



October 28, 2020

# ***EARNINGS CONFERENCE CALL***

2020 Third Quarter



# FORWARD-LOOKING STATEMENTS / NON-GAAP MEASURES

This presentation contains 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 future performance of Norfolk Southern Corporation's (NYSE: NSC) ("Norfolk Southern," "NS" or the "Company"), including but not limited to statements regarding future financial performance and anticipated results, benefits, and targets related to the strategic plan. In some cases, these forward-looking statements may be identified by the use of words like "will," "believe," "expect," "targets," "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, 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, including but not limited to: general North American and global economic conditions; changes in energy prices and fuel markets; uncertainty surrounding timing and volumes of commodities being shipped; changes in laws and regulations; uncertainties of claims and lawsuits; labor disputes; transportation of dangerous goods; effects of changes in capital market conditions; severe weather; and the impact of the COVID-19 pandemic on us, our customers, our supply chain and our operations. 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, 2019, filed with the Securities and Exchange Commission (the "SEC"), as well as the Company's subsequent filings with the SEC, may cause actual results, benefits, performance, or achievements to differ materially from those expressed or implied by these forward-looking statements. Please refer to these SEC filings for a full discussion of those risks and uncertainties we view as most important.

Forward-looking statements are not, and should not be relied upon as, a guarantee of future events or performance, nor will they necessarily prove to be accurate indications of the times at or by which any such events or performance 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.

In addition to disclosing financial results in accordance with U.S. GAAP, the accompanying presentation contains non-GAAP financial measures. These non-GAAP measures should be viewed as a supplement to and not a substitute for our U.S. GAAP measures, and the financial results calculated in accordance with U.S. GAAP and reconciliations from these results should be carefully evaluated. All reconciliations to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP can be found on our website at [www.norfolksouthern.com](http://www.norfolksouthern.com) on the Invest in NS page under Events for this event.



# ***2020 HIGHLIGHTS***

Third Quarter

**James A. Squires**

Chairman, President and  
Chief Executive Officer

# 3<sup>RD</sup> QUARTER 2020 OVERVIEW

**Adjusted Operating Ratio: 820 basis point improvement versus Q2 2020**

	<b>Q3 2020</b>	<b>Adjusted Q3 2020</b>	<b>Adjusted vs Q3 2019</b>
Revenues	\$2,506M	\$2,506M	(12%)
Operating expenses <sup>(1)</sup>	\$1,666M	\$1,567M	(15%)
Operating ratio <sup>(1)</sup>	66.5%	62.5%	(240)bps
Earnings per share <sup>(1)</sup>	\$2.22	\$2.51	1%

(1) Adjusted Q3 2020 excludes \$99M non-cash impairment charge related to an equity-method investment. Please see reconciliation to GAAP posted on our website on the **Invest in NS** page under **Events** for this event.



