



# DRIVEN

2026 QUARTERLY REVIEW **FIRST QUARTER**





## CN Reports Strong First Quarter Operational and Commercial Performance

- Record revenue ton miles (RTMs) for a first quarter, increasing 3% year over year
- Free cash flow for the first quarter was C\$900 million, an increase of 44%, consisting of net cash provided by operating activities of C\$1,265 million and net cash used in investing activities of C\$365 million <sup>(1)</sup>
- Best first quarter employee productivity in the last five years
- Record fuel efficiency performance in a first quarter
- First quarter diluted earnings per share (EPS) growth of 1%, or a decrease of 3% on an adjusted basis and a decrease of 1% on an adjusted basis at constant currency <sup>(1)</sup>
- Repurchased approximately 6 million shares in the first quarter for C\$869 million

**MONTREAL, April 29, 2026** – CN (TSX: CNR) (NYSE: CNI) today reported its financial and operating results for the first quarter ended March 31, 2026.

“I want to thank the entire CN team for delivering on our plan, despite ongoing uncertainty in the macro environment. Our strong commercial and operating performance allow us to fully leverage the strength of our network, enabling us to capture incremental volume. We remain firmly focused on safety, tight execution, cost control and capital discipline.”

– Tracy Robinson, President and Chief Executive Officer, CN

### First-Quarter 2026 Results Highlights

In the first quarter, CN saw improvements across operating metrics, with strong commercial and service performance. Gross ton miles (GTMs) increased by 3% to 118,389 (millions), while revenue ton miles (RTMs) increased by 3% to 61,834 (millions) setting a new first quarter record. The Company delivered diluted earnings per share (EPS) of C\$1.87, an increase of 1%, and adjusted diluted EPS of C\$1.80, a decrease of 3%, or C\$1.83 on an adjusted basis at constant currency, a decrease of 1%. <sup>(1)</sup>

The quarter’s operating performance reflects the Company’s continued priority on improving network execution and reliability as well as its ability to capture demand in markets that remain resilient amid an uncertain macro-economic environment. Financial performance in the quarter was negatively impacted by higher year-over-year costs related to winter conditions, incidents and a higher effective tax rate.

### Quarterly Financial Results Highlights

#### First-quarter 2026 compared to first-quarter 2025

- Revenues of C\$4,379 million, a decrease of C\$24 million, or 1%.
- Operating income of C\$1,549 million, a decrease of C\$61 million, or 4%, and adjusted operating income of C\$1,566 million, a decrease of C\$44 million, or 3%. <sup>(1)</sup>
- Operating ratio, defined as operating expenses as a percentage of revenues, of 64.6%, an increase of 120 basis points, and adjusted operating ratio of 64.2%, an increase of 80 basis points. <sup>(1)</sup>
- Net income of C\$1,146 million, a decrease of C\$15 million, or 1%, and adjusted net income of C\$1,102 million, a decrease of C\$59 million, or 5%. <sup>(1)</sup>
- Diluted EPS of C\$1.87, an increase of 1% and adjusted diluted EPS of C\$1.80, a decrease of 3%, or C\$1.83 on an adjusted basis at constant currency, a decrease of 1%. <sup>(1)</sup>
- Free cash flow for the first quarter of 2026 was C\$900 million, an increase of C\$274 million, or 44%, consisting of net cash provided by operating activities of C\$1,265 million and net cash used in investing activities of C\$365 million. <sup>(1)</sup>
- Adjusted EBITDA reported for the twelve months ended March 31, 2026 of C\$8,679 million, an increase of 3%. <sup>(1)</sup>
- Adjusted debt-to-adjusted EBITDA of 2.65 times as at and for the twelve months ended March 31, 2026. <sup>(1)</sup>
- The Company repurchased close to 6 million shares in the first quarter of 2026 for C\$869 million.

"Our focus is on strong execution. That means getting the fundamentals right every day and delivering consistently for our customers. The discipline the team is bringing to how we run the network and deploy our assets drove productivity gains and a new first quarter record for fuel efficiency. It's helping us build a more efficient operation that better supports our customers' needs."

- Patrick Whitehead, Executive Vice-President and Chief Operating Officer, CN

### **Quarterly Operating Performance Highlights \***

#### **First-quarter 2026 compared to first-quarter 2025**

- Gross ton miles (GTMs) increased 3% to 118,389 (millions).
- Revenue ton miles (RTMs) increased 3% to 61,834 (millions), a new first quarter record.
- Through dwell decreased by 4% to 7.5 (entire railroad, hours).
- Car velocity increased by 6% to 201 (car miles per day).
- Through network train speed increased by 6% to 18.7 (mph).
- Record first quarter fuel efficiency of 0.892 (US gallons of locomotive fuel consumed per 1,000 gross ton miles (GTMs)), was 3% more efficient.
- Train length increased by 2% to 7,873 (feet).
- GTMs per average number of employees increased 8% to 5,026 (thousands), the best employee productivity in the last five years.
- Operating expenses per GTM decreased 2% to 2.39 (cents).

\* Statistical operating data and 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.

### **Dividends**

CN's Board of Directors has approved a second-quarter 2026 dividend on the Company's common shares outstanding. A quarterly dividend of ninety-one and a half cents (C\$0.9150) per common share will be paid on June 30, 2026, to shareholders of record at the close of business on June 9, 2026.

### **2026 financial guidance <sup>(1)(2)</sup>**

CN continues to assume that volume growth in terms of RTMs will be flattish. The Company continues to expect that adjusted diluted EPS growth will slightly exceed volume growth.

In 2026, CN still plans to invest approximately C\$2.8 billion in its capital program, net of amounts reimbursed by customers. The Company also expects to continue improving its free cash flow conversion throughout 2026.

### **CONFERENCE CALL DETAILS**

CN's senior officers will review the results and the railway's outlook in a conference call starting at 8:30 a.m. Eastern Time on April 29. 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 9281112 as the passcode. Participants are advised to dial in 10 minutes prior to the call.

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

CN reports its financial results in accordance with United States generally accepted accounting principles (GAAP). CN may also use non-GAAP measures in this news release that do not have any standardized meaning prescribed by GAAP. These non-GAAP measures may not be comparable to similar measures presented by other companies. For further details of these non-GAAP measures, including a reconciliation to the most directly comparable GAAP financial measures, refer to the attached supplementary schedule, Non-GAAP Measures.

CN's outlook, guidance or targets <sup>(2)</sup> exclude 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, 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 outlook, guidance or targets.

#### **(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," "goals," or other similar words.

**2026 key assumptions**

CN has made a number of economic and market assumptions in preparing its 2026 outlook. The 2025/2026 grain crops in Canada and the U.S. were above their respective five-year averages. The Company continues to assume that the 2026/2027 grain crops in Canada and the U.S. will be in line with their respective five-year averages. CN continues to assume RTM growth will be flattish. CN now assumes that in 2026, the value of the Canadian dollar in U.S. currency will be \$0.73 (compared to its January 30, 2026 assumption of \$0.715), and now assumes that in 2026 the average price of crude oil (West Texas Intermediate) will be in the range of US\$80 - US\$110 per barrel (compared to its January 30, 2026 assumption in the range of US\$60-US\$70 per barrel). The Company notes there is a heightened demand risk as a result of volatile macroeconomic conditions, geopolitical conflicts and global trade tensions.

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 or tensions; trade restrictions, trade barriers, or the imposition of tariffs or other changes to international trade arrangements; 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 and other regulatory claims or proceedings; increases in maintenance and operating costs; security threats; reliance on technology and related cybersecurity risk; 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.

The achievement of CN's climate goals is subject to several risks and uncertainties, including those disclosed in the MD&A in CN's annual and interim reports. There can be no certainty that the Company will achieve any or all of these goals within the stated timeframe, or that achieving any of these goals will meet all of the expectations of its stakeholders or applicable legal requirements.

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 powers the economy by safely transporting more than 300 million tons of natural resources, manufactured products, and finished goods throughout North America every year for its customers. With its nearly 20,000-mile rail network and related transportation services, CN connects Canada's Eastern and Western coasts with the U.S. Midwest and the U.S. Gulf Coast, contributing to sustainable trade and the prosperity of the communities in which it operates since 1919.

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## SELECTED RAILROAD STATISTICS – UNAUDITED

	Three months ended March 31	
	2026	2025
<b>Financial measures</b>		
<b>Key financial performance indicators <sup>(1)</sup></b>		
Total revenues (\$ millions)	4,379	4,403
Freight revenues (\$ millions)	4,267	4,288
Operating income (\$ millions)	1,549	1,610
Adjusted operating income (\$ millions) <sup>(2)(3)</sup>	1,566	1,610
Net income (\$ millions)	1,146	1,161
Adjusted net income (\$ millions) <sup>(2)(3)</sup>	1,102	1,161
Diluted earnings per share (\$)	1.87	1.85
Adjusted diluted earnings per share (\$ <sup>(2)(3)</sup>	1.80	1.85
Net cash provided by operating activities (\$ millions)	1,265	1,164
Net cash used in investing activities (\$ millions)	365	538
Free cash flow (\$ millions) <sup>(2)(4)</sup>	900	626
Gross property additions (\$ millions)	439	519
Share repurchases (\$ millions)	869	101
Dividends per share (\$)	0.9150	0.8875
<b>Financial ratio</b>		
Operating ratio (%) <sup>(5)</sup>	64.6	63.4
Adjusted operating ratio (%) <sup>(2)(3)</sup>	64.2	63.4
<b>Operational measures <sup>(6)</sup></b>		
<b>Statistical operating data</b>		
Gross ton miles (GTMs) (millions)	118,389	114,843
Revenue ton miles (RTMs) (millions)	61,834	60,049
Carloads (thousands)	1,336	1,313
Route miles (includes Canada and the U.S., end of period)	18,900	18,900
Employees (end of period)	23,541	24,911
Employees (average for the period)	23,554	24,627
<b>Key operating measures</b>		
Freight revenue per RTM (cents)	6.90	7.14
Freight revenue per carload (\$)	3,194	3,266
GTMs per average number of employees (thousands)	5,026	4,663
Operating expenses per GTM (cents)	2.39	2.43
Labor and fringe benefits expense per GTM (cents)	0.77	0.80
Diesel fuel consumed (US gallons in millions)	105.6	105.3
Average fuel price (\$ per US gallon)	4.19	4.39
Fuel efficiency (US gallons of locomotive fuel consumed per 1,000 GTMs)	0.892	0.917
Train weight (tons)	9,296	9,078
Train length (feet)	7,873	7,708
Car velocity (car miles per day)	201	189
Through dwell (entire railroad, hours)	7.5	7.8
Through network train speed (miles per hour)	18.7	17.7
Locomotive utilization (trailing GTMs per total horsepower)	197	183
<b>Safety indicators <sup>(7)</sup></b>		
Injury frequency rate (per 200,000 person hours)	1.24	1.11
Accident rate (per million train miles)	2.27	2.04

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

(2) 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.

(3) See the supplementary schedule entitled *Non-GAAP Measures – Adjusted performance measures* for an explanation of these non-GAAP measures.

(4) See the supplementary schedule entitled *Non-GAAP Measures – Free cash flow* for an explanation of this non-GAAP measure.

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

(6) 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).

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

**SUPPLEMENTARY INFORMATION – UNAUDITED**

	Three months ended March 31			
	2026	2025	% Change Fav (Unfav)	% Change at constant currency <sup>(1)</sup> Fav (Unfav)
<b>Revenues (\$ millions) <sup>(2)</sup></b>				
Petroleum and chemicals	928	915	1%	4%
Metals and minerals	468	523	(11%)	(7%)
Forest products	434	494	(12%)	(9%)
Coal	219	246	(11%)	(9%)
Grain and fertilizers	1,049	951	10%	13%
Intermodal	962	940	2%	4%
Automotive	207	219	(5%)	(2%)
<b>Total freight revenues</b>	<b>4,267</b>	<b>4,288</b>	<b>–%</b>	<b>2%</b>
Other revenues	112	115	(3%)	–%
<b>Total revenues</b>	<b>4,379</b>	<b>4,403</b>	<b>(1%)</b>	<b>2%</b>
<b>Revenue ton miles (RTMs) (millions) <sup>(3)</sup></b>				
Petroleum and chemicals	12,684	11,836	7%	7%
Metals and minerals	6,056	6,752	(10%)	(10%)
Forest products	4,912	5,387	(9%)	(9%)
Coal	4,827	5,446	(11%)	(11%)
Grain and fertilizers	19,525	17,250	13%	13%
Intermodal	13,063	12,586	4%	4%
Automotive	767	792	(3%)	(3%)
<b>Total RTMs</b>	<b>61,834</b>	<b>60,049</b>	<b>3%</b>	<b>3%</b>
<b>Freight revenue / RTM (cents) <sup>(2)(3)</sup></b>				
Petroleum and chemicals	7.32	7.73	(5%)	(3%)
Metals and minerals	7.73	7.75	–%	3%
Forest products	8.84	9.17	(4%)	–%
Coal	4.54	4.52	–%	2%
Grain and fertilizers	5.37	5.51	(3%)	–%
Intermodal	7.36	7.47	(1%)	–%
Automotive	26.99	27.65	(2%)	1%
<b>Total freight revenue / RTM</b>	<b>6.90</b>	<b>7.14</b>	<b>(3%)</b>	<b>(1%)</b>
<b>Carloads (thousands) <sup>(3)</sup></b>				
Petroleum and chemicals	170	163	4%	4%
Metals and minerals	214	213	–%	–%
Forest products	67	73	(8%)	(8%)
Coal	108	118	(8%)	(8%)
Grain and fertilizers	195	178	10%	10%
Intermodal	534	517	3%	3%
Automotive	48	51	(6%)	(6%)
<b>Total carloads</b>	<b>1,336</b>	<b>1,313</b>	<b>2%</b>	<b>2%</b>
<b>Freight revenue / carload (\$) <sup>(2)(3)</sup></b>				
Petroleum and chemicals	5,459	5,613	(3%)	–%
Metals and minerals	2,187	2,455	(11%)	(8%)
Forest products	6,478	6,767	(4%)	(1%)
Coal	2,028	2,085	(3%)	(1%)
Grain and fertilizers	5,379	5,343	1%	3%
Intermodal	1,801	1,818	(1%)	–%
Automotive	4,313	4,294	–%	4%
<b>Total freight revenue / carload</b>	<b>3,194</b>	<b>3,266</b>	<b>(2%)</b>	<b>–%</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.

