

First Quarter 2010

Quarterly Financial Review



Norfolk Southern Corporation
Finance Department
Three Commercial Place
Norfolk, Virginia 23510.2191

Norfolk Southern Railway System



Norfolk Southern System

- Trackage/Haulage Rights
- ← Gateway Cities to Western Railroads

(Not all lines shown)

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The accompanying unaudited interim financial statements should be read in conjunction with: (a) the consolidated financial statements and notes included in the Corporation's latest Annual Report on Form 10-K and in subsequent Quarterly Reports on Form 10-Q, and (b) any Current Reports on Form 8-K.

Any statements contained in this document which are not related to historical facts are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995, and Norfolk Southern undertakes no obligation to update such statements. Such forward-looking statements are subject to risks and uncertainties (the most significant of which are described in Norfolk Southern's SEC filings) which could cause actual results to differ materially.

Consolidated Statements of Income

Three Months Ended March 31,

(\$ millions except per share)

| | 2010 | 2009 |
|--|---------------|---------------|
| Railway operating revenues: | | |
| Coal | \$ 629 | \$ 602 |
| General merchandise | 1,199 | 975 |
| Intermodal | 410 | 366 |
| Total railway operating revenues | 2,238 | 1,943 |
| Railway operating expenses: | | |
| Compensation and benefits | 699 | 639 |
| Purchased services and rents | 335 | 355 |
| Fuel | 254 | 159 |
| Depreciation | 204 | 207 |
| Materials and other | 191 | 200 |
| Total railway operating expenses | 1,683 | 1,560 |
| Income from railway operations | 555 | 383 |
| Other income — net | 20 | 17 |
| Interest expense on debt | 119 | 117 |
| Income before income taxes | 456 | 283 |
| Provision for income taxes: | | |
| Current | 159 | 90 |
| Deferred (note 1) | 40 | 16 |
| Total income taxes | 199 | 106 |
| Net income | \$ 257 | \$ 177 |
| Earnings per share (note 2): | | |
| Basic | \$ 0.69 | \$ 0.48 |
| Diluted | \$ 0.68 | \$ 0.47 |
| Weighted average shares outstanding (millions) (note 2): | | |
| Basic | 369.5 | 366.2 |
| Diluted | 374.9 | 371.1 |

Notes to Consolidated Financial Statements

1. Deferred Taxes

During the first quarter of 2010, the Patient Protection and Affordable Care Act, and the Health Care and Education Reconciliation Act of 2010 were enacted and signed into law. Provisions of these Acts eliminate, after 2012, the tax deduction available for reimbursed prescription drug expenses under the Medicare Part D retiree drug subsidy program. As a result, NS recorded a \$27 million charge to deferred tax expense.

2. Earnings Per Share

As required under the provisions of ASC 260-10, "Earnings Per Share", for basic earnings per share, income available to common stockholders for the first quarters of 2010 and 2009 reflects a \$2 million reduction from net income for the effect of dividend equivalent payments made to holders of stock options. In addition, for the first quarters of 2010 and 2009, diluted earnings per share were calculated under the more dilutive two-class method (as compared to the treasury stock method) and income available to common stockholders reflects a \$2 million reduction from net income, in both periods, for dividend equivalent payments.

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year-to-date statement will appear
here next quarter**

Consolidated Balance Sheets

March 31, December 31,
(S millions)

| | 2010 | 2009 |
|--|------------------|------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,161 | \$ 996 |
| Short-term investments | 225 | 90 |
| Accounts receivable — net | 867 | 766 |
| Materials and supplies | 180 | 164 |
| Deferred income taxes | 145 | 142 |
| Other current assets | 68 | 88 |
| Total current assets | 2,646 | 2,246 |
| Investments | 2,166 | 2,164 |
| Properties less accumulated depreciation | 22,697 | 22,643 |
| Other assets | 221 | 316 |
| Total assets | \$ 27,730 | \$ 27,369 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 987 | \$ 974 |
| Short-term debt | - | 100 |
| Income and other taxes | 252 | 109 |
| Other current liabilities | 306 | 232 |
| Current maturities of long-term debt | 648 | 374 |
| Total current liabilities | 2,193 | 1,789 |
| Long-term debt | 6,379 | 6,679 |
| Other liabilities | 1,794 | 1,801 |
| Deferred income taxes | 6,800 | 6,747 |
| Total liabilities | 17,166 | 17,016 |
| Stockholders' equity: | | |
| Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 370,055,972 and 369,019,990 shares, respectively, net of treasury shares | 371 | 370 |
| Additional paid-in capital | 1,871 | 1,809 |
| Accumulated other comprehensive loss | (834) | (853) |
| Retained income | 9,156 | 9,027 |
| Total stockholders' equity | 10,564 | 10,353 |
| Total liabilities and stockholders' equity | \$ 27,730 | \$ 27,369 |

Consolidated Statements of Cash Flows

Three Months Ended March 31,
(S millions)

| | 2010 | 2009 |
|---|-----------------|---------------|
| Cash flows from operating activities: | | |
| Net income | \$ 257 | \$ 177 |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Depreciation | 206 | 209 |
| Deferred income taxes | 40 | 16 |
| Gains and losses on properties | (1) | (2) |
| Changes in assets and liabilities affecting operations: | | |
| Accounts receivable | (101) | 39 |
| Materials and supplies | (16) | 3 |
| Other current assets | 17 | 35 |
| Current liabilities other than debt | 209 | (107) |
| Other — net | 147 | (16) |
| Net cash provided by operating activities | <u>758</u> | <u>354</u> |
| Cash flows from investing activities: | | |
| Property additions | (256) | (243) |
| Property sales and other transactions | - | 1 |
| Investments, including short-term | (155) | - |
| Investment sales and other transactions | 51 | (2) |
| Net cash used in investing activities | <u>(360)</u> | <u>(244)</u> |
| Cash flows from financing activities: | | |
| Dividends | (126) | (125) |
| Common stock issued — net | 21 | 6 |
| Proceeds from borrowings | - | 500 |
| Debt repayments | (128) | (225) |
| Net cash provided by (used in) financing activities | <u>(233)</u> | <u>156</u> |
| Net increase in cash and cash equivalents | 165 | 266 |
| Cash and cash equivalents: | | |
| At beginning of year | <u>996</u> | <u>618</u> |
| At end of period | <u>\$ 1,161</u> | <u>\$ 884</u> |
| Supplemental disclosure of cash flow information | | |
| Cash paid during the period for: | | |
| Interest (net of amounts capitalized) | \$ 50 | \$ 49 |
| Income taxes (net of refunds) | \$ - | \$ 23 |

