



Q4

2019

QUARTERLY FINANCIAL DATA





NORFOLK SOUTHERN RAILWAY SYSTEM

INVESTOR INQUIRIES: PETE SHARBEL, 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,		
	2019	2018	% Change	2019	2018	% Change
Railway operating revenues						
Merchandise	\$ 1,630	\$ 1,684	(3%)	\$ 6,803	\$ 6,744	1%
Intermodal	697	755	(8%)	2,824	2,893	(2%)
Coal	363	457	(21%)	1,669	1,821	(8%)
Total railway operating revenues	2,690	2,896	(7%)	11,296	11,458	(1%)
Railway operating expenses						
Compensation and benefits	630	757	(17%)	2,751	2,925	(6%)
Purchased services and rents	460	449	2%	1,725	1,730	-
Fuel	223	275	(19%)	953	1,087	(12%)
Depreciation	285	281	1%	1,138	1,102	3%
Materials and other	130	56	132%	740	655	13%
Total railway operating expenses	1,728	1,818	(5%)	7,307	7,499	(3%)
Income from railway operations	962	1,078	(11%)	3,989	3,959	1%
Other income — net	18	-		106	67	58%
Interest expense on debt	152	148	3%	604	557	8%
Income before income taxes	828	930	(11%)	3,491	3,469	1%
Income taxes						
Current	57	193	(70%)	439	630	(30%)
Deferred	105	35	200%	330	173	91%
Total income taxes	162	228	(29%)	769	803	(4%)
Net income	\$ 666	\$ 702	(5%)	\$ 2,722	\$ 2,666	2%
Earnings per share — diluted	\$ 2.55	\$ 2.57	(1%)	\$ 10.25	\$ 9.51	8%
Weighted average shares outstanding — diluted	261.6	273.5	(4%)	265.6	280.2	(5%)

Notes

1. Stock Repurchase Programs

Under our stock repurchase programs, we repurchased and retired 11.3 million and 17.1 million (7.0 million under an accelerated share repurchase program and 10.1 million shares under our ongoing open-market program) shares of common stock in 2019 and 2018, respectively, at a cost of \$2.1 billion and \$2.8 billion, respectively. Since the beginning of 2006, we have repurchased and retired 196.9 million shares at a total cost of \$16.2 billion.

Consolidated Balance Sheets

(\$ in millions)

	At December 31,	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 580	\$ 358
Accounts receivable — net	920	1,009
Materials and supplies	244	207
Other current assets	337	288
Total current assets	2,081	1,862
Investments	3,428	3,109
Properties less accumulated depreciation of \$11,982 and \$12,374, respectively	31,614	31,091
Other assets	800	177
Total assets	\$ 37,923	\$ 36,239
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,428	\$ 1,505
Income and other taxes	229	255
Other current liabilities	327	246
Current maturities of long-term debt	316	585
Total current liabilities	2,300	2,591
Long-term debt	11,880	10,560
Other liabilities	1,744	1,266
Deferred income taxes	6,815	6,460
Total liabilities	22,739	20,877
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 257,904,956 and 268,098,472 shares, respectively, net of treasury shares	259	269
Additional paid-in capital	2,209	2,216
Accumulated other comprehensive loss	(491)	(563)
Retained income	13,207	13,440
Total stockholders' equity	15,184	15,362
Total liabilities and stockholders' equity	\$ 37,923	\$ 36,239

2. Leases

On January 1, 2019, we adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, "Leases (Topic 842)," which requires lessees to recognize right-of-use (ROU) assets and lease liabilities on the balance sheet for leases greater than twelve months. As a result of the adoption, the Consolidated Balance Sheets at December 31, 2019 includes the recognition of ROU assets of \$539 million included in "Other assets," current lease liabilities of \$97 million included in "Other current liabilities," and non-current lease liabilities of \$441 million included in "Other liabilities."

