

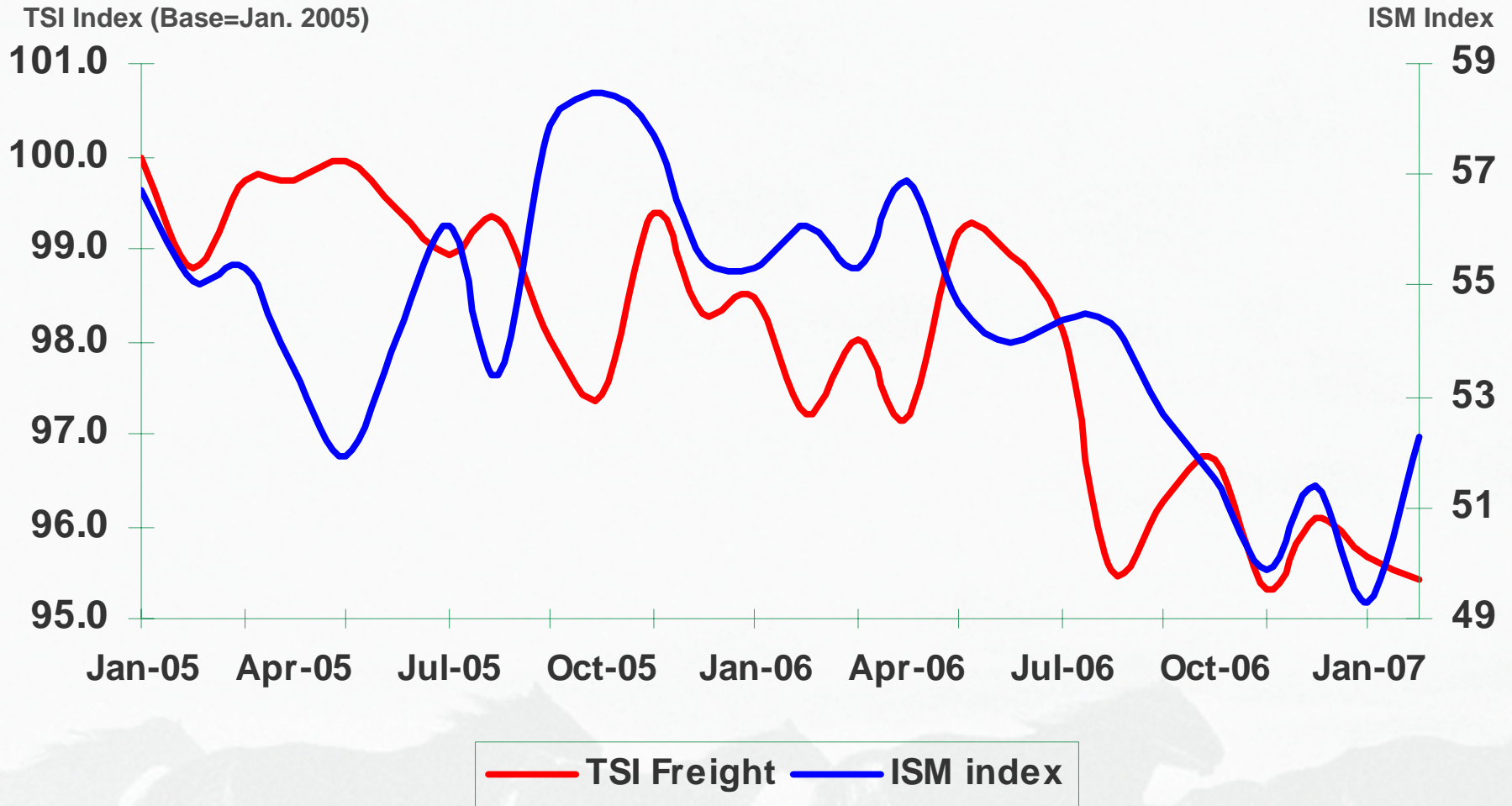
# First Quarter Results 2007

Donald W. Seale

Executive Vice President and Chief Marketing Officer



# Transportation Services Demand and ISM Purchasing Managers Index



Sources: ISM Purchasing Managers Index & BTS (Transportation Services Index) – April 2007



