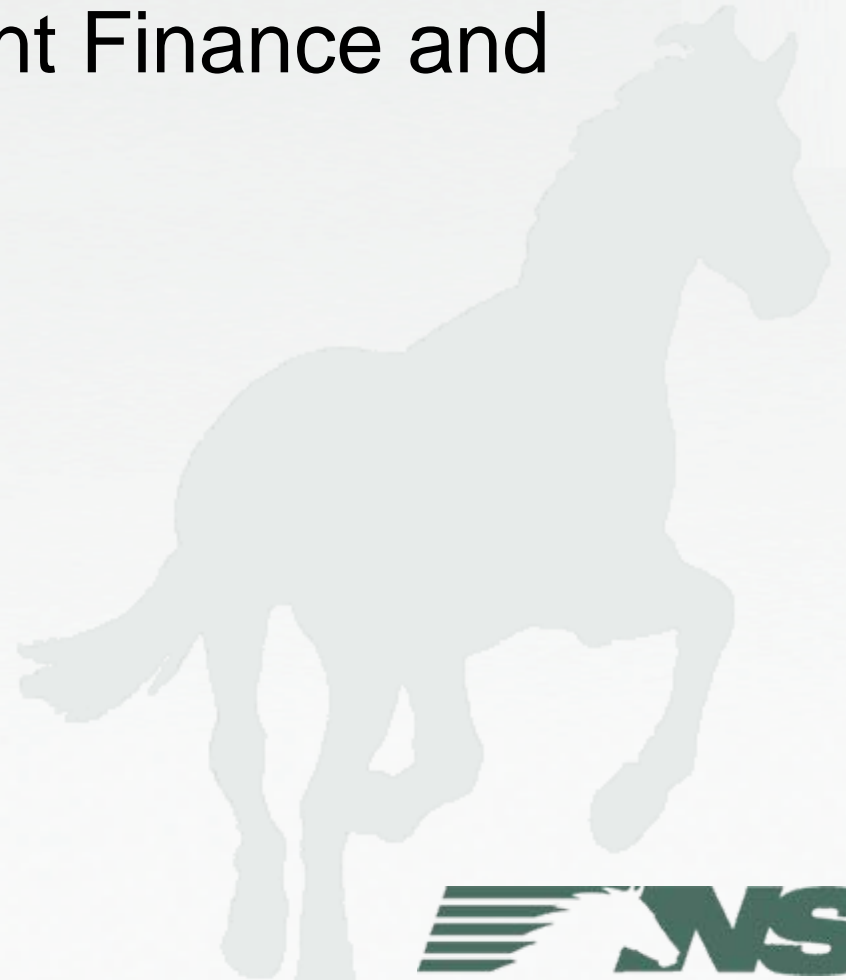


Fourth Quarter 2008 Results

James A. Squires

Executive Vice President Finance and
Chief Financial Officer



Operating Results

Fourth Quarter 2008 vs. 2007

(\$ Millions)

	Fourth Qtr 2008	Fourth Qtr 2007	Favorable	
			\$	%
Railway Operating Revenues	\$ 2,502	\$ 2,454	\$ 48	2%

Operating Results

Fourth Quarter 2008 vs. 2007

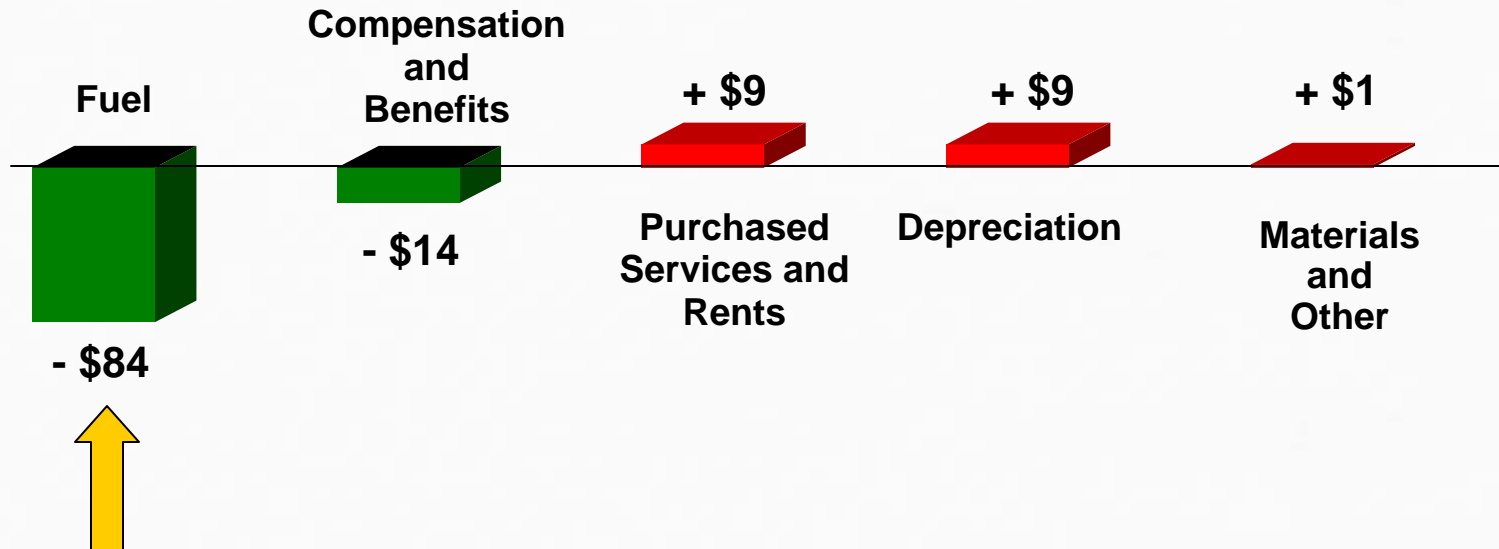
(\$ Millions)

