UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K405

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended Dec. 31, 2001
OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ to _______________

Commission file number 1-8339

NORFOLK SOUTHERN CORPORATION
(Exact name of registrant as specified in its charter)

Virginia	52-1188014
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Three Commercial Place, Norfolk, Virginia	23510-2191
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (757) 629-2680

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Name of each exchange on which registered
Norfolk Southern Corporation Common Stock (Par Value $1.00)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes (X) No ( )

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K405 or any amendment to this Form 10-K405. (X)

The aggregate market value of the voting stock held by nonaffiliates as of January 31, 2002: $8,716,403,555.

The number of shares outstanding of each of the registrant's classes of common stock, as of January 31, 2002: 386,536,743 (excluding 21,169,125 shares held by registrant's consolidated subsidiaries).

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's definitive proxy statement to be filed electronically pursuant to Regulation 14A not later than 120 days after the end of the fiscal year, are incorporated by reference in Part III.

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PART I

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

Item 1. Business.
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and

Item 2. Properties.
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GENERAL - Norfolk Southern Corporation (Norfolk Southern) was incorporated on July 23, 1980, under the laws of the Commonwealth of Virginia. On June 1, 1982, Norfolk Southern acquired control of two major operating railroads, Norfolk and Western Railway Company (NW) and Southern Railway Company (Southern) in accordance with an Agreement of Merger and Reorganization dated as of July 31, 1980, and with the approval of the transaction by the Interstate Commerce Commission (ICC) (now the Surface Transportation Board [STB]).

Effective Dec. 31, 1990, Norfolk Southern transferred all the common stock of NW to Southern, and Southern's name was changed to Norfolk Southern Railway Company (Norfolk Southern Railway). Effective Sept. 1, 1998, NW was merged with and into Norfolk Southern Railway. As of Dec. 31, 2001, all the common stock of Norfolk Southern Railway and 22.5 percent of its voting preferred stock (resulting in 95.2 percent voting control) was owned directly by Norfolk Southern.

Through a jointly owned entity, Norfolk Southern and CSX Corporation (CSX) own the stock of Conrail Inc., which owns the major freight railroad in the Northeast. Norfolk Southern has a 58% economic and 50% voting interest in the jointly owned entity. See also the discussion concerning operation of a portion of Conrail's rail assets, below.

On March 28, 1998, Norfolk Southern closed the sale of its motor carrier company, North American Van Lines, Inc. (NAVL) (see "Discontinued Operations" on Page 38 and Note 17 on Page 79). NAVL's results are presented as "Discontinued operations" in the accompanying financial information.

Unless indicated otherwise, Norfolk Southern and its subsidiaries are referred to collectively as NS.

OPERATION OF A PORTION OF THE CONRAIL RAIL ASSETS - On June 1, 1999, Norfolk Southern and CSX, through their respective railroad subsidiaries, began operating separate portions of Conrail's rail routes and assets. Substantially all such assets are owned by two wholly owned subsidiaries of Consolidated Rail Corporation (CRC); one of those subsidiaries, Pennsylvania Lines LLC (PRR), has entered into

various operating and leasing arrangements, more particularly described in Note 2 on Page 58, with Norfolk Southern Railway. Certain rail assets (Shared Assets Areas) still are owned by CRC, which operates them for joint and exclusive use by Norfolk Southern Railway and the rail subsidiary of CSX.

Operation of the PRR routes and assets increased the size of the system over which Norfolk Southern Railway provides service by nearly 50% and afforded access to the New York metropolitan area, to much of the Northeast and to most of the major East Coast ports north of Norfolk, Virginia. Also, the leasing arrangements with PRR augmented Norfolk Southern Railway's locomotive, freight car and intermodal fleet.

RAILROAD OPERATIONS - As of Dec. 31, 2001, NS' railroads operated approximately 21,500 miles of road in the states of Alabama, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia, and in the Province of Ontario, Canada. Of this total, about 12,000 miles are owned with the balance operated under lease or trackage rights; most of this total is main line track. In addition, its railroads operate almost 17,000 miles of passing, industrial, yard and side tracks.

In addition to the lines leased from Conrail previously discussed, NS' railroads have major leased lines between Cincinnati, Ohio, and Chattanooga, Tennessee, and operate over trackage owned by North Carolina Railway Company (NCRR).

The Cincinnati-Chattanooga lease, covering about 335 miles, expires in 2026, and is subject to an option to extend the lease for an additional 25 years, at terms to be agreed upon.

Operations over the approximately 330 miles of tracks of NCRR, previously under a 100-year lease which expired on Dec. 31, 1994, are now under a trackage rights agreement. The term of the agreement is 15 years with NS' railroads having the right to renew for two additional 15-year periods.

NS' railroads carry raw materials, intermediate products and finished goods primarily in the Southeast, East and Midwest, and to and from the rest of the United States and parts of Canada. They also transport overseas freight through several Atlantic and Gulf Coast ports. Atlantic ports served by NS include: Norfolk, Virginia; Morehead City, North Carolina; Charleston, South Carolina; Savannah and Brunswick, Georgia; Jacksonville, Florida; Baltimore, Maryland; Philadelphia, Pennsylvania/ Camden, New Jersey; Wilmington, Delaware;

and the Ports of New York/New Jersey. Gulf Coast ports served include Mobile, Alabama, and New Orleans, Louisiana.

The lines of NS' railroads reach most of the larger industrial and trading centers of the Southeast, Northeast, Mid-Atlantic region and Midwest. Chicago, Norfolk, Detroit, Atlanta, Metropolitan New York City, Jacksonville, Kansas City (Missouri), Baltimore, Buffalo, Charleston, Cleveland, Columbus, Philadelphia, Pittsburgh, Toledo, Greensboro, Charlotte and Savannah are among the leading centers originating and terminating freight traffic on the system. In addition, haulage arrangements with connecting carriers allow NS' railroads to provide single-line service to and from additional markets, including haulage provided by Florida East Coast Railway Company to serve south Florida, including the port cities of Miami, West Palm Beach and Fort Lauderdale; and The Kansas City Southern Railway Company to provide transcontinental intermodal service via a connection with the Burlington Northern and Santa Fe Railway Company. Service is provided to New England, including the Port of Boston, via haulage and interline arrangements with Canadian Pacific Railway Company and Guilford Transportation Industries. The system's lines also reach many individual industries, electric generating facilities, mines (in western Virginia, eastern Kentucky, southern and northern West Virginia and western Pennsylvania), distribution centers, transload facilities and other businesses located in smaller communities in its service area. The traffic corridors carrying the heaviest volumes of freight include those from the New York City area to Chicago (via Allentown and Pittsburgh); Chicago to Jacksonville (via Cincinnati, Chattanooga and Atlanta); Appalachian coal fields of Virginia, West Virginia and Kentucky, to Norfolk and Sandusky, Ohio; Buffalo to Chicago and Kansas City; and Memphis to Chattanooga. Chicago, Memphis, Sidney/Salem, New Orleans, Kansas City, Buffalo, St. Louis and Meridian are major gateways for interterritorial system traffic.

TRIPLE CROWN OPERATIONS - Until April 1993, NS' intermodal subsidiary, Triple Crown Services, Inc. (TCS), offered intermodal service using RoadRailer (Registered Trademark hereinafter abbreviated RT) equipment and domestic containers. RoadRailer(RT) units are enclosed vans that can be pulled over highways in tractor-trailer configuration and over the rails by locomotives. On April 1, 1993, the business, name and operations of TCS were transferred to Triple Crown Services Company (TCSC), a partnership in which subsidiaries of NS and Conrail are equal partners. RoadRailer(RT) equipment owned or leased by TCS (which was renamed TCS Leasing, Inc.) is operated by TCSC. From April 1, 1993, to June 1, 1999, the revenues of TCSC were not consolidated with the results of NS; however, effective June 1, 1999, NS gained control of TCSC and, therefore, now includes TCSC's results in its consolidated financial statements. TCSC offers door-to-door intermodal service using RoadRailer(RT) equipment in major traffic corridors, including those between the Midwest and the Northeast, the Midwest and the Southeast and the Midwest and Texas/Mexico.

RAILWAY OPERATING REVENUES - NS' total railway operating revenues were $6.2 billion in 2001. Revenue, shipments and revenue yield by principal railway operating revenue sources for the past five years are set forth in the following table.

Principal Sources of Railway Operating Revenues	Year Ended December 31, 2001	2000	1999	1998	1997
(Revenues in millions, shipments in thousands, revenue yield in dollars per shipment)					
COAL					
Revenues	$ 1,521	$ 1,435	$ 1,322	$ 1,252	$ 1,301
% of total revenues	25%	23%	25%	29%	31%
Shipments	1,695	1,687	1,519	1,310	1,324
% of total shipments	26%	25%	25%	27%	28%
Revenue Yield	$ 897	$ 850	$ 870	$ 955	$ 983
AUTOMOTIVE					
Revenues	$ 885	$ 921	$ 746	$ 577	$ 492
% of total revenues	14%	15%	14%	13%	11%
Shipments	622	692	611	487	361
% of total shipments	9%	10%	10%	10%	7%
Revenue Yield	$ 1,423	$ 1,331	$ 1,220	$ 1,186	$ 1,364
CHEMICALS					
Revenues	$ 752	$ 756	$ 641	$ 492	$ 504
% of total revenues	12%	13%	12%	12%	12%
Shipments	432	453	394	315	316
% of total shipments	6%	6%	7%	7%	7%
Revenue Yield	$ 1,742	$ 1,668	$ 1,627	$ 1,559	$ 1,595
METALS/CONSTRUCTION					
Revenues	$ 674	$ 689	$ 567	$ 375	$ 369
% of total revenues	11%	11%	11%	9%	9%
Shipments	703	757	587	372	374
% of total shipments	11%	11%	10%	8%	8%
Revenue Yield	$ 959	$ 911	$ 965	$ 1,008	$ 987
PAPER/CLAY/FOREST					
Revenues	$ 612	$ 630	$ 578	$ 535	$ 539
% of total revenues	10%	10%	11%	13%	13%
Shipments	450	491	465	445	457
% of total shipments	7%	7%	8%	9%	10%
Revenue Yield	$ 1,357	$ 1,285	$ 1,243	$ 1,202	$ 1,178
AGR./CONSUMER PRODUCTS/GOVT.					
Revenues	$ 603	$ 609	$ 539	$ 468	$ 476
% of total revenues	10%	10%	11%	11%	11%
Shipments	509	525	489	441	455
% of total shipments	8%	8%	8%	9%	9%
Revenue Yield	$ 1,185	$ 1,160	$ 1,103	$ 1,063	$ 1,046

Year Ended December 31,

Principal Sources of Railway Operating Revenues	2001	2000	1999	1998	1997
(Revenues in millions, shipments in thousands, revenue yield in dollars per shipment)					
INTERMODAL (Trailers, Containers and RoadRailers)					
Revenues	$ 1,123	$ 1,119	$ 849	$ 555	$ 568
% of total revenues	18%	18%	16%	13%	13%
Shipments	2,214	2,242	1,896	1,443	1,472
% of total shipments	33%	33%	32%	30%	31%
Revenue Yield	$ 507	$ 499	$ 448	$ 385	$ 386
Total Railway Operating Revenues	$ 6,170	$ 6,159	$ 5,242	$ 4,254	$ 4,249
Total Railway Shipments	6,625	6,847	5,961	4,813	4,759
Railway Revenue Yield	$ 931	$ 900	$ 879	$ 884	$ 893

COAL TRAFFIC - Coal, coke and iron ore -- most of which is bituminous coal -- is NS' railroads' largest commodity group as measured by revenues. The railroads originated 155 million tons of coal, coke and iron ore in 2001 and handled a total of 178 million tons. Revenues from coal, coke and iron ore accounted for about 25 percent of NS' total railway operating revenues in 2001.

The following table shows total coal, coke and iron ore tonnage originated on line, received from connections and handled for the past five years:

Tons of Coal, Coke and Iron Ore (Millions)

	2001	2000	1999	1998	1997
Originated	155	156	138	119	119
Received	23	19	20	15	15
Handled	178	175	158	134	134

Of the 155 million tons of coal, coke and iron ore originated at ports or on lines operated by NS' railroads in 2001, the approximate breakdown by origin state was as follows:

Origin State	Millions of Tons
West Virginia	49
Virginia	32
Pennsylvania	26
Kentucky	24
Ohio	8
Indiana	7
Alabama	4

Illinois	4
Other	1

	155
	===

Of the 178 million tons handled, NS moved approximately 14 million tons for export, primarily through NS' pier facilities at Norfolk (Lamberts Point), Virginia; 20 million tons to domestic and Canadian steel industries; 133 million tons of steam coal to electric utilities; and 11 million tons to other industrial and miscellaneous users.

Total coal handled through all system ports in 2001 was 37 million tons. Of this total, 14 million tons (including coastwise traffic) moved through Lamberts Point, 3 million tons moved through the Baltimore Terminal, 10 million tons moved to various docks on the Ohio River, and 10 million tons moved to various Lake Erie ports. Other than coal for export, virtually all coal handled by NS' railroads was terminated in states situated east of the Mississippi River.

The quantities of NS export coal handled through Lamberts Point for the past five years were as follows:

Export Coal through Lamberts Point
(Millions of tons)

2001	2000	1999	1998	1997
12	16	17	24	28

See the discussion of coal traffic, by type of coal, in Part II, Item 7, "Management's Discussion and Analysis."

