NATIONAL RAILROAD PASSENGER CORPORATION

The Travel Solution for Our Time

2006 Annual Report

Community ~ Mobility ~ Environment

AMTRAK®

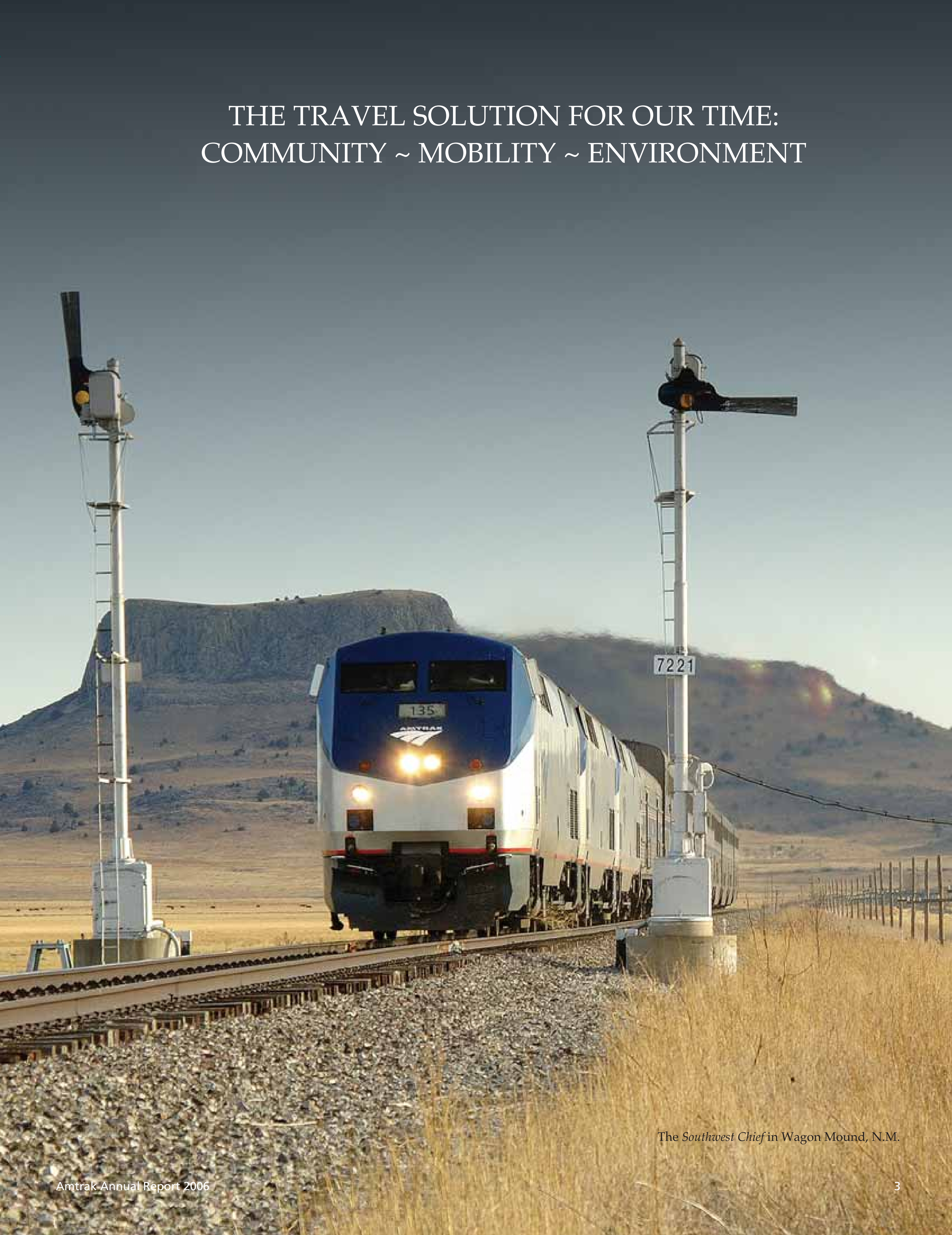
Amtrak's

mission is to provide America with safe and reliable intercity rail passenger service in an economically sound manner that exceeds customer expectations.

Amtrak Board of Directors (L. to R.): Donna McLean, FRA Administrator Joseph Boardman, Chairman David Laney, President and CEO Alex Kummant, R. Hunter Biden. Floyd Hall is not shown.

Executive Committee: (top row, L. to R.) Vice President and Chief Risk Officer Jim McDonnell, General Counsel and Corporate Secretary Eleanor Acheson, Vice President Government Affairs and Corporate Communications Joseph McHugh; (second row L. to R.) acting Chief Financial Officer Dale Stein, Vice President Procurement and Materials Management Michael Rienzi, Vice President Labor Relations Joe Bress; (third row L. to R.) Vice President Strategic Partnerships and Business Development Anne Witt, Vice President Human Resources Lorraine Green, Chief Information Officer Ed Trainor, acting Vice President Business Diversity Dawn Marcelle; (front row L. to R.) Chief Operating Officer William Crosbie, President and CEO Alex Kummant, Vice President Marketing and Product Development Emmett Fremaux. Vice President Planning and Analysis Roy Johanson is not shown.

THE TRAVEL SOLUTION FOR OUR TIME: COMMUNITY ~ MOBILITY ~ ENVIRONMENT



The *Southwest Chief* in Wagon Mound, N.M.

A Letter from the President

AS AMTRAK MARKED ITS 35TH YEAR of service in 2006, our performance contributed the most recent chapter of a story of an emerging and healthier Amtrak. Following an agressive state-of-good-repair push that began in FY 2001 and 2002, key indicators over the last several years point to sustained progress as a result of the investments made in our workforce, the financial health of the company, the efficiency of our operation, and our fleet and infrastructure. It is thanks to these investments and a drive toward continuous improvement that we are in a much stronger position than we were just a few years ago and are able to articulate a vision for the future of passenger rail.

As a testament to the growing popularity of rail travel, annual ridership has risen every year, growing 12 percent between FY 2002 and 2006. During the same period, per-passenger-mile revenue yield rose from 23.6 cents to 26.5 cents. With 24.3 million passengers in FY 2006, Amtrak generated record-high ticket revenue of $1.35 billion.

These operating efficiencies and increased revenue have reduced our required federal support for operations every year since FY 2003, from $496 million in FY 2003 to $433 million in 2006. During this period, we also paid down our long-term debt by $400 million, from $3.9 billion in FY 2002 to under $3.5 billion in 2006, and we have not entered into any new debt agreements since FY 2002.

President Alex and CEO Alex Kummant discusses *Acela Express* performance with Conductor Robert Lopez, Jr.

As a result of the investments made in the maintenance of our fleet, nearly 70 percent of our rolling stock has been refurbished in the last five years, enabling us to better respond to the growing demand for more service. In addition, delays associated with equipment problems dropped 37 percent from FY 2002 to 2006. While mechanical production has improved the condition of the cars, the fleet is aging — the average age of our passenger cars is 22 years — and our future service will depend in part on our capability to introduce a new generation of equipment.

A key measure of the value of the investments we've made in our Northeast Corridor infrastructure is the annual drop in total unplanned minutes of delay attributed to infrastructure every year since FY 2003. *Acela Express* delays attributed to infrastructure dropped 64 percent from FY 2003 to 2006; helping raise *Acela Express* on-time performance to 85 percent in FY 2006.

The product of these investments and other strategic initiatives is a company guided by a culture of continuous improvement that is poised to respond to opportunities in short-distance corridor development. Rail offers considerable advantages for connecting communities along short and intermediate distance corridors, particularly in regions experiencing increasing road and air travel congestion. With state financial support on the rise — growing 47 percent from FY 2002 to 2006 — Amtrak is actively pursuing partnerships in a number of regions across the country.

In FY 2006, state-supported corridor ridership rose 5 percent over the previous year, with some corridors experiencing double-digit growth. In addition, several states launched new Amtrak service, including California, Washington, Illinois and Pennsylvania. Further growth will be incumbent upon the availability of capital for state rail development. The establishment of a federal-state capital matching program, as proposed in both the Bush administration's FY 2008 budget and reauthorization legislation currently before Congress, would greatly assist states in meeting the capital needed for expanding corridor service and provide a more level playing field for intercity rail among the transportation modes.

We're taking steps to better position ourselves to be a strong competitor in serving rail corridors. We've re-aligned our organization to better support a client-focused approach to states with a clear-cut menu of service options. We're also working with states and car manufacturers to set equipment standards and are considering innovative approaches to equipment procurement.

One key performance indicator that is not moving in the right direction is the on-time performance of many of our long-distance and (non-Northeast Corridor) corridor trains. Where Amtrak owns the track and controls the dispatching of trains, our on-time performance is generally quite good. However, on routes where we operate over rail infrastructure owned, operated, and dispatched by the freight railroads, on-time performance is often poor. Only 30 percent of our long-distance trains — those which operate over distances greater than 750 miles — arrived on time in FY 2006. On-time performance of trains which travel over freight territory continues to drop — host railroad responsible minutes of delay were up about 38 percent in FY 2006 from FY 2002. In fact, approximately 80 percent of delay minutes experienced by Amtrak trains outside of the Northeast Corridor are caused by host railroads.

Each host railroad route over which we travel has the same obligation under federal law to prioritize Amtrak trains, and each has different challenges to meeting that obligation. All of them, to a greater or lesser degree, encounter delays due to insufficient rail capacity and the need for additional infrastructure investment. While policymakers and others consider the impact of the constrained national system on the economy and transportation systems, the current scenario hampers growth and Amtrak's mission to provide reliable service. Nevertheless, we remain steadfast both in protecting Amtrak's rights to dispatch priority over host railroad territory, and fostering strong relationships with our freight railroad counterparts to identify and strive to achieve the best solutions to this problem.

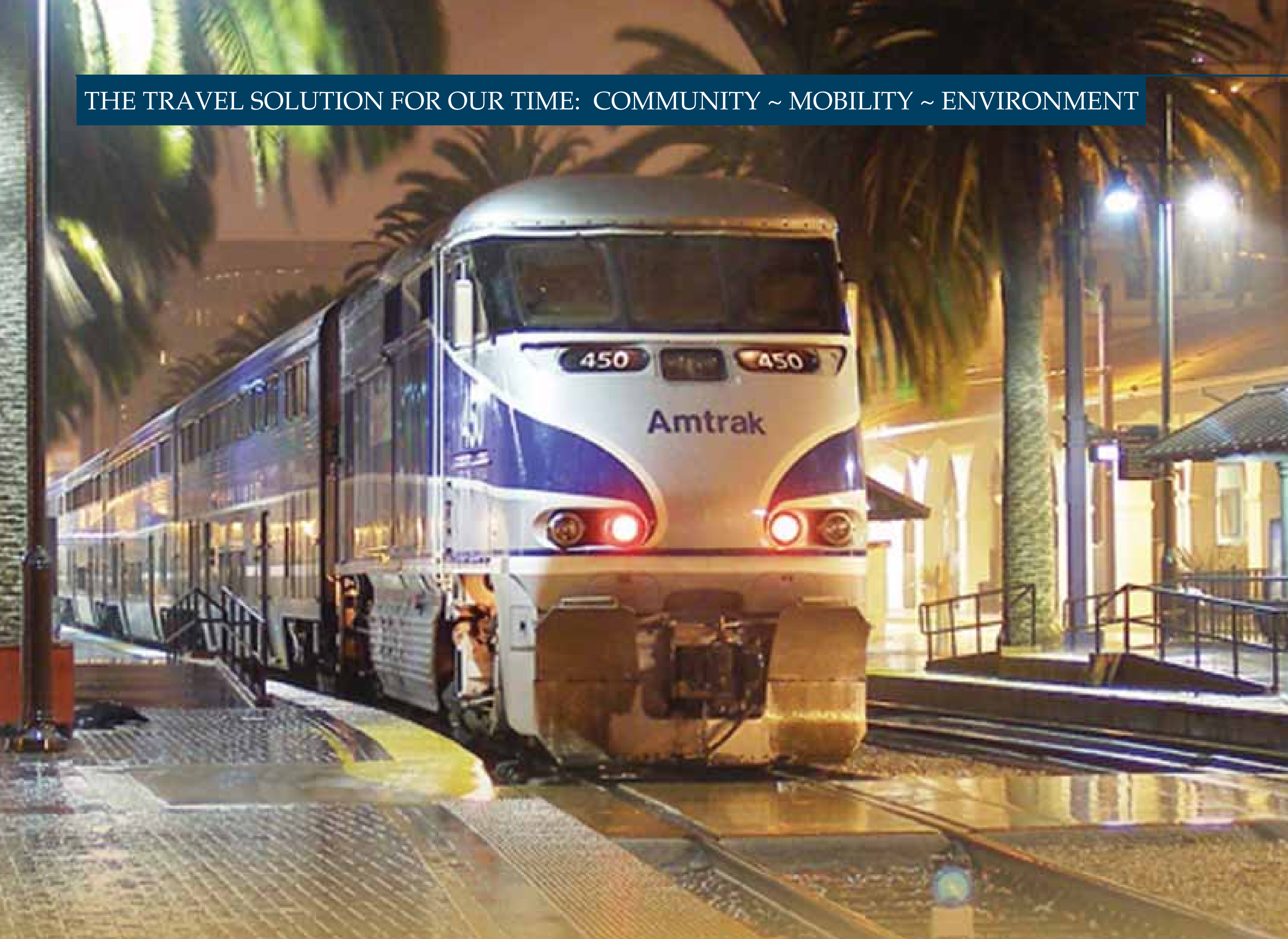
Amtrak's ability to efficiently execute operating and capital plans for the future would be greatly enhanced by federal legislation that supports a multi-year funding structure. Historically, Amtrak has operated on a year-to-year basis, making consistent implementation of programs difficult.

Amtrak's workforce comprises a diverse population of skilled men and women committed to our mission. We are proud of our diversity, as it allows us to bring various perspectives and experiences to our pursuit of achieving our business objectives and helps us better serve our customers. The resurgence of hands-on management and training of our employees that began several years ago is in full force, and their positive effects are evident.

We strive to operate a dynamic national passenger rail network that is synonymous with product excellence — it is with that spirit that we will make a success of the opportunities that are before us.

Sincerely,

Alex Kummant
President and Chief Executive Officer



A *Pacific Surfliner* train sits the San Diego station.

CREATED BY CONGRESS in 1970 and with the start of service in May 1971, the National Railroad Passenger Corporation (Amtrak) traversed 21,000 route miles across 46 states, carrying over 24 million passengers to over 500 destinations in FY 2006 — or more than 67,000 passengers on up to 300 trains each day. If Amtrak were an airline, it would rank eighth in the number of passengers served. In addition, each weekday, about 800,000 people commute on Amtrak infrastructure or on Amtrak-operated commuter trains.

The company employs a diverse population of approximately 18,650 employees, approximately 90 percent of whom are covered by labor agreements. While Amtrak relies on federal funds to support its operating and capital needs, the federal government's investment in Amtrak was less than 4 percent of the entire federal transportation budget in FY 2006.

As highway and airway congestion mounts, gas prices remain volatile and concerns about the environmental impact of automobile emissions grow, more Americans are choosing passenger rail. In 1955, 65 million vehicles occupied U.S. highways; today 246 million fill the highways and by 2020, 90 percent of interstates will be at, or beyond, capacity. Growing congestion not only consumes individuals' time and wallets; it also costs states resources and taxes the environment. A 2006 Harris Poll found over two-thirds of the population would like to see more passenger and freight rail, and a 2005 Harris Poll showed that 44 percent of Americans would like to see an increasing portion of travel by rail in the future.

With its electric locomotives and fuel-efficient diesels, on a per-passenger-mile base, Amtrak is 18 percent more energy efficient than either commercial airlines or automobiles, based on data from the Oak Ridge National Laboratory 2006 Energy Year Book.

The relevance of passenger rail has made it a dynamic element of many states' transportation networks, as they strive to meet the growing demand for passenger rail. Nearly half of Amtrak departures are state-supported — 14 states contract with Amtrak to provide short-distance corridor service. In addition, seven state and regional transportation agencies contract with Amtrak for operation, maintenance, or dispatching of commuter service; more than any other company in the U.S.

Amtrak owns 363 miles of the 456-mile Northeast Corridor from Washington to Boston, with *Acela Express* trains reaching up to 150 mph; a 61-mile track segment from New Haven, Conn., to Springfield, Mass.; 104 miles between Philadelphia and Harrisburg over which trains travel up to 110 mph; and 97 miles of track in Michigan over which trains currently travel at 95 mph.

About 70 percent of the miles traveled by Amtrak trains are on tracks owned by other railroads. Amtrak pays host railroads for this access; in FY 2006, Amtrak paid host railroads $89.7 million in reimbursed railroad costs and performance incentives to travel 24 million miles. Amtrak's six largest host railroads are BNSF Railway, CSX Transportation, Union Pacific Railroad, Norfolk Southern Railway, Metro-North Railroad and CN Railway.

