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CN

Fourth Quarter and Full Year 2019 Financial Results

January 28, 2020



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.

2020 Key Assumptions

CN has made a number of economic and market assumptions in preparing its 2020 outlook. The Company assumes that North American industrial production for the year will increase in the range of 0.5 to one per cent, and assumes U.S. housing starts of approximately 1.3 million units and U.S. motor vehicle sales of approximately 16.5 million units. For the 2019/2020 crop year, the grain crop in Canada was in line with its three-year average and the U.S. grain crop was below its three-year average. The Company assumes that the 2020/2021 grain crops in both Canada and the United States will be in line with their respective three-year averages. CN assumes total RTMs in 2020 will increase in the low single digits versus 2019. CN assumes continued pricing above rail inflation. CN assumes that in 2020, the value of the Canadian dollar in U.S. currency will be approximately \$0.75, and assumes that in 2020 the average price of crude oil (West Texas Intermediate) will be in the range of US\$55 to US\$60 per barrel. In 2020, CN plans to invest approximately \$3.0 billion in its capital program, of which \$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 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 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 return on investment capital (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, Fourth Quarter Results at www.cn.ca/financial-results.

CN's full-year adjusted diluted 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 diluted EPS outlook.

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

A photograph of a CN freight train traveling through a winter landscape. The train, led by locomotive 2162, is moving along tracks that cut through a snow-covered field. In the background, there are dense evergreen forests and majestic snow-capped mountains under a cloudy sky. A large red rectangular overlay is positioned on the right side of the image, containing the text for JJ Ruest.

JJ Ruest

President and Chief Executive Officer

Q4 Highlights – Weaker Volumes, Conductor Strike and Downsizing Provision

Diluted EPS

\$1.22

▼ **22%**

Operating ratio

66.0%

▲ **410 bps**

Revenues

\$3.6B

▼ **6%**

Adjusted diluted EPS ⁽¹⁾

\$1.25

▼ **16%**

Adjusted operating ratio ⁽¹⁾

65.2%

▲ **400 bps**

RTMs

57.7B

▼ **13%**

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

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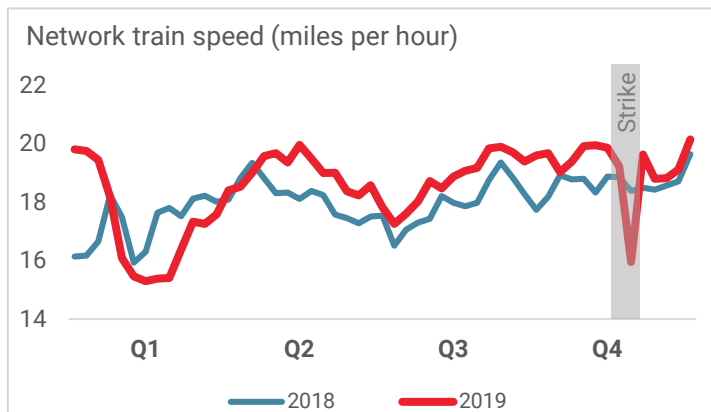
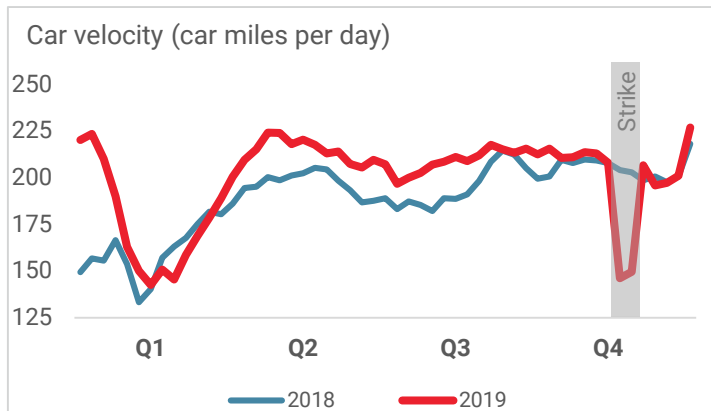
Rob Reilly

Executive VP, Chief Operating Officer and
interim Chief Information and Technology
Officer