MERCHANDISE TRAFFIC - The merchandise traffic group consists of intermodal and general merchandise, which is comprised of five major commodity groupings: automotive; chemicals; paper, clay and forest products; metals and construction; and agriculture, consumer products and government. Total merchandise revenues in 2001 were $4.6 billion, a 2 percent decrease, compared with 2000. Merchandise carloads and intermodal units handled in 2001 were 4.93 million, compared with 5.16 million handled in 2000, a decrease of 4 percent. Revenues and carloads in all general merchandise groups declined, a result of the weak economy. Intermodal revenues were up $4 million, despite a 1 percent decline in traffic volume.

In 2001, 156 million tons of merchandise freight, or approximately 68 percent of total merchandise tonnage handled by NS, originated online. The balance of merchandise traffic was received from connecting carriers, usually at interterritorial gateways. The principal interchange points for NS-received traffic included Chicago, Memphis, New Orleans, Cincinnati, Kansas City, Detroit, Hagerstown, St. Louis/East St. Louis and Louisville.

See the discussion of general merchandise rail traffic by commodity group and intermodal rail traffic in Part II, Item 7, "Management's

Discussion and Analysis."

RAIL OPERATING STATISTICS - The following table sets forth certain statistics relating to NS' railroads' operations for the past five years, including operations in the Northern Region that commenced June 1, 1999:

	Year Ended December 31,				
	2001	2000	1999	1998	1997
Revenue ton miles (billions)	182	197	167	135	137
Freight train miles traveled (millions)	70.0	74.4	61.5	53.0	49.7
Revenue per ton mile	$0.0339	$0.0312	$0.0315	$0.0316	$0.0310
Revenue tons per train	2,604	2,653	2,710	2,539	2,755
Revenue ton miles per man-hour worked	3,023	2,888	2,577	2,659	2,930
Percentage ratio of railway operating expenses to railway operating revenues	83.7%	89.7%	86.3%	75.3%	71.5%

FREIGHT RATES - In 2001, NS' railroads continued their reliance on private contracts and exempt price quotes as their predominant pricing mechanisms. Thus, a major portion of NS' railroads' freight business is not currently economically regulated by the government. In general, market forces have been substituted for government regulation and now are the primary determinant of rail service prices.

In 2001, NS' railroads were found by the STB not to be "revenue adequate" based on results for the year 2000. A railroad is "revenue adequate" under the applicable law when its return on net investment exceeds the rail industry's composite cost of capital.

PASSENGER OPERATIONS - Regularly scheduled passenger trains are operated by Amtrak on NS' lines between Alexandria and New Orleans, and between Greensboro and Selma, North Carolina. Commuter trains are operated on the NS line between Manassas and Alexandria under contract with two transportation commissions of the Commonwealth of Virginia. NS also leases the Chicago to Manhattan, Illinois, line to the Commuter Rail Division of the Regional Transportation Authority of Northeast Illinois. Since June 1, 1999, Norfolk Southern Railway has operated former Conrail lines on which Amtrak conducts regularly

scheduled passenger operations between Chicago, Illinois, and Detroit, Michigan, and between Chicago and Harrisburg, Pennsylvania.

Also since June 1, 1999, through its operation of PRR's routes, Norfolk Southern Railway has been providing freight service over former Conrail lines with significant ongoing Amtrak and commuter passenger operations, and is conducting freight operations over some trackage owned by Amtrak or by New Jersey Transit, the Southeastern Pennsylvania Transportation Authority, Metro-North Commuter Railway Company and Maryland DOT. Finally, passenger operations are conducted either by Amtrak or by the commuter agencies over trackage owned by Pennsylvania Lines LLC, or by Conrail in the Shared Assets Areas.

NONCARRIER OPERATIONS - NS' noncarrier subsidiaries engage principally in telecommunications; the acquisition, leasing and management of coal, oil, gas and minerals; the development of commercial real estate; and the leasing or sale of rail property and equipment. In 2001, no such noncarrier subsidiary or industry segment grouping of noncarrier subsidiaries met the requirements for a reportable business segment set forth in Statement of Financial Accounting Standards No. 131.

RAILWAY PROPERTY:

EQUIPMENT - As of Dec. 31, 2001, NS owned or leased the following units of equipment:

Type of Equipment	Number of Units Owned*	Number of Units Leased**	Number of Units Total	Capacity of Equipment
Locomotives:				(Horsepower)
Multiple purpose	2,260	1,048	3,308	11,031,600
Switching	106	113	219	319,800
Auxiliary units	59	18	77	0
Total locomotives	2,425	1,179	3,604	11,351,400
Freight Cars:				(Tons)
Hopper	19,868	4,987	24,855	2,613,619
Box	17,629	4,666	22,295	1,735,275
Covered Hopper	10,439	3,035	13,474	1,468,158
Gondola	27,998	10,362	38,360	4,107,632
Flat	3,711	1,495	5,206	379,822
Caboose	174	77	251	0
Other	3,392	0	3,392	173,580
Total freight cars	83,211	24,622	107,833	10,478,086
Other:				
Work equipment	4,971	1,642	6,613	
Vehicles	3,391	1,306	4,697	
Highway trailers and containers	403	8,053	8,456	
RoadRailers(RT)	5,577	0	5,577	
Miscellaneous	1,441	9,698	11,139	
Total other	15,783	20,699	36,482	

* Includes equipment leased to outside parties and equipment subject to equipment trusts, conditional sale agreements and capitalized leases.

** Includes 982 locomotives, 17,640 freight cars and 2,957 units of other equipment leased from PRR.

The following table indicates the number and year built for locomotives and freight cars owned at Dec. 31, 2001:

	Year Built								
	2001	2000	1999	1998	1997	1991-1996	1985-1990	1984 & Before	Total
Locomotives:									
Number of units	110	60	147	119	120	407	381	1,081	2,425
Percent of fleet	4%	2%	6%	5%	5%	17%	16%	45%	100%
Freight cars:									
Number of units	--	106	503	1,567	1,076	6,344	5,132	68,483	83,211
Percent of fleet	--	--%	1%	2%	1%	8%	6%	82%	100%

As of Dec. 31, 2001, the average age of the locomotive fleet was 15.7 years. During 2001, 126 locomotives, the average age of which was 22.4 years, were retired. The average age of the freight car fleet at Dec. 31, 2001, was 25.4 years. During 2001, 4,407 freight cars were retired. Since 1988, about 29,000 coal cars have been rebodied. As a result, the remaining serviceability of the freight car fleet is greater than may be inferred from the high percentage of freight cars built in earlier years.

	Annual Average Bad Order Ratio				
	2001	2000	1999	1998	1997
Freight Cars (excluding cabooses):					
NS Rail	6.9%	5.7%	3.7%	4.1%	4.6%
Locomotives:					
NS Rail	5.8%	5.5%	5.3%	4.3%	5.0%

Ongoing freight car and locomotive maintenance programs are intended to ensure the highest standards of safety, reliability, customer satisfaction and equipment marketability. In past years, the freight car bad order ratio reflected the storage of certain types of cars that were not in high demand. The ratio had declined more recently as a result of a disposition program for underutilized, unserviceable and overage revenue cars. The ratio rose in 2000 and 2001 as a result of decreased maintenance activity. The locomotive bad order ratio also includes units out of service for routine maintenance and modifications. The increase in the locomotive bad order ratio in 1999 was primarily due to the maintenance requirements of units being rented to meet short-term needs and to weather-related failures. The ratio remained high in 2000 as maintenance activities were curtailed in response to a slowing economy. The higher ratio in 2001 reflected units out of service related to the resumption of maintenance and modification activities.

TRACKAGE - All NS trackage is standard gauge, and the rail in approximately 97 percent of the main line trackage (including first, second, third and branch main tracks, all excluding trackage rights) ranges from

100 to 155 pounds per yard. Of the approximately 31,300 miles of track maintained as of Dec. 31, 2001, about 21,200 were laid with welded rail.

The density of traffic on running tracks (including passing tracks but excluding trackage rights) during 2001 was as follows:

Gross tons of freight carried per track mile (Millions)	Track miles of running tracks	Percent of total
0-4	6,044	27
5-19	7,769	35
20 and over	8,629	38
	22,442	100

The following table summarizes certain information about NS' track roadway additions and replacements during the past five years:

	2001	2000	1999	1998	1997
Track miles of rail installed	254	390	403	429	451
Miles of track surfaced	3,836	3,687	5,087	4,715	4,703
New crossties installed (millions)	1.5	1.5	2.3	2.0	2.2

MICROWAVE SYSTEM - The NS microwave system, consisting of 7,282 radio route miles, 442 active stations and 4 passive repeater stations, provides communications between most operating locations. The microwave system is used primarily for voice communications, VHF radio control circuits, data and facsimile transmissions, traffic control operations and AEI data transmissions.

TRAFFIC CONTROL - Of a total of 21,500 route miles operated by NS, excluding trackage rights over foreign lines, 11,486 miles are signalized including 8,521 miles of centralized traffic control (CTC) and 2,965 miles of automatic block signals. Of the 8,521 miles of CTC, 1,870 miles are controlled by data radio originating at 147 base station radio sites.

COMPUTERS - Data processing facilities connect the yards, terminals, transportation offices, rolling stock repair points, sales offices and other key system locations to the central computer complex in Atlanta, Georgia. Operating and traffic data are compiled and stored to provide customers with information on their shipments throughout the system. Data processing facilities are capable of providing current information on the location of every train and each car on line, as well as related waybill and other train and car movement data. Additionally, these facilities afford substantial capacity for, and are utilized to assist management in the performance of, a wide variety of functions and services, including payroll, car and revenue accounting, billing, material management activities and controls, and special studies.

OTHER - The railroads have extensive facilities for support of operations, including freight depots, car construction shops, maintenance shops, office buildings, and signals and communications facilities.

ENCUMBRANCES - Certain railroad equipment is subject to the prior lien of equipment financing obligations amounting to approximately $895 million as of Dec. 31, 2001, and $816 million at Dec. 31, 2000.

CAPITAL EXPENDITURES - Capital expenditures for road, equipment and other property for the past five years were as follows (including capitalized leases):

	Capital Expenditures				
	2001	2000	1999	1998	1997
	(In millions of dollars)				
Road	$ 505	$ 557	$ 559	$ 612	$ 599
Equipment	233	146	349	442	306
Other property	8	28	4	6	24
Total	$ 746	$ 731	$ 912	$ 1,060	$ 929

Capital spending and maintenance programs are and have been designed to assure the ability to provide safe, efficient and reliable transportation services. For 2002, NS has budgeted $705 million of capital spending. See the discussion following "Cash used for investing activities," on Page 40 in Part II, Item 7, "Management's Discussion and Analysis."

ENVIRONMENTAL MATTERS - Compliance with federal, state and local laws and regulations relating to the protection of the environment is a principal NS goal. To date, such compliance has not affected materially NS' capital additions, earnings, liquidity or competitive position. See the discussion of "Environmental Matters" on Page 45 in Part II, Item 7, "Management's Discussion and Analysis," and in Note 18 to the Consolidated Financial Statements on Page 79.

EMPLOYEES - NS employed an average of 30,894 employees in 2001, compared with an average of 33,738 in 2000. The decrease reflects the effects of the early retirement and work-force reduction programs in 2000. The approximate average cost per employee during 2001 was $52,000 in wages and $21,000 in employee benefits.

Approximately 85 percent of NS' railroad employees are covered by collective bargaining agreements with 15 different labor unions. See the discussion of "Labor Agreements" on Page 43 in Part II, Item 7, "Management's Discussion and Analysis."

GOVERNMENT REGULATION - In addition to environmental, safety, securities and other regulations generally applicable to all businesses, NS' railroads are subject to regulation by the STB, which succeeded the ICC on Jan. 1, 1996. The STB has jurisdiction over some rates, routes, conditions of service and the extension or abandonment of rail lines. The STB also has jurisdiction over the consolidation, merger or acquisition of control of and by rail common carriers. The Department of Transportation regulates certain track and mechanical equipment standards.

The relaxation of economic regulation of railroads, begun over two decades ago by the ICC under the Staggers Rail Act of 1980, has continued under the STB. Significant exemptions are TOFC/COFC (i.e., "piggyback") business, rail boxcar traffic, lumber, manufactured steel, automobiles and certain bulk commodities such as sand, gravel, pulpwood and wood chips for paper manufacturing. Transportation contracts on regulated shipments effectively remove those shipments from regulation as well. About 75 percent of NS' freight revenues come from either exempt traffic or traffic moving under transportation contracts.

Efforts may be made in 2002 to re-subject the rail industry to unwarranted federal economic regulation. The Staggers Rail Act of 1980, which substantially reduced such regulation, encouraged and enabled rail carriers to innovate and to compete for business, thereby contributing to the economic health of the nation and to the revitalization of the industry. Accordingly, NS will oppose efforts to reimpose unwarranted economic regulation.

COMPETITION - There is continuing strong competition among rail, water and highway carriers. Price is usually only one factor of importance as shippers and receivers choose a transport mode and specific hauling company. Inventory carrying costs, service reliability, ease of handling and the desire to avoid loss and damage during transit are also important considerations, especially for higher-valued finished goods, machinery and consumer products. Even for raw materials, semi-finished goods and work-in-process, users are increasingly sensitive to transport arrangements which minimize problems at successive production stages.

NS' primary rail competitor is the CSX system; both operate throughout much of the same territory. Other railroads also operate in parts of the territory. NS also competes with motor carriers, water carriers and with shippers who have the additional option of handling their own goods in private carriage.

