



Second Quarter 2019 Financial Results

July 23, 2019

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 but not limited to, statements with respect to CN’s operations, business opportunities and anticipated financial performance, including diluted earnings per share (EPS) and adjusted diluted EPS growth, operating ratio, adjusted return on invested capital (ROIC), free cash flow, dividends per share growth, and the related key assumptions. 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.

2019 key assumptions

CN has made a number of economic and market assumptions in preparing its 2019 outlook. The Company now assumes that North American industrial production for the year will increase by approximately one per cent (compared to its June 4, 2019 assumption of approximately two 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 2018/2019 crop year, the grain crops in both Canada and the United States were in line with their respective three-year averages. The Company assumes that the 2019/2020 grain crop in Canada will be in line with the three-year average and now assumes that the 2019/2020 grain crop in the United States will be below the three-year average (compared to its June 4, 2019 assumption that the 2019/2020 grain crop in the United States would be in line with the three-year average). CN assumes total RTMs in 2019 will increase in the mid-single digits versus 2018. CN assumes continued pricing above rail inflation. CN assumes that in 2019, the value of the Canadian dollar in U.S. currency will be approximately \$0.75, and assumes that in 2019 the average price of crude oil (West Texas Intermediate) will be in the range of US\$60 to US\$65 per barrel. In 2019, CN plans to invest approximately C\$3.9 billion in its capital program, of which C\$1.6 billion is targeted toward track and railway infrastructure maintenance.

Key assumptions for 2020-2022 financial targets

CN has made a number of economic and market assumptions in preparing its three-year financial targets. The Company assumes that North American industrial production will increase by approximately two per cent annually over the next three years, and assumes annual U.S. housing starts of at least 1.25 million units, and annual U.S. motor vehicle sales of approximately 17 million units. The Company assumes that the annual grain crops in both Canada and the United States will be in line with their respective three-year averages. CN assumes continued pricing above rail inflation. CN assumes that the value of the Canadian dollar in U.S. currency will be approximately \$0.75 and that the average price of crude oil (West Texas Intermediate) will be in the range of US\$60 to US\$65 per barrel during this period.

Forward-looking statements are not guarantees of future performance and involve 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; changes in business strategies; 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 on SEDAR at www.sedar.com as well as on the U.S. Securities and Exchange Commission’s website at www.sec.gov through EDGAR and available on CN’s website at www.cn.ca/en/investor, 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, adjusted debt-to-adjusted EBITDA multiple and adjusted ROIC. 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, 2019 First Quarter Results and 2018 Fourth Quarter and Full-Year Results at www.cn.ca/financial-results.

CN’s 2019 full-year adjusted diluted EPS outlook excludes, and the 2020-2022 financial targets may exclude, 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.

To the extent the Company has used other non-GAAP measures in preparing its financial targets, including adjusted ROIC and free cash flow, CN is not able to provide a reconciliation to a GAAP measure, due to unknown variables and uncertainty related to future results.

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

JJ Ruest

President and Chief Executive Officer



Q2 highlights



Record diluted EPS ⁽¹⁾

\$1.88

▲ 6%

Operating ratio

57.5%

▼ 70 bps

Record revenues ⁽¹⁾

\$4.0B

▲ 9%

Record adjusted diluted EPS ^{(1) (2)}

\$1.73

▲ 15%

Fuel productivity (GTM per US gallon of fuel)

1,111

▲ 2%

RTMs

64.3B

▲ 2%

(1) CN attained record second-quarter diluted EPS, as well as record quarterly revenues and adjusted diluted EPS.

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

Rob Reilly

Executive VP and Chief Operating Officer



James Cairns

Senior VP, Rail Centric Supply Chain

Keith Reardon

Senior VP, Consumer Product Supply Chain



Market outlook constructive – Volatility in certain markets



Rail Centric Supply Chain

- Crude by rail ramp-up tied to production curtailment, oil price differentials, Alberta government contract
- New export business via Ridley Terminals (RTI) in Prince Rupert
 - Slower start-up of Vista coal mine
 - Propane (Altagas) shipments on track
- Sale of RTI to the private sector is positive for CN's bulk export opportunities
- B.C. lumber and pulp shipments impacted by recent plant closures and production curtailments
- Canola exports to China are suspended, leading to larger carry-over in Canadian grain
- U.S. thermal coal exports impacted by high level of the Mississippi river and low coal prices (API2)

