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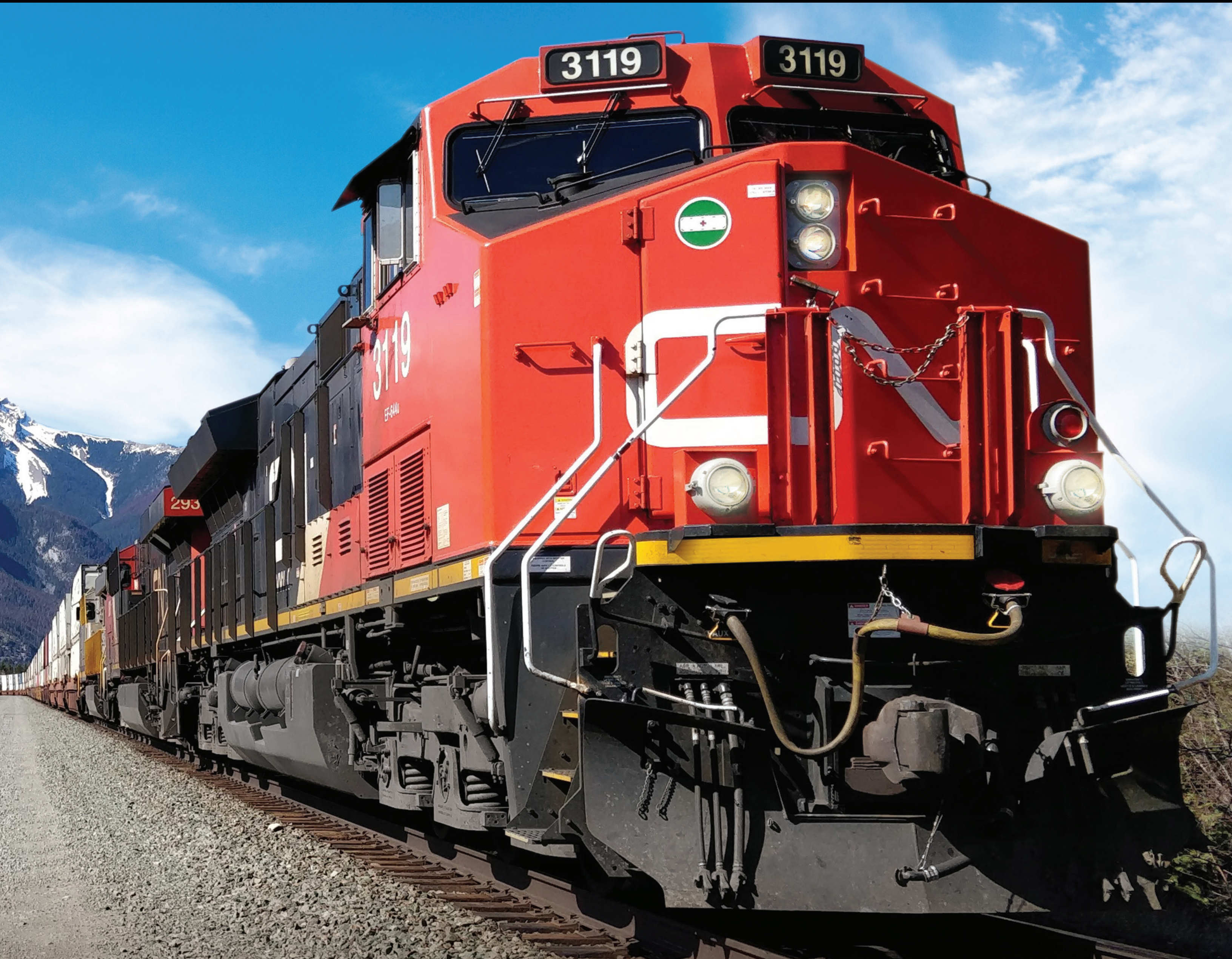
2020 QUARTERLY REVIEW FOURTH QUARTER



Celebrating 100 years

Solid Quarterly Performance on Volumes Drives Results

Fluid operations and renewed demand set tone for 2021 as company reinstates guidance

MONTREAL, January 26, 2021 — CN (TSX: CNR) (NYSE: CNI) is proud to announce that its diluted earnings per share (EPS) grew 17 per cent, and 14 per cent on an adjusted basis in the fourth quarter, while free cash flow for the full-year 2020 reached a record of over C$3.2 billion. (1)

"2020 was a year like no other and thanks to our colleagues, who are essential workers, we got through it together and kept the economy moving while setting impressive new volume records in key markets. Our operations remained very nimble in the fourth quarter as we right-sized to meet the increased demand while we maintained industry leading fuel efficiency. We continue to actively implement our long-term strategy, focusing on sustainable growth and deploying advanced technology to generate value for all of our stakeholders."

– JJ Ruest, President and Chief Executive Officer, CN

Financial results highlights

Fourth-quarter 2020 compared to fourth-quarter 2019

- Revenues of C$3,656 million, an increase of C$72 million or two per cent.
- Diluted EPS of C$1.43, an increase of 17 per cent, or 14 per cent on an adjusted basis. (1)
- Operating ratio of 61.4 per cent, a decrease of 4.6 points, or 3.8 points on an adjusted basis. (1)
- Operating income of C$1,411 million, an increase of 16 per cent, or 13 per cent on an adjusted basis. (1)

Full-year 2020 compared to full-year 2019

- Revenues of C$13,819 million, a decrease of C$1,098 million or seven per cent.
- Diluted EPS of C$5.00, a decrease of 14 per cent, and adjusted diluted EPS of C$5.31, a decrease of eight per cent. (1)
- Operating ratio of 65.4 per cent, an increase of 2.9 points, and adjusted operating ratio of 61.9 per cent, an increase of 0.2 points. (1)
- Operating income of C$4,777 million, a decrease of 15 per cent, and adjusted operating income of C$5,263 million, a decrease of eight per cent. (1)
- Free cash flow was C$3,227 million, an increase of C$1,235 million. (1)
- Adjusted return on invested capital (adjusted ROIC) of 13.4 per cent, a decrease of 1.7 points. (1)

2021 outlook and shareholder distributions (2)

"While the recovery remains uneven across the markets we serve, we are pleased by the momentum in volume demand that grew during the fourth quarter and continues to grow. We are increasingly optimistic about 2021 and we are reinstating our full-year financial outlook. We are also pleased to be announcing our plans for C$3.0 billion of capital investments to stay ahead of the demand and keep meeting our customers' needs through safe and efficient operations," added Ruest.

