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# NS *newsbreak*

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## Fourth-quarter and 2007 results reported

### NS set the following fourth-quarter records:

- Railway operating revenues reached \$2.5 billion.
- Income from railway operations rose 12 percent to \$686 million.
- Net income increased 4 percent to \$399 million.
- Diluted earnings per share climbed 7 percent to \$1.02.

### NS set the following records for the year:

- Railway operating revenues increased \$25 million to \$9.4 billion.
- Income from railway operations rose \$28 million to \$2.6 billion.
- Diluted earnings per share increased 3 percent to \$3.68.

Norfolk Southern reported record fourth-quarter 2007 net income of \$399 million, an increase of 4 percent, compared with \$385 million for fourth-quarter 2006. Diluted earnings per share were \$1.02, up 7 percent, compared with the \$0.95 per diluted share earned in the fourth quarter of 2006. Net income for 2007 was \$1.5 billion, down 1 percent, compared with record net income for 2006. Diluted earnings per share increased 3 percent, or 11 cents, to \$3.68.

"I am pleased to report that Norfolk Southern delivered a strong financial performance in the fourth quarter in the face of economic headwinds and higher fuel costs," said CEO **Wick Moorman**. "While the economic picture remains uncertain, we are optimistic about our prospects for 2008 and beyond. We continue to invest in infrastructure development such as the Heartland Corridor to add capacity to our network for future growth, and we are confident in the value of rail as the best transportation choice for our customers."

Fourth-quarter railway operating revenues were a record \$2.5 billion, up 6 percent, compared with the same period a year earlier. Flat merchandise shipments, together with fewer coal and intermodal shipments, contributed to a 3 percent decline in traffic volume. For 2007, railway operating revenues improved by \$25 million to \$9.4 billion, slightly higher than 2006, and volumes declined 4 percent.

General merchandise revenues were \$1.4 billion, a fourth-quarter record, and an increase of 10 percent compared with the same period last year. These revenues included a contract volume settlement that had a favorable impact of \$26 million in the fourth quarter. General merchandise volumes were about even, compared with the fourth quarter of last year. For 2007, general merchandise revenues reached a record \$5.2 billion, a 2 percent increase over 2006, despite a 4 percent decline in volume.

Coal revenues improved 2 percent to \$601 million, a fourth-quarter record, but declined 1 percent to \$2.3 billion for the year, compared with the same periods of 2006. Traffic volume was down 5 percent in the quarter and declined 3 percent for the year compared with 2006 volumes.

Intermodal revenues were \$496 million, up 1 percent, compared with fourth-quarter 2006. For 2007, intermodal revenues were \$1.9 billion, down 3 percent, compared to last year. Traffic volume declined 4 percent in the quarter and for 2007 compared with the same periods of 2006.

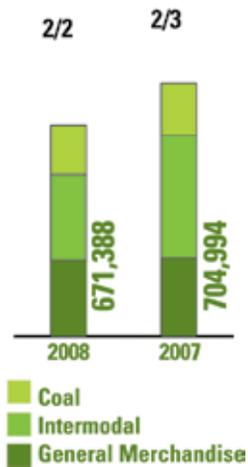
Railway operating expenses were \$1.8 billion for the quarter, 4 percent higher compared with fourth-quarter 2006, largely due to increased fuel costs. For 2007, railway operating expenses of \$6.8 billion were about even with 2006.

Income from railway operations set records for both the fourth quarter and the year, climbing 12 percent to \$686 million in the quarter and increasing 1 percent to \$2.6 billion for the year, compared with 2006.

The fourth-quarter operating ratio improved by 1.5 percentage points to 72.0 percent, compared with the same quarter of 2006. For the year, the operating ratio was 72.6, down slightly from the year before.



## Carloadings Year to Date Week Ending



Week #1 began Dec. 30, 2007, for the year 2008 and Dec. 31, 2006, for the year 2007.

## NS harnesses the power of sustainable wind energy in Ohio

Installation of a 50-kilowatt wind turbine was completed at Norfolk Southern's Bellevue Yard in Ohio to power the yard's wastewater treatment plant. The wind turbine consists of three 24-foot rotor blades mounted on an 80-foot tower, and is estimated to generate more than 100,000 kilowatt-hours annually.

"The Bellevue wind turbine is the first of its kind on Norfolk Southern, and we believe that its success will act as a catalyst for other sustainable energy initiatives on the railroad," said **Chuck Wehrmeister**, vice president safety and environmental. "We truly appreciate the interest officials from both Erie County and the City of Bellevue expressed in the use of alternative renewable energy."

Since the wind turbine was first announced in October, Norfolk Southern has received inquiries about it from as far away as Australia.



## Elkhart Special Agent named 2007 NS police office of the year

Special Agent **Richard Kentaft**, Elkhart, Ind., was named the 2007 Norfolk Southern Police Department's Officer of the Year.

