



2022

QUARTERLY FINANCIAL DATA

Q2





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)

	Second Quarter		
	<u>2022</u>	<u>2021</u>	<u>% Change</u>
Railway operating revenues			
Merchandise	\$ 1,853	\$ 1,680	10%
Intermodal	972	801	21%
Coal	425	318	34%
Total railway operating revenues	<u>3,250</u>	<u>2,799</u>	16%
Railway operating expenses			
Compensation and benefits	614	624	(2%)
Purchased services and rents	481	429	12%
Fuel	408	188	117%
Depreciation	304	294	3%
Materials and other	172	97	77%
Total railway operating expenses	<u>1,979</u>	<u>1,632</u>	21%
Income from railway operations	1,271	1,167	9%
Other income (expense) – net	(14)	35	(140%)
Interest expense on debt	170	161	6%
Income before income taxes	1,087	1,041	4%
Income taxes			
Current	205	167	23%
Deferred	63	55	15%
Total income taxes	<u>268</u>	<u>222</u>	21%
Net income	<u>\$ 819</u>	<u>\$ 819</u>	—%
Railway operating ratio (%)	60.9	58.3	4%
Earnings per share – diluted	\$ 3.45	\$ 3.28	5%

Notes

1. Stock Repurchase Program

We repurchased and retired 5.7 million shares of common stock under our stock repurchase program at a cost of \$1.5 billion during the first six months of both 2022 and 2021.

Consolidated Statements of Income

(in millions, except per share amounts)

	First Six Months		
	2022	2021	% Change
Railway operating revenues			
Merchandise	\$ 3,525	\$ 3,288	7%
Intermodal	1,826	1,520	20%
Coal	814	630	29%
Total railway operating revenues	<u>6,165</u>	<u>5,438</u>	13%
Railway operating expenses			
Compensation and benefits	1,233	1,235	—%
Purchased services and rents	918	822	12%
Fuel	709	365	94%
Depreciation	606	586	3%
Materials and other	343	248	38%
Total railway operating expenses	<u>3,809</u>	<u>3,256</u>	17%
Income from railway operations	2,356	2,182	8%
Other income (expense) – net	(19)	42	(145%)
Interest expense on debt	<u>338</u>	<u>317</u>	7%
Income before income taxes	1,999	1,907	5%
Income taxes			
Current	366	308	19%
Deferred	111	107	4%
Total income taxes	<u>477</u>	<u>415</u>	15%
Net income	<u>\$ 1,522</u>	<u>\$ 1,492</u>	2%
Railway operating ratio (%)	61.8	59.9	3%
Earnings per share – diluted	\$ 6.37	\$ 5.94	7%

Consolidated Balance Sheets

(\$ in millions)

	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,259	\$ 839
Accounts receivable – net	1,208	976
Materials and supplies	289	218
Other current assets	101	134
Total current assets	<u>2,857</u>	<u>2,167</u>
Investments	3,671	3,707
Properties less accumulated depreciation of \$12,267 and \$12,031, respectively	31,787	31,653
Other assets	<u>1,021</u>	<u>966</u>
Total assets	<u>\$ 39,336</u>	<u>\$ 38,493</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,308	\$ 1,351
Income and other taxes	333	305
Other current liabilities	363	312
Current maturities of long-term debt	605	553
Total current liabilities	<u>2,609</u>	<u>2,521</u>
Long-term debt	14,449	13,287
Other liabilities	1,843	1,879
Deferred income taxes	<u>7,281</u>	<u>7,165</u>
Total liabilities	26,182	24,852
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 234,873,651 and 240,162,790 shares, respectively, net of treasury shares	236	242
Additional paid-in capital	2,190	2,215
Accumulated other comprehensive loss	(388)	(402)
Retained income	<u>11,116</u>	<u>11,586</u>
Total stockholders' equity	<u>13,154</u>	<u>13,641</u>
Total liabilities and stockholders' equity	<u>\$ 39,336</u>	<u>\$ 38,493</u>

Consolidated Statements of Cash Flows

(\$ in millions)

	First Six Months	
	2022	2021
Cash flows from operating activities		
Net income	\$ 1,522	\$ 1,492
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	606	586
Deferred income taxes	111	107
Gains and losses on properties	(37)	(75)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(230)	(96)
Materials and supplies	(71)	(25)
Other current assets	30	30
Current liabilities other than debt	75	170
Other – net	5	(92)
Net cash provided by operating activities	<u>2,011</u>	<u>2,097</u>
Cash flows from investing activities		
Property additions	(837)	(627)
Property sales and other transactions	100	66
Investment purchases	(7)	(5)
Investment sales and other transactions	30	37
Net cash used in investing activities	<u>(714)</u>	<u>(529)</u>
Cash flows from financing activities		
Dividends	(591)	(496)
Common stock transactions	(14)	6
Purchase and retirement of common stock	(1,454)	(1,525)
Proceeds from borrowings	1,732	1,087
Debt repayments	(550)	(85)
Net cash used in financing activities	<u>(877)</u>	<u>(1,013)</u>
Net increase in cash and cash equivalents	420	555
Cash and cash equivalents		
At beginning of year	<u>839</u>	<u>1,115</u>
At end of period	<u>\$ 1,259</u>	<u>\$ 1,670</u>
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 294	\$ 281
Income taxes (net of refunds)	321	249

