



Financial Value Creation

Norfolk Southern Investor and Financial Analyst Conference

June 8, 2011

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Chief Financial Officer**

Elements of Financial Value Creation

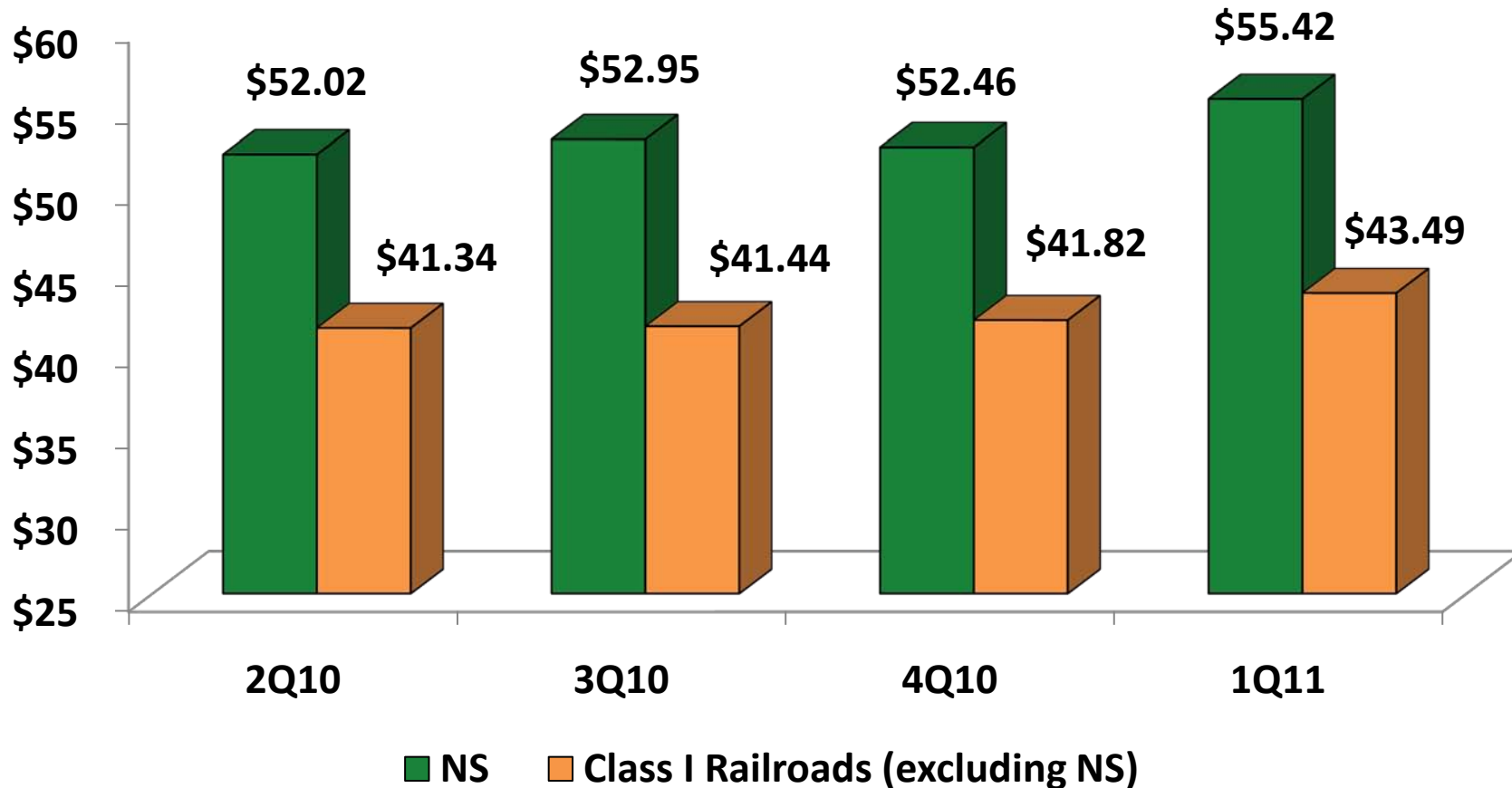
- **The Three Pillars of Profit Growth**
 - **Pricing**
 - **Volume Growth**
 - **Productivity**
- **Capital Deployment**
 - **Capital Expenditures**
 - **Shareholder Distributions**
- **Capital Structure Objectives**

