

CANADIAN NATIONAL RAILWAY CO

Form 11-K

June 29, 2007

**Securities and Exchange Commission  
Washington, D.C. 20549**

**Form 11-K**

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: December 31, 2006

---

Commission file number 333-53422

---

**CANADIAN NATIONAL RAILWAY COMPANY  
UNION SAVINGS PLAN FOR U.S. OPERATIONS**  
(Full title of the plan)

**CANADIAN NATIONAL RAILWAY COMPANY**  
(Name of issuer of securities)

**935 de La Gauchetiere St. West, Montreal, Quebec, Canada H3B 2M9**  
(Address of issuer's principal executive offices)

---

**CANADIAN NATIONAL RAILWAY COMPANY  
UNION SAVINGS PLAN FOR U.S. OPERATIONS**

Financial Statements and Supplemental Schedule  
As of December 31, 2006 and 2005  
(With Report of Independent Registered Public Accounting Firm Thereon)

---

---

**CANADIAN NATIONAL RAILWAY COMPANY  
UNION SAVINGS PLAN FOR U.S. OPERATIONS**

INDEX

Report of Independent Registered Public Accounting Firm	1
Statements of Net Assets Available for Benefits as of December 31, 2006 and 2005	2
Statements of Changes in Net Assets Available for Benefits for the years ended December 31, 2006 and 2005	3
Notes to Financial Statements	4
Schedule H, Line 4i – Schedule of Assets (Held at End of Year)	13

---

**Report of Independent Registered Public Accounting Firm**

The Administrative Committee  
Canadian National Railway Company  
Union Savings Plan for U.S. Operations:

We have audited the accompanying statements of net assets available for benefits of Canadian National Railway Company Union Savings Plan for U.S. Operations (the Plan) as of December 31, 2006 and 2005, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 the Plan's 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 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Canadian National Railway Company Union Savings Plan for U.S. Operations as of December 31, 2006 and 2005, and the changes in net assets available for benefits for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2006 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

(signed)

*KPMG LLP*

Denver, Colorado  
June 27, 2007

**CANADIAN NATIONAL RAILWAY COMPANY**  
**UNION SAVINGS PLAN FOR U.S. OPERATIONS**  
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
 DECEMBER 31, 2006 AND 2005

	<b>2006</b>	<b>2005</b>
Investments at fair value	\$ 191,783,521	\$ 168,190,753
Receivables:		
Participants' contributions	860,840	814,470
Employer's contributions	86,285	72,661
Total receivables	947,125	887,131
Net assets available for benefits, at fair value	192,730,646	169,077,884
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	159,041	198,083
<b>Net assets available for benefits</b>	<b>\$ 192,889,687</b>	<b>\$ 169,275,967</b>

See accompanying Notes to Financial Statements.

**CANADIAN NATIONAL RAILWAY COMPANY**  
**UNION SAVINGS PLAN FOR U.S. OPERATIONS**  
**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<b>2006</b>	<b>2005</b>
<b>Additions to net assets:</b>		
Investment income:		
Dividends and interest	\$ 9,603,820	\$ 6,441,163
Net appreciation in fair value of investments (note 7)	10,620,022	4,979,256
 Total investment income	 20,223,842	 11,420,419
 Contributions:		
Participants	15,060,963	14,869,871
Employer	1,474,323	1,330,941
Rollover contributions and other	225,291	31,171
 Total contributions	 16,760,577	 16,231,983
 Total additions	 36,984,419	 27,652,402
 <b>Deductions from net assets:</b>		
Participants' distributions	13,278,768	10,800,601
Transfer out of plan assets, net (note 5)	49,436	574,024
Administrative expenses	42,495	31,229
 Total deductions	 13,370,699	 11,405,854
 <b>Net increase</b>	 23,613,720	 16,246,548
 <b>Net assets available for benefits, beginning of year</b>	 169,275,967	 153,029,419
 <b>Net assets available for benefits, end of year</b>	 \$ 192,889,687	 \$ 169,275,967

See accompanying Notes to Financial Statements.