# ***OPERATIONS OVERVIEW***

Third Quarter

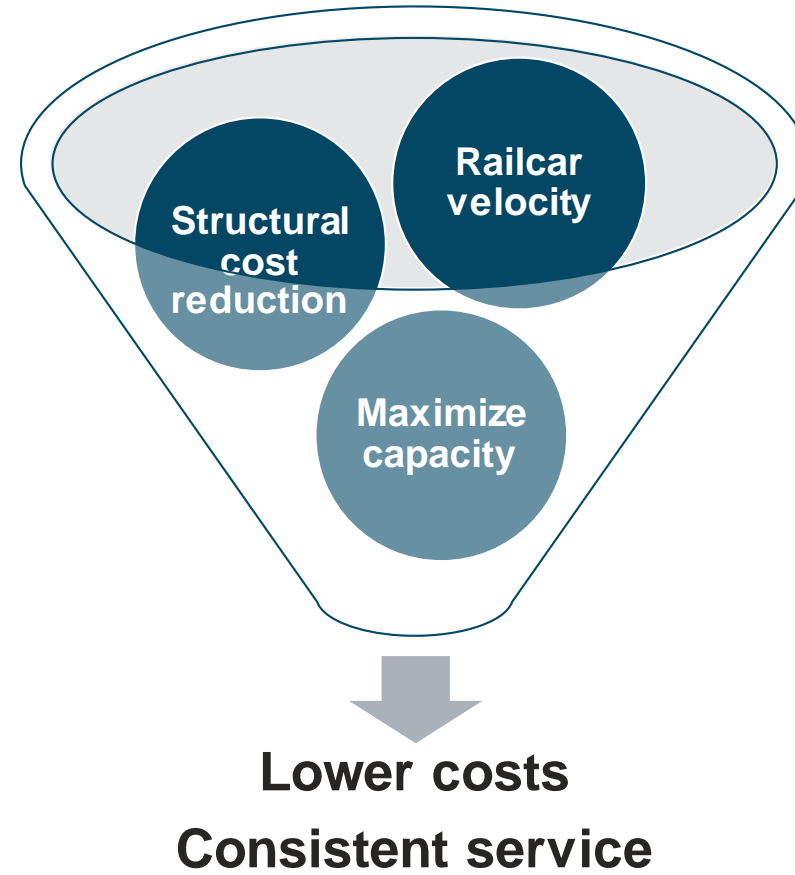
**Cindy M. Sanborn**

Executive Vice President and  
Chief Operating Officer

# QUICKENING THE PACE

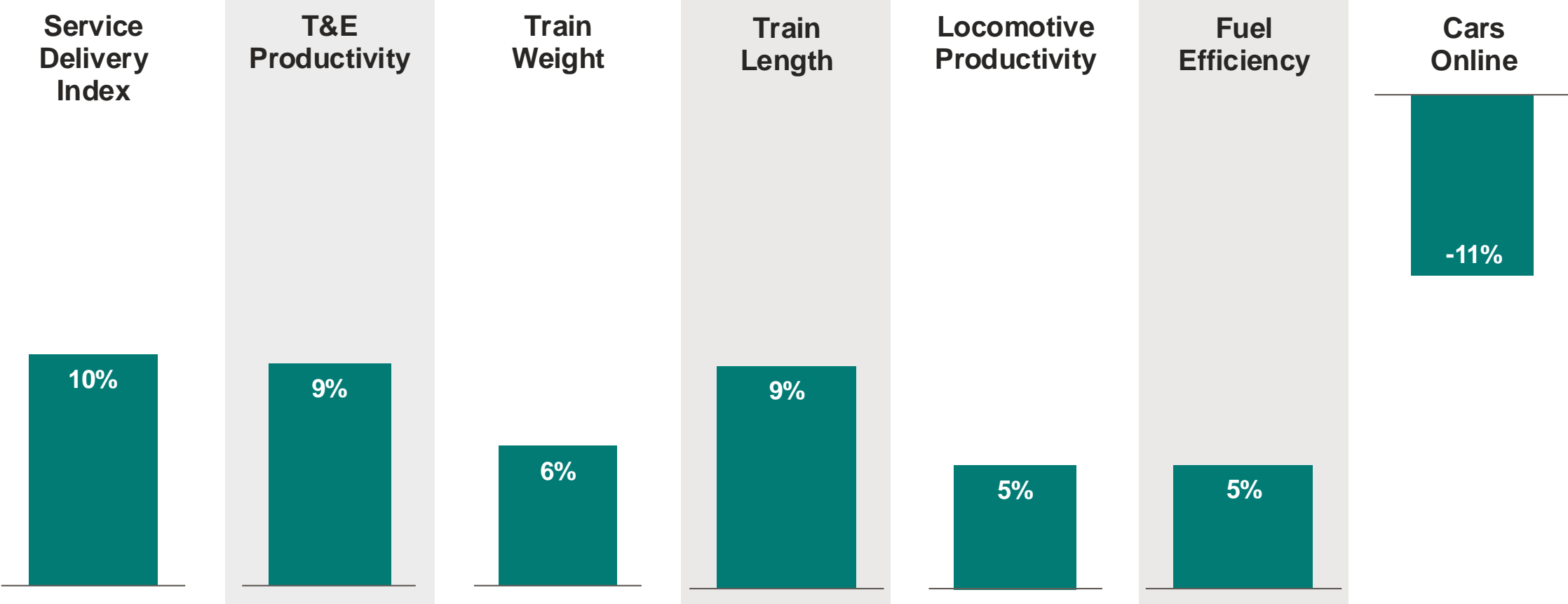
*Significant opportunity to build on solid PSR foundation*

- Transition to railcar-focused PSR
  - Car velocity
  - Locomotive utilization
  - Train size
- Build on momentum while challenging current practices
- Bias for action and speed



