

Citi Transportation Conference

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Norfolk Southern Corporation



Operating Results

Third Quarter 2008 vs. 2007

(\$ Millions)

	Third Qtr 2008	Third Qtr 2007	Favorable (Unfavorable)	
			\$	%
Railway Operating Revenues	\$ 2,894	\$ 2,353	\$ 541	23%

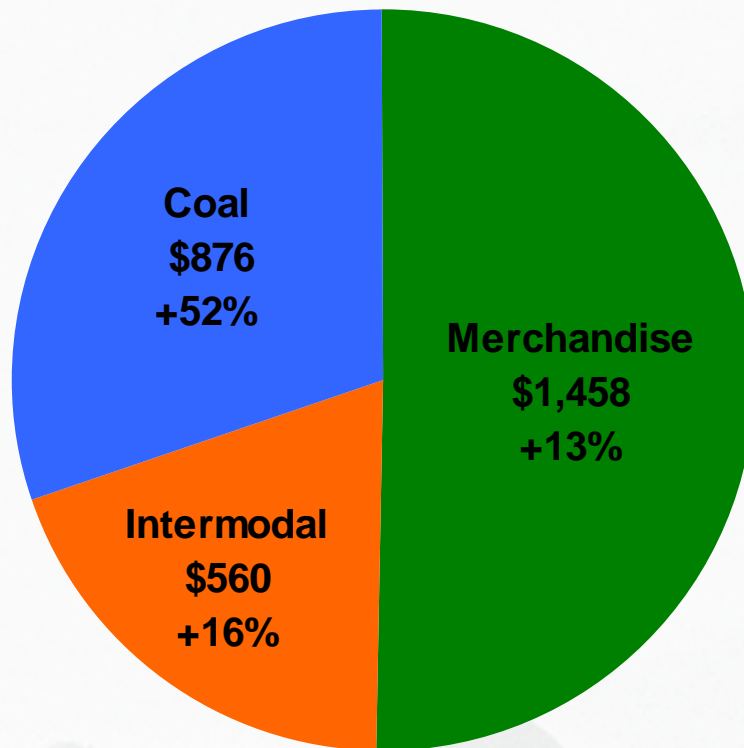
Railway Operating Revenue

Third Quarter 2008 vs. 2007

Revenue

Total - **\$2.9 Billion**

Up \$541 Million, 23% vs. 3Q 2007



- All time high quarterly revenue
- Improved pricing, higher fuel revenue and solid levels of service

Rev. \$Millions

Revenue Per Unit

Third Quarter 2008 vs. 2007

	3Q 2008 Rev/Unit	vs. 3Q 2007	
		Abs.	% Chg.
Agriculture	\$2,136	\$389	22%
MetCon	\$1,752	\$319	22%
Paper	\$2,376	\$331	16%
Chemicals	\$3,275	\$527	19%
Automotive	\$2,125	\$341	19%
Merchandise	\$2,232	\$366	20%
Intermodal	\$708	\$96	16%
Coal	\$1,941	\$588	43%
Total	\$1,527	\$295	24%

- 6 consecutive years of RPU increases

- Record RPU for all groups

- 9.5% pricing yield

- 2.3% increase in RTMs

NS Volume

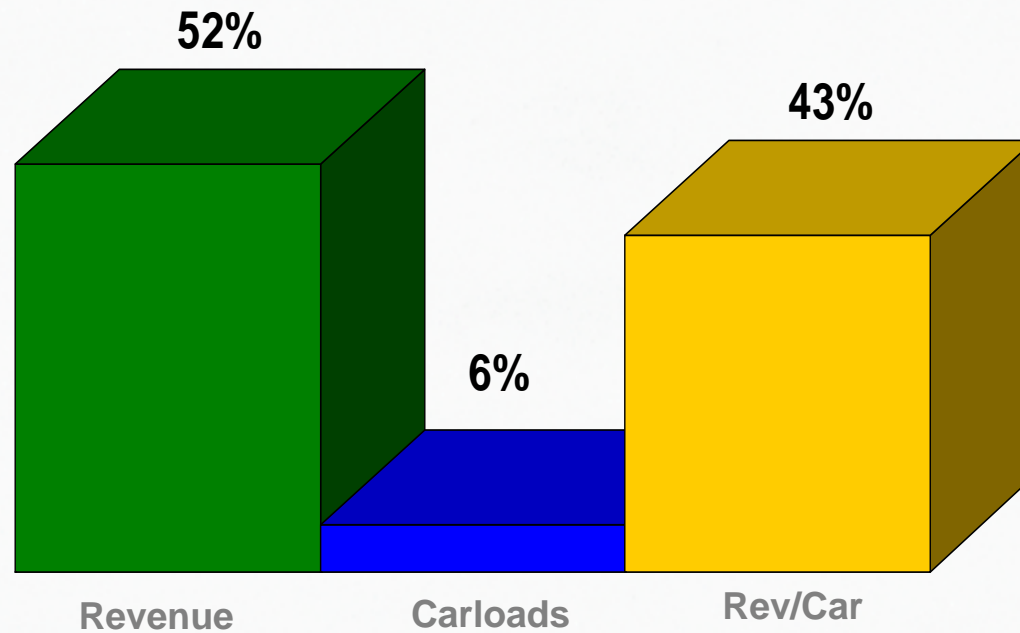
Third Quarter 2008 vs. 2007

	3Q 2008	vs. 3Q 2007	
	Units	Abs.	% Chg.
Coal	450,891	23,548	6%
Agriculture	158,527	7,111	5%
MetCon	203,797	3,519	2%
Intermodal	790,950	910	0%
Chemicals	103,022	(4,955)	(5%)
Paper	101,466	(7,009)	(6%)
Automotive	86,639	(36,866)	(30%)
Total	1,895,292	(13,742)	(1%)

- Record Agriculture shipments
- Record Coal tonnage
- Exports up 11%
- Imports down 13%

Coal Variance Analysis

Third Quarter 2008 vs. 2007



	3Q 2008	3Q 2007	Change
Revenue (\$Millions)	\$876	\$578	\$298
Volume	450,891	427,343	23,548
Rev/Car	\$1,941	\$1,353	\$588

Coal Volume

Third Quarter 2008 vs. 2007

Export

- Australian production challenges
- Higher Chinese coke prices

↑ 53%

Utility

- New business
- Export competes for coal supply

0%

Domestic Met, Coke & Iron Ore

- Coal sourcing changes
- New iron ore business

↑ 6%

Industrial

- Export competes for coal supply

↓ 4%

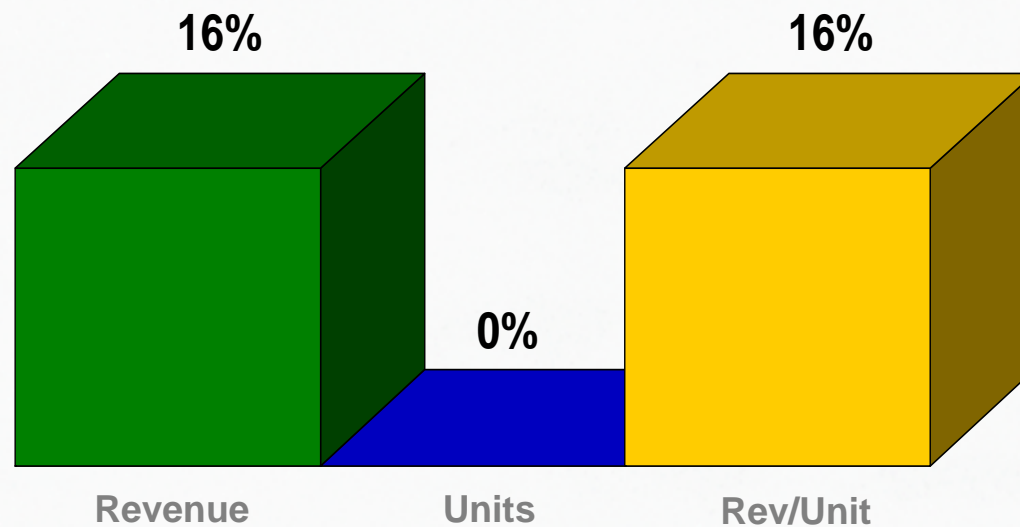
Coal Transportation Productivity Improvements



