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2019 QUARTERLY REVIEW FOURTH QUARTER

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NEWS RELEASE

CN executing on its long-term strategic agenda for sustainable growth

Railway managing short-term headwinds which impacted Q4 results

MONTREAL, January 28, 2020 — CN (TSX: CNR) (NYSE: CNI) today reported its financial and operating results for the fourth quarter and year ended December 31, 2019.

"We remain focused on executing our strategy of long-term sustainable growth at low incremental cost," said JJ Ruest, president and chief executive officer of CN. "Our strategic deployment of technology, the next step in our Precision Scheduled Railroading model and our next driver of value, is well underway. At the same time, we continue to closely monitor the freight volume environment and rightsize our resources and costs to demand."

"Over the past two years, CN invested C$7.4 billion in capital expenditures to increase capacity, efficiency and resiliency of the network. In 2020, our capital program will decrease to C$3.0 billion, generating higher free cash flow. CN's strong balance sheet provides us with the financial flexibility and resiliency required in the current turbulent economic environment."

Financial results highlights

Fourth-quarter 2019 compared to fourth-quarter 2018

- Results impacted by 8-day labour strike and weak freight demand.
- Revenues of C$3,584 million, a decrease of six per cent.
- Diluted earnings per share (EPS) of C$1.22, a decrease of 22 per cent, and adjusted diluted EPS of C$1.25, a decrease of 16 per cent. (1)
- Operating ratio of 66.0 per cent, an increase of 4.1 points, and adjusted operating ratio of 65.2 per cent, an increase of 4.0 points. (1)
- Operating income of C$1,218 million, a decrease of 16 per cent, and adjusted operating income of C$1,249 million, a decrease of 16 per cent. (1)

Full-year 2019 compared to full-year 2018

- Revenues of C$14,917 million, an increase of four per cent.
- Diluted EPS of C$5.83, a decrease of one per cent and adjusted diluted EPS of C$5.80, an increase of five per cent. (1)
- Operating ratio of 62.5 per cent, an increase of 0.9 points, and adjusted operating ratio of 61.7 per cent, an increase of 0.2 points. (1)
- Operating income of C$5,593 million, an increase of two per cent, and adjusted operating income of C$5,708 million, an increase of three per cent. (1)
- Adjusted return on invested capital (adjusted ROIC) of 15.1 per cent, a decrease of 0.6 points. (1)

2020 outlook and shareholder distribution (2)

"We have growth opportunities that we anticipate will translate into low single-digit volume growth in 2020 in terms of revenue ton miles (RTMs), despite continued weakness in the broad freight environment," said Ruest.

CN is targeting to deliver EPS growth in the mid single-digit range this year compared to adjusted diluted EPS of C$5.80 in 2019. (1)

CN is also targeting free cash flow in the range of C$3.0 billion to C$3.3 billion in 2020 compared to C$2.0 billion in 2019. (1)

The Company's Board of Directors approved a seven per cent increase to CN's 2020 quarterly cash dividend, effective for the first quarter of 2020. This is the 24th consecutive year of dividend increase, 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 that permits CN to purchase, for cancellation, over a 12-month period up to 16 million common shares, starting on February 1, 2020, and ending no later than January 31, 2021.

Fourth-quarter 2019 revenues, traffic volumes and expenses

Revenues for the quarter decreased by six per cent to C$3,584 million, when compared to the same period in 2018. The decrease in revenues was mainly attributable to lower volumes, due to the weakening economic environment and the conductor strike in November; partly offset by the inclusion of TransX in the intermodal commodity group within the domestic market, freight rate increases and higher international container traffic via the Port of Prince Rupert.

RTMs, measuring the weight and distance of freight transported by CN, declined by 13 per cent. Freight revenue per RTM increased by nine per cent.

Operating expenses for the quarter remained flat, when compared to the same period in 2018. The increases in purchased services and material expense, due to the inclusion of TransX, and depreciation expense; were offset by lower costs from decreased volumes of traffic and lower incentive compensation.

Full-year 2019 revenues, traffic volumes and expenses

Revenues for 2019 increased by four per cent to C$14,917 million, when compared to 2018. The increase in revenues was mainly attributable to freight rate increases, the inclusion of TransX in the intermodal commodity group within the domestic market, the positive translation impact of a weaker Canadian dollar and higher volumes of petroleum crude, natural gas liquids and refined petroleum products in the first nine months. These factors were partly offset by lower volumes of a broad range of forest products, reduced U.S. thermal coal exports via the Gulf Coast and lower shipments of frac sand.

RTMs declined by three per cent. Freight revenue per RTM increased by eight per cent, mainly driven by freight rate increases, the inclusion of TransX in the intermodal commodity group and the positive translation impact of a weaker Canadian dollar.

