



**2021**

QUARTERLY FINANCIAL DATA

Q1





# NORFOLK SOUTHERN RAILWAY SYSTEM

**INVESTOR INQUIRIES: MEGHAN ACHIMASI, 470-867-4807**

The accompanying unaudited financial information and summary of certain notes to the consolidated financial statements should be read in conjunction with: (a) the consolidated financial statements and notes included in Norfolk Southern Corporation's (NS, we, us and our) latest Annual Report on Form 10-K and in subsequent Quarterly Reports on Form 10-Q, and (b) any Current Reports on Form 8-K.

Any statements contained in this document which are not related to historical facts are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995, and NS undertakes no obligation to update such statements. Such forward-looking statements are subject to risks and uncertainties (the most significant of which are described in our SEC filings) which could cause actual results to differ materially.

# Consolidated Statements of Income

(in millions, except per share amounts)

	First Quarter			
	2021	2020 (GAAP)	Adjusted 2020 (Non-GAAP <sup>1</sup> )	% Change (Non-GAAP)
<b>Railway operating revenues</b>				
Merchandise	\$ 1,608	\$ 1,672	\$ 1,672	(4%)
Intermodal	719	655	655	10%
Coal	312	298	298	5%
Total railway operating revenues	<u>2,639</u>	<u>2,625</u>	<u>2,625</u>	1%
<b>Railway operating expenses</b>				
Compensation and benefits	611	622	622	(2%)
Purchased services and rents	393	403	403	(2%)
Fuel	177	189	189	(6%)
Depreciation	292	292	292	—%
Materials and other	151	166	166	(9%)
Loss on asset disposal	—	385	— <sup>1</sup>	—%
Total railway operating expenses	<u>1,624</u>	<u>2,057</u>	<u>1,672</u> <sup>1</sup>	(3%)
<b>Income from railway operations</b>	1,015	568	953 <sup>1</sup>	7%
Other income – net	7	22	22	(68%)
Interest expense on debt	<u>156</u>	<u>154</u>	<u>154</u>	1%
Income before income taxes	866	436	821 <sup>1</sup>	5%
Income taxes				
Current	141	44	46 <sup>1</sup>	207%
Deferred	52	11	106 <sup>1</sup>	(51%)
Total income taxes	<u>193</u>	<u>55</u>	<u>152</u> <sup>1</sup>	27%
<b>Net income</b>	<u>\$ 673</u>	<u>\$ 381</u>	<u>\$ 669</u> <sup>1</sup>	1%
<b>Railway operating ratio (%)</b>	61.5	78.4	63.7 <sup>1</sup>	(3%)
<b>Earnings per share – diluted</b>	\$ 2.66	\$ 1.47	\$ 2.58 <sup>1</sup>	3%

## Notes

### 1. Loss on Asset Disposal

In 2020, we sold 703 locomotives deemed excess and no longer needed for railroad operations. We evaluated these locomotive retirements and concluded they were abnormal. Accordingly, we recorded a \$385 million loss to adjust their carrying amount to their estimated fair value, which resulted in a \$97 million tax benefit. These amounts have been reflected on a non-GAAP basis. See the Reconciliation of Non-GAAP Financial Measures section on pages 7 and 8.

### 2. Stock Repurchase Program

We repurchased and retired 2.3 million and 2.6 million shares of common stock under our stock repurchase program during the first three months of 2021 and 2020, respectively, at a cost of \$591 million and \$466 million, respectively.

## Consolidated Balance Sheets

(\$ in millions)

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 998	\$ 1,115
Accounts receivable – net	944	848
Materials and supplies	241	221
Other current assets	120	134
Total current assets	<u>2,303</u>	<u>2,318</u>
Investments	3,604	3,590
Properties less accumulated depreciation of \$11,672 and \$11,985, respectively	31,312	31,345
Other assets	718	709
<b>Total assets</b>	<u>\$ 37,937</u>	<u>\$ 37,962</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 1,043	\$ 1,016
Income and other taxes	361	263
Other current liabilities	344	302
Current maturities of long-term debt	501	579
Total current liabilities	<u>2,249</u>	<u>2,160</u>
Long-term debt	12,116	12,102
Other liabilities	1,952	1,987
Deferred income taxes	6,977	6,922
<b>Total liabilities</b>	<u>23,294</u>	<u>23,171</u>
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 250,241,009 and 252,095,082 shares, respectively, net of treasury shares	251	254
Additional paid-in capital	2,241	2,248
Accumulated other comprehensive loss	(586)	(594)
Retained income	12,737	12,883
<b>Total stockholders' equity</b>	<u>14,643</u>	<u>14,791</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 37,937</u>	<u>\$ 37,962</u>

