

CANADIAN PACIFIC RAILWAY LTD/CN
Form 6-K
July 27, 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 July, 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 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): _____

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: July 27, 2011

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

CANADIAN PACIFIC RAILWAY
COMPANY
(Registrant)

Date: July 27, 2011

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

Release: Immediate July 27, 2011

CANADIAN PACIFIC ANNOUNCES SECOND QUARTER 2011 RESULTS

CALGARY Canadian Pacific Railway Limited (TSX: CP) (NYSE: CP) announced its second-quarter 2011 results today with reported net income of \$128.0 million and diluted earnings per share of \$0.75. Revenue and expense results were unfavourably impacted by extensive flooding.

Throughout the second quarter we experienced difficult operating conditions as a result of widespread and prolonged flooding along our right of way. We had almost 90 separate outages during the quarter and our engineering team worked as swiftly as possible to bring the track back, stated Fred Green, CP President and Chief Executive Officer.

We rerouted and detoured traffic over other railways and incurred significantly higher operating costs to ensure delivery of our customers' shipments. Repairs are now complete and service levels are returning to normal.

SECOND-QUARTER 2011 RESULTS COMPARED WITH SECOND-QUARTER 2010

Total revenues were \$1.3 billion, an increase of \$30.3 million

Operating expenses were \$1.0 billion, an increase of \$73.9 million

Average fuel price increased 37 per cent to \$3.50 U.S. dollars per U.S. gallon

Operating income was \$230.5 million, a decrease of \$43.6 million

Net income was \$128.0 million, a decrease of \$38.6 million

Diluted earnings per share were \$0.75 per share, a decline of \$0.23 per share

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 railway 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

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CANADIAN PACIFIC RAILWAY LIMITED
CONSOLIDATED STATEMENTS 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	
	2011	2010	2011	2010
Revenues				
Freight	\$ 1,233.2	\$ 1,202.2	\$ 2,368.4	\$ 2,340.4
Other	31.3	32.0	59.5	60.6
	1,264.5	1,234.2	2,427.9	2,401.0
Operating expenses				
Compensation and benefits	336.1	349.7	700.6	703.5
Fuel	237.4	177.9	463.1	359.6
Materials	57.4	51.0	129.0	115.0
Equipment rents	53.6	54.9	105.0	103.9
Depreciation and amortization	122.2	123.3	244.5	244.5
Purchased services and other	227.3	203.3	446.0	393.8
	1,034.0	960.1	2,088.2	1,920.3
Operating income	230.5	274.1	339.7	480.7
Less:				
Other income and charges	(5.0)	(3.4)	(5.5)	(8.3)
Net interest expense	62.5	64.8	126.7	131.5
Income before income tax expense	173.0	212.7	218.5	357.5
Income tax expense (Note 3)	45.0	46.1	56.8	89.9
Net income	\$ 128.0	\$ 166.6	\$ 161.7	\$ 267.6
Earnings per share (Note 4)				
Basic	\$ 0.76	\$ 0.99	\$ 0.96	\$ 1.59
Diluted	\$ 0.75	\$ 0.98	\$ 0.95	\$ 1.58
Weighted average number of shares (millions)				
Basic	169.4	168.6	169.3	168.6
Diluted	170.7	169.2	170.6	169.0
Dividends declared per share	\$ 0.3000	\$ 0.2700	\$ 0.5700	\$ 0.5175

See notes to Consolidated Financial Statements.

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

	June 30 2011	December 31 2010
<i>Assets</i>		
Current assets		
Cash and cash equivalents	\$ 267.8	\$ 360.6
Accounts receivable, net	508.9	459.0
Materials and supplies	137.3	114.1
Deferred income taxes	124.3	222.3
Other current assets	69.3	47.8
	1,107.6	1,203.8
Investments	148.5	144.9
Net properties	11,981.2	11,996.8
Goodwill and intangible assets	183.3	189.8
Other assets	135.2	140.6
Total assets	\$ 13,555.8	\$ 13,675.9
<i>Liabilities and shareholders equity</i>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 991.3	\$ 1,007.8
Long-term debt maturing within one year	278.8	281.7
	1,270.1	1,289.5
Pension and other benefit liabilities	1,019.9	1,115.7
Other long-term liabilities	418.0	468.0
Long-term debt	3,918.8	4,033.2
Deferred income taxes	1,924.4	1,944.8
Total liabilities	8,551.2	8,851.2
Shareholders equity		
Share capital	1,825.9	1,812.8
Additional paid-in capital	85.1	24.7
Accumulated other comprehensive loss	(2,044.6)	(2,085.8)
Retained earnings	5,138.2	5,073.0
	5,004.6	4,824.7