	Fourth Qtr 2008	Fourth Qtr 2007	Favorable	
			\$	%
Railway Operating Revenues	\$ 2,502	\$ 2,454	\$ 48	2%
Railway Operating Expenses	1,689	1,768	79	4%
Income From Railway Operations	<u>\$ 813</u>	<u>\$ 686</u>	<u>\$ 127</u>	<u>19%</u>
Railway Operating Ratio	67.5	72.0	4.5	6%

Railway Operating Expense Analysis

Fourth Quarter 2008 vs. 2007

(\$ Millions)

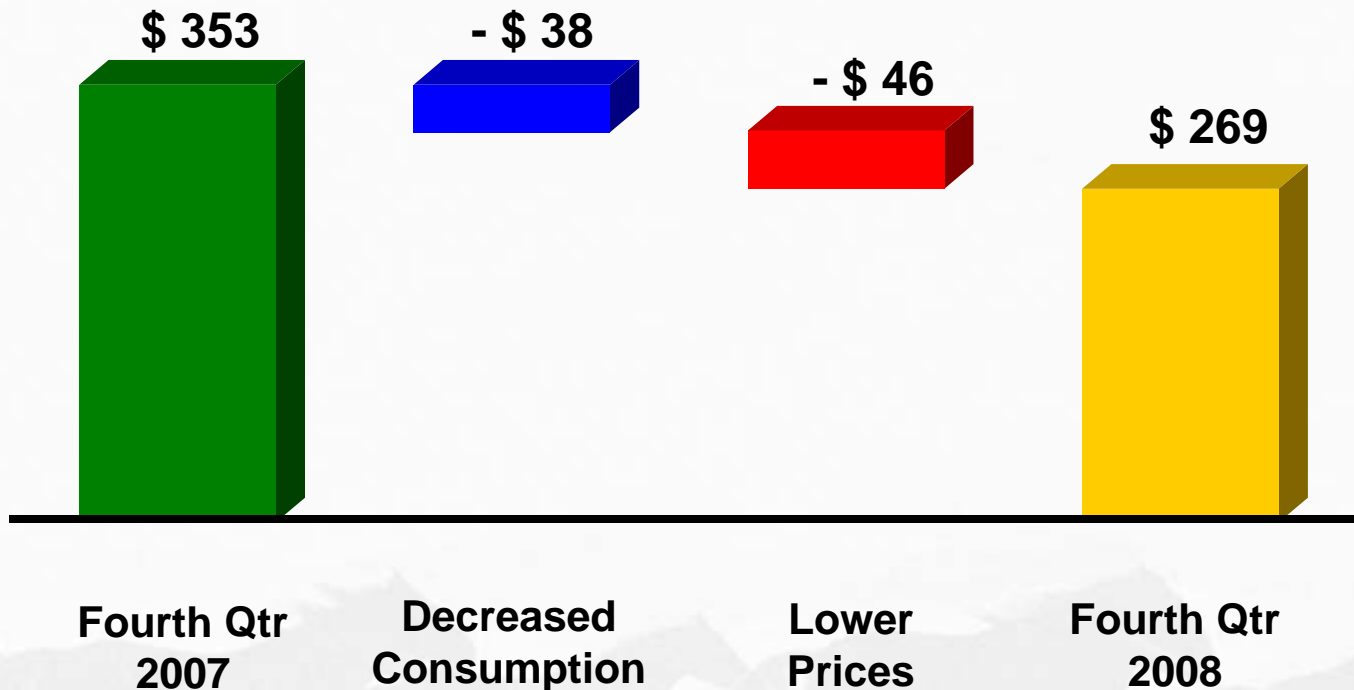


Net Decrease \$ 79 Million / 4%

Fuel Expense Analysis

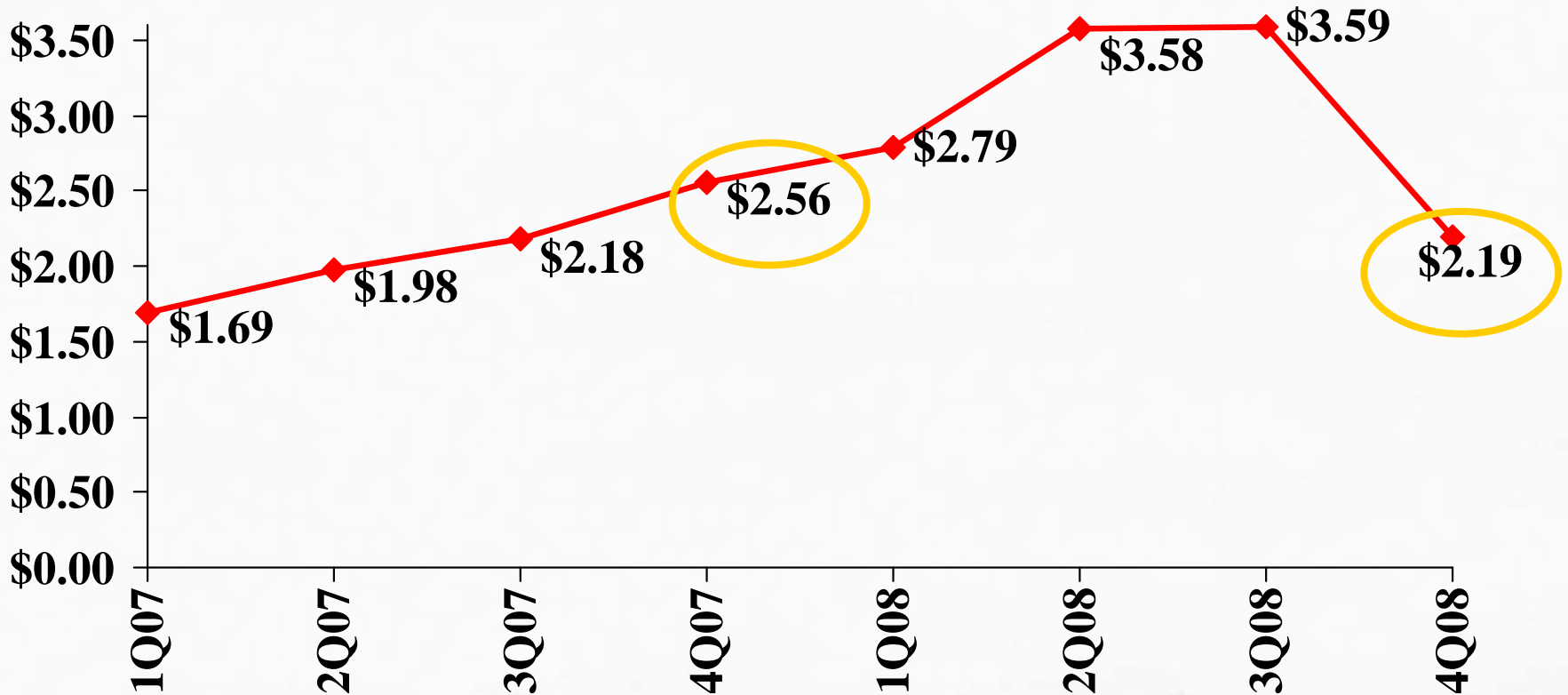
Fourth Quarter 2008 vs. 2007

(\$ Millions)