- Record payload of 110.2 tons/car
- Use of distributed power
- ECP brakes
- 9% improvement in transit time year-to-date
- 23% improvement in transit time achieved in 2007

Intermodal Variance Analysis

Third Quarter 2008 vs. 2007



	3Q 2008	3Q 2007	Change
Revenue (\$Millions)	\$560	\$484	\$76
Volume	790,950	790,040	910
Rev/Unit	\$708	\$612	\$96

Intermodal Volume

Third Quarter 2008 vs. 2007

Domestic

↑ 18%

- Truckload conversion of local Eastern traffic to Intermodal

Premium

↓ 2%

- Softer parcel volumes

International

↓ 9%

- Reduced import volumes
- Lower empty revenue container moves

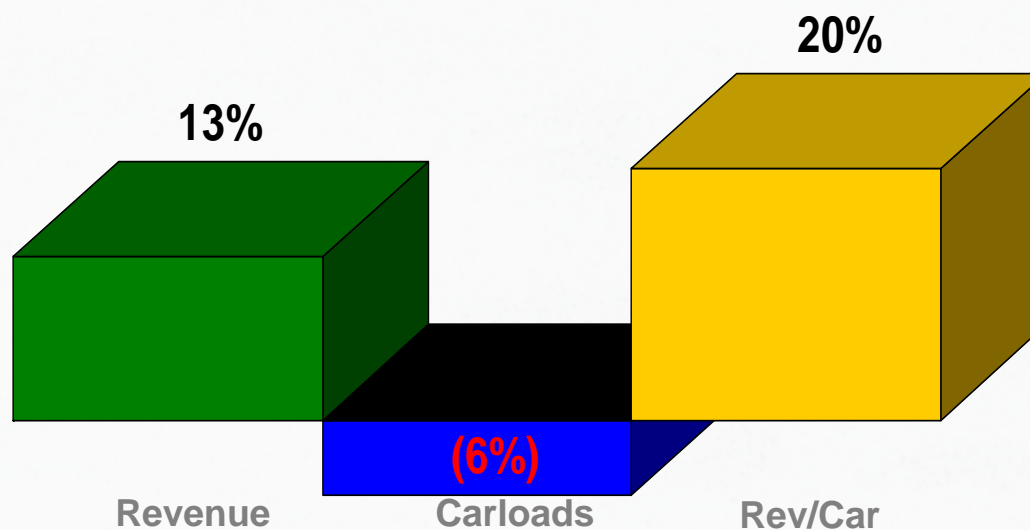
Triple Crown

↓ 5%

- Decline in auto production

Merchandise Variance Analysis

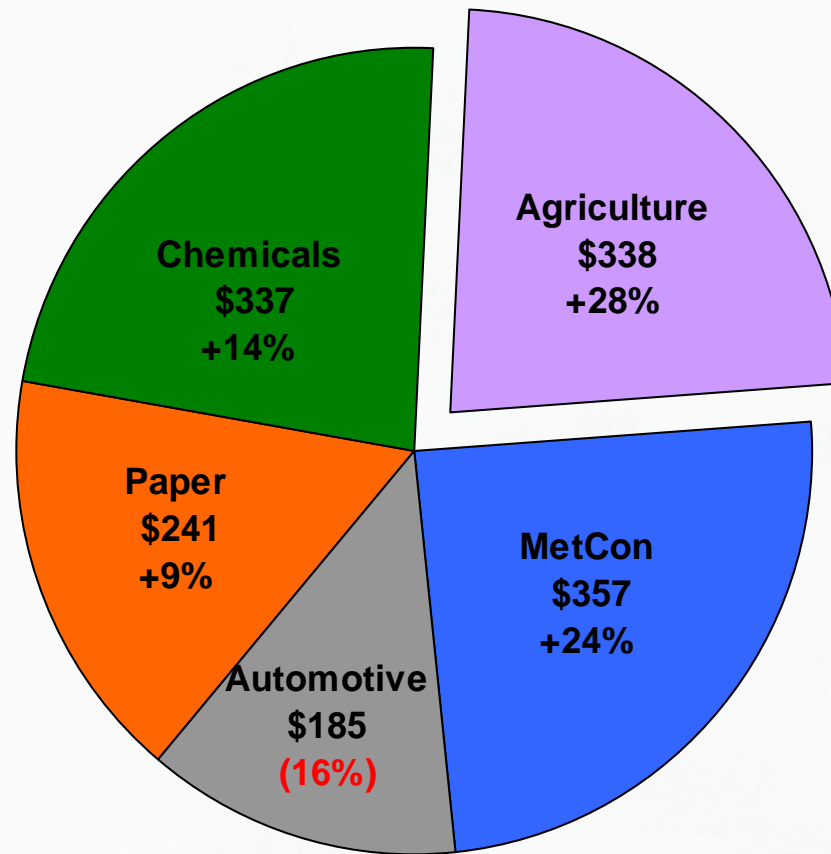
Third Quarter 2008 vs. 2007



Revenue (\$Millions)	\$1,458	\$1,291	\$167
Volume	653,451	691,651	(38,200)
Rev/Car	\$2,232	\$1,866	\$366

