

Second Quarter Results 2007

Donald W. Seale

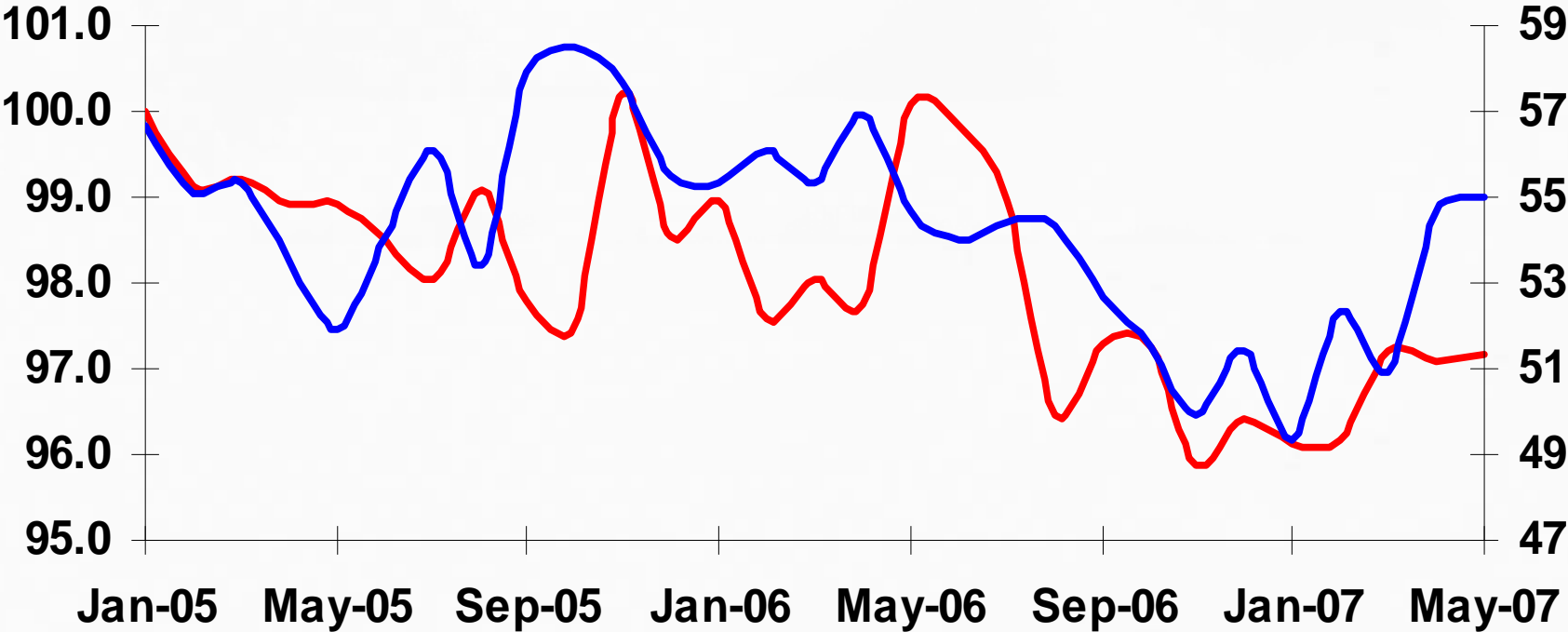
Executive Vice President and Chief Marketing Officer



Transportation Services Demand and ISM Purchasing Managers Index

TSI Index (Base=Jan. 2005)

ISM Index



— TSI Freight — ISM Index

Sources: ISM Purchasing Managers Index & U.S. DOT (Transportation Services Index) –June 2007



Railway Volume

2nd Quarter 2007 vs. 2006

	Abs.	% Chg.
Chemicals	2,117	2%
Agriculture	2,782	2%
Coal	(14,110)	(3%)
Intermodal	(37,675)	(5%)
MetCon	(12,773)	(6%)
Paper	(9,771)	(8%)
Automotive	(12,873)	(8%)
Total	(82,303)	(4%)

- Tough comparisons versus record 2Q 2006 volume
- Housing and Automotive related losses account for 38% of the decrease
- Moderating international trade & slowing manufacturing

