Non-GAAP Measures – unaudited

In this supplementary schedule, the "Company" or "CN" refers to Canadian National Railway Company, together with its wholly-owned subsidiaries. Financial information included in this schedule is expressed in Canadian dollars, unless otherwise noted.

CN reports its financial results in accordance with United States generally accepted accounting principles (GAAP). The Company also uses non-GAAP measures that do not have any standardized meaning prescribed by GAAP, including adjusted performance measures, constant currency, free cash flow and adjusted debt-to-adjusted earnings before interest, income taxes, depreciation and amortization (EBITDA) multiple. These non-GAAP measures may not be comparable to similar measures presented by other companies. From management's perspective, these non-GAAP measures are useful measures of performance and provide investors with supplementary information to assess the Company's results of operations and liquidity. These non-GAAP measures should not be considered in isolation or as a substitute for financial measures prepared in accordance with GAAP.

Adjusted performance measures

Management believes that adjusted net income, adjusted earnings per share, adjusted operating income and adjusted operating ratio are useful measures of performance that can facilitate period-to-period comparisons, as they exclude items that do not necessarily arise as part of CN's normal day-to-day operations and could distort the analysis of trends in business performance. Management uses adjusted performance measures, which exclude certain income and expense items in its results that management believes are not reflective of CN's underlying business operations, to set performance goals and as a means to measure CN's performance. The exclusion of such income and expense items in these measures does not, however, imply that these items are necessarily non-recurring. These measures do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies.

For the three and six months ended June 30, 2020, the Company's adjusted net income was $908 million, or $1.28 per diluted share, and $1,778 million, or $2.49 per diluted share, respectively. The adjusted figures for the three and six months ended June 30, 2020 exclude a loss of $486 million, or $363 million after-tax ($0.51 per diluted share) resulting from the Company's decision to market for sale for on-going rail operations, certain non-core lines in Wisconsin, Michigan and Ontario. The adjusted figures for the six months ended June 30, 2020 also exclude a current income tax recovery of $141 million ($0.20 per diluted share) in the first quarter resulting from the enactment of the *Coronavirus Aid, Relief, and Economic Security* (CARES) *Act*, a U.S. tax-and-spending package aimed at providing additional stimulus to address the economic impact of the COVID-19 pandemic.

For the three and six months ended June 30, 2019, the Company's adjusted net income was $1,250 million, or $1.73 per diluted share, and $2,098 million, or $2.90 per diluted share, respectively. The adjusted figures for the three and six months ended June 30, 2019 exclude a deferred income tax recovery of $112 million ($0.15 per diluted share), resulting from the enactment of a lower provincial corporate income tax rate. The adjusted figures for the six months ended June 30, 2019 also exclude a depreciation and amortization expense of $84 million, or $62 million after-tax ($0.09 per diluted share) in the first quarter, related to costs previously capitalized for a Positive Train Control (PTC) back office system following the deployment of a replacement system.

The following table provides a reconciliation of net income and earnings per share, as reported for the three and six months ended June 30, 2020 and 2019, to the adjusted performance measures presented herein:

	Three months ended June 30		Six months ended June 30	
In millions, except per share data	**2020**	2019	**2020**	2019
Net income	**$ 545**	$ 1,362	**$ 1,556**	$ 2,148
Adjustments:				
Depreciation expense	**—**	—	**—**	84
Loss on assets held for sale	**486**	—	**486**	—
Income tax recovery (1)	**(123)**	(112)	**(264)**	(134)
Adjusted net income	**$ 908**	$ 1,250	**$ 1,778**	$ 2,098
Basic earnings per share	**$ 0.77**	$ 1.89	**$ 2.19**	$ 2.97
Impact of adjustments, per share	**0.51**	(0.16)	**0.31**	(0.07)
Adjusted basic earnings per share	**$ 1.28**	$ 1.73	**$ 2.50**	$ 2.90
Diluted earnings per share	**$ 0.77**	$ 1.88	**$ 2.18**	$ 2.96
Impact of adjustments, per share	**0.51**	(0.15)	**0.31**	(0.06)
Adjusted diluted earnings per share	**$ 1.28**	$ 1.73	**$ 2.49**	$ 2.90

(1) Includes the tax impact of: (i) adjustments based on the nature of the item for tax purposes and related tax rates in the applicable jurisdiction; or (ii) tax law changes and rate enactments.