Consolidated Statements of Cash Flows

(S in millions)

	Years Ended December 31,	
	2019	2018
Cash flows from operating activities		
Net income	\$ 2,722	\$ 2,666
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	1,139	1,104
Deferred income taxes	330	173
Gains and losses on properties	(42)	(171)
Changes in assets and liabilities affecting operations:		
Accounts receivable	87	(70)
Materials and supplies	(37)	15
Other current assets	(4)	(46)
Current liabilities other than debt	(185)	223
Other — net	(118)	(168)
Net cash provided by operating activities	3,892	3,726
Cash flows from investing activities		
Property additions	(2,019)	(1,951)
Property sales and other transactions	377	204
Investment purchases	(18)	(10)
Investment sales and other transactions	(104)	99
Net cash used in investing activities	(1,764)	(1,658)
Cash flows from financing activities		
Dividends	(949)	(844)
Common stock transactions	27	40
Purchase and retirement of common stock	(2,099)	(2,781)
Proceeds from borrowings — net of issuance costs	2,192	2,023
Debt repayments	(1,188)	(750)
Other	23	-
Net cash used in financing activities	(1,994)	(2,312)
Net increase (decrease) in cash, cash equivalents, and restricted cash	134	(244)
Cash, cash equivalents, and restricted cash		
At beginning of year	446	690
At end of year	\$ 580	\$ 446
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest (net of amounts capitalized)	\$ 555	\$ 496
Income taxes (net of refunds)	543	519

3. Restricted Cash

The "Cash, cash equivalents, and restricted cash" line item includes restricted cash of \$88 million at both January 1, 2019 and December 31, 2018, which reflects deposits held by a third-party bond agent as collateral for certain debt obligations, which matured on October 1, 2019. The restricted cash balance is included as part of "Other current assets" on the Consolidated Balance Sheets at December 31, 2018.

