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PRESENTATION

Katie Cook - *Norfolk Southern Corporation - IR*

[Steve], we're ready to go.

Good morning. My name is Katie Cook and I'm investor director -- investor relations with Norfolk Southern. We are delighted to have you all with us today on this first day of autumn and it's going to be a beautiful day here in Cleveland.

For the benefit of those joining us in Cleveland, we will begin with a safety briefing followed by a few housekeeping comments before turning the stage over to Jim Squires who will really get the day rolling for us.

For those in Cleveland, we are in the grand ballroom on the first floor of the Airport Marriott at 4277 West 150th Street. While not for general use, the doors on your left provide exterior access in the case of an emergency and is where the fire extinguisher is located. The general purpose doors on your right also provide exterior access.

Tom Werner is our primary 911 caller and Ed Boyle is his backup. [Jay Trawick] will meet any emergency vehicles should that need arise. If you are CPR-certified, please raise your hand. Great. Thank you.

Finally, we ask each of you to be aware of your surroundings particularly for potential tripping points or pinch points and we just want to keep you safe.

We do have a 15-minute break scheduled in our program at 9:30. For those taking the tour, if you have not already loaded your luggage to your bus, please do so then.

For those joining us through webcast, the slides to the presenters are in our website at nscorp.com in the Investor section. Transcripts and MP3 downloads to today's call will be posted on our website for your convenience.

Please be advised that during this call, we may make certain forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties and our actual results may differ materially from those projected.

Please refer to our annual and quarterly reports filed with the SEC for a full discussion of those risks and uncertainties we view as the most important. Additionally, keep in mind that all references to reported results excluding certain adjustments, that is, non-GAAP numbers have been reconciled on our website in the Investor section.

Now, it is my pleasure to introduce Norfolk Southern President Jim Squires.

James Squires

Good morning, everyone. We are so excited that this day is finally here. We have practiced, we have polished, we have painted. I personally have lost track on how many times I've been to Bellevue, Ohio this year and I'm sure Mark Manion has been there at least twice as many times as I have.

So this is going to be a great day. It's going to be a great investor day and we really appreciate the investment of time that you have made to join us here in Cleveland and onto Bellevue. I think you're going to find it very worthwhile. We've got a great line of presentations and I think you'll find the tour unique, interesting and informative.

So I'm going to kick it off this morning and I want to begin with the foundation of everything we do and that is safety. We are totally committed to the safe and secured delivery of the goods that power America.

It's just fundamental to what we are trying to accomplish every single day. We know that we are entrusted with a great responsibility to protect those whom we serve, our customers and our employees and members of the communities through which we run. So I can say unequivocally that safety will always be our top priority as a company.

We also intently focus on positioning for long-term profit growth. And so to set the stage for that discussion, let's recall where profit growth comes from in a railroad. It's a combination of volume growth, of pricing and of productivity.

Now, that description of the drivers of profit growth applies to all businesses, of course, as equally to farmers and manufacturers as to railroads. So what is special about a railroad and about our railroad Norfolk Southern in particular? How will we deliver on volume price and productivity?

That's the reason for this investor day, to show you our strategy for achieving these critical goals over the long term. And the key to volume price and productivity is great service, the right infrastructure and a relentless focus on efficiency and productivity.

We are growing and we're growing in new and exciting ways and we're investing for growth but even as we do so, we remained focused on efficiency and productivity as a capital intensive company that must be among our top goals at all times.

So that's our daily dialog at Norfolk Southern, service, infrastructure and efficiency as a way to drive volume growth, pricing and productivity.

And you're going to get a lot of information about these topics throughout the day today. And we want you to leave this investor day convinced that Norfolk Southern better than anyone in our industry is on track to deliver volume growth pricing and productivity through great service, the right infrastructure and a relentless focus on efficiency.

But lets' talk first about our financial track record over the last eight years and we're going back to 2006 with this line. Over that time we have grown our top-line 3%, our net income 4% and our earnings per share 8% annually. And we raised dividends to 17% per year on a compound annual basis. Those are excellent results especially since they encompass the great recession.

All right. So let's talk about service, infrastructure and efficiency and how we plan to make the next eight years even better for shareholders in the last eight. It starts with demand for our product.

2006 was the high water mark for volumes for us, so let's layer onto that, the low water mark for volume which was in 2009, the worse year of the recession in our case.

And now, superimposed in green, you can see volumes in 2014. We got off to slow start because of the extreme winter weather but volumes picked up very quickly beginning at the end of the first quarter and the strong pace of volume growth has continued throughout the year throughout the third quarter today.

And that's -- that's great news, I mean it's great to see volumes back to where they were at our peak 2006 year but the profile of the carload has changed quite a bit. Now, there are challenges there but we see mostly opportunities in the pattern of volume growth right now. And Don and his team are going to tell you all about that in just a minute.

So the purpose of this investor day is to take advantage of a unique setting, Bellevue, Ohio, which is a focal point of Norfolk Southern's new top-line, of our top-line evolution to demonstrate to you how we intend to achieve on a long-term sustainable basis growth, pricing and productivity.

Now, we have some immediate goals as well in particular, getting service back to where it was in our -- in our best year 2012 and 2013 for service. And so I want to take a few minutes talking about some of the measures we've taken to get service back to where it needs to be.

Now, as you're -- as you're all aware, 2014 began on a very difficult note with one of the worse winters on record. And for us, the result was sluggish volumes and a really slow network at the year's beginning.

Then almost immediately on the heels of the last winter's storm, a volume surge and they have kept that strong pace as I said throughout the third or -- second and third quarter.

So the result of this very unusual volatility in traffic is that our train speeds are today well off-peak levels in 2012 and this is largely due to a crew base that was planned for volumes below where we expected them to be right now.

And I've shown here terminal dwell has increased as well compounding the effect on service of our slower train speeds. So what are we doing about that? Well, to address the service challenge, we've taken a number of actions.

First, we've stepped up hiring and we have accelerated our training cycle and we expect to grow by about 900 additional train and engine employees who will come in to service largely in the fourth quarter.

Next, in an effort to increase crew availability on our Dearborn division, immediately, we are temporarily transferring around 120 conductors who will be available for service this month right now. And this will markedly increase crew availability especially on our highest demand regions if you're here in the North.

In addition, we have deployed all of our locomotive surge fleet and have a full core press on maintenance activities to keep as many of our locomotives out there operating on the network as possible.

And we have 50 new locomotives coming online starting in October and 70 used locomotives that will be available for service by the end of the year. So we're injecting power into network.

And finally, we have a number of infrastructure projects coming online in the fourth quarter. Bellevue yard will add capacity to our Northern region and the Englewood Flyover in the Chicago area will alleviate conflicts with commuter trains and you'll hear much, much more about these two infrastructure projects and several others as well later in the morning.

Okay, let's turn now to how we approach service for the long haul, how we go about designing for service. And it all starts with anticipating where our customers are going to be, how they're going to ship and what volumes. And ultimately, we'll create an operating plan for our network around actual traffic flows.

But first, we analyze prospective traffic movements on our network and we think about whether incremental infrastructure improvements are available and can make a difference. And when we see an opportunity to capture volume growth with incremental infrastructure, additions like mainline track or sidings, we are -- really, we are prepared to move mountains as you'll see when Mark and his team present later.

Our goal is to have the right assets in the right place at the right time. Project selection and timing are really key, not too early and not too late. And they're hardwired into our planning process and you'll hear more about this when Marta and Tom give their presentations.

So why -- why Bellevue? Well, Bellevue is geographically and operationally located just where we need it for the growth we see coming. Our customers require different services in different places than they did just a few years ago.

And we want to show you how we have invested in anticipation of that changing pattern of demand. That's what Bellevue is all about.

It's, of course, not the only example of the strategy but Bellevue at the crossroads of our changing coal merchandise and intermodal franchises really highlights how we're using infrastructure to drive growth.

Hence the theme for all of today's presentations, connections for growth, our investments and the efforts behind them are the path to grow pricing and productivity. And behind all of that is a dedicated passionate group of people who work every day to raise our performance to new levels.

We're really blessed with a hard working, dedicated group of employees and in addition to gaining an understanding of our strategy, I know you'll leave today impressed with the depth and quality of NS' executive team.

So I'll leave it at that. Time permitting after the presentations this morning, [Rick] and I will take your questions and we'll have plenty of time for informal conversation on the train ride down to Bellevue and what was there.

Once we get to Bellevue, we'll re-engage with some additional presentations and then we're going to have a tour of the yard. And with that, I'll turn the program over to Don and his team to tell you where the growth is going to come from.

Donald Seale - *Norfolk Southern Corporation - CMO*

Thank you, Jim, and good morning, everyone. I'd like to also thank everybody for participating in today's conference.

In our comments this morning, we're going to start with brief commentary on our network, talk a little bit about the changes and composition of our business since 2006 which was the highest volume in our network and then talk more in depth about the drivers of growth that we see ahead in each of our markets.

Starting with the network, we have a balanced portfolio of business and we're very well-positioned in a target-rich environment into the Mississippi and our local network as well as the interline connections that we have.

We operate in an area that has over 3/4 of the US population, over 1/2 of the energy consumption in the country and almost 2/3 of the US manufacturing base which continues to evolve and expand over time.

Out of this -- this geographic area, over 45 million truckload shipments, over 550 miles move which generates an opportunity for growth both on the intermodal side of our product but also our carload business as well.

And we have an extensive service network serving the ports in the Eastern half of the US, 31 different ports, 16 of those were seaports, eight of those are river ports and seven are lake ports. It gives us a lot of flexibility, a lot of franchise flex and the ability to be opportunistic for growth within -- within the network and also to and from the East Coast ports and the West Coast ports with connections.

Now, let's take a look at how our business is changing and Jim mentioned 2006, I also have 2006 year. In terms of the first half volume in revenue of that high water mark for our network versus the same period of time, the first half of 2014.

And you'll notice two big things. In terms of the overall volume, we're down 6% from that first half of '06 to the first half of '14, but our revenues are up $1 billion or 22%. As we've managed change and differences in the network, managed yield, and we've seen a lot of moving parts with respect to this overall business shift.

One, we've seen a lot of automotive plants closed over this period of time, seen a lot of steel plants closed and consolidate, seen shifts in utility coal. So a lot of moving parts and we've managed through that successfully as Jim showed you with respect to our financial metrics.

Drilling down a little bit more, this really drives home the mix differential between these two timeframes. Our intermodal business grew by 16% over this period of time but both our merchandised and our coal volume declined.

I will tell you though, you can see that our revenues actually had a CAGR of 3% over this period of time driven by an RPU CAGR of about 3.3%. That 3% contrast to the CPI of about 1.9% and industrial production less services being flat over this period of time.

Now, looking ahead, moving ahead and we'll drill down, this is where we'll spend most of our time this morning with respect to the commercial discussion. Four broad categories of growth that we are participating in today and we see further growth ahead.

First, the energy sector, and when I say the energy sector, I reiterate that that includes utility coal, not only the shale gas plays in terms of crude oil, fracks and, all the components which we will talk about later.

But we see utility coal being around for years to come. In fact, the EIA in their own data projects that the utility coal will be about 35% of electrical generation about the year 2030 compared to about 40% today. The basic bottom line is that we need that capacity to generate power that powers the country.

In terms of oil and gas production, we'll show you some data in the presentation this morning that shows that it is -- it's energizing and supercharging our business volumes giving us new opportunities, but also, it has the positive halo effect of generating more manufacturing activity, the chemical industry being reborn, reinvestment in chemical facilities that we haven't seen since World War II.

And the cost of US manufacturing, most of all of us read Bostic Consulting scorecard on this. We're within five percentage points now being competitive from a total cost perspective, producing something in the US versus producing it in China, and the projections call for that to be at even by the end of 2015 next year.

That bodes well for our industrial development efforts, it also bodes well for the economy in the US. Foreign direct investment in the United States in the first quarter of this year was $235 billion, not in any significant amount of money.

And then the highway conversion opportunity looms large. We'll talk to you some more this morning about what we see in that. It is a $680 billion book of business that has a very, very large opportunity for diversion and conversion and a plan systematic manner to rail.

