STIFEL

One Year Price Chart

July 24, 2013

Norfolk Southern Corporation
NSC – NYSE
Buy
Rail

Analysis of Sales/Earnings

2Q13 EPS Down 9% Y/Y and 2% Below the Street Due to Weaker RPU and Adverse Mix

- **Missed Street:** reported 2Q13 EPS of $1.46, down 9% y/y and 2% below the Street. Our Stifel 2Q13 EPS estimate was $1.52, while the Street consensus was $1.49. Respectable 2% y/y volume growth and continued improvement in operating efficiencies were more than offset by weak yields that were due mostly to weakening export coal markets, adverse mix in utility coal markets, and the continuing growth of intermodal. Fuel surcharge lag economics created a $65 million y/y drag on 2Q13 EPS (~a $0.13 y/y adverse impact).
- **2Q13 revenue was down 2.5% y/y as unit volume increased 2% y/y and revenue per unit declined a debilitating 5% y/y.** The weak unit revenue was heavily concentrated in the export coal markets where, in order to be competitive in the soft global coal market, rail pricing may have been down in the vicinity of 25% y/y.
- **Traffic grew in just three of seven revenue segments;** y/y volume growth in intermodal, chemicals, and automotive, more than offset y/y declines in coal, agricultural, metals and construction, and flat paper and forest products volumes. Overall coal volume declined just 4% y/y, but 2Q13 was worse than the aggregate number suggests as export coal was down 16% y/y and domestic met coal dropped 11% y/y.
- **2Q13 operating ratio deteriorated four percentage points y/y (or 270 basis points) to 70.2%.** Railway operating expenses declined 1% y/y even as volumes rose 2% on a unit basis and 3% on a ton-mile basis. The 5% y/y drop in yields was once again the culprit.
- **Balance sheet remained strong:** debt-to-total capital ratio was 45.4% at the end of 2Q13.
- **Trimming our 2013, 2014, and 2015 EPS estimates** from $5.70, $6.35, and $7.05 to $5.48, $6.15, and $6.70, respectively. The decreases are a function of the remaining uncertainty with respect to the timing of recovery in coal volumes partially offset by stronger intermodal volumes and excellent cost saving and productivity initiatives.
- **Continue to rate the company's common shares Buy.** Our 12-month price target drops from $88 (or 12.5x our former 2015 EPS estimate of $7.05) to $87 (or 13.0x our revised 2015 EPS estimate of $6.70). Our revised 12-month target price still provides 15.9% upside potential, when the just enhanced current dividend yield of 2.7% is included. We expect shares to trade off in response to the 2Q13 EPS miss, leaving more than a sufficient amount of upside to warrant reiteration of our Buy rating, in our view.

INCOME LIST

Changes	Previous	Current
Rating	—	Buy
Target Price	$88.00	$87.00
FY13E EPS (Net)	$5.70	$5.48
FY14E EPS (Net)	$6.35	$6.15
FY13E Rev (Net)	$11.17B	$11.01B
FY14E Rev (Net)	$11.72B	$11.49B

Price (07/23/13):	$76.87
52-Week Range:	$81 – $56
Market Cap.(mm):	24,156.9
Shr.O/S-Diluted (mm):	314.3
Enterprise Val. (mm):	$32,046.9
Avg Daily Vol (3 Mo):	1,992,517
LT Debt/Total Cap.:	45.4%
Net Cash/Share:	$1.87
Book Value/Share:	$32.42
Dividend($ / %)	$2.08 / 2.7%
S&P Index	1,692.39

EPS (Net)	2012A	2013E	2014E
Q1	$1.23	$1.22A	$1.32
Q2	1.60	1.46A	1.68
Q3	1.24	1.40	1.62
Q4	1.30	1.40	1.54
FY Dec	$5.38A	$5.48	$6.15
P/E	14.3x	14.0x	12.5x

Rev (Net)	2012A	2013E	2014E
FY Dec	$11.04B	$11.01B	$11.49B
EV/Revenue	2.9x	2.9x	2.8x

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All relevant disclosures and certifications appear on pages 9 - 10 of this report.

2Q13 EPS Were Down 9% Y/Y and 2% Below the Street Consensus Estimate; Weaker Revenue per Unit and Adverse Mix Change Appear to be the Culprits; Maintain Buy

Norfolk Southern reported 2Q13 EPS of $1.46, down 9% y/y from 2Q12 EPS of $1.60 and 2% below the Street consensus. Our Stifel 2Q13 EPS estimate was $1.52, while the Street consensus was $1.49. The 26 analysts who had published 2Q13 EPS estimates had carried estimates ranging from a low of $1.42 to a high of $1.54 prior to the company's 2Q13 EPS release. Respectable 2% y/y volume growth and continued improvement in operating efficiencies were more than offset by weak yields that were due mostly to weakening export coal markets, adverse mix in utility coal markets, and the continuing growth of intermodal. Year-over-year fuel surcharge lag economics created a $65 million y/y drag on 2Q13 EPS. On a per share basis, that y/y drag equates to nearly a $0.13 y/y adverse impact. If not for the sizable, favorable fuel surcharge lag impact in the 2Q12 and the unfavorable fuel surcharge lag impact in the 2Q13, reported 2Q13 EPS would have been close to flat y/y. However, a lower effective tax rate in the 2Q13 (i.e., 36.9%), compared to the 2Q12 effective tax rate (i.e., 37.8%), aided 2Q13 EPS to the tune of $0.02 per share. So, if the effective tax rate had remained unchanged y/y, 2Q13 EPS would have been $1.44, down 10% y/y (excluding any adjustment for fuel surcharge lags). All in all, it was a frustrating quarter for the company as the company's non-coal volumes increased 5% y/y against a weak economic backdrop and operating metrics improved across the board.

2Q13 revenue was down 2.5% y/y as unit volume increased 2% y/y and revenue per unit declined a debilitating 5% y/y. The weak unit revenue was heavily concentrated in the export coal markets where, in order to be competitive in the soft global coal market, rail pricing may have been down in the vicinity of 25% y/y. As we move into the 2H13, world coal markets may deteriorate to the point where U.S. exports simply become uneconomic for the miners and for the railroads, so the company expects volumes to drop sequentially from the 1H13 to the 2H13. Yields also deteriorated due to the growth in Illinois Basin coal shipments to northern utilities. These shipments were about 75% shorter than the Central Appalachian coal shipments they displaced and therefore also hurt overall yields. Lastly, domestic intermodal volume grew 6% y/y and often is short haul in nature. Domestic intermodal, therefore, also contributed to the weak yield picture. Pricing across the rest of the book of business, we suspect, was roughly in line with the company's objective of delivering pricing that more than offsets rail industry inflation (excluding fuel), at least on a same-store basis (i.e., the same commodity moving over the same route in the same car from the same origin to the same destination for the same customer).

