

Quarterly Financial Review

Fourth Quarter 2004



Norfolk Southern Corporation
Finance Department
Three Commercial Place
Norfolk, Virginia 23510.2191

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The accompanying unaudited interim financial statements should be read in conjunction with: (a) the financial statements and notes included in the Corporation's latest Annual Report on Form 10-K and in subsequent Quarterly Reports on Form 10-Q, and (b) any Current Reports on Form 8-K.

Consolidated Statements of Income

Three Months Ended December 31,
(\$ millions except per share)

	2004	2003
Railway operating revenues:		
Coal	\$ 459	\$ 385
General merchandise	1,049	956
Intermodal	441	335
Total railway operating revenues	1,949	1,676
Railway operating expenses:		
Compensation and benefits (note 2)	592	683
Materials, services and rents	436	344
Conrail rents and services (note 1)	37	105
Depreciation (note 1)	189	129
Diesel fuel	138	97
Casualties and other claims	42	39
Other	53	55
Total railway operating expenses	1,487	1,452
Income from railway operations	462	224
Other income — net (note 3)	39	(38)
Interest expense on debt	(126)	(124)
Income before income taxes	375	62
Provision (benefit) for income taxes:		
Current	23	(6)
Deferred	88	16
Total income taxes	111	10
Net income	\$ 264	\$ 52
Earnings per share:		
Basic	\$ 0.66	\$ 0.13
Diluted	\$ 0.65	\$ 0.13
Average shares outstanding (000's)	398,723	390,357

Notes to Consolidated Financial Statements

1. Conrail Corporate Reorganization — On August 27, 2004, NS, CSX and Conrail completed a corporate reorganization of Conrail that resulted in the direct ownership and control by Norfolk Southern Railway Company (NSR) of routes and assets that had previously been operated by NSR under operating and lease agreements with a Conrail subsidiary. As a part of the reorganization, NSR issued new unsecured debt obligations, which were exchanged for unsecured debt obligations of Consolidated Rail Corporation (CRC), a Conrail subsidiary. In addition, NSR entered into new lease and sublease arrangements with CRC to support CRC's secured debt and lease obligations, and the long-term note due to Conrail was eliminated. The reorganization did not affect the Shared Assets Areas, which continue to be owned and operated by CRC, and are reflected in NS' remaining Investment in Conrail as shown in the Consolidated Balance Sheet.

This distribution was accounted for at fair value, resulting in a net gain of \$53 million, which is included in Other income - net in the Consolidated Statement of Income for the year. The gain increased net income by \$53 million, or 13 cents per share (basic and diluted).

2. Voluntary Separation Program in 2003 — Fourth-quarter 2003 results included \$107 million of costs related to a voluntary separation program, which reduced net income by \$66 million, or 17 cents per share (basic and diluted).

3. Asset Impairment in 2003 — Fourth-quarter 2003 results included an \$84 million non-cash reduction in the carrying value of certain telecommunications assets to recognize their impaired value. This charge reduced net income by \$53 million, or 13 cents per share (basic and diluted).

See notes to consolidated financial statements on pages 2-5.

Consolidated Statements of Income

Years Ended December 31,

(\$ millions except per share)

	2004	2003
Railway operating revenues:		
Coal	\$ 1,728	\$ 1,500
General merchandise	4,047	3,729
Intermodal	1,537	1,239
Total railway operating revenues	7,312	6,468
Railway operating expenses:		
Compensation and benefits (note 2)	2,272	2,275
Materials, services and rents	1,601	1,427
Conrail rents and services (note 1)	319	419
Depreciation (note 1)	598	513
Diesel fuel	449	380
Casualties and other claims	151	181
Other	220	209
Total railway operating expenses	5,610	5,404
Income from railway operations	1,702	1,064
Other income — net (notes 1 and 3)	89	19
Interest expense on debt	(489)	(497)
Income from continuing operations before income taxes and accounting changes	1,302	586
Provision for income taxes:		
Current	179	43
Deferred	200	132
Total income taxes	379	175
Income from continuing operations before accounting changes	923	411
Discontinued operations — taxes on sale of motor carrier (note 4)	—	10
Cumulative effect of changes in accounting principles, net of taxes (note 5)	—	114
Net income	\$ 923	\$ 535
Earnings per share:		
Income from continuing operations before accounting changes		
Basic	\$ 2.34	\$ 1.05
Diluted	\$ 2.31	\$ 1.05
Net Income		
Basic	\$ 2.34	\$ 1.37
Diluted	\$ 2.31	\$ 1.37
Average shares outstanding (000's)	394,201	389,788

See notes to consolidated financial statements on pages 2-5.

Notes to Consolidated Financial Statements (continued)

4. Discontinued Operations in 2003 —

First-quarter 2003 results included an additional after-tax gain of \$10 million, or 3 cents per share (basic and diluted), related to the 1998 sale of NS' motor carrier subsidiary, North American Van Lines, Inc. This non-cash gain resulted from the resolution of tax issues related to the transaction.

5. Changes in Accounting Principles in 2003 —

NS adopted Financial Accounting Standards Board (FASB) Statement No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143), effective Jan. 1, 2003, and recorded a \$110 million net adjustment (\$182 million before taxes) for the cumulative effect of this change in accounting on years prior to 2003. Pursuant to SFAS No. 143, the cost to remove cross-ties must be recorded as an expense when incurred; previously these removal costs were accrued as a component of depreciation.

NS also adopted FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN No. 46), effective Jan. 1, 2003, and recorded a \$4 million net adjustment (\$6 million before taxes) for the cumulative effect of this change in accounting on years prior to 2003. Pursuant to FIN No. 46, NS has consolidated a special-purpose entity that leases certain locomotives to NS.

The cumulative effect of these changes amounted to \$114 million, or 29 cents per share (basic and diluted).

Consolidated Balance Sheets

As of December 31,
(\$ millions)

	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 579	\$ 284
Short-term investments	90	2
Accounts receivable — net	767	695
Materials and supplies	104	92
Deferred income taxes	187	189
Other current assets	240	163
Total current assets	1,967	1,425
Investment in Conrail (note 1)	805	6,259
Properties less accumulated depreciation (note 1)	20,526	11,779
Other assets	1,452	1,133
Total assets	\$ 24,750	\$ 20,596
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,012	\$ 948
Income and other taxes	210	199
Due to Conrail	78	81
Other current liabilities	239	213
Current maturities of long-term debt	662	360
Total current liabilities	2,201	1,801
Long-term debt (note 1)	6,863	6,800
Other liabilities	1,146	1,080
Due to Conrail (note 1)	—	716
Deferred income taxes (note 1)	6,550	3,223
Total liabilities	16,760	13,620
Stockholders' equity:		
Common stock \$1.00 per share par value	421	412
Additional paid-in capital	728	521
Unearned restricted stock	(8)	(5)
Accumulated other comprehensive loss	(24)	(44)
Retained income	6,893	6,112
	8,010	6,996
Less treasury stock at cost, 20,907,125 and 21,016,125 shares, respectively	(20)	(20)
Total stockholders' equity	7,990	6,976
Total liabilities and stockholders' equity	\$ 24,750	\$ 20,596

See notes to consolidated financial statements on pages 2-5.

Consolidated Statements of Cash Flow

Years Ended December 31,
(\$ millions)

	2004	2003
Cash flows from operating activities:		
Net income	\$ 923	\$ 535
Reconciliation of net income to net cash provided by operating activities:		
Net cumulative effect of changes in accounting principles (note 5)	—	(114)
Depreciation	609	528
Deferred income taxes	200	132
Equity in earnings of Conrail	(54)	(58)
Gain on Conrail corporate reorganization (note 1)	(53)	—
Gains on properties and investments	(46)	(45)
Income from discontinued operations (note 4)	—	(10)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(71)	(12)
Materials and supplies	(12)	5
Other current assets	(18)	(4)
Current liabilities other than debt	126	(25)
Other — net	57	122
Net cash provided by operating activities	<u>1,661</u>	<u>1,054</u>
Cash flows from investing activities:		
Property additions	(1,041)	(720)
Property sales and other transactions	75	78
Investments, including short-term	(228)	(106)
Investment sales and other transactions	61	108
Net cash used for investing activities	<u>(1,133)</u>	<u>(640)</u>
Cash flows from financing activities:		
Dividends	(142)	(117)
Common stock issued — net	162	13
Redemption of minority interest	—	(43)
Proceeds from borrowings (note 6)	202	261
Debt repayments	(455)	(428)
Net cash used for financing activities	<u>(233)</u>	<u>(314)</u>
Net increase in cash and cash equivalents	295	100
Cash and cash equivalents:		
At beginning of year	284	184
At end of year	<u>\$ 579</u>	<u>\$ 284</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest (net of amounts capitalized)	\$ 483	\$ 510
Income taxes	\$ 146	\$ 93

See notes to consolidated financial statements on pages 2-5.