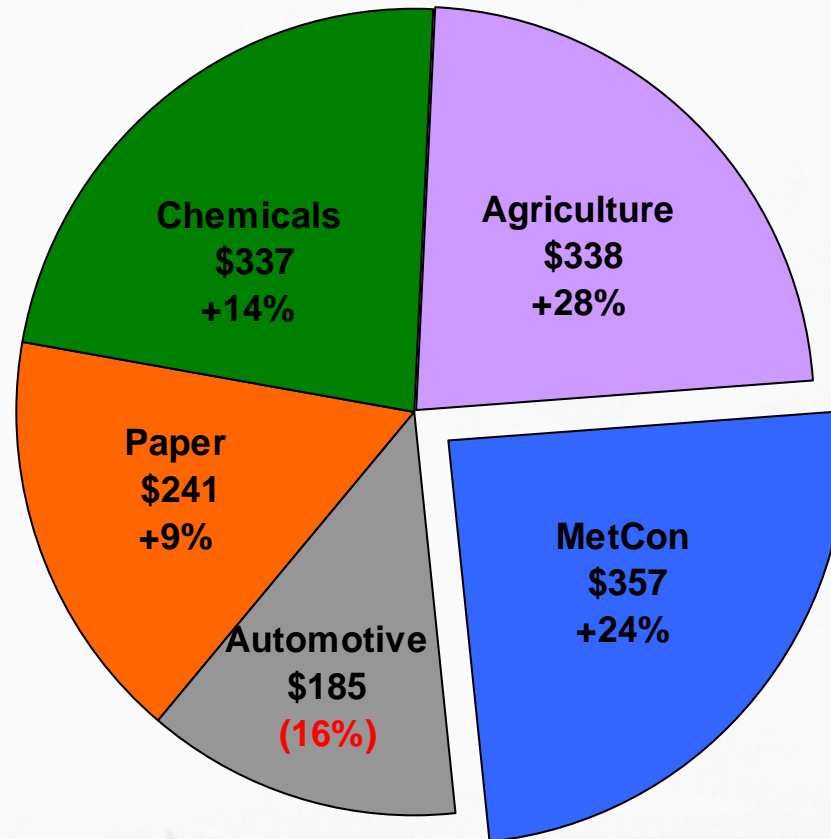
Agriculture Revenue

Third Quarter 2008 vs. 2007



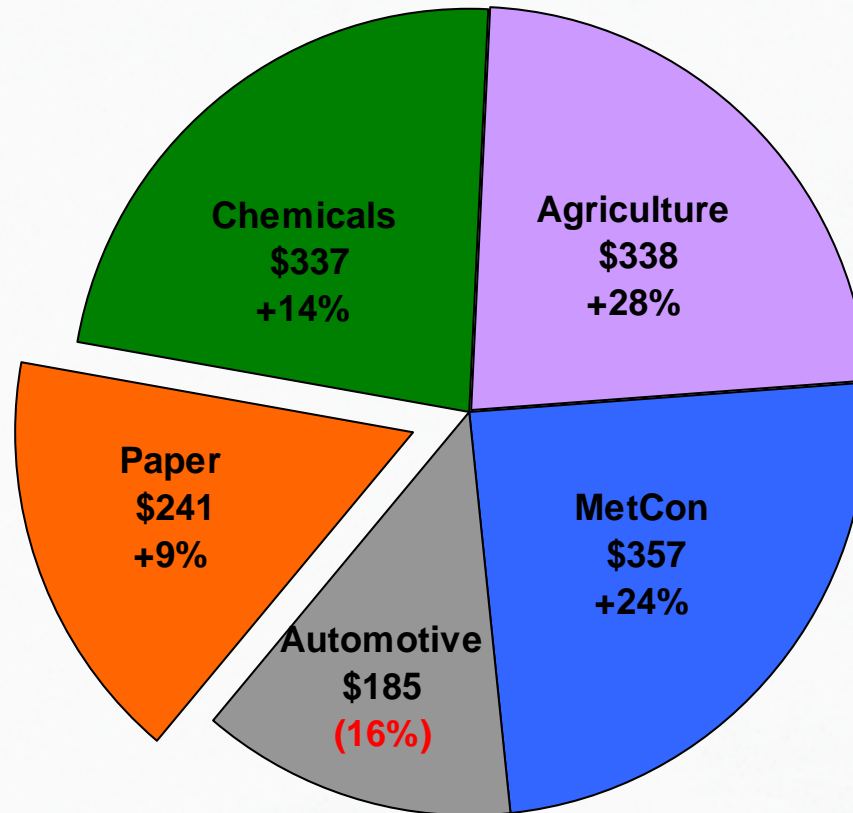
Metals and Construction Revenue

Third Quarter 2008 vs. 2007



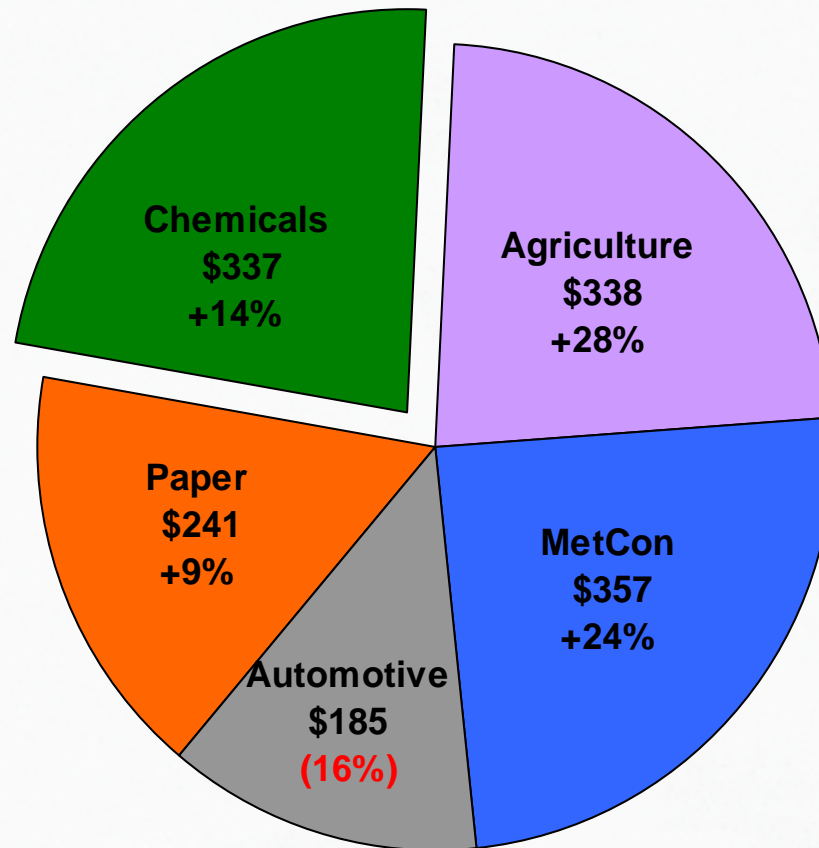
Paper, Clay and Forest Product Revenue

Third Quarter 2008 vs. 2007



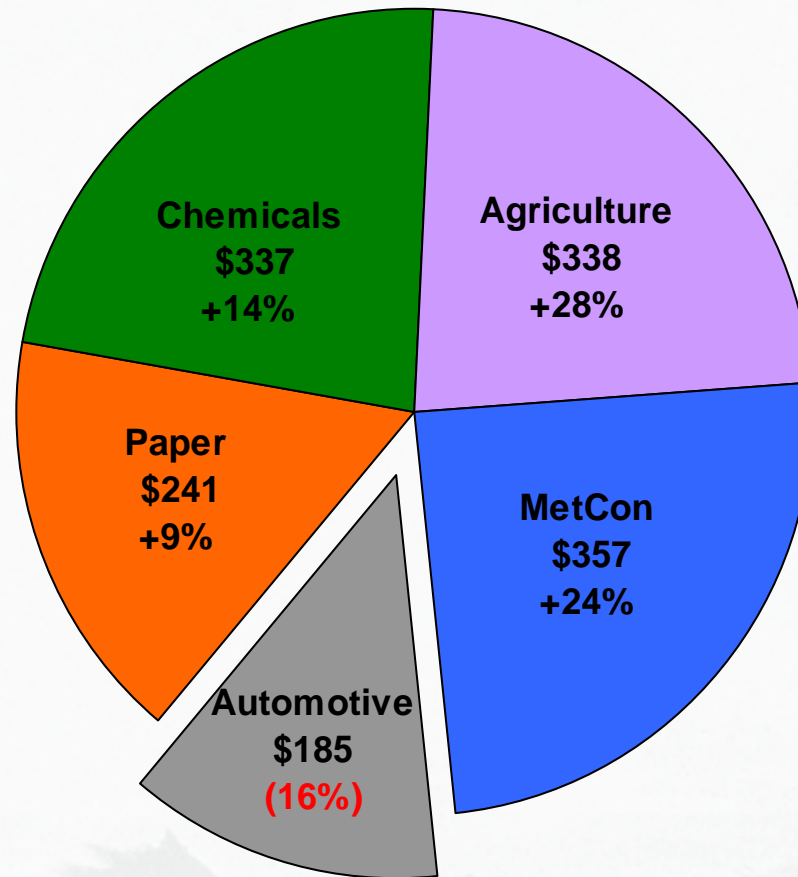
Chemicals Revenue

Third Quarter 2008 vs. 2007



Automotive Revenue

Third Quarter 2008 vs. 2007



Operating Results

