CANADIAN NATIONAL RAILWAY CO
Form 6-K
April 30, 2010

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 April, 2010

Commission File Number: 001-02413

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

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

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

Form 20-F ____ Form 40-F X

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

Yes ____ No X

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

Yes ____ No X

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

Yes ____ No X

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

Canadian National Railway Company

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1. News Release dated April 26, 2010 entitled, "CN reports Q1-2010 net income of C$511 million, or C$1.08 per diluted share. Excluding rail-line sale, adjusted Q1-2010 net income was C$380 million, or C$0.80 per diluted share."

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

CANADIAN NATIONAL RAILWAY COMPANY
PRESS RELEASE

Item 1

North America's Railroad

CN reports Q1-2010 net income of C$511 million,
or C$1.08 per diluted share

Excluding rail-line sale, adjusted Q1-2010 net income
was C$380 million, or C$0.80 per diluted share

MONTREAL, April 26, 2010 — CN (TSX: CNR)(NYSE: CNI) today reported its financial and operating results for the first quarter ended March 31, 2010.

First-quarter 2010 highlights

- Net income increased 21 per cent from the year-earlier quarter to C$511 million, with diluted earnings per share (EPS) rising 20 per cent to C$1.08. The results included an after-tax gain of C$131 million, or C$0.28 per diluted share, from a rail-line sale to a Toronto-area transit agency.
- Excluding the gain on the rail-line sale, CN reported adjusted diluted first-quarter 2010 EPS of C$0.80, compared with adjusted diluted EPS of C$0.64 for the same quarter of 2009. (1)
- Revenues increased six per cent to C$1,965 million, while carloadings rose 16 per cent and revenue ton-miles increased 14 per cent.
- Operating income increased 25 per cent to C$603 million.
- CN's operating ratio was 69.3 per cent, compared with an adjusted operating ratio of 71.7 per cent for first-quarter 2009. (1)
- Free cash flow increased to C$493 million from C$207 million for the year-earlier period. (1)

Claude Mongeau, president and chief executive officer, said: "I am very pleased with CN's first-quarter results in terms of both earnings growth and free cash flow generation. We delivered a solid winter operating performance, allowing us to accommodate increased freight volumes at low incremental cost and significantly improve service to help our customers take advantage of the stronger than expected economic recovery."

Revised 2010 outlook (2)
CN's favorable first-quarter results and assumption of a stronger economic recovery going forward have led the Company to revise its 2010 earnings estimate upward, even though CN faces the prospect of a higher than anticipated Canadian dollar. In percentage terms, CN is now aiming for solid double-digit growth in 2010 adjusted diluted EPS over adjusted diluted EPS of C$3.24 in 2009, and expects free cash flow in the order of C$1 billion for the year. (1)

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CANADIAN NATIONAL RAILWAY COMPANY
PRESS RELEASE

CN’s revised 2010 free cash flow outlook is a result of the Company’s good first-quarter performance, its higher earnings forecast for the year, and cash proceeds from the Toronto rail-line sale.

Mongeau said: “Our team is building momentum. We are focused on operational excellence to drive network velocity and to innovate on the service front – our goal is to offer our customers a better transportation product to help them compete in their end markets. If the economy continues on its recovery trend, increased traffic levels and solid execution should help CN produce strong financial results for its shareholders in 2010 and beyond.”

Foreign currency impact on results
Although CN reports its earnings in Canadian dollars, a large portion of its revenues and expenses is denominated in U.S. dollars, which is affected by exchange-rate fluctuations. On a constant currency basis, the fluctuation of the Canadian dollar relative to the U.S. dollar had the effect of reducing CN’s first-quarter net income by C$41 million, or C$0.09 per diluted share. (1)

First quarter 2010 revenues, traffic volumes and expenses
The six per cent rise in first-quarter revenues mainly resulted from higher freight volumes in all commodity groups as a result of improving economic conditions in North America and globally; a higher fuel surcharge owing to year-over-year increases in applicable fuel prices and higher volumes; and freight rate increases. These factors were partly offset by the negative translation impact of the stronger Canadian dollar on U.S.-dollar-denominated revenues.

Revenues increased for automotive (48 per cent), coal (28 per cent), intermodal (10 per cent), metals and minerals (six per cent), and grain and fertilizers (four per cent). Revenues declined six per cent for petroleum and chemicals and five per cent for forest products.

Revenue ton-miles, measuring the relative weight and distance of rail freight transported by CN, increased 14 per cent from the year-earlier period.

Rail freight revenue per revenue ton-mile, a measurement of yield defined as revenue earned on the movement of a ton of freight over one mile, decreased seven per cent from the first quarter of 2009, largely because of the negative translation impact of the stronger Canadian dollar. This was partially offset by the impact of a higher fuel surcharge, freight rate increases, and a decrease in the average length of haul.

Operating expenses for the first quarter of 2010 declined one per cent, largely because of the positive translation impact of the stronger Canadian dollar on U.S.-dollar-denominated expenses, the impact of costs related to the acquisition of the Elgin, Joliet and Eastern Railway Company that were recorded in the year-earlier quarter, and a reduction in equipment rents. These factors were partially offset by higher fuel costs and increased labor and fringe benefits expenses.

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(1) See discussion and reconciliation of non-GAAP adjusted performance-measures in the attached supplementary schedule, Non-GAAP Measures.
(2) See Forward-Looking Statements for a summary of the key assumptions and risks regarding CN's 2010 outlook.

Forward-Looking Statements

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

Key assumptions

CN is revising its 2010 outlook, first issued on Jan. 26, 2010, in the news release announcing the Company's fourth-quarter and full-year 2009 financial results.

Current 2010 outlook:
CN, in percentage terms, is aiming for solid double-digit growth in 2010 adjusted diluted EPS over adjusted diluted EPS of C$3.24 in 2009, with free cash flow for 2010 in the order of C$1 billion. This outlook is based on the following assumptions: 2010 North American industrial production increasing in the range of five per cent; U.S. housing starts to be about 675,000 units; low double-digit carload growth, along with pricing improvement of about 3.5 per cent; Canadian-U.S. exchange rate for the year to be in the range of par; the price of crude oil (West Texas Intermediate) to be about US$85; and plans to invest approximately C$1.6 billion in capital programs. In addition, CN continues to expect that U.S. motor vehicle sales will be approximately 11.5 million units for 2010. The Company also continues to assume the 2010/2011 Canadian grain-crop will be in line with the five-year average, and that in 2010 the crop will be complemented by a good carryover stock from 2009.

Previous 2010 outlook:
CN had previously aimed for double-digit growth in 2010 adjusted diluted EPS, with free cash flow in the order of C$700 million. Previous assumptions included 2010 North American industrial production increasing in the range of three to four per cent; U.S. housing starts to be about 750,000 units; high single-digit carload growth, along with pricing improvement of about four per cent; the Canadian-U.S. exchange rate in the range of C$0.95 to par; the price of crude oil (West Texas Intermediate) to be about US$75 to US$80 per barrel; and plans to invest approximately C$1.5 billion in capital programs.

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

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

CANADIAN NATIONAL RAILWAY COMPANY
PRESS RELEASE

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

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

Item 2

	Three months ended March 31			
		2010		2009
		(Unaudited)		
Revenues	$	1,965	$	1,859
Operating expenses				
Labor and fringe benefits		470		454
Purchased services and material		258		291
Fuel		238		182
Depreciation and amortization		205		203
Equipment rents		60		82
Casualty and other		131		166
Total operating expenses		1,362		1,378
Operating income		603		481
Interest expense		(92)		(112)
Other income (Note 2)		162		161
Income before income taxes		673		530
Income tax expense (Note 6)		(162)		(106)
Net income	$	511	$	424
Earnings per share (Note 9)				
Basic	$	1.08	$	0.91
Diluted	$	1.08	$	0.90
Weighted-average number of shares				
Basic		471.0		468.3
Diluted		474.9		472.3

See accompanying notes to unaudited consolidated financial statements.

