CANADIAN NATIONAL RAILWAY CO
Form 6-K
January 23, 2008

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 January, 2008

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_

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_

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_

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_

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

North America's Railroad

NEWS RELEASE

CN reports Q4-2007 net income of C$833 million, or C$1.68 per diluted share, including C$0.78 per share in benefits from favorable tax adjustments and major asset sales

CN sees 2008 opportunities despite tough economic environment

MONTREAL, Jan. 22, 2008— CN (TSX:CNR)(NYSE:CNI) today reported its financial and operating results for the quarter and year ended Dec. 31, 2007.

Fourth-quarter 2007 highlights

Diluted earnings per share were C$1.68, including a C$0.57 per share benefit from a deferred income tax recovery, C$0.13 per share from the sale of CN's Central Station Complex (CSC) in Montreal, and C$0.08 per share from the sale of the Company's investment in English Welsh and Scottish Railway (EWS). Excluding these items, CN reported adjusted diluted EPS of C$0.90, which was flat compared with adjusted diluted EPS for the fourth quarter of 2006.[1]

Net income was C$833 million, which included a deferred income tax recovery of C$284 million, as well as after-tax gains of C$64 million on the CSC sale and C$41 million from the EWS investment sale. Excluding these items, adjusted net income was C$444 million.[1]

2006 fourth-quarter net income was C$499 million, including a deferred income tax recovery of C$27 million, or five cents per diluted share. Excluding the deferred income tax recovery, fourth-quarter 2006 adjusted net income was C$472 million (adjusted diluted EPS of C$0.90).[1]

Fourth-quarter 2007 revenues declined three per cent to C$1,941 million, with operating expenses declining three per cent to C$1,205 million.

Operating income for the final quarter of 2007 declined three per cent to C$736 million, while CN's operating ratio was essentially flat at 62.1 per cent.

The strengthening Canadian dollar relative to the U.S. dollar, which affected the conversion of CN's U.S. dollar-denominated revenues and expenses, resulted in a reduction to fourth-quarter 2007 net income of approximately C$25 million, or C$0.05 per diluted share.

E. Hunter Harrison, president and chief executive officer, said: "CN faced strong headwinds in 2007 but we turned in a solid performance for both the quarter and the year. The major challenges were weak housing markets in the U.S., the continuing strength of the Canadian dollar that affected our U.S. dollar-denominated revenues, a strike in the first quarter, and a number of weather-related issues, particularly in western Canada.

"During the final quarter of 2007, four of our commodity groups – intermodal, petroleum and chemicals, metals and minerals, and coal – generated increased revenues. However, tough market conditions reduced forest products revenues by 19 per cent. Operating expenses declined three per cent in the quarter, allowing the Company to deliver an operating ratio of 62.1 per cent.

"We are very pleased with the start in the fourth quarter of our new Prince Rupert intermodal service. Transit times have been consistently on target. It's this kind of performance that underscores the value of the product offering and commitment of all the parties involved – CN, the Port of Prince Rupert and Maher Terminals – to deliver a highly competitive service."

Harrison said 2008 will be challenging in some areas, but the year ahead also offers the Company opportunities for growth.

"We're cautious about the state of the North American economy, continued weakness in the U.S. housing market, and the strength of the Canadian dollar vis-a-vis the U.S. dollar. At the same time, we see opportunities for new traffic, the strongest being intermodal as a result of the new Prince Rupert gateway for containerized goods moving between Asia and North America. We also see a number of opportunities in bulk and industrial products, including those related to the continuing oil boom in western Canada. Our recent acquisitions have strengthened our freight franchise in that region."

