

## 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, adjusted debt-to-adjusted EBITDA multiple, return on invested capital (ROIC) and adjusted ROIC. 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

Adjusted net income, adjusted diluted earnings per share, adjusted operating income, adjusted operating expenses and adjusted operating ratio are non-GAAP measures that are used to set performance goals and to measure CN's performance. Management believes that these adjusted performance measures provide additional insight to management and investors into the Company's operations and underlying business trends as well as facilitate period-to-period comparisons, as they exclude certain significant items that are not reflective of CN's underlying business operations and could distort the analysis of trends in business performance. These items may include:

- i. operating expense adjustments: workforce reduction program, depreciation expense on the deployment of replacement system, advisory fees related to shareholder matters, losses and recoveries from assets held for sale, business acquisition-related costs;
- ii. non-operating expense adjustments: business acquisition-related financing fees, merger termination income, gains and losses on disposal of property; and
- iii. the effect of changes in tax laws including rate enactments, and changes in tax positions affecting prior years.

These non-GAAP 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 months and year ended December 31, 2023, the Company's adjusted net income was \$1,305 million, or \$2.02 per diluted share, and \$4,800 million, or \$7.28 per diluted share, respectively. The adjusted figures for the three months and year ended December 31, 2023 exclude:

- a gain on disposal of property within the Bala Subdivision located in Markham and Richmond Hill, Ontario, Canada of \$129 million, or \$112 million after-tax (\$0.17 per diluted share) recorded in the fourth quarter in Other income within the Consolidated Statements of Income; and
- a net deferred income tax recovery of \$713 million (\$1.10 per diluted share for the quarter and \$1.08 per diluted share for the year) recorded in the fourth quarter resulting from tax filings consistent with a ruling that the Company received in a non-U.S. foreign jurisdiction in connection with prior taxation years.

For the three months and year ended December 31, 2022, the Company's adjusted net income was \$1,420 million, or \$2.10 per diluted share, and \$5,134 million, or \$7.46 per diluted share, respectively. The adjusted figures for the year ended December 31, 2022 exclude advisory fees related to shareholder matters of \$22 million, or \$16 million after-tax (\$0.02 per diluted share) of which \$12 million, or \$9 million after-tax (\$0.01 per diluted share) was recorded in the second quarter and \$10 million, or \$7 million after-tax (\$0.01 per diluted share) was recorded in the first quarter in Other expense within the Consolidated Statements of Income.

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Adjusted net income is defined as Net income in accordance with GAAP adjusted for certain significant items. Adjusted diluted earnings per share is defined as adjusted net income divided by the weighted-average diluted shares outstanding. The following table provides a reconciliation of Net income and Earnings per share in accordance with GAAP, as reported for the three months and years ended December 31, 2023 and 2022, to the non-GAAP adjusted performance measures presented herein:

<i>In millions, except per share data</i>	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
Net income	\$ 2,130	\$ 1,420	\$ 5,625	\$ 5,118
Adjustments:				
Operating expense adjustments:				
Advisory fees related to shareholder matters	–	–	–	22
Non-operating expense adjustments:				
Gain on disposal of property	(129)	–	(129)	–
Tax adjustments:				
Tax effect of adjustments <sup>(1)</sup>	17	–	17	(6)
Tax-deductible goodwill and related impacts <sup>(2)</sup>	(713)	–	(713)	–
<b>Total adjustments</b>	<b>(825)</b>	<b>–</b>	<b>(825)</b>	<b>16</b>
<b>Adjusted net income</b>	<b>\$ 1,305</b>	<b>\$ 1,420</b>	<b>\$ 4,800</b>	<b>\$ 5,134</b>
Diluted earnings per share	\$ 3.29	\$ 2.10	\$ 8.53	\$ 7.44
Impact of adjustments, per share	(1.27)	–	(1.25)	0.02
<b>Adjusted diluted earnings per share</b>	<b>\$ 2.02</b>	<b>\$ 2.10</b>	<b>\$ 7.28</b>	<b>\$ 7.46</b>

(1) The tax impact of adjustments is based on the nature of the item for tax purposes and related tax rates in the applicable jurisdiction.

(2) Relates to the impacts of recognizing the \$767 million deferred income tax recovery party offset by a \$54 million income tax expense on the foregone tax deductions for the 2021 and 2022 taxation years.