CN is targeting to deliver EPS growth in the high single-digit range this year compared to adjusted diluted EPS of C$5.31 in 2020. (1)

CN is also targeting free cash flow in the range of C$3.0 billion to C$3.3 billion in 2021 compared to C$3.2 billion in 2020. (1)

The Company assumes mid-single digit volume growth in 2021 in terms of revenue ton miles (RTMs) as it sees growth opportunities, despite continued weakness in sectors of the broad freight environment.

The Company's Board of Directors approved a seven per cent increase to CN's 2021 quarterly cash dividend, effective for the first quarter of 2021. This is the 25th consecutive year of dividend increases, demonstrating our confidence in the long-term financial health of the Company. In addition, the Company's Board of Directors also approved a new Normal course issuer bid (NCIB) that permits CN to purchase, for cancellation, over a 12-month period up to 14 million common shares, starting on February 1, 2021, and ending no later than January 31, 2022. The Company expects to resume its share repurchases in the first quarter of 2021 under the new NCIB.

Fourth-quarter 2020 revenues, traffic volumes and expenses

Revenues for the quarter increased by two per cent to C$3,656 million, when compared to the same period in 2019. The increase in revenues was mainly attributable to record shipments of Canadian grain, increased shipments of U.S. grain, higher international container traffic via the Port of Vancouver and freight rate increases; partly offset by lower applicable fuel surcharge rates and lower volumes of petroleum crude.

RTMs, measuring the weight and distance of freight transported by CN, increased by 10 per cent. Freight revenue per RTM decreased by six per cent, mainly driven by an increase in the average length of haul, changes in business mix and lower applicable fuel surcharge rates; partly offset by freight rate increases.

Operating expenses for the quarter decreased by five per cent to C$2,245 million, when compared to the same period in 2019. The decrease was mainly due to lower fuel costs as well as lower purchased services and materials expense.

Full-year 2020 revenues, traffic volumes and expenses

Revenues for 2020 decreased by seven per cent to C$13,819 million, when compared to 2019. The decrease in revenues was mainly attributable to lower volumes across most commodity groups, primarily in the second and third quarter, caused by the ongoing effects of the COVID-19 pandemic and lower applicable fuel surcharge rates, partly offset by freight rate increases as well as record shipments of Canadian grain.

RTMs declined by five per cent. Freight revenue per RTM decreased by two per cent, mainly driven by lower applicable fuel surcharge rates, partly offset by freight rate increases.

Operating expenses decreased by three per cent to C$9,042 million, mainly due to lower fuel and labor costs and decreased purchased services and material expense; partly offset by a loss on assets held for sale, resulting from the Company's decision to market for sale for on-going rail operations, certain non-core lines.

(1) Non-GAAP Measures

CN reports its financial results in accordance with United States generally accepted accounting principles (GAAP). CN also uses non-GAAP measures in this news release that do not have any standardized meaning prescribed by GAAP, such as adjusted performance measures. 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 full-year adjusted diluted EPS outlook (2) excludes the expected impact of certain income and expense items. However, management cannot individually quantify on a forward-looking basis the impact of these items on its EPS because these items, which could be significant, are difficult to predict and may be highly variable. As a result, CN does not provide a corresponding GAAP measure for, or reconciliation to, its adjusted diluted EPS outlook.

(2) Forward-Looking Statements

Certain statements included in this news release constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and under Canadian securities laws. By their nature, forward-looking statements involve risks, uncertainties and assumptions. The Company 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 by their nature address matters that are, to different degrees, uncertain, such as statements about the impacts of the COVID-19 pandemic on the business operations, financial results and financial position and on the global supply chain, and statements about the economic recovery and its future impact on CN. Forward-looking statements may be identified by the use of terminology such as "believes," "expects," "anticipates," "assumes," "outlook," "plans," "targets" or other similar words.

2021 key assumptions

CN has made a number of economic and market assumptions in preparing its 2021 outlook. The Company assumes that North American industrial production for the year will increase in the mid single-digit range, and assumes U.S. housing starts of approximately 1.45 million units and U.S. motor vehicle sales of approximately 16 million units. For the 2020/2021 crop year, the grain crop in Canada was above its three-year average and the U.S. grain crop was in line with its three-year average. The Company assumes that the 2021/2022 grain crops in both Canada and the U.S. will be in line with their respective three-year averages. CN assumes total RTMs in 2021 will increase in the mid single-digit range versus 2020. CN assumes continued pricing above rail inflation. CN assumes that in 2021, the value of the Canadian dollar in U.S. currency will be approximately $0.80, and assumes that in 2021 the average price of crude oil (West Texas Intermediate) will be approximately US$50 per barrel. In 2021, CN plans to invest approximately C$3.0 billion in its capital program, of which C$1.6 billion is targeted toward track and railway infrastructure maintenance.

Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors which may cause the actual results or performance of the Company to be materially different from the outlook or any future results or performance 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, the duration and effects of the COVID-19 pandemic; general economic and business conditions, particularly in the context of the COVID-19 pandemic; industry competition; inflation, currency and interest rate fluctuations; changes in fuel prices; legislative and/or regulatory developments; compliance with environmental laws and regulations; actions by regulators; increases in maintenance and operating costs; security threats; reliance on technology and related cybersecurity risk; trade restrictions or other changes to international trade arrangements; transportation of hazardous materials; various events which could disrupt operations, including illegal blockades of rail networks and natural events such as severe weather, droughts, fires, floods and earthquakes; climate change; labor negotiations and disruptions; environmental claims; uncertainties of investigations, proceedings or other types of claims and litigation; risks and liabilities arising from derailments; timing and completion of capital programs; and other risks detailed from time to time in reports filed by CN with securities regulators in Canada and the United States. Reference should be made to Management's Discussion and Analysis 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.

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.

This earnings news release is available on the Company's website at www.cn.ca/financial-results and on SEDAR at www.sedar.com as well as on the U.S. Securities and Exchange Commission's website at www.sec.gov through EDGAR.

About CN

CN is a world-class transportation leader and trade-enabler. Essential to the economy, to the customers, and to the communities it serves, CN safely transports more than 300 million tons of natural resources, manufactured products, and finished goods throughout North America every year. As the only railroad connecting Canada's Eastern and Western coasts with the U.S. South through a 19,500-mile rail network, CN and its affiliates have been contributing to community prosperity and sustainable trade since 1919. CN is committed to programs supporting social responsibility and environmental stewardship.