# SERVICE AND PRODUCTIVITY METRICS

YTD 2020 vs. YTD 2019

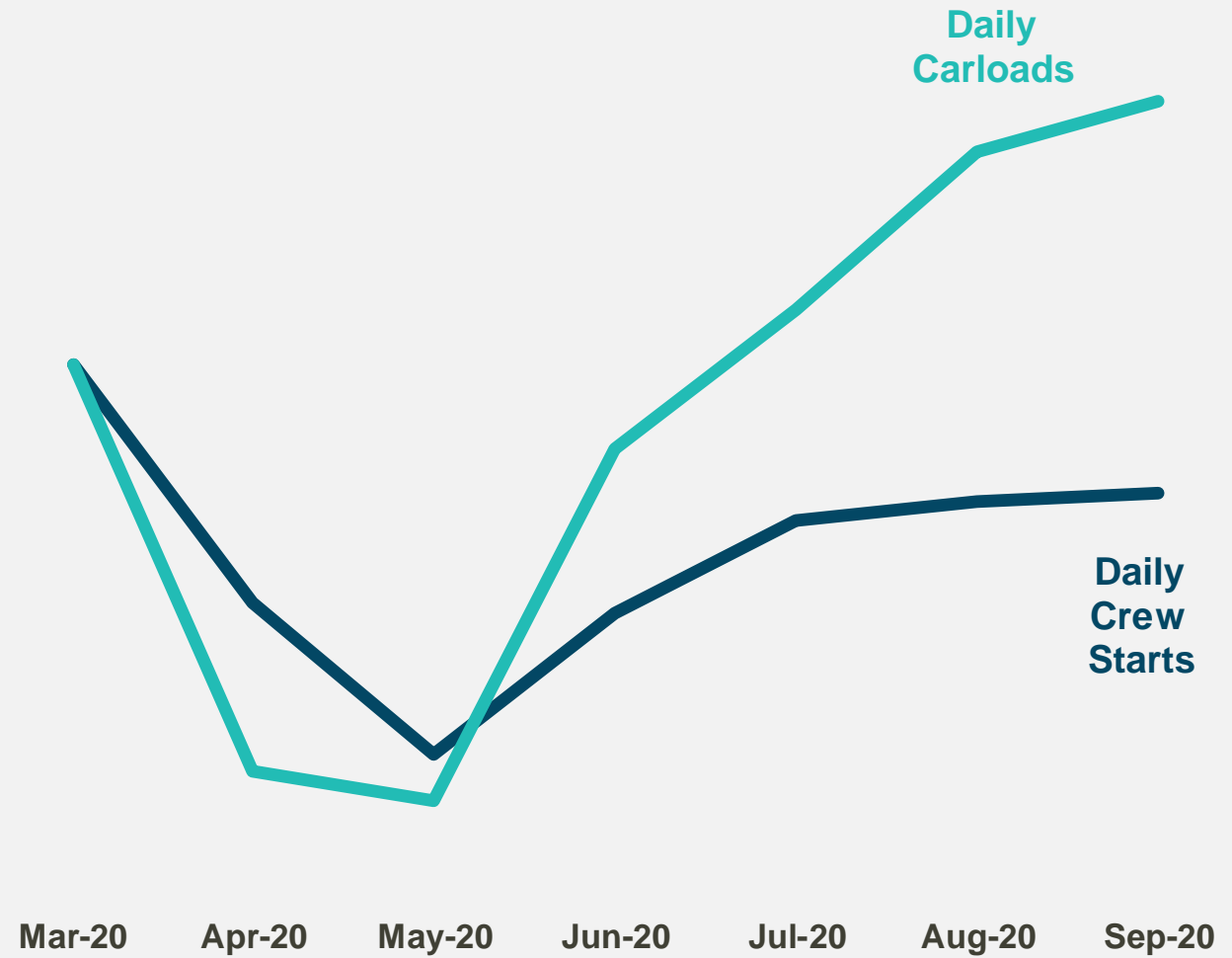


*Quarterly records for fuel efficiency, train weight, train length*

# OPERATING LEVERAGE

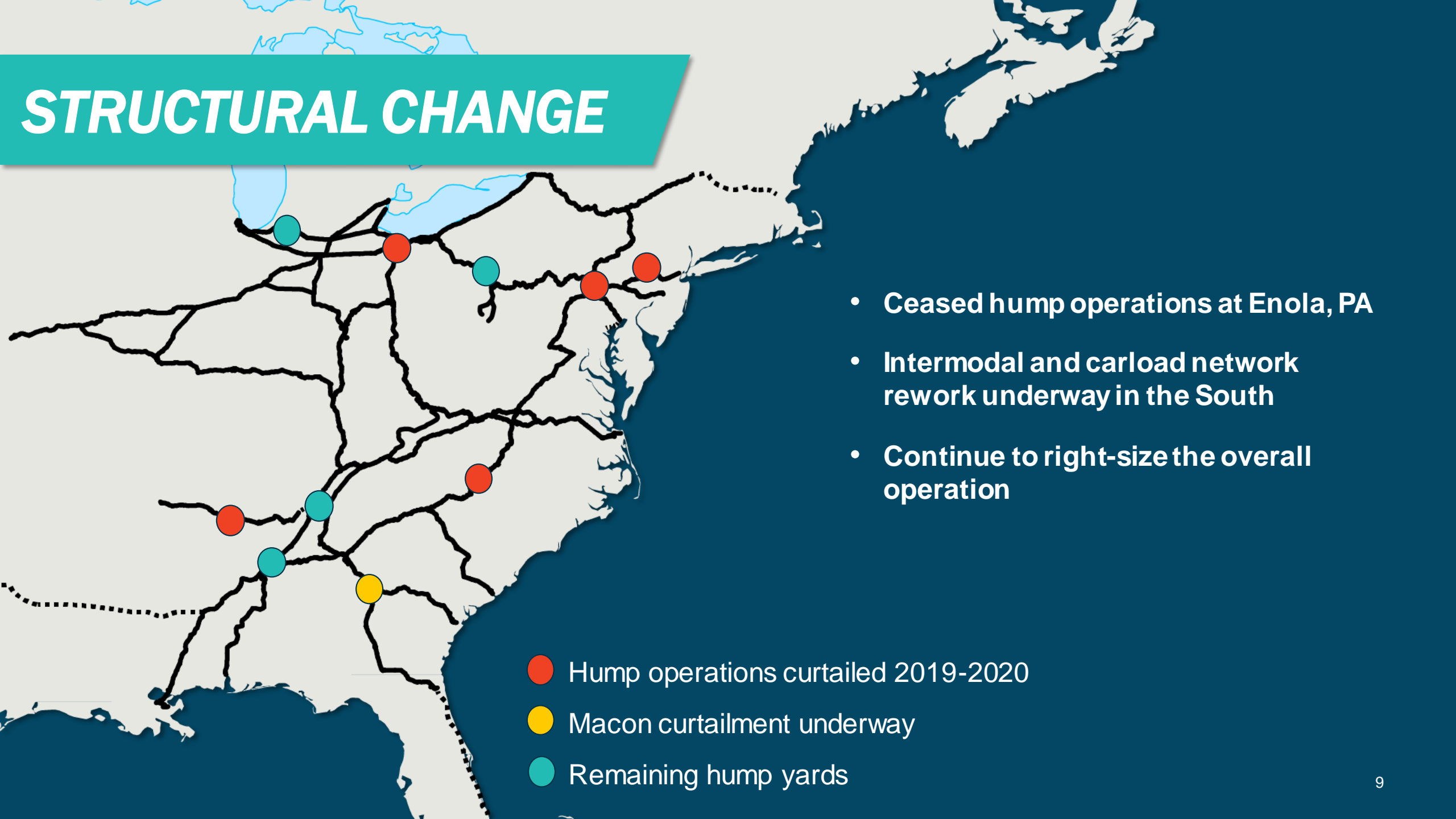
- Record crew start leverage in the third quarter
- Successfully absorbing returning volumes into the network
- Focus on growing latent capacity

