Forward-Looking Statements

The financial results in this presentation were determined on the basis of U.S. GAAP. Please refer to the website www.cn.ca/nonGAAP for the reconciliation of certain non-GAAP measures to comparable GAAP measures. 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.

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

2015 key assumptions
CN has made a number of economic and market assumptions in preparing its 2015 outlook. The Company is now assuming that North American industrial production for the year will increase by approximately one per cent, compared with its Apr. 20, 2015, assumption of three per cent, that U.S. housing starts will be in the range of 1.2 million units, and that U.S. motor vehicles sales will be approximately 16.7 million units. The 2014/2015 Canadian grain crop represented a significant reduction toward the historical trend line while the U.S. grain crop was above trend. CN assumes that the 2015/2016 grain crops in both Canada and the United States will be in-line with trend yields. CN is no longer counting on growth in customer shipments of energy-related commodities, namely crude oil and frac sand, compared with its previous assumption announced on April 20, 2015, of 40,000 carloads of growth. With these assumptions, CN now assumes total carloads for all freight categories in 2015 will be comparable to 2014, versus its Apr. 20, 2015, forecast of three per cent growth, CN expects continued pricing improvement above inflation. CN assumes that in 2015 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 fluctuate around US$50 per barrel. In 2015, CN plans to invest approximately C$2.7 billion in its capital program, of which approximately C$1.4 billion is targeted toward maintaining the safety and integrity of the network, particularly track infrastructure. The 2015 capital program also includes funds for projects supporting growth and productivity.

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.
Swift response to slower growth environment
  • Recalibrating resources to drive efficiency
  • Core metrics in-line or better than last year

Maintaining Operational and Service Excellence
  • Delivering superior service
  • Operating ratio of 56.4%

Strong financial results
  • Diluted EPS up 12% on an adjusted basis
  • YTD free cash flow of C$1,051M

Very solid performance in the face of challenging year-over-year comparables
Q2 Operating Highlights

**Train Productivity**
(GTM per train mile)

<table>
<thead>
<tr>
<th>Q2-14</th>
<th>Q2-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,765</td>
<td>8,679</td>
</tr>
</tbody>
</table>

1% decrease

**Locomotive Utilization**
(Trailing GTMs per total horsepower)

<table>
<thead>
<tr>
<th>Q2-14</th>
<th>Q2-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>220</td>
<td>223</td>
</tr>
</tbody>
</table>

1% increase

**Train Velocity**
(mph)

<table>
<thead>
<tr>
<th>Q2-14</th>
<th>Q2-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>26.2</td>
<td>26.2</td>
</tr>
</tbody>
</table>

Flat

**Yard Productivity**
(Cars per yard switching hour)

<table>
<thead>
<tr>
<th>Q2-14</th>
<th>Q2-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>46</td>
<td>48</td>
</tr>
</tbody>
</table>

4% increase

**Car Velocity**
(Car miles per day)

<table>
<thead>
<tr>
<th>Q2-14</th>
<th>Q2-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>214</td>
<td>227</td>
</tr>
</tbody>
</table>

6% increase

**Terminal Dwell**
(Entire railroad, hours)

<table>
<thead>
<tr>
<th>Q2-14</th>
<th>Q2-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.4</td>
<td>14.6</td>
</tr>
</tbody>
</table>

5% decrease

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Solid performance
Quickly reducing train starts
• Mainline and local
• Targeted approach to maintain Operational and Service Excellence

Intense focus on asset utilization
• Locomotive horsepower per ton and tons per train
• Reducing active cars-on-line

Keeping tight control of costs
• ~600 lay-offs; hiring freeze implemented
• Overtime reductions underway

Swift response to slower growth environment
Weakness in coal, grain and crude markets impacting volumes

Top Line Performance

- Revenues: Flat
- RTMs: -7%
- $ / RTMs: +7%
- Carloads: -3%
- $ / Carload: +3%
- Same Store Price*: 3.9%

*Price on same store revenues – ~75% of CN’s revenues are same store

### Volumes

#### Bulk
- Grain & Fertilizers: (15%) (16%)
- Coal: (26%) (32%)

#### Merchandise
- Petroleum & Chemicals: (1%) (3%)
- Forest Products: 0%
- Metals & Minerals: (9%) (10%)

#### Intermodal
- Automotive: 8%
- 25%
- 6%
- 3%

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Weakening in coal, grain and crude markets impacting volumes
### Outlook

**Bulk**
- Upcoming North American grain crop size uncertain. CN is ready to serve
- Coal markets in broad secular decline
- Sustained global demand for Canadian potash
- Intermodal product for specialty crop exports

<table>
<thead>
<tr>
<th>21%</th>
<th>51%</th>
<th>23%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 H1 revenue breakdown – Other revenues represent the remaining 5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Merchandise**
- No longer counting on growth in energy-related shipments
- Lumber and panels driven by steady outlook for US housing starts and improved railcar velocity
- Steady outlook for automotive, supported by increased railcar fleet and CN autoport capacity
- Steady outlook for petroleum and chemicals activities, supported by CN private fleet management services