Notes to Consolidated Financial Statements (continued)

6. Payments to Conrail — Payments made to Conrail in accordance with the operating and lease agreements in place before the Conrail corporate reorganization (see note 1 on page 2) reduce NS' "Net cash provided by operating activities." A significant portion of these payments was borrowed back from a Conrail subsidiary. The net borrowings are included in NS' "Net cash used for financing activities" and totaled \$118 million in 2004 and \$203 million in 2003.

Consolidated Financial Information

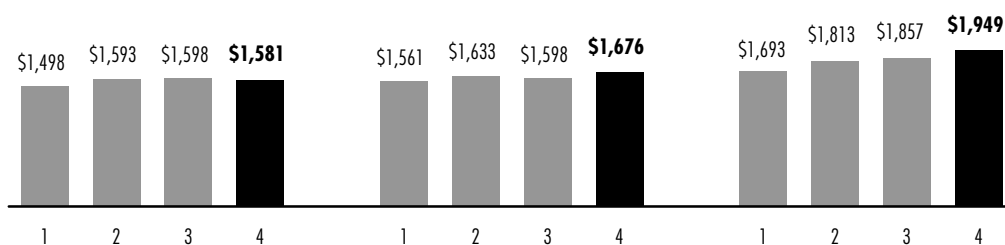
2002

2003

2004

Railway Operating Revenues

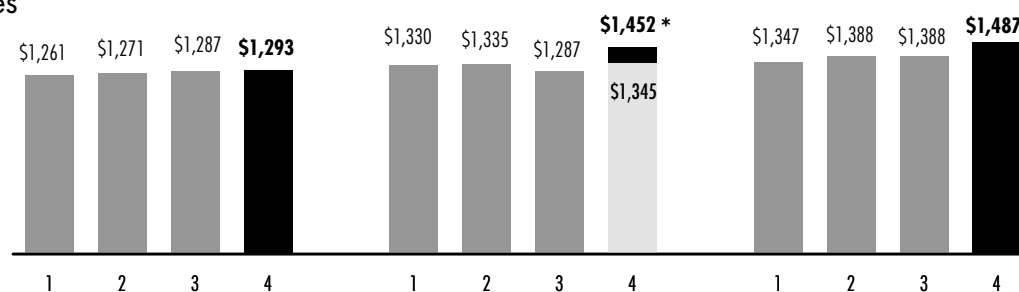
(see page 16 for details)



Railway Operating Expenses

(see page 16 for details)

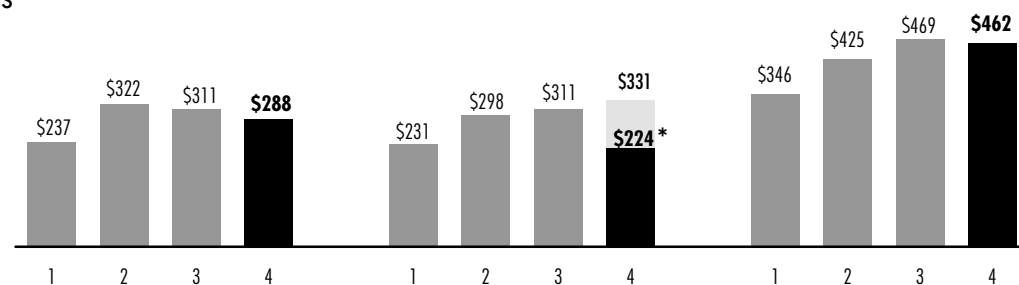
* Includes \$107 million of costs related to a voluntary separation program (see note 2 on page 16).



Income from Railway Operations

(see page 16 for details)

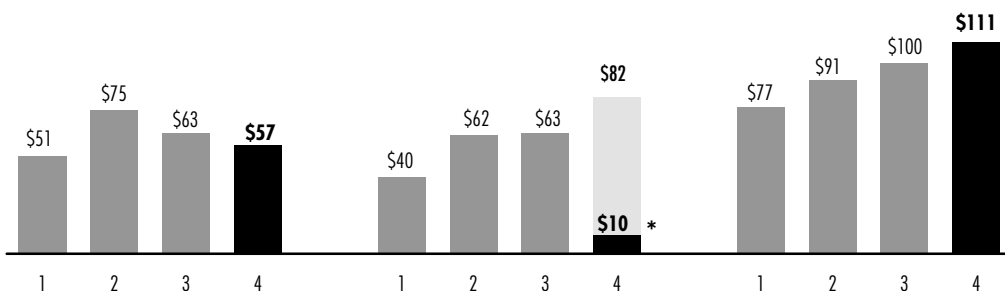
* Includes \$107 million of costs related to a voluntary separation program (see note 2 on page 16).



Income Taxes

(see page 16 for details)

* Includes effect of charges related to the voluntary separation program and the telecommunications assets impairment, which reduced tax expense by \$41 million and \$31 million, respectively (see notes 2 and 3 on page 16).



Consolidated Financial Information

2002

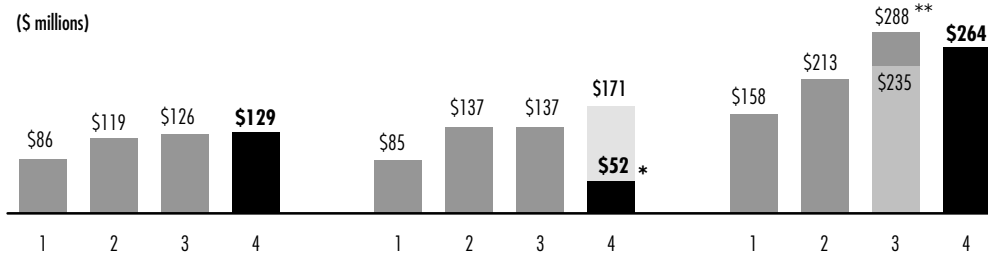
2003

2004

Income from Continuing Operations Before Accounting Changes

* Includes costs of a voluntary separation program, which reduced net income by \$66 million, and the impairment of telecommunications assets, which reduced net income by \$53 million (see notes 2 and 3 on page 16).

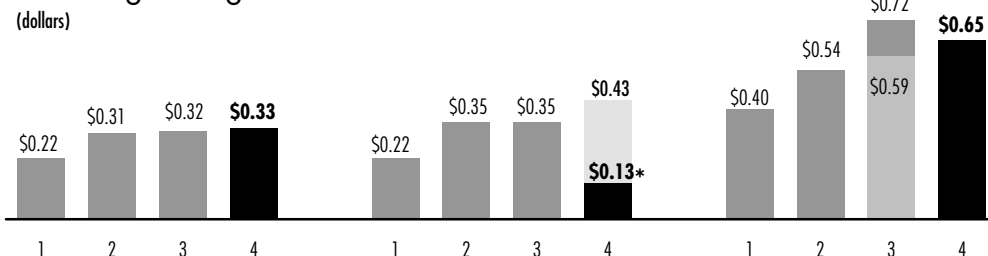
** Includes gain on Conrail corporate reorganization, which increased net income by \$53 million (see note 1 on page 16).



Diluted Earnings per Share from Continuing Operations Before Accounting Changes

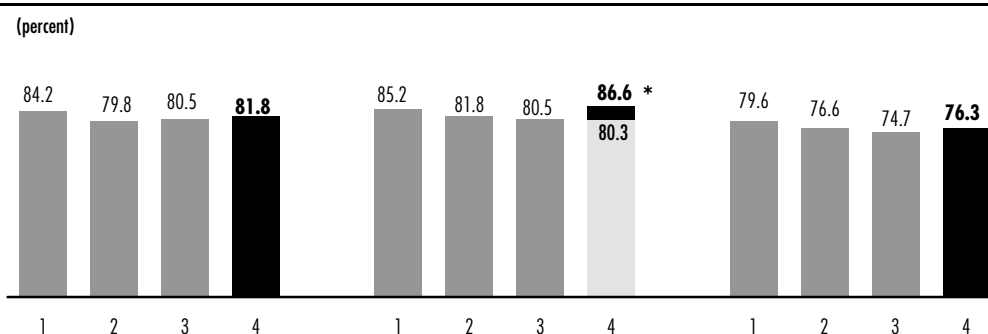
* Includes costs of a voluntary separation program, which reduced earnings per share by 17 cents, and the impairment of telecommunications assets, which reduced earnings per share by 13 cents (see notes 2 and 3 on page 16).

** Includes gain on Conrail corporate reorganization, which increased earnings per share by 13 cents (see note 1 on page 16).



