

CANADIAN NATIONAL RAILWAY COMPANY
CONSOLIDATED STATEMENT OF INCOME (U.S. GAAP)

(In millions, except per share data)

	Three months ended December 31		Year ended December 31	
	2005	2004 ⁽¹⁾	2005	2004 ⁽¹⁾
	<i>(Unaudited)</i>			
Revenues	\$ 1,886	\$ 1,736	\$ 7,240	\$ 6,548
Operating expenses	1,166	1,129	4,616	4,380
Operating income	720	607	2,624	2,168
Interest expense	(74)	(75)	(299)	(294)
Other income (loss)	10	25	12	(20)
Income before income taxes	656	557	2,337	1,854
Income tax expense	(226)	(181)	(781)	(596)
Net income	\$ 430	\$ 376	\$ 1,556	\$ 1,258
Earnings per share				
Basic	\$ 1.59	\$ 1.32	\$ 5.64	\$ 4.41
Diluted	\$ 1.56	\$ 1.29	\$ 5.54	\$ 4.34
Weighted-average number of shares				
Basic	270.0	285.1	275.8	285.1
Diluted	275.4	290.7	281.1	289.9

⁽¹⁾ Includes Great Lakes Transportation LLC's railroads and related holdings (GLT) and BC Rail from May 10, 2004 and July 14, 2004, respectively.

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, 2005 and December 31, 2004, and its results of operations, changes in shareholders' equity and cash flows for the three months and years ended December 31, 2005 and 2004. These consolidated financial statements have been prepared using accounting policies consistent with those used in preparing the Company's 2005 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 STATEMENT OF OPERATING INCOME (U.S. GAAP)

(In millions)

	Three months ended December 31			Year ended December 31		
	2005	2004 ⁽¹⁾	Variance Fav (Unfav)	2005	2004 ⁽¹⁾	Variance Fav (Unfav)
<i>(Unaudited)</i>						
Revenues						
Petroleum and chemicals	\$ 283	\$ 268	6%	\$ 1,096	\$ 1,059	3%
Metals and minerals	215	193	11%	837	714	17%
Forest products	436	399	9%	1,738	1,505	15%
Coal	75	72	4%	331	284	17%
Grain and fertilizers	310	299	4%	1,119	1,063	5%
Intermodal	339	300	13%	1,270	1,117	14%
Automotive	139	125	11%	514	510	1%
Other items	89	80	11%	335	296	13%
	1,886	1,736	9%	7,240	6,548	11%
Operating expenses						
Labor and fringe benefits	453	469	3%	1,841	1,819	(1%)
Purchased services and material	224	185	(21%)	814	746	(9%)
Depreciation and amortization	157	153	(3%)	627	598	(5%)
Fuel	199	151	(32%)	725	528	(37%)
Equipment rents	46	49	6%	192	244	21%
Casualty and other	87	122	29%	417	445	6%
	1,166	1,129	(3%)	4,616	4,380	(5%)
Operating income	\$ 720	\$ 607	19%	\$ 2,624	\$ 2,168	21%
Operating ratio	61.8%	65.0%	3.2	63.8%	66.9%	3.1

⁽¹⁾ Includes GLT and BC Rail from May 10, 2004 and July 14, 2004, respectively.

Certain of the 2004 comparative figures have been reclassified in order to be consistent with the 2005 presentation.

