



# THIS IS SCHEDULED RAILROADING



2024 QUARTERLY REVIEW **FIRST QUARTER**





## CN Announces First Quarter Results

### *Scheduled Operation Continues to Deliver*

**MONTREAL, April 23, 2024** – CN (TSX: CNR) (NYSE: CNI) today reported its financial and operating results for the first quarter ended March 31, 2024.

“Our team of railroaders delivered to plan in the first quarter and our scheduled operating model continued to enhance our service to customers. Looking forward, we are confident for 2024. We are seeing the expected improvements in the economy, and our CN-specific growth opportunities are materializing. We remain committed to delivering on our growth agenda and powering the economy.”

– Tracy Robinson, President and Chief Executive Officer, CN

#### **Quarterly highlights**

- Revenue ton miles (RTMs) remained flat at 59,749 (millions).
- Revenues of C\$4,249 million, a decrease of C\$64 million, or 1%.
- Operating income of C\$1,546 million, a decrease of C\$116 million, or 7%.
- Operating ratio, defined as operating expenses as a percentage of revenues, of 63.6% an increase of 2.1-points.
- Diluted earnings per share (EPS) of C\$1.72, a decrease of 5%.

#### **Reaffirming 2024 and long-term financial outlook <sup>(1)</sup>**

CN reaffirms its 2024 outlook and expects to deliver adjusted diluted EPS growth of approximately 10% and expects to invest approximately C\$3.5 billion in its capital program, net of amounts reimbursed by customers. The Company also expects return on invested capital (ROIC) to be within the targeted range of 15%-17%.

CN reiterates its longer-term financial perspective and continues to target compounded annual diluted EPS growth in the range of 10%-15% over the 2024-2026 period driven by growing volumes more than the economy, pricing above rail inflation and incrementally improving efficiency, all of which assumes a supportive economy. <sup>(2)</sup>

#### **CONFERENCE CALL DETAILS**

CN's senior officers will review the results and the railway's outlook in a conference call starting at 4:30 p.m. Eastern Time on April 23. Tracy Robinson, CN President and Chief Executive Officer, will lead the call. Parties wishing to participate via telephone may dial 1-800-715-9871 (Canada/U.S.), or 1-647-932-3411 (International), using 7188340 as the passcode. Participants are advised to dial in 10 minutes prior to the call.

#### **(1) Non-GAAP Measures**

CN's full-year adjusted diluted EPS outlook <sup>(2)</sup> excludes certain adjustments, which are expected to be comparable to adjustments made in prior years. However, management cannot individually quantify on a forward-looking basis the impact of these adjustments on its adjusted diluted EPS because these items, which could be significant, are difficult to predict and may be highly variable. As a result, CN does not provide a corresponding GAAP measure for, or reconciliation to, its adjusted diluted EPS outlook.

#### **(2) Forward-Looking Statements**

Certain statements included in this news release constitute “forward-looking statements” within the meaning of the *United States Private Securities Litigation Reform Act of 1995* and under Canadian securities laws, including statements based on management's assessment and assumptions and publicly available information with respect to CN. By their nature, forward-looking statements involve risks, uncertainties and assumptions. CN cautions that its assumptions may not materialize and that current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty. Forward-looking statements may be identified by the use of terminology such as “believes,” “expects,” “anticipates,” “assumes,” “outlook,” “plans,” “targets”, or other similar words.



**2024 key assumptions**

CN has made a number of economic and market assumptions in preparing its 2024 outlook. The Company continues to assume slightly positive North American industrial production in 2024. For the 2023/2024 crop year, the grain crop in Canada was below its three-year average (also below when excluding the significantly lower 2021/2022 crop year) and the U.S. grain crop was above its three-year average. The Company continues to assume that the 2024/2025 grain crop in Canada will be in line with its three-year average (excluding the significantly lower 2021/2022 crop year) and the U.S. grain crop will also be in line with its three-year average. CN continues to assume RTM growth in the mid-single digit range. CN assumes continued pricing above rail inflation upon contract renewals. CN also continues to assume that in 2024, the value of the Canadian dollar in U.S. currency will be approximately \$0.75, and now assumes that in 2024 the average price of crude oil (West Texas Intermediate) will be approximately in the US\$80 - US\$90 range per barrel (compared to its January 23, 2024 assumption of approximately US\$70 - US\$80 per barrel).

**2024-2026 key assumptions**

CN has made a number of economic and market assumptions in preparing its three-year financial perspective. CN assumes that the North American industrial production will increase by at least two percent CAGR over the next three years. CN assumes continued pricing above rail inflation. CN assumes that the value of the Canadian dollar in U.S. currency will be approximately \$0.75 and that the average price of crude oil (West Texas Intermediate) will be approximately US\$80 per barrel during this period.

Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors which may cause actual results, performance or achievements of CN to be materially different from the outlook or any future results, performance or achievements implied by such statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements. Important risk factors that could affect the forward-looking statements in this news release include, but are not limited to, general economic and business conditions, including factors impacting global supply chains such as pandemics and geopolitical conflicts and tensions; industry competition; inflation, currency and interest rate fluctuations; changes in fuel prices; legislative and/or regulatory developments; compliance with environmental laws and regulations; actions by regulators; increases in maintenance and operating costs; security threats; reliance on technology and related cybersecurity risk; trade restrictions or other changes to international trade arrangements; transportation of hazardous materials; various events which could disrupt operations, including illegal blockades of rail networks, and natural events such as severe weather, droughts, fires, floods and earthquakes; climate change; labor negotiations and disruptions; environmental claims; uncertainties of investigations, proceedings and other types of claims and litigation; risks and liabilities arising from derailments; timing and completion of capital programs; the availability of and cost competitiveness of renewable fuels and the development of new locomotive propulsion technology; reputational risks; supplier concentration; pension funding requirements and volatility; and other risks detailed from time to time in reports filed by CN with securities regulators in Canada and the United States. Reference should also be made to Management's Discussion and Analysis (MD&A) in CN's annual and interim reports, Annual Information Form and Form 40-F, filed with Canadian and U.S. securities regulators and available on CN's website, for a description of major risk factors relating to CN.

Forward-looking statements reflect information as of the date on which they are made. CN assumes no obligation to update or revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable securities laws. In the event CN does update any forward-looking statement, no inference should be made that CN will make additional updates with respect to that statement, related matters, or any other forward-looking statement. Information contained on, or accessible through, our website is not incorporated by reference into this news release.

This earnings news release, as well as additional information, including the Financial Statements, Notes thereto and MD&A, is contained in CN's Quarterly Review available on the Company's website at [www.cn.ca/financial-results](http://www.cn.ca/financial-results) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) as well as on the U.S. Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov) through EDGAR.

**About CN**

CN is a world-class transportation leader and trade-enabler. Essential to the economy, to the customers, and to the communities it serves, CN safely transports more than 300 million tons of natural resources, manufactured products, and finished goods throughout North America every year. CN's network connects Canada's Eastern and Western coasts with the U.S. South through an 18,800 mile rail network. CN and its affiliates have been contributing to community prosperity and sustainable trade since 1919. CN is committed to programs supporting social responsibility and environmental stewardship.

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## SELECTED RAILROAD STATISTICS – UNAUDITED

	Three months ended March 31	
	2024	2023
<b>Financial measures</b>		
<b>Key financial performance indicators <sup>(1)</sup></b>		
Total revenues (\$ millions)	4,249	4,313
Freight revenues (\$ millions)	4,137	4,219
Operating income (\$ millions)	1,546	1,662
Net income (\$ millions)	1,103	1,220
Diluted earnings per share (\$)	1.72	1.82
Free cash flow (\$ millions) <sup>(2)</sup>	529	593
Gross property additions (\$ millions)	576	461
Share repurchases (\$ millions)	955	1,199
Dividends per share (\$)	0.8450	0.7900
<b>Financial ratio</b>		
Operating ratio (%) <sup>(3)</sup>	63.6	61.5
<b>Operational measures <sup>(4)</sup></b>		
<b>Statistical operating data</b>		
Gross ton miles (GTMs) (millions)	115,627	115,442
Revenue ton miles (RTMs) (millions)	59,749	59,961
Carloads (thousands)	1,343	1,353
Route miles (includes Canada and the U.S.)	18,800	18,600
Employees (end of period)	25,179	24,718
Employees (average for the period)	25,191	24,403
<b>Key operating measures</b>		
Freight revenue per RTM (cents)	6.92	7.04
Freight revenue per carload (\$)	3,080	3,118
GTMs per average number of employees (thousands)	4,590	4,731
Operating expenses per GTM (cents)	2.34	2.30
Labor and fringe benefits expense per GTM (cents)	0.77	0.70
Diesel fuel consumed (US gallons in millions)	103.6	104.1
Average fuel price (\$ per US gallon)	4.50	4.79
Fuel efficiency (US gallons of locomotive fuel consumed per 1,000 GTMs)	0.896	0.902
Train weight (tons)	9,087	9,135
Train length (feet)	7,787	7,756
Car velocity (car miles per day)	205	211
Through dwell (entire railroad, hours)	7.1	7.1
Through network train speed (miles per hour)	18.7	20.1
Locomotive utilization (trailing GTMs per total horsepower)	188	194
<b>Safety indicators <sup>(5)</sup></b>		
Injury frequency rate (per 200,000 person hours)	1.20	0.98
Accident rate (per million train miles)	1.68	1.53

(1) Amounts expressed in Canadian dollars and prepared in accordance with United States generally accepted accounting principles (GAAP), unless otherwise noted.

(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 – Free cash flow* for an explanation of this non-GAAP measure.

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

(4) Statistical operating data, key operating measures and safety indicators are unaudited and based on estimated data available at such time and are subject to change as more complete information becomes available. Definitions of gross ton miles, revenue ton miles, freight revenue per RTM, fuel efficiency, train weight, train length, car velocity, through dwell and through network train speed are included within the Company's Management's Discussion and Analysis. Definitions of all other indicators are provided on CN's website, [www.cn.ca/glossary](http://www.cn.ca/glossary).

(5) Based on Federal Railroad Administration (FRA) reporting criteria.

**SUPPLEMENTARY INFORMATION – UNAUDITED**

	Three months ended March 31			
	2024	2023	% Change Fav (Unfav)	% Change at constant currency <sup>(1)</sup> Fav (Unfav)
<b>Revenues (\$ millions) <sup>(2)</sup></b>				
Petroleum and chemicals	857	828	4%	4%
Metals and minerals	530	529	—%	1%
Forest products	494	511	(3%)	(3%)
Coal	221	263	(16%)	(16%)
Grain and fertilizers	860	861	—%	—%
Intermodal	959	1,012	(5%)	(5%)
Automotive	216	215	—%	1%
<b>Total freight revenues</b>	<b>4,137</b>	<b>4,219</b>	<b>(2%)</b>	<b>(2%)</b>
Other revenues	112	94	19%	19%
<b>Total revenues</b>	<b>4,249</b>	<b>4,313</b>	<b>(1%)</b>	<b>(1%)</b>
<b>Revenue ton miles (RTMs) (millions) <sup>(3)</sup></b>				
Petroleum and chemicals	11,714	11,019	6%	6%
Metals and minerals	7,350	7,088	4%	4%
Forest products	5,769	6,056	(5%)	(5%)
Coal	4,638	5,848	(21%)	(21%)
Grain and fertilizers	17,032	17,018	—%	—%
Intermodal	12,531	12,259	2%	2%
Automotive	715	673	6%	6%
<b>Total RTMs</b>	<b>59,749</b>	<b>59,961</b>	<b>—%</b>	<b>—%</b>
<b>Freight revenue / RTM (cents) <sup>(2)(3)</sup></b>				
Petroleum and chemicals	7.32	7.51	(3%)	(2%)
Metals and minerals	7.21	7.46	(3%)	(3%)
Forest products	8.56	8.44	1%	2%
Coal	4.76	4.50	6%	6%
Grain and fertilizers	5.05	5.06	—%	—%
Intermodal	7.65	8.26	(7%)	(7%)
Automotive	30.21	31.95	(5%)	(5%)
<b>Total freight revenue / RTM</b>	<b>6.92</b>	<b>7.04</b>	<b>(2%)</b>	<b>(1%)</b>
<b>Carloads (thousands) <sup>(3)</sup></b>				
Petroleum and chemicals	165	161	2%	2%
Metals and minerals	240	237	1%	1%
Forest products	78	81	(4%)	(4%)
Coal	112	130	(14%)	(14%)
Grain and fertilizers	171	178	(4%)	(4%)
Intermodal	527	512	3%	3%
Automotive	50	54	(7%)	(7%)
<b>Total carloads</b>	<b>1,343</b>	<b>1,353</b>	<b>(1%)</b>	<b>(1%)</b>
<b>Freight revenue / carload (\$) <sup>(2)(3)</sup></b>				
Petroleum and chemicals	5,194	5,143	1%	1%
Metals and minerals	2,208	2,232	(1%)	(1%)
Forest products	6,333	6,309	—%	1%
Coal	1,973	2,023	(2%)	(2%)
Grain and fertilizers	5,029	4,837	4%	4%
Intermodal	1,820	1,977	(8%)	(8%)
Automotive	4,320	3,981	9%	9%
<b>Total freight revenue / carload</b>	<b>3,080</b>	<b>3,118</b>	<b>(1%)</b>	<b>(1%)</b>

(1) 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 – Constant currency* for an explanation of this non-GAAP measure.

(2) Amounts expressed in Canadian dollars.

(3) Statistical operating data and related key operating measures are unaudited and based on estimated data available at such time and are subject to change as more complete information becomes available.

## 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, free cash flow, constant currency and adjusted debt-to-adjusted 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.

The Company did not present any adjusted performance measures as there were no adjustments in the first quarter of 2024 and 2023.

