

CANADIAN NATIONAL RAILWAY CO  
Form 6-K  
November 01, 2004

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**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 November, 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

North America's Railroad

**News**  
FOR IMMEDIATE RELEASE

Stock symbols: TSX: CNR / NYSE: CNI

[www.cn.ca](http://www.cn.ca)

## CN reports record results, strong core business growth

**MONTREAL, Oct. 27, 2004** – CN today reported its financial results for the third quarter and nine-month period ended Sept. 30, 2004.

### Third-quarter 2004 highlights

- Net income of \$346 million, an 18 per cent increase from 2003;
- Diluted earnings per share of \$1.19, a 17 per cent improvement over third-quarter 2003 results;

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- Operating income of \$591 million, up 30 per cent year-over-year;
  - Operating ratio of 65.4 per cent, 2.5 percentage points better than the prior year's quarterly performance;
  - Nine-month 2004 free cash flow of \$754 million, compared with \$455 million for the same period of 2003.<sup>(1)</sup>
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E. Hunter Harrison, president and chief executive officer of CN, said: "These results demonstrate the power of CN's business model, franchise and people. Our success is built on solid railroading execution, a strong merchandise traffic base, productivity and pricing discipline, and a proven ability to leverage new acquisitions for the benefit of customers and shareholders.

"Third-quarter revenues grew 21 per cent, reflecting core business growth in a strong North American economy and the acquisitions of BC Rail and the railroad and related holdings of Great Lakes Transportation (GLT). The integration of these carriers into our network continues in seamless fashion, and we believe anticipated merger benefits will outpace our original expectations.

"I am particularly proud of our nine-month 2004 free cash flow of \$754 million. This cash generation ability is one of CN's key strengths, giving it the financial flexibility to reward shareholders now and in the future."

Revenues for the latest quarter increased to a record \$1,709 million despite a stronger Canadian dollar. Factors driving the improved performance were increased merchandise traffic revenues, the inclusion of \$148 million of GLT and BC Rail revenues, a solid intermodal performance, and an improved Canadian grain crop. CN began to record the operations of GLT as of May 10, 2004, and BC Rail as of July 14, 2004.

All seven CN business units registered revenue gains: metals and minerals (56 per cent); forest products (25 per cent); coal (25 per cent); petroleum and chemicals (17 per cent); automotive (nine per cent); intermodal (eight per cent); and grain and fertilizers (five per cent).

Operating expenses for the most recent quarter increased by 17 per cent to \$1,118 million. The rise reflected the inclusion of \$93 million of GLT and BC Rail expenses, increased fuel costs, and higher expenses for personal injuries, labor and fringe benefits, and purchased services.

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The stronger Canadian dollar affected the conversion of CN's U.S. dollar denominated revenues and expenses, and accordingly, reduced the company's third-quarter revenues, operating income and net income by approximately \$45 million, \$15 million and \$7 million, respectively.

### **Nine-month 2004 financial results**

Net income for the first nine months of 2004 was \$882 million, or \$3.05 per diluted share, compared with net income of \$790 million, or \$2.71 per diluted share, for the same period of 2003.

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Nine-month 2003 net income included a cumulative benefit of \$48 million after tax, resulting from a change in the accounting for removal costs for certain track structure assets. Excluding the effect of this change, net income for the first nine months of 2004 increased 19 per cent, with diluted earnings per share rising 20 per cent.

Operating income for the first nine months of this year increased 23 per cent to \$1,561 million. Revenues rose by 10 per cent to \$4,812 million, while operating expenses increased by five per cent to \$3,251 million.

CN's operating ratio for the first nine months of 2004 was 67.6 per cent, a 3.5-percentage point improvement over the year-earlier performance.

The translation impact of the stronger Canadian dollar reduced nine-month 2004 revenues, operating income and net income by approximately \$195 million, \$70 million and \$37 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.

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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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(In millions, except per share data)

	Three months ended September 30		Nine months ended September 30	
	2004(1)	2003	2004(1)	2003
	(Unaudited)			
Revenues	\$ 1,709	\$ 1,413	\$ 4,812	\$ 4,372
Operating expenses	1,118	959	3,251	3,107
Operating income	591	454	1,561	1,265
Interest expense	(79)	(76)	(219)	(244)
Other income (loss)	(9)	13	(45)	13
Income before income taxes and cumulative effect of change in accounting policy	503	391	1,297	1,034
Income tax expense	(157)	(97)	(415)	(292)
<b>Income before cumulative effect of change in accounting policy</b>	<b>346</b>	294	<b>882</b>	742
Cumulative effect of change in accounting policy (net of applicable taxes)	-	-	-	48
<b>Net income</b>	<b>\$ 346</b>	\$ 294	<b>\$ 882</b>	\$ 790

**Earnings per share (Notes 9, 10)**

**Basic earnings per share**

Income before cumulative effect of change in accounting policy \$ 1.21 \$ 1.04 \$ 3.09 \$ 2.59

Net income \$ 1.21 \$ 1.04 \$ 3.09 \$ 2.75

**Diluted earnings per share**

Income before cumulative effect of change in accounting policy \$ 1.19 \$ 1.02 \$ 3.05 \$ 2.55

Net income \$ 1.19 \$ 1.02 \$ 3.05 \$ 2.71

**Weighted-average number of shares**

Basic	<b>285.9</b>	283.9	<b>285.1</b>	287.7
Diluted	<b>290.8</b>	288.1	<b>289.6</b>	291.8

See accompanying notes to consolidated financial statements.

