

**The Andersons,
Inc.**

**MIDWEST ASSOCIATION OF
RAIL SHIPPERS**

WINTER MEETING

**OAK BROOK HILLS MARRIOTT RESORT
3500 MIDWEST ROAD
OAK BROOK, IL 60523**

Nick Conrad
Assistant Treasurer



Agenda

- Recap of Recent Market Turmoil
- Financial & Commodity Market Update
- Impacts on Rail

Recap of 5 Key Weeks of the Financial Crisis

- Prior to September 2008

Financial stress escalated in the United States and Europe over the course of 2008, beginning with meltdown of Bond Insurance companies such as AMBAC and MBIA, which led to the collapse of the tax-exempt bond insured market in February, followed in March by the takeover of Bear Stearns by JP Morgan, and culminating in September when several major institutions came under severe distress.

- Week of September 7

U.S. government seized Fannie Mae and Freddie Mac, who account for 75% of new home mortgages.



responsive rooted focused enduring

And

evolving diversified progressive resourceful

Recap of 5 Key Weeks of the Financial Crisis

- Week of September 14

Lehman Brothers bankruptcy; Merrill Lynch taken over.

U.S. seizes control of American International Group Inc., provides \$85 billion loan & takes 79.9 percent equity stake in the firm.

Britain's largest mortgage lender, HBOS, is forced to agree to be purchased by Lloyds TSB.

Russia pledges \$120 billion to support financial markets and banks (increasing the amount \$50 bil 10/7).

Treasury's Paulson unveils Troubled Asset Relief Program ("TARP").

Recap of 5 Key Weeks of the Financial Crisis

- Week of September 21

Goldman-Sachs & Morgan Stanley became bank holding companies.

U.K. nationalizes mortgage bank Bradford & Bingley (\$90 bil in loans).

- Week of September 28

Washington Mutual's failure largest in U.S. history (\$328 bil in assets).

Belgian, Dutch, & Luxembourg ("Benelux") governments each take 49.9 % stake of the Fortis operations within respective borders.

One week later, Dutch take full control of Fortis' operations in the Netherlands. Fortis' BENELUX operations sold to BNP Paribas.

German government + commercial banks/ federal regulators, provide \$50 billion in credit guarantees to Hypo Real Estate.

Recap of 5 Key Weeks of the Financial Crisis

- Week of September 28 (continued!!!)

Citigroup buys Wachovia—then deal falls apart. Wells later acquires, closing 12/31/08.

France, Belgium, and Luxembourg inject \$9.2 billion into Dexia Bank.

Iceland takes 75% stake in Glitnir, country's 3rd largest bank.

Swedish central bank announces will contribute up to \$700 million to the Swedish unit of the Icelandic bank Kaupthing.

Ireland gives unlimited guarantees to retail, commercial, and interbank bank deposits. Austria, Denmark, Germany, Greece, Iceland, Italy, Portugal, Sweden, the United Kingdom, and the United States all follow suit in some way. On 10/3, EU does same in unison.



Recap of 5 Key Weeks of the Financial Crisis

- Week of October 5

Icelandic government loans \$683 million to Kaupthing, seized control of Landsbanki, & sought a \$5.5 billion loan from Russia.

Spanish government establishes a \$40 to \$68 billion emergency fund to purchase assets held by Spanish banks.

The U.S. Federal Reserve intervenes in the commercial paper market for the first time since the Great Depression.

British government made available \$87 billion in emergency loans to the banking system and offered to purchase capital in eight of the largest banks. The package includes guarantees of £250 million for new debt and the same for liquidity provisions.