The Three Pillars of Profit Growth



The Three Pillars: Pricing

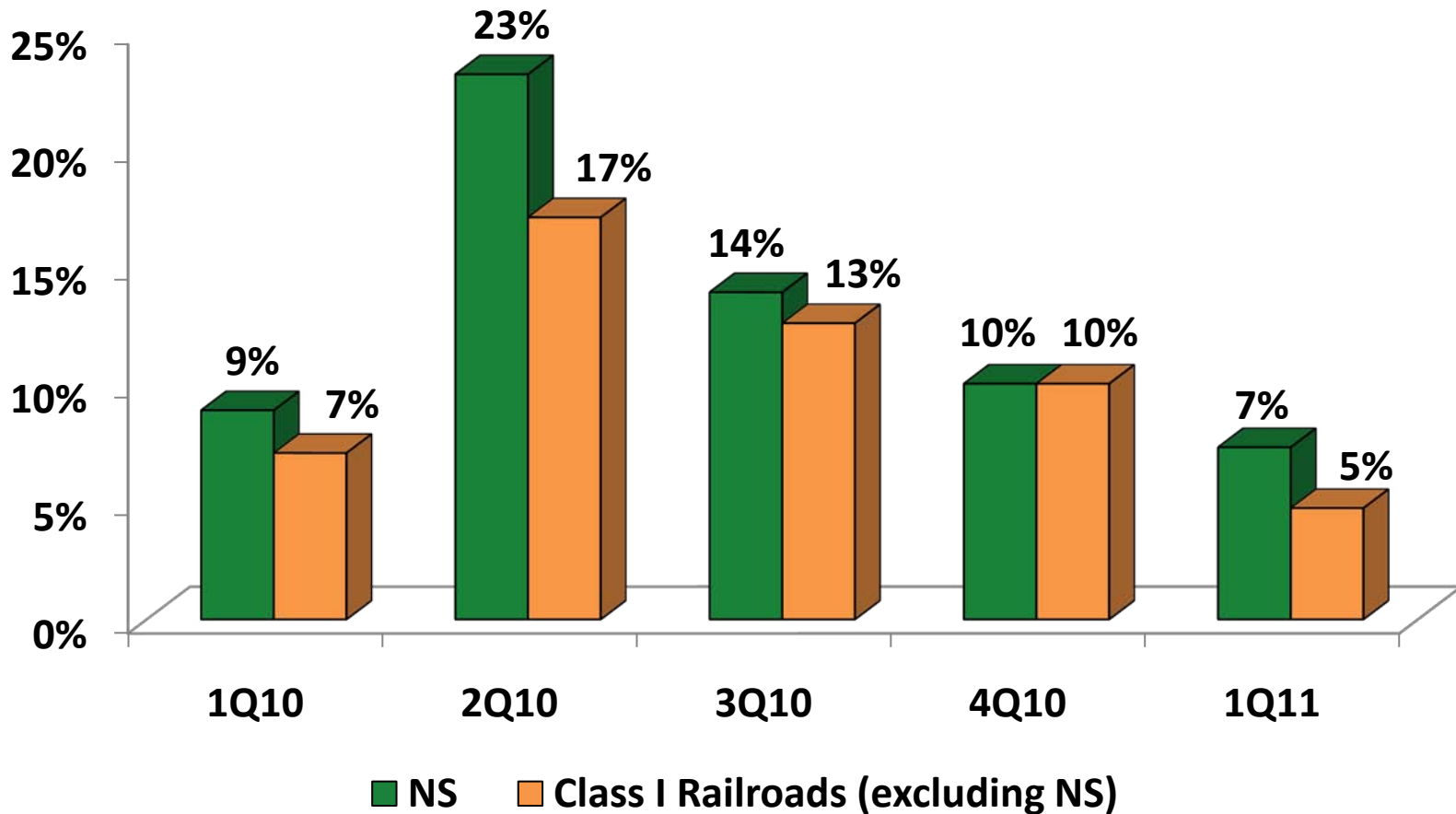
(Revenue per thousand RTMs)



