



ANNUAL REPORT 2015

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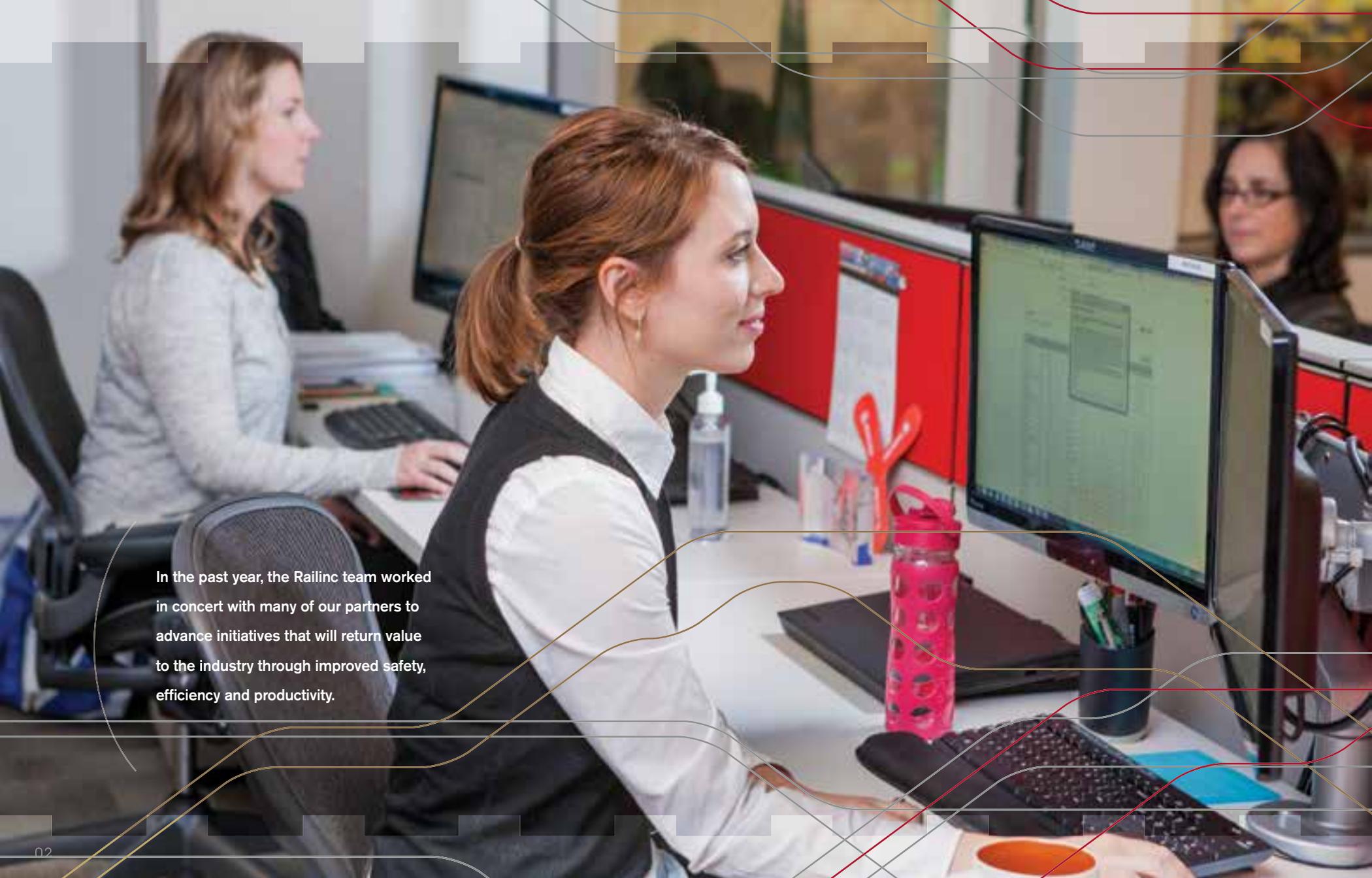
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In the past year, the Railinc team worked in concert with many of our partners to advance initiatives that will return value to the industry through improved safety, efficiency and productivity.