And finally, I will reiterate that that growth is not just in intermodal story, it's a carload story as well and that's why we're showing you the terminal and the expansion that we're showing you later today.

And finally, agricultural growth, you'll see the compounded annual growth rate in that sector. It's been substantial since '06 and we see continued opportunity ahead.

Now, to tell you a lot more about all of these topics, those four avenues of growth, we have here with us this morning David Lawson who is our vice president of Coal, Jeff Heller who is our vice president of Intermodal and Automotive, and Mike McClellan, our vice president of Industrial Products is not with us this morning, he's at Harvard AMP for the fall session, so I will stand in for him. So let's get started with our coal overview and I'll introduce David.

David Lawson - *Norfolk Southern Corporation - VP - Coal*

Thank you, Don. Good morning. There we go. The chart on the right shows you the different segments of our coal franchise. And you will see that utility and export make up over 80% of our business and that's going to be the focus of my comments today.

Our coal network provides customers access to the historic Central App and Northern App regions as well as the Illinois basin and the Powder River basin as well as the opportunity to transport coal from these various spaces to domestic and export markets. Due to our market reach of our network, we've been able to meet the changing needs of our coal customers.

In the last couple of years, several of our utility customers have required sourcing shifts while our export customers continue to source from traditional Central App and Northern App regions.

We've been able to meet these changing needs of our customers, our strategic investments and infrastructure and capacity as well as in our coal fleet.

Norfolk Southern is positioned today to be able to continue to meet the needs of our customers today as well as tomorrow.

Focusing on the drivers of our largest segment, the utility market, we haven't certainly faced the challenges of regulations, low natural gas prices and weak industrial electric demand. However, we believe the largest known headwinds are behind us and as we saw this past winter how quickly the market can turn in coal's favor.

The chart on the left shows the impact on the market drivers on our utility tons. A key driver of the volume change since 2010 had been plant retirements due to environmental regulations. Since 2010, these retirements have impacted our utility volume by 12 million tons to-date.

We believe that the remaining impact to be -- to approximately 2 million tons by the end of 2015. The good news is the remaining the fleet represents a fleet of larger, newer and fully controlled older scrubbed plants that meet the astringent 2015 EPA requirements.

As you can see from the slide on the right and has been discussed before, the sourcing of our utility tons continues to shift from Centralized App basin to the Northern App in Illinois basins which provide longer haul opportunities to our Southeastern utilities.

Based on the Energy Information Agency's prediction, coal remained a viable source of electric generation with almost a third of the source generation out from 2014. The capacity factors for our utilities are shown on the chart on the left. You will notice that the low in 2012 corresponds with historically low natural gas prices that were in the $2 and below range.

While natural gas made a modest recovery in 2013, so too to the utility utilization rates of our coal-served plants, this past winter with the spike in natural gas and depleted gas storage, we saw utilization rates spiked to 65%.

Turning to the chart on the right, the basins are shown in the colored boxes are aligned underneath the utility regions for which they receive the majority of their coal. The utility regions are shown in the blue box -- boxes across the top of the chart. The Y-axis is the price of natural gas. The gray-shaded area represents the projected forward curve for natural gas out till 2020.

Rather than waiting on the market to turn, we've been waiting with each of our utility customers to help improve their marginal dispatch. As you can see, our plants in the Midwest which predominantly take their coal from the Power River basin and the Illinois basin along with the Northeast plants that take their coal predominantly from the Northern App regions are continuing to compete for base load position at current fuel prices.

The utilities in the Southeast will continue to better be able to compete as they transition their change as lower cost sourcing options. If the natural gas forward curve is correct, you can see that even modest changes increases in the natural gas prices can have a large effect on the dispatch of coal in our markets.

I think it's important to point out that the last -- a couple of slides ago, I have pointed out that the fact that we've -- the tail end of the environmental -- the impact of environmental regulations on our network was about 2 million tons of remaining impact between now and 2015.

The linkage here is to couple that along with the fact that we've already got several basins already in the competitive zone with regard to their dispatch relative to natural gas prices. And also the upside opportunity that we see for -- from a utilization standpoint, put all that together and that's what gives us some optimism for the utility market going forward.

As Don has shared with you before, originations continue to change. You can see the pronounced percentage increase in Illinois basin coal which has surpassed the Powder River basin originations.

We have made strategic investments in the Illinois basin to keep pace with these changing originations. While the conversion of Central App to Northern App and Illinois basin will continue, we will continue to support Central App coal as we have 100 years worth of relationships and infrastructure built around moving Central App coal to the market.

Many of our utilities will continue to source Central App coal for some or all of their blends and Central App coal will continue to be the dominant resource for metallurgical and export coal.

We have been and we'll continue to strategically invest in infrastructure to support coal market shifts and to improve our operational efficiencies. These investments have mostly been an extended yard tracks and sidings to accommodate our preferred longer trains.

Over the last couple of years, we spent $25 million keeping pace with these shifts. We continue to strategically evaluate our coal car needs and over the last seven years, we replaced 11,000 coal cars which represent approximately half of our fleet.

Over the next two years, we will be building 1,500 additional coal cars for replacement. Keep in mind, 80% of the utility tons that we hold are in cars that are owned or leased by the utilities. We will continue to evaluate our coal car needs based on market conditions.

Now, turning to the export market, the US export has a total of 82 million tons in 2010 and a high of 126 million tons in 2012. During this time, coal exports benefitted from supply disruptions, increased coal pricing and increased demand for thermal coal.

As a key player in the export market, we have handled approximately 25% of all export coal during this time.

More recently in 2013 and 2014, the exports have been challenged by increased -- by lower international coal prices, unfavorable Australian currency and approximately 20 million tons of oversupply in the global met market.

In an effort to keep Central App and Northern App coals; competitive as previously indicated, we transitioned to a quarterly pricing structure in the fourth quarter of 2012. Looking ahead, we anticipate US exports to begin a modest recovery in 2015 and to continue on into 2016 and 2017.

Taking a look at our outlets, our Lamberts Point facility in Norfolk, Virginia is the largest and fastest export coal loading facility in the Northern hemisphere offering up over 40 million tons of capacity.

Approximately 70% of our volume -- export volume that we handle is through this facility. Additionally, our river and lake facilities located strategically to the Central App and Northern App regions provide an additional 23 million tons of capacity.

Couple of these facilities with access to several East Coast Lake and port facilities and we have the market reach throughout the US and the world. Norfolk Southern is truly a transportation -- global transportation provider of the US coals.

In summary, we see upside potential with our post-2015 compliant utilities coupled with the natural gas forward curve prediction and available utilization rates. We are managing the basin shifts to improve our customers' dispatch position for coal versus gas.

And finally, we have the available export capacity so as the export market is expected to improve, we expect to gain more than our fair share of this market.

Thank you and now, I'll turn it over to Jeff Heller.

Jeff Heller - *Norfolk Southern Corporation - VP - Intermodal & Automotive Marketing*

Thank you, David. And allow me to add my good morning as well.

Today, we'll talk in more detail about Norfolk Southern's intermodal and automotive franchises. As we look forward to a strengthening economy, all be it slowly, the trends we see in both of these businesses indicates that we are well-positioned to handle the expected growth.

On the intermodal side, we continue to see the long-term conversion from highway to intermodal. We continue to focus on conversions of these East of the Mississippi, an area largely untapped with respect to intermodal penetration.

A super-seeking more economical and environmentally friendly way to reach consumers, our network is well prepared in terms of capacity and truck competitive products to capitalize on that trend.

For automotives, the North American vehicle production continues to show positive growth as NS is starting to re-approach levels from peak years -- peak levels from prior years.

Our automotive network is well-positioned and as I will discuss later, there are opportunities for growth within our network where manufacturers are expanding.

Let's start with a look at our intermodal business segment. This slide depicts our intermodal network which provide -- provides group -- broad market reach in the growing population areas.

Norfolk Southern intermodal provides service to 59 terminals in East Coast points providing the most comprehensive access to the Eastern markets.

We have on-dock access at all the Eastern ports as you can see by the triangles on the slide. We interchange with both US class 1s and also the Canadian class 1s to provide comprehensive transcon services for our customers as well.

And we also operate a distributed hub and spoke network as indicated by the gray circles that you see there which allows us to create and rework services more easily and more productively.

The NS network is 98% double stacked cleared allowing us to maximize cost savings and equipment utilization. Investments in terminal capacity and at distributed network allow us to move more point to point trains.

We have the premier intermodal network in the East and we will continue to direct investment toward areas of expected growth.

Now, let's take a closer look at our intermodal business performance since 2010. We've seen strong volume growth even through the first half of 2014 despite the dampening effects of the winter weather.

Note that we've had 18 consecutive quarters of growth, a sign of a strengthening economy, but more importantly, a testament to how well we are positioned as a competitive alternative to truck.

The chart on the left shows our annual volume through the first half of 2014 along with the mix between international and domestic. Our domestic business has experienced a faster growth rate -- growth rate since the recession, now representing almost 70% of our total book of business.

Our ability to outpace the growth of GDP as well as the overall intermodal segment has been driven by our broad market coverage, our portfolio of truck competitive services and a true focus on service.

While most of our growth has been in the domestic segment, it's an important -- it's important to note that our international business is now stable and we've seen a resurgence of growth in recent quarters. I will go into more detail on those segments later in the presentation.

As mentioned, growth in intermodal particularly the domestic segment has been significant but we have only really -- we've only just begun to move a needle in terms of share of overall truck loads.

This chart highlights the overall truck market in our primary sweet spot of greater than 550 miles as compared with the total intermodal market shown in red. Since 2010, domestic intermodal has grown twice the rate of the overall market and as you can see from the chart, a significant amount of share gain still exists.

While this data covers all the US, a significant opportunity lies where the population centers of the most dense, most namely East of the Mississippi and within the Norfolk Southern network.

Pressures on the long haul highway segments such as highway congestion and a rising cost structure are serving as a catalyst for intermodal conversion.

Turning now to our principal competition, the truck market, we are beginning to see more pronounced effects of increased regulations on this sector. Some new and increased regulations such as hours of service and onboard recorders are expected to reduce productivity, tighten capacity and increase the need for drivers of assets.

As you can see from this chart, total -- total cost for this segment are predicted to rise with labor -- labor cost increasing faster as customers or as trucking companies are required to offer incented pay packages to retain drivers.

Tightening trends in the truck sector provide an opportunity for both -- for intermodal and both in terms of volume but very importantly, margin growth.

As Don conveyed in our second quarter earnings call within our rail-owned container segment, NS originated transcon rates increased 4% on June 1st and the local rates increased 3% on September 1st. These two segments represent 17% of our total domestic book.

The remaining book of intermodal business is currently under contract with established escalators. We've been successful in taking rates up, those contracts are negotiated and we'll continue to maximize yield.

In all segments, we will raise prices as the market allows, keeping a close eye on increased utilization of existing assets.

Given the trends in demand, we are uniquely positioned to capitalize on those opportunities. Network investment over the last five to seven years has focused primarily our five corridor strategy as depicted on this map providing capacity, cost savings and speed to our intermodal network. In total, these five corridors represented 95% of our intermodal growth since 2010.

Our most recently completed project, the Crescent corridor, targets conversions of freight from our nation's congested highway system. In 2013, we completed construction of four brand new terminals and launched over 30 new domestic services mostly within the 600 to 1,200-mile range length of haul which has been our fastest growing segment. We continue to experience above average growth in this corridor.

At the same time, interline services remained robust and important to providing the most flexibility to our customers across varying lengths of haul.

Turning now to our international segment where we believe most of the conversion and diversion from West Coast ports has now occurred. This slide depicts markets served from the East Coast ports primarily for Asian all-water services.

The East Coast coal markets tend to be defined as our traditional portfolio for East Coast economics. These markets are far enough inlands such that rail makes economic sense but not so far West that a West Coast -- that the economics favor our West Coast option.

The second zone is the Neo Panamax zone. As ship lines have larger and larger ships calling the East Coast, these customers will be driven to fill the additional capacity by expanding into the newly competitive markets for vessel calls coming through both the Suez and the Panama canals.