**CANADIAN NATIONAL RAILWAY COMPANY**  
**UNION SAVINGS PLAN FOR U.S. OPERATIONS**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

---

## **1. THE COMPANY**

Canadian National Railway Company (CN or the Company), directly and through its subsidiaries, is engaged in the rail and related transportation business. CN 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, Alabama, and the key cities of Toronto, Buffalo, Chicago, Detroit, Duluth, Minnesota/Superior, Wisconsin, Green Bay, Wisconsin, Minneapolis/St. Paul, Memphis, St. Louis and Jackson, Mississippi, with connections to all points in North America. CN's revenues are derived from the movement of a diversified and balanced portfolio of goods, including petroleum and chemicals, grain and fertilizers, coal, metals and minerals, forest products, intermodal and automotive.

## **2. DESCRIPTION OF PLAN**

The following description of the Canadian National Railway Company Union Savings Plan for U.S. Operations (the "Plan") provides only general information. Participants should refer to the summary plan description and prospectus for a more complete description of the Plan's provisions.

### **General**

The Plan, as amended through July 1, 2005, is a defined contribution plan, offering all eligible employees an opportunity to defer annually from 1% to 100% of their eligible earnings, subject to the legal limits allowed by the Internal Revenue Service (IRS), for contribution to various investment funds. These funds and their investment objectives are described in Note 4. Eligible employees may participate in the Plan any time on or after their date of hire.

The Plan covers eligible union employees of the Illinois Central Railroad Company (ICR), Grand Trunk Western Railroad Incorporated (GTW), Chicago, Central and Pacific Railroad Company (CC&P), Duluth, Winnipeg and Pacific Railway Company, Wisconsin Central Limited (WCL), Sault Ste. Marie Bridge Company (SSM), Bessemer and Lake Erie Railroad Company (BLE), Duluth, Missabe and Iron Range Railway Company (DMIR), and Pittsburgh and Conneaut Dock Company (PCD). On December 31, 2004, the Bessemer Savings Plan for Represented Employees, covering union employees of the BLE, DMIR, and PCD was merged into the Plan; the employees' benefit participation in the Plan commenced January 1, 2005. The Grand Trunk Corporation, which owns directly or indirectly all of the above U.S. affiliates of CN, is the Plan's sponsor. The Grand Trunk Corporation is a holding company owned by CN. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

At December 31, 2006 and 2005, the number of participants with an account balance in the Plan was 3,848 and 3,766, respectively.

### **Administration of the Plan**

The Grand Trunk Corporation Board of Directors has delegated to the Administrative Committee, responsibility for the general operation and administration of the Plan and for carrying out and interpreting the Plan's provisions.

### **Trustee and Recordkeeper**

The Administrative Committee has appointed Fidelity Management Trust Company (FMTTC) as trustee and Fidelity Investments Institutional Operations Company Inc. as transfer agent and recordkeeper of the Plan. Other affiliated Fidelity companies provide certain ministerial recordkeeping and administrative services to the Plan pursuant to an agreement entered into with the Plan Sponsor.



**CANADIAN NATIONAL RAILWAY COMPANY**  
**UNION SAVINGS PLAN FOR U.S. OPERATIONS**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

---

**Contributions**

Eligible participants may elect to make contributions to the Plan in amounts ranging from 1% to 100% of their annual eligible earnings on a before-tax basis. Such contributions are withheld by the Company from each participant's compensation and deposited in the appropriate fund in accordance with the participant's directives.

Consistent with provisions established by the IRS, the Plan's 2006 limit on pre-tax contributions by a participant was \$15,000 for 2006 and \$14,000 for 2005 (the limit will increase to \$15,500 in 2007). Participants who are at least age 50 by the end of a particular plan year and have contributed the maximum 401(k) deferral amount allowed under the Plan for that year are eligible to contribute an additional portion of their annual eligible earnings on a before-tax basis as "catch-up" contributions, up to the annual IRS limit of \$5,000 in 2006 and \$4,000 in 2005 (the limit will remain at \$5,000 in 2007) such that the total pre-tax contribution limit was \$20,000 for 2006 and \$18,000 for 2005.

