

CANADIAN NATIONAL RAILWAY CO

Form 6-K

July 25, 2013

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 July 2013

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 July 22, 2013 entitled, "CN reports Q2-2013 net income of C\$717 million, or C\$1.69 per diluted share"

"Adjusted Q2-2013 net income was C\$704 million, with adjusted diluted EPS rising 11 per cent to C\$1.66 (1)"

Item 2 Unaudited Interim Financial Statements and Notes thereto

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Item 4 CEO Certificate

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Item 1

North America's Railroad

NEWS RELEASE

CN reports Q2-2013 net income of C\$717 million,  
or C\$1.69 per diluted share

Adjusted Q2-2013 net income was C\$704 million, with adjusted diluted EPS rising 11 per cent to C\$1.66 (1)

MONTREAL, July 22, 2013 — CN (TSX: CNR)(NYSE: CNI) today reported its financial and operating results for the second quarter and six-month period ended June 30, 2013.

Second-quarter 2013 highlights

- Second-quarter 2013 net income was C\$717 million, or C\$1.69 per diluted share, compared with net income of C\$631 million, or C\$1.44 per diluted share, for second-quarter 2012. The second-quarter 2013 results included a net gain of C\$13 million (C\$0.03 per diluted share) resulting from a gain on a non-monetary transaction with another railway that was partly offset by the effect of the enactment of higher provincial corporate income tax rates.
- Excluding the net gain, Q2-2013 adjusted diluted earnings per share (EPS) increased 11 per cent to C\$1.66 from Q2-2012 adjusted diluted EPS of C\$1.50. (1)
- Revenues for the latest quarter increased five per cent to C\$2,666 million, driven by a five per cent increase in revenue ton-miles and a two per cent increase in carloadings.
  - Operating income increased six per cent to C\$1,042 million.
  - Operating ratio improved by 0.4 of a point to 60.9 per cent.
- Free cash flow totalled C\$437 million for the first half of 2013, compared with free cash flow of C\$703 million in the comparable period of 2012. (1)

Claude Mongeau, president and chief executive officer, said: “We executed strongly during the second quarter, with service and operating metrics on a steady improvement trend. This performance underscores our agenda of Operational and Service Excellence, which is key to achieve solid revenue growth at low incremental cost.

“Looking forward, despite slower volume growth than anticipated, the CN team will maintain a keen focus on growing revenues faster than the overall economy as well as on tightly managing costs to meet our full-year financial outlook.”

2013 financial outlook (2)

CN is maintaining the 2013 financial outlook issued on Jan. 22, 2013, as well as the plan to invest approximately C\$2 billion in capital programs in 2013, which was revised upward from C\$1.9 billion on April 22, 2013.

#### 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 second-quarter 2013 net income would have been lower by C\$4 million, or C\$0.01 per diluted share. (1)

#### Second-quarter 2013 revenues, traffic volumes and expenses

The five per cent rise in second-quarter revenues was mainly attributable to freight rate increases; higher freight volumes due to strong energy markets, market share gains, as well as growth in the North American economy; and the positive translation impact of the weaker Canadian dollar on U.S.-dollar-denominated revenues. CN's fuel surcharge had a minimal overall impact on the results as higher volumes were offset by a decrease in applicable fuel prices.

Revenues increased for petroleum and chemicals (18 per cent), grain and fertilizers (five per cent), metals and minerals (four per cent), forest products (four per cent), and intermodal (three per cent). Coal revenues were flat and automotive revenues declined by three per cent.

Carloads increased by two per cent while revenue ton-miles, measuring the relative weight and distance of rail freight transported by CN, increased five per cent over the same quarter in 2012.

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 one per cent over the second quarter of 2012, driven by freight rate increases and the positive translation impact of the weaker Canadian dollar on U.S.-dollar-denominated revenues, partly offset by an increase in the average length of haul and the impact of a lower fuel surcharge.

Operating expenses increased four per cent in the second quarter of 2013, mainly due to increased purchased services and material expense, higher fuel costs, and higher depreciation and amortization.

- (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 2013 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.



### Current assumptions

CN maintains the 2013 financial outlook it issued on Jan. 22, 2013, as well as its plan to invest approximately C\$2 billion in capital programs in 2013, which it revised upward from C\$1.9 billion on April 22, 2013. Approximately C\$1.1 billion of the total expenditure will be targeted on track infrastructure to maintain a safe and fluid railway network. In addition, the Company will invest in projects to support a number of productivity and growth initiatives.

CN made a number of economic and market assumptions in preparing its 2013 outlook. The Company is forecasting that North American industrial production for the year will increase by about two per cent. CN also expects U.S. housing starts to be approximately 950,000 units, and U.S. motor vehicles sales to be approximately 15 million units. In addition, CN is assuming that 2013/2014 grain crop production in both Canada and the U.S. will be in-line with their respective five-year averages. With these assumptions, CN now assumes carload growth of two to three per cent, down from three to four per cent, along with continued pricing improvement above inflation. CN also now assumes the Canadian-U.S. exchange rate to be in the range of C\$0.95-C\$1.00 for 2013, versus the previous assumption of around parity, and that the price of crude oil (West Texas Intermediate) for the year to be in the range of US\$90-\$100 per barrel.

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 is a true backbone of the economy, transporting approximately 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, from the Atlantic and Pacific oceans to the Gulf of Mexico. CN – Canadian National Railway Company, along with its operating railway subsidiaries -- serves the ports of Vancouver, Prince Rupert, B.C., Montreal, Halifax, New Orleans, and Mobile, Ala., and the metropolitan areas of Toronto, 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](http://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)

## Item 2

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Revenues	\$ 2,666	\$ 2,543	\$ 5,132	\$ 4,889
Operating expenses				
Labor and fringe benefits	498	504	1,067	1,013
Purchased services and material	341	305	669	604
Fuel	402	379	807	755
Depreciation and amortization	250	230	485	460
Equipment rents	68	59	136	121
Casualty and other	65	81	146	158
Total operating expenses	1,624	1,558	3,310	3,111
Operating income	1,042	985	1,822	1,778
Interest expense	(88)	(86)	(177)	(172)
Other income (Note 3)	28	9	70	302
Income before income taxes	982	908	1,715	1,908
Income tax expense (Note 7)	(265)	(277)	(443)	(502)
Net income	\$ 717	\$ 631	\$ 1,272	\$ 1,406
Earnings per share (Note 10)				
Basic	\$ 1.69	\$ 1.44	\$ 2.99	\$ 3.20
Diluted	\$ 1.69	\$ 1.44	\$ 2.98	\$