

FOR IMMEDIATE RELEASE

April 24, 2002

Norfolk Southern Reports First-Quarter 2002 Results

For the first quarter of 2002 vs. the same period of 2001:

- **Income from continuing operations improved 41 percent.**
- **Earnings increased to \$0.22 per diluted share.**
- **The railway operating ratio improved 2.5 percentage points.**
- **Railway operating expenses declined 6 percent.**
- **Results achieved despite continuing weak economy.**

NORFOLK, VA -- Norfolk Southern Corporation (NYSE: NSC) today reported that income from continuing operations rose 41 percent in first quarter 2002 as the company reduced operating expenses and increased operating efficiency.

Income from continuing operations climbed to \$86 million, or \$0.22 per diluted share, compared to \$61 million, or \$0.16 per diluted share, a year earlier, excluding last year's gain of \$0.03 per diluted share from the sale of a former motor carrier subsidiary.

"We are pleased to report another quarter of year-over-year improvement in our financial results, achieved during a period marked by continuing economic slowness and weak coal demand," said David R. Goode, chairman, president and chief executive officer. "During the quarter, we made solid progress in strengthening service reliability and operating efficiency with the implementation of the Thoroughbred Operating Plan, our scheduled transportation plan for merchandise shipments. As economic conditions improve, we expect to make continued improvements and to pick up business from our better service."

In the first quarter, railway operating revenues were \$1.50 billion, down 2.7 percent compared to the same period last year.

General merchandise revenues of \$869 million were unchanged compared to the first quarter of 2001 despite a two percent, or 12,422 decrease in carloads. Automotive posted a seven percent gain in revenues due to record sales of vehicles, and agricultural product revenues rose three percent on the strength of shipments of grain products. However, there was continued weakness in several business sectors sensitive to the weakened national economy, including paper and forest products, construction materials, metals and chemicals.

Intermodal revenues declined two percent to \$270 million compared to the same period a year earlier, primarily as a result of the continued conversion of trailers to containers and the removal of a fuel surcharge that was imposed during last year's first quarter in response to high diesel fuel prices.

Record warm temperatures and high stockpiles reduced demand for utility coal and significantly impacted coal revenues, which dropped to \$359 million, a nine percent decline compared to the first quarter of 2001.

Railway operating expenses were \$1.26 billion for the quarter, a six percent reduction from the first quarter of 2001. The improvement was due to continued cost discipline and included a \$36 million, or 31 percent decline in diesel fuel expenses.

For the quarter, the railway operating ratio, the percentage of revenues that goes into operating the railroad, improved 2.5 percentage points to 84.2 percent compared to 86.7 percent a year earlier.

"Our focus for the coming quarters centers on providing unprecedented customer service, attracting freight from the highways and improving asset utilization," Goode said. He noted that Norfolk Southern has created a new position, vice president of customer service, to support its continuing improvement initiatives.

Norfolk Southern Corporation is a Virginia-based holding company with headquarters in Norfolk. It owns a major freight railroad, Norfolk Southern Railway Company, which operates approximately 21,500 miles of road in 22 states, the District of Columbia and the province of Ontario.

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Income
(Unaudited)
(\$ millions except per share)

	Three Months Ended March 31,	
	2002	2001
	----	----
Railway operating revenues:		
Coal	\$ 359	\$ 393
General merchandise	869	871
Intermodal	270	276
	-----	-----
TOTAL RAILWAY OPERATING REVENUES	1,498	1,540
	-----	-----
Railway operating expenses:		
Compensation and benefits	523	519
Materials, services and rents	339	372
Conrail rents and services	113	105
Depreciation	127	127
Diesel fuel	81	117
Casualties and other claims	35	37
Other	43	58
	-----	-----
TOTAL RAILWAY OPERATING EXPENSES	1,261	1,335
	-----	-----

