

FIRST QUARTER 2015

Quarterly Financial Review



**NORFOLK
SOUTHERN**

Finance Department
Three Commercial Place
Norfolk, Virginia 23510.2191

Norfolk Southern Railway System



Contents

Consolidated Statements of Income.....	2
Consolidated Balance Sheets.....	4
Consolidated Statements of Cash Flows.....	5
Consolidated Financial Information.....	6
Railway Operating Revenues Analysis.....	8
Monthly Railway Units.....	9
Railway Operating Revenues Variance Analysis.....	10
Coal Tonnage by Market.....	10
Railway Operating Expenses Variance Analysis.....	11
Compensation and Benefits Expense Analysis.....	12
Fuel Expense Analysis.....	12
Other Income — Net Analysis.....	13
Productivity Measures.....	14
Financial, Traffic and Operating Statistics:	
Consolidated Financial Data.....	16
Traffic and Operating Statistics.....	18

Investor Inquiries: Katie U. Cook..... (757) 629-2861

The accompanying unaudited financial information and summary of certain notes to the consolidated financial statements should be read in conjunction with: (a) the consolidated financial statements and notes included in Norfolk Southern Corporation's (NS, we, us and our) latest Annual Report on Form 10-K and in subsequent Quarterly Reports on Form 10-Q, and (b) any Current Reports on Form 8-K.

Any statements contained in this document which are not related to historical facts are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995, and NS undertakes no obligation to update such statements. Such forward-looking statements are subject to risks and uncertainties (the most significant of which are described in our SEC filings) which could cause actual results to differ materially.

Consolidated Statements of Income

First Quarter
(in millions, except per share amounts)

	2015	2014
Railway operating revenues		
Coal	\$ 455	\$ 541
General merchandise	1,520	1,552
Intermodal	592	596
Total railway operating revenues	2,567	2,689
Railway operating expenses		
Compensation and benefits	783	740
Purchased services and rents	423	392
Fuel	264	432
Depreciation	245	237
Materials and other	246	221
Total railway operating expenses	1,961	2,022
Income from railway operations	606	667
Other income — net	21	26
Interest expense on debt	132	139
Income before income taxes	495	554
Provision for income taxes		
Current	173	194
Deferred	12	(8)
Total income taxes	185	186
Net income	\$ 310	\$ 368
Earnings per share		
Basic	\$ 1.01	\$ 1.18
Diluted	1.00	1.17
Weighted average shares outstanding (note 1)		
Basic	306.8	309.5
Diluted	309.6	312.6

Notes

1. Stock Repurchase Program

We repurchased 3.9 million and 0.5 million shares of common stock in the first quarters of 2015 and 2014, respectively, at a cost of \$415 million and \$50 million, respectively. We have remaining authorization from our Board of Directors to repurchase up to 31.3 million shares through December 31, 2017. The timing and volume of purchases is guided by our assessment of market conditions and other pertinent factors. Any near-term share repurchases are expected to be made with internally generated cash, cash on hand, or proceeds from borrowings. Since the beginning of 2006, we have repurchased and retired 143.7 million shares at a total cost of \$8.8 billion.

This page intentionally left blank;
year-to-date statement will appear
here next quarter.

Consolidated Balance Sheets

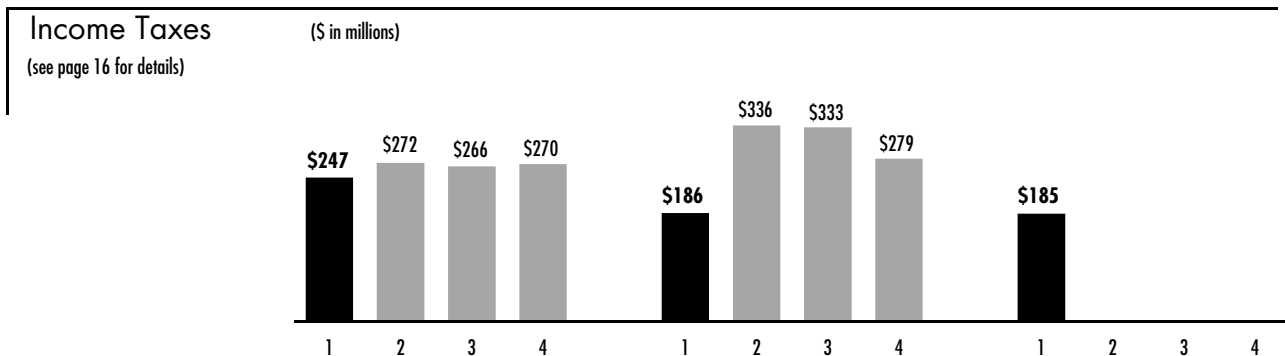
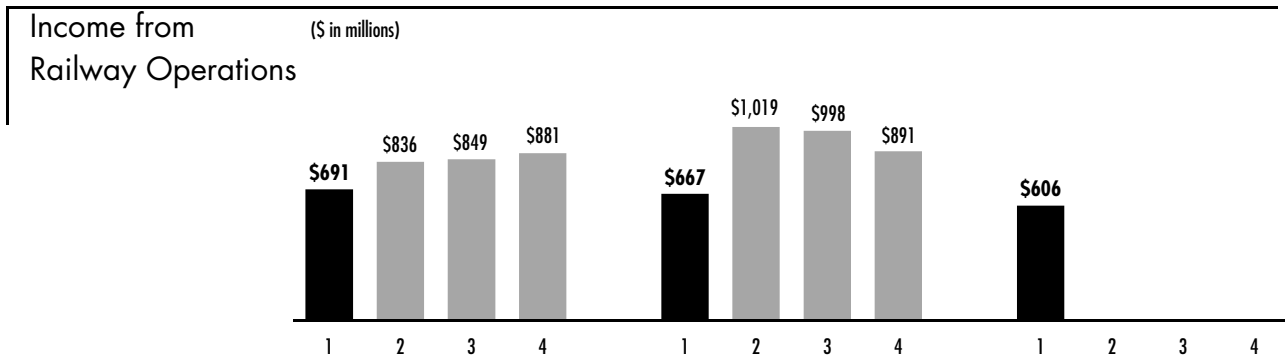
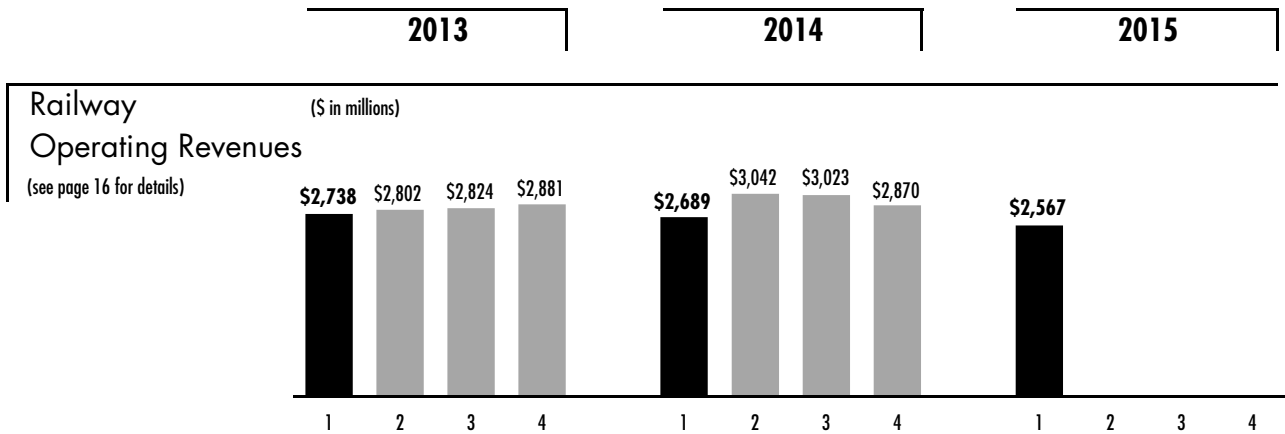
	March 31,	December 31,
	(\$ in millions)	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 524	\$ 973
Accounts receivable — net	1,032	1,055
Materials and supplies	268	236
Deferred income taxes	118	167
Other current assets	173	347
Total current assets	2,115	2,778
Investments	2,701	2,679
Properties less accumulated depreciation of \$11,020 and \$10,814, respectively	27,829	27,694
Other assets	130	90
Total assets	\$ 32,775	\$ 33,241
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,094	\$ 1,233
Short-term debt	-	100
Income and other taxes	210	217
Other current liabilities	298	228
Current maturities of long-term debt	501	2
Total current liabilities	2,103	1,780
Long-term debt	8,429	8,924
Other liabilities	1,302	1,312
Deferred income taxes	8,783	8,817
Total liabilities	20,617	20,833
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 304,849,454 and 308,240,130 shares, respectively, net of treasury shares	306	310
Additional paid-in capital	2,160	2,148
Accumulated other comprehensive loss	(395)	(398)
Retained income	10,087	10,348
Total stockholders' equity	12,158	12,408
Total liabilities and stockholders' equity	\$ 32,775	\$ 33,241

