



2023

QUARTERLY FINANCIAL DATA

Q1





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)

	First Quarter		
	2023	2022	% Change
Railway operating revenues			
Merchandise	\$ 1,878	\$ 1,672	12%
Intermodal	814	854	(5%)
Coal	440	389	13%
Total railway operating revenues	<u>3,132</u>	<u>2,915</u>	7%
Railway operating expenses			
Compensation and benefits	690	619	11%
Purchased services and rents	496	437	14%
Fuel	315	301	5%
Depreciation	321	302	6%
Materials and other	212	171	24%
Eastern Ohio incident	387	—	
Total railway operating expenses	<u>2,421</u>	<u>1,830</u>	32%
Income from railway operations	711	1,085	(34%)
Other income (expense) – net	56	(5)	
Interest expense on debt	175	168	4%
Income before income taxes	592	912	(35%)
Income tax expense (benefit)			
Current	141	161	(12%)
Deferred	(15)	48	(131%)
Total income tax expense	<u>126</u>	<u>209</u>	(40%)
Net income	<u>\$ 466</u>	<u>\$ 703</u>	(34%)
Railway operating ratio (%)	77.3	62.8	23%
Earnings per share – diluted	\$ 2.04	\$ 2.93	(30%)

Notes

1. Eastern Ohio Incident

On February 3, 2023, a train operated by Norfolk Southern derailed in East Palestine, Ohio. During the first quarter, we recognized \$387 million of expense for costs primarily associated with environmental matters and legal proceedings resulting from the incident. While certain costs recorded in the first quarter may be recoverable under our insurance policies in effect at the date of the incident, no estimate of potential recoveries has yet been recorded.

2. Stock Repurchase Program

We repurchased and retired 0.6 million and 2.2 million shares of common stock under our stock repurchase programs in the first three months of 2023 and 2022, respectively, at a cost of \$163 million and \$600 million.

Reconciliation of Non-GAAP Financial Measures

Information included within this First 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

	First Quarter		
	2023 (GAAP)	Eastern Ohio Incident	Adjusted 2023 (Non-GAAP ¹)
	<i>(\$ in millions, except per share amounts)</i>		
Total railway operating expenses	\$ 2,421	\$ (387)	\$ 2,034
Income from railway operations	\$ 711	\$ 387	\$ 1,098
Income before income taxes	\$ 592	\$ 387	\$ 979
Total income tax expense	\$ 126	\$ 94	\$ 220
Net income	\$ 466	\$ 293	\$ 759
Railway operating ratio (%)	77.3	(12.4)	64.9
Earnings per share – diluted	\$ 2.04	\$ 1.28	\$ 3.32

¹ GAAP financial results are adjusted to exclude the effects of the derailment in Eastern Ohio (the Incident) on February 3, 2023. The Company recorded expenses of \$387 million related to the Incident. The income tax effects of this non-GAAP adjustment was 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 table below, references to 2023 results and the related comparisons to the 2022 results use the adjusted, non-GAAP results from the reconciliation in the table above.

	First Quarter		
	Adjusted 2023 (Non-GAAP ¹)	2022	Adjusted 2023 (non-GAAP) vs. 2022 % change
	<i>(\$ in millions, except per share amounts)</i>		
Total railway operating expenses	\$ 2,034	\$ 1,830	11%
Income from railway operations	\$ 1,098	\$ 1,085	1%
Income before income taxes	\$ 979	\$ 912	7%
Total income tax expense	\$ 220	\$ 209	5%
Net income	\$ 759	\$ 703	8%
Railway operating ratio (%)	64.9	62.8	3%
Earnings per share – diluted	\$ 3.32	\$ 2.93	13%

Consolidated Balance Sheets

(\$ in millions)