Source: Company Reporting or STB

The Three Pillars: Volume Growth

(Year-over-year change)



Source: Association of American Railroads

The Three Pillars: Productivity

Fuel

- LEADER
- Top-of-Rail Friction Modification
- New Locomotives
- Wireless Event Recorder

Workforce

- Remote Control Locomotives
- Remote Intelligent Terminal (RIT)
- Maintenance of Way Scheduling
- Optimizing Crew Districts

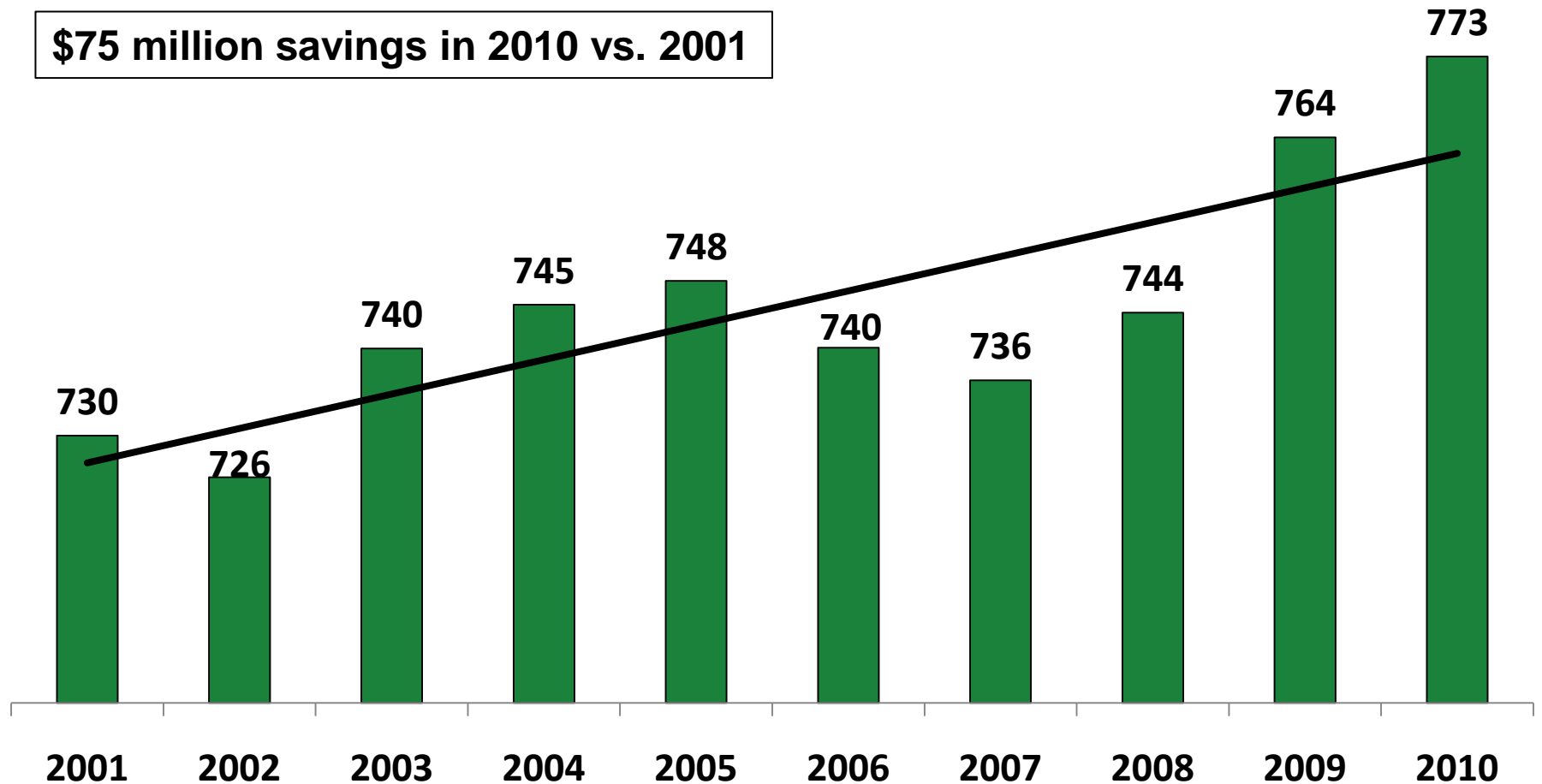
Assets

- UTCS
- Wayside Detection System
- Process Control
- Thoroughbred Locomotive Management System
- Locomotive Assignment & Routing System
- ABC Next Gen
- Geographic Information System