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Selected Railroad Statistics – unaudited

	Three months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Financial measures				
Key financial performance indicators (1)				
Total revenues *($ millions)*	**3,656**	3,584	**13,819**	14,917
Freight revenues *($ millions)*	**3,507**	3,408	**13,218**	14,198
Operating income *($ millions)*	**1,411**	1,218	**4,777**	5,593
Adjusted operating income *($ millions)* (2)	**1,411**	1,249	**5,263**	5,708
Net income *($ millions)*	**1,021**	873	**3,562**	4,216
Adjusted net income *($ millions)* (2)	**1,021**	896	**3,784**	4,189
Diluted earnings per share *($)*	**1.43**	1.22	**5.00**	5.83
Adjusted diluted earnings per share *($)* (2)	**1.43**	1.25	**5.31**	5.80
Free cash flow *($ millions)* (2)	**1,140**	493	**3,227**	1,992
Gross property additions *($ millions)*	**855**	1,018	**2,863**	4,079
Share repurchases *($ millions)*	**—**	429	**379**	1,700
Dividends per share *($)*	**0.5750**	0.5375	**2.3000**	2.1500
Financial position (1)				
Total assets *($ millions)*	**44,804**	43,784	**44,804**	43,784
Total liabilities *($ millions)*	**25,153**	25,743	**25,153**	25,743
Shareholders' equity *($ millions)*	**19,651**	18,041	**19,651**	18,041
Financial ratio				
Operating ratio *(%)*	**61.4**	66.0	**65.4**	62.5
Adjusted operating ratio *(%)* (2)	**61.4**	65.2	**61.9**	61.7
Operational measures (3)				
Statistical operating data				
Gross ton miles (GTMs) *(millions)*	**125,310**	115,015	**455,368**	482,890
Revenue ton miles (RTMs) *(millions)*	**63,207**	57,709	**230,390**	241,954
Carloads *(thousands)*	**1,526**	1,425	**5,595**	5,912
Route miles *(includes Canada and the U.S.)*	**19,500**	19,500	**19,500**	19,500
Employees *(end of period)*	**24,381**	25,975	**24,381**	25,975
Employees *(average for the period)*	**24,272**	26,524	**23,786**	26,733
Key operating measures				
Freight revenue per RTM *(cents)*	**5.55**	5.91	**5.74**	5.87
Freight revenue per carload *($)*	**2,298**	2,392	**2,362**	2,402
GTMs per average number of employees *(thousands)*	**5,163**	4,336	**19,144**	18,063
Operating expenses per GTM *(cents)*	**1.79**	2.06	**1.99**	1.93
Labor and fringe benefits expense per GTM *(cents)*	**0.60**	0.65	**0.60**	0.61
Diesel fuel consumed *(US gallons in millions)*	**110.9**	108.9	**407.2**	451.4
Average fuel price *($/US gallon)*	**2.37**	3.27	**2.42**	3.17
Fuel efficiency *(US gallons of locomotive fuel consumed per 1,000 GTMs)*	**0.89**	0.95	**0.89**	0.93
Train weight *(tons)*	**9,397**	9,244	**9,501**	9,125
Train length *(feet)*	**8,514**	8,371	**8,572**	8,232
Car velocity *(car miles per day)*	**198**	199	**188**	198
Through dwell *(entire railroad, hours)*	**8.0**	8.1	**8.6**	7.9
Through network train speed *(miles per hour)*	**18.4**	19.2	**18.5**	18.5
Locomotive utilization *(trailing GTMs per total horsepower)*	**202**	194	**196**	198
Safety indicators (4)				
Injury frequency rate *(per 200,000 person hours)*	**1.36**	1.80	**1.69**	1.98
Accident rate *(per million train miles)*	**1.69**	1.76	**1.74**	2.11

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

(2) *See supplementary schedule entitled Non-GAAP Measures for an explanation of these non-GAAP measures.*

(3) *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, 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.*

(4) *Based on Federal Railroad Administration (FRA) reporting criteria.*

Supplementary Information – unaudited

	Three months ended December 31				Year ended December 31			
	2020	2019	% Change Fav (Unfav)	% Change at constant currency Fav (Unfav) [1]	**2020**	2019	% Change Fav (Unfav)	% Change at constant currency Fav (Unfav) [1]
Revenues *($ millions)* [2]								
Petroleum and chemicals	**664**	754	(12%)	(11%)	**2,631**	3,052	(14%)	(14%)
Metals and minerals	**354**	357	(1%)	—%	**1,409**	1,643	(14%)	(15%)
Forest products	**433**	415	4%	5%	**1,700**	1,808	(6%)	(7%)
Coal	**126**	150	(16%)	(15%)	**527**	658	(20%)	(20%)
Grain and fertilizers	**742**	622	19%	20%	**2,609**	2,392	9%	9%
Intermodal	**1,036**	927	12%	12%	**3,751**	3,787	(1%)	(1%)
Automotive	**152**	183	(17%)	(16%)	**591**	858	(31%)	(31%)
Total freight revenues	**3,507**	3,408	3%	4%	**13,218**	14,198	(7%)	(7%)
Other revenues	**149**	176	(15%)	(15%)	**601**	719	(16%)	(17%)
Total revenues	**3,656**	3,584	2%	3%	**13,819**	14,917	(7%)	(8%)
Revenue ton miles (RTMs) *(millions)* [3]								
Petroleum and chemicals	**11,638**	12,841	(9%)	(9%)	**43,556**	53,989	(19%)	(19%)
Metals and minerals	**5,785**	5,589	4%	4%	**21,561**	25,449	(15%)	(15%)
Forest products	**6,699**	6,285	7%	7%	**25,602**	27,187	(6%)	(6%)
Coal	**4,186**	4,097	2%	2%	**16,173**	17,653	(8%)	(8%)
Grain and fertilizers	**17,910**	13,963	28%	28%	**61,736**	55,597	11%	11%
Intermodal	**16,330**	14,168	15%	15%	**59,165**	58,344	1%	1%
Automotive	**659**	766	(14%)	(14%)	**2,597**	3,735	(30%)	(30%)
Total RTMs	**63,207**	57,709	10%	10%	**230,390**	241,954	(5%)	(5%)
Freight revenue / RTM *(cents)* [2] [3]								
Petroleum and chemicals	**5.71**	5.87	(3%)	(2%)	**6.04**	5.65	7%	6%
Metals and minerals	**6.12**	6.39	(4%)	(3%)	**6.53**	6.46	1%	—%
Forest products	**6.46**	6.60	(2%)	(1%)	**6.64**	6.65	—%	(1%)
Coal	**3.01**	3.66	(18%)	(17%)	**3.26**	3.73	(13%)	(13%)
Grain and fertilizers	**4.14**	4.45	(7%)	(7%)	**4.23**	4.30	(2%)	(2%)
Intermodal	**6.34**	6.54	(3%)	(3%)	**6.34**	6.49	(2%)	(3%)
Automotive	**23.07**	23.89	(3%)	(2%)	**22.76**	22.97	(1%)	(1%)
Total freight revenue / RTM	**5.55**	5.91	(6%)	(6%)	**5.74**	5.87	(2%)	(3%)
Carloads *(thousands)* [3]								
Petroleum and chemicals	**155**	169	(8%)	(8%)	**597**	688	(13%)	(13%)
Metals and minerals	**241**	234	3%	3%	**935**	1,008	(7%)	(7%)
Forest products	**87**	86	1%	1%	**342**	375	(9%)	(9%)
Coal	**73**	79	(8%)	(8%)	**289**	335	(14%)	(14%)
Grain and fertilizers	**189**	158	20%	20%	**663**	619	7%	7%
Intermodal	**731**	638	15%	15%	**2,582**	2,618	(1%)	(1%)
Automotive	**50**	61	(18%)	(18%)	**187**	269	(30%)	(30%)
Total carloads	**1,526**	1,425	7%	7%	**5,595**	5,912	(5%)	(5%)
Freight revenue / carload *($)* [2] [3]								
Petroleum and chemicals	**4,284**	4,462	(4%)	(3%)	**4,407**	4,436	(1%)	(1%)
Metals and minerals	**1,469**	1,526	(4%)	(3%)	**1,507**	1,630	(8%)	(8%)
Forest products	**4,977**	4,826	3%	4%	**4,971**	4,821	3%	2%
Coal	**1,726**	1,899	(9%)	(8%)	**1,824**	1,964	(7%)	(7%)
Grain and fertilizers	**3,926**	3,937	—%	—%	**3,935**	3,864	2%	1%
Intermodal	**1,417**	1,453	(2%)	(2%)	**1,453**	1,447	—%	—%
Automotive	**3,040**	3,000	1%	3%	**3,160**	3,190	(1%)	(1%)
Total freight revenue / carload	**2,298**	2,392	(4%)	(3%)	**2,362**	2,402	(2%)	(2%)

