

CANADIAN NATIONAL RAILWAY CO  
Form 6-K  
July 27, 2007

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**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 July, 2007

Commission File Number: 001-02413

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

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

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

Form 20-F

Form 40-F

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

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

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

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

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Canadian National Railway Company

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- Item 1 Press Release dated July 23, 2007, titled “CN reports diluted Q2-2007 earnings per share of C\$1.01, or adjusted diluted EPS of C\$0.95, excluding a deferred income tax recovery of C\$0.06 per share”.
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**North America's Railroad**

**NEWS RELEASE**

**CN reports diluted Q2-2007 earnings per share of C\$1.01,  
or adjusted diluted EPS of C\$0.95, excluding a deferred income  
tax recovery of C\$0.06 per share**

*First-half weather & labor challenges, sharp rise in C\$/U.S.\$ exchange  
rate, and continued pockets of economic weakness prompt CN  
to lower full-year 2007 earnings guidance*

**MONTREAL, July 23, 2007** — CN (TSX:CNR)(NYSE:CNI) today reported its financial and operating results for the three-month and six-month periods ended June 30, 2007.

**Second-quarter 2007 highlights**

- Net income was C\$516 million, or C\$1.01 per diluted share, including a deferred income tax recovery of C\$30 million (C\$0.06 per diluted share) resulting from the enactment of a lower federal corporate tax rate in Canada. Second-quarter 2006 net income was C\$729 million, or C\$1.35 per diluted share, including a deferred income tax recovery of C\$250 million (C\$0.46 per diluted share) resulting primarily from the enactment of lower federal and provincial corporate tax rates in Canada.
- Excluding the deferred income tax recoveries for both years, diluted earnings per share for the latest quarter increased by seven per cent, with adjusted 2007 second-quarter net income of C\$486 million, or C\$0.95 per diluted share, compared with adjusted net income of C\$479 million, or C\$0.89 per diluted share, for the same quarter of 2006. <sup>(1)</sup>
  - Revenues for second-quarter 2007 increased one per cent to C\$2,027 million.
- Operating income also increased one per cent to C\$811 million; CN's operating ratio for the period deteriorated by two-tenths of a point to 60.0 per cent.

E. Hunter Harrison, president and chief executive officer, said: "CN performed well in light of a number of market-related and operational challenges in the second quarter of 2007, including the shutdown of our line to Prince Rupert as a result of a June flood, ongoing weakness in the forest products sector, and two illegal blockades of our Toronto-Montreal main line. Amid these challenges CN's automotive, petroleum and chemical, and grain and fertilizer business units performed well.

“Looking forward, CN anticipates stronger intermodal volumes following the October start-up of the new Prince Rupert, B.C., container terminal for Asian traffic. And we expect our new operations team – Keith Creel is our new executive vice-president, Operations, and Jim Vena our new senior vice-president, Western Region – to make the most of the significant opportunities available to us in economically vibrant and resource-rich western Canada.”

Given the difficult start in the first half of 2007, the significant appreciation in the Canadian/U.S. dollar exchange rate, and expectations of continued revenue weakness in certain segments, CN today lowered its 2007 earnings guidance. It now expects full-year, adjusted diluted earnings per share growth of about five per cent, compared with the earlier growth forecast of 10 per cent-plus. This outlook assumes that economic growth in North America will accelerate in the second half of the year, compared with the first half of 2007, crude oil prices (West Texas Intermediate) will settle around US\$70 per barrel, and the Canadian/U.S. exchange rate will remain around US\$0.95.

### **Second-quarter results**

The improvement in second-quarter revenues was largely attributable to freight rate increases, an overall improvement in traffic mix driven primarily by extended routings, and volume growth in petroleum and chemicals and automotive.

These increases were partly offset by the translation impact of a stronger Canadian dollar on U.S. dollar-denominated revenues, lower fuel surcharge revenues stemming from a decrease in year-over-year crude oil prices, weakness in specific markets, particularly forest products, and operational challenges, primarily in western Canada, during the second quarter.

Revenue ton-miles, a measurement of the relative weight and distance of rail freight transported by the Company, declined one per cent during second-quarter 2007 versus the comparable period of 2006. Total rail freight revenue per revenue ton-mile, a measurement of yield defined as revenue earned from the movement of a ton of freight over one mile, increased by three per cent over the same period of 2006.