Certain cooperative strategies between railroads and between railroads and motor carriers enable carriers to compete more effectively in specific markets.

Item 3. Legal Proceedings.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

There were no matters submitted to a vote of security holders during the fourth quarter of 2001.

Executive Officers of the Registrant.

Norfolk Southern's executive officers generally are elected and designated annually by the Board of Directors at its first meeting held after the annual meeting of stockholders, and they hold office until their successors are elected. Executive officers also may be elected and designated throughout the year as the Board of Directors considers appropriate. There are no family relationships among the officers, nor any arrangement or understanding between any officer and any other person pursuant to which the officer was selected. The following table sets forth certain information, as of February 1, 2002, relating to the executive officers.

Name, Age, Present Position	Business Experience During Past Five Years
David R. Goode, 61, Chairman, President and Chief Executive Officer	Present position since September 1992.
L. I. Prillaman, 58, Vice Chairman and Chief Marketing Officer	Present position since August 1998; prior thereto was Executive Vice President-Marketing
Stephen C. Tobias, 57, Vice Chairman and Chief Operating Officer	Present position since August 1998; prior thereto was Executive Vice President-Operations.
Henry C. Wolf, 59, Vice Chairman and Chief Financial Officer	Present position since August 1998; prior thereto was Executive Vice President-Finance.
John F. Corcoran, 61, Senior Vice President-Public Affairs	Present position since August 1997; prior thereto was Vice President-Public Affairs.

Name, Age, Present Position	Business Experience During Past Five Years
John W. Fox, Jr., 54, Senior Vice President-Coal Services	Present position since April 1, 2001. Served as Senior Vice President - Coal Marketing from December 1999 to April 1, 2001, and prior thereto was Vice President - Coal Marketing.
James A. Hixon, 48, Senior Vice President-Administration	Present position since February 1, 2001. Served as Senior Vice President-Employee Relations from November 1999 to February 1, 2001, and prior thereto was Vice President-Taxation.
Henry D. Light, 61, Senior Vice President-Law	Present position since January 22, 2002. Served as Vice President-Law from April 2000 to January 22, 2002, and prior thereto was General Counsel-Operations.
James W. McClellan, 62, Senior Vice President-Planning	Present position since August 1998; prior thereto was Vice President-Strategic Planning.
Kathryn B. McQuade, 45, Senior Vice President-Financial Planning	Present position since April 2000. Served as Vice President-Financial Planning from August 1998 to April 2000, and prior thereto was Vice President-Internal Audit.
Charles W. Moorman, 50, President-Thoroughbred Technology and Telecommunications, Inc.	Present position since October 1999; prior thereto was Vice President-Information Technology.
John P. Rathbone, 50,	Present position since April 2000;

Senior Vice President and Controller	prior thereto was Vice President and Controller.
Stephen P. Renken, 58, Senior Vice President-Chief Information Officer	Present position since February 1, 2001. Served as Vice President-Information Technology from September 1999 to February 1, 2001, Assistant Vice President-Program Management from December 1997 to September 1999, and prior thereto was a consultant to NS.

Name, Age, Present Position	Business Experience During Past Five Years
John M. Samuels, 58, Senior Vice President-Operations Planning and Support	Present position since April 2000; Served as Vice President-Operations Planning and Budget from January 1998 to April 2000; and prior thereto was Vice President-Operating Assets of Conrail.
Donald W. Seale, 49, Senior Vice President-Merchandise Marketing	Present position since December 1999; prior thereto was Vice President-Merchandise Marketing.

PART II

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

Item 5. Market for Registrant's Common Stock and Related Stockholder Matters.

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
STOCK PRICE AND DIVIDEND INFORMATION
(Unaudited)

The Common Stock of Norfolk Southern Corporation, owned by 53,042 stockholders of record as of Dec. 31, 2001, is traded on the New York Stock Exchange with the symbol NSC. The following table shows the high and low sales prices and dividends per share, by quarter, for 2001 and 2000 (prices quoted in fractions have been rounded to the nearest cent).

	Quarter			
2001	1st	2nd	3rd	4th
Market price				
High	$ 18.90	$ 24.11	$ 22.60	$ 19.88
Low	13.63	15.80	13.41	15.19
Dividends per share	$ 0.06	$ 0.06	$ 0.06	$ 0.06

2000	1st	2nd	3rd	4th
Market price				
High	$ 22.75	$ 19.69	$ 19.75	$ 15.63
Low	12.69	14.19	14.13	11.94
Dividends per share	$ 0.20	$ 0.20	$ 0.20	$ 0.20

Item 6. Selected Financial Data.

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
FIVE-YEAR FINANCIAL REVIEW
1997 - 2001
Page One

	2001	2000(1)	1999(2)	1998	1997
	($ in millions, except per share amounts)				
RESULTS OF OPERATIONS					
Railway operating revenues	$ 6,170	$ 6,159	$ 5,242	$ 4,254	$ 4,249
Railway operating expenses	5,163	5,526	4,524	3,202	3,036
Income from railway operations	1,007	633	718	1,052	1,213
Other income - net	99	168	164	309	170
Interest expense on debt	553	551	531	516	385
Income from continuing operations before income taxes	553	250	351	845	998
Provision for income taxes	191	78	112	215	299
Income from continuing operations	362	172	239	630	699
Discontinued operations (3)	13	--	--	104	22
Net income	$ 375	$ 172	$ 239	$ 734	$ 721
PER SHARE DATA					
Net income - basic	$ 0.97	$ 0.45	$ 0.63	$ 1.94	$ 1.91
Net income - diluted	$ 0.97	$ 0.45	$ 0.63	$ 1.93	$ 1.90
Dividends	$ 0.24	$ 0.80	$ 0.80	$ 0.80	$ 0.80
Stockholders' equity at year end	$ 15.78	$ 15.16	$ 15.50	$ 15.61	$ 14.44

Item 6. Selected Financial Data. (continued)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
FIVE-YEAR FINANCIAL REVIEW
1997 - 2001
Page Two

2001	2000(1)	1999(2)	1998	1997

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	($ in millions, except per share amounts)				
FINANCIAL POSITION					
Total assets	$ 19,418	$ 18,976	$ 19,250	$ 18,180	$ 17,350
Total long-term debt, including current maturities	$ 7,632	$ 7,636	$ 8,059	$ 7,624	$ 7,459
Stockholders' equity	$ 6,090	$ 5,824	$ 5,932	$ 5,921	$ 5,445
OTHER					
Capital expenditures	$ 746	$ 731	$ 912	$ 1,060	$ 929
Average number of shares outstanding (thousands)	385,158	383,358	380,606	378,749	376,593
Number of stockholders at year end	53,042	53,194	51,123	51,727	50,938
Average number of employees:					
Rail	30,510	33,344	30,897	24,185	23,323
Nonrail (3)	384	394	269	115	2,494
Total	30,894	33,738	31,166	24,300	25,817

NOTES

(1) 2000 operating expenses include $165 million in work-force reduction costs for early retirement and separation programs. These costs reduced net income by $101 million, or 26 cents per diluted share.
(2) On June 1, 1999, NS began operating a substantial portion of Conrail's properties. As a result, both its railroad route miles and the number of its railroad employees increased by approximately 50% on that date.
(3) In 1998, NS sold all the common stock of its motor carrier subsidiary, North American Van Lines, Inc. (NAVL), for $207 million and recorded a $90 million pretax ($105 million, or 28 cents per diluted share, after-tax) gain. Accordingly, NAVL's results of operations, financial position and cash flows are presented as "Discontinued operations." Results in 2001 include an additional after-tax gain of $13 million, or 3 cents per diluted share, that resulted from the expiration of certain indemnities contained in the sales agreement.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes beginning on Page 51 and the Five-Year Financial Review beginning on Page 23.

SUMMARIZED RESULTS OF OPERATIONS

2001 Compared with 2000

Net income in 2001 was $375 million, up 118%. Results in 2001 included a $13 million gain related to the 1998 sale of NS' former motor carrier subsidiary (see Note 17 on Page 79). Income from continuing operations, which excludes that gain, was $362 million, up 110%. Results in 2000 included $165 million of costs related to actions taken to reduce the size of the work force, which reduced income from continuing operations by $101 million, or 26 cents per diluted share. Excluding these costs, income from continuing operations increased $89 million, or 33%, in 2001. The improvement resulted from higher income from railway operations, which was up $209 million, or 26%, that more than offset lower nonoperating income, which was down $69 million (see Note 3 on Page 61).

Diluted earnings per share were 97 cents, up 116%. Diluted earnings per share from continuing operations were 94 cents, up 109%. Excluding the work-force reduction costs in 2000, diluted earnings per share from continuing operations were up 32%.

2000 Compared with 1999

Results for 2000 reflected the first full year of operations over Conrail's lines. On June 1, 1999 (the Closing Date), NS' railroad subsidiary (Norfolk Southern Railway Company [NSR]) began operating a substantial portion of Conrail's properties (substantially all of which comprise NSR's Northern Region) under various agreements with Pennsylvania Lines LLC (PRR), a wholly owned subsidiary of Consolidated Rail Corporation (CRC) (see Note 2 on Page 58). As a result, both the railroad route miles operated by NSR and the number of its railroad employees increased by approximately 50% on that date. Results for 1999 reflect five months (January through May) of operating the former Norfolk Southern railroad system and seven months (June through December) of operating the present system, which includes the Northern Region.

Results in 1999 were adversely affected by difficulties encountered in the assimilation of the Northern Region into NSR's existing system that resulted in system congestion, an increase in cars on line, increased terminal dwell time and reduced system velocity. These service issues and actions taken to address them increased operating expenses, primarily labor costs and equipment costs, including car hire and locomotive rentals. Moreover, revenues were lower than expected as some customers diverted traffic to other modes of transportation.

Net income in 2000 was $172 million, down 28%. Excluding the $101 million after-tax cost of the work-force reductions, net income would have been $273 million, up 14%. The increase resulted from gains from the sale of nonoperating properties (see Note 3 on Page 61) and higher income from railway operations, compared with a weak 1999.

Diluted earnings per share were 45 cents, down 29%. Excluding the effects of the work-force reduction costs, diluted earnings per share were up 13%.

DETAILED RESULTS OF OPERATIONS

Railway Operating Revenues

Railway operating revenues were $6.2 billion in both 2001 and 2000, and were $5.2 billion in 1999. Revenues in 1999 include results of operations in the Northern Region for seven months. The following table presents a three-year comparison of revenues by market group.

RAILWAY OPERATIING REVENUES BY MARKET GROUP

($ in millions)	2001	2000	1999

Coal	$ 1,521	$ 1,435	$ 1,322
General merchandise:			
Automotive	885	921	746
Chemicals	752	756	641
Metals/construction	674	689	567
Paper/clay/forest	612	630	578
Agriculture/consumer products/government	603	609	539
General merchandise	3,526	3,605	3,071
Intermodal	1,123	1,119	849
Total	$ 6,170	$ 6,159	$ 5,242

In 2001, revenues fell for all the general merchandise market groups. However, a 6% increase in coal revenues offset the effects of the lower general merchandise revenues. As shown in the following table, higher revenue yields offset the effects of lower traffic volume.

RAILWAY OPERATING REVENUE VARIANCE ANALYSIS
Increases (Decreases)

($ in millions)	2001 vs. 2000	2000 vs. 1999
Volume	$ (200)	$ 779
Revenue per unit/mix	211	138
Total	$ 11	$ 917

Revenue per unit increased in all market groups, principally due to rate increases, use of higher-capacity equipment and favorable changes in the mix of traffic.

In 2000, revenues increased for all market groups, reflecting a full year of handling Northern Region traffic. Revenues improved for the last seven months, a comparison that fully includes the Northern Region in both years, reflecting recovery of most of the diverted traffic and new business. However, weakness in the economy resulted in lower revenues very late in the year. Revenue per unit improved in most market groups, principally due to the effects of Northern Region traffic and increased rates. About half of the revenue per unit increase for the intermodal market group was attributable to the effects of the consolidation of Triple Crown Services Company (TCS) revenues (see discussion of intermodal revenues below).

COAL tonnage increased 2% in 2001 and revenues increased 6%. Revenue per unit increased 6%, a result of rate increases, including lower volume-related refunds on export coal shipments, gains in tonnage per car and favorable changes to the mix of traffic (less shorter-haul business). Coal, coke and iron ore revenues represented 25% of total railway operating revenues in 2001, and 83% of NS' coal shipments originated on lines it operated.

In 2000, coal tonnage increased 11%, and revenues increased 9%, reflecting a full year of Northern Region traffic. Revenue per unit declined, a result of a higher proportion of traffic with a shorter length of haul, principally attributable to a full year of Northern Region operations.

TOTAL COAL, COKE AND IRON ORE TONNAGE

(In millions of tons)	2001	2000	1999
Utility	133	119	108
Export	14	20	18
Domestic metallurgical	20	25	22
Other	11	11	10
Total	178	175	158

Utility coal traffic increased 11% in 2001, reflecting higher demand for coal-fired electricity and the effects of very high natural gas prices early in the year. High demand for electricity, a volatile market for natural gas and production problems at a number of large mines in the East late in 2000 combined to increase the demand for coal early in 2001 with a resulting increase in coal prices. Utility coal traffic volume also benefited from the shifting of coal that traditionally would have been bound for export to the domestic market.

In 2000, utility coal traffic increased 11%, reflecting a full year of Northern Region operations. The effects of expanded operations were somewhat offset by coal production problems at several NS-served mines, unanticipated outages at some NS-served utility plants, large stockpiles at the beginning of the year and mild summer weather in portions of NS' service territory.

