



2023

QUARTERLY FINANCIAL DATA

Q3





NORFOLK SOUTHERN RAILWAY SYSTEM

INVESTOR INQUIRIES: LUKE NICHOLS, 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)

	Third Quarter			First Nine Months		
	2023	2022	% Change	2023	2022	% Change
Railway operating revenues						
Merchandise	\$ 1,800	\$ 1,930	(7%)	\$ 5,504	\$ 5,455	1%
Intermodal	737	942	(22%)	2,296	2,768	(17%)
Coal	434	471	(8%)	1,283	1,285	—%
Total railway operating revenues	<u>2,971</u>	<u>3,343</u>	(11%)	<u>9,083</u>	<u>9,508</u>	(4%)
Railway operating expenses						
Compensation and benefits	715	735	(3%)	2,098	1,968	7%
Purchased services and rents	517	484	7%	1,519	1,402	8%
Fuel	289	383	(25%)	867	1,092	(21%)
Depreciation	326	306	7%	968	912	6%
Materials and other	205	163	26%	622	506	23%
Eastern Ohio incident	163	—		966	—	
Total railway operating expenses	<u>2,215</u>	<u>2,071</u>	7%	<u>7,040</u>	<u>5,880</u>	20%
Income from railway operations	756	1,272	(41%)	2,043	3,628	(44%)
Other income (expense) – net	40	(2)		153	(21)	
Interest expense on debt	<u>182</u>	<u>177</u>	3%	<u>527</u>	<u>515</u>	2%
Income before income taxes	614	1,093	(44%)	1,669	3,092	(46%)
Income tax expense (benefit)						
Current	154	223		422	589	
Deferred	<u>(18)</u>	<u>(88)</u>		<u>(53)</u>	<u>23</u>	
Total income tax expense	<u>136</u>	<u>135</u>	1%	<u>369</u>	<u>612</u>	(40%)
Net income	<u>\$ 478</u>	<u>\$ 958</u>	(50%)	<u>\$ 1,300</u>	<u>\$ 2,480</u>	(48%)
Railway operating ratio (%)	74.6	62.0	20%	77.5	61.8	25%
Earnings per share – diluted	\$ 2.10	\$ 4.10	(49%)	\$ 5.70	\$ 10.45	(45%)

Notes

1. Eastern Ohio Incident

On February 3, 2023, a train operated by Norfolk Southern derailed in East Palestine, Ohio. During the first nine months of 2023, we recognized \$966 million of expense for costs primarily associated with environmental matters and legal proceedings resulting from the incident (\$163 million of which was recognized in the third quarter). These amounts are net of \$25 million in insurance recoveries recorded during the third quarter related to the incident. Any additional amounts recoverable under our insurance policies or from third parties will be reflected in future periods in which recovery is considered probable. No amounts have been recorded related to potential third-party recoveries, which may reduce amounts payable by our insurers under applicable insurance coverage.

2. Stock Repurchase Program

We repurchased and retired 2.2 million and 9.2 million shares of common stock under our stock repurchase programs in the first nine months of 2023 and 2022, respectively, at a cost of \$508 million and \$2.3 billion, inclusive of excise taxes.

Reconciliation of Non-GAAP Financial Measures

Information included within this Third Quarter 2023 Quarterly Financial Data includes non-GAAP financial measures, as defined by Securities and Exchange Commission Regulation G. Non-GAAP financial measures should be considered in addition to, not as a substitute for, the financial measures reported in accordance with U.S. generally accepted accounting principles (GAAP).

Consolidated Statements of Income - excluding Eastern Ohio incident¹

	Third Quarter		
	2023 (GAAP)	Eastern Ohio Incident	Adjusted 2023 (Non-GAAP ¹)
	<i>(\$ in millions, except per share amounts)</i>		
Total railway operating expenses	\$ 2,215	\$ (163)	\$ 2,052
Income from railway operations	\$ 756	\$ 163	\$ 919
Income before income taxes	\$ 614	\$ 163	\$ 777
Total income tax expense	\$ 136	\$ 40	\$ 176
Net income	\$ 478	\$ 123	\$ 601
Railway operating ratio (%)	74.6	(5.5)	69.1
Earnings per share – diluted	\$ 2.10	\$ 0.55	\$ 2.65