Daily Crew Starts and Carloads Indexed to March 2020





# STRUCTURAL CHANGE



- Ceased hump operations at Enola, PA
- Intermodal and carload network rework underway in the South
- Continue to right-size the overall operation

- Hump operations curtailed 2019-2020
- Macon curtailment underway
- Remaining hump yards



# ***MARKET OVERVIEW***

Third Quarter

**Alan H. Shaw**

Executive Vice President and  
Chief Marketing Officer

# OPERATING REVENUE

**Merchandise and Intermodal RPU (less fuel) increased 15 consecutive quarters**

Q3 2020 vs. Q3 2019 / Revenue change \$ millions / favorable / unfavorable



	Merchandise	Intermodal	Coal	Total
Revenue	\$1,556M (10%)	\$700M (1%)	\$250M (38%)	\$2,506M (12%)
Volume	551,200 (11%)	1,068,800 1%	147,700 (32%)	1,767,700 (7%)
RPU	\$2,822 1%	\$655 (2%)	\$1,698 (8%)	\$1,418 (5%)
RPU (less fuel) <sup>(1)</sup>	\$2,808 3%	\$592 3% RECORD RPU LF	\$1,695 (7%)	\$1,375 (3%)

# FOURTH QUARTER 2020 OUTLOOK

*Economic conditions and strengths of our franchise support continued recovery*



## MERCHANDISE

- Pressured energy-related markets
- Continued recovery from COVID-19
- Inventory replenishment



## INTERMODAL

- Sustained tight capacity in the truck market
- Inventory replenishment
- New service products



## COAL

- Low natural gas prices
- High inventories
- Low seaborne coal prices

# ***SUSTAINABLE GROWTH COMMITMENT***

*Recognized as one of the World's Top 100 Most Sustainably Managed Companies by WSJ*

## **LONGSTANDING LEADERSHIP ROLES**

- Forest carbon offset projects
- Wetland restoration projects

## **REDUCING OUR IMPACT**

- Enhancing fuel efficiency
- Operation Clean Sweep pledge to prevent plastic pollution

## **NS IS A RELIABLE, LOW-CARBON SOLUTION**

- Robust Intermodal franchise
- Broad portfolio of industrial-development sites, short-line partnerships and transloading facilities





