



Q3

2021
QUARTERLY FINANCIAL DATA





NORFOLK SOUTHERN RAILWAY SYSTEM

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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)

| | Third Quarter | | | % Change (Non-GAAP) |
|---------------------------------------|---------------|----------------|--|------------------------|
| | 2021 | 2020 (GAAP) | Adjusted 2020 (Non-GAAP ¹) | |
| Railway operating revenues | | | | |
| Merchandise | \$ 1,710 | \$ 1,556 | \$ 1,556 | 10% |
| Intermodal | 812 | 700 | 700 | 16% |
| Coal | 330 | 250 | 250 | 32% |
| Total railway operating revenues | <u>2,852</u> | <u>2,506</u> | <u>2,506</u> | 14% |
| Railway operating expenses | | | | |
| Compensation and benefits | 609 | 578 | 578 | 5% |
| Purchased services and rents | 432 | 486 | 387 ¹ | 12% |
| Fuel | 208 | 126 | 126 | 65% |
| Depreciation | 297 | 293 | 293 | 1% |
| Materials and other | 170 | 183 | 183 | (7%) |
| Total railway operating expenses | <u>1,716</u> | <u>1,666</u> | <u>1,567¹</u> | 10% |
| Income from railway operations | 1,136 | 840 | 939 ¹ | 21% |
| Other income – net | 14 | 39 | 39 | (64%) |
| Interest expense on debt | 164 | 155 | 155 | 6% |
| Income before income taxes | 986 | 724 | 823 ¹ | 20% |
| Income taxes | | | | |
| Current | 182 | 133 | 133 | 37% |
| Deferred | 51 | 22 | 47 ¹ | 9% |
| Total income taxes | <u>233</u> | <u>155</u> | <u>180¹</u> | 29% |
| Net income | <u>\$ 753</u> | <u>\$ 569</u> | <u>\$ 643¹</u> | 17% |
| Railway operating ratio (%) | 60.2 | 66.5 | 62.5 ¹ | (4%) |
| Earnings per share – diluted | \$ 3.06 | \$ 2.22 | \$ 2.51 ¹ | 22% |

Notes

1. Impairment of Investment

During 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 Consolidated Statements of Income and had a \$74 million impact on net income for the third quarter and the first nine months of 2020. These amounts have been reflected on a non-GAAP basis. See the Reconciliation of Non-GAAP Financial Measures and explanation on pages 8 and 9.

2. Stock Repurchase Program

We repurchased and retired 9.4 million and 5.3 million shares of common stock under our stock repurchase program during the first nine months of 2021 and 2020, respectively, at a cost of \$2.5 billion and \$960 million, respectively.

Consolidated Statements of Income

(in millions, except per share amounts)

| | First Nine Months | | | % Change (Non-GAAP) |
|---------------------------------------|-------------------|-----------------|--|------------------------|
| | 2021 | 2020 (GAAP) | Adjusted 2020 (Non-GAAP ^{1,3}) | |
| Railway operating revenues | | | | |
| Merchandise | \$ 4,998 | \$ 4,535 | \$ 4,535 | 10% |
| Intermodal | 2,332 | 1,924 | 1,924 | 21% |
| Coal | 960 | 757 | 757 | 27% |
| Total railway operating revenues | <u>8,290</u> | <u>7,216</u> | <u>7,216</u> | 15% |
| Railway operating expenses | | | | |
| Compensation and benefits | 1,844 | 1,786 | 1,786 | 3% |
| Purchased services and rents | 1,254 | 1,261 | 1,162 ¹ | 8% |
| Fuel | 573 | 399 | 399 | 44% |
| Depreciation | 883 | 867 | 867 | 2% |
| Materials and other | 418 | 500 | 500 | (16%) |
| Loss on asset disposal | — | 385 | — ³ | —% |
| Total railway operating expenses | <u>4,972</u> | <u>5,198</u> | <u>4,714</u> ^{1,3} | 5% |
| Income from railway operations | 3,318 | 2,018 | 2,502 ^{1,3} | 33% |
| Other income – net | 56 | 110 | 110 | (49%) |
| Interest expense on debt | <u>481</u> | <u>465</u> | <u>465</u> | 3% |
| Income before income taxes | 2,893 | 1,663 | 2,147 ^{1,3} | 35% |
| Income taxes | | | | |
| Current | 490 | 243 | 245 ³ | 100% |
| Deferred | 158 | 78 | 198 ^{1,3} | (20%) |
| Total income taxes | <u>648</u> | <u>321</u> | <u>443</u> ^{1,3} | 46% |
| Net income | <u>\$ 2,245</u> | <u>\$ 1,342</u> | <u>\$ 1,704</u> ^{1,3} | 32% |
| Railway operating ratio (%) | 60.0 | 72.0 | 65.3 ^{1,3} | (8%) |
| Earnings per share – diluted | \$ 8.99 | \$ 5.21 | \$ 6.62 ^{1,3} | 36% |

