

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

**Adjusted performance measures**

For the three and twelve months ended December 31, 2009, the Company reported adjusted net income of \$424 million, or \$0.90 per diluted share and \$1,533 million or \$3.24 per diluted share, respectively. The adjusted figures for the three months ended December 31, 2009 exclude the gain on sale of the Lower Newmarket subdivision of \$69 million or \$59 million after-tax (\$0.12 per diluted share) and a deferred income tax recovery of \$99 million (\$0.21 per diluted share), resulting from the enactment of a lower provincial corporate income tax rate. The adjusted figures for the twelve months ended December 31, 2009 exclude the gain on sale of the Lower Newmarket subdivision of \$69 million or \$59 million after-tax (\$0.12 per diluted share); the gain on sale of the Weston subdivision of \$157 million or \$135 million after-tax (\$0.29 per diluted share); EJ&E acquisition-related costs of \$49 million or \$30 million after-tax (\$0.06 per diluted share); and a deferred income tax recovery of \$157 million (\$0.33 per diluted share), of which \$126 million (\$0.27 per diluted share) resulted from the enactment of lower provincial corporate income tax rates, \$16 million (\$0.03 per diluted share) resulted from the recapitalization of a foreign investment and \$15 million (\$0.03 per diluted share) resulted from the resolution of various income tax matters and adjustments related to tax filings of prior years.

For the three months and year ended December 31, 2008, the Company reported adjusted net income of \$531 million, or \$1.12 per diluted share and \$1,778 million, or \$3.71 per diluted share, respectively. The fourth quarter adjusted figures exclude the impact of a net deferred income tax recovery of \$42 million (\$0.09 per diluted share) resulting from the resolution of various income tax matters and adjustments related to tax filings of prior years. The year-to-date December 31, 2008 adjusted figures exclude a deferred income tax recovery of \$117 million (\$0.24 per diluted share), of which \$83 million (\$0.17 per diluted share) was due to the resolution of various income tax matters and adjustments related to tax filings of prior years, \$23 million (\$0.05 per diluted share) was due to the enactment of corporate income tax rate changes in Canada and \$11 million (\$0.02 per diluted share) was due to net capital losses arising from the reorganization of a subsidiary.

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 2009 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, 2009 and 2008, to the adjusted performance measures presented herein.

<i>In millions, except per share data</i>	Three months ended December 31, 2009			Year ended December 31, 2009		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Revenues	\$ 1,882	\$ -	\$ 1,882	\$ 7,367	\$ -	\$ 7,367
Operating expenses	1,229	-	1,229	4,961	(49)	4,912
Operating income	653	-	653	2,406	49	2,455
Interest expense	(95)	-	(95)	(412)	-	(412)
Other income	76	(69)	7	267	(226)	41
Income before income taxes	634	(69)	565	2,261	(177)	2,084
Income tax expense	(52)	(89)	(141)	(407)	(144)	(551)
<b>Net income</b>	<b>\$ 582</b>	<b>\$ (158)</b>	<b>\$ 424</b>	<b>\$ 1,854</b>	<b>\$ (321)</b>	<b>\$ 1,533</b>
<b>Operating ratio</b>	<b>65.3%</b>		<b>65.3%</b>	<b>67.3%</b>		<b>66.7%</b>
Basic earnings per share	\$ 1.24	\$ (0.33)	\$ 0.91	\$ 3.95	\$ (0.68)	\$ 3.27
Diluted earnings per share	\$ 1.23	\$ (0.33)	\$ 0.90	\$ 3.92	\$ (0.68)	\$ 3.24

