

NS Service & Business Update

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Summary

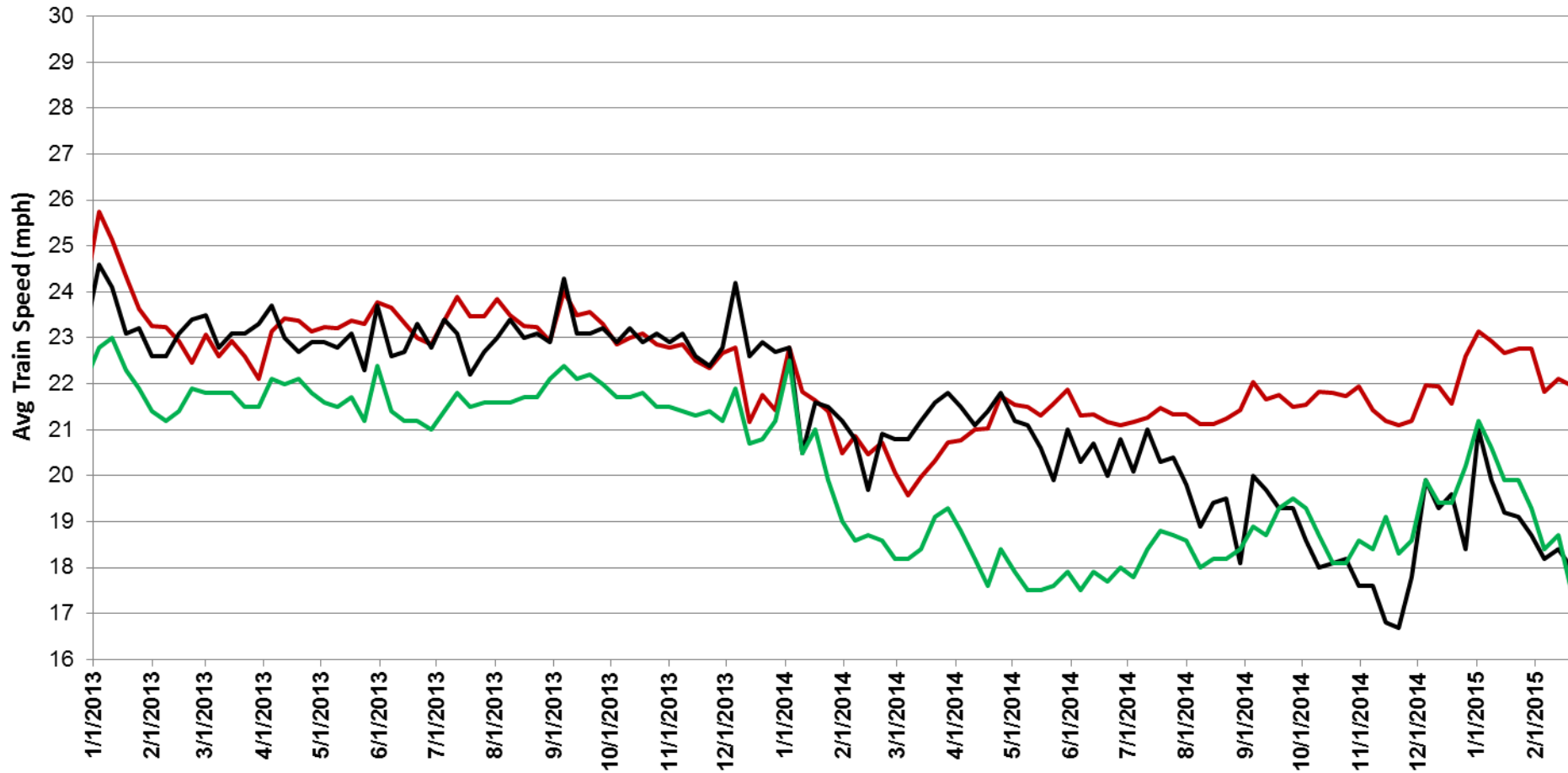
- Service recovery efforts in 2014 were hampered by T&E shortages in the face of significant volume growth.
- NS invested heavily in crew, locomotive and infrastructure resources.
- As a result of recent resource additions, Norfolk Southern service levels improved since late November, although severe winter weather continues to have an impact on our network
- With further capacity additions planned throughout the year, we anticipate continued gradual improvement and expect that service will return to 2012 and 2013 levels as we enter the second half of 2015.



