

CANADIAN NATIONAL RAILWAY CO
Form 6-K
July 23, 2015

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 2015

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
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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
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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
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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
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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

Canadian National Railway Company

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North America's Railroad

NEWS RELEASE

CN reports Q2-2015 net income of C\$886 million,
or C\$1.10 per diluted share

Adjusted diluted earnings per share (EPS) for Q2-2015 increased
by 12 per cent to C\$1.15 (1)

MONTREAL, July 20, 2015 — CN (TSX: CNR) (NYSE: CNI) today reported its financial and operating results for the second quarter ended June 30, 2015.

Second-quarter 2015 financial highlights

- Net income was C\$886 million, or C\$1.10 per diluted share, compared with net income of C\$847 million, or C\$1.03 per diluted share, for second-quarter 2014. The Q2-2015 results included a deferred income tax expense of C\$42 million (C\$0.05 per diluted share) resulting from the enactment of a higher provincial corporate income tax rate.
- Excluding the deferred income tax expense, Q2-2015 adjusted diluted EPS increased 12 per cent to C\$1.15 from year-earlier diluted EPS of C\$1.03. (1)
 - Q2-2015 operating income increased eight per cent to C\$1,362 million.
- Second-quarter 2015 revenues were flat at C\$3,125 million, carloadings decreased by three per cent, and revenue ton-miles declined by seven per cent.
 - CN's operating ratio for Q2-2015 improved by 3.2 points to 56.4 per cent from 59.6 per cent the year before.
- Free cash flow for the first six months of 2015 was C\$1,051 million, compared with C\$1,270 million for the year-earlier period. (1)

Claude Mongeau, president and chief executive officer, said: "I'm proud of our very solid second-quarter results, driven by the team's swift action to recalibrate resources and double-down on efficiency, while continuing to improve customer service.

"CN is pleased to reaffirm its outlook for double-digit adjusted EPS growth in 2015 versus last year's adjusted diluted EPS of C\$3.76 despite volume growth that remains constrained by weakness in several markets, as well as challenging year-over-year comparables. (2)

"We're focused on our long-term agenda and investing C\$2.7 billion in CN's capital program this year to support it, with an emphasis on the integrity and safety of the network."

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. The fluctuation of the Canadian dollar relative to the U.S. dollar affects the conversion of the Company's U.S.-dollar-denominated revenues and expenses. On a constant currency basis, CN's net income for the second quarter of 2015 would have been lower by C\$64 million, or C\$0.08 per diluted share. (1)

Second-quarter 2015 revenues, traffic volumes and expenses

Revenues for the second quarter of 2015 were flat at C\$3,125 million. Revenues increased for automotive (17 per cent), forest products (eight per cent), petroleum and chemicals (four per cent), and intermodal (two per cent). Revenues declined for metals and minerals (five per cent), grain and fertilizers (seven per cent), and coal (26 per cent).

The revenue performance was mainly attributable to the positive translation impact of the weaker Canadian dollar on U.S.-dollar-denominated revenues; freight rate increases; and strong overseas intermodal demand and higher volumes of finished vehicle traffic. These factors were almost entirely offset by a lower applicable fuel surcharge rate; lower volumes of Canadian grain versus the prior year's record crop; decreased shipments of coal due to weaker global demand; reduced shipments of energy-related commodities, including crude oil, frac sand, and drilling pipe; as well as lower volumes of semi-finished steel products and iron ore.

Carloadings for the quarter declined by three per cent to 1,414 thousand.

Revenue ton-miles, measuring the relative weight and distance of rail freight transported by CN, declined by seven per cent over the year-earlier quarter. 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 seven per cent over the year-earlier period, driven by the positive translation impact of the weaker Canadian dollar and freight rate increases, partly offset by a lower applicable fuel surcharge rate and an increase in the average length of haul.

Operating expenses for the quarter decreased by five per cent to C\$1,763 million, mainly due to lower fuel costs and lower labor and fringe benefits expense, partly offset by the negative translation impact of a weaker Canadian dollar on U.S.-dollar-denominated expenses as well as increased purchased services and material expense.

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.

2015 key assumptions

CN has made a number of economic and market assumptions in preparing its 2015 outlook. The Company is now assuming that North American industrial production for the year will increase by approximately one per cent, compared with its April 20, 2015, assumption of three per cent, that U.S. housing starts will be in the range of 1.2 million units, and that U.S. motor vehicles sales will be approximately 16.7 million units. The 2014/2015 Canadian grain crop represented a significant reduction toward the historical trend line while the U.S. grain crop was above trend. CN assumes that the 2015/2016 grain crops in both Canada and the United States will be in-line with trend yields. CN is no longer counting on growth in customer shipments of energy-related commodities, namely crude oil and frac sand, compared with its previous assumption announced on April 20, 2015, of 40,000 carloads of growth. With these assumptions, CN now assumes total carloads for all freight categories in 2015 will be generally comparable with 2014, versus its April 20, 2015, forecast of three per cent growth. CN expects continued pricing

improvement above inflation. CN assumes that in 2015 the value of the Canadian dollar in U.S. currency will be approximately \$0.80, and that the average price of crude oil (West Texas Intermediate) will fluctuate around US\$50 per barrel. In 2015, CN plans to invest approximately C\$2.7 billion in its capital program, of which approximately C\$1.4 billion is targeted toward maintaining the safety and integrity of the network, particularly track infrastructure. The 2015 capital program also includes funds for projects supporting growth and productivity.

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.

- 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 2015 outlook.

CN is a true backbone of the economy, transporting more than C\$250 billion worth of goods annually for a wide range of business sectors, ranging from resource products to manufactured products to consumer goods, across a rail network spanning Canada and mid-America. CN – Canadian National Railway Company, along with its operating railway subsidiaries -- serves the cities and ports of Vancouver, Prince Rupert, B.C., Montreal, Halifax, New Orleans, and Mobile, Ala., and the metropolitan areas of Toronto, Edmonton, Winnipeg, Calgary, Chicago, Memphis, Detroit, Duluth, Minn./Superior, Wis., 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

Janet Drysdale

Vice-President

Investor Relations

(514) 399-0052

Consolidated Statement of Income - unaudited

Item 2

In millions, except per share data	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Revenues	\$ 3,125	\$ 3,116	\$ 6,223	\$ 5,809
Operating expenses				
Labor and fringe benefits	542	560	1,210	1,147
Purchased services and material	434	390	891	778
Fuel	327	484	688	952
Depreciation and amortization	285	257	581	513
Equipment rents	83	84	177	161
Casualty and other	92	83	251	180
Total operating expenses	1,763	1,858	3,798	3,731
Operating income	1,362	1,258	2,425	2,078
Interest expense	(105)	(91)	(209)	(183)
Other income (Note 3)	16	2	20	96
Income before income taxes	1,273	1,169	2,236	1,991
Income tax expense (Note 4)	(387)	(322)	(646)	(521)
Net income	\$ 886	\$ 847	\$ 1,590	\$ 1,470
Earnings per share (Note 5)				
Basic	\$ 1.10	\$ 1.03	\$ 1.97	\$ 1.78
Diluted	\$ 1.10	\$ 1.03	\$ 1.96	\$ 1.77
Weighted-average number of shares (Note 5)				
Basic	803.5	821.8	806.4	824.9
Diluted	808.0	825.3	811.1	828.3

See accompanying notes to unaudited consolidated financial statements.

Consolidated Statement of Comprehensive Income - unaudited

Three months ended