



**2020**

QUARTERLY FINANCIAL DATA

Q2





# NORFOLK SOUTHERN RAILWAY SYSTEM

**INVESTOR INQUIRIES: PETE SHARBEL, 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)

	Second Quarter		
	2020	2019	% Change
<b>Railway operating revenues</b>			
Merchandise	\$ 1,307	\$ 1,756	(26%)
Intermodal	569	701	(19%)
Coal	209	468	(55%)
Total railway operating revenues	<u>2,085</u>	<u>2,925</u>	(29%)
<b>Railway operating expenses</b>			
Compensation and benefits	586	712	(18%)
Purchased services and rents	372	418	(11%)
Fuel	84	254	(67%)
Depreciation	282	284	(1%)
Materials and other	151	192	(21%)
Total railway operating expenses	<u>1,475</u>	<u>1,860</u>	(21%)
<b>Income from railway operations</b>	610	1,065	(43%)
Other income – net	49	22	123%
Interest expense on debt	<u>156</u>	<u>153</u>	2%
Income before income taxes	503	934	(46%)
Income taxes			
Current	66	136	(51%)
Deferred	45	76	(41%)
Total income taxes	<u>111</u>	<u>212</u>	(48%)
<b>Net income</b>	<u>\$ 392</u>	<u>\$ 722</u>	(46%)
<b>Railway operating ratio (%)</b>	70.7	63.6	11%
<b>Earnings per share – diluted</b>	\$ 1.53	\$ 2.70	(43%)

### Notes

#### 1. Stock Repurchase Program

We repurchased and retired 3.9 million and 5.7 million shares of common stock under our stock repurchase program during the first six months of 2020 and 2019, respectively, at a cost of \$669 million and \$1.1 billion, respectively.

## Consolidated Statements of Income

(in millions, except per share amounts)

	First Six Months			
	2020 (GAAP)	Adjusted 2020 (Non-GAAP <sup>2</sup> )	2019	% Change (Non-GAAP)
<b>Railway operating revenues</b>				
Merchandise	\$ 2,979	\$ 2,979	\$ 3,442	(13%)
Intermodal	1,224	1,224	1,420	(14%)
Coal	507	507	903	(44%)
Total railway operating revenues	<u>4,710</u>	<u>4,710</u>	<u>5,765</u>	(18%)
<b>Railway operating expenses</b>				
Compensation and benefits	1,208	1,208	1,439	(16%)
Purchased services and rents	775	775	842	(8%)
Fuel	273	273	504	(46%)
Depreciation	574	574	567	1%
Materials and other	317	317	382	(17%)
Loss on asset disposal	385	— <sup>2</sup>	—	—
Total railway operating expenses	<u>3,532</u>	<u>3,147<sup>2</sup></u>	<u>3,734</u>	(16%)
<b>Income from railway operations</b>	<b>1,178</b>	<b>1,563<sup>2</sup></b>	<b>2,031</b>	<b>(23%)</b>
Other income – net	71	71	66	8%
Interest expense on debt	<u>310</u>	<u>310</u>	<u>302</u>	3%
Income before income taxes	939	1,324 <sup>2</sup>	1,795	(26%)
<b>Income taxes</b>				
Current	110	112 <sup>2</sup>	263	(57%)
Deferred	56	151 <sup>2</sup>	133	14%
Total income taxes	<u>166</u>	<u>263<sup>2</sup></u>	<u>396</u>	(34%)
<b>Net income</b>	<b>\$ 773</b>	<b>\$ 1,061<sup>2</sup></b>	<b>\$ 1,399</b>	<b>(24%)</b>
<b>Railway operating ratio (%)</b>	<b>75.0</b>	<b>66.8<sup>2</sup></b>	<b>64.8</b>	<b>3%</b>
<b>Earnings per share – diluted</b>	<b>\$ 3.00</b>	<b>\$ 4.11<sup>2</sup></b>	<b>\$ 5.21</b>	<b>(21%)</b>

### Notes

#### 2. Loss on Asset Disposal

In the first quarter of 2020, we committed to a plan to dispose of certain locomotives deemed excess and no longer needed for railroad operations. Specifically, during the first six months of 2020, the Company recorded a charge related to the loss on the sale of approximately 450 locomotives disposed of in the first six months, and a write-down of approximately 250 additional locomotives that we are actively marketing to sell. Accordingly, a \$385 million loss was recorded to adjust their carrying amount to their estimated fair value. These amounts have been reflected on a non-GAAP basis. See the Reconciliation of Non-GAAP Financial Measures and explanation on page 3.

