

# FINANCIAL OVERVIEW

NORFOLK SOUTHERN POSTED RECORD RESULTS in 2004, driven by strong business demand and efficient operating performance. Net income for 2004 was \$923 million or \$2.31 per diluted share. Results for 2004 compare with net income of \$535 million or \$1.37 per diluted share for 2003.

Results in 2004 included a \$53 million or 13 cents per share noncash gain from the Conrail corporate reorganization, while 2003 results included: (1) a \$114 million or 29 cents per share increase to net income for the cumulative effect of required changes in accounting principles; (2) \$66 million or 17 cents per share of costs for a voluntary separation program; (3) \$53 million or 13 cents per share for the impairment of certain telecommunications assets; and (4) a \$10 million or 3 cents per share discontinued operations gain.

Excluding all of these items, net income in 2004 would have been \$870 million or \$2.18 per diluted

share, up \$340 million or 64 percent. The improvement was the result of higher income from railway operations.

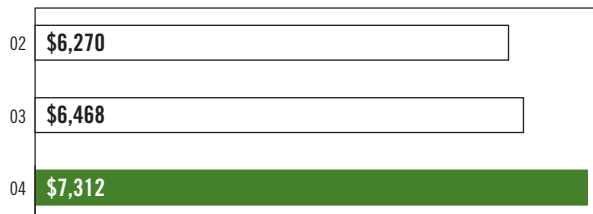
Railway operating revenues were a record \$7.3 billion, up \$844 million or 13 percent compared with 2003, a result of higher traffic volumes and increased average revenue per carload.

Railway operating expenses were \$5.6 billion, up \$206 million or 4 percent, reflecting volume-related expense increases and higher diesel fuel prices, which were offset in part by the absence of the \$107 million voluntary separation costs incurred in 2003.

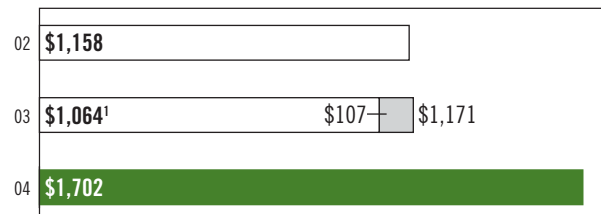
Income from railway operations was a record \$1.7 billion compared with \$1.1 billion in 2003. Excluding the costs of the voluntary separation program from 2003 results, income from railway operations increased by \$531 million or 45 percent.

The railway operating ratio was 76.7 percent, compared with 83.5 percent in 2003. Absent the cost of the 2003 voluntary separation program, the ratio improved by 5.2 percentage points.

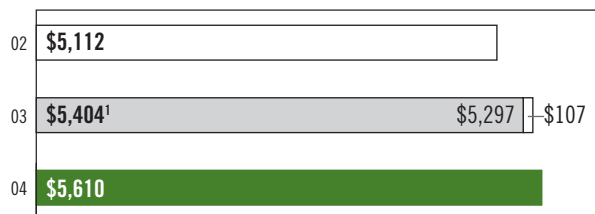
RAILWAY OPERATING REVENUES (\$ MILLIONS)



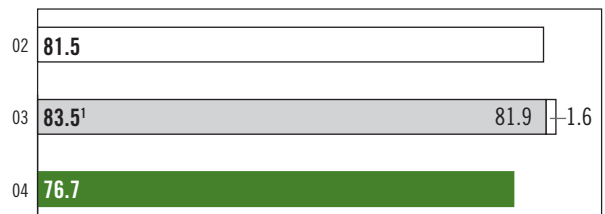
INCOME FROM RAILWAY OPERATIONS (\$ MILLIONS)



RAILWAY OPERATING EXPENSES (\$ MILLIONS)



RAILWAY OPERATING RATIO (PERCENT)



<sup>1</sup> 2003 results include \$107 million of costs related to a voluntary separation program that increased the railway operating ratio by 1.6 percentage points.