

Reconciliation of Non-GAAP Financial Measures

Information presented by James A. Squires during NS' presentation at the Morgan Stanley 8th Annual Laguna Conference on Sept 17, 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).

Revenue Per Unit

Second Quarter	2020	2019	Change	% Change
Total revenue per unit	\$ 1,440	\$ 1,504	\$ (64)	-4%
Less: Fuel surcharge revenue per unit	47	74	(27)	-36%
Revenue per unit less fuel surcharge revenue ¹	<u>\$ 1,393</u>	<u>\$ 1,430</u>	<u>\$ (37)</u>	-3%
Merchandise revenue per unit	\$ 2,897	\$ 2,751	\$ 146	5%
Less: Fuel surcharge revenue per unit	28	59	(31)	-53%
Merchandise revenue per unit less fuel surcharge revenue ¹	<u>\$ 2,869</u>	<u>\$ 2,692</u>	<u>\$ 177</u>	7%
Intermodal revenue per unit	\$ 644	\$ 668	\$ (24)	-4%
Less: Fuel surcharge revenue per unit	63	98	(35)	-36%
Intermodal revenue per unit less fuel surcharge revenue ¹	<u>\$ 581</u>	<u>\$ 570</u>	<u>\$ 11</u>	2%
Coal revenue per unit	\$ 1,864	\$ 1,815	\$ 49	3%
Less: Fuel surcharge revenue per unit	7	11	(4)	-36%
Coal revenue per unit less fuel surcharge revenue ¹	<u>\$ 1,857</u>	<u>\$ 1,804</u>	<u>\$ 53</u>	3%

Free Cash Flow

(\$ in millions)

Six Months Ended June 30	2020	2019
Net cash provided by operating activities	\$ 1,758	\$ 1,952
Property additions	<u>(735)</u>	<u>(979)</u>
Free cash flow ²	1,023	973
Property sales and other transactions	258	214
Investment purchases	(5)	(12)
Investment sales and other transactions	(58)	(75)
Net cash used in financing activities	<u>(655)</u>	<u>(1,186)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>\$ 563</u>	<u>\$ (86)</u>

¹ Revenue per unit as used here is to reflect average revenue per unit absent the effect of fuel surcharges. Management believes this non-GAAP financial measure provides useful supplemental information to investors regarding the Company's pricing trends, by excluding the volatility introduced by fuel surcharges, and is useful for period-over-period comparisons of these trends.

² 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.

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.