# ***FINANCE OVERVIEW***

Third Quarter

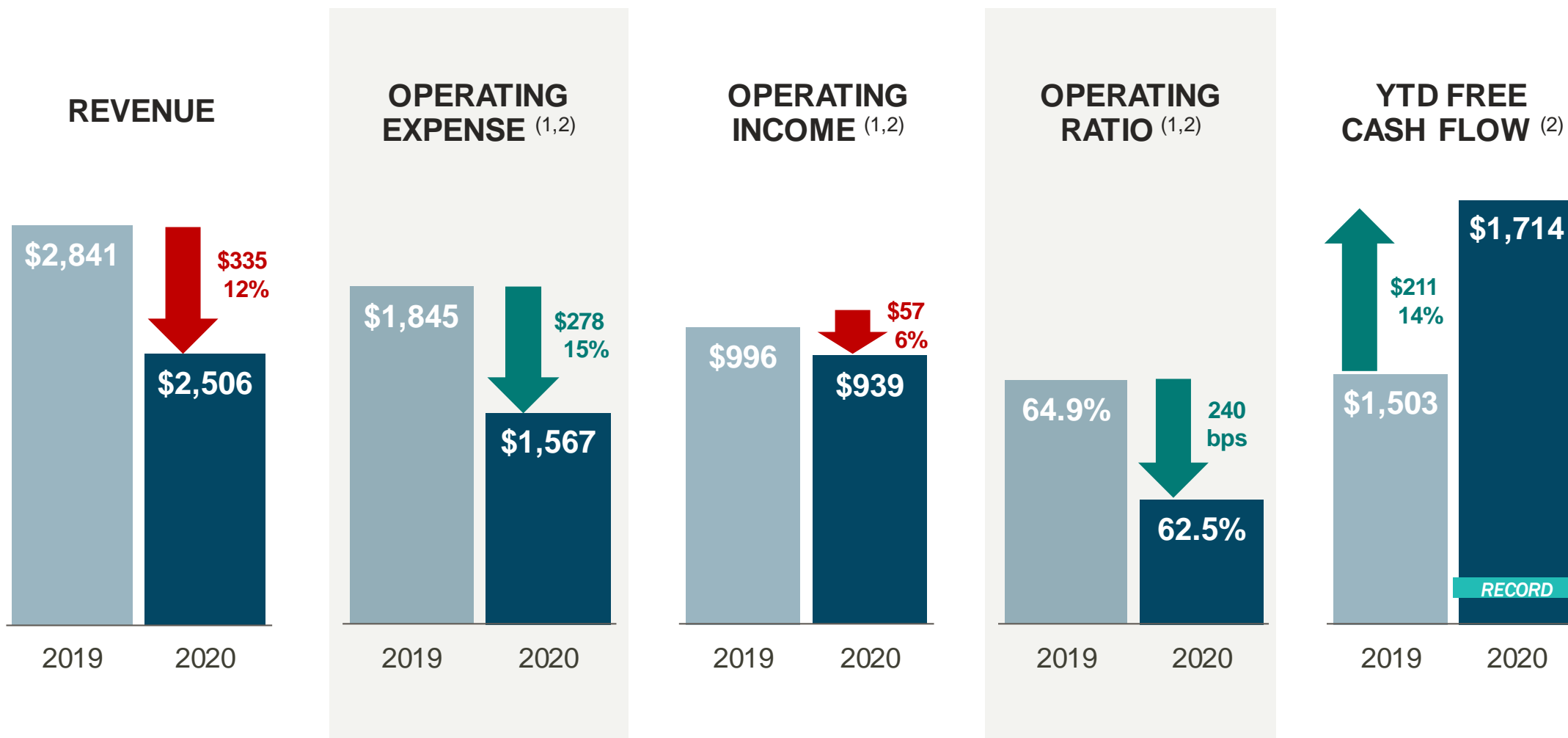
**Mark R. George**

Executive Vice President and  
Chief Financial Officer

# THIRD QUARTER HIGHLIGHTS

Adjusted Q3 2020<sup>(1)</sup> vs. Q3 2019 / *favorable* / *unfavorable*

\$ millions



# OPERATING RATIO AND EPS

Items Impacting Comparison to 2019 / *favorable* / *unfavorable*

	Operating Ratio	Earnings Per Share
<b>Q3 2019</b>	<b>64.9%</b>	<b>\$2.49</b>
2019 receivable write-off	(110)bps	\$0.09
Core results	(130)bps	(\$0.07)
<b>Q3 2020 Adjusted<sup>(1)</sup></b>	<b>62.5%</b>	<b>\$2.51</b>
<b>Change</b>	<b>(240)bps</b>	<b>\$0.02</b>

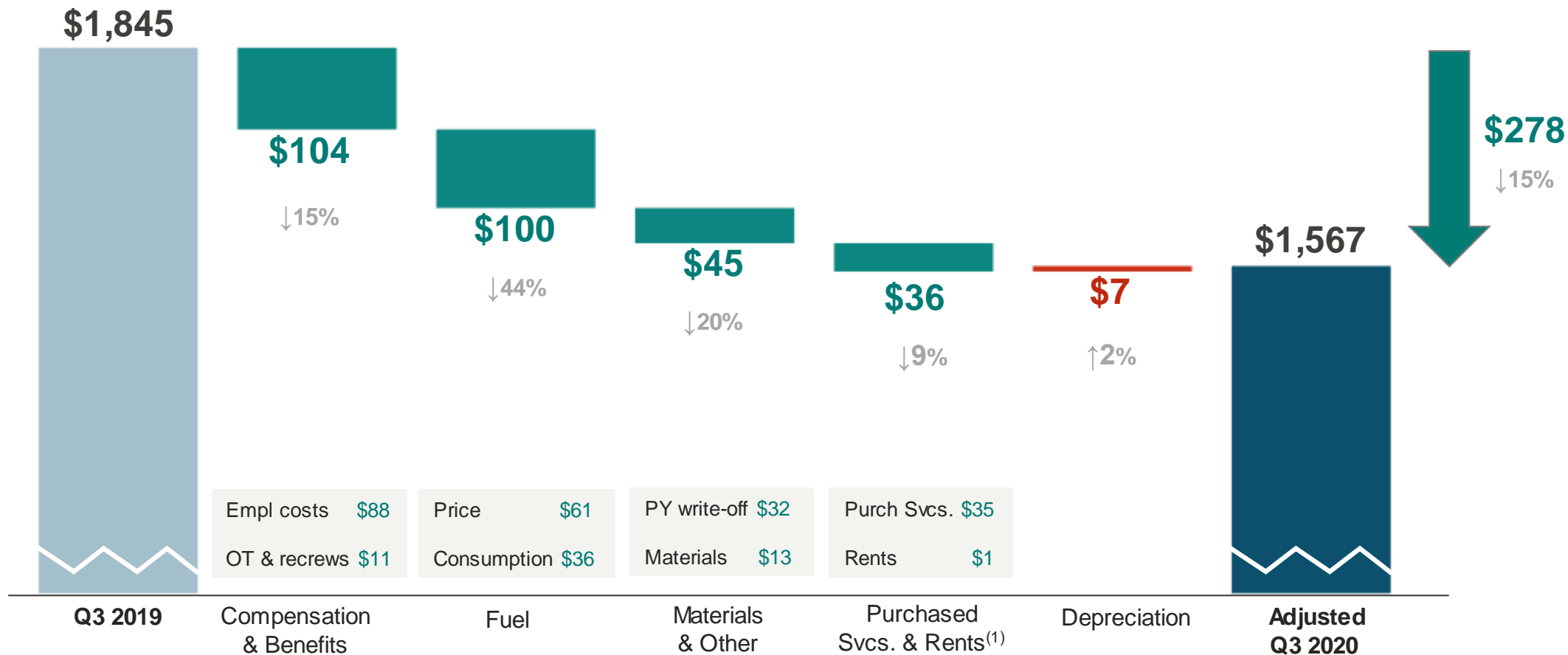
(1) Adjusted Q3 2020 excludes \$99M non-cash impairment charge related to an equity-method investment. Please see reconciliation to GAAP posted on our website on the **Invest in NS** page under **Events** for this event.



