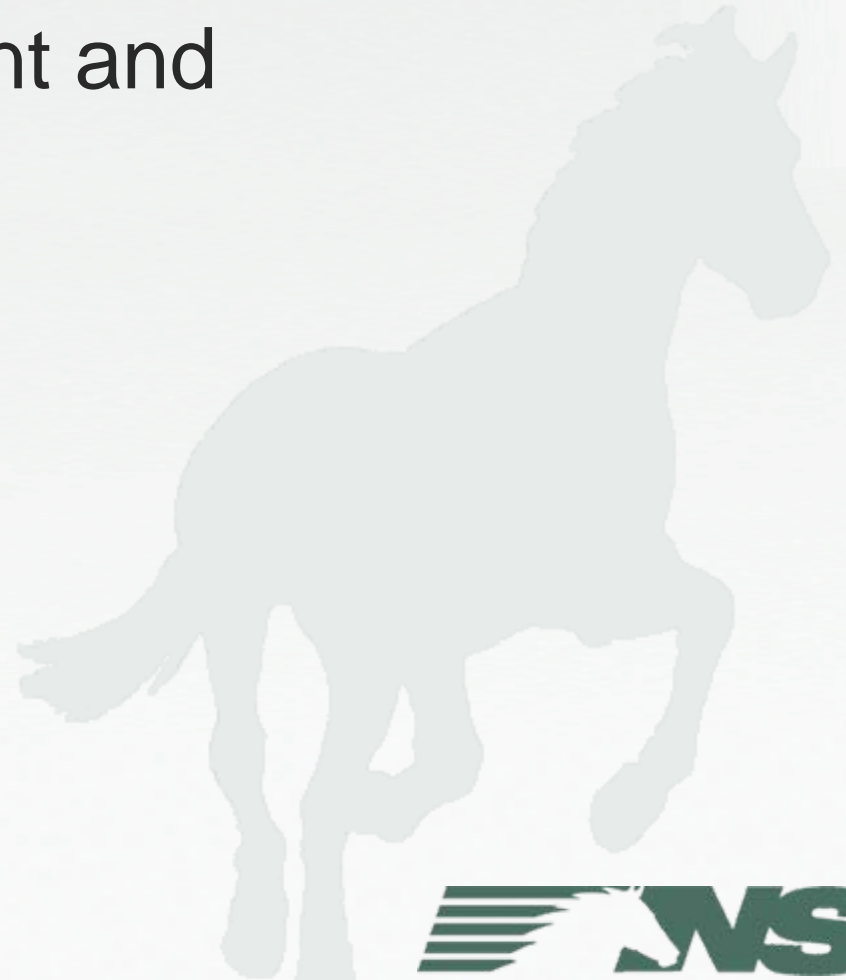


# Second Quarter Results 2008

Donald W. Seale

Executive Vice President and  
Chief Marketing Officer



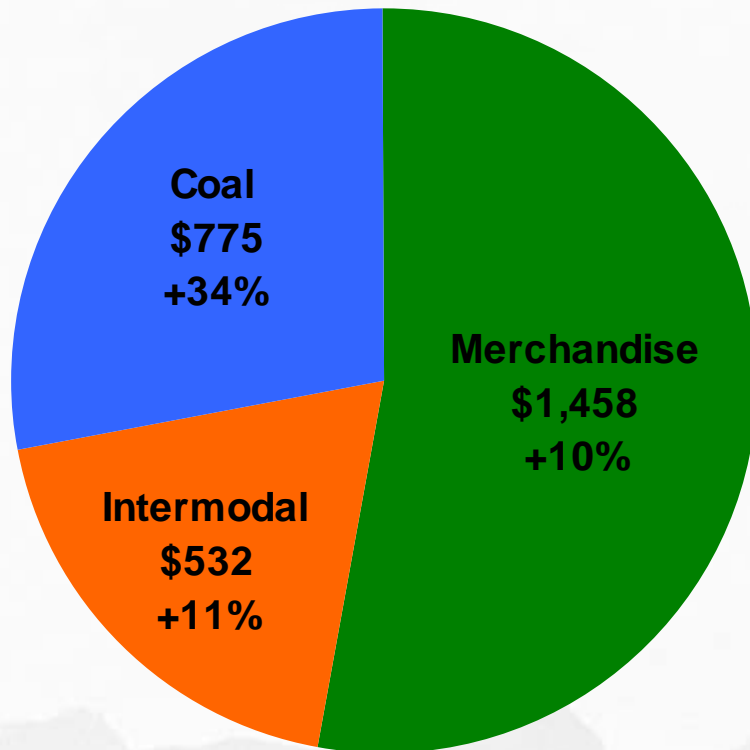
# Railway Operating Revenue

Second Quarter 2008 vs. 2007

## Revenue

Total - **\$2.8 Billion**

Up \$387 Million, 16% vs. 2Q 2007



- All time high quarterly revenue
- Record revenue for all major groups
- Higher pricing and fuel revenue

