

**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	
	2006	2005	2006	2005
	<i>(Unaudited)</i>			
Revenues	\$ 1,942	\$ 1,886	\$ 7,716	\$ 7,240
Operating expenses	1,186	1,166	4,686	4,616
Operating income	756	720	3,030	2,624
Interest expense	(80)	(74)	(312)	(299)
Other income	27	10	11	12
Income before income taxes	703	656	2,729	2,337
Income tax expense	(204)	(226)	(642)	(781)
<b>Net income</b>	<b>\$ 499</b>	<b>\$ 430</b>	<b>\$ 2,087</b>	<b>\$ 1,556</b>
<b>Earnings per share</b>				
Basic	\$ 0.97	\$ 0.80	\$ 3.97	\$ 2.82
Diluted	\$ 0.95	\$ 0.78	\$ 3.91	\$ 2.77
<b>Weighted-average number of shares</b>				
Basic	515.5	539.9	525.9	551.7
Diluted	523.6	550.8	534.3	562.2

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, 2006 and December 31, 2005, and its results of operations, changes in shareholders' equity and cash flows for the three months and years ended December 31, 2006 and 2005. These consolidated financial statements have been prepared using accounting policies consistent with those used in preparing the Company's 2006 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		
	2006	2005	Variance Fav (Unfav)	2006	2005	Variance Fav (Unfav)
<i>(Unaudited)</i>						
<b>Revenues</b>						
Petroleum and chemicals	\$ 301	\$ 283	6%	\$ 1,173	\$ 1,096	7%
Metals and minerals	204	215	(5%)	885	837	6%
Forest products	414	436	(5%)	1,745	1,738	-
Coal	93	75	24%	375	331	13%
Grain and fertilizers	352	310	14%	1,259	1,119	13%
Intermodal	358	339	6%	1,420	1,270	12%
Automotive	131	139	(6%)	514	514	-
Other items	89	89	-	345	335	3%
	<u>1,942</u>	<u>1,886</u>	3%	<u>7,716</u>	<u>7,240</u>	7%
<b>Operating expenses</b>						
Labor and fringe benefits	466	453	(3%)	1,800	1,841	2%
Purchased services and material	222	224	1%	845	814	(4%)
Depreciation and amortization	167	157	(6%)	650	627	(4%)
Fuel	227	199	(14%)	890	725	(23%)
Equipment rents	63	46	(37%)	198	192	(3%)
Casualty and other	41	87	53%	303	417	27%
	<u>1,186</u>	<u>1,166</u>	(2%)	<u>4,686</u>	<u>4,616</u>	(2%)
<b>Operating income</b>	<b>\$ 756</b>	<b>\$ 720</b>	<b>5%</b>	<b>\$ 3,030</b>	<b>\$ 2,624</b>	<b>15%</b>
<b>Operating ratio</b>	<b>61.1%</b>	<b>61.8%</b>	<b>0.7</b>	<b>60.7%</b>	<b>63.8%</b>	<b>3.1</b>

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

(In millions)

	December 31 2006 (Unaudited)	December 31 2005
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 179	\$ 62
Accounts receivable	692	623
Material and supplies	189	151
Deferred income taxes	84	65
Other	192	248
	<b>1,336</b>	<b>1,149</b>
Properties	21,053	20,078
Intangible and other assets <sup>(1)</sup>	1,615	961
<b>Total assets</b>	<b>\$ 24,004</b>	<b>\$ 22,188</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued charges	\$ 1,823	\$ 1,478
Current portion of long-term debt	218	408
Other	73	72
	<b>2,114</b>	<b>1,958</b>
Deferred income taxes <sup>(1)</sup>	5,215	4,817
Other liabilities and deferred credits <sup>(1)</sup>	1,465	1,487
Long-term debt	5,386	4,677
<b>Shareholders' equity:</b>		
Common shares	4,459	4,580
Accumulated other comprehensive loss <sup>(1)</sup>	(44)	(222)
Retained earnings	5,409	4,891
	<b>9,824</b>	<b>9,249</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 24,004</b>	<b>\$ 22,188</b>

