



2017 First Quarter Earnings Conference Call

April 26, 2017

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 of 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, 2016, 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.



2017 Financial Highlights First Quarter

April 26, 2017

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

First Quarter 2017 Results Versus Prior Year

Executing strategy, driving record first quarter results

1Q RECORD OPERATING RATIO:

- outperformed last year's record-breaking first quarter
- **70.0% 1Q17 versus 70.1% 1Q16**

1Q RECORD INCOME FROM OPERATIONS:

- Increased 7% to \$773M

NET INCOME:

- Increased 12% to \$433M

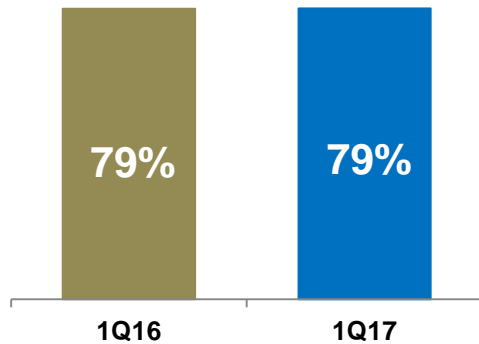
1Q RECORD EARNINGS PER SHARE:

- Increased 15% to \$1.48

Delivering Solid Operations in First Quarter 2017

Solid service and operations drive growth at low incremental cost

COMPOSITE SERVICE METRIC



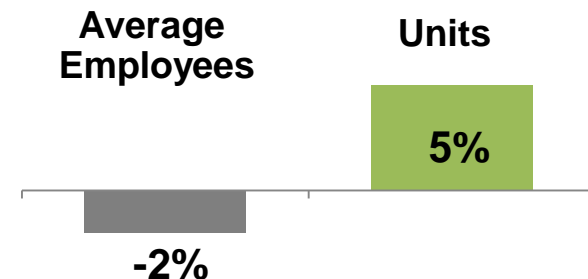
EFFICIENCY INITIATIVES

- Continued successful execution of operating plan
- Strong analytical tools and ongoing collaboration support optimization
- Team focused on resource utilization

SERVICE AND ASSET UTILIZATION

- Strong partnerships and dynamic processes
- Leveraging technology
- Proactive resource alignment

EMPLOYEES LOWER W/ UNIT GROWTH





First Quarter 2017 Marketing Overview

April 26, 2017

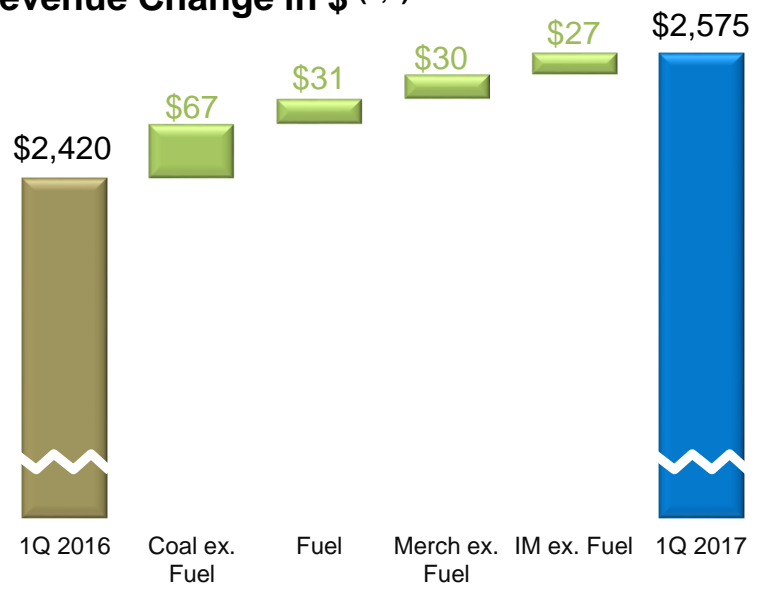
*Alan H. Shaw
Executive Vice President
and Chief Marketing Officer*

Railway Operating Revenue

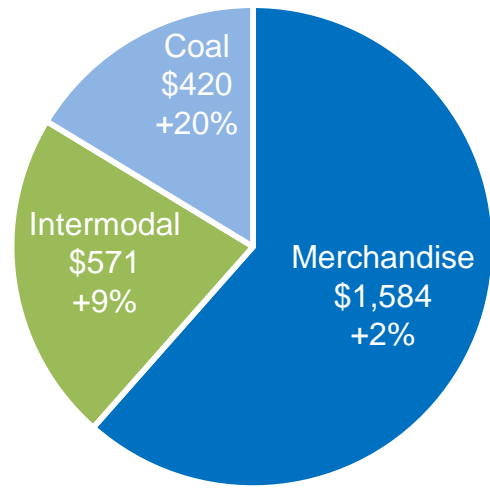
First Quarter 2017 vs. 2016

| Revenue | Volume | RPU | RPU Less Fuel ⁽¹⁾ |
|---------------|-----------------|---------|------------------------------|
| \$2.6 Billion | 1,846,600 units | \$1,394 | \$1,351 |
| up 6% | up 5% | up 1% | flat |

Revenue Change in \$ ^(1,2)



Revenue \$ ⁽²⁾ & Y-o-Y Percent Change



1. Please see reconciliation to GAAP posted on our website.
 2. In millions.

Improvement in volume and pricing generated strong first quarter results

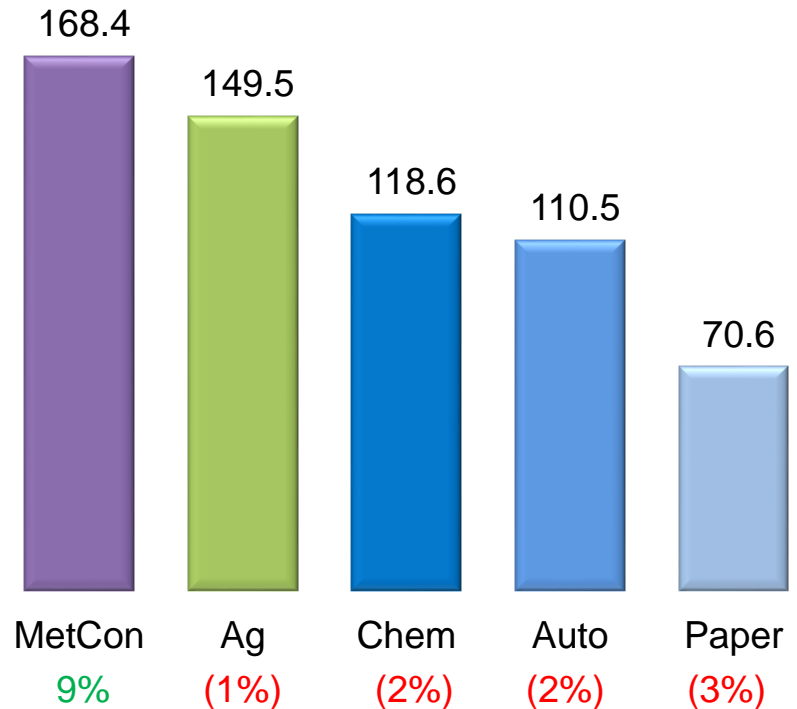
Merchandise Market

First Quarter 2017 vs. 2016

Metals and construction strength partially offset by weaker conditions in other markets

| | | | |
|------------------|--------------------------------|---|----|
| Revenue | \$1,584 Million | ↑ | 2% |
| Volume | 617,600 | ↑ | 1% |
| RPU | \$2,564 | ↑ | 2% |
| Less Fuel | | | |
| Revenue | \$1,574 Million ⁽¹⁾ | ↑ | 2% |
| RPU | \$2,548 ⁽¹⁾ | ↑ | 1% |

