



Third Quarter 2014 Financial Results

October 21, 2014





Forward-Looking Statements

The financial results in this presentation were determined on the basis of U.S. GAAP. Please refer to the website www.cn.ca/nonGAAP for the reconciliation of certain non-GAAP measures to comparable GAAP measures. To the extent we have provided guidance which are non-GAAP financial measures, we may not be able to provide a reconciliation to the GAAP measures, due to unknown variables and uncertainty related to future results.

Certain information included in this presentation constitutes “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and under Canadian securities laws. CN cautions that, by their nature, these forward-looking statements involve risks, uncertainties and assumptions. The Company cautions that its assumptions may not materialize and that current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Company or the rail industry to be materially different from the outlook or any future results or performance implied by such statements. Key assumptions used in determining forward-looking information are set forth below.

Financial outlook and 2014 key assumptions

CN maintains the 2014 financial outlook it issued on July 21, 2014. The Company expects to deliver solid double-digit EPS growth in 2014 over adjusted diluted 2013 EPS of C\$3.06, and to generate free cash flow in the range of C\$1.8 billion to C\$2 billion, excluding major asset sales.

CN has made a number of economic and market assumptions in preparing its 2014 outlook. The Company is forecasting that North American industrial production for the year will increase by about three to four percent, and that U.S. housing starts will be in the range of one million units. CN is also assuming U.S. motor vehicles sales will be approximately 16 million units. In addition, CN is assuming the 2014/2015 grain crop in Canada will be in-line with the five-year average, and is now assuming the 2014/2015 grain crop in the U.S. will be above the five-year average. With these assumptions, CN assumes mid to high single-digit carload growth along with continued pricing improvement above inflation. CN also assumes that the value of the Canadian dollar in U.S. currency will be in the range of \$0.90 to \$0.95 and the price of crude oil (West Texas Intermediate) to be in the range of US\$95-\$105 per barrel on average for the full-year 2014. In 2014, CN plans to invest approximately C\$2.25 billion in its capital program, of which approximately C\$1.2 billion is targeted toward maintaining the safety and integrity of the network, particularly track infrastructure. The capital program also includes funds for projects supporting growth and productivity.

Important risk factors that could affect the forward-looking statements include, but are not limited to, the effects of general economic and business conditions, industry competition, inflation, currency and interest rate fluctuations, changes in fuel prices, legislative and/or regulatory developments, compliance with environmental laws and regulations, actions by regulators, various events which could disrupt operations, including natural events such as severe weather, droughts, floods and earthquakes, labor negotiations and disruptions, environmental claims, uncertainties of investigations, proceedings or other types of claims and litigation, risks and liabilities arising from derailments, and other risks detailed from time to time in reports filed by CN with securities regulators in Canada and the United States. Reference should be made to “Management’s Discussion and Analysis” in CN’s annual and interim reports, Annual Information Form and Form 40-F filed with Canadian and U.S. securities regulators, available on CN’s website, for a summary of major risk factors.

CN assumes no obligation to update or revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable Canadian securities laws. In the event CN does update any forward-looking statement, no inference should be made that CN will make additional updates with respect to that statement, related matters, or any other forward-looking statement.

A wide-angle landscape photograph showing a freight train crossing a long, elevated steel trestle bridge. The train is composed of several colorful intermodal containers and a locomotive. The bridge spans a deep valley filled with dense forest displaying vibrant autumn foliage in shades of orange, yellow, and red. In the background, rolling hills are partially obscured by a thick layer of white mist or fog. The sky is overcast and grey. In the foreground, the dark, bare branches of a tree are visible on the left side, framing the scene.

Claude Mongeau
President & Chief Executive Officer



Q3 Highlights



Growing faster than the economy

- Record revenue performance
- 13% increase in RTMs and disciplined same-store pricing

Balancing operational and service excellence

- Continuing to drive productivity gains – operating ratio of 58.8%
- Rigorous resource planning process to support growth at low incremental cost

Strong financial results

- Diluted EPS up 21%, versus Q3 2013 adjusted diluted EPS
- YTD free cash flow of C\$1.87B, excluding major asset sales

Delivering on our strategic agenda

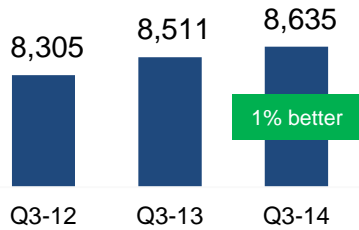
An aerial photograph of a long freight train traveling through a vast forest with vibrant autumn foliage. The train is composed of numerous brown and blue freight cars, followed by several black locomotives. The forest is a mix of deciduous trees with yellow and orange leaves and evergreen trees. The train stretches from the bottom right towards the top left of the frame.

