



Third Quarter 2016 Financial Results

October 25, 2016





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.

2016 key assumptions

CN has made a number of economic and market assumptions in preparing its 2016 outlook. The Company assumes that North American industrial production for the year will be slightly negative 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 2016/2017 grain crops in both Canada and the U.S. will be above their respective five-year averages. With these assumptions, CN expects total carloads for 2016 will decrease in the mid-single-digit range. 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 \$0.75 to \$0.80, and now assumes that the average price of crude oil (West Texas Intermediate) will be in the range of US\$40 to US\$50 per barrel (compared with its July 25, 2016, assumption of US\$35 to US\$45 per barrel). CN plans to invest approximately C\$2.75 billion in its capital program, of which C\$1.5 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; security threats; reliance on technology; transportation of hazardous materials; various events which could disrupt operations, including natural events such as severe weather, droughts, floods and earthquakes; effects of 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; 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, Third Quarter Results at www.cn.ca/nonGAAP.

CN’s full-year adjusted EPS guidance excludes the expected impact of certain income and expense items, as well as those items noted in the reconciliation tables provided in the supplementary schedule, Non-GAAP Measures, on the Company’s website, Third Quarter Results at www.cn.ca/nonGAAP. 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 guidance.



Luc Jobin
President and Chief Executive Officer



Q3 Highlights



Overcoming weak macro environment with solid bottom line performance

- Revenues down 6% with RTMs declining 3%
- Record quarterly operating ratio of 53.3%

Balancing Operational and Service Excellence

- Relentless focus on safety and productivity
- Continuing to deliver superior service

Posting solid Q3 results

- Diluted EPS of C\$1.25, down 1% vs Q3 2015
- YTD free cash flow of C\$1,743 million

Delivered another outstanding quarter

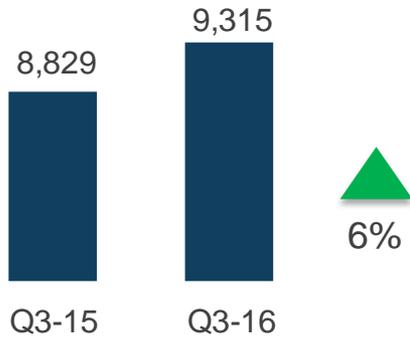


Mike Cory
Executive VP and Chief Operating Officer

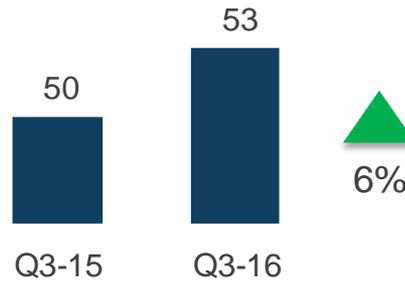


Q3 Operating Highlights

Train Productivity (GTMs per train mile)



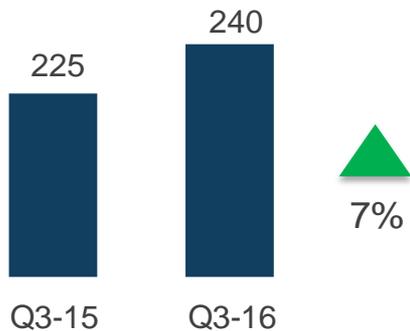
Yard Productivity (Cars per yard switching hour)



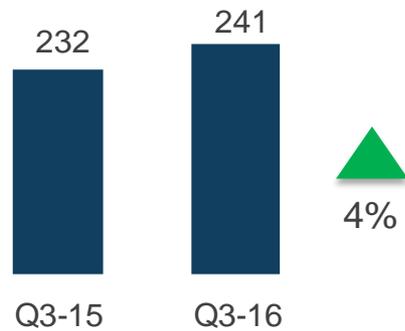
Terminal Dwell (Entire railroad, hours)



Locomotive Utilization (Trailing GTMs per total horsepower)



Car Velocity (Car miles per day)



Train Velocity (mph)



