



2018 First Quarter Earnings Conference Call

April 25, 2018



Forward-Looking Statements



Certain statements in this presentation are forward-looking statements within the meaning of the safe harbor provision of the Private Securities Litigation Reform Act of 1995, as amended. In some cases, forward-looking statements may be identified by the use of words like “believe,” “expect,” “anticipate,” “estimate,” “plan,” “consider,” “project,” and similar references to the future. Forward-looking statements are made as of the date they were first issued and reflect the good-faith evaluation by Norfolk Southern Corporation’s (NYSE: NSC) (“Norfolk Southern” or the “Company”) management of information currently available. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company’s control. These and other important factors, including those discussed under “Risk Factors” in the Company’s Form 10-K for the year ended December 31, 2017, as well as the Company’s other public filings with the SEC, may cause our actual results, performance or achievement to differ materially from those expressed or implied by these forward-looking statements. Forward-looking 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-looking statements. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, the occurrence of certain events or otherwise, unless otherwise required by applicable securities law.



2018 Highlights First Quarter

April 25, 2018

*James A. Squires
Chairman, President, and
Chief Executive Officer*



First Quarter 2018 Results Versus Prior Year



Record first quarter financial measures

	1Q18 vs 1Q17	
Operating Ratio	▶ 69.3% <i>RECORD RESULTS</i>	70.6%
Income From Operations	▶ \$835M <i>RECORD RESULTS</i>	↑ 10%
Net Income	▶ \$552M <i>RECORD RESULTS</i>	↑ 27%
Earnings Per Share	▶ \$1.93 <i>RECORD RESULTS</i>	↑ 30%



2018 Marketing Overview First Quarter

April 25, 2018

*Alan H. Shaw
Executive Vice President
and Chief Marketing Officer*



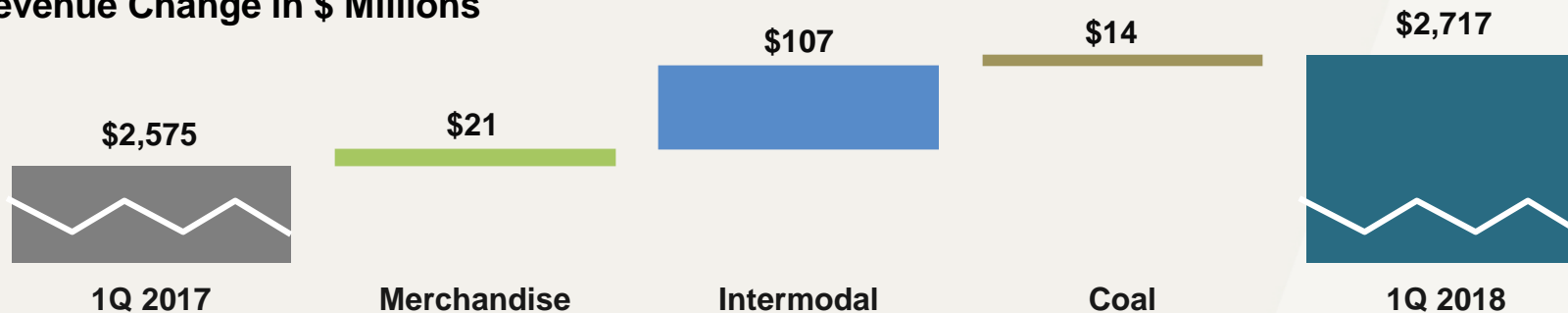
Railway Operating Revenue

First Quarter 2018 vs. 2017



Achieved revenue growth in all three business units

Revenue Change in \$ Millions



	Merchandise	Intermodal	Coal	Total
Revenue	\$1,605M ↑ 1%	\$678M ↑ 19% <i>RECORD REVENUE</i>	\$434M ↑ 3%	\$2,717M ↑ 6%
Volume	606,100 ↓ (2%)	1,049,200 ↑ 8%	249,100 ↓ (4%)	1,904,400 ↑ 3%
RPU	\$2,647 ↑ 3%	\$647 ↑ 10%	\$1,743 ↑ 8%	\$1,427 ↑ 2%
RPU (less fuel)*	\$2,602 ↑ 2% <i>RECORD RPU LF</i>	\$558 ↑ 6% <i>RECORD RPU LF</i>	\$1,703 ↑ 7%	\$1,358 ↑ 1%

* Please see reconciliation to GAAP posted on our website on the Invest in NS page under Events for this event.

