



# Earnings Conference Call

2021 Fourth Quarter

January 26, 2022



# 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; capacity constraints; technology disruptions; acts of terrorism or war; certainty 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; consolidation; and the impact of the COVID-19 pandemic and vaccine mandate 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, 2020, 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.





# 01 2021 Highlights

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Fourth Quarter and Full Year

**James A. Squires**

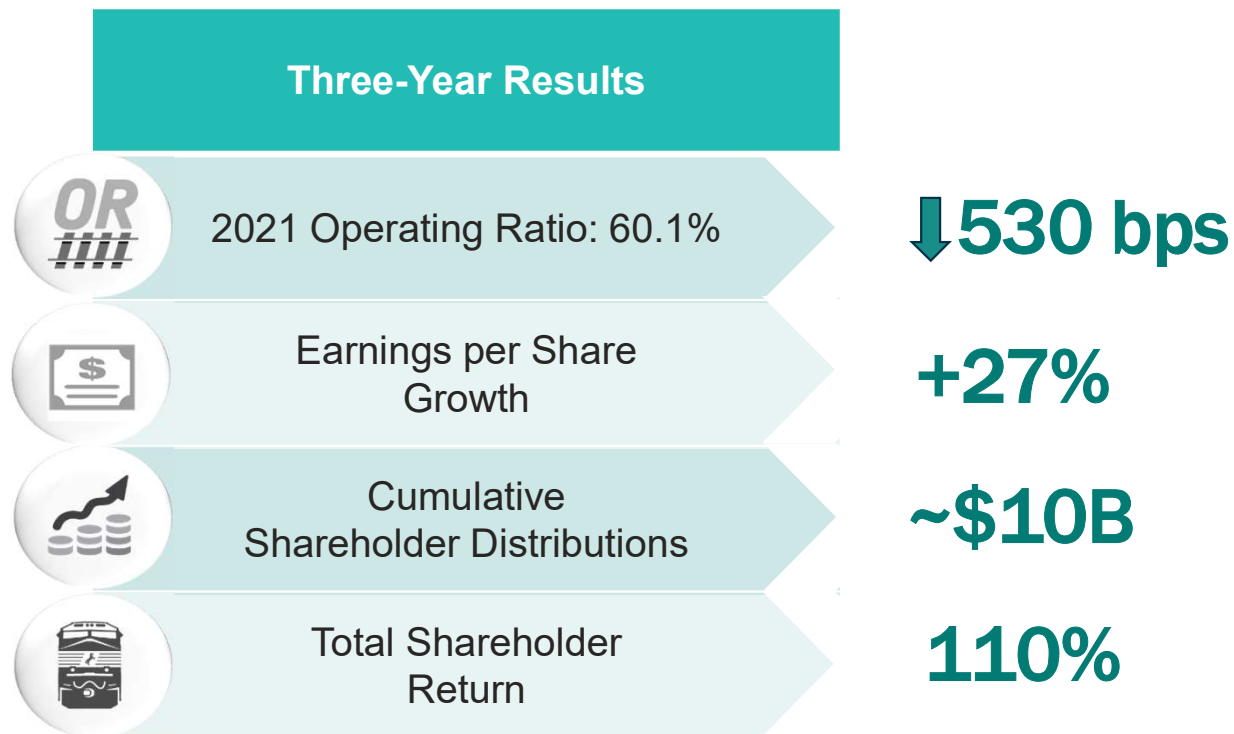
Chairman and  
Chief Executive Officer

**Alan H. Shaw**

President

# Delivering Shareholder Value

Disciplined approach powers financial and operational progress through the pandemic



# Fourth Quarter & Full Year Results

## Productivity and yield deliver record results

	<b>Q4 2021</b>	<b>vs Q4 2020</b>	<b>2021</b>	<b>Adjusted 2020</b>	<b>vs Adjusted 2020</b>
Revenues	<b>\$2,852M</b>	<b>11%</b>	<b>\$11,142M</b>	<b>\$9,789M</b>	<b>14%</b>
Operating expenses	<b>\$1,723M</b>	<b>8%</b>	<b>\$6,695M</b>	<b>\$6,303M<sup>(1)</sup></b>	<b>6%</b>
Operating ratio	<b>60.4%</b> <i>Q4 RECORD</i>	<b>(140)bps</b>	<b>60.1%</b> <i>RECORD</i>	<b>64.4%<sup>(1)</sup></b>	<b>(430)bps</b>
Earnings per share	<b>\$3.12</b>	<b>18%</b>	<b>\$12.11</b>	<b>\$9.25<sup>(1)</sup></b>	<b>31%</b>



(1) Adjusted 2020 excludes \$385M non-cash locomotive rationalization charge and \$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.





## 02 Operations Overview

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Fourth Quarter and Full Year

