



2023

QUARTERLY FINANCIAL DATA

Q4





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)

	Fourth Quarter			Years Ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Railway operating revenues						
Merchandise	\$ 1,849	\$ 1,876	(1%)	\$ 7,353	\$ 7,331	—%
Intermodal	794	913	(13%)	3,090	3,681	(16%)
Coal	430	448	(4%)	1,713	1,733	(1%)
Total railway operating revenues	<u>3,073</u>	<u>3,237</u>	(5%)	<u>12,156</u>	<u>12,745</u>	(5%)
Railway operating expenses						
Compensation and benefits	721	653	10%	2,819	2,621	8%
Purchased services and rents	551	520	6%	2,070	1,922	8%
Fuel	303	367	(17%)	1,170	1,459	(20%)
Depreciation	330	309	7%	1,298	1,221	6%
Materials and other	210	207	1%	832	713	17%
Eastern Ohio incident	150	—		1,116	—	
Total railway operating expenses	<u>2,265</u>	<u>2,056</u>	10%	<u>9,305</u>	<u>7,936</u>	17%
Income from railway operations	808	1,181	(32%)	2,851	4,809	(41%)
Other income – net	38	34	12%	191	13	
Interest expense on debt	<u>195</u>	<u>177</u>	10%	<u>722</u>	<u>692</u>	4%
Income before income taxes	651	1,038	(37%)	2,320	4,130	(44%)
Income tax expense (benefit)						
Current	120	188		542	777	
Deferred	4	60		(49)	83	
Total income taxes	<u>124</u>	<u>248</u>	(50%)	<u>493</u>	<u>860</u>	(43%)
Net income	<u>\$ 527</u>	<u>\$ 790</u>	(33%)	<u>\$ 1,827</u>	<u>\$ 3,270</u>	(44%)
Railway operating ratio (%)	73.7	63.5	16%	76.5	62.3	23%
Earnings per share – diluted	\$ 2.32	\$ 3.42	(32%)	\$ 8.02	\$ 13.88	(42%)

Notes

1. Eastern Ohio Incident

On February 3, 2023, a train operated by Norfolk Southern derailed in East Palestine, Ohio. During 2023, we recognized \$1.1 billion of expense for costs primarily associated with environmental matters and legal proceedings resulting from the incident (\$150 million of which was recognized in the fourth quarter). The total expense recorded in 2023 is net of \$101 million in insurance recoveries recorded during the year (\$76 million of which was recognized in the fourth quarter). Any additional amounts recoverable under our insurance policies or from third parties will be reflected in future periods in which recovery is considered probable. No amounts have been recorded related to potential third-party recoveries, which may reduce amounts payable by our insurers under applicable insurance coverage.

2. Stock Repurchase Program

We repurchased and retired 2.8 million and 12.6 million shares of common stock under our stock repurchase programs in 2023 and 2022, respectively, at a cost of \$627 million and \$3.1 billion, respectively, inclusive of excise taxes in 2023.

Reconciliation of Non-GAAP Financial Measures

Information included within this Fourth Quarter 2023 Quarterly Financial Data includes non-GAAP financial measures, as defined by Securities and Exchange Commission Regulation G. Non-GAAP financial measures should be considered in addition to, not as a substitute for, the financial measures reported in accordance with U.S. generally accepted accounting principles (GAAP).

Consolidated Statements of Income - excluding Eastern Ohio incident¹

(\$ in millions, except per share amounts)

	Fourth Quarter		
	2023 (GAAP)	Eastern Ohio Incident	Adjusted 2023 (Non-GAAP ¹)
Total railway operating expenses	\$ 2,265	\$ (150)	\$ 2,115
Income from railway operations	\$ 808	\$ 150	\$ 958
Income before income taxes	\$ 651	\$ 150	\$ 801
Total income taxes	\$ 124	\$ 37	\$ 161
Net income	\$ 527	\$ 113	\$ 640
Railway operating ratio (%)	73.7	(4.9)	68.8
Earnings per share – diluted	\$ 2.32	\$ 0.51	\$ 2.83

	Years Ended December 31,		
	2023 (GAAP)	Eastern Ohio Incident	Adjusted 2023 (Non-GAAP ¹)
Total railway operating expenses	\$ 9,305	\$ (1,116)	\$ 8,189
Income from railway operations	\$ 2,851	\$ 1,116	\$ 3,967
Income before income taxes	\$ 2,320	\$ 1,116	\$ 3,436
Total income taxes	\$ 493	\$ 270	\$ 763
Net income	\$ 1,827	\$ 846	\$ 2,673
Railway operating ratio (%)	76.5	(9.1)	67.4
Earnings per share – diluted	\$ 8.02	\$ 3.72	\$ 11.74

¹ GAAP financial results are adjusted to exclude the effects of the derailment in Eastern Ohio (the Incident) on February 3, 2023. During the fourth quarter and year ended December 31, 2023, the Company recorded \$150 million and \$1.1 billion of expenses related to the Incident, respectively. The income tax effects of this non-GAAP adjustment were calculated based on the applicable tax rates to which the non-GAAP adjustment related. 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 the effect of this charge.

