



NEWS RELEASE

**FOR IMMEDIATE RELEASE
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NORFOLK SOUTHERN REPORTS THIRD-QUARTER 2003 RESULTS

For the third quarter of 2003 vs. the same period of 2002:

- **Net income rose 9 percent to \$137 million.**
- **Intermodal revenues set an all-time record of \$315 million.**
- **The railway operating ratio was 80.5 percent.**
- **Earnings per diluted share increased to \$0.35.**

NEW YORK, N.Y. -- Norfolk Southern Corporation (NYSE: NSC) today reported third-quarter net income of \$137 million, or \$0.35 per diluted share, compared with net income of \$126 million, or \$0.32 per diluted share, in the third quarter of 2002.

"Despite a challenging environment, we managed to improve our net income and earnings per share and at the same time post the best operating performance metrics in our history, positioning ourselves for the future by improving service consistency, asset utilization and efficiency," said David R. Goode, chairman, president and chief executive officer.

For the first nine months, income from continuing operations, before required accounting changes, was \$359 million, or \$0.92 per diluted share, compared with net income of \$331 million, or \$0.85 per diluted share, for the same period in the prior year.

Net income during the first nine months was \$483 million, or \$1.24 per diluted share, and included a \$114 million, or \$0.29 per diluted share, gain largely due to a required change in accounting for the cost of removing railroad crossties, and a \$10 million, or \$0.03 per diluted share, gain from discontinued operations resulting from the 1998 sale of a former motor carrier subsidiary.

Third-quarter railway operating revenues of \$1.60 billion were even with third quarter 2002. Year-to-date railway operating revenues of \$4.79 billion were up \$103 million, or two percent, compared to the same period a year earlier and established a new nine-month record.

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Intermodal revenues in 2003 set a third-quarter record at \$315 million and also a record for the first nine months, increasing three percent to \$904 million compared to the same period a year earlier. The revenue growth reflects increases in converting traffic from the highway to the railroad.

Coal revenues improved slightly to \$372 million in the quarter and increased three percent to \$1.12 billion for the first nine months compared to the same period a year earlier, primarily due to increases in utility and export coal shipments.

Third-quarter general merchandise revenues declined one percent to \$911 million compared to the same period of 2002. Automotive revenues decreased 11 percent, primarily due to slowed manufacturing and model changeovers, while agricultural, paper and forest products and chemicals reported increased revenues. For the first nine months, general merchandise revenues rose one percent to \$2.77 billion compared with the year-earlier nine-month period.

Railway operating expenses for the quarter remained unchanged at \$1.29 billion compared to third quarter 2002 but were up three percent to \$3.95 billion for the first nine months compared to the same period last year largely due to lower pension income and increases in employee wages and medical benefits, as well as higher diesel fuel prices.

For the quarter, the railway operating ratio remained unchanged at 80.5 percent compared with the same period of 2002. For the first nine months, the operating ratio rose from 81.4 percent to 82.5 percent.

Norfolk Southern Corporation is one of the nation's premier transportation companies. Its Norfolk Southern Railway subsidiary operates 21,500 route miles in 22 states, the District of Columbia and Ontario, serving every major container port in the eastern United States and providing superior connections to western rail carriers. NS operates the most extensive intermodal network in the East and is the nation's largest rail carrier of automotive parts and finished vehicles.

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Media Contact: Bob Fort, Norfolk, 757-629-2710
Investor Contact: Leanne McGruder, Norfolk, 757-629-2861



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

	Three Months Ended Sept. 30,	
	2003	2002
Railway operating revenues:		
Coal	\$ 372	\$ 371
General merchandise	911	917
Intermodal	315	310
	1,598	1,598
Railway operating expenses:		
Compensation and benefits	531	489
Materials, services and rents	346	386
Conrail rents and services	105	100
Depreciation	128	129
Diesel fuel	86	81
Casualties and other claims	44	57
Other	47	45
	1,287	1,287
Income from railway operations	311	311
Other income - net	12	4
Interest expense on debt	(123)	(126)
	200	189
Income before income taxes	200	189
Provision for income taxes:		
Current	(6)	(6)
Deferred	69	69
	63	63
Total Income Taxes	63	63
NET INCOME	\$ 137	\$ 126
Earnings per share:		
Basic and diluted	\$ 0.35	\$ 0.32
Average shares outstanding (000's)	389,910	388,550

See notes to consolidated financial statements.

 Norfolk Southern Corporation and Subsidiaries

Norfolk Southern Corporation, Three Commercial Place, Norfolk, Va. 23510-2191
 Operating Subsidiary: Norfolk Southern Railway Company



Consolidated Statements of Income
(Unaudited)
(\$ millions except per share)

	Nine Months Ended Sept. 30,	
	2003	2002
Railway operating revenues:		
Coal	\$ 1,115	\$ 1,080
General merchandise	2,773	2,734
Intermodal	904	875
	4,792	4,689
Railway operating expenses:		
Compensation and benefits	1,592	1,509
Materials, services and rents	1,083	1,089
Conrail rents and services	314	316
Depreciation	384	385
Diesel fuel	283	246
Casualties and other claims	142	129
Other	154	145
	3,952	3,819
Income from railway operations	840	870
Other income - net	57	40
Interest expense on debt	(373)	(390)
	524	520
Income from continuing operations before income taxes and accounting changes	524	520
Provision for income taxes:		
Current	49	50
Deferred	116	139
	165	189
Income from continuing operations before accounting changes	359	331
Discontinued operations - taxes on sale of motor carrier (note 1)	10	--
Cumulative effect of changes in accounting principles, net of taxes (note 2)	114	--
	483	331
NET INCOME	\$ 483	\$ 331



Earnings per share (basic and diluted):		
Income from continuing operations before accounting changes	\$ 0.92	\$ 0.85
Discontinued operations (note 1)	0.03	--
Cumulative effect of changes in accounting (note 2)	0.29	--
	-----	-----
Net Income	\$ 1.24	\$ 0.85
	=====	=====
Average shares outstanding (000's)	389,598	387,992

See notes to consolidated financial statements.

