

**Norfolk Southern Corporation and Subsidiaries**  
**Consolidated Statements of Income**  
(Unaudited)

	Third Quarter		First Nine Months	
	2017	2016	2017	2016
	<i>(\$ in millions, except per share amounts)</i>			
<b>Railway operating revenues</b>				
Merchandise	\$ 1,600	\$ 1,552	\$ 4,781	\$ 4,678
Intermodal	621	575	1,785	1,635
Coal	449	397	1,316	1,085
Total railway operating revenues	<u>2,670</u>	<u>2,524</u>	<u>7,882</u>	<u>7,398</u>
<b>Railway operating expenses</b>				
Compensation and benefits	755	691	2,201	2,081
Purchased services and rents	377	386	1,146	1,149
Fuel	198	181	601	504
Depreciation	265	258	788	767
Materials and other	164	188	574	584
Total railway operating expenses	<u>1,759</u>	<u>1,704</u>	<u>5,310</u>	<u>5,085</u>
<b>Income from railway operations</b>	911	820	2,572	2,313
Other income – net	23	29	79	49
Interest expense on debt	134	144	416	421
Income before income taxes	800	705	2,235	1,941
Provision for income taxes				
Current	189	169	580	512
Deferred	105	76	219	177
Total income taxes	<u>294</u>	<u>245</u>	<u>799</u>	<u>689</u>
<b>Net income</b>	<u>\$ 506</u>	<u>\$ 460</u>	<u>\$ 1,436</u>	<u>\$ 1,252</u>
<b>Earnings per share</b>				
Basic	\$ 1.76	\$ 1.56	\$ 4.96	\$ 4.23
Diluted	1.75	1.55	4.93	4.21
<b>Weighted average shares outstanding</b>				
Basic	287.1	292.7	288.8	294.9
Diluted	289.5	294.7	291.2	296.7

*See accompanying notes to consolidated financial statements.*

**Norfolk Southern Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
(Unaudited)

	<b>Third Quarter</b>		<b>First Nine Months</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<i>(\$ in millions)</i>			
<b>Net income</b>	\$ 506	\$ 460	\$ 1,436	\$ 1,252
Other comprehensive income, before tax:				
Reclassification adjustments for costs included in net income	7	7	21	20
Other comprehensive loss of equity investees	—	—	(1)	—
Other comprehensive income, before tax	7	7	20	20
Income tax expense related to reclassification adjustments for costs included in net income	(2)	(3)	(8)	(8)
Other comprehensive income, net of tax	5	4	12	12
<b>Total comprehensive income</b>	<b>\$ 511</b>	<b>\$ 464</b>	<b>\$ 1,448</b>	<b>\$ 1,264</b>

*See accompanying notes to consolidated financial statements.*

**Norfolk Southern Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
(Unaudited)

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
	<i>(\$ in millions)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 724	\$ 956
Accounts receivable – net	973	945
Materials and supplies	245	257
Other current assets	57	133
Total current assets	1,999	2,291
Investments	2,888	2,777
Properties less accumulated depreciation of \$11,987 and \$11,737, respectively	30,163	29,751
Other assets	103	73
<b>Total assets</b>	<b>\$ 35,153</b>	<b>\$ 34,892</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 1,287	\$ 1,215
Short-term debt	—	100
Income and other taxes	206	245
Other current liabilities	320	229
Current maturities of long-term debt	600	550
Total current liabilities	2,413	2,339
Long-term debt	9,280	9,562
Other liabilities	1,366	1,442
Deferred income taxes	9,367	9,140
<b>Total liabilities</b>	<b>22,426</b>	<b>22,483</b>
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 286,148,766 and 290,417,610 shares, respectively, net of treasury shares	288	292
Additional paid-in capital	2,249	2,179
Accumulated other comprehensive loss	(475)	(487)
Retained income	10,665	10,425
<b>Total stockholders' equity</b>	<b>12,727</b>	<b>12,409</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 35,153</b>	<b>\$ 34,892</b>

*See accompanying notes to consolidated financial statements.*

**Norfolk Southern Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

	<b>First Nine Months</b>	
	<b>2017</b>	<b>2016</b>
	<i>(\$ in millions)</i>	
<b>Cash flows from operating activities</b>		
Net income	\$ 1,436	\$ 1,252
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	791	770
Deferred income taxes	219	177
Gains and losses on properties	(62)	(38)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(59)	8
Materials and supplies	12	(30)
Other current assets	68	130
Current liabilities other than debt	165	149
Other – net	(105)	(106)
Net cash provided by operating activities	2,465	2,312
<b>Cash flows from investing activities</b>		
Property additions	(1,315)	(1,304)
Property sales and other transactions	137	87
Investment purchases	(4)	(119)
Investment sales and other transactions	8	6
Net cash used in investing activities	(1,174)	(1,330)
<b>Cash flows from financing activities</b>		
Dividends	(529)	(523)
Common stock transactions	75	33
Purchase and retirement of common stock	(712)	(603)
Proceeds from borrowings – net	293	594
Debt repayments	(650)	(600)
Net cash used in financing activities	(1,523)	(1,099)
Net decrease in cash and cash equivalents	(232)	(117)
<b>Cash and cash equivalents</b>		
At beginning of year	956	1,101
At end of period	\$ 724	\$ 984
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 345	\$ 337
Income taxes (net of refunds)	594	409

*See accompanying notes to consolidated financial statements.*

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:**

### **1. Stock Repurchase Program**

We repurchased and retired 6.0 million and 7.2 million shares of common stock under our stock repurchase program in the first nine months of 2017 and 2016, respectively, at a cost of \$712 million and \$603 million, respectively. Since the beginning of 2006, we have repurchased and retired 166.3 million shares at a total cost of \$11.0 billion.