2008 financial outlook

For 2008, CN expects the Canadian-U.S. dollar exchange rate to be in the range of C$0.95-C$1.00, the price for crude oil (West Texas Intermediate) to be around US$90 per barrel, and North American economic growth to be approximately 1.7 per cent. With this outlook, CN expects to take advantage of a number of opportunities and is targeting to deliver revenue growth in the range of six to eight per cent this year. With continued productivity improvements, the Company expects 2008 diluted earnings per share growth to be in the range of mid-to-high single digit, compared with adjusted diluted EPS of C$3.40 in 2007, and 2008 free cash flow to be in the order of C$750 million. (1)

In 2008, CN also plans to invest approximately C$1.5 billion in capital programs, of which more than C$1 billion will be targeted on track infrastructure to maintain a safe railway and improve the productivity and fluidity of the network.

Please see "Forward-Looking Statements" below for additional information.

Fourth-quarter 2007 results

Net income for the fourth quarter of 2007 was C$833 million, including a deferred income tax recovery of C$284 million (C$0.57 per diluted share) resulting from the enactment of corporate income tax rate changes in Canada, and the after-tax gains on the sale of the CSC of C$64 million (C$0.13 per diluted share) and the Company's investment in EWS of C$41 million (C$0.08 per diluted share). Excluding the three items, CN reported adjusted diluted EPS of C$0.90.(1)

Fourth-quarter 2006 net income was C$499 million (C$0.95 per diluted share), including a deferred income tax recovery of C$27 million (C$0.05 per diluted share) attributable to the resolution of matters relating to prior years' income taxes. Excluding the deferred income tax recovery, fourth-quarter 2006 adjusted net income was C$472 million (adjusted diluted EPS of C$0.90).(1)

Fourth-quarter 2007 revenues declined three per cent to C$1,941 million. The decrease was mainly due to the translation impact of a stronger Canadian dollar on U.S. dollar-denominated revenues and weakness in the forest products market.

Revenue ton-miles, a measurement of the relative weight and distance of rail freight transported by the Company, increased by three per cent during fourth-quarter 2007 versus the comparable period of 2006. 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, declined six per cent over the same period in 2006.

Operating expenses for the fourth quarter decreased three per cent to C$1,205 million, largely as a result of decreased labor and fringe benefits expense and the translation impact of a stronger Canadian dollar on U.S. dollar-denominated expenses. These factors were partially offset by significantly higher fuel expense.

The operating ratio, defined as operating expenses as a percentage of revenues, was 62.1 per cent during the quarter, compared with 62.2 per cent for the fourth quarter of 2006, a 0.1-point decrease.

Full-year 2007 results

Net income for 2007 was C$2,158 million, with diluted earnings per share of C$4.25. The 2007 results included a deferred income tax recovery of C$328 million (C$0.64 per diluted share) resulting mainly from the enactment of corporate income tax rate changes in Canada, as well as the gains on the sale of the CSC of C$64 million (C$0.13 per diluted share) and the Company's investment in EWS of C$41 million (C$0.08 per diluted share). Year-earlier net income was C$2,087 million (C$3.91 per diluted share). Included in the 2006 figures was a deferred income tax recovery of C$277 million (C$0.51 per diluted share), resulting from the enactment of lower corporate income tax rates in Canada and the resolution of matters pertaining to prior years' income taxes.

Excluding benefits from favorable tax adjustments and major asset sales, adjusted net income for 2007 was C$1,725 million, or C$3.40 per diluted share, compared with adjusted 2006 net income of C$1,810 million, or C$3.40 per diluted share. (1)

Revenues for 2007 totaled C$7,897 million, compared with C$7,929 million for 2006. The decline in revenues was mainly a result of the translation impact of the stronger Canadian dollar on U.S. dollar-denominated revenues, weakness in specific markets, particularly forest products, the United Transportation Union (UTU) strike, and adverse weather conditions in the first half of 2007. Largely offsetting these factors were the impact of net freight rate increases, which included lower fuel surcharge revenues as a result of applicable fuel prices, and an overall improvement in traffic mix.

Revenue ton-miles for 2007 declined one per cent from the comparable period of 2006, while rail freight revenue per ton-mile was essentially flat.