(1) See supplementary schedule entitled Non-GAAP Measures 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, constant currency, free cash flow, adjusted debt-to-adjusted earnings before interest, income taxes, depreciation and amortization (EBITDA) multiple, return on invested capital (ROIC) and adjusted ROIC. These non-GAAP measures may not be comparable to similar measures presented by other companies. From management’s perspective, these non-GAAP measures are useful measures of performance and provide investors with supplementary information to assess the Company’s results of operations and liquidity. These non-GAAP measures should not be considered in isolation or as a substitute for financial measures prepared in accordance with GAAP.

Adjusted performance measures

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

For the year ended December 31, 2020, the Company reported adjusted net income of $3,784 million, or $5.31 per diluted share, which excludes a loss of $486 million, or $363 million after-tax ($0.51 per diluted share) in the second quarter, resulting from the Company's decision to market for sale for on-going rail operations, certain non-core lines in Wisconsin, Michigan and Ontario, and a current income tax recovery of $141 million ($0.20 per diluted share) in the first quarter resulting from the enactment of the *Coronavirus Aid, Relief, and Economic Security* (CARES) *Act*, a U.S. tax-and-spending package aimed at providing additional stimulus to address the economic impact of the COVID-19 pandemic.

For the three months and year ended December 31, 2019, the Company reported adjusted net income of $896 million, or $1.25 per diluted share, and $4,189 million, or $5.80 per diluted share, respectively, which excludes employee termination benefits and severance costs related to a workforce reduction program of $31 million, or $23 million after-tax ($0.03 per diluted share). The adjusted figures for the year ended December 31, 2019 also exclude a deferred income tax recovery of $112 million ($0.15 per diluted share or $0.16 per basic share) in the second quarter, resulting from the enactment of a lower provincial corporate income tax rate; and a depreciation expense of $84 million, or $62 million after-tax ($0.09 per diluted share) in the first quarter, related to costs previously capitalized for a Positive Train Control back office system following the deployment of a replacement system.

Non-GAAP Measures – unaudited

The following table provides a reconciliation of net income and earnings per share in accordance with GAAP, as reported for the three months and years ended December 31, 2020 and 2019, to the non-GAAP adjusted performance measures presented herein:

	Three months ended December 31		Year ended December 31	
In millions, except per share data	**2020**	2019	**2020**	2019
Net income	**$ 1,021**	$ 873	**$ 3,562**	$ 4,216
Adjustments:				
Operating expenses	**—**	31	**486**	115
Other income	**—**	—	**—**	—
Income tax recovery (1)	**—**	(8)	**(264)**	(142)
Adjusted net income	**$ 1,021**	$ 896	**$ 3,784**	$ 4,189
Basic earnings per share	**$ 1.44**	$ 1.22	**$ 5.01**	$ 5.85
Impact of adjustments, per share	**—**	0.03	**0.31**	(0.04)
Adjusted basic earnings per share	**$ 1.44**	$ 1.25	**$ 5.32**	$ 5.81
Diluted earnings per share	**$ 1.43**	$ 1.22	**$ 5.00**	$ 5.83
Impact of adjustments, per share	**—**	0.03	**0.31**	(0.03)
Adjusted diluted earnings per share	**$ 1.43**	$ 1.25	**$ 5.31**	$ 5.80

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

The following table provides a reconciliation of operating income and operating ratio in accordance with GAAP, as reported for the three months and years ended December 31, 2020 and 2019, to the non-GAAP adjusted performance measures presented herein:

	Three months ended December 31		Year ended December 31	
In millions, except percentage	**2020**	2019	**2020**	2019
Operating income	**$ 1,411**	$ 1,218	**$ 4,777**	$ 5,593
Operating expense adjustments:				
Depreciation expense	**—**	—	**—**	84
Employee termination benefits and severance costs	**—**	31	**—**	31
Loss on assets held for sale	**—**	—	**486**	—
Total operating expense adjustments	**—**	31	**486**	115
Adjusted operating income	**$ 1,411**	$ 1,249	**$ 5,263**	$ 5,708
Operating ratio (1)	**61.4%**	66.0%	**65.4%**	62.5%
Impact of adjustment	**—**	(0.8)-pts	**(3.5)-pts**	(0.8)-pts
Adjusted operating ratio	**61.4%**	65.2%	**61.9%**	61.7%

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

Constant currency

Financial results at constant currency allow results to be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons in the analysis of trends in business performance. Measures at constant currency are considered non-GAAP measures and do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies. Financial results at constant currency are obtained by translating the current period results denominated in US dollars at the foreign exchange rates of the comparable period in the prior year. The average foreign exchange rates were $1.30 and $1.34 per US$1.00 for the three months and year ended December 31, 2020, respectively, and $1.32 and $1.33 per US$1.00 for the three months and year ended December 31, 2019, respectively.