The department has selected an individual for the honor since 1992. Supervisors submit candidates to police headquarters with supporting documentation. The winner is chosen by the department's leadership.

Kentaft entered railway service in 2005. He has been recognized for his persistence and dedication to duty and earning the respect of co-workers, peers, and outside law enforcement agencies in the Elkhart area.

In 2007, Kentaft was among the top producers in the department in incident reporting and arrests, personally ejecting 173 trespassers from NS properties. He has worked with law enforcement agencies in Elkhart, St. Joseph, and LaPorte counties in Indiana, as well as the cities of Elkhart, Mishawaka, and South Bend, to increase patrolling along railway rights of way to identify and eject trespassers.

Kentaft has a personal interest in coordinating trespass and grade crossing enforcement activities and is a presenter in NS' Grade Crossing Crash Investigation program. He works closely with local safety committees and train crews to identify and target high-incident areas for enforcement efforts. He is a member of the NSPD Special Operations Response Team and completed 50 hours of tactical training at the Federal Law Enforcement Training Center in Glynco, Ga., in 2007.

"Rick Kentaft has proven himself to be a true railroad police professional," said **Steve Hanes**, NS police director. "As one of the department's newer officers, he has performed exceptionally, and we are proud to honor him as the 2007 Norfolk Southern Police Department Officer of the Year."

*A wind turbine at Bellevue Yard is estimated to generate more than 100,000 kilowatt hours annually.*

## NS Museum a crowd pleaser

Norfolk Southern's Museum in the Arnold B. McKinnon building in Norfolk continues to draw visitors from many places. It opened in December 2005. In 2007, the NS Museum had 1,400 registered guests.

Visitor comments include, "This museum rocks," "wonderful resource" and "makes me more interested in trains." The locomotive simulator continued as the most popular component.

Plans for 2008 include a major upgrade to the simulator and installing an exhibit relating to the papers of historic NS figures.

The Museum is open Mon. – Fri., 10 a.m. to 4 p.m.



*Clockwise from top:  
The locomotive simulator is  
the most popular museum  
component; exhibits highlight  
NS' past, present and future;  
NS lines of business are ex-  
plained; NS employees enjoy  
the museum.*

# A leader in innovation

The primary task of the Charlotte Roadway Shop is to rebuild maintenance equipment and associated components. The shop is an ISO 9001-2000-registered facility on a 16-acre complex with 176,000 square feet of buildings and 128,000 square feet of manufacturing and repair space in Charlotte, N.C. The 165 employees there in Norfolk Southern's roadway equipment group play a vital role in keeping infrastructure and equipment humming on the NS system. They overhaul and repair track

maintenance equipment, manufacture and repair replacement parts, distribute parts and supplies, develop new machinery, and create methods for improvements in safety and work efficiency. Along the way, they have come up with new designs for maintenance equipment that are so good they have been patented, such as brush cutters, anchor removers, and even a laser-vision system for spike-driving machines.



## Mark III Tamper

This single-operator tamping machine compacts ballast under ties and aligns the track structure, adjusting for curvature and elevation. The roadway shop obtains used machines from other railroads and overhauls them using state-of-the-art equipment, replacing hydraulic and electrical systems with the latest components for substantial NS savings.

## Nipper Spiker

Using one or two operators, this machine has two spike guns on each side, to drive spikes through tie plates, which hold the rail down. CRS refined the electronics for this machine and came up with a new computer system, making the Nipper/Spiker more efficient at less cost.





## Mulching Brush Cutter

Designed and engineered at the Charlotte Roadway Shop, the mulching brush cutter is safer and more environmentally friendly than brush cutters currently on the market. Rather than cutting and propelling the vegetation outward, this innovative machine cuts and mulches trees and brush, leaving them in place, which means it can be used safely in populated areas and along highways. In addition, the mulched material helps reduce erosion of the right of way. With two brush-cutting heads, the mulching brush cutter can cut both sides of the track at the same time. It can be used on double track with its ability to cut one track without fouling adjacent track while allowing continued traffic movement. The machine can accommodate one or two operators, depending on the needs at any given location.



## Yard Cleaning Machine

Another machine unique to Norfolk Southern is the yard cleaning machine. Using two conveyor-equipped track brooms, this machine cleans spillage in switching yards. The track brooms work ahead of the machine, sweeping material from the track area and depositing it into two windrows just beyond the ends of the cross-ties. The yard cleaner then follows, picking up the material using two scoops with cleated conveyor belts. These belts discharge into a third conveyor that conveys the material into an open gondola car towed behind the machine. For heavily fouled ballast conditions, the scoops can cut 17 inches below the top of the rail. Norfolk Southern's yard cleaner, with a capacity of 1,200 tons per hour, is more efficient than commercially available cleaners.

