

CANADIAN NATIONAL RAILWAY CO
Form 6-K
April 28, 2004

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 April, 2004

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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Item 1 Press release dated April 22, 2004 titled "CN records first-quarter 2004 financial gains despite strike, strong Canadian dollar and high fuel prices".

Item 1

News
FOR IMMEDIATE RELEASE

North America's Railroad

Stock symbols: TSX: CNR / NYSE: CNI

www.cn.ca

CN records first-quarter 2004 financial gains despite strike, strong Canadian dollar and high fuel prices

MONTREAL, April 22, 2004 □ CN today reported its financial results for the first quarter ended March 31, 2004.

Quarterly highlights

- Net income of \$210 million, or 73 cents per diluted share. Excluding the cumulative effect of change in accounting policy in the year-earlier period, diluted earnings per share for the first three months of 2004 increased by six per cent.

- Operating income of \$395 million, up six per cent from the year-earlier quarter.
- Operating ratio of 72.5 per cent, 2.5 points better than the prior year's quarterly performance.
- Free cash flow of \$272 million, compared with \$181 million for the same three-month period of 2003.⁽¹⁾

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

(In millions, except per share data)

E. Hunter Harrison, president and chief executive officer of CN, said: "I am very pleased with CN's performance this quarter. We overcame a series of stiff challenges [an unfortunate strike, the year-over-year appreciation of the Canadian dollar, and persistently high energy prices – to grow freight volumes by five per cent and deliver significant improvements in our operating income and operating ratio.

"The Canadian Auto Workers (CAW) strike negatively affected first-quarter net income by an estimated \$24 million, or eight cents per diluted share, while the significant appreciation of the Canadian dollar relative to the United States dollar reduced CN's revenues, operating income and net income by approximately \$120 million, \$40 million and \$20 million, respectively."

Revenues for first-quarter 2004 declined four per cent to \$1,438 million, owing largely to the higher Canadian dollar and lost intermodal revenue caused by the CAW strike. Partly offsetting these losses were increased Canadian grain, forest products, and metals and mineral volumes.

First-quarter 2004 operating expenses declined seven per cent to \$1,043 million. The decrease largely reflected the translation impact of the stronger Canadian dollar on U.S. dollar-denominated expenses, and lower labour and fringe benefits expenses and equipment rents. Partly offsetting these decreases were higher depreciation and amortization expenses and the impact of higher fuel prices on fuel expense.

The month-long CAW strike had a minimal impact on operating expenses, because the benefit of lower labour and fringe benefit expenses was mostly offset by increases in other expense categories.

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

(In millions, except per share data)

Harrison said: "CN's intermodal revenues have recovered since the strike and we anticipate continued strength in Canadian grain and forest products volumes during the balance of the year. On the expense side, we are intent

on maintaining a sharp focus on cost reduction and productivity improvement.□

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

(1) 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 and that its results could differ materially from those expressed or implied in such statements. Reference should be made to CN's most recent Form 40-F filed with the United States Securities and Exchange Commission, and the Annual Information Form filed with the Canadian securities regulators, for a summary of major risks.

Canadian National Railway Company 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 cities 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.

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

(In millions, except per share data)

| | Three months ended March 31 | |
|--------------------|--|-------|
| | 2004 | 2003 |
| | <i>(Unaudited)</i> | |
| Revenues | \$ 1,438 | 1,496 |
| Operating expenses | 1,043 | 1,122 |
| Operating income | 395 | 374 |

| | | |
|---|---------------|---------------|
| Interest expense | (72) | (85) |
| Other income (loss) | (13) | 4 |
| <hr/> | | |
| Income before income taxes and cumulative effect of change in accounting policy | 310 | 293 |
| Income tax expense | (100) | (89) |
| <hr/> | | |
| Income before cumulative effect of change in accounting policy | 210 | 204 |
| Cumulative effect of change in accounting policy (net of applicable taxes) | | 48 |
| <hr/> | | |
| Net income | \$ 210 | \$ 252 |
| <hr/> | | |

Earnings per share (Note 9, 10)**Basic earnings per share**

| | | |
|--|---------|---------|
| Income before cumulative effect of change in accounting policy | \$ 0.74 | \$ 0.70 |
| Net income | \$ 0.74 | \$ 0.86 |

Diluted earnings per share

| | | |
|--|---------|---------|
| Income before cumulative effect of change in accounting policy | \$ 0.73 | \$ 0.69 |
| Net income | \$ 0.73 | \$ 0.85 |

Weighted-average number of shares

| | | |
|---------|-------|-------|
| Basic | 284.5 | 292.9 |
| Diluted | 288.8 | 296.2 |

See accompanying notes to consolidated financial statements.

