



2021
QUARTERLY FINANCIAL DATA

Q4





NORFOLK SOUTHERN RAILWAY SYSTEM

INVESTOR INQUIRIES: MEGHAN ACHIMASI, 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		
	2021	2020	% Change
Railway operating revenues			
Merchandise	\$ 1,671	\$ 1,553	8%
Intermodal	831	730	14%
Coal	350	290	21%
Total railway operating revenues	<u>2,852</u>	<u>2,573</u>	11%
Railway operating expenses			
Compensation and benefits	598	587	2%
Purchased services and rents	472	426	11%
Fuel	226	136	66%
Depreciation	298	287	4%
Materials and other	129	153	(16%)
Total railway operating expenses	<u>1,723</u>	<u>1,589</u>	8%
Income from railway operations	1,129	984	15%
Other income – net	21	43	(51%)
Interest expense on debt	165	160	3%
Income before income taxes	985	867	14%
Income taxes			
Current	199	132	51%
Deferred	26	64	(59%)
Total income taxes	<u>225</u>	<u>196</u>	15%
Net income	<u>\$ 760</u>	<u>\$ 671</u>	13%
Railway operating ratio (%)	60.4	61.8	(2%)
Earnings per share – diluted	\$ 3.12	\$ 2.64	18%

Notes

1. Stock Repurchase Program

We repurchased and retired 12.7 million and 7.4 million shares of common stock under our stock repurchase programs in 2021 and 2020, respectively, at a cost of \$3.4 billion and \$1.4 billion, respectively.

Consolidated Statements of Income

(in millions, except per share amounts)

	Years Ended December 31,			
	2021	2020 (GAAP)	Adjusted 2020 (Non-GAAP ^{2,3})	% Change (Non-GAAP)
Railway operating revenues				
Merchandise	\$ 6,669	\$ 6,088	\$ 6,088	10%
Intermodal	3,163	2,654	2,654	19%
Coal	1,310	1,047	1,047	25%
Total railway operating revenues	11,142	9,789	9,789	14%
Railway operating expenses				
Compensation and benefits	2,442	2,373	2,373	3%
Purchased services and rents	1,726	1,687	1,588 ³	9%
Fuel	799	535	535	49%
Depreciation	1,181	1,154	1,154	2%
Materials and other	547	653	653	(16%)
Loss on asset disposal	—	385	— ²	100%
Total railway operating expenses	6,695	6,787	6,303 ^{2,3}	6%
Income from railway operations	4,447	3,002	3,486 ^{2,3}	28%
Other income – net	77	153	153	(50%)
Interest expense on debt	646	625	625	3%
Income before income taxes	3,878	2,530	3,014 ^{2,3}	29%
Income taxes				
Current	689	375	377 ²	83%
Deferred	184	142	262 ^{2,3}	(30%)
Total income taxes	873	517	639 ^{2,3}	37%
Net income	\$ 3,005	\$ 2,013	\$ 2,375 ^{2,3}	27%
Railway operating ratio (%)	60.1	69.3	64.4 ^{2,3}	(7%)
Earnings per share – diluted	\$ 12.11	\$ 7.84	\$ 9.25 ^{2,3}	31%

2. 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.

3. Impairment of Investment

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 Consolidated Statements of Income and had a \$74 million impact on net income. 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)

	At December 31,	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 839	\$ 1,115
Accounts receivable – net	976	848
Materials and supplies	218	221
Other current assets	134	134
Total current assets	<u>2,167</u>	<u>2,318</u>
Investments	3,707	3,590
Properties less accumulated depreciation of \$12,031 and \$11,985, respectively	31,653	31,345
Other assets	966	709
Total assets	<u><u>\$ 38,493</u></u>	<u><u>\$ 37,962</u></u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,351	\$ 1,016
Income and other taxes	305	263
Other current liabilities	312	302
Current maturities of long-term debt	553	579
Total current liabilities	<u>2,521</u>	<u>2,160</u>
Long-term debt	13,287	12,102
Other liabilities	1,879	1,987
Deferred income taxes	7,165	6,922
Total liabilities	<u>24,852</u>	<u>23,171</u>
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 240,162,790 and 252,095,082 shares, respectively, net of treasury shares	242	254
Additional paid-in capital	2,215	2,248
Accumulated other comprehensive loss	(402)	(594)
Retained income	11,586	12,883
Total stockholders' equity	<u>13,641</u>	<u>14,791</u>
Total liabilities and stockholders' equity	<u><u>\$ 38,493</u></u>	<u><u>\$ 37,962</u></u>

