NEWS RELEASE

CN reports Q1-2013 net income of C$555 million, or C$1.30 per diluted share

Excluding gain on sale of rail line segment, adjusted Q1-2013 net income was C$519 million, or C$1.22 per diluted share (1)

MONTREAL, April 22, 2013 — CN (TSX: CNR)(NYSE: CNI) today reported its financial and operating results for the first quarter ended March 31, 2013.

First-quarter 2013 highlights

- First-quarter 2013 net income was C$555 million, or C$1.30 per diluted share, compared with net income of C$775 million, or C$1.75 per diluted share, for first-quarter 2012. The first-quarter 2013 results included an after-tax gain of C$36 million, or C$0.08 per diluted share, and the first quarter of 2012 included an after-tax gain of C$252 million, or C$0.57 per diluted share, from the sale of rail line segments in the Toronto area to a public transit agency.
- Q1-2013 adjusted diluted earnings per share (EPS) were C$1.22, an increase of three per cent over adjusted diluted EPS of C$1.18 for the same period of 2012 (excluding gains on rail line sales in both years). (1)
- Revenues for the latest quarter increased five per cent to C$2,466 million, while revenue ton-miles rose three per cent and carloadings increased two per cent.
- Operating income declined two per cent to C$780 million.
- The operating ratio was 68.4 per cent, a deterioration of 2.2 points from the year-earlier performance of 66.2 per cent.
- The Company utilized C$20 million of free cash flow in first-quarter 2013, while it generated C$48 million of free cash flow in the comparable period of 2012. (1)

Claude Mongeau, president and chief executive officer, said: “CN faced a number of operational challenges in the first quarter, including extreme cold and heavy snow in Western Canada, which hampered operations, congested the network and constrained volume growth. We’ve turned the corner since then, improving train velocity and reducing freight car dwell times in yards across the network to restore the service level expected by our customers.

“CN will emerge stronger from this first-quarter experience. To improve network resilience, particularly given our expectation of continued strong volume growth, CN is undertaking several capacity enhancement projects in its Edmonton-Winnipeg corridor. These and other productivity initiatives will increase CN’s planned 2013 capital spending to C$2 billion, an increase of C$100 million over our original 2013 plan.”
2013 financial outlook (2)
CN is maintaining the 2013 financial outlook it issued on Jan. 22, 2013, except for its revised plan to invest approximately C$2 billion in capital programs in 2013, compared with the previous plan to invest C$1.9 billion. Approximately C$1.1 billion of the total expenditure 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.

Foreign currency impact on results
Although CN reports its earnings in Canadian dollars, a large portion of its revenues and expenses is denominated in U.S. dollars. As such, the Company’s results are affected by exchange-rate fluctuations. There was minimal impact on CN’s first-quarter 2013 net income on a constant currency basis. (1)

First-quarter 2013 revenues, traffic volumes and expenses
The five per cent rise in first-quarter revenues was mainly attributable to freight rate increases and higher freight volumes, due in part to growth in the North American and Asian economies, partly offset by operational challenges that constrained volumes.

Revenues increased for petroleum and chemicals (17 per cent), intermodal (seven per cent), metals and minerals (three per cent), forest products (two per cent), automotive (two per cent), and grain and fertilizers (one per cent). Coal revenues declined one per cent.

Carloads increased by two per cent while revenue ton-miles, measuring the relative weight and distance of rail freight transported by CN, increased three per cent over the same quarter in 2012.

Rail freight revenue per revenue ton-mile, a measurement of yield defined as revenue earned on the movement of a ton of freight over one mile, increased two per cent over the first quarter of 2012, driven by freight rate increases, partly offset by an increase in the average length of haul.

Operating expenses increased nine per cent in the first quarter of 2013, mainly due to higher labor and fringe benefits expense, increased purchased services and material expense, increased fuel costs, as well as operational challenges including harsher winter conditions in Western Canada.

(1) See discussion and reconciliation of non-GAAP adjusted performance measures in the attached supplementary schedule, Non-GAAP Measures.

(2) See Forward-Looking Statements for a summary of the key assumptions and risks regarding CN’s 2013 outlook.
Forward-Looking Statements

Certain information included in this news release 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. To the extent that CN has provided guidance that are non-GAAP financial measures, the Company may not be able to provide a reconciliation to the GAAP measures, due to unknown variables and uncertainty related to future results. Key assumptions used in determining forward-looking information are set forth below.

Current assumptions

CN is maintaining the 2013 financial outlook it issued on Jan. 22, 2013, except for its revised plan to invest approximately C$2 billion in capital programs in 2013, compared with the previous plan to invest C$1.9 billion. Approximately C$1.1 billion of the total expenditure 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.

CN has made a number of economic and market assumptions in preparing its 2013 outlook. The Company is forecasting that North American industrial production for the year will increase by about two per cent. CN also expects U.S. housing starts to be in the range of 950,000 units and U.S. motor vehicles sales to be approximately 15 million units. In addition, CN is assuming that 2013/2014 grain crop production in both Canada and the U.S. will be in-line with their respective five-year averages. With respect to the 2012/2013 crop, production in Canada was slightly above the five-year average while production in the U.S. was below the five-year average. With these assumptions, CN assumes carload growth of three to four per cent, along with continued pricing improvement above inflation. CN also assumes the Canadian-U.S. exchange rate to be around parity for 2013 and that the price of crude oil (West Texas Intermediate) for the year to be in the range of US$90-$100 per barrel.

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.

CN – Canadian National Railway Company and its operating railway subsidiaries – spans Canada and mid-America, from the Atlantic and Pacific oceans to the Gulf of Mexico, serving the ports of Vancouver, Prince Rupert, B.C., Montreal, Halifax, New Orleans, and Mobile, Ala., and the key metropolitan areas of Toronto, Buffalo, Chicago, Detroit, Duluth, Minn./Superior, Wis., Green Bay, Wis., Minneapolis/St. Paul, Memphis, and Jackson, Miss., with connections to all points in North America. For more information on CN, visit the Company’s website at www.cn.ca.
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