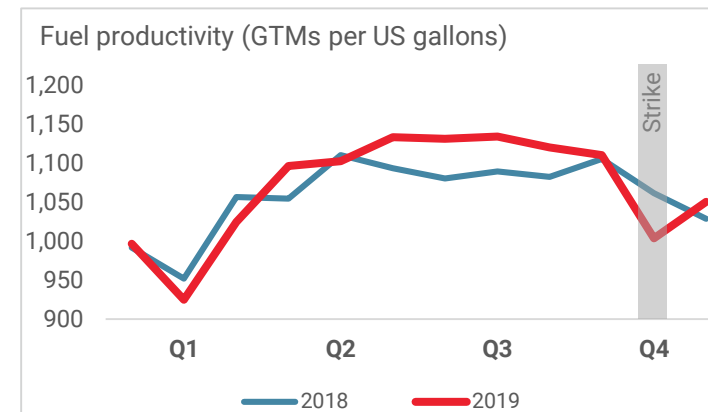
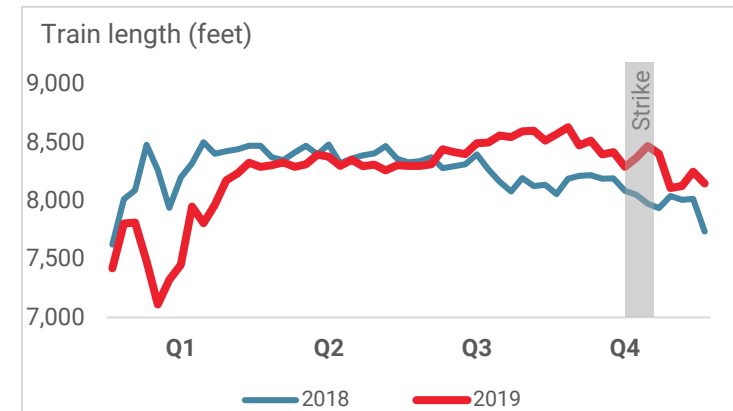
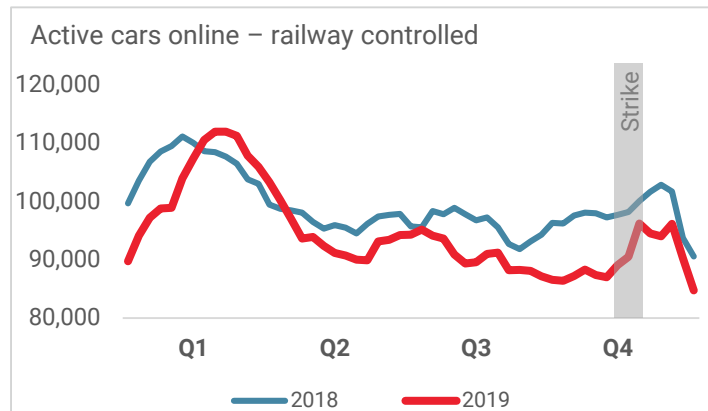
A Fluid and Efficient Network

- Fluid network outside of strike period that had an impact over a few weeks
- Right-sized resources promptly to volume reduction

Fluid Network



Efficient Operations



Measuring Service as Defined by Customers

- Service metrics that are relevant for our customers, defined with them
- Through the years, evolved beyond only trip plan
- Advanced arrival notification capabilities rolled out at the end of the year

Intermodal



Various service metrics for International and Domestic customers; for example, including container dwell at ports for imports

Bulk



Delivering the number of cars committed to our unit train customers

Merchandise



Delivering the number of cars committed to our customers in the timeframe agreed

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Senior VP, Rail Centric Supply Chain

Keith Reardon

Senior VP, Consumer Product Supply Chain

Current Demand Environment Remains Soft

Rail Centric Supply Chain

Coal

- Full year ramp up of Coalspur's new mine
- Lower thermal coal prices continue to challenge the U.S. coal export market
- Teck contract to start in 2021 - shipments destined to Vancouver and Prince Rupert

Grain and Fertilizers

- 2019/2020 Canadian grain crop in-line with 3-year average – canola ban to China remains an issue
- Softer global demand and higher inventories in potash

Forest Products

- Western Canadian lumber market continues to face a secular shift
- Continued opportunities for wood pellet shipments

Petroleum and chemicals

- Positive fundamentals for crude by rail
- Full year ramp up of the AltaGas propane terminal in Prince Rupert. Second terminal (Pembina) to open in H2
- Petrochemicals – leveraging franchise reach to accommodate new plants and expansions

