CANADIAN PACIFIC RAILWAY LTD/CN
Form 6-K
April 22, 2008

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 April, 2008
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 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 o No þ

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

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
CANADIAN PACIFIC RAILWAY COMPANY
(Registrants)

Date: April 22, 2008	By:	Signed:	Karen L. Fleming
		Name:	Karen L. Fleming
		Title:	Associate Corporate Secretary

Release: Immediate, April 22nd, 2008

CANADIAN PACIFIC ANNOUNCES ITS FIRST-QUARTER RESULTS

Company adjusts guidance

CALGARY - Canadian Pacific Railway Limited (TSX/NYSE: CP) announced its first-quarter results today. Net income in the first quarter was $91 million, a decrease of 29 per cent from $129 million in 2007, and diluted earnings per share was $0.59, a decrease of $0.23 from $0.82 in the first quarter of 2007. Diluted earnings per share, excluding the effects of foreign exchange gains and losses on long-term debt and other specified items, decreased $0.03 as there was a favourable change in provincial tax rates which partially offset the impacts of severe winter operating conditions and the increase in fuel costs. However, foreign exchange gains and losses and other specified items, discussed below, reduced earnings by a further $0.20.

SUMMARY OF FIRST-QUARTER 2008 COMPARED WITH FIRST-QUARTER 2007

Total revenues rose three per cent to $1.15 billion from $1.12 billion

Income before foreign exchange gains and losses on long-term debt and other specified items decreased five per cent to $116 million from $123 million

Adjusted diluted earnings per share decreased to $0.75 from $0.78

Operating ratio was 82.7 per cent compared with 79.5 per cent

The first quarter brought many challenges as we continued to face remarkable year-over-year increases in both fuel prices and the Canadian dollar, said Fred Green, President and CEO. At the same time, we had a difficult winter with prolonged cold spells and record snowfall which affected the entire supply chain and resulted in very tough operating conditions throughout the central and eastern parts of our network. Although our busy western corridor remained fluid, the winter weather had a significant impact on our overall ability to move traffic efficiently.

The team will continue to focus on execution excellence and we intend to exploit all opportunities to improve efficiency including cost management, yield improvement and other strategic initiatives. Despite the tough first-quarter and continuing headwinds, our goal is still to deliver positive earnings growth in 2008.

Freight revenues increased 10 per cent in the quarter, as global demand for bulk products remained solid, but the foreign exchange impact of a stronger Canadian dollar reduced this growth to three per cent. Grain, coal and sulphur and fertilizers all saw growth in the six to seven percent range. Industrial and consumer products increased 10 per cent over first-quarter 2007, built on a foundation of continued strength in Alberta. Intermodal revenues were also up four per cent. These gains were offset, in part, by decreases in forest products and automotive of 19 per cent and 12 per cent respectively, reflecting a weaker US economy.

Operating expenses in the quarter increased 13 per cent, but the positive foreign exchange impact of a stronger Canadian dollar reduced the increase to seven per cent. The majority of this increase was due to higher fuel costs and less efficient operations resulting from the challenging winter operating conditions.

2008 OUTLOOK

We faced a tough first quarter with substantial headwinds, and as we look to the balance of the year, we anticipate the continuing effects of a slowing North American economy on our business. Although demand remains strong for our bulk portfolio, we expect to see an impact on our intermodal business, and further deterioration of our merchandise business. We also expect high fuel prices, including the price of WTI and refining margins, will continue, said Mike Lambert, CFO. As a result, we are reducing our earnings guidance for 2008 and due to the ongoing economic uncertainty we are also widening the range of our guidance. We now expect that diluted earnings per share (before foreign exchange gains and losses on long-term debt and other specified items) will be in the range of $4.40 to $4.60, a change from $4.65 to $4.80.

The 2008 estimate assumes an average currency exchange rate of the U.S. dollar at par with the Canadian dollar. Crude oil prices are expected to average US $98 per barrel, while crack spread is expected to increase an average of US $7 per barrel in 2008 compared with 2007 with an estimated all-in fuel price of US $3.35 per US gallon for the year. WTI is updated from US $87 per barrel.

CP expects to grow total revenue by four to six per cent in 2008, unchanged from previous assumptions as volume declines will be offset by fuel recovery. Total operating expenses are expected to increase by six to eight per cent, revised from the original assumption of three to five per cent due principally to higher fuel cost.

CP expects its tax rate to be in the 27 per cent to 29 per cent range, a change from the original outlook of 29 per cent to 31 per cent as a result of decreasing Canadian tax rates.