Consolidated Statements of Cash Flows

First Quarter
(S in millions)

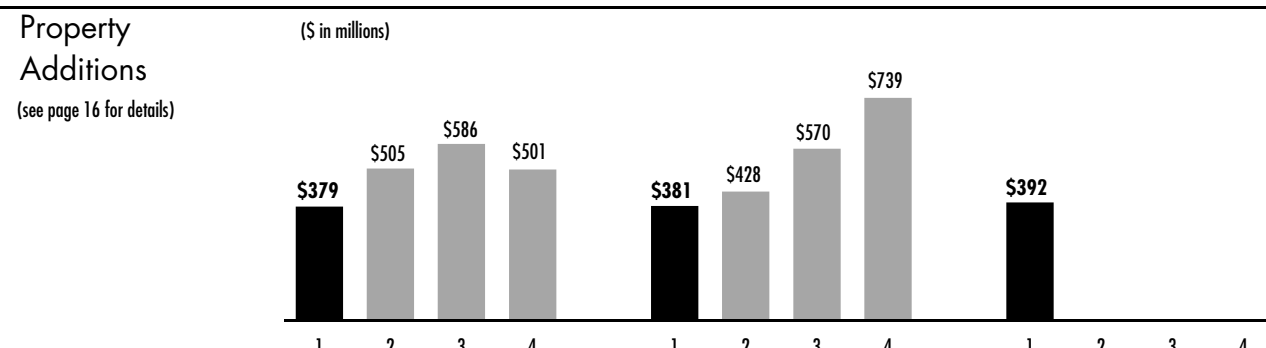
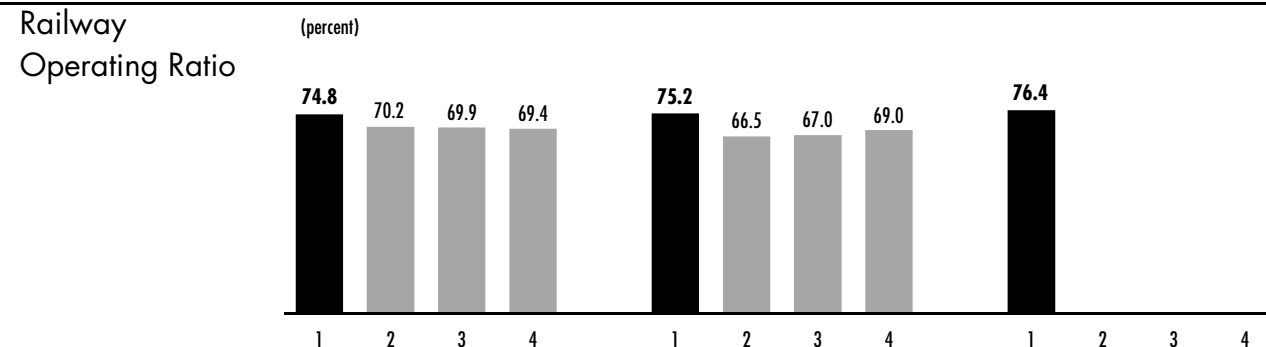
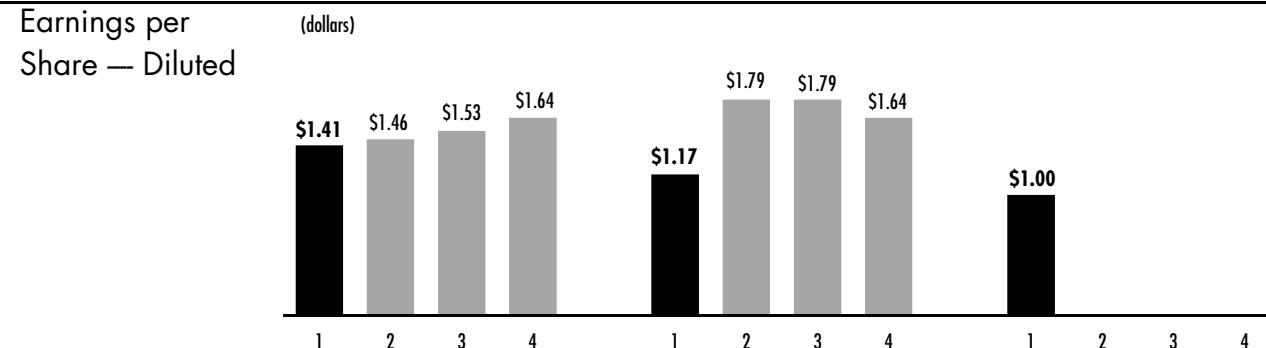
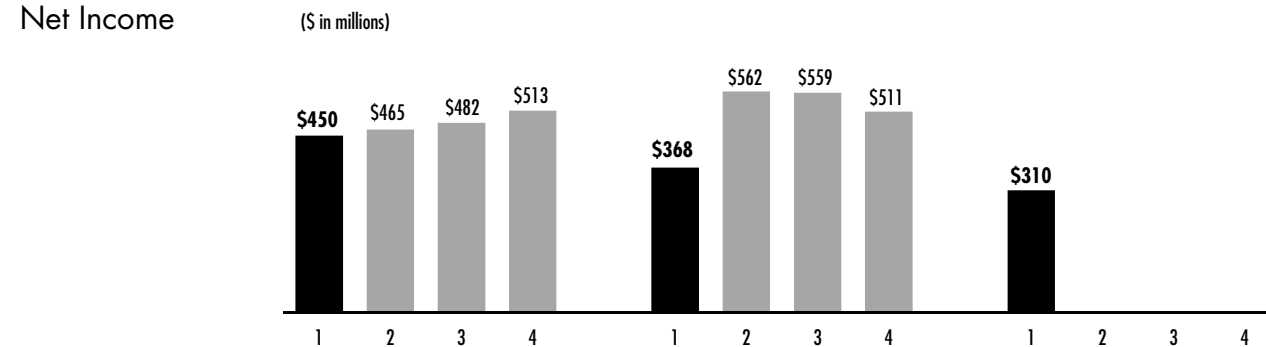
	2015	2014
Cash flows from operating activities		
Net income	\$ 310	\$ 368
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	246	238
Deferred income taxes	12	(8)
Gains and losses on properties and investments	(5)	(2)
Changes in assets and liabilities affecting operations:		
Accounts receivable	23	(85)
Materials and supplies	(32)	(17)
Other current assets	176	17
Current liabilities other than debt	(97)	86
Other — net	(28)	(9)
Net cash provided by operating activities	605	588
Cash flows from investing activities		
Property additions	(392)	(381)
Property sales and other transactions	16	22
Investments, including short-term	(3)	(3)
Investment sales and other transactions	1	108
Net cash used in investing activities	(378)	(254)
Cash flows from financing activities		
Dividends	(181)	(167)
Common stock issued	21	62
Purchase and retirement of common stock (note 1)	(415)	(50)
Debt repayments	(101)	(100)
Net cash used in financing activities	(676)	(255)
Net increase (decrease) in cash and cash equivalents	(449)	79
Cash and cash equivalents		
At beginning of year	973	1,443
At end of period	\$ 524	\$ 1,522
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 71	\$ 75
Income taxes (net of refunds)	12	60