Operating expenses increased by six per cent to C$9,324 million, mainly due to increased purchased services and material expense, due to the inclusion of TransX, higher depreciation expense and the negative translation impact of a weaker Canadian dollar; partly offset by lower fuel prices.

(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 may be identified by the use of terminology such as "believes," "expects," "anticipates," "assumes," "outlook," "plans," "targets," or other similar words.

2020 key assumptions

CN has made a number of economic and market assumptions in preparing its 2020 outlook. The Company assumes that North American industrial production for the year will increase in the range of 0.5 to one per cent, and assumes U.S. housing starts of approximately 1.3 million units and U.S. motor vehicle sales of approximately 16.5 million units. For the 2019/2020 crop year, the grain crop in Canada was in line with its three-year average, and the U.S. grain crop was below its three-year average. The Company assumes that the 2020/2021 grain crops in both Canada and the United States will be in line with their respective three-year averages. CN assumes total RTMs in 2020 will increase in the low single digits versus 2019. CN assumes continued pricing above rail inflation. CN assumes that in 2020, the value of the Canadian dollar in U.S. currency will be approximately $0.75, and assumes that in 2020 the average price of crude oil (West Texas Intermediate) will be in the range of US$55 to US$60 per barrel. In 2020, 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 effects of general economic and business conditions; 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 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 (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.

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.

CN is a true backbone of the economy transporting more than C$250 billion worth of goods annually for a wide range of business sectors, ranging from resource products to manufactured products to consumer goods, across a rail network of approximately 20,000 route-miles spanning Canada and mid-America. CN – Canadian National Railway Company, along with its operating railway subsidiaries – serves the cities and ports of Vancouver, Prince Rupert, B.C., Montreal, Halifax, New Orleans, and Mobile, Ala., and the metropolitan areas of Toronto, Edmonton, Winnipeg, Calgary, Chicago, Memphis, Detroit, Duluth, Minn./Superior, Wis., and Jackson, Miss., with connections to all points in North America. For more information about CN, visit the Company's website at www.cn.ca.

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Selected Railroad Statistics - unaudited

	Three months ended December 31		Year ended December 31	
	2019	2018	**2019**	2018
Financial measures				
Key financial performance indicators [1]				
Total revenues *($ millions)*	**3,584**	3,808	**14,917**	14,321
Freight revenues *($ millions)*	**3,408**	3,601	**14,198**	13,548
Operating income *($ millions)*	**1,218**	1,452	**5,593**	5,493
Adjusted operating income *($ millions)* [2]	**1,249**	1,479	**5,708**	5,520
Net income *($ millions)*	**873**	1,143	**4,216**	4,328
Adjusted net income *($ millions)* [2]	**896**	1,093	**4,189**	4,056
Diluted earnings per share *($)*	**1.22**	1.56	**5.83**	5.87
Adjusted diluted earnings per share *($)* [2]	**1.25**	1.49	**5.80**	5.50
Free cash flow *($ millions)* [2]	**493**	633	**1,992**	2,514
Gross property additions *($ millions)*	**1,018**	1,264	**4,079**	3,531
Share repurchases *($ millions)*	**429**	463	**1,700**	2,000
Dividends per share *($)*	**0.5375**	0.4550	**2.1500**	1.8200
Financial position [1]				
Total assets *($ millions)*	**43,784**	41,214	**43,784**	41,214
Total liabilities *($ millions)*	**25,743**	23,573	**25,743**	23,573
Shareholders' equity *($ millions)*	**18,041**	17,641	**18,041**	17,641
Financial ratio				
Operating ratio *(%)*	**66.0**	61.9	**62.5**	61.6
Adjusted operating ratio *(%)* [2]	**65.2**	61.2	**61.7**	61.5
Operational measures [3]				
Statistical operating data				
Gross ton miles (GTMs) *(millions)*	**115,015**	130,792	**482,890**	490,414
Revenue ton miles (RTMs) *(millions)*	**57,709**	66,535	**241,954**	248,383
Carloads *(thousands)*	**1,425**	1,537	**5,912**	5,976
Route miles *(includes Canada and the U.S.)*	**19,500**	19,500	**19,500**	19,500
Employees *(end of period)*	**25,975**	25,720	**25,975**	25,720
Employees *(average for the period)*	**26,524**	26,047	**26,733**	25,423
Key operating measures				
Freight revenue per RTM *(cents)*	**5.91**	5.41	**5.87**	5.45
Freight revenue per carload *($)*	**2,392**	2,343	**2,402**	2,267
GTMs per average number of employees *(thousands)*	**4,336**	5,021	**18,063**	19,290
Operating expenses per GTM *(cents)*	**2.06**	1.80	**1.93**	1.80
Labor and fringe benefits expense per GTM *(cents)*	**0.65**	0.60	**0.61**	0.58
Diesel fuel consumed *(US gallons in millions)*	**108.9**	122.8	**451.4**	462.7
Average fuel price *($/US gallon)*	**3.27**	3.35	**3.17**	3.32
GTMs per US gallon of fuel consumed	**1,056**	1,065	**1,070**	1,060
Car velocity *(car miles per day)*	**199**	204	**198**	188
Through dwell *(hours)*	**8.1**	7.5	**7.9**	8.3
Through network train speed *(miles per hour)*	**19.2**	18.6	**18.5**	18.0
Locomotive utilization *(trailing GTMs per total horsepower)*	**194**	211	**198**	208
Safety indicators [4]				
Injury frequency rate *(per 200,000 person hours)*	**1.69**	1.90	**1.91**	1.81
Accident rate *(per million train miles)*	**1.76**	1.56	**2.11**	2.02

