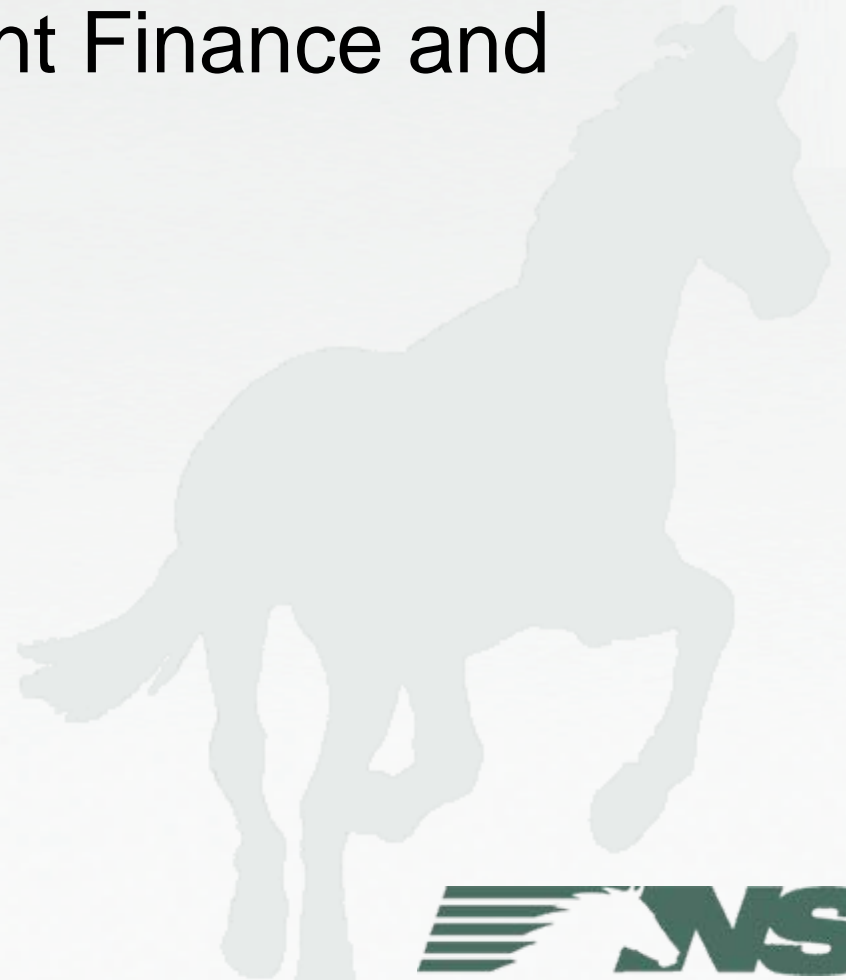


# Second Quarter Results 2007

James A. Squires

Executive Vice President Finance and  
Chief Financial Officer

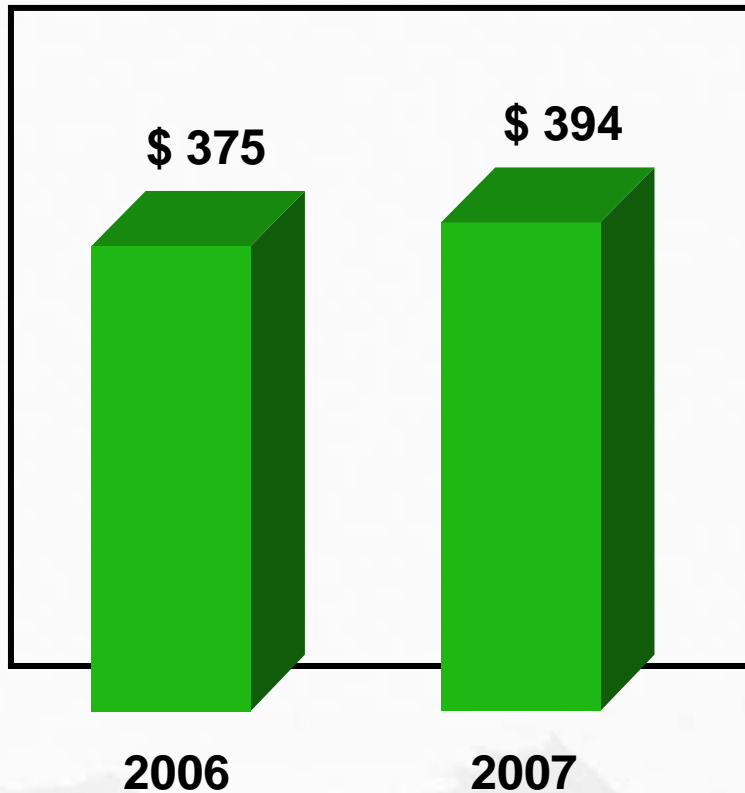


# Net Income and Diluted Earnings per Share

Second Quarter

(\$ Millions except per share)

