



2018 Second Quarter Earnings Conference Call

July 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 achievements 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 Second Quarter and First Half

July 25, 2018



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

Second Quarter and First Half Results Versus Prior Year



Record second quarter and first half financial measures

	2Q18 vs. 2Q17		1H18 vs. 1H17	
Operating Ratio	▶ 64.6% <i>RECORD RESULTS</i>	66.9%	▶ 66.9% <i>RECORD RESULTS</i>	68.7%
Income From Operations	▶ \$1,026M <i>RECORD RESULTS</i>	↑ 18%	▶ \$1,861M <i>RECORD RESULTS</i>	↑ 14%
Net Income	▶ \$710M <i>RECORD RESULTS</i>	↑ 43%	▶ \$1,262M <i>RECORD RESULTS</i>	↑ 36%
Earnings Per Share	▶ \$2.50 <i>RECORD RESULTS</i>	↑ 46%	▶ \$4.43 <i>RECORD RESULTS</i>	↑ 39%



2018 Marketing Overview Second Quarter

July 25, 2018

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



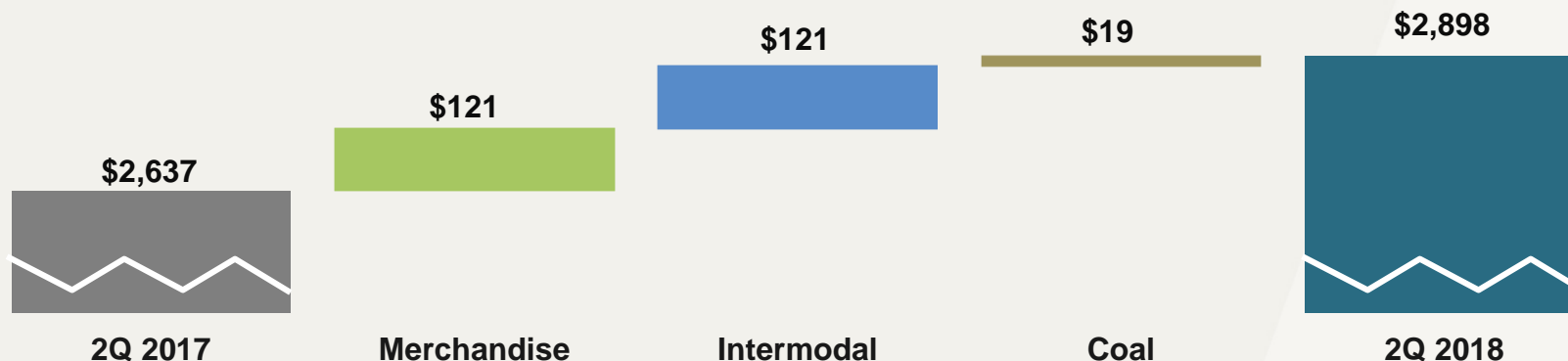
Railway Operating Revenue

Second Quarter 2018 vs. 2017



Revenue, volume and RPU gains in all three business groups

Revenue Change in \$ Millions



	Merchandise	Intermodal	Coal	Total
Revenue	\$1,718M ↑ 8%	\$714M ↑ 20% <i>RECORD REVENUE</i>	\$466M ↑ 4%	\$2,898M ↑ 10%
Volume	655,500 ↑ 3%	1,091,800 ↑ 8% <i>RECORD VOLUME</i>	273,600 ↑ 3%	2,020,900 ↑ 6%
RPU	\$2,621 ↑ 4%	\$654 ↑ 11%	\$1,704 ↑ 1%	\$1,434 ↑ 4%
RPU (less fuel)*	\$2,564 ↑ 3%	\$554 ↑ 6%	\$1,662 ↑ 1%	\$1,356 ↑ 2%