### 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 (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 ended March 31, 2024 and 2023, to the non-GAAP free cash flow presented herein:

<i>In millions</i>	Three months ended March 31	
	2024	2023
Net cash provided by operating activities	\$ 1,117	\$ 1,055
Net cash used in investing activities	(588)	(462)
<b>Free cash flow</b>	<b>\$ 529</b>	<b>\$ 593</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 \$1.349 and \$1.352 per US\$1.00 for the three months ended March 31, 2024 and 2023 respectively. On a constant currency basis, the Company's net income for the three months ended March 31, 2024 would have been higher by \$3 million (\$nil per diluted share).

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 ended March 31, 2024:

<i>In millions, except per share data</i>	Three months ended March 31			
	2024	Constant currency impact	2023	% Change at constant currency Fav (Unfav)
<b>Revenues</b>				
Petroleum and chemicals	\$ 857	\$ 2	\$ 828	4%
Metals and minerals	530	2	529	1%
Forest products	494	1	511	(3%)
Coal	221	—	263	(16%)
Grain and fertilizers	860	1	861	—%
Intermodal	959	1	1,012	(5%)
Automotive	216	1	215	1%
<b>Total freight revenues</b>	<b>4,137</b>	<b>8</b>	<b>4,219</b>	<b>(2%)</b>
Other revenues	112	—	94	19%
<b>Total revenues</b>	<b>4,249</b>	<b>8</b>	<b>4,313</b>	<b>(1%)</b>
<b>Operating expenses</b>				
Labor and fringe benefits	894	2	812	(10%)
Purchased services and material	571	—	593	4%
Fuel	514	1	557	8%
Depreciation and amortization	462	1	448	(3%)
Equipment rents	99	—	90	(10%)
Other	163	—	151	(8%)
<b>Total operating expenses</b>	<b>2,703</b>	<b>4</b>	<b>2,651</b>	<b>(2%)</b>
<b>Operating income</b>	<b>1,546</b>	<b>4</b>	<b>1,662</b>	<b>(7%)</b>
Interest expense	(210)	—	(165)	(27%)
Other components of net periodic benefit income	113	—	119	(5%)
Other income	2	—	1	100%
<b>Income before income taxes</b>	<b>1,451</b>	<b>4</b>	<b>1,617</b>	<b>(10%)</b>
Income tax expense	(348)	(1)	(397)	12%
<b>Net income</b>	<b>\$ 1,103</b>	<b>\$ 3</b>	<b>\$ 1,220</b>	<b>(9%)</b>
<b>Diluted earnings per share</b>	<b>\$ 1.72</b>	<b>\$ —</b>	<b>\$ 1.82</b>	<b>(5%)</b>

## 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 twelve months ended March 31, 2024 and 2023, to the adjusted measures presented herein, 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 twelve months ended March 31,</i>		<b>2024</b>	<b>2023</b>
Debt		\$	<b>19,761</b>	\$ 16,648
Adjustments:				
Operating lease liabilities, including current portion <sup>(1)</sup>			<b>387</b>	441
Pension plans in deficiency <sup>(2)</sup>			<b>360</b>	352
<b>Adjusted debt</b>		\$	<b>20,508</b>	\$ 17,441
Net income		\$	<b>5,508</b>	\$ 5,420
Interest expense			<b>767</b>	587
Income tax expense			<b>814</b>	1,748
Depreciation and amortization			<b>1,831</b>	1,757
Operating lease cost <sup>(3)</sup>			<b>151</b>	144
Other components of net periodic benefit income			<b>(473)</b>	(492)
Other loss (income)			<b>(135)</b>	12
Adjustment:				
Advisory fees related to shareholder matters <sup>(4)</sup>			<b>–</b>	12
<b>Adjusted EBITDA</b>		\$	<b>8,463</b>	\$ 9,188
<b>Adjusted debt-to-adjusted EBITDA multiple (times)</b>			<b>2.42</b>	1.90

(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. See the section entitled *Non-GAAP measures - Adjusted performance measures* of the Company's 2023 Annual MD&A for additional information.



## INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

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## CONSOLIDATED STATEMENTS OF INCOME – UNAUDITED

<i>In millions, except per share data</i>	Three months ended March 31	
	2024	2023
<b>Revenues (Note 3)</b>	\$ 4,249	\$ 4,313
Operating expenses		
Labor and fringe benefits	894	812
Purchased services and material	571	593
Fuel	514	557
Depreciation and amortization	462	448
Equipment rents	99	90
Other	163	151
<b>Total operating expenses</b>	<b>2,703</b>	<b>2,651</b>
<b>Operating income</b>	<b>1,546</b>	<b>1,662</b>
Interest expense	(210)	(165)
Other components of net periodic benefit income (Note 4)	113	119
Other income	2	1
<b>Income before income taxes</b>	<b>1,451</b>	<b>1,617</b>
Income tax expense	(348)	(397)
<b>Net income</b>	<b>\$ 1,103</b>	<b>\$ 1,220</b>
Earnings per share (Note 5)		
Basic	\$ 1.72	\$ 1.83
Diluted	\$ 1.72	\$ 1.82
Weighted-average number of shares (Note 5)		
Basic	640.7	668.3
Diluted	641.9	669.9
Dividends declared per share	\$ 0.8450	\$ 0.7900

See accompanying notes to Interim Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME – UNAUDITED

<i>In millions</i>	Three months ended March 31	
	2024	2023
Net income	\$ 1,103	\$ 1,220
Other comprehensive income (loss) (Note 8)		
Net gain (loss) on foreign currency translation	105	(10)
Net change in pension and other postretirement benefit plans (Note 4)	13	–
Derivative instruments	(1)	(3)
<b>Other comprehensive income (loss) before income taxes</b>	<b>117</b>	<b>(13)</b>
Income tax recovery (expense)	29	(4)
<b>Other comprehensive income (loss)</b>	<b>146</b>	<b>(17)</b>
<b>Comprehensive income</b>	<b>\$ 1,249</b>	<b>\$ 1,203</b>

See accompanying notes to Interim Consolidated Financial Statements.

## CONSOLIDATED BALANCE SHEETS – UNAUDITED

<i>In millions</i>	<i>As at</i>	<b>March 31 2024</b>	December 31 2023
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$	412	\$ 475
Restricted cash and cash equivalents (Note 6)		449	449
Accounts receivable		1,313	1,300
Material and supplies		783	699
Other current assets		324	166
<b>Total current assets</b>		<b>3,281</b>	<b>3,089</b>
Properties		45,179	44,617
Operating lease right-of-use assets		392	424
Pension asset		3,247	3,140
Deferred income tax assets		685	682
Intangible assets, goodwill and other		740	714
<b>Total assets</b>	\$	<b>53,524</b>	\$ 52,666
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Accounts payable and other	\$	2,467	\$ 2,695
Current portion of long-term debt		3,007	2,340
<b>Total current liabilities</b>		<b>5,474</b>	<b>5,035</b>
Deferred income tax liabilities		10,183	10,066
Other liabilities and deferred credits		502	522
Pension and other postretirement benefits		493	495
Long-term debt		16,754	16,133
Operating lease liabilities		264	298
<b>Total liabilities</b>		<b>33,670</b>	<b>32,549</b>
Shareholders' equity			
Common shares		3,510	3,512
Common shares in Share Trusts		(128)	(144)
Additional paid-in capital		350	373
Accumulated other comprehensive loss (Note 8)		(2,133)	(2,279)
Retained earnings		18,255	18,655
<b>Total shareholders' equity</b>		<b>19,854</b>	<b>20,117</b>
<b>Total liabilities and shareholders' equity</b>	\$	<b>53,524</b>	\$ 52,666

See accompanying notes to Interim Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY – UNAUDITED

<i>In millions</i>	Number of common shares		Common shares	Common shares in Share Trusts	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
	Outstanding	Share Trusts						
Balance at December 31, 2023	642.7	1.1	\$ 3,512	\$ (144)	\$ 373	\$ (2,279)	\$ 18,655	\$ 20,117
Net income							1,103	1,103
Stock options exercised	0.3		28		(4)			24
Settlement of equity settled awards	0.3	(0.3)		44	(56)		(37)	(49)
Stock-based compensation and other					37		(1)	36
Repurchase of common shares (Note 6)	(5.6)		(30)				(925)	(955)
Share purchases by Share Trusts	(0.1)	0.1		(28)				(28)
Other comprehensive income (Note 8)						146		146
Dividends							(540)	(540)
<b>Balance at March 31, 2024</b>	<b>637.6</b>	<b>0.9</b>	<b>\$ 3,510</b>	<b>\$ (128)</b>	<b>\$ 350</b>	<b>\$ (2,133)</b>	<b>\$ 18,255</b>	<b>\$ 19,854</b>

<i>In millions</i>	Number of common shares		Common shares	Common shares in Share Trusts	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
	Outstanding	Share Trusts						
Balance at December 31, 2022	671.0	1.4	\$ 3,613	\$ (170)	\$ 381	\$ (1,969)	\$ 19,529	\$ 21,384
Net income							1,220	1,220
Stock options exercised	0.2		16		(3)			13
Settlement of equity settled awards	0.3	(0.3)		36	(46)		(27)	(37)
Stock-based compensation and other					28			28
Repurchase of common shares (Note 6)	(7.5)		(40)				(1,159)	(1,199)
Share purchases by Share Trusts	–	–		(7)				(7)
Other comprehensive loss (Note 8)						(17)		(17)
Dividends							(526)	(526)
<b>Balance at March 31, 2023</b>	<b>664.0</b>	<b>1.1</b>	<b>\$ 3,589</b>	<b>\$ (141)</b>	<b>\$ 360</b>	<b>\$ (1,986)</b>	<b>\$ 19,037</b>	<b>\$ 20,859</b>

See accompanying notes to Interim Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS – UNAUDITED

<i>In millions</i>	Three months ended March 31	
	2024	2023
<b>Operating activities</b>		
Net income	\$ 1,103	\$ 1,220
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	462	448
Pension income and funding	(95)	(105)
Deferred income taxes	68	70
Changes in operating assets and liabilities:		
Accounts receivable	(13)	(21)
Material and supplies	(79)	(73)
Accounts payable and other	(272)	(557)
Other current assets	(123)	(30)
Other operating activities, net	66	103
<b>Net cash provided by operating activities</b>	<b>1,117</b>	<b>1,055</b>
<b>Investing activities</b>		
Property additions	(576)	(461)
Other investing activities, net	(12)	(1)
<b>Net cash used in investing activities</b>	<b>(588)</b>	<b>(462)</b>
<b>Financing activities</b>		
Issuance of debt (Note 6)	861	–
Repayment of debt	(374)	(12)
Change in commercial paper, net (Note 6)	458	1,228
Settlement of foreign exchange forward contracts on debt	(19)	10
Issuance of common shares for stock options exercised	24	13
Withholding taxes remitted on the net settlement of equity settled awards (Note 7)	(48)	(35)
Repurchase of common shares	(926)	(1,160)
Purchase of common shares for settlement of equity settled awards	(1)	(1)
Purchase of common shares by Share Trusts	(28)	(7)
Dividends paid	(540)	(526)
<b>Net cash used in financing activities</b>	<b>(593)</b>	<b>(490)</b>
Effect of foreign exchange fluctuations on cash, cash equivalents, restricted cash and restricted cash equivalents	1	–
<b>Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents</b>	<b>(63)</b>	<b>103</b>
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period	924	834
<b>Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period</b>	<b>\$ 861</b>	<b>\$ 937</b>
Cash and cash equivalents, end of period	\$ 412	\$ 484
Restricted cash and cash equivalents, end of period	449	453
<b>Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period</b>	<b>\$ 861</b>	<b>\$ 937</b>
Supplemental cash flow information		
Interest paid	\$ (263)	\$ (251)
Income taxes paid	\$ (370)	\$ (424)

See accompanying notes to Interim Consolidated Financial Statements.



### 1 – Basis of presentation

In these notes, the "Company" or "CN" refers to Canadian National Railway Company, together with its wholly-owned subsidiaries. The accompanying unaudited Interim Consolidated Financial Statements ("Interim Consolidated Financial Statements"), expressed in Canadian dollars, have been prepared in accordance with United States generally accepted accounting principles (GAAP) for interim financial statements. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In management's opinion, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Interim operating results are not necessarily indicative of the results that may be expected for the full year.

These Interim Consolidated Financial Statements have been prepared using accounting policies consistent with those used in preparing CN's 2023 Annual Consolidated Financial Statements and should be read in conjunction with such statements and Notes thereto.

### 2 – Recent accounting pronouncements

The following recent Accounting Standards Updates (ASU) issued by the Financial Accounting Standards Board (FASB) have an effective date after December 31, 2023 and have not been adopted by the Company:

#### **ASU 2023-07 Segment reporting (Topic 280): Improvements to reportable segment disclosures**

The ASU will improve financial disclosures about a public entity's reportable segments and address requests from investors for additional and more detailed information regarding reportable segment expenses. The main amendments in the ASU require public entities, including those that have a single reportable segment, to disclose on an annual and interim basis the significant segment expenses provided to the chief operating decision maker (CODM), disclose the title/position of the CODM and how the segment expenses information is used in the decision making process.

The ASU is effective for annual periods beginning after December 15, 2023. Early adoption is permitted.

The adoption of the ASU will have an impact on the Company's Consolidated Financial Statements disclosures. The Company will include the relevant disclosure within the 2024 Annual Consolidated Financial Statements and 2025 Interim Financial Statements.

#### **ASU 2023-09 Income Taxes (Topic 740): Improvements to income tax disclosures**

The ASU amends the rules on income tax disclosures by modifying or eliminating certain existing income tax disclosure requirements in addition to establishing new requirements. The amendments address investor requests for more transparency about income taxes, including jurisdictional information, by requiring consistent categories and greater disaggregation of information. The ASU's two primary amendments relate to the rate reconciliation and income taxes paid annual disclosures.

Reconciling items presented in the rate reconciliation will be in dollar amounts and percentages, and will be disaggregated into specified categories with certain reconciling items further broken out by nature and/or jurisdiction using a 5% threshold of domestic federal taxes. Income taxes paid will be disaggregated between federal, provincial/territorial, and foreign taxing jurisdictions using a 5% threshold of total income taxes paid net of refunds received.

