

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
October 24, 2018 (October 24, 2018)



NORFOLK SOUTHERN CORPORATION

(Exact name of registrant as specified in its charter)

Virginia
(State or Other Jurisdiction
of Incorporation)

1-8339
(Commission File Number)

52-1188014
(IRS Employer
Identification Number)

Three Commercial Place
Norfolk, Virginia
23510-9241
(Address of principal executive offices)

757-629-2680
(Registrant's telephone number, including area code)

No Change
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company. ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition**Item 7.01. Regulation FD Disclosure**

On October 24, 2018, the Registrant issued a Press Release, attached hereto as Exhibit 99.1, reporting third quarter results for 2018. Quarterly financial data is attached hereto as Exhibit 99.2. These documents are available on the Registrant's website, www.norfolksouthern.com, in the "Invest in NS" section, under "Financial Reports."

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 the Registrant's 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.

Item 9.01. Financial Statements and Exhibits**(d) Exhibits**

The following exhibits are furnished as part of this Current Report on Form 8-K:

<u>Exhibit Number</u>	<u>Description</u>
99.1	<u>Press Release dated October 24, 2018</u>
99.2	<u>2018 3Q Financial Data</u>

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIGNATURES

NORFOLK SOUTHERN CORPORATION
(Registrant)

/s/ Denise W. Hutson

Name: Denise W. Hutson

Title: Corporate Secretary

Date: October 24, 2018

FOR IMMEDIATE RELEASE

Norfolk Southern reports third-quarter 2018 results

Third-quarter records for operating income, operating ratio, net income and earnings per share

NORFOLK, Va., Oct. 24, 2018 – Norfolk Southern Corporation (NYSE: NSC) today reported record third-quarter financial results.

Net income was \$702 million, up 39 percent year-over-year, a result of a 14 percent increase in income from railway operations and a lower effective income tax rate. Diluted earnings per share were \$2.52, up 44 percent year-over-year and a third-quarter record.

“Norfolk Southern continues to deliver record financial results that reflect our careful and determined pursuit of a balanced and flexible strategy,” said James A. Squires, Norfolk Southern chairman, president and CEO. “Our demonstrated progress toward the goals of our strategic plan is significant, and our ongoing pursuit of new initiatives to benefit customers and shareholders will further strengthen our organization.”

Third-quarter summary

- Railway operating revenues of \$2.9 billion increased 10 percent compared with third-quarter 2017, due to higher volumes and an increase in revenue per unit, including higher fuel surcharge revenue as well as increased rates. Overall volumes were up 5 percent reflecting growth in the major commodity categories of intermodal and merchandise, which offset a decline in coal.
- Railway operating expenses increased \$152 million, or 9 percent, to \$1.9 billion compared with the same period last year, driven by higher fuel prices, increases in volume-related expenses, and increased costs associated with overall lower network velocity.
- Income from railway operations was \$1.0 billion, a 14 percent increase year-over-year, and a third-quarter record. The railway operating ratio, or operating expenses as a percentage of revenues, was 65.4 percent, also a third-quarter record.

About Norfolk Southern

Norfolk Southern Corporation (NYSE: NSC) is one of the nation's premier transportation companies. Its Norfolk Southern Railway Company subsidiary operates approximately 19,500 route miles in 22 states and the District of Columbia, serves every major container port in the

eastern United States, and provides efficient connections to other rail carriers. Norfolk Southern operates the most extensive intermodal network in the East and is a major transporter of coal, automotive, and industrial products.

Forward-looking statements

This news release contains forward-looking statements that may be identified by the use of words like “believe,” “expect,” “anticipate,” “estimate,” “plan,” “consider,” “project,” and similar references to the future. Forward-looking statements reflect our good-faith evaluation of information currently available. These forward-looking statements are subject to a number of risks and uncertainties, and our actual results may differ materially from those projected. Please refer to our annual and quarterly reports filed with the SEC for a full discussion of those risks and uncertainties we view as most important. Forward-looking statements are not, and should not be relied upon as, a guarantee of future performance or results, nor will they necessarily prove to be accurate indications of the times at or by which any such performance or results will be achieved. As a result, actual outcomes and results may differ materially from those expressed in forward-looking statements. We undertake no obligation to update or revise forward-looking statements.