Third Quarter 2008 vs. 2007

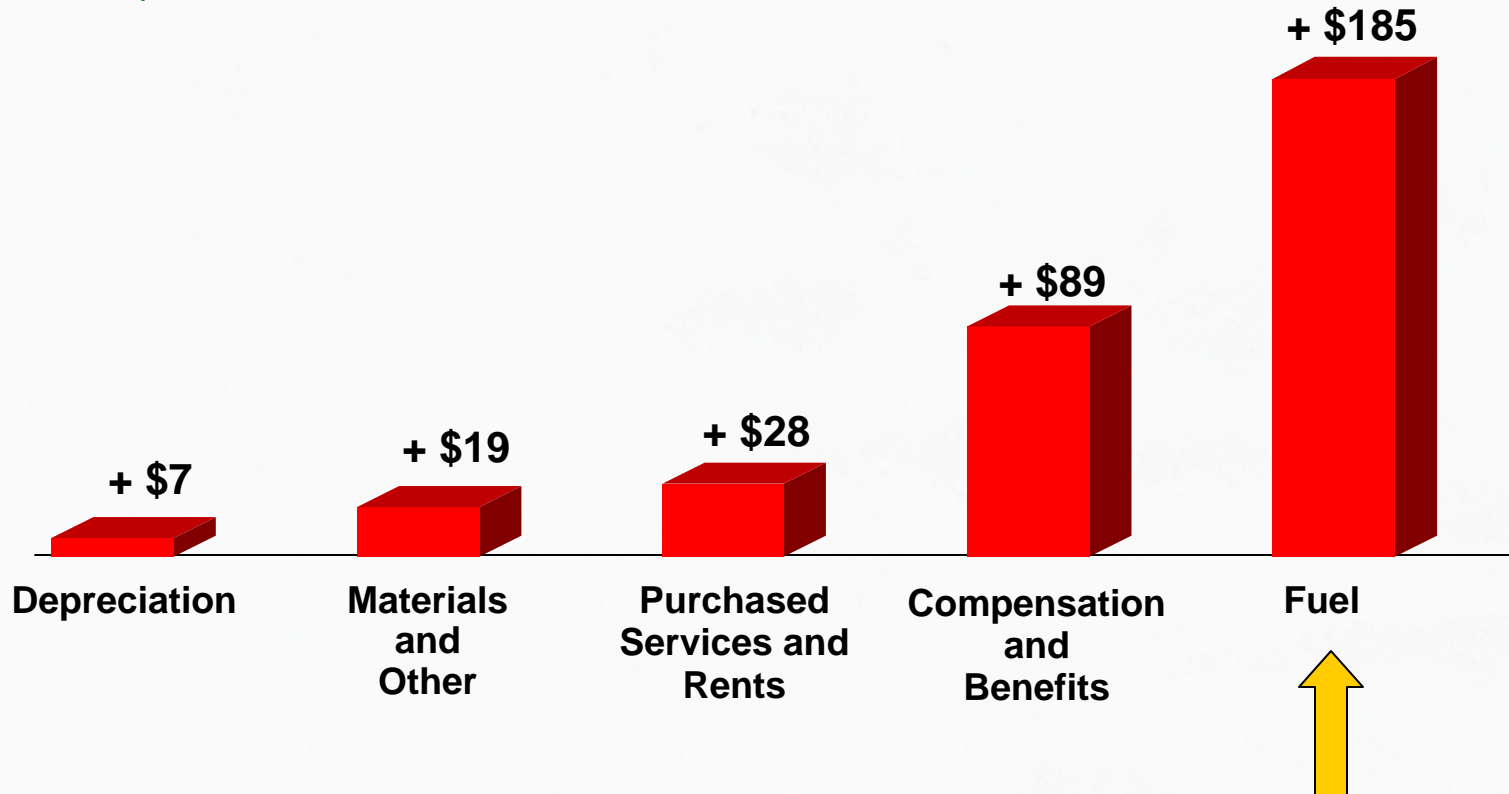
(\$ Millions)

	Third Qtr 2008	Third Qtr 2007	Favorable (Unfavorable)	
			\$	%
Railway Operating Revenues	\$ 2,894	\$ 2,353	\$ 541	23%
Railway Operating Expenses	2,000	1,672	(328)	(20)
Income From Railway Operations	<u>\$ 894</u>	<u>\$ 681</u>	<u>\$ 213</u>	<u>31%</u>
Railway Operating Ratio	69.1	71.1	2.0	3%

Railway Operating Expense Analysis

Third Quarter 2008 vs. 2007

(\$ Millions)

