

Reconciliation of Non-GAAP Financial Measures

Information presented by Alan H. Shaw and Marta R. Stewart during NS' fourth quarter earnings conference call on January 27, 2016 (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).

Revenue

(\$ in millions)

Fourth Quarter	2015	2014	Change	% Change
Total revenue	\$ 2,518	\$ 2,870	\$ (352)	-12%
Less: Fuel surcharge revenue	82	308	(226)	-73%
Revenue less fuel surcharge revenue ¹	<u>\$ 2,436</u>	<u>\$ 2,562</u>	<u>\$ (126)</u>	-5%
Coal revenue	\$ 433	\$ 543	\$ (110)	-20%
Less: Fuel surcharge revenue	12	52	(40)	-77%
Coal revenue less fuel surcharge revenue ¹	<u>\$ 421</u>	<u>\$ 491</u>	<u>\$ (70)</u>	-14%
Merchandise revenue	\$ 1,522	\$ 1,678	\$ (156)	-9%
Less: Fuel surcharge revenue	8	132	(124)	-94%
Merchandise revenue less fuel surcharge revenue ¹	<u>\$ 1,514</u>	<u>\$ 1,546</u>	<u>\$ (32)</u>	-2%
Intermodal revenue	\$ 563	\$ 649	\$ (86)	-13%
Less: Fuel surcharge revenue	62	124	(62)	-50%
Intermodal revenue less fuel surcharge revenue ¹	<u>\$ 501</u>	<u>\$ 525</u>	<u>\$ (24)</u>	-5%

Revenue Per Unit

Fourth Quarter	2015	2014	Change	% Change
Total revenue per unit	\$ 1,396	\$ 1,489	\$ (93)	-6%
Less: Fuel surcharge revenue per unit	45	160	(115)	-72%
Revenue per unit less fuel surcharge revenue ¹	<u>\$ 1,351</u>	<u>\$ 1,329</u>	<u>\$ 22</u>	2%
Coal revenue per unit	\$ 1,746	\$ 1,799	\$ (53)	-3%
Less: Fuel surcharge revenue per unit	45	170	(125)	-74%
Coal revenue per unit less fuel surcharge revenue ¹	<u>\$ 1,701</u>	<u>\$ 1,629</u>	<u>\$ 72</u>	4%
Merchandise revenue per unit	\$ 2,453	\$ 2,594	\$ (141)	-5%
Less: Fuel surcharge revenue per unit	15	204	(189)	-93%
Merchandise revenue per unit less fuel surcharge revenue ¹	<u>\$ 2,438</u>	<u>\$ 2,390</u>	<u>\$ 48</u>	2%
Intermodal revenue per unit	\$ 602	\$ 662	\$ (60)	-9%
Less: Fuel surcharge revenue per unit	66	126	(60)	-48%
Intermodal revenue per unit less fuel surcharge revenue ¹	<u>\$ 536</u>	<u>\$ 536</u>	<u>\$ -</u>	0%

Revenue

(\$ in millions)

Twelve Months Ended December 31	2015	2014	Change	% Change
Total revenue	\$ 10,511	\$ 11,624	\$ (1,113)	-10%
Less: Fuel surcharge revenue	477	1,329	(852)	-64%
Revenue less fuel surcharge revenue ¹	\$ 10,034	\$ 10,295	\$ (261)	-3%
Coal revenue	\$ 1,823	\$ 2,382	\$ (559)	-23%
Less: Fuel surcharge revenue	63	246	(183)	-74%
Coal revenue less fuel surcharge revenue ¹	\$ 1,760	\$ 2,136	\$ (376)	-18%
Merchandise revenue	\$ 6,279	\$ 6,680	\$ (401)	-6%
Less: Fuel surcharge revenue	97	569	(472)	-83%
Merchandise revenue less fuel surcharge revenue ¹	\$ 6,182	\$ 6,111	\$ 71	1%
Intermodal revenue	\$ 2,409	\$ 2,562	\$ (153)	-6%
Less: Fuel surcharge revenue	317	514	(197)	-38%
Intermodal revenue less fuel surcharge revenue ¹	\$ 2,092	\$ 2,048	\$ 44	2%

