



Fourth Quarter & Year End 2010 Financial Results

January 25, 2011

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 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.

Key assumptions

CN made a number of economic and market assumptions in preparing its 2011 outlook. The Company is forecasting that North American industrial production for the year will increase by about four per cent. CN also expects U.S. housing starts to be about 675,000 units and U.S. motor vehicles sales to be approximately 13 million units for the year. In addition, CN is assuming a weaker 2010/2011 Canadian grain crop, partly offset by a higher carry-over stock. With these assumptions, CN is targeting carload growth in the mid-single digit range, along with continued pricing improvement above inflation. CN assumes the Canadian-U.S. exchange rate to be around par for 2011, and that the price of crude oil (West Texas Intermediate) for the year to be in the range of US\$90-95 per barrel. In 2011, CN plans to invest approximately C\$1.7 billion in capital programs, of which more than C\$1 billion will be targeted on track infrastructure to maintain a safe and fluid railway network. In addition, the Company will invest in projects to support a number of productivity and growth initiatives.

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.



Claude Mongeau
President and Chief Executive Officer

Q4 Highlights



Revenues of C\$2,117M

- up 15% at constant currency ⁽¹⁾

Operating ratio of 63.4%

- 1.9 pts better than last year

Diluted EPS of C\$1.08

- up 20% on adjusted basis ⁽¹⁾

YTD Free Cash flow of C\$1.1B ⁽¹⁾

- Dividend increase of 20% for 2011
- New share repurchase program of up to 16.5M shares

Solid quarter -- capping off a great year

¹ Please see website, www.cn.ca/nonGAAP, for a reconciliation of these non-GAAP measures.

2010 in Review

Took full advantage of the economic recovery

Operational and Service Excellence drove strong financial results

Launched a bold agenda of innovation and supply chain collaboration

Delivered solid value for our customers and shareholders

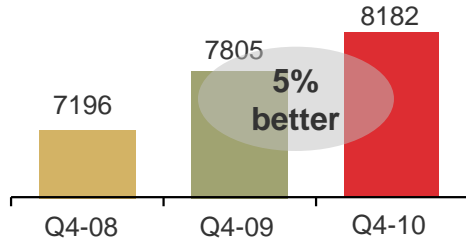
Successful transition to new CN Leadership Team



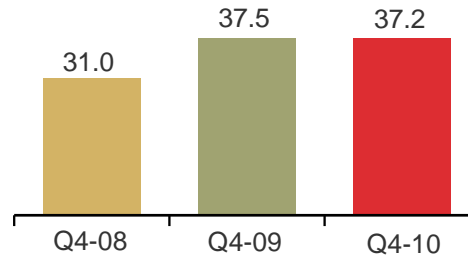
Keith Creel
Executive Vice-President and Chief Operating Officer

Q4 Operational Highlights

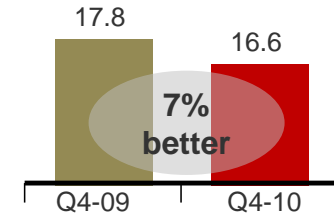
GTM's per train mile



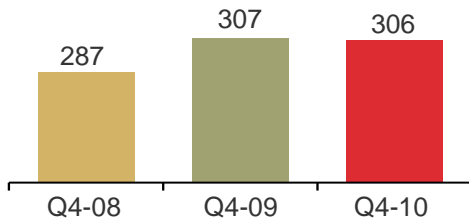
Cars per yard switching hour



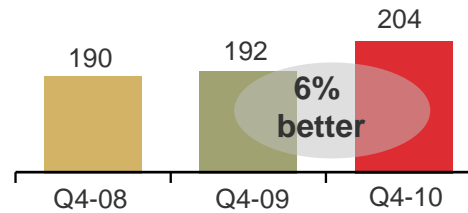
Terminal Dwell ⁽¹⁾
(entire railroads, hours)