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

	March 31 2010 (Unaudited)	December 31 2009	March 31 2009 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 748	$ 352	$ 349
Accounts receivable (Note 3)	781	797	940
Material and supplies	235	170	273
Deferred income taxes	88	105	77
Other	95	66	138
	1,947	1,490	1,777
Properties	22,269	22,630	23,947
Intangible and other assets	1,166	1,056	1,787
Total assets	$ 25,382	$ 25,176	$ 27,511
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and other	$ 1,229	$ 1,167	$ 1,280
Current portion of long-term debt	108	70	527
	1,337	1,237	1,807
Deferred income taxes	5,145	5,119	5,594
Other liabilities and deferred credits	1,199	1,196	1,371
Long-term debt	6,189	6,391	7,836
Shareholders' equity:			
Common shares	4,301	4,266	4,188
Accumulated other comprehensive loss	(980)	(948)	(126)
Retained earnings	8,191	7,915	6,841
	11,512	11,233	10,903
Total liabilities and shareholders' equity	$ 25,382	$ 25,176	$ 27,511

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 March 31			
		2010		2009
	(Unaudited)			
Common shares (1)				
Balance, beginning of period	$	4,266	$	4,179
Stock options exercised and other		56		9
Share repurchase program (Note 3)		(21)		-
Balance, end of period	$	4,301	$	4,188
Accumulated other comprehensive loss				
Balance, beginning of period	$	(948)	$	(155)
Other comprehensive income (loss):				
Unrealized foreign exchange gain (loss) on:				
Translation of the net investment in foreign operations		(207)		251
Translation of US dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries		199		(258)
Pension and other postretirement benefit plans (Note 5):				
Amortization of prior service cost included in net periodic benefit cost		1		1
Amortization of net actuarial loss included in net periodic benefit cost (income)		1		-
Other comprehensive loss before income taxes		(6)		(6)
Income tax recovery (expense)		(26)		35
Other comprehensive income (loss)		(32)		29
Balance, end of period	$	(980)	$	(126)
Retained earnings				
Balance, beginning of period	$	7,915	$	6,535
Net income		511		424
Share repurchase program (Note 3)		(108)		-
Dividends		(127)		(118)
Balance, end of period	$	8,191	$	6,841

See accompanying notes to unaudited consolidated financial statements.

(1) During the three months ended March 31, 2010, the Company issued 1.6 million common shares as a result of stock options exercised and repurchased 2.3 million common shares under its current share repurchase program. At March 31, 2010, the Company had 470.3 million common shares outstanding.

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

	Three months ended March 31 2010	2009
	(Unaudited)	
Operating activities		
Net income	$ 511	$ 424
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	205	203
Deferred income taxes	70	10
Gain on disposal of property (Note 2)	(152)	(157)
Other changes in:		
Accounts receivable	(1)	1
Material and supplies	(67)	(53)
Accounts payable and other	101	(132)
Other current assets	1	36
Other	(71)	(14)
Cash provided from operating activities	597	318
Investing activities		
Property additions	(134)	(187)
Acquisitions, net of cash acquired (Note 2)	-	(373)
Disposal of property (Note 2)	144	110
Other, net	7	4
Cash provided from (used by) investing activities	17	(446)
Financing activities		
Issuance of long-term debt	-	1,440
Reduction of long-term debt	(18)	(1,272)
Issuance of common shares due to exercise of stock options and related excess tax benefits realized	52	2
Repurchase of common shares	(129)	-
Dividends paid	(127)	(118)
Cash provided from (used by) financing activities	(222)	52
Effect of foreign exchange fluctuations on US dollar-denominated cash and cash equivalents	4	12
Net increase (decrease) in cash and cash equivalents	396	(64)
Cash and cash equivalents, beginning of period	352	413
Cash and cash equivalents, end of period	$ 748	$ 349
Supplemental cash flow information		
Net cash receipts from customers and other	$ 2,057	$ 1,904

Net cash payments for:				
Employee services, suppliers and other expenses		(1,230)		(1,366)
Interest		(91)		(106)
Personal injury and other claims		(14)		(30)
Pensions		(100)		-
Income taxes		(25)		(84)
Cash provided from operating activities	$	597	$	318

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 March 31, 2010, December 31, 2009, and March 31, 2009, and its results of operations, changes in shareholders' equity and cash flows for the three months ended March 31, 2010 and 2009.

These unaudited Interim Consolidated Financial Statements and Notes thereto have been prepared using accounting policies consistent with those used in preparing the Company's 2009 Annual Consolidated Financial Statements. While management believes that the disclosures presented are adequate to make the information not misleading, these unaudited Interim Consolidated Financial Statements and Notes thereto should be read in conjunction with the Company's Interim Management's Discussion and Analysis (MD&A) and the 2009 Annual Consolidated Financial Statements and Notes thereto.

Note 2 - Acquisition and disposal of property

2010 - Disposal of Oakville subdivision
In March 2010, the Company entered into an agreement with Metrolinx to sell a portion of the property known as the Oakville subdivision in Toronto, Ontario, together with the rail fixtures and certain passenger agreements (collectively the "Rail Property"), for proceeds of $168 million before transaction costs, of which $24 million was placed in escrow to be released in accordance with the terms of the agreement. Under the agreement, the Company obtained the perpetual right to operate freight trains over the Rail Property at its current level of operating activity, with the possibility of increasing its operating activity for additional consideration. The transaction resulted in a gain on disposal of $152 million ($131 million after-tax) that was recorded in Other income under the full accrual method of accounting for real estate transactions.

2009 - Acquisition of Elgin, Joliet and Eastern Railway Company
On January 31, 2009, the Company acquired the principal rail lines of the Elgin, Joliet and Eastern Railway Company (EJ&E), a short-line railway that operates over 198 miles of track in and around Chicago, for a total cash consideration of US$300 million (C$373 million), paid with cash on hand. The Company accounted for the acquisition using the acquisition method of accounting pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 805, "Business Combinations," which the Company adopted on January 1, 2009. As such, the consolidated financial statements of the Company include the assets, liabilities and results of operations of EJ&E as of January 31, 2009, the date of acquisition. The costs incurred to acquire the EJ&E of $49 million ($30 million after-tax) were expensed and reported in Casualty and other in the Consolidated Statement of Income for the year ended December 31, 2009, $46 million of which was in the first quarter.

2009 - Disposal of Weston subdivision
In March 2009, the Company entered into an agreement with GO Transit to sell the property known as the Weston subdivision in Toronto, Ontario, together with the rail fixtures and certain passenger agreements (collectively the "Rail Property"), for cash proceeds of $160 million before transaction costs, of which $50 million placed in escrow at the time of disposal was entirely released by December 31, 2009 in accordance with the terms of the agreement. Under

the agreement, the Company obtained the perpetual right to operate freight trains over the Rail Property at its then current level of operating activity, with the possibility of increasing its operating activity for additional consideration. The transaction resulted in a gain on disposal of $157 million ($135 million after-tax) that was recorded in Other income under the full accrual method of accounting for real estate transactions.

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

Note 3 - Financing activities

Shelf prospectus and registration statement
The Company's shelf prospectus and registration statement, filed in December 2007, expired in January 2010.

Revolving credit facility
As at March 31, 2010, the Company had letters of credit drawn on its US$1 billion revolving credit facility, expiring in October 2011, of $422 million ($421 million as at December 31, 2009). The Company did not have any outstanding borrowings under its commercial paper program (nil as at December 31, 2009).

Accounts receivable securitization
The Company has a five-year agreement, expiring in May 2011, to sell an undivided co-ownership interest in a revolving pool of freight receivables to an unrelated trust for maximum cash proceeds of $600 million. Since the fourth quarter of 2009, the Company has gradually reduced the program limit, which now stands at $100 million until January 31, 2011, to reflect the anticipated reduction in the use of the program. Thereafter, the program limit will return to $600 million until the expiry of the program. Pursuant to the agreement, the Company sells an interest in its receivables and receives proceeds net of the required reserve as stipulated in the agreement. The required reserve represents an amount set aside to allow for possible credit losses and is recognized by the Company as a retained interest and recorded in Other current assets in its Consolidated Balance Sheet. The Company retains the responsibility for servicing, administering and collecting the receivables sold and receives no fee for such ongoing servicing responsibility. The average servicing period is approximately one month. Subject to customary indemnifications, the trust's recourse is generally limited to the receivables.
As at March 31, 2010, the Company had no receivables sold under this program (the Company had sold receivables that resulted in proceeds of $2 million and recorded retained interest of approximately 10% in Other current assets as at December 31, 2009).

Share repurchase program
In January 2010, the Board of Directors of the Company approved a new share repurchase program which allows for the repurchase of up to 15.0 million common shares to the end of December 2010 pursuant to a normal course issuer bid, at prevailing market prices plus brokerage fees, or such other price as may be permitted by the Toronto Stock Exchange.
In the first quarter of 2010, the Company repurchased 2.3 million common shares for $129 million, at a weighted-average price of $56.08 per share.