For employees who are members of participating unions, the Company generally contributes to the Plan a "matching contribution" equal to 25% of the first 4% of annual eligible earnings the participant defers (a maximum Company match of 1% of eligible earnings) in accordance with such unions' respective collective bargaining agreements. The Company does not match the participants' "catch-up" contributions.

**Participant Accounts**

Participants direct the investment of their account balance into a broad range of investment funds offered by the Plan. The plan recordkeeper maintains an account balance in the name of each participant to which each participant's pre-tax contributions, the Company's contributions, and share of net earnings, losses and expenses, if any, of the various investment funds, are recorded. Interest, dividends, realized and unrealized gains and losses on investment of the funds are allocated directly to each participant's account. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

**Vesting**

Participants are fully vested in their account balance at the time of contribution, including the Company's matching contribution and related earnings from such contributions.

**Distributions**

Participants are eligible for a distribution of the plan benefits upon termination of service, whether by disability, retirement, death, or leaving the Company. In the event of financial hardship, as defined in the Plan, participants may withdraw money from their Plan accounts while they are still employed. Participants who have attained age 59½ may request a distribution of all or a portion of the value in the account. Withdrawals by the participant before attaining age 59½ generally are subject to a penalty tax of 10%.

**Participant Loans**

Participants may borrow from their accounts by taking one loan (maximum of two loans if one or both were outstanding as of June 30, 2004) with a minimum amount of \$1,000, and a total maximum amount equal to the lesser of \$50,000 or 50% of their account balance. Loans must be repaid within 5 years, or 10 years, if the funds are used to construct or purchase a primary residence. The interest rate on the loans is equal to the prevailing prime



**CANADIAN NATIONAL RAILWAY COMPANY**  
**UNION SAVINGS PLAN FOR U.S. OPERATIONS**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

---

rate as of the beginning of the calendar quarter in which the participant applies for the loan plus 1%, which ranged from 4.0% to 10.5% for loans outstanding at December 31, 2006. Principal and interest are paid in equal installments through employee payroll deductions. Participants may prepay the entire outstanding loan balance at any time without penalty. Loans deemed to be in default are recorded as distributions and amounted to \$141,089 for the year ending December 31, 2006 (\$32,368 for 2005).

As at December 31, 2006, loans outstanding were \$5,519,366 (\$5,001,264 in 2005), net of deemed defaulted loans of \$359,057 (\$253,818 in 2005).

**Termination of Service**

Upon termination of service, a participant may leave their account in the Plan, or may elect to receive the value of the account in a lump-sum payment or as a direct transfer to another qualified retirement plan subject to certain conditions. However, a participant with an account balance of \$5,000 or less may select from the latter two options only.

**Expenses**

Administrative expenses for maintenance of plan financial records, participant statements, service fees on insurance contracts and trustee fees are paid from plan assets. All other administrative expenses of the Plan are paid by the Company.

**Risks and Uncertainties**

The Plan provides for various investment options in any combination of stocks, bonds, mutual funds, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits and the statement of changes in net assets available for benefits.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of the Plan are prepared under the accrual method of accounting.

On December 29, 2005, the Financial Accounting Standards Board (FASB) released FASB Staff Position No. AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Audit Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP). The FSP clarifies the definition of fully benefit-responsive investment contracts for contracts held by defined contribution plans and establishes enhanced financial statement presentation and disclosure requirements for defined contribution plans effective for financial statements for years ending after December 15, 2006.

