

NS newsbreak

Volume 1, Issue 1
November 2005

Third quarter revenues set records

For the third quarter of 2005, Norfolk Southern reported net income of \$301 million, or \$0.73 per diluted share, compared with \$288 million, or \$0.72 per diluted share, for the same period of 2004. Third-quarter 2004 results included a gain from the Conrail corporate reorganization that increased reported results by \$53 million, or \$0.13 per diluted share. Third-quarter 2005 net income was 28 percent higher than the \$235 million, or \$0.59 per diluted share, earned in the same period of 2004 excluding the gain.

"These good results came from the effective response of our people to the challenges of the quarter and our ability to maintain service for our customers while moving a record-setting 2 million carloads of traffic," said NS Chairman **David R. Goode**. "While we had some unplanned costs from hurricanes and casualty claims, the quarter was very successful and continued our strong momentum."

For the first nine months, net income was a record \$919 million, or \$2.24 per diluted share, an increase of 39 percent compared with \$659 million, or \$1.66 per diluted share, for the same period of 2004. Nine-month results for 2005 included a benefit of \$96 million, or \$0.23 per diluted share, from the effects of Ohio tax legislation. Net income for the first nine months of 2004 included the \$53 million, or \$0.13 per diluted share, gain on the Conrail reorganization. Excluding both items, net income for the first nine months would have been \$823 million, or \$2.01 per diluted share, in 2005, 36 percent higher than 2004 net income for the first nine months of \$606 million, or \$1.53 per diluted share.

Railway operating revenues for the third quarter increased 16 percent to a record \$2.16 billion compared with \$1.86 billion for the same period a year earlier. For the first nine months, railway operating revenues set a record, rising 17 percent to \$6.27 billion compared with \$5.36 billion during the first nine months of 2004.

General merchandise revenues reached \$1.14 billion, an increase of 13 percent over \$1.0 billion for the third quarter last year. For the first nine months, general merchandise revenues improved 12 percent to a record \$3.37 billion compared with \$3.0 billion in the year-earlier period. All merchandise markets reported revenue gains compared with the same periods a year earlier primarily due to higher average revenues, including fuel surcharges.

During the third quarter, NS set a record by moving more than 451,000 carloads of coal. Coal revenues increased 22 percent to \$546 million in the quarter and improved by 25 percent to a record \$1.6 billion during the first nine months compared with the same periods last year. The revenue gains during both periods were driven by higher average revenues, robust demand for utility coal and fuel surcharges.

For the third quarter, intermodal revenues climbed 17 percent to \$471 million, the highest of any quarter in Norfolk Southern's history. For the first nine months, intermodal revenues reached a record-setting \$1.31 billion, a 19 percent increase compared to the same period a year earlier. A 9 percent increase in traffic volume during both periods, higher average revenues and fuel surcharges helped drive the growth.

Railway operating expenses were \$1.63 billion for the quarter, up 17 percent compared with third-quarter 2004, and \$4.75 billion for the first nine months, an increase of 15 percent compared with the same period a year earlier. Higher diesel fuel prices, costs associated with additional business volume (including expenses related to hiring additional employees), maintenance activities, and adverse casualty claims costs contributed to the increases during both periods.

For the quarter, the railway operating ratio was 75.5 percent compared with 74.7 percent during third quarter 2004. For the first nine months, the railway operating ratio improved to 75.7 percent compared with 76.9 percent during the same period last year.

