UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington , D.C. 20549

FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended **DEC. 31, 2006**

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from _________ to _________

Commission file number 1-8339

NORFOLK SOUTHERN CORPORATION
(Exact name of registrant as specified in its charter)

Virginia	**52-1188014**
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)
Three Commercial Place **Norfolk , Virginia**	**23510-2191**
(Address of principal executive offices)	Zip Code
Registrant's telephone number, including area code	**(757) 629-2680**

No Change

(Former name, former address and former fiscal year, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Name of each exchange on which registered
Norfolk Southern Corporation Common Stock (Par Value $1.00)	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes (X) No ( )

Indicate by checkmark if the registrant is not required to file such reports pursuant to Section 13 or 15(d) of the Act. Yes ( ) No (X)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section

13 or Section 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ( )

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer (X) Accelerated filer ( ) Non-accelerated filer ( )

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ( ) No (X)

The aggregate market value of the voting common equity held by nonaffiliates as of June 30, 2006 was $22,023,555,376 (based on the closing price as quoted on the New York Stock Exchange on that date).

The number of shares outstanding of each of the registrant's classes of common stock, as of Jan. 31, 2007: 396,986,263(excluding 20,760,284 shares held by the registrant's consolidated subsidiaries).

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's definitive proxy statement to be filed electronically pursuant to Regulation 14A not later than 120 days after the end of the fiscal year, are incorporated by reference in Part III.

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PART I

Norfolk Southern Corporation and Subsidiaries (NS)

Item 1. Business. and Item 2. Properties .

GENERAL - Norfolk Southern Corporation (Norfolk Southern) is a Norfolk , Virginia based company that controls a major freight railroad, Norfolk Southern Railway Company. Norfolk Southern Railway Company is primarily engaged in the rail transportation of raw materials, intermediate products and finished goods primarily in the Southeast, East and Midwest and, via interchange with rail carriers, to and from the rest of the United States and parts of Canada . Norfolk Southern also transports overseas freight through several Atlantic and Gulf Coast ports. Norfolk Southern provides comprehensive logistics services and offers the most extensive intermodal network in the eastern half of the United States . The common stock of Norfolk Southern is listed on the New York Stock Exchange (NYSE) under the symbol "NSC."

Norfolk Southern was incorporated on July 23, 1980 , under the laws of the Commonwealth of Virginia . On June l, 1982, Norfolk Southern acquired control of two major operating railroads, Norfolk and Western Railway Company (NW) and Southern Railway Company (Southern) in accordance with an Agreement of Merger and Reorganization dated as of July 31, 1980, and with the approval of the transaction by the Interstate Commerce Commission (now the Surface Transportation Board [STB]). Effective Dec. 31, 1990 , Norfolk Southern transferred all the common stock of NW to Southern, and Southern's name was changed to Norfolk Southern Railway Company (Norfolk Southern Railway or NSR). Effective Sept. 1, 1998 , NW was merged with and into Norfolk Southern Railway. As of Dec. 31, 2006, all the common stock of Norfolk Southern Railway was owned directly by Norfolk Southern.

Through a limited liability company, Norfolk Southern and CSX Corporation (CSX) jointly own Conrail Inc. (Conrail), whose primary subsidiary is Consolidated Rail Corporation (CRC). Norfolk Southern has a 58% economic and 50% voting interest in the jointly owned entity, and CSX has the remainder of the economic and voting interests. CRC owns and operates certain properties (the Shared Assets Areas) for the joint and exclusive benefit of NSR and CSX Transportation Inc. (CSXT). On June 1, 1999 , NSR and CSXT began operating separate portions of Conrail's rail routes and assets. On August 27, 2004, NS, CSX and Conrail completed a corporate reorganization of Conrail (Conrail Corporate Reorganization), which established direct ownership and control by NSR and CSXT of two former CRC subsidiaries, Pennsylvania Lines LLC and New York Central Lines LLC, respectively (see Note 4 to the Consolidated Financial Statements).

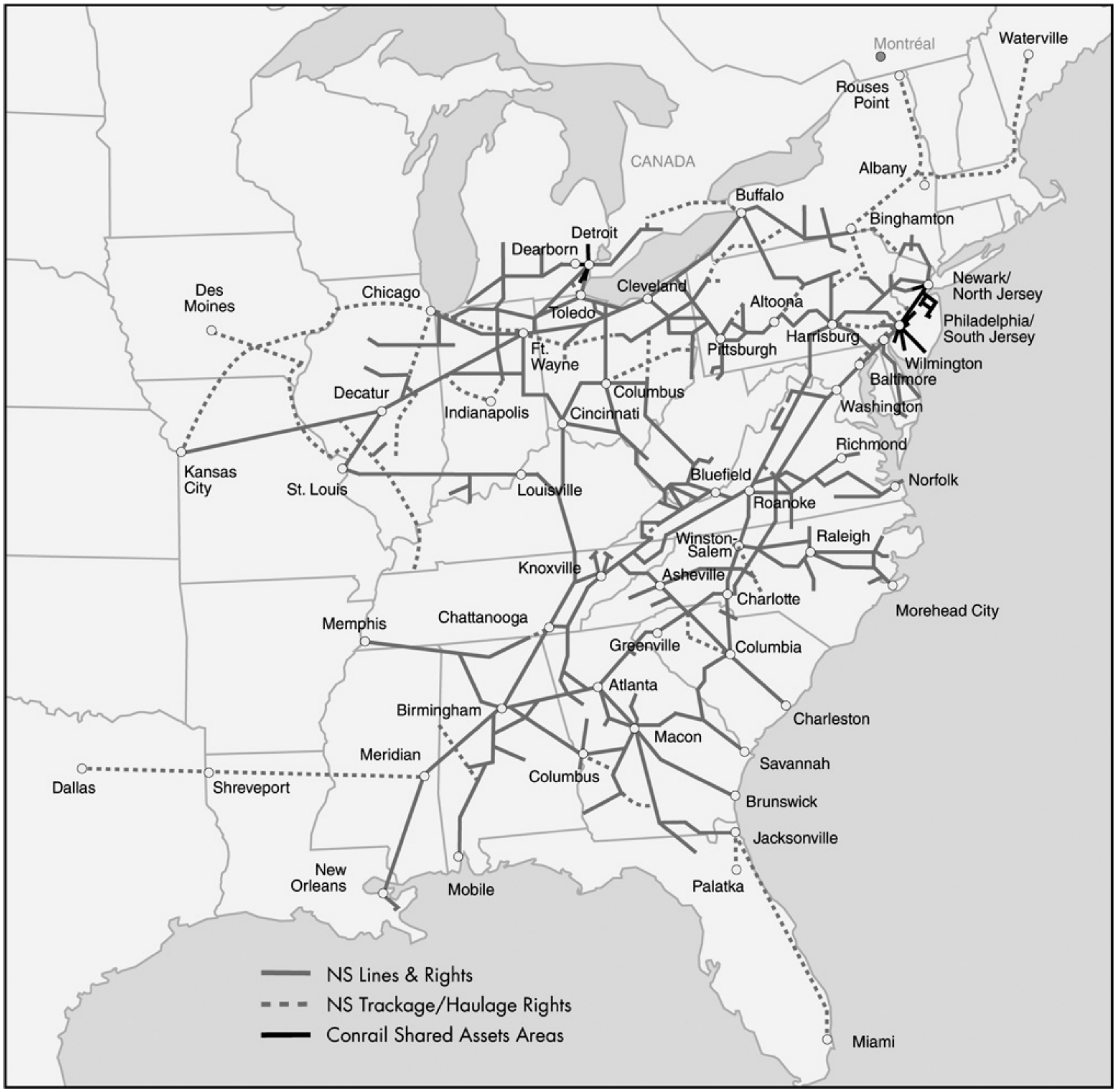
Norfolk Southern makes available free of charge through its website, www.nscorp.com, its annual report on Form 10 -K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC). In addition, the following documents are available on the company's website and in print to any shareholder who requests them:

- Corporate Governance Guidelines
- Charters of the Committees of the Board of Directors
- Code of Ethics for employees
- Code of Ethical Conduct for Senior Financial Officers
- Categorical Independence Standards for Directors

Unless otherwise indicated, Norfolk Southern and its subsidiaries are referred to collectively as NS.

RAILROAD OPERATIONS – As of Dec. 31, 2006, NS' railroads operated approximately 21,000 miles of road in 22 eastern states, the District of Columbia and Ontario, Canada .

The system's lines reach many individual industries, electric generating facilities, mines (in western Virginia , eastern Kentucky , southern and northern West Virginia and western Pennsylvania), distribution centers, transload facilities and other businesses located in smaller communities in its service area.



Corridors with heaviest freight volume:

New York City area to Chicago (via Allentown and Pittsburgh)

Chicago to Macon (via Cincinnati , Chattanooga and Atlanta)

Appalachian coal fields of Virginia , West Virginia and Kentucky to Norfolk and Sandusky , OH

Cleveland to Kansas City

Birmingham to Meridian

Memphis to Chattanooga

The miles operated, which includes leased lines between Cincinnati , Ohio , and Chattanooga , Tennessee , and trackage rights over property owned by North Carolina Railway Company, were as follows:

Mileage Operated as of Dec. 31, 2006

	Miles of Road	Second and Other Main Track	Passing Track, Crossovers and Turnouts	Way and Yard Switching	Total
Owned	16,194	2,808	2,084	8,569	29,655
Operated under lease, contract or trackage rights	4,947	1,978	417	969	8,311
Total	21,141	4,786	2,501	9,538	37,966

Triple Crown Operations – Triple Crown Services Company (TCSC), NS' subsidiary, offers door-to-door intermodal service using RoadRailer® equipment and domestic containers. RoadRailer® units are enclosed vans that can be pulled over highways in tractor-trailer configuration and over the rails by locomotives. TCSC provides intermodal service in major traffic corridors, including those between the Midwest and the Northeast, the Midwest and the Southeast, and the Midwest and Texas .

The following table sets forth certain statistics relating to NS railroads' operations for the past 5 years:

Rail Operating Statistics

	Years Ended Dec. 31,				
	2006	2005	2004	2003	2002
Revenue ton miles (billions)	204	203	198	183	179
Freight train miles traveled (millions)	84.2	81.2	77.7	73.9	72.6
Revenue per ton mile	$0.0462	$0.0421	$0.0369	$0.0353	$0.0350
Revenue ton miles per man-hour worked	3,196	3,146	3,347	3,111	3,067
Percentage ratio of railway operating expenses to railway operating revenues	72.8%	75.2%	76.7%	83.5%[1]	81.5%

[1] Includes $107 million of costs for a voluntary separation program, which added 1.6 percentage points to the ratio.

RAILWAY OPERATING REVENUES -- NS' total railway operating revenues were $9.4 billion in 2006. See the financial information by traffic segment in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

COAL TRAFFIC -- Coal, coke and iron ore -- most of which is bituminous coal -- is NS' railroads' largest commodity group as measured by revenues. The railroads handled a total of 190.6 million tons in 2006, most of which originated on NS' lines in West Virginia , Virginia , Pennsylvania and Kentucky . Revenues from coal, coke and iron ore accounted for about 25% of NS' total railway operating revenues in

2006.

Total coal handled through all system ports in 2006 was 33.8 million tons. Of this total, 10.8 million tons (including coastwise traffic) moved through Norfolk , Virginia , 2.4 million tons moved through the Baltimore Terminal, 13.0 million tons moved to various docks on the Ohio River, and 7.6 million tons moved to various Lake Erie ports. Other than coal for export, virtually all coal handled by NS' railroads was terminated in states east of the Mississippi River .

See the discussion of coal traffic, by type of coal, in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

GENERAL MERCHANDISE TRAFFIC - General merchandise traffic is composed of five major commodity groupings: automotive; chemicals; metals and construction; agriculture, consumer products and government; and paper, clay and forest products. The automotive group includes finished vehicles for BMW, DaimlerChrysler, Ford Motor Company, General Motors, Honda, Isuzu, Jaguar, Land Rover, Mazda, Mercedes-Benz, Mitsubishi, Nissan, Saab, Subaru, Suzu ki , Toyota and Volkswagen, and auto parts for Ford Motor Company, General Motors, Mercedes-Benz and Toyota . The chemicals group includes sulfur and related chemicals, petroleum products, chlorine and bleaching compounds, plastics, rubber, industrial chemicals, chemical wastes and municipal wastes. The metals and construction group includes steel, aluminum products, machinery, scrap metals, cement, aggregates, bricks and minerals. The agriculture, consumer products and government group includes soybeans, wheat, corn, fertilizer, animal and poultry feed, food oils, flour, beverages, canned goods, sweeteners, consumer products, ethanol and items for the military. The paper, clay and forest products group includes lumber and wood products, pulp board and paper products, wood fibers, wood pulp, scrap paper and clay.

In 2006, 147 million tons of general merchandise freight, or approximately 66% of total general merchandise tonnage handled by NS, originated online. The balance of general merchandise traffic was received from connecting carriers at interterritorial gateways. The principal interchange points for NS-received traffic included Chicago , Memphis , New Orleans , Cincinnati , Kansas City, Detroit , Hagerstown , St. Louis/East St. Louis and Louisville . General merchandise carloads handled in 2006 were 2.9 million, the revenue from which accounted for 54% of NS' total railway operating revenues in 2006.

See the discussion of general merchandise rail traffic by commodity group in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

INTERMODAL TRAFFIC - The intermodal market consists of shipments moving in trailers, domestic and international containers, and Roadrailer® equipment. These shipments are handled on behalf of intermodal marketing companies, international steamship lines, truckers and other shippers. Intermodal units handled in 2006 were 3.3 million, the revenues from which accounted for 21% of NS' total railway operating revenues for the year.

See the discussion of intermodal traffic in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

FREIGHT RATES - In 2006, NS' railroads continued their reliance on private contracts and exempt price quotes as their predominant pricing mechanisms. Thus, a major portion of NS' railroads' freight business is not currently economically regulated by the government. In general, market forces have been substituted for government regulation and now are the primary determinant of rail service prices.

In 2006, NS' railroads were found by the STB to be "revenue adequate" based on results for the year 2005. A railroad is "revenue adequate" under the applicable law when its return on net investment exceeds the rail industry's composite cost of capital. This determination is made pursuant to a statutory requirement.

PASSENGER OPERATIONS

· Regularly scheduled passenger trains are operated by Amtrak on NS' lines between the following locations:

- Alexandria and New Orleans
- Greensboro and Selma , North Carolina
- Chicago , Illinois , and Detroit , Michigan
- Chicago and Harrisburg , Pennsylvania

· Commuter trains are operated on the NS line between Manassas and Alexandria in accordance with contracts with two transportation commissions of the Commonwealth of Virginia

· NS leases the Chicago to Manhattan , Illinois , line to the Commuter Rail Division of the Regional Transportation Authority of Northeast Illinois

· NS provides freight service over lines with significant ongoing Amtrak and commuter passenger operations, and is conducting freight operations over some trackage owned by:

- Amtrak
- New Jersey Transit
- Southeastern Pennsylvania Transportation Authority
- Metro-North Commuter Railroad Company
- Maryland DOT

· Passenger operations are conducted either by Amtrak or by the commuter agencies over trackage owned by Conrail in the Shared Assets Areas.

NONCARRIER OPERATIONS - NS' noncarrier subsidiaries engage principally in the acquisition, leasing and management of coal, oil, gas and minerals; the development of commercial real estate; telecommunications; and the leasing or sale of rail property and equipment. In 2006, no such noncarrier subsidiary or industry segment grouping of noncarrier subsidiaries met the requirements for a reportable business segment set forth in Statement of Financial Accounting Standards No. 131.

RAILWAY PROPERTY

The NS railroad system extends across 22 states, the District of Columbia and portions of Canada . The railroad infrastructure makes the company capital intensive with total property of approximately $21 billion.

Capital Expenditures - Capital expenditures for road, equipment and other property for the past five years were as follows (including capitalized leases):

Capital Expenditures

	2006	2005	2004	2003	2002
	($ in millions)				
Road	$ 756	$ 741	$ 612	$ 502	$ 521
Equipment	422	284	429	218	174
Total	$ 1,178	$ 1,025	$ 1,041	$ 720	$ 695

Capital spending and maintenance programs are and have been designed to assure the ability to provide safe, efficient and reliable transportation services. For 2007, NS has budgeted $1.34 billion of capital spending. On May 1, 2006, NS and Kansas City Southern (KCS) formed a joint venture (MSLLC) pursuant to which NS intends to contribute $300 million in cash, substantially all of which will be used for capital improvements over a period of approximately three years, in exchange for a 30% interest in the joint venture. See the discussion following “Cash used for investing activities,” in Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations.”

Equipment - As of Dec. 31, 2006, NS owned or leased the following units of equipment:

	Number of Units			Capacity
	Owned*	**Leased****	**Total**	**of Equipment**
Locomotives:				(Horsepower)
Multiple purpose	3,505	132	3,637	12,563,600
Switching	207	--	207	303,700
Auxiliary units	74	--	74	--
Total locomotives	3,786	132	3,918	12,867,300
Freight cars:				(Tons)
Hopper	18,839	808	19,647	2,086,249
Box	17,555	2,346	19,901	1,590,557
Covered hopper	9,042	3,019	12,061	1,317,822
Gondola	29,806	8,283	38,089	4,093,356
Flat	2,708	1,336	4,044	316,712
Caboose	191	--	191	--
Other	4,028	20	4,048	303,650
Total freight cars	82,169	15,812	97,981	9,708,346
Other:				
Work equipment	5,337	3	5,340	
Vehicles	3,547	--	3,547	
Highway trailers and containers	184	11,496	11,680	
RoadRailer®	6,828	192	7,020	
Miscellaneous	1,356	18,686	20,042	
Total other	17,252	30,377	47,629	

* Includes equipment leased to outside parties and equipment subject to equipment trusts, conditional sale agreements and capitalized leases.

** Includes 6,437 freight cars leased from CRC.

The following table indicates the number and year built for locomotives and freight cars owned at Dec. 31, 2006.

	Year Built								
	2006	**2005**	**2004**	**2003**	**2002**	**1995-2001**	**1990-1994**	**1989 & Before**	**Total**
Locomotives:									
No. of units	143	89	207	100	-- *	1,073	395	1,779	3,786
% of fleet	4%	2%	5%	3%	--%	28%	11%	47%	100%

Freight cars:									
No. of units	404	89	--	--	--	6,536	5,065	70,075	82,169
% of fleet	1%	--%	--%	--%	--%	8%	6%	85%	100%

* Fifty of the locomotives built in 2001 were purchased in 2002.

The following table shows the average age of NS' locomotive and freight car fleets at Dec. 31, 2006 , and the number of retirements in 2006:

	Locomotives	Freight Cars
Average age – in service	17.7 years	30.0 years
Retirements	2 units	2,520 units
Average age – retired	35.0 years	38.7 years

Between 1988 and 2000, about 29,000 coal cars were rebodied. As a result, the remaining serviceability of the freight car fleet is greater than may be inferred from the high percentage of freight cars built in earlier years.

	Annual Average Bad Order Ratio				
	2006	2005	2004	2003	2002
Freight cars	6.4%	6.3%	7.4%	7.4%	8.1%
Locomotives	5.7%	6.2%	6.3%	6.2%	6.3%

Ongoing freight car and locomotive maintenance programs are intended to ensure the highest standards of safety, reliability, customer satisfaction and equipment marketability. The declines in 2006, 2005 and 2003 reflected an increase in maintenance activity as well as the retirement of unserviceable units. The locomotive bad order ratio includes units out of service for required inspections every 92 days and program work such as overhauls.

Encumbrances - Certain railroad equipment is subject to the prior lien of equipment financing obligations amounting to approximately $534 million as of Dec. 31, 2006, and $650 million as of Dec. 31, 2005 .

Track Maintenance - Of the approximately 38,000 total miles of track operated, NS had responsibility for maintaining about 30,000 miles of track with the remainder being operated under trackage rights.

Over 75% of the main line trackage (including first, second, third and branch main tracks, all excluding trackage rights) has rail ranging from 131 to 155 pounds per yard with the standard installation currently at 136 pounds per yard. Approximately 45% of NS lines carried 20 million or more gross tons per track mile during 2006.

The following table summarizes several measurements regarding NS' track roadway additions and replacements during the past five years:

	2006	2005	2004	2003	2002
Track miles of rail installed	327	302	246	233	235
Miles of track surfaced	4,871	4,663	5,055	5,105	5,270
New crossties installed (millions)	2.7	2.5	2.5	2.8	2.8

Microwave System - The NS microwave system, consisting of approximately 7,400 radio route miles, 424 core stations, 14 secondary stations and 5 passive repeater stations, provides communications between most operating locations. The microwave system is used primarily for voice communications, VHF radio control circuits, data and facsimile transmissions, traffic control operations and AEI data transmissions.

Traffic Control - Of the approximately 16,200 route miles owned by NS, about 11,000 miles are signalized, including 8,000 miles of centralized traffic control (CTC) and 3,000 miles of automatic block signals. Of the 8,000 miles of CTC, approximately 3,000 miles are controlled by data radio originating at 244 base station radio sites.

Computers - A computer network consisting of a centralized data center in Atlanta , Georgia , and various distributed computers throughout the company connects the yards, terminals, transportation offices, rolling stock repair points, sales offices and other key system locations. Operating and traffic data are processed and stored to provide customers with information on their shipments throughout the system. Computer systems provide current information on the location of every train and each car on line, as well as related waybill and other train and car movement data. In addition, the computer systems are utilized to assist management in the performance of a variety of functions and services including payroll, car and revenue accounting, billing, material management activities and controls, and special studies.

ENVIRONMENTAL MATTERS - Compliance with federal, state and local laws and regulations relating to the protection of the environment is a principal NS goal. To date, such compliance has not affected materially NS' capital additions, earnings, liquidity or competitive position. See “Legal Proceedings,” Part I, Item 3; “Personal Injury, Environmental and Legal Liabilities” in Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations;” and Note 17 to the Consolidated Financial Statements.

EMPLOYEES – The following table shows the average number of employees and the average cost per employee for wages and benefits:

	2006	2005	2004	2003	2002
Average number of employees	30,541	30,294	28,475	28,753	28,970
Average wage cost per employee	$62,000	$61,000	$59,000	$58,000	$54,000
Average benefit cost per employee	$32,000	$29,000	$28,000	$28,000	$24,000

Approximately 85% of NS' railroad employees are covered by collective bargaining agreements with various labor unions. See the discussion of “Labor Agreements” in Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations.”

GOVERNMENT REGULATION - In addition to environmental, safety, securities and other regulations generally applicable to all businesses, NS' railroads are subject to regulation by the STB. The STB has jurisdiction over some rates, routes, conditions of service and the extension or abandonment of rail lines. The STB also has jurisdiction over the consolidation, merger or acquisition of control of and by rail common carriers. The Federal Railroad Administration regulates certain track and mechanical equipment standards.

The relaxation of economic regulation of railroads, begun over two decades ago under the Staggers Rail Act of 1980, has continued. Significant exemptions are TOFC/COFC (i.e., “piggyback”) business, rail boxcar traffic, lumber, manufactured steel, automobiles and certain bulk commodities such as sand, gravel, pulpwood and wood chips for paper manufacturing. Transportation contracts on regulated shipments effectively remove those shipments from regulation as well for the duration of the contract. About 84% of NS' freight revenues come from either exempt traffic or traffic moving under transportation contracts.

Efforts may be made in 2007 to re-subject the rail industry to unwarranted federal economic regulation. The Staggers Rail Act of 1980, which substantially reduced such regulation, encouraged and enabled rail carriers to innovate and to compete for business, thereby contributing to the economic health of the nation and to the revitalization of the industry. Accordingly, NS will oppose efforts to reimpose unwarranted economic regulation.

COMPETITION - There is continuing strong competition among rail, water and highway carriers. Price is usually only one factor of importance as shippers and receivers choose a transport mode and specific hauling company. Inventory carrying costs, service reliability, ease of handling and the desire to avoid loss and damage during transit are also important considerations, especially for higher-valued finished goods, machinery and consumer products. Even for raw materials, semifinished goods and work-in-process, users are increasingly sensitive to transport arrangements that minimize problems at successive production stages.

NS' primary rail competitor is the CSX system; both operate throughout much of the same territory. Other railroads also operate in parts of the territory. NS also competes with motor carriers, water carriers and with shippers who have the additional option of handling their own goods in private carriage.

Certain marketing strategies among railroads and between railroads and motor carriers enable carriers to compete more effectively in specific markets.

Item 1A. Risk Factors.

NS is subject to significant governmental regulation and legislation over commercial, environmental and operating matters. Railroads are subject to commercial regulation by the Surface Transportation Board, which has jurisdiction over some rates, routes, fuel surcharges, conditions of service and the extension or abandonment of rail lines. The STB also has jurisdiction over the consolidation, merger or acquisition of control of and by rail common carriers. Occasional efforts are made to re-subject the rail industry to unwarranted federal economic regulation. In addition, Congress could enact re-regulation legislation. Economic re-regulation of the rail industry could have a significant negative impact on NS' ability to determine prices for rail services, reduce capital spending on its rail network, and result in a material adverse effect on NS' financial position, results of operations or liquidity in a particular year or quarter.

NS' operations are subject to extensive federal, state, and local environmental laws and regulations concerning, among other things, emissions to the air; discharges to water ways or ground water supplies; handling, storage, transportation, and disposal of waste and other materials; and the cleanup of hazardous material or petroleum releases. The risk of incurring environmental liability – for acts and omissions, past, present and future – is inherent in the railroad business. Several of NS' subsidiaries own, or have owned, land used as operating property or held for sale, or which is leased or may have been leased and operated by others. Environmental problems that are latent or undisclosed may exist on these properties, and NS could incur environmental liabilities or costs, the amount and materiality of which cannot be estimated reliably at this time, with respect to one or more of these properties. Moreover, lawsuits and claims involving other unidentified environmental sites and matters are likely to arise from time to time, and the resulting liabilities could have a significant effect on financial position, results of operations or liquidity in a particular year or quarter.

The Federal Railroad Administration regulates a host of operations matters including track and mechanical equipment standards; signaling systems; testing and inspection of grade crossing warning devices, hours of service of operating employees; drug and alcohol testing; locomotive engineer certification; and reporting of employee injuries, among other areas. NS' unintentional failure to comply with applicable laws and regulations could have a material adverse effect on NS, and changes in the legislative or regulatory frameworks within which NS operates could adversely affect its business.

NS, as a common carrier by rail, must offer to transport hazardous materials, regardless of risk. Transportation of certain hazardous materials could create catastrophic losses in terms of personal injury and property damage costs, and compromise critical parts of our rail network. Legislation introduced in Congress in early 2005 would give federal regulators increased authority to conduct investigations and levy substantial fines and penalties in connection with railroad accidents. Federal regulators also would be required to prescribe new regulations governing railroads' transportation of hazardous materials. Legislation proposed in 2006 would require the Department of Homeland Security (DHS) to develop rail security plans and the railroads to submit vulnerability assessments, security plans and employee training programs to DHS for approval. If enacted, such legislation and regulations could impose significant additional costs on railroads. Regulations proposed in late 2006 by DHS mandating chain of custody and security measures likely will cause service degradation and higher costs for the transportation of toxic inhalation hazard materials. Further, certain local governments have sought to enact ordinances banning hazardous materials moving by rail within their borders. Some legislators have contemplated pre-notification requirements for hazardous materials shipments. If promulgated such ordinances could require the re-routing of hazardous materials shipments, with the potential for significant additional costs and network inefficiencies.

NS may be affected by terrorism or war. Any terrorist attack, or other similar event, any government response thereto, and war or risk of war could cause significant business interruption and may adversely affect NS' results of operations, financial position, and liquidity. Because NS plays a critical role in the nation's transportation system, it could become the target of such an attack or have a significant role in the government's preemptive approach or response to an attack or war.

Although NS currently maintains insurance coverage for third-party liability arising out of war and acts of terrorism, it maintains only limited insurance coverage for first-party property damage and damage to property in NS' care, custody or control caused by certain acts of terrorism. In addition, premiums for some or all of NS' current insurance programs covering these losses could increase dramatically, or insurance coverage for certain losses may not be available to NS in the future.

NS may be affected by general economic conditions. Prolonged negative changes in domestic and global economic conditions affecting the producers and consumers of the commodities NS carries may have an adverse effect on its operating results, financial position, and liquidity. Economic conditions resulting in bankruptcies of one or more large customers could have a significant impact on NS' financial position, results of operations or liquidity in a particular year or quarter.

NS faces competition from other transportation providers. NS is subject to competition from motor carriers, railroads, and to a lesser extent, ships, barges, and pipelines, on the basis of transit time, pricing, and the quality and reliability of service. While NS has used primarily internal resources to build or acquire and maintain its rail system, trucks and barges have been able to use public rights-of-way maintained by public entities. Any future improvements or expenditures materially increasing the quality or reducing the cost of alternative modes of transportation in the regions in which NS operates, or legislation granting materially greater latitude for motor carriers with respect to size or weight limitations, could have a material adverse effect on its financial position, results of operations or liquidity in a particular year or quarter.

The operations of carriers with which NS interchanges may adversely affect its operations. NS' ability to provide rail service to customers in the U.S. and Canada depends in large part upon its ability to maintain cooperative relationships with connecting carriers with respect to, among other matters, freight rates, revenue divisions, car supply, reciprocal switching, interchange, trackage rights and locomotive availability. Deterioration in the operations of, or service provided by connecting carriers, or in our relationship with those connecting carriers, could result in NS' inability to meet its customers' demands or require NS to use alternate train routes, which could result in significant additional costs and network inefficiencies.

NS relies on technology and technology improvements in its business operations. If NS experiences significant disruption or failure of one or more of its information technology systems, including computer hardware, software, and communications equipment, NS could experience a service interruption, security breach, or other operational difficulties, which could have a material adverse impact on its results of operations, financial condition, and liquidity. Additionally, if NS does not have sufficient capital to acquire new technology or if it is unable to implement new technology, NS may suffer a competitive disadvantage within the rail industry and with companies providing other modes of transportation service, which could have a material adverse effect on its financial position, results of operations or liquidity in a particular year or quarter.

The vast majority of NS employees belong to labor unions, and labor agreements, strikes, or work stoppages could adversely affect its operations. A pproximately 26,000, or about 85%, of NS railroad employees are covered by collective bargaining agreements with various labor unions. If unionized workers were to engage in a strike, work stoppage, or other slowdown, NS could experience a significant disruption of its operations. Additionally, future national labor agreements, or renegotiation of labor agreements or provisions of labor agreements, could significantly increase NS' costs for healthcare, wages, and other benefits. Any of these factors could have a material adverse impact on NS' financial position, results of operations or liquidity in a particular year or quarter.

NS may be subject to various claims and lawsuits that could result in significant expenditures. The nature of NS' business exposes it to the potential for various claims and litigation related to labor and employment, personal injury, freight loss and other property damage, and other matters. Job-related personal injury and occupational claims are subject to the Federal Employers' Liability Act (FELA), which is applicable only to railroads. FELA's fault-based tort system produces results that are unpredictable and inconsistent as compared with a no-fault worker's compensation system. The variability inherent in this system could result in actual costs being very different from the liability recorded.

Any material changes to current litigation trends or a catastrophic rail accident involving any or all of freight loss or property damage, personal injury, and environmental liability could have a material adverse effect on NS' operating results, financial condition, and liquidity to the extent not covered by insurance. NS has obtained insurance for potential losses for third-party liability and first-party property damages. Specified levels of risk are retained on a self-insurance basis (currently up to $25 million per occurrence for bodily injury and property damage to third parties and $25 million per occurrence for property owned by NS or in its care, custody or control). Insurance is available from a limited number of insurers and may not continue to be available or, if available, may not be obtainable on terms acceptable to NS.

Severe weather could result in significant business interruptions and expenditures. Severe weather conditions and other natural phenomena, including hurricanes and floods, may cause significant business interruptions and result in increased costs, increased liabilities, and decreased revenues, which could have an adverse effect on NS' financial position, results of operations or liquidity in a particular year or quarter.

Unpredictability of demand for rail services resulting in the unavailability of qualified personnel could adversely affect NS' operational efficiency and ability to meet demand. Workforce demographics, training requirements, and the availability of qualified personnel, particularly engineers and trainmen, could each have a negative impact on NS' ability to meet demand for rail service. Unpredictable increases in demand for rail services may exacerbate such risks, which could have a negative impact on NS' operational efficiency and otherwise have a material adverse effect on its financial position, results of operations or liquidity in a particular year or quarter.

NS may be affected by supply constraints resulting from disruptions in the fuel markets or the nature of some of its supplier markets. NS consumes over 500 million gallons of diesel fuel each year. Fuel availability could be affected by any limitation in the fuel supply or by any imposition of mandatory allocation or rationing regulations. If a severe fuel supply shortage arose from production curtailments, disruption of oil imports, disruption of domestic refinery production, damage to refinery or pipeline infrastructure, political unrest, war or otherwise, NS' financial position, results of operations or liquidity in a particular year or quarter could be affected. Also, such an event would impact NS as well as its customers and other transportation companies.

Due to the capital intensive nature and industry-specific requirements of the rail industry, there are high barriers of entry for potential new suppliers of core railroad items, such as locomotives and rolling stock equipment. Additionally, NS competes with other industries for available capacity and raw materials used in the production of certain track materials, such as rail and ties. Changes in the competitive landscapes of these limited-supplier markets could result in increased prices or material shortages that could materially affect NS' financial position, results of operations or liquidity in a particular year or quarter.

Item 1B. Unresolved Staff Comments.

NS has no unresolved SEC staff comments.

Item 3. Legal Proceedings .

On Oct. 19, 2006, the Pennsylvania Department of Environmental Protection (PDEP) issued an assessment of civil penalties against NS and filed a complaint for civil penalties with the Pennsylvania Environmental Hearing Board (EHB) requesting that the EHB impose civil penalties upon NS for alleged violations of state environmental laws and regulations resulting from a discharge of sodium hydroxide which occurred as a result of the derailment of a NS train in Norwich Township, Pennsylvania, on June 30, 2006. The PDEP's actions seek to impose combined penalties of $8,890,000 for alleged past violations and $46,420 per day for alleged ongoing violations of state environmental laws and regulations. NS believes that the monetary penalties sought by the PDEP are excessive. Accordingly, NS intends to vigorously defend the action and has appealed the fines to the EHB. In addition, NS expects the Pennsylvania Fish and Boat Commission to impose a monetary penalty on NS for damages alleged to have been caused by this accident. NS does not believe that the outcome of these proceedings will have a material effect on its financial position, results of operations, or liquidity.

Item 4. Submission of Matters to a Vote of Security Holders .

There were no matters submitted to a vote of security holders during the fourth quarter of 2006.

Executive Officers of the Registrant.

Norfolk Southern's executive officers generally are elected and designated annually by the Board of Directors at its first meeting held after the annual meeting of stockholders, and they hold office until their successors are elected. Executive officers also may be elected and designated throughout the year as the Board of Directors considers appropriate. There are no family relationships among the officers, nor any arrangement or understanding between any officer and any other person pursuant to which the officer was selected. The following table sets forth certain information, as of January 31, 2007 , relating to the executive officers.

Name, Age, Present Position	Business Experience During Past Five Years
Charles W. Moorman, 54, Chairman, President and Chief Executive Officer	Present position since February 1, 2006 . Served as President and Chief Executive Officer from November 1, 2005 to February 1, 2006 ; as President from October 1, 2004 to November 1, 2005 ; as Senior Vice President – Corporate Planning and Services from December 1, 2003 to October 1, 2004 ; Senior Vice President – Corporate Services from February 1, 2003 to December 1, 2003 ; also served as President – Thoroughbred Technology and Telecommunications, Inc. since October 1999 and prior thereto was Vice President – Information Technology.
Stephen C. Tobias, 62,	Present position since August 1998.

Vice Chairman and Chief Operating Officer	
Henry C. Wolf, 64, Vice Chairman and Chief Financial Officer	Present position since August 1998.
James A. Hixon, 53, Executive Vice President – Law and Corporate Relations	Present position since October 1, 2005 . Served as Executive Vice President – Finance and Public Affairs From October 1, 2004 , to October 1, 2005 ; Senior Vice President – Legal and Government Affairs from December 1, 2003 to October 1, 2004 ; Senior Vice President – Administration from February 1, 2001 to December 1, 2003 ; and prior thereto was Senior Vice President – Employee Relations.
Mark D. Manion, 54, Executive Vice President – Operations	Present position since October 1, 2004 . Served as Senior Vice President – Transportation Operations from December 1, 2003 to October 1, 2004 ; Vice President – Transportation Services and Mechanical from February 1, 2001 to December 1, 2003 ; and prior thereto was Vice President – Mechanical.
Kathryn B. McQuade, 50, Executive Vice President – Planning and Chief Information Officer	Present position since October 1, 2004 . Served as Senior Vice President – Finance from December 1, 2003 to October 1, 2004 ; and prior thereto was Senior Vice President – Financial Planning.

John P. Rathbone, 54, Executive Vice President – Administration	Present position since October 1, 2004 . Served as Senior Vice President – Administration from December 1, 2003 to October 1, 2004 ; Senior Vice President and Controller from April 2000 to December 1, 2003 and prior thereto was Vice President and Controller.
Donald W. Seale, 54, Executive Vice President and Chief Marketing Officer	Present position since April 1, 2006 . Served as Executive Vice President – Sales and Marketing from October 1, 2004 to April 1, 2006 ; as Senior Vice President - Marketing Services from December 1, 2003 to October 1, 2004; and prior thereto was Senior Vice President – Merchandise Marketing.
Dan iel D. Smith, 54, Senior Vice President – Energy and Properties	Present position since December 1, 2003 . Served as President- NS Development from February 1, 2001 to December 1, 2003 .
James A. Squires, 45, Senior Vice President – Financial Planning	Present position since April 1, 2006 . Served as Senior Vice President – Law from October 1, 2004 to April 1, 2006 ; as Vice President – Law from December 1, 2003 to October 1, 2004 ; Senior General Counsel from February 1, 2002 to December 1, 2003 ; and prior thereto was General Counsel.
Marta R. Stewart , 49, Vice President and Controller	Present position since December 1, 2003 . Prior thereto was Assistant Vice President Corporate Accounting.

PART II

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases

_ **of Equity Securities.**

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

STOCK PRICE AND DIVIDEND INFORMATION

The Common Stock of Norfolk Southern Corporation, owned by 38,900 stockholders of record as of Dec. 31, 2006, is traded on the New York Stock Exchange with the symbol NSC. The following table shows the high and low sales prices as reported by Bloomberg L.P. on its internet-based service and dividends per share, by quarter, for 2006 and 2005.

Quarter

2006	**1st**	**2nd**	**3rd**	**4th**
Market price				
High	$ 54.93	$ 57.71	$ 54.00	$ 55.07
Low	41.22	46.17	39.10	42.80
Dividends per share	$ 0.16	$ 0.16	$ 0.18	$ 0.18
2005	**1st**	**2nd**	**3rd**	**4th**
Market price				
High	$ 38.99	$ 37.78	$ 40.93	$ 45.81
Low	33.21	29.60	30.70	38.01
Dividends per share	$ 0.11	$ 0.11	$ 0.13	$ 0.13

ISSUER PURCHASES OF EQUITY SECURITIES

Period	**(a) Total Number of Shares (or Units) Purchased**	**(b) Average Price Paid per Share (or Unit)**	**(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs[(2)]**	**(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may yet be Purchased Under the Plans or Programs[(2)]**
Oct. 1-31, 2006	985,889	$46.09	983,995	28,279,067
Nov. 1-30, 2006	1,889	$52.96	--	28,279,067
Dec. 1-31, 2006	53,239	$49.56	51,500	28,227,567

Total	1,041,017[(1)]	$46.28

(1) Of this amount 5,522 represent s hares tendered by employees in connection with the exercise of stock options under the Long-Term Incentive Plan.
(2) On Nov. 22, 2005 , the Board of Directors authorized a share repurchase program, pursuant to which up to 50 million of the NS' common stock may be purchased through Dec. 31, 2015 .

Item 6. Selected Financial Data .

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

FIVE-YEAR FINANCIAL REVIEW 2002-2006

	2006	2005 [1]	2004 [2]	2003[3]	2002
		($ in millions, except per share amounts)			
RESULTS OF OPERATIONS					
Railway operating revenues	$ 9,407	$ 8,527	$ 7,312	$ 6,468	$ 6,270
Railway operating expenses	6,850	6,410	5,610	5,404	5,112
Income from railway operations	2,557	2,117	1,702	1,064	1,158
Other income – net	149	74	76	19	66
Interest expense on debt	476	494	489	497	518
Income from continuing operations before income taxes and accounting changes	2,230	1,697	1,289	586	706
Provision for income taxes	749	416	379	175	246
Income from continuing operations before accounting changes	1,481	1,281	910	411	460
Discontinued operations[4]	--	--	--	10	--
Cumulative effect of changes in accounting principles, net of taxes[5]	--	--	--	114	--
Net income	$ 1,481	$ 1,281	$ 910	$ 535	$ 460

PER SHARE DATA

Income from continuing operations before accounting changes – basic	$	3.63	$	3.17	$	2.31	$	1.05	$	1.18
– diluted	$	3.57	$	3.11	$	2.28	$	1.05	$	1.18
Net income – basic	$	3.63	$	3.17	$	2.31	$	1.37	$	1.18
– diluted	$	3.57	$	3.11	$	2.28	$	1.37	$	1.18
Dividends	$	0.68	$	0.48	$	0.36	$	0.30	$	0.26
Stockholders' equity at year end	$	24.19	$	22.63	$	19.92	$	17.83	$	16.71
FINANCIAL POSITION										
Total assets	$	26,028	$	25,859	$	24,748	$	20,596	$	19,956
Total long-term debt, including current maturities[6]	$	6,600	$	6,930	$	7,525	$	7,160	$	7,364
Stockholders' equity	$	9,615	$	9,276	$	7,977	$	6,976	$	6,500
OTHER										
Capital expenditures	$	1,178	$	1,025	$	1,041	$	720	$	695
Average number of shares outstanding (thousands)		405,988		404,170		394,201		389,788		388,213
Number of stockholders at year end		38,900		48,180		51,032		52,091		51,418
Average number of employees:										
Rail		30,079		29,851		28,057		28,363		28,587
Nonrail		462		443		418		390		383
Total		30,541		30,294		28,475		28,753		28,970

1 2005 provision for income taxes includes a $96 million benefit related to the reduction of NS' deferred income tax liabilities resulting from tax legislation enacted by Ohio. This benefit increased net income by $96 million, or 23 cents per diluted share.

