

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

| | Three Months Ended June 30, | |
|--|------------------------------------|----------------------|
| | <u>2008</u> | <u>2007</u> |
| Railway operating revenues: | | |
| Coal | \$ 775 | \$ 579 |
| General merchandise | 1,458 | 1,320 |
| Intermodal | 532 | 479 |
| Total railway operating revenues | <u>2,765</u> | <u>2,378</u> |
| Railway operating expenses: | | |
| Compensation and benefits | 662 | 629 |
| Purchased services and rents | 400 | 380 |
| Fuel | 491 | 279 |
| Depreciation | 199 | 192 |
| Materials and other | 214 | 208 |
| Total railway operating expenses | <u>1,966</u> | <u>1,688</u> |
| Income from railway operations | 799 | 690 |
| Other income – net | 46 | 21 |
| Interest expense on debt | 112 | 111 |
| Income before income taxes | 733 | 600 |
| Provision for income taxes: | | |
| Current | 242 | 225 |
| Deferred | 38 | (19) |
| Total income taxes | <u>280</u> | <u>206</u> |
| Net income | <u>\$ 453</u> | <u>\$ 394</u> |
| Earnings per share: | | |
| Basic | \$ 1.20 | \$ 1.00 |
| Diluted | \$ 1.18 | \$ 0.98 |
| Weighted average shares outstanding (millions) (note 1): | | |
| Basic | 375.4 | 393.7 |
| Diluted | 383.5 | 401.7 |

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

| | Six Months Ended June 30, | |
|--|----------------------------------|----------------------|
| | <u>2008</u> | <u>2007</u> |
| Railway operating revenues: | | |
| Coal | \$ 1,437 | \$ 1,136 |
| General merchandise | 2,810 | 2,548 |
| Intermodal | 1,018 | 941 |
| Total railway operating revenues | <u>5,265</u> | <u>4,625</u> |
| Railway operating expenses: | | |
| Compensation and benefits | 1,367 | 1,310 |
| Purchased services and rents | 775 | 764 |
| Fuel | 895 | 527 |
| Depreciation | 397 | 384 |
| Materials and other | 454 | 422 |
| Total railway operating expenses | <u>3,888</u> | <u>3,407</u> |
| Income from railway operations | 1,377 | 1,218 |
| Other income – net | 53 | 28 |
| Interest expense on debt | 221 | 226 |
| Income before income taxes | 1,209 | 1,020 |
| Provision for income taxes: | | |
| Current | 402 | 363 |
| Deferred | 63 | (22) |
| Total income taxes | <u>465</u> | <u>341</u> |
| Net income | <u>\$ 744</u> | <u>\$ 679</u> |
| Earnings per share: | | |
| Basic | \$ 1.98 | \$ 1.72 |
| Diluted | \$ 1.94 | \$ 1.69 |
| Weighted average shares outstanding (millions) (note 1): | | |
| Basic | 375.6 | 394.0 |
| Diluted | 383.7 | 402.0 |

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

| | June 30, <u>2008</u> | Dec. 31, <u>2007</u> |
|--|---------------------------------------|---------------------------------------|
| Assets | | |
| Current assets: | | |
| Cash, cash equivalents and short-term investments | \$ 454 | \$ 206 |
| Accounts receivable – net | 1,084 | 942 |
| Materials and supplies | 203 | 176 |
| Deferred income taxes | 169 | 190 |
| Other current assets | <u>116</u> | <u>161</u> |
| Total current assets | 2,026 | 1,675 |
| Investments | 1,804 | 1,974 |
| Properties less accumulated depreciation | 21,824 | 21,583 |
| Other assets | <u>760</u> | <u>912</u> |
| Total assets | \$ <u>26,414</u> | \$ <u>26,144</u> |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,114 | \$ 1,139 |
| Income and other taxes | 282 | 203 |
| Other current liabilities | 246 | 237 |
| Current maturities of long-term debt | <u>486</u> | <u>369</u> |
| Total current liabilities | 2,128 | 1,948 |
| Long-term debt | 6,003 | 5,999 |
| Other liabilities | 1,812 | 2,039 |
| Deferred income taxes | <u>6,479</u> | <u>6,431</u> |
| Total liabilities | <u>16,422</u> | <u>16,417</u> |
| Stockholders' equity: | | |
| Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 375,199,214 and 379,297,891 shares, respectively, net of treasury shares | 376 | 380 |
| Additional paid-in capital | 1,657 | 1,466 |
| Accumulated other comprehensive loss | (392) | (399) |
| Retained income | <u>8,351</u> | <u>8,280</u> |
| Total stockholders' equity | <u>9,992</u> | <u>9,727</u> |
| Total liabilities and stockholders' equity | \$ <u>26,414</u> | \$ <u>26,144</u> |

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

| | Six Months Ended June 30, | |
|--|----------------------------------|--------------------|
| | <u>2008</u> | <u>2007</u> |
| Cash flows from operating activities: | | |
| Net income | \$ 744 | \$ 679 |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Depreciation | 402 | 390 |
| Deferred income taxes | 63 | (22) |
| Gains on properties and investments | (22) | (14) |
| Changes in assets and liabilities affecting operations: | | |
| Accounts receivable | 55 | (9) |
| Materials and supplies | (27) | (24) |
| Other current assets | 34 | 54 |
| Current liabilities other than debt | (245) | 25 |
| Other – net | 54 | 58 |
| Net cash provided by operating activities | <u>1,058</u> | <u>1,137</u> |
| Cash flows from investing activities: | | |
| Property additions | (676) | (575) |
| Property sales and other transactions | 66 | 69 |
| Investments, including short-term | (34) | (445) |
| Investment sales and other transactions | 251 | 566 |
| Net cash used in investing activities | <u>(393)</u> | <u>(385)</u> |
| Cash flows from financing activities: | | |
| Dividends | (218) | (174) |
| Common stock issued – net | 177 | 154 |
| Purchase and retirement of common stock (note 1) | (494) | (427) |
| Proceeds from borrowings | 1,225 | -- |
| Debt repayments | (1,107) | (433) |
| Net cash used in financing activities | <u>(417)</u> | <u>(880)</u> |
| Net increase (decrease) in cash and cash equivalents | 248 | (128) |
| Cash and cash equivalents: | | |
| At beginning of year | <u>206</u> | <u>527</u> |
| At end of period | 454 | 399 |
| Short-term investments at end of period | <u>--</u> | <u>93</u> |
| Cash, cash equivalents and short-term investments at end of period | <u>\$ 454</u> | <u>\$ 492</u> |
| Supplemental disclosures of cash flow information | | |
| Cash paid during the period for: | | |
| Interest (net of amounts capitalized) | \$ 208 | \$ 235 |
| Income taxes (net of refunds) | \$ 235 | \$ 240 |

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 so as to increase the number of shares of NS common stock that may be repurchased from 50 million to 75 million. In addition, the term of the program was shortened from December 31, 2015 to December 31, 2010. During the first six months of 2008, NS purchased and retired 9.0 million shares of common stock at a cost of \$494 million. Since inception of this program, NS has purchased and retired 54.4 million shares at a total cost of \$2.7 billion.