North America's Railroad

NEWS RELEASE

CN reports Q4-2015 net income of C$941 million, with diluted earnings per share (EPS) up 15% to C$1.18

Record full-year earnings -- 2015 adjusted diluted EPS rose 18% to C$4.44 [(1)]

MONTREAL, Jan. 26, 2016 — CN (TSX: CNR) (NYSE: CNI) today reported its financial and operating results for the fourth quarter and year ended Dec. 31, 2015.

Fourth-quarter 2015 financial highlights

- Net income increased 11 per cent to C$941 million, while diluted EPS increased 15 per cent to C$1.18.
- Operating income increased seven per cent to C$1,354 million.
- Revenues decreased by one per cent to C$3,166 million. Carloadings declined eight per cent, and revenue ton-miles declined five per cent.
- The operating ratio improved by 3.5 points to 57.2 per cent.

Full-year 2015 financial highlights

- Net income increased 12 per cent to C$3,538 million, with diluted EPS rising 14 per cent to C$4.39.
- Adjusted net income increased 16 per cent to C$3,580 million, while adjusted diluted EPS increased 18 per cent to C$4.44. [(1)]
- Operating income rose 14 per cent to C$5,266 million.
- Revenues increased four per cent to C$12,611 million. Carloadings declined two per cent, and revenue ton-miles decreased three per cent.
- The operating ratio for 2015 improved by 3.7 points to 58.2 per cent.
- Free cash flow was a record C$2,373 million, compared with C$2,220 million for 2014. [(1)]

Claude Mongeau, president and chief executive officer, said: "CN generated strong fourth-quarter and full-year 2015 results despite the weak volume environment. Our solid performance is testament to the strength of CN's franchise and diversified portfolio of businesses. I am particularly proud that CN's team of railroaders quickly recalibrated resources to respond to weaker volumes, while protecting customer service."

2016 outlook, increased dividend [(2)]

Mongeau said: "Although the economic environment remains challenging, CN will continue to leverage its franchise strength and industry-leading efficiency. For 2016, the Company expects to deliver mid-single digit EPS growth over adjusted diluted 2015 EPS of C$4.44. [(1)] CN will continue to invest in the safety and efficiency of its network, with a 2016 capital investment program of approximately C$2.9 billion, including the negative impact of foreign exchange and increased spending for Positive Train Control technology.

"Given CN's strong balance sheet and solid financial prospects, I am pleased to announce that the Company's Board of Directors today approved a 20 per cent increase in CN's 2016 quarterly common-share dividend. CN has increased its dividend per share by 17 per cent per year on average since its privatization in 1995 and continues to move towards a target payout ratio of 35 per cent."

Fourth-quarter 2015 revenues, traffic volumes and expenses

Revenues for the quarter decreased by one per cent to C$3,166 million. Revenues increased for automotive (13 per cent), forest products (12 per cent), intermodal (five per cent), and grain and fertilizers (one per cent). Revenues declined for metals and minerals (21 per cent), coal (16 per cent), and petroleum and chemicals (four per cent).

The decrease in total revenues was mainly attributable to reduced shipments of energy-related commodities due to a reduction in oil and gas activities, lower volumes of semi-finished steel products and short-haul iron ore, decreased shipments of coal due to weaker North American and global demand, and lower U.S. grain exports via the Gulf of Mexico; as well as a lower applicable fuel surcharge rate. These factors were partly offset by the positive translation impact of the weaker Canadian dollar on U.S.-dollar-denominated revenues, freight rate increases, and solid overseas intermodal demand.

Carloadings for the quarter declined eight per cent to 1,325 thousand.

Revenue ton-miles (RTMs), measuring the relative weight and distance of rail freight transported by CN, declined by five per cent, while rail freight revenue per RTM, a measurement of yield defined as revenue earned on the movement of a ton of freight over one mile, increased by five per cent.

Operating expenses for the quarter decreased by seven per cent to C$1,812 million. The decrease was primarily due to lower fuel expense, lower accident-related costs and cost-management efforts, partly offset by the negative translation impact of the weaker Canadian dollar on U.S.-dollar-denominated expenses.