Traffic grew in just three of seven revenue segments; y/y volume growth in intermodal, chemicals, and automotive, more than offset y/y declines in coal, agricultural, metals and construction, and flat paper and forest products volumes. Coal volume declined just 4% y/y in 2Q13, but it was worse than the aggregate number suggests. Export coal was down 16% y/y, while domestic met coal dropped 11% y/y. The loss of this still relatively high yielding traffic was the primary driver of the weaker yields alluded to above. Northern utility coal climbed an impressive 18% y/y, as stockpiles finally returned to normal. Unfortunately, southern utility coal volumes declined another 12% y/y as stockpiles in the South remain bloated thanks to low natural gas prices and more moderate winter temperatures. To make matters worse, much of the incremental northern utility coal was sourced from the Illinois Basin. Coal from the Illinois Basin generated lengths of haul 75% below the coal it replaced, thereby further pummeling yields.

Metals and Construction volumes declined 5% y/y as the company is still suffering from the loss of volumes from the recently closed RG Steel Mill it served and from reduced steel production. The RG Steel Mill closure reaches its anniversary beginning at the start of the 3Q13 and, as a result, will no longer be a drag on y/y comparables going forward. Chemicals volumes grew 16% y/y primarily as a result of crude oil shipments originating in various shales and terminating at refineries on the company's network. Automobile traffic climbed 8% y/y as the company secured new business from existing customers and as consumers continued to replace their aging vehicles at an accelerating clip while auto dealers reduced inventories. Agricultural volumes declined 1% as drought-driven reductions in corn and soybeans hampered volumes. Paper and forest products volumes were down 1% y/y as increased building material shipments (e.g., lumber shipments were up 12% y/y) were offset largely by reduced paper shipments (e.g., graphic paper shipments declined 16% y/y).

Intermodal unit volume improved 5% y/y. The solid intermodal volumes were achieved with growth in domestic intermodal shipments of 6% y/y and a 2% y/y increase in international intermodal movements. We expect the company's intermodal volume growth to remain solid in 2013 as its investments aimed at increasing capacity in specific corridors, continue to pay off.

It is also apparent to us that the company's collaborative relationships with truckload-based intermodal partners Hub Group and J.B. Hunt continue to provide a big boost to the company's intermodal volume as highway conversions in the East generally outpace those in western or transcontinental lanes. With highway conversion in the East in something like the second or third inning (our estimate), with the company's intermodal network now 100% double stack compatible, with existing trains operating with excess capacity (note that the 5% y/y volume growth in the 2Q13 was handled with only 2% more crew starts and that 95% of container movements were handled on double stack trains), with the company's many intermodal terminal development projects having just come on line, and with the company's intermodal partners anxious to access incremental intermodal capacity, we believe the next few years should be terrific for the company from a domestic intermodal growth perspective.

The company's 2Q13 operating ratio deteriorated four percentage points y/y (or 270 basis points) to 70.2%. Railway operating expenses declined 1% y/y even as volumes rose 2% on a unit basis and 3% on a ton-mile basis. The 5% y/y drop in yields was once again the culprit. Helping to somewhat mitigate the unfavorable operating ratio increase in the 2Q13 were a 0.7% y/y improvement in average train speed, a 2.0% y/y favorable drop in average terminal dwell, a 7.1% y/y reduction in average cars on line, and 2% overall reduction in crew starts. A 13% y/y reduction in train and engine overtime, a 14% y/y reduction in re-crews, a 3% y/y reduction in equipment rents (related to velocity improvements), a 4% y/y improvement in locomotive productivity, and a 1% y/y improvement in fuel efficiency, all contributed to minimizing the margin deterioration experienced in the 2Q13. The adverse move in yields and mix were simply too much to overcome with operational efficiencies.

The company's balance sheet remained strong. With a debt-to-total capital ratio of 45.4% at the end of 2Q13, as a starting point, we remain confident that the company will be able to fund its $2.0 billion 2013 capital program while continuing to reward shareholders (via a policy of paying out one-third of its income in dividends and spending what remains, after dividends and capital expenditures, on its ongoing opportunistic share repurchase program) without borrowing significant amounts incrementally. Additionally, we note that the company took advantage of the brief market correction in the 2Q13 to buy back the bulk of the $314 million worth of shares repurchased in the 1H13 during the 2Q13.

We are trimming our 2013, 2014, and 2015 EPS estimates from $5.70, $6.35, and $7.05 to $5.48, $6.15, and $6.70, respectively. The decreases are a function of the remaining uncertainty with respect to the timing of recovery in coal volumes partially offset by stronger intermodal volumes and excellent cost saving and productivity initiatives. Our 2013, 2014, and 2015 EPS estimates are driven by y/y revenue growth of -0.3%, 4.3%, and 3.9%, respectively. In turn, the revenue growth is predicated on y/y volume growth of 2.6% in 2013, 2.3% in 2014, and 2.2% in 2015 along with y/y average revenue per unit increases of -2.8% in 2013, 2.0% in 2014, and 1.7% in 2015. Lastly, we are assuming operating ratios of 71.6% for 2013, 70.1% for 2014, and 69.4% for 2015. These assumptions are predicated on continued 1.5% to 2% GDP growth through 2015. An acceleration in economic growth would likely result in our estimates being too conservative. Conversely, a further deceleration in the rate of economic growth would likely result in our estimates being too aggressive.

We continue to rate the company's common shares Buy. Our 12-month price target drops from $88 (or 12.5x our former 2015 EPS estimate of $7.05) to $87 (or 13.0x our revised 2015 EPS estimate of $6.70). Our revised 12-month target price still provides 15.9% upside potential, when the just enhanced current dividend yield of 2.7% is included. Given that the company's shares are likely to trade off in response to the 2Q13 EPS miss, we see more than a sufficient amount of upside to warrant reiteration of our Buy rating, in our view.

Target Price Methodology/Risks

Our 12-month target price is $87, or 13.0x our 2015 EPS estimate of $6.70.

Risks to target price: Relative housing and automotive slowness could persist longer than expected, which would negatively impact several of the company's business segments. Deceleration in consumer spending could negatively impact the automotive and intermodal business segments. Rapidly rising fuel prices could clip net income due to the implementation lag associated with the company's fuel cost recovery mechanisms. Re-regulation of the U.S. rail industry is also a risk, which would likely place a cap on price increases and significantly limit potential ROIC improvement. Continued double digit y/y volume declines in coal, resulting from coal-fired power plants transitioning to peaking plants from base-load generating plants.

Company Description

Norfolk Southern, headquartered in Norfolk, VA, serves 22 states as well as the District of Columbia and Ontario, Canada. NSC operates its trains over a system of about 21,300 route miles. It serves almost all of the east coast, as well as 20 seaports and lake ports, and connects with rail partners in the West and Canada. NSC is the product of hundreds of railroad mergers, reorganizations, and consolidations. The three largest predecessors to today's railroad are its 58% portion of Conrail, Norfolk and Western Railway, and Southern Railway.