CP expects free cash to be approximately $200 million, adjusted downwards from the original outlook of in excess of $250 million in 2008, resulting from the expected decline in Operating Income.

The 2008 outlook includes the projected earnings of the Dakota Minnesota & Eastern Railroad (DM&E) on an equity accounting basis for the full year.

FOREIGN EXCHANGE GAINS AND LOSSES ON LONG-TERM DEBT AND OTHER SPECIFIED ITEMS

CP had a foreign exchange loss on long-term debt of $16 million ($11 million after tax) in the first quarter of 2008, compared with a foreign exchange gain on long-term debt of $9 million ($6 million after tax) in the first quarter of 2007.

At March 31, 2008 CP held investments in Canadian Non-Bank Asset Backed Commercial Paper (ABCP) with an original cost of approximately $144 million. In the third-quarter of 2007, CP adjusted the estimated fair value of the investment and took a charge of $21 million ($15 million after tax) and classified the investments as long-term investments. In recognition of current credit market conditions impacting these investments, CP has further adjusted the estimated fair value of the investments and taken an additional charge in the first-quarter of 2008 of $21 million ($15 million after tax).

Continuing uncertainties regarding the value of the assets which underlie the ABCP, the amount and timing of cash flows and the outcome of the restructuring process could give rise to a material change in the value of the Company s investments in ABCP which would impact the Company s near-term earnings.

Presentation of non-GAAP earnings

CP presents non-GAAP earnings in this news release to provide a basis for evaluating underlying earnings and liquidity trends in its business that can be compared with prior periods results of operations. These non-GAAP earnings exclude foreign currency translation impacts on long-term debt, which can be volatile and short term, and other specified items, which are not among CP s normal ongoing revenues and operating expenses. 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. Diluted EPS, excluding foreign exchange gains and losses on long-term debt and other specified items, is also referred to in this news release as adjusted diluted EPS .

Free cash is calculated as cash provided by operating activities, less cash used in investing activities and dividends paid, and adjusted for the acquisition cost of DM&E. Free cash is adjusted for the DM&E acquisition, as it is not indicative of normal day-to-day investments in the Company s asset base.

Earnings that exclude the foreign exchange currency translation impact on long-term debt and other specified items, and free cash after dividends, as described in this news release, have no standardized meanings and are not defined by Canadian generally accepted accounting principles and, therefore, are unlikely to be comparable to similar measures presented by other companies.

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.

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 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; timing of completion of capital and maintenance projects; currency and interest rate fluctuations; effects of changes in market conditions on the financial position of pension plans and investments; 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 in the Outlook section and elsewhere in this news release with the particular forward-looking statement in question.

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 except as required by law.

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 900 communities where we operate. Our combined ingenuity makes CP 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. Canadian Pacific is proud to be the official rail freight services provider for the Vancouver 2010 Olympic and Paralympic Winter Games.

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STATEMENT OF CONSOLIDATED INCOME
(in millions, except per share data)

	For the three months ended March 31	
	2008	**2007**
	(unaudited)	
Revenues		
Freight	$ 1,124.4	$ 1,090.9
Other	22.5	25.0
	1,146.9	1,115.9
Operating expenses		
Compensation and benefits	328.3	332.5
Fuel	230.2	171.2
Materials	65.5	62.4
Equipment rents	45.9	55.5
Depreciation and amortization	119.9	118.6
Purchased services and other	158.9	146.4
	948.7	886.6
Operating income	**198.2**	**229.3**
Other charges *(Note 4)*	6.7	4.8
Equity income in Dakota, Minnesota & Eastern Railroad Corporation *(Note 9)*	(11.0)	
Change in estimated fair value of Canadian third party asset-backed commercial paper *(Note 9)*	21.3	
Foreign exchange losses (gains) on long-term debt	16.3	(8.6)
Interest expense *(Note 5)*	59.9	46.8
Income tax expense *(Note 6)*	14.2	57.7
Net income	**$ 90.8**	**$ 128.6**
Basic earnings per share *(Note 7)*	**$ 0.59**	**$ 0.83**

Diluted earnings per share *(Note 7)*	**$ 0.59**	**$ 0.82**

See notes to interim consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	For the three months ended March 31 2008	2007
	(unaudited)	
Comprehensive income		
Net income	$ 90.8	$ 128.6
Other comprehensive income		
Net change in foreign currency translation adjustments, net of hedging activities	3.3	(0.3)
Net change in gains on derivatives designated as cash flow hedges	(8.8)	(3.2)
Other comprehensive loss before income taxes	(5.5)	(3.5)
Income tax recovery	8.0	0.7
Other comprehensive income (loss) (*Note 11*)	2.5	(2.8)
Comprehensive income	$ 93.3	$ 125.8

See notes to interim consolidated financial statements.

