CANADIAN NATIONAL RAILWAY CO
Form 6-K
October 25, 2011

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of October, 2011

Commission File Number: 001-02413

Canadian National Railway Company
(Translation of registrant's name into English)

935 de la Gauchetiere Street West
Montreal, Quebec
Canada H3B 2M9
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F ____ Form 40-F X

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes ____ No X

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes ____ No X

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ____ No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

Canadian National Railway Company

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Item 1

North America's Railroad

NEWS RELEASE

CN's Q3-2011 net income rises to C$659 million,
or C$1.46 per diluted share, as the Company posts record carloadings and revenues

Excluding gain on sale, adjusted Q3-2011 net income increased
12 per cent to C$621 million, with adjusted diluted EPS up 16 per cent
to C$1.38 (1)

MONTREAL, Oct. 25, 2011 — CN (TSX: CNR) (NYSE: CNI) today reported its financial and operating results for the third quarter and nine-month period ended Sept. 30, 2011.

Third-quarter 2011 highlights

- Net income increased 19 per cent from the year-earlier quarter to C$659 million, with diluted earnings per share (EPS) rising 23 per cent to C$1.46. The results included an after-tax gain of C$38 million, or C$0.08 per diluted share, on the sale of substantially all of the assets of IC RailMarine Terminal Company.
  - Excluding the gain on the sale, adjusted net income increased 12 per cent over the year-earlier quarter to C$621 million, with adjusted diluted EPS rising 16 per cent to C$1.38. (1)
- Revenues for third-quarter 2011 rose nine per cent to C$2,307 million, while carloadings grew by four per cent and revenue ton-miles increased six per cent.
- Operating income increased 12 per cent to C$938 million.
- CN's operating ratio was 59.3 per cent, a 1.4-point improvement over the 60.7 per cent operating ratio for third-quarter 2010.
- Free cash flow for the first nine months of 2011 was C$1,328 million, compared with C$938 million for the same period of 2010. (1)
- CN to launch a new share repurchase program on Oct. 28, 2011, to buy back up to 17 million common shares.

Claude Mongeau, president and chief executive officer, said: "CN posted impressive third-quarter results, driven by record carloadings and revenues, strong operational execution, and rigorous cost control. The four per cent rise in carloadings and nine per cent increase in revenues outpaced general economic activity during the quarter, reflecting CN's improved service and market positioning.

"All commodity groups posted revenue gains in the quarter, benefiting from modest growth in overall economic activity, as well as from CN's continued focus on supply chain collaboration and service innovation with its customers and transportation partners."

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New CN share repurchase program
Mongeau said: “With a strong balance sheet and solid prospects, we are pleased to announce that our Board of Directors has approved a new share repurchase program to buy back up to 17 million CN common shares. CN believes this is a timely, responsible use of cash to deliver increased shareholder value.”

Foreign currency impact on results
Although CN reports its earnings in Canadian dollars, a large portion of its revenues and expenses is denominated in U.S. dollars. As such, the Company’s results are affected by exchange-rate fluctuations. On a constant currency basis that excludes the impact of fluctuations in foreign currency exchange rates, CN’s third-quarter 2011 net income would have been higher by C$22 million, or C$0.05 per diluted share. (1)

Third-quarter 2011 revenues, traffic volumes and expenses
The nine per cent rise in third-quarter revenues was mainly attributable to higher freight volumes, due in part to modest improvements in North American and global economic conditions and in the Company’s performance above market conditions in various segments; the impact of a higher fuel surcharge, as a result of year-over-year increases in applicable fuel prices and higher volumes; and freight rate increases. These factors were partly offset by the negative translation impact of the stronger Canadian dollar on U.S.-dollar-denominated revenues.

Revenues increased for metals and minerals (21 per cent), intermodal (12 per cent), automotive (nine per cent), forest products (seven per cent), grain and fertilizers (six per cent), petroleum and chemicals (six per cent), and coal (one per cent). Other revenues increased by six per cent.

Revenue ton-miles, measuring the relative weight and distance of rail freight transported by CN, increased six per cent from the year-earlier period.

Rail freight revenue per revenue ton-mile, a measurement of yield defined as revenue earned on the movement of a ton of freight over one mile, increased three per cent over the third quarter of 2010, largely due to the impact of a higher fuel surcharge and freight rate increases, partly offset by the negative translation impact of the stronger Canadian dollar and an increase in the Company’s average length of haul.

Operating expenses increased by six per cent to C$1,369 million, mainly owing to higher fuel costs, purchased services and material expense as well as depreciation and amortization expense. These factors were partially offset by the positive translation impact of the stronger Canadian dollar on U.S.-dollar-denominated expenses, lower casualty and other expense, as well as a decline in labor and fringe benefits expense in part due to lower incentive compensation.

2011 financial outlook (2)
CN reaffirms the financial guidance it issued on April 26, 2011, despite a weaker economic environment than previously anticipated. CN expects to generate double-digit diluted EPS growth of up to 15 per cent in 2011, on an adjusted basis, compared with adjusted diluted EPS of C$4.20 achieved in 2010. CN also expects free cash flow for 2011 to be in the order of C$1.2 billion, which takes into consideration an expected additional pension contribution of approximately C$350 million.

Mongeau said: "I'm pleased with our solid third quarter results and feel confident about our ability to finish the year on a positive note despite growing concerns about the economy."

(1) See discussion and reconciliation of non-GAAP adjusted performance-measures in the attached supplementary schedule, Non-GAAP Measures.
(2) See Forward-Looking Statements for a summary of the key assumptions and risks regarding CN's 2011 financial outlook.

Forward-Looking Statements

Certain information included in this news release constitutes "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and under Canadian securities laws. CN cautions that, by their nature, these forward-looking statements involve risks, uncertainties and assumptions. The Company cautions that its assumptions may not materialize and that current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Company or the rail industry to be materially different from the outlook or any future results or performance implied by such statements. To the extent that CN has provided guidance that are non-GAAP financial measures, the Company may not be able to provide a reconciliation to the GAAP measures, due to unknown variables and uncertainty related to future results. Key assumptions used in determining forward-looking information are set forth below.

Key assumptions

CN announced a revised 2011 financial outlook in the news release of April 26, 2011, detailing its first-quarter 2011 financial results.

CN's 2011 outlook is based on a number of economic and market assumptions. The Company forecasts that North American industrial production will increase by about 3.5 per cent in 2011. CN also expects U.S. housing starts to be about 600,000 units and U.S. motor vehicles sales to be approximately 12.5 million units for the year. CN anticipates the Canadian 2011/2012 grain crop will be in-line with 2010/2011 crop, and that the U.S. 2011/2012 grain crop will be in line with the five-year average. With these assumptions, CN is targeting mid-single-digit carload growth for 2011, along with continued pricing improvement above inflation. CN assumes the Canadian-U.S. exchange rate to be in the range of parity, and that the price of crude oil (West Texas Intermediate) for the year will be in the range of US$90 to US$100 per barrel. In 2011, CN plans to invest approximately C$1.7 billion in capital programs, of which more than C$1 billion will be targeted on track infrastructure to maintain a safe and fluid railway network. The Company will also invest in projects to support a number of productivity and growth initiatives.