Finally, we can say to the short haul which is the zone -- the East of the core markets and generally less than 250 miles from the East Coast ports. This is where NS is really pushing the envelope to find those specific markets where we can offer service and which are-- service and rates competitive with truck and still provide value to the Norfolk Southern enterprise.

The NS intermodal network is well-positioned to handle import and export shipments regardless to the port of call. The outlook for growth in both our international and domestic services is very, very strong.

We work to develop a broad portfolio of innovative services designed to convert freight from the highway and have found ways to maximize yield in shorter call segments as international shipping patterns evolve. As the environment continues to shift, our intermodal network is flexible enough to follow that demand.

Allow me to shift gears now to our automotive franchise. Today, we serve more -- we serve more assembly plants and originate more automotive shipments than any other carrier in North America.

We have a robust network of 27 assembly plants and 35 distribution facilities throughout the Eastern US and maintained one of the largest fleets of freight cars in North America as well.

Last year, we shipped approximately 4 million vehicles or one in every four vehicles produced in the United States. We continue to leverage our intermodal and automotive franchise to move over 160,000 shipments of auto parts both in international containers and domestic containers and box cars.

In 2014, Norfolk Southern launched service between the port of Charleston and the South Carolina inland port to convert rail, to convert highway shipments to rail for a customer's BMW and other customers in that area.

Several of our intermodal terminals are designed to operate s regional distribution points for finished vehicles as well as intermodal volumes. For example, we now offer service from the Midwest into one of our new Crescent corridor terminals located in Birmingham and Alabama to supply vehicles to dealers in their market.

Over the past five years, we've seen remarkable growth in North American vehicle production up 42% overall. This is -- there's been an increased level of on-shoring of production -- production particularly in the Southeast and more recently in Mexico to support the continued demand in the marketplace.

The average age of a vehicle in the United States is 11.5 years and consumers were able to find favorable lending rates.

Production at NS-served plants in the Southeast is up 61% since 2010 and NS automotive exports all be it at a smaller portion of our business has grown 156% driven by this increase of on-shoring of production.

Steady growth is expected to continue over the next few years reaching over 18 million vehicles of production by 2018, breaking the record of 17.7 in the year 2000. It's worth noting that while increased consumption in North America is driving a significant amount of the new production, on-shoring of production in the US continues to drive the number of vehicles being manufactured for export.

Following the launch of several new products in 2013, most notably Chrysler, Jeep, Cherokee manufactured in Toledo, Ohio, we are very excited about the new model releases announced this year.

Ford, Mercedes and GM are -- have all announced new models during 2015 at NS-served facilities. The full production of these models represents production of nearly 900,000 vehicles annually. We're also pleased to see plants which were already built on our network continue to invest significant dollars in plant expansion.

BMW will be expanding their plant in Greer, South Carolina by 50% by 2016 making it the largest capacity plant in BMW's global network. Volkswagen and Subaru are also expanding to handle the expected demand.

The outlook for automotive is certainly a positive one and we are well-positioned to accommodate that growth on our network.

In summary, Norfolk Southern has the premier intermodal and automotive networks in the East. Both franchises are expected to see future growth and have significant upside potential both in terms of volume and again importantly margin growth.

We have invested a significant amount of money in both networks but we'll continue to focus future investment as demand warrants.

Thank you for your time and I'll now turn the podium back over to Don.

Donald Seale - *Norfolk Southern Corporation - CMO*

Thank you, Jeff and David, for the overview of intermodal and automotive and coal. And now, we'll continue on with an overview of our industrial products business. And the chart up to the right on this slide shows the four major components of this business.

We have it split a little bit differently than what you see in our normal reporting mechanism. You'll notice we've got it rolled up in the manufacturing which is essentially paper, chemicals and metals, the steel industry.

The energy sector which I'm going to break out for you is natural gas, liquids, crude oil, frack sand, all of those components plus ethanol. And then agriculture is everything minus ethanol. And construction is straightforward not including frack sand which is over in the energy segment.

Let's put IP products in context. In the first half of '14, it represented 28% of our network volume and 48% of our revenue. When you look at the composition of this traffic, about a little over a quarter of it moves in our Northern region which we're in today, that's from Chicago back across the Northern tier of our railroad.

Out of that 27% up -- close to a quarter of that, 24% of that 27% is processed at our Bellevue classification terminal which you're going to see later this morning.

So Bellevue and industrial product is a key component, both a key component of our Thoroughbred operating plant network which is our top network with channels manifest carload business.

The remaining portion of this business is about 19% unit train and about 81% manifests carload which we classify through the terminals.

When you look at the attribute share of growth, you can see a range of different activities that we're employed in. One I will point out that we have a very, very strong network of short-line railroads.

Over 250 of those that we're engaged with in terms of covering the Marcellus and Utica shale regions which is enabling us to extend our reach in terms of serving this business, also, we're leveraging a metals franchise that is the best in the industry with over 15,000 cars in that fleet, the largest fleet in the industry as well.

And finally, industrial development, I will show you what we're doing to grow new plants and new expansions across the network. But as I mentioned in an earlier comment, we see growth coming from the highway in both intermodal and carload.

And our Thoroughbred bulk terminals, we don't talk a lot about that to you but I wanted to highlight that this morning, we have 31 of those terminals that are handling carload to truck transfers at strategic locations.

That business has grown 20% since 2010, continues to grow double-digit this year, and we have seven additional development projects to expand that network going forward. So as motor carriers face the pressure that they are facing, we plan to use those terminals to continue to grow our carload business.

Now let's look at the trends from 2010 through 2013 with respect to some of the major growth commodities that we saw in industrial products.

Not surprisingly at the top of the list, petroleum and environmental. I will tell you that this number would be higher. We handled about 30,000 carloads in a spot movement of fly ash. In 2010, that's actually got this number lower than it would have been had we not had that business. Very good project in 2010; it was just a spot piece of business.

You can see that it runs the gamut from frack sand, oil, lumber and wood products, coil steel, agricultural products, a diverse set of gains in industrial products. And also within the mix we've seen ongoing changes.

I'd direct your attention to the left side of this chart where you can see our energy sector of industrial products essentially doubled from 2010 through the first half of '14.

Now let me take a little time on this chart. There's a lot of information at it. And this is a composite of what we call our energy portfolio of business, and you'll notice that the big black barge here are utility coal. And you will also notice that that percentage of utility coal to everything else in our energy sector, which is ethanol, the Utica/Marcellus inputs, natural gas liquids, butane, propane and crude oil. You can see the percentage of utility coal declining over this period of time by about 22%.

As David indicated to you in his presentation, we believe that we're at the tail end of the decreasing utility component of our energy portfolio. While at the same time, you can see that the other sectors are continuing to grow.

Let me put this in better perspective. Over this period of time, our utility coal franchise contracted by about $327 million. We more than offset that with growth in the other components of the energy portfolio shown here. Now it will write with respect to the assumptions on utility coal going forward. We see continued opportunities for growth in these other components. This entire bar should continue to move up over time.

Now let's drill down into the segments a little bit more, and we'll start with the energy portfolio that I just described minus utility coal. The energy portfolio and the industrial products is 13% of our total volume. And I can tell you that that business has grown since 2010 at a rate of 22% a year.

Ethanol is the only component that's been relatively flat as gasoline consumption has stayed flat or declining over that period of time. Every other segment -- crude oil, frack sand, and components have continued to grow. Let's drill into that a little bit more as well, and I'll start with crude oil.

I know this is the topic du jour in our industry today and has been, and it's a wonderful story because if you go back to 2010, 2011, there was no crude oil to speak of. 2012 it started to manifest itself.

Today we have accessed to six primary refineries back in the Pennsylvania, New Jersey, Delaware area, although we serve refineries in Ohio and Louisiana, and Mississippi, Alabama. These are the big ones in this 3-state area on the Atlantic Coast. 1.4 million barrels per day of processing capability, refining capability, we serve those. And today we are seeing our volumes of crude oil running at a rate that will be in excess of 100,000 carloads this year, up from 75,000 cars last year.

We're running that business in both manifest carload business as well as unit train. I will tell you that some of that has shifted in the last six months as we're seeing more heavy oil sand crude coming from Canada over Chicago -- Western Canada over Chicago into our network, and a smaller percentage of Bakken. We're now about 50-50 with respect to the split of that business. And we're running it on a route that is very strategic, that gives us competitive advantage in the marketplace. It's 200 miles each way shorter, double track, triple track. We have the capacity to serve these refineries very efficiently and very effectively.

Now, how long is the opportunity going to last in terms of the growth?

What we see is an ascending growth pattern in crude oil for us through 2015 on into 2016, and we project that by 2016 we will probably see some equilibrium reached at those six major refineries along the Atlantic Coast, and the growth rate will start to slow at that point.

The undefined question is how much Canadian crude coming over Chicago from Western Canada and from other gateways will make its way into the export market. We've seen terminals being built along the East Coast where export capabilities are there, and that is another avenue of growth.

With respect to the FEMSA and PRAM that is out today, if it is in place as it's stated without any major alterations to it, we do not believe it will bend the curve of growth ahead for this product for crude oil.

So let's transition from crude oil to the Marcellus and Utica. And this is a map and it's not the most bright map, so I apologize for that. But the purple lines on this map are Norfolk Southern. The green lines are those short lines that I mentioned previously.

In the state of Pennsylvania alone we have close to 60 short lines that connect with us. We now have over 65 termination points for frac sand distribution through Ohio, West Virginia, and Pennsylvania. It gives us great coverage of the growth for hydraulic fracturing and drilling in this region. Also, we have access to over two-thirds of the fractionator output -- fractionator output being the liquids -- natural gas liquids, butane, propane that is being shipped from this area.

You'll notice the black dot up to the left of this slide is Bellevue, Ohio. It's in the epicenter of the Marcellus/Utica, and you can see part of the reasoning in terms of the expansion of that facility.

All right. Turning from energy, let's go to manufacturing, which is about almost half of industrial products and as I said, manufacturing chemicals, metals, paper. And we see continued growth opportunities in this market. Since 2010 it's grown by 5% a year in terms of overall revenue.

And as I mentioned, we're beginning to see -- I won't use Tony Hatch's word "manufacturing renaissance," but for like rail renaissance. But I will say this, we're beginning to see the early stages of a manufacturing recovery in the US with reshoring, onshoring, and some of the products that are being brought back into the US from Asia, as well as from Mexico. And we see good things ahead with respect to that.

Turning to construction, which is 14% of our total industrial products volume. It's actually grown by 6% CAGR since 2010. This is aggregates traffic, crushed stone and gravel. It is cement, and it is also lumber. And with housing starts beginning to spool up, what we're seeing is a pronounced shift in origination of lumber from the Pacific Northwest and Western Canada, the traditional sources of lumber coming back into our territory where we're seeing Southern Yellow Pine ramp-up at a fairly pronounced rate, so online originations of lumber are up double-digit. And as we see residential construction and then non-residential construction recovering on out into 2016, '17, there's opportunities for additional aggregates as well as lumber.

Now let's turn to agriculture, which is 24% of the IP book. And it's had a CAGR of 5% revenue growth since 2010. And everybody knows we got a very strong crop this year, we had a very crop last year. Let me put that into context real quickly for what we see as an opportunity for continued growth in this.

Out of the seven state area of the Midwest, the bread basket, if you will, we serve over 65 elevators for corn, soybeans, and wheat for processing. And on the destination side, over 110 outlets, feed mills, port terminals, processing facilities, so we have a range of origination flexibility and a range of destination flexibility including the export market as these crops come in with varied levels of volume in the corn, soybean, and wheat areas. So looking ahead, we see continued opportunity in the Ag market.

Now I mentioned industrial development and how that connects with reshoring/onshoring. And this is a rollup of our performance since 2010 in what we call industrial development -- economic development.

Over 381 projects, $1.3 billion in revenue over this period of time, 562,000 car loads of new rail traffic. This is the lifeblood of replenishment of opportunities for growth along our network as industries ebb and flow.

There's a lifecycle to certain plants and as plants get older, we need new plants and expansions to replace that. And we've been very successful in realizing those opportunities, and we plan to continue on that path.