### 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 and may include the following adjustments:

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

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

For the three months ended March 31, 2026, the Company's adjusted net income was \$1,102 million, or \$1.80 per diluted share, which excludes:

- the sale of a portion of the Newmarket subdivision located in Washago and Sunbridge, Ontario, Canada, together with rail fixtures, for cash proceeds of \$84 million, which resulted in a gain of \$66 million, or \$57 million after-tax (\$0.09 per diluted share) recorded in Other income within the Consolidated Statements of Income; and
- advisory costs related to the analysis and advocacy for the U.S. Surface Transportation Board (STB) enforcement of antitrust laws pertaining to the potential merger between Union Pacific and Norfolk Southern of \$17 million, or \$13 million after-tax (\$0.02 per diluted share) recorded in Purchased services and material within the Consolidated Statements of Income.

For the three months ended March 31, 2025, the Company's net income was \$1,161 million, or \$1.85 per diluted share. There were no adjustments in the first quarter of 2025.

Adjusted net income is defined as Net income in accordance with GAAP adjusted for certain significant items. Management believes that adjusted net income provides additional insight to management and investors into the Company's operations and underlying business trends as well as facilitate period-to-period comparisons, as it excludes certain significant items that are not reflective of CN's underlying business operations and could distort the analysis of trends in business performance. Adjusted diluted earnings per share is defined as adjusted net income divided by the weighted-average diluted shares outstanding. This measure helps management and investors evaluate the Company's profitability on a per-share basis, facilitating the assessment of period-over-period performance by removing the impact of significant, non-recurring items.

The following table provides a reconciliation of Net income and Earnings per share in accordance with GAAP, as reported for the three months ended March 31, 2026 and 2025, to the non-GAAP adjusted performance measures presented herein:

## NON-GAAP MEASURES – UNAUDITED

<i>In millions, except per share data</i>	Three months ended March 31	
	2026	2025
Net income	\$ 1,146	\$ 1,161
Adjustments:		
Operating expense adjustment:		
Advisory costs related to rail consolidation matters	17	–
Non-operating expense adjustment:		
Gain on disposal of property	(66)	–
Tax adjustment:		
Tax effect of adjustments <sup>(1)</sup>	5	–
<b>Total adjustments</b>	<b>\$ (44)</b>	<b>\$ –</b>
<b>Adjusted net income</b>	<b>\$ 1,102</b>	<b>\$ 1,161</b>
Diluted earnings per share	\$ 1.87	\$ 1.85
Impact of adjustments, per share	(0.07)	–
<b>Adjusted diluted earnings per share</b>	<b>\$ 1.80</b>	<b>\$ 1.85</b>

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

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. This measure helps management and investors assess the Company's core operating results by excluding items that may distort the analysis of ongoing business performance. 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. This measure provides management and investors with a view of ongoing costs which exclude unusual or non-recurring items, enabling more accurate assessment of cost management and resource allocation across reporting periods. Adjusted operating ratio is defined as adjusted operating expenses as a percentage of revenues. For management and investors, the adjusted operating ratio serves as a key performance indicator of cost management and overall operational effectiveness, as it demonstrates how effectively management controls costs relative to total revenue by excluding unusual or non-recurring items.

The following table provides a reconciliation of Operating income, Operating expenses and operating ratio, as reported for the three months ended March 31, 2026 and 2025, to the non-GAAP adjusted performance measures presented herein:

<i>In millions, except percentages</i>	Three months ended March 31	
	2026	2025
Operating income	\$ 1,549	\$ 1,610
Adjustment:		
Advisory costs related to rail consolidation matters	17	–
<b>Total adjustment</b>	<b>\$ 17</b>	<b>\$ –</b>
<b>Adjusted operating income</b>	<b>\$ 1,566</b>	<b>\$ 1,610</b>
Operating expenses	\$ 2,830	\$ 2,793
Total adjustments	(17)	–
<b>Adjusted operating expenses</b>	<b>\$ 2,813</b>	<b>\$ 2,793</b>
Operating ratio	64.6 %	63.4 %
Impact of adjustments	(0.4)%	– %
<b>Adjusted operating ratio</b>	<b>64.2 %</b>	<b>63.4 %</b>

## NON-GAAP MEASURES – UNAUDITED

### Free cash flow

Free cash flow is a useful measure of liquidity as it demonstrates the Company's ability to generate cash for debt obligations and for discretionary uses such as payment of dividends, share repurchases, and strategic opportunities. The Company defines its free cash flow measure as the difference between net cash provided by operating activities and net cash used in investing activities, adjusted for the impact of (i) business acquisitions and combinations (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, 2026 and 2025, to the non-GAAP free cash flow presented herein:

<i>In millions</i>	Three months ended March 31	
	2026	2025
Net cash provided by operating activities	\$ 1,265	\$ 1,164
Net cash used in investing activities	(365)	(538)
<b>Free cash flow</b>	<b>\$ 900</b>	<b>\$ 626</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 \$1.372 and \$1.435 per US\$1.00 for the three months ended March 31, 2026 and 2025 respectively. On a constant currency basis, the Company's net income for the three months ended March 31, 2026 would have been higher by \$21 million (\$0.03 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, 2026:

<i>In millions, except per share data</i>	Three months ended March 31			
	2026	Constant currency impact	2025	% Change at constant currency Fav (Unfav)
<b>Revenues</b>				
Petroleum and chemicals	\$ 928	\$ 24	\$ 915	4%
Metals and minerals	468	16	523	(7%)
Forest products	434	15	494	(9%)
Coal	219	4	246	(9%)
Grain and fertilizers	1,049	22	951	13%
Intermodal	962	11	940	4%
Automotive	207	7	219	(2%)
<b>Total freight revenues</b>	<b>4,267</b>	<b>99</b>	<b>4,288</b>	<b>2%</b>
Other revenues	112	3	115	—%
<b>Total revenues</b>	<b>4,379</b>	<b>102</b>	<b>4,403</b>	<b>2%</b>
<b>Operating expenses</b>				
Labor and fringe benefits	914	17	920	(1%)
Purchased services and material	623	8	577	(9%)
Fuel	483	23	518	2%
Depreciation and amortization	484	9	493	—%
Equipment rents	112	4	118	2%
Other	214	5	167	(31%)
<b>Total operating expenses</b>	<b>2,830</b>	<b>66</b>	<b>2,793</b>	<b>(4%)</b>
<b>Operating income</b>	<b>1,549</b>	<b>36</b>	<b>1,610</b>	<b>(2%)</b>
Interest expense	(234)	(8)	(233)	(4%)
Other components of net periodic benefit income	133	—	125	6%
Other income	73	—	25	192%
<b>Income before income taxes</b>	<b>1,521</b>	<b>28</b>	<b>1,527</b>	<b>1%</b>
Income tax expense	(375)	(7)	(366)	(4%)
<b>Net income</b>	<b>\$ 1,146</b>	<b>\$ 21</b>	<b>\$ 1,161</b>	<b>1%</b>
<b>Diluted earnings per share</b>	<b>\$ 1.87</b>	<b>\$ 0.03</b>	<b>\$ 1.85</b>	<b>3%</b>
<b>Adjusted net income <sup>(1)</sup></b>	<b>\$ 1,102</b>	<b>\$ 21</b>	<b>\$ 1,161</b>	<b>(3%)</b>
<b>Adjusted diluted earnings per share <sup>(1)</sup></b>	<b>\$ 1.80</b>	<b>\$ 0.03</b>	<b>\$ 1.85</b>	<b>(1%)</b>

(1) 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. See the section of this MD&A entitled *Adjusted performance measures* for an explanation and reconciliation of these non-GAAP measures. Adjusted net income at constant currency and adjusted diluted EPS 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. Adjusted net income at constant currency of \$1,123 million is calculated as Adjusted net income of \$1,102 million adjusted for the impact of fluctuations in foreign currency exchange rates of \$21 million. Adjusted diluted EPS at constant currency of \$1.83 is calculated as adjusted diluted EPS of \$1.80 adjusted for the impact of fluctuations in foreign currency exchange rates of \$0.03 per diluted share.

## 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, 2026 and 2025, 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>2026</b>	<b>2025</b>
Debt <sup>(1)</sup>		\$	<b>22,199</b>	\$ 20,792
Adjustments:				
Operating lease liabilities, including current portion <sup>(2)</sup>			<b>425</b>	466
Pension plans in deficiency <sup>(3)</sup>			<b>340</b>	348
<b>Adjusted debt</b>		\$	<b>22,964</b>	\$ 21,606
Net income		\$	<b>4,705</b>	\$ 4,506
Interest expense			<b>914</b>	914
Income tax expense			<b>1,553</b>	1,422
Depreciation and amortization			<b>1,929</b>	1,923
Operating lease cost <sup>(4)</sup>			<b>158</b>	155
Other components of net periodic benefit income			<b>(510)</b>	(466)
Other income			<b>(136)</b>	(65)
Adjustments:				
Workforce reduction program <sup>(5)</sup>			<b>34</b>	–
Advisory costs related to rail consolidation matters <sup>(6)</sup>			<b>32</b>	–
Loss on assets held for sale <sup>(7)</sup>			<b>–</b>	78
<b>Adjusted EBITDA</b>		\$	<b>8,679</b>	\$ 8,467
<b>Adjusted debt-to-adjusted EBITDA multiple (times)</b>			<b>2.65</b>	2.55

(1) Represents the aggregate of Current portion of long-term debt and Long-term debt as disclosed on the Consolidated Balance Sheets.

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

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

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

(5) Relates to employee termination benefits and severance costs related to a workforce reduction program, recorded in the fourth quarter of 2025 in Labor and fringe benefits within the Consolidated Statements of Income.

(6) Represents advisory costs related to the analysis and advocacy for STB enforcement of antitrust laws pertaining to the potential merger between Union Pacific and Norfolk Southern recorded in Purchased services and material within the Consolidated Statements of Income.

(7) Relates to a loss on assets held for sale of \$78 million recorded in the second quarter of 2024, 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.

## 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	
	2026	2025
<b>Revenues (Note 4)</b>	<b>\$ 4,379</b>	<b>\$ 4,403</b>
Operating expenses		
Labor and fringe benefits	914	920
Purchased services and material	623	577
Fuel	483	518
Depreciation and amortization	484	493
Equipment rents	112	118
Other	214	167
<b>Total operating expenses</b>	<b>2,830</b>	<b>2,793</b>
<b>Operating income</b>	<b>1,549</b>	<b>1,610</b>
Interest expense	(234)	(233)
Other components of net periodic benefit income (Note 5)	133	125
Other income	73	25
<b>Income before income taxes</b>	<b>1,521</b>	<b>1,527</b>
Income tax expense	(375)	(366)
<b>Net income</b>	<b>\$ 1,146</b>	<b>\$ 1,161</b>
Earnings per share (Note 7)		
Basic	\$ 1.87	\$ 1.85
Diluted	\$ 1.87	\$ 1.85
Weighted-average number of shares (Note 7)		
Basic	611.3	627.8
Diluted	611.9	628.3
Dividends declared per share	\$ 0.9150	\$ 0.8875

See accompanying notes to Interim Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME – UNAUDITED

<i>In millions</i>	Three months ended March 31	
	2026	2025
Net income	\$ 1,146	\$ 1,161
Other comprehensive income (loss) (Note 10)		
Net gain on foreign currency translation	77	7
Net change in pension and other postretirement benefit plans (Note 5)	11	11
Derivative instruments (Note 12)	—	(3)
<b>Other comprehensive income before income taxes</b>	<b>88</b>	<b>15</b>
Income tax recovery (expense)	19	(2)
<b>Other comprehensive income</b>	<b>107</b>	<b>13</b>
<b>Comprehensive income</b>	<b>\$ 1,253</b>	<b>\$ 1,174</b>

See accompanying notes to Interim Consolidated Financial Statements.

