



Fourth Quarter and Full-Year 2017
Financial Results
January 23, 2018





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. Forward-looking statements may be identified by the use of terminology such as “believes,” “expects,” “anticipates,” “assumes,” “outlook,” “plans,” “targets,” or other similar words.

2018 key assumptions

CN has made a number of economic and market assumptions in preparing its 2018 outlook. The Company assumes that North American industrial production for the year will increase in the range of two to three per cent, and assumes U.S. housing starts in the range of 1.25 million units and U.S. motor vehicle sales of approximately 17 million units. For the 2017/2018 crop year, the grain crops in both Canada and the United States were above their respective three-year averages. The Company assumes that the 2018/2019 grain crops in both Canada and the United States will be in line with their respective three-year averages. CN assumes total RTMs in 2018 will increase in the range of three to five per cent versus 2017. CN expects continued pricing above inflation. CN assumes that in 2018 the value of the Canadian dollar in U.S. currency will be approximately \$0.80, and that the average price of crude oil (West Texas Intermediate) will be in the range of US\$60 to US\$70 per barrel. In 2018, CN plans to invest approximately C\$3.2 billion in its capital program, of which C\$1.6 billion is targeted toward track infrastructure maintenance.

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 and related cybersecurity risk; trade restrictions or other changes to international trade arrangements; transportation of hazardous materials; various events which could disrupt operations, including natural events such as severe weather, droughts, fires, 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 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, Fourth Quarter and Full-Year 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





2017 Highlights

Top-line driving solid performance

Q4 results impacted by challenging operating conditions, including harsh early winter weather across the network

Over C\$1B of incremental revenues in 2017

- Reported diluted EPS of C\$7.24⁽¹⁾ for 2017, up 55% over 2016 diluted EPS of C\$4.67
- Adjusted diluted EPS of C\$4.99⁽²⁾, up 9% over 2016 adjusted diluted EPS of C\$4.59⁽²⁾

Solid free cash flow generation of C\$2,778M⁽²⁾ for 2017

(1) Includes a deferred income tax recovery resulting from the enactment of a lower U.S. federal corporate income tax rate.

(2) Please see website, Fourth Quarter and Full-Year Results, www.cn.ca/financial-results, for an explanation of these non-GAAP measures.



Mike Cory
Executive VP and Chief Operating Officer





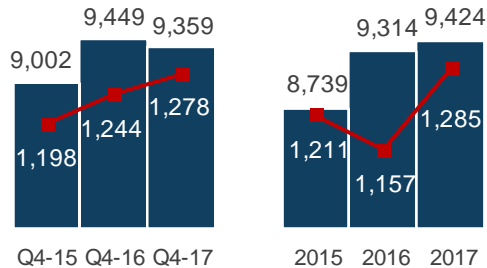
Operating Highlights

Record GTMs handled in 2017

Train Productivity

(GTM per train mile)

▲ 8%
vs 2015

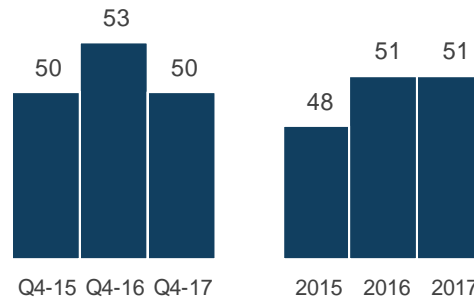


■ Average GTMs per day
(Millions)

Yard Productivity

(Cars per yard switching hour)

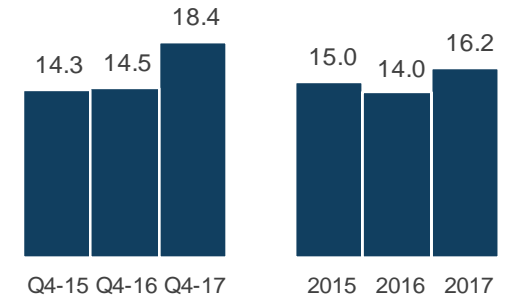
▲ 6%
vs 2015



Terminal Dwell

(Entire railroad, hours)

