

CANADIAN PACIFIC RAILWAY LTD/CN

Form 6-K

July 24, 2007

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, 2007

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 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-_____

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: July 24, 2007

Signed: Donald F. Barnhardt

By: Name: Donald F. Barnhardt
Title: Corporate Secretary

Release: Immediate, July 24, 2007

CANADIAN PACIFIC ANNOUNCES STRONG SECOND QUARTER RESULTS

CALGARY Canadian Pacific Railway Limited (TSX/NYSE: CP) reported strong second-quarter results today. Operating income for the second quarter of 2007 was up 9 per cent over the same period in 2006 driven by solid revenues.

SUMMARY OF SECOND-QUARTER 2007 COMPARED WITH SECOND-QUARTER 2006

Income before foreign exchange gains on long-term debt and other specified items increased 9 per cent to \$175 million from \$161 million.

Excluding foreign exchange gains on long-term debt and other specified items, diluted earnings per share increased 12 per cent to \$1.12 from \$1.00.

Operating ratio improved to 74.7 per cent from 75.0 per cent.

Freight revenue increased 8 per cent to \$1.2 billion.

Net income was \$257 million in the second quarter, compared with \$378 million for the same quarter in 2006, which includes foreign exchange gains on long-term debt and other specified items. The 2006 results included a \$176-million reduction in future income tax expense due to changes in Canadian federal and provincial tax legislation. Diluted earnings per share was \$1.64 in 2007 compared with \$2.37 in 2006.

We produced 12 per cent growth in adjusted diluted EPS and posted further improvement in our operating ratio in spite of a 26-day strike and tough weather-related operating conditions, said Fred Green, President and CEO. We safely moved record volumes although the challenges of the quarter created inefficiencies that give us opportunities for improvement.

Revenues in the second-quarter reflected continuing, strong global demand for bulk commodities with double-digit growth in sulphur and fertilizers and coal. Grain revenues improved 9 per cent with industrial and consumer products and intermodal up 6 and 3 per cent respectively. There was a decrease in automotive revenue of 4 per cent and forest products revenue was down 2 per cent.

Operating expenses increased 7 per cent to \$908 million. This reflected a 21 per cent increase in fuel costs due primarily to a significant increase in refining margins and a 29 per cent increase in equipment rents due to lower offline car hire receipts and additional locomotives required to move higher freight volumes. There were also one-time costs associated with the 26-day strike by track maintenance employees.

SUMMARY OF FIRST-HALF 2007 COMPARED WITH 2006

Net income for the first half of 2007 was \$385 million compared with \$487 million in 2006, a decrease of 21 per cent due mainly to the \$176-million reduction in future income tax expense included in the 2006 results. Diluted earnings per share was \$2.46 compared with \$3.05 for the first half of 2006.

Freight revenues increased 5 per cent to \$2.3 billion and operating expenses were up 4 per cent to \$1.8 billion.

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

Income increased 7 per cent to \$297 million from \$277 million.

Diluted earnings per share grew 10 per cent to \$1.90 from \$1.72.

Operating ratio improved 30 basis points to 77.0 per cent from 77.3 per cent.

2007 OUTLOOK

We still face some significant challenges through the rest of 2007 with rising fuel refining margins and the strengthening Canadian dollar, added Mr. Green. However, with continued focus on our Integrated Operating Plan and cost containment we expect to deliver on our targets.

CP's outlook for diluted earnings per share excluding foreign exchange gains and losses on long-term debt and other specified items remains in the range of \$4.30 to \$4.45 for 2007, compared with 2006 diluted EPS which was \$3.95. CP expects to grow revenue in the range of 4 per cent to 6 per cent in 2007. Capital investment is anticipated to be between \$885 million and \$895 million and free cash, after dividends, is expected to exceed \$300 million in 2007. This outlook assumes oil prices averaging US \$65 per barrel and an average currency exchange rate of \$1.10 per U.S. dollar (US\$0.90). This is a revision to our previous assumptions which were oil prices averaging US\$58 per barrel and an average exchange rate of \$1.15 per U.S. dollar (US\$0.87).