Note 4 - Stock plans

The Company has various stock-based incentive plans for eligible employees. A description of the plans is provided in Note 11 – Stock plans, to the Company's 2009 Annual Consolidated Financial Statements. For the three months ended March 31, 2010, the Company recorded total compensation expense for awards under all plans of $40 million and $15 million for the same period in 2009. The total tax benefit recognized in income in relation to stock-based compensation expense for the three months ended March 31, 2010 was $11 million and $4 million for the same period in 2009.

Cash settled awards

Following approval by the Board of Directors in January 2010, the Company granted 0.5 million restricted share units (RSUs) to designated management employees entitling them to receive payout in cash based on the Company's share price. The RSUs granted by the Company are generally scheduled for payout in cash after three years ("plan period") and vest conditionally upon the attainment of a target relating to return on invested capital over the plan period. Payout is conditional upon the attainment of a minimum share price calculated using the average of the last three months of the plan period. As at March 31, 2010, 0.2 million RSUs remained authorized for future grant under this plan.

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

The following table provides the 2010 activity for all cash settled awards:

In millions	RSUs Nonvested	RSUs Vested	Voluntary Incentive Deferral Plan (VIDP) Nonvested	Voluntary Incentive Deferral Plan (VIDP) Vested
Outstanding at December 31, 2009	1.5	0.7	-	1.6
Granted	0.5	-	-	-
Payout	-	(0.7)	-	-
Outstanding at March 31, 2010	2.0	-	-	1.6

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

In millions, unless otherwise indicated	RSUs (1)					VIDP (2)	Total
Year of grant	2010	2009	2008	2007	2006	2003 onwards	
Stock-based compensation expense (recovery) recognized over requisite service period							
Three months ended March 31, 2010	$ 5	$ 12	$ 10	$ -	N/A	$ 9	$ 36
Three months ended March 31, 2009	N/A	$ 9	$ 1	$ -	$ (2)	$ -	$ 8
Liability outstanding							
March 31, 2010	$ 5	$ 25	$ 21	$ -	N/A	$ 108	$ 159
December 31, 2009	N/A	$ 13	$ 11	$ 38	N/A	$ 102	$ 164
Fair value per unit							
March 31, 2010 ($)	$ 39.43	$ 55.98	$ 54.55	N/A	N/A	$ 61.64	N/A
Fair value of awards vested during the period							
Three months ended March 31, 2010	$ -	$ -	$ -	$ -	N/A	$ 1	$ 1
Three months ended March 31, 2009	N/A	$ -	$ -	$ -	N/A	$ 1	$ 1
Nonvested awards at March 31, 2010							
Unrecognized compensation cost	$ 14	$ 12	$ 3	$ -	N/A	$ 1	$ 30

Remaining recognition period (years)	2.8	1.8	0.8	N/A	N/A	N/A (3)	N/A
Assumptions (4)							
Stock price ($)	$ 61.64	$ 61.64	$ 61.64	N/A	N/A	$ 61.64	N/A
Expected stock price volatility (5)	29%	31%	23%	N/A	N/A	N/A	N/A
Expected term (years) (6)	2.8	1.8	0.8	N/A	N/A	N/A	N/A
Risk-free interest rate (7)	1.96%	1.54%	0.72%	N/A	N/A	N/A	N/A
Dividend rate ($) (8)	$ 1.08	$ 1.08	$ 1.08	N/A	N/A	N/A	N/A

(1) Compensation cost is based on the fair value of the awards at period-end using the lattice-based valuation model that uses the assumptions as presented herein.
(2) Compensation cost is based on intrinsic value.
(3) The remaining recognition period has not been quantified as it relates solely to the 25% Company grant and the dividends earned thereon, representing a minimal number of units.
(4) Assumptions used to determine fair value are at March 31, 2010.
(5) Based on the historical volatility of the Company's stock over a period commensurate with the expected term of the award.
(6) Represents the remaining period of time that awards are expected to be outstanding.
(7) Based on the implied yield available on zero-coupon government issues with an equivalent term commensurate with the expected term of the awards.
(8) Based on the annualized dividend rate.

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

Stock option awards

Following approval by the Board of Directors in January 2010, the Company granted 0.7 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 March 31, 2010, 11.6 million common shares remained authorized for future issuances under this plan. The total number of options outstanding at March 31, 2010, including conventional and performance-accelerated options, was 8.0 million and 2.7 million, respectively.

The following table provides the activity of stock option awards in 2010. The table also provides the aggregate intrinsic value for in-the-money stock options, which represents the value that would have been received by option holders had they exercised their options on March 31, 2010 at the Company's closing stock price of $61.64.

	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, 2009 (1)	11.6	$ 30.98		
Granted	0.7	$ 54.70		
Exercised	(1.6)	$ 25.74		
Outstanding at March 31, 2010 (1)	10.7	$ 32.83	4.8	$ 308
Exercisable at March 31, 2010 (1)	8.4	$ 29.29	3.7	$ 272

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

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

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

In millions, unless otherwise indicated Year of grant	2010	2009	2008	2007	2006	2005	Total
Stock-based compensation expense recognized over requisite service period (1)							
Three months ended March 31, 2010	$ 2	$ 1	$ 1	$ -	$ -	$ -	$ 4
Three months ended March 31, 2009	N/A	$ 5	$ -	$ 1	$ 1	$ -	$ 7
Fair value per unit							
At grant date ($)	$ 13.07	$ 12.60	$ 12.44	$ 13.36	$ 13.80	$ 9.19	N/A
Fair value of awards vested during the period							
Three months ended March 31, 2010	$ -	$ 4	$ 3	$ 3	$ 3	$ -	$ 13
Three months ended March 31, 2009	N/A	$ -	$ 3	$ 3	$ 3	$ 3	$ 12
Nonvested awards at March 31, 2010							
Unrecognized compensation cost	$ 7	$ 5	$ 2	$ 1	$ -	$ -	$ 15
Remaining recognition period (years)	3.8	2.8	1.8	0.8	-	-	N/A
Assumptions							
Grant price ($)	$ 54.70	$ 42.14	$ 48.51	$ 52.79	$ 51.51	$ 36.33	N/A
Expected stock price volatility (2)	28%	39%	27%	24%	25%	25%	N/A
Expected term (years) (3)	5.4	5.3	5.3	5.2	5.2	5.2	N/A
Risk-free interest rate (4)	2.44%	1.97%	3.58%	4.12%	4.04%	3.50%	N/A
Dividend rate ($) (5)	$ 1.08	$ 1.01	$ 0.92	$ 0.84	$ 0.65	$ 0.50	N/A

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

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

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

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

(5) Based on the annualized dividend rate.

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

Note 5 - Pensions and other postretirement benefits

For the three months ended March 31, 2010 and 2009, the components of net periodic benefit cost (income) for pensions and other postretirement benefits were as follows:

(a) Components of net periodic benefit income for pensions

	Three months ended March 31	
In millions	2010	2009
Service cost	$ 27	$ 22
Interest cost	208	222
Expected return on plan assets	(252)	(252)
Recognized net actuarial loss	1	1
Net periodic benefit (income)	$ (16)	$ (7)

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

	Three months ended March 31	
In millions	2010	2009
Service cost	$ 1	$ 1
Interest cost	3	4
Curtailment gain	-	(3)
Amortization of prior service cost	1	1
Recognized net actuarial gain	-	(1)
Net periodic benefit cost	$ 5	$ 2

In 2010, the Company expects to make total contributions of approximately $130 million for all its pension plans, of which $100 million was disbursed as at March 31, 2010.

Note 6 - Income taxes

The Company recorded income tax expense of $162 million for the quarter ended March 31, 2010 compared to $106 million for the same period in 2009. Included in the first quarter of 2009 was a deferred income tax recovery of $15 million resulting from the enactment of lower provincial corporate income tax rates.

Note 7 - Major commitments and contingencies

A. Commitments

As at March 31, 2010, 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 $766 million ($854 million as at December 31, 2009). In relation to the EJ&E acquisition, the

Company has committed to spend approximately US$100 million for railroad infrastructure improvements and over US$60 million under a series of agreements with individual communities, a comprehensive voluntary mitigation program that addressed municipalities' concerns, and additional conditions imposed by the Surface Transportation Board (STB). The Company also has agreements with fuel suppliers to purchase approximately 74% of the estimated remaining 2010 volume, 32% of its anticipated 2011 volume, 27% of its anticipated 2012 and 2013 volumes, and 9% of its anticipated 2014 volume, at market prices prevailing on the date of the purchase.

