Building for the Future in Intermodal

CN Intermodal Facility Tour
June 18-19, 2015
Toronto and Brampton, ON
Building for the Future in Intermodal

JJ Ruest
Executive Vice President and Chief Marketing Officer
We’re Starting with a Great and Diversified Franchise

- Unique 3-coast access
- Permanent Chicago advantage
- The very best coverage of the Midwest and mid-continent

### Diversified Customer Base

<table>
<thead>
<tr>
<th>Customer Base</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Merchandise Company</td>
<td>3%</td>
</tr>
<tr>
<td>2. Grain Company</td>
<td>2%</td>
</tr>
<tr>
<td>3. Steamship line Company</td>
<td>2%</td>
</tr>
<tr>
<td>4. Grain Company</td>
<td>2%</td>
</tr>
<tr>
<td>5. Grain Company</td>
<td>2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Segment</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 5 customers</td>
<td>12%</td>
</tr>
<tr>
<td>Top 25 customers</td>
<td>35%</td>
</tr>
<tr>
<td>Top 50 customers</td>
<td>50%</td>
</tr>
<tr>
<td>Top 100 customers</td>
<td>70%</td>
</tr>
</tbody>
</table>

### Diversified Geo Economics

<table>
<thead>
<tr>
<th>Geo Economics</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transborder</td>
<td>33%</td>
</tr>
<tr>
<td>Global Trade – West Coast</td>
<td>24%</td>
</tr>
<tr>
<td>Domestic Canada</td>
<td>19%</td>
</tr>
<tr>
<td>Domestic U.S.</td>
<td>17%</td>
</tr>
<tr>
<td>Global Trade – Gulf Coast</td>
<td>4%</td>
</tr>
<tr>
<td>Global Trade – East Coast</td>
<td>3%</td>
</tr>
</tbody>
</table>

### Diversified Product Line

<table>
<thead>
<tr>
<th>Product Line</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise – Railway cars</td>
<td>33%</td>
</tr>
<tr>
<td>Merchandise – Private cars</td>
<td>31%</td>
</tr>
<tr>
<td>International Intermodal</td>
<td>14%</td>
</tr>
<tr>
<td>Unit train service</td>
<td>13%</td>
</tr>
<tr>
<td>Domestic Intermodal</td>
<td>9%</td>
</tr>
</tbody>
</table>

### Diversified End Markets

<table>
<thead>
<tr>
<th>End Market</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Intermodal</td>
<td>14%</td>
</tr>
<tr>
<td>Domestic Intermodal</td>
<td>9%</td>
</tr>
<tr>
<td>Petroleum (including crude)</td>
<td>11%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>8%</td>
</tr>
<tr>
<td>Grain</td>
<td>13%</td>
</tr>
<tr>
<td>Fertilizers</td>
<td>3%</td>
</tr>
<tr>
<td>Lumber and Panels</td>
<td>6%</td>
</tr>
<tr>
<td>Pulp and Paper</td>
<td>7%</td>
</tr>
<tr>
<td>Metals</td>
<td>6%</td>
</tr>
<tr>
<td>Minerals (including frac sand)</td>
<td>6%</td>
</tr>
<tr>
<td>Coal (Canada and U.S.)</td>
<td>6%</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>6%</td>
</tr>
<tr>
<td>Automotive</td>
<td>5%</td>
</tr>
</tbody>
</table>

Based on 2014 revenues
We’re Redefining Service

- Building on our momentum
- Collaborative, transparent, data-driven process
- Joint marketing with partners and customers
- Differentiated competitive advantage
- Enabling profitable top-line growth
We’re Innovating in Intermodal

HIGHWAY TO RAIL CONVERSION

- New 3rd morning transcontinental service: Toronto → Calgary (in service)
- New 4th morning transcontinental service: Toronto → Vancouver (in service)
- New Canada → U.S. continental service: collaboration with J.B. Hunt
- Additional cold supply chain capacity for domestic and international (in service Q4)