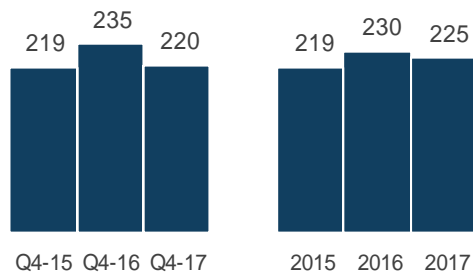
▲ 8%
vs 2015



Locomotive Utilization

(Trailing GTMs per total horsepower)

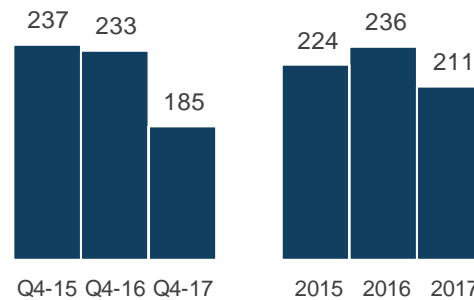
▲ 3%
vs 2015



Car Velocity

(Car miles per day)

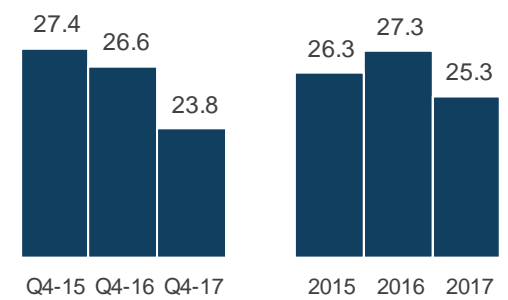
▼ 6%
vs 2015



Train Velocity

(mph)

▼ 4%
vs 2015





Investing for the Long Term

Stepping up investments to increase network capacity and resiliency

People

- Continued hiring to accommodate growth
- Approximately 400 new conductors fully qualified in Q1 2018

Locomotives

- Acquiring 200 locomotives over the next 3 years – with 60 to be delivered in 2018
- Short-term requirements addressed through leases

Capacity infrastructure

- Adding sidings / double track capacity
- Particular focus on West Coast to Chicago corridors
- Investing in intermodal terminals and equipment to accommodate growth



JJ Ruest
Executive VP and Chief Marketing Officer





Q4 Top Line Performance

Volume growth driven by international intermodal, frac sand and export coal

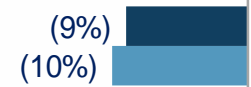
Highlights

| | % Change Favorable (Unfavorable) | % Change at constant currency ⁽¹⁾ Favorable (Unfavorable) |
|---------------------------------|----------------------------------|--|
| Revenues | 2% | 5% |
| Carloads | 7% | |
| \$ / Carload | (4%) | (1%) |
| RTMs | 1% | |
| ¢ / RTM | 1% | 4% |
| Same Store Price ⁽³⁾ | 2.4% | |

Volumes

Bulk

Grain & Fertilizers

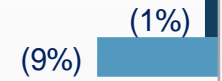


Coal

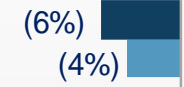


Merchandise

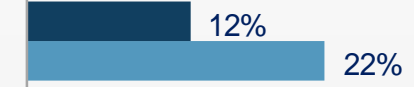
Petroleum & Chemicals



Forest Products



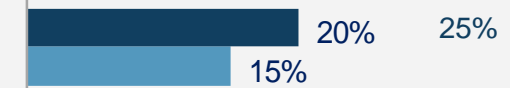
Metals & Minerals



Automotive



Intermodal



■ Carloads
■ RTMs

% of Total Revenues ⁽²⁾

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

(2) Based on Q4 2017 revenue breakdown – Other revenues represent the remaining 6%.

(3) ~75% of CN's revenues are same store.



2017 Top Line Performance

Over C\$1B of incremental revenues with broad-based growth

Highlights

| | % Change Favorable (Unfavorable) | % Change at constant currency ⁽¹⁾ Favorable (Unfavorable) |
|---------------------------------|----------------------------------|--|
| Revenues | 8% | 10% |
| Carloads | 10% | |
| \$ / Carload | (2%) | - |
| RTMs | 11% | |
| ¢ / RTM | (2%) | (1%) |
| Same Store Price ⁽³⁾ | 2.2% | |