2 2004 other income – net includes a $40 million net gain from the Conrail Corporate Reorganization. This gain increased net income by $40 million or 10 cents per diluted share.

3 2003 operating expenses include a $107 million charge for a voluntary separation program. Other income – net includes an $84 million charge to recognize the impaired value of certain telecommunications assets. These charges reduced net income by $119 million, or 30 cents per diluted share.

4 NS sold all the common stock of its motor carrier subsidiary, North American Van Lines, Inc. in 1998. Results in 2003 include an additional after-tax gain of $10 million, or 3 cents per diluted share, resulting from resolution of tax issues related to the transaction.

5 Net income in 2003 reflects two accounting changes, the cumulative effect of which increased net income by $114 million, or 29 cents per diluted share: a change in accounting for the cost to remove railroad crossties, which increased net income by $110 million, and a change in accounting related to a special-purpose entity that leases certain locomotives to NS, which increased net income by $4 million.

6 Excludes notes payable to Conrail of $716 million in 2003 and $513 million in 2002.

See accompanying Consolidated Financial Statements and notes thereto.

Item 7 . Management's Discussion and Analysis of Financial Condition and Results of Operations .

Norfolk Southern Corporation and Subsidiaries

Management's Discussion and Analysis of

Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes and the Selected Financial Data.

OVERVIEW

NS' 2006 results reflect substantial increases in revenues (up $880 million, or 10%) resulting primarily from higher pricing, including increased fuel surcharges. Traffic volume in 2006 rose modestly as increases in the first half of the year were largely offset by declines in the second half, particularly during the fourth quarter. Operating expenses rose 7%, resulting in a 21% improvement in income from railway operations and a lower operating ratio (a measure of the amount of operating revenues consumed by operation expenses) of 72.8% compared with 75.2% in 2005.

Higher operating income for the year translated into increased cash flows, which, combined with substantial proceeds from employee stock option exercises, were used to fund increased capital expenditures, purchase and retire common stock, increase dividends and pay maturing debt. At Dec. 31, 2006, the cash and short-term investment balance was $918 million. Loo ki ng ahead, NS expects revenue increases to continue but at a more moderate pace, reflecting lower volume growth and comparison with a strong 2006. NS plans to continue its focus on improving service levels and maintaining a market-based approach to pricing. Approximately one-half of NS' revenue base is subject to renegotiation or repricing in 2007.

During 2006, NS purchased and retired 21.8 million shares of common stock at a total cost of $964 million under the share repurchase program approved by the Board of Directors on Nov. 22, 2005. Under the program, the Board has authorized the repurchase of up to 50 million shares of NS common stock through Dec. 31, 2015.

SUMMARIZED RESULTS OF OPERATIONS

2006 Compared with 2005

Net income in 2006 was $1.5 billion, or $3.57 per diluted share, up $200 million, or 16%, compared with $1.3 billion, or $3.11 per diluted share, in 2005. The increase in net income was primarily due to higher income from railway operations, offset in part by the absence of the $96 million income tax benefit recorded in 2005 because of Ohio tax law changes (see Note 3). Railway operating revenues increased $880 million, reflecting higher rates, including fuel surcharges that accounted for about 40% of the increase and modestly higher traffic volume. Railway operating expenses rose $440 million, or 7%, principally due to higher diesel fuel prices and increased compensation and benefit costs.

2005 Compared with 2004

Net income in 2005 was $1.3 billion, or $3.11 per diluted share, up $371 million, or 41%, compared with $910 million, or $2.28 per diluted share, in 2004. Results in 2005 reflected a $96 million second quarter income tax benefit related to Ohio tax law changes (see Note 3), while results in 2004 included a $40 million net gain related to the Conrail Corporate Reorganization (see Note 4). The remaining $315 million increase in net income was primarily due to higher income from railway operations. Railway operating revenues increased $1.2 billion, reflecting higher rates (including the favorable effects of the coal rate cases settled in the second quarter – see below), fuel surcharges and increased traffic volume. Railway operating expenses rose $800 million, or 14%, principally due to higher diesel fuel prices, increased volume-related expenses and casualty claims costs.

DETAILED RESULTS OF OPERATIONS

Railway Operating Revenues

Railway operating revenues were $9.4 billion in 2006, $8.5 billion in 2005 and $7.3 billion in 2004. The following table presents a three-year comparison of revenues, volume and average revenue per unit by market group (prior period amounts for the chemicals, agriculture/consumer products/government and paper/clay/forest groups have been reclassified to conform to the current year presentation).

	Revenues			Units			Revenue per Unit		
	2006	**2005**	**2004**	**2006**	**2005**	**2004**	**2006**	**2005**	**2004**
	($ in millions)			(in thousands)			($ per unit)		
Coal	$ 2,330	$ 2,115	$ 1,728	1,760.0	1,735.4	1,690.8	$ 1,324	$ 1,219	$ 1,022
General merchandise:									
Metals/construction	1,168	978	818	835.3	794.2	781.1	1,398	1,231	1,048

Chemicals	1,079	978	868	426.4	442.1	444.7	2,530	2,212	1,953
Agr./cons. prod./govt.	994	832	716	594.1	571.8	559.8	1,673	1,454	1,279
Automotive	974	997	954	561.9	615.9	634.6	1,734	1,620	1,503
Paper/clay/forest	891	801	691	466.7	472.2	461.7	1,909	1,697	1,496
General merchandise	5,106	4,586	4,047	2,884.4	2,896.2	2,881.9	1,770	1,583	1,404
Intermodal	1,971	1,826	1,537	3,256.5	3,154.9	2,891.5	605	579	531
Total	$ 9,407	$ 8,527	$ 7,312	7,900.9	7,786.5	7,464.2	$ 1,191	$ 1,095	$ 980

Revenues increased $880 million, or 10%, in 2006 and $1.2 billion, or 17%, in 2005. As shown in the following table, both revenue improvements were the result of increased average revenues per unit, including fuel surcharges, and, to a lesser extent in 2006 than for 2005, higher traffic volumes.

Revenue Variance Analysis

	Increases	
	2006 vs. 2005	2005 vs. 2004
	($ in millions)	
Revenue per unit/mix	$ 755	$ 899
Traffic volume (units)	125	316
Total	$ 880	$ 1,215

Both comparisons reflect large increases in average revenue per unit, a result of higher rates and increased fuel surcharges. All market groups collected significant fuel surcharges, which accounted for approximately 40% of the 2006 increase in revenues and about one-third of the 2005 increase. At year-end 2006, fuel surcharge provisions covered approximately 91% of total revenues compared with about 85% at the end of 2005. Traffic volume increased 1% in 2006, principally due to higher intermodal and metals/construction shipments. In 2005, traffic volume rose 4%, reflecting a 9% increase in intermodal shipments. The favorable revenue per unit/mix variance in 2005 included an unfavorable mix component reflecting the 9% rise in intermodal traffic, which has a lower average revenue per unit.

On April 24, 2006 , NS announced that it was revising its fuel surcharge program for non-intermodal traffic originating and moving on NS-issued tariffs and public quotes issued on or after July 1, 2006 . While the mechanics of the new fuel surcharge are generally the same as the previous fuel surcharge, the trigger price was raised from $23 to $64 per barrel of West Texas Intermediate (WTI) Crude Oil and the percentage by which the line haul rate is increased when oil exceeds the trigger price was decreased from 0.4% to 0.3% for each dollar or portion thereof in excess of the trigger price. Tariff prices and public quotes have been adjusted to reflect this change. The fuel surcharge is based on the monthly average price of WTI in the second calendar month prior to the month in which the fuel surcharge is applied. Application of the new fuel surcharge across tariff and public quotes as well as contracts now approximates 15% of NS' total revenue base.

On January 26, 2007, the Surface Transportation Board (STB) issued a decision that the type of fuel surcharge imposed by NS and most other large railroads – a fuel surcharge based on a percentage of line haul revenue – would no longer be permitted for regulated traffic that moves under public (tariff) rates. The STB gave the railroads a 90-day transition period to adjust their fuel surcharge programs. NS does not expect that compliance with these new regulations will have a material effect on its financial condition, results of operations or liquidity.

COAL revenues increased $215 million, or 10%, compared with 2005, which reflected higher average revenue per unit and slightly higher traffic volume. Coal average revenue per unit was up 9% compared with 2005, reflecting increased fuel surcharges and higher rates, tempered by the absence of the $55 million benefit from the coal rate settlements in the second quarter of 2005 (see below). Coal represented 25% of NS' revenues in 2006, and 79% of shipments handled originated on NS' lines. Traffic volumes rose 1% primarily because of increased shipments of utility coal, domestic metallurgical coal and coke that offset lower export and iron ore shipments.

NS is currently involved in litigation with Virginia Electric and Power Company/Old Dominion Electric Cooperative (Virginia Power) regarding rate adjustment provisions in a transportation contract between them. During the third quarter of 2006, a court order was entered in favor of NS, and in the fourth quarter Virginia Power filed a petition with the Virginia Supreme Court appealing this order. Future developments and the ultimate resolution of this matter could result in NS recognizing additional revenues related to this dispute, which could have a favorable impact on results of operations in a particular year or quarter.

In 2005, coal revenues increased $387 million, or 22%, compared with 2004, reflecting higher average revenue per unit and increased traffic volume. Coal average revenue per unit was up 19% compared with 2004, reflecting higher rates, the favorable effects of fuel surcharges, longer-haul business and the rate cases settled in the second quarter (see below). Coal represented 25% of NS' revenues in 2005, and 83% of shipments handled originated on NS' lines. Traffic volumes rose 3% primarily because of increased shipments of utility coal that offset lower export and domestic metallurgical coal, coke and iron ore shipments.

During the second quarter of 2005, NS entered into settlement agreements with two utility customers that resolved their rail transportation rate cases before the STB. In 2002, these customers each filed rate reasonableness complaints with the STB. In October 2004, the STB found NS' rates to be reasonable in both cases. As a result of the settlement of these cases, NS recognized $55 million of additional coal revenue in 2005 related to the period in dispute.

Total Coal, Coke and Iron Ore Tonnage

	2006	2005	2004
	(Tons in thousands)		
Utility	148,078	142,522	134,085
Domestic metallurgical	20,878	20,076	20,686
Export	12,409	14,531	16,583
Industrial	9,202	9,524	9,799
Total	190,567	186,653	181,153

Utility coal tonnage increased 4%, compared with 2005, reflecting the rebuilding of stockpiles by customers, more shipments from the Powder River Basin in the West and higher shipments of import coal through Charleston , SC.

In 2005, utility coal tonnage increased 6% compared to 2004, in response to increased coal-fired generation to meet the heavier electricity demand of a strong economy, limited nuclear power generation capacity, higher natural gas prices and utility coal stockpiles which were below target levels across NS' service area. Supply constraints dampened shipments while the increased demand for Eastern U.S. coal prompted some customers to shift to coal from non-traditional sources in Wyoming and Colorado and imported coal. Appalachian coal production increased modestly and Western coal production was up 2% in 2005.

While natural gas prices are expected to remain higher in 2007, demand for utility coal could be tempered by persistent mild winter weather in the East and above average stockpiles. Additionally, in November 2006, Virginia Power announced it intends to switch from domestic coal to imported coal for its Chesapeake , Virginia , Energy Center . Since NS would not transport the imported coal, this change would result in the loss of approximately 1.6 million tons annually.

A number of evolving environmental issues could affect the utility coal market. These include potential regional programs aimed at capping and reducing power plant CO_2 emissions, and ongoing efforts at addressing climate change. In response to changes in environmental regulations, certain utilities have begun adding or are planning to add emissions control technologies to their electric generating units, allowing them to utilize their existing coal-fired power plants.

Domestic metallurgical coal, coke and iron ore tonnage increased 4% in 2006 compared with 2005. The increase was driven by higher domestic metallurgical coal and coke shipments in the first half of the year in response to steel-ma ki ng demand, which more than offset a decline in iron ore volume caused by the shutdown of a blast furnace at a major customer location.

For 2005, domestic metallurgical coal, coke and iron ore tonnage was down 3%, compared with 2004. Declines in domestic coke and iron ore volumes, principally due to the idling of a major steel blast furnace, were partially offset by an 8% increase in metallurgical coal.

Demand for domestic metallurgical coal and coke is expected to decline slightly with a softening in the steel industry in 2007, whereas new business is expected to modestly increase iron ore shipments.

Export coal tonnage decreased 15% in 2006 compared to 2005, reflecting weaker demand for U.S. coal as Europe and Asia continued to increase purchases from other countries. Baltimore volume was down approximately 13,500 cars, or 37%, and Norfolk volume declined by approximately 3,000 cars, or 3%.

In 2005, export coal tonnage decreased 12% compared to 2004, due to both coal supply constraints and a weak European steel market. Volume through Norfolk and Baltimore decreased. Norfolk was down approximately 16,000 carloads, or 14%, and Baltimore was down approximately 2,000 carloads, or 6%. U.S. exports in 2005 were constrained by several factors: (1) the tight coal supply from Eastern coal mines caused primarily by the sporadic closure of a major coal mine, (2) the idling of production by European steel manufacturers in order to manage finished goods inventory, and (3) the abundant supply of Chinese coke on the world market lowering the price and ma ki ng it more economical to buy coke rather than import metallurgical coal from the U.S. and convert it.

Export coal tonnage for 2007 is expected to weaken as higher mining costs offset potential gains from favorable ocean freight rates from the U.S. versus Australia .

Other coal tonnage (principally steam coal shipped to industrial plants) decreased 3% versus 2005, primarily due to plant closures and mine production problems. In 2005, other coal tonnage decreased 3% versus 2004, primarily due to the diversion of coal to the utility market.

GENERAL MERCHANDISE revenues increased $520 million, or 11%, in 2006 compared with 2005, as all market groups posted higher average revenue per unit driven by increased rates and fuel surcharges. Traffic volume declined slightly as improved metals and construction and agriculture volumes were offset by declines in the other business groups. In 2005, general merchandise revenues increased 13% due to higher average rates and fuel surcharges. Traffic volume was up modestly in 2005 compared with 2004 as decreases in automotive and chemicals traffic partially offset increases in other business groups.

Metals and construction revenue increased 19% and traffic volume increased 5% in 2006 compared with 2005 as declines in the fourth quarter were offset by higher volumes through the rest of the year. Revenue per unit rose 14% because of increased rates and fuel surcharges. The increase in traffic volume was driven primarily by higher import slab business to NS-served steel mills, more scrap metal shipments and higher sand, gravel and cement traffic for commercial and highway construction projects.

In 2005, metals and construction revenue increased 20% and traffic volume increased 2% compared with 2004. Revenue per unit rose 17% because of higher rates and fuel surcharges. The volume improvements were due primarily to continued strength at NS-served integrated and electric arc mills and higher aluminum product shipments, which were partially offset by lower scrap metal carloads. Construction traffic volume benefited from increased residential, commercial and highway construction.

Metals and construction volume is expected to be tempered in the first quarter of 2007, reflecting a softening in domestic steel production affecting iron and steel shipments, with improving conditions expected in the second half of the year. Aggregate and cement shipments are expected to increase driven by highway projects and new stone terminals locating on NS' lines.

Chemicals revenue increased 10%, despite a 4% drop in traffic volume, reflecting increased rates and fuel surcharges. Petroleum, industrial and plastics traffic volumes were down as a result of lower inventories arising from post-Katrina conditions, the closure of several plants on NS lines and the weaker housing and automotive markets.

In 2005, chemicals revenues increased 13%, reflecting higher prices and fuel surcharges, while traffic volume was down slightly as a result of production curtailment in the Gulf Coast region and as compared with a strong 2004. Volume increases for plastic and petroleum products were offset by decreases in industrial and miscellaneous chemicals.

Chemical volume is expected to improve in 2007, supported by new and expanded business as the year progresses. However, volume could be adversely affected by the price of natural gas and crude oil, which accounts for more than 50% of the cost of many chemical products and presents a significant competitive challenge that could cause domestic chemical producers to move production overseas.

Agriculture, consumer products and government revenue increased 19% and traffic volume increased 4% in 2006 compared with 2005. Average revenue per unit rose 15%, a result of higher rates and fuel surcharges. Traffic volume growth resulted from increased ethanol, military and corn shipments. Military traffic growth was primarily due to the continued support of military operations in Iraq .

In 2005, agriculture, consumer products and government revenue increased 16% and traffic volume increased 2% compared with 2004. Average revenue per unit rose 14%, a result of higher rates and fuel surcharges. Traffic growth resulted from sweeteners, government traffic and fertilizer. Government traffic growth was primarily due to the support of military operations in Iraq as well as shipments of temporary housing to hurricane-damaged areas. Ethanol traffic increased 38% due to higher shipments from current customers in addition to new business in Georgia and South Carolina .

Agriculture volume is expected to continue to grow in 2007, benefiting from increasing demand for ethanol as a replacement for MTBE which was banned by the Federal Government as a fuel additive. However, declines in consumer products and government volumes are expected to offset this growth.

Automotive revenues declined 2% in 2006 compared with 2005 as lower volumes offset increased average revenues per unit, including fuel surcharges. Volume decreased 9% primarily due to substantial production cuts at Ford, General Motors and Daimler-Chrysler assembly plants, including two NS-served plant closures at Ford and one at General Motors during 2006. Ford and General Motors combined operate 15 of 29 assembly plants served by NS. Reduced production at Honda and BMW also contributed to the volume decrease.

In 2005, automotive revenues rose 5%, compared with 2004, the result of an 8% increase in average revenue per unit that reflected pricing improvements and higher fuel surcharges. In contrast, traffic volume decreased 3% primarily due to reduced production at Ford and General Motors, with General Motors closing NS-served assembly plants in Michigan , Maryland and New Jersey . These reductions were partially offset by increased production at Honda, Mercedes-Benz and Toyota .

For 2007, NS expects automotive revenues to continue to decline as a result of automotive production cutbacks. Decreases by U.S. automotive manufacturers are expected to be partially offset by higher domestic production by foreign manufacturers.

Paper, clay and forest products revenue increased 11% in 2006 compared with 2005 due to higher average revenues per unit, including fuel surcharges, despite a 1% decrease in traffic volume. Higher solid waste and debris traffic, and growth in traffic from the import of printing paper, partially offset reduced pulp and pulp board shipments.

In 2005, paper, clay and forest products revenue increased 16% and traffic volume increased 2% compared with 2004. Average revenue per unit rose 13% due to higher rates and fuel surcharges. Pulp board, printing paper, newsprint and woodchip produced volume gains despite consolidations within the industry and mill shutdowns.

In 2007, paper, clay and forest product revenues are expected to be up slightly and benefit from continued growth in waste and debris transportation.

INTERMODAL revenues increased $145 million, or 8%, compared with 2005, largely because of higher fuel surcharges, increased rates and improved traffic volume. Traffic volume for the year rose 3% notwithstanding a 3% decline in the fourth quarter. International traffic volume rose 9% reflecting growth in imported goods from Asia and exported goods through NS-served East Coast ports, as well as West Coast ports. Truckload volume increased 8% reflecting continued expansion of business with traditional truckload companies. Triple Crown Services Company, a service with rail-to-highway trailers, had flat volume compared with 2005 as higher consumer product shipments were offset by weaker automotive-related shipments. Domestic intermodal marketing companies (IMC) volume declined 9% reflecting declines in the housing, construction and automotive markets. Premium business, which includes parcel and LTL (less-than-truckload) carriers, was down 3% reflecting lower LTL shipper traffic that offset modest gains in parcel shipments. Intermodal revenue per unit increased 4%, principally a result of higher fuel surcharges as well as increased rates and longer-haul international traffic, which was offset in part by the ongoing shift of shipments from higher revenue per unit, rail-provided assets (trailers and containers) to lower revenue per unit shipments in shipper-provided equipment.

In 2005, intermodal revenues increased $289 million, or 19% compared with 2004, reflecting improved traffic volume, higher fuel surcharges, and increased rates. Despite moderated growth in domestic business, traffic volume increased 9% reflecting strength in the international, truckload and Triple Crown Services lines of business . International traffic volume grew by 16% reflecting strength in U.S. consumer markets and growth in the movement of import and export goods through NS-served East Coast ports, as well as West Coast ports. Truckload volume increased 10% compared with 2004, reflecting additional business with traditional truckload companies. Premium business grew 6% due primarily to new business in the Northern region. Triple Crown Services volume grew 6% reflecting expanded geographic coverage and increased trailer fleet size to meet higher demand. Domestic volume decreased 3% compared with 2004, principally due to the continued reduction in transloading of West Coast international freight into domestic containers. Intermodal revenue per unit increased 9%, a result of fuel surcharges and rate increases.

In 2007, NS expects moderate growth in its intermodal markets, with continued strength in the international markets. Future growth may, however, be tempered by economic conditions in the U.S.

Railway Operating Expenses

Railway operating expenses in 2006 were $6.9 billion, up $440 million, or 7%, compared to 2005, which were up $800 million compared to 2004. The 2006 increase was principally due to higher diesel fuel prices and increased compensation and benefits. The increase in 2005 was principally due to a sharp rise in the price of diesel fuel, volume-related expense increases, more maintenance activities and higher casualty costs. Carloads rose 1% in 2006 compared to 2005 and 4% in 2005 compared to 2004.

The railway operating ratio, which measures the percentage of railway operating revenues consumed by railway operating expenses, improved to 72.8% in 2006, compared with 75.2% in 2005 and 76.7% in 2004.

The following table shows the changes in railway operating expenses summarized by major classifications.

Operating Expense Variances

Increases (Decreases)

	2006 vs. 2005	2005 vs. 2004
	($ in millions)	
Compensation and benefits	$ 144	$ 221
Materials, services and rents	86	208
Conrail rents and services	(3)	(190)
Depreciation	(36)	176
Diesel fuel	250	278
Casualties and other claims	(4)	73
Other	3	34
Total	$ 440	$ 800

Compensation and benefits , which represents nearly 40% of total railway operating expenses, increased $144 million, or 6%, compared with 2005, and increased $221 million in 2005, or 10%, compared with 2004. Expenses in 2006 included the effect of the implementation of Statement of Accounting Standards No. 123(R) "Share-Based Payment," which increased stock-based compensation expense by $27 million. Most of the increase was reflected in the first quarter which included the effect of accelerated recognition of costs related to grants to retirement-eligible employees. This up front recognition of costs will occur in the first quarter of 2007 and is expected to be somewhat higher reflecting a higher proportion of retirement eligible grantees. The remaining increase was attributable to increased salaries and wages (up $44 million), higher health and welfare benefit costs (up $29 million), higher payroll taxes (up $17 million), retirement and waiver agreements entered into in the first quarter (up $13 million) and the cost of the regular stock-based grant to the former chief executive officer who retired in the first quarter ($11 million).

NS employment averaged 30,541 in 2006 compared with 30,294 in 2005 and 28,475 in 2004. The increased number of employees has come almost exclusively in operating department personnel to meet the increased volume and service needs, as well as expected retirements. NS continues to hire and train additional workers in order to meet the requirements of forecasted volumes in light of the demographics of its work force.

The increase in compensation and benefits for 2005 reflected increased hours for train operations, including trainees, and equipment maintenance (up $70 million); increased wage rates (up $46 million); increased pension, postretirement and health and welfare benefit costs (up $43 million); higher stock-based compensation (up $22 million); and higher payroll taxes (up $12 million).

The Railroad Retirement and Survivors' Improvement Act, which took effect Jan. 1, 2002, allows for investment of Tier II assets in a diversified portfolio through the National Railroad Retirement Investment Trust. The law also provides a mechanism for automatic adjustment of Tier II payroll taxes should the trust assets fall below a four-year reserve or exceed a six-year reserve. As a result, the employers' portion of Tier II retirement payroll taxes has been reduced from 13.1% in 2004 to 12.6% in 2005 and 2006, and to 12.1% for

2007. However, these savings are expected to continue to be substantially offset by higher payroll taxes on increased wages and a higher wage base.

Materials, services and rents includes costs related to items used for the maintenance of railroad lines, structures and equipment; the costs of services purchased from outside contractors, including the net costs of operating joint (or leased) facilities with other railroads; and the net cost of equipment rentals. This category of expenses increased $86 million, or 5%, in 2006 compared to 2005, and increased 13% in 2005 compared to 2004. For 2006, materials expense was up $39 million due to increased maintenance activities, purchased services was up $39 million reflecting increased intermodal traffic volume and equipment rents rose $8 million.

The increase in 2005 reflected higher volume-related purchased services (up $82 million) and higher maintenance expense (up $74 million). Equipment rents rose $28 million, reflecting higher traffic volume as well as leases from the Conrail Corporate Reorganization (see Note 4).

Locomotive and freight car repair costs increased in 2006 and in 2005, due to more maintenance activity related to higher usage from increased traffic volumes coupled with the age of the fleet. This level of expense is expected to continue and may increase depending on traffic volumes.

Equipment rents, which includes the cost to NS of using equipment (mostly freight cars) owned by other railroads or private owners less the rent paid to NS for the use of its equipment, rose 2% in 2006 and increased 11% in 2005. The increase in 2006 was principally due to a reduction in rents received on automotive equipment as a result of decreased shipments. The increase in 2005 was principally due to additional lease expense for a full year from the Conrail Corporate Reorganization and increased volume-related intermodal shipments.

Conrail rents and services decreased $3 million, or 2%, in 2006 compared to 2005, and decreased 60% in 2005 compared to 2004. For 2006 and 2005 this item includes amounts due to Conrail for operation of the Shared Assets Areas. Before the Conrail Corporate Reorganization in 2004 this item included amounts due to PRR for use of its operating properties and equipment, NS' equity in Conrail's net earnings and the additional amortization related to the difference between NS' investment in Conrail and its underlying equity (see Note 4). The decline in 2005 was primarily driven by the Conrail Corporate Reorganization, which resulted in the consolidated reporting of individual components of Conrail equity earnings, principally depreciation, equipment rents and interest expense (see Note 4). NS' share of equity earnings after the Conrail Corporate Reorganization is a component of "Other income-net" (see Note 2).

Depreciation expense decreased $36 million, or 5%, in 2006 compared with 2005, reflecting the results of an equipment depreciation study from an independent firm of engineers and an analysis of the assets received in the Conrail Corporation Reorganization completed in 2006. Depreciation expense increased 29% in 2005 compared to 2004 primarily a result of the Conrail Corporate Reorganization (see Note 4). In addition, substantial capital investments and improvements resulted in higher depreciation expense.

Diesel fuel expense increased $250 million, or 34%, in 2006 compared with 2005 and increased 62% in 2005 compared with 2004. Diesel fuel expense is recorded net of hedge benefits, although there have been no such benefits since May 2006 when the program wound down (see "Market Risks and Hedging Activities," below and Note 16). Expense in 2006 included hedge benefits of $20 million compared with benefits of $148 million in 2005, and $140 million in 2004, and reflected a 13% rise in the average price per gallon with a 1% increase in consumption. The increase in 2005 reflected a 43% rise in the average price per gallon and a 2% increase in consumption.

Legislation enacted in the first quarter of 2005 repealed the 4.3 cents per gallon excise tax on railroad diesel fuel for 2007, with the following phased reductions in 2005 and 2006: 1 cent per gallon from Jan. 1, 2005 through June 30, 2005; 2 cents per gallon from July 1, 2005 through Dec. 31, 2006; and by the full 4.3 cents thereafter. NS consumes about 520 million gallons of diesel fuel per year.

Casualties and other claims expenses (including the estimates of costs related to personal injury, property damage and environmental matters) decreased $4 million, or 2%, in 2006 compared to 2005 and increased 48% in 2005 compared to 2004. The decrease in 2006 reflected the absence of $38 million of costs associated with a derailment in Graniteville, South Carolina (see discussion below), and an unfavorable jury verdict in an employee injury case, partially offset by higher expenses arising from derailments and insurance costs. The increase in 2005 was attributable to the costs associated with the Graniteville derailment, $16 million for an unfavorable jury verdict rendered in an employee injury case, $9 million of higher insurance costs, and $4 million for the portion of the $12.5 million self-insured retention related to Hurricane Katrina expenses.

On Jan. 6, 2005 , a collision in Graniteville , South Carolina , between two NS trains caused the release of chlorine gas from a ruptured tank car. NS' liability related to this accident includes a current and long-term portion which represents NS' best estimate based on current facts and circumstances. The estimate includes amounts related to business property damage and other economic losses, personal injury and individual property damage claims as well as third-party response costs. NS' commercial insurance policies are expected to cover substantially all expenses related to this derailment above NS' self-insured retention, including NS' response costs and legal fees. Accordingly, the Consolidated Balance Sheets reflect a current and long-term receivable for estimated recoveries from NS' insurance carriers. The expense recorded in 2005 represents NS' retention under its insurance policies and other uninsured costs. While it is reasonable to expect that the liability for covered losses could differ from the amount recorded, such a change would be offset by a corresponding change in the insurance receivable. As a result, NS does not believe that it is reasonably likely that its net loss (the difference between the liability and future recoveries) will be materially different than the loss recorded in 2005. NS expects at this time that insurance coverage is adequate to cover potential claims and settlements above its self-insurance retention.

During the third quarter of 2005, NS' operations were adversely affected by Hurricane Katrina, and to a lesser extent, Hurricane Rita, both of which struck the Gulf Coast . NS sustained damage to its facilities in the region as a result of Hurricane Katrina but restored rail freight service into and around New Orleans in a relatively short period of time. The damage sustained to NS facilities as a result of Hurricane Katrina did not materially impact NS' financial condition or results of operations and is covered by insurance above the self-insurance retention limit.

The largest component of casualties and other claims expense is personal injury costs. Cases involving occupational injuries comprised about two-thirds of total employee injury cases resolved and about one-third of total payments made. With its long-established commitment to safety, NS continues to work actively to eliminate all employee injuries and to reduce the associated costs. With respect to occupational injuries, which are not caused by a specific accident or event, but result from a claimed exposure over time, the benefits of any existing safety initiatives may not be realized immediately. These types of claims are being asserted by former or retired employees, some of whom have not been actively employed in the rail industry for decades.

The rail industry remains uniquely susceptible to litigation involving job-related accidental injury and occupational claims because of the Federal Employers' Liability Act (FELA), which is applicable only to railroads. FELA's fault-based system, which covers employee claims for job-related injuries, produces results that are unpredictable and inconsistent as compared with a no-fault workers' compensation system.

NS maintains substantial amounts of insurance for potential third-party liability and property damage claims. It also retains reasonable levels of risk through self-insurance (see Note 17). NS expects insurance costs to be slightly higher in 2007.

Other expenses increased $3 million, or 1%, in 2006 compared to 2005, and increased $34 million, or 15%, in 2005 compared to 2004. The increase in 2006 was primarily due to higher employee travel and relocation costs offset in part by lower property taxes. The increase in 2005 reflected higher property and sales and use taxes.

Other Income – Net

Other income – net was $149 million in 2006 and $74 million in 2005 (see Note 2). Results in 2006 reflected lower expense associated with tax credit investments primarily due to synthetic fuel related investments (see discussion under heading "Income Taxes"), greater interest income, and higher returns from corporate-owned life insurance, that were partially offset by lower equity in Conrail earnings.

In 2005, other income – net decreased by $2 million which reflected the absence of the $40 million gain recognized in 2004 for the Conrail Corporate Reorganization. The results in 2005 also reflected: (1) higher interest income, (2) equity in earnings of Conrail subsequent to the Conrail Corporate Reorganization, (3) additional coal royalties (up $12 million), and (4) lower interest accruals related to tax liabilities (down $9 million). These income improvements were partially offset by more expense associated with tax credit investments.

Income Taxes

Income tax expense in 2006 was $749 million for an effective rate of 34%, compared with effective rates of 25% in 2005 and 29% in 2004. The increase in the rate for 2006 was largely the result of the absence of an Ohio tax law change which lowered the effective rate in 2005 as well as fewer tax credits from synthetic fuel related investments (see below). The 2005 effective rate benefited from a $96 million reduction in deferred taxes resulting from the Ohio tax legislation, which lowered the rate by six percentage points (see Note 3).

NS' consolidated federal income tax returns for 2004 and 2005 are being audited by the Internal Revenue Service (IRS). The IRS completed its examination of the 2002 and 2003 consolidated federal income tax returns during the third quarter of 2006 and NS has appealed certain adjustments proposed by the IRS. The results of the examination had a negligible effect on the effective tax rate.

NS' synthetic fuel tax credits are subject to reduction if the Reference Price of a barrel of oil for the year falls within an inflation-adjusted phase-out range specified by the tax code. The Reference Price for a year is the annual average wellhead price per barrel of unregulated domestic crude oil as determined by the Secretary of the Treasury by April 1 of the following year. In 2005, the phase-out range was $53.20 to $66.79, and the phase-out range is adjusted annually for inflation. While NS cannot predict with certainty the Reference Price for the year, NS estimated a 35 % phase-out of synthetic fuel credits in 2006 based on actual oil prices during the year.

Net income in 2006 reflects $18 million less in net benefits from these credits, as compared with the same period of 2005, as shown below:

	2006	2005	2004
		($ in millions)	
Effect in "Other income – net:"			
Expenses on synthetic fuel related investments	$ 62	$ 102	$ 58
Effect in "Provision for income taxes:"			
Tax credits	56	98	60
Tax benefit of expenses on synthetic fuel related investments	24	40	21
Total reduction of income tax expense	80	138	81
Effect in "Net income:"			
Net benefit from synthetic fuel related investments	$ 18	$ 36	$ 23

Subject to the uncertainty associated with these tax credits, the effective tax rate in 2007 is expected to be comparable to that of 2006. The tax credits generated by NS' synthetic fuel related investments expire at the end of 2007 and, accordingly, the effective tax rate may increase thereafter.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities, NS' principal source of liquidity, was $2.2 billion in 2006, compared with $2.1 billion in 2005 and $1.7 billion in 2004. The improvement in 2006 reflected the $440 million increase in income from railway operations offset in part by higher income tax payments. The increase in 2005 reflected the $415 million increase in income from railway operations as well as the effects of the Conrail Corporate Reorganization (see below), offset in part by higher income tax payments, including a payment made upon settlement of a federal audit cycle.

Prior to the August 2004 Conrail Corporate Reorganization (see Note 4), a significant portion of the payments made to PRR under the operating and lease agreements (which were included in "Conrail rents and services" and, therefore, were a use of cash in "Net cash provided by operating activities"), was borrowed back from a subsidiary of PRR under a note due in 2032 and, therefore, was a source of cash in "Proceeds from borrowings." NS' net cash flow from these borrowings amounted to $118 million in 2004. This note was effectively extinguished by the reorganization in 2004. Subsequent to the Conrail Corporate Reorganization, 2005 payments under "Conrail rents and services" declined, depreciation charges increased and those net borrowings were terminated. Accordingly, NS' cash provided by operating activities after the Conrail Corporate Reorganization has increased.

NS had wor ki ng capital of $307 million at Dec. 31, 2006, compared with wor ki ng capital of $729 million at Dec. 31, 2005. The reduction was largely due to share repurchases made in 2006 (see Note 13) and higher current maturities of long-term debt. NS' cash, cash equivalents and short-term investment balances totaled $918 million and $1.3 billion at Dec. 31, 2006 and 2005, respectively.

Contractual obligations at Dec. 31, 2006, comprised of NS' long-term debt (including capital leases) (see Note 7), operating leases (see Note 8), agreements with CRC (see Note 4), unconditional purchase obligations (see Note 17) and long-term advances from Conrail (see Note 4) were as follows:

Payments Due By Period

	Total	2007	2008-2009	2010-2011	2012 and Subsequent
			($ in millions)		
Long-term debt and capital lease principal	$ 6,600	$ 491	$ 843	$ 676	$ 4,590
Operating leases	1,087	166	274	189	458
Agreements with CRC	448	26	52	52	318
Unconditional purchase obligations	276	238	33	5	--
Long-term advances from Conrail	133	--	--	--	133
Total	$ 8,544	$ 921	$ 1,202	$ 922	$ 5,499

Off balance sheet arrangements consist of obligations related to operating leases, which are included in the table of contractual obligations above and disclosed in Note 8. NS did not renew its accounts receivable securitization program which expired in May 2005.

Cash used for investing activities was $684 million in 2006, compared with $1.8 billion in 2005 and $1.2 billion in 2004. The decrease in 2006 reflected higher proceeds from short-term investment sales, principally to fund share repurchases reflected in financing activities, offset in part by the $100 million investment in Meridian Speedway LLC (MSLLC) (see discussion below) and increased property additions. The increase in 2005 was principally the result of larger purchases of short-term investments .

Property additions account for most of the recurring spending in this category. The following tables show capital spending (including capital leases) and track and equipment statistics for the past five years.

Capital Expenditures

	2006	2005	2004	2003	2002
			($ in millions)		
Road and other property	$ 756	$ 741	$ 612	$ 502	$ 521
Equipment	422	284	429	218	174
Total	$ 1,178	$ 1,025	$ 1,041	$ 720	$ 695

Track Structure Statistics (Capital and Maintenance)

	2006	2005	2004	2003	2002
Track miles of rail installed	327	302	246	233	235
Miles of track surfaced	4,871	4,663	5,055	5,105	5,270
New crossties installed (millions)	2.7	2.5	2.5	2.8	2.8

Average Age of Owned Railway Equipment

	2006	2005	2004	2003	2002
			(years)		
Freight cars	30.0	29.4	28.6	27.8	27.0
Locomotives	17.7	17.4	16.9	15.3	16.1
Retired locomotives	35.0	27.4	22.9	28.7	28.2

The higher average age of locomotives in 2006 reflects the retirement of two locomotives compared with 52 retired in 2005.

For 2007, NS has budgeted $1.34 billion for capital expenditures. The anticipated spending includes $884 million for roadway projects, $401 million for equipment and $55 million for small projects and real estate. In roadway projects, $610 million is for track and bridge program work, including $73 million in infrastructure investments for increased main line and terminal capacity. Also included are projects for communications, signal and electrical systems, as well as projects for environmental and public improvements such as grade crossing separations and signal upgrades. Other roadway projects include marketing and industrial development initiatives, including increasing track capacity and access to coal receivers and vehicle production and distribution facilities, and continuing investments in intermodal infrastructure. Planned equipment spending of $401 million includes the purchase of 53 locomotives and upgrades to existing units, the purchase of 1,300 new higher capacity coal cars as part of a multi-year program to replace the existing coal car fleet, the purchase of 739 freight cars as their lease expires, improvements to multilevel automobile racks, and projects related to computers and information technology, including additional security and backup systems. NS expects to make all of its capital expenditures with internally generated funds.

On May 1, 2006, NS and Kansas City Southern (KCS) formed a joint venture (MSLLC) pursuant to which NS intends to contribute $300 million in cash, substantially all of which will be used for capital improvements over a period of approximately three years, in exchange for a 30% interest in the joint venture. At the formation of MSLLC , NS contributed $100 million and KCS contributed its 320 mile rail line between Meridian , Mississippi and Shreveport , Louisiana (the Meridian Speedway). NS is recognizing its pro rata share of the joint venture’s earnings or loss as required under the equity method of accounting. NS’ total investment in MSLLC is supported by the fair value of the rail line as well as intangible assets obtained through the transaction. The transaction is expected to be modestly dilutive in the early years of the venture due to lost interest income on the cash contributed to the joint venture. However, NS expects that the dilution from the lost interest income will be offset from additional traffic as the investment is made and improvements are completed. The joint venture is expected to increase capacity and improve service over the Meridian Speedway into the Southeast.

During the third quarter of 2006, NS and the states of Ohio , West Virginia and Virginia each entered into a Memorandum of Agreement with the Federal Highway Administration that governs the release of up to $95 million in federal funding and up to $11 million in state funding for the Heartland Corridor rail double-stack clearance project. NS expects to spend about $60 million over a five-year period in connection with this project. The Heartland Corridor is a package of proposed clearance improvements and other facilities that will create a seamless high-capacity intermodal route across Virginia and West Virginia to Midwest markets.

NS and other railroads have agreed to participate in the Chicago Region Environmental and Transportation Efficiency (CREATE) project in Chicago . The intent of the proposed public-private partnership is to reduce rail and highway congestion and add freight and passenger capacity in the metropolitan Chicago area. A portion of the public funding has been approved and the parties are wor ki ng to develop a list of projects to be included in Phase I of the project. Funding requirements will be determined by the selection of Phase I projects. The railroads expect to complete Phase I over the next four years.

Cash used for financing activities was $1.3 billion in 2006, compared with $456 million in 2005 and $233 million in 2004. Financing activity in 2006 included $964 million for the purchase and retirement of common stock as part of NS’ ongoing share repurchase program (see discussion below). Financing activities for 2006 also included $212 million of proceeds and $85 million of tax benefits from employee exercises of stock options (see Note 11).

