



# Earnings Conference Call

2021 Second Quarter

July 28, 2021



# Forward-Looking Statements / Non-GAAP Measures

This presentation contains forward-looking statements within the meaning of the safe harbor provision of the Private Securities Litigation Reform Act of 1995, as amended. These statements relate to future events or future performance of Norfolk Southern Corporation's (NYSE: NSC) ("Norfolk Southern," "NS" or the "Company"), including but not limited to statements regarding future financial performance and anticipated results, benefits, and targets related to the strategic plan. In some cases, these forward-looking statements may be identified by the use of words like "will," "believe," "expect," "targets," "anticipate," "estimate," "plan," "consider," "project," and similar references to the future. The Company has based these forward-looking statements on management's current expectations, assumptions, estimates, beliefs, and projections. While the Company believes these expectations, assumptions, estimates, and projections are reasonable, forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which involve factors or circumstances that are beyond the Company's control, including but not limited to: general North American and global economic conditions; changes in energy prices and fuel markets; capacity constraints; technology disruptions; acts of terrorism or war; certainty surrounding timing and volumes of commodities being shipped; changes in laws and regulations; uncertainties of claims and lawsuits; labor disputes; transportation of dangerous goods; effects of changes in capital market conditions; severe weather; consolidation; and the impact of the COVID-19 pandemic on us, our customers, our supply chain and our operations. These and other important factors, including those discussed under "Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission (the "SEC"), as well as the Company's subsequent filings with the SEC, may cause actual results, benefits, performance, or achievements to differ materially from those expressed or implied by these forward-looking statements. Please refer to these SEC filings for a full discussion of those risks and uncertainties we view as most important.

Forward-looking statements are not, and should not be relied upon as, a guarantee of future events or performance, nor will they necessarily prove to be accurate indications of the times at or by which any such events or performance will be achieved. As a result, actual outcomes and results may differ materially from those expressed in forward-looking statements. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, the occurrence of certain events or otherwise, unless otherwise required by applicable securities law.

In addition to disclosing financial results in accordance with U.S. GAAP, the accompanying presentation contains non-GAAP financial measures. These non-GAAP measures should be viewed as a supplement to and not a substitute for our U.S. GAAP measures, and the financial results calculated in accordance with U.S. GAAP and reconciliations from these results should be carefully evaluated. All reconciliations to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP can be found on our website at [www.norfolksouthern.com](http://www.norfolksouthern.com) on the Invest in NS page under Events for this event.





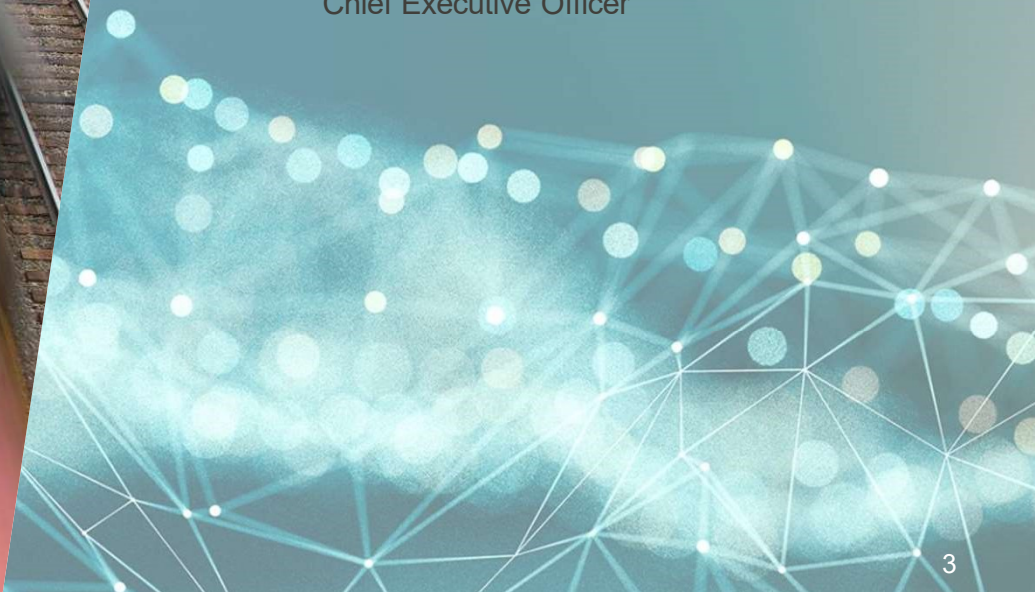
# 01 Summary

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Second Quarter

**James A. Squires**

Chairman, President and  
Chief Executive Officer



# Second-Quarter 2021 Results

Execution of PSR initiatives and strength in markets enabled record performance

*favorable / unfavorable*

	Q2 2021	vs Q2 2020	vs Q1 2021
Revenues	\$2,799M	34%	6%
Operating expenses	\$1,632M	11%	--
Operating ratio	58.3% RECORD	(1,240) bps	(320) bps
Earnings per share	\$3.28 Q2 RECORD	114%	23%



