



First Quarter 2014 Financial Results

April 22, 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.

2014 key assumptions

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 per cent. CN also expects U.S. housing starts to be in the range of 1.1 million units and U.S. motor vehicles sales to be approximately 16 million units. In addition, the U.S. 2013/2014 grain crop was above the five-year average, the Canadian 2013/2014 grain crop was well above the five-year average, and CN is assuming 2014/2015 grain crops in both countries will be in-line with their respective five-year averages. With these assumptions, CN assumes mid-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. In 2014, CN plans to invest approximately C\$2.25 billion in capital programs – compared with its previous 2014 capital spending forecast of C\$2.1 billion announced on Dec. 10, 2013 -- 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.



Claude Mongeau
President & Chief Executive Officer



Q1 Highlights



- Worst winter in decades reduced our capacity to serve all customers
- Recovery well underway with key safety, operating and service metrics returning to pre-winter levels
- Progressing our agenda of supply chain collaboration to drive growth at low incremental cost

Delivered solid results despite harsh winter

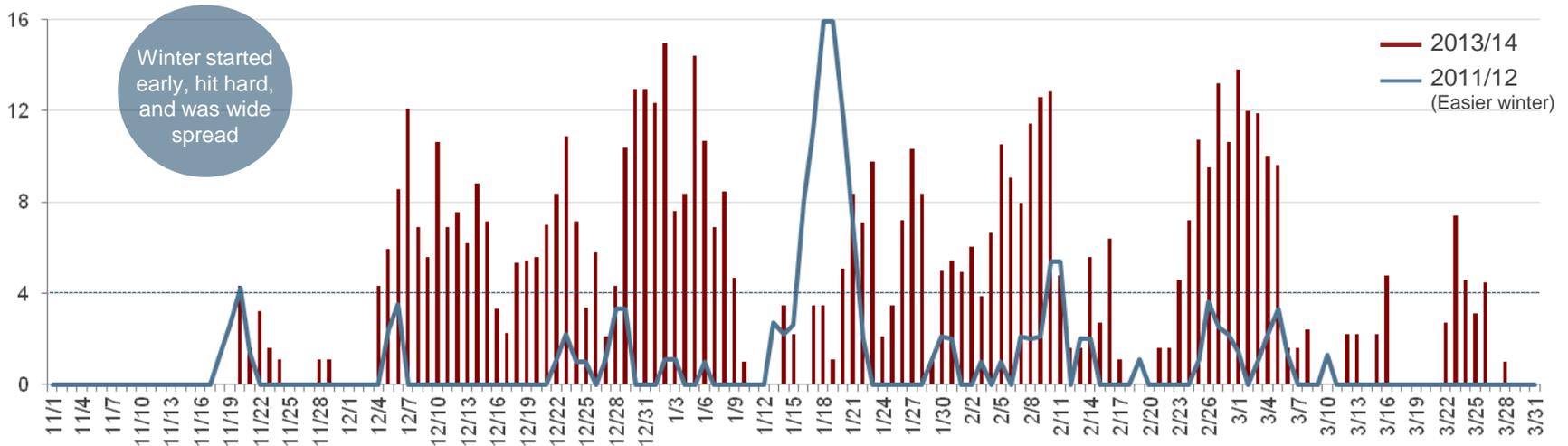


Jim Vena
Executive VP & Chief Operating Officer



The Worst Winter in Decades

Winter Severity Index*



* Severity Index - represents the number of CN corridors requiring winter operating restrictions for temperatures below -25°C. Over 4, major problems surface across the network.

Q1 2014 vs. Q1 2013	CN	Industry Average ⁽¹⁾	
Train Speed	-5.3%	-9.2%	Reduced train speeds
Terminal Dwell	-11.5%	-24.1%	Longer dwell times

(1) Source: AAR and Company reports - Industry average includes: CP, CSX, NS, KCS, BNSF, UP.