Volumes

Bulk

Grain & Fertilizers

Coal

Merchandise

Petroleum & Chemicals

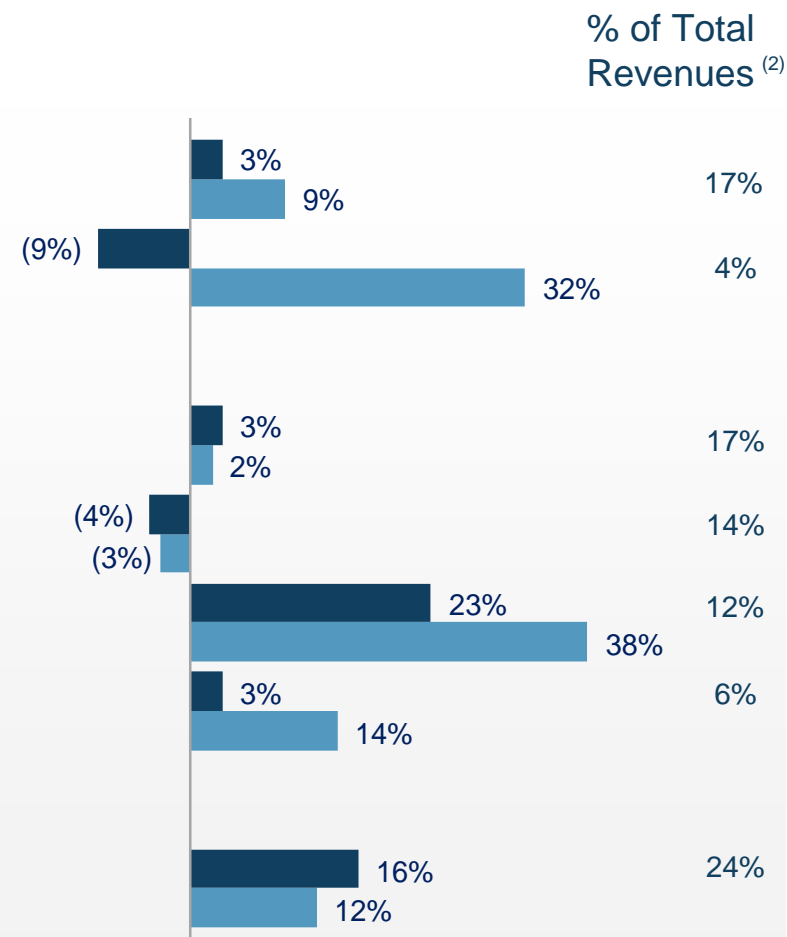
Forest Products

Metals & Minerals

Automotive

Intermodal

■ Carloads
■ RTMs



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

(2) Based on 2017 revenue breakdown – Other revenues represent the remaining 6%.

(3) ~85% of CN's revenues are same store.



Market Outlook

Demand environment remains positive
with stronger shipments post Q1

Intermodal

25% of revenues

- International
 - Container trade into North America is very strong
 - Expect to test the expanded capacity limit of the Prince Rupert terminal this year
 - Taking advantage of Deltaport expansion in H2
- Domestic
 - Steady demand from Canadian and Midwest consumers

Merchandise

47% of revenues

- North American drilling activity momentum expected to continue in 2018 – positive for frac sand, pipes and steel coils
- Automotive sales have reached peak, bi-level carloads (SUVs) still improving
- Growth in U.S. housing starts and renovations driving housing related commodities
- Agreements in place to re-enter crude by rail market post Q1

Bulk

22% of revenues

- Canadian grain harvest above the three-year average (estimated at 70+ million MT in 2017-18)
- Strong export coal volumes (Canada and U.S.; thermal and metallurgical)
- Carry over of export grain and coal into Q2

Q4 2017 revenue breakdown – Other revenues represent the remaining 6%.

Please see Forward-Looking Statements at the beginning of the presentation for a summary of key assumptions and important risk factors underlying CN's 2018 financial outlook.