Important risk factors that could affect the forward-looking statements include, but are not limited to, the effects of general economic and business conditions, industry competition, inflation, currency and interest rate fluctuations, changes in fuel prices, legislative and/or regulatory developments, compliance with environmental laws and regulations, actions by regulators, various events which could disrupt operations, including natural events such as severe weather, droughts, floods and earthquakes, labor negotiations and disruptions, environmental claims, uncertainties of investigations, proceedings or other types of claims and litigation, risks and liabilities arising from derailments, and other risks detailed from time to time in reports filed by CN with securities regulators in Canada and the United States. Reference should be made to "Management's Discussion and Analysis" in CN's annual and interim reports, Annual Information Form and Form 40-F filed with Canadian and U.S. securities regulators, available on CN's website, for a summary of major risk factors.

CN assumes no obligation to update or revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable Canadian securities laws. In the event CN does update any forward-looking statement, no inference should be made that CN will make additional updates with respect to that statement, related matters, or any other forward-looking statement.

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CN – Canadian National Railway Company and its operating railway subsidiaries – spans Canada and mid-America, from the Atlantic and Pacific oceans to the Gulf of Mexico, serving the ports of Vancouver, Prince Rupert, B.C., Montreal, Halifax, New Orleans, and Mobile, Ala., and the key metropolitan areas of Toronto, Buffalo, Chicago, Detroit, Duluth, Minn./Superior, Wis., Green Bay, Wis., Minneapolis/St. Paul, Memphis, and Jackson, Miss., with connections to all points in North America. For more information on CN, visit the Company's website at www.cn.ca.

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CANADIAN NATIONAL RAILWAY COMPANY
CONSOLIDATED STATEMENT OF INCOME (U.S. GAAP) - unaudited
(In millions, except per share data)

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Revenues	$ 2,307	$ 2,122	$ 6,651	$ 6,180
Operating expenses				
Labor and fringe benefits	396	437	1,301	1,321
Purchased services and material	271	246	825	754
Fuel	350	249	1,030	757
Depreciation and amortization	218	204	653	614
Equipment rents	60	61	165	181
Casualty and other	74	91	220	303
Total operating expenses	1,369	1,288	4,194	3,930
Operating income	938	834	2,457	2,250
Interest expense	(85)	(90)	(256)	(273)
Other income (Note 2)	70	24	380	200
Income before income taxes	923	768	2,581	2,177
Income tax expense (Note 6)	(264)	(212)	(716)	(576)
Net income	$ 659	$ 556	$ 1,865	$ 1,601
Earnings per share (Note 9)				
Basic	$ 1.47	$ 1.20	$ 4.11	$ 3.42
Diluted	$ 1.46	$ 1.19	$ 4.08	$ 3.39
Weighted-average number of shares				
Basic	448.3	464.6	453.4	468.1
Diluted	451.4	468.4	456.9	471.9

See accompanying notes to unaudited consolidated financial statements.

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

	September 30 2011	December 31 2010	September 30 2010
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	$ 192	$ 490	$ 548
Accounts receivable	801	775	810
Material and supplies	272	210	271
Deferred income taxes	52	53	55
Other (Note 3)	551	62	127
Total current assets	1,868	1,590	1,811
Properties	23,800	22,917	22,646
Intangible and other assets	899	699	1,571
Total assets	$ 26,567	$ 25,206	$ 26,028
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and other	$ 1,565	$ 1,366	$ 1,193
Current portion of long-term debt and short-term debt (Note 3)	525	540	109
Total current liabilities	2,090	1,906	1,302
Deferred income taxes	5,613	5,152	5,442
Other liabilities and deferred credits	1,330	1,333	1,310
Long-term debt	5,878	5,531	6,117
Shareholders' equity:			
Common shares	4,149	4,252	4,270
Accumulated other comprehensive loss	(1,647)	(1,709)	(973)
Retained earnings	9,154	8,741	8,560
Total shareholders' equity	11,656	11,284	11,857
Total liabilities and shareholders' equity	$ 26,567	$ 25,206	$ 26,028

See accompanying notes to unaudited consolidated financial statements.

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

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Common shares (1)				
Balance, beginning of period	$ 4,211	$ 4,275	$ 4,252	$ 4,266
Stock options exercised and other	(6)	30	50	109
Share repurchase programs (Note 3)	(56)	(35)	(153)	(105)
Balance, end of period	$ 4,149	$ 4,270	$ 4,149	$ 4,270
Accumulated other comprehensive loss				
Balance, beginning of period	$ (1,741)	$ (929)	$ (1,709)	$ (948)
Other comprehensive income (loss):				
Foreign exchange gain (loss) on:				
Translation of the net investment in foreign operations	495	(208)	315	(129)
Translation of US dollar-denominated debt designated as a hedge of the net investment in U.S. subsidiaries	(471)	202	(302)	122
Pension and other postretirement benefit plans (Note 5):				
Amortization of prior service cost included in net periodic benefit cost	1	1	2	2
Amortization of net actuarial loss included in net periodic benefit cost	2	1	6	2
Derivative instruments	-	-	(1)	(1)
Other comprehensive income (loss) before income taxes	27	(4)	20	(4)
Income tax recovery (expense)	67	(40)	42	(21)
Other comprehensive income (loss)	94	(44)	62	(25)
Balance, end of period	$ (1,647)	$ (973)	$ (1,647)	$ (973)
Retained earnings				
Balance, beginning of period	$ 9,001	$ 8,331	$ 8,741	$ 7,915
Net income	659	556	1,865	1,601
Share repurchase programs (Note 3)	(361)	(202)	(1,011)	(578)
Dividends	(145)	(125)	(441)	(378)
Balance, end of period	$ 9,154	$ 8,560	$ 9,154	$ 8,560

See accompanying notes to unaudited consolidated financial statements.

(1)

During the three and nine months ended September 30, 2011, the Company issued 0.2 million and 1.9 million common shares, respectively, as a result of stock options exercised and repurchased 6.0 million and 16.5 million common shares, respectively, under its current share repurchase program. At September 30, 2011, the Company had 444.8 million common shares outstanding.

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

	Three months ended September 30 2011	2010	Nine months ended September 30 2011	2010
Operating activities				
Net income	$ 659	$ 556	$ 1,865	$ 1,601
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	218	204	653	614
Deferred income taxes	104	233	327	344
Gain on disposal of property (Note 2)	(60)	-	(348)	(152)
Changes in operating assets and liabilities:				
Accounts receivable	55	(35)	(17)	(22)
Material and supplies	(27)	(18)	(59)	(102)
Accounts payable and other	60	(187)	102	12
Other current assets	16	13	9	25
Other, net	(38)	(278)	(147)	(376)
Net cash provided by operating activities	987	488	2,385	1,944
Investing activities				
Property additions	(415)	(389)	(1,012)	(824)
Disposal of property (Note 2)	70	-	369	167
Change in restricted cash and cash equivalents (Note 3)	(22)	-	(489)	-
Other, net	5	3	22	21
Net cash used in investing activities	(362)	(386)	(1,110)	(636)
Financing activities				
Issuance of debt (Note 3)	132	-	196	-
Repayment of debt	(186)	(118)	(225)	(158)
Issuance of common shares due to exercise of stock options and related excess tax benefits realized	5	27	56	101
Repurchase of common shares (Note 3)	(417)	(237)	(1,164)	(683)
Dividends paid	(145)	(125)	(441)	(378)
Net cash used in financing activities	(611)	(453)	(1,578)	(1,118)
Effect of foreign exchange fluctuations on US dollar-denominated cash and cash equivalents	3	3	5	6
Net increase (decrease) in cash and cash equivalents	17	(348)	(298)	196
	175	896	490	352

Cash and cash equivalents, beginning of period								
Cash and cash equivalents, end of period	$	192	$	548	$	192	$	548
Supplemental cash flow information								
Net cash receipts from customers and other	$	2,326	$	2,053	$	6,659	$	6,203
Net cash payments for:								
Employee services, suppliers and other expenses		(1,124)		(1,043)		(3,551)		(3,347)
Interest		(87)		(92)		(249)		(264)
Personal injury and other claims		(15)		(16)		(48)		(47)
Pensions (Note 5)		(5)		(305)		(103)		(415)
Income taxes		(108)		(109)		(323)		(186)
Net cash provided by operating activities	$	987	$	488	$	2,385	$	1,944

See accompanying notes to unaudited consolidated financial statements.