The near-term outlook for utility coal remains positive. U.S. demand for electricity continues to grow rapidly, and coal-fired generation remains the cheapest marginal source of electricity. Several underutilized coal-fired power plants are making the transition

from peak-only generation to full-time generation. In addition, although natural gas prices have returned to more normal levels, the volatility of natural gas prices may improve the long-term competitive position of coal-fired generation.

Phase II of Title IV of the Clean Air Act Amendments of 1990, which imposes more stringent limits on sulfur dioxide emissions, took effect on Jan. 1, 2000. Many of the mines served by NS produce coals that satisfy Phase II requirements. In addition, substantial banks of sulfur dioxide allowances held by many NS-served utilities should continue to provide a market for other NS-served mines for many years. However, several federal environmental regulatory initiatives continued to be pursued during 2001, including "new source review" for older coal-fired plants. Many of the rules that have been promulgated to date are in litigation. If the rules survive litigation and are implemented, they could increase the cost of coal-fired generation and potentially adversely affect the value of the sulfur dioxide allowance bank.

The Bush Administration rejected in 2001 the Kyoto Protocol and withdrew U.S. participation in that process. If implemented, the proposed Kyoto limits on greenhouse gases could have put additional cost pressures on coal-fired generation. The U.S. withdrawal from the Kyoto process has renewed interest in building coal-fired generation plants.

The 1999 decision by a federal district court judge in West Virginia holding that some common mountaintop mining practices in the coal industry are illegal was overturned in April 2001 by the U.S. Fourth Circuit Court of Appeals. In January 2002, the U.S. Supreme Court refused to hear an appeal of the case.

Export coal tonnage declined 30% in 2001. The rapid rise of domestic utility coal prices early in the year enticed many foreign-market suppliers to place much of their 2001 production in the domestic utility markets. In addition, production difficulties at several large NS-served mines and flooding in West Virginia in July significantly reduced the supply of low volatile coal. The combination of these factors resulted in most of the decline in shipments of export coal. Steam coal exported through Baltimore declined 32%, and export metallurgical coals through Norfolk declined by 30%. Demand for steam coal to export strengthened in the last half of 2001; however, the strong U.S. demand limited NS' participation in this market. Demand for coking coal to export continued to soften, as steel production moved from traditional NS markets in Europe to Asia, which in recent years has been supplied by Australian or Canadian coals.

In 2000, export coal tonnage increased 8%, a result of a full year of access to Baltimore through the Northern Region, mitigated by lower tonnage through Norfolk. Several additional factors also adversely affected export coal traffic volume. Delayed settlements between buyers and sellers in the spring postponed shipments of some export tonnage. Foreign buyers ultimately intended to purchase additional U.S. metallurgical coal, but production capacity available for export had been diminished by two years of dramatically lower prices. Toward the end of 2000, production difficulties at several large NS-served mines significantly reduced tonnage available for export. Limited supplies overall prevented other coal producers from providing substitute coal.

Export coal tonnage is expected to continue to be limited by supply and subject to the fluctuations of the world market. While the consolidation of Australian producers should help stabilize that supply channel, new Australian production could displace U.S.

volumes to Europe absent any increase in demand. Moreover, Chinese participation in Pacific Rim markets could displace Australian coals there and force that tonnage to Europe.

Domestic metallurgical coal, coke and iron ore traffic decreased 18% in 2001, due to a decline in the market for domestic steel. The softening economy and an increase in steel imports drastically cut blast furnace production, sharply reducing the demand for coking coal, iron ore and coke. The increase in imported steel also resulted in lower prices that put pressure on the U.S. steel industry and led to plant closures and bankruptcies that included some NS customers.

In 2000, domestic metallurgical coal, coke and iron ore traffic increased 17%, due to a full year of Northern Region operations. In addition, increased production in the first half of the year and gains in NS market share contributed to the higher traffic. However, the softening economy and increased steel imports diminished blast furnace production rates, sharply reducing demand for raw materials.

Domestic metallurgical coal, coke and iron ore traffic is expected to continue to suffer from the decline in demand for domestically produced steel. However, the United States has applied a tariff on imported coke, which has reduced its entry to the U.S. market. Moreover, the U.S. International Trade Commission has recommended that President Bush take similar action on imported steel. But long-term demand is expected to continue to decline, due to advanced technologies that allow production of steel using less coke.

Other coal traffic, principally steam coal shipped to manufacturing plants, increased 6% in 2001 and 4% in 2000. The gain in 2001 resulted from new and increased business from industrial customers. The increase in 2000 reflected a full year of handling Northern Region traffic; however, this was mitigated by the loss of some traffic to competitors.

COAL
(Shown as a graph in the Annual Report to Stockholders)
(millions)

2001	2000	1999
$1,521	$1,435	$1,322

Revenues increased $86 million, or 6%, in 2001, primarily due to increased utility coal traffic volume and higher revenue per unit. This group includes utility coal, export coal, domestic metallurgical coal and industrial coal, coke and iron ore.

GENERAL MERCHANDISE traffic volume (carloads) decreased 7% in 2001, and revenues decreased 2%, principally due to the effects of the weak economy. In 2000, traffic volume increased 15%, and revenues increased 17%, reflecting a full year of operating the Northern Region.

Automotive traffic volume decreased 10%, and revenues declined 4% in 2001, principally due to a 10% drop in vehicle production. Revenue per unit increased 7%, principally due to rate increases, efficiencies gained from the redesign of the mixing center network and use of higher capacity equipment.
In 2000, automotive traffic volume increased 13%, and revenues increased 23%, reflecting a full year of Northern Region operations, record vehicle production and the recapture of business diverted because of service issues after the Closing Date. The carload increase was less than the revenue increase principally due to the effects of a redesign of the mixing center network. This redesign improves vehicle velocity through the network and includes changes in traffic flows that resulted in a decline in carloads, with no corresponding decrease in revenues.
Ford Motor Company, NS' largest customer, has announced potential reductions in vehicle production which could affect NS volumes. However, automotive revenues in 2002 are expected to be comparable to those of 2001, as light vehicle production is predicted to be flat.

AUTOMOTIVE
(Shown as a graph in the Annual Report to Stockholders)
(millions)

2001	2000	1999
$ 885	$ 921	$ 746

Revenues decreased $36 million, or 4%, in 2001, due to a 10% drop in traffic volume. Revenue per unit increased, principally due to rate increases and improved efficiency. This group includes finished vehicles for BMW, DaimlerChrysler, Ford Motor Company, General Motors, Honda, Isuzu, Jaguar, Land Rover, Mazda, Mercedes-Benz, Mitsubishi, Nissan, Saab, Subaru, Suzuki, Toyota and Volkswagen, and auto parts for Ford Motor Company, General Motors, Mercedes-Benz and Toyota.

Chemicals traffic volume decreased 5%, and revenues decreased 1% in 2001. The weak economy depressed shipments of petroleum, plastics, industrial and miscellaneous chemicals. These declines were partially offset by new business through NS' Thoroughbred Bulk Transfer (TBT) facilities that handle chemicals and bulk commodities for customers not located on NS-served lines. Revenue per unit increased due to higher rates and a favorable change in the mix of traffic (more longer-haul moves).

In 2000, chemicals traffic volume increased 15%, and revenues increased 18%, due to a full year of Northern Region operations and the return of traffic that had been diverted because of service issues after the Closing Date. Shipments of miscellaneous chemicals, chlorine, caustic soda and plastics continued to rebound, but sulfur carloads were down due to weak fertilizer markets. Chemicals shipments continued to increase through NS' TBT facilities.

Chemicals revenues are expected to continue to be adversely affected until the economy recovers. However, NS expects to benefit from new business and improved yields.

CHEMICALS
(Shown as a graph in the Annual Report to Stockholders)
(millions)

2001	2000	1999
$ 752	$ 756	$ 641

Revenues decreased $4 million, or 1%, in 2001, due to lower traffic volumes that resulted from the weak economy. This group includes sulfur and related chemicals, petroleum products, chlorine and bleaching compounds, plastics, rubber, industrial chemicals, chemical wastes and municipal wastes.

Metals and construction traffic volume decreased 7%, and revenues declined 2% in 2001, reflecting weakness in the steel and construction industries. The steel industry recession, which began in 2000, has resulted in excess capacity and the closing of numerous steel mills. Revenue per unit increased due to higher rates and favorable changes in the mix of traffic.

In 2000, metals and construction traffic volume increased 29%, and revenues increased 22%, reflecting a full year of operations over the expanded system. Revenue per unit declined, largely due to a change in the mix of traffic. Metals traffic benefited from increased shipments of sheet steel, imported slab steel and ferrous scrap; however, this was tempered by a significant slowdown in the steel industry in the last half of the year. Construction traffic benefited from continued strength in housing starts and highway construction.

Metals and construction revenues are expected to suffer from the effects of a continued softness in the steel market. However, increased highway construction in NS' service area is expected to mitigate the drop in metals demand.

METALS AND CONSTRUCTION
(Shown as a graph in the Annual Report to Stockholders)
(millions)

2001	2000	1999
$ 674	$ 689	$ 567

Revenues decreased $15 million, or 2%, in 2001, principally due to weakness in the steel industry. Revenue per unit increased due to higher rates and favorable changes in the mix of traffic. This group includes steel, aluminum products, machinery, scrap metals, cement, aggregates, bricks and minerals.

Paper, clay and forest products traffic volume declined 8%, and revenues decreased 3%, in 2001, primarily due to a weakened paper market. Paper shipments were adversely affected by reduced production at many NS-served paper mills, a result of sluggish newspaper advertising and soft demand for paper. Lumber traffic began the year weak,

improved in late summer, but softened late in the year due to short-term weakness in housing starts. Revenue per unit increased principally due to higher rates.

In 2000, paper, clay and forest products traffic volume increased 5%, and revenues increased 9%, principally due to the effects of a full year of Northern Region operations. Consolidation in the paper industry and a weakening paper market in the second half of the year contributed to lower carloads during the summer months and into the fall. Weak demand for paper production inputs, such as scrap paper and wood pulp, was tempered by stronger demand for newsprint and printing paper.

Paper, clay and forest products revenues are expected to continue to be adversely affected by weak demand in 2002, due to continued consolidations and little anticipated capacity expansion through 2003. NS is pursuing new business using MODALGISTICS(SM), its supply-chain focused business unit formed in February 2001.

PAPER, CLAY AND FOREST PRODUCTS
(Shown as a graph in the Annual Report to Stockholders)
(millions)

2001	2000	1999
$ 612	$ 630	$ 578

Revenues decreased $18 million, or 3%, in 2001, primarily due to a weakened paper market. Revenue per unit benefited from higher rates. This group includes lumber and wood products, pulpboard and paper products, woodfibers, woodpulp, scrap paper and clay. NS serves 66 paper mills, 105 paper distribution centers and more than 100 lumber reload centers.

Agriculture, consumer products and government traffic volume decreased 3%, and revenues declined 1% in 2001, primarily due to reduced shipments of fertilizer. This decline was due to soft farm demand, record high natural gas prices early in the year (which curtailed production of certain fertilizers) and increased imports. This was mitigated by traffic volume increases for grain, flour, wheat and canned goods. The revenue per unit increase was primarily due to favorable changes in the mix of traffic.

In 2000, agriculture, consumer products and government traffic volume increased 7%, and revenues increased 13%, due to the effects of a full year of Northern Region traffic and modest growth in the Southeast markets. Rate increases and more longer-haul (higher revenue-per-unit) traffic also contributed to the revenue increase. Grain traffic benefited from new shuttle-train service that improved service to new and expanded Southeast feed mills. In addition, traffic increased for Midwest grain and sweeteners and consumer goods from the West.

Agriculture, consumer products and government revenues in 2002 are expected to be comparable to those of 2001. Continued weakness in the fertilizer market is expected to offset gains in the Southeast feed markets and new business.

AGRICULTURE, CONSUMER PRODUCTS AND GOVERNMENT
(Shown as a graph in the Annual Report to Stockholders)
(millions)

2001	2000	1999
$ 603	$ 609	$ 539

Revenues decreased $6 million, or 1%, in 2001, principally due to soft farm demand, depressed fertilizer production and increased imports. This group includes soybeans, wheat, corn, fertilizers, animal and poultry feed, food oils, flour, beverages, canned goods, sweeteners, consumer products and items for the military.

INTERMODAL traffic volume decreased 1%, but revenues increased slightly in 2001. Domestic traffic volume was up in the first half of the year, but demand increasingly weakened as the year progressed, which eroded NS' base of traffic. New business supported by the opening of three new terminals and other initiatives mitigated the effects of the weakened economy. International traffic, which accounts for about half of intermodal volume, grew slightly as U.S. imports slowed with the economy. TCS traffic volume increased 1% despite economic conditions, as it continued to benefit from reliable, trucklike service. Intermodal revenue per unit dropped later in the year, reflecting the expiration of fuel surcharges that were implemented late in 2000 and the introduction of new shorter-haul business.