<sup>(1)</sup> On December 31, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)," which requires the Company to recognize the over or underfunded position of its various benefit plans in its Consolidated Balance Sheet. As such, on December 31, 2006, the Company increased its pension asset by \$599 million, to \$1,275 million, and decreased its pension and other post-retirement benefits liability by \$7 million, to \$481 million. The Company will recognize changes in the funded status in the year in which the changes occur, through other comprehensive income. The actuarial gains/losses and prior service costs/credits that arise during the period but are not recognized as components of net periodic benefit cost will be recognized as a component of Other comprehensive loss, net of tax. These amounts recognized in Accumulated other comprehensive loss will be adjusted as they are subsequently recognized as components of net periodic benefit cost. Prior to December 31, 2006, actuarial gains/losses and prior service costs/credits were deferred in their recognition, and amortized into net periodic benefit cost over the expected average remaining service life of the employee group covered by the plans. The adoption of SFAS No. 158 had no impact on years prior to 2006 as retrospective application was not allowed. This standard had no effect on the 2006 computation of net periodic benefit cost for pensions and post-retirement benefits.

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, 2006 and December 31, 2005, and its results of operations, changes in shareholders' equity and cash flows for the three months and years ended December 31, 2006 and 2005. These consolidated financial statements have been prepared using accounting policies consistent with those used in preparing the Company's 2006 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	
	2006	2005	2006	2005
	(Unaudited)			
<b>Common shares <sup>(1)</sup></b>				
Balance, beginning of period	\$ 4,476	\$ 4,605	\$ 4,580	\$ 4,706
Stock options exercised and other	43	30	133	176
Share repurchase programs <sup>(2)</sup>	(60)	(55)	(254)	(302)
<b>Balance, end of period</b>	<b>\$ 4,459</b>	<b>\$ 4,580</b>	<b>\$ 4,459</b>	<b>\$ 4,580</b>
<b>Accumulated other comprehensive loss</b>				
Balance, beginning of period	\$ (520)	\$ (169)	\$ (222)	\$ (148)
Other comprehensive income (loss):				
Unrealized foreign exchange gain (loss) on:				
Translation of the net investment in foreign operations	246	(43)	32	(233)
Translation of U.S. dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries	(196)	29	(33)	152
Post-retirement and pension benefit plans adjustment:				
Minimum pension liability adjustment	1	4	1	4
Derivative instruments:				
Decrease in unrealized holding gains on fuel derivative instruments	-	(70)	(57)	(35)
Other comprehensive income (loss) before income taxes	51	(80)	(57)	(112)
Income tax recovery (expense)	11	27	(179)	38
Other comprehensive income (loss)	62	(53)	(236)	(74)
Adjustment to reflect the funded status of benefit plans: <sup>(3)</sup>				
Net actuarial gain (net of income tax expense of (\$200) for 2006)	434	-	434	-
Prior service cost (net of income tax recovery of \$14 for 2006)	(31)	-	(31)	-
Reversal of minimum pension liability adjustment (net of income tax expense of (\$6) for 2006)	11	-	11	-
<b>Balance, end of period</b>	<b>\$ (44)</b>	<b>\$ (222)</b>	<b>\$ (44)</b>	<b>\$ (222)</b>
<b>Retained earnings</b>				
Balance, beginning of period	\$ 5,306	\$ 4,763	\$ 4,891	\$ 4,726
Net income	499	430	2,087	1,556
Share repurchase programs <sup>(2)</sup>	(313)	(235)	(1,229)	(1,116)
Dividends	(83)	(67)	(340)	(275)
<b>Balance, end of period</b>	<b>\$ 5,409</b>	<b>\$ 4,891</b>	<b>\$ 5,409</b>	<b>\$ 4,891</b>

<sup>(1)</sup> For the three months and year ended December 31, 2006, the Company issued 1.7 million and 5.1 million common shares, respectively, as a result of stock options exercised. At December 31, 2006, the Company had 512.4 million common shares outstanding.

