

MC SHIPPING INC  
Form 4/A  
April 14, 2005

# FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL

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## STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
Navalmar (UK) LTD

2. Issuer Name and Ticker or Trading Symbol  
MC SHIPPING INC [MCX]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

5-7 ST HELEN'S PLACE

3. Date of Earliest Transaction  
(Month/Day/Year)  
03/29/2005

\_\_\_\_ Director  
\_\_\_\_ Officer (give title below)  
\_\_X\_\_ 10% Owner  
\_\_\_\_ Other (specify below)

(Street)

LONDON, X0 EC3A 6AU

4. If Amendment, Date Original Filed(Month/Day/Year)  
03/31/2005

6. Individual or Joint/Group Filing(Check Applicable Line)  
\_\_X\_\_ Form filed by One Reporting Person  
\_\_\_\_ Form filed by More than One Reporting Person

(City) (State) (Zip)

### Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|----------------------------------------------------|--------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------|
|                                 |                                      |                                                    |                                | Code V Amount (A) or (D) Price                                    |                                                                                               |                                                          |                                                       |
| Common Stock                    | 03/29/2005                           | 03/29/2005                                         | P                              | 91,000 A \$ 7.4727                                                | 2,711,644                                                                                     | D (1)                                                    |                                                       |
| Common Stock                    | 03/30/2005                           | 03/30/2005                                         | P                              | 35,200 A \$ 7.4913                                                | 2,746,844                                                                                     | D (1)                                                    |                                                       |
| Common Stock                    | 03/29/2005                           | 03/29/2005                                         | P                              | 51,900 A \$ 7.5                                                   | 2,798,744                                                                                     | D (1)                                                    |                                                       |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Nu                      |
|--------------------------------------------|--------------------------------------------------------|--------------------------------------|----------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------|--------------------------------------------|----------------------------|
|                                            |                                                        |                                      |                                                    | Code                           | V (A) (D)                                                                               | Date Exercisable                                         | Expiration Date                                               | Title                                      | Amount or Number of Shares |

## Reporting Owners

| Reporting Owner Name / Address                                   | Relationships |           |         |       |
|------------------------------------------------------------------|---------------|-----------|---------|-------|
|                                                                  | Director      | 10% Owner | Officer | Other |
| Navalmar (UK) LTD<br>5-7 ST HELEN'S PLACE<br>LONDON, X0 EC3A 6AU |               | X         |         |       |

## Signatures

|                                               |            |
|-----------------------------------------------|------------|
| /s/ Andrea Columbo, for Navalmar (UK) Limited | 04/14/2005 |
| __Signature of Reporting Person               | Date       |
| /s/ Enrico Bogazzi, for Bogazzi Fimpar SpA    | 04/14/2005 |
| __Signature of Reporting Person               | Date       |
| /s/ Enrico Bogazzi                            | 04/14/2005 |
| __Signature of Reporting Person               | Date       |

## Explanation of Responses:

\* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Bogazzi Fimpar SpA, 10% Owner, Via Cadorna 49/A 54036 Marina di Carrara Italy; Enrico Bogazzi, 10% Owner, Via Cadorna 49/A 54036 Marina di Carrara Italy. The shares are held by Navalmar (UK) Limited, a subsidiary in which Bogazzi Fimpar SpA holds the controlling interest, but may be deemed to be beneficially owned by Enrico Bogazzi who is the controlling shareholder of Bogazzi Fimpar SpA.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. Consistent with those used in preparing the Company's 2014 Annual Consolidated Financial Statements and should be read in conjunction with such statements, Notes thereto and MD&A.

