



Second Quarter 2017 Financial Results

July 25, 2017





Forward-Looking Statements

Certain statements included in this presentation constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and under Canadian securities laws. By their nature, 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. Key assumptions used in determining forward-looking statements are set forth below. Forward-looking statements may be identified by the use of terminology such as “believes,” “expects,” “anticipates,” “assumes,” “outlook,” “plans,” “targets,” or other similar words.

2017 key assumptions

CN has made a number of economic and market assumptions in preparing its 2017 outlook. The Company assumes that North American industrial production for the year will increase by approximately two per cent, and assumes U.S. housing starts in the range of 1.25 million units. The Company now assumes U.S. motor vehicle sales of approximately 17 million units (compared to its April 24, 2017 assumption of approximately 17.5 million units.) For the 2016/2017 crop year, the grain crops in both the United States and Canada were above their respective five-year averages. The Company assumes that the 2017/2018 grain crops in both Canada and the United States will be in line with their respective five-year averages. With these assumptions, CN assumes total RTMs in 2017 will increase by approximately 10 per cent versus 2016. CN expects continued pricing improvement above inflation. CN now assumes that in 2017 the value of the Canadian dollar in U.S. currency will be in the range of \$0.75 to \$0.80 (compared to its April 24, 2017 assumption in the range of \$0.75), and that the average price of crude oil (West Texas Intermediate) will be in the range of US\$40 to US\$50 per barrel (compared to its April 24, 2017 assumption in the range of US\$50 to US\$60 per barrel.) In 2017, CN plans to invest approximately C\$2.6 billion in its capital program, of which C\$1.6 billion is targeted toward track infrastructure.

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 to be materially different from the outlook or any future results or performance implied by such statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements. 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; increases in maintenance and operating costs; security threats; reliance on technology; trade restrictions; transportation of hazardous materials; various events which could disrupt operations, including natural events such as severe weather, droughts, floods and earthquakes; climate change; labor negotiations and disruptions; environmental claims; uncertainties of investigations, proceedings or other types of claims and litigation; risks and liabilities arising from derailments; timing and completion of capital programs; 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 (MD&A) in CN’s annual and interim reports, Annual Information Form and Form 40-F, filed with Canadian and U.S. securities regulators and available on CN’s website, for a description of major risk factors.

Forward-looking statements reflect information as of the date on which they are made. 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 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.

Non-GAAP Measures

CN reports its financial results in accordance with United States generally accepted accounting principles (GAAP). CN also uses non-GAAP measures in this presentation that do not have any standardized meaning prescribed by GAAP, including adjusted performance measures, constant currency, free cash flow, and adjusted debt-to-adjusted EBITDA multiple. These non-GAAP measures may not be comparable to similar measures presented by other companies. For further details of these non-GAAP measures, including a reconciliation to the most directly comparable GAAP financial measures, refer to the Company’s website, Second Quarter Results at www.cn.ca/financial-results.

CN’s full-year adjusted EPS outlook excludes the expected impact of certain income and expense items. However, management cannot individually quantify on a forward-looking basis the impact of these items on its EPS because these items, which could be significant, are difficult to predict and may be highly variable. As a result, CN does not provide a corresponding GAAP measure for, or reconciliation to, its adjusted EPS outlook.



Luc Jobin
President and Chief Executive Officer





Q2 Highlights

Solid top-line performance

- Building on volume momentum started in Q4 2016
- Continued strong growth across most sectors in Q2 with overall RTMs up 18%
- Inflation-plus pricing

Balancing operational and service excellence

- Pushing all levers to accommodate strong demand and maintain superior customer service
- Operating ratio of 55.1%, up 60 bps from Q2 2016

Strong financial results

- Diluted EPS of \$1.36, up 24%
- Adjusted diluted EPS of \$1.34, up 21% ⁽¹⁾
- Solid free cash flow generation of C\$811M ⁽¹⁾

(1) Please see website, Second Quarter Results, www.cn.ca/financial-results, for an explanation of these non-GAAP measures.