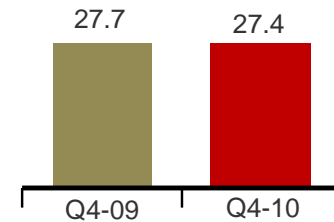
Mainline GTM's per available horsepower



Car miles per day



Train Velocity (mph) ⁽¹⁾



¹ Includes EJ&E data and follows AAR methodology

Consistent metrics in the face of significant volume increases

Continue to Raise the Bar on Productivity

Leveraging Distributed Power

- Huge advantage in winter, both in terms of service quality and productivity

Targeting incremental fuel efficiency

- Supported by real-time monitoring

Also raising the bar for customer service

- Flexible car order system
- More reliable car supply
- Service enhancements


Efforts driving solid results



Jean-Jacques Ruest
Executive Vice-President and Chief Marketing Officer

Q4 Revenues

millions of Canadian dollars, unless otherwise indicated

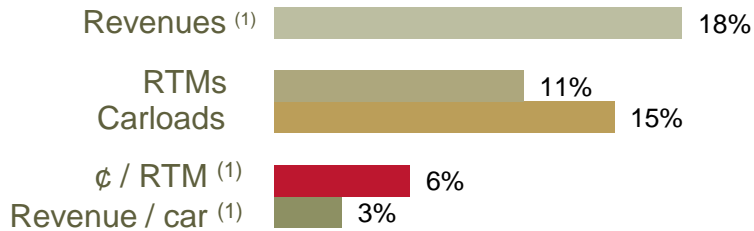
	AS REPORTED		% Change Favorable (Unfavorable)	% Change at constant currency ¹ Favorable (Unfavorable)
	2010	2009		
				
Petroleum and chemicals	\$ 331	\$ 302	10%	13%
Metals and minerals	214	189	13%	16%
Forest products	293	271	8%	11%
Automotive	108	98	10%	13%
Coal	149	122	22%	25%
Grain and fertilizers	401	356	13%	15%
Intermodal	400	341	17%	18%
Total rail freight revenues	\$ 1,896	\$ 1,679	13%	15%
Other revenues	221	203	9%	11%
Total revenues	\$ 2,117	\$ 1,882	12%	15%

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

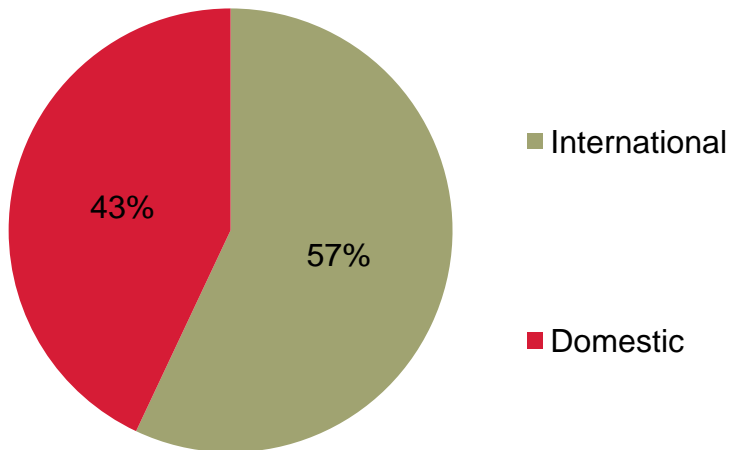


Intermodal

Fourth Quarter (2010 vs 2009)



Market Breakdown



2010 Revenues

Outlook

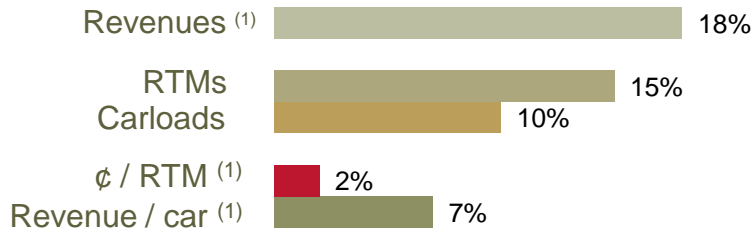
- Supply chain collaboration agreements producing results
- Strength in both imports and exports, east and west coast
- Market share gains in the domestic segment, both retail and wholesale
- Investing in equipment

¹ Revenues at constant currency - Please see website, www.cn.ca/nonGAAP, for an explanation of this non-GAAP measure.