Consolidated Financial Information



Consolidated Financial Information

2013
2014
2015

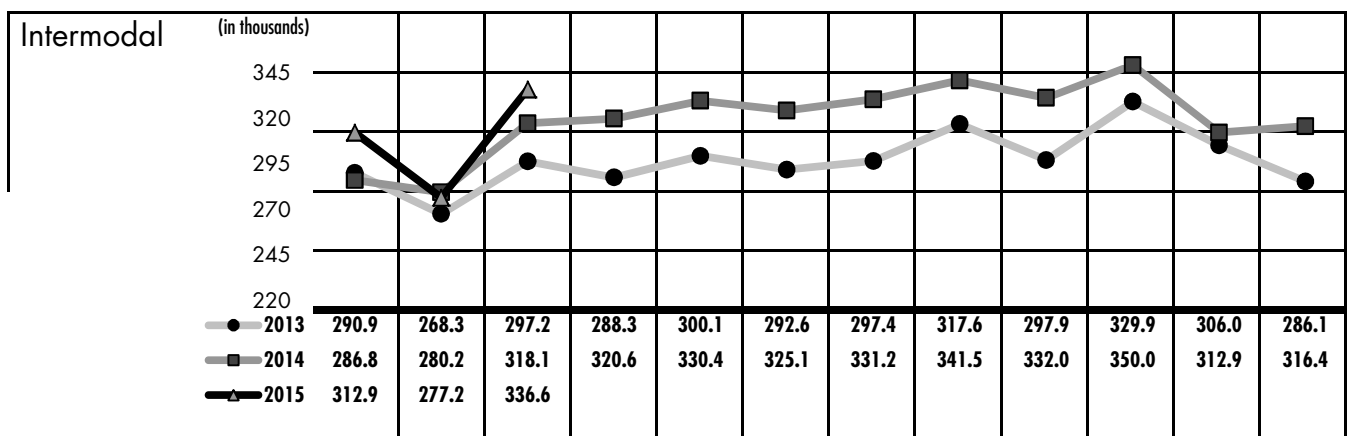
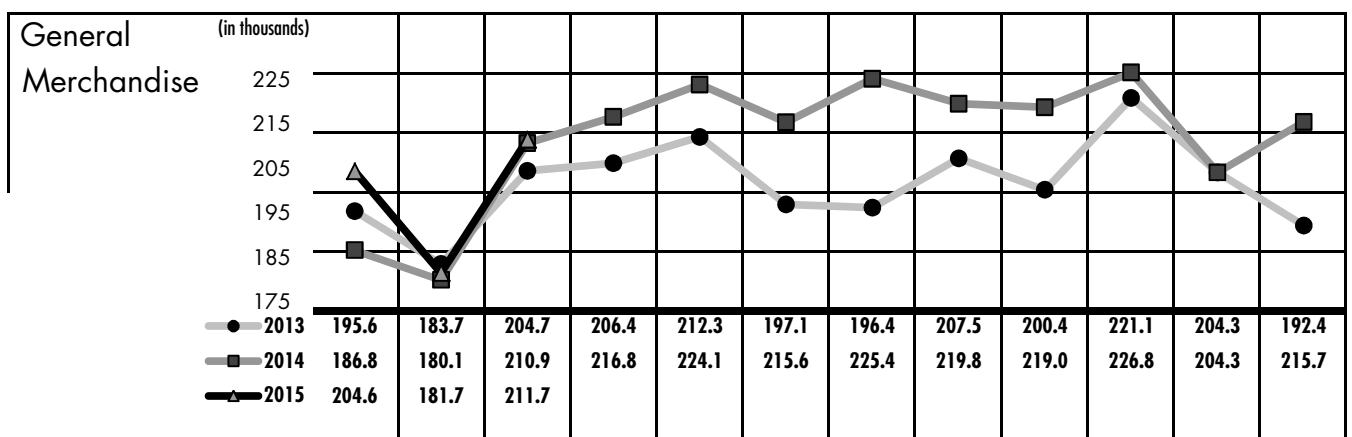
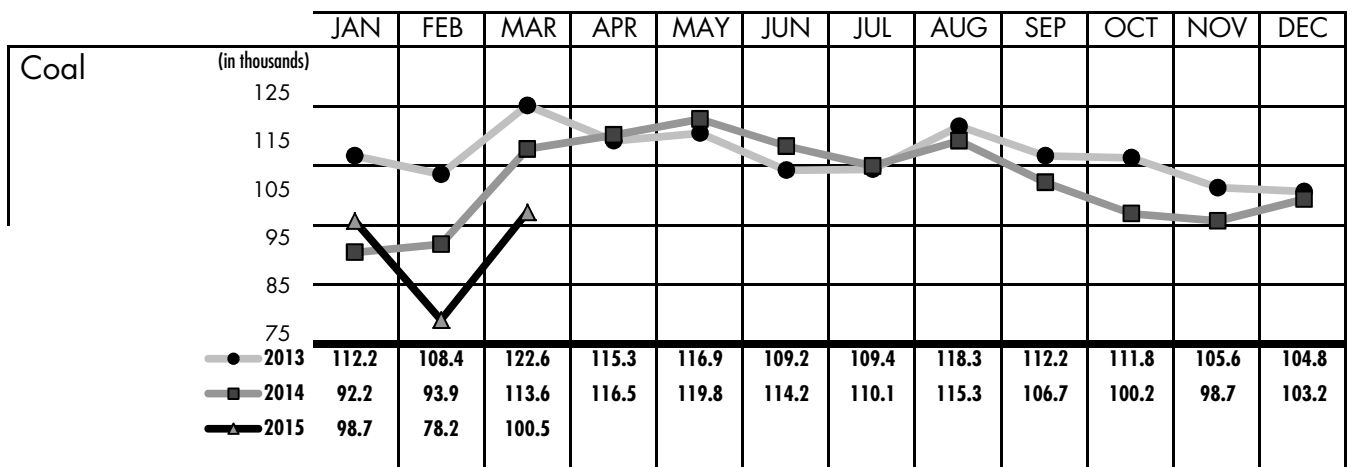


