



2017 Fourth Quarter Earnings Conference Call

January 24, 2018



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 Highlights Fourth Quarter and Full Year

January 24, 2018

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



4Q17 and Full Year Results Versus Prior Year



Record full year operating ratio and earnings per share

***Excludes impacts associated with Tax reform⁽¹⁾**

	4Q17* vs 4Q16		2017* vs 2016	
Operating Ratio	67.7%	69.4%	▶ 67.4% <i>RECORD RESULTS</i>	68.9%
Income From Operations	\$863M	↑ 13%	\$3,435M	↑ 12%
Net Income	\$486M	↑ 17%	\$1,922M	↑ 15%
Earnings Per Share	▶ \$1.69 <i>RECORD RESULTS</i>	↑ 19%	▶ \$6.61 <i>RECORD RESULTS</i>	↑ 18%

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

Balanced Deployment of Capital



\$1.7 billion in CapEx; \$1.7 billion returned to shareholders

Maintaining our Rail Infrastructure:

- ✓ \$1.7 billion in CapEx for 2017
- ✓ Planned \$1.8 billion in CapEx for 2018



Returns to Shareholders in 2017:

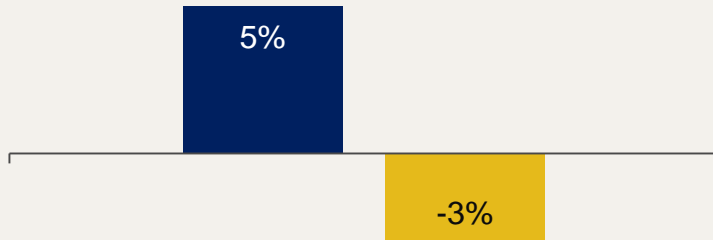
- ✓ \$703 million in dividends
- ✓ \$1.0 billion in share repurchases

Delivering Growth While Driving Efficiency



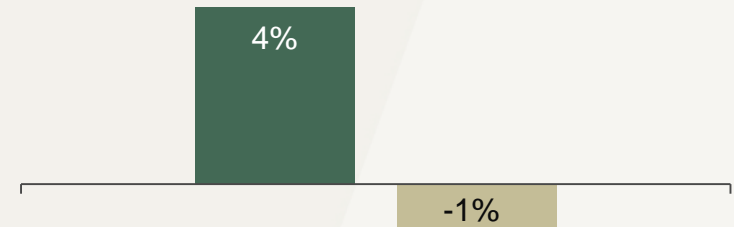
Achieved \$150 million in productivity savings in 2017

Labor Productivity (% change vs. 2016)



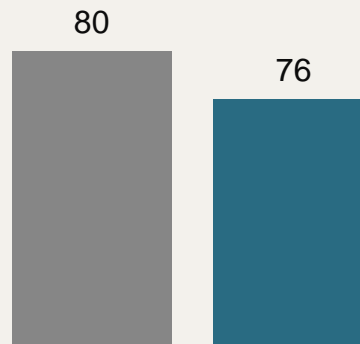
■ Volume ■ Avg. Employees

Fuel Efficiency (% change vs. 2016)



