

THIRD QUARTER 2016

# Quarterly Financial Data



**NORFOLK  
SOUTHERN**

Finance Department  
Three Commercial Place  
Norfolk, Virginia 23510.2191

# Norfolk Southern Railway System



- NS Owned/Freight Operating Rights
- NS Trackage/Haulage Rights
- NS Joint Ventures
- NS Station
- ← Gateway Cities to Western Railroads

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*The accompanying unaudited financial information and summary of certain notes to the consolidated financial statements should be read in conjunction with: (a) the consolidated financial statements and notes included in Norfolk Southern Corporation's (NS, we, us and our) latest Annual Report on Form 10-K and in subsequent Quarterly Reports on Form 10-Q, and (b) any Current Reports on Form 8-K.*

*Any statements contained in this document which are not related to historical facts are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995, and NS undertakes no obligation to update such statements. Such forward-looking statements are subject to risks and uncertainties (the most significant of which are described in our SEC filings) which could cause actual results to differ materially.*

## Consolidated Statements of Income

### Third Quarter

(in millions, except per share amounts)

|  | 2016          | 2015          |
|--|---------------|---------------|
| <b>Railway operating revenues</b>          |               |               |
| Merchandise                                | \$ 1,552      | \$ 1,610      |
| Intermodal                                 | 575           | 621           |
| Coal                                       | 397           | 482           |
| <b>Total railway operating revenues</b>    | <b>2,524</b>  | <b>2,713</b>  |
| <b>Railway operating expenses</b>          |               |               |
| Compensation and benefits                  | 691           | 702           |
| Purchased services and rents               | 386           | 451           |
| Fuel                                       | 181           | 221           |
| Depreciation                               | 258           | 275           |
| Materials and other                        | 188           | 242           |
| <b>Total railway operating expenses</b>    | <b>1,704</b>  | <b>1,891</b>  |
| <b>Income from railway operations</b>      | <b>820</b>    | <b>822</b>    |
| Other income — net                         | 29            | 39            |
| Interest expense on debt                   | 144           | 137           |
| <b>Income before income taxes</b>          | <b>705</b>    | <b>724</b>    |
| Provision for income taxes                 |               |               |
| Current                                    | 169           | 251           |
| Deferred                                   | 76            | 21            |
| <b>Total income taxes</b>                  | <b>245</b>    | <b>272</b>    |
| <b>Net income</b>                          | <b>\$ 460</b> | <b>\$ 452</b> |
| <b>Earnings per share</b>                  |               |               |
| Basic                                      | \$ 1.56       | \$ 1.50       |
| Diluted                                    | 1.55          | 1.49          |
| <b>Weighted average shares outstanding</b> |               |               |
| Basic                                      | 292.7         | 300.1         |
| Diluted                                    | 294.7         | 302.5         |

### Notes

#### 1. Stock Repurchase Program

We repurchased and retired 7.2 million and 10.3 million shares of common stock under our stock repurchase program in the first nine months of 2016 and 2015, respectively, at a cost of \$603 million and \$997 million, respectively. The timing and volume of purchases is guided by our assessment of market conditions and other pertinent factors. Any near-term share repurchases are expected to be made with internally generated cash, cash on hand, or proceeds from borrowings. Since the beginning of 2006, we have repurchased and retired 158.3 million shares at a total cost of \$10.1 billion.

#### 2. Restructuring Costs

Third quarter 2015 operating expenses include \$37 million of costs associated with the restructuring of our Triple Crown Services subsidiary and the closure of our Roanoke, Virginia, office which reduced net income by \$23 million, or \$0.08 per diluted share.

# Consolidated Statements of Income

First Nine Months  
(in millions, except per share amounts)

|  | 2016            | 2015            |
|--|-----------------|-----------------|
| <b>Railway operating revenues</b>          |                 |                 |
| Merchandise                                | \$ 4,678        | \$ 4,757        |
| Intermodal                                 | 1,635           | 1,846           |
| Coal                                       | 1,085           | 1,390           |
| Total railway operating revenues           | <u>7,398</u>    | <u>7,993</u>    |
| <b>Railway operating expenses</b>          |                 |                 |
| Compensation and benefits                  | 2,081           | 2,209           |
| Purchased services and rents               | 1,149           | 1,312           |
| Fuel                                       | 504             | 740             |
| Depreciation                               | 767             | 767             |
| Materials and other                        | 584             | 723             |
| Total railway operating expenses           | <u>5,085</u>    | <u>5,751</u>    |
| <b>Income from railway operations</b>      | 2,313           | 2,242           |
| Other income — net                         | 49              | 79              |
| Interest expense on debt                   | 421             | 403             |
| Income before income taxes                 | 1,941           | 1,918           |
| Provision for income taxes                 |                 |                 |
| Current                                    | 512             | 667             |
| Deferred                                   | 177             | 56              |
| Total income taxes                         | <u>689</u>      | <u>723</u>      |
| <b>Net income</b>                          | <u>\$ 1,252</u> | <u>\$ 1,195</u> |
| <b>Earnings per share</b>                  |                 |                 |
| Basic                                      | \$ 4.23         | \$ 3.93         |
| Diluted                                    | 4.21            | 3.90            |
| <b>Weighted average shares outstanding</b> |                 |                 |
| Basic                                      | 294.9           | 303.2           |
| Diluted                                    | 296.7           | 305.8           |

## Consolidated Balance Sheets

September 30,      December 31,  
(S in millions)

|  | 2016             | 2015             |
|--|------------------|------------------|
| <b>Assets</b>  |                  |                  |
| Current assets:  |                  |                  |
| Cash and cash equivalents  | \$ 984           | \$ 1,101         |
| Accounts receivable — net  | 960              | 946              |
| Materials and supplies   | 301              | 271              |
| Other current assets   | 72               | 194              |
| Total current assets   | 2,317            | 2,512            |
| Investments  | 2,779            | 2,572            |
| Properties less accumulated depreciation of \$11,663 and \$11,478, respectively  | 29,467           | 28,992           |
| Other assets   | 69               | 63               |
| <b>Total assets</b>  | <b>\$ 34,632</b> | <b>\$ 34,139</b> |
| <b>Liabilities and stockholders' equity</b>  |                  |                  |
| Current liabilities:   |                  |                  |
| Accounts payable   | \$ 1,131         | \$ 1,091         |
| Short-term debt  | -                | 200              |
| Income and other taxes   | 218              | 203              |
| Other current liabilities  | 333              | 237              |
| Current maturities of long-term debt   | 550              | 500              |
| Total current liabilities  | 2,232            | 2,231            |
| Long-term debt   | 9,555            | 9,393            |
| Other liabilities  | 1,322            | 1,385            |
| Deferred income taxes  | 9,127            | 8,942            |
| <b>Total liabilities</b>   | <b>22,236</b>    | <b>21,951</b>    |
| Stockholders' equity:  |                  |                  |
| Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 291,942,235 and 297,795,016 shares, respectively, net of treasury shares | 293              | 299              |
| Additional paid-in capital   | 2,169            | 2,143            |
| Accumulated other comprehensive loss   | (433)            | (445)            |
| Retained income  | 10,367           | 10,191           |
| <b>Total stockholders' equity</b>  | <b>12,396</b>    | <b>12,188</b>    |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 34,632</b> | <b>\$ 34,139</b> |

### Notes

#### 3. New Accounting Pronouncement-Deferred Taxes

In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-17, "Balance Sheet Classification of Deferred Taxes." This update requires that deferred tax liabilities and assets be classified as noncurrent on the balance sheet rather than as separate current and noncurrent amounts. We adopted the provisions of this ASU during the first quarter of 2016 and applied it retrospectively. The adoption of ASU 2015-17 resulted in the presentation of \$121 million of current deferred income tax assets as a reduction of "Deferred income taxes" in the long-term liabilities section of the Consolidated Balance Sheet at September 30, 2016. We retrospectively presented the December 31, 2015, Consolidated Balance Sheet to reflect the reclassification of \$121 million of deferred income tax assets from "Deferred income taxes" in the current assets section of the balance sheet to "Deferred income taxes" in the long-term liabilities section of the balance sheet.