Second-quarter 2007 operating expenses increased by two per cent to C\$1,216 million, largely as a result of increased equipment rents, fuel, and purchased services and material expenses. This was partly offset by lower casualty and other expenses, labor and fringe benefit expenses, and the translation impact of a stronger Canadian dollar.

### **Six-month 2007 results**

Net income for the six months ended June 30, 2007, was C\$840 million, or C\$1.63 per diluted share, including the deferred income tax recovery of C\$30 million (C\$0.06 per diluted share) previously discussed in this press release.

Net income for the first six months of 2006 was C\$1,091 million, or C\$2.01 of diluted earnings per share, including a deferred income tax recovery of C\$250 million (C\$0.46 per diluted share) as discussed before in this media release.

Excluding the deferred income tax recoveries for both years, diluted earnings per share for the latest half increased by one per cent, with adjusted first-half 2007 net income of C\$810 million, or C\$1.57 per diluted share, compared with adjusted net income of C\$841 million, or C\$1.55, for the first half of 2006. <sup>(1)</sup>

Revenues for the first half of 2007 increased by one per cent to C\$3,933 million, mainly due to freight rate increases and an overall improvement in traffic mix. These gains were largely offset by the impact of the first-quarter United Transportation Union (UTU) strike, adverse weather conditions in the first quarter, operational challenges, primarily in western Canada, lower fuel surcharge revenues as a result of a decrease in crude oil prices, weakness in specific markets, particularly forest products, and the translation impact of a stronger Canadian dollar on U.S. dollar-denominated revenues.

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

For the first half of 2007, operating expenses increased by four per cent to C\$2,561 million, mainly due to increased equipment rents, fuel, and purchased services and material expenses, which were partly offset by lower casualty and other expenses, labor and fringe benefit expenses, and the translation impact of a stronger Canadian dollar. The six-month operating ratio was 65.1 per cent, compared with 63.3 per cent, a 1.8-point increase.

CN's results for the first six months of 2007 were also affected by a first-quarter strike by 2,800 members of the UTU in Canada. CN estimates the UTU strike reduced first-half 2007 operating income and net income by approximately C\$50 million and C\$35 million (C\$0.07 per diluted share), respectively.

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

<sup>(1)</sup> Please see discussion and reconciliation of this non-GAAP adjusted performance measure in the attached supplementary schedule, Non-GAAP Measures.

This news release contains forward-looking statements. CN cautions that, by their nature, forward-looking statements involve risk and uncertainties, including the assumption that, while CN expects there may be continued weakness in certain segments of the North American economy in the near term, positive economic conditions in North America and globally will continue, and that its results could differ materially from those expressed or implied in such statements. Important factors that could cause such differences include, but are not limited to, industry competition, legislative and/or regulatory developments, compliance with environmental laws and regulations, various events which could disrupt operations, including natural events such as severe weather, droughts, floods and earthquakes, the effects of adverse general economic and business conditions, inflation, currency fluctuations, changes in fuel prices, labor disruptions, environmental claims, investigations or proceedings, other types of claims and litigation, and other risks detailed from time to time in reports filed by CN with securities regulators in Canada and the United States. Reference should be made to CN's most recent Form 40-F filed with the United States Securities and Exchange Commission, its Annual Information Form filed with the Canadian securities regulators, its 2006 Annual Consolidated Financial Statements and Notes thereto and Management's Discussion and Analysis (MD&A), as well as its 2007 quarterly consolidated financial statements and MD&A, for a summary of major risks.

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

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

(In millions, except per share data)

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
	(Unaudited)			
Revenues	\$ 2,027	\$ 2,000	\$ 3,933	\$ 3,897
Operating expenses				
Labor and fringe benefits	430	436	915	929
Purchased services and material	263	248	539	506
Depreciation and amortization	168	162	339	326
Fuel	249	226	468	430
Equipment rents	62	39	128	86
Casualty and other	44	84	172	190
Total operating expenses	1,216	1,195	2,561	2,467
Operating income	811	805	1,372	1,430
Interest expense	(85)	(75)	(173)	(150)
Other income (loss)	1	(5)	5	(6)
Income before income taxes	727	725	1,204	1,274
Income tax recovery (expense) (Note 7)	(211)	4	(364)	(183)
<b>Net income</b>	<b>\$ 516</b>	<b>\$ 729</b>	<b>\$ 840</b>	<b>\$ 1,091</b>
<b>Earnings per share (Note 8)</b>				
Basic	\$ 1.02	\$ 1.38	\$ 1.65	\$ 2.05
Diluted	\$ 1.01	\$ 1.35	\$ 1.63	\$ 2.01
<b>Weighted-average number of shares</b>				
Basic	505.2	529.9	507.7	533.0
Diluted	512.3	538.5	515.1	541.8
See accompanying notes to unaudited consolidated financial statements.				





