

## Non-GAAP Definitions

*Management believes certain non-GAAP measures provide an alternative presentation of the results that more accurately reflect on-going Company operations. These measures should be considered in addition to, not a substitute for, the reported GAAP results.*

### Free Cash Flow

Cash provided by operating activities, less cash used in investing activities, less dividends paid. Management believes this is an important measure in evaluating our financial performance and measures our ability to generate cash without incurring additional external financings.

### Return on Invested Capital

Net income plus interest expense, plus sale of receivables fees, plus interest on present value of leases, less taxes on interest divided by average equity plus average debt plus average sale of receivables plus average present value of leases. Management believes this is an important measure for evaluating the long term efficiency and value of the Company's capital investments.

### Debt to Capital

Total debt plus convertible preferred securities divided by total debt plus equity plus convertible preferred securities. Management believes this is an important measure in evaluating our balance sheet strength and is important in managing our credit ratios and financing relationships.

### Lease-Adjusted Debt to Capital

Total debt plus convertible preferred securities plus net present value of leases divided by total debt plus equity plus convertible preferred securities plus net present value of operating leases. Management believes this is an important measure in evaluating our balance sheet strength and is important in managing our credit ratios and financing relationships.

### Lease Adjusted Debt to Adjusted EBITDA

Total Debt plus convertible preferred securities plus present value of leases divided by pretax income plus interest expense plus interest on present value of leases plus depreciation. Lease adjusted debt to EBITDA (earnings before interest, taxes and depreciation) is considered a non-GAAP measure by SEC Regulation G. Management believes this measure is important in evaluating the Company's ability to sustain given debt levels (including leases) with the cash generated from Company operations. In addition, this measure is used by our debt rating agencies when reviewing the Company's credit rating.

**Free Cash Flow  
Reconciliation to GAAP  
(Dollars in Millions)**

	<u>2006</u>	<u>2005</u>
Cash Provided by Operating Activities	\$ 2,880	\$ 2,595
Cash Used in Investing Activities	(2,042)	(2,047)
Dividends Paid	<u>(322)</u>	<u>(314)</u>
Free Cash Flow	\$ 516	\$ 234

**Consolidated Statement of Cash Flows  
(Dollars in Millions)**

	<u>2006</u>	<u>2005</u>
<b>Operating Activities:</b>		
Net Income	\$ 1,606	\$ 1,026
Depreciation	1,237	1,175
Deferred Income Taxes	235	320
Other - Net	<u>(198)</u>	<u>74</u>
<b>Cash Provided by Operating Activities</b>	<u>2,880</u>	<u>2,595</u>
<b>Investing Activities:</b>		
Capital Investments	(2,242)	(2,169)
Other - Net	<u>200</u>	<u>122</u>
<b>Cash Used in Investing Activities</b>	<u>(2,042)</u>	<u>(2,047)</u>
<b>Financing Activities:</b>		
Dividends Paid	(322)	(314)
Debt Repaid	(657)	(699)
Other - Net	<u>195</u>	<u>261</u>
<b>Cash Used in Financing Activities</b>	<u>(784)</u>	<u>(752)</u>
<b>Net Change in Cash and Cash Equivalents</b>	<u>\$ 54</u>	<u>\$ (204)</u>

**Return on Invested Capital (ROIC)**  
**Reconciliation to GAAP**  
(Dollars in millions except percentages)

	<b>Reported 2005</b>	<b>Adjusted 2005</b>	<b>2006</b>
Net Income	\$ 1,026	\$ 908	(a) \$ 1,606
Add: Interest Expense	\$ 504	\$ 504	\$ 477
Add: Sale of Receivables Expense	23	23	33
Add: Net Present Value of Operating Lease Interest	218	218	268
Less: Taxes on Interest	(213)	(274)	(283)
Net Operating Profit (After Tax)	<u>\$ 1,558</u>	<u>\$ 1,379</u>	<u>\$ 2,101</u>
Average Equity	\$ 13,181	\$ 13,122	\$ 14,489
Add: Average Debt	7,774	7,774	7,098
Add: Average Sale of Receivables	595	595	600
Add: Average Net Present Value of Leases	2,729	2,729	3,349
Invested Capital	<u>\$ 24,279</u>	<u>\$ 24,220</u>	<u>\$ 25,536</u>
<b>Return on Invested Capital</b>	<b>6.4%</b>	<b>5.7%</b>	<b>8.2%</b>

(a) Please refer to 2005 Income Tax Adjustment Reconciliation to GAAP.

Note: Totals may not foot due to rounding. Invested capital is year's average.

