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**newsbreak**

Volume 4, Issue 8  
August 2008

## Norfolk Southern reports record 2Q results; Net income increases 15 percent

### For second-quarter 2008 vs. second-quarter 2007:

- **Railway operating revenues increased 16 percent to a record \$2.8 billion.**
- **Income from operations increased 16 percent to a record \$799 million.**
- **Net income increased 15 percent to a record \$453 million.**
- **Diluted earnings per share rose 20 percent to a record \$1.18.**

For the second quarter of 2008, Norfolk Southern reported record net income of \$453 million, or \$1.18 per diluted share, compared with \$394 million, or \$0.98 per diluted share, for the same period of 2007. Second-quarter railway operating revenues were a record \$2.8 billion, up 16 percent compared with the second quarter of 2007.

**“Norfolk Southern delivered record financial results during the quarter, reporting continuing strength in our coal, agriculture, and metals markets.”**

CEO Wick Moorman

“Norfolk Southern delivered record financial results during the quarter, reporting continuing strength in our coal, agriculture, and metals markets,” said CEO **Wick Moorman**. “Looking ahead, our franchise should continue to benefit from a broad and balanced customer base as well as from rail’s inherent advantages over other transportation modes – safety and reliability, fuel efficiency, and environmental sustainability.”

Although continued weakness in the automotive- and housing-related industries contributed to a 2 percent reduction in traffic volume compared with the same quarter last year, higher average revenue per unit more than offset the effect of reduced volumes.

Compared to the second quarter of 2007, general merchandise revenues increased 10 percent to a record \$1.5 billion, coal revenues climbed 34 percent to a record \$775 million, and intermodal revenues increased 11 percent to a record \$532 million in the second quarter of 2008.

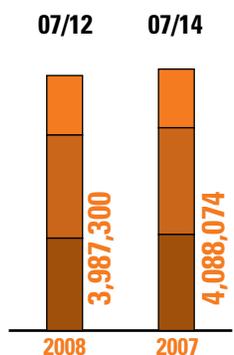
Railway operating expenses increased 16 percent to \$2 billion for the second quarter compared with the same period of 2007, primarily due to higher fuel expense, which rose by \$212 million, or 76 percent.

The railway operating ratio for the quarter was 71.1 percent, about even compared with second-quarter 2007.

*Agricultural product volumes set another quarterly record.*



## Carloadings Year to Date Week Ending



■ Coal  
■ Intermodal  
■ General Merchandise

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

## Track 2012 sets high goals, needs everyone's help

A new five-year initiative at Norfolk Southern sets ambitious goals for our safety, service, operating, and financial performance.

Led by a steering committee chaired by **Deb Butler**, executive vice president planning and chief information officer, Track 2012 is a set of goals that describe what NS wants to look like in five years. Getting there will take everyone's help.

"We have set ambitious goals and we know that we can't achieve them with our usual approach, that of steady, incremental change," Butler said. "What we need is a series of big leaps."

Butler said that some may question the urgency of this initiative, but business conditions are changing rapidly.

"Even though we are a very successful company, the urgency in putting Track 2012 in place comes from the competitive, regulatory, economic, and environmental landscape that is changing quickly. We have to stay ahead of those changes to succeed," Butler said.

A team that forms the Track 2012 program office – **Annie Adams**, strategic program director; **Kimberly Thompson**, strategic program manager; and **Justin Meko**, manager innovation, is working closely with the Track 2012 Steering Committee to identify and track projects that can have a significant impact on achieving our goals.

The Track 2012 Steering Committee is comprised of **Cindy Earhart**, vice president human resources; **Fred Ehlers**, vice president customer service; **Terry Evans**, vice president operations planning and budget; **Tim Heilig**, vice president mechanical; **David Lawson**, vice president industrial products; **Mike McClellan**, vice president intermodal and automotive marketing; **Danny Smith**, senior vice president energy and properties; **Marta Stewart**, vice president and controller; **Tom Werner**, vice president information technology; and **Mike Wheeler**, general manager Western Region.

Butler said there are a number of key drivers critical to the successful achievement of Track 2012 objectives, starting with safety.

