

Reconciliation of Non-GAAP Performance Measures

Information presented by James A. Squires at the Baird Industrial Conference on Tuesday, November 9, 2010 (posted elsewhere on our website), included non-GAAP financial measures, as defined by SEC Regulation G. Specifically, two non-GAAP performance measures were presented: free cash flow and total shareholder distributions. Free cash flow, which is defined by NS as cash provided by operating activities less capital expenditures, is a measure of cash flow available for distribution to shareholders or for other investing or financing activities. Total shareholder distributions are the sum of dividends plus share repurchases, and the measure is useful in providing a more complete picture of distributions to NS shareholders. 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.

Free Cash Flow

(\$ in millions)

Years Ended December 31,	2005	2006	2007	2008	2009
Net cash provided by operating activities	2,105	2,206	2,333	2,715	1,860
Property additions	(1,025)	(1,178)	(1,341)	(1,558)	(1,299)
Free Cash Flow	<u>\$1,080</u>	<u>\$1,028</u>	<u>\$992</u>	<u>\$1,157</u>	<u>\$561</u>

Free Cash Flow

(\$ in millions)

Nine Months Ended September 30,	2010	2009
Net cash provided by operating activities	\$2,128	\$1,375
Property additions	(907)	(919)
Free Cash Flow	<u>\$1,221</u>	<u>\$456</u>

Total Shareholder Distributions

(\$ in millions)

Years Ended December 31,	2005	2006	2007	2008	2009
Dividends	\$194	\$278	\$377	\$456	\$500
Share Repurchases		964	1,196	1,128	
Total Shareholder Distributions	<u>\$194</u>	<u>\$1,242</u>	<u>\$1,573</u>	<u>\$1,584</u>	<u>\$500</u>