

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

| | Second Quarter | | First Six Months | |
|------------------------------------------------------|------------------------------------------------|---------------|-------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | <i>(in millions, except per share amounts)</i> | | | |
| Railway operating revenues | | | | |
| Merchandise | \$ 1,680 | \$ 1,307 | \$ 3,288 | \$ 2,979 |
| Intermodal | 801 | 569 | 1,520 | 1,224 |
| Coal | 318 | 209 | 630 | 507 |
| Total railway operating revenues | <u>2,799</u> | <u>2,085</u> | <u>5,438</u> | <u>4,710</u> |
| Railway operating expenses | | | | |
| Compensation and benefits | 624 | 586 | 1,235 | 1,208 |
| Purchased services and rents | 429 | 372 | 822 | 775 |
| Fuel | 188 | 84 | 365 | 273 |
| Depreciation | 294 | 282 | 586 | 574 |
| Materials and other | 97 | 151 | 248 | 317 |
| Loss on asset disposal | — | — | — | 385 |
| Total railway operating expenses | <u>1,632</u> | <u>1,475</u> | <u>3,256</u> | <u>3,532</u> |
| Income from railway operations | 1,167 | 610 | 2,182 | 1,178 |
| Other income – net | 35 | 49 | 42 | 71 |
| Interest expense on debt | <u>161</u> | <u>156</u> | <u>317</u> | <u>310</u> |
| Income before income taxes | 1,041 | 503 | 1,907 | 939 |
| Income taxes | | | | |
| Current | 167 | 66 | 308 | 110 |
| Deferred | 55 | 45 | 107 | 56 |
| Total income taxes | <u>222</u> | <u>111</u> | <u>415</u> | <u>166</u> |
| Net income | <u>\$ 819</u> | <u>\$ 392</u> | <u>\$ 1,492</u> | <u>\$ 773</u> |
| Earnings per share – diluted | \$ 3.28 | \$ 1.53 | \$ 5.94 | \$ 3.00 |
| Weighted average shares outstanding – diluted | 250.0 | 256.7 | 251.3 | 257.7 |

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

| | June 30, 2021 | December 31, 2020 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------|
| <i>(\$ in millions)</i> | | |
| Assets | | |
| 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 | 3,012 | 2,318 |
| Investments | 3,658 | 3,590 |
| Properties less accumulated depreciation of \$11,777 and \$11,985, respectively | 31,355 | 31,345 |
| Other assets | 729 | 709 |
| Total assets | \$ 38,754 | \$ 37,962 |
| Liabilities and stockholders' equity | | |
| 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 | 2,796 | 2,160 |
| Long-term debt | 12,669 | 12,102 |
| Other liabilities | 1,937 | 1,987 |
| Deferred income taxes | 7,035 | 6,922 |
| Total liabilities | 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 | 12,407 | 12,883 |
| Total stockholders' equity | 14,317 | 14,791 |
| Total liabilities and stockholders' equity | \$ 38,754 | \$ 37,962 |

See accompanying notes to consolidated financial statements.

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

| | First Six Months | |
|----------------------------------------------------------------------------|-------------------------|-----------------|
| | 2021 | 2020 |
| | <i>(\$ in millions)</i> | |
| Cash flows from operating activities | | |
| 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> |
| Cash flows from investing activities | | |
| 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> |
| Cash flows from financing activities | | |
| 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 |
| Cash and cash equivalents | | |
| At beginning of year | <u>1,115</u> | <u>580</u> |
| At end of period | <u>\$ 1,670</u> | <u>\$ 1,143</u> |
| Supplemental disclosures of cash flow information | | |
| Cash paid during the period for: | | |
| Interest (net of amounts capitalized) | \$ 281 | \$ 287 |
| Income taxes (net of refunds) | 249 | 1 |

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

2. 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.