



RAILINC

ANNUAL REPORT





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A MESSAGE FROM THE PRESIDENT

TO OUR RAIL INDUSTRY PARTNERS

DESPITE THE CHALLENGES OF A DIFFICULT ECONOMY, RAILINC HAD A VERY successful year in 2009. We worked very hard, reinforcing our dedication to becoming an innovation leader while delivering world class customer service, quality and value. It was in pursuit of these goals that Railinc delivered on its three focus areas for 2009.

First, Railinc successfully implemented the new Umler system in August. Until now, the rail industry has not undertaken an IT project of this magnitude and scope. Yet through cooperation, coordination and collegiality, hundreds of professionals from throughout the industry came together over the last seven years to bring it to life. This was a remarkable industry event. We are truly grateful for your collaboration and confidence that we would all enjoy success.

Next, during the last year Railinc made great strides to improve its operations and responsiveness to our customers' evolving needs. These efforts included implementing new work processes to improve customer responsiveness to the more than 2,000 product related requests and issues submitted each month. This year, we consistently achieved 99 percent service level compliance—a 36 percent improvement over last year.

Railinc continues to be an industry leader in the Agile software development process. In 2009, we successfully adopted this innovative process across all product lines. All industry initiatives developed using Agile this past year were completed on-time or ahead of schedule and under budget. These projects are expected to return tens of millions of dollars in untold value back into the rail industry.

Other Railinc process improvements include the implementation of a new billing system that more effectively communicates customer purchases of Railinc products and services. This system will also help us manage our business more effectively with better data for financial modeling and analysis.

Further, our managers aggressively held down costs to keep company operating expenses low as carload-sensitive revenue declined with the challenging economy. Railinc will remain vigilant about controlling costs in all facets of the business. We will continue to exploit processes, methodologies and technologies that will help us keep costs low in the years ahead.

Lastly, Railinc began work on new and innovative products to generate new sources of revenue to sustain us in the years ahead. Three products resulting from last year's work will launch in 2010. Our RailSight™ product will now be available as a web-based application, making it more accessible and easier to use for equipment owners, shippers and third-party logistics providers.

The Railinc IRFi™ website now delivers real-time industry reference file information directly to the desktop. And Railinc TrainFax will consolidate equipment data for equipment buyers and sellers into one simple, standard format. We are excited about the prospects for these products because we strongly believe they fill gaps where our customers have significant needs.

Our management team also believes that significant opportunities remain in providing rail industry participants with business analytics that support decision-making. One example is an analytics product for misappropriated equipment for Class I railroads. It identifies cars that are not being returned to the home road. Other work includes a Daily Stress State Report that identifies for the railroad user cars that have maintenance concerns, their location and other critical information. We will continue to identify more opportunities like this in 2010.

There is one last point to make about 2009. At the end of the year, Railinc was recognized by the North Carolina Technology Association, winning an award for excellence in the category of "Industry Driven Technology Company." These are our state's most prestigious technology awards. It is an honor that we are very proud to have earned. It completely reflects the high caliber of people who work at Railinc and also the quality of the industry professionals that we serve.

As Railinc moves into 2010, we will again strive for excellence, focusing on three areas: creating better value for AAR products, which includes flawless releases and greater product satisfaction; continued improvement of



Credit: Andy Adams

Railinc operations and customer service for the benefit of our customers; and finding ways to develop new revenue through data analytics and existing intelligence-related products like RailSight.

We are very proud of what we accomplished in 2009 at Railinc. We understand that achieving excellence is rooted in the privilege of serving you. Thank you to all of our customers and partners for giving us your vote of confidence that we can and will return value to you. This past year that was never more evident. Be assured we appreciate and value your partnership. We will work hard to earn your business in the days ahead.

Sincerely,

E. ALLEN WEST
President & CEO



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IN 2009, RAILINC'S PORTFOLIO OF WORK REFLECTED THE COMPANY'S MISSION of creating valued solutions to rail industry problems. These efforts will return tens of millions of dollars in value to the industry in many forms: overall cost savings, improved operations, more effective technology, improved customer service and better information for smarter decision-making. The outcomes of Railinc's industry projects for the past year are described below.