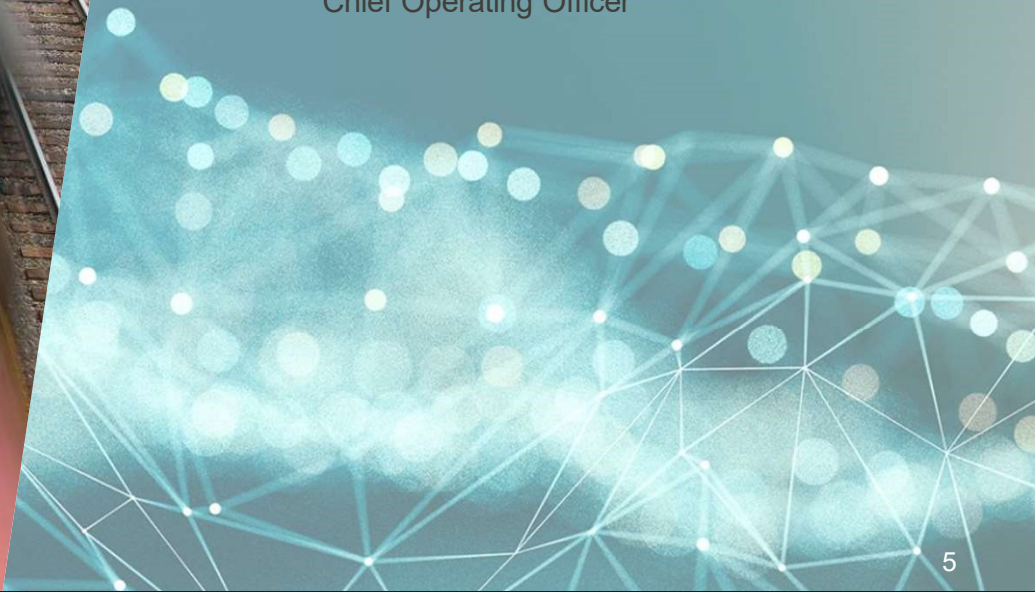


## 02 Operations Overview

Second Quarter

**Cindy M. Sanborn**

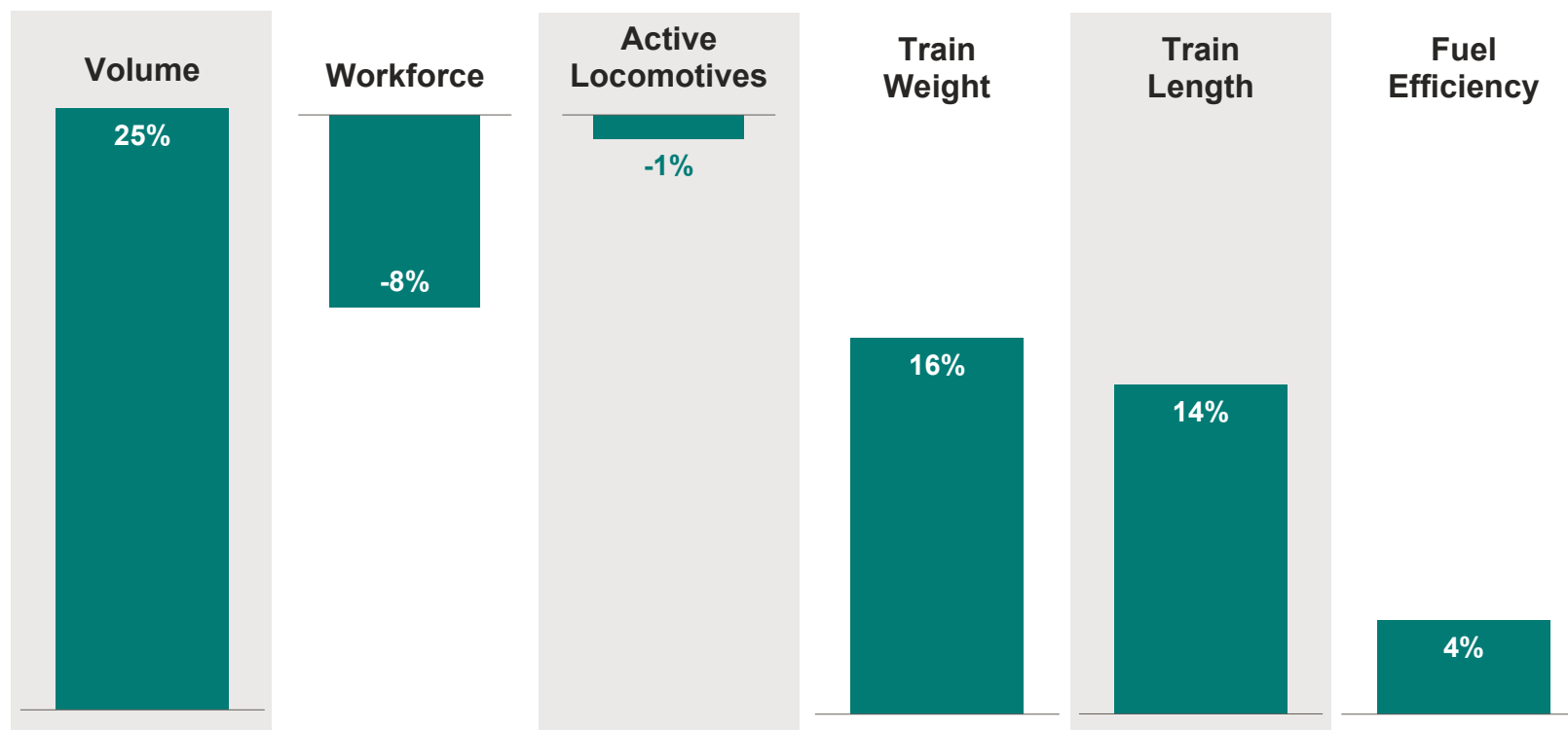
Executive Vice President and  
Chief Operating Officer



