



TEGMA: Norfolk Southern Update

January 24, 2019

Ed Elkins

Vice President – Industrial Products



Foundations of Railroading



- ✓ **Serving Customers**
- ✓ **Operating Efficiencies**
- ✓ **Creating Shareholder Value**

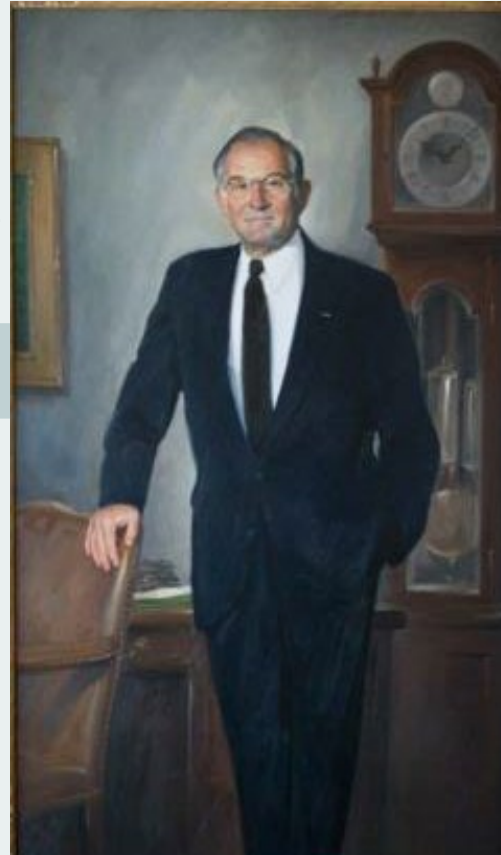
- ✓ **Serving Customers**
- ✓ **Operating Efficiencies**
- ✓ **Creating Shareholder Value**

“... putting customers first is the only way a transportation company can survive and prosper – and improve stockholder value – in this intensely competitive arena.”

Foundations of Railroading: Timeless Drivers...



- ✓ **Serving Customers**
- ✓ **Operating Efficiencies**
- ✓ **Creating Shareholder Value**



1988

“... putting customers first is the only way a transportation company can survive and prosper – and improve stockholder value – in this intensely competitive arena.”