Railway Operating Revenues Analysis

Commodity and Period	Revenues (S in millions)			Units (in thousands)			Revenue per Unit (S per unit)		
	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change
First Quarter									
Chemicals	\$ 452	\$ 454	-	125.9	126.6	(1%)	\$ 3,587	\$ 3,585	-
Agriculture products	385	357	8%	130.9	129.9	1%	2,945	2,744	7%
Metals and construction	385	356	8%	173.9	175.9	(1%)	2,217	2,023	10%
Automotive	251	243	3%	98.1	102.8	(5%)	2,557	2,362	8%
Forest and consumer	213	195	9%	69.4	70.9	(2%)	3,070	2,755	11%
Merchandise	1,686	1,605	5%	598.2	606.1	(1%)	2,819	2,647	6%
Intermodal	719	678	6%	1,071.0	1,049.2	2%	671	647	4%
Coal	435	434	-	236.3	249.1	(5%)	1,839	1,743	6%
Total	\$ 2,840	\$ 2,717	5%	1,905.5	1,904.4	-	1,490	1,427	4%
Second Quarter									
Chemicals	\$ 473	\$ 465	2%	129.8	133.0	(2%)	\$ 3,646	\$ 3,495	4%
Agriculture products	406	379	7%	141.3	137.4	3%	2,870	2,759	4%
Metals and construction	416	413	1%	196.7	206.8	(5%)	2,112	1,997	6%
Automotive	251	253	(1%)	101.8	104.7	(3%)	2,471	2,421	2%
Forest and consumer	210	208	1%	68.6	73.6	(7%)	3,057	2,825	8%
Merchandise	1,756	1,718	2%	638.2	655.5	(3%)	2,751	2,621	5%
Intermodal	701	714	(2%)	1,048.5	1,091.8	(4%)	668	654	2%
Coal	468	466	-	258.3	273.6	(6%)	1,815	1,704	7%
Total	\$ 2,925	\$ 2,898	1%	1,945.0	2,020.9	(4%)	1,504	1,434	5%
Third Quarter									
Chemicals	\$ 481	\$ 481	-	130.1	134.7	(3%)	\$ 3,699	\$ 3,573	4%
Agriculture products	394	388	2%	132.1	136.8	(3%)	2,986	2,837	5%
Metals and construction	391	401	(2%)	191.0	199.9	(4%)	2,045	2,006	2%
Automotive	247	245	1%	99.5	98.4	1%	2,480	2,486	-
Forest and consumer	218	222	(2%)	69.2	76.0	(9%)	3,145	2,929	7%
Merchandise	1,731	1,737	-	621.9	645.8	(4%)	2,783	2,690	3%
Intermodal	707	746	(5%)	1,059.9	1,116.2	(5%)	668	669	-
Coal	403	464	(13%)	218.7	255.8	(15%)	1,842	1,812	2%
Total	\$ 2,841	\$ 2,947	(4%)	1,900.5	2,017.8	(6%)	1,495	1,461	2%
Fourth Quarter									
Chemicals	\$ 468	\$ 458	2%	129.1	129.0	-	\$ 3,626	\$ 3,551	2%
Agriculture products	382	390	(2%)	124.2	134.8	(8%)	3,068	2,895	6%
Metals and construction	330	369	(11%)	159.7	177.1	(10%)	2,068	2,084	(1%)
Automotive	245	250	(2%)	95.3	98.0	(3%)	2,563	2,550	1%
Forest and consumer	205	217	(6%)	65.8	72.8	(10%)	3,131	2,968	5%
Merchandise	1,630	1,684	(3%)	574.1	611.7	(6%)	2,839	2,752	3%
Intermodal	697	755	(8%)	1,027.8	1,118.5	(8%)	678	675	-
Coal	363	457	(21%)	200.7	255.0	(21%)	1,811	1,792	1%
Total	\$ 2,690	\$ 2,896	(7%)	1,802.6	1,985.2	(9%)	1,492	1,458	2%
Year									
Chemicals	\$ 1,874	\$ 1,858	1%	514.9	523.3	(2%)	\$ 3,640	\$ 3,551	3%
Agriculture products	1,567	1,514	4%	528.5	538.9	(2%)	2,964	2,809	6%
Metals and construction	1,522	1,539	(1%)	721.3	759.7	(5%)	2,110	2,026	4%
Automotive	994	991	-	394.7	403.9	(2%)	2,517	2,453	3%
Forest and consumer	846	842	-	273.0	293.3	(7%)	3,101	2,870	8%
Merchandise	6,803	6,744	1%	2,432.4	2,519.1	(3%)	2,797	2,677	4%
Intermodal	2,824	2,893	(2%)	4,207.2	4,375.7	(4%)	671	661	2%
Coal	1,669	1,821	(8%)	914.0	1,033.5	(12%)	1,826	1,762	4%
Total	\$ 11,296	\$ 11,458	(1%)	7,553.6	7,928.3	(5%)	1,495	1,445	3%

At the beginning of 2019, we reclassified certain commodities within Merchandise major commodity groups to better align with how we internally manage these commodities. Prior period amounts have been reclassified to conform to the current presentation with no net impact to overall Merchandise revenue or total railway operating revenues. Specifically, certain commodities were shifted between Chemicals, Agriculture products, Metals and construction, and Forest and consumer.

Railway Operating Revenues Variance Analysis

(\$ in millions)

Fourth Quarter
2019 vs. 2018

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenue Variance due to:						
Volume	\$ (104)	(6%)	\$ (61)	(8%)	\$ (97)	(21%)
Fuel surcharge revenue	(18)	(1%)	(22)	(3%)	(12)	(3%)
Rate, mix and other	68	4%	25	3%	15	3%
Total	\$ (54)	(3%)	\$ (58)	(8%)	\$ (94)	(21%)

Year
2019 vs. 2018

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenue Variance due to:						
Volume	\$ (232)	(3%)	\$ (111)	(4%)	\$ (210)	(12%)
Fuel surcharge revenue	(14)	-	(30)	(1%)	(35)	(2%)
Rate, mix and other	305	5%	72	2%	93	5%
Total	\$ 59	1%	\$ (69)	(2%)	\$ (152)	(8%)