In the tables on page 3, references to 2023 results and the related comparisons to the 2022 results use the adjusted, non-GAAP results from the reconciliations in the tables above.

Reconciliation of Non-GAAP Financial Measures

	Fourth Quarter		
	Adjusted 2023		Adjusted 2023
	(Non-GAAP¹)	2022	(Non-GAAP¹)
	<i>(\$ in millions, except per share amounts)</i>		vs 2022
			<i>% change</i>
Total railway operating expenses	\$ 2,115	\$ 2,056	3%
Income from railway operations	\$ 958	\$ 1,181	(19%)
Income before income taxes	\$ 801	\$ 1,038	(23%)
Total income taxes	\$ 161	\$ 248	(35%)
Net income	\$ 640	\$ 790	(19%)
Railway operating ratio (%)	68.8	63.5	8%
Earnings per share – diluted	\$ 2.83	\$ 3.42	(17%)

	Years Ended December 31,		
	Adjusted 2023		Adjusted 2023
	(Non-GAAP¹)	2022	(Non-GAAP¹)
	<i>(\$ in millions, except per share amounts)</i>		vs 2022
			<i>% change</i>
Total railway operating expenses	\$ 8,189	\$ 7,936	3%
Income from railway operations	\$ 3,967	\$ 4,809	(18%)
Income before income taxes	\$ 3,436	\$ 4,130	(17%)
Total income taxes	\$ 763	\$ 860	(11%)
Net income	\$ 2,673	\$ 3,270	(18%)
Railway operating ratio (%)	67.4	62.3	8%
Earnings per share – diluted	\$ 11.74	\$ 13.88	(15%)

Consolidated Balance Sheets

(\$ in millions)

	At December 31,	
	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,568	\$ 456
Accounts receivable – net	1,147	1,148
Materials and supplies	264	253
Other current assets	292	150
Total current assets	<u>3,271</u>	<u>2,007</u>
Investments	3,839	3,694
Properties less accumulated depreciation of \$13,265 and \$12,592, respectively	33,326	32,156
Other assets	<u>1,216</u>	<u>1,028</u>
Total assets	<u><u>\$ 41,652</u></u>	<u><u>\$ 38,885</u></u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,638	\$ 1,293
Short-term debt	—	100
Income and other taxes	262	312
Other current liabilities	728	341
Current maturities of long-term debt	4	603
Total current liabilities	<u>2,632</u>	<u>2,649</u>
Long-term debt	17,175	14,479
Other liabilities	1,839	1,759
Deferred income taxes	<u>7,225</u>	<u>7,265</u>
Total liabilities	28,871	26,152
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 225,681,254 and 228,076,415 shares, respectively, net of treasury shares	227	230
Additional paid-in capital	2,179	2,157
Accumulated other comprehensive loss	(320)	(351)
Retained income	<u>10,695</u>	<u>10,697</u>
Total stockholders' equity	<u>12,781</u>	<u>12,733</u>
Total liabilities and stockholders' equity	<u><u>\$ 41,652</u></u>	<u><u>\$ 38,885</u></u>

Consolidated Statements of Cash Flows

(\$ in millions)

	Years Ended December 31,	
	2023	2022
Cash flows from operating activities		
Net income	\$ 1,827	\$ 3,270
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	1,298	1,221
Deferred income taxes	(49)	83
Gains and losses on properties	(49)	(82)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(2)	(171)
Materials and supplies	(11)	(35)
Other current assets	(54)	(18)
Current liabilities other than debt	435	23
Other – net	(216)	(69)
Net cash provided by operating activities	<u>3,179</u>	<u>4,222</u>
Cash flows from investing activities		
Property additions	(2,349)	(1,948)
Property sales and other transactions	86	263
Investment purchases	(124)	(12)
Investment sales and other transactions	205	94
Net cash used in investing activities	<u>(2,182)</u>	<u>(1,603)</u>
Cash flows from financing activities		
Dividends	(1,225)	(1,167)
Common stock transactions	3	(4)
Purchase and retirement of common stock	(622)	(3,110)
Proceeds from borrowings	3,293	1,832
Debt repayments	(1,334)	(553)
Net cash provided by (used in) financing activities	<u>115</u>	<u>(3,002)</u>
Net increase (decrease) in cash and cash equivalents	1,112	(383)
Cash and cash equivalents		
At beginning of year	<u>456</u>	<u>839</u>
At end of year	<u>\$ 1,568</u>	<u>\$ 456</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest (net of amounts capitalized)	\$ 653	\$ 619
Income taxes (net of refunds)	681	750