Timeless Drivers ... with New Thresholds of Success



✓ Operating Efficiencies

Operating Ratio

1988: **74.1%** *(then record-best)*

2018 3Q: **65.4%**

✓ Serving Customers

Railway Revenue Ton-Miles

1988: **100.8** BILLION

2017: **201.0** BILLION

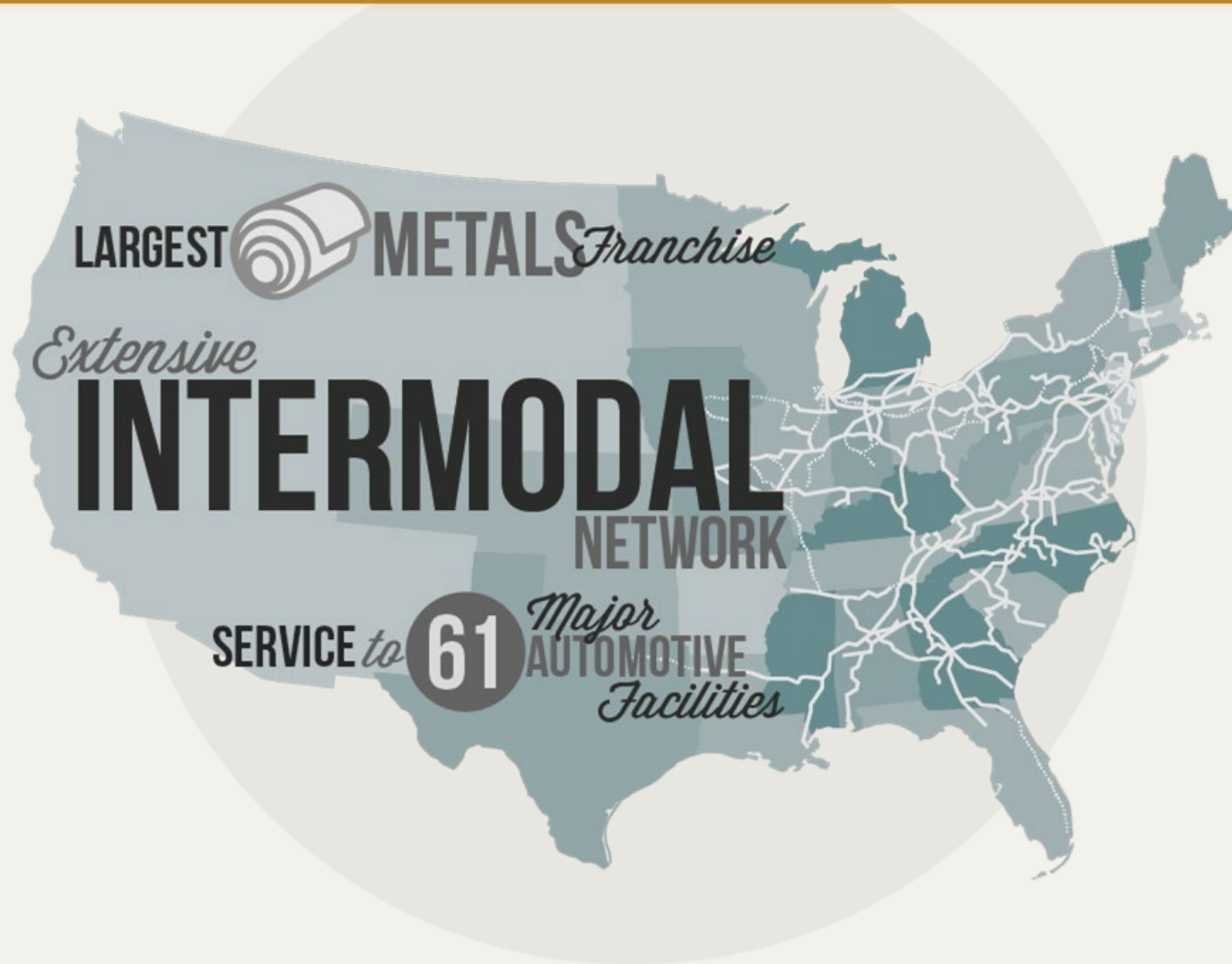
✓ Creating Shareholder Value

Earnings Per Common Share

1988: **\$3.51**

2018 YTD: **\$6.95** *(record)*

Norfolk Southern: Positioned to Grow With Our Customers



- Approximately **19,500** route miles
- **250+** short line connections
- Operating in **22** states
- Network reaches **>50%** of US economic activity
- **65%** of freight >500 miles touches our footprint
- Direct access to **43** ports

ECONOMIC OUTLOOK

Support for Growth Continues



Per ISM, 28th consecutive month of expansion



| Industrial Production (YOY % Δ) | | |
|---------------------------------|------|------|
| 2018 | 2019 | 2020 |
| 3.9% | 2.5% | 0.6% |

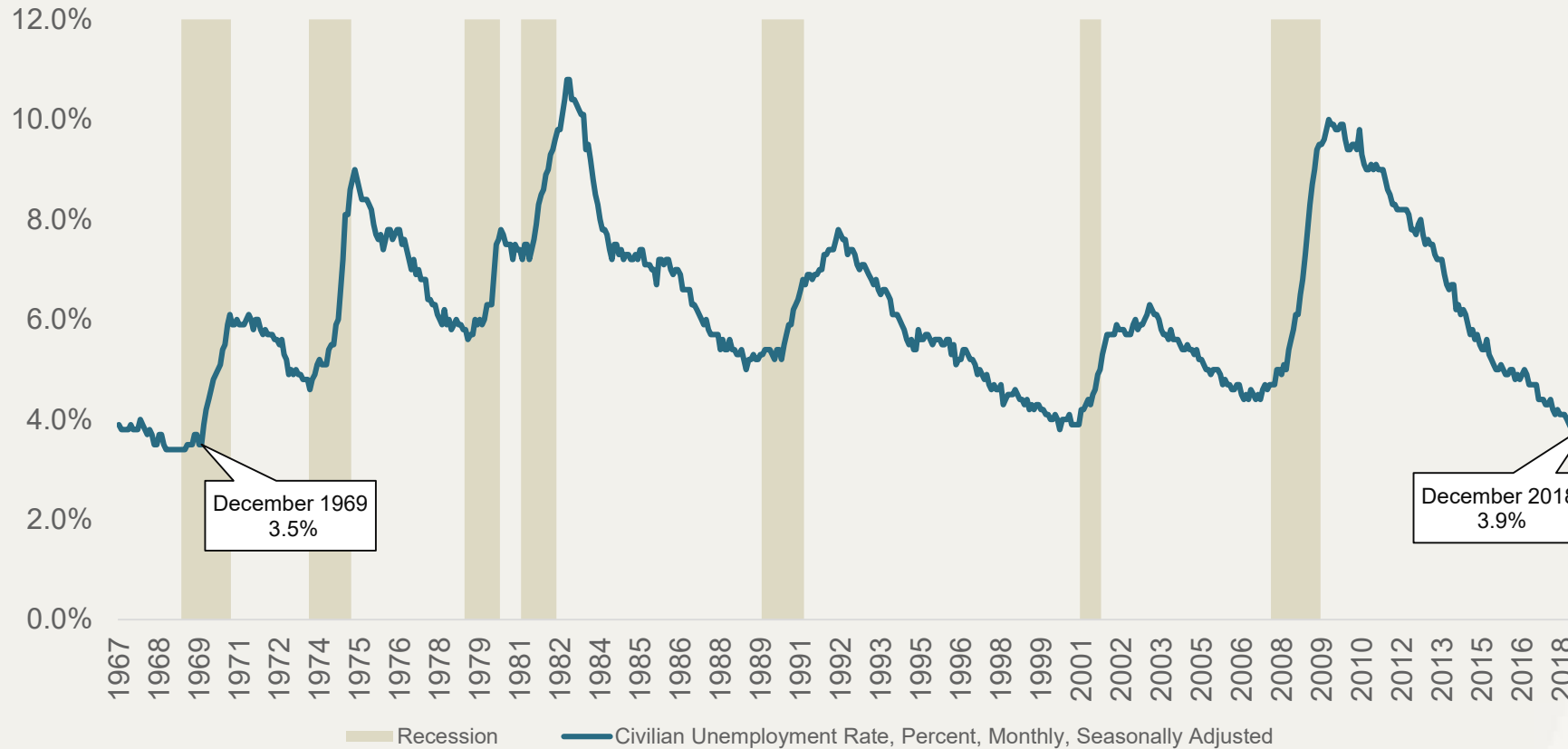
- New orders, production, and employment growing
- Supplier deliveries slowing at slower rate; backlog unchanged
- Raw materials inventories growing; Customers' inventories too low
- Prices increasing at slower rate; exports and imports growing

Evidence of a Strong Economy



Low unemployment underscores the strength in US economic growth

Percent of Population



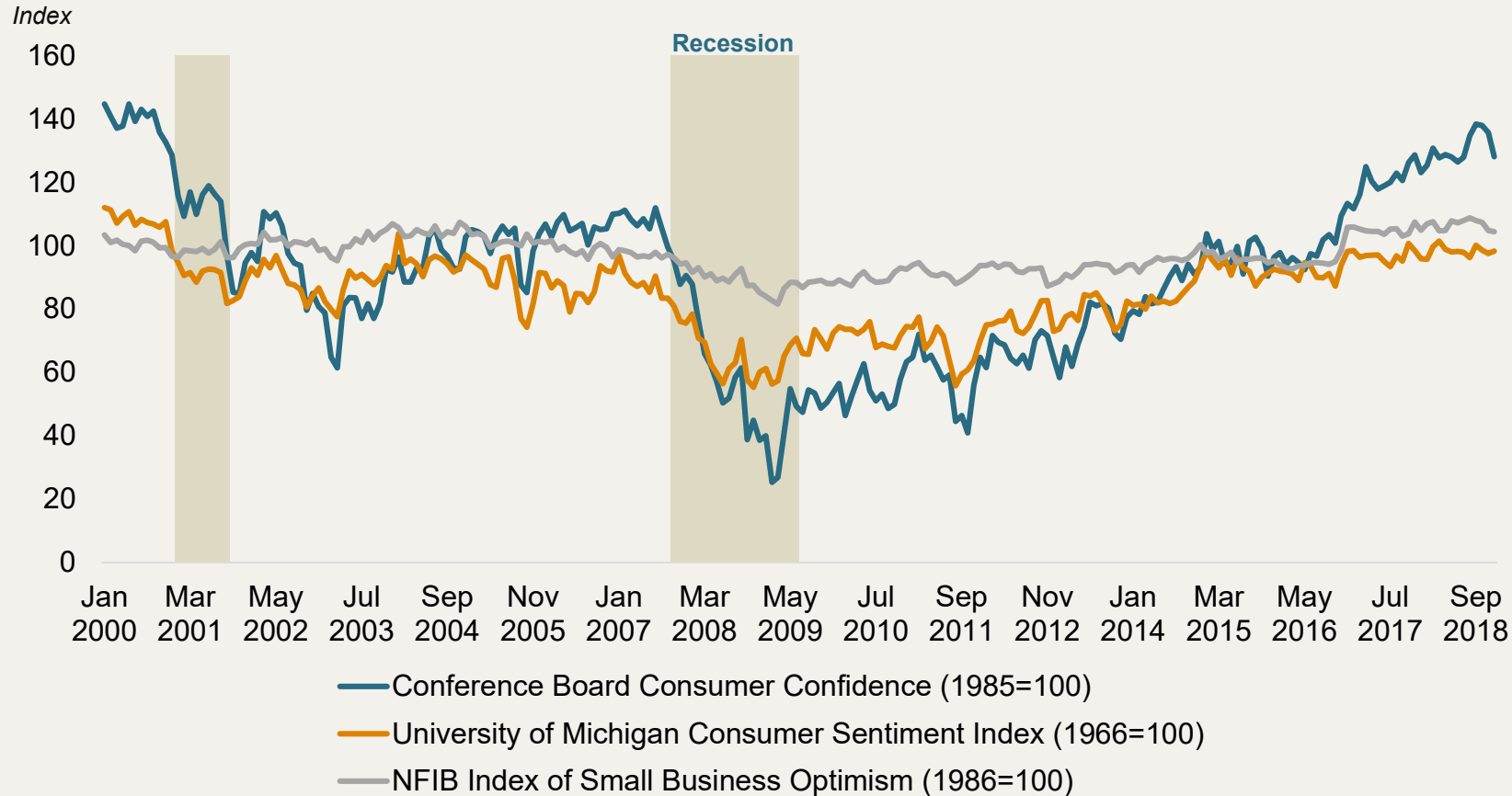
- December unemployment **3.9%**
- Creates confidence in the economy

Source: Bureau of Labor Statistics; FRED

Confidence in Economy Confirmed



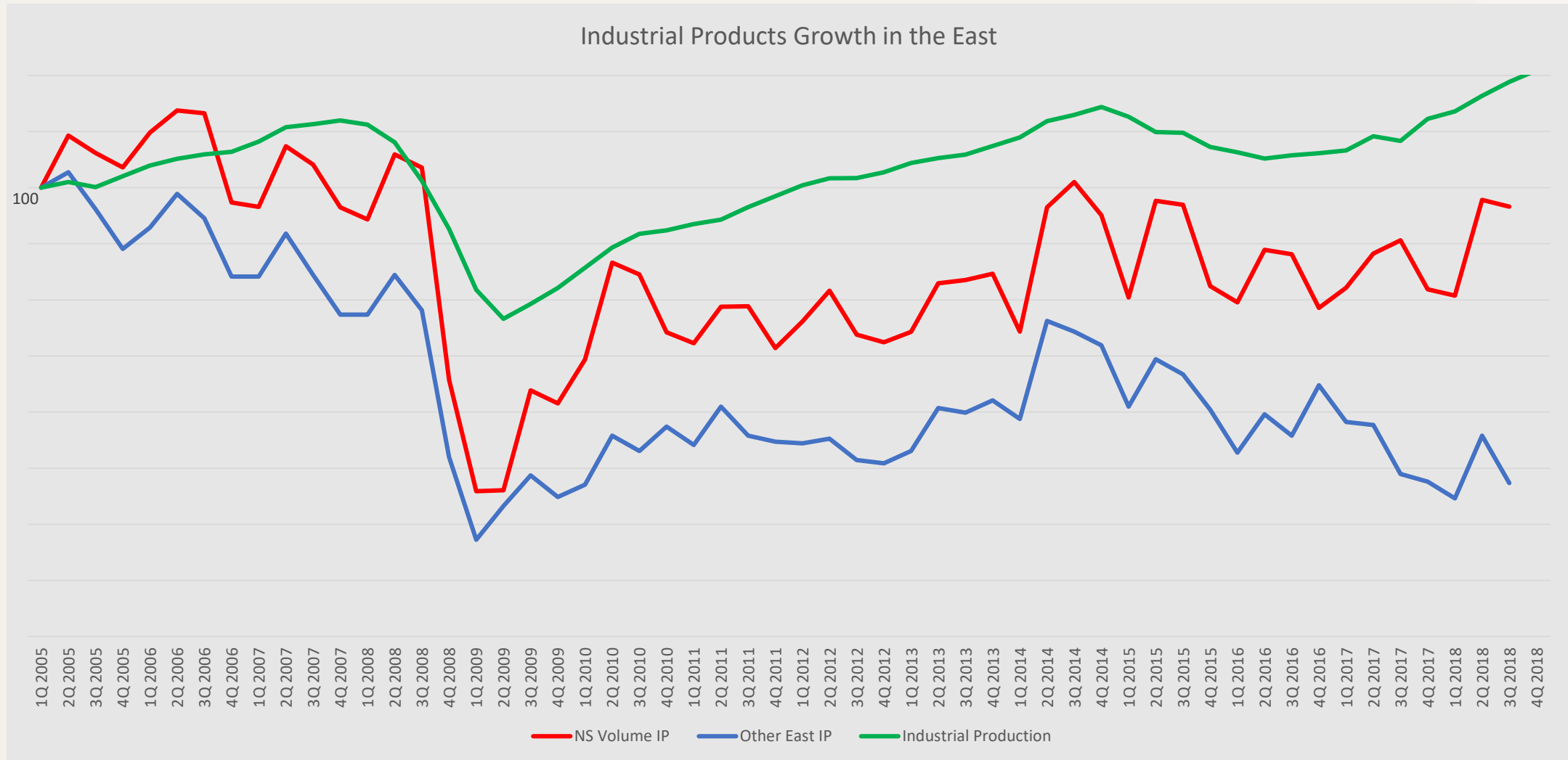
Record highs in key confidence measures



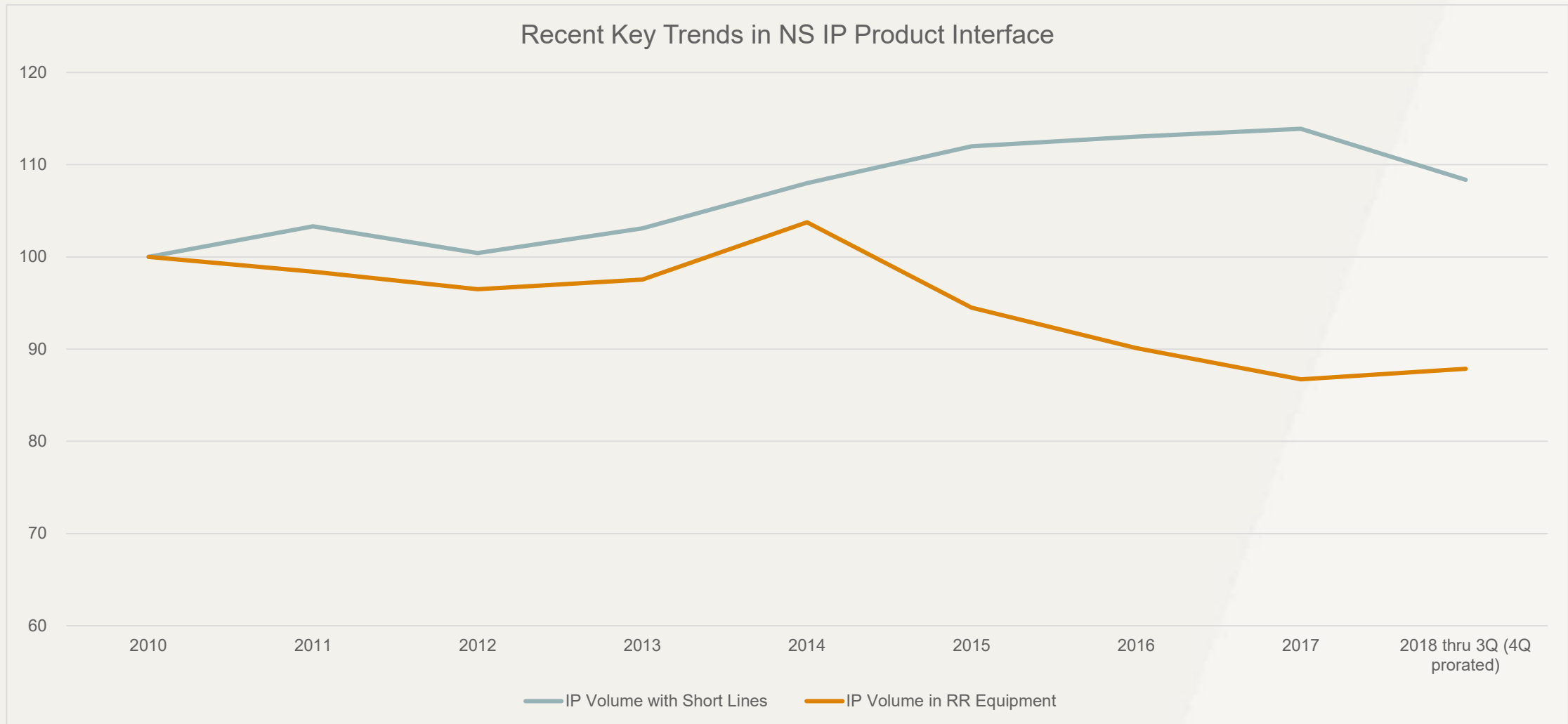
- 2018 Sentiment averaged **Highest** since **2000**
- September Confidence **Highest** since **2000**
- August Business Optimism **Highest** level on record

CHANGING RAIL BUSINESS DYNAMICS

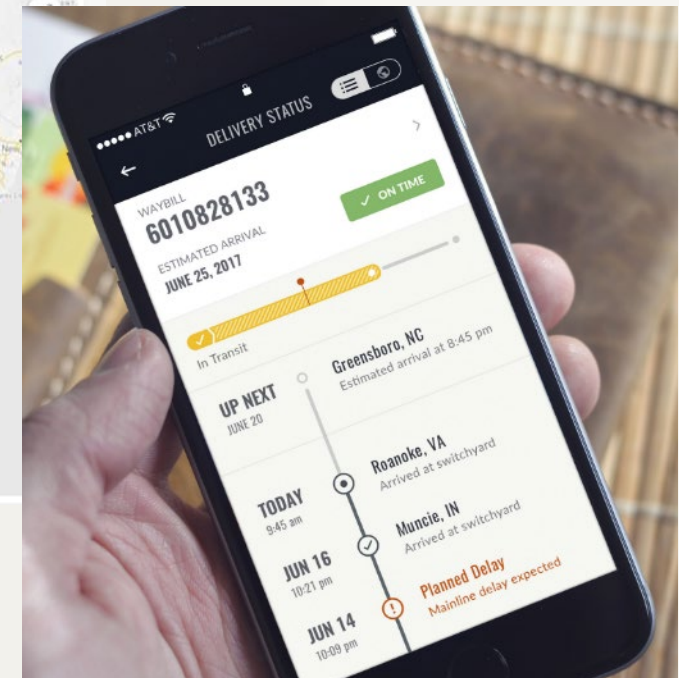
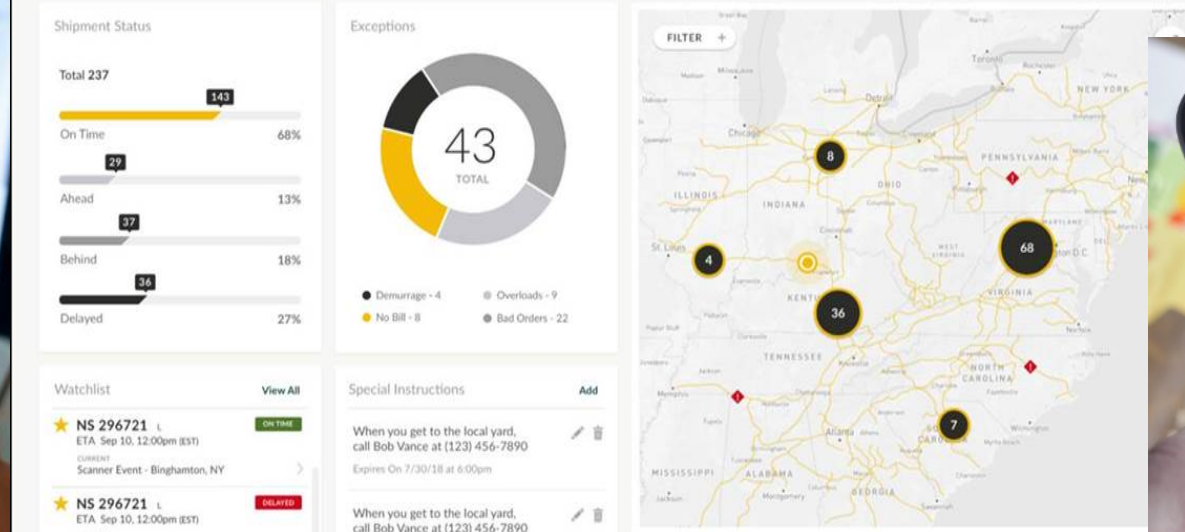
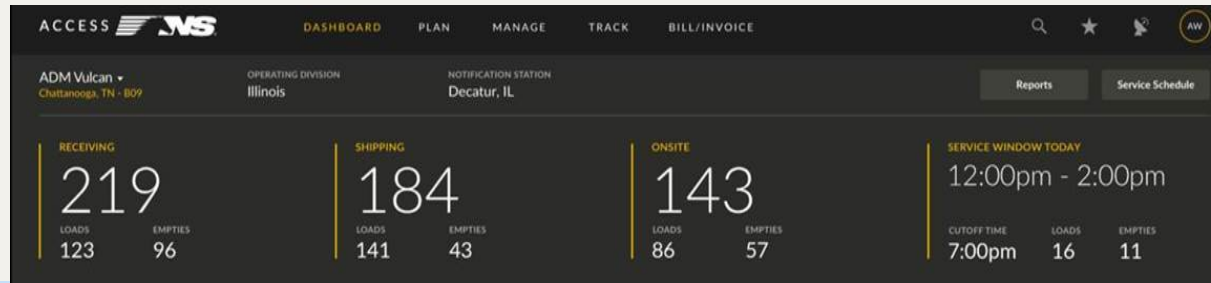
Industrial Product Business – Room for Improvement



More Participants, More Diverse Supply Chains



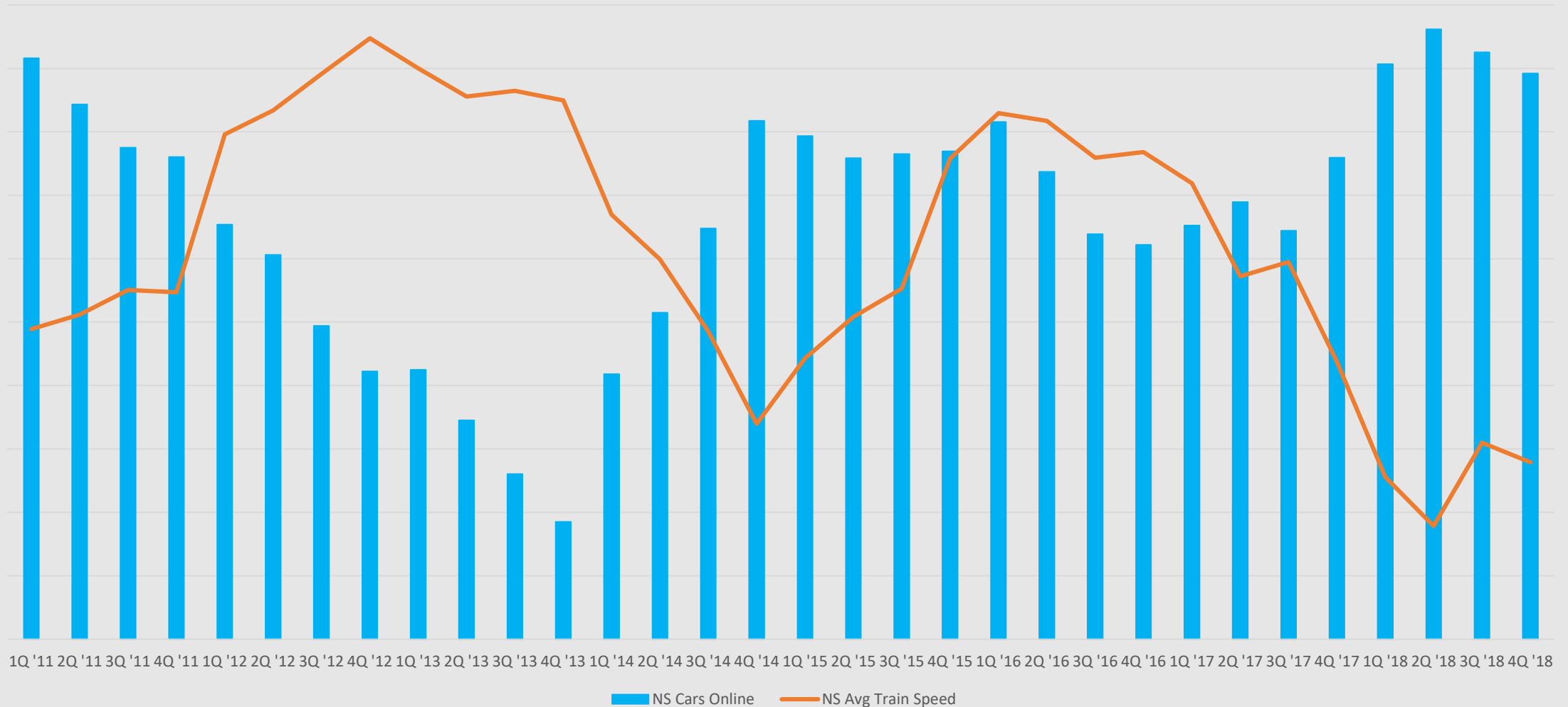
Complex systems demands greater data integration



