



THOROUGHbred SUCCESS:
STRENGTHENING COMMUNITIES

Norfolk Southern Contributions **ANNUAL REPORT 2007**



OUR MISSION

NORFOLK SOUTHERN FOUNDATION was established in 1984 to direct and implement Norfolk Southern Corporation's charitable giving programs. Through strategic investment in educational, cultural, environmental and economic development opportunities within the region served by Norfolk Southern, the Foundation seeks to raise the standards of such programming, thereby:

- Enhancing the quality of life for Norfolk Southern employees;
- Enhancing the "livability" of the communities it serves, and
- Promoting further business development within those communities.

The Foundation's intent is to help ensure that:

- Our region's youth are provided with first-class educational opportunities that make them productive and valued employees in the future.
- Our communities can offer their citizens access to cultural opportunities that make life more enjoyable.
- Our communities can provide residential and work environments that are safe, attractive and desirable.

As a major employer in both large and small communities throughout the eastern United States, Norfolk Southern takes seriously its role as a corporate citizen and its responsibility to commit resources, both human and financial, to the improvement of those communities for the benefit of our employees and our neighbors. This commitment is acknowledged in Norfolk Southern's Corporate Creed.

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THE YEAR IN REVIEW

SIGNIFICANT GROWTH IN THE VALUE of land donations in 2007 resulted in a 77.0 percent increase in total contributions over the 2006 total. For 2007, cash and non-cash contributions were \$13,863,243, compared with \$7,832,106 in the prior year. Cash contributions for grants, Matching Gifts and business-related programs totaled \$7,521,476 in 2007, down 2.0 percent from 2006. The 2006 cash contributions, however, included \$870,704 in grants and a special challenge match for community reconstruction in Norfolk Southern territory following Hurricane Katrina the previous year. Excluding these Katrina-related special payments, funding for 2007 grew 1 percent year-over-year.

The Foundation awarded a total of \$4,914,682 in cash grants, down 5.4 percent from the prior year, including 285 grants and 1,588 Matching Gifts. There were 26 more grants awarded and 280 more Matching Gifts in 2007, and the average Matching Gifts amount increased from \$913 per gift in 2006 to \$933 in 2007. The year-over-year decline was attributable to the \$870,704 Hurricane Katrina payments made in 2006 in grants and a special challenge match for reconstruction related to Hurricane Katrina in 2005..

While the total number of Foundation requests for 2007, excluding Matching Gifts, grew 19 percent from the previous year, the dollar amount of requests greatly declined from \$15.5 million for 2006 funding to \$5.7 million for 2007. This was due to the large number of organizations that were launching major capital campaigns during 2006.

Since the beginning of its program funding in 1984, Norfolk Southern Foundation has contributed approximately \$100 million to thousands of charitable organizations throughout Norfolk Southern's operating territory. In the last five years, it has provided more than \$20.6 million in funding. Although its contributions mission has changed over the years, Norfolk Southern Foundation has maintained its record of significant support in the areas of arts and cultural programming, education and the United Way organizations in the communities in which Norfolk Southern employees live and work.

The Foundation continues to strengthen its strategic partnerships with various Corporate departments to further Norfolk Southern's business goals and mission, targeting contributions in support of environmental programs, employee recruiting and diversity enhancement. Other contributions help build goodwill and positive relationships with customers, governmental bodies and the communities in which Norfolk Southern operates.

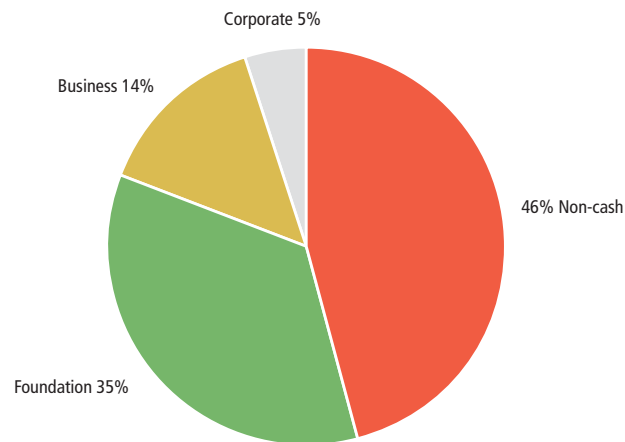
In addition to the Foundation, Norfolk Southern Corporation provides funding that includes corporate sponsorships and memberships; contributions to nonprofit organizations, such as volunteer fire departments, that do not hold 501(c)(3) charitable status; contributions to 501(c)(3) organizations for which tax credits are offered; and non-cash gifts made to eligible 501(c)(3) organizations. The latter may include donations of land, rolling stock, automotive vehicles, office equipment, and track and signal materials.