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Equity Comps - Transportation

Comparative Valuation Matrix

(figures in $US millions, except per share amounts)

Company name (Ticker)	Rating	Closing Price 7/23/2013	Diluted S/O	Market cap.	Total Debt	Cash & equiv.	TEV [a]	Equity value as a multiple of Earnings per Share 2012A[b]	2013E[b]	2014E[b]	Equity value as a multiple of Book value	Enterprise value as a multiple of TTM Revenue	2013E EBITDA	TTM EBITDA	TTM EBITDAR [c]	TTM EBIT	TTM ROA	TTM ROE	TTM ROIC	PEG ratio[d]	Div. Yield	2013E FCF Yld
Railroads																						
Canadian National (CNI)	Hold	98.91	422.8	41,822.7	7,290.8	570.5	48,543.0	17.6x	16.6x	14.8x	3.8x	4.8x	10.2x	10.4x	10.3x	13.1x	9.3%	22.4%	15.1%	1.4	1.7%	1.5%
Canadian Pacific (CP)	Hold	126.64	177.2	22,438.5	4,634.6	339.0	26,734.1	29.4x	21.0x	17.3x	4.2x	4.6x	11.8x	13.8x	13.1x	19.2x	5.7%	16.2%	10.5%	1.0	1.1%	1.7%
CSX Corp. (CSX)	Buy	25.27	1,019.1	25,752.2	9,375.0	1,017.0	34,110.2	14.1x	14.1x	12.6x	2.7x	2.9x	7.5x	7.4x	7.4x	9.8x	6.3%	20.4%	12.2%	1.1	2.4%	1.2%
Genesee & Wyoming (GWR)	Hold	92.67	56.7	5,253.0	1,792.3	29.3	7,016.0	32.3x	20.0x	17.3x	2.6x	6.7x	12.8x	19.9x	18.6x	26.7x	4.2%	10.5%	7.3%	0.9	0.0%	3.0%
Kansas City Southern (KSU)	Sell	113.25	110.4	12,508.1	1,814.0	30.0	14,382.5	33.9x	28.2x	22.9x	3.9x	5.9x	14.9x	15.9x	14.5x	20.6x	4.5%	9.5%	7.0%	1.4	0.8%	1.3%
Norfolk Southern Corp. (NSC)	**Buy**	**76.87**	**314.3**	**24,156.9**	**8,477.0**	**587.0**	**32,046.9**	**14.3x**	**14.0x**	**12.5x**	**2.4x**	**2.9x**	**8.0x**	**8.2x**	**8.2x**	**10.8x**	**5.6%**	**16.7%**	**11.0%**	**1.2**	**2.7%**	**0.9%**
Union Pacific (UNP)	Hold	161.66	469.2	75,851.1	9,809.0	1,845.0	83,815.1	19.5x	17.2x	15.4x	3.7x	3.9x	9.0x	9.5x	9.3x	11.9x	8.7%	20.9%	15.2%	1.1	1.7%	3.5%
Min				5,253.0	1,792.3	29.3	7,016.0	14.1x	14.0x	12.5x	2.4x	2.9x	7.5x	7.4x	7.4x	9.8x	4.2%	9.5%	7.0%	0.9	0.0%	0.9%
Mean				29,683.2	6,170.4	631.1	35,235.4	23.0x	18.7x	16.1x	3.3x	4.5x	10.6x	12.2x	11.6x	16.0x	6.3%	16.7%	11.2%	1.2	1.5%	1.9%
Mean (Class I Rails only)				33,754.9	6,900.1	731.4	39,938.6	21.5x	18.5x	15.9x	3.4x	4.2x	10.2x	10.9x	10.4x	14.2x	6.7%	17.7%	11.8%	1.2	1.7%	1.7%
Median				24,156.9	7,290.8	570.5	32,046.9	19.5x	17.2x	15.4x	3.7x	4.6x	10.2x	10.4x	10.3x	13.1x	5.7%	16.7%	11.0%	1.1	1.7%	1.5%
Max				75,851.1	9,809.0	1,845.0	83,815.1	33.9x	28.2x	22.9x	4.2x	6.7x	14.9x	19.9x	18.6x	26.7x	9.3%	22.4%	15.2%	1.4	2.7%	3.5%
Stifel Transportation Average				**8,565.6**	**1,570.4**	**451.8**	**9,724.4**	**20.3x**	**18.3x**	**16.5x**	**3.1x**	**2.3x**	**9.2x**	**9.5x**	**6.8x**	**14.4x**	**5.2%**	**15.4%**	**10.1%**	**1.3**	**1.0%**	**2.5%**

(a) Total Enterprise Value = Market Capitalization of Equity + Total Debt - Cash + Market Value of Minority Interest

(b) Stifel estimates for those rated and First Call mean estimates for unrated securities

(c) Enterprise value adjusted to include the capitalization of off balance sheet operating leases with lease expense (or rent expense) being added back to EBITDA for the valuation multiple calculation

(d) 2014E P/E divided by First Call mean or Stifel estimated long-term growth rate

Excludes non-recurring items

Calculations may vary due to rounding

Source: Company data , First Call, and Stifel estimates

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Norfolk Southern Income Statement

(figures in $ millions, except per share amounts)