AAR Data – Manifest Train Speed

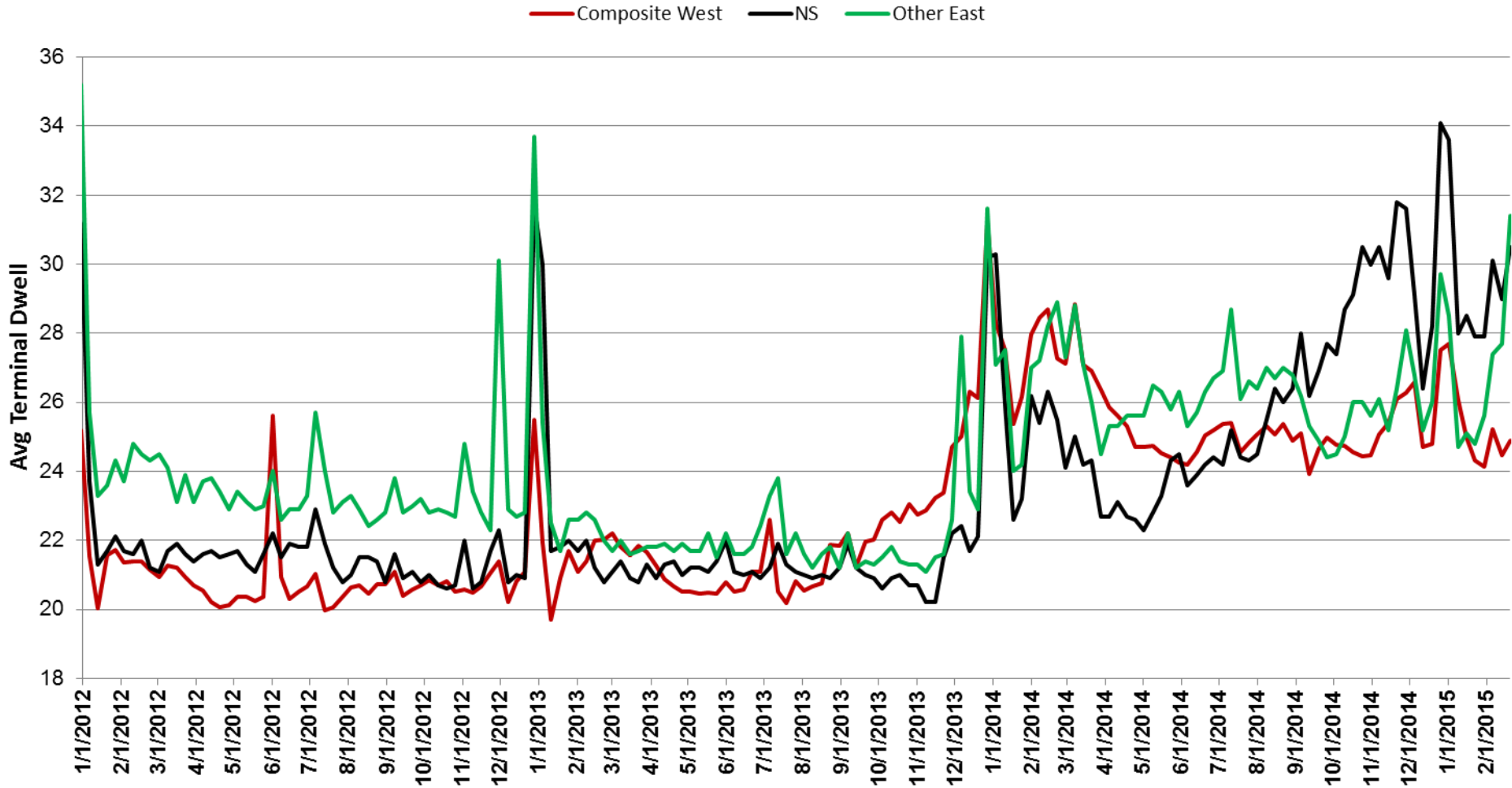
AAR - Manifest Train Speed

— Composite West — NS — Other East



AAR Data – Dwell

AAR Data - Terminal Dwell



Class I Railway Volumes 2014

Units (000's) & y-o-y % Change	NS		CSX		UP		BNSF	
	Units	% Change	Units	% Change	Units	% Change	Units	% Change
Merchandise	2,526	5%	2,911	6%	3,826	7%	2,863	5%
Intermodal	3,833	8%	2,719	6%	3,977	8%	4,921	0%
Coal	1,292	(4%)	1,284	5%	1,797	4%	2,463	2%
Total	7,651	5%	6,914	6%	9,600	7%	10,247	2%
<i>Excluding Coal</i>	<i>6,349</i>	<i>7%</i>	<i>5,630</i>	<i>6%</i>	<i>7,803</i>	<i>8%</i>	<i>7,784</i>	<i>2%</i>

Data through 52 weeks (December 27, 2014)



