

Second-quarter, first-half results reported

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

- **Income from railway operations increased 2 percent to \$690 million and set a second-quarter record.**
- **Net income increased 5 percent to \$394 million.**
- **Diluted earnings per share rose 10 percent to \$0.98.**
- **The railway operating ratio improved from 71.7 to 71.0 percent.**

For the second quarter of 2007, Norfolk Southern reported net income of \$394 million, or \$0.98 per diluted share, compared with \$375 million, or \$0.89 per diluted share, for the same period of 2006.

"We are pleased to report year-over-year improvement in our financial results, especially during a quarter characterized by continued softness in certain segments of the economy," said **Wick Moorman**, chief executive officer. "Our focus remains on strengthening our service, growing our revenue base, controlling our costs, and developing our work force, in order to better serve our customers and investors in this changing economic environment."

For the first six months, net income was \$679 million, or \$1.69 per diluted share, compared with \$680 million, or \$1.61 per diluted share, for the same period of 2006.

Railway operating revenues for the second quarter were \$2.38 billion, down 1 percent compared with the second quarter of 2006. For the first six months, railway operating revenues were \$4.63 billion, down 1 percent compared with the same period last year. Continued weakness in the automotive and housing industries contributed to a 4 percent reduction in volumes for both the quarter and the first half compared with record volumes reported in the year-earlier periods.

General merchandise revenues were a record \$1.32 billion, up 1 percent compared with the second quarter of 2006, as higher average revenue per unit more than offset a decline in traffic volumes. For the first half, general merchandise revenues were \$2.55 billion, down 2 percent compared with the first six months of last year, reflecting lower traffic volume, which was partially offset by higher average revenue per unit.

Coal revenues for the second quarter were \$579 million, down 1 percent compared with the same period a year earlier. For the first six months, coal revenues were \$1.14 billion, down 1 percent compared with the first half of last year. In both periods, higher average revenue per unit largely offset the effects of reduced volumes.

Intermodal revenues were \$479 million, down 4 percent compared with second-quarter 2006. For the first six months, intermodal revenues declined 2 percent to \$941 million compared with the same period a year earlier. Both declines were primarily the result of reduced traffic volumes.

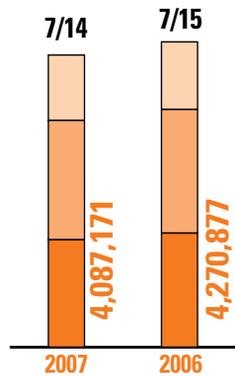
Railway operating expenses declined 2 percent to \$1.69 billion for the second quarter and 2 percent to \$3.41 billion for the first six months, compared with the same periods a year earlier.

The second-quarter operating ratio improved to 71.0 percent, the lowest for a second quarter since the 1999 Conrail integration. The operating ratio for the first half of the year was 73.7 percent, the lowest six-month ratio post-Conrail integration.

Carloadings

Year to Date

Week Ending



- Coal
- Intermodal
- General Merchandise

Week #1 began Dec. 31, 2006, for the year 2007 and Jan. 1, 2006, for the year 2006.

Ray Jones, senior general foreman Lamberts Point, and Trish Long, product manager auto parts., accepted the Clean Business Award for NS.

Now on the ERC



Is your life changing? Are you newly married? Are you the proud parent of a new child? Are you thinking of retiring? As your life changes, so do your benefits needs.

"What Happens When...?" is a collection of information to help you understand how a life event can affect your Norfolk Southern benefits. It includes sections on marriage, divorce, death, retirement, birth or adoption of a child, and more.

Each section gives you information about your benefits as well as any steps you may need to take to ensure that you and your family have the coverage you need.

You can find the link to "What Happens When...?" from the ERC Employee Benefits page.

NS recognized for environmental efforts in Norfolk

Norfolk Southern has received the Clean Business Award from the city of Norfolk. The city recognized the company for its efforts in site maintenance and beautification, recycling, water and energy conservation and litter cleanup. The award is sponsored by the Norfolk Environmental Commission, a nonprofit branch of the Norfolk Department of Public Works. **Trish Long**, product manager auto parts, and **Ray Jones**, senior general foreman Lamberts Point, both members of NS' Thoroughbred Volunteer Council, accepted the award. For two years, NS Thoroughbred Volunteers have participated in "Clean the Bay Day," helping to clear trash and debris from local waterways that empty into the Chesapeake Bay.



