

CANADIAN NATIONAL RAILWAY CO
Form 6-K
April 20, 2015

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 2015

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	X
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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
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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
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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
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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 News Release dated April 20, 2015 entitled, "CN reports Q1-2015 net income of C\$704 million, or C\$0.86 per
1 diluted share"

"Adjusted diluted earnings per share increased 30 per cent (1) "

Item Unaudited Consolidated Financial Statements and Notes thereto

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Item 1

North America's Railroad

NEWS RELEASE

CN reports Q1-2015 net income of C\$704 million,
or C\$0.86 per diluted share

Adjusted diluted earnings per share increased by 30 per cent (1)

MEMPHIS, Tenn., April 20, 2015 — CN (TSX: CNR) (NYSE: CNI) today reported its financial and operating results for the first quarter ended March 31, 2015.

First-quarter 2015 financial highlights

- Net income was C\$704 million, or C\$0.86 per diluted share, compared with net income of C\$623 million, or C\$0.75 per diluted share, for first-quarter 2014.
- First-quarter 2015 diluted earnings per share (EPS) increased 30 per cent to C\$0.86 from adjusted diluted EPS of C\$0.66 in Q1-2014, which excluded a gain on a rail line sale. (1)
- Q1-2015 net income of C\$704 million increased 28 per cent over adjusted net income of C\$551 million for the first quarter of 2014. (1)
 - Q1-2015 operating income increased 30 per cent to C\$1,063 million.
- First-quarter 2015 revenues increased 15 per cent to C\$3,098 million, revenue ton-miles grew by seven per cent, and carloadings increased nine per cent.
 - CN's operating ratio for Q1-2015 improved by 3.9 points to 65.7 per cent from 69.6 per cent the year before.
- Free cash flow for first-quarter 2015 was C\$521 million, up from C\$494 million for the year-earlier quarter. (1)

Claude Mongeau, president and chief executive officer, said: "CN turned in a solid first-quarter performance thanks to strong freight demand and continued productivity improvements, helped in part by easier winter conditions compared with last year's polar vortex.

"CN is pleased to affirm its outlook for double-digit EPS growth in 2015 versus last year's adjusted diluted EPS of C\$3.76, despite weaker than expected energy markets and a mixed economy. (1)

"As always we remain committed to growing our business faster than the overall economy and doing so at low incremental cost. We are equally committed to running a safe railway and are increasing our 2015 capital envelope by C\$100 million to C\$2.7 billion to sustain additional rail infrastructure safety investments." (2)

Foreign currency impact on results

Although CN reports its earnings in Canadian dollars, a large portion of its revenues and expenses is denominated in U.S. dollars. The fluctuation of the Canadian dollar relative to the U.S. dollar affects the conversion of the Company's U.S.-dollar-denominated

revenues and expenses. On a constant currency basis, CN's net income for the first quarter of 2015 would have been lower by C\$56 million, or C\$0.07 per diluted share. (1)

First-quarter 2015 revenues, traffic volumes and expenses

Revenues for the first quarter of 2015 increased by 15 per cent to C\$3,098 million. Revenues increased for grain and fertilizers (24 per cent), forest products (23 per cent), automotive (23 per cent), metals and minerals (22 per cent), petroleum and chemicals (13 per cent), and intermodal (11 per cent). Coal revenues declined by 13 per cent.

The increase in revenues was mainly attributable to the positive translation impact of the weaker Canadian dollar on U.S.-dollar-denominated revenues; higher volumes of Canadian grain and potash; strong overseas intermodal demand; higher shipments of lumber and panels to U.S. markets; higher volumes of frac sand; and freight rate increases. These factors were partly offset by decreased shipments of coal due to weaker global demand. Overall, revenues were favorably affected by improved operating conditions due to a more normal winter when compared with the same period of 2014, which enhanced the Company's ability to serve its customers.

Carloadings for the quarter rose by nine per cent to 1,353 thousand.

Revenue ton-miles, measuring the relative weight and distance of rail freight transported by CN, increased by seven per cent over the year-earlier quarter. Rail freight revenue per revenue ton-mile, a measurement of yield defined as revenue earned on the movement of a ton of freight over one mile, increased by eight per cent over the year-earlier period, driven by the positive translation impact of the weaker Canadian dollar and freight rate increases, partly offset by a lower applicable fuel surcharge rate.

