



Fourth Quarter 2014 Financial Results

January 27, 2015





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 that CN has provided non-GAAP financial measures in its outlook, the Company 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.

2015 key assumptions

CN has made a number of economic and market assumptions in preparing its 2015 outlook. The Company is forecasting that North American industrial production for the year will increase in the range of three to four per cent, that U.S. housing starts will be in the range of 1.2 million units, and that U.S. motor vehicles sales will be approximately 16.7 million units. The 2014/2015 Canadian grain crop represented a significant reduction toward the historical trend line while the U.S. grain crop was above trend. CN assumes that the 2015/2016 grain crops in both Canada and the United States will be in line with trend yields. CN also assumes its 2015 customer shipments of energy-related commodities, namely crude oil and frac sand, will grow by approximately 75,000 carloads versus 2014. With these assumptions, CN assumes total carload growth for all freight categories will be in the three to four per cent range, along with continued pricing improvement above inflation. CN also assumes that in 2015 the value of the Canadian dollar in U.S. currency will be in the range of \$0.80 to \$0.85, and that the average price of crude oil (West Texas Intermediate) will fluctuate around US\$50 per barrel. In 2015, CN plans to invest approximately C\$2.6 billion in its capital programs, of which approximately C\$1.3 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



Q4 Highlights

Delivering on our growth agenda

- Outpaced the economy through market share gains
- Record revenues driven by new energy markets and a 100-year Canadian grain crop

Continuing to balance Operational and Service Excellence

- Operating ratio at 60.7%
- Industry-leading network fluidity

Strong financial results

- Diluted EPS up 36% versus Q4 2013
- Strong free cash flow and increased dividend

Outstanding full-year performance



Jim Vena
Executive VP & Chief Operating Officer



Operational and Service Excellence

Safety

Culture and engagement
New training facilities

Productivity

Fuel efficiency
Front-line decision making

Capacity

Right-sizing crews, cars, locomotives
Investing in the plant – mainline,
feeder lines, yards

Service

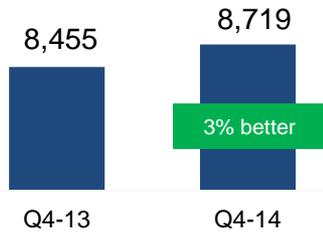
Customer centric metrics
End-to-end approach
Rolling out iAdvise



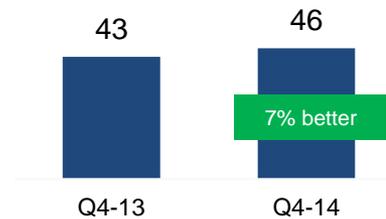


Q4 Operating Highlights

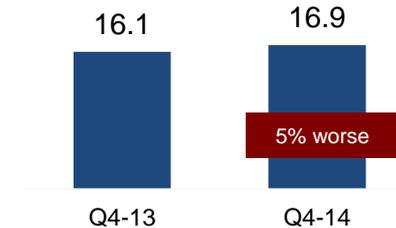
Train Productivity (GTMs per train mile)



Yard Productivity (Cars per yard switching hour)



Terminal Dwell (Entire railroad, hours)



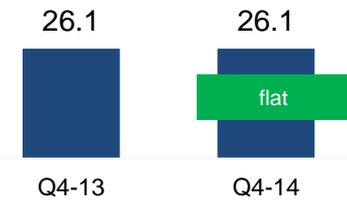
Locomotive Utilization (Trailing GTMs per total horsepower)



Car Velocity (Car miles per day)



Train Velocity (mph)



Strong finish to maintain industry-leading productivity



Jean-Jacques Ruest
Executive VP & Chief Marketing Officer



Solid Q4 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	\$ 628	\$ 521	21%	14%	4%	14%
Metals and minerals	418	311	34%	26%	20%	31%
Forest products	398	360	11%	4%	1%	1%
Automotive	159	135	18%	11%	7%	26%
Coal	172	160	8%	2%	27%	(3%)
Grain and fertilizers	560	476	18%	13%	2%	10%
Intermodal	680	621	10%	7%	10%	4%
Total rail freight revenues	\$ 3,015	\$ 2,584	17%	11%	11%	9%
Other revenues	192	161	19%	12%		
Total revenues	\$ 3,207	\$ 2,745	17%	11%		

**Growing faster than the economy while maintaining
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 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

- International – volume growth moderates to economy-plus following significant share gains in the last few years
- Domestic – growth returning after flat volumes in 2014
- Strong profitable business

23%

Bulk

- Lapping record Canadian grain crop – expect negative comps in Q2/Q3
- Positive outlook for potash (domestic and international)
- Mixed outlook for coal – negative for Canadian West Coast exports and positive in the U.S.

