



Fourth Quarter 2015 Financial Overview

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Executive Vice President Finance
and Chief Financial Officer*

Operating Results

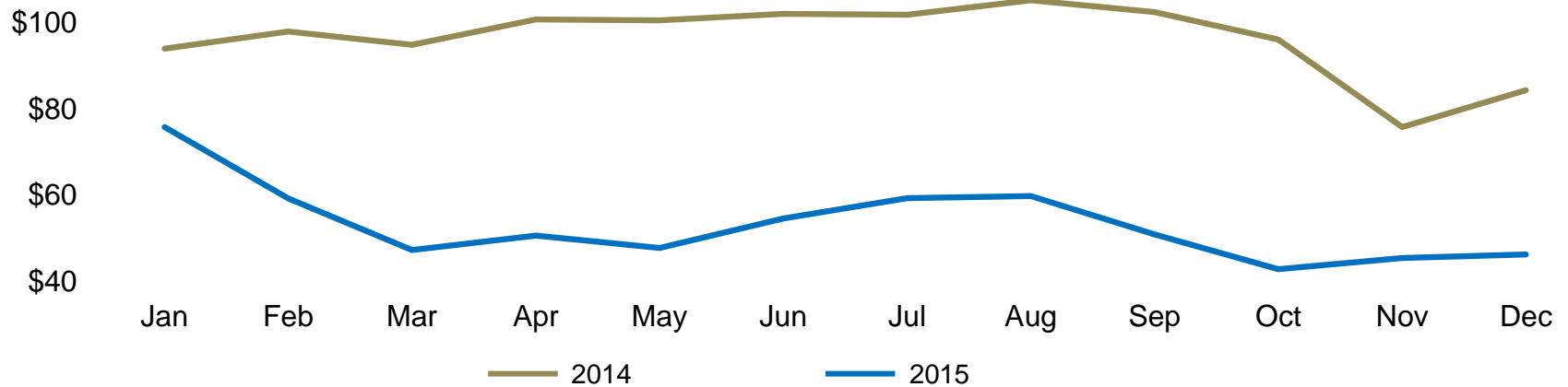
Fourth Quarter 2015 vs. 2014 (\$ millions)

Results reflect lower fuel revenue and volume as well as restructuring costs

	2015	2014	\$	%
Railway operating revenues	\$ 2,518	\$ 2,870	\$ (352)	(12%)
Railway operating expenses	1,876	1,979	103	5%
Income from railway operations	\$ 642	\$ 891	\$ (249)	(28%)
Railway operating ratio	74.5	69.0	(5.5)	(8%)
Adjusted railway operating ratio ⁽¹⁾	72.5	69.0	(3.5)	(5%)
			(Unfavorable)	
			Favorable	

1. Excluding effects of Triple Crown restructuring and Roanoke relocation, please see reconciliation to GAAP posted on our website.

