

CANADIAN NATIONAL RAILWAY CO  
Form 6-K  
February 14, 2007

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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 February, 2007

Commission File Number: 001-02413

**Canadian National Railway Company**

(Translation of registrant's name into English)

**935 de la Gauchetiere Street West**  
**Montreal, Quebec**  
**Canada H3B 2M9**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes

No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes

No

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes

No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A



Canadian National Railway Company

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**Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on this assessment, management has determined that the Company's internal control over financial reporting was effective as of December 31, 2006.

KPMG LLP, an independent registered public accounting firm, has issued an unqualified audit report on management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 and has also expressed an unqualified opinion on the Company's 2006 consolidated financial statements as stated in their Reports of Independent Registered Public Accounting Firm dated February 12, 2007.

*(s) E. Hunter Harrison*  
President and Chief Executive Officer

February 12, 2007

*(s) Claude Mongeau*  
Executive Vice-President and Chief Financial Officer

February 12, 2007

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of the Canadian National Railway Company:

We have audited management's assessment, included in the accompanying management report on internal control over financial reporting, that the Canadian National Railway Company (the "Company") maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in Internal Control—Integrated Framework issued by the COSO. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the COSO.

We also have audited, in accordance with Canadian generally accepted auditing standards and with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2006 and 2005, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2006, and our report dated February 12, 2007 expressed an unqualified opinion on those consolidated financial statements.

*(s) KPMG LLP*  
Chartered Accountants

Montreal, Canada  
February 12, 2007

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of the Canadian National Railway Company:

We have audited the accompanying consolidated balance sheets of the Canadian National Railway Company (the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2005, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with generally accepted accounting principles in the United States.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 12, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

(s) KPMG LLP  
Chartered Accountants

Montreal, Canada  
February 12, 2007

**Consolidated Statement of Income****U.S. GAAP**

<i>In millions, except per share data</i>	<i>Year ended December 31,</i>	<b>2006</b>	2005	2004
<b>Revenues</b>				
Petroleum and chemicals		\$ 1,173	\$ 1,096	\$ 1,059
Metals and minerals		885	837	714
Forest products		1,745	1,738	1,505
Coal		375	331	284
Grain and fertilizers		1,259	1,119	1,063
Intermodal		1,420	1,270	1,117
Automotive		514	514	510
Other items		345	335	296
Total revenues		<b>7,716</b>	7,240	6,548
<b>Operating expenses</b>				
Labor and fringe benefits		1,800	1,841	1,819
Purchased services and material		845	814	746
Depreciation and amortization		650	627	598
Fuel		890	725	528
Equipment rents		198	192	244
Casualty and other		303	417	445
Total operating expenses		<b>4,686</b>	4,616	4,380
<b>Operating income</b>		<b>3,030</b>	2,624	2,168
Interest expense		(312)	(299)	(294)
Other income (loss) (Note 14)		11	12	(20)
Income before income taxes		<b>2,729</b>	2,337	1,854
Income tax expense (Note 15)		(642)	(781)	(596)
<b>Net income</b>		<b>\$ 2,087</b>	\$ 1,556	\$ 1,258
<b>Earnings per share (Note 17)</b>				
Basic		<b>\$ 3.97</b>	\$ 2.82	\$ 2.21



Diluted

**\$ 3.91**

\$ 2.77

\$ 2.17

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*See accompanying notes to consolidated financial statements.*

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**Consolidated Statement of Comprehensive Income****U.S. GAAP***In millions**Year ended December 31,*

Net income

\$

**Other comprehensive income (loss) (Note 20) :**

Unrealized foreign exchange gain (loss) on:

Translation of the net investment in foreign operations

    Translation of U.S. dollar-denominated long-term debt designated as a  
    hedge of the net investment in U.S. subsidiaries

Pension and other postretirement benefit plans adjustment:

Minimum pension liability adjustment (Note 13)

Derivative instruments (Note 19) :

Increase (decrease) in unrealized holding gains on fuel derivative instruments

Realized gain on settlement of interest rate swaps

Other comprehensive loss before income taxes

Income tax recovery (expense) on other comprehensive loss

Other comprehensive loss

**Comprehensive income**

\$

*See accompanying notes to consolidated financial statements.*

**Consolidated Balance Sheet****U.S. GAAP**

<i>In millions</i>	<i>December 31,</i>	<b>2006</b>	2005
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		\$ 179	\$ 62
Accounts receivable (Note 4)		692	623
Material and supplies		189	151
Deferred income taxes (Note 15)		84	65
Other		192	248
		<b>1,336</b>	1,149
Properties (Note 5)		<b>21,053</b>	20,078
Intangible and other assets (Note 6)		<b>1,615</b>	961
		<b>\$ 24,004</b>	\$ 22,188
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued charges (Note 8)		\$ 1,823	\$ 1,478
Current portion of long-term debt (Note 10)		218	408
Other		73	72
		<b>2,114</b>	1,958
Deferred income taxes (Note 15)		<b>5,215</b>	4,817
Other liabilities and deferred credits (Note 9)		<b>1,465</b>	1,487
Long-term debt (Note 10)		<b>5,386</b>	4,677
<b>Shareholders' equity:</b>			
Common shares (Note 11)		<b>4,459</b>	4,580
Accumulated other comprehensive loss (Note 20)		<b>(44)</b>	(222)
Retained earnings		<b>5,409</b>	4,891
		<b>9,824</b>	9,249
		<b>\$ 24,004</b>	\$ 22,188

On behalf of the Board:

*David G.A. McLean*  
Director

*E. Hunter Harrison*  
Director

*See accompanying notes to consolidated financial statements.*

**Consolidated Statement of Changes in Shareholders' Equity****U.S. GAAP**

<i>In millions</i>	Issued and outstanding common shares	Common shares	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
<i>Balances December 31, 2003</i>	568.4	\$ 4,664	\$ (129)	\$ 3,897	\$ 8,432
Net income	-	-	-	1,258	1,258
Stock options exercised and other ( <i>Notes 11, 12</i> )	5.8	108	-	-	108
Share repurchase program ( <i>Note 11</i> )	(8.0)	(66)	-	(207)	(273)
Other comprehensive loss ( <i>Note 20</i> )	-	-	(19)	-	(19)
Dividends (\$0.39 per share)	-	-	-	(222)	(222)
<i>Balances December 31, 2004</i>	566.2	4,706	(148)	4,726	9,284
Net income	-	-	-	1,556	1,556
Stock options exercised and other ( <i>Notes 11, 12</i> )	6.6	176	-	-	176
Share repurchase programs ( <i>Note 11</i> )	(36.0)	(302)	-	(1,116)	(1,418)
Other comprehensive loss ( <i>Note 20</i> )	-	-	(74)	-	(74)
Dividends (\$0.50 per share)	-	-	-	(275)	(275)
<i>Balances December 31, 2005</i>	536.8				