While industry initiatives are often the most visible form of Railinc's output, staff work tirelessly with AAR committees to achieve other important objectives that contribute to the effective management of the rail network. These activities are diverse and far-reaching, including such efforts as equipment health alert expansion, improved waybill data quality, contributions to a comprehensive communication effort supporting the industry's legislative agenda, transborder movement efficiency and the reduction of interline rework activity.

SPECIAL CAR ORDER 90 // The Special Car Order 90 (SCO90) process enables an efficient return of empty freight cars, resulting in fewer missed loading opportunities and fewer empty miles. This project made the SCO90 process more efficient and user-friendly, delivering data generated during the reporting process directly into the railroads' systems or data warehouse for analysis.

REAL-TIME ASSET DEVICE MONITOR // Detecting equipment health problems is critical for safety and smoothly running rail operations, especially for equipment carrying hazardous materials. This project built on the success of last year's Real-Time Asset Tracking proof-of-concept efforts. It will measure and assess the validity of data captured by third-party tracking devices for use by equipment maintenance teams.

EMBARGO SYSTEM ENHANCEMENTS // Working with industry partners, Railinc overhauled and upgraded the Embargoes application. This application is essential for routing freight rail traffic away from defined geographic areas with heavy rail traffic congestion or potentially unsafe rail conditions. See story on page 8.

CO-LOADING & ISS 5050 EDI UPGRADE // Co-Loading is a unique service requested by auto industry customers. It allows products from two or more customers to commingle in a railcar between an origin and destination. For example, one tri-level auto rack car could serve three auto manufacturers by carrying vehicles from each. This project facilitated co-loading, which helps railroads improve railcar velocity and load factor optimization, and increase fleet capacity, among other benefits.

Railinc's 2009 Industry Initiatives

THE NEW UMLER SYSTEM // The Umler Equipment Management Information System (also known as Umler/EMIS) completed the final phase of a multi-year project to re-engineer Railinc's 40-year-old Umler system. The new Umler system is a dynamic system that will meet industry needs for decades to come. See story on page 8.

EHMS DISPOSITION STATUS AND SYSTEM ENHANCEMENTS // This project improved and automated car repair reporting processes and updated the Equipment Health Management System to accommodate new detector technologies.

LCS PROJECT // The Liability Continuity System (LCS) manages interchange reporting for car accounting purposes. This project improved LCS system logic and processes, such as considering shop time to be in the car owner's account, clearly marking haulage beginnings and ends, and sending only single type E messages, among others.

RAILINC'S MISSION

is to create valued solutions for rail industry problems using our people, technology systems & information databases.

2009 RAILINC COMPANY HIGHLIGHTS

RAILINC DELIVERS MAJOR PROJECTS, RECOGNIZED FOR EXCELLENCE

NEW UMLER SUCCESSFULLY LAUNCHED; LEGACY SYSTEM RETIRED // Railinc launched the new Umler™ system on August 31, successfully replacing the 40-year-old legacy system with modern web-based technology. Rail carriers, equipment owners and shippers now have real-time access to highly detailed equipment information through an easily accessible and easy-to-use web application.

The new Umler system is a giant technological leap forward that fully empowers users to manage their rail equipment information. Along with real-time data updates via the Internet or enhanced "TRAIN II" computer-to-computer electronic messaging, it gives users better equipment-level security and control over access to equipment data, and improved data quality to reduce car-movement delays caused by data errors.

The new system also enables better communication and collaboration among rail partners. This perspective was critical to the project's completion as well. Hundreds of professionals from many companies worked together to bring this industry-critical system to life.

The new Umler system required seven years of coordinated, industry-wide development. Representatives from every Class I railroad and many of the largest rail equipment owners participated in developing the system. More than 800,000 lines of code were written containing more than 20,000 business rules. The Umler system tracks data on more than two million pieces of rail equipment, including 1.4 million rail cars and 25,000 locomotives.



RAILINC HONORED AS LEADING TECHNOLOGY COMPANY // In November, Railinc was honored with a coveted NCTA 21 Award from the North Carolina Technology Association (NCTA). The awards are recognized as the most prestigious technology awards in the state. The 21 Awards celebrate innovation, achievement and excellence in 21 categories, including green technology, software development and life sciences technology. Railinc won for the category best Industry-Driven Technology Company.

