

Reconciliation of Non-GAAP Financial Measures

Information presented by James A. Squires, Alan H. Shaw, and Mark R. George during NS' first quarter earnings conference call on April 28, 2021 (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).

Consolidated Statements of Income - excluding loss on asset disposal¹

(\$ in millions except per share amounts)

| | First Quarter | | |
|----------------------------------|-----------------|---------------------------|---|
| | 2021 (GAAP) | Loss on asset disposal | 2020 excluding impact of charge (Non-GAAP ¹) |
| Railway operating expenses | | | |
| Compensation and benefits | \$ 622 | \$ - | \$ 622 |
| Purchased services and rents | 403 | - | 403 |
| Fuel | 189 | - | 189 |
| Depreciation | 292 | - | 292 |
| Materials and other | 166 | - | 166 |
| Loss on asset disposal | <u>385</u> | <u>(385)</u> | <u>-</u> ¹ |
| Total railway operating expenses | <u>\$ 2,057</u> | <u>\$ (385)</u> | <u>\$ 1,672</u> ¹ |
| Income from railway operations | <u>\$ 568</u> | <u>\$ 385</u> | <u>\$ 953</u> ¹ |
| Income before income taxes | \$ 436 | \$ 385 | \$ 821 ¹ |
| Income taxes | <u>55</u> | <u>97</u> | <u>152</u> ¹ |
| Net income | <u>\$ 381</u> | <u>\$ 288</u> | <u>\$ 669</u> ¹ |
| Earnings per share - diluted | <u>\$ 1.47</u> | <u>\$ 1.11</u> | <u>\$ 2.58</u> ¹ |
| Railway operating ratio (%) | 78.4 | (14.7) | 63.7 ¹ |

Revenue Per Unit

| First Quarter | 2021 | 2020 | Change | % Change |
|---|-----------------|-----------------|----------------|----------|
| Total revenue per unit | \$ 1,519 | \$ 1,556 | \$ (37) | -2% |
| Less: Fuel surcharge revenue per unit | <u>56</u> | <u>78</u> | <u>(22)</u> | -28% |
| Revenue per unit less fuel surcharge revenue ² | <u>\$ 1,463</u> | <u>\$ 1,478</u> | <u>\$ (15)</u> | -1% |
| Merchandise revenue per unit | \$ 2,903 | \$ 2,939 | \$ (36) | -1% |
| Less: Fuel surcharge revenue per unit | <u>21</u> | <u>64</u> | <u>(43)</u> | -67% |
| Merchandise revenue per unit less fuel surcharge revenue ² | <u>\$ 2,882</u> | <u>\$ 2,875</u> | <u>\$ 7</u> | 0% |
| Intermodal revenue per unit | \$ 708 | \$ 685 | \$ 23 | 3% |
| Less: Fuel surcharge revenue per unit | <u>84</u> | <u>96</u> | <u>(12)</u> | -13% |
| Intermodal revenue per unit less fuel surcharge revenue ² | <u>\$ 624</u> | <u>\$ 589</u> | <u>\$ 35</u> | 6% |
| Coal revenue per unit | \$ 1,872 | \$ 1,826 | \$ 46 | 3% |
| Less: Fuel surcharge revenue per unit | <u>2</u> | <u>15</u> | <u>(13)</u> | -87% |
| Coal revenue per unit less fuel surcharge revenue ² | <u>\$ 1,870</u> | <u>\$ 1,811</u> | <u>\$ 59</u> | 3% |

Free Cash Flow

(\$ in millions)

| Three Months Ended March 31 | 2021 | 2020 |
|--|-----------------|--------------|
| Net cash provided by operating activities | \$ 1,015 | \$ 955 |
| Property additions | <u>(265)</u> | <u>(366)</u> |
| Free cash flow ³ | 750 | 589 |
| Property sales and other transactions | 37 | 158 |
| Investment sales and other transactions | 26 | (25) |
| Net cash used in financing activities | <u>(930)</u> | <u>(694)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>\$ (117)</u> | <u>\$ 28</u> |

¹ GAAP financial results are adjusted to exclude the effects of a non-cash charge. The Company recorded a \$385 million loss on asset disposal related to the sale of 703 locomotives. The income tax effect of this non-GAAP adjustment was calculated based on the applicable tax rate to which the non-GAAP adjustment related. The Company uses these non-GAAP financial measures internally and believes this information provides useful supplemental information to investors to facilitate making period-to-period comparisons by excluding the 2020 charge.

² Revenue per unit and revenue as used here is to reflect average revenue per unit and revenue 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.

³ Free cash flow as used here is a function of cash provided by operating activities reduced by current period 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.

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.