The Plan adopted the requirements of the FSP for the year ending December 31, 2006, and retroactively applied the provisions to the statement of net assets available for benefits presented as of December 31, 2005, as required. The FSP requires investment contracts held by a defined contribution plan to be reported at fair value. However,



**CANADIAN NATIONAL RAILWAY COMPANY**  
**UNION SAVINGS PLAN FOR U.S. OPERATIONS**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

---

contract value is the relevant measurement attribute for that portion of net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by the FSP, the statements of net assets available for benefits present all investments at fair value and separately, the amount necessary to adjust for the Plan's proportionate share of fully benefit-responsive investment contracts held by the Fidelity Managed Income Portfolio II (FMIP II) from fair value to contract value. Adoption of the FSP had no effect on the statements of changes in net assets available for benefits which reflect income credited to participants in the Plan and net appreciation in the fair value of only those investments that are not deemed to be fully benefit-responsive.

**Use of Estimates**

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Reclassifications**

Certain of the 2005 comparative figures have been reclassified in order to conform to the financial statement presentation adopted in the current year.

**Investment Valuation**

The Plan's investments are stated at fair value, except benefit-responsive contracts, which are stated at contract value. Investments in mutual funds are valued at quoted market prices that represent the net asset values of shares held at year-end. Short-term investments are valued at cost plus accrued interest, which approximates fair value. The CN Stock Fund is tracked on a unitized basis, whereby the value of a unit reflects the combined market value of CN common stock and the cash investments held by the fund. Participant loans are valued at their outstanding balances, which approximate fair value.

The Plan, through investment in the FMIP II, holds investments in wrap contracts with various third parties, such as banks or insurers, which are valued at contract value. The FMIP II's investment objective is to seek preservation of capital and a competitive level of income over time. As such the FMIP II invests in underlying assets (typically fixed-income securities or bond funds and may include derivative instruments such as futures contracts and swap agreements) and enters into a wrap contract issued by a third party. Wrap contracts provide that benefit-responsive distributions may be withdrawn at contract value, which may be more or less than fair value. Benefit-responsive distributions are generally defined as participant-initiated transactions (withdrawals for benefits, loans, or transfers to non-competing funds within the Plan). Contract value represents the sum of all participants' invested principal plus all accrued interest. Fair value is equal to the sum of the market value of all of the FMIP II's investments.

The contract value of the wrap contracts held by the FMIP II was \$13,423,383 at December 31, 2006 (\$13,513,258 at December 31, 2005). The fair value of the wrap contracts was \$13,264,342 at December 31, 2006 (\$13,315,175 at December 31, 2005). The crediting interest rate on the wrap contracts was 4.3742% and 3.7292% at December 31, 2006 and December 31, 2005, respectively. The average yield earned on the wrap contracts was 4.2578% for the year ended December 31, 2006 (3.670% in 2005). There are no reserves against contract value for credit risk of the contract issuer or otherwise.



**CANADIAN NATIONAL RAILWAY COMPANY**  
**UNION SAVINGS PLAN FOR U.S. OPERATIONS**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

---

The crediting interest rate is based on a formula agreed upon with the issuer and is reset quarterly. Wrap contracts provide a guarantee that the crediting interest rate will not fall below 0%. The crediting interest rate, and hence, the portfolio's return, may be affected by many factors, including purchases and redemptions by unit holders.

Wrap contracts limit the ability of the FMIP II to transact at contract value upon the occurrence of certain events. Such events include tax disqualification under the Internal Revenue Code, any amendments made to the fund without the wrap issuers' consent, complete or partial termination of the fund, any legal changes that could have a material adverse impact on the fund's cash flow, merger or consolidation of the FMIP II with another fund, employer communications designed to induce participants to transfer from the fund, exclusion of a previously eligible group, any early retirement program, termination, group layoff, or similar program, and transfer of assets from the fund directly to a competing option.

**Security Transactions and Related Investment Income**

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date, and interest income is recorded on the accrual basis.

Net investment income includes the realized gains and losses on the sale of securities and the unrealized appreciation and depreciation in the fair value of only those investments that are not deemed to be fully benefit-responsive.