"This award validates the good work Railinc provides to the railroad industry every day in developing new leading-edge technology that helps move goods across our nation," said Edward Hamberger, President and CEO of the Association of American Railroads.

NCTA is the premier statewide organization representing North Carolina's technology industry. Its mission is to promote the business of technology throughout the state. Railinc is located in the Triangle region, the heart of the North Carolina's internationally-known technology cluster.

MERGERS TEAM KEEPS RAIL COMMUNICATION FLOWING // Mergers, trade style name changes and line haul sales are significant events that require changes within the rail industry's communication infrastructure. That means changes must occur in the industry reference files, also known as IRFs, used by all railroads to communicate about the movement of rail cars—from who owns them to which stations a rail carrier will serve.

Railinc's mergers and acquisitions consulting team works with rail carriers to make sure that all industry location files—MARK, Central Station Master, Junction and Route files—are updated by the merger date. On the night before the official merger, the team ensures that messages are properly routed and changes are processed for critical industry IT systems like Umler and the Interline Settlement System. It works with rail carriers through the evening to monitor and make sure all processes are transitioned. The team also publishes these official changes to meet legal and statutory requirements and other communication needs.

In 2009, the Railinc team facilitated and completed six mergers. Merger and acquisition adoption notices are posted on the Railinc website at www.railinc.com.

EMBARGOES SYSTEM MORE EFFECTIVE AND EASY-TO-USE // Railinc released in October the last update to the Embargo software application for Class I and short line railroads. This application is essential for routing freight rail traffic away from defined geographic areas with heavy rail traffic congestion or potentially unsafe rail conditions, caused by natural disasters such as flooding or hurricanes, damaged track or terrorism threats. The new version of the software has an improved user interface and adds critical functionality that makes it easier for railroads to issue complicated embargoes more quickly, reducing congestion and limiting threats to freight and equipment.

Major improvements to the application were identified after the Midwest floods in June 2008. Using Railinc's Agile development process, these improvements were built into the application and include new mapping technology to display embargoed stations, the ability to define embargoes by state, and the ability for

ACTIVE, CANCELLED OR REVISED EMBARGOES BY YEAR



multiple railroads to share an embargo and collaborate more effectively in the movement of rail traffic to a specific area.

INSIDE AGILE SOFTWARE DEVELOPMENT // Throughout 2009, Railinc engaged in activities that improved the way it conducts business and its ability to respond to the needs of its customers. Leading these efforts was the adoption of the Agile software development process across all product lines. Agile is an innovative product development process that improves the pace of new product development and more fully engages customers in defining each product's requirements. Unlike the traditional "waterfall" process, Agile features close and frequent customer contact, optimizing resource use while ensuring that new products are more fully aligned with customer expectations. The result is a better product that meets customer needs more quickly. The Railinc product development team fully utilizes Agile to develop new technology products, software upgrades and system maintenance releases.

To date, Railinc has identified three primary benefits of the new system: 1) it brings the company in close contact with customers; 2) it increases employee productivity; and 3) it increases employee satisfaction. Because the product is built in a dynamic and efficient manner, it results in a higher quality software product that meets customers' greatest business needs, which makes customers and developers happy. Railinc successfully piloted this development process in 2008 before fully adopting it in 2009. In the last year, Railinc IT projects using the Agile process were completed on or ahead of schedule, and under budget.

RAILINC EMPLOYEES ENGAGE ON THEIR OWN TIME // Railinc employees have a deep fondness for the rail industry. Many have enjoyed long careers

in the industry working for Railinc, the railroads, the Association of American Railroads or other rail-related organizations. And many are railfans in their own right.

Some of the photos used in this annual report were taken by Andy Adams, a product support specialist in Railinc's commercial products group. Andy has travelled up and down the eastern seaboard looking for just the right shot. In our opinion, Andy's got a great eye, and we are happy to share his art in the 2009 Railinc annual report. You can find his photos on pages 2, 5, and 11.

THANKS & ACKNOWLEDGEMENTS // Railinc congratulates Alan McDonald on his new position within the rail industry. He joins Canadian Pacific Railway as General Manager reporting directly to Heather Campbell, Vice President and CIO, and also one of Railinc's Board Members. We are grateful for Alan's leadership at Railinc and throughout the Umler development and implementation process.