CANADIAN NATIONAL RAILWAY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL
STATEMENTS (U.S. GAAP)

Note 1 - Basis of presentation

In management's opinion, the accompanying unaudited Interim Consolidated Financial Statements and Notes thereto, expressed in Canadian dollars, and prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial statements, contain all adjustments (consisting of normal recurring accruals) necessary to present fairly Canadian National Railway Company's (the Company) financial position as at September 30, 2011, December 31, 2010, and September 30, 2010, and its results of operations, changes in shareholders' equity and cash flows for the three and nine months ended September 30, 2011 and 2010.

These unaudited Interim Consolidated Financial Statements and Notes thereto have been prepared using accounting policies consistent with those used in preparing the Company's 2010 Annual Consolidated Financial Statements. While management believes that the disclosures presented are adequate to make the information not misleading, these unaudited Interim Consolidated Financial Statements and Notes thereto should be read in conjunction with the Company's Interim Management's Discussion and Analysis (MD&A) and the 2010 Annual Consolidated Financial Statements and Notes thereto.

Note 2 - Disposal of property

2011 - Disposal of IC RailMarine Terminal
In August 2011, the Company sold substantially all of the assets of IC RailMarine Terminal Company (ICRMT), an indirect subsidiary of the Company, to Raven Energy, LLC, an affiliate of Foresight Energy, LLC (Foresight) and the Cline Group (Cline) for cash proceeds of $70 million (US$73 million) before transaction costs. ICRMT is located on the east bank of the Mississippi River and stores and transfers bulk commodities and liquids between rail, ship and barge, serving customers in North American and global markets. Under the sale agreement, the Company will benefit from a 10-year rail transportation agreement with Savatran LLC, an affiliate of Foresight and Cline, to haul a minimum annual volume of coal from four Illinois mines to the ICRMT transfer facility. The transaction resulted in a gain on disposal of $60 million ($38 million after-tax) that was recorded in Other income.

2011 - Disposal of Lakeshore East
In March 2011, the Company entered into an agreement with Metrolinx to sell a segment of the Kingston subdivision known as the Lakeshore East in Pickering and Toronto, Ontario, together with the rail fixtures and certain passenger agreements (collectively the "Rail Property"), for cash proceeds of $299 million before transaction costs. Under the agreement, the Company obtained the perpetual right to operate freight trains over the Rail Property at its then current level of operating activity, with the possibility of increasing its operating activity for additional consideration. The transaction resulted in a gain on disposal of $288 million ($254 million after-tax) that was recorded in Other income under the full accrual method of accounting for real estate transactions.

2010 - Disposal of Oakville subdivision
In March 2010, the Company entered into an agreement with Metrolinx to sell a portion of the property known as the Oakville subdivision in Toronto, Ontario, together with the rail fixtures and certain passenger agreements (collectively the "Rail Property"), for proceeds of $168 million before transaction costs, of which $24 million was placed in escrow at the time of disposal and was entirely released by December 31, 2010 in accordance with the terms of the agreement. Under the agreement, the Company obtained the perpetual right to operate freight trains over the Rail Property at its then current level of operating activity, with the possibility of increasing its operating activity for additional

consideration. The transaction resulted in a gain on disposal of $152 million ($131 million after-tax) that was recorded in Other income under the full accrual method of accounting for real estate transactions.

CANADIAN NATIONAL RAILWAY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (U.S. GAAP)

Note 3 - Financing activities

Revolving credit facility
In May 2011, the Company entered into a $800 million four-year revolving credit facility agreement with a consortium of lenders. The agreement allows for an increase in amount, up to a maximum of $500 million, as well as the option to extend the term by an additional year at each anniversary date, subject to the consent of individual lenders. The Company plans to use the credit facility for working capital and general corporate purposes, including backstopping its commercial paper program. This facility, containing customary terms and conditions, replaces the US$1 billion credit facility that was scheduled to expire in October 2011. As at September 30, 2011, the Company had no outstanding borrowings under its revolving credit facility (nil as at December 31, 2010).

Commercial paper
The Company has a commercial paper program, which is backed by its revolving credit facility, enabling it to issue commercial paper up to a maximum aggregate principal amount of $800 million, or the US dollar equivalent. As at September 30, 2011, the Company had borrowings of $23 million of commercial paper (nil as at December 31, 2010) which were presented in Current portion of long-term debt and short-term debt on the Balance Sheet.

Bilateral letter of credit facilities
In April 2011, the Company entered into a series of three-year bilateral letter of credit facility agreements with various banks to support its requirements to post letters of credit in the ordinary course of business. As at September 30, 2011, from a total committed amount of $520 million by the various banks, the Company had letters of credit drawn of $489 million ($436 million as at December 31, 2010, under its previous US$1 billion credit facility). Under these agreements, the Company has the option from time to time to pledge collateral in the form of cash or cash equivalents, for a minimum term of three months, equal to at least the face value of the letters of credit issued. As at September 30, 2011, cash and cash equivalents of $489 million were pledged as collateral and recorded as Restricted cash and cash equivalents in Other current assets.

Share repurchase programs
In January 2011, the Board of Directors of the Company approved a share repurchase program which allowed for the repurchase of up to 16.5 million common shares to the end of December 2011 pursuant to a normal course issuer bid at prevailing market prices or such other prices as may be permitted by the Toronto Stock Exchange. This share repurchase program was completed by September 30, 2011.
The following table provides the activity under such share repurchase program as well as the share repurchase program of the prior year:

	Three months ended September 30		Nine months ended September 30	
In millions, except per share data	2011	2010	2011	2010
Number of common shares repurchased (1)	6.0	3.8	16.5	11.5
Weighted-average price per share (2)	$ 69.48	$ 62.26	$ 70.56	$ 59.35
Amount of repurchase	$ 417	$ 237	$ 1,164	$ 683

(1) Includes common shares purchased in the first quarter of 2011 and in the second and third quarters of 2010 pursuant to private agreements between the Company and arm's-length third-party sellers.
(2) Includes brokerage fees.

See Note 10 – Subsequent events for additional information on the Company’s new share repurchase program approved on October 25, 2011.