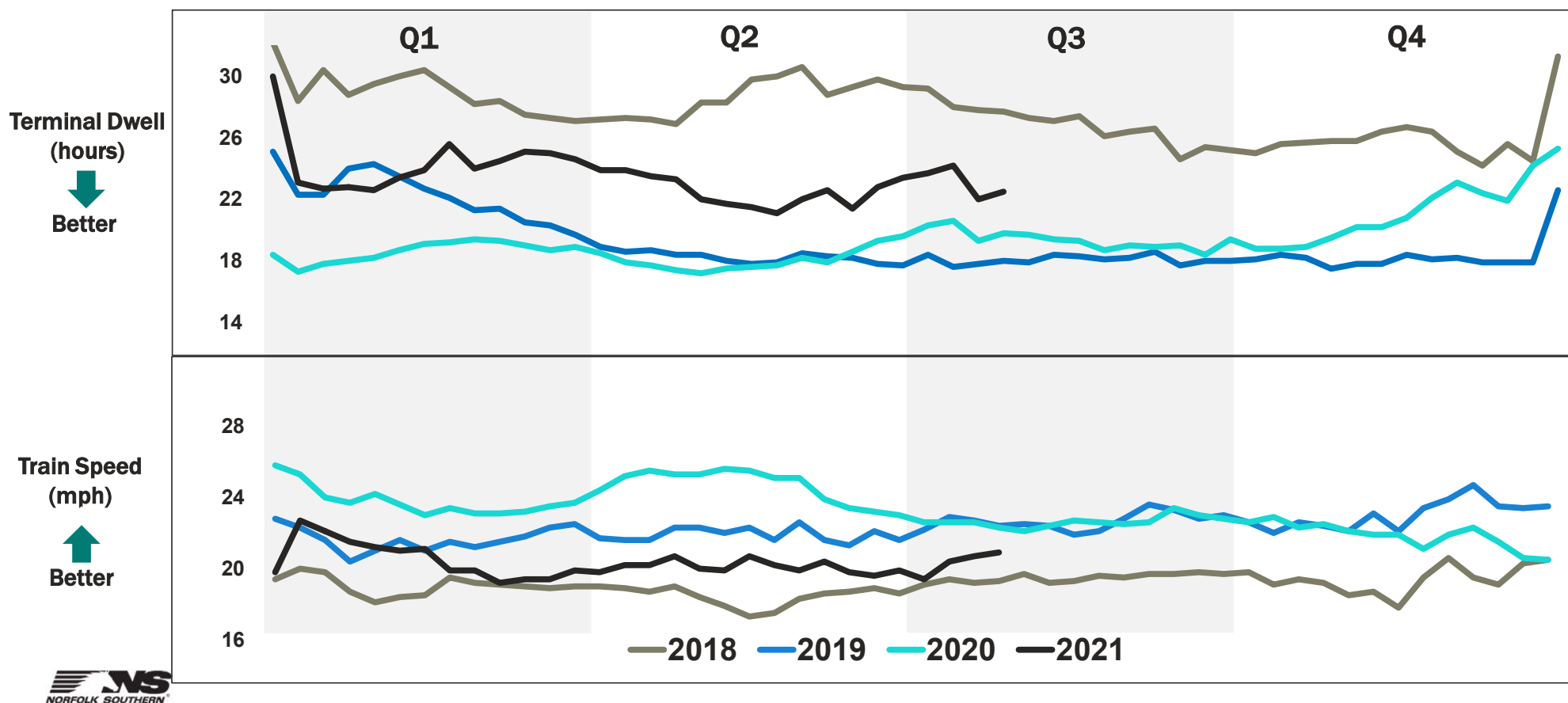
# Operational Indicators

Growing the capacity dividend to drive productivity

Q2 2021 vs. Q2 2020



# Network Performance



# Focus: Yard and Local Productivity

Recent efforts drive both service and productivity



Coupling operational efficiency practices with next-gen mobility solutions to drive value



# Focus: Locomotive Reliability and Resources

Executing strategy to enable critical cost and service improvement



## Primary locomotive metrics versus Pre-PSR levels<sup>1</sup>

Bad Order Ratio	Shop Dwell	Reliability	Maintenance Workforce
<b>66%</b> Improved	<b>58%</b> Improved	<b>175%</b> Improved	<b>55%</b> Smaller

