

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

	Three Months Ended	
	September 30,	
	<u>2007</u>	<u>2006</u>
Railway operating revenues:		
Coal	\$ 578	\$ 595
General merchandise	1,291	1,283
Intermodal	484	515
Total railway operating revenues	<u>2,353</u>	<u>2,393</u>
Railway operating expenses:		
Compensation and benefits	619	624
Materials, services and rents	505	502
Depreciation	194	186
Diesel fuel	258	257
Casualties and other claims	33	50
Other	63	59
Total railway operating expenses	<u>1,672</u>	<u>1,678</u>
Income from railway operations	681	715
Other income – net	31	41
Interest expense on debt	107	120
Income before income taxes	605	636
Provision for income taxes:		
Current	178	235
Deferred	41	(15)
Total income taxes	<u>219</u>	<u>220</u>
Net income	<u>\$ 386</u>	<u>\$ 416</u>
Earnings per share:		
Basic	\$ 0.99	\$ 1.04
Diluted	\$ 0.97	\$ 1.02
Average shares outstanding (millions):		
Basic	389.0	402.0
Diluted	397.4	409.9

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

	Nine Months Ended	
	September 30,	
	<u>2007</u>	<u>2006</u>
Railway operating revenues:		
Coal	\$ 1,714	\$ 1,738
General merchandise	3,839	3,872
Intermodal	1,425	1,478
Total railway operating revenues	<u>6,978</u>	<u>7,088</u>
Railway operating expenses:		
Compensation and benefits	1,929	1,982
Materials, services and rents	1,498	1,507
Depreciation	578	551
Diesel fuel	726	748
Casualties and other claims	131	168
Other	217	189
Total railway operating expenses	<u>5,079</u>	<u>5,145</u>
Income from railway operations	1,899	1,943
Other income – net	59	109
Interest expense on debt	333	361
Income before income taxes	1,625	1,691
Provision for income taxes:		
Current	541	637
Deferred	19	(42)
Total income taxes	<u>560</u>	<u>595</u>
Net income	<u>\$ 1,065</u>	<u>\$ 1,096</u>
Earnings per share:		
Basic	\$ 2.71	\$ 2.68
Diluted	\$ 2.66	\$ 2.62
Average shares outstanding (millions):		
Basic	392.3	409.3
Diluted	400.5	418.2

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

	September 30, <u>2007</u>	December 31, <u>2006</u>
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 418	\$ 918
Accounts receivable – net	1,013	992
Materials and supplies	173	151
Deferred income taxes	188	186
Other current assets	59	153
Total current assets	<u>1,851</u>	<u>2,400</u>
Investments	1,934	1,755
Properties less accumulated depreciation	21,345	21,098
Other assets	830	775
Total assets	\$ <u>25,960</u>	\$ <u>26,028</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,127	\$ 1,181
Income and other taxes	245	205
Other current liabilities	267	216
Current maturities of long-term debt	383	491
Total current liabilities	<u>2,022</u>	<u>2,093</u>
Long-term debt	5,764	6,109
Other liabilities	1,930	1,767
Deferred income taxes	6,365	6,444
Total liabilities	<u>16,081</u>	<u>16,413</u>
Stockholders' equity:		
Common stock \$1.00 per share par value	408	418
Additional paid-in capital	1,471	1,303
Accumulated other comprehensive loss	(353)	(369)
Retained income	8,373	8,283
	<u>9,899</u>	<u>9,635</u>
Less treasury stock at cost, 20,683,686 and 20,780,638 shares, respectively	<u>(20)</u>	<u>(20)</u>
Total stockholders' equity	<u>9,879</u>	<u>9,615</u>
Total liabilities and stockholders' equity	\$ <u>25,960</u>	\$ <u>26,028</u>

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

Nine Months Ended
September 30,
2007 **2006**

Cash flows from operating activities:

Net income	\$	1,065	\$	1,096
Reconciliation of net income to net cash provided by operating activities:				
Depreciation		587		560
Deferred income taxes		19		(42)
Gains on properties and investments		(36)		(40)
Changes in assets and liabilities affecting operations:				
Accounts receivable		(21)		(96)
Materials and supplies		(22)		(26)
Other current assets		80		84
Current liabilities other than debt		67		146
Other – net		72		35
Net cash provided by operating activities		1,811		1,717

Cash flows from investing activities:

Property additions		(895)		(862)
Property sales and other transactions		105		86
Investments, including short-term		(568)		(1,504)
Investment sales and other transactions		758		1,739
Net cash used for investing activities		(600)		(541)

Cash flows from financing activities:

Dividends		(276)		(207)
Common stock issued – net		166		240
Purchase and retirement of common stock (note 1)		(769)		(916)
Debt repayments		(454)		(312)
Net cash used for financing activities		(1,333)		(1,195)
Net decrease in cash and cash equivalents		(122)		(19)

Cash and cash equivalents:

At beginning of year		527		289
At end of period		405		270

Short-term investments at end of period

	13	533
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Cash, cash equivalents and short-term investments at end of period

\$	418	\$	803
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Supplemental disclosures of cash flow information

Cash paid during the period for:				
Interest (net of amounts capitalized)	\$	279	\$	300
Income taxes (net of refunds)	\$	386	\$	483

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:

1. STOCK REPURCHASE PROGRAM –

In March 2007, NS' Board of Directors amended the stock repurchase program that was authorized in November 2005 to increase the number of shares of NS common stock that may be repurchased from 50 million to 75 million. In addition, the authorization term was shortened from December 31, 2015 to December 31, 2010. During the first nine months of 2007, NS purchased and retired 15.1 million shares of common stock at a cost of \$769 million. Since inception, NS has purchased and retired 36.9 million shares at a total cost of \$1.7 billion under this program.