## CONSOLIDATED BALANCE SHEETS – UNAUDITED

<i>In millions</i>	<i>As at</i>	<b>March 31</b>	December 31
		<b>2026</b>	2025
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$	573	\$ 350
Restricted cash and cash equivalents		13	13
Accounts receivable		1,252	1,117
Material and supplies		831	734
Other current assets		379	257
<b>Total current assets</b>		<b>3,048</b>	2,471
Properties		49,394	49,148
Operating lease right-of-use assets		438	440
Pension asset		5,486	5,362
Deferred income tax assets		608	611
Intangible assets, goodwill and other		489	523
<b>Total assets</b>	\$	<b>59,463</b>	\$ 58,555
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Accounts payable and other	\$	2,809	\$ 2,790
Current portion of long-term debt		1,751	906
<b>Total current liabilities</b>		<b>4,560</b>	3,696
Deferred income tax liabilities		11,300	11,223
Other liabilities and deferred credits		924	999
Pension and other postretirement benefits		463	453
Long-term debt		20,448	20,300
Operating lease liabilities		317	316
<b>Total liabilities</b>		<b>38,012</b>	36,987
Shareholders' equity			
Common shares		3,465	3,454
Common shares in Share Trusts		(150)	(152)
Additional paid-in capital		407	415
Accumulated other comprehensive loss ( <i>Note 10</i> )		(960)	(1,067)
Retained earnings		18,689	18,918
<b>Total shareholders' equity</b>		<b>21,451</b>	21,568
<b>Total liabilities and shareholders' equity</b>	\$	<b>59,463</b>	\$ 58,555

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, 2025	613.3	1.1	\$ 3,454	\$ (152)	\$ 415	\$ (1,067)	\$ 18,918	\$ 21,568
Net income							1,146	1,146
Stock options exercised	0.3		45		(6)			39
Settlement of equity settled awards	0.1	(0.1)		11	(41)		20	(10)
Stock-based compensation and other					39		(2)	37
Repurchase of common shares (Note 8)	(6.0)		(34)				(835)	(869)
Share purchases by Share Trusts	(0.1)	0.1		(9)				(9)
Other comprehensive income (Note 10)						107		107
Dividends							(558)	(558)
<b>Balance at March 31, 2026</b>	<b>607.6</b>	<b>1.1</b>	<b>\$ 3,465</b>	<b>\$ (150)</b>	<b>\$ 407</b>	<b>\$ (960)</b>	<b>\$ 18,689</b>	<b>\$ 21,451</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, 2024	627.9	0.9	\$ 3,474	\$ (129)	\$ 372	\$ (1,020)	\$ 18,354	\$ 21,051
Net income							1,161	\$ 1,161
Stock options exercised	0.2		45		(6)			39
Settlement of equity settled awards	–	–		10	(36)		20	(6)
Stock-based compensation and other					36		(1)	35
Repurchase of common shares (Note 8)	(0.6)		(4)				(97)	(101)
Share purchases by Share Trusts	–	–		(11)				(11)
Other comprehensive income (Note 10)						13		13
Dividends							(557)	(557)
<b>Balance at March 31, 2025</b>	<b>627.5</b>	<b>0.9</b>	<b>\$ 3,515</b>	<b>\$ (130)</b>	<b>\$ 366</b>	<b>\$ (1,007)</b>	<b>\$ 18,880</b>	<b>\$ 21,624</b>

See accompanying notes to Interim Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS – UNAUDITED

<i>In millions</i>	Three months ended March 31	
	2026	2025
<b>Operating activities</b>		
Net income	\$ 1,146	\$ 1,161
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	484	493
Pension income and funding	(102)	(103)
Deferred income taxes	45	21
Gain on disposal of property (Note 6)	(66)	–
Changes in operating assets and liabilities:		
Accounts receivable	(125)	(88)
Material and supplies	(92)	(88)
Other current assets	(17)	(142)
Accounts payable and other	(20)	(137)
Other operating activities, net	12	47
<b>Net cash provided by operating activities</b>	<b>1,265</b>	<b>1,164</b>
<b>Investing activities</b>		
Property additions	(439)	(519)
Disposal of property (Note 6)	84	–
Other investing activities, net	(10)	(19)
<b>Net cash used in investing activities</b>	<b>(365)</b>	<b>(538)</b>
<b>Financing activities</b>		
Repayment of debt	(705)	(24)
Change in commercial paper, net (Note 8)	1,486	(105)
Settlement of derivative instruments	(37)	32
Issuance of common shares for stock options exercised	39	39
Withholding taxes remitted on the net settlement of equity settled awards (Note 9)	(7)	(4)
Repurchase of common shares	(884)	(151)
Purchase of common shares for settlement of equity settled awards	(3)	(2)
Purchase of common shares by Share Trusts	(9)	(11)
Dividends paid	(558)	(557)
<b>Net cash used in financing activities</b>	<b>(678)</b>	<b>(783)</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>223</b>	<b>(157)</b>
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period	363	401
<b>Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period</b>	<b>\$ 586</b>	<b>\$ 244</b>
Cash and cash equivalents, end of period	\$ 573	\$ 232
Restricted cash and cash equivalents, end of period	13	12
<b>Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period</b>	<b>\$ 586</b>	<b>\$ 244</b>
Supplemental cash flow information		
Interest paid	\$ (276)	\$ (292)
Income taxes paid	\$ (273)	\$ (212)

See accompanying notes to Interim Consolidated Financial Statements.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

### 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 2025 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, 2025 and have not been adopted by the Company:

#### **ASU 2025-10 – Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities**

This ASU introduces comprehensive accounting guidance for government grants received by business entities by expanding Topic 832 beyond disclosure-only requirements to include recognition, measurement, presentation, and disclosure. The main provisions establish that government grants should not be recognized until it is probable that the Company will comply with the conditions attached to the grant and that the grant will be received. The ASU also provides guidance on accounting for grants related to income and grants related to assets, including acceptable presentation approaches, and introduces enhanced disclosure requirements intended to improve transparency and comparability of government grant information.

The amendments in this ASU are effective for annual periods beginning after December 15, 2028, including interim periods within these fiscal years. Early adoption is permitted. The amendments in this ASU may be adopted using a prospective, modified retrospective, or full retrospective transition approach, depending on the nature of the grants and the transition method elected.

The Company is evaluating the effects that the adoption of the ASU will have on its Consolidated Financial Statements and disclosures.

#### **ASU 2025-06 – Intangibles - Goodwill and Other Internal-Use Software (Subtopic 350-40)**

This ASU modernizes the accounting for internal-use software by removing references to prescriptive and sequential software development stages. The main provisions establish that capitalization begins when management authorizes and commits to funding the software project and it is probable the project will be completed and used as intended. The ASU also introduces enhanced disclosure requirements that align internal-use software disclosures to property, plant and equipment. It also consolidates guidance for website development by integrating it into the framework for internal-use software.

The amendments in this ASU are effective for annual periods beginning after December 15, 2027, including interim periods within these fiscal years. Early adoption is permitted. The amendments in this ASU must be adopted either prospectively, retrospectively or using a modified transition approach based on project status and prior capitalization.

The Company is evaluating the effects that the adoption of the ASU will have on its Consolidated Financial Statements and disclosures.

#### **ASU 2024-03 – Disaggregation of Income Statement Expenses (Subtopic 220-40)**

This ASU aims to provide stakeholders a clearer understanding of an entity's expenses and enhance their ability to assess performance, forecast expenses and evaluate the entity's potential for future cash flows. The ASU amends the rules on income statement expense disclosures and requires public business entities to disaggregate and disclose, in tabular format in the notes to financial statements, specified categories of expenses contained within certain income statement expense line items; to integrate certain amounts that were already required to be disclosed under current GAAP with the new disaggregation requirements and to qualitatively disclose descriptions of the amounts

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

remaining that were not separately disaggregated. The ASU also requires public business entities to disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of those selling expenses. This ASU does not change or remove the current disclosure requirements of expense line items on the face of the Consolidated Statements of Income.

The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments in this ASU should be applied either prospectively to Consolidated Financial Statements issued for reporting periods following the effective date, or retrospectively to any or all prior periods presented in the Consolidated Financial Statements.

The Company is evaluating the effects that the adoption of the ASU will have on its Consolidated Financial Statements disclosures.

Other recently issued ASUs required to be applied on or after March 31, 2026 have been evaluated by the Company and are not expected to have a significant impact on the Company's Consolidated Financial Statements.

### 3 – Acquisition

#### Iowa Northern Railway Company

On January 14, 2025, the STB issued a final decision approving CN's application to acquire control of the Iowa Northern Railway Company (IANR), subject to certain conditions. The Company assumed control of IANR on March 1, 2025 (Control Date) and began consolidating IANR on that date, accounting for the acquisition as a business combination achieved in stages. The Company derecognized its previously held equity method investment in IANR of \$320 million as of March 1, 2025 and remeasured the investment at its Control Date fair value of \$344 million resulting in a net remeasurement gain of \$24 million recorded in Other income in the Consolidated Statements of Income. The fair value of the previously held equity interest in IANR was determined through use of a discounted cash flow approach, which incorporated the Company's best estimates of various assumptions including, but not limited to, discount rates and terminal growth rates and multiples.

The Company's Consolidated Balance Sheet includes the assets and liabilities of IANR as of the Control Date, and since that time, IANR's results of operations have been included in the Company's results of operations. The Company has not provided pro forma information relating to the pre-control date period as the acquisition was not material.

The following table summarizes the final purchase price allocation with the fair value at the Control Date of the previously held equity interest in IANR, as well as the amounts recognized for the identifiable assets acquired and liabilities assumed on the Control Date:

<i>(in millions)</i>	<b>March 1, 2025</b>	
Consideration		
Fair value of previously held equity method investment <sup>(1)</sup>	\$	<b>344</b>
Recognized amounts of identifiable assets acquired and liabilities assumed <sup>(1)</sup>		
Current assets	\$	<b>10</b>
Properties		<b>426</b>
Other non-current assets		<b>10</b>
Current liabilities		<b>(20)</b>
Deferred income tax liabilities		<b>(90)</b>
Other non-current liabilities		<b>(23)</b>
<b>Total identifiable net assets <sup>(2)</sup></b>	<b>\$</b>	<b>313</b>
<b>Goodwill <sup>(3)</sup></b>	<b>\$</b>	<b>31</b>

(1) The Company's fair value of the previously held equity interest in IANR and the purchase price allocation was finalized in the fourth quarter of 2025.

(2) Includes operating lease right-of-use assets and liabilities. There were no identifiable intangible assets.

(3) The goodwill acquired through the business combination is mainly attributable to the premium of an established business operation. The goodwill is not deductible for tax purposes.

The final fair values of Properties were determined using valuation techniques including the market approach and the cost approach. The significant assumptions used to determine the final fair value of Properties were mostly related to a selection of comparable assets and inflation.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

### 4 – Revenues

<i>In millions</i>	Three months ended March 31	
	2026	2025
Freight revenues		
Petroleum and chemicals	\$ 928	\$ 915
Metals and minerals	468	523
Forest products	434	494
Coal	219	246
Grain and fertilizers	1,049	951
Intermodal	962	940
Automotive	207	219
<b>Total freight revenues</b>	<b>4,267</b>	<b>4,288</b>
Other revenues	112	115
<b>Total revenues <sup>(1)</sup></b>	<b>\$ 4,379</b>	<b>\$ 4,403</b>
Revenues by geographic area		
Canada	\$ 3,110	\$ 3,076
United States (U.S.)	1,269	1,327
<b>Total revenues <sup>(1)</sup></b>	<b>\$ 4,379</b>	<b>\$ 4,403</b>

(1) As at March 31, 2026, the Company had remaining performance obligations related to freight in-transit, for which revenues of \$111 million (\$99 million as at March 31, 2025) are expected to be recognized in the next quarterly period.

### Contract liabilities

<i>In millions</i>	Three months ended March 31	
	2026	2025
Beginning balance	\$ 527	\$ 191
Revenue recognized included in the beginning balance	(4)	(8)
Increase due to consideration received, net of revenue recognized	21	78
<b>Ending balance</b>	<b>\$ 544</b>	<b>\$ 261</b>
<b>Current portion - Ending balance</b>	<b>\$ 40</b>	<b>\$ 16</b>

### 5 – 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 17 – Pensions and other postretirement benefits* to the Company's 2025 Annual Consolidated Financial Statements.

<i>In millions</i>	Three months ended March 31			
	Pensions		Other postretirement benefits	
	2026	2025	2026	2025
Current service cost	\$ 17	\$ 21	\$ –	\$ –
Other components of net periodic benefit income:				
Interest cost	143	152	1	2
Expected return on plan assets	(288)	(290)	–	–
Amortization of prior service credit	–	–	(1)	(1)
Amortization of net actuarial loss (gain)	13	14	(1)	(2)
<b>Total Other components of net periodic benefit income</b>	<b>(132)</b>	<b>(124)</b>	<b>(1)</b>	<b>(1)</b>
<b>Net periodic benefit income</b>	<b>\$ (115)</b>	<b>\$ (103)</b>	<b>\$ (1)</b>	<b>\$ (1)</b>

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

### Pension contributions

Pension contributions for all plans for the three months ended March 31, 2026 and 2025 were \$9 million and \$20 million, respectively. Based on the anticipated results of actuarial valuations for funding purposes of certain Canadian registered defined benefit pension plans as at December 31, 2025 that may be filed in 2026 at the Company's discretion, 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 to the defined benefit component of the CN Pension Plan in 2026. As such, total cash contributions of approximately \$60 million are expected to be made in 2026 for all pension plans other than the defined benefit component of the CN Pension Plan.

## 6 – Other income

Other income includes gains and losses on the disposal of land and property, foreign exchange gains and losses related to foreign exchange forward contracts and the re-measurement of foreign currency denominated monetary assets and liabilities, and other items.

### Disposal of property

On February 27, 2026, the Company recorded the sale of a portion of the Newmarket subdivision located in Washago and Sunbridge, Ontario, Canada, together with rail fixtures, for cash proceeds of \$84 million, which resulted in a gain of \$66 million (\$57 million after tax).

## 7 – Earnings per share

<i>In millions, except per share data</i>	Three months ended March 31	
	2026	2025
Net income	\$ 1,146	\$ 1,161
Weighted-average basic shares outstanding	611.3	627.8
Dilutive effect of stock-based compensation	0.6	0.5
<b>Weighted-average diluted shares outstanding</b>	<b>611.9</b>	<b>628.3</b>
Basic earnings per share	\$ 1.87	\$ 1.85
Diluted earnings per share	\$ 1.87	\$ 1.85
Units excluded from the calculation as their inclusion would not have a dilutive effect		
Stock options	2.1	1.9
Performance share units	0.7	1.0

## 8 – Financing activities

For details on the Company's available financing sources, see Note 15 – Debt to the Company's 2025 Annual Consolidated Financial Statements. For the three months ended March 31, 2026, the following changes occurred:

### Notes and debentures

For the three months ended March 31, 2026, the Company repaid the following:

- On March 1, 2026, repayment of US\$500 million (\$682 million) 2.75% Notes due 2026 upon maturity.

For the three months ended March 31, 2025, there were no issuances or repayments.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

### Revolving credit facilities

On March 31, 2026, the Company increased its existing unsecured revolving credit agreement from \$2.5 billion to \$3.0 billion. The Company's revolving credit facility agreement was also amended to extend the respective tenors by one additional year each and to remove its sustainability linked loan structure whereby its applicable margins were adjusted up or down based on the Company's performance under certain sustainability goals. The amended unsecured credit facility of \$3.0 billion consists of tranches of \$1.75 billion and \$1.25 billion that are now maturing on March 31, 2029 and March 31, 2031, respectively. The unsecured revolving credit facility of \$1.0 billion that was maturing on March 17, 2027 has been terminated as of March 31, 2026. The \$3.0 billion revolving credit facility provides borrowings at various benchmark interest rates, such as the Secured Overnight Financing Rate (SOFR) and the Canadian Overnight Repo Rate Average (CORRA), plus applicable margins, based on CN's credit ratings. The revolving credit facility agreement has a financial covenant, which limits debt as a percentage of total capitalization. The Company is in compliance as at March 31, 2026.

