

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 23, 2019 (October 23, 2019)



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 No.)

Three Commercial Place
Norfolk, Virginia
23510-2191
(Address of principal executive offices, including zip
code)

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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Norfolk Southern Corporation Common Stock (Par Value \$1.00)	NSC	New York Stock Exchange

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 23, 2019, the Registrant issued a Press Release, attached hereto as Exhibit 99.1, reporting third quarter results for 2019. 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

<u>Exhibit Number</u>	<u>Description</u>
<u>99.1</u>	<u>Press Release dated October 23, 2019</u>
<u>99.2</u>	<u>2019 3Q Financial Data</u>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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 23, 2019

FOR IMMEDIATE RELEASE

Norfolk Southern reports third-quarter 2019 results

Achieves record third-quarter operating ratio

NORFOLK, Va., October 23, 2019 – Norfolk Southern Corporation (NYSE: NSC) today reported third-quarter financial results.

Third-quarter net income was \$657 million and diluted earnings per share were \$2.49. The operating ratio for the quarter was 64.9%, a third-quarter record for NS. These results include a \$32 million write-off of a receivable resulting from a legal dispute, which unfavorably impacted the operating ratio by 110 basis points and earnings per share by \$0.09.

“Our team achieved a record third-quarter operating ratio while successfully rolling out the first phase of our TOP21 operating plan, followed by the swift transition to the plan’s second phase. These efforts produced an 11% reduction in crew starts and recrews compared to the third-quarter last year, robustly outpacing the 6% volume decline while maintaining resilient service that supported an 11th consecutive quarter of year-over-year revenue per unit growth,” said James A. Squires, Norfolk Southern chairman, president and CEO. “Initiatives to reimagine mechanical operations while maintaining a more efficient fleet of locomotives and railcars also progressed, as these and other efforts delivered significant cost savings this quarter. Looking ahead, additional productivity will be generated as we advance to the third phase of TOP21 and execute initiatives surrounding fuel efficiency, distributed power, intermodal operations, and our mechanical network, just to name a few. Norfolk Southern remains fully dedicated to our strategic plan for the creation of shareholder value through sweeping productivity improvements while maintaining a superior service product for our customers.”

Third-quarter summary and highlights

- Railway operating revenues of \$2.8 billion decreased 4 percent compared with third-quarter 2018, as a 2 percent increase in average revenue per unit partially offset a 6 percent decline in total volume.
 - Railway operating expenses were \$1.8 billion, a decrease of \$82 million compared with the same period last year. Lower compensation and benefits, equipment rents, and fuel prices were partially offset by a \$32 million write-off of a receivable resulting from a legal dispute and increased depreciation expense.
 - Income from railway operations was \$1.0 billion, a decrease of \$24 million year-over-year. The railway operating ratio was a third-quarter record 64.9 percent, despite the unfavorable impact of 110 basis points related to a legal dispute.
 - Increased quarterly dividend by 9 percent from \$0.86 to \$0.94 per share.
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About Norfolk Southern

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 is a major transporter of industrial products, including chemicals, agriculture, and metals and construction materials. In addition, the railroad operates the most extensive intermodal network in the East and is a principal carrier of coal, automobiles, and automotive parts.

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	
	2019	2018	2019	2018
	<i>(in millions, except per share amounts)</i>			
Railway operating revenues				
Merchandise	\$ 1,731	\$ 1,737	\$ 5,173	\$ 5,060
Intermodal	707	746	2,127	2,138
Coal	403	464	1,306	1,364
Total railway operating revenues	<u>2,841</u>	<u>2,947</u>	<u>8,606</u>	<u>8,562</u>
Railway operating expenses				
Compensation and benefits	682	725	2,121	2,168
Purchased services and rents	423	450	1,265	1,281
Fuel	226	274	730	812
Depreciation	286	276	853	821
Materials and other	228	202	610	599
Total railway operating expenses	<u>1,845</u>	<u>1,927</u>	<u>5,579</u>	<u>5,681</u>
Income from railway operations	996	1,020	3,027	2,881
Other income – net	22	30	88	67
Interest expense on debt	<u>150</u>	<u>142</u>	<u>452</u>	<u>409</u>
Income before income taxes	868	908	2,663	2,539
Income taxes				
Current	119	157	382	437
Deferred	<u>92</u>	<u>49</u>	<u>225</u>	<u>138</u>
Total income taxes	<u>211</u>	<u>206</u>	<u>607</u>	<u>575</u>
Net income	<u>\$ 657</u>	<u>\$ 702</u>	<u>\$ 2,056</u>	<u>\$ 1,964</u>
Earnings per share - diluted	\$ 2.49	\$ 2.52	\$ 7.70	\$ 6.95
Weighted average shares outstanding - diluted	264.3	278.2	266.9	282.6