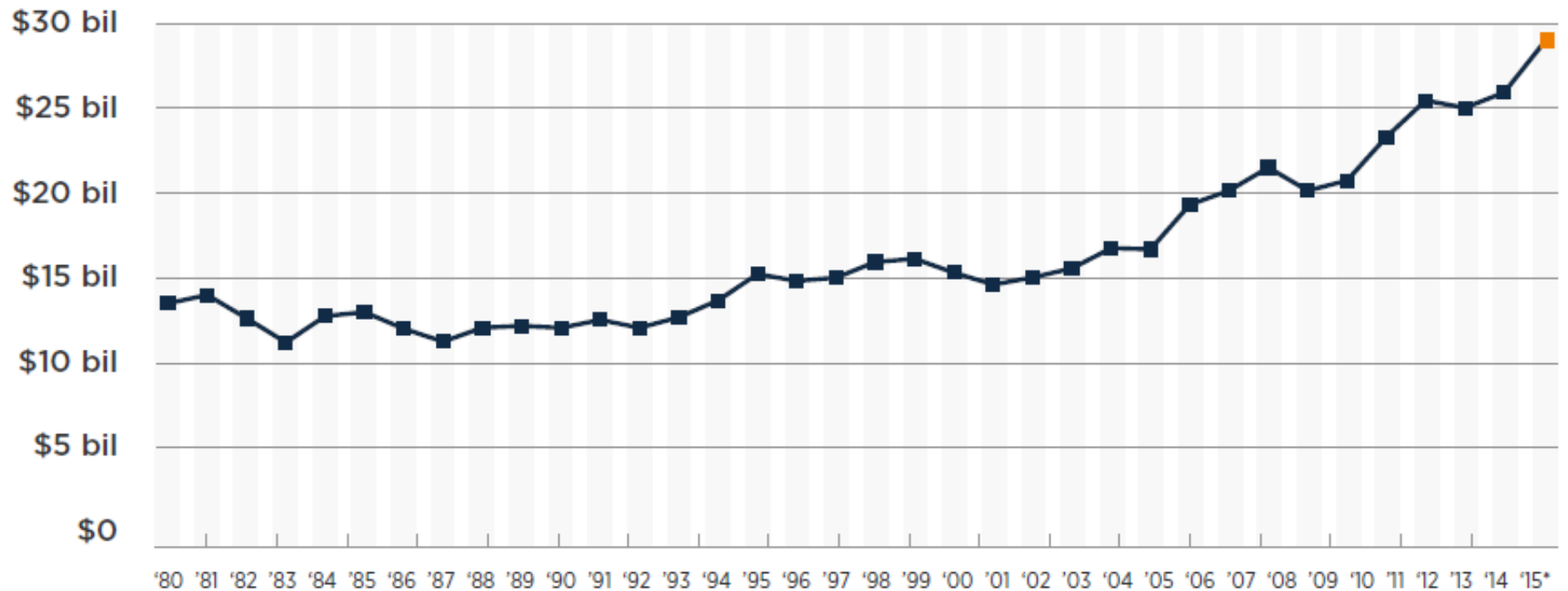
NS Response to Service Situation

- Capital
- Crews
- Locomotives
- Key NS Strategic Capacity Investments



\$575 Billion Back Into the Network Since 1980

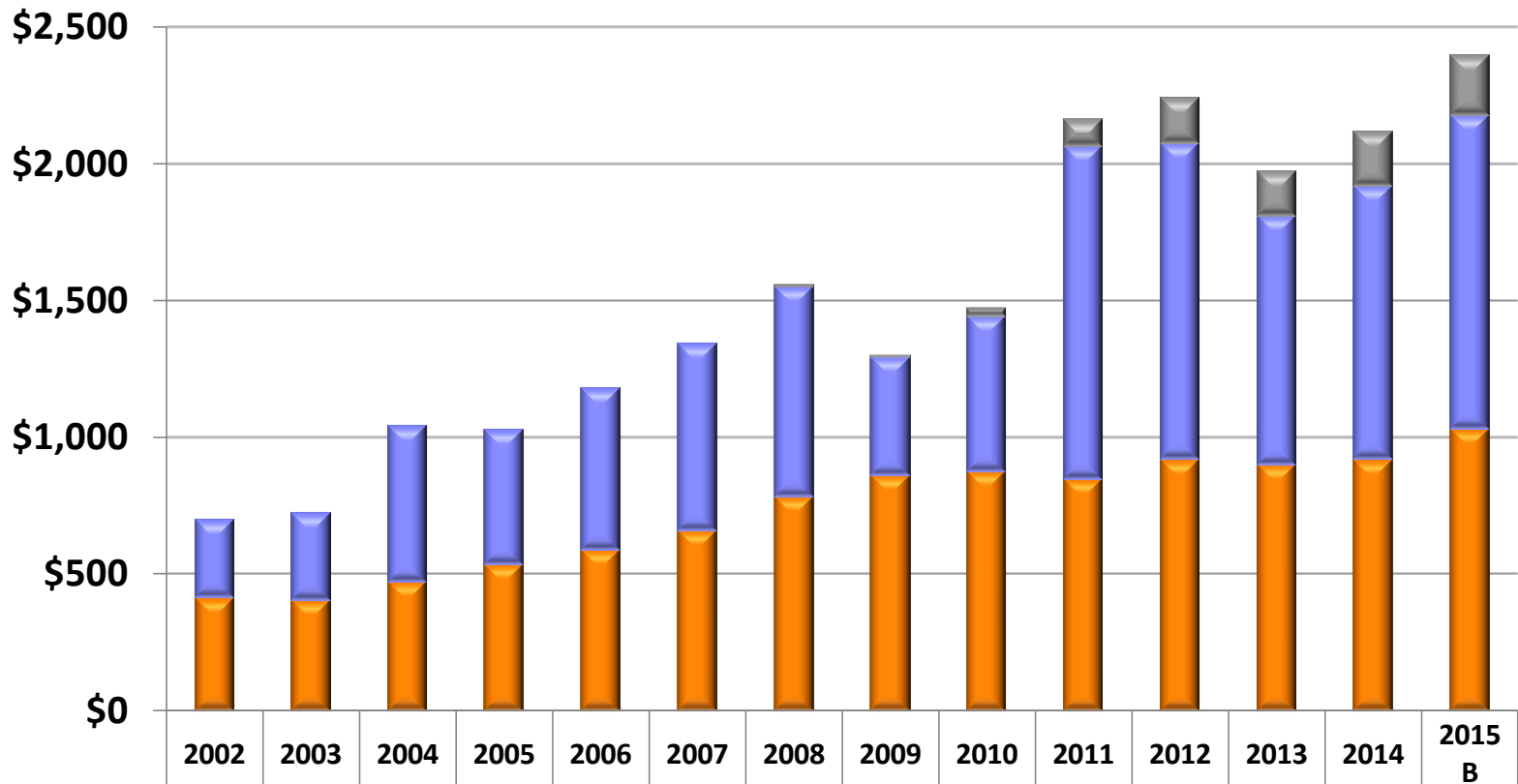
Railroad Spending on Infrastructure and Equipment*
(\$ billions, current dollars)