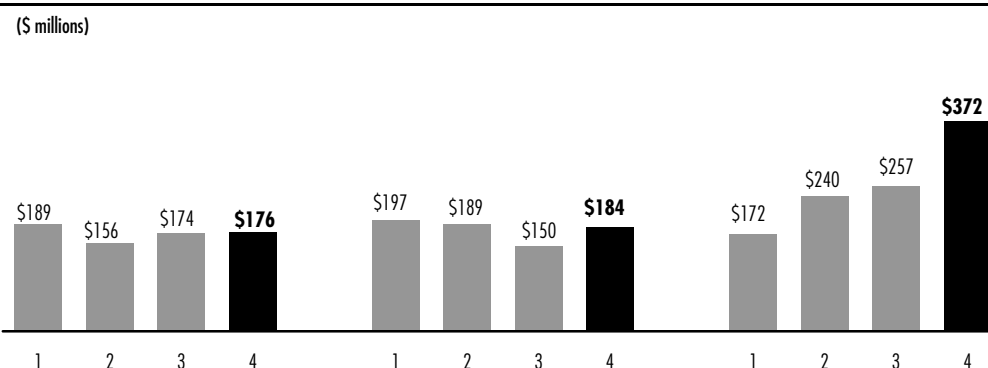
Railway Operating Ratio

* Includes costs of a voluntary separation program, which added 6.3 percentage points to the operating ratio (see note 2 on page 16).



Capital Expenditures

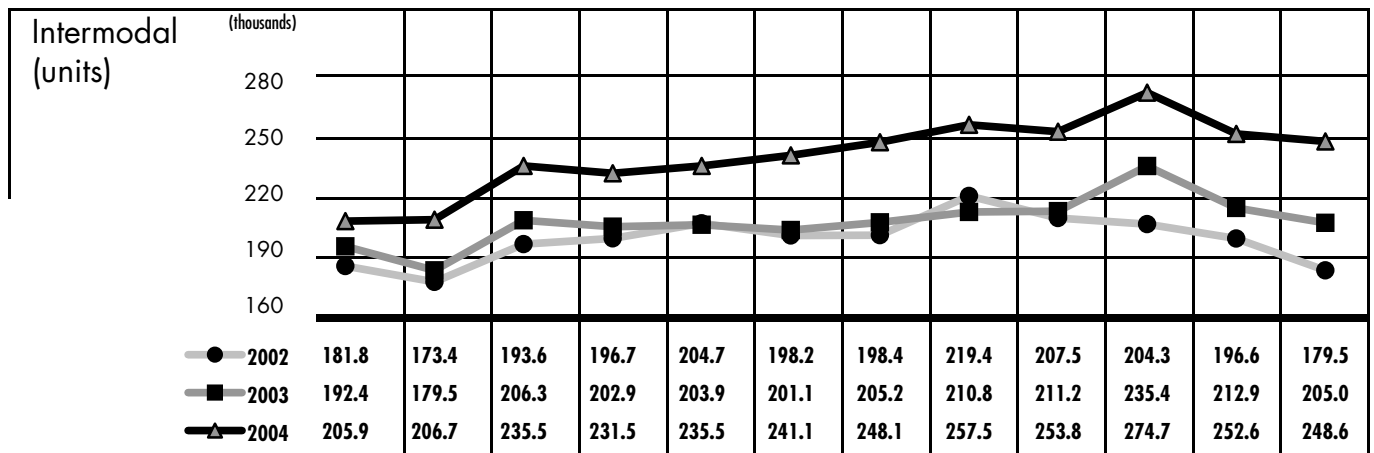
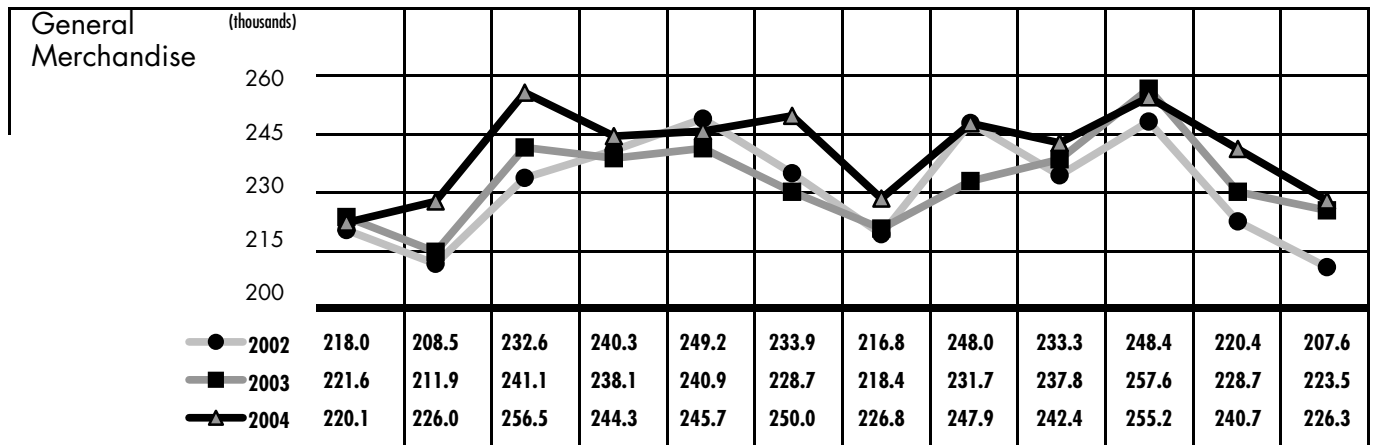
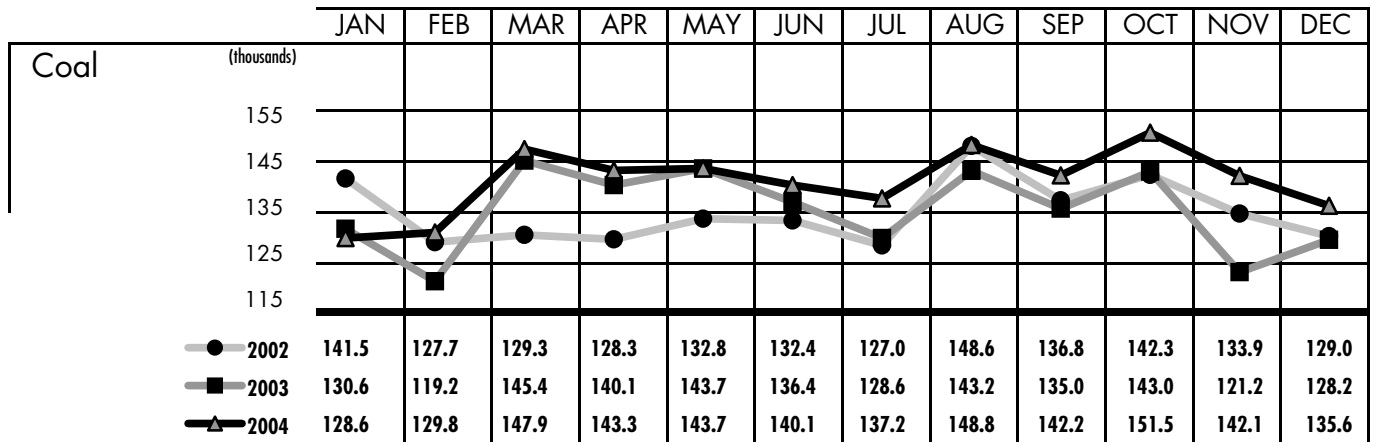
(see page 16 for details)