So if you rollup what we're trying to tell you this morning is that we see four broad categories of growth opportunity ahead, which we see today. They're manifested today, but ahead we see further opportunity -- energy, manufacturing, the highway conversions in both carload and intermodal, agricultural growth, and then also within this group the construction activity that I just pointed out.

Our focus will continue to be on strategic placement of our product, which includes the investment, the yield management, all of the components of our strategy on intermodal, our TBT network which is the carload-to-truck intermodal product, and also big projects like Bellevue that enhances a carload opportunity. And all of this is coming together obviously focused on our customers to serve them efficiently and also effectively.

So with that, I thank you for your attention and I will turn the podium over to Mark Manion.

Mark?

Mark Manion - *Norfolk Southern Corporation - COO*

Thanks, Don. You've got a terrific sales and marketing team.

Let me do this. Jim Squires started out with a couple of comments related to the safety process. And I would like to do the same thing.

First of all, keep in mind that our people and our operation are absolutely core in the safety process. And when I think about our safety process, we have made some pretty significant changes in more recent times.

In 2011, in a very aggressive way, we embraced behavior-based safety. And I can tell you that that is a journey that never ends, but I can also tell you that during the course of these last three years we continue to see improvement out in the field, out in our operation with regard to the safety process. We are seeing increasing benefits primarily in terms of the engagement of our people, and that's what this is all about.

So when I talk about behavior-based safety, behavior-based leadership, these are not just words, this is not just the latest thing that's going on, this is a means. And we've had a great history at Norfolk Southern with safety. And we thought for years and years and years, talked about the Harriman Award, and getting better and better. But we made the conscious decision back several years ago that in order to really get better we need the full engagement of our people.

And when you think about it you can have -- we've got a unionized workforce about 24,000 people -- and you can have 24,000 people that come to work and do what they're told to do or do what they need to get by or you can have people that come to work and are energized and are wanting to be engaged in what's going on, and it has everything to do with the behavior of all of us day in and day out in order to make that sort of thing happen. So we're seeing a lot of positive things out there on the railroad.

I'll give you one case in point.

Last week, at this time, ironically enough, the Senior Operating Group was in Cleveland for a meeting and it had to do with one of our many productivity improvement projects called Engage. You'll hear a little bit more about that later today. And what we've been doing with these Engage meetings just very quickly, Engage is a process whereby we improve efficiency and productivity in our terminals.

And we don't do this all at once, we go one terminal at a time, pretty intensive process. And we spend about four weeks at each of our -- give or take depending on the size at each of these terminals with Engage where we work on efficiencies at that terminal. So our advanced team, our Senior Operating Group, we came to Cleveland in order to meet with the senior labor people at this location -- this would be our local chairman -- and also our local supervisors, about 40 or 50 people. So we're meeting with these folks, and we're talking about Engage, we're talking about what's to come and it's an enthusiastic type meeting.

But what was really interesting, now keeping in mind this behavior-based leadership has been in place for about three years, what was really in mind was that this meeting, over a period of time, transitioned to one where the local chairman started talking about the ways to improve the operation in Cleveland, the ways to gain more efficiencies, the ways to get more productive. And they were just feeding on each other, so it was a testament. It's really good for Engage going forward and all of these productivity improvements that we're looking for, but it was a real testament to how the behavior-based safety is working in a big way. So that was just we all got our batteries charged out of that. That was a good thing.

And let's also keep in mind that when we talk about the behavior-based leadership, it has a lot more to do than just with the safety process. And if all we got out of it was safety, that would be great. But what we're getting out of this, through all this engagement is people that want to do a better job with customer service, a workforce that wants to do a better job in finding ways to operate in a more efficient productive way. It's really cool stuff.

Okay. Now, Don and his group have discussed a lot of opportunities for business growth. And as we strive to improve our operating performance as we do a better job with customer service, one of the things we're doing -- and that Engage was an example of it -- is focusing on the best way to use our assets, continually finding ways to work as efficiently as we can. And granted there's some things we do where we have to spend a certain amount of money in order to gain efficiency, but my point here is we do a lot of things to drive productivity and efficiency simply by improving processes that Engage was an example of that.

And I think I want to say. I think that it's pretty evident that that has been reflected this year. Tough first quarter, we talked about some of the increased expenses we had as a result of the tough first quarter. But nevertheless, due to the productivity improvement projects and all those things we've been doing in a very aggressive way over the last couple of years, you saw that our expenses went up in a pretty marginal way and, to a large extent, offset some of the extraordinary expenses we had in the first quarter.

Same thing in the second quarter. We had some increased expense as a result of the volume increases we've been experiencing, but due to the fact that we are baking in a lower cost structure you did not see our expenses go up in a commensurate way. So process improvements are a really big deal.

Now the other thing I'll talk about is we forecast where our business will grow. Don and his group, they work really hard, working on the forecast, getting us as good information as they can. And then we take that information, and what we want to do is where we find that business is going to grow in a particular area, in a very precise way we add infrastructure. And our operating group is going to talk about this in just a minute.

Think about it this way. About 10 years ago, it was the early 200's. We started adding capacity to our main lines.

Now I think this is of interest to you because I pretty frequently get the question and I got it several times last night -- are you guys going to be able to continue to grow? You're up 2006 levels. This is one of the ways that we address that, so the answer is yes, we are going to continue to grow.

So back to what I'm saying, early 2000's we started adding infrastructure in a very precise way. And when I say adding infrastructure, I'm not talking about Bellevue project which is another really important way to add infrastructure. I'm not talking about Bellevue. I'm not talking about the new terminals we've built, I'm talking about main line infrastructure.

And so how do we add main line infrastructure? We add sidings. We'd linked in sidings. In some cases, we add a relatively small amount of double track. We'll put in crossovers to give ourselves more flexibility for the operation. We'll do a little bit of signalization where it makes sense to add flexibility to the operation. Those are the precise type things we do to give ourselves more mainline capacity. So the marketing group and others, they forecast where it makes sense looking into the future to add this capacity.

And then very importantly, these days we're able to use computer modeling in order to understand the impact that those precise additions will make. And in the past, it was more a case of -- it looks like a good idea to add some capacity over here. Well, that just may move the problem somewhere else. But these days, with the computer modeling, with the capability of using actual waybill of data and running the computer to see what the effect of the change will make, we know before we even put a shovel in the ground, we know what the effect of that added siding is going to have. So it's been a very positive way to work.

Over the course of the last more than 10 years, we put about $400 million into the main line with these type projects. That's capital money. It's not over that longer period of time. It's not a particularly large spend out of whole capital program, but it's a very important one, one that makes a big difference for us. And it has resulted, since we started doing this in the early 2000's, it has resulted in a much more robust network, a network that has taken us way beyond where we were in 2006.

All right. Well, I'm going to close with that. And I'm going to turn it over to our team.

John Friedman in Strategic Planning is going to walk you through some actual examples of what I'm talking about with these strategic improvements. He'll go through some of those projects. And then Ed Boyle in our Engineering Department, he is going to take you through the actual on the ground project implementation. So I think you're going to find this very interesting.

Gentlemen, come on up.

John Friedman - *Norfolk Southern Corporation - VP - Strategic Planning*

Thanks, Mark. Excuse me. That was a great lead-in.

As vice president of Strategic Planning, a big part of my job is making sure that our network capacity is robust enough to handle the growth that's coming at us.

Today I'm going to talk to you about three things. First, I'm going to show you our network has grown the most. Second, I'm going to share you how we add capacity to the network in our process. And third, as Mark said, I'm going to take you through three case studies that show you how we add capacity.

Let me start taking you through our network.

This slide shows our core network and compares our tonnage growth 2006 to 2013. The lines that you see in blue, the upper Midwest, are the lines that have grown the most if you compare 2013 versus 2006. Well, volume growth over the network has been variable, it's clear that we assume the largest growth in the upper Midwest and coming east from the Chicago gateway.

But just because we have grown it doesn't mean we start throwing money at the problem. We first look to see if there's process improvements that we can make. If we need to invest, we don't want to invest too early. Infrastructure doesn't earn a return just sitting in the ground waiting for traffic to show up. And if we invest, we prefer to invest in lines with a diverse franchise of traffic. For example, if one commodity were to decline, it's likely that other commodities would grow. That way we'd be assured of return on our investment.

So here's the NS capacity process. And as Mark said, it all starts with a traffic forecast. If that traffic forecast points a potential capacity need, we get together a multi-disciplinary group, ask some very simple questions -- how much growth do we expect and how long do we expect it to last?

If we identify a need for more capacity we first look at process improvements. Is there a way we can debottleneck a system? Are there service changes that we can make in lieu of investor?

However, if we need to invest we start looking at the best projects that would solve the capacity issue. We evaluate these projects by a bang for the buck methodology looking at the best combination of projects that produces the most benefit for the least overall cost, keeping in mind both short and long-term returns.

However, identifying the project is often the easiest part. Capital for capacity has to compete with every other project in Norfolk Southern for capital. And building capacity isn't instantaneous. It takes at least a year to add capacity to the railroad and complicated projects take longer.

Our best tool for determining capacity is our LineMAX capacity analyzer. This tool built in-house enables us to flow traffic across the network and then look on a specific segment by segment basis and see where we have capacity and where we might need to add.

I'll take you through an example that shows you how it works. As southeastern utilities have increasingly turned to the Illinois Basin as a cost-effective fuel source, demand for our services out of the basin has increased. We've mostly seen that traffic coming eastward on a line out of St. Louis. That's our primary line serving the Illinois Basin.

That line shown here in green was unconstrained in our LineMAX projections before coal started growing. However, as coal and other traffic started growing in our traffic forecast, that line turned to yellow in LineMAX indicating a potential future capacity issue. And as traffic projection had increased, that line turned to red indicating that in a few years we would project to have very few slots available for new traffic.

By the time that this line turned to red, we had already begun the process of identifying potential capacity improvements on the district from St. Louis to Princeton. As it turns out, it wasn't the entire district that was full. Just the easternmost 20 miles where most of the growth has occurred, we identified three projects -- a siding, a siding extension, and two radio-controlled switches leading to a major mine that will produce the greatest bang for the buck.

Without these capacity additions, we would have seen delays on the district increase by almost 80%, but with these projects we know we got back to the previous status quo, but we improved performance on the district by almost 20%. That sets us up well for future growth.

I'll now turn it over to Ed who will show you how Norfolk Southern uses its construction capabilities to implement these projects in a timely and cost-effective manner.

Ed?

Ed Boyle - *Norfolk Southern Corporation - AVP - Communication & Signal*

Thank you, John.

This may not look like coal country to you, but if you look closely, it is. In order to more efficiently handle the Illinois Basin coal traffic, we designed and constructed a new 2-mile long passing siding at Beck, Indiana, and extend an existing passing siding by 4,000 feet in Princeton, Indiana.

From a Norfolk Southern engineering standpoint, we get certainly small projects. And you'll be excused if all you see in this picture is a railroad signal and a section of railroad go from one to two tracks. But what you don't see that had to take place is the real estate acquisitions parallel to our existing mainline, the permits that had to be obtained in the extensive grading and drainage work required to construct the new road bend.

We also distributed 8,800 [cross tows], laid 29,000 feet of continuous monorail, installed new turnouts and signal equipment, and unload over 14,000 tons of ballast rock to build these new tracks.

Our track and signal construction processes have been enhanced over the years through experience and innovations. In this capacity improvement work, we've completed safely and efficiently all while contending mainland operations and one of our busiest territories.

The other capacity improvement project completed in this route was the automation of the switches and derails entering a coal-loading facility. We eliminated 40 minutes of delay per train by installing radio-controlled equipment in the area marked by the red box.

Each train traveling from the main line had to stop and the conductor had to dismount the train, walk ahead and physically line the switch and derail for the intended route. The radio-controlled equipment allows the train for it to line the route before they arrive, which eliminates train stopping and occupying the main line for 40 additional minutes. This is a low-cost example of how we utilize new technology to increase capacity without constructing additional infrastructure.

I'll turn it back over to John.

John Friedman - *Norfolk Southern Corporation - VP - Strategic Planning*

Thanks, Ed. That's good stuff.