Consumer Product Supply Chain

- New business / renewals in the international intermodal segment
- Signed JV with Hutchison Port Terminals to develop Quebec City big train/big ship ocean container terminal
- Hudson Bay domestic retail intermodal contract converted to CN in May
- H&R intermodal transaction remains subject to customary closing conditions
- Construction of CN's new Autoport facility in Vancouver completed
- Solid vehicle production for H2 – New product launches moving via CN-served locations
- Oshawa vehicle production closes December 2019

 **Continue to expect mid single-digit RTM growth in 2019, with pricing above rail 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.

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

Ghislain Houle

Executive VP and Chief Financial
Officer



Q2 earnings – Record revenues and cost containment



<i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i>			Change
	2019	2018	Favorable (Unfavorable)
Revenues	\$ 3,959	\$ 3,631	9%
Operating expenses	2,277	2,112	
Operating income	1,682	1,519	11%
Interest expense	(136)	(124)	
Other components of net periodic benefit income	83	76	
Other income	23	229	
Income before income taxes	1,652	1,700	
Income tax expense	(290)	(390)	
Net income	\$ 1,362	\$ 1,310	4%
Diluted EPS	\$ 1.88	\$ 1.77	6%
Adjusted diluted EPS ⁽¹⁾	\$ 1.73	\$ 1.51	15%
Weighted-average diluted number of shares (in millions)	724.5	739.1	
Operating ratio	57.5%	58.2%	0.7 pts

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

Q2 operating expenses – Quickly right-sizing our resources



<i>In millions of Canadian dollars, unless otherwise indicated</i>	2019	2018	Change Favorable (Unfavorable)	Change at constant currency ⁽¹⁾ Favorable (Unfavorable)
Labor and fringe benefits	\$ 681	\$ 648	(5%)	(4%)
Purchased services and material	571	478	(19%)	(18%)
Fuel	442	436	(1%)	2%
Depreciation and amortization	363	330	(10%)	(8%)
Equipment rents	104	112	7%	10%
Casualty and other	116	108	(7%)	(5%)
Total operating expenses	\$ 2,277	\$ 2,112	(8%)	(6%)

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

Free cash flow – Impacted by upfront delivery of locomotives



<i>In millions of Canadian dollars, unless otherwise indicated</i>	YTD 2019
Net income	\$ 2,148
Non-cash adjustments	998
Payments for income taxes	(491)
Working capital items and other	58
Net cash provided by operating activities	2,713
Property additions	(1,886)
Acquisition, net of cash acquired ⁽¹⁾	(167)
Other, net	(28)
Net cash used in investing activities	(2,081)
Net cash provided before financing activities	632
Adjustment: Acquisition, net of cash acquired ⁽¹⁾	167
Free cash flow ⁽²⁾	\$ 799
Total net indebtedness at end of period ⁽³⁾	\$12,742
Adjusted debt-to-adjusted EBITDA multiple ⁽²⁾	1.95x

(1) Relates to the acquisition of the TransX Group of Companies ("TransX"). See Note 3 – Business combination to CN's 2019 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 2019 financial outlook



- Expect to deliver adjusted diluted EPS growth in the low double-digit range versus 2018 adjusted diluted EPS of \$5.50 based on ⁽¹⁾ ⁽²⁾:
 - Volume growth assumed in the mid single-digit range in terms of RTMs
 - Overall pricing above rail inflation
 - Canadian to U.S. dollar exchange rate of approximately 75 cents
- Capital envelope at approximately \$3.9B for 2019 – Capacity infrastructure projects to be substantially completed by end of Q3
- Balanced shareholder distribution
 - Dividend increase of 18% compared to 2018 – Targeting an adjusted dividend payout ratio of 35% ⁽³⁾
 - 12-month normal course issuer bid from February 1, 2019 to January 31, 2020
 - Program to repurchase up to 22 million common shares

(1) Please see website, Second 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 2019 financial outlook.

(3) Adjusted dividend payout ratio is defined as dividends as a percentage of adjusted net income ⁽¹⁾. Please see Forward-Looking Statements at the beginning of the presentation.



