



2022

QUARTERLY FINANCIAL DATA

Q3





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)

	<u>2022</u>	<u>Third Quarter 2021</u>	<u>% Change</u>
Railway operating revenues			
Merchandise	\$ 1,930	\$ 1,710	13%
Intermodal	942	812	16%
Coal	471	330	43%
Total railway operating revenues	<u>3,343</u>	<u>2,852</u>	17%
Railway operating expenses			
Compensation and benefits	735	609	21%
Purchased services and rents	484	432	12%
Fuel	383	208	84%
Depreciation	306	297	3%
Materials and other	163	170	(4%)
Total railway operating expenses	<u>2,071</u>	<u>1,716</u>	21%
Income from railway operations	1,272	1,136	12%
Other income (expense) – net	(2)	14	(114%)
Interest expense on debt	177	164	8%
Income before income taxes	1,093	986	11%
Income tax expense (benefit)			
Current	223	182	23%
Deferred	(88)	51	(273%)
Total income tax expense (benefit)	<u>135</u>	<u>233</u>	(42%)
Net income	<u>\$ 958</u>	<u>\$ 753</u>	27%
Railway operating ratio (%)	62.0	60.2	3%
Earnings per share – diluted	\$ 4.10	\$ 3.06	34%

Notes

1. Stock Repurchase Program

We repurchased and retired 9.2 million and 9.4 million shares of common stock under our stock repurchase program at a cost of \$2.3 billion and \$2.5 billion during the first nine months of 2022 and 2021, respectively.

Consolidated Statements of Income

(in millions, except per share amounts)

	First Nine Months		
	2022	2021	% Change
Railway operating revenues			
Merchandise	\$ 5,455	\$ 4,998	9%
Intermodal	2,768	2,332	19%
Coal	1,285	960	34%
Total railway operating revenues	<u>9,508</u>	<u>8,290</u>	15%
Railway operating expenses			
Compensation and benefits	1,968	1,844	7%
Purchased services and rents	1,402	1,254	12%
Fuel	1,092	573	91%
Depreciation	912	883	3%
Materials and other	506	418	21%
Total railway operating expenses	<u>5,880</u>	<u>4,972</u>	18%
Income from railway operations	3,628	3,318	9%
Other income (expense) – net	(21)	56	(138%)
Interest expense on debt	<u>515</u>	<u>481</u>	7%
Income before income taxes	3,092	2,893	7%
Income taxes			
Current	589	490	20%
Deferred	23	158	(85%)
Total income taxes	<u>612</u>	<u>648</u>	(6%)
Net income	<u>\$ 2,480</u>	<u>\$ 2,245</u>	10%
Railway operating ratio (%)	61.8	60.0	3%
Earnings per share – diluted	\$ 10.45	\$ 8.99	16%

Consolidated Balance Sheets

(\$ in millions)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,214	\$ 839
Accounts receivable – net	1,151	976
Materials and supplies	276	218
Other current assets	74	134
Total current assets	<u>2,715</u>	<u>2,167</u>
Investments	3,686	3,707
Properties less accumulated depreciation of \$12,445 and \$12,031, respectively	31,838	31,653
Other assets	<u>1,067</u>	<u>966</u>
Total assets	<u><u>\$ 39,306</u></u>	<u><u>\$ 38,493</u></u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,486	\$ 1,351
Income and other taxes	299	305
Other current liabilities	408	312
Current maturities of long-term debt	605	553
Total current liabilities	<u>2,798</u>	<u>2,521</u>
Long-term debt	14,463	13,287
Other liabilities	1,828	1,879
Deferred income taxes	<u>7,193</u>	<u>7,165</u>
Total liabilities	26,282	24,852
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 231,514,213 and 240,162,790 shares, respectively, net of treasury shares	233	242
Additional paid-in capital	2,181	2,215
Accumulated other comprehensive loss	(377)	(402)
Retained income	<u>10,987</u>	<u>11,586</u>
Total stockholders' equity	<u>13,024</u>	<u>13,641</u>
Total liabilities and stockholders' equity	<u><u>\$ 39,306</u></u>	<u><u>\$ 38,493</u></u>

Consolidated Statements of Cash Flows

(\$ in millions)

	First Nine Months	
	2022	2021
Cash flows from operating activities		
Net income	\$ 2,480	\$ 2,245
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	912	883
Deferred income taxes	23	158
Gains and losses on properties	(54)	(80)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(174)	(102)
Materials and supplies	(58)	(14)
Other current assets	57	57
Current liabilities other than debt	273	294
Other – net	(35)	(128)
Net cash provided by operating activities	<u>3,424</u>	<u>3,313</u>
Cash flows from investing activities		
Property additions	(1,282)	(1,025)
Property sales and other transactions	193	135
Investment purchases	(8)	(5)
Investment sales and other transactions	37	48
Net cash used in investing activities	<u>(1,060)</u>	<u>(847)</u>
Cash flows from financing activities		
Dividends	(881)	(764)
Common stock transactions	(5)	8
Purchase and retirement of common stock	(2,284)	(2,460)
Proceeds from borrowings	1,732	1,676
Debt repayments	(551)	(576)
Net cash used in financing activities	<u>(1,989)</u>	<u>(2,116)</u>
Net increase in cash and cash equivalents	375	350
Cash and cash equivalents		
At beginning of year	839	1,115
At end of period	<u>\$ 1,214</u>	<u>\$ 1,465</u>
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 425	\$ 391
Income taxes (net of refunds)	578	468

