

**CANADIAN NATIONAL RAILWAY COMPANY**

**CONSOLIDATED STATEMENT OF INCOME (U.S. GAAP) - unaudited**

*(In millions, except per share data)*

	Three months ended		Year ended	
	December 31		December 31	
	2011	2010	2011	2010
Revenues	\$ 2,377	\$ 2,117	\$ 9,028	\$ 8,297
Operating expenses				
Labor and fringe benefits	511	423	1,812	1,744
Purchased services and material	295	282	1,120	1,036
Fuel	382	291	1,412	1,048
Depreciation and amortization	231	220	884	834
Equipment rents	63	62	228	243
Casualty and other	56	65	276	368
Total operating expenses	1,538	1,343	5,732	5,273
Operating income	839	774	3,296	3,024
Interest expense	(85)	(87)	(341)	(360)
Other income	21	12	401	212
Income before income taxes	775	699	3,356	2,876
Income tax expense	(183)	(196)	(899)	(772)
<b>Net income</b>	<b>\$ 592</b>	<b>\$ 503</b>	<b>\$ 2,457</b>	<b>\$ 2,104</b>
<b>Earnings per share</b>				
Basic	\$ 1.33	\$ 1.09	\$ 5.45	\$ 4.51
Diluted	\$ 1.32	\$ 1.08	\$ 5.41	\$ 4.48
<b>Weighted-average number of shares</b>				
Basic	444.3	461.1	451.1	466.3
Diluted	447.3	464.8	454.4	470.1

Certain of the 2010 figures have been restated to conform to the 2011 presentation.

These unaudited interim consolidated financial statements, expressed in Canadian dollars, and prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), contain all adjustments (consisting of normal recurring accruals) necessary to present fairly Canadian National Railway Company's (the Company) financial position as at December 31, 2011 and December 31, 2010, and its results of operations, changes in shareholders' equity and cash flows for the three months and years ended December 31, 2011 and 2010. These consolidated financial statements have been prepared using accounting policies consistent with those used in preparing the Company's 2011 Annual Consolidated Financial Statements and should be read in conjunction with such statements, notes thereto and Management's Discussion and Analysis (MD&A).

**CANADIAN NATIONAL RAILWAY COMPANY**  
**CONSOLIDATED BALANCE SHEET (U.S. GAAP) - unaudited**

(In millions)

	December 31 2011	December 31 2010
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 101	\$ 490
Restricted cash and cash equivalents	499	-
Accounts receivable	820	775
Material and supplies	201	210
Deferred and receivable income taxes	122	53
Other	105	62
<b>Total current assets</b>	<b>1,848</b>	<b>1,590</b>
Properties	23,917	22,917
Intangible and other assets	261	699
<b>Total assets</b>	<b>\$ 26,026</b>	<b>\$ 25,206</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable and other	\$ 1,580	\$ 1,366
Current portion of long-term debt	135	540
<b>Total current liabilities</b>	<b>1,715</b>	<b>1,906</b>
Deferred income taxes	5,333	5,152
Pension and other postretirement benefits, net of current portion	1,095	510
Other liabilities and deferred credits	762	823
Long-term debt	6,441	5,531
<b>Shareholders' equity:</b>		
Common shares	4,141	4,252
Accumulated other comprehensive loss	(2,839)	(1,709)
Retained earnings	9,378	8,741
<b>Total shareholders' equity</b>	<b>10,680</b>	<b>11,284</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 26,026</b>	<b>\$ 25,206</b>

These unaudited interim consolidated financial statements, expressed in Canadian dollars, and prepared in accordance with U.S. GAAP, contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company's financial position as at December 31, 2011 and December 31, 2010, and its results of operations, changes in shareholders' equity and cash flows for the three months and years ended December 31, 2011 and 2010. These consolidated financial statements have been prepared using accounting policies consistent with those used in preparing the Company's 2011 Annual Consolidated Financial Statements and should be read in conjunction with such statements, notes thereto and MD&A.