JJ Ruest

President and Chief Executive Officer



CN 2019 Investor Day financial targets for 2020-2022

Driving solid value for our shareholders

Low double-digit diluted EPS CAGR

Normalizing capital intensity to historical levels

High 50s
OR

15% to 17% ROIC

FCF growing faster than earnings

Dividend per share growth in line with earnings*



Please see Forward-Looking Statements at the beginning of the presentation for a summary of key assumptions and important risk factors underlying CN's 2020-2022 financial targets.

See website for an explanation of non-GAAP measures.

* Subject to the discretion of CN's Board of Directors relative to the declaration of dividends.

Appendix



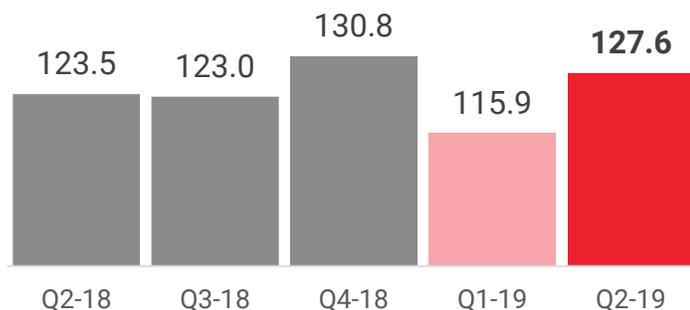
