



Fourth Quarter and Full-Year 2016
Financial Results
January 24, 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 is assuming that North American industrial production for the year will increase in the range of one to two per cent and assumes U.S. housing starts in the range of 1.25 million units and U.S. motor vehicle sales of approximately 17.5 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 for all freight categories in 2017 will increase in the range of three to four per cent versus 2016. CN expects continued pricing improvement above inflation. CN assumes that in 2017 the value of the Canadian dollar in U.S. currency will be in the range of \$0.75, and that the average price of crude oil (West Texas Intermediate) will be in the range of US\$50 to US\$60 per barrel. In 2017, CN plans to invest approximately C\$2.5 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; 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; 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/nonGAAP.

CN's full-year adjusted EPS guidance 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 guidance.



Luc Jobin
President and Chief Executive Officer



Outstanding performance in a challenging year



Strong results in Q4

- Adjusted diluted EPS of C\$1.23, up 4%
- Positive momentum on volumes with RTMs up 4%
- Solid operational performance despite more difficult winter conditions in December

Capping a solid performance in 2016

- Adjusted diluted EPS of C\$4.59, up 3%
- Significant improvements in safety
- Record operating ratio of 55.9%
- Solid free cash flow generation of C\$2.5B, up 6%



Mike Cory
Executive VP and Chief Operating Officer

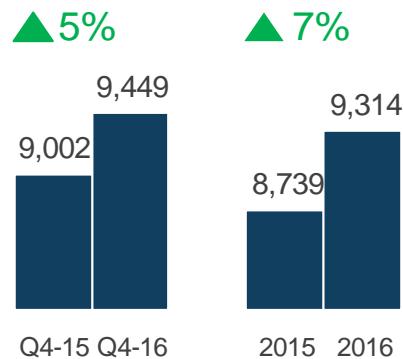




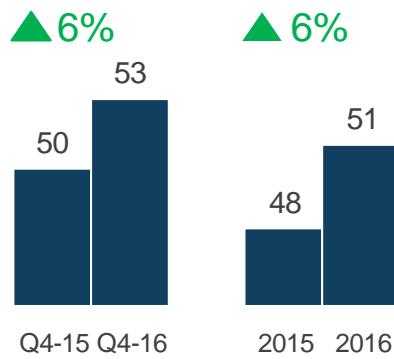
Operating Highlights

Industry-leading operating efficiencies

Train Productivity
(GTM_s per train mile)



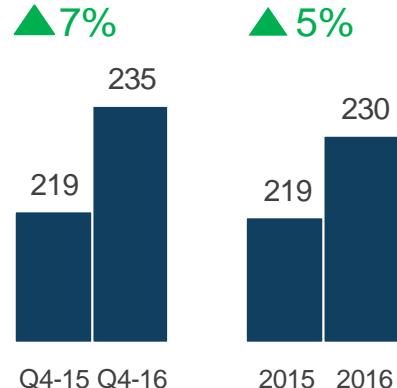
Yard Productivity
(Cars per yard switching hour)



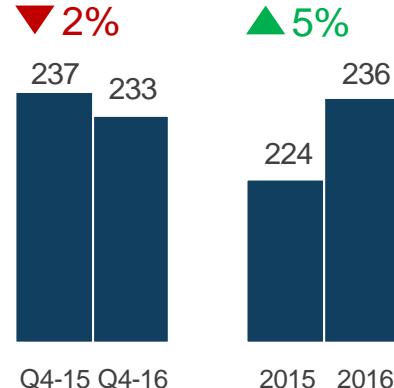
Terminal Dwell
(Entire railroad, hours)



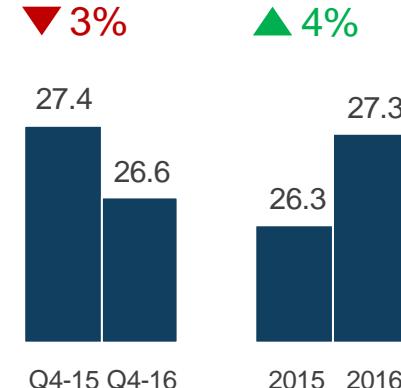
Locomotive Utilization
(Trailing GTMs per total horsepower)



Car Velocity
(Car miles per day)



Train Velocity
(mph)





JJ Ruest

Executive VP and Chief Marketing Officer





Q4 Top Line Performance

Return to volume growth with strong gains
in grain, automotive and metals & minerals

Highlights

% Change – Favorable
(Unfavorable)

Revenues 2%

Carloads 3%

\$ / Carload (2%)

RTMs 4%

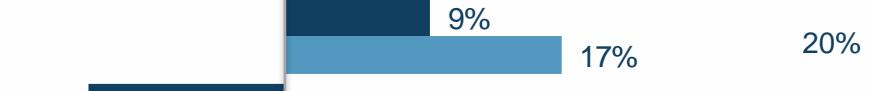
¢ / RTM (3%)

Same Store Price⁽¹⁾ 2.7%

Volumes

Bulk

Grain & Fertilizers

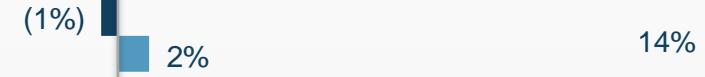


Merchandise

Petroleum & Chemicals



Forest Products



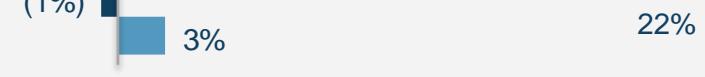
Metals & Minerals



Automotive



Intermodal



■ Carloads
■ RTMs

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

(2) Based on Q4 2016 revenue breakdown – Other revenues represent the remaining 6%.