(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 these 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			
	2019	2018	% Change Fav (Unfav)	% Change at constant currency Fav (Unfav) [1]	**2019**	2018	% Change Fav (Unfav)	% Change at constant currency Fav (Unfav) [1]
Revenues *($ millions)* [2]								
Petroleum and chemicals	**754**	815	(7%)	(7%)	**3,052**	2,660	15%	13%
Metals and minerals	**357**	397	(10%)	(10%)	**1,643**	1,689	(3%)	(5%)
Forest products	**415**	466	(11%)	(11%)	**1,808**	1,886	(4%)	(6%)
Coal	**150**	175	(14%)	(14%)	**658**	661	—%	(2%)
Grain and fertilizers	**622**	659	(6%)	(6%)	**2,392**	2,357	1%	—%
Intermodal	**927**	891	4%	4%	**3,787**	3,465	9%	8%
Automotive	**183**	198	(8%)	(8%)	**858**	830	3%	1%
Total freight revenues	**3,408**	3,601	(5%)	(5%)	**14,198**	13,548	5%	3%
Other revenues	**176**	207	(15%)	(15%)	**719**	773	(7%)	(8%)
Total revenues	**3,584**	3,808	(6%)	(6%)	**14,917**	14,321	4%	3%
Revenue ton miles (RTMs) *(millions)* [3]								
Petroleum and chemicals	**12,841**	16,113	(20%)	(20%)	**53,989**	50,722	6%	6%
Metals and minerals	**5,589**	6,069	(8%)	(8%)	**25,449**	27,993	(9%)	(9%)
Forest products	**6,285**	7,115	(12%)	(12%)	**27,187**	29,918	(9%)	(9%)
Coal	**4,097**	5,011	(18%)	(18%)	**17,653**	17,927	(2%)	(2%)
Grain and fertilizers	**13,963**	16,148	(14%)	(14%)	**55,597**	57,819	(4%)	(4%)
Intermodal	**14,168**	15,237	(7%)	(7%)	**58,344**	60,120	(3%)	(3%)
Automotive	**766**	842	(9%)	(9%)	**3,735**	3,884	(4%)	(4%)
Total RTMs	**57,709**	66,535	(13%)	(13%)	**241,954**	248,383	(3%)	(3%)
Freight revenue / RTM *(cents)* [2] [3]								
Petroleum and chemicals	**5.87**	5.06	16%	16%	**5.65**	5.24	8%	6%
Metals and minerals	**6.39**	6.54	(2%)	(2%)	**6.46**	6.03	7%	5%
Forest products	**6.60**	6.55	1%	1%	**6.65**	6.30	6%	3%
Coal	**3.66**	3.49	5%	5%	**3.73**	3.69	1%	—%
Grain and fertilizers	**4.45**	4.08	9%	9%	**4.30**	4.08	5%	4%
Intermodal	**6.54**	5.85	12%	12%	**6.49**	5.76	13%	12%
Automotive	**23.89**	23.52	2%	2%	**22.97**	21.37	7%	5%
Total freight revenue / RTM	**5.91**	5.41	9%	9%	**5.87**	5.45	8%	6%
Carloads *(thousands)* [3]								
Petroleum and chemicals	**169**	184	(8%)	(8%)	**688**	653	5%	5%
Metals and minerals	**234**	255	(8%)	(8%)	**1,008**	1,030	(2%)	(2%)
Forest products	**86**	101	(15%)	(15%)	**375**	418	(10%)	(10%)
Coal	**79**	94	(16%)	(16%)	**335**	346	(3%)	(3%)
Grain and fertilizers	**158**	169	(7%)	(7%)	**619**	632	(2%)	(2%)
Intermodal	**638**	668	(4%)	(4%)	**2,618**	2,634	(1%)	(1%)
Automotive	**61**	66	(8%)	(8%)	**269**	263	2%	2%
Total carloads	**1,425**	1,537	(7%)	(7%)	**5,912**	5,976	(1%)	(1%)
Freight revenue / carload *($)* [2] [3]								
Petroleum and chemicals	**4,462**	4,429	1%	1%	**4,436**	4,074	9%	7%
Metals and minerals	**1,526**	1,557	(2%)	(2%)	**1,630**	1,640	(1%)	(3%)
Forest products	**4,826**	4,614	5%	4%	**4,821**	4,512	7%	5%
Coal	**1,899**	1,862	2%	2%	**1,964**	1,910	3%	2%
Grain and fertilizers	**3,937**	3,899	1%	1%	**3,864**	3,729	4%	2%
Intermodal	**1,453**	1,334	9%	9%	**1,447**	1,315	10%	9%
Automotive	**3,000**	3,000	—%	—%	**3,190**	3,156	1%	(1%)
Total freight revenue / carload	**2,392**	2,343	2%	2%	**2,402**	2,267	6%	4%

