

CANADIAN NATIONAL RAILWAY CO  
Form 6-K  
February 09, 2005

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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 February, 2005

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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*Management Report*

The accompanying consolidated financial statements of Canadian National Railway Company and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in conformity with generally accepted accounting principles in the United States. These statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the annual report is consistent with these financial statements.

Management of the Company, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a system of internal accounting controls and supports an extensive program of internal audits. Management believes that this system of internal accounting controls provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements, and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements in this report principally through its Audit, Finance and Risk Committee, consisting solely of outside directors. The Audit, Finance and Risk Committee reviews the Company's consolidated financial statements and annual report and recommends their approval by the Board of Directors. Also, the Audit, Finance and Risk Committee meets regularly with the Chief,

Internal Audit, and with the shareholders' auditors.

These consolidated financial statements have been audited by KPMG LLP, who have been appointed as the sole auditors of the Company by the shareholders.

*(s) Claude Mongeau*  
Executive Vice-President and Chief Financial Officer

January 25, 2005

*(s) Serge Pharand*  
Vice-President and Corporate Comptroller

January 25, 2005

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## **AUDITORS' REPORT**

To the Board of Directors of  
Canadian National Railway Company

We have audited the consolidated balance sheets of Canadian National Railway Company as at December 31, 2004 and 2003 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2004, in accordance with generally accepted accounting principles in the United States.

On January 25, 2005, we reported separately to the shareholders of the Company on consolidated financial statements for the same period, prepared in accordance with Canadian generally accepted accounting principles.

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(s) KPMG LLP  
Chartered Accountants

Montreal, Canada  
January 25, 2005

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**Consolidated Statement of Income****U.S. GAAP**

| <i>In millions, except per share data</i> | <i>Year ended December 31,</i> | <b>2004</b>  | 2003     | 2002     |
|-------------------------------------------|--------------------------------|--------------|----------|----------|
| <b>Revenues</b>                           |                                |              |          |          |
| Petroleum and chemicals                   | \$                             | <b>1,123</b> | \$ 1,058 | \$ 1,102 |
| Metals and minerals                       |                                | <b>713</b>   | 527      | 521      |
| Forest products                           |                                | <b>1,452</b> | 1,284    | 1,323    |
| Coal                                      |                                | <b>284</b>   | 261      | 326      |
| Grain and fertilizers                     |                                | <b>1,053</b> | 938      | 986      |
| Intermodal                                |                                | <b>1,117</b> | 1,101    | 1,052    |
| Automotive                                |                                | <b>510</b>   | 525      | 591      |
| Other items                               |                                | <b>296</b>   | 190      | 209      |
| <b>Total revenues</b>                     |                                | <b>6,548</b> | 5,884    | 6,110    |
| <b>Operating expenses</b>                 |                                |              |          |          |
| Labor and fringe benefits                 |                                | <b>1,819</b> | 1,698    | 1,837    |
| Purchased services and material           |                                | <b>746</b>   | 703      | 778      |
| Depreciation and amortization             |                                | <b>598</b>   | 554      | 584      |
| Fuel                                      |                                | <b>528</b>   | 469      | 459      |
| Equipment rents                           |                                | <b>244</b>   | 293      | 346      |
| Casualty and other (Note 2)               |                                | <b>445</b>   | 390      | 637      |
| <b>Total operating expenses</b>           |                                | <b>4,380</b> | 4,107    | 4,641    |
| <b>Operating income</b>                   |                                | <b>2,168</b> | 1,777    | 1,469    |
| Interest expense (Note 14)                |                                | <b>(294)</b> | (315)    | (361)    |
| Other income (loss) (Note 15)             |                                | <b>(20)</b>  | 21       | 76       |

Income before income taxes and cumulative effect of change

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|                                                                                                 |                 |                 |               |
|-------------------------------------------------------------------------------------------------|-----------------|-----------------|---------------|
| in accounting policy                                                                            | <b>1,854</b>    | 1,483           | 1,184         |
| Income tax expense ( <i>Note 16</i> )                                                           | <b>(596)</b>    | (517)           | (384)         |
| <hr/>                                                                                           |                 |                 |               |
| Income before cumulative effect of change<br>in accounting policy                               | <b>1,258</b>    | 966             | 800           |
| Cumulative effect of change in accounting policy<br>(net of applicable taxes) ( <i>Note 2</i> ) | -               | 48              | -             |
| <hr/>                                                                                           |                 |                 |               |
| <b>Net income</b>                                                                               | <b>\$ 1,258</b> | <b>\$ 1,014</b> | <b>\$ 800</b> |
| <hr/>                                                                                           |                 |                 |               |

*Basic earnings per share (Note 18)*

|                                                                   |                |         |         |
|-------------------------------------------------------------------|----------------|---------|---------|
| Income before cumulative effect of change in accounting<br>policy | <b>\$ 4.41</b> | \$ 3.38 | \$ 2.71 |
| Net income                                                        | <b>\$ 4.41</b> | \$ 3.54 | \$ 2.71 |

*Diluted earnings per share (Note 18)*

|                                                                   |                |         |         |
|-------------------------------------------------------------------|----------------|---------|---------|
| Income before cumulative effect of change in accounting<br>policy | <b>\$ 4.34</b> | \$ 3.33 | \$ 2.65 |
| Net income                                                        | <b>\$ 4.34</b> | \$ 3.49 | \$ 2.65 |

See accompanying notes to consolidated financial statements.