Fuel Productivity

(Gross ton miles per gallon of fuel consumed)

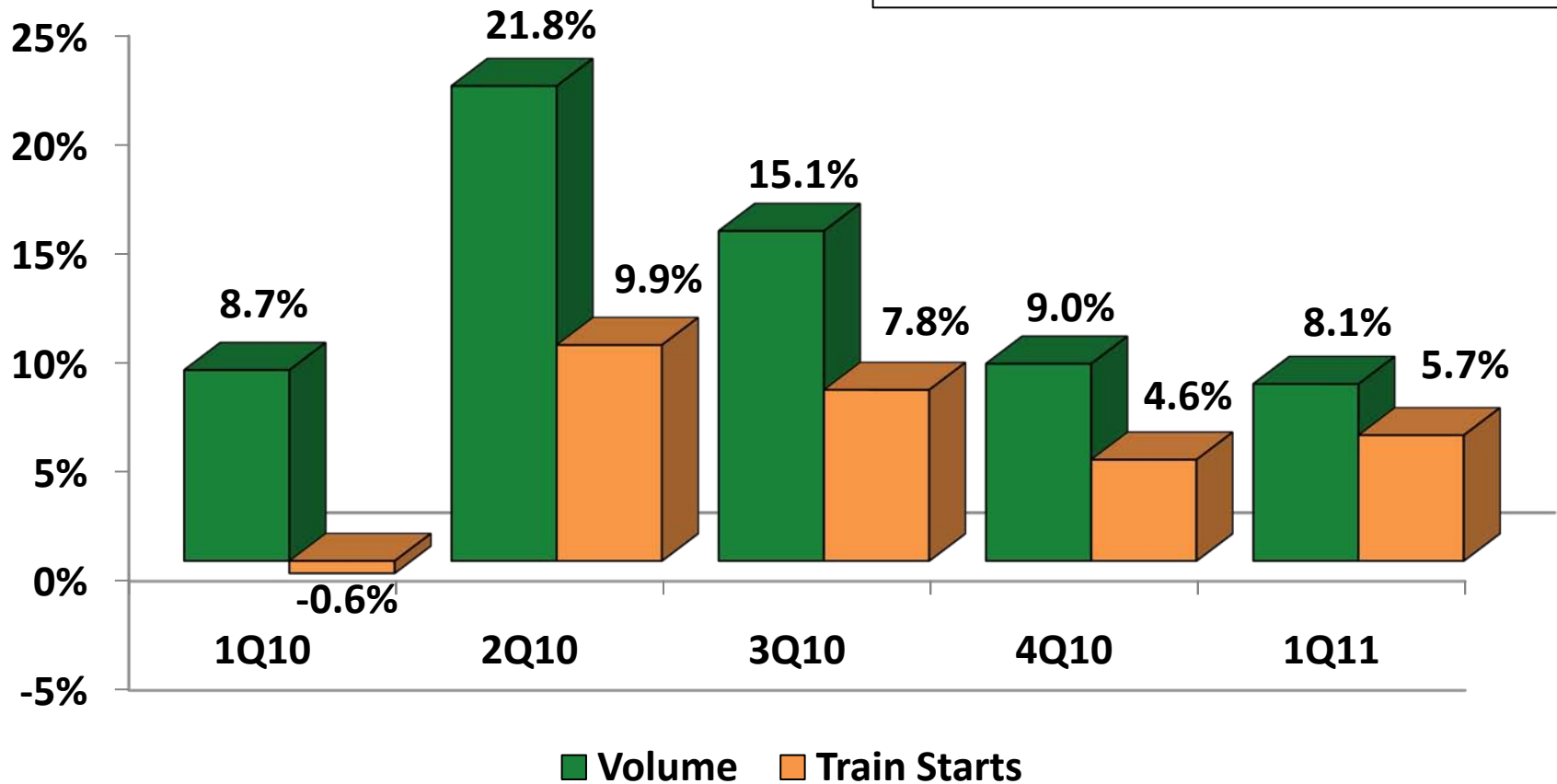
\$75 million savings in 2010 vs. 2001