# Railway Volume

1<sup>st</sup> Quarter 2007 vs. 2006

	1Q 2007	vs. 2006	
	Units	Abs.	% Chg
Agriculture	146,728	(3,116)	(2%)
MetCon	185,592	(23,043)	(11%)
Paper	109,275	(9,146)	(8%)
Chemicals	105,755	(1,534)	(1%)
Automotive	132,477	(21,742)	(14%)
Merchandise	679,827	(58,581)	(8%)
Intermodal	771,459	(11,680)	(1%)
Coal	420,241	(15,445)	(4%)
Total	1,871,527	(85,706)	(4%)

# Automotive & Housing Losses

1<sup>st</sup> Quarter 2007 vs. 2006

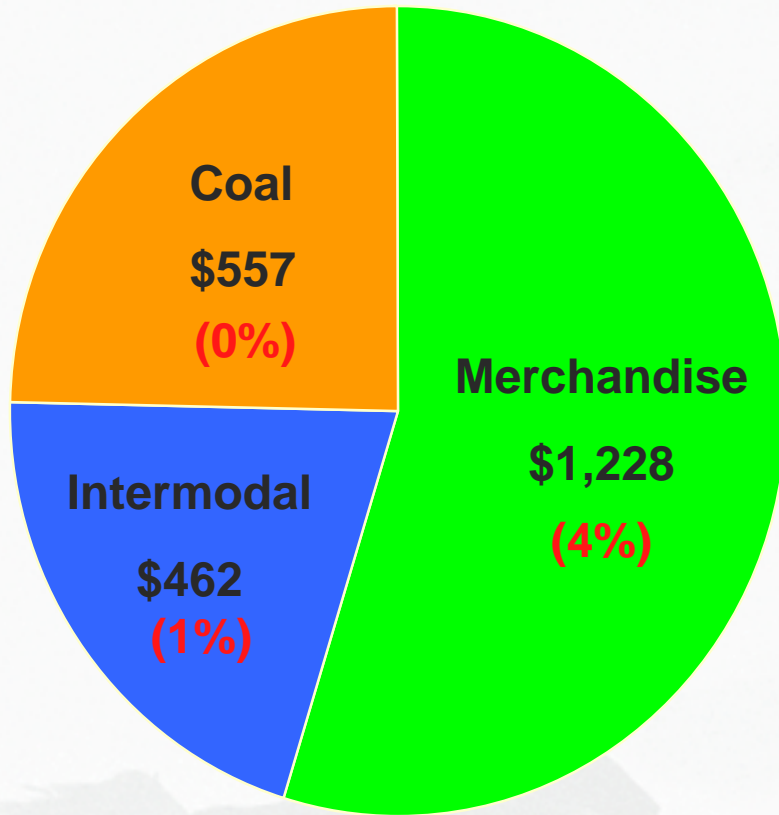
	<u>Automotive Sector</u>	<u>Housing Sector</u>
	Carloads	Carloads
Agriculture	0	(82)
MetCon	(6,312)	(3,159)
Paper	0	(4,675)
Chemicals	(539)	(387)
Automotive	(21,742)	0
Intermodal	(2,761)	(2,308)
Coal	(4,508)	(50)
<b>Total</b>	<b>(35,862)</b>	<b>(10,661)</b>

