

## Reconciliation of Non-GAAP Financial Measures

Information presented by Cynthia C. Earhart at the Citi Industrials Conference on February 22, 2018 (posted elsewhere on our website) included non-GAAP financial measures, as defined by SEC 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 Tax Reform

(\$ in millions except per share amounts)

Twelve Months Ended December 31	2017
Income from railway operations	\$ 3,586
Effect of tax reform	(151)
Adjusted income from railway operations <sup>1</sup>	<u>\$ 3,435</u>
Earnings per share - diluted	\$ 18.61
Effect of tax reform	(12.00)
Adjusted earnings per share - diluted <sup>1</sup>	<u>\$ 6.61</u>
Railway operating ratio (%)	66.0
Effect of tax reform (%)	1.4
Adjusted railway operating ratio (%) <sup>1</sup>	<u>67.4</u>

### Free Cash Flow

(\$ in millions)

Twelve Months Ended December 31	2017	2016
Net cash provided by operating activities	\$ 3,253	\$ 3,034
Property additions	<u>(1,723)</u>	<u>(1,887)</u>
Free cash flow <sup>2</sup>	1,530	1,147
Property sales and other transactions	202	130
Investment purchases	(7)	(123)
Investment sales and other transactions	47	48
Net cash used in financing activities	<u>(2,038)</u>	<u>(1,347)</u>
Net decrease in cash and cash equivalents	<u>\$ (266)</u>	<u>\$ (145)</u>

<sup>1</sup> GAAP financial results are adjusted to exclude the effects of the Tax Cuts and Jobs Act ("tax reform"), signed into law on December 22, 2017. Specifically, the adjustments remove the effects of remeasurements of net deferred tax liabilities related to the reduction of the federal corporate income tax rate from 35% to 21%. The Company uses these non-GAAP financial measures internally and believes this information provides useful supplemental information to investors to facilitate making period-to-period comparisons by excluding the effects of tax reform.

<sup>2</sup> Free cash flow as used here is a function of net cash provided by operating activities (a GAAP financial measure) reduced by current period property additions and is a measure of cash available for other investing and financing activities, primarily including payment of dividends, repurchases of common stock and repayments of debt. Management believes that this non-GAAP financial measure provides useful supplemental information to investors regarding the Company's ability to generate cash flows after taking into consideration cash necessary to cover operations and maintain and grow our capital base.

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 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.