CANADIAN NATIONAL RAILWAY COMPANY
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B. Contingencies
The Company becomes involved, from time to time, in various legal actions seeking compensatory and occasionally punitive damages, including actions brought on behalf of various purported classes of claimants and claims relating to personal injuries, occupational disease, and property damage, arising out of harm to individuals or property allegedly caused by, but not limited to, derailments or other accidents.

Canada
Employee injuries are governed by the workers' compensation legislation in each province whereby employees may be awarded either a lump sum or future stream of payments depending on the nature and severity of the injury. 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. With limited exceptions where claims are evaluated on a case-by-case basis, the Company follows an actuarial-based approach and accrues the expected cost for personal injury 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 by an independent actuarial firm for occupational disease claims and non-occupational disease claims. 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 March 31, 2010, the Company had aggregate reserves for personal injury and other claims of $354 million, of which $104 million was recorded as a current liability ($344 million as at December 31, 2009, of which $106 million was recorded as a current liability).
Although the Company considers such provisions to be adequate for all its outstanding and pending claims, the final outcome with respect to actions outstanding or pending at March 31, 2010, or with respect to future claims, cannot be predicted with certainty, and therefore there can be no assurance that their resolution will not have a material adverse effect on the Company's results of operations, financial position or liquidity in a particular quarter or fiscal year.

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

Known existing environmental concerns

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

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

The ultimate cost of addressing these known contaminated sites cannot be definitely established given that the estimated environmental liability for any given site may vary depending on the nature and extent of the contamination, the available clean-up techniques, the Company's share of the costs and evolving regulatory standards governing environmental liability. As a result, a liability is initially recorded when environmental assessments occur and/or remedial efforts are probable, and when the costs, based on a specific plan of action in terms of the technology to be used and the extent of the corrective action required, can be reasonably estimated. Adjustments to initial estimates are recorded as additional information becomes available.

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

As at March 31, 2010, the Company had aggregate accruals for environmental costs of $99 million, of which $37 million was recorded as a current liability ($103 million as at December 31, 2009, of which $38 million was recorded as a current liability). The Company anticipates that the majority of the liability at March 31, 2010 will be paid out over the next five years. However, some costs may be paid out over a longer period. No individual site is considered to be material. Based on the information currently available, the Company considers its provisions to be adequate.

Unknown existing environmental concerns

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

(i) the lack of specific technical information available with respect to many sites;
(ii) the absence of any government authority, third-party orders, or claims with respect to particular sites;
(iii) the potential for new or changed laws and regulations and for development of new remediation technologies and uncertainty regarding the timing of the work with respect to particular sites;
(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 liabilities or costs related to environmental matters will not be incurred in the future, or will not have a material adverse effect on the Company's financial position or results of operations in a particular quarter or fiscal year, or that the Company's liquidity will not be adversely impacted by such liabilities or costs, although management believes, based on current information, that the costs to address environmental matters will not have a material adverse effect on the Company's financial position or liquidity. Costs related to any unknown existing or future contamination will be accrued in the period in which they become probable and reasonably estimable.

D. Guarantees and indemnifications

In the normal course of business, the Company, including certain of its subsidiaries, enters into agreements that may involve providing 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.

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

(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 2010 and 2020, 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 March 31, 2010, the maximum exposure in respect of these guarantees was $196 million. There are no recourse provisions to recover any amounts from third parties.

(ii) Other guarantees
The Company, including certain of its subsidiaries, 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 March 31, 2010, the maximum potential liability under these guarantees was $472 million, of which $411 million was for workers' compensation and other employee benefits and $61 million was for equipment under leases and other. Of the $472 million of letters of credit and surety and other bonds, $422 million was drawn on the Company's US$1 billion revolving credit facility. During 2010, the Company has granted guarantees for which no liability has been recorded, as they relate to the Company's future performance.
As at March 31, 2010, 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 2010 and 2013.

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

(a) contracts granting the Company the right to use or enter upon property owned by third parties such as leases, easements, trackage rights and sidetrack agreements;
(b) contracts granting rights to others to use the Company's property, such as leases, licenses and easements;
(c) contracts for the sale of assets and securitization of accounts receivable;
(d) contracts for the acquisition of services;
(e) financing agreements;
(f) trust indentures, fiscal agency agreements, underwriting agreements or similar agreements relating to debt or equity securities of the Company and engagement agreements with financial advisors;
(g) transfer agent and registrar agreements in respect of the Company's securities;
(h) trust and other agreements relating to pension plans and other plans, including those establishing trust funds to secure payment to certain officers and senior employees of special retirement compensation arrangements;
(i) pension transfer agreements;
(j) master agreements with financial institutions governing derivative transactions; 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.

During the period, the Company entered into various indemnification contracts with third parties for which the maximum exposure for future payments cannot be determined with certainty. As a result, the Company was unable to determine the fair value of these guarantees and accordingly, no liability was recorded. There are no recourse provisions to recover any amounts from third parties.

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

Note 8 – Fair value of financial instruments

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

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

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

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

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments as at March 31, 2010 and December 31, 2009 for which the carrying values on the Consolidated Balance Sheet are different from their fair values:

In millions		March 31, 2010		December 31, 2009	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
	Investments	$ 22	$ 110	$ 22	$ 111
Financial liabilities					
	Long-term debt (including current portion)	$ 6,297	$ 6,991	$ 6,461	$ 7,152

Note 9 – Earnings per share

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

	Three months ended March 31	
In millions, except per share data	2010	2009
Net income	$ 511	$ 424
Weighted-average shares outstanding	471.0	468.3

Effect of stock options		3.9		4.0
Weighted-average diluted shares outstanding		474.9		472.3
Basic earnings per share	$	1.08	$	0.91
Diluted earnings per share	$	1.08	$	0.90

The weighted-average number of stock options that were not included in the calculation of diluted earnings per share, as their inclusion would have had an anti-dilutive impact was 0.1 million for the three months ended March 31, 2010 and 1.1 million for the corresponding period in 2009.

CANADIAN NATIONAL RAILWAY COMPANY
SELECTED RAILROAD STATISTICS (1) (U.S. GAAP)

	Three months ended March 31 2010 (Unaudited)	2009
Statistical operating data		
Rail freight revenues ($ millions)	1,788	1,696
Gross ton miles (GTM) (millions)	83,990	73,557
Revenue ton miles (RTM) (millions)	44,080	38,691
Carloads (thousands)	1,108	954
Route miles (includes Canada and the U.S.)	20,910	21,104
Employees (end of period)	21,747	22,083
Employees (average for the period)	21,481	22,260
Productivity		
Operating ratio (%)	69.3	74.1
Rail freight revenue per RTM (cents)	4.06	4.38
Rail freight revenue per carload ($)	1,614	1,778
Operating expenses per GTM (cents)	1.62	1.87
Labor and fringe benefits expense per GTM (cents)	0.56	0.62
GTMs per average number of employees (thousands)	3,910	3,304
Diesel fuel consumed (US gallons in millions)	91	85
Average fuel price ($/US gallon)	2.39	1.98
GTMs per US gallon of fuel consumed	923	865
Safety indicators		
Injury frequency rate per 200,000 person hours (2)	1.67	1.29
Accident rate per million train miles (2)	1.88	2.13
Financial ratio		
Debt-to-total capitalization ratio (% at end of period)	35.4	43.4

(1) Includes data relating to companies acquired as of the date of acquisition.
(2) Based on Federal Railroad Administration (FRA) reporting criteria.

