

## NON GAAP MEASURES - UNAUDITED

In this 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). CN's Annual General Meeting of Shareholders presentation also uses non-GAAP measures that do not have any standardized meaning prescribed by GAAP, including adjusted performance measures, free cash flow 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.

### Adjusted performance measures

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

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

These non-GAAP measures do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies.

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

<i>In millions, except per share data</i>	<i>Year ended December 31,</i>	<b>2024</b>	2023	2022	2021	2020
Net income <sup>(1)</sup>		<b>\$ 4,448</b>	\$ 5,625	\$ 5,118	\$ 4,899	\$ 3,545
Adjustments:						
Operating expense adjustments:						
Workforce reduction program		—	—	—	39	—
Advisory fees related to shareholder matters		—	—	22	20	—
Loss (recovery) on assets held for sale		<b>78</b>	—	—	(137)	486
Transaction-related costs		—	—	—	84	—
Non-operating expense adjustments:						
Amortization of bridge financing and other fees		—	—	—	97	—
Merger termination fee		—	—	—	(886)	—
Gains on disposal of property		—	(129)	—	—	—
Tax adjustments:						
Tax effect of adjustments <sup>(2)</sup>		<b>(20)</b>	17	(6)	109	(123)
Tax law changes and rate enactments		—	—	—	—	(141)
Tax-deductible goodwill and related impacts <sup>(3)</sup>		—	(713)	—	—	—
<b>Total adjustments</b>		<b>58</b>	(825)	16	(674)	222
<b>Adjusted net income <sup>(1)</sup></b>		<b>\$ 4,506</b>	\$ 4,800	\$ 5,134	\$ 4,225	\$ 3,767
Diluted earnings per share <sup>(1)</sup>		<b>\$ 7.01</b>	\$ 8.53	\$ 7.44	\$ 6.90	\$ 4.97
Impact of adjustments, per share		<b>0.09</b>	(1.25)	0.02	(0.95)	0.31
<b>Adjusted diluted earnings per share <sup>(1)</sup></b>		<b>\$ 7.10</b>	\$ 7.28	\$ 7.46	\$ 5.95	\$ 5.28

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- (1) In the first quarter of 2022, the Company changed its method of calculating market-related values of pension assets for its defined benefit plans using a retrospective approach. See the Company's Selected financial information restated for change in accounting policy filed on September 9, 2022, which may be found online on SEDAR at [www.sedar.com](http://www.sedar.com), 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, for additional information.
- (2) The tax impact of adjustments is based on the nature of the item for tax purposes and related tax rates in the applicable jurisdiction.
- (3) Relates to the impacts resulting from tax filings consistent with a ruling that the Company received in a non-U.S. foreign jurisdiction in connection with prior taxation years.

Adjusted operating income is defined as Operating income in accordance with GAAP adjusted for certain significant operating expense items that are not reflective of CN's underlying business operations. Adjusted operating expenses is defined as Operating expenses in accordance with GAAP adjusted for certain significant operating expense items that are not reflective of CN's underlying business operations. Adjusted operating ratio is defined as adjusted operating expenses as a percentage of revenues. The following table provides a reconciliation of Operating income, Operating expenses and operating ratio, as reported for the periods specified, to the non-GAAP adjusted performance measures presented herein:

<i>In millions, except percentages</i>	<i>Year ended December 31,</i>	<b>2024</b>	2023	2022	2021	2020
Operating income	\$	<b>6,247</b>	\$ 6,597	\$ 6,840	\$ 5,616	\$ 4,777
Adjustments:						
Workforce reduction program		—	—	—	39	—
Advisory fees related to shareholder matters		—	—	22	20	—
Loss (recovery) on assets held for sale		<b>78</b>	—	—	(137)	486
Transaction-related costs		—	—	—	84	—
<b>Total adjustments</b>		<b>78</b>	—	22	6	486
<b>Adjusted operating income</b>	\$	<b>6,325</b>	\$ 6,597	\$ 6,862	\$ 5,622	\$ 5,263
Operating expenses	\$	<b>10,799</b>	\$ 10,231	\$ 10,267	\$ 8,861	\$ 9,042
Total adjustments		<b>(78)</b>	—	(22)	(6)	(486)
<b>Adjusted operating expenses</b>	\$	<b>10,721</b>	\$ 10,231	\$ 10,245	\$ 8,855	\$ 8,556
Operating ratio <sup>(1)</sup>		<b>63.4 %</b>	60.8 %	60.0 %	61.2 %	65.4 %
Impact of adjustments		<b>(0.5)</b>	—	(0.1)%	—	(3.5)%
<b>Adjusted operating ratio</b>		<b>62.9 %</b>	60.8 %	59.9 %	61.2 %	61.9 %

