

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

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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 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

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

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Canadian National Railway Company

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Item

1. News Release dated January 22, 2008 entitled, "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".
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## 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.<sup>(1)</sup>

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.<sup>(1)</sup>

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).<sup>(1)</sup>

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. <sup>(1)</sup>

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.<sup>(1)</sup>

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).<sup>(1)</sup>

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. <sup>(1)</sup>

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](http://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 |               | Year ended      |                 |
|--|--------------------|---------------|-----------------|-----------------|
|  | December 31        |               | 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)           |
| <b>Net income</b>                        | <b>\$ 833</b>      | <b>\$ 499</b> | <b>\$ 2,158</b> | <b>\$ 2,087</b> |
| <b>Earnings per share</b>                |                    |               |                 |                 |
| Basic                                    | \$ 1.70            | \$ 0.97       | \$ 4.31         | \$ 3.97         |
| Diluted                                  | \$ 1.68            | \$ 0.95       | \$ 4.25         | \$ 3.91         |
| <b>Weighted-average number of shares</b> |                    |               |                 |                 |
| 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)

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



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

(In millions)

|  | <b>Three months ended</b> |          | <b>Year ended</b>  |          |
|--|---------------------------|----------|--------------------|----------|
|  | <b>December 31</b>        |          | <b>December 31</b> |          |
|  | <b>2007</b>               | 2006     | <b>2007</b>        | 2006     |
|  | <i>(Unaudited)</i>        |          |                    |          |
| <b>Common shares</b>   |                           |          |                    |          |
| 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 |
| <b>Accumulated other comprehensive loss</b>  |                           |          |                    |          |
| 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)  |
| <b>Retained earnings</b>   |                           |          |                    |          |
| Balance, beginning of period   | \$ 5,557                  | \$ 5,306 | \$ 5,409           | \$ 4,891 |

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

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

(In millions)

|   | Three months ended |            | Year ended  |            |
|---|--------------------|------------|-------------|------------|
|   | December 31        |            | December 31 |            |
|   | 2007               | 2006       | 2007        | 2006       |
|   | <i>(Unaudited)</i> |            |             |            |
| <b>Operating activities</b>   |                    |            |             |            |
| 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      |
| <b>Investing activities</b>   |                    |            |             |            |
| 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)    |
| <b>Financing activities</b>   |                    |            |             |            |
| 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 cash and cash equivalents        | (5)                | 9          | (48)        | (1)        |
| <b>Net increase in cash and cash equivalents</b>  | <b>96</b>          | <b>123</b> | <b>131</b>  | <b>117</b> |
| Cash and cash equivalents, beginning of period  | 214                | 56         | 179         | 62         |

|   |    |              |    |         |    |                |    |         |
|---|----|--------------|----|---------|----|----------------|----|---------|
| <b>Cash and cash equivalents, end of period</b> | \$ | <b>310</b>   | \$ | 179     | \$ | <b>310</b>     | \$ | 179     |
| <b>Supplemental cash flow information</b>       |    |              |    |         |    |                |    |         |
| Net cash receipts from customers and other      | \$ | <b>2,209</b> | \$ | 2,425   | \$ | <b>8,139</b>   | \$ | 7,946   |
| Net cash payments for:                          |    |              |    |         |    |                |    |         |
| Employee services, suppliers and other expenses |    | <b>(979)</b> |    | (1,043) |    | <b>(4,323)</b> |    | (4,130) |
| Interest  |    | <b>(67)</b>  |    | (67)    |    | <b>(340)</b>   |    | (294)   |
| Workforce reductions                            |    | <b>(7)</b>   |    | (8)     |    | <b>(31)</b>    |    | (45)    |
| Personal injury and other claims                |    | <b>(28)</b>  |    | (47)    |    | <b>(86)</b>    |    | (107)   |
| Pensions  |    | <b>(25)</b>  |    | (66)    |    | <b>(75)</b>    |    | (112)   |
| Income taxes                                    |    | <b>(161)</b> |    | (131)   |    | <b>(867)</b>   |    | (307)   |
| Cash provided from operating activities         | \$ | <b>942</b>   | \$ | 1,063   | \$ | <b>2,417</b>   | \$ | 2,951   |

Certain of the 2006 comparative figures have been reclassified in order to be consistent with the 2007 presentation.



