CANADIAN NATIONAL RAILWAY CO
Form 6-K
July 20, 2009

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, 2009

Commission File Number: 001-02413

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

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

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

Form 20-F ____ Form 40-F X

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):
Yes ____ No X

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

Yes ____ No X

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

Yes ____ No X

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

Canadian National Railway Company

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Item 1

North America's Railroad

NEWS RELEASE

CN reports Q2-2009 net income of C$387 million, or C$0.82 per diluted share, compared with year-earlier net income of C$459 million, or C$0.95 per diluted share

MONTREAL, July 20, 2009 — CN (TSX: CNR)(NYSE: CNI) today reported its financial and operating results for the second quarter ended June 30, 2009.

Second-quarter 2009 highlights

- Net income declined to C$387 million, or C$0.82 per diluted share, from year-earlier net income of C$459 million, or C$0.95 per diluted share, as a result of depressed North American and global economies driving lower volumes.
- Revenues declined 15 per cent to C$1,781 million, carloads declined 22 per cent to 928,000, and revenue ton-miles declined 14 per cent, with weakness in almost all market segments.
- Operating expenses declined 14 per cent to C$1,198 million, reflecting a significant reduction in year-over-year fuel prices and extensive cost-containment measures in response to lower traffic.
- Operating income declined 18 per cent to C$583 million, while the operating ratio increased by one percentage point to 67.3 per cent.
- Six-month 2009 free cash flow increased to C$463 million from C$225 million generated during the first-half of 2008. (1)

CN's second-quarter 2009 net income included:

- A deferred income tax recovery of C$28 million ($0.06 per diluted share), of which C$12 million (C$0.03 per diluted share) resulted from the enactment of a lower provincial corporate income tax rate and C$16 million (C$0.03 per diluted share) resulted from the re-capitalization of a foreign investment.
- Costs of C$2 million after-tax (nil per diluted share) related to the acquisition of the principal rail lines of the Elgin, Joliet and Eastern Railway Company (EJ&E).

Excluding these items, CN reported adjusted second-quarter 2009 net income of C$361 million, or C$0.76 per diluted share. (1)

The strengthening of the U.S. dollar affected the conversion of the Company's U.S.-dollar-denominated revenues and expenses, increasing second-quarter 2009 net income by C$15 million, or C$0.03 per diluted share.

CN's second-quarter 2008 net income also included a deferred income tax recovery of C$23 million (C$0.05 per diluted share) resulting from the enactment of lower provincial corporate income tax rates. Excluding that item, adjusted second-quarter 2008 net income was C$436 million, or C$0.90 per diluted share. (1)

E. Hunter Harrison, president and chief executive officer, said: "The second quarter of 2009 saw a continuation of significant weakness in most of our commodity groups as a result of the current recession in North America and difficult global economic conditions, with all groups but coal registering double-digit declines in carloadings. The biggest declines were in metals and minerals shipments, principally on account of a sharp reduction in short-haul iron ore movements in northern Minnesota, and in automotive and forest products traffic. Intermodal, grain and fertilizers, and petroleum and chemicals saw lesser declines. Coal was a bright spot, however, as a result of higher U.S. shipments resulting from our acquisition of the EJ&E.

"While the current economic environment continues to affect our business significantly and we remain focused on adjusting expenses accordingly, we see some signs that several markets are stabilizing and we hope the economy will begin to recover in the second half of this year. CN's solid cost structure and operational expertise will position us well to meet the challenges and opportunities that lie ahead."

Second-quarter 2009 revenues, traffic volumes and expenses

The 15 per cent decline in second-quarter 2009 revenues resulted from significantly lower volumes in almost all markets as a result of prevailing economic conditions in the North American and global economies, and a lower fuel surcharge due to year-over-year decreases in applicable fuel prices as well as lower volumes. Partly offsetting these factors were the positive translation impact of the weaker Canadian dollar on U.S.-dollar-denominated revenues, freight rate increases, and a positive change in traffic mix.

Second-quarter 2009 carloadings declined 22 per cent to 928,000 from 1,188 thousand in the year-earlier period. Revenue ton-miles, measuring the relative weight and distance of rail freight transported by CN, declined by 14 per cent from second-quarter 2008.

