



# Investor Presentation

2018 Engagement

# 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. These statements relate to future events or Norfolk Southern Corporation's (NYSE: NSC) ("Norfolk Southern," "NS" or the "Company") future financial performance and involve known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of the Company or its industry to be materially different from those expressed or implied by any forward-looking statements. 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. The Company has based these forward-looking statements on management's current expectations, assumptions, estimates, beliefs and projections. While the Company believes these expectations, assumptions, estimates, and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which involve factors or circumstances that are beyond the Company's control. These and other important factors, including those discussed under "Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission (the "SEC"), as well as the Company's subsequent 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.*

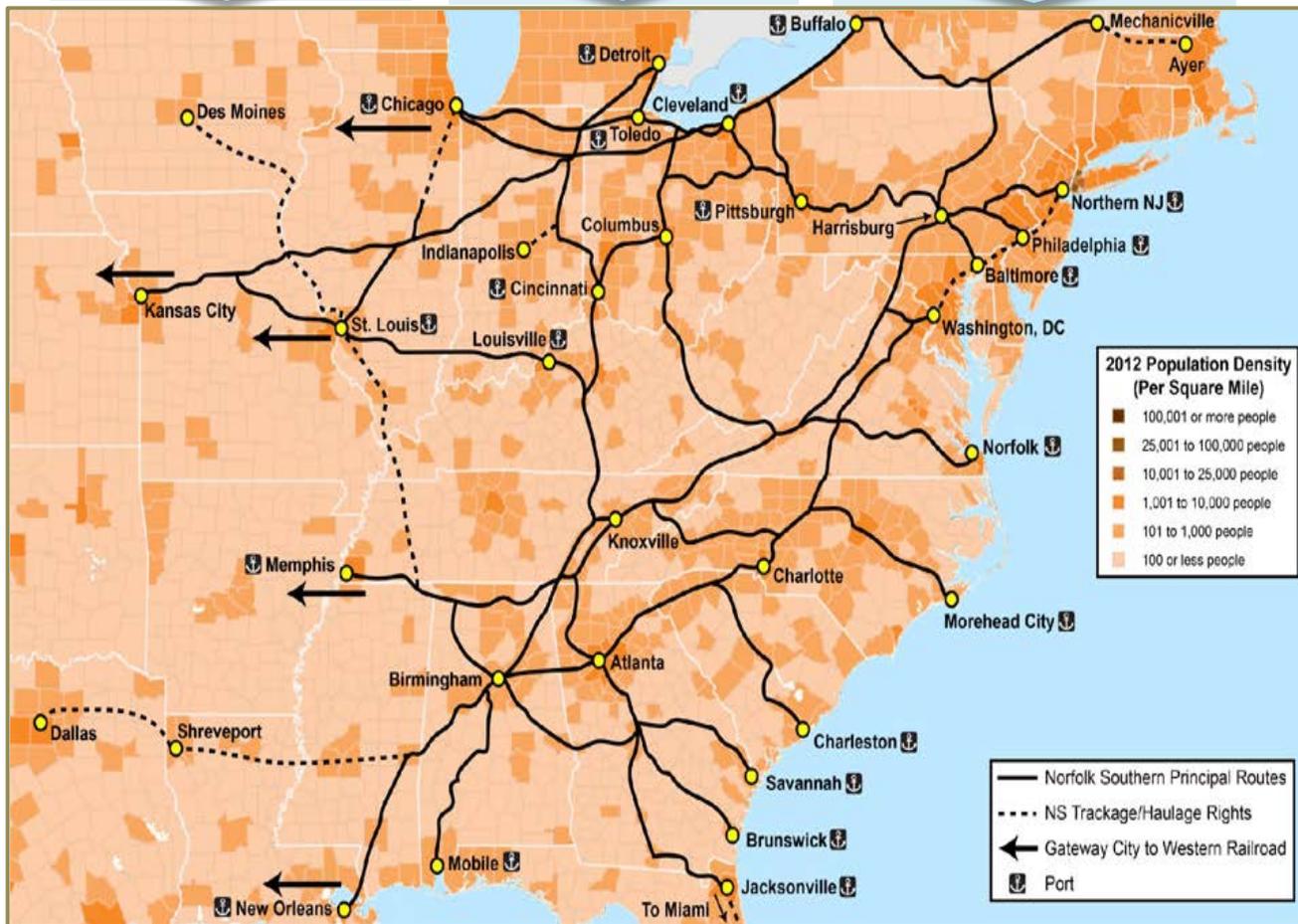
# Extensive Market Research Supports Growth

