



**2021**

**QUARTERLY FINANCIAL DATA**

**Q2**





# 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)

	Second Quarter		% Change
	2021	2020	
<b>Railway operating revenues</b>			
Merchandise	\$ 1,680	\$ 1,307	29%
Intermodal	801	569	41%
Coal	318	209	52%
Total railway operating revenues	<u>2,799</u>	<u>2,085</u>	34%
<b>Railway operating expenses</b>			
Compensation and benefits	624	586	6%
Purchased services and rents	429	372	15%
Fuel	188	84	124%
Depreciation	294	282	4%
Materials and other	97	151	(36%)
Total railway operating expenses	<u>1,632</u>	<u>1,475</u>	11%
<b>Income from railway operations</b>	1,167	610	91%
Other income – net	35	49	(29%)
Interest expense on debt	161	156	3%
Income before income taxes	1,041	503	107%
Income taxes			
Current	167	66	153%
Deferred	55	45	22%
Total income taxes	<u>222</u>	<u>111</u>	100%
<b>Net income</b>	<u>\$ 819</u>	<u>\$ 392</u>	109%
<b>Railway operating ratio (%)</b>	58.3	70.7	(18%)
<b>Earnings per share – diluted</b>	\$ 3.28	\$ 1.53	114%

## Notes

### 1. Stock Repurchase Program

We repurchased and retired 5.7 million and 3.9 million shares of common stock under our stock repurchase program during the first six months of 2021 and 2020, respectively, at a cost of \$1.5 billion and \$669 million, respectively.

## Consolidated Statements of Income

(in millions, except per share amounts)

	First Six Months			% Change (Non-GAAP)
	2021	2020 (GAAP)	Adjusted 2020 (Non-GAAP <sup>2</sup> )	
<b>Railway operating revenues</b>				
Merchandise	\$ 3,288	\$ 2,979	\$ 2,979	10%
Intermodal	1,520	1,224	1,224	24%
Coal	630	507	507	24%
Total railway operating revenues	<u>5,438</u>	<u>4,710</u>	<u>4,710</u>	15%
<b>Railway operating expenses</b>				
Compensation and benefits	1,235	1,208	1,208	2%
Purchased services and rents	822	775	775	6%
Fuel	365	273	273	34%
Depreciation	586	574	574	2%
Materials and other	248	317	317	(22%)
Loss on asset disposal	—	385	— <sup>2</sup>	—%
Total railway operating expenses	<u>3,256</u>	<u>3,532</u>	<u>3,147<sup>2</sup></u>	3%
<b>Income from railway operations</b>	2,182	1,178	1,563 <sup>2</sup>	40%
Other income – net	42	71	71	(41%)
Interest expense on debt	<u>317</u>	<u>310</u>	<u>310</u>	2%
Income before income taxes	1,907	939	1,324 <sup>2</sup>	44%
Income taxes				
Current	308	110	112 <sup>2</sup>	175%
Deferred	107	56	151 <sup>2</sup>	(29%)
Total income taxes	<u>415</u>	<u>166</u>	<u>263<sup>2</sup></u>	58%
<b>Net income</b>	<u>\$ 1,492</u>	<u>\$ 773</u>	<u>\$ 1,061<sup>2</sup></u>	41%
<b>Railway operating ratio (%)</b>	59.9	75.0	66.8 <sup>2</sup>	(10%)
<b>Earnings per share – diluted</b>	\$ 5.94	\$ 3.00	\$ 4.11 <sup>2</sup>	45%

### 2. 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 8 and 9.

## Consolidated Balance Sheets

(\$ in millions)

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,670	\$ 1,115
Accounts receivable – net	941	848
Materials and supplies	246	221
Other current assets	155	134
Total current assets	<u>3,012</u>	<u>2,318</u>
Investments	3,658	3,590
Properties less accumulated depreciation of \$11,777 and \$11,985, respectively	31,355	31,345
Other assets	<u>729</u>	<u>709</u>
<b>Total assets</b>	<u><u>\$ 38,754</u></u>	<u><u>\$ 37,962</u></u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 1,116	\$ 1,016
Income and other taxes	302	263
Other current liabilities	330	302
Current maturities of long-term debt	1,048	579
Total current liabilities	<u>2,796</u>	<u>2,160</u>
Long-term debt	12,669	12,102
Other liabilities	1,937	1,987
Deferred income taxes	<u>7,035</u>	<u>6,922</u>
<b>Total liabilities</b>	24,437	23,171
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 246,972,217 and 252,095,082 shares, respectively, net of treasury shares	248	254
Additional paid-in capital	2,240	2,248
Accumulated other comprehensive loss	(578)	(594)
Retained income	<u>12,407</u>	<u>12,883</u>
<b>Total stockholders' equity</b>	<u>14,317</u>	<u>14,791</u>
<b>Total liabilities and stockholders' equity</b>	<u><u>\$ 38,754</u></u>	<u><u>\$ 37,962</u></u>

## Consolidated Statements of Cash Flows

(\$ in millions)