In 2007, Corporate contributions, including non-cash donations, were \$8,948,561, up 39.7 percent from the previous year. This increase was due, primarily, to the much higher value of donated land and structures in 2007 than in the previous year. Excluding these and other non-cash donations, non-Foundation contributions were \$2,606,794, or 6.3 percent higher than in 2006.

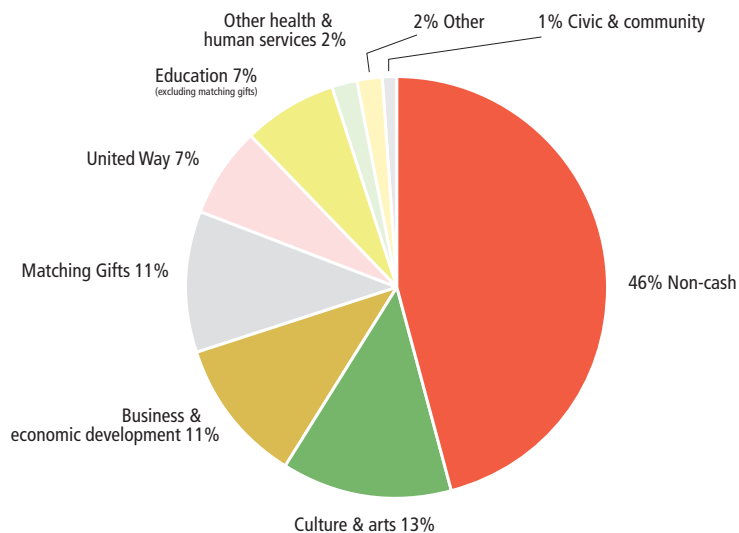
The table below compares the total charitable contributions by category as of December 31 for the last five years:

		2007	2006	2005	2004	2003
Foundation	\$	4,914,682	5,197,513	3,330,335	3,330,335	2,871,700
Business		1,895,794	1,716,808.30	1,373,260	993,392	1,343,494
Corporate		711,000	735,100	743,950	747,250	156,500
Cash	\$	7,521,476	7,649,421.30	6,418,236	5,070,977	4,371,694
Non-cash		6,341,767	182,685	248,085	79,675	3,570,678
Total	\$	13,863,243	7,832,106.30	6,666,321	5,150,652	7,942,372

CONTRIBUTIONS BY FUND



CONTRIBUTIONS BY CATEGORY



ASSETS

AS OF DECEMBER 31, 2007, THE FOUNDATION HELD THE FOLLOWING ASSETS:

Cash (checking account)	\$	481,480.80
Short-term investments		
BBH Money Market Fund		1,721,481.70
BB&T Federated Prime Value Obligations Fund		74,851.59
Total cash and short-term investments	\$	2,277,814.09
Norfolk Southern Stock	\$	0
Total securities	\$	0
Total	\$	2,277,814.09

IN 2007, NORFOLK SOUTHERN CORPORATION subsidiary Rail Investment Company donated to Norfolk Southern Foundation 96,952 shares of Norfolk Southern stock (at average per-shares prices of \$51.25, \$50.80, \$47.24, \$52.28, \$54.18, \$54.78, \$54.21, \$52.66 and \$51.17). The total value of these contributions was \$5,029,293. At the beginning of the year, the Foundation held 30,487 shares of Norfolk Southern common stock at an average value of \$46.80.

During the course of the year, the Foundation sold 127,439 shares of Norfolk Southern stock, at an average per-share price of \$51.53 (total proceeds \$6,556,239). The Foundation's sales of Norfolk Southern common stock were made pursuant to trading plans intended to comply with the provisions of Rule 10b5-1 under the Securities Exchange Act.

The estimated market value of Foundation assets at February 29, 2008, was \$2,806,402.