Railway Operating Revenue Yield Analysis

Commodity and Period	Revenues			Carloads			Revenue Yield		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
	(\$ millions)			(thousands)			(\$ per carload)		
First Quarter									
Coal	\$ 359	\$ 354	\$ 398	398.5	395.2	406.3	\$ 901	\$ 895	\$ 979
Agriculture/consumer/gov't	157	168	176	127.7	134.6	141.0	1,234	1,247	1,251
Metals and construction	160	166	183	161.4	161.3	177.2	990	1,027	1,033
Paper/clay/forest	141	150	157	105.3	106.6	107.3	1,340	1,404	1,459
Chemicals	183	192	203	101.5	105.7	110.2	1,798	1,823	1,844
Automotive	228	242	248	163.2	166.4	166.9	1,400	1,453	1,486
General merchandise	869	918	967	659.1	674.6	702.6	1,319	1,360	1,377
Intermodal	270	289	328	548.8	578.2	648.1	491	500	506
Total	\$ 1,498	\$ 1,561	\$ 1,693	1,606.4	1,648.0	1,757.0	\$ 932	\$ 947	\$ 964
Second Quarter									
Coal	\$ 350	\$ 389	\$ 424	393.5	420.2	427.1	\$ 889	\$ 927	\$ 992
Agriculture/consumer/gov't	156	175	182	127.2	136.9	140.4	1,227	1,278	1,292
Metals and construction	189	175	209	196.1	183.8	203.8	966	954	1,024
Paper/clay/forest	154	162	168	111.7	113.2	113.3	1,376	1,433	1,490
Chemicals	190	190	214	107.3	104.9	112.3	1,771	1,809	1,908
Automotive	259	242	252	181.1	168.9	170.2	1,428	1,433	1,480
General merchandise	948	944	1,025	723.4	707.7	740.0	1,310	1,334	1,385
Intermodal	295	300	364	599.6	607.9	708.1	493	493	514
Total	\$ 1,593	\$ 1,633	\$ 1,813	1,716.5	1,735.8	1,875.2	\$ 928	\$ 941	\$ 967
Third Quarter									
Coal	\$ 371	\$ 372	\$ 447	412.4	406.8	428.2	\$ 900	\$ 915	\$ 1,045
Agriculture/consumer/gov't	156	167	179	127.6	137.7	141.8	1,219	1,212	1,264
Metals and construction	181	180	214	193.3	187.1	205.8	935	965	1,042
Paper/clay/forest	155	163	177	112.8	112.9	114.6	1,379	1,445	1,546
Chemicals	194	196	226	109.6	108.4	115.5	1,768	1,805	1,950
Automotive	231	205	210	154.8	141.8	139.4	1,494	1,447	1,508
General merchandise	917	911	1,006	698.1	687.9	717.1	1,313	1,325	1,403
Intermodal	310	315	404	625.3	627.2	759.4	496	502	532
Total	\$ 1,598	\$ 1,598	\$ 1,857	1,735.8	1,721.9	1,904.7	\$ 921	\$ 928	\$ 975
Fourth Quarter									
Coal	\$ 361	\$ 385	\$ 459	405.2	392.4	429.2	\$ 892	\$ 981	\$ 1,068
Agriculture/consumer/gov't	168	178	190	135.1	146.6	145.7	1,245	1,217	1,305
Metals and construction	162	178	212	165.3	178.0	194.3	980	995	1,095
Paper/clay/forest	153	159	182	107.8	110.5	113.6	1,418	1,442	1,595
Chemicals	188	194	221	104.8	106.7	110.5	1,795	1,823	2,003
Automotive	243	247	244	163.4	168.0	158.1	1,485	1,468	1,542
General merchandise	914	956	1,049	676.4	709.8	722.2	1,351	1,347	1,453
Intermodal	306	335	441	580.4	653.3	775.9	526	513	568
Total	\$ 1,581	\$ 1,676	\$ 1,949	1,662.0	1,755.5	1,927.3	\$ 951	\$ 955	\$ 1,011
Year									
Coal	\$ 1,441	\$ 1,500	\$ 1,728	1,609.6	1,614.6	1,690.8	\$ 895	\$ 929	\$ 1,022
Agriculture/consumer/gov't	637	688	727	517.6	555.8	568.9	1,231	1,238	1,278
Metals and construction	692	699	818	716.1	710.2	781.1	966	984	1,048
Paper/clay/forest	603	634	684	437.6	443.2	448.8	1,378	1,431	1,524
Chemicals	755	772	864	423.2	425.7	448.5	1,783	1,815	1,927
Automotive	961	936	954	662.5	645.1	634.6	1,450	1,450	1,503
General merchandise	3,648	3,729	4,047	2,757.0	2,780.0	2,881.9	1,323	1,341	1,404
Intermodal	1,181	1,239	1,537	2,354.1	2,466.6	2,891.5	502	502	531
Total	\$ 6,270	\$ 6,468	\$ 7,312	6,720.7	6,861.2	7,464.2	\$ 933	\$ 943	\$ 980

Monthly Railway Carloadings



Railway Operating Revenue Variance Analysis

Fourth Quarter
2004 vs. 2003
(\$ millions)

	Coal		General Merchandise		Intermodal		Total	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Revenue Variance due to:								
Volume	\$ 36	9%	\$ 17	2%	\$ 63	19%	\$ 164	10%
Revenue per unit/mix	38	10%	76	8%	43	13%	109	6%
	<u>\$ 74</u>	<u>19%</u>	<u>\$ 93</u>	<u>10%</u>	<u>\$ 106</u>	<u>32%</u>	<u>\$ 273</u>	<u>16%</u>

Year
2004 vs. 2003

Revenue Variance due to:								
Volume	\$ 71	5%	\$ 136	4%	\$ 214	17%	\$ 569	9%
Revenue per unit/mix	157	10%	182	5%	84	7%	275	4%
	<u>\$ 228</u>	<u>15%</u>	<u>\$ 318</u>	<u>9%</u>	<u>\$ 298</u>	<u>24%</u>	<u>\$ 844</u>	<u>13%</u>

Coal, Coke and Iron Ore Carloads by Market

Fourth Quarter
(cars in thousands)

	2002		2003		2004	
	Carloads	Change vs. 2001	Carloads	Change vs. 2002	Carloads	Change vs. 2003
Utility	292.0	(4%)	288.5	(1%)	306.9	6%
Export	30.4	30%	28.3	(7%)	41.1	45%
Steel	59.5	1%	50.4	(15%)	57.5	14%
Industrial	23.3	(20%)	25.2	8%	23.7	(6%)
	<u>405.2</u>	<u>(3%)</u>	<u>392.4</u>	<u>(3%)</u>	<u>429.2</u>	<u>9%</u>

Year

Utility	1,175.0	(4%)	1,188.5	1%	1,222.4	3%
Export	108.8	(20%)	116.5	7%	157.0	35%
Steel	228.1	5%	213.8	(6%)	214.0	--%
Industrial	97.7	(15%)	95.8	(2%)	97.4	2%
	<u>1,609.6</u>	<u>(5%)</u>	<u>1,614.6</u>	<u>--%</u>	<u>1,690.8</u>	<u>5%</u>

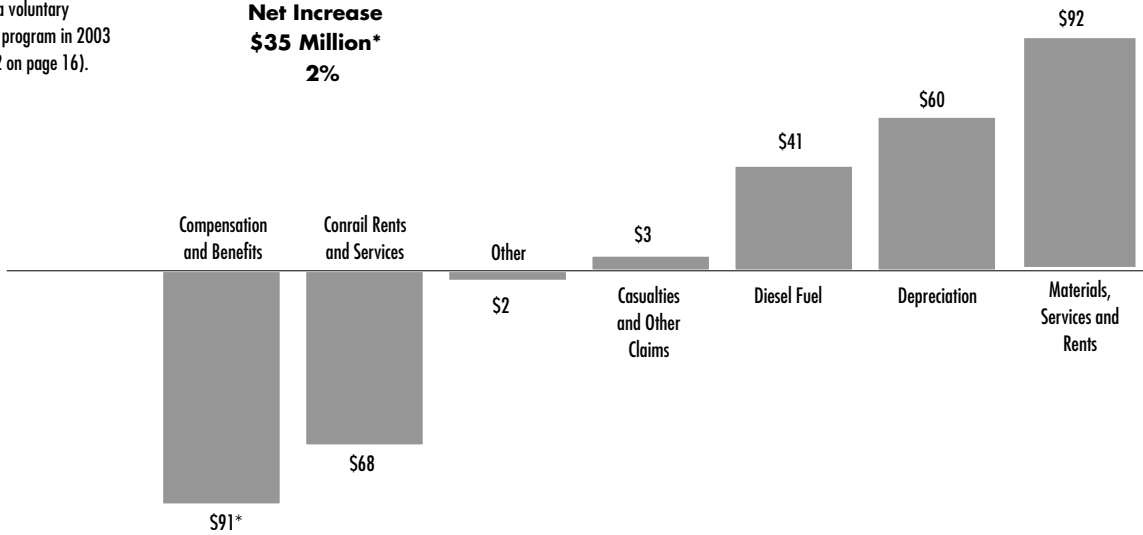
Railway Operating Expense Variance Analysis

Fourth Quarter
2004 vs. 2003

(\$ millions)
Amount of change

* Includes \$107 million of costs related to a voluntary separation program in 2003 (see note 2 on page 16).