**CANADIAN NATIONAL RAILWAY COMPANY**  
**SELECTED RAILROAD STATISTICS <sup>(1)</sup> (U.S. GAAP)**

|   | <b>Three months ended</b> |        | <b>Year ended</b>  |         |
|---|---------------------------|--------|--------------------|---------|
|   | <b>December 31</b>        |        | <b>December 31</b> |         |
|   | <b>2007</b>               | 2006   | <b>2007</b>        | 2006    |
|   |                           |        | <i>(Unaudited)</i> |         |
| <b><i>Statistical operating data</i></b>                      |                           |        |                    |         |
| Rail freight revenues (\$ millions)                           | <b>1,763</b>              | 1,824  | <b>7,186</b>       | 7,254   |
| Gross ton miles (GTM) (millions)                              | <b>89,315</b>             | 88,407 | <b>347,898</b>     | 352,972 |
| Revenue ton miles (RTM) (millions)                            | <b>47,151</b>             | 45,966 | <b>184,148</b>     | 185,610 |
| Carloads (thousands)  | <b>1,205</b>              | 1,146  | <b>4,744</b>       | 4,824   |
| Route miles (includes Canada and the U.S.)                    | <b>20,421</b>             | 20,264 | <b>20,421</b>      | 20,264  |
| Employees (end of period)                                     | <b>22,696</b>             | 22,250 | <b>22,696</b>      | 22,250  |
| Employees (average for the period)                            | <b>22,796</b>             | 22,196 | <b>22,389</b>      | 22,092  |
| <b><i>Productivity</i></b>                                    |                           |        |                    |         |
| Operating ratio (%)   | <b>62.1</b>               | 62.2   | <b>63.6</b>        | 61.8    |
| Rail freight revenue per RTM (cents)                          | <b>3.74</b>               | 3.97   | <b>3.90</b>        | 3.91    |
| Rail freight revenue per carload (\$)                         | <b>1,463</b>              | 1,592  | <b>1,515</b>       | 1,504   |
| Operating expenses per GTM (cents)                            | <b>1.35</b>               | 1.41   | <b>1.44</b>        | 1.39    |
| Labor and fringe benefits expense per GTM (cents)             | <b>0.38</b>               | 0.54   | <b>0.49</b>        | 0.52    |
| GTMs per average number of employees (thousands)              | <b>3,918</b>              | 3,983  | <b>15,539</b>      | 15,977  |
| Diesel fuel consumed (U.S. gallons in millions)               | <b>102</b>                | 101    | <b>392</b>         | 401     |
| Average fuel price (\$/U.S. gallon)                           | <b>2.70</b>               | 2.16   | <b>2.40</b>        | 2.13    |
| GTMs per U.S. gallon of fuel consumed                         | <b>876</b>                | 875    | <b>887</b>         | 880     |
| <b><i>Financial ratio</i></b>                                 |                           |        |                    |         |
| Debt to total capitalization ratio (% at end of period)       | <b>35.6</b>               | 36.3   | <b>35.6</b>        | 36.3    |
| <b><i>Safety indicators</i></b>                               |                           |        |                    |         |
| Injury frequency rate per 200,000 person hours <sup>(2)</sup> | <b>2.1</b>                | 2.0    | <b>1.9</b>         | 2.1     |
| Accident rate per million train miles <sup>(2)</sup>          | <b>3.6</b>                | 2.0    | <b>2.7</b>         | 2.4     |

(1) Includes data relating to companies acquired as of the date of acquisition.