(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 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 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.

For the three months and year ended December 31, 2018, the Company reported adjusted net income of $1,093 million, or $1.49 per diluted share, and $4,056 million, or $5.50 per diluted share, respectively, which excludes employee termination benefits and severance costs related to a workforce reduction program of $27 million, or $20 million after-tax ($0.03 per diluted share) and a gain previously deferred on the 2014 disposal of a segment of the Guelph subdivision located between Georgetown and Kitchener, Ontario, together with the rail fixtures and certain passenger agreements (the "Guelph"), of $79 million, or $70 million after-tax ($0.10 per diluted share). The adjusted figures for the year ended December 31, 2018 also exclude gains on disposals of property, consisting of the following:

- in the third quarter, a gain on disposal of property located in Montreal, Quebec (the "Doney and St-Francois Spurs") of $36 million, or $32 million after-tax ($0.04 per diluted share); and
- in the second quarter, a gain on transfer of the Company's finance lease in the passenger rail facilities in Montreal, Quebec, together with its interests in related railway operating agreements (the "Central Station Railway Lease"), of $184 million, or $156 million after-tax ($0.21 per diluted share), and a gain on disposal of land located in Calgary, Alberta, excluding the rail fixtures (the "Calgary Industrial Lead"), of $39 million, or $34 million after-tax ($0.05 per diluted share).

Non-GAAP Measures – unaudited

The following table provides a reconciliation of net income and earnings per share, as reported for the three months and years ended December 31, 2019 and 2018, to the adjusted performance measures presented herein:

In millions, except per share data	Three months ended December 31 **2019**	Three months ended December 31 2018	Year ended December 31 **2019**	Year ended December 31 2018
Net income	**$ 873**	$ 1,143	**$ 4,216**	$ 4,328
Adjustments:				
Operating expenses	**31**	27	**115**	27
Other income	**—**	(79)	**—**	(338)
Income tax expense (recovery) (1)	**(8)**	2	**(142)**	39
Adjusted net income	**$ 896**	$ 1,093	**$ 4,189**	$ 4,056
Basic earnings per share	**$ 1.22**	$ 1.57	**$ 5.85**	$ 5.89
Impact of adjustments, per share	**0.03**	(0.07)	**(0.04)**	(0.37)
Adjusted basic earnings per share	**$ 1.25**	$ 1.50	**$ 5.81**	$ 5.52
Diluted earnings per share	**$ 1.22**	$ 1.56	**$ 5.83**	$ 5.87
Impact of adjustments, per share	**0.03**	(0.07)	**(0.03)**	(0.37)
Adjusted diluted earnings per share	**$ 1.25**	$ 1.49	**$ 5.80**	$ 5.50

(1) The tax effect of adjustments reflects tax rates in the applicable jurisdiction and the nature of the item for tax purposes.

The following table provides a reconciliation of operating income and operating ratio, as reported for the three months and years ended December 31, 2019 and 2018, to the adjusted performance measures presented herein:

In millions, except percentage	Three months ended December 31 **2019**	Three months ended December 31 2018	Year ended December 31 **2019**	Year ended December 31 2018
Operating income	**$ 1,218**	$ 1,452	**$ 5,593**	$ 5,493
Adjustment: Operating expenses	**31**	27	**115**	27
Adjusted operating income	**$ 1,249**	$ 1,479	**$ 5,708**	$ 5,520
Operating ratio (1)	**66.0%**	61.9%	**62.5%**	61.6%
Impact of adjustment	**(0.8)-pts**	(0.7)-pts	**(0.8)-pts**	(0.1)-pts
Adjusted operating ratio	**65.2%**	61.2%	**61.7%**	61.5%

(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 $1.32 and $1.33 per US$1.00 for the three months and year ended December 31, 2019, respectively, and $1.32 and $1.30 per US$1.00 for the three months and year ended December 31, 2018, respectively.