■ GTMs ■ Gallons

Composite Service Metric



■ 2016 ■ 2017



2017 Marketing Overview Fourth Quarter

January 24, 2018

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



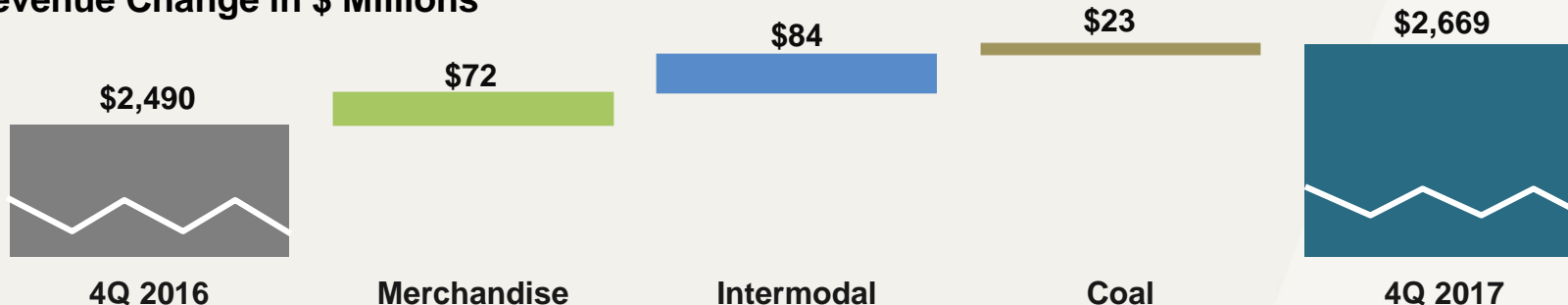
Railway Operating Revenue

Fourth Quarter 2017 vs 2016



Fourth consecutive quarter of year-over-year revenue growth

Revenue Change in \$ Millions



	Merchandise	Intermodal	Coal	Total
Revenue	\$1,576M ↑ 5%	\$667M ↑ 14% <i>RECORD REVENUE</i>	\$426M ↑ 6%	\$2,669M ↑ 7%
Volume	611,000 ↑ 1%	1,060,400 ↑ 6% <i>RECORD VOLUME</i>	253,700 ↑ 6%	1,925,100 ↑ 5%
RPU	\$2,580 ↑ 4%	\$629 ↑ 8%	\$1,677 ↓ (1%)	\$1,387 ↑ 2%
RPU (less fuel)*	\$2,551 ↑ 3%	\$549 ↑ 4%	\$1,649 ↓ (1%)	\$1,329 ↑ 1%

* Please see reconciliation to GAAP posted on our website.

Full Year Performance



Unique market approach continues to yield higher returns

Revenue	Volume	RPU	RPU Less Fuel *
\$10.6 Billion	7,611,500 units	\$1,386	\$1,339
up 7%	up 5%	up 2%	up 1%

Revenue Change in \$ Millions



Tight truck capacity, coal rebound, and drilling activity drove revenue growth in 2017:

- Tightened truck capacity and E-commerce growth
- High benchmark pricing increasing demand for US coals
- Increased steel production and drilling activity

* Please see reconciliation to GAAP posted on our website.