# Consolidated Statements of Cash Flows

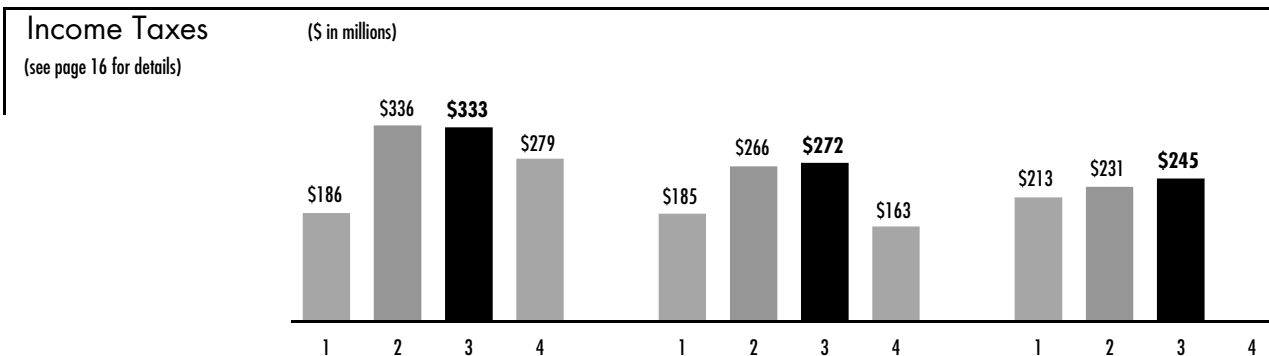
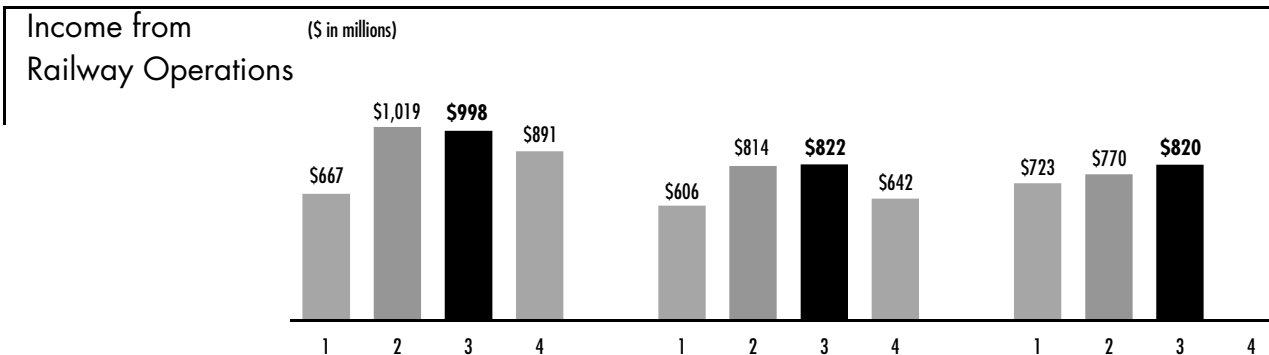
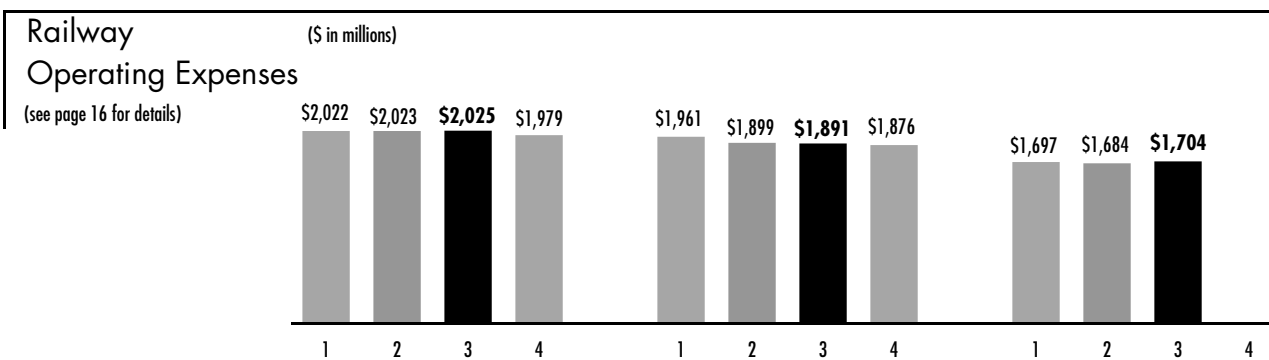
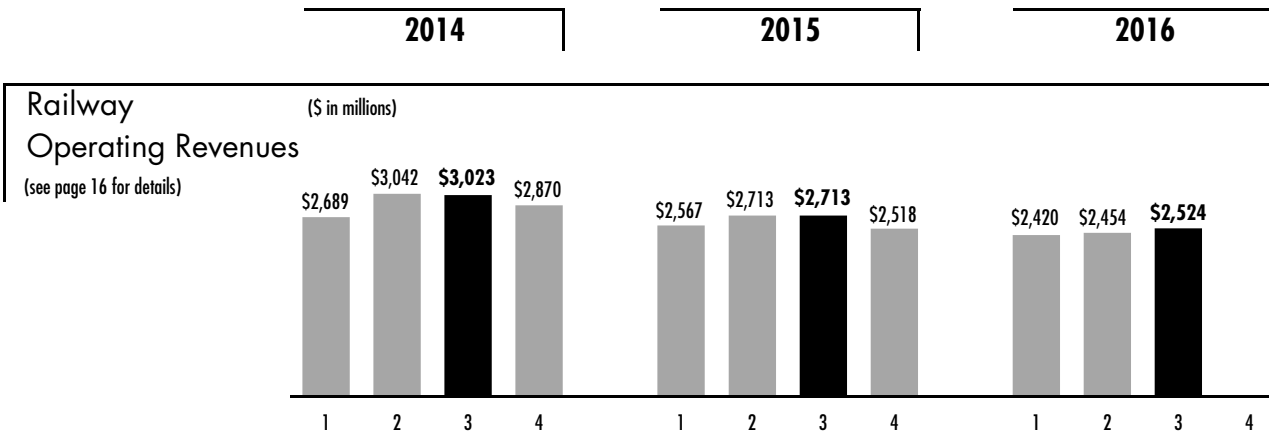
First Nine Months  
(S in millions)

|  | 2016     | 2015     | Notes |
|--|----------|----------|-------|
| <b>Cash flows from operating activities</b>                                |          |          |       |
| Net income   | \$ 1,252 | \$ 1,195 |       |
| Reconciliation of net income to net cash provided by operating activities: |          |          |       |
| Depreciation   | 770      | 770      |       |
| Deferred income taxes  | 177      | 56       |       |
| Gains and losses on properties and investments                             | (38)     | (20)     |       |
| Changes in assets and liabilities affecting operations:                    |          |          |       |
| Accounts receivable  | 8        | (48)     |       |
| Materials and supplies   | (30)     | (52)     |       |
| Other current assets   | 130      | 295      |       |
| Current liabilities other than debt  | 149      | 88       |       |
| Other — net  | (106)    | (76)     |       |
| Net cash provided by operating activities                                  | 2,312    | 2,208    |       |
| <b>Cash flows from investing activities</b>                                |          |          |       |
| Property additions   | (1,304)  | (1,777)  |       |
| Property sales and other transactions                                      | 87       | 43       |       |
| Investment purchases   | (119)    | (5)      |       |
| Investment sales and other transactions                                    | 6        | 32       |       |
| Net cash used in investing activities                                      | (1,330)  | (1,707)  |       |
| <b>Cash flows from financing activities</b>                                |          |          |       |
| Dividends  | (523)    | (537)    |       |
| Common stock transactions  | 33       | 1        |       |
| Purchase and retirement of common stock                                    | (603)    | (997)    |       |
| Proceeds from borrowings — net   | 594      | 594      |       |
| Debt repayments  | (600)    | (102)    |       |
| Net cash used in financing activities                                      | (1,099)  | (1,041)  |       |
| Net decrease in cash and cash equivalents                                  | (117)    | (540)    |       |
| <b>Cash and cash equivalents</b>   |          |          |       |
| At beginning of year   | 1,101    | 973      |       |
| At end of period   | \$ 984   | \$ 433   |       |
| <b>Supplemental disclosures of cash flow information:</b>                  |          |          |       |
| Cash paid during the period for:   |          |          |       |
| Interest (net of amounts capitalized)                                      | \$ 337   | \$ 320   |       |
| Income taxes (net of refunds)  | 409      | 350      |       |

#### 4. New Accounting Pronouncement- Stock-Based Compensation

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting." We adopted the provisions of this ASU during the first quarter of 2016. This update principally affects the recognition of excess tax benefits and deficiencies and the cash flow classification of share-based compensation-related transactions. The requirement to recognize excess tax benefits and deficiencies as income tax expense or benefit in the income statement was applied prospectively, with a benefit of \$12 million recognized in the "Provision for income taxes" line item for the nine months ended September 30, 2016. The classification requirements on the Consolidated Statements of Cash Flows for the adoption of ASU 2016-09 resulted in a \$29 million increase in "Current liabilities other than debt" within the operating activities section and a corresponding decrease in "Common stock transactions" within the financing activities section for the first nine months of 2016. We retrospectively presented the Consolidated Statements of Cash Flows for the first nine months of 2015 to reflect a \$29 million increase in "Current liabilities other than debt" within the operating activities section and a corresponding decrease in "Common stock transactions" within the financing activities section.