Consolidated Financial Information

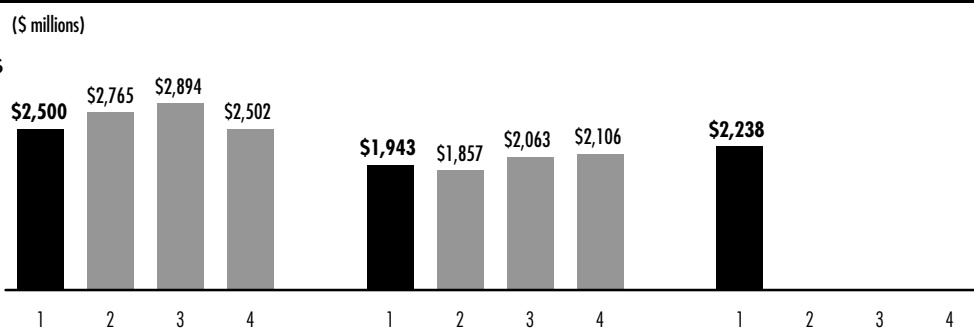
2008

2009

2010

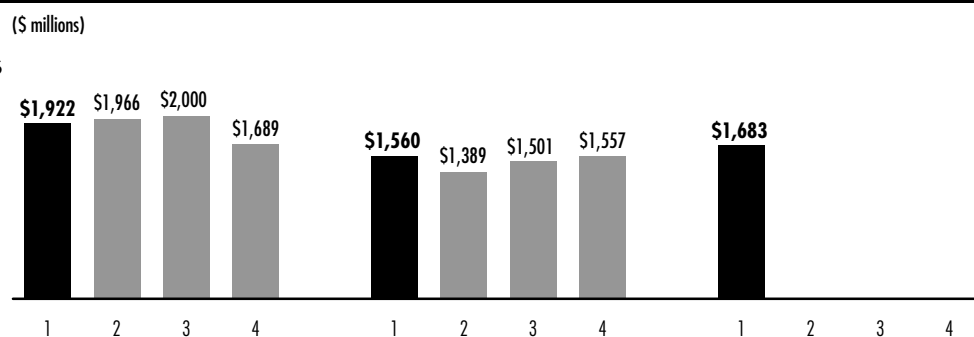
Railway Operating Revenues

(see page 16 for details)

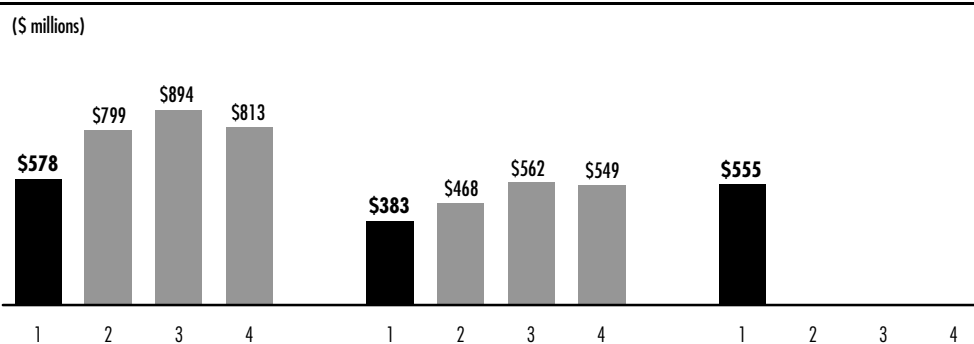


Railway Operating Expenses

(see page 16 for details)

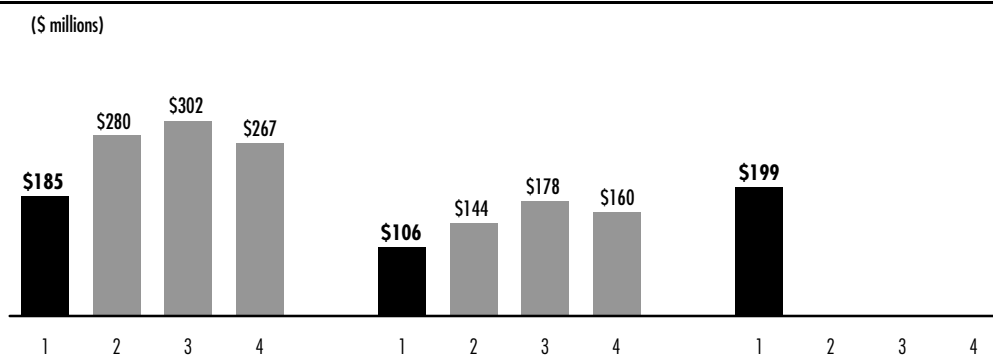


Income from Railway Operations



Income Taxes

(see page 16 for details)



Consolidated Financial Information

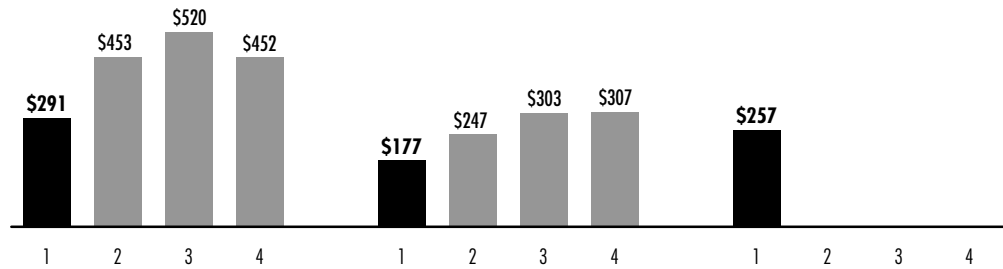
2008

2009

2010

Net Income

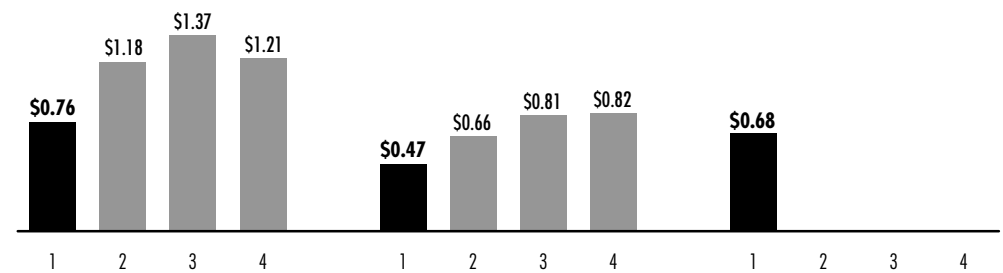
(\$ millions)



Earnings per Share

(dollars)

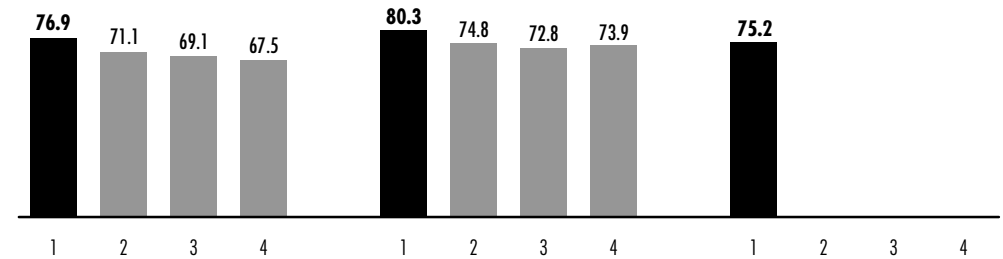
— Diluted



Railway

Operating Ratio

(percent)