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 March 31		
			Variance Fav
	2010	2009	(Unfav)
	(Unaudited)		
Revenues (millions of dollars)			
Petroleum and chemicals	321	340	(6%)
Metals and minerals	210	198	6%
Forest products	288	302	(5%)
Coal	132	103	28%
Grain and fertilizers	372	357	4%
Intermodal	351	319	10%
Automotive	114	77	48%
Total rail freight revenues	1,788	1,696	5%
Other revenues	177	163	9%
Total revenues	1,965	1,859	6%
Revenue ton miles (millions)			
Petroleum and chemicals	7,864	7,527	4%
Metals and minerals	3,904	3,252	20%
Forest products	7,176	6,614	8%
Coal	4,326	2,841	52%
Grain and fertilizers	12,114	10,558	15%
Intermodal	8,065	7,476	8%
Automotive	631	423	49%
	44,080	38,691	14%
Rail freight revenue / RTM (cents)			
Total rail freight revenue per RTM	4.06	4.38	(7%)
Commodity groups:			
Petroleum and chemicals	4.08	4.52	(10%)
Metals and minerals	5.38	6.09	(12%)
Forest products	4.01	4.57	(12%)
Coal	3.05	3.63	(16%)
Grain and fertilizers	3.07	3.38	(9%)
Intermodal	4.35	4.27	2%
Automotive	18.07	18.20	(1%)
Carloads (thousands)			
Petroleum and chemicals	134	128	5%
Metals and minerals	240	180	33%
Forest products	103	100	3%
Coal	110	90	22%
Grain and fertilizers	146	132	11%
Intermodal	326	292	12%
Automotive	49	32	53%

	1,108	954	16%
Rail freight revenue / carload (dollars)			
Total rail freight revenue per carload	1,614	1,778	(9%)
Commodity groups:			
Petroleum and chemicals	2,396	2,656	(10%)
Metals and minerals	875	1,100	(20%)
Forest products	2,796	3,020	(7%)
Coal	1,200	1,144	5%
Grain and fertilizers	2,548	2,705	(6%)
Intermodal	1,077	1,092	(1%)
Automotive	2,327	2,406	(3%)

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 March 31, 2010, the Company reported adjusted net income of $380 million, or $0.80 per diluted share. The adjusted figures exclude the gain on sale of the Oakville subdivision of $152 million, or $131 million after-tax ($0.28 per diluted share). During the three months ended March 31, 2009, the Company reported adjusted net income of $302 million, or $0.64 per diluted share. The adjusted figures exclude the EJ&E acquisition-related costs of $46 million, or $28 million after-tax ($0.06 per diluted share), the gain on sale of the Weston subdivision of $157 million, or $135 million after-tax ($0.29 per diluted share) and a deferred income tax recovery of $15 million ($0.03 per diluted share) resulting from the enactment of lower provincial corporate income tax rates.
Management believes that adjusted net income and adjusted earnings per share are useful measures of performance that can facilitate period-to-period comparisons, as they exclude items that do not necessarily arise as part of the normal day-to-day operations of the Company and could distort the analysis of trends in business performance. The exclusion of such items in adjusted net income and adjusted earnings per share does not, however, imply that such items are necessarily non-recurring. These adjusted measures do not have any standardized meaning prescribed by GAAP and may, therefore, not be comparable to similar measures presented by other companies. The reader is advised to read all information provided in the Company's 2010 unaudited Interim Consolidated Financial Statements and Notes thereto. The following table provides a reconciliation of net income and earnings per share, as reported for the three months ended March 31, 2010 and 2009, to the adjusted performance measures presented herein.

	Three months ended March 31, 2010			Three months ended March 31, 2009		
In millions, except per share data	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Revenues	$ 1,965	$ -	$ 1,965	$ 1,859	$ -	$ 1,859
Operating expenses	1,362	-	1,362	1,378	(46)	1,332
Operating income	603	-	603	481	46	527
Interest expense	(92)	-	(92)	(112)	-	(112)
Other income	162	(152)	10	161	(157)	4
Income before income taxes	673	(152)	521	530	(111)	419
Income tax expense	(162)	21	(141)	(106)	(11)	(117)
Net income	$ 511	$ (131)	$ 380	$ 424	$ (122)	$ 302
Operating ratio	69.3%		69.3%	74.1%		71.7%
Basic earnings per share	$ 1.08	$ (0.28)	$ 0.80	$ 0.91	$ (0.26)	$ 0.65
Diluted earnings per share	$ 1.08	$ (0.28)	$ 0.80	$ 0.90	$ (0.26)	$ 0.64

CANADIAN NATIONAL RAILWAY COMPANY
NON-GAAP MEASURES - unaudited

Free cash flow

The Company generated $493 million of free cash flow for the three months ended March 31, 2010 compared to $207 million for the same period in 2009. Free cash flow does not have any standardized meaning prescribed by GAAP and may, therefore, not be comparable to similar measures presented by other companies. The Company believes that free cash flow is a useful measure of performance as it demonstrates the Company's ability to generate cash after the payment of capital expenditures and dividends. The Company defines free cash flow as cash provided from operating activities, adjusted for changes in the accounts receivable securitization program and in cash and cash equivalents resulting from foreign exchange fluctuations, less cash used by investing activities, adjusted for the impact of major acquisitions, and the payment of dividends, calculated as follows:

In millions	Three months ended March 31 2010	2009
Cash provided from operating activities	$ 597	$ 318
Cash provided from (used by) investing activities	17	(446)
Cash provided (used) before financing activities	614	(128)
Adjustments:		
Change in accounts receivable securitization	2	68
Dividends paid	(127)	(118)
Acquisition of EJ&E	-	373
Effect of foreign exchange fluctuations on US dollar-denominated cash and cash equivalents	4	12
Free cash flow	$ 493	$ 207

Constant currency

The press release makes reference to "constant currency," which allows the financial results to be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons in the analysis of trends in business performance. Financial results at constant currency are obtained by translating the current period results in US dollars at the foreign exchange rate (1.2443) of the comparable period of the prior year. Measures at constant currency are considered non-GAAP measures and do not have any standardized meaning prescribed by GAAP and may, therefore, not be comparable to similar measures presented by other companies.

Actual foreign currency translation impact on net income in terms of basic or diluted earnings per share	$ 0.04
Constant currency rate applied to the increase in US dollar net income in the first quarter of 2010 when compared to the first quarter of 2009	0.05
Impact on 2010 net income in terms of basic or diluted earnings per share using constant currency	$ 0.09

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

Item 3

Management’s discussion and analysis (MD&A) relates to the financial position 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 position 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 2010 unaudited Interim Consolidated Financial Statements and Notes thereto as well as the 2009 Annual MD&A.

Business profile

CN is engaged in the rail and related transportation business. CN’s network of approximately 20,900 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, and its 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 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 better positions the Company to face economic fluctuations and enhances its potential for growth opportunities. In 2009, no individual commodity group accounted for more than 18% of revenues. From a geographic standpoint, 19% of revenues came from United States (U.S.) domestic traffic, 28% from transborder traffic, 24% from Canadian domestic traffic and 29% from overseas traffic. The Company is the originating carrier for approximately 85% of traffic moving along its network, which allows it both to capitalize on service advantages and build on opportunities to efficiently use assets.

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 15 – Segmented information, to the Company’s 2009 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 to create value for both its customers and shareholders. With a commitment to stay engaged with customers and by leveraging the strength of its franchise, the Company seeks to provide quality and cost-effective service that creates value for its customers. CN's corporate goals are generally based on five key financial performance targets: revenues, operating income, earnings per share, free cash flow and return on investment, as well as various key operating metrics, including safety metrics that the Company focuses on to measure efficiency and quality of service. By striving for sustainable financial performance through profitable growth, adequate free cash flow and return on investment, CN seeks to deliver increased shareholder value. At the beginning of 2010, the Company's Board of Directors approved an increase of 7% to the quarterly dividend to common shareholders, from $0.2525 to $0.27, as well as a share repurchase program to be funded mainly from cash generated from operations. The share repurchase program allows for the repurchase of

up to 15.0 million common shares to the end of December 2010 pursuant to a normal course issuer bid, at prevailing market prices plus brokerage fees, or such other price as may be permitted by the Toronto Stock Exchange.
CN's business model is anchored on five corporate values: providing quality service, controlling costs, focusing on asset utilization, committing to safety, and developing people. Employees are encouraged to share these values and promote them in their day-to-day work. 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 in the service provided to customers. Precision Railroading increases velocity, improves reliability, lowers costs, enhances asset utilization and, ultimately, helps the Company to grow the top line. It has been a key contributor to CN's earnings growth and improved return.

Although many industries, including transportation, have been impacted by the recent economic conditions, the basic driver of the Company's business has remained intact – demand for reliable, efficient, and cost effective transportation. The Company's focus during these volatile times has been and will continue to be the pursuit of its long-term business plan, providing a high level of service to customers, operating safely and efficiently, and meeting short- and long-term financial commitments.
As a result of the recession in the North American economy and the contraction of the global economy in 2009, most of the Company's commodity groups were significantly impacted, including forest products, automotive, petroleum and chemicals, metals and minerals and intermodal. The Company made the necessary changes to its operations to reflect the reduced freight volumes and imposed cost-reduction measures. The productivity gains achieved during 2009 position the Company well for the future.
At this time, it appears that many of the Company's markets are recovering. The Company is expecting to benefit from opportunities that will stem from an expected increase in North American industrial production, a turnaround in automotive production, and gradual improvements in housing and related segments.