	First Nine Months		
	2023 (GAAP)	Eastern Ohio Incident	Adjusted 2023 (Non-GAAP ¹)
	<i>(\$ in millions, except per share amounts)</i>		
Total railway operating expenses	\$ 7,040	\$ (966)	\$ 6,074
Income from railway operations	\$ 2,043	\$ 966	\$ 3,009
Income before income taxes	\$ 1,669	\$ 966	\$ 2,635
Total income tax expense	\$ 369	\$ 233	\$ 602
Net income	\$ 1,300	\$ 733	\$ 2,033
Railway operating ratio (%)	77.5	(10.6)	66.9
Earnings per share – diluted	\$ 5.70	\$ 3.22	\$ 8.92

¹ GAAP financial results are adjusted to exclude the effects of the derailment in Eastern Ohio (the Incident) on February 3, 2023. During the third quarter and first nine months of 2023, the Company recorded \$163 million and \$966 million of expenses related to the Incident, respectively. The income tax effects of this non-GAAP adjustment were calculated based on the applicable tax rates to which the non-GAAP adjustment related. 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 the effect of this charge.

In the tables on page 3, references to 2023 results and the related comparisons to the 2022 results use the adjusted, non-GAAP results from the reconciliations in the tables above.

Reconciliation of Non-GAAP Financial Measures

	Third Quarter		
	Adjusted 2023 (Non-GAAP¹)	2022	Adjusted 2023 (non-GAAP) vs. 2022
	<i>(\$ in millions, except per share amounts)</i>		<i>% change</i>
Total railway operating expenses	\$ 2,052	\$ 2,071	(1%)
Income from railway operations	\$ 919	\$ 1,272	(28%)
Income before income taxes	\$ 777	\$ 1,093	(29%)
Total income tax expense	\$ 176	\$ 135	30%
Net income	\$ 601	\$ 958	(37%)
Railway operating ratio (%)	69.1	62.0	11%
Earnings per share – diluted	\$ 2.65	\$ 4.10	(35%)

	First Nine Months		
	Adjusted 2023 (Non-GAAP¹)	2022	Adjusted 2023 (non-GAAP) vs. 2022
	<i>(\$ in millions, except per share amounts)</i>		<i>% change</i>
Total railway operating expenses	\$ 6,074	\$ 5,880	3%
Income from railway operations	\$ 3,009	\$ 3,628	(17%)
Income before income taxes	\$ 2,635	\$ 3,092	(15%)
Total income tax expense	\$ 602	\$ 612	(2%)
Net income	\$ 2,033	\$ 2,480	(18%)
Railway operating ratio (%)	66.9	61.8	8%
Earnings per share – diluted	\$ 8.92	\$ 10.45	(15%)

Consolidated Balance Sheets

(\$ in millions)

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,506	\$ 456
Accounts receivable – net	1,210	1,148
Materials and supplies	303	253
Other current assets	123	150
Total current assets	<u>3,142</u>	<u>2,007</u>
Investments	3,824	3,694
Properties less accumulated depreciation of \$13,162 and \$12,592, respectively	32,668	32,156
Other assets	<u>1,105</u>	<u>1,028</u>
Total assets	<u><u>\$ 40,739</u></u>	<u><u>\$ 38,885</u></u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,499	\$ 1,293
Short-term debt	—	100
Income and other taxes	213	312
Other current liabilities	797	341
Current maturities of long-term debt	405	603
Total current liabilities	<u>2,914</u>	<u>2,649</u>
Long-term debt	16,179	14,479
Other liabilities	1,824	1,759
Deferred income taxes	<u>7,207</u>	<u>7,265</u>
Total liabilities	28,124	26,152
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 226,136,334 and 228,076,415 shares, respectively, net of treasury shares	227	230
Additional paid-in capital	2,163	2,157
Accumulated other comprehensive loss	(364)	(351)
Retained income	<u>10,589</u>	<u>10,697</u>
Total stockholders' equity	<u>12,615</u>	<u>12,733</u>
Total liabilities and stockholders' equity	<u><u>\$ 40,739</u></u>	<u><u>\$ 38,885</u></u>

Consolidated Statements of Cash Flows

(\$ in millions)