For third quarter 2005:

- **Railway operating revenues increased 16 percent to a record \$2.16 billion.**
- **Income from railway operations improved 13 percent to \$528 million.**
- **Net income was \$301 million, \$0.73 per diluted share.**
- **Intermodal revenue climbed 17 percent to an all-time high. Coal revenue was up 22 percent on record volumes. Merchandise revenue increased 13 percent.**
- **The railroad operating ratio was 75.5 percent.**



Front row (left to right):
Yvonne Dunlea, Dave Brown, Jr., Mary DeAngelis, Penny Jones, Sonji Henderson, Tamara Chaney, William Carr, Keith Green, Linda Duncan
 Second row (left to right):
Chris Bloomfield, Pam Blakeney, Cassandra Crute, Lisa Wilson, Leanne Marilley, John Garcia, Mary Jane Boylan, Frank Brown, Patsy Bain
 Back row (left to right):
Rick Davison, Wayne Charles, Randy Fannon, Chris Gilbert, Chad Mason, Curtis McElroy, Anna Kauffman, Al Tabb, Clarence Walton, Peggy Scholzen, Joe Williams, Gregg Cody, Bilal Muhammad, Jaime Larrea, Ron Spradlin, David Cobbs

Not present: *Kristi Blair, Dave Brown II, Calvin Cox, Cindy Earhart, Bill Eng, Donna Fisher, J. C. Holland, Scott McGregor, Harold Moble, Jason Pettway, Karin Stamy, Haskel Stanback, Ed Trinkle, Darnell Wood, Tom Brugman*

Diversity Council welcomes new members

Norfolk Southern's Diversity Council welcomed its first new members since its formation in 2002. Twelve employees joined the council to serve three-year terms. The 34-member Council, which represents a broad cross section of employees, helps promote an environment where everyone's talents and backgrounds can contribute to the company's success.

New members are **Kristi Blair**, supervisor records and imaging, engineering, Atlanta; **Christopher Bloomfield**, conductor, transportation, Allentown, Pa.; **Calvin Cox**, assistant vice president, mechanical, Atlanta; **Cassandra Crute**, assistant manager, accounting, Atlanta; **Yvonne Dunlea**, national account manager, marketing, Fort Wayne, Ind.; **Randy Fannon**, superintendent of terminals, transportation, Chicago; **Penny Jones**, designer, IT, Atlanta; **Anna Kauffman**, engineer, transportation, Conneaut, Pa.; **Jaime Larrea**, signal maintainer, engineering, Springfield, Ill.; **Leanne Marilley**, director investor relations, finance, Norfolk; **Scott McGregor**, group vice president, marketing, Norfolk; and **Bilal Muhammad**, conductor/yardmaster, transportation, Knoxville, Tenn.

The Diversity Council is committed to ensuring that all employees understand NS offers rewarding career opportunities through its Workforce Development and Training task force. Other major focus areas of the council are awareness activities, communication and diversity training. The council, working with outside consultants, led a workshop for 350 top managers and council members and has developed a training module for all employees. One of the goals of these programs, in addition

to new employee recruitment, is to have agreement employees consider nonagreement positions through the ERC.

"Our new members bring unique perspectives and expertise to the council," said **David Cobbs**, assistant vice president diversity and EEO. "We look forward to working with them in making diversity a strategic advantage for the company."

Goode receives award for distinguished service to the arts

The Business Committee for the Arts Inc. and Forbes Magazine presented Norfolk Southern Chairman **David Goode** with the 2005 BCA Leadership Award. The award recognized Goode for his vision, leadership and commitment to supporting the arts and for encouraging other businesses to follow his lead.

"In business, the challenge is to spark the creativity that will make a business great. In both business and the arts, you have to find the right combination; one that ignites creativity and manages the bottom line," Goode said. "The arts are a means of human expression. They transmit culture from one generation to the next. By enriching every aspect of life, the arts contribute to the quality of life in the communities Norfolk Southern proudly serves."

The award was established in 1993. The mission of the Business Committee for the Arts is to ensure that the arts flourish in America by encouraging, inspiring and stimulating business to support the arts in the workplace, in education and in the community.

Employee helps teenage runaway sitting on tracks

Terminal superintendent **Darnell Wood Sr.** was on his way home from work late one evening when he noticed a young woman sitting on Norfolk Southern tracks near a highway-rail grade crossing in Greensboro, N.C. As Wood drove to her location, she did not move.