*AAR: Data in chart for Class I railroads only

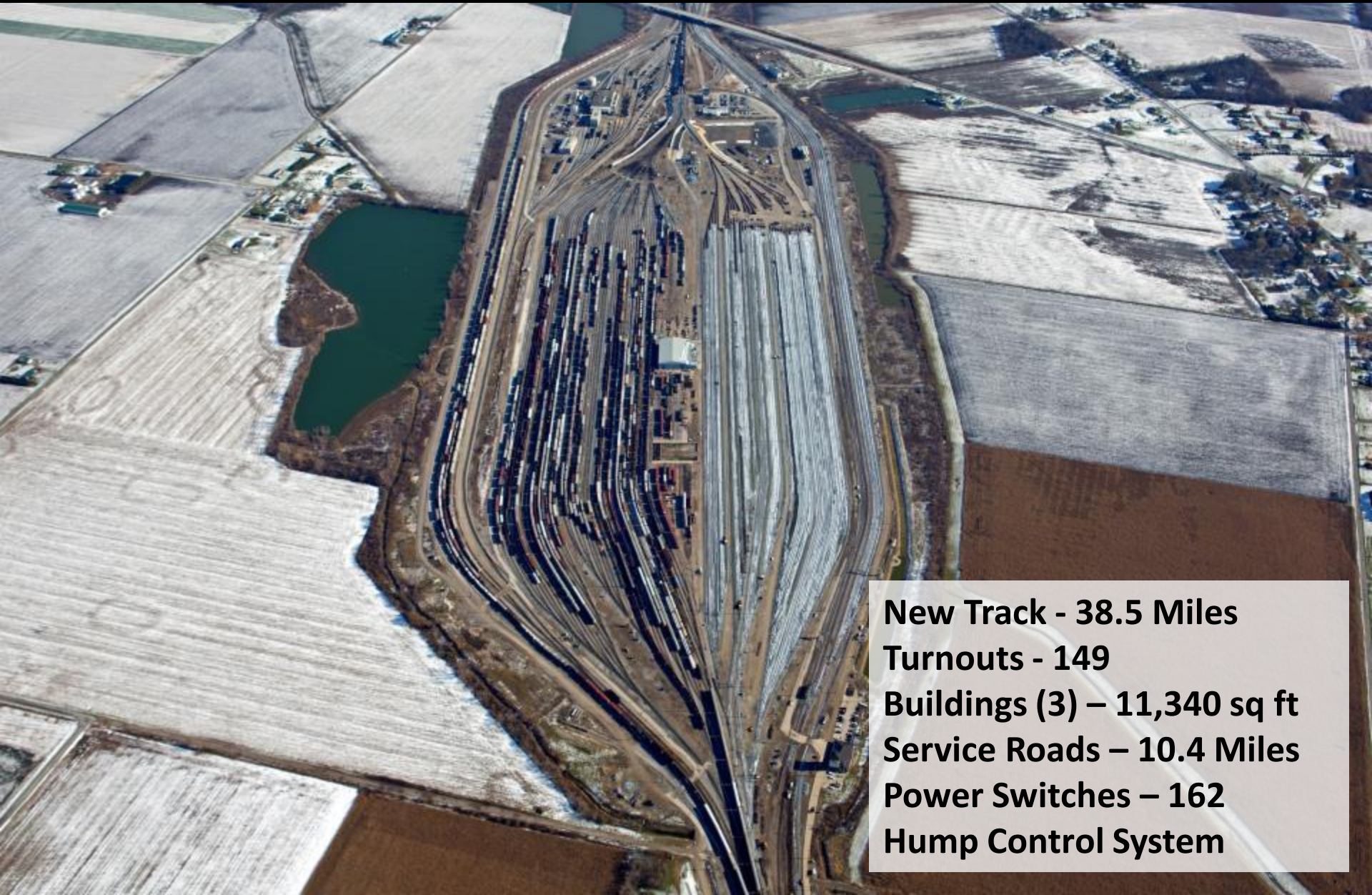
NS Capital Expenditures

Since 2002 (in 000,000)