CANADIAN NATIONAL RAILWAY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (U.S. GAAP)

Note 4 - Stock plans

The Company has various stock-based incentive plans for eligible employees. A description of the Company's major plans is provided in Note 11 – Stock plans, to the Company's 2010 Annual Consolidated Financial Statements. The following table provides total stock-based compensation expense for awards under all plans, as well as the related tax benefit recognized in income, for the three and nine months ended September 30, 2011 and 2010. For the three months ended September 30, 2011, the Company recorded a stock-based compensation benefit and the related tax expense recognized in income due to a decrease in the fair value for the Company's cash settled awards resulting from the lower stock price at September 30, 2011.

In millions	Three months ended September 30 2011	Three months ended September 30 2010	Nine months ended September 30 2011	Nine months ended September 30 2010
Cash settled awards				
Restricted share unit plan	$ (8)	$ 22	$ 39	$ 61
Voluntary Incentive Deferral Plan (VIDP)	(13)	9	5	15
	(21)	31	44	76
Stock option awards	2	3	7	8
Total stock-based compensation expense (benefit)	$ (19)	$ 34	$ 51	$ 84
Tax benefit (expense) recognized in income	$ (6)	$ 8	$ 12	$ 21

Cash settled awards
Following approval by the Board of Directors in January 2011, the Company granted 0.5 million restricted share units (RSUs) to designated management employees entitling them to receive payout in cash based on the Company's share price. The RSUs granted by the Company are generally scheduled for payout in cash after three years ("plan period") and vest conditionally upon the attainment of a target relating to return on invested capital over the plan period. Payout is conditional upon the attainment of a minimum share price calculated using the average of the last three months of the plan period. As at September 30, 2011, 0.2 million RSUs remained authorized for future issuance under this plan.

The following table provides the 2011 activity for all cash settled awards:

In millions	RSUs Nonvested	RSUs Vested	VIDP Nonvested	VIDP Vested
Outstanding at December 31, 2010	1.3	0.7	-	1.5
Granted (Payout)	0.5	(0.7)	-	(0.1)
Outstanding at September 30, 2011	1.8	-	-	1.4

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CANADIAN NATIONAL RAILWAY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (U.S. GAAP)

The following table provides valuation and expense information for all cash settled awards:

In millions, unless otherwise indicated	RSUs (1)				VIDP (2)	Total
Year of grant	2011	2010	2009	2008		
Stock-based compensation expense recognized over requisite service period						
Nine months ended September 30, 2011	$ 6	$ 12	$ 21	$ -	$ 5	$ 44
Nine months ended September 30, 2010	N/A	$ 9	$ 29	$ 23	$ 15	$ 76
Liability outstanding						
September 30, 2011	$ 6	$ 30	$ 68	$ -	$ 105	$ 209
December 31, 2010	N/A	$ 17	$ 46	$ 37	$ 99	$ 199
Fair value per unit						
September 30, 2011 ($)	$ 38.83	$ 57.35	$ 69.71	N/A	$ 70.03	N/A
Fair value of awards vested during the period						
Nine months ended September 30, 2011	$ -	$ -	$ -	N/A	$ 1	$ 1
Nine months ended September 30, 2010	N/A	$ -	$ -	$ -	$ 1	$ 1
Nonvested awards at September 30, 2011						
Unrecognized compensation cost	$ 11	$ 13	$ 3	N/A	$ 1	$ 28
Remaining recognition period (years)	2.3	1.3	0.3	N/A	N/A (3)	N/A
Assumptions (4)						
Stock price ($)	$ 70.03	$ 70.03	$ 70.03	N/A	$ 70.03	N/A
Expected stock price volatility (5)	25%	18%	17%	N/A	N/A	N/A
Expected term (years) (6)	2.3	1.3	0.3	N/A	N/A	N/A
Risk-free interest rate (7)	0.96%	0.85%	0.80%	N/A	N/A	N/A
Dividend rate ($) (8)	$ 1.30	$ 1.30	$ 1.30	N/A	N/A	N/A

(1) Compensation cost is based on the fair value of the awards at period-end using the lattice-based valuation model that uses the assumptions as presented herein.
(2) Compensation cost is based on intrinsic value.
(3)

The remaining recognition period has not been quantified as it relates solely to the 25% Company grant and the dividends earned thereon, representing a minimal number of units.

(4) Assumptions used to determine fair value are at September 30, 2011.

(5) Based on the historical volatility of the Company's stock over a period commensurate with the expected term of the award.

(6) Represents the remaining period of time that awards are expected to be outstanding.

(7) Based on the implied yield available on zero-coupon government issues with an equivalent term commensurate with the expected term of the awards.

(8) Based on the annualized dividend rate.

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Stock option awards

Following approval by the Board of Directors in January 2011, the Company granted 0.6 million conventional stock options to designated senior management employees. The stock option plan allows eligible employees to acquire common shares of the Company upon vesting at a price equal to the market value of the common shares at the date of grant. The options are exercisable during a period not exceeding 10 years. The right to exercise options generally accrues over a period of four years of continuous employment. Options are not generally exercisable during the first 12 months after the date of grant. At September 30, 2011, 11.0 million common shares remained authorized for future issuances under this plan. The total number of options outstanding at September 30, 2011, including conventional and performance-accelerated options, was 6.0 million and 1.6 million, respectively. As at September 30, 2011, the performance-accelerated stock options were fully vested.

The following table provides the activity of stock option awards in 2011. The table also provides the aggregate intrinsic value for in-the-money stock options, which represents the value that would have been received by option holders had they exercised their options on September 30, 2011 at the Company's closing stock price of $70.03.

	Options outstanding			
	Number of options In millions	Weighted-average exercise price	Weighted-average years to expiration	Aggregate intrinsic value In millions
Outstanding at December 31, 2010 (1)	8.9	$ 34.23		
Granted	0.6	$ 68.94		
Exercised	(1.9)	$ 26.42		
Outstanding at September 30, 2011 (1)	7.6	$ 40.28	4.7	$ 227
Exercisable at September 30, 2011 (1)	5.6	$ 35.18	3.5	$ 195

(1) Stock options with a US dollar exercise price have been translated to Canadian dollars using the foreign exchange rate in effect at the balance sheet date.

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The following table provides valuation and expense information for all stock option awards:

In millions, unless otherwise indicated Year of grant	2011	2010	2009	2008	2007	Total
Stock-based compensation expense recognized over requisite service period (1)						
Nine months ended September 30, 2011	$ 3	$ 1	$ 2	$ 1	$ -	$ 7
Nine months ended September 30, 2010	N/A	$ 4	$ 2	$ 1	$ 1	$ 8
Fair value per unit						
At grant date ($)	$ 15.66	$ 13.09	$ 12.60	$ 12.44	$ 13.37	N/A
Fair value of awards vested during the period						
Nine months ended September 30, 2011	$ -	$ 2	$ 4	$ 3	$ 3	$ 12
Nine months ended September 30, 2010	N/A	$ -	$ 4	$ 3	$ 3	$ 10
Nonvested awards at September 30, 2011						
Unrecognized compensation cost	$ 6	$ 4	$ 2	$ -	$ -	$ 12
Remaining recognition period (years)	3.3	2.3	1.3	0.3	-	N/A
Assumptions						
Grant price ($)	$ 68.94	$ 54.76	$ 42.14	$ 48.51	$ 52.79	N/A
Expected stock price volatility (2)	26%	28%	39%	27%	24%	N/A
Expected term (years) (3)	5.3	5.4	5.3	5.3	5.2	N/A
Risk-free interest rate (4)	2.53%	2.44%	1.97%	3.58%	4.12%	N/A
Dividend rate ($) (5)	$ 1.30	$ 1.08	$ 1.01	$ 0.92	$ 0.84	N/A

(1) Compensation cost is based on the grant date fair value using the Black-Scholes option-pricing model that uses the assumptions at the grant date.