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

(In millions)

	December 31 2005	December 31 2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 62	\$ 147
Accounts receivable	623	793
Material and supplies	151	127
Deferred income taxes	65	364
Other	248	279
	<u>1,149</u>	<u>1,710</u>
Properties	20,078	19,715
Intangible and other assets	961	940
	<u>22,188</u>	<u>22,365</u>
Total assets		
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued charges	\$ 1,478	\$ 1,605
Current portion of long-term debt	408	578
Other	72	76
	<u>1,958</u>	<u>2,259</u>
Deferred income taxes	4,817	4,723
Other liabilities and deferred credits	1,487	1,513
Long-term debt	4,677	4,586
Shareholders' equity:		
Common shares	4,580	4,706
Accumulated other comprehensive loss	(222)	(148)
Retained earnings	4,891	4,726
	<u>9,249</u>	<u>9,284</u>
	<u>22,188</u>	<u>22,365</u>
Total liabilities and shareholders' equity		

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, 2005 and December 31, 2004, and its results of operations, changes in shareholders' equity and cash flows for the three months and years ended December 31, 2005 and 2004. These consolidated financial statements have been prepared using accounting policies consistent with those used in preparing the Company's 2005 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)

(In millions)

	Three months ended December 31		Year ended December 31	
	2005	2004 ⁽¹⁾	2005	2004 ⁽¹⁾
	(Unaudited)			
Common shares ⁽²⁾				
Balance, beginning of period	\$ 4,605	\$ 4,742	\$ 4,706	\$ 4,664
Stock options exercised and other	30	30	176	108
Share repurchase programs ⁽³⁾	(55)	(66)	(302)	(66)
Balance, end of period	\$ 4,580	\$ 4,706	\$ 4,580	\$ 4,706
Accumulated other comprehensive loss				
Balance, beginning of period	\$ (169)	\$ (57)	\$ (148)	\$ (129)
Other comprehensive income (loss):				
Unrealized foreign exchange gain on translation of U.S. dollar denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries	29	217	152	326
Unrealized foreign exchange loss on translation of the net investment in foreign operations	(43)	(302)	(233)	(428)
Increase (decrease) in unrealized holding gains on fuel derivative instruments	(70)	(58)	(35)	54
Realized gain on settlement of interest rate swaps	-	-	-	12
Minimum pension liability adjustment	4	8	4	8
Other comprehensive loss before income taxes	(80)	(135)	(112)	(28)
Income tax recovery	27	44	38	9
Other comprehensive loss	(53)	(91)	(74)	(19)
Balance, end of period	\$ (222)	\$ (148)	\$ (222)	\$ (148)
Retained earnings				
Balance, beginning of period	\$ 4,763	\$ 4,612	\$ 4,726	\$ 3,897
Net income	430	376	1,556	1,258
Share repurchase programs ⁽³⁾	(235)	(207)	(1,116)	(207)
Dividends	(67)	(55)	(275)	(222)
Balance, end of period	\$ 4,891	\$ 4,726	\$ 4,891	\$ 4,726

⁽¹⁾ Includes GLT and BC Rail from May 10, 2004 and July 14, 2004, respectively.

⁽²⁾ For the three months and year ended December 31, 2005, the Company issued 0.3 million and 3.3 million common shares, respectively, as a result of stock options exercised. At December 31, 2005, the Company had 268.4 million common shares outstanding.

⁽³⁾ In 2005, the Company repurchased 18.0 million common shares under its share repurchase programs; 8.0 million common shares for \$670 million (average price of \$83.81 per share) under its new 16.0 million share repurchase program and 10.0 million common shares for \$748 million (average price of \$74.78 per share) under its previous 14.0 million share repurchase program, which was completed by the second quarter of 2005.

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

(In millions)