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 552	\$ 456
Accounts receivable – net	1,170	1,148
Materials and supplies	262	253
Other current assets	138	150
Total current assets	<u>2,122</u>	<u>2,007</u>
Investments	3,738	3,694
Properties less accumulated depreciation of \$12,810 and \$12,592, respectively	32,240	32,156
Other assets	<u>1,069</u>	<u>1,028</u>
Total assets	<u><u>\$ 39,169</u></u>	<u><u>\$ 38,885</u></u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,315	\$ 1,293
Short-term debt	—	100
Income and other taxes	438	312
Other current liabilities	668	341
Current maturities of long-term debt	403	603
Total current liabilities	<u>2,824</u>	<u>2,649</u>
Long-term debt	14,585	14,479
Other liabilities	1,785	1,759
Deferred income taxes	<u>7,248</u>	<u>7,265</u>
Total liabilities	26,442	26,152
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 227,639,602 and 228,076,415 shares, respectively, net of treasury shares	229	230
Additional paid-in capital	2,155	2,157
Accumulated other comprehensive loss	(355)	(351)
Retained income	<u>10,698</u>	<u>10,697</u>
Total stockholders' equity	<u>12,727</u>	<u>12,733</u>
Total liabilities and stockholders' equity	<u><u>\$ 39,169</u></u>	<u><u>\$ 38,885</u></u>

Consolidated Statements of Cash Flows

(\$ in millions)

	First Three Months	
	2023	2022
Cash flows from operating activities		
Net income	\$ 466	\$ 703
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	321	302
Deferred income taxes	(15)	48
Gains and losses on properties	(4)	(6)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(22)	(94)
Materials and supplies	(9)	(46)
Other current assets	12	21
Current liabilities other than debt	480	83
Other – net	(56)	(17)
Net cash provided by operating activities	<u>1,173</u>	<u>994</u>
Cash flows from investing activities		
Property additions	(428)	(389)
Property sales and other transactions	20	36
Investment purchases	—	(1)
Investment sales and other transactions	17	19
Net cash used in investing activities	<u>(391)</u>	<u>(335)</u>
Cash flows from financing activities		
Dividends	(307)	(297)
Common stock transactions	(10)	(18)
Purchase and retirement of common stock	(163)	(600)
Proceeds from borrowings	594	989
Debt repayments	(800)	(1)
Net cash provided by (used in) financing activities	<u>(686)</u>	<u>73</u>
Net increase in cash and cash equivalents	96	732
Cash and cash equivalents		
At beginning of year	<u>456</u>	<u>839</u>
At end of period	<u>\$ 552</u>	<u>\$ 1,571</u>
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 129	\$ 114
Income taxes (net of refunds)	(1)	9

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	<u>\$ 3,132</u>	<u>\$ 2,915</u>	7%	<u>1,655.9</u>	<u>1,658.3</u>	—	1,891	1,758	8%

Railway Operating Revenues Variance Analysis

(\$ in millions)

First Quarter 2023 vs. 2022

	Merchandise		Intermodal		Coal	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenue Variance due to:						
Volume	\$ 91	5%	\$ (35)	(4%)	\$ 19	5%
Fuel surcharge revenue	84	5%	29	3%	18	5%
Rate, mix and other	31	2%	(34)	(4%)	14	4%
Total	<u>\$ 206</u>	12%	<u>\$ (40)</u>	(5%)	<u>\$ 51</u>	13%

Intermodal Units by Market

(in thousands)

	First Quarter		
	2023	2022	% Change
Domestic	587.7	653.4	(10%)
International	329.1	303.1	9%
Total	<u>916.8</u>	<u>956.5</u>	(4%)

Coal Tonnage by Market

(in thousands)

	First Quarter		
	2023	2022	% Change
Utility	8,210	8,961	(8%)
Export	8,206	6,414	28%
Domestic metallurgical	2,331	2,430	(4%)
Industrial	689	803	(14%)
Total	<u>19,436</u>	<u>18,608</u>	4%