Crew Productivity

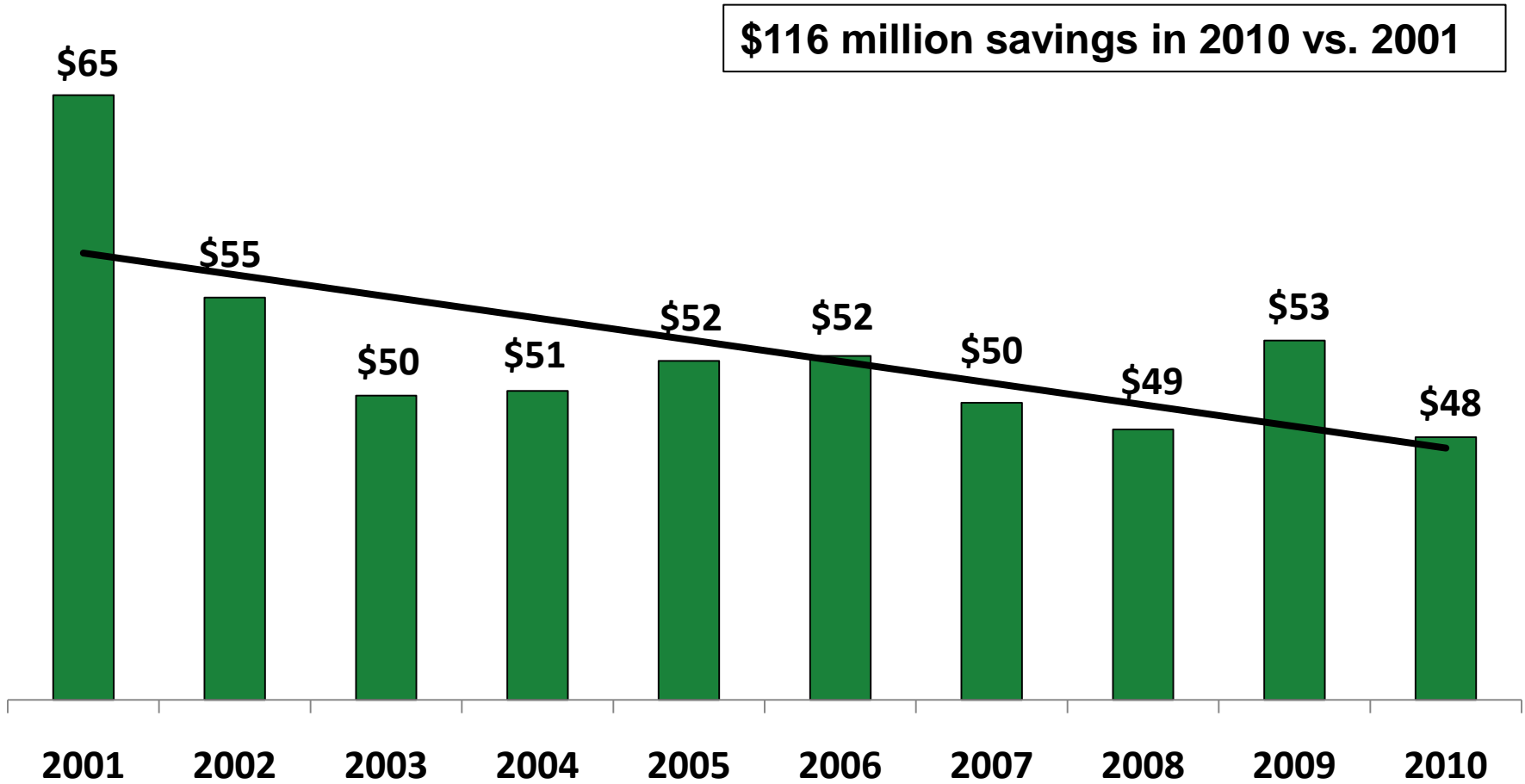
(Year-over-year change)

\$48 million cumulative savings



Equipment Rents

(Expense per unit)