As at March 31, 2026 and December 31, 2025, the Company had no outstanding borrowings under its revolving credit facility and there were no draws during the three months ended March 31, 2026 and 2025.

### Equipment loans

Borrowings under the non-revolving term loan facilities are provided at SOFR or CORRA plus applicable margins.

During the first three months of 2026 and 2025, the Company repaid \$22 million and \$23 million, respectively, of its equipment loans. As at March 31, 2026 and December 31, 2025, the Company had outstanding borrowings of \$1,316 million and \$1,329 million, respectively, at a weighted-average interest rate of 3.82% and 3.85%, respectively, and had no further amounts available to be drawn under these facilities.

### Commercial paper

As at March 31, 2026 and December 31, 2025, the Company had total commercial paper borrowings of US\$1,189 million (\$1,654 million) and US\$90 million (\$124 million) respectively, at a weighted-average interest rate of 3.85% and 3.79% respectively, presented in Current portion of long-term debt on the Consolidated Balance Sheets.

<i>In millions</i>	Three months ended March 31	
	2026	2025
Commercial paper with maturities less than 90 days		
Issuance	\$ 4,989	\$ 5,513
Repayment	(3,580)	(5,394)
<b>Change in commercial paper with maturities less than 90 days, net</b>	<b>\$ 1,409</b>	<b>\$ 119</b>
Commercial paper with maturities of 90 days or greater		
Issuance	\$ 77	\$ –
Repayment	–	(224)
<b>Change in commercial paper with maturities of 90 days or greater, net</b>	<b>\$ 77</b>	<b>\$ (224)</b>
<b>Change in commercial paper, net</b>	<b>\$ 1,486</b>	<b>\$ (105)</b>

### Accounts receivable securitization program

As at March 31, 2026 and December 31, 2025, the Company had no outstanding borrowings under the accounts receivable securitization program and there were no draws during the three months ended March 31, 2026 and 2025.

### Bilateral letter of credit facilities

On March 31, 2026, the Company extended the maturity date of its committed bilateral letter of credit facility agreements to April 28, 2029.

As at March 31, 2026, the Company had outstanding letters of credit of \$323 million (\$321 million as at December 31, 2025) under the committed facilities and \$153 million (\$153 million as at December 31, 2025) under the uncommitted facilities.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

### 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 24.0 million common shares between February 4, 2026 and February 3, 2027. As at March 31, 2026, the Company had repurchased 4.3 million common shares for \$621 million under its current NCIB.

As at March 31, 2026, the Company had accrued a liability of \$16 million for the two percent tax on net share repurchases made in the first three months of 2026 (\$39 million as at December 31, 2025), which was accounted for as a direct cost of common share repurchases and recorded in Shareholders' equity. The accrued tax obligation for the 2025 net share repurchases was paid in the first quarter of 2026.

The Company repurchased 16.0 million common shares under its previous NCIB, including 1.7 million common shares in the first quarter of 2026, which allowed for the repurchase of up to 20.0 million common shares between February 4, 2025 and February 3, 2026.

<i>In millions, except per share data</i>	Three months ended March 31	
	2026	2025
Number of common shares repurchased	6.0	0.6
Weighted-average price per share <sup>(1)</sup>	\$ 144.09	\$ 150.15
Amount of repurchase <sup>(1)(2)</sup>	\$ 869	\$ 101

(1) Includes brokerage fees and tax on share repurchases.

(2) Includes settlements in subsequent periods.

## 9 – Stock-based compensation

The Company has various stock-based compensation plans for eligible employees. A description of the major plans is provided in *Note 19 – Stock-based compensation* to the Company's 2025 Annual Consolidated Financial Statements.

<i>In millions</i>	Three months ended March 31	
	2026	2025
Share Units Plan <sup>(1)</sup>	\$ 20	\$ 19
Voluntary Incentive Deferral Plan <sup>(2)</sup>	–	–
Stock Option Plan	3	3
Employee Share Investment Plan	8	7
<b>Total stock-based compensation expense</b>	<b>\$ 31</b>	<b>\$ 29</b>
Income tax impacts of stock-based compensation		
Tax benefit recognized in income	\$ 8	\$ 7
Net excess tax deficiency recognized in income	\$ (5)	\$ (5)

(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 over the applicable 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.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

### 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, 2025	0.4	\$ 153.18	0.3	\$ 198.61	0.5	\$ 148.51
Granted <sup>(4)</sup>	0.2	\$ 130.92	0.1	\$ 145.18	0.2	\$ 130.88
Settled	—	\$ —	—	\$ —	(0.1)	\$ 144.31
Forfeited	—	\$ 133.56	—	\$ 187.44	—	\$ 145.77
<b>Outstanding at March 31, 2026</b>	<b>0.6</b>	<b>\$ 146.87</b>	<b>0.4</b>	<b>\$ 182.61</b>	<b>0.6</b>	<b>\$ 142.47</b>

- (1) The grant date fair value of equity settled PSU-ROIC awards granted in 2026 of \$22 million is valued based on the closing price of the Company's stock on the date of the grant. As at March 31, 2026, total unrecognized compensation cost related to all outstanding awards was \$30 million and is expected to be recognized over a weighted-average period of 2.0 years.
- (2) The grant date fair value of equity settled PSU-TSR awards granted in 2026 of \$16 million is calculated using a Monte Carlo simulation model. As at March 31, 2026, total unrecognized compensation cost related to all outstanding awards was \$32 million and is expected to be recognized over a weighted-average period of 1.8 years.
- (3) The grant date fair value of equity settled RSU awards granted in 2026 of \$32 million is valued based on the closing price of the Company's stock on the date of the grant. As at March 31, 2026, total unrecognized compensation cost related to all outstanding awards was \$48 million and is expected to be recognized over a weighted-average period of 2.0 years.
- (4) Units granted in lieu of dividends have not been quantified as they relate to a nominal number of units.

### Voluntary Incentive Deferral Plan

	DSUs <sup>(1)</sup>	
	Units <i>In millions</i>	Weighted-average grant date fair value
Outstanding at December 31, 2025	0.3	\$ 121.72
Granted	—	\$ 151.19
Settled <sup>(2)</sup>	—	\$ 105.93
<b>Outstanding at March 31, 2026 <sup>(3)</sup></b>	<b>0.3</b>	<b>\$ 128.48</b>

- (1) The grant date fair value of equity settled DSU awards granted in 2026 of \$5 million is valued based on the closing price of the Company's stock on the date of the grant. As at March 31, 2026, the aggregate intrinsic value of all equity settled DSU awards outstanding amounted to \$41 million.
- (2) For the three months ended March 31, 2026, the Company purchased common shares for the settlement of equity settled DSUs, net of the remittance of the participants withholding tax obligation of \$3 million.
- (3) The total fair value of equity settled DSU awards vested, the number of units outstanding that were nonvested, unrecognized compensation cost and the remaining recognition period, have not been quantified as they relate to a nominal number of units.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

### Stock Option Plan

	Options outstanding	
	Number of options <i>In millions</i>	Weighted-average exercise price
Outstanding at December 31, 2025 <sup>(1)</sup>	3.1	\$ 141.35
Granted <sup>(2)</sup>	0.4	\$ 130.94
Exercised	(0.3)	\$ 129.65
Forfeited	(0.1)	\$ 157.06
<b>Outstanding at March 31, 2026 <sup>(1)(2)(3)</sup></b>	<b>3.1</b>	<b>\$ 141.80</b>
<b>Exercisable at March 31, 2026 <sup>(1)(3)</sup></b>	<b>1.9</b>	<b>\$ 139.46</b>

- (1) Stock options with a US dollar exercise price have been converted to Canadian dollars using the exchange rate in effect at the balance sheet date.
- (2) The grant date fair value of options granted in 2026 of \$10 million (\$21.64 per option) is calculated using the Black-Scholes option-pricing model. As at March 31, 2026, total unrecognized compensation cost related to all outstanding awards was \$23 million and is expected to be recognized over a weighted-average period of 2.2 years.
- (3) The weighted-average term to expiration of options outstanding was 6.4 years and the weighted-average term to expiration of exercisable stock options was 4.9 years. As at March 31, 2026, the aggregate intrinsic value of in-the-money stock options outstanding amounted to \$29 million and the aggregate intrinsic value of stock options exercisable amounted to \$23 million.

### Employee Share Investment Plan

	ESIP	
	Number of shares <i>In millions</i>	Weighted-average share price
Unvested contributions at December 31, 2025	0.3	\$ 138.17
Company contributions	0.1	\$ 140.72
Forfeited	—	\$ 137.34
Vested <sup>(1)</sup>	(0.1)	\$ 145.66
<b>Unvested contributions at March 31, 2026 <sup>(2)</sup></b>	<b>0.3</b>	<b>\$ 137.39</b>

- (1) As at March 31, 2026, total fair value of units purchased with Company contributions that vested in 2026 was \$8 million.
- (2) As at March 31, 2026, total unrecognized compensation cost related to all outstanding awards was \$17 million and is expected to be recognized over the next 12 months.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

### 10 – 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, 2025	\$ (69)	\$ (1,554)	\$ 77	\$ (1,546)	\$ 479	\$ (1,067)
Other comprehensive income before reclassifications:						
Translation of net investment <sup>(2)</sup>	246			246	–	246
Translation of US dollar debt <sup>(3)</sup>	(169)			(169)	22	(147)
Derivative instruments <sup>(4)</sup>			9	9	(2)	7
Amounts reclassified from Accumulated other comprehensive loss:						
Amortization of net actuarial loss <sup>(5)</sup>		12		12	(3)	9
Amortization of prior service credit		(1)		(1)	–	(1)
Amortization of derivative instruments <sup>(6)</sup>			(9)	(9)	2	(7)
<b>Other comprehensive income</b>	<b>77</b>	<b>11</b>	<b>–</b>	<b>88</b>	<b>19</b>	<b>107</b>
<b>Balance at March 31, 2026</b>	<b>\$ 8</b>	<b>\$ (1,543)</b>	<b>\$ 77</b>	<b>\$ (1,458)</b>	<b>\$ 498</b>	<b>\$ (960)</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, 2024	\$ 217	\$ (1,978)	\$ 79	\$ (1,682)	\$ 662	\$ (1,020)
Other comprehensive income before reclassifications:						
Translation of net investment <sup>(2)</sup>	4			4	–	4
Translation of US dollar debt <sup>(3)</sup>	3			3	(1)	2
Derivative instruments <sup>(4)</sup>			1	1	–	1
Amounts reclassified from Accumulated other comprehensive loss:						
Amortization of net actuarial loss <sup>(5)</sup>		12		12	(2)	10
Amortization of prior service credit		(1)		(1)	–	(1)
Amortization of derivative instruments <sup>(6)</sup>			(4)	(4)	1	(3)
<b>Other comprehensive income (loss)</b>	<b>7</b>	<b>11</b>	<b>(3)</b>	<b>15</b>	<b>(2)</b>	<b>13</b>
<b>Balance at March 31, 2025</b>	<b>\$ 224</b>	<b>\$ (1,967)</b>	<b>\$ 76</b>	<b>\$ (1,667)</b>	<b>\$ 660</b>	<b>\$ (1,007)</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) The cumulative changes in fair values of cross-currency interest rate swaps are included in Derivative instruments. See Note 12 – Financial instruments.

(5) Total before tax reclassified to Other components of net periodic benefit income in the Consolidated Statements of Income and included in net periodic benefit income. See Note 5 – Pensions and other postretirement benefits for additional information.

(6) Includes the amortization of treasury locks for the three months ended March 31, 2026 of \$1 million (\$1 million as at March 31, 2025) and the amortization of cross-currency interest rate swaps related to foreign currency exposure and interest expense. See Note 12 - Financial instruments.

### 11 – Major commitments and contingencies

#### Purchase commitments

As at March 31, 2026, the Company had fixed and variable commitments to purchase engineering services, information technology services and licenses, rail, locomotives, railroad cars, wheels, rail ties, as well as other equipment and services with a total estimated cost of \$2,602 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, 2026, the Company had aggregate reserves for personal injury and other claims of \$304 million, of which \$118 million was recorded as a current liability (\$310 million as at December 31, 2025, of which \$71 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, 2026, 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 21 – Major commitments and contingencies* to the Company's 2025 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 the EPA considers it 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 EPA also requested that the Company respond to certain information requests, which the Company did on June 30, 2024. 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 the disposal 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 and certain off-Site areas. In the second quarter of 2025, CN received a special notice letter from the EPA which requested CN to respond with a good faith offer by August 4, 2025. The Company responded to the EPA on August 4, 2025 reiterating why it should not be considered a PRP for the Site and as at April 28, 2026, there have been no further developments. 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, if any, 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.

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.

As at March 31, 2026, the Company had aggregate accruals for environmental costs of \$65 million, of which \$41 million was recorded as a current liability (\$64 million as at December 31, 2025, of which \$38 million was recorded as a current liability). The Company anticipates that

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

the liability at March 31, 2026 will be paid out over the next five years. Based on the information currently available, the Company considers its accruals to be adequate.

### **Guarantees and indemnifications**

A description of the Company's guarantees and indemnifications is provided in *Note 21 – Major commitments and contingencies* to the Company's 2025 Annual Consolidated Financial Statements.

As at March 31, 2026, the Company had outstanding letters of credit of \$323 million (\$321 million as at December 31, 2025) under the committed bilateral letter of credit facilities and \$153 million (\$153 million as at December 31, 2025) under the uncommitted bilateral letter of credit facilities, and surety and other bonds of \$148 million (\$147 million as at December 31, 2025), 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, 2026, the maximum potential liability under these guarantee instruments was \$624 million (\$621 million as at December 31, 2025), of which \$581 million (\$580 million as at December 31, 2025) related to other employee benefit liabilities and workers' compensation and \$43 million (\$41 million as at December 31, 2025) related to other liabilities. The guarantee instruments expire at various dates between 2026 and 2027.

As at March 31, 2026, 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.