"I stopped my vehicle, got out and asked her to please move off the tracks, but she didn't respond," Wood said. "When it became apparent she was not going to move, I had to do something to make sure I could get her to a safe area off the tracks."

Wood notified Piedmont Division dispatchers of the problem and asked that all trains approaching the crossing be stopped. He also asked yardmaster **Brad Queen** at Pomona Yard to hold any southbound trains until he heard from Wood or the dispatcher's office. Greensboro police were called for assistance.

"I tried to get her to talk to me and move off the track where she would be safe," Wood said. "When I told her I was worried about her and didn't want her to be injured by an oncoming train, she began to cry. Eventually she told me her name."

The young woman told Wood she was 13 years old, her family was angry with her and she had run away. It was then that Wood noticed a pair of scissors and evidence that she had attempted to cut her wrists. Wood notified his chief dispatcher of the severity of the situation and asked that he call an ambulance in addition to police.

"I assured her that I would stay with her until help arrived," he said. "I offered to call her parents as well."

Help arrived when Greensboro police, an ambulance and the young woman's mother came on the scene. Mother and daughter were transported to a nearby hospital.

"I look at today's youth as our future," Wood said. "My wife and I have two sons, one of whom is 14 years old. We try to embrace our own

sons, and many of their friends to let them know that we care for them. I was only doing what I hope anyone would do in this situation – stop and take the time to talk to our children."



Darnell Wood

Whistle-Stop Tour highlights safe handling of hazardous materials

Norfolk Southern operated a special train through five northeastern cities to increase community understanding of the safe transportation of hazardous materials and the importance of emergency planning. The organization Transportation Community Awareness and Emergency Response sponsored The Whistle-Stop Tour. It visited Buffalo and Binghamton, N.Y.; Linden, N.J.; Allentown, Pa. and Hagerstown, Md.

The TRANSCAER® train brought training about handling hazardous material rail incidents to firefighters, hazardous materials crews and military personnel.

The five-day tour reached more than 750 people and offered workshops on radioactive material instrumentation, tank car recognition, managing a derailment and locomotive fires. Participants could enter the top of a tank car, sit in a locomotive simulator and learn the mechanics of a train.

TRANSCAER members include volunteer representatives from the chemical manufacturing, transportation and distribution industries and government.

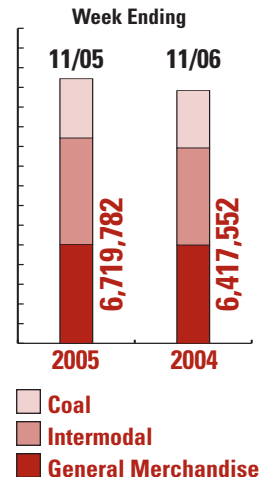
The firefighter training class, which is required for state and national certification, typically covers 13 weeks of training that includes how to deal with railroad accidents. It is separate from the tour, but the 2005 Whistle-Stop Tour presented a special chance for firefighters to learn in a real rail environment.

"I think it gives us a better understanding of what's going on inside the train," said Todd Taft, a firefighter from Binghamton, N.Y. "It's better than reading it from a book."

"The training like this for the responders is very hard to come by," said Forrest Wider, coordinator of the Lehigh County, Pa. Hazardous Materials Response Team. "For NS to bring a train out here like this in a safe environment is just great."

NS has operated TRANSCAER Whistle-Stop trains in each of the past four years. The company was awarded TRANSCAER's National Achievement Award in 2002, 2003 and 2004.

Carloadings Year to Date



Week #1 began Dec. 26, 2004, for the year 2005 and Dec. 28, 2003, for the year 2004.



David Goode tours the Operations Center.

NS move to Midtown Atlanta almost complete

Building named for Goode

Norfolk Southern Chairman David Goode received quite a surprise in September. The company's board of directors chose to name the building at 1200 Peachtree St. in Atlanta after him. Dedication ceremonies took place as the board met in and toured NS' new facility. Hundreds of employees greeted Goode for the surprise dedication.