NS' digital strategy leverages data science to further improve these metrics



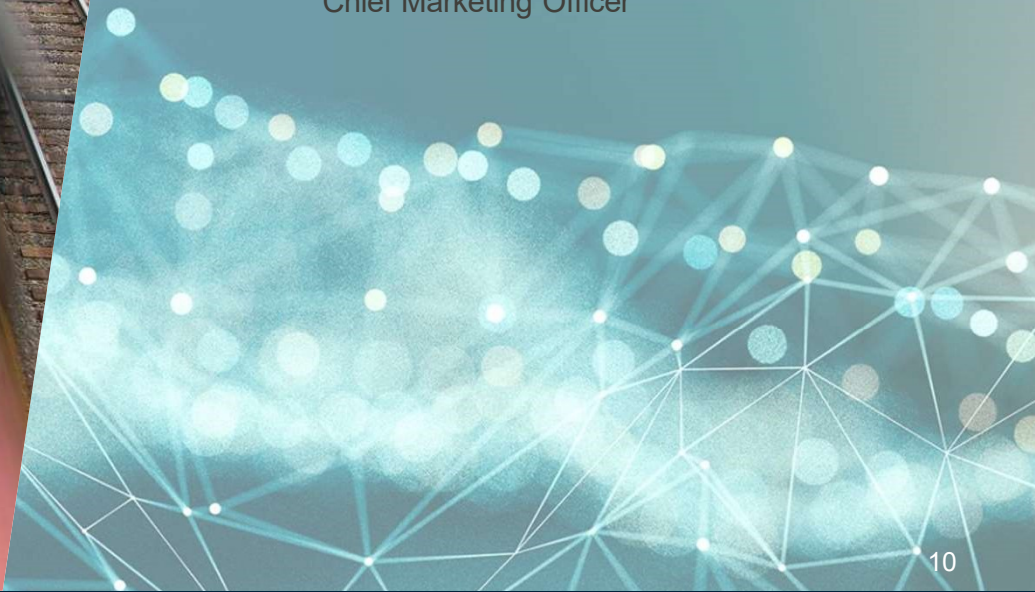
## 03 Market Overview

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Second Quarter

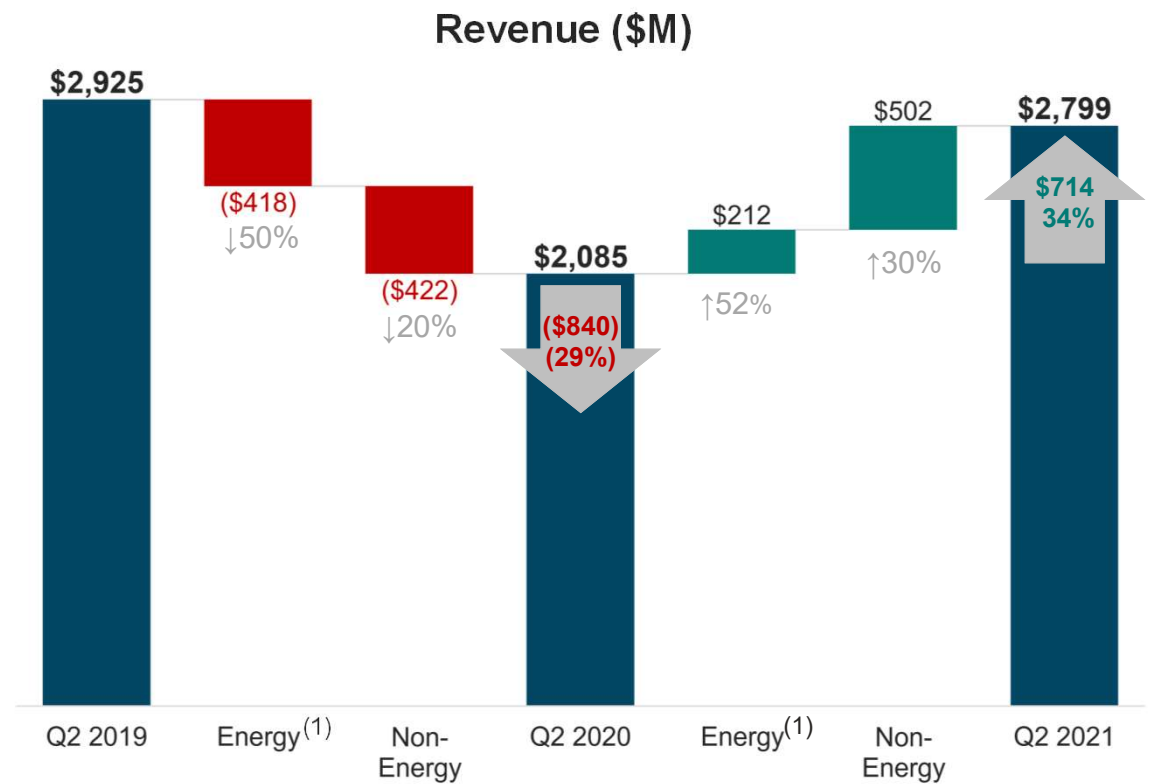
**Alan H. Shaw**

Executive Vice President and  
Chief Marketing Officer





## Evolving Revenue Composition





# Non-Energy Markets Lead Recovery

## Consumer-led economic activity driving year-over-year improvement

Q2 2021 vs. Q2 2020 / Revenue change \$ millions / *favorable* / *unfavorable*

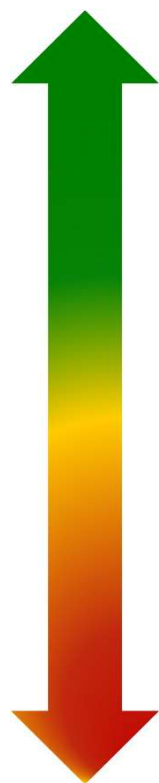


	Merchandise	Intermodal	Coal	Total
Revenue	\$1,680M 29%	\$801M 41% RECORD REVENUE	\$318M 52%	\$2,799M 34%
Volume	580,000 29%	1,062,600 20%	173,200 55%	1,815,800 25%
RPU	\$2,896 -	\$754 17% RECORD RPU	\$1,837 (1%)	\$1,542 7%
RPU (less fuel) <sup>(1)</sup>	\$2,841 (1%)	\$646 11% RECORD RPU LF	\$1,830 (1%)	\$1,460 5%