Consumer Product Supply Chain

International intermodal market

- Port of Prince Rupert – remains a solid driver of growth
- Port of Vancouver – Ocean Network Express (ONE) returning to CN on June 1st
- Port of Halifax – working closely with new owner (PSA) to attract new business
- Adding more export capabilities – new Regina terminal, new plastic pellet bagging facility in Prince Rupert (Ray-Mont Logistics)

Domestic intermodal volumes

- CargoCool and EMP programs - growth outpacing the market
- Leveraging TransX product suites to convert truck to rail intermodal
- Integration of H&R underway
- CSX and CN partnership getting good traction

Automotive

- North American sales remain weak
- Targeting new metropolitan markets with new autoport facilities in Vancouver and Minneapolis

Assuming low single-digit volume growth in terms of RTMs in 2020, with pricing above rail inflation

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

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

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

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Ghislain Houle

Executive VP and Chief Financial Officer

Q4 Earnings – Impacted by Lower Volumes and Conductor Strike

<i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i>				Change
	2019	2018		Favorable (Unfavorable)
Revenues	\$ 3,584	\$ 3,808		(6%)
Operating expenses	2,366	2,356		
Operating income	1,218	1,452		(16%)
Interest expense	(136)	(122)		
Other components of net periodic benefit income	77	73		
Other income	2	93		
Income before income taxes	1,161	1,496		
Income tax expense	(288)	(353)		
Net income	\$ 873	\$ 1,143		(24%)
Diluted EPS	\$ 1.22	\$ 1.56		(22%)
Adjusted diluted EPS ⁽¹⁾	\$ 1.25	\$ 1.49		(16%)
Weighted-average diluted number of shares (in millions)	717.4	731.3		
Operating ratio	66.0%	61.9%		(4.1) pts
Adjusted operating ratio ⁽¹⁾	65.2%	61.2%		(4.0) pts

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

Q4 Operating Expenses – Continuing to Right-size 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	\$ 749	\$ 791	5%	5%	Largely due to lower incentive compensation
Purchased services and material	586	527	(11%)	(11%)	Mainly due to the inclusion of TransX
Fuel	406	466	13%	13%	Due to decrease in volumes and lower fuel prices (3% decrease in price/litre)
Depreciation and amortization	387	346	(12%)	(12%)	Driven by net asset additions
Equipment rents	112	115	3%	3%	Mainly driven by lower costs for leased locomotives
Casualty and other	126	111	(14%)	(14%)	Due to increase in environmental provisions and higher incident costs; partly offset by lower U.S. property taxes
Total operating expenses	\$ 2,366	\$ 2,356	-%	-%	

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

Full Year Results – Positive Earnings in Lower Volume Environment

<i>In millions of Canadian dollars, except EPS data, unless otherwise indicated</i>	2019	2018	Change Favorable (Unfavorable)
Revenues	\$ 14,917	\$ 14,321	4%
Operating expenses	9,324	8,828	
Operating income	5,593	5,493	2%
Interest expense	(538)	(489)	
Other components of net periodic benefit income	321	302	
Other income	53	376	
Income before income taxes	5,429	5,682	
Income tax expense	(1,213)	(1,354)	
Net income	\$ 4,216	\$ 4,328	(3%)
Adjusted net income ⁽¹⁾	\$ 4,189	\$ 4,056	3%
Diluted EPS	\$ 5.83	\$ 5.87	(1%)
Adjusted diluted EPS ⁽¹⁾	\$ 5.80	\$ 5.50	5%
Weighted-average diluted number of shares (in millions)	722.6	737.7	
Operating ratio	62.5%	61.6%	(0.9 pts)
Adjusted operating ratio ⁽¹⁾	61.7%	61.5%	(0.2 pts)
Adjusted return on invested capital (ROIC) ⁽¹⁾	15.1%	15.7%	(0.6 pts)