Units (000's) & Y-o-Y Percent Change



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

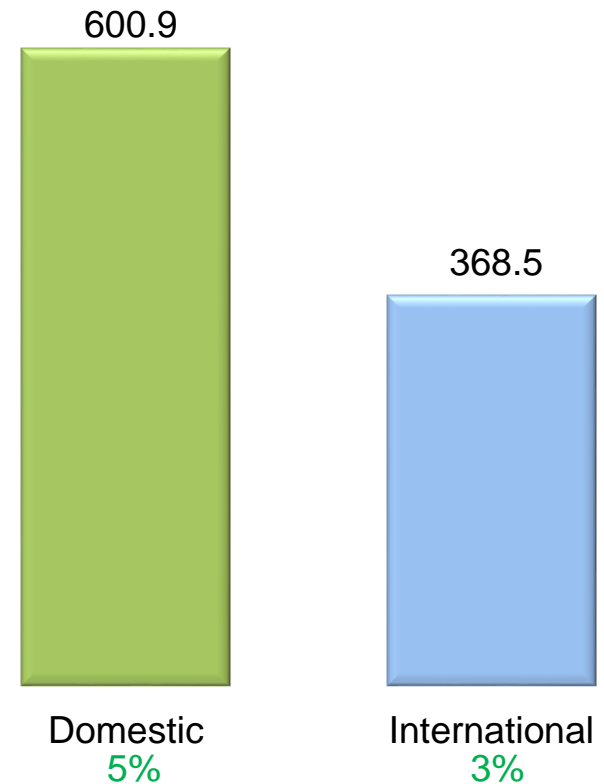
Intermodal Market

First Quarter 2017 vs. 2016

Volumes benefitted from improved service and growth in East Coast ports

| | | | |
|------------------|------------------------------|---|----|
| Revenue | \$571 Million | ↑ | 9% |
| Volume | 969,400 | ↑ | 4% |
| RPU | \$589 | ↑ | 5% |
| Less Fuel | | | |
| Revenue | \$509 Million ⁽¹⁾ | ↑ | 6% |
| RPU | \$525 ⁽¹⁾ | ↑ | 1% |

Units (000's) & Y-o-Y Percent Change



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

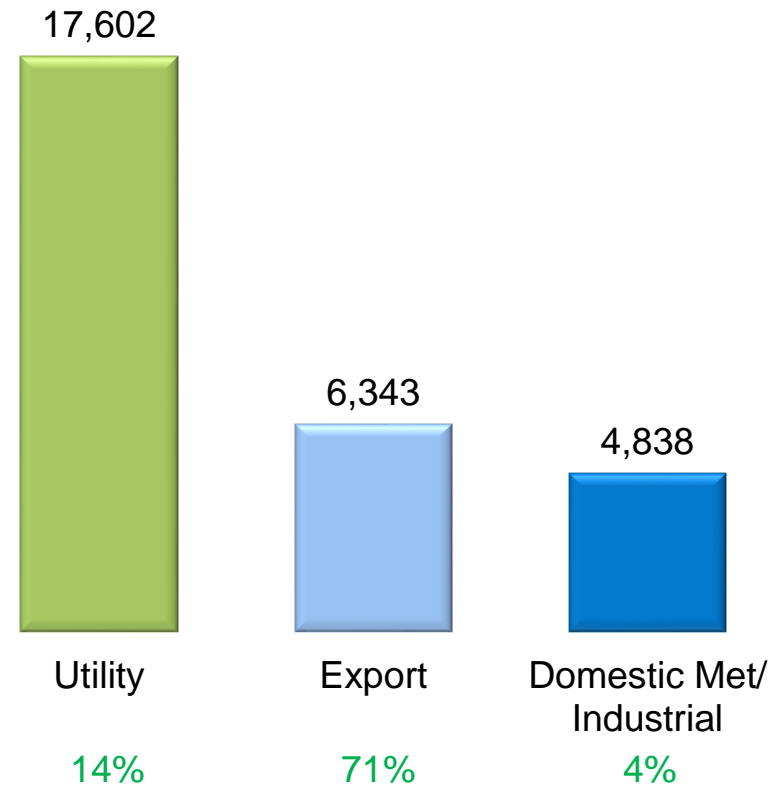
Coal Market

First Quarter 2017 vs. 2016

Increases in Coal revenue driven by improved export market, utility share gain and higher natural gas prices

| | | | |
|------------------|------------------------------|---|------|
| Revenue | \$420 Million | ↑ | 20% |
| Volume | 259,600 | ↑ | 21% |
| RPU | \$1,617 | ↓ | (1%) |
| Less Fuel | | | |
| Revenue | \$412 Million ⁽¹⁾ | ↑ | 19% |
| RPU | \$1,585 ⁽¹⁾ | ↓ | (1%) |

Tons (000's) & Y-o-Y Percent Change



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

Strategy for Growth

Volume Outlook

- Improving economic conditions
- Merchandise flat overall
 - Continued challenges in energy markets
 - Automotive plant downtime
 - Positive trends for steel and construction markets
- Intermodal growth
 - Securing service-sensitive business
 - Tightening truck capacity expected
- Coal growth
 - Reduced international supply
 - Market share gain and higher natural gas prices

Revenue Outlook

- Commitment to strong customer partnerships drives growth
 - Continued emphasis on service
 - Improving the customer experience
- Targeted market outreach
 - Aligning growth with capacity
- Long-term view of markets and pricing
 - Leveraging value of our service product
 - Domestic truck rate increases projected as capacity tightens