Rev. \$Millions

# Revenue Per Unit

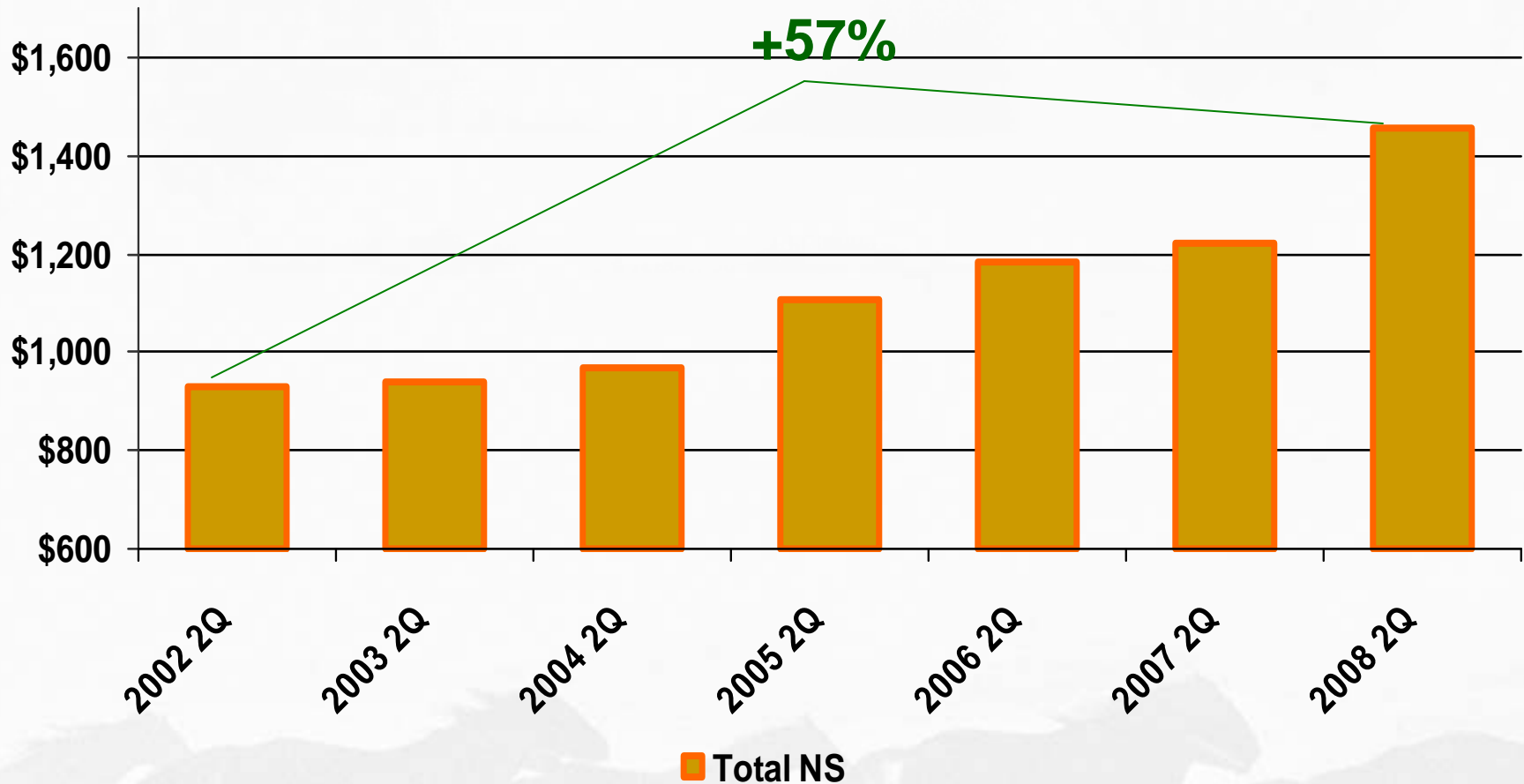
Second Quarter 2008 vs. 2007

	2Q 2008	vs. 2Q 2007	
	Rev/Unit	Abs.	% Chg.
Agriculture	\$2,077	\$376	22%
MetCon	\$1,675	\$252	18%
Paper	\$2,261	\$280	14%
Chemicals	\$3,095	\$383	14%
Automotive	\$1,954	\$221	13%
Merchandise	\$2,115	\$293	16%
Intermodal	\$698	\$87	14%
Coal	\$1,729	\$397	30%
Total	\$1,455	\$231	19%

- 23 consecutive quarters of RPU increases
- Record RPU for all groups except Automotive
- 9% pricing yield