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

Solid Full Year Free Cash Flow

In millions of Canadian dollars, unless otherwise indicated

	2019
Net income	\$ 4,216
Non-cash adjustments	2,131
Payments for income taxes	(822)
Working capital items and other	398
Net cash provided by operating activities	5,923
Property additions	(3,865)
Acquisitions, net of cash acquired ⁽¹⁾	(259)
Other, net	(66)
Net cash used in investing activities	(4,190)
Net cash provided before financing activities	1,733
Adjustment: Acquisitions, net of cash acquired ⁽¹⁾	259
Free cash flow ⁽²⁾	\$ 1,992
Total net indebtedness at end of period ⁽³⁾	\$13,208
Adjusted debt-to-adjusted EBITDA multiple ⁽²⁾	2.02x

Reinvesting in the Business

Track infrastructure capacity projects completed (73 miles of double track, 2 new sidings)

154 new AC locomotives and 560 new grain hopper cars delivered in 2019

Committed to Maintaining a Strong Balance Sheet

2.02x Adjusted debt-to-adjusted EBITDA ⁽²⁾

Rewarding Shareholders

Returned \$3.2B to shareholders in 2019 through dividends and share buybacks

(1) Relates to acquisitions of H&R Transport Limited ("H&R") and the TransX Group of Companies ("TransX"). See Note 3 – Business combinations to CN's 2019 unaudited Interim Consolidated Financial Statements for additional information.

(2) Please see website, Fourth 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.

2020 Financial Outlook

- Targeting to deliver adjusted diluted EPS growth in the mid single-digit range versus 2019 adjusted diluted EPS of \$5.80 based on ⁽¹⁾ ⁽²⁾:
 - Low single-digit volume growth in terms of RTMs
 - Overall pricing above rail inflation
 - Canadian to U.S. dollar exchange rate of approximately 75 cents
- Reducing capital envelope in 2020 to approximately \$3.0B ⁽²⁾
 - Investments on the West Coast to accommodate new business
 - Expecting to take delivery of 41 new locomotives mainly in Q1 and 240 new grain hopper cars
- Targeting Free Cash Flow in the range of \$3.0 - \$3.3B in 2020 ⁽¹⁾ ⁽²⁾
- Shareholder distribution
 - Dividend increase of 7%
 - New normal course issuer bid to purchase up to 16 million common shares (February 1, 2020 to January 31, 2021)

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

(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 2020 financial outlook.



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JJ Ruest

President and Chief Executive Officer

Executing on Our Strategic Agenda

- Continuing to tightly manage costs and right-size resources to mitigate headwinds
- Leveraging unique three-coast network to enable a portfolio of diverse long-term growth opportunities at low incremental cost
- Taking Scheduled Railroading to the next level with deployed advanced technologies
- Delivering Responsibly (fuel efficiency, carbon footprint, diversity)