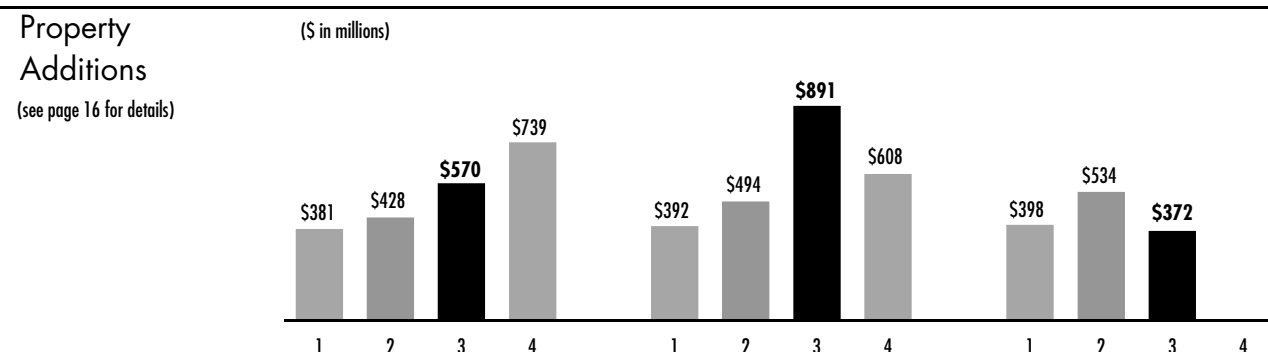
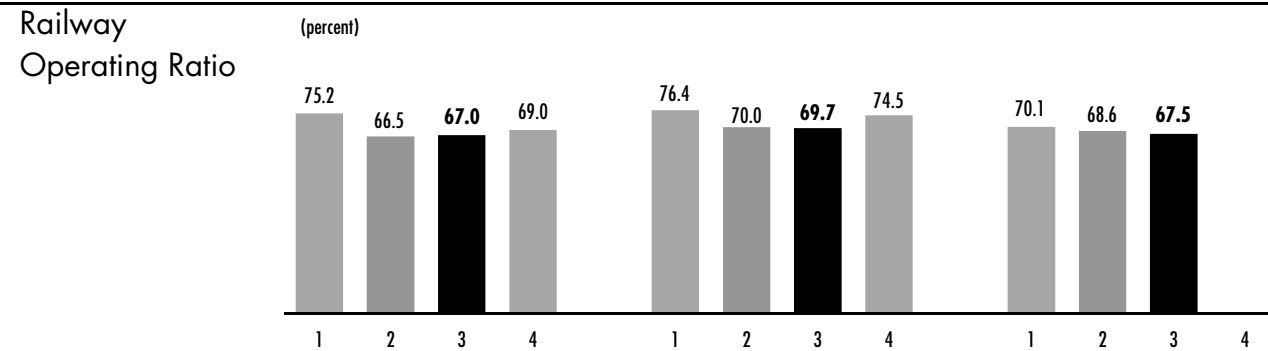
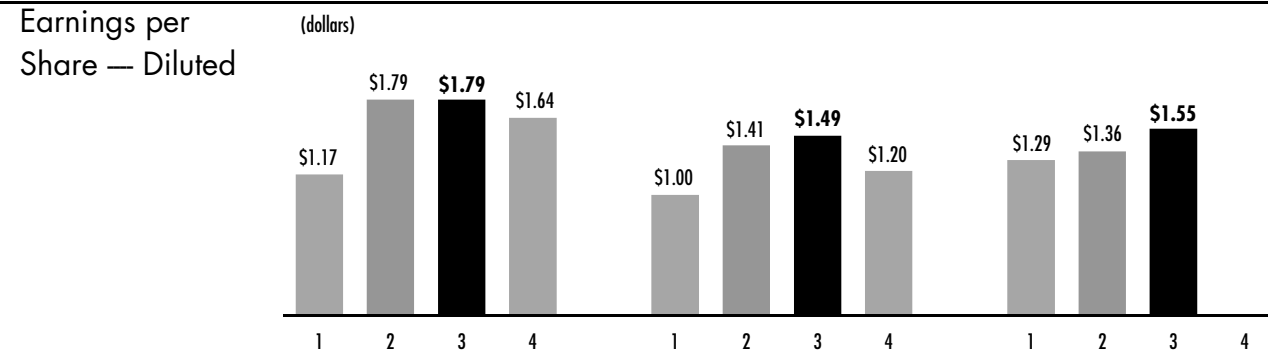
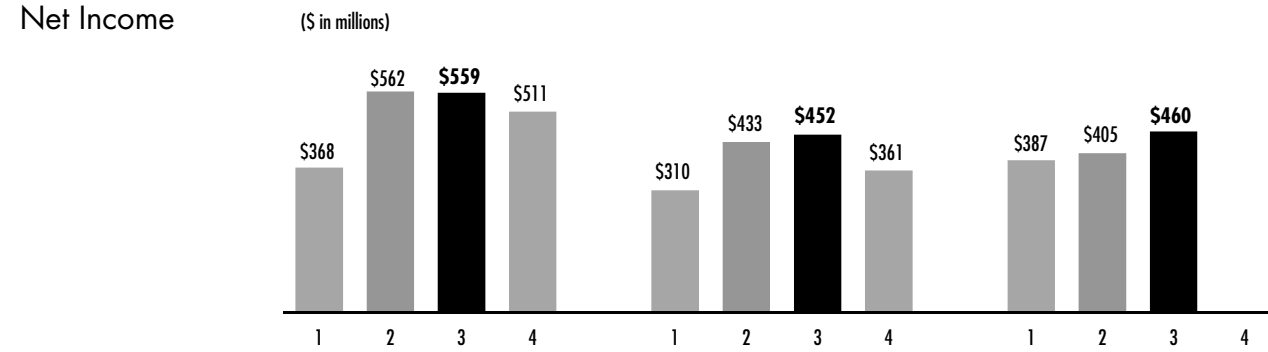
# Consolidated Financial Information





# Consolidated Financial Information

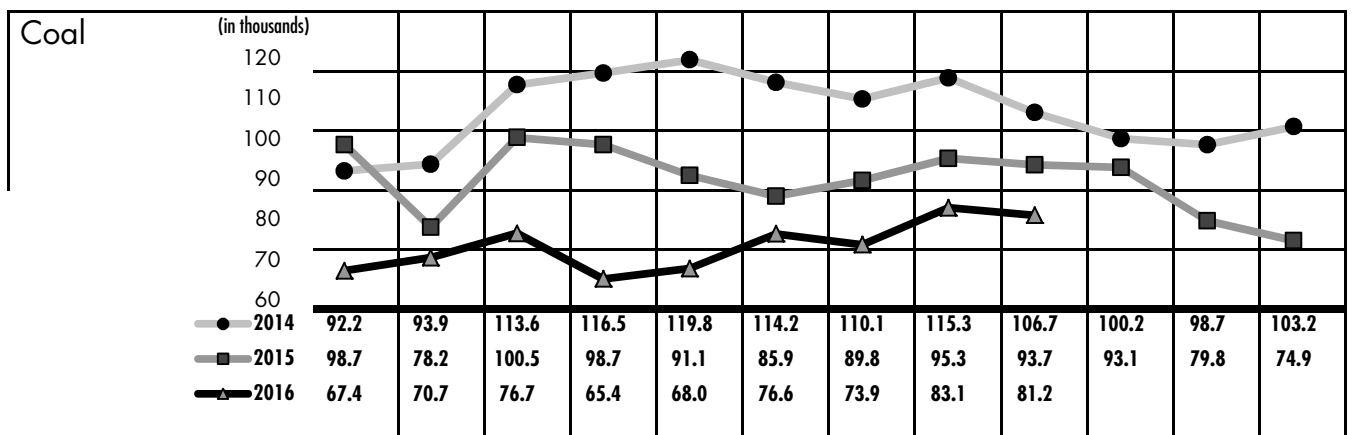
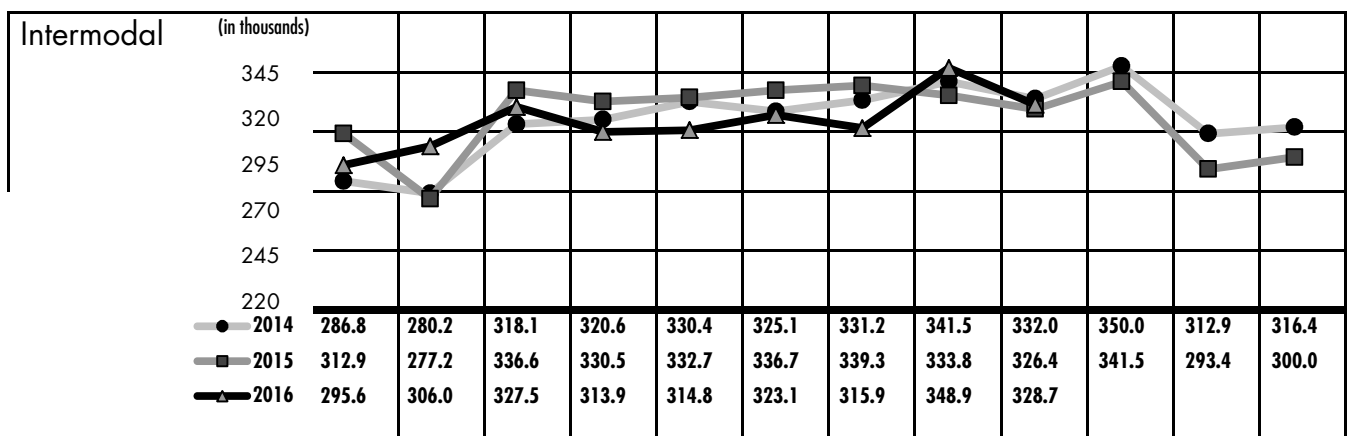
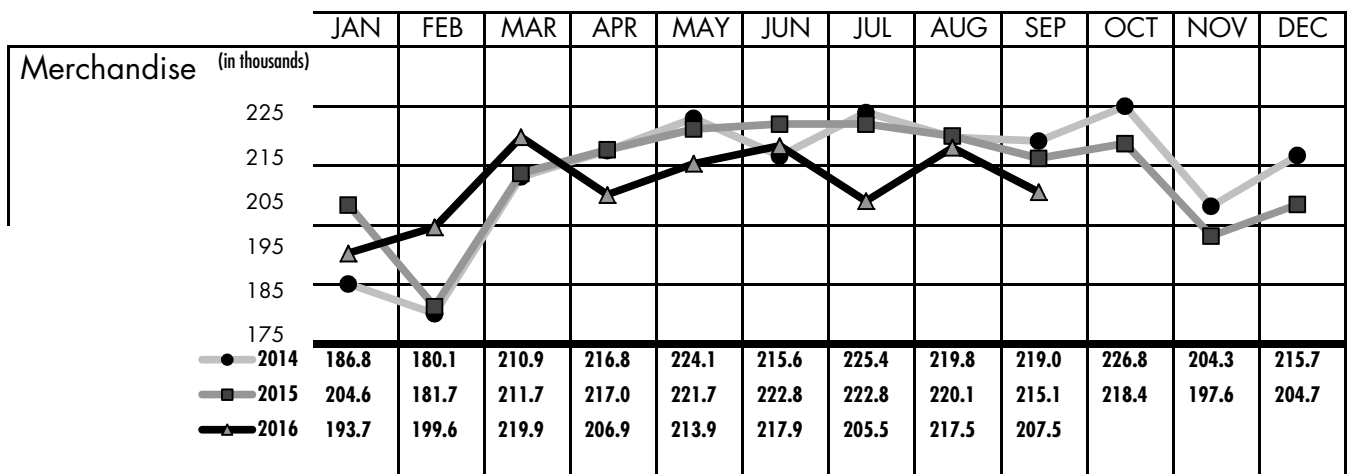
2014
2015
2016



