



# Q3 2022 Earnings Call

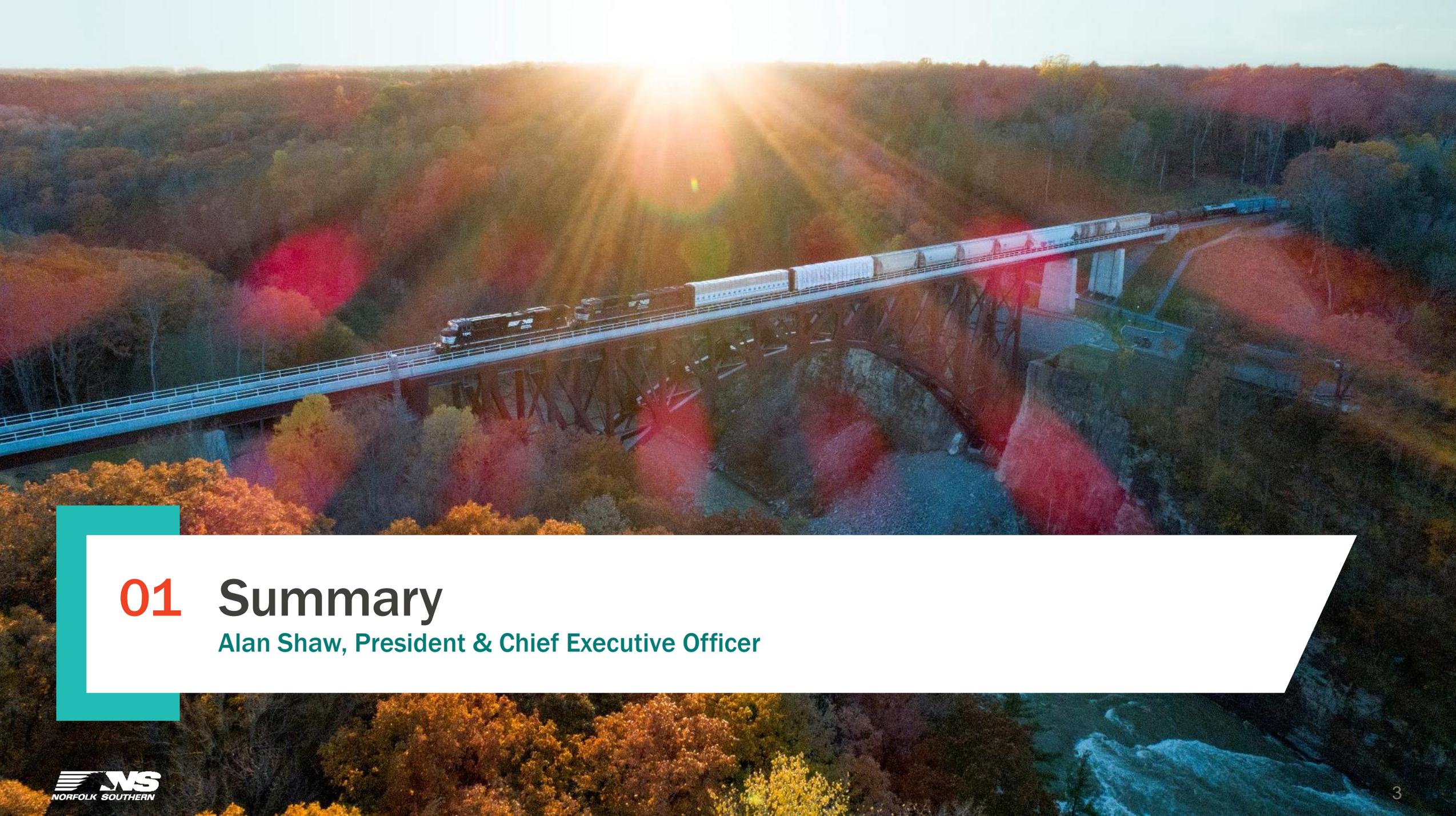
October 26, 2022

# 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 (NYSE: NSC) (“Norfolk Southern,” “NS,” the “Company,” “we,” “our,” or “us”), 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,” “may,” “could,” “should,” 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; uncertainty 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; 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, 2021, 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