In 2005, financing activity included: (1) the issuance of $300 million aggregate principal amount of 6% unsecured notes due March 2105, and (2) the issuance of $717 million of unsecured notes ($350 million at 5.64% due 2029 and $367 million at 5.59% due 2025) and payment of $218 million of premium in exchange for $717 million of previously issued unsecured notes ($350 million at 7.8% due 2027, $200 million at 7.25% due 2031, and $167 million at 9.0% due 2021) (see Note 7). The $218 million cash premium payment is reflected as a reduction of debt in the Consolidated Balance Sheets and Statement of Cash Flows and will be amortized as additional interest expense over the terms of the new debt. Financing activities in 2005 included $194 million in proceeds relating to employee exercises of stock options. NS' debt-to-total capitalization ratio was 40.7% at Dec. 31, 2006, and 42.8% at Dec. 31, 2005.

In November 2005, NS' Board of Directors authorized the repurchase of up to 50 million shares of NS common stock through Dec. 31, 2015. The timing and volume of any purchases will be guided by management's assessment of market conditions and other factors. Near-term purchases under the program are expected to be made with internally generated cash; however, future funding sources could include proceeds from the sale of commercial paper notes or the issuance of long-term debt.

NS currently has in place and available a $1 billion, five-year credit agreement that expires in 2009, which provides for borrowings at prevailing rates and includes financial covenants. There were no amounts outstanding under this facility at Dec. 31, 2006 , and NS is in compliance with all of the financial covenants. NS also has in place a shelf registration statement on Form S-3 filed with the SEC in September 2004 with $700 million of available capacity (see Note 7). On July 18, 2005 , Standard & Poor's (S&P) upgraded its ratings on NS' unsecured debt from BBB to BBB+. Moody's rating remains at Baa1, comparable to S&P's.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions may require significant judgment about matters that are inherently uncertain, and future events are likely to occur that may require management to change them. Accordingly, management regularly reviews these estimates and assumptions based on historical experience, changes in the business environment and other factors that management believes to be reasonable under the circumstances. Management discusses the development, selection and disclosures concerning critical accounting estimates with the Audit Committee of its Board of Directors.

Pensions and Other Postretirement Benefits

Accounting for pensions and other postretirement benefit plans requires management to make several estimates and assumptions (see Note 10). These include the expected rate of return from investment of the plans' assets, projected increases in medical costs and the expected retirement age of employees as well as their projected earnings and mortality. In addition, the amounts recorded are affected by changes in the interest rate environment because the associated liabilities are discounted to their present value. Management makes these estimates based on the company's historical experience and other information that it deems pertinent under the circumstances (for example, expectations of future stock market performance). Management engages an independent consulting actuarial firm to assist it in selecting appropriate assumptions and valuing its related liabilities.

NS' net pension benefit, which is included in "Compensation and benefits" on its Consolidated Statements of Income, was $29 million for the year ended Dec. 31, 2006. In recording this amount, NS assumed a long-term investment rate of return of 9%. Investment experience of the pension fund over the past 10-, 15- and 20-year periods has been a rate of return in excess of 10% and supports the current rate of return assumption. A one percentage point change to this rate of return assumption would result in a $19 million change to the pension credit and, as a result, an equal change in "Compensation and benefits" expense. Changes that are reasonably likely to occur in assumptions concerning retirement age, projected earnings and mortality would not be expected to have a material effect on NS' net pension benefit or net pension asset in the future. The net pension asset is recorded at its net present value using a discount rate that is based on the current interest rate environment in light of the timing of expected benefit payments. Specifically, NS refers to Moody's seasoned Aa corporate bond yields and the changes in such yields; therefore, management has little discretion in this assumption.

NS' net cost for other postretirement benefits, which is also included in "Compensation and benefits," was $70 million for the year ended Dec. 31, 2006. In recording this expense and valuing the net liability for other postretirement benefits, which is included in "Other postretirement benefits" as disclosed in Note 10, management estimated future increases in health-care costs. These assumptions, along with the effect of a one percentage point change in them, are described in Note 10.

Properties and Depreciation

Most of NS' total assets are comprised of long-lived railway properties (see Note 5). As disclosed in Note 1, NS' properties are depreciated using group depreciation. Rail is depreciated primarily on the basis of use measured by gross-ton miles. Other properties are depreciated generally using the straight-line method over the lesser of estimated service or lease lives. NS reviews the carrying amount of properties whenever events or changes in circumstances indicate that such carrying amount may not be recoverable based on future undiscounted cash flows. Assets that are deemed impaired as a result of such review are recorded at the lesser of carrying amount or fair value.

NS' depreciation expense is based on management's assumptions concerning service lives of its properties as well as the expected net salvage that will be received upon their retirement. These assumptions are the product of periodic depreciation studies that are performed by an outside firm of consulting engineers. These studies analyze NS' historical patterns of asset use and retirement and take into account any expected change in operation or maintenance practices. NS' recent experience with these studies has been that while they do result in changes in the rates used to depreciate its properties, these changes have not caused a significant effect to its annual depreciation expense. The studies may also indicate that the recorded amount of accumulated depreciation is deficient (or in excess) of the amount indicated by the study. Any such deficiency (or excess) is amortized as a component of depreciation expense over the remaining service lives of the affected class of property. NS' depreciation expense for the year ended Dec. 31, 2006, amounted to $738 million. NS' weighted-average depreciation rates for 2006 are disclosed in Note 5; a one-tenth percentage point increase (or decrease) in these rates would have resulted in a $26 million increase (or decrease) to NS' depreciation expense.

Personal Injury, Environmental and Legal Liabilities

NS' expense for "Casualties and other claims" amounted to $220 million for the year ended Dec. 31, 2006. Most of this expense was composed of NS' accrual related to personal injury liabilities. Job-related personal injury and occupational claims are subject to FELA, which is applicable only to railroads. FELA's fault-based tort system produces results that are unpredictable and inconsistent as compared with a no-fault worker's compensation system. The variability inherent in this system could result in actual costs being very different from the liability recorded. In all cases, NS records a liability when the expected loss for the claim is both probable and estimable.

NS engages an independent consulting actuarial firm to aid in valuing its personal injury liability and determining the amount to accrue during the year. For employee personal injury cases, the actuarial firm studies NS' historical patterns of reserving for claims and subsequent settlements, ta ki ng into account relevant outside influences. An estimate of the ultimate amount of the liability, which includes amounts for incurred but unasserted claims, is based on the results of this analysis. For occupational injury claims, the actuarial firm studies NS' history of claim filings, severity, payments and other relevant facts. Additionally, the estimate of the ultimate loss for occupational injuries includes a provision for those claims that have been incurred but not reported by projecting NS' experience into the future as far as can be reasonably determined. NS has recorded this actuarially determined liability. The liability is dependent upon many individual judgments made as to the specific case reserves as well as the judgments of the consulting actuary and management in the periodic studies. Accordingly, there could be significant changes in the liability, which NS would recognize when such a change became known. The most recent actuarial study, completed in the fourth quarter of 2006, resulted in a slight increase to NS' personal injury liability during the fourth quarter. While the liability recorded is support ed by the most recent study, it is reasonably possible that the liability could be higher or lower.

NS is subject to various jurisdictions' environmental laws and regulations. It is NS' policy to record a liability where such liability or loss is probable and its amount can be estimated reasonably (see Note 17). Claims, if any, against third parties for recovery of cleanup costs incurred by NS, are reflected as receivables (when collection is probable) in the Consolidated Balance Sheets and are not netted against the associated NS liability. Environmental engineers regularly participate in ongoing evaluations of all known sites and in determining any necessary adjustments to liability estimates. NS also has established an Environmental Policy Council, composed of senior managers, to oversee and interpret its environmental policy.

Operating expenses for environmental matters totaled approximately $19 million in 2006, $16 million in 2005 and $11 million in 2004, and capital expenditures totaled approximately $6 million in 2006, and $9 million in each of 2005 and 2004. Capital expenditures in 2007 are expected to be comparable to those in 2006.

NS' Consolidated Balance Sheets included liabilities for environmental exposures in the amount of $54 million at Dec. 31, 2006, and $58 million at Dec. 31, 2005 (of which $12 million was accounted for as a current liability at Dec. 31, 2006 , and 2005). At Dec. 31, 2006, the liability represented NS' estimate of the probable cleanup and remediation costs based on available information at 172 identified locations. On that date, 15 sites accounted for $29 million of the liability, and no individual site was considered to be material. NS anticipates that much of this liability will be paid out over five years; however, some costs will be paid out over a longer period.

At some of the 172 locations, certain NS subsidiaries, usually in conjunction with a number of other parties, have been identified as potentially responsible parties by the Environmental Protection Agency (EPA) or similar state authorities under the Comprehensive

Environmental Response, Compensation and Liability Act of 1980, or comparable state statutes, which often impose joint and several liability for cleanup costs.

With respect to known environmental sites (whether identified by NS or by the EPA or comparable state authorities), estimates of NS' ultimate potential financial exposure for a given site or in the aggregate for all such sites are necessarily imprecise because of the widely varying costs of currently available cleanup techniques, the likely development of new cleanup technologies, the difficulty of determining in advance the nature and full extent of contamination and each potential participant's share of any estimated loss (and that participant's ability to bear it), and evolving statutory and regulatory standards governing liability. NS estimates its environmental remediation liability on a site-by-site basis, using assumptions and judgments that management deems appropriate for each site. As a result, it is not practical to quantitatively describe the effects of changes in these many assumptions and judgments. NS has consistently applied its methodology of estimating its environmental liabilities.

Based on its assessment of the facts and circumstances now known, management believes that it has recorded the probable costs for dealing with those environmental matters of which NS is aware. Further, management believes that it is unlikely that any known matters, either individually or in the aggregate, will have a material adverse effect on NS' financial position, results of operations or liquidity.

Norfolk Southern and certain subsidiaries are defendants in numerous lawsuits and other claims relating principally to railroad operations. When management concludes that it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, it is accrued through a charge to expenses. While the ultimate amount of liability incurred in any of these lawsuits and claims is dependent on future developments, in management's opinion the recorded liability, if any, is adequate to cover the future payment of such liability and claims. However, the final outcome of any of these lawsuits and claims cannot be predicted with certainty, and unfavorable or unexpected outcomes could result in additional accruals that could be significant to results of operations in a particular year or quarter. Any adjustments to recorded liabilities will be reflected in expenses in the periods in which such adjustments are known.

On Oct. 19, 2006, the Pennsylvania Department of Environmental Protection (PDEP) issued an assessment of civil penalties against NS and filed a complaint for civil penalties with the Pennsylvania Environmental Hearing Board (EHB) requesting that the EHB impose civil penalties upon NS for alleged violations of state environmental laws and regulations resulting from a discharge of sodium hydroxide which occurred as a result of the derailment of a NS train in Norwich Township, Pennsylvania, on June 30, 2006. The PDEP’s actions seek to impose combined penalties of $8,890,000 for alleged past violations and $46,420 per day for alleged ongoing violations of state environmental laws and regulations. NS believes that the monetary penalties sought by the PDEP are excessive. Accordingly, NS intends to vigorously defend the action and has appealed the fines to the EHB. In addition, NS expects the Pennsylvania Fish and Boat Commission to impose a monetary penalty on NS for damages alleged to have been caused by this accident. NS does not believe that the outcome of these proceedings will have a material effect on its financial position, results of operations, or liquidity.

Income Taxes

NS' net long-term deferred tax liability totaled $6.4 billion at Dec. 31, 2006 (see Note 3). This liability is estimated based on the expected future tax consequences of items recognized in the financial statements. After application of the federal statutory tax rate to book income, judgment is required with respect to the timing and deductibility of expenses in the corporate income tax returns . For state income and other taxes, judgment is also required with respect to the apportionment among the various jurisdictions. A valuation allowance is recorded if management expects that it is more likely than not that its deferred tax assets will not be realized. NS had a $9 million valuation allowance on $637 million of deferred tax assets as of Dec. 31, 2006, reflecting the expectation that most of these assets will be realized. In addition, NS has a recorded liability for its estimate of potential income tax exposures. Management believes this liability for potential exposure to be adequate. Income tax expense is adjusted to the extent the final outcome of these matters differs from the amounts recorded. For every one half percent change in the 2006 effective rate net income would have changed by $11 million.

OTHER MATTERS

Labor Agreements

Approximately 26,000, or about 85%, of NS' railroad employees are covered by collective bargaining agreements with various labor unions. These agreements remain in effect until changed pursuant to the Railway Labor Act (RLA). NS largely bargains in concert with other major railroads. Moratorium provisions in the labor agreements govern when the railroads and the unions may propose labor agreement changes.

The current bargaining round began in late 2004. Industry issues include contracting out of certain work and employee contributions for medical and other benefits.

After a period of direct negotiations, either party may file for mediation if it believes insufficient progress is being made. The status quo is preserved during mediation while a federal mediator assists the parties in their efforts to reach agreement. The railroads are currently in mediation with all of the involved labor unions. If the National Mediation Board, a federal agency, were to terminate mediation, it would, at that time, propose that the parties arbitrate their differences. A strike could occur 30 days thereafter if the parties did not accept arbitration. However, if arbitration is rejected by either party the President of the United States of America could then appoint an Emergency Board which would delay any strike for a further 60 days while the Board made recommendations and the parties engaged in further negotiations. The outcome of the negotiations cannot be determined at this point.

Market Risks and Hedging Activities

NS has used derivative financial instruments to reduce the risk of volatility in its diesel fuel costs and to manage its overall exposure to fluctuations in interest rates.

In 2001, NS began a program to hedge a portion of its diesel fuel consumption. The intent of the program was to assist in the management of NS' aggregate risk exposure to fuel price fluctuations, which can significantly affect NS' operating margins and profitability, through the use of one or more types of derivative instruments. No new hedges have been entered into since May of 2004, and the last remaining contracts were settled in the second quarter of 2006, bringing an end to the benefits from the program. Diesel fuel costs represented 14% of NS' operating expenses for 2006, 11% for 2005 and 8% for 2004.

NS manages its overall exposure to fluctuations in interest rates by issuing both fixed- and floating-rate debt instruments and by entering into interest-rate hedging transactions to achieve an appropriate mix within its debt portfolio.

At Dec. 31, 2006, NS' debt subject to interest rate fluctuations totaled $237 million. A 1% point increase in interest rates would increase NS' total annual interest expense related to all its variable debt by approximately $2 million. Management considers it unlikely that interest rate fluctuations applicable to these instruments will result in a material adverse effect on NS' financial position, results of operations or liquidity.

Some of NS' capital leases, which carry an average fixed rate of 7%, were effectively converted to variable rate obligations using interest rate swap agreements. On Dec. 31, 2006, the average pay rate under these agreements was 6%, and the average receive rate was 7%. During 2006 and 2005, the effect of the swaps was to reduce interest expense by $1 million and $2 million, respectively . A portion of the lease obligations is payable in Japanese yen. NS eliminated the associated exchange rate risk at the inception of each lease with a yen deposit sufficient to fund the yen-denominated obligation. Most of these deposits are held by foreign banks, primarily Japanese. As a result, NS is exposed to financial market risk relative to Japan . Counterparties to the interest rate swaps and Japanese banks holding yen deposits are major financial institutions believed by management to be creditworthy.

New Accounting Pronouncements

In June 2006, the FASB issued Interpretation No. (FIN) 48, “Accounting for Uncertainty in Income Taxes.” This Interpretation clarifies accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes.” FIN 48 prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return. Under the guidelines of FIN 48, an entity should recognize the financial statement benefit of a tax position if it determines that it is more likely than not that the position will be sustained on examination. NS will adopt this Interpretation in the first quarter of 2007 and expects it will not have a material effect on NS’ consolidated financial statements.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans.” This statement requires an employer to recognize in its statement of financial position the overfunded or underfunded status of defined benefit pension and postretirement plans measured as the difference between the fair value of plan assets and the benefit obligation. Employers must also recognize as a component of other comprehensive income, net of tax, the actuarial gains and losses and the prior service costs, credits and transition costs that arise during the period. NS adopted this statement in the fourth quarter of 2006 (see Note 10).

In December 2004, the FASB issued SFAS No. 123(R), “Share-Based Payment.” This statement establishes standards for accounting for transactions in which an entity exchanges its equity instruments for goods or services, such as stock-based compensation plans. NS adopted this standard in the first quarter of 2006 (see Note 1).

Inflation

In preparing financial statements, U.S. generally accepted accounting principles require the use of historical cost that disregards the effects of inflation on the replacement cost of property. NS, a capital-intensive company, has most of its capital invested in such assets. The replacement cost of these assets, as well as the related depreciation expense, would be substantially greater than the amounts reported on the basis of historical cost.

Proposed Legislation and Regulations on Safety and Transportation of Hazardous Materials

Regulations proposed by the Department of Homeland Security in late 2006 would mandate that railroads adopt chain of custody and security measures. If enacted, such regulations could cause service degradation and higher costs for the transportation of toxic inhalation hazard materials. In addition, certain local governments have sought to enact ordinances banning hazardous materials moving by rail within their borders. Some legislators have contemplated pre-notification requirements for hazardous material shipments. If promulgated, such ordinances could require the re-routing of hazardous materials shipments, with the potential for significant additional costs and network inefficiencies. Accordingly, NS will oppose efforts to impose unwarranted regulation in this area.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-loo ki ng statements that may be identified by the use of words like “believe,” “expect,” “anticipate” and “project.” Forward-loo ki ng statements reflect management's good-faith evaluation of information currently available. However, such statements are dependent on and, therefore, can be influenced by, a number of external variables over which management has little or no control, including: domestic and international economic conditions; interest rates; the business environment in industries that produce and consume rail freight; competition and consolidation within the transportation industry; the operations of carriers with which NS interchanges; acts of terrorism or war; fluctuation in prices of key materials, in particular diesel fuel; labor difficulties, including strikes and work stoppages; legislative and regulatory developments; changes in securities and capital markets; disruptions to NS’ technology infrastructure including computer systems; and natural events such as severe weather, hurricanes and floods. For more discussion about each risk factor, see Part I, Item 1A “Risk Factors.” Forward-loo ki ng statements are not, and should not be relied upon as a guarantee of future performance or results, nor will they necessarily prove to be accurate indications of the times at or by which any such performance or results will be achieved. As a result, actual outcomes and results may differ materially from those expressed in forward-loo ki ng statements. NS undertakes no obligation to update or revise forward-loo ki ng statements.

Item 7A . Quantitative and Qualitative Disclosures about Market Risk .

The information required by this item is included in Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations” under the heading “Market Risks and Hedging Activities.”

Item 8 . Financial Statements and Supplementary Data .

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Report of Management

February 20, 2007

To the Stockholders

Norfolk Southern Corporation

Management is responsible for establishing and maintaining adequate internal control over financial reporting. In order to ensure that the Corporation's internal control over financial reporting is effective, management regularly assesses such controls and did so most recently for its financial reporting as of December 31, 2006. This assessment was based on criteria for effective internal control over financial reporting described in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that the Corporation maintained effective internal control over financial reporting as of December 31, 2006 .

KPMG LLP, independent registered public accounting firm, has audited the Corporation's financial statements and has reported on management's assessment of the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2006 .

/s/ Charles W. Moorman	/s/ Henry C. Wolf	/s/ Marta R. Stewart
Charles W. Moorman	Henry C. Wolf	Marta R. Stewart
Chairman, President and	Vice Chairman and	Vice President and
Chief Executive Officer	Chief Financial Officer	Controller

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Norfolk Southern Corporation:

We have audited management's assessment, included in the accompanying Report of Management, that Norfolk Southern Corporation maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control – Integrated Framework,* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Norfolk Southern Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of Norfolk Southern Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Norfolk Southern Corporation maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework,* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also in our opinion, Norfolk Southern Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control – Integrated Framework,* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Norfolk Southern Corporation and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2006. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule as listed in Item 15(A)2. Our report dated February 20, 2007, expressed an unqualified opinion on the consolidated financial statements and financial statement schedule.

/s/ KPMG LLP

Norfolk , Virginia

February 20, 2007

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Norfolk Southern Corporation:

We have audited the accompanying consolidated balance sheets of Norfolk Southern Corporation and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2006. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule as listed in Item 15(A)2. These consolidated financial statements and financial statement schedule are the responsibility of Norfolk Southern Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Norfolk Southern Corporation and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in note 1 to the consolidated financial statements, Norfolk Southern Corporation adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment,* effective January 1, 2006, and Statement of Financial Accounting Standards No.

158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,* effective December 31, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Norfolk Southern Corporation's internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 20, 2007, expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP

Norfolk , Virginia

February 20, 2007

Norfolk Southern Corporation and Subsidiaries

Consolidated Statements of Income

	Years ended Dec. 31,		
	2006	**2005**	**2004**
	($ in millions, except earnings per share)		
Railway operating revenues	$ 9,407	$ 8,527	$ 7,312
Railway operating expenses:			
Compensation and benefits	2,637	2,493	2,272
Materials, services and rents	1,895	1,809	1,601
Conrail rents and services	126	129	319
Depreciation	738	774	598
Diesel fuel	977	727	449
Casualties and other claims	220	224	151
Other	257	254	220
Total railway operating expenses	6,850	6,410	5,610
Income from railway operations	2,557	2,117	1,702
Other income – net	149	74	76
Interest expense on debt	476	494	489
Income before income taxes	2,230	1,697	1,289
Provision for income taxes	749	416	379

Net income	$ 1,481	$ 1,281	$ 910

Per share amounts:

Net income			
Basic	$ 3.63	$ 3.17	$ 2.31
Diluted	$ 3.57	$ 3.11	$ 2.28

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries

Consolidated Balance Sheets

	As of Dec. 31,	
	2006	**2005**
	($ in millions)	
Assets		
Current assets:		
Cash and cash equivalents	$ 527	$ 289
Short-term investments	391	968
Accounts receivable – net	992	931
Materials and supplies	151	132
Deferred income taxes	186	167
Other current assets	153	163
Total current assets	2,400	2,650
Investments	1,755	1,558
Properties less accumulated depreciation	21,098	20,735
Other assets	775	916
Total assets	$ 26,028	$ 25,859
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 1,181	$ 1,163

Income and other taxes		205		231
Other current liabilities		216		213
Current maturities of long-term debt		491		314
Total current liabilities		2,093		1,921
Long-term debt		6,109		6,616
Other liabilities		1,767		1,415
Deferred income taxes		6,444		6,631
Total liabilities		16,413		16,583
Stockholders' equity:				
Common stock $1.00 per share par value, 1,350,000,000 shares authorized; issued 418,200,239 and 430,718,913 shares, Respectively		418		431
Additional paid-in capital		1,303		992
Unearned restricted stock		--		(17)
Accumulated other comprehensive loss		(369)		(77)
Retained income		8,283		7,967
Less treasury stock at cost, 20,780,638 and 20,833,125 shares, Respectively		(20)		(20)
Total stockholders' equity		9,615		9,276
Total liabilities and stockholders' equity	$	26,028	$	25,859

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries

Consolidated Statements of Cash Flows

	Years Ended Dec. 31,		
	2006	**2005**	**2004**
	($ in millions)		
Cash flows from operating activities			
Net income	$ 1,481	$ 1,281	$ 910
Reconciliation of net income to net cash provided by operating activities:			
Depreciation	750	787	609
Deferred income taxes	(8)	80	200
Equity in earnings of Conrail	(25)	(37)	(54)
Gain on Conrail Corporate Reorganization	--	--	(40)
Gains and losses on properties and investments	(54)	(51)	(46)
Changes in assets and liabilities affecting operations:			
Accounts receivable	(60)	(94)	(71)
Materials and supplies	(19)	(28)	(12)

Other current assets	(11)	20	(18)
Current liabilities other than debt	38	55	126
Other – net	114	92	57
Net cash provided by operating activities	2,206	2,105	1,661
Cash flows from investing activities			
Property additions	(1,178)	(1,025)	(1,041)
Property sales and other transactions	119	110	75
Investments, including short-term	(1,804)	(1,822)	(396)
Investment sales and other transactions	2,179	910	117
Net cash used for investing activities	(684)	(1,827)	(1,245)
Cash flows from financing activities			
Dividends	(278)	(194)	(142)
Common stock issued – net	297	194	162
Purchase and retirement of common stock	(964)	--	--
Proceeds from borrowings	--	433	202
Debt repayments	(339)	(889)	(455)
Net cash used for financing activities	(1,284)	(456)	(233)
Net increase (decrease) in cash and cash equivalents	238	(178)	183
Cash and cash equivalents			
At beginning of year	289	467	284
At end of year	$ 527	$ 289	$ 467
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest (net of amounts capitalized)	$ 473	$ 485	$ 483
Income taxes (net of refunds)	$ 692	$ 271	$ 146

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

Common Stock	Additional Paid-in Capital	Unearned Restricted Stock	Accum. Other Compre-hensive Loss	Retained Income	Treasury Stock	Total

($ in millions, except per share amounts)

Balance Dec. 31, 2003	$ 412	$ 521	$ (5)	$ (44)	$ 6,112	$ (20)	$ 6,976
Comprehensive income							
Net income					910		910
Other comprehensive income				20			20
Total comprehensive income							930
Dividends on Common Stock, $0.36 per share					(142)		(142)
Stock-based compensation, including tax benefit of $30	9	204	(3)				210
Other		3					3
Balance Dec. 31, 2004	421	728	(8)	(24)	6,880	(20)	7,977
Comprehensive income							
Net income					1,281		1,281
Other comprehensive loss				(53)			(53)
Total comprehensive income							1,228
Dividends on Common Stock, $0.48 per share					(194)		(194)
Stock-based compensation, including tax benefit of $47	10	260	(9)				261
Other		4					4
Balance Dec. 31, 2005	431	992	(17)	(77)	7,967	(20)	9,276
Comprehensive income							
Net income					1,481		1,481
Other comprehensive							

income				2			2
Total comprehensive income							1,483
Adoption of SFAS 158, net of tax				(294)			(294)
Dividends on Common Stock, $0.68 per share					(278)		(278)
Share repurchases	(22)	(63)			(879)		(964)
Stock-based compensation, including tax benefit of $85	9	372	17		(8)		390
Other		2					2
Balance Dec. 31, 2006	$ 418	$ 1,303	$ -	$ (369)	$ 8,283	$ (20)	$ 9,615

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries

Notes to Consolidated Financial Statements

The following Notes are an integral part of the Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

Description of Business

Norfolk Southern Corporation is a Virginia-based holding company engaged principally in the rail transportation business, operating approximately 21,000 route miles primarily in the East and Midwest . These consolidated financial statements include Norfolk Southern Corporation (Norfolk Southern) and its majority-owned and controlled subsidiaries (collectively, NS). Norfolk Southern's major subsidiary is Norfolk Southern Railway Company (NSR). All significant intercompany balances and transactions have been eliminated in consolidation.

The railroad transports raw materials, intermediate products and finished goods classified in the following market groups (percent of total railway operating revenues in 2006): coal (25%); intermodal (21%); metals/construction (12%); chemicals (12%); agriculture/consumer products/government (11%); automotive (10%); and paper/clay/forest products (9%). Although most of NS' customers are domestic, ultimate points of origination or destination for some of the products transported (particularly coal bound for export and some intermodal containers) may be outside the United States . Approximately 85% of NS' railroad employees are covered by collective bargaining agreements with various labor unions.

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management reviews its estimates, including those related to the recoverability and useful lives of assets, as well as liabilities for litigation, environmental remediation, casualty claims, income taxes, and pension and other postretirement benefits. Changes in facts and circumstances may result in revised estimates.

Revenue Recognition

Transportation revenue is recognized proportionally as a shipment moves from origin to destination and related expenses are recognized as incurred. Refunds (which are primarily volume-based incentives) are recorded as a reduction to revenues on the basis of management's best estimate of projected liability, which is based on historical activity, current traffic counts and the expectation of future activity. NS regularly monitors its contract refund liability, and historically, the estimates have not differed significantly from the amounts ultimately refunded. Switching, demurrage and other incidental service revenues are recognized when the services are performed.

Derivatives

NS does not engage in the trading of derivatives. NS uses derivative financial instruments to reduce the risk of volatility in its diesel fuel costs and in the management of its mix of fixed and floating-rate debt. Management has determined that these derivative instruments qualify as either fair-value or cash-flow hedges, having values that highly correlate with the underlying hedged exposures, and has designated such instruments as hedging transactions. Income and expense related to the derivative financial instruments are recorded in the same category as generated by the underlying asset or liability. Credit risk related to the derivative financial instruments is considered to be minimal and is managed by requiring high credit standards for counterparties and periodic settlements (see Note 16).

Stock-Based Compensation

NS has stock-based employee compensation plans, which are more fully described in Note 11. Through Dec. 31, 2005, NS applied the intrinsic value recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees" (APB Opinion 25), and related interpretations in accounting for these plans (See "Required Accounting Changes in 2006," below).

The following table illustrates the effect on net income and earnings per share if NS had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), to stock-based employee compensation:

	2005	2004
	($ in millions except per share)	
Net income, as reported	$ 1,281	$ 910
Add: Stock-based employee compensation expense as reported	46	32
Deduct: Stock-based employee compensation expense determined under fair value method	(45)	(44)
Pro forma net income	$ 1,282	$ 898
Earnings per share:		
As reported		
Basic	$ 3.17	$ 2.31
Diluted	$ 3.11	$ 2.28
Pro forma		
Basic	$ 3.17	$ 2.28
Diluted	$ 3.10	$ 2.25

Required Accounting Changes in 2006

Effective January 1, 2006, NS adopted Statement of Financial Accounting Standards, No. 123(R), "Share-Based Payment," [SFAS 123(R)]. This statement applies to awards granted, modified, repurchased or cancelled after the effective date as well as awards that are unvested at the effective date and includes, among other things, the requirement to expense the fair value of stock options. The standard also requires that awards to be settled in cash be measured at fair value at each reporting date until ultimate settlement. NS adopted SFAS 123(R) using the modified prospective method, which requires application of the standard to all awards granted, modified, repurchased or cancelled on or after January 1, 2006, and to all awards for which the requisite service has not been rendered as of such date. In accordance with the modified prospective approach, prior period financial statements have not been restated to reflect the impact of SFAS 123(R). As compared to amounts that would have been recognized under APB Opinion 25, the adoption of SFAS 123(R) resulted in $27 million of additional compensation expense for 2006, including the immediate expensing of 2006 grants made to retirement-eligible employees, which reduced net income by $20 million, or 5 cents per basic and diluted share. Under SFAS 123(R), all new awards granted to retirement eligible employees must be expensed immediately. Under APB Opinion No. 25 and related interpretations, such awards were amortized over the stated service period. Such awards were treated similarly under SFAS 123 in the pro forma amounts disclosed in the preceding table.

Effective Dec. 31, 2006, NS adopted Statement of Financial Accounting Standards (SFAS) No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (see Note 10).

Cash Equivalents

“Cash equivalents” are highly liquid investments purchased three months or less from maturity.

Allowance for Doubtful Accounts

NS' allowance for doubtful accounts was $5 million at Dec. 31, 2006, and $6 million at Dec. 31, 2005 . To determine its allowance for doubtful accounts, NS evaluates historical loss experience (which has not been significant), the characteristics of current accounts, as well as general economic conditions and trends.

Materials and Supplies

“Materials and supplies,” consisting mainly of fuel oil and items for maintenance of property and equipment, are stated at the lower of average cost or market. The cost of materials and supplies expected to be used in capital additions or improvements is included in “Properties.”

Investments

Debt securities classified as “held-to-maturity” are reported at amortized cost and marketable equity and debt securities classified as “trading” or “available-for-sale” are recorded at fair value. Unrealized after-tax gains and losses for investments designated as “available-for-sale,” are recognized in “Accumulated other comprehensive loss.”

Investments where NS has the ability to exercise significant influence over but does not control the entity are accounted for using the equity method in accordance with APB Opinion No. 18, “The Equity Method of Accounting for Investments in Common Stock.”

Properties

“Properties” are stated principally at cost and are depreciated using group depreciation. Rail is depreciated primarily on the basis of use measured by gross ton-miles. Other properties are depreciated generally using the straight-line method over the lesser of estimated service or lease lives. Depletion of natural resources (see Note 2) is based on units of production. Depreciation in the Consolidated Statements of Cash Flows includes depreciation and depletion. NS capitalizes interest on major capital projects during the period of their construction. Expenditures, including those on leased assets that extend an asset's useful life or increase its utility, are capitalized. Costs related to repairs and maintenance activities that do not extend an asset’s useful life or increase its utility are expensed when such repairs are performed. When properties other than land and nonrail assets are sold or retired in the ordinary course of business, the cost of the assets, net of sale proceeds or salvage, is charged to accumulated depreciation, and no gain or loss is recognized through income. Gains and losses on disposal of land and nonrail assets are included in “Other income - net” (see Note 2) since such income is not a product of NS’ railroad operations.

NS reviews the carrying amount of properties whenever events or changes in circumstances indicate that such carrying amount may not be recoverable based on future undiscounted cash flows. Assets that are deemed impaired as a result of such review are recorded at the lower of carrying amount or fair value.

Reclassifications

Certain comparative prior year amounts have been reclassified to conform to the current year presentation.

2. Other Income - Net

	2006	2005	2004
		($ in millions)	
Income from natural resources:			
Royalties from coal	$ 55	$ 54	$ 42
Nonoperating depletion and depreciation	(12)	(13)	(11)
Subtotal	43	41	31
Interest income	76	41	13
Gains and losses from sale of properties and investments	54	49	46
Rental income	45	42	40
Equity in earnings of Conrail (Note 4)	25	37	11
Corporate-owned life insurance – net	24	4	8
Gain from Conrail Corporate Reorganization (Note 4)	--	--	40
Equity in losses of partnerships	(68)	(108)	(61)
Other interest expense	(17)	(6)	(17)
Taxes on nonoperating property	(9)	(9)	(8)
Charitable contributions	(4)	(4)	(4)
Other	(20)	(13)	(23)
Total	$ 149	$ 74	$ 76

"Other income - net" includes income and costs not part of rail operations and the income generated by the activities of NS' noncarrier subsidiaries as well as the costs incurred by those subsidiaries in their operations. NS has a 40.5% interest in a limited liability company that owns and operates facilities that produce synthetic fuel from coal. The production of synthetic fuel results in tax credits as well as expenses related to the investments. The expenses are included in "Equity in losses of partnerships" above.

"Other current assets" in the Consolidated Balance Sheets includes prepaid interest of $50 million at Dec. 31, 2006, and $47 million at Dec. 31, 2005, arising from corporate-owned life insurance borrowings.

3. Income Taxes

Provision for Income Taxes

	2006	2005	2004
		($ in millions)	
Current:			
Federal	$ 666	$ 283	$ 133
State	91	53	46
Total current taxes	757	336	179
Deferred:			

Federal	3	220	181
State	(11)	(140)	19
Total deferred taxes	(8)	80	200
Provision for income taxes	$ 749	$ 416	$ 379

Reconciliation of Statutory Rate to Effective Rate

The “Provision for income taxes” in the Consolidated Statements of Income differs from the amounts computed by applying the statutory federal corporate tax rate as follows:

	2006		2005		2004	
	Amount	%	Amount	%	Amount	%
			($ in millions)			
Federal income tax at statutory rate	$ 780	35	$ 594	35	$ 451	35
State income taxes, net of federal tax effect	52	2	40	2	42	3
Tax credits	(62)	(3)	(104)	(6)	(80)	(7)
Ohio rate change, net of federal tax effect	--	--	(96)	(6)	--	--
Equity in earnings of Conrail	(7)	--	(10)	--	(18)	(1)
Gain from Conrail Corporate Reorganization	--	--	--	--	(14)	(1)
Other – net	(14)	--	(8)	--	(2)	--
Provision for income taxes	$ 749	34	$ 416	25	$ 379	29

In June 2005, Ohio enacted tax legislation that phases out its Corporate Franchise Tax, which was generally based on federal taxable income, and phases in a new gross receipts tax called the Commercial Activity Tax, which is based on current year sales and rentals. The phased elimination of the Corporate Franchise Tax resulted in a reduction in NS’ deferred income tax liability, as required by Statement of Financial Accounting Standards No. 109, “Accounting for Income Taxes,” which, as noted above, decreased deferred tax expense by $96 million.

Deferred Tax Assets and Liabilities

Certain items are reported in different periods for financial reporting and income tax purposes. Deferred tax assets and liabilities are recorded in recognition of these differences. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	Dec. 31,	
	2006	2005
	($ in millions)	
Deferred tax assets:		

Compensation and benefits, including post-retirement	$ 382	$ 160
Accruals, including casualty and other claims	211	207
Other	44	49
Total gross deferred tax assets	637	416
Less valuation allowance	(9)	(10)
Net deferred tax asset	628	406
Deferred tax liabilities:		
Property	(6,659)	(6,632)
Other	(227)	(238)
Total gross deferred tax liabilities	(6,886)	(6,870)
Net deferred tax liability	(6,258)	(6,464)
Net current deferred tax asset	186	167
Net long-term deferred tax liability	$ (6,444)	$ (6,631)

Except for amounts for which a valuation allowance has been provided, management believes that it is more likely than not that future taxable income will be sufficient to realize the deferred tax assets. The valuation allowance at the end of each year relates to subsidiary state income tax net operating losses that may not be utilized prior to their expiration. The total valuation allowance decreased $1 million in 2006, $3 million in 2005 and $1 million in 2004.

Internal Revenue Service (IRS) Reviews

Consolidated federal income tax returns have been examined and Revenue Agent Reports have been received for all years up to and including 2003. In 2004, the favorable resolution of the IRS audit of a synthetic fuel-related investment is reflected in the “Tax credits” line of the reconciliation of statutory rate to the effective rate. The consolidated federal income tax returns for 2004 and 2005 are being audited by the IRS. Management believes that adequate provision has been made for any additional taxes and interest thereon that might arise as a result of IRS examinations.

4. Investments

	Dec. 31,	
	2006	**2005**
	($ in millions)	
Short-term investments with average maturities at		
Dec. 31, 2006 :		
Federal government notes, 5 months	$ 124	$ 348
Corporate notes, 4 months	117	290
Commercial paper, 2 months	74	251
Municipal debt, 1 month	22	43
Other short-term investments, less than one month	54	36
Total short-term investments	$ 391	$ 968
Long-term investments:		

Investment in Conrail Inc.	$	849	$	812
Other equity method investments		451		331
Company-owned life insurance at net cash surrender value		310		276
Other investments		145		139
Total long-term investments	$	1,755	$	1,558

The $391 million in "Short-term investments" is classified as available-for-sale, of which approximately three-quarters mature within six months. Unrealized gains from short-term investments were approximately $1 million at Dec. 31, 2006, and unrealized losses from short-term investments were approximately $1 million at Dec. 31, 2005.

Other equity method investments, shown above, includes NS' $100 million investment in MSLLC, a joint venture formed with Kansas City Southern, made in 2006.

Investment in Conrail and Operations Over Its Lines

Overview

Through a limited liability company, Norfolk Southern and CSX Corporation (CSX) jointly own Conrail Inc. (Conrail), whose primary subsidiary is Consolidated Rail Corporation (CRC). NS has a 58% economic and 50% voting interest in the jointly owned entity, and CSX has the remainder of the economic and voting interests. CRC owns and operates certain properties (the Shared Assets Areas) for the joint and exclusive benefit of NSR and CSX Transportation Inc. (CSXT). The costs of operating the Shared Assets Areas are borne by NSR and CSXT based on usage. In addition, NSR and CSXT pay CRC a fee for access to the Shared Assets Areas.

Conrail Corporate Reorganization

On August 27, 2004 , NS, CSX and Conrail completed a reorganization of Conrail (Conrail Corporate Reorganization), which established direct ownership and control by NSR and CSXT of two former CRC subsidiaries, Pennsylvania Lines LLC (PRR) and New York Central Lines LLC (NYC), respectively. Prior to the Conrail Corporate Reorganization, NSR operated the routes and assets of PRR and CSXT operated the routes and assets of NYC, each in accordance with operating and lease agreements. Pursuant to the Conrail Corporate Reorganization, the operating and lease agreements were terminated and PRR and NYC were merged into NSR and CSXT, respectively. The reorganization did not involve the Shared Assets Areas and did not affect the competitive rail service provided in the Shared Assets Areas. Conrail continues to own, manage and operate the Shared Assets Areas as previously approved by the Surface Transportation Board (STB).

As a part of the Conrail Corporate Reorganization, Conrail restructured its existing unsecured and secured public indebtedness, with the consent of Conrail's debtholders. Prior to the restructuring, there were two series of unsecured public debentures with an outstanding principal amount of approximately $800 million and 13 series of secured debt with an outstanding principal amount of approximately $300 million. Guaranteed debt securities were offered in an approximate 58%/42% ratio in exchange for Conrail's unsecured debentures. Of the $800 million unsecured public debentures, $779 million were tendered and accepted for exchange, and NSR issued unsecured public debentures with a total principal of $452 million and an issue-date fair value of $595 million. Conrail's secured debt and lease obligations remain obligations of Conrail and are support ed by leases and subleases which are the direct lease and sublease obligations of NSR or CSXT. Substantially all of these NSR obligations are capital leases and, accordingly, are a component of NS' capital lease obligations (see Note 7).

NS accounted for the transaction at fair value, which resulted in the recognition of a $40 million net gain (reported in "Other income – net") in 2004 from the tax-free distribution to NS of a portion of its investment in Conrail. Originally in 2004, the gain was calculated and reported as $53 million. However, in December 2006, CSX determined that the value for a portion of a rail yard transferred from Conrail to CSX had been omitted. Accordingly, the gain was adjusted in the accompanying Consolidated Statement of Income for 2004 to reflect an immaterial correction of $13 million. In addition, the Consolidated Balance Sheet as of December 31, 2005 reflects corresponding adjustments to the amounts previously reported for Investments (reduction of $32 million), Properties (increase of $30 million), Deferred income tax liabilities (increase of $11 million) and Retained income (decrease of $13 million).