Income from railway operations	237	205
Other income - net	34	27
Interest expense on debt	(134)	(141)
	-----	-----
Income from continuing operations before income taxes	137	91
Provision (benefit) for income taxes:		
Current	23	66
Deferred	28	(36)
	-----	-----
TOTAL INCOME TAXES	51	30
	-----	-----
Income from continuing operations	86	61
Discontinued operations - gain on sale of motor carrier, net of taxes (note 1)	--	13
	-----	-----
NET INCOME	\$ 86	\$ 74
	=====	=====
Earnings per share:		
Income from continuing operations, basic and diluted	\$ 0.22	\$ 0.16
Net income, basic and diluted	\$ 0.22	\$ 0.19
Average shares outstanding (000's)	387,163	384,490

[See note to financial statements.](#)

Norfolk Southern Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)
(\$ millions)

	March 31, 2002 ----	December 31, 2001 ----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 164	\$ 204
Accounts receivable - net	615	475
Due from Conrail	5	8
Materials and supplies	94	90
Deferred income taxes	169	162
Other current assets	95	108
	-----	-----
Total current assets	1,142	1,047
Investment in Conrail	6,167	6,161
Properties less accumulated depreciation	11,280	11,208

Other assets	1,052	1,002
	-----	-----
TOTAL ASSETS	\$ 19,641	\$ 19,418
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 828	\$ 848
Income and other taxes	271	312
Due to Conrail	83	373
Other current liabilities	291	248
Current maturities of long-term debt	410	605
	-----	-----
Total current liabilities	1,883	2,386
Long-term debt	7,246	7,027
Other liabilities	1,061	1,089
Due to Conrail	367	--
Minority interests	45	45
Deferred income taxes	2,828	2,781
	-----	-----
TOTAL LIABILITIES	13,430	13,328
	-----	-----
Stockholders' equity:		
Common stock \$1.00 per share par value	409	407
Additional paid-in capital	465	423
Accumulated other comprehensive loss	(40)	(55)
Retained income	5,397	5,335
	-----	-----
	6,231	6,110
Less treasury stock at cost, 21,169,125 shares	(20)	(20)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	6,211	6,090
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 19,641	\$ 19,418
	=====	=====

[See note to financial statements.](#)

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)
(\$ millions)

	Three Months Ended March 31,	
	-----	-----
	2002	2001
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 86	\$ 74
Reconciliation of net income to		

net cash provided by operating activities:		
Depreciation	131	130
Deferred income taxes	28	(36)
Equity in earnings of Conrail	(8)	(12)
Gains on properties and investments	(28)	(9)
Income from discontinued operations (note 1)	--	(13)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(140)	(28)
Materials and supplies	(4)	(2)
Other current assets and due from Conrail	28	68
Current liabilities other than debt	25	--
Other - net	(55)	(54)
	-----	-----
Net cash provided by operating activities	63	118
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(189)	(294)
Property sales and other transactions	(7)	10
Investments, including short-term	(21)	(35)
Investment sales and other transactions	11	2
	-----	-----
Net cash used for investing activities	(206)	(317)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends	(23)	(23)
Common stock issued - net	35	4
Proceeds from borrowings	133	1,275
Debt repayments	(42)	(1,003)
	-----	-----
Net cash provided by financing activities	103	253
	-----	-----
Net increase (decrease) in cash and cash equivalents	(40)	54
CASH AND CASH EQUIVALENTS:		
At beginning of year	204	--
	-----	-----
At end of period	\$ 164	\$ 54
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH-FLOW INFORMATION		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 79	\$ 82
Income taxes	\$ 27	\$ 62

See note to financial statements.

NOTES:

NOTE TO FINANCIAL STATEMENTS:

1. DISCONTINUED OPERATIONS -

First quarter 2001 included an additional after-tax gain of \$13 million, or 3 cents per share, related to the 1998 sale of NS' motor carrier subsidiary, North American Van Lines, Inc. This non-cash gain resulted from the expiration of certain indemnities contained in the sales agreement.

#

Media Contact: Bob Fort, Norfolk, 757-629-2710

World Wide Web Site: www.nscorp.com