MESSAGE FROM THE PRESIDENT



E. ALLEN WEST
President & CEO

To Our Rail Industry Partners,

The last year has been challenging for the freight rail industry, and Railinc has had a challenging year, too. We were impacted by decreased carload volume while working hard to deliver valuable projects and quality service for all our customers. The Railinc team worked in concert with many of our partners to advance initiatives that will return value to the industry through improved safety, efficiency and productivity. We also made great strides with Railinc's infrastructure and security profile that will enable us to serve you better and more efficiently for years to come.

Asset health remains one of the top priorities of Railinc in support of the AAR's Safety and Operations Management Committee (SOMC). The industry's asset health projects are now returning value to the industry by reducing line-of-road failures, improving inspection quality and enabling industry access to better equipment health information. Railinc also provided substantial assistance to Chicago Terminal operations

during 2015. This work included providing traffic forecasts, train counts and speed information in key corridors; delivery of new tools for visualizing key activities within the Chicago Terminal; and other tools that enable more efficient operations in Chicago.

Other work completed by Railinc included EDI system upgrades and further development related to the AskRail™ mobile application for first responders. The AskRail app has been used by first responders and has aided in rail industry outreach efforts across North America.

In line with our charge to provide reliable systems and protect the industry's data, Railinc has maintained an intense focus on security to guard against cyberattacks. In the past year we blocked all attacks and realized no failures of security controls that would have disrupted service or compromised data integrity. But we are not satisfied. We continue to invest in security technology, test our systems and processes for vulnerabilities, and train our people to remain vigilant against fraud and clandestine attacks.





MESSAGE FROM THE PRESIDENT continued

Our team also remains highly aligned with broader freight rail industry security efforts through regular meetings and joint exercises. And working with our customers, Railinc's disaster recovery (DR) and business continuity initiatives expanded and advanced again this year, successfully completing disaster recovery drills and exceeding defined expectations.

Railinc has bolstered the company's technology infrastructure, as well. After a four-year process we successfully completed a migration from a costly mainframe system to a cost-effective, modern mid-range platform. Our applications now operate in a more flexible and dynamic technology environment designed to improve Railinc's ability to serve your growing needs. We also made progress on the rules and process modernization (RPM)

effort. This multi-year program will help Railinc keep costs lower by making business rules that operate on industry data more easily maintained and modified.

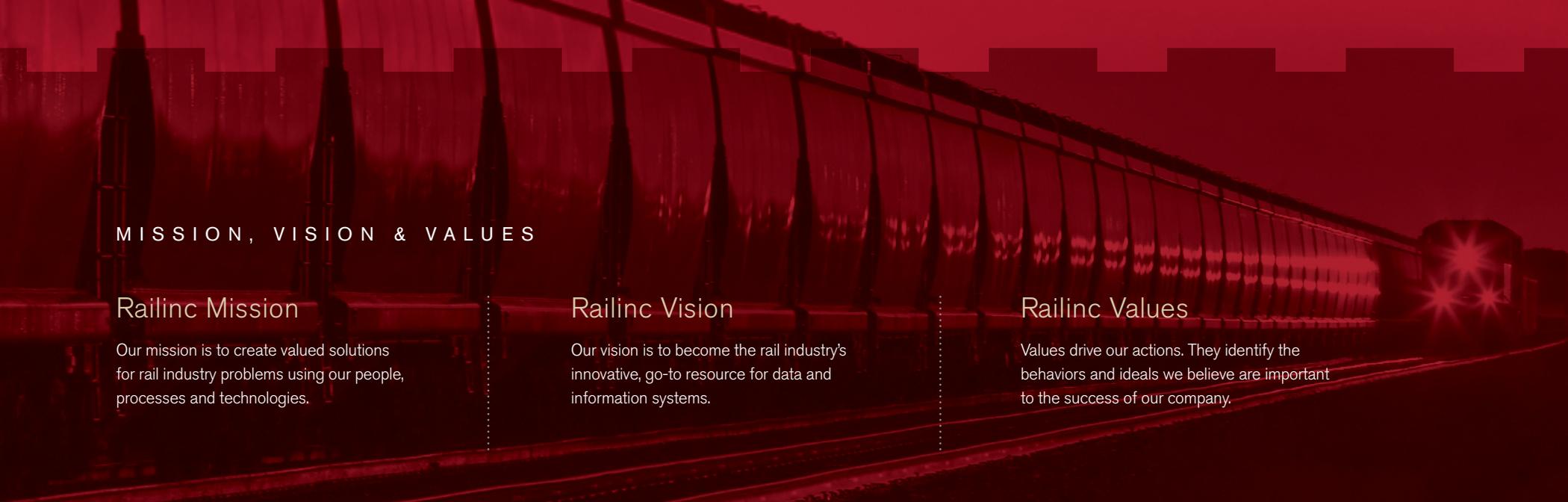
Railinc is working to add value and hold down costs in other areas, too. All of our employees are striving to understand more about our customers' business needs so they can be more engaged and productive. This has enabled our product support team to add more products to its portfolio and maintain customer service levels without adding personnel or costs. In addition, with Railinc employee participation at 100 percent, the company's wellness activities enabled us once again to hold the line on health insurance costs, and earn recognition as one of the region's "healthiest employers" for the third consecutive year.