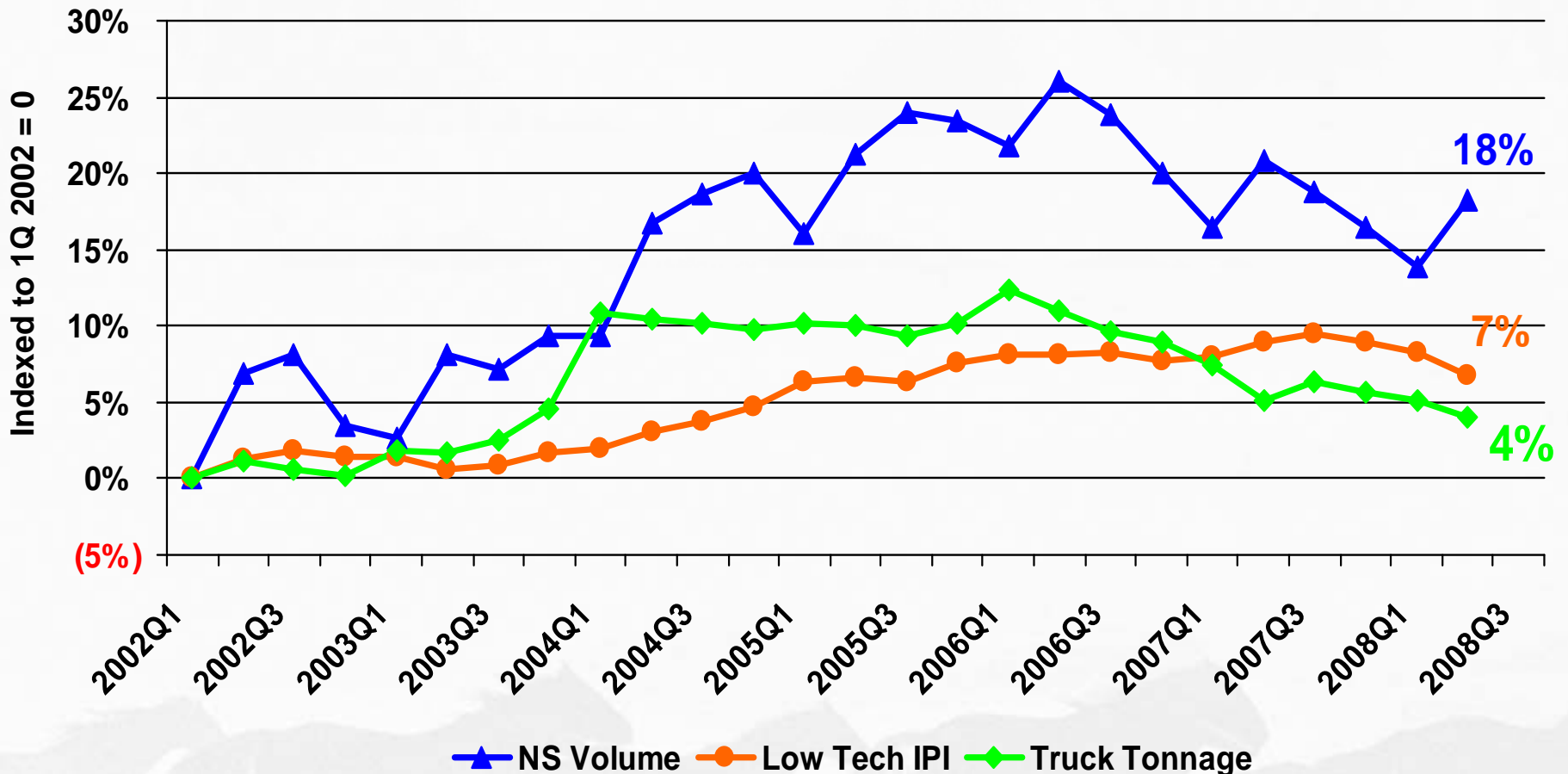
# Revenue Per Unit Growth

Second Quarter 2002 – Second Quarter 2008



# NS Volume Growth

First Quarter 2002 – Second Quarter 2008



# NS Volume

## Second Quarter 2008 vs. 2007

	2Q 2008	vs. 2Q 2007	
	Units	Abs.	% Chg.
Agriculture	156,634	7,740	5%
Coal	448,312	13,781	3%
MetCon	210,371	575	0%
Intermodal	763,073	(20,395)	(3%)
Chemicals	103,896	(5,813)	(5%)
Paper	102,397	(6,611)	(6%)
Automotive	116,324	(30,592)	(21%)
Total	1,901,007	(41,315)	(2%)

- Record Agriculture volume
