

CANADIAN NATIONAL RAILWAY CO  
Form 6-K  
July 22, 2003

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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 July, 2003

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

Item

1. Press Release dated July 22, 2003.
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Item 1

North America's Railroad

**News**

**FOR IMMEDIATE RELEASE**

Stock symbols: TSX: CNR / NYSE: CNI  
www.cn.ca

**CN reports second-quarter net income of \$244 million, or \$1.26 per diluted share**

**MONTREAL, July 22, 2003** CN today reported its financial results for the second quarter and first half ended June 30, 2003.

Quarterly highlights

Net income of \$244 million, or \$1.26 per diluted share, compared with net income of \$280 million, or \$1.39 per diluted share, for the same quarter of 2002.

Strong intermodal and forest products results, coupled with tight cost focus, partially offset effects of the stronger Canadian dollar, reduced grain traffic and higher fuel expense.

Free cash flow of \$169 million, up from \$164 million for the same period last year. <sup>(1)</sup>

CN's operating income for the second quarter of 2003 declined 11 per cent to \$437 million. Revenues declined six per cent to \$1,463 million, while operating expenses declined three per cent to \$1,026 million. The company's operating ratio for the latest quarter was 70.1 per cent, compared with 68.4 per cent for the same quarter last year. Carloadings declined one per cent to 1,052 thousand.

The 11 per cent year-over-year appreciation of the Canadian dollar relative to the U.S. dollar in the second quarter of this year affected the conversion of CN's U.S. dollar-denominated revenues and expenses into Canadian dollars. The stronger Canadian dollar reduced CN's second-quarter 2003 revenues, operating income, and net income by approximately \$90 million, \$25 million, and \$11 million (six cents per diluted share), respectively.

E. Hunter Harrison, president and chief executive officer, said: "CN management kept its eye on the ball during the quarter, extracting maximum value from our franchise amid a host of major challenges, chief among them a significantly stronger Canadian dollar and the lingering effects of last summer's drought-reduced grain crop.

The stronger Canadian dollar reduced second-quarter revenues by approximately \$90 million. If you exclude this impact on our business, CN's revenues would have increased slightly, and four of the company's seven business units would have posted revenue gains. Our second major challenge was reduced Canadian grain volumes—a result of drought conditions last summer in Western Canada—that cut our revenues by \$37 million this quarter, and by \$80 million for the first half of 2003.

Our intermodal unit remained a stand-out, benefiting from new business and the discipline of our Intermodal Excellence initiative. At the same time our continuing focus on discretionary spending aided CN's improved expense performance. Free cash flow also remained strong, rising to \$169 million for the quarter from \$164 million during the same quarter last year.

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We are guardedly optimistic about the company's prospects for the balance of the year and into 2004. Precipitation levels on the Prairies in Western Canada lead us to believe the 2003/2004 Canadian grain crop could be a good one. Most of the crop is harvested in September and October, so we would anticipate improved grain volumes in the fourth quarter.

The three per cent decline in CN's operating expenses was mainly due to lower expenses for purchased services and material, labor and fringe benefits, and equipment rents, largely as a result of the positive impact of the stronger Canadian dollar on U.S.-dollar denominated expenses. Partly offsetting the decrease were higher fuel costs and increased casualty and other expenses.

### Six-month 2003 results

Net income for the first half of 2003 was \$496 million, or \$2.53 per diluted share, compared with net income of \$510 million, or \$2.54 per diluted share, for the same period of 2002.

<sup>(1)</sup> Refer to the supplementary schedule, Non-GAAP Measures, of the attached financial statements for CN's definition of free cash flow and reconciliation to comparable GAAP number.

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Net income for the first six months of this year included a cumulative after-tax benefit of \$48 million (24 cents per diluted share), resulting from a change in the accounting for removal costs for certain track structure assets. Excluding the effect of this change, first-half 2003 net income was \$448 million, or \$2.29 per diluted share.

First-half 2003 operating income declined nine per cent to \$811 million. Revenues declined three per cent to \$2,959 million, while operating expenses declined one per cent to \$2,148 million. CN's operating ratio for the first six months of 2003 was 72.6 per cent, compared with 70.7 per cent for the year-earlier period. Carloadings rose two per cent to 2,090 thousand for the first half of the year.

The eight per cent year-over-year appreciation of the Canadian dollar relative to the U.S. dollar in the first half of this year affected the conversion of CN's U.S. dollar-denominated revenues and expenses into Canadian dollars. The stronger Canadian dollar reduced first-half 2003 revenues, operating income, and net income by approximately \$135 million, \$40 million, and \$20 million (10 cents per diluted share), 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).