Despite the challenges of the year, we feel good about our accomplishments. Moving into 2016, we will work to find new ways to serve the freight rail industry efficiently and effectively.

Thank you for the opportunity to serve you. We will work hard in 2016 to keep and build on the trust you have bestowed on us.

Sincerely,

E. ALLEN WEST | CEO and President



MISSION, VISION & VALUES

Railinc Mission

Our mission is to create valued solutions for rail industry problems using our people, processes and technologies.

Railinc Vision

Our vision is to become the rail industry's innovative, go-to resource for data and information systems.

Railinc Values

Values drive our actions. They identify the behaviors and ideals we believe are important to the success of our company.

RAILINC EMBRACES THREE PRIMARY VALUES:

1 SERVICE

We serve the changing needs of our customers and our industry to enhance the value they bring to our community, the environment and our economy.

2 COLLABORATION

We collaborate with our teams and our customers to get the job done, respecting individual ideas and contributions and moving forward in the pursuit of shared goals.

3 RESULTS

We deliver on our promises to create value for the freight rail industry through talented people, good ideas, business leadership and great technology.



2015 PROJECTS REVIEW

In 2015, Railinc delivered 13 projects prioritized by the AAR's Railinc Project Support Working Committee. The majority of these projects were part of larger, multi-year programs aimed at tackling important industry challenges with the goal of delivering significant value from these investments through improved railroad operations. Here is a brief review of the projects:

ASSET INFORMATION REPOSITORY (AIR) — PRODUCTION AND NEW VALUE EXPANSION

After two years of architecture, design and railroad integration work, this Asset Health Strategic Initiative (AHSI) project went into production across Class I railroads in 2015, building the foundation for a comprehensive, equipment-level view of asset health and asset characteristics data. The AAR's Asset Health Strategy Committee under the Technical Services Working Committee guided this effort.

E-TRAIN AND TRAIN INSPECTION VISIBILITY — PRODUCTION AND NEW VALUE EXPANSION

This AHSI project put E-Train into production across Class I railroads and created the ability to store and record data that support train inspections and log mileage as it relates to inspections. The work comes under the AAR's Asset Health Strategy Committee.

REAL-TIME EVENT PROCESSING FOR MILEAGE

This AHSI project utilized Railinc's mileage capabilities to enable the processing of railcar movement events as they are received, with miles assigned to railcars in real time rather than after the previous five-day waiting period. The work comes under the AAR's Asset Health Strategy Committee.

LOCATION MANAGEMENT — DESIGN AND STANDARDS

This foundational AHSI project created the design for a standard way to link and share geospatial information at an industry level to support decision making around asset health, inspections and traffic management.