# Railway Operating Revenue

1<sup>st</sup> Quarter 2007 vs. 2006

Total - \$2.247 Billion

Down \$56 Million, 2% vs. 1Q 2006

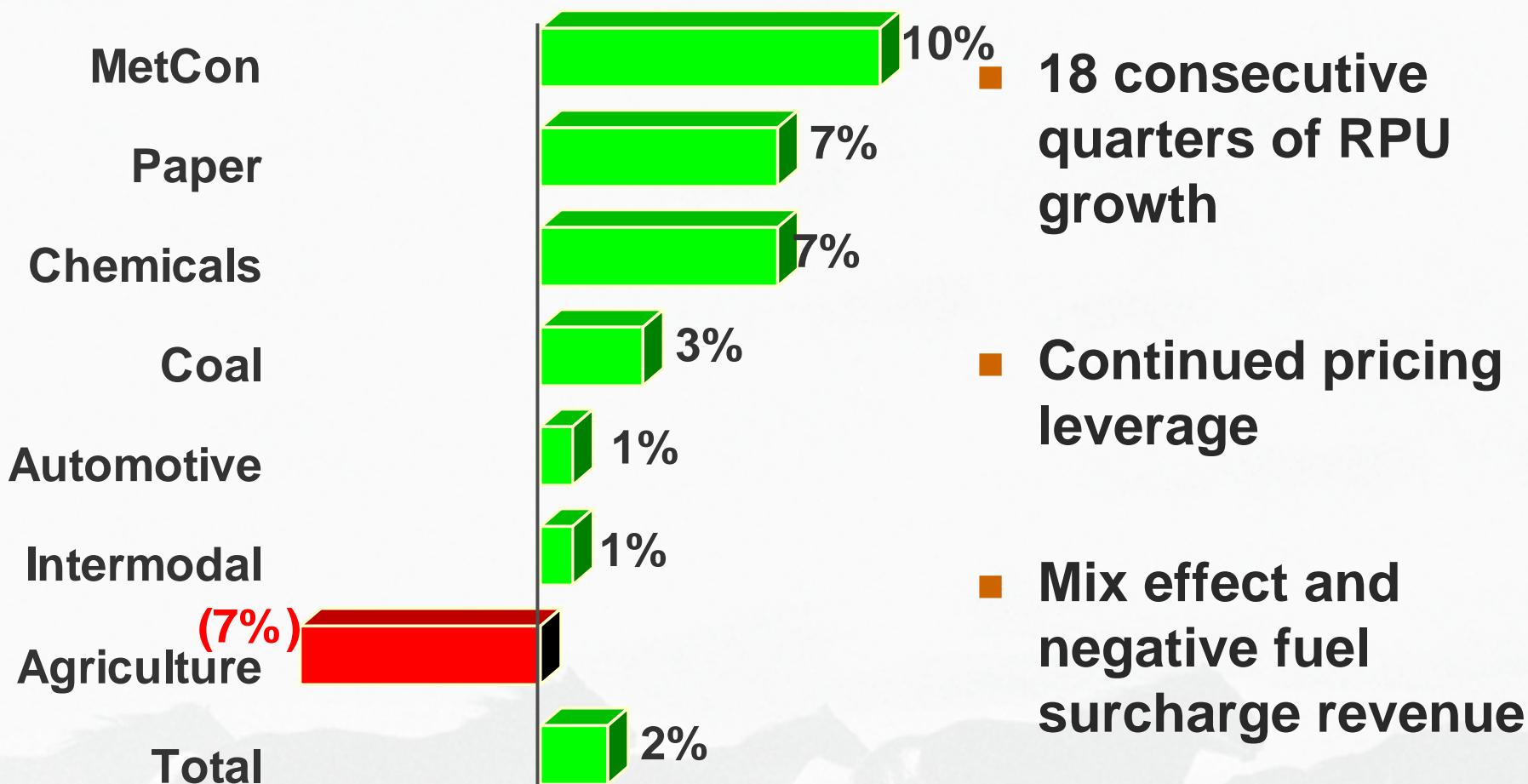


Rev. \$Millions

- 19 consecutive quarters of growth 2Q 2002 – 4Q 2006
- Declines driven by volume, mix, and FSC
- 4% net pricing gain