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

(In millions)

Three months ended March 31

| | | |
|-------------|------|----------|
| | | Variance |
| 2004 | 2003 | |

Fav
(Unfav)*(Unaudited)***Revenues**

| | | | |
|-------------------------|--------------|-------|-------|
| Petroleum and chemicals | 265 | 290 | (9%) |
| Metals and minerals | 134 | 126 | 6% |
| Forest products | 307 | 317 | (3%) |
| Coal | 67 | 74 | (9%) |
| Grain and fertilizers | 254 | 234 | 9% |
| Intermodal | 228 | 265 | (14%) |
| Automotive | 130 | 143 | (9%) |
| Other items | 53 | 47 | 13% |
| | 1,438 | 1,496 | (4%) |

Operating expenses

| | | | |
|---------------------------------|--------------|-------|-----|
| Labor and fringe benefits | 419 | 454 | 8% |
| Purchased services and material | 190 | 200 | 5% |
| Depreciation and amortization | 142 | 143 | 1% |
| Fuel | 122 | 127 | 4% |
| Equipment rents | 63 | 77 | 18% |
| Casualty and other | 107 | 121 | 12% |
| | 1,043 | 1,122 | 7% |

| | | | |
|-------------------------|---------------|--------|----|
| Operating income | \$ 395 | \$ 374 | 6% |
|-------------------------|---------------|--------|----|

| | | | |
|------------------------|--------------|-------|-----|
| Operating ratio | 72.5% | 75.0% | 2.5 |
|------------------------|--------------|-------|-----|

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

| | | |
|--------------------------|------------------------|--------------------|
| March 31 2004 | December 31 2003 | March 31 2003 |
| <i>(Unaudited)</i> | | <i>(Unaudited)</i> |

Assets**Current assets:**

| | | | | | | |
|------------------------------|----|-----|----|-----|----|-----|
| Cash and cash equivalents | \$ | 175 | \$ | 130 | \$ | 84 |
| Accounts receivable (Note 4) | | 519 | | 529 | | 706 |
| Material and supplies | | 155 | | 120 | | 160 |
| Deferred income taxes | | 126 | | 125 | | 126 |
| Other | | 252 | | 223 | | 206 |

| | | | | | | |
|--|--|--------------|--|-------|--|-------|
| | | 1,227 | | 1,127 | | 1,282 |
|--|--|--------------|--|-------|--|-------|

| | | | | | | |
|------------|--|---------------|--|--------|--|--------|
| Properties | | 18,421 | | 18,305 | | 19,018 |
|------------|--|---------------|--|--------|--|--------|

| | | | | | | |
|--|--|------------|--|-----|--|-----|
| Other assets and deferred charges (Note 3) | | 774 | | 905 | | 837 |
|--|--|------------|--|-----|--|-----|

| | | | | | | |
|---------------------|----|---------------|----|--------|----|--------|
| Total assets | \$ | 20,422 | \$ | 20,337 | \$ | 21,137 |
|---------------------|----|---------------|----|--------|----|--------|

Liabilities and shareholders' equity**Current liabilities:**

| | | | | | | |
|--|----|-------|----|-------|----|-------|
| Accounts payable and accrued charges | \$ | 1,311 | \$ | 1,366 | \$ | 1,456 |
| Current portion of long-term debt (Note 4) | | 149 | | 483 | | 949 |
| Other | | 82 | | 73 | | 79 |

| | | | | | | |
|--|--|--------------|--|-------|--|-------|
| | | 1,542 | | 1,922 | | 2,484 |
|--|--|--------------|--|-------|--|-------|

| | | | | | | |
|-----------------------|--|--------------|--|-------|--|-------|
| Deferred income taxes | | 4,642 | | 4,550 | | 4,651 |
|-----------------------|--|--------------|--|-------|--|-------|

| | | | | | | |
|--|--|--------------|--|-------|--|-------|
| Other liabilities and deferred credits | | 1,248 | | 1,258 | | 1,334 |
|--|--|--------------|--|-------|--|-------|

| | | | | | | |
|-------------------------|--|--------------|--|-------|--|-------|
| Long-term debt (Note 4) | | 4,367 | | 4,175 | | 4,544 |
|-------------------------|--|--------------|--|-------|--|-------|

Shareholders' equity:

| | | | | | | |
|--------------------------------------|--|--------------|--|-------|--|-------|
| Common shares | | 4,682 | | 4,664 | | 4,668 |
| Accumulated other comprehensive loss | | (111) | | (129) | | (13) |
| Retained earnings | | 4,052 | | 3,897 | | 3,469 |

| | | | | | | |
|--|--|--------------|--|-------|--|-------|
| | | 8,623 | | 8,432 | | 8,124 |
|--|--|--------------|--|-------|--|-------|

| | | | | | | |
|---|----|---------------|----|--------|----|--------|
| Total liabilities and shareholders' equity | \$ | 20,422 | \$ | 20,337 | \$ | 21,137 |
|---|----|---------------|----|--------|----|--------|

See accompanying notes to consolidated financial statements.