NS employees celebrate recovery from addiction

For 34 years, Norfolk Southern's Drug and Alcohol Rehabilitation Services program has assisted NS employees and their families in recovery from addiction and substance abuse. The DARS program has expanded its services to aid people with all types of chemical dependencies. Today, DARS operates systemwide and provides strength, support and hope for all NS participants so they can work and live in a drug- and alcohol-free environment.

This year, NS hosted its 31st annual DARS Family Jubilee, at the Glenstone Lodge in Gatlinburg, Tenn., situated in the foothills of the Great Smoky Mountains. The three-day celebration gave NS employees the opportunity to reunite with fellow DARS members, expand their support groups, and broaden their knowledge to further empower the road to recovery.

"The purpose of the jubilee and of DARS in general is to bring recovering railroaders together to support each other and aid each other in recovery from addiction," says **Jack Scott**, manager DARS. "The jubilee weekend really re-energizes everyone to go back to the workplace and share our energy and what we learned in our own jobs. It gives people the confidence to continue making the right decisions, and it lets people know they aren't alone."

More than 200 guests attended this year's jubilee, including NS employees and family members, event speakers and officials. The jubilee opened with an introductory speaker meeting and testimonial given by an NS employee who shared his personal triumph and success through DARS. An ice-cream social followed the meeting.

Other events of the weekend included additional testimonial and speaker meetings, a group trip to the local aquarium, and a formal dinner and dance featuring a performance by the NS Lawmen.

The jubilee concluded with a testimonial by two NS employees who have been in the DARS program for four years. Their struggle, dedication and success offered inspiration and encouragement to all members as the weekend came to a close.

"Knowing that DARS is there is what really helped me through it all," said one of the speakers. "I've never worked for a company that has put so much emphasis on personal recovery. In DARS, you are all railroaders, but more importantly, you are all people in recovery. That common situation is what connects you and gives support for recovery."

For more information on the DARS program, visit the DARS Web site on the Employee Resource Center log-in at www.nscorp.com.



Get the SPIRIT on ethics and compliance

Building a reputation for fair and ethical business dealings takes a long time. It only takes a few missteps to ruin that reputation, so Norfolk Southern has worked through the years to build and maintain a reputation for integrity and high ethical standards. It is a reputation of which NS employees and shareholders can be proud.

NS has identified a set of core values that illustrate how we should conduct ourselves. These values include safety, performance, integrity, respect, innovation and teamwork, or SPIRIT, and work with the Thoroughbred Code of Ethics to provide a clear understanding of what is expected of all NS employees.

The code is a vital part of NS' Ethics and Compliance program and has been revised to clearly explain general guidelines for behavior, providing questions and answers for situations employees might encounter on the job, and listing tools for help or to report suspected misconduct.

"The Thoroughbred Code of Ethics is the foundation of the program, because it describes the most pertinent policies of the company and gives direction on where the company stands on ethics and compliance," said **Joe Dimino**, vice president compliance. "It communicates what executives feel is important to keep in mind, and acts as a reference to real-life situations and how to manage them."

To help employees understand the company's policies and standards, a new Thoroughbred Code of Ethics was distributed earlier this year. It is user-friendly and clearly states the company's expectations in ethical and compliant business behavior.

"Understanding and living our core values and The Thoroughbred Code means more than just an awareness of them," said **Wick Moorman**, chief executive officer. "It means each of us taking responsibility for our own conduct at Norfolk Southern by acting in both a legal and ethical manner. Conduct drives reputation, and a company's

reputation takes years to build but only seconds to lose. It is imperative that we continue to work together to maintain our good name."

Another resource to help employees take action with questions and concerns is the NS Ethics and Compliance Hotline. The Hotline creates the opportunity for employees to seek advice or report conduct that they believe may violate NS' policy or the law. Hotline reports can be made anonymously and without fear of retaliation. Investigations are conducted in the most confidential manner possible.

"Norfolk Southern has always had a strong ethical culture," Dimino said. "We've made a great deal of progress in the last two years in the development and promotion of the ethics and compliance program. It's really helping employees understand what we are about, and we're getting better at promoting and demonstrating that."