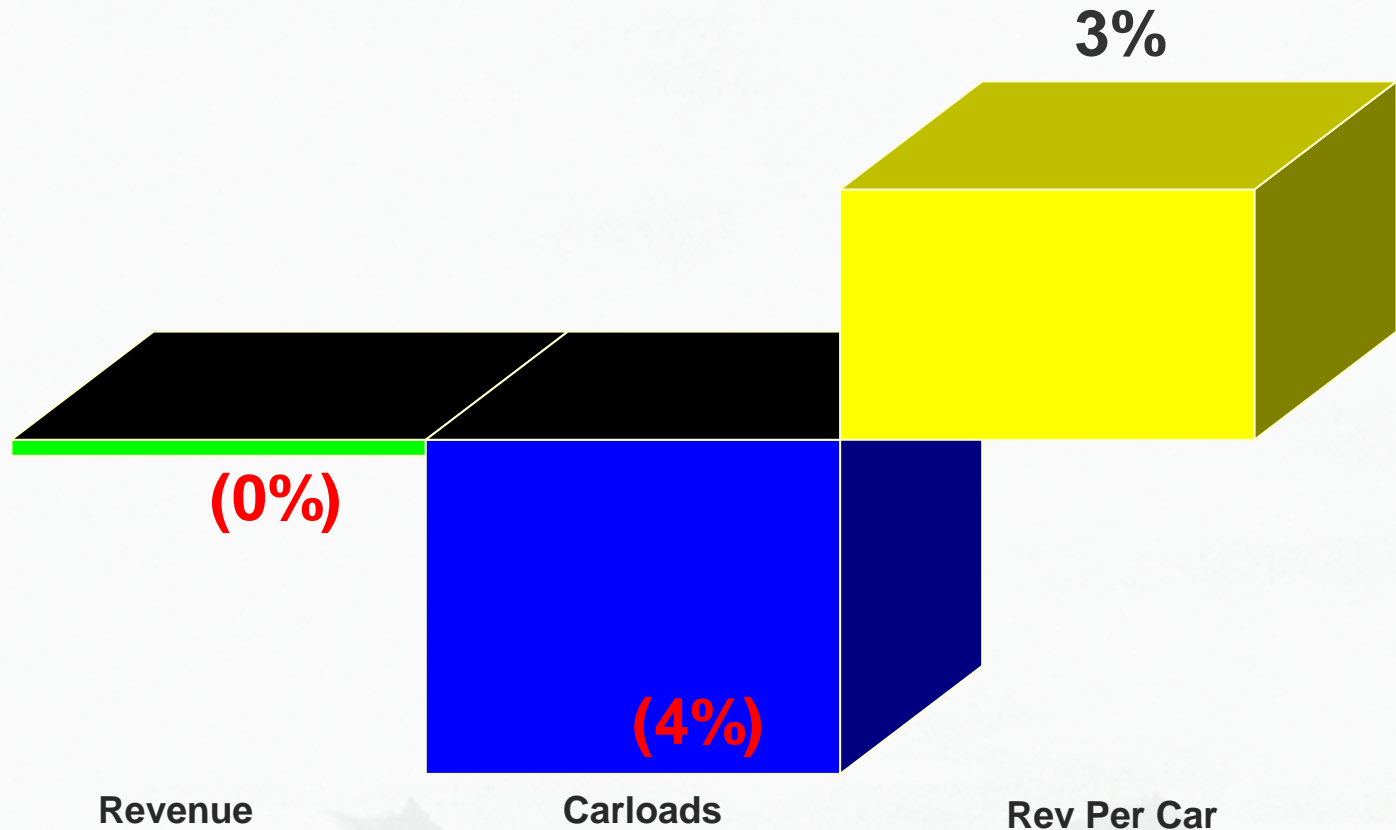
# Revenue Per Unit

1<sup>st</sup> Quarter 2007 vs. 2006



# Coal Variance Analysis

1<sup>st</sup> Quarter 2007 vs. 2006



# Coal Volume

1<sup>st</sup> Quarter 2007 vs. 2006

## Utility

- Service disrupted by winter weather
- Increases at Southern power plants

↓ 3%

## Export

- Problems at foreign coal ports
- Weakening dollar

↑ 4%

## Industrial

- Strong contract renegotiations