Targeting high quality revenue growth that complements our existing network



2017 Operations Overview

April 26, 2017

Michael J. Wheeler
Executive Vice President
and Chief Operating Officer

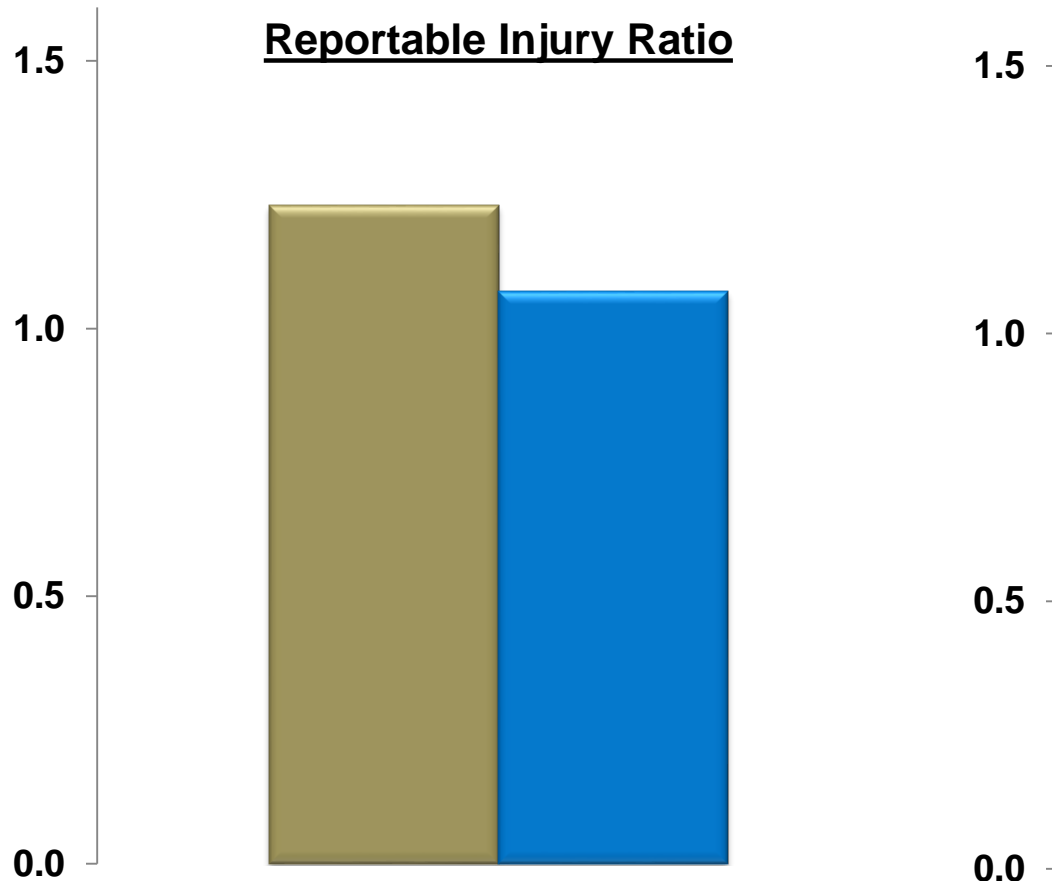
Injury Ratios

Per 200,000 employee hours worked

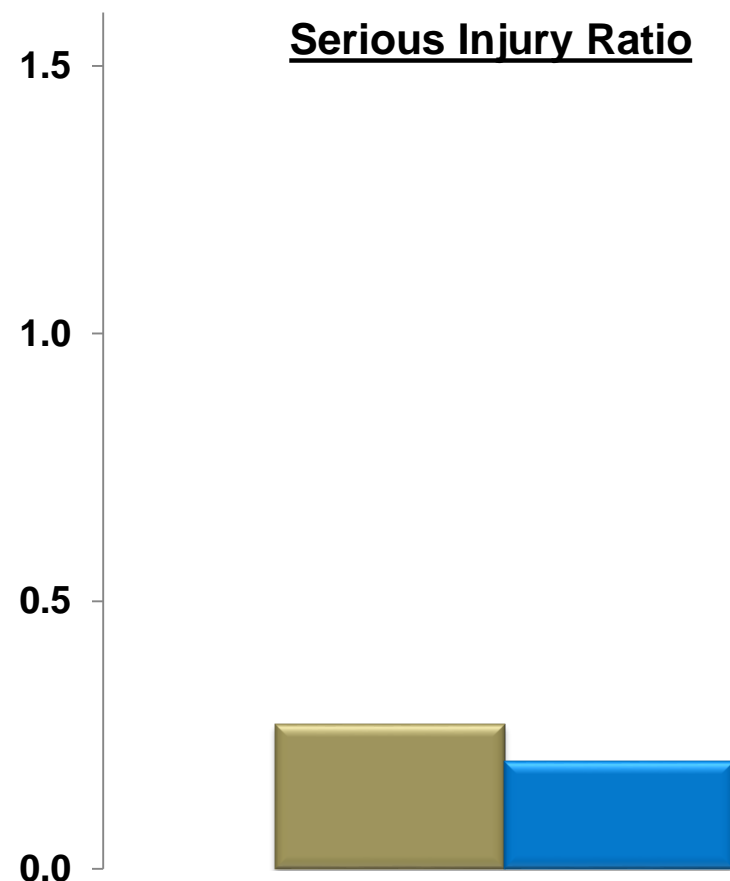
Continued focus on safety led to reductions in key injury ratios

