

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.

Debt to Capital

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

Adjusted Debt to Capital

Total debt plus net present value of operating leases plus value of sold receivables plus after-tax unfunded pension and OPEB obligation divided by total debt plus net present value of operating leases plus value of sold receivables plus after-tax unfunded pension and OPEB obligation plus equity. Operating leases were discounted using 6.3% at December 31, 2009 and 8.0% at December 31, 2008, respectively. The lower discount rate reflects changes to interest rates and our current financing costs. Management believes this is an important measure in evaluating the total amount of leverage in our capital structure including off-balance sheet obligations.

Fuel Price Adjusted Operating Expenses

Reported operating expenses minus the differential between fuel price per gallon consumed multiplied by current period fuel consumed in gallons. Management believes this is an important measure in evaluating cost changes excluding the change in fuel price, to allow the illustration of cost performance as it relates to volume changes.

Free Cash Flow

Cash provided by operating activities, less cash used in investing activities and dividends paid. Management believes free cash flow is important in evaluating our financial performance and measures our ability to generate cash without additional external financings. Free cash flow should be considered in addition to, rather than as a substitute for, cash provided by operating activities.

Adjusted Net Income and Diluted EPS

Adjusted net income is net income as reported minus after-tax fuel surcharge lag impact. Adjusted diluted EPS is diluted EPS as reported minus after-tax fuel surcharge lag impact. Management believes these measures provide an alternative presentation of results that more accurately reflect on-going Company operations, without the distorting effect of the fuel surcharge lag impact.

**Debt / Capital
Reconciliation to GAAP**

(Dollars in Millions Except for Percentages)

	<u>Dec 31 2009</u>	<u>Dec 31 2008</u>
Debt (a)	\$9,848	\$8,927
Equity	<u>16,941</u>	<u>15,447</u>
Capital (b)	\$26,789	\$24,374
Debt to Capital (a/b)	36.8%	36.6%

**Adjusted Debt / Capital
Reconciliation to GAAP**

(Dollars in Millions Except for Percentages)

	<u>Dec 31 2009</u>	<u>Dec 31 2008</u>
Debt	\$9,848	\$8,927
Net Present Value of Operating Leases	3,672	3,690
Value of Sold Receivables	400	584
Unfunded Pension and OPEB	<u>456</u>	<u>733</u>
Adjusted Debt (a)	\$14,376	\$13,934
Equity	<u>16,941</u>	<u>15,447</u>
Adjusted Capital (b)	\$31,317	\$29,381
Adjusted Debt to Capital (a/b)	45.9%	47.4%

**Fuel Price Adjusted Operating Expenses
Reconciliation to GAAP**

(Dollars in Millions Except for Fuel Price per Gallon)

	<u>Full Year 2009</u>	<u>Fourth Quarter 2009</u>	<u>Third Quarter 2009</u>	<u>Second Quarter 2009</u>	<u>First Quarter 2009</u>
Reported Operating Expenses	\$10,751	\$2,752	\$2,704	\$2,552	\$2,743
Average Fuel Price per Gallon Consumed - 2009		\$2.05	\$1.87	\$1.57	\$1.51
Average Fuel Price per Gallon Consumed - 2008		<u>\$2.46</u>	<u>\$3.70</u>	<u>\$3.60</u>	<u>\$2.84</u>
Difference		(\$0.41)	(\$1.83)	(\$2.03)	(\$1.33)
Fuel Consumed in Gallons (Millions)		<u>256</u>	<u>242</u>	<u>229</u>	<u>252</u>
Adjusted Locomotive Fuel Expense	(\$1,348)	(\$105)	(\$443)	(\$465)	(\$335)
Fuel Price Adjusted Operating Expenses	<u>\$12,099</u>	<u>\$2,857</u>	<u>\$3,147</u>	<u>\$3,017</u>	<u>\$3,078</u>

**Free Cash Flow
Reconciliation to GAAP**

(Dollars in Millions)

	<u>Dec 31 2009</u>	<u>Dec 31 2008</u>
Cash Provided by Operating Activities	\$3,234	\$4,070
Cash Used in Investing Activities	(2,175)	(2,764)
Dividends Paid	<u>(544)</u>	<u>(481)</u>
Free Cash Flow	<u><u>\$515</u></u>	<u><u>\$825</u></u>

**Adjusted Net Income
Reconciliation to GAAP**

(Dollars in Millions)

	<u>Dec 31</u> <u>2009</u>	<u>Dec 31</u> <u>2008</u>	<u>%</u>
Net Income - Fourth Quarter			
As Reported	\$551	\$661	(17)
Fuel Surcharge Lag Impact	-	(111)	
Adjusted Net Income	<u>\$551</u>	<u>\$550</u>	<u>-</u>

**Adjusted Diluted EPS
Reconciliation to GAAP**

	<u>Dec 31</u> <u>2009</u>	<u>Dec 31</u> <u>2008</u>	<u>%</u>
Diluted EPS - Fourth Quarter			
As Reported	\$1.08	\$1.31	(18)
Fuel Surcharge Lag Impact	-	(0.22)	
Adjusted Diluted EPS	<u>\$1.08</u>	<u>\$1.09</u>	<u>(1)</u>