Strong Economic Environment



Opportunities in the Intermodal and Merchandise networks will drive growth



MERCHANDISE

Improved industrial production

Continued drilling activity

NGL declines with pipeline activity



INTERMODAL

Truck capacity constraints

Strong consumer spending

Full implementation of ELDs



COAL

Declines in export coal markets

Lower natural gas prices



2017 Operations Overview Fourth Quarter

January 24, 2018

*Michael J. Wheeler
Executive Vice President
and Chief Operating Officer*

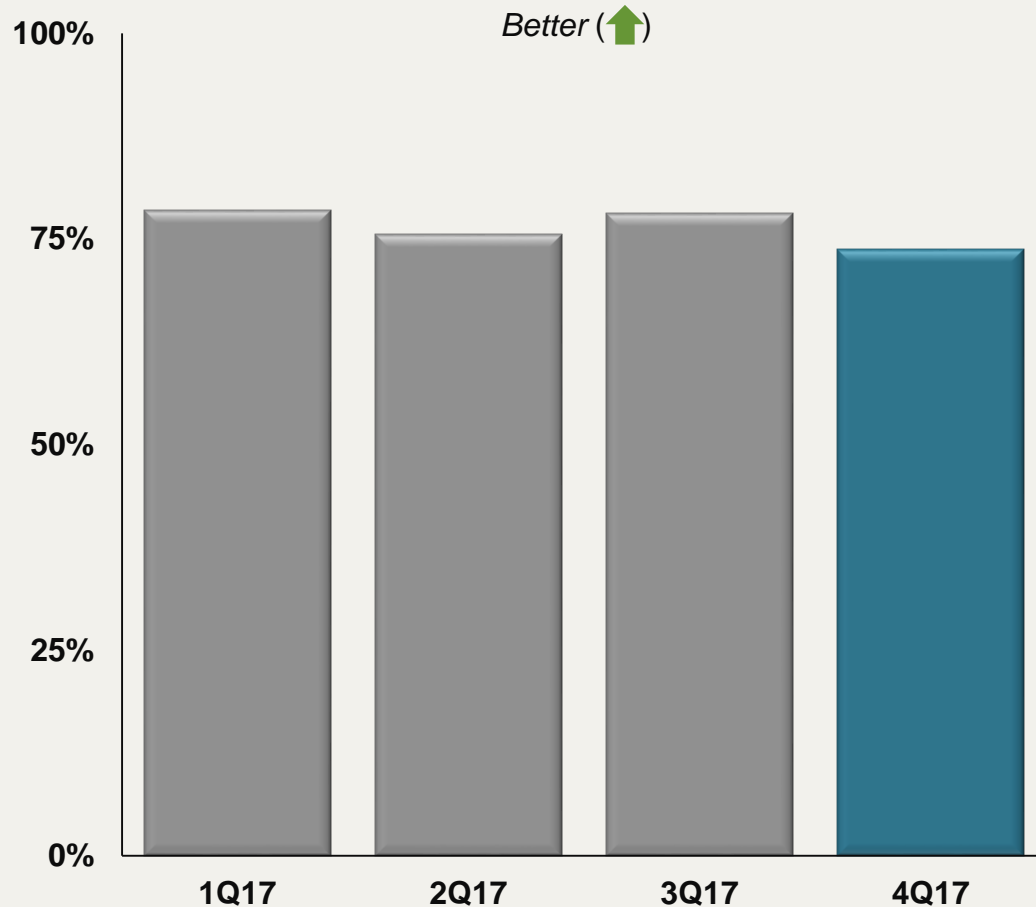


Record Results



- ✓ **Lowest annual train accident ratio**
- ✓ **Record annual train length**
- ✓ **Record annual locomotive productivity**
- ✓ **Record annual fuel efficiency**
- ✓ **Record annual Operating Ratio**

Composite Service Metric



- ▶ **Safety:**
 - Injury ratios stable
 - Lowest annual train accident ratio
- ▶ **Service:**
 - Challenging 4th quarter

Productivity Measures

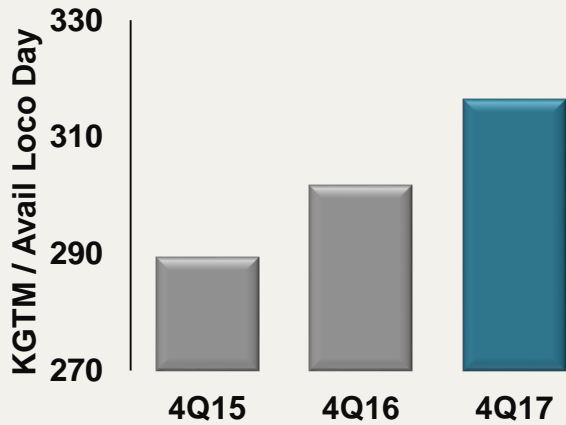
Fourth Quarter and Full Year



Annual records in key productivity measures

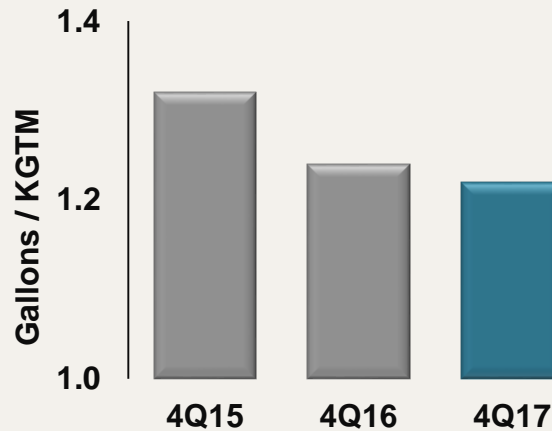
Locomotive

Better (↑)



