



Third Quarter 2018 Financial Results

October 23, 2018

TSX: CNR NYSE: CNI

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 by approximately five per cent (compared to its July 24, 2018 assumption in the range of five to seven per cent) versus 2017. CN assumes continued pricing above inflation. CN assumes that in 2018, the value of the Canadian dollar in U.S. currency will be in the range of \$0.75 to \$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\$3.5 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, Third 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

President and Chief Executive Officer

Q3 results driven by solid top-line growth



Diluted EPS Growth

▲ **21%** Reported EPS
▲ **15%** Adjusted EPS ⁽¹⁾

Revenue Growth

▲ **14%**

Same Store Price

▲ **4.5%**

Operating Ratio

59.5%

Volume Growth

▲ **4%** RTMs
▲ **3%** Carloads

YTD Free Cash Flow ⁽¹⁾

C\$ 1,881M

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

Positive outlook across our revenue pillars



Rail Centric Supply Chain Growth

- Sequential increase in Alberta crude exports to the U.S. Gulf Coast from Q1 into Q4 2018 and 2019
- Solid outlook for Prince Rupert natural resource exports
 - Two metallurgical coal mines restarted operations in October
 - One additional new thermal coal mine starting in Q1 2019
 - One new propane export terminal starting in Q2 2019
 - Ramp up of wood pellet exports for clean electricity production
- Wisconsin frac sand down to U.S. destinations; Canadian demand remains relatively stable. Kitimat liquefied natural gas (LNG) terminal investment decision is a long-term positive for CN
- Slow Canadian grain crop harvest impacted by early snow – still assuming average crop

Consumer Product Supply Chain Growth

- International intermodal continues to be driven by strong traffic into Prince Rupert and Montreal
- Taking delivery of additional domestic intermodal equipment in Q4 to increase our position in the domestic consumer economy
- Weaker North American motor vehicle sales
- Developing new supply chain services to accelerate participation in the consumer economy

 Pricing outlook remains positive, fuel surcharge program mitigates fuel inflation

Rail Centric Supply Chain Growth is comprised of the following: Petroleum and Chemicals, Metals and Minerals, Forest Products, Coal, and Grain and Fertilizers

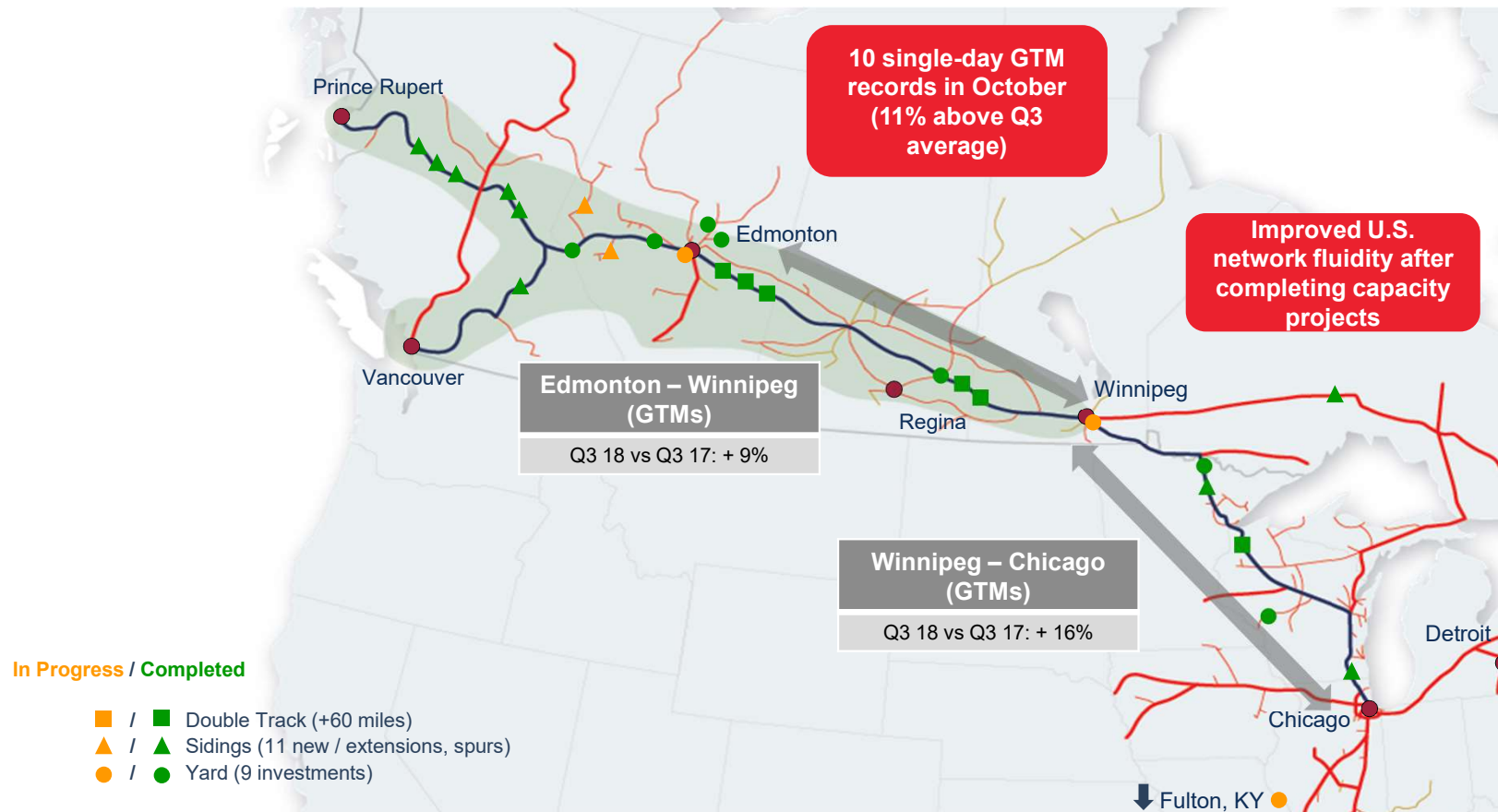
Consumer Product Supply Chain Growth is comprised of the following: Intermodal and Automotive.