Representing numerous crafts, our employees offer world-class expertise.

Penn DOT Deputy Secretary of Local and Area Transportation Karen Rae and Amtrak President and CEO Alex Kummant commemorate the launch of expanded *Keystone Service.*

FY 2006 Across the System

October

- Track speeds over three segments of Amtrak-owned track in Michigan increase to 95 mph.
- Train service returns to Greensboro, N.C., following major renovation of the historic building by the North Carolina Department of Transportation.

November

- A multi-year project to replace the nearly 100-year-old Thames River Bridge span with a vertical lift span begins. The Amtrak-owned bridge in Connecticut is a key rail link between New York and Boston.
- Amtrak recorded the highest ticket revenue producing month in history and the highest revenue generating Thanksgiving week.

December

- A new long-distance dining service pilot begins; system-wide implementation is rolled out during the fiscal year.

January

- Amtrak, the New York Metropolitan Transit Authority and the Long Island Railroad sign an agreement on a $7.7 billion East Side Access rail project that would create a station below Grand Central Terminal for commuters and result in many improvements in and around Amtrak's Sunnyside Yard in Queens.

February

- The Spanish language version of Amtrak.com is launched, reaching diverse domestic and international populations.

March

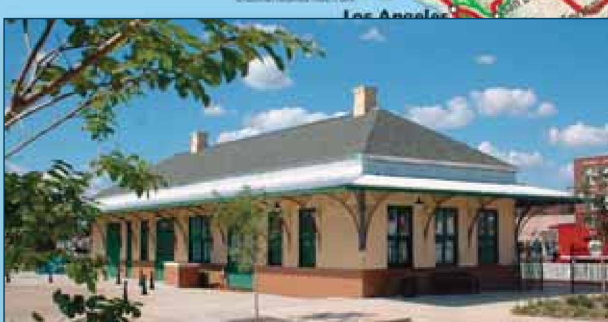
- Capitol Corridor service in California welcomes its 10 millionth passenger.
- A groundbreaking ceremony for a new St. Louis multi-modal station takes place with the mayor and other Missouri state partners.

April

- The Spring/Summer timetable becomes effective.

May

- With the launch of Amtrak Mobile customers may now make and change reservations via PDA; Amtrak is the first in the transportation industry to provide that function.



Utilizing grants from the Texas Department of Transportation, Mineola Development, Inc., and a private foundation among others, the Mineola Station has been restored.

Amtrak President and CEO Alex Kummant and Mayor Gerald Schweighart address a crowd at the Champaign, Ill., station.

June

- Funded by the state and other sources, a restored Mineola, Texas, rail station, which the *Texas Eagle* services, is unveiled during a rededication ceremony.

July

- Funded by the Washington State Department of Transportation, a fourth Amtrak *Cascades* roundtrip between Seattle and Portland begins.

August

- Engineering crews complete track and electrification rehabilitation at Cork Interlocking, as part of the Keystone Corridor Improvement Project that will lead to faster and more reliable *Keystone Service*.

- Capitol Corridor service expands, with four new roundtrips between Sacramento and Oakland, and three between Oakland and San Jose.

September

- Illinois Gov. Rod Blagojevich announces that state-supported service will increase to from three to seven daily roundtrips to downstate destinations, effective Oct. 30.

October

- Faster, more reliable *Keystone Service* is launched following completion of the rehabilitation of the Keystone Corridor. Frequencies are increased to 14 from 11.

- Amtrak assumes maintenance of *Acela Express* trainsets.


The Amtrak-owned Thames River Bridge is a key rail link between New York and Boston.

Investing: FY 2006 Highlights

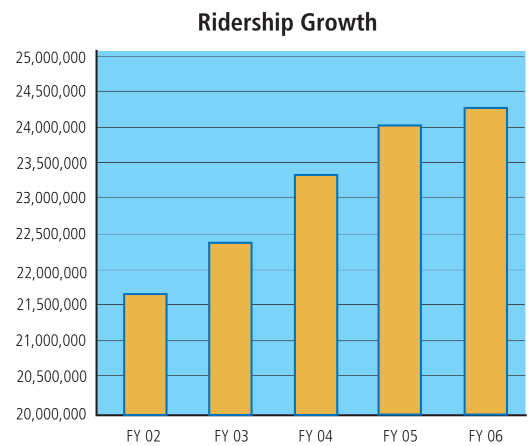
MARKING THE FOURTH CONSECUTIVE YEAR OF RECORD RIDERSHIP, Amtrak carried 24.3 million passengers in FY 2006. The year ended with record-high ticket revenue of $1.35 billion (adjusted by a food and beverage transfer), an increase of 11 percent over FY 2005. Amtrak generated $2.04 billion in total revenue in FY 2006, an 8.3 percent increase from 2005, largely due to passenger-related revenue.

FY 2006 federal operating support represented 27 percent of the total budget request; a 3 percent (or $85 million) decrease from the prior year. These results were achieved in the face of rising costs for items such as health benefits, insurance and fuel. The cost of fuel, power and utilities alone increased 20.7 percent over FY 2005, despite fewer gallons consumed due to conservation efforts.

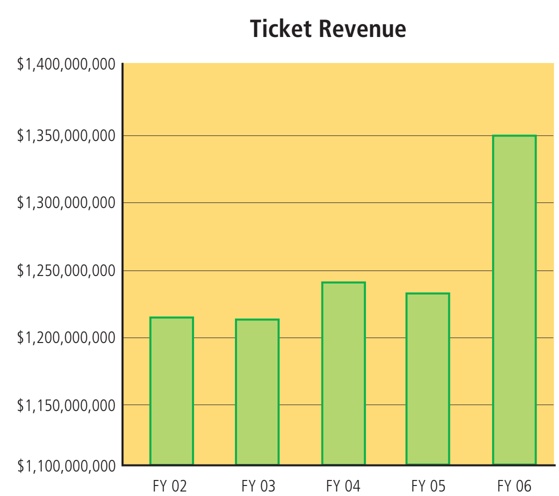
A series of strategic reforms first outlined in FY 2005 were put in place to reduce costs while increasing revenue and ridership. By improving the reliability of the fleet, the quality of customer service, and sales and distribution systems, over $60 million in operational savings were achieved in FY 2006. Amtrak expects to save an estimated $200 million from FY 2006 through FY 2008 from these reform efforts, before adjusting for inflation.

INVESTING IN ITS EMPLOYEES, Amtrak elevated the quality and frequency of its training programs in FY 2006, with the vast majority of employees undergoing various types of training or professional development.

In addition to craft-specific safety training, some employees and supervisors were trained on policies relating to medical issues, hearing conservation, the drug and alcohol testing program, and employee assistance. In an effort to foster inclusiveness in the workplace and better serve its customers, many front-line supervisors and managers, and senior executives took part in diversity training to further deepen their understanding of diversity issues.



NOTE: All years restated to reflect NJ Transit assumption of NJ/NY *Clocker* trains in FY 05.



With nearly 1,800 employees, including approximately one-third of management, celebrating 30-year-or-more service anniversaries in FY 2006, one of the company's challenges is building the workforce of the future. Steps the company is taking to manage the transition include aggressive recruitment efforts and expanding its Management Associate Program designed to prepare high-potential employees for leadership positions within the company.

STATE CORRIDOR SERVICE was high on the agenda in FY 2006, with Amtrak positioned to support ever-growing demand. Ridership in this sector rose 5 percent in FY 2006, with several trains experiencing double-digit ridership growth.

States invested in additional service in FY 2006, yielding more service in California, Illinois, Washington and Pennsylvania. California's *Capitol Corridor* service grew by four new roundtrips between Sacramento and Oakland and three between Oakland and San Jose, offering a total of 16 daily roundtrips. Ridership on this service more than doubled between 1999 and 2006.

Building on four consecutive years of ridership and revenue growth, the state of Illinois doubled funding

FY 2006 Top Ten Corridors

Corridors	Ridership
Northeast Corridor	9.43 million
Pacific Surfliner (California)	2.66 million
Capitol Corridor (California)	1.26 million
Empire Corridor (New York)	1.22 million
Keystone Corridor (Pennsylvania)	.82 million
San Joaquins (California)	.80 million
Cascades (Washington/Oregon)	.63 million
Hiawathas (Illinois/Wisconsin)	.58 million
Wolverines (Michigan)	.44 million
Washington-Newport News	.40 million

for train service in FY 2006, making its levels of annual support for service second only to California. The increase led to eight new train departures on three different corridors between Chicago and 28 downstate destinations; four new departures between St. Louis


Keystone Corridor rehabilitation led to faster and more reliable service.

and Chicago, two between Carbondale and Chicago, and another two between Quincy and Chicago.

A partnership between Amtrak and the Commonwealth of Pennsylvania breathed new life into the 104-mile Keystone Corridor between Philadelphia and Harrisburg in FY 2006. The $145 million project, accomplished by Amtrak's Engineering crews, resulted in rehabilitated track and electrification, over which trains travel at speeds of up to 110 mph — one of only three routes in the nation to reach that speed. First announced in 2004, the investment led to expanded service, increasing the number of weekday departures to 14 from 11 on Oct. 30, 2006. Faster travel times and several 95-minute express trips between Harrisburg and Philadelphia made the more reliable service an attractive option for many Pennsylvanians.

Funded by the Washington State Department of Transportation, a fourth Amtrak *Cascades* roundtrip between Seattle and Portland was added in FY 2006. Thanks to the support from Washington and Oregon and the popularity of the corridor, the service has enjoyed 11 consecutive years of ridership and ticket revenue growth since it was launched in 1994.

WITH $1.4 BILLION INVESTED by Amtrak and states in the Northeast Corridor infrastructure since FY 2003, the state of good repair mission that directed improvements in plant and equipment continued in FY 2006, with significant capital investments in the infrastructure aimed at reducing trip times and improving the reliability and on-time performance of the service.

Curve geometry analysis at almost 100 locations between Washington and New York led to a reduction in *Acela Express* trip times of five minutes in October 2006. A central component of the company's NEC/*Acela* Service Improvement Project launched in FY 2006, *Acela Express* on-time performance rose to 85 percent;

Amtrak *Cascades* service carried nearly 628,000 passengers in FY 2006.

in early FY 2007, the service's on-time performance hovered around its 90 percent goal.

Furthermore, other work aimed at increasing the reliability of the Northeast Corridor infrastructure was accomplished, including over 60 miles of catenary hardware renewal between New York and Washington, new catenary at crossovers, and the replacement of the 70-year-old 138 kV Oilostatic Cable in the B & P Tunnel in Baltimore that was prone to oil pipeline leaks and expensive repairs and cleanup.

A key link between New York and Boston, the nearly 100-year-old Amtrak-owned Thames River Bridge in New London, Conn., is among the company's biggest capital investments. Kicking off in FY 2006, the estimated $76 million multi-year project supported and managed by Amtrak's Engineering forces involves replacing the moveable span of the bascule bridge with a vertical-lift bridge span. Scheduled for completion in the summer of FY 2008, the project will put an end to numerous disruptions caused by lift mechanism failures and extend the life of the bridge another 100 years.

At the end of FY 2006, the Fire and Life Safety program aimed at upgrading the safety systems unique to the six Amtrak-owned tunnels that carry trains to and from New York's Penn Station was approximately halfway complete. The complex, multi-phased capital program funded by Amtrak, Long Island Rail Road and the Federal Railroad Administration involves the construction or installation of modern ventilation and fire standpipe systems, modern communication systems and other safety and security countermeasures.

Track speeds on three segments of Amtrak-owned track between Niles and Kalamazoo in Michigan reached 95 mph in FY 2006, marking the first time in two decades that Amtrak trains outside of the Northeast traveled at speeds over 90 mph. The increase in train speed was enabled by the implementation of Incremental Train Control System, a state-of-the-art signal system that transmits data via radiowave from processors along the route to processors in the locomotives.

MECHANICAL SHOP PRODUCTION and changes to efficiency in the Mechanical operation in FY 2006 contributed to the availability and reliability of Amtrak's fleet. Continuing a favorable trend since 2003, minutes of delay attributed to equipment issues were 13 percent lower than in FY 2005.

Furthermore, consolidation of locomotive and car preventive maintenance practices began in FY 2006, resulting in an annualized cost reduction of $2 million and increasing equipment availability.

As a result of mechanical production over the past several years, 55 percent of passenger cars and 93 percent of locomotives were in a state of good repair at the end of FY 2006. The Beech Grove, Ind., facility overhauled 178 passenger cars and 45 diesel locomotives. Combined, the Wilmington and Bear facilities located in Delaware completed overhauls on 17 electric locomotives and 85 passenger cars.

Amtrak ensured a smooth transition for the assumption of the maintenance of the high speed rail equipment from a vendor in October 2006 by instituting

Mechanical crews reconfigured six Metroliner cars to serve as* Keystone Service *cab-control cars.

extensive training for Mechanical and Transportation employees, and by integrating materials management and work management systems. The responsibility for day-to-day maintenance of the *Acela Express* trainsets also set the stage for development of Reliability Centered Maintenance (RCM) practices implemented in January 2007.

Designed to utilize resources and manpower more efficiently, RCM also aims to improve the reliability and availability of Amtrak equipment and infrastructure. By determining the most cost-effective approach to maintenance, costs are reduced by as much as 30 percent, while reliability increases. These advances have also created an opportunity for more efficient use of the work force while preserving safe and reliable operation of *Acela Express* service.

The first RCM-validated maintenance program was fully implemented for the high-speed rail *Acela Express* trainsets in January 2007, and is expected to result in an increase in availability of the trainsets from 70 percent to 85 percent. Reliability improvements in the *Acela* fleet have allowed for the addition of the 15th trainset and, and in the future, the 16th and 17th trainsets to the daily schedule.

WHILE AMTRAK CONTINUED TO ADDRESS ITS STATE OF GOOD REPAIR GOALS, it also allocated resources to actively improving customer service. What followed was an organizational evolution driven by the need to reduce costs and improve operational efficiency, and a product-focused approach to refining customer service.

As part of its focus on achieving a more cost-effective operation and driven by a federal mandate to reduce its food and beverage costs, Amtrak embarked on a multi-faceted improvement strategy in FY 2006. The company negotiated a performance-incentive-based contract with its on-board food and beverage provider that included tighter financial controls. Further, the centralization and outsourcing of on-board revenue collection contributed to improved financial accounting.

Because dining service is a significant selling point to long-distance customers, the company also launched a new long-distance dining service model that reduced costs without compromising the quality of the service. As a result of these measures, food and beverage labor costs on these trains were reduced by $4.9 million in FY 2006; and are projected to save $15 million annually, when fully implemented.

THE TRAVEL SOLUTION FOR OUR TIME: COMMUNITY ~ MOBILITY ~ ENVIRONMENT

Amtrak's formal shift to a product-focused approach to customer service began in FY 2006 with an aggressive, extensive program to improve the performance of its Northeast Corridor *Acela Express* and *Regional* services, and consequently generate more ridership. Combined, both services make up over 50 percent of national ticket revenue, and serve more than half of the air/rail market between Washington and New York and one-third of that market between New York and Boston.

Supported by a new Northeast Corridor Service Operations organization, the NEC/*Acela* Service Improvement Program involved a range of departments and new tactics. Multi-department collaborative efforts contributed to higher on-time performance, shorter trip times, more personalized customer service — including at-seat cart service aboard some trains — cleaner trains and more reliable service. *Acela Express* on-time performance rose from 64 percent in FY 2005 to 85 percent in FY 2006, outperforming airlines' performance in all Northeast Corridor markets. In addition, modified revenue management tactics and a comprehensive advertising campaign, which included the return of *Acela Express* television spots, helped drive *Acela Express* ridership and revenue.

The groundwork set in FY 2006 began to bear fruit in FY 2007, producing 20 percent growth in ridership and 23 percent increase in ticket revenue in the first six months of the fiscal year over the same period a year earlier. During this period, the Customer Satisfaction Index score for overall satisfaction on *Acela Express* rose eight points (four points above goal) and ticket revenue increased by $37 million.

THE FIRST PROTOTYPE OF A NEW GENERATION of long-distance dining cars was constructed, combining the best of what the dining car and the lounge car have to offer, and replacing the traditional dining car and lounge configuration. This move is aligned with the company's drive to create efficiencies and generate revenue while raising the standard of customer service.

The first of a number of Superliner I diners was converted to a combined diner-lounge car to accommodate integrated continuous dining, lounge and bar service on many long-distance trains. The seating options aim to appeal to passengers' varying preferences; similarly, the menu options cater to a range of appetites, from snacks to traditional full course meals. Offering convenient and flexible service is expected to be a welcome service option for both coach and sleeping car passengers; consequently increasing on-board sales. Bi-level Superliner lounges will also be converted, making use of both upper and lower levels and providing passengers a more discreet full dining service environment on the lower level.