The ASU is effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The ASU should be applied prospectively. Retrospective application is permitted.

The adoption of the ASU will have an impact on the Company's Consolidated Financial Statements disclosures. The required disclosure changes will be reflected in the Company's Consolidated Financial Statements when the ASU is adopted.

Other recently issued ASUs required to be applied on or after March 31, 2024 have been evaluated by the Company and are not expected to have a significant impact on the Company's Consolidated Financial Statements.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

### 3 – Revenues

<i>In millions</i>	Three months ended March 31	
	2024	2023
Freight revenues		
Petroleum and chemicals	\$ 857	\$ 828
Metals and minerals	530	529
Forest products	494	511
Coal	221	263
Grain and fertilizers	860	861
Intermodal	959	1,012
Automotive	216	215
<b>Total freight revenues</b>	<b>4,137</b>	<b>4,219</b>
Other revenues	112	94
<b>Total revenues <sup>(1)</sup></b>	<b>\$ 4,249</b>	<b>\$ 4,313</b>
Revenues by geographic area		
Canada	\$ 3,005	\$ 2,950
United States (U.S.)	1,244	1,363
<b>Total revenues <sup>(1)</sup></b>	<b>\$ 4,249</b>	<b>\$ 4,313</b>

(1) As at March 31, 2024, the Company had remaining performance obligations related to freight in-transit, for which revenues of \$82 million (\$98 million as at March 31, 2023) are expected to be recognized in the next period.

### Contract liabilities

<i>In millions</i>	Three months ended March 31	
	2024	2023
Beginning balance	\$ 95	\$ 28
Revenue recognized included in the beginning balance	(13)	(12)
Increase due to consideration received, net of revenue recognized	15	18
<b>Ending balance</b>	<b>\$ 97</b>	<b>\$ 34</b>
<b>Current portion - Ending balance</b>	<b>\$ 12</b>	<b>\$ 14</b>

### 4 – Pensions and other postretirement benefits

The Company has various retirement benefit plans under which substantially all of its employees are entitled to benefits at retirement age, generally based on compensation and length of service and/or contributions. Additional information relating to the retirement benefit plans is provided in *Note 18 – Pensions and other postretirement benefits* to the Company's 2023 Annual Consolidated Financial Statements.

<i>In millions</i>	Three months ended March 31			
	Pensions		Other postretirement benefits	
	2024	2023	2024	2023
Current service cost	\$ 24	\$ 21	\$ –	\$ –
Other components of net periodic benefit income:				
Interest cost	167	176	2	2
Expected return on plan assets	(295)	(297)	–	–
Amortization of prior service credit	–	–	(1)	(1)
Amortization of net actuarial loss (gain)	16	2	(2)	(1)
<b>Total Other components of net periodic benefit income</b>	<b>(112)</b>	<b>(119)</b>	<b>(1)</b>	<b>–</b>
<b>Net periodic benefit income</b>	<b>\$ (88)</b>	<b>\$ (98)</b>	<b>\$ (1)</b>	<b>\$ –</b>

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

### Pension contributions

Pension contributions for the three months ended March 31, 2024 and 2023 were \$15 million and \$14 million, respectively. Based on the anticipated results of the Company's next actuarial valuations for funding purposes as at December 31, 2023 that are expected to be completed by June 2024, the CN Pension Plan is expected to remain fully funded and at a level such that the Company would continue to be prohibited from making contributions. For all of 2024, the Company expects to make total contributions of approximately \$70 million for all other pension plans, and includes the impact of affected non-unionized members transferring from the Company's defined benefit pension plans to defined contribution pension plans effective April 1, 2024.

## 5 – Earnings per share

<i>In millions, except per share data</i>	Three months ended March 31	
	2024	2023
Net income	\$ 1,103	\$ 1,220
Weighted-average basic shares outstanding	640.7	668.3
Dilutive effect of stock-based compensation	1.2	1.6
<b>Weighted-average diluted shares outstanding</b>	<b>641.9</b>	<b>669.9</b>
Basic earnings per share	\$ 1.72	\$ 1.83
Diluted earnings per share	\$ 1.72	\$ 1.82
Units excluded from the calculation as their inclusion would not have a dilutive effect		
Stock options	1.1	1.0
Performance share units	0.3	0.4

## 6 – Financing activities

For details on the Company's available financing sources, see *Note 16 – Debt* to the Company's 2023 Annual Consolidated Financial Statements. For the three months ended March 31, 2024, the following changes occurred:

### Revolving credit facilities

On March 28, 2024, the Company's revolving credit facility agreements were amended to extend their respective tenors by one additional year each. The unsecured credit facility of \$2.5 billion consists of two tranches of \$1.25 billion and are now maturing on March 31, 2027 and March 31, 2029. The unsecured credit facility of \$1.0 billion is now maturing on March 17, 2026. On March 28, 2024, the Company amended its revolving credit facilities to transition from the Canadian Dollar Offered Rate (CDOR) to the Canadian Overnight Repo Rate Average (CORRA). The credit facilities provide borrowings at various benchmark interest rates, such as the Secured Overnight Financing Rate (SOFR) and CORRA, plus applicable margins, based on CN's credit ratings. Both revolving credit facility agreements have one financial covenant, which limits debt as a percentage of total capitalization. The Company is in compliance as at March 31, 2024.

As at March 31, 2024 and December 31, 2023, the Company had no outstanding borrowings under these revolving credit facilities and there were no draws during the three months ended March 31, 2024.

### Equipment loans

On March 21, 2024, the Company amended certain of its non-revolving term loan facilities to transition from CDOR to CORRA. Borrowings under the non-revolving term loan facilities are provided at SOFR, CORRA or CDOR plus applicable margins.

During the first three months of 2024, the Company repaid \$10 million of its equipment loans and on March 22, 2024, issued a \$412 million equipment loan under these facilities. As at March 31, 2024 and December 31, 2023, the Company had outstanding borrowings of \$1,094 million and \$677 million, respectively, at a weighted-average interest rate of 6.01% and 6.09%, respectively, and had \$366 million and \$769 million available to be drawn under these facilities, respectively.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

### Commercial paper

As at March 31, 2024 and December 31, 2023, the Company had total commercial paper borrowings of US\$1,730 million (\$2,342 million) and US\$1,360 million (\$1,801 million), respectively, at a weighted-average interest rate of 5.43% and 5.63%, respectively, presented in Current portion of long-term debt on the Consolidated Balance Sheets.

<i>In millions</i>	Three months ended March 31	
	2024	2023
Commercial paper with maturities less than 90 days		
Issuance	\$ 3,305	\$ 3,681
Repayment	(3,460)	(3,232)
<b>Change in commercial paper with maturities less than 90 days, net</b>	<b>\$ (155)</b>	<b>\$ 449</b>
Commercial paper with maturities of 90 days or greater		
Issuance	\$ 882	\$ 779
Repayment	(269)	–
<b>Change in commercial paper with maturities of 90 days or greater, net</b>	<b>\$ 613</b>	<b>\$ 779</b>
<b>Change in commercial paper, net</b>	<b>\$ 458</b>	<b>\$ 1,228</b>

### Accounts receivable securitization program

On March 20, 2024, the Company extended the term of its agreement by one year to February 2, 2026.

For the three months ended March 31, 2024, the Company had proceeds from the accounts receivable securitization program of \$450 million, and repayments of \$350 million.

As at March 31, 2024 the Company had accounts receivable securitization borrowings of \$100 million at a weighted-average interest rate of 5.36%, secured by and limited to \$119 million of accounts receivable, presented in the Current portion of long-term debt on the Consolidated Balance Sheets and had \$350 million remaining availability under this facility. As at December 31, 2023, the Company had no outstanding borrowings under the accounts receivable securitization program and had \$450 million available under this facility.

### Bilateral letter of credit facilities

On March 28, 2024, the Company extended the maturity date of its committed bilateral letter of credit facility agreements to April 28, 2027.

As at March 31, 2024, the Company had outstanding letters of credit of \$338 million (\$337 million as at December 31, 2023) under the committed facilities from a total available amount of \$362 million (\$361 million as at December 31, 2023) and \$152 million (\$152 million as at December 31, 2023) under the uncommitted facilities.

As at March 31, 2024, included in Restricted cash and cash equivalents was \$339 million (\$339 million as at December 31, 2023) pledged as collateral under the committed bilateral letter of credit facilities, \$100 million (\$100 million as at December 31, 2023) pledged as collateral under the uncommitted bilateral letter of credit facilities, and \$10 million held in escrow (\$10 million as at December 31, 2023).

### Repurchase of common shares

The Company may repurchase its common shares pursuant to a Normal Course Issuer Bid (NCIB) at prevailing market prices plus brokerage fees, or such other prices as may be permitted by the Toronto Stock Exchange. Under its current NCIB, the Company may repurchase up to 32.0 million common shares between February 1, 2024 and January 31, 2025. As at March 31, 2024, the Company had repurchased 3.5 million common shares for \$597 million under its current NCIB.

The Company repurchased 28.7 million common shares under its previous NCIB effective between February 1, 2023 and January 31, 2024, which allowed for the repurchase of up to 32.0 million common shares.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

<i>In millions, except per share data</i>	Three months ended March 31	
	2024	2023
Number of common shares repurchased	5.6	7.5
Weighted-average price per share <sup>(1)</sup>	\$ 171.98	\$ 159.92
Amount of repurchase <sup>(1)(2)</sup>	\$ 955	\$ 1,199

(1) Includes brokerage fees.

(2) Includes settlements in subsequent periods.

### 7 – Stock-based compensation

The Company has various stock-based compensation plans for eligible employees. A description of the major plans other than the changes specified below is provided in *Note 20 – Stock-based compensation* to the Company's 2023 Annual Consolidated Financial Statements.

<i>In millions</i>	Three months ended March 31	
	2024	2023
Share Units Plan <sup>(1)</sup>	\$ 20	\$ 12
Voluntary Incentive Deferral Plan (VIDP) <sup>(2)</sup>	1	–
Stock option awards	3	3
Employee Share Investment Plan (ESIP)	7	6
<b>Total stock-based compensation expense</b>	<b>\$ 31</b>	<b>\$ 21</b>
Income tax impacts of stock-based compensation		
Tax benefit recognized in income	\$ 8	\$ 6
Excess tax benefit recognized in income	\$ 14	\$ 10

(1) Performance share unit (PSU) awards and restricted share unit (RSU) awards are granted under the Share Units Plan. PSU-ROIC awards and PSU-TSR awards settle depending on the level of attainment of a target return on invested capital (ROIC) performance condition, and on the level of attainment of a target total shareholder return (TSR) market condition, respectively, as defined by the award agreement, over the plan period of three years. RSU awards settle depending on continued employment throughout the plan period, and are not subject to market or performance conditions.

(2) Deferred share unit (DSU) awards are granted under the Voluntary Incentive Deferral Plan.

#### Share Units Plan

	PSUs-ROIC <sup>(1)</sup>		PSUs-TSR <sup>(2)</sup>		RSUs <sup>(3)</sup>	
	Units <i>In millions</i>	Weighted- average grant date fair value	Units <i>In millions</i>	Weighted- average grant date fair value	Units <i>In millions</i>	Weighted- average grant date fair value
Outstanding at December 31, 2023	0.7	\$ 78.29	0.4	\$ 166.89	0.1	\$ 137.31
Granted <sup>(4)</sup>	0.1	\$ 166.72	0.1	\$ 217.75	0.1	\$ 166.70
Settled <sup>(5)</sup>	(0.2)	\$ 64.50	(0.1)	\$ 148.02	–	\$ –
Forfeited	–	\$ 93.31	–	\$ 175.08	–	\$ 166.67
<b>Outstanding at March 31, 2024</b>	<b>0.6</b>	<b>\$ 109.27</b>	<b>0.4</b>	<b>\$ 190.27</b>	<b>0.2</b>	<b>\$ 157.15</b>

(1) The grant date fair value of equity settled PSU-ROIC awards granted in 2024 of \$32 million is valued based on the closing share price of the Company's stock on the date of the grant. As at March 31, 2024, total unrecognized compensation cost related to all outstanding awards was \$37 million and is expected to be recognized over a weighted-average period of 2.5 years. PSU-ROIC awards granted as of January 1, 2024 are no longer conditional upon the attainment of a minimum share price market condition for settlement.

(2) The grant date fair value of equity settled PSU-TSR awards granted in 2024 of \$27 million is calculated using a Monte Carlo simulation model. As at March 31, 2024, total unrecognized compensation cost related to all outstanding awards was \$39 million and is expected to be recognized over a weighted-average period of 2.3 years. The Company's TSR as of January 1, 2024 is measured relative to the S&P North American LargeMidCap transportation index.

(3) The grant date fair value of equity settled RSU awards granted in 2024 of \$17 million is valued based on the closing share price of the Company's stock on the date of the grant. As at March 31, 2024, total unrecognized compensation cost related to all outstanding awards was \$19 million and is expected to be recognized over a weighted-average period of 2.6 years.

(4) Units granted in lieu of dividends are included for the Share Unit Plan awards granted as of January 1, 2024. As they relate to a minimal amount of units, they have not been quantified.

(5) Equity settled PSU-ROIC awards granted in 2021 met the minimum share price condition for settlement and attained a performance vesting factor of 190%. Equity settled PSU-TSR awards granted in 2021 attained a performance vesting factor of 119%. In the first quarter of 2024, these awards were settled, net of the remittance of the participants' withholding tax obligation of \$46 million, by way of disbursement from the Share Trusts of 0.3 million common shares.



## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

### Voluntary Incentive Deferral Plan

	DSUs <sup>(1)</sup>	
	Units <i>In millions</i>	Weighted-average grant date fair value
Outstanding at December 31, 2023	0.3	\$ 112.66
Granted	0.1	\$ 175.06
Settled	—	\$ 149.77
<b>Outstanding at March 31, 2024 <sup>(2)</sup></b>	<b>0.4</b>	<b>\$ 118.14</b>

- (1) The grant date fair value of equity settled DSU awards granted in 2024 of \$4 million is calculated using the Company's stock price on the grant date. As at March 31, 2024, the aggregate intrinsic value of all equity settled DSU awards outstanding amounted to \$65 million.
- (2) The total fair value of equity settled DSU awards vested, the number of units outstanding that were nonvested, unrecognized compensation cost, the remaining recognition period, and the withholding tax obligation remitted on the settlement of DSU awards have not been quantified as they relate to a minimal number of units.

As at March 31, 2024 the liability for cash settled DSU awards was \$5 million based on a closing stock price of \$178.37 (\$5 million based on a closing stock price of \$166.55 as at December 31, 2023).

### Stock option awards

	Options outstanding	
	Number of options <i>In millions</i>	Weighted-average exercise price
Outstanding at December 31, 2023 <sup>(1)</sup>	3.3	\$ 127.64
Granted <sup>(2)</sup>	0.4	\$ 166.74
Exercised	(0.3)	\$ 97.92
Forfeited	—	\$ 155.11
<b>Outstanding at March 31, 2024 <sup>(1)(2)(3)</sup></b>	<b>3.4</b>	<b>\$ 135.66</b>
<b>Exercisable at March 31, 2024 <sup>(1)(3)</sup></b>	<b>1.9</b>	<b>\$ 120.78</b>

- (1) Stock options with a US dollar exercise price have been translated into Canadian dollars using the foreign exchange rate in effect at the balance sheet date.
- (2) The grant date fair value of options granted in 2024 of \$14 million (\$36.60 per option) is calculated using the Black-Scholes option-pricing model. The options granted in 2024 vest over a four-year period compared to a five-year period for options granted in the years 2020 to 2023. As at March 31, 2024, total unrecognized compensation cost related to all outstanding awards was \$30 million and is expected to be recognized over a weighted-average period of 3.4 years.
- (3) The weighted-average term to expiration of options outstanding was 6.6 years and the weighted-average term to expiration of exercisable stock options was 5.3 years. As at March 31, 2024, the aggregate intrinsic value of in-the-money stock options outstanding amounted to \$145 million and the aggregate intrinsic value of stock options exercisable amounted to \$112 million.

### Employee Share Investment Plan

	ESIP	
	Number of shares <i>In millions</i>	Weighted-average share price
Unvested contributions at December 31, 2023	0.2	\$ 156.40
Company contributions	—	\$ 169.89
Forfeited	—	\$ 160.22
Vested <sup>(1)</sup>	—	\$ 159.98
<b>Unvested contributions at March 31, 2024 <sup>(2)</sup></b>	<b>0.2</b>	<b>\$ 159.48</b>

- (1) As at March 31, 2024, total fair value of units purchased with Company contributions that vested in 2024 was \$7 million.
- (2) As at March 31, 2024, total unrecognized compensation cost related to all outstanding awards was \$17 million and is expected to be recognized over the next twelve months.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

### 8 – Accumulated other comprehensive loss

<i>In millions</i>	Foreign currency translation adjustments	Pension and other postretirement benefit plans	Derivative instruments	Total before tax	Income tax recovery (expense) <sup>(1)</sup>	Total net of tax
Balance at December 31, 2023	\$ (171)	\$ (3,003)	\$ 99	\$ (3,075)	\$ 796	\$ (2,279)
Other comprehensive income (loss) before reclassifications:						
Translation of net investment <sup>(2)</sup>	353			353	–	353
Translation of US dollar debt <sup>(3)</sup>	(248)			(248)	33	(215)
Amounts reclassified from Accumulated other comprehensive loss:						
Amortization of net actuarial loss <sup>(4)</sup>		14		14	(4)	10
Amortization of prior service credit		(1)		(1)	–	(1)
Amortization of gain on treasury locks			(1)	(1)	–	(1)
<b>Other comprehensive income (loss)</b>	<b>105</b>	<b>13</b>	<b>(1)</b>	<b>117</b>	<b>29</b>	<b>146</b>
<b>Balance at March 31, 2024</b>	<b>\$ (66)</b>	<b>\$ (2,990)</b>	<b>\$ 98</b>	<b>\$ (2,958)</b>	<b>\$ 825</b>	<b>\$ (2,133)</b>

<i>In millions</i>	Foreign currency translation adjustments	Pension and other postretirement benefit plans	Derivative instruments	Total before tax	Income tax recovery (expense) <sup>(1)</sup>	Total net of tax
Balance at December 31, 2022	\$ (70)	\$ (2,669)	\$ 3	\$ (2,736)	\$ 767	\$ (1,969)
Other comprehensive income (loss) before reclassifications:						
Translation of net investment <sup>(2)</sup>	(40)			(40)	–	(40)
Translation of US dollar debt <sup>(3)</sup>	30			30	(5)	25
Derivative instruments <sup>(5)</sup>			(3)	(3)	1	(2)
Amounts reclassified from Accumulated other comprehensive loss:						
Amortization of net actuarial loss <sup>(4)</sup>		1		1	–	1
Amortization of prior service credit		(1)		(1)	–	(1)
<b>Other comprehensive loss</b>	<b>(10)</b>	<b>–</b>	<b>(3)</b>	<b>(13)</b>	<b>(4)</b>	<b>(17)</b>
<b>Balance at March 31, 2023</b>	<b>\$ (80)</b>	<b>\$ (2,669)</b>	<b>\$ –</b>	<b>\$ (2,749)</b>	<b>\$ 763</b>	<b>\$ (1,986)</b>

(1) The Company releases stranded tax effects from Accumulated other comprehensive loss to Net income upon the liquidation or termination of the related item.

(2) Foreign exchange gain (loss) on translation of net investment in foreign operations.

(3) Foreign exchange gain (loss) on translation of US dollar-denominated debt designated as a hedge of the net investment in foreign operations. The Company designates US dollar-denominated debt of the parent company as a foreign currency hedge of its net investment in foreign operations. Accordingly, from the dates of designation, foreign exchange gains and losses on translation of the Company's US dollar-denominated debt are recorded in Accumulated other comprehensive loss, which minimizes the volatility of earnings resulting from the conversion of US dollar-denominated debt into Canadian dollars.

(4) Total before tax reclassified to Other components of net periodic benefit income in the Consolidated Statements of Income and included in net periodic benefit cost. See Note 4 – Pensions and other postretirement benefits for additional information.

(5) Cumulative gains or losses of the treasury locks are included in Derivative instruments.

### 9 – Major commitments and contingencies

#### Purchase commitments

As at March 31, 2024, the Company had fixed and variable commitments to purchase locomotives, engineering services, rail, information technology services and licenses, railroad cars, rail ties, wheels as well as other equipment and services with a total estimated cost of \$2,517 million. Costs of variable commitments were estimated using forecasted prices and volumes.

#### Contingencies

In the normal course of business, the Company becomes involved in various legal actions seeking compensatory and occasionally punitive damages, including actions brought on behalf of various purported classes of claimants and claims relating to employee and third-party personal injuries, occupational disease and property damage, arising out of harm to individuals or property allegedly caused by, but not limited to, derailments or other accidents.

As at March 31, 2024, the Company had aggregate reserves for personal injury and other claims of \$299 million, of which \$62 million was recorded as a current liability (\$311 million as at December 31, 2023, of which \$51 million was recorded as a current liability).

Although the Company considers such provisions to be adequate for all its outstanding and pending claims, the final outcome with respect to actions outstanding or pending as at March 31, 2024, or with respect to future claims, cannot be reasonably determined. When establishing provisions for contingent liabilities the Company considers, where a probable loss estimate cannot be made with reasonable certainty, a range of potential probable losses for each such matter, and records the amount it considers the most reasonable estimate within the range. However, when no amount within the range is a better estimate than any other amount, the minimum amount in the range is accrued. For matters where a loss is reasonably possible but not probable, a range of potential losses cannot be estimated due to various factors which may include the limited availability of facts, the lack of demand for specific damages and the fact that proceedings were at an early stage. Based on information currently available, the Company believes that the eventual outcome of the actions against the Company will not, individually or in the aggregate, have a material adverse effect on the Company's financial position. However, due to the inherent inability to predict with certainty unforeseeable future developments, there can be no assurance that the ultimate resolution of these actions will not have a material adverse effect on the Company's results of operations, financial position or liquidity.

#### Environmental matters

The Company's provision for specific environmental sites is undiscounted and includes costs for remediation and restoration of sites, as well as monitoring costs. Costs related to any unknown existing or future contamination will be accrued in the period in which they become probable and reasonably estimable. Additional information relating to the Company's environmental matters is provided in *Note 22 – Major commitments and contingencies* to the Company's 2023 Annual Consolidated Financial Statements.

Under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), the Company through one of its subsidiaries was notified by the U.S. Environmental Protection Agency (EPA) on February 28, 2024 that it is a potentially responsible party (PRP), along with at least five other previously notified parties, with respect to the Matthiessen & Hegeler Zinc Company Site (Site) in LaSalle Illinois. The Company's designation as a PRP is based on claims that the Company, or its predecessors, had land holdings historically that were leased to others for commercial or industrial uses that may allegedly have resulted in releases of hazardous substances onto the Site. Based on remedial investigations and feasibility studies previously conducted, the EPA issued a Record of Decision outlining the clean-up plan for the Site. The Company has not accrued for any obligation related to the remediation of the Site as it has not been able to confirm to what extent it contributed to the contamination, the extent and cost of remediation and the contribution of other potentially responsible parties and their ability to pay for their obligations.

As at March 31, 2024, the Company had aggregate accruals for environmental costs of \$58 million, of which \$39 million was recorded as a current liability (\$58 million as at December 31, 2023, of which \$39 million was recorded as a current liability). The Company anticipates that the majority of the liability at March 31, 2024 will be paid out over the next five years. Based on the information currently available, the Company considers its accruals to be adequate.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

### Guarantees and indemnifications

A description of the Company's guarantees and indemnifications is provided in *Note 22 – Major commitments and contingencies* to the Company's 2023 Annual Consolidated Financial Statements.

As at March 31, 2024, the Company had outstanding letters of credit of \$338 million (\$337 million as at December 31, 2023) under the committed bilateral letter of credit facilities and \$152 million (\$152 million as at December 31, 2023) under the uncommitted bilateral letter of credit facilities, and surety and other bonds of \$157 million (\$157 million as at December 31, 2023), all issued by financial institutions with investment grade credit ratings to third parties to indemnify them in the event the Company does not perform its contractual obligations.

As at March 31, 2024, the maximum potential liability under these guarantee instruments was \$647 million (\$646 million as at December 31, 2023), of which \$605 million (\$603 million as at December 31, 2023) related to other employee benefit liabilities and workers' compensation and \$42 million (\$43 million as at December 31, 2023) related to other liabilities. The guarantee instruments expire at various dates between 2024 and 2025.

As at March 31, 2024, the Company had not recorded a liability with respect to guarantees and indemnifications as the Company did not expect to make any payments under its guarantees and indemnifications.

## 10 – Financial instruments

### Derivative financial instruments

The Company uses derivative financial instruments from time to time in the management of its foreign currency and interest rate exposures. The Company has limited involvement with derivative financial instruments in the management of its risks and does not hold or issue them for trading or speculative purposes.

### Foreign currency risk

As at March 31, 2024, the Company had outstanding foreign exchange forward contracts to purchase a notional value of US\$1,625 million (US\$1,496 million as at December 31, 2023). These outstanding contracts are at a weighted-average exchange rate of \$1.35 per US\$1.00 (\$1.37 per US\$1.00 as at December 31, 2023) with exchange rates ranging from \$1.33 to \$1.36 per US\$1.00 (\$1.34 to \$1.39 per US\$1.00 as at December 31, 2023). The weighted-average term of the contracts is 68 days (77 days as at December 31, 2023) with terms ranging from 13 days to 125 days (26 days to 178 days as at December 31, 2023). Changes in the fair value of foreign exchange forward contracts, resulting from changes in foreign exchange rates, are recognized in Other income (loss) in the Consolidated Statements of Income as they occur.

For the three months ended March 31, 2024 and 2023, the Company recorded gains of \$52 million and \$6 million, respectively, related to foreign exchange forward contracts. These gains were largely offset by the re-measurement of US dollar-denominated monetary assets and liabilities recorded in Other income (loss).

As at March 31, 2024, the fair value of outstanding foreign exchange forward contracts included in Other current assets and Accounts payable and other was \$12 million and \$1 million, respectively (\$nil and \$64 million, respectively, as at December 31, 2023).

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

### Fair value of financial instruments

The financial instruments that the Company measures at fair value on a recurring basis in periods subsequent to initial recognition are categorized into the following levels of the fair value hierarchy based on the degree to which inputs are observable:

- Level 1: Inputs are quoted prices for identical instruments in active markets
- Level 2: Significant inputs (other than quoted prices included in Level 1) are observable
- Level 3: Significant inputs are unobservable

The carrying amounts of Cash and cash equivalents and Restricted cash and cash equivalents approximate fair value. These financial instruments include highly liquid investments purchased three months or less from maturity, for which the fair value is determined by reference to quoted prices in active markets.

The carrying amounts of Accounts receivable, Other current assets and Accounts payable and other approximate fair value due to their short maturity, unless otherwise specified. The fair value of derivative financial instruments, included in Other current assets and Accounts payable and other is classified as Level 2 and is used to manage the Company's exposure to foreign currency risk and interest rate risk. The fair value is measured by discounting future cash flows using a discount rate derived from market data for financial instruments subject to similar risks and maturities.

