

Reconciliation of Non-GAAP Performance Measures

Information presented by Marta R. Stewart during NS' fourth quarter earnings conference call on January 22, 2014 (posted elsewhere on our web site) included non-GAAP financial measures, as defined by SEC Regulation G. Non-GAAP performance measures should be considered in addition to, not as a substitute for, the financial performance reported in accordance with U.S. generally accepted accounting principles (GAAP).

Consolidated Statements of Income

(\$ in millions)

Twelve Months Ended December 31,	2013 Reported	Land Sale Adjustment	2013 Adjusted
Income from railway operations	\$ 3,257	\$ --	\$ 3,257
Other income - net ¹	233	(97)	136
Interest expense on debt	525	--	525
Income before income taxes ¹	2,965	(97)	2,868
Total income taxes ¹	1,055	(37)	1,018
Net income ¹	<u>\$ 1,910</u>	<u>\$ (60)</u>	<u>\$ 1,850</u>

Diluted Earnings Per Share

(in millions, except per share amounts)

Twelve Months Ended December 31,	2013 Reported	Land Sale Adjustment	2013 Adjusted
Net income ¹	\$ 1,910	\$ (60)	\$ 1,850
Dividend equivalent payments	(4)	--	(4)
Income available to common stockholders ¹	1,906	(60)	1,846
Adjusted weighted-average shares outstanding	315.5	315.5	315.5
Diluted earnings per share ¹	<u>\$ 6.04</u>	<u>\$ (0.19)</u>	<u>\$ 5.85</u>

¹ Other income - net, Income before income taxes, Total income taxes, Net income, Income available to common stockholders and Diluted earnings per share as shown in the "2013 Adjusted" column exclude the Michigan land sale gain.

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Free Cash Flow

(\$ in millions)

Twelve Months Ended December 31,	2013	2012
Net cash provided by operating activities	\$ 3,078	\$ 3,065
Property additions	<u>(1,971)</u>	<u>(2,241)</u>
Free cash flow ¹	1,107	824
Property sales and other transactions	144	192
Investments, including short-term	(130)	(23)
Investment sales and other transactions	63	78
Net cash used in financing activities	<u>(394)</u>	<u>(694)</u>
Net increase in cash and cash equivalents	<u>\$ 790</u>	<u>\$ 377</u>

¹Free cash flow as used here is a measure of cash available for other investing activities and financing activities, including repurchases of common stock and payment of dividends.