Chief executive officer **Wick Moorman** said naming the building name was a gesture of appreciation from the people of NS to a great leader.

"The fact is that David's contributions will far



Chairman David Goode, left, accepts congratulations from Chief Executive Officer Wick Moorman at ceremonies naming NS' 1200 Peachtree St. facility after Goode. A portrait of Goode is in the background.

outlive bricks and mortar," Moorman said. "His focus on making rail a dependable and sought-after transportation partner has helped shape Norfolk Southern and the rail industry for the new century."

The move to the facility is almost complete. Employees from various office locations in the city began relocating there in the fall of 2004. The information technology, marketing, transportation planning, control center, engineering, mechanical, customer service, crew management, CYO, and accounting departments are now housed there.

One of the more challenging aspects of the transition was maintaining computer operations. The Atlanta IT group successfully maintained operations as departments moved from Spring Street to Peachtree Street. ◆◆◆

Hurricane Katrina update

Intermodal terminal, Oliver yard reopened

Norfolk Southern has restored service to New Orleans. The company's intermodal terminal reopened Oct. 3, some 32 days after Hurricane Katrina struck the Gulf Coast.

NS has reopened its Oliver Yard Terminal in the city as well. The yard serves local industrial customers and interchanges freight with the New Orleans Public Belt Railroad, which serves the Port of New Orleans.

Illinois Division Helps Katrina Victims

Leadership of the Illinois Division issued a challenge to raise funds to help victims of Hurricane Katrina. Department heads **Chuck Sloan**, division manager mechanical; **Jim Ellis**, division engineer; **Bill Hernan**, general supervisor communications and signals; and **John Friedmann**, division superintendent, sent donations through

Norfolk Southern's Matching Gifts program to designated relief agencies totaling at least \$2,100 – or \$1 for each employee on the division. They challenged division employees to contribute.

"We made a symbolic and large leadership gift to encourage other employees to donate to the organizations identified by NS, and to make people aware of the Matching Gifts program," Friedmann said.

NS people join Katrina relief efforts

Joe Thigpen

Working with the United Methodist Committee on Relief, **Joe Thigpen**, central yard office clerk Illinois Division, was one of 28 Norfolk Southern employees who took advantage of the program that allowed employees to take leave to assist with recovery efforts following Hurricane Katrina.

During the week of Sept. 19, Thigpen worked with the residents of D'Iberville, Miss.

"I volunteered at a relief center and was able to help in several ways," Thigpen said. "I cut trees, tarped roofs, put up tents and sorted food donations in the food pantry."

D'Iberville, Miss., once part of Biloxi, became an independent city in 1988 and has a population of nearly 8,000. Like many cities along the Gulf Coast, it was badly damaged by high winds and water.

"It was quite an experience for me to see the devastation to this area and to realize I was only seeing a small portion of the many miles that were damaged," Thigpen said.

The roads in D'Iberville were covered in clothing and personal belongings. Mattresses and furniture were hanging in trees. People who lost everything worked to help their neighbors by distributing food and supplies with volunteers from all over the U.S.

"The spirit of the people truly amazed me," Thigpen said. "I hope NS will continue to offer these opportunities to serve our communities."

Kay Mitchell

As **Kay Mitchell** looked around her parents' flood-damaged home in Kiln, Miss., she noticed there was no American Red Cross and no Federal Emergency Management Agency -- just people helping each other in any way they could. Kiln, a small town that covers 13 square miles in southern Mississippi, is located just 10 miles inland and lies 20 feet above sea level, yet waters rose high enough from Hurricane Katrina's storm surge to flood homes that were 10 to 12 feet above ground.

"The town is so small, but the people here lost just as much as others in the bigger cities like New

Orleans," said Mitchell, an associate designer IT from Roanoke.

Mitchell's parents, who rode out the storm in Tallahassee, Fla., were able to salvage some important things, such as their wedding album, family china, class rings and pictures. Everything else was gone. The post office and meat market were still standing, but they were deserted. Debris was a foot deep in some places, and the smell was overwhelming. The closest hotel vacancy was seven hours away. She and her parents drove from Kiln to Tallahassee, a 14-hour round trip each day, so they could begin the cleanup and damage assessment.

