

Reconciliation of Non-GAAP Financial Measures

Information presented by Claude E. Elkins and Mark R. George during NS' third quarter earnings conference call on October 26, 2022 (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).

Revenue Per Unit

Third Quarter	2022	2021	Change	% Change
Total revenue per unit	\$ 1,938	\$ 1,619	\$ 319	20%
Less: Fuel surcharge revenue per unit	<u>291</u>	<u>99</u>	<u>192</u>	194%
Revenue per unit less fuel surcharge revenue ¹	<u>\$ 1,647</u>	<u>\$ 1,520</u>	<u>\$ 127</u>	8%
Merchandise revenue per unit	\$ 3,388	\$ 2,946	\$ 442	15%
Less: Fuel surcharge revenue per unit	<u>385</u>	<u>87</u>	<u>298</u>	343%
Merchandise revenue per unit less fuel surcharge revenue ¹	<u>\$ 3,003</u>	<u>\$ 2,859</u>	<u>\$ 144</u>	5%
Intermodal revenue per unit	\$ 968	\$ 796	\$ 172	22%
Less: Fuel surcharge revenue per unit	<u>252</u>	<u>119</u>	<u>133</u>	112%
Intermodal revenue per unit less fuel surcharge revenue ¹	<u>\$ 716</u>	<u>\$ 677</u>	<u>\$ 39</u>	6%
Coal revenue per unit	\$ 2,575	\$ 2,057	\$ 518	25%
Less: Fuel surcharge revenue per unit	<u>200</u>	<u>17</u>	<u>183</u>	1076%
Coal revenue per unit less fuel surcharge revenue ¹	<u>\$ 2,375</u>	<u>\$ 2,040</u>	<u>\$ 335</u>	16%

Free Cash Flow

(\$ in millions)

Nine Months Ended September 30	2022	2021
Net cash provided by operating activities	\$ 3,424	\$ 3,313
Property additions	<u>(1,282)</u>	<u>(1,025)</u>
Free cash flow ²	2,142	2,288
Property sales and other transactions	193	135
Investment purchases	(8)	(5)
Investment sales and other transactions	37	48
Net cash used in financing activities	<u>(1,989)</u>	<u>(2,116)</u>
Net increase in cash and cash equivalents	<u>\$ 375</u>	<u>\$ 350</u>

Free Cash Flow Conversion

(\$ in millions)

Nine Months Ended September 30	2022
Net cash provided by operating activities	\$ 3,424
Property additions	<u>(1,282)</u>
Free cash flow ²	<u>\$ 2,142</u>
Net income	<u>\$ 2,480</u>
Ratio of free cash flow to net income ³	86%

¹ 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.

² Free cash flow as used here is a function of cash provided by operating activities reduced by property additions and is a measure of cash available for other investing and financing activities, primarily including payment of dividends, repurchases of common stock and repayments of debt. Management believes that this non-GAAP financial measure provides useful supplemental information to investors regarding the Company's ability to generate cash flows after taking into consideration cash necessary to cover operations and maintain and grow our capital base.

³ Free cash flow conversion as used here is cash from operations less property additions as a ratio of net income. Management believes this non-GAAP financial measure provides useful supplemental information to investors regarding the Company's ability to generate cash, which can be used for investing and financing activities, prior to incurring additional external financing.

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.