Reconciliation of Non-GAAP Financial Measures

Information presented by Mark R. George, Claude E. Elkins, and Jason A. Zampi during NS' fourth quarter earnings conference call on January 29, 2025 (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 sales of railway lines[1], the Eastern Ohio incident[2], restructuring and other charges[3], shareholder advisory costs[4], and a favorable deferred tax adjustment[5]

($ in millions, except per share amounts)

	First Half 2024			
	Reported 2024 (GAAP)	Eastern Ohio Incident[2]	Restructuring and Other Charge[3]	Adjusted 2024 (Non-GAAP[2,3])
Railway operating ratio (%)	77.8	(8.7)	(1.6)	67.5

	Second Half 2024				
	Reported 2024 (GAAP)	Sales of Railway Lines[1]	Eastern Ohio Incident[2]	Restructuring and Other Charges[3]	Adjusted 2024 (Non-GAAP[1,2,3])
Railway operating ratio (%)	55.1	7.1	3.3	(1.4)	64.1

	Year Ended December 31, 2024						
	Reported 2024 (GAAP)	Sales of Railway Lines[1]	Eastern Ohio Incident[2]	Restructuring and Other Charges[3]	Shareholder Advisory Costs[4]	Deferred Income Tax Adjustment[5]	Adjusted 2024 (Non-GAAP[1,2,3,4,5])
Railway operating expenses							
Compensation and benefits	$ 2,823	$ -	$ -	$ -	$ -	$ -	$ 2,823
Purchased services and rents	2,048	-	-	-	-	-	2,048
Fuel	987	-	-	-	-	-	987
Depreciation	1,353	-	-	-	-	-	1,353
Materials and other	333	433	-	-	-	-	766
Restructuring and other charges	183	-	-	(183)	-	-	-
Eastern Ohio incident	325	-	(325)	-	-	-	-
Total railway operating expenses	$ 8,052	$ 433	$ (325)	$ (183)	$ -	$ -	$ 7,977
Income from railway operations	$ 4,071	$ (433)	$ 325	$ 183	$ -	$ -	$ 4,146
Other income - net	65	-	-	(20)	59	-	104
Income taxes	$ 707	$ (106)	$ 78	$ 38	$ 15	$ 27	$ 759
Net income	$ 2,622	$ (327)	$ 247	$ 125	$ 44	$ (27)	$ 2,684
Earnings per share - diluted	$ 11.57	$ (1.44)	$ 1.09	$ 0.55	$ 0.20	$ (0.12)	$ 11.85
Railway operating ratio (%)	66.4	3.6	(2.7)	(1.5)	-	-	65.8

	Fourth Quarter 2024					
	Reported 2024 (GAAP)	Sales of Railway Lines[1]	Eastern Ohio Incident[2]	Restructuring and Other Charges[3]	Shareholder Advisory Costs[4]	Adjusted 2024 (Non-GAAP[1,2,3,4])
Railway operating expenses						
Compensation and benefits	$ 697	$ -	$ -	$ -	$ -	$ 697
Purchased services and rents	507	-	-	-	-	507
Fuel	230	-	-	-	-	230
Depreciation	342	-	-	-	-	342
Materials and other	133	53	-	-	-	186
Restructuring and other charges	27	-	-	(27)	-	-
Eastern Ohio incident	(43)	-	43	-	-	-
Total railway operating expenses	$ 1,893	$ 53	$ 43	$ (27)	$ -	$ 1,962
Income from railway operations	$ 1,131	$ (53)	$ (43)	$ 27	$ -	$ 1,062
Other income (expense) - net	(4)	-	-	-	8	4
Income taxes	$ 195	$ (13)	$ (11)	$ 6	$ 2	$ 179
Net income	$ 733	$ (40)	$ (32)	$ 21	$ 6	$ 688
Earnings per share - diluted	$ 3.23	$ (0.17)	$ (0.14)	$ 0.09	$ 0.03	$ 3.04
Railway operating ratio (%)	62.6	1.8	1.4	(0.9)	-	64.9

	Third Quarter 2024				
	Reported 2024 (GAAP)	Sales of Railway Lines[1]	Eastern Ohio Incident[2]	Restructuring and Other Charges[3]	Adjusted 2024 (Non-GAAP[1,2,3])
Railway operating expenses					
Compensation and benefits	$ 690	$ -	$ -	$ -	$ 690
Purchased services and rents	497	-	-	-	497
Fuel	216	-	-	-	216
Depreciation	339	-	-	-	339
Materials and other	(188)	380	-	-	192
Restructuring and other charges	60	-	-	(60)	-
Eastern Ohio incident	(159)	-	159	-	-
Total railway operating expenses	$ 1,455	$ 380	$ 159	$ (60)	$ 1,934
Income from railway operations	$ 1,596	$ (380)	$ (159)	$ 60	$ 1,117
Income taxes	$ 328	$ (93)	$ (39)	$ 15	$ 211
Net income	$ 1,099	$ (287)	$ (120)	$ 45	$ 737
Earnings per share - diluted	$ 4.85	$ (1.27)	$ (0.53)	$ 0.20	$ 3.25
Railway operating ratio (%)	47.7	12.5	5.2	(2.0)	63.4

