

CANADIAN NATIONAL RAILWAY CO
Form 6-K
May 01, 2006

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, 2006

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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**CANADIAN NATIONAL RAILWAY COMPANY
PRESS RELEASE**

North America's Railroad

FOR IMMEDIATE RELEASE

Stock symbols: TSX: CNR / NYSE: CNI

www.cn.ca

CN reports first-quarter 2006 diluted EPS of C\$0.66 and record first-quarter operating ratio of 66.2 per cent

MONTREAL, April 20, 2006 □ CN today reported its financial and operating results for the three-month period ended March 31, 2006.

First-quarter 2006 financial highlights

- Diluted earnings per share (EPS) of C\$0.66, an increase of 27 per cent over first-quarter 2005 diluted EPS of C\$0.52;
- Net income of C\$362 million, up 21 per cent;
- Operating income of C\$625 million, an increase of 19 per cent;
- Record first-quarter operating ratio of 66.2 per cent, a 3.0-percentage point improvement over the year-earlier quarter;
- Free cash flow of C\$318 million. (1)

E. Hunter Harrison, president and chief executive officer of CN, said: "CN delivered a solid first-quarter financial performance, with a 27 per cent growth in earnings per share and strong free cash flow generation.

**CANADIAN NATIONAL RAILWAY COMPANY
PRESS RELEASE**

Our performance reflected continued productivity improvements, a two per cent increase in revenue ton-miles a measure of the rail freight volume transported by the company and a relentless focus on cost control that produced a record first-quarter operating ratio of 66.2 per cent.

Revenues for the first quarter of 2006 increased eight per cent to C\$1,847 million as a result of freight rate increases, including a higher fuel surcharge resulting from an escalation in crude oil prices, and a positive change in traffic mix. The improved revenues were achieved despite the unfavourable C\$55-million translation impact of the stronger Canadian dollar on U.S. dollar-denominated revenues.

Operating expenses for the quarter increased by four per cent to C\$1,222 million, driven largely by a significant increase in fuel costs, as well as increased expenses for purchased services and material, and depreciation and amortization. These increases were partly offset by the favourable C\$35-million translation impact of the stronger Canadian dollar on U.S. dollar-denominated operating expenses.

All of CN's seven commodity groups registered revenue gains, led by intermodal and coal revenues, which increased 12 per cent and 10 per cent, respectively. Intermodal benefited from growth in international container traffic and a solid performance in Canadian domestic movements. Forest products revenues increased eight per cent on the strength of improved lumber shipments in western Canada, although this improvement was partly offset by a reduction in pulp and paper shipments owing to continued weak market conditions.

**CANADIAN NATIONAL RAILWAY COMPANY
PRESS RELEASE**

Grain and fertilizers revenues also increased eight per cent, driven in part by higher shipments of U.S. corn and soybeans, and Canadian canola. These gains were partly offset by decreased shipments of fertilizers resulting from soft market conditions. Automotive revenues increased eight per cent, benefiting from a positive change in traffic mix and higher shipments of foreign automakers' vehicles. Metals and minerals revenues rose by seven per cent, while petroleum and chemicals revenues increased by six per cent.

The financial results in this press release 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 measure in the attached supplementary schedule, Non-GAAP Measure.

This news release contains forward-looking statements. CN cautions that, by their nature, forward-looking statements involve risk and uncertainties, including the assumption that the positive economic trends in North America and Asia will continue, 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, its Annual Information Form filed with the Canadian securities regulators, and its 2005 Annual Consolidated Financial Statements and Management's Discussion and Analysis, 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	
	2006	2005
	<i>(Unaudited)</i>	
Revenues	\$ 1,847	\$ 1,706
Operating expenses	1,222	1,180
Operating income	625	526
Interest expense	(75)	(75)
Other loss	(1)	(4)
Income before income taxes	549	447
Income tax expense	(187)	(148)
Net income	\$ 362	\$ 299
Earnings per share (Notes 7, 8)		
Basic	\$ 0.68	\$ 0.53
Diluted	\$ 0.66	\$ 0.52
Weighted-average number of shares		
Basic	536.1	563.8
Diluted	545.1	575.0

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		
	2006	2005	Variance Fav (Unfav)
	<i>(Unaudited)</i>		
Revenues			
Petroleum and chemicals	\$ 292	\$ 275	6%
Metals and minerals	213	199	7%
Forest products	438	404	8%
Coal	87	79	10%
Grain and fertilizers	298	276	8%
Intermodal	321	287	12%
Automotive	132	122	8%
Other items	66	64	3%
	1,847	1,706	8%
Operating expenses			
Labor and fringe benefits	488	499	2%
Purchased services and material	215	206	(4%)
Depreciation and amortization	164	156	(5%)
Fuel	203	166	(22%)
Equipment rents	47	47	-
Casualty and other	105	106	1%
	1,222	1,180	(4%)
Operating income	\$ 625	\$ 526	19%
Operating ratio	66.2%	69.2%	3.0

See accompanying notes to consolidated financial statements.

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

(In millions)

	March 31 2006	December 31 2005	March 31 2005
	<i>(Unaudited)</i>		<i>(Unaudited)</i>
Assets			
Current assets:			
Cash and cash equivalents	\$ 173	\$ 62	\$ 202
Accounts receivable (Note 2)	551	623	727
Material and supplies	224	151	178
Deferred income taxes	66	65	250
Other	184	248	399
	1,198	1,149	1,756
Properties	20,175	20,078	19,799
Intangible and other assets	947	961	873
Total assets	\$ 22,320	\$ 22,188	\$ 22,428
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued charges	\$ 1,439	\$ 1,478	\$ 1,586
Current portion of long-term debt (Note 2)	402	408	225
Other	65	72	77
	1,906	1,958	1,888
Deferred income taxes	4,846	4,817	4,802
Other liabilities and deferred credits	1,506	1,487	1,474
Long-term debt (Note 2)	4,860	4,677	4,956
Shareholders' equity:			
Common shares	4,591	4,580	4,715
Accumulated other comprehensive loss	(245)	(222)	(91)
Retained earnings	4,856	4,891	4,684
	9,202	9,249	9,308

Total liabilities and shareholders' equity	\$ 22,320	\$ 22,188	\$ 22,428
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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	
	2006	2005
	<i>(Unaudited)</i>	
Common shares (1)		
Balance, beginning of period	\$ 4,580	\$ 4,706
Stock options exercised and other	71	86
Share repurchase programs (Note 2)	(60)	(77)
Balance, end of period	\$ 4,591	\$ 4,715
Accumulated other comprehensive loss		
Balance, beginning of period	\$ (222)	\$ (148)
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	6	(37)
Unrealized foreign exchange gain (loss) on translation of the net investment in foreign operations	(14)	44
Increase (decrease) in unrealized holding gains on fuel derivative instruments (Note 4)	(27)	78
Other comprehensive income (loss) before income taxes	(35)	85
Income tax recovery (expense)	12	(28)
Other comprehensive income (loss)	(23)	57
Balance, end of period	\$ (245)	\$ (91)
Retained earnings		
Balance, beginning of period	\$ 4,891	\$ 4,726
Net income	362	299
Share repurchase programs (Note 2)	(310)	(270)
Dividends	(87)	(71)
Balance, end of period	\$ 4,856	\$ 4,684

See accompanying notes to consolidated financial statements.

(1) During the first quarter of 2006, the Company issued 2.9 million common shares as a result of stock options exercised. At March 31, 2006, the Company had 532.7 million common shares outstanding (Note 8).