Network Behavior Drives Customer Behavior



NS Average Cars Online & Average Train Speed 2011 - 2018



5 Core Principles

- Serve the customer
- Manage our assets
- Control our costs
- Work safely
- Develop our people



Predictable Service = Efficient Network = Growing Customers



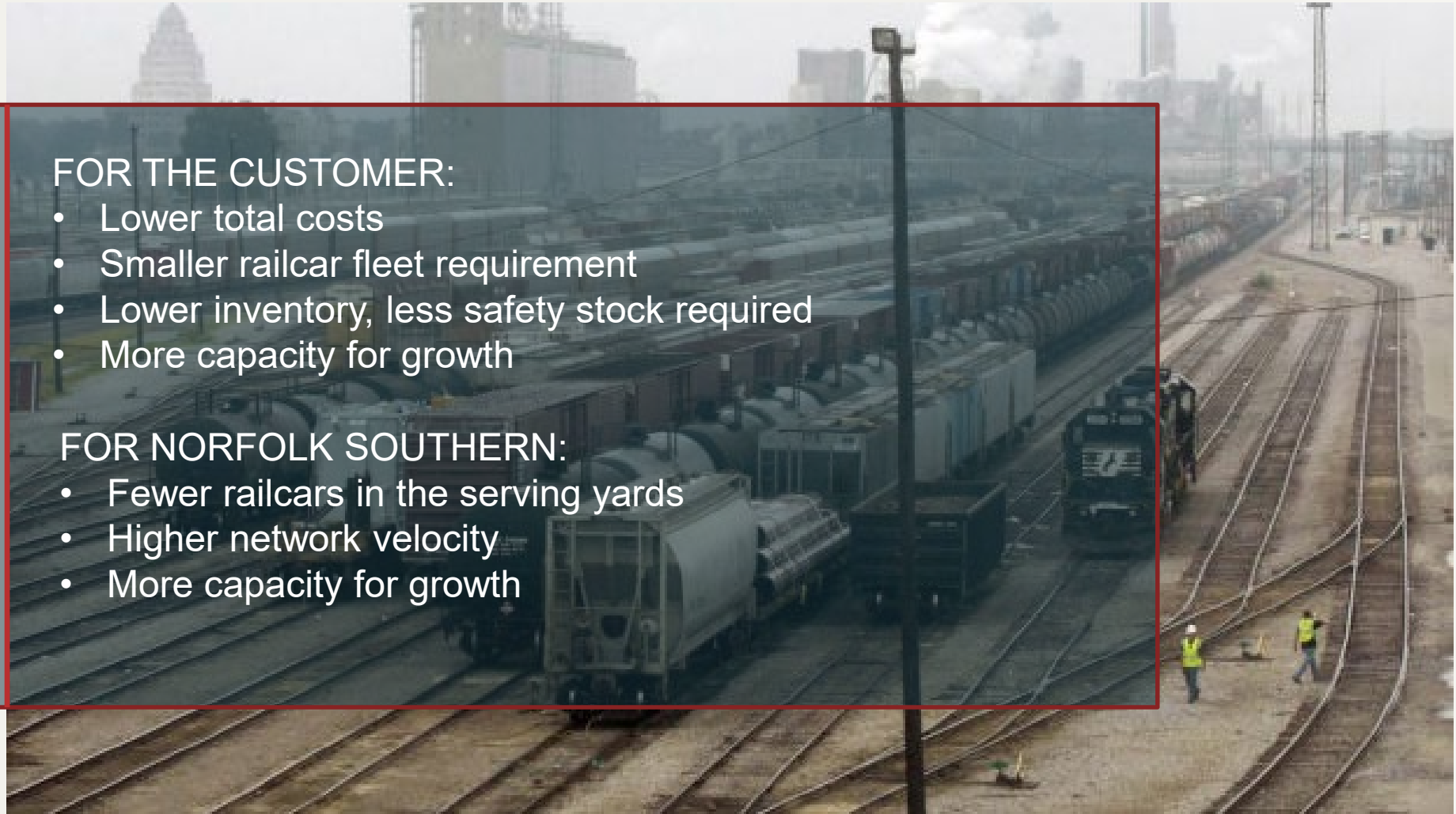
What defines success?

FOR THE CUSTOMER:

- Lower total costs
- Smaller railcar fleet requirement
- Lower inventory, less safety stock required
- More capacity for growth

FOR NORFOLK SOUTHERN:

- Fewer railcars in the serving yards
- Higher network velocity
- More capacity for growth



Thank You!

www.norfolksouthern.com

