Non-GAAP Measures - Unaudited

The Company presents non-GAAP measures and cash flow information to provide a basis for evaluating underlying earnings and liquidity trends in its business that can be compared with the results of operations in prior periods. These non-GAAP measures have no standardized meaning and are not defined by GAAP and, therefore, may not be comparable to similar measures presented by other companies.

Free Cash

Free cash and cash flow before dividends are non-GAAP measures that management considers to be indicators of liquidity. The measures are used by management to provide information with respect to the relationship between cash provided by operating activities and investment decisions and provide comparable measures for period-to-period changes. Free cash is calculated as cash provided by operating activities, less cash used in investing activities, excluding changes in restricted cash and cash equivalents used to collateralize letters of credit, and dividends paid, adjusted for changes in cash and cash equivalents balances resulting from foreign exchange ("FX") fluctuations.

Reconciliation of Free Cash

(Reconciliation of free cash to GAAP cash position) (in millions)	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	**2014**	2013
Cash provided by operating activities	**$ 534**	$ 504	**$ 1,466**	$ 1,291
Cash used in investing activities	**(85)**	(535)	**(347)**	(1,137)
Change in restricted cash and cash equivalents used to collateralize letters of credit[(1)]	**(318)**	247	**(327)**	346
Dividends paid	**(61)**	(62)	**(184)**	(183)
Foreign exchange effect on cash and cash equivalents	**6**	(7)	**2**	1
Free cash[(1)]	**$ 76**	$ 147	**$ 610**	$ 318
Cash (used in) provided by financing activities, excluding dividend payment[(1)]	**(448)**	(13)	**(1,098)**	24
Change in restricted cash and cash equivalents used to collateralize letters of credit	**318**	(247)	**327**	(346)
Decrease in cash and cash equivalents, as shown on the Interim Consolidated Statements of Cash Flows	**$ (54)**	$ (113)	**$ (161)**	$ (4)
Cash and cash equivalents at beginning of period	**369**	442	**476**	333
Cash and cash equivalents at end of period	**$ 315**	$ 329	**$ 315**	$ 329

[(1)] These measures have no standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures presented by other companies.

Foreign Exchange Adjusted Variance

Foreign exchange adjusted variance ("FX adj. variance") allows certain financial results to be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons in the analysis of trends in business performance. Financial results at a constant currency are obtained by translating the previous period results in U.S. dollars at the foreign exchange rate of the comparable period of the current year. Measures at constant currency are considered non-GAAP measures and do not have any standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures presented by other companies.

	For the three months ended September 30					For the nine months ended September 30				
(in millions of Canadian dollars)	**2014**	2013	Variance due to FX	Adjusted 2013 [(1)]	FX Adj. %[(1)]	**2014**	2013	Variance due to FX	Adjusted 2013 [(1)]	FX Adj. %[(1)]
Freight revenues	**$ 1,629**	$ 1,495	$ 26	$ 1,521	7%	**$ 4,745**	$4,412	$ 150	$ 4,562	4%
Other revenues	**41**	39	1	40	3%	**115**	114	1	115	-
Total revenues	**1,670**	1,534	27	1,561	7%	**4,860**	4,526	151	4,677	4%
Total operating expenses	**1,049**	1,010	15	1,025	2%	**3,229**	3,220	92	3,312	(3)%
Operating income	**$ 621**	$ 524	$ 12	$ 536	16%	**$ 1,631**	$1,306	$ 59	$ 1,365	19%

[(1)] These earnings measures have no standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures presented by other companies.