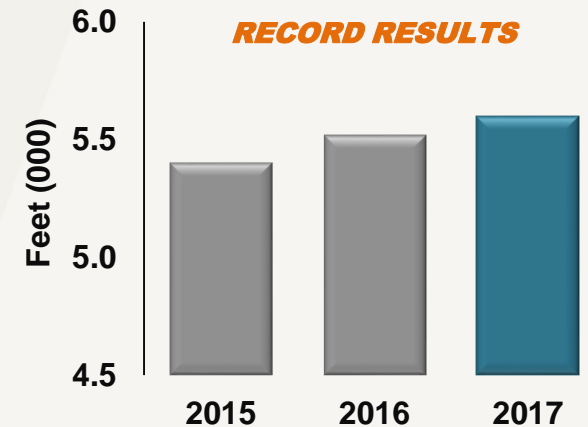
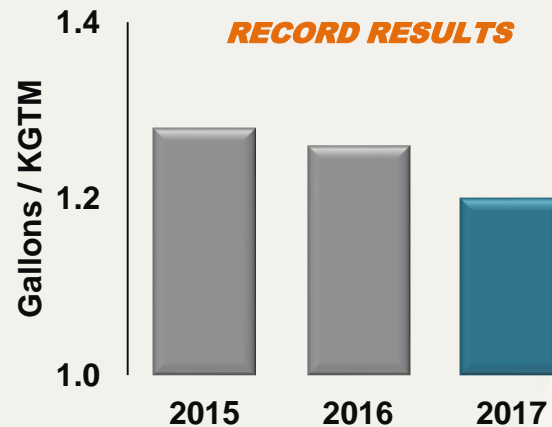
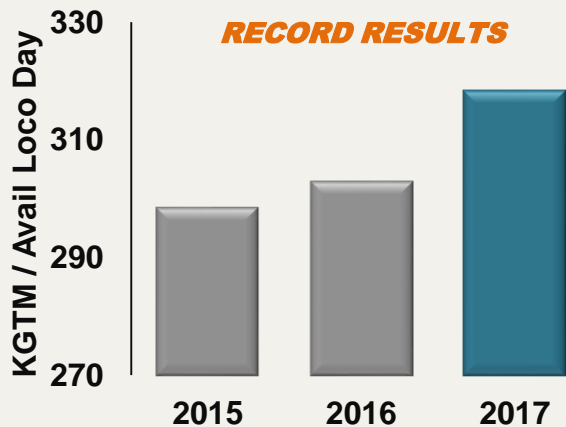
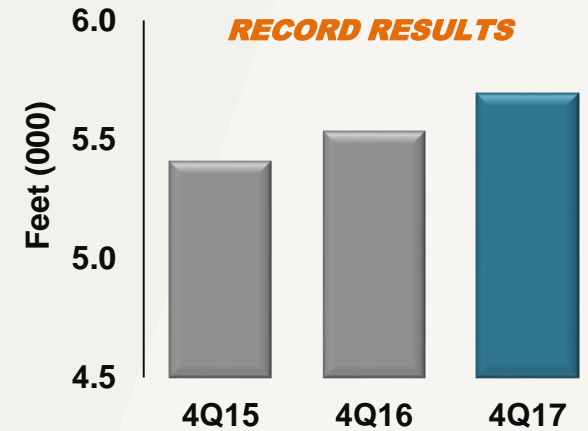
Fuel

Better (↓)



Train Length

Better (↑)





