CANADIAN NATIONAL RAILWAY CO
Form 6-K
October 26, 2007

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, 2007

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

Table of Contents

Item

1. Press Release dated October 22, 2007 entitled, "CN reports Q3-2007 net income of C$485 million, or C$0.96 per diluted share, including C$0.03 per share benefit from favorable tax adjustments".

2. Interim Consolidated Financial Statements and Notes thereto (U.S. GAAP)

3. Management's Discussion and Analysis (U.S. GAAP)

4. Certificate of CEO

5. Certificate of CFO

Item 1

North America's Railroad

NEWS RELEASE

CN reports Q3-2007 net income of C$485 million,
or C$0.96 per diluted share, including C$0.03 per share
benefit from favorable tax adjustments

Results reflect weak forest products
revenues, challenging C$/US$ exchange rate environment

MONTREAL, Oct. 22, 2007 — CN (TSX:CNR)(NYSE:CNI) today reported its financial and operating results for the three-month and nine-month periods ended Sept. 30, 2007.

Key third-quarter 2007 statistics

- Diluted earnings per share of C$0.96, including a C$0.03 per share benefit from favorable tax adjustments, increased two per cent from the year-earlier period.
- Net income of C$485 million, including a C$14-million benefit from favorable tax adjustments, declined two per cent from net income for the same quarter of 2006.
- Revenues remained essentially flat at C$2,023 million, with several commodity groups helping to offset significant weakness in forest products.
- Operating income declined nine per cent to C$768 million, while CN's operating ratio increased by 3.5 points to 62.0 per cent.

E. Hunter Harrison, president and chief executive officer, said: "CN's third-quarter results are a solid achievement given the challenges we faced during the period. Revenues in our forest products segment – CN's largest commodity group by revenue – declined 13 per cent as a result of weak market conditions and mill closures, the impact of a stronger Canadian dollar and lower fuel surcharge revenues.

"The stronger Canadian dollar not only affected forest products but also our other businesses. Clearly, few of us expected that the Canadian dollar would surge beyond parity with the U.S. dollar during the quarter. Despite these challenges, we are fortunate to have a diversified portfolio of businesses and we were able to register volume and revenue growth in Canadian coal, grain and fertilizers, petroleum and chemicals, and automotive.

"In the near term, CN anticipates continued weak market conditions in a number of segments, particularly forest products and construction materials. In addition, we will continue to confront the financial impact of the Canadian dollar/U.S. dollar exchange rate and its effect on our customers. However, as a result of anticipated gains from the closing of our Central Station Complex and English Welsh and Scottish Railway transactions during the fourth quarter, CN expects to achieve full-year 2007 diluted earnings per share growth of about five per cent. Excluding these transaction gains, 2007 adjusted diluted earnings per share are expected to be flat versus 2006."

Third-quarter results

Net income for the third quarter of 2007 was C$485 million, including a C$14-million benefit from favorable tax adjustments related to the enactment of corporate tax rate changes in Canada and net capital losses arising from a reorganization of certain subsidiaries, compared with net income of C$497 million for the comparable period of 2006.

Diluted earnings per share for the latest quarter were C$0.96, including a C$0.03 per share benefit from favorable tax adjustments, compared with C$0.94 per diluted share for the same quarter of 2006.

Third-quarter revenues of C$2,023 million were relatively flat, largely on account of the unfavorable translation impact of a stronger Canadian dollar on U.S. dollar-denominated revenues, lower fuel surcharge revenues resulting from a decrease in the applicable year-over-year oil prices, and weaknesses in specific markets, particularly forest products. These decreases were partly offset by freight rate increases, an overall improvement in traffic mix, driven primarily by extended routings, and volume growth in Canadian coal, grain and fertilizers, petroleum and chemicals, and automotive traffic.

Revenue ton-miles, a measurement of the relative weight and distance of rail freight transported by the Company, declined one per cent during third-quarter 2007 versus the comparable period of 2006. Total 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, declined one per cent over the same period in 2006.

Operating expenses for the third quarter increased six per cent to C$1,255 million, mainly due to increased labor and fringe benefits, fuel, equipment rents, and casualty and other expenses, which were partly offset by the translation impact of the stronger Canadian dollar.

The operating ratio, defined as operating expenses as a percentage of revenues, was 62.0 per cent during the quarter, compared with 58.5 per cent for the third quarter of 2006, a 3.5-point increase.

Nine-month 2007 results

Net income for the first nine months of 2007 was C$1,325 million, or C$2.59 per diluted share, including deferred income tax recoveries of C$44 million (C$0.09 per diluted share) resulting from the enactment of lower corporate tax rates in Canada and net capital losses arising from a reorganization of certain subsidiaries.

Year-earlier net income was C$1,588 million, or C$2.95 per diluted share, including a deferred income tax recovery of C$250 million (C$0.46 per diluted share).

Revenues for the first nine months of 2007 were relatively flat at C$5,956 million, as freight rate increases and an overall improvement in traffic mix were largely offset by the impact of the first-quarter United Transportation Union (UTU) strike and adverse weather conditions, operational challenges, primarily in western Canada, the translation impact of a stronger Canadian dollar on U.S. dollar-denominated revenues, lower fuel surcharge revenues as a result of a decrease in the applicable year-over-year oil prices, and weakness in specific markets, particularly forest products.

Revenue ton-miles for the first nine months of 2007 declined two per cent from the comparable period of 2006, while total rail freight revenue per ton-mile increased two per cent.

For the first nine months of 2007, operating expenses increased four per cent to C$3,816 million, mainly due to increased fuel, equipment rents and purchased services and material expenses, which were partly offset by the translation impact of a stronger Canadian dollar and lower casualty and other expenses. The nine-month operating ratio was 64.1 per cent, a 2.5-point increase.

In addition to the adverse weather conditions in the first quarter and operational challenges in the second quarter, the Company's results in the first nine months of 2007 included the impact of a first-quarter 2007 strike by 2,800 members of the UTU in Canada for which the Company estimates that the impact on first-quarter 2007 operating income and net income approximated C$50 million and C$35 million, respectively (C$0.07 per diluted share).

The financial results in this press release were determined on the basis of U.S. generally accepted accounting principles (U.S. GAAP).

Please see discussion and reconciliation of non-GAAP adjusted performance measures in the attached supplementary schedule, Non-GAAP Measures.

This news release contains forward-looking statements. CN cautions that, by their nature, forward-looking statements involve risk, uncertainties and assumptions, and while there may be a risk of recession in the U.S. economy, the Company's assumption is that positive economic conditions in North America and globally will continue, which assumption may not materialize, and that its results could differ materially from those expressed or implied in such statements. Important factors that could cause such differences include, but are not limited to, industry competition, legislative and/or regulatory developments, compliance with environmental laws and regulations, various events which could disrupt operations, including natural events such as severe weather, droughts, floods and earthquakes, the effects of adverse general economic and business conditions, inflation, currency fluctuations, changes in fuel prices, labor disruptions, environmental claims, investigations or proceedings, other types of claims and litigation, 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 CN's most recent Form 40-F filed with the United States Securities and Exchange Commission, its Annual Information Form filed with the Canadian securities regulators, and its 2006 Annual Consolidated Financial Statements and Notes thereto and Management's Discussion and Analysis (MD&A), for a summary of major risks.

3

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, St. Louis, 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.

- 30 -

Contacts:

Media
Mark Hallman
Director
Communications, Media & Eastern Region
(905) 669-3384

Investment Community
Robert Noorigian
Vice-President
Investor Relations
(514) 399-0052

4

Item 2

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

(In millions, except per share data)

	Three months ended September 30		Nine months ended September 30	
	2007	2006	**2007**	2006
	(Unaudited)			
Revenues	**$ 2,023**	$ 2,032	**$ 5,956**	$ 5,929
Operating expenses				
Labor and fringe benefits	**446**	420	**1,361**	1,349
Purchased services and material	**247**	250	**786**	756
Depreciation and amortization	**165**	157	**504**	483
Fuel	**251**	235	**719**	665
Equipment rents	**59**	49	**187**	135
Casualty and other	**87**	77	**259**	267
Total operating expenses	**1,255**	1,188	**3,816**	3,655
Operating income	**768**	844	**2,140**	2,274
Interest expense	**(78)**	(82)	**(251)**	(232)
Other income (loss)	**2**	(10)	**7**	(16)
Income before income taxes	**692**	752	**1,896**	2,026
Income tax expense *(Note 8)*	**(207)**	(255)	**(571)**	(438)
Net income	**$ 485**	$ 497	**$ 1,325**	$ 1,588
Earnings per share *(Note 9)*				
Basic	**$ 0.97**	$ 0.95	**$ 2.62**	$ 3.00
Diluted	**$ 0.96**	$ 0.94	**$ 2.59**	$ 2.95
Weighted-average number of shares				
Basic	**499.7**	522.5	**505.0**	529.5
Diluted	**506.4**	530.2	**512.1**	538.0

See accompanying notes to unaudited consolidated financial statements.

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

(In millions)

	September 30 2007 *(Unaudited)*	December 31 2006	September 30 2006 *(Unaudited)*
Assets			
Current assets:			
Cash and cash equivalents	**$ 214**	$ 179	$ 56
Accounts receivable	**641**	692	1,035
Material and supplies	**206**	189	205
Deferred income taxes *(Notes 2, 8)*	**69**	84	80
Other	**316**	192	107
	1,446	1,336	1,483
Properties	**19,883**	21,053	20,216
Intangible and other assets	**1,576**	1,615	976
Total assets	**$ 22,905**	$ 24,004	$ 22,675
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued charges	**$ 1,205**	$ 1,823	$ 1,671
Current portion of long-term debt *(Note 4)*	**293**	218	151
Other	**56**	73	69
	1,554	2,114	1,891
Deferred income taxes *(Notes 2, 8)*	**4,940**	5,215	4,884
Other liabilities and deferred credits	**1,410**	1,465	1,474
Long-term debt *(Note 4)*	**5,342**	5,386	5,164
Shareholders' equity:			
Common shares	**4,359**	4,459	4,476
Accumulated other comprehensive loss	**(257)**	(44)	(520)
Retained earnings	**5,557**	5,409	5,306
	9,659	9,824	9,262
Total liabilities and shareholders' equity	**$ 22,905**	$ 24,004	$ 22,675

See accompanying notes to unaudited consolidated financial statements.

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

(In millions)

	Three months ended September 30		Nine months ended September 30	
	2007	2006	**2007**	2006
		(Unaudited)		
Common shares [1]				
Balance, beginning of period	**$ 4,417**	$ 4,543	**$ 4,459**	$ 4,580
Stock options exercised and other	**16**	8	**83**	90
Share repurchase programs *(Note 4)*	**(74)**	(75)	**(183)**	(194)
Balance, end of period	**$ 4,359**	$ 4,476	**$ 4,359**	$ 4,476
Accumulated other comprehensive loss				
Balance, beginning of period	**$ (180)**	$ (521)	**$ (44)**	$ (222)
Other comprehensive income (loss):				
Unrealized foreign exchange gain (loss) on:				
Translation of the net investment in foreign operations	**(381)**	50	**(914)**	(214)
Translation of U.S. dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries	**328**	(44)	**766**	163
Pension and other postretirement benefit plans:				
Amortization of:				
Prior service cost *(Note 6)*	**5**	-	**16**	-
Net actuarial loss *(Note 6)*	**13**	-	**38**	-
Derivative instruments:				
Decrease in unrealized holding gains on fuel derivative instruments	**-**	(10)	**-**	(57)
Other comprehensive loss before income taxes	**(35)**	(4)	**(94)**	(108)
Income tax recovery (expense)	**(42)**	5	**(119)**	(190)
Other comprehensive income (loss)	**(77)**	1	**(213)**	(298)
Balance, end of period	**$ (257)**	$ (520)	**$ (257)**	$ (520)
Retained earnings				
Balance, beginning of period	**$ 5,554**	$ 5,212	**$ 5,409**	$ 4,891
Adoption of new accounting pronouncements *(Note 2)*	**-**	-	**95**	-
Restated balance, beginning of period	**5,554**	5,212	**5,504**	4,891
Net income	**485**	497	**1,325**	1,588

Share repurchase programs *(Note 4)*	**(378)**	(318)	**(956)**	(916)
Dividends	**(104)**	(85)	**(316)**	(257)
Balance, end of period	**$ 5,557**	$ 5,306	**$ 5,557**	$ 5,306

See accompanying notes to unaudited consolidated financial statements.

(1) During the three and nine months ended September 30, 2007, the Company issued 0.5 million and 2.9 million common shares, respectively, as a result of stock options exercised. At September 30, 2007, the Company had 494.5 million common shares outstanding.

7

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

(In millions)

	Three months ended September 30		Nine months ended September 30	
	2007	2006	**2007**	2006
		(Unaudited)		
Operating activities				
Net income	**$ 485**	$ 497	**$ 1,325**	$ 1,588
Adjustments to reconcile net income to net cash provided from operating activities:				
Depreciation and amortization	**165**	159	**506**	486
Deferred income taxes	**75**	74	**125**	(20)
Other changes in:				
Accounts receivable	**(252)**	(71)	**(38)**	(420)
Material and supplies	**(6)**	30	**(26)**	(54)
Accounts payable and accrued charges	**(65)**	134	**(471)**	149
Other net current assets and liabilities	**42**	9	**51**	92
Other	**(14)**	22	**(40)**	57
Cash provided from operating activities	**430**	854	**1,432**	1,878
Investing activities				
Property additions	**(350)**	(384)	**(897)**	(826)
Other, net	**14**	6	**26**	(39)
Cash used by investing activities	**(336)**	(378)	**(871)**	(865)
Financing activities				
Issuance of long-term debt	**1,841**	-	**3,325**	3,125
Reduction of long-term debt	**(1,420)**	(153)	**(2,469)**	(2,855)
Issuance of common shares due to exercise of stock options and related excess tax benefits realized	**14**	4	**73**	78
Repurchase of common shares	**(452)**	(393)	**(1,139)**	(1,110)
Dividends paid	**(104)**	(85)	**(316)**	(257)
Cash used by financing activities	**(121)**	(627)	**(526)**	(1,019)
Net increase (decrease) in cash and cash equivalents	**(27)**	(151)	**35**	(6)
Cash and cash equivalents, beginning of period	**241**	207	**179**	62
Cash and cash equivalents, end of period	**$ 214**	$ 56	**$ 214**	$ 56
Supplemental cash flow information				
Net cash receipts from customers and other	**$ 1,770**	$ 1,949	**$ 5,930**	$ 5,521

Net cash payments for:								
Employee services, suppliers and other expenses		**(1,106)**		(924)		**(3,387)**		(3,097)
Interest		**(86)**		(86)		**(273)**		(227)
Workforce reductions		**(8)**		(10)		**(24)**		(37)
Personal injury and other claims		**(12)**		(18)		**(58)**		(60)
Pensions		**(27)**		(21)		**(50)**		(46)
Income taxes		**(101)**		(36)		**(706)**		(176)
Cash provided from operating activities	**$**	**430**	$	854	**$**	**1,432**	$	1,878

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, 2007, December 31, 2006, and September 30, 2006, and its results of operations, changes in shareholders' equity and cash flows for the three and nine months ended September 30, 2007 and 2006.

These unaudited Interim Consolidated Financial Statements and Notes thereto have been prepared using accounting policies consistent with those used in preparing the Company's 2006 Annual Consolidated Financial Statements, except for accounting for income taxes and pensions and other postretirement benefits as explained in Note 2 – Adoption of new accounting pronouncements. 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 Annual Consolidated Financial Statements and Notes thereto.

Certain of the comparative figures have been reclassified in order to be consistent with the 2007 presentation as discussed herein. As a result of the Company's expansion of its existing non-rail transportation services, in combination with its rail service, the Company has become primarily responsible for the fulfillment of the transportation of goods involving non-rail activities. In order to be consistent with other non-rail transportation services, the Company reclassified certain operating expenses incurred for non-rail transportation services, which were previously netted with their related revenues, to reflect the gross reporting of revenues where appropriate. This change had no impact on the Company's operating income and net income, as both revenues and operating expenses were increased by $92 million and $225 million in the three and nine months ended September 30, 2007, respectively, and $51 million and $155 million, respectively, for the same periods in 2006.

Note 2 – Adoption of new accounting pronouncements

Income taxes
On January 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 48, "Accounting for Uncertainty in Income Taxes," which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. The application of FIN No. 48 on January 1, 2007 had the effect of decreasing the net deferred income tax liability and increasing Retained earnings by $98 million.