On a constant currency basis, the Company's net income for the three months and year ended December 31, 2020 would have been higher by $7 million ($0.01 per diluted share) and lower by $13 million ($0.02 per diluted share), respectively.

Non-GAAP Measures – unaudited

Free cash flow

Management believes that free cash flow is a useful measure of liquidity as it demonstrates the Company's ability to generate cash for debt obligations and for discretionary uses such as payment of dividends, share repurchases and strategic opportunities. The Company defines its free cash flow measure as the difference between net cash provided by operating activities and net cash used in investing activities, adjusted for the impact of business acquisitions, if any. Free cash flow does not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies.

The following table provides a reconciliation of net cash provided by operating activities in accordance with GAAP, as reported for the three months and years ended December 31, 2020 and 2019, to the non-GAAP free cash flow presented herein:

	Three months ended December 31				Year ended December 31			
In millions		**2020**		2019		**2020**		2019
Net cash provided by operating activities	**$**	**2,008**	$	1,518	**$**	**6,165**	$	5,923
Net cash used in investing activities		**(868)**		(1,117)		**(2,946)**		(4,190)
Net cash provided before financing activities		**1,140**		401		**3,219**		1,733
Adjustment: Acquisitions, net of cash acquired (1)		**—**		92		**8**		259
Free cash flow	**$**	**1,140**	$	493	**$**	**3,227**	$	1,992

(1) Relates to the acquisitions of H&R Transport Limited ("H&R") and the TransX Group of Companies ("TransX"). See Note 3 - Business combinations to CN's unaudited Interim Consolidated Financial Statements for additional information.

Adjusted debt-to-adjusted EBITDA multiple

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

The following table provides a reconciliation of debt and net income in accordance with GAAP, as reported for the years ended December 31, 2020 and 2019, to the adjusted measures presented herein, which have been used to calculate the non-GAAP adjusted debt-to-adjusted EBITDA multiple:

In millions, unless otherwise indicated	*As at and for the year ended December 31,*		**2020**		2019
Debt		**$**	**12,906**	$	13,796
Adjustments:					
Operating lease liabilities, including current portion			**418**		501
Pension plans in deficiency			**553**		521
Adjusted debt		**$**	**13,877**	$	14,818
Net income		**$**	**3,562**	$	4,216
Interest expense			**554**		538
Income tax expense			**982**		1,213
Depreciation and amortization			**1,589**		1,562
EBITDA			**6,687**		7,529
Adjustments:					
Loss on assets held for sale			**486**		—
Other income			**(6)**		(53)
Other components of net periodic benefit income			**(315)**		(321)
Operating lease cost			**143**		171
Adjusted EBITDA		**$**	**6,995**	$	7,326
Adjusted debt-to-adjusted EBITDA multiple *(times)*			**1.98**		2.02

Non-GAAP Measures – unaudited

ROIC and adjusted ROIC

Management believes ROIC and adjusted ROIC are useful measures of the efficiency in the use of capital funds. The Company calculates ROIC as return divided by average invested capital. Return is defined as net income plus interest expense after-tax, calculated using the Company's effective tax rate. Average invested capital is defined as the sum of total shareholders' equity, long-term debt and current portion of long-term debt less cash and cash equivalents, and restricted cash and cash equivalents, averaged between the beginning and ending balance over a twelve-month period. The Company calculates adjusted ROIC as adjusted return divided by average invested capital. Adjusted return is defined as adjusted net income plus interest expense after-tax, calculated using the Company's effective tax rate, excluding the tax effect of adjustments used to determine adjusted net income. ROIC and adjusted ROIC do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies.

The following table provides a reconciliation of net income and adjusted net income to return and adjusted return, respectively, as well as the calculation of average invested capital, which have been used to calculate ROIC and adjusted ROIC:

In millions, except percentage	*As at and for the year ended December 31,*		**2020**		2019
Net income		**$**	**3,562**	$	4,216
Interest expense			**554**		538
Tax on interest expense [(1)]			**(120)**		(120)
Return		**$**	**3,996**	$	4,634
Average total shareholders' equity		**$**	**18,846**	$	17,841
Average long-term debt			**11,931**		11,626
Average current portion of long-term debt			**1,420**		1,557
Less: Average cash, cash equivalents, restricted cash and restricted cash equivalents			**(844)**		(674)
Average invested capital		**$**	**31,353**	$	30,350
ROIC			**12.7%**		15.3%
Adjusted net income [(2)]		**$**	**3,784**	$	4,189
Interest expense			**554**		538
Adjusted tax on interest expense [(3)]			**(137)**		(131)
Adjusted return		**$**	**4,201**	$	4,596
Average invested capital		**$**	**31,353**	$	30,350
Adjusted ROIC			**13.4%**		15.1%

(1) The effective tax rate for 2020 used to calculate the tax on interest expense was 21.6% (2019 - 22.3%).

(2) See the section entitled Adjusted performance measures for an explanation of this non-GAAP measure.

(3) The adjusted effective tax rate for 2020 used to calculate the adjusted tax on interest expense was 24.8% (2019 - 24.4%).

Consolidated Statements of Income – unaudited

In millions, except per share data	Three months ended December 31 2020	Three months ended December 31 2019	Year ended December 31 2020	Year ended December 31 2019
Revenues	**$ 3,656**	$ 3,584	**$ 13,819**	$ 14,917
Operating expenses				
Labor and fringe benefits	**755**	749	**2,723**	2,922
Purchased services and material	**565**	586	**2,152**	2,267
Fuel	**303**	406	**1,152**	1,637
Depreciation and amortization	**402**	387	**1,589**	1,562
Equipment rents	**97**	112	**432**	444
Casualty and other	**123**	126	**508**	492
Loss on assets held for sale *(Note 4)*	**—**	—	**486**	—
Total operating expenses	**2,245**	2,366	**9,042**	9,324
Operating income	**1,411**	1,218	**4,777**	5,593
Interest expense	**(134)**	(136)	**(554)**	(538)
Other components of net periodic benefit income	**78**	77	**315**	321
Other income	**—**	2	**6**	53
Income before income taxes	**1,355**	1,161	**4,544**	5,429
Income tax expense	**(334)**	(288)	**(982)**	(1,213)
Net income	**$ 1,021**	$ 873	**$ 3,562**	$ 4,216
Earnings per share				
Basic	**$ 1.44**	$ 1.22	**$ 5.01**	$ 5.85
Diluted	**$ 1.43**	$ 1.22	**$ 5.00**	$ 5.83
Weighted-average number of shares				
Basic	**711.2**	715.2	**711.3**	720.1
Diluted	**713.2**	717.4	**713.0**	722.6
Dividends declared per share	**$ 0.5750**	$ 0.5375	**$ 2.3000**	$ 2.1500

See accompanying notes to unaudited consolidated financial statements.