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<http://www.norfolksouthern.com>

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

	Third Quarter		First Nine Months	
	2018	2017	2018	2017
	<i>(\$ in millions, except per share amounts)</i>			
Railway operating revenues				
Merchandise	\$ 1,737	\$ 1,600	\$ 5,060	\$ 4,781
Intermodal	746	621	2,138	1,785
Coal	464	449	1,364	1,316
Total railway operating revenues	<u>2,947</u>	<u>2,670</u>	<u>8,562</u>	<u>7,882</u>
Railway operating expenses				
Compensation and benefits	725	771	2,168	2,249
Purchased services and rents	450	377	1,281	1,146
Fuel	274	198	812	601
Depreciation	276	265	821	788
Materials and other	<u>202</u>	<u>164</u>	<u>599</u>	<u>574</u>
Total railway operating expenses	<u>1,927</u>	<u>1,775</u>	<u>5,681</u>	<u>5,358</u>
Income from railway operations	<u>1,020</u>	<u>895</u>	<u>2,881</u>	<u>2,524</u>
Other income – net	30	39	67	127
Interest expense on debt	<u>142</u>	<u>134</u>	<u>409</u>	<u>416</u>
Income before income taxes	908	800	2,539	2,235
Income taxes				
Current	157	189	437	580
Deferred	<u>49</u>	<u>105</u>	<u>138</u>	<u>219</u>
Total income taxes	<u>206</u>	<u>294</u>	<u>575</u>	<u>799</u>
Net income	<u>\$ 702</u>	<u>\$ 506</u>	<u>\$ 1,964</u>	<u>\$ 1,436</u>
Earnings per share - diluted	\$ 2.52	\$ 1.75	\$ 6.95	\$ 4.93
Weighted average shares outstanding - diluted	278.2	289.5	282.6	291.2

See accompanying notes to consolidated financial statements.

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

	Third Quarter		First Nine Months	
	2018	2017	2018	2017
	<i>(\$ in millions)</i>			
Net income	\$ 702	\$ 506	\$ 1,964	\$ 1,436
Other comprehensive income, before tax:				
Pension and other postretirement benefit	8	7	9	21
Other comprehensive income (loss) of equity investees	—	—	2	(1)
Other comprehensive income, before tax	<u>8</u>	<u>7</u>	<u>11</u>	<u>20</u>
Income tax expense related to items of other comprehensive income	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(8)</u>
Other comprehensive income, net of tax	<u>6</u>	<u>5</u>	<u>9</u>	<u>12</u>
Total comprehensive income	<u><u>\$ 708</u></u>	<u><u>\$ 511</u></u>	<u><u>\$ 1,973</u></u>	<u><u>\$ 1,448</u></u>

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	September 30, 2018	December 31, 2017
	(\$ in millions)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 729	\$ 690
Accounts receivable – net	1,043	955
Materials and supplies	267	222
Other current assets	70	282
Total current assets	2,109	2,149
Investments	3,109	2,981
Properties less accumulated depreciation of \$12,276 and \$11,909, respectively	30,712	30,330
Other assets	392	251
Total assets	\$ 36,322	\$ 35,711
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,394	\$ 1,401
Short-term debt	—	100
Income and other taxes	230	211
Other current liabilities	317	233
Current maturities of long-term debt	500	600
Total current liabilities	2,441	2,545
Long-term debt	10,635	9,136
Other liabilities	1,302	1,347
Deferred income taxes	6,464	6,324
Total liabilities	20,842	19,352
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 272,346,940 and 284,157,187 shares, respectively, net of treasury shares	274	285
Additional paid-in capital	1,996	2,254
Accumulated other comprehensive loss	(435)	(356)
Retained income	13,645	14,176
Total stockholders' equity	15,480	16,359
Total liabilities and stockholders' equity	\$ 36,322	\$ 35,711

See accompanying notes to consolidated financial statements.