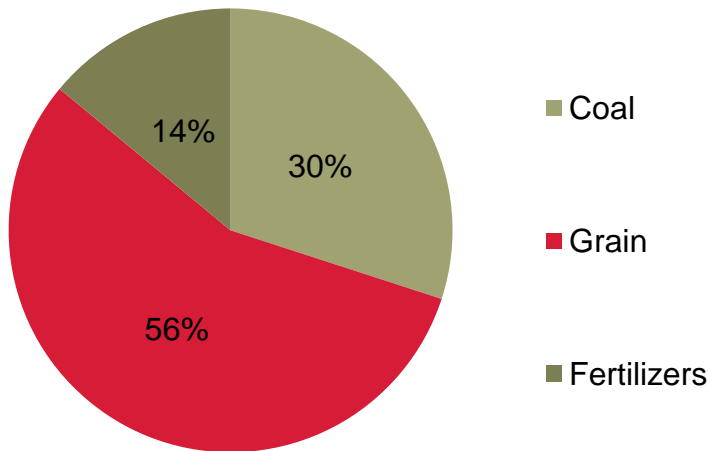


Bulk

Fourth Quarter (2010 vs 2009)



Commodity Breakdown



2010 Revenues

Outlook

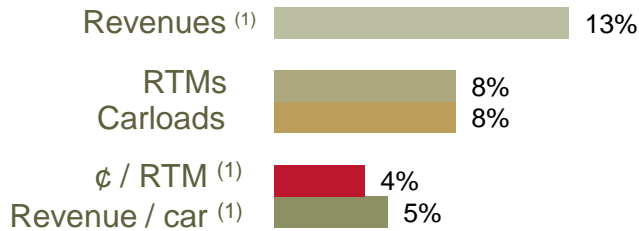
- Canadian Wheat Board revised upward their export program volumes for 2010-11 to 17.4 MMT (up about 2MMT)
- Strong 2010-11 U.S. soybean and corn crops
- Continued strong fertilizer and potash demand
- Coal driven by strong Asian demand and Australian flooding

¹ Revenues at constant currency - Please see website, www.cn.ca/nonGAAP, for an explanation of this non-GAAP measure.

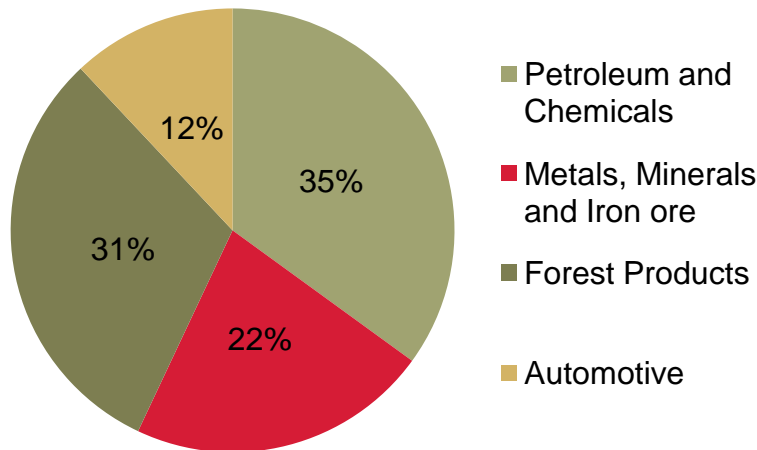
Manufacturing



Fourth Quarter (2010 vs 2009)



Commodity Breakdown



2010 Revenues

Outlook

- Continued strong demand for metal products and iron ore
- Expanding offshore demand for wood pulp and lumber
- Industrial production driving shipments of petroleum products
- Continued growth expected in North American vehicles sales


¹ Revenues at constant currency - Please see website, www.cn.ca/nonGAAP, for an explanation of this non-GAAP measure.