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## Consolidated Statement of Changes in Shareholders' Equity - unaudited

| In millions                                             | Three months ended |            | Year ended  |            |
|---------------------------------------------------------|--------------------|------------|-------------|------------|
|                                                         | December 31        |            | December 31 |            |
|                                                         | 2014               | 2013       | 2014        | 2013       |
| <b>Common shares and additional paid-in capital (1)</b> |                    |            |             |            |
| Balance, beginning of period                            | \$ 3,965           | \$ 4,036   | \$ 4,015    | \$ 4,108   |
| Stock-based compensation and other                      | 219                | 5          | 250         | 40         |
| Share repurchase programs                               | (27)               | (26)       | (108)       | (133)      |
| Balance, end of period                                  | \$ 4,157           | \$ 4,015   | \$ 4,157    | \$ 4,015   |
| <b>Accumulated other comprehensive loss</b>             |                    |            |             |            |
| Balance, beginning of period                            | \$ (1,699)         | \$ (3,080) | \$ (1,850)  | \$ (3,257) |
| Other comprehensive income (loss)                       | (728)              | 1,230      | (577)       | 1,407      |
| Balance, end of period                                  | \$ (2,427)         | \$ (1,850) | \$ (2,427)  | \$ (1,850) |
| <b>Retained earnings</b>                                |                    |            |             |            |
| Balance, beginning of period                            | \$ 11,481          | \$ 10,611  | \$ 10,788   | \$ 10,167  |
| Net income                                              | 844                | 635        | 3,167       | 2,612      |
| Share repurchase programs                               | (383)              | (279)      | (1,397)     | (1,267)    |
| Dividends                                               | (202)              | (179)      | (818)       | (724)      |
| Balance, end of period                                  | \$ 11,740          | \$ 10,788  | \$ 11,740   | \$ 10,788  |

(1) During the three months and year ended December 31, 2014, the Company issued 0.3 million and 1.2 million common shares, respectively, as a result of stock options exercised, and repurchased 5.6 million and 22.4 million common shares, respectively, under its share repurchase programs. At December 31, 2014, the Company had 809.4 million common shares outstanding.

During the three months and year ended December 31, 2013, the Company issued 0.2 million and 1.4 million common shares, respectively, as a result of stock options exercised, and repurchased 5.5 million and 27.6 million common shares, respectively, under its share repurchase programs. At December 31, 2013, the Company had 830.6 million common shares outstanding.

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## Consolidated Statement of Cash Flows - unaudited

| In millions                                                                                         | Three months ended |          | Year ended  |           |
|-----------------------------------------------------------------------------------------------------|--------------------|----------|-------------|-----------|
|                                                                                                     | December 31        |          | December 31 |           |
|                                                                                                     | 2014               | 2013     | 2014        | 2013      |
| <b>Operating activities</b>                                                                         |                    |          |             |           |
| Net income                                                                                          | \$ 844             | \$ 635   | \$ 3,167    | \$ 2,612  |
| Adjustments to reconcile net income to net cash                                                     |                    |          |             |           |
| provided by operating activities:                                                                   |                    |          |             |           |
| Depreciation and amortization                                                                       | 279                | 254      | 1,050       | 980       |
| Deferred income taxes                                                                               | 201                | 162      | 416         | 331       |
| Gain on disposal of property                                                                        | -                  | -        | (80)        | (69)      |
| Changes in operating assets and liabilities:                                                        |                    |          |             |           |