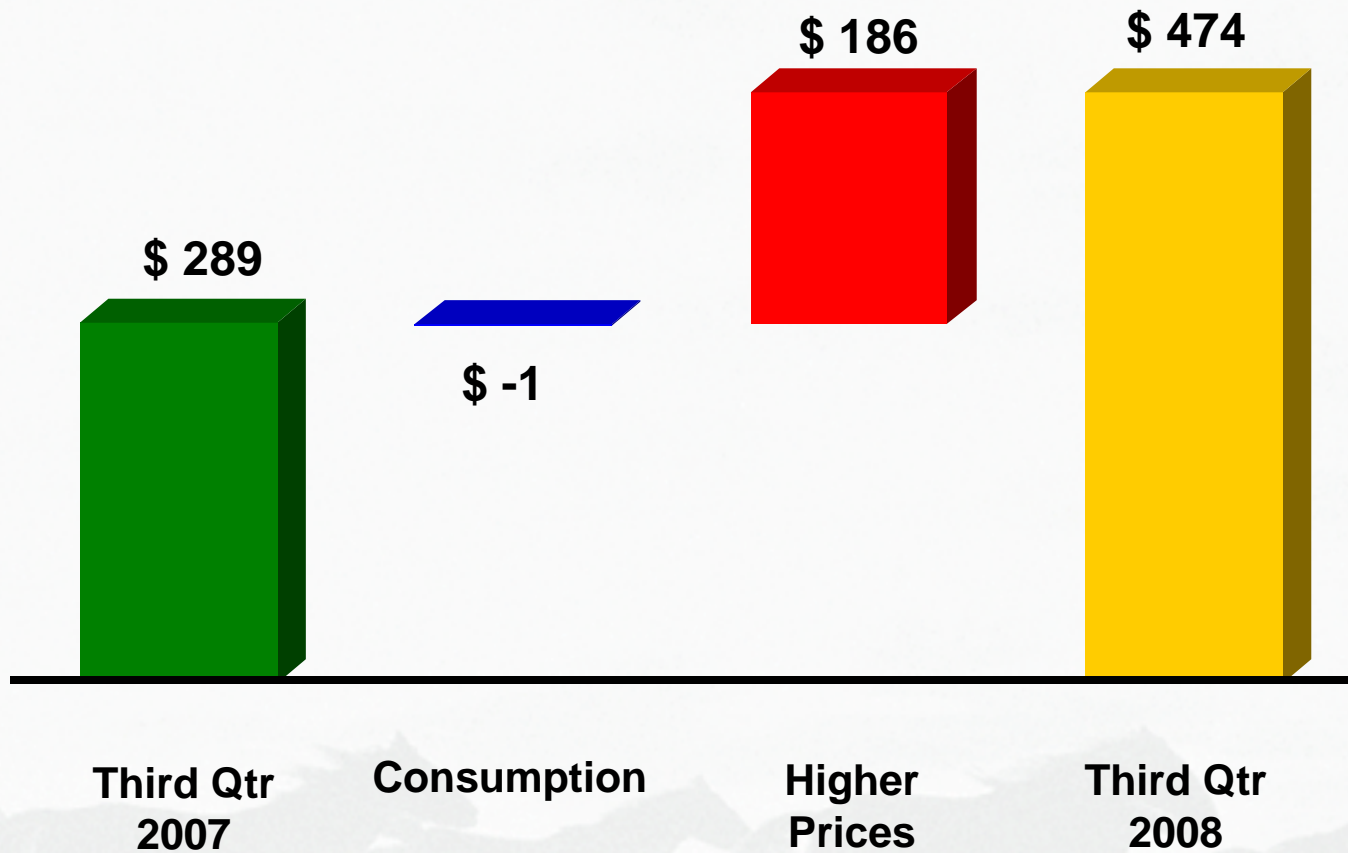


Total Increase \$ 328 Million / 20%

Fuel Expense Analysis

Third Quarter 2008 vs. 2007

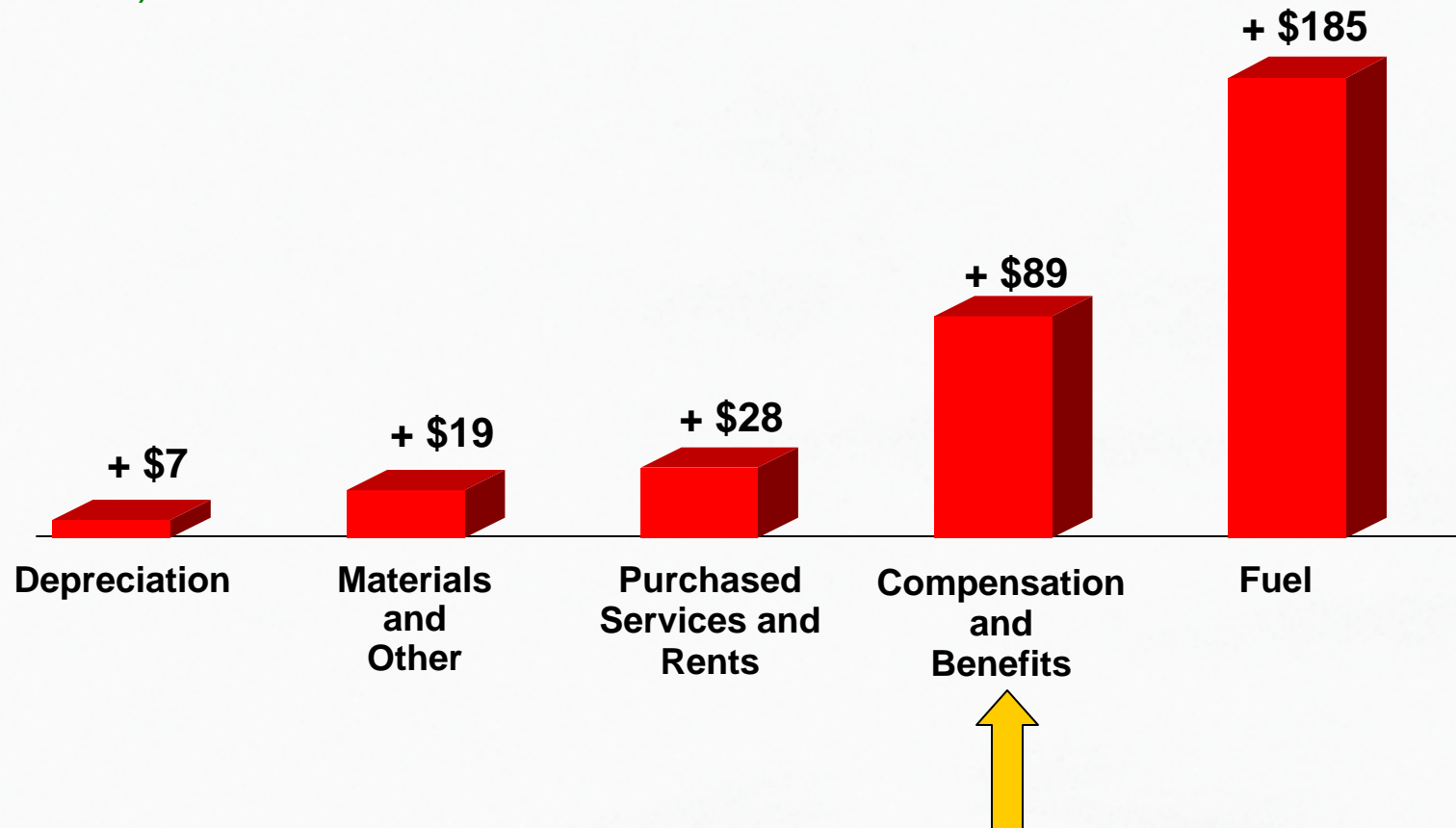
(\$ Millions)



Railway Operating Expense Analysis

Third Quarter 2008 vs. 2007

(\$ Millions)