Recovery Underway

- Outstanding team effort in the face of very challenging conditions
- Investing smartly to support growth, efficiency and safety
- Determined to grow faster than base market conditions at low incremental cost

Recovering fluidity, regaining momentum





Jean-Jacques Ruest
Executive VP & Chief Marketing Officer



Revenues

	First Quarter			
	2014	2013	% Change Favorable (Unfavorable)	% Change at constant currency ⁽¹⁾ Favorable (Unfavorable)
Petroleum and chemicals	\$ 568	\$ 461	23%	16%
Metals and minerals	308	288	7%	-
Forest products	339	338	-	(6%)
Automotive	129	134	(4%)	(10%)
Coal	182	170	7%	2%
Grain and fertilizers	431	408	6%	1%
Intermodal	621	556	12%	9%
Total rail freight revenues	\$ 2,578	\$ 2,355	9%	4%
Other revenues	115	111	4%	(1%)
Total revenues	\$ 2,693	\$ 2,466	9%	4%

In millions of Canadian dollars, unless otherwise indicated

Worst winter in decades impacted available capacity for all of our customers

Q1 volume is not reflective of demand, and is not reflective of forward demand

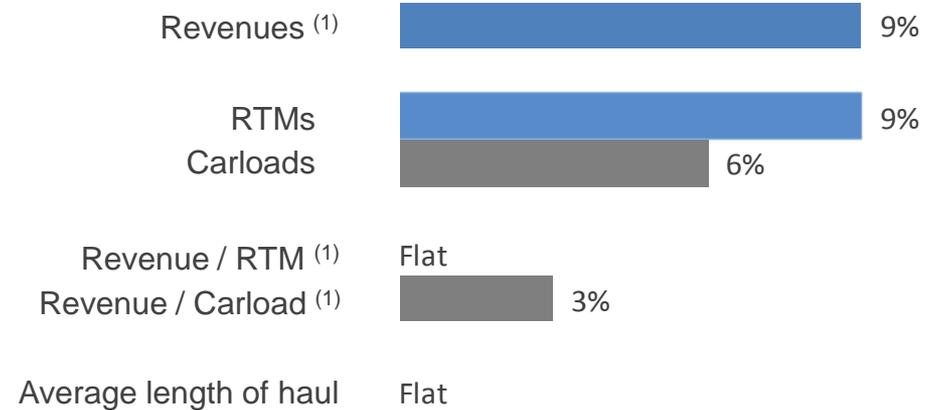
In 2014, certain Other revenues were reclassified to the commodity groups within rail freight revenues. This change has no impact on the Company's previously reported results of operations as total revenues remain unchanged. The 2013 comparative figures have been reclassified in order to be consistent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

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



Intermodal Markets

First Quarter
(2014 vs 2013)



Outlook

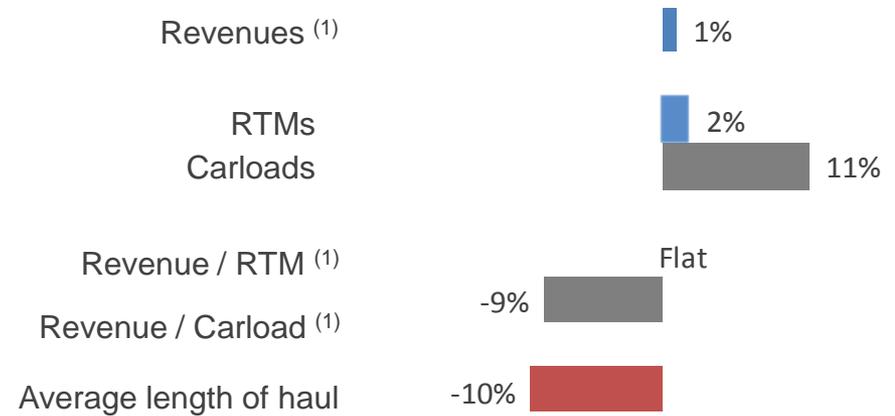
- Focused on the end-to-end supply chain
- Strong demand for our services in Domestic, International and NAFTA segments

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



Bulk Markets

First Quarter
(2014 vs 2013)