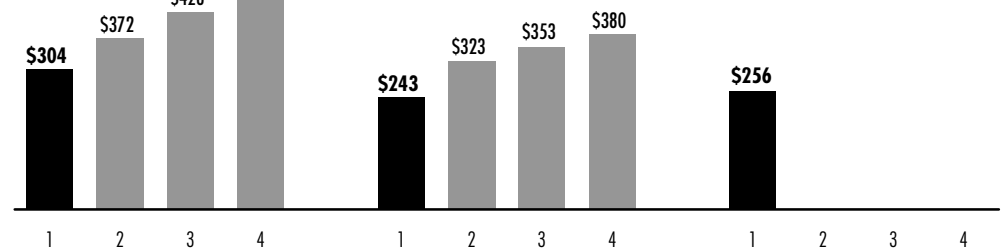


Capital

Expenditures

(\$ millions)

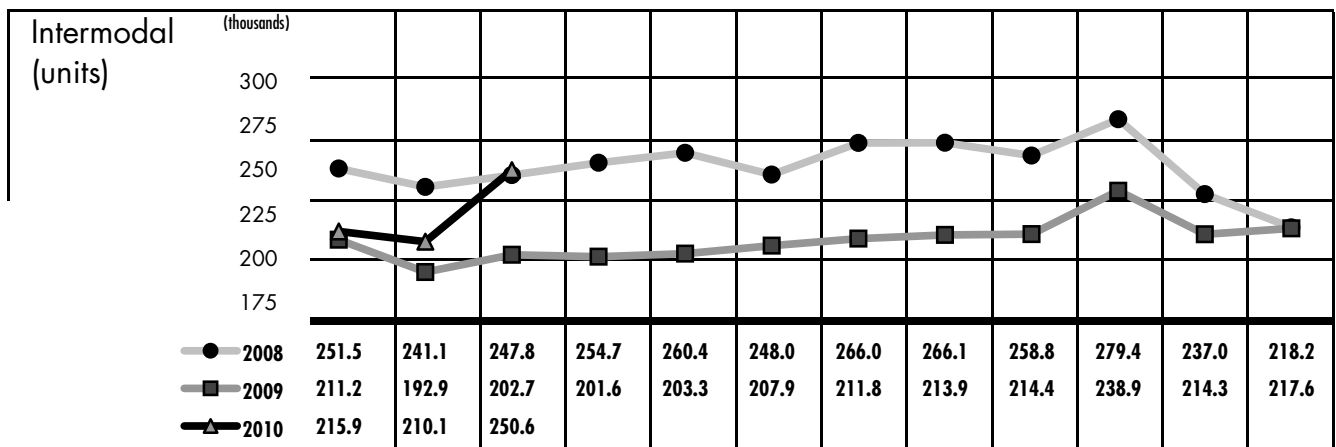
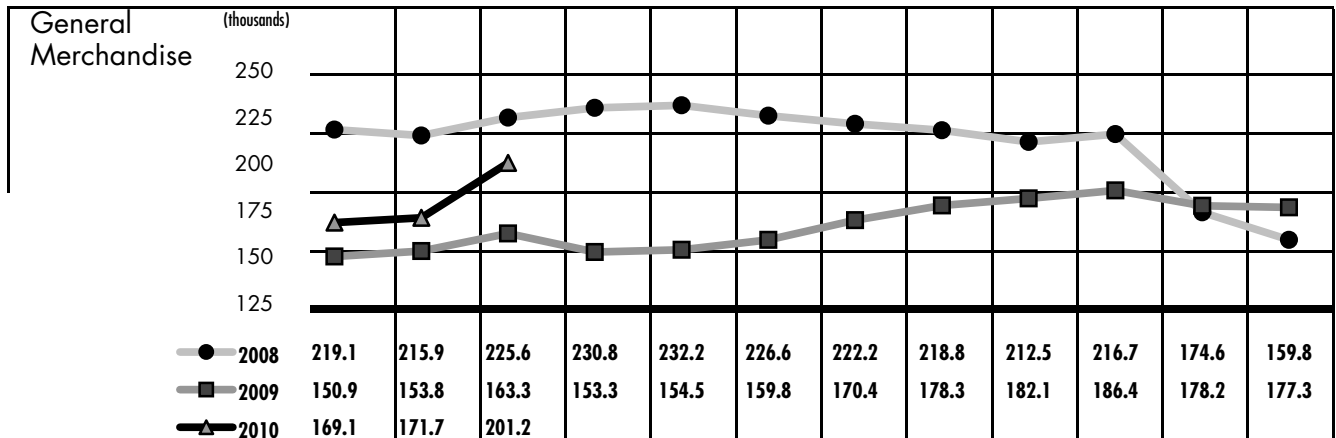
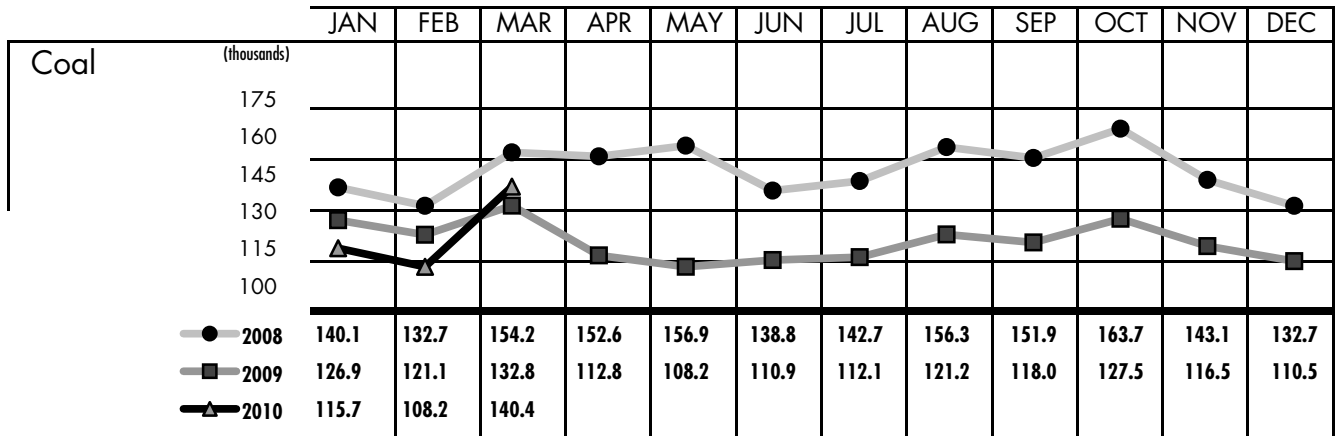
(see page 16 for details)



