



Second Quarter 2021 Financial and Operating Results

July 20, 2021

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, including statements based on management’s assessment and assumptions and publicly available information with respect to CN and KCS, regarding the proposed transaction between CN and KCS, the expected benefits of the proposed transaction and future opportunities for the combined company. By their nature, forward-looking statements involve risks, uncertainties and assumptions. CN 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.

2021 Key Assumptions

CN has made a number of economic and market assumptions in preparing its 2021 outlook. The Company assumes that North American industrial production for the year will increase in the high single-digit range, and assumes U.S. housing starts of approximately 1.45 million units and U.S. motor vehicle sales of approximately 16 million units. For the 2020/2021 crop year, the grain crop in Canada was above its three-year average and the U.S. grain crop was in line with its three-year average. The Company assumes that the 2021/2022 grain crops in both Canada and the U.S. will be in line with their respective three-year averages. CN assumes total RTMs in 2021 will increase in the high single-digit range versus 2020. CN assumes continued pricing above rail inflation. CN assumes that in 2021, the value of the Canadian dollar in U.S. currency will be approximately \$0.80, and that in 2021 the average price of crude oil (West Texas Intermediate) will be approximately US\$60 per barrel. In 2021, CN plans to invest approximately C\$3.0 billion in its capital program, of which C\$1.6 billion is targeted toward track and railway infrastructure maintenance.

Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors which may cause actual results, performance or achievements of CN, or the combined company, to be materially different from the outlook or any future results, performance or achievements 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 in this presentation include, but are not limited to: the outcome of the proposed transaction between CN and KCS; the parties’ ability to consummate the proposed transaction; the conditions to the completion of the proposed transaction; that the regulatory approvals required for the proposed transaction may not be obtained on the terms expected or on the anticipated schedule or at all; CN’s indebtedness, including the substantial indebtedness CN expects to incur and assume in connection with the proposed transaction and the need to generate sufficient cash flows to service and repay such debt; CN’s ability to meet expectations regarding the timing, completion and accounting and tax treatments of the proposed transaction; the possibility that CN may be unable to achieve expected synergies and operating efficiencies within the expected time-frames or at all and to successfully integrate KCS’ operations with those of CN; that such integration may be more difficult, time-consuming or costly than expected; that operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers or suppliers) may be greater than expected following the proposed transaction or the public announcement of the proposed transaction; the retention of certain key employees of KCS may be difficult; the duration and effects of the COVID-19 pandemic, general economic and business conditions, particularly in the context of the COVID-19 pandemic; 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; the adverse impact of any termination or revocation by the Mexican government of KCS de México, S.A. de C.V.’s Concession; 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 illegal blockades of rail networks, and 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 also 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 relating to CN.

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, Second Quarter Results at www.cn.ca/financial-results.

This presentation also includes certain forward looking non-GAAP measures (Adjusted Diluted EPS, Adjusted EBITDA). It is not practicable to reconcile, without unreasonable efforts, these forward-looking measures to the most comparable GAAP measures (diluted EPS and Net income), due to unknown variables and uncertainty related to future results. Please see note on Forward Looking Statements above for further discussion.

All amounts in this presentation are expressed in Canadian dollars, unless otherwise noted.

No Offer or Solicitation

This presentation does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Additional Information and Where to Find It

In connection with the proposed transaction, CN has filed with the U.S. Securities and Exchange Commission ("SEC") a registration statement on Form F-4 to register the shares to be issued in connection with the proposed transaction, and the registration statement has been declared effective. CN has filed with the SEC its prospectus and KCS has filed with the SEC its definitive proxy statement in connection with the proposed transaction, and the KCS proxy statement is being sent to the stockholders of KCS seeking their approval of the merger-related proposals. This presentation is not a substitute for the registration statement, the prospectus, the proxy statement or other documents CN and/or KCS may file with the SEC or applicable securities regulators in Canada in connection with the proposed transaction.

INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT, THE PROSPECTUS, THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC OR APPLICABLE SECURITIES REGULATORS IN CANADA CAREFULLY IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE (INCLUDING ALL AMENDMENTS AND SUPPLEMENTS THERETO) BECAUSE THEY CONTAIN AND WILL CONTAIN IMPORTANT INFORMATION ABOUT CN, KCS AND THE PROPOSED TRANSACTION. Investors and security holders may obtain copies of these documents (if and when available) and other documents filed with the SEC and applicable securities regulators in Canada by CN free of charge through at www.sec.gov and www.sedar.com. Copies of the documents filed by CN (if and when available) will also be made available free of charge by accessing CN's website at www.cn.ca. Copies of the documents filed by KCS (if and when available) will also be made available free of charge at www.investors.kcsouthern.com, upon written request delivered to KCS at 427 West 12th Street, Kansas City, Missouri 64105, Attention: Corporate Secretary, or by calling KCS' Corporate Secretary's Office by telephone at 1-888-800-3690 or by email at corpsec@kcsouthern.com.

Participants

This presentation is neither a solicitation of a proxy nor a substitute for any proxy statement or other filings that may be made with the SEC and applicable securities regulators in Canada. Nonetheless, CN and its directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information about CN's executive officers and directors is available in its 2021 Management Information Circular, dated March 9, 2021, as well as its 2020 Annual Report on Form 40-F filed with the SEC on February 1, 2021, in each case available on its website at www.cn.ca/investors/ and at www.sec.gov and www.sedar.com. Additional information regarding the interests of such potential participants will be included in one or more registration statements, proxy statements, tender offer statements or other documents filed with the SEC and applicable securities regulators in Canada if and when they become available. These documents (if and when available) may be obtained free of charge from the SEC's website at www.sec.gov and www.sedar.com, as applicable.

On the call today



JJ Ruest	President and CEO
Rob Reilly	Executive VP and Chief Operating Officer
Ghislain Houle	Executive VP and Chief Financial Officer
Sean Finn	Executive VP, Corporate Services and Chief Legal Officer
Keith Reardon	Senior VP, Consumer Product Supply Chain
James Cairns	Senior VP, Rail Centric Supply Chain



JJ Ruest

President and Chief Executive Officer





Q2 highlights – broad economic recovery and solid operating performance

Diluted EPS

Reported	Adjusted ⁽¹⁾
\$1.46	\$1.49
 90%	 16%


Operating Income

\$1,382M

 76%	 9%
Reported	Adjusted ⁽¹⁾


YTD Free Cash Flow ⁽¹⁾

\$1,280M

 **19%**


Revenues

\$3.6B



 **12%**

RTMs

59.2B

 **13%**

Safety ⁽²⁾

Injury Frequency Ratio ⁽³⁾	Accident Rate ⁽⁴⁾
0.95	1.79
 31%	 16%

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

(2) Based on Federal Railroad Administration (FRA) reporting criteria.