Operating expenses for the quarter increased by nine per cent to C\$2,035 million, mainly as a result of the negative translation impact of a weaker Canadian dollar on U.S.-dollar-denominated expenses, increased casualty and other expense, higher labor and fringe benefits expense, as well as increased purchased services and material expense, partly offset by lower fuel costs. Overall, expenses were favorably affected by improved operating conditions due to a more normal winter when compared with the same period of 2014.

Forward-Looking Statements

Certain information included in this news release constitutes "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and under Canadian securities laws. CN cautions that, by their nature, these forward-looking statements involve risks, uncertainties and assumptions. The Company cautions that its assumptions may not materialize and that current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Company or the rail industry to be materially different from the outlook or any future results or performance implied by such statements. To the extent that CN has provided guidance that are non-GAAP financial measures, the Company may not be able to provide a reconciliation to the GAAP measures, due to unknown variables and uncertainty related to future results. Key assumptions used in determining forward-looking information are set forth below.

2015 key assumptions

CN has made a number of economic and market assumptions in preparing its 2015 outlook. The Company is now assuming that North American industrial production for the year will increase by approximately three per cent, compared with its Jan. 27, 2015, assumption of three to four per cent, that U.S. housing starts will be in the range of 1.2 million units, and that U.S. motor vehicles sales will be approximately 16.7 million units. The 2014/2015

Canadian grain crop represented a significant reduction toward the historical

trend line while the U.S. grain crop was above trend. CN assumes that the 2015/2016 grain crops in both Canada and the United States will be in line with trend yields. CN also assumes its 2015 customer shipments of energy-related commodities, namely crude oil and frac sand, will grow by approximately 40,000 carloads versus 2014, compared with its previous assumption announced on Jan. 27, 2015, of 75,000-carload growth for the two commodities in 2015 versus 2014. With these assumptions, CN assumes total carload growth for all freight categories in 2015 will be approximately three per cent, compared with its Jan. 27, 2015, forecast of three to four per cent growth, along with continued pricing improvement above inflation. CN also now assumes that in 2015 the value of the Canadian dollar in U.S. currency will be approximately \$0.80, compared with the Jan. 27, 2015, assumption of \$0.80 to \$0.85, and that the average price of crude oil (West Texas Intermediate) will fluctuate around US\$50 per barrel. In 2015, CN plans to invest approximately C\$2.7 billion in its capital program, of which approximately C\$1.4 billion is targeted toward maintaining the safety and integrity of the network, particularly track infrastructure. The 2015 capital program, which CN previously set at C\$2.6 billion, with C\$1.3 billion earmarked for network safety and integrity, also includes funds for projects supporting growth and productivity.

Important risk factors that could affect the forward-looking statements include, but are not limited to, the effects of general economic and business conditions, industry competition, inflation, currency and interest rate fluctuations, changes in fuel prices, legislative and/or regulatory developments, compliance with environmental laws and regulations, actions by regulators, various events which could disrupt operations, including natural events such as severe weather, droughts, floods and earthquakes, labor negotiations and disruptions, environmental claims, uncertainties of investigations, proceedings or other types of claims and litigation, risks and liabilities arising from derailments, and other risks detailed from time to time in reports filed by CN with securities regulators in Canada and the United States. Reference should be made to “Management’s Discussion and Analysis” in CN’s annual and interim reports, Annual Information Form and Form 40-F filed with Canadian and U.S. securities regulators, available on CN’s website, for a summary of major risk factors.

CN assumes no obligation to update or revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable Canadian securities laws. In the event CN does update any forward-looking statement, no inference should be made that CN will make additional updates with respect to that statement, related matters, or any other forward-looking statement.

- 1) See discussion and reconciliation of non-GAAP adjusted performance measures in the attached supplementary schedule, Non-GAAP Measures.
- 2) See Forward-Looking statements for a summary of the key assumptions and risks regarding CN’s 2015 outlook.

CN is a true backbone of the economy, transporting more than C\$250 billion worth of goods annually for a wide range of business sectors, ranging from resource products to manufactured products to consumer goods, across a rail network spanning Canada and mid-America. CN – Canadian National Railway Company, along with its operating railway subsidiaries -- serves the cities and ports of Vancouver, Prince Rupert, B.C., Montreal, Halifax, New Orleans, and Mobile, Ala., and the metropolitan areas of Toronto, Edmonton, Winnipeg, Calgary, Chicago, Memphis, Detroit, Duluth, Minn./Superior, Wis., and Jackson, Miss., with connections to all points in North America. For more information on CN, visit the company’s website at www.cn.ca.