CONSOLIDATED BALANCE SHEET
(in millions)

	March 31 2008	December 31 2007
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 71.3	$ 378.1
Accounts receivable and other current assets	585.2	542.8
Materials and supplies	176.7	179.5
Future income taxes	70.6	67.3
	903.8	1,167.7
Investments *(Note 9)*	1,719.0	1,668.6
Net properties	9,360.4	9,293.1
Other assets and deferred charges	1,392.0	1,235.6
Total assets	$ 13,375.2	$ 13,365.0
Liabilities and shareholders equity		
Current liabilities		
Short-term borrowing	$ 66.7	$ 229.7
Accounts payable and accrued liabilities	995.5	980.8
Income and other taxes payable	50.9	68.8
Dividends payable	38.0	34.5
Long-term debt maturing within one year	31.1	31.0
	1,182.2	1,344.8
Deferred liabilities	690.4	714.6
Long-term debt	4,267.6	4,146.2
Future income taxes	1,703.9	1,701.5
Shareholders equity		
Share capital *(Note 10)*	1,210.4	1,188.6
Contributed surplus	38.5	42.4
Accumulated other comprehensive income *(Note 11)*	42.1	39.6
Retained income	4,240.1	4,187.3

	5,531.1	5,457.9
Total liabilities and shareholders equity	$ 13,375.2	$ 13,365.0

Commitments and contingencies *(Note 17)*.
See notes to interim consolidated financial statements.

STATEMENT OF CONSOLIDATED CASH FLOWS
(in millions)

	For the three months ended March 31 2008	2007
	(unaudited)	
Operating activities		
Net income	$ 90.8	$ 128.6
Add (deduct) items not affecting cash:		
Depreciation and amortization	119.9	118.6
Future income taxes	(4.5)	38.5
Change in estimated fair value of Canadian third party asset-backed commercial paper *(Note 9)*	21.3	
Foreign exchange losses (gains) on long-term debt	16.3	(8.6)
Amortization of deferred charges	2.5	3.1
Equity income, net of cash received	(9.4)	
Restructuring and environmental remediation payments *(Note 8)*	(13.7)	(13.2)
Other operating activities, net	(25.5)	(2.7)
Change in non-cash working capital balances related to operations	(37.7)	(36.6)
Cash provided by operating activities	**160.0**	**227.7**
Investing activities		
Additions to properties	(127.4)	(204.2)
Additions to investments and other assets *(Note 13)*	(134.7)	(0.3)
Additions to investment in Dakota, Minnesota & Eastern Railroad Corporation (*Note 9)*	(6.3)	
Net (cost) proceeds from disposal of transportation properties	(2.5)	8.9
Cash used in investing activities	**(270.9)**	**(195.6)**
Financing activities		
Dividends paid	(34.5)	(29.1)
Issuance of CP Common Shares	12.2	10.1
Purchase of CP Common Shares		(16.1)
Net (decrease) increase in short-term borrowing	(163.0)	77.7
Repayment of long-term debt	(10.6)	(173.4)
Cash used in financing activities	**(195.9)**	**(130.8)**

Cash position		
Decrease in cash and cash equivalents	(306.8)	(98.7)
Cash and cash equivalents at beginning of period	378.1	124.3
Cash and cash equivalents at end of period	$ 71.3	$ 25.6

See notes to interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
(in millions)

	For the three months ended March 31 2008	2007
	(unaudited)	
Share capital		
Balance, beginning of period	$ 1,188.6	$ 1,175.7
Shares issued under stock option plans	21.8	12.3
Shares purchased		(5.1)
Balance, end of period	1,210.4	1,182.9
Contributed surplus		
Balance, beginning of period	42.4	32.3
Stock compensation expense	4.5	5.2
Stock compensation expense related to shares issued under stock option plans	(8.4)	(0.4)
Balance, end of period	38.5	37.1
Accumulated other comprehensive income		
Balance, beginning of period	39.6	80.4
Other comprehensive income (loss) (*Note 11*)	2.5	(2.8)
Balance, end of period	42.1	77.6
Retained income		
Balance, beginning of period	4,187.3	3,586.1
Net income for the period	90.8	128.6

Shares purchased		(38.0)
Dividends	(38.0)	(35.0)
Balance, end of period	4,240.1	3,641.7
Total accumulated other comprehensive income and retained income	4,282.2	3,719.3
Shareholders equity, end of period	$ 5,531.1	$ 4,939.3

See notes to interim consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)

1 Basis of presentation

These unaudited interim consolidated financial statements and notes have been prepared using accounting policies that are consistent with the policies used in preparing Canadian Pacific Railway Limited s (CP , the Company or Canadian Pacific Railway) 2007 annual consolidated financial statements, except as discussed below and in Note 2 for the adoption of new accounting standards. They do not include all disclosures required under Generally Accepted Accounting Principles for annual financial statements and should be read in conjunction with the annual consolidated financial statements.