Alan Shaw, President & Chief Executive Officer

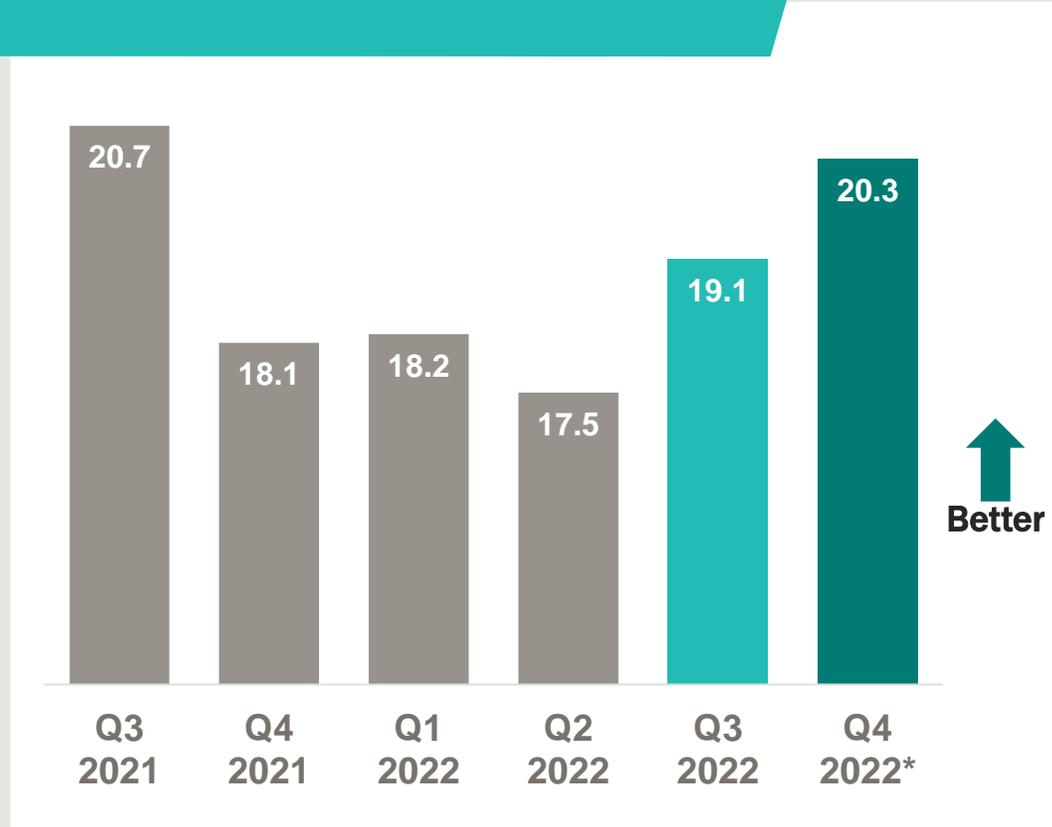


## 02 Operations Overview

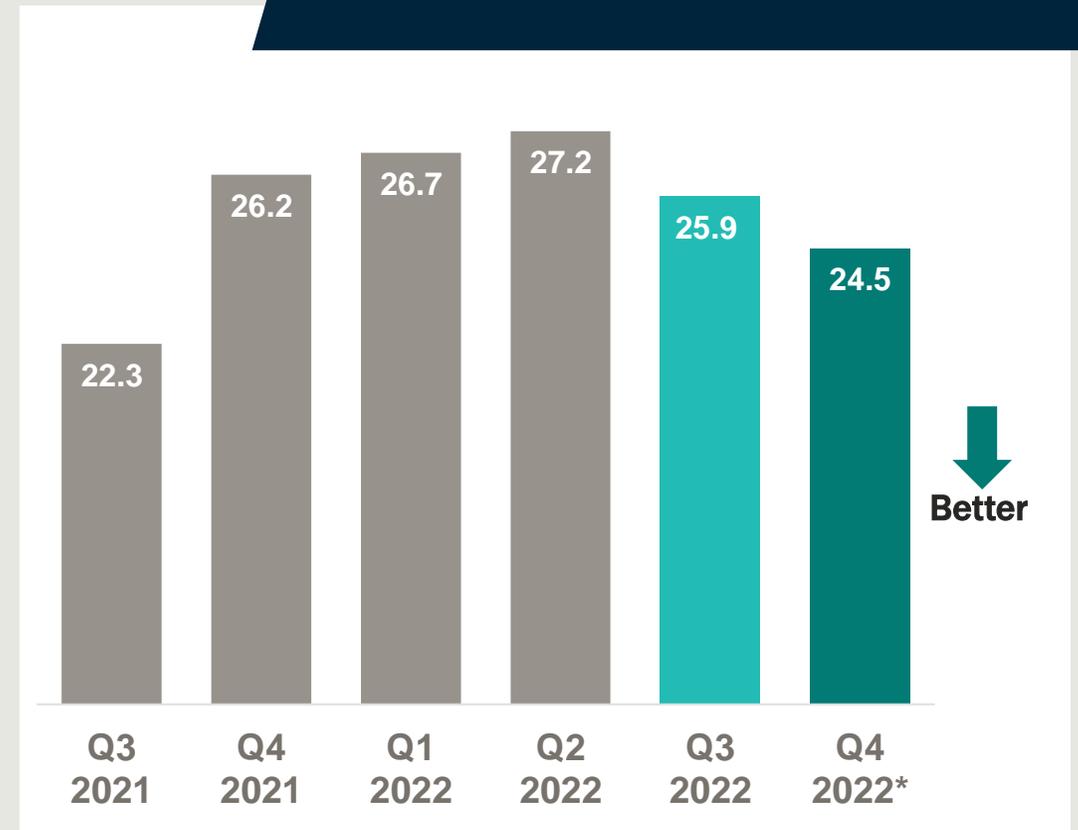
Cindy M. Sanborn, Executive Vice President and Chief Operating Officer

# Network Performance

## Train Speed (mph)

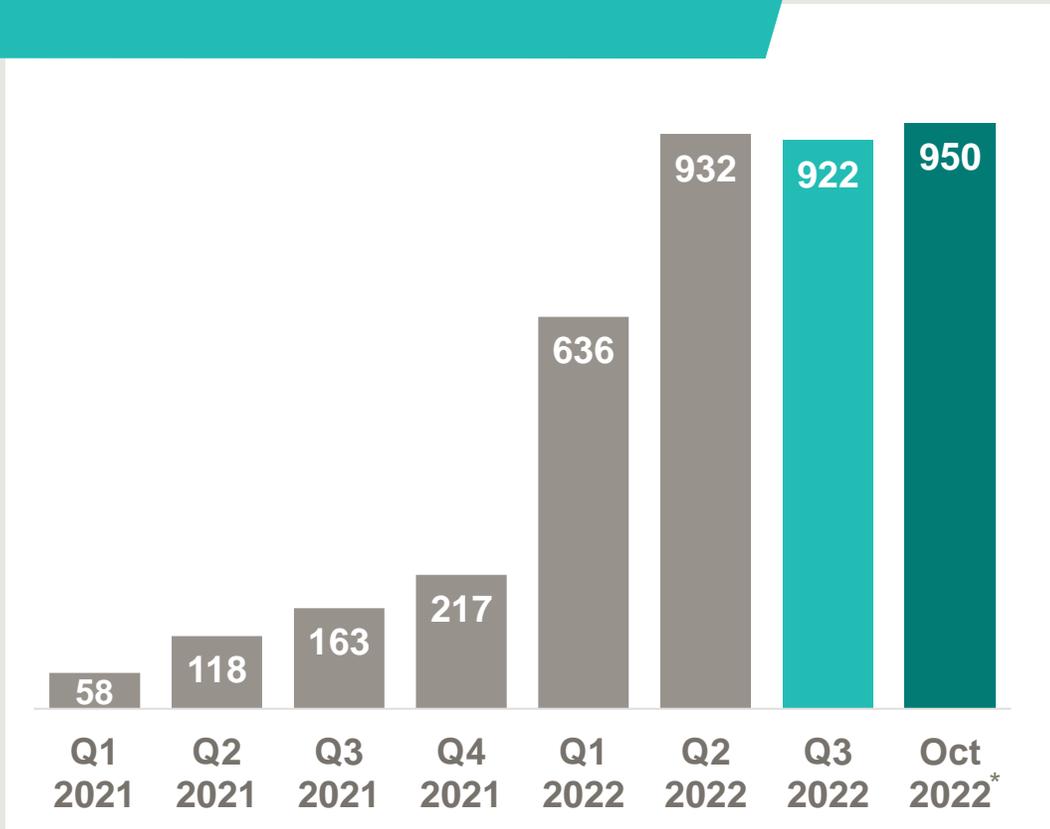


## Terminal Dwell (hours)

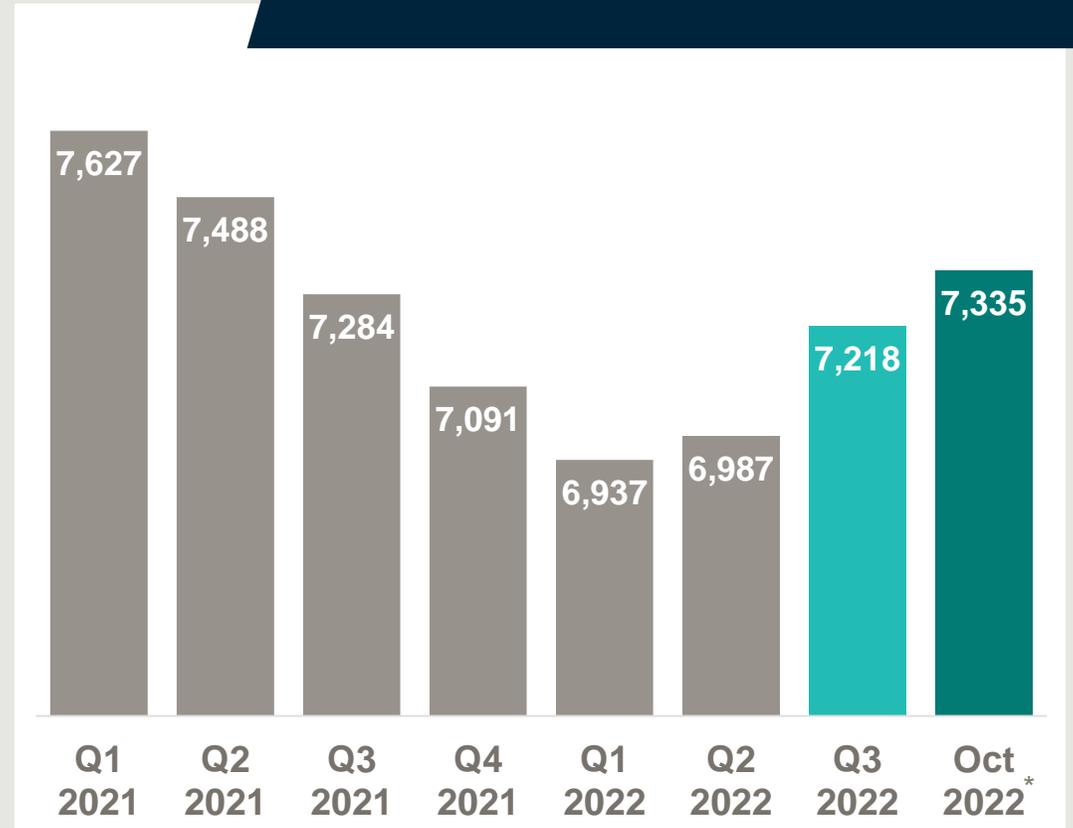


# T&E Workforce Update

## Conductor Trainees

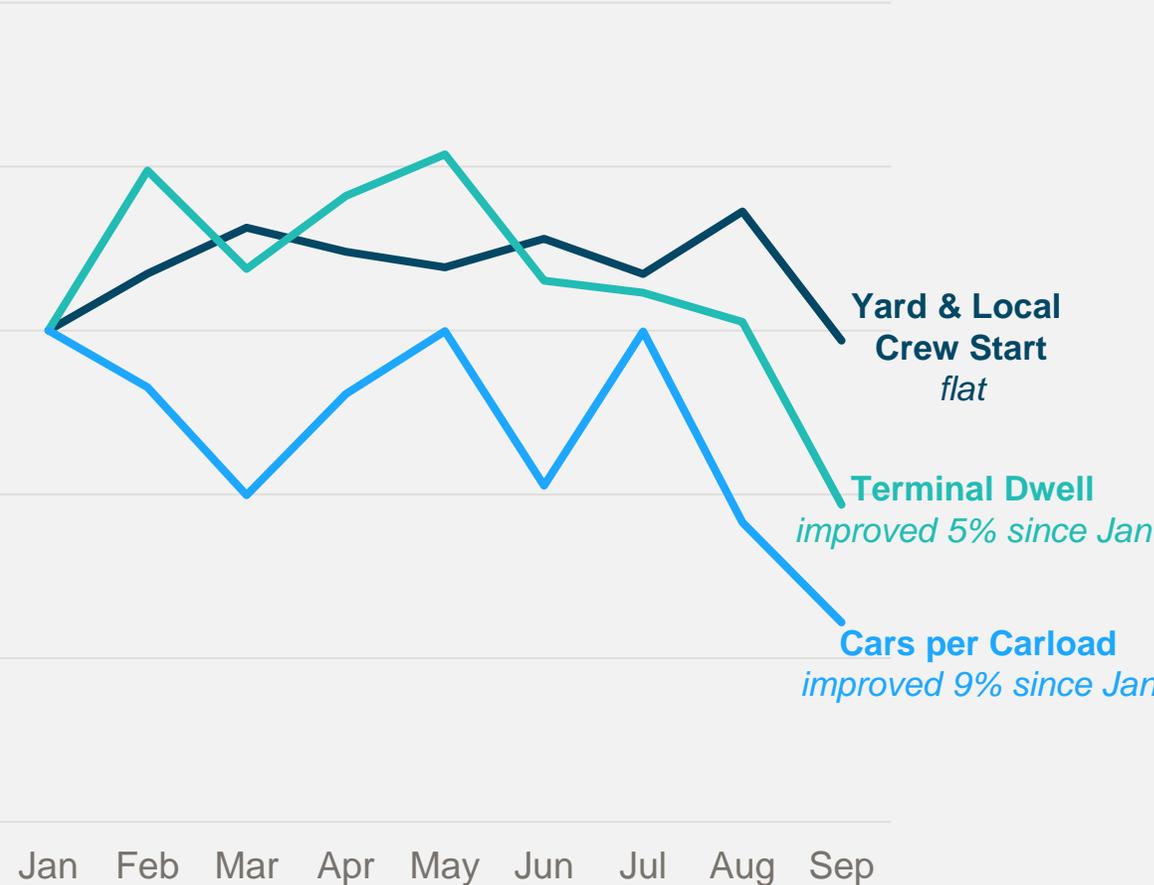


## Qualified T&E



# Making the Most Efficient Use of Our Resources to Improve Service

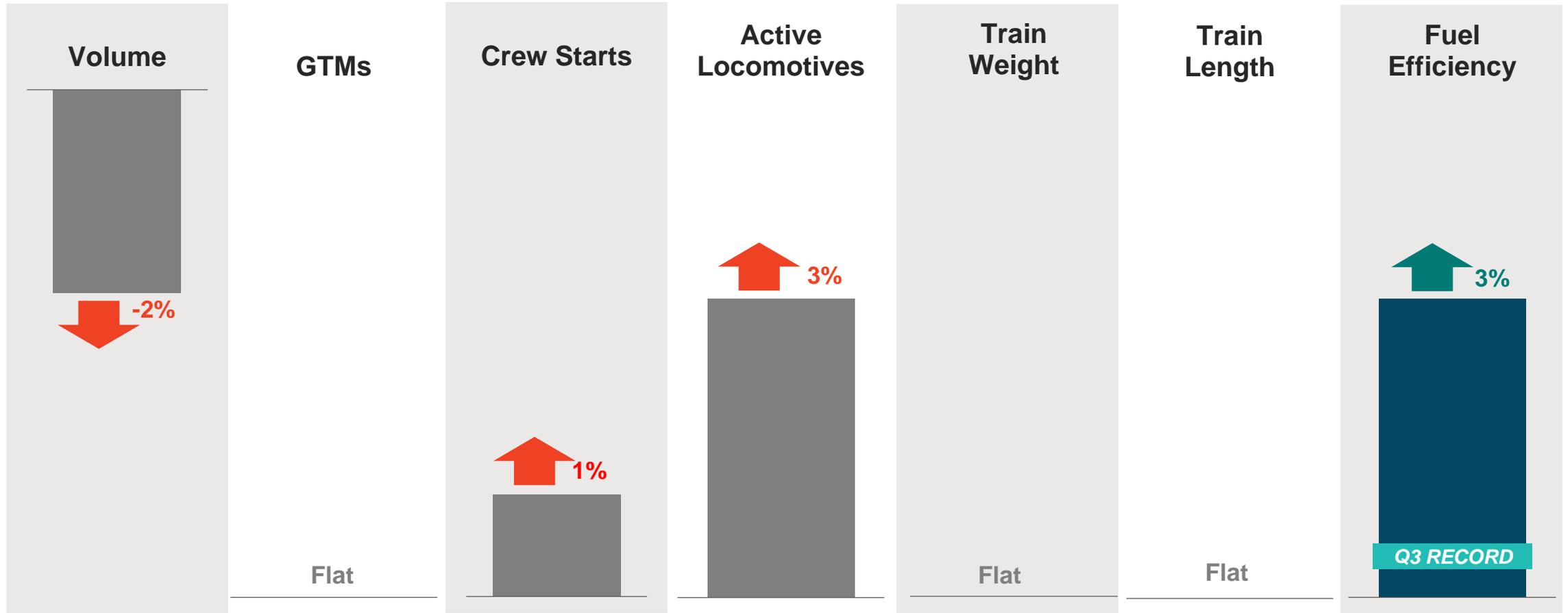
- Focus on the latest evolution of our PSR-based operating plan, TOP|SPG
- Improvements anchored to our “Big 7” terminals and focus trains
- Safe and efficient deployment of new employees
- Creating capacity for growth

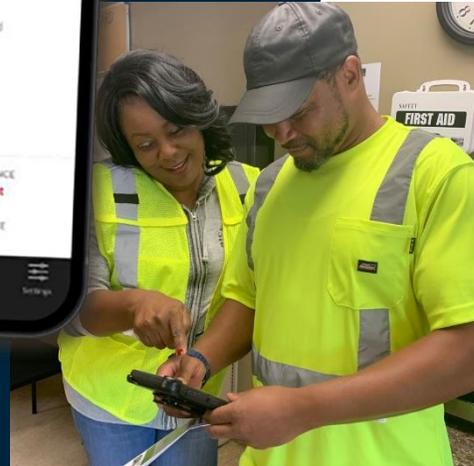
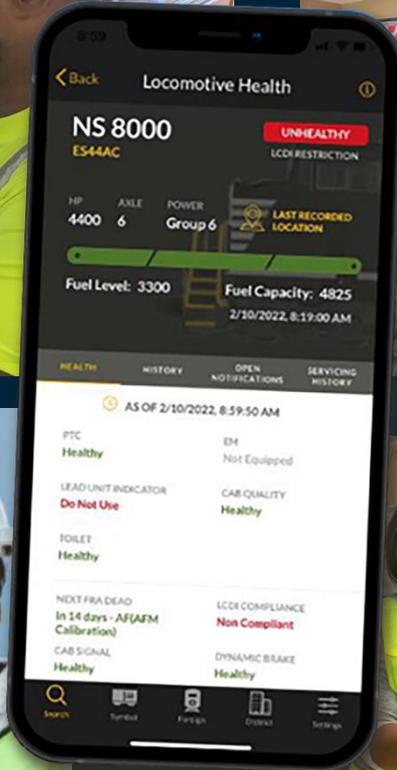
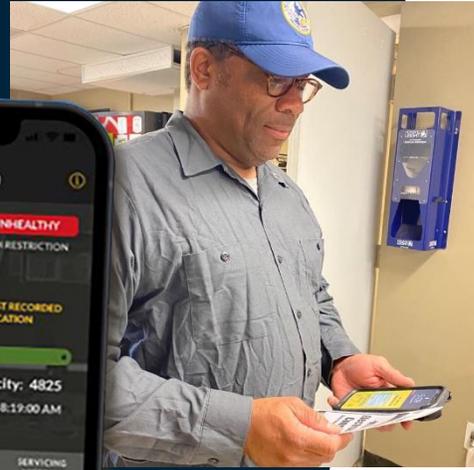


# Operational Activity Metrics

Q3 2022 vs. Q3 2021

*favorable / unfavorable*





## *Empower the Workforce* is our initiative to leverage mobile, self-service capabilities to drive service and productivity

- Train & Engine
- Mechanical Shops
- Roadway Workers
- Field Management

### FRA Reportable Train Accidents *per billion GTMs*



### FRA Personal Injury Index



## Continued Focus on Improving Safety

- Accident rates holding steady; focusing efforts on continuous improvement
- Risk reduction program initiatives contribute to reduced injury rates



# 3 Market Overview

Ed Elkins, Executive Vice President & Chief Marketing Officer

# Energy Market Tailwinds Drive Revenue Growth in Q3

## Record-level revenue per unit across all business units

Q3 2022 vs. Q3 2021 / Revenue change \$ millions / favorable / unfavorable



	Merchandise	Intermodal	Coal	Total
Revenue	\$1,930M 13% <i>RECORD</i>	\$942M 16%	\$471M 43%	\$3,343M 17% <i>RECORD</i>
Volume	569,600 (2%)	972,700 (5%)	183,000 14%	1,725,300 (2%)
RPU	\$3,388 15% <i>RECORD</i>	\$968 22% <i>RECORD</i>	\$2,575 25% <i>RECORD</i>	\$1,938 20% <i>RECORD</i>
RPU (less fuel) <sup>(1)</sup>	\$3,003 5% <i>RECORD</i>	\$716 6%	\$2,375 16%	\$1,647 8% <i>RECORD</i>

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

# Market Outlook

## MERCHANDISE

- US Light Vehicle Production
- Manufacturing
- Housing Market

## INTERMODAL

- Business Inventories
- Consumer Spending
- Truck Capacity

## COAL

- Global Energy Demand
- Seaborne Coal Prices
- Improving Coal Supply





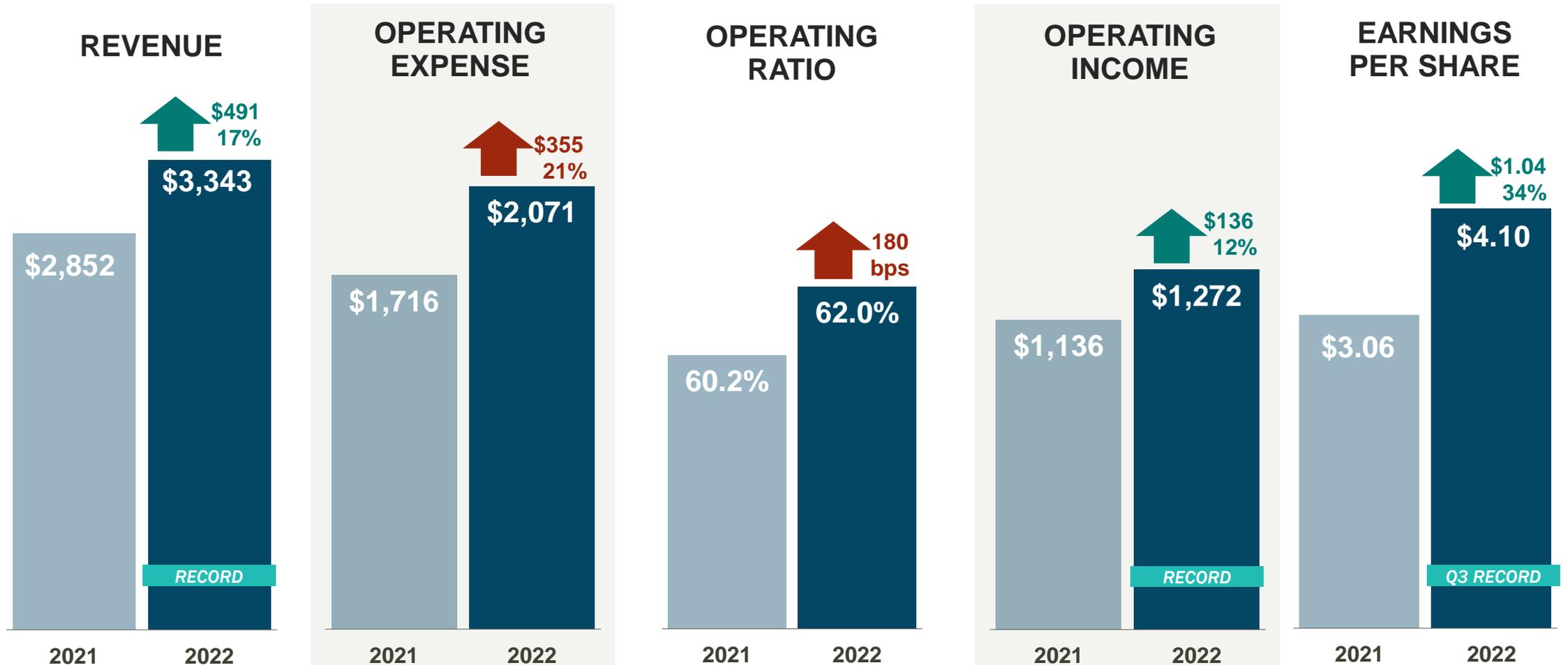
# 04 Financial Overview

Mark George, Executive Vice President & Chief Financial Officer

# Third Quarter Highlights

## Q3 2022 vs. Q3 2021

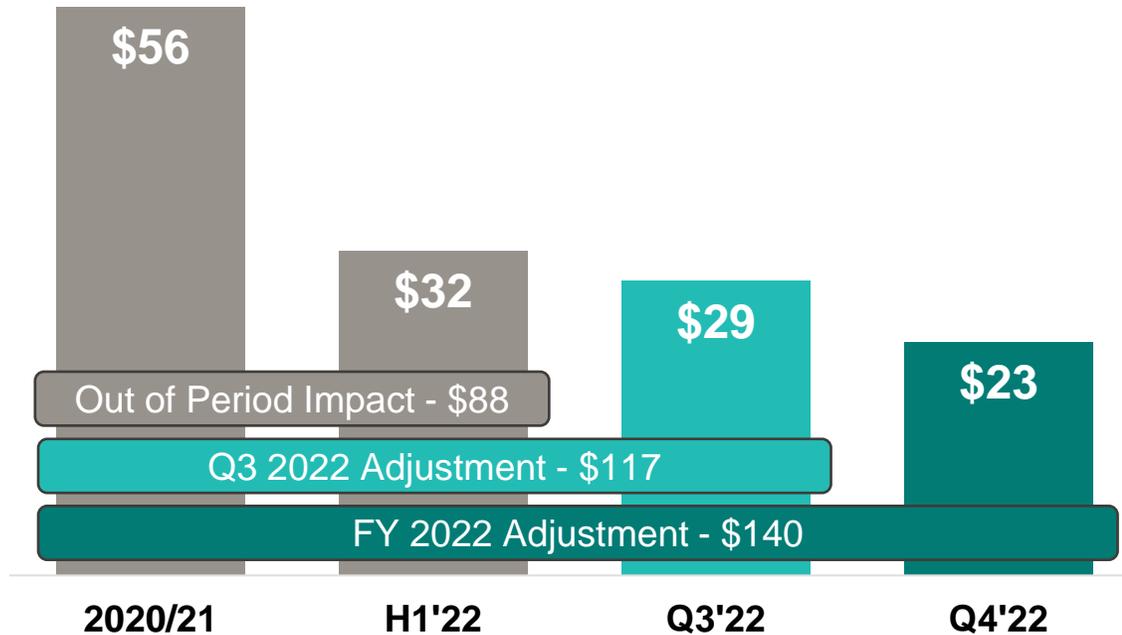
*favorable / unfavorable*  
\$ millions



# Impact of Tentative Agreements with Labor Unions

## Incremental \$117M Q3 impact, by associated period

Millions



- \$117M incremental expense through 9/30 versus prior accruals
- \$88M out-of-period expense resulting in 270bps Operating Ratio headwind in Q3
- Incremental wage inflation of ~\$23M expected in Q4
  - ▶ \$140M full year impact
- Another \$50M of incremental wage inflation applied to Capital Expenditures for full year

# Operating Ratio and EPS

## Comparison to 2021

*favorable / unfavorable*

	Third Quarter	
	Operating Ratio	Earnings Per Share
Q3 2021	60.2%	\$3.06
Q3 2022	62.0%	\$4.10
<b>Year-over-year change</b>	<b>180bps</b>	<b>\$1.04</b>

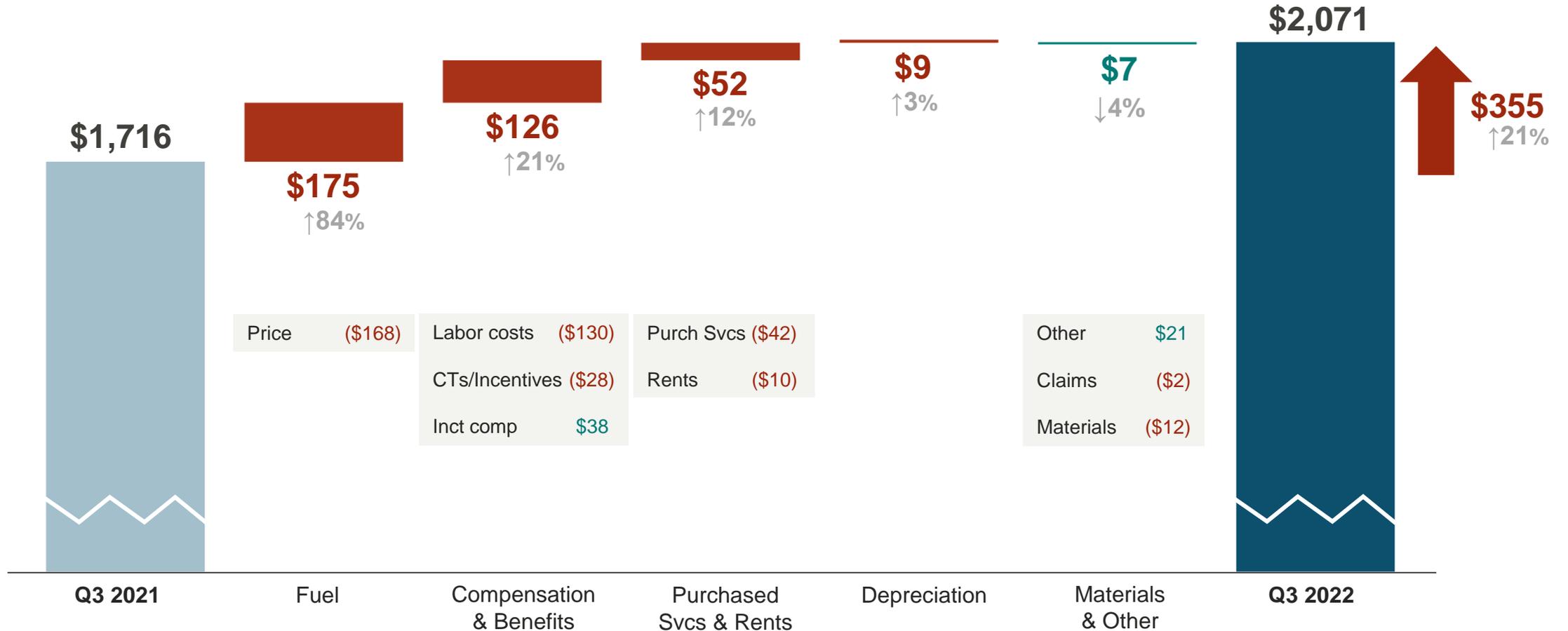
### *Year-over-year change reconciliation:*

2022 wage accruals pertaining to prior periods	270bps	(\$0.28)
2022 legal settlement	40bps	\$0.05
2022 state tax law change	-	\$0.58
Core improvement	50bps	\$0.69
<b>Year-over-year change</b>	<b>180bps</b>	<b>\$1.04</b>

# Operating Expense Components

## Q3 2022 vs. Q3 2021

*favorable / unfavorable*  
\$ millions



# Financial Results

## Q3 2022 vs. Q3 2021

favorable / unfavorable

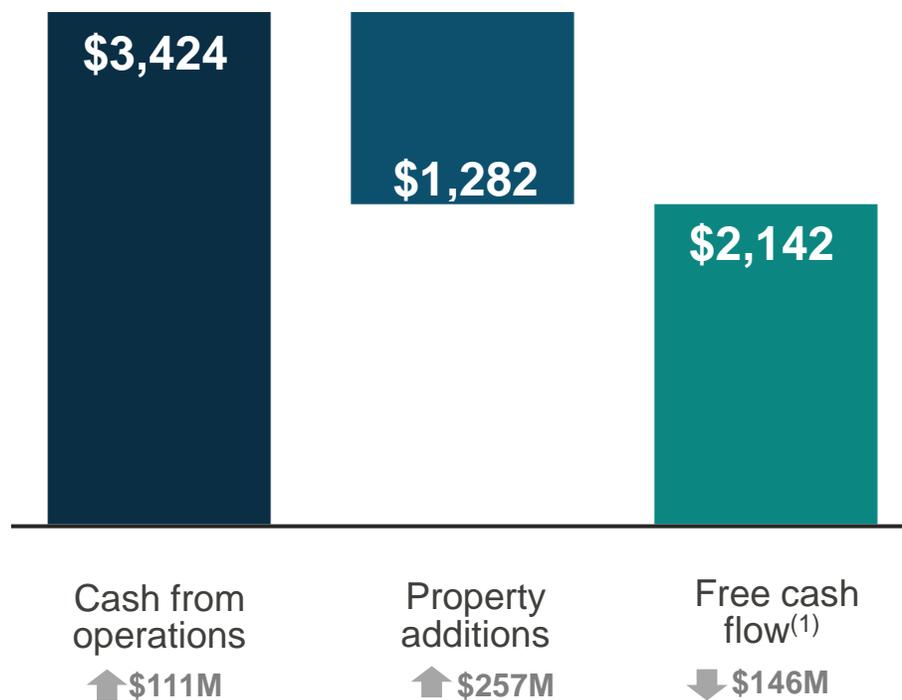
\$ millions

	Q3 2021	Q3 2022	Variance	
			\$	%
Income from railway operations	\$1,136	<b>\$1,272</b>	\$136	12%
		<i>RECORD</i>		
Other income (expense) – net	14	<b>(2)</b>	(16)	(114%)
Interest expense on debt	164	<b>177</b>	13	8%
<hr/> Income before income taxes	<hr/> 986	<hr/> <b>1,093</b>	<hr/> 107	<hr/> 11%
Income taxes	233	<b>135</b>	(98)	(42%)
<hr/> Net income	<hr/> \$753	<hr/> <b>\$958</b>	<hr/> \$205	<hr/> 27%
		<i>Q3 RECORD</i>		
<hr/> Earnings per share – diluted	<hr/> <b>\$3.06</b>	<hr/> <b>\$4.10</b>	<hr/> \$1.04	<hr/> 34%
		<i>Q3 RECORD</i>		

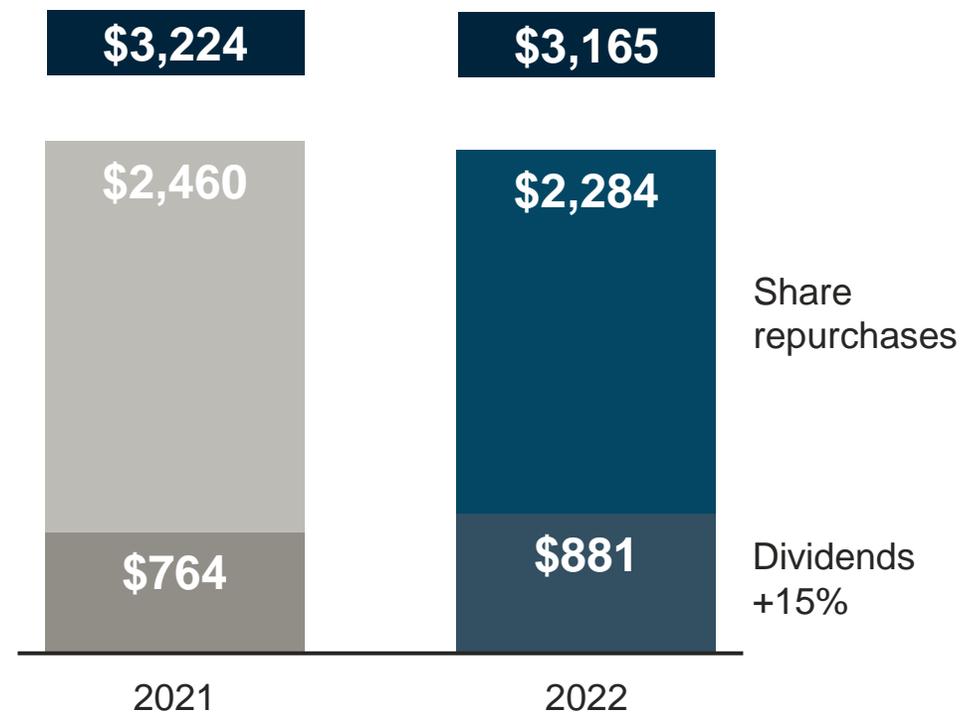
# Free Cash Flow & Shareholder Distributions