Railway Operating Revenues Analysis

Commodity and Period	Revenues (\$ in millions)			Units (in thousands)			Revenue per Unit (\$ per unit)		
	2023	2022	% Change	2023	2022	% Change	2023	2022	% Change
First Quarter									
Agriculture, forest and consumer products	\$ 653	\$ 573	14%	187.7	177.6	6%	\$ 3,477	\$ 3,228	8%
Chemicals	541	498	9%	136.1	129.4	5%	3,979	3,850	3%
Metals and construction	400	375	7%	153.4	148.0	4%	2,607	2,535	3%
Automotive	284	226	26%	88.1	81.2	8%	3,226	2,776	16%
Merchandise	1,878	1,672	12%	565.3	536.2	5%	3,323	3,118	7%
Intermodal	814	854	(5%)	916.8	956.5	(4%)	887	893	(1%)
Coal	440	389	13%	173.8	165.6	5%	2,533	2,347	8%
Total	\$ 3,132	\$ 2,915	7%	1,655.9	1,658.3	—%	1,891	1,758	8%
Second Quarter									
Agriculture, forest and consumer products	\$ 627	\$ 624	—%	187.7	183.6	2%	\$ 3,342	\$ 3,398	(2%)
Chemicals	503	552	(9%)	126.7	140.0	(10%)	3,966	3,941	1%
Metals and construction	415	420	(1%)	161.7	163.9	(1%)	2,569	2,560	—%
Automotive	281	257	9%	90.6	85.7	6%	3,102	3,007	3%
Merchandise	1,826	1,853	(1%)	566.7	573.2	(1%)	3,222	3,233	—%
Intermodal	745	972	(23%)	925.4	1,016.5	(9%)	805	955	(16%)
Coal	409	425	(4%)	165.5	166.1	—%	2,470	2,562	(4%)
Total	\$ 2,980	\$ 3,250	(8%)	1,657.6	1,755.8	(6%)	1,798	1,851	(3%)
Third Quarter									
Agriculture, forest and consumer products	\$ 611	\$ 642	(5%)	175.6	178.0	(1%)	\$ 3,479	\$ 3,606	(4%)
Chemicals	498	570	(13%)	124.0	137.9	(10%)	4,013	4,135	(3%)
Metals and construction	417	442	(6%)	164.3	168.3	(2%)	2,535	2,625	(3%)
Automotive	274	276	(1%)	91.2	85.4	7%	3,003	3,231	(7%)
Merchandise	1,800	1,930	(7%)	555.1	569.6	(3%)	3,241	3,388	(4%)
Intermodal	737	942	(22%)	965.4	972.7	(1%)	764	968	(21%)
Coal	434	471	(8%)	166.7	183.0	(9%)	2,602	2,575	1%
Total	\$ 2,971	\$ 3,343	(11%)	1,687.2	1,725.3	(2%)	1,760	1,938	(9%)
Fourth Quarter									
Agriculture, forest and consumer products	\$ 639	\$ 654	(2%)	183.3	183.8	—%	\$ 3,483	\$ 3,556	(2%)
Chemicals	512	528	(3%)	128.2	132.8	(3%)	3,999	3,977	1%
Metals and construction	402	415	(3%)	154.7	154.4	—%	2,601	2,693	(3%)
Automotive	296	279	6%	91.6	86.8	6%	3,231	3,206	1%
Merchandise	1,849	1,876	(1%)	557.8	557.8	—%	3,316	3,363	(1%)
Intermodal	794	913	(13%)	1,014.8	967.4	5%	782	944	(17%)
Coal	430	448	(4%)	171.1	169.9	1%	2,515	2,636	(5%)
Total	\$ 3,073	\$ 3,237	(5%)	1,743.7	1,695.1	3%	1,763	1,910	(8%)
Year									
Agriculture, forest and consumer products	\$ 2,530	\$ 2,493	1%	734.3	723.0	2%	\$ 3,445	\$ 3,448	—%
Chemicals	2,054	2,148	(4%)	515.0	540.1	(5%)	3,989	3,978	—%
Metals and construction	1,634	1,652	(1%)	634.1	634.6	—%	2,577	2,604	(1%)
Automotive	1,135	1,038	9%	361.5	339.1	7%	3,140	3,059	3%
Merchandise	7,353	7,331	—%	2,244.9	2,236.8	—%	3,275	3,277	—%
Intermodal	3,090	3,681	(16%)	3,822.4	3,913.1	(2%)	808	941	(14%)
Coal	1,713	1,733	(1%)	677.1	684.6	(1%)	2,530	2,532	—%
Total	\$ 12,156	\$ 12,745	(5%)	6,744.4	6,834.5	(1%)	1,802	1,865	(3%)