Adjusted operating income is defined as Operating income in accordance with GAAP adjusted for certain significant operating expense items. Adjusted operating expenses is defined as Operating expenses in accordance with GAAP adjusted for certain significant operating expense items. Adjusted operating ratio is defined as adjusted operating expenses as a percentage of revenues. The following table provides a reconciliation of Operating income, Operating expenses and operating ratio, as reported for the three months and years ended December 31, 2023 and 2022, to the non-GAAP adjusted performance measures presented herein:

<i>In millions, except percentages</i>	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
Operating income	\$ 1,818	\$ 1,912	\$ 6,597	\$ 6,840
Adjustment:				
Advisory fees related to shareholder matters	–	–	–	22
<b>Total adjustment</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>22</b>
<b>Adjusted operating income</b>	<b>\$ 1,818</b>	<b>\$ 1,912</b>	<b>\$ 6,597</b>	<b>\$ 6,862</b>
Operating expenses	\$ 2,653	\$ 2,630	\$ 10,231	\$ 10,267
Total adjustment	–	–	–	(22)
<b>Adjusted operating expenses</b>	<b>\$ 2,653</b>	<b>\$ 2,630</b>	<b>\$ 10,231</b>	<b>\$ 10,245</b>
Operating ratio	59.3 %	57.9 %	60.8 %	60.0 %
Impact of adjustment	– %	– %	– %	(0.1)%
<b>Adjusted operating ratio</b>	<b>59.3 %</b>	<b>57.9 %</b>	<b>60.8 %</b>	<b>59.9 %</b>

## NON-GAAP MEASURES – UNAUDITED

### 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 weighted average foreign exchange rates used to translate transactions denominated in US dollars of the comparable period of the prior year.

The average foreign exchange rates were \$1.362 and \$1.350 per US\$1.00 for the three months and year ended December 31, 2023, respectively, and \$1.358 and \$1.301 per US\$1.00 for the three months and year ended December 31, 2022, respectively. On a constant currency basis, the Company's Net income for the three months and year ended December 31, 2023 would have been lower by \$2 million (\$nil per diluted share) and lower by \$96 million (\$0.15 per diluted share), respectively.

The following table provides a reconciliation of the impact of constant currency and related percentage change at constant currency on the financial results, as reported for the three months and year ended December 31, 2023:

<i>In millions, except per share data</i>	Three months ended December 31				Year ended December 31			
	2023	Constant currency impact	2022	% Change at constant currency Fav (Unfav)	2023	Constant currency impact	2022	% Change at constant currency Fav (Unfav)
<b>Revenues</b>								
Petroleum and chemicals	\$ 861	\$ (1)	\$ 794	8%	\$ 3,195	\$ (71)	\$ 3,229	(3%)
Metals and minerals	507	(1)	500	1%	2,048	(59)	1,911	4%
Forest products	486	(2)	517	(6%)	1,943	(55)	2,006	(6%)
Coal	249	(1)	235	6%	1,017	(14)	937	7%
Grain and fertilizers	994	(2)	954	4%	3,265	(57)	2,783	15%
Intermodal	948	–	1,184	(20%)	3,823	(45)	4,906	(23%)
Automotive	258	(1)	216	19%	945	(25)	797	15%
<b>Total freight revenues</b>	<b>4,303</b>	<b>(8)</b>	<b>4,400</b>	<b>(2%)</b>	<b>16,236</b>	<b>(326)</b>	<b>16,569</b>	<b>(4%)</b>
Other revenues	168	–	142	18%	592	(12)	538	8%
<b>Total revenues</b>	<b>4,471</b>	<b>(8)</b>	<b>4,542</b>	<b>(2%)</b>	<b>16,828</b>	<b>(338)</b>	<b>17,107</b>	<b>(4%)</b>
<b>Operating expenses</b>								
Labor and fringe benefits	818	(2)	731	(12%)	3,150	(41)	2,935	(6%)
Purchased services and material	556	(1)	576	4%	2,254	(29)	2,191	(2%)
Fuel	569	(1)	672	15%	2,097	(69)	2,518	19%
Depreciation and amortization	463	–	451	(3%)	1,817	(25)	1,729	(4%)
Equipment rents	97	–	84	(15%)	359	(10)	338	(3%)
Other	150	–	116	(29%)	554	(13)	556	3%
<b>Total operating expenses</b>	<b>2,653</b>	<b>(4)</b>	<b>2,630</b>	<b>(1%)</b>	<b>10,231</b>	<b>(187)</b>	<b>10,267</b>	<b>2%</b>
<b>Operating income</b>	<b>1,818</b>	<b>(4)</b>	<b>1,912</b>	<b>(5%)</b>	<b>6,597</b>	<b>(151)</b>	<b>6,840</b>	<b>(6%)</b>
Interest expense	(199)	1	(153)	(29%)	(722)	23	(548)	(28%)
Other components of net periodic benefit income	119	–	124	(4%)	479	–	498	(4%)
Other income (loss)	134	–	(2)	6800%	134	–	(27)	596%
<b>Income before income taxes</b>	<b>1,872</b>	<b>(3)</b>	<b>1,881</b>	<b>(1%)</b>	<b>6,488</b>	<b>(128)</b>	<b>6,763</b>	<b>(6%)</b>
Income tax recovery (expense)	258	1	(461)	156%	(863)	32	(1,645)	49%
<b>Net income</b>	<b>\$ 2,130</b>	<b>\$ (2)</b>	<b>\$ 1,420</b>	<b>50%</b>	<b>\$ 5,625</b>	<b>\$ (96)</b>	<b>\$ 5,118</b>	<b>8%</b>
<b>Diluted earnings per share</b>	<b>\$ 3.29</b>	<b>\$ –</b>	<b>\$ 2.10</b>	<b>57%</b>	<b>\$ 8.53</b>	<b>\$ (0.15)</b>	<b>\$ 7.44</b>	<b>13%</b>