| Accounts receivable                                                                                 | 14                 | 55       | (59)        | 32        |
| Material and supplies                                                                               | 41                 | 46       | (51)        | (38)      |
| Accounts payable and other                                                                          | (196)              | (99)     | -           | (245)     |
| Other current assets                                                                                | (19)               | (15)     | 5           | 13        |
| Pensions and other, net                                                                             | (29)               | 60       | (67)        | (68)      |
| Net cash provided by operating activities                                                           | 1,135              | 1,098    | 4,381       | 3,548     |
| <b>Investing activities</b>                                                                         |                    |          |             |           |
| Property additions                                                                                  | (947)              | (788)    | (2,297)     | (1,973)   |
| Disposal of property                                                                                | -                  | -        | 173         | 52        |
| Change in restricted cash and cash equivalents                                                      |                    |          |             |           |
| Other, net                                                                                          | 4                  | 81       | (15)        | 73        |
| Other, net                                                                                          | (13)               | 6        | (37)        | (4)       |
| Net cash used in investing activities                                                               | (956)              | (701)    | (2,176)     | (1,852)   |
| <b>Financing activities</b>                                                                         |                    |          |             |           |
| Issuance of debt                                                                                    | 675                | 867      | 1,022       | 1,582     |
| Repayment of debt                                                                                   | (27)               | (413)    | (822)       | (1,413)   |
| Net issuance (repayment) of commercial paper                                                        |                    |          |             |           |
|                                                                                                     | (350)              | (341)    | (277)       | 268       |
| Issuance of common shares due to exercise of stock options and related excess tax benefits realized |                    |          |             |           |
|                                                                                                     | 6                  | 3        | 30          | 31        |
| Repurchase of common shares                                                                         | (410)              | (305)    | (1,505)     | (1,400)   |
| Dividends paid                                                                                      | (202)              | (179)    | (818)       | (724)     |
| Net cash used in financing activities                                                               | (308)              | (368)    | (2,370)     | (1,656)   |
| Effect of foreign exchange fluctuations on US dollar-denominated cash and cash equivalents          |                    |          |             |           |
|                                                                                                     | 5                  | 3        | 3           | 19        |
| Net increase (decrease) in cash and cash equivalents                                                | (124)              | 32       | (162)       | 59        |
| Cash and cash equivalents, beginning of period                                                      |                    |          |             |           |
|                                                                                                     | 176                | 182      | 214         | 155       |
| Cash and cash equivalents, end of period                                                            | \$ 52              | \$ 214   | \$ 52       | \$ 214    |
| <b>Supplemental cash flow information</b>                                                           |                    |          |             |           |
| Net cash receipts from customers and other                                                          | \$ 3,084           | \$ 2,842 | \$ 12,029   | \$ 10,640 |
| Net cash payments for:                                                                              |                    |          |             |           |