Railway Operating Revenues Analysis

Commodity and Period	Revenues (S in millions)			Units (in thousands)			Revenue per Unit (S per unit)		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
First Quarter									
Coal	\$ 635	\$ 541	\$ 455	343.2	299.7	277.4	\$ 1,850	\$ 1,805	\$ 1,642
Chemicals	394	443	432	106.0	116.1	127.3	3,719	3,820	3,390
Metals and construction	336	331	310	154.8	149.9	152.5	2,172	2,207	2,031
Agriculture/consumer/gov't	361	361	374	147.9	147.1	150.0	2,441	2,457	2,495
Automotive	244	227	219	98.7	92.3	95.7	2,467	2,455	2,291
Paper/clay/forest	195	190	185	76.6	72.4	72.5	2,539	2,620	2,552
General merchandise	1,530	1,552	1,520	584.0	577.8	598.0	2,619	2,686	2,541
Intermodal	573	596	592	856.4	885.1	926.7	669	673	639
Total	\$ 2,738	\$ 2,689	\$ 2,567	1,783.6	1,762.6	1,802.1	1,535	1,525	1,425

This area intentionally left blank;
second quarter and year-to-date
analyses will appear here next
quarter.

Monthly Railway Units



Railway Operating Revenues Variance Analysis

(\$ in millions)

First Quarter
2015 vs. 2014

	Coal		General Merchandise		Intermodal		Total	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Revenue Variance due to:								
Volume	\$ (40)	(7%)	\$ 54	3%	\$ 28	5%	\$ 60	2%
Revenue per unit	(46)	(9%)	(86)	(5%)	(32)	(5%)	(182)	(7%)
Total	<u>\$ (86)</u>	(16%)	<u>\$ (32)</u>	(2%)	<u>\$ (4)</u>	(1%)	<u>\$ (122)</u>	(5%)

This area intentionally left blank;
year-to-date analysis will appear
here next quarter.

Coal Tonnage by Market

(tons in thousands)

First Quarter

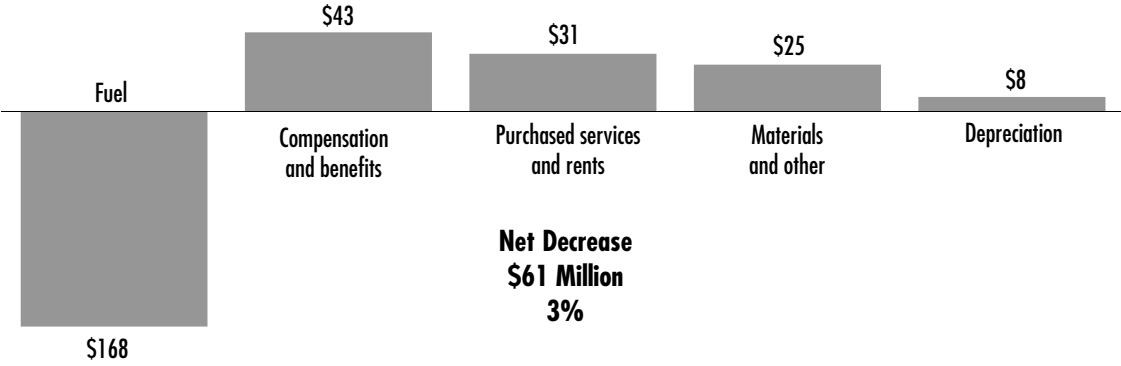
	2013		2014		2015	
	Tons	Change vs. 2012	Tons	Change vs. 2013	Tons	Change vs. 2014
Utility	23,958	(9%)	21,196	(12%)	20,114	(5%)
Export	8,419	25%	6,503	(23%)	5,311	(18%)
Domestic metallurgical	4,042	(12%)	3,186	(21%)	3,145	(1%)
Industrial	1,800	(6%)	1,971	10%	1,983	1%
Total	<u>38,219</u>	(3%)	<u>32,856</u>	(14%)	<u>30,553</u>	(7%)

This area intentionally left blank;
year-to-date analysis will appear
here next quarter.