WTI per Barrel and Net Fuel Price Impact 2015 vs. 2014

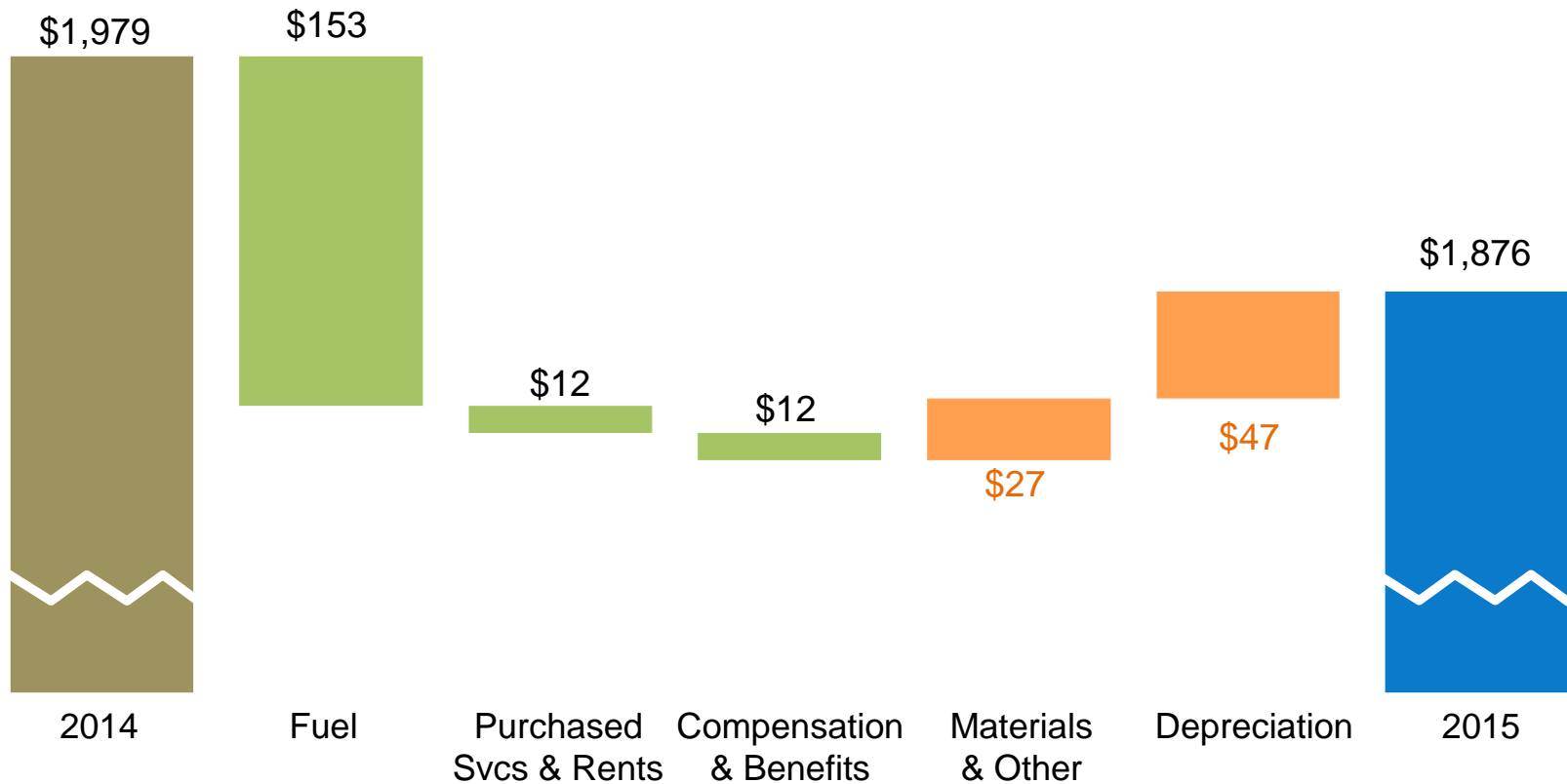


(\$ in millions)	Q1	Q2	Q3	Q4	2015
Change in fuel revenue	\$ (132)	\$ (239)	\$ (255)	\$ (226)	\$ (852)
Change in fuel price	161	143	159	137	600
Net change in operating income	\$ 29	\$ (96)	\$ (96)	\$ (89)	\$ (252)
	Favorable (Unfavorable)				

Railway Operating Expenses

Fourth Quarter 2015 vs. 2014 (\$ millions)

Net decrease of \$103 / 5%



Restructuring Costs

Fourth Quarter 2015 (\$ millions except per share)

	Triple Crown Restructuring		Roanoke Closure		Total
Accelerated depreciation	\$	37	\$	–	\$ 37
Moving and other costs		8		4	12
Effect on Operating Expenses	\$	45	\$	4	\$ 49
Effect on Net Income					\$ 31
Effect on Earnings per Share					\$ 0.10