## Reconciliation of Non-GAAP Financial Measures

Information included within this Second Quarter 2020 Quarterly Financial Data includes non-GAAP financial measures, as defined by SEC 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 Loss on asset disposal\*

(\$ in millions except per share amounts)

	First Quarter		
	2020 (GAAP)	Loss on asset disposal*	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

  

	First Six Months		
	2020 (GAAP)	Loss on asset disposal*	Adjusted 2020 (Non-GAAP)
Total railway operating expenses	\$ 3,532	\$ (385)	\$ 3,147
Income from railway operations	\$ 1,178	\$ 385	\$ 1,563
Income before income taxes	\$ 939	\$ 385	\$ 1,324
Total income taxes	\$ 166	\$ 97	\$ 263
Net income	\$ 773	\$ 288	\$ 1,061
Railway operating ratio (%)	75.0	(8.2)	66.8
Earnings per share – diluted	\$ 3.00	\$ 1.11	\$ 4.11

\* GAAP financial results are adjusted to exclude the effects of the \$385 million loss on asset disposal. For additional information see Note 2 on the Consolidated Statements of Income on page 2 of the Quarterly Financial Data.

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 effects of the 2020 loss on asset disposal. 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 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 Balance Sheets

(\$ in millions)

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,143	\$ 580
Accounts receivable – net	822	920
Materials and supplies	257	244
Other current assets	128	337
Total current assets	<u>2,350</u>	<u>2,081</u>
Investments	3,590	3,428
Properties less accumulated depreciation of \$11,823 and \$11,982, respectively	31,217	31,614
Other assets	805	800
<b>Total assets</b>	<u><u>\$ 37,962</u></u>	<u><u>\$ 37,923</u></u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 1,268	\$ 1,428
Income and other taxes	239	229
Other current liabilities	343	327
Current maturities of long-term debt	85	316
Total current liabilities	<u>1,935</u>	<u>2,300</u>
Long-term debt	12,612	11,880
Other liabilities	1,680	1,744
Deferred income taxes	6,874	6,815
<b>Total liabilities</b>	<u>23,101</u>	<u>22,739</u>
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 255,109,247 and 257,904,956 shares, respectively, net of treasury shares	256	259
Additional paid-in capital	2,217	2,209
Accumulated other comprehensive loss	(475)	(491)
Retained income	12,863	13,207
<b>Total stockholders' equity</b>	<u>14,861</u>	<u>15,184</u>
<b>Total liabilities and stockholders' equity</b>	<u><u>\$ 37,962</u></u>	<u><u>\$ 37,923</u></u>

## Consolidated Statements of Cash Flows

(\$ in millions)

	First Six Months	
	2020	2019
<b>Cash flows from operating activities</b>		
Net income	\$ 773	\$ 1,399
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	574	567
Deferred income taxes	56	133
Gains and losses on properties	(11)	(7)
Loss on asset disposal	385	—
Changes in assets and liabilities affecting operations:		
Accounts receivable	98	(30)
Materials and supplies	(13)	(49)
Other current assets	30	55
Current liabilities other than debt	—	(30)
Other – net	(134)	(86)
Net cash provided by operating activities	<u>1,758</u>	<u>1,952</u>
<b>Cash flows from investing activities</b>		
Property additions	(735)	(979)
Property sales and other transactions	258	214
Investment purchases	(5)	(12)
Investment sales and other transactions	(58)	(75)
Net cash used in investing activities	<u>(540)</u>	<u>(852)</u>
<b>Cash flows from financing activities</b>		
Dividends	(482)	(458)
Common stock transactions	26	18
Purchase and retirement of common stock	(669)	(1,050)
Proceeds from borrowings	784	1,054
Debt repayments	(314)	(750)
Net cash used in financing activities	<u>(655)</u>	<u>(1,186)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	563	(86)
<b>Cash, cash equivalents, and restricted cash</b>		
At beginning of year	<u>580</u>	<u>446</u>
At end of period	<u>\$ 1,143</u>	<u>\$ 360</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 287	\$ 271
Income taxes (net of refunds)	1	215