## Railway Operating Revenues Analysis

| Commodity and Period       | Revenues<br>(S in millions) |                 |                 | Units<br>(in thousands) |                |                | Revenue per Unit<br>(S per unit) |              |              |
|----------------------------|-----------------------------|-----------------|-----------------|-------------------------|----------------|----------------|----------------------------------|--------------|--------------|
|                            | 2014                        | 2015            | 2016            | 2014                    | 2015           | 2016           | 2014                             | 2015         | 2016         |
| <b>First Quarter</b>       |                             |                 |                 |                         |                |                |                                  |              |              |
| Chemicals                  | \$ 443                      | \$ 432          | \$ 419          | 116.1                   | 127.3          | 120.6          | \$ 3,820                         | \$ 3,390     | \$ 3,476     |
| Agriculture/consumer/gov't | 361                         | 374             | 386             | 147.1                   | 150.0          | 151.4          | 2,457                            | 2,495        | 2,550        |
| Metals and construction    | 331                         | 310             | 300             | 149.9                   | 152.5          | 154.9          | 2,207                            | 2,031        | 1,934        |
| Automotive                 | 227                         | 219             | 254             | 92.3                    | 95.7           | 113.3          | 2,455                            | 2,291        | 2,241        |
| Paper/clay/forest          | 190                         | 185             | 190             | 72.4                    | 72.5           | 73.0           | 2,620                            | 2,552        | 2,603        |
| Merchandise                | 1,552                       | 1,520           | 1,549           | 577.8                   | 598.0          | 613.2          | 2,686                            | 2,541        | 2,526        |
| Intermodal                 | 596                         | 592             | 522             | 885.1                   | 926.7          | 929.1          | 673                              | 639          | 562          |
| Coal                       | 541                         | 455             | 349             | 299.7                   | 277.4          | 214.8          | 1,805                            | 1,642        | 1,626        |
| <b>Total</b>               | <b>\$ 2,689</b>             | <b>\$ 2,567</b> | <b>\$ 2,420</b> | <b>1,762.6</b>          | <b>1,802.1</b> | <b>1,757.1</b> | <b>1,525</b>                     | <b>1,425</b> | <b>1,378</b> |
| <b>Second Quarter</b>      |                             |                 |                 |                         |                |                |                                  |              |              |
| Chemicals                  | \$ 455                      | \$ 454          | \$ 426          | 121.8                   | 137.3          | 122.8          | \$ 3,730                         | \$ 3,312     | \$ 3,467     |
| Agriculture/consumer/gov't | 386                         | 379             | 383             | 155.6                   | 153.7          | 148.0          | 2,479                            | 2,463        | 2,587        |
| Metals and construction    | 410                         | 344             | 334             | 193.6                   | 182.1          | 183.6          | 2,118                            | 1,889        | 1,822        |
| Automotive                 | 270                         | 254             | 248             | 109.5                   | 111.2          | 112.7          | 2,469                            | 2,278        | 2,198        |
| Paper/clay/forest          | 199                         | 196             | 186             | 76.0                    | 77.2           | 71.6           | 2,628                            | 2,545        | 2,603        |
| Merchandise                | 1,720                       | 1,627           | 1,577           | 656.5                   | 661.5          | 638.7          | 2,620                            | 2,459        | 2,469        |
| Intermodal                 | 650                         | 633             | 538             | 976.1                   | 999.9          | 951.8          | 666                              | 633          | 565          |
| Coal                       | 672                         | 453             | 339             | 350.5                   | 275.7          | 210.0          | 1,916                            | 1,644        | 1,611        |
| <b>Total</b>               | <b>\$ 3,042</b>             | <b>\$ 2,713</b> | <b>\$ 2,454</b> | <b>1,983.1</b>          | <b>1,937.1</b> | <b>1,800.5</b> | <b>1,534</b>                     | <b>1,401</b> | <b>1,362</b> |
| <b>Third Quarter</b>       |                             |                 |                 |                         |                |                |                                  |              |              |
| Chemicals                  | \$ 488                      | \$ 451          | \$ 408          | 132.0                   | 134.3          | 117.5          | \$ 3,697                         | \$ 3,356     | \$ 3,473     |
| Agriculture/consumer/gov't | 364                         | 380             | 380             | 146.1                   | 152.9          | 147.6          | 2,491                            | 2,488        | 2,577        |
| Metals and construction    | 414                         | 330             | 337             | 202.1                   | 183.3          | 186.9          | 2,050                            | 1,805        | 1,802        |
| Automotive                 | 254                         | 246             | 236             | 104.6                   | 109.7          | 106.8          | 2,429                            | 2,246        | 2,217        |
| Paper/clay/forest          | 210                         | 203             | 191             | 79.4                    | 77.8           | 71.7           | 2,636                            | 2,595        | 2,655        |
| Merchandise                | 1,730                       | 1,610           | 1,552           | 664.2                   | 658.0          | 630.5          | 2,604                            | 2,447        | 2,462        |
| Intermodal                 | 667                         | 621             | 575             | 1,004.7                 | 999.5          | 993.5          | 664                              | 622          | 579          |
| Coal                       | 626                         | 482             | 397             | 332.1                   | 278.8          | 238.2          | 1,885                            | 1,726        | 1,666        |
| <b>Total</b>               | <b>\$ 3,023</b>             | <b>\$ 2,713</b> | <b>\$ 2,524</b> | <b>2,001.0</b>          | <b>1,936.3</b> | <b>1,862.2</b> | <b>1,511</b>                     | <b>1,401</b> | <b>1,355</b> |
| <b>Year-to-date</b>        |                             |                 |                 |                         |                |                |                                  |              |              |
| Chemicals                  | \$ 1,386                    | \$ 1,337        | \$ 1,253        | 369.9                   | 398.9          | 360.9          | \$ 3,746                         | \$ 3,352     | \$ 3,472     |
| Agriculture/consumer/gov't | 1,111                       | 1,133           | 1,149           | 448.8                   | 456.6          | 447.0          | 2,476                            | 2,482        | 2,571        |
| Metals and construction    | 1,155                       | 984             | 971             | 545.6                   | 517.9          | 525.4          | 2,117                            | 1,901        | 1,848        |
| Automotive                 | 751                         | 719             | 738             | 306.4                   | 316.6          | 332.8          | 2,451                            | 2,271        | 2,219        |
| Paper/clay/forest          | 599                         | 584             | 567             | 227.8                   | 227.5          | 216.3          | 2,628                            | 2,564        | 2,620        |
| Merchandise                | 5,002                       | 4,757           | 4,678           | 1,898.5                 | 1,917.5        | 1,882.4        | 2,635                            | 2,481        | 2,485        |
| Intermodal                 | 1,913                       | 1,846           | 1,635           | 2,865.9                 | 2,926.1        | 2,874.4        | 668                              | 631          | 569          |
| Coal                       | 1,839                       | 1,390           | 1,085           | 982.3                   | 831.9          | 663.0          | 1,872                            | 1,671        | 1,636        |
| <b>Total</b>               | <b>\$ 8,754</b>             | <b>\$ 7,993</b> | <b>\$ 7,398</b> | <b>5,746.7</b>          | <b>5,675.5</b> | <b>5,419.8</b> | <b>1,523</b>                     | <b>1,408</b> | <b>1,365</b> |

# Monthly Railway Units



## Railway Operating Revenues Variance Analysis

(\$ in millions)

Third Quarter  
2016 vs. 2015

|                                 | Merchandise    |         | Intermodal     |         | Coal           |         | Total           |         |
|---------------------------------|----------------|---------|----------------|---------|----------------|---------|-----------------|---------|
|                                 | Amount         | Percent | Amount         | Percent | Amount         | Percent | Amount          | Percent |
| <b>Revenue Variance due to:</b> |                |         |                |         |                |         |                 |         |
| Volume                          | \$ (67)        | (4%)    | \$ (4)         | (1%)    | \$ (70)        | (15%)   | \$ (104)        | (4%)    |
| Revenue per unit                | 9              | 1%      | (42)           | (7%)    | (15)           | (3%)    | (85)            | (3%)    |
| Total                           | <u>\$ (58)</u> | (4%)    | <u>\$ (46)</u> | (7%)    | <u>\$ (85)</u> | (18%)   | <u>\$ (189)</u> | (7%)    |

Year-to-date  
2016 vs. 2015

|                                 | Merchandise    |         | Intermodal      |         | Coal            |         | Total           |         |
|---------------------------------|----------------|---------|-----------------|---------|-----------------|---------|-----------------|---------|
|                                 | Amount         | Percent | Amount          | Percent | Amount          | Percent | Amount          | Percent |
| <b>Revenue Variance due to:</b> |                |         |                 |         |                 |         |                 |         |
| Volume                          | \$ (87)        | (2%)    | \$ (33)         | (2%)    | \$ (282)        | (20%)   | \$ (360)        | (5%)    |
| Revenue per unit                | 8              | -       | (178)           | (10%)   | (23)            | (2%)    | (235)           | (3%)    |
| Total                           | <u>\$ (79)</u> | (2%)    | <u>\$ (211)</u> | (11%)   | <u>\$ (305)</u> | (22%)   | <u>\$ (595)</u> | (7%)    |

## Coal Tonnage by Market

(tons in thousands)