Railway Operating Revenues Analysis

Commodity and Period	Revenues (\$ in millions)			Units (in thousands)			Revenue per Unit (\$ per unit)		
	2022	2021	% Change	2022	2021	% Change	2022	2021	% Change
First Quarter									
Agriculture, forest and consumer products	\$ 573	\$ 539	6%	177.6	178.3	—	\$ 3,228	\$ 3,026	7%
Chemicals	498	459	8%	129.4	127.0	2%	3,850	3,615	7%
Metals and construction	375	370	1%	148.0	155.0	(5%)	2,535	2,386	6%
Automotive	226	240	(6%)	81.2	93.7	(13%)	2,776	2,557	9%
Merchandise	1,672	1,608	4%	536.2	554.0	(3%)	3,118	2,903	7%
Intermodal	854	719	19%	956.5	1,016.4	(6%)	893	708	26%
Coal	389	312	25%	165.6	166.5	(1%)	2,347	1,872	25%
Total	\$ 2,915	\$ 2,639	10%	1,658.3	1,736.9	(5%)	1,758	1,519	16%
Second Quarter									
Agriculture, forest and consumer products	\$ 624	\$ 578	8%	183.6	187.7	(2%)	\$ 3,398	\$ 3,076	10%
Chemicals	552	494	12%	140.0	133.7	5%	3,941	3,691	7%
Metals and construction	420	402	4%	163.9	176.3	(7%)	2,560	2,285	12%
Automotive	257	206	25%	85.7	82.3	4%	3,007	2,507	20%
Merchandise	1,853	1,680	10%	573.2	580.0	(1%)	3,233	2,896	12%
Intermodal	972	801	21%	1,016.5	1,062.6	(4%)	955	754	27%
Coal	425	318	34%	166.1	173.2	(4%)	2,562	1,837	39%
Total	\$ 3,250	\$ 2,799	16%	1,755.8	1,815.8	(3%)	1,851	1,542	20%
Year-to-date									
Agriculture, forest and consumer products	\$ 1,197	\$ 1,117	7%	361.2	366.0	(1%)	\$ 3,314	\$ 3,051	9%
Chemicals	1,050	953	10%	269.4	260.7	3%	3,897	3,654	7%
Metals and construction	795	772	3%	311.9	331.3	(6%)	2,548	2,332	9%
Automotive	483	446	8%	166.9	176.0	(5%)	2,894	2,534	14%
Merchandise	3,525	3,288	7%	1,109.4	1,134.0	(2%)	3,177	2,899	10%
Intermodal	1,826	1,520	20%	1,973.0	2,079.0	(5%)	925	731	27%
Coal	814	630	29%	331.7	339.7	(2%)	2,455	1,854	32%
Total	\$ 6,165	\$ 5,438	13%	3,414.1	3,552.7	(4%)	1,806	1,531	18%

Railway Operating Revenues Variance Analysis

(\$ in millions)

Second Quarter 2022 vs. 2021

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenue Variance due to:						
Volume	\$ (20)	(1%)	\$ (35)	(4%)	\$ (13)	(4%)
Fuel surcharge revenue	121	7%	136	17%	16	5%
Rate, mix and other	72	4%	70	9%	104	33%
Total	<u>\$ 173</u>	10%	<u>\$ 171</u>	21%	<u>\$ 107</u>	34%

Year-to-date 2022 vs. 2021

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenue Variance due to:						
Volume	\$ (71)	(2%)	\$ (77)	(5%)	\$ (15)	(2%)
Fuel surcharge revenue	188	6%	209	14%	23	4%
Rate, mix and other	120	4%	174	11%	176	28%
Total	<u>\$ 237</u>	7%	<u>\$ 306</u>	20%	<u>\$ 184</u>	29%

Intermodal Units by Market

(in thousands)

	Second Quarter			Year-to-date		
	2022	2021	% Change	2022	2021	% Change
Domestic	670.4	661.9	1%	1,323.8	1,300.9	2%
International	346.1	400.7	(14%)	649.2	778.1	(17%)
Total	<u>1,016.5</u>	<u>1,062.6</u>	(4%)	<u>1,973.0</u>	<u>2,079.0</u>	(5%)

Coal Tonnage by Market

(in thousands)

	Second Quarter			Year-to-date		
	2022	2021	% Change	2022	2021	% Change
Utility	8,267	8,563	(3%)	17,228	17,109	1%
Export	6,514	6,580	(1%)	12,928	13,273	(3%)
Domestic metallurgical	2,782	3,325	(16%)	5,212	5,812	(10%)
Industrial	1,083	871	24%	1,886	1,770	7%
Total	<u>18,646</u>	<u>19,339</u>	(4%)	<u>37,254</u>	<u>37,964</u>	(2%)

Financial, Traffic and Operating Statistics

(\$ in millions - except as noted)