NS concluded that fair value was the appropriate measurement for 42% of PRR because the transaction resulted in the complete ownership and control of PRR. The remaining 58% of PRR was recorded at NS' carryover basis. As a result of the transaction, NS' investment in Conrail does not include amounts related to PRR and NYC beginning in 2005. Instead the assets and liabilities of PRR are reflected in their respective line items in NS' Consolidated Balance Sheet and amounts due to PRR were extinguished.

The following summarizes the effect of this 2004 transaction, as adjusted for the immaterial correction described above ($ in millions):

Properties	$	8,398
Extinguishment of amounts due to PRR		870
Other assets and liabilities, net		177
Deferred income taxes		(3,124)
Long-term debt, including current maturities		(734)
Net assets received		5,587
Investment in Conrail		(5,547)
Gain from Conrail Corporate Reorganization	$	40

The amounts shown above for the net assets received reflect the fair value of such assets. Properties were valued based on information received from an independent valuation consultant. The assets of PRR included the note due from NSR discussed below under the heading “Related Party Transactions,” which resulted in its effectively being extinguished. Debt was recorded at fair value based on interest rates at the time of the reorganization. The reduction to NS’ investment in Conrail represented the removal of amounts related to NS’ equity interests in PRR and NYC as well as amounts related to the Conrail debt that was exchanged or effectively assumed by the leases and subleases entered into to support those obligations.

On the Consolidated Statements of Income, “Conrail rents and services” was reduced as a result of the 2004 transaction. After the Conrail Corporate Reorganization, “Conrail rents and services” reflects only the expenses associated with the Shared Assets Areas, and other expenses (primarily the depreciation related to the PRR assets) are reflected in their respective line items in the Consolidated Statements of Income. The transaction’s impact on 2004 net income was the $40 million gain discussed above. Prospectively, the transaction will have no effect on revenues and will not have a significant ongoing effect on net income. Had the transaction been consummated before the periods presented, there would have been no change in revenues and no significant change to net income.

NS is continuing to apply the equity method of accounting to its remaining investment in Conrail in accordance with APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." NS is amortizing the excess of the purchase price over Conrail's net equity using the principles of purchase accounting, based primarily on the estimated remaining useful lives of Conrail's depreciable property and equipment, including the related deferred tax effect of the differences in tax and accounting bases for certain assets, as all of the purchase price at acquisition was allocable to Conrail’s tangible assets and liabilities. At Dec. 31, 2006, the difference between NS' investment in Conrail and its share of Conrail's underlying net equity was $556 million.

Related-Party Transactions

CRC owns and operates the Shared Assets Areas for the joint and exclusive benefit of NSR and CSXT. NSR and CSXT pay CRC a fee for joint and exclusive access to the Shared Assets Areas. In addition, NSR and CSXT pay, based on usage, the costs incurred by CRC to operate the Shared Assets Areas. Future minimum lease payments due to CRC under the Shared Assets Areas agreements are as follows: $26 million in each of 2007 through 2011 and $318 million thereafter.

The components of "Conrail rents and services" are as follows:

	Years Ended Dec. 31,		
	2006	**2005**	**2004**
	($ in millions)		
Expenses for amounts due to CRC for operation of the Shared Assets Areas	$ 126	$ 129	$ 129
Amounts due to PRR for use by NSR of operating properties and equipment (prior to the Conrail Corporate Reorganization)	--	--	233
NS' equity in the earnings of Conrail, net of amortization (prior to the Conrail Corporate Reorganization)*	--	--	(43)
Conrail rents and services	$ 126	$ 129	$ 319

*After the reorganization, NS' equity in the earnings of Conrail, net of amortization, is included in "Other income – net," (see Note 2).

Prior to the Conrail Corporate Reorganization, a significant portion of the payments made to PRR was borrowed back from a subsidiary of PRR under a note due in 2032. Amounts outstanding under this note comprised the long-term balance of "Due to Conrail," and this note was effectively extinguished by the reorganization. "Due to Conrail" included in "Accounts payable" (see Note 6) is composed principally of amounts related to expenses included in "Conrail rents and services," as discussed above. "Long-term advances from Conrail," included in "Other liabilities" (see Note 9), bear interest at an average rate of 4.4% and are due in 2035.

NS provides certain general and administrative support functions to Conrail, the fees for which are billed in accordance with several service-provider arrangements and amount to approximately $7 million annually.

Summary Financial Information – Conrail

As a result of the Conrail Corporate Reorganization discussed above, two CRC subsidiaries, PRR and NYC, were distributed to NS and CSX, respectively, and CRC's public indebtedness was restructured. The results of the operations of these subsidiaries are presented in the following 2004 financial information as "Discontinued Operations." The 2006, 2005 and 2004 summarized information was derived from unaudited financial statements.

Summarized Income Statement Information - Conrail

	Years Ended Dec. 31,		
	2006	**2005**	**2004**
	($ in millions)		
Operating revenues	$ 373	$ 378	$ 352
Operating income (loss)	$ 16	$ 32	$ (18)
Income from continuing operations	$ 47	$ 85	$ 22

Discontinued operations (PRR and NYC)	$	--	$	--	$	119
Net income	$	47	$	85	$	140

Note: Conrail adopted FIN No. 46 “Consolidation of Variable Interest Entities,” effective Jan. 1, 2004, and recorded a $1 million net adjustment for the cumulative effect of this change in accounting on years prior to 2004.

Summarized Balance Sheet Information - Conrail

	As of Dec. 31,			
		2006		**2005**
	($ in millions)			
Assets:				
Current assets	$	280	$	233
Noncurrent assets		1,043		1,242
Total assets	$	1,323	$	1,475
Liabilities and stockholders' equity:				
Current liabilities	$	263	$	233
Noncurrent liabilities		555		807
Stockholders' equity		505		435
Total liabilities and stockholders' equity	$	1,323	$	1,475

Note: Current assets include amounts due from NS and CSX totaling $173 million at Dec. 31, 2006, and $134 million at Dec. 31, 2005. Noncurrent assets include amounts due from NS and CSX totaling $351 million at Dec. 31, 2006, and $413 million at Dec. 31, 2005 . Current liabilities include amounts payable to NS and CSX totaling $4 million at Dec. 31, 2006, and $6 million at Dec. 31, 2005 .

5. Properties

	Dec. 31,				Depreciation
		2006		**2005**	**Rate for 2006**
	($ in millions)				
Land	$	2,082	$	2,088	
Railway property:					
Road		18,725		18,161	2.6%
Equipment		7,085		6,838	3.7%
Other property		471		469	2.6%
		28,363		27,556	
Less accumulated depreciation		(7,265)		(6,821)	
Net properties	$	21,098	$	20,735	

Railway property includes $602 million at Dec. 31, 2006 and 2005, of assets recorded pursuant to capital leases with accumulated amortization of $192 million and $170 million at Dec. 31, 2006 and 2005, respectively. Other property includes the costs of obtaining rights to natural resources of $337 million at Dec. 31, 2006 and 2005, with accumulated depletion of $165 million and $157 million at Dec. 31, 2006 and 2005, respectively.

Capitalized Interest

Total interest cost incurred on debt in 2006, 2005 and 2004 was $489 million, $505 million and $499 million, respectively, of which $13 million, $11 million and $10 million was capitalized.

6. Current Liabilities

	Dec. 31, 2006	Dec. 31, 2005
	($ in millions)	
Accounts payable:		
Accounts and wages payable	$ 569	$ 571
Casualty and other claims	301	291
Vacation liability	120	119
Equipment rents payable – net	96	101
Due to Conrail	68	56
Other	27	25
Total	$ 1,181	$ 1,163
Other current liabilities:		
Interest payable	$ 88	$ 100
Retiree benefit obligations (Note 10)	53	45
Liabilities for forwarded traffic	50	47
Other	25	21
Total	$ 216	$ 213

7. Long-term Debt

	Dec. 31, 2006	Dec. 31, 2005
	($ in millions)	
Notes and debentures at average rates and maturities as follows:		
7.01%, maturing to 2011	$ 1,540	$ 1,740
6.67%, maturing 2014 and 2017	981	991
8.25%, maturing 2020 to 2025	764	764
7.12%, maturing 2027 to 2031	1,290	1,300
7.21%, maturing 2037 and 2043	855	855
7.02%, maturing 2097 and 2105	650	650

Equipment obligations at an average rate of 6.02%, maturing to 2014	306	363
Capitalized leases at an average rate of 4.87%, maturing to 2024	231	290
Other debt at an average rate of 7.31%, maturing to 2019	113	113
Discounts and premiums, net	(130)	(136)
Total long-term debt	6,600	6,930
Less current maturities	(491)	(314)
Long-term debt excluding current maturities	$ 6,109	$ 6,616

Long-term debt maturities subsequent to 2007 are as follows:	
2008	$ 368
2009	475
2010	339
2011	337
2012 and subsequent years	4,590
Total	$ 6,109

In May 2005, NS issued $717 million of unsecured notes ($350 million at 5.64% due 2029 and $367 million at 5.59% due 2025) and paid $218 million of premium in exchange for $717 million of its previously issued unsecured notes ($350 million at 7.8% due 2027, $200 million at 7.25% due 2031, and $167 million at 9.0% due 2021). The $218 million cash premium payment is reflected as a reduction of debt in the Consolidated Balance Sheet and Statement of Cash Flows and is included in "Discounts and premiums, net." The premium is being amortized as additional interest expense over the terms of the new debt, resulting in effective interest rates of 8.7% for the 2029 notes and 9.0% for the 2025 notes.

In August 2004, pursuant to the Conrail Corporate Reorganization (see Note 4), NSR issued unsecured public debentures with a total principal of $452 million ($314 million at 9.75% due 2020 and $138 million at 7.875% due 2043) and fair value of $595 million. This difference is included in "Discounts and premiums, net" and is being amortized as a reduction of interest expense over the terms of the notes, resulting in effective interest rates of 6.0% for the 2020 notes and 6.2% for the 2043 notes.

The railroad equipment obligations and the capitalized leases are secured by liens on the underlying equipment. Certain lease obligations require the maintenance of yen-denominated deposits, which are pledged to the lessor to satisfy yen-denominated lease payments. These deposits are included in "Other assets" on the balance sheet and totaled $85 million at Dec. 31, 2006, and $87 million at Dec. 31, 2005.

Shelf Registration

NS has on file with the Securities and Exchange Commission a Form S-3 shelf registration statement, covering the issu ance of registered debt or equity securities, with $700 million of available capacity. In 2005, NS issued $300 million of 6% senior notes due March 2105 under this shelf registration statement.

Credit Agreement, Debt Covenants and Commercial Paper

NS has in place a five-year $1 billion credit facility expiring in 2009. Any borrowings under the credit agreement are contingent on the continuing effectiveness of the representations and warranties made at the inception of the agreement. NS is subject to various financial covenants with respect to its debt and under its credit agreement, including a minimum net worth requirement, a maximum leverage ratio restriction, certain restrictions on the issuance of further debt by NS or its subsidiaries and the consolidation, merger or sale of substantially all of NS' assets. At Dec. 31, 2006 , NS was in compliance with all financial covenants.

NS has the ability to issue commercial paper support ed by its $1 billion credit agreement. At Dec. 31, 2006 , and Dec. 31, 2005 , NS had no outstanding commercial paper or borrowings under the credit agreement.

8. Lease Commitments

NS is committed under long-term lease agreements, which expire on various dates through 2067, for equipment, lines of road and other property. The following amounts do not include payments to CRC under the Shared Assets Areas agreements (see Note 4). Future minimum lease payments and operating lease expense are as follows:

	Operating Leases	Capital Leases
	($ in millions)	
2007	$ 166	$ 77
2008	146	46
2009	128	58
2010	110	24
2011	79	21
2012 and subsequent years	458	23
Total	$ 1,087	$ 249
Less imputed interest on capital leases at an average rate of 5.2%		(18)
Present value of minimum lease payments included in debt		$ 231

Operating Lease Expense

	2006	2005	2004
		($ in millions)	
Minimum rents	$ 197	$ 190	$ 151
Contingent rents	79	75	65
Total	$ 276	$ 265	$ 216

Contingent rents is primarily comprised of rent paid to other railroads for joint facility operations and are based on usage.

9. Other Liabilities

	Dec. 31, 2006	Dec. 31, 2005
	($ in millions)	
Retiree health and death benefit obligations (Note 10)	$ 621	$ 364
Casualty and other claims (Note 17)	471	421
Deferred compensation	149	143
Net pension obligations (Note 10)	144	106
Long-term advances from Conrail (Note 4)	133	133
Other	249	248
Total	$ 1,767	$ 1,415

10. Pensions and Other Postretirement Benefits

Norfolk Southern and certain subsidiaries have both funded and unfunded defined benefit pension plans covering principally salaried employees. Norfolk Southern and certain subsidiaries also provide specified health care and death benefits to eligible retired employees and their dependents. Under the present plans, which may be amended or terminated at NS' option, a defined percentage of health care expenses is covered, reduced by any deductibles, copayments, Medicare payments and, in some cases, coverage provided under other group insurance policies.

Required Accounting Change

As of Dec. 31, 2006, NS adopted SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans” (SFAS 158). This statement requires an employer to recognize in its statement of financial position the overfunded or underfunded status of defined benefit pension and postretirement plans measured as the difference between the fair value of plan assets and the benefit obligation. Employers must also recognize as a component of other comprehensive income, net of tax, the actuarial gains and losses and the prior service costs, credits and transition costs that arise during the period. As a result of adopting this standard, NS reduced its pension asset by $217 million and increased its pension and postretirement liabilities by $258 million in its Consolidated Balance Sheet, with a corresponding reduction to stockholders’ equity of $292 million (net of tax) reflected as an increase to accumulated other comprehensive loss. The adoption of SFAS 158 has no impact on years prior to 2006 and has no effect on the calculation of expenses for pensions and post-retirement benefits.

The following table illustrates the incremental effect of applying SFAS 158 to NS' pension and postretirement plans on individual line items in NS' Consolidated Balance Sheet at Dec. 31, 2006.

	Before application of SFAS 158 at Dec. 31, 2006	Adjustments	After application of SFAS 158 at Dec. 31, 2006
		($ in millions)	
Noncurrent pension asset	$ 658	$ (217)	$ 441
Total assets	26,245	(217)	26,028
Current liabilities:			
Postretirement benefits liability	45	--	45
Pension liability	--	8	8
Noncurrent liabilities:			
Post-retirement benefits liability	390	231	621
Pension liability	125	19	144
Deferred income taxes	6,627	(183)	6,444
Total liabilities	16,338	75	16,413
Accumulated other comprehensive loss	23	292	315
Total stockholders' equity	$ 9,907	$ (292)	$ 9,615

NS' adoption of SFAS 158 in 2006, as reflected in the Consolidated Statements of Changes in Stockholders' Equity, includes a $2 million loss related to NS' proportionate share of Conrail's adoption of SFAS 158.

Pension and Other Postretirement Benefit Obligations and Plan Assets

	Pension Benefits		Other Postretirement Benefits	
	2006	2005	2006	2005
		($ in millions)		
Change in benefit obligations				
Benefit obligation at beginning of year	$ 1,642	$ 1,574	$ 754	$ 701
Service cost	27	23	19	17
Interest cost	88	87	42	40
Settlement	--	--	--	(12)
Actuarial losses	6	72	14	60
Benefits paid	(113)	(114)	(44)	(52)

Benefit obligation at end of year	1,650	1,642	785	754
Change in plan assets				
Fair value of plan assets at beginning of year	1,824	1,806	108	105
Actual return on plan assets	220	126	11	3
Employer contribution	8	6	44	52
Benefits paid	(113)	(114)	(44)	(52)
Fair value of plan assets at end of year	1,939	1,824	119	108
Funded status at end of year	$ 289	$ 182	$ (666)	$ (646)
Amounts recognized in the Consolidated				
Balance Sheets consist of:				
Noncurrent assets	$ 441	$ 612	$ --	$ --
Current liabilities	(8)	--	(45)	(45)
Noncurrent liabilities	(144)	(106)	(621)	(364)
Accumulated other comprehensive loss	--	26	--	--
Net amount recognized	$ 289	$ 532	$ (666)	$ (409)
Amounts recognized in accumulated other				
comprehensive loss (pretax) consist of:				
Impact of implementation of SFAS 158	$ 244	$ --	$ 231	$ --
Minimum pension liability	--	26	--	--

During 2005, NS distributed split dollar life insurance policies to eligible retired employees, which resulted in a $12 million reduction of the postretirement benefit obligation.

NS' unfunded pension plans, included above, which in all cases have no assets and therefore have an accumulated benefit obligation in excess of plan assets, had projected benefit obligations of $152 million at Dec. 31, 2006, and $134 million at Dec. 31, 2005, and had accumulated benefit obligations of $125 million at Dec. 31, 2006, and $106 million at Dec. 31, 2005.

Pension and Other Postretirement Benefit Cost Components

	2006	2005	2004
		($ in millions)	
Pension benefits			
Service cost	$ 27	$ 23	$ 18
Interest cost	88	87	89
Expected return on plan assets	(159)	(149)	(149)
Amortization of prior service cost	2	2	3
Amortization of net losses	13	14	3
Net benefit	$ (29)	$ (23)	$ (36)

Other postretirement benefits

Service cost	$ 19	$ 17	$ 15
Interest cost	42	40	39
Expected return on plan assets	(10)	(9)	(12)
Amortization of prior service benefit	(8)	(8)	(9)
Amortization of net losses	27	22	16
Net cost	$ 70	$ 62	$ 49

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next year are $9 million and $2 million, respectively. The estimated net loss and prior service benefit for the other defined benefit postretirement plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next year are $23 million and $8 million, respectively.

Pension Assumptions

Pension and other postretirement benefit costs are determined based on actuarial valuations that reflect appropriate assumptions as of the measurement date, ordinarily the beginning of each year. The funded status of the plans is determined using appropriate assumptions as of each year end. A summary of the major assumptions follows:

	2006	**2005**	**2004**
Funded status:			
Discount rate	5.75%	5.50%	5.75%
Future salary increases	4.5%	4.5%	4.5%
Pension cost:			
Discount rate	5.50%	5.75%	6.25%
Return on assets in plans	9%	9%	9%
Future salary increases	4.5%	4.5%	4.5%

Health Care Cost Trend Assumptions

For measurement purposes at Dec. 31, 2006 increases in the per capita cost of covered health care benefits were assumed to be 10% for 2006 and 9% for 2007. It is assumed the rate will decrease gradually to an ultimate rate of 5% for 2011 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported in the financial statements. To illustrate, a one-percentage-point change in the assumed health care cost trend would have the following effects:

	One percentage point	
	Increase	Decrease
	($ in millions)	
Increase (decrease) in:		
Total service and interest cost components	$ 8	$ (7)
Postretirement benefit obligation	$ 89	$ (75)

Asset Management

Eleven investment firms manage NS' defined benefit pension plan's assets under investment guidelines approved by the Board of Directors. Investments are restricted to domestic fixed income securities, international fixed income securities, domestic and international equity investments and unleveraged exchange-traded options and financial futures. Limitations restrict investment concentration and use of certain derivative instruments. The target asset allocation for equity is 75% of the pension plan's assets. Fixed income investments must have an average rating of "AA" or better and all fixed income securities must be rated "A" or better except bond index funds. Equity investments must be in liquid securities listed on national exchanges. No investment is permitted in the securities of Norfolk Southern Corporation or its subsidiaries (except through commingled pension trust funds). Investment managers' returns are expected to meet or exceed selected market indices by prescribed margins.

NS' pension plan weighted-average asset allocations at Dec. 31, 2006 and 2005, by asset category, were as follows:

	Percentage of plan assets at Dec. 31,	
Asset Category	2006	2005
Equity securities	77%	76%
Debt securities	23%	24%
Total	100%	100%
International equity securities included in equity securities above	10%	11%

The postretirement benefit plan assets consist primarily of trust-owned variable life insurance policies with an asset allocation at Dec. 31, 2006, of 67% in equity securities and 33% in debt securities compared with 66% in equity securities and 34% in debt securities at Dec. 31, 2005. The target asset allocation for equity is between 50% and 75% of the plan's assets.

The plans' assumed future returns are based principally on the asset allocation and on the historic returns for the plans' asset classes determined from both actual plan returns and, over longer time periods, market returns for those asset classes.

Contributions and Estimated Future Benefit Payments

In 2007, NS expects to contribute approximately $8 million to its unfunded pension plans for payments to pensioners and $45 million to its other postretirement benefit plans for retiree health benefits.

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	Pension Benefits	Other Postretirement Benefits
	($ in millions)	
2007	$ 113	$ 45
2008	112	48
2009	113	50
2010	114	53
2011	116	54
Years 2012-2016	620	290

The other benefit payments include an estimated annual reduction due to the Medicare Part D Subsidy of about $5 million.

Other Postretirement Coverage

Under collective bargaining agreements, NS and certain subsidiaries participate in a multi-employer benefit plan, which provides certain postretirement health care and life insurance benefits to eligible union employees. Premiums under this plan are expensed as incurred and amounted to $26 million in 2006 and 2005, and $20 million in 2004.

Section 401(k) Plans

Norfolk Southern and certain subsidiaries provide Section 401(k) savings plans for employees. Under the plans, NS matches a portion of employee contributions, subject to applicable limitations. NS' expenses under these plans were $14 million in 2006, $13 million in 2005 and $12 million in 2004.

11. Stock-Based Compensation

Under the stockholder-approved Long-Term Incentive Plan (LTIP), a committee of nonemployee directors of the Board or the chief executive officer (if delegated such authority by the committee) may grant stock options, stock appreciation rights (SARs), restricted shares, restricted stock units, performance shares and performance share units (PSUs), up to a maximum of 88,025,000 shares of Norfolk Southern Common Stock (Common Stock). Of these shares, 5,000,000 were approved by the Board for issuance to non-officer participants; as a broad-based issuance, stockholder approval was not required. In May 2005, the stockholders approved an amended LTIP which provided that 8,500,000 shares of stock previously approved for issuance under LTIP could be granted as restricted shares, restricted stock unit shares or performance shares. Under the Board-approved Thoroughbred Stock Option Plan (TSOP), the committee may grant stock options up to a maximum of 6,000,000 shares of Common Stock. Options may be granted for a term not to exceed 10 years and are subject to a vesting period of at least one year. Option exercise prices are at not less than the fair market value of Common Stock on the effective date of the grant.

The LTIP also permits the payment – on a current or a deferred basis and in cash or in stock – of dividend equivalents on shares of Common Stock covered by options, PSUs or restricted stock units in an amount commensurate with dividends paid on Common Stock. Tax absorption payments also are authorized for any awards under LTIP in amounts estimated to equal the federal and state income taxes applicable to shares of Common Stock issued subject to a share retention agreement.

During the first quarter of 2006, a committee of nonemployee directors of NS' Board granted stock options, restricted shares, restricted stock units and PSUs pursuant to the LTIP and granted stock options pursuant to the TSOP.

Accounting Method

As disclosed in Note 1, prior to the adoption of SFAS 123(R), NS applied APB Opinion 25 and related interpretations in accounting for awards made under the plans. Accordingly, grants of PSUs, restricted shares, restricted share units, dividend equivalents, tax absorption payments and SARs resulted in charges to net income, while grants of stock options had no effect on net income. Under SFAS 123(R), all awards will result in charges to net income while dividend equivalents are charged to retained earnings. Related compensation costs were $129 million in 2006, $75 million in 2005 and $53 million in 2004. The total tax effect recognized in income in relation to stock-based compensation was a benefit of $44 million in 2006, $27 million in 2005 and $19 million in 2004.

Stock Options

In the first quarter of 2006, 1,188,700 options were granted under the LTIP and 238,000 options were granted under the TSOP. In each case, the grant price was $49.425, which was the fair market value of Common Stock on the date of grant, and the options have a term of ten years but may not be exercised prior to the first anniversary of the date of grant. Holders of the options granted under LTIP receive cash dividend equivalent payments for five years commensurate with dividends paid on Common Stock.

The fair value of each option award in 2006 was measured on the date of grant using a lattice-based option valuation model. Expected volatilities are based on implied volatilities from traded options on Common Stock and historical volatility of Common Stock. NS uses historical data to estimate option exercises and employee terminations within the valuation model. The average expected option life is derived from the output of the valuation model and represents the period of time that options granted are expected to be outstanding. The average risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. For options granted that include dividend equivalent payments, a dividend yield of zero was used. For purposes of pro forma information required under SFAS 123, the fair value of the option awards in 2005 and 2004 was determined using the Black-Scholes option-pricing model. The assumptions for 2006, 2005 and 2004 are shown in the following table:

	2006	2005	2004
Expected volatility range	23.5% - 34.5%	n/a	n/a
Average expected volatility	27%	33%	35%
Average expected option life	3.7 years	5 years	5 years
Average risk-free interest rate	4.5%	3.7%	3.2%
Per-share grant-date fair value	$13.47	$12.19	$7.95
Options granted	1,427,400	1,353,600	4,580,500

A summary of options outstanding as of Dec. 31, 2006 and changes during the twelve months then ended is presented below:

	Option Shares	Weighted Avg. Exercise Price
Outstanding at Dec. 31, 2005	29,545,680	$ 24.35
Granted	1,427,400	49.43
Exercised	(8,677,254)	25.02
Forfeited	(19,300)	41.00
Outstanding at Dec. 31, 2006	22,276,526	$ 25.68
Exercisable at Dec. 31, 2006	20,858,826	$ 24.07

The aggregate intrinsic value of options outstanding at Dec. 31, 2006, was $548 million and had a weighted-average remaining life of 4.9 years. Of these options outstanding, 20,858,826 were exercisable and had an aggregate intrinsic value of $547 million with a weighted average remaining contractual life of 4.7 years.

The following table provides information related to options exercised as of Dec. 31 for the respective years:

	2006	2005	2004
		($ in millions)	
Total intrinsic value	$ 226	$ 139	$ 85
Cash received upon exercise of options	$ 212	$ 194	$ 162
Related tax benefit realized	$ 79	$ 47	$ 30

Prior to the adoption of SFAS 123(R), NS presented tax benefits generated from tax deductions in excess of compensation costs recognized for share-based awards (excess tax benefits) as operating cash flows in the Consolidated Statement of Cash Flows. Beginning in 2006, SFAS 123(R) requires excess tax benefits to be classified as financing cash flows. Accordingly, "Common stock issued – net" in the Consolidated Statement of Cash Flows for the year ended Dec. 31, 2006, included $85 million of such tax benefits.

In November of 2005, the Board of Directors of NS changed the vesting periods on options granted in January 2005 from three years to one year in order to reduce future compensation expense. At the time, each of these options had an intrinsic value of approximately $9 and the modification resulted in less than $1 million of compensation expense.

Restricted Shares and Restricted Stock Units

Restricted share and restricted stock unit grants were 332,150 and 332,150, respectively, in 2006, with a grant-date fair value of $49.60 and a three-year restriction period, and were 576,240 and 384,160, respectively, in 2005, with a grant-date fair value of $34.10 and a five-year restriction period (that may, for restricted shares, be accelerated to a three-year restriction period upon achievement of specified performance measures), and were 359,040 and 239,360, respectively, in 2004 with a grant-date fair value of $22.02 and a three-year restriction period.

A summary of the status of restricted shares and restricted stock units as of Dec. 31, 2006, and changes during the twelve months then ended is presented below:

	Shares	Units	Weighted - Average Grant-Date Fair Value
Nonvested at Dec. 31, 2005	1,262,776	841,852	$ 26.80
Granted	332,150	332,150	49.60
Vested	(473,294)	(319,696)	21.03
Forfeited	(2,950)	(2,350)	40.75
Nonvested at Dec. 31, 2006	1,118,682	851,956	$ 36.78

At Dec. 31, 2006, there was $11 million of total unrecognized compensation related to restricted shares and restricted stock units. That cost is expected to be recognized over a weighted-average period of approximately 1.7 years. The total fair value of the restricted shares vested and restricted stock units paid in cash during the twelve months ended Dec. 31, 2006, 2005 and 2004 was $40 million, $2 million and zero, respectively. The total related tax benefit realized was $6 million in 2006.

Performance Share Units

PSUs provide for awards based on achievement of certain predetermined corporate performance goals (total shareholder return, return on average invested capital and operating ratio) at the end of a three-year cycle. PSU grants and average grant-date fair values were 1,163,600 and $49.425 in 2006; 1,344,400 and $34.10 in 2005; and 831,000 and $22.02 in 2004. One-half of any PSUs earned will be paid in the form of shares of Common Stock with the other half to be paid in cash.

A summary of the status of PSUs as of Dec. 31, 2006, and changes during the twelve months then ended is presented below:

	Performance Share Units	Weighted - Average Grant-Date Fair Value
Balance Dec. 31, 2005	3,118,400	$ 26.49
Granted	1,163,600	49.43
Earned	(345,290)	19.63
Paid in cash	(345,290)	19.63
Unearned	(255,420)	19.63
Forfeited	(34,200)	34.38
Balance Dec. 31, 2006	3,301,800	$ 36.46

As of Dec. 31, 2006, there was $30 million of total unrecognized compensation related to PSUs granted under the LTIP which is expected to be recognized over a weighted-average period of 1.2 years. The total fair value of PSUs earned and paid in cash during the twelve months ended Dec. 31, 2006, 2005 and 2004 was $34 million, $18 million and $10 million, respectively.

Shares Available and Issued

Shares of stock available for future grants and issued in connection with all features of the LTIP and TSOP as of Dec. 31, were as follows:

	2006	2005	2004
Available for future grants:			
LTIP	9,288,283	11,321,573	14,033,053
TSOP	2,538,700	2,771,400	2,773,300
Shares of Common Stock issued:			
LTIP	8,517,911	9,078,717	8,764,021
TSOP	836,783	410,750	8,700

12. Stockholders' Equity

Other Comprehensive Income (Loss)

"Other comprehensive income (loss)" reported in the Consolidated Statements of Changes in Stockholders' Equity consisted of the following:

	Pretax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
		($ in millions)	
Year ended Dec. 31, 2006			
Net gain (loss) arising during the year:			
Cash flow hedges	$ (1)	$ 1	$ --
Reclassification adjustments for gains included in net income	(20)	8	(12)
Subtotal	(21)	9	(12)
Unrealized gains on securities	1	--	1
Minimum pension liability	(10)	4	(6)
Other comprehensive income of equity investees	15	4	19
Other comprehensive income (loss)	$ (15)	$ 17	$ 2
Year ended Dec. 31, 2005			
Net gain (loss) arising during the year:			
Cash flow hedges	$ 92	$ (37)	$ 55
Reclassification adjustments for gains included in net income	(148)	58	(90)
Subtotal	(56)	21	(35)
Unrealized losses on securities	(1)	--	(1)
Minimum pension liability	(6)	2	(4)
Other comprehensive loss of equity investees	(13)	--	(13)
Other comprehensive income (loss)	$ (76)	$ 23	$ (53)
Year ended Dec. 31, 2004			
Net gain (loss) arising during the year:			

Cash flow hedges	$ 171	$ (67)	$ 104
Reclassification adjustments for gains included in net income	(140)	55	(85)
Subtotal	31	(12)	19
Unrealized gains on securities	1	--	1
Other comprehensive income (loss)	$ 32	$ (12)	$ 20

Accumulated Other Comprehensive Loss

"Accumulated other comprehensive loss" reported in the Consolidated Statements of Changes in Stockholders' Equity consisted of the following:

	Balance at Beginning of Year	Net Gain (Loss)	Reclassification Adjustments	Balance at End of Year
		($ in millions)		
Dec. 31, 2006				
Unrealized gains on securities	$ --	$ 1	$ --	$ 1
Cash flow hedges	12	--	(12)	--
Minimum pension liability	(17)	17	--	--
Pension and other postretirement liabilities	--	(315)	--	(315)
Other comprehensive loss of equity investees	(72)	17	--	(55)
Accumulated other comprehensive loss	$ (77)	$ (280)	$ (12)	$ (369)
Dec. 31, 2005				
Unrealized gains (losses) on securities	$ 1	$ (1)	$ --	$ --
Cash flow hedges	47	55	(90)	12
Minimum pension liability	(13)	(4)	--	(17)
Other comprehensive loss of equity investees	(59)	(13)	--	(72)
Accumulated other comprehensive loss	$ (24)	$ 37	$ (90)	$ (77)

13 . Stock Purchase Program

In November 2005, NS' Board of Directors authorized the repurchase of up to 50 million shares of Common Stock through the end of 2015. The timing and volume of purchases is guided by management's assessment of market conditions and other pertinent facts. Near-term purchases under the program are expected to be made with internally generated cash; however, future funding sources could include proceeds from the sale of commercial paper notes or the increase of long-term debt. NS purchased and retired 21.8 million shares of its common stock under this program in 2006 at a cost of $964 million.

14. Earnings Per Share

The following tables set forth the calculation of basic and diluted earnings per share:

	2006	2005	2004
	($ in millions except per share, shares in millions)		
Basic earnings per share:			
Income available to common stockholders	$ 1,475	$ 1,281	$ 910
Weighted-average shares outstanding	406.0	404.2	394.2
Basic earnings per share	$ 3.63	$ 3.17	$ 2.31

Income available to common stockholders for 2006 reflects a $6 million reduction for the after-tax effect of dividend equivalent payments made to holders of vested stock options.

	2006	2005	2004

($ in millions except per share, shares in millions)

Diluted earnings per share:			
Income available to common stockholders	$ 1,481	$ 1,281	$ 910
Weighted-average shares outstanding per above	406.0	404.2	394.2
Dilutive effect of outstanding options, PSUs and restricted shares (as determined by the application of the treasury stock method)	8.7	8.1	5.1
Adjusted weighted-average shares outstanding	414.7	412.3	399.3
Diluted earnings per share	$ 3.57	$ 3.11	$ 2.28

The diluted calculations exclude options whose exercise price exceeded the average market price of Common Stock as follows: 1 million in 2006, 1 million in 2005 and 13 million in 2004.

15. Fair Values of Financial Instruments

The fair values of "Cash and cash equivalents," "Short-term investments," "Accounts receivable" and "Accounts payable" approximate carrying values because of the short maturity of these financial instruments. The fair value of corporate-owned life insurance approximates carrying value. The carrying amounts and estimated fair values for the remaining financial instruments, excluding derivatives (see Note 16) and investments accounted for under the equity method in accordance with APB Opinion No. 18, consisted of the following at Dec. 31:

	2006		**2005**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	($ in millions)			
Investments	$ 145	$ 166	$ 139	$ 160
Long-term debt	$ (6,600)	$ (7,370)	$ (6,930)	$ (7,934)

Quoted market prices were used to determine the fair value of marketable securities; underlying net assets were used to estimate the fair value of other investments. The fair values of notes receivable are based on future discounted cash flows. The fair values of debt were estimated based on quoted market prices or discounted cash flows using current interest rates for debt with similar terms, company rating and remaining maturity.

Carrying amounts of marketable securities reflect unrealized holding gains of $1 million on Dec. 31, 2006, and less than $1 million on Dec. 31, 2005 . Sales of "available-for-sale" securities were immaterial for the years ended Dec. 31, 2006 , 2005 and 2004; most short-term investments were redeemed at maturity.

16. Derivative Financial Instruments

All derivatives are recognized in the financial statements as either assets or liabilities and are measured at fair value. Changes in fair value are recorded as adjustments to the assets or liabilities being hedged in “Other comprehensive loss,” or in current earnings, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction represented and the effectiveness of the hedge. The settlements of the hedges will result in the reclassification into diesel fuel expense of the related gains or losses recorded as a component of “Other comprehensive loss.”

NS has used derivative financial instruments to reduce the risk of volatility in its diesel fuel costs and to manage its overall exposure to fluctuations in interest rates. NS does not engage in the trading of derivatives. Management has determined that its derivative financial instruments qualify as either fair-value or cash-flow hedges, having values that highly correlate with the underlying hedged exposures, and has designated such instruments as hedging transactions. Credit risk related to the derivative financial instruments is considered to be minimal and is managed by requiring high credit standards for counterparties and periodic settlements.

Diesel Fuel Hedging

In 2001, NS began a program to hedge a portion of its diesel fuel consumption. The intent of the program was to assist in the management of NS' aggregate risk exposure to fuel price fluctuations, which can significantly affect NS' operating margins and profitability, through the use of one or more types of derivative instruments. No new hedges have been entered into since May 2004, and the last remaining contracts were settled in the second quarter of this year, bringing an end to this program.

The goal of this hedging strategy was to reduce the variability of fuel costs over an extended period of time while minimizing the incremental cost of hedging. The program provided that NS would not enter into any fuel hedges with a duration of more than 36 months, and that no more than 80% of NS' average monthly fuel consumption would be hedged for any month within any 36-month period. After ta ki ng into account the effect of the hedging, diesel fuel costs represented 14% of NS’ operating expenses for the year ended Dec. 31, 2006, 11% for the year ended Dec. 31, 2005 and 8% for the year ended Dec. 31, 2004 .

NS' fuel hedging activity resulted in decreases in diesel fuel expenses of $20 million, $148 million and $140 million for 2006, 2005 and 2004, respectively. Ineffectiveness, or the extent to which changes in the fair value of the heating oil contracts do not offset changes in the fair values of the expected diesel fuel transactions, was a $1 million expense in 2006, a $5 million expense in 2005 and a $5 million benefit in 2004.

Interest Rate Hedging

NS manages its overall exposure to fluctuations in interest rates by issuing both fixed and floating-rate debt instruments, and by entering into interest rate hedging transactions to achieve an appropriate mix within its debt portfolio. NS had $83 million and $116 million, or less than 2%, of its fixed rate debt portfolio hedged as of Dec. 31, 2006, and Dec. 31, 2005, respectively, using interest rate swaps that qualify for and are designated as fair-value hedge transactions. NS’ interest rate hedging activity resulted in decreases in interest expenses of $1 million, $2 million and $6 million for 2006, 2005 and 2004, respectively. These swaps have been effective in hedging the changes in fair value of the related debt arising from changes in interest rates and there has been no impact on earnings resulting from ineffectiveness associated with these derivative transactions.

Fair Values

There were no diesel fuel derivative instruments outstanding at Dec. 31, 2006 . The fair value of NS' diesel fuel derivative instruments at Dec. 31, 2005 , was determined based upon current market values as quoted by independent third party dealers. Fair values of interest rate swaps were determined based upon the present value of expected future cash flows discounted at the appropriate implied spot rate from the spot rate yield curve. Fair value adjustments are noncash transactions and, accordingly, are excluded from the Consolidated Statements of Cash Flows. “Accumulated other comprehensive loss,” a component of “Stockholders' equity,” included unrealized gains of zero at Dec. 31, 2006, and $20 million (pretax) at Dec. 31, 2005, related to the fair value of derivative fuel hedging transactions that will terminate within twelve months of the respective dates. Gains or losses actually realized were based on the fair value of the derivative fuel hedges at the time of termination.

The asset and liability positions of NS' outstanding derivative financial instruments were as follows:

	Dec. 31, 2006	Dec. 31, 2005
	($ in millions)	
Interest rate hedges:		
Gross fair value asset position	$ 1	$ 3
Gross fair value (liability) position	--	--
Fuel hedges:		
Gross fair value asset position	--	20
Gross fair value (liability) position	--	--
Total net asset (liability) position	$ 1	$ 23

17. Commitments and Contingencies

Lawsuits

Norfolk Southern and certain subsidiaries are defendants in numerous lawsuits and other claims relating principally to railroad operations. When management concludes that it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, it is accrued through a charge to earnings. While the ultimate amount of liability incurred in any of these lawsuits and claims is dependent on future developments, in management's opinion, the recorded liability is adequate to cover the future payment of such liability and claims. However, the final outcome of any of these lawsuits and claims cannot be predicted with certainty, and unfavorable or unexpected outcomes could result in additional accruals that could be significant to results of operations in a particular year or quarter. Any adjustments to the recorded liability will be reflected in earnings in the periods in which such adjustments are known.

NS was involved in mass tort litigation proceedings arising out of historic flooding events that occurred in West Virginia in 2001. In 2005, one of NS' subsidiaries was identified as the target defendant for claims related to a specific sub-watershed. During the first quarter of 2006, the parties reached a settlement with respect to NS' liability in this matter. The settlement did not have a material effect on the results of operations in the first quarter or for the year.

Casualty Claims

Casualty claims include employee personal injury and occupational claims as well as third-party claims, all exclusive of legal costs. NS engages an independent consulting actuarial firm to aid in valuing its liability for these claims. Job-related accidental injury and occupational claims are subject to the Federal Employers' Liability Act (FELA), which is applicable only to railroads. FELA's fault-based system produces results that are unpredictable and inconsistent as compared with a no-fault workers' compensation system. The variability inherent in this system could result in actual costs being very different from the liability recorded. While the ultimate amount of claims incurred is dependent on future developments, in management's opinion, the recorded liability is adequate to cover the future payments of claims and is support ed by the most recent actuarial study. In all cases, NS records a liability when the expected loss for the claim is both probable and estimable.

In 2005, NS recorded a liability related to the Jan. 6, 2005 derailment in Graniteville , SC. The liability, which includes a current and long-term portion, represents NS' best estimate based on current facts and circumstances. The estimate includes amounts related to business property damage and other economic losses, personal injury and individual property damage claims as well as third-party response costs. NS' commercial insurance policies are expected to cover substantially all expenses related to this derailment above NS' self-insured retention, including NS' response costs and legal fees. Accordingly, the Consolidated Balance Sheets reflect a current and long-term receivable for estimated recoveries from NS' insurance carriers. Expenses in 2005 included $41 million related to this incident, representing NS' retention under its insurance policies and other uninsured costs. While it is reasonable to expect that the liability for covered losses could differ from the amount recorded, such a change would be offset by a corresponding change in the insurance receivable. As a result, NS does not believe that it is reasonably likely that its net loss (the difference between the liability and future recoveries) will be materially different than the loss recorded in 2005. NS expects at this time that insurance coverage is adequate to cover potential claims and settlements above its self-insurance retention.