<sup>(2)</sup> In 2006, the Company repurchased 29.5 million common shares under its share repurchase programs; 15.5 million common shares for \$766 million (average price of \$49.43 per share) under its new 28.0 million share repurchase program and 14.0 million common shares for \$717 million (average price of \$51.24 per share) under its previous 32.0 million share repurchase program which ended in the second quarter of 2006.

<sup>(3)</sup> Pursuant to the adoption of SFAS No. 158.

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

(In millions)

	Three months ended December 31		Year ended December 31	
	2006	2005	2006	2005
	<i>(Unaudited)</i>			
<b>Operating activities</b>				
Net income	\$ 499	\$ 430	\$ 2,087	\$ 1,556
Adjustments to reconcile net income to net cash provided from operating activities:				
Depreciation and amortization	167	157	653	630
Deferred income taxes	23	103	3	547
Other changes in:				
Accounts receivable	403	18	(17)	142
Material and supplies	18	25	(36)	(25)
Accounts payable and accrued charges	48	28	197	(156)
Other net current assets and liabilities	(34)	(75)	58	8
Other	(52)	8	5	3
Cash provided from operating activities	1,072	694	2,950	2,705
<b>Investing activities</b>				
Property additions	(472)	(388)	(1,298)	(1,180)
Acquisitions, net of cash acquired	(26)	-	(84)	-
Other, net	14	15	33	105
Cash used by investing activities	(484)	(373)	(1,349)	(1,075)
<b>Financing activities</b>				
Issuance of long-term debt	183	987	3,308	2,728
Reduction of long-term debt	(234)	(1,019)	(3,089)	(2,865)
Issuance of common shares due to exercise of stock options and related excess tax benefits realized	42	11	120	115
Repurchase of common shares	(373)	(290)	(1,483)	(1,418)
Dividends paid	(83)	(67)	(340)	(275)
Cash used by financing activities	(465)	(378)	(1,484)	(1,715)
<b>Net increase (decrease) in cash and cash equivalents</b>	123	(57)	117	(85)
Cash and cash equivalents, beginning of period	56	119	62	147
<b>Cash and cash equivalents, end of period</b>	\$ 179	\$ 62	\$ 179	\$ 62
<b>Supplemental cash flow information</b>				
Net cash receipts from customers and other	\$ 2,367	\$ 1,830	\$ 7,733	\$ 7,375
Net cash payments for:				
Employee services, suppliers and other expenses	(954)	(921)	(3,896)	(3,872)
Interest	(89)	(70)	(316)	(306)
Workforce reductions	(8)	(15)	(45)	(87)
Personal injury and other claims	(47)	(21)	(107)	(92)
Pensions	(66)	(54)	(112)	(127)
Income taxes	(131)	(55)	(307)	(186)
Cash provided from operating activities	\$ 1,072	\$ 694	\$ 2,950	\$ 2,705

Certain of the 2005 comparative figures have been reclassified in order to be consistent with the 2006 presentation.