# OPERATING EXPENSE COMPONENTS

Adjusted Q3 2020<sup>(1)</sup> vs. Q3 2019 / *favorable* / *unfavorable*

\$ millions

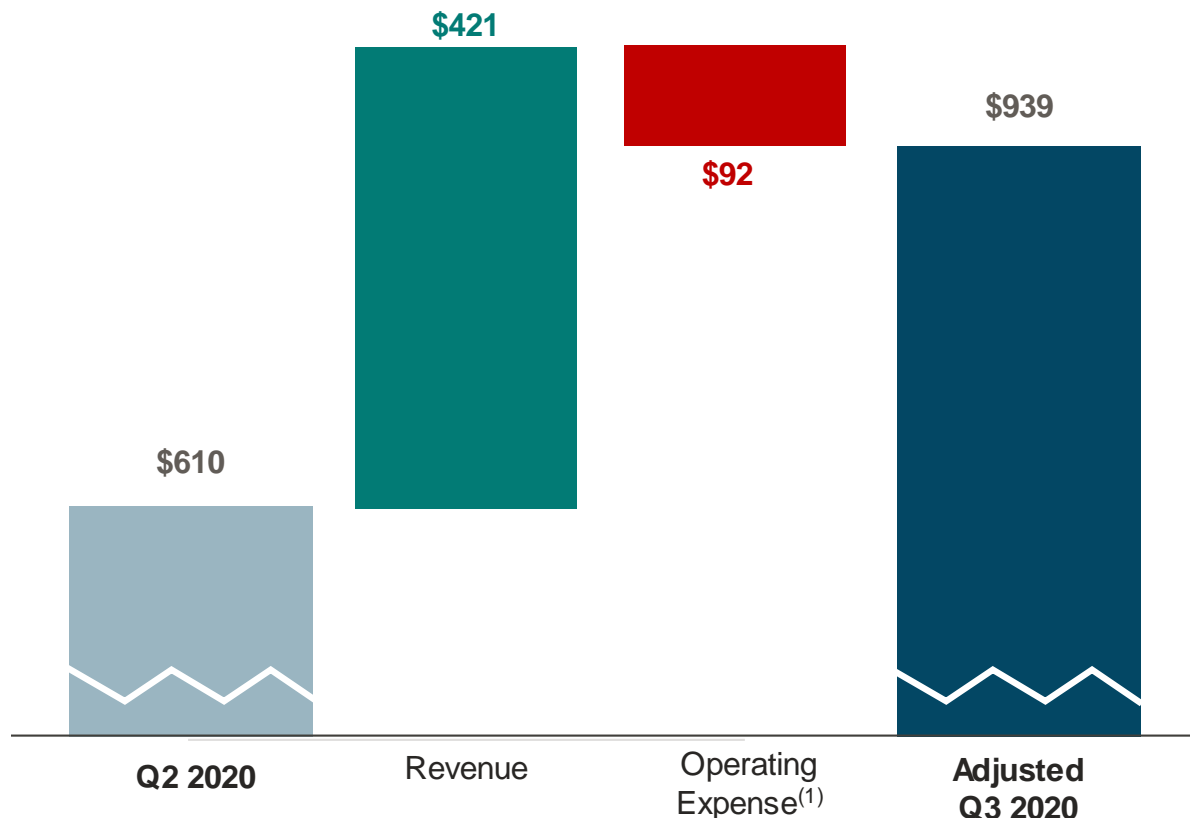


**Operating expenses<sup>(1)</sup> reduced 15% on volume down 7%**

# SEQUENTIAL OPERATING INCOME

Adjusted Q3 2020<sup>(1)</sup> vs. Q2 2020 / *favorable* / *unfavorable*

\$ millions



- Traction from structural changes
- Holding the line on resources
- Full steam ahead:
  - More network enhancement
  - Record & growing train productivity
  - Driving loco and railcar efficiency