Mike Cory
Executive VP and Chief Operating Officer



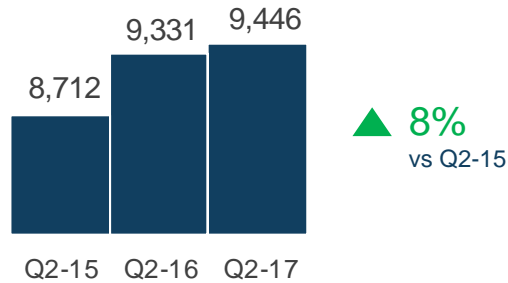


Operating Highlights

Operating metrics in line or better relative to Q2-15, with a 6% increase in GTMs

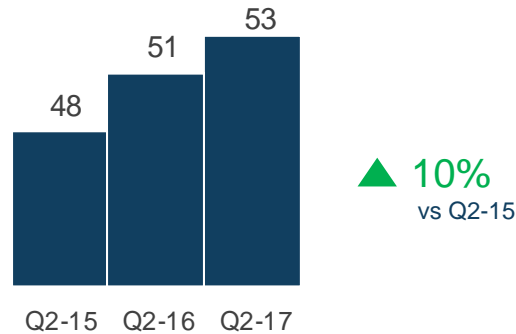
Train Productivity

(GTM per train mile)



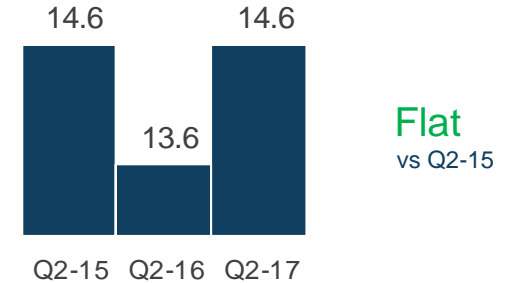
Yard Productivity

(Cars per yard switching hour)



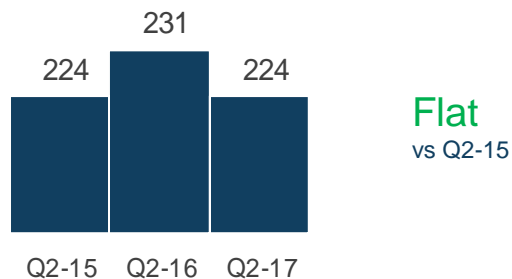
Terminal Dwell

(Entire railroad, hours)



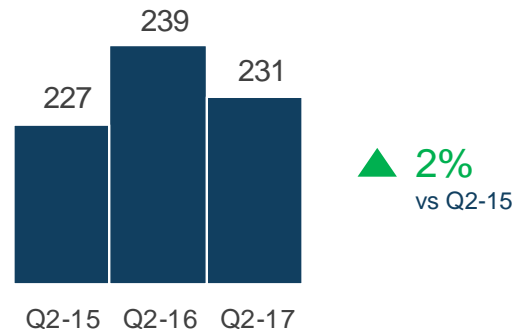
Locomotive Utilization

(Trailing GTMs per total horsepower)



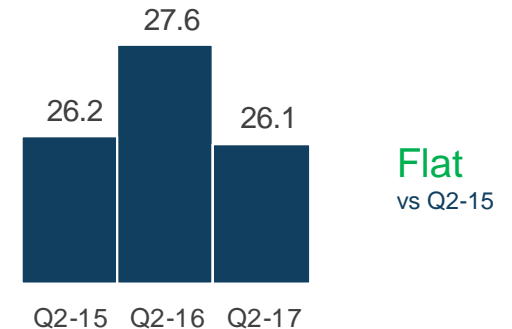
Car Velocity

(Car miles per day)



Train Velocity

(mph)





