



FLEXIBILITY FOR GROWTH

MIDWEST ASSOCIATION OF RAIL SHIPPERS
2016 SUMMER MEETING



Alan H. Shaw
Executive Vice President and
Chief Marketing Officer

FORWARD-LOOKING STATEMENTS

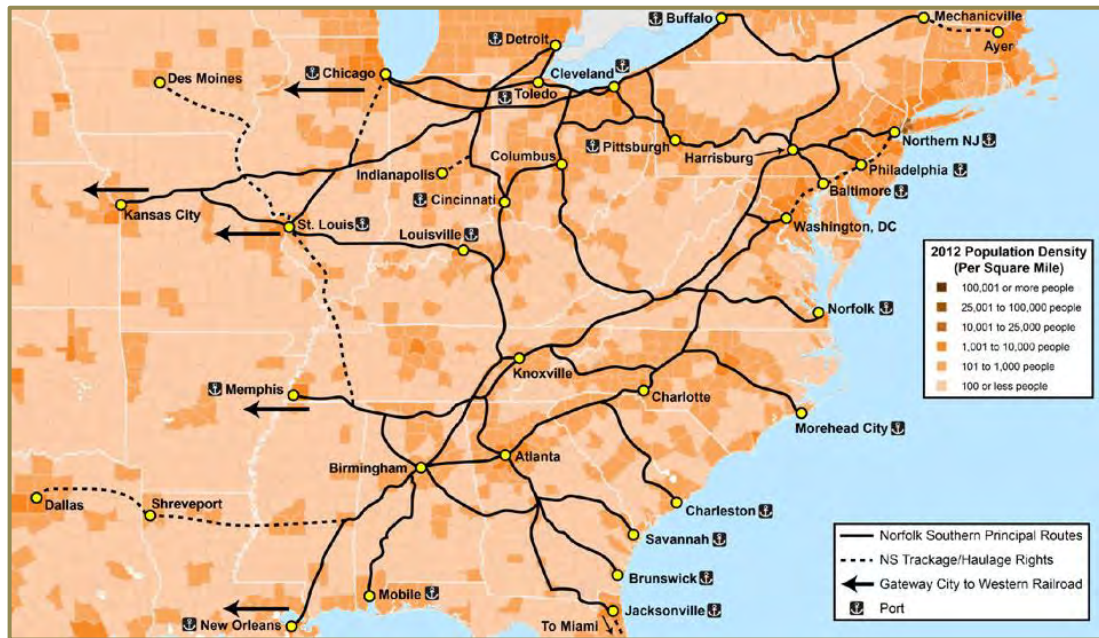
Certain statements in this presentation are forward-looking statements within the meaning of the safe harbor provision of the Private Securities Litigation Reform Act of 1995, as amended. These statements relate to future events or Norfolk Southern Corporation's (NYSE: NSC) ("Norfolk Southern," "NS" 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, 2015, filed with the Securities and Exchange Commission (the "SEC") on February 8, 2016, 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.

NORFOLK SOUTHERN FOOTPRINT

**Extensive Network Reach
Supports Future Growth**

**Norfolk Southern's network
interfaces with:**

- More than 50% of the US population, manufacturing activity, and energy consumption
- Estimated 50M+ long-haul⁽¹⁾ truck shipments in our service area



~20,000

Route Miles of Track

22 States

Served by Network

40+ Ports

240+ Short Lines

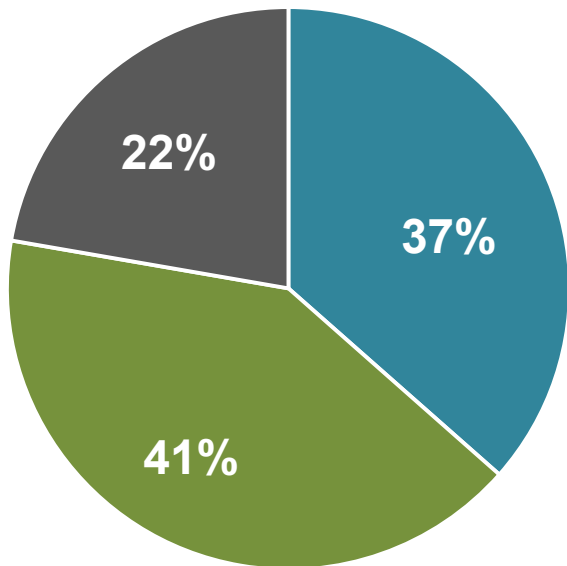
Note: (1) Over 550 miles

One line, infinite possibilities.

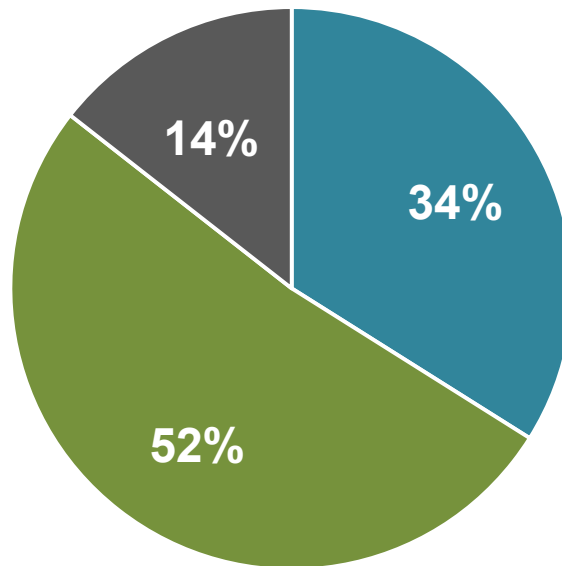


TRAFFIC BASE EVOLVING IN LONGER TERM

2006 Volume



2015 Volume



Merchandise

Intermodal

Coal

NORFOLK SOUTHERN STRATEGIC PLAN

Consistently Deliver Efficient and Superior Service to Build a More Profitable Franchise



