

Reconciliation of Non-GAAP Financial Measures

Information presented by Mark R. George during NS' presentation at the Goldman Sachs Industrials and Materials Conference on May 15, 2020 (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).

Consolidated Statements of Income - excluding loss on asset disposal¹

(\$ in millions except per share amounts)

	First Quarter		
	2020 (GAAP)	Loss on asset disposal	2020 excluding impact of charge (Non-GAAP ¹)
Railway operating expenses			
Compensation and benefits	\$ 622	\$ -	\$ 622
Purchased services and rents	403	-	403
Fuel	189	-	189
Depreciation	292	-	292
Materials and other	166	-	166
Loss on asset disposal	<u>385</u>	<u>(385)</u>	<u>-</u> ¹
Total railway operating expenses	<u>\$ 2,057</u>	<u>\$ (385)</u>	<u>\$ 1,672</u> ¹
Income from railway operations	<u>\$ 568</u>	<u>\$ 385</u>	<u>\$ 953</u> ¹
Income before income taxes	\$ 436	\$ 385	\$ 821 ¹
Income taxes	<u>55</u>	<u>97</u>	<u>152</u> ¹
Net income	<u>\$ 381</u>	<u>\$ 288</u>	<u>\$ 669</u> ¹
Earnings per share - diluted	<u>\$ 1.47</u>	<u>\$ 1.11</u>	<u>\$ 2.58</u> ¹
Railway operating ratio (%)	78.4	(14.7)	63.7 ¹

¹ GAAP financial results are adjusted to exclude the effects of the loss on asset disposal in the first quarter of 2020. The Company recorded a non-cash charge related to the disposal of approximately 300 locomotives and the designation of an additional 400 locomotives as held for sale. The introduction of precision schedule railroading in 2019 continues to provide significant benefits to the network operations and has resulted in excess capacity resulting in the sidelining of these locomotives. The Company uses these non-GAAP financial measures internally and believes this information provides useful supplemental information to investors to facilitate making period-to-period comparisons by excluding the effects of the loss on asset disposal.

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.