



First Quarter 2018 Financial Results

April 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 is assuming 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 of approximately 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 now assumes total RTMs in 2018 will increase in the range of two to four per cent (compared to its initial assumption 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 now plans to invest approximately C\$3.4 billion in its capital program (compared to its initial plan to invest approximately C\$3.2 billion in its capital program), of which C\$1.6 billion is still 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, First 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.



JJ Ruest
Interim President and Chief Executive Officer





Highlights

Challenging quarter but improving performance metrics

Top-line drivers

- Regained momentum in March – Q1 revenues essentially flat compared to last year
- Demand environment strong for the full year

Restoring capacity and service excellence

- Significantly higher costs in Q1 driven by low network resiliency
- Network fluidity sequentially improving in March and April
- Increasing capex by C\$200M to C\$3.4B

Financial performance

- Diluted EPS of \$1.00, down 14% on a reported basis (down 13% on an adjusted basis ⁽¹⁾)
- Free cash flow generation of C\$322M ⁽¹⁾

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



Q1 Top Line Performance

Revenues were in-line with available capacity

Highlights

	% Change Favorable (Unfavorable)	% Change at constant currency ⁽¹⁾ Favorable (Unfavorable)
RTMs	(4%)	(4%)
Same Store Price ⁽²⁾	2.7%	
Revenues	flat	2%
Carloads	3%	3%

Volumes

Bulk

Grain & Fertilizers

(12%)
(12%)

Coal

Merchandise

Petroleum & Chemicals

(10%)
(3%)

Forest Products

(7%)
(9%)

Metals & Minerals

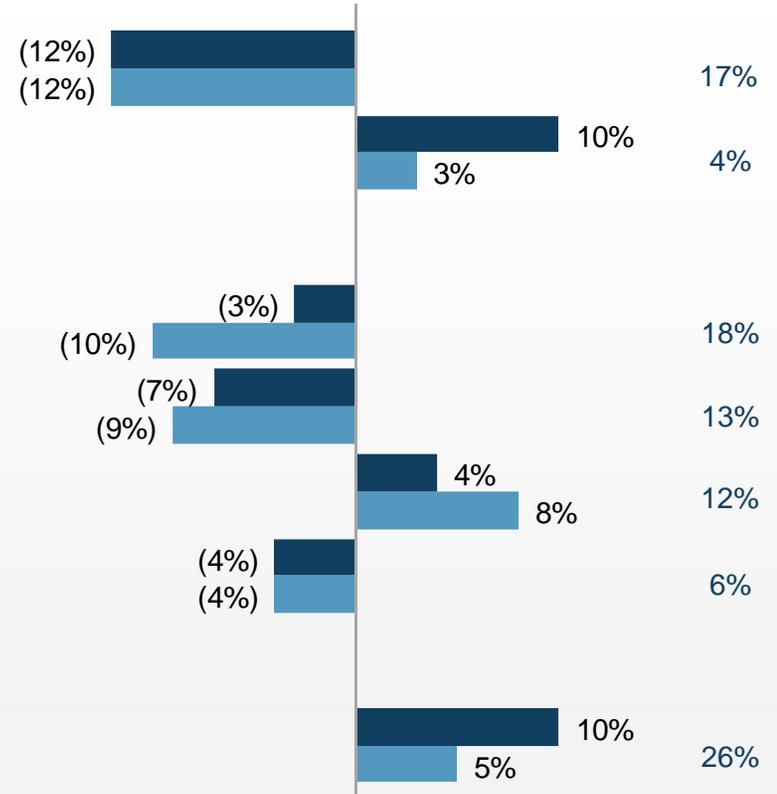
Automotive

(4%)
(4%)

Intermodal

■ Carloads
■ RTMs

% of Total Revenues ⁽³⁾



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

(2) ~75% of CN's revenues are same store.

(3) Based on Q1 2018 revenue breakdown – Other revenues represent the remaining 4%.



Market Outlook

Demand is strong for the full year

Intermodal

26% of revenues

- International
 - Canadian West Coast terminals expected to be very busy this year
 - Container port dwell times currently at normal levels
 - “THE Alliance” (Yang Ming, Hapag Lloyd and ONE) started new service at Prince Rupert in April
- Domestic
 - Service levels improving – creating incremental capacity in terminals and on trains
 - Pricing is improving

Merchandise

49% of revenues

- Strong demand for frac sand, steel and aluminum
- Working through backlog of pulp and lumber
- Incremental crude by rail volumes available
- Softer vehicle sales, but North American backlog of shippable vehicles

Bulk

21% of revenues

- Strong Canadian grain program expected in Q2 with 5,000+ cars spotted per week
- Solid outlook for coal exports via Gulf Coast and West Coast
- U.S. grain flat
- Limited visibility on Canadian potash export volumes in Q2

Percentages shown above based on Q1 2018 revenue breakdown. Other revenues represent the remaining 4%.