### PATENTS HELD BY CHARLOTTE ROADWAY SHOP

Patent No. 4,119,154  
10/10/78

Method and apparatus  
for treating ballast

Patent No. 4,457,060 7/03/84  
Rail Anchor Remover

Patent No. 4,203,493 5/20/80  
Railway Ballast Cleaner

Patent No. 4,571,981 2/25/86  
Spike Straightener Apparatus

Patent No. 4,534,296 8/13/85  
Rail Gauger

Patent No. 4,606,430 8/19/86  
Rail Mounting Safety Device

Patent No. 4,522,127 6/11/85  
Railway Tie Plug Driving  
Apparatus

Patent No. 4,673,854 6/16/87  
Electronic Cross-Level  
Detection System

Patent No. 4,760,797 8/02/88  
Method and Apparatus  
for Automated Tie Detection  
and Tamping

Patent No. 5,415,087 5/16/95  
Mobile Tie Banding Apparatus

Patent No. 6,647,891 B2  
11/18/03  
Range Finding, Base Image  
Processing Railway Service  
Apparatus and Method

## Sheffield Terminal employees reach safety milestones

At a recent safety meeting in Sheffield, Ala., Norfolk Southern recognized its employees based at Sheffield Terminal for their outstanding commitment to safety.

The 80 employees in the transportation department have worked injury-free for the past seven years. Four other departments based at Sheffield also received recognition for their outstanding safety performance:

- 14 bridge and building department's employees have a 15-year record of no job-related injuries.
- 18 maintenance-of-way department employees have 9 years of injury free service.
- 60 mechanical department employees have worked 4 years with no injuries.
- Eight communication and signal department employees have nine years of injury-free service.

"Sheffield area employees continue to set an exceptional standard for safety performance," said **Susan Gregory**, superintendent of NS' Sheffield Terminal. "With more than 25 trains operating daily in northern Alabama, the terminal is a gateway to Norfolk Southern's operations in the Southeast. On a daily basis, our employees put safety first in every job they perform, while delivering excellent customer service."

Sheffield has more than 10 employees who have worked between 30 and 37 years injury free. The safety committee recognizes an employee each month that works safely and goes above and beyond the call of duty.

## Eight million injury-free employee hours for CYO

Norfolk Southern's Centralized Yard Operations celebrated six years of injury-free service on Dec. 13, 2007. This milestone represented more than eight million injury-free employee hours.

CYO operates 24 hours a day, seven days a week, and its employees handle a range of services. There are 391 agreement employees and 61 non-agreement employees and safety is always the priority.

**Brad Fitzgerald**, director CYO, credits this accomplishment solely to dedicated employees. "This record is attributed to the diligent and safety-conscious employees of CYO," he said.

"Our managers have one-on-one contacts with each assigned CYO representative during the month. During these contacts, we cover a safety rule of the month as well as subjects related to home safety," Fitzgerald said.

He said that employees stay focused on safety by involving representatives in safety audits of the



Joseph C. Dimino



Howard D. McFadden

building and their work area. There is a safety meeting process in which divisions hold safety huddles each month. Unresolved issues are forwarded to a regional safety committee. If still unresolved, they are sent to the CORE safety committee that includes a representative from each division. He said this empowers employees to correct unsafe conditions and actions.

These safety meetings, training, and events have brought positive results. To commemorate this achievement, there was cake on all three shifts. "We are indeed proud of our employees for their commitment to safety," Fitzgerald said. "Everyone working together as a team is the only way to accomplish such goals."

## Dimino named VP audit and compliance; Carter retires

**Joseph C. Dimino** has been named vice president audit and compliance for Norfolk Southern with headquarters in Norfolk. He reports to Chief Executive Officer Wick Moorman.

Dimino joined NS in 1976 as an attorney and was promoted to senior general counsel in 2002 and vice president and corporate counsel in 2006. He was named vice president compliance in 2007 and will keep that responsibility. Dimino earned a political science degree from the University of Rochester and a law degree from the University of Virginia.