Locomotive Diesel Fuel Average Prices

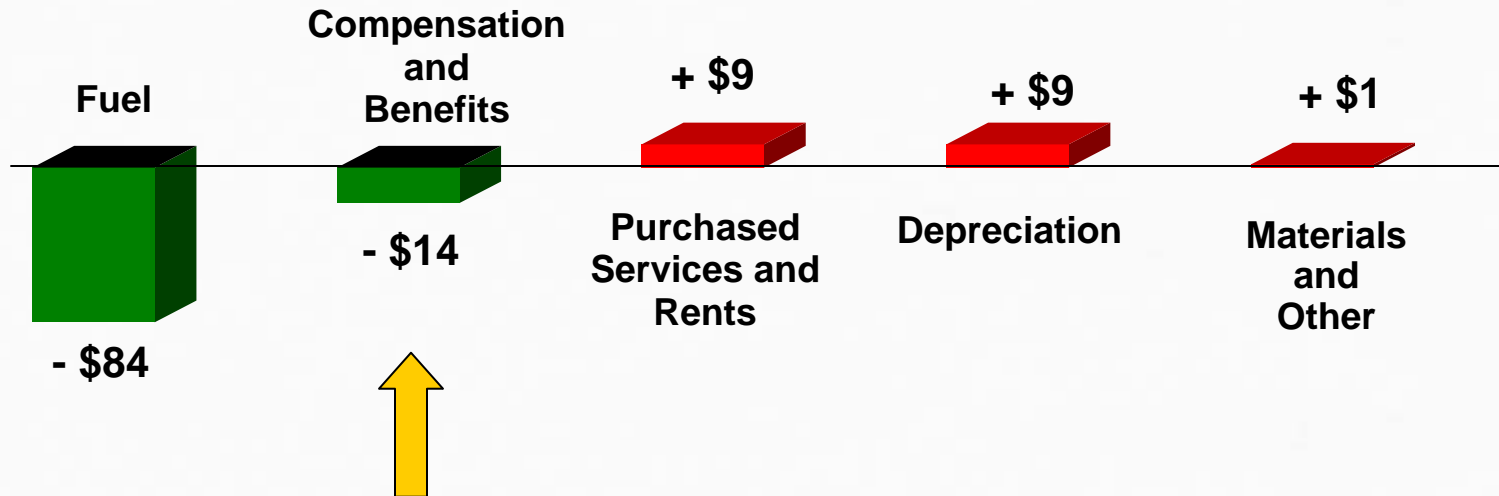
2007-2008



Railway Operating Expense Analysis

Fourth Quarter 2008 vs. 2007

(\$ Millions)



Net Decrease \$ 79 Million / 4%

Compensation and Benefits Analysis

Fourth Quarter 2008 vs. 2007

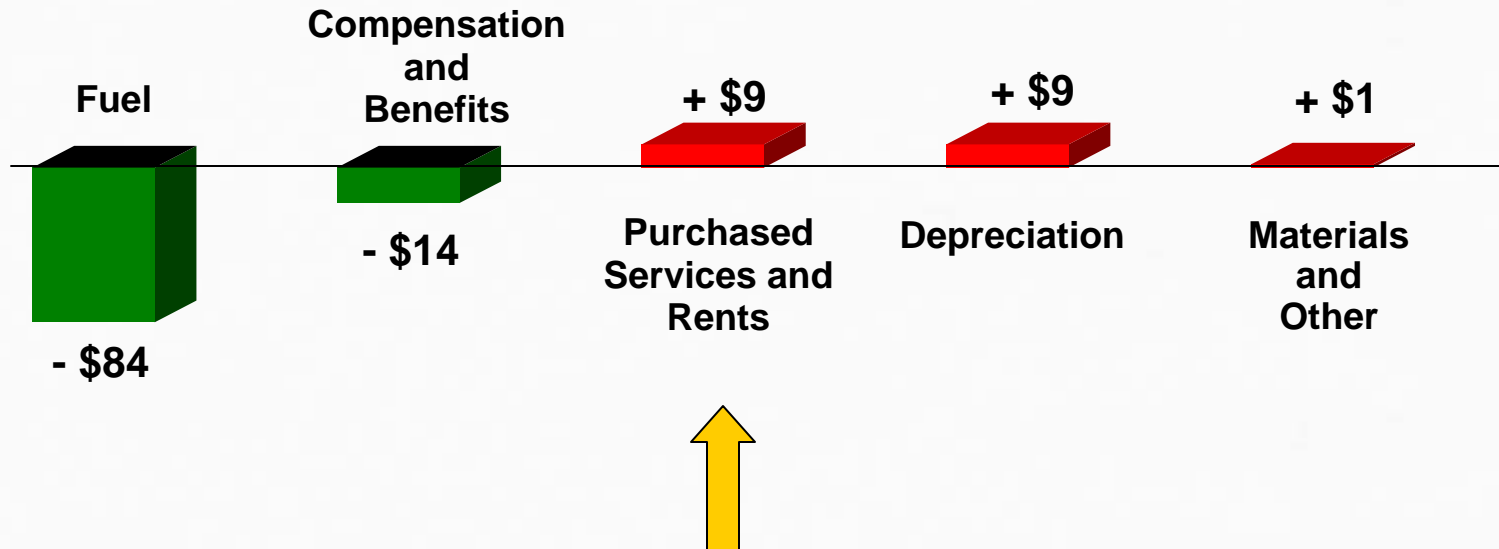
(\$ Millions)