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

	Sept. 30,	Dec. 31,
	-----	-----
	2003	2002
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 158	\$ 184
Short-term investments	3	--
Accounts receivable - net (note 3)	779	683
Due from Conrail	6	6
Materials and supplies	92	97
Deferred income taxes	198	187
Other current assets	48	142
	-----	-----
Total current assets	1,284	1,299
Investment in Conrail	6,229	6,178
Properties less accumulated depreciation	11,821	11,370
Other assets	1,225	1,109
	-----	-----
TOTAL ASSETS	\$ 20,559	\$ 19,956
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 938	\$ 908
Income and other taxes	222	269
Due to Conrail	65	86
Other current liabilities	266	232
Current maturities of long-term debt	363	358
	-----	-----
Total current liabilities	1,854	1,853
Long-term debt	6,823	7,006



Other liabilities	1,030	1,029
Due to Conrail	688	513
Minority interests	50	45
Deferred income taxes	3,199	3,010
	-----	-----
TOTAL LIABILITIES	13,644	13,456
	-----	-----
Stockholders' equity:		
Common stock \$1.00 per share par value	412	410
Additional paid-in capital	507	481
Unearned restricted stock	(6)	--
Accumulated other comprehensive loss	(69)	(65)
Retained income	6,091	5,694
	-----	-----
	6,935	6,520
Less treasury stock at cost, 21,116,125 shares and 21,169,125 shares, respectively	(20)	(20)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	6,915	6,500
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 20,559	\$ 19,956
	=====	=====

See notes to consolidated financial statements.

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

	Nine Months Ended Sept. 30, (\$ millions)	
	2003	2002
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 483	\$ 331
Reconciliation of net income to net cash provided by operating activities:		
Net cumulative effect of changes in accounting principles (note 2)	(114)	--
Depreciation	395	395
Deferred income taxes	116	139
Equity in earnings of Conrail	(41)	(32)
Gains on properties and investments	(16)	(35)
Income from discontinued operations (note 1)	(10)	--
Changes in assets and liabilities affecting operations:		
Accounts receivable (note 3)	(96)	(209)
Materials and supplies	5	(1)
Other current assets and due from Conrail	86	75



Current liabilities other than debt	23	21
Other - net	(31)	(62)
	-----	-----
Net cash provided by operating activities	800	622
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(536)	(517)
Property sales and other transactions	40	15
Investments, including short-term	(83)	(58)
Investment sales and other transactions	1	15
	-----	-----
Net cash used for investing activities	(578)	(545)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends	(86)	(74)
Common stock issued - net	5	39
Proceeds from borrowings (note 4)	218	609
Debt repayments	(385)	(723)
	-----	-----
Net cash used for financing activities	(248)	(149)
	-----	-----
Net decrease in cash and cash equivalents	(26)	(72)
CASH AND CASH EQUIVALENTS:		
At beginning of year	184	204
	-----	-----
At end of period	\$ 158	\$ 132
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH-FLOW INFORMATION		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 334	\$ 348
Income taxes	\$ 62	\$ 49

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:

- DISCONTINUED OPERATIONS -
First-quarter 2003 results included an additional after-tax gain of \$10 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 resolution of tax issues related to the transaction.
- CHANGES IN ACCOUNTING PRINCIPLES -
NS adopted Financial Accounting Standards Board (FASB) Statement No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143), effective Jan. 1, 2003, and recorded a \$110 million net adjustment (\$182 million before taxes) for the cumulative effect of this change in accounting on years prior to 2003. Pursuant to SFAS No. 143, the cost to remove crossties must be



recorded as an expense when incurred; previously these removal costs were accrued as a component of depreciation. This change in accounting lowered 2003 depreciation expense (because the depreciation rate for crossties no longer reflects costs to remove) and increased compensation and benefits expenses (for the costs to remove retired assets). The net effect on total railway operating expenses and net income was not material.

NS also adopted FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN No. 46), effective Jan. 1, 2003, and recorded a \$4 million net adjustment (\$6 million before taxes) for the cumulative effect of this change in accounting on years prior to 2003. Pursuant to FIN No. 46, NS has consolidated a special-purpose entity that leases certain locomotives to NS. This entity's assets and liabilities consist of the locomotives and debt related to their purchase. This change in accounting increased depreciation and interest expense in 2003 (to reflect the locomotives as owned assets) and lowered lease expense. The net effect on total railway operating expenses and net income was not material.

3. SALES OF ACCOUNTS RECEIVABLE -

A bankruptcy-remote special purpose subsidiary of NS sells without recourse undivided ownership interests in a pool of accounts receivable. Accounts receivable sold under this arrangement, and therefore not included in "Accounts receivable - net" on the Consolidated Balance Sheets, were \$0 at Sept. 30, 2003, and \$30 million at Dec. 31, 2002.

4. PAYMENTS TO CONRAIL -

Payments made to Conrail reduce NS' "Net cash provided by operating activities." A significant portion of these payments is borrowed back from a Conrail subsidiary. The borrowings are included in NS' "Net cash used for financing activities" and totaled \$174 million in the first nine months of 2003 and \$162 million in the first nine months of 2002.