

Reconciliation of Non-GAAP Performance Measures

Information presented by James A. Squires during NS' first quarter earnings conference call on April 27, 2011 (posted elsewhere on our web site) included non-GAAP financial measures, as defined by SEC Regulation G. Non-GAAP performance measures should be considered in addition to, not as a substitute for, the financial performance reported in accordance with U.S. generally accepted accounting principles (GAAP).

Consolidated Statements of Income

(\$ in millions)

Three Months Ended March 31,	2011 Reported	Arbitration Adjustment	2011 Adjusted	2010 Reported	Increase/ (Decrease)	
Railway operating revenues	\$ 2,620	\$ --	\$ 2,620	\$ 2,238	\$ 382	17%
Railway operating expenses ¹	<u>2,020</u>	<u>(58)</u>	<u>1,962</u>	<u>1,683</u>	<u>279</u>	<u>17%</u>
Income from railway operations ¹	600	58	658	555	103	19%
Other income- net	27	--	27	20	7	35%
Interest expense on debt	<u>112</u>	<u>--</u>	<u>112</u>	<u>119</u>	<u>(7)</u>	<u>(6)%</u>
Income before income taxes ¹	515	58	573	456	117	26%
Total income taxes	<u>190</u>	<u>22</u>	<u>212</u>	<u>199</u>	<u>13</u>	<u>7%</u>
Net income ¹	<u>\$ 325</u>	<u>\$ 36</u>	<u>\$ 361</u>	<u>\$ 257</u>	<u>\$ 104</u>	<u>40%</u>

Earnings Per Share

(in millions, except per share amounts)

Three Months Ended March 31,	2011 Reported	Arbitration Adjustment	2011 Adjusted	2010 Reported	Increase/ (Decrease)	
Net income	\$ 325	\$ 36	\$ 361	\$ 257	\$ 104	40%
Dividend equivalent payments	<u>(2)</u>	<u>--</u>	<u>(2)</u>	<u>(2)</u>	<u>--</u>	<u>--</u>
Income available to common stockholders	\$ 323	\$ 36	\$ 359	\$ 255	\$ 104	41%
Adjusted weighted-average shares outstanding	<u>360.5</u>	<u></u>	<u>360.5</u>	<u>374.9</u>	<u>(14.4)</u>	<u>(4)%</u>
Diluted earnings per share ¹	<u>\$ 0.90</u>	<u>\$ 0.10</u>	<u>\$ 1.00</u>	<u>\$ 0.68</u>	<u>\$ 0.32</u>	<u>47%</u>

¹Railway operating expenses, Income from railway operations, Income before income taxes, Net income and Diluted earnings per share as shown in the "2011 Adjusted" column reflect the arbitration adjustment.

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Operating Ratio

(\$ in millions)

Three Months Ended March 31,	2011 Reported	Arbitration Adjustment	2011 Adjusted	2010 Reported	Increase/ (Decrease)	
Railway operating revenues	\$ 2,620	--	\$ 2,620	\$ 2,238	\$ 382	17%
Railway operating expenses	\$ 2,020	\$ (58)	\$ 1,962	\$ 1,683	\$ 279	17%
Railway operating ratio ¹	77.1		74.9	75.2	(0.3)	--

¹Railway operating ratio as shown in the "2011 Adjusted" column reflects the arbitration adjustment.

Operating Ratio

(\$ in millions)

Three Months Ended March 31,	2010 Reported	Fuel Lag Adjustment	2010 Adjusted
Railway operating revenues	\$ 2,238	\$ 7	\$ 2,245
Railway operating expenses	\$ 1,683	--	\$ 1,683
Railway operating ratio ²	75.2		75.0

Three Months Ended March 31,	2011 Reported	Arbitration Adjustment	Fuel Lag Adjustment	2011 Adjusted	2010 Adjusted	Increase/ (Decrease)	
Railway operating revenues	\$ 2,620	--	\$ 40	\$ 2,660	\$ 2,245	\$ 415	18%
Railway operating expenses	\$ 2,020	\$ (58)	--	\$ 1,962	\$ 1,683	\$ 279	17%
Railway operating ratio ³	77.1		73.8		75.0	(1.2)	(2)%

²Railway operating ratio as shown in the "2010 Adjusted" column reflects the fuel lag adjustment.

³Railway operating ratio as shown in the "2011 Adjusted" column reflects arbitration and fuel lag adjustments.

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Operating Ratio

(\$ in millions)

Three Months Ended March 31,	2011 Reported	Fuel Price Adjustment	2011 Adjusted	(Decrease)
Railway operating revenues	\$ 2,620	\$ (77) *	\$ 2,543	
Railway operating expenses	\$ 2,020	\$ (104)	\$ 1,916	
Railway operating ratio ¹	77.1		75.3	(1.8)

¹Railway operating ratio as shown in the "2011 Adjusted" column reflects the fuel price adjustment.

Operating Ratio

(\$ in millions)

Three Months Ended March 31,	2011 Reported	Arbitration Adjustment	Fuel Price Adjustment	2011 Adjusted	(Decrease)
Railway operating revenues	\$ 2,620	--	\$ (77) *	\$ 2,543	
Railway operating expenses	\$ 2,020	\$ (58)	\$ (104)	\$ 1,858	
Railway operating ratio ²	77.1			73.1	(4.0)

²Railway operating ratio as shown in the "2011 Adjusted" column reflects arbitration and fuel price adjustments.

*Fuel Revenue

(\$ in millions)

Three Months Ended March 31,	2011 Reported	2010 Reported	Increase
Total fuel revenue	\$ 249	\$ 159	\$ 90
Portion of year-over-year increase that is volume-related			\$ 13
Portion of year-over-year increase that is fuel price-related			\$ 77

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Free Cash Flow

(\$ in millions)

Three Months Ended March 31,	2011	2010
Net cash provided by operating activities	\$ 652	\$ 758
Property additions	(423)	(256)
Free cash flow ¹	<u>\$ 229</u>	<u>\$ 502</u>

¹Free cash flow as used here is a measure of cash available for other investing activities and financing activities, including repurchases of common stock and payment of dividends.