■ 1Q16 ■ 1Q17

Reportable Injury Ratio

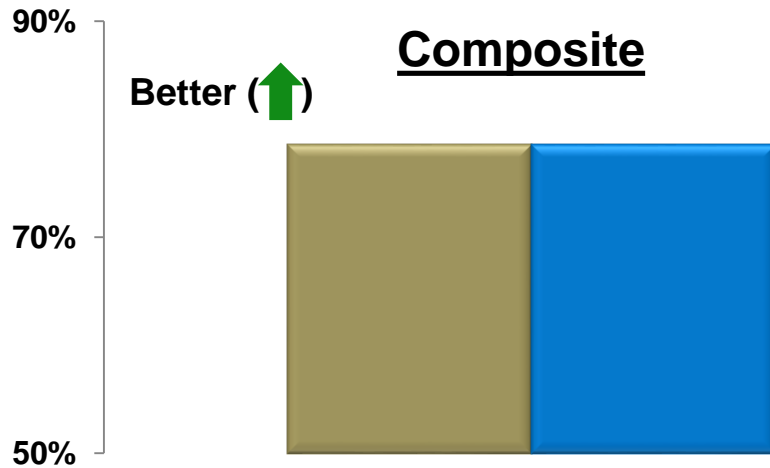


Serious Injury Ratio

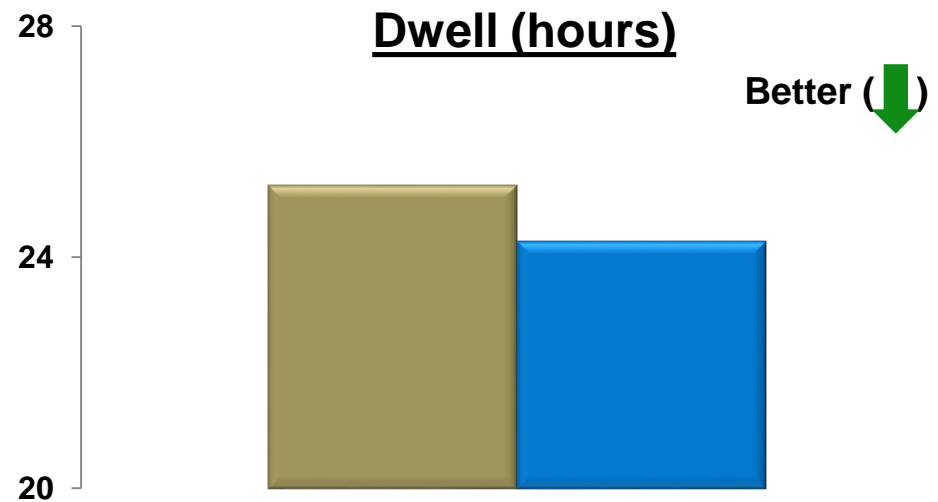
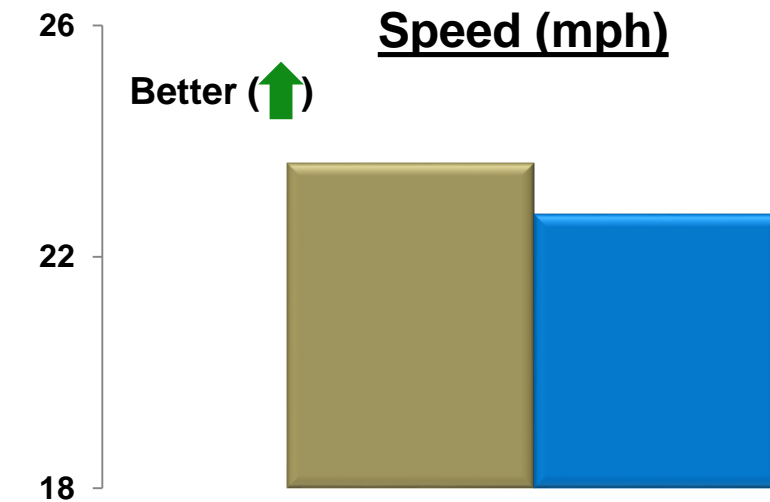


Network Performance Metrics

Network velocity remains near all-time high with higher volume



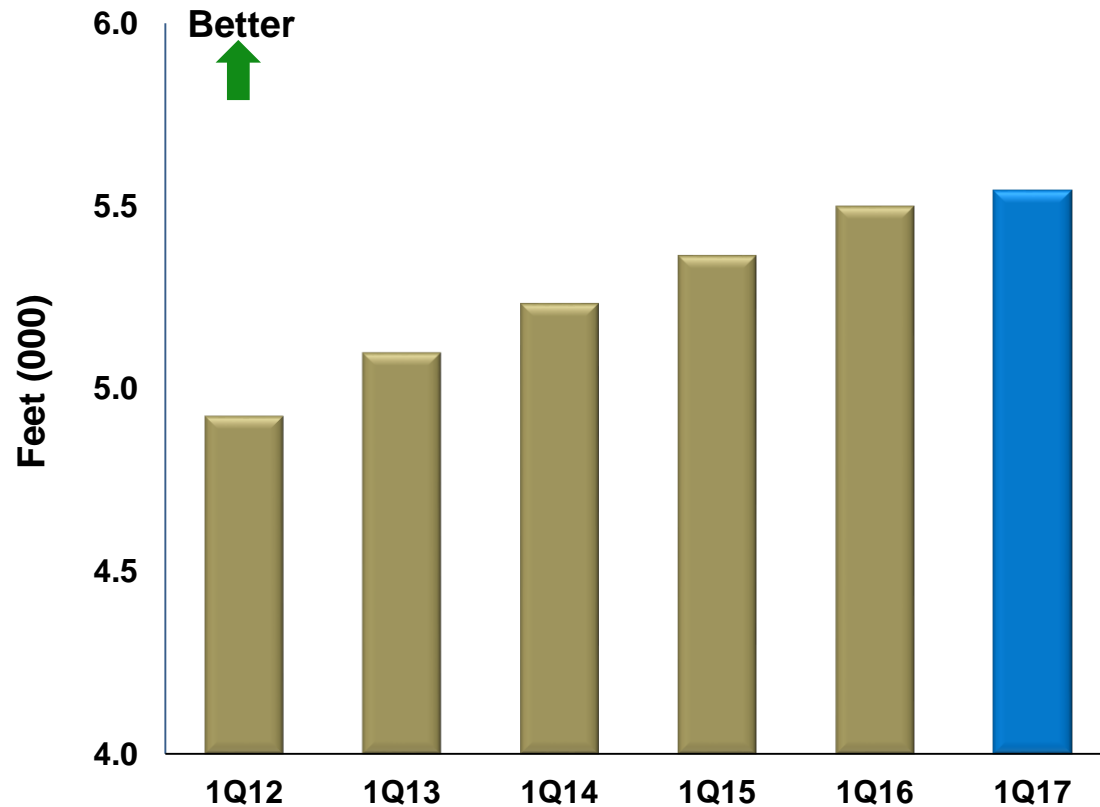
- 1Q16 ■ 1Q17
- Service Composite Steady
 - Train Speed ↓ (4%)
 - Dwell ↓ (4%)