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%
Third Quarter									
Agriculture, forest and consumer products	\$ 642	\$ 564	14%	178.0	181.3	(2%)	\$ 3,606	\$ 3,113	16%
Chemicals	570	504	13%	137.9	138.3	—	4,135	3,647	13%
Metals and construction	442	424	4%	168.3	179.2	(6%)	2,625	2,360	11%
Automotive	276	218	27%	85.4	81.5	5%	3,231	2,679	21%
Merchandise	1,930	1,710	13%	569.6	580.3	(2%)	3,388	2,946	15%
Intermodal	942	812	16%	972.7	1,021.0	(5%)	968	796	22%
Coal	471	330	43%	183.0	160.5	14%	2,575	2,057	25%
Total	\$ 3,343	\$ 2,852	17%	1,725.3	1,761.8	(2%)	1,938	1,619	20%
Year-to-date									
Agriculture, forest and consumer products	\$ 1,839	\$ 1,681	9%	539.2	547.3	(1%)	\$ 3,411	\$ 3,072	11%
Chemicals	1,620	1,457	11%	407.3	399.0	2%	3,978	3,651	9%
Metals and construction	1,237	1,196	3%	480.2	510.5	(6%)	2,575	2,342	10%
Automotive	759	664	14%	252.3	257.5	(2%)	3,008	2,579	17%
Merchandise	5,455	4,998	9%	1,679.0	1,714.3	(2%)	3,249	2,915	11%
Intermodal	2,768	2,332	19%	2,945.7	3,100.0	(5%)	940	752	25%
Coal	1,285	960	34%	514.7	500.2	3%	2,498	1,919	30%
Total	\$ 9,508	\$ 8,290	15%	5,139.4	5,314.5	(3%)	1,850	1,560	19%

Railway Operating Revenues Variance Analysis

(\$ in millions)

Third Quarter 2022 vs. 2021

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenue Variance due to:						
Volume	\$ (32)	(2%)	\$ (38)	(5%)	\$ 46	14%
Fuel surcharge revenue	168	10%	124	15%	35	11%
Rate, mix and other	84	5%	44	5%	60	18%
Total	<u>\$ 220</u>	13%	<u>\$ 130</u>	16%	<u>\$ 141</u>	43%

Year-to-date 2022 vs. 2021

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenue Variance due to:						
Volume	\$ (103)	(2%)	\$ (116)	(5%)	\$ 28	3%
Fuel surcharge revenue	356	7%	333	14%	58	6%
Rate, mix and other	204	4%	219	9%	239	25%
Total	<u>\$ 457</u>	9%	<u>\$ 436</u>	19%	<u>\$ 325</u>	34%

Intermodal Units by Market

(in thousands)

	Third Quarter			Year-to-date		
	2022	2021	% Change	2022	2021	% Change
Domestic	630.6	656.6	(4%)	1,954.4	1,957.5	—
International	342.1	364.4	(6%)	991.3	1,142.5	(13%)
Total	<u>972.7</u>	<u>1,021.0</u>	(5%)	<u>2,945.7</u>	<u>3,100.0</u>	(5%)

Coal Tonnage by Market

(in thousands)

	Third Quarter			Year-to-date		
	2022	2021	% Change	2022	2021	% Change
Utility	9,908	8,234	20%	27,136	25,343	7%
Export	6,391	5,650	13%	19,319	18,923	2%
Domestic metallurgical	3,232	3,074	5%	8,444	8,886	(5%)
Industrial	963	940	2%	2,849	2,710	5%
Total	<u>20,494</u>	<u>17,898</u>	15%	<u>57,748</u>	<u>55,862</u>	3%