After more than 34 years with the AAR, Railinc and the rail industry, Railinc also congratulates Rick Hobb on his retirement. Rick comes from a three-generation railroad family with over 400 years of combined service. In 1967 he began his railroad career with the New York Central and Penn Central Railroads working summer vacations and never looked back. His most important career lesson came from his first boss, who often stated that he "never saw a rail car in an office." From rail auditor to training leader, Rick has held many posts, always advocating for safety, common sense and good business values. We wish him success and happiness in the years ahead.

Railinc also offers gratitude and appreciation to Allen Borak of Canadian Pacific for his service to the Railinc Board of Directors. He retired from the Board last year.

COMING IN 2010: INDUSTRY-SPONSORED INITIATIVES & NEW RAILINC PRODUCTS

EACH YEAR RAILINC WORKS IN CONJUNCTION WITH AAR COMMITTEES TO IDENTIFY and develop technology projects that help the industry to improve rail operations and better serve rail customers. In 2010, Railinc will pursue six industry-sponsored projects and promote three projects.

DAMAGED AND DEFECTIVE CAR TRACKING (DDCT) // Manual processes are used to collect and transmit information related to defective freight cars and tracking of equipment to and from shop. This project replaces these labor intensive processes with a web-based system, creates a central repository for information related to defective and damaged rail cars, and facilitates communication among mechanical, accounting and transportation personnel. Initial work on the DDCT system was completed in 2009. The project will be implemented in January 2011.

UMLER AUTOMOTIVE SUPERSTRUCTURE // The rail industry is a critical service provider to the automotive industry, moving vehicles throughout North America. This project expands the new Umler system to include bi-level and tri-level vehicle racks to improve the asset management capabilities of rail equipment owners.

COMPLETE CAR HEALTH STUDY // Various aspects of equipment maintenance histories are tracked by a variety of information systems. This study will assess the value of bringing together equipment repair and status data to improve rail car maintenance planning for better asset utilization and improved rail safety.

TRAIN TRACING JOINT INDUSTRY ENHANCEMENTS // Efficient management of rail equipment ensures that equipment is delivered to shippers when they need them. This project focuses on improving customer satisfaction by better tracking of rail cars through enhanced information sharing concerning rail car usage. This will result in more accurate demurrage charges and reduced demurrage disputes.

FORWARD AND STORE VERSION 6020 EDI UPGRADE // Technology standards ensure efficient and effective communications, especially as technology improvements occur. This upgrade delivers data quality improvements and ensures regulatory compliance within the transportation-based EDI transaction sets.

IRF 6020 EDI UPGRADE // This data quality compliance effort promotes greater efficiency and drives costs down through improved waybill accuracy driven by more detailed EDI messages and better error checking.

RailSight™ Track & Trace Improves Asset Utilization, Shipment Visibility

Railinc's track and trace applications have long helped make rail a more effective and efficient means of shipping freight goods throughout North America. Launched in 2003, Railinc's RailSight system continuously captures and delivers interline rail data on more than 530 rail carriers, rail equipment, routes and schedules of trains of large, medium and short line railroads. More than 130 customers, including rail equipment owners, shippers and third-party logistics providers, already use RailSight to manage rail equipment fleets and monitor rail shipments for themselves and their clients.

RailSight is now available as an easy-to-use, web-based application that delivers reports in standard data formats, including car location message (CLM) formats, EDI 214 for trucking, EDI 322 for ocean carriers, and XML. The web interface allows users to manage account information, including equipment and fleets, set-up and change account settings, and monitor rail shipments. For more information about Railinc RailSight, visit the product website at www.railinc.com/railsight.

Railinc IRFi™ Delivers Reference Files to the Desktop

Railinc maintains the only industry-accepted version of the North American rail industry's official code tables, commonly known as industry reference files (IRFs). IRFs facilitate effective communication about rail activities among industry partners. Once available as print publications, electronic pdfs or text files, Railinc has launched a new website that allows users to search for and export IRF data directly to their desktop.

The Railinc Industry Reference Files integrated (Railinc IRFi) web site provides users with one-stop access to data contained within the Centralized Station Master (CSM), Mark, Route and Standard Transportation Commodity Code (STCC) files.