(2) Based on the average of the historical volatility of the Company's stock over a period commensurate with the expected term of the award and the implied volatility from traded options on the Company's stock.

(3)

Represents the period of time that awards are expected to be outstanding. The Company uses historical data to estimate option exercise and employee termination, and groups of employees that have similar historical exercise behavior are considered separately.

(4) Based on the implied yield available on zero-coupon government issues with an equivalent term commensurate with the expected term of the awards.

(5) Based on the annualized dividend rate.

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Note 5 - Pensions and other postretirement benefits

For the three and nine months ended September 30, 2011 and 2010, the components of net periodic benefit cost (income) for pensions and other postretirement benefits were as follows:

(a) Components of net periodic benefit income for pensions

	Three months ended September 30		Nine months ended September 30	
In millions	2011	2010	2011	2010
Service cost	$ 31	$ 27	$ 93	$ 80
Interest cost	196	209	589	627
Expected return on plan assets	(251)	(253)	(753)	(757)
Amortization of prior service cost	1	-	1	-
Recognized net actuarial loss	2	1	6	3
Net periodic benefit (income)	$ (21)	$ (16)	$ (64)	$ (47)

(b) Components of net periodic benefit cost for other postretirement benefits

	Three months ended September 30		Nine months ended September 30	
In millions	2011	2010	2011	2010
Service cost	$ 1	$ 1	$ 3	$ 3
Interest cost	4	3	11	11
Amortization of prior service cost	-	1	1	2
Recognized net actuarial gain	-	-	-	(1)
Net periodic benefit cost	$ 5	$ 5	$ 15	$ 15

Pension contributions made in the first nine months of 2011 and 2010 of $103 million and $415 million, respectively, mainly represent contributions to the Company's main pension plan, CN Pension Plan. These contributions are for current service costs as determined under its current actuarial valuations, in addition to voluntary contributions of $300 million, mainly to the CN Pension Plan, made in 2010. The Company continuously monitors the various economic elements that affect the level of contribution it considers necessary to maintain the financial health of its various pension plans. In 2011, the Company expects to make total contributions of approximately $470 million for all its pension plans, including its defined contribution plans. Of the $470 million, approximately $350 million represents additional contributions mainly to strengthen the financial position of the CN Pension Plan, and the remainder mainly represents current service costs as determined under its current actuarial valuations. Additional information relating to the plans is provided in Note 12 – Pensions and other postretirement benefits to the Company's 2010 Annual Consolidated Financial Statements.

Note 6 – Income taxes

The Company recorded income tax expense of $264 million for the three months ended September 30, 2011 and $716 million for the nine months ended September 30, 2011, compared to $212 million and $576 million, respectively, for the same periods in 2010. A net deferred income tax expense of $40 million, resulting from the enactment of state corporate income tax rate changes and other legislated state tax revisions, was recorded in the second quarter of 2011.

Note 7 - Major commitments and contingencies

A. Commitments

As at September 30, 2011, the Company had commitments to acquire railroad ties, rail, freight cars, locomotives, and other equipment and services, as well as for outstanding information technology service contracts and licenses, at an aggregate cost of $721 million ($740 million as at December 31, 2010). The Company also has remaining estimated commitments in relation to the acquisition of the principal lines of the former Elgin, Joliet and Eastern Railway Company to be spent over the next few years, of approximately $150 million for railroad

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infrastructure improvements, grade separation projects, as well as commitments under a series of agreements with individual communities and a comprehensive voluntary mitigation program established to address surrounding municipalities' concerns. The commitment for the grade separation projects is based on estimated costs provided by the Surface Transportation Board (STB) at the time of acquisition and could be subject to adjustment. In addition, remaining implementation costs associated with the U.S. federal government legislative requirement to implement positive train control (PTC) by 2015 are estimated to be approximately $210 million (US$200 million). The Company also has agreements with fuel suppliers to purchase approximately 74% of its estimated remaining 2011 volume, 50% of its anticipated 2012 volume, 35% of its anticipated 2013 volume and 11% of its anticipated 2014 volume, at market prices prevailing on the date of the purchase.

B. Contingencies

In the normal course of business, the Company becomes involved in various legal actions seeking compensatory and occasionally punitive damages, including actions brought on behalf of various purported classes of claimants and claims relating to employee and third-party personal injuries, occupational disease and property damage, arising out of harm to individuals or property allegedly caused by, but not limited to, derailments or other accidents.

Canada

Employee injuries are governed by the workers' compensation legislation in each province whereby employees may be awarded either a lump sum or future stream of payments depending on the nature and severity of the injury. As such, the provision for employee injury claims is discounted. In the provinces where the Company is self-insured, it accounts for costs related to employee work-related injuries based on actuarially developed estimates of the ultimate cost associated with such injuries, including compensation, health care and third-party administration costs. A comprehensive actuarial study is generally performed at least on a triennial basis. For all other legal actions, the Company maintains, and regularly updates on a case-by-case basis, provisions for such items when the expected loss is both probable and can be reasonably estimated based on currently available information.

United States

Personal injury claims by the Company's employees, including claims alleging occupational disease and work-related injuries, are subject to the provisions of the Federal Employers' Liability Act (FELA). Employees are compensated under FELA for damages assessed based on a finding of fault through the U.S. jury system or through individual settlements. As such the provision is undiscounted. With limited exceptions where claims are evaluated on a case-by-case basis, the Company follows an actuarial-based approach and accrues the expected cost for personal injury, including asserted and unasserted occupational disease claims, and property damage claims, based on actuarial estimates of their ultimate cost. A comprehensive actuarial study is performed annually.

For employee work-related injuries, including asserted occupational disease claims, and third-party claims, including grade crossing, trespasser and property damage claims, the actuarial valuation considers, among other factors, CN's historical patterns of claims filings and payments. For unasserted occupational disease claims, the actuarial study includes the projection of CN's experience into the future considering the potentially exposed population. The Company adjusts its liability based upon management's assessment and the results of the study. On an ongoing basis, management reviews and compares the assumptions inherent in the latest actuarial study with the current claim experience and, if required, adjustments to the liability are recorded.

As at September 30, 2011, the Company had aggregate reserves for personal injury and other claims of $353 million, of which $85 million was recorded as a current liability ($346 million as at December 31, 2010, of which $83 million was recorded as a current liability).

Although the Company considers such provisions to be adequate for all its outstanding and pending claims, the final outcome with respect to actions outstanding or pending at September 30, 2011, or with respect to future claims, cannot be predicted with certainty, and therefore there can be no assurance that their resolution will not have a material adverse effect on the Company's results of operations, financial position or liquidity in a particular quarter or fiscal year.