**CANADIAN NATIONAL RAILWAY COMPANY**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (U.S. GAAP) - unaudited**

(In millions)

	Three months ended		Year ended	
	December 31		December 31	
	2011	2010	2011	2010
<b>Common shares <sup>(1)</sup></b>				
Balance, beginning of period	\$ 4,149	\$ 4,270	\$ 4,252	\$ 4,266
Stock options exercised and other	24	15	74	124
Share repurchase programs	(32)	(33)	(185)	(138)
Balance, end of period	\$ 4,141	\$ 4,252	\$ 4,141	\$ 4,252
<b>Accumulated other comprehensive loss</b>				
Balance, beginning of period	\$ (1,647)	\$ (973)	\$ (1,709)	\$ (948)
Other comprehensive income (loss):				
Foreign exchange gain (loss) on:				
Translation of the net investment in foreign operations	(185)	(201)	130	(330)
Translation of US dollar-denominated debt designated as a hedge of the net investment in U.S. subsidiaries	180	193	(122)	315
Pension and other postretirement benefit plans:				
Net actuarial loss arising during the period	(1,541)	(931)	(1,541)	(931)
Prior service cost arising during the period	(28)	(5)	(28)	(5)
Amortization of prior service cost included in net periodic benefit cost (income)	2	-	4	2
Amortization of net actuarial loss included in net periodic benefit cost (income)	2	(1)	8	1
Derivative instruments	(1)	-	(2)	(1)
Other comprehensive loss before income taxes	(1,571)	(945)	(1,551)	(949)
Income tax recovery	379	209	421	188
Other comprehensive loss	(1,192)	(736)	(1,130)	(761)
Balance, end of period	\$ (2,839)	\$ (1,709)	\$ (2,839)	\$ (1,709)
<b>Retained earnings</b>				
Balance, beginning of period	\$ 9,154	\$ 8,560	\$ 8,741	\$ 7,915
Net income	592	503	2,457	2,104
Share repurchase programs	(224)	(197)	(1,235)	(775)
Dividends	(144)	(125)	(585)	(503)
Balance, end of period	\$ 9,378	\$ 8,741	\$ 9,378	\$ 8,741

(1) During the three months and year ended December 31, 2011, the Company issued 0.7 million and 2.6 million common shares, respectively, as a result of stock options exercised and repurchased 3.4 million and 19.9 million common shares, respectively, under its 2011 share repurchase programs. At December 31, 2011, the Company had 442.1 million common shares outstanding.

**CANADIAN NATIONAL RAILWAY COMPANY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (U.S. GAAP) - unaudited**

(In millions)