Employee personal injury claims – The largest component of casualties and other claims expense is employee personal injury costs. The actuarial firm engaged by NS provides quarterly studies to aid in valuing its employee personal injury liability and estimating its employee personal injury expense. The actuarial firm studies NS' historical patterns of reserving for claims and subsequent settlements, taking into account relevant outside influences. The actuary uses the results of these analyses to estimate the ultimate amount of the liability, which includes amounts for incurred but unasserted claims. NS adjusts its liability to the actuarially determined amount on a quarterly basis. The estimate of loss liabilities is subject to inherent limitation given the difficulty of predicting future events such as jury decisions, court interpretations or legislative changes and as such the actual loss may vary from the actuarial estimate.

Occupational claims – Occupational claims (including asbestosis and other respiratory diseases, as well as repetitive motion) are often not caused by a specific accident or event but rather result from a claimed exposure over time. Many such claims are being asserted by former or retired employees, some of whom have not been employed in the rail industry for decades. The actuarial firm provides an estimate of the occupational claims liability based upon NS' history of claim filings, severity, payments and other pertinent facts. The liability is dependent upon management's judgments made as to the specific case reserves as well as judgments of the consulting actuarial firm in the periodic studies. The actuarial firm's estimate of ultimate loss includes a provision for those claims that have been incurred but not reported. This provision is derived by analyzing industry data and projecting NS' experience into the future as far as can be reasonably determined. NS adjusts its liability to the actuarially determined amount on a quarterly basis. However, it is possible that the recorded liability may not be adequate to cover the future payment of claims. Adjustments to the recorded liability are reflected in operating expenses in the periods in which such adjustments become known.

Third-party claims – NS records a liability for third-party claims including those for highway crossing accidents, trespasser and other injuries, automobile liability, property damage and lading damage. The actuarial firm assists with the calculation of potential liability for third-party claims, except lading damage, based upon NS' experience including number and timing of incidents, amount of payments, settlement rates, number of open claims and legal defenses. The actuarial estimate includes a provision for claims that have been incurred but have not yet been reported. Each quarter NS adjusts its liability to the actuarially determined amount. Given the inherent uncertainty in regard to the ultimate outcome of third-party claims, it is possible that future settlement costs may differ from the estimated liability recorded.

Environmental Matters

NS is subject to various jurisdictions' environmental laws and regulations. It is NS' policy to record a liability where such liability or loss is probable and its amount can be estimated reasonably. Claims, if any, against third parties for recovery of cleanup costs incurred by NS are reflected as receivables (when collection is probable) on the balance sheet and are not netted against the associated NS liability. Environmental engineers regularly participate in ongoing evaluations of all known sites and in determining any necessary adjustments to liability estimates. NS also has an Environmental Policy Council, composed of senior managers, to oversee and interpret its environmental policy.

NS' Consolidated Balance Sheets included liabilities for environmental exposures in the amount of $54 million at Dec. 31, 2006, and $58 million at Dec. 31, 2005 (of which $12 million was accounted for as a current liability at Dec. 31, 2006 and 2005). At Dec. 31, 2006, the liability represented NS' estimate of the probable cleanup and remediation costs based on available information at 172 known locations compared with 189 locations at Dec. 31, 2005. On that date, 15 sites accounted for $29 million of the liability, and no individual site was considered to be material. NS anticipates that much of this liability will be paid out over five years; however, some costs will be paid out over a longer period.

At some of the 172 locations, certain NS subsidiaries, usually in conjunction with a number of other parties, have been identified as potentially responsible parties by the Environmental Protection Agency (EPA) or similar state authorities under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or comparable state statutes, which often impose joint and several liability for cleanup costs.

With respect to known environmental sites (whether identified by NS or by the EPA or comparable state authorities), estimates of NS' ultimate potential financial exposure for a given site or in the aggregate for all such sites are necessarily imprecise because of the widely varying costs of currently available cleanup techniques, the likely development of new cleanup technologies, the difficulty of determining in advance the nature and full extent of contamination and each potential participant's share of any estimated loss (and that participant's ability to bear it), and evolving statutory and regulatory standards governing liability.

The risk of incurring environmental liability – for acts and omissions, past, present and future - is inherent in the railroad business. Some of the commodities in NS' traffic mix, particularly those classified as hazardous materials, can pose special risks that NS and its subsidiaries work diligently to minimize. In addition, several NS subsidiaries own, or have owned, land used as operating property, or which is leased and operated by others, or held for sale. Because environmental problems may exist on these properties that are latent or undisclosed, there can be no assurance that NS will not incur environmental liabilities or costs with respect to one or more of them, the amount and materiality of which cannot be estimated reliably at this time. Moreover, lawsuits and claims involving these and potentially other unidentified environmental sites and matters are likely to arise from time to time. The resulting liabilities could have a significant effect on financial position, results of operations or liquidity in a particular year or quarter.

However, based on its assessment of the facts and circumstances now known, management believes that it has recorded the probable costs for dealing with those environmental matters of which NS is aware. Further, management believes that it is unlikely that any known matters, either individually or in the aggregate, will have a material adverse effect on NS' financial position, results of operations or liquidity.

On Oct. 19, 2006, the Pennsylvania Department of Environmental Protection (PDEP) issued an assessment of civil penalties against NS and filed a complaint for civil penalties with the Pennsylvania Environmental Hearing Board (EHB) requesting that the EHB impose civil penalties upon NS for alleged violations of state environmental laws and regulations resulting from a discharge of sodium hydroxide that occurred as a result of the derailment of a NS train in Norwich Township, Pennsylvania, on June 30, 2006. The PDEP's actions seek to impose combined penalties of $8,890,000 for alleged past violations and $46,420 per day for alleged ongoing violations of state environmental laws and regulations. NS believes that the monetary penalties sought by the PDEP are excessive. Accordingly, NS intends to vigorously defend the action and has appealed the fines to the EHB. In addition, NS expects the Pennsylvania Fish and Boat Commission to impose a monetary penalty on NS for damages alleged to have been caused by this accident. NS does not believe that the outcome of these proceedings will have a material effect on its financial position, results of operations, or liquidity.

Insurance

NS obtains on behalf of itself and its subsidiaries insurance for potential losses for third-party liability and first-party property damages. Specified levels of risk are retained on a self-insurance basis (up to $25 million per occurrence for bodily injury and property damage to third parties and $25 million per occurrence for property owned by NS or in NS' care, custody or control).

Purchase Commitments

NSR had outstanding purchase commitments of approximately $276 million primarily in connection with its capital programs through 2010, including 53 locomotives in 2007.

Change-In-Control Arrangements

Norfolk Southern has compensation agreements with officers and certain key employees that become operative only upon a change in control of the Corporation, as defined in those agreements. The agreements provide generally for payments based on compensation at the time of a covered individual's involuntary or other specified termination and for certain other benefits.

Guarantees

In a number of instances, NS and its subsidiaries have agreed to indemnify lenders for additional costs they may bear as a result of certain changes in laws or regulations applicable to their loans. Such changes may include impositions or modifications with respect to taxes, duties, reserves, liquidity, capital adequacy, special deposits, and similar requirements relating to extensions of credit by, deposits with, or the assets or liabilities of such lenders. The nature and timing of changes in laws or regulations applicable to NS' financings are inherently unpredictable, and therefore NS' exposure in connection with the foregoing indemnifications cannot be quantified. No liability has been recorded related to these indemnifications. In the case of one type of equipment financing, NSR's Japanese leveraged leases, NSR may terminate the leases and ancillary agreements if such a change-in-law indemnity is triggered. Such a termination would require NSR to make early termination payments that would not be expected to have a material adverse effect on NS' financial position, results of operations or liquidity.

NS has indemnified parties in a number of transactions for U.S. income tax withholding imposed as a result of changes in U.S. tax law. In all cases, NS has the right to unwind the related transaction if the withholding cannot be avoided in the future. Because these indemnities would be triggered and are dependent upon a change in the tax law, the maximum exposure is not quantifiable. Management does not believe that it is likely that it will be required to make any payments under these indemnities.

As of Dec. 31, 2006, certain Norfolk Southern subsidiaries are contingently liable as guarantors with respect to $8 million of indebtedness of an entity in which they have an ownership interest, the Terminal Railroad Association of St. Louis, due in 2019. Four other railroads are also jointly and severally liable as guarantors for this indebtedness. No liability has been recorded related to this guaranty.

* * * * *

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

QUARTERLY FINANCIAL DATA

(Unaudited)

	Three Months Ended			
	March 31	**June 30**	**Sept. 30**	**Dec. 31**
	($ in millions, except per share amounts)			
2006				
Railway operating revenues	$ 2,303	$ 2,392	$ 2,393	$ 2,319
Income from railway operations	551	677	715	614
Net income	305	375	416	385
Earnings per share:				
Basic	$ 0.74	$ 0.91	$ 1.04	$ 0.97
Diluted	$ 0.72	$ 0.89	$ 1.02	$ 0.95
2005				
Railway operating revenues	$ 1,961	$ 2,154	$ 2,155	$ 2,257
Income from railway operations	403	592	528	594
Net income	194	424 [1]	301	362
Earnings per share:				
Basic	$ 0.48	$ 1.05 [1]	$ 0.74	$ 0.89
Diluted	$ 0.47	$ 1.04 [1]	$ 0.73	$ 0.87

[1] Includes a $96 million, or 23 cents per diluted share, benefit related to a reduction of deferred income tax liabilities resulting from tax legislation enacted by Ohio .

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure .

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Norfolk Southern's Chief Executive Officer and Chief Financial Officer, with the assistance of management, evaluated the effectiveness of NS' disclosure controls and procedures (as such term is defined in Rules 13a -15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of Dec. 31, 2006. Based on such evaluation, such officers have concluded that, as of Dec. 31, 2006, NS' disclosure controls and procedures were effective to ensure that information required to be disclosed in NS' reports under the Exchange Act is recorded, processed, summarized and reported, within time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

The management of Norfolk Southern is responsible for establishing and maintaining adequate internal control over financial reporting. The Corporation's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize and report reliable financial data. Management recognizes that there are inherent limitations in the effectiveness of any internal control over financial reporting, including the possibility of human error and the circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

In order to ensure that the Corporation's internal control over financial reporting is effective, management regularly assesses such controls and did so most recently for its financial reporting as of Dec. 31, 2006. This assessment was based on criteria for effective internal control over financial reporting set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on our assessment, management has concluded that the Corporation maintained effective internal control over financial reporting as of Dec. 31, 2006 .

The Board of Directors, acting through its Audit Committee, is responsible for the oversight of the Corporation's accounting policies, financial reporting and internal control. The Audit Committee of the Board of Directors is comprised entirely of outside directors who are independent of management. The independent registered public accounting firm and the internal auditors have full and unlimited access to the Audit Committee, with or without management, to discuss the adequacy of internal control over financial reporting, and any other matters which they believe should be brought to the attention of the Audit Committee.

Norfolk Southern's management has issued a report of its assessment of internal control over financial reporting, and Norfolk Southern's independent registered public accounting firm has issued a report on this assessment. These reports appear in Part II, Item 8 of this report on Form 10-K.

During the fourth quarter of 2006, management has not identified any changes in NS' internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, NS' internal control over financial reporting.

Item 9B. Other Information .

None.

PART III

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

Item 10. Directors, Executive Officers and Corporate Governance .

In accordance with General Instruction G(3), information called for by Item 10, Part III, is incorporated herein by reference from the information appearing under the caption “Election of Directors,” under the caption “Section 16(a) Beneficial Ownership Reporting Compliance,” under the caption “Corporate Governance,” and under the caption “Committees” in Norfolk Southern's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2007, which definitive Proxy Statement will be filed electronically with the Securities and Exchange Commission (Commission) pursuant to Regulation 14A no later than May 1, 2007. The information regarding executive officers called for by Item 401 of Regulation S-K is included in Part I hereof beginning under “Executive Officers of the Registrant.”

Item 11. Executive Compensation .

In accordance with General Instruction G(3), information called for by Item 11, Part III, is incorporated herein by reference from the information:

- appearing under the subcaption “Compensation” under the caption “Board of Directors” for directors, including the “2006 Non-Employee Director Compensation Table” and the “Narrative to Non-Employee Director Compensation Table;”
- appearing under the caption “Executive Compensation” for executives, including the “Compensation Discussion and Analysis,” the information appearing in the “Summary Compensation Table” and the “Grants of Plan-Based Awards” table including the narrative to such tables, the “Outstanding Equity Awards at Fiscal Year-End” table and the “Option Exercises and Stock Vested” table, and the information appearing under the subcaptions “Retirement Benefits,” “Deferred Compensation,” and Potential Payments Upon a Change in Control or Other Termination of Employment;” and
- appearing under the captions “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report,”

in each case included in Norfolk Southern's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2007, which definitive Proxy Statement will be filed electronically with the Commission pursuant to Regulation 14A no later than May 1, 2007.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters .

In accordance with General Instruction G(3), information on security ownership of certain beneficial owners and management called for by Item 12, Part III, Item 403 of Regulation S-K, is incorporated herein by reference from the information appearing under the caption “Beneficial Ownership of Stock” in Norfolk Southern's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2007, which definitive Proxy Statement will be filed electronically with the Commission pursuant to Regulation 14A no later than May 1, 2007.

Equity Compensation Plan Information (as of Dec. 31, 2006)

	Number of securities remaining available

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)		Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders[1]	23,160,692	$	24.68[(4)]	9,288,283[(5)]
Equity compensation plans not approved by security holders[2]	2,417,634 [(3)]	$	33.87[(3)]	2,574,700 [(6)]
Total	25,578,326			11,862,983

1 The Long-Term Incentive Plan, excluding five million shares for broad-based issuance to non-officers.

2 The Long-Term Incentive Plan's five million shares for broad-based issuance to non-officers, the Thoroughbred Stock Option Plan and the Directors' Restricted Stock Plan.

3 Includes options and performance share units granted under the Long-Term Incentive Plan on 212,567 shares for non-officers and options granted under the Thoroughbred Stock Option Plan.

4 Calculated without regard to 3,301,800 outstanding performance share units at Dec. 31, 2006.

5 Of the shares remaining available for grant under plans approved by stockholders, 7,642,110 are available for grant as restricted shares, performance shares or restricted stock unit shares under the Long-Term Incentive Plan.

6 Of the shares remaining available for grant under plans not approved by stockholders, 36,000 are available for grant as restricted stock under the Directors' Restricted Stock Plan.

Norfolk Southern Corporation Long-Term Incentive Plan ("LTIP")

Established on June 28, 1983, and approved by stockholders at their Annual Meeting held on May 10, 1984, LTIP was adopted to promote the success of Norfolk Southern by providing an opportunity for non-employee directors, officers and other key employees to acquire a proprietary interest in the Corporation. On Jan. 23, 2001, the Board of Directors further amended LTIP and approved the issuance of an additional 5,000,000 shares of authorized but unissued Common Stock under LTIP to participants who are not officers of Norfolk Southern. The issuance of these shares was broadly-based, and stockholder approval of these shares was not required. Accordingly, this portion of LTIP is included in the number of securities available for future issuance for plans not approved by stockholders. Also on Jan. 23, 2001, the Board amended LTIP, which amendment was approved by shareholders on May 10, 2001, that included the reservation for issuance of an additional 30,000,000 shares of authorized but unissued Norfolk Southern Common Stock.

Pursuant to another amendment approved by stockholders on May 12, 2005, not more than 8.5 million of the shares remaining available for issuance under LTIP may be awarded as restricted shares, performance shares or restricted stock unit shares. Cash payments of restricted stock units, stock appreciation rights and performance share units will not be applied against the maximum number of shares issuable under LTIP. Any shares of Common Stock subject to options, performance share units or restricted stock units which are not issued as Common Stock will again be available for award under LTIP after the expiration or forfeiture of an award.

Non-employee directors, officers and other key employees residing in the United States or Canada are eligible for selection to receive LTIP awards. Under LTIP, the Compensation Committee (Committee) may grant incentive stock options, nonqualified stock options, stock appreciation rights, restricted shares, restricted stock units and performance share units. In addition, dividend equivalents may be awarded for options, restricted stock units and performance share units. The Committee may establish such terms and conditions for the awards as provided in LTIP.

For options, the option price per share will not be less than 100% of the fair market value of Norfolk Southern's Common Stock on the effective date the option is granted. All options are subject to a vesting period of at least one year, and the term of the option will not exceed ten years. LTIP specifically prohibits option repricing without stockholder approval, except for capital adjustments.

Performance share units entitle a recipient to receive performance-based compensation at the end of a three-year performance cycle based on Norfolk Southern's performance during that three-year period. For the 2006 performance share unit awards, corporate performance will be measured using three equally weighted standards established by the committee: (1) three-year average return on average capital invested, (2) three-year average operating ratio and (3) three-year total return to stockholders. Performance share units may be payable in either shares of Norfolk Southern Common Stock or cash.

Restricted stock units are payable in cash or in shares of Norfolk Southern Common Stock at the end of a restriction period of not less than 36 months and not more than 60 months. During the restriction period, the holder of the restricted stock units has no beneficial ownership interest in the Norfolk Southern Common Stock represented by the restricted stock units and has no right to vote the shares represented by the units or to receive dividends (except for dividend equivalent rights that may be awarded with respect to the restricted stock units). Restricted stock units will be forfeited immediately if the holder leaves the continuous employment of Norfolk Southern before the end of the restriction period, unless such employment is terminated by reason of retirement, disability or death or unless the restrictions are waived by Norfolk Southern.

Norfolk Southern Corporation Thoroughbred Stock Option Plan

The Board adopted the Norfolk Southern Corporation Thoroughbred Stock Option Plan ("TSOP") on Jan. 26, 1999, to promote the success of Norfolk Southern by providing an opportunity for nonagreement employees to acquire a proprietary interest in Norfolk Southern and thereby to provide an additional incentive to nonagreement employees to devote their maximum efforts and s ki lls to the advancement, betterment, and prosperity of Norfolk Southern and its stockholders. TSOP has not been and is not required to have been approved by stockholders. Six million shares of authorized but unissued Common Stock were reserved for issuance under TSOP.

Active full-time nonagreement employees residing in the United States or Canada are eligible for selection to receive TSOP awards. Under TSOP, the Compensation Committee of the Board of Directors may grant nonqualified stock options subject to such terms and conditions as provided in TSOP.

The option price will not be less than 100% of the fair market value of Norfolk Southern's Common Stock on the effective date the options are granted. All options are subject to a vesting period of at least one year, and the term of the option will not exceed ten years. TSOP specifically prohibits option repricing without stockholder approval, except for capital adjustments.

Norfolk Southern Corporation Directors' Restricted Stock Plan

The Norfolk Southern Corporation Directors' Restricted Stock Plan ("Plan") was adopted on Jan. 1, 1994 , and is designed to increase ownership of Norfolk Southern Common Stock by its non-employee directors so as to further align their ownership interest in Norfolk

Southern with that of stockholders. The Plan has not been and is not required to have been approved by stockholders. Currently, a maximum of 66,000 shares of Corporation Common Stock may be granted under the Plan. To make grants to eligible directors, Norfolk Southern purchases, through one or more subsidiary companies, the number of shares required in open-market transactions at prevailing market prices, or makes such grants from Norfolk Southern Common Stock already owned by one or more of Norfolk Southern's subsidiary companies.

Only non-employee directors who are not and never have been employees of Norfolk Southern are eligible to participate in the Plan. Upon becoming a director, each eligible director receives a one-time grant of 3,000 restricted shares of Norfolk Southern Common Stock. No individual member of the Board exercises discretion concerning the eligibility of any director or the number of shares granted.

The restriction period applicable to restricted shares granted under the Plan begins on the date of the grant and ends on the earlier of the recipient’s death or six months after the recipient ceases to be a director by reason of disability or retirement. During the restriction period shares may not be sold, pledged or otherwise encumbered. Directors will forfeit the restricted shares if they cease to serve as a director of Norfolk Southern for reasons other than their disability, retirement or death.

Item 13. Certain Relationships and Related Transactions, and Director Independence .

In accordance with General Instruction G(3), information called for by Item 13, Part III, is incorporated herein by reference from the information appearing under the caption “Transactions with Related Persons” and under the caption “Director Independence” in Norfolk Southern's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2007, which definitive Proxy Statement will be filed electronically with the Commission pursuant to Regulation 14A no later than May 1, 2007.

Item 14. Principal Accountant Fees and Services.

In accordance with General Instruction G(3), information called for by Item 14, Part III is incorporated herein by reference from the information appearing under the caption “Ratification of Appointment of Independent Registered Public Accounting Firm” in Norfolk Southern’s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2007, which definitive proxy statement will be filed electronically with the Commission pursuant to Regulation 14A no later than May 1, 2007.

PART IV

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

Item 15. Exhibits and Financial Statement Schedules .

Page

(A) The following documents are filed as part of this report:

1. Index to Consolidated Financial Statements

Report of Management	K40
Reports of Independent Registered Public Accounting Firm	K41
Consolidated Statements of Income, Years ended Dec. 31, 2006, 2005 and 2004	K44
Consolidated Balance Sheets As of Dec. 31, 2006 and 2005	K45
Consolidated Statements of Cash Flows, Years ended Dec. 31, 2006, 2005 and 2004	K46
Consolidated Statements of Changes in Stockholders' Equity, Years ended Dec. 31, 2006, 2005 and 2004	K47
Notes to Consolidated Financial Statements	K48

2. Financial Statement Schedule:

The following consolidated financial statement schedule should be read in connection with the consolidated financial statements:

Index to Consolidated Financial Statement Schedule	Page
Schedule II - Valuation and Qualifying Accounts	K93

Schedules other than the one listed above are omitted either because they are not required or are inapplicable, or because the information is included in the consolidated financial statements or related notes.

3. Exhibits

Exhibit Number	Description
3	Articles of Incorporation and Bylaws -
3(i)	The Restated Articles of Incorporation of Norfolk Southern Corporation are incorporated By reference to Exhibit 3(i) to Norfolk Southern Corporation's 10-K filed on March 5, 2001.
3(ii)	The Bylaws of Norfolk Southern Corporation, as amended Jan. 23, 2006, are incorporated by reference to Exhibit 3(ii) to Norfolk Southern Corporation’s Form 8-K filed on Jan. 27, 2006.

Instruments Defining the Rights of Security Holders, Including Indentures:

4

(a) Indenture, dated as of Jan. 15, 1991, from Norfolk Southern Corporation to First Trust of New York, National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Registration Statement on Form S-3 (No. 33-38595).

(b) First Supplemental Indenture, dated May 19, 1997, between Norfolk Southern Corporation and First Trust of New York, National Association, as Trustee, related to the issuance of notes in the principal amount of $4.3 billion, is incorporated herein by reference to Exhibit 1.1(d) to Norfolk Southern Corporation’s Form 8-K filed on May 21, 1997.

(c) Second Supplemental Indenture, dated April 26, 1999, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of $400 million, is incorporated herein by reference to Exhibit 1.1(c) to Norfolk Southern Corporation’s Form 8-K filed on April 30, 1999.

(d) Third Supplemental Indenture, dated May 23, 2000, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of $600 million, is incorporated herein by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on May 25, 2000.

(e) Fourth Supplemental Indenture, dated as of Feb. 6, 2001, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of $1 billion, is incorporated herein by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on Feb. 7, 2001.

(f) Fifth Supplemental Indenture, dated as of July 5, 2001, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of $250 million, is incorporated herein by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on July 5, 2001.

(g) Sixth Supplemental Indenture, dated as of April 30, 2002, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, relating to the issuance of notes in the principal amount of $200 million, is incorporated herein by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on May 1, 2002.

(h) Seventh Supplemental Indenture, dated as of April 30, 2002, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, relating to the issuance of notes in the principal amount of $100 million, is incorporated herein by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on May 1, 2002.

(i) Eighth Supplemental Indenture, dated as of Sept. 17, 2004, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, relating to the issuance of 5.257% Notes due 2014 (“Securities”) in the aggregate principal amount of $441.5 million in connection with Norfolk Southern Corporation’s offer to exchange the Securities and cash for up to $400 million of its outstanding 7.350% Notes due 2007, is incorporated herein by reference to

Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on Sept. 23, 2004.

(j) Indenture, dated Aug. 27, 2004, among PRR Newco, Inc., as Issuer, and Norfolk Southern Railway Company, as Guarantor, and The Bank of New York, as Trustee, is incorporated herein by reference to Exhibit 4(l) to Norfolk Southern Corporation's Form 10-Q filed on Oct. 28, 2004.

(k) First Supplemental Indenture, dated Aug. 27, 2004, among PRR Newco, Inc., as Issuer, and Norfolk Southern Railway Company, as Guarantor, and The Bank of New York, as Trustee, related to the issuance of notes in the principal amount of approximately $451.8 million, is incorporated herein by reference to Exhibit 4(m) to Norfolk Southern Corporation's Form 10-Q filed on Oct. 28, 2004.

(l) Ninth Supplemental Indenture, dated as of March 11, 2005, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, relating to the issuance of notes in the principal amount of $300 million, is incorporated herein by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on March 15, 2005.

(m) Tenth Supplemental Indenture, dated as of May 17, 2005, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, relating to the issuance of notes in the principal amount of $366.6 million, is incorporated herein by reference to Exhibit 99.1 to Norfolk Southern Corporation's Form 8-K filed on May 18, 2005.

(n) Eleventh Supplemental Indenture, dated as of May 17, 2005, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, relating to the issuance of notes in the principal amount of $350 million, is incorporated herein by reference to Exhibit 99.2 to Norfolk Southern Corporation's Form 8-K filed on May 18, 2005.

In accordance with Item 601(b)(4)(iii) of Regulation S-K, copies of other instruments of Norfolk Southern Corporation and its subsidiaries with respect to the rights of holders of long-term debt are not filed herewith, or incorporated by reference, but will be furnished to the Commission upon request.

10 Material Contracts -

(a) The Transaction Agreement, dated as of June 10, 1997, by and among CSX, CSX Transportation, Inc., Registrant, Norfolk Southern Railway Company, Conrail Inc., Consolidated Rail Corporation and CRR Holdings LLC, with certain schedules thereto, previously filed, is incorporated herein by reference to Exhibit 10(a) to Norfolk Southern Corporation's Form 10-K filed on Feb. 24, 2003.

(b) Amendment No. 1, dated as of Aug. 22, 1998, to the Transaction Agreement, dated as of June 10, 1997, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail Inc., Consolidated Rail Corporation and CRR Holdings LLC, is incorporated herein by reference from Exhibit 10.1 to Norfolk Southern Corporation's Form 10-Q filed on Aug. 11, 1999.

(c) Amendment No. 2, dated as of June 1, 1999, to the Transaction Agreement, dated June 10, 1997, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail Inc., Consolidated Rail Corporation and CRR Holdings LLC, is incorporated herein by reference from Exhibit 10.2 to Norfolk Southern Corporation's Form 10-Q filed on Aug. 11, 1999.

(d) Shared Assets Area Operating Agreement for North Jersey , dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibit thereto, is incorporated herein by reference from Exhibit 10.4 to Norfolk Southern Corporation's Form 10-Q filed on Aug. 11, 1999.

(e) Shared Assets Area Operating Agreement for South Jersey/ Philadelphia , dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibit thereto, is incorporated herein by reference from Exhibit 10.5 to Norfolk Southern Corporation's Form 10-Q filed on Aug. 11, 1999.

(f) Shared Assets Area Operating Agreement for Detroit , dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibit thereto, is incorporated herein by reference from Exhibit 10.6 to Norfolk Southern Corporation's Form 10-Q filed on Aug. 11, 1999.

(g) Amendment No. 1, dated as of June 1, 2000, to the Shared Assets Areas Operating Agreement for North Jersey, South Jersey/Philadelphia and Detroit, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibit thereto, is incorporated herein by reference to Exhibit 10(h) to Norfolk Southern Corporation's 10-K filed on March 5, 2001.

(h) Amendment No. 2, dated as Jan. 1, 2001, to the Shared Assets Area Operating Agreements for North Jersey, South Jersey/Philadelphia and Detroit, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibit thereto, is incorporated herein by reference to Exhibit 10(j) to Norfolk Southern Corporation's Form 10-K filed on Feb. 21, 2002.

(i) Amendment No. 3, dated as of June 1, 2001, and executed in May of 2002, to the Shared Assets Area Operating Agreement for North Jersey, South Jersey/Philadelphia and Detroit, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibit thereto, is incorporated herein by reference to Exhibit 10(k) to Norfolk Southern Corporation’s Form 10-K filed on Feb. 24, 2003.

(j) Monongahela Usage Agreement, dated as of June 1, 1999, by and among CSX Transportation, Inc., Norfolk Southern Railway Company, Pennsylvania Lines LLC and New York Central Lines LLC, with exhibit thereto, is incorporated herein by reference from Exhibit 10.7 to Norfolk Southern Corporation's Form 10-Q filed on Aug. 11, 1999.

(k) The Agreement, entered into as of July 27, 1999, between North Carolina Railroad Company and Norfolk Southern Railway Company, is incorporated herein by reference from Exhibit 10(i) to Norfolk Southern Corporation's Form 10-K filed on March 6, 2000.

(l) The Supplementary Agreement, entered into as of Jan. 1, 1987, between the Trustees of the Cincinnati Southern Railway and The Cincinnati, New Orleans and Texas Pacific Railway Company (the latter a wholly owned subsidiary of Norfolk Southern Railway Company) - extending and amending a Lease, dated as of Oct. 11, 1881 - is incorporated by reference to Exhibit 10(k) to Norfolk Southern Corporation's Form 10-K filed on March 5, 2001.

*(m) The Norfolk Southern Corporation Executive Management Incentive Plan, effective Jan. 25, 2005, is incorporated by reference herein from Exhibit 99 to Norfolk Southern Corporation's Form 8-K filed on May 13, 2005.

*(n) The Norfolk Southern Corporation Long-Term Incentive Plan, as amended effective Jan. 25, 2005, is incorporated herein by reference to Exhibit 99 to Norfolk Southern Corporation's Form 8-K filed on May 13, 2005.

*(o) The Norfolk Southern Corporation Officers' Deferred Compensation Plan, as amended effective September 26, 2000, is incorporated herein by reference to Exhibit 10(n) to Norfolk Southern Corporation's Form 10-K filed on March 5, 2001.

*(p) The Norfolk Southern Corporation Executives' Deferred Compensation Plan, as amended effective Jan. 20, 2001, is incorporated herein by reference to Exhibit 10(o) to Norfolk Southern Corporation's Form 10-K filed on March 5, 2001.

*(q) The Directors' Deferred Fee Plan of Norfolk Southern Corporation, as amended effective Jan. 23, 2001, is incorporated herein by reference to Exhibit 10(p) to Norfolk Southern Corporation's Form 10-K filed on March 5, 2001.

*(r) The Norfolk Southern Corporation Directors' Restricted Stock Plan, effective Jan. 1, 1994, as restated Nov. 24, 1998, is incorporated herein by reference from Exhibit 10(h) to Norfolk Southern Corporation's Form 10-K filed on March 24, 1999.

*(s) Form of Severance Agreement, dated as of June 1, 1996, between Norfolk Southern Corporation and certain executive officers (including those defined as "named executive officers" and identified in the Corporation's Proxy Statement for the 1997 through 2001 Annual Meetings of Stockholders), is incorporated herein by reference to Exhibit 10(t) to Norfolk Southern Corporation's Form 10-K filed on Feb. 21, 2002.

*(t) Norfolk Southern Corporation Supplemental (formerly, Excess) Benefit Plan, effective as of Aug. 22, 1999, is incorporated herein by reference to Exhibit 10(r) to Norfolk Southern Corporation's Form 10-K filed on March 6, 2000.

*(u) The Norfolk Southern Corporation Directors' Charitable Award Program, effective Feb. 1, 1996, is incorporated herein by reference to Exhibit 10(v) to Norfolk Southern Corporation's Form 10-K filed on Feb. 21, 2002.

*(v) The Norfolk Southern Corporation Outside Directors' Deferred Stock Unit Program, as amended effective Jan. 28, 2003, is incorporated herein by reference to Exhibit 10(x) to Norfolk Southern Corporation's Form 10-K filed on Feb. 24, 2003.

*(w) Form of Agreement, dated as of Oct. 1, 2001, providing enhanced pension benefits to three officers in exchange for their continued employment with Norfolk Southern Corporation for two years, is incorporated herein by reference to Exhibit 10(w) to Norfolk Southern Corporation's Form 10-Q filed on Nov. 9, 2001. The agreement was entered into with L. Ike Prillaman, Vice Chairman and Chief Marketing Officer; Stephen C. Tobias, Vice Chairman and Chief Operating Officer; and Henry C. Wolf, Vice Chairman and Chief Financial Officer.

(x) The Norfolk Southern Corporation Thoroughbred Stock Option Plan, as amended effective Jan. 28, 2003, is incorporated herein by reference to Exhibit 10(z) to Norfolk Southern Corporation's Form 10-K filed on Feb. 24, 2003.

*(y) The Norfolk Southern Corporation Restricted Stock Unit Plan, effective Jan. 28, 2003, is incorporated herein by reference to Exhibit 10(bb) to Norfolk Southern Corporation's Form 10-K filed on Feb. 24, 2003.

*(z) The Norfolk Southern Corporation Executive Life Insurance Plan, as amended, effective Oct. 1, 2003, is incorporated herein by reference to Exhibit 10 to Norfolk Southern Corporation's Form 10-Q filed on Oct. 31, 2003.

(aa) Amendment No. 3, dated as of June 1, 1999, and executed in April 2004, to the Transaction Agreement, dated June 10, 1997, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail Inc., Consolidated Rail Corporation and CRR Holdings LLC, is incorporated herein by reference to Exhibit 10(dd) to Norfolk Southern Corporation's Form 10-Q filed on July 30, 2004.

(bb) Distribution Agreement, dated as of July 26, 2004, by and among CSX Corporation, CSX Transportation, Inc., CSX Rail Holding Corporation, CSX Northeast Holdings Corporation, Norfolk Southern Corporation, Norfolk Southern Railway Company, CRR Holdings LLC, Green Acquisition Corp., Conrail Inc., Consolidated Rail Corporation, New York Central Lines LLC, Pennsylvania Lines LLC, NYC Newco, Inc. and PRR Newco, Inc., is incorporated herein by reference to Exhibit 2.1 to Norfolk Southern Corporation's Form 8-K filed on Sept. 2, 2004.

(cc) Amendment No. 5 to the Transaction Agreement, dated as of Aug. 27, 2004, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail Inc., Consolidated Rail Corporation and CRR Holdings LLC, is incorporated herein by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 8-K filed on Sept. 2, 2004.

(dd) Tax Allocation Agreement, dated as of Aug. 27, 2004, by and among Green Acquisition Corp., Conrail Inc., Consolidated Rail Corporation, New York Central Lines LLC and Pennsylvania Lines LLC, is incorporated herein by reference to Exhibit 10.2 to Norfolk Southern Corporation's Form 8-K filed on Sept. 2, 2004.

(ee) Credit Agreement dated as of Aug. 31, 2004, between Norfolk Southern Corporation and various lenders, is incorporated herein by reference to Exhibit 99 to Norfolk Southern Corporation's Form 8-K/A filed on Sept. 7, 2004.

(ff) Amendment No. 4, dated as of June 1, 2005, and executed in late June 2005, to the Shared Assets Area Operating Agreement for North Jersey, South Jersey/Philadelphia and Detroit, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibits thereto, is incorporated herein by reference to Exhibit 99 to Norfolk Southern Corporation's Form 8-K filed on July 1, 2005.

*(gg) The description of Norfolk Southern Corporation's executive physical reimbursement for non-employee directors and certain executives is incorporated herein by reference to Norfolk Southern Corporation's Form 8-K filed on July 28, 2005.

*(hh) Form of 2006 Incentive Stock Option and Non-Qualified Stock Option Agreement under the Norfolk Southern Long-Term Incentive Plan, is incorporated herein by reference to Exhibit 99 to Norfolk Southern Corporation's Form 8-K/A filed on Dec. 7, 2005.

*(ii) Form of 2006 Restricted Share and Restricted Stock Unit Agreement under the Norfolk Southern Corporation Long-Term Incentive Plan, is incorporated herein by reference to Exhibit 99 to Norfolk Southern Corporation's Form 8-K/A filed on Dec. 7, 2005.

*(jj) Form of 2005 Performance Share Unit Award under the Norfolk Southern Corporation Long-Term Incentive Plan, is incorporated herein by reference to Exhibit 99 to Norfolk Southern Corporation's Form 8-K/A filed on Dec. 7, 2005.

*(kk) Revised annual salaries for certain named executive officers are incorporated herein by reference to Norfolk Southern Corporation's Form 8-K/A filed on Dec. 7, 2005.

(ll) The Transaction Agreement, dated as of Dec. 1, 2005, by and among Norfolk Southern Corporation, The Alabama Great Southern Railroad Company, Kansas City Southern and The Kansas City Southern Railway Company (Exhibits, annexes and schedules omitted. The Registrant will furnish supplementary copies of such materials to the SEC upon request).

(mm) Amendment No. 1, dated as of Jan. 17, 2006, by and among Norfolk Southern Corporation, The Alabama Great Southern Railroad Company, Kansas City Southern and the Kansas City Southern Railroad.

*(nn) The retirement agreement, dated Jan. 27, 2006, between Norfolk Southern Corporation and David R. Goode, is incorporated herein by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 8-K filed on Jan. 27, 2006.

*(oo) The waiver agreement, dated Jan. 27, 2006, between Norfolk Southern Corporation and David R. Goode, providing for the waiver of forfeiture provisions otherwise applicable to certain restricted shares and restricted stock units upon retirement, is incorporated herein by reference to Exhibit 10.2 to Norfolk Southern Corporation's Form 8-K filed on Jan. 27, 2006.

*(pp) Revised fees for outside directors are incorporated herein by reference to Norfolk Southern Corporation's Form 8-K filed on Jan. 27, 2006.

*(qq) The retirement agreement, dated Mar. 28, 2006, between Norfolk Southern Corporation and L. Ike Prillaman, is incorporated herein by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 8-K filed on Mar. 31, 2006.

*(rr) The waiver agreement, dated Mar. 28, 2006, between Norfolk Southern Corporation and L. Ike Prillaman, providing for the waiver of forfeiture provisions otherwise applicable to certain restricted shares and restricted stock units upon retirement, is incorporated herein by reference to Exhibit 10.2 to Norfolk Southern Corporation's Form 8-K filed on Mar. 31, 2006.

(ss) Amendment No. 2, dated as of May 1, 2006, to the Transaction Agreement, dated as of Dec. 1, 2005, by and among Norfolk Southern Corporation, The Alabama Great Southern Railroad Company, Kansas City Southern and The Kansas City Southern Railway Company is incorporated herein by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 8-K filed on May 4, 2006.

(tt)	Limited Liability Company Agreement of Meridian Speedway , LLC, dated as of May 1, 2006, by and among The Alabama Great Southern Railroad Company and Kansas City Southern is incorporated herein by reference to Exhibit 10.2 to Norfolk Southern Corporation's Form 8-K filed on May 4, 2006.
*(uu)	The Norfolk Southern Corporation Long-Term Incentive Plan, as amended effective July 25, 2006, is incorporated herein by reference to Exhibit 10.3 to Norfolk Southern Corporation's Form 10-Q filed on July 28, 2006.
*(vv)	Form of Norfolk Southern Corporation Long-Term Incentive Plan, 2007 Award Agreement is incorporated herein by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 8-K filed on Jan. 11, 2007.
*, **(ww)	Retirement Plan of Norfolk Southern Corporation and Participating Subsidiary Companies Effective June 1, 1982, amended to and including Dec. 1, 2006.
**12	Statement re: Computation of Ratio of Earnings to Fixed Charges.
**21	Subsidiaries of the Registrant.
**23	Consent of Independent Registered Public Accounting Firm.
**31	Rule 13a-14(a)/15d-14(a) Certifications.
**32	Section 1350 Certifications.
**99	Annual CEO Certification pursuant to NYSE Rule 303A.12(a).

* *Management contract or compensatory arrangement.*
** *Filed herewith.*

(B) Exhibits.

The Exhibits required by Item 601 of Regulation S-K as listed in Item 15(A)3 are filed herewith or incorporated herein by references.

(C) Financial Statement Schedules.

Financial statement schedules and separate financial statements specified by this Item are included in Item 15(A)2 or are otherwise not required or are not applicable.

Exhibits 23, 31, 32 and 99 are included in copies assembled for public dissemination. All exhibits are included in the 2006 Form 10-K posted on our website at www.nscorp.com under "Investors" and "SEC Filings" or you may request copies by writing to:

Office of Corporate Secretary

Norfolk Southern Corporation

Three Commercial Place

Norfolk , Virginia 23510-9219

POWER OF ATTORNEY

Each person whose signature appears below under "SIGNATURES" hereby authorizes Henry C. Wolf, James A. Hixon and James A. Squires or any one of them, to execute in the name of each such person, and to file, any amendment to this report and hereby appoints Henry C. Wolf, James A. Hixon and James A. Squires or any one of them, as attorneys-in-fact to sign on his or her behalf, individually and in each capacity stated below, and to file, any and all amendments to this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Norfolk Southern Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 20 th day of February 2007.