On a constant currency basis, the Company's net income for the three months and year ended December 31, 2019 would have remained flat and been lower by $65 million ($0.09 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, as reported for the three months and years ended December 31, 2019 and 2018, to free cash flow:

	Three months ended December 31		Year ended December 31	
In millions	**2019**	2018	**2019**	2018
Net cash provided by operating activities	**$ 1,518**	$ 1,917	**$ 5,923**	$ 5,918
Net cash used in investing activities	**(1,117)**	(1,284)	**(4,190)**	(3,404)
Net cash provided before financing activities	**401**	633	**1,733**	2,514
Adjustment: Acquisitions, net of cash acquired (1)	**92**	—	**259**	—
Free cash flow	**$ 493**	$ 633	**$ 1,992**	$ 2,514

(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 2019 unaudited Interim Consolidated Financial Statements for additional information.

Adjusted debt-to-adjusted EBITDA multiple

Management believes that the adjusted debt-to-adjusted earnings before interest, income taxes, depreciation and amortization (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 to the adjusted measures presented below, which have been used to calculate the adjusted debt-to-adjusted EBITDA multiple:

In millions, unless otherwise indicated *As at and for the year ended December 31,*	**2019**	2018
Debt	**$ 13,796**	$ 12,569
Adjustments:		
Operating lease liabilities, including current portion (1)	**501**	579
Pension plans in deficiency	**521**	477
Adjusted debt	**$ 14,818**	$ 13,625
Net income	**$ 4,216**	$ 4,328
Interest expense	**538**	489
Income tax expense	**1,213**	1,354
Depreciation and amortization	**1,562**	1,329
EBITDA	**7,529**	7,500
Adjustments:		
Other income	**(53)**	(376)
Other components of net periodic benefit income	**(321)**	(302)
Operating lease cost (1)	**171**	218
Adjusted EBITDA	**$ 7,326**	$ 7,040
Adjusted debt-to-adjusted EBITDA multiple *(times)*	**2.02**	1.94

(1) The Company adopted Accounting Standards Update (ASU) 2016-02: Leases and related amendments (Topic 842) in the first quarter of 2019. The Company now includes operating lease liabilities, as defined by Topic 842, in adjusted debt and excludes operating lease cost, as defined by Topic 842, in adjusted EBITDA. Comparative balances previously referred to as present value of operating lease commitments and operating lease expense have not been adjusted and are now referred to as operating lease liabilities and operating lease cost, respectively. See Note 2 - Recent accounting pronouncements to CN's 2019 unaudited Interim Consolidated Financial Statements for additional information.

Return on invested capital (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,*	**2019**	2018
Net income	**$ 4,216**	$ 4,328
Interest expense	**538**	489
Tax on interest expense (1)	**(120)**	(116)
Return	**$ 4,634**	$ 4,701
Average total shareholders' equity	**$ 17,841**	$ 17,149
Average long-term debt	**11,626**	10,067
Average current portion of long-term debt	**1,557**	1,632
Less: Average cash, cash equivalents, restricted cash and restricted cash equivalents	**(674)**	(656)
Average invested capital	**$ 30,350**	$ 28,192
ROIC	**15.3%**	16.7%
Adjusted net income (2)	**$ 4,189**	$ 4,056
Interest expense	**538**	489
Adjusted tax on interest expense (3)	**(131)**	(120)
Adjusted return	**$ 4,596**	$ 4,425
Average invested capital	**$ 30,350**	$ 28,192
Adjusted ROIC	**15.1%**	15.7%

(1) *The effective tax rate for 2019 used to calculate the tax on interest expense was 22.3% (2018 - 23.8%).*

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

(3) *The adjusted effective tax rate for 2019 used to calculate the adjusted tax on interest expense was 24.4% (2018 - 24.5%).*