"Among the key drivers are revenues

and service. We have to ask ourselves what markets do we want to be in by 2012 that we are not in today, and what existing markets do we want to expand. Once we have identified what markets we want to serve, we have to determine what levels of service will be required to capture and retain the business. Then we have to evaluate what steps must be taken to improve service from where we are today to where we need to be," Butler said.

Factors driving costs include fuel efficiency, asset utilization, and work force productivity.

"This is an initiative that requires everyone's participation," Butler said. "We will only be successful when people across the system look at the way they do their jobs and the way their departments or facilities operate and ask, 'What should we be doing differently? What can we do to make this company even better?' Achieving our Track 2012 objectives will require innovation on a scale we are not accustomed to seeing at Norfolk Southern. Track 2012 is an enormous undertaking, but when we engage the talent, experience, and ideas of the Norfolk Southern work force, we can't help but succeed."

*"We have set ambitious goals and we know that we can't achieve them with our usual approach, that of steady, incremental change."*

Deb Butler

# TRACK 2012

## We're looking for your ideas

Do you have a good idea about how Norfolk Southern can improve its business? Now there's a place where you can submit your ideas for review. It's the InnovatioNS Web site and you can access it through the Employee Resource Center.

InnovatioNS was established to foster and encourage innovation at NS and focus it on corporate goals, specifically in the areas of safety, service improvement, asset utilization, fuel efficiency, work force productivity, and revenue growth.

Through the Web site, the InnovatioNS Council is encouraging all NS employees to contribute. "Recognizing that our employees are the best and brightest in the industry, innovatioNS' goal is to better utilize our most valuable asset. After all, the unique talents, ideas, and experiences of our employees make NS an industry leader. We are challenging each of you to identify opportunities to improve the safety, efficiency, and service at NS. It's up to each of us to make NS the best it can be," the council says on the site.

Council members are: **Annie Adams**, strategic program director; **Rob Dickson**, superintendent of terminals; **C. Edward Elkins Jr.**, director intermodal marketing - sales and domestic; **Larry Etherton**, director engineering; **Don Faulkner**, assistant general superintendent; **William H. Johnson**, general attorney intellectual property; **Justin Meko**, manager innovation; **Jason G. Pettway**, director information technology; **Tom Schnautz**, director advanced train control systems; **Kathleen Smith**, director markets planning, Industrial Products; **Mary Bess Smith**, director audits; **Mark Smyre**, manager quality; **Susan Stuart**, assistant vice president accounting; **Jay Traywick**, assistant superintendent, Alabama Division; and **Rodney West**, director application development & IT PMO.

Submit your idea through the site on the ERC at [innovations.nscorp.com](http://innovations.nscorp.com) or send it to [innovations@nscorp.com](mailto:innovations@nscorp.com).

## How can I support Track 2012?

Ask yourself, "What can I do differently today to make NS a better company?" Then talk to your supervisor about your suggestion or submit it to the InnovatioNS Web site.

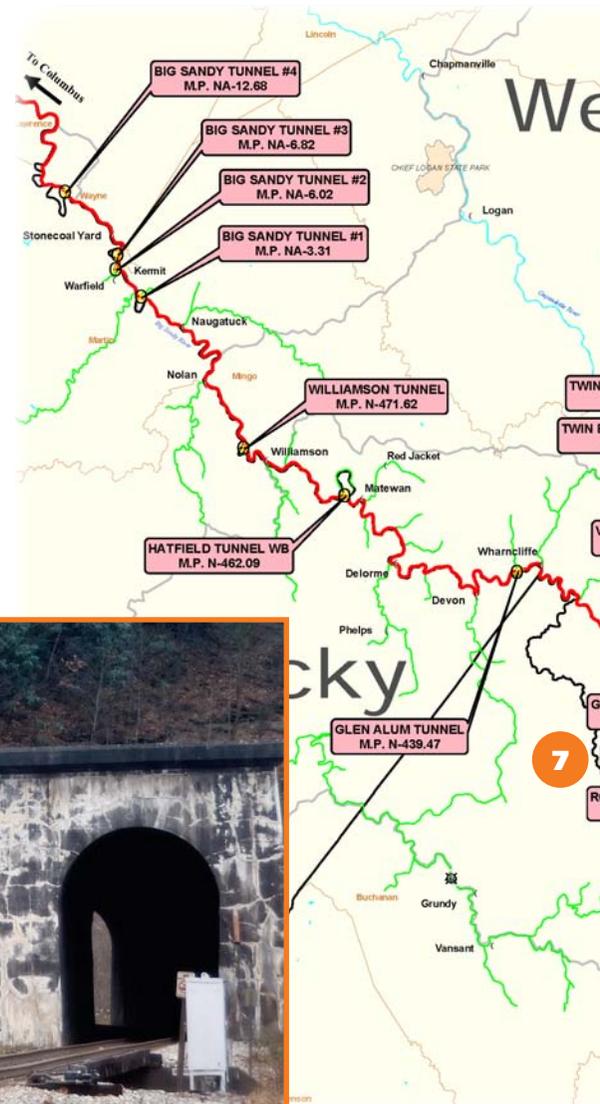
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**INNOVATION** is A  
*way of life*  



