

CANADIAN NATIONAL RAILWAY CO
Form 6-K
April 26, 2011

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, 2011

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. News Release dated April 26, 2011 entitled, "CN reports Q1-2011 net income of C\$668 million, or C\$1.45 per diluted share"

"Excluding rail-line sale, adjusted Q1-2011 net income was C\$414 million, or C\$0.90 per diluted share"

Item 1

North America's Railroad

NEWS RELEASE

CN reports Q1-2011 net income of C\$668 million,
or C\$1.45 per diluted share

Excluding rail-line sale, adjusted Q1-2011 net income
was C\$414 million, or C\$0.90 per diluted share (1)

MONTREAL, April 26, 2011 — CN (TSX: CNR)(NYSE: CNI) today reported its financial and operating results for the first quarter ended March 31, 2011.

First-quarter 2011 highlights

- Net income increased 31 per cent from the year-earlier quarter to C\$668 million, with diluted earnings per share (EPS) rising 34 per cent to C\$1.45. The results included an after-tax gain of C\$254 million, or C\$0.55 per diluted share, from a rail-line sale to a Toronto-area transit agency.
- Excluding the gain on the rail-line sale, CN reported adjusted diluted EPS for the quarter of C\$0.90, an increase of 12.5 per cent over adjusted diluted EPS of C\$0.80 for the same period of 2010. (1)
- Revenues for first-quarter 2011 increased six per cent to C\$2,084 million, while carloadings rose three per cent and revenue ton-miles increased five per cent.
 - Operating income increased seven per cent to C\$645 million.
- CN's operating ratio was 69.0 per cent, a 0.3-point improvement over the operating ratio of 69.3 per cent for first-quarter 2010.
- Free cash flow for first-quarter 2011 was C\$445 million, compared with C\$493 million for the same period of 2010. (1)

Claude Mongeau, president and chief executive officer, said: "Despite a very challenging winter, CN produced a solid first-quarter performance thanks to further, gradual improvements in the North American and global economies and a well-executed winter operating plan. CN leveraged its continued investments in extended sidings by deploying additional distributed power-equipped locomotives. Our network initiatives, along with the benefits from supply chain collaboration, helped us maintain an efficient and fluid network.

"Looking forward, CN anticipates strong demand from most business segments for the balance of the year. We will continue to work closely with our customers so that they can maximize their market opportunities."

Revised 2011 outlook (2)

CN's solid first-quarter results and expectation of continued improvement in economic conditions have prompted the Company to revise its 2011 financial outlook upward, despite a stronger than anticipated Canadian dollar and higher fuel prices. CN expects double-digit diluted EPS growth of up to 15 per cent in 2011, on an adjusted basis, compared with diluted EPS of C\$4.20 achieved in 2010. In CN's initial outlook of Jan. 25, 2011, the Company said it was aiming for double-digit earnings growth for 2011.

In addition, CN now expects free cash flow for 2011 to be in the order of C\$1.2 billion, up from C\$850 million announced in January of this year. (1) CN's revised 2011 free cash flow outlook reflects the Company's first-quarter performance, its higher earnings forecast for the year, cash proceeds from the first-quarter Toronto rail-line sale, and a potential C\$200 million additional voluntary pension contribution.

Mongeau said: "CN continues to make strides in operating efficiency, service excellence and customer engagement. Our service innovation and supply chain collaboration thrust strengthen our transportation product and position us well to attract more freight traffic from existing and prospective customers who require reliable service to compete effectively in their end markets."

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. As such, the Company's results are affected by exchange-rate fluctuations. On a constant currency basis that excludes the impact of fluctuations in foreign currency exchange rates, CN's first-quarter 2011 net income would have been higher by C\$9 million, or C\$0.02 per diluted share. (1)

First-quarter 2011 revenues, traffic volumes and expenses

The six per cent rise in first-quarter revenues mainly resulted from higher freight volumes as a result of further improvements in North American and global economic conditions; freight rate increases; and the impact of a higher fuel surcharge resulting from year-over-year increases in applicable fuel prices and higher volumes. These factors were partly offset by the negative translation impact of the stronger Canadian dollar on U.S.-dollar-denominated revenues.

Revenues increased for intermodal (12 per cent), grain and fertilizers (nine per cent), petroleum and chemicals (seven per cent), coal (seven per cent), forest products (four per cent), and automotive (one per cent). Metals and minerals revenues were flat.