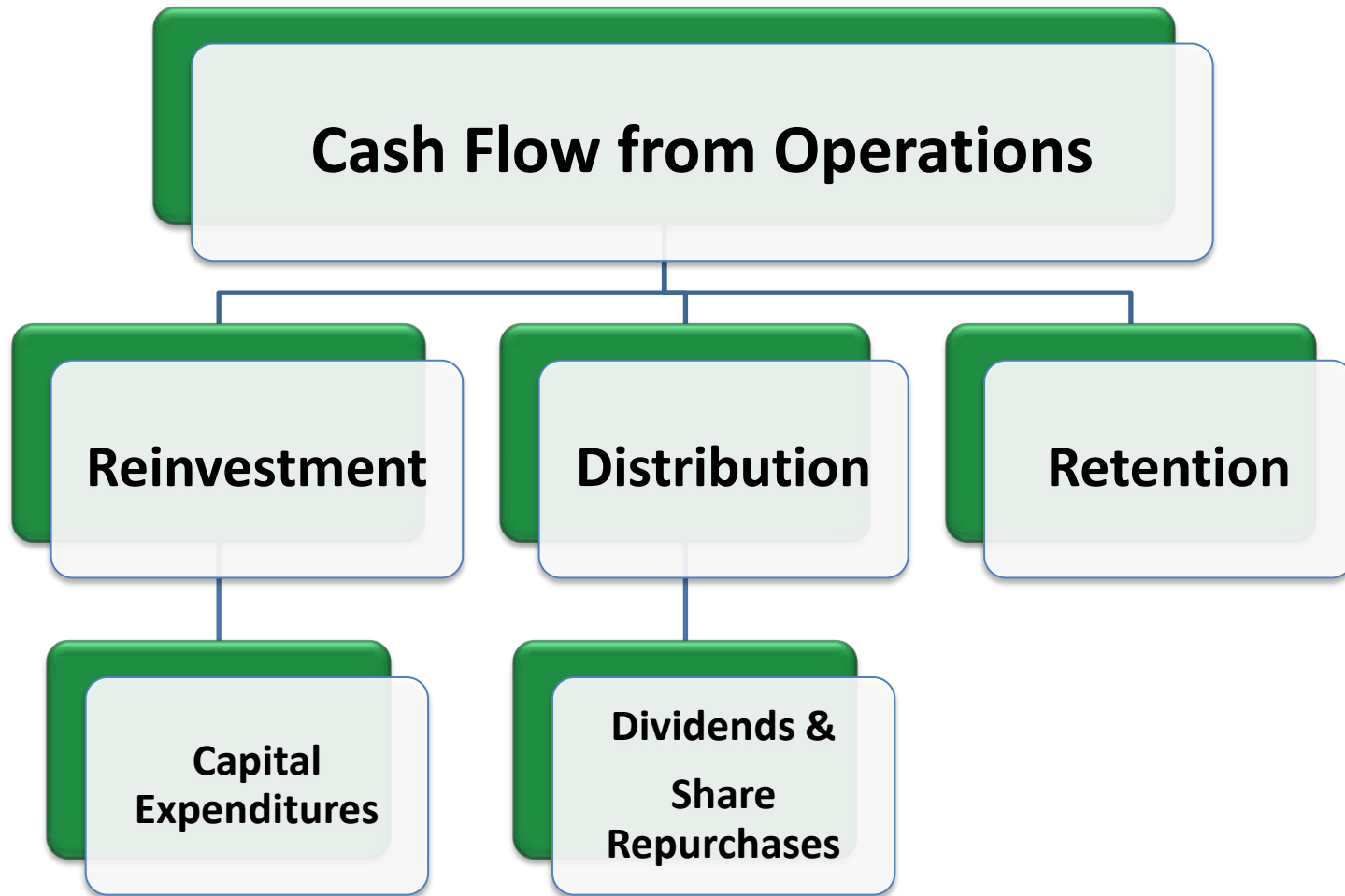


Financial Value Creation: 1Q 2011

(\$ millions, except EPS)