Consolidated Statements of Cash Flows

(\$ in millions)

	Years Ended December 31,	
	2021	2020
Cash flows from operating activities		
Net income	\$ 3,005	\$ 2,013
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	1,181	1,154
Deferred income taxes	184	142
Gains and losses on properties	(86)	(39)
Loss on asset disposal	—	385
Impairment of investment	—	99
Changes in assets and liabilities affecting operations:		
Accounts receivable	(133)	71
Materials and supplies	3	23
Other current assets	(6)	3
Current liabilities other than debt	283	34
Other – net	(176)	(248)
Net cash provided by operating activities	<u>4,255</u>	<u>3,637</u>
Cash flows from investing activities		
Property additions	(1,470)	(1,494)
Property sales and other transactions	159	333
Investment purchases	(10)	(13)
Investment sales and other transactions	99	(1)
Net cash used in investing activities	<u>(1,222)</u>	<u>(1,175)</u>
Cash flows from financing activities		
Dividends	(1,028)	(960)
Common stock transactions	17	69
Purchase and retirement of common stock	(3,390)	(1,439)
Proceeds from borrowings – net of issuance costs	1,676	784
Debt repayments	(584)	(381)
Net cash used in financing activities	<u>(3,309)</u>	<u>(1,927)</u>
Net increase (decrease) in cash and cash equivalents	(276)	535
Cash and cash equivalents		
At beginning of year	<u>1,115</u>	<u>580</u>
At end of year	<u>\$ 839</u>	<u>\$ 1,115</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest (net of amounts capitalized)	\$ 579	\$ 577
Income taxes (net of refunds)	654	311

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%
Fourth Quarter									
Agriculture, forest and consumer products	\$ 570	\$ 546	4%	178.2	180.7	(1%)	\$ 3,197	\$ 3,020	6%
Chemicals	494	438	13%	130.7	115.7	13%	3,784	3,789	—
Metals and construction	366	336	9%	158.5	153.0	4%	2,310	2,190	5%
Automotive	241	233	3%	87.9	96.5	(9%)	2,743	2,422	13%
Merchandise	1,671	1,553	8%	555.3	545.9	2%	3,010	2,845	6%
Intermodal	831	730	14%	1,004.1	1,083.8	(7%)	826	674	23%
Coal	350	290	21%	157.8	151.3	4%	2,218	1,917	16%
Total	\$ 2,852	\$ 2,573	11%	1,717.2	1,781.0	(4%)	1,660	1,445	15%
Year									
Agriculture, forest and consumer products	\$ 2,251	\$ 2,116	6%	725.5	704.4	3%	\$ 3,102	\$ 3,004	3%
Chemicals	1,951	1,809	8%	529.7	482.0	10%	3,684	3,753	(2%)
Metals and construction	1,562	1,333	17%	669.0	601.2	11%	2,334	2,216	5%
Automotive	905	830	9%	345.4	329.7	5%	2,621	2,518	4%
Merchandise	6,669	6,088	10%	2,269.6	2,117.3	7%	2,938	2,875	2%
Intermodal	3,163	2,654	19%	4,104.1	3,992.1	3%	771	665	16%
Coal	1,310	1,047	25%	658.0	574.1	15%	1,991	1,824	9%
Total	\$ 11,142	\$ 9,789	14%	7,031.7	6,683.5	5%	1,584	1,465	8%

Railway Operating Revenues Variance Analysis

(\$ in millions)