FOREIGN EXCHANGE GAINS ON LONG-TERM DEBT

CP had a foreign exchange gain on long-term debt of \$89 million (\$65 million after tax) in the second quarter of 2007, compared with a foreign exchange gain on long-term debt of \$53 million (\$41 million after tax) in the second quarter of 2006. There was a future income tax benefit of \$17 million in the second quarter of 2007 resulting from a reduction in the Canadian federal income tax rate. The second quarter of 2006 included a future income tax benefit of \$176 million as a result of a decrease in Canadian federal and provincial income tax rates.

For the first six months of 2007, CP had a foreign exchange gain on long-term debt of \$97 million (\$71 million after tax) compared with a foreign exchange gain of \$46 million (\$34 million after tax) in the first half of 2006. There were no additional other specified items in the first half of 2007 other than the future income tax benefit of \$17 million mentioned above. Other than the future income tax benefit of \$176 million, there were no additional other specified items in the first half of 2006.

RESTATEMENT OF SECOND-QUARTER 2006 FINANCIAL STATEMENTS

As a result of the adoption of EIC162 Stock-based Compensation for Employees Eligible to Retire Before the Vesting Date in December 2006, the comparative financial statements for the three months ended June 30, 2006 have been restated with a reduction in Compensation and benefits expense of \$0.7 million, an increase in Net income of \$0.6 million and an increase in basic and diluted earnings per share of \$0.01. Basic earnings per share excluding foreign exchange gains and losses on long-term debt and other specified items was increased by \$0.01. There was no change to diluted earning per share excluding foreign exchange gains and losses on long-term debt and other specified items. The six months ended June 30, 2006 have been restated with an increase in Compensation and benefits expense of \$1.6 million, a reduction of Net income of \$1.6 million and no change to basic earnings per share. Diluted earnings per share was increased by \$0.01. Basic and diluted earnings per share excluding foreign exchange gains and losses on long-term debt and other specified items were reduced by \$0.01 and \$0.02, respectively.

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 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 on long-term debt and other specified items is also referred to in this news release as adjusted diluted EPS.

Free cash after dividends is calculated as cash provided by operating activities, less cash used in investing activities and dividends.

Earnings that exclude 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 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, intends to be 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 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. 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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Contacts:

Media

Leslie Pidcock

Tel.: (403) 319-6878

e-mail: leslie_pidcock@cpr.ca

Investment Community

Janet Weiss, Assistant Vice-President Investor Relations

Tel.: (403) 319-3591

e-mail: investor@cpr.ca

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

	For the three months ended June 30	
	2007	2006
		Restated (see Note 2)
		(unaudited)
Revenues		
Freight	\$ 1,174.1	\$ 1,086.4
Other	41.4	44.6
	1,215.5	1,131.0
Operating expenses		
Compensation and benefits	329.8	320.8
Fuel	193.7	160.1
Materials	55.6	54.5
Equipment rents	57.3	44.4
Depreciation and amortization	119.1	117.8
Purchased services and other	152.3	150.8
	907.8	848.4
Operating income	307.7	282.6
Other charges <i>(Note 4)</i>	8.2	7.7
Foreign exchange gains on long-term debt	(88.6)	(52.7)
Interest expense <i>(Note 5)</i>	49.2	48.6
Income tax expense (benefit) <i>(Note 6)</i>	82.2	(99.1)
Net income	\$ 256.7	\$ 378.1
Basic earnings per share <i>(Note 7)</i>	\$ 1.66	\$ 2.39
Diluted earnings per share <i>(Note 7)</i>	\$ 1.64	\$ 2.37

See notes to interim consolidated financial statements.