My next example covers Norfolk Southern's line from Cincinnati, Ohio; Chattanooga, Tennessee. This is our primary route from Midwest to the south and is Norfolk Southern's second busiest line, therefore, we keep a pretty close eye of capacity on this route.

Over the past couple of decades, we gradually added double track as businesses grow. We built the easiest segments first and let gaps to be filled in later. While business has finally grown enough it was time to fill in a 4-mile gap that would create a 42-mile stretch of double track, avoiding a near-term capacity issue, and enhancing the long-term flexibility and capacity of this important route.

Again, as the metric show, adding this capacity improve the performance of the district and avoided potential deterioration in terms of service as traffic grew.

Now I'm going to let Ed tell you what looks really simple in the diagram is much more complicated in real life, testing Norfolk Southern's construction capabilities.

Ed Boyle - *Norfolk Southern Corporation - AVP - Communication & Signal*

As John stated, there was a small gap in the double track of engineering needed to address.

Filling this 4-mile gap provide 42 miles of continuous double track and it sounds easy enough. But everyone needs to understand there are two big reasons why this gap has not been tackled before.

The first reason was the enormous undertaking moving back a 2-mile long, 75-foot high rock cut to make room for a second main track to be constructed. Over 100 blasts had to be performed and more than 114,000 cubic yards of rock had to be excavated and removed while our transportation team continue to keep traffic moving on this critical single-track segment.

This photograph shows the new track construction underway after completing the rock cut work and depicts that we can do anything, even move mountains if it's where the customer need us to do.

The other reason why we do not already have the gap filled with Pitman Creek, at the same time we were taking on a mountain, we need to get over a significant waterway. The existing bridge only had room for one track and our engineering department took on the challenge of extending the existing bridge peers and constructing a new 405-foot long bridge over Pitman Creek next to the single track bridge.

This is a photograph of the new bridge spans being brought in by rail to be set on the modified bridge piers with a high capacity crane, and it shows we had to utilize the single-track for construction access while still keeping open for business.

This project was a well-coordinated effort between engineering and transportation, and this photograph shows the completed bridge structure supporting the new second main track. In conjunction with overcoming the two major obstacles, a significant amount of grading, drainage and roadway work had to be accomplished for the four miles of track to be built.

Our signal construction forces also had cabling and equipment installation to complete as part of this project, which provided signal track for both mains and achieve positive train control readiness on this segment.

This is a photograph of the finished product ready for business.

As stated earlier, there was a small gap that needed to be filled. I believe you can see it was not a small undertaking. This is a truly remarkable project that demonstrates we can do anything and we'll do whatever it takes to increase capacity after our analysis proves it is the right thing to do.

John Friedman - *Norfolk Southern Corporation - VP - Strategic Planning*

So Ed ended up with a portion that has all the cool pictures. I'm not quite sure how that happened.

My final example concerns the Chicago Gateway. In the opening part of our remarks, I showed you some of the growth that we had experienced comparing 2013 versus 2006. Norfolk Southern is primary line serving the Chicago Gateway is named aptly enough the Chicago Line. It's a double and triple track, reverse single main line that's the busiest line on the Norfolk Southern system.

But Norfolk Southern has a unique advantage because we have a second line in this busy corridor, the B-Line. This line, a main line in Norfolk Southern, doesn't have as much capacity as the Chicago Line, but it doesn't have as many trains either. This line gives us important extra capacity as we experience growth in this corridor.

As we look to deal with the growth you saw, we decided the best investment was flexibility. Constructing new and improving existing interconnections between the two lines to enable us to flow traffic between the two routes flexibly as conditions and traffic dictate.

After we invested flexibility, we turn to our attention to Chicago. On our own, we improved our intermodal terminals, and together with the rest of the industry we're investing in and benefiting from the CREATE Process, a multibillion dollar public/private partnership dedicated to speeding freight through Chicago by improving four critical routes.

On the other end of this corridor is Bellevue, the eastern anchor. The improvements you're going to see today help support the merchandise volumes across the entire network and this corridor. The combination of network interconnections, terminal improvements, and line of road improvements totals more than $500 million in investment. That's a lot of investment even for Norfolk Southern's busiest corridor going to our largest gateway.

However, almost $200 million of that investment is publicly funded, primarily to better separate passenger and freight flows in the Chicago area. Regardless of the funding source, all these improvements help improve our flexibility, our capacity and our efficiency of our network.

Now I'll turn it back over to Ed to show you some specifics about what we've done in this important corridor.

Ed Boyle - *Norfolk Southern Corporation - AVP - Communication & Signal*

As John stated, there's a tremendous amount of engineering work taking place between Bellevue and Chicago and inside the city limits of Chicago. This collection of projects is designed to increase capacity and fluidity through the busiest corridor in our network.

We're currently constructing a 3.2-mile long siding extension in Goshen, Indiana, which will provide a route for trains traversing between our major classification yard in Elkhart and the

Marion Branch without having to occupy the high density Chicago main track.

This project including new track construction, our bridge rehabilitation, crossover installations, and signal upgrades will greatly increase our capacity east of Elkhart, Indiana.

Another major undertaking that will enhance capacity between Elkhart and Chicago is the multi-phase Indiana Gateway project.

Work is scheduled to be performed in eight separate locations over 30 miles between the Indiana-Illinois state line in Porter, Indiana. The plan is to construct 6.5 miles of new track, install new crossovers and signaling equipment which will provide additional routing options and improved fluidity on our busiest corridor. What makes these projects challenging is that all of this work is being accomplished while maintaining operations on our premium mainline to ensure customers are served.

Once we determine how we're going to increase capacity and the fluidity in our mainline, we had to prepare to meet the challenge of handling additional volumes coming into Chicago.

We are completing yard expansions and gate upgrades at twoof our main facilities in the south side of Chicago. The 63rd Street Yard is located east of the control point in Englewood and the 47th Street Yard is west of Englewood.

In order to more efficiently handle the expected growth, 10,000 plus feet of new support tracks are being constructed. Additional trailer parking is being built to gain access points for our improved and a new 2,000-foot connection track is underway.

The challenge here is we had to purchase property, go through the complex street vacation process, obtain permits, and work with the city utilities in order to even begin our construction work.

Increasing capacity in Chicago is not a simple process, but as important as it is our operation, we believe this investment is money well spent and will leave us in a very good position for additional volumes in the future.

The final project we're going to talk about is when to create projects, and it will have the greatest positive impacts on our ability to move train in and out of Chicago. The control point at Englewood is an at-grade crossing between our Chicago Line and the Chicago Metro Rail System. This crossing is controlled by Metro and one of the most congested locations on our system.

Norfolk Southern has 46 freight trains and 14 Amtrak trains traversing this interlocking daily. Metro has 78 time-sensitive commuter trains through every day in the opposite direction. 138 trains are occupying the same piece of real estate every 24 hours. Needless to say, it is a monumental task to remain fluid here.

The Englewood Metro Flyover project will be completed and operational next month. As shown here, this new bridge will carry Metro trains over the NS Chicago line, eliminating this at-grade crossing, which will allow our traffic unimpeded movement.

The completion of this CREATE project will have a tremendous impact on our fluidity and significantly improves our access in and out of Chicago. This complicated project, along with the other engineering work taking place, demonstrates once again that we can tackle anything after it's determined to be the right decision for our railroad. Some projects just take more time and money.

The Norfolk Southern Engineering Department has the people and a capability to do whatever our customers need us to do, and we will get it done safely and efficiently. Thank you.

John Friedman - *Norfolk Southern Corporation - VP - Strategic Planning*

Thanks, Ed.

Englewood is the only point on our Chicago to East Coast main line that Norfolk Southern doesn't fully control, so we can't wait until this is done.

I'd like to leave you with three thoughts. First of all, Norfolk Southern has the systems in place to anticipate and react to changes in customer demand.

Second, Norfolk Southern is surgical about where and how much we invest in capacity.

And third, Norfolk Southern has the capability to execute capacity expansion projects on time and on budget.

Thanks for your time and attention. And now I'll turn it back over to Katie because I think you all due for a break.

Katie Cook - *Norfolk Southern Corporation - IR*

John is right, we're on for a break. Thank you all. Wonderful presentations this morning. We will reconvene at 9:45, Wick, 9:45. Thank you very much.

(BREAK)

Katie Cook - *Norfolk Southern Corporation - IR*

If I could ask everyone to re-gather and start to get situated in their seats, we'd like to kick off the next segment of our presentations.

Thank you. It's my pleasure to introduce now Marta Stewart, our Executive Vice President Finance and CFO. Marta?

Marta Stewart - *Norfolk Southern Corporation - EVP -Finance, CFO*

Good morning, everyone. And as all of the speakers before me, we have said it's really terrific to have you all here today. We are -- as you can tell, we're all very excited about the Bellevue project and we can't wait to get you all out there.

So this morning, you've heard from Jim as well as from Mark and Don and their teams about how we anticipate and plan for business opportunities. So now we're going to share how we evaluate these opportunities and try to decide between what is often quite a few options that we have before for some of these projects.

So with me today is Tom Werner, our vice president and treasurer who most of you have met and he's going to talk about those details. But before he does, I wanted to go over our cash generation and our capital deployment strategy.

Here's cash from operations for the past few years. As you can see, it's exceeded $3 billion in each of the last three years and has generally trended upward on this slide other than the recessionary period.

Strong cost control and Mark talked about some of those efforts. That cost control has contributed to these results. We have a record low-operating ratio for the full year of 2013 and also in the most recent quarter that we just released.

Now, as most of you know, with respect to how we deploy the cash we generate, Norfolk Southern have had a consistent long-term strategy for that. First and foremost, we maintain a strong balance sheet and adequate liquidity. Next and subject to appropriate returns, as shown here, we reinvest in our existing asset base and we invest for growth. And finally, also were shown here, we pay dividends and we repurchase shares.

Now, this slide illustrates the historical components of that capital deployment over the last eight years. Note that the reinvestment and growth spending, much of which we're talking about today is shown in green and burgundy. That's increased significantly since 2010 and the key Bellevue Yard project which would begin about 2-1/2 years ago is one reason for that increase in the growth category.

This shows you that same - those same items but in totals. Since 2006 and we're starting with 2006 here that corresponds to the beginning of our share repurchase program. During that time, ours has been a very balanced approach when you take the time period in total. During that, as shown in the green bar, fixed assets have totaled about $13 billion while at the same time, we turned over $12 billion to our owners.

The dividend component of that totaled $4 billion and as Jim mentioned earlier, over this time period, we've had a compound annual growth rate of a very strong 17%. Going forward, we continue to target a payout ratio of one-third of our earnings.

The share repurchases over that period totaled $8 billion and have resulted in the retirement of 137 million shares at an average cost slightly under $60 a share. During the fourth quarter of this year, as we finalize our capital budget with the throws of it now but as we finalize the capital budget for 2015 and as we begin to shape or look ahead to the 2016 and 2017 capital budgets, we'll also look at our share repurchase program going forward in light of overall capital deployment and the cash that we have on hand.

And now, I'd like to ask Tom to come up here and go over a summary of how we do our capital selection process.

Tom Werner - *Norfolk Southern Corporation - Treasurer*

Thanks, Marta.

What Marta described is essentially Norfolk Southern's overall financial strategy. The foundation of that strategy is a focus on returning value to the shareholders. As our marketing team's presentation showed, significant value can be obtained by adapting to our customers' needs.

And John pointed out that through judicious investment in our infrastructure, Norfolk Southern is well positioned to capitalize on that - on those changes. And finally, as I hope you discerned from its presentation, once we decide to do something, anything is possible.

Let's take a look at our 2014 capital improvement budget. Where we plan to spend roughly $2.2 billion, roughly two-thirds of that amount is dedicated to reinvestment in our current infrastructure and equipment. Another 10% goes to the federally-mandated Positive Train Control Program.

At least about a quarter for our growth opportunities, with so much capital dedicated to ongoing health and mandatory investments, one thing is clear. Wise project selection is the first step in returning value to the shareholders.

Now, we demonstrate in the past that we have the commitment necessary to invest, to keep ourselves healthy and to grow. And we expect to maintain a robust capital program well in to the future. Anchored in the next few years by the ever present maintenance of Way but also by continued freight car investments and a renewal of our locomotive fleet.