PRE-MARKET PORT EXPANSIONS

- 500K TEUs at Rupert: for Midwest and Eastern Canada (in service Q2 2017)
- 650K TEUs at Vancouver: for Midwest and Eastern Canada (expected H2 2017)

NEW GULF COAST GATEWAY TO SERVE MID-CONTINENT MARKETS
(From Asia and South America)

- Leveraging Panama canal expansion (expected mid 2016)
- Port of Mobile/APM Terminals - New intermodal near-dock rail investment of US$32M (in service spring 2016)
- Port of New Orleans – Planned intermodal on-dock rail expansion project of US$24M (in service February 2016)
- MOU in place with both ports to bolster productivity and geographic reach
We’re Delivering on our Intermodal Growth Agenda

CN Intermodal Volumes vs Economy and Industry

(Index \(2009=100\))

A strong track record of outpacing the economy and our industry
Our CN Supply Chain Enablers

Keith Reardon  
VP International  
Sales, Marketing & Operations

Peter Ladouceur  
AVP International Intermodal

Dan Bresolin  
Director of Marketing  
International Intermodal

Vee Kachroo  
VP Supply Chain Solutions

Sean Goff  
General Manager  
Asia, Shanghai

Clarke Trolley  
GM Intermodal Operations

Mark Lerner  
AVP Domestic Intermodal & GM CNTL Trucking

Andrew Fuller  
Director of Marketing  
Domestic Intermodal

Girish Nair  
Manager Cold Supply Chain

Tim Roulston  
Director of Sales  
Wholesale Intermodal
Diversified Intermodal Franchise

- 24 trains per day
- 6,000 containers per day
- 21 terminals
- 5 major gateway ports

Intermodal revenue breakdown
- International: 62%
- Domestic: 38%

Intermodal average length of haul (miles)
- International: 1,900 miles
- Domestic: 1,600 miles

Based on 2014 revenues
Taking an End-to-End Supply Chain Approach

Evolving from railroad thinking…

- Rail origin
- Rail destination

…to Supply Chain thinking

- True origin
- True destination

Export loads
Round-trip
Domestic repositioning program
Focusing on the Customer 24/7

Logistics Management Team

Retail

• Dedicated CN trucking to handle first and last mile
• Dedicated customer service representatives
• Proactive management of customer traffic

International

• Comprehensive management of overseas shipping line containers in North America
• Tailored reporting and tracking
• Equipment and export management services
• Specialized reefer and automotive programs for just-in-time service

Asset Owners

• Fleet based intermodal carriers utilizing CN services
• Dedicated CN customer service reps to manage movements across North America
• Exception management and proactive recovery of on line traffic 24/7
• Carriers provided with CN assets and additional resources beyond their fleet to manage surge volumes on CN
Driving End-to-End Efficiency

Intermodal – Dashboard & Glowing Boxes
Tracking information for each terminal, each shipping line, each city, and details on every unit

Port Scorecards – Loaded rail footage versus target
Tracking dwell versus target of less than 72 hours

Intermodal – Port dwell, transit time and Inland terminals dwell

Inland Intermodal terminal measures
The Fastest Rail Route in and Around Chicago

To/From Vancouver and Prince Rupert
To/From New Orleans and Mobile
To/From Montreal and Halifax
Matteson connection
A Strong Track Record of Growth

- Growing with our customers
- Growing with our supply chain partners

Intermodal Volumes (units)

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1.2M</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>1.5M</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>1.6M</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td>1.7M</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>1.9M</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>2.1M</td>
</tr>
</tbody>
</table>

11% CAGR
Customers Value the Supply Chain Approach

- End-to-end perspective
- Focus on round-trip costs
- New, growing exports
- Differentiate our customer handling based on what is in the box

A true success story

International Volumes (TEUs)