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

	Three months ended		Year ended	
	December 31		December 31	
	2006	2005	2006	2005
	<i>(Unaudited)</i>			
<b>Statistical operating data</b>				
Freight revenues (\$ millions)	1,853	1,797	7,371	6,905
Gross ton miles (GTM) (millions)	88,407	87,828	352,972	342,894
Revenue ton miles (RTM) (millions)	45,966	45,598	185,610	179,701
Carloads (thousands)	1,146	1,208	4,824	4,841
Route miles (includes Canada and the U.S.)	20,264	19,221	20,264	19,221
Employees (end of period)	21,811	21,540	21,811	21,540
Employees (average during period)	21,755	21,862	21,685	22,246
<b>Productivity</b>				
Operating ratio (%)	61.1	61.8	60.7	63.8
Freight revenue per RTM (cents)	4.03	3.94	3.97	3.84
Freight revenue per carload (\$)	1,617	1,488	1,528	1,426
Operating expenses per GTM (cents)	1.34	1.33	1.33	1.35
Labor and fringe benefits expense per GTM (cents)	0.53	0.52	0.51	0.54
GTM per average number of employees (thousands)	4,064	4,017	16,277	15,414
Diesel fuel consumed (U.S. gallons in millions)	101	101	401	403
Average fuel price (\$/U.S. gallon) <sup>(1)</sup>	2.16	1.89	2.13	1.72
GTM per U.S. gallon of fuel consumed	875	870	880	851
<b>Safety indicators</b>				
Injury frequency rate per 200,000 person hours <sup>(2)</sup>	2.0	2.3	2.1	2.4
Accident rate per million train miles <sup>(2)</sup>	2.0	2.8	2.2	1.8
<b>Financial ratio</b>				
Debt to total capitalization ratio (% at end of period)	36.3	35.5	36.3	35.5

<sup>(1)</sup> Includes the impact of the Company's fuel hedging program until September 30, 2006.

<sup>(2)</sup> As reported to the Federal Railroad Administration.

Certain 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)**

	Three months ended December 31			Year ended December 31		
	2006	2005	Variance Fav (Unfav)	2006	2005	Variance Fav (Unfav)
<i>(Unaudited)</i>						
<b>Revenue ton miles (millions)</b>						
Petroleum and chemicals	7,930	7,949	-	31,868	31,235	2%
Metals and minerals	4,026	4,245	(5%)	17,467	16,848	4%
Forest products	10,049	10,581	(5%)	42,488	42,330	-
Coal	3,209	3,003	7%	13,727	13,576	1%
Grain and fertilizers	11,791	10,918	8%	44,096	40,393	9%
Intermodal	8,237	8,094	2%	32,922	32,184	2%
Automotive	724	808	(10%)	3,042	3,135	(3%)
	<b>45,966</b>	<b>45,598</b>	<b>1%</b>	<b>185,610</b>	<b>179,701</b>	<b>3%</b>
<b>Freight revenue / RTM (cents)</b>						
Total freight revenue per RTM	4.03	3.94	2%	3.97	3.84	3%
<b>Commodity groups:</b>						
Petroleum and chemicals	3.80	3.56	7%	3.68	3.51	5%
Metals and minerals	5.07	5.06	-	5.07	4.97	2%
Forest products	4.12	4.12	-	4.11	4.11	-
Coal	2.90	2.50	16%	2.73	2.44	12%
Grain and fertilizers	2.99	2.84	5%	2.86	2.77	3%
Intermodal	4.35	4.19	4%	4.31	3.95	9%
Automotive	18.09	17.20	5%	16.90	16.40	3%
<b>Carloads (thousands)</b>						
Petroleum and chemicals	145	146	(1%)	590	594	(1%)
Metals and minerals	203	246	(17%)	981	994	(1%)
Forest products	154	172	(10%)	667	712	(6%)
Coal	94	101	(7%)	411	448	(8%)
Grain and fertilizers	157	151	4%	594	566	5%
Intermodal	332	322	3%	1,326	1,248	6%
Automotive	61	70	(13%)	255	279	(9%)
	<b>1,146</b>	<b>1,208</b>	<b>(5%)</b>	<b>4,824</b>	<b>4,841</b>	<b>-</b>
<b>Freight revenue / carload (dollars)</b>						
Total freight revenue per carload	1,617	1,488	9%	1,528	1,426	7%
<b>Commodity groups:</b>						
Petroleum and chemicals	2,076	1,938	7%	1,988	1,845	8%
Metals and minerals	1,005	874	15%	902	842	7%
Forest products	2,688	2,535	6%	2,616	2,441	7%
Coal	989	743	33%	912	739	23%
Grain and fertilizers	2,242	2,053	9%	2,120	1,977	7%
Intermodal	1,078	1,053	2%	1,071	1,018	5%
Automotive	2,148	1,986	8%	2,016	1,842	9%