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	September 30, 2019	December 31, 2018
	(\$ in millions)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 452	\$ 358
Accounts receivable – net	973	1,009
Materials and supplies	266	207
Other current assets	325	288
Total current assets	2,016	1,862
Investments	3,376	3,109
Properties less accumulated depreciation of \$12,381 and \$12,374, respectively	31,394	31,091
Other assets	714	177
Total assets	<u>\$ 37,500</u>	<u>\$ 36,239</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,407	\$ 1,505
Short-term debt	350	—
Income and other taxes	202	255
Other current liabilities	401	246
Current maturities of long-term debt	401	585
Total current liabilities	2,761	2,591
Long-term debt	11,085	10,560
Other liabilities	1,727	1,266
Deferred income taxes	6,689	6,460
Total liabilities	22,262	20,877
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 260,746,663 and 268,098,472 shares, respectively, net of treasury shares	262	269
Additional paid-in capital	2,219	2,216
Accumulated other comprehensive loss	(553)	(563)
Retained income	13,310	13,440
Total stockholders' equity	15,238	15,362
Total liabilities and stockholders' equity	<u>\$ 37,500</u>	<u>\$ 36,239</u>

See accompanying notes to consolidated financial statements.

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

	First Nine Months	
	2019	2018
	<i>(\$ in millions)</i>	
Cash flows from operating activities		
Net income	\$ 2,056	\$ 1,964
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	854	822
Deferred income taxes	225	138
Gains and losses on properties	(4)	(26)
Changes in assets and liabilities affecting operations:		
Accounts receivable	34	(102)
Materials and supplies	(59)	(45)
Other current assets	40	45
Current liabilities other than debt	(72)	173
Other – net	(77)	(85)
Net cash provided by operating activities	2,997	2,884
Cash flows from investing activities		
Property additions	(1,494)	(1,326)
Property sales and other transactions	282	93
Investment purchases	(12)	(4)
Investment sales and other transactions	(99)	96
Net cash used in investing activities	(1,323)	(1,141)
Cash flows from financing activities		
Dividends	(705)	(627)
Common stock transactions	21	38
Purchase and retirement of common stock	(1,550)	(2,300)
Proceeds from borrowings – net of issuance costs	1,404	2,023
Debt repayments	(750)	(750)
Net cash used in financing activities	(1,580)	(1,616)
Net increase in cash, cash equivalents, and restricted cash	94	127
Cash, cash equivalents, and restricted cash		
At beginning of year	446	690
At end of period	<u>\$ 540</u>	<u>\$ 817</u>
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 392	\$ 327
Income taxes (net of refunds)	404	314

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:

1. Stock Repurchase Program

We repurchased and retired 8.4 million shares of common stock under our stock repurchase program during the first nine months of 2019, at a cost of \$1.6 billion. During the first nine months of 2018, we repurchased and retired 12.8 million shares (5.7 million under an accelerated share repurchase program and 7.1 million shares under our ongoing program) at a cost of \$2.1 billion. Since the beginning of 2006, we have repurchased and retired 194.0 million shares at a total cost of \$15.7 billion.

2. Leases

On January 1, 2019, we adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, “Leases (Topic 842)” which requires lessees to recognize right-of-use (ROU) assets and lease liabilities on the balance sheet for leases greater than twelve months. As a result of the adoption, the Consolidated Balance Sheet at September 30, 2019 includes the recognition of ROU assets of \$561 million included in “Other assets,” current lease liabilities of \$97 million included in “Other current liabilities,” and non-current lease liabilities of \$464 million included in “Other liabilities.”

3. Restricted Cash

The “Cash, cash equivalents, and restricted cash” line item on the Consolidated Statements of Cash Flows includes restricted cash of \$88 million at both September 30, 2019 and December 31, 2018, reflecting deposits held by a third-party bond agent as collateral for certain debt obligations maturing in October 2019. The restricted cash balance is included as part of “Other current assets” on the Consolidated Balance Sheets in both periods.