Consolidated Statements of Income – unaudited

In millions, except per share data	Three months ended December 31		Year ended December 31	
	2019	2018	**2019**	2018
Revenues	**$ 3,584**	$ 3,808	**$ 14,917**	$ 14,321
Operating expenses				
Labor and fringe benefits	**749**	791	**2,922**	2,860
Purchased services and material	**586**	527	**2,267**	1,971
Fuel	**406**	466	**1,637**	1,732
Depreciation and amortization	**387**	346	**1,562**	1,329
Equipment rents	**112**	115	**444**	467
Casualty and other	**126**	111	**492**	469
Total operating expenses	**2,366**	2,356	**9,324**	8,828
Operating income	**1,218**	1,452	**5,593**	5,493
Interest expense	**(136)**	(122)	**(538)**	(489)
Other components of net periodic benefit income	**77**	73	**321**	302
Other income	**2**	93	**53**	376
Income before income taxes	**1,161**	1,496	**5,429**	5,682
Income tax expense	**(288)**	(353)	**(1,213)**	(1,354)
Net income	**$ 873**	$ 1,143	**$ 4,216**	$ 4,328
Earnings per share				
Basic	**$ 1.22**	$ 1.57	**$ 5.85**	$ 5.89
Diluted	**$ 1.22**	$ 1.56	**$ 5.83**	$ 5.87
Weighted-average number of shares				
Basic	**715.2**	728.4	**720.1**	734.5
Diluted	**717.4**	731.3	**722.6**	737.7
Dividends declared per share	**$ 0.5375**	$ 0.4550	**$ 2.1500**	$ 1.8200

See accompanying notes to unaudited consolidated financial statements.

Consolidated Statements of Comprehensive Income – unaudited

In millions	Three months ended December 31		Year ended December 31	
	2019	2018	**2019**	2018
Net income	**$ 873**	$ 1,143	**$ 4,216**	$ 4,328
Other comprehensive income (loss)				
Net gain (loss) on foreign currency translation	**(104)**	293	**(256)**	403
Net change in pension and other postretirement benefit plans	**(557)**	(910)	**(440)**	(759)
Other comprehensive loss before income taxes	**(661)**	(617)	**(696)**	(356)
Income tax recovery	**125**	302	**62**	291
Other comprehensive loss	**(536)**	(315)	**(634)**	(65)
Comprehensive income	**$ 337**	$ 828	**$ 3,582**	$ 4,263

See accompanying notes to unaudited consolidated financial statements.

Consolidated Balance Sheets – unaudited

In millions		**December 31 2019**		December 31 2018
Assets				
Current assets				
Cash and cash equivalents	**$**	**64**	$	266
Restricted cash and cash equivalents		**524**		493
Accounts receivable		**1,213**		1,169
Material and supplies		**611**		557
Other current assets		**418**		243
Total current assets		**2,830**		2,728
Properties		**39,669**		37,773
Operating lease right-of-use assets [(1)]		**520**		—
Pension asset		**336**		446
Intangible assets, goodwill and other		**429**		267
Total assets	**$**	**43,784**	$	41,214
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and other	**$**	**2,357**	$	2,316
Current portion of long-term debt		**1,930**		1,184
Total current liabilities		**4,287**		3,500
Deferred income taxes		**7,844**		7,480
Other liabilities and deferred credits		**634**		501
Pension and other postretirement benefits		**733**		707
Long-term debt		**11,866**		11,385
Operating lease liabilities [(1)]		**379**		—
Shareholders' equity				
Common shares		**3,650**		3,634
Common shares in Share Trusts		**(163)**		(175)
Additional paid-in capital		**403**		408
Accumulated other comprehensive loss		**(3,483)**		(2,849)
Retained earnings		**17,634**		16,623
Total shareholders' equity		**18,041**		17,641
Total liabilities and shareholders' equity	**$**	**43,784**	$	41,214

(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. The Company now includes Operating lease right-of-use assets and Operating lease liabilities on the Consolidated Balance Sheet. See Note 2 - Recent accounting pronouncements for additional information.

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, 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							(383)	(383)
Balance at December 31, 2019	**712.3**	**1.8**	**$ 3,650**	**$ (163)**	**$ 403**	**$ (3,483)**	**$ 17,634**	**$ 18,041**

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, 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 ($2.15 per share)							(1,544)	(1,544)
Cumulative-effect adjustment from the adoption of ASU 2016-02 (1)							29	29
Balance at December 31, 2019	**712.3**	**1.8**	**$ 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 Note 2 - Recent accounting pronouncements for additional information.

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, 2018	729.5	1.6	$ 3,624	$ (137)	$ 401	$ (2,534)	$ 16,252	$ 17,606
Net income							1,143	1,143
Stock options exercised	0.3		32		(5)			27
Settlement of equity settled awards	—	—		—	(3)		—	(3)
Stock-based compensation expense and other					15		—	15
Repurchase of common shares	(4.1)		(22)				(441)	(463)
Share purchases by Share Trusts	(0.4)	0.4		(38)				(38)
Other comprehensive loss						(315)		(315)
Dividends							(331)	(331)
Balance at December 31, 2018	725.3	2.0	$ 3,634	$ (175)	$ 408	$ (2,849)	$ 16,623	$ 17,641

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, 2017	742.6	2.0	$ 3,613	$ (168)	$ 434	$ (2,784)	$ 15,561	$ 16,656
Net income							4,328	4,328
Stock options exercised	1.7		120		(17)			103
Settlement of equity settled awards	0.4	(0.4)		31	(68)		(30)	(67)
Stock-based compensation expense and other					59		(2)	57
Repurchase of common shares	(19.0)		(99)				(1,901)	(2,000)
Share purchases by Share Trusts	(0.4)	0.4		(38)				(38)
Other comprehensive loss						(65)		(65)
Dividends ($1.82 per share)							(1,333)	(1,333)
Balance at December 31, 2018	725.3	2.0	$ 3,634	$ (175)	$ 408	$ (2,849)	$ 16,623	$ 17,641

See accompanying notes to unaudited consolidated financial statements.