Ghislain Houle
Executive VP and Chief Financial Officer





Q4 Results

Results impacted by challenging operating conditions

| <i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i> | 2017 | 2016 | % Change Favorable (Unfavorable) |
|---|-----------------|----------|--|
| Revenues | \$ 3,285 | \$ 3,217 | 2% |
| Operating expenses | 1,984 | 1,822 | |
| Operating income | 1,301 | 1,395 | (7%) |
| Interest expense | (117) | (123) | |
| Other income | 4 | 91 | |
| Income before income taxes | 1,188 | 1,363 | |
| Income tax recovery (expense) | 1,423 | (345) | |
| Net income | \$ 2,611 | \$ 1,018 | 156% |
| Adjusted net income ⁽¹⁾ | \$ 897 | \$ 952 | (6%) |
| Diluted EPS | \$ 3.48 | \$ 1.32 | 164% |
| Adjusted diluted EPS ⁽¹⁾ | \$ 1.20 | \$ 1.23 | (2%) |
| Weighted-average diluted number of shares (in millions) | 750.0 | 770.1 | |
| Operating ratio | 60.4% | 56.6% | (3.8 pts) |

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



Q4 Operating Expenses

Impacted by higher fuel costs, less fluid network
and higher 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 | \$ 589 | \$ 565 | (4%) | (6%) |
| Purchased services and material | 473 | 428 | (11%) | (13%) |
| Fuel | 379 | 312 | (21%) | (27%) |
| Depreciation and amortization | 316 | 310 | (2%) | (4%) |
| Equipment rents | 107 | 96 | (11%) | (18%) |
| Casualty and other | 120 | 111 | (8%) | (12%) |
| Total operating expenses | \$ 1,984 | \$ 1,822 | (9%) | (12%) |

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



Full-Year Results

Solid results driven by strong top-line growth

| <i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i> | 2017 | 2016 | Change Favorable (Unfavorable) |
|---|------------------|-----------|--------------------------------------|
| Revenues | \$ 13,041 | \$ 12,037 | 8% |
| Operating expenses | 7,483 | 6,725 | |
| Operating income | 5,558 | 5,312 | 5% |
| Interest expense | (481) | (480) | |
| Other income | 12 | 95 | |
| Income before income taxes | 5,089 | 4,927 | |
| Income tax recovery (expense) | 395 | (1,287) | |
| Net income | \$ 5,484 | \$ 3,640 | 51% |
| Adjusted net income ⁽¹⁾ | \$ 3,778 | \$ 3,581 | 6% |
| Diluted EPS | \$ 7.24 | \$ 4.67 | 55% |
| Adjusted diluted EPS ⁽¹⁾ | \$ 4.99 | \$ 4.59 | 9% |
| Weighted-average diluted number of shares (in millions) | 757.3 | 779.2 | |
| Operating ratio | 57.4% | 55.9% | (1.5 pts) |

(1) Please see website, Fourth Quarter and Full-Year Results, www.cn.ca/nonGAAP, for a reconciliation of these non-GAAP measures.



Full-Year Free Cash Flow

| <i>In millions of Canadian dollars, unless otherwise indicated</i> | 2017 |
|---|------------------|
| Net income | \$ 5,484 |
| Non-cash adjustments | 86 |
| Payments for income taxes | (712) |
| Other working capital items | 658 |
| Net cash provided by operating activities | 5,516 |
| Capital expenditures (net) | (2,673) |
| Other investing activities | (65) |
| Net cash used in investing activities | (2,738) |
| Free cash flow ⁽¹⁾ | \$ 2,778 |
| Total net indebtedness at end of period ⁽²⁾ | \$ 10,275 |
| Adjusted debt-to-adjusted EBITDA multiple ^{(1) (3) (4)} | 1.65 x |

(1) Please see website, Fourth Quarter and Full-Year 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 December 31, 2017.



2018 Financial Outlook

Aiming to deliver adjusted diluted EPS in the range of C\$5.25 to C\$5.40 versus 2017 adjusted diluted EPS of C\$4.99 ⁽¹⁾ ⁽²⁾

- Volume growth in the range of 3-5% in terms of RTMs, with overall pricing above inflation

Record capital program of C\$3.2B in 2018

- Approximately C\$1.6B targeted for basic track maintenance to support safe and efficient operations
- Approximately C\$700M of capacity investment including 60 new locomotives, track infrastructure and intermodal terminals

Delivering sustainable value for our shareholders

- Dividend increase of 10%
- Share buyback program (Oct. 2017 - Oct. 2018)

(1) Please see website, Fourth Quarter and Full-Year 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 2018 financial outlook.



Luc Jobin
President and Chief Executive Officer





Looking Ahead

Creating value for our customers
and shareholders

Economic backdrop remains favorable
in North America with strong pipeline of
growth opportunities

Hiring and record capital investments
planned to increase network resiliency

Key priority for superior service to our
customers

Committed to delivering on our strategic
agenda