For more information, employees are encouraged to call the Ethics and Compliance Hotline at (800) 732-9279, or visit <http://ethics.nscorp.com/> with questions or concerns regarding their own actions or the actions of others.

Ground was broken for a new plastics compound manufacturing plant in Bedford, Va. L to R: Harold Lail, materials and logistics manager, Mohawk Industries; Russell Cote, general manager, The Matrixx Group Va.; Jimmy Hanna, plant manager, The Matrixx Group Va.; Keith Rodden, president, The Matrixx Group; Jeff Savage, industrial development manager, Norfolk Southern; and Rolf Windhorn, maintenance manager, The Matrixx Group Va.



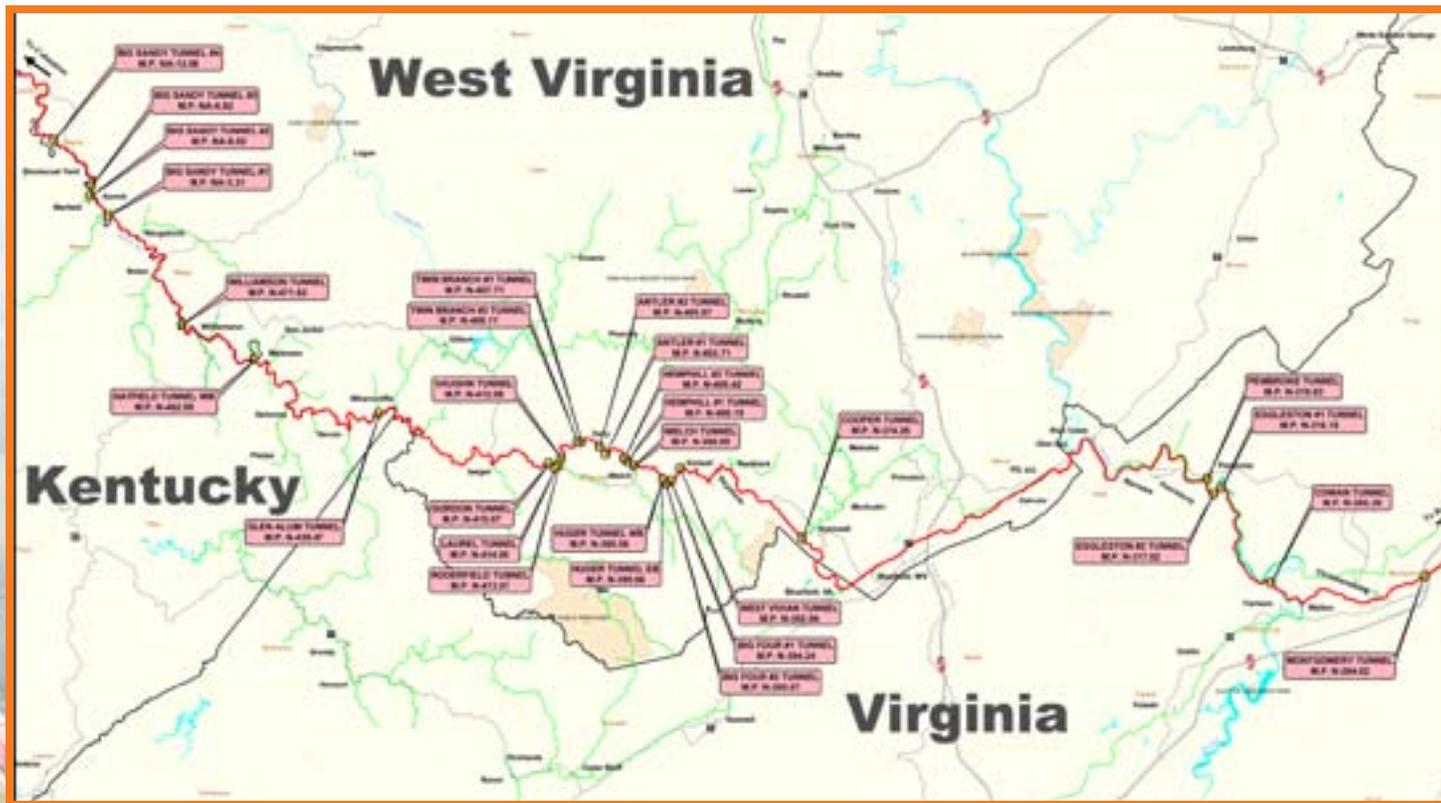
Friday the 13th brings good news

Friday, July 13, turned out to be a lucky day for Norfolk Southern and The Matrixx Group when ground was broken for a new plastics compound manufacturing plant in Bedford, Va. The 30,000-square-foot plant will supply carpet-backing materials to Mohawk Industries located in Glasgow, Va. Most inbound plastics and outbound backing material will move by rail.