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|                                                 |          |          |          |          |
|-------------------------------------------------|----------|----------|----------|----------|
| Employee services, suppliers and other expenses | (1,576)  | (1,389)  | (6,333)  | (5,558)  |
| Interest                                        | (112)    | (85)     | (409)    | (344)    |
| Personal injury and other claims                | (19)     | (17)     | (57)     | (61)     |
| Pensions                                        | (21)     | (18)     | (127)    | (239)    |
| Income taxes                                    | (221)    | (235)    | (722)    | (890)    |
| Net cash provided by operating activities       | \$ 1,135 | \$ 1,098 | \$ 4,381 | \$ 3,548 |

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## Selected Railroad Statistics - unaudited

|                                                   | Three months ended  |         | Year ended December 31 |         |
|---------------------------------------------------|---------------------|---------|------------------------|---------|
|                                                   | December 31<br>2014 | 2013    | 2014                   | 2013    |
| Financial measures                                |                     |         |                        |         |
| Key financial performance indicators              |                     |         |                        |         |
| Total revenues (\$ millions)                      | 3,207               | 2,745   | 12,134                 | 10,575  |
| Rail freight revenues (\$ millions) (1)           | 3,015               | 2,584   | 11,455                 | 9,951   |
| Operating income (\$ millions)                    | 1,260               | 967     | 4,624                  | 3,873   |
| Adjusted diluted earnings per share (\$) (2)      | 1.03                | 0.76    | 3.76                   | 3.06    |
| Free cash flow (\$ millions) (2)                  | 175                 | 316     | 2,220                  | 1,623   |
| Gross property additions (\$ millions)            | 947                 | 795     | 2,297                  | 2,017   |
| Share repurchases (\$ millions)                   | 410                 | 305     | 1,505                  | 1,400   |
| Dividend per share (\$)                           | 0.250               | 0.215   | 1.00                   | 0.86    |
| Financial position                                |                     |         |                        |         |
| Total assets (\$ millions)                        | 31,792              | 30,163  | 31,792                 | 30,163  |
| Total liabilities (\$ millions)                   | 18,322              | 17,210  | 18,322                 | 17,210  |
| Shareholders' equity (\$ millions)                | 13,470              | 12,953  | 13,470                 | 12,953  |
| Financial ratio                                   |                     |         |                        |         |
| Operating ratio (%)                               | 60.7                | 64.8    | 61.9                   | 63.4    |
| Operational measures (3)                          |                     |         |                        |         |
| Statistical operating data                        |                     |         |                        |         |
| Gross ton miles (GTM) (millions)                  | 115,698             | 103,221 | 448,765                | 401,390 |
| Revenue ton miles (RTM) (millions)                | 59,777              | 54,667  | 232,138                | 210,133 |
| Carloads (thousands)                              | 1,448               | 1,310   | 5,625                  | 5,190   |
| Route miles (includes Canada and the U.S.)        | 19,600              | 20,000  | 19,600                 | 20,000  |
| Employees (end of period)                         | 25,530              | 23,721  | 25,530                 | 23,721  |
| Employees (average for the period)                | 25,304              | 23,703  | 24,635                 | 23,705  |
| Key operating measures                            |                     |         |                        |         |
| Rail freight revenue per RTM (cents) (1)          | 5.04                | 4.73    | 4.93                   | 4.74    |
| Rail freight revenue per carload (\$) (1)         | 2,082               | 1,973   | 2,036                  | 1,917   |
| GTMs per average number of employees (thousands)  | 4,572               | 4,355   | 18,217                 | 16,933  |
| Operating expenses per GTM (cents)                | 1.68                | 1.72    | 1.67                   | 1.67    |
| Labor and fringe benefits expense per GTM (cents) | 0.51                | 0.58    | 0.52                   | 0.54    |
| Diesel fuel consumed (US gallons in millions)     | 113.2               | 101.7   | 440.5                  | 403.7   |
| Average fuel price (\$ per US gallon)             | 3.48                | 3.65    | 3.72                   | 3.55    |
| GTMs per US gallon of fuel consumed               | 1,022               | 1,015   | 1,019                  | 994     |
| Terminal dwell (hours)                            | 16.9                | 16.1    | 16.9                   | 15.8    |
| Train velocity (miles per hour)                   | 26.1                | 26.1    | 25.7                   | 26.6    |