	First Six Months	
	2021	2020
<b>Cash flows from operating activities</b>		
Net income	\$ 1,492	\$ 773
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	586	574
Deferred income taxes	107	56
Gains and losses on properties	(75)	(11)
Loss on asset disposal	—	385
Changes in assets and liabilities affecting operations:		
Accounts receivable	(96)	98
Materials and supplies	(25)	(13)
Other current assets	30	30
Current liabilities other than debt	170	—
Other – net	(92)	(134)
Net cash provided by operating activities	<u>2,097</u>	<u>1,758</u>
<b>Cash flows from investing activities</b>		
Property additions	(627)	(735)
Property sales and other transactions	66	258
Investment purchases	(5)	(5)
Investment sales and other transactions	37	(58)
Net cash used in investing activities	<u>(529)</u>	<u>(540)</u>
<b>Cash flows from financing activities</b>		
Dividends	(496)	(482)
Common stock transactions	6	26
Purchase and retirement of common stock	(1,525)	(669)
Proceeds from borrowings	1,087	784
Debt repayments	(85)	(314)
Net cash used in financing activities	<u>(1,013)</u>	<u>(655)</u>
Net increase in cash and cash equivalents	555	563
<b>Cash and cash equivalents</b>		
At beginning of year	<u>1,115</u>	<u>580</u>
At end of period	<u>\$ 1,670</u>	<u>\$ 1,143</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 281	\$ 287
Income taxes (net of refunds)	249	1

## 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	\$ 2,639	\$ 2,625	1%	1,736.9	1,687.7	3%	1,519	1,556	(2%)
<b>Second Quarter</b>									
Agriculture, forest and consumer products	\$ 578	\$ 498	16%	187.7	165.8	13%	\$ 3,076	\$ 3,004	2%
Chemicals	494	423	17%	133.7	112.1	19%	3,691	3,771	(2%)
Metals and construction	402	293	37%	176.3	136.1	30%	2,285	2,154	6%
Automotive	206	93	122%	82.3	37.1	122%	2,507	2,499	—
Merchandise	1,680	1,307	29%	580.0	451.1	29%	2,896	2,897	—
Intermodal	801	569	41%	1,062.6	884.4	20%	754	644	17%
Coal	318	209	52%	173.2	111.6	55%	1,837	1,864	(1%)
Total	\$ 2,799	\$ 2,085	34%	1,815.8	1,447.1	25%	1,542	1,440	7%
<b>Year-to-date</b>									
Agriculture, forest and consumer products	\$ 1,117	\$ 1,049	6%	366.0	347.3	5%	\$ 3,051	\$ 3,021	1%
Chemicals	953	943	1%	260.7	254.4	2%	3,654	3,705	(1%)
Metals and construction	772	660	17%	331.3	291.0	14%	2,332	2,269	3%
Automotive	446	327	36%	176.0	127.5	38%	2,534	2,566	(1%)
Merchandise	3,288	2,979	10%	1,134.0	1,020.2	11%	2,899	2,920	(1%)
Intermodal	1,520	1,224	24%	2,079.0	1,839.5	13%	731	665	10%
Coal	630	507	24%	339.7	275.1	23%	1,854	1,841	1%
Total	\$ 5,438	\$ 4,710	15%	3,552.7	3,134.8	13%	1,531	1,502	2%

## Railway Operating Revenues Variance Analysis

(\$ in millions)

### Second Quarter 2021 vs. 2020

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>Revenue Variance due to:</b>						
Volume	\$ 374	29%	\$ 115	20%	\$ 115	55%
Fuel surcharge revenue	19	1%	58	10%	2	1%
Rate, mix and other	(20)	(2%)	59	10%	(8)	(4%)
Total	<u>\$ 373</u>	29%	<u>\$ 232</u>	41%	<u>\$ 109</u>	52%

### Year-to-date 2021 vs. 2020

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>Revenue Variance due to:</b>						
Volume	\$ 332	11%	\$ 159	13%	\$ 119	23%
Fuel surcharge revenue	(6)	—	52	4%	(1)	—
Rate, mix and other	(17)	(1%)	85	7%	5	1%
Total	<u>\$ 309</u>	10%	<u>\$ 296</u>	24%	<u>\$ 123</u>	24%

## Intermodal Units by Market

(in thousands)

	Second Quarter			Year-to-date		
	2021	2020	% Change	2021	2020	% Change
Domestic	661.9	566.6	17%	1,300.9	1,164.9	12%
International	400.7	317.8	26%	778.1	674.6	15%
Total	<u>1,062.6</u>	<u>884.4</u>	20%	<u>2,079.0</u>	<u>1,839.5</u>	13%

## Coal Tonnage by Market

(in thousands)

	Second Quarter			Year-to-date		
	2021	2020	% Change	2021	2020	% Change
Utility	8,563	5,700	50%	17,109	14,598	17%
Export	6,580	3,669	79%	13,273	9,738	36%
Domestic metallurgical	3,325	2,338	42%	5,812	4,614	26%
Industrial	871	747	17%	1,770	1,728	2%
Total	<u>19,339</u>	<u>12,454</u>	55%	<u>37,964</u>	<u>30,678</u>	24%



**Financial, Traffic and Operating Statistics**

(\$ in millions - except as noted)