	2021					2022					Increase (Decrease) 2022 vs. 2021				
	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
Railway operating revenues	\$ 2,639	\$ 2,799	\$ 2,852	\$ 2,852	\$ 11,142	\$ 2,915	\$ 3,250			\$ 6,165	\$ 276	\$ 451			\$ 727
Railway operating expenses:															
Compensation and benefits	611	624	609	598	2,442	619	614			1,233	8	(10)			(2)
Purchased services	318	352	355	384	1,409	349	387			736	31	35			66
Equipment rents	75	77	77	88	317	88	94			182	13	17			30
Fuel	177	188	208	226	799	301	408			709	124	220			344
Depreciation	292	294	297	298	1,181	302	304			606	10	10			20
Materials	61	61	71	57	250	62	70			132	1	9			10
Claims	38	43	56	28	165	49	64			113	11	21			32
Other	52	(7)	43	44	132	60	38			98	8	45			53
Total railway operating expenses	1,624	1,632	1,716	1,723	6,695	1,830	1,979			3,809	206	347			553
Income from railway operations	1,015	1,167	1,136	1,129	4,447	1,085	1,271			2,356	70	104			174
Other income (expense) – net	7	35	14	21	77	(5)	(14)			(19)	(12)	(49)			(61)
Interest expense on debt	156	161	164	165	646	168	170			338	12	9			21
Income before income taxes	866	1,041	986	985	3,878	912	1,087			1,999	46	46			92
Total income taxes	193	222	233	225	873	209	268			477	16	46			62
Net income	\$ 673	\$ 819	\$ 753	\$ 760	\$ 3,005	\$ 703	\$ 819			\$ 1,522	\$ 30	\$ —			\$ 30
Weighted average shares outstanding – diluted (in millions)	252.6	250.0	246.4	243.5	248.1	240.2	237.5			238.9	(12.4)	(12.5)			(12.4)
Earnings per share – diluted (dollars)	\$ 2.66	\$ 3.28	\$ 3.06	\$ 3.12	\$ 12.11	\$ 2.93	\$ 3.45			\$ 6.37	\$ 0.27	\$ 0.17			\$ 0.43
Dividends per share (dollars)	\$ 0.99	\$ 0.99	\$ 1.09	\$ 1.09	\$ 4.16	\$ 1.24	\$ 1.24			\$ 2.48	\$ 0.25	\$ 0.25			\$ 0.50
Railway operating ratio (percent)	61.5	58.3	60.2	60.4	60.1	62.8	60.9			61.8	1.3	2.6			1.9
Property additions	\$ 265	\$ 362	\$ 398	\$ 445	\$ 1,470	\$ 389	\$ 448			\$ 837	\$ 124	\$ 86			\$ 210
Cash and cash equivalents	\$ 998	\$ 1,670	\$ 1,465	\$ 839	\$ 839	\$ 1,571	\$ 1,259			\$ 1,259	\$ 573	\$ (411)			\$ (411)
Total debt	\$ 12,617	\$ 13,717	\$ 13,832	\$ 13,840	\$ 13,840	\$ 14,844	\$ 15,054			\$ 15,054	\$ 2,227	\$ 1,337			\$ 1,337
Total debt-to-total capitalization (percent)	46.3	48.9	49.9	50.4	50.4	52.4	53.4			53.4	6.1	4.5			4.5
Gross ton miles (GTMs) (in billions)	83.8	86.9	86.0	84.0	340.7	82.8	86.7			169.5	(1%)	—			(1%)
Revenue ton miles (in billions):															
Merchandise	26.3	27.7	27.7	26.6	108.3	26.0	27.7			53.7	(1%)	—			(1%)
Intermodal	10.6	11.2	10.8	11.1	43.7	10.7	11.4			22.1	1%	2%			1%
Coal	6.5	6.8	6.5	6.3	26.1	7.0	6.6			13.6	8%	(3%)			2%
Total	43.4	45.7	45.0	44.0	178.1	43.7	45.7			89.4	1%	—			—
Railroad employees (average)	18,755	18,537	18,175	18,012	18,370	18,229	18,654			18,441	(3%)	1%			(1%)
GTMs (thousands) per employee	4,467	4,690	4,733	4,663	18,549	4,540	4,648			9,190	2%	(1%)			—
Locomotive diesel fuel consumed (in thousands of gallons)	97,724	95,796	96,179	94,068	383,767	95,309	92,762			188,071	(2%)	(3%)			(3%)
Average price (dollars) per gallon of locomotive diesel fuel	\$ 1.656	\$ 1.838	\$ 2.034	\$ 2.256	\$ 1.943	\$ 2.939	\$ 4.118			\$ 3.520	77%	124%			102%
Gallons of fuel consumed per thousand GTMs	1.17	1.11	1.13	1.13	1.14	1.16	1.08			1.11	(1%)	(3%)			(3%)
Train speed (miles per hour)	20.5	20.1	20.7	18.1	19.8	18.2	17.5			17.9	(11%)	(13%)			(12%)
Terminal dwell (hours)	24.4	22.5	22.3	26.2	23.9	26.7	27.2			27.0	9%	21%			15%



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