

Financial Overview

The combination of record revenues and an improved operating ratio produced the highest net income in Norfolk Southern's history. Net income for 2005 was \$1.3 billion, or \$3.11 per diluted share, a \$358 million, or 39 percent improvement compared with 2004.

Results in 2005 included a noncash benefit of \$96 million, or 23 cents per diluted share, from the effects of Ohio tax legislation, while 2004 results included a \$53 million, or 13 cents per share, noncash gain from the Conrail corporate reorganization.

Excluding these items, net income in 2005 would have been \$1.2 billion, or \$2.88 per diluted share, up \$315 million, or 36 percent. The improvement was

the result of higher income from railway operations.

Railway operating revenues were a record \$8.5 billion, up \$1.2 billion, or 17 percent, compared with 2004, a result of increased average revenue per carload, including fuel surcharges, and higher traffic volume.

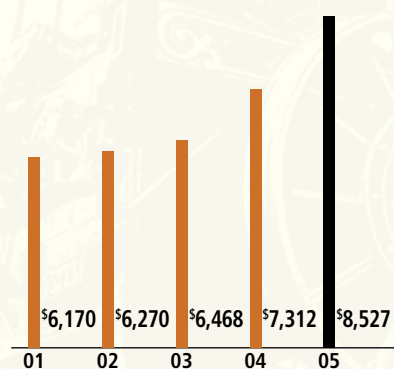
Railway operating expenses were \$6.4 billion, up \$800 million, or 14 percent, reflecting higher diesel fuel prices, volume-related expense increases, more maintenance activities and higher costs for casualty claims.

The railway operating ratio was 75.2 percent, compared with 76.7 percent in 2004, a 1.5 percentage point improvement.

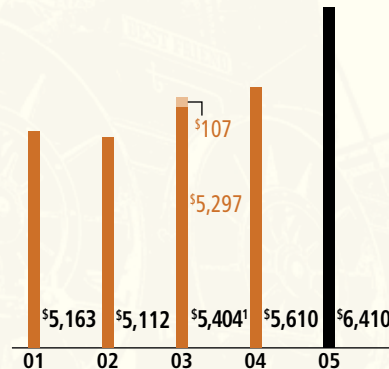
Cash provided by operating activities was \$2.1 billion, an increase of \$444 million, or 27 percent, compared with 2004. Outstanding debt was reduced by \$595 million, or 8 percent, and NS' debt-to-total capitalization ratio was 42.7 percent at year-end 2005, compared with 48.5 percent the year before.

The quarterly dividend was increased twice during 2005 – from 10 cents per share to 11 cents in January and to 13 cents in July. In addition, the board of directors in January 2006 declared a dividend of 16 cents per share, which is double the dividend paid in the first quarter of 2004. 📈

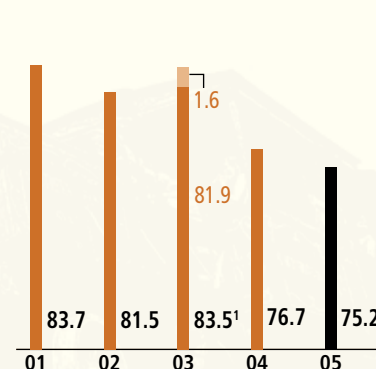
RAILWAY OPERATING REVENUES (\$ MILLIONS)



RAILWAY OPERATING EXPENSES (\$ MILLIONS)



RAILWAY OPERATING RATIO (PERCENT)



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