Third Quarter

|                        | 2014          |                 | 2015          |                 | 2016          |                 |
|------------------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|
|                        | Tons          | Change vs. 2013 | Tons          | Change vs. 2014 | Tons          | Change vs. 2015 |
| Utility                | 24,465        | (4%)            | 21,930        | (10%)           | 18,357        | (16%)           |
| Export                 | 5,491         | (16%)           | 3,479         | (37%)           | 2,567         | (26%)           |
| Domestic metallurgical | 4,542         | 4%              | 3,778         | (17%)           | 3,816         | 1%              |
| Industrial             | 2,233         | 35%             | 1,989         | (11%)           | 1,589         | (20%)           |
| Total                  | <u>36,731</u> | (3%)            | <u>31,176</u> | (15%)           | <u>26,329</u> | (16%)           |

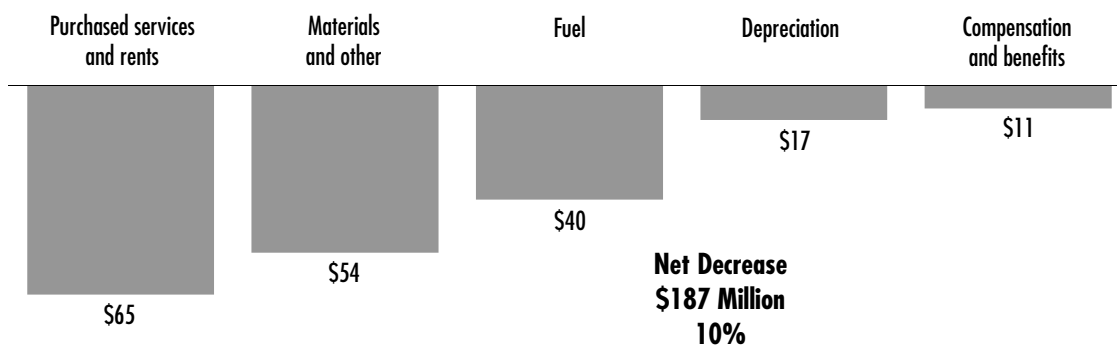
Year-to-date

|                        | 2014           |                 | 2015          |                 | 2016          |                 |
|------------------------|----------------|-----------------|---------------|-----------------|---------------|-----------------|
|                        | Tons           | Change vs. 2013 | Tons          | Change vs. 2014 | Tons          | Change vs. 2015 |
| Utility                | 71,629         | (3%)            | 62,233        | (13%)           | 48,097        | (23%)           |
| Export                 | 18,437         | (17%)           | 12,856        | (30%)           | 9,949         | (23%)           |
| Domestic metallurgical | 11,849         | (9%)            | 10,982        | (7%)            | 10,355        | (6%)            |
| Industrial             | 6,464          | 23%             | 6,164         | (5%)            | 4,785         | (22%)           |
| Total                  | <u>108,379</u> | (5%)            | <u>92,235</u> | (15%)           | <u>73,186</u> | (21%)           |