**Contributions Receivable**

Contributions receivable are the amounts due, as of the date of the financial statements, to the Plan from the employer and participants. Participant contributions from employee payroll deductions made subsequent to the Plan's year-end attributable to the preceding plan year are accrued, as are employer contributions coinciding with these salary deferrals, if any.

**Distributions**

Distributions to participants or beneficiaries are recorded upon payment.

**4. DESCRIPTION OF INVESTMENT FUNDS**

Participants direct the investment of their account balance into a broad range of investment funds offered by the Plan. The objectives of the various investment funds, effective December 31, 2006, are described below. The Plan Administrator may add or replace any investment funds as appropriate and as allowed by the Plan document and the Plan Administrator's Investment Policy Statement.

**Fidelity Managed Income Portfolio II**

This stable value fund is a commingled pool of the Fidelity Group Trust for Employee Benefit Plans. The portfolio invests in investment contracts issued by insurance companies and other financial institutions, fixed income securities, and money market funds to provide daily liquidity. Some investment contracts are structured solely as a general debt obligation of the issuer. Other investment contracts ("wrap contracts") are purchased in conjunction with an investment by the portfolio in fixed income securities, which may include, but are not limited to, U.S. Treasury and agency bonds, corporate bonds, mortgage-backed securities, asset-backed securities, and bond funds. The portfolio may also invest in futures contracts, option contracts, and swap agreements (see Note 3).





**CANADIAN NATIONAL RAILWAY COMPANY**  
**UNION SAVINGS PLAN FOR U.S. OPERATIONS**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

---

Fidelity Capital Appreciation Fund

This mutual fund invests primarily in common stocks of domestic and foreign issuers. It may invest in either growth stocks or value stocks or both. In selecting instruments, it uses fundamental analysis of each issuer's financial condition and industry position and market and economic conditions.

Fidelity Spartan U.S. Equity Index Fund

This mutual fund invests a minimum of 80% of the fund's assets in common stocks included in the S&P 500 Index, which broadly represents the performance of common stocks publicly traded in the U.S.

Fidelity Spartan International Index Fund

This mutual fund invests a minimum of 80% of the fund's assets in common stocks that are included in the Morgan Stanley Capital International Europe, Australasia, and Far East (MSCI EAFE) Index, which represents the performance of foreign stock markets, excluding emerging market countries. It aims to provide investment results that correspond to the total return of foreign stock markets.

ICM Small Company Portfolio

This mutual fund invests a minimum of 80% of the fund's assets in common stocks of smaller companies. It may invest in equity securities listed on the New York and American Stock Exchanges or traded on the over-the-counter markets operated by the NASD.

American Funds Investment Company of America

This mutual fund invests primarily in common stocks based on the possibility of appreciation and potential dividends rather than on current yield. The fund may invest in securities of companies located outside of the U.S. and not included in the S&P 500 Index.

American Funds EuroPacific Growth Fund

This mutual fund invests a minimum of 80% of the fund's assets in securities of companies located overseas, primarily in Europe and the Pacific Basin. The fund may also hold cash, money market instruments, and fixed-income securities.

PIMCO Total Return Fund

This mutual fund invests a minimum of 65% of the fund's assets in debt securities, including U.S. government securities, corporate bonds, and mortgage-related securities. It may invest a maximum of 30% of the fund's assets in foreign-currency denominated securities and a maximum of 10% of the fund's assets in high-yield securities rated B or higher, with an average maturity of three to six years.

CN Stock Fund

This fund invests in the common stock of the Canadian National Railway Company and short-term investments sufficient to meet the fund's daily cash needs. At December 31, 2006, the fund held an interest-bearing cash balance of \$663,241 (\$401,632 in 2005).

Dodge & Cox Balanced Fund

This mutual fund invests in a diversified mix of common stocks, preferred stocks, and fixed-income securities with the objective of long-term growth income and conservation of principal. It may invest a maximum of 75% of the fund's assets in common stocks and convertible securities. It may invest in government obligations, mortgage- and asset-backed securities, CMOs, and corporate bonds.

