

2018-2019 CN Grain Plan



September 2018 Update

Moving Canada's Grain

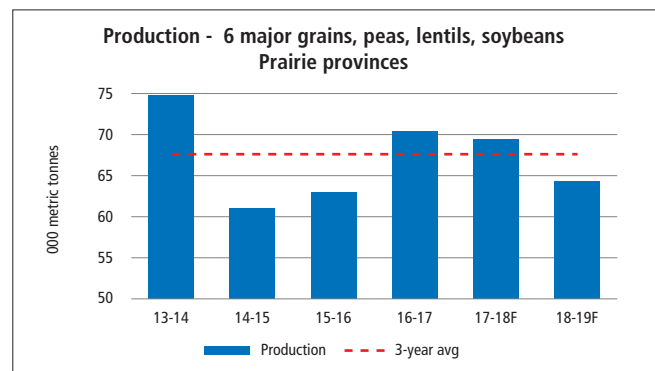
On August 1, CN published its 2018-2019 Canadian Grain Plan outlining our action plan to move this year's crop. Throughout the crop year, CN will provide monthly updates on the railway's performance and developments in the supply chain, such as carloads and metric tonnes moved, information on network conditions, and status reports on capital investments.

The crop year is off to a strong and positive start. Through August, both carloads and tonnes moved were significantly higher than the previous year and the three-year average, largely reflecting an earlier harvest.

1 ESTIMATING THE GRAIN SUPPLY FOR 2018-19

Initial estimates by Agriculture and Agri-Food Canada projected this year's crop to be in line with three-year average levels, and comparable to 2016-17 and 2017-18 crop year levels. However, Statistics Canada has recently lowered projections, forecasting total production of 64.2 million metric tonnes (MMT). By comparison, total production last year was 69.5 MMT and the three-year average is 67.6 MMT.

If these estimates hold, the crop size would be lower than last year.



For CN, expectations of a smaller crop will not lead us to change our approach respecting transportation resources. We are maintaining the actions explained in our Grain Plan to ensure CN has the resources required to move the crop over the course of the 2018-19 crop year.



2 GRAIN SUPPLY CHAIN PERFORMANCE (WEEKS 1-5)

To ensure transparency, CN publishes a detailed weekly report outlining western Canadian grain shipments and the current status of the end-to-end grain supply chain. The report can be found at <https://www.cn.ca/en/your-industry/grain/western-canadian-grain/>.

In August 2018, CN moved 1.95 MMT of regulated grain, compared to 1.70 MMT over the same period last year, an improvement of 15%. As indicated in our Grain Plan, CN expects to move between 24-26 million tonnes in 2018-19, consistent with the range of the past three crop years.

3 UPDATE ON RESOURCES AND CAPACITY ENHANCEMENT PROJECTS

HOPPER CARS

A crucial dimension of CN's Grain Plan is the acquisition of 1,000 new hopper cars. CN will receive 500 of the new cars before the end of the current crop year.

LOCOMOTIVES

As of the end of August, CN has taken delivery of half the 60 new locomotives expected to arrive by the end of 2018. CN currently operates a fleet of approximately 1,900 high-horsepower locomotives (3,000 horsepower or greater). On September 5, CN announced that it had ordered an additional 60 new high horsepower locomotives from GE Transportation, adding to the 200-unit order announced in December 2017. With the new order, CN will place in service 200 new locomotives between June 2018 and the end of 2019. The remaining 60 will be delivered in 2020, allowing us to create a more efficient supply chain to accommodate future growth opportunities.



CREWS

CN remains focused on hiring and training conductors and locomotive engineers, with emphasis on hiring in western Canada. CN expects approximately 1,250 additional new qualified conductors will be in the field network-wide before next winter, compared to heading into the 2017-18 winter. This will bring our total number of qualified conductors and locomotive engineers to approximately 7,800. Hiring and crew training remains on track.

CAPACITY-ENHANCING PROJECTS

In our Grain Plan, we listed the projects CN is working on this year to enhance capacity. These projects are on track to be completed before this winter. As of September 3, approximately half of the capacity construction work had been completed, with nine of the 27 key capacity projects fully operational, and another dozen expected to be in service by the end of September.

4 SUMMARY

CN will have the resources in place to meet the demand over the course of the 2018-19 crop year even with growing volumes from all the industries we serve in this strong Canadian economy. Timelines for the addition of resources and completion of capacity-enhancing projects remain on track. We also thank the stakeholders who are taking the time to provide feedback on CN's Grain Plan.