Creating solid shareholder value



Appendix

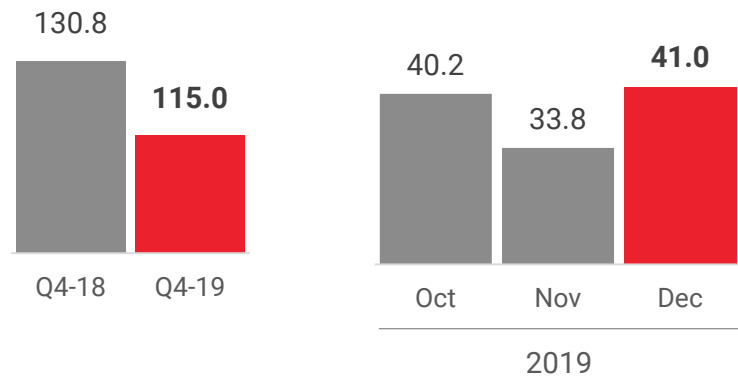


Q4 Operating Metrics – Impacted by the Conductor Strike

Workload
Total GTMs, billions

▼ 12%

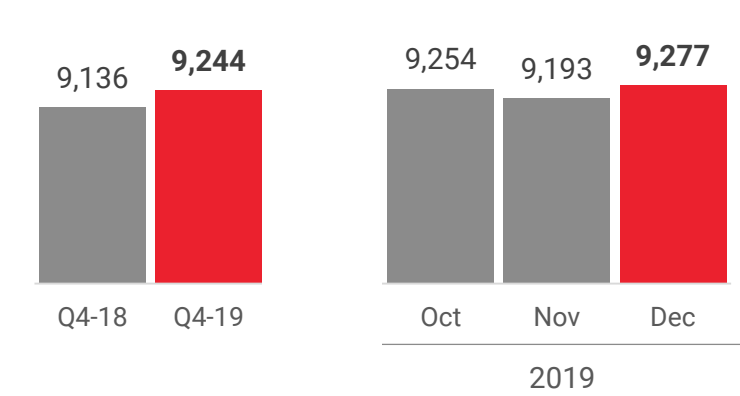
vs Q4-18



Train Productivity
GTM per train mile

▲ 1%

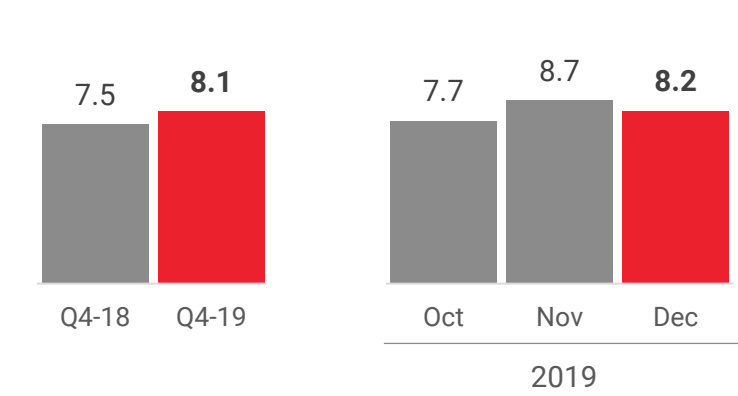
vs Q4-18



Through Dwell
Entire railroad, hours

▲ 8%

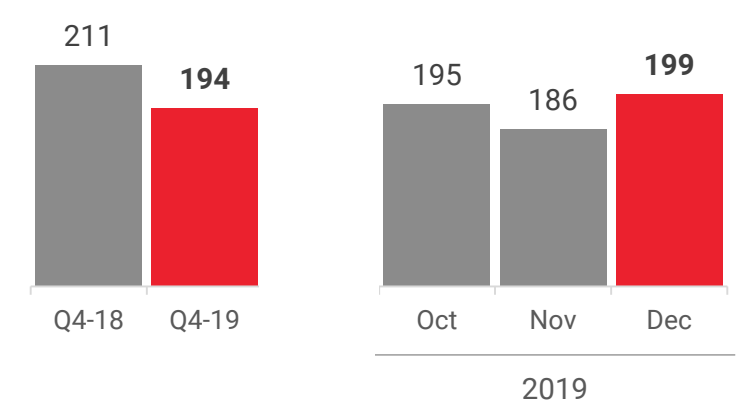
vs Q4-18



Locomotive Utilization
Trailing GTMs per total horsepower

