

Volume 3, Issue 5
May 2007

1Q results reported

For first-quarter 2007 vs. first-quarter 2006:

- Railway operating revenues were \$2.25 billion compared with \$2.30 billion.
- Net income was \$285 million compared with \$305 million.
- Diluted earnings per share were \$0.71 compared with \$0.72.
- Railway operating expenses were \$1.72 billion compared with \$1.75 billion.
- The railway operating ratio was 76.5 percent vs. 76.1 percent in 2006.

For the first quarter of 2007, Norfolk Southern reported net income of \$285 million, or \$0.71 per diluted share, compared with \$305 million, or \$0.72 per diluted share, for the first quarter of 2006. The decline in net income reflected lower income from railway operations as well as lower non operating income.

"We are encouraged with our performance in the first quarter, especially in light of the softness in the economy," said **Wick Moorman**, chief executive officer. "We will be prepared as the demand for transportation services resumes its growth, and we are continuing to invest in safety, capacity and new technology to drive further improvements in service. We are also continuing to manage our cost structure and drive further efficiencies in our operation."

First-quarter railway operating revenues were \$2.2 billion, down 2 percent compared with the first quarter of 2006. Continued weakness in the automotive and housing industries contributed to a 4 percent

reduction in volumes during the quarter compared with record volumes reported in the year-earlier period.

For the first quarter, general merchandise revenues were \$1.2 billion, down 4 percent compared with the same period last year. Coal revenues reached \$557 million, about even with first-quarter 2006. Intermodal

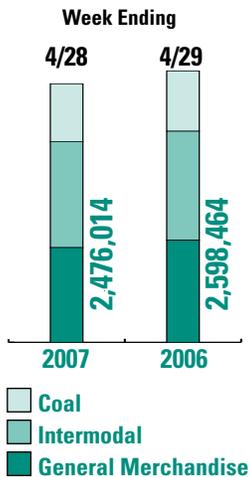


*Early morning mist rises from the Ohio River near Wellsville, Ohio, as a Norfolk Southern train heads for Ashtabula to be loaded with iron ore.
Photo: Bill Gantz, locomotive engineer*

revenues were \$462 million, down 1 percent compared with the same period last year. Despite costs associated with extreme winter weather conditions that were far more severe than the first quarter of 2006, first-quarter 2007 railway operating expenses declined 2 percent to \$1.7 billion. The improvement largely resulted from lower compensation and benefit costs.

For the quarter, the railway operating ratio was 76.5 percent, slightly higher compared with 76.1 percent during first-quarter 2006.

Carloadings Year to Date



Week #1 began Jan. 1, 2006, for the year 2006 and Dec. 26, 2004, for the year 2005.

Phishing Security

Phishing (“fishing”) - The act of misleading people into providing their personal and financial information by pretending to be from a legitimate, company, agency, or organization.

Phishing Facts

6.1 Billion - Number of phishing e-mails sent world-wide each month

\$1,200 - Average loss to each person successfully phished (Federal Trade Commission)

15,451 - Number of unique phishing attacks in January 2006 (Anti-Phishing Working Group)

7,484 - Number of phishing Web sites found in January 2006 (Anti-Phishing Working Group)

Phishing is alive and well, even to those of us at Norfolk Southern. One of these suspicious emails may have slipped through the mail filters and popped into your inbox. It is important for you to know what to look for in certain emails, especially if you are not expecting them.

The most common form of phishing is by email. Pretending to be from your financial institution, or a legitimate retailer or government agency, the sender asks you to “confirm” your personal information for some made-up reason. Typically, the email contains a link to a phony web site that looks just like the real thing – with sophisticated graphics and images. In fact, the fake web sites are near-replicas of the real one, making it hard even for experts to distinguish between the real and fake web sites. You enter your personal information onto the web site – and into the hands of identity thieves.

Follow these rules of thumb to prevent becoming a victim to phishers and identity thieves:

Only open email attachments if you’re expecting them and know what they contain – Keep

in mind that messages that look like they come from people you know could still be from scammers and contain programs that can steal your personal information.

Never enter your personal information in a pop-up screen – Sometimes a phisher will direct you to a real company’s, organizations, or agency’s web site, but

then an unauthorized pop-up screen created by the scammer will appear, with blanks in which to provide your personal information. If you fill it in, your information will go to the phisher. Legitimate companies, agencies and organizations don’t ask for personal information via pop-up screens. Install pop-up blocking software to help prevent this type of phishing attack.

Don’t click on links within emails that ask for your personal information – They may contain viruses or spyware that could damage your computer or steal your personal information – including your online passwords and account numbers. Fraudsters use these links to lure people to phony web sites that looks just like the real sites of the company, organization, or agency they’re impersonating. If you follow the instructions and enter your personal information on the web site, you’ll deliver it directly into the hands of identity thieves. To check whether the message is really from the company or agency, call it directly or go to its web site (use a search engine to find it).