(3) Injury frequency rate per 200,000 person hours

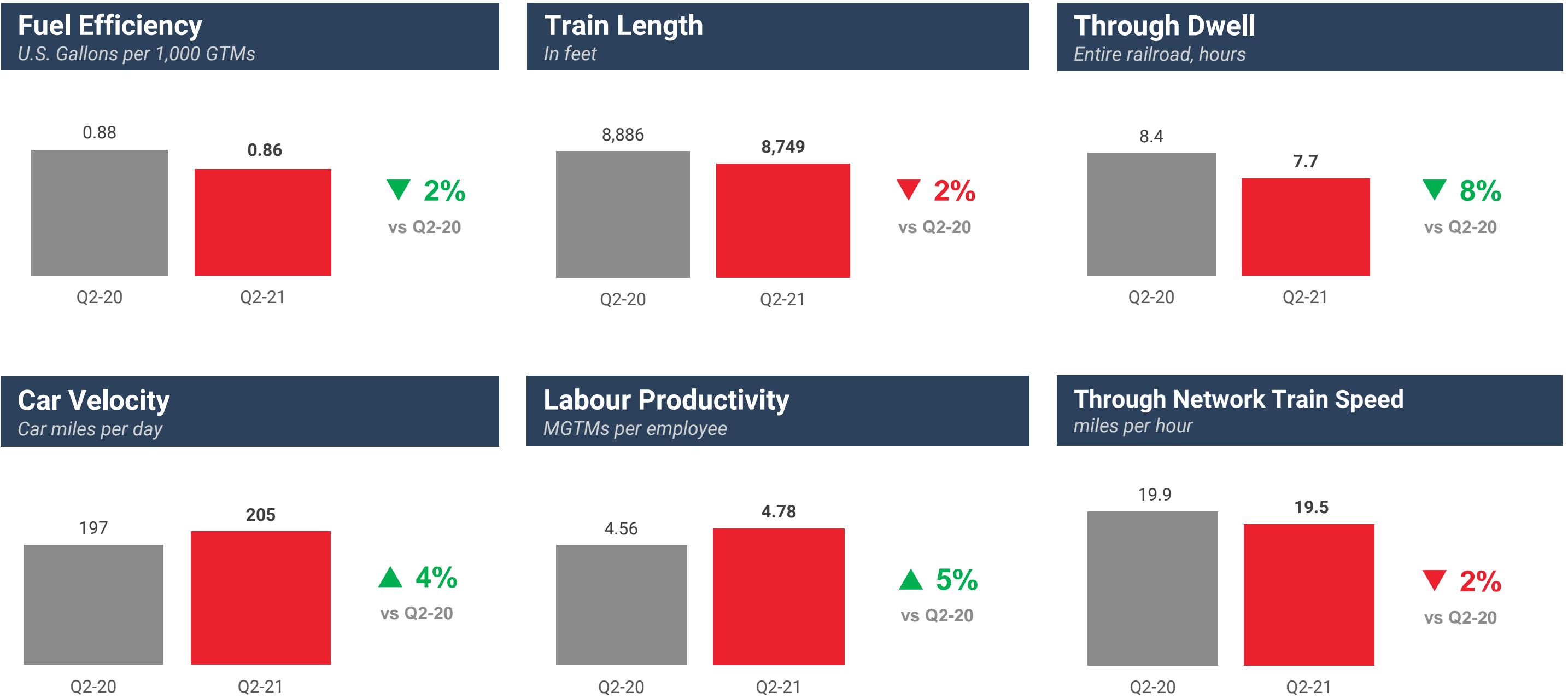
(4) Accident rate per million train miles

Rob Reilly

Executive VP and Chief Operating Officer



Fluid network to meet the demand of the North American economy





James Cairns

Senior VP, Rail Centric Supply Chain

Keith Reardon

Senior VP, Consumer Product Supply Chain

More balanced growth as North American economy rebounds

Continued progress on yield management



Rail Centric Supply Chain

Merchandise

- Strong renovation sector and housing market promoting continued strong lumber and panels traffic
- Continued ramp-up of second propane export terminal in Prince Rupert
- New iron ore pellet export program via U.S. Gulf Coast
- Improving expectations for refined petroleum products as travel patterns resume
- Clean energy segments, including wood pellets and ethanol, growing faster than broader CN volumes

Bulk

- Strong Canadian coal shipments with new Teck business, as well as U.S. exports via the Gulf
- U.S. grain shipments facing tougher comps in H2
- Strong global and domestic demand driving record H1 potash shipments

Consumer Product Supply Chain

International intermodal

- U.S. West Coast congestion driving incremental volumes through Canadian gateways
- Continue to see strong volumes at the Port of Halifax
- Converting on new products, new relationships and new gateways to enable global trade

Domestic intermodal

- Strong momentum from consumer demand and e-commerce spending as economy broadly rebounds

Automotive

- Global chip shortage continues to weigh on auto production, amid strong consumer demand

Rail Centric Supply Chain is comprised of: Petroleum and Chemicals, Metals and Minerals, Forest Products, Coal, and Grain and Fertilizers. Consumer Product Supply Chain is comprised of: Intermodal and Automotive.