Consolidated Statements of Comprehensive Income – unaudited

In millions	Three months ended December 31 2020	Three months ended December 31 2019	Year ended December 31 2020	Year ended December 31 2019
Net income	**$ 1,021**	$ 873	**$ 3,562**	$ 4,216
Other comprehensive income (loss)				
Net loss on foreign currency translation	**(228)**	(104)	**(82)**	(256)
Net change in pension and other postretirement benefit plans	**(20)**	(557)	**160**	(440)
Other comprehensive income (loss) before income taxes	**(248)**	(661)	**78**	(696)
Income tax recovery (expense)	**(44)**	125	**(67)**	62
Other comprehensive income (loss)	**(292)**	(536)	**11**	(634)
Comprehensive income	**$ 729**	$ 337	**$ 3,573**	$ 3,582

See accompanying notes to unaudited consolidated financial statements.

Consolidated Balance Sheets – unaudited

In millions	December 31 2020	December 31 2019
Assets		
Current assets		
Cash and cash equivalents	**$ 569**	$ 64
Restricted cash and cash equivalents	**531**	524
Accounts receivable	**1,054**	1,213
Material and supplies	**583**	611
Other current assets *(Note 4)*	**365**	418
Total current assets	**3,102**	2,830
Properties	**40,069**	39,669
Operating lease right-of-use assets	**435**	520
Pension asset	**777**	336
Intangible assets, goodwill and other *(Note 3)*	**421**	429
Total assets	**$ 44,804**	$ 43,784
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and other	**$ 2,364**	$ 2,357
Current portion of long-term debt	**910**	1,930
Total current liabilities	**3,274**	4,287
Deferred income taxes	**8,271**	7,844
Other liabilities and deferred credits	**534**	634
Pension and other postretirement benefits	**767**	733
Long-term debt	**11,996**	11,866
Operating lease liabilities	**311**	379
Shareholders' equity		
Common shares	**3,698**	3,650
Common shares in Share Trusts	**(115)**	(163)
Additional paid-in capital	**379**	403
Accumulated other comprehensive loss	**(3,472)**	(3,483)
Retained earnings	**19,161**	17,634
Total shareholders' equity	**19,651**	18,041
Total liabilities and shareholders' equity	**$ 44,804**	$ 43,784

See accompanying notes to unaudited consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity – unaudited

In millions	Number of common shares: Outstanding	Number of common shares: Share Trusts	Common shares	Common shares in Share Trusts	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
Balance at September 30, 2020	710.2	1.3	$ 3,692	$ (115)	$ 367	$ (3,180)	$ 18,549	$ 19,313
Net income							1,021	1,021
Stock options exercised	0.1		6		(1)			5
Settlement of equity settled awards	—	—		6	(6)		—	—
Stock-based compensation expense and other					19		—	19
Share purchases by Share Trusts	—	—		(6)				(6)
Other comprehensive loss						(292)		(292)
Dividends ($0.5750 per share)							(409)	(409)
Balance at December 31, 2020	**710.3**	**1.3**	**$ 3,698**	**$ (115)**	**$ 379**	**$ (3,472)**	**$ 19,161**	**$ 19,651**

In millions	Number of common shares: Outstanding	Number of common shares: Share Trusts	Common shares	Common shares in Share Trusts	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
Balance at December 31, 2019	712.3	1.8	$ 3,650	$ (163)	$ 403	$ (3,483)	$ 17,634	$ 18,041
Net income							3,562	3,562
Stock options exercised	0.8		65		(9)			56
Settlement of equity settled awards	0.6	(0.6)		62	(82)		(37)	(57)
Stock-based compensation expense and other					67		(2)	65
Repurchase of common shares	(3.3)		(17)				(362)	(379)
Share purchases by Share Trusts	(0.1)	0.1		(14)				(14)
Other comprehensive income						11		11
Dividends ($2.3000 per share)							(1,634)	(1,634)
Balance at December 31, 2020	**710.3**	**1.3**	**$ 3,698**	**$ (115)**	**$ 379**	**$ (3,472)**	**$ 19,161**	**$ 19,651**

See accompanying notes to unaudited consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity – unaudited

	Number of common shares							
In millions	Outstanding	Share Trusts	Common shares	Common shares in Share Trusts	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
Balance at September 30, 2019	715.8	1.7	$ 3,655	$ (156)	$ 393	$ (2,947)	$ 17,555	$ 18,500
Net income							873	873
Stock options exercised	0.2		14		(2)			12
Settlement of equity settled awards	—	—		—	(1)		(1)	(2)
Stock-based compensation expense and other					13		—	13
Repurchase of common shares	(3.6)		(19)				(410)	(429)
Share purchases by Share Trusts	(0.1)	0.1		(7)				(7)
Other comprehensive loss						(536)		(536)
Dividends ($0.5375 per share)							(383)	(383)
Balance at December 31, 2019	712.3	1.8	$ 3,650	$ (163)	$ 403	$ (3,483)	$ 17,634	$ 18,041

	Number of common shares							
In millions	Outstanding	Share Trusts	Common shares	Common shares in Share Trusts	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
Balance at December 31, 2018	725.3	2.0	$ 3,634	$ (175)	$ 408	$ (2,849)	$ 16,623	$ 17,641
Net income							4,216	4,216
Stock options exercised	1.1		89		(12)			77
Settlement of equity settled awards	0.5	(0.5)		45	(56)		(61)	(72)
Stock-based compensation expense and other					63		(2)	61
Repurchase of common shares	(14.3)		(73)				(1,627)	(1,700)
Share purchases by Share Trusts	(0.3)	0.3		(33)				(33)
Other comprehensive loss						(634)		(634)
Dividends ($2.1500 per share)							(1,544)	(1,544)
Cumulative-effect adjustment from the adoption of ASU 2016-02 (1)							29	29
Balance at December 31, 2019	712.3	1.8	$ 3,650	$ (163)	$ 403	$ (3,483)	$ 17,634	$ 18,041

(1) The Company adopted Accounting Standards Update (ASU) 2016-02: Leases and related amendments (Topic 842) in the first quarter of 2019 using a modified retrospective approach with a cumulative-effect adjustment to Retained earnings recognized on January 1, 2019, with no restatement of comparative period financial information.