	Three months ended December 31		Year ended December 31	
	2005	2004 ⁽¹⁾	2005	2004 ⁽¹⁾
	<i>(Unaudited)</i>			
Operating activities				
Net income	\$ 430	\$ 376	\$ 1,556	\$ 1,258
Adjustments to reconcile net income to net cash provided from operating activities:				
Depreciation and amortization	157	154	630	602
Deferred income taxes	103	66	547	366
Equity in earnings of English Welsh and Scottish Railway	2	(3)	(4)	4
Other changes in:				
Accounts receivable	18	(93)	142	(233)
Material and supplies	25	18	(25)	10
Accounts payable and accrued charges	28	115	(156)	5
Other net current assets and liabilities	(75)	(24)	8	21
Other	6	79	7	106
Cash provided from operating activities	694	688	2,705	2,139
Investing activities				
Net additions to properties	(388)	(365)	(1,180)	(1,072)
Acquisition of BC Rail	-	-	-	(984)
Acquisition of GLT	-	-	-	(547)
Other, net	15	23	105	192
Cash used by investing activities	(373)	(342)	(1,075)	(2,411)
Dividends paid	(67)	(55)	(275)	(222)
Financing activities				
Issuance of long-term debt	987	1,353	2,728	8,277
Reduction of long-term debt	(1,019)	(1,381)	(2,865)	(7,579)
Issuance of common shares	11	25	115	86
Repurchase of common shares	(290)	(273)	(1,418)	(273)
Cash provided from (used by) financing activities	(311)	(276)	(1,440)	511
Net increase (decrease) in cash and cash equivalents	(57)	15	(85)	17
Cash and cash equivalents, beginning of period	119	132	147	130
Cash and cash equivalents, end of period	\$ 62	\$ 147	\$ 62	\$ 147
Supplemental cash flow information				
Net cash receipts from customers and other	\$ 1,830	\$ 1,740	\$ 7,375	\$ 6,501
Net cash payments for:				
Employee services, suppliers and other expenses	(921)	(882)	(3,872)	(3,628)
Interest	(70)	(83)	(306)	(282)
Workforce reductions	(15)	(12)	(87)	(93)
Personal injury and other claims	(21)	(28)	(92)	(106)
Pensions	(54)	(34)	(127)	(161)
Income taxes	(55)	(13)	(186)	(92)
Cash provided from operating activities	\$ 694	\$ 688	\$ 2,705	\$ 2,139

⁽¹⁾ Includes GLT and BC Rail from May 10, 2004 and July 14, 2004, respectively.

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

	Three months ended December 31		Year ended December 31	
	2005	2004 ⁽¹⁾	2005	2004 ⁽¹⁾
	<i>(Unaudited)</i>			
Statistical operating data				
Freight revenues (\$ millions)	1,797	1,656	6,905	6,252
Gross ton miles (GTM) (millions)	87,828	88,636	342,894	332,807
Revenue ton miles (RTM) (millions)	45,598	45,973	179,701	174,240
Carloads (thousands)	1,208	1,245	4,841	4,578
Route miles (includes Canada and the U.S.)	19,221	19,304	19,221	19,304
Employees (end of period)	21,540	22,679	21,540	22,679
Employees (average during period)	21,862	23,043	22,246	22,470
Productivity				
Operating ratio (%)	61.8	65.0	63.8	66.9
Freight revenue per RTM (cents)	3.94	3.60	3.84	3.59
Freight revenue per carload (\$)	1,488	1,330	1,426	1,366
Operating expenses per GTM (cents)	1.33	1.27	1.35	1.32
Labor and fringe benefits expense per GTM (cents)	0.52	0.53	0.54	0.55
GTM per average number of employees (thousands)	4,017	3,847	15,414	14,811
Diesel fuel consumed (U.S. gallons in millions)	101	103	403	391
Average fuel price (\$/U.S. gallon)	1.89	1.43	1.72	1.30
GTM per U.S. gallon of fuel consumed	870	861	851	851
Safety indicators				
Injury frequency rate per 200,000 person hours	2.3	2.3	2.4	2.6
Accident rate per million train miles	2.5	1.7	1.6	1.6
Financial ratios				
Debt-to-total capitalization ratio (% at end of period)	35.5	35.7	35.5	35.7

⁽¹⁾ Includes GLT and BC Rail from May 10, 2004 and July 14, 2004, respectively.

Certain of the comparative statistical data and related productivity measures have been restated to reflect changes to estimated statistical data previously reported.