To continue to meet its long-term business plan objectives, the Company's focus remains on top-line growth through its pricing-to-value strategy and on opportunities that extend beyond the business cycle, such as market share gains versus truck; commodities related to oil and gas development in western Canada; the Prince Rupert Intermodal Terminal; opportunities in the bulk sector, such as Illinois basin coal; and through integrated transportation solutions.
To operate efficiently and safely while maintaining a high level of customer service, the Company will continue to leverage its unique North American franchise consisting of its rail network, unique network of ports and efficient international trade gateways and complementary non-rail service offerings; and its superior business model. The Company plans to continue to invest in capital programs to maintain a safe railway and pursue strategic initiatives to improve its franchise. The Company continuously seeks productivity initiatives to reduce costs and leverage its assets. Opportunities to improve productivity extend across all functions in the organization. Train productivity is being improved through the acquisition of new locomotives that are more fuel-efficient than the ones they replace, which will also improve service reliability for customers and reduce greenhouse gas emissions. In addition, these locomotives are being equipped with distributed power capability, which allows the Company to run longer, more efficient trains, particularly in cold weather conditions, while improving train handling, reducing train separations and improving the overall safety of operations. These initiatives, combined with CN's investments in longer sidings, offers train-mile savings, allows for efficient long-train operations and reduces wear on rail and wheels. 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 continuously working to increase the productivity of its field forces, through better use of traffic information and the

optimization of work scheduling, 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, as well as costs for legal claims and health care.

CN's capital programs support the Company's commitment to its corporate values and its ability to grow the business profitably. In 2010, CN plans to invest approximately $1.6 billion on capital programs, of which approximately $1 billion is targeted towards track infrastructure to continue to operate a safe railway and to improve the productivity and fluidity of the network, and includes the replacement of rail, ties, and other track materials and bridge improvements, as well as rail-line improvements for the Elgin, Joliet and Eastern Railway Company (EJ&E) property that was acquired in 2009. This amount also includes funds for strategic initiatives and additional enhancements to the track infrastructure in western Canada. CN's equipment spending, targeted to reach approximately $300 million in 2010, is intended to improve the quality of the fleet to meet customer requirements, and includes the acquisition of 69 new high-horsepower locomotives.

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CN also expects to spend approximately $300 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 also invests in various strategic initiatives to expand the scope of its business. A key initiative was the acquisition of the EJ&E lines in 2009, which will drive new efficiencies and operating improvements on CN's network as a result of streamlined rail operations and reduced congestion. To meet short- and long-term financial commitments, the Company pursues a solid financial policy framework with the goal of maintaining a strong balance sheet, by monitoring its credit ratios, and preserving an investment-grade credit rating to be able to maintain access to public financing. The Company's principal source of liquidity is cash generated from operations, which can be supplemented by its commercial paper program and its accounts receivable securitization program, to meet short-term liquidity needs. The Company's primary uses of funds are for working capital requirements, including income tax installments as they become due and pension contributions, contractual obligations, capital expenditures relating to track infrastructure and other, acquisitions, dividend payouts, and the repurchase of shares through a share buyback program, when applicable. The Company sets priorities on its uses of available funds based on short-term operational requirements, expenditures to continue to operate a safe railway and strategic initiatives, while also considering its long-term contractual obligations and returning value to its shareholders.

The Company's commitment to safety is reflected in the wide range of initiatives that CN is pursuing and in the size of its capital programs. Comprehensive plans are in place to address 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, which is fully supported by senior management, is designed to minimize risk and drive continuous improvement in the reduction of injuries and accidents, and engages employees at all levels of the organization.

Environmental protection is 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 Human Resources and Compensation Committee of the Board of Directors reviews the progress made in developing current and future leaders through the Company's leadership development programs. These programs and initiatives provide a solid platform for the assessment and development of the Company's talent pool. The leadership development programs are tightly integrated with the Company's business strategy.

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 section of this MD&A entitled Forward-looking statements for assumptions and risk factors affecting such forward-looking statements.

Impact of foreign currency translation on reported results

Although CN conducts its business and reports its earnings in Canadian dollars, a large portion of revenues and expenses (50 to 55 per cent) is denominated in US dollars. As such, the Company's results are affected by exchange-rate fluctuations. Based on the Company's current operations, annual net income is affected in the range of $5 million to $10 million for every one-cent change in the value of the Canadian dollar compared to the US dollar. Management's discussion and analysis includes reference to "constant currency," which allows the financial results to be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons in the analysis of trends in business performance. Financial results at constant currency are obtained by translating the current period results in US dollars at the foreign exchange rate (1.2443) of the comparable period of the prior year. Measures at constant currency are considered non-GAAP measures and do not have any standardized meaning prescribed by GAAP and may, therefore, not be comparable to similar measures presented by other companies.

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Forward-looking statements

Certain information included in this MD&A are "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. The Company cautions that its assumptions may not materialize and that current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty. These forward-looking statements include, but are not limited to, statements with respect to long-term growth opportunities; statements that many of the Company's markets are recovering and that the Company is expecting to benefit from opportunities stemming from the economic turnaround; the anticipation that cash flow from operations and from various sources of financing will be sufficient to meet debt repayments and future obligations in the foreseeable future; statements regarding future payments, including income taxes and pension contributions; as well as the projected capital spending program.
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. Key assumptions used in determining forward-looking information are set forth below.

Forward-looking statements	Key assumptions or expectations
Statements relating to general economic and business conditions, including those referring to long-term growth opportunities, markets served by the Company recovering, and the Company expecting to benefit from opportunities stemming from the economic turnaround	· Gradual recovery in the North American economy · Improving global economic conditions · Long-term growth opportunities being less affected by current economic conditions · Improving production rates in specific industries · Improving carload traffic
Statements relating to the Company's ability to meet debt repayments and future obligations in the foreseeable future, including income tax payments and capital spending	Gradual recovery in the North American economy · Improving global economic conditions · Adequate credit ratios · Investment grade credit rating · Access to capital markets · Adequate cash generated from operations
Statements relating to pension contributions	· Reasonable level of funding as determined by actuarial valuations · Adequate return on investment on pension plan assets

Important risk factors that could affect the forward-looking statements include, but are not limited to, the effects of general economic and business conditions; industry competition; inflation, currency and interest rate fluctuations; changes in fuel prices; legislative and/or regulatory developments; compliance with environmental laws and regulations; actions by regulators; various events which could disrupt operations, including natural events such as severe weather, droughts, floods and earthquakes; labor negotiations and disruptions; environmental claims; uncertainties of investigations, proceedings or other types of claims and litigation; risks and liabilities arising from derailments; and other risks detailed from time to time in reports filed by CN with securities regulators in Canada and the United States. See the section of this MD&A entitled Business risks for detailed information on major risk factors.

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Financial and statistical highlights

$ in millions, except per share data, or unless otherwise indicated		Three months ended March 31 2010		2009
		(Unaudited)		
Financial results				
Revenues	$	1,965	$	1,859
Operating income (1)	$	603	$	481
Net income (1) (2) (3)	$	511	$	424
Operating ratio (1)		69.3%		74.1%
Basic earnings per share (1) (2) (3)	$	1.08	$	0.91
Diluted earnings per share (1) (2) (3)	$	1.08	$	0.90
Dividend declared per share	$	0.2700	$	0.2525
Financial position				
Total assets	$	25,382	$	27,511
Total long-term financial liabilities and other	$	12,533	$	14,801
Statistical operating data and productivity measures (4)				
Employees (average for the period)		21,481		22,260
Gross ton miles (GTM) per average number of employees (thousands)		3,910		3,304
GTMs per US gallon of fuel consumed		923		865

(1) The three months ended March 31, 2009 figures include $46 million, or $28 million after-tax ($0.06 per basic or diluted share) for EJ&E acquisition-related costs.

(2) The three months ended March 31, 2010 figures include a gain on sale of the Company's Oakville subdivision of $152 million, or $131 million after-tax ($0.28 per basic or diluted share).