C. Environmental matters

The Company's operations are subject to numerous federal, provincial, state, municipal and local environmental laws and regulations in Canada and the United States concerning, among other things, emissions into the air; discharges into waters; the generation, handling, storage, transportation, treatment and disposal of waste, hazardous substances, and other materials; decommissioning of underground and aboveground storage tanks; and soil and groundwater contamination. A risk of environmental liability is inherent in railroad and related transportation operations; real estate ownership, operation or control; and other commercial activities of the Company with respect to both current and past operations.

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Known existing environmental concerns

The Company has identified approximately 310 sites at which it is or may be liable for remediation costs, in some cases along with other potentially responsible parties, associated with alleged contamination and is subject to environmental clean-up and enforcement actions, including those imposed by the United States Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), also known as the Superfund law, or analogous state laws. CERCLA and similar state laws, in addition to other similar Canadian and U.S. laws, generally impose joint and several liability for clean-up and enforcement costs on current and former owners and operators of a site, as well as those whose waste is disposed of at the site, without regard to fault or the legality of the original conduct. The Company has been notified that it is a potentially responsible party for study and clean-up costs at approximately 10 sites governed by the Superfund law (and analogous state laws) for which investigation and remediation payments are or will be made or are yet to be determined and, in many instances, is one of several potentially responsible parties.

The ultimate cost of addressing these known contaminated sites cannot be definitely established given that the estimated environmental liability for any given site may vary depending on the nature and extent of the contamination; the nature of anticipated response actions, taking into account the available clean-up techniques; evolving regulatory standards governing environmental liability; and the number of potentially responsible parties and their financial viability. As a result, liabilities are recorded based on the results of a four-phase assessment conducted on a site-by-site basis. A liability is initially recorded when environmental assessments occur, remedial efforts are probable, and when the costs, based on a specific plan of action in terms of the technology to be used and the extent of the corrective action required, can be reasonably estimated. The Company estimates the costs related to a particular site using cost scenarios established by external consultants based on the extent of contamination and expected costs for remedial efforts. In the case of multiple parties, the Company accrues its allocable share of liability taking into account the Company's alleged responsibility, the number of potentially responsible parties and their ability to pay their respective share of the liability. Adjustments to initial estimates are recorded as additional information becomes available.

The Company's provision for specific environmental sites is undiscounted and includes costs for remediation and restoration of sites, as well as monitoring costs. Environmental accruals, which are classified as Casualty and other in the Consolidated Statement of Income, include amounts for newly identified sites or contaminants as well as adjustments to initial estimates. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable.

As at September 30, 2011, the Company had aggregate accruals for environmental costs of $158 million, of which $30 million was recorded as a current liability ($150 million as at December 31, 2010, of which $34 million was recorded as a current liability). The Company anticipates that the majority of the liability at September 30, 2011 will be paid out over the next five years. However, some costs may be paid out over a longer period. The Company expects to partly recover certain accrued remediation costs associated with alleged contamination and has recorded a receivable in Intangible and other assets for such recoverable amount. Based on the information currently available, the Company considers its provisions to be adequate.

Unknown existing environmental concerns

While the Company believes that it has identified the costs likely to be incurred for environmental matters in the next several years based on known information, newly discovered facts, changes in laws, the possibility of releases of hazardous materials into the environment and the Company's ongoing efforts to identify potential environmental liabilities that may be associated with its properties may result in the identification of additional environmental liabilities and related costs. The magnitude of such additional liabilities and the costs of complying with future environmental laws and containing or remediating contamination cannot be reasonably estimated due to many factors, including:

(i) the lack of specific technical information available with respect to many sites;
(ii) the absence of any government authority, third-party orders, or claims with respect to particular sites;
(iii) the potential for new or changed laws and regulations and for development of new remediation technologies and uncertainty regarding the timing of the work with respect to particular sites; and
(iv) the determination of the Company's liability in proportion to other potentially responsible parties and the ability to recover costs from any third parties with respect to particular sites.

Therefore, the likelihood of any such costs being incurred or whether such costs would be material to the Company cannot be determined at this time. There can thus be no assurance that liabilities or costs related to environmental matters will not be incurred in the future, or will not have a material adverse effect on the Company's financial position or results of operations in a particular quarter or fiscal year, or that the Company's liquidity will not be adversely impacted by such liabilities or costs, although management believes, based on current information, that the costs to address environmental matters will not have a material adverse effect on the Company's financial position or liquidity. Costs related to any unknown existing or future contamination will be accrued in the period in which they become probable and reasonably estimable.

D. Guarantees and indemnifications

In the normal course of business, the Company, including certain of its subsidiaries, enters into agreements that may involve providing guarantees or indemnifications to third parties and others, which may extend beyond the term of the agreements. These include, but are not limited to, residual value guarantees on operating leases, standby letters of credit and surety and other bonds, and indemnifications that are customary for the type of transaction or for the railway business.

The Company is required to recognize a liability for the fair value of the obligation undertaken in issuing certain guarantees on the date the guarantee is issued or modified. In addition, where the Company expects to make a payment in respect of a guarantee, a liability will be recognized to the extent that one has not yet been recognized.

(i) Guarantee of residual values of operating leases

The Company has guaranteed a portion of the residual values of certain of its assets under operating leases with expiry dates between 2011 and 2022, for the benefit of the lessor. If the fair value of the assets, at the end of their respective lease term, is less than the fair value, as estimated at the inception of the lease, then the Company must, under certain conditions, compensate the lessor for the shortfall. At September 30, 2011, the maximum exposure in respect of these guarantees was $152 million. There are no recourse provisions to recover any amounts from third parties.

(ii) Other guarantees

As at September 30, 2011, the Company, including certain of its subsidiaries, has granted $489 million of irrevocable standby letters of credit and $10 million of surety and other bonds, issued by highly rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As at September 30, 2011, the maximum potential liability under these guarantee instruments was $499 million, of which $440 million related to workers' compensation and other employee benefit liabilities and $59 million related to equipment under leases and other liabilities. The letters of credit were drawn on the Company's bilateral letter of credit facilities. The Company has not recorded a liability in respect of these guarantee instruments as they relate to the Company's future performance. In addition, as the Company does not expect to make any payments under these guarantee instruments, the Company has not recorded an additional liability at September 30, 2011 with respect to such guarantees. The majority of the guarantee instruments mature at various dates between 2011 and 2013.

(iii) General indemnifications

In the normal course of business, the Company has provided indemnifications, customary for the type of transaction or for the railway business, in various agreements with third parties, including indemnification provisions where the Company would be required to indemnify third parties and others. Indemnifications are found in various types of contracts with third parties which include, but are not limited to:

(a) contracts granting the Company the right to use or enter upon property owned by third parties such as leases, easements, trackage rights and sidetrack agreements;
(b) contracts granting rights to others to use the Company's property, such as leases, licenses and easements;
(c) contracts for the sale of assets and securitization of accounts receivable;
(d) contracts for the acquisition of services;
(e) financing agreements;
(f)

trust indentures, fiscal agency agreements, underwriting agreements or similar agreements relating to debt or equity securities of the Company and engagement agreements with financial advisors;

(g) transfer agent and registrar agreements in respect of the Company's securities;

(h) trust and other agreements relating to pension plans and other plans, including those establishing trust funds to secure payment to certain officers and senior employees of special retirement compensation arrangements;

(i) pension transfer agreements;

(j) master agreements with financial institutions governing derivative transactions;

(k) settlement agreements with insurance companies or other third parties whereby such insurer or third party has been indemnified for any present or future claims relating to insurance policies, incidents or events covered by the settlement agreements; and

(l) acquisition agreements.