Market Outlook

For 2017, expect RTM growth in the range of 3-4%

Intermodal

22% of revenues

- International
 - Modest improvement in global trade over last year
 - New West Coast business started Jan 1; all major contracts renewed
 - Port expansions at Vancouver and Prince Rupert expected to come online in H2
- Domestic
 - Share gain in transcontinental corridor to ramp up in Q1
 - Multiple initiatives in full swing (CargoCool, U.S. wholesale, DRP program, import transloading, etc.) to support increasing CN market position
 - Short-haul business remains challenging

Merchandise

48% of revenues

- Bullish on finished vehicle traffic
 - Driven by new business
 - CN franchise has good exposure to growth in SUV / truck sales
- Assuming steady state for U.S. housing construction at 1.25M units
- Neutral outlook to potential upside for energy-related volumes
 - Resurgence in frac sand demand due to increased drilling and high intensity fracking
 - Market for crude by rail stabilized; although outlook remains uncertain
- Improving environment for base metals and finished steel products

Bulk

24% of revenues

- Bumper grain crop in Canada and first rate service to support strong shipments in H1
- Continued strong offshore demand for U.S. grain along with new programs to barge loading points underpinning Q1 growth
- Coal drag becoming smaller
 - Continued weakness in domestic thermal coal market
 - Potential for upside from met coal mine restarts in Western Canada
 - Continued momentum in pet coke
- Positive outlook for global potash demand; continuation of Canpotex export program via Saint John, NB

Q4 2016 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 2017 financial outlook.



Ghislain Houle

Executive VP and Chief Financial Officer





Q4 Results

Strong performance despite difficult winter conditions

<i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i>	2016	2015	Change Favorable (Unfavorable)
Revenues	\$ 3,217	\$ 3,166	2%
Operating expenses	1,822	1,812	
Operating income	1,395	1,354	3%
Interest expense	(123)	(119)	
Other income	91	16	
Income before income taxes	1,363	1,251	
Income tax expense	(345)	(310)	
Net income	\$ 1,018	\$ 941	8%
Diluted EPS	\$ 1.32	\$ 1.18	12%
Adjusted diluted EPS ⁽¹⁾	\$ 1.23	\$ 1.18	4%
Weighted-average diluted number of shares (in millions)	770.1	796.3	
Operating ratio	56.6%	57.2%	0.6 pts

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



Q4 Operating Expenses

Productivity gains and tightly managing costs

<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	\$ 565	\$ 608	7%	7%
Purchased services and material	428	437	2%	2%
Fuel	312	304	(3%)	(3%)
Depreciation and amortization	310	290	(7%)	(7%)
Equipment rents	96	103	7%	7%
Casualty and other	111	70	(59%)	(57%)
Total operating expenses	\$ 1,822	\$ 1,812	(1%)	(1%)

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



Full-Year Results

Outstanding results in a challenging year

<i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i>	2016	2015	Change Favorable (Unfavorable)
Revenues	\$ 12,037	\$ 12,611	(5%)
Operating expenses	6,725	7,345	
Operating income	5,312	5,266	1%
Interest expense	(480)	(439)	
Other income	95	47	
Income before income taxes	4,927	4,874	
Income tax expense	(1,287)	(1,336)	
Net income	\$ 3,640	\$ 3,538	3%
Diluted EPS	\$ 4.67	\$ 4.39	6%
Adjusted diluted EPS ⁽¹⁾	\$ 4.59	\$ 4.44	3%
Weighted-average diluted number of shares (in millions)	779.2	805.1	
Operating ratio	55.9%	58.2%	2.3 pts

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



Full-Year Free Cash Flow

<i>In millions of Canadian dollars, unless otherwise indicated</i>	2016
Net income	\$ 3,640
Non-cash adjustments	1,853
Payments for income taxes	(653)
Other working capital items	<u>362</u>
Net cash provided by operating activities	5,202
Capital expenditures (net)	(2,695)
Major asset sales	85
Other investing activities	<u>(45)</u>
Net cash used in investing activities	(2,655)
Net cash provided before financing activities	2,547
Change in restricted cash and cash equivalents	<u>(27)</u>
Free cash flow ⁽¹⁾	\$ 2,520
 Total net indebtedness at end of period ⁽²⁾	\$ 10,265
Adjusted debt-to-adjusted EBITDA multiple ^{(1) (3) (4)}	1.75 x

(1) Please see website, *Fourth Quarter and Full-Year 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 year ended December 31, 2016.



2017 Financial Outlook

Expect to deliver earnings growth in the mid single-digit range over 2016 adjusted diluted EPS of C\$4.59⁽¹⁾⁽²⁾

- Volume growth in the range of 3-4% in terms of RTMs, with overall pricing above inflation

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

- Capital envelope of C\$2.5B, including an increase in PTC investment⁽²⁾

Delivering sustainable value for our shareholders

- Dividend increase of 10%
- New share buyback program (Oct 2016 - Oct 2017)

(1) Please see website, *Fourth Quarter and Full-Year 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 2017 financial outlook.



Luc Jobin
President and Chief Executive Officer



Looking Ahead

Creating value for our customers and shareholders



- Economic environment remains challenging, but expect to see moderate volume growth in 2017
- Maintaining strong focus on operational excellence with unwavering commitment to safety
- Continue to deliver quality service to our customers, enabling us to gain traction in certain markets
- Strong capex program with a long-term vision