Net Income



Diluted Earnings per Share



% Change vs. Prior Period      5%

10%

# Income From Railway Operations

Second Quarter 2007 vs. 2006

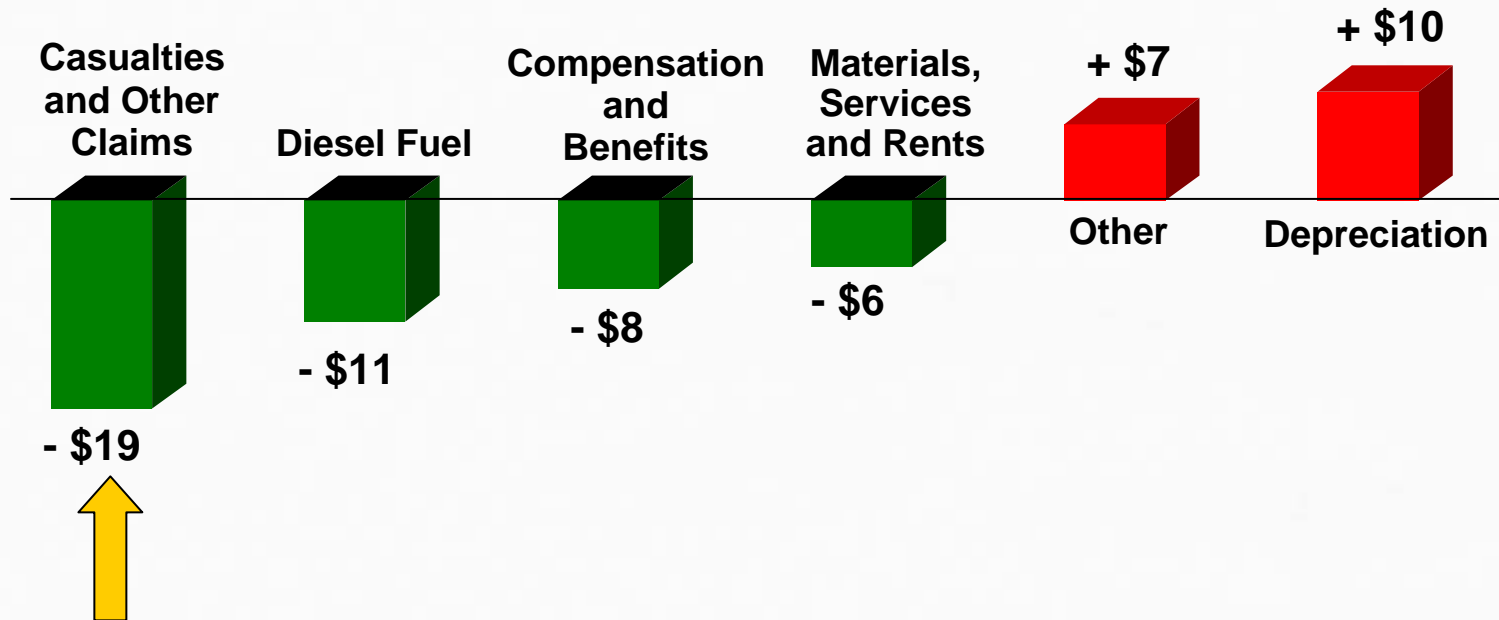
(\$ Millions)

	Second Qtr 2007	Second Qtr 2006	Favorable (Unfavorable)	
			\$	%
Railway Operating Revenues	\$ 2,378	\$ 2,392	\$ (14)	(1%)
Railway Operating Expenses	1,688	1,715	27	2%
Income From Railway Operations	\$ 690	\$ 677	\$ 13	2%
Railway Operating Ratio	71.0	71.7	0.7	1%

# Railway Operating Expense Analysis

Second Quarter 2007 vs. 2006

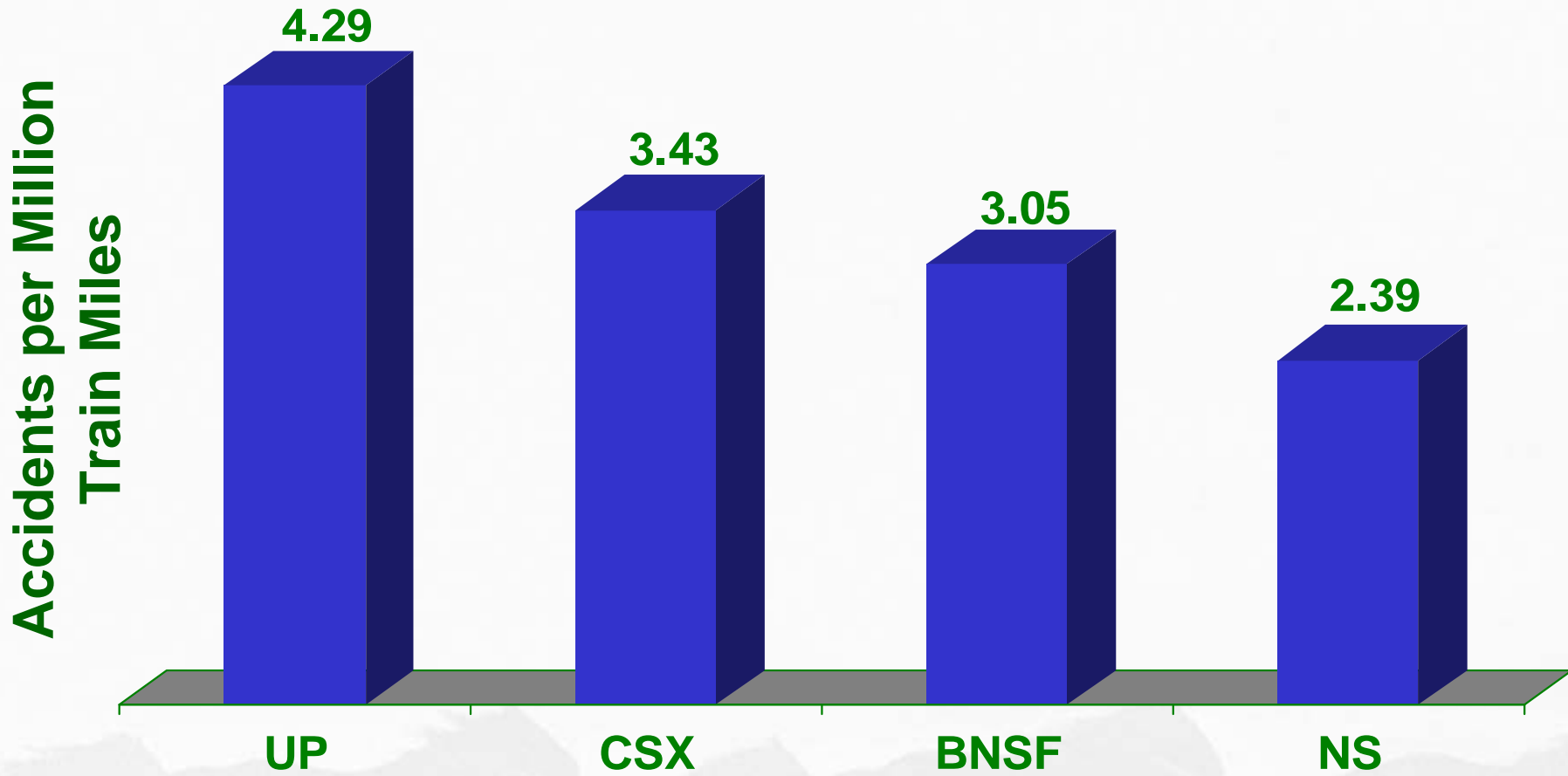
(\$ Millions)