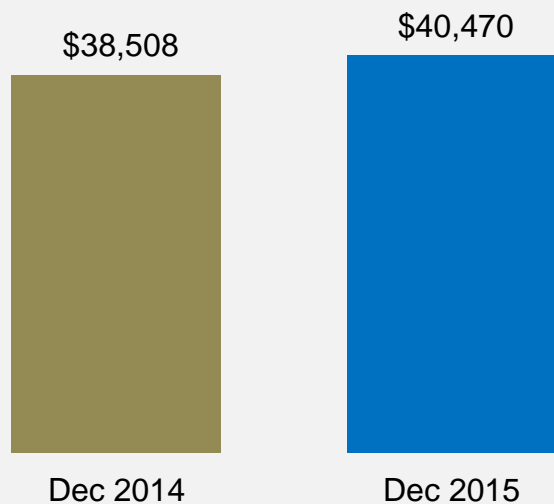
Depreciation

Fourth Quarter 2015 vs. 2014 (\$ millions)

Increase of \$47 / 20%

- TCS restructuring
- Increased capital base

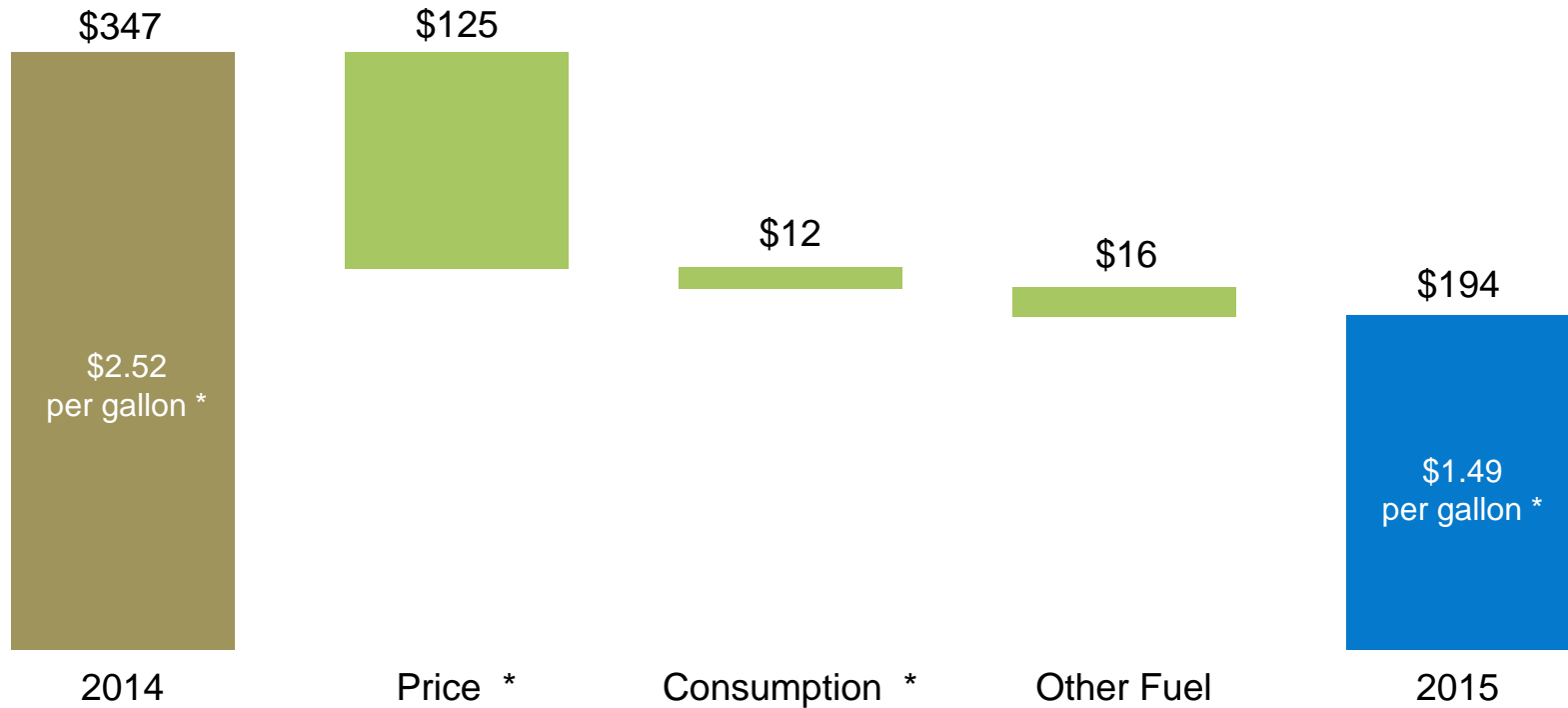
Properties Balance



Fuel

Fourth Quarter 2015 vs. 2014 (\$ millions)

Total decrease of \$153 / 44%



* Reflects locomotive fuel only

Purchased Services and Rents

Fourth Quarter 2015 vs. 2014 (\$ millions)

Net decrease of \$12 / 3%

- Net TCS restructuring-related savings
- Roanoke relocation costs
- Higher equipment rents



Compensation and Benefits