Railway Operating Revenues Variance Analysis

(\$ in millions)

Fourth Quarter 2023 vs. 2022

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenue Variance due to:						
Volume	\$ —	—%	\$ 45	5%	\$ 3	1%
Fuel surcharge revenue	(37)	(2%)	(47)	(5%)	(9)	(2%)
Rate, mix and other	10	1%	(117)	(13%)	(12)	(3%)
Total	<u>\$ (27)</u>	(1%)	<u>\$ (119)</u>	(13%)	<u>\$ (18)</u>	(4%)

Year 2023 vs. 2022

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenue Variance due to:						
Volume	\$ 26	—%	\$ (85)	(2%)	\$ (19)	(1%)
Fuel surcharge revenue	(119)	(2%)	(208)	(6%)	(23)	(1%)
Rate, mix and other	115	2%	(298)	(8%)	22	1%
Total	<u>\$ 22</u>	—%	<u>\$ (591)</u>	(16%)	<u>\$ (20)</u>	(1%)

Intermodal Units by Market

(in thousands)

	Fourth Quarter			Year		
	2023	2022	% Change	2023	2022	% Change
Domestic	623.8	619.2	1%	2,371.6	2,573.6	(8%)
International	391.0	348.2	12%	1,450.8	1,339.5	8%
Total	<u>1,014.8</u>	<u>967.4</u>	5%	<u>3,822.4</u>	<u>3,913.1</u>	(2%)

Coal Tonnage by Market

(in thousands)

	Fourth Quarter			Year		
	2023	2022	% Change	2023	2022	% Change
Utility	8,015	8,569	(6%)	30,419	35,705	(15%)
Export	7,539	6,568	15%	31,005	25,887	20%
Domestic metallurgical	2,800	2,863	(2%)	11,096	11,307	(2%)
Industrial	888	916	(3%)	3,372	3,765	(10%)
Total	<u>19,242</u>	<u>18,916</u>	2%	<u>75,892</u>	<u>76,664</u>	(1%)

Financial, Traffic and Operating Statistics

(\$ in millions - except as noted)