<i>Total liabilities and shareholders equity</i>	\$ 13,555.8	\$ 13,675.9
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Commitments and contingencies (*Note 8*)

See notes to Consolidated Financial Statements.

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

	For the three months ended June 30		For the six months ended June 30	
	2011	2010	2011	2010
Operating activities				
Net income	\$ 128.0	\$ 166.6	\$ 161.7	\$ 267.6
Reconciliation of net income to cash provided by operating activities:				
Depreciation and amortization	122.2	123.3	244.5	244.5
Deferred income taxes	51.9	43.5	59.8	85.1
Pension funding in excess of expense (<i>Note 7</i>)	(13.2)	(150.7)	(24.7)	(160.0)
Other operating activities, net	(15.6)	(5.6)	(13.2)	6.2
Change in non-cash working capital balances related to operations	(61.0)	10.0	(80.8)	(72.0)
Cash provided by operating activities	212.3	187.1	347.3	371.4
Investing activities				
Additions to properties	(218.4)	(168.0)	(351.6)	(258.8)
Proceeds from the sale of properties and other assets	14.5	17.4	20.1	26.4
Other	(0.3)		(0.3)	
Cash used in investing activities	(204.2)	(150.6)	(331.8)	(232.4)
Financing activities				
Dividends paid	(45.7)	(41.7)	(91.4)	(83.4)
Issuance of CP common shares	1.7	3.9	10.8	6.9
Collection of receivable from financial institution		219.8		219.8
Repayment of long-term debt	(5.6)	(581.2)	(18.0)	(590.3)
Other		0.2		0.2
Cash used in financing activities	(49.6)	(399.0)	(98.6)	(446.8)
Effect of foreign currency fluctuations on U.S. dollar-denominated cash and cash equivalents	(1.2)	12.3	(9.7)	2.3
Cash position				
Decrease in cash and cash equivalents	(42.7)	(350.2)	(92.8)	(305.5)
Cash and cash equivalents at beginning of period	310.5	723.8	360.6	679.1
Cash and cash equivalents at end of period	\$ 267.8	\$ 373.6	\$ 267.8	\$ 373.6

Supplemental disclosures of cash flow information:

Income taxes paid	\$ 3.6	\$ 3.2	\$ 3.5	\$ 5.0
Interest paid	\$ 90.6	\$ 174.0	\$ 139.7	\$ 219.1

See notes to Consolidated Financial Statements.

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CANADIAN PACIFIC RAILWAY LIMITED
CONSOLIDATED STATEMENTS 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					161.7	161.7
Other comprehensive income				41.2		41.2
Dividends declared					(96.5)	(96.5)
Effect of stock-based compensation expense			10.3			10.3
Change to stock-based compensation awards (Note 6)			51.9			51.9
Shares issued under stock option plans	0.2	13.1	(1.8)			11.3
Balance at June 30, 2011	169.4	\$ 1,825.9	\$ 85.1	\$ (2,044.6)	\$ 5,138.2	\$ 5,004.6

		Other comprehensive income	Net income	Comprehensive income
Comprehensive income	three months ended June 30, 2011	\$ 19.9	\$ 128.0	\$ 147.9
Comprehensive income	six months ended June 30, 2011	\$ 41.2	\$ 161.7	\$ 202.9

	Common shares (in millions)	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total shareholders equity
	168.5	\$ 1,771.1	\$ 30.8	\$ (1,744.7)	\$ 4,600.9	\$ 4,658.1

**Balance at January 1,
2010**

Net income					267.6	267.6
Other comprehensive income				35.2		35.2
Dividends declared					(87.2)	(87.2)
Effect of stock-based 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
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		Other comprehensive income	Net income	Comprehensive income
Comprehensive income	three months ended June 30, 2010	\$ 24.6	\$ 166.6	\$ 191.2
Comprehensive income	six months ended June 30, 2010	\$ 35.2	\$ 267.6	\$ 302.8

See notes to Consolidated Financial Statements.