At January 1, 2007, the total amount of unrecognized tax benefits was $80 million, of which $36 million related to accrued interest and penalties. The total amount of the gross unrecognized tax benefits was $140 million, before considering tax treaties and other arrangements between taxation authorities. If recognized, all of the unrecognized tax benefits would affect the effective tax rate. The amount of unrecognized tax benefits did not significantly change as at September 30, 2007.

The Company recognizes interest accrued and penalties related to unrecognized tax benefits in Income tax expense in the Company's Consolidated Statement of Income. The amount of interest and penalties expense for the three and nine

months ended September 30, 2007 was not significant.

In Canada, the federal income tax returns filed for the years 2002 to 2006 and the provincial income tax returns filed for the years 1998 to 2006 remain subject to examination by the taxation authorities. In the U.S., the income tax returns filed for the years 2004 to 2006 remain subject to examination by the taxation authorities.

Pensions and other postretirement benefits

On January 1, 2007, pursuant to 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),” the Company early adopted the requirement to measure the defined benefit plan assets and the projected benefit obligation as of the date of the fiscal year-end statement of financial position for its U.S. plans. The Company elected to use the 15-month transition method, which allows for the extrapolation of net periodic benefit cost based on the September 30, 2006 measurement date to the fiscal year-end date of

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

December 31, 2007. As a result, the Company recorded a reduction of $3 million to Retained earnings at January 1, 2007, which represents the net periodic benefit cost attributable to the period between the early measurement date of September 30, 2006 and January 1, 2007 (the date of adoption).

Note 3 – Agreement to acquire Elgin, Joliet and Eastern Railway Company (EJ&E)

In September 2007, the Company entered into an agreement with the U.S. Steel Corporation (U.S. Steel) for the acquisition of the key operations of EJ&E for a purchase price of approximately U.S.$300 million. Under the terms of the agreement, the Company will acquire substantially all of the railroad assets and equipment of EJ&E, except those that support the Gary Works site in Northwest Indiana and the steelmaking operations of U.S. Steel. The acquisition will be financed by debt and cash on hand.

In accordance with the terms of the agreement, the Company's obligation to consummate the acquisition is subject to the Company having obtained from the U.S. Surface Transportation Board (STB) a final, unappealable decision that approves the acquisition or exempts it from regulation and does not impose on the parties conditions that would significantly and adversely affect the anticipated economic benefits of the acquisition to the Company.

The Company believes that if its application to acquire EJ&E is approved by the STB as filed, the transaction should close by mid-2008. If the transaction is approved, the Company will account for the acquisition using the purchase method of accounting.

Note 4 – Financing activities

Shelf prospectus and registration statement
In September 2007, the Company issued U.S.$250 million (Cdn$250 million) of 5.85% Notes due 2017 and U.S.$300 million (Cdn$300 million) of 6.375% Debentures due 2037, the total remaining amount under its shelf registration statement filed in May 2006. The Company used the net proceeds of U.S.$544 million to repay a portion of its commercial paper outstanding and to reduce its accounts receivable securitization program.

Revolving credit facility
As at September 30, 2007, the Company had letters of credit drawn on its U.S.$1 billion revolving credit facility of $58 million ($308 million as at December 31, 2006). The Company also had total borrowings under its commercial paper program of $377 million, of which $136 million was denominated in Canadian dollars and $241 million was denominated in U.S. dollars (U.S.$242 million). The weighted-average interest rate on these borrowings was 5.43%. The Company had no commercial paper outstanding as at December 31, 2006.

Accounts receivable securitization
The Company has a five-year agreement, expiring in May 2011, to sell an undivided co-ownership interest of up to a maximum of $600 million in a revolving pool of freight receivables to an unrelated trust.
At September 30, 2007, the Company had sold receivables that resulted in proceeds of $406 million under this program ($393 million at December 31, 2006). The retained interest in the receivables was approximately 10% of this amount and is recorded in Other current assets. At September 30, 2007, the servicing asset and liability were not significant.

Share repurchase programs

On July 23, 2007, the Board of Directors of the Company approved a new share repurchase program which allows for the repurchase of up to 33.0 million common shares between July 26, 2007 and July 25, 2008 pursuant to a normal course issuer bid, at prevailing market prices or such other price as may be permitted by the Toronto Stock Exchange.

In the third quarter of 2007, under this current share repurchase program, the Company repurchased 8.3 million common shares for $452 million, at a weighted-average price of $54.46 per share.

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

In the second quarter of 2007, the Company completed its 28.0 million share repurchase program, which began on July 25, 2006, repurchasing a total of 28.0 million common shares for $1,453 million, at a weighted-average price of $51.88 per share. Of this amount, 12.5 million common shares were repurchased in 2007 for $687 million, at a weighted-average price of $54.93 per share.

Note 5 – Stock plans

The Company has various stock-based incentive plans for eligible employees. A description of the plans is provided in Note 12 – Stock plans, to the Company's 2006 Annual Consolidated Financial Statements. For the three and nine months ended September 30, 2007, the Company recorded total compensation expense for awards under all plans of $39 million and $112 million, respectively, and $7 million and $48 million, respectively, for the same periods in 2006. The total tax benefit recognized in income in relation to stock-based compensation expense for the three and nine months ended September 30, 2007, was $12 million and $33 million, respectively, and $1 million and $12 million, respectively, for the same periods in 2006.

Cash settled award
Following approval by the Board of Directors in January 2007, the Company granted 0.7 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 upon the attainment of targets relating to return on invested capital over the plan period and the Company's share price during the last three months of the plan period. As at September 30, 2007, 0.1 million RSUs remained authorized for future issuance under this plan.

The following table provides the activity for all cash settled awards in 2007:

	RSUs		**Vision 2008 Share Unit Plan (Vision)**		**Voluntary Incentive Deferral Plan (VIDP)**	
In millions	Nonvested	Vested	Nonvested	Vested	Nonvested	Vested
Outstanding at December 31, 2006	2.0	-	0.8	-	0.3	1.9
Granted	0.7	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Vested during period	(0.2)	0.2	-	-	(0.1)	0.1
Payout	-	(0.1)	-	-	-	(0.2)
Conversion into VIDP	-	(0.1)	-	-	-	0.1
Outstanding at September 30, 2007	**2.5**	**-**	**0.8**	**-**	**0.2**	**1.9**

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]**				**Vision [1]**	**VIDP [2]**	**Total**
Year of grant	2007	2006	2005	2004	2005	2003 onwards	
Stock-based compensation expense recognized over requisite service period							
Nine months ended September 30, 2007	$ 17	$ 19	$ 19	$ 5	$ 13	$ 30	$ 103
Nine months ended September 30, 2006	N/A	$ 8	$ 12	$ 5	$ 6	$ 5	$ 36
Liability outstanding							
September 30, 2007	$ 17	$ 40	$ 53	$ 4	$ 20	$ 115	$ 249
December 31, 2006	N/A	$ 21	$ 34	$ 8	$ 8	$ 99	$ 170
Fair value per unit							
September 30, 2007	$ 48.31	$ 53.97	$ 56.56	$ 56.76	$ 37.20	$ 56.76	N/A
Fair value of awards vested during period							
Nine months ended September 30, 2007	$ -	$ -	$ -	$ 5	$ -	$ 3	$ 8
Nine months ended September 30, 2006	N/A	$ -	$ -	$ -	$ -	$ 2	$ 2
Nonvested awards at September 30, 2007							
Unrecognized compensation cost	$ 15	$ 14	$ 5	$ 5	$ 9	$ 10	$ 58
Remaining recognition period *(years)*	2.25	1.25	0.25	1.25	1.25	3.25	N/A
Assumptions [3]							
Stock price *($)*	$ 56.76	$ 56.76	$ 56.76	$ 56.76	$ 56.76	$ 56.76	N/A
Expected stock price volatility [4]	20%	20%	21%	N/A	20%	N/A	N/A
Expected term *(years)* [5]	2.25	1.25	0.25	N/A	1.25	N/A	N/A
Risk-free interest rate [6]	4.07%	4.20%	4.20%	N/A	4.13%	N/A	N/A
Dividend rate *($)* [7]	$ 0.84	$ 0.84	$ 0.84	N/A	$ 0.84	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, except for time-vested RSUs.

(2) Compensation cost is based on intrinsic value.

(3) Assumptions used to determine fair value are at period-end.

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

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

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

(7) Based on the annualized dividend rate.

Stock option award

Following approval by the Board of Directors in January 2007, the Company granted 0.9 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, 2007, 14.4 million common shares remained authorized for future issuances under this plan. The total number of options outstanding at September 30, 2007, including conventional, performance, and performance-accelerated options, was 10.7 million, 0.6 million and 3.5 million, respectively.

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

The following table provides the activity of stock option awards in 2007:

	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, 2006 [1]	16.9	$ 23.29		
Granted	0.9	$ 52.79		
Forfeited	(0.1)	$ 36.92		
Exercised	(2.9)	$ 20.25		
Outstanding at September 30, 2007 [1]	14.8	$ 24.52	4.8	$ 477
Exercisable at September 30, 2007 [1]	12.5	$ 21.15	4.2	$ 446

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

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

In millions, unless otherwise indicated **Year of grant**	2007	2006	2005	Prior to 2005	Total
Stock-based compensation expense recognized over requisite service period [1]					
Nine months ended September 30, 2007	$ 6	$ 1	$ 2	$ -	$ 9
Nine months ended September 30, 2006	N/A	$ 7	$ 2	$ 3	$ 12
Fair value per unit					
At grant date *($)*	$ 13.36	$ 13.80	$ 9.19	$ 8.61	N/A
Fair value of awards vested during period					
Nine months ended September 30, 2007	$ -	$ 4	$ 3	$ -	$ 7
Nine months ended September 30, 2006	N/A	$ -	$ 3	$ 34	$ 37
Nonvested awards at September 30, 2007					
Unrecognized compensation cost	$ 5	$ 5	$ 4	$ -	$ 14
Remaining recognition period *(years)*	3.4	2.4	1.3	-	N/A
Assumptions [1]					
Grant price *($)*	$ 52.79	$ 51.51	$ 36.33	$ 23.59	N/A
Expected stock price volatility [2]	24%	25%	25%	30%	N/A
Expected term *(years)* [3]	5.2	5.2	5.2	6.2	N/A
Risk-free interest rate [4]	4.12%	4.04%	3.50%	5.13%	N/A
Dividend rate *($)* [5]	$ 0.84	$ 0.65	$ 0.50	$ 0.30	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 historical volatility of the Company's stock over a period commensurate with the expected term of the award.*

(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.*

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

Note 6 – Pensions and other postretirement benefits

For the three and nine months ended September 30, 2007 and 2006, the components of net periodic benefit cost for pensions and other postretirement benefits were as follows:

***(a)* Components of net periodic benefit cost for pensions**

	Three months ended September 30		Nine months ended September 30	
In millions	**2007**	2006	**2007**	2006
Service cost	**$ 38**	$ 29	**$ 114**	$ 109
Interest cost	**186**	180	**557**	538
Expected return on plan assets	**(234)**	(227)	**(703)**	(680)
Amortization of prior service cost	**5**	5	**15**	14
Amortization of net actuarial loss	**13**	22	**40**	68
Net periodic benefit cost	**$ 8**	$ 9	**$ 23**	$ 49

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

	Three months ended September 30		Nine months ended September 30	
In millions	**2007**	2006	**2007**	2006
Service cost	**$ 1**	$ 1	**$ 3**	$ 3
Interest cost	**4**	3	**11**	11
Curtailment	**-**	-	**(3)**	-
Amortization of prior service cost	**-**	-	**1**	-
Recognized net actuarial gain	**-**	-	**(2)**	(4)
Net periodic benefit cost	**$ 5**	$ 4	**$ 10**	$ 10

For the 2007 funding year, the Company expects to make total contributions of approximately $90 million for all its defined benefit plans, of which $50 million was disbursed as at September 30, 2007.

Note 7 – Major commitments and contingencies

A. Commitments
As at September 30, 2007, the Company had commitments to acquire railroad ties, rail, freight cars, locomotives, and other equipment and services, as well as outstanding information technology service contracts and licenses, at an aggregate cost of $815 million ($773 million at December 31, 2006). The Company also has agreements with fuel suppliers to purchase approximately 75% of the estimated remaining 2007 volume, 52% of its anticipated 2008 volume, 31% of its anticipated 2009 volume, 13% of its anticipated 2010 volume, and approximately 18% of its anticipated 2011 to 2015 volumes, at market prices prevailing on the date of the purchase.

B. Contingencies

In the normal course of its operations, the Company becomes involved in various legal actions, including claims relating to personal injuries, occupational disease and damage to property.

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. Accordingly, the Company 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. 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
Employee work-related injuries, including occupational disease claims, are compensated according to the provisions of the Federal Employers' Liability Act (FELA), which requires either the finding of fault through the U.S. jury system or individual settlements, and represent a major liability for the railroad industry. The Company follows an actuarial-based approach and accrues the expected cost for personal injury and property damage claims and asserted and unasserted occupational disease claims, based on actuarial estimates of their ultimate cost. A comprehensive actuarial study is conducted on an annual basis, in the fourth quarter, by an independent actuarial firm for occupational disease claims, while an actuarial study is conducted on a semi-annual basis for non-occupational disease claims. In the second quarter of 2007, the Company recorded a net reduction to its provision for U.S. personal injuries and other claims pursuant to the results of the latest actuarial 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, 2007, the Company had aggregate reserves for personal injury and other claims of $500 million, of which $103 million was recorded as a current liability ($602 million, of which $115 million was recorded as a current liability at December 31, 2006). 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, 2007, 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 financial position or results of operations 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. As a result, the Company incurs significant compliance and capital costs, on an ongoing basis, associated with environmental regulatory compliance and clean-up requirements in its railroad operations and relating to its past and present ownership, operation or control of real property.

The Company is subject to environmental clean-up and enforcement actions. In particular, the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), also known as the Superfund law, as well as similar state laws generally impose joint and several liability for clean-up and enforcement costs on current and former owners and operators of a 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 21 sites governed by the Superfund law (and other similar federal and 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.

While the Company believes that it has identified the costs likely to be incurred in the next several years, based on known information, for environmental matters, the Company's ongoing efforts to identify potential environmental

concerns that may be associated with its properties may lead to future environmental investigations, which may result in the identification of additional environmental costs and liabilities. The magnitude of such additional liabilities and the costs of complying with environmental laws and containing or remediating contamination cannot be reasonably estimated due to:

(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;
(iv) the ability to recover costs from any third parties with respect to particular sites; and

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 material 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 environmental liabilities or costs. Although the effect on operating results and liquidity cannot be reasonably estimated, management believes, based on current information, that environmental matters will not have a material adverse effect on the Company's financial condition or competitive position. Costs related to any future remediation will be accrued in the year in which they become known.

As at September 30, 2007, the Company had aggregate accruals for environmental costs of $109 million, of which $18 million was recorded as a current liability ($131 million, of which $25 million was recorded as a current liability as at December 31, 2006).

D. Guarantees and indemnifications

In the normal course of business, the Company enters into agreements that may involve providing certain guarantees or indemnifications to third parties and others, which may extend beyond the term of the agreement. 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 2007 and 2017, 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, 2007, the maximum exposure in respect of these guarantees was $141 million. There are no recourse provisions to recover any amounts from third parties.

(ii) Other guarantees

The Company has granted irrevocable standby letters of credit and 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, 2007, the maximum potential liability under these guarantees was $459 million, of which $384 million was for workers' compensation and other employee benefits and $75 million was for equipment under leases and other. During 2007, the Company has granted guarantees for which no liability has been recorded, as the majority relates to the Company's future performance.

As at September 30, 2007 the Company had not recorded any additional liability with respect to these guarantees, as the Company does not expect to make any additional payments associated with these guarantees. The majority of the guarantee instruments mature at various dates between 2007 and 2010.

(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; and (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. 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.

The Company has 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 – Income taxes

In the third quarter of 2007, the enactment of a new Michigan income-based business tax to replace the single business tax was shortly followed by the enactment of an additional bill, which allows for future deductions equal to the net taxable temporary differences existing at the beginning of 2008. Therefore, there was no impact on the deferred income tax liability.

For the three and nine months ended September 30, 2007, the Company recorded deferred income tax recoveries of $14 million and $44 million, respectively, in the Consolidated Statement of Income, for the enactment of corporate income tax rate changes in Canada and net capital losses arising from a reorganization of certain subsidiaries.

For the nine months ended September 30, 2006, the Company recorded a deferred income tax recovery of $250 million in the Consolidated Statement of Income, resulting primarily from the enactment of lower corporate income tax rates in Canada.