**Lease Adjusted Debt /Capital  
Reconciliation to GAAP**  
(Dollars in millions except for percentages)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt	\$7,703	\$7,989	\$8,131	\$7,416	\$6,780
Convertible Preferred Securities	1,500	0	0	0	0
Net Present Value of Leases	2,189	2,022	2,273	3,185	3,513
Total Lease Adjusted Debt	<b>\$11,392</b>	<b>\$10,011</b>	<b>\$10,404</b>	<b>\$10,601</b>	<b>\$10,293</b>
 Total Debt	 \$11,392	 \$10,011	 \$10,404	 \$10,601	 \$10,293
Equity	10,651	12,354	12,655	13,707	15,270
Total Capital	<b>\$22,043</b>	<b>\$22,365</b>	<b>\$23,059</b>	<b>\$24,308</b>	<b>\$25,563</b>
 Debt / Capital	 <b>46.4%</b>	 <b>39.3%</b>	 <b>39.1%</b>	 <b>35.1%</b>	 <b>30.7%</b>
Lease Adjusted Debt / Capital	<b>51.7%</b>	<b>44.8%</b>	<b>45.1%</b>	<b>43.6%</b>	<b>40.3%</b>

**Lease Adjusted Debt / Adjusted EBITDA  
Reconciliation to GAAP**

(Dollars in millions except for ratios)

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Total Debt & Convertible Preferred Securities	9,203	7,989	8,131	7,416	6,780
Pretax Income	1,945	1,637	856	1,436	2,525
Exclude one-time items *	(214) (a)	-	247 (b)	-	-
Adjusted Pretax Income	1,731	1,637	1,103	1,436	2,525
Interest Expense	632	574	527	504	477
Add Back Interest on Net Present Value of Leases	175	162	182	218	268
Depreciation	1,147	1,067	1,111	1,175	1,237
Adjusted EBITDA	3,685	3,440	2,923	3,333	4,507
<b>Debt / Adjusted EBITDA</b>	<b>2.5x</b>	<b>2.3x</b>	<b>2.8x</b>	<b>2.2x</b>	<b>1.5x</b>

**Lease Adjusted**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Total Debt & Convertible Preferred Securities	9,203	7,989	8,131	7,416	6,780
Net Present Value of Leases	2,189	2,022	2,273	3,185	3,513
Lease Adjusted Debt	11,392	10,011	10,404	10,601	10,293
Adjusted EBITDA (Shown Above)	3,685	3,440	2,923	3,333	4,507
<b>Lease Adjusted Debt / Adjusted EBITDA</b>	<b>3.1x</b>	<b>2.9x</b>	<b>3.6x</b>	<b>3.2x</b>	<b>2.3x</b>

(a) 2002 excludes significant land sales - UTA (\$141 million pre-tax) and VTA (\$73 million pre-tax)

(b) 2004 excludes asbestos charge of \$247 million pre-tax

## 2005 Income Tax Adjustment Reconciliation to GAAP

(Dollars in millions except for earnings per share)

*Management believes certain non-GAAP measures provide an alternative presentation of the results that more accurately reflect on-going Company operations. The full year 2005 net income of \$908 million and earnings per diluted share of \$3.41, which excluded the income tax expense reduction item reported in the third quarter of 2005, are non-GAAP measures. Management believes these measures provide an alternative presentation of results that more accurately reflects on-going Company operations, without the distorting effects of the income tax expense reduction item. These measures should be considered in addition to, not a substitute for, the reported GAAP results.*

### Full Year 2005 Results

	<u>As Reported</u>	<u>Income Tax Adjustment</u>
Operating Revenue	\$ 13,578	\$ 13,578
Operating Expenses	<u>11,783</u>	<u>11,783</u>
Operating Income	1,795	1,795
Operating Margin	13.2%	13.2%
Operating Ratio	86.8%	86.8%
Other Income - Net	145	145
Interest Expense	<u>(504)</u>	<u>(504)</u>
Income Before Income Taxes	1,436	1,436
Income Tax Expense	<u>(410)</u>	<u>(528) (a)</u>
Net Income	\$ 1,026	\$ 908
Diluted Earnings Per Share	\$ 3.85	\$ 3.41

### Third Quarter 2005 Results

	<u>As Reported</u>	<u>Income Tax Adjustment</u>
Operating Revenue	\$ 3,461	\$ 3,461
Operating Expenses	<u>2,980</u>	<u>2,980</u>
Operating Income	481	481
Operating Margin	13.9%	13.9%
Operating Ratio	86.1%	86.1%
Other Income - Net	42	42
Interest Expense	<u>(124)</u>	<u>(124)</u>
Income Before Income Taxes	399	399
Income Tax Expense	<u>(30)</u>	<u>(148) (a)</u>
Net Income	\$ 369	\$ 251
Diluted Earnings Per Share	\$ 1.38	\$ 0.94

(a) Income tax expense reduction of \$118 million after-tax taken in third quarter 2005

Note: Totals may not foot due to rounding