	Three months ended		Year ended	
	December 31		December 31	
	2011	2010	2011	2010
<b>Operating activities</b>				
Net income	\$ 592	\$ 503	\$ 2,457	\$ 2,104
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	231	220	884	834
Deferred income taxes	204	74	531	418
Gain on disposal of property	-	-	(348)	(152)
Changes in operating assets and liabilities:				
Accounts receivable	(34)	19	(51)	(3)
Material and supplies	70	59	11	(43)
Accounts payable and other	(68)	273	34	285
Other current assets	(11)	(12)	(2)	13
Other, net	(393)	(81)	(540)	(457)
<b>Net cash provided by operating activities</b>	<b>591</b>	<b>1,055</b>	<b>2,976</b>	<b>2,999</b>
<b>Investing activities</b>				
Property additions	(613)	(762)	(1,625)	(1,586)
Disposal of property	-	1	369	168
Change in restricted cash and cash equivalents	(10)	-	(499)	-
Other, net	4	14	26	35
<b>Net cash used in investing activities</b>	<b>(619)</b>	<b>(747)</b>	<b>(1,729)</b>	<b>(1,383)</b>
<b>Financing activities</b>				
Issuance of debt	1,165	-	1,361	-
Repayment of debt	(858)	(26)	(1,083)	(184)
Issuance of common shares due to exercise of stock options and related excess tax benefits realized	21	14	77	115
Repurchase of common shares	(256)	(230)	(1,420)	(913)
Dividends paid	(144)	(125)	(585)	(503)
<b>Net cash used in financing activities</b>	<b>(72)</b>	<b>(367)</b>	<b>(1,650)</b>	<b>(1,485)</b>
Effect of foreign exchange fluctuations on US dollar-denominated cash and cash equivalents	9	1	14	7
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(91)</b>	<b>(58)</b>	<b>(389)</b>	<b>138</b>
Cash and cash equivalents, beginning of period	192	548	490	352
<b>Cash and cash equivalents, end of period</b>	<b>\$ 101</b>	<b>\$ 490</b>	<b>\$ 101</b>	<b>\$ 490</b>
<b>Supplemental cash flow information</b>				
Net cash receipts from customers and other	\$ 2,336	\$ 2,201	\$ 8,995	\$ 8,404
Net cash payments for:				
Employee services, suppliers and other expenses	(1,092)	(987)	(4,643)	(4,334)
Interest	(80)	(102)	(329)	(366)
Personal injury and other claims	(49)	(17)	(97)	(64)
Pensions	(365)	(12)	(468)	(427)
Income taxes	(159)	(28)	(482)	(214)
<b>Net cash provided by operating activities</b>	<b>\$ 591</b>	<b>\$ 1,055</b>	<b>\$ 2,976</b>	<b>\$ 2,999</b>

Certain of the 2010 figures have been restated to conform to the 2011 presentation.

**CANADIAN NATIONAL RAILWAY COMPANY**  
**SELECTED RAILROAD STATISTICS (U.S. GAAP) - unaudited**

	Three months ended		Year ended	
	December 31		December 31	
	2011	2010	2011	2010
<b>Statistical operating data</b>				
Rail freight revenues (\$ millions)	2,132	1,896	8,111	7,417
Gross ton miles (GTM) (millions)	92,128	87,813	357,927	341,219
Revenue ton miles (RTM) (millions)	48,156	46,586	187,753	179,232
Carloads (thousands)	1,232	1,190	4,873	4,696
Route miles (includes Canada and the U.S.) <sup>(1)</sup>	20,000	20,600	20,000	20,600
Employees (end of period)	23,230	22,279	23,230	22,279
Employees (average for the period)	23,314	22,229	22,985	21,967
<b>Productivity</b>				
Operating ratio (%)	64.7	63.4	63.5	63.6
Rail freight revenue per RTM (cents)	4.43	4.07	4.32	4.14
Rail freight revenue per carload (\$)	1,731	1,593	1,664	1,579
Operating expenses per GTM (cents)	1.67	1.53	1.60	1.55
Labor and fringe benefits expense per GTM (cents)	0.55	0.48	0.51	0.51
GTM per average number of employees (thousands)	3,952	3,950	15,572	15,533
Diesel fuel consumed (US gallons in millions)	94.3	91.2	367.7	355.7
Average fuel price (\$/US gallon)	3.55	2.83	3.39	2.64
GTM per US gallon of fuel consumed	977	963	973	959
<b>Safety indicators</b>				
Injury frequency rate per 200,000 person hours <sup>(2)</sup>	1.32	1.75	1.55	1.72
Accident rate per million train miles <sup>(2)</sup>	1.96	2.52	2.25	2.23
<b>Financial ratio</b>				
Debt-to-total capitalization ratio (% at end of period)	38.1	35.0	38.1	35.0

(1) Rounded to the nearest hundred miles.

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

Certain of the 2010 figures have been restated to conform with the 2011 presentation. Such statistical data and related productivity measures are based on estimated data available at such time and are subject to change as more complete information becomes available.