Railway Operating Expenses Variance Analysis

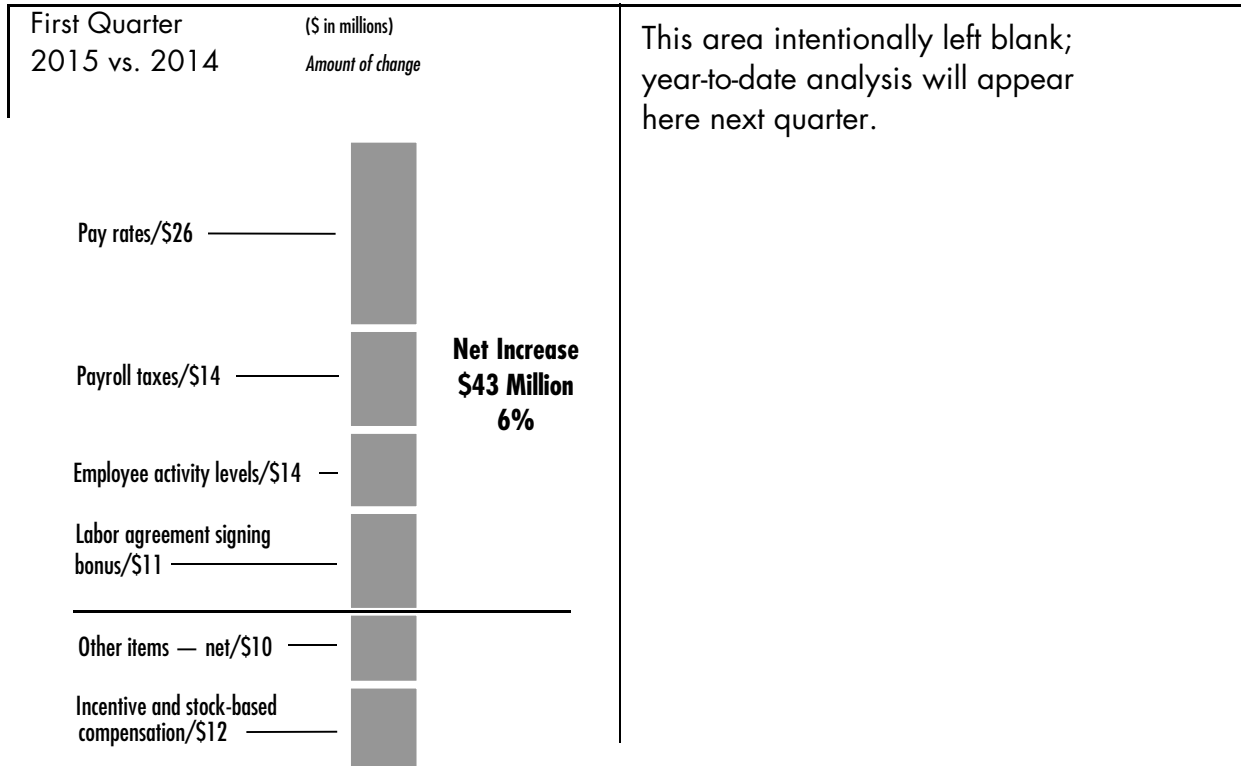
First Quarter
2015 vs. 2014

(\$ in millions)
Amount of change

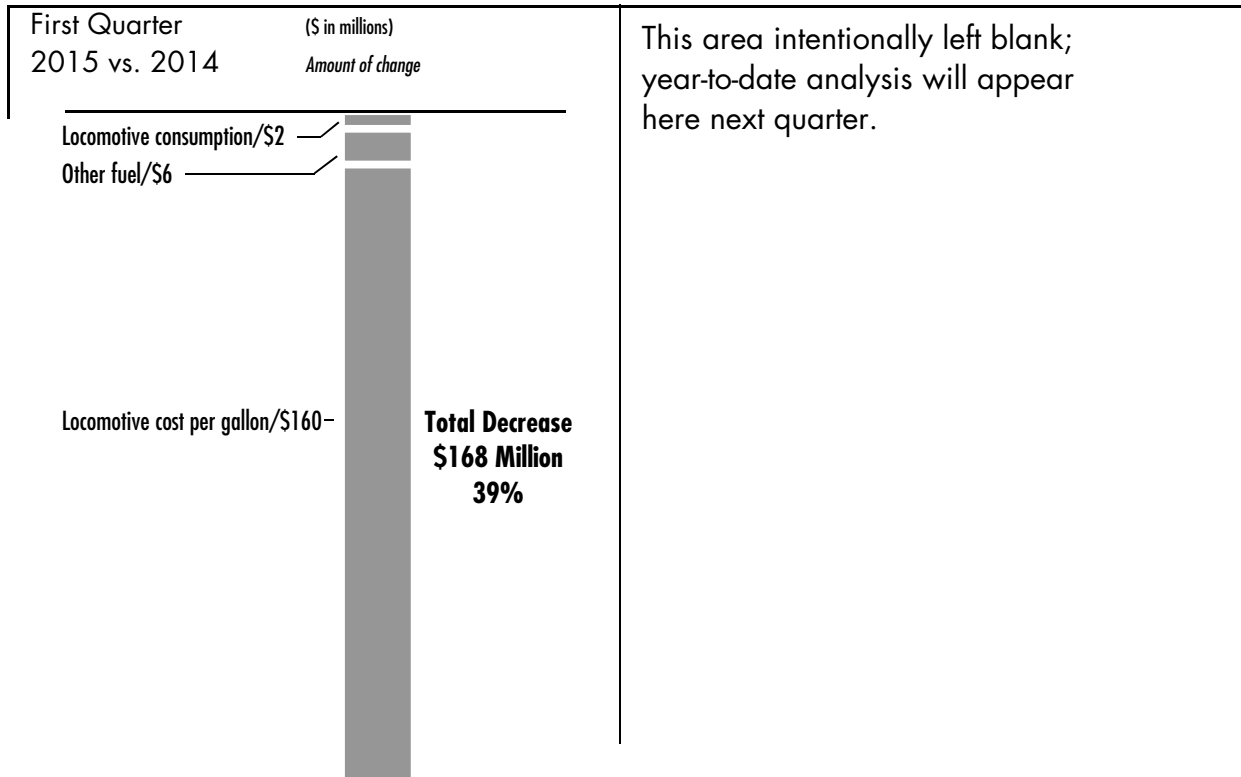


This area intentionally left blank; year-to-date analysis will appear here next quarter.