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

# 2021 Growth Outlook

Economic momentum forecasted to continue throughout 2021



## Macroeconomic Drivers

Economic Recovery

Inventory Replenishment

Rising Commodity Prices

Supply Chain Disruption

Labor Shortage

## Merchandise

- Industrial Production
- Energy Demand
- Semiconductor Supply

## Intermodal

- Consumer Spending
- Inventory Replenishment
- Tight Truck Capacity

## Coal

- Seaborne Coal Prices
- Steel Production
- Plant-Specific Outages



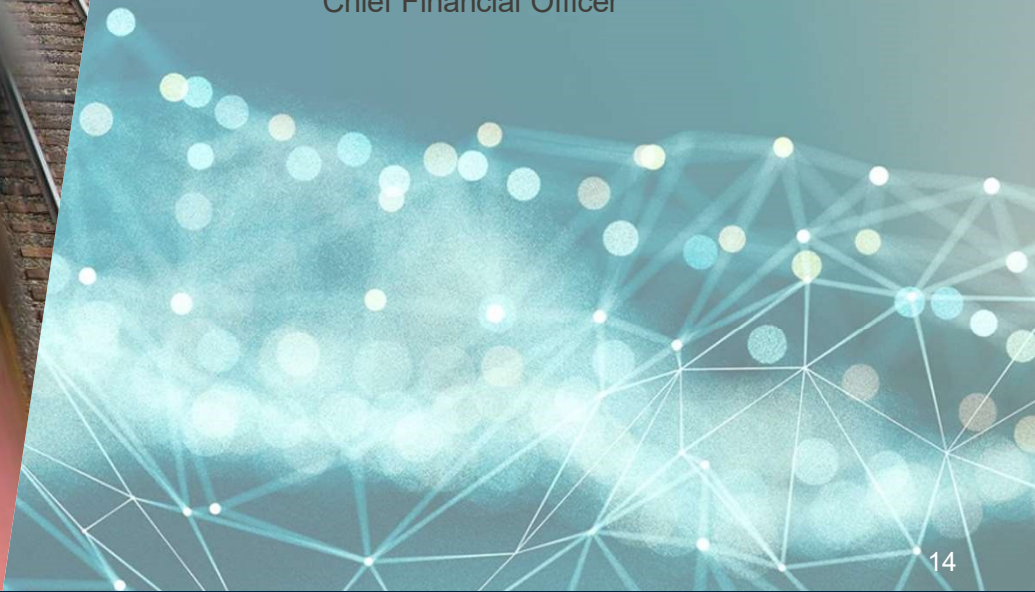
## 04 Finance Overview

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Second Quarter

**Mark R. George**

Executive Vice President and  
Chief Financial Officer





# Operating Ratio and EPS

Items Impacting Comparison to 2020 / *favorable* / *unfavorable*

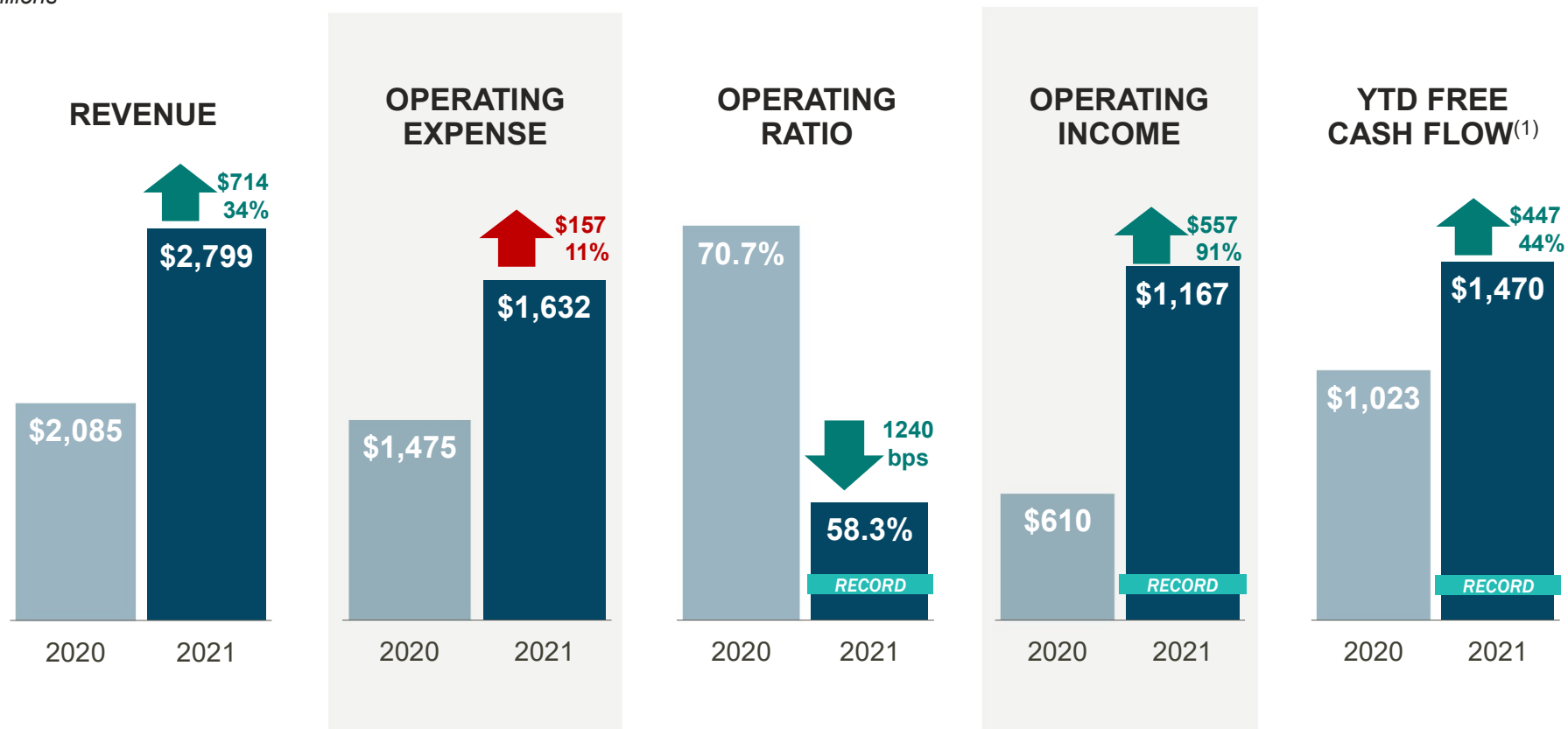
		Second Quarter	
		Operating Ratio	Earnings Per Share
	Q2 2020	70.7%	\$1.53
	Q2 2021	58.3%	\$3.28
<b>Year-over-year change</b>		<b>(1,240bps)</b>	<b>\$1.75</b>