REPEAT REPAIR VISIBILITY AND COMPONENT FAILURE ANALYSIS

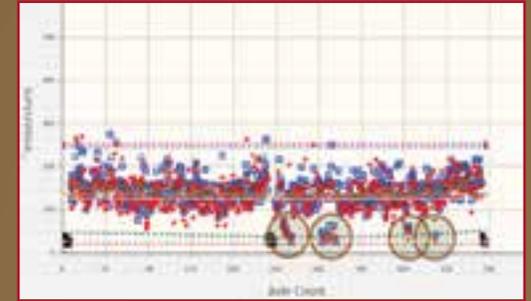
This AHSI project developed an industry capability to more quickly identify patterns of component and equipment failures. It established a database that includes derailment data and component details and developed a methodology to identify trends related to component failures and the repeated inspection, replacement or repair of components. The work comes under the AAR's Asset Health Strategy Committee.

INTERCHANGE RULE 83 QUALIFIER EXPANSION

This AHSI project enabled more effective and detailed repair reporting through a data field expansion in the Car Repair Billing system that supports more efficient repair categorization and improved descriptions of completed repairs. The AAR's Asset Health Strategy Committee and Car Repair Billing Committee provided guidance for this project.

RULES-BASED CHANGE TO THE FORMULA TO CALCULATE APPURTENANCE RATES (APPENDIX S)

This project changed the formula used to calculate appurtenance rates to comply with updates to the Code of Car Hire Rules that took effect June 1, 2015. The AAR's Equipment Assets Committee (EAC) provided guidance for this project.



This Wheel Temperature Detector graph depicts how the IQ platform reports equipment data picked up by railroad wayside detectors. It can help identify performance outliers — equipment that may need attention.

INSPECTION QUALITY (IQ) — PRODUCTION AND NEW VALUE EXPANSION

The Inspection Quality (IQ) platform uses wayside detector technologies and industry data capabilities at Railinc to enable condition-based equipment monitoring. Railinc's IQ work focuses on defining detector and data standards, building a comprehensive detector platform and creating reusable industry wayside capabilities.

This AHSI project implemented brake effectiveness data summaries and indicators to support the use of industry wheel temperature detectors in the asset health platform. It also supported integration and the sharing of detector data in the asset health platform, as well as the move to condition-based inspection.

Please turn to page 10 to learn about inspection quality and other asset health projects planned for 2016.



This map rendered by the Clear Path™ System presents the current physical interactions of railroads inside the Chicago Terminal. Maps such as this will enable route planning from origin to destination inside Chicago instead of individual railroad-to-railroad and dispatcher-to-dispatcher hand-offs used today.

CLEAR PATH TERMINAL REFERENCE AND TECHNOLOGY PLATFORM — PHASE 1

The Chicago Terminal is constantly changing, making it difficult for even the most seasoned railroader to understand the make-up of the entire terminal. Persistent questions exist around geography, asset management and operations optimization.

This project was part of the Chicago Gateway Program, an ongoing industry effort to improve the efficiency of operations and planning activities of railroads in the Chicago Terminal. It created a multi-layered geographic representation of the entire terminal, including tracks, yards, corridors, trackage rights and maintenance responsibilities.

Railinc completed this project under the guidance of the AAR's Chicago Planning Group and the Chicago Terminal Coordination Office. Please turn to page 12 to learn about Railinc's Gateway Operations Services projects for 2016.



ISS 7010 EDI UPGRADE

This data quality compliance effort upgraded the Interline Settlement System® (ISS) to EDI version 7010, delivering business process improvements and ensuring that the revenue waybill exchange meets current EDI standards. This project was overseen by the AAR's Interline Revenue Committee.

REN 7010 EDI UPGRADE

This project aligned Rate EDI Network (REN) message types with current EDI standards and included changes that improved data quality and streamlined REN functionality. This project was overseen by the AAR's Interline Revenue Committee.



COMPONENT TRACKING — SLACK ADJUSTERS

Slack adjusters are critical to a fully functioning brake system. Using the database framework developed as part of the Comprehensive Equipment Performance Monitoring (CEPM) program, this project created the

capability to register slack adjusters and associate them to a specific railcar. The AAR's Asset Health Task Force provided guidance for this project.



ASKRAIL™ USER MANAGEMENT AND MAP-BASED USAGE REPORTING

Launched in 2014, the AskRail mobile application supports emergency responders at derailment sites as an adjunct to information available from the railroad. The app helps to ensure that responders on scene can get immediate access to accurate, real-time information about railcars carrying hazardous materials. AskRail has attracted notice from government officials, news media and others outside the industry.