▼ 8%

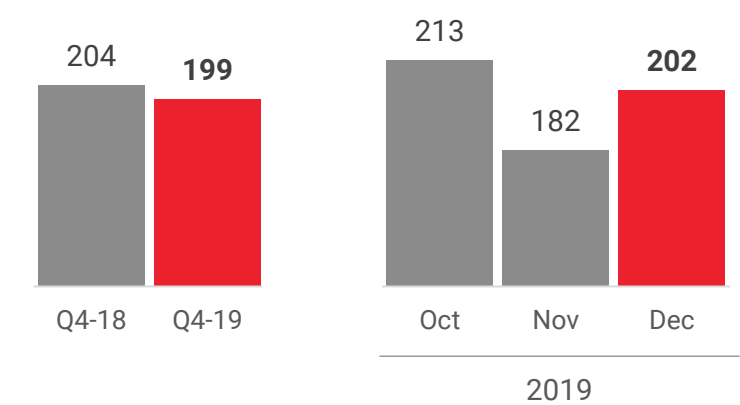
vs Q4-18



Car Velocity
Car miles per day

▼ 2%

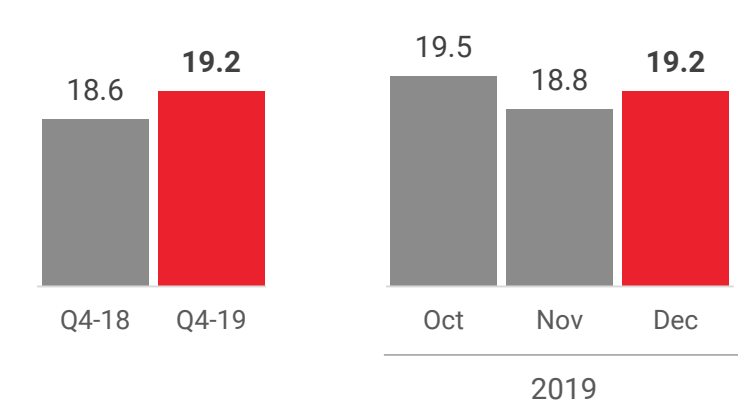
vs Q4-18



Through Network Train Speed
miles per hour

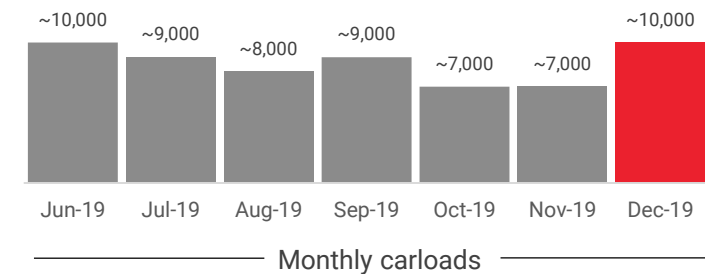
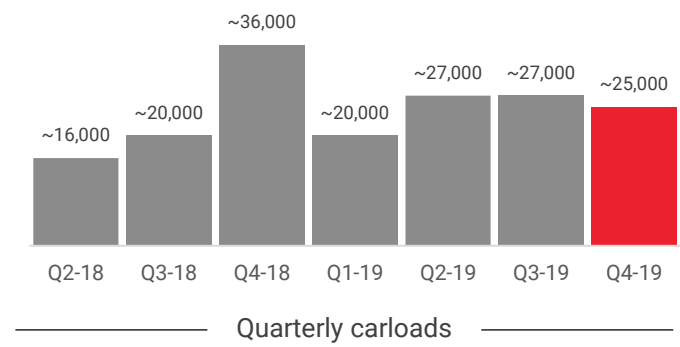
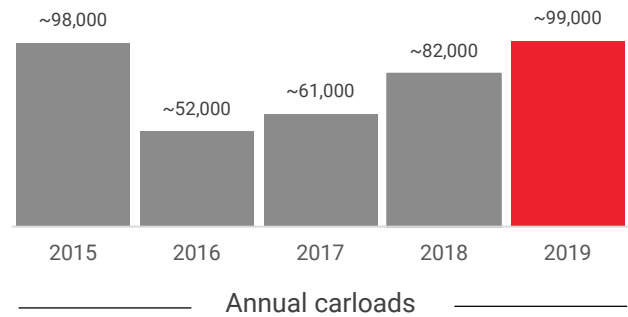
▲ 3%

vs Q4-18

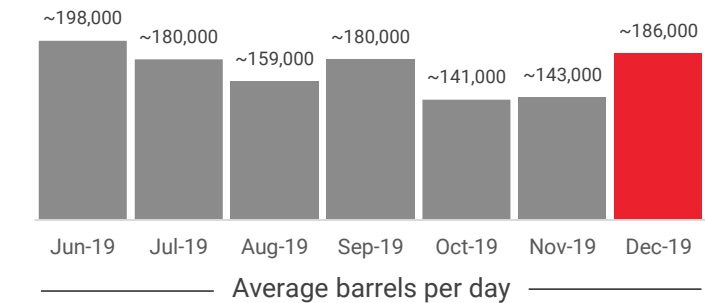
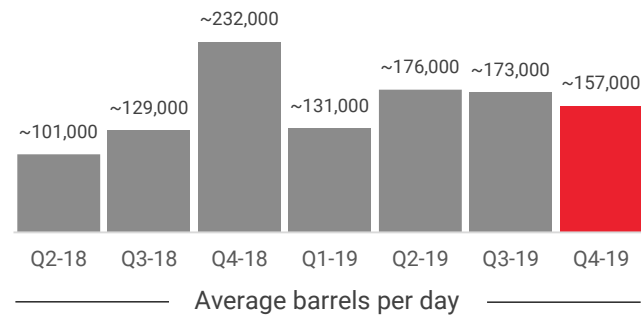
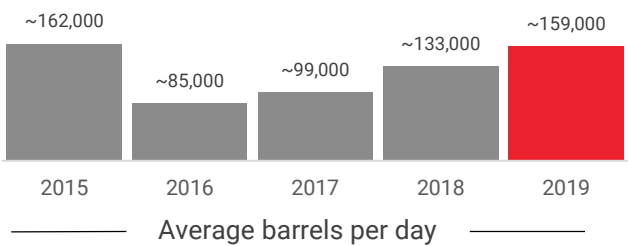