In 2000, intermodal traffic volume increased 18%, and revenues increased 32%, primarily due to a full year of Northern Region traffic and the consolidation of TCS revenues (see Note 2 on Page 58). About half of the improvement in revenue per unit resulted from the effects of consolidating TCS. Prior to June 1, 1999, NS revenues included only the amounts for rail services it performed under contract to TCS, but NS volume included most TCS units. Also contributing to the revenue-per-unit improvement were rate increases throughout the year on domestic business and the implementation of fuel surcharges later in the year. In addition, increased demand, new business and improved service contributed to the gains, as major customers, including UPS, JB Hunt, Hub Group and Maersk, increased volumes. Despite weak demand in the first quarter and the loss in December 1999 of a major customer, NS had regained its market share by the second quarter. Domestic and premium business volumes benefited from service improvements and expansion initiatives. International traffic, which accounts for about half of intermodal volume, grew 5%, notwithstanding the loss of business from a major customer. TCS traffic increased 3%, as it recovered from service shortcomings after the Closing Date.

Intermodal revenues are expected to benefit from continued improvements in service and the terminal capacity added in 2001.

INTERMODAL
(Shown as a graph in the Annual Report to Stockholders)
(millions)

2001	2000	1999
$ 1,123	$ 1,119	$ 849

Revenues increased $4 million in 2001, despite a 1% drop in traffic volume. This group handles trailers, domestic and international containers, TCS equipment and equipment for intermodal marketing companies, international steamship lines, truckers and other shippers.

Railway Operating Expenses

Railway operating expenses decreased 7% in 2001, but increased 22% in 2000. Expenses in 2000 included $165 million of costs related to actions taken to reduce the size of the work force. Excluding these costs, railway operating expenses decreased 4% in 2001, while carloads dropped 3%; and increased 19% in 2000 on carloads that were 15% higher. The higher expense increase in 2000 reflected a full year of Northern Region operations and sharply higher diesel fuel prices.

The railway operating ratio, which measures the percentage of railway operating revenues consumed by railway operating expenses, was 83.7% in 2001, compared with 87.0% in 2000 (excluding the work-force reduction costs, which increased the ratio 2.7 percentage points) and 86.3% in 1999.

The decline in the 2001 ratio reflected the increase in revenue per unit as well as reduced expenses that resulted from gains in efficiency. The increase in the 2000 ratio reflected the effects of a full year of Northern Region operations and the sharp increase in diesel fuel prices, which more than offset the absence of the significant costs incurred in 1999 related to the service issues after the Closing Date. In addition, the ratio was adversely affected by a change in traffic mix (more resource-intensive traffic, such as automotive and intermodal) and the new traffic in the Northern Region, coupled with the decrease in export coal traffic.

The following table shows the changes in railway operating expenses summarized by major classifications.

RAILWAY OPERATING EXPENSES
Increases (Decreases)

($ in millions)	2001 vs. 2000	2000 vs. 1999
Compensation and benefits *	$ (220)	$ 379
Materials, services and rents	(1)	171
Conrail rents and services	(57)	167
Depreciation	11	28
Diesel fuel	(66)	223
Casualties and other claims	1	4
Other	(31)	30
Total	$ (363)	$1,002

* Includes $165 million of work-force reduction costs in 2000.

Compensation and benefits represented 39% of total railway operating expenses and decreased 10% in 2001, but increased 20% in 2000. Both comparisons reflect the $165 million of work-force reduction costs in 2000. Excluding those costs, compensation and benefits decreased 3% in 2001, but increased 12% in 2000.

The 3% decline in 2001 reflected savings attributable to the reduced size of the work force. These savings were somewhat offset by higher wages and benefit costs for union employees, higher incentive compensation and reduced pension income.

The 12% increase in 2000 was largely attributable to the effects of a full year of expanded operations and higher wages and benefit costs for union employees. These increases were mitigated by higher pension income and the absence of the $49 million incurred in 1999 for the Special Work Incentive Program (SWIP) for union employees in the third quarter of 1999. Pension income was higher in 2000 largely due to the transfer of assets from the Conrail pension plan after the Closing Date. NS has substantial unrecognized gains related to its overfunded pension plan; amortization of these gains will continue to be included in "Compensation and benefits" expenses (see Note 11 on Page 68).

The Railroad Retirement and Survivors' Improvement Act, which took effect on Jan. 1, 2002, provides for a phased reduction of the employers' portions of Tier II Railroad Retirement payroll taxes. The phase-in calls for a reduction from 16.1% in 2001 to 15.6% in 2002, 14.2% in 2003 and 13.1% in 2004. In addition, the supplemental annuity tax was eliminated. These changes are expected to result in a $21 million reduction to payroll tax expenses in 2002. The new law allows for investment of Tier II assets in a diversified portfolio through the newly established National Railroad Retirement Investment Trust. The law also provides a mechanism for automatic adjustment of Tier II payroll taxes should the trust assets fall below a four-year reserve or exceed a six-year reserve.

Materials, services and rents includes items used for the maintenance of the railroad's lines, structures and equipment; the costs of services purchased from outside contractors, including the net costs of operating joint (or leased) facilities with other railroads; and the net cost of equipment rentals. This category of expenses decreased slightly in 2001, but increased 13% in 2000.

In 2001, the effects of lower equipment rents were largely offset by higher costs for purchased services, including expenses for software, consulting and legal fees. The increase in 2000 was mostly attributable to the effects of a full year of Northern Region operations and the consolidation of TCS and was mitigated by the absence of significant costs incurred in 1999 related to the service issues encountered after the Closing Date.

Equipment rents, which includes the cost to NS of using equipment (mostly freight cars) owned by other railroads or private owners, less the rent paid to NS for the use of its equipment, decreased 11% in 2001, but increased 22% in 2000. The decline in 2001 was principally due to shorter car cycle times that resulted in fewer car days on line and fewer freight car and locomotive leases. The 2000 increase was principally due to the effects of a full year of expanded operations but was mitigated by a favorable comparison for the last seven months, as expenses in 1999 were high due to the service issues encountered after the Closing Date.

Locomotive and equipment repair costs increased in 2001, principally due to renewed maintenance activity. This trend is expected to continue in 2002, driven by higher expenses for freight car repairs. In 2000, maintenance costs increased, reflecting a full year of Northern Region operations; however, the increase was tempered by reduced maintenance activities, a result of cost control efforts.

Conrail rents and services, a new category of expense beginning in 1999, arose from the expansion of operations on the Closing Date and amounted to $421 million in 2001, $478 million in 2000 and $311 million in 1999. This item includes amounts due to PRR and CRC for use of their operating properties and equipment and CRC's operation of the Shared Assets Areas. Also included is NS' equity in Conrail's net earnings since the Closing Date, plus the additional amortization related to the difference between NS' investment in Conrail and its underlying equity (see Note 2 on Page 58). The decline in 2001 reflected higher Conrail earnings and lower expenses in the Shared Assets Areas (see "Conrail's Results of Operations, Financial Condition and Liquidity," below). Expenses in 2000 included a full year of operations over Conrail's lines, compared with seven months in 1999.

Depreciation expense was up 2% in 2001 and 6% in 2000. Increases in both years were due to property additions, reflecting substantial levels of capital spending (see Note 1, "Properties," on Page 57 for NS' depreciation policy). A periodic review of depreciation rates is being finalized, and rates are expected to be somewhat lower.

Diesel fuel expenses decreased 14% in 2001, but increased 87% in 2000. The decline in 2001 was the result of an 8% drop in consumption and a 7% decline in the average price per gallon. Expenses in 2001 include $8 million related to the hedging program initiated in the second quarter (see "Market Risks and Hedging Activities," below and Note 16 on Page 77). The increase in 2000 expenses resulted from a 61% rise in the average price per gallon and higher consumption that reflected a full year of Northern Region operations.

Casualties and other claims expenses (including the estimates of costs related to personal injury, property damage and environmental matters) increased slightly in 2001 and 3% in 2000.

The largest component of casualties and other claims expense is personal injury costs. In 2001, cases involving occupational injuries comprised about 31% of the total employee injury cases settled and 15% of the total settlement payments made. Injuries of this type are not generally caused by a specific accident or event, but, rather, result from a claimed exposure over time. Many such claims are being asserted by former or retired employees, some of whom have not been actively employed in the rail industry for decades. NS continues to work actively to eliminate all employee injuries and to reduce the associated costs.

The rail industry remains uniquely susceptible to litigation involving job-related accidental injury and occupational claims because of an outmoded law, the Federal Employers' Liability Act (FELA), originally passed in 1908 and applicable only to railroads. This law, which covers employee claims for job-related injuries, promotes an adversarial claims environment and produces results that are unpredictable and inconsistent. The railroads have been unsuccessful so far in efforts to persuade Congress to replace FELA with a no-fault workers' compensation system.

NS maintains substantial amounts of commercial insurance for potential third-party liability and property damage claims. It also retains reasonable levels of risk through self-insurance.

Other expenses decreased 13% in 2001, but increased 14% in 2000. The decline in 2001 was principally due to lower bad debt costs, reduced franchise and property taxes, and lower travel and employee-relocation expenses. The increase in 2000 reflected a full year of Northern Region operations and higher bad debt expense.

Other Income - Net

Other income - net was $99 million in 2001, $168 million in 2000 and $115 million in 1999 (see Note 3 on Page 61). The reduction in 2001 resulted from the absence of $101 million of gains that occurred in 2000 related to the sale of certain timber rights and gas and oil royalty and working interests. This was somewhat offset by lower interest accruals on federal income tax liabilities and a $13 million gain from a nonrecurring settlement. Results in 2001 also included an $18 million gain from a large property sale that closed in December. The increase in 2000 reflected the $101 million of gains, mitigated by the commencement of a program under which accounts receivable are sold on a revolving basis (see Note 5 on Page 63).

Income Taxes

Income tax expense in 2001 was $191 million for an effective rate of 35%, compared with effective rates of 31% in 2000 and 32% in 1999. Excluding the equity in Conrail's after-tax earnings, the effective rates were 38% in 2001 and 34% in both 2000 and 1999.

The effective rate in 2001 was higher than that of 2000 and 1999, primarily due to dispositions of tax benefits related to coal-seam gas properties. The effective rates in all three years benefited from favorable adjustments upon filing the prior year tax returns and favorable adjustments to state tax liabilities. In addition, both 2000 and 1999 benefited from investments in coal-seam gas properties.

In January 1995, the United States Tax Court issued a preliminary decision that disallowed some of the tax benefits a subsidiary of NS purchased from a third party pursuant to a safe harbor lease agreement in 1981. In January 2001, NS received payment from the third party in accordance with indemnification provisions of the lease agreement.

Discontinued Operations

Income from discontinued operations consisted of a $13 million after-tax gain related to the sale of NS' motor carrier subsidiary (see Note 17 on Page 79).

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities, NS' principal source of liquidity, was $654 million in 2001, compared with $1.3 billion in 2000 and $533 million in 1999. Results in 2000 reflect the commencement of a program under which accounts receivable are sold on a revolving basis (see Note 5 on Page 63). Excluding the infusion of cash from this program, operating cash flow declined $300 million in 2001. The decrease primarily resulted from an $88 million reduction in the amount of accounts receivable sold, higher tax payments including amounts applicable to prior years, an increase in telecommunication receivables, bonus payments in 2001 (no such payments in 2000) and the timing of payrolls. A significant portion of payments made to PRR (which are included in "Conrail Rents and Services" and, therefore, are a use of cash in "Cash provided by operating activities") are borrowed back from a PRR subsidiary and, therefore, are a source of cash in "Proceeds from borrowings." In 2001, NS' net cash flow from these borrowings amounted to $250 million. The improvement in cash provided by operating activities in 2000 resulted primarily from favorable changes in working capital, including an improvement in collection of accounts receivable, a lengthening of accounts payable and the lack of bonus payments.

The large changes in "Accounts receivable" and "Current liabilities other than debt" in the 1999 cash flow statement primarily resulted from the commencement of operations in the Northern Region. In addition, collection of accounts receivable had slowed.

NS' working capital deficit was $1.3 billion at Dec. 31, 2001, compared with $1.0 billion at Dec. 31, 2000. The increase resulted principally from a higher amount of debt due within one year. Debt due in 2002 is expected to be paid using cash generated from operations (including sales of accounts receivable), cash on hand and proceeds from borrowings. Part of the working capital deficit at Dec. 31, 2001, arises from a $373 million balance in "Notes and accounts payable to Conrail" that is not expected to be repaid in 2002.

NS currently has the capability to increase the amount of accounts receivable being sold under the revolving sale program to meet its more immediate working capital needs. During 2001, the amount of receivables NS could sell under this program ranged from $345 million to $468 million, and the amount of receivables NS sold ranged from $300 million to $402 million. Moreover, NS has the capability to issue up to $1 billion of commercial paper (see Note 8 on Page 65); however, any reduction in its credit rating could limit NS' ability to access the commercial paper markets (see also the discussion of financing activities, below).

NS expects to generate sufficient cash flow from operations to meet its ongoing obligations. This expectation is based on a view that the economy will remain flat for the first half of 2002 and resume growth in the third and fourth quarters.

NS' contractual obligations related to its long-term debt (including capital leases), operating leases and agreements with CRC are as follows:

($ in millions)	Total	2002	2003-2004	2005-2006	2007 and Subsequent
Long-term debt and capital leases	$ 7,632	$ 605	$ 705	$ 706	$ 5,616
Operating leases	890	113	172	117	488
Agreements with CRC	775	27	62	68	618
Total	$ 9,297	$ 745	$ 939	$ 891	$ 6,722

NS also has contractual obligations to PRR as disclosed in Note 2 on Page 58. However, NS has the ability to borrow back funds from PRR to the extent they are not needed to fund contractual obligations at Conrail. As an indirect owner of Conrail, NS may need to make capital contributions, loans or advances to Conrail to fund its contractual obligations. The following table presents 58% of Conrail's contractual obligations for long-term debt (including capital leases) and operating leases.

