



# NEWS RELEASE

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**July 27, 2005**

## **NORFOLK SOUTHERN REPORTS RECORD QUARTER**

For second quarter 2005 vs. second quarter 2004:

- Railway operating revenues increased 19 percent to a record \$2.15 billion.
- Income from railway operations rose 39 percent to a record \$592 million.
- Net income was a record \$424 million, or \$1.04 per diluted share.
- The railroad operating ratio improved 4.1 percentage points to 72.5 percent.

NORFOLK, VA. – For the second quarter of 2005, Norfolk Southern Corporation (NYSE: NSC) reported record net income of \$424 million, or \$1.04 per diluted share, compared with \$213 million, or \$0.54 per diluted share, for the same period of 2004. Second-quarter net income included two previously announced items (the effects of Ohio tax legislation and settlements of two coal rate cases) totaling \$120 million, or \$0.29 per diluted share. Excluding these items, net income would have been \$304 million, or \$0.75 per diluted share. This is the highest income before accounting changes for any quarter in Norfolk Southern's history.

“Norfolk Southern's exceptional second-quarter and first-half performance were driven by strong revenue improvement, a better operating ratio and sound rail operations, which allow us to provide good returns for our shareholders,” said David R. Goode, chairman and chief executive officer. “This was a great quarter for the company as we set a number of financial records. We recorded the highest railway operating revenues in our history. We posted our best ever income from railway operations, exceeding the half billion dollar mark for the first time in any quarter. And we continue to improve our margins, posting a significantly better quarterly operating ratio.”

For the first six months, net income was a record \$618 million, or \$1.51 per diluted share, an increase of 67 percent compared with \$371 million, or \$0.94 per diluted share, during the same period a year earlier. Six-month results included \$37 million for expenses related to a January train derailment in Graniteville, S.C., which reduced net income by \$23 million, or \$0.05 per diluted share.

Second-quarter railway operating revenues of \$2.15 billion were the highest of any quarter in Norfolk Southern's history and improved 19 percent compared with \$1.81 billion for the same quarter a year earlier. Railway operating revenues for the first half of 2005 set a six-month record, increasing 17 percent to \$4.1 billion compared with \$3.5 billion for the first half of 2004.

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General merchandise revenues rose 12 percent to a record \$1.15 billion in the second quarter and improved 12 percent to a record \$2.23 billion during the first half of 2005 compared with the same periods of 2004. All merchandise market groups reached record quarterly and six-month revenue levels primarily due to higher average revenues, including fuel surcharges.

In the second quarter, coal revenues increased 36 percent to a record \$578 million compared with the same period of 2004. NS handled 47.3 million tons of coal, coke and iron ore during the period, setting a second-quarter volume record. For the first six months, coal revenues improved 27 percent to \$1.05 billion compared with the same period last year. The revenue gains during both periods were the result of higher average revenues, fuel surcharges, heightened demand for utility coal and domestic and international metallurgical coal and the coal rate case settlements.

Intermodal revenues increased 18 percent to \$428 million for the second quarter and climbed 21 percent to \$836 million for the first six months compared to the same periods of 2004 primarily as the result of strong international business as well as higher average revenues, including higher fuel surcharges. Container volume increased by more than 51,000 units, or 10 percent, in the second quarter, and rose by more than 106,000 units, or 11 percent, in the first six months compared to the same periods a year earlier.

Second-quarter railway operating expenses were \$1.56 billion, up 13 percent compared with second-quarter 2004. For the first six months, railway operating expenses were \$3.12 billion, up 14 percent over the same period a year earlier. The increases primarily were due to higher diesel fuel prices and costs associated with increased traffic volume, including expenses related to hiring additional train and engine service employees and maintenance activities.

The second-quarter operating ratio of 72.5 percent was an improvement of 4.1 percentage points compared with second-quarter 2004. The settlement of the coal rate cases contributed 1.2 percentage points to this improvement. For the first six months, the operating ratio was 75.8 percent, which was 2.2 percentage points better than the same period a year earlier.

Norfolk Southern Corporation is one of the nation's premier transportation companies. Its Norfolk Southern Railway subsidiary operates approximately 21,300 route miles in 22 states, the District of Columbia and Ontario, Canada, serving every major container port in the eastern United States and providing superior connections to western rail carriers. NS operates the most extensive intermodal network in the East and is North America's largest rail carrier of automotive parts and finished vehicles.

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