

CANADIAN PACIFIC RAILWAY LTD/CN
Form 6-K
October 27, 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 October, 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: October 27, 2010

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

CANADIAN PACIFIC RAILWAY COMPANY
(Registrant)

Date: October 27, 2010

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

Release: Immediate October 27, 2010

CANADIAN PACIFIC ANNOUNCES THIRD-QUARTER RESULTS

CALGARY Canadian Pacific Railway Limited (TSX/NYSE: CP) announced a 15 per cent increase in third-quarter revenues with gains across most lines of business. Reported net income was \$197.3 million and diluted earnings per share were \$1.17, both down 6 per cent over third-quarter 2009 which included other specified items of \$0.41 per share principally from significant real estate sales. Adjusted diluted earnings per share increased 27 per cent to \$1.21.

CP delivered another strong quarter of financial performance on double digit revenue growth and an improved operating ratio, said Fred Green, President and Chief Executive Officer. We are building a solid foundation based on safety, service reliability and operational efficiencies that continue to drive value to our employees, customers and shareholders.

THIRD-QUARTER 2010 COMPARED WITH THIRD-QUARTER 2009

Total revenues increased 15 per cent from \$1.1 billion to \$1.3 billion

Adjusted operating income increased 28 per cent from \$263.8 million to \$337.7 million

Adjusted operating ratio improved 270 basis points to 73.7 per cent

Adjusted earnings increased 27 per cent from \$160.9 million to \$204.7 million

Adjusted diluted earnings per share increased 27 per cent from \$0.95 per share to \$1.21 per share

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.

Income, diluted earnings per share, operating expense and operating ratio, excluding foreign exchange gains and losses on long-term debt and other specified items, are

referred to in this news release as Adjusted earnings , Adjusted diluted earnings per share , Adjusted operating expense and Adjusted operating ratio .

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

In the third quarter of 2009 the Company recorded other specified items totaling \$69.4 million, after tax. This was largely comprised of the after tax gain of \$68.1 million on significant real estate sales.

CP had a foreign exchange loss on long-term debt of \$7.7 million after tax in the third quarter of 2010, compared with a foreign exchange loss on long-term debt of \$21.0 million after tax in the third 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 our 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.

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 conform 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.

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 (CP: TSX/NYSE) 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 September 30 2009		For the nine months ended September 30 2009	
	2010	Restated (see Note 2)	2010	Restated (see Note 2)
Revenues				
Freight	\$ 1,250.8	\$ 1,086.6	\$ 3,591.2	\$ 3,164.0
Other	35.4	31.5	96.0	95.0
	1,286.2	1,118.1	3,687.2	3,259.0
Operating expenses				
Compensation and benefits	365.2	322.4	1,068.7	989.9
Fuel	166.1	134.0	525.7	422.7
Materials	43.2	45.3	158.2	175.5
Equipment rents	53.6	51.5	157.5	173.0
Depreciation and amortization	123.9	121.6	368.4	361.0
Purchased services and other	196.5	179.5	590.3	553.4
Gain on sale of significant properties (Note 4)		(79.1)		(79.1)
	948.5	775.2	2,868.8	2,596.4
Operating income	337.7	342.9	818.4	662.6
Gain on sale of partnership interest (Note 5)				81.2
Less:				
Other (income) and charges	1.0	1.3	(7.3)	19.4
Interest expense	60.6	55.0	192.1	199.2
Income before income tax expense	276.1	286.6	633.6	525.2
Income tax expense (Note 6)	78.8	77.3	168.7	121.4
Net income	\$ 197.3	\$ 209.3	\$ 464.9	\$ 403.8
Earnings per share (Note 7)				
Basic earnings per share	\$ 1.17	\$ 1.25	\$ 2.76	\$ 2.44
Diluted earnings per share	\$ 1.17	\$ 1.24	\$ 2.75	\$ 2.43
Weighted average number of shares (millions)				
Basic	168.8	168.1	168.6	165.7

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Diluted	169.3	168.7	169.0	166.0
Dividends declared per share	\$ 0.2700	\$ 0.2475	\$ 0.7875	\$ 0.7425

See notes to interim consolidated financial statements.

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

	September 30	December 31
	2010	2009
		Restated (see Note 2)
Assets		
Current assets		
Cash and cash equivalents	\$ 267.8	\$ 679.1
Accounts receivable, net	533.3	655.1
Materials and supplies	124.5	132.7
Deferred income taxes	103.8	128.1
Other current assets	54.8	46.5
	1,084.2	1,641.5
Investments	154.6	156.7
Net properties	11,957.2	11,978.5
Goodwill and intangible assets	196.8	202.3
Other assets	138.0	175.8
Total assets	\$13,530.8	\$14,154.8
Liabilities and shareholders equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,038.7	\$ 1,000.7
Long-term debt maturing within one year	41.4	605.3
	1,080.1	1,606.0
Pension and other benefits liabilities (Note 11)	585.3	1,453.9
Other long-term liabilities	472.4	479.9
Long-term debt (Note 10)	4,389.0	4,138.2
Deferred income taxes	1,932.2	1,818.7
Total liabilities	8,459.0	9,496.7
Shareholders equity		
Share capital	1,805.9	1,771.1
Additional paid-in capital	25.5	30.8
Accumulated other comprehensive loss	(1,692.5)	(1,744.7)
Retained earnings	4,932.9	4,600.9
	5,071.8	4,658.1

<i>Total liabilities and shareholders equity</i>	\$13,530.8	\$14,154.8
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Commitments and contingencies (*Note 14*)

See notes to interim consolidated financial statements.

