



2018 Fourth Quarter Earnings Conference Call

January 24, 2019



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. These statements relate to future events or Norfolk Southern Corporation's (NYSE: NSC) ("Norfolk Southern," "NS" or the "Company") future financial performance and involve known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of the Company or its industry to be materially different from those expressed or implied by any forward-looking statements. 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. 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, such 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. 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, 2017, filed with the Securities and Exchange Commission (the "SEC"), as well as the Company's subsequent filings with the SEC, may cause our actual results, performance or achievements 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.



2018 Highlights Fourth Quarter and Full Year

January 24, 2019



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

Fourth Quarter and Full Year Results Versus Prior Year



Record income from operations; full year record operating ratio

	4Q18 vs 4Q17 ⁽¹⁾		2018 vs 2017 ⁽¹⁾	
Income from operations	▶ \$1,078M <i>RECORD RESULT</i>	↑ 27%	▶ \$3,959M <i>RECORD RESULT</i>	↑ 17%
Net income	\$702M	↑ 44%	\$2,666M	↑ 39%
Earnings per share	\$2.57	↑ 52%	\$9.51	↑ 44%
Operating ratio	62.8%	68.3%	▶ 65.4% <i>RECORD RESULT</i>	68.1%

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



2018 Marketing Overview Fourth Quarter

January 24, 2019

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



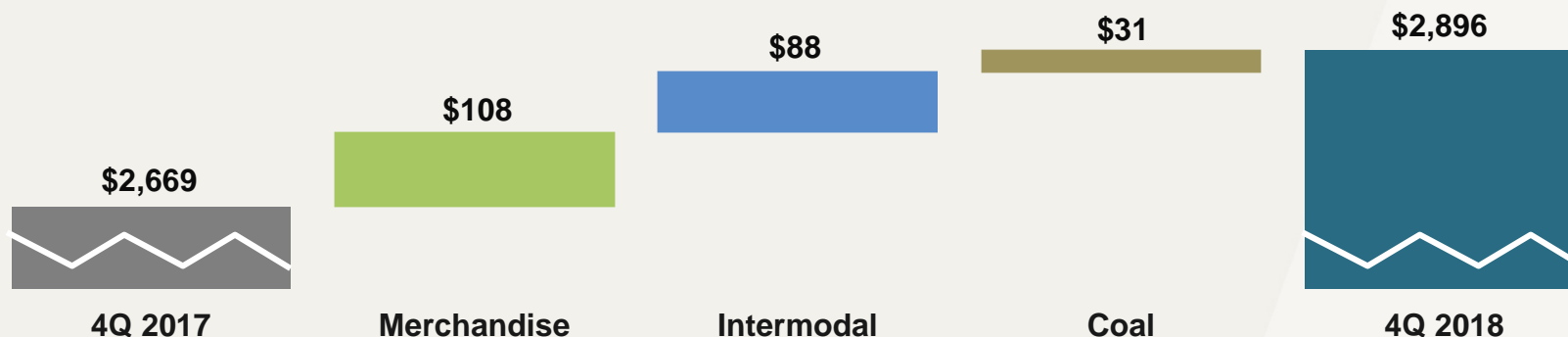
Railway Operating Revenue

Fourth Quarter 2018 vs. 2017



Pricing gains drove revenue growth in fourth quarter

Revenue Change in \$ Millions



	Merchandise	Intermodal	Coal	Total
Revenue	\$1,684M ↑ 7%	\$755M ↑ 13% <i>RECORD REVENUE</i>	\$457M ↑ 7%	\$2,896M ↑ 9%
Volume	611,700 0%	1,118,500 ↑ 5% <i>RECORD VOLUME</i>	255,000 ↑ 1%	1,985,200 ↑ 3%
RPU	\$2,752 ↑ 7% <i>RECORD RPU</i>	\$675 ↑ 7%	\$1,792 ↑ 7%	\$1,458 ↑ 5%
RPU (less fuel)*	\$2,665 ↑ 4% <i>RECORD RPU LF</i>	\$569 ↑ 4% <i>RECORD RPU LF</i>	\$1,734 ↑ 5%	\$1,364 ↑ 3%