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

	For the six months ended June 30	
	2007	2006
		Restated (see Note 2)
		(unaudited)
Revenues		
Freight	\$ 2,265.0	\$ 2,153.6
Other	66.4	87.9
	2,331.4	2,241.5
Operating expenses		
Compensation and benefits	662.3	673.0
Fuel	364.9	318.0
Materials	118.0	112.1
Equipment rents	112.8	89.0
Depreciation and amortization	237.7	232.6
Purchased services and other	298.7	307.4
	1,794.4	1,732.1
Operating income	537.0	509.4
Other charges <i>(Note 4)</i>	13.0	14.5
Foreign exchange gains on long-term debt	(97.2)	(46.3)
Interest expense <i>(Note 5)</i>	96.0	95.9
Income tax expense (benefit) <i>(Note 6)</i>	139.9	(41.6)
Net income	\$ 385.3	\$ 486.9
Basic earnings per share <i>(Note 7)</i>	\$ 2.49	\$ 3.08
Diluted earnings per share <i>(Note 7)</i>	\$ 2.46	\$ 3.05

See notes to interim consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	For the three months ended June 30	
	2007	2006 Restated (see Note 2) (unaudited)
Comprehensive income		
Net income	\$ 256.7	\$ 378.1
Other comprehensive income		
Net change in foreign currency translation adjustments, net of hedging activities	(2.9)	(1.4)
Net change in gains on derivatives designated as cash flow hedges	(9.8)	
Other comprehensive loss before income taxes	(12.7)	(1.4)
Income tax recovery	(2.0)	(3.4)
Other comprehensive loss (<i>Note 11</i>)	(14.7)	(4.8)
Comprehensive income	\$ 242.0	\$ 373.3

See notes to interim consolidated financial statements.

	For the six months ended June 30	
	2007	2006 Restated (see Note 2) (unaudited)
Comprehensive income		
Net income	\$ 385.3	\$ 486.9
Other comprehensive income		
Net change in foreign currency translation adjustments, net of hedging activities	(3.2)	0.1
Net change in gains on derivatives designated as cash flow hedges	(13.0)	

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Other comprehensive (loss) income before income taxes	(16.2)	0.1
Income tax recovery	(1.3)	(3.2)
Other comprehensive loss (<i>Note 11</i>)	(17.5)	(3.1)
Comprehensive income	\$ 367.8	\$ 483.8

See notes to interim consolidated financial statements.

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CONSOLIDATED BALANCE SHEET
(in millions)

	June 30 2007	December 31 2006 Restated (see Note 2) (unaudited)
Assets		
Current assets		
Cash and cash equivalents	\$ 392.1	\$ 124.3
Accounts receivable and other current assets	566.7	615.7
Materials and supplies	171.4	158.6
Future income taxes	128.9	106.3
	1,259.1	1,004.9
Investments	58.5	64.9
Net properties	9,137.5	9,122.9
Other assets and deferred charges	1,233.6	1,223.2
Total assets	\$ 11,688.7	\$ 11,415.9
Liabilities and shareholders equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 994.2	\$ 1,002.6
Income and other taxes payable	29.3	16.0
Dividends payable	34.9	29.1
Long-term debt maturing within one year	30.6	191.3
	1,089.0	1,239.0
Deferred liabilities	716.3	725.7
Long-term debt (Note 9)	3,046.6	2,813.5
Future income taxes	1,858.3	1,781.2
Shareholders equity		
Share capital (Note 10)	1,182.0	1,175.7
Contributed surplus	38.7	32.3
Accumulated other comprehensive income (Note 11)	62.9	66.4
Retained income	3,694.9	3,582.1
	4,978.5	4,856.5
Total liabilities and shareholders equity	\$ 11,688.7	\$ 11,415.9

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

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STATEMENT OF CONSOLIDATED CASH FLOWS
(in millions)