Full-year 2015 revenues, traffic volumes and expenses

Revenues for 2015 increased four per cent to C$12,611 million. Revenues increased for automotive (16 per cent), forest products (13 per cent), intermodal (five per cent), grain and fertilizers (four per cent), and petroleum and chemicals (four per cent). Revenues declined for coal (17 per cent) and metals and minerals (three per cent).

The rise in total revenues was mainly attributable to the positive translation impact of the weaker Canadian dollar on U.S.-dollar-denominated revenues; freight rate increases; and solid overseas intermodal demand, higher volumes of finished vehicle traffic, and increased shipments of lumber and panels to U.S. markets. These factors were partly offset by a lower applicable fuel surcharge rate; and decreased shipments of energy-related commodities including crude oil, frac sand and drilling pipe, lower volumes of semi-finished steel products and short-haul iron ore, reduced shipments of coal due to weaker North American and global demand, as well as lower U.S. grain exports via the Gulf of Mexico.

Carloadings declined two per cent to 5,485 thousand.

RTMs decreased by three per cent. Rail freight revenue per RTM increased eight per cent over 2014, driven by the positive translation impact of the weaker Canadian dollar and freight rate increases, partly offset by a significant increase in the average length of haul, particularly in the second half of the year, and a lower applicable fuel surcharge rate.

Operating expenses for 2015 decreased by two per cent to C$7,345 million. The decrease was mainly due to lower fuel expense and cost-management efforts, partly offset by the negative translation impact of a weaker Canadian dollar on U.S.-dollar-denominated expenses.

The operating ratio was 58.2 per cent in 2015, an improvement of 3.7 points over the 2014 operating ratio of 61.9 per cent.

Foreign currency impact on results

Although CN reports its earnings in Canadian dollars, a large portion of its revenues and expenses is denominated in U.S. dollars. As such, the Company's results are affected by exchange-rate fluctuations. On a constant currency basis that excludes the impact of fluctuations in foreign currency exchange rates, CN's net income for the three months and year ended Dec. 31, 2015, would have been lower by C$87 million (C$0.11 per diluted share) and C$314 million (C$0.39 per diluted share), respectively. (1)

Forward-Looking Statements

Certain information included in this news release 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. 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. Key assumptions used in determining forward-looking information are set forth below.

2016 key assumptions

CN has made a number of economic and market assumptions in preparing its 2016 outlook. The Company is assuming that North American industrial production for the year will increase by approximately one per cent and assumes U.S. housing starts in the range of 1.2 million units and U.S. motor vehicle sales of approximately 17.5 million units. For the 2015/2016 crop year, the Canadian grain crop was in line with the five-year average and the U.S. grain crop was above the five-year average. The Company assumes that both Canadian and U.S. 2016/2017 grain crops will be in line with their respective five-year averages. With these assumptions, CN assumes total carloads for all freight categories in 2016 will be slightly negative versus 2015. CN expects continued pricing improvement above inflation. CN assumes that in 2016 the value of the Canadian dollar in U.S. currency will be in the range of $0.70 to $0.75, and that the average price of crude oil (West Texas Intermediate) will be in the range of US$30 to US$40 per barrel. In 2016, CN plans to invest approximately C$2.9 billion in its capital program, of which C$1.5 billion is targeted toward track infrastructure.

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.

1) See discussion and reconciliation of non-GAAP adjusted performance measures in the attached supplementary schedule, Non-GAAP Measures.

2) See Forward-Looking statements for a summary of the key assumptions and risks regarding CN's 2016 outlook.

CN is a true backbone of the economy whose team of approximately 25,000 railroaders transports more than C$250 billion worth of goods annually for a wide range of business sectors, ranging from resource products to manufactured products to consumer goods, across a rail network of approximately 20,000 route-miles spanning Canada and mid-America. CN – Canadian National Railway Company, along with its operating railway subsidiaries – serves the cities and ports of Vancouver, Prince Rupert, B.C., Montreal, Halifax, New Orleans, and Mobile, Ala., and the metropolitan areas of Toronto, Edmonton, Winnipeg, Calgary, Chicago, Memphis, Detroit, Duluth, Minn./Superior, Wis., and Jackson, Miss., with connections to all points in North America. For more information about CN, visit the Company's website at www.cn.ca.