Operating expenses increased two per cent to C$5,021 million, mainly due to increased fuel costs and equipment rents, which were partly offset by the translation impact of a stronger Canadian dollar and decreased labor and fringe benefits expense.

Operating income declined five per cent to C$2,876 million. The operating ratio was 63.6 per cent in 2007, compared with 61.8 per cent in 2006, a 1.8-point increase.

In addition to the weather conditions and operational challenges in the first half of 2007, CN's results in 2007 included the impact of the first-quarter 2007 strike by 2,800 UTU members, for which the Company estimated the negative impact on first-quarter 2007 operating income and net income to be approximately C$50 million and C$35 million, respectively, (C$0.07 per diluted share).

The strengthening Canadian dollar relative to the U.S. dollar, which affected the conversion of CN's U.S. dollar-denominated revenues and expenses, resulted in a reduction to net income of approximately C$35 million, or C$0.07 per diluted share.

The financial results in this press release were determined on the basis of U.S. generally accepted accounting principles (U.S. GAAP).

(1) Please see discussion and reconciliation of non-GAAP adjusted performance measures in the attached supplementary schedule, Non-GAAP Measures.

Forward-Looking Statements

This news release contains forward-looking statements. CN cautions that, by their nature, forward-looking statements involve risk, uncertainties and assumptions. In addition to the other assumptions contained in this release, the Company assumes that, although there is an increasing risk of recession in the U.S. economy, growth in North America and globally will continue to slow down in 2008, but that a recession will not take place. The Company cautions that this as well as its other assumptions may not materialize. The Company's results could differ materially from those expressed or implied in such forward-looking statements. Important factors that could cause such differences include, but are not limited to, industry competition, legislative and/or regulatory developments, compliance with environmental laws and regulations, various events which could disrupt operations, including natural events such as severe weather, droughts, floods and earthquakes, the effects of adverse general economic and business conditions, inflation, currency fluctuations, changes in fuel prices, labor disruptions, environmental claims, investigations or proceedings, other types of claims and litigation, 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 CN's most recent Form 40-F filed with the United States Securities and Exchange Commission, its Annual Information Form filed with the Canadian securities regulators, and its 2006 Annual Consolidated Financial Statements and Notes thereto and Management's Discussion and Analysis (MD&A), as well as its 2007 unaudited interim consolidated financial statements and MD&A, for a summary of major risks.

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 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, St. Louis, 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)*

(In millions, except per share data)

	Three months ended December 31		Year ended December 31	
	2007	2006	**2007**	2006
		(Unaudited)		
Revenues	**$ 1,941**	$ 2,000	**$ 7,897**	$ 7,929
Operating expenses				
Labor and fringe benefits	**340**	474	**1,701**	1,823
Purchased services and material	**259**	271	**1,045**	1,027
Fuel	**307**	227	**1,026**	892
Depreciation and amortization	**173**	167	**677**	650
Equipment rents	**60**	63	**247**	198
Casualty and other	**66**	42	**325**	309
Total operating expenses	**1,205**	1,244	**5,021**	4,899
Operating income	**736**	756	**2,876**	3,030
Interest expense	**(85)**	(80)	**(336)**	(312)
Other income	**159**	27	**166**	11
Income before income taxes	**810**	703	**2,706**	2,729
Income tax recovery (expense)	**23**	(204)	**(548)**	(642)
Net income	**$ 833**	$ 499	**$ 2,158**	$ 2,087
Earnings per share				
Basic	**$ 1.70**	$ 0.97	**$ 4.31**	$ 3.97
Diluted	**$ 1.68**	$ 0.95	**$ 4.25**	$ 3.91
Weighted-average number of shares				
Basic	**489.8**	515.5	**501.2**	525.9
Diluted	**495.9**	523.6	**508.0**	534.3