3. 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>September 30, 2021</u> | <u>December 31, 2020</u> |
|--|-------------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,465 | \$ 1,115 |
| Accounts receivable – net | 945 | 848 |
| Materials and supplies | 235 | 221 |
| Other current assets | 77 | 134 |
| Total current assets | <u>2,722</u> | <u>2,318</u> |
| Investments | 3,684 | 3,590 |
| Properties less accumulated depreciation of \$11,867 and \$11,985, respectively | 31,429 | 31,345 |
| Other assets | <u>769</u> | <u>709</u> |
| Total assets | <u><u>\$ 38,604</u></u> | <u><u>\$ 37,962</u></u> |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,196 | \$ 1,016 |
| Income and other taxes | 272 | 263 |
| Other current liabilities | 384 | 302 |
| Current maturities of long-term debt | 558 | 579 |
| Total current liabilities | <u>2,410</u> | <u>2,160</u> |
| Long-term debt | 13,274 | 12,102 |
| Other liabilities | 1,944 | 1,987 |
| Deferred income taxes | <u>7,089</u> | <u>6,922</u> |
| Total liabilities | 24,717 | 23,171 |
| Stockholders' equity: | | |
| Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 243,344,509 and 252,095,082 shares, respectively, net of treasury shares | 244 | 254 |
| Additional paid-in capital | 2,224 | 2,248 |
| Accumulated other comprehensive loss | (571) | (594) |
| Retained income | <u>11,990</u> | <u>12,883</u> |
| Total stockholders' equity | <u>13,887</u> | <u>14,791</u> |
| Total liabilities and stockholders' equity | <u><u>\$ 38,604</u></u> | <u><u>\$ 37,962</u></u> |

Consolidated Statements of Cash Flows

(\$ in millions)

| | First Nine Months | |
|--|-------------------|-----------------|
| | 2021 | 2020 |
| Cash flows from operating activities | | |
| Net income | \$ 2,245 | \$ 1,342 |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Depreciation | 883 | 867 |
| Deferred income taxes | 158 | 78 |
| Gains and losses on properties | (80) | (14) |
| Loss on asset disposal | — | 385 |
| Impairment of investment | — | 99 |
| Changes in assets and liabilities affecting operations: | | |
| Accounts receivable | (102) | 36 |
| Materials and supplies | (14) | (3) |
| Other current assets | 57 | 55 |
| Current liabilities other than debt | 294 | 104 |
| Other – net | (128) | (182) |
| Net cash provided by operating activities | <u>3,313</u> | <u>2,767</u> |
| Cash flows from investing activities | | |
| Property additions | (1,025) | (1,053) |
| Property sales and other transactions | 135 | 291 |
| Investment purchases | (5) | (6) |
| Investment sales and other transactions | 48 | (50) |
| Net cash used in investing activities | <u>(847)</u> | <u>(818)</u> |
| Cash flows from financing activities | | |
| Dividends | (764) | (722) |
| Common stock transactions | 8 | 53 |
| Purchase and retirement of common stock | (2,460) | (960) |
| Proceeds from borrowings | 1,676 | 784 |
| Debt repayments | (576) | (325) |
| Net cash used in financing activities | <u>(2,116)</u> | <u>(1,170)</u> |
| Net increase in cash and cash equivalents | 350 | 779 |
| Cash and cash equivalents | | |
| At beginning of year | <u>1,115</u> | <u>580</u> |
| At end of period | <u>\$ 1,465</u> | <u>\$ 1,359</u> |
| Supplemental disclosures of cash flow information | | |
| Cash paid during the period for: | | |
| Interest (net of amounts capitalized) | \$ 391 | \$ 395 |
| Income taxes (net of refunds) | 468 | 118 |