CONTRIBUTIONS BY CATEGORY (MAJOR GRANTS ARE ITEMIZED)

COMMUNITY RELATIONS

United Way		
Hampton Roads	\$	160,000
Roanoke		142,500
Atlanta		100,000
Other agencies		612,500
Total United Way	\$	1,014,500
Health and Human Services (excluding United Way)		
Tidewater Jewish Community Center	\$	50,000
American Red Cross		48,500
Dana Farber Cancer Institute		30,000
Spina Bifida Foundation		30,000
Children's Hospital of the King's Daughters		10,000
Total Health and Human Services (excluding United Way)	\$	256,850
Total Community Relations	\$	1,271,350

EDUCATION (EXCLUDING MATCHING GIFTS)

Operating Grants

University of Southern Mississippi Foundation	100,000
Norfolk State University Foundation	35,000
University of Illinois Foundation	30,500
Clemson University Foundation	23,000
MUSC Foundation	23,000

Total Operating Grants	\$ 452,000
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Capital Grants & Endowments

Marshall - Wythe School of Law Foundation	50,000
Emory & Henry College	50,000

Total Capital Grants & Endowments	\$ 100,000
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State & National Fund Raising

Virginia Foundation for Independent Colleges	50,000
Other state independent college funds	23,000

Total State & National Fund Raising	\$ 83,000
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Scholarships & Fellowships

National Merit Scholarship Corporation	89,890
The Citadel Foundation	50,000
ACCESS Scholarship Foundation	50,000
Georgia Tech Foundation	30,000

Total Scholarships & Fellowships	\$ 268,190
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Other

Smart Beginnings South Hampton Roads	50,000
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Total Other	\$ 112,500
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Total Education	\$ 1,015,690
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CULTURE AND THE ARTS (EXCLUDING MATCHING GIFTS)

Music	
Virginia Symphony	\$ 91,000
Virginia Opera	66,000
Roanoke Symphony	24,200
Total Music	\$ 196,700
Museums	
Chrysler Museum of Art	95,000
Art Museum of Western Virginia	82,000
Gettysburg National Battlefield Museum Foundation	50,000
Virginia Historical Society	33,000
Virginia Museum of Transportation	25,000
Historical Society of Western Virginia	25,000
Total Museums	\$ 421,600
Public Radio & TV	
WHRO	42,144
Blue Ridge Public TV	6,450
Total Public Radio & TV	\$ 50,954
Arts Funds or Councils	
Business Consortium for Arts Support	25,000
Americans for the Arts	5,000
Total Arts Funds or Councils	\$ 37,500
Theatres	
Virginia Stage Company	60,500
Mill Mountain Theatre	31,800
Virginia Musical Theatre	15,000
Total Theatres	\$ 108,300
Cultural Centers	
Kennedy Center for the Performing Arts	58,000
Woodruff Arts Center	47,500
Western Virginia Foundation for the Arts & Sciences	29,000
Total Cultural Centers	\$ 142,000
Other	
Jamestown 2007	600,000
Virginia Arts Festival	187,511
Colonial Williamsburg Foundation	50,000
Zoo Atlanta	20,000
Norfolk Botanical Garden Society	10,000
Total Other	\$ 825,500
Total Culture and the Arts	\$ 1,782,554

BUSINESS & ECONOMIC DEVELOPMENT

Center for Energy and Economic Development	595,000
Americans for Balanced Energy Choices	326,218
State Chambers of Commerce and other state-level business groups (various)	125,158
U.S. Chamber of Commerce	110,760
Business Roundtable	106,500
National Association of Manufacturers	53,828
Total Business & Economic Development	\$ 1,543,479

CIVIC & COMMUNITY

Environment & Ecology

Virginia Institute of Marine Sciences	\$ 50,000
Nature Conservancy of Virginia	50,000
Chesapeake Bay Foundation	10,000
Powell River Project	10,000
Total Environment & Ecology	\$ 129,000

Other

Local police, fire and emergency services	51,382
Capitol Square Civil Rights Memorial Foundation	25,000
Urban League of Hampton Roads	18,000
Martin Luther King, Jr. Center	17,500
Total Other	\$ 220,207
Total Civic & Community	\$ 349,207

OTHER

State government/legislature conferences	35,500
Operation Lifesaver	15,000
Catalyst	10,000
Total Other	\$ 77,500

NON-CASH GIFTS

Rolling Stock

Various freight cars to transportation museums and community firefighting organizations	43,830
Total Rolling Stock	\$ 43,830

Real Property

556.19 acres plus bridge to Commonwealth of Virginia	3,600,000
24 acres to Palmetto Conservation Foundation (S.C.)	1,825,000
Land, buildings to City of Princeton, WV	540,000
.773 acres, Virginian Railway depot to NRHS, Roanoke chapter	124,000
Total Real Property	\$ 6,227,319

Miscellaneous

Surplus furniture to various organizations	845.00
Total Miscellaneous	\$ 845.00

Donated Transportation

ARTrain Transportation	38,106
Locomotive to Southern Appalachian Railway Museum	16,622
Total Donated Transportation	\$ 69,773
Total Non-Cash Gifts	\$ 6,341,767

MATCHING GIFTS

IN 2007, NORFOLK SOUTHERN FOUNDATION MATCHED 1,588 gifts to 483 organizations. A total of \$1,481,696 was paid under the program, up 23.7 percent over the previous year.