Growth driven by markets, service solutions, and long-standing customer relationships and development

~19,500 Route Miles of Track

22 States Served by Network

40+ Ports  
250+ Short Lines



Norfolk Southern's network, alignment with shipping partners and market approach generates long-term growth:

- Serves more than 50% of the US population, manufacturing activity, and energy consumption
- Superior eastern Intermodal network
- Alignment with steamship lines adding capacity in the East
- Largest metals franchise
- Largest network of automotive plants
- Industry-leading short line access
- First-in-class industrial development

**Generates diversified customer and market base**

# Norfolk Southern's Strategic Plan

- Norfolk Southern's Board worked closely with management to develop the strategic plan launched in December 2015, following Jim Squires election as CEO in June 2015.
  - Norfolk Southern is successfully implementing its 5-year strategic plan to increase profitability and deliver enhanced value to shareholders
  - Extensive ongoing evaluation of strategic plan by highly qualified and independent Board of Directors
  - Norfolk Southern is in the middle of long-range planning to develop a successor strategic plan

## Productivity Savings Plan

- High-quality service allows Norfolk Southern to capitalize on cost initiatives and leverage capacity for growth
- Dynamic plan with flexibility to address market headwinds and growth opportunities

## Revenue Growth Plan

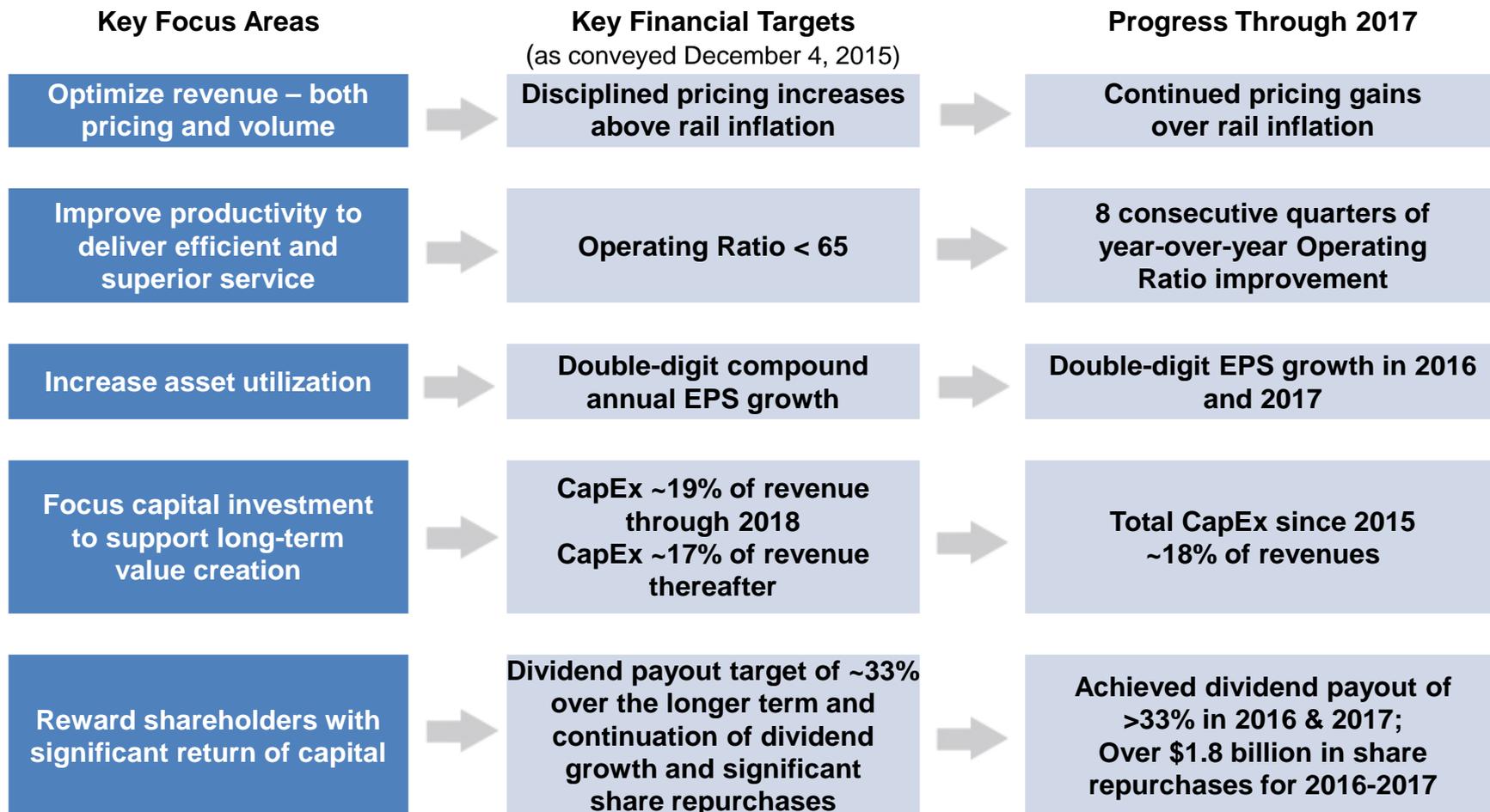
- Optimize pricing
- Double digit compound annual growth rate in earnings per share by 2020
- Growth of service-sensitive traffic
- Conservative long-term pricing and volume forecasts