Please see Forward-Looking Statements at the beginning of the presentation.



Ghislain Houle

Executive VP and Chief Financial Officer

Strong underlying performance in Q2



<i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i>				Change
	2021	2020	Favorable (Unfavorable)	
Revenues	\$ 3,598	\$ 3,209		12%
Operating expenses	2,216	2,424		
Operating income	1,382	785		76%
Interest expense	(158)	(144)		
Other components of net periodic benefit income	96	80		
Other income (loss)	51	(4)		
Income before income taxes	1,371	717		
Income tax expense	(337)	(172)		
Net income	\$ 1,034	\$ 545		90%
Adjusted net income ⁽¹⁾	\$ 1,058	\$ 908		17%
Diluted EPS	\$ 1.46	\$ 0.77		90%
Adjusted diluted EPS ⁽¹⁾	\$ 1.49	\$ 1.28		16%
Weighted-average number of diluted shares (in millions)	710.6	712.2		
Operating ratio	61.6%	75.5%		13.9 pts
Adjusted operating ratio ⁽¹⁾	61.6%	60.4%		(1.2) pts

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

Q2 operating expenses – driving productivity with higher volumes



Average headcount up 9% vs GTMs up 14%

<i>In millions of Canadian dollars, unless otherwise indicated</i>	2021	2020	Change Favorable (Unfavorable)	Change at constant currency ⁽¹⁾ Favorable (Unfavorable)	
Labor and fringe benefits	\$ 692	\$ 563	(23%)	(28%)	Higher incentive compensation and average headcount, as well as general wage inflation
Purchased services and material	527	518	(2%)	(7%)	Higher outsourced services and increased repairs, maintenance and materials expense
Fuel	380	227	(67%)	(86%)	Higher fuel prices and traffic volumes, partly offset by 2% improvement in fuel efficiency
Depreciation and amortization	406	404	-	(5%)	Higher depreciable asset base
Equipment rents	83	107	22%	14%	Lower leased rail car costs
Casualty and other	128	119	(8%)	(18%)	Higher insurance premiums
Loss on assets held for sale	-	486	N/A	N/A	Q2-2020 decision to market for sale certain non-core lines for on-going rail operations in Wisconsin, Michigan and Ontario
Total operating expenses	\$ 2,216	\$ 2,424	9%	3%	