This project enhanced the security of critical industry information by creating a portal that enables authorized railroad personnel to manage user access. The project also built analysis and reporting capabilities that enable insights into user base coverage along railroad service areas and the location of usage activity.

Railinc completed this project under the guidance of the AAR's Hazmat Committee. Please turn to page 13 to learn about Railinc's AskRail projects for 2016.

2016

INDUSTRY PROJECTS

2016 AAR Program Preview

Railinc works closely with the AAR's Railinc Project Support Working Committee (RPSWC) to identify multi-year programs that will deliver the highest value from industry investments in 2016 and beyond. The following two programs and their RPSWC-approved projects hold promise to contribute significant value to the industry:

ASSET HEALTH STRATEGIC INITIATIVE (AHSI)

The multi-year, multi-phase AHSI program focuses on solving rail-network challenges related to asset health with the targets of reducing mechanical-service interruptions, improving inspection quality, and increasing yard and shop efficiency. The following projects are aligned with the 10-year AHSI roadmap and come under the guidance of the AAR's Asset Health Strategy Committee.

Asset Information Repository (AIR) Value Expansion

This project builds on Railinc's work to create a comprehensive, equipment-level view of asset health and characteristic data. It will expand the capability to identify rolling stock that are causing train stops and provide a mechanism for railroads to quickly acquire information such as initial terminal and locomotive inspections, mechanical workflows and line-of-road failure bad actor data.

E-Train Value Expansion

This project will enhance the E-Train platform to enable handling and receiving railroads to evaluate equipment health and share inspection information in a more timely and effective way. The expansion will include data availability around inspections and consist information, with the goal of eliminating unnecessary inspections. It will support improved efficiency, enhanced velocity, reduced manual work and better decision making around maintenance and repair work.



Inspection Quality Value Expansion

This project will complete the bad AEI tag data summary that was piloted in 2015 and begin similar work for hot-wheel detector, wheel impact load detector, truck-hunting detector and hot-bearing detector scenarios. It also will include enhancements to the detector data platform that builds additional data quality rules, improves railroad integration paths and creates industry standards around sharing of detector data.

Equipment Failure Analysis - Phase 2

This project builds on 2015 work to develop an industry capability to more quickly identify patterns of component and equipment failures. It will extend and enhance the methodology and analytical processes around identifying the causes of component failures and the repeated inspection, replacement or repair of components. It also will integrate additional data that will improve the timeliness and quality of information needed to address derailment prevention and bad-actor identification scenarios.

Location Management Implementation - Phase 1

This project is the first implementation in a multi-phase effort to establish industry standards for geospatial location data management. It will include sustaining the initial deployment of the routable network for Chicago and related activities. This project is related to geographic information system and other location efforts happening across the industry and provides foundational support for the Asset Health Strategic Initiative and the Gateway Operations Services program. It has significant long-term benefits for assets, operations and incident management.



GATEWAY OPERATIONS SERVICES

The Gateway Operations Services program aims to help operations personnel better manage traffic conditions at major rail gateways such as Chicago. The program focuses on enabling the exchange of timely, accurate and actionable information to support the Chicago Integrated Rail Operations Center (C-IROC) and to facilitate proactive intercarrier operations in the Chicago Terminal. Railinc will deliver the following projects in 2016 under the guidance of the AAR's Chicago Planning Group, the Chicago Terminal Coordination Office (CTCO) and C-IROC:

Clear Path – Scorecard Value Expansion

This project builds on previous work to provide Chicago Terminal operations personnel with current metrics to drive decisions around operating conditions. Updated key terminal indicators will be available every three hours instead of twice daily, and users will have access to trend charts that will support proactive decision making.

Clear Path – Robust Chicago Planning Tool Lineup Data Source

This project will give all Chicago operating officers a common, accurate, current and complete list of trains heading to, originating in and moving through the terminal. The lineup will come from automated carrier feeds and will include associated train consist information and arrival and interchange times that reflect carrier plans. This project supports the comprehensive planning of intercarrier train movement through the terminal.