										2012					2013					2014					
	2003A	**2004A**	**2005A**	**2006A**	**2007A**	**2008A**	**2009A**	**2010A**	**2011A**	**1QA**	**2QA**	**3QA**	**4QA**	**2012A**	**1QA**	**2QA**	**3QE**	**4QE**	**2013E**	**1QE**	**2QE**	**3QE**	**4QE**	**2014E**	**2015E**
Operating Revenue																									
Coal	1,500	1,728	2,060	2,330	2,315	3,111	2,264	2,719	3,458	766	755	701	657	2,879	635	626	600	600	2,461	622	613	588	588	2,411	2,392
% change y/y	*4.1%*	*15.2%*	*19.2%*	*13.1%*	*-0.6%*	*34.4%*	*-27.2%*	*20.1%*	*27.2%*	*-6.1%*	*-15.5%*	*-22.0%*	*-22.7%*	*-16.7%*	*-17.1%*	*-17.1%*	*-14.4%*	*-8.7%*	*-14.5%*	*-2.0%*	*-2.1%*	*-2.0%*	*-2.0%*	*-2.0%*	*-0.8%*
General Merchandise:																									
Automotive	936	954	997	974	948	823	527	648	780	226	239	203	229	897	244	261	236	244	985	258	277	251	259	1,045	1,098
% change y/y	*-2.6%*	*1.9%*	*4.5%*	*-2.3%*	*-2.7%*	*-13.2%*	*-36.0%*	*23.0%*	*20.4%*	*27.7%*	*20.7%*	*6.3%*	*7.0%*	*15.0%*	*8.0%*	*9.2%*	*16.3%*	*6.4%*	*9.8%*	*5.9%*	*6.2%*	*6.1%*	*6.1%*	*6.1%*	*5.1%*
Chemicals	774	864	973	1,076	1,166	1,238	1,056	1,302	1,368	362	379	370	356	1,467	394	415	370	357	1,536	412	440	392	379	1,624	1,706
% change y/y	*0.7%*	*11.6%*	*12.6%*	*10.6%*	*8.4%*	*6.2%*	*-14.7%*	*23.3%*	*5.1%*	*7.1%*	*6.8%*	*4.8%*	*10.6%*	*7.2%*	*8.8%*	*9.5%*	*0.0%*	*0.4%*	*4.7%*	*4.6%*	*6.1%*	*6.1%*	*6.1%*	*5.7%*	*5.1%*
Metals/Construction	699	818	978	1,168	1,149	1,251	745	1,013	1,241	342	369	314	310	1,335	336	350	356	340	1,382	360	375	379	360	1,475	1,557
% change y/y	*1.0%*	*17.0%*	*19.6%*	*19.4%*	*-1.6%*	*8.9%*	*-40.4%*	*36.0%*	*22.5%*	*27.1%*	*15.3%*	*-7.6%*	*-0.6%*	*7.6%*	*-1.8%*	*-5.1%*	*13.4%*	*9.6%*	*3.5%*	*7.2%*	*7.1%*	*6.6%*	*6.1%*	*6.7%*	*5.6%*
Agriculture/Consumer products/Government	686	727	845	997	1,047	1,282	1,181	1,326	1,439	370	370	344	362	1,446	361	366	369	394	1,490	379	385	388	414	1,565	1,637
% change y/y	*10.1%*	*6.0%*	*16.2%*	*18.0%*	*5.0%*	*22.4%*	*-7.9%*	*12.3%*	*8.5%*	*5.4%*	*0.3%*	*-3.6%*	*0.0%*	*0.5%*	*-2.4%*	*-1.1%*	*7.2%*	*8.9%*	*3.0%*	*5.1%*	*5.1%*	*5.1%*	*5.1%*	*5.1%*	*4.5%*
Paper/Clay/Forest	634	684	793	891	860	898	666	712	756	196	199	194	186	775	195	196	202	195	788	204	206	212	205	828	861
% change y/y	*5.1%*	*7.9%*	*15.9%*	*12.4%*	*-3.5%*	*4.4%*	*-25.8%*	*6.9%*	*6.2%*	*6.5%*	*4.2%*	*-2.0%*	*1.6%*	*2.5%*	*-0.5%*	*-1.5%*	*4.1%*	*5.0%*	*1.7%*	*4.8%*	*5.2%*	*5.1%*	*5.1%*	*5.0%*	*4.0%*
Intermodal	1,239	1,537	1,826	1,971	1,921	2,058	1,530	1,796	2,130	527	563	567	584	2,241	573	588	595	612	2,368	620	626	637	656	2,539	2,680
% change y/y	*4.9%*	*24.1%*	*18.8%*	*7.9%*	*-2.5%*	*7.1%*	*-25.7%*	*17.4%*	*18.6%*	*8.7%*	*4.3%*	*2.9%*	*5.4%*	*5.2%*	*8.7%*	*4.4%*	*4.9%*	*4.8%*	*5.7%*	*8.1%*	*6.5%*	*7.1%*	*7.1%*	*7.2%*	*5.6%*
Gross revenues	**6,468**	**7,312**	**8,472**	**9,407**	**9,406**	**10,661**	**7,969**	**9,516**	**11,172**	**2,789**	**2,874**	**2,693**	**2,684**	**11,040**	**2,738**	**2,802**	**2,727**	**2,742**	**11,010**	**2,856**	**2,923**	**2,847**	**2,861**	**11,486**	**11,931**
% change y/y	*3.2%*	*13.0%*	*15.9%*	*11.0%*	*0.0%*	*13.3%*	*-25.3%*	*19.4%*	*17.4%*	*6.5%*	*0.3%*	*-6.8%*	*-4.0%*	*-1.2%*	*-1.8%*	*-2.5%*	*1.3%*	*2.2%*	*-0.3%*	*4.3%*	*4.3%*	*4.4%*	*4.3%*	*4.3%*	*3.9%*
Operating expenses:																									
Compensation and benefits	2,168	2,272	2,473	2,637	2,561	2,684	2,401	2,708	2,974	786	724	724	726	2,960	780	726	723	730	2,959	799	757	737	759	3,052	3,138
Materials, services, and rents	1,427	1,601	1,809	2,021	1,642	1,700	1,403	1,477	1,610	391	392	403	418	1,604	393	410	386	389	1,578	410	399	390	402	1,600	1,645
Conrail rents and services	419	319	129	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation	513	598	774	738	775	804	837	819	862	224	229	230	233	916	227	226	226	228	906	235	227	222	229	914	940
Fuel	380	449	727	977	1,169	1,638	725	1,079	1,589	413	390	379	395	1,577	429	391	386	389	1,595	429	399	390	402	1,619	1,664
Casualties and other claims	181	151	163	220	40	52	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	209	220	254	257	669	686	641	757	866	230	205	226	198	859	218	213	208	210	850	229	211	211	217	868	892
Total operating expenses	**5,297**	**5,610**	**6,329**	**6,850**	**6,856**	**7,564**	**6,007**	**6,840**	**7,901**	**2,044**	**1,940**	**1,962**	**1,970**	**7,916**	**2,047**	**1,966**	**1,928**	**1,947**	**7,888**	**2,102**	**1,993**	**1,950**	**2,008**	**8,054**	**8,279**
Operating ratio	*81.9%*	*76.7%*	*74.7%*	*72.8%*	*72.9%*	*71.0%*	*75.4%*	*71.9%*	*70.7%*	*73.3%*	*67.5%*	*72.9%*	*73.4%*	*71.7%*	*74.8%*	*70.2%*	*70.7%*	*71.0%*	*71.6%*	*73.6%*	*68.2%*	*68.5%*	*70.2%*	*70.1%*	*69.4%*
EBIT	**1,171**	**1,702**	**2,143**	**2,557**	**2,550**	**3,097**	**1,962**	**2,676**	**3,271**	**745**	**934**	**731**	**714**	**3,124**	**691**	**836**	**799**	**795**	**3,121**	**754**	**929**	**897**	**853**	**3,433**	**3,652**
% margin	*18.1%*	*23.3%*	*25.3%*	*27.2%*	*27.1%*	*29.0%*	*24.6%*	*28.1%*	*29.3%*	*26.7%*	*32.5%*	*27.1%*	*26.6%*	*28.3%*	*25.2%*	*29.8%*	*29.3%*	*29.0%*	*28.4%*	*26.4%*	*31.8%*	*31.5%*	*29.8%*	*29.9%*	*30.6%*
EBITDA	**1,684**	**2,300**	**2,917**	**3,295**	**3,325**	**3,901**	**2,799**	**3,495**	**4,133**	**969**	**1,163**	**961**	**947**	**4,040**	**918**	**1,062**	**1,025**	**1,023**	**4,028**	**989**	**1,157**	**1,119**	**1,081**	**4,347**	**4,592**
% margin	*26.0%*	*31.5%*	*34.4%*	*35.0%*	*35.3%*	*36.6%*	*35.1%*	*36.7%*	*37.0%*	*34.7%*	*40.5%*	*35.7%*	*35.3%*	*36.6%*	*33.5%*	*37.9%*	*37.6%*	*37.3%*	*36.6%*	*34.6%*	*39.6%*	*39.3%*	*37.8%*	*37.8%*	*38.5%*
Interest expense	497	489	494	476	441	444	467	462	455	120	122	124	129	495	129	128	129	132	517	134	134	134	137	538	563
Interest (income) and other (income) expense, net	(31)	(36)	(74)	(149)	(93)	(110)	(127)	(153)	(160)	(29)	(31)	(33)	(36)	(129)	(38)	(29)	(33)	(32)	(133)	(32)	(32)	(32)	(32)	(129)	(129)
Profit before tax	705	1,249	1,723	2,230	2,202	2,763	1,622	2,367	2,976	654	843	640	621	2,758	600	737	704	696	2,737	652	828	795	748	3,023	3,218
% margin	*10.9%*	*17.1%*	*20.3%*	*23.7%*	*23.4%*	*25.9%*	*20.4%*	*24.9%*	*26.6%*	*23.4%*	*29.3%*	*23.8%*	*23.1%*	*25.0%*	*21.9%*	*26.3%*	*25.8%*	*25.4%*	*24.9%*	*22.8%*	*28.3%*	*27.9%*	*26.2%*	*26.3%*	*27.0%*
Tax rate	*24.8%*	*30.3%*	*30.4%*	*33.6%*	*33.7%*	*37.6%*	*36.3%*	*37.1%*	*36.5%*	*37.3%*	*37.8%*	*37.2%*	*33.5%*	*36.6%*	*35.1%*	*36.9%*	*37.5%*	*37.5%*	*36.8%*	*37.5%*	*37.5%*	*37.5%*	*37.5%*	*37.5%*	*37.5%*
Net income (loss) from continuing operations	**530**	**870**	**1,200**	**1,482**	**1,460**	**1,724**	**1,034**	**1,489**	**1,889**	**410**	**524**	**402**	**413**	**1,749**	**390**	**465**	**440**	**435**	**1,729**	**408**	**518**	**497**	**468**	**1,890**	**2,011**
Non recurring items (1-9)	5	53	81	0	4	(8)	0	7	27	0	0	0	0	0	60	0	0	0	60	0	0	0	0	0	0
Net income	535	923	1,281	1,482	1,464	1,716	1,034	1,496	1,916	410	524	402	413	1,749	450	465	440	435	1,790	408	518	497	468	1,890	2,011
Average shares outstanding - diluted	389.8	395.3	412.3	414.7	397.8	380.0	372.1	371.8	351.4	332.9	327.5	321.8	318.6	325.2	318.1	317.8	314.3	311.6	315.5	309.8	308.3	306.5	304.6	307.3	300.1
EPS - diluted (continuing operations)	**$1.35**	**$2.18**	**$2.91**	**$3.57**	**$3.67**	**$4.54**	**$2.77**	**$4.00**	**$5.38**	**$1.23**	**$1.60**	**$1.24**	**$1.30**	**$5.38**	**$1.22**	**$1.46**	**$1.40**	**$1.40**	**$5.48**	**$1.32**	**$1.68**	**$1.62**	**$1.54**	**$6.15**	**$6.70**
% change y/y	*14.4%*	*61.5%*	*33.5%*	*22.7%*	*2.8%*	*23.7%*	*-39.0%*	*44.4%*	*34.5%*	*23.0%*	*15.9%*	*-22.0%*	*-8.5%*	*0.0%*	*-0.8%*	*-8.8%*	*12.9%*	*7.7%*	*1.9%*	*8.2%*	*15.1%*	*15.7%*	*10.0%*	*12.2%*	*8.9%*
EPS - diluted	**$1.37**	**$2.32**	**$3.11**	**$3.57**	**$3.68**	**$4.52**	**$2.77**	**$4.02**	**$5.45**	**$1.23**	**$1.60**	**$1.24**	**$1.30**	**$5.38**	**$1.41**	**$1.46**	**$1.40**	**$1.40**	**$5.67**	**$1.32**	**$1.68**	**$1.62**	**$1.54**	**$6.15**	**$6.70**
% change y/y	*16.1%*	*69.3%*	*34.1%*	*14.8%*	*3.1%*	*22.8%*	*-38.7%*	*45.1%*	*35.6%*	*36.7%*	*2.6%*	*-22.0%*	*-8.5%*	*-1.3%*	*14.6%*	*-8.8%*	*12.9%*	*7.7%*	*5.4%*	*-6.4%*	*15.1%*	*15.7%*	*10.0%*	*8.5%*	*8.9%*