Consolidated Statements of Cash Flows – unaudited

In millions	Three months ended December 31 2019	2018	Year ended December 31 2019	2018
Operating activities				
Net income	**$ 873**	$ 1,143	**$ 4,216**	$ 4,328
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**387**	346	**1,562**	1,329
Pension income and funding [1]	**(70)**	(53)	**(288)**	(209)
Deferred income taxes	**90**	126	**569**	527
Gain on disposal of property	**—**	(79)	**—**	(338)
Changes in operating assets and liabilities:				
Accounts receivable	**20**	26	**(7)**	(91)
Material and supplies	**(9)**	13	**(60)**	(120)
Accounts payable and other	**166**	394	**(498)**	379
Other current assets	**25**	(37)	**5**	14
Other operating activities, net [1]	**36**	38	**424**	99
Net cash provided by operating activities	**1,518**	1,917	**5,923**	5,918
Investing activities				
Property additions	**(1,018)**	(1,264)	**(3,865)**	(3,531)
Acquisitions, net of cash acquired *(Note 3)*	**(92)**	—	**(259)**	—
Disposal of property	**—**	—	**—**	194
Other investing activities, net	**(7)**	(20)	**(66)**	(67)
Net cash used in investing activities	**(1,117)**	(1,284)	**(4,190)**	(3,404)
Financing activities				
Issuance of debt	**713**	845	**1,653**	3,268
Repayment of debt	**(304)**	(371)	**(402)**	(2,393)
Change in commercial paper, net	**(182)**	(348)	**141**	99
Settlement of foreign exchange forward contracts on debt	**(5)**	15	**2**	53
Issuance of common shares for stock options exercised	**12**	27	**77**	103
Withholding taxes remitted on the net settlement of equity settled awards	**(1)**	(2)	**(61)**	(51)
Repurchase of common shares	**(437)**	(479)	**(1,700)**	(2,000)
Purchase of common shares for settlement of equity settled awards	**(1)**	(1)	**(11)**	(16)
Purchase of common shares by Share Trusts	**(7)**	(38)	**(33)**	(38)
Dividends paid	**(383)**	(331)	**(1,544)**	(1,333)
Acquisition, additional cash consideration *(Note 3)*	**—**	—	**(25)**	—
Net cash used in financing activities	**(595)**	(683)	**(1,903)**	(2,308)
Effect of foreign exchange fluctuations on cash, cash equivalents, restricted cash and restricted cash equivalents	**—**	—	**(1)**	—
Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	**(194)**	(50)	**(171)**	206
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period	**782**	809	**759**	553
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period	**$ 588**	$ 759	**$ 588**	$ 759
Cash and cash equivalents, end of period	**$ 64**	$ 266	**$ 64**	$ 266
Restricted cash and cash equivalents, end of period	**524**	493	**524**	493
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period	**$ 588**	$ 759	**$ 588**	$ 759
Supplemental cash flow information				
Interest paid	**$ (88)**	$ (89)	**$ (521)**	$ (488)
Income taxes paid	**$ (178)**	$ (107)	**$ (822)**	$ (776)

(1) In the first quarter of 2019, the Company began presenting Pension income and funding as a separate line on the Consolidated Statements of Cash Flows. Previously pension income and funding was included in Other operating activities, net. Comparative figures have been adjusted to conform to the current presentation.

See accompanying notes to unaudited consolidated financial statements.

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 2018 Annual Consolidated Financial Statements, except as disclosed in *Note 2 – Recent accounting pronouncements* and in previous 2019 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 Updates (ASUs) issued by the Financial Accounting Standards Board (FASB) were adopted by the Company during the current year:

ASU 2016-02 Leases and related amendments (Topic 842)

The ASU requires a lessee to recognize a right-of-use asset and a lease liability on the balance sheet for all leases greater than twelve months and requires additional qualitative and quantitative disclosures. The lessor accounting model under the new standard is substantially unchanged. The guidance must be applied using a modified retrospective approach. Entities may elect to apply the guidance to each prior period presented with a cumulative-effect adjustment to retained earnings recognized at the beginning of the earliest period presented or to apply the guidance with a cumulative-effect adjustment to retained earnings recognized at the beginning of the period of adoption.