Intermodal strength and improved pricing produced strong results

Economic Environment



Macroeconomic environment and NS market approach drive profitable growth



MERCHANDISE

Industrial production growth

Automotive declines

Increased construction activity

Pricing improvement



INTERMODAL

Tight truck capacity

Rising truck prices

Ongoing growth in e-commerce

Pricing improvement



COAL

Continued near-term strength in exports

Utility impacted by natural gas prices and weather

Pricing improvement subject to seaborne pricing



2018 Operations Overview First Quarter

April 25, 2018

*Michael J. Wheeler
Executive Vice President
and Chief Operating Officer*



Allocating Resources For Improved Service



- T&E Headcount
 - Increased hiring by 400 above plan
 - Qualifying ~500 trainees (hired last year) in next four months
 - 55 temporary transfers to Alabama division
 - Rapid deployment “Go Teams” in place at two locations in the south

- Locomotives
 - Highest DC to AC conversions this year (125) for increased reliability
 - Temporarily leasing 90 locomotives

- Resumed through freight operations over Central of Georgia

- Construction complete by October
- Centralization to new center complete by November

Benefits

Unified system
priorities

Standardization
of processes

Synergy in all
facets of
operation

Core entities
housed within
center



2018 Financial Overview First Quarter

April 25, 2018

*Cynthia C. Earhart
Executive Vice President Finance
and Chief Financial Officer*



Operating Results

First Quarter 2018 vs. 2017 (\$ millions)



Record first quarter operating income and operating ratio

	2018	2017	Favorable (Unfavorable)	
Railway operating revenues	\$ 2,717	\$ 2,575	\$ 142	6%
Railway operating expenses	1,882	1,818	(64)	(4%)
Income from railway operations	\$ 835	\$ 757	\$ 78	10%
Operating ratio (%)	69.3	70.6	1.3	2%

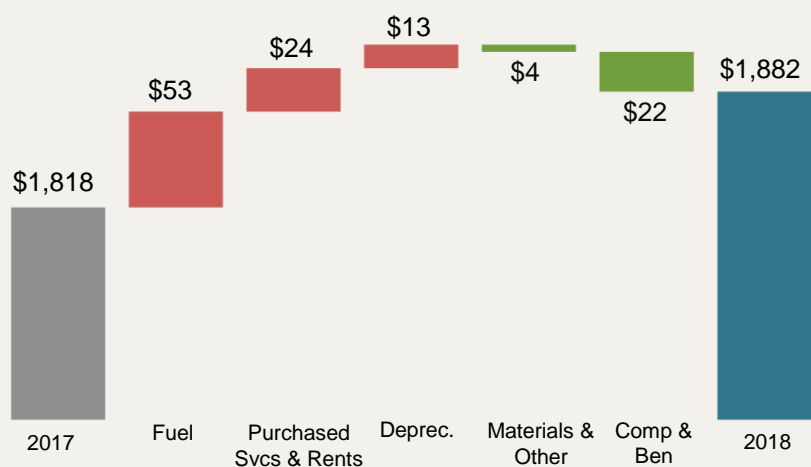
Note: Prior year results adjusted to reflect the reclassification of certain pension and other postretirement cost components as required by the adoption of ASU 2017-07.

Operating Expense Components

First Quarter 2018 vs. 2017 (\$ millions)



Network velocity and volume-related costs tempered by efficiency gains



Fuel ↑ \$53 / 25%

- 21% higher price per gallon \$43
- Network velocity costs \$12

Purchased Svcs and Rents ↑ \$24 / 6%

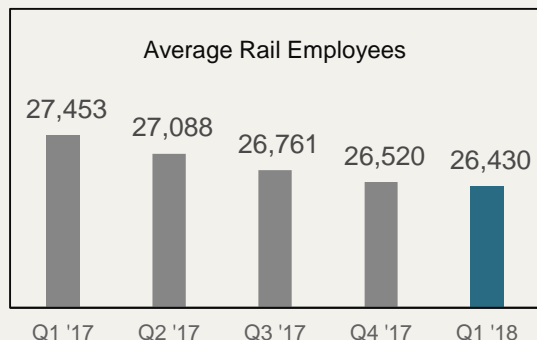
- Intermodal volume-related costs \$10
- Network velocity costs \$7

Materials and Other ↓ \$4 / 2%

- Rental income \$18
- Loss and damage \$9
- Network velocity costs \$7

Compensation and Benefits ↓ \$22 / 3%

- Reduced employee levels \$24
- Incentive compensation \$8
- Health and welfare rates \$8
- Network velocity costs \$17



Financial Results

First Quarter 2018 vs. 2017 (\$ millions except per share)



Net income up 27% and EPS up 30%

	2018	2017	Favorable (Unfavorable)
Income from railway operations	\$ 835	\$ 757	\$ 78 10%
Non-operating expenses – net	128	102	(26) (25%)
Income before income taxes	707	655	52 8%
Income taxes	155	222	67 30%
Net income	\$ 552	\$ 433	\$ 119 27%
Earnings per share - diluted	\$ 1.93	\$ 1.48	\$ 0.45 30%

Note: Prior year results adjusted to reflect the reclassification of certain pension and other postretirement cost components as required by the adoption of ASU 2017-07.

Cash Flows

First Quarter 2018 vs. 2017 (\$ millions)



Committed to significant shareholder returns

	2018		2017	
Cash from operating activities	\$	816	\$	846
Property additions		(383)		(438)
Free cash flow ⁽¹⁾	\$	433	\$	408
Returns to shareholders:				
Dividends	\$	205	\$	177
Share repurchases	\$	300	\$	200

(1) Please see reconciliation to GAAP posted on our website on the Invest in NS page under Events for this event.

Thank You



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