Automotive & Housing Losses

2nd Quarter 2007 vs. 2006

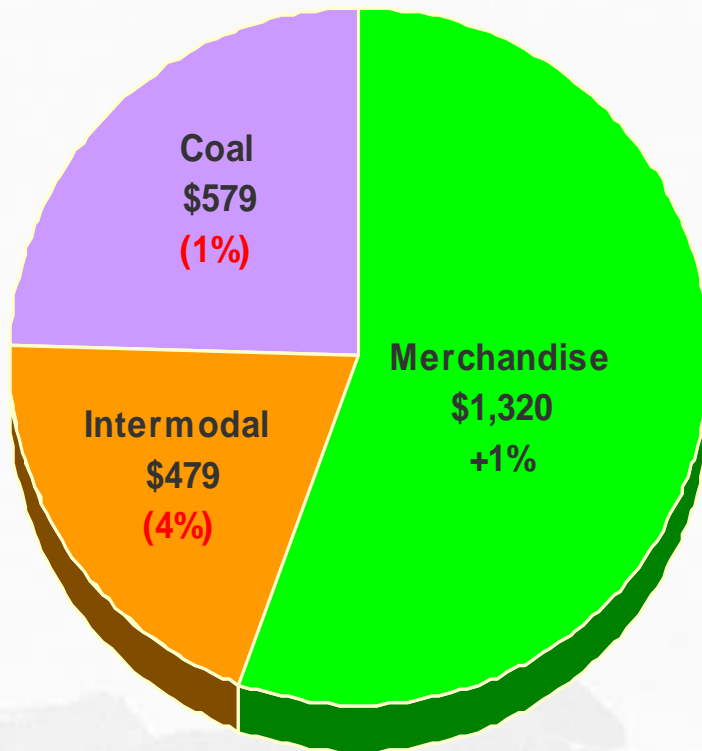
	<u>Automotive Sector</u>	<u>Housing Sector</u>
	Units	Units
Agriculture	0	(8)
MetCon	(3,543)	(3,281)
Paper	0	(4,356)
Chemicals	(399)	(44)
Automotive	(12,873)	0
Intermodal	(1,158)	(5,029)
Coal	(323)	(465)
Total	(18,296)	(13,183)