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, was flat in the second quarter of 2009 when compared to the same period of 2008. The positive translation impact of the weaker Canadian dollar and freight rate increases were entirely offset during the quarter by the impact of a lower fuel surcharge and an increase in the average length of haul.

The 14 per cent decline in second-quarter 2009 operating expenses was primarily due to lower fuel costs and reduced expenses for purchased services and material and labor, partly reflecting the impact of reduced freight volumes and management's cost-reduction initiatives. These factors were partially offset by the negative translation impact of the weaker Canadian dollar on U.S.-dollar-denominated expenses.

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

Forward-Looking Statements

This news release contains forward-looking statements. CN cautions that, by their nature, forward-looking statements involve risk, uncertainties and assumptions. Implicit in these statements, particularly in respect of long-term growth opportunities, is the Company's assumption that such growth opportunities are less affected by the current situation in the North American and global economies. The Company cautions that its assumptions may not materialize and that the current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty. The Company cautions that its results could differ materially from those expressed or implied in such forward-looking statements. Important factors that could cause such differences include, but are not limited to, the effects of adverse general economic and business conditions, including the current deep recession in the North American economy and the global economic contraction in 2009, 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 risks.

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 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.

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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Contacts:

Media	Investment Community
Mark Hallman	Robert Noorigian
Director, Communications, Media	Vice-President, Investor Relations
(905) 669-3384	(514) 399-0052

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	
	2009	2008	2009	2008
		(Unaudited)		
Revenues	$ 1,781	$ 2,098	$ 3,640	$ 4,025
Operating expenses				
Labor and fringe benefits	413	392	867	853
Purchased services and material	253	283	544	568
Fuel	174	399	356	709
Depreciation and amortization	199	176	402	351
Equipment rents	70	60	152	124
Casualty and other	89	81	255	190
Total operating expenses	1,198	1,391	2,576	2,795
Operating income	583	707	1,064	1,230
Interest expense	(108)	(87)	(220)	(173)
Other income (Note 3)	9	9	170	3
Income before income taxes	484	629	1,014	1,060
Income tax expense (Note 7)	(97)	(170)	(203)	(290)
Net income	$ 387	$ 459	$ 811	$ 770
Earnings per share (Note 10)				
Basic	$ 0.83	$ 0.96	$ 1.73	$ 1.61
Diluted	$ 0.82	$ 0.95	$ 1.72	$ 1.59
Weighted-average number of shares				
Basic	468.7	476.4	468.5	479.6
Diluted	473.0	482.0	472.7	485.3

See accompanying notes to unaudited consolidated financial statements.

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

	June 30 2009 (Unaudited)	December 31 2008	June 30 2008 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 431	$ 413	$ 161
Accounts receivable (Note 4)	865	913	843
Material and supplies	258	200	217
Deferred income taxes	113	98	67
Other	96	132	88
	1,763	1,756	1,376
Properties	23,160	23,203	20,864
Intangible and other assets	1,814	1,761	2,113
Total assets	$ 26,737	$ 26,720	$ 24,353
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and other	$ 1,270	$ 1,386	$ 1,289
Current portion of long-term debt	506	506	85
	1,776	1,892	1,374
Deferred income taxes	5,443	5,511	5,100
Other liabilities and deferred credits	1,319	1,353	1,381
Long-term debt (Note 4)	7,093	7,405	6,389
Shareholders' equity:			
Common shares	4,203	4,179	4,208
Accumulated other comprehensive loss	(207)	(155)	(1)
Retained earnings	7,110	6,535	5,902
	11,106	10,559	10,109
Total liabilities and shareholders' equity	$ 26,737	$ 26,720	$ 24,353