WITH THE FEWEST NUMBER OF ON-DUTY EMPLOYEE FRA-REPORTABLE INJURIES ever recorded in Amtrak history, the company finished FY 2006 with a 3.3 ratio of reportable injuries per every 200,000 hours worked. Of particular note was the 9 percent drop in the number of passenger injuries in FY 2006, considering the record ridership achieved that year.

The company implemented a comprehensive system plan that fosters a culture of safety. Aimed at preventing injuries and illnesses, the plan stresses management and employee accountability for safety and hazard mitigation.

K9 units are an important element of Amtrak's approach to security.

THE COMPLEX AND UNIQUE CHARACTERISTICS of the railroad environment impose a distinctive set of risk management and passenger security considerations not faced by other modes of transportation. Characterized as an "open system," Amtrak's rail infrastructure, as well as that of the freight railroads over which Amtrak operates, rely on a multi-faceted, multi-agency strategy to secure and safeguard the nation's rail and transit physical assets, while protecting its employees and passengers.

Because of the nature of Amtrak's system, the responsibility for managing risk requires partnerships with government agencies at the federal, state and local level, as well as collaboration and teamwork with the private sector. As federal funding for security escalates, best practices, industry standards and technology are being leveraged in a manner that always keeps the focus on safety and efficiency.

The Risk Management department, which includes Amtrak's own Police Department, is actively engaged in strategic information-sharing and collaborative efforts with counter-terrorism entities at the international, federal and local level, in addition to other transportation modes and railroads. Amtrak is taking further advantage of national counter-terrorism partnerships by turning the information learned into meaningful training and awareness programs for employees and passengers.

The Amtrak Police Department is focusing its efforts on community policing, with more police presence aboard trains and at gated boardings and on platforms. Unlike a small city with clearly defined borders, Amtrak's community includes several major stations, hundreds of mid-sized and smaller stations and platforms and trains moving over 21,000 miles of track. The use of cutting-edge technology, police presence, and increased awareness will provide a safer environment for Amtrak passengers, while protecting the freedom to move within the national passenger rail system. Amtrak is committed to ensuring that the speed and efficiency of rail travel does not diminish because of security programs and that core business processes are leveraged to ensure that new security programs are cost efficient, sustainable and effective.

The *Texas Eagle* departs Dallas, Texas.

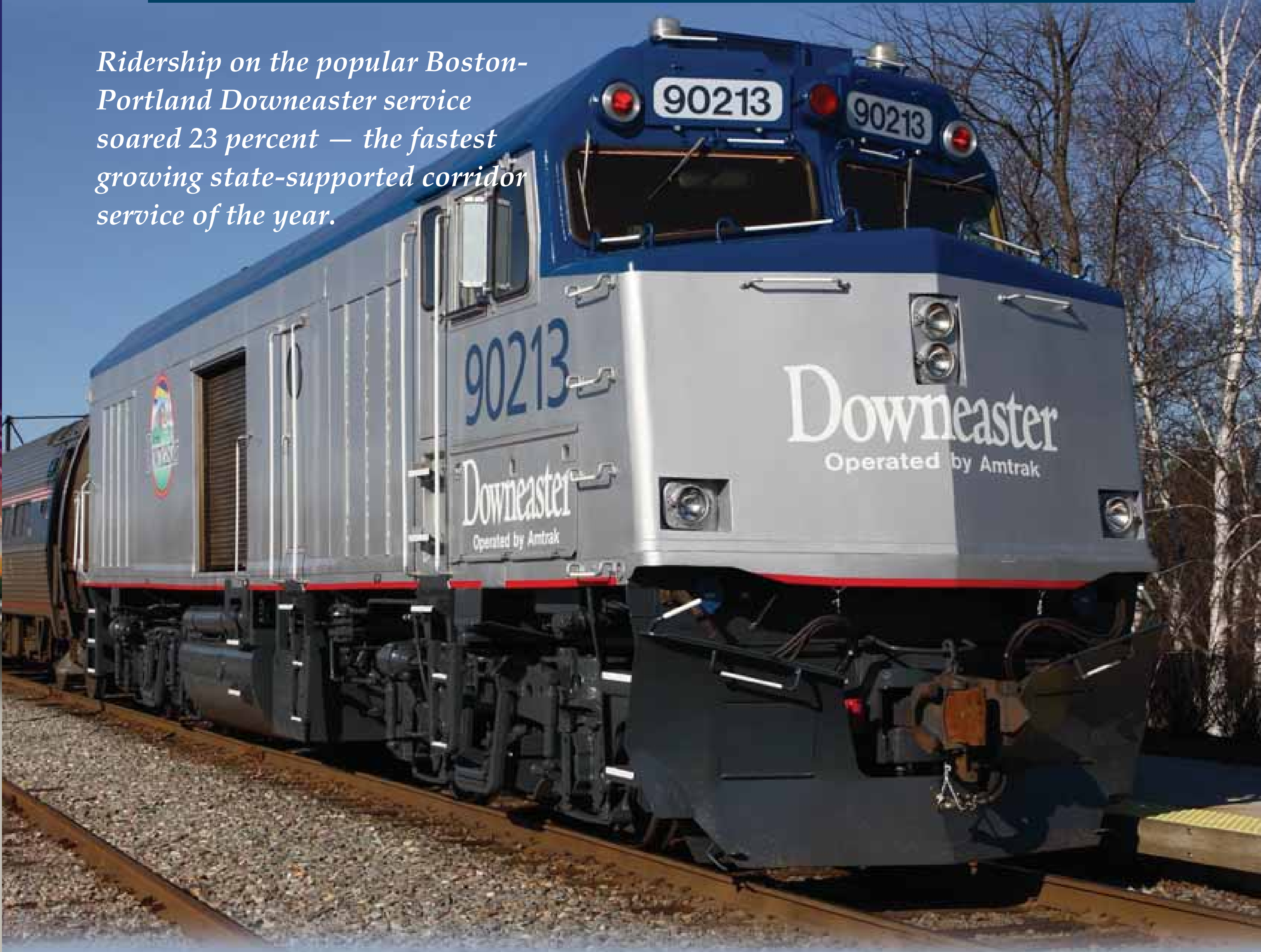
A new Milwaukee Intermodal Station is slated to be completed in the summer of 2007.
Rendering: Eppstein Uhen Architects - Milwaukee.

Building the Future of Passenger Rail Service

WITH THE SUPPORT OF FEDERAL AND STATE PARTNERS, development of rail corridors of 100 to 500 miles is the driving force of the future of passenger rail in America. Demand for expanded service or new corridor development at the state level is on the rise, as more states look to make passenger rail a bigger part of the transportation options available to their citizens.

Furthermore, states have testified that a measure of federal assistance for capital projects is critically important to advancing passenger rail.

Accordingly, Amtrak is ushering in a new era of partnerships. With the creation of its Strategic Partnership and Business Development department, Amtrak is changing the dynamics of its state partnerships with organizational changes to better support a client-focused approach to its state partners. The company is better orienting itself to present states with a programmatic approach to corridor development, featuring a standard menu of service options and capabilities, and corresponding financials. Offering a range of expertise — whether related to infrastructure and equipment planning, dispatching, operating, providing customer service, or delivering a complete suite of services — Amtrak will build on its experience and knowledge to be the partner of choice as states seek to develop and expand rail corridor offerings.



Ridership on the popular Boston-Portland Downeaster service soared 23 percent — the fastest growing state-supported corridor service of the year.

In addition, Amtrak is taking the lead with traditional partners to identify innovative approaches to equipment procurement. With the consolidation of the supply industry, equipment procurement is one of the biggest hurdles states and Amtrak must clear for expanding service. To that end, the company is directing an effort with states and railroad car manufacturers to develop a new generation of standard equipment specifications and to build a supply base.

While rail corridors link communities together, train stations are at the gateways of those communities. As a result of partnerships with states and localities, stations across the system benefited from renovation and restoration and more will in the future.

Traditionally recognized as linchpins for downtown economic development, many stations have yet to reach good repair and their full potential. While Amtrak owns only a small share of the stations it serves, the company has taken the lead in bringing new partners together to revitalize train stations with the launch of its Great American Stations Web site. Serving as a central point for a range of station-related information, including compliance with the Americans with Disabilities Act, the site provides resources for public officials and business communities to make investments in their stations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the results of operations and of the liquidity and capital resources of the National Railroad Passenger Corporation (Amtrak or the Company) is based upon and should be read in conjunction with Amtrak's Consolidated Financial Statements for the fiscal years ended September 30, 2006 and 2005, and related notes thereto. This discussion has not been reviewed by our auditors, KPMG, LLP (KPMG), and the opinions expressed by KPMG on Amtrak's Consolidated Financial Statements for the fiscal years ended September 30, 2006 and 2005 are wholly separate and are not intended to be incorporated by reference or considered to be an expression of opinion on any of the information contained herein.

RESULTS OF OPERATIONS

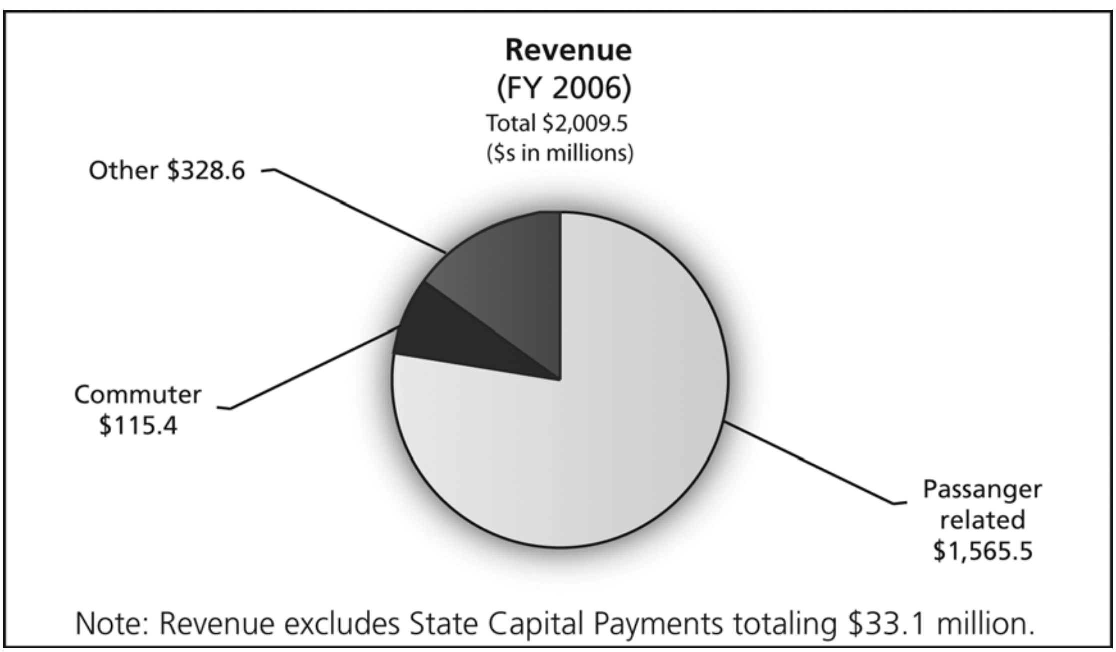
Amtrak reported a 2006 net loss of $1,068.0 million compared to a 2005 net loss of $1,192.3 million, an improvement of $124.3 million or 10.4%. During fiscal year 2006, Amtrak experienced an overall increase in revenues as well as expenses, as compared to fiscal year 2005.

Revenues – Total revenues increased 8.3% to $2,042.6 million in 2006 compared to $1,886.2 million in 2005, largely due to an increase in passenger related revenue. Total revenues, excluding State capital payments, increased 8.2% to $2,009.5 million in 2006 compared to $1,857.6 million in 2005.

Expenses – Total expenses increased 2.2% to $3,005.5 million in 2006 compared to $2,940.3 million in 2005. The increase is largely due to increases in: Salaries, wages, and benefits; Fuel, power, and utilities; and Casualty and other claims. This was partially offset by a decrease in Depreciation-net of amortization.

Other Income and Expense – Net other expense decreased 15.7% to $105.1 million in 2006 compared to $124.7 million in 2005, as a result of the combined effect of lower interest expense and higher interest income.

REVENUE



Passenger related revenue, which includes Ticket, Food and Beverage, and State operating contribution revenue, increased 9.0% to $1,565.5 million in 2006 compared to $1,435.9 million in 2005. The increases in Ticket, and Food and Beverage revenues were partially offset by a slight decrease in State operating contribution revenues.

Passenger related revenue less the State operating contribution increased 10.1% to $1,426.1 million in 2006 compared to $1,295.0 million in 2005. The revenue for 2005 was negatively impacted due to the effects of Acela brake system problems experienced in April 2005 that halted the entire Acela fleet from mid-April 2005 to mid-July 2005. Partial service resumed in July 2005, but full service was not restored until the end of September 2005.

Commuter revenue decreased 3.3% to $115.4 million in 2006 compared to $119.4 million in 2005, due to the termination of a commuter contract at the end of June 2005.

Other revenue increased 8.7% to $328.6 million in 2006 compared to $302.3 million in 2005. Other revenue consists of: transportation revenue from commuters for use of Amtrak-owned tracks and other services; revenue from reimbursable engineering and capital improvement activities; commercial development revenue from station rent, right-of-way fees, and retail rent; freight access fee revenue from the use of Amtrak-owned tracks by freight railroad companies; and one-time gains. The increase in other revenue in 2006 over 2005 was primarily due to $19.8 million in one-time gains recorded in 2006.

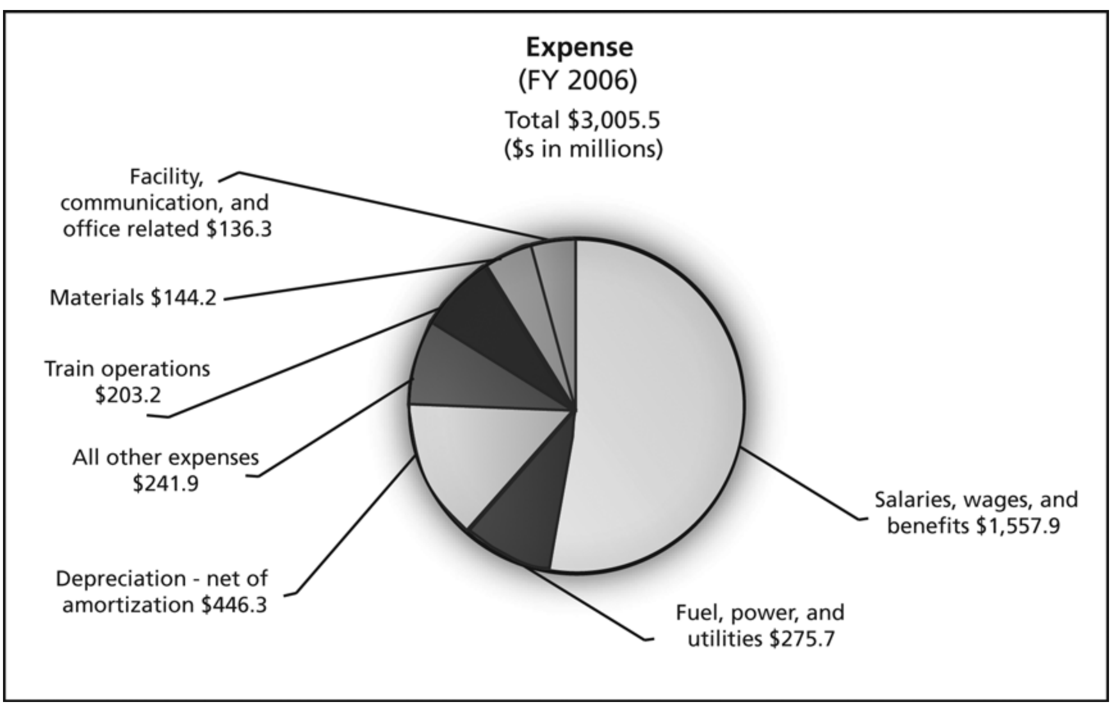
Commuter fees billed for the use of Amtrak's right-of-way decreased 2.6% to $112.9 million in 2006 compared to $115.9 million in 2005.

Reimbursable revenue increased 12.6% to $87.7 million in 2006 compared to $77.9 million in 2005, due to increased reimbursable maintenance of way activities.

Real estate and commercial development revenues decreased 7.9% to $62.8 million in 2006 compared to $68.2 million in 2005, due to a decrease in revenue associated with one-time settlement events in 2005.