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

For the year ended December 31, 2024, the Company's adjusted net income was \$4,506 million, or \$7.10 per diluted share, which excludes a loss on assets held for sale of \$78 million, or \$58 million after-tax (\$0.09 per diluted share), recorded in the second quarter, resulting from an agreement to transfer the ownership and related risks and obligations of the Quebec Bridge located in Quebec, Canada, to the Government of Canada.

For the year ended December 31, 2023, the Company's adjusted net income was \$4,800 million, or \$7.28 per diluted share, which excludes:

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

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

For the year ended December 31, 2021, the Company's adjusted net income was \$4,225 million, or \$5.95 per diluted share, which excludes: <sup>(1)</sup>

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- employee termination benefits and severance costs related to a workforce reduction program of \$39 million, or \$29 million after-tax (\$0.04 per diluted share) recorded in the third quarter in Labor and fringe benefits within the Consolidated Statements of Income;
- advisory fees related to shareholder matters of \$20 million, or \$15 million after-tax (\$0.02 per diluted share) of which \$13 million, or \$10 million after-tax (\$0.01 per diluted share) was recorded in the fourth quarter and \$7 million, or \$5 million after-tax (\$0.01 per diluted share) was recorded in the third quarter in Other expense within the Consolidated Statements of Income;
- the recovery of \$137 million, or \$102 million after-tax (\$0.14 per diluted share) recorded in the first quarter related to the loss on assets held for sale in the second quarter of 2020, to reflect an agreement for the sale for on-going rail operations, certain non-core rail lines in Wisconsin, Michigan and Ontario to a short line operator;
- transaction-related costs, consisting of an advance to Kansas City Southern (KCS) and a related refund, net of transaction costs, of \$84 million, or \$70 million after-tax (\$0.10 per diluted share), recorded in the third quarter resulting from the terminated CN Merger Agreement with KCS;
- amortization of bridge financing and other fees of \$97 million, or \$84 million after-tax (\$0.11 per diluted share), of which \$65 million, or \$60 million after-tax (\$0.08 per diluted share) was recorded in the third quarter and \$32 million, or \$24 million after-tax (\$0.03 per diluted share) was recorded in the second quarter, resulting from the KCS transaction, recorded in Interest expense within the Consolidated Statements of Income; and
- merger termination fee paid by KCS to CN of \$886 million, or \$770 million after-tax (\$1.08 per diluted share), recorded in the third quarter resulting from KCS' notice of termination of the CN Merger Agreement with KCS.

For the year ended December 31, 2020, the Company's adjusted net income was \$3,767 million, or \$5.28 per diluted share, <sup>(1)</sup> which excludes a loss of \$486 million, or \$363 million after-tax (\$0.51 per diluted share) in the second quarter, resulting from the Company's decision to market for sale for on-going rail operations, certain non-core lines in Wisconsin, Michigan and Ontario, and a current income tax recovery of \$141 million (\$0.20 per diluted share) in the first quarter resulting from the enactment of the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, a U.S. tax-and-spending package aimed at providing additional stimulus to address the economic impact of the COVID-19 pandemic.

(1) In the first quarter of 2022, the Company changed its method of calculating market-related values of pension assets for its defined benefit plans using a retrospective approach. See the Company's Selected financial information restated for change in accounting policy filed on September 9, 2022, which may be found online on SEDAR at [www.sedar.com](http://www.sedar.com), 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, for additional information.