Explanation of Responses:

Safety indicators

|                                                      |      |      |      |      |
|------------------------------------------------------|------|------|------|------|
| Injury frequency rate (per 200,000 person hours) (4) | 1.55 | 2.21 | 1.81 | 1.69 |
| Accident rate (per million train miles) (4)          | 2.83 | 2.31 | 2.73 | 2.11 |

- (1) In 2014, certain Other revenues were reclassified to the commodity groups within rail freight revenues. This change has no impact on the Company's previously reported results of operations as Total revenues remain unchanged. The 2013 comparative figures have been reclassified in order to be consistent with the 2014 presentation.
- (2) See supplementary schedule entitled Non-GAAP Measures for an explanation of this non-GAAP measure.
- (3) Statistical operating data, key operating measures and safety indicators are based on estimated data available at such time and are subject to change as more complete information becomes available, as such, certain of the comparative data have been restated. Definitions of these indicators are provided on our website, [www.cn.ca/glossary](http://www.cn.ca/glossary).
- (4) Based on Federal Railroad Administration (FRA) reporting criteria.

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Supplementary Information - unaudited

|                                              | Three months ended December 31 |        |                               |                                                                 | Year ended December 31 |         |                               |                                                                 |
|----------------------------------------------|--------------------------------|--------|-------------------------------|-----------------------------------------------------------------|------------------------|---------|-------------------------------|-----------------------------------------------------------------|
|                                              | 2014                           | 2013   | %<br>Change<br>Fav<br>(Unfav) | %<br>Change at<br>constant<br>currency<br>Fav<br>(Unfav)<br>(2) | 2014                   | 2013    | %<br>Change<br>Fav<br>(Unfav) | %<br>Change at<br>constant<br>currency<br>Fav<br>(Unfav)<br>(2) |
| Revenues<br>(millions of<br>dollars) (1)     |                                |        |                               |                                                                 |                        |         |                               |                                                                 |
| Petroleum and<br>chemicals                   | 628                            | 521    | 21%                           | 14%                                                             | 2,354                  | 1,952   | 21%                           | 15%                                                             |
| Metals and<br>minerals                       | 418                            | 311    | 34%                           | 26%                                                             | 1,484                  | 1,240   | 20%                           | 14%                                                             |
| Forest products                              | 398                            | 360    | 11%                           | 4%                                                              | 1,523                  | 1,424   | 7%                            | 2%                                                              |
| Coal                                         | 172                            | 160    | 8%                            | 2%                                                              | 740                    | 713     | 4%                            | -                                                               |
| Grain and<br>fertilizers                     | 560                            | 476    | 18%                           | 13%                                                             | 1,986                  | 1,638   | 21%                           | 17%                                                             |
| Intermodal                                   | 680                            | 621    | 10%                           | 7%                                                              | 2,748                  | 2,429   | 13%                           | 11%                                                             |
| Automotive                                   | 159                            | 135    | 18%                           | 11%                                                             | 620                    | 555     | 12%                           | 6%                                                              |
| Total rail freight<br>revenues               | 3,015                          | 2,584  | 17%                           | 11%                                                             | 11,455                 | 9,951   | 15%                           | 11%                                                             |
| Other revenues                               | 192                            | 161    | 19%                           | 12%                                                             | 679                    | 624     | 9%                            | 4%                                                              |
| Total revenues                               | 3,207                          | 2,745  | 17%                           | 11%                                                             | 12,134                 | 10,575  | 15%                           | 10%                                                             |
| Revenue ton miles<br>(millions)              |                                |        |                               |                                                                 |                        |         |                               |                                                                 |
| Petroleum and<br>chemicals                   | 13,935                         | 12,206 | 14%                           | 14%                                                             | 53,169                 | 44,634  | 19%                           | 19%                                                             |
| Metals and<br>minerals                       | 6,995                          | 5,320  | 31%                           | 31%                                                             | 24,686                 | 21,342  | 16%                           | 16%                                                             |
| Forest products                              | 7,352                          | 7,313  | 1%                            | 1%                                                              | 29,070                 | 29,630  | (2%)                          | (2%)                                                            |
| Coal                                         | 4,831                          | 4,973  | (3%)                          | (3%)                                                            | 21,147                 | 22,315  | (5%)                          | (5%)                                                            |
| Grain and<br>fertilizers                     | 13,824                         | 12,624 | 10%                           | 10%                                                             | 51,326                 | 43,180  | 19%                           | 19%                                                             |
| Intermodal                                   | 12,004                         | 11,569 | 4%                            | 4%                                                              | 49,581                 | 46,291  | 7%                            | 7%                                                              |
| Automotive                                   | 836                            | 662    | 26%                           | 26%                                                             | 3,159                  | 2,741   | 15%                           | 15%                                                             |
| Total revenue ton<br>miles                   | 59,777                         | 54,667 | 9%                            | 9%                                                              | 232,138                | 210,133 | 10%                           | 10%                                                             |
| Rail freight<br>revenue / RTM<br>(cents) (1) |                                |        |                               |                                                                 |                        |         |                               |                                                                 |
| Petroleum and<br>chemicals                   | 4.51                           | 4.27   | 6%                            | -                                                               | 4.43                   | 4.37    | 1%                            | (3%)                                                            |
| Metals and<br>minerals                       | 5.98                           | 5.85   | 2%                            | (4%)                                                            | 6.01                   | 5.81    | 3%                            | (2%)                                                            |
| Forest products                              | 5.41                           | 4.92   | 10%                           | 4%                                                              | 5.24                   | 4.81    | 9%                            | 4%                                                              |

Explanation of Responses:

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|                                                         |       |       |       |       |       |       |       |       |
|---------------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Coal                                                    | 3.56  | 3.22  | 11%   | 5%    | 3.50  | 3.20  | 9%    | 5%    |
| Grain and fertilizers                                   | 4.05  | 3.77  | 7%    | 3%    | 3.87  | 3.79  | 2%    | (1%)  |
| Intermodal                                              | 5.66  | 5.37  | 5%    | 3%    | 5.54  | 5.25  | 6%    | 3%    |
| Automotive                                              | 19.02 | 20.39 | (7%)  | (12%) | 19.63 | 20.25 | (3%)  | (8%)  |
| Total rail freight revenue per RTM Carloads (thousands) | 5.04  | 4.73  | 7%    | 2%    | 4.93  | 4.74  | 4%    | -     |
| Petroleum and chemicals                                 | 166   | 159   | 4%    | 4%    | 655   | 611   | 7%    | 7%    |
| Metals and minerals                                     | 294   | 245   | 20%   | 20%   | 1,063 | 1,048 | 1%    | 1%    |
| Forest products                                         | 109   | 108   | 1%    | 1%    | 433   | 446   | (3%)  | (3%)  |
| Coal                                                    | 127   | 100   | 27%   | 27%   | 519   | 416   | 25%   | 25%   |
| Grain and fertilizers                                   | 175   | 171   | 2%    | 2%    | 640   | 572   | 12%   | 12%   |
| Intermodal                                              | 519   | 473   | 10%   | 10%   | 2,086 | 1,875 | 11%   | 11%   |
| Automotive                                              | 58    | 54    | 7%    | 7%    | 229   | 222   | 3%    | 3%    |
| Total carloads                                          | 1,448 | 1,310 | 11%   | 11%   | 5,625 | 5,190 | 8%    | 8%    |
| Rail freight revenue / carload (dollars) (1)            |       |       |       |       |       |       |       |       |
| Petroleum and chemicals                                 | 3,783 | 3,277 | 15%   | 10%   | 3,594 | 3,195 | 12%   | 7%    |
| Metals and minerals                                     | 1,422 | 1,269 | 12%   | 5%    | 1,396 | 1,183 | 18%   | 12%   |
| Forest products                                         | 3,651 | 3,333 | 10%   | 3%    | 3,517 | 3,193 | 10%   | 5%    |
| Coal                                                    | 1,354 | 1,600 | (15%) | (20%) | 1,426 | 1,714 | (17%) | (20%) |
| Grain and fertilizers                                   | 3,200 | 2,784 | 15%   | 10%   | 3,103 | 2,864 | 8%    | 5%    |
| Intermodal                                              | 1,310 | 1,313 | -     | (3%)  | 1,317 | 1,295 | 2%    | -     |
| Automotive                                              | 2,741 | 2,500 | 10%   | 3%    | 2,707 | 2,500 | 8%    | 3%    |
| Total rail freight revenue per carload                  | 2,082 | 1,973 | 6%    | 1%    | 2,036 | 1,917 | 6%    | 2%    |

Statistical operating data and related key operating measures are based on estimated data available at such time and are subject to change as more complete information becomes available.

- (1) In 2014, certain Other revenues were reclassified to the commodity groups within rail freight revenues. This change has no impact on the Company's previously reported results of operations as Total revenues remain unchanged. The 2013 comparative figures have been reclassified in order to be consistent with the 2014 presentation.
- (2) See supplementary schedule entitled Non-GAAP Measures for an explanation of this non-GAAP measure.

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## Non-GAAP Measures

## Adjusted performance measures

Management believes that adjusted net income and adjusted earnings per share are useful measures of performance that can facilitate period-to-period comparisons, as they exclude items that do not necessarily arise as part of the normal day-to-day operations of the Company and could distort the analysis of trends in business performance. The exclusion of such items in adjusted net income and adjusted earnings per share does not, however, imply that such items are necessarily non-recurring. These adjusted measures do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies. The reader is advised to read all information provided in the Company's 2014 Annual Consolidated Financial Statements, Notes thereto and Management's Discussion and Analysis (MD&A).

For the three months and year ended December 31, 2014, the Company reported adjusted net income of \$844 million, or \$1.03 per diluted share and \$3,095 million, or \$3.76 per diluted share, respectively. The adjusted figures for the year ended December 31, 2014 exclude a gain on disposal of the Deux-Montagnes subdivision, including the Mont-Royal tunnel, together with the rail fixtures, of \$80 million, or \$72 million after-tax (\$0.09 per diluted share).

For the three months and year ended December 31, 2013, the Company reported adjusted net income of \$635 million, or \$0.76 per diluted share and \$2,582 million, or \$3.06 per diluted share, respectively. The adjusted figures for the year ended December 31, 2013 exclude a gain on exchange of perpetual railroad operating easements including the track and roadway assets on specific rail lines, of \$29 million, or \$18 million after-tax (\$0.02 per diluted share) and a gain on disposal of a segment of the Oakville subdivision, together with the rail fixtures and certain passenger agreements, of \$40 million, or \$36 million after-tax (\$0.04 per diluted share). The adjusted figures also exclude a \$24 million (\$0.03 per diluted share) income tax expense resulting from the enactment of higher provincial corporate income tax rates.