- Highest quarter for export coal volume since first quarter 1998
- Automotive losses account for  $\frac{3}{4}$  of overall volume decline

# Changing Trade Patterns – NS Volume

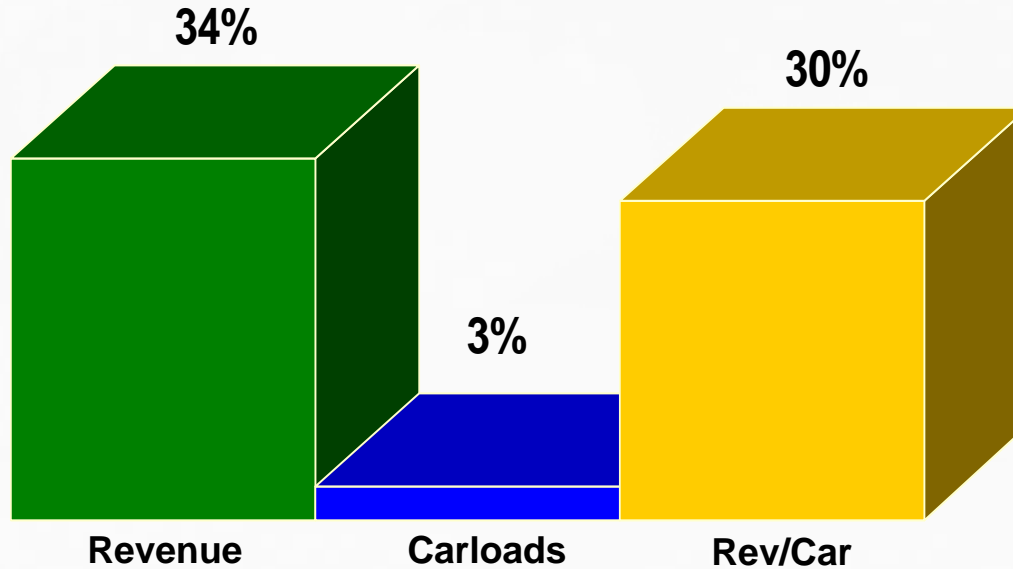
Second Quarter 2008 vs. 2007

<b>Major Export Commodities</b>		
	<b>Shipments</b>	
	<b>Unit Chg.</b>	<b>% Change</b>
<b>Coal</b>	22,807	63%
<b>Grain</b>	1,551	42%
<b>Containers</b>	631	0%
<b>Machinery</b>	398	24%
<b>Scrap Metal</b>	286	215%
<b>Automotive</b>	(1,140)	(11%)
<b>Change in Total Export Volume</b>		<b>14%</b>