Mike Cory

Executive VP and Chief Operating
Officer

22 capacity projects fully in service 5 more to complete ahead of winter



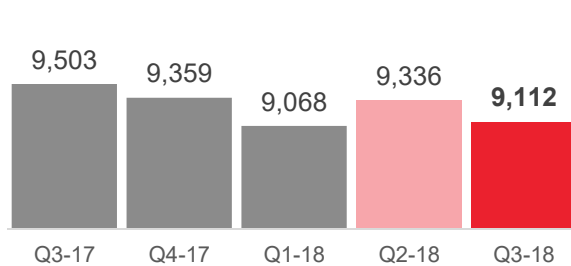
Q3 operating metrics - strong workload and intense capital projects



Train Productivity

GTMs per train mile

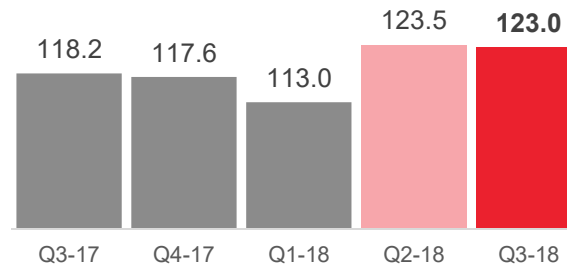
▼2%
vs Q2-18



Workload

Total GTMs, billions

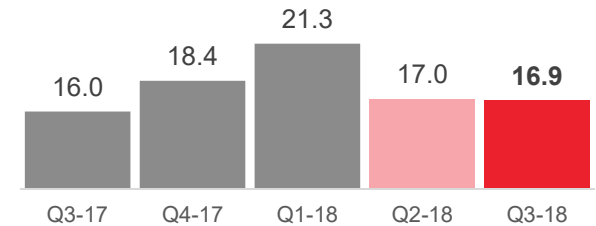
Flat
vs Q2-18



Terminal Dwell

Entire railroad, hours

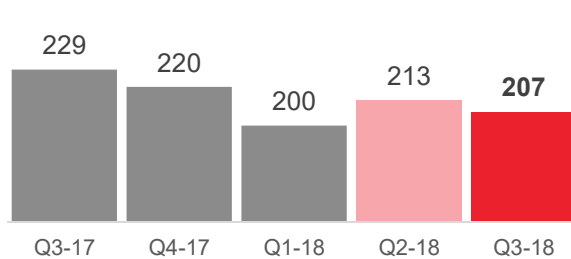
▼1%
vs Q2-18



Locomotive Utilization

Trailing GTMs per total horsepower

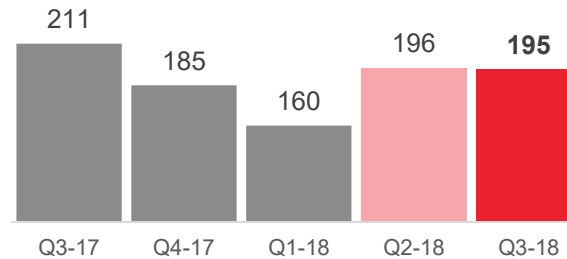
▼3%
vs Q2-18



Car Velocity

Car miles per day

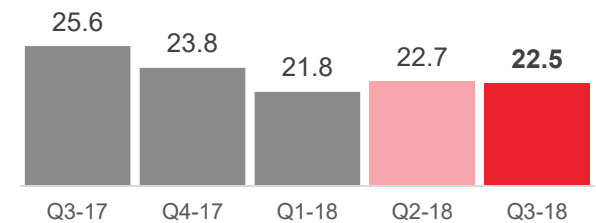
▼1%
vs Q2-18



Train Velocity

miles per hour

▼1%
vs Q2-18





Ghislain Houle

Executive VP and Chief Financial
Officer

Q3 earnings growth driven by record revenues



<i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i>	2018	2017	Change Favorable (Unfavorable)
Revenues	\$ 3,688	\$ 3,221	14%
Operating expenses ⁽¹⁾	2,196	1,842	
Operating income ⁽¹⁾	1,492	1,379	8%
Interest expense	(121)	(119)	
Other components of net periodic benefit income ⁽¹⁾	76	80	
Other income	48	5	
Income before income taxes	1,495	1,345	
Income tax expense	(361)	(387)	
Net income	\$ 1,134	\$ 958	18%
Diluted EPS	\$ 1.54	\$ 1.27	21%
Adjusted diluted EPS ⁽²⁾	\$ 1.50	\$ 1.31	15%
Weighted-average diluted number of shares (in millions)	736.2	755.0	
Operating ratio ⁽¹⁾	59.5%	57.2%	(2.3 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 2.0 percentage points and 2.5 percentage points for the three months ended September 30, 2018 and 2017, respectively. See Note 2 - Recent accounting pronouncements to CN's 2018 unaudited interim Consolidated Financial Statements for additional information.

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

Q3 operating expenses increased with higher fuel and labor costs



<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⁾	\$ 707	\$ 605	(17%)	(15%)
Purchased services and material	485	424	(14%)	(12%)
Fuel	437	312	(40%)	(35%)
Depreciation and amortization	330	316	(4%)	(3%)
Equipment rents	127	107	(19%)	(14%)
Casualty and other	110	78	(41%)	(37%)
Total operating expenses ⁽²⁾	\$ 2,196	\$ 1,842	(19%)	(16%)

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

