

CANADIAN NATIONAL RAILWAY CO
Form 6-K
February 12, 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 February, 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

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, 2007 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, 2007.

KPMG LLP, an independent registered public accounting firm, has issued an unqualified audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2007 and has also expressed an unqualified opinion on the Company's 2007 consolidated financial statements as stated in their Reports of Independent Registered Public Accounting Firm dated February 11, 2008.

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

February 11, 2008

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

February 11, 2008

Report of Independent Registered Public Accounting Firm

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

We have audited the Canadian National Railway Company's (the "Company") internal control over financial reporting as of December 31, 2007, based on the 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 included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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. 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, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, 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, 2007 and 2006, 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, 2007, and our report dated February 11, 2008 expressed an unqualified opinion on those consolidated financial statements.

(s) KPMG LLP

Chartered Accountants

Montreal, Canada

February 11, 2008

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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, 2007 and 2006, 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, 2007. 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, 2007 and 2006, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007, 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 Company’s internal control over financial reporting as of December 31, 2007, 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 11, 2008 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

(s) KPMG LLP
Chartered Accountants

Montreal, Canada
February 11, 2008

Consolidated Statement of Income

U.S. GAAP

<i>In millions, except per share data</i>	<i>Year ended December 31,</i>	2007	2006	2005
Revenues	\$	7,897	\$ 7,929	\$ 7,446
Operating expenses				
Labor and fringe benefits		1,701	1,823	1,856
Purchased services and material		1,045	1,027	993
Fuel		1,026	892	730
Depreciation and amortization		677	650	627
Equipment rents		247	198	192
Casualty and other		325	309	424
Total operating expenses		5,021	4,899	4,822
<i>Operating income</i>		2,876	3,030	2,624
Interest expense		(336)	(312)	(299)
Other income (Note 14)		166	11	12
<i>Income before income taxes</i>		2,706	2,729	2,337
Income tax expense (Note 15)		(548)	(642)	(781)
<i>Net income</i>	\$	2,158	\$ 2,087	\$ 1,556
<i>Earnings per share (Note 17)</i>				
Basic	\$	4.31	\$ 3.97	\$ 2.82
Diluted	\$	4.25	\$ 3.91	\$ 2.77

See accompanying notes to consolidated financial statements.

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

<i>In millions</i>	<i>Year ended December 31,</i>	2007	2006	2005
Net income		\$ 2,158	\$ 2,087	\$ 1,556
Other comprehensive income (loss) (Note 20) :				
Unrealized foreign exchange gain (loss) on:				
Translation of the net investment in foreign operations		(1,004)	32	(233)
Translation of U.S. dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries		788	(33)	152
Pension and other postretirement benefit plans (Notes 9, 13) :				
Net actuarial gain arising during the period		391	-	-
Prior service cost arising during the period		(12)	-	-
Amortization of net actuarial loss included in net periodic benefit cost		49	-	-
Amortization of prior service cost included in net periodic benefit cost		21	-	-
Minimum pension liability adjustment		-	1	4
Derivative instruments (Note 19)		(1)	(57)	(35)
Other comprehensive income (loss) before income taxes		232	(57)	(112)
Income tax recovery (expense) on other comprehensive income (loss)		(219)	(179)	38
Other comprehensive income (loss)		13	(236)	(74)
Comprehensive income		\$ 2,171	\$ 1,851	\$ 1,482

See accompanying notes to consolidated financial statements.

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

<i>In millions</i>	<i>December 31,</i>	2007	2006
Assets			
Current assets:			
Cash and cash equivalents	\$	310	\$ 179
Accounts receivable (Note 4)		370	692
Material and supplies		162	189
Deferred income taxes (Note 15)		68	84
Other		138	192
		1,048	1,336
Properties (Note 5)		20,413	21,053
Intangible and other assets (Note 6)		1,999	1,615
<i>Total assets</i>	\$	23,460	\$ 24,004
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued charges (Note 8)	\$	1,282	\$ 1,823
Current portion of long-term debt (Note 10)		254	218
Other		54	73
		1,590	2,114
Deferred income taxes (Note 15)		4,908	5,215
Other liabilities and deferred credits (Note 9)		1,422	1,465
Long-term debt (Note 10)		5,363	5,386
Shareholders' equity:			
Common shares (Note 11)		4,283	4,459
Accumulated other comprehensive loss (Note 20)		(31)	(44)
Retained earnings		5,925	5,409
		10,177	9,824
<i>Total liabilities and shareholders' equity</i>	\$	23,460	\$ 24,004

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 at December 31, 2004</i>	566.2	\$ 4,706	\$ (148)	\$ 4,726	\$ 9,284
Net income	-	-	-	1,556	1,556
Stock options exercised and other (Notes 11, 12)	6.6	176	-	-	176
Share repurchase programs (Note 11)	(36.0)	(302)	-	(1,116)	(1,418)
Other comprehensive loss (Note 20)	-	-	(74)	-	(74)
Dividends (\$0.50 per share)	-	-	-	(275)	(275)
<i>Balances at December 31, 2005</i>	536.8	4,580	(222)	4,891	9,249
Net income	-	-	-	2,087	2,087
Stock options exercised and other (Notes 11, 12)	5.1	133	-	-	133
Share repurchase programs (Note 11)	(29.5)	(254)	-	(1,229)	(1,483)
Other comprehensive loss (Note 20)	-	-	(236)	-	(236)
Adjustment to Accumulated other comprehensive loss (Notes 2, 20)	-	-	414	-	414
Dividends (\$0.65 per share)	-	-	-	(340)	(340)
<i>Balances at December 31, 2006</i>	512.4	4,459	(44)	5,409	9,824
Adoption of accounting pronouncements (Note 2)	-	-	-	95	95
Restated balance, beginning of year	512.4	4,459	(44)	5,504	9,919
Net income	-	-	-	2,158	2,158
Stock options exercised and other (Notes 11, 12)	3.0	89	-	-	89
Share repurchase programs (Note 11)	(30.2)	(265)	-	(1,319)	(1,584)
Other comprehensive income (Note 20)	-	-	13	-	13
Dividends (\$0.84 per share)	-	-	-	(418)	(418)
<i>Balances at December 31, 2007</i>	485.2	\$ 4,283	\$ (31)	\$ 5,925	\$ 10,177

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows**U.S. GAAP**

<i>In millions</i>	<i>Year ended December 31,</i>	2007	2006	2005
Operating activities				
Net income		\$ 2,158	\$ 2,087	\$ 1,556
Adjustments to reconcile net income to net cash provided from operating activities:				
Depreciation and amortization		678	653	630
Deferred income taxes (Note 15)		(82)	3	547
Gain on sale of Central Station Complex (Note 5)		(92)	-	-
Gain on sale of investment in English Welsh and Scottish Railway (Note 6)		(61)		