Revenue up 20% with expense<sup>(1)</sup> growth of 6%

Focus on improving margin and efficiency

# FINANCIAL RESULTS

Adjusted Q3 2020<sup>(1)</sup> vs. Q3 2019 / *favorable* / *unfavorable*

\$ millions except per share

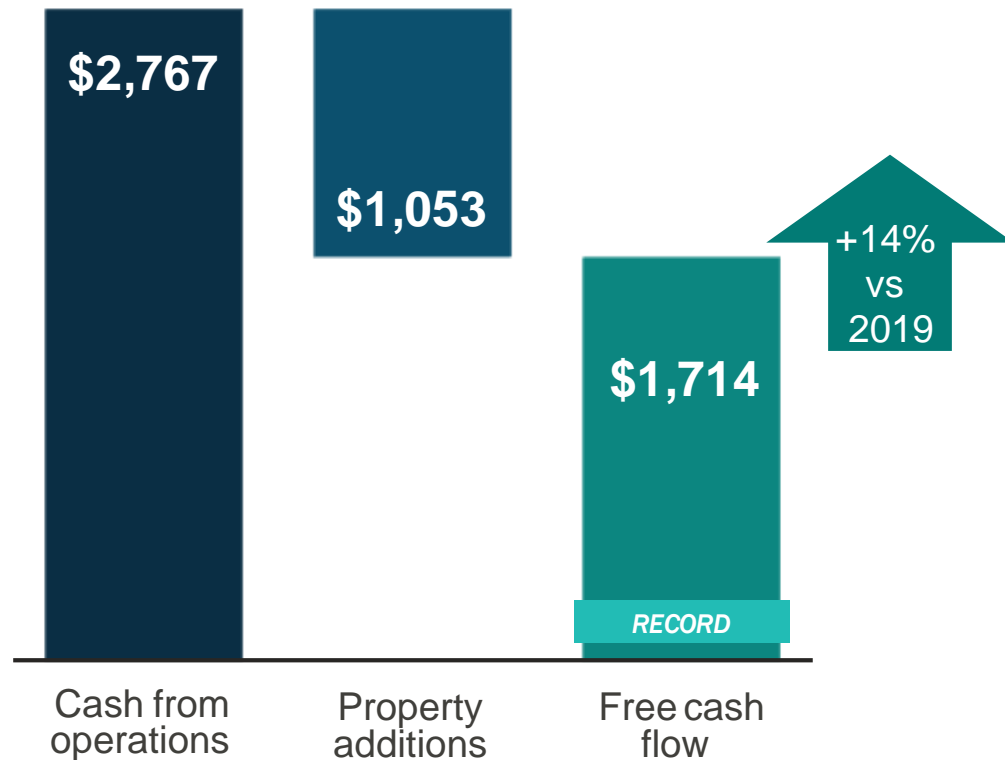
	Q3 2019	Adjusted Q3 2020	Variance	
			\$	%
Income from railway operations <sup>(1)</sup>	\$996	<b>\$939</b>	(\$57)	(6%)
Other income – net	22	<b>39</b>	17	77%
Interest expense on debt	150	<b>155</b>	5	3%
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Income before income taxes <sup>(1)</sup>	868	<b>823</b>	(45)	(5%)
Income taxes <sup>(1)</sup>	211	<b>180</b>	(31)	(15%)
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Net income <sup>(1)</sup>	\$657	<b>\$643</b>	(\$14)	(2%)
<hr/>				
Earnings per share – diluted <sup>(1)</sup>	\$2.49	<b>\$2.51</b>	\$0.02	1%

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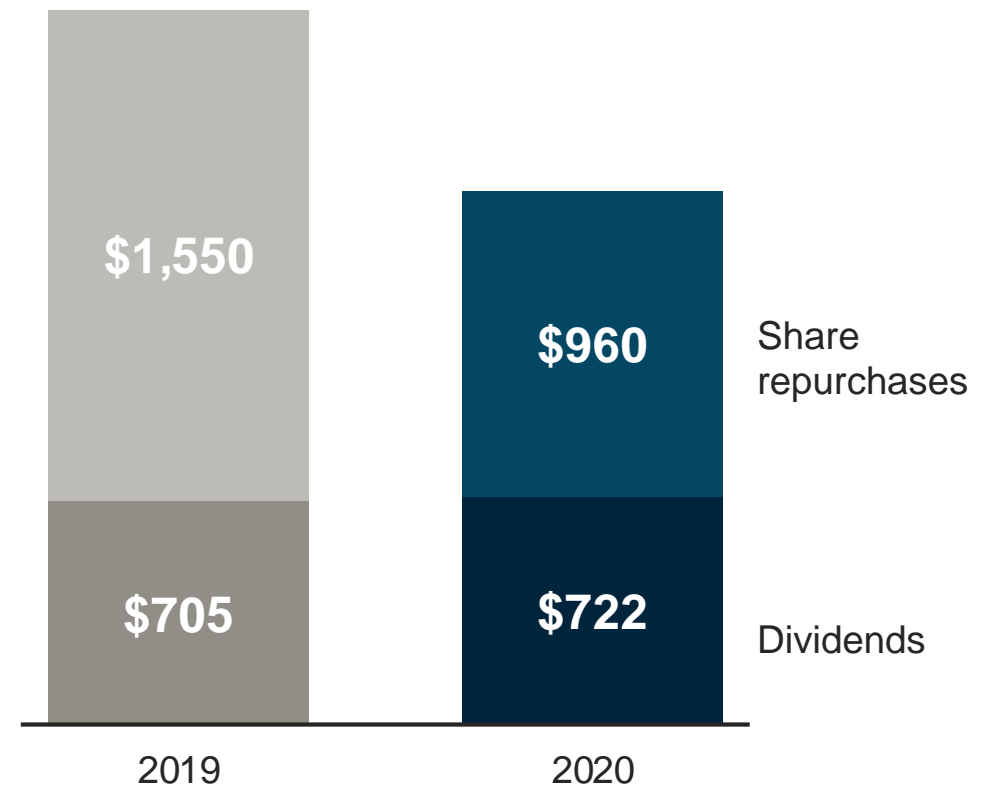
# FREE CASH FLOW & SHAREHOLDER DISTR.