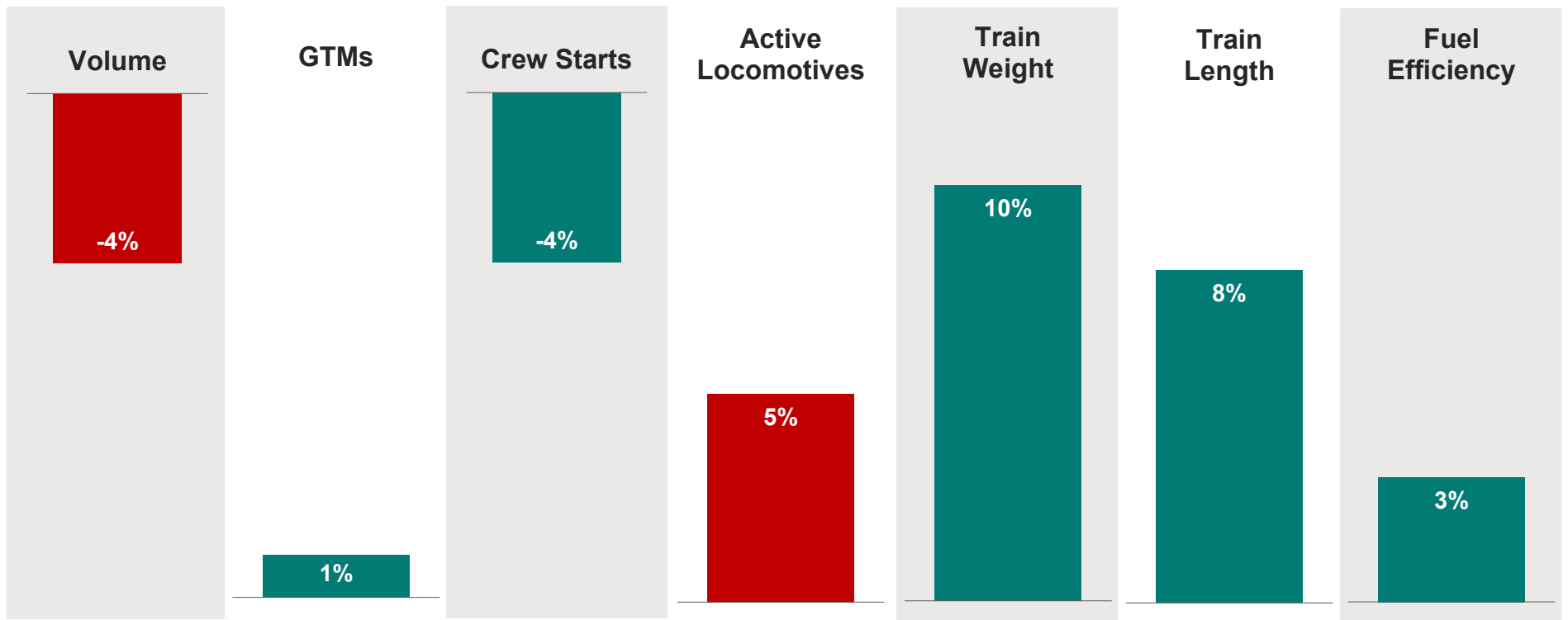
**Cindy M. Sanborn**

Executive Vice President and  
Chief Operating Officer

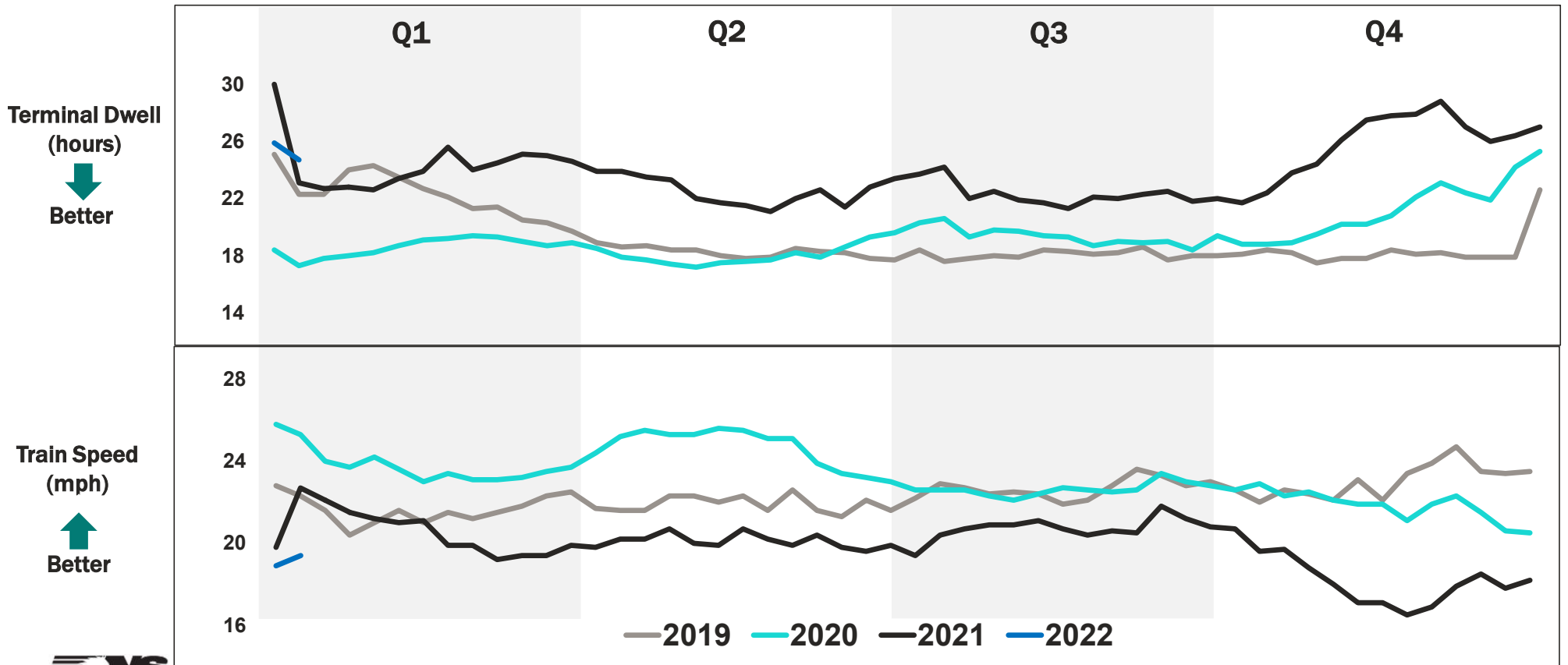
# Operational Indicators

## Continuing productivity improvements

Q4 2021 vs. Q4 2020

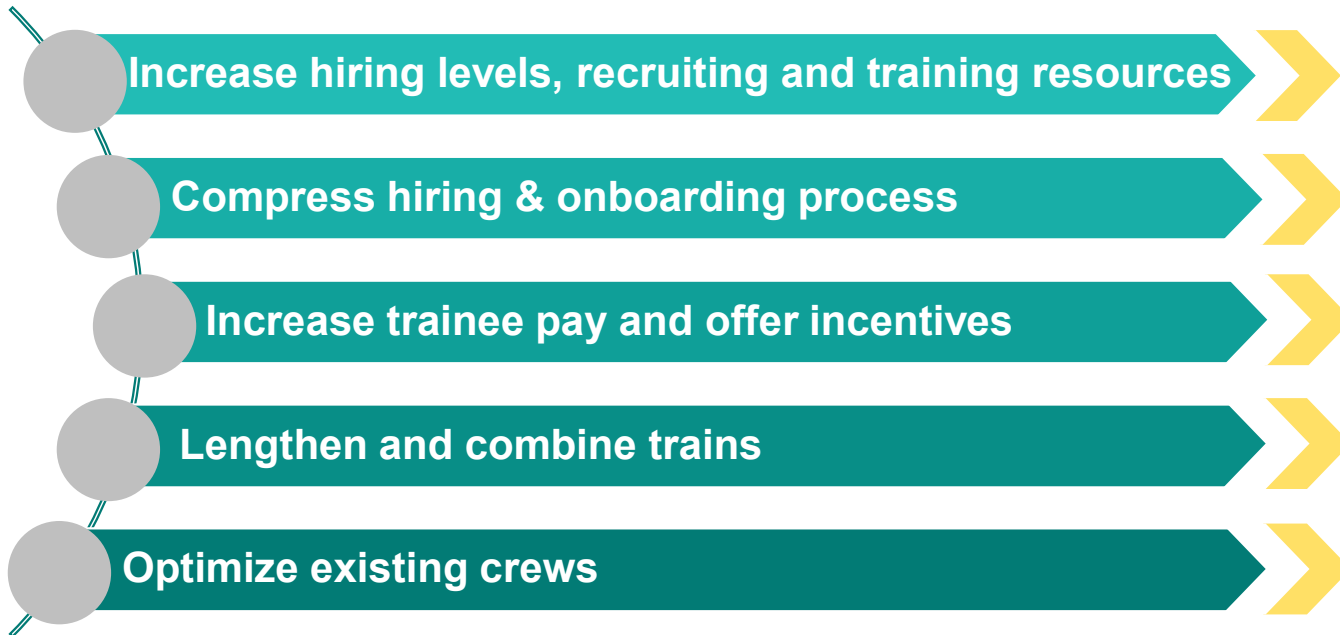


# Network Performance





# Accelerating Pipeline Replenishment and Pursuing Productivity

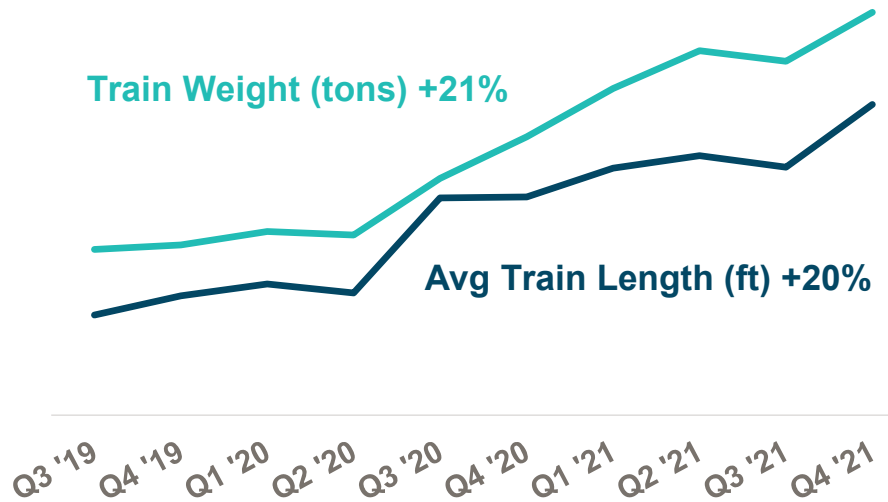


**Jan 2022:** *More than tripled the rate of conductor trainees versus any month in 2021*

***Expect 2022 average of certified train & engine employees similar to 2021  
2022 GTMs per certified train & engine employee to increase vs. 2021***

# Momentum on Increasing Train Size

Q4 2021 vs. Q3 2019



## Focused on growing train size

- Workforce productivity
- Asset productivity
- Fuel efficiency
- Capacity

## Pathway to achieving larger trains

- Better plan to drive train size
- Deploy infrastructure where returns justify
- Leverage locomotive fleet modernization

THOROUGHbred OPERATING PLAN

# TOP | SPG

SERVICE • PRODUCTIVITY • GROWTH

- **TOP | SPG** is the next generation of our PSR operating plans
- Zero-based plan to challenge prior constraints
- Data-driven approach to collaborative execution