Jim Vena
Executive VP & Chief Operating Officer

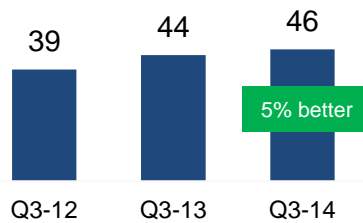


Q3 Operating Highlights

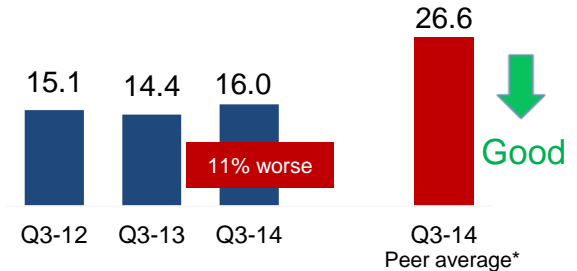
Train Productivity (GTMs per train mile)



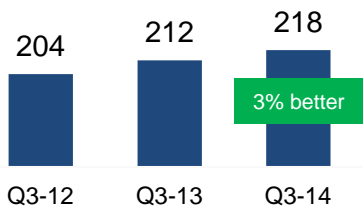
Yard Productivity (Cars per yard switching hour)



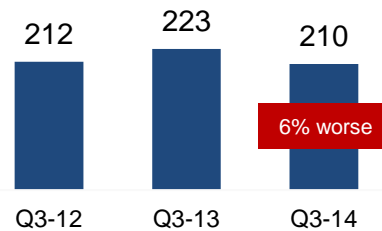
Terminal Dwell (Entire railroad, hours)



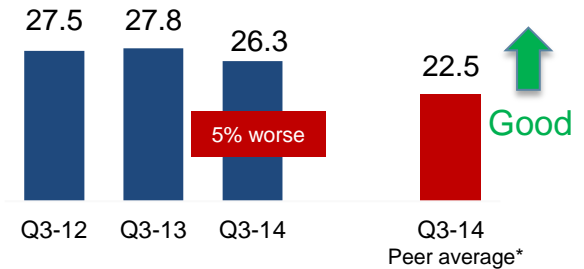
Locomotive Utilization (Trailing GTMs per total horsepower)



Car Velocity (Car miles per day)



Train Velocity (mph)



Maintaining industry-leading productivity

* Includes UP, CSX, NS, KCS, BNSF



Operational and Service Excellence



Crews

Locomotives

Cars

Plant

Onboarding and training programs engaging the next generation of railroaders

- New training centres in Winnipeg and Chicago
- Staying ahead of attrition

Hired ~ 14,000 employees since 2010 to replace attrition and accommodate growth

Continuing to drive productivity

60 new AC locomotives in 2014

- Orders placed for 120 additional locomotives in 2015/16
- Overhaul program provides flexibility

Mix of ownership and leases mitigates risk to changing market conditions

Regular stress testing of fleet sizes

Investing to move the business

- Close to 1,000 centerbeam cars added in 2014/15

Plant safety and integrity, first and foremost

Increasing capacity, resiliency and fluidity in key corridors (Edmonton-Winnipeg, Winnipeg-Chicago)

Branch line investments supporting energy-related growth

Focused on running a safe and efficient railroad

An aerial photograph of a long freight train traveling through a vast forest with vibrant autumn foliage. The train is composed of numerous brown and blue freight cars, followed by several black locomotives. The forest is a mix of deciduous trees with yellow and orange leaves and evergreen trees. The train stretches from the bottom right towards the top left of the frame.

Jean-Jacques Ruest
Executive VP & Chief Marketing Officer



Solid Q3 Top Line Performance

	Revenues				Volumes	
	2014	2013	% Change Favorable (Unfavorable)	% Change at constant currency (1) Favorable (Unfavorable)	Carloads: % Change	RTMs: % Change
<i>In millions of Canadian dollars, unless otherwise indicated</i>						
Petroleum and chemicals	\$ 594	\$ 489	21%	18%	11%	23%
Metals and minerals	388	332	17%	13%	4%	14%
Forest products	393	365	8%	4%	(3%)	1%
Automotive	160	137	17%	13%	9%	26%
Coal	185	191	(3%)	(6%)	16%	(13%)
Grain and fertilizers	469	363	29%	26%	21%	33%
Intermodal	731	642	14%	12%	14%	7%
Total rail freight revenues	\$ 2,920	\$ 2,519	16%	13%	11%	13%
Other revenues	198	179	11%	7%		
Total revenues	\$ 3,118	\$ 2,698	16%	13%		

Outpacing base market conditions while taking a disciplined approach to yield management

In 2014, certain Other revenues were reclassified to the commodity groups within rail freight revenues. This change has no impact on the Company's previously reported results of operations as Total revenues remains unchanged. The 2013 comparative figures have been reclassified in order to be consistent with the 2014 presentation.

(1) Please see website, www.cn.ca/nonGAAP, for an explanation of this non-GAAP measure.