<table>
<thead>
<tr>
<th>Year</th>
<th>To/From Canadian Markets</th>
<th>To/From U.S. Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1.3M</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>1.6M</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>1.8M</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>2.0M</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>2.1M</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>2.5M</td>
<td></td>
</tr>
</tbody>
</table>

U.S. 21% CAGR
Canada 11% CAGR

International Volumes
To/From Canadian Markets
To/From U.S. Markets

2009 2010 2011 2012 2013 2014

Canada 11% CAGR
U.S. 21% CAGR
Understanding and Anticipating Market Needs

MARKET TRENDS

• Mega-size container vessels (20,000 TEUs)
• An increase in ocean carrier alliances with larger vessels (e.g. G6, 2M, Ocean Three)
• Focus on lane profitability
• Increased routing options via expanded Panama, Suez canals
• Global diets evolving as middle class develops
• Shippers demand more routing options at lower risk/price levels

OUR ROLE AS A SUPPLY CHAIN ENABLER

• Offer more inland destinations
• Help our customers differentiate their sea-borne service with end-to-end land-based solutions
• Mitigate round trip costs with increased exports, domestic use of return box and port transloads (from 40’ box to backhaul 53’)
• Increased menu of choices via West, Gulf and East Coasts
• Cold supply chain and specialty grain focus
• Sell One CN creates flexibility
Increasing Capacity in Western Gateway

- Deltaport to add 650,000 TEU rail capacity by H2 2017
- Three import trains per day (35% to the U.S.)
- Growing U.S. market share
- All major shipping lines call here

Supporting growth in Trans-Pacific trade

- Additional 500,000 TEU expansion by Q2 2017
- New 12,000 foot siding and 50,000 foot road/rail utility corridor in place
- New proposed owner (DP World) brings global customer base
- Cosco, Hanjin, Yang Ming, K Line, China Shipping call here
Steady Growth in Eastern Gateway

- CN experienced strong volume growth (14% CAGR since 2009)
- OOCL, Maersk Line, CMA CGM, MSC use CN at Montreal
- New trade deal with Europe will promote growth
- Big ship ready as larger vessels cascade to Suez/Trans-Atlantic services
- ACL, APL, China Shipping, Hapag-Lloyd, Hyundai, Maersk Line, Melfi, MOL, NYK Line, OOCL, Zim call here
New Southern Gateway

- Capacity of 640,000 TEUs
- Intermodal on-dock expansion project will add 50,000 TEU capacity by February 2016
- Service Level Agreement between Port and CN

Panama Canal Ready (expected mid-2016)

- Capacity of 350,000 TEUs
- Rail dock completion for spring 2016
- 3 planned expansion phases bring capacity to 1 million TEUs
- Service Level Agreement between Port and CN
We’re Creating Competitive, Sustainable Advantages

- End-to-end focus
  - It is about the box, not the train
- Round-trip focus
- Recognize different service needs of the cargo
- We care about our customers and their cargo

“We take it personally too…”
Domestic Intermodal

Mark Lerner
Assistant Vice President Domestic Intermodal
and General Manager CNTL Trucking
Our Domestic Intermodal Franchise

Multi Channel Approach
- Retail (door-to-door) 60%
- Wholesale (ramp-to-ramp) 40%
- Canada 75%
- U.S. / Mexico 25%

Domestic Intermodal Volumes (000s units)
- 2009: 447
- 2010: 469
- 2011: 520
- 2012: 561
- 2013: 590
- 2014: 587

Long term profitable sustainable growth

Based on 2014 revenues
A Great Customer Franchise
We’re Offering a Complete Truck-Like Experience

- Unique selling proposition
- Supply chain collaboration
- Supplemented by CN’s supporting infrastructure (CNTL trucks, 8,500 containers, chassis, centralized dispatch, reservations)
- Leading edge customer service team

Domestic Retail Volumes (000s units)