Railway Operating Revenue

2nd Quarter 2007 vs. 2006

Total - **\$2.378 Billion**

Down \$14 Million, 1% vs. 2Q 2006

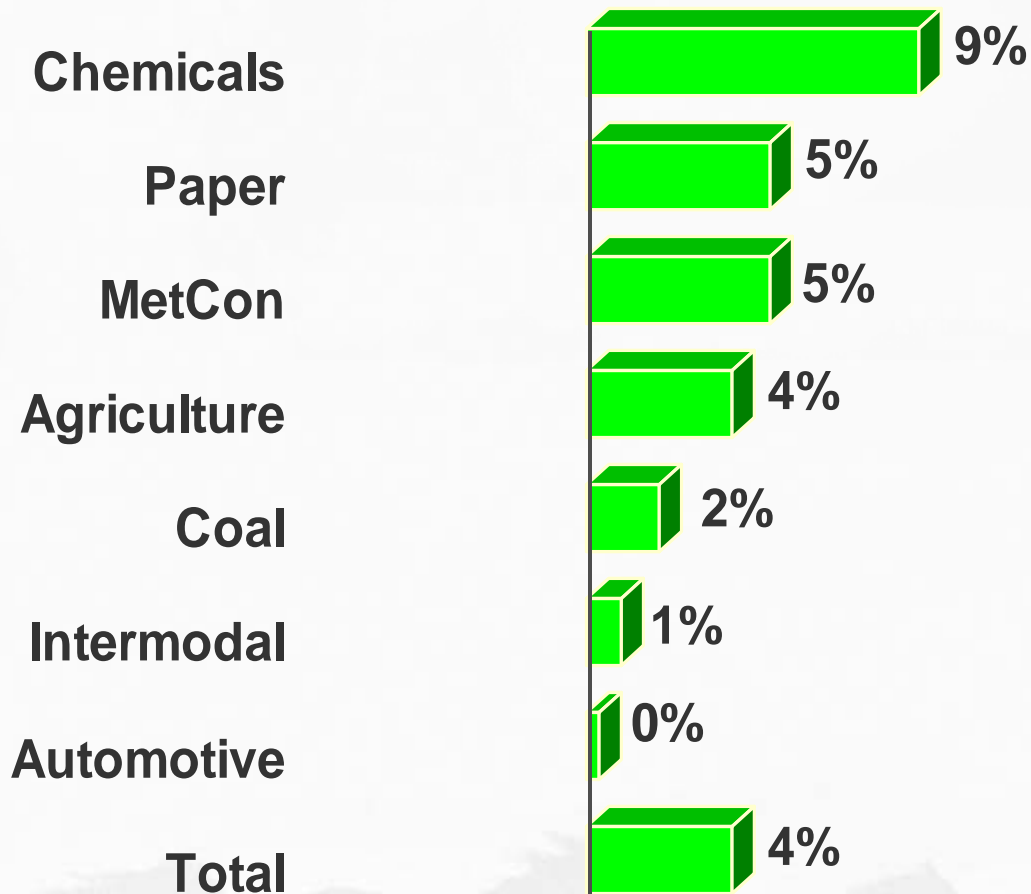


Rev. \$Millions

- 3rd highest quarter for revenue
- Declines driven by lower volume
- 4% gain in revenue per unit

Revenue Per Unit

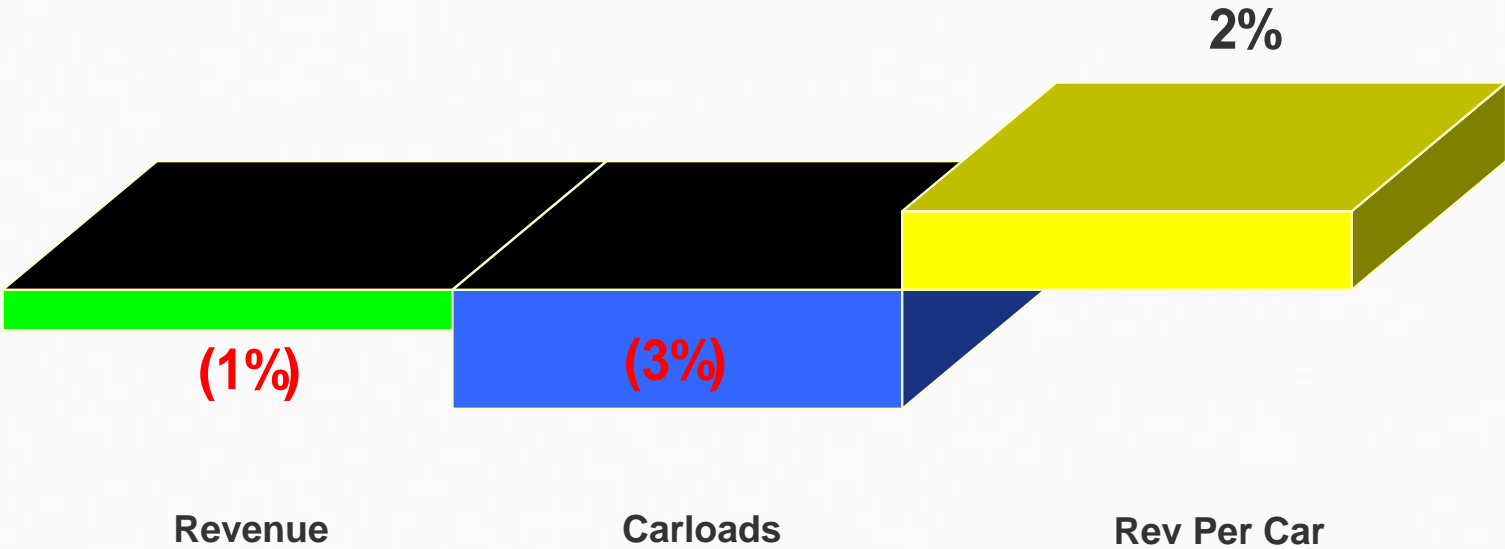
2nd Quarter 2007 vs. 2006



- 19 consecutive quarters of RPU growth
- Market-based pricing
- Modestly better traffic mix

Coal Variance Analysis

2nd Quarter 2007 vs. 2006



Coal Volume

2nd Quarter 2007 vs. 2006

Utility

- High stockpile levels

↓ 6%

Export

- Problems at foreign coal ports
- Weak U.S. dollar
- Favorable ocean vessel rates from U.S.