Outlook

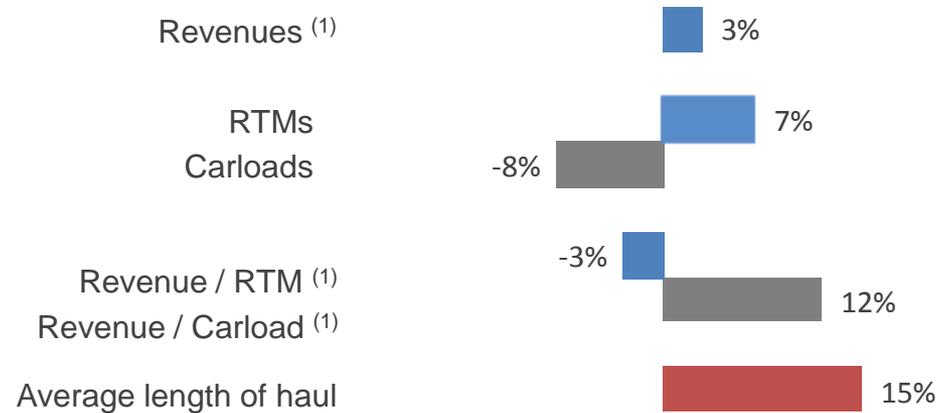
- Aiming to deliver peak Canadian grain volumes through the spring and summer
- Midwest thermal coal market looks positive – rebuilding of stockpiles post Polar Vortex
- Potash volumes strengthening

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



Manufacturing Markets

First Quarter
(2014 vs 2013)



Outlook

- Positive demand outlook for energy, housing-related and automotive
- Merchandise and automotive supply chain being challenged by the North American interline car fleet velocity

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



Luc Jobin
Executive VP and Chief Financial Officer



Q1 Results

<i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i>	2014	2013	Change Favorable (Unfavorable)
Revenues	\$ 2,693	\$ 2,466	9%
Operating expenses	1,873	1,686	
Operating income	820	780	5%
Interest expense	(92)	(89)	
Other income	94	42	
Income before income taxes	822	733	
Income tax expense	(199)	(178)	
Net income	\$ 623	\$ 555	12%
Diluted EPS	\$ 0.75	\$ 0.65	15%
Adjusted diluted EPS ⁽¹⁾	\$ 0.66	\$ 0.61	8%
Weighted-average number of shares (diluted in millions)	831.3	856.5	
Operating ratio	69.6%	68.4%	(1.2 pts)

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



Q1 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	\$ 587	\$ 569	(3%)	-
Purchased services and material	388	328	(18%)	(15%)
Fuel	468	405	(16%)	(6%)
Depreciation and amortization	256	235	(9%)	(6%)
Equipment rents	77	68	(13%)	(6%)
Casualty and other	97	81	(20%)	(14%)
Total operating expenses	\$ 1,873	\$ 1,686	(11%)	(6%)

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



Q1 Free Cash Flow

In millions of Canadian dollars, unless otherwise indicated

Net income	\$ 623
Non-cash adjustments	271
Payments for income taxes	(132)
Other working capital items	<u>(117)</u>
Net cash provided by operating activities	645
Capital expenditures (net)	(248)
Major asset sales	97
Other investing	<u>(23)</u>
Net cash used in investing activities	(174)
Net cash provided before financing activities	471
Change in restricted cash and cash equivalents	<u>23</u>
Free cash flow ⁽¹⁾	\$ 494
Total net indebtedness at end of period (including restricted cash and cash equivalents)	\$ 7,530
Adjusted debt-to-total capitalization ⁽²⁾	40.1%
Adjusted debt-to-adjusted EBITDA ^{(2) (3)}	1.78x

(1) Beginning with the fourth quarter of 2013, the Company redefined its free cash flow measure as the difference between net cash provided by operating activities and net cash used in investing activities; adjusted for changes in restricted cash and cash equivalents and the impact of major acquisitions, if any.

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

(3) 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 set out in notes (1), (2) and (3).



Reaffirming 2014 Financial Outlook

- Quickly rebounding from extreme weather challenges
- Aiming for double-digit earnings growth over 2013 adjusted diluted EPS of C\$3.06 ⁽¹⁾
 - With mid-single digit carload growth and pricing above inflation
- Targeting free cash flow in the range of C\$1.6B - C\$1.7B ^{(1) (2)}
 - Now with a capital envelope of C\$2.25B versus C\$2.1B previously announced



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

(2) Beginning with the fourth quarter of 2013, the Company redefined its free cash flow measure as the difference between net cash provided by operating activities and net cash used in investing activities; adjusted for changes in restricted cash and cash equivalents and the impact of major acquisitions, if any.

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.



Claude Mongeau
President & Chief Executive Officer



Our Strategic Agenda is Delivering



- Regaining network fluidity
- Restoring customer service levels
- Investing in support of growth, efficiency and safety

Momentum to deliver solid 2014 results