operating activities: | | | | |
| Depreciation and amortization | 123.3 | 123.2 | 244.5 | 239.4 |
| Deferred income taxes (Note 5) | 43.5 | 53.3 | 85.1 | 43.8 |
| Gain on sale of partnership interest | | (81.2) | | (81.2) |
| Restructuring and environmental payments | (6.0) | (10.5) | (11.6) | (19.0) |
| Pension funding in excess of expense | (150.7) | (17.3) | (160.0) | (32.6) |
| Other operating activities, net | 0.4 | (16.7) | 17.8 | (12.4) |
| Change in non-cash working capital balances related to operations | 10.0 | (51.2) | (72.0) | (63.1) |
| Cash provided by operating activities | 187.1 | 135.1 | 371.4 | 269.4 |
| Investing activities | | | | |
| Additions to properties | (168.0) | (246.4) | (258.8) | (368.6) |
| Proceeds from the sale of properties and other assets | 17.4 | 144.3 | 26.4 | 152.3 |
| Proceeds from sale of long-term floating rate notes | | 12.3 | | 12.3 |
| Cash used in investing activities | (150.6) | (89.8) | (232.4) | (204.0) |
| Financing activities | | | | |
| Dividends paid | (41.7) | (41.7) | (83.4) | (79.7) |
| Issuance of CP Common Shares | 3.9 | 3.4 | 6.9 | 499.2 |
| Collection of receivable from financial institution | 219.8 | | 219.8 | |
| Net decrease in short-term borrowing | | (76.4) | | (94.5) |
| Issuance of long-term debt | | 409.5 | | 409.5 |
| Repayment of long-term debt | (581.2) | (593.3) | (590.3) | (606.5) |
| Other financing activities | 0.2 | 29.2 | 0.2 | 29.2 |

| | | | | |
|---|-----------------|-----------------|-----------------|-----------------|
| Cash (used in) provided by financing activities | (399.0) | (269.3) | (446.8) | 157.2 |
| Effect of foreign exchange fluctuations on U.S.dollar -denominated cash and cash equivalents | 12.3 | (8.2) | 2.3 | (5.8) |
| Cash position | | | | |
| (Decrease) increase in cash and cash equivalents | (350.2) | (232.2) | (305.5) | 216.8 |
| Cash and cash equivalents at beginning of period | 723.8 | 566.5 | 679.1 | 117.5 |
| Cash and cash equivalents at end of period | \$ 373.6 | \$ 334.3 | \$ 373.6 | \$ 334.3 |
| Supplemental disclosures of cash flow information | | | | |
| Income taxes paid | \$ 3.2 | \$ 0.3 | \$ 5.0 | \$ 3.7 |
| Interest paid (<i>Note 10</i>) | \$ 174.0 | \$ 101.7 | \$ 219.1 | \$ 160.3 |

See notes to consolidated financial statements.

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 December 31, 2009, as previously reported | 168.5 | \$1,771.1 | \$30.8 | \$(1,746.3) | \$4,665.2 | \$4,720.8 |
| Cumulative adjustment for change in accounting policy (see Note 2) | | | | 1.6 | (64.3) | (62.7) |
| Balance at December 31, 2009, as restated | 168.5 | 1,771.1 | 30.8 | (1,744.7) | 4,600.9 | 4,658.1 |
| Net income | | | | | 267.6 | 267.6 |
| Other comprehensive income | | | | 35.2 | | 35.2 |
| Comprehensive income | | | | 35.2 | 267.6 | 302.8 |
| Dividends declared | | | | | (87.2) | (87.2) |
| Stock compensation expense | | | 0.8 | | | 0.8 |
| Shares issued under stock option plans | 0.2 | 9.7 | (2.2) | | | 7.5 |
| Balance at June 30, 2010 | 168.7 | \$1,780.8 | \$29.4 | \$(1,709.5) | \$4,781.3 | \$4,882.0 |
| Comprehensive income three months ended June 30, 2010 | | | | \$ 25.1 | \$ 167.8 | \$ 192.9 |

See notes to consolidated financial statements.