JJ Ruest
Executive VP and Chief Marketing Officer





Q2 Top Line Performance

Continued broad-based volume growth

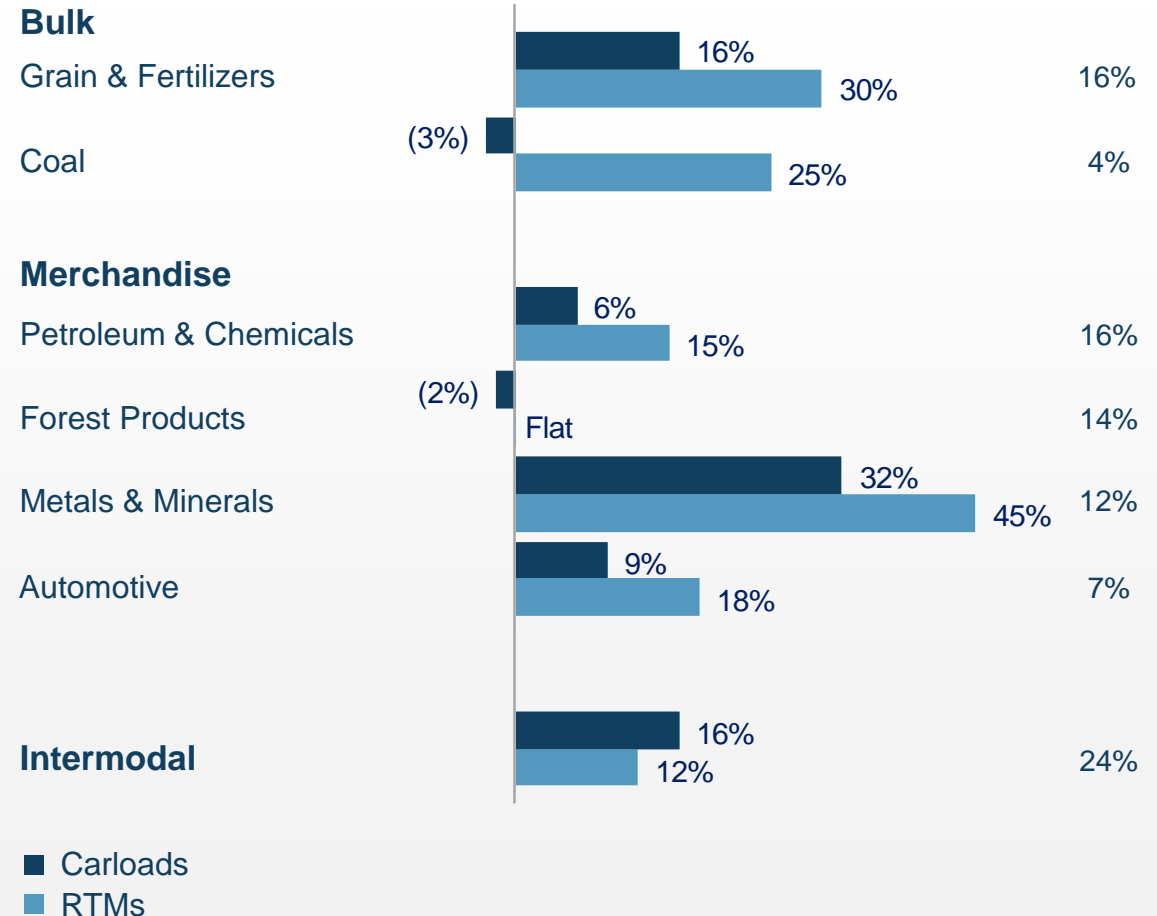
Highlights

% Change – Favorable
(Unfavorable)

Revenues	17%
Carloads	14%
\$ / Carload	3%
RTMs	18%
¢ / RTM	(1%)
Same Store Price ⁽¹⁾	2.3%

Volumes

% of Total Revenues ⁽²⁾



(1) ~75% of CN's revenues are same store.

(2) Based on Q2 2017 revenue breakdown – Other revenues represent the remaining 7%.



Market Outlook

Volume comparisons versus last year will be more challenging by September

Intermodal

24% of revenues

- International
 - Good international volumes
 - Rupert expansion coming online by September
 - Deltaport to be ready in the fall
 - More inland intermodal terminal capacity and destinations for big ships/big alliances
- Domestic
 - Long-term growth at Calgary Logistics Park with regional distribution centre co-location (like new Whirlpool distribution centre)
 - Constructive outlook by Q4

Merchandise

49% of revenues

- Steady frac sand demand into back half of the year although year-over-year comps will be more challenging
- Potential uptick in lumber demand this fall as countervailing duties (CVD) are set to expire pending final determinations
- Economic backdrop remains supportive for metals, minerals, panels, chemicals and refined petroleum products
- B.C. forest fire impact unknown at this stage

Bulk

20% of revenues

- Canadian grain operations to run flat out in the fall as usual; assuming a normal 2017/18 crop at this time
- Regulated revenue cap of 4.1% for 2017/18 crop year
- U.S. corn and soybean demand to be impacted by large South American crop overhang
- World prices for met coal and pet coke remain constructive
- Potash - focusing on second half demand with China deal now in place
- Overall, cautious on Q4 bulk volumes

Q2 2017 revenue breakdown – Other revenues represent the remaining 7%.