Recap of 5 Key Weeks of the Financial Crisis

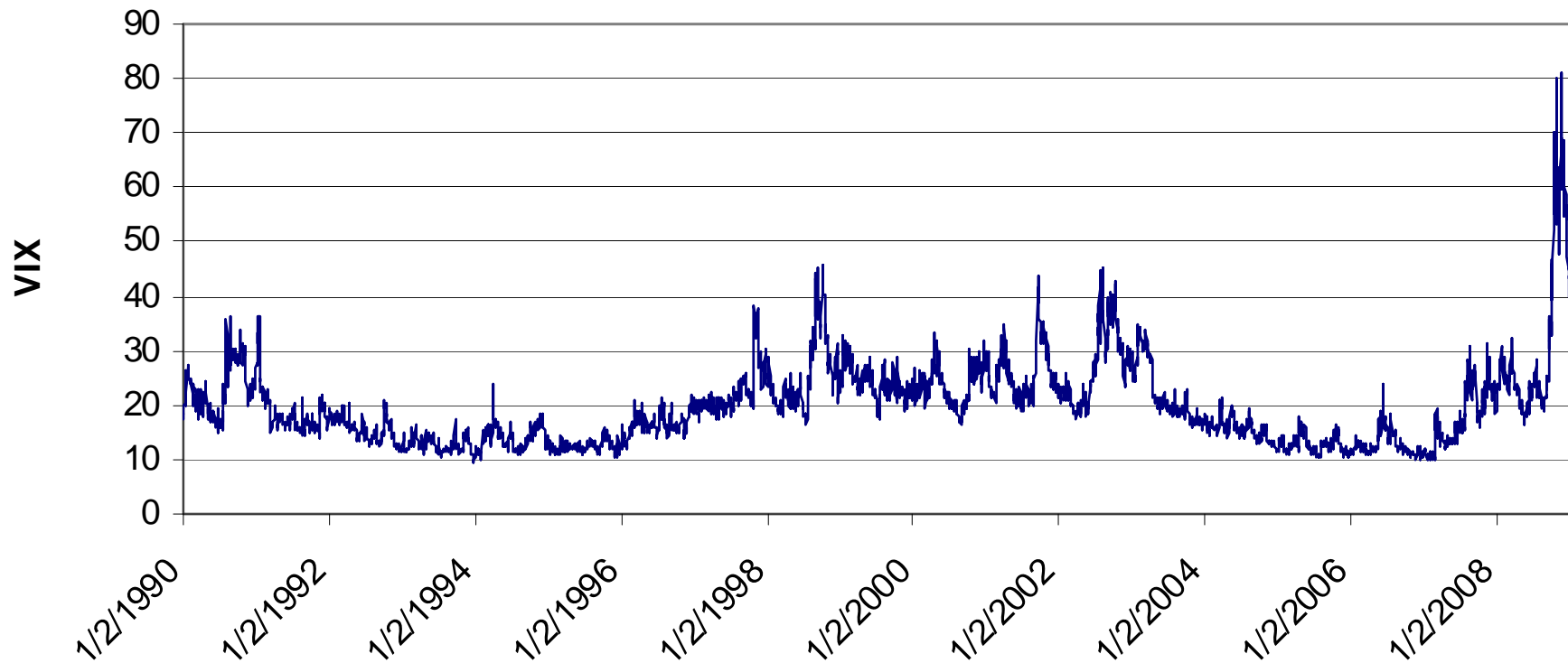
- Week of October 5 (continued)

The central banks of the United States, the Euro Zone, Canada, Sweden, and Switzerland each cut their benchmark rates by half a percentage point in an unprecedented coordinated effort.