Note 9 – Earnings per share

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

	Three months ended September 30		**Nine months ended September 30**	
In millions, except per share data	**2007**	2006	**2007**	2006
Net income	**$ 485**	$ 497	**$ 1,325**	$ 1,588
Weighted-average shares outstanding	**499.7**	522.5	**505.0**	529.5
Effect of stock options	**6.7**	7.7	**7.1**	8.5
Weighted-average diluted shares outstanding	**506.4**	530.2	**512.1**	538.0
Basic earnings per share	**$ 0.97**	$ 0.95	**$ 2.62**	$ 3.00
Diluted earnings per share	**$ 0.96**	$ 0.94	**$ 2.59**	$ 2.95

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 nil and 0.1 million for the three and nine months ended

September 30, 2007, respectively, and 0.2 million, respectively, for the corresponding periods in 2006.

Note 10 - Investment in English Welsh and Scottish Railway (EWS)

In July 2007, Germany's state-owned railway, Deutsche Bahn AG, entered into an agreement to acquire all of the shares of EWS, a company that provides most of the rail freight services in Great Britain and operates freight trains through the English Channel Tunnel, and in which the Company has a 32% ownership interest. The acquisition is subject to approval by the European Commission, which is expected in the fourth quarter of 2007. The final purchase price is subject to the resolution of certain items, for which funds will be placed in escrow for a period of up to two years. The Company's share of the net after-tax cash proceeds is estimated to be $85 million, before the ultimate resolution of the items mentioned above. The proceeds of disposition are expected to exceed the Company’s carrying value of the investment. The Company’s investment in EWS has been reclassified to Other current assets.

Note 11 - Sale of Central Station Complex

In September 2007, CN reached an agreement with Homburg Invest Inc., to sell its Central Station Complex in Montreal. Under the agreement, CN will enter into long-term arrangements to lease back its corporate headquarters building and the Central Station railway passenger facilities. The transaction, subject to customary closing requirements and regulatory approvals, will generate proceeds of $355 million before any transaction costs for the Company and is expected to be finalized by the end of the current year. The book value of the assets being sold, excluding assets that will be accounted for as capital leases, has been reclassified to Other current assets. The proceeds of disposition are expected to exceed the Company’s net book value of the underlying assets. Any gain resulting from the sale and leaseback of the corporate headquarters building and the Central Station railway passenger facilities will be deferred and amortized over the shorter of the lease period and the life of the assets.

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

	Three months ended September 30		Nine months ended September 30	
	2007	2006	**2007**	2006
		(Unaudited)		
Statistical operating data				
Rail freight revenues ($ millions)	**1,821**	1,857	**5,423**	5,430
Gross ton miles (GTM) (millions)	**88,498**	88,880	**258,583**	264,565
Revenue ton miles (RTM) (millions)	**46,481**	47,066	**136,997**	139,644
Carloads (thousands)	**1,204**	1,241	**3,539**	3,678
Route miles (includes Canada and the U.S.)	**20,219**	19,919	**20,219**	19,919
Employees (end of period)	**22,325**	21,681	**22,325**	21,681
Employees (average for the period)	**22,262**	21,670	**21,764**	21,663
Productivity				
Operating ratio (%)	**62.0**	58.5	**64.1**	61.6
Rail freight revenue per RTM (cents)	**3.92**	3.95	**3.96**	3.89
Rail freight revenue per carload ($)	**1,512**	1,496	**1,532**	1,476
Operating expenses per GTM (cents)	**1.42**	1.34	**1.48**	1.38
Labor and fringe benefits expense per GTM (cents)	**0.50**	0.47	**0.53**	0.51
GTMs per average number of employees (thousands)	**3,975**	4,102	**11,881**	12,213
Diesel fuel consumed (U.S. gallons in millions)	**96**	96	**290**	300
Average fuel price ($/U.S. gallon) (1)	**2.39**	2.33	**2.29**	2.12
GTMs per U.S. gallon of fuel consumed	**922**	926	**892**	882
Safety indicators				
Injury frequency rate per 200,000 person hours (2)	**2.2**	2.3	**1.8**	2.1
Accident rate per million train miles (2)	**3.0**	2.8	**2.4**	2.3
Financial ratio				
Debt to total capitalization ratio (% at end of period)	**36.8**	36.5	**36.8**	36.5

(1) 2006 includes the impact of the Company's fuel hedging program.
(2) Based on Federal Railroad Administration (FRA) reporting criteria.

Certain of the 2006 comparative figures have been reclassified in order to be consistent with the 2007 presentation (see Note 1 of the Company’s unaudited Interim Consolidated Financial Statements). 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 September 30			Nine months ended September 30		
	2007	2006	Variance Fav (Unfav)	**2007**	2006	Variance Fav (Unfav)
			(Unaudited)			
Revenues (in millions of dollars)						
Petroleum and chemicals	**317**	298	6%	**920**	871	6%
Metals and minerals	**208**	226	(8%)	**631**	643	(2%)
Forest products	**392**	450	(13%)	**1,216**	1,333	(9%)
Coal	**99**	93	6%	**287**	277	4%
Grain and fertilizers	**330**	309	7%	**961**	907	6%
Intermodal	**361**	369	(2%)	**1,020**	1,041	(2%)
Automotive	**114**	112	2%	**388**	358	8%
Other revenue	**202**	175	15%	**533**	499	7%
	2,023	2,032	-	**5,956**	5,929	-
Revenue ton miles (millions)						
Petroleum and chemicals	**8,369**	8,049	4%	**24,288**	23,938	1%
Metals and minerals	**4,301**	4,611	(7%)	**12,414**	13,441	(8%)
Forest products	**10,021**	10,874	(8%)	**30,652**	32,439	(6%)
Coal	**3,500**	3,500	-	**10,344**	10,518	(2%)
Grain and fertilizers	**11,241**	10,839	4%	**32,809**	32,305	2%
Intermodal	**8,339**	8,487	(2%)	**24,114**	24,685	(2%)
Automotive	**710**	706	1%	**2,376**	2,318	3%
	46,481	47,066	(1%)	**136,997**	139,644	(2%)
Rail freight revenue / RTM (cents)						
Total rail freight revenue per RTM	**3.92**	3.95	(1%)	**3.96**	3.89	2%
Commodity groups:						
Petroleum and chemicals	**3.79**	3.70	2%	**3.79**	3.64	4%
Metals and minerals	**4.84**	4.90	(1%)	**5.08**	4.78	6%
Forest products	**3.91**	4.14	(6%)	**3.97**	4.11	(3%)
Coal	**2.83**	2.66	6%	**2.77**	2.63	5%
Grain and fertilizers	**2.94**	2.85	3%	**2.93**	2.81	4%
Intermodal	**4.33**	4.35	-	**4.23**	4.22	-
Automotive	**16.06**	15.86	1%	**16.33**	15.44	6%
Carloads (thousands)						
Petroleum and chemicals	**153**	152	1%	**448**	445	1%
Metals and minerals	**257**	270	(5%)	**749**	778	(4%)
Forest products	**147**	165	(11%)	**450**	513	(12%)
Coal	**90**	99	(9%)	**275**	317	(13%)
Grain and fertilizers	**152**	150	1%	**439**	437	-
Intermodal	**343**	348	(1%)	**978**	994	(2%)

Automotive	**62**	57	9%	**200**	194	3%
	1,204	1,241	(3%)	**3,539**	3,678	(4%)
Rail freight revenue / carload (dollars)						
Total rail freight revenue per carload	**1,512**	1,496	1%	**1,532**	1,476	4%
Commodity groups:						
Petroleum and chemicals	**2,072**	1,961	6%	**2,054**	1,957	5%
Metals and minerals	**809**	837	(3%)	**842**	826	2%
Forest products	**2,667**	2,727	(2%)	**2,702**	2,598	4%
Coal	**1,100**	939	17%	**1,044**	874	19%
Grain and fertilizers	**2,171**	2,060	5%	**2,189**	2,076	5%
Intermodal	**1,052**	1,060	(1%)	**1,043**	1,047	-
Automotive	**1,839**	1,965	(6%)	**1,940**	1,845	5%

Certain of the 2006 comparative figures have been reclassified in order to be consistent with the 2007 presentation (see Note 1 of the Company's unaudited Interim Consolidated Financial Statements). 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 months ended September 30, 2007, the Company reported adjusted net income of $471 million, or $0.93 per diluted share, excluding the impact of a net deferred income tax recovery of $14 million ($0.03 per diluted share) that resulted from the enactment of corporate income tax rate changes in Canada and net capital losses arising from a reorganization of certain subsidiaries. During the nine months ended September 30, 2007, the Company reported adjusted net income of $1,281 million, or $2.50 per diluted share, excluding the impact of a net deferred income tax recovery of $44 million ($0.09 per diluted share) that resulted from the enactment of lower corporate income tax rates in Canada and net capital losses arising from a reorganization of certain subsidiaries.

During the nine months ended September 30, 2006, the Company reported adjusted net income of $1,338 million, or $2.49 per diluted share, excluding the impact of a second-quarter deferred income tax recovery of $250 million ($0.46 per diluted share) that resulted primarily from the enactment of lower corporate income tax rates in Canada.

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 such as deferred income tax adjustments, 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 Interim Consolidated Financial Statements and Notes thereto. The following tables provide a reconciliation of net income and earnings per share, as reported for the three and nine months ended September 30, 2007 and 2006, to the adjusted performance measures presented herein.

	Three months ended September 30, 2007			**Nine months ended September 30, 2007**		
In millions, except per share data	**Reported**	**Tax adjustments**	**Adjusted**	**Reported**	**Tax adjustments**	**Adjusted**
Revenues	$ 2,023	$ -	$ 2,023	$ 5,956	$ -	$ 5,956
Operating expenses	1,255	-	1,255	3,816	-	3,816
Operating income	768	-	768	2,140	-	2,140
Interest expense	(78)	-	(78)	(251)	-	(251)
Other income	2	-	2	7	-	7
Income before income taxes	692	-	692	1,896	-	1,896
Income tax expense	(207)	(14)	(221)	(571)	(44)	(615)
Net income	**$ 485**	**$ (14)**	**$ 471**	**$ 1,325**	**$ (44)**	**$ 1,281**
Basic earnings per share	**$ 0.97**	**$ (0.03)**	**$ 0.94**	**$ 2.62**	**$ (0.09)**	**$ 2.53**
Diluted earnings per share	**$ 0.96**	**$ (0.03)**	**$ 0.93**	**$ 2.59**	**$ (0.09)**	**$ 2.50**

	Three months ended September 30, 2006			**Nine months ended September 30, 2006**		
In millions, except per share data	**Reported**	**Tax adjustments**	**Adjusted**	**Reported**	**Tax adjustments**	**Adjusted**
Revenues	$ 2,032	$ -	$ 2,032	$ 5,929	$ -	$ 5,929

Operating expenses	1,188	-	1,188	3,655	-	3,655
Operating income	844	-	844	2,274	-	2,274
Interest expense	(82)	-	(82)	(232)	-	(232)
Other loss	(10)	-	(10)	(16)	-	(16)
Income before income taxes	752	-	752	2,026	-	2,026
Income tax expense	(255)	-	(255)	(438)	(250)	(688)
Net income	**$ 497**	**$ -**	**$ 497**	**$ 1,588**	**$ (250)**	**$ 1,338**
Basic earnings per share	**$ 0.95**	**$ -**	**$ 0.95**	**$ 3.00**	**$ (0.48)**	**$ 2.52**
Diluted earnings per share	**$ 0.94**	**$ -**	**$ 0.94**	**$ 2.95**	**$ (0.46)**	**$ 2.49**

21

CANADIAN NATIONAL RAILWAY COMPANY
NON-GAAP MEASURES - unaudited

Free cash flow
The Company generated $142 million and $193 million of free cash flow for the three and nine months ended September 30, 2007, compared to $391 million and $1,131 million for the same periods in 2006. Free cash flow does not have any standardized meaning prescribed by GAAP and therefore, may 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, excluding changes in the accounts receivable securitization program, less cash used by investing activities, and after the payment of dividends, calculated as follows:

	Three months ended September 30		Nine months ended September 30	
In millions	**2007**	2006	**2007**	2006
Cash provided from operating activities	**$ 430**	$ 854	**$ 1,432**	$ 1,878
Cash used by investing activities	**(336)**	(378)	**(871)**	(865)
Cash provided before financing activities	**94**	476	**561**	1,013
Adjustments:				
Change in accounts receivable securitization	**152**	-	**(52)**	375
Dividends paid	**(104)**	(85)	**(316)**	(257)
Free cash flow	**$ 142**	$ 391	**$ 193**	$ 1,131

Item 3

CANADIAN NATIONAL RAILWAY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(U.S. GAAP)*

Management's discussion and analysis (MD&A) relates to the financial condition and results of operations of Canadian National Railway Company, together with its wholly-owned subsidiaries, collectively "CN" or "the Company." Canadian National Railway Company's common shares are listed on the Toronto and New York stock exchanges. Except where otherwise indicated, all financial information reflected herein is expressed in Canadian dollars and determined on the basis of United States generally accepted accounting principles (U.S. GAAP). The Company's objective is to provide meaningful and relevant information reflecting the Company's financial condition and results of operations. In certain instances, the Company may make reference to certain non-GAAP measures that, from management's perspective, are useful measures of performance. The reader is advised to read all information provided in the MD&A in conjunction with the Company's 2007 unaudited Interim Consolidated Financial Statements and Notes thereto, as well as the 2006 Annual MD&A.

Business profile

CN is engaged in the rail and related transportation business. CN's network of approximately 20,200 route miles of track spans Canada and mid-America, connecting three coasts: the Atlantic, the Pacific and the Gulf of Mexico. CN's extensive network, in addition to co-production arrangements, routing protocols, marketing alliances, and interline agreements, provide CN customers access to all three North American Free Trade Agreement (NAFTA) nations.

CN's rail freight revenues are derived from seven commodity groups representing a diversified and balanced portfolio of goods transported between a wide range of origins and destinations. This product and geographic diversity positions the Company well to face economic fluctuations and enhances its potential for growth opportunities. In 2006, no individual commodity group accounted for more than 22% of revenues (24% of freight revenues). From a geographic standpoint, 20% of revenues came from United States (U.S.) domestic traffic, 32% from transborder traffic, 23% from Canadian domestic traffic and 25% from overseas traffic.[1] The Company originates approximately 87% of traffic moving along its network, which allows it both to capitalize on service advantages and build on opportunities to efficiently use assets.

[1] *Revised to reflect final destinations.*

Corporate organization

The Company manages its rail operations in Canada and the United States as one business segment. Financial information reported at this level, such as revenues, operating income and cash flow from operations, is used by the Company's corporate management in evaluating financial and operational performance and allocating resources across CN's network. The Company's strategic initiatives, which drive its operational direction, are developed and managed centrally by corporate management and are communicated to its regional activity centers (the Western Region, Eastern Region and Southern Region), whose role is to manage the day-to-day service requirements of their respective territories, control direct costs incurred locally, and execute the corporate strategy and operating plan established by corporate management.

See Note 16 – Segmented information, to the Company's 2006 Annual Consolidated Financial Statements for additional information on the Company's corporate organization, as well as selected financial information by geographic area.

Strategy overview

CN's focus is on running a safe and efficient railroad. While remaining at the forefront of the rail industry, CN's goal is to be internationally regarded as one of the best-performing transportation companies.

CN's commitment is the creation of value for both its customers and shareholders. By providing quality and cost-effective service, CN seeks to create value for its customers. By striving for sustainable financial performance through profitable growth, solid free cash flow and a high return on investment, CN seeks to deliver increased shareholder value.

CANADIAN NATIONAL RAILWAY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(U.S. GAAP)*

CN has a unique business model, which is anchored on five key principles: providing quality service, controlling costs, focusing on asset utilization, committing to safety, and developing people. "Precision railroading" is at the core of CN's business model. It is a highly disciplined process whereby CN handles individual rail shipments according to a specific trip plan and manages all aspects of railroad operations to meet customer commitments efficiently and profitably.

Precision railroading demands discipline to execute the trip plan, the relentless measurement of results, and the use of such results to generate further execution improvements. Precision railroading increases velocity, improves reliability, lowers costs, enhances asset utilization and, ultimately, helps the Company grow the top line. It has been a key contributor to CN's continued earnings growth and improved return.

The Company sees further opportunities to grow the business and improve productivity. While the slowdown in the economy has affected CN in specific markets such as key forest products and construction materials, there are several opportunities that extend beyond business-cycle considerations. In Intermodal, the opening of the Prince Rupert Intermodal Terminal in the third quarter of 2007 will allow CN to leverage the potential of the growing container trade between Asia and North America. In Bulk, the Company expects to continue to benefit from increased resource demand, particularly as it relates to recent coal mine expansion. In Merchandise, the Company sees growth potential for a number of commodities, particularly pipes, machinery and equipment, condensate and other commodities associated with oil and gas development in western Canada. While there may be a risk of recession in the U.S. economy, the Company's assumption is that positive economic conditions in North America and globally will continue.

