

CANADIAN NATIONAL RAILWAY CO

Form 6-K

June 26, 2014

---

FORM 6-K  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16  
of the Securities Exchange Act of 1934

For the month of June, 2014

Commission File Number: 001-02413

Canadian National Railway Company  
(Translation of registrant's name into English)

935 de la Gauchetiere Street West  
Montreal, Quebec  
Canada H3B 2M9

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under  
cover of Form 20-F or Form 40-F:

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as  
permitted by Regulation S-T Rule 101(b)(1):

Yes

No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as  
permitted by Regulation S-T Rule 101(b)(7):

Yes

No

Indicate by check mark whether by furnishing the information contained in this Form,  
the Registrant is also thereby furnishing the information to the Commission pursuant  
to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes

No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

---

---

---

Canadian National Railway Company

Table of Contents

Item

1. CN Investor Fact Book – 2014 Update
-

Item 1

---

Except where otherwise indicated, all financial information reflected in this document is expressed in Canadian dollars and determined on the basis of United States generally accepted accounting principles (U.S. GAAP). All share and per share data presented herein reflect the impact of the November 2013 stock split.

Revenues by commodity group presented herein reflect the impact of the 2014 reclassification of Other revenues. In order to better represent rail freight and related revenues within the commodity groups and to maintain non-rail services that support CN's rail business within Other revenues, certain other revenues were reclassified to the commodity groups within rail freight revenues. Revenues earned from trucking intermodal goods were reclassified from Other revenues to the Intermodal commodity group and services that relate to the movement of rail freight were reclassified from Other revenues to the related commodity groups. The 2011, 2012, and 2013 figures have been reclassified in order to be consistent with the 2014 presentation. This change had no impact on the Company's previously reported results of operations as total revenues remains unchanged.

The reader is advised to read all information provided in this document in conjunction with the Company's audited annual and unaudited interim Consolidated Financial Statements and Notes thereto as well as Management's Discussion and Analysis filed on SEDAR and EDGAR and posted on the Company's website ([www.cn.ca](http://www.cn.ca)).

This document contains forward-looking statements. The Company cautions that, by their nature, forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and assumptions.



**FINANCIAL & STATISTICAL HIGHLIGHTS****FINANCIAL HIGHLIGHTS**

\$ in millions, except per share data, or unless otherwise indicated

	2010	2011	2012	2013
<b>Financial results</b>				
Revenues	\$ 8,297	\$ 9,028	\$ 9,920	\$ 10,575
Operating income	3,024	3,296	3,685	3,873
Adjusted net income*	1,973	2,194	2,456	2,582
Adjusted diluted earnings per share*	2.10	2.41	2.81	3.06
Weighted-average number of diluted share (millions)	940.3	908.9	875.4	846.1
<b>Financial ratios</b>				
Operating ratio (%)	63.6	63.5	62.9	63.4
Debt-to-total capitalization (%)	35.0	38.1	38.5	37.7
<b>Other information</b>				
Dividend per share	\$ 0.54	\$ 0.65	\$ 0.75	\$ 0.86
Net capital expenditures	1,586	1,625	1,731	1,973
Free cash flow*	1,616	1,746	1,661	1,623

\* See Appendix for a reconciliation of non-GAAP measures.

## FINANCIAL &amp; STATISTICAL HIGHLIGHTS

## STATISTICAL HIGHLIGHTS

	2010	2011	2012	2013
Statistical operating data				
Route miles (includes Canada and the U.S.)	20,600	20,000	20,100	20,000
Carloads (thousands)	4,696	4,873	5,059	5,190
Gross ton miles (GTMs) (millions)	341,219	357,927	383,754	401,390
Revenue ton miles (RTMs) (millions)	179,232	187,753	201,496	210,133
Employees (end of year)	22,444	23,339	23,430	23,721
Employees (average for the year)	22,055	23,079	23,466	23,705
Diesel fuel consumed (US gallons in millions)	355.7	367.7	388.7	403.7
Average fuel price (\$/US gallon)	\$ 2.64	\$ 3.39	\$ 3.47	\$ 3.55

Statistical data and related productivity measures are based on estimated data available at such time and are subject to change as more complete information becomes available, as such certain of the 2010, 2011 and 2012 comparative statistical data and related productivity measures have been restated.