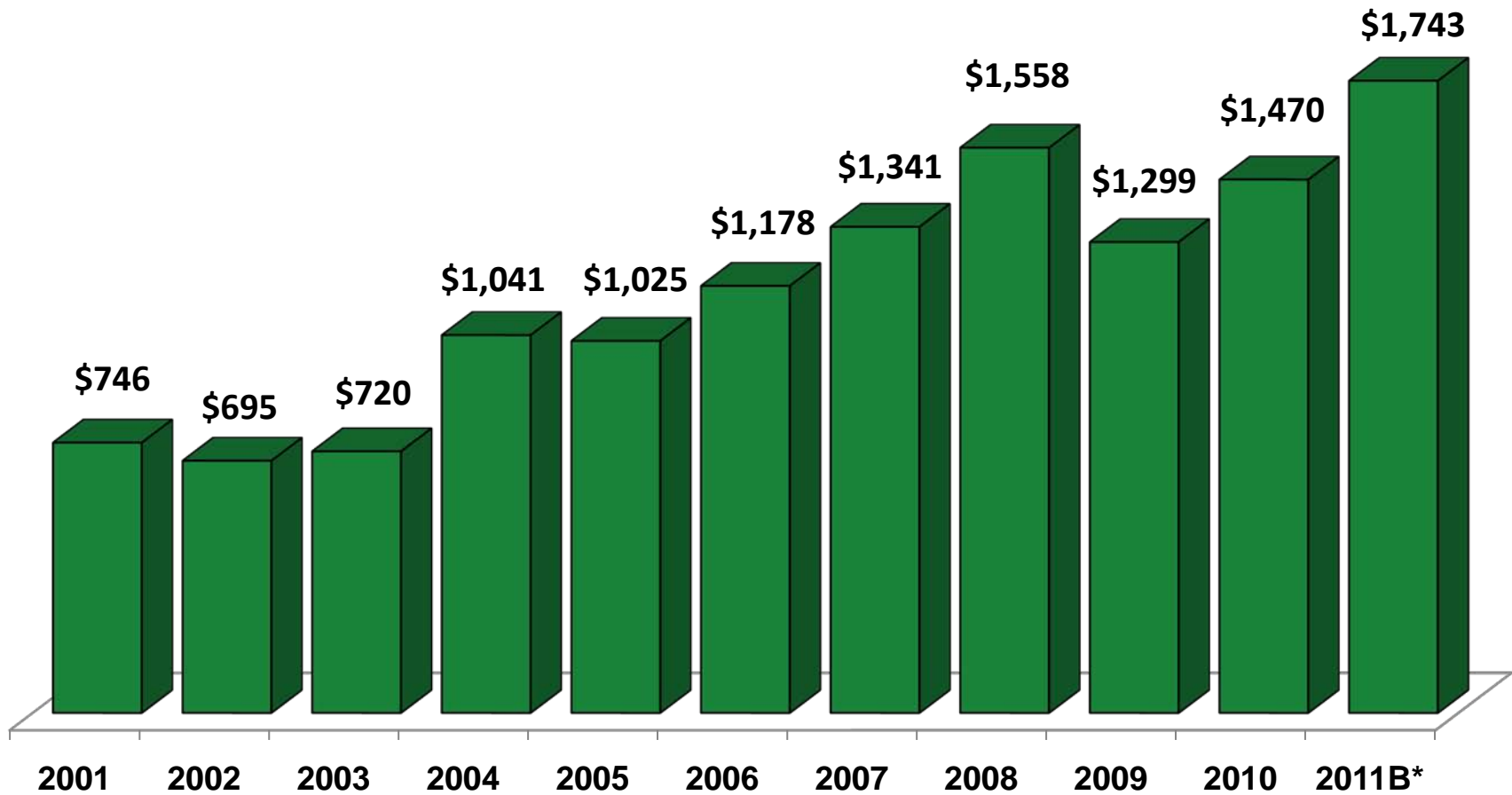
Revenues	\$2,620	Record
Income from railway operations	\$600	Record
Earnings per share	\$0.90	Record