In the first quarter of 2007, the Company set up CN WorldWide North America, a new operating entity, to more effectively manage integrated transportation solutions for customers and grow its rail business. With this new entity, the Company intends to expand the scope and scale of its existing non-rail capabilities such as warehousing and distribution, customs services, truck brokerage and supply chain visibility tools across North America. CN WorldWide North America also plans to provide a number of new offerings to its service portfolio, including retail intermodal trucking services in the United States and freight forwarding within North America. The expansion of these non-rail transportation services, in combination with the Company's rail service, will give the Company the opportunity to strengthen its transportation service offerings and provide more seamless solutions to its customers.

The opportunities to further improve productivity extend across all functions in the organization. In Transportation, the Company is aiming to continue to increase productivity on the track and in the yards. Yard throughput is being improved through SmartYard, an innovative use of real-time traffic information to sequence cars effectively and get them out on the line more quickly in the face of constantly changing conditions. In Engineering, the Company is working to increase the productivity of its field forces, again through better use of traffic information and, as a result, better management of its engineering forces on the track. The Company also intends to maintain a solid focus on reducing accidents and related costs, and also costs for legal claims and health care.

CN's capital programs support the Company's commitment to the five key principles and its ability to grow the business profitably. In 2007, CN plans to invest approximately $1.6 billion on capital programs; of which, approximately $1 billion is targeted towards track infrastructure to maintain a safe railway and to improve the productivity and fluidity of the network, and includes the replacement of rail, ties, and other track materials, as well as the improvement of bridges. This amount also includes funds for strategic initiatives, such as siding extensions to accommodate container traffic from the Prince Rupert Intermodal Terminal, the addition of new siding capacity between Winnipeg and Chicago, the upgrade of the Company's freight car classification yard in Memphis, Tennessee,

and additional enhancements to the track infrastructure in western Canada to take advantage of growth prospects in North American trade with Asia and the boom in the west.

CN's equipment spending, targeted to reach approximately $350 million, is intended to develop growth opportunities and to improve the quality of the fleet to meet customer requirements. This expenditure includes the acquisition of new fuel-efficient locomotives and freight cars, as well as improvements to the existing fleet. CN also expects to invest approximately $250 million on facilities to grow the business, including transloads and distribution centers, on information technology to improve service and operating efficiency, and on other projects to increase productivity.

The Company's commitment to safety is reflected in the wide range of initiatives that CN is pursuing and the size of its capital programs. Comprehensive plans are in place addressing the issues of safety, security, employee well-being and environmental management. CN's Integrated Safety Plan is the framework for putting safety at the center of its day-to-day operations. This proactive plan is designed to minimize risk and drive continuous improvement in the reduction of injuries and accidents, is fully supported by senior management, and engages employees at all levels of the organization.

CANADIAN NATIONAL RAILWAY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(U.S. GAAP)*

Environmental protection is also an integral part of CN's day-to-day activities. A combination of key resource people, training, policies, monitoring and environmental assessments helps to ensure that the Company's operations comply with CN's Environmental Policy, a copy of which is available on CN's website.

CN's ability to develop the best railroaders in the industry has been a key contributor to the Company's success. CN recognizes that without the right people – no matter how good a service plan or business model a company may have – it will not be able to fully execute. The Company is focused on recruiting the right people, developing employees with the right skills, motivating them to do the right thing, and training them to be the future leaders of the Company.

The forward-looking statements provided in the above section and in other parts of this MD&A are subject to risks and uncertainties that could cause actual results or performance to differ materially from those expressed or implied in such statements and are based on certain factors and assumptions which the Company considers reasonable, about events, developments, prospects and opportunities that may not materialize or that may be offset entirely or partially by other events and developments. See the Business risks section of this MD&A for assumptions and risk factors affecting such forward-looking statements.

Financial and statistical highlights

	Three months ended September 30		Nine months ended September 30	
$ in millions, except per share data, or unless otherwise indicated	**2007**	2006[b]	**2007**	2006[b]
		(Unaudited)		
Financial results				
Revenues	**$ 2,023**	$ 2,032	**$ 5,956**	$ 5,929
Operating income	**$ 768**	$ 844	**$ 2,140**	$ 2,274
Net income [a]	**$ 485**	$ 497	**$ 1,325**	$ 1,588
Operating ratio	**62.0%**	58.5%	**64.1%**	61.6%
Basic earnings per share [a]	**$ 0.97**	$ 0.95	**$ 2.62**	$ 3.00
Diluted earnings per share [a]	**$ 0.96**	$ 0.94	**$ 2.59**	$ 2.95
Dividend declared per share	**$ 0.2100**	$ 0.1625	**$ 0.6300**	$ 0.4875
Financial position				
Total assets	**$ 22,905**	$ 22,675	**$ 22,905**	$ 22,675
Total long-term financial liabilities	**$ 11,692**	$ 11,522	**$ 11,692**	$ 11,522
Statistical operating data and productivity measures				
Employees (*average for the period*)	**22,262**	21,670	**21,764**	21,663
Gross ton miles (GTM) per average number of employees (*thousands*)	**3,975**	4,102	**11,881**	12,213

GTMs per U.S. gallon of fuel consumed	**922**	926	**892**	882

(a) The three and nine months ended September 30, 2007 include deferred income tax recoveries of $14 million ($0.03 per basic or diluted share) and $44 million ($0.09 per basic or diluted share), respectively, resulting from the enactment of corporate income tax rate changes in Canada and net capital losses arising from a reorganization of certain subsidiaries. The nine months ended September 30, 2006 includes a second-quarter deferred income tax recovery of $250 million ($0.48 per basic share or $0.46 per diluted share), resulting primarily from the enactment of lower corporate income tax rates in Canada.

(b) Certain of the 2006 comparative figures have been reclassified in order to be consistent with the 2007 presentation (see the Revenue reclassification section of this MD&A).

Financial results

Third quarter and first nine months of 2007 compared to corresponding periods in 2006

Third quarter 2007 net income was $485 million, a decrease of $12 million, or 2%, when compared to the same period in 2006, with diluted earnings per share of $0.96, which includes deferred income tax recoveries of $14 million ($0.03 per basic or diluted share), as discussed herein**.** Revenues for the third quarter decreased by $9 million to $2,023 million, remaining relatively flat when compared to the same period in 2006, mainly due to the translation impact of a stronger Canadian dollar on U.S. dollar-denominated revenues, lower fuel surcharge revenues as a result of a decrease in the applicable year-over-year oil prices and weaknesses in specific markets, particularly forest products. These decreases were partly offset by freight rate increases, an overall improvement in traffic mix, driven primarily by extended routings, and volume growth in Canadian coal, grain and fertilizers, petroleum and chemicals and automotive. Operating expenses for the three months ended September 30, 2007 increased by $67 million, or 6%, to $1,255 million, mainly due to increased labor and fringe benefits, fuel, equipment rents and casualty and other expenses, which were partly offset by the translation impact of a stronger Canadian dollar. The operating ratio, defined as operating expenses as a percentage of revenues, was 62.0% in the current quarter compared to 58.5% in the third quarter of 2006, a 3.5-point increase.

Net income for the nine months ended September 30, 2007 was $1,325 million, a decrease of $263 million, or 17%, when compared to the same period in 2006, with diluted earnings per share of $2.59, which includes deferred income tax recoveries of $44 million ($0.09 per basic or diluted share), as discussed herein. Net income for the nine months ended September 30, 2006, of $1,588 million, or $2.95 of diluted earnings per share, included a second-quarter deferred income tax recovery of $250 million ($0.48 per basic share or $0.46 per diluted share), as discussed herein. Revenues for the first nine months of 2007 increased by $27 million to $5,956 million, remaining relatively flat when compared to 2006, as freight rate increases and an overall improvement in traffic mix were largely offset by the impact of the first quarter United Transportation Union (UTU) strike and adverse weather conditions, operational challenges, primarily in western Canada, the translation impact of a stronger Canadian dollar on U.S. dollar-denominated revenues, lower fuel surcharge revenues as a result of a decrease in the applicable year-over-year oil prices, and weakness in specific markets, particularly forest products. For the first nine months of 2007, operating expenses increased by $161 million, or 4%, to $3,816 million, mainly due to increased fuel, equipment rents and purchased services and material expenses, which were partly offset by the translation impact of a stronger Canadian dollar and lower casualty and other expenses. The nine-month operating ratio was 64.1% compared to 61.6%, a 2.5-point increase.

In addition to the weather conditions in the first quarter and operational challenges in the second quarter, the Company's results in the first nine months of 2007 included the impact of a first quarter 2007 strike by 2,800 members of the UTU in Canada for which the Company estimates that the impact on first quarter 2007 operating income and net income approximated $50 million and $35 million, respectively ($0.07 per basic or diluted share).

The strengthening of the Canadian dollar relative to the U.S. dollar, which affected the conversion of the Company's U.S. dollar-denominated revenues and expenses, did not have a significant effect on net income.

CANADIAN NATIONAL RAILWAY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(U.S. GAAP)*

Revenues

	Three months ended September 30			Nine months ended September 30		
In millions, unless otherwise indicated	**2007**	2006	%	**2007**	2006	%
			(Unaudited)			
Rail freight revenue	**$ 1,821**	$ 1,857	(2%)	**$ 5,423**	$ 5,430	-
Other revenue	**202**	175	15%	**533**	499	7%
Total revenues	**$ 2,023**	$ 2,032	-	**$ 5,956**	$ 5,929	-
Rail freight revenue:						
Petroleum and chemicals	**$ 317**	$ 298	6%	**$ 920**	$ 871	6%
Metals and minerals	**208**	226	(8%)	**631**	643	(2%)
Forest products	**392**	450	(13%)	**1,216**	1,333	(9%)
Coal	**99**	93	6%	**287**	277	4%
Grain and fertilizers	**330**	309	7%	**961**	907	6%
Intermodal	**361**	369	(2%)	**1,020**	1,041	(2%)
Automotive	**114**	112	2%	**388**	358	8%
Total rail freight revenue	**$ 1,821**	$ 1,857	(2%)	**$ 5,423**	$ 5,430	-
Total revenue ton miles (RTM)	**46,481**	47,066	(1%)	**136,997**	139,644	(2%)
Rail freight revenue/RTM *(cents)*	**3.92**	3.95	(1%)	**3.96**	3.89	2%

Certain of the 2006 comparative figures have been reclassified in order to be consistent with the 2007 presentation (see the Revenue reclassification section of this MD&A).

Revenues for the quarter ended September 30, 2007 decreased by $9 million to $2,023 million, remaining relatively flat when compared to 2006. Revenues for the first nine months of 2007 increased by $27 million to $5,956 million, remaining relatively flat when compared to 2006. The decrease in the third quarter was mainly driven by the translation impact of a stronger Canadian dollar on U.S. dollar-denominated revenues, lower fuel surcharge revenues as a result of a decrease in the applicable year-over-year oil prices and weaknesses in specific markets, particularly forest products. These decreases were partially offset by freight rate increases, an overall improvement in traffic mix, driven primarily by extended routings, and volume growth in Canadian coal, grain and fertilizers, petroleum and chemicals and automotive. The increase in the first nine months of the year was mainly due to freight rate increases and an overall improvement in traffic mix. Largely offsetting the increase was the impact of the first quarter UTU strike and adverse weather conditions, operational challenges, primarily in western Canada, the translation impact of a stronger Canadian dollar on U.S. dollar-denominated revenues, lower fuel surcharge revenues as a result of a decrease in the applicable year-over-year oil prices, and weakness in specific markets, particularly forest products.

Revenue ton miles (RTMs), measuring the relative weight and distance of rail freight transported by the Company, decreased by 1% in the third quarter and 2% in the first nine months of 2007 when compared to the same periods in 2006. For the third quarter and first nine months of the year, 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, decreased by 1% and increased by 2%, respectively, when compared to the same periods in 2006. For the current quarter, the decrease in revenue per revenue ton mile was largely driven by the translation impact of a stronger Canadian dollar on U.S. dollar-denominated revenues, offset partially by freight rate increases. For the first nine months of 2007, the increase

in revenue per revenue ton mile was largely due to freight rate increases, partly offset by lower fuel surcharge revenues and the translation impact of a stronger Canadian dollar on U.S. dollar-denominated revenues.

CANADIAN NATIONAL RAILWAY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(U.S. GAAP)*

Petroleum and chemicals

	Three months ended September 30			Nine months ended September 30		
	2007	2006	%	**2007**	2006	%
Revenues *(millions)*	**$ 317**	$ 298	6%	**$ 920**	$ 871	6%
RTMs *(millions)*	**8,369**	8,049	4%	**24,288**	23,938	1%
Revenue/RTM *(cents)*	**3.79**	3.70	2%	**3.79**	3.64	4%

Petroleum and chemicals comprises a wide range of commodities, including chemicals, sulfur, plastics, petroleum products and liquefied petroleum gas products. The primary markets for these commodities are within North America, and as such, the performance of this commodity group is closely correlated with the North American economy. Most of the Company's petroleum and chemicals shipments originate in the Louisiana petrochemical corridor between New Orleans and Baton Rouge; in northern Alberta, which is a major center for natural gas feedstock and world scale petrochemicals and plastics; and in eastern Canadian regional plants. These shipments are destined for customers in Canada, the United States and overseas. Revenues for this commodity group increased by $19 million, or 6%, for the third quarter and $49 million, or 6%, for the first nine months of 2007 when compared to the same periods in 2006. The third quarter benefited from freight rate increases, higher volumes across several commodities, including petroleum products, liquefied petroleum gas, molten sulfur, particularly to the U.S., and condensate and methanol movements in western Canada. These gains were partly offset by the translation impact of a stronger Canadian dollar, lower fuel surcharge revenues, reduced volumes of plastic feedstocks, primarily due to a customer plant closure, and reduced shipments of pulp and paper-related chemicals. The increase in the first nine months of 2007 was due to freight rate increases, increased volumes in petroleum products, driven by increased shipments of diesel in Canada and alternative fuels in the U.S., and the continued growth of condensate movements, both from the west coast of Canada and the U.S. These gains were partly offset by the translation impact of a stronger Canadian dollar, the impact of the first quarter UTU strike and adverse weather conditions, particularly on the movement of dry sulfur, and areas of market weakness for plastic feedstocks, driven largely by a customer plant closure, PVC plastics and chemicals. The revenue per revenue ton mile increase of 2% in the third quarter and 4% in the first nine months of 2007, was mainly due to freight rate increases and an improvement in traffic mix, partly offset by the translation impact of a stronger Canadian dollar and lower fuel surcharge revenues.

Metals and minerals

	Three months ended September 30			Nine months ended September 30		
	2007	2006	%	**2007**	2006	%
Revenues *(millions)*	**$ 208**	$ 226	(8%)	**$ 631**	$ 643	(2%)
RTMs *(millions)*	**4,301**	4,611	(7%)	**12,414**	13,441	(8%)
Revenue/RTM *(cents)*	**4.84**	4.90	(1%)	**5.08**	4.78	6%

The metals and minerals commodity group consists primarily of nonferrous base metals, concentrates, iron ore, steel, construction materials, machinery and dimensional (large) loads. The Company provides unique rail access to aluminum, mining, steel and iron ore producing regions, which are among the most important in North America. This access, coupled with the Company's transload and port facilities, has made the Company a leader in the transportation of copper, lead, zinc, concentrates, iron ore, refined metals and aluminum. Mining, oil and gas development and non-residential construction are the key drivers for metals and minerals. Revenues for this commodity group decreased by $18 million, or 8%, for the third quarter and $12 million, or 2%, for the first nine months of 2007 when compared to the same periods in 2006. The third quarter decrease was mainly due to the translation impact of a

stronger Canadian dollar, softening demand in construction materials, particularly cement and roofing materials, and temporary shutdowns of mines in the iron ore segment due to maintenance requirements. Partly offsetting these decreases were freight rate increases, strong shipments of machinery and dimensional loads, increased volumes of steel slabs in eastern Canada and shipments of non-ferrous metals, particularly aluminum. The decrease for the first nine months of 2007 was driven by the translation impact of a stronger Canadian dollar, softer demand for construction materials, primarily caused by fewer shipments of cement and roofing materials, lower fuel surcharge revenues and iron ore production shutdowns. Partly offsetting these decreases were freight rate increases, strong shipments of machinery and dimensional loads and increased volumes of steel plates and steel slabs. Revenue per revenue ton mile decreased by 1% in the third quarter mainly due to the translation impact of a stronger Canadian dollar and lower fuel surcharge

CANADIAN NATIONAL RAILWAY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(U.S. GAAP)*

revenues, partly offset by freight rate increases. For the first nine months of 2007, revenue per revenue ton mile increased by 6% mainly due to freight rate increases, which was partly offset by the translation impact of a stronger Canadian dollar and lower fuel surcharge revenues.