Productivity Measures

Train Productivity

On pace to improve over 2016

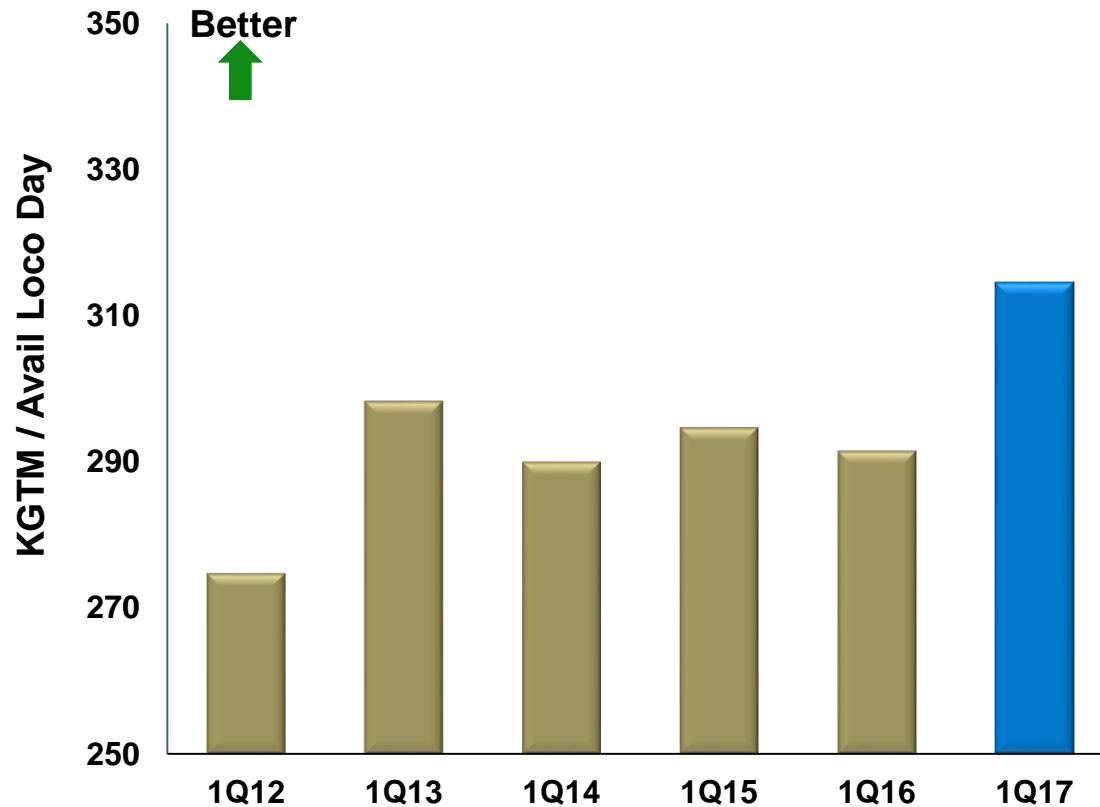


- Six consecutive quarters of sequential improvement
- Optimizing operating plan and distributed power initiative driving improvement

Productivity Measures

Locomotive Productivity

On pace to improve over 2016

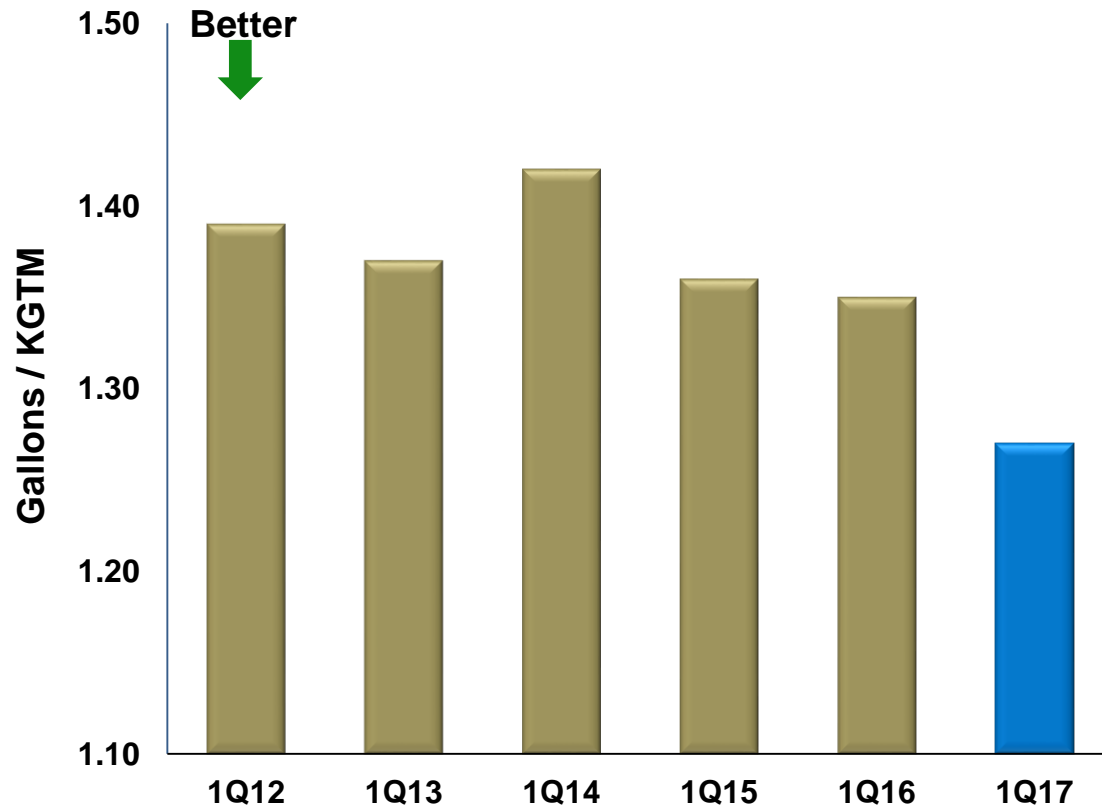


- 8% improvement vs. 1Q16
- Train length and continued rationalization of yard/local fleet driving improvement

Productivity Measures

Fuel Efficiency

On pace to improve over 2016

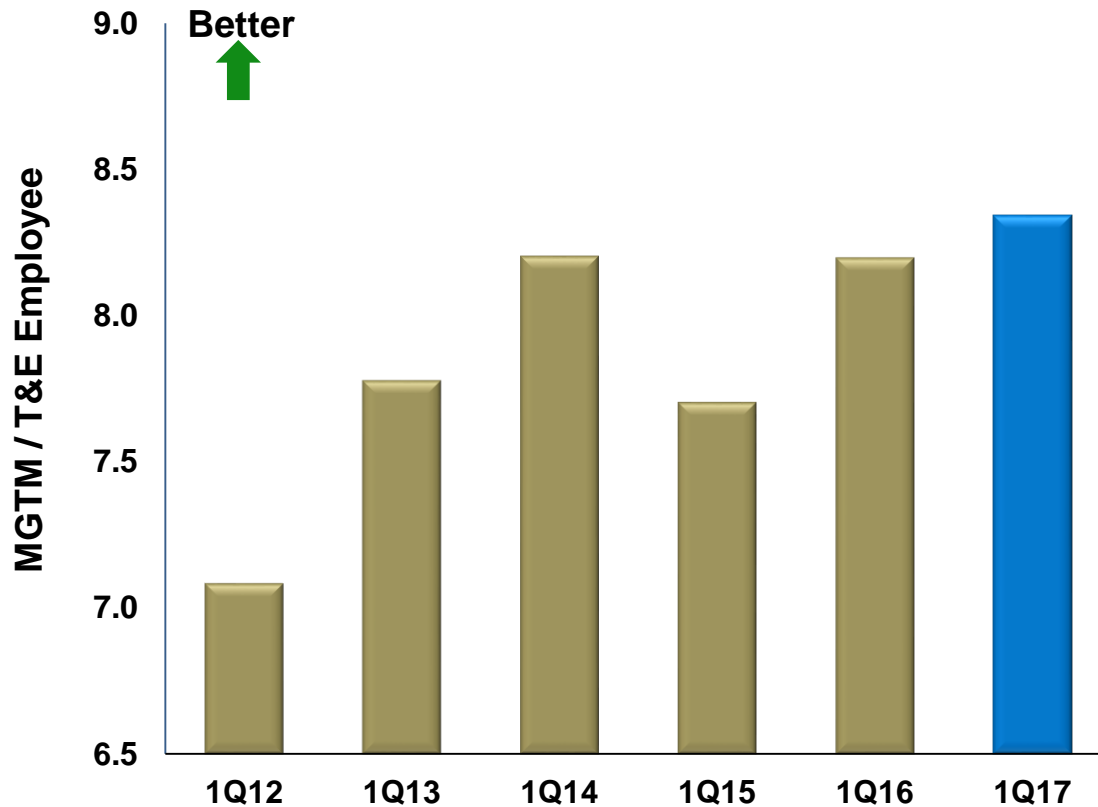


- 6% improvement vs. 1Q16
- Longer trains, locomotive rationalizations, and energy management initiatives driving improvement