($ in millions)	Total	2002	2003-2004	2005-2006	2007 and Subsequent
Long-term debt and capital leases	$ 705	$ 35	$ 62	$ 48	$ 560
Operating leases	369	36	61	64	208
Total	$ 1,074	$ 71	$ 123	$ 112	$ 768

NS also has two transactions not included in the balance sheets or in the previous table of its contractual obligations consisting of an accounts receivable sale program (see Note 5 on Page 63) and an operating lease covering 140 locomotives (see Note 9 on Page 67).

Under the accounts receivable sale program, NS sells without recourse undivided ownership interests in a pool of accounts receivable to two unrelated buyers. NS has no ownership interest in the buyers. The buyers issued debt to fund their initial purchase, and NS used the proceeds it received from the initial purchase primarily to pay down its outstanding debt. NS has no obligation related to the buyers' debt, and there is no existing obligation to repurchase sold receivables. Upon termination of the program, the buyers would cease purchasing new receivables and collections related to the sold receivables would be retained by the buyers.

The operating lease covering the 140 locomotives is renewable annually at NS' option and expires in 2008. The lessor is not related to NS and its owner has a substantive residual equity capital investment at risk in the entity. The lessor owns the locomotives and issued debt to finance their purchase. NS has no obligation related to the debt. NS has the option to purchase the locomotives, but also can return them to the lessor. The return provisions of the lease are not so onerous as to preclude this option. If NS does not purchase the locomotives at the end of the maximum lease term, it is liable for any shortfall in the then fair value of the locomotives and a specified residual value. NS does not expect to be required to make any payments under this provision.

Cash used for investing activities increased slightly in 2001, but decreased slightly in 2000. Property additions were up 2% in 2001, following a large decline in 2000 that reflected the absence of significant locomotive purchases, as fleet additions were accomplished by operating lease. Investing activities in 1999 included approximately $140 million more of borrowings against the net cash surrender value of corporate-owned life insurance than in 2000. Property additions account for most of the recurring spending in this category.

The following tables show capital spending and track and equipment statistics for the past five years.

CAPITAL EXPENDITURES

($ in millions)	2001	2000	1999	1998	1997
Road	$ 505	$ 557	$ 559	$ 612	$ 599
Equipment	233	146	349	442	306
Other property	8	28	4	6	24
Total	$ 746	$ 731	$ 912	$1,060	$ 929

Capital expenditures increased 2% in 2001, but decreased 20% in 2000. Outlays in 2001 included amounts for locomotive purchases that were somewhat offset by lower expenditures for freight car purchases and roadway projects. The decline in 2000 reflected lower capital expenditures for locomotives as a result of the operating lease. In both years, spending for road included fiber-optic infrastructure that is expected to be completed in 2002 (see "Telecommunications Subsidiary," below).

TRACK STRUCTURE STATISTICS (CAPITAL AND MAINTENANCE)

	2001	2000	1999	1998	1997
Track miles of rail installed	254	390	403	429	451
Miles of track surfaced	3,836	3,687	5,087	4,715	4,703
New crossties installed (millions)	1.5	1.5	2.3	2.0	2.2

AVERAGE AGE OF OWNED RAILWAY EQUIPMENT

(Years)	2001	2000	1999	1998	1997

Freight cars	25.4	24.6	23.8	23.6	23.0
Locomotives	15.7	16.1	15.4	15.4	15.3
Retired locomotives	22.4	24.5	22.7	20.6	23.3

The table above excludes equipment leased from PRR (see Note 2 on Page 58), which comprises 16% of the freight car fleet and 27% of the locomotive fleet.

The higher average age of owned locomotives in 2000 reflects the fact that locomotives leased in 2000 are not included in the statistic. The 1998 decrease in the average age of retired locomotives resulted from a disproportionate share of early retirements as well as retention of older units in anticipation of the Closing Date.

Through its coal car rebody program, which was suspended in 2000, NS converted about 29,000 hopper cars into high-capacity steel gondolas or hoppers. As a result, the remaining service life of the freight-car fleet is greater than may be inferred from the increasing average age shown in the table above.

For 2002, NS has budgeted $705 million for capital expenditures. The anticipated spending includes $482 million for roadway projects, of which $366 million is for track and bridge program work. Also included are projects for marketing and industrial development initiatives and continuing investments in intermodal infrastructure. Equipment spending of $173 million includes the purchase of 50 locomotives and upgrades to existing units, and projects related to computers and information technology, including additional security and backup systems. NS issued in February 2002 debt secured by the locomotives.

Cash provided by financing activities in 2001 was $151 million, and reflects the effects of the reduction to the dividend in January 2001. Financing activities included loan transactions with a PRR subsidiary that resulted in net borrowings of $250 million in 2001 and net repayments of $72 million in 2000 (see Note 2 on Page 58). Excluding these borrowings, debt was reduced $20 million in 2001 and $422 million in 2000. The substantial net reduction of debt in 2000 was accomplished in part with the proceeds from the sale of accounts receivable. NS' debt-to-total capitalization ratio (excluding notes payable to Conrail) at year end was 55.6% in 2001 and 56.7% in 2000.

NS currently has in place a new $1 billion, five-year credit facility, which replaced the facility that would have expired in May 2002. The new agreement provides for borrowings at prevailing rates and includes financial covenants similar to the old

facility (see Note 8 on Page 65). In addition, NS has issued only $250 million of debt under its $1 billion shelf registration that became effective in April 2001.

CONRAIL'S RESULTS OF OPERATIONS, FINANCIAL CONDITION AND LIQUIDITY

Through May 31, 1999, Conrail's results of operations include freight line-haul revenues and related expenses. After the Closing Date, June 1, 1999, its results reflect its new structure and operations (see Note 2 on Page 58). Currently, Conrail's major sources of operating revenues are operating fees and rents from NSR and CSXT. The composition of Conrail's operating expenses also changed.

Conrail's net income was $174 million in 2001, compared with $170 million in 2000 and $26 million in 1999 (see Note 2 on Page 58). Results in 1999 included $180 million of expenses ($121 million after taxes), principally to increase certain components of its casualty liability based on an actuarial valuation, to adjust certain litigation and environmental liabilities related to settlements and completion of site reviews and a credit adjustment related to the assumption of a lease obligation by CSX. Excluding the effects of these items, net income would have been $147 million in 1999.

The improvement in 2001 reflected lower casualties and other claims expenses, a favorable adjustment to state income tax reserves and environmental and insurance settlements in Conrail's favor. These positive items were offset in part by the absence of significant gains from the sale of property. The 2000 increase reflected a $37 million after-tax gain from a property sale and the absence of significant transition-related expenses.

Conrail's operating revenues were $903 million in 2001, $985 million in 2000 and $2.2 billion in 1999. The decline in 2001 resulted from lower revenues at Conrail's Indiana Harbor Belt subsidiary, the expiration of certain equipment leases and lower operating fees, largely because of reduced operating costs in the Shared Assets Areas. The decline in 2000 was attributable to the change in operations.

Conrail's operating expenses were $639 million in 2001, $749 million in 2000 and $2.0 billion in 1999. The decline in 2001 was primarily due to lower expenses for materials, services and rents; casualties and other claims; and compensation and benefits. The decrease in 2000 was principally due to the change in operations and the absence of the $180 million of expenses discussed above and $60 million of transition-related expenses (principally technology integration costs and employee stay bonuses).

Conrail's cash provided by operations increased $140 million, or 39%, in 2001, but decreased $34 million, or 9%, in 2000. The 2001 increase was principally due to a $50 million cash payment for transferring to a third party certain rights to license, manage and market signboard advertising on Conrail's property for 25 years and proceeds from a favorable insurance settlement. The 2000 reduction reflected the change in operations and payment of one-time items owed to NSR and CSXT. Cash generated from operations is Conrail's principal source of liquidity and is primarily used for debt repayments and capital expenditures. Debt repayments totaled $61 million in 2001 and $318 million in 2000. Capital expenditures totaled $47 million in 2001 and $220 million in 2000.

Conrail had working capital of $438 million at Dec. 31, 2001, compared with $85 million at Dec. 31, 2000, including $687 million and $323 million, respectively, of amounts receivable from NS and CSX. Conrail is not an SEC registrant and, therefore,

presently cannot issue any publicly traded securities. Conrail is expected to have sufficient cash flow to meet its ongoing obligations.

NS' equity in earnings of Conrail, net of amortization, was $44 million in 2001, $21 million in 2000 and $17 million in 1999. NS' other comprehensive loss for 2001, as shown in the Consolidated Statement of Changes in Stockholders' Equity on Page 55, included $41 million for its portion of Conrail's other comprehensive loss (see Note 13 on Page 74).

OTHER MATTERS

Telecommunications Subsidiary

NS' subsidiary, Thoroughbred Technology and Telecommunications, Inc. (T-Cubed), is codeveloping fiber optic infrastructure with members of the telecommunications industry. This industry has recently experienced a severe downturn. During the second quarter, one of T-Cubed's codevelopers filed for protection under Chapter 11 of the U.S. Bankruptcy Code and foreign laws. This codeveloper owes T-Cubed amounts for work performed on joint projects; however, based on known facts and circumstances, management believes that such amounts ultimately will be realized. T-Cubed is engaged in contract litigation with a second codeveloper concerning the latter's obligation to purchase fiber optic infrastructure installed by T-Cubed between Cleveland, Ohio, and northern Virginia. Management expects to prevail in this litigation. The ability to collect a judgment against the codeveloper, Williams Communications, LLC, may be limited due to its declining financial condition; however, the shortfall, if any, cannot now be determined.

As a result of changes in the values of telecommunications assets, T-Cubed is monitoring its carrying amount of these assets, as required by SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of." To date, based on the known facts and circumstances, management believes that its ultimate investment in these assets will be recovered and, accordingly, no impairment has been recognized (see Note 6 on Page 63).

Labor Arbitration

Several hundred claims have been filed on behalf of NSR employees furloughed after June 1, 1999, for various periods of time, alleging that the furloughs were a result of the Conrail transaction and seeking "New York Dock" income protection benefits. One labor organization has initiated arbitration on behalf of approximately 100 of these claimants. Management believes, based on known facts and circumstances, including the availability of legal defenses, that the amount of liability for these claims should not have a material adverse effect on NS' financial position, results of operations or liquidity. Depending on the outcome of the arbitration, other claims may be filed or progressed to arbitration. Should all such claimants prevail, there could be a significant effect on results of operations in a particular quarter.

Labor Agreements

Approximately 85 percent of NS' railroad employees are covered by collective bargaining agreements with 15 different labor unions. These agreements remain in effect until changed pursuant to the Railway Labor Act. Moratorium provisions in these agreements

permitted NS and the unions to propose such changes in late 1999; negotiations at the national level commenced shortly thereafter. The outcome of these negotiations is uncertain. However, agreements have been reached with the Brotherhood of Maintenance of Way Employes, which represents about 4,400 NS employees, and with the Brotherhood of Locomotive Engineers, which represents about 5,000 NS employees. In addition, a tentative national agreement (subject to ratification) has been reached with the United Transportation Union, which represents about 7,000 NS employees. The tentative national agreement reached with the International Brotherhood of Electrical Workers, which represents about 1,000 NS employees, was not ratified.

Market Risks and Hedging Activities

NS uses derivative financial instruments to reduce the risk of volatility in its diesel fuel costs and to manage its overall exposure to fluctuations in interest rates.

In 2001, NS began a program to hedge a portion of its diesel fuel consumption. The intent of the program is to assist in the management of NS' aggregate risk exposure to fuel price fluctuations, which can significantly affect NS' operating margins and profitability, through the use of one or more types of derivative instruments.

Diesel fuel costs represented 8% of NS' operating expenses for 2001. The program provides that NS will not enter into any fuel hedges with a duration of more than 36 months, and that no more than 80% of NS' average monthly fuel consumption will be hedged for each month within any 36-month period.

As of Dec. 31, 2001, through swap transactions and advance purchases, NS has hedged approximately 40% of expected 2002 diesel fuel requirements. The effect of the hedges is to yield an average cost of 70 cents per hedged gallon, including federal taxes and transportation.

A 10% decrease in diesel fuel prices would increase NS' liability related to the swaps by approximately $15 million.

NS manages its overall exposure to fluctuations in interest rates by issuing both fixed- and floating-rate debt instruments and by entering into interest-rate hedging transactions to achieve an appropriate mix within its debt portfolio.

Of NS' total debt outstanding (see Note 8 on Page 65), all is fixed-rate debt, except for most capital leases, $250 million of notes due in 2003 and $174 million of equipment obligations. As a result, NS' debt subject to interest rate exposure totaled $675 million at Dec. 31, 2001. A 1% increase in interest rates would increase NS' total annual interest expense related to all its variable debt by approximately $7 million. Management considers it unlikely that interest rate fluctuations applicable to these instruments will result in a material adverse effect on NS' financial position, results of operations or liquidity.

The capital leases, which carry an average fixed rate of 7.1%, were effectively converted to variable rate obligations using interest rate swap agreements. On Dec. 31, 2001, the average pay rate under these agreements was 2.8%, and the average receive rate was 7.1%. During 2001, the effect of the swaps was to reduce interest expense by $3 million. A portion of the lease obligations is payable in Japanese yen. NS eliminated the associated exchange rate risk at the inception of each lease with a yen deposit sufficient to fund the yen-denominated obligation. Most of these deposits are held by foreign banks, primarily Japanese. As a result, NS is exposed to financial market risk relative to Japan.

