

## Reconciliation of Non-GAAP Performance Measures

Information presented by James A. Squires during NS' fourth quarter earnings conference call on January 28, 2009 (posted elsewhere on our web site) included non-GAAP financial measures, as defined by SEC Regulation G. Specifically, three non-GAAP performance measures were presented: free cash flow, adjusted debt-to-capitalization ratio and interest coverage. Free cash flow is a measure of cash available for other investing activities and financing activities, including repurchases of common stock and dividends. Adjusted debt-to-capitalization ratio reflects a commonly used factor to estimate the impact of operating leases. Interest coverage is a measure of NS' ability to pay interest on its outstanding debt. 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,	2008	2007	2006	2005
Net cash provided by operating activities	\$ 2,715	\$ 2,333	\$ 2,206	\$ 2,105
Property additions	(1,558)	(1,341)	(1,178)	(1,025)
Free cash flow	<u>\$ 1,157</u>	<u>\$ 992</u>	<u>\$ 1,028</u>	<u>\$ 1,080</u>

### Adjusted Debt-to-Capitalization Ratio

(\$ in millions)

As of December 31,	2008
<b>Debt</b>	
Current maturities of long-term debt	\$ 484
Long-term debt	6,183
Total long-term debt ( a )	<u>\$ 6,667</u>
Stockholders' equity	<u>9,597</u>
Total capitalization ( b )	<u>\$ 16,264</u>
Debt-to-capitalization ratio (a/b)	41.0%
Operating leases	<u>\$ 263</u>
Operating leases x 6.0 <sup>1</sup> ( c )	<u>\$ 1,578</u>
Adjusted debt-to-capitalization ratio [(a+c)/(b+c)]	<u>46.2%</u>

<sup>1</sup>Commonly used factor to estimate the impact of operating leases.

### Interest Coverage

(\$ in millions)

Year Ended December 31,	2008
Income before income taxes (EBT)	\$ 2,750
Adjustment for interest expense	444
Adjustment for depreciation (includes depletion)	815
Income before interest expense, income taxes and depreciation (EBITD) ( d )	<u>\$ 4,009</u>
Interest expense ( e )	\$ 444
EBITD interest coverage (d/e)	<u>9X</u>