Clear Path – Train Viewer—Tracking and Visibility

This project builds on the Chicago Terminal Reference Map delivered in 2015 to provide key operating personnel at yard offices, control centers, C-IROC and the CTCO the ability to monitor terminal operations in near real time on a map-based display. It will support proactive train management decisions and the optimization of terminal traffic by bringing information such as current train location status and routing, lineup information and key terminal indicators into a single, integrated tool.



*IN ADDITION TO THE
PROJECTS ASSOCIATED WITH
MULTI-YEAR PROGRAMS, THE
RPSWC HAS ALSO APPROVED
THE FOLLOWING THREE
PROJECTS FOR 2016:*

ASKRAIL - NEW VALUE EXPANSION

The AskRail mobile application supports emergency responders at derailment sites. This project will add relevant data to the application and create a demo version of AskRail that will give users access to app functionality for training purposes without exposing production data. The AAR's Hazmat Committee is providing guidance for this project.

ASKRAIL USER MANAGEMENT - PHASE 2

This project will make the user management process more robust while significantly minimizing related administrative and manual work. It will implement a recertification process that uses automation, self-recertification and notification of a user's superior. It also

will create a portal that will enable requestors and users to input and update critical information during the access request and recertification processes. The AAR's Hazmat Committee is providing guidance for this project.

FORWARD AND STORE 7030 EDI UPGRADE:

When two or more railroads are involved in a shipment, timely notification of traffic on its way to the next railroad is critical to efficient handling at the interchange location as well as accurate customer billing. This data quality compliance effort will ensure that message types that contain waybill and trip plan information meet current EDI standards and do not cause manual re-work. This project is overseen by the AAR's EDI Committee.

RAILINC EMPHASIZES TECHNOLOGY SECURITY AND INFRASTRUCTURE

Railinc is constantly evolving to improve its overall performance, lower costs and maintain the security of its systems and the integrity of the data it manages. Throughout 2015, the company took on these challenges and raised the bar on its own performance. From modernizing its data center to tightening security efforts, Railinc continues to strengthen its position in service to the freight rail industry.

RAILINC COMPLETES FOUR-YEAR MAINFRAME MIGRATION AND UPGRADES DATA CENTER

In 2015, Railinc completed the final phases of its four-year mainframe migration project. This project moved the company from an expensive and rigid technology approach to a less costly, broader and more flexible midrange solution. This will accommodate the expansion in functionality of Railinc applications and systems and the ever-increasing amount of railroad data the company manages. It also leverages new technologies to meet changing customer needs and enhances the security, reliability and performance of Railinc applications and systems.

Despite the significant challenges of such a large, enterprise-wide technology initiative, Railinc moved more than 8 million lines of code off the mainframe with no impact to customer service-level agreements. Teams also extracted business rules during the process, which

will support greater visibility into applications. And thanks to this technology transformation, Railinc was also able to remove obsolete computer code and business rules before moving new releases to the production environment, ensuring the delivery of high-quality applications.

The move from the mainframe also enabled Railinc to better manage data center expenses, lowering the company's total cost to serve customers. Along with this came a new three-year data center contract that includes additional security items such as appliances, penetration testing and vulnerability scans, as well as a cloud footprint. Railinc's IT resources remain focused on project commitments, modernizing the company's technology platform and identifying cost savings with strategic vendors.

RAILINC BEEFS UP SECURITY TO COMBAT CYBERATTACKS

In the last year, Railinc beefed up its security program to guard against the increasing number, broadening scope and technical sophistication of cyberattacks on its systems. From hardware encryption to employee education, these projects focused on enhancing the company's security controls. In part thanks to these efforts, Railinc experienced no attacks or security failures in 2015 that affected service-level agreements or the integrity of customer data.

Railinc's workforce has embraced the culture of security. Last year, 100 percent of employees, contractors and consultants completed four rounds of online security awareness training. This training helped them recognize and report several potential security threats and vulnerabilities during the year, enabling Railinc's IT personnel to take immediate action. In a notable case, a Railinc team member identified and reported spoofed messages that targeted wire fraud, which the company reported to the FBI.