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		Six months ended June 30	
	2009	2008	2009	2008
		(Unaudited)		
Common shares (1)				
Balance, beginning of period	$ 4,188	$ 4,241	$ 4,179	$ 4,283
Stock options exercised and other	15	19	24	42
Share repurchase programs (Note 4)	-	(52)	-	(117)
Balance, end of period	$ 4,203	$ 4,208	$ 4,203	$ 4,208
Accumulated other comprehensive loss				
Balance, beginning of period	$ (126)	$ 9	$ (155)	$ (31)
Other comprehensive income (loss):				
Unrealized foreign exchange gain (loss) on:				
Translation of the net investment in foreign operations	(583)	(47)	(332)	140
Translation of U.S. dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries	580	41	322	(141)
Pension and other postretirement benefit plans (Note 6):				
Amortization of net actuarial loss (gain) included in net periodic benefit cost (income)	1	(1)	1	(2)
Amortization of prior service cost included in net periodic benefit cost (income)	-	6	1	12
Other comprehensive income (loss) before income taxes	(2)	(1)	(8)	9
Income tax recovery (expense)	(79)	(9)	(44)	21
Other comprehensive income (loss)	(81)	(10)	(52)	30
Balance, end of period	$ (207)	$ (1)	$ (207)	$ (1)
Retained earnings				
Balance, beginning of period	$ 6,841	$ 5,823	$ 6,535	$ 5,925
Net income	387	459	811	770
Share repurchase programs (Note 4)	-	(271)	-	(573)
Dividends	(118)	(109)	(236)	(220)
Balance, end of period	$ 7,110	$ 5,902	$ 7,110	$ 5,902

See accompanying notes to unaudited consolidated financial statements.

(1)

During the three and six months ended June 30, 2009, the Company issued 0.6 million and 0.8 million common shares, respectively, as a result of stock options exercised. At June 30, 2009, the Company had 469.0 million common shares outstanding.

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

	Three months ended June 30 2009	Three months ended June 30 2008	Six months ended June 30 2009	Six months ended June 30 2008
		(Unaudited)		
Operating activities				
Net income	$ 387	$ 459	$ 811	$ 770
Adjustments to reconcile net income to net cash provided from operating activities:				
Depreciation and amortization	199	176	402	351
Deferred income taxes	40	89	50	114
Gain on disposal of property (Note 3)	-	-	(157)	-
Other changes in:				
Accounts receivable	28	(233)	29	(468)
Material and supplies	4	(6)	(49)	(54)
Accounts payable and other	(9)	(39)	(141)	(98)
Other current assets	5	22	41	51
Other	(22)	(59)	(36)	(92)
Cash provided from operating activities	632	409	950	574
Investing activities				
Property additions	(309)	(352)	(496)	(529)
Acquisitions, net of cash acquired (Note 3)	-	-	(373)	-
Disposal of property (Note 3)	40	-	150	-
Other, net	33	9	37	20
Cash used by investing activities	(236)	(343)	(682)	(509)
Financing activities				
Issuance of long-term debt	-	1,597	1,440	2,652
Reduction of long-term debt	(187)	(1,418)	(1,459)	(1,998)
Issuance of common shares due to exercise of stock options and related excess tax benefits realized	13	16	15	34
Repurchase of common shares	-	(323)	-	(690)
Dividends paid	(118)	(109)	(236)	(220)
Cash used by financing activities	(292)	(237)	(240)	(222)
Effect of foreign exchange fluctuations on U.S. dollar-denominated cash and cash equivalents	(22)	(2)	(10)	8
Net increase (decrease) in cash and cash equivalents	82	(173)	18	(149)

Cash and cash equivalents, beginning of period	349	334	413	310
Cash and cash equivalents, end of period	$ 431	$ 161	$ 431	$ 161
Supplemental cash flow information				
Net cash receipts from customers and other	$ 1,834	$ 1,886	$ 3,738	$ 3,634
Net cash payments for:				
Employee services, suppliers and other expenses	(970)	(1,215)	(2,332)	(2,554)
Interest	(93)	(90)	(199)	(190)
Workforce reductions	(4)	(6)	(8)	(12)
Personal injury and other claims	(35)	(18)	(65)	(44)
Pensions	(28)	(31)	(28)	(53)
Income taxes	(72)	(117)	(156)	(207)
Cash provided from operating activities	$ 632	$ 409	$ 950	$ 574

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 June 30, 2009, December 31, 2008, and June 30, 2008, and its results of operations, changes in shareholders' equity and cash flows for the three and six months ended June 30, 2009 and 2008.