CANADIAN PACIFIC RAILWAY LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010

(unaudited)

1 Basis of presentation

These unaudited 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 2009 U.S. GAAP consolidated financial statements. The policies used are consistent with the policies used in preparing the 2009 U.S. GAAP consolidated financial statements, except as discussed in Note 2. 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. The 2009 global recession has affected financial results such that seasonal fluctuations may not be consistent with those in prior years. The timing of a return to seasonal trends consistent with prior years will depend on the continued recovery of the economy and the related impact on the Company 's customers.

2 Accounting changes

Consolidations

In June 2009, the Financial Accounting Standards Board (FASB) issued Amendments to Consolidation of Variable Interest Entities. The guidance retains the scope of the previous guidance and removes the exemption of entities previously considered qualifying special purpose entities. In addition, it replaces the previous quantitative approach with a qualitative analysis approach for determining whether the enterprise 's variable interest or interests give it a controlling financial interest in a variable interest entity. The guidance is further amended to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and requires enhanced disclosures about an enterprise 's involvement in a variable interest entity. The guidance is applicable to all variable interest entities that existed at January 1, 2010, the date of adoption, or are created thereafter. The Company has variable interests in variable interest entities, however, the adoption of the new guidance did not change the previous assessment that the Company is not the primary beneficiary and as such does not consolidate the variable interest entities. Additional note disclosure regarding the nature of the Company 's variable interests and where judgment was required to assess the primary beneficiary of these variable interest entities has been provided in Note 11.

Accounting for transfers of financial assets

The FASB has released additional guidance with respect to the accounting and disclosure of transfers of financial assets such as securitized accounts receivable. Although the Company currently does not have an accounts receivable securitization program, the guidance, which includes revisions to the derecognition criteria in a transfer and the treatment of qualifying special purpose entities, would be applicable to any future securitization. The new guidance is effective for the Company from January 1, 2010. The adoption of this guidance had no impact to the Company 's financial statements.

Fair value measurement and disclosure

In January 2010, the FASB amended the disclosure requirements related to fair value measurements. The update provides for new disclosures regarding transfers in and out of Level 1 and Level 2 financial asset and liability categories and expanded disclosures in the Level 3 reconciliation. The update also provides clarification that the level of disaggregation should be at the class level and that disclosures about inputs and valuation techniques are required for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. New disclosures and clarifications of existing disclosures are 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 this guidance resulting in expanded note disclosure (Note 7).

CANADIAN PACIFIC RAILWAY LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010

(unaudited)

2 Accounting changes (continued)

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 taxes 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 June 30 | | For the six months ended June 30 | | For the year ended December 31 | | |
|---|---------------------------------------|---------|-------------------------------------|---------|--------------------------------------|----------|---------|
| | 2010 | 2009 | 2010 | 2009 | 2009 | 2008 | 2007 |
| Changes to Consolidated Statement of Income and Comprehensive Income | | | | | | | |
| Depreciation and amortization | \$(3.8) | \$(3.5) | \$(7.6) | \$(7.0) | \$(14.0) | \$(8.9) | \$(9.5) |
| Compensation and benefits | 0.3 | 0.7 | 0.6 | 0.8 | 2.8 | 2.7 | 2.0 |
| Fuel | | | | | 0.1 | 0.1 | 0.1 |
| Materials | 0.1 | 0.4 | 0.2 | 0.5 | 1.8 | 1.7 | 1.3 |
| Purchased services and other | 2.1 | 4.1 | 3.9 | 4.8 | 15.9 | 15.4 | 11.3 |
| Total operating expenses | (1.3) | 1.7 | (2.9) | (0.9) | 6.6 | 11.0 | 5.2 |
| Income tax expense | 0.2 | (0.6) | 0.6 | 0.3 | (1.2) | (3.2) | 0.4 |
| Net income | \$ 1.1 | \$(1.1) | \$ 2.3 | \$ 0.6 | \$ (5.4) | \$ (7.8) | \$(5.6) |

&nbs