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Retail Volumes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>159</td>
</tr>
<tr>
<td>2010</td>
<td>190</td>
</tr>
<tr>
<td>2011</td>
<td>214</td>
</tr>
<tr>
<td>2012</td>
<td>238</td>
</tr>
<tr>
<td>2013</td>
<td>270</td>
</tr>
<tr>
<td>2014</td>
<td>277</td>
</tr>
</tbody>
</table>

- Robust network reach with best-in-class service and reliability
- Investments in capacity for future growth
- Partnerships with wholesale community for Less-than-truckload (LTL), reefers and U.S. market reach
- Culture of innovation
We’re Innovating for Long Term Sustainable Growth

Offering Innovative Products
- Domestic Repositioning
- Reefer
- Program (DRP)
- OnDeck/sleds
- Ecotherm
- U.S. LTL

Focusing on the Customer
- Sell ONE CN
- Customer service support

Penetrating New Markets
- Mexico
- Newfoundland
- Indianapolis
- U.S. Offline

Evolution from simple product to supply chain innovation
Vee Kachroo – Vice President Supply Chain Solutions
Andrew Fuller - Director of Marketing, Domestic Intermodal
Dan Bresolin - Director of Marketing, International Intermodal
From Multiple Confusing Channels…

- Several CN business cards at one customer
- Silos of responsibility and competing strategies across CN
- No clear focus on our customer’s supply chain and book of business
- No flex potential – when CN was short of railcar supply, no other choice was on the table
- Limited cross-functional interaction and training

You cannot be a true supply chain enabler if you only focus on one component and work in silos
CONVERSION TO INTERMODAL
- Straight conversion of wood pulp from boxcar to containers
- Same product and customer, new mode of transportation

MULTI-MODAL FLEX
- Product in rail cars
- Product in intermodal containers

ROUND-TRIP MODEL
- Port-to-Port Ocean Rating
- Ocean containers managed inland by CN DRP and Export Load Matching

TRANSLOADING SERVICE DRIVEN
- 40' to 53' container conversion at port for furtherance inland

CONSULTATIVE SELLING
- Understanding of supply chain needs, developing solutions using CN products
- Differentiated supply chain products – Autodesk
- Support business needs of Bulk and P&C customers

Sophisticated Supply Chain Solutions

... To Single Point of Contact Enterprise Selling
Consistent revenue growth from a variety of new customers and products

- Offering new products and capacity to all CN customers
- Modal conversion through transloading, marine operations and Autoports
- Improving international supply chain through freight forwarding
- New capacity for existing CN carload customers

Sell ONE CN Track Record

Revenues (CDN $M)

\[ \text{7\% CAGR} \]

Excludes International export matchback revenues

- Intermodal: All intermodal revenues generated by merchandise and bulk customers
- Supply Chain Solutions: Non-rail revenues including Autoport, barge, warehousing, freight forwarding and container transloading
Offering Carload Customers an Intermodal Product

Thinking outside the BOX

• 17% revenue CAGR since 2009
• Strategy functioning across business segments
• Better understanding of our customers’ supply chain
• Strongest growth to date with Industrial Products due to commodity mix and customer acceptance

Benefits

• Extends CN's share of existing customers’ transportation spend
• Improves CN’s ability to leverage one segment for better overall price and contribution
• Provides more supply chain options to customers
• Optimizes balance for improved contribution
• Creates “stickiness” with all customers

Flexibility for Customers
More volume, better service for our customers

Intermodal Flex

- 18% revenue CAGR since 2010
- Potential substitution for over 8,000 carloads over the winter period that would otherwise be lost volumes
- Reduction in empty miles for intermodal
- New Supply Chain option for CN customers

More volume, better service for our customers
Network Benefits – War on Empties

CURRENT – Loaded boxcars and empty CN containers moving southbound

TOMORROW – loaded CNRU’s southbound, less empty miles

- Fill empty containers with carload freight
- Optimize network by filling empty miles
- Improve train density
- Reduce impact on terminals
- Create new supply chains for customers
- Linking imports to exports / domestic repositioning program (DRP)

Optimizing CN’s network while growing share
CN is the primary service provider to 16 of the 19 Steamship Lines that call at Canadian ports.