Railway Operating Revenues Yield Analysis

| Commodity and Period | Revenues | | | Carloads | | | Revenue Yield | | |
|----------------------------|------------------|-----------------|-----------------|----------------|----------------|----------------|------------------|-----------------|-----------------|
| | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
| First Quarter | | | | | | | | | |
| | (\$ millions) | | | (thousands) | | | (\$ per carload) | | |
| Coal | \$ 662 | \$ 602 | \$ 629 | 427.0 | 380.8 | 364.3 | \$ 1,551 | \$ 1,581 | \$ 1,726 |
| Agriculture/consumer/gov't | 299 | 278 | 325 | 152.1 | 130.4 | 158.3 | 1,968 | 2,129 | 2,054 |
| Chemicals | 305 | 236 | 314 | 102.2 | 80.3 | 96.6 | 2,986 | 2,941 | 3,249 |
| Metals and construction | 305 | 183 | 232 | 186.5 | 120.9 | 138.3 | 1,636 | 1,514 | 1,680 |
| Paper/clay/forest | 215 | 166 | 169 | 100.2 | 74.6 | 78.4 | 2,139 | 2,222 | 2,150 |
| Automotive | 228 | 112 | 159 | 119.6 | 61.8 | 70.4 | 1,908 | 1,817 | 2,266 |
| General merchandise | 1,352 | 975 | 1,199 | 660.6 | 468.0 | 542.0 | 2,047 | 2,083 | 2,213 |
| Intermodal | 486 | 366 | 410 | 740.4 | 606.8 | 676.6 | 656 | 604 | 605 |
| Total | \$ 2,500 | \$ 1,943 | \$ 2,238 | 1,828.0 | 1,455.6 | 1,582.9 | \$ 1,367 | \$ 1,335 | \$ 1,414 |
| Second Quarter | | | | | | | | | |
| Coal | \$ 775 | \$ 511 | | 448.3 | 331.9 | | \$ 1,729 | \$ 1,538 | |
| Agriculture/consumer/gov't | 326 | 287 | | 156.6 | 135.0 | | 2,077 | 2,125 | |
| Chemicals | 322 | 245 | | 103.9 | 80.5 | | 3,095 | 3,047 | |
| Metals and construction | 352 | 171 | | 210.4 | 117.2 | | 1,675 | 1,460 | |
| Paper/clay/forest | 231 | 165 | | 102.4 | 74.0 | | 2,261 | 2,239 | |
| Automotive | 227 | 110 | | 116.3 | 60.9 | | 1,954 | 1,798 | |
| General merchandise | 1,458 | 978 | | 689.6 | 467.6 | | 2,115 | 2,093 | |
| Intermodal | 532 | 368 | | 763.1 | 612.8 | | 698 | 600 | |
| Total | \$ 2,765 | \$ 1,857 | | 1,901.0 | 1,412.3 | | \$ 1,455 | \$ 1,315 | |
| Third Quarter | | | | | | | | | |
| Coal | \$ 876 | \$ 571 | | 450.9 | 351.3 | | \$ 1,941 | \$ 1,627 | |
| Agriculture/consumer/gov't | 338 | 296 | | 158.6 | 141.6 | | 2,136 | 2,097 | |
| Chemicals | 337 | 297 | | 103.0 | 95.9 | | 3,275 | 3,090 | |
| Metals and construction | 357 | 205 | | 203.7 | 139.4 | | 1,752 | 1,471 | |
| Paper/clay/forest | 241 | 169 | | 101.5 | 79.3 | | 2,376 | 2,123 | |
| Automotive | 185 | 136 | | 86.7 | 74.6 | | 2,125 | 1,825 | |
| General merchandise | 1,458 | 1,103 | | 653.5 | 530.8 | | 2,232 | 2,078 | |
| Intermodal | 560 | 389 | | 790.9 | 640.1 | | 708 | 608 | |
| Total | \$ 2,894 | \$ 2,063 | | 1,895.3 | 1,522.2 | | \$ 1,527 | \$ 1,355 | |
| Fourth Quarter | | | | | | | | | |
| Coal | \$ 798 | \$ 580 | | 439.5 | 354.5 | | \$ 1,817 | \$ 1,634 | |
| Agriculture/consumer/gov't | 319 | 320 | | 145.1 | 156.3 | | 2,193 | 2,047 | |
| Chemicals | 274 | 278 | | 84.6 | 88.3 | | 3,234 | 3,151 | |
| Metals and construction | 237 | 186 | | 141.8 | 126.7 | | 1,672 | 1,467 | |
| Paper/clay/forest | 211 | 166 | | 90.0 | 78.5 | | 2,349 | 2,110 | |
| Automotive | 183 | 169 | | 89.6 | 92.1 | | 2,049 | 1,836 | |
| General merchandise | 1,224 | 1,119 | | 551.1 | 541.9 | | 2,221 | 2,065 | |
| Intermodal | 480 | 407 | | 734.6 | 670.8 | | 653 | 607 | |
| Total | \$ 2,502 | \$ 2,106 | | 1,725.2 | 1,567.2 | | \$ 1,450 | \$ 1,343 | |
| Year-to-date | | | | | | | | | |
| Coal | \$ 3,111 | \$ 2,264 | \$ 629 | 1,765.7 | 1,418.5 | 364.3 | \$ 1,762 | \$ 1,596 | \$ 1,726 |
| Agriculture/consumer/gov't | 1,282 | 1,181 | 325 | 612.4 | 563.3 | 158.3 | 2,093 | 2,097 | 2,054 |
| Chemicals | 1,238 | 1,056 | 314 | 393.7 | 345.0 | 96.6 | 3,144 | 3,061 | 3,249 |
| Metals and construction | 1,251 | 745 | 232 | 742.4 | 504.2 | 138.3 | 1,686 | 1,478 | 1,680 |
| Paper/clay/forest | 898 | 666 | 169 | 394.1 | 306.4 | 78.4 | 2,280 | 2,172 | 2,150 |
| Automotive | 823 | 527 | 159 | 412.2 | 289.4 | 70.4 | 1,997 | 1,821 | 2,266 |
| General merchandise | 5,492 | 4,175 | 1,199 | 2,554.8 | 2,008.3 | 542.0 | 2,150 | 2,079 | 2,213 |
| Intermodal | 2,058 | 1,530 | 410 | 3,029.0 | 2,530.5 | 676.6 | 679 | 605 | 605 |
| Total | \$ 10,661 | \$ 7,969 | \$ 2,238 | 7,349.5 | 5,957.3 | 1,582.9 | \$ 1,451 | \$ 1,338 | \$ 1,414 |

Monthly Railway Carloadings



Railway Operating Revenues Variance Analysis

First Quarter
2010 vs. 2009

(\$ millions)

| | Coal | | General Merchandise | | Intermodal | | Total | |
|----------------------------------|--------------|---------|---------------------|---------|--------------|---------|---------------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| Revenues Variance due to: | | | | | | | | |
| Volume | \$ (26) | (4%) | \$ 154 | 16% | \$ 42 | 12% | \$ 170 | 9% |
| Revenue per unit/mix | \$ 53 | 9% | \$ 70 | 6% | \$ 2 | - | \$ 125 | 6% |
| | <u>\$ 27</u> | 4% | <u>\$ 224</u> | 23% | <u>\$ 44</u> | 12% | <u>\$ 295</u> | 15% |

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year-to-date analysis will appear
here next quarter.