Q2 operating metrics



Production Workload

Total GTMs, billions

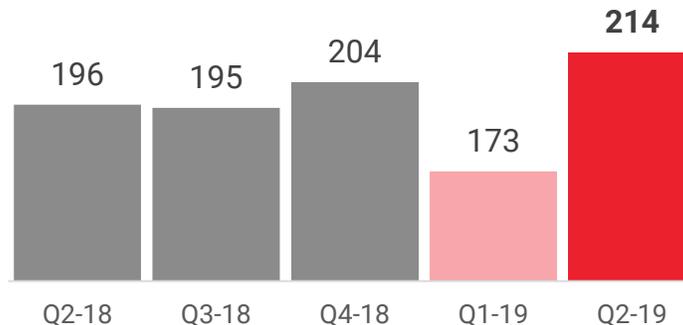
▲ 3%
vs Q2-18



Car Velocity

Car miles per day

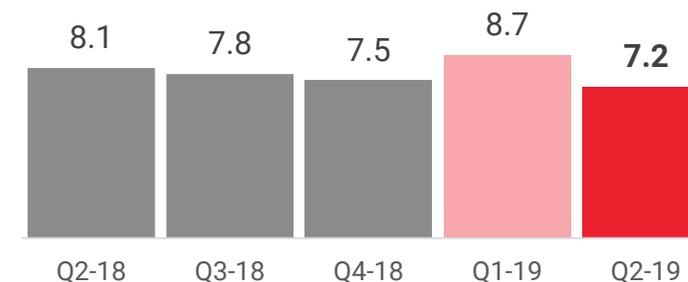
▲ 9%
vs Q2-18



Through Dwell

Entire railroad, hours

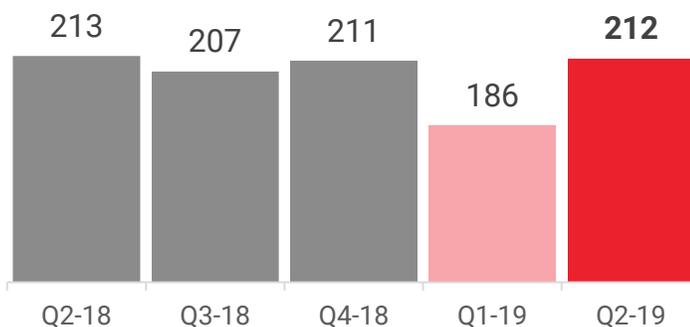
▼ 11%
vs Q2-18



Locomotive Utilization

Trailing GTMs per total horsepower

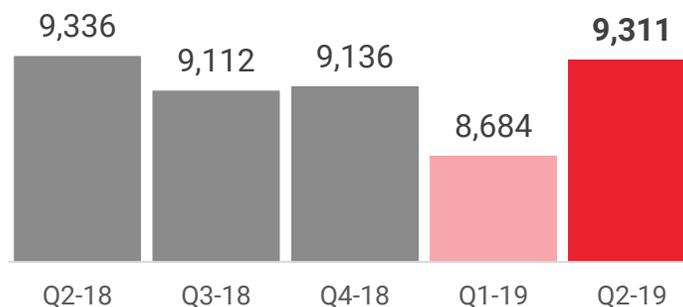
Flat
vs Q2-18



Train Productivity

GTMs per train mile

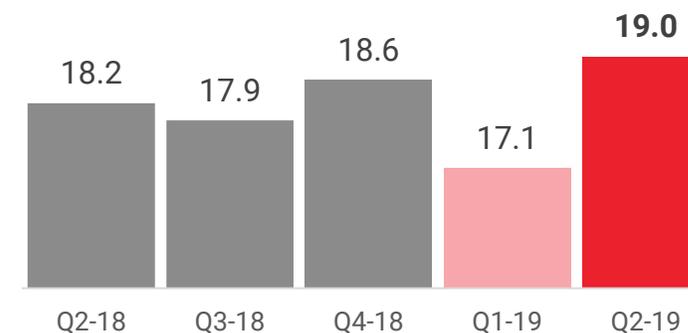
Flat
vs Q2-18



Through Network Train Speed

Miles per hour

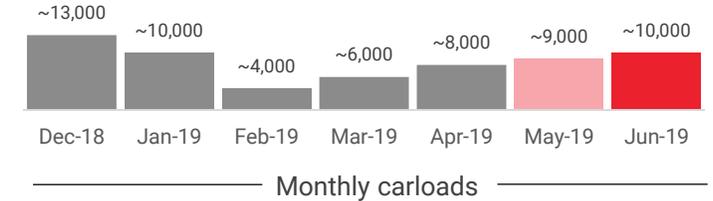
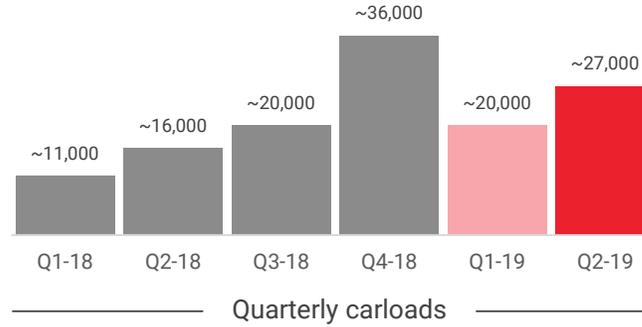
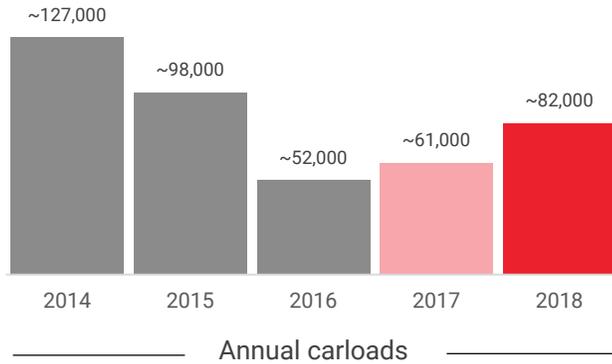
▲ 4%
vs Q2-18