- Revising Operating Model
- Improving Network Performance
- Addressing Customer Needs
- Managing Headcount
- Improving Locomotive Productivity

Promote Growth as Market Leader



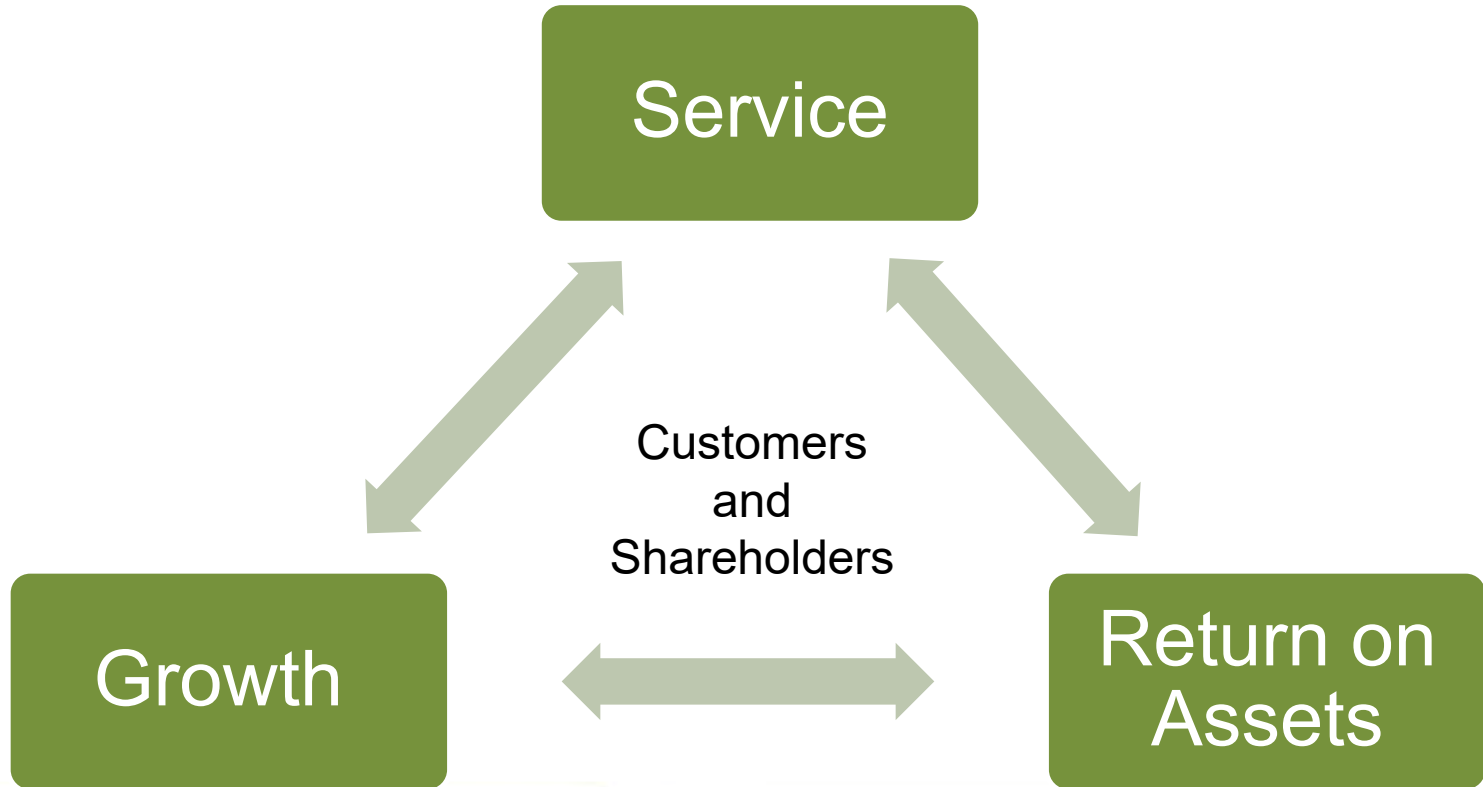
- Optimizing Pricing
- Growing Share in Service-Sensitive Businesses
- Maximizing Unique Position to Secure Highway to Rail Conversions

Optimize Capital Allocation



- Prioritizing Capital Investment
- Rationalizing Non-Core Facilities and Lines
- Pursuing Tuck-In M&A Opportunities to Enhance Existing Network
- Increasing Returns on Equity
- Returning Significant Capital to Shareholders