Fourth Quarter 2015 vs. 2014 (\$ millions)

Net decrease of \$12 / 2%

- Lower incentive compensation
- Reduced overtime
- Increased pay rates
- Labor agreement lump sum payment
- TCS restructuring costs



Materials and Other

Fourth Quarter 2015 vs. 2014 (\$ millions)

Net increase of \$27 / 12%

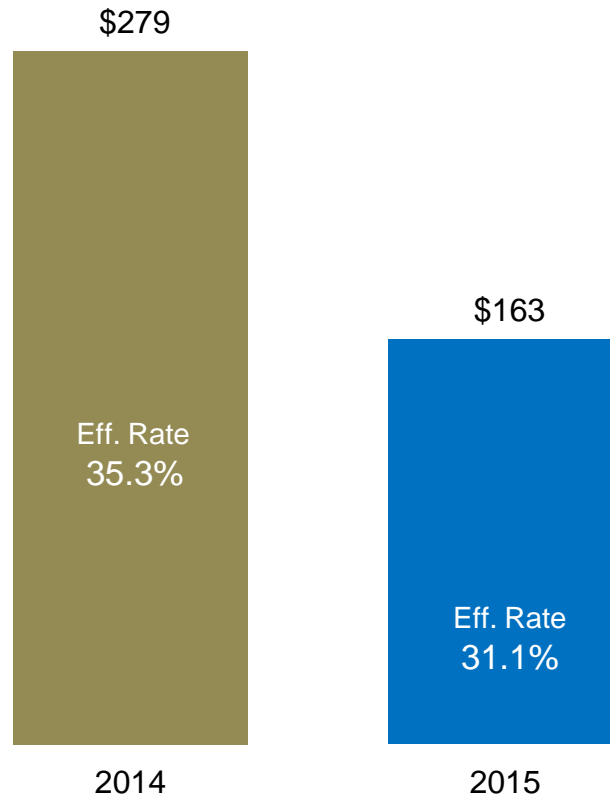
- Less favorable personal injury development
- Case specific accruals in 2015



Income Taxes

Fourth Quarter 2015 vs. 2014 (\$ millions)

Effective tax rate for the quarter was 31.1%



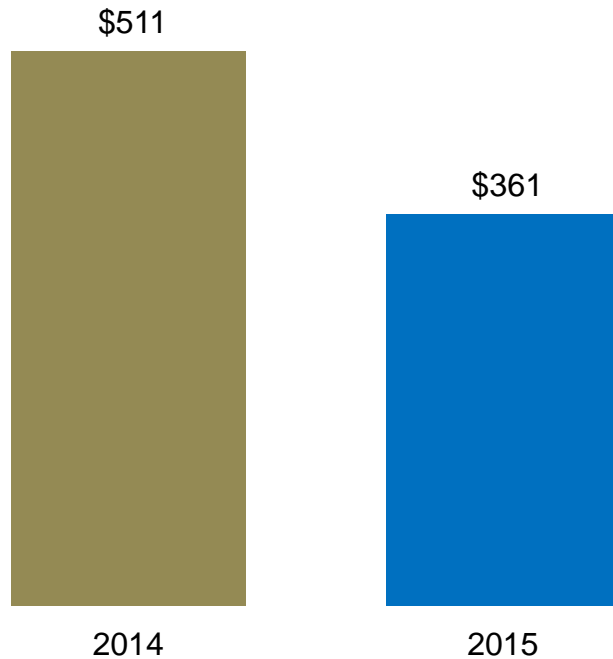
Net Income and Diluted Earnings per Share