- Education \$902,534 (710 gifts matched to 267 institutions)
- Arts/Culture \$564,819 (822 gifts matched to 195 organizations)
- Environmental \$14,343 (56 gifts matched to 21 organizations)

The top 10 organizations receiving Matching Gifts were:

- College of William and Mary \$114,153
- Chrysler Museum of Art \$ 77,420
- Roanoke College \$ 73,071
- Historical Society of Western VA \$ 63,370
- Norfolk Academy \$ 62,913
- The Citadel Foundation \$ 50,000
- Virginia Tech Foundation \$ 44,025
- Virginia Symphony \$ 38,435
- The Medical University of
South Carolina Foundation \$ 35,000
- Roanoke Catholic High School \$ 33,939

Organizations qualifying for Matching Gifts include certain educational institutions, arts/cultural organizations and environmental organizations that are located in the United States, are recognized as tax-exempt, non-profit organizations under Section 501(c)(3) of the Internal Revenue Code, and are independent of the donor.

LOCAL DISCRETION GRANT PROGRAM

THE FOUNDATION LAUNCHED a new contributions program in 2003 to help promote community goodwill, diversity and safety awareness at the local level. Conducted through Operating Division-level contributions committees representing various departments, the program helps enhance relationships between Norfolk Southern's local operations and the communities in which they operate, and allows local NS facilities to take credit for good corporate citizenship. Each division has \$12,000 available under this program annually.

Of the \$144,000 available to the 11 operating divisions plus ECBU, a total of \$90,132 was paid out under the program in 2007; this was 1.0 percent higher than in 2006. Five of the divisions granted all funds available to them. Community volunteer fire departments, rescue squads and police departments received \$43,882; arts, cultural and historic organizations received \$15,000; and civic and community relations organizations received \$21,150.

DIVERSITY

THE FOUNDATION, SINCE 2002, HAS TRACKED GRANTS made to organizations that support Norfolk Southern Corporation's mission to enhance diversity in the workplace. For 2007, a total of \$323,175 in grants was awarded to organizations that support higher education for minorities and women, more productive community relations, and services to underserved populations in Norfolk Southern's operating territory. This was a 14.3 percent increase over the previous year.

A total of \$105,500 in grants was paid to colleges, universities and scholarship organizations to help women and minorities obtain college educations. Among the recipients were ACCESS Scholarship Foundation, Norfolk State University, Clark Atlanta University, North Carolina A&T State University, Hampton University and the Society of Women Engineers. The Colonial Williamsburg Foundation received \$50,000 as part of a multi-year pledge in support of African-American history programming.

The Martin Luther King, Jr., Center in Atlanta received \$17,500 to further its work and the Capitol Square Civil Rights Memorial Foundation received \$25,000 toward construction of a civil rights memorial on the Virginia capitol grounds in Richmond. Norfolk Southern Foundation also initiated a 5-year \$50,000 pledge to the Atlanta Community Foundation for the acquisition of Dr. Martin Luther King's personal papers. Catalyst, which addresses women's workplace issues, received \$10,000.

CONTRIBUTIONS BY MAJOR GEOGRAPHIC LOCATION

(EXCLUDING MATCHING GIFTS)

A breakdown by category of 2007 contributions follows:

Hampton Roads (\$1,043,177)

United Way	15 %
Other health/human services	11 %
Culture/arts	49 %
Education	14 %
Civic & community	10 %
Environment	1 %

Roanoke (\$518,297)

United Way	28 %
Other health/human services	5 %
Culture/arts	61 %
Education	1 %
Civic & community	6 %
Environment	0 %

Atlanta (\$251,540)

United Way	40 %
Other health/human services	3 %
Culture/arts	19 %
Education	18 %
Civic & community	20 %
Environment	0 %