Intermodal Units by Market

(in thousands)

	Fourth Quarter			Year		
	2019	2018	% Change	2019	2018	% Change
Domestic	658.2	718.9	(8%)	2,593.5	2,801.1	(7%)
International	369.6	399.6	(8%)	1,613.7	1,574.6	2%
Total	1,027.8	1,118.5	(8%)	4,207.2	4,375.7	(4%)

Coal Tonnage by Market

(in thousands)

	Fourth Quarter			Year		
	2019	2018	% Change	2019	2018	% Change
Utility	13,270	16,915	(22%)	60,278	65,688	(8%)
Export	4,907	6,271	(22%)	23,324	28,046	(17%)
Domestic metallurgical	3,131	3,876	(19%)	13,562	15,500	(13%)
Industrial	1,127	1,341	(16%)	4,655	5,410	(14%)
Total	22,435	28,403	(21%)	101,819	114,644	(11%)

Financial, Traffic and Operating Statistics

	2018				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
(S in millions — except as noted)					
Railway operating revenues	\$ 2,717	\$ 2,898	\$ 2,947	\$ 2,896	\$ 11,458
Railway operating expenses:					
Compensation and benefits	737	706	725	757	2,925
Purchased services	318	342	347	360	1,367
Equipment rents	83	88	103	89	363
Fuel	266	272	274	275	1,087
Depreciation	272	273	276	281	1,102
Materials	90	92	95	85	362
Casualties and other claims	47	38	46	45	176
Other	69	61	61	(74)	117
Total railway operating expenses	1,882	1,872	1,927	1,818	7,499
Income from railway operations	835	1,026	1,020	1,078	3,959
Other income — net	8	29	30	-	67
Interest expense on debt	136	131	142	148	557
Income before income taxes	707	924	908	930	3,469
Total income taxes	155	214	206	228	803
Net income	\$ 552	\$ 710	\$ 702	\$ 702	\$ 2,666
Weighted average shares outstanding — diluted (in millions)	285.9	283.7	278.2	273.5	280.2
Earnings per share — diluted (dollars)	\$ 1.93	\$ 2.50	\$ 2.52	\$ 2.57	\$ 9.51
Dividends per share (dollars)	\$ 0.72	\$ 0.72	\$ 0.80	\$ 0.80	\$ 3.04
Railway operating ratio (percent)	69.3	64.6	65.4	62.8	65.4
Property additions	\$ 383	\$ 453	\$ 490	\$ 625	\$ 1,951
Cash and cash equivalents	\$ 1,072	\$ 430	\$ 729	\$ 358	\$ 358
Total debt	\$ 10,287	\$ 9,646	\$ 11,135	\$ 11,145	\$ 11,145
Total debt-to-total capitalization (percent)	38.5	36.8	41.8	42.0	42.0
Gross ton miles (GTMs) (in billions)	95.2	100.8	101.3	97.6	394.9
Revenue ton miles (in billions):					
Merchandise	29.5	31.5	31.5	29.7	122.2
Intermodal	11.1	11.7	11.8	11.8	46.4
Coal	9.4	10.0	10.0	9.4	38.8
Total	50.0	53.2	53.3	50.9	207.4
Railroad employees (average)	26,430	26,535	26,444	26,638	26,512
GTMs (thousands) per employee	3,600	3,800	3,833	3,661	14,894
Locomotive diesel fuel consumed (in thousands of gallons)	121,450	116,754	115,320	118,244	471,768
Average price (dollars) per gallon of locomotive diesel fuel	\$ 2.046	\$ 2.215	\$ 2.263	\$ 2.201	\$ 2.180
Gallons of fuel consumed per thousand GTMs	1.28	1.17	1.14	1.22	1.20
Train speed (miles per hour)	19.0	18.4	19.5	19.3	19.1
Terminal dwell (hours)	29.0	28.7	26.8	25.9	27.6