Counterparties to the interest rate swaps and Japanese banks holding yen deposits are major financial institutions believed by management to be creditworthy.

Environmental Matters

NS is subject to various jurisdictions' environmental laws and regulations. It is NS' policy to record a liability where such liability or loss is probable and its amount can be estimated reasonably. Claims, if any, against third parties for recovery of cleanup costs incurred by NS are reflected as receivables (when collection is probable) in the balance sheet and are not netted against the associated NS liability. Environmental engineers regularly participate in ongoing evaluations of all identified sites and in determining any necessary adjustments to initial liability estimates. NS also has established an Environmental Policy Council, composed of senior managers, to oversee and interpret its environmental policy.

Operating expenses for environmental matters totaled approximately $10 million in 2001, $11 million in 2000 and $12 million in 1999, and capital expenditures totaled approximately $10 million in each of 2001 and 2000 and $8 million in 1999. Capital expenditures in 2002 are expected to be comparable to those in 2001.

NS' balance sheets included liabilities for environmental exposures in the amount of $33 million at Dec. 31, 2001, and $36 million at Dec. 31, 2000 (of which $8 million was accounted for as a current liability in each year). At Dec. 31, 2001, the liability represented NS' estimate of the probable cleanup and remediation costs based on available information at 126 identified locations. On that date, 10 sites accounted for $17 million of the liability, and no individual site was considered to be material. NS anticipates that much of this liability will be paid out over five years; however, some costs will be paid out over a longer period.

At some of the 126 locations, certain NS subsidiaries, usually in conjunction with a number of other parties, have been identified as potentially responsible parties by the Environmental Protection Agency (EPA) or similar state authorities under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or comparable state statutes, which often impose joint and several liability for cleanup costs.

With respect to known environmental sites (whether identified by NS or by the EPA or comparable state authorities), estimates of NS' ultimate potential financial exposure for a given site or in the aggregate for all such sites are unavoidably imprecise because of the widely varying costs of currently available cleanup techniques, the likely development of new cleanup technologies, the difficulty of determining in advance the nature and full extent of contamination and each potential participant's share of any estimated loss (and that participant's ability to bear it), and evolving statutory and regulatory standards governing liability.

The risk of incurring environmental liability -- for acts and omissions, past, present and future -- is inherent in the railroad business. Some of the commodities in NS' traffic mix, particularly those classified as hazardous materials, can pose special risks that NS and its subsidiaries work diligently to minimize. In addition, several NS subsidiaries own, or have owned, land used as operating property, or which is leased or may have been leased and operated by others, or held for sale.

Because environmental problems that are latent or undisclosed may exist on these properties, there can be no assurance that NS will not incur environmental liabilities or costs with respect to one or more of them, the amount and materiality of which cannot be

estimated reliably at this time. Moreover, lawsuits and claims involving these and other unidentified environmental sites and matters are likely to arise from time to time. The resulting liabilities could have a significant effect on financial condition, results of operations or liquidity in a particular year or quarter.

However, based on an assessment of known facts and circumstances, management believes that it is unlikely that any known matters, either individually or in the aggregate, will have a material adverse effect on NS' financial position, results of operations or liquidity.

New Accounting Pronouncement

In October 2001, the Financial Accounting Standards Board issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Statement No. 144 supersedes Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," but it retains many of the fundamental provisions of that Statement. Statement No. 144 also broadens the presentation of discontinued operations to include more disposal transactions. NS' adoption of Statement No. 144, effective Jan. 1, 2002, did not have a material effect on its financial statements.

Inflation

Generally accepted accounting principles require the use of historical cost in preparing financial statements. This approach disregards the effects of inflation on the replacement cost of property. NS, a capital-intensive company, has most of its capital invested in such assets. The replacement cost of these assets, as well as the related depreciation expense, would be substantially greater than the amounts reported on the basis of historical cost.

Trends

Federal Economic Regulation -- Efforts may be made in 2002 to reimpose unwarranted federal economic regulation on the rail industry. The Staggers Rail Act of 1980, which substantially reduced such regulation, encouraged and enabled rail carriers to innovate and to compete for business. NS and other rail carriers will oppose any efforts to reimpose unwarranted economic regulation.

Utility Deregulation -- Deregulation of the electrical utility industry is expected to increase competition among electric power generators; deregulation over time would permit wholesalers and possibly retailers of electric power to sell or purchase increasing quantities of power to or from distant parties. The effects of deregulation on NS and on its customers cannot be predicted with certainty; however, NS serves a number of efficient power producers and is working diligently to ensure that its customers remain competitive in this evolving environment.

Carbon-Based Fuel -- There is growing concern in some quarters that emissions resulting from burning carbon-based fuel, including coal, are contributing to global warming and causing other environmental changes. To the extent that these concerns evolve into a consensus among policy-makers, the impact could be either a reduction in the demand

for coal or imposition of more stringent regulations on emissions, which might result in making coal a less economical source of power generation or make permitting of coal-fired facilities even more difficult. The revenues and net income of NSR and other railroads that move large quantities of coal could be affected adversely.

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that may be identified by the use of words like "believe," "expect," "anticipate" and "project." Forward-looking statements reflect management's good-faith evaluation of information currently available. However, such statements are dependent on and, therefore, can be influenced by, a number of external variables over which management has little or no control, including: domestic and international economic conditions; the business environment in industries that produce and consume rail freight; competition and consolidation within the transportation industry; fluctuation in prices of key materials, in particular diesel fuel; labor difficulties, including strikes and work stoppages; legislative and regulatory developments; changes in securities and capital markets; and natural events such as severe weather, floods and earthquakes. Forward-looking statements are not, and should not be relied upon as, a guaranty of future performance or results. Nor will they necessarily prove to be accurate indications of the times at or by which any such performance or results will be achieved. As a result, actual outcomes and results may differ materially from those expressed in forward-looking statements. The Company undertakes no obligation to update or revise forward-looking statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

The information required by this item is included in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" on Page 44 under the heading "Market Risks and Hedging Activities."

Item 8. Financial Statements and Supplementary Data.

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
QUARTERLY FINANCIAL DATA
(Unaudited)

	Three Months Ended			
	March 31	June 30	Sept. 30	Dec. 31
	(In millions of dollars, except per share amounts)			
2001				
Railway operating revenues	$ 1,540	$ 1,592	$ 1,508	$ 1,530
Income from railway operations	205	282	245	275
Net income	74*	107	79	115
Earnings per share - Basic and diluted	$ 0.19*	$ 0.28	$ 0.20	$ 0.30
2000				
Railway operating revenues	$ 1,508	$ 1,592	$ 1,535	$ 1,524
Income from railway operations	28	278	211	116
Net income (loss)	(48)	116	99	5
Earnings (loss) per share - Basic and diluted	$ (0.12)	$ 0.30	$ 0.26	$ 0.01

* Includes a $13 million, or 3 cents per share, after-tax gain related to the 1998 sale of NS' motor carrier subsidiary (see Note 17 on Page 79).

Item 8. Financial Statements and Supplementary Data. (continued)

Index to Financial Statements: Page

The Index to Consolidated Financial Statement Schedule appears in Item 14 on Page 85.

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income

	2001	2000	1999
	Years ended December 31, ($ in millions, except earnings per share)		
RAILWAY OPERATING REVENUES	$ 6,170	$ 6,159	$ 5,242
RAILWAY OPERATING EXPENSES			
Compensation and benefits (Note 11)	2,014	2,234	1,855
Materials, services and rents	1,444	1,445	1,274
Conrail rents and services (Note 2)	421	478	311
Depreciation	514	503	475
Diesel fuel	412	478	255
Casualties and other claims	143	142	138
Other	215	246	216
Total railway operating expenses	5,163	5,526	4,524
Income from railway operations	1,007	633	718
Equity in earnings of Conrail (Note 2)	--	--	49
Other income - net (Note 3)	99	168	115
Interest expense on debt (Note 6)	(553)	(551)	(531)
Income from continuing operations before income taxes	553	250	351
Provision for income taxes (Note 4)	191	78	112
Income from continuing operations	362	172	239
Discontinued operations - gain on sale of motor carrier, net of taxes (Note 17)	13	--	--
NET INCOME	$ 375	$ 172	$ 239
EARNINGS PER SHARE (Note 14)			
Income from continuing operations - Basic and diluted	$ 0.94	$ 0.45	$ 0.63
Net income - Basic and diluted	$ 0.97	$ 0.45	$ 0.63

See accompanying Notes to Consolidated Financial Statements.

Item 8. Financial Statements and Supplementary Data. (continued)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

	As of December 31, 2001	2000
	($ in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 204	$ --
Short-term investments	--	2
Accounts receivable, net (Note 5)	475	411
Due from Conrail (Note 2)	8	31
Materials and supplies	90	91
Deferred income taxes (Note 4)	162	182
Other current assets	108	132
Total current assets	1,047	849
Investment in Conrail (Note 2)	6,161	6,154
Properties less accumulated depreciation (Note 6)	11,208	11,105
Other assets	1,002	868
TOTAL ASSETS	$19,418	$18,976
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable (Note 7)	$ 848	$ 925
Income and other taxes	312	251
Notes and accounts payable to Conrail (Note 2)	373	155
Other current liabilities (Note 7)	248	259
Current maturities of long-term debt (Note 8)	605	297
Total current liabilities	2,386	1,887
Long-term debt (Note 8)	7,027	7,339
Other liabilities (Note 10)	1,089	1,131
Minority interests	45	50
Deferred income taxes (Note 4)	2,781	2,745
TOTAL LIABILITIES	13,328	13,152
Stockholders' equity:		
Common stock $1.00 per share par value, 1,350,000,000 shares authorized; issued 407,000,871 and 405,421,447 shares, respectively	407	405
Additional paid-in capital	423	392
Accumulated other comprehensive loss (Note 13)	(55)	(6)
Retained income	5,335	5,053
Less treasury stock at cost, 21,169,125 and 21,363,974 shares, respectively	(20)	(20)
TOTAL STOCKHOLDERS' EQUITY	6,090	5,824
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$19,418	$18,976

	======	======

See accompanying Notes to Consolidated Financial Statements.

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Years ended December 31, 2001	2000	1999
	($ in millions)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 375	$ 172	$ 239
Reconciliation of net income to net cash provided by operating activities:			
Depreciation	527	517	489
Deferred income taxes	44	2	85
Equity in earnings of Conrail	(44)	(21)	(17)
Gains and losses on properties and investments	(59)	(160)	(62)
Income from discontinued operations	(13)	--	--
Changes in assets and liabilities affecting operations:			
Accounts receivable (Note 5)	(74)	446	(322)
Materials and supplies	1	9	(40)
Other current assets and due from Conrail	46	60	(50)
Current liabilities other than debt	(27)	220	259
Other - net (Note 11)	(122)	97	(48)
Net cash provided by operating activities	654	1,342	533
CASH FLOWS FROM INVESTING ACTIVITIES			
Property additions	(746)	(731)	(912)
Property sales and other transactions	156	137	104
Investments, including short-term	(99)	(77)	(126)
Investment sales and other transactions	88	90	343
Net cash used for investing activities	(601)	(581)	(591)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends	(93)	(306)	(304)
Common stock issued - net	14	2	14
Proceeds from borrowings	1,995	1,055	1,110
Debt repayments	(1,765)	(1,549)	(730)
Net cash provided by (used for) financing activities	151	(798)	90
Net increase (decrease) in cash and cash equivalents	204	(37)	32
CASH AND CASH EQUIVALENTS			
At beginning of year	--	37	5

At end of year	$ 204	$ --	$ 37

(continued)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (continued)

	Years ended December 31, 2001	2000	1999
	($ in millions)		
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest (net of amounts capitalized)	$ 550	$ 543	$ 520
Income taxes	$ 74	$ 5	$ 16

See accompanying Notes to Consolidated Financial Statements.

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Income	Treasury Stock	Total
	($ in millions, except per share amounts)					
BALANCE DECEMBER 31, 1998	$ 401	$ 296	$ (8)	$ 5,252	$ (20)	$ 5,921
Comprehensive income - 1999						
Net income				239		239
Other comprehensive loss (Note 13)			(3)			(3)
Total comprehensive income						236
Dividends on Common Stock, $0.80 per share				(304)		(304)
Other (Notes 11 and 12)	3	76				79
BALANCE DECEMBER 31, 1999	404	372	(11)	5,187	(20)	5,932
Comprehensive income - 2000						
Net income				172		172
Other comprehensive						

income (Note 13)			5			5
Total comprehensive income						177
Dividends on Common Stock, $0.80 per share				(306)		(306)
Other (Notes 11 and 12)	1	20				21
BALANCE DECEMBER 31, 2000	$ 405	$ 392	$ (6)	$ 5,053	$ (20)	$ 5,824
Comprehensive income - 2001						
Net income				375		375
Other comprehensive loss (Note 13)			(49)			(49)
Total comprehensive income						326
Dividends on Common Stock, $0.24 per share				(93)		(93)
Other (Notes 11 and 12)	2	31				33
BALANCE DECEMBER 31, 2001	$ 407	$ 423	$ (55)	$ 5,335	$ (20)	$ 6,090

See accompanying Notes to Consolidated Financial Statements.

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The following Notes are an integral part of the Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Norfolk Southern Corporation is a Virginia-based holding company engaged principally in the transportation of freight by rail, operating approximately 21,500 route miles primarily in the East and Midwest. These financial statements include Norfolk Southern Corporation (Norfolk Southern) and its majority-owned and controlled subsidiaries (collectively, NS) on a consolidated basis. Norfolk Southern's major subsidiary is Norfolk Southern Railway Company (NSR). All significant intercompany balances and transactions have been eliminated in consolidation.