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**Consolidated Statement of Comprehensive Income**

**U.S. GAAP**

| <i>In millions</i>                                                                                                                                               | <i>Year ended December 31,</i> | <b>2004</b>  | 2003            | 2002          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------|-----------------|---------------|
| Net income                                                                                                                                                       | <b>\$</b>                      | <b>1,258</b> | <b>\$ 1,014</b> | <b>\$ 800</b> |
| <b>Other comprehensive income (loss) (Note 21) :</b>                                                                                                             |                                |              |                 |               |
| Unrealized foreign exchange gain on translation of U.S. dollar<br>denominated long-term debt designated as a hedge of the net<br>investment in U.S. subsidiaries |                                | <b>326</b>   | 754             | 51            |
| Unrealized foreign exchange loss on translation of the net<br>investment in foreign operations                                                                   |                                | <b>(428)</b> | (1,101)         | (40)          |
| Unrealized holding gain on fuel derivative instruments ( <i>Note 20</i> )                                                                                        |                                | <b>54</b>    | 8               | 68            |
| Realized gain on settlement of interest rate swaps ( <i>Note 20</i> )                                                                                            |                                | <b>12</b>    | -               | -             |
| Minimum pension liability adjustment ( <i>Note 13</i> )                                                                                                          |                                | <b>8</b>     | 7               | (20)          |
| <hr/>                                                                                                                                                            |                                |              |                 |               |
| Other comprehensive income (loss) before income taxes                                                                                                            |                                | <b>(28)</b>  | (332)           | 59            |
| Income tax (expense) recovery on other comprehensive income<br>(loss)                                                                                            |                                | <b>9</b>     | 106             | (20)          |
| <hr/>                                                                                                                                                            |                                |              |                 |               |

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|                                   |    |       |    |       |    |     |
|-----------------------------------|----|-------|----|-------|----|-----|
| Other comprehensive income (loss) |    | (19)  |    | (226) |    | 39  |
| <i>Comprehensive income</i>       | \$ | 1,239 | \$ | 788   | \$ | 839 |

See accompanying notes to consolidated financial statements.

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**Consolidated Balance Sheet**

**U.S. GAAP**

| <i>In millions</i>                               |    | <i>December 31,</i> | <b>2004</b> |    | 2003   |
|--------------------------------------------------|----|---------------------|-------------|----|--------|
| <b>Assets</b>                                    |    |                     |             |    |        |
| <b>Current assets:</b>                           |    |                     |             |    |        |
| Cash and cash equivalents                        | \$ |                     | 147         | \$ | 130    |
| Accounts receivable (Note 4)                     |    |                     | 793         |    | 529    |
| Material and supplies                            |    |                     | 127         |    | 120    |
| Deferred income taxes (Note 16)                  |    |                     | 364         |    | 125    |
| Other                                            |    |                     | 279         |    | 223    |
|                                                  |    |                     | 1,710       |    | 1,127  |
| Properties (Note 5)                              |    |                     | 19,715      |    | 18,305 |
| Intangible and other assets (Note 6)             |    |                     | 940         |    | 905    |
| <b>Total assets</b>                              | \$ |                     | 22,365      | \$ | 20,337 |
| <b>Liabilities and shareholders equity</b>       |    |                     |             |    |        |
| <b>Current liabilities:</b>                      |    |                     |             |    |        |
| Accounts payable and accrued charges (Note 8)    | \$ |                     | 1,605       | \$ | 1,421  |
| Current portion of long-term debt (Note 10)      |    |                     | 578         |    | 483    |
| Other                                            |    |                     | 76          |    | 73     |
|                                                  |    |                     | 2,259       |    | 1,977  |
| Deferred income taxes (Note 16)                  |    |                     | 4,723       |    | 4,550  |
| Other liabilities and deferred credits (Note 9)  |    |                     | 1,513       |    | 1,203  |
| Long-term debt (Note 10)                         |    |                     | 4,586       |    | 4,175  |
| <b>Shareholders equity:</b>                      |    |                     |             |    |        |
| Common shares (Note 11)                          |    |                     | 4,706       |    | 4,664  |
| Accumulated other comprehensive loss (Note 21)   |    |                     | (148)       |    | (129)  |
| Retained earnings                                |    |                     | 4,726       |    | 3,897  |
|                                                  |    |                     | 9,284       |    | 8,432  |
| <b>Total liabilities and shareholders equity</b> | \$ |                     | 22,365      | \$ | 20,337 |

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On behalf of the Board:

David G.A. McLean  
DirectorE. Hunter Harrison  
Director

See accompanying notes to consolidated financial statements.