Total Increase \$ 328 Million / 20%

Compensation and Benefits Analysis

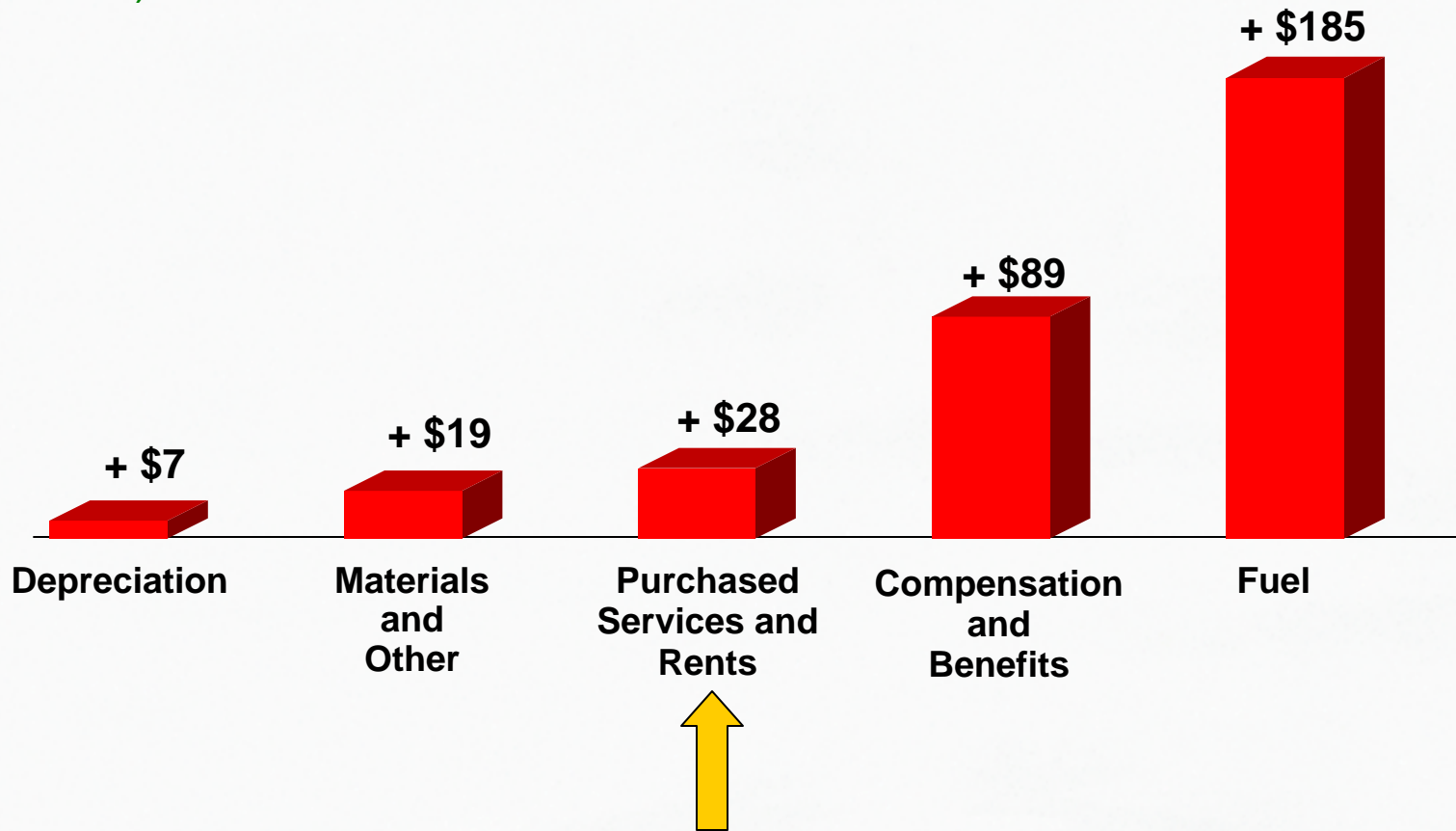
Third Quarter 2008 vs. 2007
(\$ Millions)

	<u>Increase</u>
BLET Agreement	\$ 28
Incentive Compensation	25
Wage Rates	18
Stock-Based Compensation	9
Payroll Taxes	6
Other	<u>3</u>
Total Variance	\$ <u><u>89</u></u>

Railway Operating Expense Analysis

Third Quarter 2008 vs. 2007

(\$ Millions)

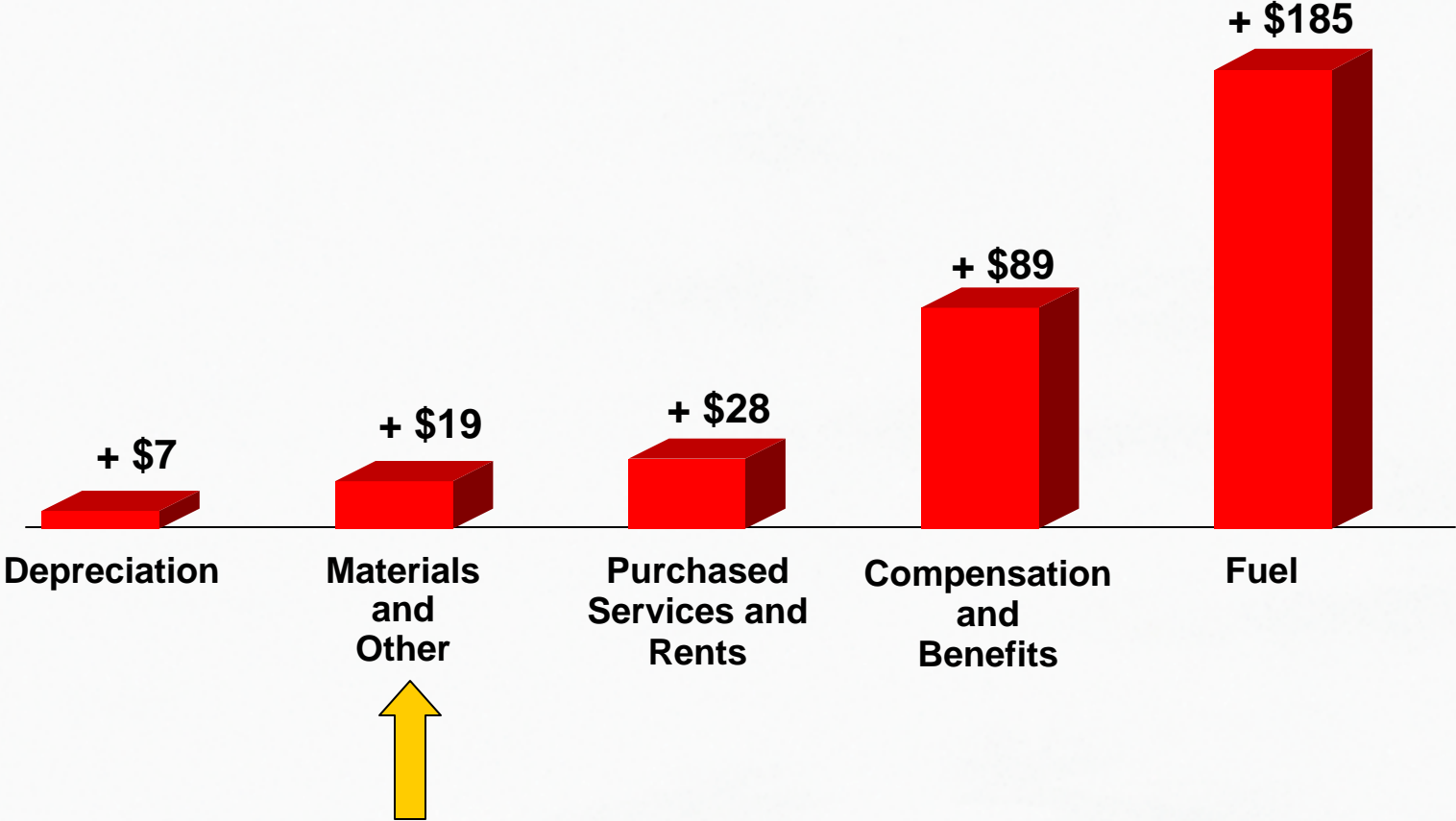


Total Increase \$ 328 Million / 20%

Railway Operating Expense Analysis

Third Quarter 2008 vs. 2007

(\$ Millions)