***Executing plan to achieve more than \$650 million of cost savings and an operating ratio of less than 65 by 2020, while delivering significant value to shareholders***

- ✓ Focused on improving service and network velocity
- ✓ Increasing train length and improving crew productivity
- ✓ Temporary transfers and rapid deployment "go teams" to improve congestion in southern regions
- ✓ Reducing headcount and consolidating dispatching operations
- ✓ Rationalizing and revitalizing locomotives; temporarily leasing locomotives to improve service
- ✓ Executed accelerated share repurchase program to repurchase \$1.2 billion of NS stock in 2018 in addition to ongoing share repurchase program
- ✓ Increased dividends by 29% in 2018

***Strategic plan is delivering significant long-term shareholder value by balancing growth, disciplined cost savings, capital return and increased shareholder returns***

# Driving Increased Shareholder Value



*Intensely focused on executing initiatives to drive long-term shareholder value*

# Delivering on Our Commitments

## Performance Highlights

### ✓ Record operating ratio and strong earnings per share growth

#### 2017\*

- 67.4% operating ratio
- EPS improved 18% over 2016
- 12% increase in income from railway operations compared to 2016
- \$150 million in productivity savings

#### First Six Months 2018

- 66.9% operating ratio
- EPS improved 39% over first half 2017
- 14% increase in income from railway operations compared to first half 2017

### ✓ Productivity achievements

#### 2017

- Improved employee productivity, handling 5% more volume with 3% lower average headcount
- Record locomotive productivity
- Record fuel efficiency
- Record average train length