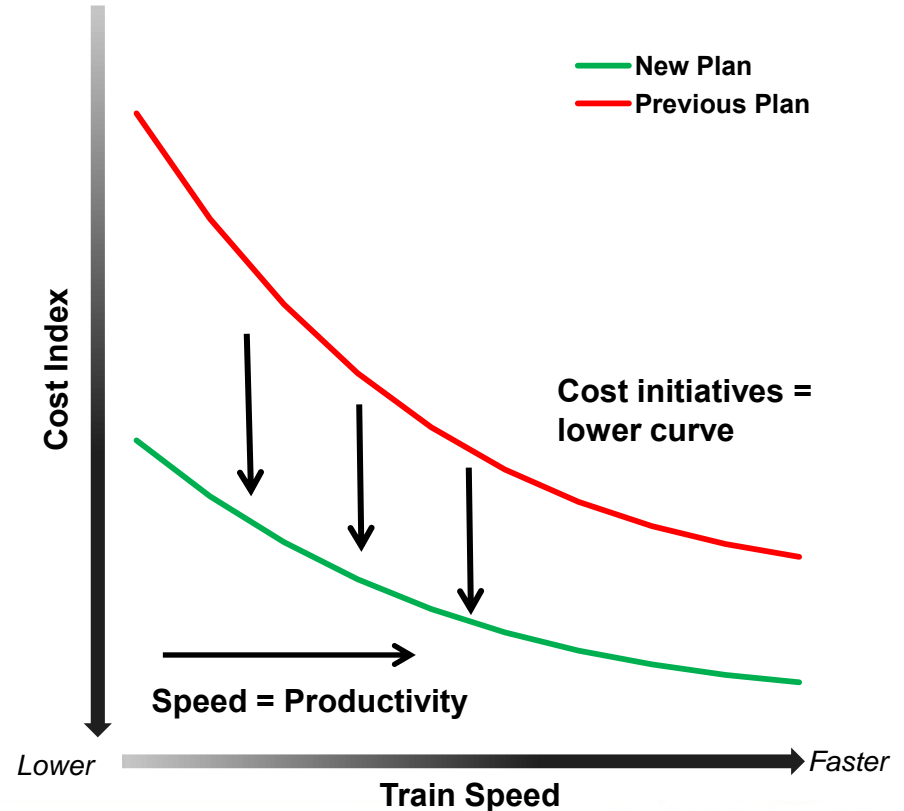
OUR FOCUS



SPEED DRIVES CUSTOMER SATISFACTION AND EFFICIENCY

- + Service product of consistency, reliability and availability
- + Less overtime
- + Lower fuel costs
- + Lower asset costs
- + Lower car-hire costs
- + Fewer re crews

= Lower cost and more profitable railroad



INVESTMENTS FOCUSED ON SUPERIOR SERVICE

\$1.1 Billion: Rail, Infrastructure and Facility Improvements

- Replacement of rail, ties, ballast and bridges
- Projects to improve service in the Midwest and the Chicago area
- Intermodal, Automotive, Merchandise and Mechanical Facility improvements

\$0.5 Billion: Equipment

- Freight Cars
- Locomotives

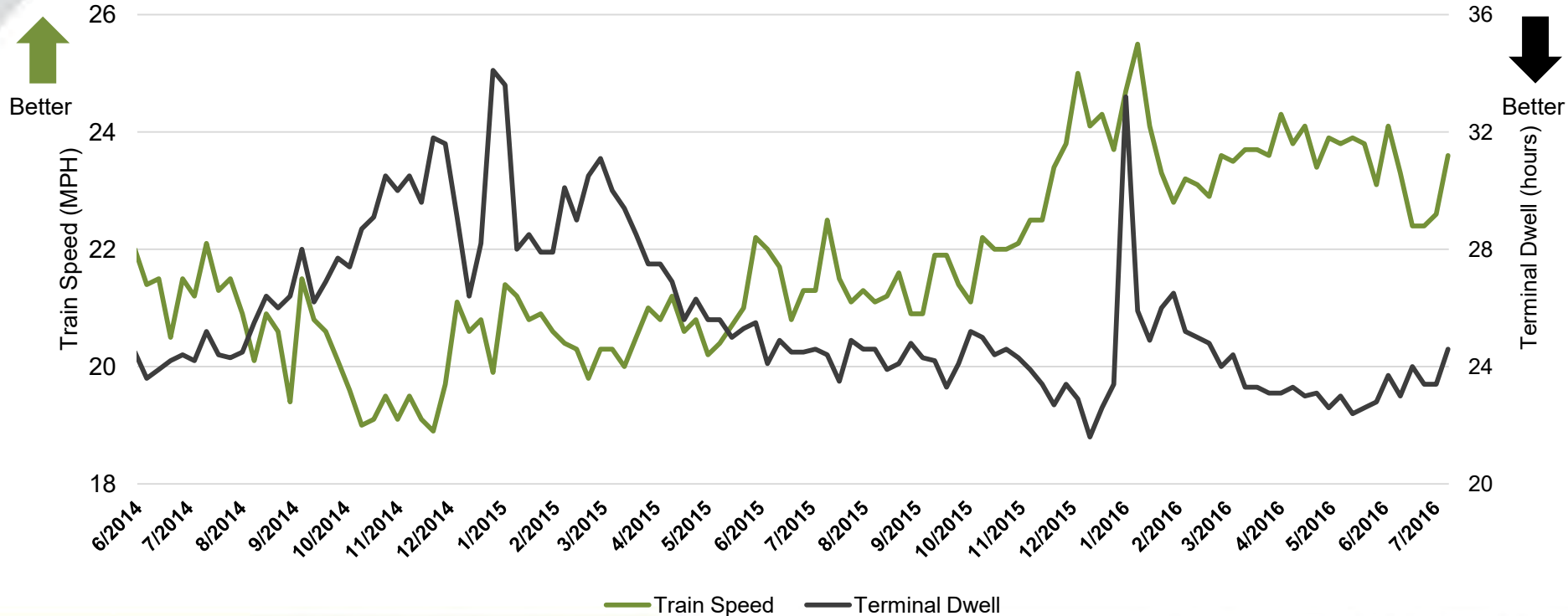


ADAPTING TO OUR CHANGING MARKETS

- ▶ Increasing capacity at Bellevue Classification yard
- ▶ Restructuring of Triple Crown operations to focus on core auto parts network
- ▶ Acquisition of Delaware & Hudson South
- ▶ Consolidation of operating divisions and regions
- ▶ Leasing of the West Virginia Secondary line
- ▶ Idling of Ashtabula Coal Pier
- ▶ Idling of Knoxville Classification yard
- ▶ Aligning capital spending to needs and growth opportunities