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Selected Railroad Statistics - unaudited

	Three months ended December 31		Year ended December 31	
	2015	2014	**2015**	2014
Financial measures				
Key financial performance indicators [(1)]				
Total revenues *($ millions)*	**3,166**	3,207	**12,611**	12,134
Rail freight revenues *($ millions)*	**2,987**	3,015	**11,905**	11,455
Operating income *($ millions)*	**1,354**	1,260	**5,266**	4,624
Net income *($ millions)*	**941**	844	**3,538**	3,167
Diluted earnings per share *($)*	**1.18**	1.03	**4.39**	3.85
Adjusted diluted earnings per share *($)* [(2)]	**1.18**	1.03	**4.44**	3.76
Free cash flow *($ millions)* [(2)]	**632**	175	**2,373**	2,220
Gross property additions *($ millions)*	**642**	947	**2,706**	2,297
Share repurchases *($ millions)*	**500**	410	**1,750**	1,505
Dividends per share *($)*	**0.3125**	0.2500	**1.2500**	1.0000
Financial position [(1)]				
Total assets *($ millions)* [(3)]	**36,402**	31,687	**36,402**	31,687
Total liabilities *($ millions)* [(3)]	**21,452**	18,217	**21,452**	18,217
Shareholders' equity *($ millions)*	**14,950**	13,470	**14,950**	13,470
Financial ratio				
Operating ratio *(%)*	**57.2**	60.7	**58.2**	61.9
Operational measures [(4)]				
Statistical operating data				
Gross ton miles (GTMs) *(millions)*	**110,245**	115,698	**442,084**	448,765
Revenue ton miles (RTMs) *(millions)*	**56,534**	59,777	**224,710**	232,138
Carloads *(thousands)*	**1,325**	1,448	**5,485**	5,625
Route miles *(includes Canada and the U.S.)*	**19,600**	19,600	**19,600**	19,600
Employees *(end of period)*	**23,172**	25,530	**23,172**	25,530
Employees *(average for the period)*	**23,583**	25,304	**24,575**	24,635
Key operating measures				
Rail freight revenue per RTM *(cents)*	**5.28**	5.04	**5.30**	4.93
Rail freight revenue per carload *($)*	**2,254**	2,082	**2,170**	2,036
GTMs per average number of employees *(thousands)*	**4,675**	4,572	**17,989**	18,217
Operating expenses per GTM *(cents)*	**1.64**	1.68	**1.66**	1.67
Labor and fringe benefits expense per GTM *(cents)*	**0.55**	0.51	**0.54**	0.52
Diesel fuel consumed *(US gallons in millions)*	**105.9**	113.2	**425.0**	440.5
Average fuel price *($ per US gallon)*	**2.54**	3.48	**2.68**	3.72
GTMs per US gallon of fuel consumed	**1,041**	1,022	**1,040**	1,019
Terminal dwell *(hours)*	**14.3**	16.9	**15.0**	16.9
Train velocity *(miles per hour)*	**27.4**	26.1	**26.3**	25.7
Safety indicators [(5)]				
Injury frequency rate *(per 200,000 person hours)*	**1.55**	1.55	**1.63**	1.81
Accident rate *(per million train miles)*	**1.48**	2.83	**2.06**	2.73

(1) Amounts expressed in Canadian dollars and prepared in accordance with United States generally accepted accounting principles, unless otherwise noted.

(2) See supplementary schedule entitled Non-GAAP Measures for an explanation of this non-GAAP measure.

(3) As a result of the retrospective adoption of new accounting standards in the fourth quarter of 2015, certain 2014 balances have been restated. See Note 2 – Accounting changes to CN's 2015 unaudited Interim Consolidated Financial Statements for additional information.

(4) Statistical operating data, key operating measures and safety indicators 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 comparative data have been restated. Definitions of these indicators are provided on our website, www.cn.ca/glossary.