(2) Based on Federal Railroad Administration (FRA) reporting criteria. For 2006, the Injury frequency rate per 200,000 person hours and the Accident rate per million train miles, prepared on a proforma basis to include the acquisitions of Mackenzie Northern Railway and Savage Alberta Railway, Inc., as of January 1, 2006, would have been 2.1 and 2.3, respectively, for the three months ended December 31, 2006, and 2.1 and 2.5, respectively, for the year ended December 31, 2006.

Certain of the 2006 comparative figures have been reclassified in order to be consistent with the 2007 presentation, as discussed herein. Certain statistical data and related productivity measures are based on estimated data available at such time and are subject to change as more complete information becomes available.



**CANADIAN NATIONAL RAILWAY COMPANY**  
**SUPPLEMENTARY INFORMATION (U.S. GAAP)**

|   | Three months ended December 31 |               |  | Year ended December 31 |                |                            |
|---|--------------------------------|---------------|--|------------------------|----------------|----------------------------|
|   | 2007                           | 2006          | Variance<br>Fav<br>(Unfav)<br><i>(Unaudited)</i> | 2007                   | 2006           | Variance<br>Fav<br>(Unfav) |
| <b>Revenues (millions of dollars)</b>     |                                |               |  |                        |                |                            |
| Petroleum and chemicals                   | 306                            | 300           | 2%   | 1,226                  | 1,171          | 5%                         |
| Metals and minerals                       | 195                            | 192           | 2%   | 826                    | 835            | (1%)                       |
| Forest products                           | 336                            | 414           | (19%)  | 1,552                  | 1,747          | (11%)                      |
| Coal                                      | 98                             | 93            | 5%   | 385                    | 370            | 4%                         |
| Grain and fertilizers                     | 350                            | 351           | -  | 1,311                  | 1,258          | 4%                         |
| Intermodal                                | 362                            | 353           | 3%   | 1,382                  | 1,394          | (1%)                       |
| Automotive                                | 116                            | 121           | (4%)   | 504                    | 479            | 5%                         |
| Other revenues                            | 178                            | 176           | 1%   | 711                    | 675            | 5%                         |
|   | <b>1,941</b>                   | <b>2,000</b>  | <b>(3%)</b>                                      | <b>7,897</b>           | <b>7,929</b>   | <b>-</b>                   |
| <b>Revenue ton miles (millions)</b>       |                                |               |  |                        |                |                            |
| Petroleum and chemicals                   | 8,473                          | 7,930         | 7%   | 32,761                 | 31,868         | 3%                         |
| Metals and minerals                       | 4,305                          | 4,026         | 7%   | 16,719                 | 17,467         | (4%)                       |
| Forest products                           | 9,156                          | 10,049        | (9%)   | 39,808                 | 42,488         | (6%)                       |
| Coal                                      | 3,432                          | 3,209         | 7%   | 13,776                 | 13,727         | -                          |
| Grain and fertilizers                     | 12,550                         | 11,791        | 6%   | 45,359                 | 44,096         | 3%                         |
| Intermodal                                | 8,493                          | 8,237         | 3%   | 32,607                 | 32,922         | (1%)                       |
| Automotive                                | 742                            | 724           | 2%   | 3,118                  | 3,042          | 2%                         |
|   | <b>47,151</b>                  | <b>45,966</b> | <b>3%</b>  | <b>184,148</b>         | <b>185,610</b> | <b>(1%)</b>                |
| <b>Rail freight revenue / RTM (cents)</b> |                                |               |  |                        |                |                            |
| <b>Rail freight revenue per RTM</b>       | <b>3.74</b>                    | <b>3.97</b>   | <b>(6%)</b>                                      | <b>3.90</b>            | <b>3.91</b>    | <b>-</b>                   |
| <b>Commodity groups:</b>                  |                                |               |  |                        |                |                            |
| Petroleum and chemicals                   | 3.61                           | 3.78          | (4%)   | 3.74                   | 3.67           | 2%                         |
| Metals and minerals                       | 4.53                           | 4.77          | (5%)   | 4.94                   | 4.78           | 3%                         |
| Forest products                           | 3.67                           | 4.12          | (11%)  | 3.90                   | 4.11           | (5%)                       |
| Coal                                      | 2.86                           | 2.90          | (1%)   | 2.79                   | 2.70           | 3%                         |
| Grain and fertilizers                     | 2.79                           | 2.98          | (6%)   | 2.89                   | 2.85           | 1%                         |
| Intermodal                                | 4.26                           | 4.29          | (1%)   | 4.24                   | 4.23           | -                          |
| Automotive                                | 15.63                          | 16.71         | (6%)   | 16.16                  | 15.75          | 3%                         |
| <b>Carloads (thousands)</b>               |                                |               |  |                        |                |                            |
| Petroleum and chemicals                   | 151                            | 145           | 4%   | 599                    | 590            | 2%                         |
| Metals and minerals                       | 261                            | 203           | 29%  | 1,010                  | 981            | 3%                         |