IMPROVED SERVICE PRODUCT

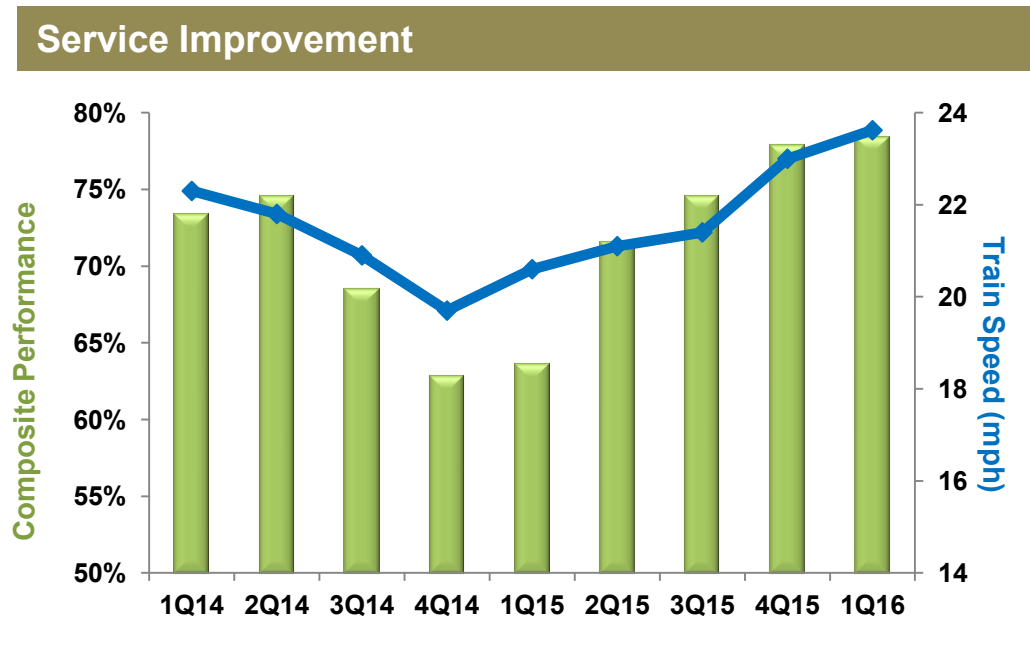
Train Speed & Terminal Dwell



FIRST QUARTER HIGHLIGHTS

Improved service supported record OR

	% vs. PY
Railway operating revenues	(6%) ↓
Railway operating expenses	13% ↓
Railway operating ratio	8% ↓
Income from railway operations	19% ↑
EPS	29% ↑



CURRENT ECONOMIC ENVIRONMENT

One line, infinite possibilities.



CHANGING ECONOMIC PROJECTIONS

Indicator	2016 Projection as of:			
	Dec 2015	Mar 2016		June 2016
GDP (IHS)	+2.7%	+2.3%	↓	+1.9% ↓
Housing Starts (millions)	1.23	1.20	↓	1.20
N.A. Vehicle Production (millions)	18.2	18.0	↓	18.3 ↑
Industrial Production	+1.0%	-0.7%	↓	-1.4% ↓
Real Consumer Spending	+3.1%	+2.9%	↓	+2.8% ↓
WTI Crude Price (\$/barrel)	\$40.54	\$39.14	↓	\$43.14 ↑
Henry Hub Nat Gas Price (\$/mmBtu)	\$2.88	\$2.25	↓	\$2.22 ↓
USD Exchange Rate With Major Trading Partners	+4.7%	+5.6%	↓	0.0% ↑
Indicator	Most recent update available as of:			
	Dec 2015	Mar 2016		June 2016
Inventories/Sales Ratio* (total business, adjusted)	1.38	1.41	↓	1.40 ↑