(3) The three months ended March 31, 2009 figures include a deferred income tax recovery resulting from the enactment of lower provincial corporate income tax rates of $15 million ($0.03 per basic or diluted share) and a gain on sale of the Company's Weston subdivision of $157 million, or $135 million after-tax ($0.29 per basic or diluted share).

(4) Based on estimated data available at such time and subject to change as more complete information becomes available.

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Financial results

First quarter 2010 compared to first quarter 2009

First quarter 2010 net income was $511 million, an increase of $87 million, or 21%, when compared to the same period in 2009, with diluted earnings per share rising 20% to $1.08.

The Company's results of operations in 2010 reflect a recovery in many of its markets as compared to 2009 when the Company experienced significant weakness across markets due to economic conditions.

Included in the first-quarter 2010 figures was the gain on sale of the Company's Oakville subdivision of $152 million, or $131 million after-tax ($0.28 per basic or diluted share). Included in the first-quarter 2009 figures was the gain on sale of the Company's Weston subdivision of $157 million, or $135 million after-tax ($0.29 per basic or diluted share), $46 million, or $28 million after-tax ($0.06 per basic or diluted share) for EJ&E acquisition-related costs and a deferred income tax recovery of $15 million ($0.03 per basic or diluted share) that resulted from the enactment of lower provincial corporate income tax rates.

Foreign exchange fluctuations continue to have an impact on the comparability of the results of operations. In the first quarter of 2010, the actual foreign currency translation impact on net income was lower by approximately $20 million ($0.04 per basic or diluted share) when compared to the translation impact in the comparable period of 2009.

Revenues for the three months ended March 31, 2010 increased by $106 million, or 6%, to $1,965 million, mainly due to higher freight volumes in all commodity groups as a result of improving economic conditions in North America and globally; the impact of a higher fuel surcharge due to a combination of year-over-year increases in applicable fuel prices and higher volumes; and freight rate increases. These factors were partly offset by the negative translation impact of the stronger Canadian dollar on US dollar-denominated revenues.

For the three months ended March 31, 2010, operating expenses decreased by $16 million, or 1%, to $1,362 million, mainly due to the positive translation impact of the stronger Canadian dollar on US dollar-denominated expenses, the impact of EJ&E acquisition-related costs recorded in the first quarter of 2009 and a reduction in equipment rents. These factors were partially offset by higher fuel costs and increased labor and fringe benefits expenses.

The operating ratio, defined as operating expenses as a percentage of revenues, was 69.3% in first-quarter 2010, compared to 74.1% in first-quarter 2009, a 4.8-point improvement. Excluding the 2009 EJ&E acquisition-related costs, the first-quarter 2010 operating ratio of 69.3% was a 2.4-point improvement when compared to the adjusted first-quarter 2009 operating ratio of 71.7%.

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Revenues

	Three months ended March 31			
In millions, unless otherwise indicated	2010	2009	% Change	% Change at constant currency
	(Unaudited)			
Rail freight revenues	$ 1,788	$ 1,696	5%	17%
Other revenues	177	163	9%	17%
Total revenues	$ 1,965	$ 1,859	6%	17%
Rail freight revenues				
Petroleum and chemicals	$ 321	$ 340	(6%)	6%
Metals and minerals	210	198	6%	22%
Forest products	288	302	(5%)	8%
Coal	132	103	28%	38%
Grain and fertilizers	372	357	4%	15%
Intermodal	351	319	10%	15%
Automotive	114	77	48%	69%
Total rail freight revenues	$ 1,788	$ 1,696	5%	17%
Revenue ton miles (RTM) (millions)	44,080	38,691	14%	
Rail freight revenue/RTM (cents)	4.06	4.38	(7%)	3%

Revenues for the quarter ended March 31, 2010 totaled $1,965 million compared to $1,859 million in the same period in 2009. The increase of $106 million, or 6% (17% at constant currency), was mainly due to higher freight volumes in all commodity groups as a result of improving economic conditions in North America and globally; the impact of a higher fuel surcharge in the range of $60 million due to a combination of year-over-year increases in applicable fuel prices and higher volumes; and freight rate increases. These factors were partly offset by the negative translation impact of the stronger Canadian dollar on US dollar-denominated revenues.

In the first quarter of 2010, revenue ton miles (RTM), measuring the relative weight and distance of rail freight transported by the Company, increased 14% relative to 2009. 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 7% (increased by 3% at constant currency), when compared to 2009, mainly due to the negative translation impact of the stronger Canadian dollar, which was partly offset by the impact of a higher fuel surcharge, freight rate increases, and a decrease in the average length of haul.

Petroleum and chemicals

	Three months ended March 31			
	2010	2009	% Change	% Change at constant currency
Revenues (millions)	$ 321	$ 340	(6%)	6%

RTMs (millions)	7,864	7,527	4%	
Revenue/RTM (cents)	4.08	4.52	(10%)	2%

Petroleum and chemicals comprises a wide range of commodities, including chemicals, sulfur, plastics, petroleum products and liquefied petroleum gas (LPG) 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. For the quarter ended March 31, 2010, revenues for this commodity group decreased by $19 million, or 6% (increased by 6% at constant currency), when compared to the same period in 2009. The decrease was mainly due to the negative translation impact of the stronger Canadian dollar that was partly offset by higher volumes, particularly sulfur;

freight rate increases; and the impact of a higher fuel surcharge. Revenue per revenue ton mile decreased by 10% (increased by 2% at constant currency) in the first quarter of 2010, mainly due to the negative translation impact of the stronger Canadian dollar that was partly offset by freight rate increases and the impact of a higher fuel surcharge.

Metals and minerals

	Three months ended March 31			
	2010	2009	% Change	% Change at constant currency
Revenues (millions)	$ 210	$ 198	6%	22%
RTMs (millions)	3,904	3,252	20%	
Revenue/RTM (cents)	5.38	6.09	(12%)	1%

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 CN 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. For the quarter ended March 31, 2010, revenues for this commodity group increased by $12 million, or 6% (22% at constant currency), when compared to the same period in 2009. The increase was mainly due to an improvement in the steel industry, which resulted in greater shipments of iron ore and steel products; which was partly offset by the negative translation impact of the stronger Canadian dollar. Revenue per revenue ton mile decreased by 12% (increased by 1% at constant currency) in the first quarter of 2010, mainly due to the negative translation impact of the stronger Canadian dollar that was partly offset by an increase in short-haul traffic.

Forest products

	Three months ended March 31			
	2010	2009	% Change	% Change at constant currency
Revenues (millions)	$ 288	$ 302	(5%)	8%
RTMs (millions)	7,176	6,614	8%	
Revenue/RTM (cents)	4.01	4.57	(12%)	-

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. For the quarter ended March 31, 2010, revenues for this commodity group decreased by $14 million, or 5% (increased by 8% at constant currency), when compared to the same period in 2009. The decrease was mainly due to the negative translation impact of the stronger Canadian dollar. This factor was partly offset by increased lumber and panels shipments and higher shipments of woodpulp to offshore markets; the impact of a higher fuel surcharge, and freight rate increases. Revenue per revenue ton mile decreased by 12% (remained flat at constant currency) in the first quarter of 2010, mainly due to the negative translation impact of the stronger Canadian dollar that was partly offset by the impact of a higher fuel surcharge.

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Coal

	Three months ended March 31			
	2010	2009	% Change	% Change at constant currency
Revenues (millions)	$ 132	$ 103	28%	38%
RTMs (millions)	4,326	2,841	52%	
Revenue/RTM (cents)	3.05	3.63	(16%)	(10%)

The coal commodity group consists of thermal grades of bituminous coal, metallurgical coal and petroleum coke. 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 offshore steel producers. For the period ended March 31, 2010, revenues for this commodity group increased by $29 million, or 28% (38% at constant currency), when compared to the same period in 2009. The increase was mainly due to strong volumes of Canadian export coal from new origins and increased Asian demand from existing mines, and freight rate increases that were partly offset by the negative translation impact of the stronger Canadian dollar. Revenue per revenue ton mile decreased by 16% (10% at constant currency) in the first quarter of 2010, largely due to the negative translation impact of the stronger Canadian dollar and a significant increase in the average length of haul.