**Net Increase
\$35 Million*
2%**

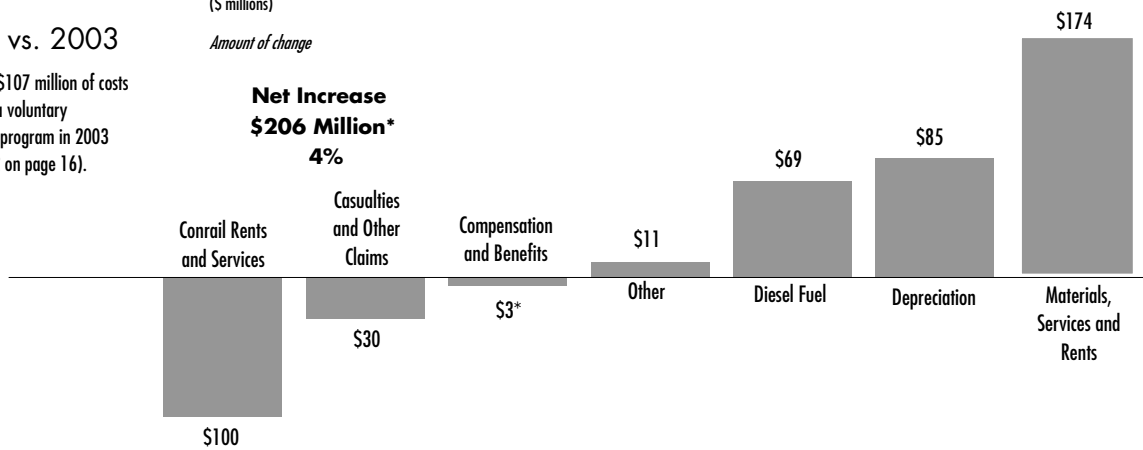


Year
2004 vs. 2003

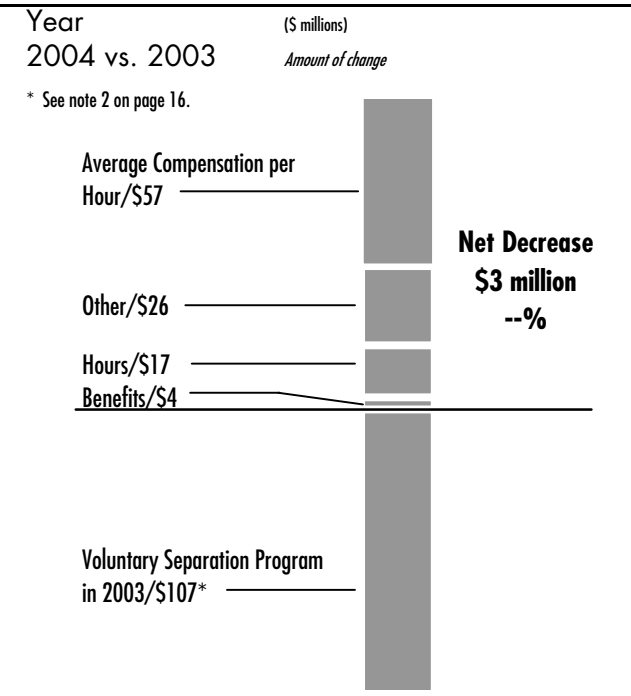
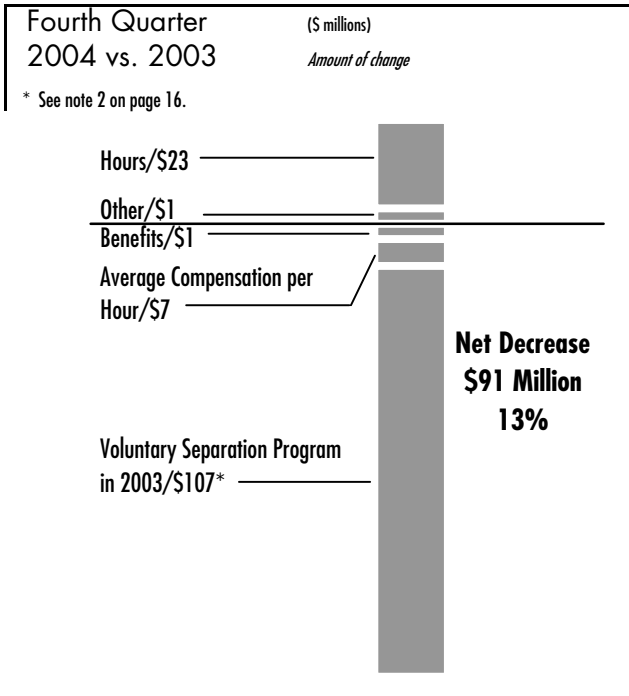
(\$ millions)
Amount of change

* Includes \$107 million of costs related to a voluntary separation program in 2003 (see note 2 on page 16).

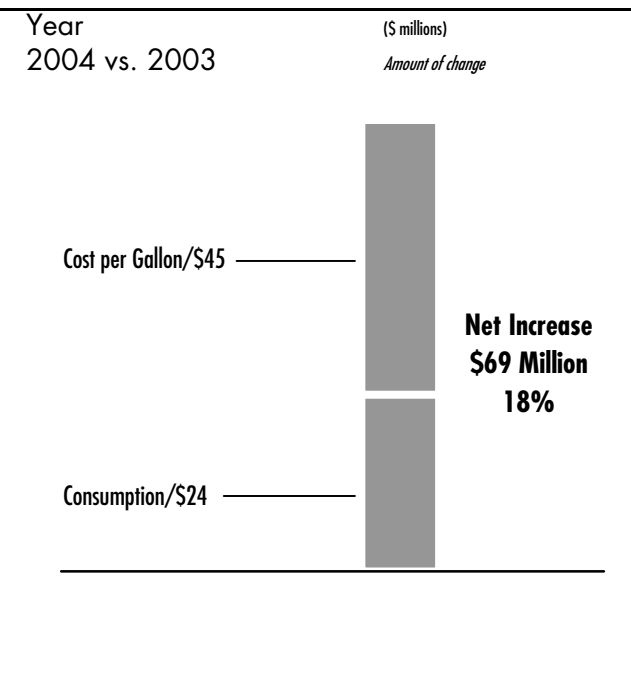
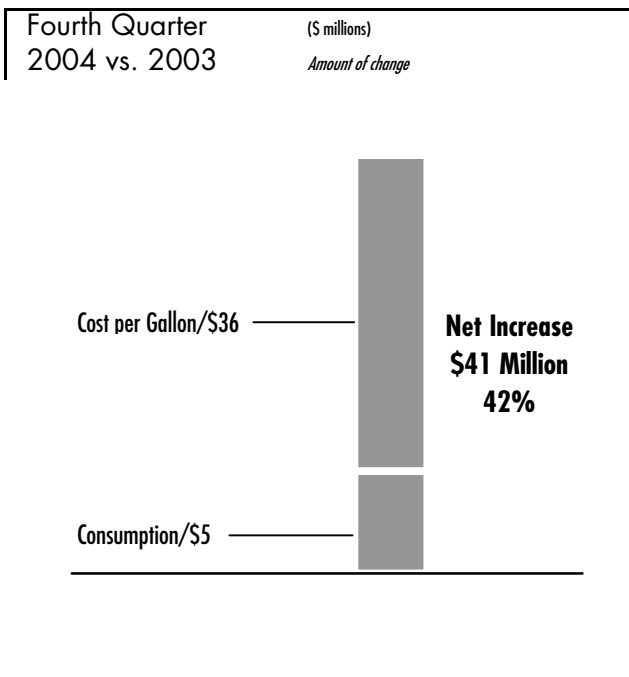
**Net Increase
\$206 Million*
4%**



Compensation and Benefits Expense Analysis



Diesel Fuel Expense Analysis

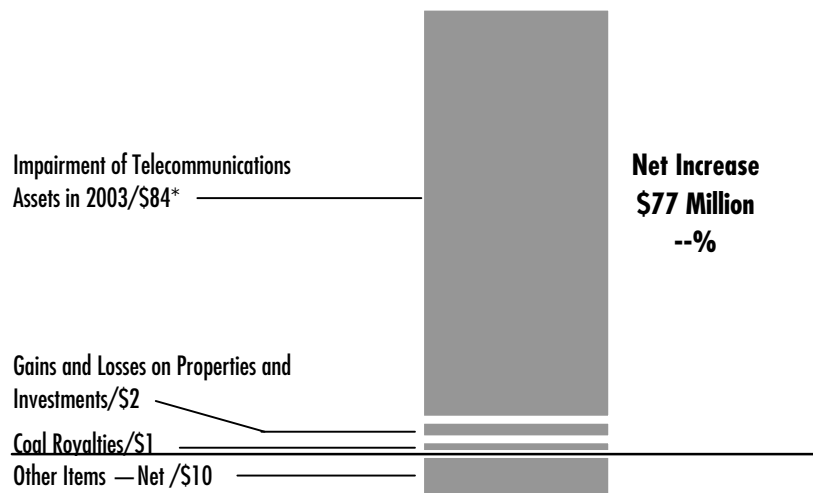


Other Income — Net Analysis

Fourth Quarter
2004 vs. 2003

(\$ millions)
Amount of change

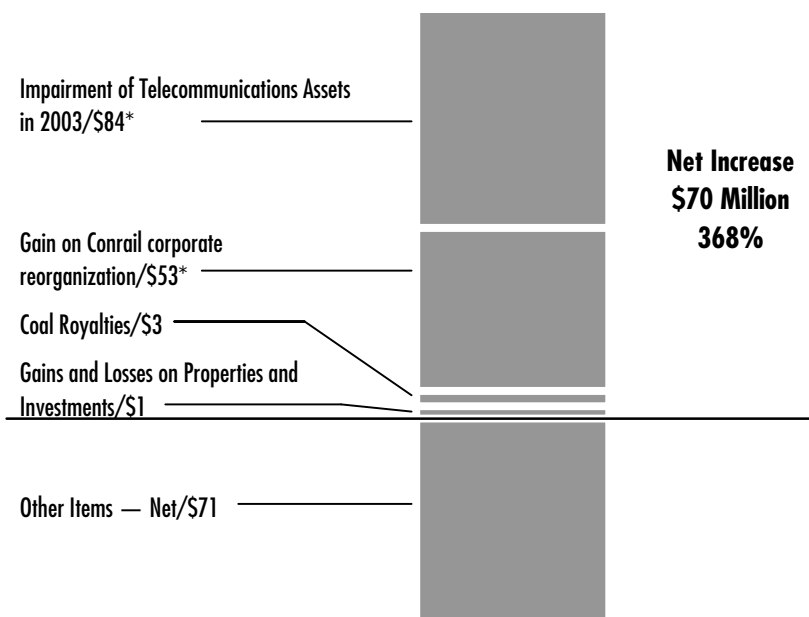
* See note 3 on page 16.