Teamwork was the key to this success, said

Good News – Continued on 5

Heartland Corridor clearance work begins



Work has begun on Norfolk Southern's Heartland Corridor project to remove overhead obstructions and raise clearances between Norfolk and Columbus, Ohio. The project is a public-private partnership to expand capacity and improve service consistency and reduce transit times for intermodal traffic between the mid-Atlantic and the Midwest. It also will provide opportunities for economic development in West Virginia, Virginia and Ohio, and benefits to the nation overall.



"This project has significant impact for our communities, our customers and our shareholders because high-value goods move in maritime containers in today's world," said **Rob Martínez**, vice president business development. "In order to compete in many markets, manufacturers and other businesses need to be able to access intermodal transportation. We're pleased to start this work that will result in a shorter route to the Midwest and public benefits, such as more local investment in industry, and job creation."

Along the 284-mile clearance route, improvements include eliminating 24 overhead obstructions and working on 28 tunnels. The tunnel work ranges from notching or grinding a few inches from tunnel entrances and roofs to “daylighting” or completely removing one tunnel roof. The goal is to create clearance heights of 20’3” for double-stack intermodal trains and Q-Car multilevel cars used to transport larger finished vehicles.

Work will be done at many locations simultaneously.

“Work actually began on bridges in Ohio in June, and that work will continue through the summer,” said **Jim Carter**, chief engineer bridges and structures, who is overseeing the project for NS. “We expect to start tunnel work in early fall at Cowan Tunnel, near Blacksburg, Va., and at Roderfield, Laurel, and Gordon tunnels near Roderfield, W.Va. Within a month or so after that, we will start working at Antler No. 1, Antler No. 2, Twin Branch No. 1, Twin Branch No. 2, and Vaughn tunnels, between Welch and Roderfield, W.Va.”

The biggest challenge is scheduling work as to not interfere with rail traffic. Work will take place in 10-hour windows five days a week.

“Each area has different traffic flows, so the allowable curfews were developed by our Transportation Department to accommodate those specific areas,” Carter said. “Being prepared to face the unexpected and adapt quickly, if necessary, and still be able to return a safe tunnel to service at the end of the planned day’s work, within the allotted track window, has been our goal and a challenge throughout the planning and design phase. That will continue to challenge us as the actual field work progresses.”

Carter said work to accommodate double-stack trains will include notching five tunnel roofs, replacing walls or roofs of 16 tunnels, lowering and realigning track in five tunnels, bypassing one tunnel, and removing the roof of one tunnel. Four tunnels along the route require no improvements. Improvements may take between four and 54 weeks for each tunnel, depending on the magnitude of the work.

Each tunnel has its unique characteristics, which makes improving some more difficult than others.

“Cowan Tunnel is challenging, because it is the longest tunnel and probably more complex geologically. The rock beds are folded, whereas the other tunnels that we will modify structurally are in basically horizontally bedded rock,” Carter said. “U.S. Route 52 crosses the east portal of Big Sandy No. 1 Tunnel, which requires construction of a highway bridge before the roof can be raised. Cowan, Cooper, and Williamson (Mingo) tunnels have brick linings, while most of the rest are concrete-lined. Demolition of the brick linings poses more concerns than the others.”

In addition to the tunnel clearances, the overall project includes construction of three new intermodal terminals, one now under way at the former Rickenbacker Air Force base in Columbus, Ohio. The other two will be in the Roanoke region of Virginia and at Prichard, W.Va. Also, a rail line in Portsmouth, Va., will be relocated to serve a new APM marine terminal and a future fourth marine terminal to be built by the Virginia Ports Authority on Craney Island.

The project is expected to be completed in 2010.