Certain of the comparative figures have been reclassified in order to be consistent with the 2007 presentation as discussed herein. As a result of the Company's expansion of its existing non-rail transportation services, in combination with its rail service, the Company has become primarily responsible for the fulfillment of the transportation of goods involving non-rail activities. In order to be consistent with the presentation of other non-rail transportation services, the Company reclassified certain operating expenses incurred for non-rail transportation *services, which were previously netted with their related revenues, to reflect the gross reporting of revenues where appropriate. This change had no impact on the Company's operating income and net income, as both revenues and operating expenses were increased by $58 million and $213 million in the three months and year ended December 31, 2006, respectively. In addition, the Company reclassified its non-rail transportation revenues to Other revenues. Previously, various revenues for non-rail transportation services were reported in both Rail freight revenues and Other revenues.*

These unaudited interim consolidated financial statements, expressed in Canadian dollars, and prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), contain all adjustments (consisting of normal recurring accruals) necessary to present fairly Canadian National Railway Company's (the Company) financial position as at December 31, 2007 and December 31, 2006, and its results of operations, changes in shareholders' equity and cash flows for the three months and years ended December 31, 2007 and 2006. These consolidated financial statements have been prepared using accounting policies consistent with those used in preparing the Company's 2007 Annual Consolidated Financial Statements and should be read in conjunction with such statements, notes thereto and Management's Discussion and Analysis (MD&A).

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

(In millions)

		December 31 2007 (Unaudited)		December 31 2006
Assets				
Current assets:				
Cash and cash equivalents	**$**	**310**	$	179
Accounts receivable		**370**		692
Material and supplies		**162**		189
Deferred income taxes		**68**		84
Other		**138**		192
		1,048		1,336
Properties		**20,413**		21,053
Intangible and other assets		**1,999**		1,615
Total assets	**$**	**23,460**	$	24,004
Liabilities and shareholders' equity				
Current liabilities:				
Accounts payable and accrued charges	**$**	**1,282**	$	1,823
Current portion of long-term debt		**254**		218
Other		**54**		73
		1,590		2,114
Deferred income taxes		**4,908**		5,215
Other liabilities and deferred credits		**1,422**		1,465
Long-term debt		**5,363**		5,386
Shareholders' equity:				
Common shares		**4,283**		4,459
Accumulated other comprehensive loss		**(31)**		(44)
Retained earnings		**5,925**		5,409
		10,177		9,824
Total liabilities and shareholders' equity	**$**	**23,460**	$	24,004

These unaudited interim consolidated financial statements, expressed in Canadian dollars, and prepared in accordance with U.S. GAAP, contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company’s financial position as at December 31, 2007 and December 31, 2006, and its results of operations, changes in shareholders' equity and cash flows for the three months and years ended December 31, 2007 and 2006. These consolidated financial statements have been prepared using accounting policies consistent with those used in preparing the Company's 2007 Annual Consolidated Financial Statements and should be read in conjunction with such statements, notes thereto and MD&A.

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

(In millions)

	Three months ended December 31		Year ended December 31	
	2007	2006	**2007**	2006
		(Unaudited)		
Common shares				
Balance, beginning of period	**$ 4,359**	$ 4,476	**$ 4,459**	$ 4,580
Stock options exercised and other	**6**	43	**89**	133
Share repurchase programs	**(82)**	(60)	**(265)**	(254)
Balance, end of period	**$ 4,283**	$ 4,459	**$ 4,283**	$ 4,459
Accumulated other comprehensive loss				
Balance, beginning of period	**$ (257)**	$ (520)	**$ (44)**	$ (222)
Other comprehensive income (loss):				
Unrealized foreign exchange gain (loss) on:				
Translation of the net investment in foreign operations	**(90)**	246	**(1,004)**	32
Translation of U.S. dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries	**22**	(196)	**788**	(33)
Pension and other postretirement benefit plans:				
Net actuarial gain arising during the period	**391**	-	**391**	-
Prior service cost arising during the period	**(12)**	-	**(12)**	-
Amortization of net actuarial loss included in net periodic benefit cost	**11**	-	**49**	-
Amortization of prior service cost included in net periodic benefit cost	**5**	-	**21**	-
Minimum pension liability adjustment	**-**	1	**-**	1
Derivative instruments	**(1)**	-	**(1)**	(57)
Other comprehensive income (loss) before income taxes	**326**	51	**232**	(57)
Income tax recovery (expense)	**(100)**	11	**(219)**	(179)
Other comprehensive income (loss)	**226**	62	**13**	(236)
Adjustment to reflect the funded status of benefit plans:				
Net actuarial gain (net of income tax expense of $(200) for 2006)	**-**	434	**-**	434
Prior service cost (net of income tax recovery of $14 for 2006)	**-**	(31)	**-**	(31)
Reversal of minimum pension liability adjustment (net of income tax expense of $(6) for 2006)	**-**	11	**-**	11
Balance, end of period	**$ (31)**	$ (44)	**$ (31)**	$ (44)
Retained earnings				
Balance, beginning of period	**$ 5,557**	$ 5,306	**$ 5,409**	$ 4,891