Be suspicious if someone contacts you unexpectedly and asks for your personal information – It’s hard to tell whether something is legitimate by looking at an email or a web site, or talking to someone on the phone. But if you’re contacted out of the blue and asked for your personal information, it’s a warning sign that something is “phishy.” Legitimate companies and agencies don’t operate that way.

Guard your financial and other sensitive information – Never provide or post your Social Security number, address, phone number, bank account or credit card numbers, or other personal information that could be used by criminals.

Please report phishing – It is important to report phishing as the information you provide helps to stop identity theft. You can report the problem to law enforcement agencies through the National Fraud Information Center/Internet Fraud Watch, www.fraud.org or 800-876-7060. You can also contact the company or agency that the phisher was impersonating.

As always, you may contact the Information Security Department for any questions.

Helpful Links

<http://www.fraud.org>

<http://www.antiphishing.org>

<http://www.identitytheft.org>

<http://www.usdoj.gov/criminal/fraud/idtheft.html>

<http://www.idtheftcenter.org/index.shtm>



NS, NCFO update and consolidate agreements

Norfolk Southern and the National Conference of Firemen & Oilers have updated and consolidated working agreements for Norfolk Southern Railway Company Firemen & Oilers who previously worked under separate agreements on NS predecessors Southern Railway, Norfolk and Western Railway Company and former Conrail property operated by NS. The new agreement standardized work rules over the entire NS system effective April 1, 2007. This new agreement with the Firemen & Oilers conforms with most NS shop crafts agreements and provides current language in a single book for each covered union employee.

Richard Edmonds, NCFO president and general chairman, System Council No. 6, said, "This single agreement incorporates numerous negotiated changes that will prove beneficial to all Fireman & Oilers union members employed by Norfolk Southern. Having the agreement in one book will also be helpful to the membership."

"This new agreement is the result of a dedicated effort on the part of the representatives of both the National Conference of Firemen & Oilers and Norfolk Southern to work through numerous issues to achieve a system collective bargaining agreement in the best interests of the covered employees and the company. NS now has single-system agreements with five out of six shop craft unions," said Ed Jacobs, NS assistant director labor relations.

New treatment extends life of cross ties, benefits environment, reduces costs

Did you know that 92 percent of railroad cross ties are made from wood and that 20 million railroad ties are produced in the United States each year to replace aging wooden cross ties? Finding ways to increase the life of cross ties is a priority at Norfolk Southern, which purchases more than 2.6 million cross ties annually at a cost of nearly \$95 million.

Average system tie life is nearly 26 years, but geographic conditions affect that average. Tie life ranges from 10 years in the deep South to 35 years in the North. The most prevalent reasons to replace cross ties are mechanical failure in the North and decay and insect damage in the South.

For more than 100 years, pressure treatment with coal tar creosote has been the standard tie

preservative method. Due to the unique natural properties of certain wood species purchased for cross ties, it is not possible to treat the full cross section of the tie completely using creosote. Plus, the price of domestically produced creosote has risen as supply has diminished – even more reason to look at other preservative methods.

The material management, research and tests, and engineering departments began to collaborate on the possibility of pretreating cross ties with a borate solution prior to creosote treatment. The objective was twofold: to economically increase cross tie life, primarily along Southern coastal areas; and to reduce consumption of creosote. The borate controls insects and fungi that attack wood, and it provides safe, affordable, long-lasting protection against wood-destroying pests. Based on data from a late-1980s NS test site in Georgia, and with the cooperation of a major tie treater, a supplier and a consultant, a quality process for the dual treatment of ties with borate and creosote solutions was developed. The dual-treated ties are destined for high-decay locations and are expected to provide service life of more than 20 years.

Bill Rousis, director purchasing, said, "Norfolk Southern made its decision to use borate cross ties because the treatment has proven to extend the life of cross ties in certain areas of the country – especially the South – where the rate of rot and decay are high."

"This will reduce creosote use by nearly 200,000 gallons annually," said **Jack Hughes**, senior research engineer. "Additional benefits include a lower future demand for new ties and subsequently fewer ties generated for disposal."

In 2007, more than 325,000 dual-treated ties will be produced at two treatment plants.

To commemorate America's 400th anniversary, Norfolk Southern officials joined other sponsors in ringing the closing bell at the New York Stock Exchange on March 21.

Left to right: Maura Breen, Verizon senior vice president and general manager New York Region; Rob Kesler, NS vice president taxation; Catherine Kinney, NYSE president; Jeanne Zeidler, executive director, Jamestown 2007; Ron Lataille, Verizon senior vice president investor relations; Hank Wolf, NS vice chairman and chief financial officer; Leanne Marilley, NS director investor relations; and Debbie Malbon, NS assistant to the vice chairman and chief financial officer.