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

Economic Environment



Strong economy and strategic approach drives growth in the second half



MERCHANDISE

Higher energy prices

Elevated industrial production

Pricing gains



INTERMODAL

Increased consumer spending and e-commerce growth

Tight truck market

Pricing gains



COAL

Export volume and pricing impacted by international demand

Utility coal influenced by weather and natural gas prices



2018 Operations Overview Second Quarter

July 25, 2018

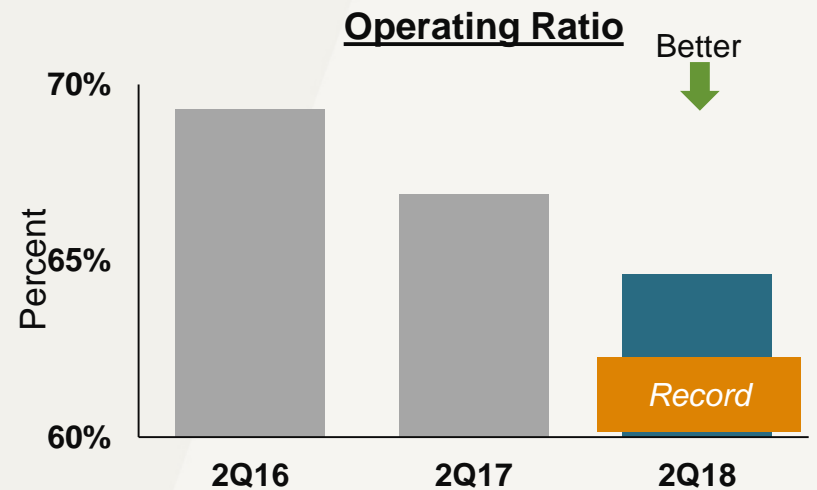
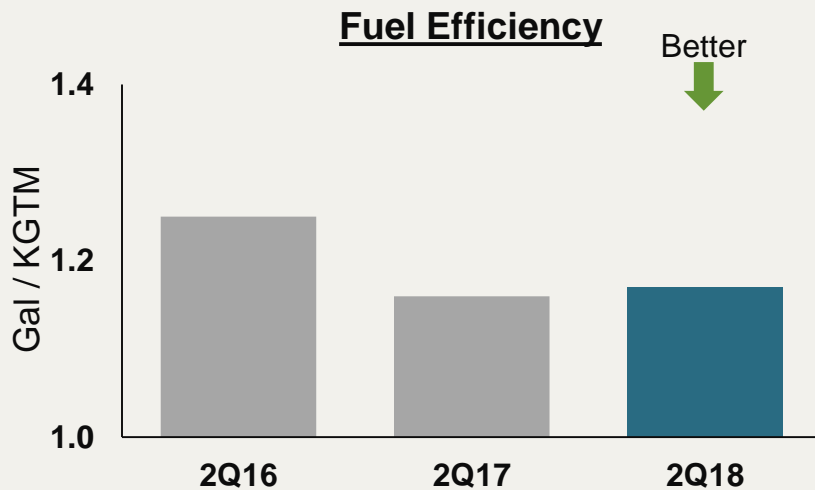
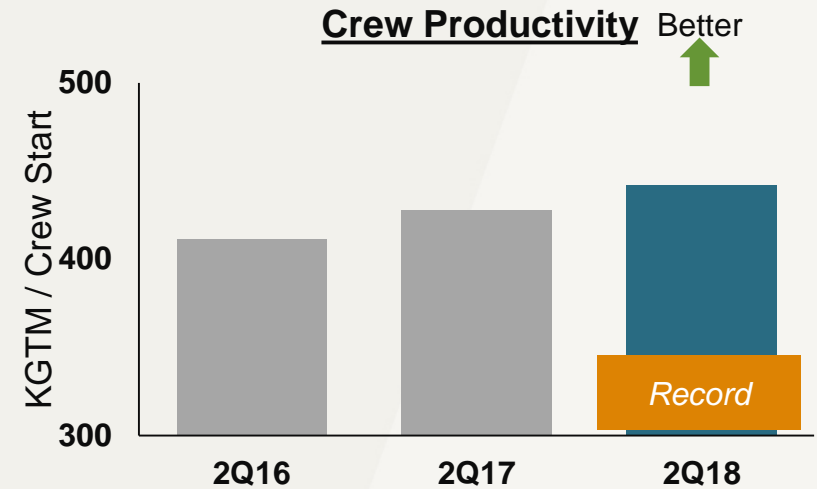
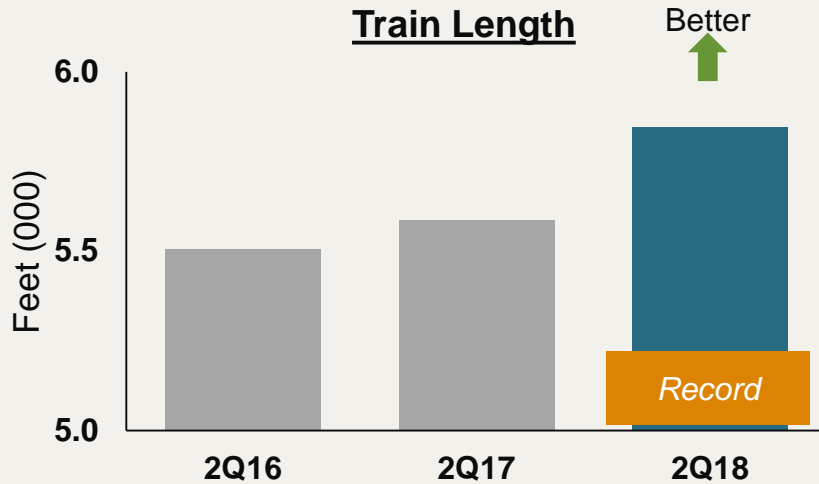
*Michael J. Wheeler
Executive Vice President
and Chief Operating Officer*



Productivity Results



Operating efficiency to meet our customers' needs and create value for shareholders