Jeff Savage, manager industrial development. Working with him were **Jeff Cline**, senior engineer, industrial development; **Donna Fisher**, director chemical marketing; **Phil North**, manager business development chemical marketing; **Neil Davis**, product manager plastics; **Yvonne Dunlea**, national account manager; **Haskel Stanback**, Virginia Division superintendent; **Charlie Strickland**, assistant superintendent Virginia Division; and **Chris Purgason**, trainmaster at Shenandoah, Va.” We were able to give The Matrixx Group the kind of service package and commitment they need to serve their customers,” Savage said.

The plant is scheduled to open for business in February 2008. Other building phases may include additions up to 200,000 square feet.

Wolf retires, Squires named CFO

Henry C. Wolf retired as vice chairman and chief financial officer of Norfolk Southern Corporation July 1, closing a 34-year career with the company, and **James A. Squires**, executive vice president finance, has assumed the additional title of chief financial officer.

“In his expanded role as executive vice president finance and chief financial officer, Jim Squires will inherit a legacy of financial excellence left by Hank Wolf,” said **Wick Moorman**, chief executive officer. “I am confident that the strong economic foundation built by Hank will be in good hands as Jim takes over.”

Wolf joined NS in 1973 as a senior tax attorney and rose through the executive ranks to become vice president taxation in 1991, executive vice president finance in 1993, and vice chairman and chief financial officer in 1998. A graduate of the College of William and Mary and its law school, he also holds graduate degrees from Louisiana State University and Georgetown University.

Squires joined NS in 1992 as an attorney and became senior vice president law in 2004. He was named senior vice president financial planning in 2006 and executive vice president finance in March of this year. He holds an undergraduate degree from Amherst College and a law degree from the University of Chicago.



Squires



L to R: Enginemen Jim Layton, Kenny Guy and Joe Doolin, and Conductor Tom Mulligan

Decatur employees celebrate 40-year injury-free work

At Norfolk Southern's Illinois Division's annual safety recognition awards ceremony, four transportation employees who work in Decatur Terminal were honored for working 40 years injury-free. Honored were Enginemen **Jim Layton, Kenny Guy** and **Joe Doolin**, and Conductor **Tom Mulligan**.

"These men are leaders at work and in the community," said **Laura Hoag**, terminal superintendent. "Their outstanding service to NS sets a wonderful example for other employees to follow."

Mulligan received the 2004 Harold F. Hammond award for exemplary safety leadership in the railroad industry and is an active participant in NS' safety program. Layton is actively involved in Operation Lifesaver, a nonprofit international continuing public education program first established in 1972 to end collisions, deaths and injuries at places where roadways cross train tracks, and on railroad rights of way.

NS employees run to raise money for a cure

Norfolk Southern Atlanta employees teamed up with friends and family to make an impact in the surrounding community.

They participated in the 17th Annual Susan G. Komen Atlanta Race for the Cure®. The team, "Family and Friends for Life," raised \$5,274 to help support breast cancer outreach projects and programs in the Atlanta area.

The team, sponsored for the past four years by the NS Accounting Safety Committee, was made up



of NS employees from the David R. Goode Building, their family members and friends. All 58 NS participants who completed the race are either breast cancer survivors or have been personally affected by breast cancer through a close family member or friend.

Team captains **Anita Brown**, senior customer account representative, **Hollie Gilmore**, finance budget and planning coordinator, **Shirley Petty**, secretary to the vice president accounting, and **Sharon Thompson**, revenue accounting supervisor, played a vital role in organizing participation and making the race a successful event for the team. Because of their efforts, the team exceeded all recruitment and fundraising goals and had the largest participation since the team's formation in 2004.

"We think it's important for the community and our customers to know that Norfolk Southern employees care and promote health awareness in the area," said Thompson, who was also a race participant. "We would love to grow and have more sponsors next year and exceed our goals again in 2008."

The race, held annually on Mother's Day, takes place in Atlantic Station and runs along Spring Street and West Peachtree Street in downtown Atlanta. The event was sponsored by one of NS' largest customers, Georgia Pacific, and is put on by Susan G. Komen for the Cure, one of the world's largest and most progressive networks fighting to end breast cancer forever.