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

	<b>June 30</b> <b>2007</b> <i>(Unaudited)</i>	December 31 2006	June 30 2006 <i>(Unaudited)</i>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 241	\$ 179	\$ 207
Accounts receivable	425	692	957
Material and supplies	204	189	235
Deferred income taxes <i>(Notes 2, 7)</i>	73	84	71
Other	159	192	118
	<b>1,102</b>	1,336	1,588
Properties	<b>20,401</b>	21,053	19,924
Intangible and other assets	<b>1,664</b>	1,615	970
<b>Total assets</b>	<b>\$ 23,167</b>	\$ 24,004	\$ 22,482
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued charges	\$ 1,427	\$ 1,823	\$ 1,511
Current portion of long-term debt <i>(Note 3)</i>	366	218	127
Other	62	73	77
	<b>1,855</b>	2,114	1,715
Deferred income taxes <i>(Notes 2, 7)</i>	<b>4,885</b>	5,215	4,788
Other liabilities and deferred credits	<b>1,443</b>	1,465	1,451
Long-term debt <i>(Note 3)</i>	<b>5,193</b>	5,386	5,294
<b>Shareholders' equity:</b>			
Common shares	<b>4,417</b>	4,459	4,543
Accumulated other comprehensive loss	<b>(180)</b>	(44)	(521)
Retained earnings	<b>5,554</b>	5,409	5,212
	<b>9,791</b>	9,824	9,234
<b>Total liabilities and shareholders' equity</b>	<b>\$ 23,167</b>	\$ 24,004	\$ 22,482
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 June 30 2007		Six months ended June 30 2007		2006	
			(Unaudited)			
<b>Common shares <sup>(1)</sup></b>						
Balance, beginning of period	\$ 4,426	\$ 4,591	\$ 4,459	\$ 4,580		
Stock options exercised and other	44	11	67	82		
Share repurchase programs (Note 3)	(53)	(59)	(109)	(119)		
Balance, end of period	\$ 4,417	\$ 4,543	\$ 4,417	\$ 4,543		
<b>Accumulated other comprehensive loss</b>						
Balance, beginning of period	\$ (50)	\$ (245)	\$ (44)	\$ (222)		
Other comprehensive income (loss):						
Unrealized foreign exchange gain (loss) on:						
Translation of the net investment in foreign operations	(477)	(250)	(533)	(264)		
Translation of U.S. dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries	391	201	438	207		
Pension and other postretirement benefit plans:						
Amortization of:						
Prior service cost (Note 5)	6	-	11	-		
Net actuarial loss (Note 5)	13	-	25	-		
Derivative instruments:						
Decrease in unrealized holding gains on fuel derivative instruments	-	(20)	-	(47)		
Other comprehensive loss before income taxes	(67)	(69)	(59)	(104)		
Income tax expense	(63)	(207)	(77)	(195)		
Other comprehensive loss	(130)	(276)	(136)	(299)		
Balance, end of period	\$ (180)	\$ (521)	\$ (180)	\$ (521)		
<b>Retained earnings</b>						
Balance, beginning of period	\$ 5,434	\$ 4,856	\$ 5,409	\$ 4,891		
Adoption of new accounting pronouncements (Note 2)	-	-	95	-		
Restated balance, beginning of period	5,434	4,856	5,504	4,891		
Net income	516	729	840	1,091		
Share repurchase programs (Note 3)	(291)	(288)	(578)	(598)		
Dividends	(105)	(85)	(212)	(172)		

Balance, end of period	\$	<b>5,554</b>	\$	5,212	\$	<b>5,554</b>	\$	5,212
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See accompanying notes to unaudited consolidated financial statements.

*(1) During the three and six months ended June 30, 2007, the Company issued 1.7 million and 2.4 million common shares, respectively, as a result of stock options exercised. At June 30, 2007, the Company had 502.3 million common shares outstanding.*