↑ Positive for NS Revenue

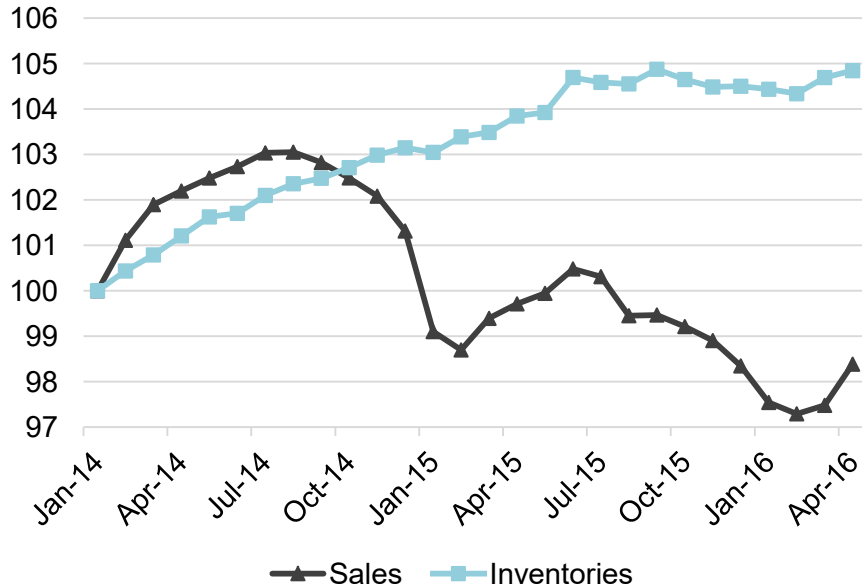
↓ Negative for NS Revenue

Source: IHS; WardsAuto Forecast; EIA; Census Bureau

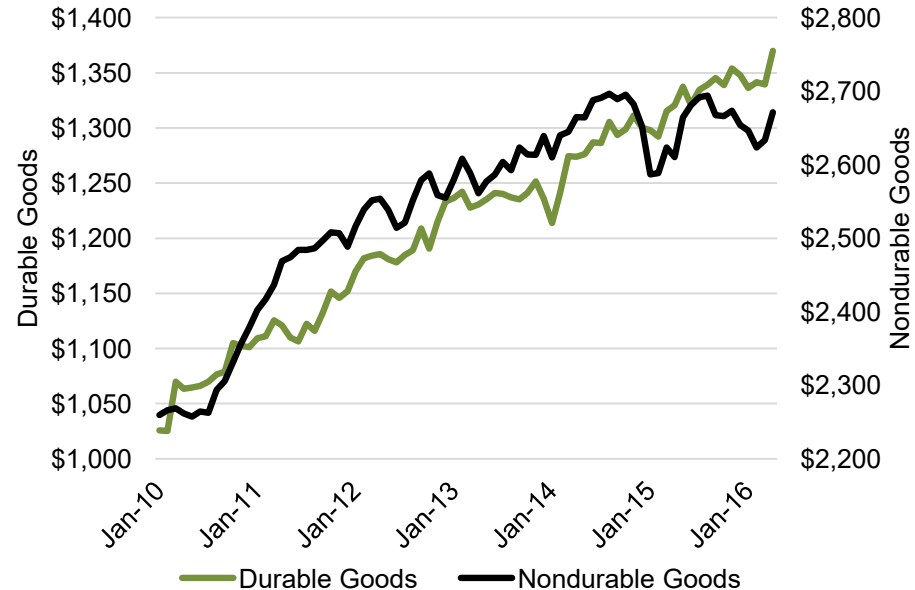
* Inventories/Sales ratio from 2 months prior

CONSUMER SPENDING GAINS NEEDED TO LIMIT ADDITIONAL INVENTORY GROWTH

Inventories vs. Sales
(Index 2014: January=100)



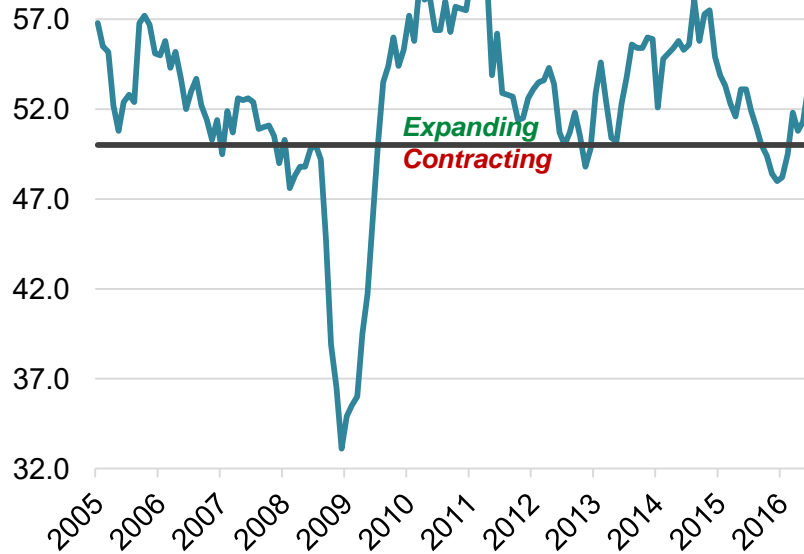
Personal Consumption Expenditures
(in Billions of Dollars, Seasonally Adjusted)



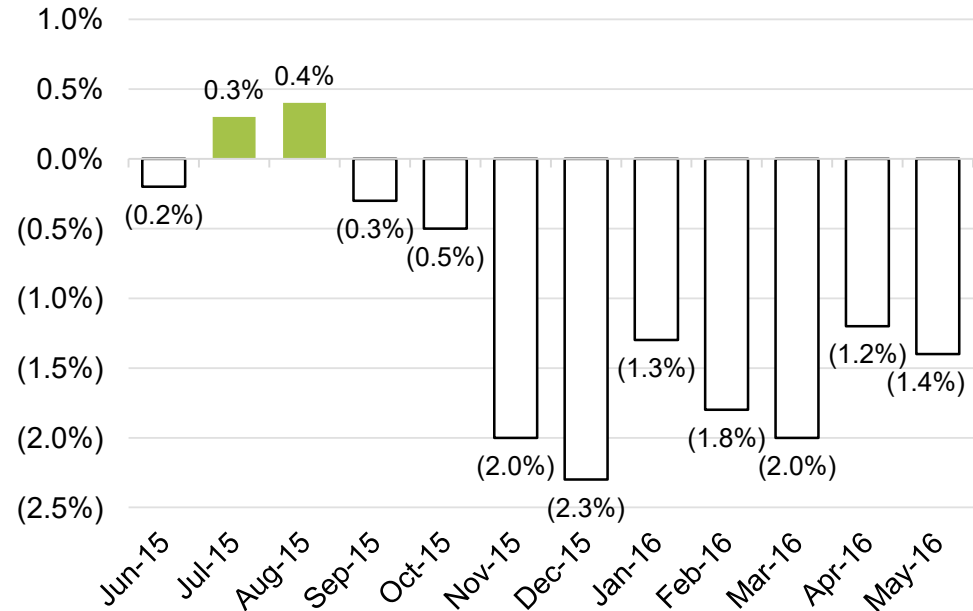
Source: Census Bureau; BEA

MANUFACTURING IMPROVEMENT; INDUSTRIAL PRODUCTION CONTINUES TO LAG

ISM Manufacturing: PMI
(Seasonally Adjusted)