## 12 – 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**

#### *Foreign exchange forward contracts*

As at March 31, 2026, the Company had outstanding foreign exchange forward contracts to purchase a notional value of US\$1,457 million (US\$477 million as at December 31, 2025). These outstanding contracts are at a weighted-average exchange rate of \$1.37 per US\$1.00 (\$1.39 per US\$1.00 as at December 31, 2025). The weighted-average term of the contracts is 70 days (110 days as at December 31, 2025). Changes in fair values of foreign exchange forward contracts, resulting from changes in foreign exchange rates, are recognized in Other income in the Consolidated Statements of Income as they occur.

For the three months ended March 31, 2026, and 2025 the Company recorded gains of \$33 million and \$3 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.

As at March 31, 2026, the fair value of outstanding foreign exchange forward contracts included in Other current assets and Accounts payable and other was \$29 million and \$nil, respectively (\$nil and \$10 million as at December 31, 2025).

#### *Cross-currency interest rate swaps*

On March 1, 2026, the US\$500 million cross-currency interest rate swap (CCIRS) was settled in conjunction with the underlying bond settlement. As at March 31, 2026, the aggregate notional amount of CCIRS outstanding was US\$475 million to hedge the US-to-Canadian dollar currency fluctuations on US dollar-denominated notes maturing on July 15, 2028, for an aggregate principal amount of \$682 million with a fixed annual interest rate of 5.51%.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

These CCIRS were designated as qualifying hedging instruments and were accounted for as cash flow hedges, with their critical terms corresponding to the related US dollar-denominated notes.

The following table provides the fair value gain or (loss) recorded in Accumulated other comprehensive loss and the amounts amortized to Other income related to foreign currency exposure and to Interest expense as reported for the three months ended March 31, 2026 and March 31, 2025.

<i>In millions</i>	Three months ended March 31	
	2026	2025
Change in fair value of CCIRS	\$ 9	\$ 1
Other income	\$ 5	\$ 2
Interest expense	\$ 3	\$ 1

The following table provides the cumulative change in fair value of outstanding CCIRS as at March 31, 2026 and December 31, 2025:

<i>In millions</i>	As at March 31, 2026	As at December 31, 2025
Other current assets	\$ 9	\$ 7
Intangible assets, goodwill and other	—	(29)
Other liabilities and deferred credits	(24)	(30)
<b>Total fair value of CCIRS</b>	<b>\$ (15)</b>	<b>\$ (52)</b>

The cash flows related to these CCIRS that pertain to the periodic interest settlements are classified as operating activities and the cash flows that pertain to the principal balance are classified as financing activities.

### Interest rate risk

#### Interest rate swaps

As at March 31, 2026, the Company had outstanding interest rate swaps (IRS) with a notional amount of \$1.0 billion designated as qualifying hedging instruments and accounted for as fair value hedges on a cumulative \$1.0 billion of notes maturing on June 10, 2030 and June 10, 2035. The swaps were designed to hedge the interest rate risk associated with market fluctuations attributable to the Canadian Overnight Repo Rate Average (CORRA). The fair value gain or loss on the swaps as well as any offsetting loss or gain on the hedged notes attributable to the hedged risk are recorded in Interest expense.

The following table provides the cumulative change in fair value of outstanding IRS and the corresponding fair value hedging adjustment in Long-term debt as at March 31, 2026 and December 31, 2025:

<i>In millions</i>	As at March 31, 2026	As at December 31, 2025
Other current assets	\$ 4	\$ 5
Other liabilities and deferred credits	(18)	(16)
<b>Total fair value of IRS</b>	<b>\$ (14)</b>	<b>\$ (11)</b>
Hedging adjustment gain (loss)	\$ 15	\$ 11

<i>In millions</i>	Three months ended March 31	
	2026	2025
Periodic net interest accruals for IRS recorded in Interest expense	2	N/A

## 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, 2026, the Company's debt, excluding finance leases, had a carrying amount of \$22,194 million (\$21,201 million as at December 31, 2025) and a fair value of \$20,843 million (\$20,246 million as at December 31, 2025). The carrying amount of debt excluding finance leases exceeded the fair value due to market rates being higher than the stated coupon rates.

## 13 – Segmented information

For details relating to the Company's segmented information, see *Note 23 - Segment information* to the Company's 2025 Annual Consolidated Financial Statements.

Net income and diluted earnings per share (EPS), which are reported on the Company's Consolidated Statements of Income, are the profit measures reviewed by the Chief Operating Decision Maker (CODM). These measures are used by the CODM to assess segment profitability, allocate resources across CN's network, benchmark performance against targets and industry standards, analyze trends for strategic planning and forecasting and communicating results to stakeholders.

Significant segment expenses regularly provided to the CODM and included within net income and EPS are the expense captions detailed in the Consolidated Statements of Income. The measure of segment assets is reported on the Consolidated Balance Sheets as Total assets. Segment property additions is reported on the Consolidated Statements of Cash Flows as Property additions.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Forward-looking statements

Certain statements included in this Management's Discussion and Analysis (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," "goals," 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 *2026 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 short and 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><li>• No further deterioration in the North American economy as a result of tariffs, trade barriers and trade actions taken by various governments and agencies globally</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 or tensions; trade restrictions, trade barriers, or the imposition of tariffs or other changes to international trade arrangements; 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 and other regulatory claims or proceedings; increases in maintenance and operating costs; security threats; reliance on technology and related cybersecurity risk; 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 2025 Annual MD&A for a description of major risk factors relating to CN.

CN has sustainability-related commitments and climate goals, and continues to assess the impact on its operations of related initiatives, plans and proposals that CN and other stakeholders (including government, regulatory and other bodies) are pursuing in relation to climate change and carbon emissions. The achievement of CN's climate goals is subject to several risks and uncertainties, including those disclosed in the section entitled *Business risks: Reputation* of the Company's 2025 Annual MD&A. The achievement of these goals is also subject to circumstances outside of the Company's control, including the availability and cost competitiveness of renewable fuels and the development and availability of new technologies, such as alternative propulsion locomotive technologies, and the cooperation of third parties such as suppliers, customers, supply chain partners and regulators. There can be no certainty that the Company will achieve any or all of these goals within the stated timeframe, or that achieving any of these goals will meet all of the expectations of its stakeholders or applicable legal

## MANAGEMENT'S DISCUSSION AND ANALYSIS

requirements. If the Company is unable to achieve its climate goals or satisfy the expectations of its stakeholders, its brand and reputation could be materially and adversely affected.

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.

### Introduction

This MD&A dated April 28, 2026, 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, 2026 Interim Consolidated Financial Statements and Notes thereto. It should also be read in conjunction with the Company's 2025 Annual Consolidated Financial Statements, and the 2025 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 2025 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 2026 compared to first quarter of 2025

##### Financial results

- Revenues of \$4,379 million, a decrease of \$24 million, or 1%.
- Operating income of \$1,549 million, a decrease of \$61 million, or 4% and adjusted operating income of \$1,566 million, a decrease of \$44 million, or 3%. <sup>(1)(2)</sup>
- Operating ratio, defined as operating expenses as a percentage of revenues, of 64.6%, an increase of 1.2-points and adjusted operating ratio of 64.2%, an increase of 0.8-points. <sup>(1)(2)</sup>
- Net income of \$1,146 million, a decrease of \$15 million, or 1% and adjusted net income of \$1,102 million, a decrease of \$59 million, or 5%. <sup>(1)(2)</sup>
- Diluted earnings per share (EPS) of \$1.87, an increase of 1% and adjusted diluted EPS of \$1.80, a decrease of 3%. <sup>(1)(2)</sup>
- Net cash provided by operating activities of \$1,265 million, an increase of \$101 million, or 9%, and net cash used in investing activities of \$365 million, a decrease of \$173 million, or 32%.
- Free cash flow of \$900 million, an increase of \$274 million, or 44%. <sup>(1)(3)</sup>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Operating performance <sup>(4)</sup>

- Through dwell decreased by 4% to 7.5 (entire railroad, hours).
- Car velocity increased by 6% to 201 (car miles per day).
- Through network train speed increased by 6% to 18.7 (mph).
- Record first quarter fuel efficiency of 0.892 (US gallons of locomotive fuel consumed per 1,000 gross ton miles (GTMs)), was 3% more efficient.
- Train length increased by 2% to 7,873 (feet).
- Revenue ton miles (RTMs) increased 3% to 61,834 (millions).
- Injury frequency rate increased from 1.11 to 1.24 (per 200,000 person hours). <sup>(5)</sup>
- Accident rate increased from 2.04 to 2.27 (per million train miles). <sup>(5)</sup>

(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.

(2) See the section of this MD&A entitled *Non-GAAP measures* for an explanation and reconciliation of these non-GAAP measures.

(3) 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.

(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.

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

### Labor and Workforce negotiations

As at March 31, 2026, CN employed a total of 17,035 employees in Canada, of which 12,399, or 73%, were unionized employees, and 6,506 employees in the U.S., of which 5,443, or 84%, were unionized employees.

## 2026 Business outlook and assumptions

CN continues to assume RTM growth will be flattish. The 2025/2026 grain crops in Canada and the U.S. were above their respective five-year averages. The Company continues to assume that the 2026/2027 grain crops in Canada and the U.S. will be in line with their respective five-year averages. The Company notes there is a heightened demand risk as a result of volatile macroeconomic conditions, geopolitical conflicts and global trade tensions.

In 2026, the Company continues to expect to invest approximately \$2.8 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.

The forward-looking statements discussed in this *2026 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial highlights

	Three months ended March 31		
	2026	2025	% Change Fav (Unfav)
<i>In millions, except percentages and per share data</i>			
<b>Financial performance and liquidity</b>			
Revenues	\$ 4,379	\$ 4,403	(1%)
Operating income	\$ 1,549	\$ 1,610	(4%)
Adjusted operating income <sup>(1)(2)</sup>	\$ 1,566	\$ 1,610	(3%)
Net income	\$ 1,146	\$ 1,161	(1%)
Adjusted net income <sup>(1)(2)</sup>	\$ 1,102	\$ 1,161	(5%)
Basic earnings per share	\$ 1.87	\$ 1.85	1%
Diluted earnings per share	\$ 1.87	\$ 1.85	1%
Adjusted diluted earnings per share <sup>(1)(2)</sup>	\$ 1.80	\$ 1.85	(3%)
Dividends declared per share	\$ 0.9150	\$ 0.8875	3%
Operating ratio <sup>(3)</sup>	64.6%	63.4%	(1.2) pts
Adjusted operating ratio <sup>(1)(2)</sup>	64.2%	63.4%	(0.8) pts
Net cash provided by operating activities	\$ 1,265	\$ 1,164	9%
Net cash used in investing activities	\$ 365	\$ 538	32%
Free cash flow <sup>(1)(4)</sup>	\$ 900	\$ 626	44%
	<b>As at</b>	<b>As at</b>	<b>% Change</b>
	<b>March 31,</b>	<b>December 31,</b>	<b>Fav (Unfav)</b>
	<b>2026</b>	<b>2025</b>	
<i>In millions, except percentages</i>			
<b>Financial position</b>			
Total assets	\$ 59,463	\$ 58,555	2%
Total long-term liabilities <sup>(5)</sup>	\$ 33,452	\$ 33,291	–%

(1) 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.

(2) See the section of this MD&A entitled *Non-GAAP measures – Adjusted performance measures* for an explanation of these non-GAAP measures.

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

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

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

### Results of operations

#### First quarter of 2026 compared to corresponding period in 2025

Revenues for the first quarter of 2026 were \$4,379 million compared to \$4,403 million for the same period in 2025, a decrease of \$24 million, or 1%. The decrease was mainly due to lower freight revenue per RTM; partly offset by higher volumes:

- Volumes: increased mainly due to higher Canadian and U.S. grain exports, potash exports and stronger domestic and export volumes of natural gas liquids; partly offset by lower shipments of frac sand.
- Freight revenue per RTM: decreased mainly due to the negative translation impact of a stronger Canadian dollar and the current period impact resulting from the April 1, 2025 elimination of the Canadian federal carbon tax program; partly offset by freight rate increases and higher applicable fuel surcharge rates.

Operating expenses for the first quarter of 2026 were \$2,830 million compared to \$2,793 million for the same period in 2025. The increase of \$37 million, or 1%, was mainly due to higher purchased services and material expense, higher incident costs and general wage increases; partly offset by the positive translation impact of a stronger Canadian dollar and lower average headcount.

Operating income for the first quarter of 2026 decreased by \$61 million or 4%, to \$1,549 million when compared to the same period in 2025. The operating ratio, defined as operating expenses as a percentage of revenues, was 64.6% in the first quarter of 2026 compared to 63.4% in the first quarter of 2025, a 1.2-point increase.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Net income for the first quarter of 2026 was \$1,146 million, a decrease of \$15 million, or 1%, and diluted earnings per share increased by 1% to \$1.87, when compared to the same period in 2025.

### Key operating metrics

	Three months ended March 31		
	2026	2025	% Change Fav (Unfav)
Gross ton miles (GTMs) (millions) <sup>(1)</sup>	118,389	114,843	3%
Train weight (tons) <sup>(2)</sup>	9,296	9,078	2%
Train length (feet) <sup>(3)</sup>	7,873	7,708	2%
Through network train speed (miles per hour) <sup>(4)</sup>	18.7	17.7	6%
Fuel efficiency (US gallons of locomotive fuel consumed per 1,000 GTMs) <sup>(5)</sup>	0.892	0.917	3%
Through dwell (entire railroad, hours) <sup>(6)</sup>	7.5	7.8	4%
Car velocity (car miles per day) <sup>(7)</sup>	201	189	6%

- (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.
- (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.

During the first quarter of 2026 operating performance improved across all metrics compared to the same period in 2025. Despite winter weather headwinds, the network absorbed disruptions more effectively, as compared to 2025, with faster recovery and limited drag on operating metrics, reflecting a more fluid and resilient operation than the prior year.