	Increase (Decrease)
	<hr/>
Stock-Based Compensation	\$ (43)
T&E Volume Related Payroll	(9)
Incentive Compensation	19
Wage Rates	15
Other	4
	<hr/>
Net Variance	\$ (14)
	<hr/> <hr/>

Railway Operating Expense Analysis

Fourth Quarter 2008 vs. 2007

(\$ Millions)

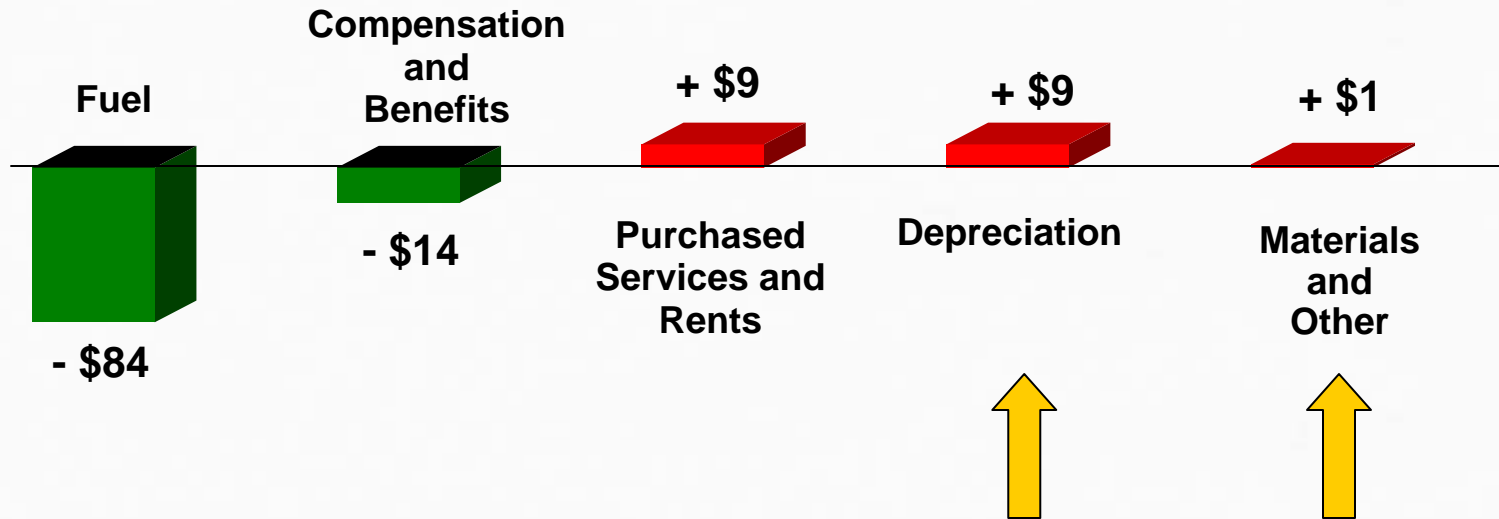


Net Decrease \$ 79 Million / 4%

Railway Operating Expense Analysis

Fourth Quarter 2008 vs. 2007

(\$ Millions)