Please see Forward-Looking Statements at the beginning of the presentation for a summary of key assumptions and important risk factors underlying CN's 2017 financial outlook.



Ghislain Houle
Executive VP and Chief Financial Officer





Q2 Results

Solid financial performance

<i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i>	2017	2016	Change Favorable (Unfavorable)
Revenues	\$ 3,329	\$ 2,842	17%
Operating expenses	1,834	1,549	
Operating income	1,495	1,293	16%
Interest expense	(123)	(116)	
Other income (loss)	1	(1)	
Income before income taxes	1,373	1,176	
Income tax expense	(342)	(318)	
Net income	\$ 1,031	\$ 858	20%
Diluted EPS	\$ 1.36	\$ 1.10	24%
Adjusted diluted EPS ⁽¹⁾	\$ 1.34	\$ 1.11	21%
Weighted-average diluted number of shares (in millions)	759.7	782.0	
Operating ratio	55.1%	54.5%	(0.6 pts)

(1) Please see website, Second Quarter Results, www.cn.ca/financial-results, for an explanation of this non-GAAP measure.



Q2 Operating Expenses

Focused on tight cost management while experiencing strong volumes

<i>In millions of Canadian dollars, unless otherwise indicated</i>	2017	2016	% Change Favorable (Unfavorable)	% Change at constant currency ⁽¹⁾ Favorable (Unfavorable)
Labor and fringe benefits	\$ 527	\$ 469	(12%)	(10%)
Purchased services and material	432	377	(15%)	(12%)
Fuel	329	243	(35%)	(30%)
Depreciation and amortization	326	296	(10%)	(8%)
Equipment rents	103	92	(12%)	(8%)
Casualty and other	117	72	(63%)	(58%)
Total operating expenses	\$ 1,834	\$ 1,549	(18%)	(16%)

(1) Please see website, Second Quarter Results, www.cn.ca/financial-results, for an explanation of this non-GAAP measure.



Generating Strong Free Cash Flow

<i>In millions of Canadian dollars, unless otherwise indicated</i>	2017 YTD
Net income	\$ 1,915
Non-cash adjustments	928
Payments for income taxes	(333)
Other working capital items	251
Net cash provided by operating activities	2,761
Capital expenditures (net)	(1,071)
Other investing activities	(31)
Net cash used in investing activities	(1,102)
Free cash flow ⁽¹⁾	\$ 1,659
Total net indebtedness at end of period ⁽²⁾	\$ 9,965
Adjusted debt-to-adjusted EBITDA multiple ^{(1) (3) (4)}	1.60 x

(1) Please see website, Second Quarter Results, www.cn.ca/financial-results, for an explanation of these non-GAAP measures.

(2) Includes restricted cash and cash equivalents.

(3) Debt is adjusted to include the present value of operating lease commitments.

(4) 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. The adjusted debt-to-adjusted EBITDA multiple is based on adjusted EBITDA for the twelve months ended June 30, 2017.



Reaffirming 2017 Financial Outlook

Expect to deliver adjusted diluted EPS in the range of C\$4.95 to C\$5.10 versus 2016 adjusted diluted EPS of C\$4.59 ⁽¹⁾ ⁽²⁾

- Volume growth of approximately 10% in terms of RTMs, with overall pricing above inflation

Continuing to reinvest in the business for safety, service and efficiency

- 22 new locomotives to be delivered in the fall

Rewarding our shareholders with a consistent approach to dividend growth and share buybacks

(1) Please see website, Second Quarter Results, www.cn.ca/financial-results, for an explanation of this non-GAAP measure.

(2) Please see Forward-Looking Statements at the beginning of the presentation for a summary of key assumptions and important risk factors underlying CN's 2017 financial outlook.



Luc Jobin
President and Chief Executive Officer





Looking Ahead

Creating value for our customers and shareholders

- Economic environment remains supportive, but volume comparisons more challenging in the second half of the year
- Strengthening Canadian dollar becoming a headwind
- Key focus on balancing operational and service excellence
- Leveraging our supply chain approach to grow faster than the economy
- Capex program aligned with long-term vision