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

Free Cash Flow of close to \$1.3B YTD

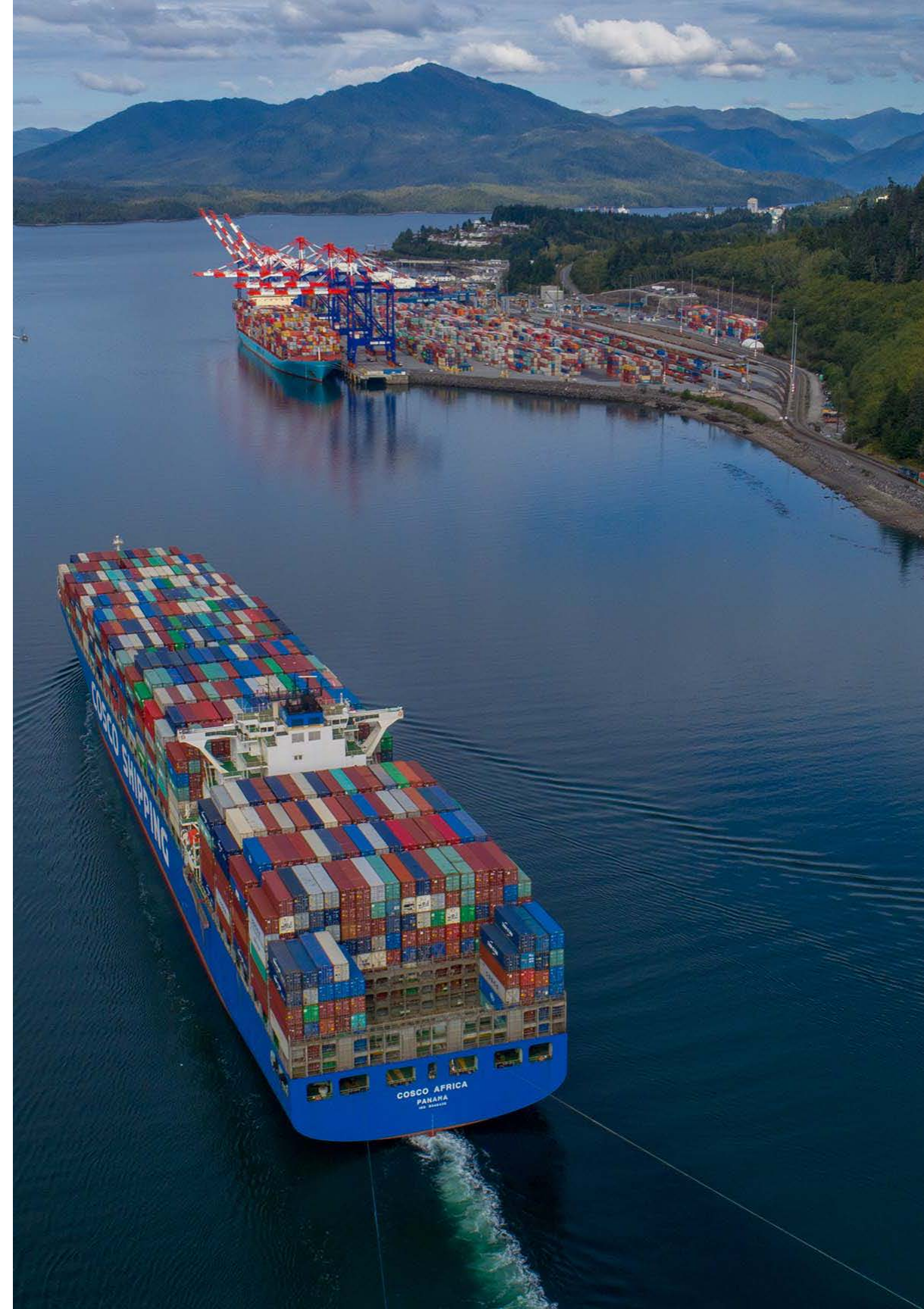
In millions of Canadian dollars, unless otherwise indicated

	YTD 2021
Net income	\$ 2,008
Non-cash adjustments	954
Income tax payments	(381)
Working capital items and other	(154)
Net cash provided by operating activities	2,427
Property additions	(1,141)
Pending acquisition ⁽¹⁾	(908)
Other investing activities, net	(6)
Net cash used in investing activities	(2,055)
Adjustment: Pending acquisition ⁽¹⁾	908
Free cash flow ⁽²⁾	\$ 1,280
Total net indebtedness at end of period ⁽³⁾	\$ 12,625
Adjusted debt-to-adjusted EBITDA multiple ⁽²⁾	2.07x

(1) Relates to an advance to KCS and other transaction costs paid. See Note 3 - Pending KCS acquisition to CN's unaudited Interim Consolidated Financial Statements for additional information.

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

(3) Long-term debt, including current portion, net of cash and cash equivalents, and restricted cash and cash equivalents.