<b>Major Import Commodities</b>		
	<b>Shipments</b>	
	<b>Unit Chg.</b>	<b>% Change</b>
<b>Coal</b>	598	26%
<b>Loaded Containers (Consumer &amp; Housing Related)</b>	(17,611)	(10%)
<b>Slab Steel</b>	(824)	(12%)
<b>Fertilizer</b>	(530)	(16%)
<b>Change in Total Import Volume</b>		<b>(11%)</b>

# Coal Variance Analysis

Second Quarter 2008 vs. 2007



	2Q 2008	2Q 2007	Change
Revenue (\$Millions)	\$775	\$579	\$196
Volume	448,312	434,531	13,781
Rev/Car	\$1,729	\$1,332	\$397

# Coal Volume

Second Quarter 2008 vs. 2007

## *Export*

↑ 63%

- Strong global demand
- Weak U.S. dollar
- Australian production challenges



# Coal Volume

Second Quarter 2008 vs. 2007

## *Export*

↑ 63%

- Strong global demand
- Weak U.S. dollar
- Australian production challenges

## *Utility*

↓ 1%

- Higher volume in the North
- Lower volume in the South

## *Domestic Met, Coke & Iron Ore*

↓ 6%

- Export competes for coal supply
- New iron ore business

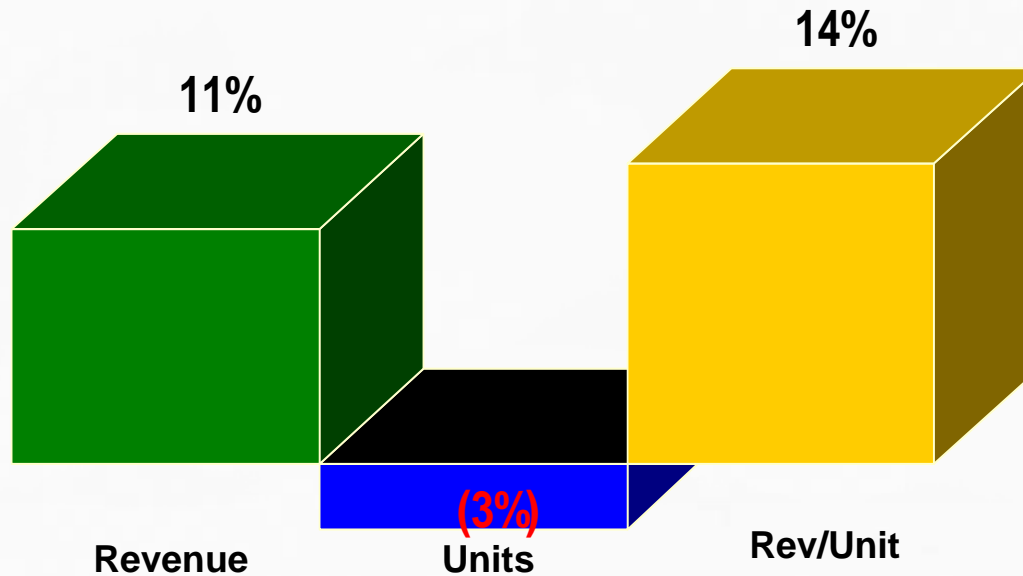
## *Industrial*

↓ 15%

- Export competes for coal supply

# Intermodal Variance Analysis

Second Quarter 2008 vs. 2007



	2Q 2008	2Q 2007	Change
Revenue (\$Millions)	\$532	\$479	\$53
Volume	763,073	783,468	(20,395)
Rev/Unit	\$698	\$611	\$87