2014 CN I FB **UPDATE** | 4

---

2014 CN I FB UPDATE | 5

---

2014 CN I FB UPDATE | 6

---

2014 CN I FB UPDATE | 7

---

CANADIAN NATIONAL RAILWAY COMPANY  
 QUARTERLY CONSOLIDATED STATEMENT OF INCOME 2011 – 2013

\$ in millions, unless otherwise  
 indicated

	Q1	Q2	2011 Q3	Q4	Year	Q1	Q2	2012 Q3	Q4	Year	Q1
Revenues	\$2,084	\$2,260	\$2,307	\$2,377	\$9,028	\$2,346	\$2,543	\$2,497	\$2,534	\$9,920	\$2,466
Operating expenses											
Labor and fringe benefits	473	432	396	511	1,812	509	504	476	463	1,952	569
Purchased services and material	286	268	271	295	1,120	299	305	304	340	1,248	328
Fuel	327	353	350	382	1,412	376	379	369	400	1,524	405
Depreciation and amortization	218	217	218	231	884	230	230	227	237	924	235
Equipment rents	51	54	60	63	228	62	59	64	64	249	68
Casualty and other	84	62	74	56	276	77	81	72	108	338	81
Total operating expenses	1,439	1,386	1,369	1,538	5,732	1,553	1,558	1,512	1,612	6,235	1,686
Operating income	645	874	938	839	3,296	793	985	985	922	3,685	780
Interest expense	(86 )	(85 )	(85 )	(85 )	(341 )	(86 )	(86 )	(84 )	(86 )	(342 )	(89 )
Other income (loss)	300	10	70	21	401	293	9	18	(5 )	315	42
Income before income taxes	859	799	923	775	3,356	1,000	908	919	831	3,658	733
Income tax expense	(191 )	(261 )	(264 )	(183 )	(899 )	(225 )	(277 )	(255 )	(221 )	(978 )	(178 )
Net income	\$668	\$538	\$659	\$592	\$2,457	\$775	\$631	\$664	\$610	\$2,680	\$555
Operating ratio	69.0 %	61.3 %	59.3 %	64.7 %	63.5 %	66.2 %	61.3 %	60.6 %	63.6 %	62.9 %	68.4 %



## CANADIAN NATIONAL RAILWAY COMPANY

## QUARTERLY CONSOLIDATED BALANCE SHEET 2011 – 2013

\$ in millions	2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Assets												
Current assets												
Cash and cash equivalents	\$593	\$175	\$192	\$101	\$182	\$345	\$175	\$155	\$128	\$87	\$182	\$
Restricted cash and cash equivalents	–	467	489	499	499	472	518	521	512	497	529	
Accounts receivable	770	825	801	820	769	833	845	831	900	876	868	
Material and supplies	228	240	272	201	261	277	272	230	289	330	317	
Deferred and receivable income taxes	50	50	52	122	80	47	37	43	75	34	74	
Other	73	84	62	105	102	85	78	89	95	81	67	
Total current assets	1,714	1,841	1,868	1,848	1,893	2,059	1,925	1,869	1,999	1,905	2,037	
Properties and other assets	22,677	22,789	23,800	23,917	23,681	24,078	24,004	24,541	24,733	25,305	25,383	
Intangible assets	821	840	899	261	299	329	349	249	260	335	377	
Total assets	\$25,212	\$25,470	\$26,567	\$26,026	\$25,873	\$26,466	\$26,278	\$26,659	\$26,992	\$27,545	\$27,797	\$