### 3. Restricted Cash

The "Cash, cash equivalents, and restricted cash" line item includes restricted cash of \$88 million in 2019, reflecting deposits held by a third-party bond agent as collateral for certain debt obligations which matured on October 1, 2019.

## Railway Operating Revenues Analysis

Commodity and Period	Revenues (\$ in millions)			Units (in thousands)			Revenue per Unit (\$ per unit)		
	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change
<b>First Quarter</b>									
Agriculture, forest and consumer products	\$ 551	\$ 558	(1%)	181.5	190.7	(5%)	\$ 3,036	\$ 2,927	4%
Chemicals	520	507	3%	142.3	145.0	(2%)	3,653	3,495	5%
Metals and construction	367	370	(1%)	154.9	164.4	(6%)	2,370	2,255	5%
Automotive	234	251	(7%)	90.4	98.1	(8%)	2,593	2,557	1%
Merchandise	1,672	1,686	(1%)	569.1	598.2	(5%)	2,939	2,819	4%
Intermodal	655	719	(9%)	955.1	1,071.0	(11%)	685	671	2%
Coal	298	435	(31%)	163.5	236.3	(31%)	1,826	1,839	(1%)
Total	\$ 2,625	\$ 2,840	(8%)	1,687.7	1,905.5	(11%)	1,556	1,490	4%
<b>Second Quarter</b>									
Agriculture, forest and consumer products	\$ 498	\$ 577	(14%)	165.8	200.6	(17%)	\$ 3,004	\$ 2,875	4%
Chemicals	423	544	(22%)	112.1	153.7	(27%)	3,771	3,541	6%
Metals and construction	293	384	(24%)	136.1	182.1	(25%)	2,154	2,104	2%
Automotive	93	251	(63%)	37.1	101.8	(64%)	2,499	2,471	1%
Merchandise	1,307	1,756	(26%)	451.1	638.2	(29%)	2,897	2,751	5%
Intermodal	569	701	(19%)	884.4	1,048.5	(16%)	644	668	(4%)
Coal	209	468	(55%)	111.6	258.3	(57%)	1,864	1,815	3%
Total	\$ 2,085	\$ 2,925	(29%)	1,447.1	1,945.0	(26%)	1,440	1,504	(4%)
<b>Year-to-date</b>									
Agriculture, forest and consumer products	\$ 1,049	\$ 1,135	(8%)	347.3	391.3	(11%)	\$ 3,021	\$ 2,900	4%
Chemicals	943	1,051	(10%)	254.4	298.7	(15%)	3,705	3,519	5%
Metals and construction	660	754	(12%)	291.0	346.5	(16%)	2,269	2,175	4%
Automotive	327	502	(35%)	127.5	199.9	(36%)	2,566	2,513	2%
Merchandise	2,979	3,442	(13%)	1,020.2	1,236.4	(17%)	2,920	2,784	5%
Intermodal	1,224	1,420	(14%)	1,839.5	2,119.5	(13%)	665	670	(1%)
Coal	507	903	(44%)	275.1	494.6	(44%)	1,841	1,826	1%
Total	\$ 4,710	\$ 5,765	(18%)	3,134.8	3,850.5	(19%)	1,502	1,497	—

At the beginning of 2020, we combined the agriculture products and forest and consumer commodity groups. In addition, we also made changes in the categorization of certain other commodity groups within Merchandise. Specifically, certain commodities were shifted between agriculture, forest, and consumer products; chemicals; and, metals and construction. These changes were made as a result of organizational initiatives to better align with how we manage these commodities. Prior period railway operating revenues, units and revenue per unit have been reclassified to conform to the current presentation.