CAN YOU FIND THE

AT FIRST GLANCE, YOU SEE A TRAIN
A LITTLE CLOSER AND YOU'LL ALSO
MARKET, CREATING LESS POLLUTION
OUR CONGESTED HIGHWAYS. IT'S JUST
IS CARRYING AMERICA INTO THE FUT



New advertising campaign begins

Norfolk Southern kicked off its 2007 advertising campaign in early April with publication of this print advertisement in *The Wall Street Journal*. The campaign will include print and online ads and television and radio spots. In the fall, NS will release a new television commercial.

Print advertising includes *Congressional Daily AM*, *Congressional Quarterly*, *Roll Call* and *Bloomberg Markets*. NS also is placing banner ads online with *CNN.com*, *MSNBC/MSN Money*, *Comedy Central's The Daily Show*, and the *Colbert Report* Web sites. Clicking the mouse on the banner ad will take you to an NS landing page.

For the first time, NS is advertising on radio. The radio spots are running on 850 stations nationwide that include the highest-rated news and talk shows in the U.S.

The television campaign will begin Sept. 3, with a new commercial airing on *CNN*, *CNBC* and *FOX News Channel*. The new spot also will appear on *CBS Sunday Morning*, *Face the Nation* and *ABC's This Week with George Stephanopoulos*.

FUTURE IN THIS PICTURE?

GLIDING THROUGH A PRISTINE FOREST. BUT LOOK
D SEE AMERICA'S GOODS MOVING EFFICIENTLY TO
I WHILE TAKING THOUSANDS OF TRUCKLOADS OFF
T ANOTHER EXAMPLE OF HOW NORFOLK SOUTHERN
TURE.





James A. Squires



Joseph C. Dimino



Timothy J. Drake

Squires, Dimino and Drake named to senior positions; Woods retires

Norfolk Southern named three people to senior positions in its finance, law and engineering departments. The changes were effective April 1.

James A. Squires was named executive vice president finance, **Joseph C. Dimino** was named vice president compliance, and **Timothy J. Drake** was named vice president engineering. Drake succeeds **Gary W. Woods**, who retired.

Squires joined NS in 1992 as an attorney and served in positions of increasing responsibility before being named senior vice president law in 2004 and senior vice president financial planning in 2006. Squires received a degree from Amherst College and a law degree from the University of Chicago. He reports to **Henry C. Wolf**, vice chairman and chief financial officer, and is headquartered in Norfolk.

Dimino joined NS in 1976 as an attorney, was named senior general counsel in 2002 and vice president and corporate counsel in 2006. Dimino received his political science degree from the University of Rochester and his law degree from the University of Virginia. He reports to **James A. Hixon**, executive vice president law and corporate relations, and is headquartered in Norfolk.

Drake joined NS in 1976 as an assistant track supervisor and served in a range of engineering positions, including chief engineer line maintenance, before being named assistant vice president maintenance of way and structures in 2006. Drake received his civil engineering degree from Ohio Northern University. He reports to **Stephen C. Tobias**, vice chairman and chief operating officer, and is headquartered in Atlanta.

Drake succeeds Gary W. Woods, who retired after a 40-year career with NS, having joined the company as a rodman in Roanoke, and then serving in a variety of engineering positions across the rail system.

"Norfolk Southern's record as a safe, well-maintained railroad is a reflection of Gary's leadership," said Chief Executive Officer **Wick Moorman**. "The dedication and skill of our engineering and maintenance of way employees have firmly positioned us to handle more and more freight as the country's dependence on rail transportation grows."

NS, BNSF to test new train brake technology

Norfolk Southern and BNSF will begin testing a new braking system that may reduce the amount of time it takes to stop a train.

The project, authorized by the Federal Railroad Administration, calls for NS and BNSF to equip and test certain locomotives and freight cars with electronically controlled pneumatic brakes.

ECP brakes have the potential to reduce train stopping distances by as much as 50 to 70 percent over conventional air brake systems. ECP brakes use electronic signals to simultaneously apply and release throughout the length of a freight train. This differs from conventional brake systems in which each car brakes individually as air pressure moves in a series from car to car.

Testing will allow railroads to review ECP braking's potential for improved braking and shorter stopping distances, which may improve safety, network capacity and efficiency, and asset utilization, as well as reduce costs for fuel and equipment maintenance.

NS and BNSF will conduct separate ECP brake tests. NS plans to equip 30 locomotives and 400 rapid-discharge coal cars with ECP brakes during 2007 and use the equipment in dedicated coal train service.

BNSF plans to test ECP technology within its intermodal fleet, focusing on international business to and from the San Pedro Bay ports. BNSF also is pursuing a partnership with a major coal customer to integrate ECP braking technology into one of the longest distance coal routes in the country.