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

	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
Operating activities				
Net income	\$ 197.3	\$ 209.3	\$ 464.9	\$ 403.8
Reconciliation of net income to cash provided by operating activities:				
Depreciation and amortization	123.9	121.6	368.4	361.0
Deferred income taxes (<i>Note 6</i>)	75.4	114.8	160.4	158.6
Gain on sale of partnership interest				(81.2)
Gain on sale of significant properties		(79.1)		(79.1)
Pension funding in excess of expense (<i>Note 11</i>)	(645.6)	(15.0)	(805.6)	(47.6)
Other operating activities, net	(0.6)	(9.6)	5.7	(41.0)
Change in non-cash working capital balances related to operations	(0.5)	59.6	(72.5)	(3.5)
Cash (used in) provided by operating activities	(250.1)	401.6	121.3	671.0
Investing activities				
Additions to properties	(185.1)	(195.5)	(443.9)	(564.1)
Proceeds from the sale of properties and other assets	19.8	122.9	46.2	287.5
Cash used in investing activities	(165.3)	(72.6)	(397.7)	(276.6)
Financing activities				
Dividends paid	(45.5)	(41.6)	(128.9)	(121.3)
Issuance of CP Common Shares	20.0	5.3	26.9	504.5
Collection of receivable from financial institution			219.8	
Net decrease in short-term borrowing		2.1		(92.4)
Issuance of long-term debt	355.2		355.2	409.5
Repayment of long-term debt	(14.2)	(6.8)	(604.5)	(613.3)
Other financing activities	2.9	4.9	3.1	34.1
Cash provided by (used in) financing activities	318.4	(36.1)	(128.4)	121.1
Effect of foreign exchange fluctuations on U.S. dollar-denominated cash and cash equivalents	(8.8)	(11.3)	(6.5)	(17.1)
Cash position				
(Decrease) increase in cash and cash equivalents	(105.8)	281.6	(411.3)	498.4
Cash and cash equivalents at beginning of period	373.6	334.3	679.1	117.5

Cash and cash equivalents at end of period	\$ 267.8	\$ 615.9	\$ 267.8	\$ 615.9
Supplemental disclosures of cash flow information				
Income taxes paid (refunded)	\$ 0.3	\$ (40.1)	\$ 6.5	\$ (36.5)
Interest paid (<i>Note 12</i>)	\$ 33.2	\$ 36.6	\$ 252.3	\$ 196.9

See notes to interim 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 (<i>Note 2</i>)				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					464.9	464.9
Other comprehensive income				52.2		52.2
Comprehensive income				52.2	464.9	517.1
Dividends declared					(132.9)	(132.9)
Stock compensation expense			1.1			1.1
Shares issued under stock option plans	0.6	34.8	(6.4)			28.4
Balance at September 30, 2010	169.1	\$1,805.9	\$25.5	\$(1,692.5)	\$4,932.9	\$5,071.8
				Other comprehensive income	Net income	Comprehensive income
Comprehensive income three months ended September 30, 2010				\$17.0	\$197.3	\$ 214.3

See notes to interim consolidated financial statements.

CANADIAN PACIFIC RAILWAY LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 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 irregular pace of the recovery in 2010 from the 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 years prior to 2009 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 13.

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 (see Note 8 for a definition of Level 1, 2 and 3 financial asset and liability categories). 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 in Note 8.

CANADIAN PACIFIC RAILWAY LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 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 September 30		For the nine months ended September 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)	\$ (11.4)	\$ (10.5)	\$ (14.0)	\$ (8.9)	\$ (9.5)
Compensation and benefits	0.9	1.0	1.5	1.8	2.8	2.7	2.0
Fuel					0.1	0.1	0.1
Materials	0.3	0.6	0.5	1.1	1.8	1.7	1.3
Purchased services and other	5.4	5.9	9.3	10.7	15.9	15.4	11.3
Total operating expenses	2.8	4.0	(0.1)	3.1	6.6	11.0	5.2
Income tax expense	(0.8)	(1.3)	(0.2)	(1.0)	(1.2)	(3.2)	0.4
Net income	\$ (2.0)	\$ (2.7)	\$ 0.3	\$ (2.1)	\$ (5.4)	\$ (7.8)	\$ (5.6)
Basic earnings per share	\$(0.01)	\$(0.02)	\$	\$(0.01)	\$(0.03)	\$(0.05)	\$(0.04)
Diluted earnings per share	\$(0.01)	\$(0.02)	\$	\$(0.01)	\$(0.03)	\$(0.05)	\$(0.04)
Other comprehensive income (loss)	0.6	1.4	0.3	2.1	2.4	(2.8)	2.0

Comprehensive income	\$ (1.4)	\$ (1.3)	\$ 0.6	\$	\$ (3.0)	\$(10.6)	\$ (3.6)
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Changes to Consolidated Statement of Cash Flows

Cash provided by operating activities (decrease)	\$ (6.6)	\$ (7.5)	\$(11.3)	\$(13.6)	\$(20.6)	\$(19.9)	\$(14.7)
Cash used in investing activities (decrease)	\$ (6.6)	\$ (7.5)	\$(11.3)	\$(13.6)	\$(20.6)	\$(19.9)	\$(14.7)

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CANADIAN PACIFIC RAILWAY LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010
(unaudited)