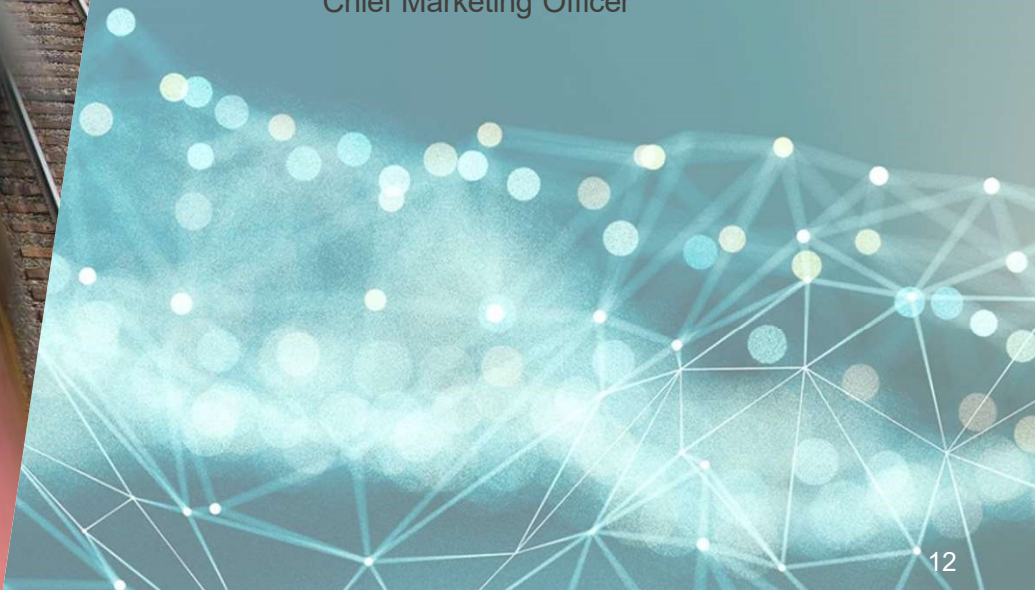
## 03 Market Overview

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Fourth Quarter and Full Year

**Ed Elkins**

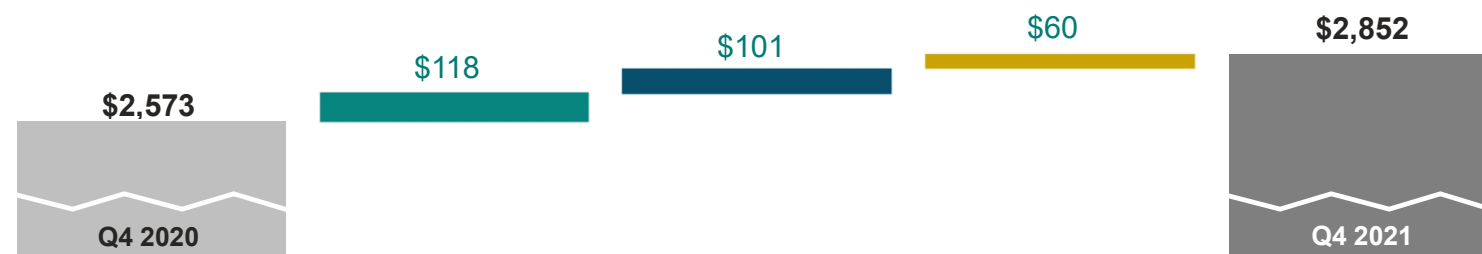
Executive Vice President and  
Chief Marketing Officer



# Strong Yield Growth Across All Markets

## Delivered record revenue per unit in the fourth quarter

Q4 2021 vs. Q4 2020 / Revenue change \$ millions / favorable / unfavorable



	Merchandise		Intermodal		Coal		Total	
Revenue	\$1,671M	8%	\$831M <i>RECORD</i>	14%	\$350M	21%	\$2,852M	11%
Volume	555,300	2%	1,004,100	(7%)	157,800	4%	1,717,200	(4%)
RPU	\$3,010 <i>RECORD</i>	6%	\$826 <i>RECORD</i>	23%	\$2,218	16%	\$1,660 <i>RECORD</i>	15%
RPU (less fuel) <sup>(1)</sup>	\$2,900 <i>RECORD</i>	2%	\$689 <i>RECORD</i>	13%	\$2,196 <i>RECORD</i>	15%	\$1,542 <i>RECORD</i>	10%

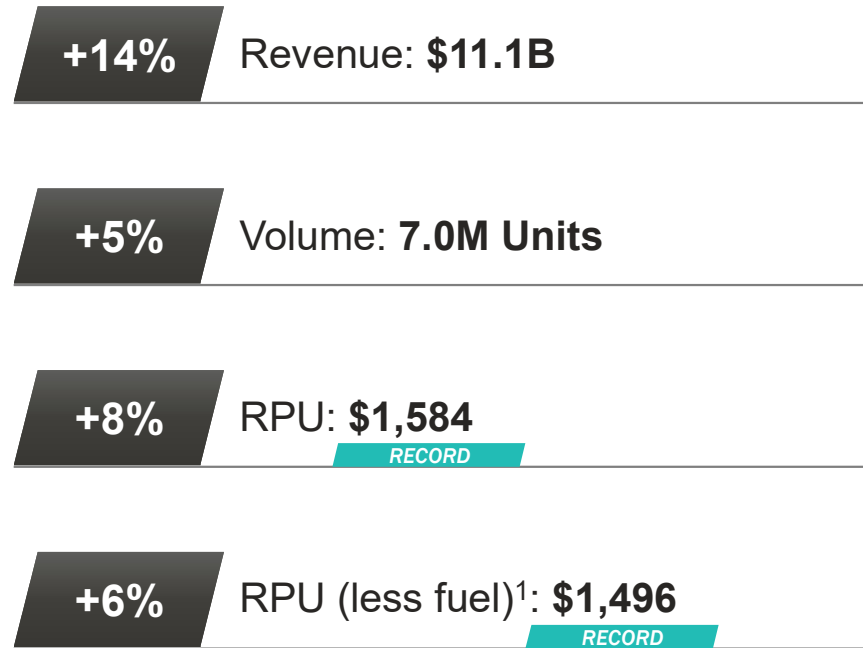
**20 consecutive quarters of y-o-y RPU (less fuel) <sup>(1)</sup> growth in Intermodal**



<sup>(1)</sup> Please see reconciliation to GAAP posted on our website on the Invest in NS page under Events for this event.