	2020					2021					Increase (Decrease) 2021 vs. 2020				
	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	\$ 2,799			\$ 5,438	\$ 14	\$ 714			\$ 728
Railway operating expenses:															
Compensation and benefits	622	586	578	587	2,373	611	624			1,235	(11)	38			27
Purchased services	321	302	320	345	1,288	318	352			670	(3)	50			47
Equipment rents	82	70	67	81	300	75	77			152	(7)	7			—
Fuel	189	84	126	136	535	177	188			365	(12)	104			92
Depreciation	292	282	293	287	1,154	292	294			586	—	12			12
Materials	72	62	72	68	274	61	61			122	(11)	(1)			(12)
Claims	42	40	59	38	179	38	43			81	(4)	3			(1)
Other	52	49	52	47	200	52	(7)			45	—	(56)			(56)
Total railway operating expenses	1,672	1,475	1,567	1,589	6,303	1,624	1,632			3,256	(48)	157			109
Income from railway operations	953	610	939	984	3,486	1,015	1,167			2,182	62	557			619
Other income – net	22	49	39	43	153	7	35			42	(15)	(14)			(29)
Interest expense on debt	154	156	155	160	625	156	161			317	2	5			7
Income before income taxes	821	503	823	867	3,014	866	1,041			1,907	45	538			583
Total income taxes	152	111	180	196	639	193	222			415	41	111			152
Net income	\$ 669	\$ 392	\$ 643	\$ 671	\$ 2,375	\$ 673	\$ 819			\$ 1,492	\$ 4	\$ 427			\$ 431
Weighted average shares outstanding – diluted (in millions)	258.7	256.7	256.1	254.7	256.6	252.6	250.0			251.3	(6.1)	(6.7)			(6.4)
Earnings per share – diluted (dollars)	\$ 2.58	\$ 1.53	\$ 2.51	\$ 2.64	\$ 9.25	\$ 2.66	\$ 3.28			\$ 5.94	\$ 0.08	\$ 1.75			\$ 1.83
Dividends per share (dollars)	\$ 0.94	\$ 0.94	\$ 0.94	\$ 0.94	\$ 3.76	\$ 0.99	\$ 0.99			\$ 1.98	\$ 0.05	\$ 0.05			\$ 0.10
Railway operating ratio (percent)	63.7	70.7	62.5	61.8	64.4	61.5	58.3			59.9	(2.2)	(12.4)			(6.9)
Property additions	\$ 366	\$ 369	\$ 318	\$ 441	\$ 1,494	\$ 265	\$ 362			\$ 627	\$ (101)	\$ (7)			\$ (108)
Cash and cash equivalents	\$ 608	\$ 1,143	\$ 1,359	\$ 1,115	\$ 1,115	\$ 998	\$ 1,670			\$ 1,670	\$ 390	\$ 527			\$ 527
Total debt	\$ 12,207	\$ 12,697	\$ 12,723	\$ 12,681	\$ 12,681	\$ 12,617	\$ 13,717			\$ 13,717	\$ 410	\$ 1,020			\$ 1,020
Total debt-to-total capitalization (percent)	45.1	46.1	46.0	46.2	46.2	46.3	48.9			48.9	1.2	2.8			2.8
Gross ton miles (GTMs) (in billions)	85.0	69.7	82.3	83.0	320.0	83.8	86.9			170.7	(1%)	25%			10%
Revenue ton miles (in billions):															
Merchandise	27.3	22.7	24.8	25.4	100.2	26.3	27.7			54.0	(4%)	22%			8%
Intermodal	10.3	9.5	11.3	11.4	42.5	10.6	11.2			21.8	3%	18%			10%
Coal	6.2	4.0	5.3	5.9	21.4	6.5	6.8			13.3	5%	70%			30%
Total	43.8	36.2	41.4	42.7	164.1	43.4	45.7			89.1	(1%)	26%			11%
Railroad employees (average)	21,232	20,086	19,606	19,192	20,029	18,755	18,537			18,646	(12%)	(8%)			(10%)
GTMs (thousands) per employee	4,002	3,474	4,194	4,327	15,977	4,467	4,689			9,155	12%	35%			23%
Locomotive diesel fuel consumed (in thousands of gallons)	102,261	79,199	91,230	95,147	367,837	97,724	95,796			193,520	(4%)	21%			7%
Average price (dollars) per gallon of locomotive diesel fuel	\$ 1.732	\$ 0.975	\$ 1.287	\$ 1.345	\$ 1.358	\$ 1.656	\$ 1.838			\$ 1.746	(4%)	89%			25%
Gallons of fuel consumed per thousand GTMs	1.21	1.16	1.12	1.16	1.16	1.17	1.11			1.14	(3%)	(4%)			(4%)
Train speed (miles per hour)	23.8	24.6	22.6	21.9	23.2	20.5	20.1			20.3	(14%)	(18%)			(16%)
Terminal dwell (hours)	18.6	18.1	19.4	21.2	19.3	24.4	22.5			23.5	31%	24%			28%

## Reconciliation of Non-GAAP Financial Measures

Information included within this Second 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 | Q2

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