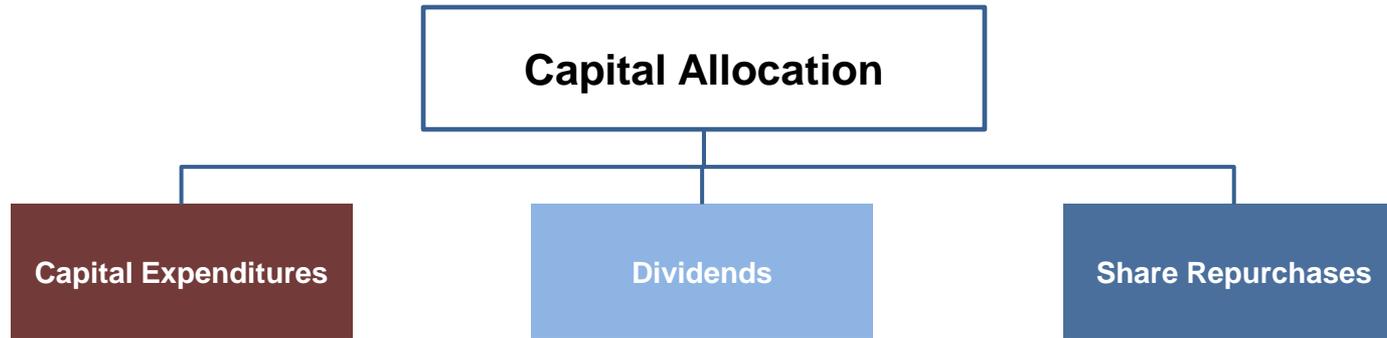
#### First Six Months 2018

- Continued focus on employee productivity, handling 4% more volume with 3% lower average headcount
- Fuel consumption up 3% for 4% volume increase
- Record average train length

***Norfolk Southern continues to deliver shareholder value through growth balanced with cost discipline and increased returns to shareholders.***

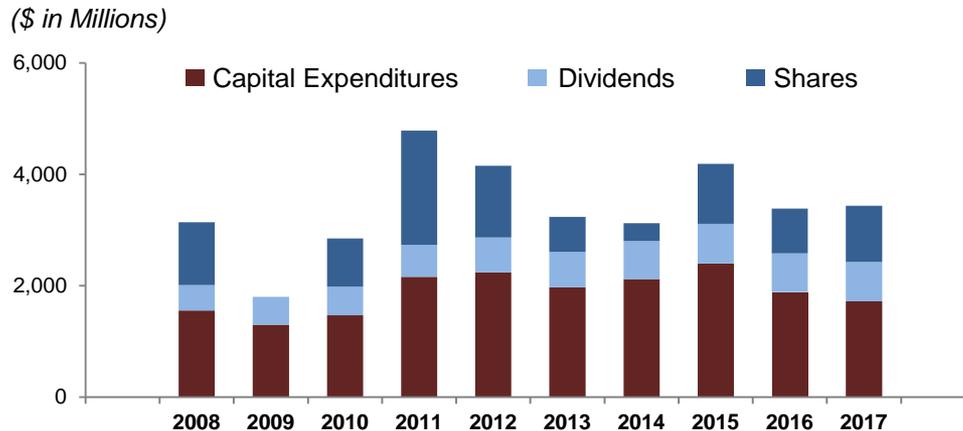
\*Please see reconciliation to GAAP posted on our website on the Invest in NS page under Events for Fourth-Quarter 2017 Earnings.

# Capital Deployment Strategy Balances Investment with Shareholder Returns



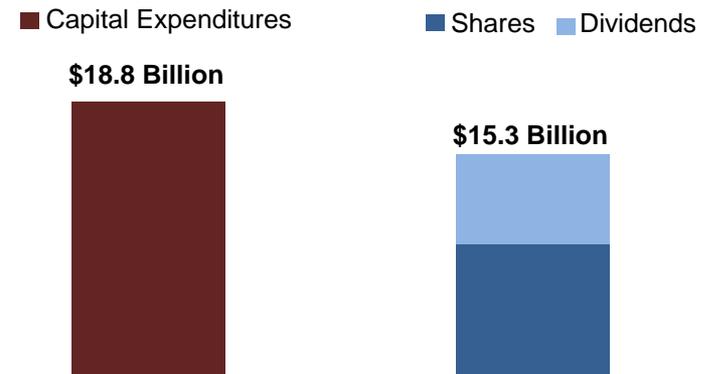
*Increased share repurchases to \$1 billion in 2017. In addition to on-going repurchases in 2018, executed \$1.2 billion accelerated share repurchase program.*

## Capital Allocation by Year



## Investment and Shareholder Returns

(2008 through 2017)



*Commitment to continue pursuing a disciplined capital allocation strategy while investing appropriately in the network*