NORFOLK SOUTHERN CORPORATION

By: /s/ Charles W. Moorman

Charles W. Moorman

(Chairman, President and Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on this 20 th day of February 2007, by the following persons on behalf of Norfolk Southern Corporation and in the capacities indicated.

Signature	Title
/s/ Charles W. Moorman (Charles W. Moorman)	Chairman, President and Chief Executive Officer and Director (Principal Executive Officer)
/s/ Henry C. Wolf (Henry C. Wolf)	Vice Chairman and Chief Financial Officer (Principal Financial Officer)
/s/ Marta R. Stewart (Marta R. Stewart)	Vice President and Controller (Principal Accounting Officer)

/s/ Gerald L. Baliles (Gerald L. Baliles)	Director
/s/ Daniel A. Carp (Dan iel A. Carp)	Director
/s/ Gene R. Carter (Gene R. Carter)	Director
/s/ Alston D. Correll (Alston D. Correll)	Director
/s/ Landon Hilliard (Landon Hilliard)	Director
/s/ Burton M. Joyce (Burton M. Joyce)	Director
/s/ Steven F. Leer (Steven F. Leer)	Director
/s/ Jane Margaret O’Brien (Jane Margaret O'Brien)	Director
/s/ J. Paul Reason (J. Paul Reason)	Director

Schedule II

Norfolk Southern Corporation and Subsidiaries
Valuation and Qualifying Accounts
Years Ended December 31, 2004 , 2005 and 2006
($ in millions)

	Beginning Balance	Additions charged to: Expenses	Additions charged to: Other Accounts	Deductions	Ending Balance
Year ended December 31, 2004					
Valuation allowance (included net in deferred tax liability) for deferred tax assets	$ 14	$ --	$ --	$ 1[2]	$ 13
Casualty and other claims included in other liabilities	$ 270	$ 112	$ 48[1]	$ 115[3]	$ 315
Current portion of casualty and other claims included in accounts payable	$ 218	$ 23	$ 124[1]	$ 143[4]	$ 222
Year ended December 31, 2005					
Valuation allowance (included net in deferred tax liability) for deferred tax assets	$ 13	$ --	$ --	$ 3[2]	$ 10
Casualty and other claims included in other liabilities	$ 315	$ 311	$ --	$ 205[3]	$ 421
Current portion of casualty and other claims included in accounts payable	$ 222	$ 92	$ 114[1]	$ 137[4]	$ 291

Year ended December

31, 2006

Valuation allowance (included net in deferred tax liability) for deferred tax assets	$ 10	$ --	$ --	$ 1 [2]	$ 9
Casualty and other claims included in other liabilities	$ 421	$ 217	$ --	$ 167 [3]	$ 471
Current portion of casualty and other claims included in accounts payable	$ 291	$ 40	$ 124 [1]	$ 154 [4]	$ 301

Certain comparative prior year amounts have been reclassified to conform to the current year presentation.

[1] Includes revenue refunds and overcharges provided through deductions from operating revenues and transfers from other accounts.

[2] Reclassifications to/from other assets.

[3] Payments and reclassifications to/from accounts payable.

[4] Payments and reclassifications to/from other liabilities.

Exhibit 10(ww)

RETIREMENT PLAN

OF

NORFOLK SOUTHERN CORPORATION

AND

PARTICIPATING SUBSIDIARY COMPANIES

Effective June 1, 1982

Amended to and Including December 1, 2006

As amended and restated: /s/ Gloria W. Dana

Gloria W. Dana
Secretary, Retirement Plan of
Norfolk Southern Corporation and
Participating Subsidiary Companies

Date: Feb. 2, 2007

RETIREMENT PLAN

OF

NORFOLK SOUTHERN CORPORATION

AND PARTICIPATING SUBSIDIARY COMPANIES

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ARTICLE I. INTRODUCTION

Norfolk Southern Corporation has established this Retirement Plan ("Plan") effective June 1, 1982 ("Effective Date"), for its employees and employees of each subsidiary and affiliated company which adopts the Plan and is approved for participation in the Plan as provided in Article XVII. This Plan is the successor to and supersedes, as of the Effective Date, the following retirement plans:

Retirement Plan of Norfolk and Western Railway Company
Southern Railway System Retirement Plan
Retirement Plan of Chesapeake Western Railway
Kentucky & Indiana Terminal Railroad Company Retirement Plan
Retirement Plan of Norfolk , Franklin and Danville Railway Company
Pocahontas Land Corporation Plan for Supplemental Pensions
Virginia Holding Corporation Supplemental Pension Plan
Retirement Plan of Lambert's Point Docks, Incorporated

This Plan also is the successor to and supersedes the Norfolk and Western Railway Company Plan for Supplemental Pensions and the Des Moines Union Railway Defined Benefit Pension Plan and Trust, effective December 31, 1988, and February 28, 1989, respectively.

ARTICLE II. DEFINITIONS

AC&Y Plan	The Akron , Canton & Youngstown Railroad Company Pension and Insurance Plan.
Accrued Benefit	As of any date for any Member the retirement benefit under Article VI.
Additional Retirement Benefit	The additional monthly retirement benefit provided under Article VI as set forth in Schedule A or Schedule B of the Plan.
Agreement Service	Service in a position for which the rates of pay are governed by the provisions of a collective bargaining agreement (other than those excepted under Section 4 of Supplemental Agreement "A" between NW and the Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees, effective January 12, 1979).
Agreement Trainee	An Employee in training for a position that is not a Nonagreement position.
Average Final Compensation	Average monthly Compensation paid to a Member during any five Compensation Years out of the 120 months of Creditable Service

	ending with the last month in which the Member was employed in a Nonagreement Position (or, if less than 120, of the actual number of months of Creditable Service), which will produce the highest average monthly Compensation. In the case of a Member who has not served five Compensation Years during his last 120 (or less) months of Creditable Service, such average shall be computed by disregarding breaks in service for the purpose of determining Compensation Years. In the case of a Member retired with less than 60 months of Creditable Service, the average monthly Compensation during his total months of Creditable Service shall be used.
Board of Directors	Board of Directors of NSC.
Board of Managers	Pursuant to Article XI, the Board that acts as trustee and is charged with administering the Plan.
Bonus	A payment made pursuant to the Norfolk Southern Corporation Annual Bonus Program, Norfolk Southern Corporation Management Incentive Plan, Norfolk Southern Corporation Executive Management Incentive Plan or NS Stock Unit Plan.
Closing Date	The Closing Date as defined in the Transaction Agreement by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail Inc., Consolidated Rail Corporation and CRR Holding LLC, dated as of June 10, 1997.
Code	The Internal Revenue Code of 1986, as amended.
Compensation	Remuneration in the form of salary (increased by the amount of the Member's salary used that is not includible in the gross income of the Member because it is contributed by NSC or a Participating Subsidiary pursuant to the Member's salary reduction agreement and which is not includible in the gross income of the Member under (i) Section 402(e)(3) of the Code, as a Basic or Catch-Up Contribution to the Thrift and Investment Plan of Norfolk Southern Corporation and Participating Subsidiary Companies, (ii) Section 125 of the Code, to provide benefits under the Norfolk Southern Corporation Comprehensive Benefits Plan, or (iii) Section 132(f)(4) of the Code, to provide benefits under the Pre-Tax Transportation Plan of Norfolk Southern Corporation and Participating Subsidiary Companies), or vacation pay paid to an Employee or former Employee for service in a Nonagreement Position, or Bonus for nonagreement service which is paid to an Employee in a Nonagreement Position, as reported to the Internal Revenue Service for Federal income tax purposes. Severance payments made pursuant to individual change-in-control agreements between a Member and NSC shall be included within this definition. Any other severance payments and special award payments, such as payments made under recruitment, safety, quality and retention programs, shall not be included within this definition. Annual compensation in excess of the limit provided in

	Section 401(a)(17)(B) of the Code shall not be included within this definition, except as otherwise permitted by law.
Compensation Year	Any twelve consecutive month period of monthly Compensation ending on the last day of the same month as the last month in which the Member was employed in a Nonagreement Position.
Conrail	Consolidated Rail Corporation.
Conrail Plan	Supplemental Pension Plan of Consolidated Rail Corporation.
Creditable Service	A Member's creditable service, as defined in Article IV, for purposes of the Plan.
CW Plan	Retirement Plan of Chesapeake Western Railway.
Disability Benefit	The monthly disability benefit not to exceed the amount of the Normal Retirement Benefit the Member would receive if the Member separated from service at age 65 (taking into account any additional Creditable Service the Member would have earned if he had continued to work for Norfolk Southern Corporation or a Participating Subsidiary until age 65).
Disability Benefit Compensation	A Member's basic monthly salary (not to exceed the monthly equivalent of the annual compensation limit prescribed by Section 401(a)(17) of the Code).
DMU Plan	Des Moines Union Railway Defined Benefit Pension Plan and Trust.
Eligible Child or Children	A Member's natural or adopted children (unless such natural or adopted children have been legally adopted by other individuals), who at the date of the Member's death are unmarried and under the age of 21 or who are totally and permanently disabled. An Eligible Child shall cease to be such as of the earlier of the last day of the month in which the child marries or attains the age of 21, or, if later, the last day of the month in which the child ceases to be totally and permanently disabled.
Eligible Parent or Parents	A Member's natural mother or father or, if the Member was legally adopted, the adoptive parents in lieu of the natural parents.
Employee	A person who is employed as an employee by NSC or a Participating Subsidiary on a full-time basis, or who is employed by NSC or a Participating Subsidiary on a regular part-time basis and is designated as an Employee by NSC or a Participating Subsidiary and, in each instance, who receives compensation directly from NSC or a Participating Subsidiary for services

rendered as an employee in the United States or Canada. Notwithstanding the previous sentence, the term "Employee" shall not include (w) a person who is covered by a contract or agreement that specifies that such person is not eligible to participate in the Plan; (x) a person who has terminated from employment with NSC or a Participating Subsidiary, unless designated as an Employee by NSC or a Participating Subsidiary; (y) a person who is a "Leased Employee" within the meaning of Section 414(n) of the Code or whose basic compensation for services on behalf of NSC or a Participating Subsidiary is not paid directly by NSC or a Participating Subsidiary; or (z) a person who is classified as a special status employee or an independent contractor because his or her employment status is temporary, seasonal or otherwise inconsistent with regular employment. An employee that NSC or a Participating Subsidiary mistakenly but in good faith classifies as other than an Employee shall be deemed to be an Employee as of the date on which NSC or a Participating Subsidiary reclassifies him or her as an Employee.

Fund	The assets held from time to time under the Plan.
Highly Compensated Employee	Any Employee who,(i) was at any time during the current year or preceding year a Five Percent Owner; or (ii) during the preceding year (A) received compensation from the Corporation or a Participating Subsidiary in excess of $80,000(as adjusted under Code Section 415(d))and (B) in the case of an Employee of any Participating Subsidiary not treated as a single employer together with the Corporation under Sections 414(b), 414(c), 414(m), 414(n), or 414(o) of the Code. For purposes of this definition, the term "compensation" means compensation within the meaning of Section 415(c)(3). For plan years beginning on or after January 1, 2001, "compensation" shall include elective amounts that are not includible in the gross income of the employee by reason of Section 132(f)(4) of the Code. Highly compensated former employees (as defined in Code Section 414(q)(9)) shall be treated as Highly Compensated Employees for all relevant purposes. For purposes of this definition, Employees who are nonresident aliens and who receive no earned income from the Corporation or a Participating Subsidiary which constitutes income from sources within the United States shall not be treated as Employees. The determination of who is a Highly Compensated Employee, including the determinations of the number and identity of Employees in the top paid group, the number of Employees treated as officers and the compensation that is taken into account, shall be made in accordance with Code Section 414(q) and the regulations thereunder.
Hour of Service	Each hour for which an Employee is paid, or entitled to payment for the performance or nonperformance of duties, or each hour for which back pay, regardless of mitigation of damages, is either awarded or agreed to by the employer. An Hour of Service shall be computed and credited in accordance with DOL Regulation 2530.200b.
K&IT Plan	Kentucky & Indiana Terminal Railroad Company Retirement Plan.

Leased Employee	Any person (other than employee of NSC or a Participating Subsidiary) who pursuant to an agreement between the recipient and any other person ("leasing organization") has performed services for the recipient (or for the recipient and related persons determined in accordance with section 414(n)(6) of the Internal Revenue Code) on a substantially full-time basis for a period of at least one year, and such services are performed under primary direction or control of the recipient.
LPD Plan	Retirement Plan of Lambert's Point Docks, Incorporated.
LTD Plan	The Long-Term Disability Plan of Norfolk Southern and Participating Subsidiary Companies or any successor plan
Member	A person entitled to participate in the Plan.
Month of Service	Any calendar month in which an Employee is paid, or entitled to payment, for the performance or nonperformance of duties. A Month of Service shall be treated as the equivalent of 190 Hours of Service in accordance with DOL Regulation 2530.200b-3.
NF&D Plan	Retirement Plan of Norfolk , Franklin and Danville Railway Company.
Nonagreement Position	A position for which the rates of pay are not governed by the provisions of a collective bargaining agreement (but including those employees excepted under Section 4 of Supplemental Agreement "A" between NW and the Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees, effective January 12, 1979), excluding those employees who perform service on positions in job class M11 (relief yardmasters/supervisors).
Normal Retirement Age	Age 65.
Normal Retirement Benefit	The greater of the early retirement benefit under the Plan or the benefit commencing under the Plan at Normal Retirement Date.
Normal Retirement Date	First day of the month next succeeding the month in which the Member attains Normal Retirement Age.
NSC	Norfolk Southern Corporation, a Virginia Corporation.
NW	Norfolk and Western Railway Company, a Virginia Corporation.

NW Plan	Retirement Plan of Norfolk and Western Railway.
NW Supplemental Plan	Norfolk and Western Railway Company Plan for Supplemental Pensions.
Participating Subsidiary	Each subsidiary or affiliated company of NSC which adopts the Plan and is approved for participation in the Plan as provided for in Article XVII.
Plan	Retirement Plan of Norfolk Southern Corporation and Participating Subsidiary Companies.
Plan Year	Calendar Year.
PLC Plan	Pocahontas Land Corporation Plan for Supplemental Pensions.
Projected Normal Retirement Benefit	The Member's projected accrued benefit under the Plan at Normal Retirement Age assuming the Member's Average Final Compensation at Normal Retirement Age equals his Average Final Compensation as measured on the last day in which the Member was an Employee and taking into account any additional Creditable Service the Member would have earned if he had continued to work at Norfolk Southern Corporation or a Participating Subsidiary until Normal Retirement Age.
Service Ratio	A fraction (not exceeding 1) the numerator of which is the Member's number of Months of Service and the denominator of which is the number of Months of Service the Member would have if he served until Normal Retirement Age.
Southern	Formerly, Southern Railway Company, a Virginia Corporation, name changed to Norfolk Southern Railway Company, effective December 31, 1990.
Southern Plan	Southern Railway System Retirement Plan.
Surviving Spouse	A deceased Member's lawful surviving spouse, as determined under the Code, who was married to the Member on the date of retirement or date of death before retirement.
VHC Plan	Virginia Holding Corporation Supplemental Pension Plan.
Year of Service	Any twelve consecutive month period, as measured from the date of employment or anniversaries thereof, in which an Employee

has not less than 1000 Hours of Service.

Wherever used in the Plan, words in the masculine form shall be deemed to refer to females as well as males, and words referring to the singular or plural shall include the plural or singular, as the case may be.

ARTICLE III. MEMBERSHIP

1. Every person who is a member of the NW Plan, Southern Plan, CW Plan, K&IT Plan, NF&D Plan, PLC Plan or VHC Plan on the Effective Date shall become a Member on such date. Every person who is a member of the LPD Plan shall become a Member on January 1, 1984. Every person who is a member of the NW Supplemental Plan or the DMU Plan shall become a Member on December 31, 1988, and February 28, 1989, respectively. However, a Member who is a member of the NW Supplemental Plan on December 31, 1988, and does not perform service for Compensation in a Nonagreement Position on or after December 31, 1988, shall be governed solely by the provisions of Article XXII of the Plan.

2. Every other Employee shall become a Member on the first day he performs service for Compensation in a Nonagreement Position on or after the Effective Date. Effective February 1, 1999, however, any Employee who begins to perform service as an Agreement Trainee on or after that date and was not previously a Member of the Plan will not be a Member of the Plan unless and until the Employee subsequently performs service in a Nonagreement Position other than that of Agreement Trainee.

3. Unless a Member's rights in the Plan have vested under Article IX, or the Member dies in active service or during Disability Service and has made an effective election under Section 2 of Article VIII, his membership in the Plan shall terminate at the time he shall cease to be an Employee for any reason other than retirement or Disability Service. Except as otherwise provided in Article IX, such a person shall be entitled only to a refund of his contributions, if any, held by the Plan with interest at such rate as shall from time to time be set by the Board of Managers. A person whose membership has been so terminated shall again become a Member if subsequent to such termination he performs service for Compensation in a Nonagreement Position.

ARTICLE IV. CREDITABLE SERVICE

1. Creditable Service shall consist of:

   (a) Each Year of Service (or fraction thereof) with NSC or a Participating Subsidiary in a Nonagreement Position commencing on and measured from the later of the first day a Member performs service for Compensation or the Member's 1982 anniversary of his date of employment;

   (b) Service creditable as a member under the NW Plan, Southern Plan, AC&Y Plan, CW Plan, K&IT Plan, NF&D Plan, PLC Plan, or VHC Plan measured to the 1982 anniversary of the Member's date of employment (or the Member's employment termination date, if earlier), without regard to whether such 1982 anniversary date was before or after the Effective Date;

   (c) Service creditable as a member under the LPD Plan prior to January 1, 1984, as measured from the Member's date of employment;

   (d) Service (other than service creditable under the Conrail Plan as a result of the terms or provisions of any change-in-control agreement, employment agreement, severance agreement or other similar agreement) creditable to a member under the Conrail Plan beginning on April 1, 1976;

(e) The following periods of Agreement Service not credited under subparagraph (a) or (b) above:

(i) Agreement Service, prior to the Effective Date, of a Member (on the Effective Date) hired prior to the Effective Date with NW, Norfolk, Franklin and Danville Railway Company, The Virginian Railway Company, The New York, Chicago and St. Louis Railroad Company, Wabash Railroad Company, New Jersey, Indiana & Illinois Railroad Company, The Pittsburgh & West Virginia Railway Company, and The Lake Erie and Fort Wayne Railroad Company;

(ii) Agreement Service, prior to the Effective Date, of a Member who was a member of the Southern Plan on or after July 22, 1980, with a "System Company" as defined in the Southern Plan, but only if such Member has been employed in a Nonagreement Position (not including Disability Service) for five or more years, whether or not consecutive; and

(iii) Agreement Service after the Effective Date of a Member with NSC or a Participating Subsidiary where followed by service in a Nonagreement Position, but only if such Member has been employed in a Nonagreement Position (not including Disability Service) for five or more years, whether or not consecutive; and

(iv) Agreement Service with Conrail on or after April 1, 1976, of a Member, but only if such Member has been employed by NSC in a Nonagreement Position (not including Disability Service) for five or more years, whether or not consecutive, after March 7, 1997; and

(f) Service creditable as a member under the DMU Plan prior to March 1, 1989, as measured from the Member's date of employment.

(g) Each Year of Service (or fraction thereof), as defined under this Plan, with Virginia Railway Association, for Members who are Employees on December 31, 2004 and who retire on or after January 1, 2005.

(h) Each Year of Service (or fraction thereof) in a non-agreement position, as defined under this Plan, with Illinois Terminal Railroad Company, for Members who are Employees on December 31, 2004, and who retire on or after January 1, 2005.

(i) Service by a Member in job class M11 for NSC or a Participating Subsidiary where followed by service in a Nonagreement Position, but only if such Member has been employed in a Nonagreement Position (not including Disability Service) for five or more years, whether or not consecutive.

2. Creditable Service shall also include:

(a) Periods of absence because of illness or injury;

(b) Periods of Disability Service except that a Member shall be credited with one Month of Service hereunder for each two months of any such Disability Service;

(c) Periods of service not in excess of the longer of a total of 60 months or the period of absence permitted for the purpose of establishing entitlement to reemployment rights under the Uniform Services Employment and Reemployment Rights Act of 1994 ("USERRA") in the uniformed services of the United States, as defined in USERRA, or the armed forces of Canada, if the Member was a Member of the Plan (or a predecessor plan) immediately prior to such service and returned to employment within 90 days after release from such armed forces or within the time fixed by law for retention of employment rights, whichever is greater, except that if the Member dies during such period of service, Creditable Service shall be determined as if the Member returned to employment on the day of the Member's death in the uniformed services of the United States, as defined in USERRA, or the armed forces of Canada; and

(d) Periods of leave of absence, under rules of the Board of Managers uniformly applicable to all similarly situated Members, to accept, at the request of NSC or a Participating Subsidiary, employment by a subsidiary company, to attend educational institutions, to accept employment by a government or government agency, or to carry out other activities approved by the Board of Managers.

3. (a) During a period of absence for which Creditable Service is granted under Paragraphs 2(a), (b), and (d) or during a period of service in the armed forces of Canada for which Creditable Service is granted under Paragraph 2(c), the Member shall be deemed to have earned the greater of Compensation at the regular monthly or annual rate in effect immediately preceding such absence or at the regular monthly or normal rate payable to the Member for services rendered to his employer during such leave of absence.

(b) During a period of service in the uniformed service of the United Sates for which Creditable Service is granted under Paragraph 2(c) of Article IV, the Member's monthly Compensation for each month during each such period shall be deemed to be either (a) the monthly Compensation the Member would have earned during the period of military service if he or she had not been on leave for such service; or (b) if this amount is not reasonably certain, the average monthly Compensation for the 12 months preceding the beginning of each such period of military service.

4. If a Member has been employed in a Nonagreement Position for less than five years, then, for purposes of computing the benefit under section 1 of Article VI, Creditable Service shall be the sum of a Member's Creditable Service under Sections 1, 2 and 3 of this Article IV plus the sum of:

(i) Twenty percent (20%) multiplied by the number of years (or fraction thereof) that the Member has been employed in a Nonagreement Position (not including Disability Service) times Agreement Service, prior to the Effective Date, of a Member who was a member of the Southern Plan on or after July 22, 1980, with a "System Company" as defined in the Southern Plan; and

(ii) Twenty percent (20%) multiplied by the number of years (or fraction thereof) that the Member has been employed in a Nonagreement Position (not including Disability Service) multiplied by the sum of Agreement Service and service in job class M11 after the Effective Date of a Member with NSC or a Participating Subsidiary where followed by service in a Nonagreement Position; and

(iii) Twenty percent (20%) multiplied by the number of years (or fraction thereof) that the Member has been employed in a Nonagreement Position (not including Disability Service) after March 7, 1997, times Agreement Service of a Member with Conrail on or after April 1, 1976.

After the Member has been employed in a Nonagreement Position for five or more years, then Creditable Service for purposes of computing the benefit under Section 1 of Article VI shall be equal to the Member's Creditable Service under Sections 1, 2 and 3 of this Article IV, and this Section 4 shall no longer apply.

ARTICLE V. RETIREMENT

1. A Member shall retire not later than the end of the month in which he attains Normal Retirement Age, effective Normal Retirement Date, except where:

(a) The provisions of the Age Discrimination in Employment Act of 1967, as amended, or of any other applicable law, prohibit the mandatory retirement of such Member; or

(b) The Board of Directors, in its sole discretion, requests a Member whose compensation is fixed by the Board of Directors to continue in service following the Member's Normal Retirement Date for such period of time as may be determined by the Board of Directors.

2. A Member may retire at the end of any month, effective the first day of the following month, between attainment of ages 62 and 65.

3. A Member may retire at the end of any month, effective the first day of the following month, between attainment of ages 60 and 62 if he is vested at the time of such retirement.

4. An otherwise eligible Member between attainment of ages 55 and 60 who is vested under Article IX and who is actively employed in a Nonagreement Position or on Disability Service can elect either of the following two benefits:

(a) A Member with not less than 10 Years of Service (including not less than 5 years of Creditable Service) may retire at the end of any month, effective the first day of the following month, with a temporary early retirement benefit, until the Member attains age 60, equal to the lesser of:

(i) the Tier I Railroad Retirement or Social Security benefit that would be paid at earliest eligibility age, or

(ii) $500 per month.

Notwithstanding the above, if the Member is currently receiving any benefit under Railroad Retirement or Social Security the Member may retire under this provision but is not eligible for the temporary early retirement benefit.

(b) A Member with not less than 10 Years of Service (including not less than five years of Creditable Service) may retire at the end of any month effective the first day of the following month and receive the benefit provided by Section 2 of Article VI. A Member (other than a Member who was a member of the Conrail Plan on the Closing Date) may not retire under this Section of Article V until February 29, 2000, effective March 1, 2000.

5. A Member retiring under any Section of this Article V shall make a written application to retire under the Plan in the manner and on the form specified by the Board of Managers.

ARTICLE VI. RETIREMENT BENEFITS

1. The retirement benefit of a Member who retires under Section 1 or 2 of Article V shall be, subject to the provisions of Article VIII, the sum of:

(a) A monthly benefit equal to his Average Final Compensation multiplied by 1.5% times the number of years of his Creditable Service (or fraction thereof), but not in excess of 60% of such Average Final Compensation, except as provided in Section 4 of this Article VI; and

(b) A monthly benefit equal to 1/120th of the Member's accumulated and unrefunded contributions to the NW Supplemental Plan (including interest to the date of retirement), if any;

(c) A monthly Additional Retirement Benefit, if any, applicable to the Member as contained in Schedule A of the Plan, effective January 1, 1996, provided that the Internal Revenue Service subsequently issues a favorable determination letter approving such Additional Retirement Benefit;

Less the sum of:

(d) A monthly Additional Retirement Benefit, if any, applicable to the Member as contained in Schedule B of the Plan, beginning January 1, 2005:

(e) 70% of the monthly Railroad Retirement annuity or 66 2/3% of the monthly Social Security annuity (described in Section 3 of this Article VI), whichever is applicable, assuming that such annuity commenced at the earliest eligibility age following retirement;

(f) The amount of any regular monthly annuity attributable to contributions by The Virginian Railway Company payable to the Member by the Plan for Pension Payments under Group Annuity Contract GR -130 between The Virginian Railway Company and The Travelers Insurance Company;

(g) The amount of any monthly benefit payable to the Member under Article XXII if the Member's Agreement Service was used to calculate a benefit under this Article VI;

(h) The amount of any monthly benefit payable to the Member under the Merged Employees Pension Plan of Norfolk and Western Railway Company;

(i) The amount of any monthly benefit payable to the Member under the AC&Y Plan ; and

(j) For Members who were participants in the Conrail Plan or the Retirement Plan of Consolidated Rail Corporation, and who first became Members after August 26, 1999, the amount of any monthly benefit payable to the Member under the Conrail Plan (excluding any benefit described in Article 14 of the Conrail Plan as in effect on or after August 1, 1998) under the Retirement Plan of Consolidated Rail Corporation, and under any qualified defined benefit pension plan maintained by any other entity whose service is credited under the Conrail Plan and/or under the Retirement Plan of Consolidated Rail Corporation, with such amounts determined as if the Member had retired under the Conrail Plan and/or the Retirement Plan of Consolidated Rail Corporation on the date of commencement of retirement benefits under this Plan.

(k) The amount, if any, applicable to the Member as contained in Schedule C of the Plan, beginning January 1, 2005.

The offsets described in paragraphs (d) through (i) of this Section 1 shall begin as of the date the amounts described in such paragraph first become payable, or are assumed to have become payable, to the Member. If the Member's benefit under any other plan is paid in a form that does not provide monthly payments, the offsets described in paragraphs (d) through (i) shall be determined as if the Member's benefit under such other plan had been paid as a single life annuity.

2. The retirement benefit of a Member who retires under Section 3 or 4(b) of Article V shall be computed as follows:

(a) The retirement benefit of a Member who retires under Section 3 of Article V shall be the benefit calculated under Section 1 of this Article VI; provided, however, that, if his Creditable Service at the time of retirement is less than 10 years, the amounts determined under paragraphs (a), (b) and (c) of said Section 1 shall be reduced by 1/180th for each calendar month which the Member is under age 62 at the time of his retirement, and this benefit will be further reduced by the amounts under paragraphs (d) through (i) of Section 1 when such amounts are payable to the Member; and provided further that a Member whose benefit is computed under this Section 2 of Article VI may elect in writing to defer receipt of his retirement benefit under the Plan to the first day of any month following his 60th birthday up to the first day of the month following attainment of age 62 and if the Member so elects, the 1/180th reduction shall only be made for each month, if any, by which the commencement of pay of the Member's retirement benefit precedes his attaining age 62. Notwithstanding the foregoing, the 1/180th reduction shall not apply if a Member has not less than five years of Creditable Service and not less than ten

Years of Service.

(b) The retirement benefit of a member who retires under Section 4(b) of Article V shall be the benefit calculated under Section 1 of this Article VI; provided, however, that the sum of the amounts determined under paragraphs (a), (b) and (c) of said Section 1 shall be reduced by 1/360th for each calendar month which the Member is under age 60 at the time of his retirement, and this benefit will be further reduced by the amounts under paragraphs (d) through (i) of Section 1 when such amounts are payable to the Member.

3. For purposes of calculating the retirement benefit under this Article VI:

(a) The monthly Railroad Retirement annuity shall mean the monthly annuity payable under the Railroad Retirement Act computed on the basis of total railroad service multiplied by a fraction, the numerator of which is the total months of Creditable Service and the denominator of which is such total railroad service. (Such annuity shall exclude the supplemental annuity payable under Title I of Public Law 89-699 or any corresponding or successor legislation);

(b) The monthly Social Security annuity shall mean the Primary Insurance Annuity computed under the Social Security Act on the basis of creditable compensation under the Act applicable to Creditable Service under the Plan; and

(c) The monthly Railroad Retirement annuity or Social Security annuity shall be computed as of the actual retirement date, the commencement date of last Disability Service not followed by a return to active service, or the date of final termination of service prior to age 60, whichever is earliest. In the case of a Member of the Plan on August 1, 1997, who retires after the Member's Normal Retirement Date, the Member's benefit shall be no less than the Member's benefit computed under this Article VI as of August 1, 1997, but using the Normal Retirement Date to determine the monthly Railroad Retirement or Social Security annuity.

4. In computing the retirement benefit of a Member under this Article VI, who was a member of the NW Plan or PLC Plan and who has more than 40 years of Creditable Service as of the Effective Date, such Member shall for purposes of Section 1(a) of this Article VI have his Average Final Compensation multiplied by 1.5% times the number of years of his Creditable Service on the Effective Date, without limitation.

5. (a) The retirement benefit of a Member, who was a member of the NW Supplemental Plan, computed under this Article VI shall not be less than his benefit computed under Article XXII solely on the basis of service and compensation creditable through April 30, 1965, or the date on which the Member is first in a Nonagreement Position, whichever is later; and

(b) The retirement benefit of a Member, who was a member of the NW Supplemental Plan, computed under this Article VI shall not be less than a benefit equal to 1/120th of the Member's accumulated and unrefunded contributions (including interest to date of retirement), if any, to the NW Supplemental Plan, reduced in accordance with Section 2 of this Article VI, if such reduction is applicable.

6. The retirement benefit of a Member who was a member of the Southern Plan on July 21, 1980, shall be the greater of the amount computed under Section 1 of this Article VI or computed as follows:

(a) A monthly benefit equal to 45% of the Member's Average Final Compensation plus 1/4 of 1% of Average Final Compensation for each year that the Member's Creditable Service at the time of retirement exceeds 30 years, but in no event shall such additional benefit exceed 2 1/2% of Average Final Compensation, plus any applicable Additional Retirement Benefit, reduced by:

(i) 63% of the monthly Railroad Retirement annuity or 60% of the monthly Social Security annuity (described in Section 3 of this Article VI), whichever is applicable, assuming that such annuity commenced at the earliest eligibility age following retirement;

(ii) 1/180th for each month by which the Member's retirement precedes the attainment of age 65 if the Member has less than 20 years of Creditable Service; and

(iii) 1/180th for each month by which the Member's Creditable Service is less than 15 years.

(b) A Member whose retirement benefit is computed under paragraph (a) of this Section 6 may elect in writing to defer receipt of his retirement benefit under the Plan to the first day of any month following his 60th birthday up to Normal Retirement Date. If the Member so elects, the reduction to be made pursuant to paragraph 6(a)(ii) shall only be made for each month, if any, by which the commencement of payment of the Member's retirement benefit precedes his attaining age 65.

7. The retirement benefit of a Member who was a member of the DMU Plan on February 28, 1989, shall be the greater of the amount computed under Section 1 of Article VI or computed as follows:

(a) A monthly benefit commencing at Normal Retirement Age equal to 1.5% of Average Final Compensation multiplied by Years of Creditable Service, minus 7.8% of the Primary Insurance Amount (for Social Security purposes) for each year of Creditable Service, with a maximum offset of 78%, plus any applicable Additional Retirement Benefit, reduced by

(i) an amount which is actuarially equivalent to the amount of any benefit the Member is eligible to receive under any qualified pension or profit sharing plan of an owner company of the Des Moines Union Railway Company based on the same period of service, and

(ii) for a Member who terminates after completing 15 Years of Service and after attaining age 60, 1/180th for each full month by which his early retirement precedes his Normal Retirement Age.

8. If an individual became a Member on or before August 26, 1999, and the Member was previously a participant in the Conrail Plan or the Retirement Plan of Consolidated Rail Corporation and accrued a benefit that was transferred to the Plan, the Member's retirement benefit shall be the greater of (1) the amount computed under Sections 2 through 7 of this Article VI, and (ii) the Member's benefit he accrued under the Conrail Plan (excluding any benefit described in Article 14 of the Conrail Plan as in effect on or after August 1, 1998) or the Retirement Plan of Consolidated Rail Corporation.

9. Except as provided in the following sentence, in Section 6(b) of this Article VI, or in Section 9 or 10 of Article VIII, every retirement benefit shall be payable in monthly installments for life commencing with the calendar month immediately following the month in which the Member retires and ending with the month immediately prior to the month in which the Member or, if a survivorship election is in effect, his survivor dies or ceases to be eligible for survivor benefits. If the present value (determined, for this purpose only, (a) in the case of employees retiring before June 1, 1999, using the interest rate in effect on January 1 of the Plan Year which would be used by the Pension Benefit Guaranty Corporation for purposes of determining the present value of a lump sum distribution on plan termination or (b) in the case of employees retiring on or after June 1, 1999, using the average annual yield on 30-year Treasury securities at constant maturity effective for November of the year preceding the Plan Year and the "applicable mortality table," as defined in Section 417(e)(3)(A)(ii)(I) of the Code) of either a retirement benefit or a survivorship benefit payable pursuant to Article VIII does not exceed $5,000, such benefit will be paid as soon as administratively feasible in a lump sum distribution, either (i) to a vested Member upon the earlier of retirement or termination of his employment with NSC or a Participating Subsidiary, (ii) to the Surviving Spouse of such vested Member, (iii) to an "alternate payee", as defined in Section 414(p)(8) of the Code, or (iv) if the Member, Surviving Spouse, or alternate payee, as the case may be, so elects in writing, to the trustee of an "eligible retirement plan", as defined in Section 402(c)(8)(B) of the Code. No distribution may be made under the preceding sentence after the annuity starting date unless the Member and his Spouse, or if the Member has died his Surviving Spouse, consent in writing to such payment. Effective with respect to any mandatory distribution that is payable on or after March 28, 2005, that is greater than $1,000 but that does not exceed $5,000, if the Member does not elect to have such distribution paid directly to an eligible retirement plan specified by the Member in a direct rollover or to receive the distribution directly in a lump sum distribution, then the Plan administrator will pay the distribution in a direct rollover to an individual retirement plan designated by the Plan administrator. If a Member who has received a lump sum distribution of the present value of his retirement benefit is subsequently rehired by the Corporation, he shall again participate in the Plan as of his date of re -employment and his prior period of service shall be restored for purposes of Article IX, except that his prior period of Creditable Service shall not be counted for purposes of determining his Accrued Benefit on his subsequent retirement or other termination of employment.

10. Except as otherwise provided herein, no benefit shall be payable to a Member under the Plan until retirement or to his Surviving Spouse until death of the Member, except such benefit as may be payable in accordance with the applicable requirements of a qualified domestic relations order as that term is defined in Section 414(p) of the Code. The Board of Managers shall establish reasonable procedures to determine the qualified status of domestic relations orders and to administer distributions under such qualified orders. No benefit shall be payable to a Member during any period in which he engages in active service as an Employee, except as provided in Article VIII, Section 8.

11. Notwithstanding anything herein to the contrary, a Member's Accrued Benefit under the Plan shall not be less than the Member's accrued benefit under the NW Plan, Southern Plan, CW Plan, K&IT Plan, NF&D Plan, PLC Plan or VHC Plan on the Effective Date, the LPD Plan on December 31, 1983, or the DMU Plan on February 28, 1989, and in no event shall his retirement benefit under this Article VI be less than such Accrued Benefit.

12. (a) A member who retired under the NW Plan and was paid a retirement benefit for the month of December 1985 and who is entitled to a retirement benefit for the month of January 1987, or the Surviving Spouse of a deceased Member who retired prior to January 1, 1986, who is entitled to a retirement benefit for the month of January 1987 pursuant to a survivorship election by such Member, as the case may be, shall receive an increase in such retirement benefit beginning with the retirement benefit payable for the month of January 1987, such increase in retirement benefit to be ¼ of 1% for each month of the Member's retirement from January 1, 1980, to January 1, 1986, plus an additional 3% for a Member who retired prior to January 1, 1980, with a maximum increase of 21%.

(b) A Member who retired under the Southern Plan and was paid a retirement benefit for the month of December 1985 and who is entitled to a retirement benefit for the month of January 1987, or the Surviving Spouse of a deceased Member who retired prior to January 1, 1986, who is entitled to a retirement benefit for the month of January 1987 pursuant to a survivorship election by such Member, as the case may be, shall receive an increase in such retirement benefit beginning with the retirement benefit payable for the month of January 1987, such increase in retirement benefit to be ¼ of 1% for each month of the Member's retirement from January 1, 1979, to January 1, 1986, plus an additional 3% for a Member who retired prior to January 1, 1980, with a maximum increase of 24%.

(c) A Member who retired under the Plan and was paid a retirement benefit for the month of December 1985 and who is entitled to a retirement benefit for the month of January 1987, or the Surviving Spouse of a deceased Member who retired prior to January 1, 1986, who is entitled to a retirement benefit for the month of January 1987 pursuant to a survivorship election by such Member, as the case may be, shall receive an increase in such retirement benefit beginning with the retirement benefit payable for the month of January 1987, such increase in retirement benefit to be ¼ of 1% for each month of the Member's retirement from June 1, 1982, to January 1, 1986, with a maximum increase of 10¾%.

13. Anything in this Article VI to the contrary notwithstanding,the annual retirement benefit of a Member shall not be less than the greater of:

(a) $100;

(b) The Member's Projected Normal Retirement Benefit times the Member's Service Ratio; or

(c) The Member's accrued annual retirement benefit under this Article VI as measured on April 30, 2005.

<u>ARTICLE VII. LIMITATION ON BENEFITS</u>

1. Notwithstanding any provision in the Plan to the contrary, the maximum benefit any Member may receive shall not exceed such

amount as may be authorized under Section 415 of the Code, determined on a calendar year basis, and such rules are hereby incorporated by reference.

2. Any adjustments to the benefit amounts authorized under Section 415 by the Commissioner shall be effective from January 1 of the year for which the adjustment is made and shall apply to all Members regardless of whether the Member retired prior to such adjustment.

3. In the case of a Member retiring before January 1, 2000, who is also a participant in a defined contribution plan of the Corporation or a Participating Subsidiary, the maximum benefits under the Plan shall be reduced to the extent necessary to comply with Section 415(e) of the Code.

4. For limitation years beginning on or after January 1, 2001, for the purpose of applying the limitations described in Paragraph 1 of this Article VII, the compensation paid or made available during such limitation years shall include elective amounts that are not includible in the gross income of the employee by reason of Section 132(f)(4) of the Code. For plan years beginning on or after January 1, 2001, the definition of compensation for determining who is a highly compensated employee under Section 414(q) of the Code shall include elective amounts that are not includible in the gross income of the employee by reason of Section 132(f)(4) of the Code.

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ARTICLE VIII. SURVIVORSHIP BENEFITS AND OPTIONS

1. (a) In the case of a Member who is married and retires under Article V or Article IX, unless he elects otherwise under Section 3 or Section 4 of this Article VIII, the Member shall receive his retirement benefit computed under Article VI in the form of a joint and survivor annuity payable to him during life and after his death to his Surviving Spouse during life in an amount equal to 50% of the retirement benefit payable to the Member.

(b) In the case of a Member who is unmarried and retires under Article V or Article IX, unless he elects otherwise under Section 4 of this Article VIII, the Member shall receive his retirement benefit computed under Article VI in the form of a joint and survivor annuity payable to him during life and after his death to his Eligible Surviving Child or Children, for as long as the Eligible Surviving Child or Children remain eligible, in an amount equal to 50% of the retirement benefit payable to the Member. Each payment shall be divided equally among the Eligible Surviving Children at the time of each payment. The benefit payable to the Eligible Surviving Children shall commence on the first day of the calendar month in which the death of the retired Member occurs unless the Member elected a temporary early retirement benefit under Section 4(a) of Article V and dies prior to attaining age 60, in which case the survivor benefit payable under this section will be an amount equal to one-half of the temporary early retirement benefit paid to the Member, not to exceed $250 per month, payable until the Member would have attained age 60, and thereafter, an amount equal to 50% of the retirement benefit payable to the Member.