**CANADIAN NATIONAL RAILWAY COMPANY**  
**UNION SAVINGS PLAN FOR U.S. OPERATIONS**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

---

Dodge & Cox Stock Fund

This mutual fund invests primarily in a broadly diversified portfolio of common stock of companies which, in its opinion, appear to be temporarily undervalued by the stock market, but have a favorable outlook for long-term growth. The fund remains fully invested in equities with a minimum of 80% of the fund's assets in common stocks. It may invest in preferred shares, and convertibles, and a maximum of 20% of the fund's assets in American Depository Receipts.

Calamos Growth Fund

This mutual fund invests in companies with above-average, sustainable earnings growth potential. The fund may invest a maximum of 5% of the fund's assets in the securities of unseasoned issuers, a maximum of 25% of the fund's assets in foreign securities, and may engage in various futures and options strategies.

Fidelity Retirement Money Market Portfolio

This mutual fund invests in short-term, high quality debt securities which include certificates of deposit of highly rated banks, U.S. Treasury notes and bills and Agency issues, and top rated commercial paper.

Fidelity Freedom Funds

These mutual funds invest in a combination of Fidelity equity, fixed-income, and money market mutual funds, with the allocation among the three varying with the number of years until the Freedom funds reach their respective target retirement date (the Fidelity Freedom 2010, 2015, 2020, 2025, 2030, 2035, 2040, 2045 and 2050 funds are targeted to investors expected to retire around those years). Once the target dates have been met, the funds continue to become more conservative for five to ten years until the asset mix is approximately the same as the Freedom Income Fund at which time the funds will merge.

**5. TRANSFER OF PLAN ASSETS**

In 2006, transfers of plan assets to a CN-related employee plan, the Canadian National Railway Company Management Savings Plan for U.S. Operations, were not significant (\$574,024 in 2005).

**6. PLAN TERMINATION**

Although the Company has not expressed any intent to do so, it has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event the Plan is terminated, participants will receive the full amount of plan assets in their respective accounts.

**CANADIAN NATIONAL RAILWAY COMPANY**  
**UNION SAVINGS PLAN FOR U.S. OPERATIONS**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

---

**7. INVESTMENTS**

Investments that represent 5% or more of net assets available for benefits at December 31 are as follows:

	2006	2005
Mutual funds:		
Fidelity Spartan U.S. Equity Index Fund	\$ 36,724,295	\$ 34,493,992
American Funds Investment Co. of America	32,196,716	30,153,388
PIMCO Total Return Fund	16,091,040	16,818,361
American Funds EuroPacific Growth Fund	15,913,576	12,077,474
Dodge & Cox Balanced Fund	10,948,419	9,363,276
Fidelity Capital Appreciation Fund	10,037,036	9,550,874
Common stock fund:		
CN Stock Fund	14,194,739	9,589,677
Common collective trust fund:		
Fidelity Managed Income Portfolio II	13,423,383	13,513,258
Money market fund:		
Fidelity Retirement Money Market Portfolio	10,833,936	8,980,910

During the years ended December 31, 2006 and 2005, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$10,620,022 and \$4,979,256, respectively, as follows:

	2006	2005
Mutual funds	\$ 10,035,927	\$ 2,967,358
CN stock fund	584,095	2,011,898
	\$ 10,620,022	\$ 4,979,256

**8. FEDERAL INCOME TAXES**

The Plan has received a favorable determination letter from the Internal Revenue Service, dated April 21, 2003, indicating that it is qualified under Section 401(a) of the Internal Revenue Code (the Code), as amended, and, therefore, the related trust is exempt from taxation. Although the Plan has been amended since receiving the determination letter, the Plan Administrator continues to believe the Plan is designed and is being operated in compliance with the applicable requirements of the Code.