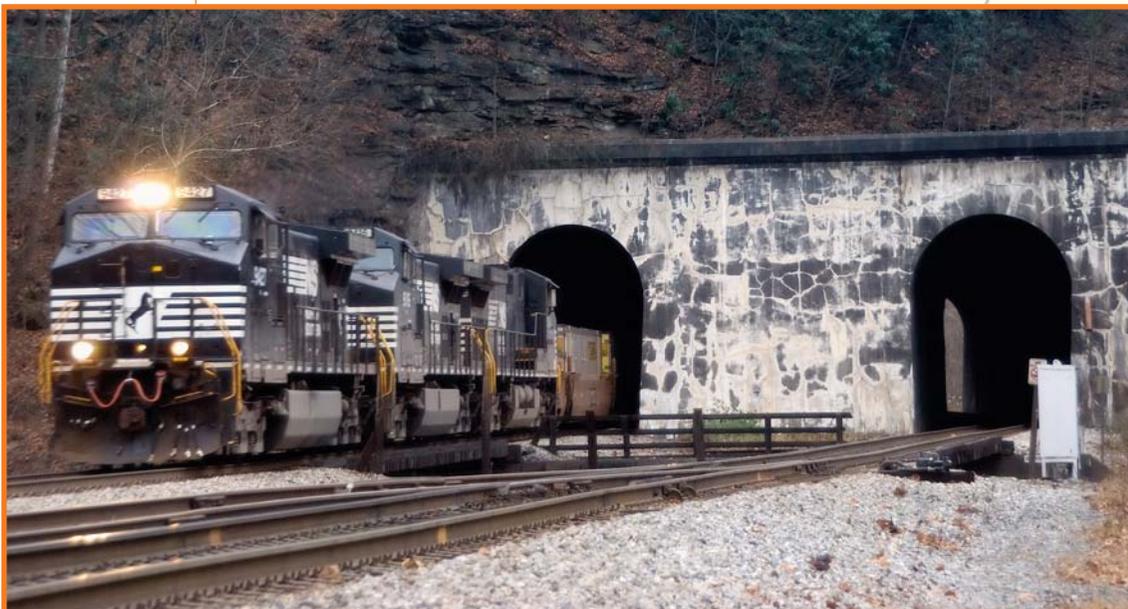

Access the  
InnovatioNS Web site  
through the ERC

# Heartland Corridor

- 1 Eggleston 1** – track lowered and realigned – work complete
- 2 Eggleston 2** - track lowered and realigned – work complete
- 3 Pembroke Tunnels** - track lowered and realigned – work complete
- 4 Cowan Tunnel** - completed nearly 70 percent of the roof demolition and associated rock bolting and shotcreting work
- 5 Antler No. 1, Antler No. 2, Twin Branch No. 1, and Twin Branch No. 2** - completion of the investigative and probing program, portal modifications, bolting the tunnel sidewalls, and grouting behind the tunnel liners in preparation for liner demolition or notching
- 6 Hemphill No. 1 and Hemphill No. 2** - they began work there in July
- 7 Laurel Tunnel** - removing concrete liner