Revenue ton-miles, measuring the relative weight and distance of rail freight transported by CN, increased five per cent from the year-earlier period.

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 two per cent over the first quarter of 2010, largely because of freight rate increases and the positive impact of a higher fuel surcharge, partly offset by the negative translation impact of the stronger Canadian dollar.

Operating expenses for the first quarter increased by six per cent to C\$1,439 million, mainly owing to higher fuel costs, increased purchased services and materials expense, and higher depreciation and amortization expense. These factors were partly offset by the positive translation impact of the stronger Canadian dollar on U.S.-dollar-denominated expenses and lower casualty and other expense.

- (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 2011 outlook.

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.

Key assumptions

CN is revising its 2011 outlook, first issued on Jan. 25, 2011, in the news release announcing the Company’s fourth-quarter and full-year 2010 financial results.

Current 2011 outlook:

CN’s revised 2011 outlook is based on a number of economic and market assumptions. The Company forecasts that North American industrial production will increase by about 4.5 per cent in 2011. CN also expects U.S. housing starts to be about 650,000 units and U.S. motor vehicles sales to be approximately 13 million units for the year. In addition, CN is assuming a weaker 2010/2011 Canadian grain crop, partly offset by a higher carry-over stock, and a 2011/2012 Canadian grain crop that is in-line with the five-year average. With these assumptions, CN is targeting solid, mid-single-digit carload growth for 2011, along with continued pricing improvement above inflation. CN assumes the Canadian-U.S. exchange rate to be in the range of C\$1.00 to C\$1.05, and that the price of crude oil (West Texas Intermediate) for the year will be in the range of US\$100 to US\$110 per barrel. In 2011, CN plans to invest approximately C\$1.7 billion in capital programs, of which more than C\$1 billion will be targeted on track infrastructure to maintain a safe and fluid railway network. The Company will also invest in projects to support a number of productivity and growth initiatives.

Previous 2011 outlook:

CN made a number of economic and market assumptions in preparing its initial 2011 outlook. The Company had forecast that North American industrial production for the year would increase by about four per cent. CN also expected U.S. housing starts to be about 675,000 units and U.S. motor vehicles sales to be approximately 13 million units for the year. In addition, CN assumed a weaker 2010/2011 Canadian grain crop, partly offset by a higher carry-over stock. With those assumptions, CN targeted carload growth in the mid-single digit range, along with continued pricing improvement above inflation. CN assumed the Canadian-U.S. exchange rate would be around par for 2011, and that the price of crude oil (West Texas Intermediate) for the year would be in the range of US\$90 to US\$95 per barrel. In 2011, CN planned to invest approximately C\$1.7 billion in capital programs, of which more than C\$1 billion would be targeted on track infrastructure to maintain a safe and fluid railway network. In addition, the Company said it would invest in projects to support a number of productivity and growth initiatives.

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.

CN – Canadian National Railway Company and its operating railway subsidiaries – 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 metropolitan areas of Toronto, Buffalo, Chicago, Detroit, Duluth, Minn./Superior, Wis., Green Bay, Wis., Minneapolis/St. Paul, Memphis, 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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CANADIAN NATIONAL RAILWAY COMPANY
CONSOLIDATED STATEMENT OF INCOME (U.S. GAAP) - unaudited
(In millions, except per share data)

	Three months ended March 31	
	2011	2010
Revenues	\$ 2,084	\$ 1,965
Operating expenses		
Labor and fringe benefits	473	470
Purchased services and material	286	258
Fuel	327	253
Depreciation and amortization	218	205
Equipment rents	51	60
Casualty and other	84	116
Total operating expenses	1,439	1,362
Operating income	645	603
Interest expense	(86)	(92)
Other income (Note 2)	300	162
Income before income taxes	859	673
Income tax expense	(191)	(162)
Net income	\$ 668	\$ 511
Earnings per share (Note 8)		
Basic	\$ 1.46	\$ 1.08
Diluted	\$ 1.45	\$ 1.08
Weighted-average number of shares		
Basic	458.3	471.0
Diluted	461.8	474.9

See accompanying notes to unaudited consolidated financial statements.