# Intermodal Volume

Second Quarter 2008 vs. 2007

## *Domestic*

↑ 7%

- Truckload conversion of local Eastern traffic to Intermodal
- Reduced inland ocean container supply

## *Premium*

↓ 6%

- Softer parcel volumes

## *Triple Crown*

↓ 1%

- Decline in auto production

## *International*

↓ 8%

- Empty revenue containers
- Lower consumer spending

# NS International Volume Flows

Second Quarter 2008 vs. 2007

Westbound Forwarded Empty  
-31.2%



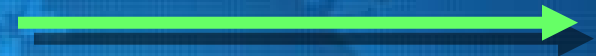
WC Exports  
-2.6%



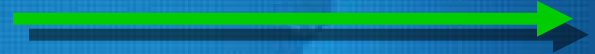
WC Imports  
-22.4%



EC Eastbound Empty  
-12.9%



EC Exports  
+2.2%



EC Imports  
+10.9%



NS International  
Traffic with a  
West Coast Focus

2006: 58%

2007: 51%

2008 YTD: 46%

NS International  
Traffic with an  
East Coast Focus

2006: 42%

2007: 49%

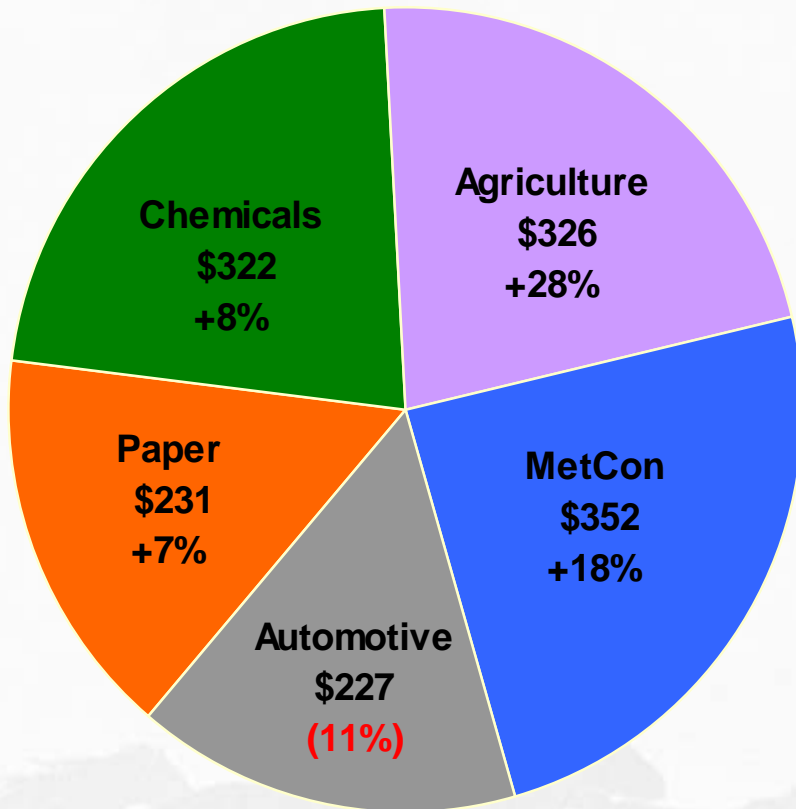
2008 YTD: 54%

# Merchandise Revenue & Volume

Second Quarter 2008 vs. 2007

**Total - \$1.46 Billion**

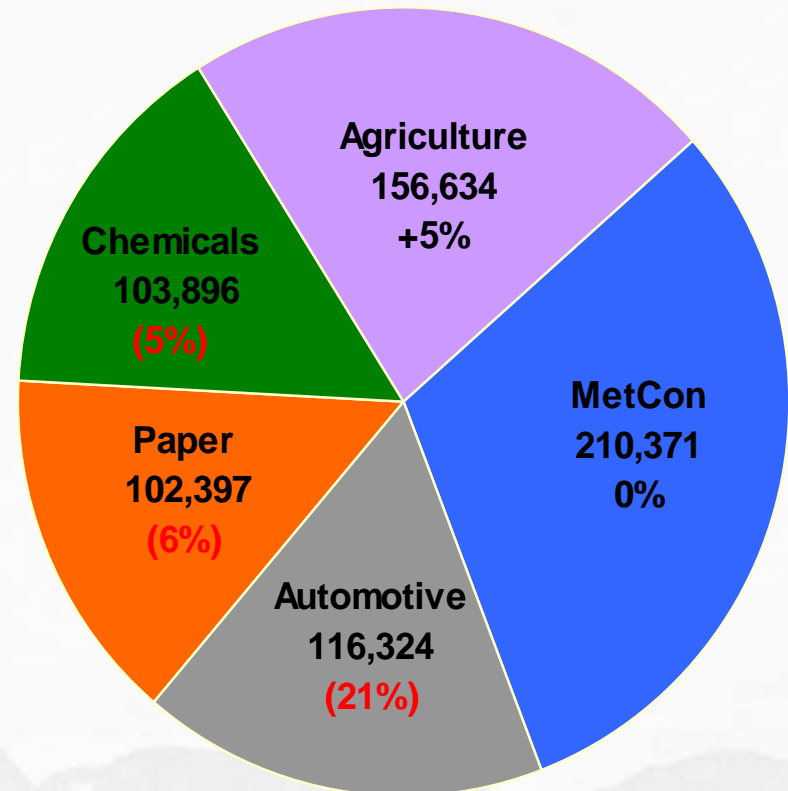
**Up \$138 Million, 10% vs. 2Q 2007**



Rev. \$Millions

**Total - 689,622 Units**

**Down 34,701 units, 5% vs. 2Q 2007**



Volume

# NS Results & Automotive Production

Second Quarter 2008 vs. 2007

- **Volume down 21%, Revenue down 11%**
- **15% reduction in North American production**
- **Impact from American Axle strike**
- **Lapped Ford plant closures in late June – Norfolk and Wixom**
- **Increased volumes with Toyota, Honda and BMW**