Huger Tunnel

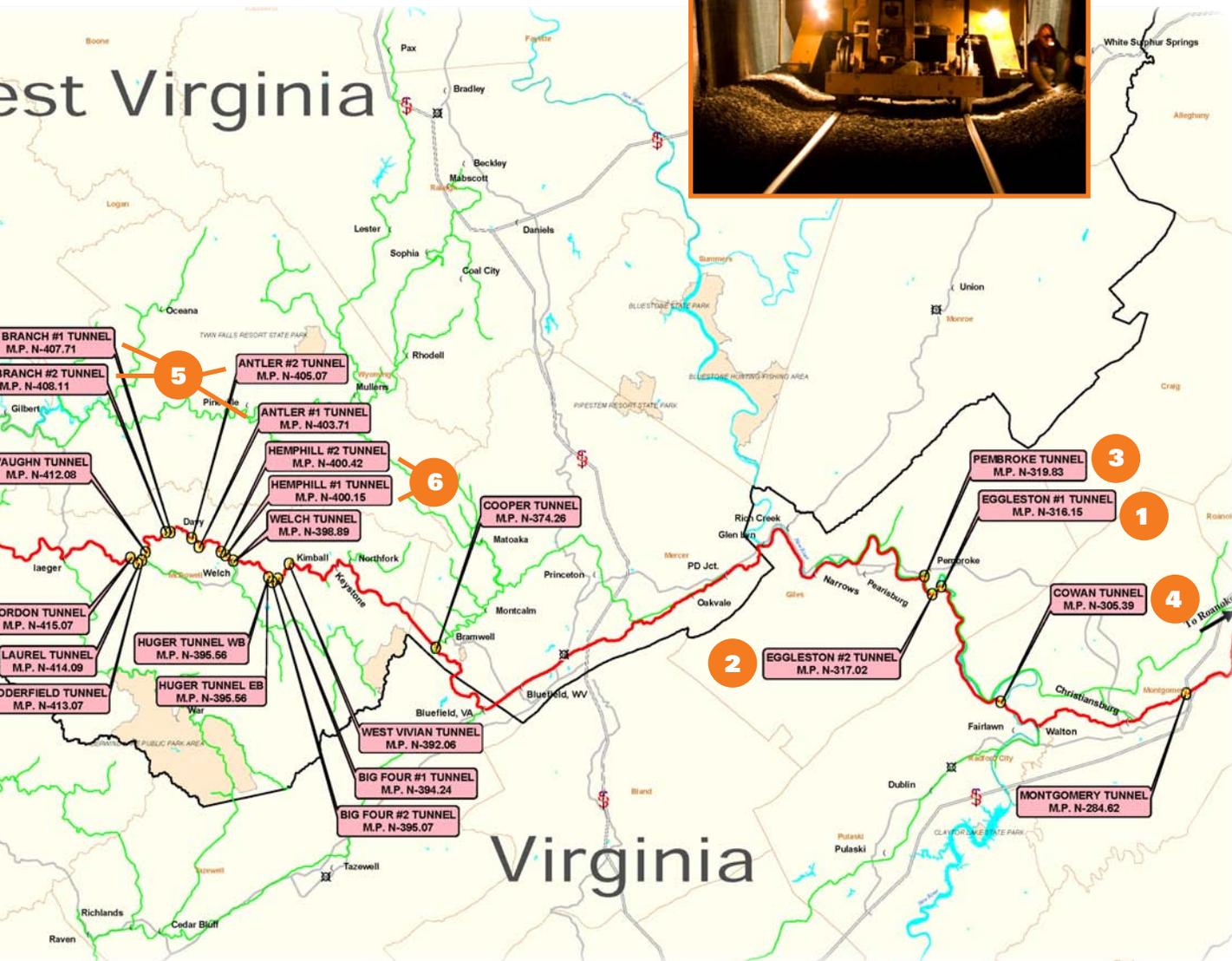


# Work Progresses

Work is progressing on Norfolk Southern's Heartland Corridor project. It is a public-private partnership that involves raising clearances on 28 tunnels between Norfolk, Va., and Columbus, Ohio, to accommodate double stack intermodal traffic. When complete, the new route will eliminate some 233 miles and more than a day's transit time. Potential benefits also include fewer trucks on the highways, less fuel consumed, and job creation at logistics facilities being built along the corridor. Here's a look at the progress made. In addition to the tunnel work, three bridges have been improved by NS maintenance of way and structures forces.