**Intermodal**
- International container growth driven by healthier US economy and supported by CN’s unique supply chain round trip model
- New vessel export calls in Halifax this fall
- Domestic growth in-line with weaker Canadian economy, but supported by consistent 3rd & 4th morning train service into Calgary and Vancouver
- Building for future growth: Panama canal opening; cold supply chain; terminal expansions at Prince Rupert & Vancouver

Pricing and yield momentum remains intact and disciplined

*Please see Forward-Looking Statements at the beginning of the presentation for a summary of key assumptions and important risk factors underlying CN's 2015 financial outlook.*
### Q2 Results

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>$ 3,125</td>
<td>$ 3,116</td>
<td>–</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>1,763</td>
<td>1,858</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>1,362</td>
<td>1,258</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>(105)</td>
<td>(91)</td>
<td></td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>16</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>1,273</td>
<td>1,169</td>
<td></td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(387)</td>
<td>(322)</td>
<td></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$ 886</td>
<td>$ 847</td>
<td>5%</td>
</tr>
</tbody>
</table>

- **Diluted EPS**: $ 1.10 vs. $ 1.03 (7%)
- **Adjusted diluted EPS** (1): $ 1.15 vs. $ 1.03 (12%)

**Weighted-average diluted number of shares (in millions)**: 808.0 vs. 825.3 (3.2 pts)

Record quarterly performance

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(1) Please see website, [www.cn.ca/nonGAAP](http://www.cn.ca/nonGAAP), for an explanation of this non-GAAP measure.
## Q2 Operating Expenses

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>% Change</th>
<th>% Change at constant currency (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor and fringe benefits</td>
<td>$542</td>
<td>$560</td>
<td>3%</td>
<td>8%</td>
</tr>
<tr>
<td>Purchased services and material</td>
<td>434</td>
<td>390</td>
<td>(11%)</td>
<td>(5%)</td>
</tr>
<tr>
<td>Fuel</td>
<td>327</td>
<td>484</td>
<td>32%</td>
<td>40%</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>285</td>
<td>257</td>
<td>(11%)</td>
<td>6%</td>
</tr>
<tr>
<td>Equipment rents</td>
<td>83</td>
<td>84</td>
<td>1%</td>
<td>11%</td>
</tr>
<tr>
<td>Casualty and other</td>
<td>92</td>
<td>83</td>
<td>(11%)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>$1,763</strong></td>
<td><strong>$1,858</strong></td>
<td><strong>5%</strong></td>
<td><strong>11%</strong></td>
</tr>
</tbody>
</table>

In millions of Canadian dollars, unless otherwise indicated

Reacting swiftly, keeping tight expense control

(1) Please see website, [www.cn.ca/nonGAAP](http://www.cn.ca/nonGAAP), for an explanation of this non-GAAP measure.
**YTD Free Cash Flow**

*In millions of Canadian dollars, unless otherwise indicated*

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$1,590</td>
</tr>
<tr>
<td>Non-cash adjustments</td>
<td>798</td>
</tr>
<tr>
<td>Payments for income taxes</td>
<td>(414)</td>
</tr>
<tr>
<td>Other working capital items</td>
<td>221</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>2,195</strong></td>
</tr>
<tr>
<td>Capital expenditures (net)</td>
<td>(1,127)</td>
</tr>
<tr>
<td>Other investing</td>
<td>(16)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td><strong>(1,143)</strong></td>
</tr>
<tr>
<td><strong>Net cash provided before financing activities</strong></td>
<td><strong>1,052</strong></td>
</tr>
<tr>
<td>Change in restricted cash and cash equivalents</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>$1,051</td>
</tr>
</tbody>
</table>

**Total net indebtedness at end of period (including restricted cash and cash equivalents)**

8,796

**Adjusted debt-to-total capitalization ratio**

41.7%

**Adjusted debt-to-adjusted EBITDA multiple**

1.63 x

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

(2) 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.

*Please see website, [www.cn.ca/nonGAAP](http://www.cn.ca/nonGAAP), for an explanation of the various non-GAAP measures.*
Affirming 2015 Financial Outlook

Double-digit earnings growth over 2014 adjusted diluted EPS of C$3.76 \(^{(1)}\)

- Despite slower growth environment
- Maintaining pricing above inflation

Reinvesting in the business

- 2015 capital envelope of C$2.7B
- Focus on the safety and integrity of our plant

Rewarding shareholders

- Steady share buyback in place
- 25% dividend increase and gradually moving towards a 35% payout ratio

\(^{(1)}\) Please see website, www.cn.ca/nonGAAP, for an explanation of this non-GAAP measure. Please see Forward-Looking Statements at the beginning of the presentation for a summary of key assumptions and important risk factors underlying CN’s 2015 financial outlook.
Delivered very solid Q2 results
  • Reacting quickly to realign resources

Increased global economic uncertainty
  • Leveraging a great franchise and well-diversified portfolio

Building for the future
  • Solid pipeline of growth and efficiency initiatives

Staying focused on our strategic agenda