The website offers:

- ◆ Real-time access to the most accurate and up-to-date reference data
- ◆ Direct views of data and customized data extracts
- ◆ Comprehensive maps of stations and junctions with one-click access to more details

A free, trial version of this service is available to non-subscribers by visiting the website at: www.railinc.com/IRFi.

Railinc TrainFax™ Brings Equipment Data Together

Buyers and sellers of rail equipment invest a lot of time collecting information about rail assets. The details they seek are critical for gaining insight into the quality and value of any piece of rail equipment. Data such as equipment weight and dimensions, features and specifications, transportation restrictions and inspection data can take days to compile by hand.

Railinc TrainFax is a new web-based service that takes the pain out of digging for rail asset data. Coming in spring 2010, the TrainFax system quickly scans over two million rail equipment records from industry-related databases to pull rail equipment data into one easy-to-read and easy-to-use standard report. More details about TrainFax are coming soon.

RAILINC'S VISION ♦
is to become the
information systems
innovation leader in
the rail industry, &
second to none in
delivering customer
responsiveness,
quality & value.



RAILINC BY THE NUMBERS

THE TOTAL NUMBER OF YEARS REQUIRED TO COMPLETE THE UMLER/EMIS PROJECT

7

THE APPROXIMATE NUMBER OF LINES OF CODE IN THE NEW UMLER SYSTEM

800,000

RAILINC'S AVERAGE PRODUCT SATISFACTION SCORE ACROSS 16 CORE PRODUCTS, WHICH TRANSLATES TO "SATISFIED"

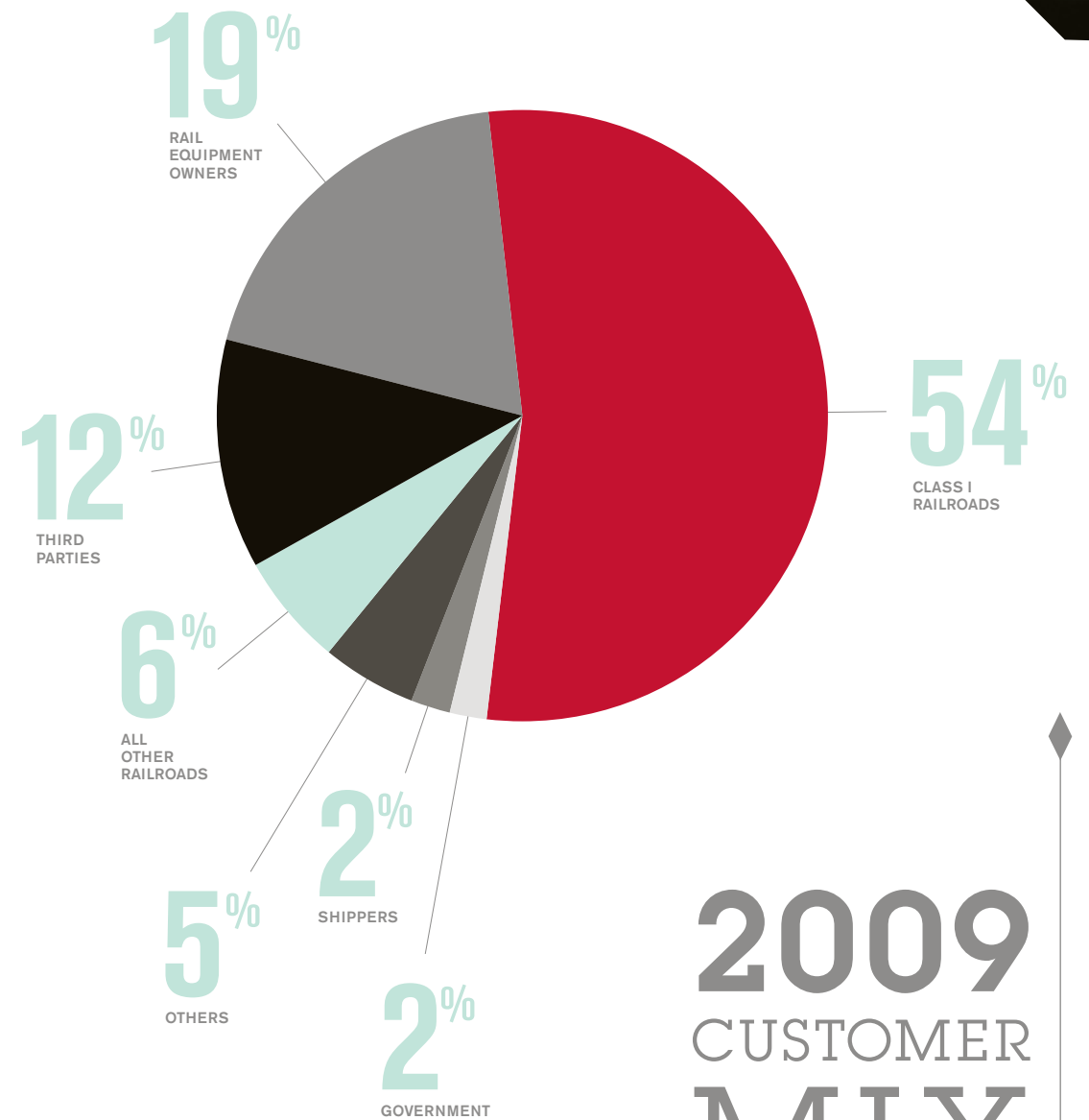
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RAILINC'S CUSTOMER LOYALTY RATING ACCORDING TO THE COMPANY'S 2009 FOURTH QUARTER PRODUCT SATISFACTION SURVEY