Luc Jobin
Executive Vice-President and Chief Financial Officer

Q4 Results

millions of Canadian dollars, except EPS data, unless otherwise indicated

	2010	2009	Change Favorable (Unfavorable)
 Revenues	\$ 2,117	\$ 1,882	12%
Expenses	1,343	1,229	
Operating income	774	653	19%
Interest expense	(87)	(95)	
Other income	12	76	
Income before income taxes	699	634	
Income tax expense	(196)	(52)	
Net income	\$ 503	\$ 582	(14%)
Diluted EPS	\$ 1.08	\$ 1.23	(12%)
Adjusted diluted EPS ¹	\$ 1.08	\$ 0.90	20%
Shares (diluted in millions)	464.8	474.8	
Operating ratio	63.4%	65.3%	1.9 pts

¹ 2009 excludes items that affect the comparability of the results of operations. Please see website, www.cn.ca/nonGAAP, for a reconciliation of this non-GAAP measure.

Q4 Expenses

millions of Canadian dollars, unless otherwise indicated




	AS REPORTED		% Change Favorable (Unfavorable)	% Change at constant currency ¹ Favorable (Unfavorable)
	2010	2009		
Labor and fringe benefits	\$ 423	\$ 413	(2%)	(4%)
Purchased services and material	282	256	(10%)	(12%)
Fuel	291	234	(24%)	(29%)
Depreciation and amortization	220	197	(12%)	(13%)
Equipment rents	62	66	6%	3%
Casualty and other	65	63	(3%)	(5%)
Total operating expenses	\$ 1,343	\$ 1,229	(9%)	(12%)

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

Full-Year Results

millions of Canadian dollars, except EPS data, unless otherwise indicated

	AS REPORTED		Change Favorable (Unfavorable)	Change at constant currency ¹ Favorable (Unfavorable)
	2010	2009		
 Revenues	\$ 8,297	\$ 7,367	13%	19%
Expenses	<u>5,273</u>	<u>4,961</u>		
Operating income	3,024	2,406	26%	33%
Interest expense	(360)	(412)		
Other income	<u>212</u>	<u>267</u>		
Income before income taxes	2,876	2,261		
Income tax expense	<u>(772)</u>	<u>(407)</u>		
Net income	<u>\$ 2,104</u>	<u>\$ 1,854</u>	13%	19%
Diluted EPS	\$ 4.48	\$ 3.92	14%	20%
Adjusted diluted EPS ²	\$ 4.20	\$ 3.24	30%	36%
Shares (diluted in millions)	470.1	473.5		
Operating ratio	63.6%	67.3%	3.7 pts	
Adjusted operating ratio ²	63.6%	66.7%	3.1 pts	

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

² 2010 and 2009 exclude items that affect the comparability of the results of operations. Please see website, www.cn.ca/nonGAAP, for a reconciliation of these non-GAAP measures.

Full Year Free Cash Flow

millions of Canadian dollars, unless otherwise indicated



Net income	\$ 2,104
Non-cash adjustments	1,100
Payments for income taxes	(214)
Other working capital items ⁽¹⁾	11
Capital expenditures (net)	(1,586)
Proceeds on rail-line sale	168
Other investing	35
Dividends	(503)
Effect of exchange rate fluctuations on US dollar-denominated cash and cash equivalents	7
Free cash flow	<u>\$ 1,122</u>
Financing activities (excluding dividends)	<u>\$ (982)</u>
Total net indebtedness at end of period	<u>\$ 5,581</u>
Adjusted debt-to-total capitalization ⁽²⁾	36.8%
Adjusted debt-to-adjusted EBITDA ⁽²⁾⁽³⁾	1.69x

⁽¹⁾ Excludes changes in A/R securitization program.

⁽²⁾ Debt adjusted to include the present value of operating lease commitments.

⁽³⁾ EBITDA refers to earnings before interest, income taxes, depreciation and amortization, and is adjusted to exclude Other income and the deemed interest on operating leases.

See website, www.cn.ca/nonGAAP, for a reconciliation of the various non-GAAP measures presented on this slide.

2011 Financial Outlook



Continue to leverage the recovery

- Mid single-digit carload growth
- Pricing above inflation

Some headwinds in 2011

- Depreciation and Canadian dollar
- Higher cash taxes

Aiming for double-digit growth over 2010 adjusted EPS ⁽¹⁾

Free-cash flow in the order of C\$850M ⁽¹⁾

Strong shareholder value focus

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

See Forward-Looking Statements at the beginning of the presentation for a summary of key assumptions and important risk factors underlying CN's 2011 outlook



Claude Mongeau
President and Chief Executive Officer

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www.cn.ca/investors