Coal, Coke and Iron Ore Tonnage by Market

First Quarter

(tons in thousands)

| | 2008 | | 2009 | | 2010 | |
|------------------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|
| | Tons | Change vs. 2007 | Tons | Change vs. 2008 | Tons | Change vs. 2009 |
| Utility | 35,604 | (2%) | 33,371 | (6%) | 27,963 | (16%) |
| Export | 5,773 | 64% | 4,381 | (24%) | 6,003 | 37% |
| Domestic metallurgical | 3,517 | (3%) | 2,610 | (26%) | 4,109 | 57% |
| Industrial | <u>1,909</u> | (20%) | <u>1,849</u> | (3%) | <u>1,817</u> | (2%) |
| | <u>46,803</u> | 2% | <u>42,211</u> | (10%) | <u>39,892</u> | (5%) |

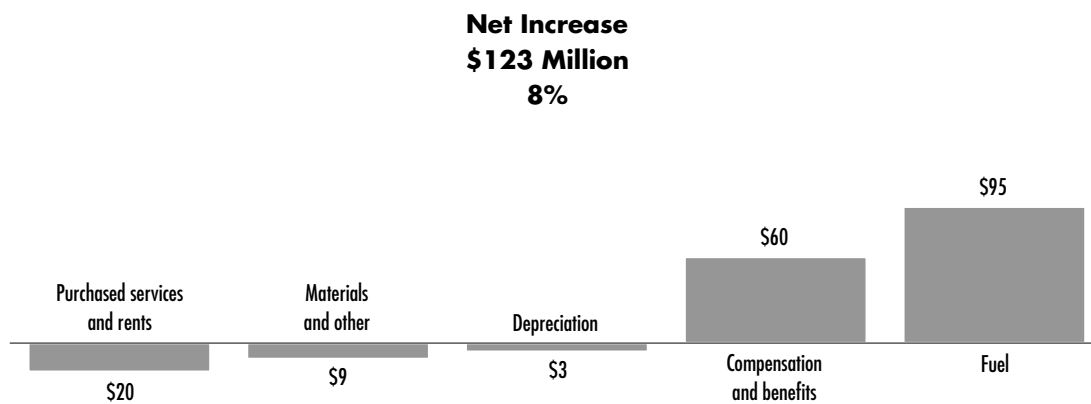
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year-to-date analysis will appear
here next quarter.

Railway Operating Expenses Variance Analysis

First Quarter
2010 vs. 2009

(\$ millions)

Amount of change



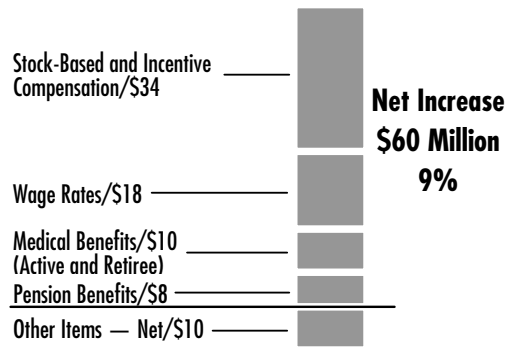
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year-to-date analysis will appear
here next quarter.

Compensation and Benefits Expense Analysis

First Quarter
2010 vs. 2009

(\$ millions)
Amount of change

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year-to-date analysis will appear
here next quarter.

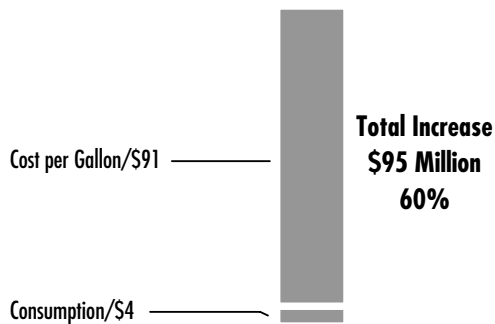


Fuel Expense Analysis

First Quarter
2010 vs. 2009

(\$ millions)
Amount of change

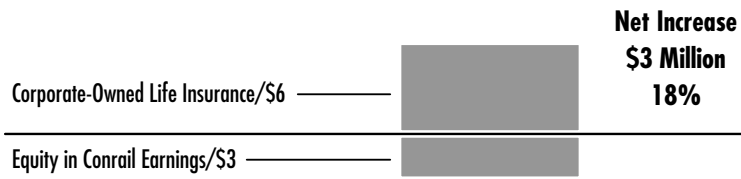
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year-to-date analysis will appear
here next quarter.



Other Income — Net Analysis

First Quarter
2010 vs. 2009

(S millions)
Amount of change



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year-to-date analysis will appear
here next quarter.

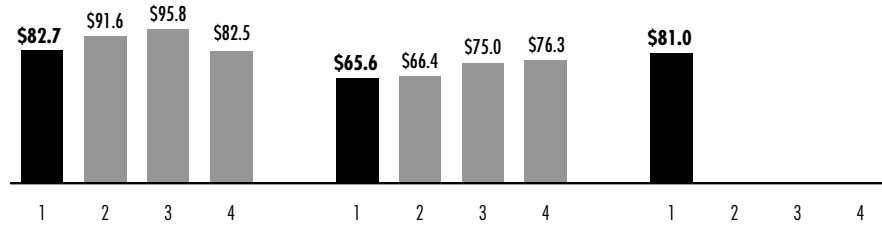
Productivity Measures

2008

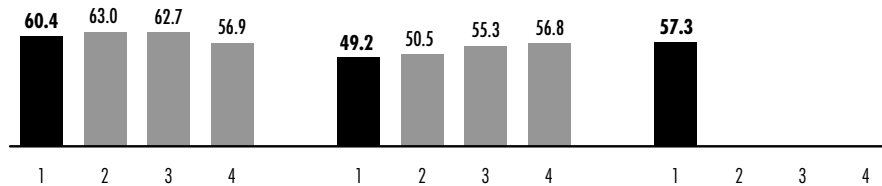
2009

2010

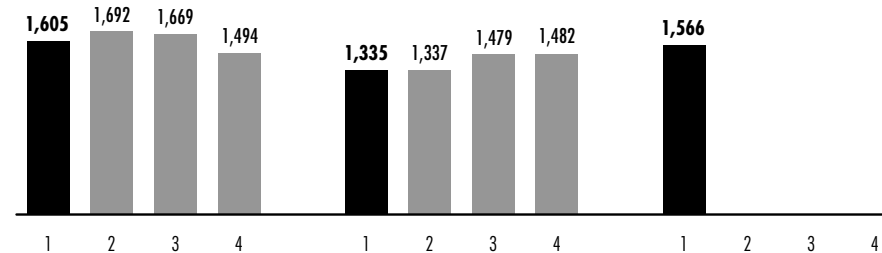
Operating Revenues
per Employee
(S thousands)