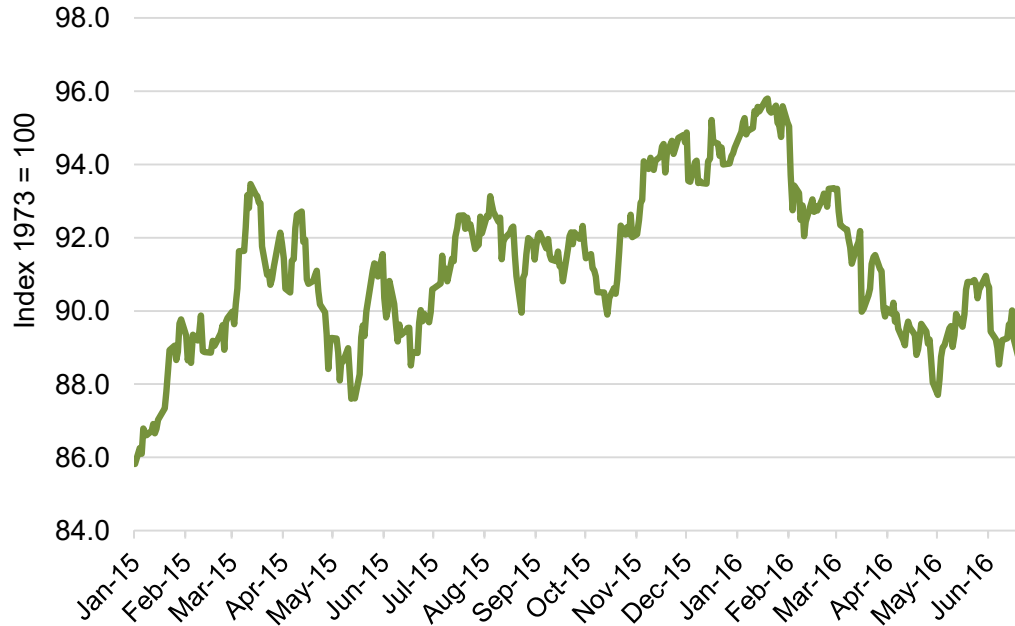
U.S. Industrial Production
(YoY Percent Change)



Source: Institute for Supply Management, Federal Reserve

INTERNATIONAL TRADE

Trade Weighted US Dollar vs. Basket of Currencies



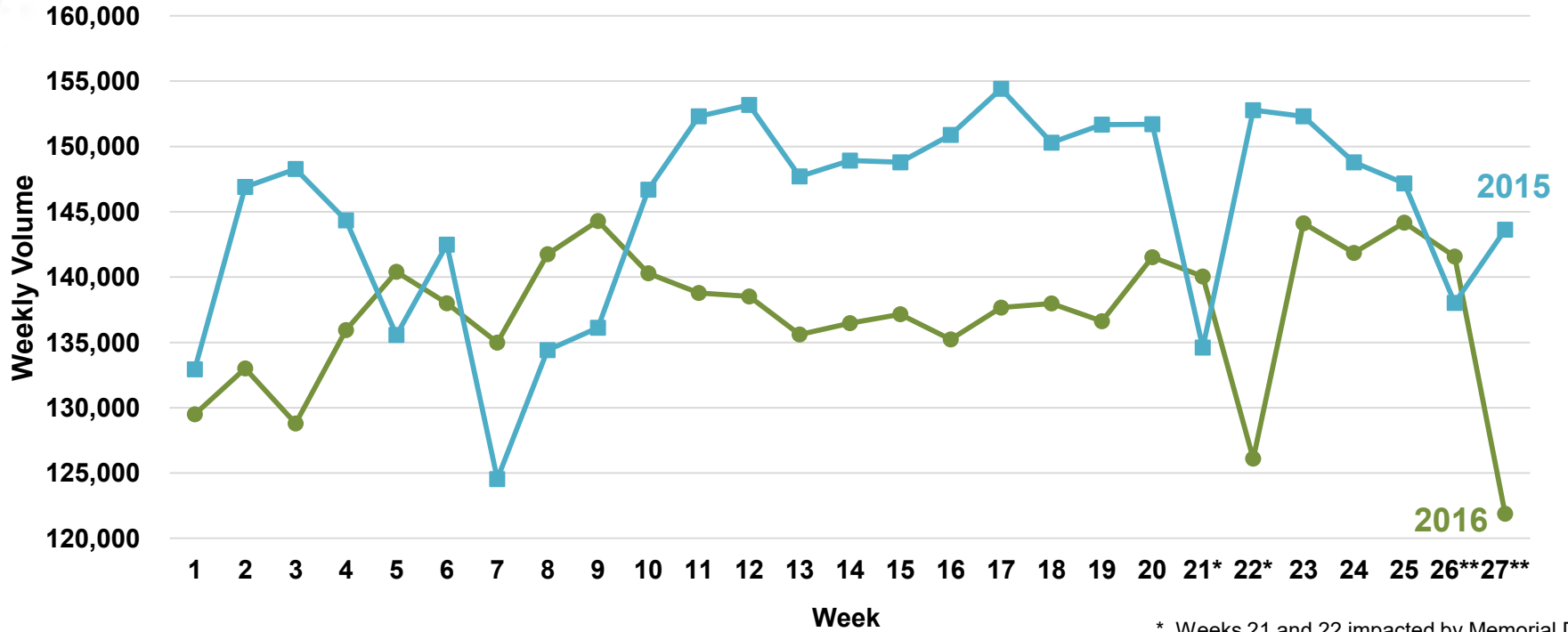
Cosco Shipping Panama, the first ship through the newly expanded Panama Canal on June 26, 2016.