continued

2014 CN I FB UPDATE | 9

**CANADIAN NATIONAL RAILWAY COMPANY**  
**QUARTERLY CONSOLIDATED BALANCE SHEET**  
 2011 – 2013

continued from page 9

\$ in millions	2011				2012				2013				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Liabilities and shareholders' equity													
Current liabilities													
Accounts payable and other	\$1,341	\$1,452	\$1,565	\$1,580	\$1,342	\$1,609	\$1,631	\$1,626	\$1,332	\$1,469	\$1,490	\$1,490	\$1,490
Current portion of long-term debt	474	530	525	135	895	784	678	577	1,466	1,322	1,480	1,480	1,480
Total current liabilities	1,815	1,982	2,090	1,715	2,237	2,393	2,309	2,203	2,798	2,791	2,970	2,970	2,970
Deferred income taxes	5,201	5,301	5,613	5,333	5,494	5,629	5,603	5,555	5,700	5,867	5,880	5,880	5,880
Pension and other postretirement benefits, net of current portion	508	510	530	1,095	569	576	553	784	659	594	589	589	589
Other liabilities and deferred credits	779	774	800	762	683	713	738	776	778	767	760	760	760
Long-term debt	5,451	5,432	5,878	6,441	5,892	5,991	5,770	6,323	5,945	6,141	6,010	6,010	6,010
Shareholders' equity													
Common shares	4,228	4,211	4,149	4,141	4,153	4,132	4,120	4,108	4,088	4,063	4,030	4,030	4,030
Accumulated other comprehensive loss	(1,736)	(1,741)	(1,647)	(2,839)	(2,834)	(2,789)	(2,803)	(3,257)	(3,187)	(3,094)	(3,094)	(3,094)	(3,094)
Retained earnings	8,966	9,001	9,154	9,378	9,679	9,821	9,988	10,167	10,211	10,416	10,600	10,600	10,600
Total shareholders' equity	11,458	11,471	11,656	10,680	10,998	11,164	11,305	11,018	11,112	11,385	11,536	11,536	11,536
Total liabilities and shareholders' equity	\$25,212	\$25,470	\$26,567	\$26,026	\$25,873	\$26,466	\$26,278	\$26,659	\$26,992	\$27,545	\$27,706	\$27,706	\$27,706



equity

2014 CN I FB **UPDATE** | 10

---

## CANADIAN NATIONAL RAILWAY COMPANY

## QUARTERLY CONSOLIDATED STATEMENT OF CASH FLOWS

2011 – 2013

\$ in millions	2011					2012					2013		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Operating activities													
Net income	\$668	\$538	\$659	\$592	\$2,457	\$775	\$631	\$664	\$610	\$2,680	\$555	\$717	\$705
Adjustments to reconcile net income to net cash provided by operating activities:													
Depreciation and amortization	218	217	218	231	884	230	230	227	237	924	235	250	241
Deferred income taxes	104	119	104	204	531	194	78	59	120	451	83	73	13
Gain on disposal of property	(288)	–	(60)	–	(348)	(281)	–	–	–	(281)	(40)	(29)	–
Changes in operating assets and liabilities:													
Accounts receivable	(18)	(54)	55	(34)	(51)	44	(56)	(25)	17	(20)	(59)	39	(3)
Material and supplies	(19)	(13)	(27)	70	11	(61)	(15)	3	43	(30)	(57)	(38)	11
Accounts payable and other	(64)	106	60	(68)	34	(200)	290	50	(11)	129	(321)	118	57
Other current assets	(10)	3	16	(11)	(2)	(30)	19	5	(7)	(13)	(3)	14	17
Pensions and other, net	(92)	(17)	(38)	(393)	(540)	(546)	34	17	(285)	(780)	(72)	(81)	25
Net cash provided by operating activities	499	899	987	591	2,976	125	1,211	1,000	724	3,060	321	1,063	1,066
Investing activities													
Property additions	(220)	(377)	(415)	(613)	(1,625)	(224)	(389)	(508)	(610)	(1,731)	(228)	(418)	(539)

Edgar Filing: CANADIAN NATIONAL RAILWAY CO - Form 6-K

Disposal of property	299	-	70	-	369	311	-	-	-	311	52	-	-
Change in restricted cash and cash equivalents	-	(467)	(22 )	(10 )	(499 )	-	27	(46 )	(3 )	(22 )	9	15	(32)
Other, net	14	3	5	4	26	2	(4 )	7	16	21	6	(8 )	(8)
Net cash provided by (used in) investing activities	93	(841)	(362)	(619)	(1,729)	89	(366 )	(547 )	(597)	(1,421)	(161)	(411 )	(579)

