

Reconciliation of Non-GAAP Financial Measures

Information presented by Mark R. George and Claude E. Elkins during NS' first quarter earnings conference call on April 24, 2024 (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).

Financial Results - excluding Eastern Ohio incident¹, restructuring and other charges², shareholder advisory costs³, and a deferred income tax adjustment⁴

(\$ in millions, except per share amounts)

	First Quarter 2024					Adjusted 2024 (Non-GAAP)
	Reported 2024 (GAAP)	Eastern Ohio Incident ¹	Restructuring and Other Charges ²	Shareholder Advisory Costs ³	Deferred Income Tax Adjustment ⁴	
Railway operating expenses						
Compensation and benefits	\$ 736	-	-	-	-	\$ 736
Purchased services and rents	528	-	-	-	-	528
Fuel	284	-	-	-	-	284
Depreciation	337	-	-	-	-	337
Materials and other	215	-	-	-	-	215
Restructuring and other charges	99	-	(99)	-	-	-
Eastern Ohio incident	592	(592)	-	-	-	-
Total railway operating expenses	\$ 2,791	(592)	(99)	-	-	\$ 2,100
Income from railway operations	\$ 213	592	99	-	-	\$ 904
Other income - net	18	-	-	21	-	39
Income before income taxes	\$ 30	592	99	21	-	\$ 742
Income taxes	(23)	144	24	5	27	177
Net income	\$ 53	448	75	16	(27)	\$ 565
Earnings per share - diluted	\$ 0.23	1.98	0.33	0.07	(0.12)	\$ 2.49
Railway operating ratio (%)	92.9	(19.7)	(3.3)	-	-	69.9

	First Quarter 2023		
	Reported 2023 (GAAP)	Eastern Ohio Incident ¹	Adjusted 2023 (Non-GAAP ¹)
Railway operating expenses			
Compensation and benefits	\$ 690	-	\$ 690
Purchased services and rents	496	-	496
Fuel	315	-	315
Depreciation	321	-	321
Materials and other	212	-	212
Eastern Ohio incident	387	(387)	-
Total railway operating expenses	\$ 2,421	(387)	\$ 2,034
Income from railway operations	\$ 711	387	\$ 1,098
Net income	\$ 466	293	\$ 759
Earnings per share - diluted	\$ 2.04	1.28	\$ 3.32
Railway operating ratio (%)	77.3	(12.4)	64.9

	Fourth Quarter 2023		
	Reported 2023 (GAAP)	Eastern Ohio Incident ¹	Adjusted 2023 (Non-GAAP ¹)
Railway operating expenses			
Compensation and benefits	\$ 721	-	\$ 721
Purchased services and rents	551	-	551
Fuel	303	-	303
Depreciation	330	-	330
Materials and other	210	-	210
Eastern Ohio incident	150	(150)	-
Total railway operating expenses	\$ 2,265	(150)	\$ 2,115
Income from railway operations	\$ 808	150	\$ 958
Net income	\$ 527	113	\$ 640
Earnings per share - diluted	\$ 2.32	0.51	\$ 2.83
Railway operating ratio (%)	73.7	(4.9)	68.8

	First Half 2023		
	Reported 2023 (GAAP)	Eastern Ohio Incident ¹	Adjusted 2023 (Non-GAAP ¹)
Railway operating ratio (%)	78.9	(13.1)	65.8

	Second Half 2023		
	Reported 2023 (GAAP)	Eastern Ohio Incident ¹	Adjusted 2023 (Non-GAAP ¹)
Railway operating ratio (%)	74.1	(5.2)	68.9

	Full Year 2023		
	Reported 2023 (GAAP)	Eastern Ohio Incident ¹	Adjusted 2023 (Non-GAAP ¹)
Railway operating ratio (%)	76.5	(9.1)	67.4

Revenue Per Unit

First Quarter 2024	2024	2023	Change	% Change
Total revenue per unit	\$ 1,747	\$ 1,891	\$ (144)	-8%
Less: Fuel surcharge revenue per unit	151	226	(75)	-33%
Revenue per unit less fuel surcharge revenue ⁵	<u>\$ 1,596</u>	<u>\$ 1,665</u>	<u>\$ (69)</u>	-4%
Merchandise revenue per unit	\$ 3,306	3,323	\$ (17)	-1%
Less: Fuel surcharge revenue per unit	179	286	(107)	-37%
Merchandise revenue per unit less fuel surcharge revenue ⁵	<u>\$ 3,127</u>	<u>\$ 3,037</u>	<u>\$ 90</u>	3%
Intermodal revenue per unit	\$ 754	887	\$ (133)	-15%
Less: Fuel surcharge revenue per unit	149	205	(56)	-27%
Intermodal revenue per unit less fuel surcharge revenue ⁵	<u>\$ 605</u>	<u>\$ 682</u>	<u>\$ (77)</u>	-11%
Coal revenue per unit	\$ 2,369	2,533	\$ (164)	-6%
Less: Fuel surcharge revenue per unit	73	146	(73)	-50%
Coal revenue per unit less fuel surcharge revenue ⁵	<u>\$ 2,296</u>	<u>\$ 2,387</u>	<u>\$ (91)</u>	-4%
Total revenue per unit	\$ 1,747	1,891	\$ (144)	-8%
Less: Fuel surcharge and intermodal storage & fees revenue per unit	174	271	(97)	-36%
Revenue per unit less fuel surcharge revenue and intermodal storage & fees revenue ⁶	<u>\$ 1,573</u>	<u>\$ 1,620</u>	<u>\$ (47)</u>	-3%
Intermodal revenue per unit	\$ 754	887	\$ (133)	-15%
Less: Fuel surcharge and intermodal storage & fees revenue per unit	189	286	(97)	-34%
Intermodal revenue per unit less fuel surcharge revenue and intermodal storage & fees revenue ⁶	<u>\$ 565</u>	<u>\$ 601</u>	<u>\$ (36)</u>	-6%