Freight railroad access fees increased 12.7% to $45.4 million in 2006 compared to $40.3 million in 2005, due to increases in equipment subleasing and other miscellaneous revenue.

EXPENSE



Salaries, wages, and benefits increased 3.1% to $1,557.9 million in 2006 compared to $1,511.6 million in 2005. This is primarily due to increased accruals for Federal Employers' Liability Act claims, postretirement benefits, and health insurance costs.

Approximately 90% of Amtrak's labor force is covered by labor agreements. All Amtrak labor agreements became amendable as of January 1, 2000. In 2003 and 2004, Amtrak reached new agreements covering approximately 35% of Amtrak's unionized employees for the period of January 1, 2000 through December 31, 2004. Those agreements settled since January 1, 2000 became open to amendment once again on January 1, 2005. All current labor agreements will remain in effect until new agreements are reached or the Railway Labor Act's procedures are exhausted. During fiscal year 2006, Amtrak continued to negotiate with the unions whose contracts have been open for amendment since January 1, 2000. No new agreements were reached. Additionally, preliminary discussions have been held with some of those unions whose agreements became open for amendment on January 1, 2005.

Train operations expense increased 5.1% to $203.2 million in 2006 compared to $193.3 million in 2005. This increase is due to increased connecting motor coach costs and commissary expenses.

Fuel, power, and utilities expense increased 20.7% to $275.7 million in 2006 compared to $228.5 million in 2005, due to higher unit costs for diesel fuel (despite lower gallons consumed due to fuel conservation efforts) and electricity.

Materials expense increased 8.8% to $144.2 million in 2006 compared to $132.5 million in 2005 due primarily to increased contract maintenance costs and increased unit costs for wheel-set repairs.

Facility, communication, and office related expense increased 4.5% to $136.3 million in 2006 compared to $130.4 million in 2005 primarily due to increased security costs and higher data communication costs.

Depreciation net of amortization of gain on sale-leasebacks decreased 20.0% to $446.3 million in 2006 compared to $557.9 million in 2005 primarily due to a group depreciation adjustment for right-of-way property made in 2006.

All other expenses increased 30.0% to $241.9 million in 2006 compared to $186.1 million in 2005, due primarily to an increase in casualty and other claims from higher passenger and other insurance costs. Also contributing to the increase were higher professional fees, software maintenance and license costs, and maintenance of way expenses.

OTHER INCOME AND EXPENSE

Other income and expense includes investment income and interest expense associated with equipment and infrastructure financings.

Interest income increased to $95.0 million in 2006 compared to $82.1 million in 2005, due to higher interest rates on increased cash balances.

Interest expense decreased to $200.1 million in 2006 compared to $206.8 million in 2005, due to lower debt balances.

LIQUIDITY AND CAPITAL RESOURCES

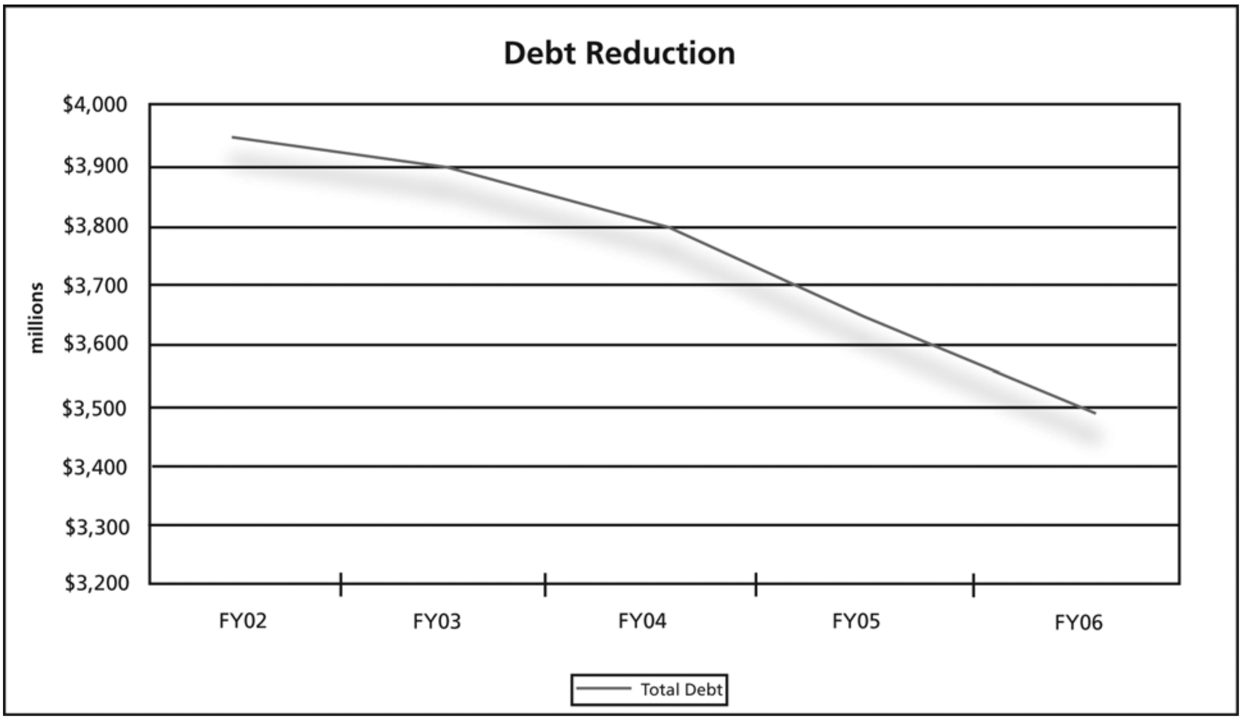
Amtrak relies on cash flows from operating activities and appropriations from the United States government (Federal Government) to operate the national passenger rail system and maintain the underlying infrastructure. The Company believes that it will be able to meet current and long-term liquidity and capital requirements, through cash flows from operating activities, appropriations, existing cash and cash equivalents, and short-term investments.

Amtrak had cash and cash equivalents, and short-term investments of $215.1 million compared to $138.4 million at September 30, 2006 and 2005, respectively.

The working capital ratio increased to 0.55 compared to 0.51 at September 30, 2006 and 2005, respectively. Current maturities of debt and capital lease obligations increased over the prior year by $5.1 million or 3.7% primarily due to an increase in the current portions of capital lease obligations and mortgage loan on Penn Station in New York. Current assets increased over the prior year by $39.0 million or 8.6% primarily due to the timing of the receipt and uses of cash, offset by lower balances associated with prepayments related to commuter projects, commissary services, and miscellaneous non-trade receivable accounts.

Total debt and capital lease obligations decreased by $170.8 million or 4.7% to $3,493.1 million at September 30, 2006 from $3,663.9 million at September 30, 2005. This decrease includes principal payments on leased locomotives and rolling stock, and principal payments on the Penn Station mortgage and Department of Transportation $100 million loan.

The graph below depicts the reduction in outstanding debt balances over the last four years.



OUTLOOK

Under the Rail Passenger Service Act of 1970, Amtrak was created in 1971 and authorized to operate a nationwide system of passenger rail transportation. Historically, Amtrak has received subsidies from the Federal Government. These subsidies are approved annually, and Amtrak's ability to continue operating in its current form is dependent upon the continued receipt of such subsidies and other forms of financing transactions to raise funds.

The enactment on February 15, 2007 of the Revised Continuing Appropriations Resolution, 2007, (the "2007 Act") as Public Law 110-5 authorizes the Secretary of the United States Department of Transportation (the "Secretary") to make quarterly grants to Amtrak from a total appropriation of $1.315 billion, subject to certain rescissions and restrictions, that nets to $1.294 billion available for distribution. The 2007 Act gives the Secretary oversight of the fiscal spending of the Company and enables the Secretary to make grants to the Company, to remain available until September 30, 2007, providing a maximum of $495.0 million (reduced to $490.0 million) for operating subsidy grants, $780.0 million (reduced to $772.2 million) for capital subsidy grants, and $31.3 million for an efficiency incentive subsidy grant. Of the $780 million capital subsidy grants, $280 million (reduced to $277.2 million) shall be for debt service obligations.

Amtrak and the Secretary were directed by the Consolidated Appropriations Act, 2005 to agree on a schedule for the repayment in five annual installments beginning in fiscal year 2005 of the $100 million loan grant by the Federal Railroad Administration made in July 2002 with such payments to be made within thirty days of enactment of each annual act, otherwise all principal and interest shall come due as provided for under the existing terms of the loan grant. Amtrak made the third of five annual installments in March 2007.

The Company has received $708.9 million of the fiscal year 2007 subsidy under the 2007 Act through March 31, 2007. The Company believes that it can achieve its planned results and that it will receive the full amount appropriated under the 2007 Act. To the extent that less than the full subsidy is received from the Department of Transportation or the Company's funding needs are greater than $1.294 billion plus $215.0 million combined of cash on hand and short-term investments, due to operating results or the unfavorable resolution of contingencies or other matters, the Company may not have sufficient funds to operate through the end of fiscal year 2007.

There are currently no Federal Government appropriations for periods subsequent to September 30, 2007. To the extent that regular appropriations have not been approved by October 1, 2007, the Company expects to receive additional interim Federal Government funding under continuing resolutions until the fiscal year 2008 funding is approved. There can be no assurances that the Company will receive adequate funding to continue operations in its current form in fiscal year 2008 and beyond. Failure to receive sufficient appropriations may result in severe operational changes and/or restructuring which would likely result in asset impairments and potential bankruptcy or reorganization.

KPMG LLP
1660 International Drive
McLean, VA 22102

Independent Auditor's Report

The Board of Directors and Stockholders
National Railroad Passengers Corporation:

We have audited the accompanying consolidated balance sheets of National Railroad Passenger Corporation (Amtrak or the Company) and subsidiaries as of September 30, 2006 and 2005, and the related consolidated statements of operations, comprehensive loss, cash flows and changes in capitalization for the years then ended. These consolidated financial statements are the responsibility of Amtrak's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Company has a history of substantial operating losses and is highly dependent upon substantial Federal government subsidies to sustain its operations. There are currently no Federal government subsidies authorized or appropriated for any period subsequent to the fiscal year ending September 30, 2007 ("fiscal year 2007"). Without such subsidies, Amtrak will not be able to continue to operate in its current from and significant operating changes, restructuring or bankruptcy may occur. Such changes or restructuring would likely result in asset impairments.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Railroad Passenger Corporation and subsidiaries as of September 30, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

March 7, 2007

National Railroad Passenger Corporation and Subsidiaries (Amtrak)
Consolidated Balance Sheets
(In Thousands of Dollars, Except Share Data)

	September 30, 2006	September 30, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 41,069	$ 75,261
Short-term investments	174,000	63,164
Accounts receivable, net of allowances of $9,479 and $11,474 at September 30, 2006 and 2005, respectively	88,248	96,810
Materials and supplies - net	152,939	147,202
Other current assets	37,997	72,786
Total current assets	494,253	455,223
Property and Equipment:		
Locomotives	1,517,231	1,500,447
Passenger cars and other rolling stock	2,796,359	2,851,008
Right-of-way and other properties	8,080,656	8,302,136
Leasehold improvements	301,277	229,574
Property and equipment, gross	12,695,523	12,883,165
Less - Accumulated depreciation and amortization	(4,495,937)	(4,808,414)
Total property and equipment, net	8,199,586	8,074,751
Other Assets, Deposits, and Deferred Charges:		
Escrowed proceeds on sale-leasebacks	862,940	853,631
Deferred charges, deposits, and other	359,508	363,846
Total other assets, deposits, and deferred charges	1,222,448	1,217,477
Total assets	$ 9,916,287	$ 9,747,451
LIABILITIES and CAPITALIZATION		
Current Liabilities:		
Accounts payable	$ 199,430	$ 213,114
Accrued expenses and other current liabilities	481,678	481,072
Deferred ticket revenue	73,402	68,750
Current maturities of long-term debt and capital lease obligations	143,577	138,434
Total current liabilities	898,087	901,370
Long-Term Debt and Capital Lease Obligations:		
Capital lease obligations	2,994,144	3,118,170
Mortgages	240,805	252,950
Equipment and other debt	114,576	154,331
Total long-term debt and capital lease obligations	3,349,525	3,525,451
Other Liabilities and Deferred Credits:		
Deferred state capital payments	591,782	509,441
Casualty reserves	223,319	185,603
Deferred gain on sale-leasebacks	400,116	439,762
Postretirement employee benefits obligation	325,989	281,562
Environmental reserve	67,014	56,102
Other	17,858	18,100
Total other liabilities and deferred credits	1,626,078	1,490,570
Total liabilities	5,873,690	5,917,391
Commitments and Contingencies		
Capitalization:		
Preferred stock - $100 par, 109,396,994 shares authorized, issued and outstanding at September 30, 2006 and 2005	10,939,699	10,939,699
Common stock - $10 par, 10,000,000 shares authorized, 9,385,694 issued and outstanding at September 30, 2006 and 2005	93,857	93,857
Debt and other paid-in capital	14,829,886	13,559,085
Accumulated deficit	(21,819,117)	(20,751,127)
Accumulated comprehensive income (loss)	(1,728)	(11,454)
Total capitalization	4,042,597	3,830,060
Total liabilities and capitalization	$ 9,916,287	$ 9,747,451

The accompanying Notes are an integral part of these Consolidated Financial Statements

National Railroad Passenger Corporation and Subsidiaries (Amtrak)
Consolidated Statements of Operations
(In Thousands of Dollars)

	Twelve Months Ended September 30, 2006	2005
Revenues:		
Passenger related	$ 1,565,540	$ 1,435,884
Commuter	115,394	119,354
Other	328,598	302,322
State capital payments	33,045	28,692
Total revenues	2,042,577	1,886,252
Expenses:		
Salaries, wages, and benefits	1,557,929	1,511,656
Train operations	203,201	193,277
Fuel, power, and utilities	275,677	228,511
Materials	144,240	132,544
Facility, communication, and office related	136,299	130,390
Advertising and sales	75,389	71,093
Casualty and other claims	59,215	25,771
Depreciation - net of amortization	446,252	557,901
Other	218,457	194,992
Indirect cost capitalized to property and equipment	(111,183)	(105,839)
Total expenses	3,005,476	2,940,296
Net loss from continuing operations before other (income) and expense	962,899	1,054,044
Other (Income) and Expense:		
Interest income	(94,967)	(82,062)
Interest expense	200,058	206,783
Other expense - net	105,091	124,721
Net loss from continuing operations	1,067,990	1,178,765
Net (income) loss from discontinued operations	-	13,580
Net loss	$ 1,067,990	$ 1,192,345

National Railroad Passenger Corporation and Subsidiaries (Amtrak)
Consolidated Statements of Comprehensive Loss
(In Thousands of Dollars)

	Twelve Months Ended September 30, 2006	2005
Net loss	$ 1,067,990	$ 1,192,345
Other Comprehensive (Income) Loss:		
Unrealized loss (gain) on derivatives	2,369	1,748
Unrealized loss (gain) on minimum pension liability adjustment	(12,095)	12,095
Comprehensive loss	$ 1,058,264	$ 1,206,188

The accompanying Notes are an integral part of these Consolidated Financial Statements

National Railroad Passenger Corporation and Subsidiaries (Amtrak)
Consolidated Statements of Changes in Capitalization
(In Thousands of Dollars)

	Preferred stock	Common stock	Debt and other paid-in capital	Accumulated deficit	Accumulated comprehensive income (loss)	Totals
Balance at September 30, 2004	$ 10,939,699	$ 93,857	$ 12,328,381	$ (19,558,782)	$ 2,389	$ 3,805,544
Federal paid-in capital	-	-	1,203,296		-	1,203,296
Federal capital and other payments	-	-	27,408		-	27,408
Net loss	-	-	-	(1,192,345)	-	(1,192,345)
Unrealized gain/ (loss) on derivatives and minimum pension liability adjustment	-	-	-		(13,843)	(13,843)
Balance at September 30, 2005	$ 10,939,699	$ 93,857	$ 13,559,085	$ (20,751,127)	$ (11,454)	$ 3,830,060
Federal paid-in capital	-	-	1,257,300		-	1,257,300
Federal capital and other payments	-	-	13,501		-	13,501
Net loss	-	-	-	(1,067,990)		(1,067,990)
Unrealized gain/ (loss) on derivatives and minimum pension liability adjustment	-	-	-		9,726	9,726
Balance at September 30, 2006	$ 10,939,699	$ 93,857	$ 14,829,886	$ (21,819,117)	$ (1,728)	$ 4,042,597

The accompanying Notes are an integral part of these Consolidated Financial Statements

National Railroad Passenger Corporation and Subsidiaries (Amtrak)
Consolidated Statements of Cash Flows

(In Thousands of Dollars)