2017 Financial Overview Fourth Quarter

January 24, 2018

Cynthia C. Earhart
Executive Vice President Finance
and Chief Financial Officer



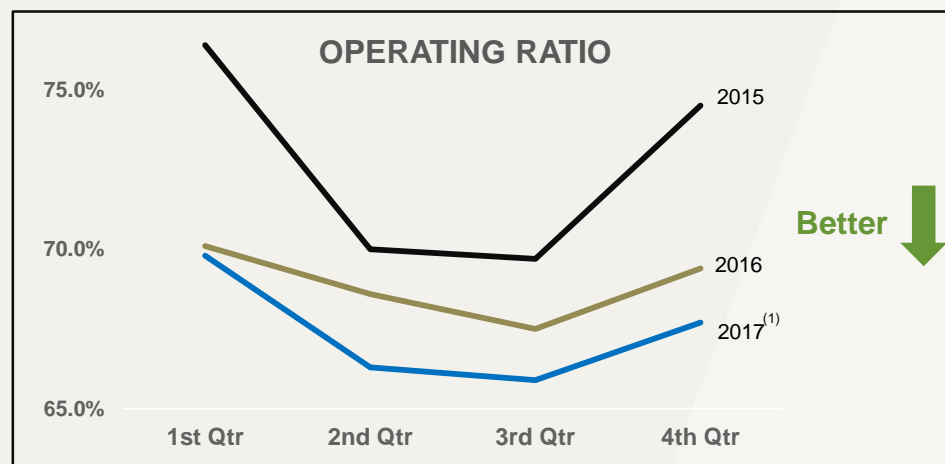
2017 Year in Review

2017 vs. 2016



Fourth quarter caps a record year

	1Q	2Q	3Q	Adjusted 4Q ⁽¹⁾	Adjusted Year ⁽¹⁾
Railway operating revenues	+6%	+7%	+6%	+7%	+7%
Operating ratio	-10bps	-230bps	-160bps	-170bps	-150bps
Income from railway operations	+7%	+15%	+11%	+13%	+12%
Earnings per share - diluted	+15%	+26%	+13%	+19%	+18%



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

Operating Results

Fourth Quarter 2017 vs. 2016 (\$ millions)



Growth and 13% improvement in adjusted operating income

	2017	Adjusted 2017 ⁽¹⁾	2016	\$	%
Railway operating revenues	\$ 2,669	\$ 2,669	\$ 2,490	\$ 179	7%
Railway operating expenses	1,655	1,806	1,729	(77)	(4%)
Income from railway operations	\$ 1,014	\$ 863	\$ 761	\$ 102	13%
Operating ratio (%)	62.0	67.7	69.4	1.7	2%

Favorable
(Unfavorable)

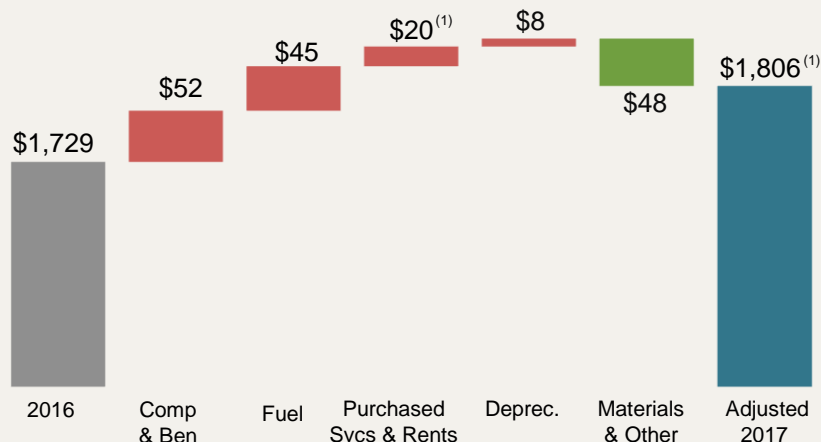
(1) Please see reconciliation to GAAP posted on our website.