While we're willing to make the big investments as necessary, we also focus on the search for creative ways to deploy capital and use our strategic of competitive advantages for best returns.

The Locomotive Rebuild Program which you've heard about before and if you went to Juniata, you might have seen it in action a couple of years ago. It's a great example of this.

Through our shop facilities in Altoona and Roanoke, we're able to transform the bare frame of a retirement-ready locomotive shown here on the left into a like new unit that incorporates microprocessor controls, electronic fuel injection, new engine cooling techniques and other enhancements. The end result shown on the right gives Norfolk Southern a competitive advantage because a rebuilt locomotive costs slightly less than half of a new unit.

Whether it's investment in locomotives, facilities or anything else, our internal process is rigorous and enumerating, validating and valuating - valuing the cost and benefits of every aspect of each project. As John mentioned, this is a multi-disciplinary effort that calls on the insight, skills, and experience of many departments on the railroad and we compliment that upfront analysis, we review processes after the work is done so that we can improve the quality of our project selections in the future.

Bellevue, a poster child for our approach to investing, provided numerous quantifiable benefits. Many of which Jerry Hall is going to talk to you when we get out to Bellevue, we'll go into it in greater detail later on.

Among those benefits are we solved the post-recession capacity problem as our traffic increased. We eliminate costly handlings per shipment on - for better blocking of our cars, and we improved merchandise routing that has the benefits of reducing our car miles, our car hire cost and our transit times and that resulted in lower operating expenses and at the same time improved customer service.

Of course, those are the direct benefits and the type of thing you expect from any basic return analysis. The part of our process that I hope you picked up from what John was talking about is how our efforts are focused not just on a localized benefits to Bellevue but on the strategic goals of the corporation and that - and the value of that strategy brings.

For instance, Bellevue diversifies our Midwest operations. It provides resilience to yard operations not only at Bellevue but also at Elkhart, Conway and other locations. Bellevue's size and positioning will permit us to compose trains that can significantly improve the congestion around Chicago. Something of value to Norfolk Southern and to the nation at large.

Bellevue's modification is part of a streamlining of Norfolk Southern's yard capabilities. It's return is augmented by protecting the financial benefits of closing yards at Buckeye and Roanoke as we've done in the past couple of years and the value unleashed by facilitating the repurposing of our Conway yard to handle a growing crude-by-rail traffic. In short, our process recognizes the whole as often greater to some - than to some of the parts and we strive to focus on that whole.

Now, selecting and executing project such as Bellevue in a complex network-oriented business such as Norfolk Southern's also depends on having the right tools and information to make the correct decision. To that end, NS has invested significantly in the systems, the models, and the processes to forecast our business, improve our infrastructure, develop an appropriating operating plan on top of that infrastructure and then, most important, be able to value and understand the value we bring to our customers and to ourselves.

Now, when we're talking about an investment as large as Bellevue, its magnitude is large enough that it can actually change the foundation of assumptions of operationally and financially that went into justifying in the first place. And so, we make sure that as we implement changes in our network that we feed that back both the financial and the operational implications into our planning processes so that we understand the operating environment one have post project and make better decisions for subsequent projects down the road.

One other aspect of our process deserves mention and I'm talking about risk management. And again, if you watched that all, it makes it all look simple. But all of you should recognize that for, example, moving several miles of 75 feet deep, deep rock doesn't always go exactly as planned.

Similarly, and on the larger scale, NS is subject to risks and regulation, competition and the economy to say nothing of the fact that the needs of our customers are not always 100% predictable especially on the timeframe as necessary for our investments.

An eye toward future risks and opportunities, even when those risks aren't completely quantifiable, provides a valuable complement to each step in the process. In summary, Norfolk Southern takes a strategic and comprehensive view of each of our opportunities and manages the risks to bring to projects such as Bellevue to fruition creating one more connection for growth.

With that, that concludes the formal presentation in Cleveland. Obviously, we have more for you when we get out to Bellevue but we want to do a question and answer session and now I'm going to bring Wick up to make a few comments and then to facilitate us in that effort.

QUESTIONS AND ANSWERS

Wick Moorman

Is this one? Yes, I can hear. Well, thank you, Tom. Thanks, to all the presenters this morning.

In spite of my best efforts to drag in admonished by Katie, we left a lot of time for Q&A. And I would just wrap all this up by saying that I think we've shown you a couple of very important things this morning. The first is how we feel about the growth prospects for our franchise which are considerable.

We are moving -- I've largely moved past, hopefully, are pretty much by the very significant deterioration that we've seen in our coal franchise which has been an important franchise for this company for small business that's been around. But as that business stabilize, we have seen so many so many other new growth possibility prospects out there that I can tell you that we are very excited about our future and our potential to grow meaningfully over the next number of years.

And then the second thing and you'll see a lot more of this at Bellevue as well, is the disciplined way in which we try to think about everything that we do. But particularly, about how we think about our network and how we think about adding capacity and spending money on that network. And again, you'll see a lot more of that as the day progresses.

So let me open it up for Q&A. At some point, I may ask Jim to come up and answer a few questions. The process will be that if you ask a question and it's capable of being answered at about 50,000 feet, I'll take care of it.

I'll ask Jim to, say, take the 35,000 to 40,000 foot and beyond that, you know, we'd both be flying blind and we'll ask all the other experts in the craft to drill down a little further. That sound like a plan, Jim? Good.

Question? Scott raised his hand very quickly. And since we are webcasting, if you'd wait for the - wait for the mike and then maybe identify yourself too.

Scott Group - *Wolfe Research - Analyst*

It's Scott Group from Wolfe Research. So I've got two -- maybe I'll end for Don and For Marta.

So, I was looking at the slide on revenue for car load growth since 2006 and the one segment that really stands out as intermodal as lagging. What's the opportunity for that to catch up particularly that's the segment that's the least subject to regulation? Do you think we can see better pricing there?

Wick Moorman

Let me start by saying that we see and we have talked about this for a while. A very significant opportunity and as you point out, that is the area that from a pricing standpoint, has lagged for a while now, constrained as we all know, really by the overall truckload pricing market which since 2009, since the great recession has been depressed as essentially and close to flat.

Not only do we believe because of all the factors that Jeff talked about that truckload market is dramatically starting to tighten up now. But we also saw J.B. Hunt which a lot of you know has now put out a whitepaper talking about all the factors which are going to drive increased pricing and increased tightness in the marketplace in the next few years. And so -- that we think, obviously, it had to filter through our contracts but we think that that's a very significant opportunity for pricing games in a market which has been depressed now for some period of time.

Why did I leave out?

Unidentified Company Representative

(Inaudible - microphone inaccessible)..

Wick Moorman

Don has coached me very well. And one for Marta which I probably will feel less easy about answering myself. Go ahead.

Scott Group - *Wolfe Research - Analyst*

Thanks. So, Marta, just wanted to ask about the cash deployment. So you haven't bought back a lot of stock recently and as we start thinking about better earnings, growth, should we think that's a bigger part of the cash deployment going forward and then just your idea, maybe some ideas on leverage and I think you had talked about paying down some debt in the fall, are you still doing that or maybe would you keep the leverage and put more towards buybacks?

Wick Moorman

Marta's empowered me to answer this question, too.

Marta Stewart - *Norfolk Southern Corporation - EVP -Finance, CFO*

(Inaudible -- microphone inaccessible)..

Wick Moorman

We spent - we spent a lot of time talking about this. You know, our strategy remains the same as debt that we have enunciated for a long period of time now. Scott, you know it -- you all know it well. First and best in the railroad, take advantage of every opportunity that we can to invest in business growth and invest as well to ensure that we have the adequate capacity, that our infrastructure is well maintained, that we are hiring and training the right people and all of the things that we spend money on.

Our second area of focus is the dividend and we have a policy right now of trying to maintain a one-third payout ratio. We've had the leading dividend in the industry for quite a while. We like that. And we'll continue to make that the first priority in terms of returning cash to shareholders.

And then there's the share repurchase program. We've been very aggressive, as you know, over the past number of years that you saw on the slide in repurchasing shares with cash generated. We've been in the fortunate position. All of us -- all the industry has in terms of cash generation, if not only having really good operating results but the benefits of a bonus depreciation which has helped on the cash side as well.

And we continue to believe that share repurchases are inappropriate way to distribute cash to our shareholders. We try to think about it in a very systematic way. We are buying shares today. We believe in our shares. We believe in our share price.

We've always had the thought that on those occasional times that come along when we think that for whatever reasons, the market is possibly somewhat mistaken about our prospects and the shares are significantly depressed, we want to be in a position to buy more. So we have a - we have a grid or a matrix in place which guides our share repurchases. And we'll continue to live by that.

In terms of leverage, we're comfortable being --

Yes, we're comfortable at our current point. We did paid off the most recent tranche of debt two or three --

Four-seventy -- yes, $431 million on the 17th. And we'll look at leverage going forward. But I will tell you that our general position on leverage as we want to stay at our current credit ratings and we'll do what's appropriate in terms of borrowing to ensure that that's where we stay.

What did I leave out, Marta?

Scott Group - *Wolfe Research - Analyst*

That's great. Just one follow-up and then I'll pass it along. On the CapEx side, do you think given the growth outlook that you need to spend more as a percent of revenue going forward or the recent run rate is a good place to be?

Wick Moorman

Well, I think that overall, you know, you look at the recent run rate, of course, you have to X out PTC that starts to wind down at some point in the fairly near future. I think just from a general strategy standpoint, the run rate right now feels about right to it. I would tell you that the wild card to some extent in the run rate over the next few years is just that we have some significant assets to become live expired particularly on the car side.

You know, we've got parts of our car fleet that are we've life extended to 50 years and now they're going to reach that. We've got, as you know, most of you know, the coal car fleet where a lot of the rebodies are now in the position where we need to retire them. So you're going to see some - some variability, I would say, on the car side. But in general, we think that we're investing appropriately and investing for the growth and Bellevue's a great example of this that we think we're going to see.

I'm looking at Jim. Okay? So far? Come on.

Jim Squires - *Norfolk Southern Corporation - President*

Thanks. Let me take a crack at the capital deployment question as well because this is important to me. I've been talking with investors about this for seven years since I first became CFO of the company in 2007.

And I think - I think a little historical perspective is helpful on this. Marta showed you how we returned $8 billion worth of capital through share buybacks since 2006. That's fully two-thirds of what we reinvested in the company in buybacks alone.

And so we are believers in share buybacks and that is going to be part of our strategy for returning capital to shareholders now and in the future as well. It gives me great comfort as a shareholder myself when I see that the average cost per share for our buyback program is below $60 per share. I mean, I think we've created a tremendous value through our share buybacks doing them the way we have done in the past.

And I will be -- you know, our intent, as we've said, to continue using buybacks as a mode of returning capital, a tax efficient way to return capital. We are in the sense of grid and market conditions and other factors that we take into account as we invest and return that capital.

So we're not trying to delever. We have a strategy of maintaining leverage within a certain range. We recognized that leverage is an important driver of return on equity and so we will continue to use leverage judiciously and within the kind of a credit of balance that we've outlined.

Wick Moorman

Jim and his team, by the way, have done a lot of thinking about share repurchases, a lot of analysis is entered into the realm of a multi-dimensional, multi-universe problem in terms of thinking about the appropriate strategy and we continue to, as he says, look at this. But it is a - it's something we are doing. We're going to continue and we do believe it is a good way to continue to return capital to our shareholders. So I'm going to go in that order.

So, Mr. Hoexter? Actually, then I'm going to defer to --

Ken Hoexter - *Bank of America Merrill Lynch - Analyst*

Great. Thanks. Ken Hoexter from BofA Merrill Lynch. Can you talk about thoughts on railroad volumes? We get that this is like in 2003-2004 where you can see the volumes sustaining themselves that you talked about and we're kind of seeing the peak levels are already -- that was the start of a pricing renaissance for a little bit of a different reason but given by coal at that time.

So if volumes really start to ramp, what are your thoughts on a network getting overwhelmed, I guess, in terms of just capacity, last night where I asked about if you could use pricing, I think the answer was plan to take time to get in there so but if volume sustain at this level, what are your thoughts?