continued

2014 CN I FB UPDATE | 11

## CANADIAN NATIONAL RAILWAY COMPANY

## QUARTERLY CONSOLIDATED STATEMENT OF CASH FLOWS

2011 – 2013

continued from page 11

\$ in millions	Q1	Q2	2011 Q3	Q4	Year	Q1	Q2	2012 Q3	Q4	Year
Financing activities										
Issuance of debt, excluding commercial paper	–	–	–	703	703	–	–	–	493	493
Repayment of debt, excluding commercial paper	(22 )	(17 )	(12 )	(458 )	(509 )	(14 )	(11 )	(9 )	(24 )	(58 )
Net issuance (repayment) of commercial paper (1)	–	64	(42 )	62	84	346	(158 )	(99 )	(171 )	(82 )
Issuance of common shares due to exercise of stock options and related excess tax benefits realized	20	31	5	21	77	54	19	24	20	117
Repurchase of common shares	(340 )	(407 )	(417 )	(256 )	(1,420)	(353 )	(369 )	(373 )	(305 )	(1,400)
Dividends paid	(149 )	(147 )	(145 )	(144 )	(585 )	(165 )	(163 )	(163 )	(161 )	(652 )
Net cash used in financing activities	(491 )	(476 )	(611 )	(72 )	(1,650)	(132 )	(682 )	(620 )	(148 )	(1,582)
Effect of foreign exchange fluctuations on US dollar-denominated cash and cash equivalents	2	–	3	9	14	(1 )	–	(3 )	1	(3 )
Net increase (decrease) in cash and cash equivalents	103	(418 )	17	(91 )	(389 )	81	163	(170 )	(20 )	54
Cash and cash equivalents, beginning of period	490	593	175	192	490	101	182	345	175	101
Cash and cash equivalents, end of period	\$593	\$175	\$192	\$101	\$101	\$182	\$345	\$175	\$155	\$155
Supplemental cash flow information										
Net cash receipts from customers and other	2,105	2,228	2,326	2,336	8,995	2,379	2,541	2,476	2,481	9,877
Net cash payments for:										
	(1,271)	(1,156)	(1,124)	(1,092)	(4,643)	(1,534)	(1,233)	(1,235)	(1,239)	(5,241)

Employee services,  
suppliers and other  
expenses

Interest	(87 )	(75 )	(87 )	(80 )	(329 )	(110 )	(76 )	(89 )	(89 )	(364 )
Personal injury and other claims	(17 )	(16 )	(15 )	(49 )	(97 )	(30 )	(14 )	(13 )	(22 )	(79 )
Pensions	(93 )	(5 )	(5 )	(365 )	(468 )	(553 )	(5 )	(29 )	(257 )	(844 )
Income taxes	(138 )	(77 )	(108 )	(159 )	(482 )	(27 )	(2 )	(110 )	(150 )	(289 )
Net cash provided by operating activities	\$499	\$899	\$987	\$591	\$2,976	\$125	\$1,211	\$1,000	\$724	\$3,060

(1) Issuances and repayments of commercial paper, all of which have a maturity of less than 90 days, are presented on a net basis.

## CANADIAN NATIONAL RAILWAY COMPANY

## QUARTERLY FINANCIAL &amp; STATISTICAL DATA 2011 – 2013

	Q1	Q2	2011 Q3	Q4	Year	Q1	Q2	2012 Q3	Q4	Year	Q1	Q2
Revenues (\$ in millions) (1)												
Petroleum and chemicals	345	344	365	381	1,435	396	408	420	431	1,655	461	488
Metals and minerals	217	251	281	283	1,032	280	300	299	280	1,159	288	300
Forest products	302	319	327	331	1,279	331	346	338	326	1,341	338	361
Coal	145	167	169	154	635	172	191	192	176	731	170	190
Grain and fertilizers	412	374	342	420	1,548	403	371	374	465	1,613	408	390
Intermodal	447	515	542	526	2,030	522	597	576	566	2,261	556	610
Automotive	117	131	119	124	491	131	156	129	130	546	134	140
Total rail freight revenues	1,985	2,101	2,145	2,219	8,450	2,235	2,369	2,328	2,374	9,306	2,355	2,440
Other revenues	99	159	162	158	578	111	174	169	160	614	111	170
Total revenues	2,084	2,260	2,307	2,377	9,028	2,346	2,543	2,497	2,534	9,920	2,466	2,610
Statistical operating data												
Gross ton miles (GTM) (millions)	86,667	89,615	89,517	92,128	357,927	92,593	96,886	96,402	97,873	383,754	96,301	100,000
Revenue ton miles (RTM) (millions)	46,153	46,683	46,761	48,156	187,753	49,049	50,324	49,999	52,124	201,496	50,576	52,000
Carloads (thousands)	1,146	1,234	1,261	1,232	4,873	1,205	1,286	1,298	1,270	5,059	1,231	1,300
Route miles (includes Canada and the U.S.) (2)	20,400	20,500	20,500	20,000	20,000	20,000	20,000	20,000	20,100	20,100	20,100	20,000
Employees (end of period)	22,692	23,430	23,441	23,339	23,339	23,303	23,667	23,610	23,430	23,430	23,624	23,000

Employees  
(average  
during  
period)

22,389 23,177 23,318 23,433 23,079 23,156 23,603 23,573 23,532 23,466 23,435 23

Statistical data and related productivity measures are based on estimated data available at such time and are subject to change as more complete information becomes available, as such certain of the 2011 and 2012 comparative statistical data and related productivity measures have been restated.