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Consolidated Statement of Income - unaudited
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In millions, except per share data	Three months ended	
	March 31	
	2015	2014
Revenues	\$ 3,098	\$ 2,693
Operating expenses		
Labor and fringe benefits	668	587
Purchased services and material	457	388
Fuel	361	468
Depreciation and amortization	296	256
Equipment rents	94	77
Casualty and other	159	97
Total operating expenses	2,035	1,873
Operating income	1,063	820
Interest expense	(104)	(92)
Other income (Note 3)	4	94
Income before income taxes	963	822
Income tax expense (Note 4)	(259)	(199)
Net income	\$ 704	\$ 623
Earnings per share (Note 5)		
Basic	\$ 0.87	\$ 0.75
Diluted	\$ 0.86	\$ 0.75
Weighted-average number of shares (Note 5)		
Basic	809.4	828.0
Diluted	814.3	831.3

See accompanying notes to unaudited consolidated financial statements.

Canadian National Railway Company

Consolidated Statement of Comprehensive Income - unaudited

In millions	Three months ended March 31	
	2015	2014
Net income	\$ 704	\$ 623
Other comprehensive income (Note 9)		
Net gain on foreign currency translation	96	25
Net change in pension and other postretirement benefit plans	61	33
Other comprehensive income before income taxes	157	58
Income tax recovery	69	24
Other comprehensive income	226	82
Comprehensive income	\$ 930	\$ 705

See accompanying notes to unaudited consolidated financial statements.

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Consolidated Balance Sheet - unaudited

In millions	March 31 2015	December 31 2014	March 31 2014
Assets			
Current assets			
Cash and cash equivalents	\$ 178	\$ 52	\$ 198
Restricted cash and cash equivalents (Note 6)	473	463	471
Accounts receivable	924	928	899
Material and supplies	429	335	331
Deferred and receivable income taxes	108	163	162
Other	180	125	117
Total current assets	2,292	2,066	2,178
Properties	29,857	28,514	26,643
Pension asset	1,010	882	1,784
Intangible and other assets	337	330	288
Total assets	\$ 33,496	\$ 31,792	\$ 30,893
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and other	\$ 1,738	\$ 1,657	\$ 1,547
Current portion of long-term debt	1,083	544	912
Total current liabilities	2,821	2,201	2,459
Deferred income taxes	7,267	6,902	6,748
Other liabilities and deferred credits	678	704	757
Pension and other postretirement benefits	666	650	546
Long-term debt	8,320	7,865	7,287
Shareholders' equity			
Common shares (1)	3,706	3,718	3,773
Additional paid-in capital (1)	452	439	221
Accumulated other comprehensive loss (Note 9)	(2,201)	(2,427)	(1,768)
Retained earnings	11,787	11,740	10,870
Total shareholders' equity	13,744	13,470	13,096
Total liabilities and shareholders' equity	\$ 33,496	\$ 31,792	\$ 30,893

See accompanying notes to unaudited consolidated financial statements.

(1) The Company reclassified certain 2014 balances from Common shares to Additional paid-in capital to conform with the 2015 presentation.

Canadian National Railway Company

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Consolidated Statement of Changes in Shareholders' Equity - unaudited

In millions	Issued and outstanding common shares	Common shares	Additional paid-in capital	Accumulated other comprehensive loss (Note 9)	Retained earnings	Total shareholders' equity
Balance at December 31, 2014	809.4	\$ 3,718 \$	439	\$ (2,427)\$	11,740	\$ 13,470
Net income					704	704
Stock-based compensation	0.3	13	13		(1)	25
Share repurchase program (Note 6)	(5.4)	(25)			(404)	(429)
Other comprehensive income				226		226
Dividends					(252)	(252)
Balance at March 31, 2015	804.3	\$ 3,706 \$	452	\$ (2,201)\$	11,787	\$ 13,744
In millions	Issued and outstanding common shares	Common shares	Additional paid-in capital	Accumulated other comprehensive loss (Note 9)	Retained earnings	Total shareholders' equity
Balance at December 31, 2013	830.6	\$ 3,795 \$	220	\$ (1,850)\$	10,788	\$ 12,953
Net income					623	623
Stock-based compensation	0.3	8	1			9
Share repurchase program (Note 6)	(6.3)	(30)			(335)	(365)
Other comprehensive income				82		82
Dividends					(206)	(206)
Balance at March 31, 2014	824.6	\$ 3,773 \$	221	\$ (1,768)\$	10,870	\$ 13,096

See accompanying notes to unaudited consolidated financial statements.