	Twelve Months Ended September 30, 2006	2005
Cash Flows From Operating Activities:		
Net loss	$ (1,067,990)	$ (1,192,345)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation net of amortization	446,252	547,431
Impairment related to discontinued operations	-	10,470
Gain on disposal of property	(3,916)	(500)
Other	13,858	(4,246)
Changes in assets and liabilities:		
Accounts receivable	7,126	(21,638)
Materials and supplies	(19,040)	(34,589)
Other current assets	25,298	(7,902)
Other assets, deposits, and deferred charges	(28,209)	5,906
Accounts payable, deferred ticket revenue, and other current liabilities	(4,923)	(54,565)
Deferred state capital payments	(33,045)	(28,692)
Other liabilities and deferred credits	104,909	36,070
Net cash used in operating activities	(559,680)	(744,600)
Cash Flows From Investing Activities:		
Purchases and refurbishments of property and equipment	(603,246)	(596,889)
Proceeds from disposals of property and equipment	8,935	5,206
Purchase of short-term investments	(1,314,572)	(308,702)
Proceeds from dispositions of short-term investments	1,203,736	245,548
Net cash used in investing activities	(705,147)	(654,837)
Cash Flows From Financing Activities:		
Proceeds from federal paid-in capital	1,257,300	1,203,296
Proceeds from federal and state capital payments	128,888	148,803
Repayments of debt and capital lease obligations	(155,553)	(124,801)
Net cash provided by financing activities	1,230,635	1,227,298
Net increase (decrease) in cash and cash equivalents	(34,192)	(172,139)
Cash and cash equivalents-beginning of period	75,261	247,400
Cash and cash equivalents-end of period	$ 41,069	$ 75,261
Supplemental Disclosure of Cash Payments:		
Interest paid (net of amounts capitalized and non-cash defeased capital lease interest)	$ 146,039	$ 153,234
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Property acquired with escrowed deposit	$ 791	$ 11,583
Other non-cash increases (decreases) in property, includes accruals of amounts due for purchases	$ 5,693	$ (26,652)
Debt and capital lease reduction through use of escrow deposits	$ 19,483	$ 4,739
Capital lease reduction offset to assets	$ (3,271)	$ (8,746)

The accompanying Notes are an integral part of these Consolidated Financial Statements

NOTE 1: NATURE OF OPERATIONS

The National Railroad Passenger Corporation ("Amtrak" or the "Company") is a passenger railroad. The United States government (the "Federal Government") through the United States Department of Transportation (the "DOT") owns all issued and outstanding preferred stock. Its principal business is to provide rail passenger transportation service to the general public in the major intercity travel markets of the United States. The Company also operates commuter rail operations on behalf of several states and transit agencies, provides equipment and right-of-way maintenance services, and has leasing operations.

NOTE 2: BUSINESS CONDITION AND LIQUIDITY

Operations and Liquidity

Amtrak was incorporated in 1971 pursuant to the Rail Passenger Service Act of 1970 and is authorized to operate a nationwide system of passenger rail transportation. The Company has a history of recurring operating losses and is dependent on subsidies from the Federal Government to operate the national passenger rail system and maintain the underlying infrastructure. These subsidies are usually received through annual appropriations. Amtrak's ability to continue operating in its current form is dependent upon the continued receipt of subsidies from the Federal Government.

The enactment on February 15, 2007 of the Revised Continuing Appropriations Resolution, 2007, (the "2007 Act") as Public Law 110-5 authorizes the Secretary of the United States Department of Transportation (the "Secretary") to make quarterly grants to Amtrak from a total appropriation of $1.315 billion, subject to certain rescissions, that nets to $1.294 billion available for distribution. The 2007 Act gives the Secretary oversight of the fiscal spending of the Company and enables the Secretary to make grants to the Company, to remain available until September 30, 2007, providing a maximum of $495.0 million (reduced to $490.0 million) for operating subsidy grants, $780.0 million (reduced to $772.2 million) for capital subsidy grants and $31.3 million for an efficiency incentive subsidy grant. Of the $780 million capital subsidy grants, $280 million (reduced to $277.2 million) shall be for debt service obligations.

Amtrak and the Secretary of the United States Department of Transportation (the "Secretary") were directed by the Consolidated Appropriations Act, 2005 to agree on a schedule for the repayment in five annual installments beginning in fiscal year 2005 of the $100 million loan grant by the Federal Railroad Administration (FRA) made in July 2002 (see Note 7) with such payments to be made within thirty days of enactment of each annual act, otherwise all principal and interest shall come due as provided for under the existing terms of the loan grant. Amtrak will make the third of five annual installments in 2007.

The Company has received $421.2 million of the fiscal year 2007 appropriation under continuing resolutions through January 31, 2007. The Company believes that it can achieve its planned results and that it will receive the full amount appropriated under the 2007 Act. To the extent that less than the full appropriation is received from the DOT or the Company's funding needs are greater than $1.294 billion plus $215.0 million combined of cash on hand and short-term investments, due to operating results or the unfavorable resolution of contingencies or other matters, the Company may not have sufficient funds to operate through the end of fiscal year 2007.

There are currently no Federal Government subsidies authorized or appropriated for periods subsequent to September 30, 2007. To the extent that regular appropriations have not been approved by October 1, 2007, the Company expects to receive additional interim Federal Government funding under continuing resolutions until the fiscal year 2008 funding is approved. There can be no assurances that the Company will receive adequate funding to continue operations in its current form in fiscal year 2008 and beyond. Failure to receive sufficient subsidies may result in severe operational changes and/or restructuring which would likely result in asset impairments and potential bankruptcy or reorganization.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Consolidated Financial Statements reflect the consolidated operations of Amtrak: its three wholly owned subsidiaries, Chicago Union Station Company (CUS), Passenger Railroad Insurance, Limited (PRIL), and Penn Station Leasing, LLC (PSL); its 99.7% interest in Washington Terminal Company (WTC); and its 99% interest in 30th Street Limited, L.P. (TSL). In addition, Amtrak has consolidated certain operations owned by the Pennsylvania Economic Development Financing Authority (PEDFA) (see Note 7). All significant intercompany balances and transactions have been eliminated.

Reclassifications

Certain reclassifications have been made to the prior year's Consolidated Financial Statements and accompanying Notes to conform to the fiscal year 2006 presentation. These reclassifications have no effect on prior year reported net loss.

Cash Equivalents

All short-term investments with original maturities of less than 90 days are considered cash equivalents. Cash equivalents are stated at cost, which approximates fair value because of the short maturities of these instruments.

Short-Term Investments

Short-term investments include auction rate securities.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable.

Materials and Supplies

Materials and supplies, which are stated at the lower of weighted-average cost or market, consist primarily of items for maintenance and improvement of property and equipment. An allowance for shrinkage and obsolescence is provided for materials and supplies based on specific identification and turnover rates.

Derivative and Hedging Activities

Amtrak periodically enters into heating oil contracts with durations of 12 months or less to manage a portion of the exposure to fluctuating diesel prices. Changes in the price of heating oil contracts have a high correlation to changes in the price of diesel fuel and therefore, qualify as cash flow hedges under Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities" (SFAS 133), as amended. These derivative financial instruments, which inherently contain market risk, are generally effective in reducing fluctuations in cash flows. The market risk is the potential adverse effect on the value of heating oil contracts that results from a change in heating oil prices. The market risk is managed by monitoring parameters that limit the types and degree of market risk that may be undertaken. Amtrak does not enter into fuel hedge contracts for trading or speculative purposes.

Amtrak records the fair market value of fuel hedge contracts in "Other current assets" in the Consolidated Balance Sheets. On an ongoing basis, Amtrak adjusts the balance sheet to reflect the current fair market value of fuel hedge contracts. The effective portion of the related gains or losses on these contracts is deferred as a component of "Other comprehensive income". These deferred gains and losses are recognized in income in the period in which the related diesel fuel purchases being hedged are consumed and recognized in expense. The ineffective portion of the change in the value of the fuel hedge contracts is immediately recognized in income. Amtrak calculates the ineffective portion of the hedge performance using the dollar-offset method. The ineffective portions of the fuel hedge contracts are included as a component of "Fuel, power, and utilities" in the Consolidated Statements of Operations. If at any time the hedge no longer qualifies for hedge accounting treatment, expires, is sold, terminates, is exercised, or it becomes probable that the forecasted transaction will not occur, the net gain or loss accumulated in "Other comprehensive income" is reclassified into earnings.

For fiscal years 2006 and 2005, pursuant to SFAS 133, as amended, Amtrak recognized net decreases of $92,000 and $6,862,000, respectively, to fuel cost associated with these derivative fuel contracts. At September 30, 2006 and 2005, Amtrak had derivative fuel contracts with fair values of $704,000 and $952,000, respectively. The effective portions of these contracts, which qualify as cash flow hedges, amounted to an unrealized (loss)/gain of ($1,729,000) and $641,000 as of September 30, 2006 and 2005, respectively. The effective portion at September 30, 2006 will be reclassified into earnings during fiscal year 2007.

Property and Depreciation

Property and equipment are stated at cost, and are depreciated on a straight-line basis over their estimated useful lives. The Company uses the group method (group method) of depreciation in which a single depreciation rate is applied to the gross investment in a particular class of property or equipment, despite differences in the service life or salvage value of individual property units within the same class. Property held under capital leases and leasehold improvements are depreciated over the shorter of their estimated useful lives under the group method or their respective lease terms. Upon normal sale or retirement of depreciable property accounted for using the group method, the cost less the net salvage value is charged to 'Accumulated depreciation' and no gain or loss is recognized. Significant premature retirements of depreciable property and the disposal of land are recorded as gains and losses at time of occurrence.

The useful lives of locomotive, passenger car and other rolling stock assets for depreciation purposes range up to 42 years. Right-of-way and other properties (excluding land) are depreciated using useful lives ranging up to 105 years. Other equipment including computers, office equipment and maintenance equipment is depreciated using useful lives ranging up to 30 years. Expenditures that significantly increase asset values or extend useful lives are capitalized. Repair and maintenance expenditures, including preventative maintenance, are charged to operating expense when the work is performed. The cost of internally developed software is capitalized in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" and amortized over its estimated useful life, which generally does not exceed 5 years. Amtrak capitalizes interest costs in connection with the construction of major facilities, locomotives, and passenger cars. Capitalized interest is recorded as part of the asset to which it relates and is depreciated over the asset's useful life. No interest was capitalized in fiscal years 2006 and 2005.

During the year ended September 30, 2006, the Company engaged a civil engineering firm with expertise in railway property usage to conduct a study to evaluate depreciation rates for properties and equipment. The study centered on evaluating historical replacement patterns to assess future lives and indicated that Amtrak had previously been depreciating its property over shorter periods than it currently intends to utilize the assets, as estimated by the study. The Company has adjusted the estimated service lives and corresponding depreciation rates in accordance with the group method. The effect of this change in estimated depreciation rates on net income in the current year is a reduction to depreciation expense of approximately $100 million. This reduction includes both the effect of excess depreciation taken in prior periods as well as the current year impact of the change in estimated rates.

In addition to the adjustment to depreciation rates as a result of periodic depreciation studies, certain other events could occur that would materially affect the Company's estimates and assumptions related to depreciation. Unforeseen changes in operations or technology could substantially alter assumptions regarding the Company's ability to realize the return of investment on operating assets and, therefore, affect the amount of depreciation expense to charge against both current and future revenues. Because depreciation expense is a function of analytical studies made of property, plant and equipment, subsequent studies could result in different estimates of useful lives and net salvage values. If future depreciation studies yield results indicating that assets have shorter lives as a result of obsolescence, physical condition, changes in technology, or changes in net salvage values, the estimate of depreciation expense could increase. Likewise, if future studies indicate that assets have longer lives, the estimate of depreciation expense could decrease.

Casualty Losses and Claims

Provision is made for Amtrak's portion of the estimated actuarial liability for unsettled casualty and other claims. Personal injury liability and ultimate loss projections are undiscounted and estimated using standard actuarial methodologies. These actuarial methods include unasserted claims. As of September 30, 2006 and 2005, the current claims liability included in "Accrued expenses and other current liabilities" was $88,000,000 and $95,200,000, respectively. Included in "Deferred charges, deposits, and other" in the Consolidated Balance Sheets at September 30, 2006 and 2005, are estimated insurance recoveries of $44,535,000 and $49,191,000, respectively, which relate to loss events that Amtrak has incurred.

Advertising

The Company expenses advertising costs as incurred and reports these amounts in "Advertising and sales" in the Consolidated Statements of Operations. Advertising expenses were $30,706,000 and $30,890,000 for the fiscal years ended September 30, 2006 and 2005, respectively.

Impairment of Long-Lived Assets

Properties and other long-lived assets are reviewed for impairment at a system-wide level whenever events or business conditions indicate that the carrying amount of such assets may not be fully recoverable. If circumstances warrant, an impairment review is made at the component level for assets or groups of assets. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows and include estimated future operating and capital funding expected to be received from the Federal Government over the expected lives of the assets. Where impairment is indicated, the assets are evaluated for sale or other disposition, and their carrying amount is reduced to fair value based on discounted net cash flows, or other estimates of fair value. In 2004, the Company recorded a significant impairment charge associated with exiting its 'Mail and Express' business (see Note 4).

In fiscal year 2005, the Company recorded an additional impairment charge of $8.5 million associated with a group of locomotives and other rolling stock that were previously associated with 'Mail and Express'. This impairment charge is included in "Depreciation – net of amortization" in the Consolidated Statements of Operations.

The Company assumes future Federal Government funding at levels consistent with those discussed in Note 2 and historical funding in performing its impairment analysis. At this level of funding, the system-wide carrying amounts of the Company's long-lived assets are recoverable. The Company believes that continued funding at historical levels is the best estimate of the future. If future Federal Government funding levels drop below these levels, substantial impairments may occur.

Revenue Recognition

"Passenger related" revenue in the Consolidated Statements of Operations, for fiscal years 2006 and 2005, includes ticket revenue, state contribution revenue associated with requested service provided by Amtrak beyond that included in the basic route system, and food and beverage revenue as shown below (in millions):

	2006	2005
Ticket	$ 1,346.3	$ 1,216.1
State contribution	139.4	140.9
Food and beverage	79.8	78.9
Total passenger related revenue	$ 1,565.5	$ 1,435.9

These revenues are recognized as operating revenues when the related services are provided. Amounts received for tickets that have been sold but not used are reflected as "Deferred ticket revenue" in the Consolidated Balance Sheets.

"Commuter" revenue includes the revenues earned under contractual arrangements to operate various commuter rail services for a cost-based fee.

"Other" revenue, for fiscal years 2006 and 2005, includes other transportation revenue from use of Amtrak-owned tracks and other services, revenue from reimbursable engineering and capital improvement activities, commercial development revenue from station rent, right-of-way fees and retail rent, freight access fee revenue from the use of Amtrak-owned tracks by freight railroad companies and other one time gains. Other revenue is as shown below (in millions):

	2006	2005
Other transportation	$ 112.9	$ 115.9
Reimbursable	87.7	77.9
Commercial development	62.8	68.2
Freight access fee and other	45.4	40.3
One-time gans	19.8	-
Total	$ 328.6	$ 302.3

"State capital payments" includes the amortization of state funds used to acquire depreciable assets. These state capital payments are deferred when received and amortized over the life of the related asset purchased with the funds. The unamortized amounts are included in "Deferred state capital payments" in the Consolidated Balance Sheets.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Pursuant to the provisions of Title 49 of the United States Code, Section 24-301, Amtrak is exempt from all state and local taxes, including income and franchise taxes that are directly levied against the corporation. Accordingly, there is no provision for state and local income or franchise taxes recorded in the consolidated financial statements for the years ended September 30, 2006 and 2005 (see Note 9).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Some of the most significant estimates include: estimates of casualty reserves, environmental reserves, pensions and other postretirement employee benefits expense and obligations [including expected return on plan assets, discount rates, rate of future compensation increases, and healthcare cost trend rates (see Note 12)], reserves for uncollectible accounts receivable, estimates of fair market value of assets held for sale, estimated useful lives of property and equipment, recoverability of long-lived assets, and reserves for inventory obsolescence.

NOTE 4: DISCONTINUED OPERATIONS

SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144), requires that a disposal of a 'component of an entity' comprising operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes from the rest of the entity, be reported as discontinued operations if: 1) the operations of the component have been or will be eliminated from the ongoing operations of the entity as a result of the disposition activity, and 2) the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction.

On September 3, 2004, the Company announced its intent to exit 'Mail and Express' operations to focus on its core passenger service business. The 'Mail and Express' operations met the definition of a 'component of an entity' and were accounted for as a discontinued operation under SFAS 144. The 'Mail and Express' operations incurred a net loss of approximately $13.6 million in fiscal year 2005. Included in the fiscal year 2005 net loss are impairment charges of $10.5 million.

