

Reconciliation of Non-GAAP Financial Measures

Information presented by James A. Squires during NS' presentation at the Stifel conference February 10, 2015 (posted elsewhere on our web site) 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).

Free Cash Flow

(\$ in millions)

| Twelve Months Ended December 31, | 2014 | 2013 |
|--|-----------------|----------------|
| Net cash provided by operating activities | \$ 2,852 | \$ 3,078 |
| Property additions | <u>(2,118)</u> | <u>(1,971)</u> |
| Free cash flow ¹ | 734 | 1,107 |
| Property sales and other transactions | 114 | 144 |
| Investments, including short-term | (104) | (130) |
| Investment sales and other transactions | 106 | 63 |
| Net cash used in financing activities | <u>(1,320)</u> | <u>(394)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>\$ (470)</u> | <u>\$ 790</u> |

¹Free 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.

Reconciliation of Non-GAAP Performance Measures

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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.