- New business
- Stronger demand

↑ 17%

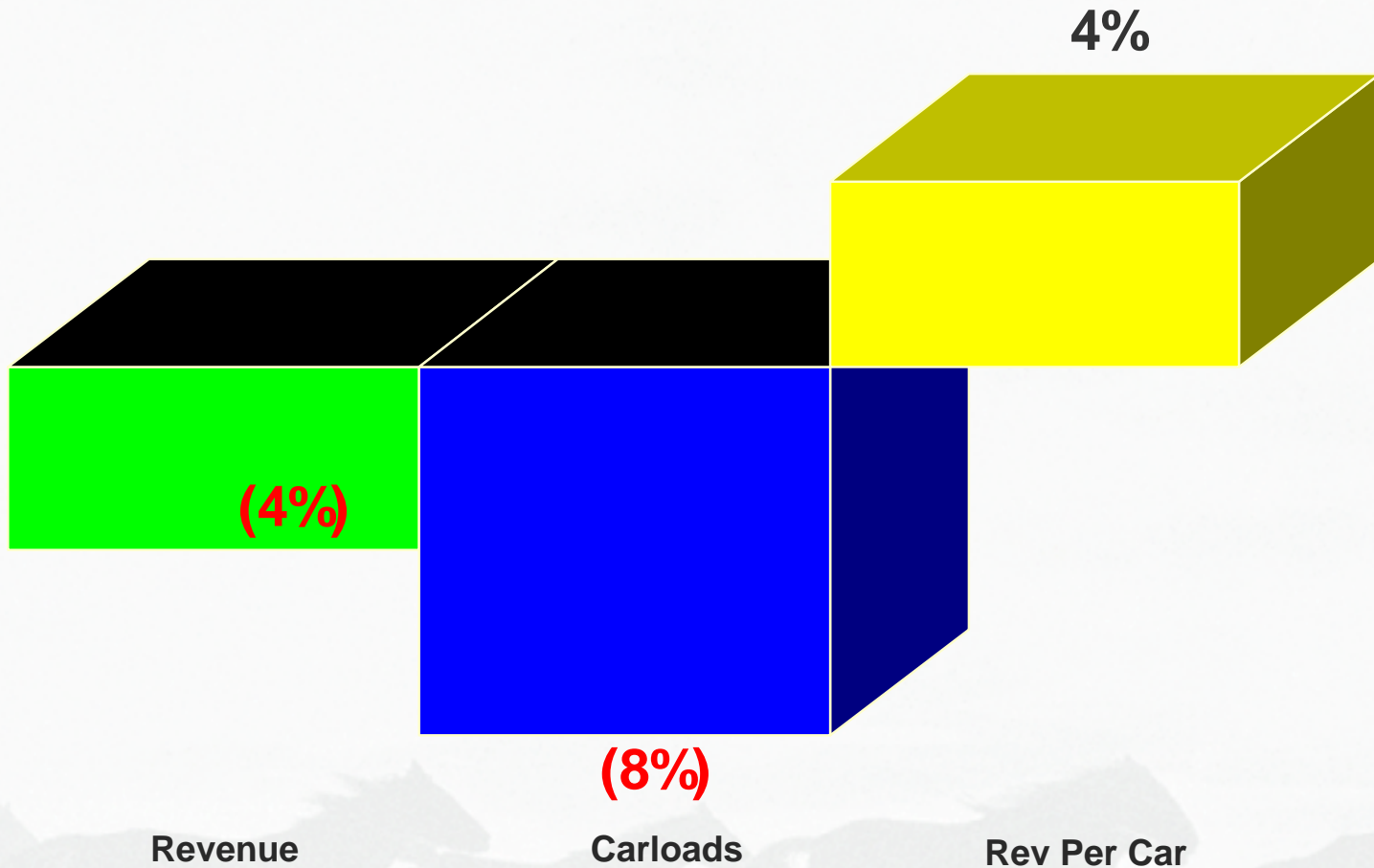
## Met/Coke/Iron Ore

- Loss of spot traffic
- Coking furnace outages

↓ 23%

# Merchandise Variance Analysis

1<sup>st</sup> Quarter 2007 vs. 2006

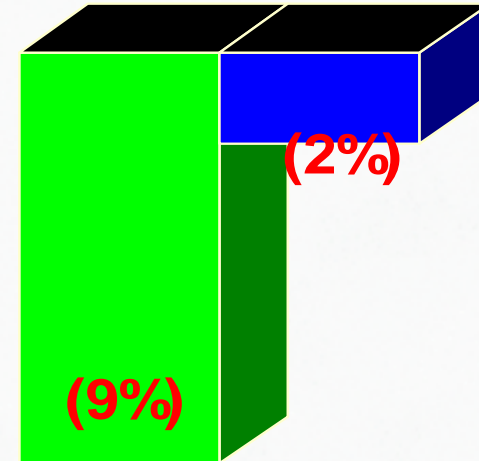


# Merchandise Revenue & Units

1<sup>st</sup> Quarter 2007 vs. 2006

## Agriculture

- Non-recurring hurricane related traffic