Sequential	Q1 2024	Q4 2023	Change	% Change
Merchandise revenue per unit	\$ 3,306	3,316	\$ (10)	0%
Less: Fuel surcharge revenue per unit	179	221	(42)	-19%
Merchandise revenue per unit less fuel surcharge revenue ⁵	<u>\$ 3,127</u>	<u>\$ 3,095</u>	<u>\$ 32</u>	1%
Intermodal revenue per unit	\$ 754	782	\$ (28)	-4%
Less: Fuel surcharge revenue per unit	149	172	(23)	-13%
Intermodal revenue per unit less fuel surcharge revenue ⁵	<u>\$ 605</u>	<u>\$ 610</u>	<u>\$ (5)</u>	-1%
Coal revenue per unit	\$ 2,369	2,515	\$ (146)	-6%
Less: Fuel surcharge revenue per unit	73	91	(18)	-20%
Coal revenue per unit less fuel surcharge revenue ⁵	<u>\$ 2,296</u>	<u>\$ 2,424</u>	<u>\$ (128)</u>	-5%

¹ GAAP financial results are adjusted to exclude the effects of the February 3, 2023 derailment in Eastern Ohio (the Incident). During the first quarter of 2024 and 2023 and the fourth quarter of 2023, the Company recorded \$592 million, \$387 million, and \$150 million, respectively, of expenses related to the Incident. The income tax effects of this non-GAAP adjustment were calculated based on the applicable tax rates to which the non-GAAP adjustment related. Management believes these non-GAAP financial measures provide valuable information regarding earnings and business trends of the Company. We use these non-GAAP financial measures internally and believe this information provides useful supplemental information to investors to facilitate making period-to-period comparisons and assessing trends in our performance by excluding the effects of the Incident.

² GAAP financial results are adjusted to exclude the effects of \$99 million of restructuring and other charges associated with a voluntary and an involuntary separation program executed in the first quarter of 2024 as well as costs associated with the March 2024 appointment of our chief operating officer. The income tax effects of this non-GAAP adjustment were calculated based on the applicable tax rates to which the non-GAAP adjustment related. Management believes these non-GAAP financial measures provide valuable information regarding earnings and business trends of the Company. We use these non-GAAP financial measures internally and believe this information provides useful supplemental information to investors to facilitate making period-to-period comparisons and assessing trends in our performance by excluding by excluding these costs.

³ GAAP financial results are adjusted to exclude the effects of \$21 million of costs associated with shareholder advisory matters recorded during the first quarter of 2024. The income tax effects of this non-GAAP adjustment were calculated based on the applicable tax rates to which the non-GAAP adjustment related. Management believes these non-GAAP financial measures provide valuable information regarding earnings and business trends of the Company. We use these non-GAAP financial measures internally and believe this information provides useful supplemental information to investors to facilitate making period-to-period comparisons and assessing trends in our performance by excluding by excluding these costs.

⁴ GAAP financial results are adjusted to exclude the effects of a deferred income tax adjustment of \$27 million recorded in the first quarter of 2024, the result of a subsidiary restructuring that reduced our estimated deferred state income tax rate. Management believes these non-GAAP financial measures provide valuable information regarding earnings and business trends of the Company. We use these non-GAAP financial measures internally and believe this information provides useful supplemental information to investors to facilitate making period-to-period comparisons and assessing trends in our performance by excluding by excluding this tax benefit.

⁵ 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.

⁶ Revenue per unit as used here is to reflect average revenue per unit absent the effect of fuel surcharges and intermodal storage and fees. 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 the impact of intermodal storage and equipment usage charges, which can fluctuate based on customer behavior and supply chain fluidity, and is useful for period-over-period comparisons of these trends.

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 from, 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. With respect to projections and estimates for future non-GAAP operating ratio, including full-year 2024 adjusted operating ratio guidance and our longer term adjusted operating ratio target, the Company is unable to predict or estimate with reasonable certainty the ultimate outcome of certain items required for the GAAP measure without unreasonable effort. Information about the adjustments that are not currently available to the Company could have a potentially unpredictable and significant impact on future GAAP results.