Net Decrease \$ 79 Million / 4%

Other Income – Net

Fourth Quarter 2008 vs. 2007

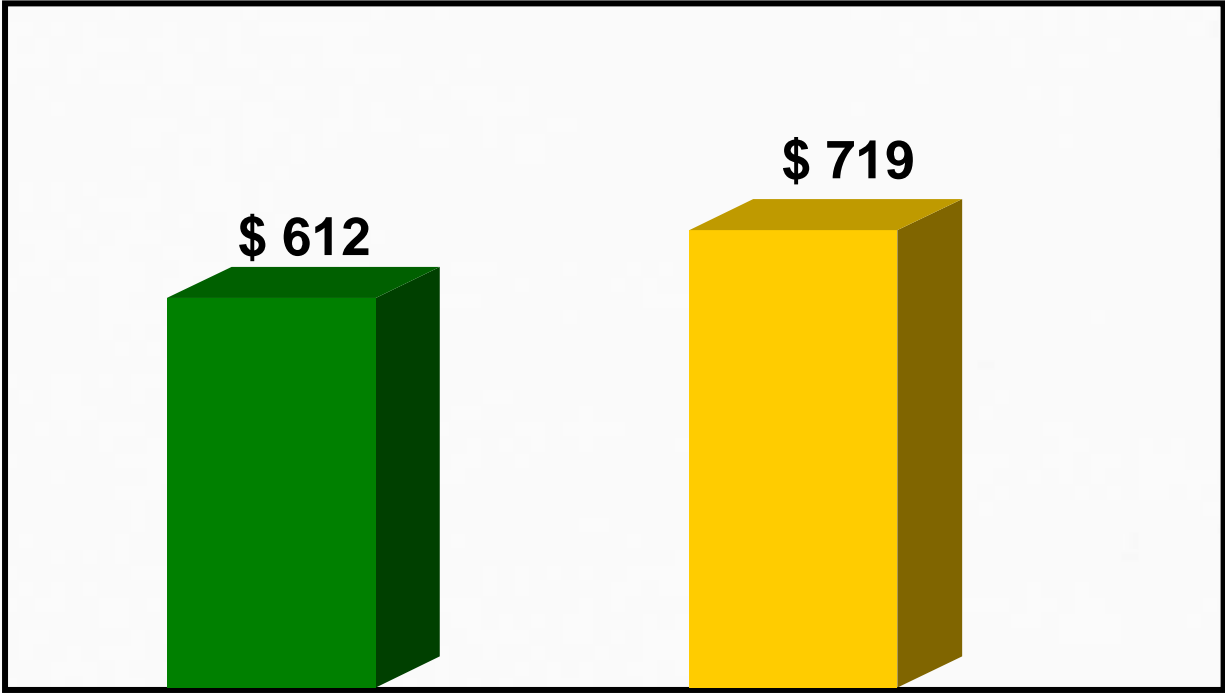
(\$ Millions)

	Fourth Qtr 2008	Fourth Qtr 2007	2008 vs. 2007 Favorable (Unfavorable)
Equity in Conrail Earnings	\$ 7	\$ 25	\$ (18)
Gains on the Sales of Properties and Investments	5	15	(10)
Coal Royalties	18	12	6
Expenses Related to Synthetic Fuel Investments	--	(16)	16
All Other	(12)	(2)	(10)
	<hr/>	<hr/>	<hr/>
Other Income – net	\$ 18	\$ 34	\$ (16)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Interest Expense on Debt	\$ 112	\$ 108	\$ (4)

Income Before Income Taxes

Fourth Quarter

(\$ Millions)



2007

2008

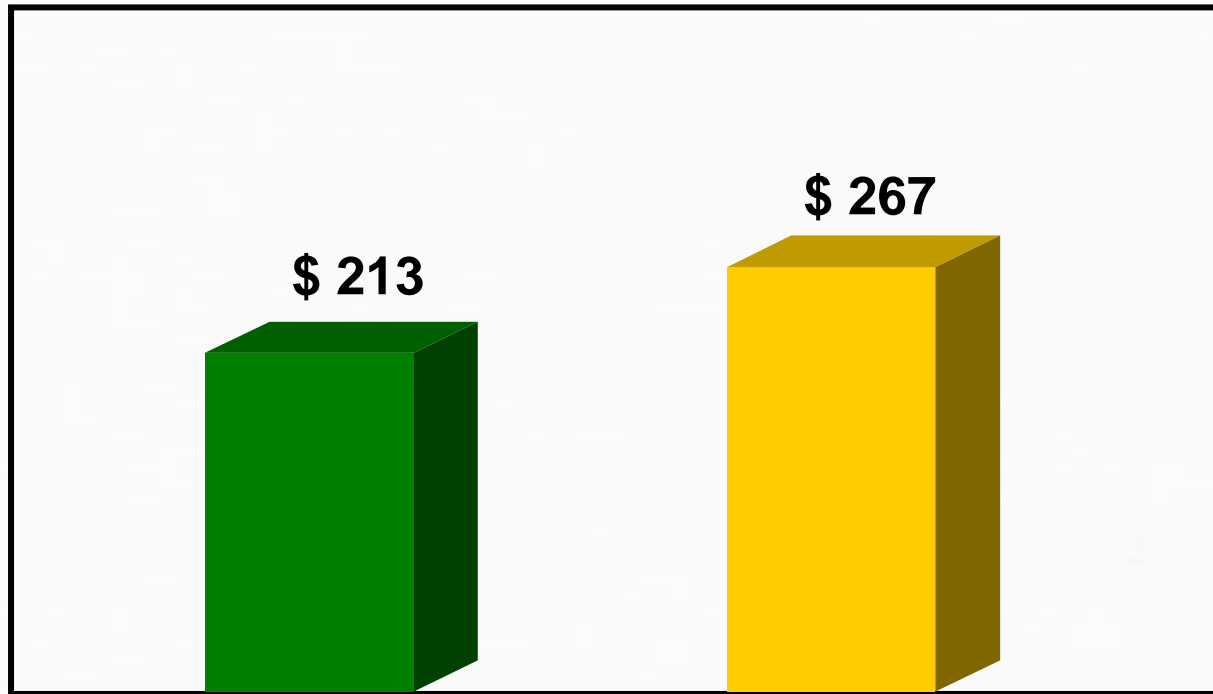
Change vs. Prior Period

17%

Income Taxes

Fourth Quarter

(\$ Millions)