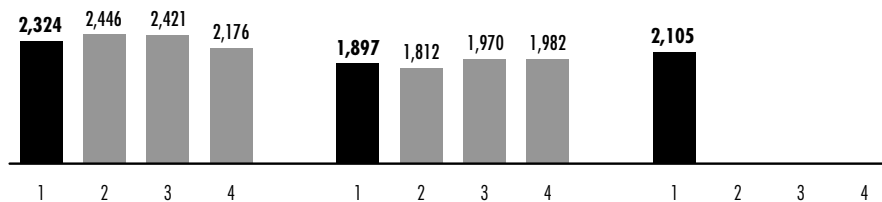
Carloads per
Employee



Revenue Ton Miles
per Employee
(thousands)



Revenue Ton Miles
per Mile of Road
Operated
(thousands)



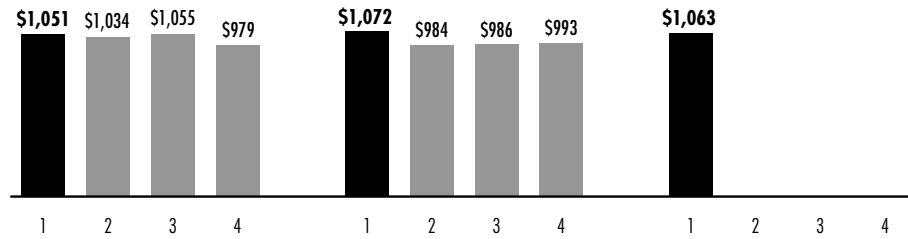
Productivity Measures

2008
2009
2010

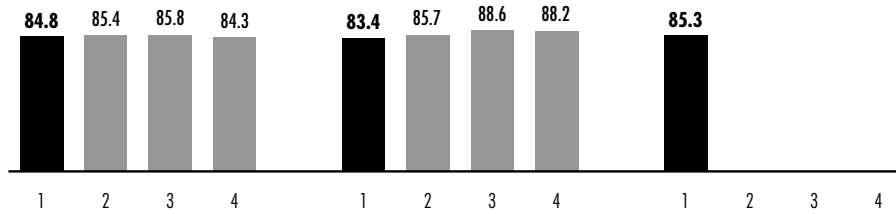
Operating Expenses per Employee (in thousands)



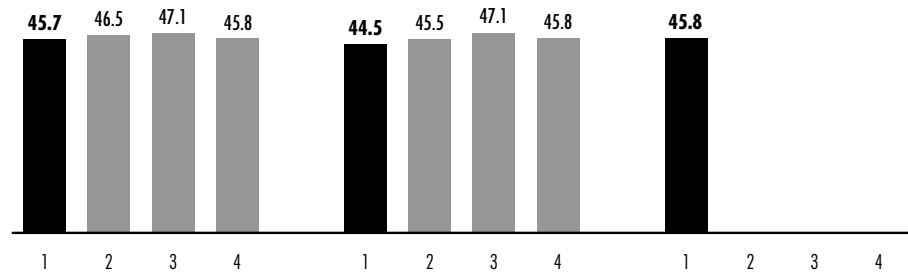
Operating Expenses per Carload (in dollars)



Gross Ton Miles per Train Hour (in thousands)



Revenue Ton Miles per Train Hour (in thousands)



Financial, Traffic and Operating Statistics

Consolidated Financial Data

(\$ millions — except as noted)

- No corresponding charts for this data.

| Page | Item | 2008 | | | | | 2009 | | | | | 2010 | | | | |
|------|--|---------------|----------------|---------------|----------------|-----------|---------------|----------------|---------------|----------------|----------|---------------|----------------|---------------|----------------|--------------|
| | | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year to-date |
| 6 | Railway operating revenues: | | | | | | | | | | | | | | | |
| 8 | Coal (note 1) | \$ 662 | \$ 775 | \$ 876 | \$ 798 | \$ 3,111 | \$ 602 | \$ 511 | \$ 571 | \$ 580 | \$ 2,264 | \$ 629 | | | | \$ 629 |
| 8 | General merchandise | 1,352 | 1,458 | 1,458 | 1,224 | 5,492 | 975 | 978 | 1,103 | 1,119 | 4,175 | 1,199 | | | | 1,199 |
| 8 | Intermodal | 486 | 532 | 560 | 480 | 2,058 | 366 | 368 | 389 | 407 | 1,530 | 410 | | | | 410 |
| 6 | Total railway operating revenues | \$ 2,500 | \$ 2,765 | \$ 2,894 | \$ 2,502 | \$ 10,661 | \$ 1,943 | \$ 1,857 | \$ 2,063 | \$ 2,106 | \$ 7,969 | \$ 2,238 | | | | \$ 2,238 |
| 6 | Railway operating expenses: | | | | | | | | | | | | | | | |
| | • Compensation and benefits (note 2) | \$ 705 | \$ 662 | \$ 708 | \$ 609 | \$ 2,684 | \$ 639 | \$ 551 | \$ 598 | \$ 613 | \$ 2,401 | \$ 699 | | | | \$ 699 |
| | • Purchased services | 283 | 310 | 332 | 317 | 1,242 | 269 | 258 | 277 | 283 | 1,087 | 255 | | | | 255 |
| | • Equipment rents | 92 | 90 | 87 | 88 | 357 | 86 | 76 | 75 | 79 | 316 | 80 | | | | 80 |
| | • Fuel | 404 | 491 | 474 | 269 | 1,638 | 159 | 153 | 192 | 221 | 725 | 254 | | | | 254 |
| | • Depreciation | 198 | 199 | 201 | 206 | 804 | 207 | 207 | 210 | 213 | 837 | 204 | | | | 204 |
| | • Materials | 101 | 96 | 96 | 87 | 380 | 89 | 76 | 72 | 72 | 309 | 87 | | | | 87 |
| | • Casualties and other claims | 65 | 42 | 34 | 39 | 180 | 36 | 21 | 23 | 22 | 102 | 34 | | | | 34 |
| | • Other (note 3) | 74 | 76 | 68 | 74 | 292 | 75 | 47 | 54 | 54 | 230 | 70 | | | | 70 |
| 6 | Total railway operating expenses | \$ 1,922 | \$ 1,966 | \$ 2,000 | \$ 1,689 | \$ 7,577 | \$ 1,560 | \$ 1,389 | \$ 1,501 | \$ 1,557 | \$ 6,007 | \$ 1,683 | | | | \$ 1,683 |
| 6 | Income from railway operations | \$ 578 | \$ 799 | \$ 894 | \$ 813 | \$ 3,084 | \$ 383 | \$ 468 | \$ 562 | \$ 549 | \$ 1,962 | \$ 555 | | | | \$ 555 |
| | • Other income (expense) | \$ (102) | \$ (66) | \$ (72) | \$ (94) | \$ (334) | \$ (100) | \$ (77) | \$ (81) | \$ (82) | \$ (340) | \$ (99) | | | | \$ (99) |
| | • Income before income taxes | \$ 476 | \$ 733 | \$ 822 | \$ 719 | \$ 2,750 | \$ 283 | \$ 391 | \$ 481 | \$ 467 | \$ 1,622 | \$ 456 | | | | \$ 456 |
| | • Income taxes — current | \$ 160 | \$ 242 | \$ 184 | \$ 158 | \$ 744 | \$ 90 | \$ 85 | \$ 80 | \$ (5) | \$ 250 | \$ 159 | | | | \$ 159 |
| | • Income taxes — deferred (note 4) | 25 | 38 | 118 | 109 | 290 | 16 | 59 | 98 | 165 | 338 | 40 | | | | 40 |
| 6 | Total income taxes | \$ 185 | \$ 280 | \$ 302 | \$ 267 | \$ 1,034 | \$ 106 | \$ 144 | \$ 178 | \$ 160 | \$ 588 | \$ 199 | | | | \$ 199 |
| 7 | Net income | \$ 291 | \$ 453 | \$ 520 | \$ 452 | \$ 1,716 | \$ 177 | \$ 247 | \$ 303 | \$ 307 | \$ 1,034 | \$ 257 | | | | \$ 257 |
| 7 | Earnings per share - diluted (dollars) | \$ 0.76 | \$ 1.18 | \$ 1.37 | \$ 1.21 | \$ 4.52 | \$ 0.47 | \$ 0.66 | \$ 0.81 | \$ 0.82 | \$ 2.76 | \$ 0.68 | | | | \$ 0.68 |
| 7 | Railway operating ratio | 76.9 | 71.1 | 69.1 | 67.5 | 71.1 | 80.3 | 74.8 | 72.8 | 73.9 | 75.4 | 75.2 | | | | 75.2 |
| 7 | Capital expenditures: | | | | | | | | | | | | | | | |
| | • Equipment | \$ 98 | \$ 115 | \$ 160 | \$ 115 | \$ 488 | \$ 35 | \$ 50 | \$ 47 | \$ 39 | \$ 171 | \$ 37 | | | | \$ 37 |
| | • Road | 206 | 257 | 268 | 339 | 1,070 | 208 | 273 | 306 | 341 | 1,128 | 219 | | | | 219 |
| 7 | Total capital expenditures | \$ 304 | \$ 372 | \$ 428 | \$ 454 | \$ 1,558 | \$ 243 | \$ 323 | \$ 353 | \$ 380 | \$ 1,299 | \$ 256 | | | | \$ 256 |
| | • Cash, cash equivalents and short-term investments | \$ 364 | \$ 454 | \$ 557 | \$ 618 | \$ 618 | \$ 884 | \$ 722 | \$ 999 | \$ 1,086 | \$ 1,086 | \$ 1,386 | | | | \$ 1,386 |
| | • Total debt, excluding notes payable to Conrail | \$ 6,493 | \$ 6,489 | \$ 6,471 | \$ 6,667 | \$ 6,667 | \$ 6,935 | \$ 7,082 | \$ 7,065 | \$ 7,153 | \$ 7,153 | \$ 7,027 | | | | \$ 7,027 |
| | • Total debt-to-total capitalization (percent) | 40.0 | 39.4 | 39.2 | 41.0 | 41.0 | 41.7 | 41.8 | 41.2 | 40.9 | 40.9 | 39.9 | | | | 39.9 |
| | • Weighted average shares outstanding - diluted (millions) | 383.9 | 383.5 | 380.5 | 372.4 | 380.0 | 371.1 | 371.4 | 372.5 | 373.3 | 372.1 | 374.9 | | | | 374.9 |

