

Our franchise

The CN franchise is a highly efficient, 21,000-route-mile transportation network that serves customers shipping a broad array of products and commodities. This diverse commodity mix acts as a buffer from the down cycles of any one industry, and our network is a key competitive asset in which we are continuously investing to improve.

The CN franchise: key to consistent performance



CN's franchise – an efficient transportation network and balanced commodity mix – was instrumental to strong overall financial performance in 2008. Growth in CN businesses such as intermodal and oil and gas construction materials helped mitigate economy-related challenges in others.

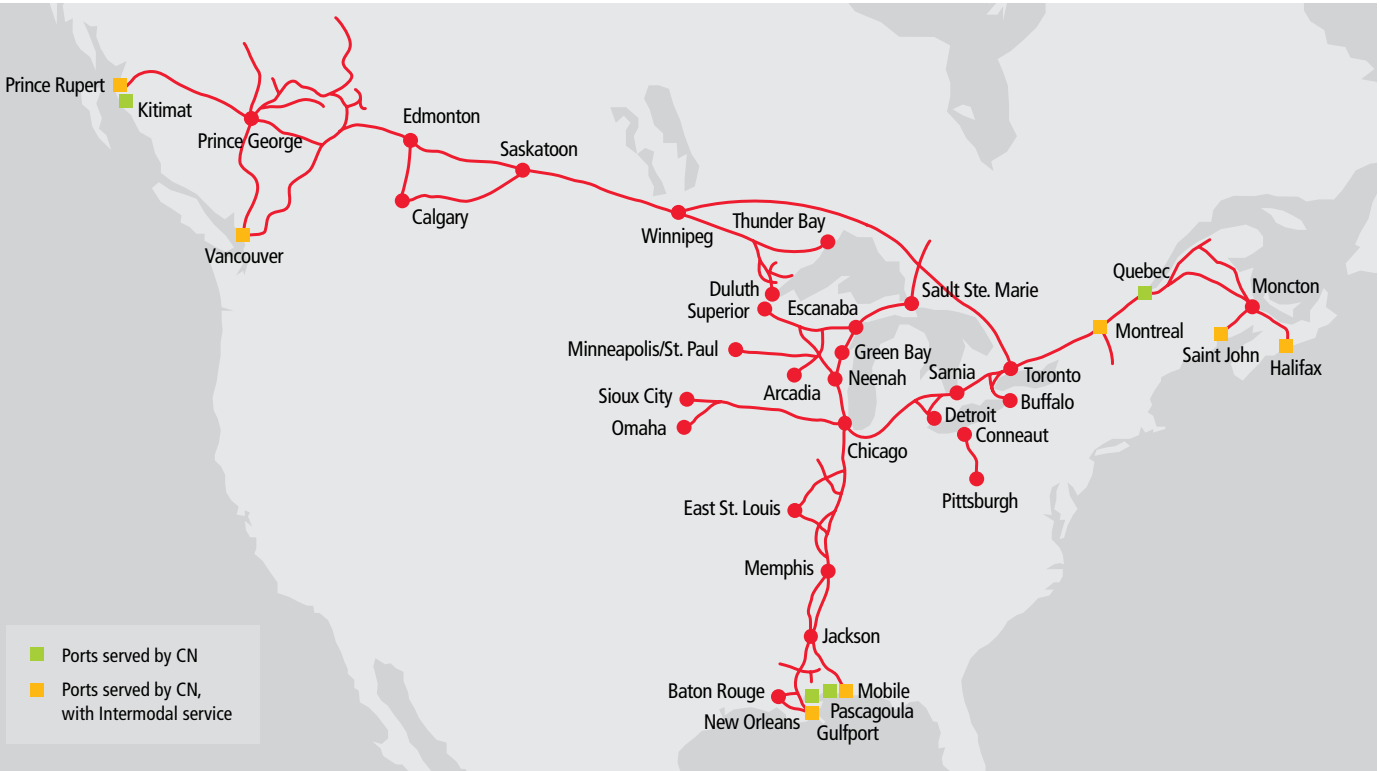
The balance and breadth of CN's franchise represent strength, consistency and competitive advantage in the face of ups and downs in the economic cycle. Franchise strength is a major reason for the solid results CN delivered in a very challenging year – we invested in this key CN fundamental in 2008, continuing to improve our position for sustained growth going forward.

Forest products and automotive down; bulk commodities up

The U.S. housing industry continued its slide in 2008, while the automotive industry endured a credit market collapse and general economic weakness. As a result, CN forest products and automotive revenues were down significantly year-over-year.

Yet CN delivered profitable overall revenue growth in 2008, thanks in part to CN's diversified portfolio of customers and strong transportation offering. These CN strengths provide the ability to grow in a

With a highly efficient network that connects major ports on three coasts to important North American markets, CN is well positioned in the global marketplace.



We believe the balance of our commodity mix helps position us to face economic fluctuations and enhances our long-term growth potential.



Petroleum and chemicals



Metals and minerals



Forest products



Coal



Grain and fertilizers



Intermodal



Automotive



CN WorldWide International



CN WorldWide North America

CN invested more than \$1.5 billion in the physical plant in 2008, improving track infrastructure, building distribution facilities and upgrading its locomotive and railcar fleet.



variety of areas, including intermodal, coal, alternative energy, condensate and construction materials related to oil and gas development. CN's ability to generate positive results in a difficult environment helps mitigate downturns in specific areas – it also positions us to benefit from stronger economic conditions.

Continuously building our network through acquisition

As it has throughout its history as a public company, CN continued to improve its network through acquisition in 2008. With U.S. Surface Transportation Board approval of the Elgin, Joliet & Eastern Railway Company (EJ&E) acquisition, and closing the transaction in January 2009, we expect to begin running trains over the 158-mile track skirting the Chicago metropolitan area in first quarter 2009.

In addition to relieving congestion in the Chicago area, the EJ&E acquisition will have a major positive impact on both CN network

fluidity and CN's ability to serve customers across North America. The bottom line: It represents an important opportunity for us to offer even more seamless, faster, more reliable and more cost-effective service for our customers. Also in 2008, we acquired three core rail subsidiaries from Quebec Railway Corp. (QRC), which will benefit shippers of aluminum, forest products and other key commodities.

Prince Rupert: Year one

In its first full year of operation, the Prince Rupert intermodal terminal proved that it's a viable, highly competitive port of entry to North America for Asian products. The port attracted a second weekly call from an Asian shipper: the COSCO/K-Line/Yang Ming/Hanjin alliance, that is now transporting cargoes to North American destinations through Prince Rupert. CN continues to work to attract more importers, improve throughput and identify backhaul opportunities from North America to Asia.