The carrying amount of the Company's debt does not approximate fair value. The fair value is estimated based on quoted market prices for the same or similar debt instruments, as well as discounted cash flows using current interest rates for debt with similar terms, company rating, and remaining maturity. The Company classifies debt as Level 2. As at March 31, 2024, the Company's debt, excluding finance leases, had a carrying amount of \$19,736 million (\$18,435 million as at December 31, 2023) and a fair value of \$18,664 million (\$17,844 million as at December 31, 2023). The carrying amount of debt excluding finance leases exceeded the fair value due to market rates being higher than the stated coupon rates.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Forward-looking statements

Certain statements included in this MD&A are "forward-looking statements" within the meaning of the *United States Private Securities Litigation Reform Act of 1995* and under Canadian securities laws, including statements based on management's assessment and assumptions and publicly available information with respect to CN. By their nature, forward-looking statements involve risks, uncertainties and assumptions. CN cautions that its assumptions may not materialize and that current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty. Forward-looking statements may be identified by the use of terminology such as "believes," "expects," "anticipates," "assumes," "outlook," "plans," "targets", or other similar words.

Forward-looking statements include, but are not limited to, those set forth in the table below, which also presents key assumptions used in determining the forward-looking statements. See also the section of this MD&A entitled *2024 Business outlook and assumptions*.

Forward-looking statements	Key assumptions
Statements relating to revenue growth opportunities, including those referring to general economic and business conditions	<ul style="list-style-type: none"><li>• North American and global economic growth in the long term</li><li>• Long-term growth opportunities being less affected by current economic conditions</li><li>• No material disruption of CN's operations or of the economy's supply chains as a result of pandemics or geopolitical conflicts and tensions</li></ul>
Statements relating to the Company's ability to meet debt repayments and future obligations in the foreseeable future, including income tax payments, and capital spending	<ul style="list-style-type: none"><li>• Adequate credit ratios</li><li>• Investment-grade credit ratings</li><li>• Access to capital markets</li><li>• Adequate cash generated from operations and other sources of financing</li></ul>
Statements relating to pension contributions	<ul style="list-style-type: none"><li>• Adequate cash generated from operations and other sources of financing</li><li>• Adequate long-term return on investment on pension plan assets</li><li>• Level of funding as determined by actuarial valuations, particularly influenced by discount rates for funding purposes</li></ul>

Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors which may cause actual results, performance or achievements of CN to be materially different from the outlook or any future results, performance or achievements implied by such statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements. Important risk factors that could affect the forward-looking statements include, but are not limited to, general economic and business conditions, including factors impacting global supply chains such as pandemics and geopolitical conflicts and tensions; industry competition; inflation, currency and interest rate fluctuations; changes in fuel prices; legislative and/or regulatory developments; compliance with environmental laws and regulations; actions by regulators; increases in maintenance and operating costs; security threats; reliance on technology and related cybersecurity risk; trade restrictions or other changes to international trade arrangements; transportation of hazardous materials; various events which could disrupt operations, including illegal blockades of rail networks, and natural events such as severe weather, droughts, fires, floods and earthquakes; climate change; labor negotiations and disruptions; environmental claims; uncertainties of investigations, proceedings and other types of claims and litigation; risks and liabilities arising from derailments; timing and completion of capital programs; the availability of and cost competitiveness of renewable fuels and the development of new locomotive propulsion technology; reputational risks; supplier concentration; pension funding requirements and volatility; and other risks detailed from time to time in reports filed by CN with securities regulators in Canada and the U.S., including its Annual Information Form and Form 40-F. See the section entitled *Business risks* of this MD&A and the Company's 2023 Annual MD&A for a description of major risk factors relating to CN.

Forward-looking statements reflect information as of the date on which they are made. CN assumes no obligation to update or revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable securities laws. In the event CN does update any forward-looking statement, no inference should be made that CN will make additional updates with respect to that statement, related matters, or any other forward-looking statement. Information contained on, or accessible through, our website is not incorporated by reference into this MD&A.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Introduction

This Management's Discussion and Analysis (MD&A) dated April 23, 2024, relates to the consolidated financial position and results of operations of Canadian National Railway Company, together with its wholly-owned subsidiaries, collectively "CN" or the "Company," and should be read in conjunction with the Company's March 31, 2024 Interim Consolidated Financial Statements and Notes thereto. It should also be read in conjunction with the Company's 2023 Annual Consolidated Financial Statements, and the 2023 Annual MD&A. All financial information reflected herein is expressed in Canadian dollars and prepared in accordance with United States generally accepted accounting principles (GAAP), unless otherwise noted.

CN's common shares are listed on the Toronto and New York stock exchanges. Additional information about CN filed with Canadian securities regulatory authorities and the United States Securities and Exchange Commission (SEC), including the Company's 2023 Annual Information Form and Form 40-F, may be found online on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca), on the SEC's website at [www.sec.gov](http://www.sec.gov) through EDGAR, and on the Company's website at [www.cn.ca](http://www.cn.ca) in the Investors section. Printed copies of such documents may be obtained by contacting CN's Corporate Secretary's Office.

## Quarterly highlights

### First quarter of 2024 compared to first quarter of 2023

#### Financial results

- Revenues of \$4,249 million, a decrease of \$64 million, or 1%.
- Operating income of \$1,546 million, a decrease of \$116 million, or 7%.
- Operating ratio, defined as operating expenses as a percentage of revenues, of 63.6%, an increase of 2.1-points.
- Diluted earnings per share (EPS) of \$1.72, a decrease of 5%.
- Free cash flow of \$529 million, a decrease of \$64 million, or 11%. <sup>(1)</sup>

#### Operating performance

- Injury frequency rate of 1.20 (per 200,000 person hours), an increase of 22%. <sup>(2)</sup>
- Accident rate of 1.68 (per million train miles), an increase of 10%. <sup>(2)</sup>
- Through dwell remained flat at 7.1 (entire railroad, hours).
- Car velocity of 205 (car miles per day), a decrease of 3%.
- Through network train speed of 18.7 (mph), a decrease of 7%.
- Fuel efficiency of 0.896 (US gallons of locomotive fuel consumed per 1,000 gross ton miles (GTMs)), an improvement of 1%.
- Train length remained flat at 7,787 (feet).
- Revenue ton miles (RTMs) remained flat at 59,749 (millions).

(1) 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 section of this MD&A entitled *Liquidity and capital resources – Free cash flow* for an explanation and reconciliation of this non-GAAP measure.

(2) Based on Federal Railroad Administration (FRA) reporting criteria.

### U.S. regulatory updates

#### Crew size

On April 9, 2024, the Federal Railroad Administration (FRA) issued a final rule establishing minimum requirements for the size of train crews depending on the type of operation. The FRA's new rule requires railroad operations to have a minimum of two crew members, except in certain circumstances, including remote-control operations. The rule includes a process to petition the FRA for special approval to operate with fewer than two crew members. The rule will become effective on June 10, 2024. The rail industry has challenged the rule as arbitrary and contrary to law in federal circuit court.

No assurance can be given that these and any other current or future regulatory or legislative initiatives by the U.S. federal government and agencies will not materially adversely affect the Company's results of operations or its competitive and financial position.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Acquisition

#### ***Iowa Northern Railway Company***

On February 29, 2024, the STB accepted CN's application to acquire control of the Iowa Northern Railroad Company (IANR) and confirmed the transaction qualifies as minor. Under the governing statute, the STB must approve the transaction unless it finds a merger would substantially lessen competition. The STB has set a schedule to perform its review and a final decision is expected to be issued by July 26, 2024 with an effective date of 30 days thereafter.

### Labor workforce and negotiations

As at March 31, 2024, CN employed a total of 18,299 employees in Canada, of which 13,415, or 73%, were unionized employees, and 6,880 employees in the U.S., of which 5,812, or 84%, were unionized employees.

On March 1, 2024, CN reached a tentative agreement with United Steel Workers Union (USW) renewing the collective agreement for a three-year term. The agreement covers approximately 2,500 track and bridge employees at CN, primarily responsible for track maintenance across Canada. The agreement is awaiting ratification by its membership.

The four-year tentative agreement reached on January 17, 2024 between Canadian National Transportation Limited (CNTL), a wholly owned subsidiary of the Company, and Unifor, governing approximately 750 owner-operator truck drivers in Canada, was not ratified by union membership. The Minister of Labor has appointed a conciliator and the parties are scheduled to meet on May 1, 2024. The earliest possible date of a labor disruption would be May 7, 2024.

On November 27, 2023, negotiations commenced with Teamsters Canada Rail Conference (TCRC). The TCRC represents approximately 6,600 conductors, conductor trainees, yard coordinators and locomotive engineers across CN's network in Canada. On February 16, 2024, CN filed a Notice of Dispute with the Minister of Labor. On March 1, 2024 the Minister of Labor appointed a conciliator, and the parties have been meeting with the conciliator to reach a collective agreement. The earliest possible date of labor disruption would be May 22, 2024.

The Company's collective agreements remain in effect until the bargaining process outlined under the Canada Labor Code has been exhausted.

### Environmental matters

Under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), the Company through one of its subsidiaries was notified by the U.S. Environmental Protection Agency (EPA) on February 28, 2024 that it is a potentially responsible party (PRP), along with at least five other previously notified parties, with respect to the Matthiessen & Hegeler Zinc Company Site (Site) in LaSalle Illinois. The Company's designation as a PRP is based on claims that the Company, or its predecessors, had land holdings historically that were leased to others for commercial or industrial uses that may allegedly have resulted in releases of hazardous substances onto the Site. Based on remedial investigations and feasibility studies previously conducted, the EPA issued a Record of Decision outlining the clean-up plan for the Site. The Company has not accrued for any obligation related to the remediation of the Site as it has not been able to confirm to what extent it contributed to the contamination, the extent and cost of remediation and the contribution of other potentially responsible parties and their ability to pay for their obligations.

## 2024 Business outlook and assumptions

The Company continues to assume slightly positive North American industrial production in 2024. For the 2023/2024 crop year, the grain crop in Canada was below its three-year average (also below when excluding the significantly lower 2021/2022 crop year) and the U.S. grain crop was above its three-year average. The Company continues to assume that the 2024/2025 grain crop in Canada will be in line with its three-year average (excluding the significantly lower 2021/2022 crop year) and the U.S. grain crop will also be in line with its three-year average.

In 2024, the Company continues to expect to invest approximately \$3.5 billion in its capital program, net of amounts reimbursed by customers, to improve the safety, efficiency and integrity of its network. These investments are intended to also enable and support the growth of the Company and will be financed with cash generated from operations or with cash from financing activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The forward-looking statements discussed in this *2024 Business outlook and assumptions* section are subject to risks and uncertainties that could cause actual results or performance to differ materially from those expressed or implied in such statements and are based on certain factors and assumptions which the Company considers reasonable, about events, developments, prospects and opportunities that may not materialize or that may be offset entirely or partially by other events and developments. In addition to the assumptions and expectations discussed in this section, reference should be made to the section of this MD&A entitled *Forward-looking statements* for assumptions and risk factors affecting such statements.

### Financial highlights

	Three months ended March 31		
	2024	2023	% Change Fav (Unfav)
<i>In millions, except percentages and per share data</i>			
<b>Financial performance and liquidity</b>			
Revenues	\$ 4,249	\$ 4,313	(1%)
Operating income	\$ 1,546	\$ 1,662	(7%)
Net income	\$ 1,103	\$ 1,220	(10%)
Basic earnings per share	\$ 1.72	\$ 1.83	(6%)
Diluted earnings per share	\$ 1.72	\$ 1.82	(5%)
Dividends per share	\$ 0.8450	\$ 0.7900	7%
Operating ratio <sup>(1)</sup>	63.6%	61.5%	(2.1) pts
Net cash provided by operating activities	\$ 1,117	\$ 1,055	6%
Net cash used in investing activities	\$ 588	\$ 462	(27%)
Free cash flow <sup>(2)</sup>	\$ 529	\$ 593	(11%)
	As at	As at	% Change
	March 31, 2024	December 31, 2023	Fav (Unfav)
<i>In millions, except percentages</i>			
<b>Financial position</b>			
Total assets	\$ 53,524	\$ 52,666	2%
Total long-term liabilities <sup>(3)</sup>	\$ 28,196	\$ 27,514	(2%)

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

(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 section of this MD&A entitled *Liquidity and capital resources – Free cash flow* for an explanation of this non-GAAP measure.

(3) Total long-term liabilities is the difference between Total liabilities and Total current liabilities.

### Results of operations

#### First quarter of 2024 compared to corresponding period in 2023

Revenues for the first quarter of 2024 were \$4,249 million compared to \$4,313 million for the same period in 2023, a decrease of \$64 million, or 1%. The decrease was mainly due to lower Freight revenue per RTM, while volumes remained flat:

- Volumes: remained flat mainly due to higher shipments of potash, refined petroleum products, frac sand, international intermodal and natural gas liquids; offset by lower shipments of coal, grain, forest products and crude oil.
- Freight revenue per RTM: decreased mainly due to lower fuel surcharge revenues and an increase in the average length of haul; partly offset by freight rate increases.

Operating expenses for the first quarter of 2024 were \$2,703 million compared to \$2,651 million for the same period in 2023. The increase of \$52 million, or 2%, was mainly due to higher labor and fringe benefits expense driven by general wage increases and higher average headcount; partly offset by lower fuel prices.

Operating income for the first quarter of 2024 decreased by \$116 million, or 7%, to \$1,546 million when compared to the same period in 2023. The operating ratio, defined as operating expenses as a percentage of revenues, was 63.6% in the first quarter of 2024 compared to 61.5% in the first quarter of 2023, a 2.1-point increase.

Net income for the first quarter of 2024 was \$1,103 million, a decrease of \$117 million, or 10%, and diluted earnings per share decreased by 5% to \$1.72, when compared to the same period in 2023.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Key operating metrics

	Three months ended March 31		
	2024	2023	% Change Fav (Unfav)
Gross ton miles (GTMs) (millions) <sup>(1)</sup>	115,627	115,442	—%
Train weight (tons) <sup>(2)</sup>	9,087	9,135	(1%)
Train length (feet) <sup>(3)</sup>	7,787	7,756	—%
Through network train speed (miles per hour) <sup>(4)</sup>	18.7	20.1	(7%)
Fuel efficiency (US gallons of locomotive fuel consumed per 1,000 GTMs) <sup>(5)</sup>	0.896	0.902	1%
Through dwell (entire railroad, hours) <sup>(6)</sup>	7.1	7.1	—%
Car velocity (car miles per day) <sup>(7)</sup>	205	211	(3%)

(1) GTMs: The workload performed by system trains in hauling freight or equipment. GTMs are calculated by multiplying the trailing weight by the distance the train moved. A larger number is an indicator of more traffic (and thus more revenue) being moved.

