

**Norfolk Southern Corporation and Subsidiaries**  
**Consolidated Statements of Income**  
(Unaudited)

	<b>Second Quarter</b>		<b>First Six Months</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<i>(in millions, except per share amounts)</i>			
<b>Railway operating revenues</b>				
Merchandise	\$ 1,307	\$ 1,756	\$ 2,979	\$ 3,442
Intermodal	569	701	1,224	1,420
Coal	209	468	507	903
Total railway operating revenues	<u>2,085</u>	<u>2,925</u>	<u>4,710</u>	<u>5,765</u>
<b>Railway operating expenses</b>				
Compensation and benefits	586	712	1,208	1,439
Purchased services and rents	372	418	775	842
Fuel	84	254	273	504
Depreciation	282	284	574	567
Materials and other	151	192	317	382
Loss on asset disposal	—	—	385	—
Total railway operating expenses	<u>1,475</u>	<u>1,860</u>	<u>3,532</u>	<u>3,734</u>
<b>Income from railway operations</b>	610	1,065	1,178	2,031
Other income – net	49	22	71	66
Interest expense on debt	<u>156</u>	<u>153</u>	<u>310</u>	<u>302</u>
Income before income taxes	503	934	939	1,795
Income taxes				
Current	66	136	110	263
Deferred	45	76	56	133
Total income taxes	<u>111</u>	<u>212</u>	<u>166</u>	<u>396</u>
<b>Net income</b>	<u>\$ 392</u>	<u>\$ 722</u>	<u>\$ 773</u>	<u>\$ 1,399</u>
<b>Earnings per share – diluted</b>	\$ 1.53	\$ 2.70	\$ 3.00	\$ 5.21
<b>Weighted average shares outstanding – diluted</b>	256.7	267.1	257.7	268.3

See accompanying notes to consolidated financial statements

**Norfolk Southern Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
(Unaudited)

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<i>(\$ in millions)</i>		
<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	2,350	2,081
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>	<b>\$ 37,962</b>	<b>\$ 37,923</b>
<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	1,935	2,300
Long-term debt	12,612	11,880
Other liabilities	1,680	1,744
Deferred income taxes	6,874	6,815
<b>Total liabilities</b>	23,101	22,739
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>	14,861	15,184
<b>Total liabilities and stockholders' equity</b>	<b>\$ 37,962</b>	<b>\$ 37,923</b>

*See accompanying notes to consolidated financial statements*

**Norfolk Southern Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>First Six Months</b>	
	<b>2020</b>	<b>2019</b>
	<i>(\$ in millions)</i>	
<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	580	446
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

*See accompanying notes to consolidated financial statements*

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:**

### **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.

### **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. The loss on asset disposal reduced "Earnings per share – diluted" for the first six months by \$1.11.

### **3. Restricted Cash**

The "Cash, cash equivalents, and restricted cash" line item on the Consolidated Statements of Cash Flows 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.