Forest products

	Three months ended September 30			Nine months ended September 30		
	2007	2006	%	**2007**	2006	%
Revenues *(millions)*	**$ 392**	$ 450	(13%)	**$ 1,216**	$ 1,333	(9%)
RTMs *(millions)*	**10,021**	10,874	(8%)	**30,652**	32,439	(6%)
Revenue/RTM *(cents)*	**3.91**	4.14	(6%)	**3.97**	4.11	(3%)

The forest products commodity group includes various types of lumber, panels, paper, wood pulp and other fibers such as logs, recycled paper and wood chips. The Company has superior rail access to the western and eastern Canadian fiber-producing regions, which are among the largest fiber source areas in North America. In the United States, the Company is strategically located to serve both the Midwest and southern U.S. corridors with interline connections to other Class I railroads. The key drivers for the various commodities are: for newsprint, advertising lineage, non-print media and overall economic conditions, primarily in the United States; for fibers (mainly wood pulp), the consumption of paper in North American and offshore markets; and for lumber and panels, housing starts and renovation activities in the United States. Although demand for forest products can be cyclical, the Company's geographical advantages, unique tri-coastal access and product diversity tend to reduce the overall impact of market fluctuations. Revenues for this commodity group decreased by $58 million, or 13%, for the third quarter and $117 million, or 9%, for the first nine months of 2007 when compared to the same periods in 2006. The decrease in the third quarter was mainly due to reduced shipments as a result of weak market conditions and mill closures, the translation impact of a stronger Canadian dollar and lower fuel surcharge revenues. Partly offsetting these losses were improvements in traffic mix as a result of extended routings and freight rate increases. The decrease in the first nine months was mainly due to weak market conditions, lower fuel surcharge revenues, the translation impact of a stronger Canadian dollar and the impact of the first quarter UTU strike and adverse weather conditions. Partly offsetting these losses were improvements in traffic mix as a result of extended routings and freight rate increases. Revenue per revenue ton mile decreased by 6% in the third quarter and 3% in the first nine months of 2007, mainly due to a change in traffic mix, lower fuel surcharge revenues and the translation impact of a stronger Canadian dollar, which were partly offset by freight rate increases.

Coal

	Three months ended September 30			Nine months ended September 30		
	2007	2006	%	**2007**	2006	%
Revenues *(millions)*	**$ 99**	$ 93	6%	**$ 287**	$ 277	4%
RTMs *(millions)*	**3,500**	3,500	-	**10,344**	10,518	(2%)
Revenue/RTM *(cents)*	**2.83**	2.66	6%	**2.77**	2.63	5%

The coal commodity group consists primarily of thermal grades of bituminous coal. Canadian thermal coal is delivered to power utilities primarily in eastern Canada, while in the United States, thermal coal is transported from mines served in southern Illinois, or from western U.S. mines via interchange with other railroads, to major utilities in

the Midwest and southeast United States. The coal business also includes the transport of Canadian metallurgical coal, which is largely exported via terminals on the west coast of Canada to steel producers. Revenues for this commodity group increased by $6 million, or 6%, for the third quarter and by $10 million, or 4%, for the first nine months of 2007 when compared to the same periods in 2006. For the third quarter, increased shipments of western Canadian coal, positive changes in traffic mix and freight rate increases were partly offset by reduced shipments of imported metallurgical coke to the U.S., the translation impact of a stronger Canadian dollar and the cessation of certain short-haul U.S. coal shipments. The increase in the first nine months was mainly due to increased shipments of metallurgical coal in western Canada, largely driven by a new mine start-up, positive changes in traffic mix and freight rate increases. Partly offsetting these gains were the impact of the first quarter UTU strike and adverse weather conditions, reduced shipments of imported metallurgical coke to the U.S., and the cessation of certain short-haul U.S. coal shipments. The revenue per revenue ton mile increased by 6% in the third

CANADIAN NATIONAL RAILWAY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(U.S. GAAP)*

quarter and 5% in the first nine months of 2007, mainly due to a change in traffic mix and freight rate increases, which were partly offset by the translation impact of a stronger Canadian dollar.

Grain and fertilizers

	Three months ended September 30			Nine months ended September 30		
	2007	2006	%	**2007**	2006	%
Revenues *(millions)*	**$ 330**	$ 309	7%	**$ 961**	$ 907	6%
RTMs *(millions)*	**11,241**	10,839	4%	**32,809**	32,305	2%
Revenue/RTM *(cents)*	**2.94**	2.85	3%	**2.93**	2.81	4%

The grain and fertilizers commodity group depends primarily on crops grown and fertilizers processed in western Canada and the U.S. Midwest. The grain segment consists of three primary segments: food grains (mainly wheat, oats and malting barley), feed grains (including feed barley, feed wheat, and corn), and oilseeds and oilseed products (primarily canola seed, oil and meal, and soybeans). Production of grain varies considerably from year to year, affected primarily by weather conditions, seeded and harvested acreage, the mix of grains produced and crop yields. Grain exports are sensitive to the size and quality of the crop produced, international market conditions and foreign government policy. The majority of grain produced in western Canada and moved by CN is exported via the ports of Vancouver, Prince Rupert and Thunder Bay. Certain of these rail movements are subject to government regulation and to a "revenue cap," which effectively establishes a maximum revenue entitlement that railways can earn. In the U.S., grain grown in Illinois and Iowa is exported, as well as transported to domestic processing facilities and feed markets. The Company also serves major producers of potash in Canada, as well as producers of ammonium nitrate, urea and other fertilizers across Canada and the U.S. Revenues for this commodity group increased by $21 million, or 7%, for the third quarter and $54 million, or 6%, for the first nine months of 2007 when compared to the same periods in 2006. The increase for both the third quarter and the first nine months of 2007 was mainly due to increased volumes of Canadian grain exports, freight rate increases, increased volumes of U.S. corn into eastern Canada, increased volumes of ethanol, higher shipments of potash into the U.S. and shipments of imported phosphate rock to western Canada via the U.S. The gain in the third quarter was partly offset by the translation impact of a stronger Canadian dollar and lower fuel surcharge revenues. The gain in the first nine months was partly offset by the impact of the first quarter UTU strike and adverse weather conditions, lower U.S. corn shipments in a highly competitive transportation market down the Mississippi corridor and the translation impact of a stronger Canadian dollar. Revenue per revenue ton mile increased by 3% in the third quarter and 4% in the first nine months of 2007, largely due to freight rate increases and a change in traffic mix that were partly offset by the translation impact of a stronger Canadian dollar.

Intermodal

	Three months ended September 30			Nine months ended September 30		
	2007	2006	%	**2007**	2006	%
Revenues *(millions)*	**$ 361**	$ 369	(2%)	**$ 1,020**	$ 1,041	(2%)
RTMs *(millions)*	**8,339**	8,487	(2%)	**24,114**	24,685	(2%)
Revenue/RTM *(cents)*	**4.33**	4.35	-	**4.23**	4.22	-

The intermodal commodity group is comprised of two segments: domestic and international. The domestic segment transports consumer products and manufactured goods, operating through both retail and wholesale channels, within

domestic Canada, domestic U.S., Mexico and transborder, while the international segment handles import and export container traffic, directly serving the major ports of Vancouver, Montreal, Halifax and New Orleans. The domestic segment is driven by consumer markets, with growth generally tied to the economy. The international segment is driven by North American economic and trade conditions. Revenues for this commodity group decreased by $8 million, or 2%, for the third quarter and $21 million, or 2%, for the first nine months of 2007 when compared to the same periods in 2006. The decline in the third quarter was mainly due to a decrease in volumes over the ports of Halifax and Montreal, lower fuel surcharge revenues and the translation impact of a stronger Canadian dollar, which were mostly offset by freight rate increases. For the first nine months of 2007, the decrease was mainly due to reduced fuel surcharge revenues, the impact of the first quarter UTU strike and adverse weather conditions, and lower overseas traffic, largely due to lower volumes over the ports of Halifax and Montreal. The decrease in the first nine months was partly offset by freight rate

---

increases and an increase in volume over the port of Vancouver, especially volumes to and from the U.S. Revenue per revenue ton mile remained flat in both the third quarter and first nine months of 2007, mainly due to freight rate increases that were offset by lower fuel surcharge revenues and the translation impact of a stronger Canadian dollar.

Automotive

	Three months ended September 30			Nine months ended September 30		
	2007	2006	%	**2007**	2006	%
Revenues *(millions)*	**$ 114**	$ 112	2%	**$ 388**	$ 358	8%
RTMs *(millions)*	**710**	706	1%	**2,376**	2,318	3%
Revenue/RTM *(cents)*	**16.06**	15.86	1%	**16.33**	15.44	6%

The automotive commodity group moves both finished vehicles and parts throughout North America, providing rail access to all vehicle assembly plants in Canada; eight assembly plants in Michigan; and one in Mississippi. The Company also serves more than twenty vehicle distribution facilities in Canada and the U.S., as well as parts production facilities in Michigan and Ontario. CN's broad coverage enables it to consolidate full trainloads of automotive traffic for delivery to connecting railroads at key interchange points. The Company serves shippers of import vehicles via the ports of Halifax and Vancouver, and through interchange with other railroads. The Company's automotive revenues are closely correlated to automotive production and sales in North America. Revenues for this commodity group increased by $2 million, or 2%, for the third quarter and $30 million, or 8%, for the first nine months of 2007 when compared to the same periods in 2006. The increase in both the third quarter and first nine months of 2007 was mainly due to new facilities in Ontario and Michigan, increased market share of finished vehicles coming out of the U.S. into western Canada, increases in finished vehicles entering North America through CN-served ports and freight rate increases. These gains were partly offset by the translation impact of a stronger Canadian dollar. Revenue per revenue ton mile increased by 1% for the third quarter and by 6% for the first nine months of 2007, largely due to freight rate increases which was partly offset by the translation impact of a stronger Canadian dollar.

Other revenue

Other revenue mainly includes revenues from non-rail transportation services, interswitching, and maritime operations. Other revenue increased by $27 million, or 15%, for the third quarter and by $34 million, or 7%, for the first nine months of 2007 when compared to the same periods in 2006. The increases in both the third quarter and the first nine months of 2007 were mainly due to higher non-rail transportation services revenues and higher maritime operation revenues which were partly offset by the translation impact of a stronger Canadian dollar.

CANADIAN NATIONAL RAILWAY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(U.S. GAAP)*

Operating expenses

In the third quarter of 2007, operating expenses amounted to $1,255 million, compared to $1,188 million in the same quarter of 2006. Operating expenses for the first nine months of 2007 were $3,816 million, compared to $3,655 million in the same period of 2006. The increase of $67 million, or 6%, in the third quarter was mainly due to increased labor and fringe benefits, fuel, equipment rents and casualty and other expenses, which were partly offset by the translation impact of a stronger Canadian dollar. The increase of $161 million, or 4%, in the first nine months of 2007 was mainly due to increased fuel, equipment rents and purchased services and material expenses, which were partly offset by the translation impact of a stronger Canadian dollar and lower casualty and other expense. The first quarter 2007 UTU strike did not have a significant benefit on total operating expenses as lower labor and fringe benefits expense was mostly offset by increases in purchased services and other expenses.

	Three months ended September 30					**Nine months ended September 30**				
				Percentage of revenues					Percentage of revenues	
In millions	**2007**	2006	%	**2007**	2006	**2007**	2006	%	**2007**	2006
				(Unaudited)						
Labor and fringe benefits	**$ 446**	$ 420	(6%)	**22.0%**	20.7%	**$ 1,361**	$ 1,349	(1%)	**22.9%**	22.8%
Purchased services and material	**247**	250	1%	**12.2%**	12.3%	**786**	756	(4%)	**13.2%**	12.7%
Depreciation and amortization	**165**	157	(5%)	**8.2%**	7.7%	**504**	483	(4%)	**8.5%**	8.1%
Fuel	**251**	235	(7%)	**12.4%**	11.6%	**719**	665	(8%)	**12.1%**	11.2%
Equipment rents	**59**	49	(20%)	**2.9%**	2.4%	**187**	135	(39%)	**3.1%**	2.3%
Casualty and other	**87**	77	(13%)	**4.3%**	3.8%	**259**	267	3%	**4.3%**	4.5%
Total	**$ 1,255**	$ 1,188	(6%)	**62.0%**	58.5%	**$ 3,816**	$ 3,655	(4%)	**64.1%**	61.6%

Certain of the 2006 comparative figures have been reclassified in order to be consistent with the 2007 presentation (see the Revenue reclassification section of this MD&A).

Labor and fringe benefits: Labor and fringe benefits expense includes wages, payroll taxes, and employee benefits such as incentive compensation, stock-based compensation, health and welfare, pensions and other postretirement benefits. Certain incentive and stock-based compensation plans are based on financial and market performance targets and the related expense is recorded in relation to the attainment of such targets. Labor and fringe benefits expense increased by $26 million, or 6%, for the third quarter and $12 million, or 1%, for the first nine months of 2007 when compared to the same periods in 2006. The increases in both the three- and nine-month periods were mainly due to increased stock-based compensation expense, annual wage increases and higher workforce levels, particularly in the third quarter of 2007. Partly offsetting these factors were lower annual employee incentive costs, a reduction in the net periodic benefit cost for pensions and the translation impact of a stronger Canadian dollar. Also affecting the nine-month period was a net savings due to the first quarter UTU strike.

Purchased services and material: Purchased services and material expense primarily includes the costs of services purchased from outside contractors, materials used in the maintenance of the Company's track, facilities and equipment, transportation and lodging for train crew employees, utility costs and the net costs of operating facilities jointly used by the Company and other railroads. These expenses decreased by $3 million, or 1%, for the third quarter and increased by $30 million, or 4%, for the first nine months of 2007 when compared to the same periods in 2006. The decrease in the third quarter was mainly due to the translation impact of a stronger Canadian dollar, which was partially offset by higher costs for outsourced non-rail transportation services. The increases for the nine-month

period were mainly due to higher costs for outsourced non-rail transportation services and higher repairs and maintenance expenses, which were partly offset by the translation impact of a stronger Canadian dollar. Also affecting the nine-month period were higher costs as a result of the first quarter UTU strike.

Depreciation and amortization: Depreciation and amortization expense relates to the Company's rail operations. These expenses increased by $8 million, or 5%, for the third quarter and $21 million, or 4%, for the first nine months of 2007 when compared to the same periods in 2006. The increases for both the three- and nine-month periods were mainly due to the impact of net capital additions.

Fuel: Fuel expense includes the cost of fuel consumed by locomotives, intermodal equipment and other vehicles. These expenses increased by $16 million, or 7%, for the third quarter and $54 million, or 8%, for the first nine months of 2007 when compared to the

same periods in 2006. The increases were mainly due to a 3% and 8% increase in the average price per U.S. gallon of fuel in the third quarter and first nine months of 2007, respectively, when compared to the same periods in 2006 (which included the benefits in 2006 from the fuel hedging program that expired in September 2006). Partly offsetting these increases was a decrease in freight volumes, the translation impact of a stronger Canadian dollar and improvements in fuel productivity.

Equipment rents: Equipment rents expense includes rental expense for the use of freight cars owned by other railroads or private companies and for the short- or long-term lease of freight cars, locomotives and intermodal equipment, net of rental income from other railroads for the use of the Company's cars and locomotives. These expenses increased by $10 million, or 20%, in the third quarter and $52 million, or 39%, for the first nine months of 2007 when compared to the same periods in 2006. The increases in both the three- and nine-month periods were mainly due to lower car hire income as a result of the reduction in traffic for forest products and shorter car cycles offline. Also affecting the nine-month period was increased car hire expense due to reduced velocity online related to the impact of the first quarter UTU strike and adverse weather conditions in western Canada. Partially offsetting these increases was the translation impact of a stronger Canadian dollar.