(2) Train weight: An efficiency measurement on how much tonnage each mainline train handles on average as it crosses the network. Calculated as the total of GTMs and divided by total train miles, this measure provides insight on how well each train was maximized in terms of its capacity to move traffic. This operating measure was formerly named Train productivity.

(3) Train length: An efficiency measurement on average trailing length of each mainline train on the network. Calculated as the total of car foot miles (the sum of car length multiplied by miles travelled for each trailing car) divided by total train miles, this measure provides insight on how well each train was maximized in terms of its capacity to move traffic.

(4) Through network train speed: A measure of the line-haul movement from origin to destination, including time at terminals. The average speed is calculated by dividing train miles by total hours operated, excluding yard and local trains, passenger trains, maintenance of way trains, and foreign trains. This measure represents the fluidity of trains on the network, with a higher value also indicating a more fluid network.

(5) Fuel efficiency: This measure represents how efficient the Company is in the generation and utilization of locomotive horsepower in freight train operations, with a lower number indicating improved performance. Fuel efficiency is defined as US gallons of locomotive fuel consumed per 1,000 GTMs.

(6) Through dwell: The average time a car resides within terminal boundaries expressed in hours. The measurement begins with a customer release, received interchange, or train arrival event and ends with a customer placement (actual or constructive), delivered or offered in interchange, or train departure event. This excludes stored, bad ordered, maintenance of way cars, or cars with dwell greater than 10 days. This measure represents the efficiency of handling cars within the terminal, with a lower value indicating higher performance.

(7) Car velocity: The average miles per day traveled by loaded and empty cars (including all active cars whether private, foreign or CN owned) on company lines. This measure represents the fluidity of cars on the network, calculated by the sum of miles each car traveled divided by the sum of all of the cars' active time, with a higher value indicating a smoother and more fluid operation.

Car velocity and through network train speed were negatively impacted by colder temperatures in Western Canada compared to more favorable winter operating conditions in 2023, congestion around Vancouver and lower crew availability driven by new Canadian Duty and Rest Period Rules which came into effect on May 25, 2023.

### Non-GAAP measures

This MD&A makes reference to non-GAAP measures, including adjusted performance measures, constant currency, free cash flow and adjusted debt-to-adjusted EBITDA multiple that do not have any standardized meaning prescribed by GAAP and therefore, 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.

For further details of these non-GAAP measures, including a reconciliation to the most directly comparable GAAP financial measures, refer to the sections of this MD&A entitled *Non-GAAP measures: Constant currency*, as well as the section entitled *Liquidity and capital resources: Free cash flow and Adjusted debt-to-adjusted EBITDA multiple*. The Company did not present any adjusted performance measures as there were no adjustments in the first quarter of 2024 and 2023.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 \$1.349 and \$1.352 per US\$1.00 for the three months ended March 31, 2024 and 2023 respectively. On a constant currency basis, the Company's net income for the three months ended March 31, 2024 would have been higher by \$3 million (\$nil per diluted share).

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 ended March 31, 2024:

<i>In millions, except per share data</i>	Three months ended March 31			
	2024	Constant currency impact	2023	% Change at constant currency Fav (Unfav)
<b>Revenues</b>				
Petroleum and chemicals	\$ 857	\$ 2	\$ 828	4%
Metals and minerals	530	2	529	1%
Forest products	494	1	511	(3%)
Coal	221	—	263	(16%)
Grain and fertilizers	860	1	861	—%
Intermodal	959	1	1,012	(5%)
Automotive	216	1	215	1%
<b>Total freight revenues</b>	<b>4,137</b>	<b>8</b>	<b>4,219</b>	<b>(2%)</b>
Other revenues	112	—	94	19%
<b>Total revenues</b>	<b>4,249</b>	<b>8</b>	<b>4,313</b>	<b>(1%)</b>
<b>Operating expenses</b>				
Labor and fringe benefits	894	2	812	(10%)
Purchased services and material	571	—	593	4%
Fuel	514	1	557	8%
Depreciation and amortization	462	1	448	(3%)
Equipment rents	99	—	90	(10%)
Other	163	—	151	(8%)
<b>Total operating expenses</b>	<b>2,703</b>	<b>4</b>	<b>2,651</b>	<b>(2%)</b>
<b>Operating income</b>	<b>1,546</b>	<b>4</b>	<b>1,662</b>	<b>(7%)</b>
Interest expense	(210)	—	(165)	(27%)
Other components of net periodic benefit income	113	—	119	(5%)
Other income	2	—	1	100%
<b>Income before income taxes</b>	<b>1,451</b>	<b>4</b>	<b>1,617</b>	<b>(10%)</b>
Income tax expense	(348)	(1)	(397)	12%
<b>Net income</b>	<b>\$ 1,103</b>	<b>\$ 3</b>	<b>\$ 1,220</b>	<b>(9%)</b>
<b>Diluted earnings per share</b>	<b>\$ 1.72</b>	<b>\$ —</b>	<b>\$ 1.82</b>	<b>(5%)</b>



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Revenues

<i>In millions, unless otherwise indicated</i>	Three months ended March 31			
	2024	2023	% Change	% Change at constant currency <sup>(1)</sup>
Freight revenues	\$ 4,137	\$ 4,219	(2%)	(2%)
Other revenues	112	94	19%	19%
<b>Total revenues</b>	<b>\$ 4,249</b>	<b>\$ 4,313</b>	<b>(1%)</b>	<b>(1%)</b>
Freight revenues				
Petroleum and chemicals	\$ 857	\$ 828	4%	4%
Metals and minerals	530	529	—%	1%
Forest products	494	511	(3%)	(3%)
Coal	221	263	(16%)	(16%)
Grain and fertilizers	860	861	—%	—%
Intermodal	959	1,012	(5%)	(5%)
Automotive	216	215	—%	1%
<b>Total freight revenues</b>	<b>\$ 4,137</b>	<b>\$ 4,219</b>	<b>(2%)</b>	<b>(2%)</b>
Revenue ton miles (RTMs) (millions) <sup>(2)</sup>	59,749	59,961	—%	—%
Freight revenue/RTM (cents) <sup>(3)</sup>	6.92	7.04	(2%)	(1%)
Carloads (thousands)	1,343	1,353	(1%)	(1%)
Freight revenue/carload (\$)	3,080	3,118	(1%)	(1%)

(1) 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 section of this MD&A entitled *Non-GAAP measures – Constant currency* for an explanation of this non-GAAP measure.

(2) RTMs is a measure of volumes and is calculated by multiplying the weight in tons of the shipment lading being transported by the number of miles that the shipment is transported on company lines. CN uses RTMs as the primary measure of volumes as compared to Carloads, since RTMs also takes into account the length of haul and weight in the movement.

(3) Freight revenue per RTM is an indicator of yield and represents revenue earned for transporting one ton of freight over a distance of one mile.

For the first quarter of 2024, revenues decreased by \$64 million, or 1%, when compared to the same period in 2023, mainly due to lower Freight revenue per RTM, while volumes remained flat:

- Volumes: remained flat mainly due to higher shipments of potash, refined petroleum products, frac sand, international intermodal and natural gas liquids; offset by lower shipments of coal, grain, forest products and crude oil.
- Freight revenue per RTM: decreased mainly due to lower fuel surcharge revenues and an increase in the average length of haul; partly offset by freight rate increases.

Fuel surcharge revenues decreased by \$161 million in the first quarter of 2024 compared to the same period in 2023, mainly due to lower applicable fuel prices.

### Petroleum and chemicals

	Three months ended March 31			
	2024	2023	% Change	% Change at constant currency
Revenues (millions)	\$ 857	\$ 828	4%	4%
RTMs (millions)	11,714	11,019	6%	6%
Revenue/RTM (cents)	7.32	7.51	(3%)	(2%)
Carloads (thousands)	165	161	2%	2%
Revenue/carload (\$)	5,194	5,143	1%	1%

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the first quarter of 2024, revenues for this commodity group increased by \$29 million, or 4%, when compared to the same period in 2023, mainly due to higher volumes; partly offset by lower Revenue per RTM:

- Volumes: increased mainly due to higher shipments of refined petroleum products driven by strong domestic demand for gas, diesel and jet fuel and higher shipments of natural gas liquids; partly offset by lower shipments of crude oil.
- Revenue per RTM: decreased mainly due to lower fuel surcharge revenues and an increase in the average length of haul; partly offset by freight rate increases.

RTMs increased more than Carloads in the first quarter of 2024 when compared to the same period in 2023, mainly due to higher long-haul shipments of refined petroleum products and natural gas liquids.

### Metals and minerals

	Three months ended March 31			
	2024	2023	% Change	% Change at constant currency
Revenues ( <i>millions</i> )	\$ 530	\$ 529	—%	1%
RTMs ( <i>millions</i> )	7,350	7,088	4%	4%
Revenue/RTM ( <i>cents</i> )	7.21	7.46	(3%)	(3%)
Carloads ( <i>thousands</i> )	240	237	1%	1%
Revenue/carload (\$)	2,208	2,232	(1%)	(1%)

For the first quarter of 2024, revenues for this commodity group remained flat, when compared to the same period in 2023, mainly due to higher volumes; offset by lower Revenue per RTM:

- Volumes: increased mainly due to higher shipments of frac sand to Western Canada and higher shipments of aluminum; partly offset by lower shipments of steel products.
- Revenue per RTM: decreased mainly due to lower fuel surcharge revenues and an increase in the average length of haul; partly offset by freight rate increases.

RTMs increased more than Carloads in the first quarter of 2024 when compared to the same period in 2023, mainly due to higher long-haul shipments of frac sand from the U.S. to Western Canada.

### Forest products

	Three months ended March 31			
	2024	2023	% Change	% Change at constant currency
Revenues ( <i>millions</i> )	\$ 494	\$ 511	(3%)	(3%)
RTMs ( <i>millions</i> )	5,769	6,056	(5%)	(5%)
Revenue/RTM ( <i>cents</i> )	8.56	8.44	1%	2%
Carloads ( <i>thousands</i> )	78	81	(4%)	(4%)
Revenue/carload (\$)	6,333	6,309	—%	1%

For the first quarter of 2024, revenues for this commodity group decreased by \$17 million, or 3%, when compared to the same period in 2023, mainly due to lower volumes; partly offset by higher Revenue per RTM:

- Volumes: decreased mainly due to lower shipments of lumber and panels.
- Revenue per RTM: increased mainly due to freight rate increases; partly offset by lower fuel surcharge revenues.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Coal

	Three months ended March 31			
	2024	2023	% Change	% Change at constant currency
Revenues ( <i>millions</i> )	\$ 221	\$ 263	(16%)	(16%)
RTMs ( <i>millions</i> )	4,638	5,848	(21%)	(21%)
Revenue/RTM ( <i>cents</i> )	4.76	4.50	6%	6%
Carloads ( <i>thousands</i> )	112	130	(14%)	(14%)
Revenue/carload (\$)	1,973	2,023	(2%)	(2%)

For the first quarter of 2024, revenues for this commodity group decreased by \$42 million, or 16%, when compared to the same period in 2023, mainly due to lower volumes; partly offset by higher Revenue per RTM:

- Volumes: decreased mainly due to lower shipments of Canadian coal driven by production issues at certain Western Canadian mines and lower shipments of U.S. coal exports driven by weaker European demand.
- Revenue per RTM: increased mainly due to a decrease in the average length of haul and freight rate increases; partly offset by lower fuel surcharge revenues.

RTMs decreased more than Carloads in the first quarter of 2024 when compared to the same period in 2023, mainly due to lower long-haul shipments of U.S. coal exports.

### Grain and fertilizers

	Three months ended March 31			
	2024	2023	% Change	% Change at constant currency
Revenues ( <i>millions</i> )	\$ 860	\$ 861	—%	—%
RTMs ( <i>millions</i> )	17,032	17,018	—%	—%
Revenue/RTM ( <i>cents</i> )	5.05	5.06	—%	—%
Carloads ( <i>thousands</i> )	171	178	(4%)	(4%)
Revenue/carload (\$)	5,029	4,837	4%	4%

For the first quarter of 2024, revenues for this commodity group remained flat, when compared to the same period in 2023, driven by flat volumes and Revenue per RTM:

- Volumes: remained flat mainly due to higher shipments of potash; offset by lower Canadian grain exports and reduced U.S. grain shipments driven primarily by lower corn demand.
- Revenue per RTM: remained flat mainly due to freight rate increases; offset by an increase in the average length of haul and lower fuel surcharge revenues.

RTMs remained flat while Carloads decreased in the first quarter of 2024 when compared to the same period in 2023, mainly due to higher long-haul shipments of potash exports from Saskatchewan to the east coast of Canada.

### Intermodal

	Three months ended March 31			
	2024	2023	% Change	% Change at constant currency
Revenues ( <i>millions</i> )	\$ 959	\$ 1,012	(5%)	(5%)
RTMs ( <i>millions</i> )	12,531	12,259	2%	2%
Revenue/RTM ( <i>cents</i> )	7.65	8.26	(7%)	(7%)
Carloads ( <i>thousands</i> )	527	512	3%	3%
Revenue/carload (\$)	1,820	1,977	(8%)	(8%)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the first quarter of 2024, revenues for this commodity group decreased by \$53 million, or 5%, when compared to the same period in 2023, mainly due to lower Revenue per RTM; partly offset by higher volumes:

- Volumes: increased mainly due to higher shipments in the international segment driven by imports through Western Canadian ports; partly offset by lower shipments in the domestic segment.
- Revenue per RTM: decreased mainly due to lower fuel surcharge revenues, lower container storage fees and reduced trucking services; partly offset by freight rate increases.

