

Reconciliation of Non-GAAP Financial Measures

Information presented by Alan H. Shaw, Claude E. Elkins, and Mark R. George during NS' second quarter earnings conference call on July 25, 2024 (posted elsewhere on our website) included non-GAAP financial measures, as defined by Securities and Exchange Commission Regulation G. Non-GAAP financial measures should be considered in addition to, not as a substitute for, the financial measures reported in accordance with U.S. generally accepted accounting principles (GAAP).

Financial Results - excluding Eastern Ohio incident¹, restructuring and other charges², shareholder advisory costs³, and a deferred income tax adjustment⁴

(\$ in millions, except per share amounts)

	Second Quarter 2024				
	Reported 2024 (GAAP)	Eastern Ohio Incident ¹	Restructuring and Other Charges ²	Shareholder Advisory Costs ³	Adjusted 2024 (Non-GAAP ^{1,2,3})
Railway operating expenses					
Compensation and benefits	\$ 700	-	-	-	\$ 700
Purchased services and rents	516	-	-	-	516
Fuel	257	-	-	-	257
Depreciation	335	-	-	-	335
Materials and other	173	-	-	-	173
Restructuring and other charges	(3)	-	3	-	-
Eastern Ohio incident	(65)	65	-	-	-
Total railway operating expenses	<u>\$ 1,913</u>	<u>65</u>	<u>3</u>	<u>-</u>	<u>\$ 1,981</u>
Income from railway operations	<u>\$ 1,131</u>	<u>(65)</u>	<u>(3)</u>	<u>-</u>	<u>\$ 1,063</u>
Other income - net	17	-	(20)	29	26
Income before income taxes	<u>\$ 944</u>	<u>(65)</u>	<u>(23)</u>	<u>29</u>	<u>\$ 885</u>
Income taxes	207	(16)	(7)	7	191
Net income	<u>\$ 737</u>	<u>(49)</u>	<u>(16)</u>	<u>22</u>	<u>\$ 694</u>
Earnings per share - diluted	<u>\$ 3.25</u>	<u>(0.22)</u>	<u>(0.07)</u>	<u>0.10</u>	<u>\$ 3.06</u>
Railway operating ratio (%)	62.8	2.2	0.1	-	65.1

	First Quarter 2024					
	Reported 2024 (GAAP)	Eastern Ohio Incident ¹	Restructuring and Other Charges ²	Shareholder Advisory Costs ³	Deferred Income Tax Adjustment ⁴	Adjusted 2024 (Non-GAAP ^{1,2,3,4})
Railway operating expenses						
Compensation and benefits	\$ 736	-	-	-	-	\$ 736
Purchased services and rents	528	-	-	-	-	528
Fuel	284	-	-	-	-	284
Depreciation	337	-	-	-	-	337
Materials and other	215	-	-	-	-	215
Restructuring and other charges	99	-	(99)	-	-	-
Eastern Ohio incident	592	(592)	-	-	-	-
Total railway operating expenses	<u>\$ 2,791</u>	<u>(592)</u>	<u>(99)</u>	<u>-</u>	<u>-</u>	<u>\$ 2,100</u>
Income from railway operations	<u>\$ 213</u>	<u>592</u>	<u>99</u>	<u>-</u>	<u>-</u>	<u>\$ 904</u>
Other income - net	18	-	-	21	-	39
Income before income taxes	<u>\$ 30</u>	<u>592</u>	<u>99</u>	<u>21</u>	<u>-</u>	<u>\$ 742</u>
Income taxes	(23)	144	24	5	27	177
Net income	<u>\$ 53</u>	<u>448</u>	<u>75</u>	<u>16</u>	<u>(27)</u>	<u>\$ 565</u>
Earnings per share - diluted	<u>\$ 0.23</u>	<u>1.98</u>	<u>0.33</u>	<u>0.07</u>	<u>(0.12)</u>	<u>\$ 2.49</u>
Railway operating ratio (%)	92.9	(19.7)	(3.3)	-	-	69.9