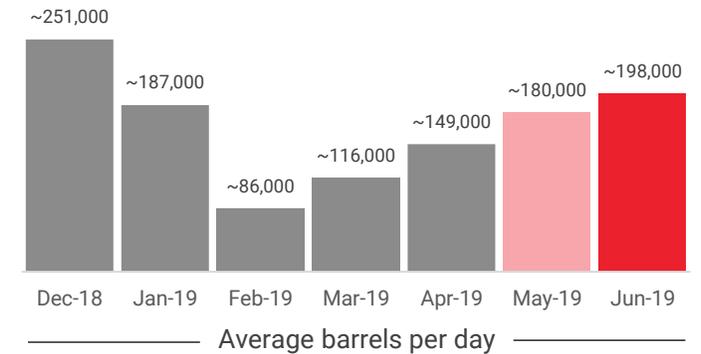
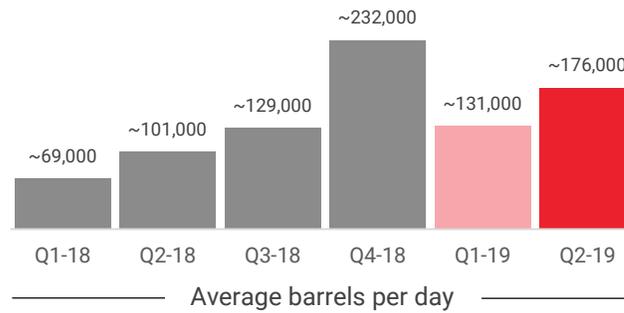
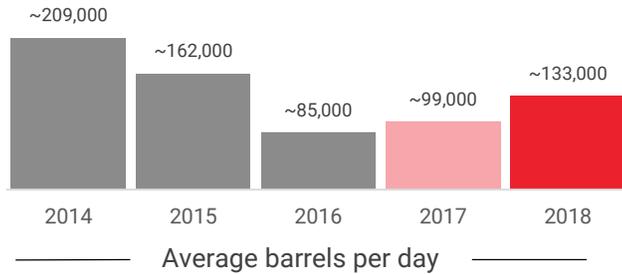
Crude oil by rail