Fourth Quarter 2015 vs. 2014 (\$ millions except per share)

Decline of \$150 million or 44 cents per share

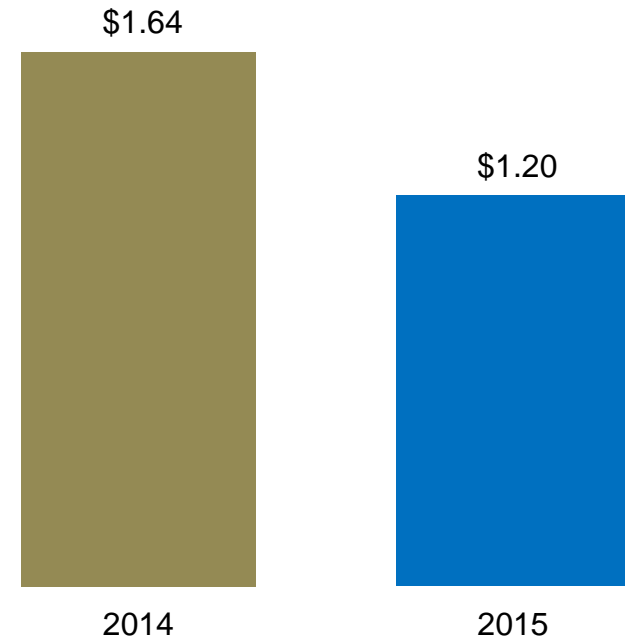
Net Income

Change vs. Prior Period: (29%)



Diluted Earnings per Share

Change vs. Prior Period: (27%)



2015 results included expenses associated with restructuring the company's Triple Crown Services subsidiary and closing its Roanoke, Va., office, which together reduced net income by \$31 million, or \$0.10 per diluted share.

Condensed Income Statement

Year (\$ millions except per share)

	2015		2014		\$	%
Railway operating revenues	\$	10,511	\$	11,624	\$ (1,113)	(10%)
Railway operating expenses		7,627		8,049	422	5%
Income from railway operations		2,884		3,575	(691)	(19%)
Non-operating expense – net		442		441	(1)	- %
Income before income taxes		2,442		3,134	(692)	(22%)
Income taxes		886		1,134	248	22%
Net income	\$	1,556	\$	2,000	\$ (444)	(22%)
Diluted earnings per share	\$	5.10	\$	6.39	\$ (1.29)	(20%)
Railway operating ratio		72.6		69.2	(3.4)	(5%)
Adjusted railway operating ratio ⁽¹⁾		71.7		69.2	(2.5)	(4%)
					Favorable	
					(Unfavorable)	

1. Excluding effects of Triple Crown restructuring and Roanoke relocation, please see reconciliation to GAAP posted on our website.

Cash Flows and Balances

2015 vs. 2014 (\$ millions)