- Shorter ocean transit
- Low port dwell
- Fast reliable trains
- High functioning inland terminals

The Import View

Total CN Container Imports (TEUs)

- 2009
- 2010
- 2011
- 2012
- 2013
- 2014

15% CAGR

VANCOUVER
- APL
- CHINA SHIPPING
- CMA CGM
- EVERGREEN
- HAMBURG SUD
- HANJIN
- HAPAG-LLOYD
- MAERSK LINE
- MOL
- MSC
- NYK LINE
- OOCL
- PIL
- UASC
- WESTWOOD
- ZIM

PRINCE RUPERT
- CHINA SHIPPING
- COSCO
- HANJIN
- K LINE
- YANG MING

HALIFAX
- ACL
- APL
- CHINA SHIPPING
- HAPAG-LLOYD
- HYUNDAI
- MAERSK LINE
- MELFI
- MOL
- NYK LINE
- OOCL
- ZIM

MONTREAL
- CMA CGM
- MAERSK LINE
- MSC
- OOCL

NEW ORLEANS
- HAPAG-LLOYD
- MAERSK LINE
- MSC
- NYK LINE
- SEABOARD MARINE
- ZIM

PITCH – CATCH – EXPORT MATCH
Collaboration to Fill Trains

- Low round trip economics equals more imports
- A variety of export options → 2 countries, many products
- Solid customer service
- CN expertise (help)
- A large menu of destinations to fill bigger vessels

- Offer a profitable inland experience
- Help customers win in their markets
- Collaborate with customers and stakeholders with the goal of maximizing train capacity
- Be recognized as an industry leader who cares about international business

Provide Win-Win Scenarios
Driving Exports With a Variety of Strategies

- Provide export options
- On-time performance to vessel cutoffs
- Broker export relationships
Steamship lines’ export customers are also our customers
Prince George
Chicago Transload
Harvey and Joliet
Provide strategically placed products to assist exports

- Harvey agri transload
- Joliet agri transload
- Prince George forest product transload
Domestic Repositioning to Export Markets

Mitigate empty repositioning cost by using steamship containers in domestic service
• Successful DRP and export product layers that promote “balanced” growth
• Assisting our steamship line customers’ round trip economics

New “Export Ability” Products Enable New Import Growth
• Continue embedding as a core focus of CN’s Strategic Sales Vision
• Improve recruiting, training, Sell One CN on-boarding
• Improve sales process through Salesforce CRM
• Enhance capacity through export matchback, DRP and CNRU capacity
• Expand concept to new offline markets through partnership with J.B. Hunt
• Provide more value for all of our customers’ supply chains

Enabling the North American Supply Chain
Cold Supply Chain

Food Industry
- Exposed to trade barriers
- Increasingly regulated
- Traceability

Food Safety
- Minimize health risks
- Reactive to Proactive
- A commodity with an expiry
A Growing Market…

ORGANIC GROWTH
- Domestic consumption
- Changing diets
- Growing middle class in emerging economies

ECONOMIC GROWTH
- Cross border opportunity (NAFTA)
- Trucking capacity shortages
- Falling trade barriers (China, Japan, Korea, Taiwan, EU)

COMPETITIVE GROWTH
- Expanding reach (interline/network)
- Deeper penetration / over-the-road conversion
- Retain and sustain existing markets
One day longer in transit is a day lost from shelf life
Reducing the Complexity with CN Cold Supply Chain

Ecosystem of collaboration

Vessel
Port
Rail
Trucking

Knowledge
Resource Availability
Clear Strategy
Organizational Structure
Offering a Competitive Product

