

Reconciliation of Non-GAAP Financial Measures

Information presented by James A. Squires, Alan H. Shaw and Marta R. Stewart during NS' fourth quarter earnings conference call on January 25, 2017 (posted elsewhere on our website) included non-GAAP financial measures, as defined by SEC Regulation G. Non-GAAP financial measures should be considered in addition to, not as a substitute for, the financial measure reported in accordance with U.S. generally accepted accounting principles (GAAP).

Operating Results - excluding Restructuring Costs

(\$ in millions)

Fourth Quarter	2016	2015	Restructuring Costs	Adjusted 2015	Change
Railway Operating Revenues	\$ 2,490	2,518	\$	\$ 2,518	\$ (28)
Railway Operating Expenses	1,729	1,876	(49)	1,827	(98)
Income from Railway Operations	<u>\$ 761</u>	<u>642</u>	<u>\$ 49</u>	<u>\$ 691</u>	<u>\$ 70</u>
Railway Operating Ratio ¹	69.4	74.5		72.5	(3.1)

Revenue

(\$ in millions)

Twelve Months Ended December 31	2016	2015	Change	% Change
Total revenue	\$ 9,888	\$ 10,511	\$ (623)	-6%
Less: Fuel surcharge revenue	236	477	(241)	-51%
Revenue less fuel surcharge revenue ²	<u>\$ 9,652</u>	<u>\$ 10,034</u>	<u>\$ (382)</u>	-4%
Merchandise revenue	\$ 6,182	\$ 6,279	\$ (97)	-2%
Less: Fuel surcharge revenue	16	97	(81)	-84%
Merchandise revenue less fuel surcharge revenue ²	<u>\$ 6,166</u>	<u>\$ 6,182</u>	<u>\$ (16)</u>	0%
Intermodal revenue	\$ 2,218	\$ 2,409	\$ (191)	-8%
Less: Triple Crown revenue, excluding fuel surcharge revenue	58	252	(194)	-77%
Less: Fuel surcharge revenue	198	317	(119)	-38%
Intermodal revenue less Triple Crown and fuel surcharge revenue ^{2,3}	<u>\$ 1,962</u>	<u>1,840</u>	<u>122</u>	7%
Coal revenue	\$ 1,488	\$ 1,823	\$ (335)	-18%
Less: Fuel surcharge revenue	22	63	(41)	-65%
Coal revenue less fuel surcharge revenue ²	<u>\$ 1,466</u>	<u>\$ 1,760</u>	<u>\$ (294)</u>	-17%

Revenue Per Unit

Twelve Months Ended December 31	2016	2015	Change	% Change
Total revenue per unit	\$ 1,362	\$ 1,405	\$ (43)	-3%
Less: Fuel surcharge revenue per unit	32	63	(31)	-49%
Revenue per unit less fuel surcharge revenue ²	<u>\$ 1,330</u>	<u>\$ 1,342</u>	<u>\$ (12)</u>	-1%

Revenue

Fourth Quarter	2016	2015	Change	% Change
Total revenue	\$ 2,490	\$ 2,518	\$ (28)	-1%
Less: Fuel surcharge revenue	<u>70</u>	<u>82</u>	<u>(12)</u>	-15%
Revenue less fuel surcharge revenue ²	<u>\$ 2,420</u>	<u>\$ 2,436</u>	<u>\$ (16)</u>	-1%
Merchandise revenue	\$ 1,504	\$ 1,522	\$ (18)	-1%
Less: Fuel surcharge revenue	<u>5</u>	<u>8</u>	<u>(3)</u>	-38%
Merchandise revenue less fuel surcharge revenue ²	<u>\$ 1,499</u>	<u>\$ 1,514</u>	<u>\$ (15)</u>	-1%
Intermodal revenue	\$ 583	\$ 563	\$ 20	4%
Less: Fuel surcharge revenue	<u>58</u>	<u>62</u>	<u>(4)</u>	-6%
Intermodal revenue less fuel surcharge revenue ²	<u>\$ 525</u>	<u>\$ 501</u>	<u>\$ 24</u>	5%
Coal revenue	\$ 403	\$ 433	\$ (30)	-7%
Less: Fuel surcharge revenue	<u>7</u>	<u>12</u>	<u>(5)</u>	-42%
Coal revenue less fuel surcharge revenue ²	<u>\$ 396</u>	<u>\$ 421</u>	<u>\$ (25)</u>	-6%