## *Year-over-year change reconciliation:*

2021 \$55 million property sale	(200bps)	\$0.17
2021 state tax law change	-	\$0.09
Core improvement	(1,040bps)	\$1.49
<b>Year-over-year change</b>	<b>(1,240bps)</b>	<b>\$1.75</b>

# Second-Quarter Highlights

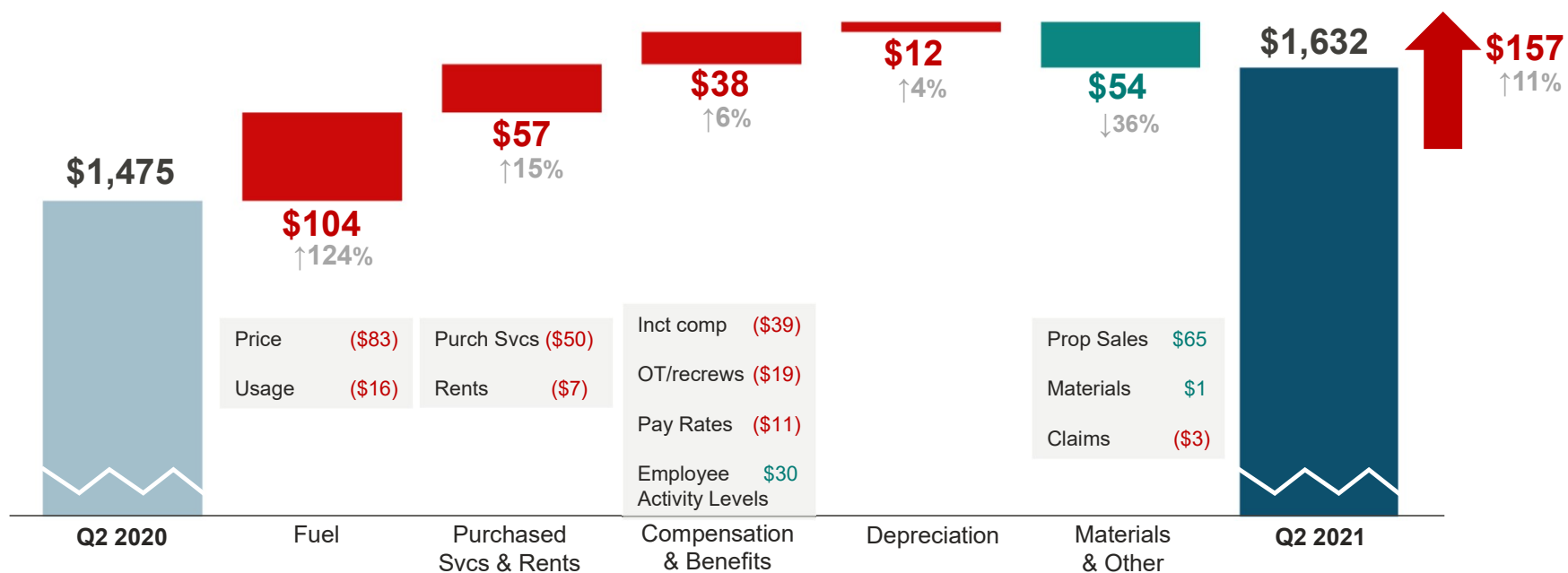
Q2 2021 vs. Q2 2020 / *favorable* / *unfavorable*  
\$ millions