Net Decrease

\$ 27 Million / 2%

# Class I Train Accident Rate 2006\*



\* All train accidents (excluding grade crossing accidents)

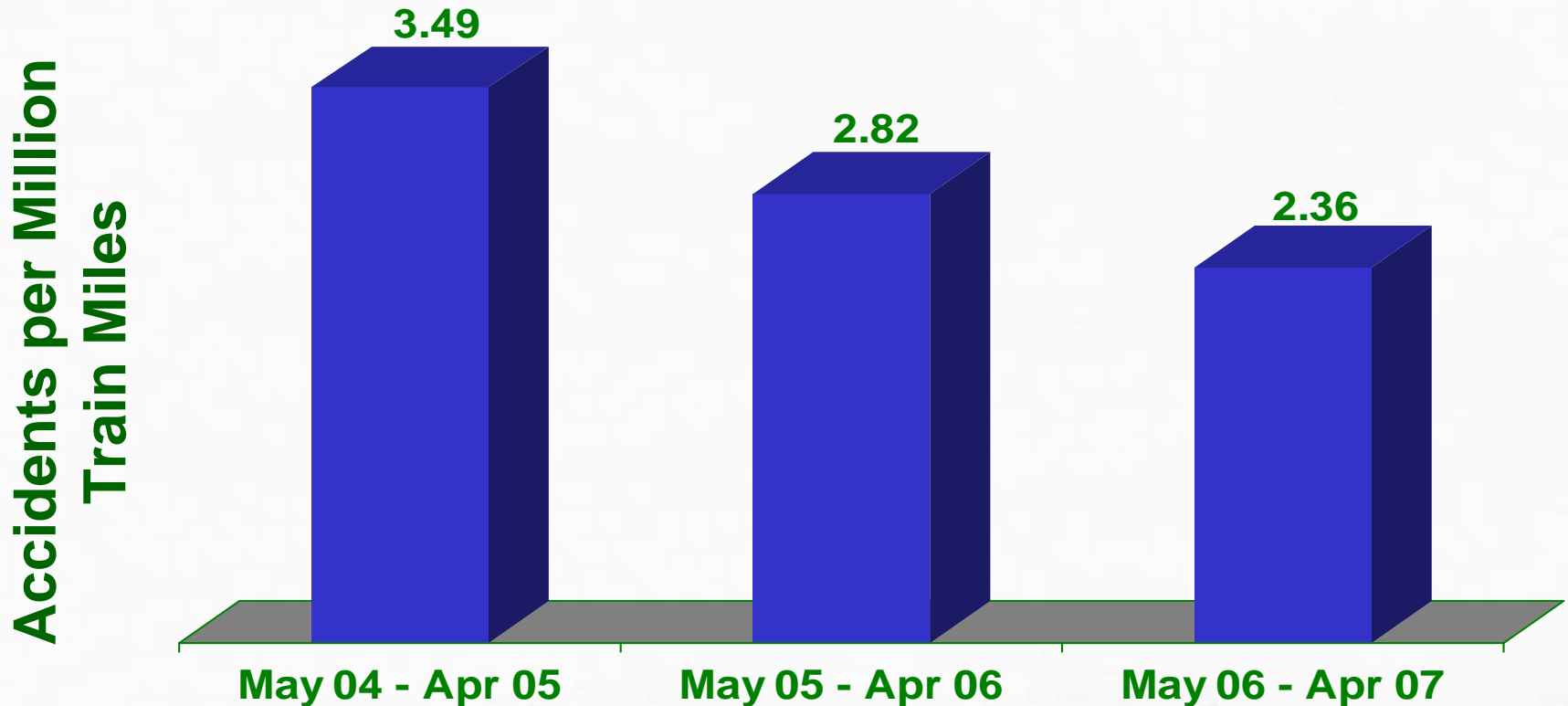
5 All types of track (main, yard, industry, siding)



# Norfolk Southern

## Train Accident Rate\*

Rolling Twelve Month Average



\* All train accidents (excluding grade crossing accidents)