Revenue Per Unit

Fourth Quarter	2016	2015	Change	% Change
Total revenue per unit	\$ 1,354	\$ 1,396	\$ (42)	-3%
Less: Fuel surcharge revenue per unit	<u>38</u>	<u>45</u>	<u>(7)</u>	-16%
Revenue per unit less fuel surcharge revenue ²	<u>\$ 1,316</u>	<u>\$ 1,351</u>	<u>\$ (35)</u>	-3%
Merchandise revenue per unit	\$ 2,486	\$ 2,453	\$ 33	1%
Less: Fuel surcharge revenue per unit	<u>8</u>	<u>15</u>	<u>(7)</u>	-47%
Merchandise revenue per unit less fuel surcharge revenue ²	<u>\$ 2,478</u>	<u>\$ 2,438</u>	<u>\$ 40</u>	2%
Intermodal revenue per unit	\$ 585	\$ 602	\$ (17)	-3%
Less: Fuel surcharge revenue per unit	<u>58</u>	<u>66</u>	<u>(8)</u>	-12%
Intermodal revenue per unit less fuel surcharge revenue ²	<u>\$ 527</u>	<u>\$ 536</u>	<u>\$ (9)</u>	-2%
Coal revenue per unit	\$ 1,689	\$ 1,746	\$ (57)	-3%
Less: Fuel surcharge revenue per unit	<u>29</u>	<u>45</u>	<u>(16)</u>	-36%
Coal revenue per unit less fuel surcharge revenue ²	<u>\$ 1,660</u>	<u>\$ 1,701</u>	<u>\$ (41)</u>	-2%

Intermodal Revenue

(\$ in millions)

Fourth Quarter	2016	2015	Change	% Change
Intermodal revenue	\$ 583	\$ 563	\$ 20	4%
Less: Triple Crown revenue, excluding fuel surcharge revenue	12	38	(26)	-68%
Less: Triple Crown fuel surcharge revenue	<u>3</u>	<u>8</u>	<u>(5)</u>	-63%
Intermodal revenue less Triple Crown ³	568	517	51	10%
Less: All other fuel surcharge revenue	<u>55</u>	<u>54</u>	<u>1</u>	2%
Intermodal revenue less Triple Crown and fuel surcharge revenue ^{2,3}	<u>\$ 513</u>	<u>\$ 463</u>	<u>\$ 50</u>	11%

Intermodal Revenue Per Unit

Fourth Quarter	2016	2015	Change	% Change
Intermodal revenue per unit	\$ 585	\$ 602	\$ (17)	-3%
Less: Triple Crown revenue per unit	<u>6</u>	<u>25</u>	<u>(19)</u>	-76%
Intermodal revenue per unit less Triple Crown ³	579	577	2	0%
Less: Fuel surcharge revenue per unit	<u>57</u>	<u>59</u>	<u>(2)</u>	-3%
Intermodal revenue per unit less Triple Crown and fuel surcharge revenue ^{2,3}	<u>\$ 522</u>	<u>\$ 518</u>	<u>\$ 4</u>	1%

Free Cash Flow

(\$ in millions)

Twelve Months Ended December 31	2016	2015
Net cash provided by operating activities	\$ 3,034	\$ 2,908
Property additions	<u>(1,887)</u>	<u>(2,385)</u>
Free cash flow ⁴	1,147	523
Property sales and other transactions	130	63
Investment purchases	(123)	(5)
Investment sales and other transactions	48	240
Net cash used in financing activities	<u>(1,347)</u>	<u>(693)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (145)</u>	<u>\$ 128</u>

¹ Adjusted operating ratio as used here is to reflect the operating ratio absent the effects of the Triple Crown and Roanoke, Va. office restructuring costs. Management believes this non-GAAP financial measure provides useful supplemental information to investors regarding the Company's expense trends, by excluding these particular expenses, and is useful for period-over-period comparisons of these trends.

² Revenue and revenue per unit as used here is to reflect revenue and average revenue per unit absent the effect of fuel surcharges. Management believes these non-GAAP financial measures provide 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 Intermodal revenue and revenue per unit as used here are to reflect these measures absent Triple Crown due to its restructuring. Management believes this non-GAAP financial measure provides useful supplemental information to investors regarding the Company's pricing trends, by excluding the impact of the restructuring, and is useful for period-over-period comparisons of these trends.

⁴ 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 financial measures internally. While the Company believes that these 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 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.