↑ 33%

Met/Coke/Iron Ore

- Coking furnace outages
- Loss of spot traffic

↓ 8%

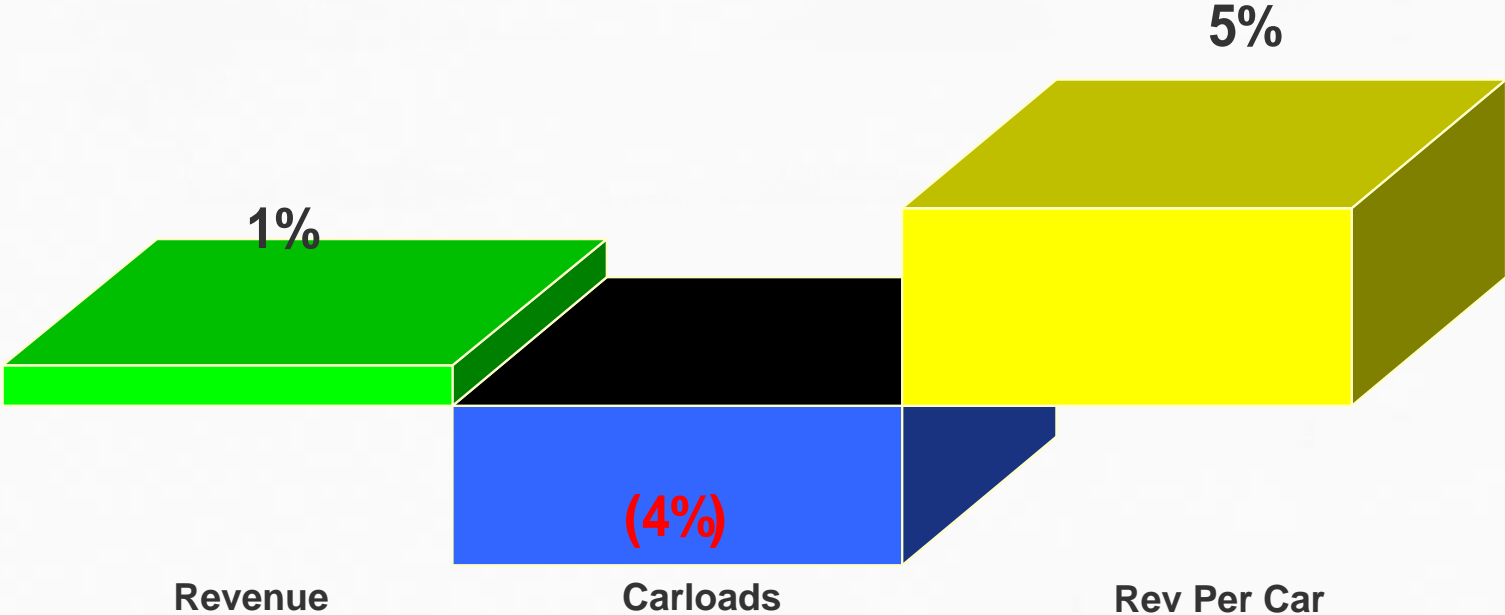
Industrial

- Strong contract renegotiations
- New business & strong demand

↑ 6%

Merchandise Variance Analysis

2nd Quarter 2007 vs. 2006

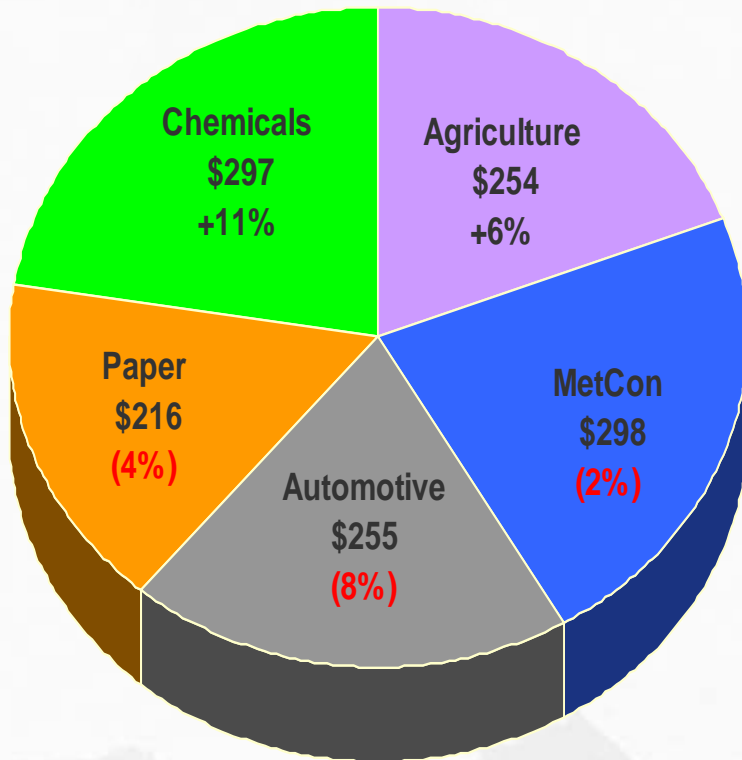


Merchandise Revenue & Volume

2nd Quarter 2007 vs. 2006

Total - \$1.32 Billion

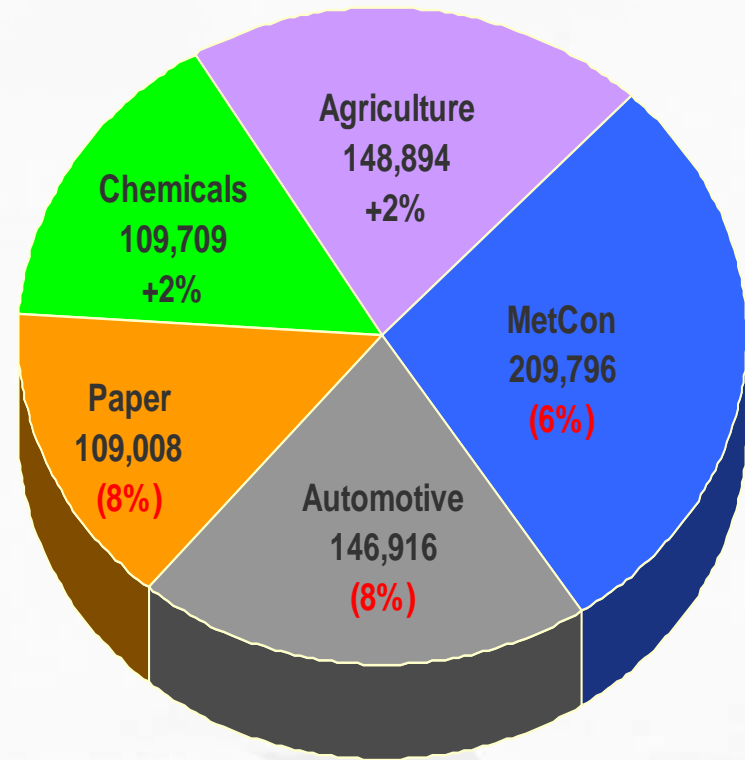
Up \$9 Million, 1% vs. 2Q 2006



Rev. \$Millions

Total - 724,323 Units

Down 30,518 units, 4% vs. 2Q 2006



Volume

Merchandise Volume

2nd Quarter 2007 vs. 2006

Declines	Y-O-Y Change	
<i>Iron & Steel</i>	(14%)	Soft import and domestic slab shipments
<i>Coils</i>	(10%)	Reduced inter-mill volumes
<i>Miscellaneous Construction</i>	(13%)	Continued soft housing market
<i>Lumber</i>	(17%)	Continued soft housing market
<i>Kaolin</i>	(8%)	Competition from Brazilian kaolin
Gains		
<i>Aggregates</i>	4%	New scrubber stone business Highway construction
<i>Wheat</i>	17%	Strong export program
<i>Fertilizers</i>	7%	Demand from increased corn acreage
<i>Ethanol</i>	13%	Continued ramp up
<i>Industrial Intermediates</i>	7%	Soda ash shipments