CANADIAN NATIONAL RAILWAY COMPANY
CONSOLIDATED BALANCE SHEET (U.S. GAAP) - unaudited
(In millions)

	March 31 2011	December 31 2010	March 31 2010
Assets			
Current assets:			
Cash and cash equivalents	\$ 593	\$ 490	\$ 748
Accounts receivable	770	775	781
Material and supplies	228	210	235
Deferred income taxes	50	53	88
Other	73	62	95
Total current assets	1,714	1,590	1,947
Properties	22,677	22,917	22,269
Intangible and other assets	821	699	1,166
Total assets	\$ 25,212	\$ 25,206	\$ 25,382
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and other	\$ 1,341	\$ 1,366	\$ 1,229
Current portion of long-term debt	474	540	108
Total current liabilities	1,815	1,906	1,337
Deferred income taxes	5,201	5,152	5,145
Other liabilities and deferred credits	1,287	1,333	1,199
Long-term debt	5,451	5,531	6,189
Shareholders' equity:			
Common shares	4,228	4,252	4,301
Accumulated other comprehensive loss	(1,736)	(1,709)	(980)
Retained earnings	8,966	8,741	8,191
Total shareholders' equity	11,458	11,284	11,512
Total liabilities and shareholders' equity	\$ 25,212	\$ 25,206	\$ 25,382

See accompanying notes to unaudited consolidated financial statements.

CANADIAN NATIONAL RAILWAY COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (U.S. GAAP) -
unaudited
(In millions)

	Three months ended March 31	
	2011	2010
Common shares (1)		
Balance, beginning of period	\$ 4,252	\$ 4,266
Stock options exercised and other	22	56
Share repurchase programs (Note 3)	(46)	(21)
Balance, end of period	\$ 4,228	\$ 4,301
Accumulated other comprehensive loss		
Balance, beginning of period	\$ (1,709)	\$ (948)
Other comprehensive income (loss):		
Unrealized foreign exchange gain (loss) on:		
Translation of the net investment in foreign operations	(147)	(207)
Translation of US dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries	140	199
Pension and other postretirement benefit plans (Note 5):		
Amortization of prior service cost included in net periodic benefit cost	-	1
Amortization of net actuarial loss included in net periodic benefit cost (income)	2	1
Derivative instruments	(1)	-
Other comprehensive loss before income taxes	(6)	(6)
Income tax expense	(21)	(26)
Other comprehensive loss	(27)	(32)
Balance, end of period	\$ (1,736)	\$ (980)
Retained earnings		
Balance, beginning of period	\$ 8,741	\$ 7,915
Net income	668	511
Share repurchase programs (Note 3)	(294)	(108)
Dividends	(149)	(127)
Balance, end of period	\$ 8,966	\$ 8,191

See accompanying notes to unaudited consolidated financial statements.

- (1) During the three months ended March 31, 2011, the Company issued 0.8 million common shares as a result of stock options exercised and repurchased 5.0 million common shares under its current share repurchase program. At March 31, 2011, the Company had 455.2 million common shares outstanding.

CANADIAN NATIONAL RAILWAY COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS (U.S. GAAP) - unaudited
(In millions)

	Three months ended March 31	
	2011	2010
Operating activities		
Net income	\$ 668	\$ 511
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	218	205
Deferred income taxes	104	70
Gain on disposal of property (Note 2)	(288)	(152)
Changes in operating assets and liabilities:		
Accounts receivable	(18)	(1)
Material and supplies	(19)	(67)
Accounts payable and other	(64)	101
Other current assets	(10)	1
Other, net	(92)	(71)
Net cash provided by operating activities	499	597
Investing activities		
Property additions	(220)	(134)
Disposal of property (Note 2)	299	144
Other, net	14	7
Net cash provided by investing activities	93	17
Financing activities		
Repayment of long-term debt	(22)	(18)
Issuance of common shares due to exercise of stock options and related excess tax benefits realized	20	52
Repurchase of common shares (Note 3)	(340)	(129)
Dividends paid	(149)	(127)
Net cash used in financing activities	(491)	(222)
Effect of foreign exchange fluctuations on US dollar-denominated cash and cash equivalents	2	4
Net increase in cash and cash equivalents	103	396
Cash and cash equivalents, beginning of period	490	352
Cash and cash equivalents, end of period	\$ 593	\$ 748
Supplemental cash flow information		
Net cash receipts from customers and other	\$ 2,105	\$ 2,057
Net cash payments for:		
Employee services, suppliers and other expenses	(1,271)	(1,228)
Interest	(87)	(91)
Personal injury and other claims	(17)	(14)
Pensions (Note 5)	(93)	(102)

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Income taxes		(138)		(25)
Net cash provided by operating activities	\$	499	\$	597

See accompanying notes to unaudited consolidated financial statements.