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

	Three months ended December 31			Year ended December 31		
	2005	2004 ⁽¹⁾	Variance Fav (Unfav)	2005	2004 ⁽¹⁾	Variance Fav (Unfav)
<i>(Unaudited)</i>						
Revenue ton miles (millions)						
Petroleum and chemicals	7,949	8,057	(1%)	31,235	31,421	(1%)
Metals and minerals	4,245	4,066	4%	16,848	16,352	3%
Forest products	10,581	10,191	4%	42,330	39,369	8%
Coal	3,003	3,342	(10%)	13,576	12,684	7%
Grain and fertilizers	10,918	11,290	(3%)	40,393	40,091	1%
Intermodal	8,094	8,185	(1%)	32,184	31,002	4%
Automotive	808	842	(4%)	3,135	3,321	(6%)
	45,598	45,973	(1%)	179,701	174,240	3%
Freight revenue / RTM (cents)						
Total freight revenue per RTM	3.94	3.60	9%	3.84	3.59	7%
Commodity groups:						
Petroleum and chemicals	3.56	3.33	7%	3.51	3.37	4%
Metals and minerals	5.06	4.75	7%	4.97	4.37	14%
Forest products	4.12	3.92	5%	4.11	3.82	8%
Coal	2.50	2.15	16%	2.44	2.24	9%
Grain and fertilizers	2.84	2.65	7%	2.77	2.65	5%
Intermodal	4.19	3.67	14%	3.95	3.60	10%
Automotive	17.20	14.85	16%	16.40	15.36	7%
Carloads (thousands)						
Petroleum and chemicals	146	151	(3%)	594	596	-
Metals and minerals	246	254	(3%)	994	801	24%
Forest products	172	181	(5%)	712	678	5%
Coal	101	113	(11%)	448	429	4%
Grain and fertilizers	151	157	(4%)	566	577	(2%)
Intermodal	322	314	3%	1,248	1,202	4%
Automotive	70	75	(7%)	279	295	(5%)
	1,208	1,245	(3%)	4,841	4,578	6%
Freight revenue / carload (dollars)						
Total freight revenue per carload	1,488	1,330	12%	1,426	1,366	4%
Commodity groups:						
Petroleum and chemicals	1,938	1,775	9%	1,845	1,777	4%
Metals and minerals	874	760	15%	842	891	(5%)
Forest products	2,535	2,204	15%	2,441	2,220	10%
Coal	743	637	17%	739	662	12%
Grain and fertilizers	2,053	1,904	8%	1,977	1,842	7%
Intermodal	1,053	955	10%	1,018	929	10%
Automotive	1,986	1,667	19%	1,842	1,729	7%

⁽¹⁾ Includes GLT and BC Rail from May 10, 2004 and July 14, 2004, respectively.

Certain of the comparative statistical data and related productivity measures have been restated to reflect changes to estimated statistical data previously reported and reclassified in order to be consistent with the 2005 presentation.

CANADIAN NATIONAL RAILWAY COMPANY
SUPPLEMENTARY INFORMATION
PRO FORMA CONSOLIDATED STATEMENT OF INCOME (U.S. GAAP)

(In millions, except per share data)

	Year ended December 31		
	2005	2004 pro forma ⁽¹⁾	Variance Fav (Unfav)
	(Unaudited)		
Revenues			
Petroleum and chemicals	\$ 1,096	\$ 1,086	1%
Metals and minerals	837	773	8%
Forest products	1,738	1,606	8%
Coal	331	291	14%
Grain and fertilizers	1,119	1,068	5%
Intermodal	1,270	1,117	14%
Automotive	514	510	1%
Other items	335	322	4%
	7,240	6,773	7%
Operating expenses			
Labor and fringe benefits	1,841	1,895	3%
Purchased services and material	814	788	(3%)
Depreciation and amortization	627	618	(1%)
Fuel	725	550	(32%)
Equipment rents	192	234	18%
Casualty and other	417	460	9%
	4,616	4,545	(2%)
Operating income	2,624	2,228	18%
Interest expense	(299)	(337)	
Other income (loss)	12	(19)	
Income before income taxes	2,337	1,872	
Income tax expense	(781)	(600)	
Net income	\$ 1,556	\$ 1,272	
Operating ratio	63.8%	67.1%	3.3
Diluted earnings per share	\$ 5.54	\$ 4.39	
Diluted weighted-average number of shares	281.1	289.9	

⁽¹⁾ The pro forma figures reflect the Company's results of operations as if the Company had acquired GLT and BC Rail on January 1, 2004.