### 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: Adjusted performance measures* and *Constant currency*, as well as the section entitled *Liquidity and capital resources: Free cash flow and Adjusted debt-to-adjusted EBITDA multiple*.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 and may include the following adjustments:

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

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

For the three months ended March 31, 2026, the Company's adjusted net income was \$1,102 million, or \$1.80 per diluted share, which excludes:

- the sale of a portion of the Newmarket subdivision located in Washago and Sunbridge, Ontario, Canada, together with rail fixtures, for cash proceeds of \$84 million, which resulted in a gain of \$66 million, or \$57 million after-tax (\$0.09 per diluted share) recorded in Other income within the Consolidated Statements of Income; and
- advisory costs related to the analysis and advocacy for the U.S. Surface Transportation Board (STB) enforcement of antitrust laws pertaining to the potential merger between Union Pacific and Norfolk Southern of \$17 million, or \$13 million after-tax (\$0.02 per diluted share) recorded in Purchased services and material within the Consolidated Statements of Income.

For the three months ended March 31, 2025, the Company's net income was \$1,161 million, or \$1.85 per diluted share. There were no adjustments in the first quarter of 2025.

Adjusted net income is defined as Net income in accordance with GAAP adjusted for certain significant items. Management believes that adjusted net income provides additional insight to management and investors into the Company's operations and underlying business trends as well as facilitate period-to-period comparisons, as it excludes certain significant items that are not reflective of CN's underlying business operations and could distort the analysis of trends in business performance. Adjusted diluted earnings per share is defined as adjusted net income divided by the weighted-average diluted shares outstanding. This measure helps management and investors evaluate the Company's profitability on a per-share basis, facilitating the assessment of period-over-period performance by removing the impact of significant, non-recurring items.

The following table provides a reconciliation of Net income and Earnings per share in accordance with GAAP, as reported for the three months ended March 31, 2026 and 2025, to the non-GAAP adjusted performance measures presented herein:

<i>In millions, except per share data</i>	<b>Three months ended March 31</b>	
	<b>2026</b>	<b>2025</b>
Net income	\$ 1,146	\$ 1,161
Adjustments:		
Operating expense adjustment:		
Advisory costs related to rail consolidation matters	17	—
Non-operating expense adjustment:		
Gain on disposal of property	(66)	—
Tax adjustments:		
Tax effect of adjustments <sup>(1)</sup>	5	—
<b>Total adjustments</b>	<b>\$ (44)</b>	<b>\$ —</b>
<b>Adjusted net income</b>	<b>\$ 1,102</b>	<b>\$ 1,161</b>
Diluted earnings per share	\$ 1.87	\$ 1.85
Impact of adjustments, per share	(0.07)	—
<b>Adjusted diluted earnings per share</b>	<b>\$ 1.80</b>	<b>\$ 1.85</b>

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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. This measure helps management and investors assess the Company's core operating results by excluding items that may distort the analysis of ongoing business performance. 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. This measure provides management and investors with a view of ongoing costs which exclude unusual or non-recurring items, enabling more accurate assessment of cost management and resource allocation across reporting periods. Adjusted operating ratio is defined as adjusted operating expenses as a percentage of revenues. For management and investors, the adjusted operating ratio serves as a key performance indicator of cost management and overall operational effectiveness, as it demonstrates how effectively management controls costs relative to total revenue by excluding unusual or non-recurring items.

The following table provides a reconciliation of Operating income, Operating expenses and operating ratio, as reported for the three months ended March 31, 2026 and 2025, to the non-GAAP adjusted performance measures presented herein:

<i>In millions, except percentages</i>	Three months ended March 31	
	2026	2025
Operating income	\$ 1,549	\$ 1,610
Adjustment:		
Advisory costs related to rail consolidation matters	17	—
<b>Total adjustment</b>	<b>\$ 17</b>	<b>\$ —</b>
<b>Adjusted operating income</b>	<b>\$ 1,566</b>	<b>\$ 1,610</b>
Operating expenses	\$ 2,830	\$ 2,793
Total adjustments	(17)	—
<b>Adjusted operating expenses</b>	<b>\$ 2,813</b>	<b>\$ 2,793</b>
Operating ratio	64.6 %	63.4 %
Impact of adjustments	(0.4)%	— %
<b>Adjusted operating ratio</b>	<b>64.2 %</b>	<b>63.4 %</b>

## 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 \$1.372 and \$1.435 per US\$1.00 for the three months ended March 31, 2026 and 2025 respectively. On a constant currency basis, the Company's net income for the three months ended March 31, 2026 would have been higher by \$21 million (\$0.03 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, 2026:

<i>In millions, except per share data</i>	Three months ended March 31			
	2026	Constant currency impact	2025	% Change at constant currency Fav (Unfav)
<b>Revenues</b>				
Petroleum and chemicals	\$ 928	\$ 24	\$ 915	4%
Metals and minerals	468	16	523	(7%)
Forest products	434	15	494	(9%)
Coal	219	4	246	(9%)
Grain and fertilizers	1,049	22	951	13%
Intermodal	962	11	940	4%
Automotive	207	7	219	(2%)
<b>Total freight revenues</b>	<b>4,267</b>	<b>99</b>	<b>4,288</b>	<b>2%</b>
Other revenues	112	3	115	—%
<b>Total revenues</b>	<b>4,379</b>	<b>102</b>	<b>4,403</b>	<b>2%</b>
<b>Operating expenses</b>				
Labor and fringe benefits	914	17	920	(1%)
Purchased services and material	623	8	577	(9%)
Fuel	483	23	518	2%
Depreciation and amortization	484	9	493	—%
Equipment rents	112	4	118	2%
Other	214	5	167	(31%)
<b>Total operating expenses</b>	<b>2,830</b>	<b>66</b>	<b>2,793</b>	<b>(4%)</b>
<b>Operating income</b>	<b>1,549</b>	<b>36</b>	<b>1,610</b>	<b>(2%)</b>
Interest expense	(234)	(8)	(233)	(4%)
Other components of net periodic benefit income	133	—	125	6%
Other income	73	—	25	192%
<b>Income before income taxes</b>	<b>1,521</b>	<b>28</b>	<b>1,527</b>	<b>1%</b>
Income tax expense	(375)	(7)	(366)	(4%)
<b>Net income</b>	<b>\$ 1,146</b>	<b>\$ 21</b>	<b>\$ 1,161</b>	<b>1%</b>
<b>Diluted earnings per share</b>	<b>\$ 1.87</b>	<b>\$ 0.03</b>	<b>\$ 1.85</b>	<b>3%</b>
<b>Adjusted net income <sup>(1)</sup></b>	<b>\$ 1,102</b>	<b>\$ 21</b>	<b>\$ 1,161</b>	<b>(3%)</b>
<b>Adjusted diluted earnings per share <sup>(1)</sup></b>	<b>\$ 1.80</b>	<b>\$ 0.03</b>	<b>\$ 1.85</b>	<b>(1%)</b>

(1) 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. See the section of this MD&A entitled *Adjusted performance measures* for an explanation and reconciliation of these non-GAAP measures. Adjusted net income at constant currency and adjusted diluted EPS 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. Adjusted net income at constant currency of \$1,123 million is calculated as Adjusted net income of \$1,102 million adjusted for the impact of fluctuations in foreign currency exchange rates of \$21 million. Adjusted diluted EPS at constant currency of \$1.83 is calculated as adjusted diluted EPS of \$1.80 adjusted for the impact of fluctuations in foreign currency exchange rates of \$0.03 per diluted share.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Revenues

<i>In millions, unless otherwise indicated</i>	Three months ended March 31			
	2026	2025	% Change	% Change at constant currency <sup>(1)</sup>
Freight revenues	\$ 4,267	\$ 4,288	–%	2%
Other revenues	112	115	(3%)	–%
<b>Total revenues</b>	<b>\$ 4,379</b>	<b>\$ 4,403</b>	<b>(1%)</b>	<b>2%</b>
Freight revenues				
Petroleum and chemicals	\$ 928	\$ 915	1%	4%
Metals and minerals	468	523	(11%)	(7%)
Forest products	434	494	(12%)	(9%)
Coal	219	246	(11%)	(9%)
Grain and fertilizers	1,049	951	10%	13%
Intermodal	962	940	2%	4%
Automotive	207	219	(5%)	(2%)
<b>Total freight revenues</b>	<b>\$ 4,267</b>	<b>\$ 4,288</b>	<b>–%</b>	<b>2%</b>
Revenue ton miles (RTMs) (millions) <sup>(2)</sup>	61,834	60,049	3%	3%
Freight revenue/RTM (cents) <sup>(3)</sup>	6.90	7.14	(3%)	(1%)
Carloads (thousands)	1,336	1,313	2%	2%
Freight revenue/carload (\$)	3,194	3,266	(2%)	–%

(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.

Revenues for the first quarter of 2026 were \$4,379 million compared to \$4,403 million for the same period in 2025, a decrease of \$24 million, or 1%. The decrease was mainly due to lower freight revenue per RTM; partly offset by higher volumes:

- Volumes: increased mainly due to higher Canadian and U.S. grain exports, potash exports and stronger domestic and export volumes of natural gas liquids; partly offset by lower shipments of frac sand.
- Freight revenue per RTM: decreased mainly due to the negative translation impact of a stronger Canadian dollar and the current period impact resulting from the April 1, 2025 elimination of the Canadian federal carbon tax program; partly offset by freight rate increases and higher applicable fuel surcharge rates.

Fuel and carbon surcharge revenues decreased by \$44 million in the first quarter of 2026 compared to the same period in 2025, mainly due to the current period impact resulting from the April 1, 2025 elimination of the Canadian federal carbon tax program; partly offset by higher applicable fuel surcharge rates and higher volumes.

#### Petroleum and chemicals

	Three months ended March 31			
	2026	2025	% Change	% Change at constant currency
Revenues (millions)	\$ 928	\$ 915	1%	4%
RTMs (millions)	12,684	11,836	7%	7%
Revenue/RTM (cents)	7.32	7.73	(5%)	(3%)
Carloads (thousands)	170	163	4%	4%
Revenue/carload (\$)	5,459	5,613	(3%)	–%

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues for this commodity group increased by \$13 million, or 1%, in the first quarter of 2026, when compared to the same period in 2025, mainly due to higher volumes; partly offset by lower revenue per RTM:

- Volumes: increased mainly due to higher domestic and export volumes of natural gas liquids and higher volumes of refined petroleum products driven by increased demand for gas and diesel.
- Revenue per RTM: decreased mainly due to the negative translation impact of a stronger Canadian dollar, the current period impact resulting from the April 1, 2025 elimination of the Canadian federal carbon tax program and an increase in the average length of haul; partly offset by freight rate increases and higher applicable fuel surcharge rates.

RTMs increased more than carloads in the first quarter of 2026 when compared to the same period in 2025, mainly due to higher long-haul shipments of natural gas liquids.

### Metals and minerals

	Three months ended March 31			
	2026	2025	% Change	% Change at constant currency
Revenues ( <i>millions</i> )	\$ 468	\$ 523	(11%)	(7%)
RTMs ( <i>millions</i> )	6,056	6,752	(10%)	(10%)
Revenue/RTM ( <i>cents</i> )	7.73	7.75	—%	3%
Carloads ( <i>thousands</i> )	214	213	—%	—%
Revenue/carload (\$)	2,187	2,455	(11%)	(8%)

Revenues for this commodity group decreased by \$55 million, or 11%, in the first quarter of 2026, when compared to the same period in 2025, mainly due to lower volumes while revenue per RTM remained flat:

- Volumes: decreased mainly due to lower frac sand driven by lower levels of drilling in western Canada.
- Revenue per RTM: remained flat mainly due to a significant decrease in the average length of haul, freight rate increases and higher fuel surcharge rates; offset by the negative translation impact of a stronger Canadian dollar and the current period impact resulting from the April 1, 2025 elimination of the Canadian federal carbon tax program.

RTMs decreased while carloads remained flat in the first quarter of 2026 when compared to the same period in 2025, mainly due to reduced long-haul shipments of frac sand; partly offset by short-haul shipments of iron ore.

### Forest products

	Three months ended March 31			
	2026	2025	% Change	% Change at constant currency
Revenues ( <i>millions</i> )	\$ 434	\$ 494	(12%)	(9%)
RTMs ( <i>millions</i> )	4,912	5,387	(9%)	(9%)
Revenue/RTM ( <i>cents</i> )	8.84	9.17	(4%)	—%
Carloads ( <i>thousands</i> )	67	73	(8%)	(8%)
Revenue/carload (\$)	6,478	6,767	(4%)	(1%)

Revenues for this commodity group decreased by \$60 million, or 12%, in the first quarter of 2026 when compared to the same period in 2025, mainly due to lower volumes and lower revenue per RTM:

- Volumes: decreased mainly due to lower shipments of lumber from ongoing unfavorable market conditions, including the impact of higher U.S. anti-dumping and countervailing duties affecting Canadian lumber shipments to the U.S.
- Revenue per RTM: decreased mainly due to the negative translation impact of a stronger Canadian dollar and the current period impact resulting from the April 1, 2025 elimination of the Canadian federal carbon tax program; partly offset by freight rate increases and higher applicable fuel surcharge rates.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Coal

	Three months ended March 31			
	2026	2025	% Change	% Change at constant currency
Revenues ( <i>millions</i> )	\$ 219	\$ 246	(11%)	(9%)
RTMs ( <i>millions</i> )	4,827	5,446	(11%)	(11%)
Revenue/RTM ( <i>cents</i> )	4.54	4.52	—%	2%
Carloads ( <i>thousands</i> )	108	118	(8%)	(8%)
Revenue/carload (\$)	2,028	2,085	(3%)	(1%)

Revenues for this commodity group decreased by \$27 million, or 11%, in the first quarter of 2026, when compared to the same period in 2025, mainly due to lower volumes while revenue per RTM remained flat:

- Volumes: decreased mainly due to lower exports of Canadian thermal and metallurgical coal and U.S. thermal coal.
- Revenue per RTM: remained flat mainly due to freight rate increases, higher applicable fuel surcharge rates and a decrease in the average length of haul; offset by the current period impact resulting from the April 1, 2025 elimination of the Canadian federal carbon tax program and the negative translation impact of a stronger Canadian dollar.