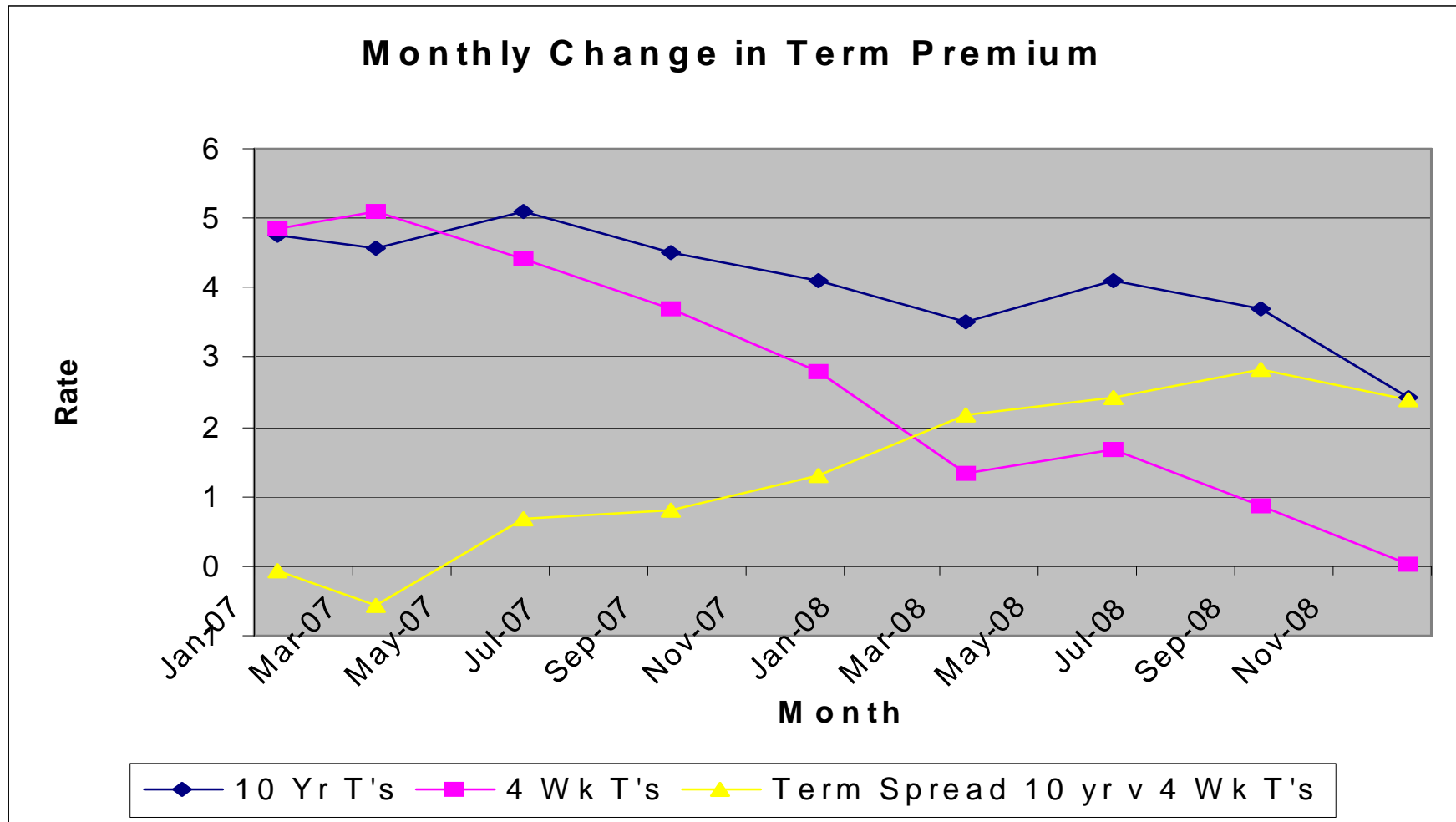
China's central bank lowers its key one-year lending rate by 27 basis points, the second reduction in three weeks.

How does this crisis match up with the recent past?