Note 1 Third quarter 2008 includes \$22 million related to a coal customer's 2008 contracted volume shortfall and a nonrecurring effect related to the implementation of NS' new export coal billing system.

Note 2 2008 includes \$31 million for lump-sum payments (including payroll taxes) due under a new labor agreement with the Brotherhood of Locomotive Engineers and Trainmen (BLET).

Note 3 Second quarter 2009 includes a \$21 million favorable adjustment related to settlement of a multi-year state tax dispute.

Note 4 During the first quarter of 2010, the Patient Protection and Affordable Care Act, and the Health Care and Education Reconciliation Act of 2010 were enacted and signed into law. Provisions of these Acts eliminate, after 2012, the tax deduction available for reimbursed prescription drug expenses under the Medicare Part D retiree drug subsidy program. As a result, NS recorded a \$27 million charge to deferred tax expense.

Financial, Traffic and Operating Statistics

| Traffic and Operating Statistics | | 2008 | | | | | 2009 | | | | | 2010 | | | | |
|----------------------------------|--|---------------|----------------|---------------|----------------|----------|---------------|----------------|---------------|----------------|----------|---------------|----------------|---------------|----------------|--------------|
| Page | Item | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year to-date |
| | • No corresponding charts for this data. | | | | | | | | | | | | | | | |
| 8 | Railway carloads (thousands): | | | | | | | | | | | | | | | |
| 8 | Coal | 427.0 | 448.3 | 450.9 | 439.5 | 1,765.7 | 380.8 | 331.9 | 351.3 | 354.5 | 1,418.5 | 364.3 | | | | 364.3 |
| 8 | General merchandise | 660.6 | 689.6 | 653.5 | 551.1 | 2,554.8 | 468.0 | 467.6 | 530.8 | 541.9 | 2,008.3 | 542.0 | | | | 542.0 |
| 8 | Intermodal | 740.4 | 763.1 | 790.9 | 734.6 | 3,029.0 | 606.8 | 612.8 | 640.1 | 670.8 | 2,530.5 | 676.6 | | | | 676.6 |
| 8 | Total railway carloads | 1,828.0 | 1,901.0 | 1,895.3 | 1,725.2 | 7,349.5 | 1,455.6 | 1,412.3 | 1,522.2 | 1,567.2 | 5,957.3 | 1,582.9 | | | | 1,582.9 |
| | • Revenue ton miles (RTMs) (billions): | | | | | | | | | | | | | | | |
| | • Coal | 15.0 | 16.0 | 15.8 | 15.3 | 62.1 | 13.4 | 11.4 | 12.0 | 12.1 | 48.9 | 12.4 | | | | 12.4 |
| | • General merchandise | 26.7 | 27.9 | 27.3 | 23.0 | 104.9 | 20.2 | 19.7 | 22.0 | 21.8 | 83.7 | 23.4 | | | | 23.4 |
| | • Intermodal | 6.8 | 7.1 | 7.4 | 7.0 | 28.3 | 5.9 | 6.4 | 6.6 | 7.0 | 25.9 | 7.5 | | | | 7.5 |
| | • Total | 48.5 | 51.0 | 50.5 | 45.3 | 195.3 | 39.5 | 37.5 | 40.6 | 40.9 | 158.5 | 43.3 | | | | 43.3 |
| | • Revenue (dollars) per thousand RTMs: | | | | | | | | | | | | | | | |
| | • Coal | \$ 44.13 | \$ 48.41 | \$ 55.42 | \$ 52.18 | \$ 50.09 | \$ 44.79 | \$ 44.97 | \$ 47.75 | \$ 47.88 | \$ 46.32 | \$ 50.70 | | | | \$ 50.70 |
| | • General merchandise | \$ 50.57 | \$ 52.22 | \$ 53.52 | \$ 53.10 | \$ 52.33 | \$ 48.35 | \$ 49.63 | \$ 49.95 | \$ 51.50 | \$ 49.89 | \$ 51.29 | | | | \$ 51.29 |
| | • Intermodal | \$ 71.36 | \$ 74.81 | \$ 75.86 | \$ 68.76 | \$ 72.76 | \$ 61.83 | \$ 57.90 | \$ 58.55 | \$ 57.80 | \$ 58.93 | \$ 54.59 | | | | \$ 54.59 |
| | • Total | \$ 51.50 | \$ 54.17 | \$ 57.39 | \$ 55.20 | \$ 54.58 | \$ 49.16 | \$ 49.62 | \$ 50.71 | \$ 51.51 | \$ 50.27 | \$ 51.69 | | | | \$ 51.69 |
| | • Gross ton miles (GTMs) (billions) | 90.1 | 93.7 | 91.8 | 83.5 | 359.1 | 74.1 | 70.5 | 76.5 | 78.8 | 299.9 | 80.7 | | | | 80.7 |
| | • Revenue ton miles (RTMs) (billions) | 48.5 | 51.0 | 50.5 | 45.3 | 195.3 | 39.5 | 37.5 | 40.6 | 40.9 | 158.5 | 43.3 | | | | 43.3 |