Capital Deployment



Capital Expenditures

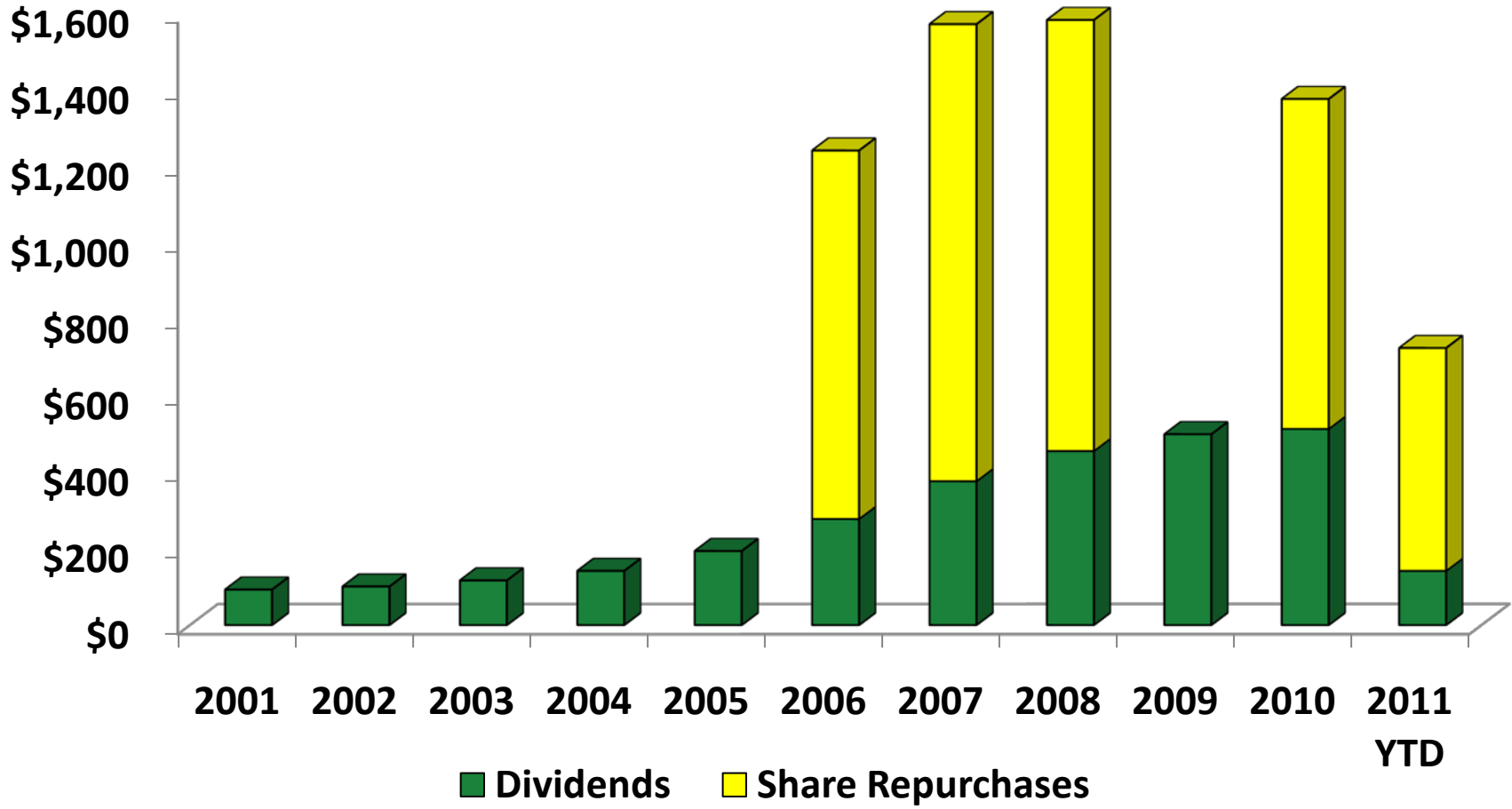
(\$ millions)



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

Shareholder Distributions

(\$ millions)



Capital Structure Objectives

- **Strong investment grade BBB+/Baa1 credit ratings**
- **Maintain balance sheet liquidity and access to capital markets**
- **Optimize weighted average cost of capital**

Financial Value Creation - Summary

- **Safe, efficient operations are the foundation of the three pillars.**
- **The three pillars undergird margin improvement, which in turn supports rising earnings.**
- **Reinvestment is the “first call” on cash flow, with free cash flow going to dividends and share repurchases.**
- **Rising shareholders distributions are the end-product, even as we stay within targeted credit parameters.**