Second Quarter 2023

	Reported 2023 (GAAP)	Eastern Ohio Incident ¹	Adjusted 2023 (Non-GAAP ¹)
Railway operating expenses			
Compensation and benefits	\$ 693	-	\$ 693
Purchased services and rents	506	-	506
Fuel	263	-	263
Depreciation	321	-	321
Materials and other	205	-	205
Eastern Ohio incident	416	(416)	-
Total railway operating expenses	<u>\$ 2,404</u>	<u>(416)</u>	<u>\$ 1,988</u>
Income from railway operations	<u>\$ 576</u>	<u>416</u>	<u>\$ 992</u>
Net income	<u>\$ 356</u>	<u>317</u>	<u>\$ 673</u>
Earnings per share - diluted	<u>\$ 1.56</u>	<u>1.39</u>	<u>\$ 2.95</u>
Railway operating ratio (%)	80.7	(14.0)	66.7

First Half 2024

	Reported 2024 (GAAP)	Eastern Ohio Incident ¹	Adjusted 2024 (Non-GAAP ¹)
Railway operating ratio (%)	77.8	(10.3)	67.5

First Half 2023

	Reported 2023 (GAAP)	Eastern Ohio Incident ¹	Adjusted 2023 (Non-GAAP ¹)
Railway operating ratio (%)	78.9	(13.1)	65.8

Second Half 2023

	Reported 2023 (GAAP)	Eastern Ohio Incident ¹	Adjusted 2023 (Non-GAAP ¹)
Railway operating ratio (%)	74.1	(5.2)	68.9

Full Year 2023

	Reported 2023 (GAAP)	Eastern Ohio Incident ¹	Adjusted 2023 (Non-GAAP ¹)
Railway operating ratio (%)	76.5	(9.1)	67.4

Revenue Per Unit

Second Quarter	2024	2023	Change	% Change
Total revenue per unit	\$ 1,747	1,798	\$ (51)	-3%
Less: Fuel surcharge revenue per unit	149	173	(24)	-14%
Revenue per unit less fuel surcharge revenue ⁵	<u>\$ 1,598</u>	<u>\$ 1,625</u>	<u>\$ (27)</u>	-2%
Merchandise revenue per unit	\$ 3,304	3,222	\$ 82	3%
Less: Fuel surcharge revenue per unit	176	209	(33)	-16%
Merchandise revenue per unit less fuel surcharge revenue ⁵	<u>\$ 3,128</u>	<u>\$ 3,013</u>	<u>\$ 115</u>	4%
Intermodal revenue per unit	\$ 739	805	\$ (66)	-8%
Less: Fuel surcharge revenue per unit	147	166	(19)	-11%
Intermodal revenue per unit less fuel surcharge revenue ⁵	<u>\$ 592</u>	<u>\$ 639</u>	<u>\$ (47)</u>	-7%
Coal revenue per unit	\$ 2,445	2,470	\$ (25)	-1%
Less: Fuel surcharge revenue per unit	63	88	(25)	-28%
Coal revenue per unit less fuel surcharge revenue ⁵	<u>\$ 2,382</u>	<u>\$ 2,382</u>	<u>\$ -</u>	0%

Sequential	Q2 2024	Q1 2024	Change	% Change
Merchandise revenue per unit	\$ 3,304	3,306	\$ (2)	0%
Less: Fuel surcharge revenue per unit	176	179	(3)	-2%
Merchandise revenue per unit less fuel surcharge revenue ⁵	<u>\$ 3,128</u>	<u>\$ 3,127</u>	<u>\$ 1</u>	0%
Intermodal revenue per unit	\$ 739	754	\$ (15)	-2%
Less: Fuel surcharge revenue per unit	147	149	(2)	-1%
Intermodal revenue per unit less fuel surcharge revenue ⁵	<u>\$ 592</u>	<u>\$ 605</u>	<u>\$ (13)</u>	-2%
Coal revenue per unit	\$ 2,445	2,369	\$ 76	3%
Less: Fuel surcharge revenue per unit	63	73	(10)	-14%
Coal revenue per unit less fuel surcharge revenue ⁵	<u>\$ 2,382</u>	<u>\$ 2,296</u>	<u>\$ 86</u>	4%

Revenue

Second Quarter	Q2 2024	Q2 2023	Change	% Change
Intermodal revenue	\$ 742	745	\$ (3)	0%
Less: Fuel surcharge and storage revenue	158	172	(14)	-8%
Revenue less fuel surcharge and storage revenue ⁶	<u>\$ 584</u>	<u>\$ 573</u>	<u>\$ 11</u>	2%