- Continued ethanol opportunities
- Higher corn and fertilizer demand

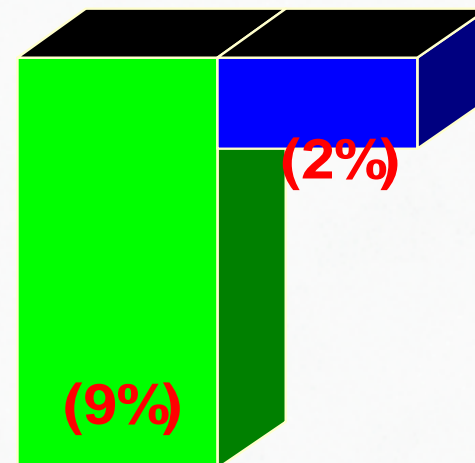


# Merchandise Revenue & Units

1<sup>st</sup> Quarter 2007 vs. 2006

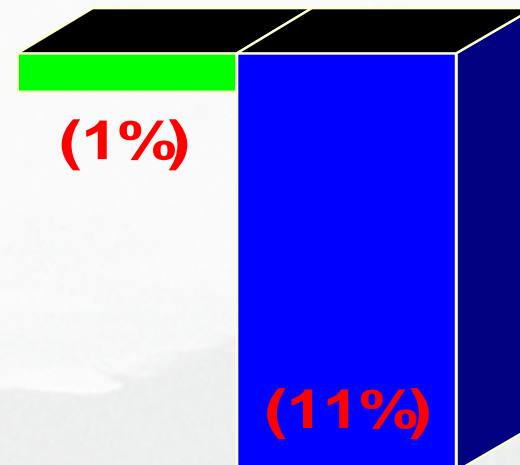
## Agriculture

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## Metals/Construction

- Steel orders & production down
- Construction markets impacted by housing starts