Productivity Measures

Employee Productivity

Operating plan optimization, train length, and terminal rationalizations driving improvement



- 2% improvement vs. 1Q16
- Continuing to balance workforce for attrition and future growth
- Year-end T&E headcount projected up slightly



First Quarter 2017 Financial Overview

April 26, 2017

Marta R. Stewart
Executive Vice President Finance
and Chief Financial Officer

Operating Results

First Quarter 2017 vs. 2016 (\$ millions)

Improvements and efficiencies across operations driving record results

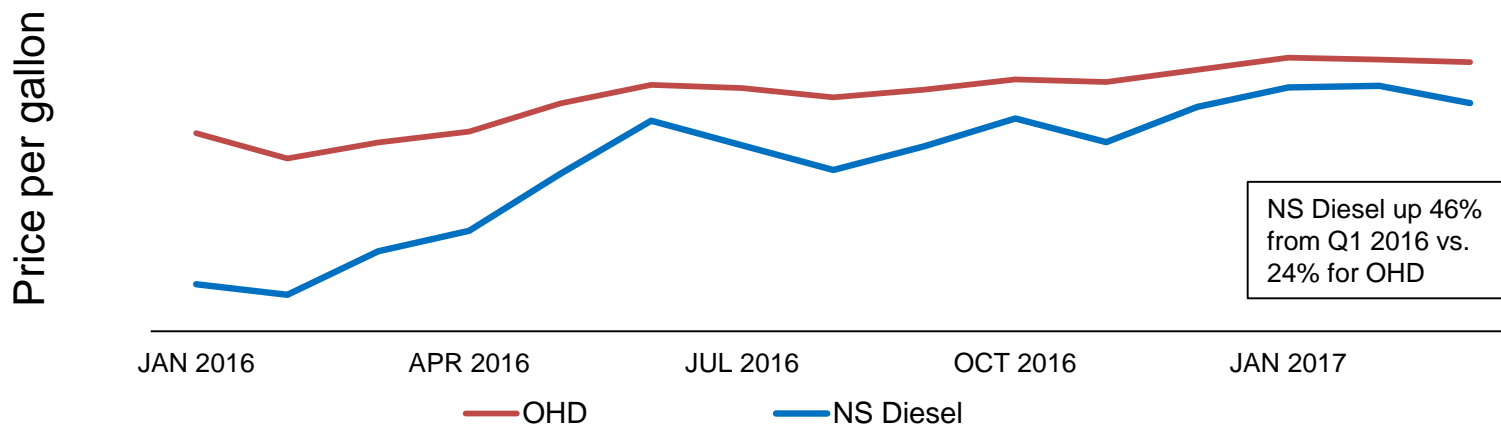
| | 2017 | 2016 | \$ | % |
|--------------------------------|----------|----------|--|------|
| Railway operating revenues | \$ 2,575 | \$ 2,420 | \$ 155 | 6% |
| Railway operating expenses | \$ 1,802 | \$ 1,697 | \$ (105) | (6%) |
| Income from railway operations | \$ 773 | \$ 723 | \$ 50 | 7% |
| Railway operating ratio (%) | 70.0 | 70.1 | 0.1 | -- |
| | | | Favorable (Unfavorable) | |

Net Fuel Impact

First Quarter 2017 vs. 2016 (\$ millions)

Rising fuel prices adversely impacted Operating Ratio by 170 bps in 1Q

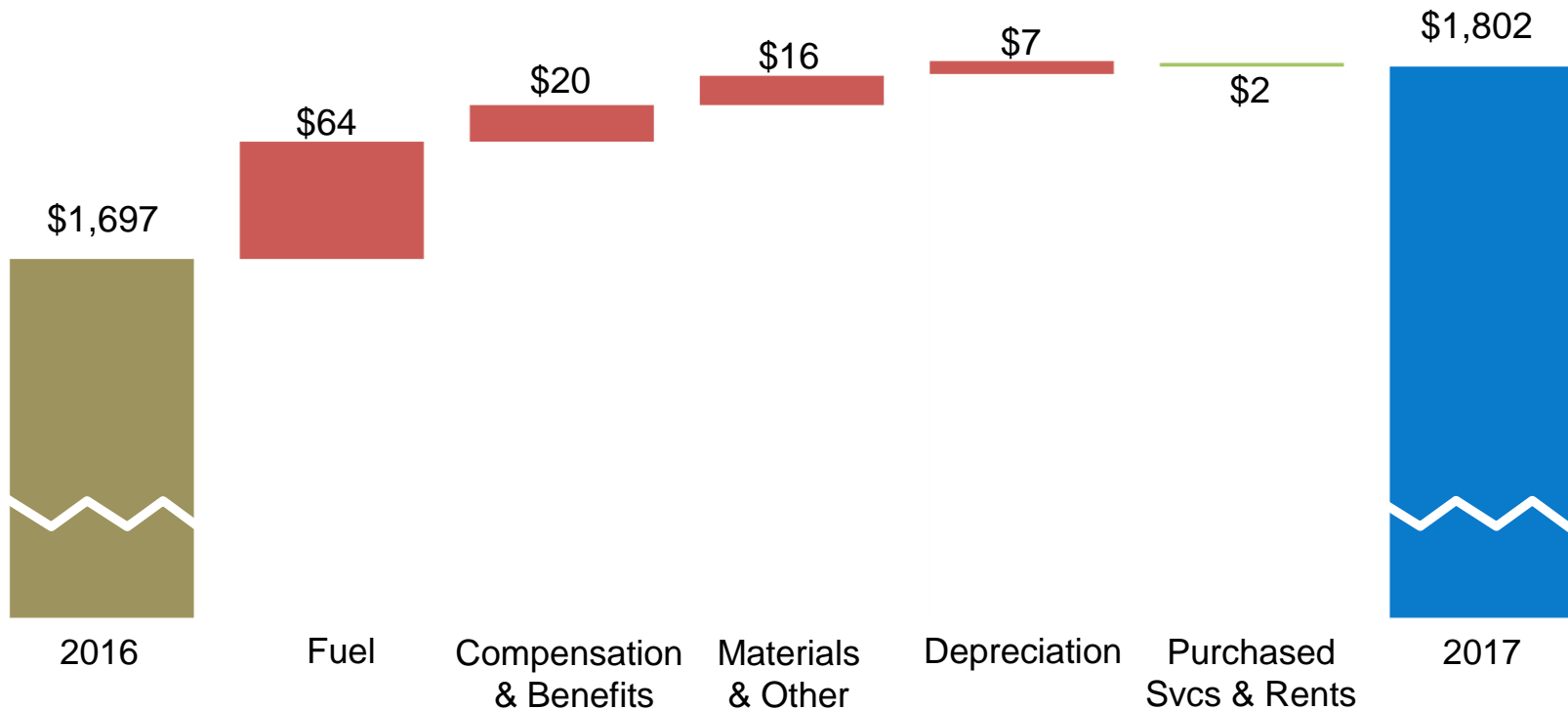
| | Increase (Decrease) | | | | | |
|--------------------------------|---------------------|---------|---------|---------|---------|--|
| | Q1 2016 | Q2 2016 | Q3 2016 | Q4 2016 | Q1 2017 | |
| Fuel surcharge revenue | \$ (114) | \$ (69) | \$ (46) | \$ (12) | \$ 31 | |
| Fuel expense | (115) | (81) | (40) | -- | 64 | |
| Net change in operating income | \$ 1 | \$ 12 | \$ (6) | \$ (12) | \$ (33) | |