Year
2004 vs. 2003

(\$ millions)
Amount of change

* See notes 1 and 3 on page 16.

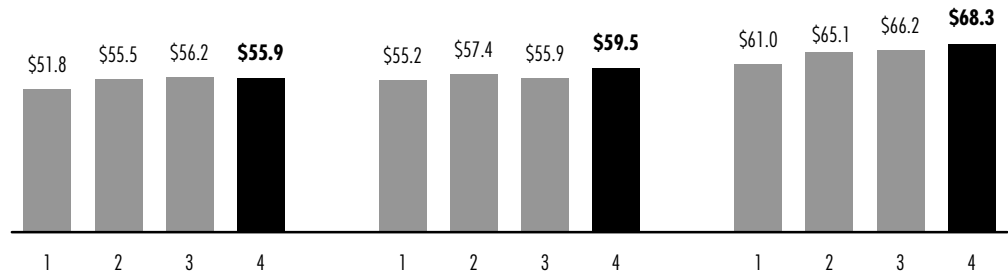


Productivity Measures

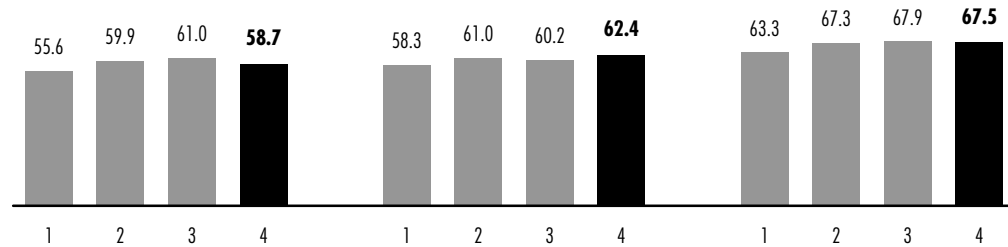
2002
2003
2004

Operating Revenue
per Employee

(\$ thousands)

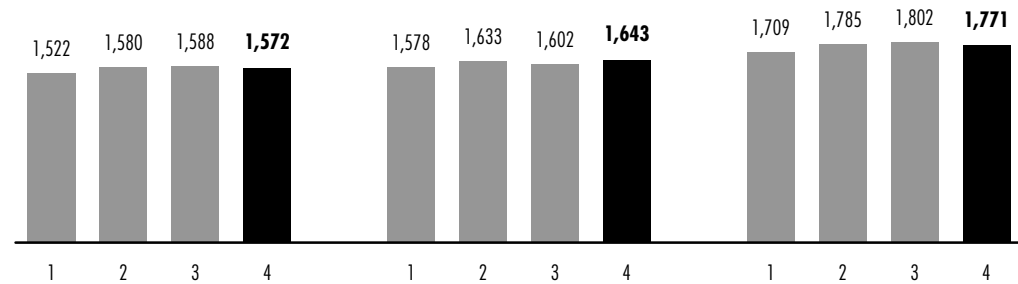


Carloads per
Employee



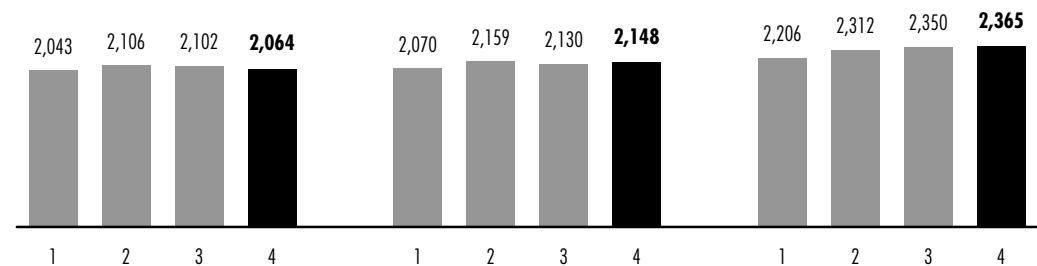
Revenue Ton Miles
per Employee

(thousands)



Revenue Ton Miles
per Mile of Road
Operated

(thousands)



Productivity Measures

2002

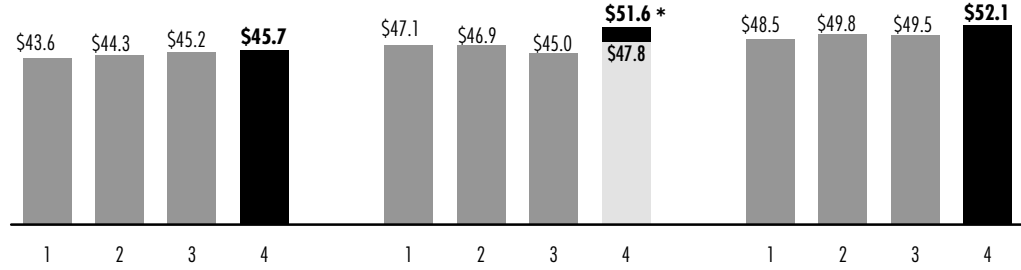
2003

2004

Operating Expense per Employee

(\$ thousands)

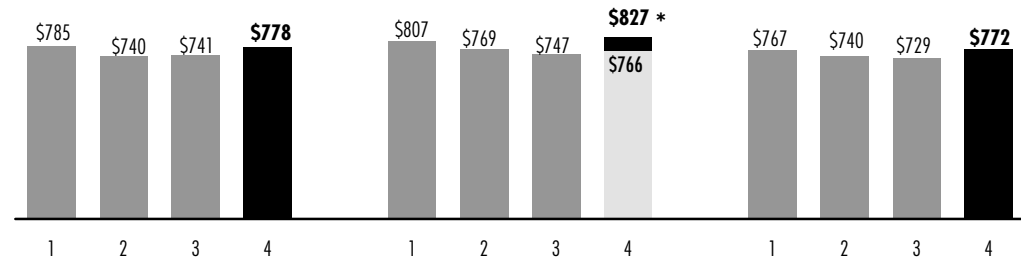
* Includes the effect of \$107 million of costs related to a voluntary separation program (see note 2 on page 16).



Operating Expense per Carload

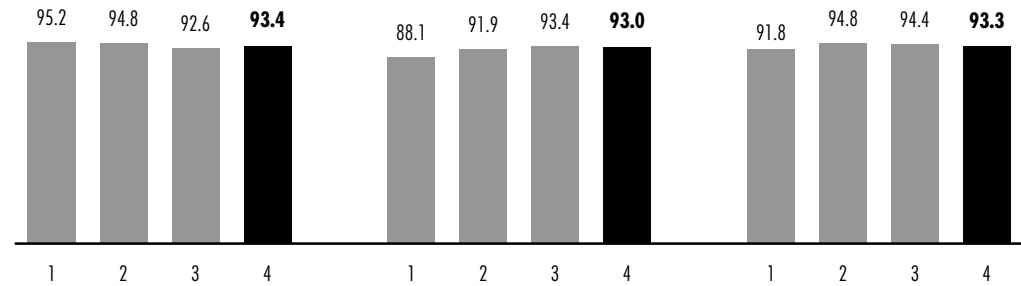
(dollars)

* Includes the effect of \$107 million of costs related to a voluntary separation program (see note 2 on page 16).



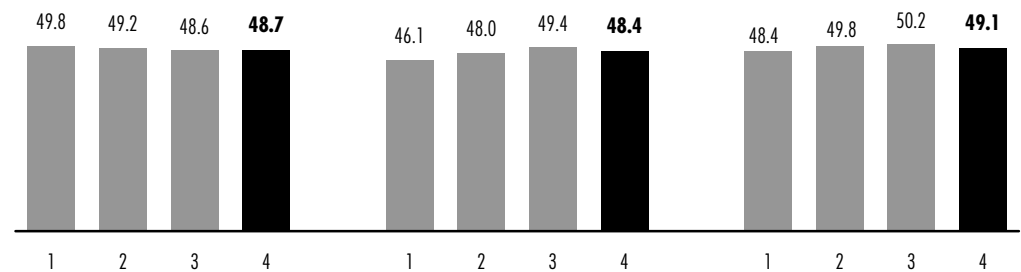
Gross Ton Miles per Train Hour

(thousands)



Revenue Ton Miles per Train Hour

(thousands)



Financial, Traffic and Operating Statistics

Consolidated Financial Data

(\$ millions — except as noted)

- No corresponding charts for this data.