# Norfolk Southern's Highly Independent and Experienced Board of Directors



**James A. Squires**  
President & CEO  
Chairman of the Board



**Marcela E. Donadio**  
Former Partner and Americas Oil & Gas Sector Leader  
Ernst & Young LLP



**Steven F. Leer**  
Lead Independent Director  
Former CEO and Chairman,  
Arch Coal



**Michael D. Lockhart**  
Former Chairman, President and  
CEO, Armstrong World  
Industries



**Thomas D. Bell, Jr.**  
Chairman, Mesa Capital Partners



**Amy E. Miles**  
Former Chair and CEO, Regal  
Entertainment Group Inc.



**Wesley G. Bush**  
Chairman and CEO,  
Northrop Grumman Corp



**Martin H. Nesbitt**  
Co-Founder, The Vistria Group



**Daniel A. Carp**  
Former Chairman and CEO,  
Eastman Kodak Company



**Jennifer F. Scanlon**  
President and CEO, USG  
Corporation



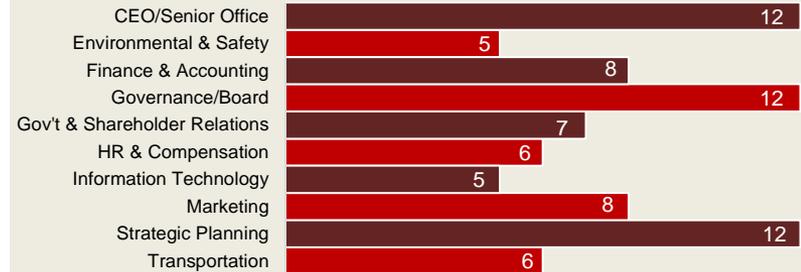
**Mitchell E. Daniels, Jr.**  
President, Purdue University



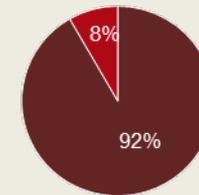
**John R. Thompson**  
Former Senior Vice President  
and General Manager,  
Best Buy.com

## Highly Engaged & Effective Board of Directors

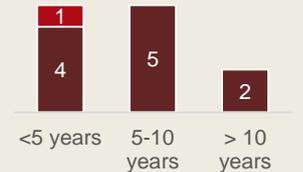
### Our Directors' Skills & Expertise



### Board Independence and Tenure



#### Average Tenure: <7 Years



■ Independent ■ Insider

■ Independent ■ Chairman / CEO

### Norfolk Southern Corporate Governance Best Practices

- ✓ Annually elected directors
- ✓ Majority voting standard
- ✓ Shareholders' right to call a special meeting
- ✓ Proxy access
- ✓ Extensive shareholder engagement
- ✓ Lead independent director
- ✓ Enterprise risk management program

# Norfolk Southern's Board Is Focused on Driving Value for All Shareholders

- **Independent Board is holding management team accountable for achievement of strategic plan**
  - Our Board is highly-experienced, with a deep understanding of our business and markets
  - All directors other than CEO are independent, with balanced tenure that combines both fresh and long-term perspectives
  - Board was responsible for the senior leadership transition at Norfolk Southern – which has enabled the strategic plan and has been a key driver of significant operational and financial improvements
- **Shareholder feedback informs the Board's analysis of the strategic plan and governance practices**
  - Norfolk Southern engages with its shareholders regarding its strategic plan and values shareholder feedback
- **Norfolk Southern's Board is focused on creating shareholder value**
  - The Board oversaw the development of Norfolk Southern's strategic plan and is overseeing execution of the plan
  - The plan is driving significant improvement in operational and financial performance
  - The Board is working with the management team to develop the successor strategic plan

*The Board believes that the Norfolk Southern strategic plan is driving shareholder value – and is holding the Norfolk Southern team accountable for execution of the plan*

# Norfolk Southern's Leadership Team



**Jim Squires**  
Chairman, President & CEO

Appointed CEO  
in June 2015

- 26 years of experience at Norfolk Southern
- Previously served as Chief Financial Officer, Executive Vice President Administration and Senior Vice President Law



**Mike Wheeler**  
Executive Vice President & COO

- 33 years of experience at Norfolk Southern
- Previously served as Vice President Engineering and Vice President Transportation



**Alan Shaw**  
Executive Vice President & CMO

- 24 years of experience at Norfolk Southern
- Previously served as Vice President Intermodal Operations, Vice President Chemicals and Vice President Coal Marketing



**Cindy Earhart**  
Executive Vice President Finance & CFO

- 33 years of experience at Norfolk Southern
- Previously served as Vice President Human Resources, Vice President IT and Executive Vice President Administration and CIO



