

Five-Year Financial Review — Norfolk Southern Corporation and Subsidiaries

(\$ in millions, except per-share amounts)	2005 ¹	2004 ²	2003 ³	2002	2001
RESULTS OF OPERATIONS					
Railway operating revenues	\$ 8,527	\$ 7,312	\$ 6,468	\$ 6,270	\$ 6,170
Railway operating expenses	6,410	5,610	5,404	5,112	5,163
Income from railway operations	2,117	1,702	1,064	1,158	1,007
Other income — net	74	89	19	66	99
Interest expense on debt	494	489	497	518	553
Income from continuing operations before income taxes and accounting changes	1,697	1,302	586	706	553
Provision for income taxes	416	379	175	246	191
Income from continuing operations before accounting changes	1,281	923	411	460	362
Discontinued operations ⁴	—	—	10	—	13
Cumulative effect of changes in accounting principles, net of taxes ⁵	—	—	114	—	—
Net income	\$ 1,281	\$ 923	\$ 535	\$ 460	\$ 375
PER SHARE DATA					
Income from continuing operations before accounting changes					
Basic	\$ 3.17	\$ 2.34	\$ 1.05	\$ 1.18	\$ 0.94
Diluted	\$ 3.11	\$ 2.31	\$ 1.05	\$ 1.18	\$ 0.94
Net income					
Basic	\$ 3.17	\$ 2.34	\$ 1.37	\$ 1.18	\$ 0.97
Diluted	\$ 3.11	\$ 2.31	\$ 1.37	\$ 1.18	\$ 0.97
Dividends	\$ 0.48	\$ 0.36	\$ 0.30	\$ 0.26	\$ 0.24
Stockholders' equity at year end	\$ 22.66	\$ 19.95	\$ 17.83	\$ 16.71	\$ 15.78
FINANCIAL POSITION					
Total assets	\$ 25,861	\$ 24,750	\$ 20,596	\$ 19,956	\$ 19,418
Total long-term debt, including current maturities ⁶	\$ 6,930	\$ 7,525	\$ 7,160	\$ 7,364	\$ 7,632
Stockholders' equity	\$ 9,289	\$ 7,990	\$ 6,976	\$ 6,500	\$ 6,090
OTHER					
Capital expenditures	\$ 1,025	\$ 1,041	\$ 720	\$ 695	\$ 746
Average number of shares outstanding (thousands)	404,170	394,201	389,788	388,213	385,158
Number of stockholders at year end	48,180	51,032	52,091	51,418	53,042
Average number of employees	30,294	28,475	28,753	28,970	30,894

¹ 2005 provision for income taxes includes a \$96 million benefit related to the reduction of NS' deferred income tax liabilities resulting from tax legislation enacted by Ohio. This benefit increased net income by \$96 million, or 23 cents per diluted share.

² 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.

³ 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.

⁴ 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.

⁵ 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 leased certain locomotives to NS, which increased net income by \$4 million.

⁶ Excludes notes payable to Conrail of \$716 million in 2003, \$513 million in 2002 and \$301 million in 2001.