Free cash flow of \$0.5 billion and \$1.8 billion returned to shareholders

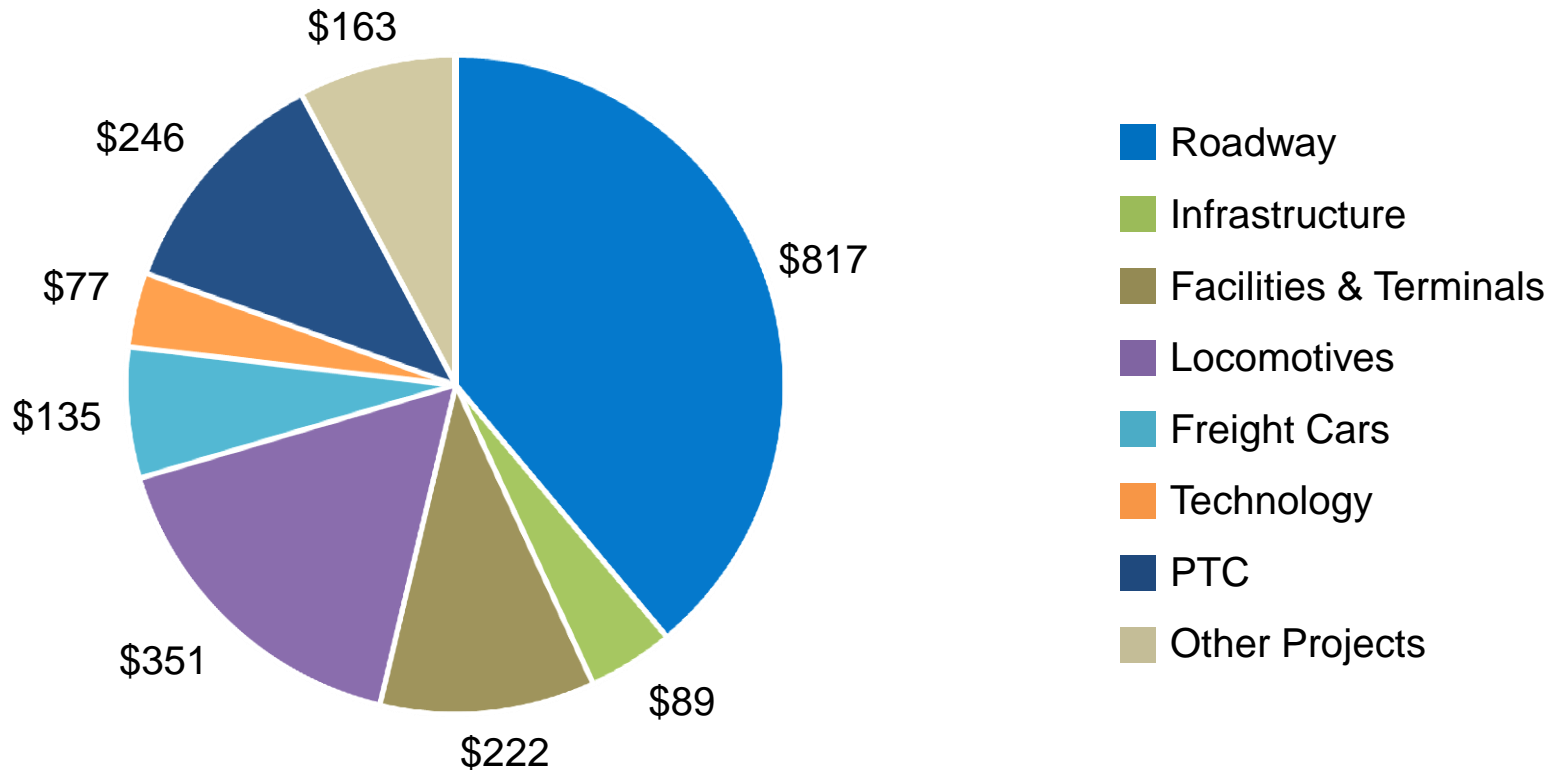
	2015	2014
Cash from operating activities	\$ 2,877	\$ 2,852
Capital expenditures	(2,385)	(2,118)
Free cash flow ⁽¹⁾	\$ 492	\$ 734
Returns to shareholders:		
Share repurchases	\$ (1,075)	\$ (318)
Dividends	\$ (713)	\$ (687)

1. Please see reconciliation to GAAP posted on our website.

2016 Capital Improvement Budget

(\$ millions)

Total Spending = \$2.1 billion



Thank You