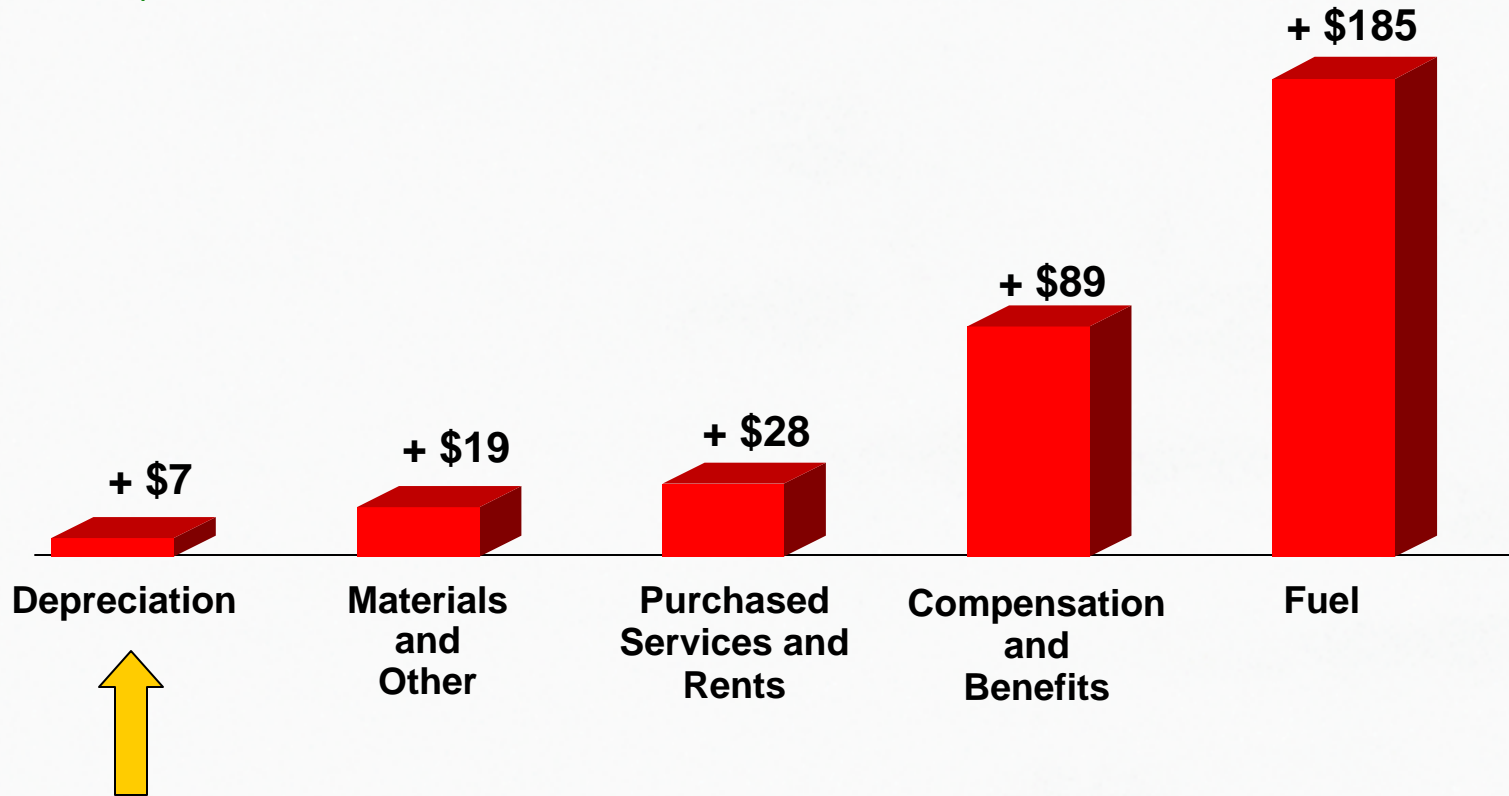


Total Increase \$ 328 Million / 20%

Railway Operating Expense Analysis

Third Quarter 2008 vs. 2007

(\$ Millions)



Total Increase \$ 328 Million / 20%

Other Income – Net

Third Quarter 2008 vs. 2007

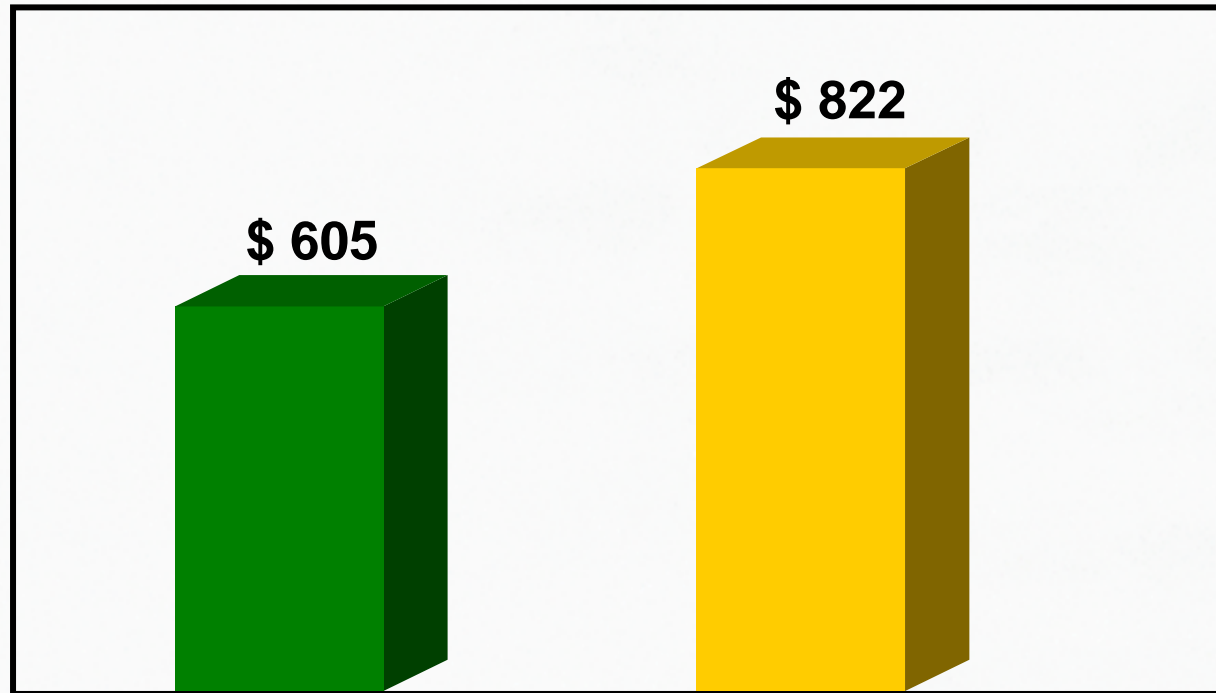
(\$ Millions)

	Third Qtr 2008	Third Qtr 2007	2008 vs. 2007 Favorable (Unfavorable)
Gains on the Sales of Properties and Investments	\$ 2	\$ 22	\$ (20)
Expenses Related to Synthetic Fuel Investments	--	(18)	18
Interest on Tax Deficiencies	7	(4)	11
All Other	30	31	(1)
Other Income – net	<u>\$ 39</u>	<u>\$ 31</u>	<u>\$ 8</u>
Interest Expense on Debt	\$ 111	\$ 107	\$ (4)

Income Before Income Taxes

Third Quarter

(\$ Millions)