(1) Revenues by commodity groups reflect the impact of the 2014 reclassification.

(2) Rounded to the nearest hundred miles.

continued

2014 CN I FB **UPDATE** | 13

---

## CANADIAN NATIONAL RAILWAY COMPANY

QUARTERLY FINANCIAL &amp; STATISTICAL DATA 2011 – 2013

continued from page 13

	Q1	Q2	2011 Q3	Q4	Year	Q1	Q2	2012 Q3	Q4	Year	Q1	Q2	2013 Q3	Q4
Productivity														
Rail freight revenue per RTM (cents) (1)	4.30	4.50	4.59	4.61	4.50	4.56	4.71	4.66	4.55	4.62	4.66	4.73	4.83	4.83
Rail freight revenue per carload (\$) (1)	1,732	1,703	1,701	1,801	1,734	1,855	1,842	1,794	1,869	1,839	1,913	1,894	1,890	1,890
Operating expenses per GTM (cents)	1.66	1.55	1.53	1.67	1.60	1.68	1.61	1.57	1.65	1.62	1.75	1.60	1.61	1.61
Labor and fringe benefits expense per GTM (cents)	0.55	0.48	0.44	0.55	0.51	0.55	0.52	0.49	0.47	0.51	0.59	0.49	0.52	0.52
GTMs per average number of employees (thousands)	3,871	3,867	3,839	3,932	15,509	3,999	4,105	4,090	4,159	16,354	4,109	4,244	4,223	4,223
Diesel fuel consumed (US gallons in millions)	92.9	91.3	89.2	94.3	367.7	96.9	97.4	94.5	99.9	388.7	101.7	103.5	96.8	96.8
Average fuel price (\$/US gallon)	3.20	3.42	3.37	3.55	3.39	3.54	3.41	3.40	3.53	3.47	3.61	3.43	3.52	3.52
GTMs per US gallon of fuel consumed	933	982	1,004	977	973	956	995	1,020	980	987	947	981	1,036	1,036
Safety indicators														
Injury frequency	1.44	1.71	1.73	1.32	1.55	1.34	1.46	1.40	1.48	1.42	1.41	1.43	1.67	1.67



rate  
 (per  
 200,000  
 person  
 hours) (2)  
 Accident  
 rate (per  
 million train  
 miles) (2)

2.28	2.44	2.33	1.96	2.25	2.17	2.19	2.30	1.77	2.10	2.12	2.10	1.31	2
------	------	------	------	------	------	------	------	------	------	------	------	------	---

Statistical data and related productivity measures are based on estimated data available at such time and are subject to change as more complete information becomes available, as such certain of the 2011 and 2012 comparative statistical data and related productivity measures have been restated.

(1) Revenues by commodity groups reflect the impact of the 2014 reclassification.

(2) Based on Federal Railroad Administration (FRA) reporting criteria.

**CANADIAN NATIONAL RAILWAY COMPANY**  
**RECONCILIATION OF NON-GAAP MEASURES 2010 – 2013**

Management believes that Adjusted net income and Adjusted diluted earnings per share are useful measures of performance that can facilitate period-to-period comparisons, as they exclude items that do not necessarily arise as part of the normal day-to-day operations of the Company and could distort the analysis of trends in business performance. The exclusion of such items in the adjusted measures do not, however, imply that such items are necessarily non-recurring.

These non-GAAP measures do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies. A reconciliation of the differences between these non-GAAP measures and their comparable financial measures calculated in accordance with U.S. GAAP are provided herein.

Management believes that Free cash flow is a useful measure of performance as it demonstrates the Company's ability to generate cash for debt obligations and for discretionary uses such as payment of dividends and strategic opportunities. The Company defines 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. Free cash flow numbers for prior years have been restated for purposes of comparability.