Crude oil shipments: carloads



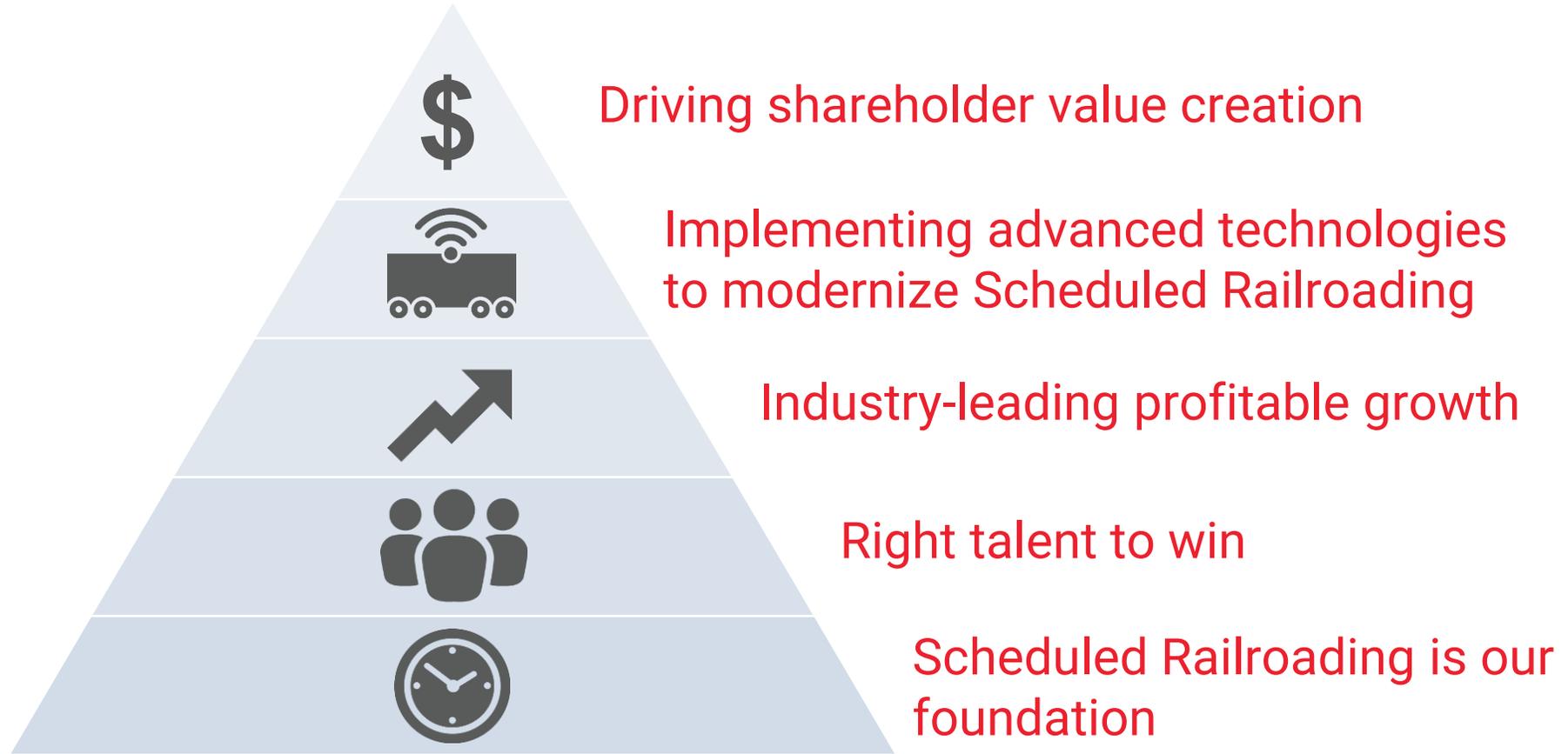
Crude oil shipments: barrels per day



CN moved on average close to 200,000 barrels per day in June

Our strategic game plan:

Deliver long-term profitable growth and deploy advanced technologies to create shareholder value



Continuing to build our Consumer Product Supply Chain

International Intermodal

- Multiple gateways and 3-coast access to 15 port terminals
- Ability to deliver first/last mile trucking to customers
- Seamless border crossing/in-house customs expertise
- Improving steamship lines' roundtrip economics

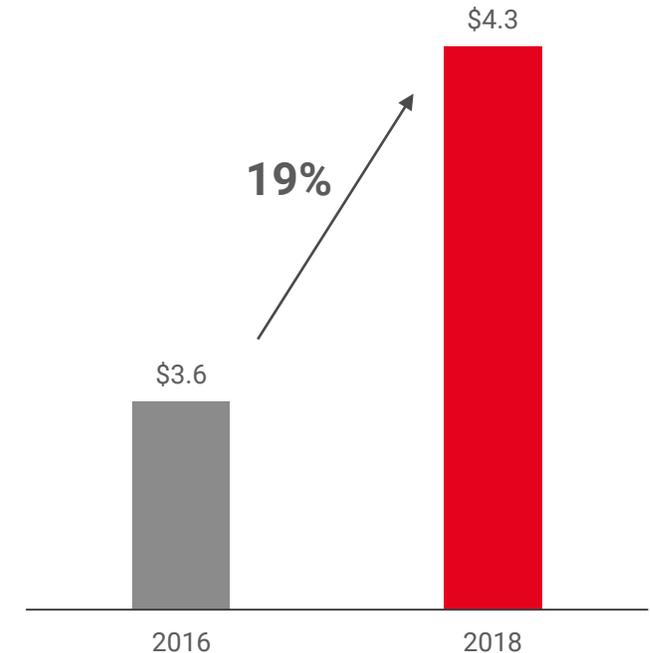
Domestic Intermodal

- Building on leadership in temperature-controlled supply chain with recent TransX talent and assets
- Now delivering truck competitive transit times supported by recent capacity investments

Automotive

- 18 strategically located auto compounds covering 15 major metropolitan dealer markets across North America
- Looking to further extend our reach with additional facilities, particularly in the U.S.

Consumer Product Supply Chain Revenues
(\$B Cdn)