These unaudited Interim Consolidated Financial Statements and Notes thereto have been prepared using accounting policies consistent with those used in preparing the Company's 2008 Annual Consolidated Financial Statements, except as disclosed in Note 2 – Accounting change. 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 2008 Annual Consolidated Financial Statements and Notes thereto.

These unaudited Interim Consolidated Financial Statements and Notes thereto were approved by the Company's Board of Directors and issued on July 20, 2009. As at such date, there were no material subsequent events affecting any conditions that existed at the date of the balance sheet, including any estimates inherent in the process of preparing the financial statements.

Note 2 – Accounting change

On January 1, 2009, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 141 (R), "Business Combinations," which became effective for acquisitions with an acquisition date on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Until December 31, 2008, the Company was subject to the requirements of SFAS No. 141, "Business Combinations," which required that acquisition-related costs be included as part of the purchase cost of an acquired business. As such, the Company had reported acquisition-related costs in Other current assets pending the closing of its acquisition of the Elgin, Joliet and Eastern Railway Company (EJ&E), which had been subject to an extensive U.S. Surface Transportation Board (STB) approval process. On January 31, 2009, the Company completed its acquisition of the EJ&E and accounted for the acquisition under SFAS No. 141 (R). The Company incurred acquisition-related costs, including costs to obtain regulatory approval, of approximately $49 million, of which $3 million was incurred in the second quarter of 2009. These costs were expensed and reported in Casualty and other in the Consolidated Statement of Income for the six months ended June 30, 2009 pursuant to SFAS No. 141 (R) requirements. At the time of adoption, this change in accounting policy had the effect of decreasing net income by $28 million ($0.06 per basic or diluted earnings per share) and Other current assets by $46 million. This change had no effect on the Consolidated Statement of Cash Flows. Disclosures prescribed by SFAS No. 141 (R) are presented in Note 3 – Acquisition and disposal of property.

Note 3 - Acquisition and disposal of property

Acquisition of Elgin, Joliet and Eastern Railway Company

On January 31, 2009, the Company acquired the principal rail lines of the EJ&E for a total cash consideration of U.S.$300 million (Cdn$373 million), paid with cash on hand. The EJ&E is a short-line railway previously owned by U.S. Steel Corporation (U.S. Steel) that operates over 198 miles of track and serves steel mills, petrochemical customers, utility plants and distribution centers in Illinois and Indiana, as well as connects with all the major railroads entering Chicago. Under the terms of the acquisition agreement, the Company acquired substantially all of the railroad operations of EJ&E, except those that support the Gary Works site in northwest Indiana and the steelmaking operations of U.S. Steel. The acquisition is expected to drive new efficiencies and operating improvements on CN's network as a result of streamlined rail operations and reduced congestion in the Chicago area.

The Company and EJ&E had entered into the acquisition agreement on September 25, 2007, and the Company had filed an application for authorization of the transaction with the STB on October 30, 2007. Following an extensive regulatory approval process, which included an Environmental Impact Statement (EIS) that resulted in conditions imposed to mitigate

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

municipalities' concerns regarding increased rail activity, expected along the EJ&E line, the STB approved the transaction on December 24, 2008. The STB also imposed a five-year monitoring and oversight condition, during which the Company is required to file with the STB monthly operational reports as well as quarterly reports on the implementation status of the STB-imposed mitigation conditions. This permits the STB to take further action if there is a material change in the facts and circumstances upon which it relied in imposing the specific mitigation conditions. Over the next few years, the Company has committed to spend approximately U.S.$100 million for railroad infrastructure improvements and over U.S.$60 million under a series of agreements with individual communities, a comprehensive voluntary mitigation program that addresses municipalities' concerns, and additional STB-imposed conditions that the Company has accepted with one exception. The Company has filed an appeal challenging the STB's condition requiring the installation of grade separations at two locations along the EJ&E at Company funding levels significantly beyond prior STB practice. Although the STB granted the Company's application to acquire control of the EJ&E, challenges have since been made by certain communities as to the sufficiency of the EIS which, if successful, could result in further consideration of the environmental impact of the transaction and mitigation conditions imposed. The Company strongly disputes the merit of these challenges, and has intervened in support of the STB's defense against them. The final outcome of such challenges, as well as the resolution of matters that could arise during the STB's five-year oversight of the transaction, cannot be predicted with certainty, and therefore, there can be no assurance that their resolution will not have a material adverse effect on the Company's financial position or results of operations.
The Company has accounted for the acquisition using the purchase method of accounting pursuant to SFAS No. 141 (R), "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-date to acquire the EJ&E of approximately $49 million were expensed and reported in Casualty and other in the Consolidated Statement of Income for the six months ended June 30, 2009 (see Note 2 - Accounting change).