Adjusted performance measures

In millions, except per share data, or unless otherwise indicated

	2010			2011		
	Reported	Adjustments (1)	Adjusted	Reported	Adjustments	Adjusted
Revenues	\$ 8,297	–	\$ 8,297	\$ 9,028	–	\$ 9,028
Operating expenses	5,273	–	5,273	5,732	–	5,732
Operating income	3,024	–	3,024	3,296	–	3,296
Interest expense	(360 )	–	(360 )	(341 )	–	(341 )
Other income	212	(152 )	60	401	(348 )	53
Income before income taxes	2,876	(152 )	2,724	3,356	(348 )	3,008
Income tax expense	(772 )	21	(751 )	(899 )	85	(814 )
Net income	\$ 2,104	\$ (131 )	\$ 1,973	\$ 2,457	\$ (263 )	\$ 2,194
Operating ratio	63.6 %		63.6 %	63.5 %		63.5 %
Diluted earnings per share	\$ 2.24	\$ (0.14 )	\$ 2.10	\$ 2.70	\$ (0.29 )	\$ 2.41

(1) Adjusted to exclude a gain on sale of the Oakville subdivision, together with the rail fixtures and certain passenger agreements, of \$152 million, or \$131 million after-tax (\$0.14 per diluted share).

- (2) Adjusted to exclude a gain on disposal of a segment of the Kingston subdivision, together with the rail fixtures and certain passenger agreements, of \$288 million, or \$254 million after-tax (\$0.28 per diluted share); a gain on disposal of substantially all of the assets of IC RailMarine Terminal Company of \$60 million, or \$38 million after-tax (\$0.04 per diluted share); a net deferred income tax expense of \$40 million (\$0.04 per diluted share) resulting from the enactment of state corporate income tax rate changes and other legislated state tax revisions; and an income tax recovery of \$11 million (\$0.01 per diluted share) relating to certain fuel costs attributed to various wholly owned subsidiaries in prior periods.

continued

## CANADIAN NATIONAL RAILWAY COMPANY

RECONCILIATION OF NON-GAAP MEASURES 2010 – 2013

continued from page 15

## Adjusted performance measures

In millions, except per share data, or unless otherwise indicated

	2012			2013		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Revenues	\$ 9,920	–	\$ 9,920	\$ 10,575	–	\$ 10,575
Operating expenses	6,235	–	6,235	6,702	–	6,702
Operating income	3,685	–	3,685	3,873	–	3,873
Interest expense	(342 )	–	(342 )	(357 )	–	(357 )
Other income	315	(281 )	34	73	(69 )	4
Income before income taxes	3,658	(281 )	3,377	3,589	(69 )	3,520
Income tax expense	(978 )	57	(921 )	(977 )	39	(938 )
Net income	\$ 2,680	\$ (224 )	\$ 2,456	\$ 2,612	\$ (30 )	\$ 2,582
Operating ratio	62.9 %		62.9 %	63.4 %		63.4 %
Diluted earnings per share	\$ 3.06	\$ (0.25 )	\$ 2.81	\$ 3.09	\$ (0.03 )	\$ 3.06

- (1) Adjusted to exclude a gain on disposal of a segment of the Bala and a segment of the Oakville subdivisions, together with the rail fixtures and certain passenger agreements, of \$281 million, or \$252 million after-tax (\$0.28 per diluted share); and a net income tax expense of \$28 million (\$0.03 per diluted share) consisting of a \$35 million income tax expense resulting from the enactment of higher provincial corporate income tax rates that was partly offset by a \$7 million income tax recovery resulting from the recapitalization of a foreign investment.
- (2) Adjusted to exclude a gain on disposal of a segment of the Oakville subdivision, together with the rail fixtures and certain passenger agreements, of \$40 million, or \$36 million after-tax (\$0.04 per diluted share); a gain on exchange of perpetual railroad operating easements including the track and roadway assets on specific rail lines, of \$29 million, or \$18 million after-tax (\$0.02 per diluted share); and an income tax expense of \$24 million (\$0.03 per diluted share) resulting from the enactment of higher provincial corporate income tax rates.

**CANADIAN NATIONAL RAILWAY COMPANY****RECONCILIATION OF NON-GAAP MEASURES 2010 – 2013**

## Free cash flow

\$ in millions	2010	2011	2012	2013
Net cash provided by operating activities	\$ 2,999	\$ 2,976	\$ 3,060	\$ 3,548
Net cash used in investing activities	(1,383 )	(1,729 )	(1,421 )	(1,852 )
Net cash provided before financing activities	\$ 1,616	\$ 1,247	\$ 1,639	\$ 1,696
Adjustment:				
Change in restricted cash and cash equivalents	–	499	22	(73 )
Free cash flow	\$ 1,616	\$ 1,746	\$ 1,661	\$ 1,623

2014 CN I FB **UPDATE** | 17



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Canadian National Railway Company

Date: June 25, 2014

By: /s/ Cristina Circelli  
Name: Cristina Circelli  
Title: Deputy Corporate Secretary  
and General Counsel

---