

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

	<b>First Quarter</b>	
	<u>2017</u>	<u>2016</u>
	<i>(\$ in millions, except per share amounts)</i>	
<b>Railway operating revenues</b>		
Merchandise	\$ 1,584	\$ 1,549
Intermodal	571	522
Coal	420	349
Total railway operating revenues	<u>2,575</u>	<u>2,420</u>
<b>Railway operating expenses</b>		
Compensation and benefits	743	723
Purchased services and rents	377	379
Fuel	213	149
Depreciation	259	252
Materials and other	210	194
Total railway operating expenses	<u>1,802</u>	<u>1,697</u>
<b>Income from railway operations</b>	773	723
Other income – net	24	16
Interest expense on debt	142	139
Income before income taxes	655	600
Provision for income taxes		
Current	166	169
Deferred	56	44
Total income taxes	<u>222</u>	<u>213</u>
<b>Net income</b>	<u>\$ 433</u>	<u>\$ 387</u>
<b>Earnings per share</b>		
Basic	\$ 1.49	\$ 1.30
Diluted	1.48	1.29
<b>Weighted average shares outstanding</b>		
Basic	290.3	297.2
Diluted	292.8	298.9

*See accompanying notes to consolidated financial statements.*

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

	<b>First Quarter</b>	
	<b>2017</b>	<b>2016</b>
	<i>(\$ in millions)</i>	
<b>Net income</b>	\$ 433	\$ 387
Other comprehensive income, before tax:		
Reclassification adjustments for costs included in net income	7	7
Other comprehensive loss of equity investees	(2)	(1)
Other comprehensive income, before tax	5	6
Income tax expense related to reclassification adjustments for costs included in net income	(3)	(3)
Other comprehensive income, net of tax	2	3
<b>Total comprehensive income</b>	<b>\$ 435</b>	<b>\$ 390</b>

*See accompanying notes to consolidated financial statements.*

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

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
	<i>(\$ in millions)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 955	\$ 956
Accounts receivable – net	998	945
Materials and supplies	281	257
Other current assets	93	133
Total current assets	2,327	2,291
Investments	2,809	2,777
Properties less accumulated depreciation of \$11,872 and \$11,737, respectively	29,927	29,751
Other assets	82	73
<b>Total assets</b>	<b>\$ 35,145</b>	<b>\$ 34,892</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 1,211	\$ 1,215
Short-term debt	—	100
Income and other taxes	379	245
Other current liabilities	303	229
Current maturities of long-term debt	550	550
Total current liabilities	2,443	2,339
Long-term debt	9,569	9,562
Other liabilities	1,407	1,442
Deferred income taxes	9,199	9,140
<b>Total liabilities</b>	22,618	22,483
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 289,782,660 and 290,417,610 shares, respectively, net of treasury shares	291	292
Additional paid-in capital	2,228	2,179
Accumulated other comprehensive loss	(485)	(487)
Retained income	10,493	10,425
<b>Total stockholders' equity</b>	12,527	12,409
<b>Total liabilities and stockholders' equity</b>	<b>\$ 35,145</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 Quarter</b>	
	<b>2017</b>	<b>2016</b>
	<i>(\$ in millions)</i>	
<b>Cash flows from operating activities</b>		
Net income	\$ 433	\$ 387
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	260	253
Deferred income taxes	56	44
Gains and losses on properties	(9)	(2)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(53)	(15)
Materials and supplies	(24)	(44)
Other current assets	31	84
Current liabilities other than debt	188	200
Other – net	(36)	(28)
	<u>846</u>	<u>879</u>
<b>Cash flows from investing activities</b>		
Property additions	(438)	(398)
Property sales and other transactions	35	12
Investment purchases	(2)	(23)
Investment sales and other transactions	1	1
	<u>(404)</u>	<u>(408)</u>
<b>Cash flows from financing activities</b>		
Dividends	(177)	(176)
Common stock transactions	34	(7)
Purchase and retirement of common stock	(200)	(200)
Debt repayments	(100)	(600)
	<u>(443)</u>	<u>(983)</u>
Net decrease in cash and cash equivalents	(1)	(512)
<b>Cash and cash equivalents</b>		
At beginning of year	<u>956</u>	<u>1,101</u>
At end of period	<u>\$ 955</u>	<u>\$ 589</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 70	\$ 70
Income taxes (net of refunds)	12	2

*See accompanying notes to consolidated financial statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:

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

We repurchased and retired 1.7 million and 2.6 million shares of common stock under our stock repurchase program in the first quarters of 2017 and 2016, respectively, at a cost of \$200 million in each period. Since the beginning of 2006, we have repurchased and retired 162.0 million shares at a total cost of \$10.5 billion.