Summarized financial information for the discontinued operations of 'Mail and Express' is as follows (in millions):

Results of Discontinued Operations:	2005
Total revenues	$ 0.4
Total operating expenses	(3.5)
Impairment	(10.5)
Net loss from discontinued operations	$ (13.6)

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Notes to Consolidated Financial Statements

NOTE 5: ACCOUNTING AND REPORTING FOR FEDERAL PAYMENTS

Certain funds are provided to Amtrak through federal payments for capital and operating expenditures. These federal payments, which are recorded as paid-in capital when received, totaled $1,257.3 million and $1,203.3 million for fiscal years 2006 and 2005, respectively. Certain other federal funds that are provided and restricted for use on designated projects are also recorded as paid-in capital when received, and these totaled $13.5 million and $27.4 million for fiscal years 2006 and 2005, respectively.

"Debt and other paid-in capital", included in the Consolidated Balance Sheets, includes certain funding received from the Federal Government to finance acquisition of and improvements to property and equipment. In exchange for funding, Amtrak issued two promissory notes to the United States. The first note with a balance of $4.0 billion was issued in 1976 and matures on December 31, 2975, and is secured by the real and personal property of Amtrak, WTC, CUS, PRIL, and TSL. The second note with a balance of $1.1 billion was issued in 1983 and matures on November 1, 2082, with successive 99-year renewal terms, and is secured by all the rolling stock owned by Amtrak. Neither of the notes bears interest, unless prepaid which Amtrak does not intend to do. The Federal Government's security interest in Amtrak's rolling stock entitles it to repayment plus interest in the event Amtrak ceases operations, is acquired by another entity, or seeks relief under bankruptcy or insolvency laws. The amount due to the Federal Government on the first note may be accelerated by enactment of federal law or upon the occurrence of an event of default under the leases and mortgage entered into by Amtrak and PSL on June 20, 2001 (see Note 7), or upon the occurrence of various actions concerning an Amtrak bankruptcy, reorganization, or assignment for the benefit of creditors.

NOTE 6: PREFERRED AND COMMON STOCK

For funds received from the Federal Government prior to December 2, 1997, the Rail Passenger Service Act (49 U.S.C. 24304) required Amtrak to issue to the Secretary of Transportation preferred stock equal in par value to all federal operating payments and most federal capital payments received subsequent to October 1, 1981, as well as capital and certain operating payments received prior to that date. At September 30, 2006 and 2005, 109,396,994 shares of $100 par value preferred stock were authorized, all of which were issued and outstanding. All issued and outstanding preferred shares are held by the Secretary of Transportation for the benefit of the Federal Government. The Amtrak Reform and Accountability Act of 1997 (the Act) resulted in significant modifications to Amtrak's capital structure. Prior to the Act, dividends were to be fixed at a rate not less than 6% per annum, and were cumulative. No dividends were ever declared. The Act abolished the voting rights and the liquidation preference of the preferred stockholder and the 6% minimum annual cumulative preferred stock dividend; and established that no additional preferred stock be issued by Amtrak in exchange for federal grants received. At the time of enactment of the Act, the minimum undeclared cumulative preferred dividend in arrears for all series issued and currently outstanding approximated $5.8 billion and ranged between $0.02 and $97.08 per share. Each share of preferred stock is convertible into 10 shares of common stock at the option of the preferred stockholder.

At September 30, 2006 and 2005, 10,000,000 shares of $10 par value common stock were authorized, of which 9,385,694 shares were issued and outstanding. The common stockholders, who acquired their stock from four railroads whose intercity rail passenger operations Amtrak assumed in 1971, have voting rights for amendments to Amtrak's Articles of Incorporation proposed by the Board of Directors. The Act also required Amtrak to redeem at fair market value the shares of common stock outstanding as of December 2, 1997, by the end of fiscal year 2002.

Amtrak has discussed the redemption of the shares with the owners, but there has been no resolution of this matter between Amtrak and the owners. Amtrak believes that the fair market value of the common stock is zero. Nevertheless, in an effort to comply with the Act, Amtrak has made an offer to redeem the stock for cash at a price of $0.03 per share to the stockholders. By letter dated November 2, 2000, counsel for the four common stockholders responded to Amtrak and rejected the offer as inadequate. Amtrak is considering various courses of action.

NOTE 7: MORTGAGES AND DEBT

Total debt in the Consolidated Balance Sheets consisted of the following at September 30, 2006 and 2005 (in thousands):

Long-Term Debt:	2006		2005	
	Current	Long-Term	Current	Long-Term
FRA loan	$ 20,522	$ 42,165	$ 20,166	$ 62,715
Mortgage obligationss	12,145	240,805	11,095	252,950
Equipment obligations	-	-	-	2,264
Bonds, net of discount	730	61,354	670	78,165
UDAG loan	130	11,057	130	11,187
Total	$ 33,527	$ 355,381	$ 32,061	$ 407,281

Credit Facilities

At September 30, 2006 and 2005, there were letters of credit outstanding of $6,587,500 and $3,500,000, respectively. Amtrak had no revolving credit facility at September 30, 2006.

Federal Railroad Administration (FRA) Loan

On July 3, 2002, Amtrak executed a $100 million interest-bearing conditional loan under the Federal Railroad Administration's "Railroad Rehabilitation and Improvement Financing Program" for qualified capital expenditures. The loan bears interest at 1.81% per annum and is secured by various Amtrak-owned right-of-way properties and facilities. This loan requires Amtrak's compliance with certain conditions which include: improving financial controls and accounting transparency, submission of monthly performance reports, and a list of expense reduction options to Congress and the DOT. Under the 2005 Act, Amtrak is required to repay the loan in five annual installments beginning with fiscal year 2005 (See Note 2). Amtrak has made two installment payments so far. The next installment will be paid in March 2007.

Mortgage Obligations

In June 2001, PSL mortgaged a substantial portion of improvements located at Penn Station in New York, New York for $300 million at a fixed rate of interest of 9.25% per annum, which increased to 9.50% effective October 1, 2002, receiving net cash proceeds of $296,249,000. Of this amount, $34,280,000 was deposited into escrow for the benefit of the lender and is reflected in "Deferred charges, deposits, and other" in the Consolidated Balance Sheets. Semi-annual principal plus interest payments are due on the mortgage through maturity in June 2017. At September 30, 2006 and 2005, the outstanding balance due on the mortgage was $252,950,000 and $264,045,000, respectively.

Equipment Obligations

Under separate financing arrangements, Amtrak was allowed to borrow up to $870 million toward the construction and acquisition of high-speed locomotives and trainsets, and related maintenance facilities. As of September 30, 2006 and 2005, the Company had borrowed a total of $802 million and $794 million, respectively. Upon delivery of the locomotives and trainsets, and the completion of a maintenance facility, Amtrak refinanced the related outstanding advances under capital leasing arrangements (see Note 8). As of September 30, 2006 and 2005, outstanding advances made on Amtrak's behalf under these arrangements totaled $0 and $2,264,000, respectively. All outstanding advances at September 30, 2005, were secured by the final trainset. Interest charged was based on the London Interbank Offered Rate (LIBOR) and was capitalized during the construction phase.

Bonds and Grant

On January 7, 2003, the Pennsylvania Economic Development Financing Authority (PEDFA) issued $50 million Revenue Bonds (the "PEDFA Garage Bonds") for the purpose of financing the construction and other related costs of a parking garage located at the 30th Street Station in Philadelphia, PA. The bonds have multiple maturities ending on June 1, 2033. The bonds were issued at a discount of $588,000 and bear interest, by individual maturities, at fixed rates ranging from 4.500% to 5.875%. The parking garage reached substantial completion by June 2004 and was constructed in air rights owned and leased by Amtrak to PEDFA. On December 15, 2002, Amtrak entered into a "Pledge and Security Agreement" (the "Pledge") with PEDFA under which Amtrak guarantees the payment of the principal and interest on the PEDFA Garage Bonds and under which Amtrak's liability is limited to a pledge of: 1) the rent received or receivable by Amtrak under the air rights lease during the fiscal year in which a demand for payment is made, and 2) the additional parking facilities revenues, as defined in the Pledge. Under these agreements (and certain other related agreements), revenue generated from the parking garage will first be used to fund the operations of the parking garage, second to pay principal and interest payments on the PEDFA Garage Bonds, third to reserve certain amounts for future repairs and maintenance of the parking garage, and fourth any excess will be paid to Amtrak subject to amounts that may be owed to the builder of the parking garage as contingent purchase price. Amtrak will obtain title to the garage when the bonds are paid off. Amtrak has recognized PEDFA's $50 million bond obligation in "Equipment and other debt" in the Consolidated Balance Sheets. Amtrak has recorded capital expenditures in the amount of $34,983,000 and $34,044,000 related to the construction of the parking garage in "Right-of-way and other properties" in the Consolidated Balance Sheets as of September 30, 2006 and 2005, respectively. The remaining net bond proceeds are recorded in "Deferred charges, deposits, and other" in the Consolidated Balance Sheets and were $10,184,000 and $8,558,000 as of September 30, 2006 and 2005, respectively.

Included in TSL's long-term debt at September 30, 2006 and 2005, is $13.9 million and $30 million, respectively, of Philadelphia Authority for Industrial Development (PAID) tax-exempt private-activity bonds (the "PAID Bonds") issued by PAID for the benefit of TSL's rehabilitation of 30th Street Station (the "Station") in the city of Philadelphia (the "City"), Pennsylvania. The PAID Bonds were issued on December 30, 1987, mature on January 1, 2011, and bear interest at a fixed or variable rate payable until maturity at intervals determined under provisions in the bond indenture. No payments of bond principal prior to maturity are required. Amtrak is periodically required to make annual deposits into a sinking fund to be used to pay off the bonds when they mature. As of September 30, 2006 and 2005, aggregate deposits into the fund were $14,205,000 and $12,315,000, respectively, and included in "Deferred charges, deposits, and other" in the Consolidated Balance Sheets. The PAID Bonds are subject to optional tender by the bondholders in the case of significant events, specifically those pertaining to any damage to, destruction of, or condemnation of the Station facilities. TSL has executed a liquidity facility, which provides funds to purchase the bonds surrendered under the optional tender provisions. On January 4, 2006, utilizing the aggregate deposits made into the sinking fund and interest accrued thereon, Amtrak redeemed $16.1 million of the outstanding bonds.

TSL has a non-interest bearing obligation of $11,187,000 and $11,317,000 to the City under an Urban Development Action Grant (UDAG) loan agreement as of September 30, 2006 and 2005, respectively. Principal is being repaid in $130,000 annual installments each November through 2011, with the balance due in November 2012. The City's rights under the UDAG loan agreement are secured by a leasehold mortgage.

Interest Rates

Per annum weighted-average percentage interest rates by debt type for all interest-bearing borrowings at September 30, 2006 and 2005 are shown below (in percentages of 100%):

	2006	2005
FRA loan	1.81	1.81
Mortgage obligations	9.50	9.50
Equipment obligations	-	2.94
Bonds	5.73	4.52

The overall weighted-average interest rate on all interest-bearing borrowings is 7.5% and 7.1% per annum at September 30, 2006 and 2005, respectively.

Scheduled Debt Maturities

At September 30, 2006, scheduled maturities of debt over the next five years and thereafter are as follows (in thousands):

2007	$ 33,527
2008	35,099
2009	36,776
2010	16,930
2011	32,390
Thereafter	234,702
Total	$ 389,424

Amtrak is subject to various covenants and restrictions under its borrowing arrangements. A default by Amtrak or acceleration of Amtrak's indebtedness may result in cross-default to other Amtrak indebtedness, and may have a material adverse effect on the Company. Most of Amtrak's financing transactions require that Amtrak deliver its audited annual financial statements within 90 to 120 days of the end of its fiscal year. Amtrak has not delivered within this timeframe its audited financial statements for fiscal year 2006. Amtrak has at least a 30-day grace period that commences on written notice to Amtrak of its breach. Amtrak may cure the technical default and avoid a defined Event of Default, by delivering the statements and certificates prior to lapse of this grace period. To date, Amtrak has not received any written notice of its breach. Excluding the foregoing, Amtrak is in compliance with all of its covenants.

NOTE 8: LEASING ARRANGEMENTS

Facilities

During fiscal year 2001, PEDFA completed two separate issues of exempt facilities revenue bonds, the net proceeds of which were used to finance a portion of the costs associated with Amtrak's construction of a frequency converter facility (the "Facility"). The first series (Series A) totaling $110,795,000 was issued in February 2001 at a $795,000 discount, netting $110 million. The second series (Series B) totaling $45 million was issued in April 2001 at par. Amtrak procured the bond proceeds of each issue through a lease and leaseback arrangement with PEDFA. Under this arrangement, Amtrak awarded title to and ownership of the Facility to PEDFA until November 2041 under a ground lease, in exchange for the total net proceeds. Simultaneously, Amtrak is leasing back from PEDFA the Facility through June 2033, with an option to extend this term through November 2041. PEDFA also has the right to extend Amtrak's leaseback term through November 2041. At the conclusion of the ground lease, title to and ownership of the Facility will revert to Amtrak. Amtrak's leaseback rentals are funding PEDFA's debt service requirements for both the Series A and Series B bonds. Amtrak's rental payments are due semi-annually for the Series A bonds, and monthly for the Series B bonds. With the bond proceeds, Amtrak used $3,343,000 toward financing arrangement costs, and discharged $85,453,000 of interim debt associated with the Facility's construction. The remaining $66,204,000 of proceeds remained on deposit with the bond trustee and was earmarked for use toward Amtrak's leaseback payments, further Facility construction costs, and additional financing arrangement costs. Amtrak recorded a $155 million capital lease obligation, $3,343,000 of deferred financing costs, and $66,204,000 of deferred deposits. Amtrak's sublease rentals consist of an interest and principal portion, with the latter scheduled to pay down this capital lease obligation over the sublease's initial and option terms. At September 30, 2006 and 2005, $152,896,000 and $153,678,000, respectively, of the bonds remained outstanding.

Equipment

Amtrak leases equipment, primarily passenger cars and locomotives, under capital leasing arrangements. At September 30, 2006 and 2005, the gross amount of assets recorded under capital leases was $3,626,695,000 (37% for locomotives and 63% for passenger cars), and $3,583,374,000 (37% for locomotives and 63% for passenger cars), respectively, with accumulated amortization of $1,345,804,000 and $1,216,473,000, respectively.

During 2000, Amtrak entered into four separate defeased sale and leaseback transactions involving passenger cars. In exchange for $915,155,000 consisting of net cash proceeds and set-aside assets in the form of defeasance instruments, Amtrak sold the cars having a net book value of $334,690,000, resulting in a deferred gain of $580,465,000. The defeasance instruments are held by the buyers, and Amtrak accretes value at fixed interest rates of approximately 6.8% to 8.8% per annum. Simultaneously, Amtrak leased back the cars under capital leases over terms ranging from 23 to 28 years. The set-aside assets together with future accreted interest are designated toward satisfying Amtrak's rent payment obligations under the capital leaseback arrangements. The defeasance instruments economically defease, but do not legally defease Amtrak's obligations under the leasebacks. Consequently, the set-aside assets plus accreted interest are not netted against the capital lease obligations, but instead are presented as "Escrowed proceeds on sale-leasebacks" in the Consolidated Balance Sheets. The $580,465,000 gain on the sales was deferred and is being amortized into income as a reduction to depreciation expense over the terms of the capital leasebacks. During fiscal years 2006 and 2005, $20,842,000 and $18,529,000 of deferred gains on these transactions were amortized, respectively.

At September 30, 2006, future minimum lease payments under equipment and facility capital leases including amounts to be funded from defeasance instruments were as follows (in thousands):

2007	$ 274,832
2008	289,226
2009	307,256
2010	352,469
2011	343,186
Thereafter	3,137,502
Total payments	4,704,471
Less amount representing interest	1,600,277
Present value of minimum lease payments as September 30,2006	$ 3,104,194

The current portion of capital lease obligations at September 30, 2006 and 2005 was $110,050,000 and $106,373,000, respectively, and is included in "Current maturities of long-term debt and capital lease obligations" in the Consolidated Balance Sheets.

The Company, as lessee, has entered into equipment leasing agreements for which the underlying leased equipment is the collateral and is required to be maintained in good operating condition. The Company has recorded an accrual for estimated repair costs for damaged leased equipment of $26,757,000 and $33,621,000 at September 30, 2006 and 2005, respectively, and is recorded in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets. The amounts expensed relating to these items is reflected in "Materials" expense in the Consolidated Statements of Operations in the period in which the damage occurred.