**9. RELATED PARTY TRANSACTIONS**

At December 31, 2006, a significant portion of the Plan's assets was invested in Fidelity Management Trust Company (FMTC) funds. FMTC also acts as the Trustee for the Plan and therefore, these investments qualify as party-in-interest transactions.

The Plan held an investment in the CN common stock fund valued at \$14,194,739 and \$9,589,677 at December 31, 2006 and December 31, 2005, respectively.

**CANADIAN NATIONAL RAILWAY COMPANY**  
**UNION SAVINGS PLAN FOR U.S. OPERATIONS**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

---

**10. DIFFERENCES BETWEEN FINANCIAL STATEMENTS AND FORM 5500**

The Plan's investments include the FMIP II, which is stated at contract value on the financial statements whereas it is stated at fair value on the Form 5500.

The following is a reconciliation of net assets available for benefits per the financial statements to Form 5500:

		December 31, 2006
Net assets available for benefits per the financial statements	\$	192,889,687
Less: Adjustment from contract value to fair value for fully benefit-responsive investment contracts		159,041
Net assets available for benefits at fair value per the Form 5500	\$	192,730,646

The following is a reconciliation of investment income per the financial statements to Form 5500:

		December 31, 2006
Total investment income per the financial statements	\$	20,223,842
Less: Adjustment from contract value to fair value for fully benefit-responsive investment contracts		159,041
Total investment income per the Form 5500	\$	20,064,801

**CANADIAN NATIONAL RAILWAY COMPANY**  
**UNION SAVINGS PLAN FOR U.S. OPERATIONS**  
Schedule H, Line 4i – Schedule of Assets (Held at End of Year)  
DECEMBER 31, 2006

Identity of issuer, borrower, lessor or similar party	Description of investment, including maturity date, rate of interest, collateral, par, or maturity value	Current value
Mutual funds:		
*Fidelity Spartan U.S. Equity Index Fund	731,851 shares	\$ 36,724,295
American Funds Investment Co. of America	960,809 shares	32,196,716
PIMCO Total Return Fund	1,550,196 shares	16,091,040
American Funds EuroPacific Growth Fund	341,786 shares	15,913,576
*Fidelity Capital Appreciation Fund	370,234 shares	10,037,036
Dodge & Cox Balanced Fund	125,728 shares	10,948,419
ICM Small Company Portfolio	221,443 shares	8,275,334
Calamos Growth Fund	97,526 shares	5,256,669
Dodge & Cox Stock Fund	23,849 shares	3,659,859
*Fidelity Spartan International Index Fund	31,945 shares	1,410,035
*Fidelity Freedom Income Fund	81,923 shares	945,387
*Fidelity Freedom 2010 Fund	160,356 shares	2,344,408
*Fidelity Freedom 2015 Fund	5,621 shares	68,573
*Fidelity Freedom 2020 Fund	141,691 shares	2,200,455
*Fidelity Freedom 2025 Fund	255 shares	3,259
*Fidelity Freedom 2030 Fund	59,632 shares	955,907
*Fidelity Freedom 2035 Fund	1,673 shares	22,072
*Fidelity Freedom 2040 Fund	82,704 shares	784,033
*Fidelity Freedom 2045 Fund	540 shares	5,798
*Fidelity Freedom 2050 Fund	11,932 shares	128,267
Total mutual funds		\$ 147,971,138
Common stock fund:		
*CN Stock Fund	404,767 shares	14,194,739
Money market fund:		
*Fidelity Retirement Money Market Portfolio	10,833,936 shares	10,833,936
Common collective trust fund:		
*Fidelity Managed Income Portfolio II	13,423,383 shares	13,423,383
*Participant loans	4.0% - 10.5%, maturing through October 2016	5,519,366
		\$ 191,942,562

\* Party-in-interest transaction

See accompanying report of independent registered public accounting firm.

13

---



*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Canadian National Railway Company  
Union Savings Plan for U.S. Operations  
(Name of Plan)

Date: June 29, 2007

/s/ Ardyth Cutler  
Plan Administrator

---