Merchandise Volume

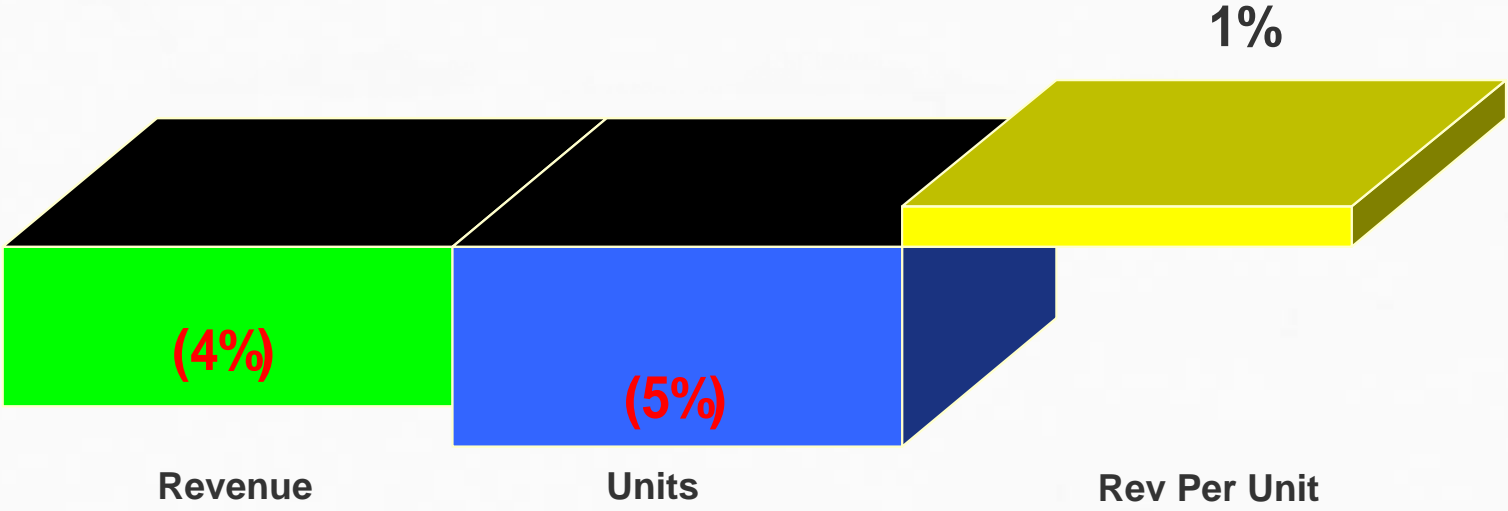
2nd Quarter 2007 vs. 2006

Automotive

- Big 3 restructuring continues
- Increased volumes with “New Domestics”
- Continued year-over-year impact through early 2008

Intermodal Variance Analysis

2nd Quarter 2007 vs. 2006



Intermodal Volume

2nd Quarter 2007 vs. 2006

International

- Increase in East Coast volume
- Reduction in West Coast volume

↓ 5%

Domestic

- Increased truck competition

↓ 2%

Truckload

- Conversions to highway offsetting gains from asset based customers

↓ 11%

Premium

- Increased parcel shipments

↑ 5%

Triple Crown

- Production cuts at auto plants
- Soft housing market

↓ 2%

Looking Ahead

■ Intermodal

- Improving demand
- More normalized peak season
- Two new terminals opening

Looking Ahead

■ Coal

- Declining utility stockpile levels
- Export coal demand continues
- Furnace & coke batteries outages
- Strong industrial markets

Looking Ahead

■ Industrial Products

- Growth projected in steel markets
- Bio-diesel & ethanol opportunities
- Challenges remain for lumber market

■ Automotive

- Easier year-over-year comparisons
- Continued growth in new domestics

■ Continued focus on market-based pricing