Operating Expense Components (excluding tax reform)

Fourth Quarter 2017 vs. 2016 (\$ millions)



Cost control tempers inflation and volume-related increases



Compensation and Benefits ↑ \$52 / 8%

- Incentive compensation \$55
- Health and welfare rates \$16
- Overtime \$9
- Reduced employee levels \$24

Fuel ↑ \$45 / 23%

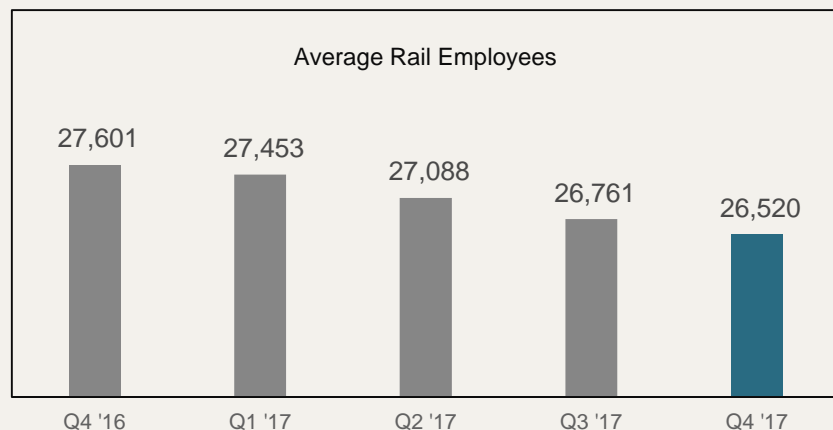
- 22% higher price per gallon \$41
- 1% higher consumption \$2

Purchased Svcs and Rents⁽¹⁾ ↑ \$20 / 5%

- Higher volume-related costs \$12

Materials and Other ↓ \$48 / 22%

- Gains on sale of operating properties \$25
- Lower casualty and claims expense \$18
- Equipment and roadway material usage \$7



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

Financial Results

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



Adjusted net income up 17% and adjusted EPS up 19%

	2017	Adjusted 2017 ⁽¹⁾	2016	\$	%
Income from railway operations	\$ 1,014	\$ 863	\$ 761	\$ 102	13%
Non-operating expenses – net	121	121	120	(1)	(1%)
Income before income taxes	893	742	641	101	16%
Income taxes	(3,075)	256	225	(31)	(14%)
Net income	\$ 3,968	\$ 486	\$ 416	\$ 70	17%
Earnings per share - diluted	\$ 13.79	\$ 1.69	\$ 1.42	\$ 0.27	19%

Favorable
(Unfavorable)

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

Full Year Highlights

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



Record earnings per share and operating ratio

	2017	Adjusted 2017 ⁽¹⁾	2016	\$	%
Railway operating revenues	\$ 10,551	\$ 10,551	\$ 9,888	\$ 663	7%
Railway operating expenses	6,965	7,116	6,814	(302)	(4%)
Income from railway operations	3,586	3,435	3,074	361	12%
Non-operating expenses – net	458	458	492	34	7%
Income before income taxes	3,128	2,977	2,582	395	15%
Income taxes	(2,276)	1,055	914	(141)	(15%)
Net income	\$ 5,404	\$ 1,922	\$ 1,668	\$ 254	15%
Earnings per share – diluted	\$ 18.61	\$ 6.61	\$ 5.62	\$ 0.99	18%
Operating ratio (%)	66.0	67.4	68.9	1.5	2%

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

Favorable
(Unfavorable)

Cash Flows

2017 vs. 2016 (\$ millions)



Committed to significant shareholder returns

	2017	2016
Cash from operating activities	\$ 3,253	\$ 3,034
Property additions	(1,723)	(1,887)
Free cash flow ⁽¹⁾	\$ 1,530	\$ 1,147
Returns to shareholders:		
Dividends	\$ 703	\$ 695
Share repurchases	\$ 1,012	\$ 803