Amtrak is subject to various covenants and restrictions under its leasing arrangements. A default by Amtrak or acceleration of Amtrak's indebtedness may result in cross-default to other Amtrak indebtedness, and may have a material adverse effect on the Company. Most of Amtrak's leasing transactions require that Amtrak deliver its audited annual financial statements within 90 to 120 days of the end of its fiscal year. Amtrak has not delivered within this timeframe its audited financial statements for fiscal year 2006. Amtrak has at least a 30-day grace period that commences on written notice to Amtrak of its breach. Amtrak may cure the technical default and avoid a defined Event of Default, by delivering the statements and certificates prior to lapse of this grace period. To date, Amtrak has not received any written notice of its breach. Excluding the foregoing, Amtrak is in compliance with all of its covenants.

Operating Rights and Leases

At September 30, 2006, Amtrak was obligated for the following minimum rental payments, principally for station and office space, under operating leases that have initial or remaining non-cancelable lease terms in excess of one year (in thousands):

2007	$ 12,375
2008	9,896
2009	5,054
2010	4,917
2011	4,296
Thereafter	19,481
Total	$ 56,019

Rent expense for the years ended September 30, 2006 and 2005 was $36,285,000 and $36,878,000, respectively, and it is expected that future rent expense will be comparable.

Most of the rights-of-way over which Amtrak operates are owned by other railroads, some of which own Amtrak's common stock. Amtrak uses such trackage under contracts with these railroads. The terms of the agreements range from 1 month to 5 years and costs incurred are based on usage. The total amount incurred for use of the railroads' rights-of-way in 2006 and 2005 totaled $89.7 million and $89.9 million, respectively.

NOTE 9: INCOME TAXES

No provision for federal income taxes has been recorded as the Company incurred net operating losses for the years ended September 30, 2006 and 2005. As of September 30, 2006, the Company had net operating loss carryforwards of approximately $6.6 billion, which begin to expire December 31, 2014.

The provision for income taxes differed from the income tax benefit that would be computed based upon the statutory federal tax rates as a result of the recording of a valuation allowance which approximately equaled the increase in net deferred tax assets.

Net operating losses are the main component of net deferred tax assets. Based upon the Company's history of operating losses, it is management's judgment that it is not likely that the net deferred tax assets will be realized in future years. As a result, management has applied a full valuation allowance against the net deferred tax assets at September 30, 2006 and 2005.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Insurance Claims

Amtrak maintains various insurance policies to cover its liability to employees and other parties for injury or damage resulting from accidents and to cover Amtrak's loss resulting from damage to Amtrak property. The insurance policies contain large deductibles; losses within the deductibles are self-insured by Amtrak.

The Amtrak Reform and Accountability Act of 1997 limits the amount railroad passengers may recover from a single accident to an aggregate of $200 million. Since non-passenger liability is not so limited, Amtrak purchases excess liability insurance limits beyond this statutory cap. Amtrak operates a majority of its long distance passenger rail service on tracks owned by freight railroads. Amtrak indemnifies these railroads for certain liabilities that arise as a result of its operations on freight tracks. Its indemnity applies to bodily injury and property damage claims made by its employees, passengers and third parties struck by its trains, and for damage to its equipment. The freight railroads indemnify Amtrak for bodily injury and property damage claims made by freight railroad employees and third parties off railroad property; and for damage to freight railroad equipment, lading and property.

Labor Agreements

Approximately 90% of Amtrak's labor force is covered by labor agreements. All Amtrak labor agreements became amendable as of January 1, 2000. In 2003 and 2004, Amtrak reached new agreements covering approximately 35% of Amtrak's unionized employees for the period of January 1, 2000 through December 31, 2004. Those agreements settled since January 1, 2000 became open to amendment once again on January 1, 2005. All current labor agreements will remain in effect until new agreements are reached or the Railway Labor Act's procedures are exhausted. During fiscal year 2006, Amtrak continued to negotiate with the unions whose contracts have been open for amendment since January 1, 2000. No new agreements were reached. Additionally, preliminary discussions have been held with some of those unions whose agreements became open for amendment on January 1, 2005.

Legal Proceedings

On March 16, 2004, Amtrak and the Consortium of Bombardier Corporation and Alstom Transportation (the "Consortium") executed a settlement agreement resolving all outstanding issues between them related to the contracts for design and manufacture of high-speed electric trainsets and locomotives, and the related maintenance facilities (the "Contracts"). As part of the settlement, the Consortium agreed to complete specified modifications to the equipment, resolve outstanding technical issues, extend the warranty, and made certain commitments regarding the reliability of the equipment. The parties also agreed to transition the maintenance of the equipment to Amtrak on October 1, 2006 (rather than in 2013 as originally agreed), and that transition occurred as scheduled. The Consortium and the Northeast Corridor Management Services Company ("NeCMSC"), a sole-purpose company owned jointly by Bombardier and Alstom that maintained the Acela Trainsets, have asserted informal claims against Amtrak in connection with the completion of work required under the 2004 Settlement among the parties and the turn-over of Acela Trainset maintenance to Amtrak. The claims are not specifically quantified, but relate to assertions of entitlement to certain payments under the 2004 Settlement and to price-per-mile pay adjustments for 2004 through 2006. Amtrak is vigorously opposing these claims. If no negotiated resolution occurs, the Contract and the 2004 Settlement call for hearings before an existing Dispute Resolution Board. The DRB's rulings are not binding on the parties for controversies exceeding $5 million. Disputes remaining unresolved after any DRB proceeding would be heard by the U.S. District Court for the District of Columbia.

Amtrak's Acela Express trains were sidelined for several months beginning April 15, 2005, because cracks had been discovered in brake disc spokes. After productive settlement negotiations that avoided litigation, on August 3, 2006, Amtrak reached a settlement with the manufacturer of the Acela trainsets (the Consortium of Bombardier Corporation and Alstom Transportation, Inc.), the company that maintained the Acela trainsets (the Northeast Corridor Management Services Company), and the provider of the brake system (Knorr Brake Corporation). Amtrak was provided with new brake systems that were approved by the Federal Railroad Administration for its Acela Express trains plus financial and other compensation.

On October 23, 2003, ERC Frankona Ruckversicherungs-AG (“Frankona”), a reinsurer of portions of the excess liability and property insurance coverage which PRIL provides to Amtrak, filed suit against PRIL in the New York Supreme Court alleging that PRIL made material misrepresentations and omissions regarding Amtrak’s loss history and seeking an order declaring the contracts null, void and rescinded. Subsequently, Frankona agreed to dismiss its New York action without prejudice. On November 21, 2003, PRIL and Amtrak filed suit against Frankona in the United States District Court for the District of Columbia for a declaratory judgment, breach of contract, bad faith, and other relief against Frankona resulting from its claim that the reinsurance contracts are rescinded, and Frankona filed a counterclaim seeking substantially the same recovery as in its New York action. If the contracts are declared null, void and rescinded, Amtrak/PRIL would likely have to repay to Frankona $10.4 million in property and liability losses already paid by Frankona under the policies. Amtrak/PRIL would also not be entitled to recover from Frankona on its pending property and liability claims under the policies, totaling $38.4 million as of September 30, 2006. In offset, PRIL would be entitled to a refund of the premium paid of $10.9 million, leaving a maximum total exposure of $37.9 million. Fact discovery is currently being conducted by both sides in the Frankona case, with a fact discovery cut-off date of February 28, 2007. No pre-trial or trial date has yet been set.

On August 19, 2003, former employees filed a class action lawsuit involving Amtrak’s 2001 Voluntary Early Retirement Plan (“VERP”) in the United States District Court for the District of Columbia seeking to void a September 2001 amendment to the Amtrak Pension Plan that eliminated a monthly Railroad Retirement Supplement and replaced it with a one-time lump sum payment of $15,000 per eligible employee. Additionally, the complaint seeks to “reopen” the window period to allow eligible employees to apply for the original benefits. Amtrak, the Retirement Plan Committee, and the Retirement Income Plan are also named as defendants. The discovery phase of this case has concluded and all of the named defendants have filed a motion for summary judgment to dismiss the lawsuit in its entirety and have opposed class certification. The Court had dismissed Plaintiffs’ claim for benefits because they had failed to appeal the denial of benefits through the Plan’s appeal process. Plaintiffs subsequently appealed the denial of benefits to the Plan and, when their appeal was denied, Plaintiffs filed a new lawsuit making the same claims. The Company expects these two separate actions to be combined as they are before the same federal court judge.

On August 19, 2004, the State of New York filed a federal court complaint against Amtrak. The complaint alleges that Amtrak breached a March 2000 contract relating to the remanufacture of seven Turboliner trainsets and improvements in infrastructure and facilities along the Empire Corridor in New York. New York seeks an injunction requiring Amtrak to specifically perform remanufacturing and infrastructure work, or in the alternative, damages in the amount of $477.3 million, plus costs, disbursements and interest. Amtrak has filed an answer and affirmative defenses, denying New York's claims. In addition, Amtrak notified the State that the contract was terminated, to the extent not previously voided, rescinded, and/or Amtrak’s obligations discharged. A scheduling order was issued on December 22, 2004, which gave the parties until March of 2006 to complete discovery. Amtrak is vigorously opposing the claims brought by New York and believes that the claims, even if found to be meritorious, are vastly overstated. It is Amtrak’s position that it properly exercised its right to terminate the contract. In addition, Amtrak has asserted that the contract is void and/or subject to rescission and that New York has breached the contract, among many other affirmative defenses.

Amtrak is involved in various other litigation and arbitration proceedings in the normal course of business. The outcome of these matters cannot be predicted with certainty. When management concludes that it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, it is accrued through a charge to earnings. While the ultimate amount of liability incurred in any of these lawsuits and claims is dependent on future developments, in management's opinion, the recorded liability is adequate to cover the future payment of such liability and claims. However, the final outcome of any of these lawsuits and claims cannot be predicted with certainty, and unfavorable or unexpected outcomes could result in additional accruals that could be significant to results of operations in a particular year or quarter. Any adjustments to the recorded liability will be reflected in earnings in the periods in which such adjustments are known.

Commitments

Amtrak has entered into various agreements with states, cities, and other local transportation authorities and private companies pursuant to which Amtrak is required to fund various railroad facility and infrastructure improvements, and to fund the remanufacture and supply of railroad passenger equipment. Two of the more significant funding commitments include: improvements to Shell Interlocking in New Rochelle, New York (obligation to Metro-North Commuter Railroad Company of approximately $41 million as of September 30, 2006); and track improvements west of New Haven in the state of Connecticut (obligation to Connecticut Department of Transportation of approximately $17 million as of September 30, 2006).

NOTE 11: ENVIRONMENTAL MATTERS

Some of Amtrak's past and present operations involve activities that are subject to extensive and changing federal and state environmental regulations that can give rise to environmental issues. As a result of its operations and acquired properties, Amtrak is from time to time involved in administrative and judicial proceedings and administrative inquiries related to environmental matters.

In 1976, Amtrak acquired its Northeast Corridor properties. It is Amtrak's policy to accrue estimated liabilities and capitalize such amounts of remediation costs relating to properties acquired with existing environmental conditions (not to exceed the net realizable value of the related property), and to expense remediation costs incurred on properties for environmental clean-up matters occurring after acquisition. The liability is periodically adjusted based on Amtrak's present estimate of the costs it will incur related to these sites and/or actual expenditures made. At September 30, 2006 and 2005, the reserve was $76,282,000 and $64,852,000, respectively. At September 30, 2006 and 2005, the current portion of the reserve was $9,267,000 and $8,750,000, respectively and is reported in “Accrued expenses and other current liabilities” in the Consolidated Balance Sheets. Of the reserve, $64,441,000 and $54,330,000 relate to estimated capitalizable costs to be incurred as of September 30, 2006 and 2005, respectively. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. At September 30, 2006 and 2005, a deferred charge for each amount is included in “Deferred charges, deposits, and other” in the Consolidated Balance Sheets. Amtrak has not recorded any receivables for recoveries from other parties or from insurance because such recoveries are not sufficiently certain.

The ultimate liability for remediation is difficult to determine with certainty due to, among other factors, the number of potentially responsible parties, site-specific cost sharing arrangements, the degree and types of contamination, potentially unidentified contamination, developing remediation technology, and evolving statutory and regulatory standards. Amtrak's management and counsel believe that additional future remedial actions for known environmental matters will not have a material adverse effect on the results of operations or financial condition.

On November 8, 2004, Amtrak executed a settlement that resolved its entire outstanding polychlorinated biphenyl (PCB) cleanup cost claims against American Premier Underwriters (APU, the successor to Penn Central), Conrail, and Southeastern Pennsylvania Transit Authority (SEPTA) relating to the rail yard in Paoli, Pennsylvania. In February 2005, APU paid Amtrak $15 million, in settlement of all of Amtrak’s cleanup cost contribution claims. In addition, Amtrak's future liability for any further cleanup that the Environmental Protection Agency (EPA) may require for the Paoli rail yard will be limited to 15 percent. Amtrak will have no liability for any required cleanup of the non-rail yard properties, including the residual areas and the 400-acre watershed. Amtrak is formulating plans to pursue development of the clean portions of the 28-acre Paoli rail yard that Amtrak still owns. Accordingly, Amtrak agreed to perform and pay for the post-cleanup Operation and Maintenance program required by the EPA, which will continue for several decades.

NOTE 12: POSTRETIREMENT EMPLOYEE BENEFITS

Amtrak has a qualified noncontributory defined benefit retirement plan whose assets are held in trust covering nonunion employees and certain union employees who at one time held nonunion positions.

Amtrak provides medical benefits to its qualifying retirees and life insurance to some retirees in limited circumstances under its postretirement benefits program. Railroad agreement employees' life insurance benefits are covered by a separate policy purchased by Amtrak. Under Amtrak's postretirement benefits program, substantially all salaried employees may become eligible for medical benefits if they meet the service requirement and reach age 55 while they are working for Amtrak. Company-provided medical benefits are reduced when covered individuals become eligible for Medicare benefits or reach age 65, whichever comes first. Medical benefits are subject to co-payment provisions and other limitations.

In September 2006 the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans" (SFAS 158). SFAS 158 requires companies to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position. The statement is effective for financial statements as of the end of fiscal years ending after December 15, 2006. Amtrak is currently evaluating the impact of SFAS 158 on its consolidated financial statements.

Amtrak uses a June 30th measurement date for its postretirement benefit plans' actuarial valuations.

Obligations and Funded Status

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending September 30, 2006, and a statement of the funded status as of September 30, 2006 and 2005 (in thousands):

Reconciliation of Projected Benefit Obligation:	Pension Benefits 2006	Pension Benefits 2005	Other Benefits 2006	Other Benefits 2005
Obligation at October 1,	$ 241,261	$ 199,839	$ 634,056	$ 465,903
Service cost	8,426	6,820	25,753	18,839
Interest cost	12,476	12,276	32,861	28,699
Actuarial loss (gain)	(27,379)	29,346	(56,844)	134,703
Benefit payments	(7,501)	(7,020)	(15,586)	(14,088)
Obligation at September 30,	$ 227,283	$ 241,261	$ 620,240	$ 634,056

Reconciliation of Fair Value of Plan Assets:	Pension Benefits 2006	Pension Benefits 2005	Other Benefits 2006	Other Benefits 2005
Plan assets at October 1,	$ 182,076	$ 170,505	$ -	$ -
Actual gain on plan assests	10,843	18,591	-	-
Employer/employee contributions	9,354	-	16,123	14,552
Benefit payments	(7,501)	(7,020)	(16,123)	(14,552)
Plan assets at September 30,	$ 194,772	$ 182,076	$ -	$ -

Funded Status:	Pension Benefits 2006	Pension Benefits 2005	Other Benefits 2006	Other Benefits 2005
Funded status at September 30,	$ (32,511)	$ (59,185)	$ (620,240)	$ (634,056)
Unrecognized prior service cost	469	666	12,599	13,725
Unrecognized loss	15,506	41,038	262,952	345,296
Contributions	7,921	-	-	-
Additional minimum liability	-	(12,761)	-	-
Net liability recognized in Consolidated Balance Sheets	$ (8,615)	$ (30,242)	$ (344,689)	$ (275,035)
Accumulated Benefit Obligation (ABO) at September 30,	$ 200,010	$ 212,318	$ 620,240	$ 634,056

When the ABO exceeds the fair market value of plan assets, an additional minimum pension liability may be required. No additional minimum pension liability was required for 2006. However, Amtrak recorded an additional minimum pension liability of $12,761,000 to other long-term liabilities for fiscal year 2005. Offsetting this liability was $666,000 of unrecognized prior service cost recorded as a deferred charge and $12,095,000 of unrealized comprehensive loss recorded as a reduction to equity.