The new standard provides a number of practical expedients and accounting policy elections upon transition. On January 1, 2019, the Company did not elect the package of three practical expedients that permits the Company not to reassess prior conclusions about lease qualification, classification and initial direct costs. Upon adoption, the Company elected the following practical expedients:

- the use-of-hindsight practical expedient to reassess the lease term and the likelihood that a purchase option will be exercised;
- the land easement practical expedient to not evaluate land easements that were not previously accounted for as leases under Topic 840;
- the short-term lease exemption for all asset classes that permits entities not to recognize right-of-use assets and lease liabilities onto the balance sheet for leases with terms of twelve months or less; and
- the practical expedient to not separate lease and non-lease components for the freight car asset category.

The Company adopted this standard in the first quarter of 2019 with an effective date of January 1, 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. As at January 1, 2019, the cumulative-effect adjustment to adopt the new standard increased the balance of Retained earnings by $29 million, relating to a deferred gain on a sale-leaseback transaction of a real estate property. The initial adoption transition adjustment to record right-of-use assets and lease liabilities for leases over twelve months on the Company's Consolidated Balance Sheet was $756 million to each balance. The initial adoption transition adjustment is comprised of finance and operating leases of $215 million and $541 million, respectively. New finance lease right-of-use assets and finance lease liabilities are a result of the reassessment of leases with purchase options that are reasonably certain to be exercised by the Company under the transition to Topic 842, previously accounted for as operating leases.

ASU 2017-04 Intangibles - Goodwill and other (Topic 350): Simplifying the test for goodwill impairment

The ASU simplifies the goodwill impairment test by removing the requirement to compare the implied fair value of goodwill with its carrying amount. Under the new standard, goodwill impairment tests are performed by comparing the fair value of a reporting unit with its carrying amount, recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, up to the value of goodwill.

The guidance must be applied prospectively. The ASU is effective for annual and any interim impairment tests for periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.

The Company adopted this standard in the first quarter of 2019 with an effective date of January 1, 2019. The adoption of this standard did not have an impact on the Company's Consolidated Financial Statements.

The following recent ASUs issued by FASB have an effective date after December 31, 2019 and have 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 is evaluating the effects that the adoption of the ASU will have on its Consolidated Financial Statements; no significant impact is expected.

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 adoption of the ASU is not expected to have a significant impact on the Company's Consolidated Financial Statements. CN will adopt the requirements of the ASU effective January 1, 2020.

Other recently issued ASUs required to be applied for periods beginning on or after January 1, 2020 have been evaluated by the Company and will not 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 Sheet includes 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.

Of the total purchase price of $105 million, $95 million was paid on the closing date and $10 million, mostly related to funds withheld for the indemnification of claims, will be paid within twenty months of the acquisition date.

The following table summarizes the consideration transferred to acquire H&R, as well as the preliminary 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	**$**	**95**
Consideration payable		**10**
Fair value of total consideration transferred	**$**	**105**
Recognized amounts of identifiable assets acquired and liabilities assumed (1)		
Current assets	**$**	**10**
Non-current assets (2)		**84**
Non-current liabilities		**(1)**
Total identifiable net assets (3)	**$**	**93**
Goodwill (4)	**$**	**12**

(1) *The Company's purchase price allocation is preliminary, based on information available to the Company to date, and subject to change over the measurement period, which may be up to one year from the acquisition date.*

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

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

(4) *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 acquisition was subject to a number of conditions, including regulatory review by the Competition Bureau Canada and Canada's Ministry of Transportation. On March 18, 2019, the Competition Bureau Canada issued a No Action Letter, satisfying the only outstanding condition and allowing the Company to close the transaction.

The Company's Consolidated Balance Sheet includes 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 preliminary 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	**$**	**85**
Non-current assets (3)		**260**
Current liabilities		**(134)**
Non-current liabilities		**(84)**
Total identifiable net assets (4)	**$**	**127**
Goodwill (5)	**$**	**65**

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

(2) The Company's purchase price allocation is preliminary, based on information available to the Company to date, and subject to change over the measurement period, which may be up to one year from the acquisition date. In the fourth quarter of 2019, the fair value of net assets acquired was adjusted to reflect the settlement of working capital and other adjustments.

(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 - Subsequent events

Normal course issuer bid (NCIB)

On January 28, 2020, the Board of Directors of the Company approved a new NCIB, which allows for the repurchase of up to 16 million common shares between February 1, 2020 and January 31, 2021.

Non-revolving credit facility

On January 24, 2020, the Company requested a borrowing of US$300 million under its non-revolving credit facility. The funds are expected to be received on February 3, 2020.