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

<i>In millions, except per share data</i>	Three months ended December 31, 2009			Year ended December 31, 2008		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Revenues	\$ 2,200	\$ -	\$ 2,200	\$ 8,482	\$ -	\$ 8,482
Operating expenses	1,380	-	1,380	5,588	-	5,588
Operating income	820	-	820	2,894	-	2,894
Interest expense	(110)	-	(110)	(375)	-	(375)
Other income	19	-	19	26	-	26
Income before income taxes	729	-	729	2,545	-	2,545
Income tax expense	(156)	(42)	(198)	(650)	(117)	(767)
<b>Net income</b>	<b>\$ 573</b>	<b>\$ (42)</b>	<b>\$ 531</b>	<b>\$ 1,895</b>	<b>\$ (117)</b>	<b>\$ 1,778</b>
<b>Operating ratio</b>	<b>62.7%</b>		<b>62.7%</b>	<b>65.9%</b>		<b>65.9%</b>
<b>Basic earnings per share</b>	<b>\$ 1.22</b>	<b>\$ (0.09)</b>	<b>\$ 1.13</b>	<b>\$ 3.99</b>	<b>\$ (0.24)</b>	<b>\$ 3.75</b>
<b>Diluted earnings per share</b>	<b>\$ 1.21</b>	<b>\$ (0.09)</b>	<b>\$ 1.12</b>	<b>\$ 3.95</b>	<b>\$ (0.24)</b>	<b>\$ 3.71</b>

**Free cash flow**

The Company generated \$133 million and \$790 million of free cash flow for the three months and year ended December 31, 2009, respectively, compared to \$311 million and \$794 million for the same periods in 2008. 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 cash provided from operating activities, adjusted for changes in the accounts receivable securitization program and in cash and cash equivalents resulting from foreign exchange fluctuations, less cash used by investing activities, adjusted for the impact of major acquisitions, and the payment of dividends, calculated as follows:

<i>In millions</i>	Three months ended December 31		Year ended December 31	
	2009	2008	2009	2008
Cash provided from operating activities	\$ 679	\$ 500	\$ 2,279	\$ 2,031
Cash used by investing activities	(433)	(498)	(1,437)	(1,400)
Cash provided before financing activities	246	2	842	631
<i>Adjustments:</i>				
Change in accounts receivable securitization	-	398	68	568
Dividends paid	(119)	(108)	(474)	(436)
Acquisition of EJ&E	-	-	373	-
Effect of foreign exchange fluctuations on U.S. dollar-denominated cash and cash equivalents	6	19	(19)	31
<b>Free cash flow</b>	<b>\$ 133</b>	<b>\$ 311</b>	<b>\$ 790</b>	<b>\$ 794</b>

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

**Credit measures**

Management believes that the adjusted debt-to-total capitalization ratio is a useful credit measure that aims to show the true leverage of the Company. Similarly, the adjusted debt-to-adjusted earnings before interest, income taxes, depreciation and amortization (EBITDA) ratio is another useful credit measure because it reflects the Company's ability to service its debt. The Company excludes Other income in the calculation of EBITDA. However, since these measures do not have any standardized meaning prescribed by GAAP, they may not be comparable to similar measures presented by other companies and, as such, should not be considered in isolation.

**Adjusted debt-to-total capitalization ratio**

	<i>December 31,</i>	<b>2009</b>	<b>2008</b>
Debt-to-total capitalization ratio <sup>(a)</sup>		<b>36.5%</b>	42.8%
<i>Add: Present value of operating lease commitments plus securitization financing <sup>(b)</sup></i>		<b>2.0%</b>	2.4%
<b>Adjusted debt-to-total capitalization ratio</b>		<b>38.5%</b>	45.2%

**Adjusted debt-to-adjusted EBITDA**

<i>\$ in millions, unless otherwise indicated</i>	<i>Twelve months ended December 31,</i>		<b>2009</b>	<b>2008</b>
Debt	\$	<b>6,461</b>	\$	7,911
<i>Add: Present value of operating lease commitments plus securitization financing <sup>(b)</sup></i>		<b>579</b>		787
Adjusted debt		<b>7,040</b>		8,698
Operating income		<b>2,406</b>		2,894
<i>Add: Depreciation and amortization</i>		<b>790</b>		725
EBITDA (excluding Other income)		<b>3,196</b>		3,619
<i>Add: Deemed interest on operating leases</i>		<b>33</b>		39
Adjusted EBITDA	\$	<b>3,229</b>	\$	3,658
<b>Adjusted debt-to-adjusted EBITDA</b>		<b>2.18 times</b>		2.38 times

(a) Debt-to-total capitalization is calculated as total long-term debt plus current portion of long-term debt divided by the sum of total debt plus total shareholders' equity.

(b) The operating lease commitments have been discounted using the Company's implicit interest rate for each of the periods presented.