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.



Mike Cory
Executive VP and Chief Operating Officer



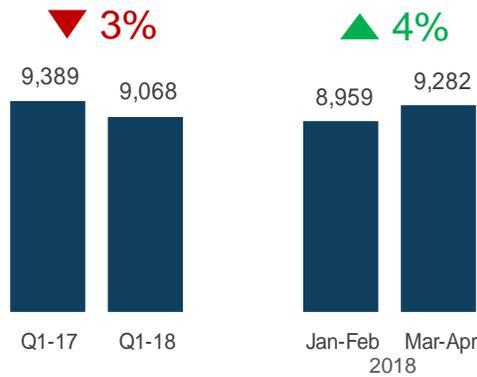


Operating Highlights

Sequential improvement since March

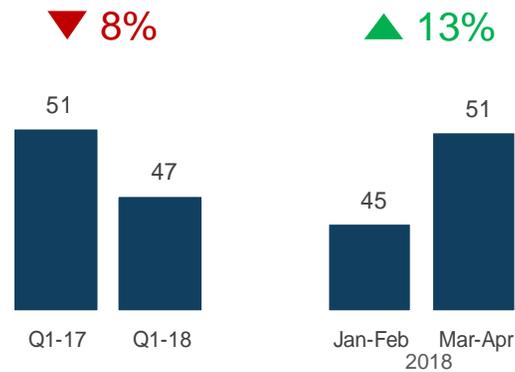
Train Productivity

(GTM per train mile)



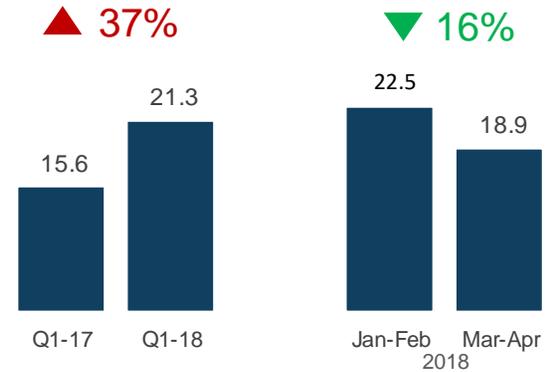
Yard Productivity

(Cars per yard switching hour)



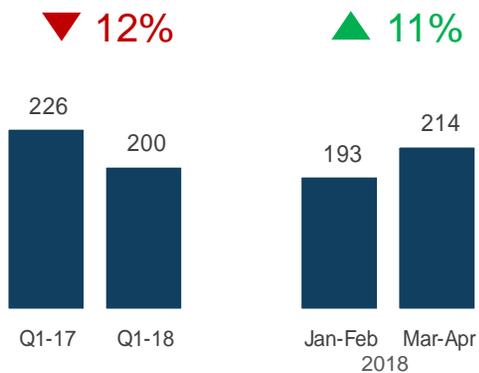
Terminal Dwell

(Entire railroad, hours)



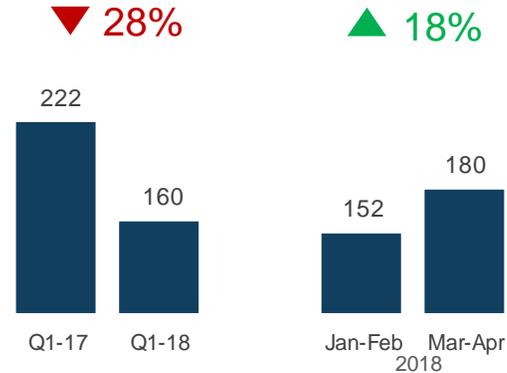
Locomotive Utilization

(Trailing GTMs per total horsepower)