Compensation and Benefits Expense Analysis



Fuel Expense Analysis



Other Income — Net Analysis

First Quarter
2015 vs. 2014

(*\$ in millions*)
Amount of change

Other items — net/\$2		Total Decrease \$5 Million 19%
Coal royalties/\$3		

This area intentionally left blank;
year-to-date analysis will appear
here next quarter.

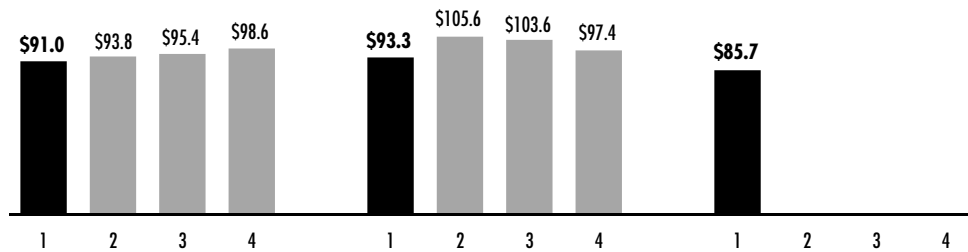
Productivity Measures

2013

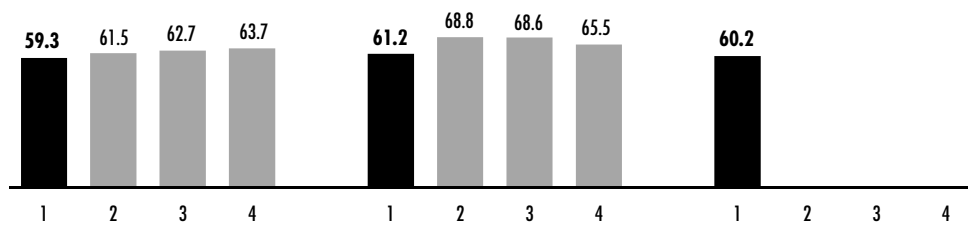
2014

2015

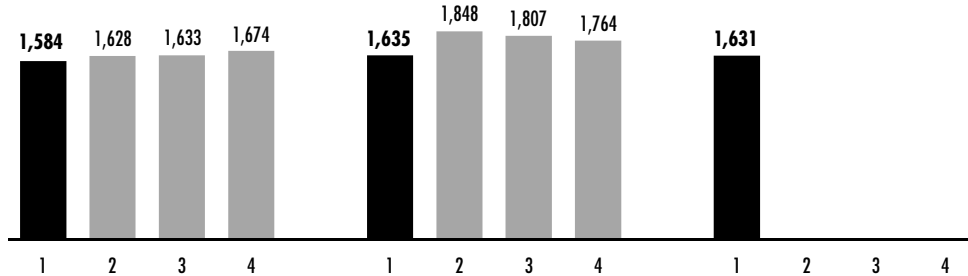
Operating Revenues
per Employee
(\$ in thousands)



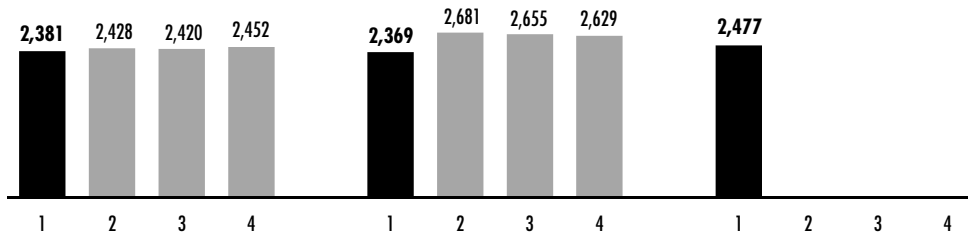
Units per
Employee



Revenue Ton Miles
per Employee
(in thousands)



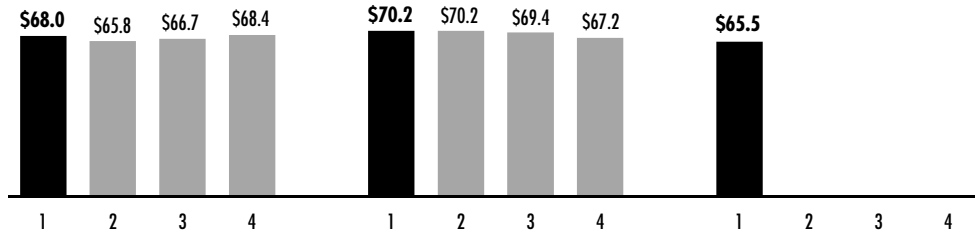
Revenue Ton Miles
per Mile of Road
Operated
(in thousands)



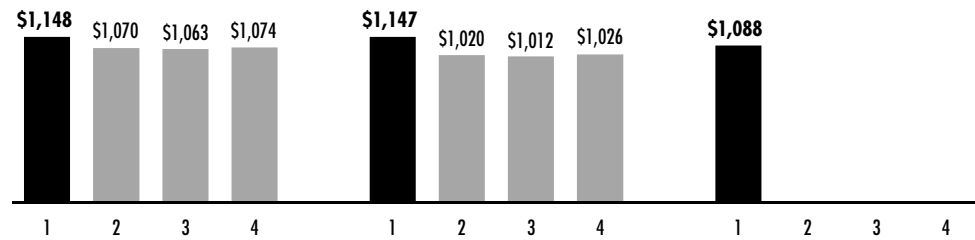
Productivity Measures

2013
2014
2015

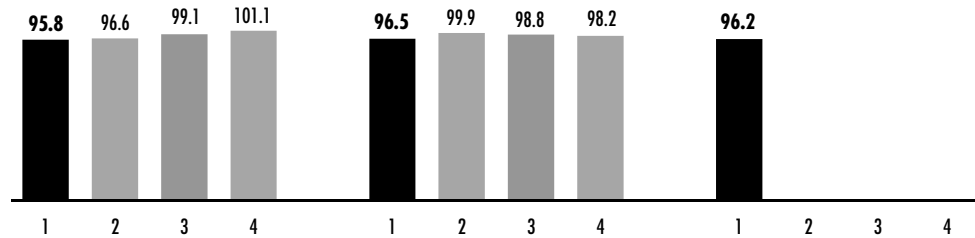
Operating Expenses (in thousands)
per Employee