Fourth Quarter 2021 vs. 2020

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenue Variance due to:						
Volume	\$ 27	2%	\$ (54)	(7%)	\$ 12	4%
Fuel surcharge revenue	54	3%	72	10%	3	1%
Rate, mix and other	37	2%	83	11%	45	16%
Total	<u>\$ 118</u>	8%	<u>\$ 101</u>	14%	<u>\$ 60</u>	21%

Year 2021 vs. 2020

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenue Variance due to:						
Volume	\$ 438	7%	\$ 75	3%	\$ 153	15%
Fuel surcharge revenue	91	1%	178	7%	4	—
Rate, mix and other	52	1%	256	10%	106	10%
Total	<u>\$ 581</u>	10%	<u>\$ 509</u>	19%	<u>\$ 263</u>	25%

Intermodal Units by Market

(in thousands)

	Fourth Quarter			Year		
	2021	2020	% Change	2021	2020	% Change
Domestic	673.1	703.9	(4%)	2,630.6	2,568.7	2%
International	331.0	379.9	(13%)	1,473.5	1,423.4	4%
Total	<u>1,004.1</u>	<u>1,083.8</u>	(7%)	<u>4,104.1</u>	<u>3,992.1</u>	3%

Coal Tonnage by Market

(in thousands)

	Fourth Quarter			Year		
	2021	2020	% Change	2021	2020	% Change
Utility	7,826	8,014	(2%)	33,169	32,479	2%
Export	5,963	5,577	7%	24,886	18,900	32%
Domestic metallurgical	2,918	2,448	19%	11,804	9,441	25%
Industrial	885	974	(9%)	3,595	3,566	1%
Total	<u>17,592</u>	<u>17,013</u>	3%	<u>73,454</u>	<u>64,386</u>	14%