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

Supplementary Information - unaudited

	Three months ended December 31				Year ended December 31			
	2015	2014	% Change Fav (Unfav)	% Change at constant currency Fav (Unfav) [2]	**2015**	2014	% Change Fav (Unfav)	% Change at constant currency Fav (Unfav) [2]
Revenues *($ millions)* [1]								
Petroleum and chemicals	**604**	628	(4%)	(13%)	**2,442**	2,354	4%	(6%)
Metals and minerals	**332**	418	(21%)	(29%)	**1,437**	1,484	(3%)	(13%)
Forest products	**445**	398	12%	(1%)	**1,728**	1,523	13%	2%
Coal	**144**	172	(16%)	(24%)	**612**	740	(17%)	(25%)
Grain and fertilizers	**568**	560	1%	(6%)	**2,071**	1,986	4%	(3%)
Intermodal	**715**	680	5%	(1%)	**2,896**	2,748	5%	-
Automotive	**179**	159	13%	(1%)	**719**	620	16%	4%
Total rail freight revenues	**2,987**	3,015	(1%)	(10%)	**11,905**	11,455	4%	(4%)
Other revenues	**179**	192	(7%)	(17%)	**706**	679	4%	(6%)
Total revenues	**3,166**	3,207	(1%)	(10%)	**12,611**	12,134	4%	(5%)
Revenue ton miles (RTMs) *(millions)*								
Petroleum and chemicals	**12,616**	13,935	(9%)	(9%)	**51,103**	53,169	(4%)	(4%)
Metals and minerals	**5,061**	6,995	(28%)	(28%)	**21,828**	24,686	(12%)	(12%)
Forest products	**7,603**	7,352	3%	3%	**30,097**	29,070	4%	4%
Coal	**3,708**	4,831	(23%)	(23%)	**15,956**	21,147	(25%)	(25%)
Grain and fertilizers	**13,875**	13,824	-	-	**50,001**	51,326	(3%)	(3%)
Intermodal	**12,837**	12,004	7%	7%	**52,144**	49,581	5%	5%
Automotive	**834**	836	-	-	**3,581**	3,159	13%	13%
Total revenue ton miles	**56,534**	59,777	(5%)	(5%)	**224,710**	232,138	(3%)	(3%)
Rail freight revenue / RTM *(cents)*								
Petroleum and chemicals	**4.79**	4.51	6%	(4%)	**4.78**	4.43	8%	(2%)
Metals and minerals	**6.56**	5.98	10%	(3%)	**6.58**	6.01	9%	(2%)
Forest products	**5.85**	5.41	8%	(4%)	**5.74**	5.24	10%	(2%)
Coal	**3.88**	3.56	9%	(1%)	**3.84**	3.50	10%	(1%)
Grain and fertilizers	**4.09**	4.05	1%	(6%)	**4.14**	3.87	7%	-
Intermodal	**5.57**	5.66	(2%)	(7%)	**5.55**	5.54	-	(5%)
Automotive	**21.46**	19.02	13%	(1%)	**20.08**	19.63	2%	(9%)
Total rail freight revenue per RTM	**5.28**	5.04	5%	(5%)	**5.30**	4.93	8%	(1%)
Carloads *(thousands)*								
Petroleum and chemicals	**157**	166	(5%)	(5%)	**640**	655	(2%)	(2%)
Metals and minerals	**185**	294	(37%)	(37%)	**886**	1,063	(17%)	(17%)
Forest products	**109**	109	-	-	**441**	433	2%	2%
Coal	**105**	127	(17%)	(17%)	**438**	519	(16%)	(16%)
Grain and fertilizers	**163**	175	(7%)	(7%)	**607**	640	(5%)	(5%)
Intermodal	**545**	519	5%	5%	**2,232**	2,086	7%	7%
Automotive	**61**	58	5%	5%	**241**	229	5%	5%
Total carloads	**1,325**	1,448	(8%)	(8%)	**5,485**	5,625	(2%)	(2%)
Rail freight revenue / carload *($)*								
Petroleum and chemicals	**3,847**	3,783	2%	(8%)	**3,816**	3,594	6%	(3%)
Metals and minerals	**1,795**	1,422	26%	12%	**1,622**	1,396	16%	4%
Forest products	**4,083**	3,651	12%	(1%)	**3,918**	3,517	11%	-
Coal	**1,371**	1,354	1%	(9%)	**1,397**	1,426	(2%)	(11%)
Grain and fertilizers	**3,485**	3,200	9%	1%	**3,412**	3,103	10%	3%
Intermodal	**1,312**	1,310	-	(6%)	**1,297**	1,317	(2%)	(7%)
Automotive	**2,934**	2,741	7%	(6%)	**2,983**	2,707	10%	(1%)
Total rail freight revenue per carload	**2,254**	2,082	8%	(1%)	**2,170**	2,036	7%	(2%)

Statistical operating data and related key operating measures are based on estimated data available at such time and are subject to change as more complete information becomes available.