# Railway Operating Expenses Variance Analysis

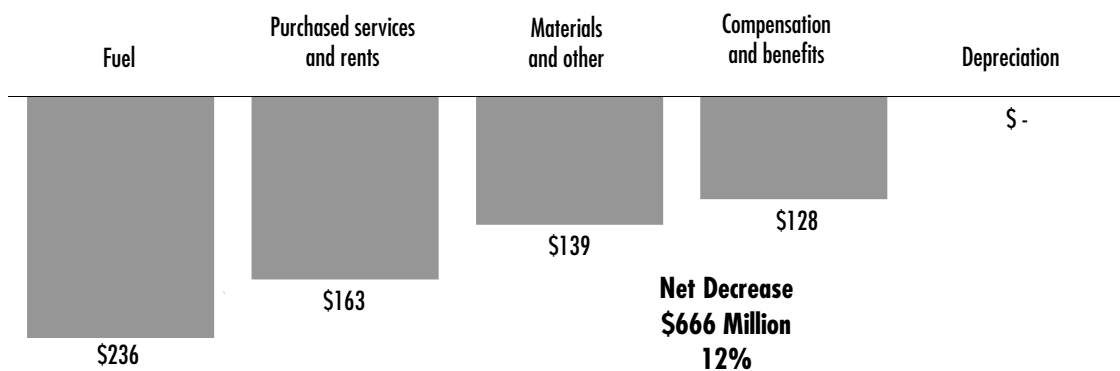
Third Quarter  
2016 vs. 2015

(\$ in millions)  
Amount of change

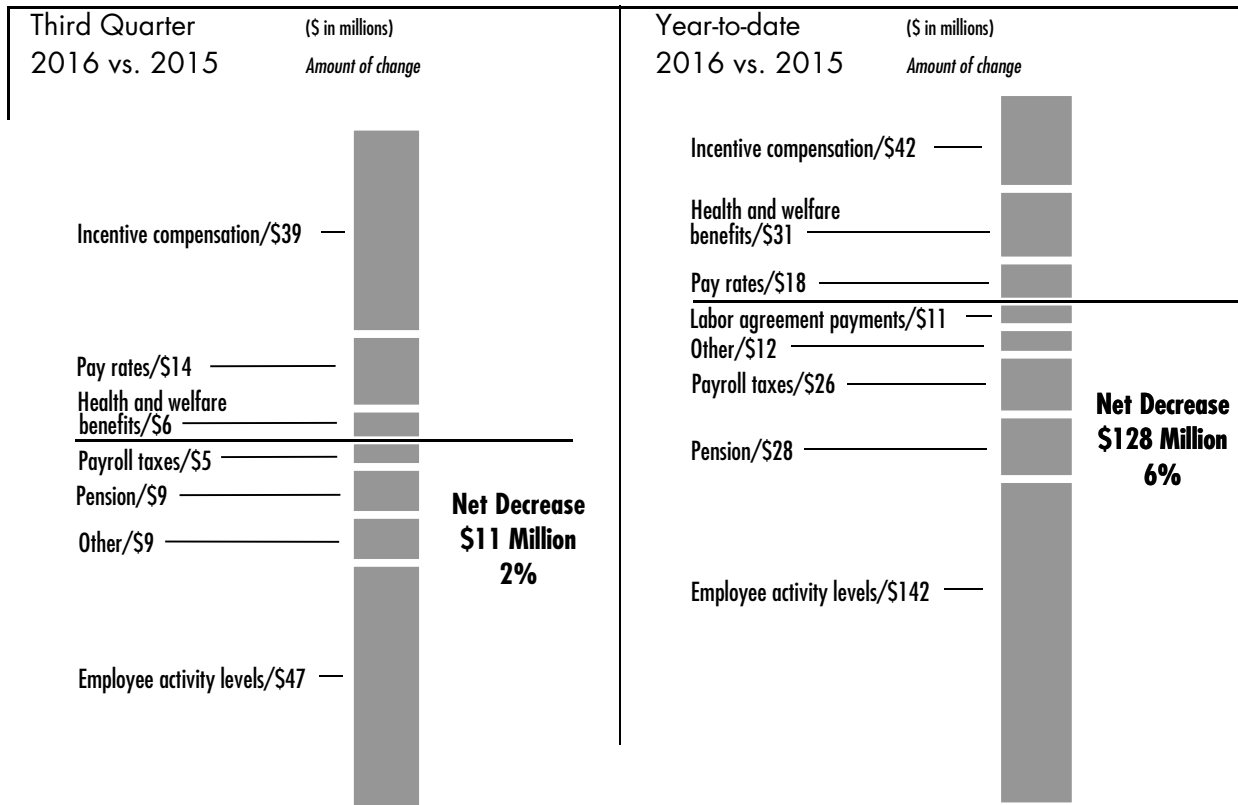


Year-to-date  
2016 vs. 2015

(\$ in millions)  
Amount of change



## Compensation and Benefits Expense Analysis



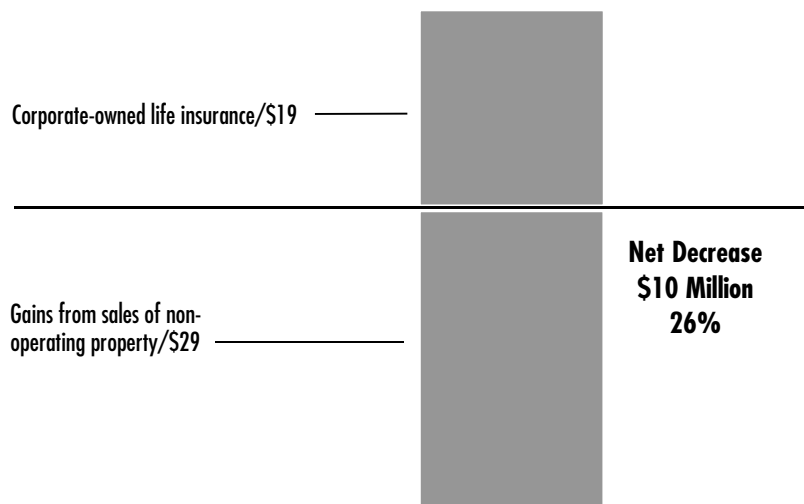
## Fuel Expense Analysis



## Other Income — Net Analysis

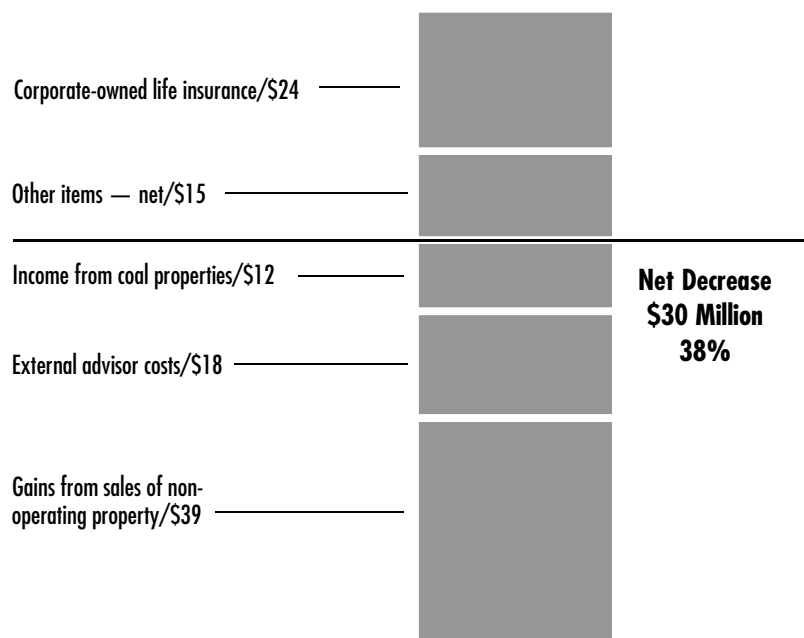
Third Quarter  
2016 vs. 2015

(\$ in millions)  
Amount of change



Year-to-date  
2016 vs. 2015

(\$ in millions)  
Amount of change



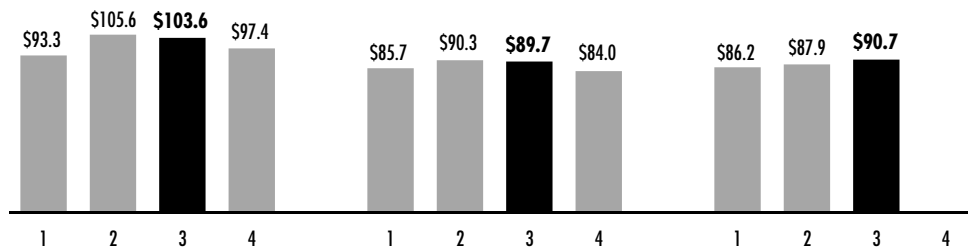
# Productivity Measures

2014

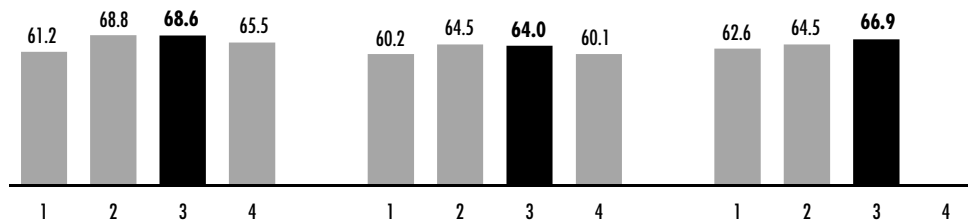
2015

2016

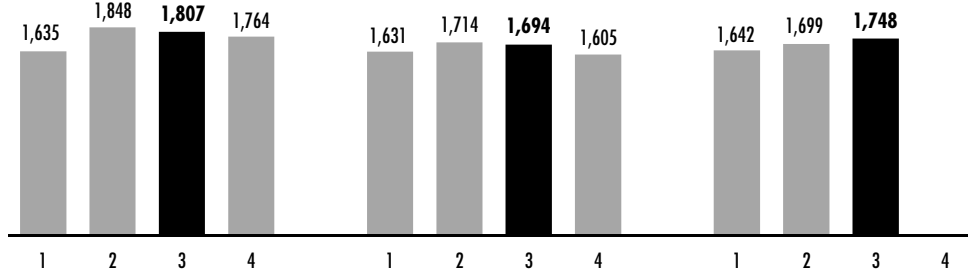
Operating Revenues  
per Employee  
(\$ in thousands)



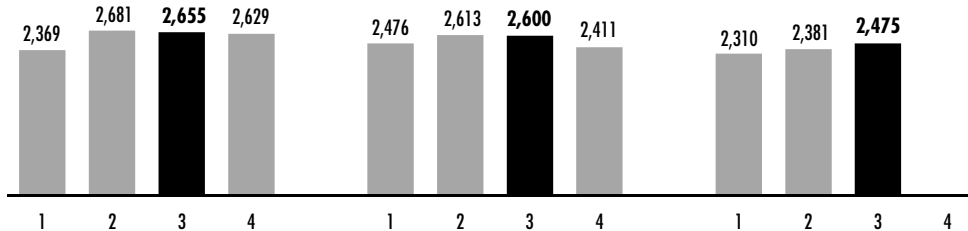
Units per  
Employee



Revenue Ton Miles  
per Employee  
(in thousands)



Revenue Ton Miles  
per Mile of Road  
Operated  
(in thousands)





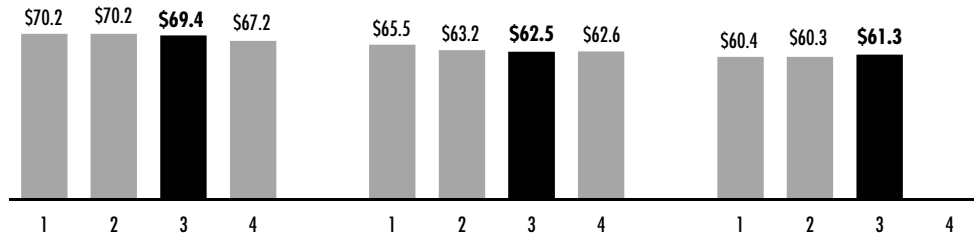
# Productivity Measures

2014

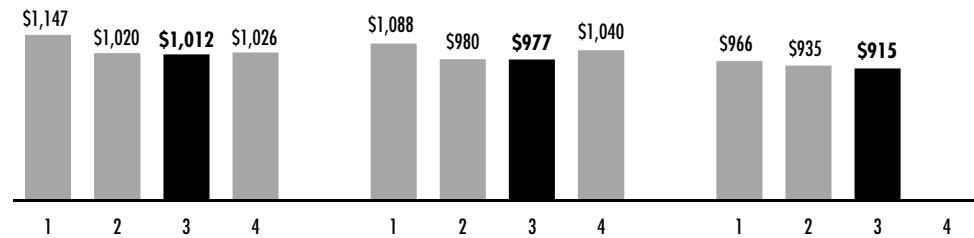
2015

2016

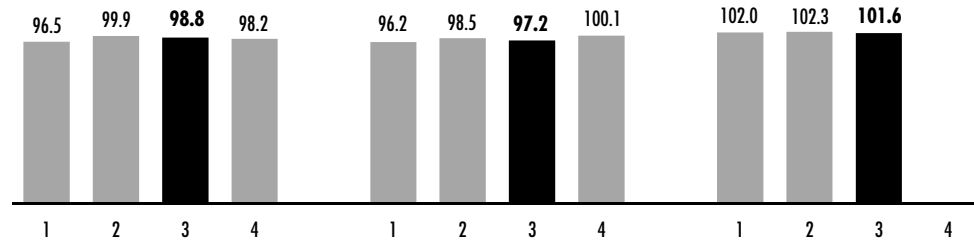
Operating Expenses (S in thousands)  
per Employee