2007

2008

Change vs. Prior Period

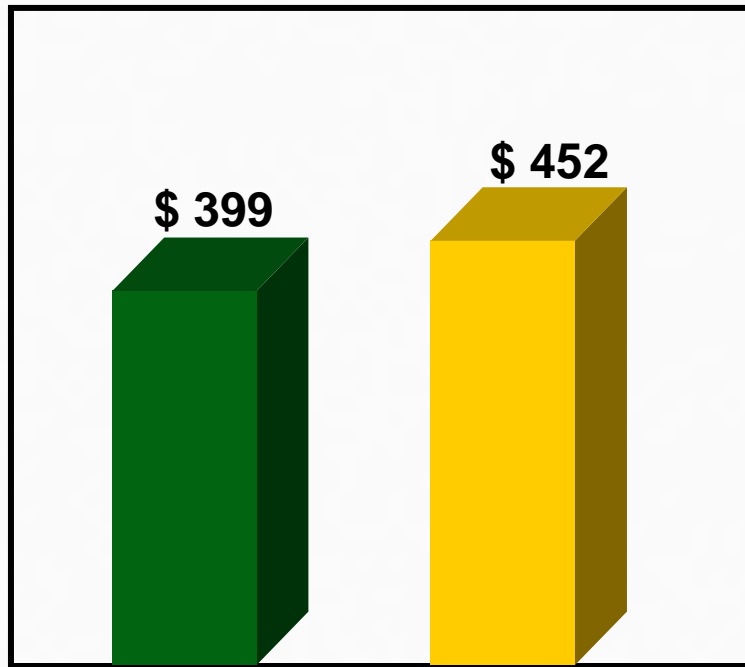
25%

Net Income and Diluted Earnings per Share

Fourth Quarter

(\$ Millions except per share)

