

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

| | First Quarter | |
|--|--|---------------|
| | 2023 | 2022 |
| | <i>(in millions, except per share amounts)</i> | |
| Railway operating revenues | | |
| Merchandise | \$ 1,878 | \$ 1,672 |
| Intermodal | 814 | 854 |
| Coal | 440 | 389 |
| Total railway operating revenues | <u>3,132</u> | <u>2,915</u> |
| Railway operating expenses | | |
| Compensation and benefits | 690 | 619 |
| Purchased services and rents | 496 | 437 |
| Fuel | 315 | 301 |
| Depreciation | 321 | 302 |
| Materials and other | 212 | 171 |
| Eastern Ohio incident | 387 | — |
| Total railway operating expenses | <u>2,421</u> | <u>1,830</u> |
| Income from railway operations | 711 | 1,085 |
| Other income (expense) – net | 56 | (5) |
| Interest expense on debt | <u>175</u> | <u>168</u> |
| Income before income taxes | 592 | 912 |
| Income tax expense (benefit) | | |
| Current | 141 | 161 |
| Deferred | (15) | 48 |
| Total income tax expense | <u>126</u> | <u>209</u> |
| Net income | <u>\$ 466</u> | <u>\$ 703</u> |
| Earnings per share – diluted | \$ 2.04 | \$ 2.93 |
| Weighted average shares outstanding – diluted | 228.3 | 240.2 |

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

| | March 31, 2023 | December 31, 2022 |
|--|---------------------------|------------------------------|
| <i>(\$ in millions)</i> | | |
| 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 | 2,122 | 2,007 |
| Investments | 3,738 | 3,694 |
| Properties less accumulated depreciation of \$12,810 and \$12,592, respectively | 32,240 | 32,156 |
| Other assets | 1,069 | 1,028 |
| Total assets | \$ 39,169 | \$ 38,885 |
| 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 | 2,824 | 2,649 |
| Long-term debt | 14,585 | 14,479 |
| Other liabilities | 1,785 | 1,759 |
| Deferred income taxes | 7,248 | 7,265 |
| 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 | 10,698 | 10,697 |
| Total stockholders' equity | 12,727 | 12,733 |
| Total liabilities and stockholders' equity | \$ 39,169 | \$ 38,885 |

See accompanying notes to consolidated financial statements.

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

| | First Three Months | |
|--|---------------------------|-------------|
| | 2023 | 2022 |
| | <i>(\$ in millions)</i> | |
| 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 | 1,173 | 994 |
| 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 | (391) | (335) |
| 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 | (686) | 73 |
| Net increase in cash and cash equivalents | 96 | 732 |
| Cash and cash equivalents | | |
| At beginning of year | 456 | 839 |
| At end of period | \$ 552 | \$ 1,571 |
| 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 |

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, at a cost of \$163 million and \$600 million.