Revenue Per Unit

Twelve Months Ended December 31	2015	2014	Change	% Change
Total revenue per unit	\$ 1,405	\$ 1,515	\$ (110)	-7%
Less: Fuel surcharge revenue per unit	63	174	(111)	-64%
Revenue per unit less fuel surcharge revenue ¹	\$ 1,342	\$ 1,341	\$ 1	0%

Intermodal Revenue

(\$ in millions)

<u>Fourth Quarter</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Intermodal revenue	\$ 563	\$ 649	\$ (86)	-13%
Less: Triple Crown revenue	46	94	(48)	-51%
Intermodal revenue less Triple Crown ²	517	555	(38)	-7%
Less: Fuel surcharge revenue	54	103	(49)	-48%
Intermodal revenue less Triple Crown and fuel surcharge revenue ^{1,2}	<u>\$ 463</u>	<u>\$ 452</u>	<u>\$ 11</u>	2%

Intermodal Volume

(units in thousands)

<u>Fourth Quarter</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Intermodal Volume	934.9	979.3	(44.4)	-5%
Less: Triple Crown	39.7	72.3	(32.6)	-45%
Intermodal volume less Triple Crown ²	<u>895.2</u>	<u>907.0</u>	<u>(11.8)</u>	-1%

Intermodal Revenue Per Unit

<u>Fourth Quarter</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Intermodal revenue per unit	\$ 602	\$ 662	\$ (60)	-9%
Less: Triple Crown revenue per unit	25	50	(25)	-50%
Intermodal revenue per unit less Triple Crown ²	577	612	(35)	-6%
Less: Fuel surcharge revenue per unit	60	114	(54)	-47%
Intermodal revenue per unit less Triple Crown and fuel surcharge revenue ^{1,2}	<u>\$ 517</u>	<u>\$ 498</u>	<u>\$ 19</u>	4%

Operating Results - excluding Restructuring Costs

(\$ in millions)

<u>Fourth Quarter</u>	<u>2015</u>	<u>Restructuring Costs</u>	<u>Adjusted 2015</u>
Railway Operating Revenues	\$ 2,518	\$	\$ 2,518
Railway Operating Expenses	<u>1,876</u>	<u>(49)</u>	<u>1,827</u>
Income from Railway Operations	<u>\$ 642</u>	<u>\$ 49</u>	<u>\$ 691</u>
Railway Operating Ratio ³	74.5		72.5

<u>Twelve Months Ended December 31</u>	<u>2015</u>	<u>Restructuring Costs</u>	<u>Adjusted 2015</u>
Railway Operating Revenues	\$ 10,511	\$	\$ 10,511
Railway Operating Expenses	<u>7,627</u>	<u>(93)</u>	<u>7,534</u>
Income from Railway Operations	<u>\$ 2,884</u>	<u>\$ 93</u>	<u>\$ 2,977</u>
Railway Operating Ratio ³	72.6		71.7

Free Cash Flow

(\$ in millions)

<u>Twelve Months Ended December 31</u>	<u>2015</u>	<u>2014</u>
Net cash provided by operating activities	\$ 2,877	\$ 2,852
Property additions	<u>(2,385)</u>	<u>(2,118)</u>
Free cash flow ⁴	492	734
Property sales and other transactions	63	114
Investments, including short-term	(5)	(104)
Investment sales and other transactions	240	106
Net cash used in financing activities	<u>(662)</u>	<u>(1,320)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 128</u>	<u>\$ (470)</u>

Depreciation Expense

(\$ in millions)

<u>Fourth Quarter</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Depreciation expense	\$ 287	\$ 240	\$ 47	20%
Less: Triple Crown restructuring costs	<u>37</u>	<u>-</u>	<u>37</u>	-
Depreciation expense less Triple Crown restructuring costs ⁵	<u>\$ 250</u>	<u>\$ 240</u>	<u>\$ 10</u>	4%

¹ Revenue and revenue per unit as used here is to reflect revenue and average revenue per unit absent the effect of fuel surcharges.

² Intermodal revenue, volume and revenue per unit as used here are to reflect these measures absent Triple Crown due to its restructuring.

³ 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.

⁴ Free cash flow as used here is a measure of cash available for other investing activities and financing activities, including payment of dividends and repurchases of common stock.

⁵ Depreciation expense less Triple Crown restructuring costs as used here is to reflect depreciation expense absent the effects of the Triple Crown restructuring.