83%

THE INCREASE IN RAILINC'S CUSTOMER LOYALTY FROM 2008 TO 2009

12%



2009
CUSTOMER
MIX



RAILINC SENIOR EXECUTIVES:
 [L to R]
 Yates Parker,
 Treadwell Davison,
 Todd Bolon,
 Allen West,
 David Kaufman,
 Karen Folino,
 Patrick O'Neil

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RAILINC LEADERSHIP

THE RAILINC BOARD OF DIRECTORS

The Board of Directors offers guidance and insight into business strategy and issues challenging Railinc and the rail industry. The Railinc Board of Directors is comprised of the following rail industry executives:

TOM WERNER, CHAIRMAN
Vice President of Information Technology
 // Norfolk Southern Corp.

JIM BRIGHT
Vice President, Information Technology
 // Canadian National Railway Company

HEATHER CAMPBELL
Vice President & Chief Information Officer
 // Canadian Pacific Railway

ED HAMBERGER
President & Chief Executive Officer
 // Association of American Railroads

CARL HARRISON
Vice President & Chief Information Officer
 // Kansas City Southern

FRANK LONEGRO
President, CSX Technology
 // CSX Transportation

JO-ANN OLSOVSKY
Vice President Technology Services & Chief Information Officer
 // BNSF Railway Company

LYNDEN TENNISON
Sr. Vice President & Chief Information Officer
 // Union Pacific Corp.

ALLEN WEST
President & Chief Executive Officer
 // Railinc Corp.

RAILINC EXECUTIVE TEAM

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President & Chief Executive Officer

TODD BOLON
Vice President & Chief Information Officer

TREADWELL DAVISON
Assistant Vice President,
AAR Products & Services

KAREN FOLINO
Assistant Vice President,
Commercial Products & Services

GARRY GRANDLIENARD
Assistant Vice President,
Infrastructure Services & Solutions

YATES PARKER
Assistant Vice President,
Finance

ROBERT SIMORA
Assistant Vice President,
Product Development

DAVID KAUFMAN
Senior Director,
Customer Relations

PATRICK O'NEIL
Director,
Corporate Communications



CORPORATE OVERVIEW

RAILINC is the railroad industry's most innovative and reliable resource for IT and information services. We support business processes and provide business intelligence that help railroads, rail equipment owners, their customers and business partners increase productivity, achieve operational efficiencies and keep their assets moving. Railinc is the industry's largest and most accurate source for real-time interline rail data.

RAILINC CORPORATE OFFICES // 7001 Weston Parkway, Suite 200 // Cary, NC 27513 // www.railinc.com

RAILINC CUSTOMER SUPPORT CENTER // phone: 877.724.5462 //email: csc@railinc.com



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