Commodity Integrity is Key

- Great Service Offering
- Traceability
- Security
- End-to-end visibility
- Technical Innovation
We’re Growing the Cold Supply Chain

Cold Chain Growth (units)

CAGR of 5% over last 5 years

- Addition of new business to international segment
- Expanding into chilled program
- Diversified asset base enabling participation within smaller markets with growth potential
- Expansion into retail segment with CN reefers
  - First railroad to introduce a refrigerated intermodal program into Mexico
- Increased scope of expansion with Wholesale partners – deeper collaboration
- Resource optimization through effective cube utilization among all stake holders (Domestic Repositioning Program)
We’re Building the “Intangible”

Tangible Competency

On Time Performance

Capacity

First Mile/Last Mile

Traceability

Market knowledge/visibility

Technical innovation

Relationship

Exception management

Process engineering

Intangible Competency

Industry knowledge
We’re Growing Locally and Expanding Globally

End-to-End Supply Chain Thinking
Port and Inland Terminal Expansions

Sean Goff - General Manager, Asia
Dan Bresolin - Director of Marketing, International Intermodal
Port of Prince Rupert Expansion

- Now: 4 cranes 120 ft / 36 m high (reaching 22 across)
- Expansion: +4 cranes 160ft / 50 m high (reaching 25 across)
- New ownership announced: DP World (H2 2015)

- Surrounded by additional CN capacity
  - Kaien siding
  - Road Rail Utility Corridor

- More matchback
  - ILTA (new specialty-crop facilities in Saskatoon SK)
  - More Canadian exports from lower Canadian dollar
- Port Metro Vancouver’s largest container terminal
- Operated by Global Container Terminals
- Truck overpass completed in 2014
- Expect announcement in 2015 on intermodal rail loading expansion
- Adds 650,000 TEUs by 2017
- Current container terminal – 6 cranes (640,000 TEU capacity)
- Intermodal on-dock expansion project will add 50,000 TEU capacity by February 2016
- Plans in place to add 5 Post-Panamax cranes for 587,000 TEU additional future capacity
- Operated by APM Terminals
- 2,000 Ft / 610 m berth at 45-foot / 14 m draft
- Weekly carrier service on major trade lanes
- Maersk Line / CMA CGM / MSC / ZIM / China Shipping
- Now: 2 cranes reaching 19 across
- Planning 2 additional cranes reaching 22 across
- Can handle vessels up to 10,000 TEUs
At opening, an average of 650 trucks/day
One truck gate entrance/exit open 24/7

Administration and maintenance facilities
Staging areas for containers and chassis

Approximately 100 employees

The proposed facility will handle 4 intermodal trains per day (adding 2 incremental trains to the current 25-30 trains running through Milton)

Mainline extended close to Derry Road
Adding 6 yard tracks parallel to our mainline

Concrete or asphalt terminal surface roads between tracks for loading/unloading trains
8 – 12 Reach stacker cranes
8 – 10 Shunt trucks
3 – 4 Pickup trucks
3 – 4 Maintenance vehicles

Satellite to existing Brampton Intermodal Terminal
Aligns inland capacity with gateway growth
Supporting economic growth and trade
Milton: What the Project Will Look Like

The terminal will be built on a 400-acre portion of our 1,000-acre property on the west side of CN’s mainline.
Investments to Support Growth
Detroit

Started multi-year plan for ground capacity and gate re-alignment to add up to 50% throughput capacity in Detroit over the next 2-3 years

- Land acquisitions
- Terminal re-design

CN offers the only single-line rail service to Detroit from the West Coast.
Joliet was immediately accepted by the marketplace and the resulting growth requires expansion for 2015/2016

- Additional track/pad capacity + further ground space in 2016 (increasing terminal capacity by 50%)
Investments to Support Growth
Memphis

CN-CSX Transportation Gateway Intermodal Terminal
- Expansion to double current footprint
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