Wick Moorman

First, I want to make sure that's not a ghost making that noise behind me.

Ken Hoexter - *Bank of America Merrill Lynch - Analyst*

Ghost of railroads past.

Wick Moorman

I will tell you, Ken, I think it's a good question. And I will tell you, I think, that when we saw the volume growth, we, at NS, and I think the industry in general in '03 and '04, for those of you on the webcast, there's an odd noise going on and we're just going to hope it's a friendly ghost.

There was far more of an element of just really running into significant capacity blocks on the network and I can list some of them that we live with in a big way, you know, Cincinnati was a huge issue for us and some of railroad down south.

We, and it think the rest of the industry, have really done a lot from a capacity standpoint since then and I am not concerned right now that we cannot take on even more volume across our network and handle it efficiently. I'm comfortable with that and the process that we've outlined that John and Mark and Ed talked to you about is what gives me that comfort that we're not constrained from that standpoint, really, anywhere on the network.

Ken Hoexter - *Bank of America Merrill Lynch - Analyst*

So just kind of a brief follow-up for that is you talk a lot about accruing and prepping for the fourth quarter and what are immediate price. And I think, either you or Jim mentioned the locomotives that are coming on the usual and the new ones, what are your thoughts as we enter into '15 and, you know, if those get put into play right away the capture of some of the delays that are going on now with the tier four mission center and kind of you're already down two to one manufacturers getting ready, can they meet the needs?

I mean, if we continue -- just looking at - if we have a strong grain crop and everything else that you talked about intermodal and crude-by-rail really continuing to grow, I guess the crew size but what about the locomotive scaling availability?

Wick Moorman

Well, we're very -- I would say, if I talk to Mark and say do you need more locomotives, I only expect one answer. But I think we all, Mark and I and the entire team, think that the plans that we have for acquiring power right now are adequate for not only what we're facing today but for even more growth over the next few years.

We believe that as we add to crews, we see network velocity improve, network velocity manufactures locomotives, you can -- we've done all kinds of analysis all over the board that tells us a mile and hour's worth somewhere and see broad ranges but 60 to 80 maybe even more locomotives that just produces so we expect to see that as the network improves.

The larger issue around the railroad industry in terms of one manufacturer in tier four is clearly a - is clearly an issue. But I think that our plans and our rebuild capability which is significant, to some extent, put us in a very good place in terms of power for the next few years.

Tom?

Tom Wadewitz - *UBS - Analyst*

Yes. Thanks. Tom Wadewitz with UBS. So I have two questions. I'll just give them to you upfront. David Lawson kind of slipped in a, you know, here we think export coal will be flat in 2015, if I heard him correctly, something along those lines. Again, maybe that's - maybe I didn't hear that right but something, it was a little more constructive on export coal, I think, 2015. So I'm wondering if you could elaborate on that and give us a sense, you know, why do you feel like that's flattening out and so forth. The utility goal side was really clear in your view.

And then the second part of the question is just, Okay, so let's assume you're right that coal is not as a big headwind in the next couple of years, can you be, you know, eastern rail's, in general, moved to the low 60s as we've seen in the broader rail industry, you know, and a multi-year basis. Is that - is that something that can happen? Thank you.

Wick Moorman

You want to comment on export coal?

David Lawson - *Norfolk Southern Corporation - VP - Coal*

You know, the export coal issue, Tom, is one that's moving very quickly. It's dynamic in the world market. The biggest driver right now that we're watching is Chinese demand. It's driving lower met coal demand in the world.

But the second big trust in this too is currency exchange. The Australian dollar is falling and the US dollar is getting stronger. And export coal around the world's traded in US dollars.

So it's putting additional pressure on our exports and we're going to stay very, very attuned to that market, be opportunistic quarter to quarter. As I told you separate quarter call, probably the price game is over with respect to our pricing. We're where we are because we're not going to move the market so we're not moving any further on prices.

And I think what David was telling you, to speak for David, is that the dynamics is set for only a very, very mild recovery and export coal in 2015. We think the oversupply, which he mentioned, the 20 million tons of oversupply in the world market, some of these other factors will converge and we start to see that improve in 2016. But we don't see a very strong 2015 for export coal.

Tom Wadewitz - *UBS - Analyst*

Okay. So it's maybe down in '15 but broader terms, you know, you can see a modest recovery all over it. Okay.

David Lawson - *Norfolk Southern Corporation - VP - Coal*

Yes. I think the factor start to converge at point to better fundamentals in 2016.

Tom Wadewitz - *UBS - Analyst*

Okay. Yes. That's helpful.

Wick Moorman

You know, I think the important thing about export coal is that we do have a high quality metallurgical coal franchise and metallurgical coal is something that the world's going to need for a long time. And so, it will stay with us but as Don said, it's there are a lot of factors that make it variable from year to year.

I'm reminded of a quote by the physicist, Niels Bohr, who said forecasting is very difficult particularly when it's about the future. And we're lowed to do a lot of forecasting as you know or settle out of targets out there in terms of something like the operating ratio. But, I think, you have seen us continue to drive our operating ratio down particularly as the coal franchise has at least started to stabilize and I can assure you that we have -- Mark and his team have additional productivity targets out there over the next few years that are substantial and coupled with the volume growth that we talked about this morning some of the pricing opportunities that we think are out there particularly in important franchises like intermodal.

You know, our belief and expectation is that we're going to drive the operating ratio down, that where we can get it still remains to be seen but it's our intention and our goal and our belief that we're going to continue to drive it down over the next few years.

David Vernon - *Bernstein Investment Research - Analyst*

Hi, David from Bernstein. So Norfolk has done a fantastic job kind of keeping that operating ratio with the next headwind coming and shipping away from coal but it does look like the overall returns in the business had come down a little bit from 2011 and I guess what I'm wondering is when you would expect that rate of return and invested capital has either bottomed out or start to increase again and what do you think is going to be the key driver towards that inflection of driving returns from the business actually back up?

Wick Moorman

I think that we -- as you mentioned, we have seen a slight deterioration there that's driven really primarily by the level of - levels of CapEx we've been looking at. I think as I said earlier, driven mainly on the car side. We're going to continue to see levels of CapEx that look something like they do today.

But our expectation is over the next two to three years as our results continue to improve and we continue to drive more - more income out of the business. We'll see that trend reverse.

So we feel comfortable we're going to start to push - push the returns back up as well as the OR down and EPS up. And it's - that's the combination we're looking for.

David Vernon - *Bernstein Investment Research - Analyst*

Okay. And then maybe just as a quick follow-up. You mentioned at dinner last night that the requirements for investing in PTC are maybe going to stretch to 20-20 with the CapEx that you've been spending sort of it also extended the current rate or do you think that will start to --

Wick Moorman

No, no. If you look at the Positive Train Control, we're doing a lot of investment right now in terms of getting the infrastructure into the field and the technology on the locomotives. And that drives most of the CapEx.

So I would anticipate -- Marta, we're looking at another kind of equivalent size number next year and then you start to see it go down. And because then, the real issues start to take over which you have the testing the integration, the training as well as the finishing the, you know, finishing the deployment of the assets.

You know, one of the things that's unfortunate about Positive Train Control is we have Positive Train Control equipment that's been out in the field already for three years that we have not yet - we've tested but we have not yet turned on because we - if we hadn't started then, we would not have been able to get it in in time. So but look for it. That number should start to go down.

Just keep on going right there and we'll come around the curve and then go back. Yes.

Justing Long - *Stephens Inc. - Analyst*

Thanks. Justin Long with Stephens. And just to follow up maybe on the margin in question, I know you guys don't give a long term target there but some of the other rails have talked about incremental margin averaging around 50% going forward as they progress to their OR targets. Is there any reason why Norfolk should be materially different than, you know, what we're hearing from these other rails and is that a bogey that can be achieved in an environment where coal still declines modestly?

Jim Squires - *Norfolk Southern Corporation - President*

Thanks, Justin. We've been posting 70%, give or take, incremental margin for the last few quarters. So that's very strong incremental margin growth.

Long term, 50% incremental margin is probably a better - a better target and that's a level of incremental margin improvement that it comes with significant operating ratio improvement and earnings growth.

So I think provided we continue to see reasonable strength in our general merchandise franchise, we see - we see let's, just say, some yield improvements and intermodal. We see the coal begin to stabilize from the volume standpoint then with 50% incremental margin accompanying that volume trend, we should see earnings move up steadily.

Justing Long - *Stephens Inc. - Analyst*

Okay. Great. That's helpful. Maybe one more and I'll pass it along.

You know, you mentioned the productivity opportunity still hitting the $100 million target this year and maybe this is more of a question for Mark. But, you know, longer term, is that a good annual number to think about, you know, on a sustainable basis and in terms of the savings you can drive, is there an upside to that number or is it more difficult to achieve? Could you just get some color on that?

Jim Squires - *Norfolk Southern Corporation - President*

I'll let Mark give the color but from my standpoint, that $100 million is a good figure for us for the next few years. We think we're fully capable of generating that much and expense offset from productivity initiatives that Mark has underway.

Now, the composition of the volume growth, as you all know, has something to do with that as well. And again, when general merchandise is growing as strongly as it has, that spins off a type of productivity really better defined as operating leverage, natural spontaneous operating leverage from the mix of volume growth. So that certainly plays a part too.

But even aside from that, we are confident on our ability to continue driving productivity savings through the line item initiatives, if you will, that we have underway today and I'd invite Mark to come up and provide a little bit of color on that.

Mark Manion - *Norfolk Southern Corporation - COO*

Yes. Absolutely, Jim. And the only thing I would add to that is keep in mind that some of our productivity projects are really big longer term projects and the benefits are continuing to come out of the pipeline. So some of these we've got in place actually get better over a period of the next few years. So as we add more projects to what we're already doing, these large projects continue to spin off all the improvements and we get the fruit of that. So, absolutely, next year will be big and we see that for the next number of years.

Bill Greene - *Morgan Stanley - Analyst*

Hi there. Bill Greene, Morgan Stanley. Wick, we know about the service issues. We've seen the investments you're making in Chicago. Another solution that folks have put out there is maybe mergers.

You talked about the regulatory aspect. Can you give us your latest thoughts on if there's any appetite in Washington for that sort of discussion to move forward? And assuming you said no, you don't think so, is what you're doing in Chicago enough to solve the problems of Chicago for Norfolk Southern or do you think there's more to go?

Wick Moorman

And I've missed the one with mergers?

Bill Greene - *Morgan Stanley - Analyst*

Yes, sorry. I'm --

Wick Moorman

That's what I thought.

Bill Greene - *Morgan Stanley - Analyst*

Yes.

Wick Moorman

That's what I thought, was afraid -- whichever you choose, you might say.

So a couple of thoughts, one is that I think we're making a lot of strides in Chicago but it's going to be continued to be a very, very busy place. And we're also having conversations with a number of our partners particularly in the west to talk about are there opportunities to move some traffic over other gateways. That is - that sounds easier than it is.

And some extent, because there's just a lot of rail infrastructure, heavy rail infrastructure that points to Chicago as a place to interchange traffic nonetheless create some of the initiatives that we have underway give us confidence that Chicago is going to continue to improve.

I guess, I have - I have seen theory espoused that the way you saw Chicago as mergers, I'm not - I'm not sure that I'm completely convinced that that's the case anyway and I will tell you that I do not see any appetite for anything that would resemble a merger in the regulatory environment, in the legislative environment or in the customer environment.

I give a talk sometimes about the three reasons that I don't think one would happen. I won't bore you with that, although one of my favorite lines is that well executed large railroad mergers and oxymoron, they're just incredibly difficult to do even if the regulators agree. I just don't see - I just don't see that in the cards right now.

Now, that's our opinion. There are other people with different opinions and we could be proved wrong but I just - I just see in this regulatory environment which we talked about last night that that is something that anyone would want to undertake.

Bill Greene - *Morgan Stanley - Analyst*

Thanks. Appreciate it.

Wick Moorman

Yes.

Cherilyn Radbourne - *TD Securities - Analyst*

Thank you. It's Cherilyn Radbourne from TD Securities.