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

# Operating Expense Components

Q2 2021 vs. Q2 2020 / *favorable* / *unfavorable*  
\$ millions



**Operating expenses up 11% on 25% volume growth**



# Financial Results

Q2 2021 vs. Q2 2020 / *favorable* / *unfavorable*

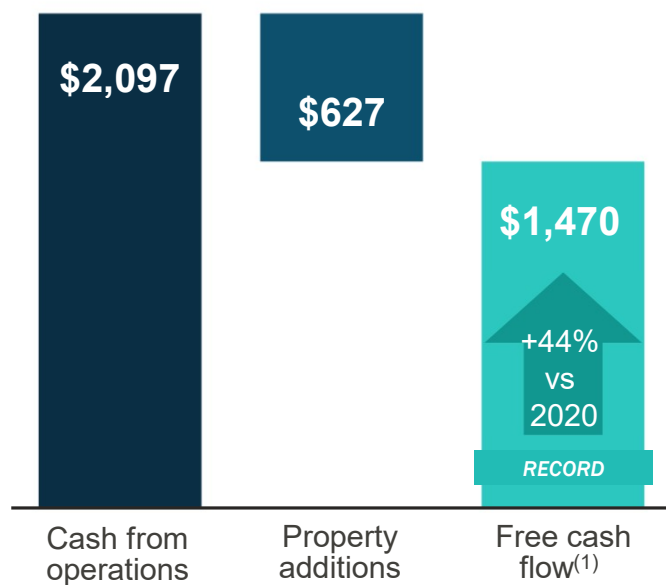
\$ millions except per share

	Q2 2020	Q2 2021	Variance	
			\$	%
Income from railway operations	\$610	<b>\$1,167</b>	\$557	91%
Other income – net	49	<b>35</b>	(14)	(29%)
Interest expense on debt	156	<b>161</b>	5	3%
Income before income taxes	503	<b>1,041</b>	538	107%
Income taxes	111	<b>222</b>	111	100%
Net income	\$392	<b>\$819</b>	\$427	109%
Earnings per share – diluted	<b>\$1.53</b>	<b>\$3.28</b>	\$1.75	114%

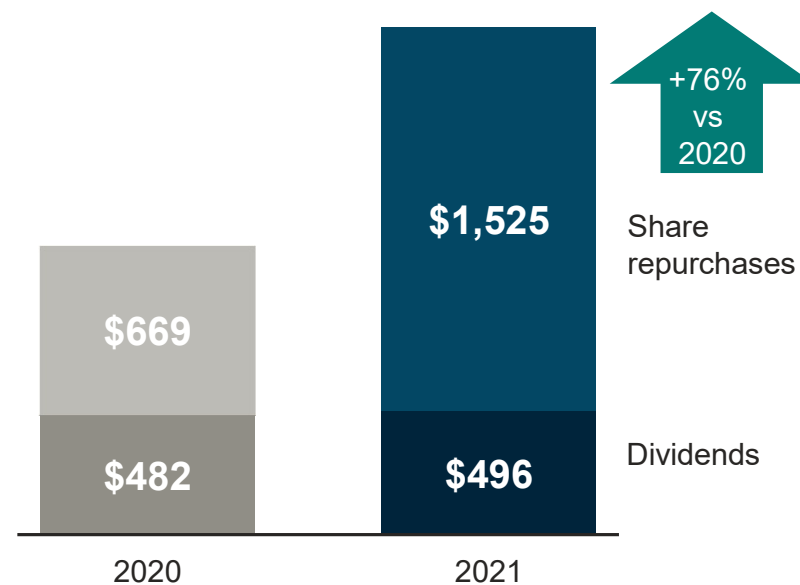
# Free Cash Flow & Shareholder Distributions

First Six Months / \$ millions

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



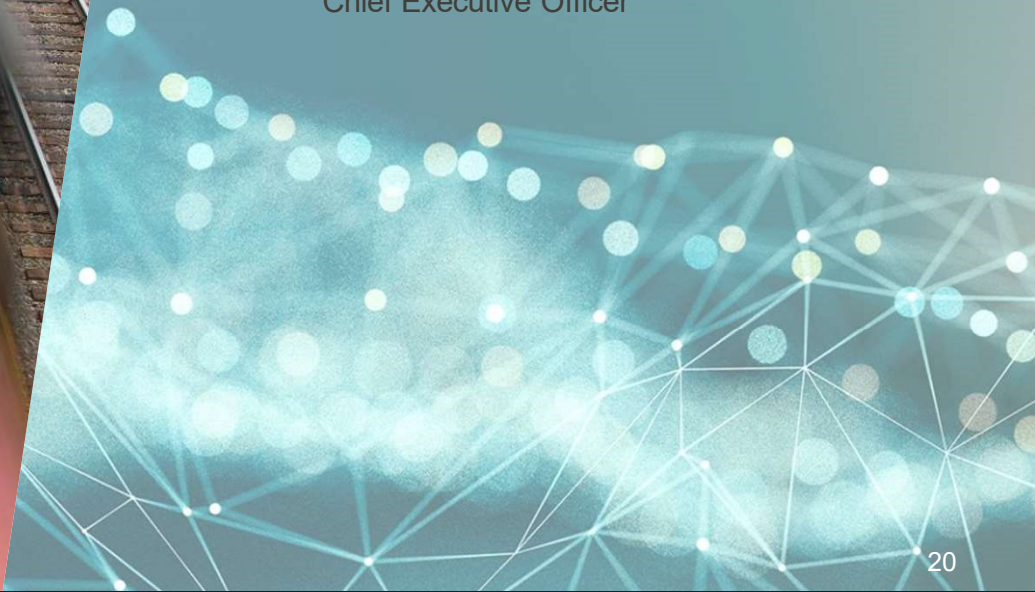
## Shareholder Distributions





## 05 Closing Comments

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



# New Sustainability Milestones

## Accelerating the way to a low-carbon supply chain

- **May 2021:** Issued \$500 million in green bonds
- **July 2021:** Science-based target approved, 42% reduction in emissions intensity by 2034