(1) Amounts expressed in Canadian dollars.

(2) See supplementary schedule entitled Non-GAAP Measures for an explanation of this non-GAAP measure.

Non-GAAP Measures - unaudited

All financial information included in this supplementary schedule is expressed in Canadian dollars, unless otherwise noted.

Adjusted performance measures

Management believes that adjusted net income and adjusted 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 Canadian National Railway Company, together with its wholly-owned subsidiaries, collectively the "Company", and could distort the analysis of trends in business performance. The exclusion of such items in adjusted net income and adjusted earnings per share does not, however, imply that such items are necessarily non-recurring. These adjusted measures do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies.

For the three months and year ended December 31, 2015, the Company reported adjusted net income of $941 million, or $1.18 per diluted share and $3,580 million, or $4.44 per diluted share, respectively. The adjusted figures for the year ended December 31, 2015 exclude a deferred income tax expense of $42 million ($0.05 per diluted share) resulting from the enactment of a higher provincial corporate income tax rate.

For the three months and year ended December 31, 2014, the Company reported adjusted net income of $844 million, or $1.03 per diluted share and $3,095 million, or $3.76 per diluted share, respectively. The adjusted figures for the year ended December 31, 2014 exclude a gain on disposal of the Deux-Montagnes subdivision, including the Mont-Royal tunnel, together with the rail fixtures, of $80 million, or $72 million after-tax ($0.09 per diluted share).

The following table provides a reconciliation of net income and earnings per share, as reported for the three months and years ended December 31, 2015 and 2014, to the adjusted performance measures presented herein.

	Three months ended December 31		**Year ended December 31**	
In millions, except per share data	**2015**	2014	**2015**	2014
Net income as reported	**$ 941**	$ 844	**$ 3,538**	$ 3,167
Adjustments:				
Other income	**-**	-	**-**	(80)
Income tax expense	**-**	-	**42**	8
Adjusted net income	**$ 941**	$ 844	**$ 3,580**	$ 3,095
Basic earnings per share as reported	**$ 1.19**	$ 1.04	**$ 4.42**	$ 3.86
Impact of adjustments, per share	**-**	-	**0.05**	(0.09)
Adjusted basic earnings per share	**$ 1.19**	$ 1.04	**$ 4.47**	$ 3.77
Diluted earnings per share as reported	**$ 1.18**	$ 1.03	**$ 4.39**	$ 3.85
Impact of adjustments, per share	**-**	-	**0.05**	(0.09)
Adjusted diluted earnings per share	**$ 1.18**	$ 1.03	**$ 4.44**	$ 3.76

Non-GAAP Measures - unaudited

Constant currency

Financial results at constant currency allow 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. Measures at constant currency are considered non-GAAP measures and do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies. Financial results at constant currency are obtained by translating the current period results denominated in US dollars at the foreign exchange rates of the comparable period of the prior year. The average foreign exchange rates were $1.33 and $1.28 per US$1.00, respectively, for the three months and year ended December 31, 2015, and $1.14 and $1.10 per US$1.00, respectively, for the three months and year ended December 31, 2014.

On a constant currency basis, the Company's net income for the three months and year ended December 31, 2015 would have been lower by $87 million ($0.11 per diluted share) and $314 million ($0.39 per diluted share), respectively.

Free cash flow

Free cash flow is a non-GAAP measure that is reported as a supplementary indicator of the Company's performance. 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 does not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies.