(c) If an individual became a Member on or before August 26, 1999, and the Member was previously a participant in the Conrail Plan or the Retirement Plan of Consolidated Rail Corporation and accrued a benefit that was transferred to the Plan and the M ember is unmarried, has no Eligible Surviving Child or Children, and retires under Article V or Article IX, unless he elects otherwise under Section 4 of this Article VIII, the Member shall receive the benefit he accrued under the Conrail Plan (excluding any benefit described in Article 14 of the Conrail Plan as in effect on or after August 1, 1998) or the Retirement Plan of Consolidated Rail Corporation in the form of a joint and survivor annuity payable to him during life and after his death to his Eligible Surviving Parent or Parents for life in an amount equal to 50% of the Conrail Plan benefit payable to the Member. This survivor's benefit is not available for the portion of the Member's retirement benefit computed under Article VI in excess of the benefit he accrued under the Conrail Plan. The survivor's benefit shall be payable jointly to the Eligible Surviving Parent or Parents for as long as either or both parents shall live. In lieu of the Eligible Surviving Parent or Parents benefit described in the preceding sentence, a Member may elect to provide a designated Eligible Surviving Parent with the full amount of the survivor's benefit for the parent's life, with the full amount of the survivor's benefit continued thereafter for the life of the other Eligible Surviving Parent. The benefit payable to the Eligible Surviving Parents shall commence on the first day of the calendar month in which the death of the retired Member occurs unless the Member elected a temporary early retirement benefit under Section 4(a) of Article V and dies prior to attaining age 60, in which case the survivor benefit payable under this section will not commence until the first calendar month in which the Member would have attained age

60.

(d) In the case of a Member who is married and dies prior to retirement after attaining age 60, his Surviving Spouse shall be entitled to a survivor annuity equal to 50% of the retirement benefit that would have been payable to such Member assuming he had retired on the last day of the month in which he dies, without the 1/180th reduction in the benefit for each calendar month which the Member is under age 62 at the time of his death as provided under Section 2 of Article VI.

2. (a) A Member who is vested under Article IX and who dies prior to age 60, shall have a benefit payable to his Surviving Spouse in the form of a preretirement survivor annuity. The benefit payable to such Surviving Spouse shall be an amount payable monthly for life equal to 50% of the benefit the deceased Member would have been eligible to receive assuming he had separated from service on the earlier of his date of death or his termination of service, survived to age 60, retired and died on the day after attaining age 60. The benefit payable shall not be reduced by 1/180th for any calendar month which the Member is under age 62 at the time of his death, as provided under Section 2 of Article VI; however, this benefit will be reduced by the amounts under paragraphs (d) through (i) of Section 1 of Article VI, when such amounts would have been payable to the Member.

A Surviving Spouse of a Member who is vested under Article XI and who dies prior to attaining age 60 may elect to commence the preretirement survivor annuity at an earlier date provided the Member could have retired and commenced his benefit on the earlier date. The benefit payable to such Surviving Spouse shall be an amount payable monthly for life equal to 50% of the benefit the deceased Member would have been eligible to receive had he separated from service on the earlier of his actual separation date or his date of death, retired on the early retirement date and died on the day after early retirement.

The provisions of this Section 2(a) shall be applicable in the case of any Member who has at least one Hour of Service under the Plan on or after August 23, 1984.

(b) A Member who is vested under Article IX may elect in writing, at any time, to have a benefit payable to his Surviving Spouse if he dies in active service, or during a period of Disability Service, after attaining age 35 and prior to attaining age 60. The benefit payable to such Surviving Spouse shall be equal to 50% of the benefit the deceased Member would have been eligible to receive assuming he had retired on the last day of the month in which he dies and without the 1/180th reduction in benefit for each calendar month which the Member is under age 62 at the time of his death as provided under Section 2 of Article VI. The benefit at the Member's death shall be an amount payable monthly to the Surviving Spouse for life following the Member's death. This option shall not become effective until six months after the election is made or upon furnishing proof of health satisfactory to the Board of Managers. If the Member's spouse dies or is divorced from the Member, or if the Member's service is terminated for any reason prior to his death, or when the Member attains age 60, his election shall be automatically terminated. A Member may revoke in writing, at any time, an election made under this Section 2(b). A Member electing this option shall have his retirement benefit reduced by an amount equal to 1/144th of 1% per month for each month that the election is in effect from and including age 35 through age 49 and 1/72nd of 1% per month for each month that the election is in effect from and including age 50 through age 59, computed as of the time that the election terminates or is revoked, in order to reflect the actuarial cost of the protection.

(i) If a Member who has elected a benefit under this Section 2(b) and who retires under Section 4(a) of Article V dies prior to attaining age 60, his Surviving Spouse shall be entitled to receive a monthly survivor benefit equal to the greater of one-half of the temporary monthly early retirement benefit paid to the Member or the benefit otherwise payable under this Section 2(b), to include the actuarial reduction provided for in this Section 2(b) for the period from the Member's retirement to his death.

(c) Any Member who separated from service prior to August 23, 1984, but subsequent to December 31, 1975, with a vested benefit shall be entitled to the preretirement survivor annuity benefit provided by Section 2(a) of this Article VIII, if:

(i) The Member had at least one Hour of Service on or after January 1, 1976,

(ii) The provisions of Section 2(a) of this Article VIII would not (but for this paragraph) have applied to such Member,

(iii) Such Member was alive and had not attained age 60 on or before August 23, 1984.

(d) If a Member who is married and retires under Section 4(a) of Article V dies prior to attaining age 60, his Surviving Spouse shall be entitled to a survivor benefit equal to one-half of the temporary early retirement benefit paid to the Member, not to exceed $250 per month payable until the Member would have attained age 60. Thereafter, the Surviving Spouse is entitled to a survivor annuity equal to 50% of the retirement benefit payable to the Member in accordance with Section 1(a) of this Article VIII, reduced for any benefit payable under Section 4 of this Article VIII.

3. A Member may elect in writing not more than 90 days before retirement to receive his retirement benefit computed under Article VI in the form of a joint and survivor annuity payable as a reduced retirement benefit to him during life and after his death to his Surviving Spouse during life at the option of the Member, in an amount

(a) equal to, or

(b) 75% of

the reduced retirement benefit payable to the Member. Such election shall become inoperative if the Member's spouse dies before the Member's retirement, or if the Member's marriage is dissolved before the Member's retirement, or if the Member revokes his election within the 90-day period before the Member's retirement. A Member whose election becomes inoperative for any of such reasons may make a new election. A Member electing an option under this Section 3 shall have his retirement benefit reduced by a percentage computed on the basis of actuarial values to reflect the actuarial cost of this protection in excess of the standard survivor annuity provided in Section 1(a) of this Article VIII. For this purpose, the actuarial values shall be based on mortality for employees as shown in Exhibit A and mortality for beneficiaries as shown in Exhibit B, and interest at the rate of 7.5% per year compounded annually.

A Member shall have only one opportunity while the Member is in active service or during Disability Service to elect a joint and survivor annuity that provides a joint and 100% survivor annuity or a joint and 75% survivor annuity pursuant to the preceding paragraph. If such joint and survivor annuity does not commence as of the Member's retirement, either because the Member revokes his election or because the Member does not retire, the Member may not elect a similar joint and survivor annuity option until after the Member's termination of employment.

A Member whose employment has terminated shall have only one opportunity to revoke his election of a particular retirement date. The second time a Member elects a retirement date after his termination of employment, the Member's benefit shall be required to commence as of the retirement date the Member has elected, although the Member may revoke his election of a particular form of payment during the 90-day period preceding the Member's retirement, as provided above.

4. If an individual became a Member on or before August 26, 1999, and the Member was previously a participant in the Conrail Plan or the Retirement Plan of Consolidated Rail Corporation and accrued a benefit that was transferred to the Plan, and has not retired, then the Member may elect with spousal consent (or without spousal consent if there is no spouse) in writing not more than 90 days before the Member's retirement to receive the benefit he accrued under the Conrail Plan (excluding any benefit described in Article 14 of the Conrail Plan as in effect on or after August 1, 1998) or the Retirement Plan of Consolidated Rail Corporation in the form of a joint and survivor annuity payable as a reduced retirement benefit to him during life and after his death to his designated beneficiary or beneficiaries during life, in an amount

(a) equal to,

(b) 75% of,

(c) 50% of, or

(d) 1% of

the reduced Conrail Plan benefit payable to the Member. The portion of the Member's retirement benefit computed under Article VI in excess of the benefit he accrued under the Conrail Plan will be payable in the form of an annuity for life.

Such election shall become inoperative if the Member revokes his election within the 90-day period before the Member's retirement. The benefit payable to the designated beneficiary shall commence on the first day of the calendar month in which the death of the retired Member occurs unless the Member elected a temporary early retirement benefit under Section 4(a) of Article V and dies prior to attaining age 60, in which case the survivor benefit payable under this Section 4 will not commence until the first calendar month in which the Member would have attained age 60. A Member electing an option under this Section 4 shall have his retirement benefit reduced by a percentage computed on the basis of actuarial values to reflect the actuarial cost of this protection. For this purpose, the actuarial values shall be based on mortality for employees as shown in Exhibit A and mortality for beneficiaries as shown in Exhibit B, and interest at the rate of 7.5% per year compounded annually.

A Member shall have only one opportunity while the Member is in active service or during Disability Service to elect a joint and survivor annuity that provides a joint and 100% survivor annuity or a joint and 75% survivor annuity pursuant to the preceding paragraph. If such joint and survivor annuity does not commence as of the Member's retirement either because the Member revokes his election or because the Member does not retire, the Member may not elect a similar joint and survivor annuity option until after the Member's termination of employment.

A Member whose employment has terminated shall have only one opportunity to revoke his election of a particular retirement date. The second time a Member elects a retirement date after his termination of employment, the Member's benefit shall be required to commence as of the retirement date the Member has elected, although the Member may revoke his election of a particular form of payment during the 90-day period preceding the Member's retirement, as provided above.

5. A Member may cause any of the options provided in Sections 2 , 3, and 4 of this Article VIII to be applicable to him (with spousal consent, where required), and his retirement benefit shall be actuarially reduced to reflect the protections of such options.

6. Elections made by a Member prior to the Effective Date under any plan merged into or now forming a part of this Plan or the plan of a Participating Subsidiary shall be effective for the Plan.

7. The benefit payable to a Surviving Spouse or Eligible Child of a retired Member shall commence on the first day of the calendar month in which the death of the retired Member occurs. The benefit payable to a Surviving Spouse under the provisions of Sections 1(d) or 2(b) of this Article VIII shall commence on the first day of the calendar month following the month in which the death of the Member occurs. The benefit payable to a Surviving Spouse under the provisions of Section 2(a) of this Article VIII shall commence with the first calendar month in which the Member would have attained age 60, unless the Surviving Spouse elects otherwise under Section 2(a) of this Article VIII.

8. Any distribution under the Plan to a Member shall commence not later than the "required beginning date" as defined in Section 401(a)(9) of the Code, and shall satisfy the incidental benefit requirement in Section 401(a)(9)(G) of the Code and Proposed Treasury Regulation § 1.401(a)(9)-2. Effective February 1, 1999, for a Member who is not a 5% owner and who attains age 70½ on or after February 1, 1999, the term "required beginning date" shall mean April 1 of the calendar year following the later of (a) the calendar year the Member attains age 70½ or (b) the calendar year in which the Member retires. If a Member retires under the Plan after the calendar year in which the member attains age 70½, the Member's benefit computed under Article VII of this plan shall be actuarially increased to take into account the period after age 70½ in which the Member was not receiving any benefits under the Plan.

9. Except as provided in Section 9 of Article VI, if the present value of the retirement benefit payable under this Article VIII is equal to $9,000 or less, the Member may elect distribution of his benefit upon retirement or termination of the Member's employment with NSC or a Participating Subsidiary in (a) lump sum, (b) an immediate annuity, (c) a combination of partial lump sum and a partial immediate annuity or (d) a combination of partial lump sum or partial immediate annuity and a partial deferred benefit to be paid in

the form permitted under this Article VIII. For purposes of this section only, the present value of the benefit shall be calculated based on (a) mortality for employees as shown in Exhibit A and mortality for beneficiaries as shown in Exhibit B, and interest at the rate of 7.5% per year compounded annually, or (b) the "applicable mortality table," as defined in Section 417(e)(3)(A)(ii)(I) of the Code, and on 30-year Treasury securities at constant maturity effective for November of the year preceding the Plan Year, whichever will provide the greater lump sum to the Member. The lump sum distribution will be paid as soon as administratively feasible to the Member or, if the Member so elects in writing, to the trustee of an "eligible retirement plan", as defined in Section 402(c)(8)(B) of the Code. If a Member who has received a lump sum distribution of the present value of his retirement benefit is subsequently rehired by the Corporation, he shall again participate in the Plan as of his date of re -employment and his prior period of service shall be restored for purposes of Article IX, except that his prior period of Creditable Service shall not be counted for purposes of determining his Accrued Benefit on his subsequent retirement or other termination of employment.

10. Except as provided in Section 9 of Article VI, i f the present value of the benefit that becomes payable on account of a Member's death prior to commencement of benefits is equal to $9,000 or less, the Surviving Spouse may elect distribution of the benefit be made in a lump sum. For purposes of this section only, the present value of the benefit shall be calculated based on (a) mortality for employees as shown in Exhibit A and mortality for beneficiaries as shown in Exhibit B, and interest at the rate of 7.5% per year compounded annually, or (b) the "applicable mortality table," as defined in Section 417(e)(3)(A)(ii)(I) of the Code, and on 30-year Treasury securities at constant maturity effective for November of the year preceding the Plan Year, whichever will provide the greater lump sum to the Surviving Spouse. The lump sum distribution will be paid as soon as administratively feasible to the Surviving Spouse or, if the Surviving Spouse so elects in writing, to the trustee of an "eligible retirement plan", as defined in Section 402(c)(8)(B) of the Code.

ARTICLE IX. VESTING AND TERMINATION OF EMPLOYMENT

1. A Member who has completed 5 Years of Service as defined in Section 6 of this Article IX, attained age 62, or is otherwise vested shall have a nonforfeitable right to 100% of his accrued retirement benefit under the Plan; provided, however, that any Member who has completed 60 Months of Service as defined in Section 6 of Article IX shall, in any event, have a nonforfeitable right to 100% of his accrued retirement benefit under the Plan.

2. A Member whose service terminates after 10 Years of Creditable Service, and before attainment of age 60, shall be eligible to receive his accrued retirement benefit beginning on the last day of the calendar month following the calendar month in which he attains age 60 calculated pursuant to Section 1 of Article VI. The retirement benefit shall be calculated on the basis of the Member's Average Final Compensation, Creditable Service and the retirement benefit provisions of the Plan in effect on the date of the Member's termination of service. A Member whose service terminates after 10 Years of Creditable Service, may elect to receive his Normal Retirement Benefit, actuarially reduced based on mortality for employees as shown in Exhibit A and interest at the rate of 7.5% per year compounded annually, beginning on the last day of the calendar month following the calendar month in which he attains age 55. The Normal Retirement Benefit shall be calculated on the basis of the Member's Average Final Compensation, Creditable Service and the retirement benefit provisions of the Plan in effect on the date of the Member's termination of service.

3. A Member who has completed 5 Years of Service, or is otherwise vested, and whose service terminates prior to 10 Years of Creditable Service and before attainment of age 60, shall be eligible to receive his accrued retirement benefit beginning on the last day of the calendar month following the calendar month in which he attains age 62; provided, however, that the Member may elect to receive his accrued retirement benefit beginning on the last day of the calendar month following any calendar month between the Member's attainment of age 60 and 62, in which case the Member's retirement benefit shall be reduced in accordance with the provisions of Section 2(a) of Article VI. The retirement benefit shall be calculated on the basis of the Member's Average Final Compensation, Creditable Service and the retirement benefit provisions of the Plan in effect on the date of the Member's termination of service.

4. A Member with not less than 20 years of Creditable Service who is employed in a Nonagreement Position at age 50, may separate from service on or after attaining age 50, and prior to attaining age 55, and subsequently be eligible to receive his accrued retirement benefit between attainment of ages 55 and 60. A Member (other than a member who was a member of the Conrail Plan on the Closing Date) may not receive a benefit under this Section until March 1, 2000. The retirement benefit shall be calculated as if the Member retired under Section 4(b) of Article V and shall be calculated on the basis of the Member's Average Final Compensation, Creditable Service and the retirement benefit provisions of the Plan in effect on the date of the Member's termination of service.

5. If an individual became a Member on or before August 26, 1999, and the Member was previously a participant in the Conrail Plan or

the Retirement Plan of Consolidated Rail Corporation and accrued a benefit that was transferred to the Plan, the Member's retirement benefit shall be determined in accordance with this Section 5.

(a) If the Member had a least 3 years of vesting service (as determined under the Conrail Plan) on his transfer date, but less than 5 Years of Service, the vested percentage of the Member's benefit shall be the greater of the percentage determined under the vesting provisions of the Conrail Plan (ta ki ng into account the Member's service both before and after the transfer) and the percentage determined under the vesting provisions in Section 1 of this Article IX. If the Member receives a lump-sum distribution at a time when he is less than fully vested and the Member is subsequently re-employed, the Member's prior period of Creditable Service shall be counted for purposes of determining his Accrued Benefit if the Member repays the full amount distributed to him, plus interest thereon, computed from the date of distribution to the date of repayment at the rate prescribed by Section 411(c)(2)(C) of the Code. Such repayment must be made by the earlier of (i) five years after the Member's re-employment or (ii) the end of a period of five consecutive one-year breaks in service following the date of distribution.

(b) The Member's retirement benefit shall be the greater of (i) the amount computed under Sections 1 through 4 of this Article IX, and (ii) the Member's vested benefit under the Conrail Plan (excluding any benefit described in Article 14 of the Conrail Plan as in effect on or after August 1, 1998) or the Retirement Plan of Consolidated Rail Corporation. The benefit may commence on any date when the Member would have been eligible to receive the benefit under the Conrail Plan or the Retirement Plan of Consolidated Rail Corporation; provided, however, that the benefit computed under clause (i) shall be the actuarial equivalent of the single-life annuity commencing at age 65, based on mortality for employees as shown in Exhibit A and mortality for beneficiaries as shown in Exhibit B, and interest at the rate of 7.5% per year compounded annually.

6. Year of Service for the purpose of Section 1 of this Article IX shall consist of employment (including Disability Service, "qualified military service," as defined by section 414(u) of the Code, and leave provided under the Family and Medical Leave Act) by NSC, any Participating Subsidiary, any predecessor or constituent company of NSC or a Participating Subsidiary, any corporation which is merged into NSC or a Participating Subsidiary, any railroad corporation substantially all of the assets of which are leased by NSC or a Participating Subsidiary, Consolidated Rail Corporation (after April 1, 1976), or of any corporation 80% or more of the stock of which is owned by NSC or a Participating Subsidiary either directly or through subsidiaries.

7. Each Member and each Surviving Spouse of a Member under the Plan shall have a nonforfeitable right to 100% of his accrued retirement benefit under the Plan as of the date of a Qualified Transfer (as defined in Section 1(j) of Article XXIII) in the same manner that would be required under Section 1 of Article XIII if the Plan were terminated immediately prior to the Qualified Transfer. Each former Member who separated from service during the one -year period ending on the date of a Qualified Transfer shall have a nonforfeitable right to 100% of his accrued retirement benefit under the Plan as of the date of his separation from service in the same manner that would be required under Section 1 of Article XIII if the Plan were terminated immediately prior to his separation from service.

8. A Member receiving an accrued retirement benefit under any Section of this Article IX shall make a written application for benefits under the Plan in the manner and on the form specified by the Board of Managers. Effective January 1, 1998, if a member applies for benefits under this Article IX after the earliest date the Member would have been eligible to receive an unreduced benefit, the Plan shall pay to such Member, as soon as administratively feasible, all monthly benefit payments the Member would have received if his or her benefits had commenced on such date.

ARTICLE X. FUNDING

1. The benefits under the Plan shall be financed by contributions made to the Fund by NSC or the Participating Subsidiaries and those assets which have been accumulated in the Fund. No contributions shall be required of Members. NSC and the Participating Subsidiaries intend to make contributions in such amounts and at such times as may be required to maintain the Plan in a sound actuarial condition consistent with the minimum funding standards of the Employee Retirement Income Security Act of 1974. Accordingly, a "funding standard account" shall be established and maintained for the Plan in accordance with the provisions of Section 412 of the Code.

2. Any forfeitures shall be used to reduce the contributions of NSC or the Participating Subsidiaries and shall not be applied to increase

the benefits any Member would otherwise receive under the Plan.

3. The Fund shall be held in trust and shall be used to pay the benefits provided by the Plan and expenses not paid directly by NSC or the Participating Subsidiaries. No part of the corpus or income of the Fund shall be used for, or diverted to, purposes other than for the exclusive benefit of participants in or beneficiaries of the Plan prior to the satisfaction of all liabilities under the Plan with respect thereto, and no person shall have any interest or right in the Fund except as expressly provided in the Plan. Notwithstanding the foregoing, "Excess Pension Assets" (as defined in Section 1(e) of Article XXIII) of the Fund may be allocated to the "Medical Benefits Account" (as defined in Section 1(f) of Article XXIII) under the Plan pursuant to the provisions of Section 10 of Article XXIII and Sec. 420 of the Code.

ARTICLE XI. ADMINISTRATION OF PLAN AND TRUST PROVISIONS

1. The general administration of the Plan and the responsibility for carrying out its provisions shall be in a Board of Managers of not less than three persons appointed from time to time by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Managers shall be the named fiduciary.

2. Any person appointed a member of the Board of Managers shall signify his acceptance by filing written acceptance with the Secretary of NSC. Any member of the Board of Managers may resign by delivering his written resignation to the Secretary of NSC.

3. The members of the Board of Managers shall appoint a Chairman, a Comptroller and a Secretary. The Comptroller, who shall not be a member of the Board of Managers, shall have access to all books, records, securities and accounts of the Fund and shall make such examinations thereof as he deems necessary. The Secretary, who may be but need not be a member of the Board of Managers, shall keep minutes of all meetings of the Board of Managers and all data, records and documents for the administration of the Plan. The Board of Managers may appoint from its members such committees with such powers as it shall determine, may authorize one or more of its members or any agent to execute or deliver any instrument or make any payment in its behalf, and may employ and suitably compensate counsel, agents and persons performing such clerical, accounting and actuarial services as it may require in administering the Plan.

4. The Board of Managers shall hold meetings upon such notice, at such place or places, and at such time or times as it may from time to time determine.

5. Any act authorized or required to be performed by the Board of Managers may be done by a majority of its members. The action of such majority expressed from time to time by a vote at a meeting or in writing without a meeting shall constitute the action of the Board of Managers and shall have the same effect for all purposes as if assented to by all members of the Board of Managers.

6. Subject to the limitations of the Plan, the Board of Managers from time to time shall establish rules for the administration of the Plan and the transaction of its business. The determination of the Board of Managers as to any disputed question shall be conclusive.

7. The Board of Managers from time to time shall adopt service and mortality tables for use in all actuarial calculations required in connection with the Plan, shall establish the rates of contribution, and shall establish the rate of regular interest which shall be used in all actuarial calculations required in connection with the Plan. As an aid to the Board of Managers in adopting tables and in fixing the rates of contribution under the Plan, the actuary designated by the Board of Managers shall make annual actuarial valuations of the assets and liabilities of the Plan, and shall certify to the Board of Managers the tables and rates which he recommends for use by the Board of Managers. The Board of Managers shall be entitled to rely upon all tables, valuations, certificates and reports furnished by such actuary and upon all opinions given by counsel (who may be counsel for NSC) selected by the Board of Managers, and the Board of Managers shall be fully protected in respect of any action taken by it in good faith in reliance upon any such material or opinions.

8. The Board of Managers shall maintain records showing the fiscal transactions of the Plan and shall keep in convenient form such data as may be necessary for actuarial valuations of the Plan. The Board of Managers shall prepare annually a report showing in

reasonable detail the assets and liabilities of the Plan and giving a brief account of its operation for the past year. In preparing such report, the Board of Managers shall be entitled to rely on any statement of assets submitted to it by a trustee or custodian of the Fund and shall be under no obligation to check or verify any such statement. Such report shall be submitted to the Board of Directors and a copy thereof shall be filed in the office of the Secretary of the Board of Managers, where it shall be open to inspection of any Member.

9. The Board of Managers has the authority to determine the amount and timing of any benefit paid under the Plan. The Board of Managers delegates to the staff of the Human Resources Department the authority to conduct the day-to-day operations of the Plan, including but not limited to making an initial determination regarding: the eligibility of a person to participate in the Plan; whether a Member, Surviving Spouse of a Member or alternate payee is entitled to benefits under the Plan; and the amount of any benefit payment. If a Member, Surviving Spouse or alternate payee receives a benefit overpayment, including an overpayment as a result of a benefit commencing earlier or in a larger amount than provided for under the terms of the Plan, then the Member's, Surviving Spouse's or alternate payee's future benefit payments may be offset, in a nondiscriminatory manner, to recoup the overpayment unless the Member, Surviving Spouse or alternate payee repays the overpayment to the Plan.

10. The Board of Managers shall have the exclusive right in its discretion to interpret the Plan (excluding Article XXV, for which the LTD Plan's Board of Managers has this exclusive right, as provided in Section 3 of that Article) and to decide all matters arising hereunder, including the right to remedy possible ambiguities, inconsistencies, or omissions. The Board of Managers shall make all determinations as to the right of any person to a benefit, except that the LTD Plan's Board of Managers shall make all determinations as to the right of any person to a Disability Benefit under Article XXV. All determinations of the Board of Managers with respect to any matter under this Plan shall be conclusive and binding on all persons. Any denial by the Board of Managers of the claim for benefits under the Plan by a Member or Surviving Spouse shall be stated in writing by the Board of Managers and delivered or mailed to the Member or Surviving Spouse; and such notice shall set forth the specific reasons for the denial, written in a manner calculated to be understood without legal or actuarial counsel. In addition, the Board of Managers shall afford a reasonable opportunity to any Member or Surviving Spouse whose claim for benefits has been denied for a review of the decision denying the claim.

11. The Board of Managers shall have authority to incur such expenses and liabilities and to have the same discharged out of the Fund as in its judgment may be in the interest of the Plan.

12. NSC shall indemnify and save harmless each member of the Board of Managers, to the extent permitted under the Employee Retirement Income Security Act of 1974, against all expenses and liabilities arising out of membership on the Board of Managers excepting only expenses and liabilities arising out of his own willful misconduct.

13. The Board of Managers shall exercise such authority and responsibility as it deems appropriate in order to comply with the Employee Retirement Income Security Act of 1974 and governmental regulations issued thereunder relating to records of Members' service; accrued benefits and the percentage of such benefits which are nonforfeitable under the Plan; notifications to Members; annual reports to the Internal Revenue Service; annual reports to the Department of Labor; and reports to the Pension Benefit Guaranty Corporation.

14. A trust ("Trust") is hereby created hereunder for the purpose of holding and administering the assets constituting the Fund. The Fund shall be held and administered by the Board of Managers as trustee, in accordance with the terms of the Plan and related Trust. By execution of this Agreement, or by separate written acknowledgment, each member of the Board of Managers hereby accepts the Trust created hereunder, and agrees to perform all duties specified herein.

The Board of Managers, with the approval of the Board of Directors, may enter into one or more trusts or custodial arrangements with responsible trust companies or other financial institutions to serve as trustees or custodians of the Fund.

ARTICLE XII. MANAGEMENT OF FUND

1. The Finance Committee of the Board of Directors, with approval of the Board of Directors, shall establish such policies for the

investment of the Fund as it shall from time to time deem advisable. Such policies need not limit investment of the Fund to assets which are customarily denominated legal investments. The Chairman of the Board of Managers, subject to such investment policies and reporting requirements as may from time to time be established by the Finance Committee of the Board of Directors, shall be authorized to make such investments, exchanges or sales, whether of stocks, bonds, notes or other forms of securities, as he may deem in the interest of the Plan.

2. The Board of Managers, with approval of the Board of Directors, may enter into such contracts, trust agreements or other arrangements as it deems desirable with investment managers, banks or financial institutions to invest or manage the investment of the Fund. Any expense incurred for services in connection with the foregoing shall be a proper charge against the Fund.

3. For convenience in effecting transfers of securities, the Board of Managers may authorize one or more of its members to execute powers of assignment or other necessary papers or may hold such securities in the name of a nominee, provided that the books and records of the Fund at all times reflect actual ownership. Shares of stock may be voted by general proxy executed by a member of the Board of Managers or by a general proxy executed by a nominee in accordance with instructions given by the Board of Managers or a member thereof who has been duly authorized to give such instructions by a general resolution of the Board of Managers.

ARTICLE XIII. CERTAIN RIGHTS AND OBLIGATIONS OF NSC AND THE PARTICIPATING SUBSIDIARIES

1. The Board of Directors may terminate the Plan or reduce, discontinue or suspend contributions thereto at any time for any reason. In the event of termination or partial termination of the Plan or discontinuance or suspension of contributions to the Plan, the rights of all affected Members, retired Members and their Surviving Spouses to benefits accrued to the date of such termination, discontinuance or suspension shall be nonforfeitable.

2. In the event of termination of the Plan, the assets of the Fund shall be used for the exclusive benefit of Members, retired Members, and their Surviving Spouses, except that any such assets not required to satisfy all liabilities of the Plan for benefits because of erroneous actuarial calculations shall be returned to NSC and the Participating Subsidiaries.

3. In the event the Plan is terminated, the Board of Managers shall allocate the assets of the Fund among the Members, retired Members and their Surviving Spouses in the following order:

(a) First, among Members, retired Members or Surviving Spouses having unrefunded contributions together with interest at such rate as the Board of Managers may determine (not in excess of the aggregate increment actually earned thereon).

(b) Second, among Members, retired Members or Surviving Spouses who:

(i) were receiving benefits three years prior to termination, but limited to the lesser of the lowest benefit level in that period or the lowest benefit level that would have been paid under the provisions of the Plan as in effect during the five years prior to termination; or

(ii) were eligible to retire and receive benefits three years prior to termination, but limited to the lowest benefit level that would have been paid under the provisions of the Plan as in effect during the five years prior to termination.

(c) Third, among Members, retired Members or Surviving Spouses whose benefits are guaranteed under Title IV of the Employee Retirement Income Security Act of 1974.

(d) Fourth, among Members, retired Members or Surviving Spouses having other vested benefits under the Plan.

(e) Fifth, among Members having other benefits under the Plan.

If the assets of the Fund applicable to any of the above categories are insufficient to satisfy in full the described benefits for all individuals in such group, the assets shall be allocated pro rata among such individuals on the basis of the present value (as of the termination date) of their respective benefits.

4. The Board of Managers shall determine on the basis of actuarial valuation the share of the assets allocable to each retired or deceased Member and each Surviving Spouse and to each active Member in the order specified in Section 3 of this Article XIII. The Board of Managers may, subject to Title IV of the Employee Retirement Income Security Act of 1974, distribute such shares in cash or may apply shares to the purpose of immediate or deferred annuities or other periodic payments, as it shall in its sole discretion determine.

5. The establishment and existence of the Plan shall not be construed as conferring any legal rights upon any Employee to a continuation of employment, nor shall it interfere with the right of NSC or any Participating Subsidiary to discharge any Employee and to treat him without regard to the effect which such treatment might have upon him as a Member of the Plan. No Member, and no Surviving Spouse of any Member, even after payment of any benefit under the Plan shall have been approved, shall be entitled to have any part of the capital or income or other property of the Fund set aside for his or her benefit. All sums of money distributable as benefits shall be paid only from the Fund.

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ARTICLE XIV. NONALIENATION OF BENEFITS

To the extent permitted by applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt so to do shall be void, except as specifically provided in the Plan; nor shall any such benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefit; and in the event that the Board of Managers shall find that any active or retired Member or Surviving Spouse under the Plan has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any of his benefits under the Plan, except as specifically provided in the Plan, then such benefit shall cease and terminate, and in that event the Board of Managers shall hold or apply the same to or for the benefit of such active or retired Member or Surviving Spouse in such manner as the Board of Managers may deem proper.

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ARTICLE XV. REFUND OF EMPLOYEE CONTRIBUTIONS

Members' unrefunded contributions, with interest at such rate as the Board of Managers may determine (not in excess of the aggregate increment actually earned thereon), shall be refunded, provided that the Member's Agreement Service constituted Creditable Service under Article IV:

1. To the Member upon his request.

2. To the Member upon his resignation or dismissal from service, except that if the Member has met the conditions of Article IX the refund shall be made only upon his request.

3. Upon a Member's death before retirement, to a person designated by a writing filed with the Secretary prior to the death of such Member, or, in the absence of such designation or in the event of the death or disability of the person designated, in accordance with law.

4. Upon a Member's death after retirement (unless a spouse's pension is payable under Article VIII), any part of the amount which has been contributed by such Member and which has not been disbursed to him and his spouse as a retirement benefit under paragraph (b) of Section 1 of Article VI, to a person designated in writing filed with the Secretary.

5. Upon retirement under the Railroad Retirement Act on account of disability without relinquishment of rights to return to the service of NSC or a Participating Subsidiary, to the Member but the refund shall be made only upon his request.

ARTICLE XVI. AMENDMENTS

NSC reserves the right at any time and from time to time to modify or amend in whole or in part, and retroactively if deemed necessary or appropriate, any or all of the provisions of the Plan in any manner; provided that no such modification or amendment, may be made (unless required in order to preserve the qualified status of the Plan under Section 401(a) or any comparable section of the code, or as may be required by the Employee Retirement Income Security Act of 1974) which would deprive any retired Member or the Surviving Spouse of a retired or deceased Member, without the consent of such person, of any benefits under the Plan to which he would otherwise be entitled; and in no event shall any modification or amendment make it possible for any part of the assets of the Fund to be used for, or diverted to, purposes other than for the exclusive benefit of participants in and beneficiaries of the Plan prior to the satisfaction of all liabilities under the Plan with respect thereto. The Plan may be amended by any proper officer of the Corporation to effect changes which are, in his or her sole judgement and discretion, ministerial, substantively adminis-trative, or necessary to comply with statutory or other legally mandated requirements, and the implementation of which does not result in a material cost to the Corporation or to the Plan. All other amendments to the Plan shall be made by resolution adopted by the Board of Directors.

ARTICLE XVII. PARTICIPATION BY SUBSIDIARY COMPANIES - JOINT ADMINISTRATION OF OTHER PLANS

Conditional upon prior approval by NSC, any company which is a subsidiary of or affiliated with NSC may adopt and participate in this Plan as a Participating Subsidiary. Each Participating Subsidiary shall make, execute and deliver such instruments as NSC and/or the Board of Managers shall deem necessary or desirable, and shall constitute NSC and/or the Board of Managers as its agents to act for it in all transactions in which NSC and/or the Board of Managers believe such agency will facilitate the administration of this Plan.

Any company which is a subsidiary of or affiliated with NSC and which adopts a plan for the benefit of its employees may, with the approval of the Board of Directors, enter into an agreement with the Board of Managers to administer such plan.

ARTICLE XVIII. MERGER OR CONSOLIDATION

The Plan may not be merged or consolidated with, or its assets may not be transferred to any other plan, unless each participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger, consolidation or transfer of assets which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer of assets (if the Plan had then terminated).

ARTICLE XIX. CONSTRUCTION

The Plan and the rights and obligations of all persons having an interest therein shall be construed in accordance with the laws of the Commonwealth of Virginia .

ARTICLE XX. CANADIAN MEMBERS

Anything in the Plan to the contrary notwithstanding, effective January 1, 1987, the Plan shall comply with the requirements of the Pension Benefits Standards Act, 1985, of Canada (hereinafter called the Pension Act) and applicable regulations thereunder, and shall be administered by NSC, but only with respect to Members or Former Members protected thereby. A Former Member is any person who has ceased membership in the Plan or has retired from the Plan. The following sections of this Article XX are included in compliance with requirements of the Pension Act for certain explicit provisions or statements in the Plan and shall apply with respect to Members or Former Members protected by the Pension Act notwithstanding anything to the contrary or inconsistent therewith in the Plan. An employee protected by the Pension Act can choose not to be a Member of this Plan because of his religious beliefs. Whenever used herein, words in the masculine form shall be deemed to refer to females as well as males. The gender of a Member or Former Member or spouse does not determine the amount of any benefit to which the Member, Former Member or spouse may be entitled under the Plan.

1. For Members who become a Member of the Plan on or after April 1, 2000, the retirement benefit of a Member protected by the Pension Act shall be calculated and payable in Canadian dollars, and such benefit shall be reduced by 66-2/3% of any pension payable under the Canada Pension Plan or a provincial pension plan as defined in section 3 of the Canada Pension Plan on the basis of service under the Canada Pension Plan applicable to Creditable Service under the Plan, assuming that such pension commenced at the earliest eligibility age following retirement. This reduction shall be in addition to any applicable offset described in paragraphs (d) through (i) of section 1 of Article IV.

2. Notwithstanding any provisions to the contrary, a Member or Former Member protected by the Pension Act may retire ten years prior to the ages specified in Sections 1 through 3 of Article V; provided, however, that the Creditable Service requirements in Article VI are met; and provided further that the Member's or Former Member's retirement benefit shall be the actuarial present value of the retirement benefit which would have been payable to the Member or Former Member pursuant to Article VI calculated on the basis of actual Creditable Service and Average Final Compensation at the time of retirement.

3. The provisions of Article IX shall apply with respect to Members protected by the Pension Act; provided, however, any Member who has completed 2 Years of Service as defined in Section 6 of Article IX shall have a nonforfeitable right to 100% of his accrued retirement benefit under the Plan. A Member or Former Member who has vested under this Section 2 and has terminated service shall be entitled to all applicable benefits under the Plan.

4. (a) Notwithstanding any provisions of Article VIII to the contrary, a Member or Former Member protected by the Pension Act who has a spouse at the time his retirement benefit commences shall receive such retirement benefit in the form of a joint and survivor annuity payable to him during life and after his death to his spouse during life in an amount equal to 60% of the amount payable to the Member or Former Member. The initial amount of the retirement benefit shall be reduced 3% unless there is no spouse entitled to receive a benefit upon the Member's or Former Member's death. For purposes of this Section 3 of Article XX, the term "spouse" means: (1) if there is no person described in clause (2), a person who is married to the Member or Former Member or who is a party to a void marriage with the Member or Former Member or (2) a person of the opposite sex who is cohabitating with the Member or Former Member in a conjugal relationship at the relevant time, having so cohabitated for at least one year.

   (b) Where a Member (or Former Member with an accrued vested benefit remaining in the Plan) dies prior to becoming eligible for an early retirement benefit pursuant to Section 1 of this Article XX, the surviving spouse, if any, is entitled to receive, when the surviving spouse attains the requisite age specified in Section 1 of this Article XX, that portion of the Member's or Former Member's accrued vested benefit, to which the Member would have been entitled on his date of death if the Member had terminated employment on that day and had not died.

   (c) A Member or Former Member who is vested under Section 2 of this Article XX may elect in writing to have a retirement benefit immediately payable to his spouse pursuant to the provisions of Section 2(b) of Article VIII; provided, however, such benefit shall be equal to 60% of the benefit the deceased Member or Former Member would have been eligible to receive assuming he had retired on the last day of the month in which he dies.

   (d) A Member who dies after becoming eligible for an early retirement benefit pursuant to Section 1 of this Article XX, but prior to the commencement of such benefit, shall be deemed to have retired on the date of his death for purposes of the survivor benefit provided in subsection (a) hereof.

5. Except as otherwise provided in the next paragraph, no benefit under the Plan of any Member or Former Member protected by the Pension Act is capable of being assigned, charged, anticipated or given as security or confers on a Member or Former Member, that person's personal representative or dependent or other person, any right or interest therein that is capable of being assigned, charged, anticipated or given as security. Once vested, no benefit is capable of being surrendered or commuted during the lifetime of the Member or Former Member or that person's spouse or confers on a Member or Former Member, that person's personal representative or dependent or other person, any right or interest therein that is capable of being surrendered or commuted during the lifetime of the Member or Former Member or that person's spouse. The provisions of this paragraph notwithstanding, where the annual pension benefit payable under the Plan is less than 2% of the "Year's Maximum Pensionable Earnings" (as that term is defined in the Pension Act) for the calendar year in which a Member ceases to be a member of the Plan or dies, the Member's accrued vested benefit may be paid to the Member or surviving spouse. No benefit under the Plan of any Member or Former Member protected by the Pension Act shall be subject in any manner to surrender or commutation during the lifetime of such Member or Former Member; provided, however, that pursuant to an agreement between the spouses or a court order, a Member or Former Member may assign all or part of his accrued vested benefit to his spouse, effective as of divorce, annulment or separation, subject to applicable provincial property law. In the event of such an assignment, the spouse shall, in respect of the assigned portion of the pension benefit, be deemed to be a Former Member of the Plan as of the effective date of such assignment, provided, however, that a subsequent spouse of the assigned spouse is not entitled to any benefits under the Plan in respect of the assigned pension benefit.

6. When the employment of a Member protected by the Pension Act is terminated for any reason (including death) prior to the Member's eligibility to retire pursuant to Section 1 of this Article XX, the actuarial present value of the Member's accrued vested benefit shall be computed in accordance with the Act or applicable regulations. The Member, or the surviving spouse (defined in Section 3 of this Article XX), as the case may be, is entitled, within 90 days, to transfer such actuarial present value to another pension plan, if that other plan permits, or to a life income fund or a locked-in registered retirement savings plan or to use such actuarial present value to purchase an immediate or deferred life annuity.