## NON-GAAP MEASURES – UNAUDITED

### Free cash flow

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 (i) business acquisitions and combinations and (ii) merger transaction-related payments, cash receipts and cash income taxes, which are items that are not indicative of operating trends. 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 in accordance with GAAP, as reported for the three months and years ended December 31, 2023 and 2022, to the non-GAAP free cash flow presented herein:

<i>In millions</i>	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
Net cash provided by operating activities	\$ 2,413	\$ 2,272	\$ 6,965	\$ 6,667
Net cash used in investing activities	(1,190)	(937)	(3,468)	(2,510)
<b>Net cash provided before financing activities</b>	<b>1,223</b>	<b>1,335</b>	<b>3,497</b>	<b>4,157</b>
Adjustments:				
Business acquisitions and combinations <sup>(1)</sup>	390	–	390	–
Cash income taxes for merger transaction-related payments and cash receipts <sup>(2)</sup>	–	–	–	102
<b>Total adjustments</b>	<b>390</b>	<b>–</b>	<b>390</b>	<b>102</b>
<b>Free cash flow</b>	<b>\$ 1,613</b>	<b>\$ 1,335</b>	<b>\$ 3,887</b>	<b>\$ 4,259</b>

(1) Relates to the acquisition of the shares of Iowa Northern Railway Company for \$312 million and the business combination of Cape Breton & Central Nova Scotia Railway for \$78 million. See Note 3 – *Business acquisitions and combinations* to the Company's unaudited Interim Consolidated Financial Statements for additional information.

(2) Relates to income tax payments of \$102 million for KCS merger transaction-related payments and cash receipts.

## NON-GAAP MEASURES – UNAUDITED

### 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 the last twelve months of adjusted EBITDA. Adjusted debt is defined as the sum of Long-term debt and Current portion of long-term debt as reported on the Company's Consolidated Balance Sheets as well as Operating lease liabilities, including current portion and pension plans in deficiency recognized on the Company's Consolidated Balance Sheets due to the debt-like nature of their contractual and financial obligations. Adjusted EBITDA is calculated as Net income excluding Interest expense, Income tax expense, Depreciation and amortization, operating lease cost, Other components of net periodic benefit income, Other income (loss), and other significant items that are not reflective of CN's underlying business operations and which could distort the analysis of trends in business performance. Adjusted debt and adjusted EBITDA are non-GAAP measures used to compute the Adjusted debt-to-adjusted EBITDA multiple. 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 in accordance with GAAP, reported as at and for the years ended December 31, 2023 and 2022, respectively, to adjusted debt and adjusted EBITDA, which have been used to calculate the non-GAAP adjusted debt-to-adjusted EBITDA multiple:

<i>In millions, unless otherwise indicated</i>	<i>As at and for the year ended December 31,</i>		<b>2023</b>	<b>2022</b>
Debt		\$	<b>18,473</b>	\$ 15,429
Adjustments:				
Operating lease liabilities, including current portion <sup>(1)</sup>			<b>415</b>	466
Pension plans in deficiency <sup>(2)</sup>			<b>362</b>	353
<b>Adjusted debt</b>		\$	<b>19,250</b>	\$ 16,248
Net income		\$	<b>5,625</b>	\$ 5,118
Interest expense			<b>722</b>	548
Income tax expense			<b>863</b>	1,645
Depreciation and amortization			<b>1,817</b>	1,729
Operating lease cost <sup>(3)</sup>			<b>149</b>	142
Other components of net periodic benefit income			<b>(479)</b>	(498)
Other loss (income)			<b>(134)</b>	27
Adjustment:				
Advisory fees related to shareholder matters <sup>(4)</sup>			<b>—</b>	22
<b>Adjusted EBITDA</b>		\$	<b>8,563</b>	\$ 8,733
<b>Adjusted debt-to-adjusted EBITDA multiple (times)</b>			<b>2.25</b>	1.86

(1) Represents the present value of operating lease payments.

(2) Represents the total funded deficit of all defined benefit pension plans with a projected benefit obligation in excess of plan assets.

(3) Represents the operating lease costs recorded in Purchased services and material and Equipment rents within the Consolidated Statements of Income.

(4) Relates to advisory fees related to shareholder matters recorded in Other expense within the Consolidated Statements of Income.

## NON-GAAP MEASURES – UNAUDITED

### ROIC and adjusted ROIC

ROIC and adjusted ROIC are useful measures for management and investors to evaluate the efficiency of the Company's use of capital funds and allow investors to assess the operating and investment decisions made by management. The Company calculates ROIC as return divided by average invested capital, both of which are non-GAAP measures. Return is defined as Net income plus interest expense after-tax, calculated using the Company's effective tax rate. Average invested capital is defined as the sum of Total shareholders' equity, Long-term debt and Current portion of long-term debt less Cash and cash equivalents, and Restricted cash and cash equivalents, averaged between the beginning and ending balance over the last twelve-month period. The Company calculates adjusted ROIC as adjusted return divided by average invested capital, both of which are non-GAAP measures. Adjusted return is defined as adjusted net income plus interest expense after-tax, calculated using the Company's adjusted effective tax rate. Return, average invested capital, ROIC, adjusted return and adjusted ROIC 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 Net income and adjusted net income to return and adjusted return, respectively, as well as the calculation of average invested capital, which have been used to calculate ROIC and adjusted ROIC:

<i>In millions, except percentage</i>	<i>As at and for the year ended December 31,</i>	<b>2023</b>	<b>2022</b>
Net income		\$ 5,625	\$ 5,118
Interest expense		722	548
Tax on interest expense <sup>(1)</sup>		(177)	(133)
<b>Return</b>		\$ 6,170	\$ 5,533
Average total shareholders' equity		\$ 20,751	\$ 22,064
Average long-term debt		15,253	13,175
Average current portion of long-term debt		1,699	783
Less: Average cash, cash equivalents, restricted cash and restricted cash equivalents		(879)	(1,088)
<b>Average invested capital</b>		\$ 36,824	\$ 34,934
<b>ROIC</b>		<b>16.8%</b>	<b>15.8%</b>
<b>Adjusted net income</b> <sup>(2)</sup>		\$ 4,800	\$ 5,134
Interest expense		722	548
Tax on interest expense <sup>(3)</sup>		(177)	(133)
<b>Adjusted return</b>		\$ 5,345	\$ 5,549
Average invested capital		\$ 36,824	\$ 34,934
<b>Adjusted ROIC</b>		<b>14.5%</b>	<b>15.9%</b>

(1) The effective tax rate, defined as income tax expense as a percentage of income before income taxes, used to calculate the tax on interest expense for 2023 was 24.5% (2022 - 24.3%). Due to the significantly lower effective tax rate reported by the Company in 2023, tax on interest expense for 2023 was calculated using an adjusted effective tax rate.

(2) This Non-GAAP measure does not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies. See the supplementary schedule entitled *Non-GAAP Measures – Adjusted performance measures* for an explanation of this non-GAAP measure.

(3) The adjusted effective tax rate is a non-GAAP measure, defined as Income tax expense, net of tax adjustments as presented in Adjusted performance measures as a percentage of Income before taxes, net of pre-tax adjustments as presented in Adjusted performance measures. This measure does not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to a similar measure presented by other companies. The adjusted effective tax rate used to calculate the adjusted tax on interest expense for 2023 was 24.5% (2022 - 24.3%).