Reaffirming 2021 financial outlook⁽¹⁾

- Targeting double-digit adjusted diluted EPS growth versus 2020 adjusted diluted EPS of \$5.31⁽²⁾ based on:
 - High single-digit volume growth in terms of RTMs
 - Overall pricing above rail inflation at a minimum
 - Canadian to U.S. dollar exchange rate of approximately 80 cents vs 75 cents in 2020 (negatively impacting EPS in the range of 20-25 cents)
- Capital envelope in 2021 of approximately \$3.0B
- Targeting Free Cash Flow in the range of \$3.0 - \$3.3B⁽²⁾

(1) Please see Forward-Looking Statements at the beginning of the presentation for a summary of key assumptions and important risk factors underlying CN's 2021 financial outlook.

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



JJ Ruest

President and Chief Executive Officer

CN



CN-KCS: Safer. Faster. Cleaner. Stronger.

A fully end-to-end merger



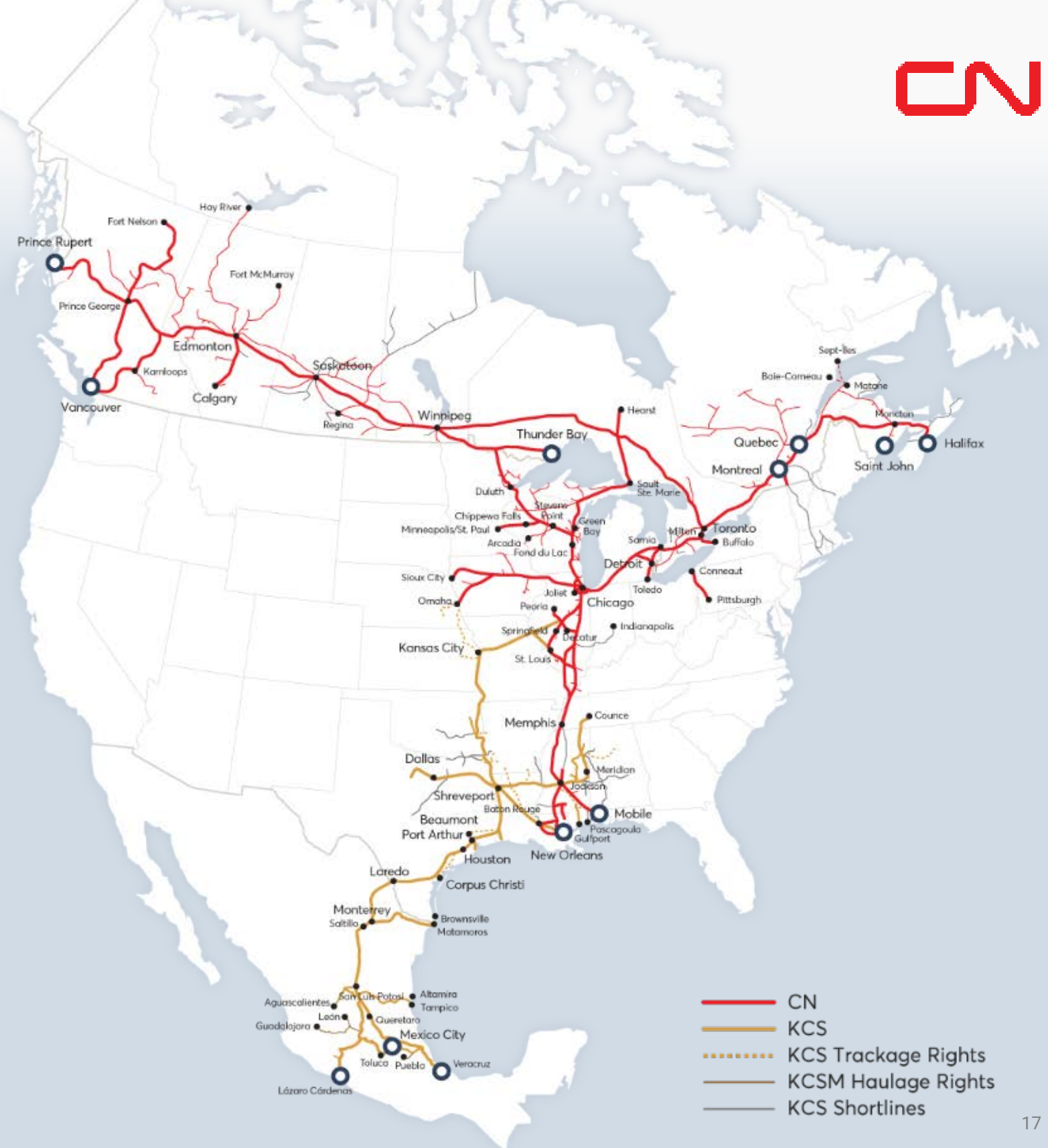
✓ Preserve all existing gateways & create new single-line routes