■ Revenue ■ Units

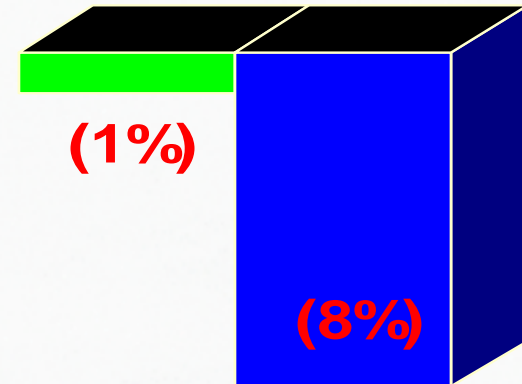


# Merchandise Revenue & Units

1<sup>st</sup> Quarter 2007 vs. 2006

## Paper

- Lumber impacted by housing starts
- Continued declines in conventional paper markets
- Import paper growth

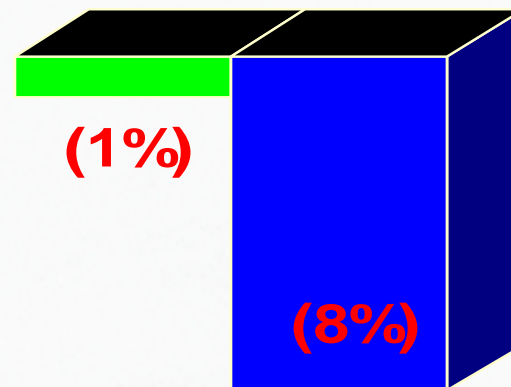


# Merchandise Revenue & Units

1<sup>st</sup> Quarter 2007 vs. 2006

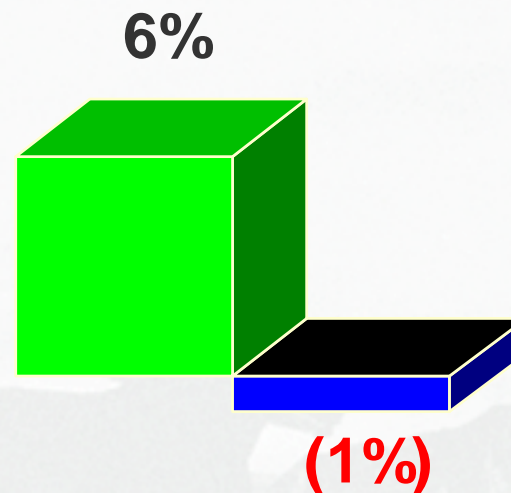
## Paper

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## Chemicals

- Strong pricing gains
- Volume impacted by housing & automotive



■ Revenue ■ Units

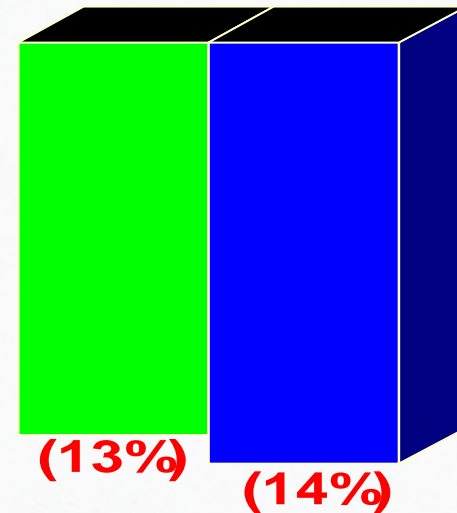


# Merchandise Revenue & Units

1<sup>st</sup> Quarter 2007 vs. 2006

## Automotive

- Big 3 restructuring
- Continued growth in new domestics
- Loss of higher RPU auto parts



