

WHAT WE MOVE
MOVES THE ECONOMY

 **NS** **NORFOLK SOUTHERN**
2013 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

NORFOLK SOUTHERN CORPORATION & SUBSIDIARIES

FOR THE YEAR

(numbers in millions, except per-share amounts)

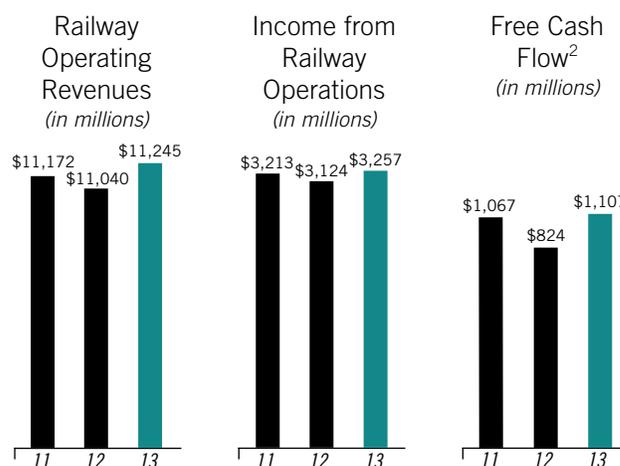
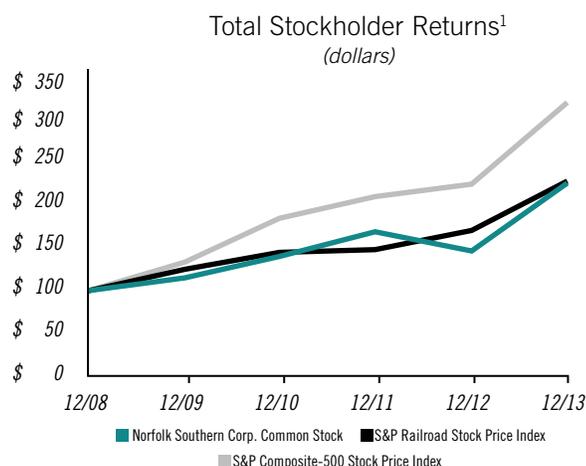
	2013	2012	2011
Railway operating revenues	\$ 11,245	\$ 11,040	\$ 11,172
Income from railway operations	\$ 3,257	\$ 3,124	\$ 3,213
Net income	\$ 1,910	\$ 1,749	\$ 1,916
Per share – basic	\$ 6.10	\$ 5.42	\$ 5.52
Per share – diluted	\$ 6.04	\$ 5.37	\$ 5.45
Dividends per share	\$ 2.04	\$ 1.94	\$ 1.66
Dividend pay-out ratio	33%	36%	30%
Cash provided by operating activities	\$ 3,078	\$ 3,065	\$ 3,227
Property additions	\$ 1,971	\$ 2,241	\$ 2,160
Free cash flow ²	\$ 1,107	\$ 824	\$ 1,067

AT YEAR END

Total assets	\$ 32,483	\$ 30,342	\$ 28,538
Total debt	\$ 9,448	\$ 8,682	\$ 7,540
Stockholders' equity	\$ 11,289	\$ 9,760	\$ 9,911
Shares outstanding	308.9	314.0	330.4
Stockholders' equity per share	\$ 36.55	\$ 31.08	\$ 30.00

FINANCIAL RATIOS

Operating ratio	71.0%	71.7%	71.2%
Debt-to-total-capitalization ratio	45.6%	47.1%	43.2%



¹ This graph provides an indicator of cumulative total stockholder returns for Norfolk Southern Corporation as compared to the other identified indices. Assumes that the value of the investment in Norfolk Southern Corporation common stock and each index was \$100 on Dec. 31, 2008, and that all dividends were reinvested. Data furnished by Bloomberg Financial Markets.

² Free cash flow as used here is defined as cash provided by operating activities minus property additions and is a measure of cash available for other investing activities and financing activities, including dividends and repurchases of common stock.

DESCRIPTION OF BUSINESS

Norfolk Southern Corporation (NYSE: NSC) is one of the nation's premier transportation companies. Our Norfolk Southern Railway Company subsidiary operates approximately 20,000 route miles in 22 states and the District of Columbia, serves every major container port in the eastern United States, and provides efficient connections to other rail carriers. We operate the most extensive intermodal network in the East and are a major transporter of coal, automotive, and industrial products.

MESSAGE TO STOCKHOLDERS

DEAR FELLOW STOCKHOLDERS:

2013 was a big year for Norfolk Southern.