	First Nine Months	
	2023	2022
Cash flows from operating activities		
Net income	\$ 1,300	\$ 2,480
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	968	912
Deferred income taxes	(53)	23
Gains and losses on properties	(34)	(54)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(65)	(174)
Materials and supplies	(50)	(58)
Other current assets	37	57
Current liabilities other than debt	538	273
Other – net	(135)	(35)
Net cash provided by operating activities	<u>2,506</u>	<u>3,424</u>
Cash flows from investing activities		
Property additions	(1,496)	(1,282)
Property sales and other transactions	62	193
Investment purchases	(120)	(8)
Investment sales and other transactions	160	37
Net cash used in investing activities	<u>(1,394)</u>	<u>(1,060)</u>
Cash flows from financing activities		
Dividends	(920)	(881)
Common stock transactions	(9)	(5)
Purchase and retirement of common stock	(503)	(2,284)
Proceeds from borrowings	2,303	1,732
Debt repayments	(933)	(551)
Net cash used in financing activities	<u>(62)</u>	<u>(1,989)</u>
Net increase in cash and cash equivalents	1,050	375
Cash and cash equivalents		
At beginning of year	<u>456</u>	<u>839</u>
At end of period	<u>\$ 1,506</u>	<u>\$ 1,214</u>
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 451	\$ 425
Income taxes (net of refunds)	521	578

Railway Operating Revenues Analysis

Commodity and Period	Revenues (\$ in millions)			Units (in thousands)			Revenue per Unit (\$ per unit)		
	2023	2022	% Change	2023	2022	% Change	2023	2022	% Change
First Quarter									
Agriculture, forest and consumer products	\$ 653	\$ 573	14%	187.7	177.6	6%	\$ 3,477	\$ 3,228	8%
Chemicals	541	498	9%	136.1	129.4	5%	3,979	3,850	3%
Metals and construction	400	375	7%	153.4	148.0	4%	2,607	2,535	3%
Automotive	284	226	26%	88.1	81.2	8%	3,226	2,776	16%
Merchandise	1,878	1,672	12%	565.3	536.2	5%	3,323	3,118	7%
Intermodal	814	854	(5%)	916.8	956.5	(4%)	887	893	(1%)
Coal	440	389	13%	173.8	165.6	5%	2,533	2,347	8%
Total	\$ 3,132	\$ 2,915	7%	1,655.9	1,658.3	— %	1,891	1,758	8%
Second Quarter									
Agriculture, forest and consumer products	\$ 627	\$ 624	— %	187.7	183.6	2%	\$ 3,342	\$ 3,398	(2%)
Chemicals	503	552	(9%)	126.7	140.0	(10%)	3,966	3,941	1%
Metals and construction	415	420	(1%)	161.7	163.9	(1%)	2,569	2,560	— %
Automotive	281	257	9%	90.6	85.7	6%	3,102	3,007	3%
Merchandise	1,826	1,853	(1%)	566.7	573.2	(1%)	3,222	3,233	— %
Intermodal	745	972	(23%)	925.4	1,016.5	(9%)	805	955	(16%)
Coal	409	425	(4%)	165.5	166.1	— %	2,470	2,562	(4%)
Total	\$ 2,980	\$ 3,250	(8%)	1,657.6	1,755.8	(6%)	1,798	1,851	(3%)
Third Quarter									
Agriculture, forest and consumer products	\$ 611	\$ 642	(5%)	175.6	178.0	(1%)	\$ 3,479	\$ 3,606	(4%)
Chemicals	498	570	(13%)	124.0	137.9	(10%)	4,013	4,135	(3%)
Metals and construction	417	442	(6%)	164.3	168.3	(2%)	2,535	2,625	(3%)
Automotive	274	276	(1%)	91.2	85.4	7%	3,003	3,231	(7%)
Merchandise	1,800	1,930	(7%)	555.1	569.6	(3%)	3,241	3,388	(4%)
Intermodal	737	942	(22%)	965.4	972.7	(1%)	764	968	(21%)
Coal	434	471	(8%)	166.7	183.0	(9%)	2,602	2,575	1%
Total	\$ 2,971	\$ 3,343	(11%)	1,687.2	1,725.3	(2%)	1,760	1,938	(9%)
Year-to-date									
Agriculture, forest and consumer products	\$ 1,891	\$ 1,839	3%	551.0	539.2	2%	\$ 3,432	\$ 3,411	1%
Chemicals	1,542	1,620	(5%)	386.8	407.3	(5%)	3,986	3,978	—%
Metals and construction	1,232	1,237	—%	479.4	480.2	—%	2,569	2,575	—%
Automotive	839	759	11%	269.9	252.3	7%	3,109	3,008	3%
Merchandise	5,504	5,455	1%	1,687.1	1,679.0	—%	3,262	3,249	—%
Intermodal	2,296	2,768	(17%)	2,807.6	2,945.7	(5%)	818	940	(13%)
Coal	1,283	1,285	—%	506.0	514.7	(2%)	2,535	2,498	1%
Total	\$ 9,083	\$ 9,508	(4%)	5,000.7	5,139.4	(3%)	1,816	1,850	(2%)