	Three months ended December 31		Year ended December 31	
In millions	**2015**	2014	**2015**	2014
Net cash provided by operating activities	**$ 1,293**	$ 1,135	**$ 5,140**	$ 4,381
Net cash used in investing activities	**(661)**	(956)	**(2,827)**	(2,176)
Net cash provided before financing activities	**632**	179	**2,313**	2,205
Adjustment: Change in restricted cash and cash equivalents	**-**	(4)	**60**	15
Free cash flow	**$ 632**	$ 175	**$ 2,373**	$ 2,220

Credit measures

Management believes that the adjusted debt-to-total capitalization ratio is a useful credit measure that aims to show the true leverage of the Company. Similarly, the adjusted debt-to-adjusted earnings before interest, income taxes, depreciation and amortization (EBITDA) multiple is another useful credit measure because it reflects the Company's ability to service its debt. The Company excludes Other income in the calculation of EBITDA. These measures do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies.

Adjusted debt-to-total capitalization ratio

December 31,	**2015**	2014
Debt-to-total capitalization ratio [(1)] [(2)]	**41.1%**	38.3%
Add: Impact of present value of operating lease commitments [(3)]	**1.4%**	1.7%
Adjusted debt-to-total capitalization ratio	**42.5%**	40.0%

Adjusted debt-to-adjusted EBITDA multiple

In millions, unless otherwise indicated	*Twelve months ended December 31,*	**2015**	2014
Debt [(2)]		**$ 10,427**	$ 8,372
Add: Present value of operating lease commitments [(3)]		**607**	607
Adjusted debt		**$ 11,034**	$ 8,979
Operating income		**$ 5,266**	$ 4,624
Add: Depreciation and amortization		**1,158**	1,050
EBITDA (excluding Other income)		**6,424**	5,674
Add: Deemed interest on operating leases		**29**	28
Adjusted EBITDA		**$ 6,453**	$ 5,702
Adjusted debt-to-adjusted EBITDA multiple *(times)*		**1.71**	1.57

(1) Debt-to-total capitalization is calculated as total Long-term debt plus Current portion of long-term debt, divided by the sum of total debt plus Total shareholders' equity.

(2) As a result of the retrospective adoption of a new accounting standard in the fourth quarter of 2015, the 2014 debt balance has been adjusted and the related financial ratios have been restated. See Note 2 – Accounting changes to the Company's 2015 unaudited Interim Consolidated Financial Statements for additional information.

(3) The operating lease commitments have been discounted using the Company's implicit interest rate for each of the periods presented.

The increase in the Company's adjusted debt-to-total capitalization ratio at December 31, 2015, as compared to 2014, was mainly due to an increased debt level, reflecting a weaker Canadian-to-US dollar foreign exchange rate in effect at the balance sheet date and the net issuance of commercial paper. The Company's adjusted debt-to-adjusted EBITDA multiple also increased, which was driven by the increased debt level as at December 31, 2015, partly offset by a higher operating income earned during 2015, as compared to 2014.

Consolidated Statements of Income - unaudited

In millions, except per share data	Three months ended December 31		Year ended December 31	
	2015	2014	**2015**	2014
Revenues	**$ 3,166**	$ 3,207	**$ 12,611**	$ 12,134
Operating expenses				
Labor and fringe benefits	**608**	592	**2,406**	2,319
Purchased services and material	**437**	442	**1,729**	1,598
Fuel	**304**	448	**1,285**	1,846
Depreciation and amortization	**290**	279	**1,158**	1,050
Equipment rents	**103**	85	**373**	329
Casualty and other	**70**	101	**394**	368
Total operating expenses	**1,812**	1,947	**7,345**	7,510
Operating income	**1,354**	1,260	**5,266**	4,624
Interest expense	**(119)**	(94)	**(439)**	(371)
Other income	**16**	13	**47**	107
Income before income taxes	**1,251**	1,179	**4,874**	4,360
Income tax expense	**(310)**	(335)	**(1,336)**	(1,193)
Net income	**$ 941**	$ 844	**$ 3,538**	$ 3,167
Earnings per share				
Basic	**$ 1.19**	$ 1.04	**$ 4.42**	$ 3.86
Diluted	**$ 1.18**	$ 1.03	**$ 4.39**	$ 3.85
Weighted-average number of shares				
Basic	**792.4**	813.0	**800.7**	819.9
Diluted	**796.3**	816.9	**805.1**	823.5

See accompanying notes to unaudited consolidated financial statements.