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|  |              |       |       |              |       |       |
|--|--------------|-------|-------|--------------|-------|-------|
| Forest products  | <b>134</b>   | 154   | (13%) | <b>584</b>   | 667   | (12%) |
| Coal   | <b>86</b>    | 94    | (9%)  | <b>361</b>   | 411   | (12%) |
| Grain and fertilizers                                  | <b>162</b>   | 157   | 3%    | <b>601</b>   | 594   | 1%    |
| Intermodal   | <b>346</b>   | 332   | 4%    | <b>1,324</b> | 1,326 | -     |
| Automotive   | <b>65</b>    | 61    | 7%    | <b>265</b>   | 255   | 4%    |
|  | <b>1,205</b> | 1,146 | 5%    | <b>4,744</b> | 4,824 | (2%)  |
| <b><i>Rail freight revenue / carload (dollars)</i></b> |              |       |       |              |       |       |
| <b>Rail freight revenue per carload</b>                | <b>1,463</b> | 1,592 | (8%)  | <b>1,515</b> | 1,504 | 1%    |
| <b>Commodity groups:</b>                               |              |       |       |              |       |       |
| Petroleum and chemicals                                | <b>2,026</b> | 2,069 | (2%)  | <b>2,047</b> | 1,985 | 3%    |
| Metals and minerals                                    | <b>747</b>   | 946   | (21%) | <b>818</b>   | 851   | (4%)  |
| Forest products  | <b>2,507</b> | 2,688 | (7%)  | <b>2,658</b> | 2,619 | 1%    |
| Coal   | <b>1,140</b> | 989   | 15%   | <b>1,066</b> | 900   | 18%   |
| Grain and fertilizers                                  | <b>2,160</b> | 2,236 | (3%)  | <b>2,181</b> | 2,118 | 3%    |
| Intermodal   | <b>1,046</b> | 1,063 | (2%)  | <b>1,044</b> | 1,051 | (1%)  |
| Automotive   | <b>1,785</b> | 1,984 | (10%) | <b>1,902</b> | 1,878 | 1%    |

Certain of the 2006 comparative figures have been reclassified in order to be consistent with the 2007 presentation, as discussed herein. Such statistical data and related productivity measures are based on estimated data available at such time and are subject to change as more complete information becomes available.

**CANADIAN NATIONAL RAILWAY COMPANY**  
**NON-GAAP MEASURES unaudited**

**Adjusted performance measures**

During the three months and year ended December 31, 2007, the Company reported adjusted net income of \$444 million, or \$0.90 per diluted share, and \$1,725 million, or \$3.40 per diluted share, respectively. These adjusted figures exclude the impact of a net deferred income tax recovery of \$284 million (\$0.57 per diluted share) in the fourth quarter and \$328 million (\$0.64 per diluted share) for the year ended December 31, 2007 that resulted mainly from the enactment of corporate income tax rate changes in Canada. Also excluded from adjusted net income for both the three- and twelve-month periods were the gains on sale of the Central Station Complex of \$92 million or \$64 million after-tax (\$0.13 per diluted share) and the Company's investment in English Welsh and Scottish Railway of \$61 million or \$41 million after-tax (\$0.08 per diluted share).