Net Income



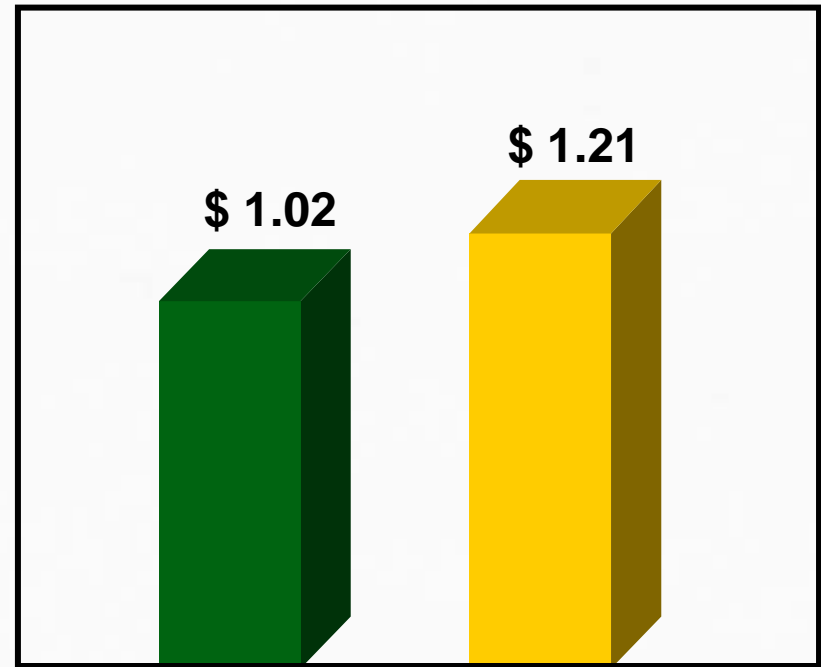
2007

2008

Change vs. Prior Period

13%

Diluted Earnings per Share



2007

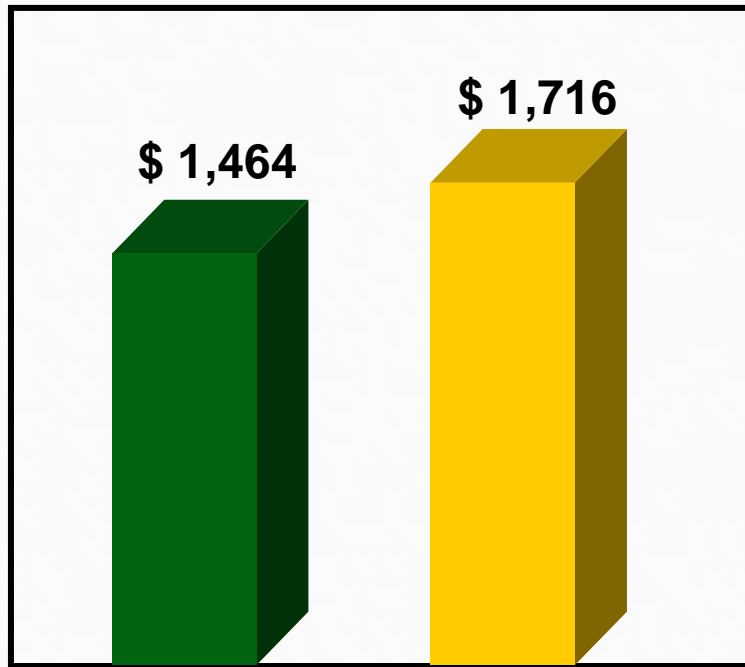
2008

19%

Net Income and Diluted Earnings per Share

Year
(\$ Millions except per share)

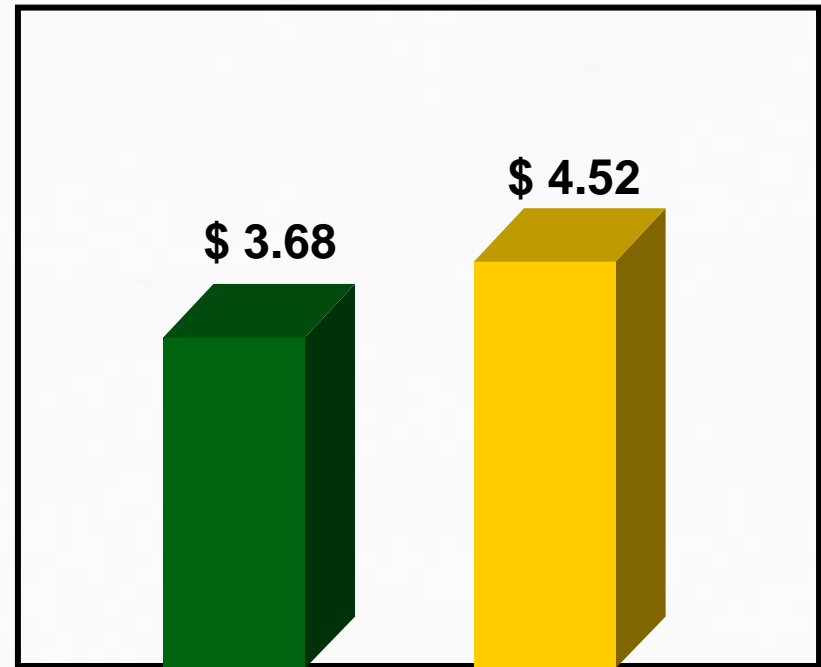
Net Income



2007

2008

Diluted Earnings per Share



2007

2008

% Change vs. Prior Period 17%

23%

2009 Expense Drivers

Market Driven:

- Lower Fuel Prices
- Higher Wage Rates
- Higher Pension Expense

Volume Driven:

- Fewer Crew Starts
- Lower Fuel Consumption
- Less Overtime
- Lower Equipment Costs

Cash Flows

2005 - 2008

(\$ Millions)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Cash Provided by Operating Activities	\$ 2,105	\$ 2,206	\$ 2,333	\$ 2,715
Capital Expenditures	<u>(1,025)</u>	<u>(1,178)</u>	<u>(1,341)</u>	<u>(1,558)</u>
Free Cash Flow*	<u>\$ 1,080</u>	<u>\$ 1,028</u>	<u>\$ 992</u>	<u>\$ 1,157</u>
Share Repurchases	-----	\$ 964	\$ 1,196	\$ 1,128
Dividends	\$ 194	\$ 278	\$ 377	\$ 456

**Please see reconciliation to GAAP posted on our web site.*

Financial Leverage

As of December 31, 2008

■ Cash and Cash Equivalents (in millions)	\$ 618
■ Adjusted Debt-to-Capitalization*	46.2%
■ Interest Coverage*	9

**Please see reconciliation to GAAP posted on our web site.*

Projected Liquidity

- **Strong Operating Cash Flow**
- **Access to Credit Markets**
- **Low Debt Repayments**
- **No 2009 Pension Funding Required**
- **Dividend Commitments Remain a Priority**
- **Commitment to Capital Spending**