# Elevated Demand Drives 2021 Volume and Revenue Growth

2021 vs. 2020



Revenue Change  
\$ millions







## 2022 Outlook

### MERCHANDISE

- Market Expansion
- Industrial Production
- US Light Vehicle Production

### INTERMODAL

- Sustained Consumer Demand
- Inventory Replenishment
- Supply Chain Congestion

### COAL

- Seaborne Coal Prices
- Increased Global Production
- Domestic Coal Supply

# Digital Innovation



## Developed first-in-class industrial site search engine

Zillow®-like, search engine for rail and transload facilities

800 industrial sites and 250 rail-truck transload facilities

Downloadable custom brochure of tailored results

### Progressive RAILROADING

"Before NSites, there was no single destination to help large manufacturers, site-selection professionals and developers identify and compare rail-served industrial sites that offer the exact site characteristics they need."







## 04 Financial Overview

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Fourth Quarter and Full Year

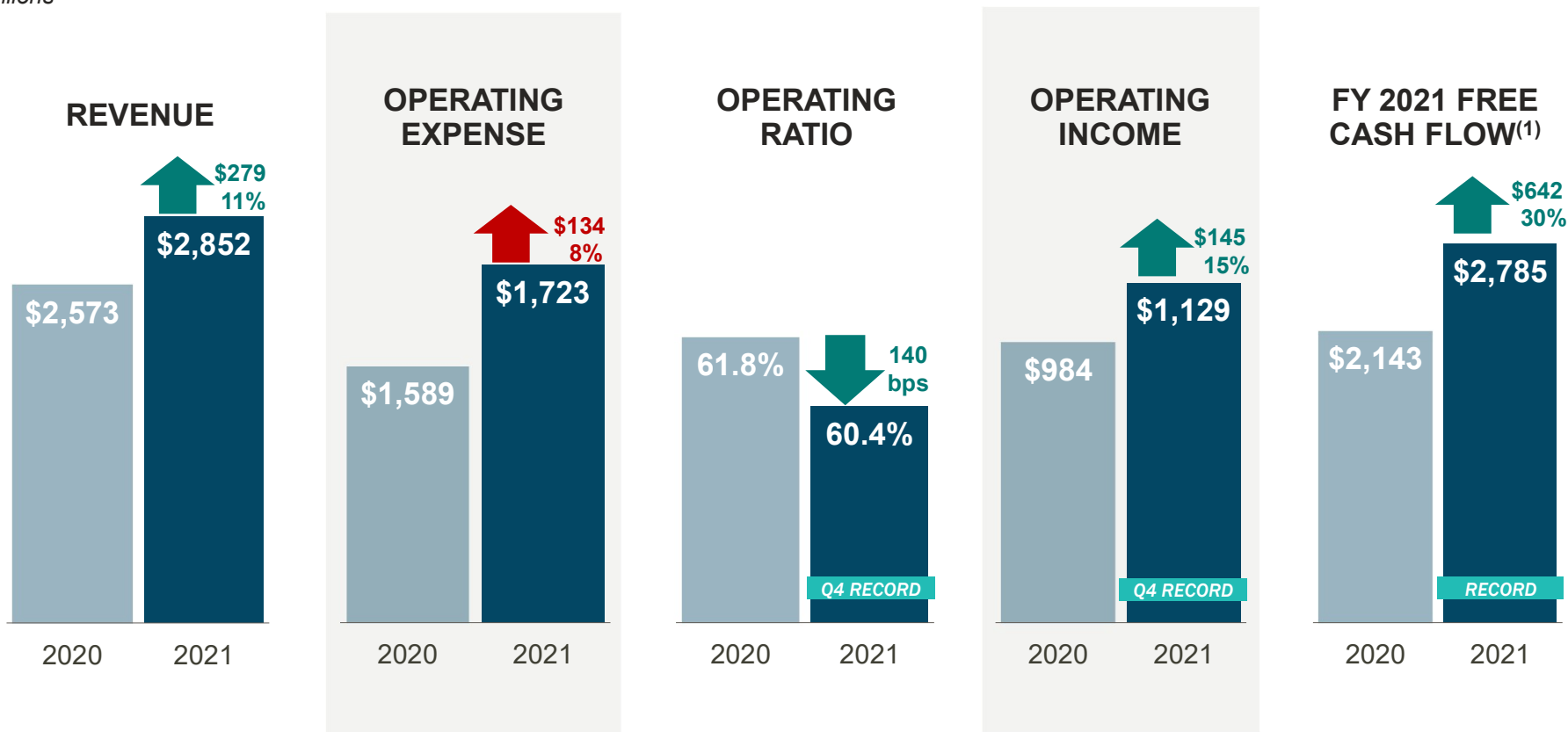
**Mark R. George**

Executive Vice President and  
Chief Financial Officer



# Fourth-Quarter Highlights

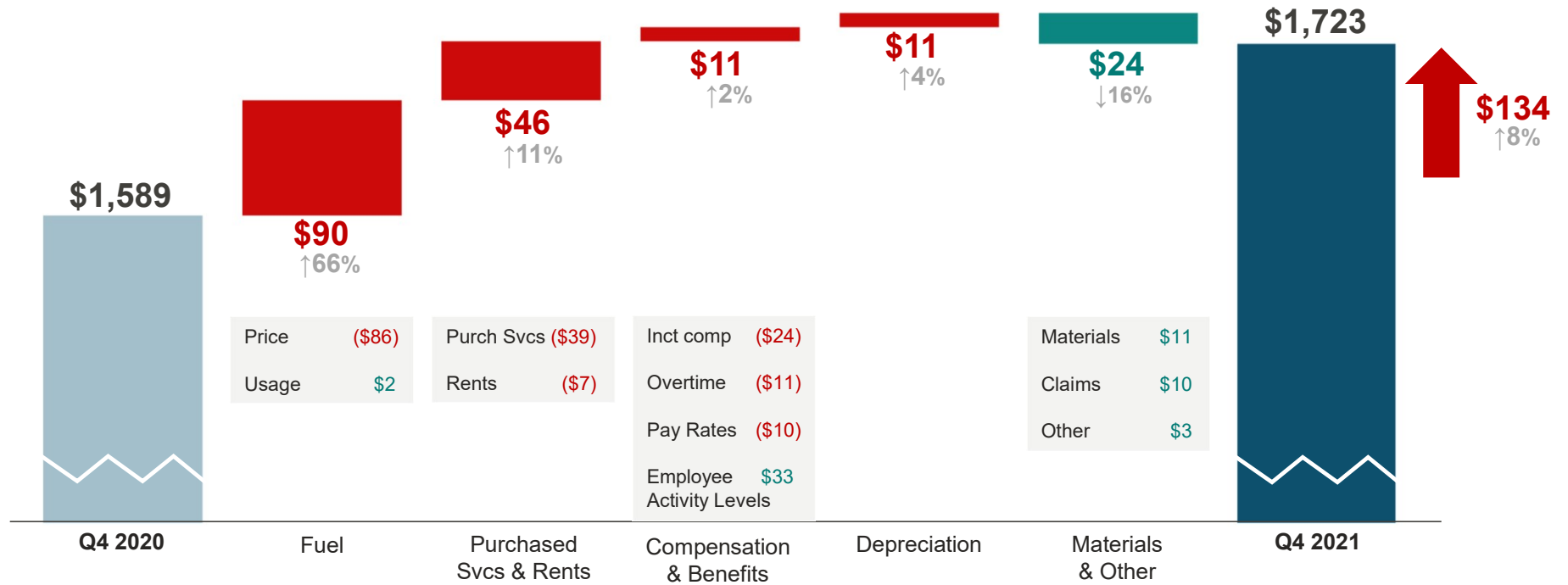
Q4 2021 vs. Q4 2020 / *favorable* / *unfavorable*  
 \$ millions



(1) Please see reconciliation to GAAP posted on our website on the *Invest in NS* page under *Events* for this event.

# Operating Expense Components

Q4 2021 vs. Q4 2020 / *favorable* / *unfavorable*  
 \$ millions



# Financial Results

Q4 2021 vs. Q4 2020 / *favorable* / *unfavorable*

\$ millions except per share

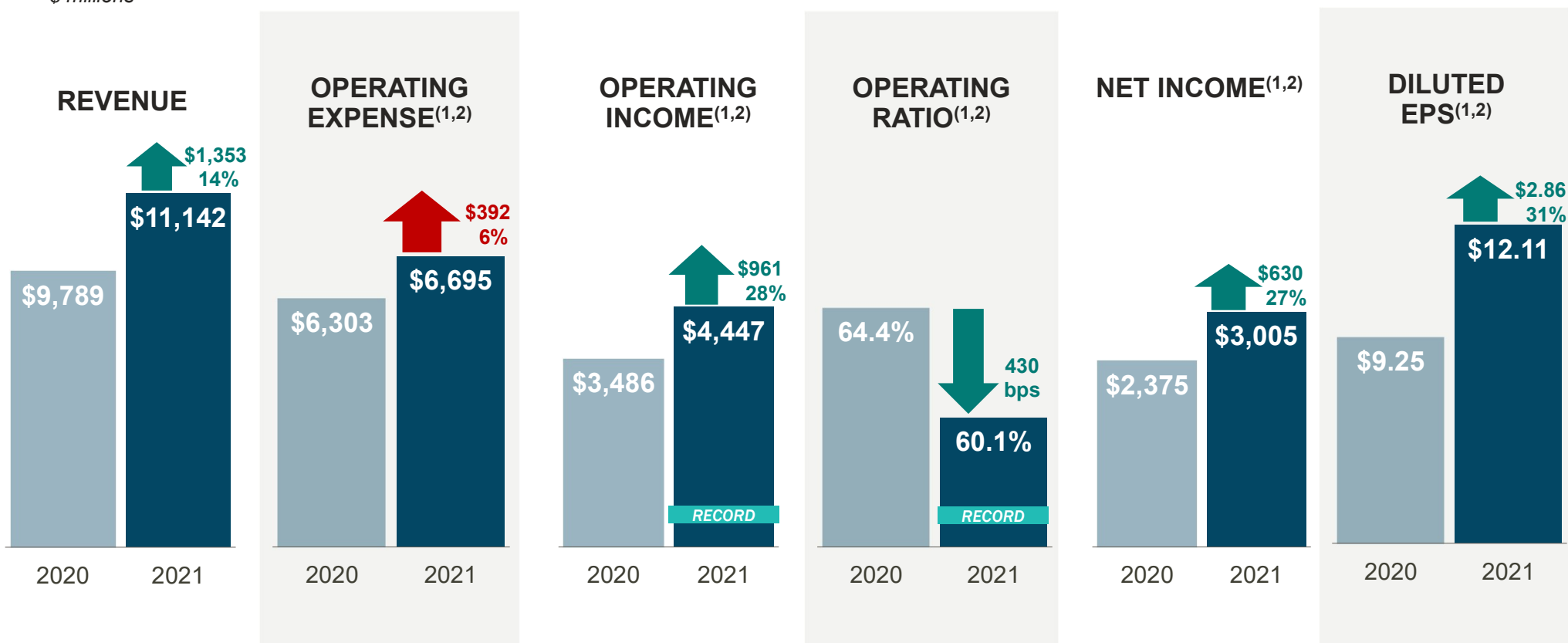
	Q4 2020	Q4 2021	Variance	
			\$	%
Income from railway operations	\$984	\$1,129	\$145	15%
Other income – net	43	21	(22)	(51%)
Interest expense on debt	160	165	5	3%
Income before income taxes	867	985	118	14%
Income taxes	196	225	29	15%
Net income	\$671	\$760	\$89	13%
Earnings per share – diluted	\$2.64	\$3.12	\$0.48	18%



