

Reconciliation of Non-GAAP Financial Measures

Information presented by Cynthia C. Earhart and Alan H. Shaw during Norfolk Southern Corporation's Investor Day presentations on February 11, 2019 (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).

Free Cash Flow

(\$ in millions)

Twelve Months Ended December 31	2018
Net cash provided by operating activities	\$ 3,726
Property additions	<u>(1,951)</u>
Free cash flow ¹	1,775
Property sales and other transactions	204
Investment purchases	(10)
Investment sales and other transactions	99
Net cash used in financing activities	<u>(2,312)</u>
Net decrease in cash, cash equivalents, and restricted cash	<u>\$ (244)</u>

Conventional Intermodal Revenue Compound Annual Growth Rate (CAGR)

Twelve Months Ended December 31	2009	2018	CAGR
Intermodal revenue	\$ 1,530	\$ 2,893	7%
Less: Triple Crown Services (TCS) revenue	<u>300</u>	<u>88</u>	-13%
Conventional intermodal revenue ²	<u>\$ 1,230</u>	<u>\$ 2,805</u>	10%

Conventional Intermodal Revenue Per Unit

Fourth Quarter	2016	2015	Change	% Change
Intermodal revenue per unit	\$ 585	\$ 602	\$ (17)	-3%
Less: TCS revenue per unit	<u>6</u>	<u>25</u>	<u>(19)</u>	-76%
Conventional intermodal revenue per unit ²	<u>\$ 579</u>	<u>\$ 577</u>	<u>\$ 2</u>	0%
First Quarter	2017	2016	Change	% Change
Intermodal revenue per unit	\$ 589	\$ 562	\$ 27	5%
Less: TCS revenue per unit	<u>8</u>	<u>9</u>	<u>(1)</u>	-11%
Conventional intermodal revenue per unit ²	<u>\$ 581</u>	<u>\$ 553</u>	<u>\$ 28</u>	5%
Second Quarter	2017	2016	Change	% Change
Intermodal revenue per unit	\$ 587	\$ 565	\$ 22	4%
Less: TCS revenue per unit	<u>8</u>	<u>9</u>	<u>(1)</u>	-11%
Conventional intermodal revenue per unit ²	<u>\$ 579</u>	<u>\$ 556</u>	<u>\$ 23</u>	4%
Third Quarter	2017	2016	Change	% Change
Intermodal revenue per unit	\$ 600	\$ 579	\$ 21	4%
Less: TCS revenue per unit	<u>6</u>	<u>8</u>	<u>(2)</u>	-25%
Conventional intermodal revenue per unit ²	<u>\$ 594</u>	<u>\$ 571</u>	<u>\$ 23</u>	4%
Fourth Quarter	2017	2016	Change	% Change
Intermodal revenue per unit	\$ 629	\$ 585	\$ 44	8%
Less: TCS revenue per unit	<u>7</u>	<u>6</u>	<u>1</u>	17%
Conventional intermodal revenue per unit ²	<u>\$ 622</u>	<u>\$ 579</u>	<u>\$ 43</u>	7%

First Quarter	2018	2017	Change	% Change
Intermodal revenue per unit	\$ 647	\$ 589	\$ 58	10%
Less: TCS revenue per unit	<u>9</u>	<u>8</u>	<u>1</u>	13%
Conventional intermodal revenue per unit ²	<u>\$ 638</u>	<u>\$ 581</u>	<u>\$ 57</u>	10%
Second Quarter	2018	2017	Change	% Change
Intermodal revenue per unit	\$ 654	\$ 587	\$ 67	11%
Less: TCS revenue per unit	<u>9</u>	<u>8</u>	<u>1</u>	13%
Conventional intermodal revenue per unit ²	<u>\$ 645</u>	<u>\$ 579</u>	<u>\$ 66</u>	11%
Third Quarter	2018	2017	Change	% Change
Intermodal revenue per unit	\$ 669	\$ 600	\$ 69	12%
Less: TCS revenue per unit	<u>10</u>	<u>6</u>	<u>4</u>	67%
Conventional intermodal revenue per unit ²	<u>\$ 659</u>	<u>\$ 594</u>	<u>\$ 65</u>	11%
Fourth Quarter	2018	2017	Change	% Change
Intermodal revenue per unit	\$ 675	\$ 629	\$ 46	7%
Less: TCS revenue per unit	<u>9</u>	<u>7</u>	<u>2</u>	29%
Conventional intermodal revenue per unit ²	<u>\$ 666</u>	<u>\$ 622</u>	<u>\$ 44</u>	7%

¹ 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.

² Conventional intermodal revenue and conventional intermodal revenue per unit as used here are to reflect revenue and average revenue per unit absent TCS 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.

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 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.