22%

Merchandise

- Aiming for growth of around 75,000 carloads in energy (crude and frac sand)
- Lumber and panels benefit from steady growth in U.S. housing and additional fleet capacity
- Positive outlook for automotive and other commodities tied to consumer spending

49%

2014 revenue breakdown – Other revenues represent the remaining 6%

**Aiming for carload growth in the range of 3-4%
and pricing ahead of inflation**





Luc Jobin
Executive VP and Chief Financial Officer



Q4 Results

<i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i>	2014	2013	Change Favorable (Unfavorable)
Revenues	\$ 3,207	\$ 2,745	17%
Operating expenses	1,947	1,778	
Operating income	1,260	967	30%
Interest expense	(94)	(91)	
Other income	13	(2)	
Income before income taxes	1,179	874	
Income tax expense	(335)	(239)	
Net income	\$ 844	\$ 635	33%
Diluted EPS	\$ 1.03	\$ 0.76	36%
Adjusted diluted EPS ⁽¹⁾	\$ 1.03	\$ 0.76	36%
Weighted-average number of shares (diluted in millions)	816.9	837.1	
Operating ratio	60.7%	64.8%	4.1 pts

Solid results, helped by better year-over-year weather conditions

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



Q4 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	\$ 592	\$ 594	-	3%
Purchased services and material	442	364	(21%)	(18%)
Fuel	448	422	(6%)	1%
Depreciation and amortization	279	254	(10%)	(7%)
Equipment rents	85	71	(20%)	(13%)
Casualty and other	101	73	(38%)	(34%)
Total operating expenses	\$ 1,947	\$ 1,778	(10%)	(5%)

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

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



Full-Year Results

<i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i>	2014	2013	Change Favorable (Unfavorable)
Revenues	\$ 12,134	\$ 10,575	15%
Operating expenses	7,510	6,702	
Operating income	4,624	3,873	19%
Interest expense	(371)	(357)	
Other income	107	73	
Income before income taxes	4,360	3,589	
Income tax expense	(1,193)	(977)	
Net income	\$ 3,167	\$ 2,612	21%
Diluted EPS	\$ 3.85	\$ 3.09	25%
Adjusted diluted EPS ⁽¹⁾	\$ 3.76	\$ 3.06	23%
Weighted-average number of shares (diluted in millions)	823.5	846.1	
Operating ratio	61.9%	63.4%	1.5 pts

Outpacing the economy, and doing so at low incremental cost

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



Full-Year Free Cash Flow

In millions of Canadian dollars, unless otherwise indicated

2014

Net income	\$ 3,167
Non-cash adjustments	1,386
Payments for income taxes	(722)
Other working capital items	550
Net cash provided by operating activities	4,381
Capital expenditures (net)	(2,297)
Major asset sales	173
Other investing	(52)
Net cash used in investing activities	(2,176)
Net cash provided before financing activities	2,205
Change in restricted cash and cash equivalents	15
Free cash flow	\$ 2,220
Total net indebtedness at end of period (including restricted cash and cash equivalents)	\$ 7,894
Adjusted debt-to-total capitalization ratio ⁽¹⁾	40.1%
Adjusted debt-to-adjusted EBITDA ^{(1) (2)}	1.58x

(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.



2015 Financial Outlook

Aiming for double-digit earnings growth over 2014 adjusted diluted EPS of \$3.76 ⁽¹⁾

- With carload growth in the range of 3-4% and pricing above inflation

Reinvesting in the business for safety, growth and productivity

- Capital envelope of approximately \$2.6B, up \$300M from last year

Rewarding shareholders

- Dividend increase of 25% and gradually moving towards a 35% payout ratio
- Share repurchase program in place

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

Please see Forward-Looking Statements at the beginning of the presentation for a summary of key assumptions and important risk factors underlying CN's 2015 financial outlook.



Claude Mongeau
President & Chief Executive Officer



Looking Ahead



- Maintaining momentum with our agenda
- Diverse opportunities for growth
- Innovating to stay ahead

Delivering solid shareholder value