Revenue Units



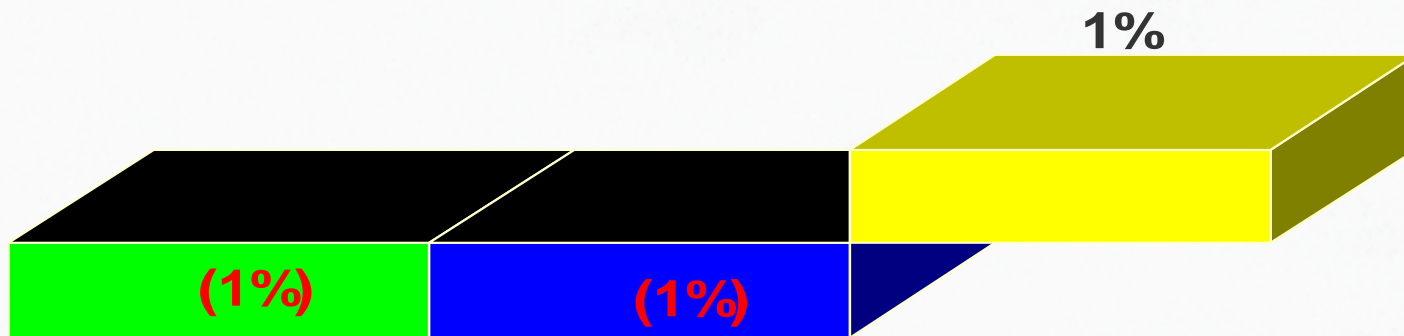
# Automotive Industry Restructuring

## Production Cuts Impacting NS

Manufacturer	Plant	Comments	Effective Date
Ford	St Louis, MO	Plant idled	March 2006
Ford	Norfolk, VA	Plant reduced from two to one shift	August 2006
Ford		Plant will be idled	June 2007
Ford	Hapeville, GA	Plant idled	October 2006
Ford	St Paul, MN	Plant reduced from two to one shift	January 2007
Ford		Plant will be idled	Mid 2008
Ford	St Thomas, ON	Plant reduced from two to one shift	April 2007
Ford	Wixom, MI	Plant will be idled	May 2007
General Motors	Oklahoma City, OK	Plant idled	February 2006
General Motors	Moraine, OH	Plant reduced from three to two shifts	July 2006
General Motors	Doraville, GA	Plant reduced from two to one shift	September 2006
General Motors		Plant will be idled	Mid-2008
DaimlerChrysler	Newark, DE	Plant reduced from two to one shift	August 2006
DaimlerChrysler		Plant will be idled	Mid-2009
DaimlerChrysler	Warren Truck, MI	Plant reduced from three to two shifts	3rd Quarter 2007
DaimlerChrysler	St Louis South, MO	Plant reduced from two to one shift	1st Quarter 2008

# Intermodal Variance Analysis

1<sup>st</sup> Quarter 2007 vs. 2006



Revenue

Units

Rev Per Unit

# Intermodal Volume

1<sup>st</sup> Quarter 2007 vs. 2006

## *Domestic*

- Increased truck competition

↓ 7%

## *Truckload*

- Gains across the network

↑ 2%

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## *International*

- Increase in East Coast volume
- Decrease in West Coast volume
- West Coast volumes impacted by ocean carrier market shifts

 0%

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## *Domestic*

- Increased truck competition

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## *Truckload*

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## *International*

- Increase in East Coast volume
- Decrease in West Coast volume
- West Coast volumes impacted by ocean carrier market shifts

 0%

## *Premium*

- Increase in parcel shipments

 6%

## *Triple Crown*

- Lower automotive volume

 6%

# Looking Ahead

- **Difficult 2<sup>nd</sup> quarter comparisons**
- **Ongoing housing & automotive weakness**
- **Intermodal**
  - Stronger demand & less trucking capacity
  - New international contracts
  - New domestic service – Los Angeles to Atlanta
- **Coal**
  - Improving met coal outlook
  - Moderated utility stockpiles, but close to target
  - Favorable export market

# Looking Ahead

## ■ Merchandise

- Growing ethanol market
- Higher fertilizer demand
- Stronger plastics shipments
- Higher steel production projected

## ■ Automotive

- Lower auto parts volume
- Increased volume from “New Domestics”
- Big Three restructuring continues

## ■ Pricing

- Continued focus on strong market based pricing