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

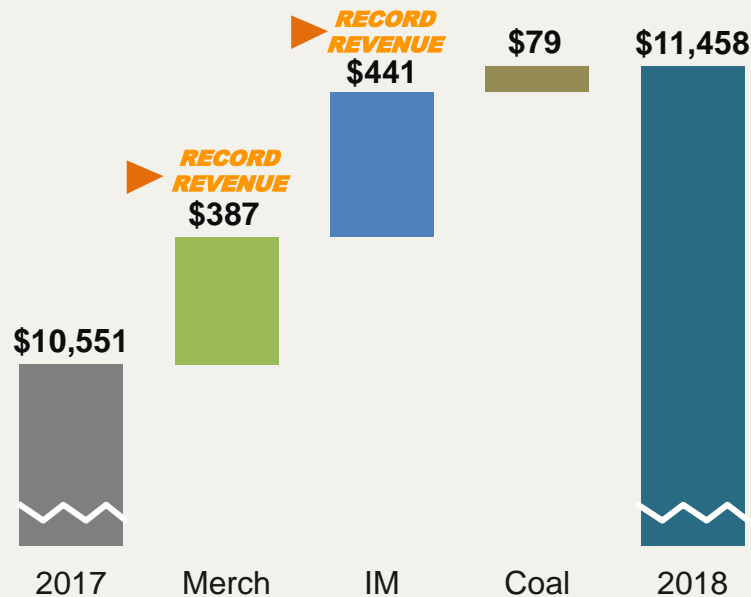
Full Year Performance



Pricing improvement and demand yielded strong revenue gains

Revenue	Volume	RPU	RPU (less fuel)*
\$11.5 Billion	7,928,300 units	\$1,445	\$1,362
up 9%	up 4%	up 4%	up 2%

Revenue Change in \$ Millions



Robust economic growth, pricing improvement and tight truck capacity drove revenue growth in 2018:

- Elevated truck rates and e-commerce growth led to record Intermodal revenue
- Favorable crude price differentials and increased demand produced revenue gains in most Chemicals markets
- Ethanol market growth boosted Agriculture revenue
- High seaborne coking coal pricing improved coal RPU; volume limited by coal availability

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2018 Operations Overview

January 24, 2019

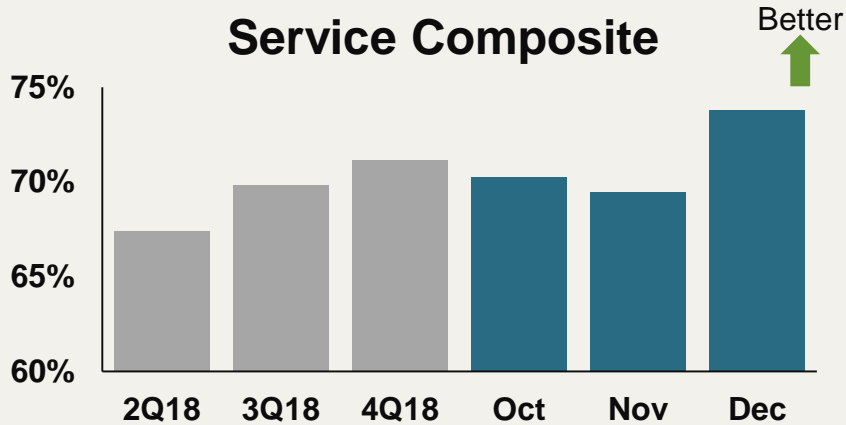
*Michael J. Wheeler
Executive Vice President
and Chief Operating Officer*