Page	Item	2002				
		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
6	Railway operating revenues					
8	Coal	\$ 359	\$ 350	\$ 371	\$ 361	\$ 1,441
8	General merchandise	869	948	917	914	3,648
8	Intermodal	270	295	310	306	1,181
6	Total railway operating revenues	\$ 1,498	\$ 1,593	\$ 1,598	\$ 1,581	\$ 6,270
6	Railway operating expenses:					
•	Compensation and benefits (note 2)	\$ 523	\$ 497	\$ 489	\$ 513	\$ 2,022
•	Material (other than diesel fuel)	54	57	65	54	230
•	Purchased services (other than equipment rents)	195	210	225	226	856
•	Equipment rents	90	97	96	88	371
•	Conrail rents and services	113	103	100	96	412
•	Depreciation	127	129	129	130	515
•	Diesel fuel	81	84	81	96	342
•	Casualties and other claims	35	37	57	42	171
•	Other	43	57	45	48	193
	Total railway operating expenses (note 2)	\$ 1,261	\$ 1,271	\$ 1,287	\$ 1,293	\$ 5,112
6	Income from railway operations (note 2)	\$ 237	\$ 322	\$ 311	\$ 288	\$ 1,158
•	Other income (expense) (notes 1 and 3)	\$ (100)	\$ (128)	\$ (122)	\$ (102)	\$ (452)
	Income from continuing operations before income taxes and accounting changes	\$ 137	\$ 194	\$ 189	\$ 186	\$ 706
•	Income taxes — current	\$ 23	\$ 33	\$ (6)	\$ 18	\$ 68
•	Income taxes — deferred	28	42	69	39	178
6	Total income taxes (notes 2 and 3)	\$ 51	\$ 75	\$ 63	\$ 57	\$ 246
7	Income from continuing operations before accounting changes	\$ 86	\$ 119	\$ 126	\$ 129	\$ 460
•	Discontinued operations (note 4)	-	-	-	-	-
•	Cumulative effect of changes in accounting principles, net of taxes (note 5)	-	-	-	-	-
•	Net income (notes 1-5)	\$ 86	\$ 119	\$ 126	\$ 129	\$ 460
	Earnings per share - diluted (dollars):					
7	Income from continuing operations before accounting changes (notes 1-3)	\$ 0.22	\$ 0.31	\$ 0.32	\$ 0.33	\$ 1.18
•	Net income (notes 1-5)	\$ 0.22	\$ 0.31	\$ 0.32	\$ 0.33	\$ 1.18
7	Railway operating ratio (note 2)	84.2	79.8	80.5	81.8	81.5
7	Capital expenditures:					
	Equipment	\$ 76	\$ 23	\$ 43	\$ 32	\$ 174
	Road	113	133	131	144	521
	Total	\$ 189	\$ 156	\$ 174	\$ 176	\$ 695
•	Cash, cash equivalents and short-term investments	\$ 164	\$ 94	\$ 132	\$ 184	\$ 184
•	Total debt, excluding notes payable to Conrail	\$ 7,656	\$ 7,444	\$ 7,383	\$ 7,364	\$ 7,364
•	Debt-to-total capitalization (percent)	55.2	54.1	53.5	53.1	53.1
•	Shares outstanding end of period (thousands)	388,088	388,355	388,647	388,985	388,985

Note 1 Third quarter 2004 includes a \$53 million, or 13 cents per share, net gain from the Conrail corporate reorganization. (See note 1 on page 2 for additional details.)

Note 2 Fourth quarter 2003 includes voluntary separation costs of \$107 million, which increased the railway operating ratio by 6.3 percentage points for the quarter and 1.6 percentage points for the year and reduced net income by \$66 million, or 17 cents per share.

Note 3 Fourth quarter 2003 includes an \$84 million impairment of telecommunications assets, which reduced net income by \$53 million, or 13 cents per share.

2003					2004				
First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
\$ 354	\$ 389	\$ 372	\$ 385	\$ 1,500	\$ 398	\$ 424	\$ 447	\$ 459	\$ 1,728
918	944	911	956	3,729	967	1,025	1,006	1,049	4,047
289	300	315	335	1,239	328	364	404	441	1,537
\$ 1,561	\$ 1,633	\$ 1,598	\$ 1,676	\$ 6,468	\$ 1,693	\$ 1,813	\$ 1,857	\$ 1,949	\$ 7,312
\$ 526	\$ 535	\$ 531	\$ 683	\$ 2,275	\$ 545	\$ 565	\$ 570	\$ 592	\$ 2,272
63	61	63	59	246	68	72	73	74	287
205	220	209	202	836	209	226	240	262	937
92	96	74	83	345	88	91	98	100	377
107	102	105	105	419	102	101	79	37	319
127	129	128	129	513	129	130	150	189	598
104	93	86	97	380	107	106	98	138	449
51	47	44	39	181	40	38	31	42	151
55	52	47	55	209	59	59	49	53	220
\$ 1,330	\$ 1,335	\$ 1,287	\$ 1,452	\$ 5,404	\$ 1,347	\$ 1,388	\$ 1,388	\$ 1,487	\$ 5,610
\$ 231	\$ 298	\$ 311	\$ 224	\$ 1,064	\$ 346	\$ 425	\$ 469	\$ 462	\$ 1,702
\$ (106)	\$ (99)	\$ (111)	\$ (162)	\$ (478)	\$ (111)	\$ (121)	\$ (81)	\$ (87)	\$ (400)
\$ 125	\$ 199	\$ 200	\$ 62	\$ 586	\$ 235	\$ 304	\$ 388	\$ 375	\$ 1,302
\$ 46	\$ 9	\$ (6)	\$ (6)	\$ 43	\$ 49	\$ 31	\$ 76	\$ 23	\$ 179
(6)	53	69	16	132	28	60	24	88	200
\$ 40	\$ 62	\$ 63	\$ 10	\$ 175	\$ 77	\$ 91	\$ 100	\$ 111	\$ 379
\$ 85	\$ 137	\$ 137	\$ 52	\$ 411	\$ 158	\$ 213	\$ 288	\$ 264	\$ 923
10	-	-	-	10	-	-	-	-	-
114	-	-	-	114	-	-	-	-	-
\$ 209	\$ 137	\$ 137	\$ 52	\$ 535	\$ 158	\$ 213	\$ 288	\$ 264	\$ 923
\$ 0.22	\$ 0.35	\$ 0.35	\$ 0.13	\$ 1.05	\$ 0.40	\$ 0.54	\$ 0.72	\$ 0.65	\$ 2.31
\$ 0.54	\$ 0.35	\$ 0.35	\$ 0.13	\$ 1.37	\$ 0.40	\$ 0.54	\$ 0.72	\$ 0.65	\$ 2.31
85.2	81.8	80.5	86.6	83.5	79.6	76.6	74.7	76.3	76.7
\$ 100	\$ 69	\$ 21	\$ 28	\$ 218	\$ 65	\$ 95	\$ 79	\$ 190	\$ 429
97	120	129	156	502	107	145	178	182	612
\$ 197	\$ 189	\$ 150	\$ 184	\$ 720	\$ 172	\$ 240	\$ 257	\$ 372	\$ 1,041
\$ 128	\$ 110	\$ 161	\$ 286	\$ 286	\$ 107	\$ 207	\$ 530	\$ 669	\$ 669
\$ 7,489	\$ 7,461	\$ 7,186	\$ 7,160	\$ 7,160	\$ 6,881	\$ 6,847	\$ 7,548	\$ 7,525	\$ 7,525
52.8	52.3	51.0	50.7	50.7	49.1	48.2	49.5	48.5	48.5
389,377	389,786	389,999	390,761	390,761	391,330	392,961	395,280	399,712	399,712

Note 4 First quarter 2003 includes the effect of a \$10 million, or 3 cents per share, gain on the 1998 sale of NS' motor carrier subsidiary, North American Van Lines, Inc. (See note 4 on page 3 for additional details.)

Note 5 First quarter 2003 includes \$114 million (\$188 million before taxes), or 29 cents per share, related to required changes in accounting principles stemming from NS' adoption of Financial Accounting Standards Board (FASB) Statement No. 143, "Accounting for Asset Retirement Obligations" and FASB Interpretation No. 46, "Consolidation of Variable Interest Entities." (See note 5 on page 3 for additional details.)