During the three months and year ended December 31, 2006, the Company reported adjusted net income of \$472 million, or \$0.90 per diluted share and \$1,810 million, or \$3.40 per diluted share, respectively. These adjusted figures exclude the impact of a deferred income tax recovery of \$27 million (\$0.05 per diluted share) in the fourth quarter and \$277 million (\$0.51 per diluted share) for the year ended December 31, 2006 that resulted primarily from the enactment of lower corporate income tax rates in Canada and the resolution of matters pertaining to prior years' income taxes.

Management believes that adjusted net income and adjusted earnings per share are useful measures of performance that can facilitate period-to-period comparisons, as they exclude items that do not necessarily arise as part of the normal day-to-day operations of the Company and could distort the analysis of trends in business performance. The exclusion of such items in adjusted net income and adjusted earnings per share does not, however, imply that such items are necessarily non-recurring. These adjusted measures do not have any standardized meaning prescribed by GAAP and may, therefore, not be comparable to similar measures presented by other companies. The reader is advised to read all information provided in the Company's 2007 Annual Consolidated Financial Statements, Notes thereto and Management's Discussion and Analysis (MD&A). The following tables provide a reconciliation of net income and earnings per share, as reported for the three months and years ended December 31, 2007 and 2006, to the adjusted performance measures presented herein.

| <i>In millions, except per share data</i> | <b>Three months ended<br/>December 31, 2007</b> |                    |                 | <b>Year ended<br/>December 31, 2007</b> |                    |                 |
|---|---|--------------------|-----------------|---|--------------------|-----------------|
|   | <b>Reported</b>                                 | <b>Adjustments</b> | <b>Adjusted</b> | <b>Reported</b>                         | <b>Adjustments</b> | <b>Adjusted</b> |
| Revenues                                  | \$ 1,941  | \$ -               | \$ 1,941        | \$ 7,897                                | \$ -               | \$ 7,897        |
| Operating expenses                        | 1,205   | -                  | 1,205           | 5,021                                   | -                  | 5,021           |
| Operating income                          | 736   | -                  | 736             | 2,876                                   | -                  | 2,876           |
| Interest expense                          | (85)  | -                  | (85)            | (336)                                   | -                  | (336)           |
| Other income                              | 159   | (153)              | 6               | 166                                     | (153)              | 13              |
| Income before income taxes                | 810   | (153)              | 657             | 2,706                                   | (153)              | 2,553           |
| Income tax recovery (expense)             | 23  | (236)              | (213)           | (548)                                   | (280)              | (828)           |
| <b>Net income</b>                         | <b>\$ 833</b>                                   | <b>\$ (389)</b>    | <b>\$ 444</b>   | <b>\$ 2,158</b>                         | <b>\$ (433)</b>    | <b>\$ 1,725</b> |
| <b>Basic earnings per share</b>           | <b>\$ 1.70</b>                                  | <b>\$ (0.79)</b>   | <b>\$ 0.91</b>  | <b>\$ 4.31</b>                          | <b>\$ (0.87)</b>   | <b>\$ 3.44</b>  |
| <b>Diluted earnings per share</b>         | <b>\$ 1.68</b>                                  | <b>\$ (0.78)</b>   | <b>\$ 0.90</b>  | <b>\$ 4.25</b>                          | <b>\$ (0.85)</b>   | <b>\$ 3.40</b>  |
|   | <b>Three months ended<br/>December 31, 2006</b> |                    |                 | <b>Year ended<br/>December 31, 2006</b> |                    |                 |

