

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

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

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 October 26, 2010 entitled, "CN reports Q3-2010 net income of C\$556 million, or C\$1.19 per diluted share. Supply chain collaboration focus helps drive increased grain, coal and intermodal traffic."
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Item 1

North America's Railroad
NEWS RELEASE

CN reports Q3-2010 net income of C\$556 million,
or C\$1.19 per diluted share

Supply chain collaboration focus helps drive
increased grain, coal and intermodal traffic

MONTREAL, Oct. 26, 2010 — CN (TSX: CNR)(NYSE: CNI) today reported its financial and operating results for the third quarter and nine-month period ended Sept. 30, 2010.

Third-quarter 2010 highlights

- Net income increased by 21 per cent to C\$556 million.
- Diluted earnings per share (EPS) of C\$1.19 increased by 23 per cent over reported diluted third-quarter 2009 EPS, and by 27 per cent over adjusted diluted EPS for the same period of last year. (1)
- Revenues grew by 15 per cent to C\$2,122 million, while carloadings increased 18 per cent, and revenue ton-miles rose nine per cent.
 - Operating income increased by 21 per cent to C\$834 million.
 - Operating ratio improved by two points to 60.7 per cent.
- Nine-month free cash flow totalled C\$938 million, up from C\$657 million generated during the comparable period of 2009. (1)

Claude Mongeau, president and chief executive officer, said: “CN had very strong results, posting increased third-quarter net income driven by solid revenue growth, effective cost control and improved productivity. Greater freight volumes in almost all markets reflected the continued recovery in North American and global economies.

“CN’s impressive performance is more than an economic recovery story. We are starting to see dividends from our new supply chain initiatives, which are designed to help our customers grow their business and position CN to handle a greater amount of that traffic. Since the beginning of the year, we’ve innovated on a number of fronts, ranging from scheduled grain service in Western Canada, to collaboration agreements with Canada’s major ports and level of service pacts with terminal operators, to a new end-to-end supply chain focus on Western Canada export coal traffic.

“There are some encouraging signs. During the first nine months of 2010, Canadian grain volumes approached a level not seen since the 1996/1997 Canadian bumper crop-year. Overseas intermodal traffic reached a record high for the nine-month 2010 period – up 25 per cent from 2009. And Canadian coal traffic increased by a full 75 per cent from the comparable nine-month period of 2009.

“Looking forward, CN is convinced that deeper customer engagement and supply chain innovation will deliver value to customers and help CN create value for its shareholders.”

Net income for the first nine months of 2010 was C\$1,601 million, or C\$3.39 per diluted share, up from C\$1,272 million, or C\$2.69 per diluted share, for the comparable period of 2009.

Adjusted net income for the first nine months of 2010 was C\$1,470 million, or C\$3.11 per diluted share, compared with adjusted net income of C\$1,109 million, or C\$2.34 per diluted share, for the comparable period of 2009. (1)

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 2010 third-quarter and first-nine-month net income would have been higher by C\$15 million, or C\$0.03 per diluted share, and C\$91 million, or C\$0.19 per diluted share, respectively. (1)

Third-quarter 2010 revenues, traffic volumes and expenses

The 15 per cent rise in third-quarter revenues mainly resulted from significantly higher freight volumes in almost all markets as a result of improving economic conditions in North America and globally; 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 coal (28 per cent), metals and minerals (24 per cent), automotive (22 per cent), intermodal (19 per cent), petroleum and chemicals (10 per cent), grain and fertilizers (seven per cent), and forest products (four per cent).

Revenue ton-miles, measuring the relative weight and distance of rail freight transported by CN, increased nine 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 by five per cent, largely owing to the impact of a higher fuel surcharge, freight rate increases and a decrease in the average length of haul that were partly offset by the negative translation impact of the stronger Canadian dollar.

Operating expenses for the third quarter of 2010 increased by 11 per cent, largely because of higher fuel costs, higher casualty and other expenses, and increased labor and fringe benefits expenses. These factors were partially offset by the positive translation impact of the stronger Canadian dollar on U.S.-dollar-denominated expenses.