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 (Non-GAAP)	Second Quarter	Third Quarter	Fourth Quarter	Year-to- date (Non-GAAP)	First Quarter (Non-GAAP)	Second Quarter	Third Quarter	Fourth Quarter	Year-to- date (Non-GAAP)
Railway operating revenues	\$ 2,915	\$ 3,250	\$ 3,343	\$ 3,237	\$ 12,745	\$ 3,132				\$ 3,132	\$ 217				\$ 217
Railway operating expenses:															
Compensation and benefits	619	614	735	653	2,621	690				690	71				71
Purchased services	349	387	397	432	1,565	399				399	50				50
Equipment rents	88	94	87	88	357	97				97	9				9
Fuel	301	408	383	367	1,459	315				315	14				14
Depreciation	302	304	306	309	1,221	321				321	19				19
Materials	62	70	83	68	283	91				91	29				29
Claims	49	64	58	99	270	54				54	5				5
Other	60	38	22	40	160	67				67	7				7
Total railway operating expenses	1,830	1,979	2,071	2,056	7,936	2,034				2,034	204				204
Income from railway operations	1,085	1,271	1,272	1,181	4,809	1,098				1,098	13				13
Other income (expense) – net	(5)	(14)	(2)	34	13	56				56	61				61
Interest expense on debt	168	170	177	177	692	175				175	7				7
Income before income taxes	912	1,087	1,093	1,038	4,130	979				979	67				67
Total income taxes	209	268	135	248	860	220				220	11				11
Net income	\$ 703	\$ 819	\$ 958	\$ 790	\$ 3,270	\$ 759				\$ 759	\$ 56				\$ 56
Weighted average shares outstanding – diluted (in millions)	240.2	237.5	234.0	230.7	235.6	228.3				228.3	(11.9)				(11.9)
Earnings per share – diluted (dollars)	\$ 2.93	\$ 3.45	\$ 4.10	\$ 3.42	\$ 13.88	\$ 3.32				\$ 3.32	\$ 0.39				\$ 0.39
Dividends per share (dollars)	\$ 1.24	\$ 1.24	\$ 1.24	\$ 1.24	\$ 4.96	\$ 1.35				\$ 1.35	\$ 0.11				\$ 0.11
Railway operating ratio (percent)	62.8	60.9	62.0	63.5	62.3	64.9				64.9	2.1				2.1
Property additions	\$ 389	\$ 448	\$ 445	\$ 666	\$ 1,948	\$ 428				\$ 428	\$ 39				\$ 39
Cash and cash equivalents	\$ 1,571	\$ 1,259	\$ 1,214	\$ 456	\$ 456	\$ 552				\$ 552	\$ (1,019)				\$ (1,019)
Total debt	\$ 14,844	\$ 15,054	\$ 15,068	\$ 15,182	\$ 15,182	\$ 14,988				\$ 14,988	\$ 144				\$ 144
Total debt-to-total capitalization (percent)	52.4	53.4	53.6	54.4	54.4	54.1				54.1	1.7				1.7
Gross ton miles (GTMs) (in billions)	82.8	86.7	85.8	84.0	339.3	83.5				83.5	1 %				1 %
Revenue ton miles (in billions):															
Merchandise	26.0	27.7	27.5	26.8	108.0	27.0				27.0	4 %				4 %
Intermodal	10.7	11.4	10.7	10.5	43.3	10.1				10.1	(6)%				(6)%
Coal	7.0	6.6	7.1	6.6	27.3	6.8				6.8	(3)%				(3)%
Total	43.7	45.7	45.3	43.9	178.6	43.9				43.9	— %				— %
Railroad employees (average)	18,229	18,654	18,978	19,245	18,777	19,643				19,643	8 %				8 %
GTMs (thousands) per employee	\$ 4,540	\$ 4,649	\$ 4,521	\$ 4,367	\$ 18,071	\$ 4,252				\$ 4,252	(6)%				(6)%
Locomotive diesel fuel consumed (in thousands of gallons)	95,309	92,762	93,876	93,861	375,808	95,124				95,124	— %				— %
Average price (dollars) per gallon of locomotive diesel fuel	\$ 2.939	\$ 4.118	\$ 3.822	\$ 3,665	\$ 3.632	\$ 3.088				\$ 3.088	5 %				5 %
Gallons of fuel consumed per thousand GTMs	1.16	1.07	1.10	1.12	1.11	1.15				1.15	(1)%				(1)%
Train speed (miles per hour)	18.2	17.5	19.1	20.7	18.9	20.5				20.5	13 %				13 %
Terminal dwell (hours)	26.7	27.2	25.9	25.3	26.3	26.4				26.4	(1)%				(1)%



2023 Quarterly Financial Data | Q1

WWW.NORFOLKSOUTHERN.COM