(1) 2Q05 results exclude additional revenue and expenses associated with coal rate case settlements (approximately $55 million in revenue, $35 million in operating income and $24 million in net income)
(2) 2Q05 results also exclude roughly $2 million in nonrecurring expenses related to 1Q05 derailment in Graniteville, SC, and exclude a $96 million tax benefit from a change in Ohio state tax law
(3) 3Q05 results exclude an estimated $17.9 million in pre-tax charges related to an unfavorable jury verdict, as well as the portion of the company's self-insured retention (estimated at $5.95 million) related to damages caused by hurricane Katrina. Both items are excluded on the Casualties and other claims line, and are added back, post-tax, in the non-recurring items line.
(4) 3Q07 results exclude a $19 million non-cash charge related to an income tax law modification in the state of Illinois.
(5) 4Q07 results exclude a $26 million one-time benefit
(6) 1Q10 results exclude a $27 million one-time deferred tax expense related to the passage of the Patient Protection and Affordable
(7) 4Q10 results exclude a $34 million one-time deferred tax benefit related to the passage of the Patient Protection and Affordable
(8) 1Q11 results exclude a $58 million expense for receivables that may be affected by an arbitration decision
(9) 1Q13 results exclude a $60 million net income gain from the sale of land to the Michigan Department of Transportation
Source: Company data and Stifel estimates

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Norfolk Southern Balance Sheet

(figures in $ millions, except per share amounts)