CANADIAN NATIONAL RAILWAY COMPANY  
**SUPPLEMENTARY INFORMATION (U.S. GAAP) - unaudited**

	Three months ended December 31				Year ended December 31			
	2011	2010	% Change Fav (Unfav)	% Change at constant currency Fav (Unfav) <sup>(1)</sup>	2011	2010	% Change Fav (Unfav)	% Change at constant currency Fav (Unfav) <sup>(1)</sup>
<b>Revenues (millions of dollars)</b>								
Petroleum and chemicals	377	331	14%	13%	1,420	1,322	7%	10%
Metals and minerals	278	214	30%	29%	1,006	861	17%	20%
Forest products	329	293	12%	12%	1,270	1,183	7%	10%
Coal	149	149	-	(1%)	618	600	3%	5%
Grain and fertilizers	413	401	3%	2%	1,523	1,418	7%	10%
Intermodal	464	400	16%	16%	1,790	1,576	14%	15%
Automotive	122	108	13%	12%	484	457	6%	9%
Total rail freight revenues	2,132	1,896	12%	12%	8,111	7,417	9%	12%
Other revenues	245	221	11%	10%	917	880	4%	6%
Total revenues	2,377	2,117	12%	12%	9,028	8,297	9%	11%
<b>Revenue ton miles (millions)</b>								
Petroleum and chemicals	8,532	7,950	7%	7%	32,962	31,190	6%	6%
Metals and minerals	5,119	4,154	23%	23%	18,899	16,443	15%	15%
Forest products	7,345	7,055	4%	4%	29,336	28,936	1%	1%
Coal	4,685	5,118	(8%)	(8%)	19,980	19,766	1%	1%
Grain and fertilizers	11,900	12,700	(6%)	(6%)	45,468	44,549	2%	2%
Intermodal	9,950	9,011	10%	10%	38,563	35,803	8%	8%
Automotive	625	598	5%	5%	2,545	2,545	-	-
	48,156	46,586	3%	3%	187,753	179,232	5%	5%
<b>Rail freight revenue / RTM (cents)</b>								
Total rail freight revenue per RTM	4.43	4.07	9%	8%	4.32	4.14	4%	7%
<b>Commodity groups:</b>								
Petroleum and chemicals	4.42	4.16	6%	6%	4.31	4.24	2%	4%
Metals and minerals	5.43	5.15	5%	5%	5.32	5.24	2%	5%
Forest products	4.48	4.15	8%	7%	4.33	4.09	6%	9%
Coal	3.18	2.91	9%	9%	3.09	3.04	2%	4%
Grain and fertilizers	3.47	3.16	10%	9%	3.35	3.18	5%	8%
Intermodal	4.66	4.44	5%	5%	4.64	4.40	5%	6%
Automotive	19.52	18.06	8%	7%	19.02	17.96	6%	9%
<b>Carloads (thousands)</b>								
Petroleum and chemicals	139	136	2%	2%	560	549	2%	2%
Metals and minerals	261	244	7%	7%	1,013	990	2%	2%
Forest products	109	106	3%	3%	443	423	5%	5%
Coal	110	123	(11%)	(11%)	464	499	(7%)	(7%)
Grain and fertilizers	152	164	(7%)	(7%)	592	579	2%	2%
Intermodal	408	369	11%	11%	1,584	1,455	9%	9%
Automotive	53	48	10%	10%	217	201	8%	8%
	1,232	1,190	4%	4%	4,873	4,696	4%	4%
<b>Rail freight revenue / carload (dollars)</b>								
Total rail freight revenue per carload	1,731	1,593	9%	8%	1,664	1,579	5%	8%
<b>Commodity groups:</b>								
Petroleum and chemicals	2,712	2,434	11%	11%	2,536	2,408	5%	8%
Metals and minerals	1,065	877	21%	21%	993	870	14%	17%
Forest products	3,018	2,764	9%	9%	2,867	2,797	3%	5%
Coal	1,355	1,211	12%	11%	1,332	1,202	11%	13%
Grain and fertilizers	2,717	2,445	11%	11%	2,573	2,449	5%	7%
Intermodal	1,137	1,084	5%	5%	1,130	1,083	4%	5%
Automotive	2,302	2,250	2%	1%	2,230	2,274	(2%)	1%

(1) See supplementary schedule entitled Non-GAAP Measures for an explanation of this Non-GAAP measure.