Total	\$695	\$720	\$1,041	\$1,025	\$1,178	\$1,341	\$1,558	\$1,299	\$1,470	\$2,160	\$2,241	\$1,971	\$2,118	\$2,395
PTC							\$10	\$8	\$29	\$97	\$169	\$163	\$202	\$220
Other	\$283	\$318	\$571	\$491	\$589	\$686	\$769	\$432	\$567	\$1,215	\$1,153	\$910	\$998	\$1,144
Maint & Infrastructure	\$412	\$402	\$470	\$534	\$589	\$655	\$780	\$859	\$875	\$848	\$919	\$897	\$918	\$1,031

Bellevue Expansion



New Track - 38.5 Miles
Turnouts - 149
Buildings (3) – 11,340 sq ft
Service Roads – 10.4 Miles
Power Switches – 162
Hump Control System

Norfolk Southern Crew Hiring

- NS has increased the number of active Train & Engine employees by approximately 320 employees over the last three months.
- NS projects to increase the number of active Train & Engine employees by approximately 900 employees in 2015, with almost two-thirds of the increase projected to occur in the first half of 2015.

Norfolk Southern Locomotive Update

- Since the beginning of 4Q 2014, we have greatly increased the number of locomotives flowing into Elkhart to improve fluidity.
- NS will take delivery of 66 additional locomotives by the end of July



CREATE Program Partnership –

- *Launched in 2003 to*
 - Improve passenger and freight rail service
 - Reduce freight rail congestion to boost regional and national economic competitiveness
 - Reduce motorist delay due to rail conflict at grade crossings
 - Enhance air quality, public safety , economic development, and job creation
- PPP between ILDOT, Chicago DOT, AAR, FRA, FHA
- \$3.8 billion in projects identified, \$1.3 billion funded
 - Public Private Partnership with considerable Class I funding commitments of up to \$327 million
- \$570 million in rail freight projects specifically
- \$521 million in funded projects that will benefit Norfolk Southern's Chicago operations
 - Englewood connection (P1 - \$140 million) and Torrance Grades Separation (GS15a - \$175 million) will be completed in 2014.