Railway Operating Expenses

First Quarter 2017 vs. 2016 (\$ millions)

Operating expenses increased \$105 million reflecting fuel price headwinds

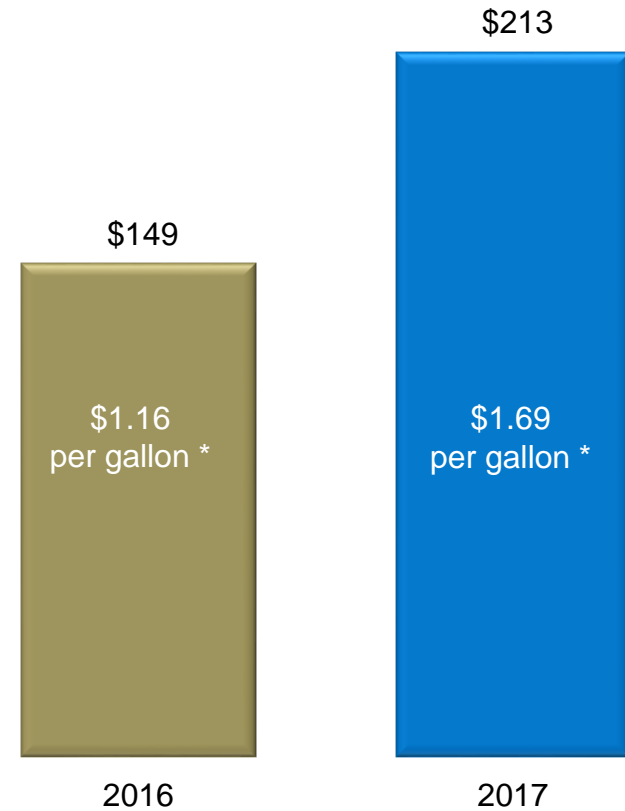


Fuel

First Quarter 2017 vs. 2016 (\$ millions)

Higher fuel prices offset improved fuel efficiency

- 46% higher price per gallon
- 1% lower consumption



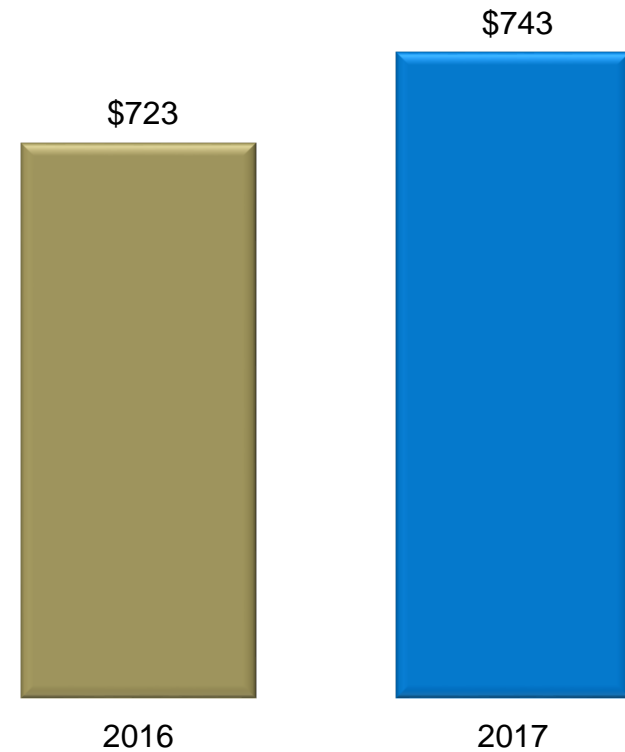
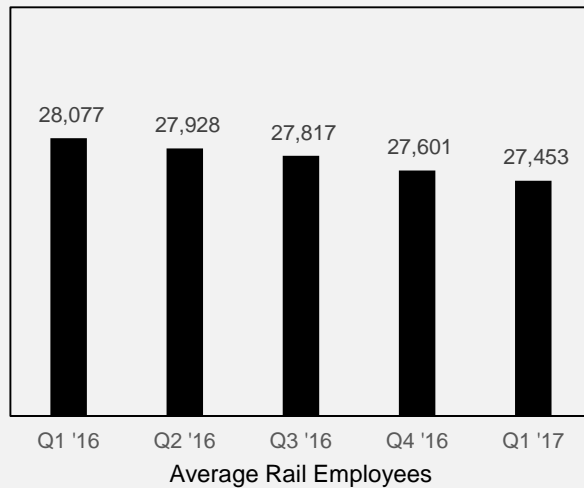
* Reflects locomotive fuel only

Compensation and Benefits

First Quarter 2017 vs. 2016 (\$ millions)

Net increase of \$20 / 3%

- Wage inflation \$16
- Higher health and welfare rates \$15
- Reduced employee levels \$12

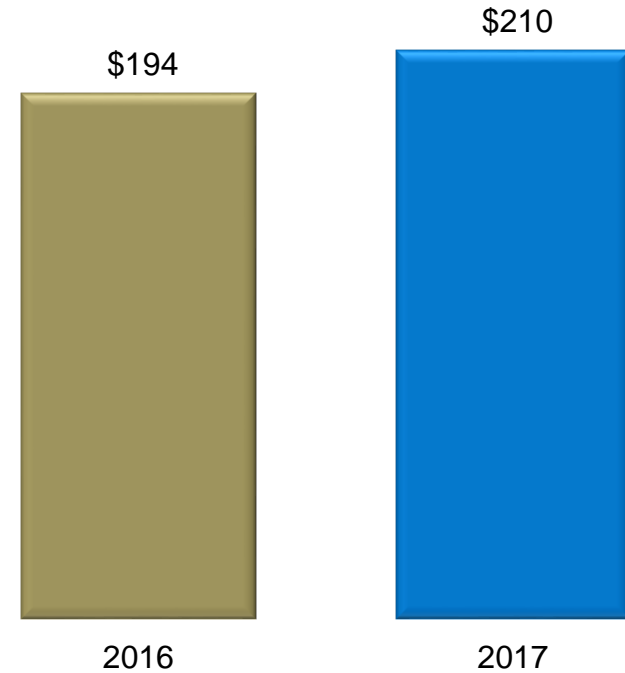


Materials and Other

First Quarter 2017 vs. 2016 (\$ millions)