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To the extent of any actual claims under these agreements, the Company maintains provisions for such items, which it considers to be adequate. Due to the nature of the indemnification clauses, the maximum exposure for future payments may be material. However, such exposure cannot be determined with certainty.
During the nine months ended September 30, 2011, the Company entered into various indemnification contracts with third parties for which the maximum exposure for future payments cannot be determined with certainty. As a result, the Company was unable to determine the fair value of these guarantees and accordingly, no liability was recorded. There are no recourse provisions to recover any amounts from third parties.

Note 8 – Financial instruments

Generally accepted accounting principles define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The Company uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Consolidated Balance Sheet under the following captions:

(i) Cash and cash equivalents, Accounts receivable, Other current assets, Accounts payable and other:
The carrying amounts approximate fair value because of the short maturity of these instruments.

(ii) Other assets:
The Company has various equity investments for which the carrying value approximates the fair value, with the exception of certain cost investments for which the fair value was estimated based on the Company's proportionate share of the underlying net assets.

(iii) Debt:
The fair value of the Company's debt is estimated based on the quoted market prices for the same or similar debt instruments, as well as discounted cash flows using current interest rates for debt with similar terms, company rating, and remaining maturity.

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments as at September 30, 2011 and December 31, 2010 for which the carrying values on the Consolidated Balance Sheet are different from their fair values:

In millions		September 30, 2011		December 31, 2010	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
	Investments	$ 30	$ 127	$ 25	$ 114
Financial liabilities					
	Debt (including current portion of long-term debt and short-term debt)	$ 6,403	$ 7,817	$ 6,071	$ 6,937

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (U.S. GAAP)

Note 9 – Earnings per share

The following table provides a reconciliation between basic and diluted earnings per share:

In millions, except per share data	Three months ended September 30 2011	2010	Nine months ended September 30 2011	2010
Net income	$ 659	$ 556	$ 1,865	$ 1,601
Weighted-average shares outstanding	448.3	464.6	453.4	468.1
Effect of stock options	3.1	3.8	3.5	3.8
Weighted-average diluted shares outstanding	451.4	468.4	456.9	471.9
Basic earnings per share	$ 1.47	$ 1.20	$ 4.11	$ 3.42
Diluted earnings per share	$ 1.46	$ 1.19	$ 4.08	$ 3.39

Basic earnings per share are calculated based on the weighted-average number of common shares outstanding over each period. Diluted earnings per share are calculated based on the weighted-average diluted shares outstanding using the treasury stock method, which assumes that any proceeds received from the exercise of in-the-money stock options would be used to purchase common shares at the average market price for the period. The weighted-average number of stock options that were not included in the calculation of diluted earnings per share, as their inclusion would have had an anti-dilutive impact, was 0.1 million for both the three and nine months ended September 30, 2011, and nil for both the three and nine months ended September 30, 2010.

Note 10 – Subsequent events

On October 12, 2011, the Company, through a wholly-owned subsidiary, repurchased 76% of the 6.38% Notes due on October 15, 2011 with a carrying value of US$303 million pursuant to a tender offer for a total cost of US$304 million, including consent payments. The remaining 24% of the 6.38% Notes with a carrying value of US$97 million were paid upon maturity.

On October 25, 2011, the Board of Directors of the Company approved a new share repurchase program which allows for the repurchase of up to 17.0 million common shares between October 28, 2011 and October 27, 2012 pursuant to a normal course issuer bid at prevailing market prices or such other prices as may be permitted by the Toronto Stock Exchange.

Note 11 – Comparative figures

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

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SELECTED RAILROAD STATISTICS (U.S. GAAP) - unaudited

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Statistical operating data				
Rail freight revenues ($ millions)	2,059	1,887	5,979	5,521
Gross ton miles (GTM) (millions)	89,517	84,287	265,799	253,406
Revenue ton miles (RTM) (millions)	46,761	43,990	139,597	132,646
Carloads (thousands)	1,261	1,216	3,641	3,506
Route miles (includes Canada and the U.S.) (1)	20,500	20,800	20,500	20,800
Employees (end of period)	23,353	22,163	23,353	22,163
Employees (average for the period)	23,264	22,141	22,876	21,880
Productivity				
Operating ratio (%)	59.3	60.7	63.1	63.6
Rail freight revenue per RTM (cents)	4.40	4.29	4.28	4.16
Rail freight revenue per carload ($)	1,633	1,552	1,642	1,575
Operating expenses per GTM (cents)	1.53	1.53	1.58	1.55
Labor and fringe benefits expense per GTM (cents)	0.44	0.52	0.49	0.52
GTMs per average number of employees (thousands)	3,848	3,807	11,619	11,582
Diesel fuel consumed (US gallons in millions)	89.2	85.9	273.4	264.5
Average fuel price ($/US gallon)	3.37	2.56	3.33	2.57
GTMs per US gallon of fuel consumed	1,004	981	972	958
Safety indicators				
Injury frequency rate per 200,000 person hours (2)	1.73	1.85	1.63	1.71
Accident rate per million train miles (2)	2.33	2.35	2.35	2.13
Financial ratio				
Debt-to-total capitalization ratio (% at end of period)	35.5	34.4	35.5	34.4

(1) Rounded to the nearest hundred miles.
(2) Based on Federal Railroad Administration (FRA) reporting criteria.

Certain of the 2010 comparative 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 September 30				Nine months ended September 30			
	2011	2010	% Change Fav (Unfav)	% Change at constant currency Fav (Unfav) (1)	2011	2010	% Change Fav (Unfav)	% Change at constant currency Fav (Unfav) (1)
Revenues (millions of dollars)								
Petroleum and chemicals	361	341	6%	10%	1,043	991	5%	9%
Metals and minerals	274	227	21%	26%	728	647	13%	17%
Forest products	325	303	7%	12%	941	890	6%	10%
Coal	166	164	1%	4%	469	451	4%	7%
Grain and fertilizers	336	318	6%	9%	1,110	1,017	9%	12%
Intermodal	480	427	12%	14%	1,326	1,176	13%	14%
Automotive	117	107	9%	15%	362	349	4%	9%
Total rail freight revenues	2,059	1,887	9%	13%	5,979	5,521	8%	12%
Other revenues	248	235	6%	9%	672	659	2%	5%
Total revenues	2,307	2,122	9%	12%	6,651	6,180	8%	11%
Revenue ton miles (millions)								
Petroleum and chemicals	8,354	7,696	9%	9%	24,430	23,240	5%	5%
Metals and minerals	5,212	4,301	21%	21%	13,780	12,289	12%	12%
Forest products	7,558	7,245	4%	4%	21,991	21,881	1%	1%
Coal	5,346	5,381	(1%)	(1%)	15,295	14,648	4%	4%
Grain and fertilizers	9,452	9,288	2%	2%	33,568	31,849	5%	5%
Intermodal	10,239	9,497	8%	8%	28,613	26,792	7%	7%
Automotive	600	582	3%	3%	1,920	1,947	(1%)	(1%)
	46,761	43,990	6%	6%	139,597	132,646	5%	5%
Rail freight revenue / RTM (cents)								
Total rail freight revenue per RTM	4.40	4.29	3%	6%	4.28	4.16	3%	6%
Commodity groups:								
Petroleum and chemicals	4.32	4.43	(2%)	2%	4.27	4.26	-	4%
Metals and minerals	5.26	5.28	-	4%	5.28	5.26	-	5%
Forest products	4.30	4.18	3%	7%	4.28	4.07	5%	9%
Coal	3.11	3.05	2%	5%	3.07	3.08	-	3%
Grain and fertilizers	3.55	3.42	4%	7%	3.31	3.19	4%	7%
Intermodal	4.69	4.50	4%	6%	4.63	4.39	5%	7%