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 |
| First Quarter | | | | | | | | | |
| 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%) |
| Second Quarter | | | | | | | | | |
| 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% |
| Third Quarter | | | | | | | | | |
| Agriculture, forest and consumer products | \$ 564 | \$ 521 | 8% | 181.3 | 176.4 | 3% | \$ 3,113 | \$ 2,953 | 5% |
| Chemicals | 504 | 428 | 18% | 138.3 | 111.9 | 24% | 3,647 | 3,827 | (5%) |
| Metals and construction | 424 | 337 | 26% | 179.2 | 157.2 | 14% | 2,360 | 2,145 | 10% |
| Automotive | 218 | 270 | (19%) | 81.5 | 105.7 | (23%) | 2,679 | 2,548 | 5% |
| Merchandise | 1,710 | 1,556 | 10% | 580.3 | 551.2 | 5% | 2,946 | 2,822 | 4% |
| Intermodal | 812 | 700 | 16% | 1,021.0 | 1,068.8 | (4%) | 796 | 655 | 22% |
| Coal | 330 | 250 | 32% | 160.5 | 147.7 | 9% | 2,057 | 1,698 | 21% |
| Total | \$ 2,852 | \$ 2,506 | 14% | 1,761.8 | 1,767.7 | — | 1,619 | 1,418 | 14% |
| Year-to-date | | | | | | | | | |
| Agriculture, forest and consumer products | \$ 1,681 | \$ 1,570 | 7% | 547.3 | 523.7 | 5% | \$ 3,072 | \$ 2,998 | 2% |
| Chemicals | 1,457 | 1,371 | 6% | 399.0 | 366.3 | 9% | 3,651 | 3,742 | (2%) |
| Metals and construction | 1,196 | 997 | 20% | 510.5 | 448.2 | 14% | 2,342 | 2,226 | 5% |
| Automotive | 664 | 597 | 11% | 257.5 | 233.2 | 10% | 2,579 | 2,558 | 1% |
| Merchandise | 4,998 | 4,535 | 10% | 1,714.3 | 1,571.4 | 9% | 2,915 | 2,886 | 1% |
| Intermodal | 2,332 | 1,924 | 21% | 3,100.0 | 2,908.3 | 7% | 752 | 662 | 14% |
| Coal | 960 | 757 | 27% | 500.2 | 422.8 | 18% | 1,919 | 1,791 | 7% |
| Total | \$ 8,290 | \$ 7,216 | 15% | 5,314.5 | 4,902.5 | 8% | 1,560 | 1,472 | 6% |

Railway Operating Revenues Variance Analysis

(\$ in millions)

Third Quarter 2021 vs. 2020

| | Merchandise | | Intermodal | | Coal | |
|---------------------------------|---------------|---------|---------------|---------|--------------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| Revenue Variance due to: | | | | | | |
| Volume | \$ 82 | 5% | \$ (31) | (4%) | \$ 22 | 9% |
| Fuel surcharge revenue | 43 | 3% | 54 | 8% | 2 | 1% |
| Rate, mix and other | 29 | 2% | 89 | 13% | 56 | 22% |
| Total | <u>\$ 154</u> | 10% | <u>\$ 112</u> | 16% | <u>\$ 80</u> | 32% |

Year-to-date 2021 vs. 2020

| | Merchandise | | Intermodal | | Coal | |
|---------------------------------|---------------|---------|---------------|---------|---------------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| Revenue Variance due to: | | | | | | |
| Volume | \$ 412 | 9% | \$ 127 | 7% | \$ 139 | 18% |
| Fuel surcharge revenue | 37 | 1% | 106 | 6% | 1 | — |
| Rate, mix and other | 14 | — | 175 | 9% | 63 | 8% |
| Total | <u>\$ 463</u> | 10% | <u>\$ 408</u> | 21% | <u>\$ 203</u> | 27% |

Intermodal Units by Market

(in thousands)

| | Third Quarter | | | Year-to-date | | |
|---------------|----------------|----------------|----------|----------------|----------------|----------|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| Domestic | 656.6 | 699.9 | (6%) | 1,957.5 | 1,864.8 | 5% |
| International | 364.4 | 368.9 | (1%) | 1,142.5 | 1,043.5 | 9% |
| Total | <u>1,021.0</u> | <u>1,068.8</u> | (4%) | <u>3,100.0</u> | <u>2,908.3</u> | 7% |

Coal Tonnage by Market

(in thousands)

| | Third Quarter | | | Year-to-date | | |
|------------------------|---------------|---------------|----------|---------------|---------------|----------|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| Utility | 8,234 | 9,867 | (17%) | 25,343 | 24,465 | 4% |
| Export | 5,650 | 3,585 | 58% | 18,923 | 13,323 | 42% |
| Domestic metallurgical | 3,074 | 2,379 | 29% | 8,886 | 6,993 | 27% |
| Industrial | 940 | 864 | 9% | 2,710 | 2,592 | 5% |
| Total | <u>17,898</u> | <u>16,695</u> | 7% | <u>55,862</u> | <u>47,373</u> | 18% |