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION





# Outlook

Enhancing shareholder value through cost efficiency and growth

## Revenue

- Increasing YoY growth from ~9% to ~12%
- **Intermodal and Merchandise:**  
Leading growth drivers
- **Coal:**  
Near-term upside  
Long-term secular decline

## Operating Ratio

- Increasing YoY improvement from >300bps, to 400bps – 440bps<sup>(1)</sup>
- Continue to drive OR lower over longer term

## Capital Allocation

- **Capex:**  
~\$1.6 billion
- **Dividends:**  
Raised to 35-40% of Net Inc.
- **Share Repurchases:**  
Remaining excess cash after considering financial leverage



Green = change vs prior guidance

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

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







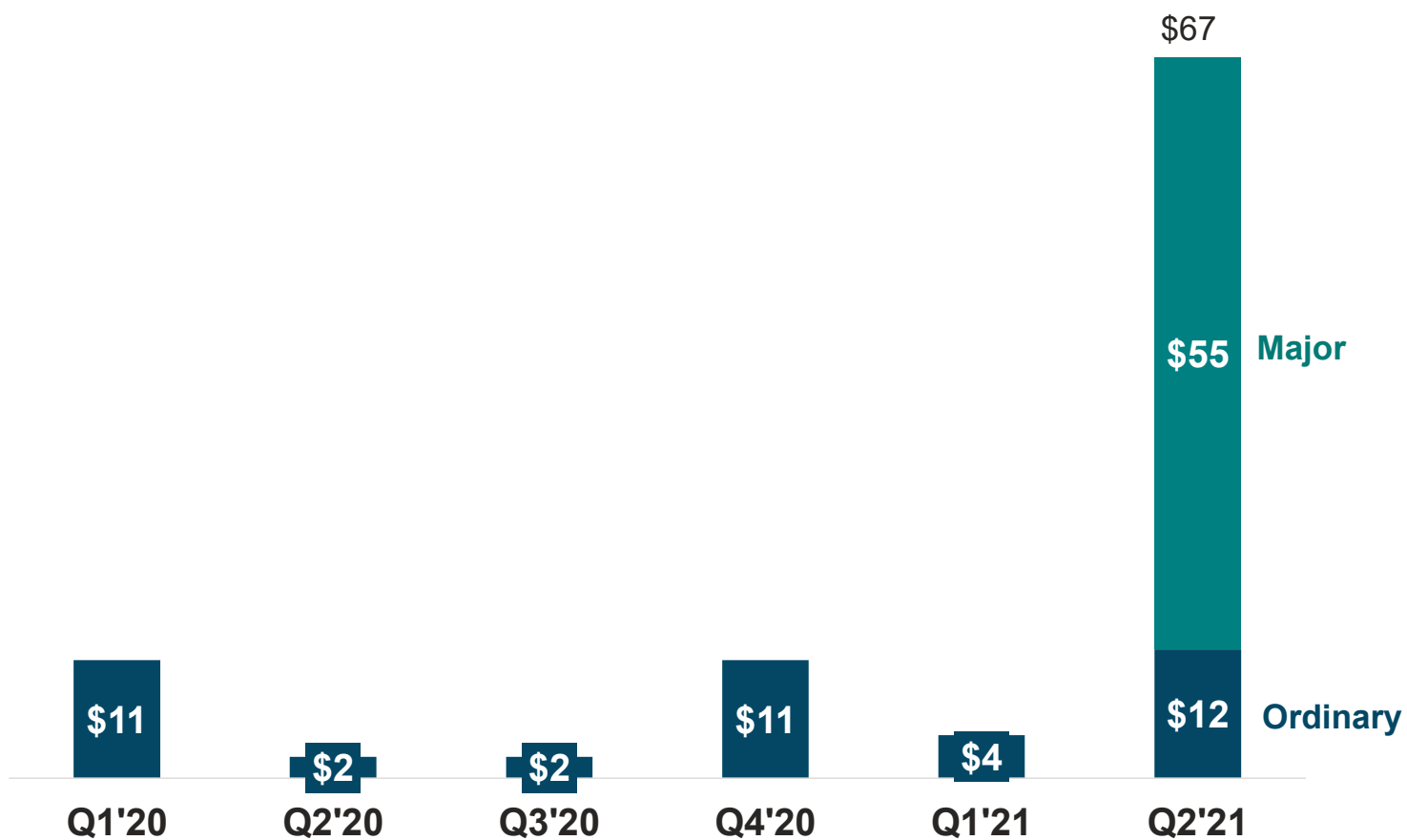
## 06 Appendix

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# Operating Property Gains

\$ millions





## Items Impacting Comparison to 2020

*favorable / unfavorable*

*\$ millions except per share*

	Second Quarter	
2021 property sale	\$	55
2021 state tax law change		23

### Impact:

Operating ratio	200 bps
Earnings per share	\$0.26