Crude Oil By Rail Trend

Crude Oil Shipments in Carloads



Crude Oil Shipments in Barrels Per Day



Sequentially improving on a monthly basis with easier comps in Q1

Accommodating Future Growth on the West Coast

Growth Opportunities in Vancouver

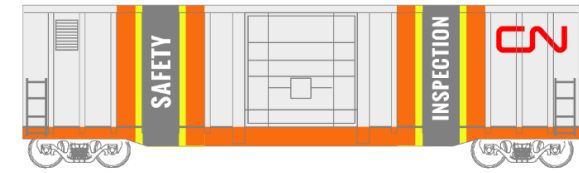
- Additional capacity of 1.15M TEU by 2022 at container terminals (Centerm and Vanterm)
- Neptune planned coal capacity expansion from 12.2MT to 18.5MT in 2021
- G3 invested in a new terminal with 8MT capacity – in operations by mid-year 2020
- Fraser Surrey grain terminal expecting to add 3.5MT capacity by end of 2020 (GrainsConnect and P&H)
- Investments of over \$400M jointly funded by CN, Port of Vancouver and the Canadian Federal Government, which include 9.9km of double track and tunnel ventilation improvements

Growth Opportunities in Prince Rupert

- Fairview container port expansion from 1.35MTEU to 1.8M TEU by 2022
- Ridley bulk terminal - purchased by the private sector and new long term contract with Teck
- Second propane export terminal (Pembina) planned capacity of 25,000 barrels per day in 2020, potential for expansion in 2023 for additional 15,000 barrels per day
- Investments of over \$350M jointly funded by CN, Prince Rupert Port Authority and the Canadian Federal Government which include bridge expansion, double track and new sidings

Automating Precision Scheduled Railroading

Autonomous Track Inspection Program (ATIP)



Update on ATIP Initiative

- 8 Autonomous Track Inspection Cars Deployed and 2 more in 2020
 - Currently: 74% of core mainline routes covered
 - 2020 Target: Canada and U.S., 100% core mainline protection and close to 90% of our GTM's
- Benefits
 - SAFETY: increased electronic inspection frequency and accuracy
 - EXECUTION: fewer outages, less impact to network operations
 - EFFECTIVENESS: no additional network capacity required for increased inspections

FRA ⁽¹⁾ Test Program

- CN submitted ATIP Test Program to FRA in December 2019 for their approval
- Establish new, stronger safety targets through Autonomous Inspections
- 1,204 mile test program (Mainline: Chicago to New Orleans)
- Phased Implementation of Test Program
 - ↑ Improved Track Safety Results
 - ↑ Increased Autonomous Inspections
 - ↑ Reduced Manual Intervention (up to 75%)

ATIP – 60 miles per hour, versus 60 miles per day

(1) Federal Railroad Administration (FRA)

Our ESG Priorities

Environmental Protection

- Achieved a 39% locomotive emission intensity improvement over the last 25 years
- Aligning our climate disclosures with the Task Force on Climate-related Financial Disclosure (TCFD)
- Diverted ~90% of our waste from landfill in 2019

29%

Set a low carbon transition plan to reduce Greenhouse Gas (GHG) emission intensity by 29% from 2015 levels by 2030

Social Responsibility

- Investing in leadership, training, coaching and employee engagement to strengthen our safety culture
- Leveraging advances in technology and predictive analytics to improve rail operations safety
- Planted over 2 million trees since 2012 in 268 communities where we operate

Zero

Our goal is to reduce serious injuries and fatalities to zero at CN

Strong Governance

- Aligned executive compensation with long-term sustainability results by including safety
- Set and achieved a 30% gender diversity target at the Board
- Extending diversity beyond the Board to include senior levels in the organization

38%

Of our directors are women; meeting CN's policy of minimum Board representation of 1/3 women

Recent recognitions