The following table provides a reconciliation of net income and earnings per share, as reported for the three months and years ended December 31, 2014 and 2013, to the adjusted performance measures presented herein.

| In millions, except per share data                  | Three months ended December |         | Year ended December 31 |          |
|-----------------------------------------------------|-----------------------------|---------|------------------------|----------|
|                                                     | 31<br>2014                  | 2013    | 2014                   | 2013     |
| Net income as reported                              | \$ 844                      | \$ 635  | \$ 3,167               | \$ 2,612 |
| Adjustments:                                        |                             |         |                        |          |
| Other income                                        | -                           | -       | (80)                   | (69)     |
| Income tax expense                                  | -                           | -       | 8                      | 39       |
| Adjusted net income                                 | \$ 844                      | \$ 635  | \$ 3,095               | \$ 2,582 |
| Basic earnings per share as reported                | \$ 1.04                     | \$ 0.76 | \$ 3.86                | \$ 3.10  |
| Less: Other income, including tax impact, per share | -                           | -       | (0.09)                 | (0.03)   |
| Adjusted basic earnings per share                   | \$ 1.04                     | \$ 0.76 | \$ 3.77                | \$ 3.07  |
| Diluted earnings per share as reported              | \$ 1.03                     | \$ 0.76 | \$ 3.85                | \$ 3.09  |
| Less: Other income, including tax impact, per share | -                           | -       | (0.09)                 | (0.03)   |
| Adjusted diluted earnings per share                 | \$ 1.03                     | \$ 0.76 | \$ 3.76                | \$ 3.06  |

## Constant currency

Financial results at constant currency allow results to be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons in the analysis of trends in business performance. Measures at constant currency are considered non-GAAP measures and do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies. Financial results at constant currency are obtained by translating the current period results denominated in US dollars

at the foreign exchange rates of the comparable period of the prior year. The average foreign exchange rates were \$1.14 and \$1.10 per US\$1.00, respectively, for the three months and year ended December 31, 2014, and \$1.05 and \$1.03 per US\$1.00, respectively, for the corresponding periods in 2013.

On a constant currency basis, the Company's net income for the three months and year ended December 31, 2014 would have been lower by \$45 million, or \$0.06 per diluted share and \$121 million, or \$0.15 per diluted share, respectively.

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## Non-GAAP Measures

## Free cash flow

Free cash flow does not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies. The Company believes that free cash flow is a useful measure of performance as it demonstrates the Company's ability to generate cash for debt obligations and for discretionary uses such as payment of dividends and strategic opportunities.

The Company defines its free cash flow measure as the difference between net cash provided by operating activities and net cash used in investing activities; adjusted for changes in restricted cash and cash equivalents and the impact of major acquisitions, if any.

| In millions                                                | Three months ended December |          | Year ended December 31 |          |
|------------------------------------------------------------|-----------------------------|----------|------------------------|----------|
|                                                            | 2014                        | 2013     | 2014                   | 2013     |
| Net cash provided by operating activities                  | \$ 1,135                    | \$ 1,098 | \$ 4,381               | \$ 3,548 |
| Net cash used in investing activities                      | (956)                       | (701)    | (2,176)                | (1,852)  |
| Net cash provided before financing activities              | 179                         | 397      | 2,205                  | 1,696    |
| Adjustment: Change in restricted cash and cash equivalents | (4)                         | (81)     | 15                     | (73)     |
| Free cash flow                                             | \$ 175                      | \$ 316   | \$ 2,220               | \$ 1,623 |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

|       |                  |                                                          |
|-------|------------------|----------------------------------------------------------|
| Date: | January 27, 2015 | Canadian National Railway Company                        |
|       |                  | By: /s/ Cristina Circelli                                |
|       |                  | Name: Cristina Circelli                                  |
|       |                  | Title: Deputy Corporate Secretary and<br>General Counsel |