	First Half 2023		
	Reported 2023 (GAAP)	Eastern Ohio Incident[2]	Adjusted 2023 (Non-GAAP[2])
Railway operating ratio (%)	78.9	(13.1)	65.8

	Second Half 2023		
	Reported 2023 (GAAP)	Eastern Ohio Incident[2]	Adjusted 2023 (Non-GAAP[2])
Railway operating ratio (%)	74.1	(5.2)	68.9

	Year Ended December 31, 2023		
	Reported 2023 (GAAP)	Eastern Ohio Incident[2]	Adjusted 2023 (Non-GAAP[2])
Railway operating expenses			
Compensation and benefits	$ 2,819	$ -	$ 2,819
Purchased services and rents	2,070	-	2,070
Fuel	1,170	-	1,170
Depreciation	1,298	-	1,298
Materials and other	832	-	832
Eastern Ohio incident	1,116	(1,116)	-
Total railway operating expenses	$ 9,305	$ (1,116)	$ 8,189
Income from railway operations	$ 2,851	$ 1,116	$ 3,967
Income taxes	493	270	763
Net income	$ 1,827	$ 846	$ 2,673
Earnings per share - diluted	$ 8.02	$ 3.72	$ 11.74
Railway operating ratio (%)	76.5	(9.1)	67.4

	Fourth Quarter 2023		
	Reported 2023 (GAAP)	Eastern Ohio Incident[2]	Adjusted 2023 (Non-GAAP[2])
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
Income taxes	124	37	161
Net income	$ 527	$ 113	$ 640
Earnings per share - diluted	$ 2.32	$ 0.51	$ 2.83
Railway operating ratio (%)	73.7	(4.9)	68.8

Revenue

Fourth Quarter	4Q 2024	4Q 2023	Change	% Change
Total revenue	$ 3,024	$ 3,073	$ (49)	-2%
Less: Fuel surcharge revenue	205	314	(109)	-35%
Revenue less fuel surcharge revenue[6]	$ 2,819	$ 2,759	$ 60	2%
Merchandise revenue	$ 1,842	$ 1,849	$ (7)	0%
Less: Fuel surcharge revenue	71	123	(52)	-42%
Merchandise revenue less fuel surcharge revenue[6]	$ 1,771	$ 1,726	$ 45	3%
Intermodal revenue	$ 792	$ 794	$ (2)	0%
Less: Fuel surcharge revenue	130	175	(45)	-26%
Intermodal revenue less fuel surcharge revenue[6]	$ 662	$ 619	$ 43	7%
Coal revenue	$ 390	$ 430	$ (40)	-9%
Less: Fuel surcharge revenue	4	16	(12)	-75%
Coal revenue less fuel surcharge revenue[6]	$ 386	$ 414	$ (28)	-7%

Sequential	4Q 2024	3Q 2024	Change	% Change
Total revenue	$ 3,024	$ 3,051	$ (27)	-1%
Less: Fuel surcharge revenue	205	238	(33)	-14%
Revenue less fuel surcharge revenue[6]	$ 2,819	$ 2,813	$ 6	0%
Merchandise revenue	$ 1,842	$ 1,861	$ (19)	-1%
Less: Fuel surcharge revenue	71	87	(16)	-18%
Merchandise revenue less fuel surcharge revenue[6]	$ 1,771	$ 1,774	$ (3)	0%
Intermodal revenue	$ 792	$ 763	$ 29	4%
Less: Fuel surcharge revenue	130	142	(12)	-8%
Intermodal revenue less fuel surcharge revenue[6]	$ 662	$ 621	$ 41	7%
Coal revenue	$ 390	$ 427	$ (37)	-9%
Less: Fuel surcharge revenue	4	9	(5)	-56%
Coal revenue less fuel surcharge revenue[6]	$ 386	$ 418	$ (32)	-8%

