

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Income
(Unaudited)

	First Quarter	
	<u>2021</u>	<u>2020</u>
	<i>(in millions, except per share amounts)</i>	
Railway operating revenues		
Merchandise	\$ 1,608	\$ 1,672
Intermodal	719	655
Coal	312	298
Total railway operating revenues	<u>2,639</u>	<u>2,625</u>
Railway operating expenses		
Compensation and benefits	611	622
Purchased services and rents	393	403
Fuel	177	189
Depreciation	292	292
Materials and other	151	166
Loss on asset disposal	—	385
Total railway operating expenses	<u>1,624</u>	<u>2,057</u>
Income from railway operations	1,015	568
Other income – net	7	22
Interest expense on debt	<u>156</u>	<u>154</u>
Income before income taxes	866	436
Income taxes		
Current	141	44
Deferred	52	11
Total income taxes	<u>193</u>	<u>55</u>
Net income	<u>\$ 673</u>	<u>\$ 381</u>
Earnings per share – diluted	\$ 2.66	\$ 1.47
Weighted average shares outstanding – diluted	252.6	258.7

See accompanying notes to consolidated financial statements

Norfolk Southern Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	March 31, 2021	December 31, 2020
	<i>(\$ in millions)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 998	\$ 1,115
Accounts receivable – net	944	848
Materials and supplies	241	221
Other current assets	120	134
Total current assets	2,303	2,318
Investments	3,604	3,590
Properties less accumulated depreciation of \$11,672 and \$11,985, respectively	31,312	31,345
Other assets	718	709
Total assets	\$ 37,937	\$ 37,962
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,043	\$ 1,016
Income and other taxes	361	263
Other current liabilities	344	302
Current maturities of long-term debt	501	579
Total current liabilities	2,249	2,160
Long-term debt	12,116	12,102
Other liabilities	1,952	1,987
Deferred income taxes	6,977	6,922
Total liabilities	23,294	23,171
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 250,241,009 and 252,095,082 shares, respectively, net of treasury shares	251	254
Additional paid-in capital	2,241	2,248
Accumulated other comprehensive loss	(586)	(594)
Retained income	12,737	12,883
Total stockholders' equity	14,643	14,791
Total liabilities and stockholders' equity	\$ 37,937	\$ 37,962

See accompanying notes to consolidated financial statements

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	First Three Months	
	2021	2020
	<i>(\$ in millions)</i>	
Cash flows from operating activities		
Net income	\$ 673	\$ 381
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	292	292
Deferred income taxes	52	11
Gains and losses on properties	(8)	(8)
Loss on asset disposal	—	385
Changes in assets and liabilities affecting operations:		
Accounts receivable	(95)	32
Materials and supplies	(20)	(21)
Other current assets	9	(33)
Current liabilities other than debt	158	(40)
Other – net	(46)	(44)
Net cash provided by operating activities	<u>1,015</u>	<u>955</u>
Cash flows from investing activities		
Property additions	(265)	(366)
Property sales and other transactions	37	158
Investment sales and other transactions	26	(25)
Net cash used in investing activities	<u>(202)</u>	<u>(233)</u>
Cash flows from financing activities		
Dividends	(249)	(242)
Common stock transactions	(6)	14
Purchase and retirement of common stock	(591)	(466)
Debt repayments	(84)	—
Net cash used in financing activities	<u>(930)</u>	<u>(694)</u>
Net increase (decrease) in cash and cash equivalents	(117)	28
Cash and cash equivalents		
At beginning of year	<u>1,115</u>	<u>580</u>
At end of period	<u>\$ 998</u>	<u>\$ 608</u>
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 110	\$ 121
Income taxes (net of refunds)	27	16

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. 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.

2. Stock Repurchase Program

We repurchased and retired 2.3 million and 2.6 million shares of common stock under our stock repurchase program during the first three months of 2021 and 2020, respectively, at a cost of \$591 million and \$466 million, respectively.