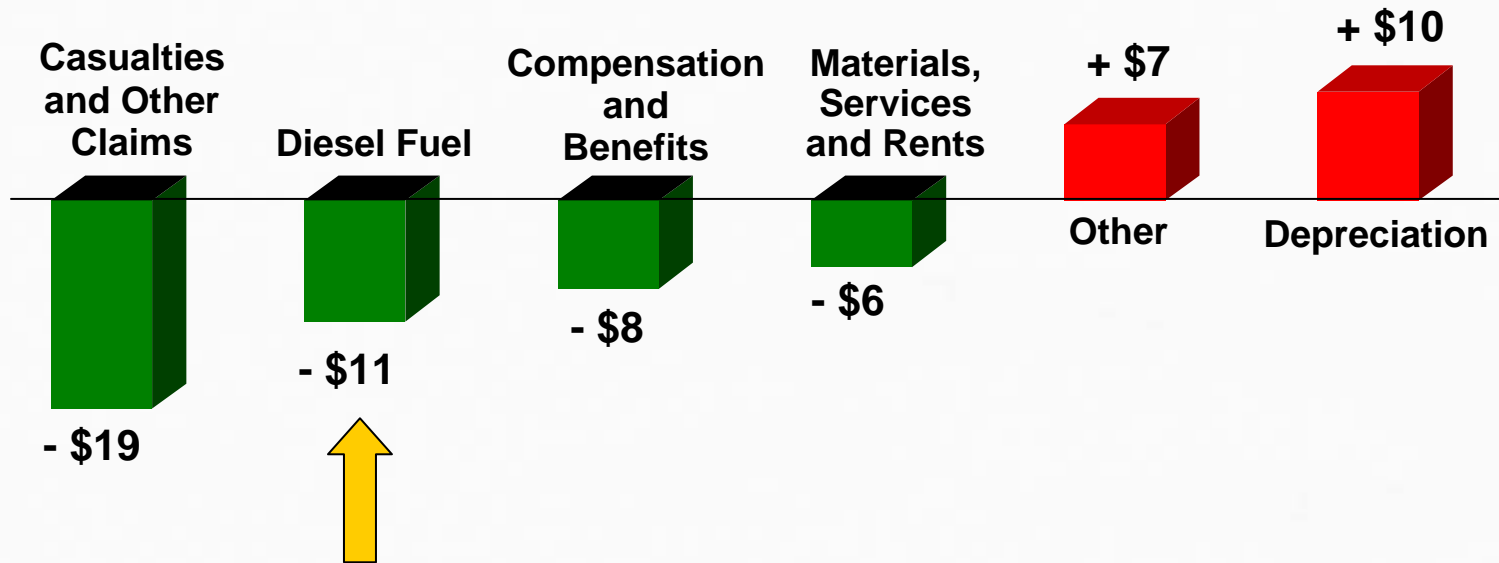
6 All types of track (main, yard, industry, siding)



# Railway Operating Expense Analysis

Second Quarter 2007 vs. 2006

(\$ Millions)



