

CN is engaged in the rail and related transportation business. CN's network of approximately 21,000 route miles spans Canada, from Halifax in the east to Vancouver and Prince Rupert in the west; and runs through the heart of mid-America, from northern Minnesota to New Orleans via Chicago and Memphis. It is the only rail network on the North American continent to connect three coasts – the Pacific, the Atlantic, and the Gulf of Mexico. Through a series of interline agreements, co-production arrangements and routing protocols, CN customers have access to all three North American Free Trade Agreement (NAFTA) nations.

CN's freight revenues are derived from seven commodity groups representing a diversified and balanced portfolio of goods transported between a wide range of origins and destinations. This product and geographic diversity better positions the Company to face economic fluctuations and enhances its potential for growth opportunities. In 2008, no individual commodity group accounted for more than 19 per cent of revenues. From a geographic standpoint, CN is equally well diversified. In 2008, approximately 31 per cent of freight revenues came from transborder traffic, 26 per cent from offshore traffic, 24 per cent from Canadian domestic traffic, and 19 per cent from U.S. domestic traffic.

CN originates approximately 85 per cent of the traffic moving along its network. This enables the Company to capitalize on service advantages and build on opportunities to efficiently use assets.

CN's focus is on running a safe and efficient railroad. While remaining at

the forefront of the rail industry, CN's goal is to be internationally regarded as one of the best-performing transportation companies.

CN's business strategy is guided by five core principles: providing good service, controlling costs, focusing on asset utilization, committing to safety, and developing people.

CN's commitment is to create value for its customers by providing quality and cost-effective service; and for its shareholders by striving for sustainable financial performance through profitable growth, solid free cash flow and a high return on investment.

In support of this commitment, the Company continues to focus on top-line growth by maintaining its pricing strategy and focusing on opportunities that extend beyond the business cycle. The Company sees growth opportunities through market share gains versus truck, commodities related to oil and gas development in Western Canada, the Prince Rupert Intermodal Terminal, opportunities in the bulk sector, such as Illinois basin coal, and through the expansion of non-rail services.

The Company continuously seeks to enhance productivity, reduce costs and leverage assets. Opportunities to improve productivity extend across all functions in the organization and include: investments in locomotives equipped with distributed power capability, investments in longer sidings, *SmartYard* technology, the Harrison Yard¹ reconfiguration and *Precision Engineering*.

CN also continues to invest in various strategic initiatives to expand the scope of its business. A key initiative is the recent acquisition of a major portion of the EJ&E, which will drive new efficiencies and operating improvements on CN's network as a result of streamlined rail operations and reduced congestion.

CN's efforts to increase speed, efficiency and reliability through the execution of its *Precision Railroading* concept are ongoing and never-ending. Through innovation, CN will strive to improve its products, its ability to sell them, and its customer support capability to create value for all stakeholders.

CN Commercialization Act

The Company was privatized in 1995. The privatization transformed CN from a government Crown Corporation into an investor-owned company. As required by the CN Commercialization Act, there is a 15 per cent limit on ownership of the Company's common shares by any holder alone or together with associates.

¹ In September 2009, CN's Johnston Yard was renamed Harrison Yard in honour of retiring President and Chief Executive Officer, E. Hunter Harrison.