CANADIAN NATIONAL RAILWAY CO
Form 6-K
October 27, 2011

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

Report of Foreign Issuer

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

For the month of October, 2011

Commission File Number: 001-02413

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

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

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

Form 20-F ____ Form 40-F X

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

Yes ____ No X

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

Yes ____ No X

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

Yes ____ No X

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

Canadian National Railway Company

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CANADIAN NATIONAL RAILWAY COMPANY
PRESS RELEASE

Item 1

North America's Railroad

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

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

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

Third-quarter 2011 highlights

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

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

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

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

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

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

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

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

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

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

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

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CANADIAN NATIONAL RAILWAY COMPANY
PRESS RELEASE

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

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

Forward-Looking Statements

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

Key assumptions

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

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

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

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

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

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

Item 2

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

See accompanying notes to unaudited consolidated financial statements.

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

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

See accompanying notes to unaudited consolidated financial statements.

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

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

See accompanying notes to unaudited consolidated financial statements.

(1)

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

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

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

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

See accompanying notes to unaudited consolidated financial statements.

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

Note 1 - Basis of presentation

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

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

Note 2 - Disposal of property

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

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

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

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

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

Note 3 - Financing activities

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

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

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

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

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

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

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

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

Note 4 - Stock plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(8) Based on the annualized dividend rate.

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Stock option awards

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

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

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

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

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

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

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