Committed to significantly improving service levels in the second half of 2018

2Q18 vs. 1Q18

- Reportable Injury Ratio up 4%
- Serious Injury Ratio improved 10%
- Service Composite down 2%
- Train Speed down 3%
- Terminal Dwell improved 1%

T&E Headcount

- Hiring: 1,800 for the year (+700)
- Qualified: +300 net (current to EOY)
- Supplemental initiatives in South
 - Temporary transfers
 - Rapid deployment “Go Teams”

Locomotives

- DC to AC conversions
 - 75 of 125 completed
 - Improves capacity and reliability
- Temporarily leasing locomotives (130 of 155 received)



2018 Financial Overview Second Quarter

July 25, 2018

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



Operating Results

Second Quarter 2018 vs. 2017 (\$ millions)



All-time record income from railway operations

	2018	2017	Favorable (Unfavorable)	
Railway operating revenues	\$ 2,898	\$ 2,637	\$ 261	10%
Railway operating expenses	1,872	1,765	(107)	(6%)
Income from railway operations	\$ 1,026	\$ 872	\$ 154	18%
Operating ratio (%)	64.6	66.9	2.3	3%

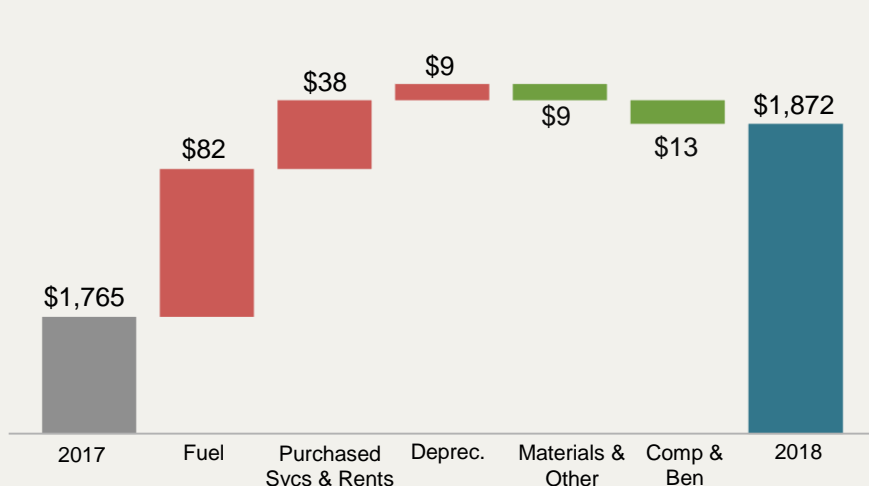
Note: Prior year results adjusted to reflect the reclassification of certain pension and other postretirement cost components as required by the adoption of ASU 2017-07.

Operating Expense Components

Second Quarter 2018 vs. 2017 (\$ millions)



Inflationary and volume-related increases



Fuel ↑ \$82 / 43%

- 38% higher price per gallon \$71
- 5% increased consumption \$8

Purchased Svcs and Rents ↑ \$38 / 10%

- Equipment rents \$14
- Transportation and engineering activities \$14
- Intermodal volume-related services \$9

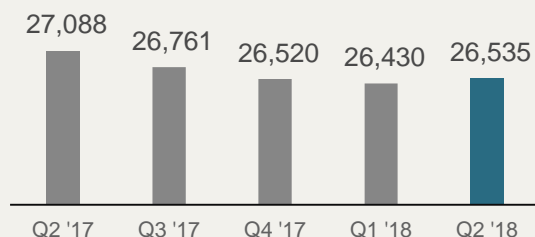
Materials and Other ↓ \$9 / 5%

- Rental income \$20
- Increased locomotive material usage \$5
- Environmental \$4

Compensation and Benefits ↓ \$13 / 2%

- Employment tax refund \$31
- Reduced employee levels \$17
- Health and welfare rates \$9
- Incentive compensation \$34
- Overtime and reworks \$13

Average Rail Employees



Financial Results

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



Record second quarter net income and diluted earnings per share

	2018	2017	Favorable (Unfavorable)
Income from railway operations	\$ 1,026	\$ 872	\$ 154 18%
Non-operating expenses – net	102	92	(10) (11%)
Income before income taxes	924	780	144 18%
Income taxes	214	283	69 24%
Net income	\$ 710	\$ 497	\$ 213 43%
Earnings per share – diluted	\$ 2.50	\$ 1.71	\$ 0.79 46%

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 Six Months 2018 vs. 2017 (\$ millions)



Record first six month free cash flow of \$1 billion

	2018		2017	
Cash from operating activities	\$	1,826	\$	1,576
Property additions		(836)		(883)
Free cash flow ⁽¹⁾	\$	990	\$	693
Returns to shareholders:				
Dividends	\$	408	\$	354
Share repurchases	\$	700	\$	402

(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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