The following table summarizes the consideration paid for EJ&E and the estimated fair value of the assets acquired and liabilities assumed that were recognized at the acquisition date. The Company has not finalized its valuation of such assets and liabilities. As such, the fair value is subject to change, although no material change is anticipated.

(In U.S. millions)		At January 31, 2009
Consideration		
Cash	$	300
Fair value of total consideration transferred	$	300
Recognized amounts of identifiable assets acquired and liabilities assumed		
Current assets	$	6
Other long-term assets		4
Property, plant and equipment		304
Current liabilities		(4)
Other long-term liabilities		(10)
Total identifiable net assets	$	300

The amount of revenues and net income of EJ&E included in the Company's Consolidated Statement of Income from the acquisition date to June 30, 2009, were $34 million and $7 million, respectively. The Company has not provided supplemental pro forma information relating to the pre-acquisition period as it was not considered material to the results of operations of the Company.

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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 $110 million before transaction costs, with a balance on sale of about $50 million placed in escrow on the Company's behalf and to be released in accordance with the terms of the agreement but no later than December 31, 2009. At June 30, 2009, $40 million had been released from escrow and was received by the Company. 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 disposition of $157 million ($135 million after-tax), including amounts related to the real estate as well as the retention of trackage and other rights. The Company accounted for the transaction in Other income under the full accrual method of accounting for real estate transactions.

Note 4 - Financing activities

Shelf prospectus and registration statement
In February 2009, the Company issued U.S.$550 million (Cdn$684 million) of 5.55% Notes due 2019. The debt offering was made under the Company's currently effective shelf prospectus and registration statement, filed by the Company in December 2007. Accordingly, the amount registered for offering under the shelf prospectus and registration statement has been reduced to U.S.$1.3 billion. The Company used the net proceeds of U.S.$540 million (Cdn$672 million) from the offering to repay a portion of its then outstanding commercial paper and to reduce a portion of its accounts receivable securitization program.

Revolving credit facility
As at June 30, 2009, the Company had letters of credit drawn on its U.S.$1 billion revolving credit facility, expiring in October 2011, of $236 million ($181 million as at December 31, 2008). The Company also had total borrowings under its commercial paper program of $5 million denominated in Canadian dollars. The weighted-average interest rate on these borrowings was 1.01%.

As at December 31, 2008, total borrowings under the Company's commercial paper program were $626 million, of which $256 million was denominated in Canadian dollars and $370 million was denominated in U.S. dollars (U.S.$303 million). The weighted-average interest rate on these borrowings was 2.42%.

Accounts receivable securitization
The Company has a five-year agreement, expiring in May 2011, to sell an undivided co-ownership interest for maximum cash proceeds of $600 million in a revolving pool of freight receivables to an unrelated trust. In the second quarter of 2009, the Company reduced the program limit from $600 million to $400 million until the end of 2009 to reflect the anticipated reduction in the use 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 retained interest and recorded in Other current assets in its Consolidated Balance Sheet. The eligible freight receivables as defined in the agreement may not include delinquent or defaulted receivables, or receivables that do not meet certain obligor-specific criteria, including concentrations in excess of prescribed limits with any one customer.
During the first half of 2009, proceeds from collections reinvested in the securitization program were approximately $138 million and purchases of previously transferred accounts receivable were approximately $4 million. At June 30,

2009, the servicing asset and liability were not significant. Subject to customary indemnifications, the trust's recourse is generally limited to the receivables.