RTMs decreased more than carloads in the first quarter of 2026 when compared to the same period in 2025, mainly due to reduced long-haul shipments of U.S. thermal coal.

### Grain and fertilizers

	Three months ended March 31			
	2026	2025	% Change	% Change at constant currency
Revenues ( <i>millions</i> )	\$ 1,049	\$ 951	10%	13%
RTMs ( <i>millions</i> )	19,525	17,250	13%	13%
Revenue/RTM ( <i>cents</i> )	5.37	5.51	(3%)	—%
Carloads ( <i>thousands</i> )	195	178	10%	10%
Revenue/carload (\$)	5,379	5,343	1%	3%

Revenues for this commodity group increased by \$98 million, or 10%, in the first quarter of 2026, when compared to the same period in 2025, mainly due to higher volumes; partly offset by lower revenue per RTM:

- Volumes: increased mainly due to higher exports of Canadian and U.S. grain as well as increased potash exports driven by a temporary east coast terminal outage in the first quarter of 2025.
- Revenue per RTM: decreased mainly due to the negative translation impact of a stronger Canadian dollar, the current period impact resulting from the April 1, 2025 elimination of the Canadian federal carbon tax program and an increase in the average length of haul; partly offset by freight rate increases and higher applicable fuel surcharge rates.

RTMs increased more than carloads in the first quarter of 2026 when compared to the same period in 2025, mainly due to higher long-haul shipments of potash.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Intermodal

	Three months ended March 31			
	2026	2025	% Change	% Change at constant currency
Revenues ( <i>millions</i> )	\$ 962	\$ 940	2%	4%
RTMs ( <i>millions</i> )	13,063	12,586	4%	4%
Revenue/RTM ( <i>cents</i> )	7.36	7.47	(1%)	—%
Carloads ( <i>thousands</i> )	534	517	3%	3%
Revenue/carload (\$)	1,801	1,818	(1%)	—%

Revenues for this commodity group increased by \$22 million, or 2%, in the first quarter of 2026, when compared to the same period in 2025, mainly due to higher volumes; partly offset by lower revenue per RTM:

- Volumes: increased mainly due to higher shipments in the domestic segment and higher international shipments through the Port of Prince Rupert; partly offset by reduced shipments through the Port of Halifax.
- Revenue per RTM: decreased mainly due to the current period impact resulting from the April 1, 2025 elimination of the Canadian federal carbon tax program and the negative translation impact of a stronger Canadian dollar; partly offset by freight rate increases and higher applicable fuel surcharge rates.

### Automotive

	Three months ended March 31			
	2026	2025	% Change	% Change at constant currency
Revenues ( <i>millions</i> )	\$ 207	\$ 219	(5%)	(2%)
RTMs ( <i>millions</i> )	767	792	(3%)	(3%)
Revenue/RTM ( <i>cents</i> )	26.99	27.65	(2%)	1%
Carloads ( <i>thousands</i> )	48	51	(6%)	(6%)
Revenue/carload (\$)	4,313	4,294	—%	4%

Revenues for this commodity group decreased by \$12 million, or 5%, in the first quarter of 2026, when compared to the same period in 2025, mainly due to lower volumes and lower revenue per RTM:

- Volumes: decreased mainly due to lower transborder shipments of finished vehicles between the U.S. and Canada and lower shipments within Canada; partly offset by higher imports and increased Mexico to Canada shipments of finished vehicles.
- Revenue per RTM: decreased mainly due to a significant increase in the average length of haul, the negative translation impact of a stronger Canadian dollar and the current period impact resulting from the April 1, 2025 elimination of the Canadian federal carbon tax program; partly offset by freight rate increases and higher applicable fuel surcharge rates.

### Other revenues

	Three months ended March 31			
	2026	2025	% Change	% Change at constant currency
Revenues ( <i>millions</i> )	\$ 112	\$ 115	(3%)	—%

Other revenues decreased by \$3 million, or 3%, in the first quarter of 2026, when compared to the same period in 2025, mainly due to the negative impact of a stronger Canadian dollar.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Operating expenses

Operating expenses for the first quarter of 2026 were \$2,830 million compared to \$2,793 million for the same period in 2025. The increase of \$37 million, or 1%, was mainly due to higher purchased services and material expense, higher incident costs and general wage increases; partly offset by the positive translation impact of a stronger Canadian dollar and lower average headcount.

<i>In millions, unless otherwise indicated</i>	Three months ended March 31			
	2026	2025	% Change	% Change at constant currency <sup>(1)</sup>
Labor and fringe benefits	\$ 914	\$ 920	1%	(1%)
Purchased services and material	623	577	(8%)	(9%)
Fuel	483	518	7%	2%
Depreciation and amortization	484	493	2%	—%
Equipment rents	112	118	5%	2%
Other	214	167	(28%)	(31%)
<b>Total operating expenses</b>	<b>\$ 2,830</b>	<b>\$ 2,793</b>	<b>(1%)</b>	<b>(4%)</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 decreased by \$6 million, or 1%, in the first quarter of 2026 when compared to the same period in 2025. The decrease was mainly due to lower average headcount and the positive translation impact of a stronger Canadian dollar; partly offset by general wage increases.

#### Purchased services and material

Purchased services and material expense increased by \$46 million, or 8%, in the first quarter of 2026 when compared to the same period in 2025. The increase was mainly due to higher snow clearing costs driven by harsher winter operating conditions, advisory costs of \$17 million related to rail consolidation matters and higher material, trucking and transload costs; partly offset by the positive translation impact of a stronger Canadian dollar.

#### Fuel

Fuel expense decreased by \$35 million, or 7%, in the first quarter of 2026 when compared to the same period in 2025. The decrease was mainly due to the current period impact resulting from the April 1, 2025 elimination of the Canadian federal carbon tax program and the positive translation impact of a stronger Canadian dollar; partly offset by higher fuel prices and higher volumes.

#### Depreciation and amortization

Depreciation and amortization expense decreased by \$9 million, or 2%, in the first quarter of 2026 when compared to the same period in 2025, mainly due to the positive translation impact of a stronger Canadian dollar.

#### Equipment rents

Equipment rents expense decreased by \$6 million, or 5%, in the first quarter of 2026 when compared to the same period in 2025, mainly due to the positive translation impact of a stronger Canadian dollar.

#### Other

Other expense increased by \$47 million, or 28%, in the first quarter of 2026 when compared to the same period in 2025. The increase was mainly due to higher incident costs and higher software and support costs; partly offset by the positive translation impact of a stronger Canadian dollar.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Other income and expense

#### Interest expense

Interest expense was \$234 million for the three months ended March 31, 2026, compared to \$233 million for the same period in 2025. The increase of \$1 million was mainly due to the higher average level of debt and partly offset by the positive translation impact of a stronger Canadian dollar.

#### Other components of net periodic benefit income

Other components of net periodic benefit income was \$133 million for the three months ended March 31, 2026 compared to \$125 million for the same period in 2025. The increase was mainly due to lower interest cost which primarily resulted from changes to discount rates determined at December 31, 2025.

#### Other income

Other income was \$73 million for the three months ended March 31, 2026 compared to \$25 million for the same period in 2025. The increase in the first quarter was mainly due to the sale of a portion of the Newmarket subdivision, which resulted in a gain of \$66 million, partially offset by the prior period fair value remeasurement of CN's investment in Iowa Northern Railway Company (IANR) as a result of CN acquiring control on March 1, 2025.

#### Income tax expense

Income tax expense was \$375 million for the three months ended March 31, 2026 compared to \$366 million for the same period in 2025. The effective tax rate for the three months ended March 31, 2026 was 24.7% compared to 24.0% for the same period in 2025 and the adjusted effective tax rate for the three months ended March 31, 2026 was 25.1% <sup>(1)</sup>.

- (1) Adjusted effective tax rate is a non-GAAP measure, defined as Income tax expense, net of tax adjustments as presented in Adjusted performance measures as a percentage of Income before taxes, net of pre-tax adjustments as presented in Adjusted performance measures. This measure does not have any standard meaning prescribed by GAAP and therefore, may not be comparable to a similar measure presented by other companies.

### Summary of quarterly financial data

<i>In millions, except per share data</i>	2026		2025				2024	
	Quarter	Quarter	Third	Second	First	Fourth	Third	Second
Revenues	\$ 4,379	\$ 4,464	\$ 4,165	\$ 4,272	\$ 4,403	\$ 4,358	\$ 4,110	\$ 4,329
Operating income <sup>(1)</sup>	\$ 1,549	\$ 1,733	\$ 1,606	\$ 1,638	\$ 1,610	\$ 1,628	\$ 1,515	\$ 1,558
Net income <sup>(1)</sup>	\$ 1,146	\$ 1,248	\$ 1,139	\$ 1,172	\$ 1,161	\$ 1,146	\$ 1,085	\$ 1,114
Basic earnings per share	\$ 1.87	\$ 2.03	\$ 1.83	\$ 1.87	\$ 1.85	\$ 1.82	\$ 1.72	\$ 1.75
Diluted earnings per share <sup>(1)</sup>	\$ 1.87	\$ 2.03	\$ 1.83	\$ 1.87	\$ 1.85	\$ 1.82	\$ 1.72	\$ 1.75
Dividends per share	\$ 0.9150	\$ 0.8875	\$ 0.8875	\$ 0.8875	\$ 0.8875	\$ 0.8450	\$ 0.8450	\$ 0.8450

- (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 of this MD&A entitled *Non-GAAP measures* as well as the Company's 2025 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 2025 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 2025 Annual MD&A. There were no significant changes during the first quarter of 2026, except as noted below.

As at March 31, 2026 and December 31, 2025, the Company had Cash and cash equivalents of \$573 million and \$350 million, respectively; Restricted cash and cash equivalents of \$13 million and \$13 million, respectively; and a working capital deficit of \$1,512 million and \$1,225 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 \$3,048 million (December 31, 2025 - \$2,471 million) less current liabilities of \$4,560 million (December 31, 2025 - \$3,696 million).

#### Available financing sources

For details on the Company's available financing sources, see section entitled *Liquidity and capital resources* to the Company's 2025 Annual MD&A as well as *Note 8 – Financing activities* to the Company's March 31, 2026 Interim Consolidated Financial Statements.

#### Revolving credit facilities

On March 31, 2026, the Company increased its existing unsecured revolving credit agreement from \$2.5 billion to \$3.0 billion. The Company's revolving credit facility agreement was also amended to extend the respective tenors by one additional year each and to remove its sustainability linked loan structure whereby its applicable margins were adjusted up or down based on the Company's performance under certain sustainability goals. The amended unsecured credit facility of \$3.0 billion consists of tranches of \$1.75 billion and \$1.25 billion that are now maturing on March 31, 2029 and March 31, 2031, respectively. The unsecured revolving credit facility of \$1.0 billion that was maturing on March 17, 2027 has been terminated as of March 31, 2026. The \$3.0 billion revolving credit facility provides borrowings at various benchmark interest rates, such as the Secured Overnight Financing Rate (SOFR) and the Canadian Overnight Repo Rate Average (CORRA), plus applicable margins, based on CN's credit ratings.

As at March 31, 2026 and December 31, 2025, the Company had no outstanding borrowings under its revolving credit facility.

#### Equipment loans

Borrowings under the non-revolving term loan facilities are provided at SOFR or CORRA plus applicable margins.

During the first three months of 2026 and 2025, the Company repaid \$22 million and \$23 million, respectively, of its equipment loans. As at March 31, 2026 and December 31, 2025, the Company had outstanding borrowings of \$1,316 million and \$1,329 million, respectively and had no further amounts available to be drawn under these facilities.

#### Commercial paper

As at March 31, 2026 and December 31, 2025, the Company had total commercial paper borrowings of US\$1,189 million (\$1,654 million) and US\$90 million (\$124 million) respectively, presented in Current portion of long-term debt on the Consolidated Balance Sheets.

#### Accounts receivable securitization program

As at March 31, 2026 and December 31, 2025, the Company had no outstanding borrowings under the accounts receivable securitization program.

#### Bilateral letter of credit facilities

On March 31, 2026, the Company extended the maturity date of its committed bilateral letter of credit facility agreements to April 28, 2029.

As at March 31, 2026, the Company had outstanding letters of credit of \$323 million (\$321 million as at December 31, 2025) under the committed facilities and \$153 million (\$153 million as at December 31, 2025) under the uncommitted facilities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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.

	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
S&P Global Ratings	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		
	2026	2025	Variance
Net cash provided by operating activities	\$ 1,265	\$ 1,164	\$ 101
Net cash used in investing activities	(365)	(538)	173
Net cash used in financing activities	(678)	(783)	105
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>223</b>	<b>(157)</b>	<b>380</b>
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period	363	401	(38)
<b>Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period</b>	<b>\$ 586</b>	<b>\$ 244</b>	<b>\$ 342</b>

### 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 (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, 2026 and 2025, to the non-GAAP free cash flow presented herein:

<i>In millions</i>	Three months ended March 31	
	2026	2025
Net cash provided by operating activities	\$ 1,265	\$ 1,164
Net cash used in investing activities	(365)	(538)
<b>Free cash flow</b>	<b>\$ 900</b>	<b>\$ 626</b>

### Operating activities

Net cash provided by operating activities increased by \$101 million in the first quarter of 2026 when compared to the same period in 2025, mainly due to changes in working capital items, partly offset by lower operating income.

### 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 17 – *Pensions and other postretirement benefits* to the Company's 2025 Annual Consolidated Financial Statements and the section entitled *Liquidity and capital resources* of the Company's 2025 Annual MD&A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Pension contributions for all plans for the three months ended March 31, 2026 and 2025 were \$9 million and \$20 million, respectively. Based on the anticipated results of actuarial valuations for funding purposes of certain Canadian registered defined benefit pension plans as at December 31, 2025 that may be filed in 2026 at the Company's discretion, 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 to the defined benefit component of the CN Pension Plan in 2026. As such, total cash contributions of approximately \$60 million are expected to be made in 2026 for all pension plans other than the defined benefit component of the CN Pension Plan.