CANADIAN NATIONAL RAILWAY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (U.S. GAAP)

Note 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 (the Company) financial position as at March 31, 2011, December 31, 2010, and March 31, 2010, and its results of operations, changes in shareholders' equity and cash flows for the three months ended March 31, 2011 and 2010.

These unaudited Interim Consolidated Financial Statements and Notes thereto have been prepared using accounting policies consistent with those used in preparing the Company's 2010 Annual Consolidated Financial Statements. 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 Interim Management's Discussion and Analysis (MD&A) and the 2010 Annual Consolidated Financial Statements and Notes thereto.

Note 2 - Disposal of property

2011 - Disposal of Lakeshore East

In March 2011, the Company entered into an agreement with Metrolinx to sell a segment of the Kingston subdivision known as the Lakeshore East in Pickering and Toronto, Ontario, together with the rail fixtures and certain passenger agreements (collectively the "Rail Property"), for cash proceeds of \$299 million before transaction costs. Under the agreement, the Company obtained the perpetual right to operate freight trains over the Rail Property 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 \$288 million (\$254 million after-tax) that was recorded in Other income under the full accrual method of accounting for real estate transactions.

2010 - Disposal of Oakville subdivision

In March 2010, the Company entered into an agreement with Metrolinx to sell a portion of the property known as the Oakville subdivision in Toronto, Ontario, together with the rail fixtures and certain passenger agreements (collectively the "Rail Property"), for proceeds of \$168 million before transaction costs, of which \$24 million placed in escrow at the time of disposal was entirely released by December 31, 2010 in accordance with the terms of the agreement. Under the agreement, the Company obtained the perpetual right to operate freight trains over the Rail Property at its 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 \$152 million (\$131 million after-tax) that was recorded in Other income under the full accrual method of accounting for real estate transactions.

Note 3 - Financing activities

Revolving credit facility

As at March 31, 2011, the Company had letters of credit drawn on its US\$1 billion revolving credit facility, expiring in October 2011, of \$423 million (\$436 million as at December 31, 2010). As at March 31, 2011, the Company had no outstanding borrowings under its revolving credit facility or commercial paper program (nil as at December 31,

2010). The Company intends to replace the revolving credit facility with another credit agreement in the second quarter of 2011.

Share repurchase program

In January 2011, the Board of Directors of the Company approved a new share repurchase program which allows for the repurchase of up to 16.5 million common shares to the end of December 2011 pursuant to a normal course issuer bid, at prevailing market prices or such other price as may be permitted by the Toronto Stock Exchange.

CANADIAN NATIONAL RAILWAY COMPANY

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

The following table provides the activity under such share repurchase program as well as the share repurchase program of the prior year:

In millions, except per share data	Three months ended March 31	
	2011	2010
Number of common shares repurchased (1)	5.0	2.3
Weighted-average price per share (2)	\$ 67.99	\$ 56.08
Amount of repurchase	\$ 340	\$ 129

(1) Includes common shares purchased pursuant to private agreements between the Company and arm's-length third-party sellers.

(2) Includes brokerage fees.

Note 4 - Stock plans

The Company has various stock-based incentive plans for eligible employees. A description of the Company's major plans is provided in Note 11 – Stock plans, to the Company's 2010 Annual Consolidated Financial Statements. The following table provides total stock-based compensation expense for awards under all plans, as well as the related tax benefit recognized in income, for the three months ended March 31, 2011 and 2010.

In millions	Three months ended March 31	
	2011	2010
Cash settled awards		
Restricted share unit plan	\$ 29	\$ 27
Voluntary Incentive Deferral Plan (VIDP)	11	9
	40	36
Stock option awards	2	4
Total stock-based compensation expense	\$ 42	\$ 40
Tax benefit recognized in income	\$ 11	\$ 11

Cash settled awards

Following approval by the Board of Directors in January 2011, the Company granted 0.5 million restricted share units (RSUs) to designated management employees entitling them to receive payout in cash based on the Company's share price. The RSUs granted by the Company are generally scheduled for payout in cash after three years ("plan period") and vest conditionally upon the attainment of a target relating to return on invested capital over the plan period. Payout is conditional upon the attainment of a minimum share price calculated using the average of the last three months of the plan period. As at March 31, 2011, 0.2 million RSUs remained authorized for future issuance under this plan.

The following table provides the 2011 activity for all cash settled awards: