

Third Quarter 2013 Financial Results



October 22, 2013



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.

Current assumptions

CN maintains the 2013 financial outlook it issued on Jan. 22, 2013, as well as its plan to invest approximately C\$2 billion in capital programs in 2013, which it revised upward from C\$1.9 billion on April 22, 2013. 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 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 approximately 950,000 units, and U.S. motor vehicles sales to be approximately 15 million units. In addition, for the 2013/2014 crop year, CN is now assuming Canadian grain production will be well above the five-year average and that U.S. grain production will be above the five-year average. With these assumptions, CN assumes carload growth of two to three per cent, along with continued pricing improvement above inflation. CN assumes the Canadian-U.S. exchange rate to be in the range of C\$0.95-C\$1.00 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.



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Claude Mongeau

President and CEO



Q3 Highlights

Outpacing base market conditions

- Bulk revenues rebounding in September

Growing at low incremental cost

- Solid operating ratio of 59.8%

Delivering safely and responsibly

- FRA accident ratio of 1.31



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Jim Vena

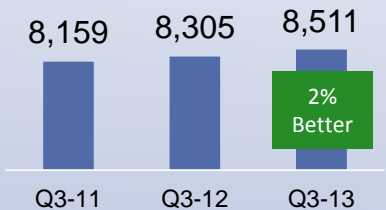
Executive Vice President and COO



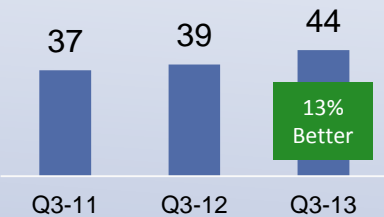


Q3 Operating Highlights

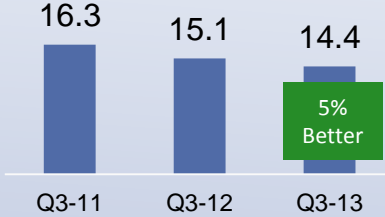
Train Productivity (GTMs per train mile)



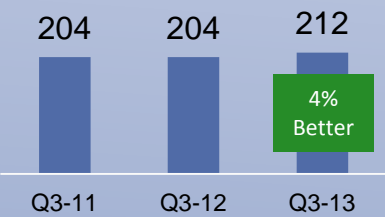
Yard Productivity (Cars per yard switching hour)



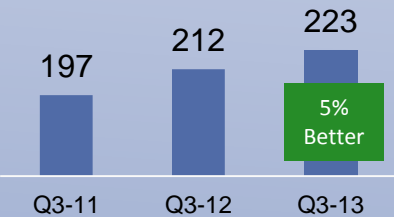
Terminal Dwell (Entire railroad, hours)



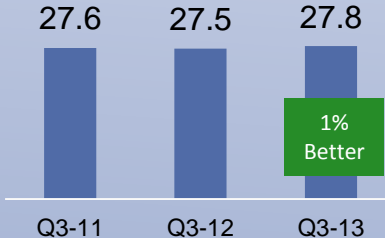
Locomotive Utilization (Trailing GTMs per total horsepower)



Car Velocity (Car miles per day)



Train Velocity (mph)



Record operating performance

Balancing Operational and Service Excellence



Raising the bar by driving simultaneous improvements in operating efficiency and customer service

- Pushing decision making down to the front line

Network investments in place to enhance resiliency and support growth

- Key Edmonton-Winnipeg corridor

Continued focus on supply-chain optimization

- Gearing up for a record Canadian grain crop

Enabling growth at low incremental cost

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Jean-Jacques Ruest

Executive Vice President and CMO



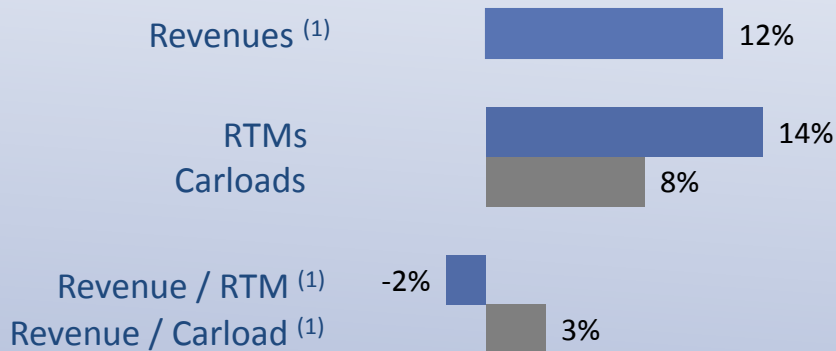
Q3 Revenues

<i>In millions of Canadian dollars, unless otherwise indicated</i>	As Reported		% Change Favorable (Unfavorable)	% Change at constant currency ⁽¹⁾ Favorable (Unfavorable)
	2013	2012		
Petroleum and chemicals	\$ 485	\$ 416	17%	13%
Metals and minerals	324	293	11%	7%
Forest products	362	336	8%	5%
Automotive	136	127	7%	4%
Coal	186	187	(1%)	(3%)
Grain and fertilizers	357	368	(3%)	(5%)
Intermodal	577	510	13%	12%
Total rail freight revenues	\$ 2,427	\$ 2,237	8%	6%
Other revenues	271	260	4%	2%
Total revenues	\$ 2,698	\$ 2,497	8%	6%

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

Intermodal Markets

Third Quarter (2013 vs 2012)



Q3 Highlights

International – End-to-end supply-chain approach produced market share gains

Domestic – New products, new terminals, solid service as defined by customers

Outlook

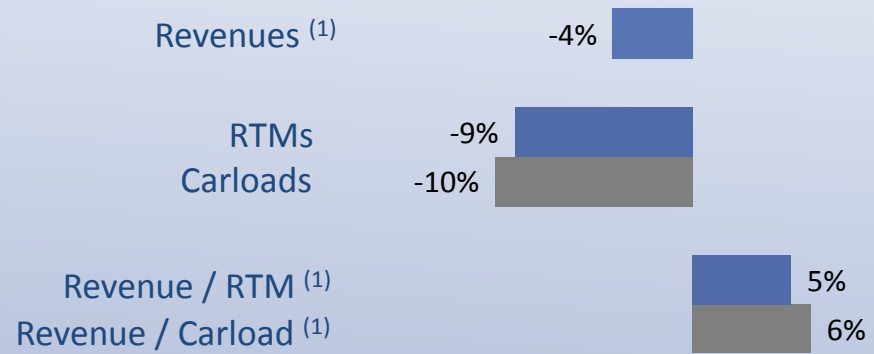
Continued over-performance versus the economy and the industry



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

Bulk Markets

Third Quarter (2013 vs 2012)



Q3 Highlights

Grain stocks depleted in advance of new crop

Potash volumes impacted by world market turmoil

Outlook

Record grain crop in Canada

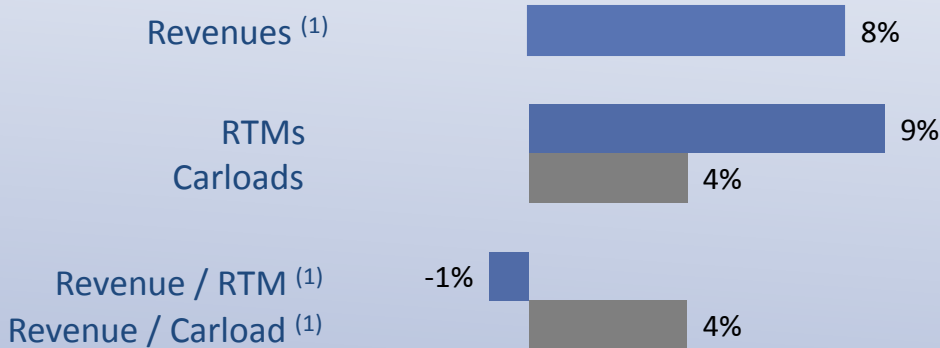
U.S. grain crop above five-year average



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

Manufacturing Markets

Third Quarter (2013 vs 2012)



Q3 Highlights

Strong energy-related markets; crude, frac sand, petrochemicals, energy steel

Solid lumber / panel shipments to the U.S. and lumber to China

Automotive sales and production overall positive

Outlook

Energy-related markets, housing starts and automotive sales remain growth engine



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

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Luc Jobin

Executive Vice President and CFO



Q3 Results

<i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i>	2013	2012	Change Favorable (Unfavorable)
Revenues	\$ 2,698	\$ 2,497	8%
Operating expenses	1,614	1,512	
Operating income	1,084	985	10%
Interest expense	(89)	(84)	
Other income	5	18	
Income before income taxes	1,000	919	
Income tax expense	(295)	(255)	
Net income	\$ 705	\$ 664	6%
Diluted EPS	\$ 1.67	\$ 1.52	10%
Adjusted diluted EPS ⁽¹⁾	\$ 1.72	\$ 1.52	13%
Weighted-average number of shares (diluted in millions)	421.1	435.9	
Operating ratio	59.8%	60.6%	0.8 pt

⁽¹⁾ 2013 and 2012 exclude 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.

Q3 Operating Expenses

<i>In millions of Canadian dollars, unless otherwise indicated</i>	As Reported		% Change Favorable (Unfavorable)	% Change at constant currency ⁽¹⁾ Favorable (Unfavorable)
	2013	2012		
Labor and fringe benefits	\$ 521	\$ 476	(9%)	(8%)
Purchased services and material	318	304	(5%)	(3%)
Fuel	390	369	(6%)	(1%)
Depreciation and amortization	241	227	(6%)	(5%)
Equipment rents	68	64	(6%)	(2%)
Casualty and other	76	72	(6%)	(1%)
Total operating expenses	\$ 1,614	\$ 1,512	(7%)	(4%)

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

YTD Q3 Free Cash Flow

In millions of Canadian dollars, unless otherwise indicated

Net income	\$ 1,977
Non-cash adjustments	826
Payments for income taxes	(655)
Other working capital items	<u>302</u>
Cash flow from operations	2,450
Capital expenditures (net)	(1,185)
Major asset sales	52
Other investing	<u>(18)</u>
Cash flow from investing	(1,151)
Cash flow before financing / dividends	1,299
Dividends	(545)
Effect of foreign exchange fluctuations on US dollar-denominated cash and cash equivalents	16
Change in restricted cash and cash equivalents	<u>8</u>
Free cash flow	\$ 778
Total net indebtedness at end of period (including restricted cash and cash equivalents)	\$ 6,787
Adjusted debt-to-total capitalization ⁽¹⁾	41.1%
Adjusted debt-to-adjusted EBITDA ^{(1) (2)}	1.68x

(1) Debt 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 presented on this slide.

2013 Financial Outlook



Finishing 2013 on a strong note

Aiming for high single-digit growth over 2012 on adjusted diluted EPS ⁽¹⁾

Targeting free cash flow in the range of C\$800M to C\$900M ⁽¹⁾

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

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President and CEO



Deepening Our Strategic Agenda



Gaining momentum with solid Q3

Strengthening our supply-chain mindset and capabilities

Creating solid value for our customers and shareholders