**John Scheib**  
Executive Vice President Law and Administration & CLO

- 13 years of experience at Norfolk Southern
- Previously served as Senior Vice President Law and Corporate Relations, and Vice President Law

## Ongoing initiatives to drive long-term value creation:

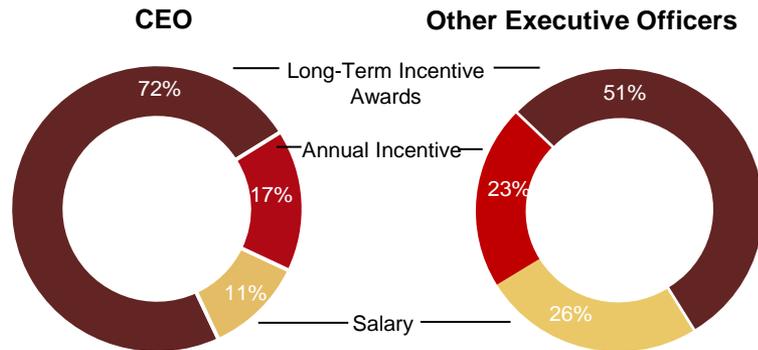
- Focusing on growing the business while improving service and velocity
- Centralizing dispatching operations
- Assessing terminal operations
- Managing headcount and reducing G&A
- Rationalizing locomotives to improve locomotive productivity and fuel efficiency

# Compensation Program Aligned to Performance

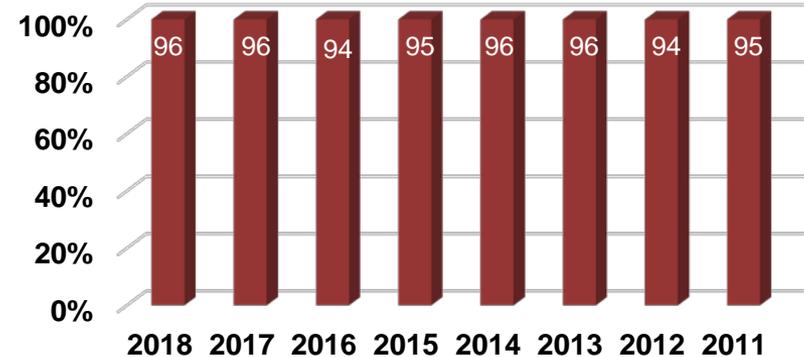
Element	Form	Key Characteristics & Performance Metrics
Base Salary	Fixed Cash	<ul style="list-style-type: none"> <li>Reviewed annually and periodically adjusted based on market data, individual performance and experience, changes in position or duties or other circumstances</li> </ul>
Annual Incentive	Performance Based Cash	<ul style="list-style-type: none"> <li>Designed to compensate executives based on achievement of annual corporate performance goals</li> <li>Performance metrics chosen to encourage employees to do all they can individually and as a team to increase revenue, reduce expenses and improve operating performance</li> <li><b>Performance metrics for 2017:</b> <ul style="list-style-type: none"> <li><b>50%</b> – Operating income</li> <li><b>35%</b> – Operating ratio</li> <li><b>15%</b> – Composite service measure (weighted average of adherence to operating plan (30%), connection performance (30%) and train performance (40%))</li> </ul> </li> </ul>
Long-Term Incentive Awards	Performance Share Units (50%)	<ul style="list-style-type: none"> <li>Reward achievement of performance goals over a 3-year period</li> <li>Performance measures chosen to promote enhancement of shareholder value and efficient utilization of corporate assets</li> <li><b>Performance metrics for 2017:</b> <ul style="list-style-type: none"> <li><b>50%</b> – After-tax return on average invested capital</li> <li><b>50%</b> – Total shareholder return measure (relative to publicly-traded North American Class I railroads and a secondary measure relative to S&amp;P 500)</li> </ul> </li> </ul>
	Stock Options (35%)	<ul style="list-style-type: none"> <li>Provides ability to retain key employees and at the same time increase shareholder value</li> <li>Maintain a 4-year cliff-vesting period</li> </ul>
	Restricted Stock Units (15%)	<ul style="list-style-type: none"> <li>Serves as a key retention tool for valued members of management</li> <li>Vest on the 5th anniversary of the date of grant</li> </ul>