CREATE Freight Status Map

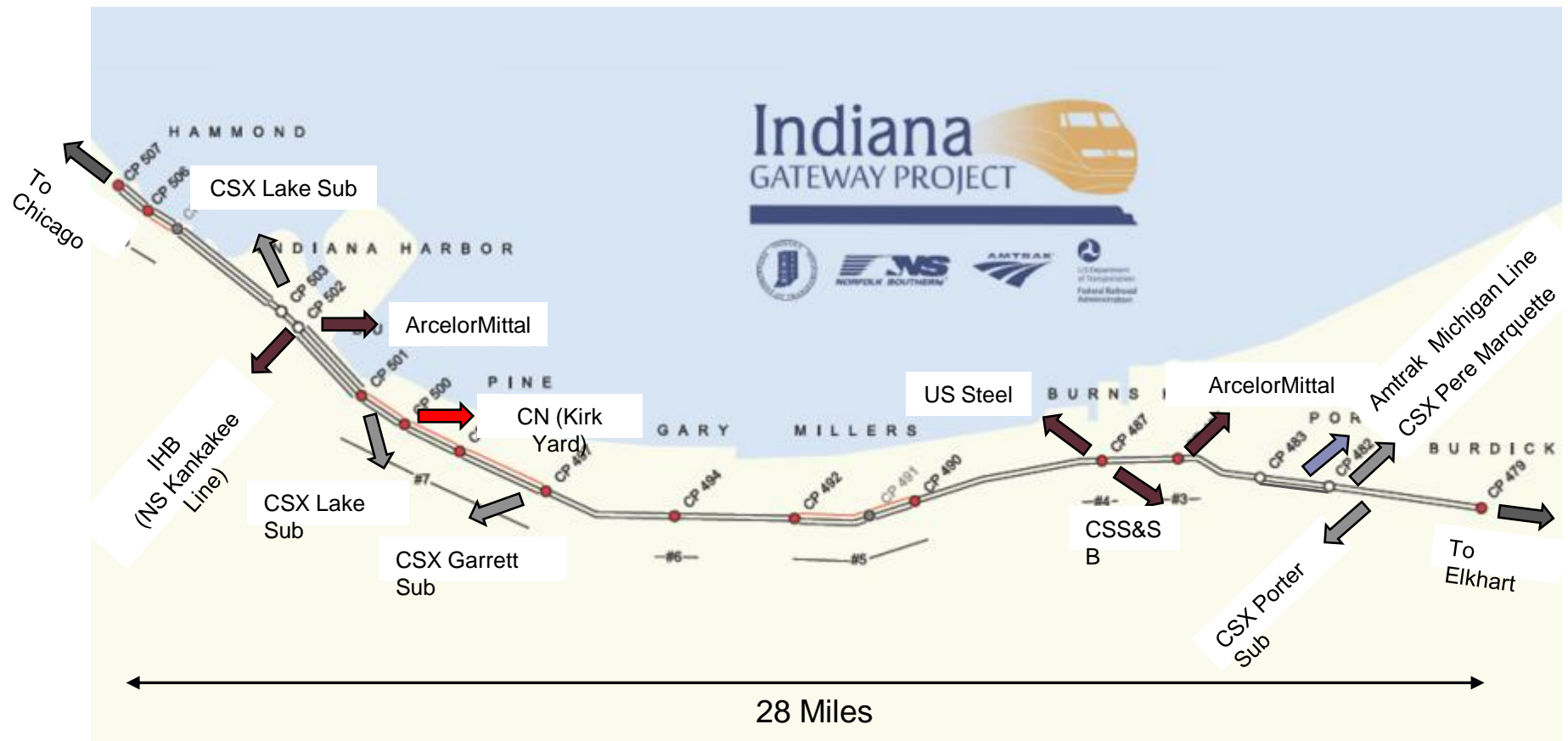
Key projects are well under way

- Passenger 7 Projects
 Amtrak on NS Chicago Line
 Metra Southwest Service
 Metra/Amtrak on CN Heritage Corridor
- Beltway 11 Projects
 Metra B12 Interlocking to Thornton Jct.
 Blue Island Jct. to Dolton Interlocking
- Western Ave. 8 Projects
 Ogden Jct. to Blue Island Jct.
 Blue Island Jct. to Thornton Jct.
 Thornton Jct. to 80th Street
 80th Street to 75th Street
 Brighton Park to CP518
 Brighton Park to Corwith Interlocking
- East-West 4 Projects
 NS Chicago Line to Beltway Corridor



The Indiana Gateway Project

With the State of Indiana, \$71 million in being invested to eliminate key bottlenecks along this very busy 28 mile corridor. Investments will positively impact NS, Amtrak and other railroads along the route



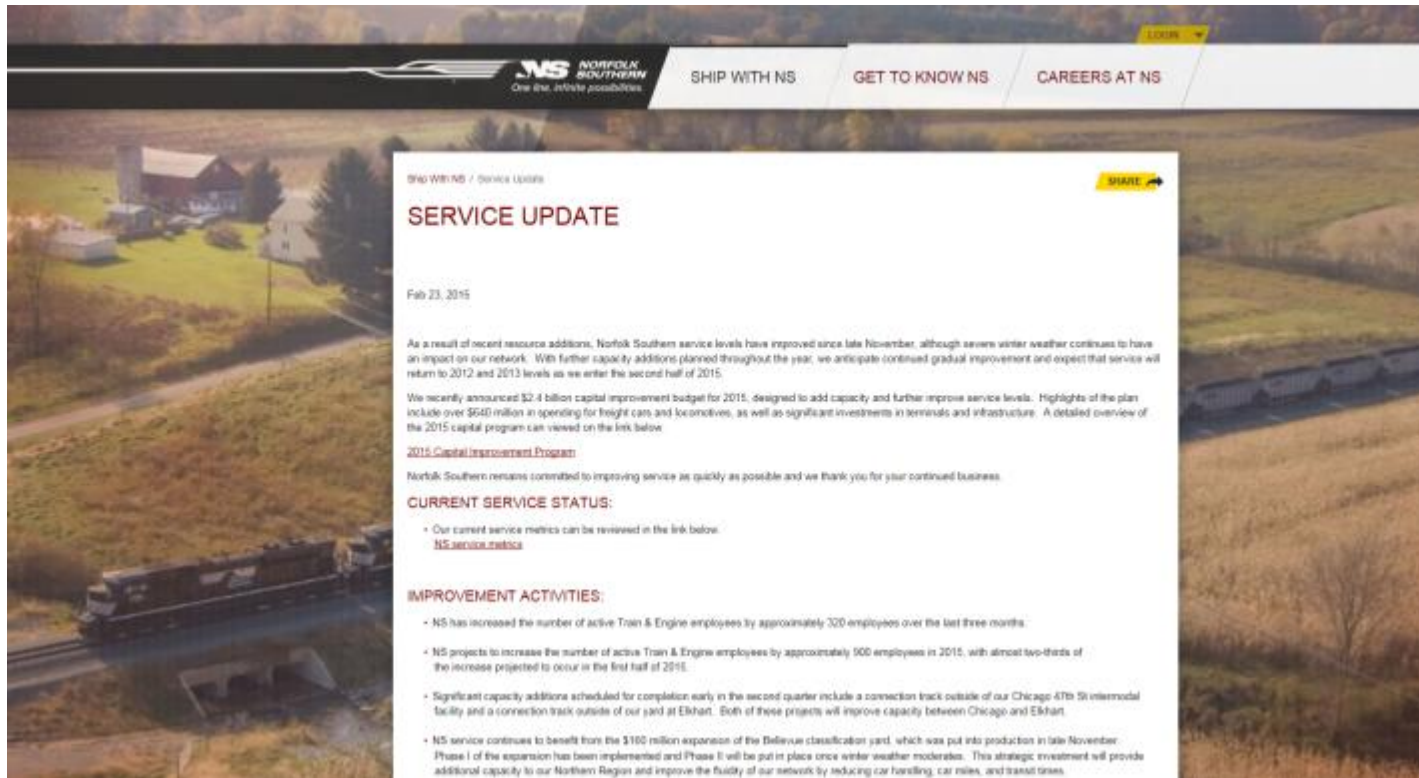
Maintenance of Way

- Current Maintenance of Way projects and associated delays communicated through our service updates, including PTC installation projects.