7. To the extent and so long as required by the Pension Act or applicable regulations thereunder, NSC or the Participating Subsidiaries shall make contributions currently in amounts sufficient to pay current service costs of the Plan with respect to Members protected by the Pension Act and liquidate any unfunded liabilities or experience deficiencies with respect to such Members over the period of time set forth in such Pension Act or applicable regulations.

8. Any portion of the Fund which is earmarked with respect to Members protected by the Pension Act shall be invested only as prescribed by the Pension Act or applicable regulations thereunder.

9. Each Member of the Plan and each employee who is eligible to join the Plan and that person's spouse will be given a written explanation of the provisions of the Plan and any applicable amendments thereto within 6 months after the establishment of the Plan or after any amendment thereto. Each Member and the Member's spouse will be given, within 6 months after the end of each Plan year, a written statement showing the pension benefits to which the Member is entitled under the Plan at the end of that year, the funded ratio of the Plan, where applicable, and such other information as is prescribed. Each Member and the Member's spouse may, once in each year of operation of the Plan, either in person or by an agent authorized in writing for that purpose, examine documents filed with the Superintendent at such place as is agreed to by the Plan administrator and the person requesting the documents and order, in writing, a photocopy of any such documents. Where a Member retires from the Plan, ceases to be a Member or dies or where the whole or part of the Plan is terminated, the Plan administrator shall give to that Member (or, in the case of termination, each Member) and to the Member's spouse (and, in the case of the Member's death, the Member's legal representative) a written statement, in prescribed form, of the Member's pension benefits and other benefits payable under the Plan, within 30 days after the date of the retirement, cessation of membership, death or termination.

ARTICLE XXI. TOP HEAVY PROVISIONS

1. In the event that the Plan is determined to be Top Heavy (as defined in Section 2 of this Article XXI), the following provisions shall apply to the Plan for any Plan Year for which the Plan is deemed to be Top Heavy:

(a) Notwithstanding the provisions of Section 1 of Article IX, a Member who has completed 3 years of service (as defined in Section 6 of Article IX), or who has attained Normal Retirement Age, shall have a nonforfeitable right to 100% of his Accrued Benefit under the Plan;

(b) Notwithstanding the provisions of Section 1 of Article VI, the Accrued Benefit of any Member who is not a key employee, when expressed as an annual retirement benefit payable in the form of a single life annuity at Normal Retirement Age, shall not be less than the product of the average annual compensation of such Member for the period of five years during which such Member had the highest aggregate compensation multiplied by:

(i) 2% for each year of service; or

(ii) 20%,

whichever is less; provided however that in determining average annual compensation and years of service, years of service which begin in a Plan Year after the last Plan Year in which the Plan was Top Heavy, years of service which end in a Plan Year before January 1, 1984, and years of service when the Plan benefits (within the meaning of section 410(b) of the Code) no key employee or former key employee, shall be disregarded.

2. The Plan will be deemed to be Top Heavy if as of the last day of the preceding Plan Year:

(a) The present value of cumulative accrued benefits under the Plan for key employees exceeds 60% of the present value of the cumulative accrued benefits under the Plan for all Members; or

(b) The Plan is part of a Required Aggregation Group (within the meaning of Sec. 416(g) of the Code) and the Required Aggregation Group is one in which the sum of:

(i) the present value of the cumulative accrued benefits for key employees under all defined benefit plans included in the Aggregate Group; and

(ii) the aggregate of the accounts of key employees under all defined contribution plans included in such Aggregate Group, exceeds 60% of a similar sum for all employees, provided however, that the Plan shall not be deemed to be Top Heavy for any Plan Year in which the Plan is part of a Required Aggregation Group or permissive Aggregation Group (within the meaning of Sec. 416(g) of the Code) which is not Top Heavy. The present value of accrued benefits will be computed using the published UP-1984 Table, with interest at 6% compounded annually.

(c) The present value of an employee's cumulative accrued benefit or account shall be increased by the distributions made to the employee under the Plan and any plan in the Aggregate Group during the one-year period prior to the determination date. In the case of a distribution made for reason other than separation from service, death or disability, this provision shall be applied by substituting a five-year period for one-year period.

(d) The accrued benefits and accounts of any individual who has not performed services for the employer during the one-year period ending on the determination date shall not be taken into account.

3. Any employee, or former employee, and the beneficiary of such employee shall be deemed to be a key employee for purposes of this Article XXI if at any time during the Plan Year such Member is:

(a) An officer of NSC or a Participating Subsidiary who receives compensation (within the meaning of Section 414(q)(4) of the Code) from NSC or a Participating Subsidiary of more than one hundred thirty thousand dollars ($130,000) per year (as adjusted under section 416(i)(1) of the Code for Plan Years after December 31, 2002), provided that no more than fifty (50) Members (or, if lesser, the greater of three (3) or 10 percent (10%) of all employees of the Corporation and Participating Subsidiaries) shall be considered as officers for purposes of this subsection 3(a) of Article XXI;

(b) An owner of 5% of the stock of NSC or a Participating Subsidiary; or

(c) An owner of 1% of the stock of NSC or a Participating Subsidiary who receives compensation (within the meaning of Section 414(q)(4) of the Code) from NSC or a Participating Subsidiary of more than one hundred fifty thousand dollars ($150,000) per year.

4. Required Aggregation Group as used in Section 2 of this Article XXI shall mean the Plan along with all other plans of the Corporation or any Participating Subsidiary in which a key employee participates or any other plan which enables the Plan to meet the requirements of Section 401(a) or Section 410 of the Code for the purpose of determining whether the Plan is Top Heavy.

5. For plan years beginning on or after January 1, 2001, the definition of compensation in Paragraphs 1(b), 3(a), and 3(c) of this Article XXI shall include elective amounts that are not includible in the gross income of the employee by reason of Section 132(f)(4) of the Code.

ARTICLE XXII. NW PLAN FOR SUPPLEMENTAL PENSIONS

Anything in the Plan to the contrary notwithstanding, effective December 31, 1988, a Member who was a member of the NW Supplemental Plan on December 31, 1988, shall receive or be eligible to receive only those retirement benefits to which he would otherwise have been entitled under the terms of the NW Supplemental Plan.

ARTICLE XXIII. RETIREE MEDICAL BENEFITS

1. Definitions. For purposes of this Article XXIII, the following definitions shall apply:

(a) Benefit Maintenance Period. The term Benefit Maintenance Period shall mean the period of 5 taxable years beginning with the taxable year in which a Qualified Transfer occurs.

(b) Eligible Dependent. The term "Eligible Dependent" shall mean a person who, by reason of his relationship to an Eligible Retiree and pursuant to the terms of the Medical Benefits Plan, is or may become entitled to Qualified Benefits under the Medical Benefits Plan, provided that such person is a "dependent" within the meaning of Sec. 152 of the Code.

(c) Eligible Individual. The term "Eligible Individual" shall mean an Eligible Retiree or an Eligible Dependent.

(d) Eligible Retiree. The term "Eligible Retiree" shall mean any Member or Former Member:

(i) who (A) is entitled to retirement benefits under the Plan or (B) has received a lump sum distribution of his benefit under the Plan pursuant to Section 8 of Article VI;

(ii) who is or may become entitled to receive Qualified Benefits under the Medical Benefits Plan; and

(iii) who is not a Key Employee (as defined in Sec. 416(I)(1) of the Code) at any time during the Plan Year and has not been a Key Employee at any time during any previous Plan Year for which contributions were made for such individual's benefit to the Medical Benefits Account.

(e) Establishment Date. The term "Establishment Date" shall mean January 1, 1991, the date as of which the Medical Benefits Account shall be effective.

(f) Excess Pension Assets. The term "Excess Pension Assets" shall mean the excess, if any, of the following (determined as of the most recent valuation date of the Plan preceding the date of the Qualified Transfer):

(i) the lesser of (A) the fair market value of the Plan's assets or (B) the value of the Plan's assets as determined in accordance with Sec. 412(c)(2) of the Code, over

(ii) the greater of:

(A) the lesser of (I) the applicable percentage as determined under Sec. 412(c)(7)(f) of the Code of current liability (including the expected increase in current liability due to benefits accruing during the Plan Year)or (II) the accrued liability (including normal cost) under the Plan (determined under the entry age normal funding method if such accrued liability cannot be directly calculated under the funding method used for the Plan), or

(B) 125% of the Plan's current liability (as defined in Sec. 412(c)(7)(B) of the Code).

(g) Medical Benefits Account or Account. The term "Medical Benefits Account" or "Account" shall mean the separate record keeping account established pursuant to this Article XXIII to account for contributions (and any Excess Pension Assets allocated thereto) to fund benefits payable under this Article XXIII.

(h) Medical Benefits Plan. The term "Medical Benefits Plan" shall mean the Norfolk Southern Corporation Comprehensive Benefits Plan as in effect on the Establishment Date and as amended from time to time thereafter, or any successor plan.

(i) Qualified Benefits. The term "Qualified Benefits" shall mean the benefits that are provided pursuant to Paragraphs A(1), A(2), A(3), and A(4) of Article IV and Appendices H, I, J, and K of the Medical Benefits Plan pursuant to the terms of such provisions as in effect on the Establishment Date and as amended from time to time thereafter.

(j) Qualified Current Retiree Health Liabilities. The term "Qualified Current Retiree Health Liabilities" shall have the meaning provided by Sec. 420(e)(i) of the Code

(k) Qualified Transfer. The term "Qualified Transfer" shall mean an allocation of Excess Pension Assets to the Medical Benefits Account pursuant to Section 9 of this Article XXIII.

(l) Service Provider or Service Providers. The term "Service Provider" or "Service Providers" shall mean one or more persons or organizations that the plan administrator may employ in connection with the administration of the Medical Benefits Plan and the Medical Benefits Account, including, but not limited to, an actuary, consultant, accountant, attorney, specialist, or adviser (including an investment adviser).

2. Establishment of Separate Account. A Medical Benefits Account shall be maintained with respect to contributions from NSC or the Participating Subsidiaries and any Excess Pension Assets that are allocated to fund the benefits payable under this Article XXIII. The assets allocated to the Medical Benefits Account shall be accounted for separately from all other assets of the Plan. The assets allocated to the Medical Benefits Account may be invested together with the other assets of the Plan without identification of which assets of the Plan are allocable to the Medical Benefits Account and which are allocable to the remainder of the Plan. However, where assets are not so identified, the earnings on such assets shall be allocated in a reasonable manner between the Medical Benefits Account and the remainder of the Plan.

3. No Diversion Prior to Satisfaction of All Liabilities. Except as provided in Subsection 9(c)(ii) of this Article XXIII, prior to the satisfaction of all liabilities under this Article XXIII to provide for the payment of Qualified Benefits, no part of the corpus or income of the Medical Benefits Account may be (within the taxable year or thereafter) used for, or diverted to, any purpose other than the providing of such benefits or the payment of any necessary or appropriate expenses attributable to the administration of the Medical Benefits Account.

4. Reversion Upon Satisfaction of All Liabilities. Notwithstanding the provisions of Section 3 of this Article XXIII and except as provided in Subsection 9(c)(ii) of this Article XXIII, any amounts that remain in the Medical Benefits Account upon the satisfaction of all liabilities funded pursuant to this Article XXIII shall be returned to NSC and the Participating Subsidiaries.

5. Forfeitures. If an Eligible Individual's interest in the Medical Benefits Account is forfeited prior to termination of the Plan, an amount equal to the amount of the forfeiture shall be applied as soon as possible to reduce any contributions of NSC and the Participating Subsidiaries to fund the Qualified Benefits.

6. Benefits Payable Out of the Medical Benefits Account.

(a) For each month after the Establishment Date or such other period as determined by the Board of Managers, there shall be paid out of the Medical Benefits Account, in the manner specified in Section 7 of this Article XXIII, the following amounts:

(i) the aggregate amount of Qualified Benefits that are payable, directly or indirectly, during that period by NSC and the Participating Subsidiaries to Eligible Individuals, including the amount of any premiums that may be payable to an insurance company pursuant to any contract that may provide some or all of the Qualified Benefits to Eligible Individuals; and

(ii) any necessary and appropriate administrative expenses attributable to the payment of Qualified Benefits from the Medical Benefits Plan and Medical Benefits Account, including any amount that may be payable to an insurance company or other person or organization pursuant to any contract for the provision of administrative services with respect to the payment of Qualified Benefits from the Medical Benefits Plan and the Medical Benefits Account and the amount of fees and expenses that may be owing to any Service Provider.

(b) The Qualified Benefits and the administrative expenses related thereto that are payable pursuant to Section 6(a) of this Article XXIII shall be payable first out of the Medical Benefits Account to the extent of the amount in the Account, and if any such benefits remain unpaid thereafter, may be payable out of any welfare benefit fund (as defined in Sec. 419(e)(1) of the Code) that NSC and/or the Participating Subsidiaries may have established to provide such benefits or as otherwise provided by the terms of the Medical Benefits Plan.

7. Payment of Benefits.

(a) Payments from the Medical Benefits Account shall not exceed the amount in the Medical Benefits Account and may be made as follows:

(i) to an insurance company or other person or organization with respect to any amounts that are payable pursuant to a contract for the provision of Qualified Benefits to Eligible Individuals or pursuant to a contract for the provision of administrative services with respect to the payment of Qualified Benefits from the Medical Benefits Plan and the Medical Benefits Account;

(ii) to any Service Providers with respect to any fees and administrative expenses incurred by the Service Providers in connection with the payment of Qualified Benefits to Eligible Individuals from the Medical Benefits Plan and the Medical Benefits Account;

(iii) to NSC and/or the Participating Subsidiaries with respect to any Qualified Benefits that NSC and/or the Participating Subsidiaries paid, directly or indirectly, to an Eligible Individual;

(iv) to NSC and/or the Participating Subsidiaries with respect to any amounts that NSC and/or the Participating Subsidiaries paid to an insurance company or other person or organization pursuant to a contract for the provision of Qualified Benefits to an Eligible Individual or pursuant to a contract for the provision of administrative services, or with respect to any fees and expenses that NSC and/or the Participating Subsidiaries paid to any Service Providers; or

(v) to an Eligible Individual to whom the Qualified Benefits are payable, or if such Eligible Individual is an Eligible Dependent of an Eligible Retiree, to such Eligible Retiree.

(b) In no event shall payments to NSC and/or the Participating Subsidiaries in respect of an Eligible Individual or in respect of any amounts paid to an insurance company or a Service Provider exceed the amount paid to the Eligible Individual, the insurance company, or the Service Provider, or precede the payment by NSC and/or the Participating Subsidiaries to the Eligible Individual, the insurance company, or the Service Provider, and in no event shall the Plan provide any security to NSC and/or the Participating Subsidiaries in respect of such payments.

8. Employer Contributions to the Medical Benefits Account . NSC and the Participating Subsidiaries shall have the sole discretion to determine the amount of any contributions to the Medical Benefits Account with respect to any Plan Year, subject to Subsection 9(f) of this Article XXIII. However, the amount of any such contribution, as determined by the Plan's actuary, shall be reasonable, and shall be reduced (but not below zero) as required so that the aggregate contributions actually made after the Establishment Date to the Medical Benefits Account and to provide any life insurance benefits provided under the Medical Benefits Plan shall not exceed 25% of the total aggregate contributions (other than contributions to fund past service credits) actually made to the Plan after the Establishment Date (including contributions to the Medical Benefits Account). At the time NSC and/or the Participating Subsidiaries make a contribution to the Plan, they shall designate the portion, if any, that is allocable to the Medical Benefits Account.

9. Qualified Transfers of Excess Pension Benefits . For each taxable year of NSC and the Participating Subsidiaries beginning after December 30, 1990, and before January 1, 2001, Excess Pension Assets under the Plan, if any, may be allocated to the Medical Benefits Account, in accordance with the following requirements:

(a) Excess Pension Assets shall be allocated to the Medical Benefits Account only once during each taxable year.

(b) The amount of Excess Pension Assets allocated to the Medical Benefits Account with respect to a taxable year shall not exceed the amount that is reasonably estimated to be the amount that NSC and the Participating Subsidiaries will pay (directly or through reimbursement) out of the Medical Benefits Account during the taxable year of the Qualified Transfer for Qualified Current Retiree Health Liabilities.

(c) (i) Any Excess Pension Assets allocated to the Medical Benefits Account pursuant to Section 9 of this Article XXIII (and any income allocable thereto) shall be used only to pay Qualified Current Retiree Health Liabilities for the taxable year of the allocation.

(ii) Any Excess Pension Assets in the Medical Benefits Account (and any income allocable thereto) that are not used as provided in Subsection 9(c)(i) of this Article XXIII shall, at the end of the taxable year of the allocation, be reallocated from the Medical Benefits Account to the remainder of the Plan.

(d) Any amount paid out of the Medical Benefits Account for the taxable year of a Qualified Transfer shall be treated as paid first out of any Excess Pension Assets allocated to the Medical Benefits Account for such taxable year and any income allocated thereon.

(e) The accrued retirement benefits of the Members, their Surviving Spouses, and certain former Members under the Plan shall become nonforfeitable pursuant to Section 7 of Article IX.

(f) NSC and the Participating Subsidiaries shall not contribute any amounts to the Medical Benefits Account or to a welfare benefit fund (as defined in Sec. 419(e)(1) of the Code) with respect to Qualified Current Retiree Health Liabilities that, pursuant to Subsection 9(c)(i) of this Article XXIII, must be provided by the Excess Pension Assets that have been allocated to the Medical Benefits Account.

(g) As required by Sec. 420(c)(3) of the Code, Qualified Benefits provided under the Medical Benefits Plan during the Benefit Maintenance Period to each Eligible Retiree who has retired prior to a Qualified Transfer of Excess Pension Assets shall be substantially the same as the highest level of Qualified Benefits available to such Eligible Retiree during the taxable year immediately preceding the taxable year of the Qualified Transfer. If an Eligible Retiree retires prior to a Qualified Transfer of Excess Pension Assets but is not eligible to receive Qualified Benefits during the taxable year immediately preceding the taxable year of the Qualified Transfer, Qualified Benefits provided under the Medical Benefits Plan during the Benefits Maintenance Period shall be substantially the same as the Qualified Benefits provided under the Medical Benefits Plan at the time the Eligible Retiree retires. No allocation of Excess Pension Assets to the Medical Benefits Account will be permitted unless the Medical Benefits Plan contains language implementing this provision.

10. Documentation of Eligible Individual Status. Before making any payments to any individual pursuant to this Article XXIII, the Board of Managers may require such documentation as the Board of Managers, consistent with the other provisions of the Plan, reasonably deems necessary to demonstrate that such individual qualifies as an Eligible Individual.

11. Limitation on Rights to Benefits. This Article XXIII and the establishment of the Medical Benefits Account shall not be construed as giving any Member or former Member the right to any payment of a benefit from the Medical Benefits Plan. The terms of the Medical Benefits Plan alone shall govern a Member's or former Member's entitlement to benefits thereunder. The Plan, this Article XXIII, and the Medical Benefits Account shall not be construed as granting or implying a promise to provide, currently or in the future, any health benefits (including Qualified Benefits) or a stated level of health benefits to any Member or former Member or their dependents, nor shall they be construed as in any way limiting or otherwise affecting the rights of NSC and the Participating Subsidiaries to alter, amend, change, or terminate the Medical Benefits Plan or this Article XXIII.

ARTICLE XXIV. MILITARY SERVICE

-

Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Internal Revenue Code.

ARTICLE XXV. DISABILITY BENEFIT

1. A Member who is eligible to receive a benefit under the Long-Term Disability Plan of Norfolk Southern Corporation and Participating Subsidiary Companies or any successor plan shall be eligible to receive a Disability Benefit under this Article until the earlier of (i) the date when the Member ceases to be entitled to benefits under the LTD Plan, or (ii) the date when the Member reaches age 65. Except as otherwise provided in this Article, the monthly Disability Benefit payable hereunder shall be an amount equal to 50% of the Member's monthly Disability Benefit Compensation. The Disability Benefit shall be reduced by the following amounts:

   (a) any amount paid or payable to the Member on account of his or her disability under any Workers' Compensation or Occupational or Non-Occupational Disease or Disability Act or Law, the Federal Employers' Liability Act, Railroad Unemployment Insurance Act, Railroad Retirement Act, or the Federal Social Security program;

   (b) any retirement benefit which becomes payable under this Plan or any benefit which becomes payable under any pension plan of NSC or a subsidiary of NSC or Consolidated Rail Corporation or of any other entity whose service is credited under any pension plan of Consolidated Rail Corporation, at the earliest eligibility age without reduction for early retirement;

   (c) any amount paid or payable under the Railroad Retirement or Federal Social Security Acts to the spouse or dependents of the Member, but only if the total benefit from all sources exceeds 75% of the Member's basic monthly salary; and

   (d) any income which the Member receives for personal services or for any business or occupation in which the Member engages during the period for which benefits are payable, unless the Member is engaged in rehabilitative employment under a program of rehabilitation (as determined by the LTD Plan's Board of Managers under Section 2 of this Article).

   If the reduction under paragraph (a), (b), or (c) of this Section 1 is determined after the Disability Benefit commences, the reduction shall be applied retroactively to the date the Disability Benefit commenced (or, if later, to the beginning of the period for which the benefit described in paragraph (a), (b), or (c) is paid). If a lump sum payment or periodic payments are made on account of such disability under any such Act, Law, or Plan, the monthly Disability Benefit shall be reduced by the actuarial equivalent of such lump sum settlement or periodic payments, stated as a monthly benefit paid over the same period the Disability Benefit is expected to be paid, as computed by an independent actuary.

2. The Disability Benefit payable under this Article is an ancillary benefit that does not cause any reduction in the Normal Retirement Benefit or early retirement benefit otherwise payable to the Member. No election of a form of payment shall be permitted until the Member ceases to receive a Disability Benefit. If the Member dies while he is receiving a Disability Benefit, the benefit (if any) payable to his Surviving Spouse shall be determined under the preretirement survivor annuity provisions in Article VIII.

3. The LTD Plan's Board of Managers shall have the exclusive right in its discretion to interpret this Article and to decide all matters arising hereunder, including the right to remedy possible ambiguities, inconsistencies, or omissions. All determinations of the LTD Plan's Board of Managers with respect to any matter under this Article shall be conclusive and binding on all persons.

   The LTD Plan's Board of Managers shall make all determinations as to the right of any person to the Disability Benefit under this Article. Any denial by the LTD Plan's Board of Managers of a claim for benefits under this Article by an Employee or Member shall be stated in writing by the LTD Plan's Board of Managers and delivered or mailed to the Employee or Member, and such notice shall set forth the specific reasons for the denial, written in a manner that may be understood by the Employee or Member. In addition, the LTD Plan's Board of Managers shall afford a reasonable opportunity to any Employee or Member whose claim for Disability Benefits has been denied for a review of the decision denying the claim.

ARTICLE XXVI. MISCELLANEOUS

1. This Plan shall not be deemed to be an employment contract between the Corporation or any Participating Subsidiary and any Member or other employee.

2. Any person eligible to receive benefits hereunder shall furnish to the Managers any information or proof requested by the Managers and reasonably required for the proper administration of the Plan. Failure on the part of any person to comply with any such request within a reasonable period of time shall be sufficient grounds for delay in the payment of any benefits that may be due under the Plan until such information or proof is received by the Managers.

3. Each Member and each Beneficiary entitled to receive a benefit under the Plan shall keep the Managers advised of his or her current address. If the Managers are unable to locate a Member or Beneficiary to whom a benefit is payable under the Plan for a period of twelve (12) months, or if the Member or Beneficiary to whom a benefit is payable under the Plan receives a check for payment of the benefit but does not present the check for payment within twelve (12) months, in either case commencing with the day on which such benefit first becomes payable, the total amount payable to such Member or Beneficiary shall be forfeited and shall be used to reduce future contributions by NSC and the Participating Subsidiaries as provided in Article X; provided, that if such Member or Beneficiary to whom a benefit is payable makes a claim in writing for such benefit after the expiration of such twelve (12) month period, the benefit shall be reinstated.

4. The Corporation or any Participating Subsidiary shall have the right, to the extent permitted by law, to deduct from any payment or distribution to a Member or Beneficiary any Federal, state or local taxes of any kind required by law to be withheld.

EXHIBIT A

EMPLOYEE MORTALITY ASSUMPTION

USED IN DEVELOPMENT OF OPTION FACTORS

-

Employee Age	Annual Rate of Mortality	Employee Age	Annual Rate of Mortality	Employee Age	Annual Rate of Mortality
20	0.000411	50	0.004259	80	0.079994
21	0.000427	51	0.004721	81	0.088980
22	0.000445	52	0.005210	82	0.098503
23	0.000463	53	0.005727	83	0.108513
24	0.000485	54	0.006272	84	0.119079
25	0.000508	55	0.006844	85	0.130175
26	0.000534	56	0.007444	86	0.141882
27	0.000562	57	0.008076	87	0.154275
28	0.000594	58	0.008747	88	0.167531
29	0.000628	59	0.009471	89	0.181694
30	0.000666	60	0.010265	90	0.196968
31	0.000708	61	0.011150	91	0.209014

32	0.000754	62	0.012152	92	0.221755
33	0.000805	63	0.013305	93	0.235306
34	0.000860	64	0.014641	94	0.249791
35	0.000923	65	0.016203	95	0.265356
36	0.000991	66	0.018034	96	0.282155
37	0.001066	67	0.019960	97	0.300359
38	0.001149	68	0.021877	98	0.320159
39	0.001242	69	0.023874	99	0.341754
40	0.001343	70	0.026165	100	0.365359
41	0.001470	71	0.029253	101	0.391194
42	0.001639	72	0.032731	102	0.419496
43	0.001848	73	0.036536	103	0.452379
44	0.002094	74	0.040725	104	0.492096
45	0.002376	75	0.045963	105	0.540899
46	0.002691	76	0.050642	106	0.601038
47	0.003038	77	0.056811	107	0.674766
48	0.003416	78	0.063794	108	0.764335
49	0.003824	79	0.071557	109	0.871996
				110	1.000000

EXHIBIT B

BENEFICIARY MORTALITY ASSUMPTION

USED IN DEVELOPMENT OF OPTION FACTORS

Employee Age	Annual Rate of Mortality	Employee Age	Annual Rate of Mortality	Employee Age	Annual Rate of Mortality
20	0.000275	50	0.002367	80	0.063124
21	0.000290	51	0.002753	81	0.070445
22	0.000306	52	0.002798	82	0.078282
23	0.000323	53	0.003049	83	0.086449
24	0.000342	54	0.003324	84	0.095459
25	0.000362	55	0.003630	85	0.105185
26	0.000383	56	0.003976	86	0.115744
27	0.000406	57	0.004376	87	0.126922
28	0.000430	58	0.004839	88	0.139471
29	0.000457	59	0.005371	89	0.152845
30	0.000487	60	0.005978	90	0.167597
31	0.000518	61	0.006663	91	0.180685
32	0.000553	62	0.007428	92	0.194505
33	0.000591	63	0.008273	93	0.209559
34	0.000632	64	0.009196	94	0.226003
35	0.000677	65	0.010191	95	0.244005
36	0.000725	66	0.011255	96	0.263751
37	0.000780	67	0.012374	97	0.285445
38	0.000839	68	0.013662	98	0.309309
39	0.000903	69	0.015214	99	0.335583
40	0.000975	70	0.017162	100	0.364532
41	0.001056	71	0.019865	101	0.396444
42	0.001147	72	0.023001	102	0.431633
43	0.001251	73	0.026492	103	0.470647

44	0.001366	74	0.030321	104	0.515260
45	0.001494	75	0.034536	105	0.567251
46	0.001638	76	0.039190	106	0.628394
47	0.001795	77	0.044335	107	0.700464
48	0.001968	78	0.050109	108	0.785238
49	0.002158	79	0.056293	109	0.884492
				110	1.000000

Retirement Plan of Norfolk Southern Corporation

and Participating Subsidiary Companies

Schedule A. Additional Retirement Benefits

The following Members, listed by confidential identification numbers maintained by the Plan Administrator, will receive the indicated monthly Additional Retirement Benefit, in accordance with Article VI of the Plan:

Schedule A

Identification Number	**Additional Retirement Benefit**
1	$26.88
2	381.72
3	276.40
4	4,555.13
5	315.53
6	328.30
7	964.32
8	58.67
9	83.33
10	1,577.71
11	70.30
12	197.63

13	821.87
14	815.08
15	370.82
16	731.48
17	121.25
18	1,304.57
19	7,731.59
20	40.95
21	482.36
22	68.45
23	116.21
24	83.98
25	499.96
26	44.99
27	200.79
28	783.26

Schedule A continued

Identification Number	Additional Retirement Benefit
29	33.59
30	67.84
31	21,388.96
32	1,371.51
33	147.65
34	487.99
35	127.44
36	769.73
37	188.72
38	1,548.04
39	1,194.37
40	158.08
41	3,411.23

42	833.34
43	5,556.86
44	183.18
45	671.52
46	615.62
47	1,104.12
48	327.24
49	41.75
50	942.45
51	935.30
52	387.31
53	3,322.86
54	791.16
55	744.92
56	182.28
57	5.95
58	8.25
59	1,023.05
60	1,087.63
61	5,407.87
62	69.21
63	1,155.57
64	108.99
65	4,558.49
66	146.78
67	504.39
68	94.28

Schedule A continued

Identification Number	Additional Retirement Benefit
69	84.35
70	54.44
71	802.10
72	219.41
73	275.25
74	1,574.82
75	118.26
76	424.57
77	348.56
78	19.96
79	608.65
80	327.15
81	837.55
82	184.38
83	4.09
84	951.01
85	488.58
86	2,518.63
87	3,292.37
88	1,335.68
89	2,240.10
90	36.38
91	69.12
92	494.79
93	174.17
94	446.33
95	146.10
96	40.11
97	526.49

98	833.06
99	6.08
100	423.71
101	307.33
102	152.40
103	700.33
104	204.18
105	223.78
106	404.78
107	93.75

Schedule A continued

Identification Number	Additional Retirement Benefit
108	6.33
109	675.25
110	542.69
111	328.30
112	274.99
113	295.00
114	1,859.62
115	381.74
116	301.07
117	365.04
118	168.74
119	603.48
120	616.62
121	97.56
122	356.81
123	502.83
124	1,411.62
125	907.19
126	571.81

127	17.65
128	131.68
129	45.88
130	40.14
131	96.65
132	2,489.98
133	1,706.36
134	59.66
135	24.14
136	1,033.44
137	184.46
138	414.57
139	25.72
140	33.74
141	132.75
142	55.67
143	210.00
144	124.95
145	482.39
146	682.86
147	184.46

Schedule A continued

Identification Number	Additional Retirement Benefit
148	141.74
149	150.98
150	547.65
151	1,075.72
152	385.38
153	2,317.54
154	345.11
155	516.83
156	555.43
157	18,307.91
158	1,759.62
159	94.26
160	83.45
161	9.27
162	910.85
163	190.44
164	191.98
165	543.21
166	1,486.76
167	917.88
168	382.97
169	41.89
170	49.51
171	1,255.99
172	1,446.97
173	469.50
174	1,309.05
175	2,677.79
176	1,486.51

177	112.85
178	624.48
179	3,369.39
180	562.19
181	971.15
182	1,130.67

Retirement Plan of Norfolk Southern Corporation

and Participating Subsidiary Companies

Schedule B. Additional Retirement Benefits

The following Members, listed by confidential identification numbers maintained by the Plan Administrator, will receive the indicated monthly Additional Retirement Benefit, in accordance with Section 1.(d) of Article VI of the Plan, effective as of January 1, 2005:

-

Identification Number	**Additional Retirement Benefit Before Offset Described in Section 1(e) of Article VI Is Applicable**	**Additional Retirement Benefit After Offset Described in Section 1(e) of Article VI is Applicable**
1	$182.08	$2.61
2		95.38
3		175.27
4	1,352.10	726.15
5		101.82
6		84.18
7		216.58
8		81.42
9	217.66	
10	388.16	
11	378.31	
12		152.21

Retirement Plan of Norfolk Southern Corporation

and Participating Subsidiary Companies

Schedule C. Reduction in Retirement Benefits

The retirement benefits otherwise payable to the following Members, listed by confidential identification numbers maintained by the Plan Administrator, will be reduced by the indicated monthly amount, in accordance with Section 1.(k) of Article VI of the Plan, effective as of January 1, 2005:

Identification Number	Reduction in Benefit
1	$34.18
2	25.00
3	25.00
4	25.00
5	25.00
6	25.00
7	25.00
8	25.00
9	25.00
10	25.00
11	25.00

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

Computation of Ratio of Earnings to Fixed Charges

($ in millions)

	Year ended December 31,				
	2006	2005	2004	2003	2002
EARNINGS					
Income from continuing operations before income taxes as reported	$ 2,230	$ 1,697	$ 1,289	$ 586	$ 706
Add (subtract):					
Total interest expenses (as detailed below)	548	552	567	609	663
Amortization of capitalized interest	5	5	5	5	6
Income of partially owned entities (1)	(48)	(61)	(58)	46	36
Subsidiaries' preferred dividend requirements	--	--	--	--	2
Total earnings	$ 2,735	$ 2,193	$ 1,803	$ 1,246	$ 1,413
FIXED CHARGES					
Interest expense on debt	$ 476	$ 494	$ 489	$ 497	$ 518
Other interest expense	17	6	18	5	32
Calculated interest portion of rent expense	55	52	45	39	40
NS' share of Conrail interest	--	--	15	68	73
Total interest expenses	548	552	567	609	663
Capitalized interest	13	11	10	12	11
Subsidiaries' preferred dividend requirement on a pretax basis	--	--	--	--	4
Total fixed charges	$ 561	$ 563	$ 577	$ 621	$ 678
RATIO OF EARNINGS TO FIXED CHARGES	4.88	3.90	3.12	2.01	2.08

(1) Includes: (a) the distributed income of equity investees, net of equity earnings included in income from continuing operations before income taxes as reported and the minority income of consolidated entities which have fixed charges; and, for the periods before the Conrail Corporate Reorganization, (b) NS' share of Conrail's income before income taxes, net of equity in earnings of Conrail included in NS' income from continuing operations before taxes as reported.

The computations do not include $0.3 million of interest expense related to $7.8 million of debt guaranteed for a less than 50% owned entity.

CONSOLIDATED (MORE THAN 50% OWNED) SUBSIDIARIES

OF NORFOLK SOUTHERN CORPORATION AND STATES OF INCORPORATION

AS OF AUGUST 31, 2006

	State or Country of Incorporation
Atlantic Acquisition Corporation	Pennsylvania
Atlantic Investment Company	Delaware
General American Insurance Company	Vermont
General Security Insurance Company, Ltd.	Bermuda
Norfolk Southern Properties, Inc.	Virginia
Norfolk Southern Railway Company	Virginia
NS Fiber Optics, Inc.	Virginia
PDC Tim ber LLC	Delaware
Pennsylvania Investment Company, Inc.	Delaware
PLC Tim ber LLC	Delaware
Pocahontas Development Corporation	Kentucky
Pocahontas Land Corporation	Virginia
T-Cubed of North America , LLC	Delaware
Thoroughbred Funding, Inc.	Virginia
Thoroughbred Technology and Telecommunications, Inc.	Virginia

Norfolk Southern Railway Company Subsidiaries

Airforce Pipeline, Inc.	North Carolina
Alabama Great Southern LLC	Virginia
Alabama Great Southern Railroad Company, The	Alabama
Camp Lejeune Railroad Company	North Carolina
Central of Georgia LLC	Virginia
Central of Georgia Railroad Company	Georgia
Chesapeake Western Railway	Virginia
Cincinnati , New Orleans and Texas Pacific Railway Company, The	Ohio
Citico Realty Company	Virginia
Georgia Southern and Florida Railway Company	Georgia
High Point , Randleman, Asheboro and Southern Railroad Company	North Carolina

Interstate Railroad Company	Virginia
Lamberts Point Barge Company, Inc.	Virginia
Mobile and Birmingham Railroad Company	Alabama
Norfolk and Portsmouth Belt Line Railroad Company	Virginia
Norfolk Southern International, Inc.	Virginia
Norfolk Southern - Mexico , LLC	Virginia
NorfolkSouthernMexicana, S. de R.L. de C.V.	Mexico
North Carolina Midland Railroad Company, The	North Carolina
PLS Investment, LLC	Virginia
Rail Investment Company	Delaware

Reading Company, LLC (Delaware)	Delaware
Reading Company, LLC (Virginia)	Virginia
Shenandoah-Virginia Corporation	Virginia
South Western Rail Road Company, The	Georgia
Southern Rail Terminals, Inc.	Georgia
Southern Rail Terminals of North Carolina, Inc.	North Carolina
Southern Region Coal Transport, Inc.	Alabama
Southern Region Materials Supply, Inc.	Georgia
State University Railroad Company	North Carolina
TCS Leasing, Inc.	Oklahoma
TCV, Inc.	Delaware
Tennessee , Alabama & Georgia Railway Company	Delaware
Tennessee Railway Company	Tennessee
Thoroughbred Direct Intermodal Services, Inc.	Pennsylvania
Transworks Company	Indiana
Transworks, Inc.	Virginia
Transworks of Indiana, Inc.	Indiana
Triple Crown Services Company	--
Virginia and Southwestern Railway Company	Virginia
Wheelersburg Terminal LLC	Virginia
Yadkin Railroad Company	North Carolina

Norfolk Southern Properties, Inc. Subsidiaries:

Alexandria-Southern Properties, Inc.	Virginia
Arrowood-Southern Company	North Carolina
Charlotte-Southern Hotel Corporation	North Carolina
Lambert's Point Docks, Incorporated	Virginia
Nickel Plate Improvement Company, Inc., The	Indiana
Norfolk Southern Tower, L.L.C.	Virginia
Northmont Limited Partnership	Georgia
NS-Charlotte Tower Corporation	North Carolina
NS Transportation Brokerage Corporation	Virginia
Sandusky Dock Corporation	Virginia
Southern Region Industrial Realty, Inc.	Georgia
SRIR Timber, L.L.C.	Delaware
Virginia Holding Corporation	Virginia

In addition, NS owns direct or indirect equity interest in:

Conrail Inc.
Consolidated Rail Corporation and its consolidated subsidiaries
CRR Holdings LLC
Delaware Otsego Corporation
DOCP Acquisition, LLC

Green Acquisition Corp.
Meridian Speedway , LLC
TTX Company

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Norfolk Southern Corporation:

We consent to the incorporation by reference in Registration Statement Nos. 33-52031, 333-71321, 333-60722, 333-100936 and 333-109069 on Form S-8 and 333-119398 on Form S-3 of Norfolk Southern Corporation of our reports dated February 20, 2007, with respect to the consolidated balance sheets of Norfolk Southern Corporation as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2006, and the related financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006, and the effectiveness of internal control over financial reporting as of December 31, 2006, which reports appear in the December 31, 2006 Annual Report on Form 10-K of Norfolk Southern Corporation. Our report on the consolidated financial statements and related financial statement schedule refers to the adoption by Norfolk Southern Corporation of Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, effective January 1, 2006, and Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, effective December 31, 2006.

/s/ KPMG LLP
Norfolk , Virginia
February 20, 2007

EXHIBIT 31

CERTIFICATIONS OF CEO AND CFO PURSUANT TO

EXCHANGE ACT RULE 13a-14(a) OR RULE 15d-14(a)

I, Charles W. Moorman, certify that:

1. I have reviewed this Annual Report on Form 10-K of Norfolk Southern Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: Feb. 20, 2007

/s/ Charles W. Moorman

Charles W. Moorman

Chairman, President and Chief Executive Officer

I, Henry C. Wolf, certify that:

1. I have reviewed this Annual Report on Form 10-K of Norfolk Southern Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: Feb. 20, 2007

/s/ Henry C. Wolf

Henry C. Wolf

Vice Chairman and Chief Financial Officer

EXHIBIT 32

CERTIFICATIONS OF CEO AND CFO REQUIRED BY RULE 13a-14(b) OR RULE 15d-14(b) AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE U. S. CODE

I certify, to the best of my knowledge, that the Annual Report on Form 10-K for the year ended Dec. 31, 2006, of Norfolk Southern Corporation fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Norfolk Southern Corporation.

Signed: /s/ Charles W. Moorman

Charles W. Moorman
Chairman, President and Chief Executive Officer
Norfolk Southern Corporation

Dated: Feb. 20, 2007

I certify, to the best of my knowledge, that the Annual Report on Form 10-K for the year ended Dec. 31, 2006, of Norfolk Southern Corporation fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Norfolk Southern Corporation.

Signed: /s/ Henry C. Wolf

Henry C. Wolf
Vice Chairman and Chief Financial Officer
Norfolk Southern Corporation

Dated: Feb. 20, 2007

Exhibit 99

Form Last Updated by the NYSE on April 28, 2006

NYSE Regulation

Domestic Company

Section 303A

Annual CEO Certification

As the Chief Executive Officer of _________Norfolk Southern Corporation (NSC)___

(Insert Company name and ticker symbol)

and as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, I hereby certify that as of the date hereof I am not aware of any violation by the Company of NYSE's corporate governance listing standards, other than has been notified to the Exchange pursuant to Section 303A.12(b) and disclosed on Exhibit H to the Company's Domestic Company Section 303A Annual Written Affirmation.

This certification is:

[x] Without qualification

or

[ ] With qualification

By:________________/s/ Charles W. Moorman IV____

Print Name:________Charles W. Moorman IV____

Title:_____________Chairman, President and Chief Executive Officer_______________________

Date:_______________May 25, 2006____

Note: THE NYSE WILL NOT ACCEPT IF RETYPED, MODIFIED OR IF ANY TEXT IS DELETED. If you have any questions regarding applicability to your Company's circumstances, please call the Corporate Governance department prior to submission.