Positive Market Outlook

Intermodal



- Solid growth in international
- Balancing price and volume growth in domestic
- Focused on end-to-end supply chain competitive advantage

Bulk



- 2014/15 Canadian crop in-line with 5-year average; U.S. crop above 5-year average
- Rebuilding stockpiles of thermal coal at U.S. utilities
- Weakness in Western Canada export coal, petroleum coke

Merchandise



- Strong energy markets: frac sand, crude oil, drilling pipes
- Continuing recovery in U.S. housing: lumber, panels
- New business and continued growth in automotive; vehicles, parts imports
- Flat outlook for paper and woodpulp

An aerial photograph of a long freight train traveling through a vast forest. The train is composed of numerous brown and blue freight cars, followed by several black locomotives. The forest is dense and shows signs of autumn, with trees in various shades of green, yellow, and orange. The train stretches from the bottom right towards the top left of the frame. A semi-transparent dark grey banner is overlaid at the bottom of the image, containing the text.

Luc Jobin
Executive VP and Chief Financial Officer



Q3 Results

<i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i>	2014	2013	Change Favorable (Unfavorable)
Revenues	\$ 3,118	\$ 2,698	16%
Operating expenses	1,832	1,614	
Operating income	1,286	1,084	19%
Interest expense	(94)	(89)	
Other income	(2)	5	
Income before income taxes	1,190	1,000	
Income tax expense	(337)	(295)	
Net income	\$ 853	\$ 705	21%
Diluted EPS	\$ 1.04	\$ 0.84	24%
Adjusted diluted EPS ⁽¹⁾	\$ 1.04	\$ 0.86	21%
Weighted-average number of shares (diluted in millions)	820.9	842.2	
Operating ratio	58.8%	59.8%	1.0 pt

Record quarterly net income

(1) Please see website, www.cn.ca/nonGAAP, for an explanation of this non-GAAP measure.



Q3 Operating Expenses

<i>In millions of Canadian dollars, unless otherwise indicated</i>	2014	2013	% Change Favorable (Unfavorable)	% Change at constant currency ⁽¹⁾ Favorable (Unfavorable)
Labor and fringe benefits	\$ 580	\$ 521	(11%)	(9%)
Purchased services and material	378	318	(19%)	(16%)
Fuel	446	390	(14%)	(9%)
Depreciation and amortization	258	241	(7%)	(5%)
Equipment rents	83	68	(22%)	(18%)
Casualty and other	87	76	(14%)	(11%)
Total operating expenses	\$ 1,832	\$ 1,614	(14%)	(11%)

**Tightly managing costs -
supported by continued productivity gains**

(1) Please see website, www.cn.ca/nonGAAP, for an explanation of this non-GAAP measure.



YTD Free Cash Flow

In millions of Canadian dollars, unless otherwise indicated

Net income	\$ 2,323
Non-cash adjustments	906
Payments for income taxes	(501)
Other working capital items	<u>518</u>
Net cash provided by operating activities	3,246
Capital expenditures (net)	(1,350)
Major asset sales	173
Other investing	<u>(43)</u>
Net cash used in investing activities	<u>(1,220)</u>
Net cash provided before financing activities	<u>2,026</u>
Change in restricted cash and cash equivalents	<u>19</u>
Free cash flow	\$ 2,045
Total net indebtedness at end of period (including restricted cash and cash equivalents)	\$ 7,198
Adjusted debt-to-total capitalization ⁽¹⁾	38.0%
Adjusted debt-to-adjusted EBITDA ^{(1) (2)}	1.56x

(1) Debt is adjusted to include the present value of operating lease commitments.

(2) EBITDA is defined as earnings before interest, income taxes, depreciation and amortization, and is adjusted to exclude Other income and the deemed interest on operating leases.

Please see website, www.cn.ca/nonGAAP, for a reconciliation of the various non-GAAP measures.



2014 Financial Outlook

Growing faster than the economy, and at low incremental cost

Aiming to achieve solid double-digit diluted EPS growth versus 2013 adjusted diluted EPS of C\$3.06 ⁽¹⁾

- With mid to high single-digit carload growth and pricing above inflation

Targeting free cash flow in the range of C\$1.8B-C\$2B before major asset sales ⁽¹⁾



(1) Please see website, www.cn.ca/nonGAAP, for an explanation and/or reconciliation of these non-GAAP measures.

Please see Forward-Looking Statements at the beginning of the presentation for a summary of key assumptions and important risk factors underlying CN's 2014 financial outlook.

A wide-angle landscape photograph showing a freight train crossing a long, elevated steel trestle bridge. The train is composed of several colorful intermodal containers and a locomotive. The bridge spans across a deep valley filled with dense forests displaying vibrant autumn foliage in shades of orange, yellow, and red. In the background, rolling hills are partially obscured by a thick layer of mist or fog, creating a soft, atmospheric effect. The sky is overcast and grey. In the foreground, the dark, bare branches of a tree are visible on the left side, framing the scene.

Claude Mongeau
President & Chief Executive Officer



Becoming a True Supply Chain Enabler



Driving end-to-end efficiency and profitable growth

Continued disciplined investments to increase capacity, boost productivity and improve safety

Creating solid value for our customers and shareholders