Railway Operating Revenues Variance Analysis

(\$ in millions)

Third Quarter 2023 vs. 2022

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenue Variance due to:						
Volume	\$ (49)	(3%)	\$ (7)	(1%)	\$ (42)	(9%)
Fuel surcharge revenue	(131)	(7%)	(94)	(10%)	(29)	(6%)
Rate, mix and other	50	3%	(104)	(11%)	34	7%
Total	<u>\$ (130)</u>	<u>(7%)</u>	<u>\$ (205)</u>	<u>(22%)</u>	<u>\$ (37)</u>	<u>(8%)</u>

Year-to-date 2023 vs. 2022

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenue Variance due to:						
Volume	\$ 26	—%	\$ (130)	(5%)	\$ (22)	(2%)
Fuel surcharge revenue	(82)	(2%)	(161)	(6%)	(14)	(1%)
Rate, mix and other	105	2%	(181)	(7%)	34	3%
Total	<u>\$ 49</u>	<u>1%</u>	<u>\$ (472)</u>	<u>(17%)</u>	<u>\$ (2)</u>	<u>—%</u>

Intermodal Units by Market

(in thousands)

	Third Quarter			Year-to-date		
	2023	2022	% Change	2023	2022	% Change
Domestic	583.1	630.6	(8%)	1,747.8	1,954.4	(11%)
International	382.3	342.1	12%	1,059.8	991.3	7%
Total	<u>965.4</u>	<u>972.7</u>	<u>(1%)</u>	<u>2,807.6</u>	<u>2,945.7</u>	<u>(5%)</u>

Coal Tonnage by Market

(in thousands)

	Third Quarter			Year-to-date		
	2023	2022	% Change	2023	2022	% Change
Utility	7,342	9,908	(26%)	22,404	27,136	(17%)
Export	7,563	6,391	18%	23,466	19,319	21%
Domestic metallurgical	2,906	3,232	(10%)	8,296	8,444	(2%)
Industrial	913	963	(5%)	2,484	2,849	(13%)
Total	<u>18,724</u>	<u>20,494</u>	<u>(9%)</u>	<u>56,650</u>	<u>57,748</u>	<u>(2%)</u>

Financial, Traffic and Operating Statistics

(\$ in millions - except as noted)