The question that occurred to me in listening to your presentations this morning was obviously, you've got a very robust capacity planning process in place but the business as Don outlined in his presentation has changed in ways this 2006 that's few would have envisioned. So, you must have had to react and adjust along the way and I just wondered if you could provide some color on that.

Wick Moorman

Sure. It's a great question. I would say and I think we talked about it some - we talked about it with some people last night. I think Jim did too. To some extent, I think this extraordinary growth of business in the energy sector has just come on so quickly that it was very different for any of us to react to particularly and this is not that they haven't been very forthright about and are trying to correct it with the BNSF. That's a great example of it.

Having said that, you know, we had -- we were very fortunate in that in terms of the majority of that business, it's right in our network's sweet spot, the northern region and then not only that for the crude. But as Don pointed out, the frack sand, the natural gas, liquid, and all of the other commodities where we have the most extensive network with our short line partners in the Marcellus and the Utica.

So we just happened to be very well positioned from a capacity standpoint. But where we do see the kinds - exactly the kinds of things that you're talking about are the example that John Freeman used, the shift in coal sourcing is a great example. We have been talking about a shift to ILB coal sourcing for southeast and Mid-Atlantic utilities now for a number of years.

And we got something of a headstart on that but as we have really seen that shift start to take hold in a meaningful way in the last 18 months, two years, Don?

Two to three years, we're finding right now, we've got to make some more adjustments as well. And one example of that is that we've had to step in and finish that four-mile segment on our Cincinnati-Chattanooga line because to some extent it's being driven by increased coal traffic coming off - coming out of the ILB and wanting to go south.

So we're constantly adjusting where we see traffic, you know, pointing at us. And as John Freeman said, our goal is in an ideal world, you spend the money and start running the trains the next day. I won't tell you we're that good.

There are times when they don't start running the trains for six months or a year and there are times where we wish we had it six months earlier. But our target is to do it on a timely basis but we're constantly coal sourcing, you know, intermodal shifts, whatever it is. We're constantly having to make those adjustments.

John and then --

John Barnes - *RBC Capital Markets - Analyst*

Yes. Two questions. John Barnes, RBC Capital Markets.

First, all the domestic coal franchise, you know, given that you're talking about stability, you showed an outlook from other sources suggesting that it's only going to be 35% of total electricity generation, you know, as you talked about having to replace and kind of refleet your coal assets, should we expect dollar for dollar, asset for asset investment in your coal franchise or should we expect given that outlook that maybe the investment dollars being geared towards the coal franchise, actually decline a bit from here?

Wick Moorman

The answer is that it won't be a dollar for dollar car for car replacement cycle for a couple of reasons. One is that the new equipment we're bringing on is more productive. David, it's -- yes. So, it's six to eight additional tons per car which is a substantial productivity enhancement and the second thing is that while it's, you know, you never - you're never particularly happy faced with having twenty-some thousand cars you've got to replace over a somewhat constrained time period, it's happening at a time where we can judge what we're going to need for the future.

So we're constantly looking at the franchise particularly the export coal franchise where so much of our fleet has deployed along with the domestic met and we will tailor our new car fleet to the size that we expect our business t be for the long term and it will not be the size that it was going into this process six or eight years ago.

Don, any more color that you want to give?

Donald Seale - *Norfolk Southern Corporation - CMO*

One other quick comment, John, and David pointed out that about 80% of our utility business moves in private equipments. That's a toggle that we have the capability of moving up if we choose to do that. We've chosen to keep that 20% to give us some flex in our originations with some overlap with industrial coal, with metallurgical coal and the domestic market as well as export. So we've got flexibility in that system to actually reduce the number of cars with utility being almost 70% of the bok.

John Barnes - *RBC Capital Markets - Analyst*

Okay. Very good. And then one question on the intermodal franchise. Just with the service issues that you've experienced, you've talked about this massive opportunity on the road to rail conversion, is there any of that that's now a jeopardy that maybe your shipper looks at and says, I can ever rely on that level of service. I can't have my inventory hang up. Is there any portion of that road to rail conversion opportunity that's now with jeopardy that you may be - you can't win now because of the disservice issues that the rails have experienced?

Donald Seale - *Norfolk Southern Corporation - CMO*

John, it's a great question but I would say that we're not in a situation with the national network service delivery where it is denting the opportunity for longer term conversion. I'll go back to the first quarter during the winter. We actually saw a lot of intermodal diversion to our network that took place because it couldn't move over the highway during the severe winter conditions.

We thought a lot of bulge or increase that we got what actually migrate back and it hasn't, even with the days short-term challenges with the service network. So as we remediate that, I don't believe we have any significant impairment to our capability going forward.

Brandon Oglenski - *Barclays Capital - Analyst*

Good morning. Brandon Oglenski from Barclays. So I wanted to come back to the difficult question on mergers. I understand that there's supposedly not a lot of regulatory appetite to make something [a-plus] happen. But would there be any operational value or service value in a significant merger in this industry, would that help displace, you know, some of these great projects are taking almost a decade in the making to actually come to, you know, creating more capacity for investors and solving some of these issues we got?

Wick Moorman

You know, there is no just question that in, you know, in an ideal world if you could run the larger network as a smaller number of companies that you would fix some operational problems that's just the nature of our business. You would change some gateways which are there as much for commercial reasons as they are operational reasons and you would start to - you'd start to flow some traffic differently. Would you flow an enormous amount of traffic differently and just kind of turn Chicago into a place where there aren't many trains? I don't believe so.

I just think it is a place where all of our infrastructure and particular all of our infrastructure with a lot of capacity goes to Chicago, right? And I'll give you an example and we look constantly at Kansas City.

Kansas City gateway is a good gateway. We do take some interchange traffic there today and we have more capacity on that line. But at the end of the day, it's still a single track railroad with sidings and if you were going to turn a lot of traffic over Kansas City, you wouldn't have to go invest major amounts of capital into - certainly into our lot.

So I think that we'll continue to move traffic on the margin out of Chicago but I am a believer that this create projects are making a significant difference. And if you look at to create funding, there is -- now, it's a lot of money, order of magnitude over $1 billion. How much is that?

Unidentified Company Representative

(Inaudible -- microphone inaccessible).

Wick Moorman

The 81st -- 75th street project, yes, it's like $900 million or billion But pretty much, all of the other railroad projects are funded and underway. So they're not all completed but from an operational standpoint, the vast majority of the railroad work is getting done. There's still an enormous amount of work to be done in terms of great highway-grade separations and things like that which are very expensive.

But don't underestimate how much work has been done and will be done on railroad infrastructure that's already funded. As I say, there's just one major project that's left to do and eventually that will get done as well. So I'm -- you know, I do not see even from an operational standpoint, mergers, as a panacea to fixing the issues with Chicago and the other issues that are around that, I believe, would be so costly if we attempted it that it - they would - they would dwarf on the negative side any operational benefits we gained from trying to do a merger.

Brandon Oglenski - *Barclays Capital - Analyst*

Well, I appreciate that. Counter to great detail today, looking at the projects that you're undertaking yourself on your network in Bellevue, some of the issues in Chicago, are we in front of a step function change where throughput productivity here where we see things, these projects come on wide all of a sudden, you know, Norfolk is able to really push a big change in a very rapid phase?

Wick Moorman

I think that -- I don't know that I described it as a step function, depends on how big do you think a step is but it's a significant change for us. This Indiana Gateway project which is public money which John and Ed showed you adds a lot of capacity through the network, I think that we're just doing a lot of good.

And I cannot underestimate and you'll hear more about this. The impact of Bellevue here in the middle of Ohio on how we'll operate Chicago and how, as we're able to build bigger trains --excuse me -- that are blocked all the way into deep into the western systems, you know, that provides us a lot more fluidity, we just, you know, run on, put a new crew on the go rather than trying to switch them, sort them, handle them in intermediate steps.

So everything that we're doing is pointing towards more fluidity through Chicago. And I think it's - I think it's going to make a significant difference and if it were not for the winter, it would have already made a significant difference even today. You know, but Bellevue, Englewood, Indiana Gateway, things we've already done at Ashland Avenue and the other - the other carriers would tell you the same thing.

You know, streamline the access to the BNSF. Streamline the access to the UP. It's all really good stuff.

Unidentified Company Representative

Last question..

Wick Moorman

Last question. Who's -- all right, raise your hand if you think you've had your hand up the longest. Cleo?

Cleo Zagrean - *Macquarie Research Equities - Analyst*

Thank you, Cleo Zagrean with Macquarie. Two related questions. Can you share with us your flexibility in terms of planning for the uncertainty in export coal especially if markets remain depressed, maybe into '16? And then help us understand what we still need to appreciate about the sensitivity of your new growth profile to coal exposure versus your growth in the recent past. Thank you.

Wick Moorman

The first I heard, our sensitive -- second question, our sensitivity of our --

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Cleo Zagrean - *Macquarie Research Equities - Analyst*

How may we still under-appreciate the extents which our growth is much more levered to areas outside of coal. There is a lot of focus on coal. Are we focusing too much? Should we be too concerned about it?

Wick Moorman

The answer to the first question in terms of our, you know, our sensitivity and how we adjust to export coal, you know, essentially, we have a wonderful facility at Lambert's Point, largest coal loading facility which you've heard in the western hemisphere, a very efficient, well maintained place. and we do have the ability because we've exercised it over the years to ramp up and down and that's more just a factor of people than anything else.

The network infrastructures in place to handle a lot of business. We just - we just adjust with, basically, we train crews and shop forces. So if business turns down, we can adjust pretty quickly. If it turns up, we also have the ability to go get crews and to do more work fairly quickly as well. So I think that we demonstrated, we can adjust there.

You know, I think your second point is a great point and one that hopefully you've gotten today from Don and his team which is this is a company and we're not the only one who's franchise has been heavily dependent on coal for many years. In fact, to some extent, years ago defined by coal as much as anything.

That's no longer the case. Our business mix today is substantially different than it was five years ago and radically different than it was 10 years ago. And we have done a lot of systematic thinking and investment in intermodal franchise to make sure that we are the superior intermodal franchise in the east and we're going to maintain and invest that competitive edge - and invest in that competitive edge and grow that business.

We have done a lot of work to improve the efficiency of our merchandise network and with this boom in energy production, we think we're extremely well positioned to take advantage of that. You heard Don say we have the preeminent metals franchise. We have a terrific automotive franchise.

We have a lot of components of this business that are primed for growth. Will coal continue to be important in our business? Absolutely. Right. But it's not -- in our minds, the story so much anymore.

We are moving beyond that. We believe that our position -- I'm not going to tell you that coal won't bounce up and down a little more. I wish I could predict the utility coal market next year and if somebody has insight into what kind of winter we're going to have and what the price of natural gas we'll be, we can probably get it pretty close to the time. But we have no idea.

But it's not going to be the driver of Norfolk Southern the way it was in the past. So, and I think -- and I'll wrap it up, I think what we're trying to show you today both here and in Bellevue is why that's the case and how we're investing to move ahead and continue to - and continue to grow the business.

Thanks for all of your questions. I know that we're color-coded for buses. Let me just tell you briefly, we'll go get on the train. We have hour or an hour and 15-minute ride. All of us will be on the train and circulating. We'd be happy, obviously, to continue to talk to you. We'll see some of our Northern Region mainline which is a superb double-track mainline and then we'll head down towards Bellevue. And I think we've got an exciting day including a boxed lunch prepared for you.

I did not check, Katie, I assume there are lobster rolls in the box lunch. There'll be lobster. But, anyway, let me turn it back over to you.

Katie Cook - *Norfolk Southern Corporation - IR*

Wonderful. Thank you all. Please do be cognizant of the time. We're looking to pull out at 11 o'clock. If you have any questions, you're welcome to reach out to either myself or [Becky] or [Sheryl], any one of us can help you. We are at the end of the tours again planning to keep you on your assigned busses with your luggage. The first stop will be to the airport for those people who need to catch flights and then over here to the hotel afterwards for those who are coming back to the hotel.

Thank you all very much for your attention. Thank you for those joining us on the webcast and we look forward to reconnecting this afternoon in about one o'clock.