When Mitchell returned to Roanoke, she told her co-workers what she experienced. They were very supportive and took up a collection for her parents to help with expenses. The Roanoke Valley Interfaith Coalition, a group of more than 25 churches and temples, helped also.

The coalition adopted Kiln and is sending one 10-person team each week to help displaced residents until help is no longer needed. The residents of Kiln had plenty of food and water, so coalition members are helping in other ways: pulling up carpet, cleaning up debris and helping residents find their belongings.

"This is all because a co-worker sent an e-mail throughout the department and **Kathryn McQuade**, executive vice president planning and chief information officer, passed the information along to a family member who coordinates the coalition. I can't believe how things are happening," Mitchell said.

In Mitchell's parents' house alone, the front porch had been blown off, the walls were waterlogged and appliances were knocked over or destroyed.

"There will definitely be plenty for my family and the coalition members to do here for at least the next year, but day by day it's getting better," Mitchell said.



Norfolk Southern received this letter from President Bush.

Duty. Honor. Country.

On Nov. 11, our nation pauses to honor its veterans. Norfolk Southern salutes its veterans and their families throughout the month of November. Here are some of their stories. More stories and photos are found on NS' Web site at www.nscorp.com. If you'd like to share your story, send it to Andrea Just, editor, via e-mail to andrea.just@nscorp.com, or by U.S. mail to Three Commercial Place, Box 224, Norfolk, Va., 23510.



Michael Moyer and his sister Carli

Pictured below left are **Joseph Gross**, a brakeman from Valdosta, Ga., and **Kenneth Anderson**, car inspector from Charlotte, N.C. Both are stationed in southern Iraq and are serving with the Bravo Battery 1/178 Field Artillery from Clinton, S.C. They are proudly wearing their Norfolk Southern hats prior to a recent mission.

By Joseph Gross
and Kenneth
Anderson

Bobby's son, **Josh J. Grider**, a welder's helper from Bement, Ill., has five years service in the Army National Guard. He served in Operation Noble Eagle and Operation Iraqi Freedom. Josh was also a crew chief on Black Hawk choppers.

My son Michael Moyer is a military policeman in the Army. When he graduated from high school in 2003, he wanted to join the Army before attending college. He completed basic training and MP school.

After returning home he learned that the Georgia National Guard (48th Brigade) was being mobilized to go to Iraq for 12 to 18 months. He was put on a list of volunteers to go with the 48th. He then went to Fort Stewart close to Savannah, where he and others did final training before leaving for Iraq May 15, 2005.

By Eddie Moyer,
assistant general
superintendent
operations, Atlanta

He is currently at Camp Stryker. This base is at the Baghdad Airport. His squad has several assignments, most of which are to escort the Air Force Bomb Disposal Unit. They also provide protection for convoys from the airport to Baghdad.

I never thought I would be in this situation when I was commissioned August 2004. It is a

league different from working in the NS Information Technology Department. I went from a safe corporate environment to a hostile land where I have to lead supply convoys down unsecured roadways.



Chuck Newton (right)

I have the utmost respect for the citizen soldiers who have been called to duty in Iraq and Afghanistan. We have performed admirably, putting our life on the line for the security of the United States.

By Chuck Newton,
manager EDI and
data systems,
Atlanta



Charles Spencer

The engineering department, Illinois Division, had a father and son serving in the same unit in Iraq.

Bobby G. Grider, machine operator, Decatur, Ill., has served 26 years with the Army National Guard. He served in Operation Noble Eagle and Operation Iraqi Freedom and is a crew chief on Black Hawk choppers. His service has taken him to Iraq, Honduras, Iceland, Germany, Kuwait and Belgium.