CANADIAN PACIFIC RAILWAY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 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 of America (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 (FASB) 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.

Future accounting changes

Fair value measurement

In May 2011, the FASB issued amended guidance on fair value measurement which updates some of the measurement guidance and includes enhanced disclosure requirements. The amended guidance is effective for interim and annual periods beginning after December 15, 2011. Adoption is not expected to have a material impact on the results of operations or financial position but increased quantitative and qualitative disclosure regarding Level 3 measurements is expected.

Other comprehensive income

In June 2011, the FASB issued an accounting standard update on the *Presentation of Comprehensive Income*, which eliminates the current option to report other comprehensive income and its components in the Consolidated Statement of Changes in Shareholders ' Equity. The Company can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. As the new guidance does not change those components that are recognized in net income or those components that are recognized in other comprehensive income, adoption is expected to impact only the presentation of the financial statements. The guidance must be applied retrospectively for all periods presented in the financial statements. The Company has not yet determined which election will be made when the standard becomes effective for interim and annual periods beginning after December 15, 2011, or earlier if the Company elects to early adopt as is permitted.

3 Income taxes

(in millions of Canadian dollars)	For the three months ended June 30		For the six months ended June 30	
	2011	2010	2011	2010

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Current income tax expense	\$ (6.9)	\$ 2.6	\$ (3.0)	\$ 4.8
Deferred income tax expense	51.9	43.5	59.8	85.1
Income tax expense	\$ 45.0	\$ 46.1	\$ 56.8	\$ 89.9

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CANADIAN PACIFIC RAILWAY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011

(unaudited)

3 Income taxes (continued)

The lower effective income tax rate for the three months and six months ended June 30, 2010, compared to the same periods in 2011, is a result of non-taxable foreign exchange gains and losses related to long-term debt.

4 Earnings per share

At June 30, 2011, the number of shares outstanding was 169.4 million (June 30, 2010 168.7 million).

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

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

(in millions)	For the three months ended June 30		For the six months ended June 30	
	2011	2010	2011	2010
Weighted average shares outstanding	169.4	168.6	169.3	168.6
Dilutive effect of stock options	1.3	0.6	1.3	0.4
Weighted average diluted shares outstanding	170.7	169.2	170.6	169.0

For the three and six months ended June 30, 2011, 2,023,500 and 1,456,021 options, respectively, were excluded from the computation of diluted earnings per share because their effects were not dilutive (three and six months ended June 30, 2010 1,711,200 and 2,120,421, respectively).

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. 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. The carrying values of financial instruments equal or approximate their fair values with the exception of long-term debt which has a carrying value of \$4,197.6 million at June 30, 2011 (December 31, 2010 \$4,314.9 million) and a fair value of approximately \$4,741.4 million at June 30, 2011 (December 31, 2010 \$4,773.0 million). The fair value of

publicly traded long-term debt is determined based on market prices at June 30, 2011 and December 31, 2010, respectively.

CANADIAN PACIFIC RAILWAY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011
(unaudited)

5 Financial instruments (continued)

A detailed analysis of the techniques used to value long-term floating rate notes, which are classified as Level 3, are discussed below:

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

At June 30, 2011 and December 31, 2010, the Company held long-term floating rate notes with a total settlement value of \$105.0 million and \$117.0 million, respectively, and carrying values of \$73.6 million and \$69.5 million, respectively. At June 30, 2011, the long-term floating rate notes consisted of Master Asset Vehicle (MAV) 2 notes with eligible assets. The carrying values, being the estimated fair values, are reported in Investments .