As at June 30, 2009, the Company had sold receivables that resulted in proceeds of $2 million under this program ($71 million at December 31, 2008), and recorded retained interest of approximately 10% of this amount in Other current assets (retained interest of approximately 10% recorded as at December 31, 2008). The fair value of the retained interest approximated carrying value as a result of the short collection cycle and negligible credit losses.

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Share repurchase program
During the first half of 2009, the Company did not repurchase any common shares under its 25.0 million share repurchase program, which expired on July 20, 2009. The Company repurchased a total of 6.1 million common shares since July 28, 2008, the inception of the program, for $331 million, at a weighted-average price of $54.42 per share.

Note 5 - Stock plans

The Company has various stock-based incentive plans for eligible employees. A description of the plans is provided in Note 11 – Stock plans, to the Company's 2008 Annual Consolidated Financial Statements. For the three and six months ended June 30, 2009, the Company recorded total compensation expense for awards under all plans of $25 million and $40 million, respectively, and $6 million and $34 million, respectively, for the same periods in 2008. The total tax benefit recognized in income in relation to stock-based compensation expense for the three and six months ended June 30, 2009 was $7 million and $11 million, respectively, and $3 million and $10 million, respectively, for the same periods in 2008.

Cash settled awards
Following approval by the Board of Directors in January 2009, the Company granted 0.9 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 June 30, 2009, 0.1 million RSUs remained authorized for future issuance under this plan.

The following table provides the 2009 activity for all cash settled awards:

	RSUs		Voluntary Incentive Deferral Plan (VIDP)	
In millions	Nonvested	Vested	Nonvested	Vested
Outstanding at December 31, 2008	1.3	0.9 (1)	0.1	1.8
Granted	0.9	-	-	0.1 (2)
Transferred into plan	-	-	-	0.1
Payout	-	(0.9)	-	(0.1)
Outstanding at June 30, 2009	2.2	-	0.1	1.9

(1) Includes 0.1 million of 2004 time-vested RSUs.
(2) Includes the Company's match and dividends earned on original deferred share units.

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

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

In millions, unless otherwise indicated	RSUs (1)					Vision (1)	VIDP (2)	Total
Year of grant	2009	2008	2007	2006	2004	2005	2003 onwards	
Stock-based compensation expense (recovery) recognized over requisite service period								
Six months ended June 30, 2009	$ 14	$ 2	$ 3	$ (2)	N/A	N/A	$ 14	$ 31
Six months ended June 30, 2008	N/A	$ 9	$ -	$ 7	$ 2	$ 2	$ 6	$ 26
Liability outstanding								
June 30, 2009	$ 14	$ 10	$ 12	$ -	$ -	N/A	$ 98	$ 134
December 31, 2008	N/A	$ 8	$ 9	$ 53	$ 3	$ -	$ 88	$ 161
Fair value per unit								
June 30, 2009 ($)	$ 35.19	$ 28.36	$ 22.93	N/A	N/A	N/A	$ 49.97	N/A
Fair value of awards vested during period								
Six months ended June 30, 2009	$ -	$ -	$ -	N/A	N/A	N/A	$ 1	$ 1
Six months ended June 30, 2008	N/A	$ -	$ -	$ -	$ -	$ -	$ 2	$ 2
Nonvested awards at June 30, 2009								
Unrecognized compensation cost	$ 13	$ 3	$ 1	N/A	N/A	N/A	$ 2	$ 19
Remaining recognition period (years)	2.50	1.50	0.50	N/A	N/A	N/A	3.50	N/A
Assumptions (3)								
Stock price ($)	$ 49.97	$ 49.97	$ 49.97	N/A	N/A	N/A	$ 49.97	N/A
Expected stock price volatility (4)	29%	32%	37%	N/A	N/A	N/A	N/A	N/A
Expected term (years) (5)	2.50	1.50	0.50	N/A	N/A	N/A	N/A	N/A
Risk-free interest rate (6)	1.52%	0.86%	0.31%	N/A	N/A	N/A	N/A	N/A
Dividend rate ($) (7)	$ 1.01	$ 1.01	$ 1.01	N/A	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) Assumptions used to determine fair value are at June 30, 2009.