Adoption of new accounting pronouncements [1]	**-**	-	**95**	-
Restated balance, beginning of period	**5,557**	5,306	**5,504**	4,891
Net income	**833**	499	**2,158**	2,087
Share repurchase programs	**(363)**	(313)	**(1,319)**	(1,229)
Dividends	**(102)**	(83)	**(418)**	(340)
Balance, end of period	**$ 5,925**	$ 5,409	**$ 5,925**	$ 5,409

(1) On January 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 48, "Accounting for Uncertainty in Income Taxes," and early adopted the measurement date provisions of Statement of Financial Accounting Standards (SFAS) No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)." The application of FIN No. 48 on January 1, 2007 had the effect of decreasing the net deferred income tax liability and increasing Retained earnings by $98 million. The application of SFAS No. 158 on January 1, 2007 had the effect of decreasing Retained earnings by $3 million.

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

(In millions)

	Three months ended December 31		Year ended December 31	
	2007	2006	**2007**	2006
		(Unaudited)		
Operating activities				
Net income	**$ 833**	$ 499	**$ 2,158**	$ 2,087
Adjustments to reconcile net income to net cash provided from operating activities:				
Depreciation and amortization	**172**	167	**678**	653
Deferred income taxes	**(207)**	23	**(82)**	3
Gain on sale of Central Station Complex	**(92)**	-	**(92)**	-
Gain on sale of investment in English Welsh and Scottish Railway	**(61)**	-	**(61)**	-
Other changes in:				
Accounts receivable	**267**	403	**229**	(17)
Material and supplies	**44**	18	**18**	(36)
Accounts payable and accrued charges	**120**	48	**(351)**	197
Other net current assets and liabilities	**(12)**	(34)	**39**	58
Other	**(122)**	(61)	**(119)**	6
Cash provided from operating activities	**942**	1,063	**2,417**	2,951
Investing activities				
Property additions	**(490)**	(472)	**(1,387)**	(1,298)
Acquisitions, net of cash acquired	**(25)**	(26)	**(25)**	(84)
Sale of Central Station Complex	**351**	-	**351**	-
Sale of investment in English Welsh and Scottish Railway	**114**	-	**114**	-
Other, net	**26**	14	**52**	33
Cash used by investing activities	**(24)**	(484)	**(895)**	(1,349)
Financing activities				
Issuance of long-term debt	**846**	183	**4,171**	3,308
Reduction of long-term debt	**(1,120)**	(234)	**(3,589)**	(3,089)
Issuance of common shares due to exercise of stock options and related excess tax benefits realized	**4**	42	**77**	120
Repurchase of common shares	**(445)**	(373)	**(1,584)**	(1,483)
Dividends paid	**(102)**	(83)	**(418)**	(340)
Cash used by financing activities	**(817)**	(465)	**(1,343)**	(1,484)
Effect of foreign exchange fluctuations on U.S. dollar-denominated				