### Automotive

	Three months ended March 31			
	2024	2023	% Change	% Change at constant currency
Revenues ( <i>millions</i> )	\$ 216	\$ 215	—%	1%
RTMs ( <i>millions</i> )	715	673	6%	6%
Revenue/RTM ( <i>cents</i> )	30.21	31.95	(5%)	(5%)
Carloads ( <i>thousands</i> )	50	54	(7%)	(7%)
Revenue/carload (\$)	4,320	3,981	9%	9%

For the first quarter of 2024, revenues for this commodity group remained flat, when compared to the same period in 2023, mainly due to higher volumes; offset by lower Revenue per RTM:

- Volumes: increased mainly due to higher shipments of imported finished vehicles via the port of Vancouver.
- Revenue per RTM: decreased mainly due to a significant increase in the average length of haul and lower fuel surcharge revenues; partly offset by freight rate increases.

RTMs increased while Carloads decreased in the first quarter of 2024 when compared to the same period in 2023, mainly due to higher long-haul shipments of imported vehicles.

### Other revenues

	Three months ended March 31			
	2024	2023	% Change	% Change at constant currency
Revenues ( <i>millions</i> )	\$ 112	\$ 94	19%	19%

For the first quarter of 2024, Other revenues increased by \$18 million, or 19%, when compared to the same period in 2023, mainly due to higher vessel and dock revenues from the iron ore supply chain, increased automotive logistics revenues and higher distribution services.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Operating expenses

Operating expenses for the first quarter of 2024 were \$2,703 million compared to \$2,651 million in the same period of 2023. The increase of \$52 million, or 2%, was mainly due to higher labor and fringe benefits expense driven by general wage increases and higher average headcount; partly offset by lower fuel prices.

<i>In millions, unless otherwise indicated</i>	Three months ended March 31			
	2024	2023	% Change	% Change at constant currency <sup>(1)</sup>
Labor and fringe benefits	\$ 894	\$ 812	(10%)	(10%)
Purchased services and material	571	593	4%	4%
Fuel	514	557	8%	8%
Depreciation and amortization	462	448	(3%)	(3%)
Equipment rents	99	90	(10%)	(10%)
Other	163	151	(8%)	(8%)
<b>Total operating expenses</b>	<b>\$ 2,703</b>	<b>\$ 2,651</b>	<b>(2%)</b>	<b>(2%)</b>

(1) 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 section of this MD&A entitled *Non-GAAP measures - Constant currency* for an explanation of this non-GAAP measure.

#### Labor and fringe benefits

Labor and fringe benefits expense increased by \$82 million, or 10%, in the first quarter of 2024 compared to the same period in 2023. The increase was mainly due to general wage increases and higher average headcount.

#### Purchased services and material

Purchased services and material expense decreased by \$22 million, or 4%, in the first quarter of 2024 compared to the same period in 2023. The decrease was mainly due to lower repairs and maintenance costs.

#### Fuel

Fuel expense decreased by \$43 million, or 8%, in the first quarter of 2024 compared to the same period in 2023. The decrease was mainly due to lower fuel prices.

#### Depreciation and amortization

Depreciation and amortization expense increased by \$14 million, or 3%, in the first quarter of 2024 compared to the same period in 2023. The increase was mainly due to a higher depreciable asset base.

#### Equipment rents

Equipment rents expense increased by \$9 million, or 10%, in the first quarter of 2024 compared to the same period in 2023.

#### Other

Other expense increased by \$12 million, or 8%, in the first quarter of 2024 compared to the same period in 2023. The increase was mainly due to higher software and support costs.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Other income and expense

#### Interest expense

Interest expense was \$210 million for the three months ended March 31, 2024 compared to \$165 million for the same period in 2023. The increase of \$45 million was mainly due to the higher average level of debt and higher interest rates.

#### Other components of net periodic benefit income

Other components of net periodic benefit income was \$113 million for the three months ended March 31, 2024 compared to \$119 million for the same period in 2023. The decrease was mainly due to higher amortization of net actuarial loss, partly offset by lower interest cost. These effects primarily resulted from changes to discount rates and higher actual returns compared to expected returns as determined at December 31, 2023.

#### Other income

Other income was \$2 million for the three months ended March 31, 2024 compared to \$1 million, for the same period in 2023.

#### Income tax expense

Income tax expense was \$348 million for the three months ended March 31, 2024 compared to \$397 million for the same periods in 2023. The effective tax rate for the three months ended March 31, 2024 was 24.0% compared to 24.6%, for the same period in 2023. The decrease in effective tax rate was mainly attributable to the impact of a higher excess tax benefit resulting from the settlement of equity settled awards under the Company's stock based compensation plans in 2024.

### Summary of quarterly financial data

<i>In millions, except per share data</i>	2024		2023			2022		
	Quarter	Fourth	Third	Second	First	Fourth	Third	Second
Revenues	\$ 4,249	\$ 4,471	\$ 3,987	\$ 4,057	\$ 4,313	\$ 4,542	\$ 4,513	\$ 4,344
Operating income <sup>(1)</sup>	\$ 1,546	\$ 1,818	\$ 1,517	\$ 1,600	\$ 1,662	\$ 1,912	\$ 1,932	\$ 1,769
Net income <sup>(1)</sup>	\$ 1,103	\$ 2,130	\$ 1,108	\$ 1,167	\$ 1,220	\$ 1,420	\$ 1,455	\$ 1,325
Basic earnings per share	\$ 1.72	\$ 3.30	\$ 1.69	\$ 1.76	\$ 1.83	\$ 2.10	\$ 2.13	\$ 1.92
Diluted earnings per share <sup>(1)</sup>	\$ 1.72	\$ 3.29	\$ 1.69	\$ 1.76	\$ 1.82	\$ 2.10	\$ 2.13	\$ 1.92
Dividends per share	\$ 0.8450	\$ 0.7900	\$ 0.7900	\$ 0.7900	\$ 0.7900	\$ 0.7325	\$ 0.7325	\$ 0.7325

(1) Certain quarters include items that management believes do not necessarily arise as part of CN's normal day-to-day operations and can distort the analysis of trends in business performance. See the section entitled *Non-GAAP measures* of the Company's 2023 Annual MD&A for additional information on these items.

Revenues generated by the Company during the year are influenced by seasonal weather conditions, general economic conditions, cyclical demand for rail transportation and competitive forces in the transportation marketplace (see the section entitled *Business risks* of the Company's 2023 Annual MD&A). Operating expenses reflect the impact of freight volumes, seasonal weather conditions, labor costs, fuel prices, and the Company's productivity initiatives. Fluctuations in the Canadian dollar relative to the US dollar have also affected the conversion of the Company's US dollar-denominated revenues and expenses and resulted in fluctuations in Net income in the rolling eight quarters presented above.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Liquidity and capital resources

An analysis of the Company's liquidity and capital resources is provided in the section entitled *Liquidity and capital resources* of the Company's 2023 Annual MD&A. There were no significant changes during the first quarter of 2024, except as noted below.

As at March 31, 2024 and December 31, 2023, the Company had Cash and cash equivalents of \$412 million and \$475 million, respectively; Restricted cash and cash equivalents of \$449 million and \$449 million, respectively; and a working capital deficit of \$2,193 million and \$1,946 million, respectively. <sup>(1)</sup> There are currently no specific requirements relating to working capital other than in the normal course of business as discussed herein.

The Company expects cash from operations and its various sources of financing to be sufficient to meet its ongoing obligations.

(1) The Company defines working capital as current assets of \$3,281 million (December 31, 2023 - \$3,089 million) less current liabilities of \$5,474 million (December 31, 2023 - \$5,035 million)

#### Available financing sources

For details on the Company's available financing sources, see section entitled *Liquidity and capital resources* to the Company's 2023 Annual MD&A as well as *Note 6 – Financing activities* to the Company's March 31, 2024 Interim Consolidated Financial Statements.

#### Shelf prospectus and registration statement

On April 2, 2024, the Company filed a shelf prospectus with Canadian securities regulators and a registration statement with the United States Securities and Exchange Commission (SEC), pursuant to which CN may issue debt securities in the Canadian and U.S. capital markets over a 25-month period following the filing date. This shelf prospectus and registration statement replaces CN's previous shelf prospectus and registration statement that was set to expire on June 4, 2024. Access to the Canadian and U.S. capital markets under the shelf prospectus and registration statement is dependent on market conditions. CN expects to use net proceeds from the sale of debt securities under the shelf prospectus and registration statement for general corporate purposes, which may include the redemption and refinancing of outstanding indebtedness, share repurchases, acquisitions, and other business opportunities.

#### Revolving credit facilities

On March 28, 2024, the Company's revolving credit facility agreements were amended to extend their respective tenors by one additional year each. The unsecured credit facility of \$2.5 billion consists of two tranches of \$1.25 billion and are now maturing on March 31, 2027 and March 31, 2029. The unsecured credit facility of \$1.0 billion is now maturing on March 17, 2026. On March 28, 2024, the Company amended its revolving credit facilities to transition from the Canadian Dollar Offered Rate (CDOR) to the Canadian Overnight Repo Rate Average (CORRA). The credit facilities provide borrowings at various benchmark interest rates, such as the Secured Overnight Financing Rate (SOFR) and CORRA, plus applicable margins, based on CN's credit ratings.

As at March 31, 2024 and December 31, 2023, the Company had no outstanding borrowings under these revolving credit facilities.

#### Equipment loans

On March 21, 2024, the Company amended certain of its non-revolving term loan facilities to transition from CDOR to CORRA. Borrowings under the non-revolving term loan facilities are provided at SOFR, CORRA or CDOR plus applicable margins.

During the first three months of 2024, the Company repaid \$10 million of its equipment loans and on March 22, 2024, issued a \$412 million equipment loan under these facilities. As at March 31, 2024 and December 31, 2023, the Company had outstanding borrowings of \$1,094 million and \$677 million, respectively, and had \$366 million and \$769 million available to be drawn under these facilities, respectively.

#### Commercial paper

As at March 31, 2024 and December 31, 2023, the Company had total commercial paper borrowings of US\$1,730 million (\$2,342 million) and US\$1,360 million (\$1,801 million), respectively, presented in Current portion of long-term debt on the Consolidated Balance Sheets.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Accounts receivable securitization program

On March 20, 2024, the Company extended the term of its agreement by one year to February 2, 2026.

For the three months ended March 31, 2024, the Company had proceeds from the accounts receivable securitization program of \$450 million, and repayments of \$350 million.

As at March 31, 2024 the Company had accounts receivable securitization borrowings of \$100 million, secured by and limited to \$119 million of accounts receivable, presented in the Current portion of long-term debt on the Consolidated Balance Sheets and had \$350 million remaining availability under this facility. As at December 31, 2023, the Company had no outstanding borrowings under the accounts receivable securitization program and had \$450 million available under this facility.

### Bilateral letter of credit facilities

On March 28, 2024, the Company extended the maturity date of its committed bilateral letter of credit facility agreements to April 28, 2027.

As at March 31, 2024, the Company had outstanding letters of credit of \$338 million (\$337 million as at December 31, 2023) under the committed facilities from a total available amount of \$362 million (\$361 million as at December 31, 2023) and \$152 million (\$152 million as at December 31, 2023) under the uncommitted facilities.

As at March 31, 2024, included in Restricted cash and cash equivalents was \$339 million (\$339 million as at December 31, 2023) pledged as collateral under the committed bilateral letter of credit facilities, \$100 million (\$100 million as at December 31, 2023) pledged as collateral under the uncommitted bilateral letter of credit facilities, and \$10 million held in escrow (\$10 million as at December 31, 2023).

### Credit ratings

The following table provides the Company's long-term debt and commercial paper credit ratings as of the date of this MD&A. These credit ratings were unchanged from June 30, 2023.

	Outlook	Long-term debt rating <sup>(1)</sup>	Commercial paper rating <sup>(1)</sup>
DBRS Morningstar	Stable	A	R-1 (low)
Moody's Investors Service	Stable	A2	P-1
Standard & Poor's	Stable	A-	A-2

(1) These credit ratings are not recommendations to purchase, hold, or sell the securities referred to above. Ratings may be revised or withdrawn at any time by the credit rating agencies. Each credit rating should be evaluated independently of any other credit rating.

### Cash flows

<i>In millions</i>	Three months ended March 31		
	2024	2023	Variance
Net cash provided by operating activities	\$ 1,117	\$ 1,055	\$ 62
Net cash used in investing activities	(588)	(462)	(126)
Net cash used in financing activities	(593)	(490)	(103)
Effect of foreign exchange fluctuations on cash, cash equivalents, restricted cash, and restricted cash equivalents	1	—	1
<b>Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents</b>	<b>(63)</b>	<b>103</b>	<b>(166)</b>
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period	924	834	90
<b>Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period</b>	<b>\$ 861</b>	<b>\$ 937</b>	<b>\$ (76)</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 (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 ended March 31, 2024 and 2023, to the non-GAAP free cash flow presented herein:

<i>In millions</i>	Three months ended March 31	
	2024	2023
Net cash provided by operating activities	\$ 1,117	\$ 1,055
Net cash used in investing activities	(588)	(462)
<b>Free cash flow</b>	<b>\$ 529</b>	<b>\$ 593</b>

### Operating activities

Net cash provided by operating activities increased by \$62 million in the first quarter of 2024 when compared to the same period in 2023, mainly due to favorable changes in working capital items; partly offset by lower cash earnings.

### Pension contributions

The Company's contributions to its various defined benefit pension plans are made in accordance with the applicable legislation in Canada and the U.S. and such contributions follow minimum and maximum thresholds as determined by actuarial valuations.

Additional information relating to the pension plans is provided in *Note 18 – Pensions and other postretirement benefits* to the Company's 2023 Annual Consolidated Financial Statements and the section entitled *Liquidity and capital resources* of the Company's 2023 Annual MD&A.

