

Reconciliation of Non-GAAP Financial Measures

Information presented by Mark R. George, Claude E. Elkins, and Jason A. Zampi during NS' third quarter earnings conference call on October 22, 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 sales of railway lines¹, the Eastern Ohio incident², restructuring and other charges³, and shareholder advisory costs⁴

(\$ in millions, except per share amounts)

	Third Quarter 2024				
	Reported 2024 (GAAP)	Sales of Railway Lines ¹	Eastern Ohio Incident ²	Restructuring and Other Charges ³	Adjusted 2024 (Non-GAAP ^{1,2,3})
Railway operating expenses					
Compensation and benefits	\$ 690	\$ -	\$ -	\$ -	\$ 690
Purchased services and rents	497	-	-	-	497
Fuel	216	-	-	-	216
Depreciation	339	-	-	-	339
Materials and other	(188)	380	-	-	192
Restructuring and other charges	60	-	-	(60)	-
Eastern Ohio incident	(159)	-	159	-	-
Total railway operating expenses	\$ 1,455	\$ 380	\$ 159	\$ (60)	\$ 1,934
Income from railway operations	\$ 1,596	\$ (380)	\$ (159)	\$ 60	\$ 1,117
Income taxes	\$ 328	\$ (93)	\$ (39)	\$ 15	\$ 211
Net income	\$ 1,099	\$ (287)	\$ (120)	\$ 45	\$ 737
Earnings per share - diluted	\$ 4.85	\$ (1.27)	\$ (0.53)	\$ 0.20	\$ 3.25
Railway operating ratio (%)	47.7	12.5	5.2	(2.0)	63.4
	Second Quarter 2024				
	Reported 2024 (GAAP)	Eastern Ohio Incident ²	Restructuring and Other Charges ³	Shareholder Advisory Costs ⁴	Adjusted 2024 (Non-GAAP ^{2,3,4})
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	\$ 1,913	\$ 65	\$ 3	\$ -	\$ 1,981
Income from railway operations	\$ 1,131	\$ (65)	\$ (3)	\$ -	\$ 1,063
Other income - net	\$ 17	\$ -	\$ (20)	\$ 29	\$ 26
Income taxes	\$ 207	\$ (16)	\$ (7)	\$ 7	\$ 191
Net income	\$ 737	\$ (49)	\$ (16)	\$ 22	\$ 694
Earnings per share - diluted	\$ 3.25	\$ (0.22)	\$ (0.07)	\$ 0.10	\$ 3.06
Railway operating ratio (%)	62.8	2.2	0.1	-	65.1
	First Quarter 2024				
	Reported 2024 (GAAP)	Eastern Ohio Incident ²	Restructuring and Other Charges ³	Adjusted 2024 (Non-GAAP ^{2,3})	
Railway operating ratio (%)	92.9	(19.7)	(3.3)	69.9	

Third Quarter 2023

	Reported 2023 (GAAP)	Eastern Ohio Incident ²	Adjusted 2023 (Non-GAAP ³)
Railway operating expenses			
Compensation and benefits	\$ 715	\$ -	\$ 715
Purchased services and rents	517	-	517
Fuel	289	-	289
Depreciation	326	-	326
Materials and other	205	-	205
Eastern Ohio incident	163	(163)	-
Total railway operating expenses	<u>\$ 2,215</u>	<u>\$ (163)</u>	<u>\$ 2,052</u>
Income from railway operations	<u>\$ 756</u>	<u>\$ 163</u>	<u>\$ 919</u>
Income taxes	<u>\$ 136</u>	<u>\$ 40</u>	<u>\$ 176</u>
Net income	<u>\$ 478</u>	<u>\$ 123</u>	<u>\$ 601</u>
Earnings per share - diluted	<u>\$ 2.10</u>	<u>\$ 0.55</u>	<u>\$ 2.65</u>
Railway operating ratio (%)	74.6	(5.5)	69.1

Revenue Per Unit

Third Quarter	2024	2023	Change	% Change
Total revenue per unit	\$ 1,694	\$ 1,760	\$ (66)	-4%
Less: Fuel surcharge revenue per unit	132	146	(14)	-10%
Revenue per unit less fuel surcharge revenue ⁵	<u>\$ 1,562</u>	<u>\$ 1,614</u>	<u>\$ (52)</u>	-3%
Merchandise revenue per unit	\$ 3,299	\$ 3,241	\$ 58	2%
Less: Fuel surcharge revenue per unit	153	159	(6)	-4%
Merchandise revenue per unit less fuel surcharge revenue ⁵	<u>\$ 3,146</u>	<u>\$ 3,082</u>	<u>\$ 64</u>	2%
Intermodal revenue per unit	\$ 726	\$ 764	\$ (38)	-5%
Less: Fuel surcharge revenue per unit	136	156	(20)	-13%
Intermodal revenue per unit less fuel surcharge revenue ⁵	<u>\$ 590</u>	<u>\$ 608</u>	<u>\$ (18)</u>	-3%
Coal revenue per unit	\$ 2,306	\$ 2,602	\$ (296)	-11%
Less: Fuel surcharge revenue per unit	46	50	(4)	-8%
Coal revenue per unit less fuel surcharge revenue ⁵	<u>\$ 2,260</u>	<u>\$ 2,552</u>	<u>\$ (292)</u>	-11%

Sequential	Q3 2024	Q2 2024	Change	% Change
Merchandise revenue per unit	\$ 3,299	\$ 3,304	\$ (5)	0%
Less: Fuel surcharge revenue per unit	153	176	(23)	-13%
Merchandise revenue per unit less fuel surcharge revenue ⁵	<u>\$ 3,146</u>	<u>\$ 3,128</u>	<u>\$ 18</u>	1%
Intermodal revenue per unit	\$ 726	\$ 739	\$ (13)	-2%
Less: Fuel surcharge revenue per unit	136	147	(11)	-7%
Intermodal revenue per unit less fuel surcharge revenue ⁵	<u>\$ 590</u>	<u>\$ 592</u>	<u>\$ (2)</u>	0%
Coal revenue per unit	\$ 2,306	\$ 2,445	\$ (139)	-6%
Less: Fuel surcharge revenue per unit	46	63	(17)	-27%
Coal revenue per unit less fuel surcharge revenue ⁵	<u>\$ 2,260</u>	<u>\$ 2,382</u>	<u>\$ (122)</u>	-5%

¹ GAAP financial results are adjusted to exclude gains on railway line sales. During the third quarter of 2024, the Company completed sales of two railway lines in the states of Virginia and North Carolina resulting in gains of \$380 million on operating property sales. 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 these gains.

² GAAP financial results are adjusted to exclude the effects of the February 3, 2023 derailment in Eastern Ohio (the Incident). During the third quarter of 2024 and 2023, the Company recorded \$159 million of net recoveries and \$163 million of expenses related to the Incident, respectively. During the first and second quarters of 2024, the Company recorded \$592 million of expenses and \$65 million of net recoveries related to the Incident, respectively. 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.

³ GAAP financial results are adjusted to exclude the effects of restructuring and other charges. During the third quarter of 2024, the Company recorded \$60 million associated with the rationalization of certain software development projects that had not been placed in service and reflecting certain equipment at its net realizable value in advance of the planned disposition of that asset class. 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.

⁴ GAAP financial results are adjusted to exclude the effects of costs associated with shareholder advisory matters. During the second quarter of 2024, the Company recorded \$29 million for costs associated with 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.

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.

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.