	For the three months ended June 30	
	2007	2006
		Restated (see Note 2)
		(unaudited)
Operating activities		
Net income	\$ 256.7	\$ 378.1
Add (deduct) items not affecting cash:		
Depreciation and amortization	119.1	117.8
Future income taxes	57.7	(114.6)
Foreign exchange gains on long-term debt	(88.6)	(52.7)
Amortization of deferred charges	3.1	4.3
Restructuring and environmental remediation payments	(12.0)	(22.8)
Other operating activities, net	0.9	(1.7)
Change in non-cash working capital balances related to operations	27.6	(26.0)
Cash provided by operating activities	364.5	282.4
Investing activities		
Additions to properties	(158.4)	(177.3)
Additions to investments and other assets (Note 13)	(11.4)	(65.3)
Net proceeds from disposal of transportation properties	(0.4)	77.6
Cash used in investing activities	(170.2)	(165.0)
Financing activities		
Dividends paid	(34.7)	(29.8)
Issuance of CP Common Shares	15.0	10.7
Purchase of CP Common Shares	(212.0)	(98.0)
Net decrease in short-term borrowing	(77.7)	
Issuance of long-term debt (Note 9)	485.1	
Repayment of long-term debt	(3.5)	(3.5)
Cash provided by (used in) financing activities	172.2	(120.6)
Cash position		
Increase (decrease) in cash and cash equivalents	366.5	(3.2)
Cash and cash equivalents at beginning of period	25.6	47.5

Cash and cash equivalents at end of period	\$ 392.1	\$ 44.3
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See notes to interim consolidated financial statements.

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STATEMENT OF CONSOLIDATED CASH FLOWS
(in millions)

	For the six months ended June 30	
	2007	2006
		Restated (see Note 2) (unaudited)
Operating activities		
Net income	\$ 385.3	\$ 486.9
Add (deduct) items not affecting cash:		
Depreciation and amortization	237.7	232.6
Future income taxes	96.2	(70.4)
Foreign exchange gains on long-term debt	(97.2)	(46.3)
Amortization of deferred charges	6.2	8.6
Restructuring and environmental remediation payments	(25.2)	(50.6)
Other operating activities, net	(1.8)	2.4
Change in non-cash working capital balances related to operations	(9.0)	(106.5)
Cash provided by operating activities	592.2	456.7
Investing activities		
Additions to properties	(362.6)	(369.0)
Additions to investments and other assets <i>(Note 13)</i>	(11.7)	(85.0)
Net proceeds from disposal of transportation properties	8.5	81.9
Cash used in investing activities	(365.8)	(372.1)
Financing activities		
Dividends paid	(63.8)	(53.5)
Issuance of CP Common Shares	25.1	49.2
Purchase of CP Common Shares	(228.1)	(143.6)
Issuance of long-term debt <i>(Note 9)</i>	485.1	
Repayment of long-term debt	(176.9)	(14.2)
Cash provided by (used in) financing activities	41.4	(162.1)
Cash position		
Increase (decrease) in cash and cash equivalents	267.8	(77.5)
Cash and cash equivalents at beginning of period	124.3	121.8

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Cash and cash equivalents at end of period	\$ 392.1	\$	44.3
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See notes to interim consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
(in millions)

	For the three months ended June 30	
	2007	2006 Restated (see Note 2) (unaudited)
Share capital		
Balance, beginning of period	\$ 1,182.9	\$ 1,175.1
Shares issued under stock option plans	18.5	12.6
Shares purchased	(19.4)	(13.7)
Balance, end of period	1,182.0	1,174.0
 Contributed surplus		
Balance, beginning of period	37.1	204.2
Stock-based compensation expense related to stock option plans	1.6	1.8
Shares purchased		(90.5)
Balance, end of period	38.7	115.5
 Accumulated other comprehensive income		
Balance, beginning of period	77.6	69.2
Other comprehensive loss (<i>Note 11</i>)	(14.7)	(4.8)
Balance, end of period	62.9	64.4
 Retained earnings		
Balance, beginning of period	3,641.7	3,008.9
Net income for the period	256.7	378.1
Shares purchased	(168.6)	
Dividends	(34.9)	(29.6)
Balance, end of period	3,694.9	3,357.4
Total accumulated other comprehensive income and retained earnings	3,757.8	3,421.8
Shareholders equity, end of period	\$ 4,978.5	\$ 4,711.3

See notes to interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
(in millions)

	For the six months ended June 30	
	2007	2006
		Restated (see Note 2)
		(unaudited)
Share capital		
Balance, beginning of period	\$ 1,175.7	\$ 1,141.5
Shares issued under stock option plans	30.8	52.7
Shares purchased	(24.5)	(20.2)
Balance, end of period	1,182.0	