

PART II

Item 8. Financial Statements and Supplementary Data

CONSOLIDATED INCOME STATEMENTS

(Dollars in Millions, Except Per Share Amounts)

	Fiscal Years		
	2019	2018	2017
Revenue	\$ 11,937	\$ 12,250	\$ 11,408
Expense			
Labor and Fringe	2,616	2,738	2,946
Materials, Supplies and Other	1,784	1,967	2,113
Depreciation	1,349	1,331	1,315
Fuel	906	1,046	864
Equipment and Other Rents	408	395	429
Restructuring Charge (Note 1)	—	—	240
Equity Earnings of Affiliates	(91)	(96)	(219)
Total Expense	6,972	7,381	7,688
Operating Income	4,965	4,869	3,720
Interest Expense	(737)	(639)	(546)
Restructuring Charge - Non-Operating (Note 1)	—	—	(85)
Other Income - Net (Note 14)	88	74	53
Earnings Before Income Taxes	4,316	4,304	3,142
Income Tax (Expense) Benefit (Note 12)	(985)	(995)	2,329
Net Earnings	\$ 3,331	\$ 3,309	\$ 5,471
Per Common Share (Note 2)			
Net Earnings Per Share			
Basic	\$ 4.18	\$ 3.86	\$ 6.01
Assuming Dilution	\$ 4.17	\$ 3.84	\$ 5.99
Average Common Shares Outstanding (Millions)			
Basic	796	857	911
Assuming Dilution	798	861	914

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEETS

(Dollars in Millions)

	December 2019	December 2018
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 1)	\$ 958	\$ 858
Short-term Investments	996	253
Accounts Receivable - Net (Note 1)	986	1,010
Materials and Supplies	261	263
Other Current Assets	77	181
Total Current Assets	3,278	2,565
Properties	45,100	44,805
Accumulated Depreciation	(12,932)	(12,807)
Properties - Net (Note 6)	32,168	31,998
Investment in Conrail (Note 15)	982	943
Affiliates and Other Companies	897	836
Right of Use Lease Asset (Note 7)	532	—
Other Long-term Assets	400	387
Total Assets	\$ 38,257	\$ 36,729
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 1,043	\$ 949
Labor and Fringe Benefits Payable	489	550
Casualty, Environmental and Other Reserves (Note 5)	100	113
Current Maturities of Long-term Debt (Note 10)	245	18
Income and Other Taxes Payable	69	106
Other Current Liabilities	205	179
Total Current Liabilities	2,151	1,915
Casualty, Environmental and Other Reserves (Note 5)	205	211
Long-term Debt (Note 9)	15,993	14,739
Deferred Income Taxes - Net (Note 12)	6,961	6,690
Long-term Lease Liability (Note 7)	493	—
Other Long-term Liabilities	591	594
Total Liabilities	26,394	24,149
Shareholders' Equity:		
Common Stock, \$1 Par Value (Note 3)	773	818
Other Capital	346	249
Retained Earnings (Note 1)	11,404	12,157
Accumulated Other Comprehensive Loss (Note 16)	(675)	(661)
Noncontrolling Minority Interest	15	17
Total Shareholders' Equity	11,863	12,580
Total Liabilities and Shareholders' Equity	\$ 38,257	\$ 36,729

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CONSOLIDATED CASH FLOW STATEMENTS

(Dollars in Millions)

	Fiscal Years		
	2019	2018	2017
OPERATING ACTIVITIES			
Net Earnings	\$ 3,331	\$ 3,309	\$ 5,471
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities:			
Depreciation	1,349	1,331	1,315
Restructuring Charge (Note 1)	—	—	325
Cash Payments for Restructuring Charge	—	(15)	(187)
Deferred Income Taxes	273	279	(3,233)
Earnings of Equity-method Investments	(91)	(96)	(219)
Gain on Property Dispositions	(151)	(154)	(18)
Other Operating Activities	22	(21)	(17)
Changes in Operating Assets and Liabilities:			
Accounts Receivable	45	(46)	(70)
Other Current Assets	68	101	1
Accounts Payable	98	104	41
Income and Other Taxes Payable	2	(104)	20
Other Current Liabilities	(96)	(47)	43
Net Cash Provided by Operating Activities	4,850	4,641	3,472
INVESTING ACTIVITIES			
Property Additions	(1,657)	(1,745)	(2,040)
Purchase of Short-term Investments	(2,838)	(736)	(782)
Proceeds from Sales of Short-term Investments	2,108	505	1,193
Proceeds from Property Dispositions	254	319	97
Other Investing Activities	31	(27)	37
Net Cash Used in Investing Activities	(2,102)	(1,684)	(1,495)
FINANCING ACTIVITIES			
Long-term Debt Issued (Note 10)	2,000	3,000	850
Long-term Debt Repaid (Note 10)	(518)	(19)	(333)
Dividends Paid	(763)	(751)	(708)
Shares Repurchased	(3,373)	(4,671)	(1,970)
Other Financing Activities	6	(59)	(18)
Net Cash Used in Financing Activities	(2,648)	(2,500)	(2,179)
Net Increase (Decrease) in Cash and Cash Equivalents	100	457	(202)
CASH AND CASH EQUIVALENTS			
Cash and Cash Equivalents at Beginning of Period	858	401	603
Cash and Cash Equivalents at End of Period	\$ 958	\$ 858	\$ 401
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest Paid - Net of Amounts Capitalized	\$ 717	\$ 614	\$ 555
Income Taxes Paid	\$ 691	\$ 814	\$ 911

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