Communication Process

- NS service updates are available on our website



- Continue to direct critical service issues to our National Customer Service Center and your Marketing/Sales representative

Service Summary

- NS' rail network is strained right now
 - Tactical causes include the weather and recent surge in volumes
- There are some structural changes in the make-up of our business that are stressing a few parts of our network
 - Particularly our routes to, from and through Chicago
- NS is actively and rapidly working to add tactical resources to increase the velocity of the railroad
- NS believes that our overall network capacity is well sized to accommodate growth
- NS is making strategic investments across our network to handle additional growth, and these investments are coming on line soon



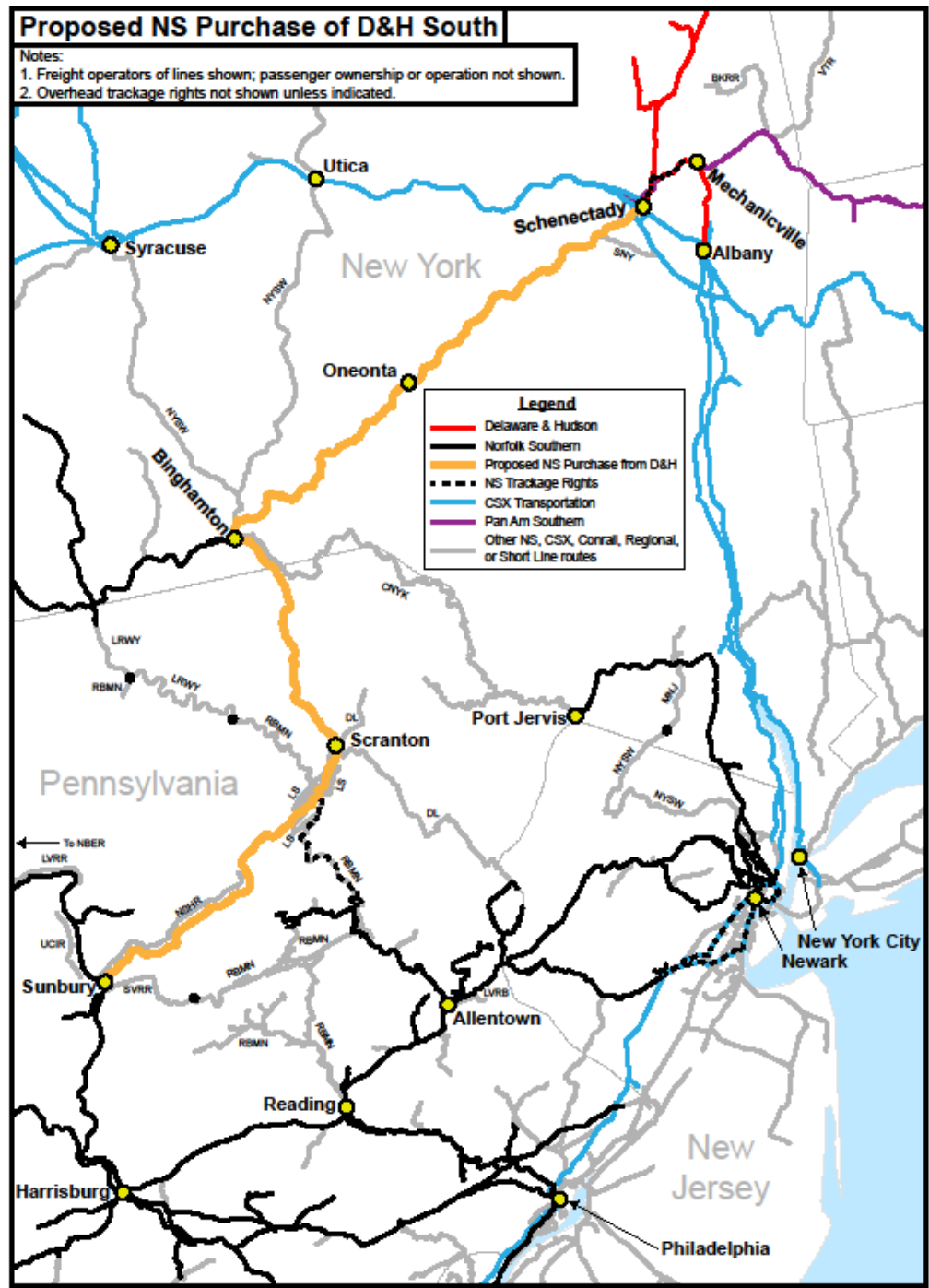
D&H South Transaction

Terms of Transaction

- **NS will acquire and operate 282.55 miles of “D&H South Lines” in Pennsylvania and New York:**
 - (1) 267.15 miles of D&H Freight Main Line between Sunbury/Kase, PA and Schenectady, NY
 - (2) 15.40 miles of D&H Voorheesville Running Track between Voorheesville Junction, NY and Delanson, NY
- NS will retain and modify existing trackage rights over certain D&H lines around Albany

Proposed NS Purchase of D&H South

Notes:
1. Freight operators of lines shown; passenger ownership or operation not shown.
2. Overhead trackage rights not shown unless indicated.