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

(In millions)

Three months ended
March 31

| | 2004 | 2003 |
|---|--------------------|----------|
| | <i>(Unaudited)</i> | |
| Common shares (1) | | |
| Balance, beginning of period | \$ 4,664 | \$ 4,785 |
| Stock options exercised and other | 18 | 24 |
| Share repurchase program | | (141) |
| Balance, end of period | \$ 4,682 | \$ 4,668 |
| Accumulated other comprehensive income (loss) | | |
| Balance, beginning of period | \$ (129) | \$ 97 |
| Other comprehensive income (loss): | | |
| Unrealized foreign exchange gain (loss) on translation of U.S. dollar denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries | (32) | 264 |
| Unrealized foreign exchange gain (loss) on translation of the net investment in foreign operations | 54 | (424) |
| Unrealized holding gain (loss) on fuel derivative instruments <i>(Note 6)</i> | 20 | (3) |
| Unrealized holding loss on interest rate derivatives <i>(Note 6)</i> | (15) | - |
| Other comprehensive income (loss) before income taxes | 27 | (163) |
| Income tax recovery (expense) | (9) | 53 |
| Other comprehensive income (loss) | 18 | (110) |
| Balance, end of period | \$ (111) | \$ (13) |
| Retained earnings | | |
| Balance, beginning of period | \$ 3,897 | \$ 3,487 |
| Net income | 210 | 252 |
| Share repurchase program | - | (221) |
| Dividends | (55) | (49) |
| Balance, end of period | \$ 4,052 | \$ 3,469 |

See accompanying notes to consolidated financial statements.

(1) During the first quarter of 2004, the Company issued 0.4 million common shares as a result of stock options exercised. At March 31, 2004, the Company had 284.6 million common shares outstanding (Note 9).

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

(in millions)

| | Three months ended March 31 | |
|---|--|---------|
| | 2004 | 2003 |
| | <i>(Unaudited)</i> | |
| Operating activities | | |
| Net income | \$ 210 | \$ 252 |
| Adjustments to reconcile net income to net cash provided from operating activities: | | |
| Cumulative effect of change in accounting policy | - | (48) |
| Depreciation and amortization | 143 | 145 |
| Deferred income taxes | 55 | 72 |
| Equity in earnings of English Welsh and Scottish Railway | 5 | (14) |
| Other changes in: | | |
| Accounts receivable | 8 | 1 |
| Material and supplies | (35) | (37) |
| Accounts payable and accrued charges | (66) | (30) |
| Other net current assets and liabilities | (29) | (9) |
| Other | 14 | 29 |
| Cash provided from operating activities | 305 | 361 |
| Investing activities | | |
| Net additions to properties | (125) | (121) |
| Other, net (Note 3) | 141 | (10) |
| Cash provided from (used by) investing activities | 16 | (131) |
| Dividends paid | (55) | (49) |
| Financing activities | | |
| Issuance of long-term debt (Note 4) | 491 | 1,316 |
| Reduction of long-term debt (Note 4) | (726) | (1,087) |
| Issuance of common shares | 14 | 11 |
| Repurchase of common shares | - | (362) |
| Cash used by financing activities | (221) | (122) |
| Net increase in cash and cash equivalents | 45 | 59 |
| Cash and cash equivalents, beginning of period | 130 | 25 |

| | | |
|---|---------------|--------------|
| Cash and cash equivalents, end of period | \$ 175 | \$ 84 |
|---|---------------|--------------|

Supplemental cash flow information

| | | |
|---|-----------------|----------|
| Net cash receipts from customers and other | \$ 1,404 | \$ 1,556 |
| Net cash payments for: | | |
| Employee services, suppliers and other expenses | (933) | (966) |
| Interest | (74) | (82) |
| Workforce reductions | (32) | (48) |
| Personal injury and other claims | (36) | (38) |
| Pensions | (4) | (3) |
| Income taxes | (20) | (58) |

| | | |
|---|---------------|--------|
| Cash provided from operating activities | \$ 305 | \$ 361 |
|---|---------------|--------|

See accompanying notes to consolidated financial statements.