2010 outlook (2)

CN remains comfortable with the financial guidance it issued on July 22, 2010. The Company believes it has the scope to achieve an increase of approximately 25 per cent in 2010 adjusted diluted EPS over 2009 adjusted diluted EPS of C\$3.24. CN also expects to achieve free cash flow for 2010 in the range of C\$1.1 billion. The free cash flow outlook is based on the Company's year-to-date performance, including proceeds from a Toronto rail-line sale in the first quarter, lower cash taxes, and additional voluntary pension plan contributions of C\$300 million to improve the CN Pension Plan's funded status.

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

2) See Forward-Looking Statements below 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. 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 remains comfortable with the 2010 outlook it announced on July 22, 2010, in the Company's second-quarter financial results news release.

CN believes it has the scope to achieve an increase of approximately 25 per cent in 2010 adjusted diluted EPS over 2009 adjusted diluted EPS of C\$3.24. In addition, CN expects to achieve free cash flow for 2010 in the range of C\$1.1 billion. This current 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; CN carload growth, in percentage terms, in the mid-teens, along with Company pricing improvement of about 3.5 per cent; a Canadian-U.S. exchange rate for 2010 in the range of C\$0.95 to par; the price of crude oil (West Texas Intermediate) to be in the range of US\$75 to US\$80 per barrel; and investment of approximately C\$1.6 billion in Company capital programs. In addition, CN expects that U.S. motor vehicle sales will be approximately 11.5 million units for 2010. Although the Company anticipates the 2010/2011 Canadian grain crop will be below the five-year average, its impact on 2010 results is expected to be modest. CN is also assuming a strong U.S. crop, and has benefited from a good carry-over stock from the 2009/2010 Canadian grain crop.

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.

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

Mark Hallman

Director

Communications and Public Affairs

(905) 669-3384

Investment Community

Robert Noorigian

Vice-President

Investor Relations

(514) 399-0052

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

	Three months ended September 30		Nine months ended September 30	
	2010	2009 (Unaudited)	2010	2009
Revenues	\$ 2,122	\$ 1,845	\$ 6,180	\$ 5,485
Operating expenses				
Labor and fringe benefits	437	416	1,321	1,283
Purchased services and material	246	227	754	771
Fuel	249	205	757	586
Depreciation and amortization	204	191	614	593
Equipment rents	61	66	181	218
Casualty and other	91	51	303	281
Total operating expenses	1,288	1,156	3,930	3,732
Operating income	834	689	2,250	1,753
Interest expense	(90)	(97)	(273)	(317)
Other income (Note 2)	24	21	200	191
Income before income taxes	768	613	2,177	1,627
Income tax expense (Note 6)	(212)	(152)	(576)	(355)
Net income	\$ 556	\$ 461	\$ 1,601	\$ 1,272
Earnings per share (Note 9)				
Basic	\$ 1.20	\$ 0.98	\$ 3.42	\$ 2.71
Diluted	\$ 1.19	\$ 0.97	\$ 3.39	\$ 2.69
Weighted-average number of shares				
Basic	464.6	469.4	468.1	468.8
Diluted	468.4	473.8	471.9	473.1

See accompanying notes to unaudited consolidated financial statements.

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

	September 30 2010 (Unaudited)	December 31 2009	September 30 2009 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	\$ 548	\$ 352	\$ 233
Accounts receivable (Note 3)	810	797	849
Material and supplies	271	170	237
Deferred income taxes	55	105	70
Other	127	66	60
	1,811	1,490	1,449
Properties	22,646	22,630	22,454
Intangible and other assets	1,571	1,056	1,849
Total assets	\$ 26,028	\$ 25,176	\$ 25,752
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and other	\$ 1,193	\$ 1,167	\$ 1,159
Current portion of long-term debt	109	70	89
	1,302	1,237	1,248