Joseph Gross

Kenneth Anderson

By Bobby G. Grider
and Josh J. Grider

Lt. j.g. Charles Spencer, my husband, is a Navy diver serving aboard the USS Grapple. He is currently conducting rescue and salvage operations in Hurricane Katrina-struck areas. His past missions include recovery of downed U.S. military aircraft and other classified missions. His courage and effortless dedication to his country are always evident. He is making a difference and hopes that all of us can come together to assist in the Hurricane Katrina recovery efforts.

By Jutta Spencer,
claim representative,
Norfolk

Speakers network connects NS with communities

As **Jim Liddell** prepares to speak to the Houston Rail Traffic Association, he recalls vivid memories of preparations for Hurricane Rita.

Liddell is Norfolk Southern's national account manager for chemicals traffic. Rita slammed the Gulf Coast right after Katrina's devastation. Liddell plans to tell the Houston audience how NS responded quickly to restore service and assist people and communities.

His presentation will be significant for another reason as well. It will be the first given through a newly formed employee speakers bureau. As NS approaches its 175th birthday, employees are talking up the benefits of rail transportation.

The message of a newly formed Thoroughbred Speakers Network is this: Today, the nation depends more than ever on a safe, secure and efficient rail freight network. Rail transportation has stood the test of time.

Wick Moorman, chief executive officer, said the employee speakers bureau will help emphasize the importance of rail transportation. "Back when we had a station agent in every town, communities easily identified with the railroad," he said. "We want to rekindle that connection by underscoring that Norfolk Southern is vital to the people and communities we serve."

NS traces its beginning to Christmas Day 1830. In 2005, "It is an especially exciting time to be a railroader," Moorman said. "More and more people are realizing the benefits of shipping by rail, not only from a cost effectiveness and efficiency standpoint, but also because of our ability to mitigate highway congestion and provide a greener transportation alternative. More than ever, the railroads are a key element in our nation's economic prosperity."

Liddell is among some 70 employees initially selected by department heads to be speakers bureau participants. Equipped with resources to help them be effective presenters, including training in public speaking, they will address selected audiences throughout the company's network.

"Norfolk Southern has so many talented employees who are proud to be a part of this great company and want to share that enthusiasm," Liddell said. "The speakers bureau will do a very important thing by creating and coordinating opportunities to tell the Norfolk Southern story."

Michelle Rogerson (michelle.rogerson@nscorp.com) of the corporate communications department manages the speakers bureau. Employees can contact her if they know about groups that might want to schedule a speaker. Others wishing to request a Norfolk Southern speaker can send an e-mail with details of the event to speaker@nscorp.com.



Looking for that perfect gift? How about an NS calendar?

Look no further than the Norfolk Southern Company Store. Accessed through the company's Web site, the store offers a variety of items from clothing to golf gear to travel gear. Check it out at www.nscorp.com.

Also available are NS 2005 calendars for \$10.95 (including tax, postage and handling). Use a credit card by calling toll-free 1-800-264-4394 between 8:30 a.m. and 5 p.m. EST, or by sending a check or money order to:

*Norfolk Southern Calendar
c/o Nyberg, Fletcher and White
2915 Whittington Ave.
Baltimore, Md. 21230*

In next month's Newsbreak ... visit Norfolk Southern's Museum in Norfolk



NS Newsbreak is published monthly by Norfolk Southern's Corporate Communications Department, Three Commercial Place, Norfolk, VA 23510 - 9224.

*Editor
Andrea Just
Editorial Co-op
Mae Green
Design Manager
Frank Wright*

Printed in-house by the Atlanta Reprographics Department

Questions and story ideas can be delivered to the editor via MEMO ID aljust, e-mail at aljust@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*

<http://www.nscorp.com>

Inside newsbreak:

Goode receives
arts award _____

2

NS honors its
veterans _____

6

Speakers Network
formed _____

7

“These good results came from the effective response of our people to the challenges of the quarter and our ability to maintain service for our customers while moving a record-setting 2 million carloads of traffic.”

Chairman David R. Goode