First Nine Months / \$ millions

## 2020 Free Cash Flow (1)



## Shareholder Distributions



# CLOSING REMARKS

- Implementing PSR initiatives and driving structural change to the bottom line
- Committed to closing the OR gap with the industry and delivering continuous improvement
- Quickening the pace
- Returning significant capital to shareholders





# **APPENDIX**

# ITEMS IMPACTING COMPARISON TO 2019

favorable / unfavorable

\$ millions except per share

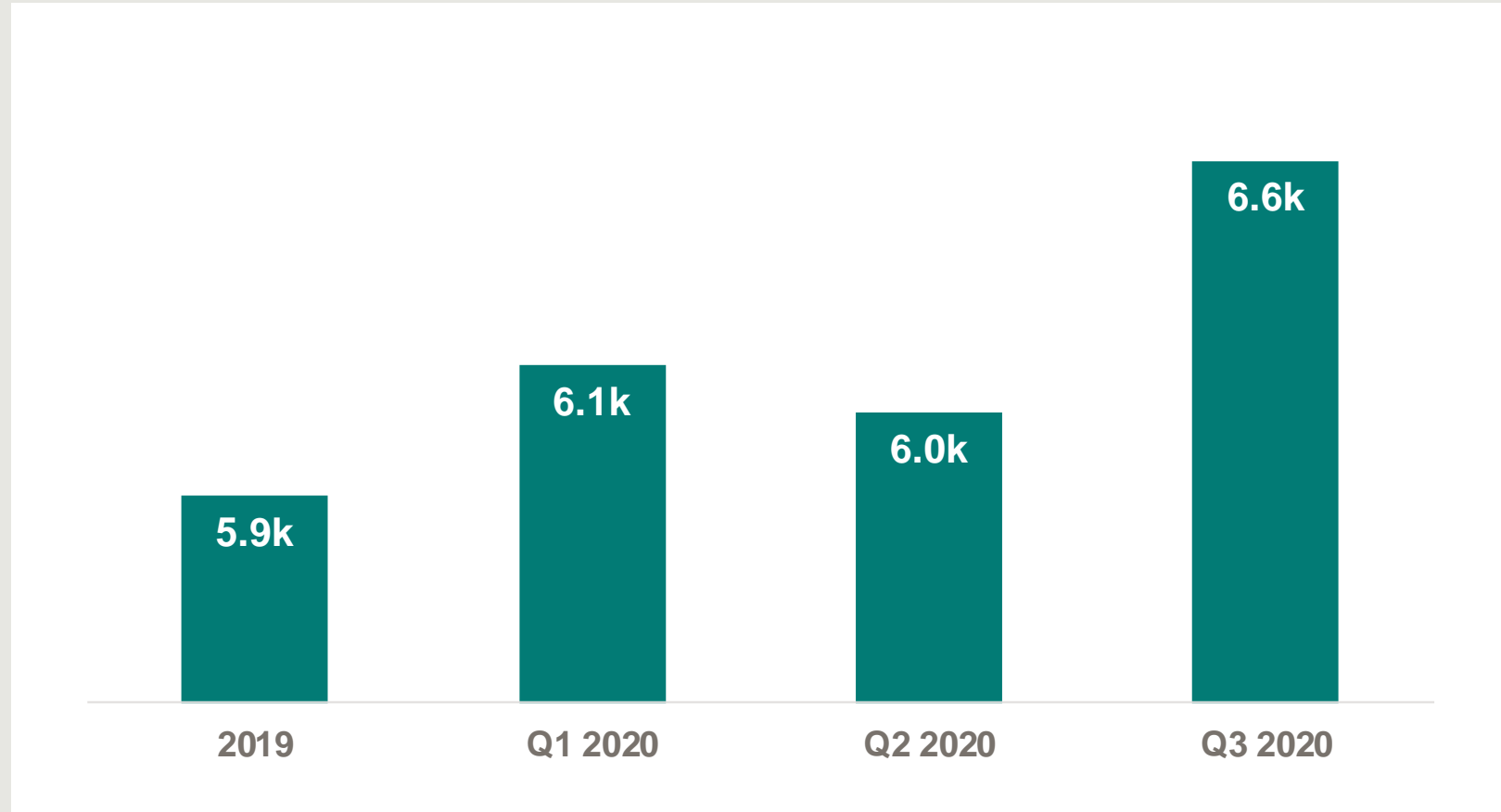
	Third Quarter	
2019 Receivable write-off	\$	32
2020 Investment impairment	\$	99

## Impact:

Operating ratio	290 bps
Earnings per share	(\$0.20)

# TRAIN LENGTH

Measured Average Road Train Length (feet)





***THANK YOU***