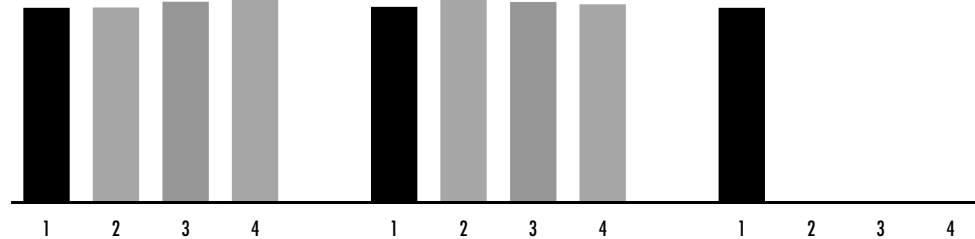
Operating Expenses (dollars)
per Unit



Gross Ton Miles (in thousands)
per Train Hour



Revenue Ton Miles (in thousands)
per Train Hour



Financial, Traffic and Operating Statistics

Consolidated Financial Data		2013					2014					2015				
(S in millions — except as noted)		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year-to-date
Page	Item															
	• No corresponding charts for this data.															
6	Railway operating revenues:															
8	Coal	\$ 635	\$ 626	\$ 641	\$ 641	\$ 2,543	\$ 541	\$ 672	\$ 626	\$ 543	\$ 2,382	\$ 455				\$ 455
8	General merchandise	1,530	1,588	1,578	1,622	6,318	1,552	1,720	1,730	1,678	6,680	1,520				1,520
8	Intermodal	573	588	605	618	2,384	596	650	667	649	2,562	592				592
6	Total railway operating revenues	2,738	2,802	2,824	2,881	11,245	2,689	3,042	3,023	2,870	11,624	2,567				2,567
6	Railway operating expenses:															
•	Compensation and benefits	780	726	735	761	3,002	740	715	728	714	2,897	783				783
•	Purchased services	321	343	349	340	1,353	324	342	355	373	1,394	341				341
•	Equipment rents	72	67	71	66	276	68	72	74	79	293	82				82
•	Fuel	429	391	390	403	1,613	432	408	387	347	1,574	264				264
•	Depreciation	227	226	230	233	916	237	238	236	240	951	245				245
•	Materials	101	116	100	105	422	108	124	127	111	470	122				122
•	Casualties and other claims	35	20	23	12	90	30	42	35	28	135	36				36
•	Other	82	77	77	80	316	83	82	83	87	335	88				88
6	Total railway operating expenses	2,047	1,966	1,975	2,000	7,988	2,022	2,023	2,025	1,979	8,049	1,961				1,961
6	Income from railway operations	691	836	849	881	3,257	667	1,019	998	891	3,575	606				606
•	Other income (expense) (note 1)	6	(99)	(101)	(98)	(292)	(113)	(121)	(106)	(101)	(441)	(111)				(111)
•	Income before income taxes	697	737	748	783	2,965	554	898	892	790	3,134	495				495
•	Income taxes — current	173	203	194	223	793	194	311	329	6	840	173				173
•	Income taxes — deferred	74	69	72	47	262	(8)	25	4	273	294	12				12
6	Total income taxes	247	272	266	270	1,055	186	336	333	279	1,134	185				185
7	Net income	\$ 450	\$ 465	\$ 482	\$ 513	\$ 1,910	\$ 368	\$ 562	\$ 559	\$ 511	\$ 2,000	\$ 310				\$ 310
7	Earnings per share — diluted (dollars) (note 1)	\$ 1.41	\$ 1.46	\$ 1.53	\$ 1.64	\$ 6.04	\$ 1.17	\$ 1.79	\$ 1.79	\$ 1.64	\$ 6.39	\$ 1.00				\$ 1.00
7	Railway operating ratio	74.8	70.2	69.9	69.4	71.0	75.2	66.5	67.0	69.0	69.2	76.4				76.4
7	Property additions:															
•	Equipment	\$ 88	\$ 140	\$ 200	\$ 122	\$ 550	\$ 110	\$ 96	\$ 214	\$ 292	\$ 712	\$ 92				\$ 92
•	Road	291	365	386	379	1,421	271	332	356	447	1,406	300				300
7	Total property additions	\$ 379	\$ 505	\$ 586	\$ 501	\$ 1,971	\$ 381	\$ 428	\$ 570	\$ 739	\$ 2,118	\$ 392				\$ 392
•	Cash, cash equivalents and short-term investments	\$ 687	\$ 587	\$ 1,004	\$ 1,561	\$ 1,561	\$ 1,532	\$ 1,667	\$ 1,432	\$ 973	\$ 973	\$ 524				\$ 524
•	Total debt, excluding notes payable to Conrail	\$ 8,485	\$ 8,477	\$ 8,946	\$ 9,448	\$ 9,448	\$ 9,354	\$ 9,247	\$ 8,921	\$ 9,026	\$ 9,026	\$ 8,930				\$ 8,930
•	Total debt-to-total capitalization (percent)	45.6	45.4	46.5	45.6	45.6	44.4	43.4	41.8	42.1	42.1	42.3				42.3
•	Weighted average shares outstanding — diluted (in millions) (note 2)	318.1	317.8	313.9	312.3	315.5	312.6	312.8	312.6	312.0	312.5	309.6				309.6

Note 1 In first quarter 2013, we recognized a \$97 million gain on a land sale, which increased net income by \$60 million, or \$0.19 per share.

Note 2 We have remaining authorization from our Board of Directors to repurchase up to 31.3 million shares of our common stock through December 31, 2017. The timing and volume of purchases is guided by our assessment of market conditions and other pertinent factors. Any near-term share repurchases are expected to be made with internally generated cash, cash on hand, or proceeds from borrowings. Since the beginning of 2006, we have repurchased and retired 143.7 million shares at a total cost of \$8.8 billion.