Railinc will continue its efforts to educate its workforce on security issues and implement the highest security standards around its applications, systems, network and data.

RAILINC RAMPS UP DISASTER RECOVERY PRACTICES

With the support of the Board of Directors, Railinc began an enhancement of its disaster recovery (DR) capability in 2013. This initiative is designed to ensure Railinc has the infrastructure, technologies and processes in place so we can continue uninterrupted critical business operations in the case of an event that disables the company's primary data center.

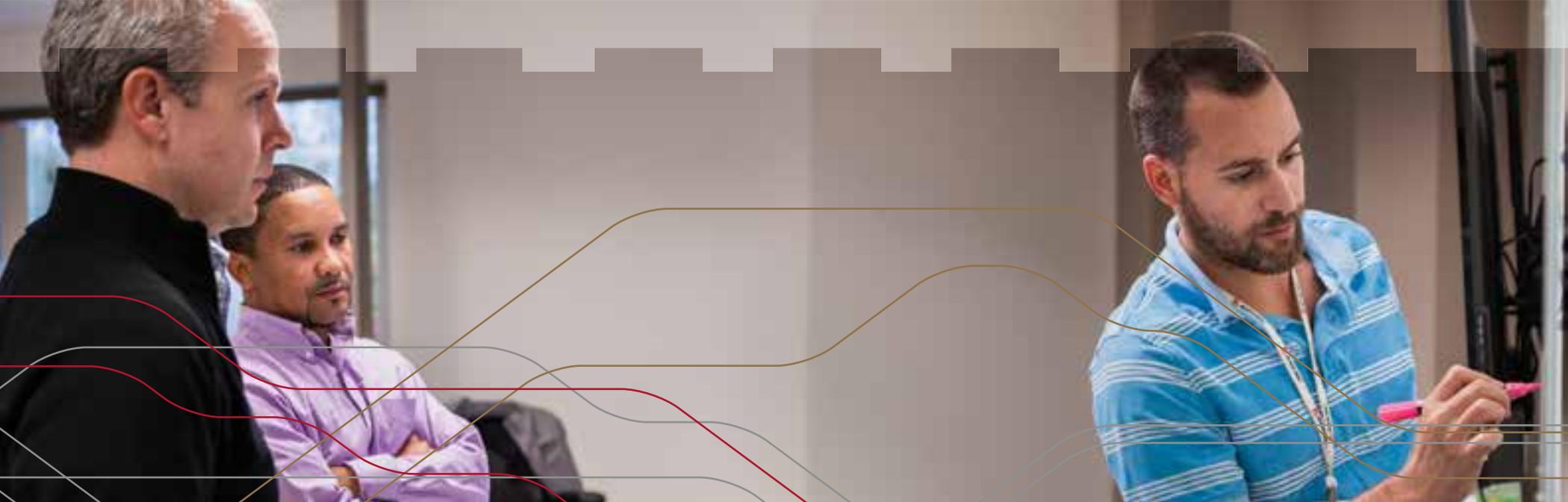
In 2015, Railinc completed the third year of the program including holding regular exercises to test the readiness of employees and the supporting technologies. The DR team set up recovery capabilities for more than 20 Tier 2 applications, including Umler, DDCT, Early Warning and Component Tracking, and completed recovery plans for Tier 3 applications.

The company successfully completed three internal, company-wide DR drills and five infrastructure practice sessions during the year. The recovery times for Tier 1 and Tier 2 applications were well ahead of recovery goals. Railinc also successfully conducted its annual DR exercise with external customers and continues to meet monthly with representatives from the industry to discuss best practices around DR and business continuity. Railinc will continue to hold regular exercises and drills in 2016 to ensure the readiness of company personnel and technologies.



WHAT IS A TIER 1, 2 OR 3 SOFTWARE APPLICATION?

A Tier 1 software application is the designation of an information system that is vital to the running of an organization. In Railinc's case, these are the applications that are most critical to our customers. A Tier 2 application may be less critical to customers but remain very important. The assignment of applications to specific tiers aids in the prioritization of work during a disaster recovery exercise. Designated Tier 3 applications are lower in priority and receive less attention until Tier 1 and Tier 2 applications have been restored.