Quarterly dividend increased to \$0.72 per share

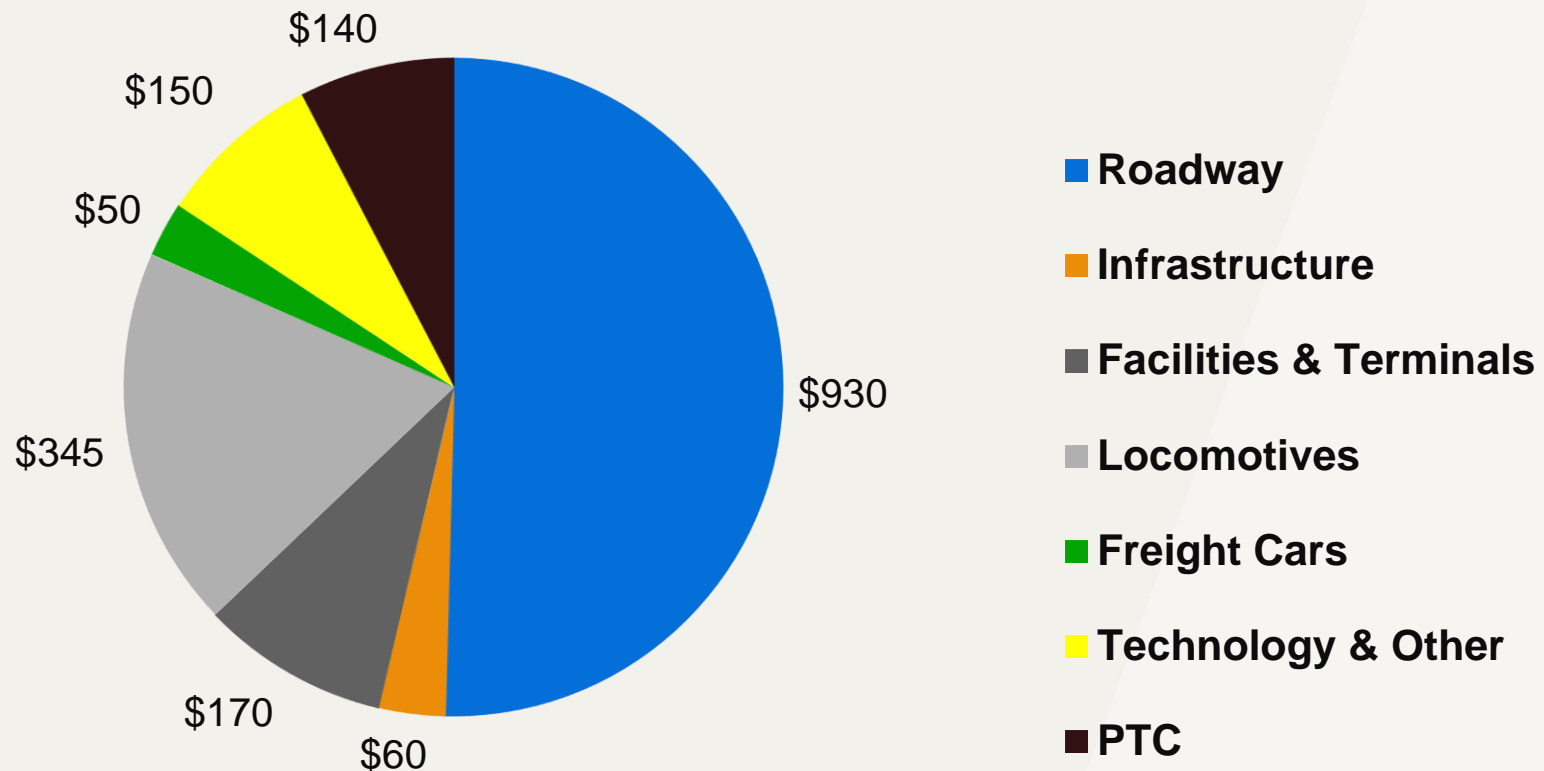
(1) Please see reconciliation to GAAP posted on our website.