LONG-TERM PLEDGES

IN 2007, PAYMENTS WERE COMPLETED on seven long-term pledges, and 13 new long-term pledges were authorized. New Foundation pledges included: \$50,000 over three years to AREMA Educational Foundation (scholarships); \$50,000 over five years to ATCLF Collections/The Community Foundation of Atlanta (debt reduction for the acquisition of Dr. Martin Luther King, Jr., personal papers); \$250,000 over five years to the City of Charleston, S.C. (capital for Best Friend of Charleston project); \$150,000 over five years to Hampton Roads Economic Development Alliance (operating support); \$20,000 over two years to Historic Smithfield – APVA (capital); \$100,000 over two years to the Kennedy Center for the Performing Arts (operating support); \$50,000 over five years to Mariners’ Museum of Newport News (capital for The Monitor Center); \$100,000 over three years to Mill Mountain Zoo (capital for a new zoo train); \$150,000 over three years to The Nature Conservancy of Virginia (support for the Virginia Coast Reserve program); \$125,000 over five years to Norfolk State University (operating support and scholarships); \$25,000 over five years to Roanoke Valley Economic Development Partnership (operating support); \$100,000 over two years to Smart Beginnings South Hampton Roads (operating support); and \$50,000 over five years to Virginia’s Gateway Region Economic Development Organization (operating support)

Type*	Organization	Annual Payment	Years Remaining
F	Capitol Square Civil Rights Memorial Foundation	\$ 25,000	0
F	Children’s Hospital of the King’s Daughters	\$ 20,000	0
F	Chrysler Museum of Art	\$ 100,000	0
F	Gettysburg National Battlefield Museum	\$ 50,000	0
F	Norfolk Botanical Garden Society	\$ 10,000	0
F	Virginia Historical Society	\$ 33,000	0
F	Woodruff Arts Center (capital)	\$ 20,000	0
F	Colonial Williamsburg Foundation	\$ 50,000	1
F	Historic Smithfield - APVA	\$ 10,000	1
F	Kennedy Center for the Performing Arts	\$ 50,000	1
F	Marshall-Wythe School of Law/College of William & Mary	\$ 100,000	1
C	Jamestown 2007	\$ 600,000	1
F	Smart Beginnings S. Hampton Roads	\$ 50,000	1
F	Tidewater Jewish Community Center	\$ 50,000	1
F	AREMA Educational Foundation	\$ 20,000/ 10,000	2
F	Art Museum of Western Virginia	\$ 60,000	2
F	The Citadel Foundation	\$ 50,000	2
F	Emory & Henry College	\$ 50,000	2
F	Mill Mountain Zoo	\$ 37,500	2
F	The Nature Conservancy of Virginia	\$ 50,000	2
F	University of Southern Mississippi/Trent Lott National Center	\$ 100,000	2
F	Virginia Aquarium	\$ 25,000	2
F	Virginia Symphony	\$ 25,000	2
C	Clemson University Foundation	\$ 23,000	3

C	GSSM Foundation	\$	30,000	3
C	MUSC Foundation	\$	23,000	3
C	Pendleton Place Children's Shelter	\$	4,000	3
F	Southern WV Community & Technical College	\$	5,000	3
F	University of Missouri/Barriger Library	\$	5,000	3
C	University of South Carolina Educational Foundation	\$	20,000	3
F	ATCLF Collections/The Community Foundation of Atlanta	\$	10,000	4
F	City of Charleston, S.C.	\$	50,000	4
B	Hampton Roads Economic Development Alliance	\$	30,000	4
F	Mariners' Museum of Newport News	\$	10,000	4
F	Norfolk State University	\$	25,000	4
B	Roanoke Valley Economic Development Partnership	\$	5,000	4
B	Virginia's Gateway Region Economic Development Organization	\$	10,000	4

* *F – Foundation, B – Business, C – Corporate*

2008 FUNDING STATUS

FOR THE 2008 FUNDING YEAR, THE FOUNDATION received 117 proposal requests, seeking more than \$4.7 million by the September 30, 2007, deadline. Of these, 18 were approved for funding, including six first-time recipients. In addition, \$261,000 was set aside for grants to colleges and universities in support of Norfolk Southern's recruiting needs.

For 2008, the Trustees set a budget of \$5.0 million (excluding the \$600,000 payable to Jamestown 2007), two percent above actual spending in 2007. Through March 31, 2008, the Foundation awarded a total of \$878,913 in grants and Matching Gifts. Business payments were \$267,674; there were no Corporate payments in the first quarter. The estimated market value of Foundation assets at February 29, 2008, was \$2,806,402.

Our Vision

Be the safest, most customer-focused, and successful transportation company in the world



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