

Five-Year Financial Review — Norfolk Southern Corporation and Subsidiaries

(\$ in millions, except per-share amounts)	2004 ¹	2003 ²	2002	2001	2000 ⁶
RESULTS OF OPERATIONS					
Railway operating revenues	\$ 7,312	\$ 6,468	\$ 6,270	\$ 6,170	\$ 6,159
Railway operating expenses	5,610	5,404	5,112	5,163	5,526
Income from railway operations	1,702	1,064	1,158	1,007	633
Other income — net	89	19	66	99	168
Interest expense on debt	489	497	518	553	551
Income from continuing operations before income taxes and accounting changes	1,302	586	706	553	250
Provision for income taxes	379	175	246	191	78
Income from continuing operations before accounting changes	923	411	460	362	172
Discontinued operations ³	—	10	—	13	—
Cumulative effect of changes in accounting principles, net of taxes ⁴	—	114	—	—	—
Net income	\$ 923	\$ 535	\$ 460	\$ 375	\$ 172
PER SHARE DATA					
Income from continuing operations before accounting changes					
Basic	\$ 2.34	\$ 1.05	\$ 1.18	\$ 0.94	\$ 0.45
Diluted	\$ 2.31	\$ 1.05	\$ 1.18	\$ 0.94	\$ 0.45
Net income					
Basic	\$ 2.34	\$ 1.37	\$ 1.18	\$ 0.97	\$ 0.45
Diluted	\$ 2.31	\$ 1.37	\$ 1.18	\$ 0.97	\$ 0.45
Dividends	\$ 0.36	\$ 0.30	\$ 0.26	\$ 0.24	\$ 0.80
Stockholders' equity at year end	\$ 19.95	\$ 17.83	\$ 16.71	\$ 15.78	\$ 15.16
FINANCIAL POSITION					
Total assets	\$ 24,750	\$ 20,596	\$ 19,956	\$ 19,418	\$ 18,976
Total long-term debt, including current maturities ⁵	\$ 7,525	\$ 7,160	\$ 7,364	\$ 7,632	\$ 7,636
Stockholders' equity	\$ 7,990	\$ 6,976	\$ 6,500	\$ 6,090	\$ 5,824
OTHER					
Capital expenditures	\$ 1,041	\$ 720	\$ 695	\$ 746	\$ 731
Average number of shares outstanding (thousands)	394,201	389,788	388,213	385,158	383,358
Number of stockholders at year end	51,032	52,091	51,418	53,042	53,194
Average number of employees	28,475	28,753	28,970	30,894	33,738

NOTES

¹ 2004 other income — net includes a \$53 million net gain from the Conrail corporate reorganization. This gain increased net income by \$53 million or 13 cents per diluted share.

² 2003 operating expenses include a \$107 million charge for a voluntary separation program. Other income — net includes an \$84 million charge to recognize the impaired value of certain telecommunications assets. These charges reduced net income by \$119 million or 30 cents per diluted share.

³ NS sold all the common stock of its motor carrier subsidiary, North American Van Lines, Inc. (NAVL), in 1998. Results in 2001 include an additional after-tax gain of \$13 million, or 3 cents per diluted share, that resulted from the expiration of certain indemnity obligations contained in the sales agreement. Results in 2003 include an additional after-tax gain of \$10 million, or 3 cents per diluted share, resulting from the resolution of tax issues related to the transaction.

⁴ 2003 reflects two accounting changes, the cumulative effect of which increased net income by \$114 million or 29 cents per diluted share: a change in accounting for the cost to remove railroad crossties, which increased net income by \$110 million; and a change in accounting related to a special-purpose entity that leases certain locomotives to NS, which increased net income by \$4 million.

⁵ Excludes notes payable to Conrail of \$716 million in 2003, \$513 million in 2002, \$301 million in 2001 and \$51 million in 2000.

⁶ 2000 operating expenses include \$165 million in work force reduction costs for early retirement and separation programs. These costs reduced net income by \$101 million, or 26 cents per diluted share.