"ECP brakes represent a major breakthrough in rail technology," said **Gerhard Thelen**, NS' vice president operations planning and support. "Our tests will help determine how the technology performs in a real-world environment and will indicate whether it will be practical to one day make it commonplace across the entire U.S. rail industry."

"BNSF plans to expand the testing of this important technology within its fleet," said Dave Dealy, BNSF's vice president, transportation. "By leveraging our past experience with this technology, BNSF looks forward to building on this foundation to allow further implementation of ECP into our intermodal and coal shipments."

50 or older this year? Catch up on your retirement savings

If you will be age 50 or older by the end of the year, you may be eligible to increase your retirement savings by making catch-up contributions to your Norfolk Southern TIP or TRIP 401(k) account. Using catch-up contributions, qualified employees can make up to \$5,000 in additional 401(k) contributions beyond the normal plan or IRS limit in 2007.

Setting up catch-up contributions is simple. Use the Internet to access your account at www.vanguard.com, then choose the Paycheck Deduction option to make your election. You also can call Vanguard Participant Services at 800-523-1188 Monday through Friday from 8:30 a.m. to 9 p.m. Eastern time.

Catch-ups are made as a recurring payroll deduction in addition to your regular contributions to the plan. For details see your TIP or TRIP 401(k) plan summary, which is available on the Employee Resource Center.

Conrail Company Store open for business

A new online store that features Conrail logo items is open at conrailstore.com. The Conrail Company Store features apparel, accessories and other items.

Toyota, U.S. Steel recognize NS for service

For the fifth consecutive year, Norfolk Southern has earned Toyota Logistics Services' Excellence Award for on-time performance among rail carriers.

"Recognition of our transportation service performance by one of the world's top brands is a true honor," said **Don Seale**, executive vice president and chief marketing officer. "It's also a challenge that we readily accept for continuous improvement in providing safe, reliable transportation for this valued customer as our business relationship continues to grow."

During 2006, NS transported more than 61,000 Toyota rail carloads, including those originating from NS-served plants located in Georgetown, Ky., which manufactures the Toyota Camry, and Princeton, Ind., which produces the Sienna minivan and the Tundra truck.

NS has received Toyota's on-time performance award six times since the program began in 1996.

NS was one of seven companies recognized by United States Steel Corp. as an "Outstanding Supplier" for 2006. The award is given for excellent performance in areas tied closely to U.S. Steel's key business drivers including safety, quality, cost, customer service and productivity. NS was the only railroad in the group of winners.

At the awards, U.S. Steel Executive Vice President and Chief Operating Officer John Goodish said, "We feel strongly that the suppliers selected for this award have gone above and beyond the call of duty for U.S. Steel, and it is partnerships like these that contribute to the success of our company. We sincerely thank them for their commitment to our company, and we are pleased to be able to provide positive feedback and recognition to this outstanding group of business partners."

A little help from my friends



Wick Moorman, chief executive officer, was joined by children of NS employees at the Atlanta NS Children's Center dedication April 13. Top to bottom: Caroline Santangelo, daughter of Will and Michelle Santangelo, both of revenue accounting; Kaya Askew, daughter of the center's Meiko Askew; Lauren Collins, daughter of Shelley Collins, mechanical; Amy Bleyl, daughter of Alma Bleyl, IT; William Wadsworth, son of Tracy Wadsworth, IT; Chandler Morgan, son of Frances Morgan, IT; Joseph Bamert, son of Joe Bamert, engineering and Blake Crancer, son of the center's Ashlee Stephens.

NS Newsbreak is published monthly for active and retired NS employees.

*Editor
Andrea Just
Editorial Co-op
Michelle Happer
Design Manager
Frank Wright
Amber Nussbaum*

*Printed by Progress Printing
Lynchburg, Va.*

Questions and story ideas can be delivered to the editor via MEMO ID aljust, e-mail at andrea.just@nscorp.com, phone 757-823-5205 or fax 757-533-4874.

For news updates, check the NS Web site at www.nscorp.com or subscribe to NSINFO using "about Norfolk Southern" and "e-mail lists" menu options. You also can subscribe to NSInvest and Service Alert this way.

*Retirees:
To continue receiving Newsbreak after you retire, send your name and address to:
NS Newsbreak Editor
Three Commercial Place
Norfolk, Va., 23510-9224.*

NS
NORFOLK SOUTHERN[®]
Three Commercial Place
Norfolk, Virginia 23510

PRESORTED
FIRST-CLASS MAIL
U.S. POSTAGE PAID
PPCO

<http://www.nscorp.com>

Inside newsbreak:

Protect your
identity _____

2

New cross tie
treatment _____

3

NS recognized for
service _____

7

New advertising campaign begins