CANADIAN NATIONAL RAILWAY CO
Form 6-K
April 21, 2005

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 2005

Commission File Number: 001-02413

Canadian National Railway Company

(Translation of registrants 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

News

North Americas Railroad

FOR IMMEDIATE RELEASE

Stock symbols: TSX: CNR / NYSE: CNI

www.cn.ca

CNs first-quarter 2005 net income rises 42 per cent to $299 million, or $1.04 per diluted share

MONTREAL, April 20, 2005 CN today reported its financial results for the first quarter ended March 31, 2005.

Highlights

- Net income of $299 million, or $1.04 per diluted share, an increase of 42 per cent from year-earlier net income of $210 million, or 73 cents per diluted share;
- Revenues of $1,706 million, an increase of 19 per cent;
- Operating income up 33 per cent to $526 million;
- Record first-quarter operating ratio of 69.2 per cent, a 3.3-percentage point improvement over first-quarter 2004 performance;
- Free cash flow of $310 million, compared with $272 million for the comparable period of 2004. (1)

E. Hunter Harrison, president and chief executive officer of CN, said: CN had an exceptional quarter, achieving for the first time an operating ratio of less than 70 per cent for the first three months of the year. This accomplishment was all the more striking given a severe winter and weather-related disruptions on parts of our network early in the quarter.

Our strong performance was driven by a number of factors - a solid economy, revenue gains from CNs 2004 acquisitions, a higher fuel surcharge, freight rate increases, and a return to more normal traffic levels following the first-quarter 2004 Canadian Auto Workers (CAW) strike. This resulted in double-digit revenue increases at five of our seven commodity groups, with particular strength in metals and minerals, forest products, and intermodal traffic.

By staying focused on cost control and asset utilization, we continue to be well positioned to convert revenue gains into strong bottom line growth. This is the real power of CNs operating leverage.

Commodity groups that registered revenue gains during the quarter were metals and minerals (49 per cent); forest products (26 per cent); intermodal (26 per cent); coal (18 per cent); petroleum and chemicals (10 per cent); and grain and fertilizers (eight per cent). Automotive revenues declined by six per cent.

CNs first-quarter 2005 performance benefited from $121 million in revenues from the rail and related holdings of Great Lakes Transportation LLC (GLT) and BC Rail, whose operations CN consolidated on May 10, 2004, and July 14, 2004, respectively.

Operating expenses for first-quarter 2005 increased by 13 per cent to $1,180 million, largely because of the inclusion of $96 million in GLT and BC Rail expenses, higher labour and fringe benefits, and increased fuel costs, all of which were partly offset by lower equipment rents.

The continued appreciation of the Canadian dollar affected the conversion of CNs U.S. dollar-denominated revenues and expenses, and, accordingly, reduced the companys first-quarter 2005 revenues, operating income and net income by approximately $60 million, $25 million, and $15 million, respectively. In the first quarter of 2004, the CAW strike reduced CNs operating income and net income by $35 million and $24 million, respectively.

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 CNs 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	
	2005	2004
	(Unaudited)	
Revenues	**$ 1,706**	$ 1,438
Operating expenses	**1,180**	1,043
Operating income	**526**	395
Interest expense	**(75)**	(72)
Other loss	**(4)**	(13)
Income before income taxes	**447**	310
Income tax expense	**(148)**	(100)
Net income	**$ 299**	$ 210

Earnings per share		
Basic	**$ 1.06**	$ 0.74
Diluted	**$ 1.04**	$ 0.73
Weighted-average number of shares		
Basic	**281.9**	284.5
Diluted	**287.5**	288.8

See accompanying notes to consolidated financial statements.