Source: Federal Reserve; AP

One line, infinite possibilities.



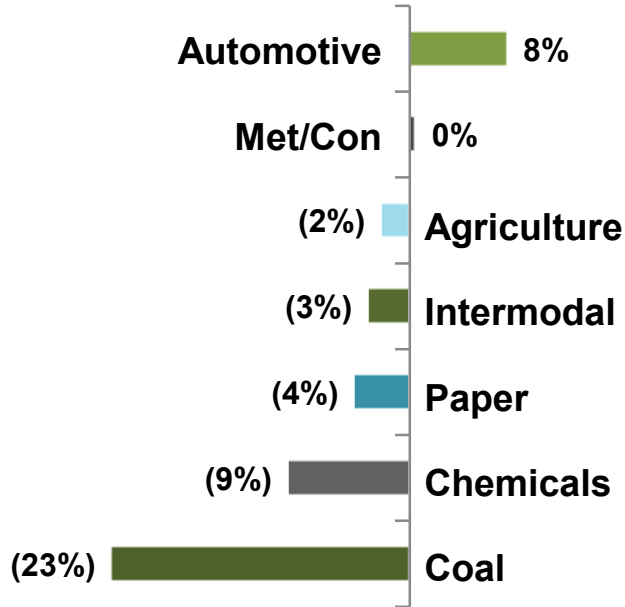
VOLUME IMPACTED BY MARKET CONDITIONS



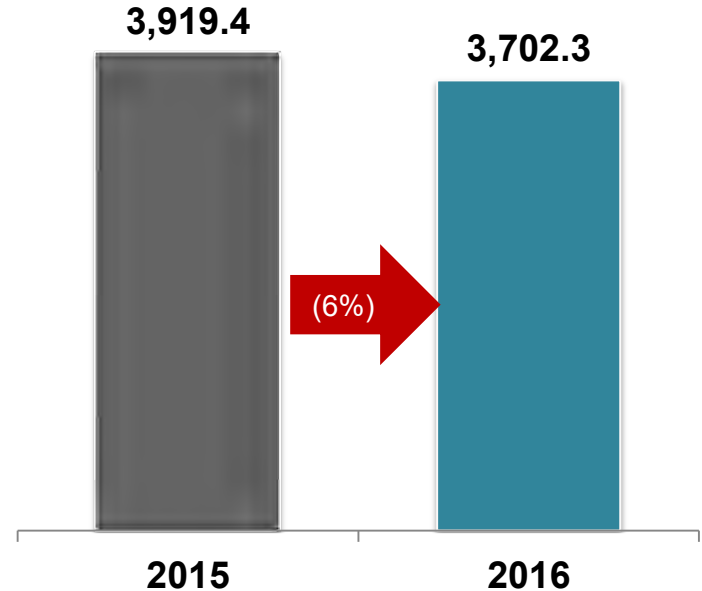
* Weeks 21 and 22 impacted by Memorial Day
** Weeks 26 and 27 impacted by Fourth of July

YTD VOLUME FOLLOWS ECONOMIC TRENDS

Change in Units
YTD 2016 vs. 2015



Total Units (000's)
YTD 2016 vs. 2015

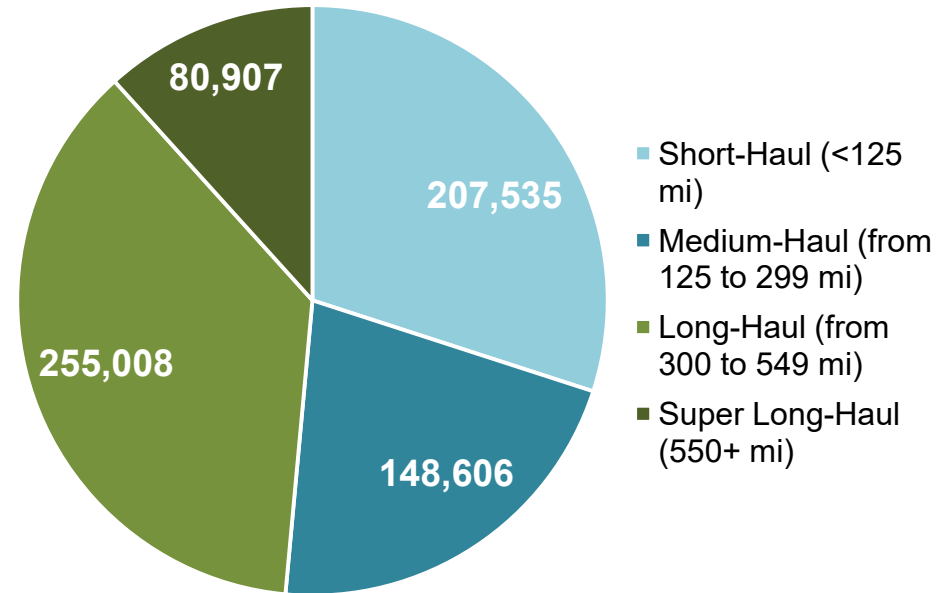


Year to date through Week 27, 2016 (ended July 9, 2016)

POTENTIAL FOR INCREASED TRUCK CONVERSIONS

- ▶ Two-thirds of the nation's freight (by weight) moves by truck
- ▶ US Class I Operating Revenue is roughly 10% of the size of the gross freight revenue for the domestic trucking industry

