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# Together into our next century

2018 Annual Report  
Summary



# 100 CN

## A Moving — Celebration 1919 — 2019

For CN's 100th anniversary, we invite you to discover, explore and celebrate the people, places and events that have made us who we are.

Stopping in cities across North America, CN100 – A Moving Celebration will be a travelling collection of informative experiences. It will be a great way for CN's extended family and friends to look back on the miles we've covered together and imagine what lies ahead. For the general public, it will be a warm reunion with a century-old neighbour, and a reminder of the ties that continue to bind us.

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**Join us in celebrating  
100 years on the move!**

[cn.ca/cn100](http://cn.ca/cn100)

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#### Forward-looking statements

Certain statements included in this document 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.

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 and available on CN's website, 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.

## 2018 HIGHLIGHTS



### Solid top-line growth

# \$14.3B

REVENUES

With approximately \$1.3 billion of revenue growth in the final three quarters of the year, CN regained its position of strength, finishing with revenues up 10% over 2017.



### Improved operating efficiency

# \$5.5B

OPERATING INCOME

Operating income up 5% over 2017. We are focused on operational productivity and services that resonate with customers.



### Strong earnings

# \$5.87

DILUTED EPS



# \$5.50

ADJUSTED DILUTED EPS<sup>1</sup>

While diluted earnings per share decreased 19% compared to 2017, adjusted diluted EPS<sup>1</sup> increased 10%. Included in diluted EPS in 2017 was a deferred income tax recovery of \$2.33 per diluted share, resulting from the enactment of a lower U.S. federal corporate income tax rate.

1. For an explanation of this non-GAAP measure, see the section entitled Adjusted performance measures in the Management's Discussion and Analysis in CN's annual report available on CN's website, Fourth Quarter and Full-Year Results at [cn.ca/financial-results](http://cn.ca/financial-results). The complete annual report is available for download at [cn.ca/investors](http://cn.ca/investors).



### Building our infrastructure

In 2018, we undertook the largest number of capacity infrastructure projects in CN's history, putting into service seven yard expansions, 11 siding projects and almost 60 miles of double track to create more places where trains can meet. In 2019, we plan to continue our ambitious program by adding close to 80 miles of new double track as well as three new or extended sidings.



### Growing our cold supply chain solutions

CN's CargoCool® service transports temperature-sensitive goods quickly and cost-competitively using the largest domestic fleet of refrigerated containers and advanced monitoring systems to maintain the highest levels of product integrity and food safety while in transit. In 2018, we added 100 new reefers to our fleet (over 700 in total) to handle growth opportunities and develop new markets.



### CN's Grain Plan helps the Canadian supply chain

CN's Grain Plan is the product of extensive consultation with key stakeholders in Canada and reflects the valuable feedback they have provided. Commercial contracts with reciprocal incentives are in place for over 90% of our fleet. Four new export terminals and over 80% of new grain elevators are being built on our network. At the end of 2018, CN's grain movements were on a record-setting pace and almost 10% higher than the prior three-year average.



### Developing an innovative transport option for bitumen

We have made good headway with our environmentally secure process of transporting bitumen as a solid pellet that floats and does not explode, leak or dissolve. CN signed an agreement with Wapahki Energy Ltd., a company owned by the Heart Lake First Nation, to build a \$50-million production plant capable of turning up to 10,000 barrels of bitumen per day into CanaPux™.



### Prince Rupert: fastest growing container terminal

In 2018, our intermodal supply chain partners, the Port of Prince Rupert and DP World, celebrated a historic milestone, handling over one million containers for the first time in a calendar year. This remarkable performance was due to new marine carrier services, a new containerized bulk cargo facility, added capacity at Fairview Terminal, and CN's unmatched market access and fast delivery solutions.



### Expanding our fleet

CN has ordered 260 GE Tier 4 locomotives. We received 65 new locomotives in 2018 and will be taking delivery of 140 more in 2019, with the balance to be delivered in 2020. We are also acquiring 1,300 lumber cars and 1,000 boxcars to rejuvenate the fleet serving our forest products and metals customers. Additionally, we are acquiring 1,000 new high-capacity hopper cars over the next two years to replace aging equipment and meet the growing needs of our grain customers.