Certain of the 2004 comparative figures have been reclassified in order to be consistent with the 2005 presentation.

CANADIAN NATIONAL RAILWAY COMPANY
SUPPLEMENTARY PRO FORMA INFORMATION (U.S. GAAP)

	Year ended December 31		Variance Fav (Unfav)
	2005	2004 pro forma ⁽¹⁾	
	<i>(Unaudited)</i>		
Revenue ton miles (millions)			
Petroleum and chemicals	31,235	31,868	(2%)
Metals and minerals	16,848	17,257	(2%)
Forest products	42,330	41,119	3%
Coal	13,576	12,791	6%
Grain and fertilizers	40,393	40,248	-
Intermodal	32,184	31,002	4%
Automotive	3,135	3,321	(6%)
	179,701	177,606	1%
Freight revenue / RTM (cents)			
Total freight revenue per RTM	3.84	3.63	6%
Commodity groups:			
Petroleum and chemicals	3.51	3.41	3%
Metals and minerals	4.97	4.48	11%
Forest products	4.11	3.91	5%
Coal	2.44	2.28	7%
Grain and fertilizers	2.77	2.65	5%
Intermodal	3.95	3.60	10%
Automotive	16.40	15.36	7%
Carloads (thousands)			
Petroleum and chemicals	594	603	(1%)
Metals and minerals	994	991	-
Forest products	712	729	(2%)
Coal	448	446	-
Grain and fertilizers	566	579	(2%)
Intermodal	1,248	1,202	4%
Automotive	279	295	(5%)
	4,841	4,845	-
Freight revenue / carload (dollars)			
Total freight revenue per carload	1,426	1,331	7%
Commodity groups:			
Petroleum and chemicals	1,845	1,801	2%
Metals and minerals	842	780	8%
Forest products	2,441	2,203	11%
Coal	739	652	13%
Grain and fertilizers	1,977	1,845	7%
Intermodal	1,018	929	10%
Automotive	1,842	1,729	7%

⁽¹⁾ The pro forma figures reflect the Company's results of operations as if the Company had acquired GLT and BC Rail on January 1, 2004.

Certain of the comparative statistical data and related productivity measures have been restated to reflect changes to estimated statistical data previously reported and reclassified in order to be consistent with the 2005 presentation.

CANADIAN NATIONAL RAILWAY COMPANY
NON-GAAP MEASURE (U.S. GAAP)

Free cash flow

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. 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 defines free cash flow as cash provided from operating activities, excluding changes in the level of accounts receivable sold under the securitization program, less investing activities and dividends paid, and adjusted for significant acquisitions as they are not indicative of normal day-to-day investments in the Company's asset base, calculated as follows:

<i>In millions</i>	Three months ended December 31		Year ended December 31	
	2005	2004	2005	2004
Cash provided from operating activities	\$ 694	\$ 688	\$ 2,705	\$ 2,139
Less:				
Investing activities	(373)	(342)	(1,075)	(2,411)
Dividends paid	(67)	(55)	(275)	(222)
Cash provided (used) before financing activities	254	291	1,355	(494)
Adjustments:				
Change in accounts receivable sold	(11)	(20)	(54)	(12)
Acquisition of BC Rail	-	-	-	984
Acquisition of GLT	-	-	-	547
Free cash flow	\$ 243	\$ 271	\$ 1,301	\$ 1,025