Non-GAAP Measures – unaudited

The following table provides a reconciliation of operating income and operating ratio, as reported for the three and six months ended June 30, 2020 and 2019, to the adjusted performance measures presented herein:

	Three months ended June 30		Six months ended June 30	
In millions, except percentage	**2020**	2019	**2020**	2019
Operating income	**$ 785**	$ 1,682	**$ 2,000**	$ 2,762
Adjustments:				
Depreciation expense	**—**	—	**—**	84
Loss on assets held for sale	**486**	—	**486**	—
Adjusted operating income	**$ 1,271**	$ 1,682	**$ 2,486**	$ 2,846
Operating ratio (1)	**75.5%**	57.5%	**70.4%**	63.2%
Impact of adjustment	**(15.1)-pts**	—	**(7.2)-pts**	(1.1)-pts
Adjusted operating ratio	**60.4%**	57.5%	**63.2%**	62.1%

(1) Operating ratio is defined as operating expenses as a percentage of revenues.

Constant currency

Financial results at constant currency allow results to be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons in the analysis of trends in business performance. Measures at constant currency are considered non-GAAP measures and do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies. Financial results at constant currency are obtained by translating the current period results denominated in US dollars at the foreign exchange rates of the comparable period in the prior year. The average foreign exchange rates were $1.39 and $1.37 per US$1.00 for the three and six months ended June 30, 2020, respectively, and $1.34 and $1.33 per US$1.00 for the three and six months ended June 30, 2019, respectively.

On a constant currency basis, the Company's net income for the three and six months ended June 30, 2020 would have been lower by $13 million ($0.02 per diluted share).

Free cash flow

Management believes that free cash flow is a useful measure of liquidity as it demonstrates the Company's ability to generate cash for debt obligations and for discretionary uses such as payment of dividends, share repurchases, and strategic opportunities. The Company defines its free cash flow measure as the difference between net cash provided by operating activities and net cash used in investing activities, adjusted for the impact of business acquisitions, if any. 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 following table provides a reconciliation of net cash provided by operating activities as reported for the three and six months ended June 30, 2020 and 2019, to free cash flow:

	Three months ended June 30		Six months ended June 30	
In millions	**2020**	2019	**2020**	2019
Net cash provided by operating activities	**$ 1,757**	$ 1,716	**$ 2,937**	$ 2,713
Net cash used in investing activities	**(749)**	(1,203)	**(1,356)**	(2,081)
Net cash provided before financing activities	**1,008**	513	**1,581**	632
Adjustment: Acquisition, net of cash acquired (1)	**—**	—	**—**	167
Free cash flow	**$ 1,008**	$ 513	**$ 1,581**	$ 799

(1) Relates to the acquisition of the TransX Group of Companies ("TransX"). See Note 3 - Business combinations to CN's unaudited Interim Consolidated Financial Statements for additional information.

Adjusted debt-to-adjusted EBITDA multiple

Management believes that the adjusted debt-to-adjusted EBITDA multiple is a useful credit measure because it reflects the Company's ability to service its debt and other long-term obligations. The Company calculates the adjusted debt-to-adjusted EBITDA multiple as adjusted debt divided by adjusted EBITDA. These measures do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies.

The following table provides a reconciliation of debt and net income to the adjusted measures presented below, which have been used to calculate the adjusted debt-to-adjusted EBITDA multiple:

In millions, unless otherwise indicated *As at and for the twelve months ended June 30,*	**2020**	2019
Debt	**$ 14,162**	$ 13,354
Adjustments:		
Operating lease liabilities, including current portion	**451**	543
Pension plans in deficiency	**523**	475
Adjusted debt	**$ 15,136**	$ 14,372
Net income	**$ 3,624**	$ 4,425
Interest expense	**554**	510
Income tax expense	**1,004**	1,249
Depreciation and amortization	**1,555**	1,479
Loss on assets held for sale	**486**	—
EBITDA	**7,223**	7,663
Adjustments:		
Other income	**(35)**	(166)
Other components of net periodic benefit income	**(316)**	(312)
Operating lease cost	**156**	202
Adjusted EBITDA	**$ 7,028**	$ 7,387
Adjusted debt-to-adjusted EBITDA multiple *(times)*	**2.15**	1.95