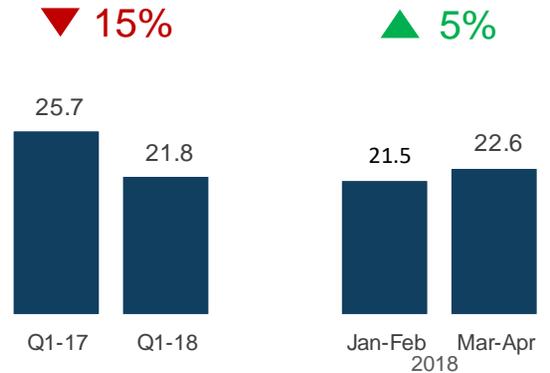
Car Velocity

(Car miles per day)



Train Velocity

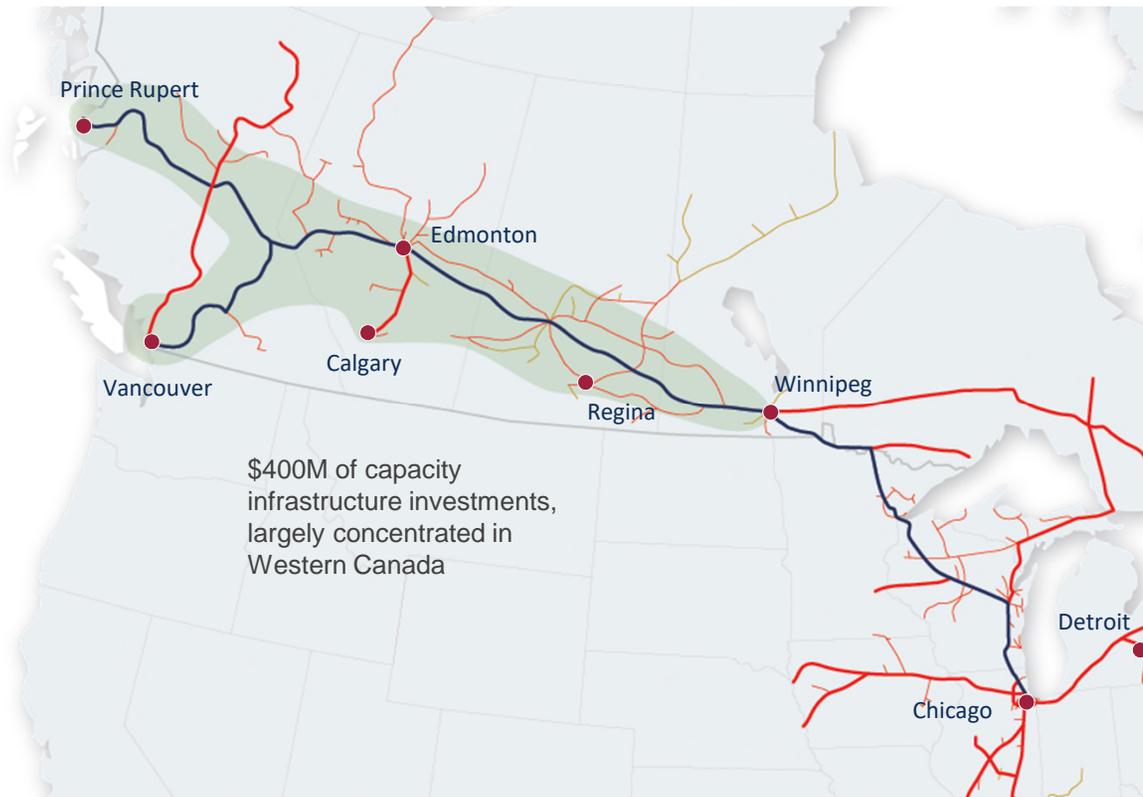
(mph)





Plan to Improve Service

Execution well underway to improve capacity and supply chain resiliency



Network – 29 major infrastructure capacity projects in 2018:

- New double track and sidings
- Various yard expansions across the network, including Edmonton and Winnipeg
- Aiming to complete all 2018 capacity investments by mid-Q4

Rolling stock:

- 130 locomotives in service under short-term leases
- 60 new GE locomotives gradually placed in service from Q3
- 350 new boxcars in 2018

Train crews:

- Base of newly qualified conductors
 - ~400 in each of Q1 and Q2
 - ~1,000 expected in H2-2018
- Tentative labour agreement with ~1,700 locomotive engineers in Canada



