

Letter from the President

Welcome to the 2009 edition of the *CN Investor Fact Book*. This book is an invaluable source of information about CN, how it works and why.

We have a great North American franchise, characterized by a balanced portfolio of business, with powerful traffic generation capacity and a unique tri-coastal network. We have a superior business model focused on quality service, customer value and the ability to grow the top line at low incremental cost. And, most significantly, we have an exceptional operating model, *Precision Railroading*, which underpins everything we do, driving safety of operations, superior network velocity, asset utilization, productivity and service.

Current economic conditions in North America and around the world, the most challenging in decades, are affecting virtually every segment of our business. But we've quickly adjusted our resources to reduced transportation demand. We've sharply reduced train starts and variable costs and are carefully managing head count. We're improving productivity and network velocity across the board, from train speeds, to yard processing volumes, to active locomotive and freight car counts. And while we remain focused on managing near-term challenges effectively, we are equally focused on two key strategic objectives – structural growth opportunities that extend beyond the current business cycle, and continuing investments in plant and equipment that will assure CN is well positioned for the eventual economic recovery.

We have a full pipeline of revenue initiatives, including increasing container traffic over the Port of Prince Rupert, new export potash flows, retail intermodal gains, large-diameter pipe projects and the expansion of non-rail services to further enhance CN's product offering.

Our immediate strategic focus in 2009 is centred on the integration of the former Elgin, Joliet and Eastern Railway Company (EJ&E) into our network. This US\$300 million acquisition – and the US\$100 million in capital we plan to invest in upgrading the EJ&E over the next three years – will tie together our five lines in Chicago for the first time and allow us to route traffic away from rail congestion in the city's core. Improved network velocity will pay significant dividends for our customers and for CN.

I have had a good run leading CN. It's been a great honour and privilege to lead the best railroaders in the business. Together we have reached new heights of efficiency and productivity, thanks to our relentless questioning of conventional wisdom. We've made creative change happen. And while change is never easy, we've always done it, and will continue to do it, for the right reason – to get better at what we do for our customers and to drive increased shareholder value.

Claude Mongeau, until recently our Executive Vice-President and Chief Financial Officer, has been selected to succeed me on January 1, 2010. Claude is an exceptional executive, and it's been a pleasure to have worked with him for more than 10 years. He has been instrumental in driving CN's superior financial performance and strategic agenda. Claude has a keen appreciation of the power of *Precision Railroading* and will command an outstanding team of railroaders. I have every confidence he will take CN to the next level of transportation excellence.



E. Hunter Harrison
President and Chief Executive Officer