First Nine Months / \$ millions

## 2022 Free Cash Flow<sup>(1)</sup>



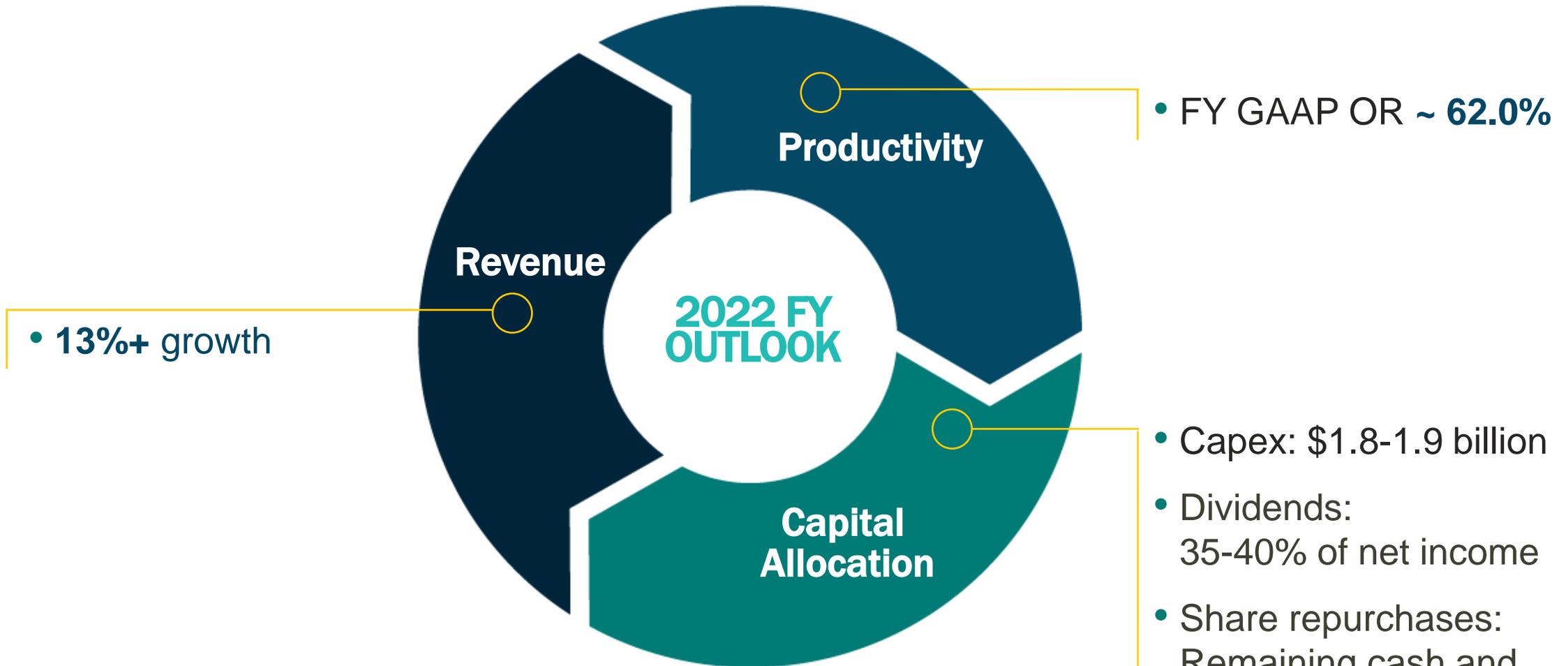
## Shareholder Distributions



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

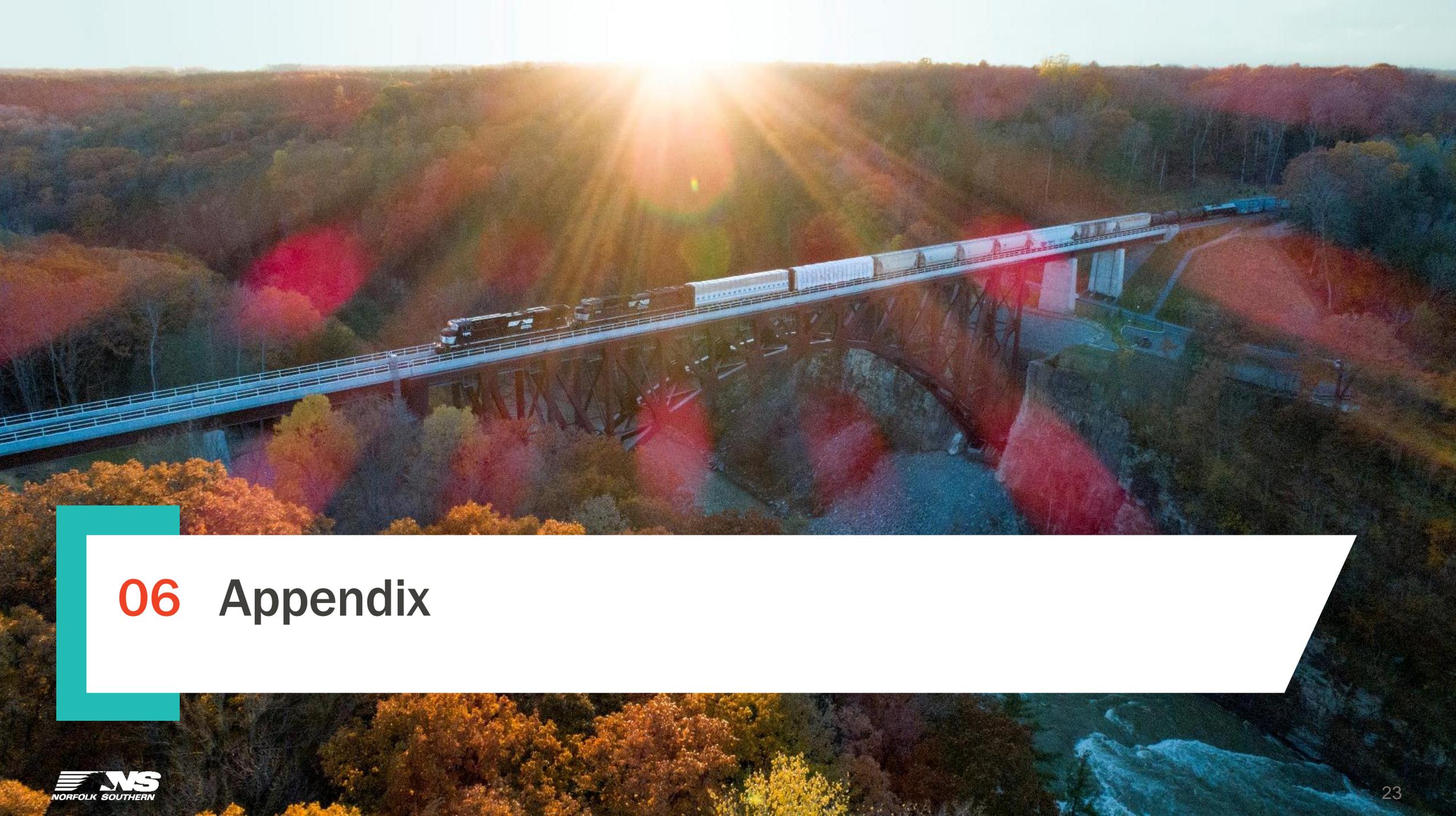
# 2022 Outlook

Enhancing shareholder value through balance of efficiency and growth





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



# 06 Appendix

# Items Impacting Comparison to 2021

*favorable / unfavorable*

*\$ millions except per share*

	Third Quarter
2022 wage accruals pertaining to prior periods	\$ 88
2022 legal settlement	15
2022 state tax law change	136

## Impact:

Operating ratio	230 bps
Earnings per share	\$0.35