# Full-Year Highlights

2021 vs. Adjusted 2020<sup>(1)</sup> / favorable / unfavorable

\$ millions



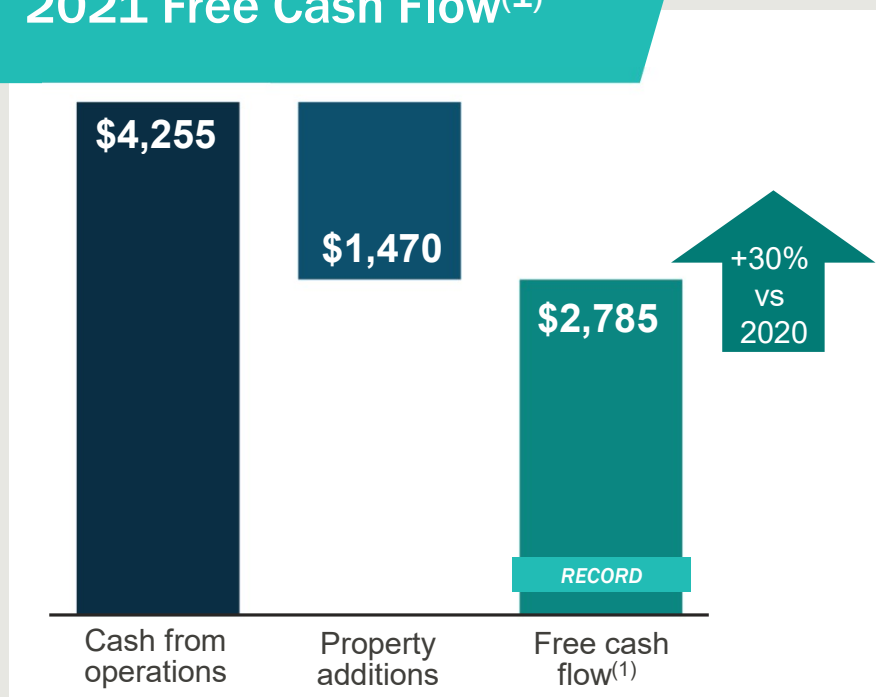
(1) Adjusted 2020 excludes \$385M non-cash locomotive disposition charge and \$99M non-cash impairment charge related to an equity-method investment.

(2) Please see reconciliation to GAAP posted on our website on the **Invest in NS** page under **Events** for this event.

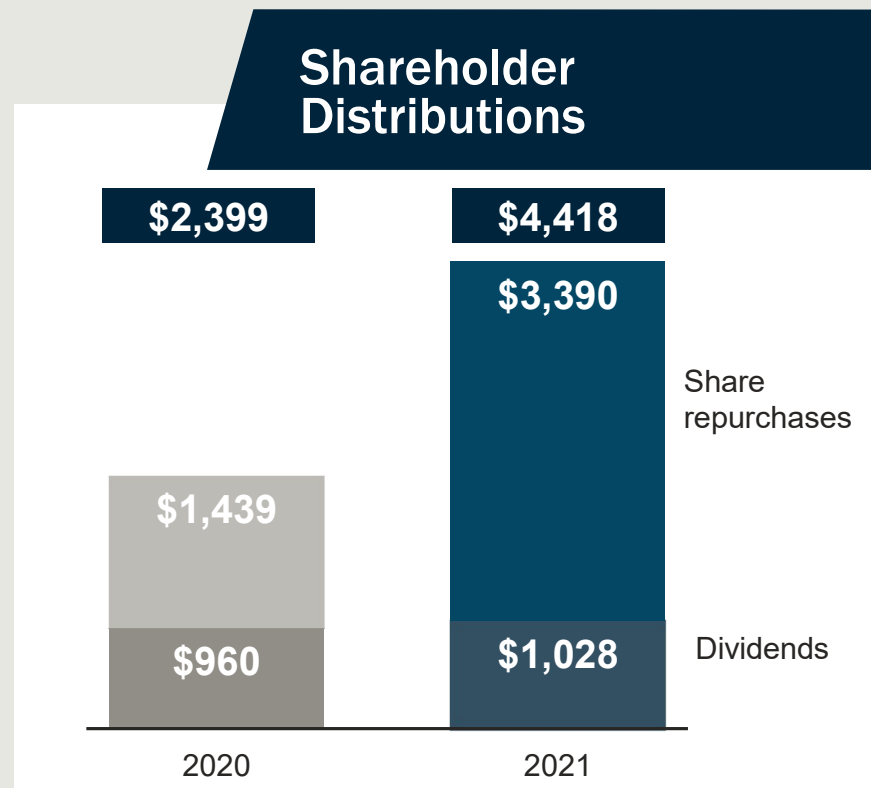
# Free Cash Flow & Shareholder Distributions