Service Performance

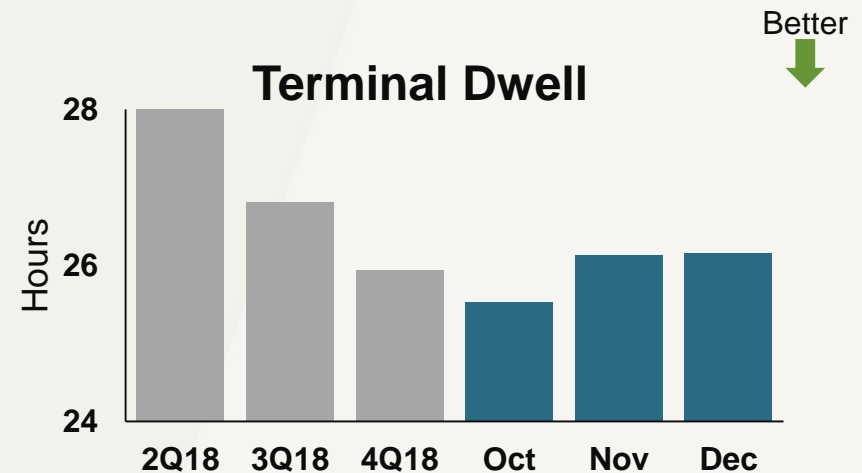
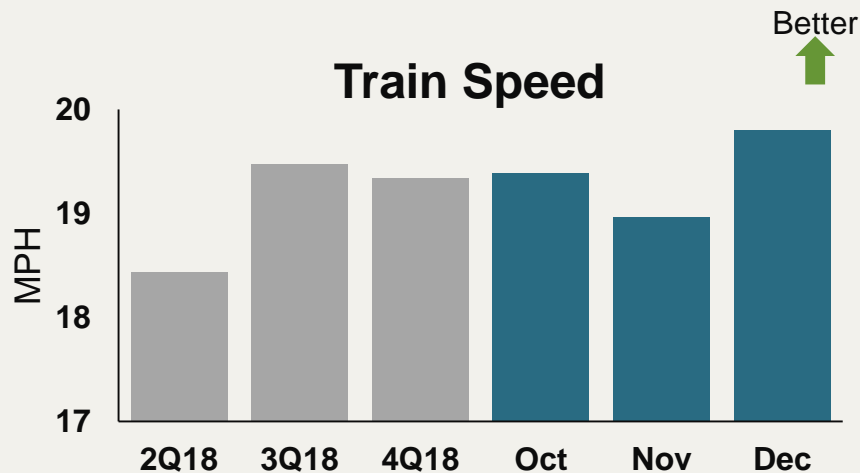
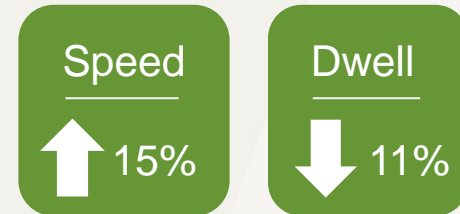


December performance best for 2018 and momentum continuing into 2019



Service and velocity improvements continuing into 2019

1Q19* vs. 4Q18



* Through 01/18/19

Productivity Measures

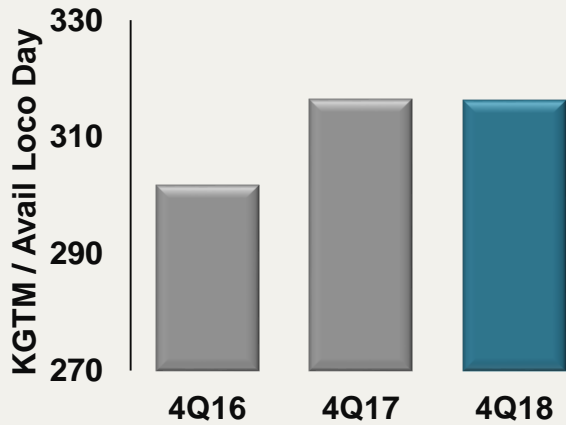
Fourth Quarter and Full Year



Annual records in key productivity measures

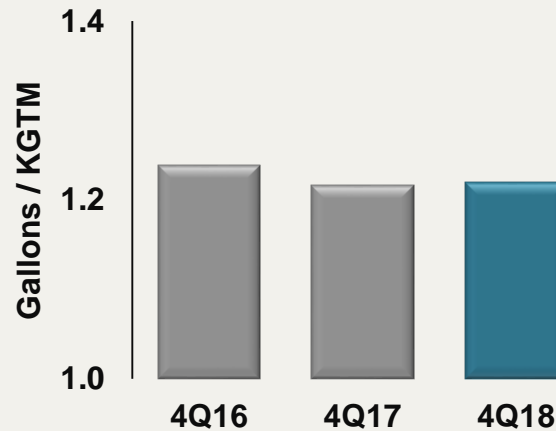
Locomotive

Better (↑)