| | • Railroad employees (average) | 30,240 | 30,170 | 30,214 | 30,339 | 30,241 | 29,597 | 27,987 | 27,514 | 27,595 | 28,173 | 27,646 | | | | 27,646 |
| | • Total operating expenses (dollars) per thousand GTMs | \$ 21.34 | \$ 20.98 | \$ 21.79 | \$ 20.23 | \$ 21.10 | \$ 21.06 | \$ 19.71 | \$ 19.60 | \$ 19.78 | \$ 20.03 | \$ 20.87 | | | | \$ 20.87 |
| | • Compensation and benefits (dollars) per thousand GTMs | \$ 7.83 | \$ 7.06 | \$ 7.71 | \$ 7.30 | \$ 7.47 | \$ 8.62 | \$ 7.82 | \$ 7.81 | \$ 7.79 | \$ 8.01 | \$ 8.67 | | | | \$ 8.67 |
| | • Total operating expenses (dollars) per thousand RTMs | \$ 39.59 | \$ 38.52 | \$ 39.66 | \$ 37.26 | \$ 38.79 | \$ 39.47 | \$ 37.11 | \$ 36.89 | \$ 38.08 | \$ 37.89 | \$ 38.87 | | | | \$ 38.87 |
| | • Compensation and benefits (dollars) per thousand RTMs | \$ 14.52 | \$ 12.97 | \$ 14.04 | \$ 13.44 | \$ 13.74 | \$ 16.17 | \$ 14.72 | \$ 14.70 | \$ 14.99 | \$ 15.15 | \$ 16.15 | | | | \$ 16.15 |
| 14 | Total operating revenues (\$ thousands) per employee | \$ 82.7 | \$ 91.6 | \$ 95.8 | \$ 82.5 | \$ 352.5 | \$ 65.6 | \$ 66.4 | \$ 75.0 | \$ 76.3 | \$ 282.9 | \$ 81.0 | | | | \$ 81.0 |
| 15 | Total operating expenses (\$ thousands) per employee | \$ 63.6 | \$ 65.2 | \$ 66.2 | \$ 55.7 | \$ 250.6 | \$ 52.7 | \$ 49.6 | \$ 54.6 | \$ 56.4 | \$ 213.2 | \$ 60.9 | | | | \$ 60.9 |
| | • GTMs (thousands) per employee | 2,979 | 3,107 | 3,038 | 2,752 | 11,874 | 2,503 | 2,518 | 2,783 | 2,853 | 10,643 | 2,918 | | | | 2,918 |
| 14 | RTMs (thousands) per employee | 1,605 | 1,692 | 1,669 | 1,494 | 6,460 | 1,335 | 1,337 | 1,479 | 1,482 | 5,627 | 1,566 | | | | 1,566 |
| 14 | Carloads per employee | 60.4 | 63.0 | 62.7 | 56.9 | 243.0 | 49.2 | 50.5 | 55.3 | 56.8 | 211.5 | 57.3 | | | | 57.3 |
| 14 | RTMs (thousands) per mile of road operated | 2,324 | 2,446 | 2,421 | 2,176 | 9,366 | 1,897 | 1,812 | 1,970 | 1,982 | 7,661 | 2,105 | | | | 2,105 |
| 15 | Total operating expenses (dollars) per carload | \$ 1,051 | \$ 1,034 | \$ 1,055 | \$ 979 | \$ 1,031 | \$ 1,072 | \$ 984 | \$ 986 | \$ 993 | \$ 1,008 | \$ 1,063 | | | | \$ 1,063 |
| | • Compensation and benefits (dollars) per carload | \$ 386 | \$ 348 | \$ 374 | \$ 353 | \$ 365 | \$ 439 | \$ 390 | \$ 393 | \$ 391 | \$ 403 | \$ 442 | | | | \$ 442 |
| | • RTMs (thousands) per carload | 26.6 | 26.9 | 26.6 | 26.3 | 26.6 | 27.2 | 26.5 | 26.7 | 26.1 | 26.6 | 27.4 | | | | 27.4 |
| | • Locomotive diesel fuel consumed (thousands of gallons) | 130,167 | 123,066 | 117,733 | 111,589 | 482,555 | 105,372 | 90,471 | 95,025 | 101,673 | 392,541 | 110,430 | | | | 110,430 |
| | • Average price (dollars) per gallon of locomotive diesel fuel | \$ 2.788 | \$ 3.584 | \$ 3.588 | \$ 2.190 | \$ 3.048 | \$ 1.387 | \$ 1.545 | \$ 1.848 | \$ 1.984 | \$ 1.690 | \$ 2.130 | | | | \$ 2.130 |
| | • RTMs per gallon of fuel consumed | 373 | 415 | 428 | 406 | 405 | 375 | 414 | 428 | 402 | 404 | 392 | | | | 392 |
| 15 | GTMs (thousands) per train hour | 84.8 | 85.4 | 85.8 | 84.3 | 85.1 | 83.4 | 85.7 | 88.6 | 88.2 | 86.5 | 85.3 | | | | 85.3 |
| 15 | RTMs (thousands) per train hour | 45.7 | 46.5 | 47.1 | 45.8 | 46.3 | 44.5 | 45.5 | 47.1 | 45.8 | 45.7 | 45.8 | | | | 45.8 |
| | • Percent of loaded-to-total car miles | 57.9 | 58.1 | 57.5 | 57.0 | 57.7 | 56.5 | 57.3 | 57.9 | 58.6 | 57.6 | 58.2 | | | | 58.2 |
| | • Total new crossties installed (thousands) | 523 | 818 | 761 | 599 | 2,701 | 695 | 813 | 731 | 471 | 2,710 | 557 | | | | 557 |
| | • Total track miles of rail laid (miles) | 120 | 144 | 100 | 95 | 459 | 83 | 116 | 131 | 104 | 434 | 101 | | | | 101 |

First Quarter 2010

Quarterly Financial Review