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CANADIAN NATIONAL RAILWAY COMPANY

CONSOLIDATED STATEMENT OF OPERATING INCOME *(U.S. GAAP)*

(In millions)

	Three months ended March 31		
	2005	2004	Variance Fav (Unfav)
	(Unaudited)		
Revenues			
Petroleum and chemicals	**$ 275**	$ 250	10%
Metals and minerals	**199**	134	49%
Forest products	**404**	320	26%
Coal	**79**	67	18%
Grain and fertilizers	**276**	256	8%
Intermodal	**287**	228	26%
Automotive	**122**	130	(6%)
Other items	**64**	53	21%
	1,706	1,438	19%
Operating expenses			
Labor and fringe benefits	**499**	419	(19%)
Purchased services and material	**206**	190	(8%)
Depreciation and amortization	**156**	142	(10%)
Fuel	**166**	122	(36%)
Equipment rents	**47**	63	25%
Casualty and other	**106**	107	1%
	1,180	1,043	(13%)

Operating income	**$ 526**	$ 395	33%
Operating ratio	**69.2%**	72.5%	3.3

See accompanying notes to consolidated financial statements.

Certain of the 2004 comparative figures have been reclassified in order to be consistent with the 2005 presentation.

CANADIAN NATIONAL RAILWAY COMPANY

CONSOLIDATED BALANCE SHEET *(U.S. GAAP)*

(In millions)

	March 31 2005	December 31 2004	March 31 2004
	(Unaudited)		*(Unaudited)*
Assets			
Current assets:			
Cash and cash equivalents	**$ 202**	$ 147	$ 175
Accounts receivable *(Note 4)*	**727**	793	519
Material and supplies	**178**	127	155
Deferred income taxes	**250**	364	126
Other	**399**	279	252
	1,756	1,710	1,227
Properties	**19,799**	19,715	18,421
Intangible and other assets	**873**	940	781
Total assets	**$ 22,428**	$ 22,365	$ 20,429
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued charges	**$ 1,586**	$ 1,605	$ 1,366

Current portion of long-term debt *(Note 4)*	**225**	578	149
Other	**77**	76	82
	1,888	2,259	1,597
Deferred income taxes	**4,802**	4,723	4,642
Other liabilities and deferred credits	**1,474**	1,513	1,200
Long-term debt *(Note 4)*	**4,956**	4,586	4,367
Shareholders' equity:			
Common shares	**4,715**	4,706	4,682
Accumulated other comprehensive loss	**(91)**	(148)	(111)
Retained earnings	**4,684**	4,726	4,052
	9,308	9,284	8,623
Total liabilities and shareholders' equity	**$ 22,428**	$ 22,365	$ 20,429

See accompanying notes to consolidated financial statements.

Certain of the 2004 comparative figures have been reclassified in order to be consistent with the 2005 presentation.

CANADIAN NATIONAL RAILWAY COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY *(U.S. GAAP)*

(In millions)

	Three months ended March 31	
	2005	2004
	(Unaudited)	
Common shares (1)		
Balance, beginning of period	**$ 4,706**	$ 4,664
Stock options exercised and other	**86**	18
Share repurchase program *(Note 4)*	**(77)**	-

Balance, end of period	**$ 4,715**	$ 4,682

Accumulated other comprehensive loss

Balance, beginning of period	**$ (148)**	$ (129)
Other comprehensive income (loss):		
Unrealized foreign exchange loss on translation of U.S. dollar denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries	**(37)**	(32)
Unrealized foreign exchange gain on translation of the net investment in foreign operations	**44**	54
Unrealized holding gain on fuel derivative instruments *(Note 6)*	**78**	20
Unrealized holding loss on interest rate derivatives *(Note 6)*	**-**	(15)
Other comprehensive income before income taxes	**85**	27
Income tax expense	**(28)**	(9)
Other comprehensive income	**57**	18
Balance, end of period	**$ (91)**	$ (111)

Retained earnings

Balance, beginning of period	**$ 4,726**	$ 3,897
Net income	**299**	210
Share repurchase program *(Note 4)*	**(270)**	-
Dividends	**(71)**	(55)
Balance, end of period	**$ 4,684**	$ 4,052

See accompanying notes to consolidated financial statements.

(1) During the first quarter of 2005, the Company issued 2.0 million common shares as a result of stock options exercised. At March 31, 2005, the Company had 280.5 million common shares outstanding.

CANADIAN NATIONAL RAILWAY COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS *(U.S. GAAP)*

(In millions)

	Three months ended March 31	
	2005	2004
	(Unaudited)	
Operating activities		
Net income	**$ 299**	$ 210
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	**157**	143
Deferred income taxes	**136**	55
Equity in earnings of English Welsh and Scottish Railway	**(5)**	5
Other changes in:		
Accounts receivable	**64**	8
Material and supplies	**(51)**	(35)
Accounts payable and accrued charges	**(21)**	(66)
Other net current assets and liabilities	**(10)**	(29)
Other	**14**	14
Cash provided from operating activities	**583**	305
Investing activities		
Net additions to properties	**(153)**	(125)
Other, net	**4**	141
Cash provided from (used by) investing activities	**(149)**	16
Dividends paid	**(71)**	(55)
Financing activities		
Issuance of long-term debt	**620**	491
Reduction of long-term debt	**(651)**	(726)
Issuance of common shares	**70**	14

Repurchase of common shares	**(347)**	-
Cash used by financing activities	**(308)**	(221)
Net increase in cash and cash equivalents	**55**	45
Cash and cash equivalents, beginning of period	**147**	130
Cash and cash equivalents, end of period	**$ 202**	$ 175
Supplemental cash flow information		
Net cash receipts from customers and other	**$ 1,886**	$ 1,404
Net cash payments for:		
Employee services, suppliers and other expenses	**(1,113)**	(931)
Interest	**(91)**	(74)
Workforce reductions	**(31)**	(32)
Personal injury and other claims	**(27)**	(36)
Pensions	**(2)**	(6)
Income taxes	**(39)**	(20)
Cash provided from operating activities	**$ 583**	$ 305

See accompanying notes to consolidated financial statements.

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CANADIAN NATIONAL RAILWAY COMPANY

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

Note 1 Basis of presentation

In managements opinion, the accompanying unaudited interim consolidated financial statements, expressed in Canadian dollars, and prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), contain all adjustments (consisting of normal recurring accruals) necessary to present fairly Canadian National Railway Companys (the Company) financial position as at March 31, 2005 and December 31 and March 31, 2004, its results of operations, changes in shareholders equity and cash flows for the three months ended March 31, 2005 and 2004.

These interim consolidated financial statements and notes have been prepared using accounting policies consistent with those used in preparing the Companys 2004 Annual Consolidated Financial Statements. While management believes that the disclosures presented are adequate to make the information not misleading, these interim consolidated financial statements and notes should be read in conjunction with the Companys Interim Managements Discussion and Analysis and Annual Consolidated Financial Statements and notes thereto.

Note 2 Acquisitions

Great Lakes Transportation LLCs railroads and related holdings (GLT) and BC Rail Ltd. and BC Rail Partnership (collectively BC Rail) were acquired and consolidated effective May 10, 2004 and July 14, 2004, respectively. Accordingly, the Companys results of operations for the quarter ended March 31, 2004 excluded the results of operations of both GLT and BC Rail. For comparative purposes only, if the Company had acquired both GLT and BC Rail on January 1, 2004, based on their respective historical amounts, net of the amortization of the difference between the Companys cost to acquire GLT and BC Rail and their respective net assets (based on preliminary estimates of the fair value of GLTs and BC Rails assets and liabilities), revenues, net income, and basic and diluted earnings per share would have been $1,557 million, $211 million, $0.74 per basic share and $0.73 per diluted share, respectively, for the three months ended March 31, 2004.

The pro forma figures for both GLT and BC Rail do not reflect synergies, and accordingly, do not account for any potential increases in operating income, any estimated cost savings or facilities consolidation.

Note 3 Note receivable from English Welsh and Scottish Railway (EWS)

In May 2005, subject to certain conditions, EWS intends to fully redeem the Companys 8% note receivable due 2009, at the principal amount together with accrued but unpaid interest at the date of redemption. As such, at March 31, 2005, the note receivable, including accrued interest, of $60 million has been presented in Other current assets.

Note 4 Financing activities

In January 2005, the Company repaid its borrowings of U.S.$90 million (Cdn$108 million) outstanding at December 31, 2004 under its U.S.$1,000 million revolving credit facility. On March 29, 2005, the Company refinanced, by way of amendment, its revolving credit facility, which was scheduled to mature in December 2005, for a five-year period to March 2010. The credit facility is available for general corporate purposes, including back-stopping the Companys commercial paper program. The credit facility provides for borrowings at various interest rates, including the Canadian prime rate, bankers acceptance rates, the U.S. federal funds effective rate and the London Interbank Offer Rate, plus applicable margins. The amended credit facility agreement retains customary limitations on debt as a percentage of total capitalization, but eliminates the requirement for maintaining tangible net worth above pre-defined levels. The Company has been in compliance with these covenants throughout the quarter. As at March 31, 2005, the Company had letters of credit of $299 million under its revolving credit facility and outstanding borrowings of U.S.$285 million (Cdn$347 million) under its commercial paper program.

The Company has an accounts receivable securitization program, expiring in June 2006, under which it may sell, on a revolving basis, a maximum of $500 million ($450 million prior to February 2005) of eligible freight trade and other receivables outstanding at any point in time, to an unrelated trust. The Company has a contingent residual interest of approximately 10% of receivables sold, which is recorded in Other current assets. At March 31, 2005, pursuant to the agreement, the maximum amount of eligible receivables had been sold, compared to $445 million at December 31, 2004.

In the first quarter of 2005, under its current share repurchase program, the Company repurchased 4.6 million common shares for $347 million, at an average price of $75.36 per share. The Company has repurchased a total of 8.6 million common shares since November 1, 2004, the inception of the program, for $620 million, at an average price of $72.08 per share.

Note 5 Stock-based compensation

For the three months ended March 31, 2005 and 2004, the Company recorded total compensation cost for awards under all plans of $28 million and $4 million, respectively.

(a) Restricted share units

In the first quarter of 2005, the Company granted approximately 0.4 million restricted share units (RSUs) to designated management employees entitling them to receive payout in cash based on the Companys share price. The RSUs granted are scheduled for payout after three years and vest upon the attainment of targets relating to return on invested capital over the three-year period and to the Companys share price during the three-month period ending December 31, 2007. At March 31, 2005, the Company had approximately 1.6 million RSUs outstanding under the Plan. For the three months ended March 31, 2005, the Company recorded compensation cost of $19 million compared to $3 million, for the same 2004 period.

(b) Stock options

In the first quarter of 2005, the Company granted approximately 0.7 million conventional stock options to designated senior management employees, that vest over a period of four years of continuous employment. The total number of options outstanding at March 31, 2005, including conventional, performance, and performance-accelerated options was 11.8 million. For the three months ended March 31, 2005, the Company recorded compensation cost of $7 million compared to $2 million, for the same 2004 period. At March 31, 2005, 0.5 million options remained authorized for future issuances. Subject to regulatory and shareholder approval at the Companys 2005 Annual Meeting of Shareholders, the maximum number of options which may be issued under the plan will be increased by an additional 7.5 million.

(c) Vision 2008 Share Unit Plan

In the first quarter of 2005, the Board of Directors of the Company approved a special share unit plan with a four-year term to December 2008, entitling designated senior management employees to receive payout in cash in January 2009. The Company granted 0.4 million share units which vest conditionally upon the attainment of targets relating to the Companys share price during the six-month period ending December 31, 2008. Payout is also conditional upon the attainment of targets relating to return on invested capital over the four-year period and to the Companys share price during the 20-day period ending on December 31, 2008. Award payout will be equal to the number of share units vested on December 31, 2008 multiplied by the Companys 20-day average share price ending on such date. Due to the nature of the vesting conditions, no compensation cost was recorded for the first quarter of 2005.

The Company follows the fair value based approach for stock option awards and had prospectively applied this method of accounting to all awards granted, modified or settled on or after January 1, 2003. The Company follows the intrinsic value method for cash settled awards. If compensation cost had been determined based upon fair values at the date of grant for awards under all plans, the Companys pro forma net income and earnings per share would have been as follows:

Three months ended March 31,	**2005**	2004
Net income, as reported *(in millions)*	**$ 299**	$ 210
Add (deduct) compensation cost, net of applicable taxes, determined under:		
Fair value method for all awards granted		

after Jan 1, 2003 (SFAS No. 123)	**21**	4
Fair value method for all awards (SFAS No. 123)	**(27)**	(12)
Pro forma net income *(in millions)*	**$ 293**	$ 202
Basic earnings per share, as reported	**$ 1.06**	$