2007

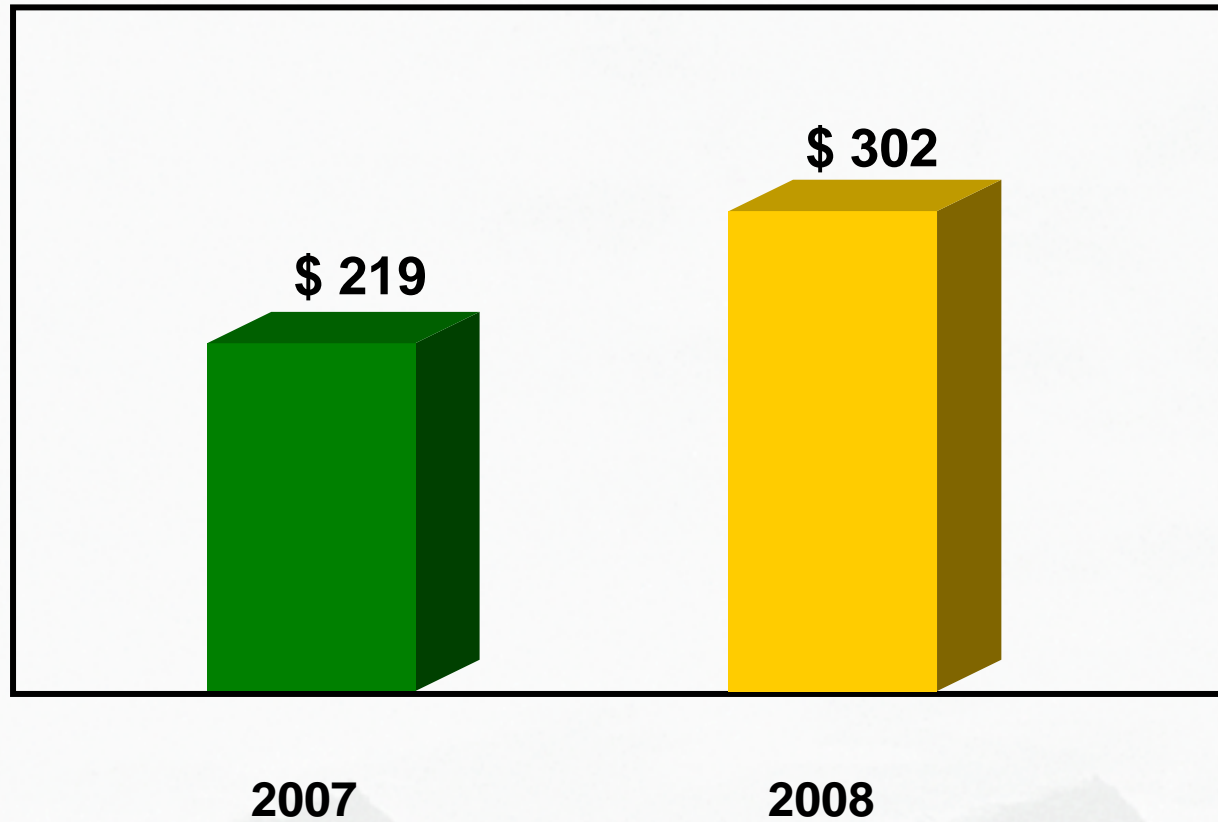
2008

Change vs. Prior Period

36%

Income Taxes

Third Quarter
(\$ Millions)



Change vs. Prior Period

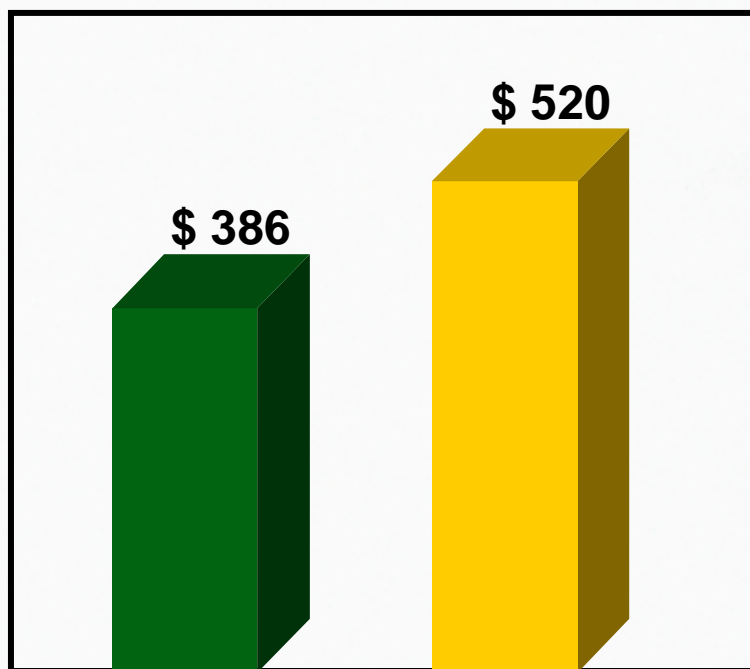
38%

Net Income and Diluted Earnings per Share

Third Quarter

(\$ Millions except per share)

Net Income



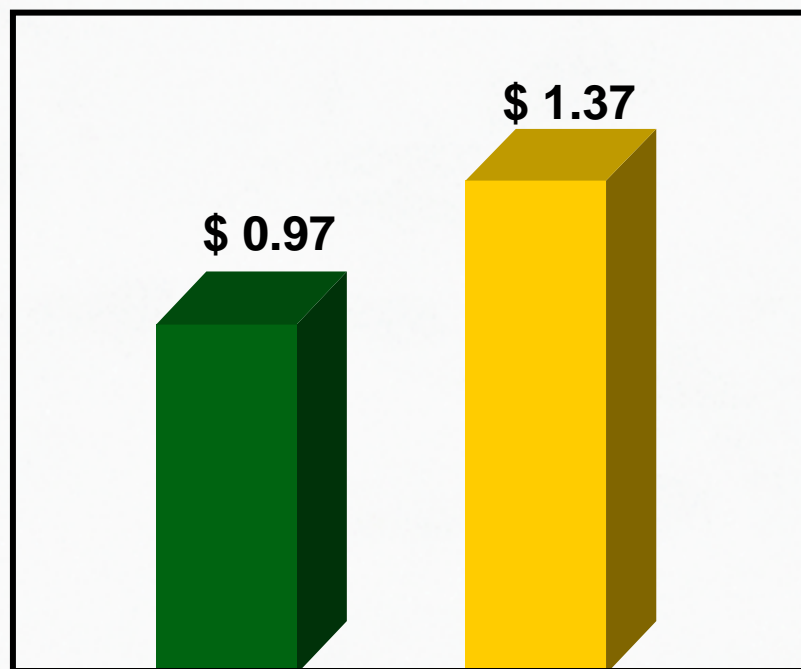
2007

2008

Change vs. Prior Period

35%

Diluted Earnings per Share



2007

2008

41%

Outlook

- **Merchandise**
 - **Weakness in automotive & housing related commodities**
 - **Continued project growth**
- **Intermodal**
 - **Continued growth in domestic**
 - **Ongoing weakness in imports**
- **Coal**
 - **Steady utility demand**
 - **Shortage of global coking coal**
 - **Domestic metallurgical volumes**
- **Expense initiatives**
 - **Train plan changes**
 - **Scenarios involving hiring and maintenance reductions**
- **Capital expenditure budget**

