

**Norfolk Southern Corporation and Subsidiaries**  
**Consolidated Statements of Income**  
**(Unaudited)**

	<b>First Quarter</b>	
	<b>2015</b>	<b>2014</b>
	<i>(\$ in millions, except per share amounts)</i>	
<b>Railway operating revenues</b>		
Coal	\$ 455	\$ 541
General merchandise	1,520	1,552
Intermodal	<u>592</u>	<u>596</u>
Total railway operating revenues	<u>2,567</u>	<u>2,689</u>
<b>Railway operating expenses</b>		
Compensation and benefits	783	740
Purchased services and rents	423	392
Fuel	264	432
Depreciation	245	237
Materials and other	<u>246</u>	<u>221</u>
Total railway operating expenses	<u>1,961</u>	<u>2,022</u>
<b>Income from railway operations</b>	606	667
Other income – net	21	26
Interest expense on debt	<u>132</u>	<u>139</u>
Income before income taxes	495	554
Provision for income taxes		
Current	173	194
Deferred	12	(8)
Total income taxes	<u>185</u>	<u>186</u>
<b>Net income</b>	<u>\$ 310</u>	<u>\$ 368</u>
<b>Earnings per share</b>		
Basic	\$ 1.01	\$ 1.18
Diluted	1.00	1.17
<b>Weighted average shares outstanding (note 1)</b>		
Basic	306.8	309.5
Diluted	309.6	312.6

*See accompanying notes to consolidated financial statements.*

**Norfolk Southern Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**(Unaudited)**

	<b>First Quarter</b>	
	<b>2015</b>	<b>2014</b>
	<i>(\$ in millions)</i>	
<b>Net income</b>	\$ 310	\$ 368
Other comprehensive income, before tax:		
Pension and other postretirement benefits	10	299
Other comprehensive income (loss) of equity investees	(4)	3
Other comprehensive income, before tax	6	302
Income tax expense related to items of other comprehensive income	(3)	(114)
Other comprehensive income, net of tax	3	188
<b>Total comprehensive income</b>	<b>\$ 313</b>	<b>\$ 556</b>

*See accompanying notes to consolidated financial statements.*

**Norfolk Southern Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
**(Unaudited)**

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	<i>(\$ in millions)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 524	\$ 973
Accounts receivable – net	1,032	1,055
Materials and supplies	268	236
Deferred income taxes	118	167
Other current assets	173	347
Total current assets	2,115	2,778
Investments	2,701	2,679
Properties less accumulated depreciation of \$11,020 and \$10,814, respectively	27,829	27,694
Other assets	130	90
<b>Total assets</b>	<b>\$ 32,775</b>	<b>\$ 33,241</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 1,094	\$ 1,233
Short-term debt	—	100
Income and other taxes	210	217
Other current liabilities	298	228
Current maturities of long-term debt	501	2
Total current liabilities	2,103	1,780
Long-term debt	8,429	8,924
Other liabilities	1,302	1,312
Deferred income taxes	8,783	8,817
<b>Total liabilities</b>	20,617	20,833
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 304,849,454 and 308,240,130 shares, respectively, net of treasury shares	306	310
Additional paid-in capital	2,160	2,148
Accumulated other comprehensive loss	(395)	(398)
Retained income	10,087	10,348
<b>Total stockholders' equity</b>	12,158	12,408
<b>Total liabilities and stockholders' equity</b>	<b>\$ 32,775</b>	<b>\$ 33,241</b>

*See accompanying notes to consolidated financial statements.*

**Norfolk Southern Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>First Quarter</b>	
	<b>2015</b>	<b>2014</b>
	<i>(\$ in millions)</i>	
<b>Cash flows from operating activities</b>		
Net income	\$ 310	\$ 368
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	246	238
Deferred income taxes	12	(8)
Gains and losses on properties and investments	(5)	(2)
Changes in assets and liabilities affecting operations:		
Accounts receivable	23	(85)
Materials and supplies	(32)	(17)
Other current assets	176	17
Current liabilities other than debt	(97)	86
Other – net	<u>(28)</u>	<u>(9)</u>
Net cash provided by operating activities	605	588
<b>Cash flows from investing activities</b>		
Property additions	(392)	(381)
Property sales and other transactions	16	22
Investments, including short-term	(3)	(3)
Investment sales and other transactions	<u>1</u>	<u>108</u>
Net cash used in investing activities	(378)	(254)
<b>Cash flows from financing activities</b>		
Dividends	(181)	(167)
Common stock issued	21	62
Purchase and retirement of common stock (note 1)	(415)	(50)
Debt repayments	<u>(101)</u>	<u>(100)</u>
Net cash used in financing activities	<u>(676)</u>	<u>(255)</u>
Net increase (decrease) in cash and cash equivalents	(449)	79
<b>Cash and cash equivalents</b>		
At beginning of year	<u>973</u>	<u>1,443</u>
At end of period	<u><u>\$ 524</u></u>	<u><u>\$ 1,522</u></u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 71	\$ 75
Income taxes (net of refunds)	12	60

*See accompanying notes to consolidated financial statements.*

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:**

### **1. Stock Repurchase Program**

We repurchased 3.9 million and 0.5 million shares of common stock in the first quarters of 2015 and 2014, respectively, at a cost of \$415 million and \$50 million, respectively. We have remaining authorization from our Board of Directors to repurchase up to 31.3 million shares through December 31, 2017. The timing and volume of purchases is guided by our assessment of market conditions and other pertinent factors. Any near-term share repurchases are expected to be made with internally generated cash, cash on hand, or proceeds from borrowings. Since the beginning of 2006, we have repurchased and retired 143.7 million shares at a total cost of \$8.8 billion.