Casualty and other: Casualty and other expense includes expenses for personal injuries, environmental, freight and property damage, insurance, bad debt and operating taxes, as well as travel expenses. These expenses increased by $10 million, or 13%, in the third quarter and decreased by $8 million, or 3%, for the first nine months of 2007 when compared to the same periods in 2006. The increases in the third quarter were mainly due to higher accident costs, which were partially offset by lower environmental expenses. The decreases in the nine-month period were due primarily to a lower expense for legal claims following the results of the actuarial valuation for non-occupational disease claims in the second quarter of 2007, which was partly offset by increased accident costs as well as higher travel expenses for the deployment of management employees as a result of the first quarter UTU strike.

Other

Interest expense: Interest expense decreased by $4 million, or 5%, for the third quarter of 2007 and increased by $19 million, or 8% for the first nine months of 2007 when compared to the same periods in 2006. The decrease in the third quarter was mainly due to the translation impact of a stronger Canadian dollar. The increase in the nine-month period was mainly due a higher average debt balance that was partly offset by the translation impact of a stronger Canadian dollar.

Other income (loss): In the third quarter and first nine months of 2007, the Company recorded Other income of $2 million and $7 million, respectively, compared to a loss of $10 million and $16 million, respectively, for the same periods in 2006. The increase in Other income (loss) in both the current quarter and nine-month period was due to higher income from the Company's investment in English Welsh and Scottish Railway and higher realized foreign exchange gains, which were partly offset by higher costs related to the accounts receivable securitization program.

Income tax recovery (expense): The Company recorded income tax expense of $207 million for the third quarter of 2007 compared to $255 million for the same period in 2006. For the nine-month period ended September 30, 2007, income tax expense was $571 million compared to $438 million for the same period in 2006. Included in the three and nine months ended September 30, 2007 were deferred income tax recoveries of $14 million and $44 million, respectively, resulting from the enactment of corporate income tax rate changes in Canada and net capital losses arising from a reorganization of certain subsidiaries. Included in the first nine months of 2006 was a deferred income tax recovery of $250 million, mainly due to the enactment of lower corporate income tax rates in Canada. The

effective tax rates for the third quarter and first nine months of 2007 were 29.9% and 30.1%, respectively and 33.9% and 21.6% for the corresponding periods in 2006. Excluding the deferred income tax recoveries, the effective tax rates for the first nine months of 2007 and 2006 were 32.4% and 34.0%, respectively, and 31.9% for the quarter ended September 30, 2007. The decrease in the effective tax rate, excluding the deferred income tax recoveries, was mainly due to lower corporate income tax rates in Canada.

CANADIAN NATIONAL RAILWAY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS ***(U.S. GAAP)***

Summary of quarterly financial data – unaudited

In millions, except per share data

	2007 Quarters			2006 Quarters				2005 Quarter
	Third	Second	First	Fourth	Third	Second	First	Fourth
Revenues	**$ 2,023**	$ 2,027	$ 1,906	$ 2,000	$ 2,032	$ 2,000	$ 1,897	$ 1,937
Operating income	**$ 768**	$ 811	$ 561	$ 756	$ 844	$ 805	$ 625	$ 720
Net income	**$ 485**	$ 516	$ 324	$ 499	$ 497	$ 729	$ 362	$ 430
Basic earnings per share	**$ 0.97**	$ 1.02	$ 0.64	$ 0.97	$ 0.95	$ 1.38	$ 0.68	$ 0.80
Diluted earnings per share	**$ 0.96**	$ 1.01	$ 0.63	$ 0.95	$ 0.94	$ 1.35	$ 0.66	$ 0.78
Dividend declared per share	**$ 0.2100**	$ 0.2100	$ 0.2100	$ 0.1625	$ 0.1625	$ 0.1625	$ 0.1625	$ 0.1250

Certain of the 2006 and 2005 comparative figures have been reclassified in order to be consistent with the 2007 presentation (see the Revenue reclassification section of this MD&A).

Revenues generated by the Company during the year are influenced by seasonal weather conditions, general economic conditions, cyclical demand for rail transportation, and competitive forces in the transportation marketplace. Operating expenses reflect the impact of freight volumes, seasonal weather conditions, labor costs, fuel prices, and the Company's productivity initiatives.

The Company's quarterly results include items that impact the quarter-over-quarter comparability of the results of operations: the third quarter of 2007 included deferred income tax recoveries of $14 million ($0.03 per basic or diluted share) resulting from the enactment of corporate income tax rate changes in Canada and net capital losses arising from a reorganization of certain subsidiaries; the second quarter of 2007 included a deferred income tax recovery of $30 million ($0.06 per basic or diluted share), resulting from the enactment of lower corporate income tax rates in Canada; the Company estimated that the UTU strike negatively impacted first-quarter 2007 operating income and net income by approximately $50 million and $35 million, respectively ($0.07 per basic or diluted share); the fourth quarter of 2006 included a deferred income tax recovery of $27 million ($0.05 per basic or diluted share), relating mainly to the resolution of matters pertaining to prior years' income taxes; the second quarter of 2006 included a deferred income tax recovery of $250 million ($0.48 per basic share or $0.46 per diluted share), primarily resulting from the enactment of lower corporate income tax rates in Canada; and the continued fluctuations in the Canadian dollar relative to the U.S. dollar has affected the conversion of the Company's U.S. dollar-denominated revenues and expenses and resulted in fluctuations in net income in the rolling eight quarters presented above.

Revenue reclassification

Certain of the comparative figures have been reclassified in order to be consistent with the 2007 presentation as discussed herein. As a result of the Company's expansion of its existing non-rail transportation services, in combination with its rail service, the Company has become primarily responsible for the fulfillment of the transportation of goods involving non-rail activities. In order to be consistent with other non-rail transportation services, the Company reclassified certain operating expenses incurred for non-rail transportation services, which were previously netted with their related revenues, to reflect the gross reporting of revenues where appropriate. This change had no impact on the Company's operating income and net income, as both revenues and operating expenses were increased by $92 million and $225 million in the three and nine months ended September 30, 2007, respectively,

and $51 million and $155 million, respectively, for the same periods in 2006. In addition, the Company reclassified its non-rail transportation revenues to Other revenue. Previously, various revenues for non-rail transportation services were reported in both Rail freight revenue and Other revenue.

CANADIAN NATIONAL RAILWAY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(U.S. GAAP)*

Liquidity and capital resources

The Company's principal source of liquidity is cash generated from operations. The Company also has the ability to fund liquidity requirements through its revolving credit facility, the issuance of debt and/or equity, and the sale of a portion of its accounts receivable through a securitization program. In addition, from time to time, the Company's liquidity requirements can be supplemented by the disposal of surplus properties and the monetization of assets.

Operating activities: Cash provided from operating activities for the three and nine months ended September 30, 2007 was $430 million and $1,432 million, respectively, compared to $854 million and $1,878 million, respectively, for the same periods in 2006. Net cash receipts from customers and other were $5,930 million for the nine months ended September 30, 2007 compared to $5,521 million in the same period of 2006, mainly due to an increase in the proceeds received under the Company's accounts receivable securitization program. Payments for employee services, suppliers and other expenses were $3,387 million for the nine months ended September 30, 2007, an increase of $290 million when compared to the same period in 2006, principally due to higher payments for labor and fringe benefits, fuel and car hire. Payments for income taxes in the first nine months of 2007 were $706 million, an increase of $530 million when compared to 2006, mainly due to the final payment for Canadian income taxes, in respect of the 2006 fiscal year. Also consuming cash in the nine-month period ended September 30, 2007, were payments for interest, workforce reductions and personal injury and other claims of $273 million, $24 million and $58 million, respectively, compared to $227 million, $37 million and $60 million, respectively, for the same period in 2006. In the first nine months of 2007 and 2006, pension contributions were $50 million and $46 million, respectively.

Investing activities: Cash used by investing activities in the third quarter and nine months ended September 30, 2007 amounted to $336 million and $871 million, respectively, compared to $378 million and $865 million, respectively, for the comparable periods in 2006. The Company's investing activities in the first nine months of 2007 included property additions of $897 million, an increase of $71 million over the same period in 2006. The following table details property additions for the third quarter and first nine months of 2007 and 2006:

	Three months ended September 30		Nine months ended September 30	
In millions	**2007**	2006	**2007**	2006
Track and roadway	**$ 294**	$ 333	**$ 715**	$ 676
Rolling stock	**30**	38	**88**	209
Buildings	**11**	8	**32**	13
Information technology	**23**	17	**58**	51
Other	**7**	8	**27**	24
Gross property additions	**365**	404	**920**	973
Less: capital leases	**15**	20	**23**	147
Property additions	**$ 350**	$ 384	**$ 897**	$ 826

On an ongoing basis, the Company invests in capital programs for the renewal of the basic plant, the acquisition of rolling stock and other investments to take advantage of growth opportunities and to improve the Company's productivity and the fluidity of its network. For 2007, the Company expects its capital programs to approximate $1.6 billion.

CANADIAN NATIONAL RAILWAY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(U.S. GAAP)*

Free cash flow
The Company generated $142 million and $193 million of free cash flow for the three and nine months ended September 30, 2007, compared to $391 million and $1,131 million for the same 2006 periods. Free cash flow does not have any standardized meaning prescribed by GAAP and therefore, may 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, excluding changes in the accounts receivable securitization program, less cash used by investing activities and after the payment of dividends, calculated as follows:

	Three months ended September 30		**Nine months ended September 30**	
In millions	**2007**	2006	**2007**	2006
Cash provided from operating activities	**$ 430**	$ 854	**$ 1,432**	$ 1,878
Cash used by investing activities	**(336)**	(378)	**(871)**	(865)
Cash provided before financing activities	**94**	476	**561**	1,013
Adjustments:				
Change in accounts receivable securitization	**152**	-	**(52)**	375
Dividends paid	**(104)**	(85)	**(316)**	(257)
Free cash flow	**$ 142**	$ 391	**$ 193**	$ 1,131

Financing activities: Cash used by financing activities for the third quarter and nine months ended September 30, 2007, totaled $121 million and $526 million, respectively, compared to $627 million and $1,019 million, respectively, for the same 2006 periods. In September 2007, the Company issued U.S.$250 million (Cdn$250 million) of 5.85% Notes due 2017 and U.S.$300 million (Cdn$300 million) of 6.375% Debentures due 2037. The Company used the net proceeds of U.S.$544 million to repay a portion of its outstanding commercial paper and to reduce its accounts receivable securitization program. In 2007 and 2006, issuances and repayments of long-term debt related principally to the Company's commercial paper program.

During the third quarter and first nine months of 2007, the Company recorded $15 million and $23 million, respectively, in assets it acquired through equipment leases ($20 million and $148 million for the third quarter and first nine months of 2006, respectively), for which an equivalent amount was recorded in debt.

Cash received from options exercised during the quarters ended September 30, 2007 and 2006 was $9 million and $4 million, respectively, and the related tax benefit realized upon exercise was $9 million and nil, respectively. Cash received from options exercised during the first nine months of 2007 and 2006 was $57 million and $63 million, respectively, and the related tax benefit realized upon exercise was $25 million and $15 million, respectively.

During the first nine months of 2007, the Company repurchased 20.8 million common shares under its share repurchase programs: 8.3 million common shares in the third quarter for $452 million (weighted-average price of $54.46 per share) under its new 33.0 million share repurchase program and 12.5 million common shares for $687 million (weighted-average price of $54.93 per share) under its previous 28.0 million share repurchase program, which ended in the second quarter of 2007.

The Company paid a quarterly dividend of $0.21 per share amounting to $104 million for the third quarter and $316 million for the first nine months of 2007 compared to $85 million and $257 million, respectively, at the rate of $0.1625 per share, for the same periods in 2006.

CANADIAN NATIONAL RAILWAY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(U.S. GAAP)*

CN's debt-to-total capitalization ratio was 36.8% at September 30, 2007, compared to 36.5% at September 30, 2006. At September 30, 2007, the adjusted debt-to-total capitalization ratio was 40.2%, compared to 39.6% at September 30, 2006. Management believes that adjusted debt-to-total capitalization is a useful measure of performance and aims to show the true leverage of the Company. However, since this adjusted measure does not have any standardized meaning prescribed by GAAP, it may not be comparable to similar measures presented by other companies and, as such, should not be considered in isolation.

September 30,	**2007**	2006
Debt-to-total capitalization ratio [(a)]	**36.8%**	36.5%
Add: Present value of operating lease commitments plus securitization financing [(b)]	**3.4%**	3.1%
Adjusted debt-to-total capitalization ratio [(c)]	**40.2%**	39.6%

(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.

(c) Adjusted debt-to-total capitalization is calculated as adjusted debt (total long-term debt, plus current portion of long-term debt, plus the present value of operating lease commitments, plus securitization financing) divided by the sum of adjusted debt plus total shareholders' equity.

The Company has access to various financing arrangements:

Revolving credit facility
The Company's U.S.$1 billion revolving credit facility, expiring in October 2011, is available for general corporate purposes, including back-stopping the Company's commercial paper program, and provides for borrowings at various interest rates, including the Canadian prime rate, bankers' acceptance rates, the U.S. federal funds effective rate and the London Interbank Offer Rate, plus applicable margins. The credit facility agreement has one financial covenant, which limits debt as a percentage of total capitalization, and with which the Company has been in compliance. As at September 30, 2007, the Company had letters of credit drawn on its revolving credit facility of $58 million ($308 million as at December 31, 2006).

Commercial paper
The Company has a commercial paper program, which is backed by a portion of its revolving credit facility, enabling it to issue commercial paper up to a maximum aggregate principal amount of $800 million, or the U.S. dollar equivalent. Commercial paper debt is due within one year but is classified as long-term debt, reflecting the Company's intent and contractual ability to refinance the short-term borrowings through subsequent issuances of commercial paper or drawing down on the long-term revolving credit facility. As at September 30, 2007, the Company had total borrowings of $377 million, of which $136 million was denominated in Canadian dollars and $241 million was denominated in U.S. dollars (U.S.$242 million). The weighted-average interest rate on these borrowings was 5.43%. The Company had no commercial paper outstanding as at December 31, 2006.

Shelf prospectus and registration statement

In September 2007, the Company utilized the remaining U.S.$550 million balance of its shelf prospectus and registration statement to issue U.S.$250 million (Cdn$250 million) of 5.85% Notes due 2017 and U.S.$300 million (Cdn$300 million) of 6.375% Debentures due 2037. The Company used the net proceeds of U.S.$544 million to repay a portion of its outstanding commercial paper and to reduce its accounts receivable securitization program.

The Company's access to current and alternate sources of financing at competitive costs is dependent on its credit rating. The Company is not currently aware of any material adverse trend, event or condition that would significantly affect the Company's credit rating.

All forward-looking information provided in this section is subject to risks and uncertainties and is based on assumptions about events and developments that may not materialize or that may be offset entirely or partially by other events and developments. See the Business risks section of this MD&A for a discussion of assumptions and risk factors affecting such forward-looking statements.

CANADIAN NATIONAL RAILWAY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(U.S. GAAP)*

Contractual obligations

In the normal course of business, the Company incurs contractual obligations. The following table sets forth the Company's contractual obligations for the following items as at September 30, 2007:

In millions	**Total**	2007	2008	2009	2010	2011	2012 & thereafter
Long-term debt obligations [a]	**$ 4,784**	$ -	$ 171	$ 299	$ -	$ 774	$ 3,540
Interest on long-term debt obligations	**5,561**	57	294	283	270	265	4,392
Capital lease obligations [b]	**1,149**	90	106	127	71	133	622
Operating lease obligations [c]	**554**	40	129	105	86	62	132
Purchase obligations [d]	**815**	465	253	49	41	7	-
Other long-term liabilities reflected on the balance sheet [e]	**929**	23	65	58	51	47	685
Total obligations	**$ 13,792**	**$ 675**	**$ 1,018**	**$ 921**	**$ 519**	**$ 1,288**	**$ 9,371**

(a) Presented net of unamortized discounts, of which $836 million relates to non-interest bearing Notes due in 2094, and excludes capital lease obligations of $851 million which are included in "Capital lease obligations."

(b) Includes $851 million of minimum lease payments and $298 million of imputed interest at rates ranging from 3.0% to 7.9%.

(c) Includes minimum rental payments for operating leases having initial non-cancelable lease terms of one year or more. The Company also has operating lease agreements for its automotive fleet with minimum one-year non-cancelable terms for which its practice is to renew monthly thereafter. The estimated annual rental payments for such leases are approximately $30 million and generally extend over five years.

(d) Includes commitments for railroad ties, rail, freight cars, locomotives and other equipment and services, and outstanding information technology service contracts and licenses.

(e) Includes expected payments for workers' compensation, workforce reductions, postretirement benefits other than pensions and environmental liabilities that have been classified as contractual settlement agreements.