Automotive	19.50	18.38	6%	12%	18.85	17.93	5%	10%
Carloads (thousands)								
Petroleum and chemicals	143	141	1%	1%	421	413	2%	2%
Metals and minerals	272	257	6%	6%	752	746	1%	1%
Forest products	113	107	6%	6%	334	317	5%	5%
Coal	122	134	(9%)	(9%)	354	376	(6%)	(6%)
Grain and fertilizers	135	133	2%	2%	440	415	6%	6%
Intermodal	424	396	7%	7%	1,176	1,086	8%	8%
Automotive	52	48	8%	8%	164	153	7%	7%
	1,261	1,216	4%	4%	3,641	3,506	4%	4%
Rail freight revenue / carload (dollars)								
Total rail freight revenue per carload	1,633	1,552	5%	9%	1,642	1,575	4%	8%
Commodity groups:								
Petroleum and chemicals	2,524	2,418	4%	9%	2,477	2,400	3%	7%
Metals and minerals	1,007	883	14%	19%	968	867	12%	16%
Forest products	2,876	2,832	2%	6%	2,817	2,808	-	4%
Coal	1,361	1,224	11%	15%	1,325	1,199	11%	14%
Grain and fertilizers	2,489	2,391	4%	8%	2,523	2,451	3%	6%
Intermodal	1,132	1,078	5%	7%	1,128	1,083	4%	5%
Automotive	2,250	2,229	1%	6%	2,207	2,281	(3%)	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 and nine months ended September 30, 2011, the Company reported adjusted net income of $621 million, or $1.38 per diluted share and $1,613 million, or $3.53 per diluted share, respectively. The adjusted figures for the three and nine months ended September 30, 2011 exclude a gain on disposal of substantially all of the assets of ICRMT of $60 million, or $38 million after-tax ($0.08 per diluted share). The adjusted figures for the nine months ended September 30, 2011 also 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, and a gain on disposal of a segment of the Company's Kingston subdivision of $288 million, or $254 million after-tax ($0.55 per diluted share).

For the three and nine months ended September 30, 2010, the Company reported adjusted net income of $556 million, or $1.19 per diluted share and $1,470 million, or $3.11 per diluted share, respectively. The adjusted figures for the nine months ended September 30, 2010 exclude a gain on disposal of the Company's 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 unaudited Interim Consolidated Financial Statements and Notes thereto. The following table provides a reconciliation of net income and earnings per share, as reported for the three and nine months ended September 30, 2011 and 2010, to the adjusted performance measures presented herein.

CANADIAN NATIONAL RAILWAY COMPANY
NON-GAAP MEASURES - unaudited

In millions, except per share data	Three months ended September 30, 2011			Nine months ended September 30, 2011		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Revenues	$ 2,307	$ -	$ 2,307	$ 6,651	$ -	$ 6,651
Operating expenses	1,369	-	1,369	4,194	-	4,194
Operating income	938	-	938	2,457	-	2,457
Interest expense	(85)	-	(85)	(256)	-	(256)
Other income	70	(60)	10	380	(348)	32
Income before income taxes	923	(60)	863	2,581	(348)	2,233
Income tax expense	(264)	22	(242)	(716)	96	(620)
Net income	$ 659	$ (38)	$ 621	$ 1,865	$ (252)	$ 1,613
Operating ratio	59.3%		59.3%	63.1%		63.1%
Basic earnings per share	$ 1.47	$ (0.08)	$ 1.39	$ 4.11	$ (0.55)	$ 3.56
Diluted earnings per share	$ 1.46	$ (0.08)	$ 1.38	$ 4.08	$ (0.55)	$ 3.53

In millions, except per share data	Three months ended September 30, 2010			Nine months ended September 30, 2010		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Revenues	$ 2,122	$ -	$ 2,122	$ 6,180	$ -	$ 6,180
Operating expenses	1,288	-	1,288	3,930	-	3,930
Operating income	834	-	834	2,250	-	2,250
Interest expense	(90)	-	(90)	(273)	-	(273)
Other income	24	-	24	200	(152)	48
Income before income taxes	768	-	768	2,177	(152)	2,025
Income tax expense	(212)	-	(212)	(576)	21	(555)
Net income	$ 556	$ -	$ 556	$ 1,601	$ (131)	$ 1,470
Operating ratio	60.7%		60.7%	63.6%		63.6%
Basic earnings per share	$ 1.20	$ -	$ 1.20	$ 3.42	$ (0.28)	$ 3.14
Diluted earnings per share	$ 1.19	$ -	$ 1.19	$ 3.39	$ (0.28)	$ 3.11

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 rate was $0.98 per US$1.00 for both the three and nine months ended September 30, 2011, and $1.04 per US$1.00 for both the three and nine months ended September 30, 2010.

CANADIAN NATIONAL RAILWAY COMPANY
NON-GAAP MEASURES - unaudited

On a constant currency basis, the Company's 2011 third quarter and first nine-month net income would have been higher by $22 million, or $0.05 per diluted share and $45 million, or $0.10 per diluted share, respectively. The following table presents a reconciliation of 2011 net income as reported to net income on a constant currency basis:

In millions	Three months ended September 30, 2011	Nine months ended September 30, 2011
Net income, as reported	$ 659	$ 1,865
Add back:		
Negative impact due to the strengthening Canadian dollar included in net income	18	41
Add:		
Increase due to the strengthening Canadian dollar on additional year-over-year US$ net income	4	4
Impact of foreign exchange using constant currency rates	22	45
Net income, on a constant currency basis	$ 681	$ 1,910

Free cash flow

The Company generated $505 million and $1,328 million of free cash flow for the three and nine months ended September 30, 2011, respectively, compared to utilized free cash flow of $20 million and generated free cash flow of $938 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:

	Three months ended September 30		Nine months ended September 30	
In millions	2011	2010	2011	2010
Net cash provided by operating activities	$ 987	$ 488	$ 2,385	$ 1,944
Net cash used in investing activities	(362)	(386)	(1,110)	(636)
Net cash provided before financing activities	625	102	1,275	1,308
Adjustments:				
	22	-	489	-

Change in restricted cash and cash equivalents								
Dividends paid		(145)		(125)		(441)		(378)
Change in accounts receivable securitization		-		-		-		2
Effect of foreign exchange fluctuations on US dollar-denominated cash and cash equivalents		3		3		5		6
Free cash flow	$	505	$	(20)	$	1,328	$	938

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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.

	Canadian National Railway Company		
Date: October 25, 2011	By:	/s/ Cristina Circelli	
		Name:	Cristina Circelli
		Title:	Deputy Corporate Secretary and General Counsel