Aligns Ownership with Usage

- NS today is the primary user of D&H South Lines, operating daily via trackage and haulage rights
- Transaction will align ownership with usage as NS's traffic accounts for approximately 80% of traffic on these lines
- Should benefit shippers through operating efficiencies and enhanced competition in the Northeast surface transportation market

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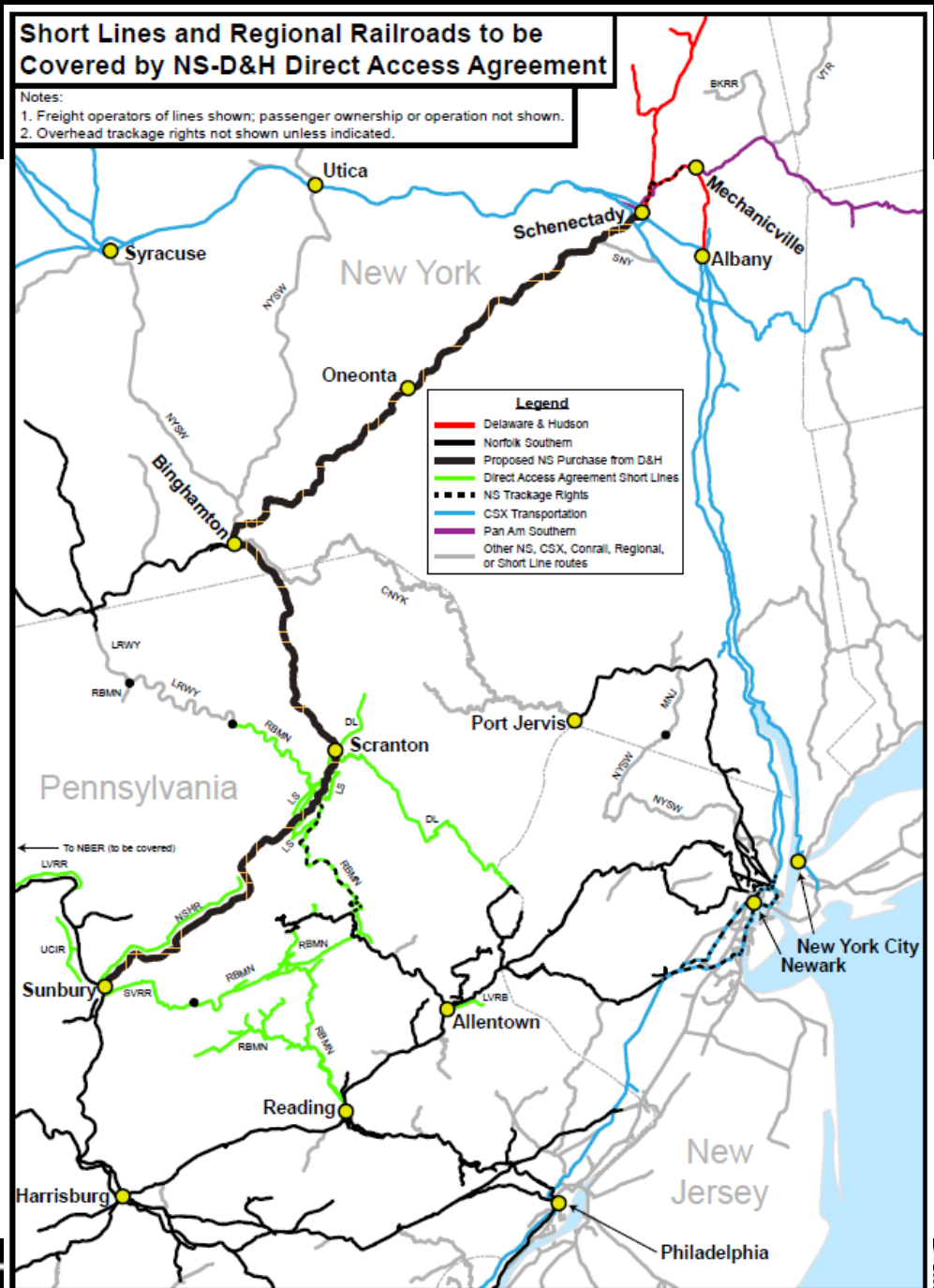
No Anticompetitive Effects

- No 2 → 1 shippers
- Transaction substitutes NS interchanges and connections for D&H interchanges and connections
- NS and D&H are voluntarily entering into two new commercial agreements
 - Existing rate authorities for D&H South Lines customers
 - Short lines that connect with both NS lines and D&H South Lines

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Timeline

- **Jan 15**
Comments Deadline
- **Mar 15**
NS/CP Responses
- **May 15**
STB Decision
- **June 15?**
Implementation



Thank You!