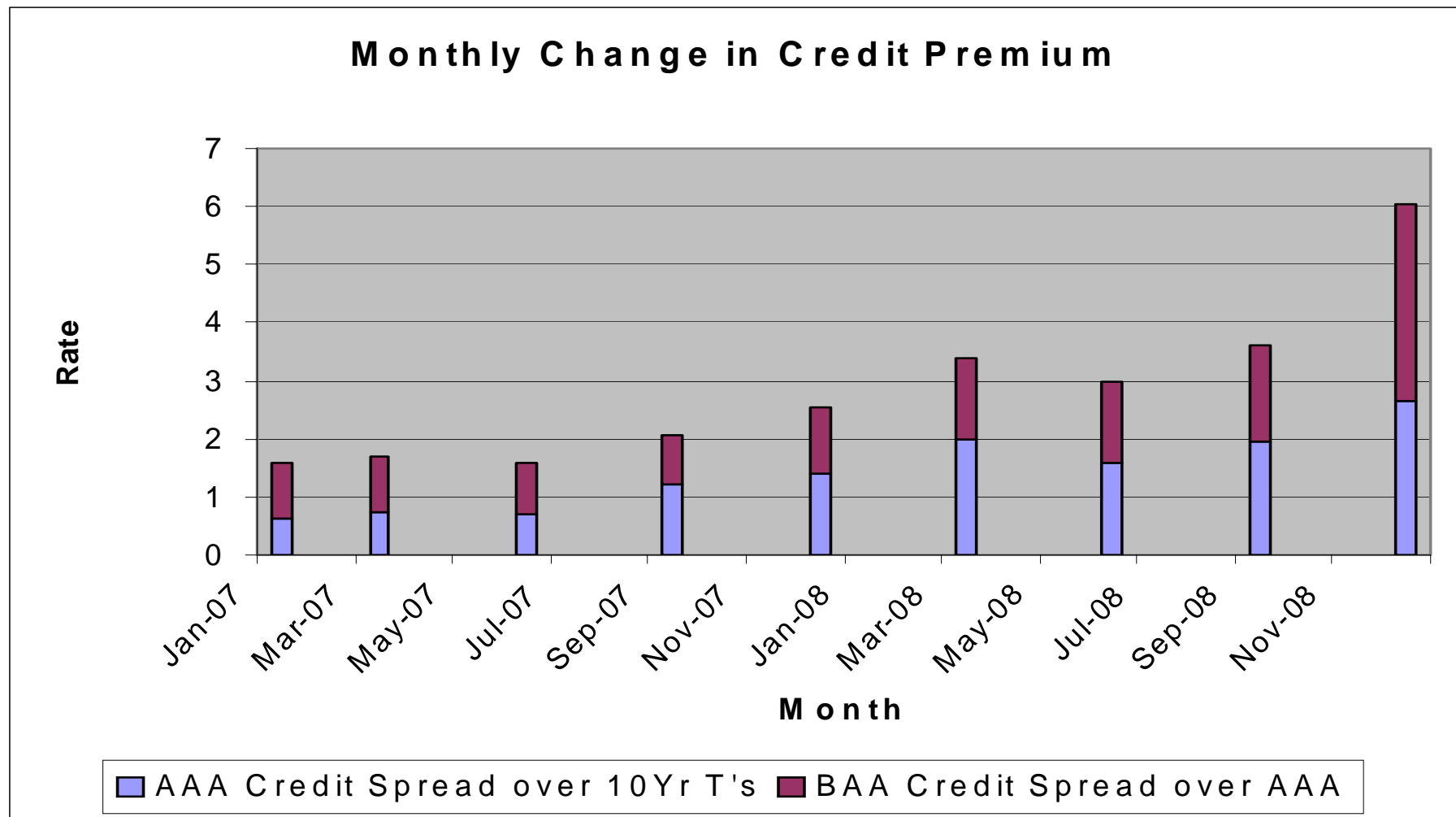
CBOE Volatility Index (VIX)