We achieved record performance levels as our investments in network capacity, technology, and new talent delivered the safe, efficient, and dependable service our transportation customers deserve.

We set new precedents for railway operating revenues and income from railway operations and achieved new landmarks for net income, earnings per share, and operating ratio.

At our 2013 annual meeting, I shared my optimism that, “The best is still to come.” I couldn’t foresee that a sluggish economic first half of the year would turn around significantly in the second half, but that’s what happened. Our fourth quarter set records in railway operating income, net income, and earnings per share not only for a breakthrough year, but in Norfolk Southern history.

Looking at the numbers for the year, we came in at a record \$11.2 billion in revenues. That’s our third consecutive year at \$11 billion-plus revenues. Net income in 2013 was up 9 percent, and earnings per share were up 12 percent, both setting records. We delivered on our commitment to holding expenses to a 1 percent increase, contributing to a record-best operating ratio of 71 percent – tribute to our measurable productivity and efficiency enhancements. We also continued our tradition of a solid dividend policy, raising the dividend on the company’s common stock by 5 percent, along with \$627 million in share repurchases.

Total traffic volume was up 3 percent in 2013, despite a decline of coal shipments of 5 percent. Intermodal traffic led overall volume growth, up 6 percent driven by increases in both domestic and international business fed by our multiyear investments in corridor infrastructure. Merchandise volume increased 4 percent for the year, as chemicals and automotive showed significant gains, and all merchandise categories trended upward at year-end.

Norfolk Southern is reinventing our markets and adapting to changes in our coal traffic. We’re developing emerging energy markets and revitalizing our existing network to change not with the times, but lead with innovation and determination ahead of them, while remaining strongly committed to the coal business.

In 2013, we celebrated 50 years of serving the world’s energy needs at our Pier 6 coal transload facility, one of the world’s largest and most efficient. The Norfolk facility set U.S. records for vessel loadings in 2013.



OUR MANAGEMENT TEAM

(left to right top to bottom)

Don Seale
Cindy Earhart
Jim Hixon
Marta Stewart
Mark Manion
Jim Squires
Wick Moorman
Deb Butler

In an effort to prepare for operating in shifting markets and to provide the best possible customer service, we invested \$2 billion in capital improvements in 2013. We opened new Crescent Corridor intermodal facilities at Greencastle, Pa., and Charlotte, N.C., an inland port facility at Greer, S.C., and new bulk transfer facilities at Knoxville, Tenn., and Columbia, S.C. All of these projects were designed with one underlying commitment in mind: to provide service excellence for our customers for the long term.

In line with our standard of excellence, we helped with the location of 67 new industries and the expansion of 25 existing industries on our lines in 2013. Together, our work represents a customer investment of \$2.3 billion, will lead to an expected creation of 3,100 new jobs, and will bring more than 136,000 carloads of new rail traffic annually.

Holding firm to our belief that Norfolk Southern is at its best when the communities we serve are at their best, we continued corporate responsibility leadership in 2013. We purchased fuel-efficient locomotives and increased our use of idle-reduction and train-handling technologies. As a result, our efforts to reduce Norfolk Southern's carbon footprint and environmental impacts are marching steadily forward. We're giving back to the communities that give us so much through the Norfolk Southern Foundation. Internally, we're refining our culture to step up productivity and improve our working environment – they go hand-

in-hand. Lastly, and arguably most importantly, we're hiring a new generation of railroaders for the Thoroughbred of Transportation, with an emphasis on bringing military veterans into the Norfolk Southern family.

But make no mistake: The rail industry faces a plethora of legislative and regulatory challenges. The task of launching the congressionally mandated positive train control nationwide is expensive and complex and will certainly take longer than Congress originally decreed. We face high levels of scrutiny over transport of hazardous materials. Efforts to reregulate the rail industry persist, along with truck size and weight issues. These matters notwithstanding, we'll continue to firmly advocate for policies and rules that support America's rail transportation infrastructure as a strong, competitive asset in the international marketplace.

2013 marked a year of remarkable achievement by many measures. For that, we have to thank the people behind our brand. Their talents, ingenuity, and hard work brought us to new heights today and will take us even further in the years ahead.

We named new leaders to our senior management team this year, including Jim Squires as president, along with Cindy Earhart and Marta Stewart as executive vice presidents. We have the best people in the business, the most capable leadership team anywhere, and because of them, I am confident in the future of Norfolk Southern and the rail industry and in our ability to help move the nation's economy forward.



Chairman and Chief Executive Officer