Financial, Traffic and Operating Statistics

Traffic and Operating Statistics		2002				
		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	<ul style="list-style-type: none"> No corresponding charts for this data. 					
Page	Item					
8	Railway carloads (thousands)					
8	Coal	398.5	393.5	412.4	405.2	1,609.6
8	General merchandise	659.1	723.4	698.1	676.4	2,757.0
8	Intermodal	548.8	599.6	625.3	580.4	2,354.1
8	Total railway carloads	1,606.4	1,716.5	1,735.8	1,662.0	6,720.7
	<ul style="list-style-type: none"> Revenue ton miles (RTMs) (billions): 					
	• Coal	13.2	12.7	13.2	13.2	52.3
	• General merchandise	24.1	25.6	24.9	24.5	99.1
	• Intermodal	6.7	7.0	7.1	6.8	27.6
	• Total	44.0	45.3	45.2	44.5	179.0
	<ul style="list-style-type: none"> Revenue (dollars) per thousand RTMs: 					
	• Coal	\$ 27.20	\$ 27.51	\$ 28.12	\$ 27.39	\$ 27.56
	• General merchandise	\$ 36.06	\$ 37.06	\$ 36.78	\$ 37.30	\$ 36.81
	• Intermodal	\$ 40.20	\$ 42.11	\$ 43.88	\$ 44.87	\$ 42.78
	• Total	\$ 34.04	\$ 35.16	\$ 35.36	\$ 35.53	\$ 35.03
	<ul style="list-style-type: none"> Gross ton miles (GTMs) (billions) 	84.1	87.3	86.1	85.3	342.8
	• Revenue ton miles (RTMs) (billions)	44.0	45.3	45.2	44.5	179.0
	• Railroad employees (average)	28,909	28,677	28,456	28,306	28,587
	<ul style="list-style-type: none"> Total operating expense (dollars) per thousand GTMs (see note 2 on page 16) 	\$ 14.99	\$ 14.56	\$ 14.95	\$ 15.16	\$ 14.91
	• Compensation and benefits (dollars) per thousand GTMs (see note 2 on page 16)	\$ 6.22	\$ 5.69	\$ 5.68	\$ 6.02	\$ 5.90
	• Total operating expense (dollars) per thousand RTMs (see note 2 on page 16)	\$ 28.65	\$ 28.05	\$ 28.48	\$ 29.05	\$ 28.56
	<ul style="list-style-type: none"> Compensation and benefits (dollars) per thousand RTMs (see note 2 on page 16) 	\$ 11.88	\$ 10.97	\$ 10.82	\$ 11.53	\$ 11.30
14	Total operating revenue (\$ thousands) per employee	\$ 51.8	\$ 55.5	\$ 56.2	\$ 55.9	\$ 219.4
15	Total operating expense (\$ thousands) per employee (see note 2 on page 16)	\$ 43.6	\$ 44.3	\$ 45.2	\$ 45.7	\$ 178.8
	<ul style="list-style-type: none"> GTMs (thousands) per employee 	2,910	3,045	3,025	3,012	11,992
14	RTMs (thousands) per employee	1,522	1,580	1,588	1,572	6,262
14	Carloads per employee	55.6	59.9	61.0	58.7	235.2
14	RTMs (thousands) per mile of road operated	2,043	2,106	2,102	2,064	8,315
15	Total operating expense (dollars) per carload (see note 2 on page 16)	\$ 785	\$ 740	\$ 741	\$ 778	\$ 761
	• Compensation and benefits (dollars) per carload (see note 2 on page 16)	\$ 326	\$ 290	\$ 282	\$ 309	\$ 301
	<ul style="list-style-type: none"> RTMs (thousands) per carload 	27.4	26.4	26.0	26.8	26.6
	• Diesel fuel consumed (thousands of gallons)	120,072	119,764	113,484	119,170	472,490
	• Average price (cents) per gallon of diesel fuel	67.1	70.3	72.7	80.1	72.5
	<ul style="list-style-type: none"> RTMs per gallon of fuel consumed 	367	378	398	373	379
15	GTMs (thousands) per train hour	95.2	94.8	92.6	93.4	94.0
15	RTMs (thousands) per train hour	49.8	49.2	48.6	48.7	49.1
	<ul style="list-style-type: none"> Percent of loaded-to-total car miles 	57.6	58.1	58.0	58.3	58.0
	• Total new crossties installed (thousands)	568	832	730	646	2,776
	• Total track miles of rail laid (miles)	72	51	56	56	235

2003					2004				
First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
395.2	420.2	406.8	392.4	1,614.6	406.3	427.1	428.2	429.2	1,690.8
674.6	707.7	687.9	709.8	2,780.0	702.6	740.0	717.1	722.2	2,881.9
578.2	607.9	627.2	653.3	2,466.6	648.1	708.1	759.4	775.9	2,891.5
1,648.0	1,735.8	1,721.9	1,755.5	6,861.2	1,757.0	1,875.2	1,904.7	1,927.3	7,464.2
12.8	13.7	13.1	13.0	52.6	13.9	14.7	15.0	14.6	58.2
25.3	26.0	25.5	25.6	102.4	26.3	27.4	27.3	27.2	108.2
6.5	6.8	7.2	7.6	28.1	7.3	7.6	8.2	8.8	31.9
44.6	46.5	45.8	46.2	183.1	47.5	49.7	50.5	50.6	198.3
\$ 27.69	\$ 28.43	\$ 28.35	\$ 29.69	\$ 28.54	\$ 28.62	\$ 28.84	\$ 29.87	\$ 31.54	\$ 29.73
\$ 36.29	\$ 36.34	\$ 35.73	\$ 37.23	\$ 36.40	\$ 36.83	\$ 37.39	\$ 36.83	\$ 38.59	\$ 37.42
\$ 44.37	\$ 44.10	\$ 43.84	\$ 44.12	\$ 44.10	\$ 44.89	\$ 47.79	\$ 48.89	\$ 49.94	\$ 48.00
\$ 35.00	\$ 35.15	\$ 34.89	\$ 36.25	\$ 35.33	\$ 35.67	\$ 36.46	\$ 36.74	\$ 38.54	\$ 36.87
85.1	88.9	86.6	88.9	349.5	90.0	94.7	95.0	96.1	375.8
44.6	46.5	45.8	46.2	183.1	47.5	49.7	50.5	50.6	198.3
28,260	28,446	28,597	28,147	28,363	27,770	27,861	28,051	28,546	28,057
\$ 15.62	\$ 15.03	\$ 14.86	\$ 16.34	\$ 15.46	\$ 14.96	\$ 14.66	\$ 14.61	\$ 15.47	\$ 14.93
\$ 6.18	\$ 6.02	\$ 6.13	\$ 7.68	\$ 6.51	\$ 6.05	\$ 5.97	\$ 6.00	\$ 6.16	\$ 6.05
\$ 29.82	\$ 28.73	\$ 28.10	\$ 31.41	\$ 29.51	\$ 28.38	\$ 27.91	\$ 27.46	\$ 29.41	\$ 28.29
\$ 11.80	\$ 11.51	\$ 11.59	\$ 14.77	\$ 12.43	\$ 11.48	\$ 11.36	\$ 11.28	\$ 11.71	\$ 11.46
\$ 55.2	\$ 57.4	\$ 55.9	\$ 59.5	\$ 228.0	\$ 61.0	\$ 65.1	\$ 66.2	\$ 68.3	\$ 260.6
\$ 47.1	\$ 46.9	\$ 45.0	\$ 51.6	\$ 190.6	\$ 48.5	\$ 49.8	\$ 49.5	\$ 52.1	\$ 199.9
3,013	3,123	3,028	3,158	12,322	3,241	3,399	3,387	3,368	13,395
1,578	1,633	1,602	1,643	6,456	1,709	1,785	1,802	1,771	7,067
58.3	61.0	60.2	62.4	241.9	63.3	67.3	67.9	67.5	266.0
2,070	2,159	2,130	2,148	8,507	2,206	2,312	2,350	2,365	9,233
\$ 807	\$ 769	\$ 747	\$ 827	\$ 788	\$ 767	\$ 740	\$ 729	\$ 772	\$ 752
\$ 319	\$ 308	\$ 308	\$ 389	\$ 332	\$ 310	\$ 301	\$ 299	\$ 307	\$ 304
27.1	26.8	26.6	26.3	26.7	27.0	26.5	26.5	26.2	26.6
121,116	116,507	111,989	122,623	472,235	128,560	123,596	120,984	129,369	502,509
85.9	80.1	77.4	78.9	80.7	83.1	85.9	87.9	106.8	91.0
368	399	409	377	388	369	402	418	391	395
88.1	91.9	93.4	93.0	91.6	91.8	94.8	94.4	93.3	93.6
46.1	48.0	49.4	48.4	48.0	48.4	49.8	50.2	49.1	49.4
58.3	57.6	58.1	58.8	58.2	58.8	58.6	58.9	59.4	58.9
522	653	682	894	2,751	421	726	727	596	2,470
76	70	55	32	233	77	72	46	51	246