Consolidated Statements of Comprehensive Income - unaudited

In millions	Three months ended December 31		Year ended December 31	
	2015	2014	**2015**	2014
Net income	**$ 941**	$ 844	**$ 3,538**	$ 3,167
Other comprehensive income (loss)				
Net gain on foreign currency translation	**73**	36	**249**	75
Net change in pension and other postretirement benefit plans	**134**	(1,090)	**306**	(995)
Amortization of gain on treasury lock	**-**	-	**-**	(1)
Other comprehensive income (loss) before income taxes	**207**	(1,054)	**555**	(921)
Income tax recovery	**9**	326	**105**	344
Other comprehensive income (loss)	**216**	(728)	**660**	(577)
Comprehensive income	**$ 1,157**	$ 116	**$ 4,198**	$ 2,590

See accompanying notes to unaudited consolidated financial statements.

Consolidated Balance Sheets - unaudited

In millions		**December 31 2015**		December 31 2014
Assets				
Current assets				
Cash and cash equivalents	**$**	**153**	$	52
Restricted cash and cash equivalents		**523**		463
Accounts receivable		**878**		928
Material and supplies		**355**		335
Other		**244**		215
Total current assets		**2,153**		1,993
Properties		**32,624**		28,514
Pension asset		**1,305**		882
Intangible and other assets		**320**		298
Total assets	**$**	**36,402**	$	31,687
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and other	**$**	**1,556**	$	1,657
Current portion of long-term debt		**1,442**		544
Total current liabilities		**2,998**		2,201
Deferred income taxes		**8,105**		6,834
Other liabilities and deferred credits		**644**		704
Pension and other postretirement benefits		**720**		650
Long-term debt		**8,985**		7,828
Shareholders' equity				
Common shares		**3,705**		3,718
Common shares in Share Trusts		**(100)**		-
Additional paid-in capital		**475**		439
Accumulated other comprehensive loss		**(1,767)**		(2,427)
Retained earnings		**12,637**		11,740
Total shareholders' equity		**14,950**		13,470
Total liabilities and shareholders' equity	**$**	**36,402**	$	31,687

See accompanying notes to unaudited financial statements.

Consolidated Statements of Changes in Shareholders' Equity - unaudited

In millions	Number of common shares Outstanding	Number of common shares Share Trusts	Common shares [1]	Common shares in Share Trusts	Additional paid-in capital [1]	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
Balance at December 31, 2013	830.6	-	$ 3,795	$ -	$ 220	$ (1,850)	$ 10,788	$ 12,953
Net income							3,167	3,167
Stock-based compensation	1.2		31		10			41
Modification of stock-based compensation awards					209			209
Share repurchase programs	(22.4)		(108)				(1,397)	(1,505)
Other comprehensive loss						(577)		(577)
Dividends ($1.00 per share)							(818)	(818)
Balance at December 31, 2014	809.4	-	3,718	-	439	(2,427)	11,740	13,470
Net income							3,538	3,538
Stock-based compensation	2.5		95		36		(3)	128
Share repurchase programs	(23.3)		(108)				(1,642)	(1,750)
Share purchases by Share Trusts	(1.4)	1.4		(100)				(100)
Other comprehensive income						660		660
Dividends ($1.25 per share)							(996)	(996)
Balance at December 31, 2015	**787.2**	**1.4**	**$ 3,705**	**$ (100)**	**$ 475**	**$ (1,767)**	**$ 12,637**	**$ 14,950**

See accompanying notes to unaudited consolidated financial statements.

(1) The Company reclassified certain 2013 and 2014 balances from Common shares to Additional paid-in capital to conform with the 2015 presentation.