## Consolidated Statements of Cash Flows

(\$ in millions)

	<b>First Three Months</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 673	\$ 381
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	292	292
Deferred income taxes	52	11
Gains and losses on properties	(8)	(8)
Loss on asset disposal	—	385
Changes in assets and liabilities affecting operations:		
Accounts receivable	(95)	32
Materials and supplies	(20)	(21)
Other current assets	9	(33)
Current liabilities other than debt	158	(40)
Other – net	(46)	(44)
Net cash provided by operating activities	<u>1,015</u>	<u>955</u>
<b>Cash flows from investing activities</b>		
Property additions	(265)	(366)
Property sales and other transactions	37	158
Investment sales and other transactions	26	(25)
Net cash used in investing activities	<u>(202)</u>	<u>(233)</u>
<b>Cash flows from financing activities</b>		
Dividends	(249)	(242)
Common stock transactions	(6)	14
Purchase and retirement of common stock	(591)	(466)
Debt repayments	(84)	—
Net cash used in financing activities	<u>(930)</u>	<u>(694)</u>
Net increase (decrease) in cash and cash equivalents	(117)	28
<b>Cash and cash equivalents</b>		
At beginning of year	<u>1,115</u>	<u>580</u>
At end of period	<u>\$ 998</u>	<u>\$ 608</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 110	\$ 121
Income taxes (net of refunds)	27	16

## Railway Operating Revenues Analysis

Commodity and Period	Revenues (\$ in millions)			Units (in thousands)			Revenue per Unit (\$ per unit)		
	2021	2020	% Change	2021	2020	% Change	2021	2020	% Change
<b>First Quarter</b>									
Agriculture, forest and consumer products	\$ 539	\$ 551	(2%)	178.3	181.5	(2%)	\$ 3,026	\$ 3,036	—
Chemicals	459	520	(12%)	127.0	142.3	(11%)	3,615	3,653	(1%)
Metals and construction	370	367	1%	155.0	154.9	—	2,386	2,370	1%
Automotive	240	234	3%	93.7	90.4	4%	2,557	2,593	(1%)
Merchandise	1,608	1,672	(4%)	554.0	569.1	(3%)	2,903	2,939	(1%)
Intermodal	719	655	10%	1,016.4	955.1	6%	708	685	3%
Coal	312	298	5%	166.5	163.5	2%	1,872	1,826	3%
Total	<u>\$ 2,639</u>	<u>\$ 2,625</u>	1%	<u>1,736.9</u>	<u>1,687.7</u>	3%	1,519	1,556	(2%)

## Railway Operating Revenues Variance Analysis

(\$ in millions)

### First Quarter

2021 vs. 2020

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>Revenue Variance due to:</b>						
Volume	\$ (44)	(3%)	\$ 42	6%	\$ 6	2%
Fuel surcharge revenue	(25)	(2%)	(6)	(1%)	(3)	(1%)
Rate, mix and other	5	—	28	4%	11	4%
Total	<u>\$ (64)</u>	<u>(4%)</u>	<u>\$ 64</u>	<u>10%</u>	<u>\$ 14</u>	<u>5%</u>

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## Intermodal Units by Market

(in thousands)

	First Quarter		
	2021	2020	% Change
Domestic	639.0	598.3	7%
International	377.4	356.8	6%
Total	<u>1,016.4</u>	<u>955.1</u>	6%

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## Coal Tonnage by Market

(in thousands)

	First Quarter		
	2021	2020	% Change
Utility	8,546	8,898	(4%)
Export	6,693	6,069	10%
Domestic metallurgical	2,487	2,276	9%
Industrial	899	981	(8%)
Total	<u>18,625</u>	<u>18,224</u>	2%

## Financial, Traffic and Operating Statistics

(\$ in millions - except as noted)