RPM PICKS UP SPEED, LOOKING TO IMPROVE TECHNICAL AGILITY

Railinc completed the second year of its Rules and Process Modernization (RPM) program in 2015. This multi-year initiative will mature how Railinc develops and maintains business rules and processes in rail industry applications. The program is developing standards and governance for externalization and lifecycle management of rules and processes, which will result in more agile software applications, greater industry operational knowledge, increased product quality and a reduction in cost of ownership.

The RPM program focused on people, processes and technology in 2015. About 70 business analysts and others have participated in RPM training, and 10 percent have become certified in Business Process Modeling Notation. Railinc also updated the workflow in the Mechanical Reference Repository (an RPM proof of technology project from 2014) quickly and at no additional cost to the industry.

The initiative also included two pilot programs in 2015: Component Registry and Inspection Quality. Each application team worked with outside consultants to harvest and rewrite rules and translate them into standard English. As part of this effort, the Umler Component Registry team rewrote approximately 1,000 technical rules from within the registry and worked to identify expired and missing rules and other gaps. A review of projects completed using principles implemented as part of the RPM program showed a 13 percent reduction in development costs.

Railinc will continue the RPM program in 2016 and will complete 11 technical assessments of applications. Business analysts and developers will continue to receive training, and the program will define and baseline operational metrics that will support future reporting on the program's impact. The program will also focus on governance and enterprise-level implementation of business and technical standards.



Saluting 57 years of service to the freight rail industry

POSTSCRIPT: JIM MORAN

When Jim Moran started his railroad career in 1958 as a clerk in the machine room of the Pennsylvania Railroad, the industry had not yet embraced data processing. A discipline like car hire wasn't done through sophisticated technology systems like the ones used today. There was so much information then and everything was done by hand.

"If you could have seen what we did with car hire (back then)," Jim said with a laugh. "It was unbelievable how anyone got paid!"

Today, the car hire process is much smoother thanks to innovative ideas, powerful technologies and dedicated people like Jim. On Oct. 31, Jim retired from Railinc after 57 years of service to the freight rail industry. He was an instrumental figure in the development and adoption of cornerstone industry technologies such as the Umler® and Early Warning systems.

The impact of Jim's work is visible in operations across the industry, from car hire to asset health

to the circulars that support rules all railroads must follow. From the early punch card mainframe to the table-driven database with billions of data points, he guided the industry in the most critical of paths, providing information for building and routing trains across North America and shepherding the rail industry into the information age.

Jim's legacy extends beyond the technology, though. His greatest impact remains upon the people he worked with over the years. The strong relationships he developed with industry representatives and Railinc customers and coworkers reflect the respect they have for him and for the care he brought to his work. Jim always had an ear to listen and a good word to offer to anyone seeking his advice, wisdom and counsel into understanding how and why the rail system works and how to get the most out of the technology.

Jim's knowledge of railroad operations and his drive to improve the underlying processes and technologies have helped to make the industry safer and more efficient. Railinc is grateful for his service to the industry, to the company and to his colleagues over these many years.



RAILINC COMPANY OVERVIEW

Railinc is an innovative and reliable resource to the rail industry for rail data, 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 source for accurate real-time interline rail data. Railinc Corp. is a wholly-owned subsidiary of the Association of American Railroads.

EXECUTIVE TEAM :

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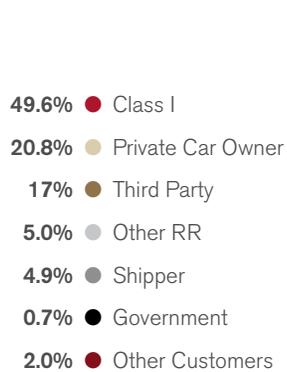
Senior Vice President and
Chief Information Officer
Union Pacific Corp.

E. ALLEN WEST

President and Chief Executive Officer
Railinc Corp.

RAILINC BUSINESS OVERVIEW

The NPS® gauges customer satisfaction with an organization by asking the question, "How likely would you be to recommend Railinc to a colleague?" Railinc's score typically rivals those of some of the world's leading software and technology companies.



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