	2022					2023					Increase (Decrease) 2023 vs. 2022				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)
Railway operating revenues	\$ 2,915	\$ 3,250	\$ 3,343	\$ 3,237	\$ 12,745	\$ 3,132	\$ 2,980	\$ 2,971	\$ 3,073	\$ 12,156	\$ 217	\$ (270)	\$ (372)	\$ (164)	\$ (589)
Railway operating expenses:															
Compensation and benefits	619	614	735	653	2,621	690	693	715	721	2,819	71	79	(20)	68	198
Purchased services	349	387	397	432	1,565	399	407	426	451	1,683	50	20	29	19	118
Equipment rents	88	94	87	88	357	97	99	91	100	387	9	5	4	12	30
Fuel	301	408	383	367	1,459	315	263	289	303	1,170	14	(145)	(94)	(64)	(289)
Depreciation	302	304	306	309	1,221	321	321	326	330	1,298	19	17	20	21	77
Materials	62	70	83	68	283	91	88	94	91	364	29	18	11	23	81
Claims	49	64	58	99	270	54	60	57	71	242	5	(4)	(1)	(28)	(28)
Other	60	38	22	40	160	67	57	54	48	226	7	19	32	8	66
Total railway operating expenses	1,830	1,979	2,071	2,056	7,936	2,034	1,988	2,052	2,115	8,189	204	9	(19)	59	253
Income from railway operations	1,085	1,271	1,272	1,181	4,809	1,098	992	919	958	3,967	13	(279)	(353)	(223)	(842)
Other income (expense) – net	(5)	(14)	(2)	34	13	56	57	40	38	191	61	71	42	4	178
Interest expense on debt	168	170	177	177	692	175	170	182	195	722	7	—	5	18	30
Income before income taxes	912	1,087	1,093	1,038	4,130	979	879	777	801	3,436	67	(208)	(316)	(237)	(694)
Total income taxes	209	268	135	248	860	220	206	176	161	763	11	(62)	41	(87)	(97)
Net income	\$ 703	\$ 819	\$ 958	\$ 790	\$ 3,270	\$ 759	\$ 673	\$ 601	\$ 640	\$ 2,673	\$ 56	\$ (146)	\$ (357)	\$ (150)	\$ (597)
Weighted average shares outstanding – diluted (in millions)	240.2	237.5	234.0	230.7	235.6	228.3	228.0	227.0	226.3	227.4	(11.9)	(9.5)	(7.0)	(4.4)	(8.2)
Earnings per share – diluted (dollars)	\$ 2.93	\$ 3.45	\$ 4.10	\$ 3.42	\$ 13.88	\$ 3.32	\$ 2.95	\$ 2.65	\$ 2.83	\$ 11.74	\$ 0.39	\$ (0.50)	\$ (1.45)	\$ (0.59)	\$ (2.14)
Dividends per share (dollars)	\$ 1.24	\$ 1.24	\$ 1.24	\$ 1.24	\$ 4.96	\$ 1.35	\$ 1.35	\$ 1.35	\$ 1.35	\$ 5.40	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.44
Railway operating ratio (percent)	62.8	60.9	62.0	63.5	62.3	64.9	66.7	69.1	68.8	67.4	2.1	5.8	7.1	5.3	5.1
Property additions	\$ 389	\$ 448	\$ 445	\$ 666	\$ 1,948	\$ 428	\$ 520	\$ 548	\$ 853	\$ 2,349	\$ 39	\$ 72	\$ 103	\$ 187	\$ 401
Cash and cash equivalents	\$ 1,571	\$ 1,259	\$ 1,214	\$ 456	\$ 456	\$ 552	\$ 556	\$ 1,506	\$ 1,568	\$ 1,568	\$ (1,019)	\$ (703)	\$ 292	\$ 1,112	\$ 1,112
Total debt	\$ 14,844	\$ 15,054	\$ 15,068	\$ 15,182	\$ 15,182	\$ 14,988	\$ 15,129	\$ 16,584	\$ 17,179	\$ 17,179	\$ 144	\$ 75	\$ 1,516	\$ 1,997	\$ 1,997
Total debt-to-total capitalization (percent)	52.4	53.4	53.6	54.4	54.4	54.1	54.5	56.8	57.3	57.3	1.7	1.1	3.2	4.0	2.9
Gross ton miles (GTMs) (in billions)	82.8	86.7	85.8	84.0	339.3	83.5	84.2	82.5	85.9	336.1	(1%)	(3%)	(4%)	2%	(1%)
Revenue ton miles (in billions):															
Merchandise	26.0	27.7	27.5	26.8	108.0	27.0	27.6	26.0	26.5	107.1	4%	-%	(5%)	(1%)	(1%)
Intermodal	10.7	11.4	10.7	10.5	43.3	10.1	10.2	10.3	10.8	41.4	(6%)	(11%)	(4%)	3%	(4%)
Coal	7.0	6.6	7.1	6.6	27.3	6.8	6.5	6.8	7.4	27.5	(3%)	(2%)	(4%)	12%	1%
Total	43.7	45.7	45.3	43.9	178.6	43.9	44.3	43.1	44.7	176.0	-%	(3%)	(5%)	2%	(1%)
Railroad employees (average)	18,229	18,654	18,978	19,245	18,777	19,643	20,054	20,449	20,616	20,190	8%	8%	8%	7%	8%
GTMs (thousands) per employee	4,540	4,649	4,521	4,367	18,071	4,252	4,198	4,035	4,164	16,645	(6%)	(10%)	(11%)	(5%)	(8%)
Locomotive diesel fuel consumed (in thousands of gallons)	95,309	92,762	93,876	93,861	375,808	95,124	93,944	92,475	95,285	376,828	-%	1%	(1%)	2%	-%
Average price (dollars) per gallon of locomotive diesel fuel	\$ 2.939	\$ 4.118	\$ 3.822	\$ 3.665	\$ 3.632	\$ 3.088	\$ 2.615	\$ 2.940	\$ 2.958	\$ 2.901	5%	(36%)	(23%)	(19%)	(20%)
Gallons of fuel consumed per thousand GTMs	1.16	1.07	1.10	1.12	1.11	1.15	1.12	1.13	1.12	1.13	(1%)	5%	3%	-%	2%
Train speed (miles per hour)	18.2	17.5	19.1	20.7	18.9	20.4	18.7	20.5	20.5	20.0	12%	7%	7%	(1%)	6%
Terminal dwell (hours)	26.7	27.2	25.9	25.2	26.3	26.3	28.1	23.2	24.6	25.6	(1%)	3%	(10%)	(2%)	(3%)



2023 Quarterly Financial Data | Q4

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