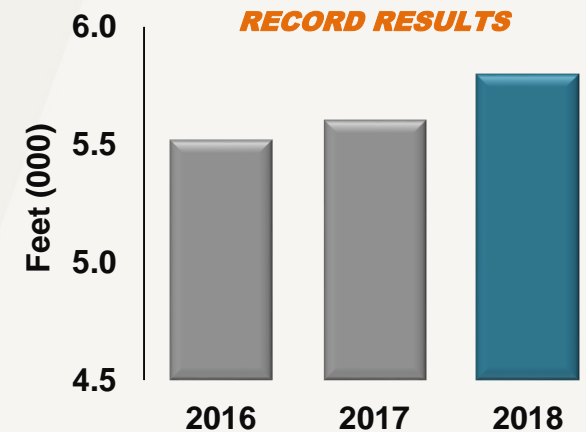
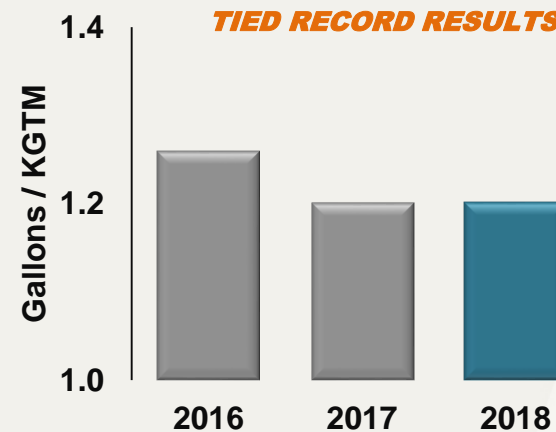
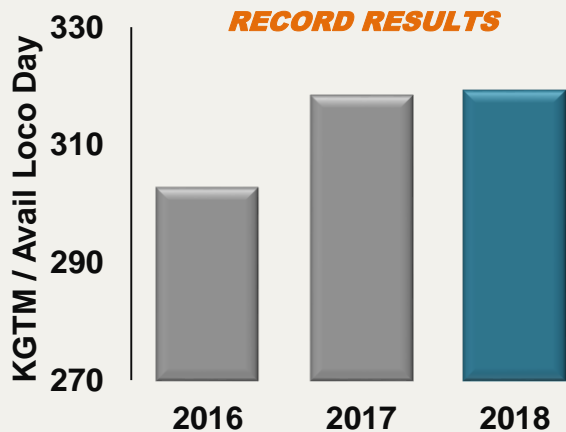
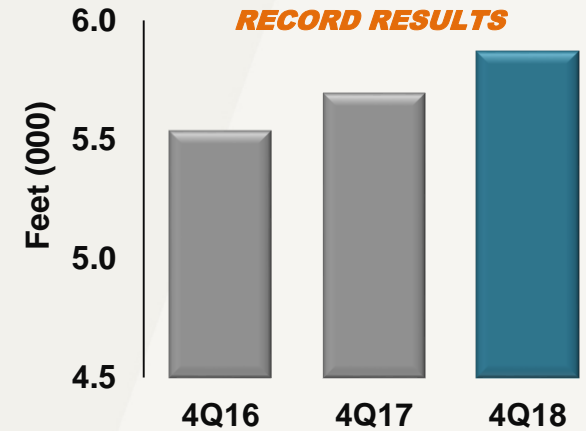
Fuel

Better (↓)



Train Length

Better (↑)





2018 Financial Overview Fourth Quarter

January 24, 2019

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



Operating Results

Fourth Quarter 2018 vs. adjusted 2017 (\$ millions)



All-time record quarterly income from railway operations

	2018	Adjusted 2017 ⁽¹⁾⁽²⁾	Favorable	
Railway operating revenues	\$ 2,896 <i>RECORD RESULT</i>	\$ 2,669	\$ 227	9%
Railway operating expenses	1,818	1,822	4	--%
Income from railway operations	\$ 1,078 <i>RECORD RESULT</i>	\$ 847	\$ 231	27%
Operating ratio (%)	62.8	68.3	5.5	8%

(1) Please see reconciliation to GAAP posted on our website on the Invest in NS page under Events for this event. All 2017 figures with the exception of "Railway operating revenues" are adjusted to remove the 2017 tax adjustments.