	2020					2021					Increase (Decrease)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year-to-date	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year-to-date
	(Non-GAAP)		(Non-GAAP)		(Non-GAAP)						(Non-GAAP)		(Non-GAAP)		(Non-GAAP)
Railway operating revenues	\$ 2,625	\$ 2,085	\$ 2,506	\$ 2,573	\$ 9,789	\$ 2,639				\$ 2,639	\$ 14				\$ 14
Railway operating expenses:															
Compensation and benefits	622	586	578	587	2,373	611				611	(11)				(11)
Purchased services	321	302	320	345	1,288	318				318	(3)				(3)
Equipment rents	82	70	67	81	300	75				75	(7)				(7)
Fuel	189	84	126	136	535	177				177	(12)				(12)
Depreciation	292	282	293	287	1,154	292				292	—				—
Materials	72	62	72	68	274	61				61	(11)				(11)
Claims	42	40	59	38	179	38				38	(4)				(4)
Other	52	49	52	47	200	52				52	—				—
Total railway operating expenses	1,672	1,475	1,567	1,589	6,303	1,624				1,624	(48)				(48)
Income from railway operations	953	610	939	984	3,486	1,015				1,015	62				62
Other income – net	22	49	39	43	153	7				7	(15)				(15)
Interest expense on debt	154	156	155	160	625	156				156	2				2
Income before income taxes	821	503	823	867	3,014	866				866	45				45
Total income taxes	152	111	180	196	639	193				193	41				41
Net income	\$ 669	\$ 392	\$ 643	\$ 671	\$ 2,375	\$ 673				\$ 673	\$ 4				\$ 4
Weighted average shares outstanding – diluted (in millions)	258.7	256.7	256.1	254.7	256.6	252.6				252.6	(6.1)				(6.1)
Earnings per share – diluted (dollars)	\$ 2.58	\$ 1.53	\$ 2.51	\$ 2.64	\$ 9.25	\$ 2.66				\$ 2.66	\$ 0.08				\$ 0.08
Dividends per share (dollars)	\$ 0.94	\$ 0.94	\$ 0.94	\$ 0.94	\$ 3.76	\$ 0.99				\$ 0.99	\$ 0.05				\$ 0.05
Railway operating ratio (percent)	63.7	70.7	62.5	61.8	64.4	61.5				61.5	(2.2)				(2.2)
Property additions	\$ 366	\$ 369	\$ 318	\$ 441	\$ 1,494	\$ 265				\$ 265	\$ (101)				\$ (101)
Cash and cash equivalents	\$ 608	\$ 1,143	\$ 1,359	\$ 1,115	\$ 1,115	\$ 998				\$ 998	\$ 390				\$ 390
Total debt	\$ 12,207	\$ 12,697	\$ 12,723	\$ 12,681	\$ 12,681	\$ 12,617				\$ 12,617	\$ 410				\$ 410
Total debt-to-total capitalization (percent)	45.1	46.1	46.0	46.2	46.2	46.3				46.3	1.2				1.2
Gross ton miles (GTMs) (in billions)	85.0	69.7	82.3	83.0	320.0	83.8				83.8	(1%)				(1%)
Revenue ton miles (in billions):															
Merchandise	27.3	22.7	24.8	25.4	100.2	26.3				26.3	(4%)				(4%)
Intermodal	10.3	9.5	11.3	11.4	42.5	10.6				10.6	3%				3%
Coal	6.2	4.0	5.3	5.9	21.4	6.5				6.5	5%				5%
Total	43.8	36.2	41.4	42.7	164.1	43.4				43.4	(1%)				(1%)
Railroad employees (average)	21,232	20,086	19,606	19,192	20,029	18,755				18,755	(12%)				(12%)
GTMs (thousands) per employee	4,002	3,474	4,194	4,327	15,977	4,466				4,466	12%				12%
Locomotive diesel fuel consumed (in thousands of gallons)	102,261	79,199	91,230	95,147	367,837	97,724				97,724	(4%)				(4%)
Average price (dollars) per gallon of locomotive diesel fuel	\$ 1.732	\$ 0.975	\$ 1.287	\$ 1.345	\$ 1.358	\$ 1.656				\$ 1.656	(4%)				(4%)
Gallons of fuel consumed per thousand GTMs	1.21	1.16	1.12	1.16	1.16	1.17				1.17	(3%)				(3%)
Train speed (miles per hour)	23.8	24.6	22.6	21.9	23.2	20.5				20.5	(14%)				(14%)
Terminal dwell (hours)	18.6	18.1	19.4	21.2	19.3	24.4				24.4	31%				31%