# Compensation Mix & 2017 Targets Align Executive Goals with Performance Goals

2017 Target Total Compensation Mix



Strong "Say on Pay" Voting Results

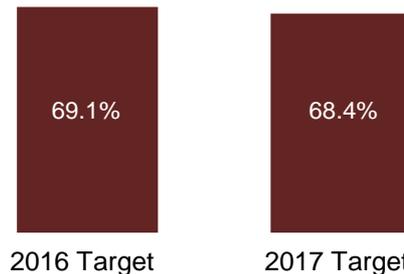


*In 2016, the Board provided a 3-year accelerated turnaround incentive that will pay out in 2019 if the 2020 strategic plan goals of an operating ratio below 65 and double-digit compound annual growth in earnings per share are achieved before 2020.*

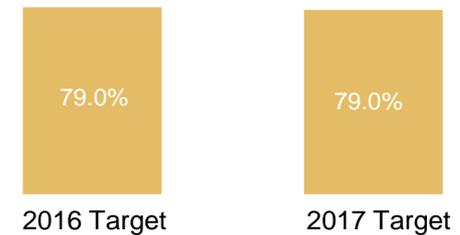
Operating Income Targets



Operating Ratio Targets



Composite Service Measures Targets



*For 2017, the Committee increased the operating ratio target in consideration of the strategic plan goals. The Committee decreased the operating income target in consideration of the forecasted business environment and ongoing economic uncertainty, but set the target higher than 2016 results.*

# Commitment to Strong Compensation Governance Practices

*As a result of our shareholder engagements, our Compensation Committee has enhanced the design of our executive compensation program.*

*Our executive compensation program reflects leading governance principles and demonstrates our commitment to best practices.*

**For 2018, the Committee made the following changes to the long-term incentive awards granted to our Named Executive Officers, which it believes will provide better alignment with shareholders:**

- Revised the mix of the long-term incentive awards:
  - decreased the percentage granted as stock options
  - increased the percentage granted as performance share units and restricted stock units and adjusted the vesting of the restricted stock units to a 4-year ratable period rather than a 5-year cliff
- Return on average invested capital serves as the sole metric for performance share units, and total shareholder return serves as a modifier rather than as a performance metric
- Performance share unit and restricted stock units awards are forfeited if the recipient terminates employment before October 1 of the year of grant (except in the case of death or disability)

WE DO	WE DON'T DO
✓ <b>Stock Ownership Guidelines</b>	✗ <b>Pledging or hedging</b>
✓ <b>Clawback provisions</b>	✗ <b>Stock option repricing</b>
✓ <b>Directly link performance to pay outcomes</b>	✗ <b>Stock options granted below fair market value</b>
✓ <b>Disclose metrics</b>	✗ <b>Tax gross-ups on perquisites or excise tax gross-ups on change-in-control benefits</b>
✓ <b>Independent compensation consultant</b>	✗ <b>Individual employment agreements or individual supplemental retirement plans</b>
✓ <b>Annual Say-on-Pay vote</b>	✗ <b>Single trigger change-in-control agreements</b>

# Risk Management

*Norfolk Southern considers and manages opportunities, threats, and uncertainties that may impact the Corporation's business objectives by employing a robust Enterprise Risk Management ("ERM") program.*

- The ERM program supports the Corporation's achievement of business objectives by enabling a collaborative risk management environment to proactively identify, assess, monitor, and mitigate business risk.
- Management implements the ERM program through its Enterprise Risk Council.
- Management provides regular presentations and updates on risk management efforts to the Finance and Risk Management Committee.
- Through its ERM Program and disclosure procedures, we review and monitor sustainability and climate change risks relating to volatility in energy prices, business interruptions from severe weather, and legislative and regulatory efforts to limit greenhouse gas emissions.
- Our Board receives updates on these risks, and our management works with employees to identify, assess, and mitigate these risks and any potential emerging risks associated with sustainability and climate change.