	2022					2023					Increase (Decrease) 2023 vs. 2022				
	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)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)
Railway operating revenues	\$ 2,915	\$ 3,250	\$ 3,343	\$ 3,237	\$ 12,745	\$ 3,132	\$ 2,980	\$ 2,971		\$ 9,083	\$ 217	\$ (270)	\$ (372)		\$ (425)
Railway operating expenses:															
Compensation and benefits	619	614	735	653	2,621	690	693	715		2,098	71	79	(20)		130
Purchased services	349	387	397	432	1,565	399	407	426		1,232	50	20	29		99
Equipment rents	88	94	87	88	357	97	99	91		287	9	5	4		18
Fuel	301	408	383	367	1,459	315	263	289		867	14	(145)	(94)		(225)
Depreciation	302	304	306	309	1,221	321	321	326		968	19	17	20		56
Materials	62	70	83	68	283	91	88	94		273	29	18	11		58
Claims	49	64	58	99	270	54	60	57		171	5	(4)	(1)		—
Other	60	38	22	40	160	67	57	54		178	7	19	32		58
Total railway operating expenses	1,830	1,979	2,071	2,056	7,936	2,034	1,988	2,052		6,074	204	9	(19)		194
Income from railway operations	1,085	1,271	1,272	1,181	4,809	1,098	992	919		3,009	13	(279)	(353)		(619)
Other income (expense) – net	(5)	(14)	(2)	34	13	56	57	40		153	61	71	42		174
Interest expense on debt	168	170	177	177	692	175	170	182		527	7	—	5		12
Income before income taxes	912	1,087	1,093	1,038	4,130	979	879	777		2,635	67	(208)	(316)		(457)
Total income taxes	209	268	135	248	860	220	206	176		602	11	(62)	41		(10)
Net income	\$ 703	\$ 819	\$ 958	\$ 790	\$ 3,270	\$ 759	\$ 673	\$ 601		\$ 2,033	\$ 56	\$ (146)	\$ (357)		\$ (447)
Weighted average shares outstanding – diluted (in millions)	240.2	237.5	234.0	230.7	235.6	228.3	228.0	227.0		227.8	(11.9)	(9.5)	(7.0)		(9.4)
Earnings per share – diluted (dollars)	\$ 2.93	\$ 3.45	\$ 4.10	\$ 3.42	\$ 13.88	\$ 3.32	\$ 2.95	\$ 2.65		\$ 8.92	\$ 0.39	\$ (0.50)	\$ (1.45)		\$ (1.53)
Dividends per share (dollars)	\$ 1.24	\$ 1.24	\$ 1.24	\$ 1.24	\$ 4.96	\$ 1.35	\$ 1.35	\$ 1.35		\$ 4.05	\$ 0.11	\$ 0.11	\$ 0.11		\$ 0.33
Railway operating ratio (percent)	62.8	60.9	62.0	63.5	62.3	64.9	66.7	69.1		66.9	2.1	5.8	7.1		5.1
Property additions	\$ 389	\$ 448	\$ 445	\$ 666	\$ 1,948	\$ 428	\$ 520	\$ 548		\$ 1,496	\$ 39	\$ 72	\$ 103		\$ 214
Cash and cash equivalents	\$ 1,571	\$ 1,259	\$ 1,214	\$ 456	\$ 456	\$ 552	\$ 556	\$ 1,506		\$ 1,506	\$ (1,019)	\$ (703)	\$ 292		\$ 292
Total debt	\$ 14,844	\$ 15,054	\$ 15,068	\$ 15,182	\$ 15,182	\$ 14,988	\$ 15,129	\$ 16,584		\$ 16,584	\$ 144	\$ 75	\$ 1,516		\$ 1,516
Total debt-to-total capitalization (percent)	52.4	53.4	53.6	54.4	54.4	54.1	54.5	56.8		56.8	1.7	1.1	3.2		4.2
Gross ton miles (GTMs) (in billions)	82.8	86.7	85.8	84.0	339.3	83.5	84.2	82.5		250.2	1%	(3%)	(4%)		(2%)
Revenue ton miles (in billions):															
Merchandise	26.0	27.7	27.5	26.8	108.0	27.0	27.6	26.0		80.6	4%	—%	(5%)		(1%)
Intermodal	10.7	11.4	10.7	10.5	43.3	10.1	10.2	10.3		30.6	(6%)	(11%)	(4%)		(7%)
Coal	7.0	6.6	7.1	6.6	27.3	6.8	6.5	6.8		20.1	(3%)	(2%)	(4%)		(3%)
Total	43.7	45.7	45.3	43.9	178.6	43.9	44.3	43.1		131.3	—%	(3%)	(5%)		(3%)
Railroad employees (average)	18,229	18,654	18,978	19,245	18,777	19,643	20,054	20,449		20,049	8%	8%	8%		8%
GTMs (thousands) per employee	4,540	4,649	4,521	4,367	18,071	4,252	4,198	4,034		12,479	(6%)	(10%)	(11%)		(9%)
Locomotive diesel fuel consumed (in thousands of gallons)	95,309	92,762	93,876	93,861	375,808	95,124	93,944	92,475		281,543	—%	1%	(1%)		—%
Average price (dollars) per gallon of locomotive diesel fuel	\$ 2.939	\$ 4.118	\$ 3.822	\$ 3,665	\$ 3.632	\$ 3.088	\$ 2.615	\$ 2.940		\$ 2.882	5%	(36%)	(23%)		(20%)
Gallons of fuel consumed per thousand GTMs	1.16	1.07	1.10	1.12	1.11	1.15	1.12	1.13		1.13	(1%)	5%	3%		2%
Train speed (miles per hour)	18.2	17.5	19.1	20.7	18.9	20.4	18.7	20.5		19.9	12%	7%	7%		9%
Terminal dwell (hours)	26.7	27.2	25.9	25.2	26.3	26.3	28.1	23.2		25.9	(1%)	3%	(10%)		(3%)



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