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, 2026 and 2025 were \$273 million and \$212 million, respectively. The increase was mainly due to higher required installment payments in Canada. For 2026, the Company's net income tax payments are now expected to be approximately \$1.4 billion.

### *Investing activities*

Net cash used in investing activities decreased by \$173 million in the first quarter of 2026 when compared to the same period in 2025, mainly due to disposal of property and lower property additions.

### *Property additions*

<i>In millions</i>	Three months ended March 31	
	2026	2025
Track and roadway	\$ 257	\$ 282
Rolling stock	41	77
Buildings	13	16
Information technology	55	76
Other	73	68
<b>Property additions</b>	<b>\$ 439</b>	<b>\$ 519</b>

### *2026 Capital expenditure program*

In 2026, 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 decreased by \$105 million in the first quarter of 2026 when compared to the same period in 2025, mainly due to lower net repayments of debt including commercial paper; partly offset by higher repurchases of common shares.

### *Debt financing activities*

Debt financing activities in the first quarter of 2026 included the following:

- On March 1, 2026, repayment of US\$500 million (\$682 million) 2.75% Notes due 2026 upon maturity; and
- Net issuance of commercial paper of \$1,486 million.

Debt financing activities in the first quarter of 2025 included the following:

- Net repayment of commercial paper of \$105 million.

Additional information relating to the Company's outstanding debt securities is provided in *Note 15 – Debt* to the Company's 2025 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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

24.0 million common shares between February 4, 2026 and February 3, 2027. As at March 31, 2026, the Company had repurchased 4.3 million common shares for \$621 million under its current NCIB.

As at March 31, 2026, the Company had accrued a liability of \$16 million for the two percent tax on net share repurchases made in the first three months of 2026 (\$39 million as at December 31, 2025), which was accounted for as a direct cost of common share repurchases and recorded in Shareholders' equity. The accrued tax obligation for the 2025 net share repurchases was paid in the first quarter of 2026.

The Company repurchased 16.0 million common shares under its previous NCIB, including 1.7 million common shares in the first quarter of 2026, which allowed for the repurchase of up to 20.0 million common shares between February 4, 2025 and February 3, 2026.

<i>In millions, except per share data</i>	Three months ended March 31	
	2026	2025
Number of common shares repurchased	6.0	0.6
Weighted-average price per share <sup>(1)</sup>	\$ 144.09	\$ 150.15
Amount of repurchase <sup>(1)(2)</sup>	\$ 869	\$ 101

(1) Includes brokerage fees and tax on share repurchases.

(2) Includes settlements in subsequent periods.

### Dividends paid

The Company paid quarterly dividends of \$0.9150 per share amounting to \$558 million in the first quarter of 2026 compared to \$557 million, at the quarterly rate of \$0.8875 per share for the same period in 2025.

### 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, 2026:

<i>In millions</i>	Total	2026	2027	2028	2029	2030	2031 & thereafter
Debt obligations <sup>(1)</sup>	\$ 22,194	\$ 1,724	\$ 78	\$ 1,089	\$ 1,129	\$ 1,130	\$ 17,044
Interest on debt obligations	13,614	666	916	912	831	786	9,503
Finance lease obligations	5	4	1	—	—	—	—
Operating lease obligations <sup>(2)</sup>	674	101	106	69	37	26	335
Purchase obligations <sup>(3)</sup>	2,602	2,021	298	160	96	25	2
Other long-term liabilities <sup>(4)</sup>	1,000	64	57	77	50	45	707
<b>Total contractual obligations</b>	<b>\$ 40,089</b>	<b>\$ 4,580</b>	<b>\$ 1,456</b>	<b>\$ 2,307</b>	<b>\$ 2,143</b>	<b>\$ 2,012</b>	<b>\$ 27,591</b>

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

(2) Includes \$249 million of imputed interest.

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

(4) Mainly includes expected payments for workers' compensation, pension benefit payments for the Company's non-registered supplemental pension plan, postretirement benefits other than pensions, net unrecognized tax benefits and environmental liabilities.

### 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2026 and 2025, 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>2026</b>	2025
Debt <sup>(1)</sup>	\$	<b>22,199</b>	\$	20,792
Adjustments:				
Operating lease liabilities, including current portion <sup>(2)</sup>		<b>425</b>		466
Pension plans in deficiency <sup>(3)</sup>		<b>340</b>		348
<b>Adjusted debt</b>	\$	<b>22,964</b>	\$	21,606
Net income	\$	<b>4,705</b>	\$	4,506
Interest expense		<b>914</b>		914
Income tax expense		<b>1,553</b>		1,422
Depreciation and amortization		<b>1,929</b>		1,923
Operating lease cost <sup>(4)</sup>		<b>158</b>		155
Other components of net periodic benefit income		<b>(510)</b>		(466)
Other income		<b>(136)</b>		(65)
Adjustments:				
Workforce reduction program <sup>(5)</sup>		<b>34</b>		—
Advisory costs related to rail consolidation matters <sup>(6)</sup>		<b>32</b>		—
Loss on assets held for sale <sup>(7)</sup>		<b>—</b>		78
<b>Adjusted EBITDA</b>	\$	<b>8,679</b>	\$	8,467
<b>Adjusted debt-to-adjusted EBITDA multiple (times)</b>		<b>2.65</b>		2.55

(1) Represents the aggregate of Current portion of long-term debt and Long-term debt as disclosed on the Consolidated Balance Sheets.

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

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

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

(5) Relates to employee termination benefits and severance costs related to a workforce reduction program, recorded in the fourth quarter of 2025 in Labor and fringe benefits within the Consolidated Statements of Income.

(6) Represents advisory costs related to the analysis and advocacy for STB enforcement of antitrust laws pertaining to the potential merger between Union Pacific and Norfolk Southern recorded in Purchased services and material within the Consolidated Statements of Income.

(7) Relates to a loss on assets held for sale of \$78 million recorded in the second quarter of 2024, 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.

## 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, 2026, the Company has not recorded a liability with respect to guarantees and indemnifications. Additional information relating to guarantees and indemnifications is provided in *Note 11 – Major commitments and contingencies* to the Company's March 31, 2026 Interim Consolidated Financial Statements.

## Outstanding share data

As at April 28, 2026, the Company had 606.6 million common shares and 3.0 million stock options outstanding.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 2025 Annual MD&A.

#### Derivative financial instruments

##### Foreign currency risk

###### Foreign exchange forward contracts

As at March 31, 2026, the Company had outstanding foreign exchange forward contracts to purchase a notional value of US\$1,457 million (US\$477 million as at December 31, 2025). These outstanding contracts are at a weighted-average exchange rate of \$1.37 per US\$1.00 (\$1.39 per US\$1.00 as at December 31, 2025). The weighted-average term of the contracts is 70 days (110 days as at December 31, 2025). Changes in fair values of foreign exchange forward contracts, resulting from changes in foreign exchange rates, are recognized in Other income in the Consolidated Statements of Income as they occur.

For the three months ended March 31, 2026, and 2025 the Company recorded gains of \$33 million and \$3 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.

As at March 31, 2026, the fair value of outstanding foreign exchange forward contracts included in Other current assets and Accounts payable and other was \$29 million and \$nil, respectively (\$nil and \$10 million as at December 31, 2025).

###### Cross-currency interest rate swaps

On March 1, 2026, the US\$500 million cross-currency interest rate swap (CCIRS) was settled in conjunction with the underlying bond settlement. As at March 31, 2026, the aggregate notional amount of CCIRS outstanding was US\$475 million to hedge the US-to-Canadian dollar currency fluctuations on US dollar-denominated notes maturing on July 15, 2028, for an aggregate principal amount of \$682 million with a fixed annual interest rate of 5.51%.

These CCIRS were designated as qualifying hedging instruments and were accounted for as cash flow hedges, with their critical terms corresponding to the related US dollar-denominated notes.

The following table provides the fair value gain or (loss) recorded in Accumulated other comprehensive loss and the amounts amortized to Other income related to foreign currency exposure and to Interest expense as reported for the three months ended March 31, 2026 and March 31, 2025.

<i>In millions</i>	Three months ended March 31	
	2026	2025
Change in fair value of CCIRS	\$ 9	\$ 1
Other income	\$ 5	\$ 2
Interest expense	\$ 3	\$ 1

The following table provides the cumulative change in fair value of outstanding CCIRS as at March 31, 2026 and December 31, 2025:

<i>In millions</i>	As at March 31, 2026	As at December 31, 2025
Other current assets	\$ 9	\$ 7
Intangible assets, goodwill and other	\$ —	\$ (29)
Other liabilities and deferred credits	\$ (24)	\$ (30)
<b>Total fair value of CCIRS</b>	<b>\$ (15)</b>	<b>\$ (52)</b>

The cash flows related to these CCIRS that pertain to the periodic interest settlements are classified as operating activities and the cash flows that pertain to the principal balance are classified as financing activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Interest rate risk

#### Interest rate swaps

As at March 31, 2026, the Company had outstanding interest rate swaps (IRS) with a notional amount of \$1.0 billion designated as qualifying hedging instruments and accounted for as fair value hedges on a cumulative \$1.0 billion of notes maturing on June 10, 2030 and June 10, 2035. The swaps were designed to hedge the interest rate risk associated with market fluctuations attributable to the Canadian Overnight Repo Rate Average (CORRA). The fair value gain or loss on the swaps as well as any offsetting loss or gain on the hedged notes attributable to the hedged risk are recorded in Interest expense.

The following table provides the cumulative change in fair value of outstanding IRS and the corresponding fair value hedging adjustment in Long-term debt as at March 31, 2026 and December 31, 2025:

<i>In millions</i>	As at March 31, 2026	As at December 31, 2025
Other current assets	\$ 4	\$ 5
Other liabilities and deferred credits	(18)	(16)
Total fair value of IRS	\$ (14)	\$ (11)
Hedging adjustment gain (loss)	\$ 15	\$ 11

<i>In millions</i>	Three months ended March 31	
	2026	2025
Periodic net interest accruals for IRS recorded in Interest expense	2	N/A

#### Fair value of financial instruments

As at March 31, 2026, the Company's debt, excluding finance leases, had a carrying amount of \$22,194 million (\$21,201 million as at December 31, 2025) and a fair value of \$20,843 million (\$20,246 million as at December 31, 2025). 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 12 – *Financial instruments* to the Company's March 31, 2026 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, 2025 and have not been adopted by the Company:

#### ASU 2025-10 – Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities

This ASU introduces comprehensive accounting guidance for government grants received by business entities by expanding Topic 832 beyond disclosure-only requirements to include recognition, measurement, presentation, and disclosure. The main provisions establish that government grants should not be recognized until it is probable that the Company will comply with the conditions attached to the grant and that the grant will be received. The ASU also provides guidance on accounting for grants related to income and grants related to assets, including acceptable presentation approaches, and introduces enhanced disclosure requirements intended to improve transparency and comparability of government grant information.

The amendments in this ASU are effective for annual periods beginning after December 15, 2028, including interim periods within these fiscal years. Early adoption is permitted. The amendments in this ASU may be adopted using a prospective, modified retrospective, or full retrospective transition approach, depending on the nature of the grants and the transition method elected.

The Company is evaluating the effects that the adoption of the ASU will have on its Consolidated Financial Statements and disclosures.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### ASU 2025-06 – Intangibles - Goodwill and Other Internal-Use Software (Subtopic 350-40)

This ASU modernizes the accounting for internal-use software by removing references to prescriptive and sequential software development stages. The main provisions establish that capitalization begins when management authorizes and commits to funding the software project and it is probable the project will be completed and used as intended. The ASU also introduces enhanced disclosure requirements that align internal-use software disclosures to property, plant and equipment. It also consolidates guidance for website development by integrating it into the framework for internal-use software.

The amendments in this ASU are effective for annual periods beginning after December 15, 2027, including interim periods within these fiscal years. Early adoption is permitted. The amendments in this ASU must be adopted either prospectively, retrospectively or using a modified transition approach based on project status and prior capitalization.

The Company is evaluating the effects that the adoption of the ASU will have on its Consolidated Financial Statements and disclosures.

### ASU 2024-03 – Disaggregation of Income Statement Expenses (Subtopic 220-40)

This ASU aims to provide stakeholders a clearer understanding of an entity's expenses and enhance their ability to assess performance, forecast expenses and evaluate the entity's potential for future cash flows. The ASU amends the rules on income statement expense disclosures and requires public business entities to disaggregate and disclose, in tabular format in the notes to financial statements, specified categories of expenses contained within certain income statement expense line items; to integrate certain amounts that were already required to be disclosed under current GAAP with the new disaggregation requirements and to qualitatively disclose descriptions of the amounts remaining that were not separately disaggregated. The ASU also requires public business entities to disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of those selling expenses. This ASU does not change or remove the current disclosure requirements of expense line items on the face of the Consolidated Statements of Income.

The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments in this ASU should be applied either prospectively to Consolidated Financial Statements issued for reporting periods following the effective date, or retrospectively to any or all prior periods presented in the Consolidated Financial Statements.

The Company is evaluating the effects that the adoption of the ASU will have on its Consolidated Financial Statements disclosures.

Other recently issued ASUs required to be applied on or after March 31, 2026 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 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 2025 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 2026.

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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 2025 Annual MD&A for a detailed description of such key areas of business risks and uncertainties with respect to: Trade restrictions, 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, 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.

The following is a material update to the risks described in the Company's 2025 Annual MD&A.

#### Competition

On July 19, 2025, Union Pacific Corporation (UP) and Norfolk Southern Corporation (NS) (the Applicants) entered into a merger agreement and announced their intention to create a U.S. transcontinental railroad and on December 19, 2025, filed an application with the STB requesting approval to combine the two railroads. On January 16, 2026, the STB rejected the application as incomplete and will allow the Applicants to submit a revised application. On February 17, 2026, the Applicants indicated that they anticipate filing a revised application on April 30, 2026. The Applicants have until June 22, 2026 to submit a revised application. Upon resubmission, the STB will review the completeness of the filing. If the merger is ultimately approved by the STB, this could adversely and materially impact the Company's competitive position.

### 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, 2026, have concluded that the Company's disclosure controls and procedures were effective.

During the first quarter ended March 31, 2026, 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.