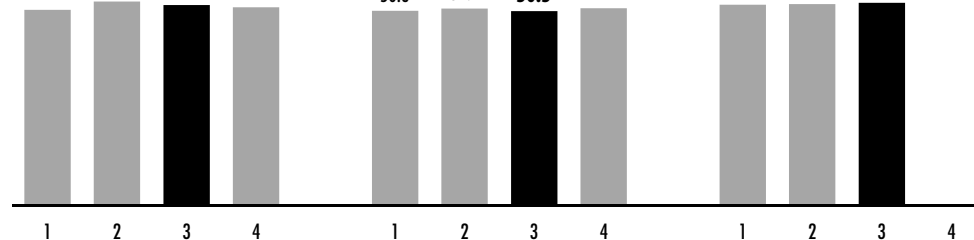
Operating Expenses (dollars)  
per Unit



Gross Ton Miles (in thousands)  
per Train Hour



Revenue Ton Miles (in thousands)  
per Train Hour



## Financial, Traffic and Operating Statistics

| Consolidated Financial Data<br>(S in millions — except as noted) |   | 2014          |                |               |                |          | 2015          |                |               |                |           | 2016          |                |               |                |              |
|--|---|---------------|----------------|---------------|----------------|----------|---------------|----------------|---------------|----------------|-----------|---------------|----------------|---------------|----------------|--------------|
|  |   | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year     | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year      | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year-to-date |
| 6  | Railway operating revenues:                                 |               |                |               |                |          |               |                |               |                |           |               |                |               |                |              |
| 8  | Merchandise   | \$ 1,552      | \$ 1,720       | \$ 1,730      | \$ 1,678       | \$ 6,680 | \$ 1,520      | \$ 1,627       | \$ 1,610      | \$ 1,522       | \$ 6,279  | \$ 1,549      | \$ 1,577       | \$ 1,552      |                | \$ 4,678     |
| 8  | Intermodal  | 596           | 650            | 667           | 649            | 2,562    | 592           | 633            | 621           | 563            | 2,409     | 522           | 538            | 575           |                | 1,635        |
| 8  | Coal  | 541           | 672            | 626           | 543            | 2,382    | 455           | 453            | 482           | 433            | 1,823     | 349           | 339            | 397           |                | 1,085        |
| 6  | Total railway operating revenues                            | 2,689         | 3,042          | 3,023         | 2,870          | 11,624   | 2,567         | 2,713          | 2,713         | 2,518          | 10,511    | 2,420         | 2,454          | 2,524         |                | 7,398        |
| 6  | Railway operating expenses:                                 |               |                |               |                |          |               |                |               |                |           |               |                |               |                |              |
| •  | Compensation and benefits                                   | 740           | 715            | 728           | 714            | 2,897    | 783           | 724            | 702           | 702            | 2,911     | 723           | 667            | 691           |                | 2,081        |
| •  | Purchased services  | 324           | 342            | 355           | 373            | 1,394    | 341           | 363            | 370           | 359            | 1,433     | 300           | 309            | 312           |                | 921          |
| •  | Equipment rents   | 68            | 72             | 74            | 79             | 293      | 82            | 75             | 81            | 81             | 319       | 79            | 75             | 74            |                | 228          |
| •  | Fuel  | 432           | 408            | 387           | 347            | 1,574    | 264           | 255            | 221           | 194            | 934       | 149           | 174            | 181           |                | 504          |
| •  | Depreciation  | 237           | 238            | 236           | 240            | 951      | 245           | 247            | 275           | 287            | 1,054     | 252           | 257            | 258           |                | 767          |
| •  | Materials   | 108           | 124            | 127           | 111            | 470      | 122           | 117            | 117           | 113            | 469       | 80            | 91             | 102           |                | 273          |
| •  | Casualties and other claims                                 | 30            | 42             | 35            | 28             | 135      | 36            | 26             | 27            | 48             | 137       | 33            | 32             | 36            |                | 101          |
| •  | Other   | 83            | 82             | 83            | 87             | 335      | 88            | 92             | 98            | 92             | 370       | 81            | 79             | 50            |                | 210          |
| 6  | Total railway operating expenses                            | 2,022         | 2,023          | 2,025         | 1,979          | 8,049    | 1,961         | 1,899          | 1,891         | 1,876          | 7,627     | 1,697         | 1,684          | 1,704         |                | 5,085        |
| 6  | Income from railway operations                              | 667           | 1,019          | 998           | 891            | 3,575    | 606           | 814            | 822           | 642            | 2,884     | 723           | 770            | 820           |                | 2,313        |
| •  | Other income (expense)                                      | (113)         | (121)          | (106)         | (101)          | (441)    | (111)         | (115)          | (98)          | (118)          | (442)     | (123)         | (134)          | (115)         |                | (372)        |
| •  | Income before income taxes                                  | 554           | 898            | 892           | 790            | 3,134    | 495           | 699            | 724           | 524            | 2,442     | 600           | 636            | 705           |                | 1,941        |
| •  | Income taxes — current                                      | 194           | 311            | 329           | 6              | 840      | 173           | 243            | 251           | (101)          | 566       | 169           | 174            | 169           |                | 512          |
| •  | Income taxes — deferred                                     | (8)           | 25             | 4             | 273            | 294      | 12            | 23             | 21            | 264            | 320       | 44            | 57             | 76            |                | 177          |
| 6  | Total income taxes  | 186           | 336            | 333           | 279            | 1,134    | 185           | 266            | 272           | 163            | 886       | 213           | 231            | 245           |                | 689          |
| 7  | Net income  | \$ 368        | \$ 562         | \$ 559        | \$ 511         | \$ 2,000 | \$ 310        | \$ 433         | \$ 452        | \$ 361         | \$ 1,556  | \$ 387        | \$ 405         | \$ 460        |                | \$ 1,252     |
| 7  | Earnings per share — diluted (dollars)                      | \$ 1.17       | \$ 1.79        | \$ 1.79       | \$ 1.64        | \$ 6.39  | \$ 1.00       | \$ 1.41        | \$ 1.49       | \$ 1.20        | \$ 5.10   | \$ 1.29       | \$ 1.36        | \$ 1.55       |                | \$ 4.21      |
| 7  | Railway operating ratio                                     | 75.2          | 66.5           | 67.0          | 69.0           | 69.2     | 76.4          | 70.0           | 69.7          | 74.5           | 72.6      | 70.1          | 68.6           | 67.5          |                | 68.7         |
| 7  | Property additions:   |               |                |               |                |          |               |                |               |                |           |               |                |               |                |              |
| •  | Equipment   | \$ 110        | \$ 96          | \$ 214        | \$ 292         | \$ 712   | \$ 92         | \$ 151         | \$ 265        | \$ 150         | \$ 658    | \$ 114        | \$ 210         | \$ 73         |                | \$ 397       |
| •  | Road  | 271           | 332            | 356           | 447            | 1,406    | 300           | 343            | 626           | 458            | 1,727     | 284           | 324            | 299           |                | 907          |
| 7  | Total property additions                                    | \$ 381        | \$ 428         | \$ 570        | \$ 739         | \$ 2,118 | \$ 392        | \$ 494         | \$ 891        | \$ 608         | \$ 2,385  | \$ 398        | \$ 534         | \$ 372        |                | \$ 1,304     |
| •  | Cash, cash equivalents and short-term investments           | \$ 1,532      | \$ 1,667       | \$ 1,432      | \$ 973         | \$ 973   | \$ 524        | \$ 889         | \$ 433        | \$ 1,101       | \$ 1,101  | \$ 589        | \$ 866         | \$ 984        |                | \$ 984       |
| •  | Total debt  | \$ 9,311      | \$ 9,205       | \$ 8,880      | \$ 8,985       | \$ 8,985 | \$ 8,890      | \$ 9,390       | \$ 9,496      | \$ 10,093      | \$ 10,093 | \$ 9,498      | \$ 10,099      | \$ 10,105     |                | \$ 10,105    |
| •  | Total debt-to-total capitalization (percent)                | 44.3          | 43.3           | 41.7          | 42.0           | 42.0     | 42.2          | 43.7           | 43.9          | 45.3           | 45.3      | 43.7          | 45.1           | 44.9          |                | 44.9         |
| •  | Weighted average shares outstanding — diluted (in millions) | 312.6         | 312.8          | 312.6         | 312.0          | 312.5    | 309.6         | 305.5          | 302.5         | 300.4          | 304.4     | 298.9         | 296.6          | 294.7         |                | 296.7        |

**Note 1** Third and fourth quarter 2015 results include costs associated with the restructuring of our Triple Crown Services subsidiary and the closure of our Roanoke, Virginia, office, in the amount of \$37 million and \$49 million, respectively. These costs reduced net income by \$23 million, or \$0.08 per diluted share in the third quarter and \$31 million, or \$0.10 per diluted share in the fourth quarter. For 2015, results include \$93 million of such costs, which reduced net income by \$58 million, or \$0.19 per diluted share.