# Automotive Industry Changes

Assembly Plant Closures 2008-2009			Impact July 2008 - June 2009
Manufacturer	Plant	Comments	Change
GM	DORAVILLE, GA	Closing Sep-2008	(4,596)
Chrysler	ST. LOUIS S., MO	Idling production Oct 2008	(3,829)
Chrysler	NEWARK, DE	Closing mid-2009	(626)
GM	OSHAWA, ON	Closing mid-2009	(418)
			<b>(9,469)</b>

2008 Shift Reductions			
Ford	KANSAS CITY, MO	Eliminating 1 shift of F-150 production in Aug 2008	(9,913)
Ford	VARIOUS	Eliminating 1 shift in Q3 2008 at Dearborn and Louisville plants	(4,372)
Chrysler	VARIOUS	Jefferson, Sterling Heights plants	(11,253)
Chrysler	ST. LOUIS N., MO	Eliminating 1 shift in Sep 2008	(3,827)
Toyota	SAN ANTONIO, TX	Idling Tundra production Aug.-Oct. 2008	(978)
Toyota	PRINCETON, IN	Idling Tundra/Sequoia production Aug-Oct 2008.	50
			<b>(30,293)</b>

New Assembly Plants or Shifts Added in 2008-2009			
Ford	OAKVILLE, ON	Addition of 3rd shift Sep 2008	2,895
Ford	WAYNE, MI	Increase in Focus production beginning Aug 2008	118
GM	FAIRFAX, KS	Adding a shift in second half of 2008	1,271
Honda	GREENSBURG, IN	Opens Q1 2009	828
Toyota	LAFAYETTE, IN	New Camry production	1,204
Toyota	WOODSTOCK, ON	Opens late 2008	432
			<b>6,748</b>

# Looking Ahead

- **Volume declines in Auto and housing related markets offset by gains in Metals, AG, Coal and domestic Intermodal**
- **Improved Coal supply**
- **Favorable Coal outlook led by export segment**
- **Continued project growth in Intermodal and Merchandise**
- **Continued strong pricing**