Cowan Tunnel



## Union Pacific and Norfolk Southern introduce new automotive co-loading service

Automotive manufacturers now have the ability to take advantage of each other's rail car capacity to deliver finished vehicles to market faster and more efficiently. Norfolk Southern and Union Pacific have launched a new Automotive Interline Co-Loading Service, which allows multiple manufacturers' vehicles to be combined within a single rail car.

By combining smaller shipments of vehicles, manufacturers avoid having to wait to fill a rail car by themselves. For example, on April 30, Union Pacific and Norfolk Southern partnered for the industry's first interline shipment. Chrysler minivans and Ford F150s were co-loaded at Norfolk Southern's loading facility in Melvindale, Mich., and unloaded 2,241 miles away at Union Pacific's facility in Mira Loma, Calif.

"Improved service for the auto manufacturers is also a primary target of this new capability. Co-Loading will create the ability to ship vehicles sooner by generating rail car quantities of vehicles by combining smaller destination facility shipments," said **David Julian**, NS president - automotive and supply chain.

"Innovative collaboration like our Co-Loading Service allows us to be proactive in providing new solutions to serve our customers' changing needs," said Julie Krehbiel, UP vice president and general manager-automotive marketing and sales. "This new service significantly enhances efficiency in the vehicle distribution supply chain at the origin and destination."

## Think green to save some green

In these days of escalating fuel prices, Norfolk Southern's gas dollars aren't going nearly as far as they used to. Whether or not you drive a company vehicle, you can take steps to improve your vehicle's fuel economy. This is the first of a series of quarterly messages to help you consider ways to improve the bottom line by increasing miles per gallon. By taking some simple steps, we all can be green and save green.

### Efficient Driving

Avoid aggressive driving habits such as speeding and rapidly accelerating and braking. These behaviors can lower gas mileage by 33 percent on the highway and 5 percent around town. You can see significant improvements right away just by changing what you do with your right foot. Tip: If your car has a tachometer, try to keep your RPM as low as possible during acceleration.

### Proper Maintenance

Regularly check your vehicle's air filter. Replacing a clogged filter improves fuel economy by up to 10 percent and protects the engine.

### Good Planning

Remove excessive weight from your vehicle. An extra hundred pounds in the vehicle reduces fuel economy by as much as 2 percent.

Trip planning to combine errands into one trip saves you time and money and helps ensure that traveling is done when the engine is warmed up and efficient.

With a little planning, you can avoid retracing your route and reduce the distance you travel as well. You'll save fuel and reduce wear and tear on your car.

## Illinois Division weathers the storms

Record rains and flooding were no match for Norfolk Southern's Illinois Division employees. As portions of the Midwest suffered some of the worst flooding in decades division forces worked to keep trains running safely, signals operating, and track in good condition.

"Our employees went beyond 'above and beyond,'" said **Mike Wheeler**, Western Region general manager. "We had tremendous support across the system and especially from **Calvin Cox**, general manager mechanical field operations; **Ed Boyle**, chief engineer Virginia Division; **Chuck Johnson**, chief engineer Eastern Region; and all those who work with them. Teamwork really paid off."

The railroad bridge spanning the Mississippi River at Hannibal, Mo., was of particular concern as the river reached record high water levels. It was locked in a closed position to prevent damage.

Wheeler said that 214 trains were rerouted due to the flooding at Hannibal. In addition, the division also handled 64 detoured trains for other railroads that were experiencing flooding.

"The Illinois Division and many others rose to the occasion and had significant impact on our success in keeping things moving during such a difficult time," Wheeler said. "What's even better is that they did it injury free."

## Norfolk engineer honored by Virginia governor

**Buster Davis**, a Norfolk Southern locomotive engineer from Norfolk, was honored by Gov. Timothy Kaine. Davis received the Governor's 2008 Transportation Safety Award for Rail Safety for his 53-year injury free service.

*NS Newsbreak is published monthly for active and retired NS employees.*

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Lynchburg, Va.*

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## Send us your stories about military service

We're looking for stories about Norfolk Southern employees and family members who have served or are serving in the military for our November issue of Newsbreak. Send your stories, anecdotes, and photos to Newsbreak editor **Andrea Just** via e-mail at [andrea.just@nscorp.com](mailto:andrea.just@nscorp.com), or U.S. mail at Three Commercial Place, Box 217, Norfolk, Va., 23510.





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*Huger Tunnel*