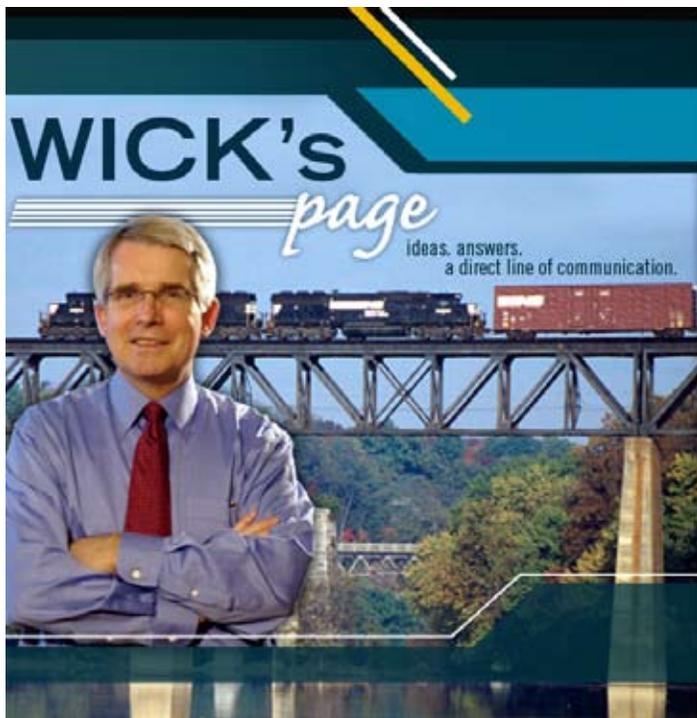
In his new position, Dimino assumes the responsibilities formerly held by **James E. Carter Jr.**, who retired Feb. 1 as vice president internal audit, after a 34-year railroad career. Carter joined NS in 1973 and served in a number of positions in accounting and internal audit before being named vice president internal audit in 2000.

## McFadden named corporate secretary; Martin retires

**Howard D. McFadden** has been named corporate secretary for Norfolk Southern, with headquarters in Norfolk. He will report to **James A. Hixon**, executive vice president law and corporate relations.

McFadden joined NS as a tax department attorney in 2001. He was named general tax attorney, his current position, in 2005. McFadden earned a bachelor's degree in English and a master's degree in education, both from the College of William & Mary, an accounting degree from Georgia State University, and a law degree from the University of Virginia.

In his new position, McFadden will assume the responsibilities held by **Dezora M. Martin**, who will retire March 1 after a 35-year railroad career. Martin joined Norfolk Southern in 1972 and was named corporate secretary in 1995.



## Ask Wick a Question on Wick's Page

Ever wonder what keeps Wick Moorman up at night? You can find out on the ERC's newest feature, Wick's Page. There, Norfolk Southern's chief executive officer communicates about what's happening in our company and industry – and gives employees an opportunity to ask him questions. You'll be informed, maybe even surprised by his comments. Have a question you want to ask the CEO? All you have to do is click on "Ask Wick," and he will respond to your most timely, relevant queries. Check out Wick's Page, and watch for new postings from time to time.

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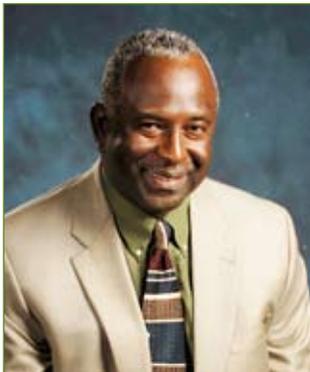
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Norfolk, Va., 23510-9224.

## Mobley named VP Labor Relations; MacMahon retires

**Harold R. Mobley** has been named vice president labor relations for Norfolk Southern, effective March 1, with headquarters in Norfolk. He will report to **John P. Rathbone**, executive vice president administration.



Harold R. Mobley

Mobley joined NS as a management trainee in 1971. He served in a number of positions in the engineering, transportation and labor relations departments and was named assistant vice president labor relations in 2000. Mobley earned a bachelor's degree in history and English from Valparaiso University.

In his new position, Mobley will assume the responsibilities held by **Mark R. MacMahon**, who will retire March 1 after a 32-year railroad career. MacMahon joined NS in 1975 as a management trainee and served in a number of positions in operations, human resources and labor relations before being named vice president labor relations in 2000.

## Animal House?

A few of the Virginia Zoo's more popular critters accompanied Executive Director **Greg Bockheim** to the Arnold McKinnon building in Norfolk. Bockheim was there to discuss the organization's expansion plans and how railroad families can support the Zoo and enjoy everything it has to offer.

One addition will be a new train feature, the Norfolk Southern Express that will transport visitors along a four-mile route.



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## *Inside newsbreak:*

Special agent  
named NS Police  
Officer of the Year

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A leader  
in innovation

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Injury-free at Sheffield  
Terminal and CYO

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*Members of the Alabama Division's Alabama Great Southern South Safety Committee presented \$1,000 to the Boys and Girls Club of Akron, Ala., to help construct a new facility. Left to right are Eddie Johnson, brakeman; Rick Strawn, locomotive engineer; Greg McCurry, locomotive engineer; and Charles Martin, maintenance of way supervisor. Accepting the check on behalf of the Boys and Girls Club are Stephanie Woods, president; Erica Woods, treasurer; Mamie McClary of the Akron City Council, and four members of the Auburn Rural Studio. The Auburn Rural Studio is providing labor, at no cost, to build the new facility*