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| <i>In millions, except per share data</i> | <b>Reported</b> | <b>Adjustments</b> | <b>Adjusted</b> | <b>Reported</b> | <b>Adjustments</b> | <b>Adjusted</b> |
|---|-----------------|--------------------|-----------------|-----------------|--------------------|-----------------|
| Revenues                                  | \$ 2,000        | \$ -               | \$ 2,000        | \$ 7,929        | \$ -               | \$ 7,929        |
| Operating expenses                        | 1,244           | -                  | 1,244           | 4,899           | -                  | 4,899           |
| Operating income                          | 756             | -                  | 756             | 3,030           | -                  | 3,030           |
| Interest expense                          | (80)            | -                  | (80)            | (312)           | -                  | (312)           |
| Other income                              | 27              | -                  | 27              | 11              | -                  | 11              |
| Income before income taxes                | 703             | -                  | 703             | 2,729           | -                  | 2,729           |
| Income tax expense                        | (204)           | (27)               | (231)           | (642)           | (277)              | (919)           |
| <b>Net income</b>                         | <b>\$ 499</b>   | <b>\$ (27)</b>     | <b>\$ 472</b>   | <b>\$ 2,087</b> | <b>\$ (277)</b>    | <b>\$ 1,810</b> |
| <b>Basic earnings per share</b>           | <b>\$ 0.97</b>  | <b>\$ (0.05)</b>   | <b>\$ 0.92</b>  | <b>\$ 3.97</b>  | <b>\$ (0.53)</b>   | <b>\$ 3.44</b>  |
| <b>Diluted earnings per share</b>         | <b>\$ 0.95</b>  | <b>\$ (0.05)</b>   | <b>\$ 0.90</b>  | <b>\$ 3.91</b>  | <b>\$ (0.51)</b>   | <b>\$ 3.40</b>  |

**CANADIAN NATIONAL RAILWAY COMPANY**  
**NON-GAAP MEASURES (continued) unaudited**

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**Free cash flow**

The Company generated \$635 million and \$828 million of free cash flow for the three months and year ended December 31, 2007, compared to \$212 million and \$1,343 million for the same periods in 2006. Free cash flow does not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies. The Company believes that free cash flow is a useful measure of performance as it demonstrates the Company's ability to generate cash after the payment of capital expenditures and dividends. The Company defines free cash flow as cash provided from operating activities, excluding changes in the accounts receivable securitization program and changes in cash and cash equivalents resulting from foreign exchange fluctuations, less cash used by investing activities and the payment of dividends, calculated as follows:

| <i>In millions</i>   | <b>Three months ended</b> |          | <b>Year ended</b>  |          |
|--|---------------------------|----------|--------------------|----------|
|  | <b>December 31</b>        |          | <b>December 31</b> |          |
|  | <b>2007</b>               | 2006     | <b>2007</b>        | 2006     |
| Cash provided from operating activities  | \$ <b>942</b>             | \$ 1,063 | \$ <b>2,417</b>    | \$ 2,951 |
| Cash used by investing activities  | <b>(24)</b>               | (484)    | <b>(895)</b>       | (1,349)  |
| Cash provided before financing activities  | <b>918</b>                | 579      | <b>1,522</b>       | 1,602    |
| <i>Adjustments:</i>  |                           |          |                    |          |
| Change in accounts receivable securitization   | <b>(176)</b>              | (293)    | <b>(228)</b>       | 82       |
| Dividends paid   | <b>(102)</b>              | (83)     | <b>(418)</b>       | (340)    |
| Effect of foreign exchange fluctuations on U.S. dollar-denominated cash and cash equivalents | <b>(5)</b>                | 9        | <b>(48)</b>        | (1)      |
| <i>Free cash flow</i>  | \$ <b>635</b>             | \$ 212   | \$ <b>828</b>      | \$ 1,343 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Canadian National Railway Company**

Date: January 23, 2008

By: /s/ Cristina Circelli  
Name: Cristina Circelli  
Title: Deputy Corporate Secretary and  
General Counsel

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