Full Year	2024	2023	Change	% Change
Total revenue	$ 12,123	$ 12,156	$ (33)	0%
Less: Fuel surcharge revenue	962	1,223	(261)	-21%
Revenue less fuel surcharge revenue[6]	$ 11,161	$ 10,933	$ 228	2%
Merchandise revenue	$ 7,470	$ 7,353	$ 117	2%
Less: Fuel surcharge revenue	360	491	(131)	-27%
Merchandise revenue less fuel surcharge revenue[6]	$ 7,110	$ 6,862	$ 248	4%
Intermodal revenue	$ 3,042	$ 3,090	$ (48)	-2%
Less: Fuel surcharge revenue	567	668	(101)	-15%
Intermodal revenue less fuel surcharge revenue[6]	$ 2,475	$ 2,422	$ 53	2%
Coal revenue	$ 1,611	$ 1,713	$ (102)	-6%
Less: Fuel surcharge revenue	35	64	(29)	-45%
Coal revenue less fuel surcharge revenue[6]	$ 1,576	$ 1,649	$ (73)	-4%

Revenue Per Unit

Fourth Quarter	4Q 2024	4Q 2023	Change	% Change
Total revenue per unit	$ 1,686	$ 1,763	$ (77)	-4%
Less: Fuel surcharge revenue per unit	115	180	(65)	-36%
Revenue per unit less fuel surcharge revenue[7]	$ 1,571	$ 1,583	$ (12)	-1%
Merchandise revenue per unit	$ 3,287	$ 3,316	$ (29)	-1%
Less: Fuel surcharge revenue per unit	126	221	(95)	-43%
Merchandise revenue per unit less fuel surcharge revenue[7]	$ 3,161	$ 3,095	$ 66	2%
Intermodal revenue per unit	$ 744	$ 782	$ (38)	-5%
Less: Fuel surcharge revenue per unit	122	172	(50)	-29%
Intermodal revenue per unit less fuel surcharge revenue[7]	$ 622	$ 610	$ 12	2%
Coal revenue per unit	$ 2,297	$ 2,515	$ (218)	-9%
Less: Fuel surcharge revenue per unit	26	91	(65)	-71%
Coal revenue per unit less fuel surcharge revenue[7]	$ 2,271	$ 2,424	$ (153)	-6%

Full Year	2024	2023	Change	% Change
Total revenue per unit	$ 1,718	$ 1,802	$ (84)	-5%
Less: Fuel surcharge revenue per unit	136	181	(45)	-25%
Revenue per unit less fuel surcharge revenue[7]	$ 1,582	$ 1,621	$ (39)	-2%

Sequential	Q4 2024	Q3 2024	Change	% Change
Merchandise revenue per unit	$ 3,287	$ 3,299	$ (12)	0%
Less: Fuel surcharge revenue per unit	126	153	(27)	-18%
Merchandise revenue per unit less fuel surcharge revenue[7]	$ 3,161	$ 3,146	$ 15	0%
Intermodal revenue per unit	$ 744	$ 726	$ 18	2%
Less: Fuel surcharge revenue per unit	122	136	(14)	-10%
Intermodal revenue per unit less fuel surcharge revenue[7]	$ 622	$ 590	$ 32	5%
Coal revenue per unit	$ 2,297	$ 2,306	$ (9)	0%
Less: Fuel surcharge revenue per unit	26	46	(20)	-43%
Coal revenue per unit less fuel surcharge revenue[7]	$ 2,271	$ 2,260	$ 11	0%

[1] GAAP financial results are adjusted to exclude gains on railway line sales. In 2024, the Company completed sales of railway lines in the states of Virginia and North Carolina resulting in gains of $433 million on operating property sales, of which $53 million were recorded in the fourth 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 the effects of these gains.

[2] GAAP financial results are adjusted to exclude the effects of the February 3, 2023 derailment in Eastern Ohio (the Incident). During the fourth quarter of 2024 and 2023, the Company recorded $43 million of net recoveries and $150 million of expenses related to the Incident, respectively. During years ended December 31, 2024 and 2023, the Company recorded $325 million and $1.1 billion of net expenses related to the Incident, respectively. 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.

[3] GAAP financial results are adjusted to exclude the effects of restructuring and other charges. During 2024, the Company recorded $183 million of restructuring and other costs. Of this amount, $105 million is associated with voluntary and involuntary separation programs that reduced our management workforce and costs associated with the appointment of our chief operating officer. We also recognized a $20 million curtailment gain on our other postretirement benefit plans resulting from the restructuring, included in "Other income - net." Additionally, $79 million of expenses are associated with ceasing the development of certain technology projects that had not been placed into service and recognizing certain equipment at its net realizable value in advance of the planned disposition of that asset class, of which $27 million was recorded in the fourth 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 costs associated with shareholder advisory matters. During the fourth quarter and full year 2024, the Company recorded $8 million and $59 million, respectively, for costs associated with shareholder advisory matters. 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.

[5] 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.

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

[7] 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.

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.