✓ Specific supply chain benefits

✓ Significant environmental benefits

✓ Support across broad stakeholder network

✓ We are committed to work with the STB to address any demonstrated concerns



CN and KCS combination is pro-competitive and will benefit all stakeholders



- **Pro-competitive deal** will deliver more choices to customers through the creation of new, single line service options, including direct and efficient rail options for truck freight between the U.S., Canada and Mexico
- Keeping **gateways open on commercially reasonable terms** is a major commitment that will ensure continued competition
- End-to-end merger seeks to create **greater price transparency**
- **Proactive partnerships** with passenger rail service in both Canada and the U.S.
- We are confident that **voting trust meets STB insulation from control and public interest requirements**
- Combination creates compelling opportunity – targeting **US\$1B EBITDA synergies, primarily from growth**
- There is **widespread support for the merger**, with over 1,750 letters of support filed with the STB

CN-KCS will create a more competitive marketplace, provide new options for customers, and deliver compelling benefits for ports, employees and communities

Overwhelming support from our customers and communities



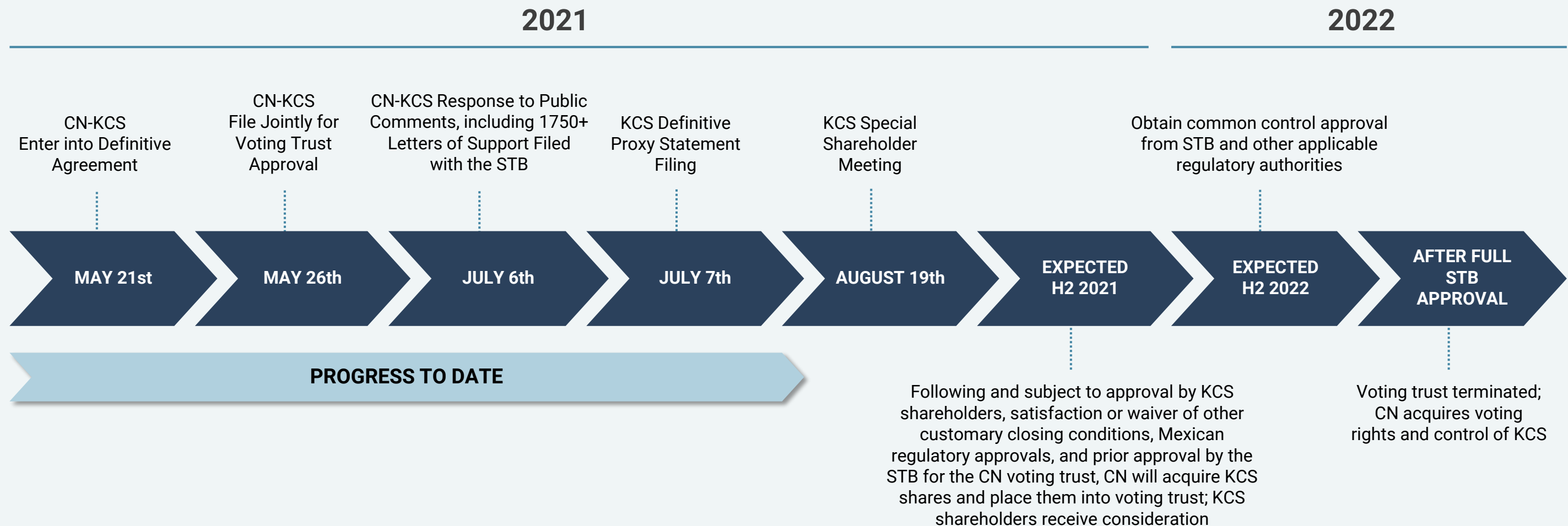
Outpouring of Support from our Customers, Communities, and Industry Experts