## Reconciliation of Non-GAAP Financial Measures

Information included within this First Quarter 2021 Quarterly Financial Data includes non-GAAP financial measures, as defined by SEC Regulation G. The following tables adjust our 2020 U.S. Generally Accepted Accounting Principles (“GAAP”) financial results to exclude the effects of the \$385 million loss on asset disposal and a \$99 million other-than-temporary impairment of an equity method investment. The income tax effects on the non-GAAP adjustments were calculated based on the applicable tax rates to which the non-GAAP adjustments relate. The Company uses these non-GAAP financial measures internally and believes this information provides useful supplemental information to investors to facilitate making period-to-period comparisons by excluding these 2020 charges. While the Company believes that these non-GAAP financial measures are useful in evaluating the Company’s business, this information should be considered as supplemental in nature and is not meant to be considered in isolation from, or as a substitute for, the related financial information prepared in accordance with GAAP. In addition, these non-GAAP financial measures may not be the same as similar measures presented by other companies.

### Consolidated Statements of Income - excluding loss on asset disposal and impairment of investment<sup>\*, \*\*</sup>

(\$ in millions except per share amounts)

	First Quarter		
	2020 (GAAP)	Loss on asset disposal <sup>*</sup>	Adjusted 2020 (Non-GAAP)
Total railway operating expenses	\$ 2,057	\$ (385)	\$ 1,672
Income from railway operations	\$ 568	\$ 385	\$ 953
Income before income taxes	\$ 436	\$ 385	\$ 821
Total income taxes	\$ 55	\$ 97	\$ 152
Net income	\$ 381	\$ 288	\$ 669
Railway operating ratio (%)	78.4	(14.7)	63.7
Earnings per share – diluted	\$ 1.47	\$ 1.11	\$ 2.58
	Third Quarter		
	2020 (GAAP)	Impairment of investment <sup>**</sup>	Adjusted 2020 (Non-GAAP)
Purchased services and rents	\$ 486	\$ (99)	\$ 387
Total railway operating expenses	\$ 1,666	\$ (99)	\$ 1,567
Income from railway operations	\$ 840	\$ 99	\$ 939
Income before income taxes	\$ 724	\$ 99	\$ 823
Total income taxes	\$ 155	\$ 25	\$ 180
Net income	\$ 569	\$ 74	\$ 643
Railway operating ratio (%)	66.5	(4.0)	62.5
Earnings per share – diluted	\$ 2.22	\$ 0.29	\$ 2.51

## Reconciliation of Non-GAAP Financial Measures

### Consolidated Statements of Income - excluding loss on asset disposal and impairment of investment<sup>\*,\*\*</sup>

(\$ in millions except per share amounts)

	Year Ended December 31,		
	2020 (GAAP)	Loss on asset disposal and impairment of investment <sup>*,**</sup>	Adjusted 2020 (Non-GAAP)
Purchased services and rents	\$ 1,687	\$ (99)	\$ 1,588
Total railway operating expenses	\$ 6,787	\$ (484)	\$ 6,303
Income from railway operations	\$ 3,002	\$ 484	\$ 3,486
Income before income taxes	\$ 2,530	\$ 484	\$ 3,014
Total income taxes	\$ 517	\$ 122	\$ 639
Net income	\$ 2,013	\$ 362	\$ 2,375
Railway operating ratio (%)	69.3	(4.9)	64.4
Earnings per share – diluted	\$ 7.84	\$ 1.41	\$ 9.25

\* In 2020, we sold 703 locomotives deemed excess and no longer needed for railroad operations. We evaluated these locomotive retirements and concluded they were abnormal. Accordingly, we recorded a \$385 million loss to adjust their carrying amount to their estimated fair value, which resulted in a \$97 million tax benefit.

\*\* In 2020, we recorded an other-than-temporary impairment of \$99 million related to the carrying value of an equity method investment. This non-cash impairment charge is recorded in “Purchased services and rents” on the 2020 Consolidated Statement of Income and had a \$74 million impact on net income.



# 2021 Quarterly Financial Data | Q1

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