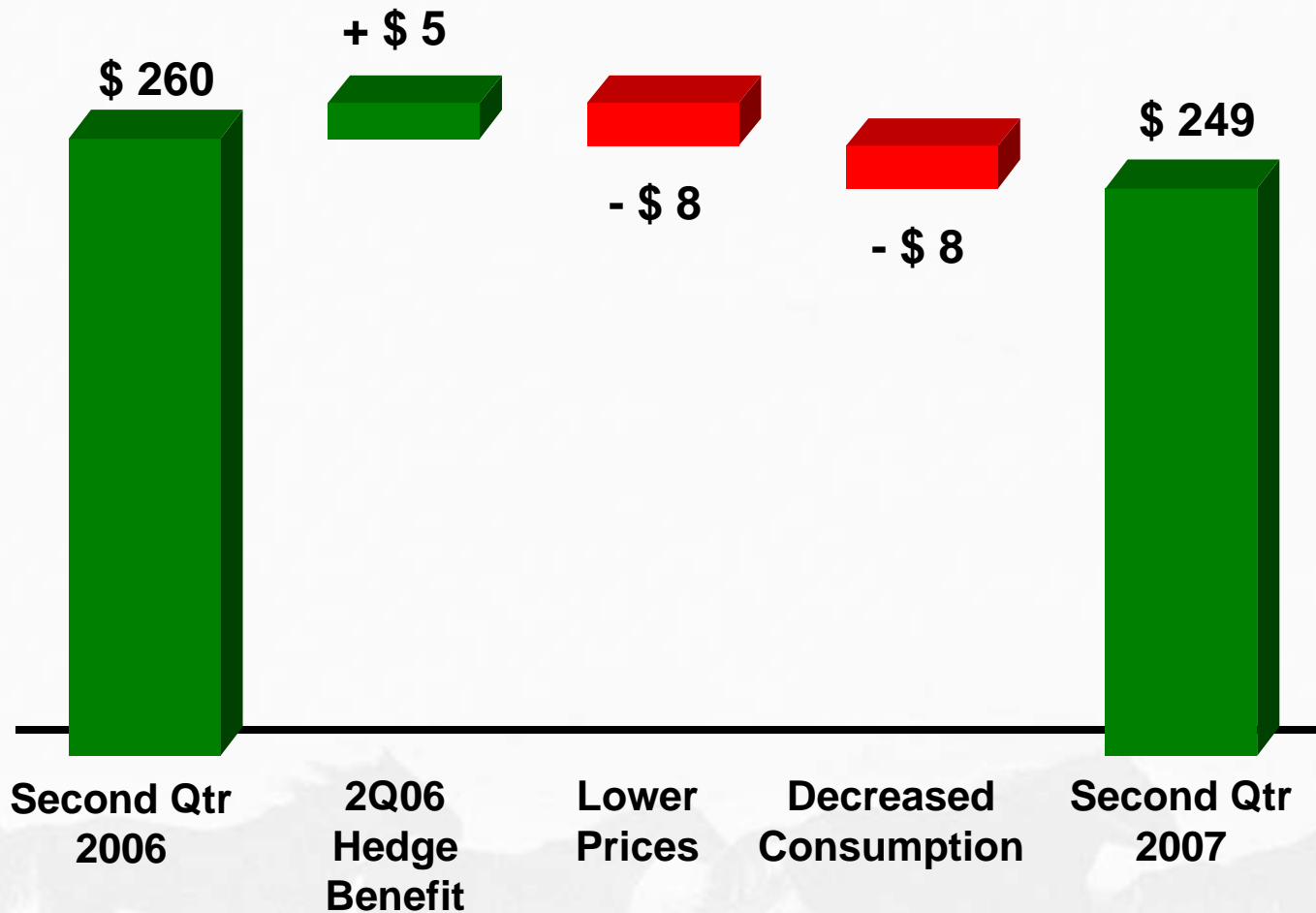
Net Decrease

\$ 27 Million / 2%

# Diesel Fuel Cost Analysis

Second Quarter 2007 vs. 2006

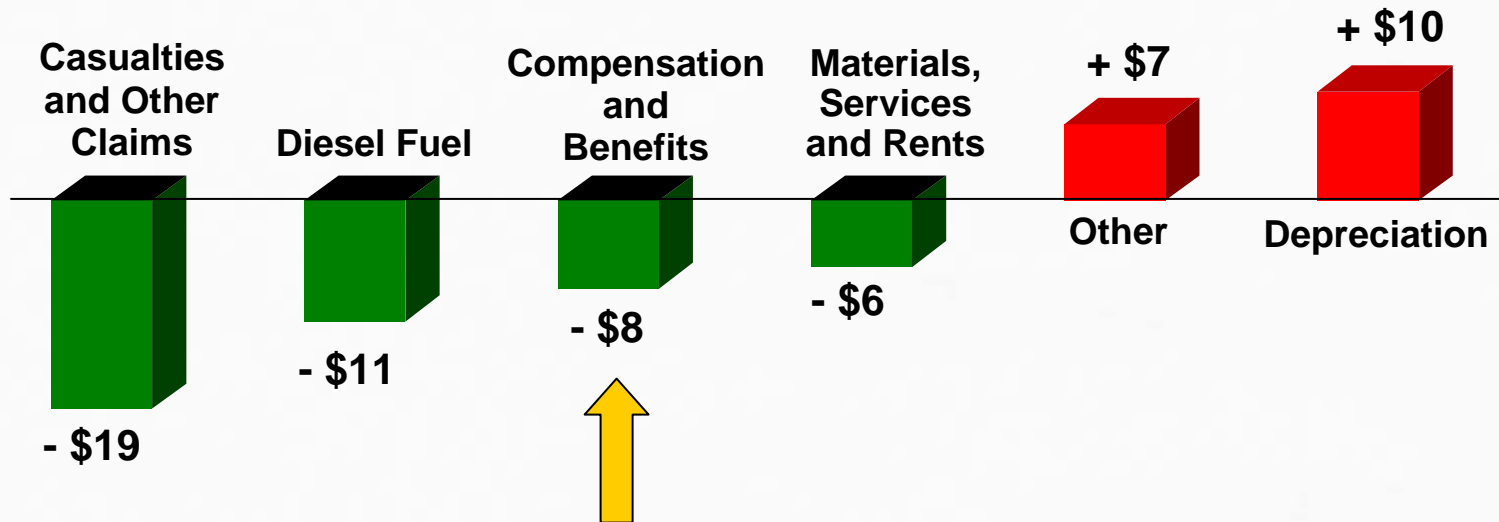
(\$ Millions)



# Railway Operating Expense Analysis

Second Quarter 2007 vs. 2006

(\$ Millions)



Net Decrease \$ 27 Million / 2%

# Compensation and Benefits Analysis

Second Quarter 2007 vs. 2006

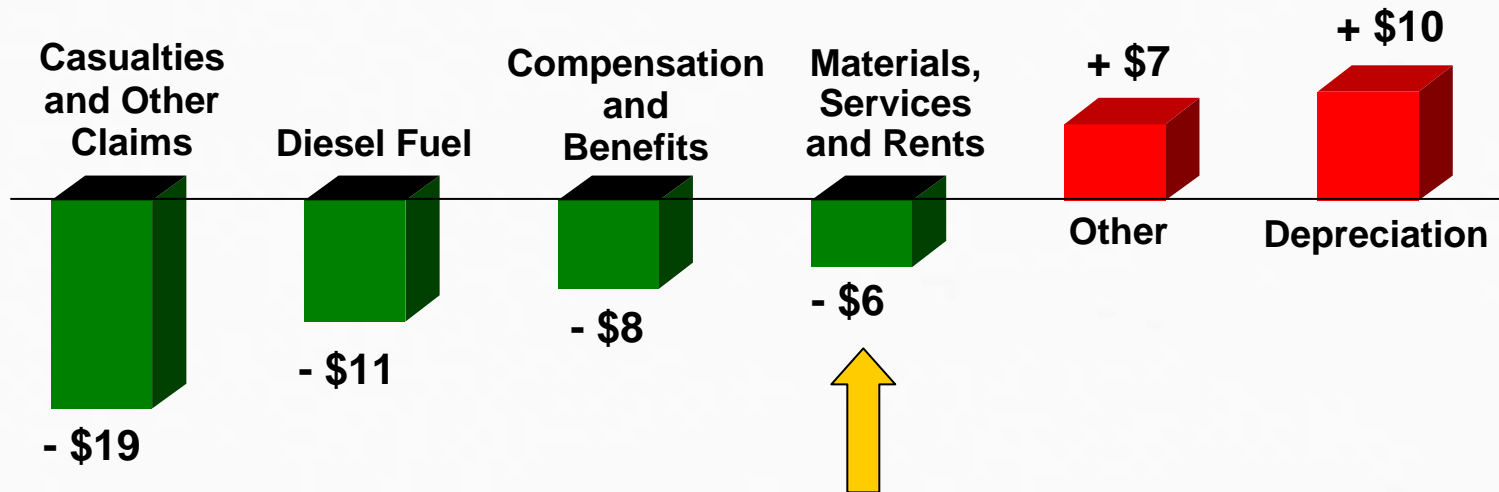
(\$ Millions)

	<u>Increase (Decrease)</u>
Incentive Compensation	\$ (15)
Payroll Taxes	(9)
Medical Benefits (Active and Retiree)	9
Wage Rates	8
Other Items	<u>(1)</u>
<b>Total Net Variance</b>	<b>\$ <u>(8)</u></b>

# Railway Operating Expense Analysis

Second Quarter 2007 vs. 2006

(\$ Millions)