Pension contributions for the three months ended March 31, 2024 and 2023 were \$15 million and \$14 million, respectively. Based on the anticipated results of the Company's next actuarial valuations for funding purposes as at December 31, 2023 that are expected to be completed by June 2024, the CN Pension Plan is expected to remain fully funded and at a level such that the Company would continue to be prohibited from making contributions. For all of 2024, the Company expects to make total contributions of approximately \$70 million for all other pension plans, and includes the impact of affected non-unionized members transferring from the Company's defined benefit pension plans to defined contribution pension plans effective April 1, 2024.

Adverse changes to the assumptions used to calculate the Company's funding status, particularly the discount rate, as well as changes to existing federal pension legislation or regulator guidance could significantly impact the Company's future pension contributions.

### Income tax payments

Net income tax payments for the three months ended March 31, 2024 and 2023 were \$370 million and \$424 million, respectively. The decrease was mainly due to lower required installment payments in Canada. For 2024, the Company's net income tax payments are expected to be approximately \$1.4 billion.

### Investing activities

Net cash used in investing activities increased by \$126 million in the first quarter of 2024 when compared to the same period in 2023, mainly due to higher property additions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Property additions

The following table provides the property additions for the three months ended March 31, 2024 and 2023:

<i>In millions</i>	Three months ended March 31	
	2024	2023
Track and roadway	\$ 269	\$ 227
Rolling stock	187	111
Buildings	15	12
Information technology	72	63
Other	33	48
<b>Property additions</b>	<b>\$ 576</b>	<b>\$ 461</b>

### 2024 Capital expenditure program

In 2024, the Company will continue to invest in its capital program to improve the safety, efficiency and integrity of its network. These investments will enable and support the growth of the Company and will be financed with cash generated from operations or with cash from financing activities as required.

### Financing activities

Net cash used in financing activities increased by \$103 million in the first quarter of 2024 when compared to the same period in 2023. The increase was due to higher net repayments of debt including commercial paper partly offset by lower repurchases of common shares.

#### Debt financing activities

Debt financing activities in the first quarter of 2024 included the following:

- Net issuance of commercial paper of \$458 million;
- On March 22, 2024, issuance of a \$412 million equipment loan under the non-revolving credit facility;
- Proceeds from borrowings under the accounts receivable securitization program of \$450 million; and
- Repayment of borrowings under the accounts receivable securitization program of \$350 million.

Debt financing activities in the first quarter of 2023 included the following:

- Net issuance of commercial paper of \$1,228 million.

Additional information relating to the Company's outstanding debt securities is provided in *Note 16 – Debt* to the Company's 2023 Annual Consolidated Financial Statements.

#### Repurchase of common shares

The Company may repurchase its common shares pursuant to a Normal Course Issuer Bid (NCIB) at prevailing market prices plus brokerage fees, or such other prices as may be permitted by the Toronto Stock Exchange. Under its current NCIB, the Company may repurchase up to 32.0 million common shares between February 1, 2024 and January 31, 2025. As at March 31, 2024, the Company had repurchased 3.5 million common shares for \$597 million under its current NCIB.

The Company repurchased 28.7 million common shares under its previous NCIB effective between February 1, 2023 and January 31, 2024, which allowed for the repurchase of up to 32.0 million common shares.

<i>In millions, except per share data</i>	Three months ended March 31	
	2024	2023
Number of common shares repurchased	5.6	7.5
Weighted-average price per share <sup>(1)</sup>	\$ 171.98	\$ 159.92
Amount of repurchase <sup>(1)(2)</sup>	\$ 955	\$ 1,199

(1) Includes brokerage fees.

(2) Includes settlements in subsequent periods.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Dividends paid

The Company paid quarterly dividends of \$0.8450 per share amounting to \$540 million in the first quarter of 2024 compared to \$526 million, at the quarterly rate of \$0.7900 per share for the same period in 2023.

### Contractual obligations

In the normal course of business, the Company incurs contractual obligations. The following table sets forth the Company's contractual obligations for the following items as at March 31, 2024:

<i>In millions</i>	<b>Total</b>	2024	2025	2026	2027	2028	2029 & thereafter
Debt obligations <sup>(1)</sup>	<b>\$ 19,736</b>	\$ 2,971	\$ 411	\$ 739	\$ 63	\$ 1,056	\$ 14,496
Interest on debt obligations	<b>12,830</b>	529	737	715	702	690	9,457
Finance lease obligations	<b>26</b>	19	2	4	1	—	—
Operating lease obligations <sup>(2)</sup>	<b>414</b>	106	122	84	57	27	18
Purchase obligations <sup>(3)</sup>	<b>2,517</b>	1,731	287	157	100	242	—
Other long-term liabilities <sup>(4)</sup>	<b>1,035</b>	78	70	51	49	46	741
<b>Total contractual obligations</b>	<b>\$ 36,558</b>	<b>\$ 5,434</b>	<b>\$ 1,629</b>	<b>\$ 1,750</b>	<b>\$ 972</b>	<b>\$ 2,061</b>	<b>\$ 24,712</b>

(1) Presented net of unamortized discounts and debt issuance costs and excludes finance lease obligations.

(2) Includes \$27 million of imputed interest.

(3) Includes fixed and variable commitments for locomotives, engineering services, rail, information technology services and licenses, railroad cars, rail ties, wheels as well as other equipment and services. Costs of variable commitments were estimated using forecasted prices and volumes.

(4) Includes expected payments for workers' compensation, postretirement benefits other than pensions, net unrecognized tax benefits, environmental liabilities and pension obligations that have been classified as contractual settlement agreements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 twelve months ended March 31, 2024 and 2023, to the adjusted measures presented herein, 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 twelve months ended March 31,</i>		<b>2024</b>	<b>2023</b>
Debt		\$	19,761	\$ 16,648
Adjustments:				
Operating lease liabilities, including current portion <sup>(1)</sup>			387	441
Pension plans in deficiency <sup>(2)</sup>			360	352
<b>Adjusted debt</b>		\$	<b>20,508</b>	\$ <b>17,441</b>
Net income		\$	5,508	\$ 5,420
Interest expense			767	587
Income tax expense			814	1,748
Depreciation and amortization			1,831	1,757
Operating lease cost <sup>(3)</sup>			151	144
Other components of net periodic benefit income			(473)	(492)
Other loss (income)			(135)	12
Adjustment:				
Advisory fees related to shareholder matters <sup>(4)</sup>			—	12
<b>Adjusted EBITDA</b>		\$	<b>8,463</b>	\$ <b>9,188</b>
<b>Adjusted debt-to-adjusted EBITDA multiple (times)</b>			<b>2.42</b>	<b>1.90</b>

(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. See the section entitled *Non-GAAP measures - Adjusted performance measures* of the Company's 2023 Annual MD&A for additional information.

### Off balance sheet arrangements

#### Guarantees and indemnifications

In the normal course of business, the Company enters into agreements that may involve providing guarantees or indemnifications to third parties and others, which may extend beyond the term of the agreements. These include, but are not limited to, standby letters of credit, surety and other bonds, and indemnifications that are customary for the type of transaction or for the railway business. As at March 31, 2024, the Company has not recorded a liability with respect to guarantees and indemnifications. Additional information relating to guarantees and indemnifications is provided in *Note 9 – Major commitments and contingencies* to the Company's March 31, 2024 Interim Consolidated Financial Statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Outstanding share data

As at April 23, 2024, the Company had 636.2 million common shares and 3.4 million stock options outstanding.

### Financial instruments

#### Risk management

In the normal course of business, the Company is exposed to various risks from its use of financial instruments, such as credit risk, liquidity risk, and market risks which include foreign currency risk, interest rate risk and commodity price risk. A description of these risks and how the Company manages them, is provided in the section entitled *Financial instruments* of the Company's 2023 Annual MD&A.

#### Derivative financial instruments

##### Foreign currency risk

As at March 31, 2024, the Company had outstanding foreign exchange forward contracts to purchase a notional value of US\$1,625 million (US\$1,496 million as at December 31, 2023). These outstanding contracts are at a weighted-average exchange rate of \$1.35 per US\$1.00 (\$1.37 per US\$1.00 as at December 31, 2023) with exchange rates ranging from \$1.33 to \$1.36 per US\$1.00 (\$1.34 to \$1.39 per US\$1.00 as at December 31, 2023). The weighted-average term of the contracts is 68 days (77 days as at December 31, 2023) with terms ranging from 13 days to 125 days (26 days to 178 days as at December 31, 2023). Changes in the fair value of foreign exchange forward contracts, resulting from changes in foreign exchange rates, are recognized in Other income (loss) in the Consolidated Statements of Income as they occur.

For the three months ended March 31, 2024 and 2023, the Company recorded gains of \$52 million and \$6 million, respectively, related to foreign exchange forward contracts. These gains were largely offset by the re-measurement of US dollar-denominated monetary assets and liabilities recorded in Other income (loss).

As at March 31, 2024, the fair value of outstanding foreign exchange forward contracts included in Other current assets and Accounts payable and other was \$12 million and \$1 million, respectively (\$nil and \$64 million, respectively, as at December 31, 2023).

#### Fair value of financial instruments

As at March 31, 2024, the Company's debt, excluding finance leases, had a carrying amount of \$19,736 million (\$18,435 million as at December 31, 2023) and a fair value of \$18,664 million (\$17,844 million as at December 31, 2023). The carrying amount of debt excluding finance leases exceeded the fair value due to market rates being higher than the stated coupon rates.

Additional information relating to financial instruments is provided in *Note 10 – Financial instruments* to the Company's March 31, 2024 Interim Consolidated Financial Statements.

### Recent accounting pronouncements

The following recent Accounting Standards Updates (ASU) issued by the Financial Accounting Standards Board (FASB) have an effective date after December 31, 2023 and have not been adopted by the Company:

#### ASU 2023-07 Segment reporting (Topic 280): Improvements to reportable segment disclosures

The ASU will improve financial disclosures about a public entity's reportable segments and address requests from investors for additional and more detailed information regarding reportable segment expenses. The main amendments in the ASU require public entities, including those that have a single reportable segment, to disclose on an annual and interim basis the significant segment expenses provided to the chief operating decision maker (CODM), disclose the title/position of the CODM and how the segment expenses information is used in the decision making process.

The ASU is effective for annual periods beginning after December 15, 2023. Early adoption is permitted.

The adoption of the ASU will have an impact on the Company's Consolidated Financial Statements disclosures. The Company will include the relevant disclosure within the 2024 Annual Consolidated Financial Statements and 2025 Interim Financial Statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### ASU 2023-09 Income Taxes (Topic 740): Improvements to income tax disclosures

The ASU amends the rules on income tax disclosures by modifying or eliminating certain existing income tax disclosure requirements in addition to establishing new requirements. The amendments address investor requests for more transparency about income taxes, including jurisdictional information, by requiring consistent categories and greater disaggregation of information. The ASU's two primary amendments relate to the rate reconciliation and income taxes paid annual disclosures.

Reconciling items presented in the rate reconciliation will be in dollar amounts and percentages, and will be disaggregated into specified categories with certain reconciling items further broken out by nature and/or jurisdiction using a 5% threshold of domestic federal taxes. Income taxes paid will be disaggregated between federal, provincial/territorial, and foreign taxing jurisdictions using a 5% threshold of total income taxes paid net of refunds received.

The ASU is effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The ASU should be applied prospectively. Retrospective application is permitted.

The adoption of the ASU will have an impact on the Company's Consolidated Financial Statements disclosures. The required disclosure changes will be reflected in the Company's Consolidated Financial Statements when the ASU is adopted.

Other recently issued ASUs required to be applied on or after March 31, 2024 have been evaluated by the Company and are not expected to have a significant impact on the Company's Consolidated Financial Statements.

### Critical accounting estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, management reviews its estimates based upon available information. Actual results could differ from these estimates. The Company's policies for income taxes, capital expenditures and depreciation and pensions and other postretirement benefits require management's more significant judgments and estimates in the preparation of the Company's consolidated financial statements and, as such, are considered to be critical. Reference is made to the section entitled *Critical accounting estimates* of the Company's 2023 Annual MD&A for a detailed description of the Company's critical accounting estimates. There have not been any material changes to these estimates in the first quarter of 2024.

Management discusses the development and selection of the Company's critical accounting policies, including the underlying estimates and assumptions, with the Audit, Finance and Risk Committee of the Company's Board of Directors. The Audit, Finance and Risk Committee has reviewed the Company's related disclosures.

### Business risks

In the normal course of business, the Company is exposed to various business risks and uncertainties that can have an effect on the Company's results of operations, financial position, or liquidity. While some exposures may be reduced by the Company's risk management strategies, many risks are driven by external factors beyond the Company's control or are of a nature which cannot be eliminated.

Reference is made to the section entitled *Business risks* of the Company's 2023 Annual MD&A for a detailed description of such key areas of business risks and uncertainties with respect to: Competition, Environmental matters, Personal injury and other claims, Labor negotiations, Economic conditions, Regulation, Pandemic risk, Pension funding volatility, Reliance on technology and related cybersecurity risk, Trade restrictions, Terrorism and international conflicts, Customer credit risk, Liquidity, Supplier concentration, Availability of qualified personnel, Fuel costs and supply disruptions, Foreign exchange, Interest rates, Transportation network disruptions, Severe weather, Climate change and Reputation, which is incorporated herein by reference. Additional risks and uncertainties not currently known to management, or that may currently not be considered material by management, could nevertheless also have an adverse effect on the Company's business.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Controls and procedures

The Company's Chief Executive Officer and its Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in *Exchange Act* Rules 13a-15(e) and 15d-15(e)) as of March 31, 2024, have concluded that the Company's disclosure controls and procedures were effective.

During the first quarter ended March 31, 2024, there were no changes in the Company's internal control over financial reporting (as defined in *Exchange Act* Rules 13a-15(f) and 15d-15(f)) that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.