Full Year / \$ millions

## 2021 Free Cash Flow<sup>(1)</sup>



## Shareholder Distributions





## 05 Closing Comments

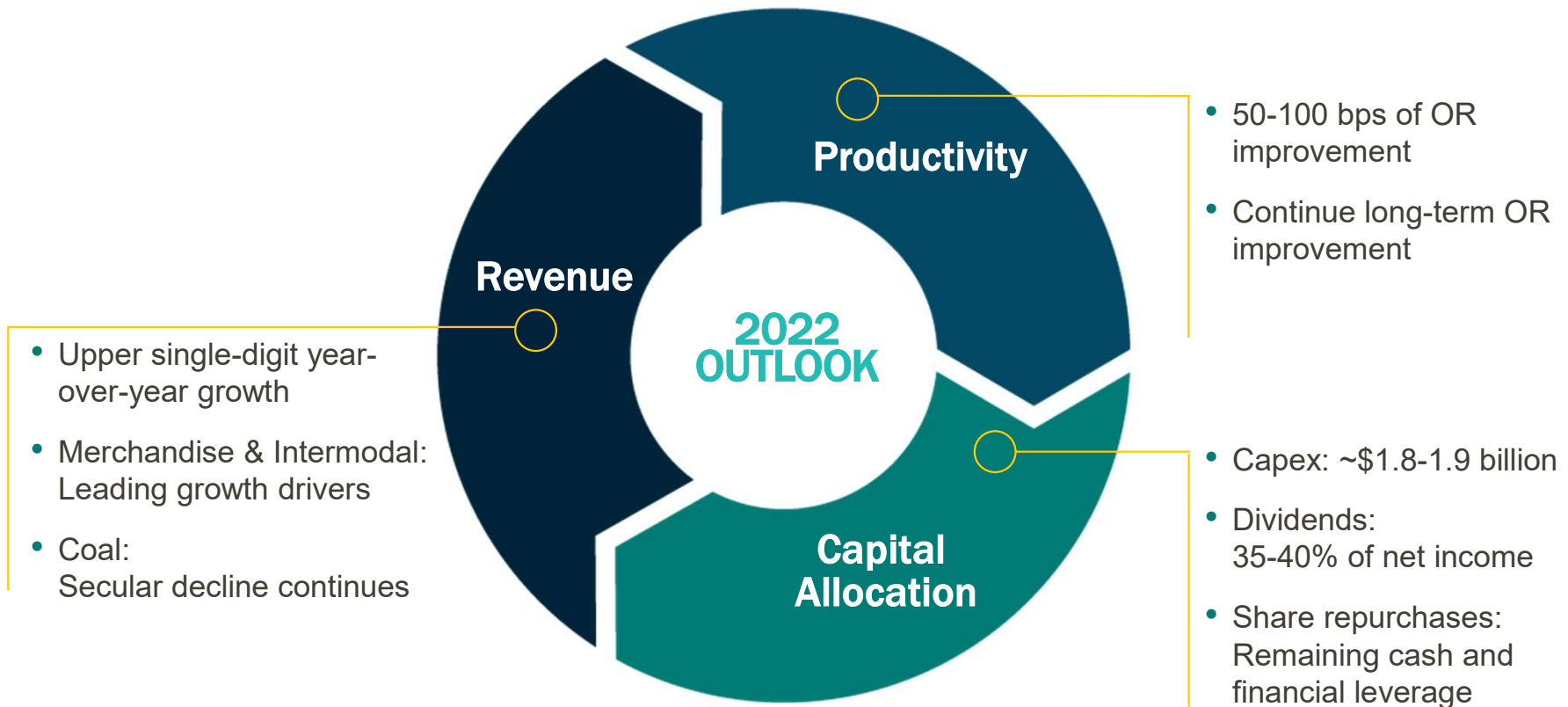
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**Alan H. Shaw**  
President



# 2022 Outlook

Enhancing shareholder value through balance of efficiency and growth





Thank you. [www.norfolksouthern.com](http://www.norfolksouthern.com)







## 06 Appendix

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# Operating Ratio and EPS

Comparison to 2020 / *favorable* / *unfavorable*

	Fourth Quarter	
	Operating Ratio	Earnings Per Share
Q4 2020	61.8%	\$2.64
Q4 2021	60.4%	\$3.12
<b>Year-over-year change</b>	<b>(140bps)</b>	<b>\$0.48</b>
<b><i>Year-over-year change reconciliation:</i></b>		
Core improvement	(140bps)	\$0.48
<b>Year-over-year change</b>	<b>(140bps)</b>	<b>\$0.48</b>

## Items Impacting Comparison to 2020

*favorable / unfavorable*

*\$ millions except per share*

	Fourth Quarter		Full Year	
2020 asset impairment	\$	-	\$	385
2020 income tax refund		-		(23)
2020 investment impairment		-		99
2021 property sale		-		55
2021 state tax law change		-		23

Impact:			
Operating ratio		-	540 bps
Earnings per share		-	\$1.58