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	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	(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	\$ 2,852	\$ 11,142	\$ 14	\$ 714	\$ 346	\$ 279	\$ 1,353
Railway operating expenses:															
Compensation and benefits	622	586	578	587	2,373	611	624	609	598	2,442	(11)	38	31	11	69
Purchased services	321	302	320	345	1,288	318	352	355	384	1,409	(3)	50	35	39	121
Equipment rents	82	70	67	81	300	75	77	77	88	317	(7)	7	10	7	17
Fuel	189	84	126	136	535	177	188	208	226	799	(12)	104	82	90	264
Depreciation	292	282	293	287	1,154	292	294	297	298	1,181	—	12	4	11	27
Materials	72	62	72	68	274	61	61	71	57	250	(11)	(1)	(1)	(11)	(24)
Claims	42	40	59	38	179	38	43	56	28	165	(4)	3	(3)	(10)	(14)
Other	52	49	52	47	200	52	(7)	43	44	132	—	(56)	(9)	(3)	(68)
Total railway operating expenses	1,672	1,475	1,567	1,589	6,303	1,624	1,632	1,716	1,723	6,695	(48)	157	149	134	392
Income from railway operations	953	610	939	984	3,486	1,015	1,167	1,136	1,129	4,447	62	557	197	145	961
Other income – net	22	49	39	43	153	7	35	14	21	77	(15)	(14)	(25)	(22)	(76)
Interest expense on debt	154	156	155	160	625	156	161	164	165	646	2	5	9	5	21
Income before income taxes	821	503	823	867	3,014	866	1,041	986	985	3,878	45	538	163	118	864
Total income taxes	152	111	180	196	639	193	222	233	225	873	41	111	53	29	234
Net income	\$ 669	\$ 392	\$ 643	\$ 671	\$ 2,375	\$ 673	\$ 819	\$ 753	\$ 760	\$ 3,005	\$ 4	\$ 427	\$ 110	\$ 89	\$ 630
Weighted average shares outstanding – diluted (in millions)	258.7	256.7	256.1	254.7	256.6	252.6	250.0	246.4	243.5	248.1	(6.1)	(6.7)	(9.7)	(11.2)	(8.5)
Earnings per share – diluted (dollars)	\$ 2.58	\$ 1.53	\$ 2.51	\$ 2.64	\$ 9.25	\$ 2.66	\$ 3.28	\$ 3.06	\$ 3.12	\$ 12.11	\$ 0.08	\$ 1.75	\$ 0.55	\$ 0.48	\$ 2.86
Dividends per share (dollars)	\$ 0.94	\$ 0.94	\$ 0.94	\$ 0.94	\$ 3.76	\$ 0.99	\$ 0.99	\$ 1.09	\$ 1.09	\$ 4.16	\$ 0.05	\$ 0.05	\$ 0.15	\$ 0.15	\$ 0.40
Railway operating ratio (percent)	63.7	70.7	62.5	61.8	64.4	61.5	58.3	60.2	60.4	60.1	(2.2)	(12.4)	(2.3)	(1.4)	(4.3)
Property additions	\$ 366	\$ 369	\$ 318	\$ 441	\$ 1,494	\$ 265	\$ 362	\$ 398	\$ 445	\$ 1,470	\$ (101)	\$ (7)	\$ 80	\$ 4	\$ (24)
Cash and cash equivalents	\$ 608	\$ 1,143	\$ 1,359	\$ 1,115	\$ 1,115	\$ 998	\$ 1,670	\$ 1,465	\$ 839	\$ 839	\$ 390	\$ 527	\$ 106	\$ (276)	\$ (276)
Total debt	\$ 12,207	\$ 12,697	\$ 12,723	\$ 12,681	\$ 12,681	\$ 12,617	\$ 13,717	\$ 13,832	\$ 13,840	\$ 13,840	\$ 410	\$ 1,020	\$ 1,109	\$ 1,159	\$ 1,159
Total debt-to-total capitalization (percent)	45.1	46.1	46.0	46.2	46.2	46.3	48.9	49.9	50.4	50.4	1.2	2.8	3.9	4.2	4.2
Gross ton miles (GTMs) (in billions)	85.0	69.7	82.3	83.0	320.0	83.8	86.9	86.0	84.0	340.7	(1%)	25%	4%	1%	6%
Revenue ton miles (in billions):															
Merchandise	27.3	22.7	24.8	25.4	100.2	26.3	27.7	27.7	26.6	108.3	(4%)	22%	12%	5%	8%
Intermodal	10.3	9.5	11.3	11.4	42.5	10.6	11.2	10.8	11.1	43.7	3%	18%	(4%)	(3%)	3%
Coal	6.2	4.0	5.3	5.9	21.4	6.5	6.8	6.5	6.3	26.1	5%	70%	23%	7%	22%
Total	43.8	36.2	41.4	42.7	164.1	43.4	45.7	45.0	44.0	178.1	(1%)	26%	9%	3%	9%
Railroad employees (average)	21,232	20,086	19,606	19,192	20,029	18,755	18,537	18,175	18,012	18,370	(12%)	(8%)	(7%)	(6%)	(8%)
GTMs (thousands) per employee	4,002	3,474	4,194	4,327	15,977	4,467	4,690	4,733	4,663	18,549	12%	35%	13%	8%	16%
Locomotive diesel fuel consumed (in thousands of gallons)	102,261	79,199	91,230	95,147	367,837	97,724	95,796	96,179	94,068	383,767	(4%)	21%	5%	(1%)	4%
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	\$ 2.256	\$ 1.943	(4%)	89%	58%	68%	43%
Gallons of fuel consumed per thousand GTMs	1.21	1.16	1.12	1.16	1.16	1.17	1.11	1.13	1.13	1.14	(3%)	(4%)	1%	(3%)	(2%)
Train speed (miles per hour)	23.8	24.6	22.6	21.9	23.2	20.5	20.1	20.7	18.1	19.8	(14%)	(18%)	(8%)	(17%)	(15%)
Terminal dwell (hours)	18.6	18.1	19.4	21.2	19.3	24.4	22.5	22.3	26.2	23.9	31%	24%	15%	24%	24%

Reconciliation of Non-GAAP Financial Measures

Information included within this Fourth 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)

	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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