(2) 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 2.0 percentage points and 2.5 percentage points for the three months ended September 30, 2018 and 2017, respectively. See Note 2 - Recent accounting pronouncements to CN's 2018 unaudited interim Consolidated Financial Statements for additional information.

YTD free cash flow reflects 2018 capacity investments



<i>In millions of Canadian dollars, unless otherwise indicated</i>	2018 YTD
Net income	\$ 3,185
Non-cash adjustments	1,125
Payments for income taxes	(669)
Other working capital items	360
Net cash provided by operating activities	4,001
Capital expenditures (net)	(2,267)
Proceeds on sale of property	194
Other investing activities	(47)
Net cash used in investing activities	(2,120)
Free cash flow ⁽¹⁾	\$ 1,881
Total net indebtedness at end of period ⁽²⁾	\$11,085
Adjusted debt-to-adjusted EBITDA multiple ⁽¹⁾	1.90x

(1) Please see website, Third 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

Reaffirming 2018 Financial Outlook

- Expect to deliver adjusted diluted EPS in the range of C\$5.30 to C\$5.45 versus 2017 adjusted diluted EPS of C\$4.99 ⁽¹⁾ ⁽²⁾ based on:
 - Volume growth now expected to be approximately 5% in terms of RTMs
 - Overall pricing above inflation
 - Canadian to US dollar exchange rate in the range of 75 to 80 cents
- Capital envelope remains at C\$3.5B for 2018 ⁽²⁾
- Implementing a 3-month normal course issuer bid (NCIB) for repurchase of up to 5.5 million common shares
 - Aligns financial planning process with other capital allocation decisions announced annually in January

(1) Please see website, Third 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 and underlying CN's 2018 financial outlook.





JJ Ruest

President and Chief Executive Officer

Well-positioned to deliver solid results going forward



- 2018 capacity additions substantially advanced (22 of 27 projects)
- Prince Rupert Pacific gateway natural resource exports and Alberta crude exports are poised to grow
- Completing CN's winter plan preparation
- Hiring of labor normalizing; review of management efficiency and talent underway
- Progressing agenda of technology deployment in the field, mechanical function transformation, and development of new supply chain services to leverage a unique rail network for the consumer economy



ONE TEAM of railroaders energized and engaged