¹ GAAP financial results are adjusted to exclude the effects of the February 3, 2023 derailment in Eastern Ohio (the Incident). During the second quarter of 2024 and 2023, the Company recorded \$65 million of net recoveries and \$416 million of expenses related to the Incident, respectively. During the first quarter of 2024 the Company recorded \$592 million of expenses related to the incident. The income tax effects of this non-GAAP adjustment were calculated based on the applicable tax rates to which the non-GAAP adjustment related. Management believes these non-GAAP financial measures provide valuable information regarding earnings and business trends of the Company. We use these non-GAAP financial measures internally and believe this information provides useful supplemental information to investors to facilitate making period-to-period comparisons and assessing trends in our performance by excluding the effects of the Incident.

² GAAP financial results are adjusted to exclude the effects of restructuring and other charges included in "Other income - net". During the second quarter of 2024, the Company recorded \$3 million of favorability related to the restructuring and a \$20 million curtailment gain on our postretirement benefit plan resulting from the restructuring. During the first quarter of 2024, the Company recorded \$99 million of restructuring and other charges associated with a voluntary and an involuntary separation program executed in the first quarter of 2024 as well as costs associated with the March 2024 appointment of our chief operating officer. The income tax effects of this non-GAAP adjustment were calculated based on the applicable tax rates to which the non-GAAP adjustment related. Management believes these non-GAAP financial measures provide valuable information regarding earnings and business trends of the Company. We use these non-GAAP financial measures internally and believe this information provides useful supplemental information to investors to facilitate making period-to-period comparisons and assessing trends in our performance by excluding by excluding these costs.

³ GAAP financial results are adjusted to exclude the effects of costs associated with shareholder advisory matters. During the first and second quarters of 2024, the Company incurred costs of \$21 million and \$29 million, respectively, related to shareholder advisory matters. The income tax effects of this non-GAAP adjustment were calculated based on the applicable tax rates to which the non-GAAP adjustment related. Management believes these non-GAAP financial measures provide valuable information regarding earnings and business trends of the Company. We use these non-GAAP financial measures internally and believe this information provides useful supplemental information to investors to facilitate making period-to-period comparisons and assessing trends in our performance by excluding by excluding these costs.

⁴ GAAP financial results are adjusted to exclude the effects of a deferred income tax adjustment of \$27 million recorded in the first quarter of 2024, the result of a subsidiary restructuring that reduced our estimated deferred state income tax rate. Management believes these non-GAAP financial measures provide valuable information regarding earnings and business trends of the Company. We use these non-GAAP financial measures internally and believe this information provides useful supplemental information to investors to facilitate making period-to-period comparisons and assessing trends in our performance by excluding by excluding this tax benefit.

⁵ Revenue per unit as used here is to reflect average revenue per unit absent the effect of fuel surcharges. Management believes this non-GAAP financial measure provides useful supplemental information to investors regarding the Company's pricing trends, by excluding the volatility introduced by fuel surcharges, and is useful for period-over-period comparisons of these trends.

⁶ Revenue as used here is to reflect intermodal revenue absent the effect of fuel surcharges and intermodal storage revenues. Management believes this non-GAAP financial measure provides useful supplemental information to investors regarding the Company's pricing trends, by excluding the volatility introduced by fuel surcharges and the impact of intermodal storage revenues, which can fluctuate based on customer behavior and supply chain fluidity, and is useful for period-over-period comparisons of these trends.

The Company uses these non-GAAP financial measures internally and believes this information provides useful supplemental information to investors regarding the Company's financial performance as compared to prior periods. While the Company believes that these non-GAAP financial measures are useful in evaluating the Company's business, this information should be considered as supplemental in nature and is not meant to be considered in isolation from, or as a substitute for, the related financial information prepared in accordance with GAAP. In addition, these non-GAAP financial measures may not be the same as similar measures presented by other companies. With respect to projections and estimates for future non-GAAP operating ratio, including full-year 2024 adjusted operating ratio guidance and our longer term adjusted operating ratio target, the Company is unable to predict or estimate with reasonable certainty the ultimate outcome of certain items required for the GAAP measure without unreasonable effort. Information about the adjustments that are not currently available to the Company could have a potentially unpredictable and significant impact on future GAAP results.