See accompanying notes to unaudited consolidated financial statements.

Consolidated Statements of Cash Flows – unaudited

In millions	Three months ended December 31 2020	2019	Year ended December 31 2020	2019
Operating activities				
Net income	**$ 1,021**	$ 873	**$ 3,562**	$ 4,216
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**402**	387	**1,589**	1,562
Pension income and funding	**(56)**	(70)	**(234)**	(288)
Deferred income taxes	**115**	90	**487**	569
Loss on assets held for sale *(Note 4)*	**—**	—	**486**	—
Changes in operating assets and liabilities:				
Accounts receivable	**68**	20	**158**	(7)
Material and supplies	**20**	(9)	**20**	(60)
Accounts payable and other	**451**	166	**(49)**	(498)
Other current assets	**(25)**	25	**—**	5
Other operating activities, net	**12**	36	**146**	424
Net cash provided by operating activities	**2,008**	1,518	**6,165**	5,923
Investing activities				
Property additions	**(855)**	(1,018)	**(2,863)**	(3,865)
Acquisitions, net of cash acquired *(Note 3)*	**—**	(92)	**(8)**	(259)
Other investing activities, net	**(13)**	(7)	**(75)**	(66)
Net cash used in investing activities	**(868)**	(1,117)	**(2,946)**	(4,190)
Financing activities				
Issuance of debt	**32**	713	**1,789**	1,653
Repayment of debt	**(30)**	(304)	**(1,221)**	(402)
Change in commercial paper, net	**(434)**	(182)	**(1,273)**	141
Settlement of foreign exchange forward contracts on debt	**(13)**	(5)	**26**	2
Issuance of common shares for stock options exercised	**5**	12	**56**	77
Withholding taxes remitted on the net settlement of equity settled awards	**—**	(1)	**(48)**	(61)
Repurchase of common shares	**—**	(437)	**(379)**	(1,700)
Purchase of common shares for settlement of equity settled awards	**—**	(1)	**(9)**	(11)
Purchase of common shares by Share Trusts	**(6)**	(7)	**(14)**	(33)
Dividends paid	**(409)**	(383)	**(1,634)**	(1,544)
Acquisition, additional cash consideration *(Note 3)*	**—**	—	**—**	(25)
Net cash used in financing activities	**(855)**	(595)	**(2,707)**	(1,903)
Effect of foreign exchange fluctuations on cash, cash equivalents, restricted cash and restricted cash equivalents	**(1)**	—	**—**	(1)
Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	**284**	(194)	**512**	(171)
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period	**816**	782	**588**	759
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period	**$ 1,100**	$ 588	**$ 1,100**	$ 588
Cash and cash equivalents, end of period	**$ 569**	$ 64	**$ 569**	$ 64
Restricted cash and cash equivalents, end of period	**531**	524	**531**	524
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period	**$ 1,100**	$ 588	**$ 1,100**	$ 588
Supplemental cash flow information				
Interest paid	**$ (90)**	$ (88)	**$ (551)**	$ (521)
Income taxes refunded (paid)	**$ 7**	$ (178)	**$ (353)**	$ (822)

See accompanying notes to unaudited consolidated financial statements.

1 – Basis of presentation

In these notes, the "Company" or "CN" refers to, Canadian National Railway Company, together with its wholly-owned subsidiaries.

The accompanying unaudited Interim Consolidated Financial Statements, 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 unaudited Interim Consolidated Financial Statements have been prepared using accounting policies consistent with those used in preparing CN's 2019 Annual Consolidated Financial Statements, except as disclosed in *Note 2 – Recent accounting pronouncements* and in previous 2020 Notes to the unaudited Interim Consolidated Financial Statements, and should be read in conjunction with such statements and Notes thereto.

2 – Recent accounting pronouncements

The following recent Accounting Standards Update (ASU) issued by the Financial Accounting Standards Board (FASB) was adopted by the Company during the current year:

ASU 2016-13 Financial instruments - Credit losses (Topic 326): Measurement of credit losses on financial instruments

The ASU requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The new standard replaces the current incurred loss impairment methodology with one that reflects expected credit losses.

The Company adopted this standard in the first quarter of 2020 with an effective date of January 1, 2020. The adoption of this standard did not have an impact on the Company's Consolidated Financial Statements.

The following recent ASU issued by FASB came into effect during the current year and has not been adopted by the Company:

ASU 2020-04 Reference rate reform (Topic 848): Facilitation of the effects of reference rate reform on financial reporting

London Interbank Offered Rate (LIBOR) is a benchmark interest rate referenced in a variety of agreements that are used by all types of entities. At the end of 2021, banks will no longer be required to report information that is used to determine LIBOR. As a result, LIBOR could be discontinued. Other interest rates used globally could also be discontinued for similar reasons.

The ASU provides optional expedients and exceptions for applying generally accepted accounting principles to transactions affected by reference rate reform if certain criteria are met. These transactions include contract modifications, hedging relationships, and sale or transfer of debt securities classified as held-to-maturity.

The provisions of the ASU are effective starting on March 12, 2020; however, they will only be available until December 31, 2022, when the reference rate replacement activity is expected to be completed. The Company may apply the provisions of the ASU as of the beginning of a reporting period when the elections are made, or prospectively from the date within an interim period that includes or is subsequent to March 12, 2020. The Company currently has outstanding loans and finance lease obligations referencing LIBOR totaling approximately US$325 million that would be affected by the provisions of this ASU. The Company is evaluating the effects that the adoption of the ASU will have on its Consolidated Financial Statements and related disclosures, and whether it will elect to apply any of the optional expedients and exceptions provided in the ASU.

The following recent ASU issued by FASB has an effective date after December 31, 2020 and has not been adopted by the Company:

ASU 2019-12 Income taxes (Topic 740): Simplifying the accounting for income taxes

The ASU adds new guidance to simplify accounting for income taxes, changes the accounting for certain income tax transactions and makes minor improvements to the codification. The ASU introduces new guidance that provides a policy election to not allocate consolidated income taxes when a member of a consolidated tax return is not subject to income tax, and provides guidance to evaluate whether a step-up in tax basis of goodwill relates to a business combination in which book goodwill was recognized or a separate transaction. In addition, the ASU changes the current guidance by making an intraperiod allocation if there is a loss in continuing operations and gains outside of continuing operations; by determining when a deferred tax liability is recognized after an investor in a foreign entity transitions to or from the equity method of accounting; by accounting for tax law changes and year-to-date losses in interim periods; and by determining how to apply the income tax guidance to franchise taxes and other taxes that are partially based on income.