Continuing to improve on our solid operating foundation



JJ Ruest
Executive VP and Chief Marketing Officer



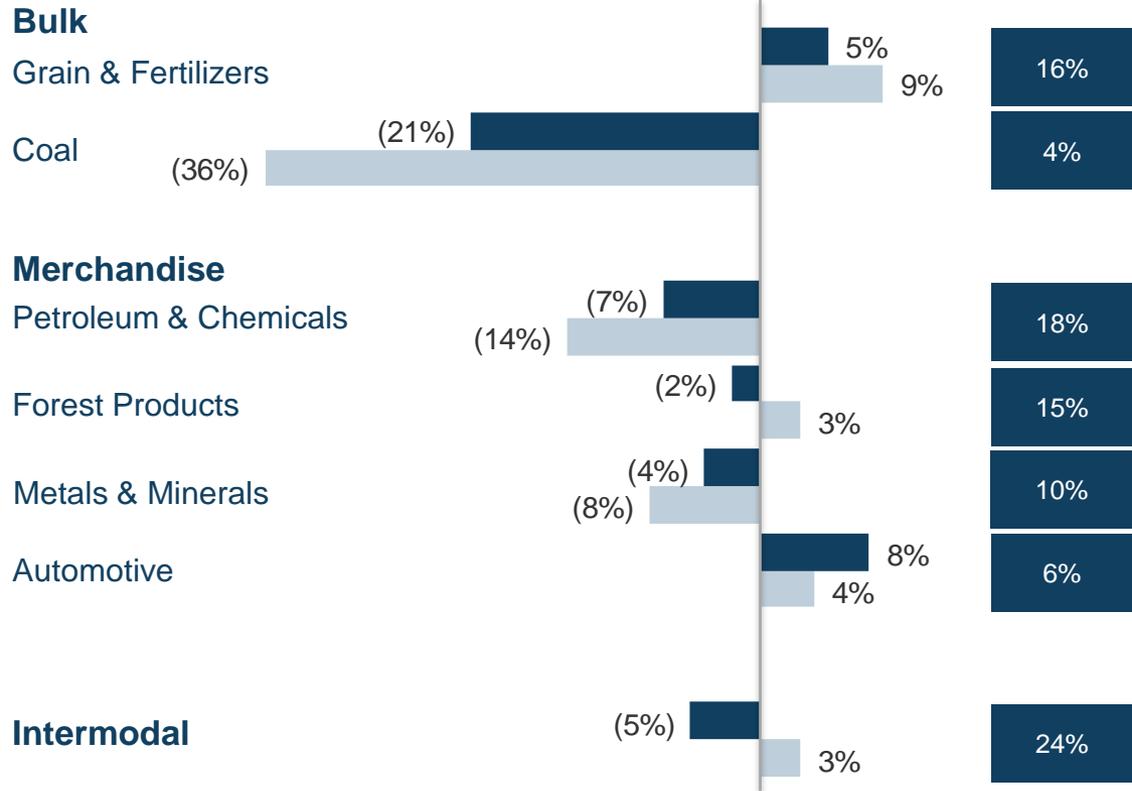
Q3 Top Line Performance

| | |
|--|------|
| Revenues | (6%) |
| Carloads | (4%) |
| \$ / Carload | (2%) |
| RTMs | (3%) |
| ¢ / RTM | (3%) |
| Same Store Price ⁽¹⁾ | 2.2% |
| Excluding regulated grain and legacy contracts | 2.8% |

Volumes
% Change – Favorable
(Unfavorable)

■ Carloads
■ RTMs

% of Total Revenues ⁽²⁾



Solid performance in grain and automotive, but continued weakness in energy-related markets

(1) ~75% of CN's revenues are same store.
 (2) Based on Q3 2016 revenue breakdown – Other revenues represent the remaining 7%.



Market Outlook

Intermodal

- International
 - Global trade remains subdued
 - Working with partners to fill the void of Hanjin
 - Bolstering Midwest service offering
 - Halifax remains solid
- Domestic
 - CNTL door to door value proposition continues to gain traction with customers
 - Initiatives aimed at transborder segment

Merchandise

- Steady improvement in U.S. housing starts underlying growth in lumber and other housing-related goods
 - SLA standstill period ended Oct. 12th
- Demand for base metals and steel still weak
 - Iron ore carloads reflecting UTAC mine reopening this August and Empire mine closing this October
- Leveraging CN's customer focused service in automotive
 - New business started in August and October
- Opportunistic in our approach to new crude and frac sand spot business
 - Volumes up ~30% vs Q2 trough

Bulk

- Bumper grain crop in Canada to support strong demand into Q3 2017
- Strong U.S. corn and soybean fall export programs
- Limited exposure to coal
 - Thermal coal market remains in secular decline
 - Met coal mine reopening in Western Canada
 - Recent recovery in pet coke
- Positive outlook for global potash demand; sulfur downtrend expected to continue in midterm

24%

49%

20%

Q3 2016 revenue breakdown – Other revenues represent the remaining 7%

Broad-based sequential volume improvement



Ghislain Houle
Executive VP and Chief Financial Officer



Q3 Results

| <i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i> | 2016 | 2015 | Change Favorable (Unfavorable) |
|---|-----------------|----------|--------------------------------------|
| Revenues | \$ 3,014 | \$ 3,222 | (6%) |
| Operating expenses | 1,607 | 1,735 | |
| Operating income | 1,407 | 1,487 | (5%) |
| Interest expense | (118) | (111) | |
| Other income | - | 11 | |
| Income before income taxes | 1,289 | 1,387 | |
| Income tax expense | (317) | (380) | |
| Net income | \$ 972 | \$ 1,007 | (3%) |
| | | | |
| Diluted EPS | \$ 1.25 | \$ 1.26 | (1%) |
| Weighted-average diluted number of shares (in millions) | 775.7 | 801.9 | |
| | | | |
| Operating ratio | 53.3% | 53.8% | 0.5 pts |