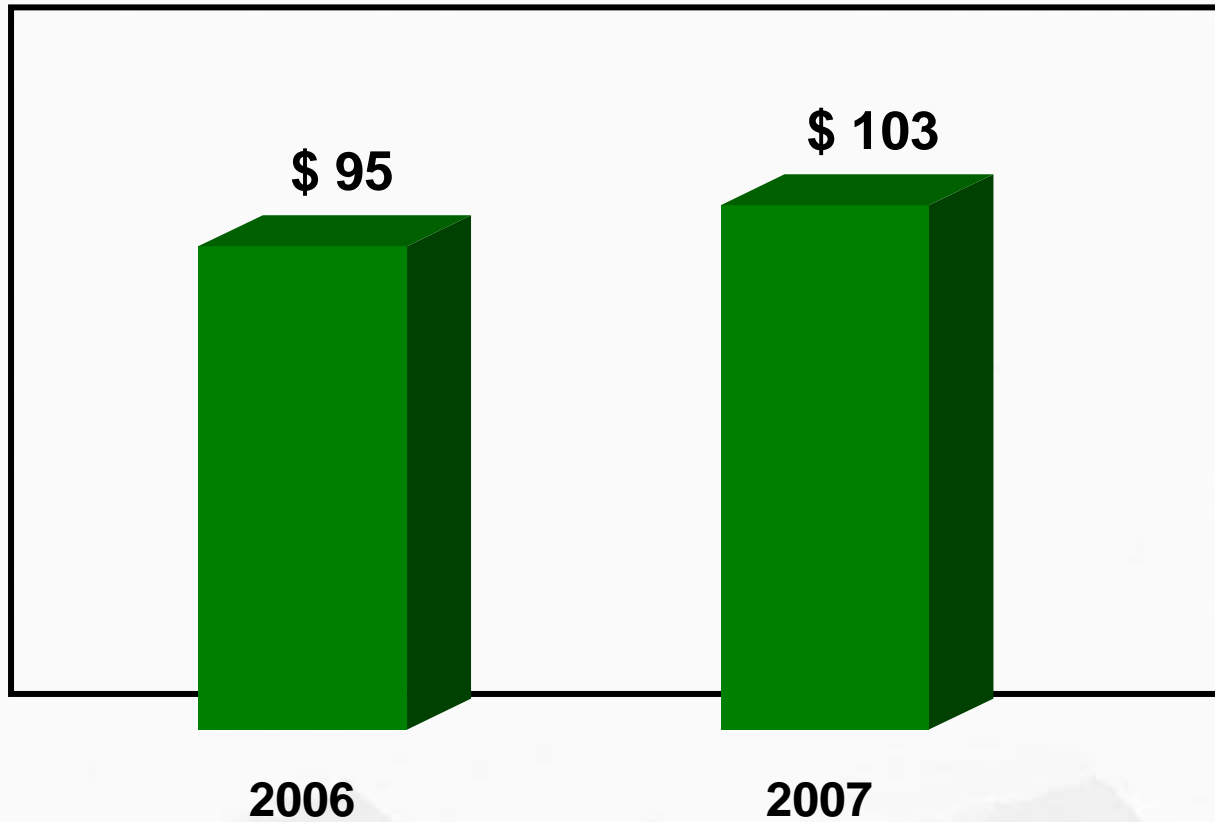
Net Decrease

\$ 27 Million / 2%

# Materials Costs

Second Quarter

(\$ Millions)



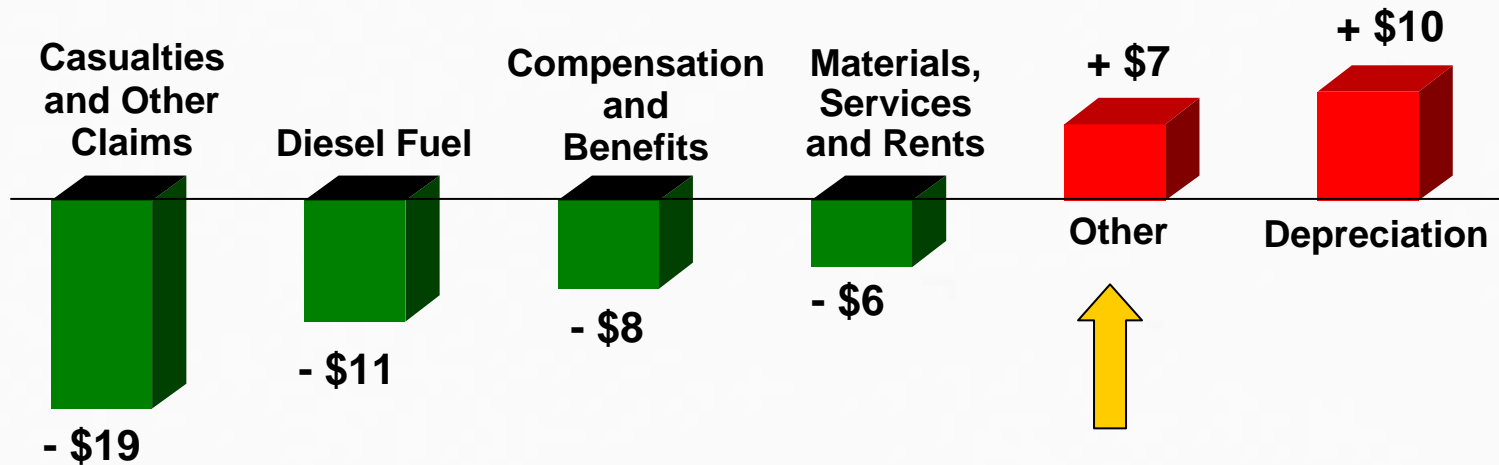
% Change vs. Prior Period

+ 8%

# Railway Operating Expense Analysis

Second Quarter 2007 vs. 2006

(\$ Millions)