- ✓ At end of comment period, over 1,750 letters of support have been filed with the STB, including more than 1,000 specifically requesting approval of the proposed voting trust
- ✓ Support for voting trust and pro-competitive combination from more than 30 elected officials, including Congressmen Sam Graves and Bennie Thompson
- ✓ Former STB Commissioner and Vice-Chairman William Clyburn, Jr. wrote in a Railway Age op-ed dated June 10 that he believes the CN voting trust addresses “unlawful control” and the “public interest” standard under the new rules, and that as such, the voting trust should be approved
- ✓ Overwhelming support from our shareholders including public statements by Cascade Investment and CDPQ

Commentary from Dr. William Huneke on CN’s open gateways commitment *Former Director of the Office of Economics and Chief Economist at STB*

- “This commitment ensures that shippers who today enjoy competitive joint line routings with either CN or KCS will continue to have those routings available to them in a post CN/KCS merger environment, even if a merged CN/KCS could handle the entire movement via a single-line routing.”
- “This means continued competition, and we know that competition encourages lower rates, better service and innovation.”
- “The commitment is not just about maintaining physical routings, but also about ensuring that the routings are commercially reasonable to the shipper. What is meant by ‘open on commercially reasonable terms’? This means all market participants, railroads and shippers will benefit: They will get a fair chance to compete. They will pay and receive remunerative rates and get efficient service. If a shipper is not happy with their service, they can switch to another carrier because they will still have a choice.”
- “A CN/KCS combination will create a strong new rail-to-rail competitor that will provide new single-line rail movements in competition with other rail carriers. In addition, with the gateway commitment, shippers will also have the option to use an existing routing or other routings involving more than just the merged CN/KCS.”

Path to completion – expected second-half of 2022



With 1,750+ statements of support received, customers across all industries will benefit from the end-to-end CN-KCS combination that will expand North American trade and power economic prosperity. Unprecedented pro-competitive commitments will enhance route choice and provide all market participants, railroads and shippers a fair chance to compete. For more information on the transaction and the benefits it is expected to bring to the full range of stakeholders, visit ConnectedContinent.com

Concluding thoughts



✓ **The CN-KCS combination is pro-competitive and will yield significant public benefits**

- We will increase customer options and keep all existing major gateways (existing options) available
- We will enhance rail-to-rail competition with larger Class I's
- We are a true “end-to-end” merger with our commitment to divest the sole overlapping line resulting in zero overlap
- We benefit both the global environment and local communities by converting truck traffic to rail

✓ **The joint CN-KCS filing to the STB on July 6 demonstrates that our proposed voting trust satisfies the STB's test**

1. It precludes premature control of KCS during the trust period; and
2. Approval of the proposed voting trust is in the public interest and causes no harms

✓ **CN and KCS respectfully look forward to a positive response from the STB on our voting trust and are fully committed to working towards a successful closing of our transaction**

- Highly strategic combination that will create value for both CN and KCS shareholders

CN-KCS clearly and significantly enhances competition – now awaits final ruling on voting trust