Net increase of \$16 / 8%

- Case-specific 3rd party injury accrual in 2017 \$9
- Higher locomotive and engineering material usage \$7

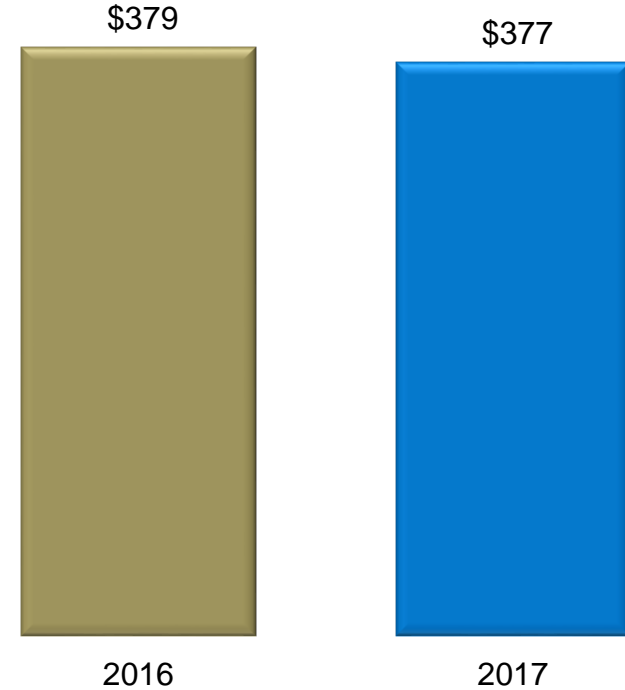


Purchased Services and Rents

First Quarter 2017 vs. 2016 (\$ millions)

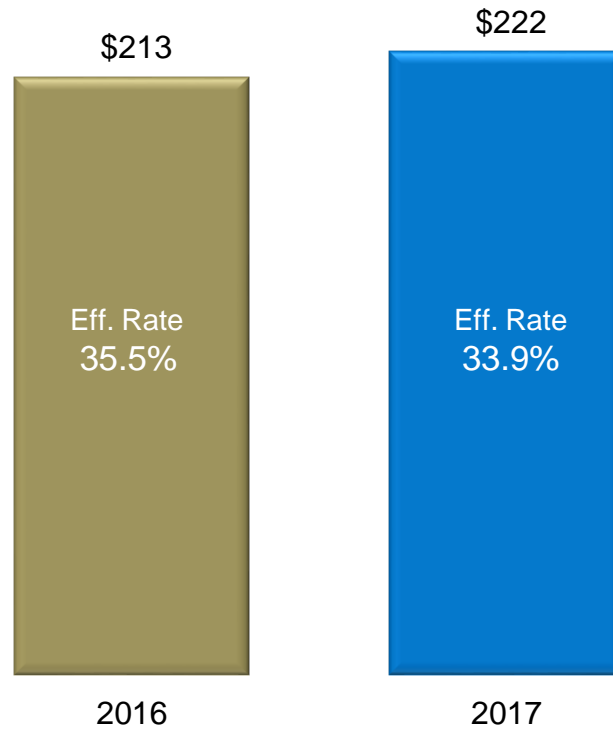
Net decrease of \$2 / 1%

- Lower equipment rents \$6
- Increased volume-related intermodal costs \$8



Income Taxes

First Quarter 2017 vs. 2016 (\$ millions)

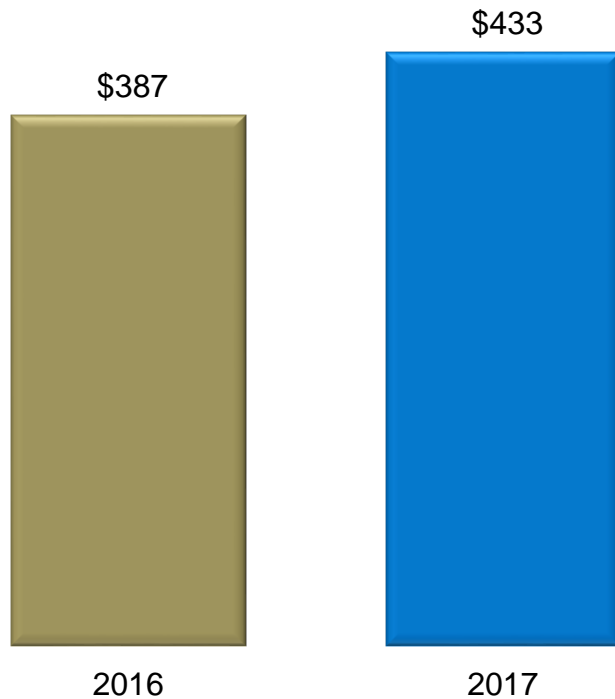


Net Income and Diluted Earnings per Share

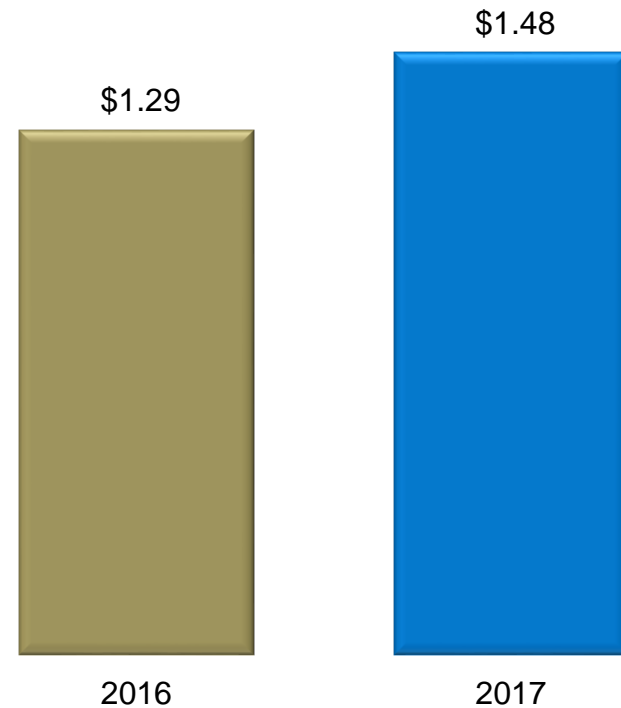
First Quarter 2017 vs. 2016 (\$ millions except per share)

Net income up 12% and first quarter record earnings per share up 15%

Net Income



Diluted Earnings per Share



Norfolk Southern's Strategic Plan

Strong team, executing strategic plan, delivering shareholder value

OPERATING RATIO IMPROVEMENT

- sub-65 by 2020
- record results in 2016 and 1Q17

PRODUCTIVITY IMPROVEMENT

- \$650M annually by 2020
- \$250M achieved in 2016
- at least \$100M additional targeted for 2017

EARNINGS PER SHARE

- double digit CAGR by 2020
- record results in 2016 and 1Q17

Thank You