### Growing energy shipments in Western Canada

Canadian crude exporters are taking advantage of CN's superior network to compensate for pipeline capacity constraints. And, frac sand producers in Wisconsin are taking advantage of CN's efficient single-line service to reach new frac sand unit train-receiving terminals in Alberta and British Columbia. A new propane terminal in Prince Rupert, expected to open in April 2019, will also be directly served by CN trains from the Alberta heartland.



### Investing in safety technology

We are investing in inspection technology for our trains and tracks. Our new Automated Inspection Portals (AIPs) feature ultra-high-definition panoramic cameras and infrared lighting that capture a 360° view of a train as it travels through the portal. These real-time inspections can then assist in identifying a railcar needing repair. The first four AIPs are currently commencing operation, with three more being installed on our system in 2019.



### Growing through partnerships and acquisitions

Our strategic acquisition of Winnipeg-based TransX, one of Canada's oldest and largest transportation companies, will allow us to deepen our supply chain flexibility and strengthen our intermodal business.

## SHAREHOLDER AND INVESTOR INFORMATION

### Annual information form

The annual information form may be obtained by writing to:

The Corporate Secretary  
Canadian National Railway Company  
935 de La Gauchetière Street West  
Montreal, Quebec H3B 2M9

It is also available on CN's website.

### Transfer agent and registrar

Computershare Trust Company of Canada

Offices in:

Montreal, Quebec  
Toronto, Ontario  
Calgary, Alberta  
Vancouver, British Columbia

Telephone: 1-800-564-6253  
investorcentre.com

### Co-transfer agent and co-registrar

Computershare Trust Company N.A.  
Att: Stock Transfer Department

Overnight Mail Delivery:  
250 Royall Street, Canton, MA 02021

Regular Mail Delivery:  
P.O. Box 43078,  
Providence, RI 02940-3078  
Telephone: 1-800-962-4284

### Shareholder services

Shareholders having inquiries concerning their shares, wishing to obtain information about CN, or to receive dividends by direct deposit or in U.S. dollars may obtain detailed information by communicating with:

Computershare Trust Company of Canada  
Shareholder Services  
100 University Avenue, 8th Floor  
Toronto, Ontario M5J 2Y1

Telephone: 1-800-564-6253  
investorcentre.com

### Stock exchanges

CN common shares are listed on the Toronto and New York stock exchanges.

Ticker symbols:

CNR (Toronto Stock Exchange)  
CNI (New York Stock Exchange)

### Investor relations

Paul Butcher  
Vice-President, Investor Relations  
Telephone: 514-399-0052

### Head office

Canadian National Railway Company  
935 de La Gauchetière Street West  
Montreal, Quebec H3B 2M9  
P.O. Box 8100  
Montreal, Quebec H3C 3N4