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

	First Nine Months	
	2018	2017
	<i>(\$ in millions)</i>	
Cash flows from operating activities		
Net income	\$ 1,964	\$ 1,436
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	822	791
Deferred income taxes	138	219
Gains and losses on properties	(26)	(62)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(102)	(59)
Materials and supplies	(45)	12
Other current assets	45	68
Current liabilities other than debt	173	165
Other – net	(85)	(105)
	<hr/>	<hr/>
Net cash provided by operating activities	2,884	2,465
Cash flows from investing activities		
Property additions	(1,326)	(1,315)
Property sales and other transactions	93	137
Investment purchases	(4)	(4)
Investment sales and other transactions	96	8
	<hr/>	<hr/>
Net cash used in investing activities	(1,141)	(1,174)
Cash flows from financing activities		
Dividends	(627)	(529)
Common stock transactions	38	75
Purchase and retirement of common stock	(2,300)	(712)
Proceeds from borrowings – net of issuance costs	2,023	293
Debt repayments	(750)	(650)
	<hr/>	<hr/>
Net cash used in financing activities	(1,616)	(1,523)
	<hr/>	<hr/>
Net increase (decrease) in cash, cash equivalents, and restricted cash	127	(232)
Cash, cash equivalents, and restricted cash		
At beginning of year	690	956
	<hr/>	<hr/>
At end of period	<u>\$ 817</u>	<u>\$ 724</u>
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 327	\$ 345
Income taxes (net of refunds)	314	594

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:

1. Pensions and Other Postretirement Benefits

We adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2017-07 on January 1, 2018. The retrospective application resulted in the reclassification of \$16 million and \$48 million of pension and other postretirement benefits from the “Compensation and benefits” line item within “Railway operating expenses” to “Other income – net” on the Consolidated Statements of Income for the third quarter and first nine months of 2017, respectively.

2. Stock Repurchase Programs

We repurchased and retired 12.8 million shares (5.7 million shares under an accelerated stock repurchase program (ASR) and 7.1 million shares under our ongoing program) and 6.0 million shares of common stock under our stock repurchase programs in the first nine months of 2018 and 2017, respectively, at a cost of \$2.1 billion and \$712 million, respectively. We entered into an ASR on August 2, 2018 with two third-party financial institutions to repurchase common stock, at which time we made a payment of \$1.2 billion to the financial institutions and received an initial delivery of 5.7 million shares valued at \$960 million. The remaining balance of \$240 million, included in “Additional paid-in capital” on the Consolidated Balance Sheets, will be settled no later than the end of January 2019, with the final number of shares to be delivered by the financial institutions equal to the volume-weighted average price per share of common stock over the ASR term, less a negotiated discount.

Since the beginning of 2006, we have repurchased and retired 181.3 million shares at a total cost of \$13.4 billion.

3. Reclassification of Stranded Tax Effects

In February 2018, the FASB issued ASU 2018-02, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” This update is intended to reclassify the stranded tax effects resulting from the Tax Cuts and Jobs Act that was enacted on December 22, 2017 from accumulated other comprehensive income to retained earnings. In the first quarter of 2018, we adopted the provisions of ASU 2018-02 resulting in an increase to “Accumulated other comprehensive loss” of \$88 million and a corresponding increase to “Retained income,” with no impact on “Total stockholders’ equity.”

4. Restricted Cash

The “Cash, cash equivalents, and restricted cash” line item in the Consolidated Statements of Cash Flows includes restricted cash of \$88 million at September 30, 2018 which reflects deposits held by a third party bond agent as collateral for certain debt obligations maturing in 2019. The restricted cash balance is included as part of “Other assets” on the Consolidated Balance Sheets.