Financial, Traffic and Operating Statistics

Traffic and Operating Statistics		2013					2014					2015				
Page	Item	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year-to-date
	• No corresponding charts for this data.															
8	Railway units (in thousands):															
8	Coal	343.2	341.4	339.9	322.2	1,346.7	299.7	350.5	332.1	302.1	1,284.4	277.4				277.4
8	General merchandise	584.0	615.8	604.3	617.8	2,421.9	577.8	656.5	664.2	646.8	2,545.3	598.0				598.0
8	Intermodal	856.4	881.0	912.9	922.0	3,572.3	885.1	976.1	1,004.7	979.3	3,845.2	926.7				926.7
8	Total railway units	1,783.6	1,838.2	1,857.1	1,862.0	7,340.9	1,762.6	1,983.1	2,001.0	1,928.2	7,674.9	1,802.1				1,802.1
	• Revenue ton miles (RTMs) (in billions):															
	• Coal	12.0	11.8	12.0	11.7	47.5	10.7	13.3	12.3	10.6	46.9	9.8				9.8
	• General merchandise	26.4	27.3	26.6	27.4	107.7	27.0	29.7	30.2	31.1	118.0	29.3				29.3
	• Intermodal	9.3	9.5	9.7	9.9	38.4	9.4	10.2	10.3	10.2	40.1	9.7				9.7
	• Total	47.7	48.6	48.3	49.0	193.6	47.1	53.2	52.8	51.9	205.0	48.8				48.8
	• Revenue (dollars) per thousand RTMs:															
	• Coal	\$ 53.15	\$ 52.67	\$ 53.32	\$ 55.12	\$ 53.55	\$ 50.71	\$ 50.48	\$ 50.98	\$ 51.05	\$ 50.79	\$ 46.38				\$ 46.38
	• General merchandise	\$ 57.86	\$ 58.27	\$ 59.41	\$ 59.07	\$ 58.65	\$ 57.36	\$ 57.88	\$ 57.44	\$ 53.85	\$ 56.58	\$ 51.82				\$ 51.82
	• Intermodal	\$ 61.77	\$ 62.02	\$ 62.07	\$ 62.76	\$ 62.16	\$ 63.53	\$ 63.66	\$ 64.61	\$ 63.92	\$ 63.94	\$ 61.12				\$ 61.12
	• Total	\$ 57.44	\$ 57.63	\$ 58.43	\$ 58.87	\$ 58.10	\$ 57.09	\$ 57.14	\$ 57.34	\$ 55.25	\$ 56.70	\$ 52.57				\$ 52.57
	• Gross ton miles (GTM) (in billions)	90.3	92.6	91.7	93.5	368.1	89.2	100.3	100.0	99.0	388.5	92.9				92.9
	• Revenue ton miles (RTMs) (in billions)	47.7	48.6	48.3	49.0	193.6	47.1	53.2	52.8	51.9	205.0	48.8				48.8
	• Railroad employees (average)	30,095	29,870	29,597	29,227	29,698	28,811	28,811	29,176	29,454	29,063	29,936				29,936
	• Total operating expenses (dollars) per thousand GTMs	\$ 22.68	\$ 21.23	\$ 21.53	\$ 21.41	\$ 21.70	\$ 22.66	\$ 20.17	\$ 20.26	\$ 19.98	\$ 20.72	\$ 21.12				\$ 21.12
	• Compensation and benefits (dollars) per thousand GTMs	\$ 8.64	\$ 7.84	\$ 8.01	\$ 8.14	\$ 8.16	\$ 8.29	\$ 7.13	\$ 7.28	\$ 7.21	\$ 7.46	\$ 8.43				\$ 8.43
	• Total operating expenses (dollars) per thousand RTMs	\$ 42.94	\$ 40.43	\$ 40.87	\$ 40.87	\$ 41.27	\$ 42.93	\$ 38.00	\$ 38.41	\$ 38.09	\$ 39.26	\$ 40.16				\$ 40.16
	• Compensation and benefits (dollars) per thousand RTMs	\$ 16.36	\$ 14.93	\$ 15.21	\$ 15.55	\$ 15.51	\$ 15.71	\$ 13.43	\$ 13.81	\$ 13.74	\$ 14.13	\$ 16.04				\$ 16.04
14	Total operating revenues (\$ in thousands) per employee	\$ 91.0	\$ 93.8	\$ 95.4	\$ 98.6	\$ 378.6	\$ 93.3	\$ 105.6	\$ 103.6	\$ 97.4	\$ 400.0	\$ 85.7				\$ 85.7
15	Total operating expenses (\$ in thousands) per employee	\$ 68.0	\$ 65.8	\$ 66.7	\$ 68.4	\$ 269.0	\$ 70.2	\$ 70.2	\$ 69.4	\$ 67.2	\$ 277.0	\$ 65.5				\$ 65.5
	• GTMs (thousands) per employee	2,999	3,101	3,100	3,197	12,393	3,097	3,481	3,425	3,364	13,368	3,102				3,102
14	RTMs (thousands) per employee	1,584	1,628	1,633	1,674	6,517	1,635	1,848	1,807	1,764	7,054	1,631				1,631
14	Units per employee	59.3	61.5	62.7	63.7	247.2	61.2	68.8	68.6	65.5	264.1	60.2				60.2
14	RTMs (thousands) per mile of road operated	2,381	2,428	2,420	2,452	9,680	2,369	2,681	2,655	2,629	10,333	2,477				2,477
15	Total operating expenses (dollars) per unit	\$ 1,148	\$ 1,070	\$ 1,063	\$ 1,074	\$ 1,088	\$ 1,147	\$ 1,020	\$ 1,012	\$ 1,026	\$ 1,049	\$ 1,088				\$ 1,088
	• Compensation and benefits (dollars) per unit	\$ 437	\$ 395	\$ 396	\$ 409	\$ 409	\$ 420	\$ 361	\$ 364	\$ 370	\$ 377	\$ 434				\$ 434
	• RTMs (in thousands) per unit	26.7	26.5	26.0	26.3	26.4	26.7	26.8	26.3	26.9	26.7	27.1				27.1
	• Locomotive diesel fuel consumed (in thousands of gallons)	122,673	117,383	114,107	122,141	476,304	126,082	122,619	119,100	126,200	494,001	125,590				125,590
	• Average price (dollars) per gallon of locomotive diesel fuel	\$ 3.191	\$ 3.027	\$ 3.133	\$ 3.020	\$ 3.093	\$ 3.105	\$ 3.034	\$ 2.959	\$ 2.521	\$ 2.903	\$ 1.831				\$ 1.831
	• RTMs per gallon of fuel consumed	389	414	424	401	406	374	434	443	412	415	389				389
15	GTM (in thousands) per train hour	95.8	96.6	99.1	101.1	98.1	96.5	99.9	98.8	98.2	98.4	96.2				96.2
15	RTMs (in thousands) per train hour	50.6	50.7	52.2	52.9	51.6	50.9	53.0	52.1	51.5	51.9	50.6				50.6
	• Percent of loaded-to-total car miles	58.7	58.4	58.7	58.8	58.7	59.1	58.8	58.9	59.3	59.0	58.9				58.9
	• Total new crossties installed (in thousands)	610	763	741	355	2,469	676	697	667	631	2,671	575				575
	• Total track miles of rail laid (miles)	112	181	166	90	549	135	156	121	95	507	102				102

FIRST QUARTER
Quarterly Financial Review
www.nscorp.com