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.

2 New accounting changes

Financial Instrument and Capital Disclosures

The CICA has issued the following accounting standards effective for fiscal years beginning on or after January 1, 2008: Section 3862 Financial Instruments Disclosures , Section 3863 Financial Instruments Presentation , and Section 1535 Capital Disclosures .

Section 3862 Financial Instruments Disclosures and Section 3863 Financial Instruments Presentation replace Section 3861 Financial Instruments Disclosure and Presentation , revising disclosures related to financial instruments, including hedging instruments, and carrying forward unchanged presentation requirements.

Section 1535 Capital Disclosures requires the Company to provide disclosures about the Company s capital and how it is managed.

The adoption of these new accounting standards did not impact the amounts reported in the Company s financial statements; however, it did result in expanded note disclosure (see Note 12 and Note 18).

Inventories

Effective January 1, 2008, the CICA has issued accounting standard Section 3031 Inventories . Section 3031 Inventories provides guidance on the method of determining the cost of the Company s materials and supplies. The new accounting standard specifies that inventories are to be valued at the lower of cost and net realizable value. The standard requires the reversal of previously recorded write downs to realizable value when there is clear evidence that net realizable value has increased. The adoption of Section 3031 Inventories did not impact the Company s financial statements.

3 Future accounting changes

In February 2008, the CICA issued accounting standard Section 3064 Goodwill and intangible assets , replacing accounting standard Section 3062 Goodwill and other intangible assets and accounting standard Section 3450 Research and development costs . The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)

4 Other charges

	For the three months ended March 31	
(in millions)	**2008**	**2007**
Amortization of discount on accruals recorded at present value	$ 1.5	$ 2.0
Other exchange losses	1.3	(0.5)
Loss on sale of accounts receivable	1.6	1.3
Losses (gains) on non-hedging derivative instruments		(0.3)
Other	2.3	2.3
Total other charges	$ 6.7	$ 4.8

5 Interest expense

	For the three months ended March 31	
(in millions)	**2008**	**2007**
Interest expense	$ 64.7	$ 48.8
Interest income	(4.8)	(2.0)
Total interest expense	$ 59.9	$ 46.8

6 Income taxes

During the three months ended March 31, 2008, legislation was substantively enacted to reduce provincial income tax rates. As a result of these changes, the Company recorded a $10.6 million benefit in future tax liability and income tax expense for the three months ended March 31, 2008, related to the revaluation of its future income tax balances as at December 31, 2007.

Cash taxes paid for the quarter ended March 31, 2008, was $44.8 million (quarter ended March 31, 2007 cash taxes paid was $9.2 million).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)

7 Earnings per share

At March 31, 2008, the number of shares outstanding was 153.6 million (March 31, 2007 155.2 million).

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

Diluted earnings per share have been calculated using the treasury stock method, which gives effect to the dilutive value of outstanding options.

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

	For the three months ended March 31	
(in millions)	**2008**	**2007**
Weighted average shares outstanding	153.5	155.5
Dilutive effect of stock options	1.3	1.9
Weighted average diluted shares outstanding	154.8	157.4
(in dollars)		
Basic earnings per share	0.59	0.83
Diluted earnings per share	0.59	0.82

8 Restructuring and environmental remediation

At March 31, 2008, the provision for restructuring and environmental remediation was $225.0 million (December 31, 2007 $234.0 million). This provision primarily includes labour liabilities for restructuring plans. Payments are expected to continue in diminishing amounts until 2025. The environmental remediation liability includes the cost of a multi-year soil remediation program.

Set out below is a reconciliation of CP s liabilities associated with restructuring and environmental remediation programs:

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)
8 Restructuring and environmental remediation (continued)

Three months ended March 31, 2008

(in millions)	**Opening Balance Jan. 1 2008**	**Accrued**	**Payments**	**Amortization of Discount**	**Foreign Exchange Impact**	**Closing Balance Mar. 31 2008**
Labour liability for terminations and severances	$ 129.2		(12.3)	1.1	0.9	$ 118.9 &nbs