	2003A	2004A	2005A	2006A	2007A	2008A	2009A	2010A	2011A	2012				2013				2014				2015E
										1QA	2QA	3QA	4QA	1QA	2QA	3QE	4QE	1QE	2QE	3QE	4QE	
Current assets																						
Cash and cash equivalents	284	467	289	527	206	618	996	827	276	829	356	693	653	672	587	300	300	300	300	300	300	300
Short term investments	0	202	968	391	0	0	90	283	25	2	15	15	15	15	0	0	0	0	0	0	0	0
Accounts receivables, net	695	767	931	992	942	870	766	807	1,022	1,056	1,086	1,078	1,109	1,158	1,072	1,073	1,079	1,046	1,057	1,069	1,080	1,098
Due from Conrail	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Materials and supplies	92	104	132	151	176	194	164	169	209	228	242	236	216	246	228	208	209	211	214	216	218	227
Deferred income taxes	189	187	167	186	190	149	142	145	143	146	133	144	167	167	137	142	143	145	146	148	149	155
Other current assets	165	240	163	153	161	168	88	240	76	71	52	33	82	65	54	110	110	111	112	114	115	119
Total current assets	**1,425**	**1,967**	**2,650**	**2,400**	**1,675**	**1,999**	**2,246**	**2,471**	**1,751**	**2,332**	**1,884**	**2,199**	**2,242**	**2,323**	**2,078**	**1,833**	**1,841**	**1,813**	**1,830**	**1,846**	**1,862**	**1,899**
Property and equipment																						
Road	11,243	19,530																				
Equipment	5,779	6,661																				
Other property	569	574																				
Total property and equipment	17,591	26,765																				
Less accumulated depreciation	(5,812)	(6,239)																				
Property and equipment, net	11,779	20,526	20,705	21,098	21,583	22,247	22,643	23,231	24,469	24,703	24,968	25,260	25,736	25,870	26,098	26,442	26,760	27,024	27,297	27,675	28,046	29,456
Investments, including Conrail	6,259	805	1,590	1,755	1,974	1,779	2,164	2,193	2,234	2,263	2,278	2,315	2,300	2,341	2,366	2,300	2,312	2,337	2,362	2,387	2,412	2,506
Other assets	1,133	1,452	916	775	912	272	316	304	84	77	61	66	64	65	63	63	63	63	63	63	63	63
Total assets	**20,596**	**24,750**	**25,861**	**26,028**	**26,144**	**26,297**	**27,369**	**28,199**	**28,538**	**29,375**	**29,191**	**29,840**	**30,342**	**30,599**	**30,605**	**30,638**	**30,976**	**31,237**	**31,552**	**31,971**	**32,383**	**33,924**
LIABILITIES AND EQUITY																						
Current liabilities																						
Accounts payable	948	1,012	1,163	1,181	1,139	1,140	974	1,181	1,092	1,243	1,126	1,260	1,362	1,188	1,180	1,205	1,211	1,224	1,237	1,250	1,263	1,312
Income and other taxes	199	210	231	205	203	261	109	199	207	320	322	150	206	319	284	219	220	223	225	227	230	239
Due to Conrail	81	78	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	213	239	213	216	237	220	232	244	252	337	299	362	263	350	304	329	330	300	315	318	333	346
Current maturities of long-term debt	360	662	314	491	369	484	474	458	150	32	27	52	250	47	47	47	47	47	47	47	47	47
Total current liabilities	1,801	2,201	1,921	2,093	1,948	2,105	1,789	2,082	1,701	1,932	1,774	1,824	2,081	1,904	1,815	1,799	1,809	1,794	1,824	1,843	1,873	1,944
Long-term debt	6,800	6,863	6,616	6,109	5,999	6,183	6,679	6,567	7,390	7,985	7,972	8,428	8,432	8,438	8,430	8,543	8,689	8,733	8,672	8,774	8,886	9,121
Other liabilities	1,071	1,146	1,415	1,767	2,039	2,046	1,801	1,793	2,050	2,053	2,028	2,018	2,237	2,226	2,198	2,190	2,202	2,225	2,250	2,274	2,297	2,386
Due to Conrail	716	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minority interests	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred income taxes	3,223	6,550	6,620	6,444	6,431	6,366	6,747	7,088	7,486	7,590	7,639	7,803	7,832	7,921	7,974	7,885	7,927	8,012	8,099	8,185	8,270	8,590
Total liabilities	**13,620**	**16,760**	**16,572**	**16,413**	**16,417**	**16,700**	**17,016**	**17,530**	**18,627**	**19,560**	**19,413**	**20,073**	**20,582**	**20,489**	**20,417**	**20,418**	**20,626**	**20,764**	**20,845**	**21,075**	**21,326**	**22,042**
Common stock	412	421	431	418	380	368	370	358	332	327	321	317	315	316	313							
Additional paid-in capital	521	728	992	1,303	1,466	1,680	1,809	1,892	1,912	1,917	1,904	1,909	1,911	1,976	1,984							
Unearned restricted stock	(5)	(8)	(17)	0	0	0	0	0	0	0	0	0	0	0	0							
Accumulated other comprehensive loss	(44)	(24)	(77)	(369)	(399)	(952)	(853)	(805)	(1,026)	(1,010)	(991)	(971)	(1,109)	(1,086)	(1,063)							
Retained earnings	6,112	6,893	7,980	8,283	8,280	8,501	9,027	9,224	8,693	8,581	8,544	8,512	8,643	8,904	8,954							
Treasury stock	(20)	(20)	(20)	(20)	0	0	0	0														
Total stockholders' equity	**6,976**	**7,990**	**9,289**	**9,615**	**9,727**	**9,597**	**10,353**	**10,669**	**9,911**	**9,815**	**9,778**	**9,767**	**9,760**	**10,110**	**10,188**	**10,221**	**10,350**	**10,473**	**10,707**	**10,896**	**11,057**	**11,882**
Total liabilities and stockholders' equity	**20,596**	**24,750**	**25,861**	**26,028**	**26,144**	**26,297**	**27,369**	**28,199**	**28,538**	**29,375**	**29,191**	**29,840**	**30,342**	**30,599**	**30,605**	**30,638**	**30,976**	**31,237**	**31,552**	**31,971**	**32,383**	**33,924**