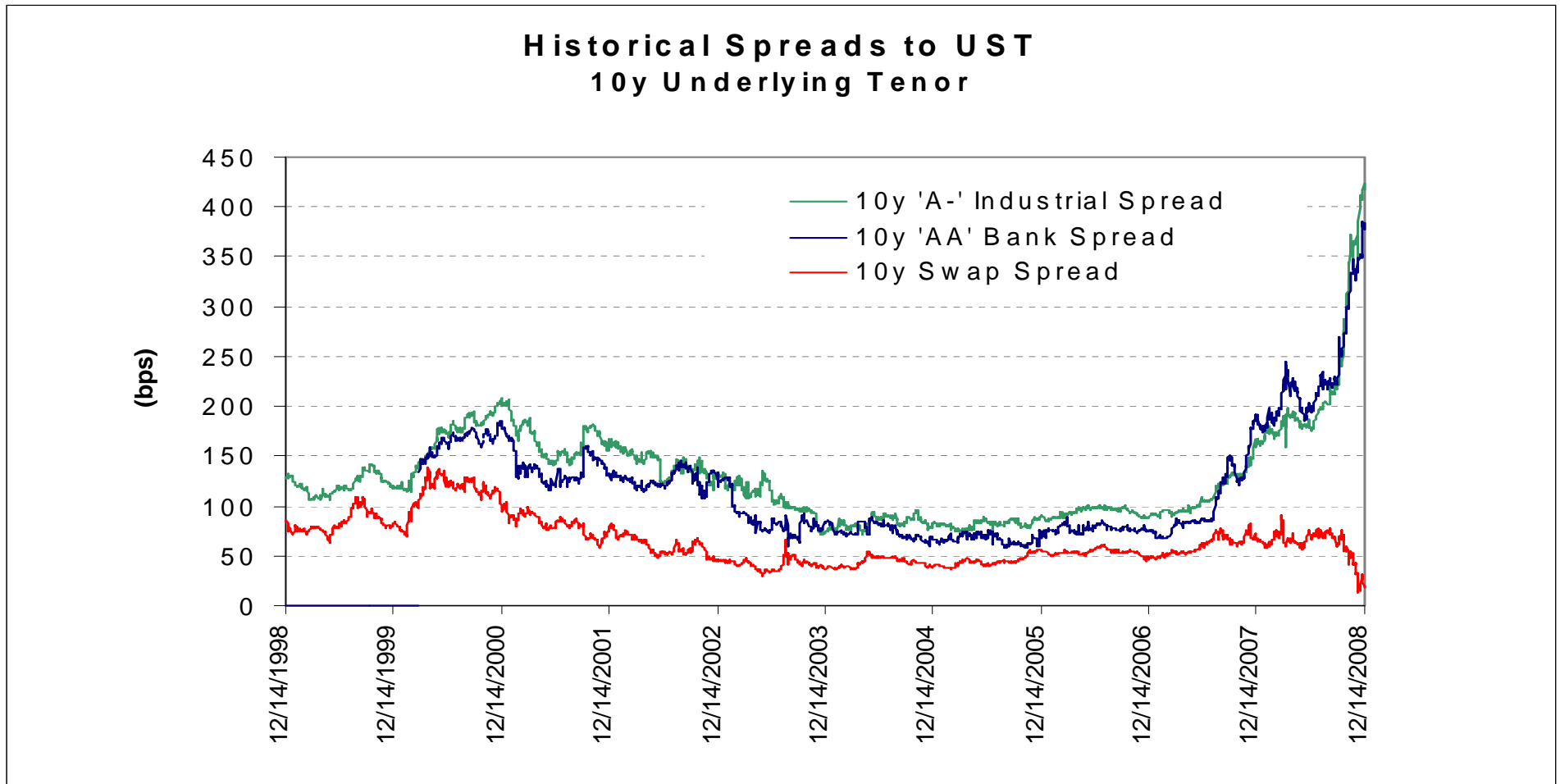
Financial & Commodity Market Overview



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High Yield Market Update

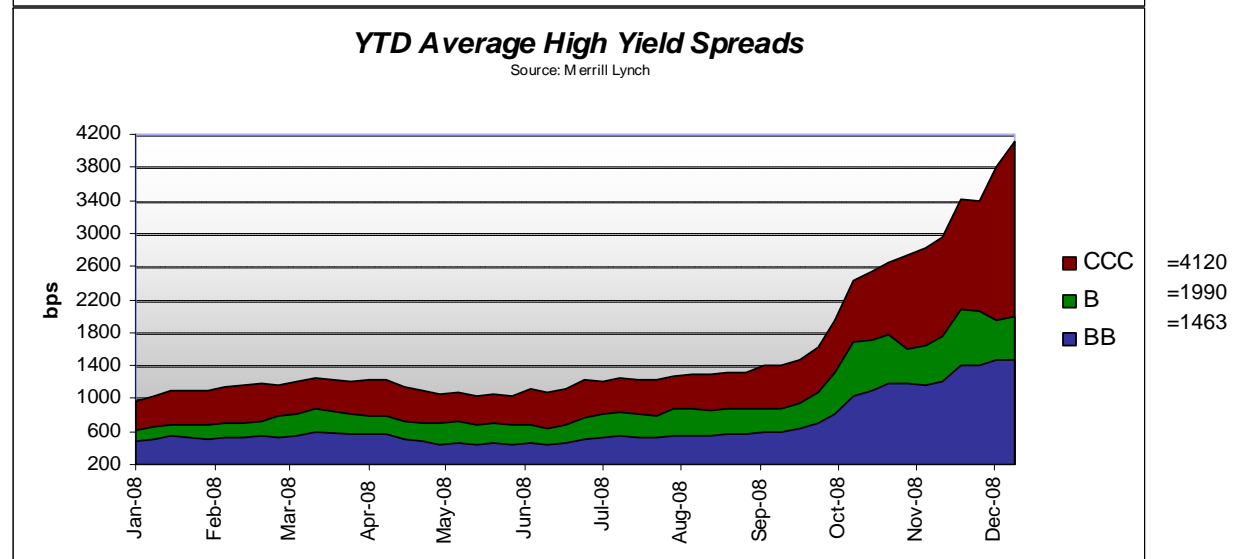
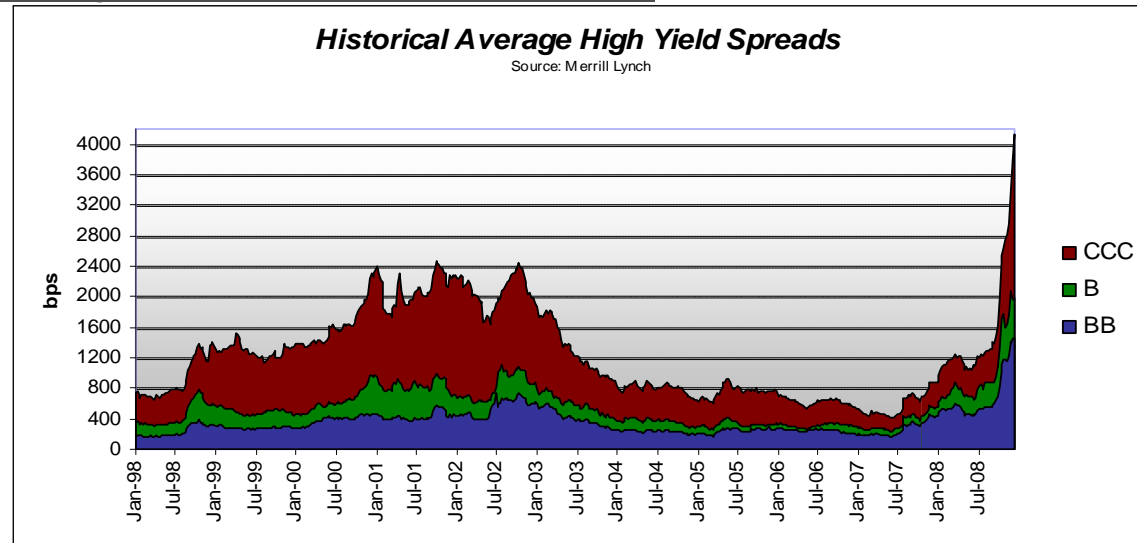
- Spreads in all ratings categories have blown through all previous highs. Spreads across the board have continued to climb from their mid-June levels of: BB - 440 bps, single-B - 642 bps, and CCC - 1085 bps.
- In addition, average yields have also hit all time highs on the back of increased concerns about the length and depth of the recession, its effect on corporate earnings and cash flows and the rising default rates.

YTD Ave. Yield to Maturity

CCC=41.311%

B=21.97%

BB=16.273%



Financial & Commodity Market Overview

- According to the World Bank:

“Much tighter credit conditions will see investment and GDP growth slow sharply.

In this climate, growth prospects for both high-income and developing countries have deteriorated substantially.