## Railway Operating Revenues Variance Analysis

(\$ in millions)

### Second Quarter

2020 vs. 2019

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>Revenue Variance due to:</b>						
Volume	\$ (515)	(29%)	\$ (110)	(16%)	\$ (266)	(57%)
Fuel surcharge revenue	(24)	(1%)	(48)	(7%)	(3)	(1%)
Rate, mix and other	90	5%	26	4%	10	2%
Total	<u>\$ (449)</u>	<u>(26%)</u>	<u>\$ (132)</u>	<u>(19%)</u>	<u>\$ (259)</u>	<u>(55%)</u>

### Year-to-date

2020 vs. 2019

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>Revenue Variance due to:</b>						
Volume	\$ (602)	(17%)	\$ (188)	(13%)	\$ (401)	(44%)
Fuel surcharge revenue	(30)	(1%)	(58)	(4%)	(9)	(1%)
Rate, mix and other	169	5%	50	4%	14	2%
Total	<u>\$ (463)</u>	<u>(13%)</u>	<u>\$ (196)</u>	<u>(14%)</u>	<u>\$ (396)</u>	<u>(44%)</u>

## Intermodal Units by Market

(in thousands)

	Second Quarter			Year-to-date		
	2020	2019	% Change	2020	2019	% Change
Domestic	566.6	635.8	(11%)	1,164.9	1,292.1	(10%)
International	317.8	412.7	(23%)	674.6	827.4	(18%)
Total	<u>884.4</u>	<u>1,048.5</u>	<u>(16%)</u>	<u>1,839.5</u>	<u>2,119.5</u>	<u>(13%)</u>

## Coal Tonnage by Market

(in thousands)

	Second Quarter			Year-to-date		
	2020	2019	% Change	2020	2019	% Change
Utility	5,700	17,129	(67%)	14,598	32,884	(56%)
Export	3,669	6,626	(45%)	9,738	13,014	(25%)
Domestic metallurgical	2,338	3,851	(39%)	4,614	6,782	(32%)
Industrial	747	1,181	(37%)	1,728	2,403	(28%)
Total	<u>12,454</u>	<u>28,787</u>	<u>(57%)</u>	<u>30,678</u>	<u>55,083</u>	<u>(44%)</u>

## Financial, Traffic and Operating Statistics

(\$ in millions - except as noted)