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**Consolidated Statement of Changes in Shareholders Equity****U.S. GAAP**

| <i>In millions</i>                                                | Issued and<br>outstanding<br>common<br>shares | Common<br>shares | Accumulated<br>other<br>comprehensive<br>income (loss) | Retained<br>earnings | Total<br>shareholders<br>equity |
|-------------------------------------------------------------------|-----------------------------------------------|------------------|--------------------------------------------------------|----------------------|---------------------------------|
| <i>Balances December 31, 2001</i>                                 | 289.1                                         | \$ 4,442         | \$ 58                                                  | \$ 2,988             | \$ 7,488                        |
| Net income                                                        | -                                             | -                | -                                                      | 800                  | 800                             |
| Stock options exercised ( <i>Notes 11, 12</i> )                   | 2.7                                           | 75               | -                                                      | -                    | 75                              |
| Conversion of convertible preferred securities ( <i>Note 11</i> ) | 9.0                                           | 340              | -                                                      | -                    | 340                             |
| Share repurchase program ( <i>Note 11</i> )                       | (4.5)                                         | (72)             | -                                                      | (131)                | (203)                           |
| Other comprehensive income ( <i>Note 21</i> )                     | -                                             | -                | 39                                                     | -                    | 39                              |
| Dividends (\$0.57 per share)                                      | -                                             | -                | -                                                      | (170)                | (170)                           |
| <i>Balances December 31, 2002</i>                                 | 296.3                                         | 4,785            | 97                                                     | 3,487                | 8,369                           |
| Net income                                                        | -                                             | -                | -                                                      | 1,014                | 1,014                           |
| Stock options exercised and other ( <i>Notes 11, 12</i> )         | 2.9                                           | 122              | -                                                      | -                    | 122                             |
| Share repurchase program ( <i>Note 11</i> )                       | (15.0)                                        | (243)            | -                                                      | (413)                | (656)                           |
| Other comprehensive loss ( <i>Note 21</i> )                       | -                                             | -                | (226)                                                  | -                    | (226)                           |
| Dividends (\$0.67 per share)                                      | -                                             | -                | -                                                      | (191)                | (191)                           |
| <i>Balances December 31, 2003</i>                                 | 284.2                                         | 4,664            | (129)                                                  | 3,897                | 8,432                           |
| Net income                                                        | -                                             | -                | -                                                      | 1,258                | 1,258                           |
| Stock options exercised and other ( <i>Notes 11, 12</i> )         | 2.9                                           | 108              | -                                                      | -                    | 108                             |
| Share repurchase program ( <i>Note 11</i> )                       | (4.0)                                         | (66)             | -                                                      | (207)                | (273)                           |

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|                                    |              |                 |                 |                 |                 |
|------------------------------------|--------------|-----------------|-----------------|-----------------|-----------------|
| Other comprehensive loss (Note 21) | -            | -               | (19)            | -               | (19)            |
| Dividends (\$0.78 per share)       | -            | -               | -               | (222)           | (222)           |
| <b>Balances December 31, 2004</b>  | <b>283.1</b> | <b>\$ 4,706</b> | <b>\$ (148)</b> | <b>\$ 4,726</b> | <b>\$ 9,284</b> |

See accompanying notes to consolidated financial statements.

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**Consolidated Statement of Cash Flows**

**U.S. GAAP**

| <i>In millions</i>                                                                  | <i>Year ended December 31,</i> | <b>2004</b> | 2003     | 2002   |
|-------------------------------------------------------------------------------------|--------------------------------|-------------|----------|--------|
| <b>Operating activities</b>                                                         |                                |             |          |        |
| Net income                                                                          |                                | \$ 1,258    | \$ 1,014 | \$ 800 |
| Adjustments to reconcile net income to net cash provided from operating activities: |                                |             |          |        |
| Depreciation and amortization                                                       |                                | 602         | 560      | 591    |
| Deferred income taxes (Note 16)                                                     |                                | 366         | 411      | 272    |
| Equity in earnings of English Welsh and Scottish Railway (Note 15)                  |                                | 4           | (17)     | (33)   |
| Charge to increase U.S. personal injury and other claims liability (Note 2)         |                                | -           | -        | 281    |
| Workforce reduction charge (Note 9)                                                 |                                | -           | -        | 120    |
| Cumulative effect of change in accounting policy (Note 2)                           |                                | -           | (48)     |        |

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