NS K9 partners blow their cover

Norfolk Southern Police Special Agent **Lance Pines** and K9 partner **Wolf** are featured on the cover of the 2008 "Cops & Dogs" calendar. Pines and Wolf work out of Elizabeth, N.J. The calendar was created by former New York policeman John Baer. A portion of calendar sales is donated to local law enforcement K9 departments and organizations.

Tom Reese receives "All Star" Award

Tom Reese, national account manager inter-modal, was the recipient of one of Target Corp.'s "All Star" Awards at the annual Target Carrier Conference at the Minneapolis Convention Center in May.

The awards are presented to individuals who exceed Target's expectations for providing superior transportation service and performance.

"It's very gratifying to have Tom representing Norfolk Southern with our customers and transportation affiliates," said **Don Seale**, executive vice president and chief marketing officer. "His customer-focused values are the foundation to building strong customer partnerships and growth in our business."

"It was somewhat of a surprise when I received the call, and it's an honor to receive recognition," Reese said. "The award is more a reflection of our company, and it speaks volumes toward our commitment to our customers and shippers."

Duty. Honor. Country.

Norfolk carman's stepson recognized for valor

Quick action by the stepson of a Norfolk Southern carman potentially saved the lives of American soldiers at Patrol Base Warrior Keep, near Sadr Al-Yusufiyah, Iraq. U.S. Army Spc. Chuck Osgood and his 10th Mountain Division colleague, Spc. Brandon Rork, were watching the base's perimeter when they noticed a dump truck approaching the barriers. As the truck got closer, they realized the driver was trying to crash through the barriers. They began firing, and shot



Army Spc. Chuck Osgood

and captured the driver.

The truck was loaded with 8,000 pounds of explosives. The driver was wearing a vest loaded with 15 pounds of C4 explosives and ball bearings.

Osgood is the stepson of **John White**, a carman with 26 years of NS service at Portlock Yard in Norfolk. Osgood's story made the local news in Norfolk.

"We received an e-mail from Chuck titled 'good news,' telling us about this incident, and we were so proud of him," White said. "This is

the same division that had a truck ambushed, five or six people and an interpreter killed, and three soldiers kidnapped a month earlier.

"Chuck told us he and Rork got unusual souvenirs from their commanding officer," White said. "The truck engine was still running when the driver was captured, so each of them was given one of the keys to remember the incident. He also told us that by the time they blew up all the explosives, most of the base's windows were gone, blown out by the force of the detonations."

White's daughter, Spc. Stephanie Fleenor, also serves in the U.S. Army and is based in Fayetteville, N.C. She has served in Afghanistan helping to build roads.

White said Osgood was not able to get home for Thanksgiving, so they waited to celebrate until he came home on leave in March. Fleenor joined in the celebration.

White said Osgood has been nominated for a bronze star for his heroic actions.

NS carman earns Navy and Marine Corps Achievement Medal

Roger Gregg, a Norfolk Southern carman from Knoxville, Tenn., has received the Navy and Marine Corps Achievement Medal. He was first called to active duty after the bombing of the USS Cole and has since served in Gulfport, Miss., Iraq and Knoxville, Tenn.

It took a while for the award to reach Gregg. He explains, "This award just caught up with me after nearly three years. Since I was transferred so quickly from the Pentagon to support Seabees going to Iraq, the award was submitted for approval after I moved. When finally signed, it was forwarded to Gulfport, Miss., but I had already been shipped out to Iraq by then, so it was placed in the vault to be presented when I returned. When I returned from Iraq, we had to evacuate to Norfolk because of Hurricane Katrina."

Tell us your stories about military service

For our November issue of Newsbreak, we're looking for stories about Norfolk Southern employees and family members who have served or are serving in the military. We'd also like to hear some of your thoughts about Veterans Day. Send your stories, anecdotes and photos to Newsbreak editor Andrea Just via e-mail at andrea.just@nscorp.com, or U.S. mail at Three Commercial Place, Box 224, Norfolk, Va., 23510.

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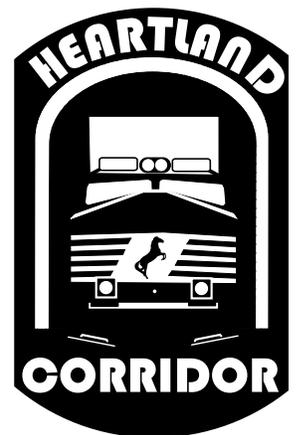
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