For 2007 and the foreseeable future, the Company expects cash flow from operations and from its various sources of financing to be sufficient to meet its debt repayments and future obligations, and to fund anticipated capital expenditures. The Company is not aware of any trends, events or conditions or expected fluctuations in liquidity that would create any deficiencies. See the Business risks section of this MD&A for a discussion of assumptions and risk factors affecting such forward-looking statement.

Agreement to acquire Elgin, Joliet and Eastern Railway Company (EJ&E)

In September 2007, the Company entered into an agreement with the U.S. Steel Corporation (U.S. Steel) for the acquisition of the key operations of EJ&E for a purchase price of approximately U.S.$300 million. Under the terms of the agreement, the Company will acquire substantially all of the railroad assets and equipment of EJ&E, except those

that support the Gary Works site in Northwest Indiana and the steelmaking operations of U.S. Steel. The acquisition will be financed by debt and cash on hand.

In accordance with the terms of the agreement, the Company’s obligation to consummate the acquisition is subject to the Company having obtained from the U.S. Surface Transportation Board (STB) a final, unappealable decision that approves the acquisition or exempts it from regulation and does not impose on the parties conditions that would significantly and adversely affect the anticipated economic benefits of the acquisition to the Company.

The Company believes that if its application to acquire EJ&E is approved by the STB as filed, the transaction should close by mid-2008. If the transaction is approved, the Company will account for the acquisition using the purchase method of accounting.

Investment in English Welsh and Scottish Railway (EWS)

In July 2007, Germany's state-owned railway, Deutsche Bahn AG, entered into an agreement to acquire all of the shares of EWS, a company that provides most of the rail freight services in Great Britain and operates freight trains through the English Channel

Tunnel, and in which the Company has a 32% ownership interest. The acquisition is subject to approval by the European Commission, which is expected in the fourth quarter of 2007. The final purchase price is subject to the resolution of certain items, for which funds will be placed in escrow for a period of up to two years. The Company's share of the net after-tax cash proceeds is estimated to be $85 million, before the ultimate resolution of the items mentioned above. The proceeds of disposition are expected to exceed the Company's carrying value of the investment. The Company's investment in EWS has been reclassified to Other current assets.

Sale of Central Station Complex

In September 2007, CN reached an agreement with Homburg Invest Inc., to sell its Central Station Complex in Montreal. Under the agreement, CN will enter into long-term arrangements to lease back its corporate headquarters building and the Central Station railway passenger facilities. The transaction, subject to customary closing requirements and regulatory approvals, will generate proceeds of $355 million before any transaction costs for the Company and is expected to be finalized by the end of the current year. The book value of the assets being sold, excluding assets that will be accounted for as capital leases, has been reclassified to Other current assets. The proceeds of disposition are expected to exceed the Company's net book value of the underlying assets. Any gain resulting from the sale and leaseback of the corporate headquarters building and the Central Station railway passenger facilities will be deferred and amortized over the shorter of the lease period and the life of the assets.

Off balance sheet arrangements

Accounts receivable securitization
The Company has a five-year agreement, expiring in May 2011, to sell an undivided co-ownership interest of up to a maximum of $600 million in a revolving pool of freight receivables to an unrelated trust. Pursuant to the agreement, the Company sells an interest in its receivables and receives proceeds net of the required reserves as stipulated in the agreement.

The Company has retained the responsibility for servicing, administering and collecting the receivables sold. At September 30, 2007, the servicing asset and liability were not significant. Subject to customary indemnifications, the trust's recourse is generally limited to the receivables.

The Company accounted for the securitization program as a sale, because control over the transferred accounts receivable was relinquished. Due to the relatively short collection period and the high quality of the receivables sold, the fair value of the undivided interest transferred to the trust approximated the book value thereof.

The Company is subject to customary reporting requirements for which failure to perform could result in termination of the program. In addition, the trust is subject to customary credit rating requirements, which if not met, could also result in termination of the program. The Company monitors the reporting requirements and is currently not aware of any trends, events or conditions that could cause such termination.

The accounts receivable securitization program provides the Company with readily available short-term financing for general corporate use. In the event the program is terminated before its scheduled maturity, the Company expects to meet its future payment obligations through its various sources of financing, including its revolving credit facility and commercial paper program, and/or access to capital markets.

At September 30, 2007, the Company had sold receivables that resulted in proceeds of $406 million under the accounts receivable securitization program ($393 million at December 31, 2006). The retained interest in the receivables was approximately 10% of this amount and is recorded in Other current assets.

Guarantees and indemnifications

In the normal course of business, the Company enters into agreements that may involve providing certain guarantees or indemnifications to third parties and others, which may extend beyond the term of the agreement. 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. 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.

The nature of these guarantees or indemnifications, the maximum potential amount of future payments, the carrying amount of the liability, if any, and the nature of any recourse provisions are disclosed in Note 7 – Major commitments and contingencies, to the Company's unaudited Interim Consolidated Financial Statements.

Stock plans

The Company has various stock-based incentive plans for eligible employees. A description of the plans is provided in Note 12 – Stock plans, to the Company's 2006 Annual Consolidated Financial Statements. For the three and nine months ended September 30, 2007, the Company recorded total compensation expense for awards under all plans of $39 million and $112 million, respectively, and $7 million and $48 million, respectively, for the same periods in 2006. The total tax benefit recognized in income in relation to stock-based compensation expense for the three and nine months ended September 30, 2007, was $12 million and $33 million, respectively, and $1 million and $12 million, respectively, for the same periods in 2006. Additional disclosures are provided in Note 5 – Stock plans, to the Company's unaudited Interim Consolidated Financial Statements.

Pensions and other postretirement benefits

On January 1, 2007, pursuant to Statement of Financial Accounting Standards (SFAS) No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of Financial Accounting Standards Board (FASB) Statements No. 87, 88, 106, and 132(R)," the Company early adopted the requirement to measure the defined benefit plan assets and the projected benefit obligation as of the date of the fiscal year-end statement of financial position for its U.S. plans. The Company elected to use the 15-month transition method, which allows for the extrapolation of net periodic benefit cost based on the September 30, 2006 measurement date to the fiscal year-end date of December 31, 2007. As a result, the Company recorded a reduction of $3 million to Retained earnings at January 1, 2007, which represents the net periodic benefit cost attributable to the period between the early measurement date of September 30, 2006 and January 1, 2007 (the date of adoption).

Income taxes

Uncertain tax positions
On January 1, 2007, the Company adopted FASB Interpretation (FIN) No. 48, "Accounting for Uncertainty in Income Taxes," which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. The application of FIN No. 48 on January 1, 2007 had the effect of decreasing the net deferred income tax liability and increasing Retained earnings by $98 million.

At January 1, 2007, the total amount of unrecognized tax benefits was $80 million, of which $36 million related to accrued interest and penalties. The total amount of the gross unrecognized tax benefits was $140 million, before considering tax treaties and other arrangements between taxation authorities. If recognized, all of the unrecognized tax benefits would affect the effective tax rate. The amount of unrecognized tax benefits did not significantly change as at September 30, 2007.

The Company recognizes interest accrued and penalties related to unrecognized tax benefits in Income tax expense in the Company's Consolidated Statement of Income. The amount of interest and penalties expense for the three and nine months ended September 30, 2007 was not significant.

In Canada, the federal income tax returns filed for the years 2002 to 2006 and the provincial income tax returns filed for the years 1998 to 2006 remain subject to examination by the taxation authorities. In the U.S., the income tax returns filed for the years 2004 to 2006 remain subject to examination by the taxation authorities.

Cash tax payments
The Company is required to make scheduled installment payments as prescribed by the tax authorities. In the U.S., tax installments are based on the forecasted income taxes payable for the current fiscal year. Payments made in 2006 were $177 million and are expected to remain at the same level for 2007, of which $68 million was paid in the first nine months of 2007 ($109 million in the first nine months of 2006). In Canada, payments in 2006 were $130 million and the final payment in the first quarter of 2007, in respect of the 2006 fiscal year, was $367 million. For the 2007 fiscal year, the Company expects to pay approximately $400 million of taxes in Canada based on the 2007 taxes payable, of which $271 million was paid in the first nine months of 2007 ($67 million in the first nine months of 2006).

See the Business risks section of this MD&A for a discussion of assumptions and risk factors affecting such forward-looking statements.

Tax rate changes
Rate enactments:
In the third quarter of 2007, the enactment of a new Michigan income-based business tax to replace the single business tax was shortly followed by the enactment of an additional bill, which allows for future deductions equal to the net taxable temporary differences existing at the beginning of 2008. Therefore, there was no impact on the deferred income tax liability.

For the three and nine months ended September 30, 2007, the Company recorded deferred income tax recoveries of $14 million and $44 million, respectively, in the Consolidated Statement of Income for the enactment of corporate income tax rate changes in Canada and net capital losses arising from a reorganization of certain subsidiaries.

For the nine months ended September 30, 2006, the Company recorded a deferred income tax recovery of $250 million in the Consolidated Statement of Income, resulting primarily from the enactment of lower corporate income tax rates in Canada.

Future rate enactments:
The Manitoba government has proposed reductions to the provincial corporate income tax rate as part of its Provincial Budget, which will be phased in through to July 1, 2009. As a result, the Company's net deferred income tax liability will be reduced by approximately $10 million when the new rates are enacted into law.

Common stock

Share repurchase programs
On July 23, 2007, the Board of Directors of the Company approved a new share repurchase program which allows for the repurchase of up to 33.0 million common shares between July 26, 2007 and July 25, 2008 pursuant to a normal course issuer bid, at prevailing market prices or such other price as may be permitted by the Toronto Stock Exchange.

In the third quarter of 2007, under this current share repurchase program, the Company repurchased 8.3 million common shares for $452 million, at a weighted-average price of $54.46 per share.

In the second quarter of 2007, the Company completed its 28.0 million share repurchase program, which began on July 25, 2006, repurchasing a total of 28.0 million common shares for $1,453 million, at a weighted-average price of $51.88 per share. Of this amount, 12.5 million common shares were repurchased in 2007 for $687 million, at a weighted-average price of $54.93 per share.

Outstanding share data

As at October 22, 2007, the Company had 494.5 million common shares outstanding.

CANADIAN NATIONAL RAILWAY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(U.S. GAAP)*

Critical accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the period, the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, management reviews its estimates based upon currently available information. Actual results could differ from these estimates. The Company's policies for personal injury and other claims, environmental claims, depreciation, pensions and other postretirement benefits, and income taxes, require management's more significant judgments and estimates in the preparation of the Company's consolidated financial statements and, as such, are considered to be critical. The discussion on the methodology and assumptions underlying these critical accounting estimates, their effect on the Company's results of operations and financial position for the past three years ended December 31, 2006, as well as the effect of changes to these estimates, can be found on pages 47 to 53 of the Company's 2006 Annual Report. As at September 30, 2007 and December 31 and September 30, 2006, the Company had the following amounts outstanding:

In millions	**September 30 2007** *(Unaudited)*	December 31 2006	September 30 2006 *(Unaudited)*
Pension asset	**$ 1,367**	$ 1,275	$ 629
Pension liability	**199**	195	159
Other postretirement benefits liability	**268**	286	305
Provision for personal injury and other claims	**500**	602	647
Provision for environmental costs	**109**	131	131
Net deferred income tax provision	**4,871**	5,131	4,804
Properties	**19,883**	21,053	20,216

Management discusses the development and selection of the Company's critical accounting estimates with the Audit Committee of the Company's Board of Directors, and the Audit Committee has reviewed the Company's related disclosures.

Business risks

Certain information included in this report may be "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, forward-looking statements involve risks, uncertainties and assumptions and while there may be a risk of recession in the U.S. economy, implicit in these statements, particularly in respect of growth opportunities, is the Company's assumption that positive economic conditions in North America and globally will continue. This assumption, although considered reasonable by the Company at the time of preparation, may not materialize. 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. Such factors include the specific risks set forth below as well as other risks detailed from time to time in reports filed by the Company with securities regulators in Canada and the United States.

Competition

The Company faces significant competition from a variety of carriers, including Canadian Pacific Railway Company (CP) which operates the other major rail system in Canada, serving most of the same industrial and population centers as the Company; long distance trucking companies; and in many markets, major U.S. railroads and other Canadian and U.S. railroads. Competition is generally based on the quality and reliability of services provided, price, and the condition and suitability of carriers' equipment. Competition is particularly intense in eastern Canada where an extensive highway network and population centers, located relatively close to one another, have encouraged significant competition from trucking companies. In addition, much of the freight carried by the Company consists of commodity goods that are available from other sources in competitive markets. Factors affecting the competitive position

of suppliers of these commodities, including exchange rates, could materially adversely affect the demand for goods supplied by the sources served by the Company and, therefore, the Company's volumes, revenues and profit margins.

In addition to trucking competition, and to a greater degree than other rail carriers, the Company's subsidiary, Illinois Central Railroad Company (ICRR), is vulnerable to barge competition because its main routes are parallel to the Mississippi River system. The use of barges for some commodities, particularly coal and grain, often represents a lower cost mode of transportation. Barge competition and barge rates are affected by navigational interruptions from ice, floods and droughts, which can cause widely fluctuating barge rates. The ability of ICRR to maintain its market share of the available freight has traditionally been affected by the navigational conditions on the river.

The significant consolidation of rail systems in the United States has resulted in larger rail systems that are able to offer seamless services in larger market areas and accordingly, compete effectively with the Company in certain markets. This requires the Company to consider arrangements or other initiatives that would similarly enhance its own service. There can be no assurance that the Company will be able to compete effectively against current and future competitors in the railroad industry and that further consolidation within the railroad industry will not adversely affect the Company's competitive position. No assurance can be given that competitive pressures will not lead to reduced revenues, profit margins or both.

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. As a result, the Company incurs significant compliance and capital costs, on an ongoing basis, associated with environmental regulatory compliance and clean-up requirements in its railroad operations and relating to its past and present ownership, operation or control of real property.

While the Company believes that it has identified the costs likely to be incurred in the next several years for environmental matters, based on known information, the Company's ongoing efforts to identify potential environmental concerns that may be associated with its properties may lead to future environmental investigations, which may result in the identification of additional environmental costs and liabilities.

In railroad and related transportation operations, it is possible that derailments, explosions or other accidents may occur that could cause harm to human health or to the environment. In addition, the Company is also exposed to liability risk, faced by the railroad industry generally, in connection with the transportation of toxic-by-inhalation hazardous materials such as chlorine and anhydrous ammonia, commodities that are essential to the public health and welfare and that, as a common carrier, the Company has a duty to transport. As a result, the Company may incur costs in the future, which may be material, to address any such harm, including costs relating to the performance of clean-ups, natural resource damages and compensatory or punitive damages relating to harm to individuals or property.

The ultimate cost of known contaminated sites cannot be definitively established, and the estimated environmental liability for any given site may vary depending on the nature and extent of the contamination, the available clean-up

techniques, the Company's share of the costs and evolving regulatory standards governing environmental liability. Also, additional contaminated sites yet unknown may be discovered or future operations may result in accidental releases. For these reasons, there can be no assurance that material 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 environmental liabilities or costs.

Personal injury and other claims

In the normal course of its operations, the Company becomes involved in various legal actions, including claims relating to personal injuries, occupational disease and damage to property. The Company maintains provisions for such items, which it considers to be adequate for all of its outstanding or pending claims. The final outcome with respect to actions outstanding or pending at September 30, 2007, 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 financial position or results of operations in a particular quarter or fiscal year.

Labor negotiations

Canadian workforce
As at September 30, 2007, CN employed a total of 15,752 employees in Canada, of which 12,587 were unionized employees.

As of October 2007, the Company had in place labor agreements covering its entire Canadian unionized workforce, including the 2,800 employees represented by the UTU, whose agreements were extended by virtue of federal back-to-work legislation.

In September 2006, the Company began negotiating with the UTU to renew the collective agreements covering conductors and yard crews. With respect to these negotiations, on November 20, 2006, the Minister of Labour (Canada) appointed two conciliation officers to assist with negotiations pursuant to a request from the UTU, which CN had opposed as being premature. Following a conciliation process and the completion of required legislated processes, the union claimed it was in a legal strike position, and the Company would have been legally permitted to lockout the members of the UTU bargaining unit or promulgate work rule changes unilaterally on February 9, 2007. The UTU commenced a general strike on February 10, 2007. The Company sought to have the UTU work stoppage declared illegal by the Canada Industrial Relations Board (CIRB). On February 19, 2007, the CIRB issued an oral decision dismissing CN's application to have the strike declared illegal. The Company filed for judicial review of this decision on July 5, 2007.