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**

During the three and twelve months ended December 31, 2006, the Company reported adjusted net income of \$472 million, or \$0.90 per diluted share and \$1,810 million, or \$3.40 per diluted share, respectively. These adjusted figures exclude the impact of a deferred income tax recovery of \$27 million (\$0.05 per diluted share) in the fourth quarter and \$277 million (\$0.51 per diluted share) in the twelve-month period ended December 31, 2006 that resulted from the enactment of lower federal and provincial corporate tax rates in Canada and the resolution of matters pertaining to prior years' income taxes. 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 an item, such as the deferred income tax recovery that resulted from the enactment of lower federal and provincial corporate tax rates in Canada and the resolution of matters pertaining to prior years' income taxes, that does 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 item in adjusted net income and adjusted earnings per share does not, however, imply that such item is 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 2006 Annual Consolidated Financial Statements, Notes thereto and Management's Discussion and Analysis (MD&A). The following table provides a reconciliation of net income and earnings per share, as reported for the three and twelve months ended December 31, 2006, to the adjusted performance measures presented herein.

<i>In millions, except per share data</i>	<b>Three months ended December 31, 2006</b>			<b>Year ended December 31, 2006</b>		
	<b>Reported</b>	<b>Deferred tax recovery</b>	<b>Adjusted</b>	<b>Reported</b>	<b>Deferred tax recovery</b>	<b>Adjusted</b>
Revenues	\$ 1,942	\$ -	\$ 1,942	\$ 7,716	\$ -	\$ 7,716
Operating expenses	1,186	-	1,186	4,686	-	4,686
Operating income	756	-	756	3,030	-	3,030
Interest expense	(80)	-	(80)	(312)	-	(312)
Other income	27	-	27	11	-	11
Income before income taxes	703	-	703	2,729	-	2,729
Income tax expense	(204)	(27)	(231)	(642)	(277)	(919)
<b>Net income</b>	<b>\$ 499</b>	<b>\$ (27)</b>	<b>\$ 472</b>	<b>\$ 2,087</b>	<b>\$ (277)</b>	<b>\$ 1,810</b>
<b>Basic earnings per share</b>	<b>\$ 0.97</b>	<b>\$ (0.05)</b>	<b>\$ 0.92</b>	<b>\$ 3.97</b>	<b>\$ (0.53)</b>	<b>\$ 3.44</b>
<b>Diluted earnings per share</b>	<b>\$ 0.95</b>	<b>\$ (0.05)</b>	<b>\$ 0.90</b>	<b>\$ 3.91</b>	<b>\$ (0.51)</b>	<b>\$ 3.40</b>

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

**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 after the payment of dividends, calculated as follows:

<i>In millions</i>	Three months ended December 31		Year ended December 31	
	2006	2005	2006	2005
Cash provided from operating activities	\$ 1,072	\$ 694	\$ 2,950	\$ 2,705
<b>Less:</b>				
Investing activities	(484)	(373)	(1,349)	(1,075)
Cash provided before financing activities	588	321	1,601	1,630
<b>Adjustments:</b>				
Change in level of accounts receivable sold <sup>(1)</sup>	(293)	(11)	82	(54)
Dividends paid	(83)	(67)	(340)	(275)
<b>Free cash flow</b>	<b>\$ 212</b>	<b>\$ 243</b>	<b>\$ 1,343</b>	<b>\$ 1,301</b>

<sup>(1)</sup> Changes in the level of accounts receivable sold under the Company's accounts receivable securitization program are considered a financing activity.