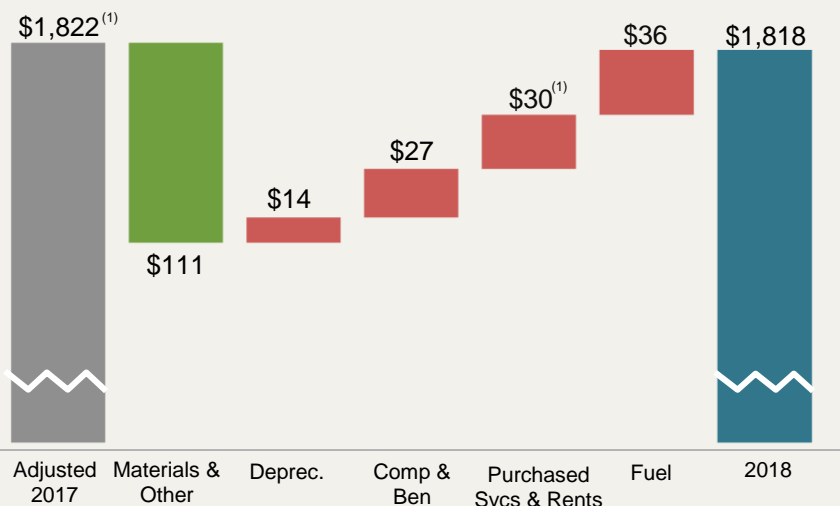
(2) Prior year results adjusted to reflect the reclassification of certain pension and other postretirement cost components as required by the adoption of FASB ASU 2017-07.

Operating Expense Components

Fourth Quarter 2018 vs. adjusted 2017 (\$ millions)



Gains from property sales offset inflationary and volume-related expenses



Materials and Other ↓ \$111 / 66%

- Gains on the sale of rail property and rental income
- Higher casualty claims and relocation expenses

Compensation and Benefits ↑ \$27 / 4%

- Higher pay rates, incentive compensation, and overtime and reworks
- H&W rate savings

Purchased Svcs and Rents⁽¹⁾ ↑ \$30 / 7%

- Higher volume-related expenses
- Higher equipment rents

Fuel ↑ \$36 / 15%

- 13% higher price per gallon
- 2% increased consumption

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

Financial Results

Fourth Quarter 2018 vs. adjusted 2017 (\$ millions except per share)



Net income up 44% and diluted earnings per share up 52%

	2018	Adjusted 2017 ⁽¹⁾⁽²⁾	Favorable (Unfavorable)
Income from railway operations	\$ 1,078	\$ 847	\$ 231 27%
Other income – net	-	29	(29) (100%)
Interest expense on debt	148	134	(14) (10%)
Income before income taxes	930	742	188 25%
Income taxes	228	256	28 11%
Net income	\$ 702	\$ 486	\$ 216 44%
Earnings per share – diluted	\$ 2.57	\$ 1.69	\$ 0.88 52%

(1) Please see reconciliation to GAAP posted on our website on the Invest in NS page under Events for this event. All 2017 figures with the exception of “Other income – net” and “Interest expense on debt” are adjusted to remove the 2017 tax adjustments.



(2) Prior year results adjusted to reflect the reclassification of certain pension and other postretirement cost components as required by the adoption of FASB ASU 2017-07.

Full Year Highlights

2018 vs. adjusted 2017 (\$ millions except per share)



Record full-year income from railway operations and operating ratio

	2018	Adjusted 2017 ⁽¹⁾⁽²⁾	Favorable (Unfavorable)	
Railway operating revenues	\$ 11,458	\$ 10,551	\$ 907	9%
Railway operating expenses	7,499	7,180	(319)	(4%)
Income from railway operations	 3,959 <i>RECORD RESULT</i>	3,371	588	17%
Non-operating expenses – net	490	394	(96)	(24%)
Income before income taxes	3,469	2,977	492	17%
Income taxes	803	1,055	252	24%
Net income	\$ 2,666	\$ 1,922	\$ 744	39%
Earnings per share – diluted	\$ 9.51	\$ 6.61	\$ 2.90	44%
Operating ratio (%)	 65.4 <i>RECORD RESULT</i>	68.1	2.7	4%

(1) Please see reconciliation to GAAP posted on our website on the Invest in NS page under Events for this event. All 2017 figures with the exception of “Railway operating revenues” and “Non-operating expenses – net” are adjusted to remove the 2017 tax adjustments.


(2) Prior year results adjusted to reflect the reclassification of certain pension and other postretirement cost components as required by the adoption of FASB ASU 2017-07.

Cash Flows

2018 vs. 2017 (\$ millions)



Quarterly dividend increased to \$0.86 per share, an 8 percent increase

	2018	2017
Cash from operating activities	\$ 3,726	\$ 3,253
Property additions	(1,951)	(1,723)
Free cash flow ⁽¹⁾	\$  1,775 <i>RECORD RESULT</i>	\$ 1,530
Returns to shareholders:		
Dividends	\$ 844	\$ 703
Share repurchases	\$ 2,781	\$ 1,012

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Thank You



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