Ghislain Houle
Executive VP and Chief Financial Officer





Q1 Results

Reflective of challenging operating conditions

<i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i>	2018	2017	Change Favorable (Unfavorable)
Revenues	\$ 3,194	\$ 3,206	-
Operating expenses ⁽¹⁾	2,164	1,982	
Operating income ⁽¹⁾	1,030	1,224	(16%)
Interest expense	(122)	(122)	
Other components of net periodic benefit income ⁽¹⁾	77	79	
Other income	6	2	
Income before income taxes	991	1,183	
Income tax expense	(250)	(299)	
Net income	\$ 741	\$ 884	(16%)
Diluted EPS	\$ 1.00	\$ 1.16	(14%)
Adjusted diluted EPS ⁽²⁾	\$ 1.00	\$ 1.15	(13%)
Weighted-average diluted number of shares (in millions)	744.2	764.5	
Operating ratio ⁽¹⁾	67.8%	61.8%	(6.0 pts)

(1) The Company adopted Accounting Standard Update (ASU) 2017-07: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost in the first quarter of 2018 on a retrospective basis. Comparative figures have been adjusted to conform to the current presentation. The adoption of ASU 2017-07 had the effect of increasing the Company's operating ratio by 2.5% and 2.4% for the three months ended March 31, 2018 and 2017, respectively. See Note 2 - Recent accounting pronouncements to CN's 2018 unaudited interim Consolidated Financial Statements for more information.

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



Q1 Operating Expenses

Costs hampered by low network resiliency and harsh winter conditions

<i>In millions of Canadian dollars, unless otherwise indicated</i>	2018	2017	Change Favorable (Unfavorable)	Change at constant currency ⁽¹⁾ Favorable (Unfavorable)
Labor and fringe benefits ⁽²⁾	\$ 714	\$ 659	(8%)	(10%)
Purchased services and material	481	440	(9%)	(11%)
Fuel	393	342	(15%)	(20%)
Depreciation and amortization	323	323	-	(2%)
Equipment rents	113	101	(12%)	(16%)
Casualty and other	140	117	(20%)	(22%)
Total operating expenses ⁽²⁾	\$ 2,164	\$ 1,982	(9%)	(12%)

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

(2) The Company adopted ASU 2017-07: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost in the first quarter of 2018 on a retrospective basis. Comparative figures have been adjusted to conform to the current presentation. See Note 2 – Recent accounting pronouncements to CN's 2018 unaudited Interim Consolidated Financial Statements for additional information.



Free Cash Flow

Partly impacted by early cash outlays preparing for infrastructure investment projects

<i>In millions of Canadian dollars, unless otherwise indicated</i>	2018 YTD
Net income	\$ 741
Non-cash adjustments	438
Payments for income taxes	(275)
Other working capital items	(149)
Net cash provided by operating activities	755
Capital expenditures	(425)
Other investing activities	(8)
Net cash used in investing activities	(433)
Free cash flow ⁽¹⁾	\$ 322
Total net indebtedness at end of period ⁽²⁾	\$ 11,187
Adjusted debt-to-adjusted EBITDA multiple ^{(1) (3) (4) (5)}	1.97x

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

(2) Long-term debt, net of cash and cash equivalents, and restricted cash and cash equivalents.

(3) Debt is adjusted to include the present value of operating lease commitments and pension plans in deficiency.

(4) EBITDA is defined as earnings before interest, income taxes, depreciation and amortization, and is adjusted to exclude other income, other components of net periodic benefit income and operating lease expense. The adjusted debt-to-adjusted EBITDA multiple is based on adjusted EBITDA for the twelve months ended March 31, 2018.

(5) In the first quarter of 2018, the Company redefined adjusted debt and adjusted EBITDA in order to better align the Company's definition of adjusted debt-to-adjusted EBITDA multiple with similar measures used by credit rating agencies.



Revised 2018 Financial Outlook

Expect to deliver adjusted diluted EPS in the range of C\$5.10 to C\$5.25 versus 2017 adjusted diluted EPS of C\$4.99 ^{(1) (2)}

- Volume growth in the range of 2-4% in terms of RTMs
- Pricing above rail inflation and trending up

Increasing our capital envelope by C\$200M to C\$3.4B for 2018 ⁽²⁾

- Approximately C\$400M going to new track infrastructure in Western Canada to serve organic growth and improve resiliency
- Positioning for strong 2019 volume growth

(1) Please see website, First 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 2018 financial outlook.



JJ Ruest
Interim President and Chief Executive Officer





In Summary

Execute to improve network fluidity

Expect sequential and progressive improvement during Q2 and Q3

Pipeline of opportunities for 2018-19 is solid

Capacity capex plan positions CN for long-term organic growth