	2019					2020					Increase (Decrease) 2020 vs. 2019				
	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	\$ 2,840	\$ 2,925	\$ 2,841	\$ 2,690	\$ 11,296	\$ 2,625	\$ 2,085			\$ 4,710	\$ (215)	\$ (840)			\$ (1,055)
Railway operating expenses:															
Compensation and benefits	727	712	682	630	2,751	622	586			1,208	(105)	(126)			(231)
Purchased services	346	347	355	386	1,434	321	302			623	(25)	(45)			(70)
Equipment rents	78	71	68	74	291	82	70			152	4	(1)			3
Fuel	250	254	226	223	953	189	84			273	(61)	(170)			(231)
Depreciation	283	284	286	285	1,138	292	282			574	9	(2)			7
Materials	87	82	85	73	327	72	62			134	(15)	(20)			(35)
Claims	49	50	48	46	193	42	40			82	(7)	(10)			(17)
Other	54	60	95	11	220	52	49			101	(2)	(11)			(13)
Total railway operating expenses	1,874	1,860	1,845	1,728	7,307	1,672	1,475			3,147	(202)	(385)			(587)
Income from railway operations	966	1,065	996	962	3,989	953	610			1,563	(13)	(455)			(468)
Other income – net	44	22	22	18	106	22	49			71	(22)	27			5
Interest expense on debt	149	153	150	152	604	154	156			310	5	3			8
Income before income taxes	861	934	868	828	3,491	821	503			1,324	(40)	(431)			(471)
Total income taxes	184	212	211	162	769	152	111			263	(32)	(101)			(133)
Net income	\$ 677	\$ 722	\$ 657	\$ 666	\$ 2,722	\$ 669	\$ 392			\$ 1,061	\$ (8)	\$ (330)			\$ (338)
Weighted average shares outstanding – diluted (in millions)	269.4	267.1	264.3	261.6	265.6	258.7	256.7			257.7	(10.7)	(10.4)			(10.6)
Earnings per share – diluted (dollars)	\$ 2.51	\$ 2.70	\$ 2.49	\$ 2.55	\$ 10.25	\$ 2.58	\$ 1.53			\$ 4.11	\$ 0.07	\$ (1.17)			\$ (1.10)
Dividends per share (dollars)	\$ 0.86	\$ 0.86	\$ 0.94	\$ 0.94	\$ 3.60	\$ 0.94	\$ 0.94			\$ 1.88	\$ 0.08	\$ 0.08			\$ 0.16
Railway operating ratio (percent)	66.0	63.6	64.9	64.2	64.7	63.7	70.7			66.8	(2.3)	7.1			2.0
Property additions	\$ 467	\$ 512	\$ 515	\$ 525	\$ 2,019	\$ 366	\$ 369			\$ 735	\$ (101)	\$ (143)			\$ (244)
Cash and cash equivalents	\$ 411	\$ 274	\$ 452	\$ 580	\$ 580	\$ 608	\$ 1,143			\$ 1,143	\$ 197	\$ 869			\$ 869
Total debt	\$ 11,404	\$ 11,477	\$ 11,836	\$ 12,196	\$ 12,196	\$ 12,207	\$ 12,697			\$ 12,697	\$ 803	\$ 1,220			\$ 1,220
Total debt-to-total capitalization (percent)	42.7	42.8	43.7	44.5	44.5	45.1	46.1			46.1	2.4	3.3			3.3
Gross ton miles (GTMs) (in billions)	94.5	97.4	92.4	88.4	372.7	85.0	69.7			154.7	(10%)	(28%)			(19%)
Revenue ton miles (in billions):															
Merchandise	29.1	30.6	29.0	27.1	115.8	27.3	22.7			50.0	(6%)	(26%)			(16%)
Intermodal	11.2	11.0	10.9	10.6	43.7	10.3	9.5			19.8	(8%)	(14%)			(11%)
Coal	9.0	9.6	8.2	7.7	34.5	6.2	4.0			10.2	(31%)	(58%)			(45%)
Total	49.3	51.2	48.1	45.4	194.0	43.8	36.2			80.0	(11%)	(29%)			(20%)
Railroad employees (average)	26,257	25,033	24,002	22,478	24,442	21,232	20,086			20,659	(19%)	(20%)			(19%)
GTMs (thousands) per employee	3,599	3,893	3,849	3,931	15,248	4,002	3,473			7,490	11%	(11%)			—
Locomotive diesel fuel consumed (in thousands of gallons)	119,810	115,731	109,565	105,494	450,600	102,261	79,199			181,460	(15%)	(32%)			(23%)
Average price (dollars) per gallon of locomotive diesel fuel	\$ 1.960	\$ 2.079	\$ 1.958	\$ 1.992	\$ 1.998	\$ 1.732	\$ 0.975			\$ 1.402	(12%)	(53%)			(31%)
Gallons of fuel consumed per thousand GTMs	1.28	1.20	1.19	1.20	1.22	1.21	1.16			1.19	(5%)	(3%)			(4%)
Train speed (miles per hour)	21.7	21.9	22.6	23.0	22.3	23.8	24.6			24.2	10%	12%			(11%)
Terminal dwell (hours)	22.2	18.2	18.1	18.3	19.2	18.6	18.1			18.4	(16%)	(1%)			(9%)



# 2020 Quarterly Financial Data | Q2

[WWW.NORFOLKSOUTHERN.COM](http://WWW.NORFOLKSOUTHERN.COM)