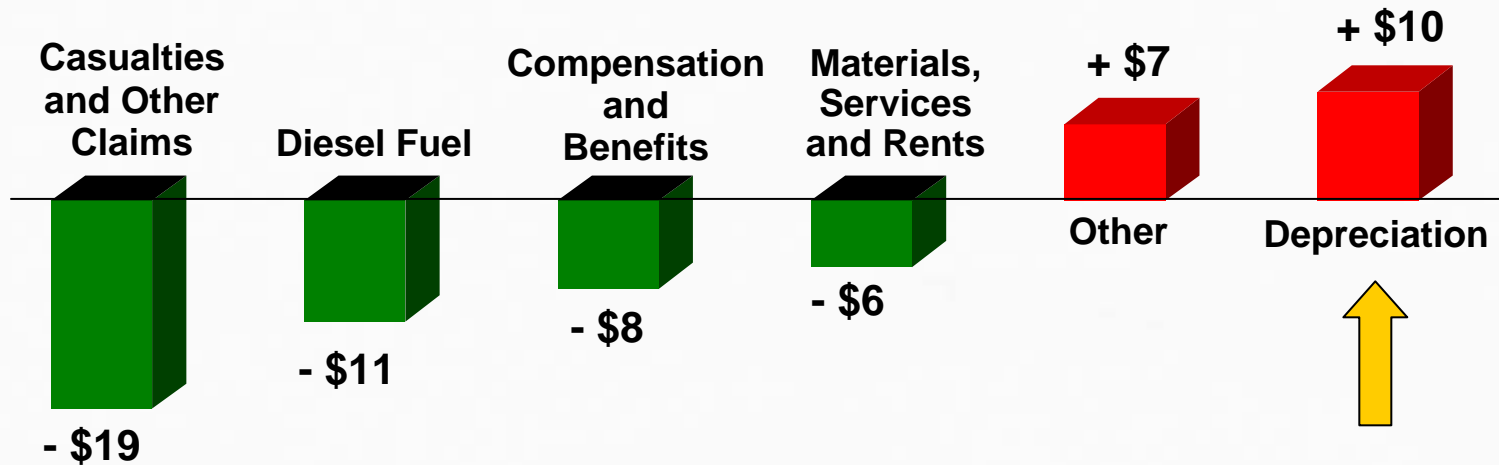
Net Decrease

\$ 27 Million / 2%

# Railway Operating Expense Analysis

Second Quarter 2007 vs. 2006

(\$ Millions)



Net Decrease

\$ 27 Million / 2%

# Nonoperating Items

Second Quarter 2007 vs. 2006

(\$ Millions)

	Second Qtr 2007	Second Qtr 2006	Change 2007 vs. 2006 Favorable (Unfavorable)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Other Income – net:</b>			
<b>Expenses Related to         Synthetic Fuel Investments</b>	\$ (23)	\$ (9)	(14)
<b>Interest Income</b>	12	22	(10)
<b>Corporate Owned Life Insurance</b>	5	(1)	6
<b>All Other</b>	<u>27</u>	<u>21</u>	<u>6</u>
<b>Other Income - net</b>	<u>\$ 21</u>	<u>\$ 33</u>	<u>\$ (12)</u>
<b>Interest Expense on Debt</b>	<u>\$ 111</u>	<u>\$ 121</u>	<u>\$ 10</u>

# Synthetic Fuel Investments

Second Quarter 2007 vs. 2006

(\$ Millions)

	Second Qtr 2007	Second Qtr 2006	Change 2007 vs. 2006 Favorable (Unfavorable)
Effect in "Other income – net"	\$ 23	\$ 9	\$ (14)
Effect in "Provision for income taxes"	29	9	20
Net benefit from synthetic fuel related investments	<u>\$ 6</u>	<u>\$ --</u>	<u>\$ 6</u>

# Expected Synthetic Fuel Effects

Second Half 2007

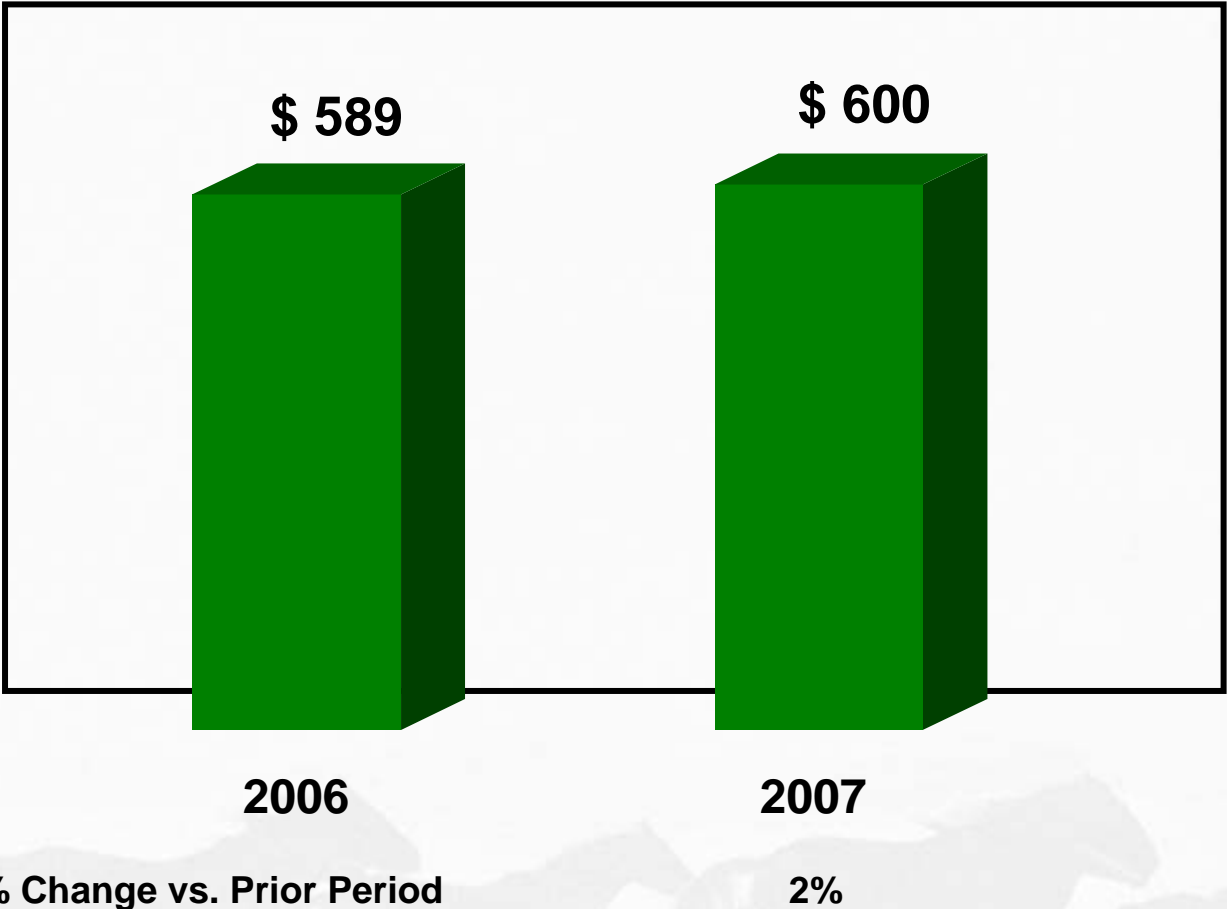
(\$ Millions)