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### Free cash flow

Free cash flow is a useful measure of liquidity as it demonstrates the Company's ability to generate cash for debt obligations and for discretionary uses such as payment of dividends, share repurchases and strategic opportunities. The Company defines its free cash flow measure as the difference between net cash provided by operating activities and net cash used in investing activities, adjusted for the impact of (i) business acquisitions and combinations and (ii) merger transaction-related payments, cash receipts and cash income taxes, which are items that are not indicative of operating trends. Free cash flow does not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies.

The following table provides a reconciliation of Net cash provided by operating activities in accordance with GAAP, as reported for the periods specified, to the non-GAAP free cash flow presented herein:

<i>In millions</i>	<i>Year ended December 31,</i>	<b>2024</b>	2023	2022	2021	2020
Net cash provided by operating activities	\$	<b>6,699</b>	\$ 6,965	\$ 6,667	\$ 6,971	\$ 6,165
Net cash used in investing activities		<b>(3,607)</b>	(3,468)	(2,510)	(2,873)	(2,946)
<b>Net cash provided before financing activities</b>		<b>3,092</b>	3,497	4,157	4,098	3,219
Adjustments:						
Business acquisitions and combinations <sup>(1)</sup>		—	390	—	—	8
Cash income taxes for merger transaction-related payments and cash receipts <sup>(2)</sup>		—	—	102	—	—
Transaction-related costs <sup>(2)</sup>		—	—	—	125	—
Advance for acquisition <sup>(2)</sup>		—	—	—	845	—
Refund of advance for acquisition <sup>(2)</sup>		—	—	—	(886)	—
Merger termination fee <sup>(2)</sup>		—	—	—	(886)	—
<b>Total adjustments</b>		<b>—</b>	390	102	(802)	8
<b>Free cash flow</b>	\$	<b>3,092</b>	\$ 3,887	\$ 4,259	\$ 3,296	\$ 3,227

(1) 2023: Relates to the acquisition of the shares of Iowa Northern Railway Company and the business combination of Cape Breton & Central Nova Scotia Railway. See Note 4 – Business acquisitions and combinations to the Company's 2023 Annual Consolidated Financial Statements.

2020: Relates to the acquisition of H&R Transport Limited ("H&R"). See Note 3 – Acquisitions, Acquisition of intermodal division of H&R Transport Limited and Acquisition of the TransX Group of Companies to the Company's 2021 Annual Consolidated Financial Statements.

(2) Relates to the terminated CN KCS merger agreement. See Note 4 – Business acquisitions and combinations to the Company's 2023 Annual Consolidated Financial Statements.

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### 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, as reported for the periods specified, to adjusted debt and adjusted EBITDA, which have been used to calculate the non-GAAP adjusted debt-to-adjusted EBITDA multiple:

<i>In millions, unless otherwise indicated</i>	<i>As at and for the year ended December 31,</i>		<b>2024</b>		2023
Debt	\$	<b>20,894</b>	\$		18,473
Adjustments:					
Operating lease liabilities, including current portion <sup>(1)</sup>		<b>477</b>			415
Pension plans in deficiency <sup>(2)</sup>		<b>350</b>			362
<b>Adjusted debt</b>	\$	<b>21,721</b>	\$		19,250
Net income	\$	<b>4,448</b>	\$		5,625
Interest expense		<b>891</b>			722
Income tax expense		<b>1,404</b>			863
Depreciation and amortization		<b>1,892</b>			1,817
Operating lease cost <sup>(3)</sup>		<b>153</b>			149
Other components of net periodic benefit income		<b>(454)</b>			(479)
Other loss		<b>(42)</b>			(134)
Adjustment:					
Loss on assets held for sale <sup>(4)</sup>		<b>78</b>			—
<b>Adjusted EBITDA</b>	\$	<b>8,370</b>	\$		8,563
<b>Adjusted debt-to-adjusted EBITDA multiple (times)</b>		<b>2.60</b>			2.25

(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 a loss on assets held for sale of \$78 million, resulting from an agreement to transfer the ownership and related risks and obligations of the Quebec Bridge located in Quebec, Canada, to the Government of Canada.