## Financial, Traffic and Operating Statistics

| Traffic and Operating Statistics |  | 2014          |                |                 |                |          | 2015          |                |                 |                |          | 2016          |                |                 |                |              |
|----------------------------------|--|---------------|----------------|-----------------|----------------|----------|---------------|----------------|-----------------|----------------|----------|---------------|----------------|-----------------|----------------|--------------|
| Page                             | Item   | First Quarter | Second Quarter | Third Quarter   | Fourth Quarter | Year     | First Quarter | Second Quarter | Third Quarter   | Fourth Quarter | Year     | First Quarter | Second Quarter | Third Quarter   | Fourth Quarter | Year-to-date |
|                                  | • No corresponding charts for this data.                       |               |                |                 |                |          |               |                |                 |                |          |               |                |                 |                |              |
| 8                                | Railway units (in thousands):                                  |               |                |                 |                |          |               |                |                 |                |          |               |                |                 |                |              |
| 8                                | Merchandise  | 577.8         | 656.5          | <b>664.2</b>    | 646.8          | 2,545.3  | 598.0         | 661.5          | <b>658.0</b>    | 620.7          | 2,538.2  | 613.2         | 638.7          | <b>630.5</b>    |                | 1,882.4      |
| 8                                | Intermodal   | 885.1         | 976.1          | <b>1,004.7</b>  | 979.3          | 3,845.2  | 926.7         | 999.9          | <b>999.5</b>    | 934.9          | 3,861.0  | 929.1         | 951.8          | <b>993.5</b>    |                | 2,874.4      |
| 8                                | Coal   | 299.7         | 350.5          | <b>332.1</b>    | 302.1          | 1,284.4  | 277.4         | 275.7          | <b>278.8</b>    | 247.8          | 1,079.7  | 214.8         | 210.0          | <b>238.2</b>    |                | 663.0        |
| 8                                | Total railway units  | 1,762.6       | 1,983.1        | <b>2,001.0</b>  | 1,928.2        | 7,674.9  | 1,802.1       | 1,937.1        | <b>1,936.3</b>  | 1,803.4        | 7,478.9  | 1,757.1       | 1,800.5        | <b>1,862.2</b>  |                | 5,419.8      |
|                                  | • Revenue ton miles (RTMs) (in billions):                      |               |                |                 |                |          |               |                |                 |                |          |               |                |                 |                |              |
|                                  | • Merchandise  | 27.0          | 29.7           | <b>30.2</b>     | 31.1           | 118.0    | 29.3          | 31.4           | <b>30.8</b>     | 28.8           | 120.3    | 28.8          | 29.2           | <b>29.1</b>     |                | 87.1         |
|                                  | • Intermodal   | 9.4           | 10.2           | <b>10.3</b>     | 10.2           | 40.1     | 9.7           | 10.4           | <b>10.0</b>     | 9.8            | 39.9     | 9.6           | 10.5           | <b>10.7</b>     |                | 30.8         |
|                                  | • Coal   | 10.7          | 13.3           | <b>12.3</b>     | 10.6           | 46.9     | 9.8           | 9.7            | <b>10.5</b>     | 9.5            | 39.5     | 7.7           | 7.7            | <b>8.9</b>      |                | 24.3         |
|                                  | • Total  | 47.1          | 53.2           | <b>52.8</b>     | 51.9           | 205.0    | 48.8          | 51.5           | <b>51.3</b>     | 48.1           | 199.7    | 46.1          | 47.4           | <b>48.7</b>     |                | 142.2        |
|                                  | • Revenue (dollars) per thousand RTMs:                         |               |                |                 |                |          |               |                |                 |                |          |               |                |                 |                |              |
|                                  | • Merchandise  | \$ 57.36      | \$ 57.88       | <b>\$ 57.44</b> | \$ 53.85       | \$ 56.58 | \$ 51.80      | \$ 51.89       | <b>\$ 52.32</b> | \$ 52.70       | \$ 52.17 | \$ 53.73      | \$ 53.92       | <b>\$ 53.49</b> |                | \$ 53.71     |
|                                  | • Intermodal   | \$ 63.53      | \$ 63.66       | <b>\$ 64.61</b> | \$ 63.92       | \$ 63.94 | \$ 61.16      | \$ 60.91       | <b>\$ 62.00</b> | \$ 57.50       | \$ 60.41 | \$ 54.10      | \$ 51.56       | <b>\$ 53.82</b> |                | \$ 53.14     |
|                                  | • Coal   | \$ 50.71      | \$ 50.48       | <b>\$ 50.98</b> | \$ 51.05       | \$ 50.79 | \$ 46.43      | \$ 46.41       | <b>\$ 46.06</b> | \$ 45.76       | \$ 46.16 | \$ 45.76      | \$ 43.67       | <b>\$ 44.47</b> |                | \$ 44.62     |
|                                  | • Total  | \$ 57.09      | \$ 57.14       | <b>\$ 57.34</b> | \$ 55.25       | \$ 56.70 | \$ 52.58      | \$ 52.67       | <b>\$ 52.93</b> | \$ 52.31       | \$ 52.63 | \$ 52.49      | \$ 51.72       | <b>\$ 51.91</b> |                | \$ 52.03     |
|                                  | • Gross ton miles (GTM) (in billions)                          | 89.2          | 100.3          | <b>100.0</b>    | 99.0           | 388.5    | 92.9          | 99.1           | <b>98.5</b>     | 93.9           | 384.4    | 90.2          | 92.6           | <b>93.8</b>     |                | 276.6        |
|                                  | • Revenue ton miles (RTMs) (in billions)                       | 47.1          | 53.2           | <b>52.8</b>     | 51.9           | 205.0    | 48.8          | 51.5           | <b>51.3</b>     | 48.1           | 199.7    | 46.1          | 47.4           | <b>48.7</b>     |                | 142.2        |
|                                  | • Railroad employees (average)                                 | 28,811        | 28,811         | <b>29,176</b>   | 29,454         | 29,063   | 29,936        | 30,045         | <b>30,257</b>   | 29,988         | 30,057   | 28,077        | 27,928         | <b>27,817</b>   |                | 27,940       |
|                                  | • Total operating expenses (dollars) per thousand GTMs         | \$ 22.66      | \$ 20.17       | <b>\$ 20.26</b> | \$ 19.98       | \$ 20.72 | \$ 21.11      | \$ 19.17       | <b>\$ 19.18</b> | \$ 20.00       | \$ 19.84 | \$ 18.81      | \$ 18.19       | <b>\$ 18.17</b> |                | \$ 18.39     |
|                                  | • Compensation and benefits (dollars) per thousand GTMs        | \$ 8.29       | \$ 7.13        | <b>\$ 7.28</b>  | \$ 7.21        | \$ 7.46  | \$ 8.43       | \$ 7.31        | <b>\$ 7.12</b>  | \$ 7.48        | \$ 7.57  | \$ 8.02       | \$ 7.21        | <b>\$ 7.37</b>  |                | \$ 7.52      |
|                                  | • Total operating expenses (dollars) per thousand RTMs         | \$ 42.93      | \$ 38.00       | <b>\$ 38.41</b> | \$ 38.09       | \$ 39.26 | \$ 40.16      | \$ 36.87       | <b>\$ 36.89</b> | \$ 38.97       | \$ 38.19 | \$ 36.81      | \$ 35.49       | <b>\$ 35.04</b> |                | \$ 35.77     |
|                                  | • Compensation and benefits (dollars) per thousand RTMs        | \$ 15.71      | \$ 13.43       | <b>\$ 13.81</b> | \$ 13.74       | \$ 14.13 | \$ 16.04      | \$ 14.06       | <b>\$ 13.70</b> | \$ 14.58       | \$ 14.58 | \$ 15.68      | \$ 14.06       | <b>\$ 14.21</b> |                | \$ 14.64     |
| 14                               | Total operating revenues (\$ in thousands) per employee        | \$ 93.3       | \$ 105.6       | <b>\$ 103.6</b> | \$ 97.4        | \$ 400.0 | \$ 85.7       | \$ 90.3        | <b>\$ 89.7</b>  | \$ 84.0        | \$ 349.7 | \$ 86.2       | \$ 87.9        | <b>\$ 90.7</b>  |                | \$ 264.8     |
| 15                               | Total operating expenses (\$ in thousands) per employee        | \$ 70.2       | \$ 70.2        | <b>\$ 69.4</b>  | \$ 67.2        | \$ 277.0 | \$ 65.5       | \$ 63.2        | <b>\$ 62.5</b>  | \$ 62.6        | \$ 253.8 | \$ 60.4       | \$ 60.3        | <b>\$ 61.3</b>  |                | \$ 182.0     |
|                                  | • GTMs (thousands) per employee                                | 3,097         | 3,481          | <b>3,425</b>    | 3,364          | 13,368   | 3,103         | 3,298          | <b>3,258</b>    | 3,128          | 12,788   | 3,213         | 3,315          | <b>3,372</b>    |                | 9,899        |
| 14                               | RTMs (thousands) per employee                                  | 1,635         | 1,848          | <b>1,807</b>    | 1,764          | 7,054    | 1,631         | 1,714          | <b>1,694</b>    | 1,605          | 6,645    | 1,642         | 1,699          | <b>1,748</b>    |                | 5,089        |
| 14                               | Units per employee   | 61.2          | 68.8           | <b>68.6</b>     | 65.5           | 264.1    | 60.2          | 64.5           | <b>64.0</b>     | 60.1           | 248.8    | 62.6          | 64.5           | <b>66.9</b>     |                | 194.0        |
| 14                               | RTMs (thousands) per mile of road operated                     | 2,369         | 2,681          | <b>2,655</b>    | 2,629          | 10,333   | 2,476         | 2,613          | <b>2,600</b>    | 2,411          | 10,098   | 2,310         | 2,381          | <b>2,475</b>    |                | 7,164        |
| 15                               | Total operating expenses (dollars) per unit                    | \$ 1,147      | \$ 1,020       | <b>\$ 1,012</b> | \$ 1,026       | \$ 1,049 | \$ 1,088      | \$ 980         | <b>\$ 977</b>   | \$ 1,040       | \$ 1,020 | \$ 966        | \$ 935         | <b>\$ 915</b>   |                | \$ 938       |
|                                  | • Compensation and benefits (dollars) per unit                 | \$ 420        | \$ 361         | <b>\$ 364</b>   | \$ 370         | \$ 377   | \$ 434        | \$ 374         | <b>\$ 363</b>   | \$ 389         | \$ 389   | \$ 411        | \$ 370         | <b>\$ 371</b>   |                | \$ 384       |
|                                  | • RTMs (in thousands) per unit                                 | 26.7          | 26.8           | <b>26.3</b>     | 26.9           | 26.7     | 27.1          | 26.6           | <b>26.5</b>     | 26.7           | 26.7     | 26.2          | 26.4           | <b>26.1</b>     |                | 26.2         |
|                                  | • Locomotive diesel fuel consumed (in thousands of gallons)    | 126,082       | 122,619        | <b>119,100</b>  | 126,200        | 494,001  | 125,590       | 120,955        | <b>118,123</b>  | 122,047        | 486,715  | 120,251       | 114,075        | <b>112,864</b>  |                | 347,190      |
|                                  | • Average price (dollars) per gallon of locomotive diesel fuel | \$ 3.105      | \$ 3.034       | <b>\$ 2.959</b> | \$ 2.521       | \$ 2.903 | \$ 1.831      | \$ 1.935       | <b>\$ 1.714</b> | \$ 1.490       | \$ 1.743 | \$ 1.158      | \$ 1.445       | <b>\$ 1.512</b> |                | \$ 1.367     |
|                                  | • RTMs per gallon of fuel consumed                             | 374           | 434            | <b>443</b>      | 412            | 415      | 389           | 426            | <b>434</b>      | 394            | 410      | 383           | 416            | <b>431</b>      |                | 410          |
| 15                               | GTM (in thousands) per train hour                              | 96.5          | 99.9           | <b>98.8</b>     | 98.2           | 98.4     | 96.2          | 98.5           | <b>97.2</b>     | 100.1          | 98.0     | 102.0         | 102.3          | <b>101.6</b>    |                | 102.0        |
| 15                               | RTMs (in thousands) per train hour                             | 50.9          | 53.0           | <b>52.1</b>     | 51.5           | 51.9     | 50.6          | 51.2           | <b>50.5</b>     | 51.3           | 50.9     | 52.2          | 52.4           | <b>52.7</b>     |                | 52.4         |
|                                  | • Percent of loaded-to-total car miles                         | 59.1          | 58.8           | <b>58.9</b>     | 59.3           | 59.0     | 58.9          | 58.5           | <b>58.0</b>     | 57.6           | 58.2     | 57.1          | 57.3           | <b>57.2</b>     |                | 57.2         |
|                                  | • Total new crossties installed (in thousands)                 | 676           | 697            | <b>667</b>      | 631            | 2,671    | 575           | 606            | <b>603</b>      | 629            | 2,413    | 551           | 558            | <b>565</b>      |                | 1,674        |
|                                  | • Total track miles of rail laid (miles)                       | 135           | 156            | <b>121</b>      | 95             | 507      | 102           | 122            | <b>139</b>      | 160            | 523      | 100           | 183            | <b>105</b>      |                | 388          |



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