Consolidated Statements of Cash Flows - unaudited

	Three months ended December 31		Year ended December 31	
In millions	**2015**	2014	**2015**	2014
Operating activities				
Net income	**$ 941**	$ 844	**$ 3,538**	$ 3,167
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**290**	279	**1,158**	1,050
Deferred income taxes	**237**	201	**600**	416
Gain on disposal of property	**-**	-	**-**	(80)
Changes in operating assets and liabilities:				
Accounts receivable	**93**	14	**188**	(59)
Material and supplies	**77**	41	**4**	(51)
Accounts payable and other	**(348)**	(196)	**(282)**	-
Other current assets	**45**	(19)	**46**	5
Pensions and other, net	**(42)**	(29)	**(112)**	(67)
Net cash provided by operating activities	**1,293**	1,135	**5,140**	4,381
Investing activities				
Property additions	**(642)**	(947)	**(2,706)**	(2,297)
Disposal of property	**-**	-	**-**	173
Change in restricted cash and cash equivalents	**-**	4	**(60)**	(15)
Other, net	**(19)**	(13)	**(61)**	(37)
Net cash used in investing activities	**(661)**	(956)	**(2,827)**	(2,176)
Financing activities				
Issuance of debt	**-**	675	**841**	1,022
Repayment of debt	**(636)**	(27)	**(752)**	(822)
Net issuance (repayment) of commercial paper	**306**	(350)	**451**	(277)
Common shares issued for stock options exercised, excess tax benefits, and other	**56**	6	**75**	30
Repurchase of common shares	**(498)**	(410)	**(1,742)**	(1,505)
Purchase of common shares by Share Trusts	**-**	-	**(100)**	-
Dividends paid	**(246)**	(202)	**(996)**	(818)
Net cash used in financing activities	**(1,018)**	(308)	**(2,223)**	(2,370)
Effect of foreign exchange fluctuations on US dollar-denominated cash and cash equivalents	**2**	5	**11**	3
Net increase (decrease) in cash and cash equivalents	**(384)**	(124)	**101**	(162)
Cash and cash equivalents, beginning of period	**537**	176	**52**	214
Cash and cash equivalents, end of period	**$ 153**	$ 52	**$ 153**	$ 52
Supplemental cash flow information				
Net cash receipts from customers and other	**$ 3,192**	$ 3,084	**$ 12,714**	$ 12,029
Net cash payments for:				
Employee services, suppliers and other expenses	**(1,582)**	(1,576)	**(6,232)**	(6,333)
Interest	**(133)**	(112)	**(432)**	(409)
Personal injury and other claims	**(15)**	(19)	**(59)**	(57)
Pensions	**(25)**	(21)	**(126)**	(127)
Income taxes	**(144)**	(221)	**(725)**	(722)
Net cash provided by operating activities	**$ 1,293**	$ 1,135	**$ 5,140**	$ 4,381

See accompanying notes to unaudited consolidated financial statements.

Notes to Unaudited Consolidated Financial Statements

1 – Basis of presentation

The accompanying unaudited Interim Consolidated Financial Statements, expressed in Canadian dollars, have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial statements. Accordingly, they do not include all of the disclosures required by U.S. GAAP for complete financial statements. In management's opinion, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included.

These unaudited Interim Consolidated Financial Statements have been prepared using accounting policies consistent with those used in preparing Canadian National Railway Company's (the "Company") 2014 Annual Consolidated Financial Statements, except as disclosed in *Note 2 – Accounting changes*, and should be read in conjunction with such statements and Notes thereto.

2 – Accounting changes

The following recent Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board (FASB) were adopted by the Company during the current period.

Standard	Description	Impact
ASU 2015-17 Income Taxes, Balance Sheet Classification of Deferred Taxes	Simplifies the presentation of deferred income taxes by requiring that deferred tax liabilities and assets be classified as noncurrent in a statement of financial position, thus eliminating the requirement to separate deferred income tax liabilities and assets into current and noncurrent amounts.	The Company adopted this standard during the fourth quarter of 2015 on a retrospective basis. The current deferred income tax asset was reclassified as noncurrent and netted against the related noncurrent deferred income tax liability in the amount $58 million and $68 million as at December 31, 2015 and 2014, respectively.
ASU 2015-03 Interest – Imputation of Interest	Simplifies the presentation of debt issuance costs by requiring that such costs be presented in the balance sheet as a deduction from the carrying amount of debt.	The Company adopted this standard during the fourth quarter of 2015 on a retrospective basis. Debt issuance costs have been reclassified from assets to Long-term debt in the amount of $42 million and $37 million as at December 31, 2015 and 2014, respectively.