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Consolidated Statement of Cash Flows - unaudited

In millions	Three months ended	
	March 31	
	2015	2014
Operating activities		
Net income	\$ 704	\$ 623
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	296	256
Deferred income taxes	70	95
Gain on disposal of property (Note 3)	-	(80)
Changes in operating assets and liabilities:		
Accounts receivable	71	(52)
Material and supplies	(84)	(54)
Accounts payable and other	21	(47)
Other current assets	(17)	(13)
Pensions and other, net	(69)	(83)
Net cash provided by operating activities	992	645
Investing activities		
Property additions	(468)	(248)
Disposal of property (Note 3)	-	97
Change in restricted cash and cash equivalents	(10)	(23)
Other, net	(3)	-
Net cash used in investing activities	(481)	(174)
Financing activities		
Issuance of debt	-	347
Repayment of debt	(47)	(456)
Net issuance of commercial paper (Note 6)	310	189
Common shares issued for stock options exercised, equity award settlements, and excess tax benefits	10	7
Repurchase of common shares (Note 6)	(410)	(365)
Dividends paid	(252)	(206)
Net cash used in financing activities	(389)	(484)
Effect of foreign exchange fluctuations on US dollar-denominated cash and cash equivalents	4	(3)
Net increase (decrease) in cash and cash equivalents	126	(16)
Cash and cash equivalents, beginning of period	52	214
Cash and cash equivalents, end of period	\$ 178	\$ 198
Supplemental cash flow information		
Net cash receipts from customers and other	\$ 3,212	\$ 2,672
Net cash payments for:		
Employee services, suppliers and other expenses	(1,800)	(1,684)
Interest	(91)	(105)
Personal injury and other claims	(15)	(13)
Pensions (Note 7)	(86)	(93)
Income taxes	(228)	(132)
Net cash provided by operating activities	\$ 992	\$ 645

See accompanying notes to unaudited consolidated financial statements.

Canadian National Railway Company

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Notes to Unaudited Consolidated Financial Statements

1 - Basis of presentation

In management's opinion, the accompanying unaudited Interim Consolidated Financial Statements and Notes thereto, expressed in Canadian dollars, and prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial statements, contain all adjustments (consisting of normal recurring accruals) necessary to present fairly Canadian National Railway Company's ("CN" or the "Company") financial position as at March 31, 2015, December 31, 2014 and March 31, 2014, and its results of operations, changes in shareholders' equity and cash flows for the three months ended March 31, 2015 and 2014.

These unaudited Interim Consolidated Financial Statements and Notes thereto have been prepared using accounting policies consistent with those used in preparing the Company's 2014 Annual Consolidated Financial Statements and Notes thereto. While management believes that the disclosures presented are adequate to make the information not misleading, these unaudited Interim Consolidated Financial Statements and Notes thereto should be read in conjunction with the Company's 2014 Annual Consolidated Financial Statements and Notes thereto.

2 - Recent accounting pronouncement

On April 7, 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2015-03, Interest – Imputation of Interest. This ASU simplifies the presentation of debt issuance costs by requiring that such costs be presented in the balance sheet as a deduction from the carrying amount of debt. This standard is effective for annual and interim reporting periods beginning after December 15, 2015. Early adoption is permitted and the new guidance should be applied on a retrospective basis. There will be no significant impact to the Company's Consolidated Financial Statements from the adoption of this standard.

3 - Other income

Recorded in Other income are gains and losses on the disposal of land and property, including the disposal of property described below. In addition, for the three months ended March 31, 2015 and 2014, Other income included foreign exchange gains of \$36 million and \$10 million, respectively, related to foreign exchange forward contracts (see Note 11 – Financial instruments) and foreign exchange losses of \$35 million and \$10 million, respectively, related to the re-measurement of foreign currency denominated monetary assets and liabilities, including US dollar-denominated debt of the parent company not designated as a hedge of its net investment in U.S. subsidiaries.

Disposal of property

2014

Deux-Montagnes

On February 28, 2014, the Company closed a transaction with Agence Métropolitaine de Transport to sell the Deux-Montagnes subdivision between Saint-Eustache and Montreal, Quebec, including the Mont-Royal tunnel, together with the rail fixtures (collectively the "Deux-Montagnes"), for cash proceeds of \$97 million before transaction costs. Under the agreement, the Company obtained the perpetual right to operate freight trains over the Deux-Montagnes at its then current level of operating activity, with the possibility of increasing its operating activity for additional consideration. The transaction resulted in a gain on disposal of \$80 million (\$72 million after-tax) that was recorded in Other income under the full accrual method