Strong performance by our team of railroaders in a difficult environment



Q3 Operating Expenses

| <i>In millions of Canadian dollars, unless otherwise indicated</i> | 2016 | 2015 | % Change Favorable (Unfavorable) | % Change at constant currency ⁽¹⁾ Favorable (Unfavorable) |
|--|-----------------|-----------------|---|---|
| Labor and fringe benefits | \$ 495 | \$ 588 | 16% | 16% |
| Purchased services and material | 379 | 401 | 5% | 5% |
| Fuel | 261 | 293 | 11% | 11% |
| Depreciation and amortization | 312 | 287 | (9%) | (9%) |
| Equipment rents | 92 | 93 | 1% | 1% |
| Casualty and other | 68 | 73 | 7% | 7% |
| Total operating expenses | \$ 1,607 | \$ 1,735 | 7% | 7% |

Continuing to deliver cost productivity and containment

(1) Please see website, Third Quarter Results, www.cn.ca/nonGAAP, for an explanation of the various non-GAAP measures.



YTD Free Cash Flow

| <i>In millions of Canadian dollars, unless otherwise indicated</i> | 2016 |
|---|-----------------|
| Net income | \$ 2,622 |
| Non-cash adjustments | 1,379 |
| Payments for income taxes | (566) |
| Other working capital items | 389 |
| Net cash provided by operating activities | 3,824 |
| Capital expenditures (net) | (2,029) |
| Other investing activities | (29) |
| Net cash used in investing activities | (2,058) |
| Net cash provided before financing activities | 1,766 |
| Change in restricted cash and cash equivalents | (23) |
| Free cash flow ⁽¹⁾ | \$ 1,743 |
| Total net indebtedness at end of period ⁽²⁾ | \$ 9,978 |
| Adjusted debt-to-adjusted EBITDA multiple ^{(1) (3) (4)} | 1.73 x |

(1) Please see website, Third Quarter Results, www.cn.ca/nonGAAP, for an explanation of the various non-GAAP measures.

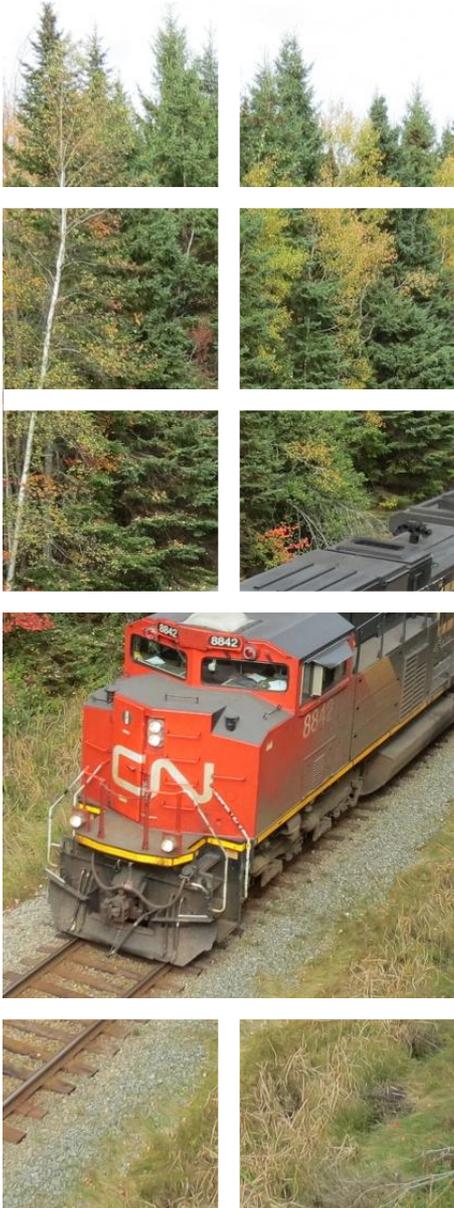
(2) Includes restricted cash and cash equivalents.

(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 September 30, 2016.



Raising CN's 2016 Financial Outlook



Now expect 2016 adjusted diluted EPS to be up approximately 1% versus 2015 adjusted diluted EPS of C\$4.44 ⁽¹⁾ ⁽²⁾

- Carloads still expected to be lower than last year in the mid-single-digit range, with overall pricing above inflation

Committed to investing in our network, our people and our processes for the long term

- Maintaining capex program at C\$2.75B ⁽²⁾

Delivering sustainable value for our shareholders

- New share buyback program (Oct 2016 to Oct 2017)
- Consistent dividend return

(1) Please see website, Third Quarter Results, www.cn.ca/nonGAAP, 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 2016 financial outlook.



Luc Jobin
President and Chief Executive Officer



Looking Ahead



- Volume environment remains sluggish, but constructive in certain markets
- Driving our agenda of operational and service excellence
- Providing quality service to our customers
- Raising our full-year guidance

Creating value for our customers and shareholders