Such statistical data and related productivity measures are based on estimated data available at such time and are subject to change as more complete information becomes available.

**CANADIAN NATIONAL RAILWAY COMPANY**  
**NON-GAAP MEASURES - unaudited**

**Adjusted performance measures**

For the three months and year ended December 31, 2011, the Company reported adjusted net income of \$581 million, or \$1.30 per diluted share and \$2,194 million, or \$4.84 per diluted share, respectively. The adjusted figures for the three months and year ended December 31, 2011 exclude an income tax recovery of \$11 million (\$0.02 per diluted share) relating to certain fuel costs attributed to various wholly-owned subsidiaries' fuel consumption in prior periods. The adjusted figures for the year ended December 31, 2011 exclude a net deferred income tax expense of \$40 million (\$0.08 per diluted share) resulting from the enactment of state corporate income tax rate changes and other legislated state tax revisions, a gain on disposal of a segment of the Company's Kingston subdivision known as the Lakeshore East of \$288 million, or \$254 million after-tax (\$0.55 per diluted share) and a gain on disposal of substantially all of the assets of IC RailMarine Terminal Company of \$60 million, or \$38 million after-tax (\$0.08 per diluted share).

For the three months and year ended December 31, 2010, the Company reported adjusted net income of \$503 million, or \$1.08 per diluted share and \$1,973 million, or \$4.20 per diluted share, respectively. The adjusted figures for the year ended December 31, 2010 exclude a gain on disposal of a portion of the property known as the Oakville subdivision of \$152 million, or \$131 million after-tax (\$0.28 per diluted share).

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 may, therefore, not be comparable to similar measures presented by other companies. The reader is advised to read all information provided in the Company's 2011 Annual Consolidated Financial Statements, Notes thereto and Management's Discussion and Analysis (MD&A). The following tables provide a reconciliation of net income and earnings per share, as reported for the three months and year ended December 31, 2011 and 2010, to the adjusted performance measures presented herein.

<i>In millions, except per share data</i>	Three months ended December 31, 2011			Year ended December 31, 2011		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Revenues	\$ 2,377	\$ -	\$ 2,377	\$ 9,028	\$ -	\$ 9,028
Operating expenses	1,538	-	1,538	5,732	-	5,732
Operating income	839	-	839	3,296	-	3,296
Interest expense	(85)	-	(85)	(341)	-	(341)
Other income	21	-	21	401	(348)	53
Income before income taxes	775	-	775	3,356	(348)	3,008
Income tax expense	(183)	(11)	(194)	(899)	85	(814)
<b>Net income</b>	<b>\$ 592</b>	<b>\$ (11)</b>	<b>\$ 581</b>	<b>\$ 2,457</b>	<b>\$ (263)</b>	<b>\$ 2,194</b>
<b>Operating ratio</b>	<b>64.7%</b>		<b>64.7%</b>	<b>63.5%</b>		<b>63.5%</b>
Basic earnings per share	\$ 1.33	\$ (0.02)	\$ 1.31	\$ 5.45	\$ (0.57)	\$ 4.88
Diluted earnings per share	\$ 1.32	\$ (0.02)	\$ 1.30	\$ 5.41	\$ (0.57)	\$ 4.84