Pension and other postretirement benefit amounts recognized in the Consolidated Balance Sheets at September 30, 2006 and 2005 are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2006	2005	2006	2005
Accrued liability	$ (8,615)	$ (30,242)	$ (344,689)	$ (275,035)
Intangible assets	-	666	-	-
Accumulated other comprehensive loss	-	12,095	-	-
Net amount recognized	$ (8,615)	$ (17,481)	$ (344,689)	$ (275,035)
Plus: Additional minimum liability	-	(12,761)		
Total amount recognized	$ (8,615)	$ (30,242)	$ 620,240	$ 275,035

Information for pension plans with an accumulated benefit obligation in excess of plan assets (in thousands):

	2006	2005
Projected benefit obligation	$ 227,283	$ 241,261
Accumulated benefit obligation	$ 200,010	$ 212,318
Fair value of plan assets	$ 194,772	$ 182,076

Components of Net Periodic Benefit Cost

The following table provides the components of net periodic benefit cost for the plans for fiscal years 2006 and 2005 (in thousands):

	Pension Benefits		Other Benefits	
	2006	2005	2006	2005
Service cost	$ 8,426	$ 6,820	$ 25,753	$ 18,839
Interest cost	12,476	12,276	32,861	28,699
Expected return on plan assets	(14,463)	(13,367)	-	-
Amoritization of prior service cost	198	198	1,126	1,126
Amoritization of net loss	1,772	-	25,500	15,568
Net periodic benefit cost	$ 8,409	$ 5,927	$ 85,240	$ 64,232

The prior service costs are amortized on a straight-line basis over the average remaining service period of active participants for both plans. Gains and losses in excess of 10% of the greater of the benefit obligation or the market-related value of assets are amortized over the average remaining service period of active participants.

Plan Assets

The pension plan's assets consist primarily of U.S. equity investments, U.S. fixed income investments, and international equity investments. The other postretirement benefits program has no plan assets. Amtrak funds the other postretirement benefits program on a pay-as-you-go basis. Amtrak's pension plan asset allocations at September 30, 2006 and 2005 by asset category are as follows:

	2006	2005
U.S. equity securities	53.1%	56.2%
International equity securities	10.6%	10.6%
U.S. fixed income securities	29.5%	32.8%
Other	6.8%	0.4%

Amtrak's trust asset investment strategy is to invest the assets in a manner whereby long-term earnings on the assets provide adequate funding for retiree pension payments. The investment objectives of the pension fund are to: (1) promote the growth in the plan's funded status, to the extent appropriate, minimizing reliance on employer contributions as a source of benefit security, (2) invest the assets of the plan to achieve the greatest reward consistent with a reasonable and prudent level of risk, and (3) achieve, as a minimum over time, the passively managed asset return earned by market index funds, weighted in the proportions outlined by the asset class exposures identified in the plan's strategic allocation.

The pension plan's investment policy will consider a number of factors, including the strategic asset allocation and asset classes, investment style, and the marketability, diversification, volatility, and liquidity of investments and responsibility for proxy statements. The plan's strategic asset mix is recognized by the Investment Committee as the primary mechanism to influence the reward and risk structure of the plan in accomplishing plan objectives. Plan assets should be invested in specific asset classes at the target allocation and maintained in accordance with the permissible range for each asset class as stated in the following strategic asset allocation table:

	Plan Assets	
	2006	2005
U.S. equity securities	50% - 60%	50% - 60%
International equity securities	8% - 12%	8% - 12%
U.S. fixed income securities	30% - 40%	30% - 40%

Estimated Future Benefit Payments

Based upon the assumptions used to measure the pension and other postretirement benefit obligations at September 30, 2006, and including pension and other postretirement benefits attributable to estimated future employee service, Amtrak expects that pension benefits and other postretirement benefits to be paid over the next ten years are as follows (in thousands):

	Pension Benfits	Other Benfits
2007	$ 8,388	$ 18,927
2008	$ 9,219	$ 21,456
2009	$ 10,106	$ 25,258
2010	$ 11,324	$ 30,988
2011	$ 12,427	$ 36,915
2012-2016	$ 86,938	$ 264,932

Contributions

In 2007, Amtrak expects to make a $10,035,000 contribution to its pension plan. It expects to contribute $18,927,000 million toward other postretirement benefits.

Assumptions

	2006	2005	2006	2005
Discount rate	6.25%	5.25%	6.25%	5.25%
Rate of compensation increase	3.50%	3.50%	N/A	N/A

Weighted-average assumptions used to determine benefit obligations at September 30, 2006 and 2005 are as follows:
Weighted-average assumptions used to determine net periodic benefit cost for years ended September 30, 2006 and 2005 are as follows:

	Pension Benefits		Other Benefits	
	2006	2005	2006	2005
Discount rate	5.25%	6.25%	5.25%	6.25%
Expected long-term return on plan assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase	3.50%	3.50%	N/A	N/A

Assumed healthcare cost trend rates at September 30, 2006 and 2005 are as follows:

	Other Benefits	
	2006	2005
Healthcare cost trend rate assumed for next year	12.00%	12.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2014	2013

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects (in thousands) on the

	Increase	Decrease
Effect on total of service and interest cost component	$ 8,104	$ (7,755)
Effect on postretirement benefit obligation	$ 70,356	$ (65,034)

Other Benefits plans:
Prescription Drug Benefits

On December 8, 2003, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the "Medicare Act") was signed into law. The Medicare Act introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. As allowed by FASB Staff Position No. FAS 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003", Amtrak elected to record an estimate of the effects of the Medicare Act in accounting for its postretirement benefit plans under SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", and provide disclosures required by SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits".

Based on actuarial analysis of prescription drug benefits, estimated future Medicare subsidies are expected to reduce the accumulated postretirement benefit obligation for the years ended September 30, 2006 and 2005 by $2.1 million and $1.6 million, respectively. When specific guidance on accounting for the federal subsidy is issued, these estimates could change.

401(k) Savings Plan

Amtrak provides a 401(k) savings plan for nonunion employees. Under the plan, Amtrak matches a portion of employee contributions up to five percent of the participant's salary, subject to applicable limitations. Amtrak's expenses under this plan were $7,467,000 and $6,915,000 for the years ended September 30, 2006 and 2005, respectively.

NOTE 13: FAIR VALUE OF FINANCIAL INSTRUMENTS

For cash and cash equivalents, short-term investments, accounts receivable, accounts payable, and accrued expenses and other current liabilities, the carrying amounts approximate fair value because of the short maturities of these instruments. The carrying amounts of a portion of bonds and equipment obligations also approximate fair value. All charge interest at rates that are periodically adjusted to market.

The estimated fair values of the mortgage obligations, FRA loan, and remaining bonds were based upon discounted cash flow analyses using interest rates available to Amtrak at September 30, 2006 and 2005 for debt with the same remaining maturities. The UDAG loan, although interest free, was also valued based upon a discounted cash flow analysis using September 30, 2006 and 2005 market interest rates. The estimated fair values of these financial instruments are as follows (in thousands):

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FRA loan	$ 62,687	$ 59,905	$ 82,881	$ 78,955
Mortgage obligations	252,950	294,130	264,045	317,812
Equipment obligations	-	-	2,264	2,264
Bonds, net of discount	62,084	67,270	78,835	81,644
UDAG loan	11,187	9,082	11,317	9,549
	$ 388,908	$ 430,387	$ 439,342	$ 490,224

NATIONAL RAILROAD PASSENGER CORPORATION and SUBSIDIARIES (AMTRAK) - ANNUAL STATISTICAL REPORT

PERFORMANCE INDICATOR	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Revenues: *(in millions of dollars)*										
Passenger Related (excluding 403b)	964	1,000	1,058	1,166	1,261	1,339	1,261	1,312	1,295	1,426
403b Services	70	83	100	111	123	129	136	137	141	139
Passenger Related	1,034	1,083	1,158	1,277	1,384	1,468	1,397	1,449	1,436	1,565
Mail and Express [5]	70	83	98	122	117	125	-	-	-	-
Commuter	241	260	261	274	289	295	258	118	119	115
Other	324	276	303	326	298	324	321	276	302	329
Federal Payments and State Capital Payments [1]	-	542	191	112	21	16	18	22	29	33
Total Revenue	**1,669**	**2,244**	**2,011**	**2,111**	**2,109**	**2,228**	**1,994**	**1,865**	**1,886**	**2,042**
Expenses: *(in millions of dollars)*										
Salaries, Wages, and Benefits	1,299	1,448	1,457	1,558	1,667	1,617	1,517	1,452	1,512	1,558
Train Operations	142	150	194	216	263	252	190	187	193	203
Fuel, Power, and Utilities	148	134	132	164	188	175	184	184	228	276
Materials	136	130	131	148	128	123	156	149	133	144
Facility, Communication, and Office Related	152	159	155	173	176	155	135	129	130	136
Advertising and Sales	98	102	109	107	106	99	75	78	71	75
Casualty and Other Claims	70	70	74	78	117	161	118	89	26	59
Depreciation Net of Gain on Sale-Leasebacks	241	292	327	359	467	479	584	551	558	446
Other (Including Indirect Costs Capitalized to Property & Equipment)	73	63	81	73	176	163	141	131	89	108
Total Expense	**2,359**	**2,548**	**2,660**	**2,876**	**3,288**	**3,224**	**3,100**	**2,950**	**2,940**	**3,005**
Operating Loss	**(690)**	**(304)**	**(649)**	**(765)**	**(1,179)**	**(996)**	**(1,106)**	**(1,085)**	**(1,054)**	**(963)**
Other Income and (Expense): *(in millions of dollars)*										
Interest Income	4	39	30	53	85	76	74	74	82	95
Interest Expense	(76)	(88)	(83)	(107)	(154)	(212)	(210)	(203)	(207)	(200)
Other Expense - Net	**(72)**	**(49)**	**(53)**	**(54)**	**(69)**	**(136)**	**(136)**	**(129)**	**(125)**	**(105)**
Loss Before Discontinued Operations and Cumulative Effect of Accounting Changes	**(762)**	**(353)**	**(702)**	**(819)**	**(1,248)**	**(1,132)**	**(1,242)**	**(1,214)**	**(1,179)**	**(1,068)**
Loss from Discontinued Operations [2]	-	-	-	-	-	-	(32)	(95)	(13)	-
Cumulative Gain/(Loss) Effect of Accounting Changes [3]	-	-	-	51	-	-	-	-	-	-
GAAP Loss	**(762)**	**(353)**	**(702)**	**(768)**	**(1,248)**	**(1,132)**	**(1,274)**	**(1,309)**	**(1,192)**	**(1,068)**
Pro Forma Loss With Changes Applied Retroactively	*(756)*	*(345)*	*(694)*	*(819)*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
Federal Payments and Related Income, and State Capital Payments	-	(577)	(214)	(176)	(24)	(17)	(18)	(22)	(29)	(33)
Amtrak Loss [4]	**(762)**	**(930)**	**(916)**	**(944)**	**(1,272)**	**(1,149)**	**(1,292)**	**(1,331)**	**(1,221)**	**(1,101)**
Net Depreciation and Other Postretirement Employee Benefits	252	305	342	374	479	518	649	714	637	537
Adjusted Loss	**(510)**	**(626)**	**(574)**	**(570)**	**(793)**	**(631)**	**(643)**	**(617)**	**(584)**	**(564)**
Federal Grants Appropriated: *(in millions of dollars)*										
Federal Operating Grant	223	202	-	-	-	205	519	756	711	490
General Capital Funding	223	-	609	571	521	521	524	462	492	772
NECIP / NHRIP Funding	175	250	-	-	-	-	-	-	-	
High-Speed Rail	80	-	-	-	-	-	-	-	-	
Taxpayer Relief Act	-	2,184	-	-	-	-	-	-	-	
Other Federal Grants	-	-	-	-	-	105	-	-	-	31
Federal Grants Drawn: *(in millions of dollars)*										
Federal Operating Grant	223	202	-	-	-	205	519	756	711	485
General Capital Funding	238	134	243	593	551	833	476	510	492	772
NECIP / NHRIP Funding	339	417	25	-	-	-	-	-	-	-
High-Speed Rail	50	30	-	-	-	-	-	-	-	-
Taxpayer Relief Act	-	1,092	1,092	-	-	-	-	-	-	-
Other Federal Grants	-	-	-	-	-	25	7	15	27	13
Financial Ratios:										
Operating Ratio *(Total Expense/Total Revenue [4])*	**1.41**	**1.50**	**1.46**	**1.44**	**1.57**	**1.46**	**1.57**	**1.60**	**1.58**	**1.50**
Current Assets *(in millions of dollars)*	221	868	982	376	274	449	405	477	455	494
Current Liabilities *(in millions of dollars)*	521	621	689	779	996	974	1,059	955	901	898
Working Capital Ratio	**0.42**	**1.40**	**1.43**	**0.48**	**0.28**	**0.46**	**0.38**	**0.50**	**0.50**	**0.55**

PERFORMANCE INDICATOR	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Cash and Short-Term Investments: *(in millions of dollars)*										
Year-End Cash and Cash Equivalents, and Short-Term Investments	36	275	156	107	33	169	182	247	138	215
On-Time Performance:										
Amtrak Systemwide	74%	79%	79%	78%	75%	77%	73%	71%	70%	68%
Operating Statistics:										
Amtrak Systemwide Passenger Miles[5] *(in millions)*	5,166	5,304	5,330	5,498	5,559	5,468	5,503	5,558	5,391	5,358
Amtrak Systemwide Seat Miles *(in millions)*	11,094	11,426	12,064	11,629	12,204	12,380	12,091	11,656	11,421	11,246
Amtrak Systemwide Load Factor *(Passenger Miles/Seat Miles)*	47%	46%	44%	47%	46%	44%	46%	48%	47%	48%
Amtrak Systemwide Route Miles *(in thousands)*	25	22	23	23	23	23	23	23	23	21
Train Miles *(in millions)*	32	33	34	35	36	38	37	37	37	36
Passenger Miles Per Train Mile[5]	161.4	160.7	156.8	157.1	154.4	143.9	148.7	150.2	145.7	148.8
Ticket Yield (Ticket Revenue per Pax Mile)[5] *(cents)*	17.7	17.8	18.9	20.3	21.8	23.6	22.1	22.6	23.1	25.6
Yield (Pax Related Revenue per Pax Mile)[5,6] *(cents)*	18.7	18.9	19.8	21.2	22.7	24.5	22.9	23.6	24.0	26.6
Average Trip Length of Passengers *(miles)*	255.7	251.4	247.9	244.4	236.6	233.7	229.3	221.4	222.8	220.5
Total Revenue per Seat Mile[4] *(cents)*	15.1	14.9	15.1	17.5	17.8	18.5	17.0	16.4	17.0	18.7
Total Expense per Seat Mile *(cents)*	21.9	23.1	22.7	25.7	28.2	27.8	27.4	27.1	27.6	28.5
Core Revenue per Seat Mile[7,9] *(cents)*	11.1	11.3	11.5	13.6	13.3	14.0	12.8	13.5	14.0	15.5
Core Expense per Seat Mile[9] *(cents)*	18.9	18.8	19.3	21.7	23.9	23.1	23.1	23.8	24.2	25.1
Ridership (Passenger Trips): *(in millions)*										
Amtrak Systemwide	20.2	21.1	21.5	22.5	23.5	23.4	24.0	25.1	24.2	24.3
Contract Commuter Passenger Trips *(in millions)*	48.5	54.0	58.3	61.6	63.4	66.0	56.1	27.2	28.7	19.2
Total Ridership (Amtrak & Commuter) *(in millions)*	68.7	75.1	79.8	84.1	86.9	89.4	80.1	52.3	52.9	43.5
Stations Served by Amtrak	516	508	510	515	512	515	514	517	518	503

NOTES:

Where applicable, prior year's amounts have been restated to conform with the current year's presentation.

1. Includes federal payments received related to grants and Taxpayer Relief Act (TRA) funds, as well as state capital payments received.
2. Includes charges related to the discontinued Mail and Express operations.
3. The $50.7M gain in FY00 is the result of changes in accounting for state capital payments and start-up costs.
4. Federal payments received related to grants and TRA funds, state capital payments received, plus investment income earned ($34.6M, $23.1M, $12.1M, $2.9M and $0.7M in FY98-02, respectively) on TRA funds drawn are excluded from the operating ratio, and applicable revenue-based operating statistics.
5. Passenger miles do not include contract commuter passengers.
6. Passenger related revenue excludes state 403(b) service revenue.
7. Core revenues include passenger related, 403(b) service revenue, mail and express, and certain other revenues (specifically: commuter fees, freight railroad access fees and miscellaneous other).
8. Mail and Express operations were discontinued in FY'04.
9. Mail and Express operations were discontinued in FY'04. Core revenues and expenses exclude Mail & Express operations beginning in FY'03.

National Railroad Passenger Corporation
60 Massachusetts Avenue, NE
Washington, D.C. 20002
Amtrak.com