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 | \$ 2,852 | | \$ 8,290 | \$ 14 | \$ 714 | \$ 346 | | \$ 1,074 |
| Railway operating expenses: | | | | | | | | | | | | | | | |
| Compensation and benefits | 622 | 586 | 578 | 587 | 2,373 | 611 | 624 | 609 | | 1,844 | (11) | 38 | 31 | | 58 |
| Purchased services | 321 | 302 | 320 | 345 | 1,288 | 318 | 352 | 355 | | 1,025 | (3) | 50 | 35 | | 82 |
| Equipment rents | 82 | 70 | 67 | 81 | 300 | 75 | 77 | 77 | | 229 | (7) | 7 | 10 | | 10 |
| Fuel | 189 | 84 | 126 | 136 | 535 | 177 | 188 | 208 | | 573 | (12) | 104 | 82 | | 174 |
| Depreciation | 292 | 282 | 293 | 287 | 1,154 | 292 | 294 | 297 | | 883 | — | 12 | 4 | | 16 |
| Materials | 72 | 62 | 72 | 68 | 274 | 61 | 61 | 71 | | 193 | (11) | (1) | (1) | | (13) |
| Claims | 42 | 40 | 59 | 38 | 179 | 38 | 43 | 56 | | 137 | (4) | 3 | (3) | | (4) |
| Other | 52 | 49 | 52 | 47 | 200 | 52 | (7) | 43 | | 88 | — | (56) | (9) | | (65) |
| Total railway operating expenses | 1,672 | 1,475 | 1,567 | 1,589 | 6,303 | 1,624 | 1,632 | 1,716 | | 4,972 | (48) | 157 | 149 | | 258 |
| Income from railway operations | 953 | 610 | 939 | 984 | 3,486 | 1,015 | 1,167 | 1,136 | | 3,318 | 62 | 557 | 197 | | 816 |
| Other income – net | 22 | 49 | 39 | 43 | 153 | 7 | 35 | 14 | | 56 | (15) | (14) | (25) | | (54) |
| Interest expense on debt | 154 | 156 | 155 | 160 | 625 | 156 | 161 | 164 | | 481 | 2 | 5 | 9 | | 16 |
| Income before income taxes | 821 | 503 | 823 | 867 | 3,014 | 866 | 1,041 | 986 | | 2,893 | 45 | 538 | 163 | | 746 |
| Total income taxes | 152 | 111 | 180 | 196 | 639 | 193 | 222 | 233 | | 648 | 41 | 111 | 53 | | 205 |
| Net income | \$ 669 | \$ 392 | \$ 643 | \$ 671 | \$ 2,375 | \$ 673 | \$ 819 | \$ 753 | | \$ 2,245 | \$ 4 | \$ 427 | \$ 110 | | \$ 541 |
| Weighted average shares outstanding – diluted (in millions) | 258.7 | 256.7 | 256.1 | 254.7 | 256.6 | 252.6 | 250.0 | 246.4 | | 249.7 | (6.1) | (6.7) | (9.7) | | (7.5) |
| Earnings per share – diluted (dollars) | \$ 2.58 | \$ 1.53 | \$ 2.51 | \$ 2.64 | \$ 9.25 | \$ 2.66 | \$ 3.28 | \$ 3.06 | | \$ 8.99 | \$ 0.08 | \$ 1.75 | \$ 0.55 | | \$ 2.37 |
| Dividends per share (dollars) | \$ 0.94 | \$ 0.94 | \$ 0.94 | \$ 0.94 | \$ 3.76 | \$ 0.99 | \$ 0.99 | \$ 1.09 | | \$ 3.07 | \$ 0.05 | \$ 0.05 | \$ 0.15 | | \$ 0.25 |
| Railway operating ratio (percent) | 63.7 | 70.7 | 62.5 | 61.8 | 64.4 | 61.5 | 58.3 | 60.2 | | 60.0 | (2.2) | (12.4) | (2.3) | | (5.3) |
| Property additions | \$ 366 | \$ 369 | \$ 318 | \$ 441 | \$ 1,494 | \$ 265 | \$ 362 | \$ 398 | | \$ 1,025 | \$ (101) | \$ (7) | \$ 80 | | \$ (28) |
| Cash and cash equivalents | \$ 608 | \$ 1,143 | \$ 1,359 | \$ 1,115 | \$ 1,115 | \$ 998 | \$ 1,670 | \$ 1,465 | | \$ 1,465 | \$ 390 | \$ 527 | \$ 106 | | \$ 106 |
| Total debt | \$ 12,207 | \$ 12,697 | \$ 12,723 | \$ 12,681 | \$ 12,681 | \$ 12,617 | \$ 13,717 | \$ 13,832 | | \$ 13,832 | \$ 410 | \$ 1,020 | \$ 1,109 | | \$ 1,109 |
| Total debt-to-total capitalization (percent) | 45.1 | 46.1 | 46.0 | 46.2 | 46.2 | 46.3 | 48.9 | 49.9 | | 49.9 | 1.2 | 2.8 | 3.9 | | 3.9 |
| Gross ton miles (GTMs) (in billions) | 85.0 | 69.7 | 82.3 | 83.0 | 320.0 | 83.8 | 86.9 | 86.0 | | 256.7 | (1%) | 25% | 4% | | 8% |
| Revenue ton miles (in billions): | | | | | | | | | | | | | | | |
| Merchandise | 27.3 | 22.7 | 24.8 | 25.4 | 100.2 | 26.3 | 27.7 | 27.7 | | 81.7 | (4%) | 22% | 12% | | 9% |
| Intermodal | 10.3 | 9.5 | 11.3 | 11.4 | 42.5 | 10.6 | 11.2 | 10.8 | | 32.6 | 3% | 18% | (4%) | | 5% |
| Coal | 6.2 | 4.0 | 5.3 | 5.9 | 21.4 | 6.5 | 6.8 | 6.5 | | 19.8 | 5% | 70% | 23% | | 28% |
| Total | 43.8 | 36.2 | 41.4 | 42.7 | 164.1 | 43.4 | 45.7 | 45.0 | | 134.1 | (1%) | 26% | 9% | | 10% |
| Railroad employees (average) | 21,232 | 20,086 | 19,606 | 19,192 | 20,029 | 18,755 | 18,537 | 18,175 | | 18,489 | (12%) | (8%) | (7%) | | (9%) |
| GTMs (thousands) per employee | 4,002 | 3,474 | 4,194 | 4,327 | 15,977 | 4,467 | 4,690 | 4,732 | | 13,885 | 12% | 35% | 13% | | 19% |
| Locomotive diesel fuel consumed (in thousands of gallons) | 102,261 | 79,199 | 91,230 | 95,147 | 367,837 | 97,724 | 95,796 | 96,179 | | 289,699 | (4%) | 21% | 5% | | 6% |
| Average price (dollars) per gallon of locomotive diesel fuel | \$ 1.732 | \$ 0.975 | \$ 1.287 | \$ 1.345 | \$ 1.358 | \$ 1.656 | \$ 1.838 | \$ 2.034 | | \$ 1.842 | (4%) | 89% | 58% | | 35% |
| Gallons of fuel consumed per thousand GTMs | 1.21 | 1.16 | 1.12 | 1.16 | 1.16 | 1.17 | 1.11 | 1.13 | | 1.14 | (3%) | (4%) | 1% | | (3%) |
| Train speed (miles per hour) | 23.8 | 24.6 | 22.6 | 21.9 | 23.2 | 20.5 | 20.1 | 20.7 | | 20.4 | (14%) | (18%) | (8%) | | (14%) |
| Terminal dwell (hours) | 18.6 | 18.1 | 19.4 | 21.2 | 19.3 | 24.4 | 22.5 | 22.3 | | 23.1 | 31% | 24% | 15% | | 23% |