On February 23, 2007, the Minister of Labour tabled a motion to expedite back-to-work legislation to end the strike at CN. However, the Company and the UTU continued to meet to try to resolve the impasse and reached a tentative settlement on February 24, 2007. Although passing of the legislation was suspended, the Minister of Labour indicated a willingness to pass such legislation in the event of further material labor disruption to the economy due to the strike.

On April 10, 2007, the ratification results were announced. The tentative settlement was rejected by a majority of the UTU membership. The UTU notified the Company that it would renew strike activity on April 10, 2007. To avoid the uncertainties associated with management of its operations in the context of the UTU rotating strike actions, on April 11, 2007, the Company began locking-out employees that withdrew their services.

On April 17, 2007, the Minister of Labour passed the motion to expedite back-to-work legislation to end the strike at CN, which was originally tabled on February 23, 2007. The act, titled *An Act to Provide for the Resumption and Continuation of Railway Operations*, provides for an immediate return to work as well as a final and binding arbitration (final offer selection) process to resolve outstanding collective bargaining issues between the UTU and CN. The Act was passed into law on April 18, 2007. The Company and the union presented their final offers to the appointed arbitrator on June 25, 2007. The arbitrator rendered his binding decision on July 20, 2007 and selected the Company's final offer, which effectively renews the collective agreements between the Company and the UTU for a three-year period ending July 22, 2010.

The Company has an agreement with the UTU for its Northern Quebec line, which is set to expire on December 15, 2007. Also, in September 2007, CN began bargaining with two other national unions, the United Steelworkers of America and the International Brotherhood of Electrical Workers, whose agreements expire December 31,

2007. These agreements will remain in effect and are legally binding until bargaining and the Canada Labour Code processes have been concluded.

There can be no assurance that the Company will be able to renew and have ratified its collective agreements without any strikes or lockouts or that the resolution of these collective bargaining negotiations will not have a material adverse effect on the Company's financial position or results of operations.

U.S. workforce
As at September 30, 2007, CN employed a total of 6,573 employees in the United States, of which 5,682 were unionized employees.

As of October 2007, the Company had in place agreements with bargaining units representing the entire unionized workforce at Grand Trunk Western Railroad Incorporated (GTW); Duluth, Winnipeg and Pacific Railway Company (DWP); ICRR; companies owned by CCP Holdings, Inc. (CCP); Duluth, Missabe & Iron Range Railway Company (DMIR); Bessemer & Lake Erie Railroad Company (BLE); and The Pittsburgh and Conneaut Dock Company (PCD); and 98% of the unionized workforce at companies owned by Wisconsin Central Transportation Corporation (WC). Agreements in place have various moratorium provisions, ranging from 2004 to 2011, which preserve the status quo in respect of given areas during the terms of such moratoriums. Several of these agreements are currently under renegotiation.

CANADIAN NATIONAL RAILWAY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(U.S. GAAP)*

The general approach to labor negotiations by U.S. Class I railroads is to bargain on a collective national basis. GTW, DWP, ICRR, CCP, WC, DMIR, BLE and PCD have bargained on a local basis rather than holding national, industry-wide negotiations because they believe it results in agreements that better address both the employees' concerns and preferences, and the railways' actual operating environment. However, local negotiations may not generate federal intervention in a strike or lockout situation, since a dispute may be localized. The Company believes the potential mutual benefits of local bargaining outweigh the risks.

Negotiations are ongoing with the bargaining units with which the Company does not have agreements or settlements. Until new agreements are reached or the processes of the Railway Labor Act have been exhausted, the terms and conditions of existing agreements generally continue to apply. On July 19, 2006, one of the unions representing 250 GTW employees took a one-day strike action during the mediation process. However, a U.S. District Court subsequently determined that the strike action was improper and enjoined employees from further action. The employees returned to work and the Company continues to be in mediation with that union. The union filed an appeal concerning portions of the District Court decision which was heard by the appellate court on July 19, 2007. The appellate court ruled in favor of the Company and entered a preliminary injunction prohibiting the union from striking over the issues involved in the July 19, 2006 strike. There can be no assurance that there will not be any work action by any of the bargaining units with which the Company is currently in negotiations or that the resolution of these negotiations will not have a material adverse effect on the Company's financial position or results of operations.

Regulation

The Company's rail operations in Canada are subject to (i) regulation as to rate setting, level of service and network rationalization by the Canadian Transportation Agency (the Agency) under the Canada Transportation Act (the CTA), and (ii) safety regulation by the federal Minister of Transport under the Railway Safety Act and certain other statutes. The Company's U.S. rail operations are subject to (i) economic regulation by the Surface Transportation Board (STB) and (ii) safety regulation by the Federal Railroad Administration (FRA). As such, various Company business transactions must gain prior regulatory approval, with attendant risks and uncertainties, and the Company is subject to government oversight with respect to rate, service and business practice issues. In particular, the STB completed a proceeding on January 26, 2007 in which it reviewed the practice of rail carriers, including the Company and the majority of other large railroads operating within the U.S., of assessing a fuel surcharge computed as a percentage of the base rate for service. Following its review, the STB directed carriers to change that practice and adjust their fuel surcharge programs within 90 days on a basis more closely related to the amount of fuel consumed on individual movements. The Company announced a mileage-based fuel surcharge, effective April 26, 2007, to conform to the STB's decision. To make its rate dispute resolution procedures more affordable and accessible to shippers, the STB also completed a proceeding on September 5, 2007, in which it modified its rate guidelines for handling medium-size and smaller rate disputes. The Company is also subject to a variety of health, safety, security, labor, environmental and other regulations, all of which can affect its competitive position and profitability.

The Company's ownership of the former Great Lakes Transportation vessels is subject to regulation by the U.S. Coast Guard and the Department of Transportation, Maritime Administration, which regulate the ownership and operation of vessels operating on the Great Lakes and in U.S. coastal waters. While recent Congressional legislation and Coast Guard rulemakings have not adversely affected CN's ownership of these vessels, no assurance can be given that any future legislative or regulatory initiatives by the U.S. federal government will not materially adversely affect the Company's operations or its competitive and financial position.

With respect to safety, rail safety regulation in Canada is the responsibility of Transport Canada, which administers the Canadian Railway Safety Act, as well as the rail portions of other safety-related statutes. In the U.S., rail safety regulation is the responsibility of the FRA, which administers the Federal Railroad Safety Act, as well as the rail portions of other safety statutes. In addition, safety matters related to security are overseen by the Transportation Security Administration (TSA), which is part of the U.S. Department of Homeland Security and the Pipeline and Hazardous Materials Safety Administration (PHMSA), which, like the FRA, is part of the U.S. Department of Transportation.

The federal government carries out a review of Canadian transportation legislation periodically. The latest review resulted in a report to the Minister of Transport, released to the public on July 18, 2001, which contains numerous recommendations for legislative changes affecting all modes of transportation, including rail. On February 25, 2003, the Canadian Minister of Transport released the policy document *Straight Ahead - A Vision for Transportation in Canada*. On April 24, 2006, the Minister of Transport tabled Bill C-3, entitled *International Bridges and Tunnels Act*, relating to the safety and security and the construction and alteration of international bridges and tunnels. The Bill became law on February 1, 2007. On May 4, 2006, the Minister of Transport tabled Bill C-11, entitled *Transportation Amendment Act*, relating to passenger service providers, noise, mergers and other issues. The Bill became law on June

22, 2007. On December 14, 2006, the federal government announced a full review of the Railway Safety Act. Members of the panel to conduct the review were appointed in February 2007 and are expected to submit their report by November 2007. On May 30, 2007, the Minister of Transport tabled Bill C-58, entitled *An Act to amend the Canada Transportation Act (railway transportation)* proposing to extend the availability of the Final Offer Arbitration recourse to groups of shippers and adding a new shipper recourse to the Agency in respect of charges for incidental services provided by a railway company other than transportation services. No assurance can be given that any current or future legislative action by the federal government or other future government initiatives will not materially adversely affect the Company's financial position or results of operations.

In the United States, the Bush Administration submitted to Congress in 2007 its legislative proposal to reauthorize the Federal Railroad Safety Act. In addition, the U.S. House of Representatives is considering its own rail safety legislation (H.R. 2095) covering a broad range of safety issues, including fatigue management, positive train control, track safety standards, and other matters. The United States Senate is also considering its own safety legislation (S. 1889), which will cover a broad range of issues. Separate legislation passed by the U.S. House (H.R. 1401) in March 2007 included language that would have undermined much of the federal preemption of state and local regulation of railroads; this provision was modified in the final bill enacted into law to address litigation issues related to rail safety incidents while retaining federal preemption of rail safety regulations.

The U.S. Congress has had under consideration for several years various pieces of legislation that would increase federal economic regulation of the railroad industry, and additional legislation has been introduced in 2007 in both Houses of Congress. In addition, the Senate Judiciary Committee approved legislation in September 2007 (S. 772) to repeal the railroad industry's limited antitrust exemptions; comparable legislation has been introduced in the U.S. House of Representatives.

The STB is authorized by statute to commence regulatory proceedings if it deems them to be appropriate. On August 14, 2007, the STB proposed to change its methodology for calculating the rail industry's cost of capital that is used to evaluate the adequacy of carrier revenues and in assessing reasonableness of challenged rates. No assurance can be given that this or any future regulatory initiatives by the U.S. federal government will not materially adversely affect the Company's operations, or its competitive and financial position.

The Company is subject to statutory and regulatory directives in the United States addressing homeland security concerns, as well as by regulation by the Canada Border Services Agency (CBSA). In the U.S., these include border security arrangements, pursuant to an agreement the Company and CP entered into with U.S. Customs and Border Protection (CBP) and the CBSA. These requirements include advance electronic transmission of cargo information for U.S.-bound traffic and cargo screening (including gamma ray and radiation screening), as well as U.S. government-imposed restrictions on the transportation into the United States of certain commodities. These also include participation in CBP's Customs-Trade Partnership Against Terrorism (C-TPAT) program and designation as a low-risk carrier under CBSA's Customs Self-Assessment (CSA) program; in the third quarter of 2007, the Company successfully completed the CBP C-TPAT validation process. In the fourth quarter of 2003, the CBP issued regulations to extend advance notification requirements to all modes of transportation and the U.S. Food and Drug Administration promulgated interim final rules requiring advance notification by all modes for certain food imports into the United States. CBSA is also working on implementation of advance notification requirements for Canadian-bound traffic. In 2006, the U.S. Department of Agriculture (USDA) issued a proposed interim rule, which would remove the current exemption from inspection for imported fruits and vegetables grown in Canada and the exemptions for all transport modes from the agricultural quarantine and inspection (AQI) user fee for traffic entering the U.S. from Canada. The rule took effect for surface modes on June 1, 2007.

The Company has also worked with the Association of American Railroads to develop and put in place an extensive industry-wide security plan to address terrorism and security-driven efforts by state and local governments seeking to restrict the routings of certain hazardous materials. If such state and local routing restrictions were to go into force, they would be likely to add to security concerns by foreclosing the Company's most optimal and secure transportation routes, leading to increased yard handling, longer hauls, and the transfer of traffic to lines less suitable for moving hazardous materials, while also infringing upon the exclusive and uniform federal oversight over railroad security matters. In addition to recommended security action items for the rail transportation of toxic inhalation hazard (TIH) materials jointly announced by the TSA and the FRA on June 23, 2006 and November 21, 2006, the TSA and the PHMSA also separately issued, on December 21, 2006, related notices of proposed rulemakings. Among other things, the TSA's regulations would require rail carriers operating within the U.S. to provide upon request, within one hour, location and shipping information on cars on their networks containing TIH materials and certain radioactive or explosive materials, and ensure the secure, attended transfer of all such cars to and from shippers, receivers and other carriers. The PHMSA's regulations would require carriers to report annually the volume and route-specific data for cars containing these commodities; conduct a safety and security risk

analysis for each used route; identify a commercially practicable alternative route for each used route; and select for use the practical route posing the least safety and security risk. The final TSA and PHMSA regulations are expected to be issued in late 2007.

While the Company will continue to work closely with the CBSA, CBP, and other Canadian and U.S. agencies, as described above, no assurance can be given that these and future decisions by the U.S., Canadian, provincial, state, or local governments on homeland security matters, legislation on security matters enacted by the U.S. Congress, or joint decisions by the industry in response to threats to the North American rail network, will not materially adversely affect the Company's operations, or its competitive and financial position.

Business prospects and other risks

In any given year, the Company, like other railroads, is susceptible to changes in the economic conditions of the industries and geographic areas that produce and consume the freight it transports or the supplies it requires to operate. In addition, many of the goods and commodities carried by the Company experience cyclicality in demand. Many of the bulk commodities the Company transports move offshore and are affected more by global rather than North American economic conditions. The Company's results of operations can be expected to reflect these conditions because of the significant fixed costs inherent in railroad operations.

Global as well as North American trade conditions, including trade barriers on certain commodities, may interfere with the free circulation of goods across Canada and the United States.

The Company, like other railway companies in North America, may experience demographic challenges in the employment levels of its workforce. Changes in employee demographics, training requirements and the availability of qualified personnel could negatively impact the Company's ability to meet demand for rail service. The Company is monitoring employment levels to ensure that there is an adequate supply of personnel to meet rail service requirements. However, the Company's efforts to attract and retain qualified personnel may be hindered by increased demand in the job market. No assurance can be given that the demographic challenges will not materially adversely affect the Company's operations or its financial position.

The Company, like other railroads, is susceptible to the volatility of fuel prices due to changes in the economy or supply disruptions. Rising fuel prices could materially adversely affect the Company's expenses. As such, CN has implemented a fuel surcharge program to largely offset the impact of rising fuel prices. No assurance can be given that continued increases in fuel prices or supply disruptions will not materially adversely affect the Company's operations or its financial position.

Overall return in the capital markets, and the level of interest rates, affect the funded status of the Company's pension plans as well as the Company's results of operations. Adverse changes with respect to pension plan returns and the level of interest rates from the date of the last actuarial valuation may increase future pension contributions and could have a material adverse effect on the Company's results of operations. The funding requirements, as well as the impact on the results of operations, will be determined following the completion of future actuarial valuations.

Potential terrorist actions can have a direct or indirect impact on the transportation infrastructure, including railway infrastructure in North America, and interfere with the free flow of goods. International conflicts can also have an impact on the Company's markets.

The Company conducts its business in both Canada and the U.S. and as a result, is affected by currency fluctuations. Based on the Company’s current operations, the estimated annual impact on net income of a year-over-year one-cent change in the Canadian dollar relative to the U.S. dollar is approximately $10 million. Changes in the exchange rate between the Canadian dollar and other currencies (including the U.S. dollar) make the goods transported by the Company more or less competitive in the world marketplace and thereby further affect the Company’s revenues and expenses.

Should a significant economic slowdown or recession occur in North America or other key markets, or should major industrial restructuring take place, the volume of rail shipments carried by the Company may be adversely affected.

In addition to the inherent risks of the business cycle, the Company’s operations are occasionally susceptible to severe weather conditions, which can disrupt operations and service for the railroad as well as for the Company’s customers. In recent years, severe drought conditions in western Canada, for instance, significantly reduced bulk commodity revenues, principally grain.

Generally accepted accounting principles require the use of historical cost as the basis of reporting in financial statements. As a result, the cumulative effect of inflation, which has significantly increased asset replacement costs for capital-intensive companies such as CN, is not reflected in operating expenses. Depreciation charges on an inflation-adjusted basis, assuming that all operating assets are replaced at current price levels, would be substantially greater than historically reported amounts.

Controls and procedures

The Company's Chief Executive Officer and its Chief Financial Officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2007, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been made known to them.

During the third quarter ending September 30, 2007, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Additional information, including the Company's 2006 Annual Information Form (AIF) and Form 40-F, as well as the Company's Notice of Intention to Make a Normal Course Issuer Bid, may be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. Copies of such documents may be obtained by contacting the Corporate Secretary's office.

Montreal, Canada
October 22, 2007

Item 4

Statement of CEO Regarding Facts and Circumstances Relating to Exchange Act Filings

I, E. Hunter Harrison, certify that:

(1) I have reviewed this report on Form 6-K of Canadian National Railway Company;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2007

/s/ E. Hunter Harrison
E. Hunter Harrison
President and Chief Executive Officer

Item 5

Statement of CFO Regarding Facts and Circumstances Relating to Exchange Act Filings

I, Claude Mongeau, certify that:

(1) I have reviewed this report on Form 6-K of Canadian National Railway Company;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b)

Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2007

/s/ Claude Mongeau
Claude Mongeau
Executive Vice-President
and Chief Financial Officer

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 26, 2007	By:	/s/ Cristina Circelli	
		Name:	Cristina Circelli
		Title:	Deputy Corporate Secretary and General Counsel