	<u>New Investments</u>	<u>Original Investments</u>	<u>Combined Investments</u>
Effect in “Other income – net”	\$ 30	\$ 41	\$ 71
Effect in “Provision for income taxes”	<u>61</u>	<u>57</u>	<u>118</u>
Net benefit from synthetic fuel related investments	<u>\$ 31</u>	<u>\$ 16</u>	<u>\$ 47</u>

# Income Before Income Taxes

Second Quarter

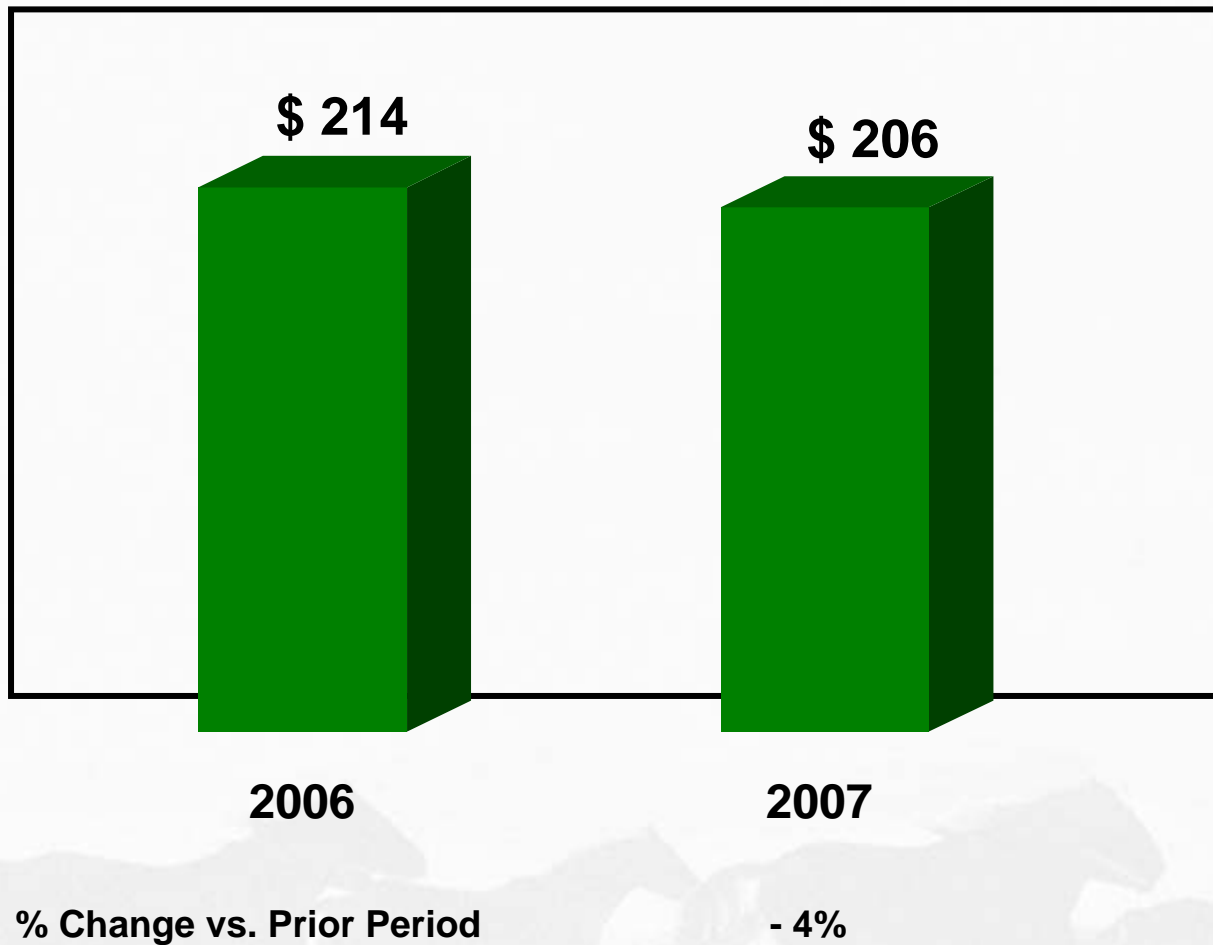
(\$ Millions)



# Income Taxes

Second Quarter

(\$ Millions)



# Share Repurchase Program

## Quarterly Activity