Reconciliation of Non-GAAP Financial Measures

Information included within this Third 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^{*, **}

(\$ 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 |
| | Third Quarter | | |
| | 2020 (GAAP) | Impairment of investment ^{**} | 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^{*, **}

(\$ in millions except per share amounts)

| | First Nine Months | | |
|----------------------------------|--------------------------|--|---|
| | 2020 (GAAP) | Loss on asset disposal and impairment of investment^{*, **} | Adjusted 2020 (Non-GAAP) |
| Purchased services and rents | \$ 1,261 | \$ (99) | \$ 1,162 |
| Total railway operating expenses | \$ 5,198 | \$ (484) | \$ 4,714 |
| Income from railway operations | \$ 2,018 | \$ 484 | \$ 2,502 |
| Income before income taxes | \$ 1,663 | \$ 484 | \$ 2,147 |
| Total income taxes | \$ 321 | \$ 122 | \$ 443 |
| Net income | \$ 1,342 | \$ 362 | \$ 1,704 |
| Railway operating ratio (%) | 72.0 | (6.7) | 65.3 |
| Earnings per share – diluted | \$ 5.21 | \$ 1.41 | \$ 6.62 |

| | Year Ended December 31, | | |
|----------------------------------|--------------------------------|--|---|
| | 2020 (GAAP) | Loss on asset disposal and impairment of investment^{*, **} | 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.



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