Continuing to build our Rail Centric Supply Chain

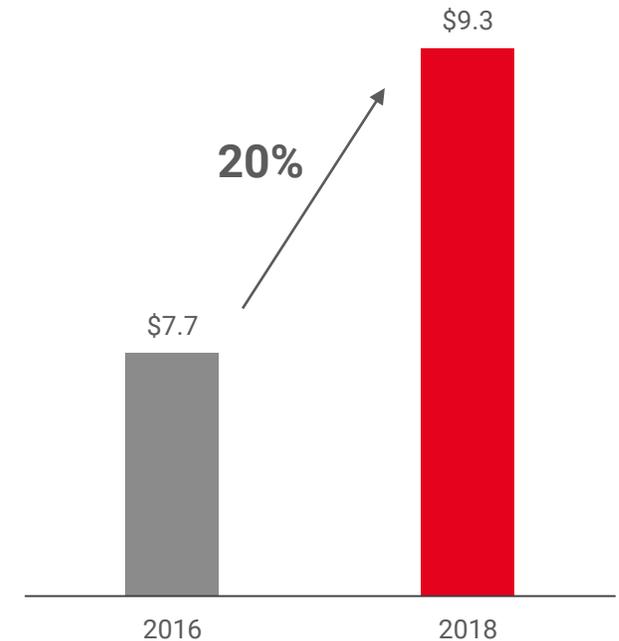
Energy

- Opportunistic on crude oil
- Incremental gas/oil production driving growth opportunities for frac sand, NGLs, refined petroleum products and sulphur
- New NGL export terminal capacity in Rupert
- New coal mine ramping up production

Non-Energy

- Strong CN franchise for forest product origination
- End-to-end grain supply chain and broad mix of other commodities

Rail Centric Supply Chain Revenues
(\$B Cdn)



CN investor day top-line targets (2020-2022)⁽¹⁾ ⁽²⁾



Aiming to take full advantage of our unparalleled North American network

Consumer Product Supply Chain

Estimated Incremental Revenue Opportunities

	Target Range	
International Intermodal	\$550M	\$750M
Domestic Intermodal	\$200M	\$350M
Automotive	\$50M	\$100M
Total	\$800M	\$1,200M

Rail Centric Supply Chain

Estimated Incremental Revenue Opportunities

	Target Range	
Crude Oil	Up to \$400M	
Frac Sand and NGLs	\$200M	\$300M
Coal and Pet Coke	\$150M	\$250M
Refined Petroleum and Sulphur	\$100M	\$200M
Total	\$450M	\$1,150M

Targets in the range of \$1.3B to \$2.4B

(1) Please see website, CN's 2019 Investor Day, www.cn.ca/en/investors/cn-investor-day, for additional information (Organic Growth Opportunities – Keith Reardon and James Cairns).

(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 2020-2022 financial targets.

Key technology projects being deployed



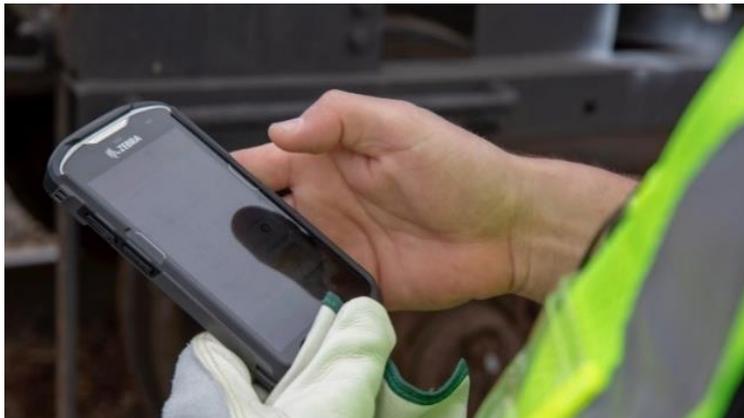
Autonomous Track Inspection Program



Automated Inspection Portals



Handheld technology for mechanics



Handheld technology for train crews



Enterprise Automation



Smart Network (Digital Twin)

Information & Technology

Deploying advanced technologies to drive value

Key Projects Being Deployed

Autonomous Track Inspection Program Automated Inspection Portals Handheld Technology for Mechanics

Handheld Technology for Train Crews Enterprise Automation Smart Network (Digital Twin)

Transformation Through Advanced Technologies
Pioneers in Scheduled Railroading – Deploying advanced technologies as next strategic driver of value

ONE TEAM
Driving a business-led, technology-enabled mindset

Leveraging our Enterprise Architecture roadmap to enable business agility

Implementing rail and non-rail technology to further drive innovation

Increasing speed to market with repeatable and reusable technology



1 Targeting cumulative savings of \$200–400M ⁽¹⁾ ⁽²⁾ over 2020–2022

2 Implementing technology as a driver for safety, customer and shareholder value

3 Using advanced information technology to take Scheduled Railroading to the next level

(1) Please see website, CN's 2019 Investor Day, www.cn.ca/en/investors/cn-investor-day, for additional information (Deploying Advanced Technologies – Our Next Strategic Driver of Value – Michael Foster and Michael Farkouh).

(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 2020-2022 financial targets.