# Strides in Stewardship

*Norfolk Southern's strategy is built on four pillars to success:  
safety, service, stewardship of resources and growth*

## ❖ Integrating Sustainable Business Practices into Daily Operations

- Achieved record locomotive fuel efficiency, improving fuel economy by nearly 1.6% per 1,000 gross ton-miles
- Adopted a carbon-mitigation strategy, Trees and Trains, that turns our carbon footprint into a corporate opportunity
- Goal to reduce fuel consumption by 9% by 2020:
  - Our locomotive fuel-management systems reduce locomotive fuel consumption
  - Our Horsepower Per Ton operating tool advises engineers how many locomotives to use for each segment of a trip
  - Upgrading locomotives to more fuel-efficient and lower emission models at an accelerated rate over the next five years
  - Reducing engine idling through training and use of plug-in "Sleeper" engine heating system

## ❖ Increasing the Diversity of Our Workforce and Improving our Communities

- 83% of employees represented by 13 trade unions
- Stepping up recruitment of women for operations jobs to increase talent pool and the diversity of experience in the workplace
- New hires included 19% women and 32% minorities
- Employees contributed >1,600 hours of volunteer community service

## ❖ Generating Economic Benefits for Businesses and Communities

- Financed an employee payroll of more than \$2 billion and disbursed a combined \$5.4 billion in taxes, purchases and other payments through 22 states and the District of Columbia
- Realized new business from 75 industries Norfolk Southern assisted in locating or expanding along its lines - representing a customer investment of over \$1 billion
- Invested \$1.72 billion, or 16 cents of every \$1 in operating revenue, in capital projects, generating economic benefits across the NS supply chain

## ❖ Safety is a Core Value and Pillar of our Strategy

- Training operations employees on how to identify and reduce workplace risks through "Pause, Process and Proceed" -- assess risks, choose a safe course and proceed in the safest possible way
- "I am Coming Home" and "Tell Me" campaigns make safety personal and support our behavior-based safety program
- Trained over 5,500 local emergency responders across 18 states in safe response to potential rail incidents

# 2017 Sustainability Report Highlights

## Advancing Sustainable Transportation

### Prosperity: Economic Performance

- Achieved a record operating ratio of 68.9 percent.
- Improved network efficiency to near record levels, including a 9 percent increase in train speed and 7 percent reduction in the average time rail cars dwell in terminals compared with 2015.
- Assisted 71 industries in locating or expanding their business along NS rail lines, representing customer investment of nearly \$4 billion, more than 4,600 new customer jobs, and more than 50,000 carloads of rail business annually.
- Awarded the first NS Supplier Sustainability Award to recognize suppliers that demonstrate commitment to sustainable business practices.
- Awarded nearly \$7.3 million in Norfolk Southern Foundation grants to communities in support of education, health and human services, arts and culture, and the environment.

### People: Social Performance

- Held the company's second Lead It Safety Summit, providing training and workshops for employee leaders of local Safety and Service Committees to enhance safety efforts on the front lines of operations.
- Provided training for all operations employees on how to identify and reduce safety risks in the workplace.
- Reduced for the second consecutive year the number of train accidents involving derailments.
- Continued strides in hiring women, part of the company's strategy to increase its talent pool and workforce diversity.
- Contributed more than 1,600 hours of employee volunteer service as part of the company's formal Thoroughbred Volunteer program.
- Debuted a safety train to provide training for local emergency personnel on safe response to potential rail incidents.

### Planet: Environmental Performance

- Achieved record locomotive fuel efficiency, saving approximately 7.4 million gallons of diesel fuel and avoiding 250,840 metric tons of greenhouse gas emissions.
- Assembled more than 30 low-emission Eco locomotives at Juniata Locomotive Shop between 2015 and early 2017, combining NS' innovative locomotive modernization program with public-private partnerships to help communities reduce transportation-related diesel emissions.
- Launched a new program to upgrade the locomotive fleet by converting 1990s locomotives from DC to AC traction power, enhancing their pulling power, reliability, and overall fuel efficiency.
- Reduced overall greenhouse gas emissions to the lowest levels since 2010, cutting emissions intensity by nearly 2 percent compared with 2015.
- Reduced electricity use as measured in kilowatt hours by more than 9 percent from 2015, reflecting systemwide energy-efficiency initiatives undertaken over the past five years.

**Norfolk Southern's commitment to be a good steward of resources drives operating performance that benefits the planet, commerce and people.**

Thank You