A serious global recession cannot be ruled out.

Even if the waves of panic that hit credit and equity markets across the world are soon brought under control, the crisis is likely to cause a sharp slowdown in activity stemming from the deleveraging in financial markets that has already occurred and that is expected to continue. “



Financial & Commodity Market Overview

- Falling GDP world-wide has already effectively curtailed the most recent commodity boom, which was considered the longest since 1900.

	<u>1 2 / 1 9 / 2 0 0 7</u>	<u>1 2 / 1 9 / 2 0 0 8</u>	<u>% C h a n g e</u>
C r u d e	\$ 9 1 . 2 4	\$ 3 3 . 8 7	- 6 3 %
D i e s e l	\$ 2 . 5 9	\$ 1 . 4 0	- 4 6 %
N a t u r a l G a s	\$ 7 . 1 8	\$ 5 . 3 3	- 2 6 %
A l u m i n u m	\$ 2 , 3 9 6 . 0 0	\$ 1 , 4 9 2 . 0 0	- 3 8 %
C o p p e r	\$ 7 , 7 1 9 . 0 0	\$ 7 , 5 5 0 . 0 0	- 2 %
G o l d	\$ 8 0 1 . 0 0	\$ 8 3 7 . 0 0	4 %
C o r n	\$ 4 . 3 4	\$ 3 . 8 0	- 1 2 %
S o y b e a n s	\$ 1 1 . 5 9	\$ 8 . 6 8	- 2 5 %
W h e a t	\$ 9 . 7 3	\$ 5 . 6 3	- 4 2 %
S & P	\$ 1 , 4 5 3 . 0 0	\$ 9 9 8 . 0 0	- 3 1 %
N A S D A Q	\$ 2 , 0 3 1 . 0 0	\$ 1 , 2 1 7 . 0 0	- 4 0 %

C r u d e ' s p e a k w a s \$ 1 4 7 a b a r r e l .

Impact on Rail

- **Falling GDP is causing reduced imports—may mean falling Class 1 traffic.**
- **Commodity Market retrenching a mixed bag—prices may signal car use.**
- **With credit markets in full retreat, with the reduced access to capital and the increased cost of capital, new equipment purchase decisions may be impacted.**
- **Increased Government infrastructure spending may help certain segments—aggregates for road building, etc.**

About the Company:

- Founded in 1947 by Harold Anderson with a vision for “Service”
- Began as a partnership and remained until listing on NASDAQ in early 1996
- Growth and diversification driven by customer needs and core competencies
- 2007 revenues and operating income of \$2.4 billion and \$105.9 million, respectively
- Infrastructure and skills in place to take advantage of growing ethanol industry
- Follow on Offering – 2.3 million shares issued August 28, 2006

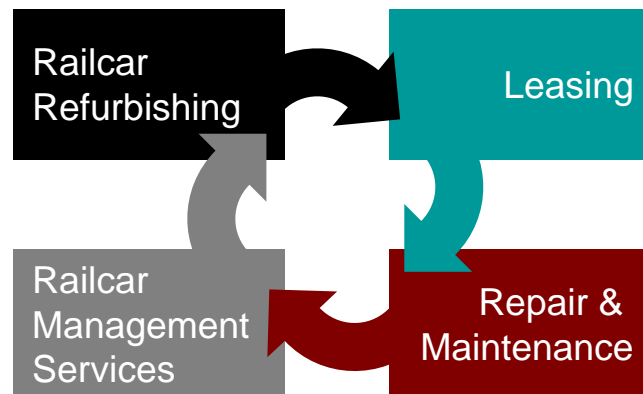


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Full Suite of Rail Car Services



- Complementary service offering
 - Customer driven solutions
 - Leader in converting railcars for different uses and extending asset life
 - Creativity in structuring transactions
 - Ability to provide multiple services to customers

Fleet/Services Profile

24,500 cars controlled or managed

&

124 locomotives

**Seven Rail Repair shops (2 in SC,
+ 1 each in OH, GA, MS, MT, & UT)**

Rail Component Manufacturing.