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	\$ 3,343		\$ 9,508	\$ 276	\$ 451	\$ 491		\$ 1,218
Railway operating expenses:															
Compensation and benefits	611	624	609	598	2,442	619	614	735		1,968	8	(10)	126		124
Purchased services	318	352	355	384	1,409	349	387	397		1,133	31	35	42		108
Equipment rents	75	77	77	88	317	88	94	87		269	13	17	10		40
Fuel	177	188	208	226	799	301	408	383		1,092	124	220	175		519
Depreciation	292	294	297	298	1,181	302	304	306		912	10	10	9		29
Materials	61	61	71	57	250	62	70	83		215	1	9	12		22
Claims	38	43	56	28	165	49	64	58		171	11	21	2		34
Other	52	(7)	43	44	132	60	38	22		120	8	45	(21)		32
Total railway operating expenses	1,624	1,632	1,716	1,723	6,695	1,830	1,979	2,071		5,880	206	347	355		908
Income from railway operations	1,015	1,167	1,136	1,129	4,447	1,085	1,271	1,272		3,628	70	104	136		310
Other income (expense) – net	7	35	14	21	77	(5)	(14)	(2)		(21)	(12)	(49)	(16)		(77)
Interest expense on debt	156	161	164	165	646	168	170	177		515	12	9	13		34
Income before income taxes	866	1,041	986	985	3,878	912	1,087	1,093		3,092	46	46	107		199
Total income taxes	193	222	233	225	873	209	268	135		612	16	46	(98)		(36)
Net income	\$ 673	\$ 819	\$ 753	\$ 760	\$ 3,005	\$ 703	\$ 819	\$ 958		\$ 2,480	\$ 30	\$ —	\$ 205		\$ 235
Weighted average shares outstanding – diluted (in millions)	252.6	250.0	246.4	243.5	248.1	240.2	237.5	234.0		237.2	(12.4)	(12.5)	(12.4)		(12.5)
Earnings per share – diluted (dollars)	\$ 2.66	\$ 3.28	\$ 3.06	\$ 3.12	\$ 12.11	\$ 2.93	\$ 3.45	\$ 4.10		\$ 10.45	\$ 0.27	\$ 0.17	\$ 1.04		\$ 1.46
Dividends per share (dollars)	\$ 0.99	\$ 0.99	\$ 1.09	\$ 1.09	\$ 4.16	\$ 1.24	\$ 1.24	\$ 1.24		\$ 3.72	\$ 0.25	\$ 0.25	\$ 0.15		\$ 0.65
Railway operating ratio (percent)	61.5	58.3	60.2	60.4	60.1	62.8	60.9	62.0		61.8	1.3	2.6	1.8		1.8
Property additions	\$ 265	\$ 362	\$ 398	\$ 445	\$ 1,470	\$ 389	\$ 448	\$ 445		\$ 1,282	\$ 124	\$ 86	\$ 47		\$ 257
Cash and cash equivalents	\$ 998	\$ 1,670	\$ 1,465	\$ 839	\$ 839	\$ 1,571	\$ 1,259	\$ 1,214		\$ 1,214	\$ 573	\$ (411)	\$ (251)		\$ (251)
Total debt	\$ 12,617	\$ 13,717	\$ 13,832	\$ 13,840	\$ 13,840	\$ 14,844	\$ 15,054	\$ 15,068		\$ 15,068	\$ 2,227	\$ 1,337	\$ 1,236		\$ 1,236
Total debt-to-total capitalization (percent)	46.3	48.9	49.9	50.4	50.4	52.4	53.4	53.6		53.6	6.1	4.5	3.7		3.7
Gross ton miles (GTMs) (in billions)	83.8	86.9	86.0	84.0	340.7	82.8	86.7	85.8		255.3	(1%)	—	—		(1%)
Revenue ton miles (in billions):															
Merchandise	26.3	27.7	27.7	26.6	108.3	26.0	27.7	27.5		81.2	(1%)	—	(1%)		(1%)
Intermodal	10.6	11.2	10.8	11.1	43.7	10.7	11.4	10.7		32.8	1%	2%	(1%)		1%
Coal	6.5	6.8	6.5	6.3	26.1	7.0	6.6	7.1		20.7	8%	(3%)	9%		5%
Total	43.4	45.7	45.0	44.0	178.1	43.7	45.7	45.3		134.7	1%	—	1%		—
Railroad employees (average)	18,755	18,537	18,175	18,012	18,370	18,229	18,654	18,978		18,620	(3%)	1%	4%		1%
GTMs (thousands) per employee	4,467	4,690	4,733	4,663	18,549	4,540	4,649	4,521		13,711	2%	(1%)	(4%)		(1%)
Locomotive diesel fuel consumed (in thousands of gallons)	97,724	95,796	96,179	94,068	383,767	95,309	92,762	93,876		281,947	(2%)	(3%)	(2%)		(3%)
Average price (dollars) per gallon of locomotive diesel fuel	\$ 1.656	\$ 1.838	\$ 2.034	\$ 2.256	\$ 1.943	\$ 2.939	\$ 4.118	\$ 3.822		\$ 3.621	77%	124%	88%		97%
Gallons of fuel consumed per thousand GTMs	1.17	1.11	1.13	1.13	1.14	1.16	1.07	1.10		1.11	(1%)	(4%)	(3%)		(3%)
Train speed (miles per hour)	20.5	20.1	20.7	18.1	19.8	18.2	17.5	19.1		18.3	(11%)	(13%)	(8%)		(10%)
Terminal dwell (hours)	24.4	22.5	22.3	26.2	23.9	26.7	27.2	25.9		26.6	9%	21%	16%		15%



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