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

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*(In millions, except per share data)*

Three months ended June 30		Six months ended June 30	
2003	2002	2003	2002

*(Unaudited)*

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

*(In millions)*

	Three months ended June 30			Six months ended June 30		
	2003	2002	Variance Fav (Unfav)	2003	2002	Variance Fav (Unfav)

*(Unaudited)***Revenues**

Petroleum and chemicals	\$ 253	\$ 271	(7%)	\$ 543	\$ 544	-
Metals and minerals	131	138	(5%)	257	260	(1%)
Forest products	327	334	(2%)	644	659	(2%)
Coal	70	81	(14%)	144	158	(9%)
Grain and fertilizers	201	255	(21%)	435	524	(17%)
Intermodal	289	261	11%	554	496	12%
Automotive	143	159	(10%)	286	310	(8%)
Other items	49	52	(6%)	96	109	(12%)
	<b>1,463</b>	1,551	(6%)	<b>2,959</b>	3,060	(3%)

**Operating expenses**

Labor and fringe benefits	415	426	3%	869	883	2%
Purchased services and material	178	200	11%	378	398	5%
Depreciation and amortization <i>(Note 2)</i>	139	144	3%	282	285	1%
Fuel	125	114	(10%)	252	226	(12%)
Equipment rents	82	92	11%	159	179	11%
Casualty and other	87	85	(2%)	208	193	(8%)
	<b>1,026</b>	1,061	3%	<b>2,148</b>	2,164	1%

<b>Operating income</b>	<b>\$ 437</b>	\$ 490	(11%)	<b>\$ 811</b>	\$ 896	(9%)
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<b>Operating ratio</b>	<b>70.1%</b>	68.4%	(1.7)	<b>72.6%</b>	70.7%	(1.9)
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See accompanying notes to consolidated financial statements.

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Certain of the 2002 comparative figures have been reclassified in order to be consistent with the 2003 presentation.

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

(In millions)

	June 30 2003	December 31 2002	June 30 2002
	<i>(Unaudited)</i>		<i>(Unaudited)</i>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 130	\$ 25	\$ 93
Accounts receivable (Note 3)	605	722	675
Material and supplies	152	127	163
Deferred income taxes	123	122	125
Other	186	196	185
	<b>1,196</b>	1,192	1,241
Properties (Note 2)	<b>18,261</b>	19,681	18,732
Other assets and deferred charges	<b>828</b>	865	866
<b>Total assets</b>	<b>\$ 20,285</b>	\$21,738	\$20,839
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued charges	\$ 1,391	\$ 1,487	\$ 1,355
Current portion of long-term debt	559	574	832
Other	64	73	83
	<b>2,014</b>	2,134	2,270
Deferred income taxes	<b>4,411</b>	4,826	4,560
Other liabilities and deferred credits	<b>1,264</b>	1,406	1,217
Long-term debt (Note 3)	<b>4,552</b>	5,003	4,500
Convertible preferred securities	-	-	347
<b>Shareholders' equity:</b>			
Common shares (Note 3)	<b>4,631</b>	4,785	4,499
Accumulated other comprehensive income (loss)	<b>(119)</b>	97	31
Retained earnings	<b>3,532</b>	3,487	3,415
	<b>8,044</b>	8,369	7,945
<b>Total liabilities and shareholders' equity</b>	<b>\$ 20,285</b>	\$21,738	\$20,839

See accompanying notes to consolidated financial statements.

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

*(In millions)*

	Three months ended June 30		Six months ended June 30	
	2003	2002	2003	2002
	<i>(Unaudited)</i>			
<b>Common shares <sup>(1)</sup></b>				
Balance, beginning of period	\$ 4,668	\$ 4,473	\$ 4,785	\$ 4,442
Stock options exercised and other	36	26	60	57
Share repurchase program <i>(Note 3)</i>	(73)	-	(214)	-
Balance, end of period	\$ 4,631	\$ 4,499	\$ 4,631	\$ 4,499

**Accumulated other comprehensive income (loss)**

Balance, beginning of period	\$ (13)	\$ 92	\$ 97	\$ 58
Other comprehensive income (loss):				
Unrealized foreign exchange gain on translation of U.S. dollar denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries	342	219	606	208
Unrealized foreign exchange loss on translation of the net investment in foreign operations	(501)	(315)	(925)	(303)
Unrealized holding gain (loss) on fuel derivative instruments <i>(Note 4)</i>	2	4	(1)	55
Other comprehensive loss before income taxes	(157)	(92)	(320)	(40)
Income tax recovery	51	31	104	13
Other comprehensive loss	(106)	(61)	(216)	(27)
Balance, end of period	\$ (119)	\$ 31	\$ (119)	\$ 31

**Retained earnings**

Balance, beginning of period	\$ 3,469	\$ 3,176	\$ 3,487	\$ 2,988
Net income	244	280	496	510

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Share repurchase program ( <i>Note 3</i> )	<b>(134)</b>	-	<b>(355)</b>	-
Dividends	<b>(47)</b>	(41)	<b>(96)</b>	(83)
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Balance, end of period				