(1) Includes BC Rail and GLT from dates of acquisition. (See Note 2 - Acquisitions)

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

(In millions)

	Three months ended September 30			Nine months ended September 30		
	2004(1)	2003	Variance Fav (Unfav)	2004(1)	2003	Variance Fav (Unfav)
<i>(Unaudited)</i>						
<b>Revenues</b>						
Petroleum and chemicals	\$ 299	\$ 255	17%	\$ 840	\$ 798	5%
Metals and minerals	203	130	56%	521	387	35%
Forest products	402	322	25%	1,065	966	10%
Coal	71	57	25%	212	201	5%
Grain and fertilizers	231	220	5%	756	655	15%
Intermodal	303	280	8%	817	834	(2%)
Automotive	112	103	9%	385	389	(1%)
Other items	88	46	91%	216	142	52%
	<b>1,709</b>	1,413	21%	<b>4,812</b>	4,372	10%
<b>Operating expenses</b>						
Labor and fringe benefits	465	414	(12%)	1,350	1,283	(5%)
Purchased services and material	190	151	(26%)	561	529	(6%)
Depreciation and amortization	153	136	(13%)	445	418	(6%)
Fuel	132	100	(32%)	377	352	(7%)
Equipment rents	64	69	7%	195	228	14%
Casualty and other	114	89	(28%)	323	297	(9%)

	<b>1,118</b>	959	(17%)	<b>3,251</b>	3,107	(5%)
<b>Operating income</b>	<b>\$ 591</b>	\$ 454	30%	<b>\$ 1,561</b>	\$ 1,265	23%
<b>Operating ratio</b>	<b>65.4%</b>	67.9%	2.5	<b>67.6%</b>	71.1%	3.5

See accompanying notes to consolidated financial statements.

(1) Includes BC Rail and GLT from dates of acquisition. (See Note 2 - Acquisitions)

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

(In millions)

	<b>September 30 2004</b>	December 31 2003	September 30 2003
	<i>(Unaudited)</i>		<i>(Unaudited)</i>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 132	\$ 130	\$ 122
Accounts receivable (Note 4)	743	529	567
Material and supplies	155	120	145
Deferred income taxes	106	125	123
Other	279	223	174
	<b>1,415</b>	1,127	1,131
Properties	<b>20,022</b>	18,305	18,478
Other assets and deferred charges (Note 3)	<b>947</b>	905	844
<b>Total assets</b>	<b>\$ 22,384</b>	\$ 20,337	\$ 20,453
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued charges	\$ 1,276	\$ 1,366	\$ 1,394

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Current portion of long-term debt (Note 4)	<b>257</b>	483	537
Other	<b>69</b>	73	62
	<b>1,602</b>	1,922	1,993
Deferred income taxes	<b>4,673</b>	4,550	4,489
Other liabilities and deferred credits	<b>1,671</b>	1,258	1,252
Long-term debt (Note 4)	<b>5,141</b>	4,175	4,473
<b>Shareholders' equity:</b>			
Common shares	<b>4,742</b>	4,664	4,642
Accumulated other comprehensive loss	<b>(57)</b>	(129)	(116)
Retained earnings	<b>4,612</b>	3,897	3,720
	<b>9,297</b>	8,432	8,246
<b>Total liabilities and shareholders' equity</b>	<b>\$ 22,384</b>	\$ 20,337	\$ 20,453

See accompanying notes to consolidated financial statements.

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

(In millions)

	Three months ended September 30		Nine months ended September 30	
	2004(1)	2003	2004(1)	2003
	<i>(Unaudited)</i>			
<b>Common shares (2)</b>				
Balance, beginning of period	<b>\$ 4,704</b>	\$ 4,631	<b>\$ 4,664</b>	\$ 4,785
Stock options exercised and other	<b>38</b>	40	<b>78</b>	100
Share repurchase program	-	(29)	-	(243)
Balance, end of period	<b>\$ 4,742</b>	\$ 4,642	<b>\$ 4,742</b>	\$ 4,642

**Accumulated other comprehensive loss**



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Balance, beginning of period	\$ (35)	\$ (119)	\$ (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	238	(17)	109	589
Unrealized foreign exchange gain (loss) on translation of the net investment in foreign operations	(333)	27	(126)	(898)
Unrealized holding gain (loss) on fuel derivative instruments (Note 6)	69	(5)	112	(6)
Realized gain (loss) on settlement of interest rate swaps (Note 6)	(6)	-	12	-
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Other comprehensive income (loss) before income taxes	(32)	5	107	(315)
Income tax recovery (expense)	10	(2)	(35)	102
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Other comprehensive income (loss)	(22)	3	72	(213)
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Balance, end of period	\$ (57)	\$ (116)	\$ (57)	\$ (116)

**Retained earnings**

Balance, beginning of period	\$ 4,322	\$ 3,532	\$ 3,897	\$ 3,487
Net income	346	294	882	790
Share repurchase program	-	(58)	-	(413)
Dividends	(56)	(48)	(167)	(144)
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Balance, end of period	\$ 4,612	\$ 3,720	\$	