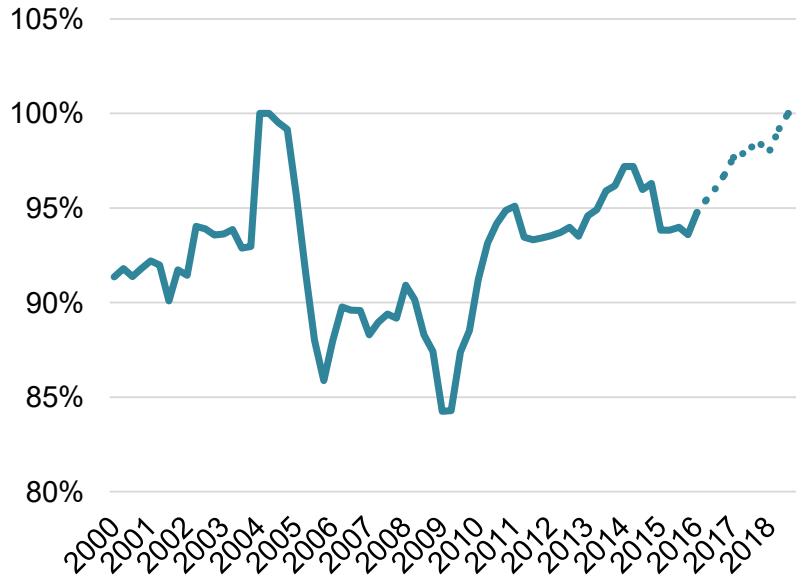
2015 Loadings (000s) by Length of Haul



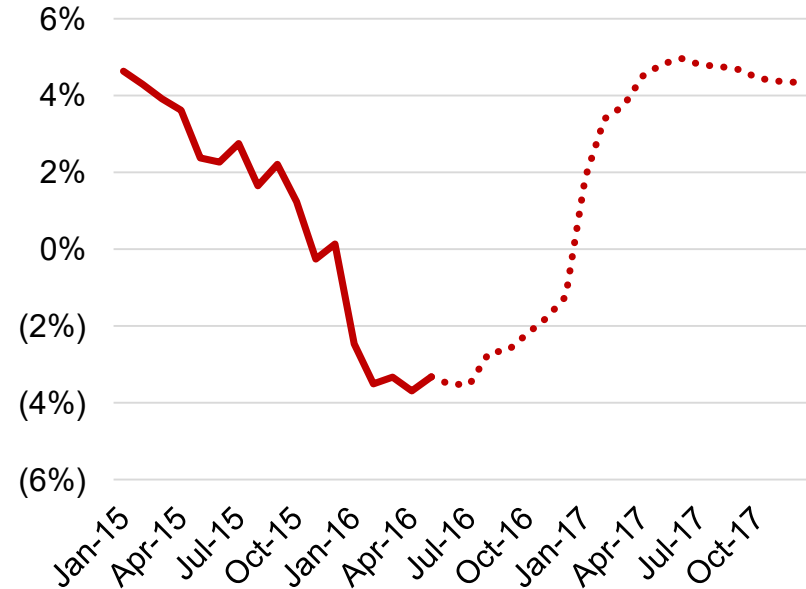
Source: AAR; FTR

CAPACITY LOOSER IN NEAR TERM; EXPECTED TO TIGHTEN

Active Truck Utilization (%)



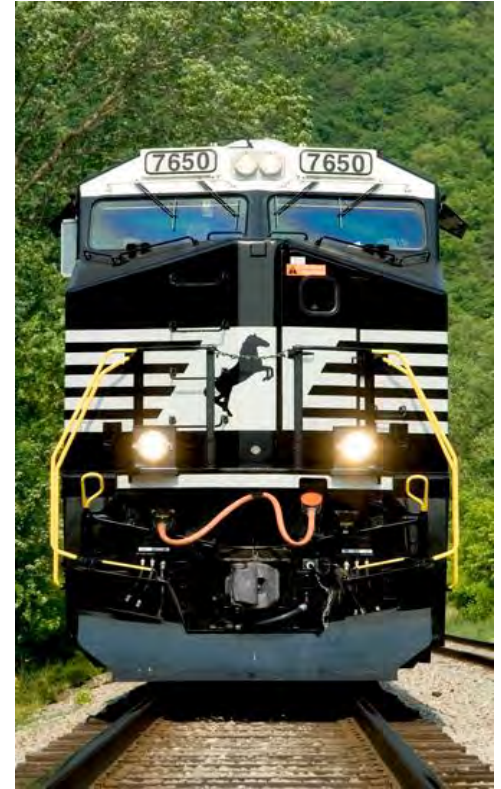
YoY Change in Dry Van Rates (seasonally adjusted, rev/mi, without fuel)

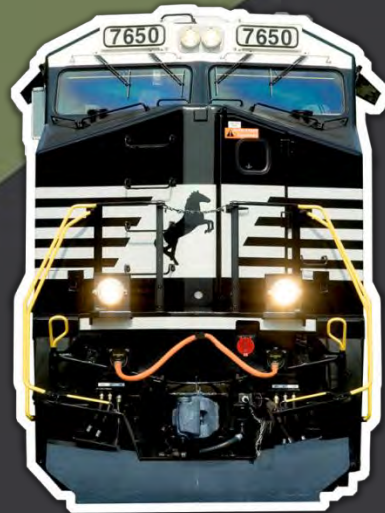


Source: FTR

GOOD OPPORTUNITY TO SHIFT TO RAIL

- ▶ Flexibility to adapt to changing market conditions
- ▶ Investment focused on operational fluidity
- ▶ Service product that promotes consistency, reliability, availability
- ▶ Truck capacity is set to tighten





THANK YOU

NORFOLK SOUTHERN
www.nscorp.com