## SELECTED RAILROAD STATISTICS – unaudited

	2018	2017	2016
<b>Financial</b>			
<b>Key financial performance indicators</b>			
Total revenues (\$ millions)	14,321	13,041	12,037
Rail freight revenues (\$ millions)	13,548	12,293	11,326
Operating income (\$ millions) <sup>(1)</sup>	5,493	5,243	5,032
Net income (\$ millions)	4,328	5,484	3,640
Adjusted net income (\$ millions) <sup>(2)</sup>	4,056	3,778	3,581
Diluted earnings per share (\$)	5.87	7.24	4.67
Adjusted diluted earnings per share (\$) <sup>(2)</sup>	5.50	4.99	4.59
Free cash flow (\$ millions) <sup>(3)</sup>	2,514	2,778	2,520
Gross property additions (\$ millions)	3,531	2,703	2,752
Share repurchases (\$ millions)	2,000	2,000	2,000
Dividends per share (\$)	1.82	1.65	1.50
<b>Financial position</b>			
Total assets (\$ millions)	41,214	37,629	37,057
Total liabilities (\$ millions)	23,573	20,973	22,216
Shareholders' equity (\$ millions)	17,641	16,656	14,841
<b>Financial ratios</b>			
Operating ratio (%) <sup>(1)</sup>	61.6	59.8	58.2
Adjusted debt-to-adjusted EBITDA (times) <sup>(4)</sup>	1.94	1.75	1.85
Return on invested capital (ROIC) (%) <sup>(5)</sup>	16.7	22.4	16.0
Adjusted ROIC (%) <sup>(5)</sup>	15.7	15.9	15.8
<b>Operations <sup>(6)</sup></b>			
<b>Statistical operating data</b>			
Gross ton miles (GTMs) (millions)	490,414	469,200	423,426
Revenue ton miles (RTMs) (millions)	248,383	237,098	214,327
Carloads (thousands)	5,976	5,737	5,205
Route miles (includes Canada and the U.S.)	19,500	19,500	19,600
Employees (end of year)	25,720	23,945	22,249
Employees (average for the year)	25,423	23,074	22,322
<b>Key operating measures</b>			
Rail freight revenue per RTM (cents)	5.45	5.18	5.28
Rail freight revenue per carload (\$)	2,267	2,143	2,176
GTMs per average number of employees (thousands)	19,290	20,335	18,969
Operating expenses per GTM (cents) <sup>(1)</sup>	1.80	1.66	1.65
Labor and fringe benefits expense per GTM (cents) <sup>(1)</sup>	0.58	0.54	0.57
Diesel fuel consumed (US gallons in millions)	462.7	441.4	398.9
Average fuel price (\$/US gallon)	3.32	2.74	2.34
GTMs per US gallon of fuel consumed	1,060	1,063	1,061
Car velocity (car miles per day)	188	211	236
Through dwell (hours) <sup>(7)</sup>	8.3	7.7	6.9
Through network train speed (miles per hour) <sup>(7)</sup>	18.0	20.3	22.5
Locomotive utilization (trailing GTMs per total horsepower)	208	225	230
<b>Safety indicators <sup>(8)</sup></b>			
Injury frequency rate (per 200,000 person hours)	1.81	1.83	1.70
Accident rate (per million train miles)	2.02	1.83	1.42

(1) The Company adopted Accounting Standards Update (ASU) 2017-07: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost in the first quarter of 2018 on a retrospective basis. Comparative figures have been adjusted to conform to the current presentation. For additional information, see Note 2 - Recent accounting pronouncements to CN's 2018 Annual Consolidated Financial Statements available on CN's website, Fourth Quarter and Full-Year Results at [cn.ca/financial-results](http://cn.ca/financial-results).

(2) For an explanation of these non-GAAP measures, see the section entitled Adjusted performance measures in the Management's Discussion and Analysis in CN's annual report available on CN's website, Fourth Quarter and Full-Year Results at [cn.ca/financial-results](http://cn.ca/financial-results).

(3) For an explanation of this non-GAAP measure, see the section entitled Liquidity and capital resources - Free cash flow in the Management's Discussion and Analysis in CN's annual report available on CN's website, Fourth Quarter and Full-Year Results at [cn.ca/financial-results](http://cn.ca/financial-results).

(4) For an explanation of this non-GAAP measure, see the section entitled Liquidity and capital resources - Adjusted debt-to-adjusted EBITDA multiple in the Management's Discussion and Analysis in CN's annual report available on CN's website, Fourth Quarter and Full-Year Results at [cn.ca/financial-results](http://cn.ca/financial-results).

(5) For an explanation of these non-GAAP measures, see the section entitled Return on invested capital (ROIC) and Adjusted ROIC in the Management's Discussion and Analysis in CN's annual report available on CN's website, Fourth Quarter and Full-Year Results at [cn.ca/financial-results](http://cn.ca/financial-results).

(6) Statistical operating data, key operating measures and safety indicators are unaudited and based on estimated data available at such time and are subject to change as more complete information becomes available. Definitions of these indicators are provided on our website, [cn.ca/glossary](http://cn.ca/glossary).

(7) The Company no longer reports Terminal dwell and Train velocity and has replaced these measures with Through dwell and Through network train speed, respectively. Comparative figures have been adjusted to conform to the current presentation.

(8) Based on Federal Railroad Administration (FRA) reporting criteria.



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