**CANADIAN NATIONAL RAILWAY COMPANY**  
**NON-GAAP MEASURES - unaudited**

	Three months ended			Year ended		
	December 31, 2010			December 31, 2010		
<i>In millions, except per share data</i>	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Revenues	\$ 2,117	\$ -	\$ 2,117	\$ 8,297	\$ -	\$ 8,297
Operating expenses	1,343	-	1,343	5,273	-	5,273
Operating income	774	-	774	3,024	-	3,024
Interest expense	(87)	-	(87)	(360)	-	(360)
Other income	12	-	12	212	(152)	60
Income before income taxes	699	-	699	2,876	(152)	2,724
Income tax expense	(196)	-	(196)	(772)	21	(751)
<b>Net income</b>	<b>\$ 503</b>	<b>\$ -</b>	<b>\$ 503</b>	<b>\$ 2,104</b>	<b>\$ (131)</b>	<b>\$ 1,973</b>
<b>Operating ratio</b>	<b>63.4%</b>		<b>63.4%</b>	<b>63.6%</b>		<b>63.6%</b>
Basic earnings per share	\$ 1.09	\$ -	\$ 1.09	\$ 4.51	\$ (0.28)	\$ 4.23
Diluted earnings per share	\$ 1.08	\$ -	\$ 1.08	\$ 4.48	\$ (0.28)	\$ 4.20

**Constant currency**

Although CN conducts its business and reports its earnings in Canadian dollars, a large portion of revenues and expenses is denominated in US dollars. As such, the Company's results are affected by exchange-rate fluctuations.

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 may, therefore, 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 for the three months and year ended December 31, 2011 were \$1.02 and \$0.99 per US\$1.00, respectively, and \$1.01 and \$1.03, respectively, for 2010.

On a constant currency basis, the Company's 2011 fourth quarter net income would have been lower by \$2 million (no impact per diluted share) and the twelve-month net income would have been higher by \$43 million, or \$0.09 per diluted share. The following table presents a reconciliation of 2011 net income as reported to net income on a constant currency basis:

<i>In millions</i>	Three months ended	Year ended
	December 31, 2011	December 31, 2011
Net income, as reported	\$ 592	\$ 2,457
<i>Adjustments:</i>		
Negative (positive) impact due to the strengthening (weakening) Canadian dollar included in net income	(2)	39
Increase due to the strengthening Canadian dollar on additional year-over-year US\$ net income	-	4
Impact of foreign exchange using constant currency rates	(2)	43
<b>Net income, on a constant currency basis</b>	<b>\$ 590</b>	<b>\$ 2,500</b>

**CANADIAN NATIONAL RAILWAY COMPANY**  
**NON-GAAP MEASURES - unaudited**

**Free cash flow**

The Company utilized \$153 million and generated \$1,175 million of free cash flow for the three months and year ended December 31, 2011, respectively, compared to generated free cash flow of \$184 million and \$1,122 million for the same periods in 2010, respectively. Free cash flow does not have any standardized meaning prescribed by GAAP and may, therefore, 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 after the payment of capital expenditures and dividends. The Company defines free cash flow as the sum of net cash provided by operating activities, adjusted for changes in the accounts receivable securitization program, if any, and in cash and cash equivalents resulting from foreign exchange fluctuations; and net cash used in investing activities, adjusted for changes in restricted cash and cash equivalents, if any, for the impact of major acquisitions, if any, and the payment of dividends, calculated as follows:

<i>In millions</i>	Three months ended		Year ended	
	December 31		December 31	
	2011	2010	2011	2010
Net cash provided by operating activities	\$ 591	\$ 1,055	\$ 2,976	\$ 2,999
Net cash used in investing activities	(619)	(747)	(1,729)	(1,383)
Net cash provided (utilized) before financing activities	(28)	308	1,247	1,616
<i>Adjustments:</i>				
Dividends paid	(144)	(125)	(585)	(503)
Change in restricted cash and cash equivalents	10	-	499	-
Effect of foreign exchange fluctuations on US dollar-denominated cash and cash equivalents	9	1	14	7
Change in accounts receivable securitization	-	-	-	2
<b>Free cash flow</b>	<b>\$ (153)</b>	<b>\$ 184</b>	<b>\$ 1,175</b>	<b>\$ 1,122</b>