Grain and fertilizers

	Three months ended March 31			
	2010	2009	% Change	% Change at constant currency
Revenues (millions)	$ 372	$ 357	4%	15%
RTMs (millions)	12,114	10,558	15%	
Revenue/RTM (cents)	3.07	3.38	(9%)	-

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. For the quarter ended March 31, 2010, revenues for this commodity group increased by $15 million, or 4% (15% at constant currency), when compared to the same period in 2009. The increase was mainly due to higher shipments of potash and strong volumes of food grains from western Canada and the impact of a higher fuel surcharge that were partly offset by the negative translation impact of the stronger Canadian dollar. Revenue per revenue ton mile decreased by 9% (remained flat at constant currency) in the first quarter of 2010, mainly due to the negative translation impact of the stronger Canadian dollar.

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Intermodal

	Three months ended March 31			
	2010	2009	% Change	% Change at constant currency
Revenues (millions)	$ 351	$ 319	10%	15%
RTMs (millions)	8,065	7,476	8%	
Revenue/RTM (cents)	4.35	4.27	2%	6%

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, Prince Rupert, 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. For the quarter ended March 31, 2010, revenues for this commodity group increased by $32 million, or 10% (15% at constant currency), when compared to the same period in 2009. The increase was mainly due to higher volumes from overseas markets, particularly through the Port of Prince Rupert; the impact of a higher fuel surcharge; and freight rate increases. These factors were partly offset by the negative translation impact of the stronger Canadian dollar. Revenue per revenue ton mile increased by 2% (6% at constant currency) in the first quarter of 2010, mainly due to the impact of a higher fuel surcharge and freight rate increases that were partly offset by the negative translation impact of the stronger Canadian dollar.

Automotive

	Three months ended March 31			
	2010	2009	% Change	% Change at constant currency
Revenues (millions)	$ 114	$ 77	48%	69%
RTMs (millions)	631	423	49%	
Revenue/RTM (cents)	18.07	18.20	(1%)	13%

The automotive commodity group moves both finished vehicles and parts throughout North America, providing rail access to certain vehicle assembly plants in Canada, and Michigan and Mississippi in the U.S. The Company also serves vehicle distribution facilities in Canada and the U.S., as well as parts production facilities in Michigan and Ontario. 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. For the quarter ended March 31, 2010, revenues for this commodity group increased by $37 million, or 48% (69% at constant currency), when compared to the same period in 2009. The increase was mainly due to significantly higher volumes of domestic and imported finished vehicles traffic, the impact of a higher fuel surcharge, and freight rate increases. These factors were partly offset by the negative translation impact of the stronger Canadian dollar. Revenue per revenue ton mile decreased by 1% (increased by 13% at constant currency) in the first quarter of 2010, mainly due to the negative translation impact of the stronger Canadian dollar that was partly offset by the impact of a higher fuel surcharge, freight rate increases, and a decrease in the average length of haul.

Other revenues

Other revenues include revenues from non-rail transportation services, interswitching, and maritime operations. For the quarter ended March 31, 2010, Other revenues increased by $14 million, or 9% (17% at constant currency), when compared to the same period in 2009, mainly due to higher non-rail transportation services that was partly offset by the negative translation impact of the stronger Canadian dollar.

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Operating expenses

Operating expenses for the first quarter of 2010 amounted to $1,362 million compared to $1,378 million in the same quarter of 2009. The decrease of $16 million, or 1% (increase of 8% at constant currency), in the first quarter of 2010 was mainly due to the positive translation impact of the stronger Canadian dollar on US dollar-denominated expenses, the impact of EJ&E acquisition-related costs recorded in the first quarter of 2009 and a reduction in equipment rents. These factors were partially offset by higher fuel costs and increased labor and fringe benefits expenses.

In millions	Three months ended March 31 2010	2009	% Change	% Change at constant currency	Percentage of revenues 2010	2009
			(Unaudited)			
Labor and fringe benefits	$ 470	$ 454	(4%)	(11%)	23.9%	24.4%
Purchased services and material	258	291	11%	4%	13.1%	15.7%
Fuel	238	182	(31%)	(55%)	12.1%	9.8%
Depreciation and amortization	205	203	(1%)	(6%)	10.4%	10.9%
Equipment rents	60	82	27%	16%	3.1%	4.4%
Casualty and other	131	166	21%	16%	6.7%	8.9%
Total operating expenses	$ 1,362	$ 1,378	1%	(8%)	69.3%	74.1%

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, and 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. These expenses increased by $16 million, or 4% (11% at constant currency), in the first quarter of 2010 as compared to the same period in 2009. The increase was mainly due to higher stock-based compensation expense as a result of fluctuations in the stock price, and increases in employee benefit expenses and annual wages, which were partly offset by the translation impact of the stronger Canadian dollar and the impact of a reduced workforce level.

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 $33 million, or 11% (4% at constant currency), in the first quarter of 2010 as compared to the same period in 2009. The decrease was mainly a result of the translation impact of the stronger Canadian dollar and lower expenses for utilities and contracted services.

Fuel: Fuel expense includes the cost of fuel consumed by locomotives, intermodal equipment and other vehicles. These expenses increased by $56 million, or 31% (55% at constant currency), in the first quarter of 2010 as compared to the same period in 2009. The increase was primarily due to a higher average price for fuel and higher freight volumes, which were partly offset by the translation impact of the stronger Canadian dollar and productivity improvements.

Depreciation and amortization: Depreciation and amortization expense relates to the Company's rail and related operations. Depreciation expense is affected by capital additions, railroad property retirements from disposal, sale and/or abandonment and other adjustments, including asset impairment write-downs. These expenses increased by $2 million, or 1% (6% at constant currency), in the first quarter of 2010 as compared to the same period in 2009. The increase was mainly due to the impact of net capital additions, which was partly offset by the translation impact of the stronger Canadian dollar.

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 decreased by $22 million, or 27% (16% at constant currency), in the first quarter of 2010 as compared to the same period in 2009. The decrease was primarily due to the translation impact of the stronger Canadian dollar and reduced lease expense for cars and locomotives.

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 decreased by $35 million, or 21% (16% at constant currency), in the first quarter of 2010 as compared to the same period in 2009. The decrease was mainly due to the EJ&E acquisition-related costs of $46 million recorded in the first quarter of 2009 and the translation impact of the stronger Canadian dollar. These factors were partly offset by an increase in the liability for personal injury claims in Canada pursuant to an actuarial valuation.

Other

Interest expense: Interest expense decreased by $20 million, or 18% (3% at constant currency), for the quarter ended March 31, 2010 when compared to the same period in 2009, mainly due to the positive translation impact of the stronger Canadian dollar on US dollar-denominated interest expense.

Other income: In the first quarter of 2010, the Company recorded Other income of $162 million compared to $161 million in the same period in 2009. Included in Other income for both years were gains on sales of the Company's subdivisions of $152 million for the Oakville subdivision in the first quarter of 2010 and $157 million for the Weston subdivision in the first quarter of 2009. Higher income from other business activities also contributed to the increase in the first quarter of 2010.

Income tax expense: The Company recorded income tax expense of $162 million for the quarter ended March 31, 2010 compared to $106 million in the same period in 2009. Included in the first quarter of 2009 was a deferred income tax recovery of $15 million resulting from the enactment of lower provincial corporate income taxes. The effective tax rate for the three months ended March 31, 2010 was 24.1% compared to 20.0% in the same period in 2009. Excluding the 2009 deferred income tax recovery discussed herein, the effective tax rates for the three months ended March 31, 2010 and 2009 were 24.1% and 22.8%, respectively. Both periods benefitted from the favorable capital gains inclusion rate applied to the first-quarter 2010 gain on sale of the Oakville subdivision and the first-quarter 2009 gain on sale of the Weston subdivision.

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

Summary of quarterly financial data – unaudited

In millions, except per share data

	2010	2009				2008		
	Quarter	Quarters				Quarters		
	First	Fourth	Third	Second	First	Fourth	Third	Second
Revenues	$ 1,965	$ 1,882	$ 1,845	$ 1,781	$ 1,859	$ 2,200	$ 2,257	$ 2,098
Operating income	$ 603	$ 653	$ 689	$ 583	$ 481	$ 820	$ 844	$ 707
Net income	$ 511	$ 582	$ 461	$ 387	$ 424	$ 573	$ 552	$ 459
Basic earnings per share	$ 1.08	$ 1.24	$ 0.98	$ 0.83	$ 0.91	$ 1.22	$ 1.17	$ 0.96
Diluted earnings per share	$ 1.08	$ 1.23	$ 0.97	$ 0.82	$ 0.90	$ 1.21	$ 1.16	$ 0.95