	2003A	2004A	2005A	2006A	2007A	2008A	2009A	2010A	2011A	1QA 2012	2QA 2012	3QA 2012	4QA 2012	1QA 2013	2QA 2013	3QE 2013	4QE 2013	1QE 2014	2QE 2014	3QE 2014	4QE 2014	2015E
Book value/share	**$17.87**	**$19.82**	**$22.28**	**$23.78**	**$24.95**	**$25.77**	**$27.73**	**$29.17**	**$29.27**	**$29.48**	**$29.86**	**$30.35**	**$30.63**	**$31.78**	**$32.06**	**$32.52**	**$33.21**	**$33.80**	**$34.73**	**$35.55**	**$36.30**	**$39.92**
Average age of trade receivables (days)	40.1	36.8	38.0	39.7	36.7	35.5	35.1	32.7	33.5	34.0	34.0	36.7	37.2	37.8	36.3	35.9	35.8	33.9	32.8	34.1	34.3	33.5
Net working capital	(376)	(234)	729	307	(273)	(106)	457	389	50	400	110	375	161	419	263	34	33	19	6	3	(11)	(45)
Current ratio	0.8x	0.9x	1.4x	1.1x	0.9x	0.9x	1.3x	1.2x	1.0x	1.2x	1.1x	1.2x	1.1x	1.2x	1.1x	1.0x	1.0x	1.0x	1.0x	1.0x	1.0x	1.0x
Total assets	20,596	24,750	25,861	26,028	26,144	26,297	27,369	28,199	28,538	29,375	29,191	29,840	30,342	30,599	30,605	30,638	30,976	31,237	31,552	31,971	32,383	33,924
Long-term debt	6,800	6,863	6,616	6,109	5,999	6,183	6,679	6,567	7,390	7,985	7,972	8,428	8,432	8,438	8,430	8,543	8,689	8,733	8,672	8,774	8,886	9,121
Total debt	7,160	7,525	6,930	6,600	6,368	6,667	7,153	7,025	7,540	8,017	7,999	8,480	8,682	8,485	8,477	8,590	8,736	8,780	8,719	8,821	8,933	9,168
Debt/total book capitalization	50.7%	48.5%	42.7%	40.7%	39.6%	41.0%	40.9%	39.7%	43.2%	45.0%	45.0%	46.5%	47.1%	45.6%	45.4%	45.7%	45.8%	45.6%	44.9%	44.7%	44.7%	43.6%
Net debt/total book capitalization	48.6%	44.2%	35.0%	35.0%	38.3%	37.2%	34.7%	33.4%	41.5%	40.3%	42.9%	42.6%	43.5%	41.9%	42.3%	44.1%	44.2%	44.0%	43.3%	43.2%	43.2%	42.1%
Debt/EBITDA	3.9x	2.9x	2.2x	2.1x	1.8x	1.6x	2.3x	2.1x	1.8x	2.1x	1.7x	2.1x	2.3x	2.3x	2.0x	2.1x	2.1x	2.2x	1.9x	2.0x	2.1x	2.0x
Debt/EBIT	5.4x	4.1x	2.9x	2.7x	2.4x	2.0x	3.2x	2.7x	2.2x	2.7x	2.1x	2.8x	3.0x	3.1x	2.5x	2.7x	2.7x	2.9x	2.4x	2.4x	2.6x	2.5x
Stockholders' equity	6,976	7,990	9,289	9,615	9,727	9,597	10,353	10,669	9,911	9,815	9,778	9,767	9,760	10,110	10,188	10,221	10,350	10,473	10,707	10,896	11,057	11,882

Source: Company data and Stifel estimates
Some restatements not reflected in prior periods

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Norfolk Southern Cash Flow Statement

(figures in $ millions, except per share amounts)

										2012					2013					2014					
	2003A	2004A	2005A	2006A	2007A	2008A	2009A	2010A	2011A	1QA	2QA	3QA	4QA	2012A	1QA	2QA	3QE	4QE	2013E	1QE	2QE	3QE	4QE	2014E	2015E
Operating Activities																									
Net income	535	923	1,281	1,481	1,464	1,716	1,034	1,496	1,916	410	524	402	413	1,749	450	465	440	435	1,790	408	518	497	468	1,890	2,011
Adjustments																									
Net cumulative effect of changes in accounting principles	(114)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation	528	609	787	750	786	815	845	826	869	226	230	232	234	922	228	228	226	228	909	235	227	222	229	914	940
Deferred income taxes	132	200	80	(8)	125	290	338	312	527	88	50	141	87	366	74	69	(95)	41	90	83	85	84	84	337	315
Equity in earnings of Conrail	(58)	(54)	(37)	(25)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Charge for credit facility costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gains and losses on properties and investments	(45)	(46)	(51)	(54)	(51)	(29)	(18)	(42)	(32)	(1)	(1)	(2)	(2)	(6)	(99)	0	0	0	(99)	0	0	0	0	0	0
Income from discontinued operations	(10)	(53)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Changes in assets and liabilities affecting net income																									
Accounts receivable	(12)	(71)	(94)	(60)	30	269	63	(41)	(215)	(34)	(30)	8	(8)	(64)	(49)	86	(1)	(6)	30	33	(11)	(11)	(11)	(1)	(18)
Materials and supplies	5	(12)	(28)	(19)	(25)	(18)	30	(5)	(40)	(19)	(14)	6	20	(7)	(30)	18	20	(1)	7	(2)	(2)	(2)	(2)	(9)	(8)
Other current assets and due from Conrail	(4)	(18)	20	(11)	(17)	(8)	72	(1)	14	5	18	20	(49)	(6)	17	11	(56)	(1)	(28)	(1)	(1)	(1)	(1)	(5)	(4)
Current liabilities other than debt	(25)	126	55	38	38	(262)	(365)	126	68	316	(154)	21	(101)	82	96	(90)	(16)	9	(0)	(15)	30	19	30	65	71
Other-net	122	57	92	114	(17)	(58)	(139)	43	120	44	5	(15)	(5)	29	36	(4)	58	(1)	90	(1)	(1)	(1)	(1)	(5)	(4)
Total change in net working capital	86	82	45	62	9	(77)	(339)	122	(53)	312	(175)	40	(143)	34	70	21	6	1	98	14	14	3	14	45	35
Net cash provided by operations	**1,054**	**1,661**	**2,105**	**2,206**	**2,333**	**2,715**	**1,860**	**2,714**	**3,227**	**1,035**	**628**	**813**	**589**	**3,065**	**723**	**783**	**577**	**705**	**2,788**	**740**	**844**	**806**	**795**	**3,186**	**3,301**
Investing Activities																									
Road	(218)																								
Equipment	(502)																								
Other	0																								
Total capital expenditures	(720)	(1,041)	(1,025)	(1,178)	(1,341)	(1,558)	(1,299)	(1,470)	(2,160)	(461)	(507)	(554)	(719)	(2,241)	(379)	(505)	(570)	(545)	(1,999)	(500)	(500)	(600)	(600)	(2,200)	(2,350)
Property sales and other transactions	78	75	110	119	124	109	84	97	84	2	13	32	145	192	19	49	0	0	68	0	0	0	0	0	0
Investments, including short-term	(106)	(228)	(1,822)	(1,804)	(635)	(86)	(266)	(504)	(135)	(4)	(8)	(2)	(9)	(23)	(5)	(2)	0	0	(7)	0	0	0	0	0	0
Investment sales and other transactions	108	61	910	2,179	827	307	30	421	439	27	6	4	41	78	(1)	17	0	0	16	0	0	0	0	0	0
Proceeds from sale of motor carrier	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net cash (used in) provided by investing activities	**(640)**	**(1,133)**	**(1,827)**	**(684)**	**(1,025)**	**(1,228)**	**(1,451)**	**(1,456)**	**(1,772)**	**(436)**	**(496)**	**(520)**	**(542)**	**(1,994)**	**(366)**	**(441)**	**(570)**	**(545)**	**(1,922)**	**(500)**	**(500)**	**(600)**	**(600)**	**(2,200)**	**(2,350)**
Cash available for (required by) financing	414	528	278	1,522	1,308	1,487	409	1,258	1,455	599	132	293	47	1,071	357	342	7	160	866	240	344	206	195	986	951
Dividends paid	(117)	(142)	(194)	(278)	(377)	(456)	(500)	(514)	(576)	(155)	(153)	(159)	(157)	(624)	(157)	(158)	(157)	(156)	(628)	(160)	(159)	(158)	(157)	(633)	(636)
Common stock issued-net	13	162	194	297	183	229	66	89	120	31	16	30	12	89	55	25	0	0	80	0	0	0	0	0	0
Credit facility costs paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Redemption of minority interest	(43)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from borrowings	261	202	433	0	250	1,425	1,090	350	1,101	696	0	595	200	1,491	0	0	113	145	259	44	0	101	112	258	252
Repurchase of common stock	0	0	0	(964)	(1,196)	(1,128)	0	(863)	(2,051)	(400)	(450)	(300)	(138)	(1,288)	(33)	(281)	(250)	(150)	(714)	(125)	(125)	(150)	(150)	(550)	(550)
Debt repayments	(428)	(455)	(889)	(339)	(489)	(1,145)	(687)	(489)	(600)	(218)	(18)	(122)	(4)	(362)	(203)	(13)	0	0	(216)	0	(61)	0	0	(61)	(17)
Net cash (used in) provided by financing activities	(314)	(233)	(456)	(1,284)	(1,629)	(1,075)	(31)	(1,427)	(2,006)	(46)	(605)	44	(87)	(694)	(338)	(427)	(294)	(160)	(1,219)	(240)	(344)	(206)	(195)	(986)	(951)
Beginning cash balance	184	284	467	289	527	206	618	996	827	276	829	356	693	276	653	672	587	300	653	300	300	300	300	300	300
Net increase (decrease) in cash and equivalents	100	295	(178)	238	(321)	412	378	(169)	(551)	553	(473)	337	(40)	377	19	(85)	(287)	0	(353)	(0)	0	0	0	0	(0)
Ending cash balance	**284**	**579**	**289**	**527**	**206**	**618**	**996**	**827**	**276**	**829**	**356**	**693**	**653**	**653**	**672**	**587**	**300**	**300**	**300**	**300**	**300**	**300**	**300**	**300**	**300**
Free cash flow (after dividends)	**295**	**553**	**996**	**869**	**739**	**810**	**145**	**827**	**575**	**421**	**(19)**	**132**	**(142)**	**392**	**206**	**169**	**(150)**	**5**	**229**	**81**	**186**	**49**	**38**	**353**	**315**
Per share	$0.76	$1.40	$2.42	$2.10	$1.86	$2.13	$0.39	$2.22	$1.64	$1.26	($0.06)	$0.41	($0.45)	$1.21	$0.65	$0.53	($0.48)	$0.01	$0.73	$0.26	$0.60	$0.16	$0.12	$1.15	$1.05
Current share price $76.87																									
FCF yield	1.0%	1.8%	3.1%	2.7%	2.4%	2.8%	0.5%	2.9%	2.1%					1.6%					0.9%					1.5%	1.4%
Dividend/FCF	39.7%	25.7%	19.5%	32.0%	51.0%	56.3%	344.8%	62.2%	100.2%					159.2%					273.9%					179.3%	202.2%
CapEx, net/OCF	68.3%	62.7%	48.7%	53.4%	57.5%	57.4%	69.8%	54.2%	66.9%					73.1%					71.7%					69.1%	71.2%