The ASU is effective for annual and any interim period beginning after December 15, 2020. Early adoption is permitted.

The Company has evaluated the effects that the adoption of the ASU will have on its Consolidated Financial Statements and has concluded it will not have a significant impact.

Other recently issued ASUs required to be applied for periods beginning on or after January 1, 2021 have been evaluated by the Company and are not expected to have a significant impact on the Company's Consolidated Financial Statements.

3 – Business combinations

2019

Acquisition of intermodal division of H&R Transport Limited

On December 2, 2019, the Company acquired the intermodal temperature-controlled transportation division of the Alberta-based H&R Transport Limited ("H&R"). The acquisition positions CN to expand its presence in moving customer goods by offering more end-to-end rail supply chain solutions to a wider range of customers.

The Company's Consolidated Balance Sheets include the assets and liabilities of H&R as of December 2, 2019, the acquisition date. Since the acquisition date, H&R'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-acquisition period as it was not material.

The total purchase price of $105 million included $95 million cash paid on the closing date and subsequent consideration of $10 million mostly related to funds withheld for the indemnification of claims, of which $2 million remains to be paid.

The following table summarizes the consideration transferred to acquire H&R, as well as the fair value of the assets acquired and liabilities assumed, and goodwill that were recognized at the acquisition date:

In millions		December 2 2019
Consideration transferred		
Cash paid at closing	$	95
Subsequent consideration (1)		10
Fair value of total consideration transferred	$	105
Recognized amounts of identifiable assets acquired and liabilities assumed (2)		
Current assets	$	10
Non-current assets (3)		84
Non-current liabilities		(1)
Total identifiable net assets (4)	$	93
Goodwill (5)	$	12

(1) *Primarily comprised of funds withheld for the indemnification of claims, of which $2 million remains to be paid.*

(2) *As at the acquisition date, the purchase price was preliminary and subject to change over the measurement period, permitted to be up to one year from the acquisition date. The Company's purchase price allocation is now final.*

(3) *Includes identifiable intangible assets of $52 million.*

(4) *Includes operating lease right-of-use assets and liabilities.*

(5) *The goodwill acquired through the business combination is mainly attributable to the premium of an established business operation. The goodwill is deductible for tax purposes.*

Acquisition of the TransX Group of Companies

On March 20, 2019, the Company acquired the Manitoba-based TransX Group of Companies ("TransX"). TransX provides various transportation and logistics services, including intermodal, truckload, less than truckload and specialized services. The acquisition positions CN to strengthen its intermodal business, and allows the Company to expand capacity and foster additional supply chain solutions.

The Company's Consolidated Balance Sheets include the assets and liabilities of TransX as of March 20, 2019, the acquisition date. Since the acquisition date, TransX'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-acquisition period as it was not material.

The total purchase price of $192 million included an initial cash payment of $170 million, additional consideration of $25 million, less an adjustment of $3 million in the fourth quarter of 2019 to reflect the settlement of working capital. The acquisition date fair value of the additional consideration, recorded as a contingent liability, was estimated based on the expected outcome of operational and financial targets, and remained unchanged since the acquisition date. The fair value measure was based on Level 3 inputs not observable in the market. On August 27, 2019, the additional consideration was paid.

The following table summarizes the consideration transferred to acquire TransX, as well as the fair value of the assets acquired and liabilities assumed, and goodwill that were recognized at the acquisition date:

In millions		March 20 2019
Consideration transferred		
Cash paid at closing	$	170
Additional cash consideration and other (1)		22
Fair value of total consideration transferred	$	192
Recognized amounts of identifiable assets acquired and liabilities assumed (2)		
Current assets	$	85
Non-current assets (3)		260
Current liabilities		(134)
Non-current liabilities		(77)
Total identifiable net assets (4)	$	134
Goodwill (5)	$	58

(1) *Includes additional cash consideration paid of $25 million less an adjustment of $3 million to reflect the settlement of working capital.*

(2) *As at the acquisition date, the purchase price was preliminary and subject to change over the measurement period, permitted to be up to one year from the acquisition date. In the first quarter of 2020, based on updated information available to the Company, the fair value of net assets acquired was adjusted to reflect a net decrease to current and deferred income tax balances of $7 million, resulting in a decrease to Goodwill for the same amount. The Company's purchase price allocation is now final.*

(3) *Includes identifiable intangible assets of $34 million.*

(4) *Includes finance and operating lease right-of-use assets and liabilities.*

(5) *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.*

4 – Assets held for sale

In the second quarter of 2020, the Company committed to a plan and is actively marketing for sale for on-going rail operations, certain non-core lines in Wisconsin, Michigan and Ontario representing approximately 850 miles and has met the criteria for classification of the related assets as assets held for sale. Accordingly, a $486 million loss ($363 million after-tax) was recorded to adjust the carrying amount of these track and roadway assets to their estimated selling price. The carrying amount of assets held for sale of $90 million is included in Other current assets in the Consolidated Balance Sheet at December 31, 2020. The estimated selling price is based primarily on discounted cash flow projections. These projections are based on Level 3 inputs of the fair value hierarchy and reflect the Company's best estimate of market participants' pricing of the assets as well as the general condition of the assets. Had alternative significant Level 3 inputs been used to calculate the estimated selling price at December 31, 2020, the alternative calculation would not have been materially different. The significant assumptions in the valuation model include projected cash flows, discount rate and growth rate. As at December 31, 2020, the criteria for the classification of assets held for sale continued to be met and there was no change in the Company's carrying amount of assets held for sale.

5 – Subsequent events

Normal course issuer bid (NCIB)

On January 26, 2021, the Board of Directors of the Company approved a new NCIB, which allows for the repurchase of up to 14 million common shares between February 1, 2021 and January 31, 2022. The Company expects to resume its share repurchases in the first quarter of 2021 under the new NCIB.

Notes and debentures

On January 18, 2021, as a result of lower prevailing interest rates and pursuant to an early repayment option within the Company's fixed rate debt agreements, the Company repaid in full the seven-year 2.75% Notes due February 18, 2021. The payment consisted of $250 million of principal plus $3 million of accrued interest.