2018 Capital Improvement Budget (\$ millions)



Strategic investment to core assets supports growth

Total Spending = \$1,845 million





Strategic Plan Update

January 24, 2018

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

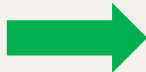


Driving Increased Shareholder Value

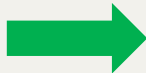


Key Focus Areas

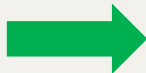
Optimize revenue – both pricing and volume



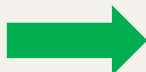
Improve productivity to deliver efficient and superior service



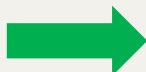
Increase asset utilization



Focus capital investment to support long-term value creation



Reward shareholders with significant return of capital



2020 Strategic Plan Targets

(as conveyed December 4, 2015)

Disciplined pricing increases above rail inflation

Operating Ratio < 65

Double-digit compound annual EPS growth

*CapEx ~19% of revenue through 2018
CapEx ~17% of revenue thereafter*

Dividend payout target of ~33% over the longer term and continuation of dividend growth and significant share repurchases

Driving Increased Shareholder Value



2020 Strategic Plan Targets

(as conveyed December 4, 2015)

Disciplined pricing increases above rail inflation

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Double-digit compound annual EPS growth

*CapEx ~19% of revenue through 2018
CapEx ~17% of revenue thereafter*

*Dividend payout target of ~33% over the longer term and
continuation of dividend growth and significant share
repurchases*

Progress through 2017⁽¹⁾

*Continued pricing gains over
rail inflation*

*8 consecutive qtrs. of y-o-y
Operating Ratio improvement;
2017 Operating Ratio of 67.4*

*Double digit EPS growth in
2016 and 2017*

*Total CapEx since 2015 ~18% of
revenues*

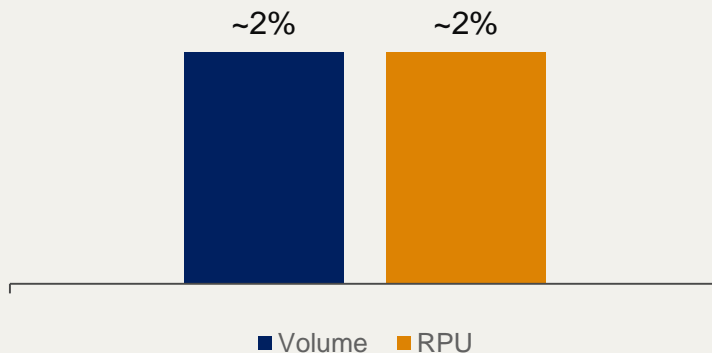
*Dividend payout >33% in 2016 & 2017;
Over \$1.8 billion in share repurchases
from 2016-2017*

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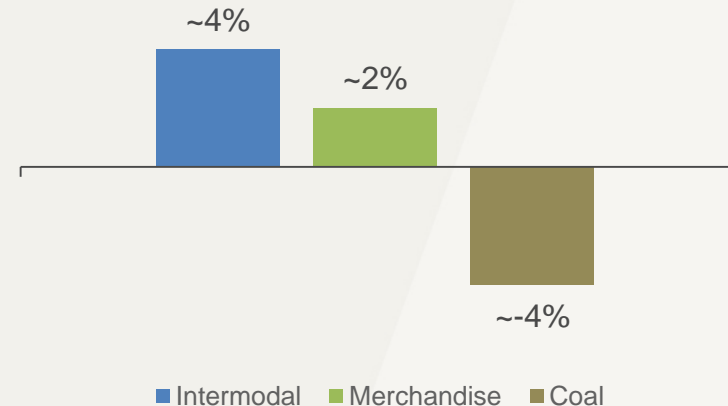
Balancing Growth and Productivity



Volume and RPU Targets (CAGR 2018-2020)



Volume Targets by Commodity (CAGR 2018-2020)



Productivity Initiatives

- ✓ Continued focus on fleet and line rationalization
- ✓ Improving fuel efficiency
- ✓ Investments in technology

Resource Flexibility

- Workforce*
 - ✓ Managing resources while supporting demand
- Locomotives*
 - ✓ Investing and maintaining reliability of fleet
- Capital*
 - ✓ Balanced and disciplined approach in deploying capital

Norfolk Southern's Strategic Plan



Revenue plan drives profitable growth

Service product that customers value

Efficiencies while pursuing growth

Committed to delivering shareholder value

Thank You



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