Source: Company data and Stifel estimates

Some restatements not reflected in prior periods

Important Disclosures and Certifications

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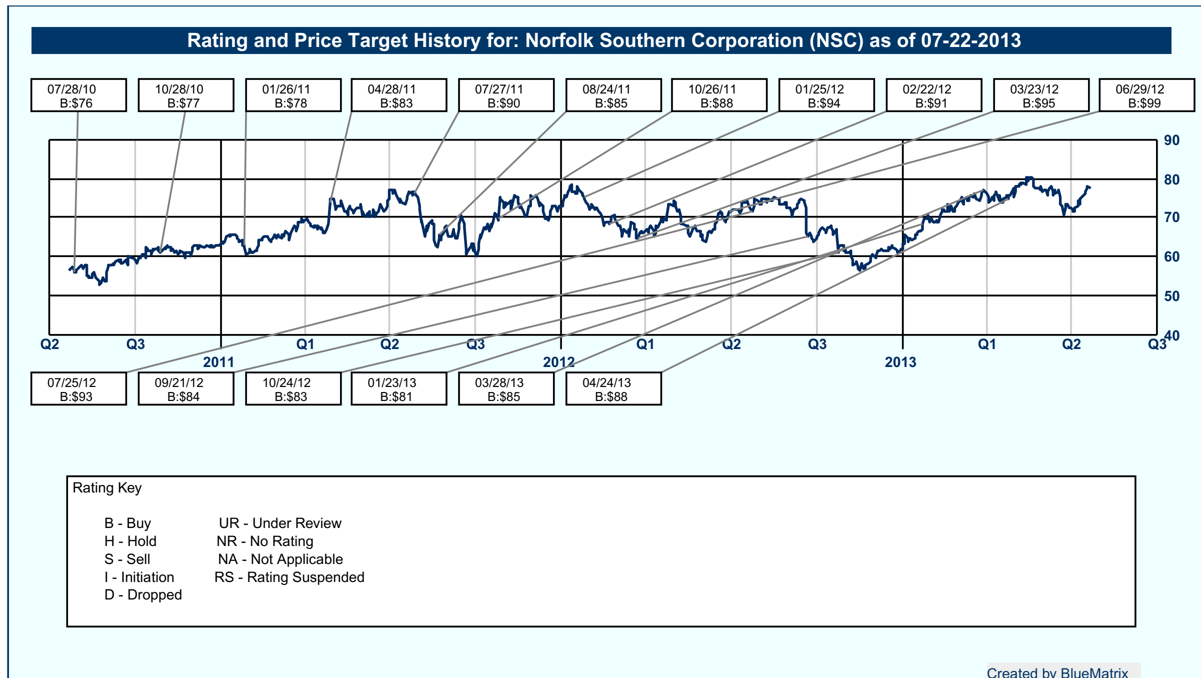

For a price chart with our ratings and target price changes for NSC go to http://sf.bluematrix.com/bluematrix/Disclosure?ticker=NSC

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