2019					2019 vs. 2018				
First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
\$ 2,840	\$ 2,925	\$ 2,841	\$ 2,690	\$ 11,296	\$ 123	\$ 27	\$ (106)	\$ (206)	\$ (162)
727	712	682	630	2,751	(10)	6	(43)	(127)	(174)
346	347	355	386	1,434	28	5	8	26	67
78	71	68	74	291	(5)	(17)	(35)	(15)	(72)
250	254	226	223	953	(16)	(18)	(48)	(52)	(134)
283	284	286	285	1,138	11	11	10	4	36
87	82	85	73	327	(3)	(10)	(10)	(12)	(35)
49	50	48	46	193	2	12	2	1	17
54	60	95	11	220	(15)	(1)	34	85	103
1,874	1,860	1,845	1,728	7,307	(8)	(12)	(82)	(90)	(192)
966	1,065	996	962	3,989	131	39	(24)	(116)	30
44	22	22	18	106	36	(7)	(8)	18	39
149	153	150	152	604	13	22	8	4	47
861	934	868	828	3,491	154	10	(40)	(102)	22
184	212	211	162	769	29	(2)	5	(66)	(34)
\$ 677	\$ 722	\$ 657	\$ 666	\$ 2,722	\$ 125	\$ 12	\$ (45)	\$ (36)	\$ 56
269.4	267.1	264.3	261.6	265.6	(16.5)	(16.6)	(13.9)	(11.9)	(14.6)
\$ 2.51	\$ 2.70	\$ 2.49	\$ 2.55	\$ 10.25	\$ 0.58	\$ 0.20	\$ (0.03)	\$ (0.02)	\$ 0.74
\$ 0.86	\$ 0.86	\$ 0.94	\$ 0.94	\$ 3.60	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.56
66.0	63.6	64.9	64.2	64.7	(3.3)	(1.0)	(0.5)	1.4	(0.7)
\$ 467	\$ 512	\$ 515	\$ 525	\$ 2,019	\$ 84	\$ 59	\$ 25	\$ (100)	\$ 68
\$ 411	\$ 274	\$ 452	\$ 580	\$ 580	\$ (661)	\$ (156)	\$ (277)	\$ 222	\$ 222
\$ 11,404	\$ 11,477	\$ 11,836	\$ 12,196	\$ 12,196	\$ 1,117	\$ 1,831	\$ 701	\$ 1,051	\$ 1,051
42.7	42.8	43.7	44.5	44.5	4.2	6.0	1.9	2.5	2.5
94.5	97.4	92.4	88.4	372.7	(1%)	(3%)	(9%)	(9%)	(6%)
29.1	30.6	29.0	27.1	115.8	(1%)	(3%)	(8%)	(9%)	(5%)
11.2	11.0	10.9	10.6	43.7	1%	(6%)	(8%)	(10%)	(6%)
9.0	9.6	8.2	7.7	34.5	(4%)	(4%)	(18%)	(18%)	(11%)
49.3	51.2	48.1	45.4	194.0	(1%)	(4%)	(10%)	(11%)	(6%)
26,257	25,033	24,002	22,478	24,442	(1%)	(6%)	(9%)	(16%)	(8%)
3,599	3,893	3,849	3,931	15,248	-	2%	-	7%	2%
119,810	115,731	109,565	105,494	450,600	(1%)	(1%)	(5%)	(11%)	(4%)
\$ 1.960	\$ 2.079	\$ 1.958	\$ 1.992	\$ 1.998	(4%)	(6%)	(13%)	(9%)	(8%)
1.28	1.20	1.19	1.20	1.22	-	3%	4%	(2%)	2%
21.7	21.9	22.6	23.0	22.3	14%	19%	16%	19%	17%
22.2	18.2	18.1	18.3	19.2	(23%)	(37%)	(32%)	(29%)	(30%)



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