The railroad transports raw materials, intermediate products and finished goods classified in the following market groups (percent of total railway operating revenues): coal (25%); automotive (14%); chemicals (12%); metals/construction (11%); paper/clay/forest products (10%); agriculture/consumer products/government (10%); and intermodal (18%). Ultimate points of origination or destination for some of the freight (particularly coal bound for export and intermodal containers) are outside the United States. Approximately 85% of NS' railroad employees are covered by collective bargaining agreements with 15 different labor unions.

Through a jointly owned entity, Norfolk Southern and CSX Corporation own the stock of Conrail Inc., which owns the major Northeast freight railroad. Norfolk Southern has a 58% economic and 50% voting interest in the jointly owned entity (see Note 2).

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management reviews its estimates, including those related to the recoverability and useful lives of assets, as well as liabilities for litigation, environmental remediation, casualty claims, income taxes, pensions and postretirement benefits. Changes in facts and circumstances may result in revised estimates.

Cash Equivalents

"Cash equivalents" are highly liquid investments purchased three months or less from maturity.

Investments

Marketable equity and debt securities are reported at amortized cost or fair value, depending upon their classification as securities "held-to-maturity," "trading" or "available-for-sale." Unrealized gains and losses for investments designated as "available-for-sale," net of taxes, are recognized in "Accumulated other comprehensive loss."

Investments, where NS has the ability to exercise significant influence over but does not control the entity, are accounted for using the equity method in accordance with APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock."

Materials and Supplies

"Materials and supplies," consisting mainly of fuel oil and items for maintenance of property and equipment, are stated at the lower of average cost or market. The cost of materials and supplies expected to be used in capital additions or improvements is included in "Properties."

Properties

"Properties" are stated principally at cost and are depreciated using group depreciation. Rail is depreciated primarily on the basis of use measured by gross ton-miles. Other properties are depreciated generally using the straight-line method over the lesser of estimated service or lease lives. NS capitalizes interest on major capital projects during the period of their construction. Expenditures, including those on leased assets, that extend an asset's useful life or increase its utility are capitalized. Maintenance expense is recognized when repairs are performed. When properties other than land and nonrail assets are sold or retired in the ordinary course of business, the cost of the assets, net of sale proceeds or salvage, is charged to accumulated depreciation rather than recognized through income. Gains and losses on disposal of land and nonrail assets are included in "Other income - net" (see Note 3).

NS reviews the carrying amount of properties whenever events or changes in circumstances indicate that such carrying amount may not be recoverable based on future undiscounted cash flows or estimated net realizable value. Assets that are deemed impaired as a result of such review are recorded at the lower of carrying amount or fair value.

Revenue Recognition

Revenue is recognized proportionally as a shipment moves from origin to destination. Refunds due in accordance with transportation contracts are recorded as a reduction to revenues during the life of the contract, based on management's best estimate of projected liability.

Derivatives

NS does not engage in the trading of derivatives. NS uses derivative financial instruments to reduce the risk of volatility in its diesel fuel costs and in the management of its mix of fixed and floating-rate debt. Management has determined that these derivative instruments qualify as either fair-value or cash-flow hedges, having values that highly correlate with the underlying hedged exposures and have designated such instruments as hedging transactions. Credit risk related to the derivative financial instruments is considered to be minimal and is managed by requiring high credit standards for counterparties and periodic settlements.

Required Accounting Changes

Effective Jan. 1, 2001, NS adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities " (see Note 16).

Reclassifications

Certain amounts in the consolidated financial statements and notes thereto have been reclassified to conform to the 2001 presentation.

2. INVESTMENT IN CONRAIL AND OPERATIONS OVER ITS LINES

Overview

Norfolk Southern and CSX Corporation (CSX) jointly own Conrail Inc. (Conrail), whose primary subsidiary is Consolidated Rail Corporation (CRC), the major freight railroad in the Northeast. From May 23, 1997, the date Norfolk Southern and CSX completed their acquisition of Conrail stock, until June 1, 1999, Conrail's operations continued substantially unchanged while Norfolk Southern and CSX awaited regulatory approvals and prepared for the integration of the respective Conrail routes and assets to be leased to their railroad subsidiaries, NSR and CSX Transportation, Inc. (CSXT). From time to time, Norfolk Southern and CSX, as the indirect owners of Conrail, may need to make capital contributions, loans or advances to Conrail.

Commencement of Operations

On June 1, 1999 (the Closing Date), NSR and CSXT began operating as parts of their respective rail systems the separate Conrail routes and assets leased to them pursuant to operating and lease agreements.

The Operating Agreement between NSR and Pennsylvania Lines LLC (PRR), a wholly owned subsidiary of CRC, governs substantially all nonequipment assets to be operated by NSR and has an initial 25-year term, renewable at the option of NSR for two five-year terms. Payments under the Operating Agreement are subject to adjustment every six years to reflect changes in values. NSR also has leased or subleased for varying terms from PRR a number of equipment assets. Costs necessary to operate and maintain the PRR assets, including leasehold improvements, are borne by NSR. CSXT has entered into comparable arrangements, for the operation and use of certain other CRC routes and assets, with another wholly owned CRC subsidiary.

NSR and CSXT also have entered into agreements with CRC governing other properties that continue to be owned and operated by CRC (the Shared Assets Areas). NSR and CSXT pay CRC a fee for joint and exclusive access to the Shared Assets Areas. In addition, NSR and CSXT pay, based on usage, the costs incurred by CRC to operate the Shared Assets Areas.

Future minimum lease payments due to PRR under the Operating Agreement and lease agreements and to CRC under the Shared Assets Areas (SAA) agreements are as follows:

($ in millions)	PRR Oper. Agmt.	PRR Lease Agmts.	SAA Agmts.
2002	$ 196	$ 131	$ 27
2003	217	109	30
2004	238	93	32
2005	246	72	34
2006	246	57	34
2007 and subsequent years	4,530	171	618
Total	$ 5,673	$ 633	$ 775

Operating lease expense related to the agreements, which is included in "Conrail rents and services," amounted to $467 million in 2001, $502 million in 2000 and $273 million in 1999.

On the Closing Date, both NS' railroad route miles and its railroad employees increased approximately 50 percent. NSR and CSXT now provide substantially all rail freight services on Conrail's route system, perform most services incident to customer freight contracts and employ the majority of Conrail's former work force. As a result, NSR receives all freight revenues and incurs all expenses on the PRR lines.

Investment in Conrail

NS is applying the equity method of accounting to its investment in Conrail in accordance with APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock."

NS is amortizing the excess of the purchase price over Conrail's net equity using the principles of purchase accounting, based primarily on the estimated remaining useful lives of Conrail's property and equipment, including the related deferred tax effect of the differences in tax and accounting bases for certain assets. At Dec. 31, 2001, the difference between NS' investment in Conrail and its share of Conrail's underlying net equity was $3.8 billion.

NS' consolidated balance sheet at Dec. 31, 2001, includes $80 million of liabilities related to the Conrail transaction, principally for contractual obligations to Conrail employees imposed by the Surface Transportation Board when it approved the transaction. Through Dec. 31, 2001, NS had paid $109 million of such costs.

Effective June 1, 1999, NS' consolidated financial statements include the consolidated financial position and results of Triple Crown Services Company (TCS), a partnership in which subsidiaries of NS and PRR are partners.

Related-Party Transactions

Until the Closing Date, NSR and CRC had transactions with each other in the customary course of handling interline traffic. As of Dec. 31, 2001, substantially all of the amounts receivable or payable related to these transactions had been satisfied.

NS provides certain general and administrative support functions to Conrail, the fees for which are billed in accordance with several service-provider arrangements and totaled $6 million in 2001, $7 million in 2000 and $10 million in 1999.

"Conrail rents and services," a new line on the income statements beginning June 1, 1999, includes: (1) expenses for amounts due to PRR and CRC for use by NSR of operating properties and equipment, operation of the Shared Assets Areas and continued operation of certain facilities during a transition period; and (2) NS' equity in the earnings of Conrail, net of amortization.

"Notes and accounts payable to Conrail" includes $301 million at Dec. 31, 2001, and $51 million at Dec. 31, 2000, of interest-bearing loans made to NS by a PRR subsidiary that are payable on demand. The interest rate for these loans is variable and was 2.45% at Dec. 31, 2001. Also included is $72 million at Dec. 31, 2001, and $104 million at Dec. 31, 2000, due to PRR and CRC related to expenses included in "Conrail rents and services," as discussed above.

Summary Financial Information - Conrail

The following summary financial information should be read in conjunction with Conrail's audited financial statements, included as Exhibit 99 to this Annual Report on Form 10-K.

Through May 31, 1999, Conrail's results of operations include freight line-haul revenues and related expenses. After the Closing Date, June 1, 1999, its results reflect its new structure and operations. Currently, Conrail's major sources of operating revenues are from NSR and CSXT. The composition of Conrail's operating expenses also has changed.

Summarized Consolidated Statements of Income - Conrail

($ in millions)	2001	2000	1999
Operating revenues	$ 903	$ 985	$ 2,174
Operating expenses	639	749	2,046
Operating income	264	236	128
Other - net	(6)	31	(83)
Income before income taxes	258	267	45
Provision for income taxes	84	97	19
Net income	$ 174	$ 170	$ 26

Note: Conrail's results for 2000 included gains from the sale of property that had been written up to fair market value in the allocation of NS' investment in Conrail. Accordingly, the gains related to that fair-value write-up, totaling $17 million after taxes, were excluded in determining NS' equity in Conrail's net income. Conrail's results in 1999 included after-tax expenses of $121 million, principally: (1) to increase certain components of its casualty reserves based on an actuarial valuation, (2) to adjust certain litigation and environmental reserves related to settlements and completion of site reviews and (3) to adjust a credit related to the assumption of a lease obligation by CSX. These 1999 items were considered in the allocation of NS' investment in Conrail to the fair values of Conrail's assets and liabilities and, accordingly, were excluded in determining NS' equity in Conrail's net income.

Summarized Consolidated Balance Sheets - Conrail

($ in millions)	December 31, 2001	2000
Assets:		
Current assets	$ 846	$ 520
Noncurrent assets	7,236	7,540
Total assets	$ 8,082	$ 8,060
Liabilities and stockholders' equity:		
Current liabilities	$ 408	$ 435
Noncurrent liabilities	3,569	3,643
Stockholders' equity	4,105	3,982
Total liabilities and stockholders' equity	$ 8,082	$ 8,060

Note: Current assets include demand notes and receivables from NS and CSX totaling $687 million at Dec. 31, 2001, and $323 million at Dec. 31, 2000. Current liabilities include amounts payable to NS and CSX totaling $12 million at Dec. 31, 2001, and $31 million at Dec. 31, 2000.

3. OTHER INCOME - NET

($ in millions)	2001	2000	1999
Income from natural resources:			
Royalties from coal	$ 52	$ 55	$ 59
Gains from sale of timber, oil and gas rights and interests	-	101	-
Nonoperating depletion and depreciation	(13)	(13)	(14)
Subtotal	39	143	45
Gains from sale of properties and investments	59	59	62
Rental income	40	40	34
Interest income	15	11	8
Other interest expense	1	(39)	(30)
Sale of accounts receivable (Note 5)	(17)	(23)	-
Taxes on nonoperating property	(11)	(9)	(7)
Corporate-owned life insurance - net	6	-	(3)
Equity in undistributed earnings of partnerships	(8)	3	1
Charitable contributions	(4)	(4)	-
Other - net	(21)	(13)	5
Total	$ 99	$ 168	$ 115

"Other current assets" in the Consolidated Balance Sheets includes prepaid interest on corporate-owned life insurance borrowings of

$45 million at Dec. 31, 2001, and $43 million at Dec. 31, 2000.

4. INCOME TAXES

Provision for Income Taxes

($ in millions)	2001	2000	1999
Current:			
Federal	$ 125	$ 65	$ 18
State	22	11	9
Total current taxes	147	76	27
Deferred:			
Federal	35	1	78
State	9	1	7
Total deferred taxes	44	2	85
Provision for income taxes	$ 191	$ 78	$ 112

Reconciliation of Statutory Rate to Effective Rate

Total income taxes as reflected in the Consolidated Statements of Income differ from the amounts computed by applying the statutory federal corporate tax rate as follows:

($ in millions)	2001 Amount	2001 %	2000 Amount	2000 %	1999 Amount	1999 %
Federal income tax at statutory rate	$ 194	35	$ 87	35	$ 123	35
State income taxes, net of federal tax benefit	20	4	8	3	10	3
Equity in earnings of Conrail	(16)	(3)	(7)	(3)	(6)	(2)
Corporate-owned life insurance	(3)	-	(2)	(1)	1	-
Other - net	(4)	(1)	(8)	(3)	(16)	(4)
Provision for income taxes	$ 191	35	$ 78	31	$ 112	32

Deferred Tax Assets and Liabilities

Certain items are reported in different periods for financial reporting and income tax purposes. Deferred tax assets and liabilities are recorded in recognition of these differences.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

($ in millions)	December 31, 2001	2000
Deferred tax assets:		
Reserves, including casualty and other claims	$ 158	$ 158
Employee benefits	75	104
Retiree health and death benefit obligation	137	139
Taxes, including state and property	221	200
Other	22	28
Total gross deferred tax assets	613	629
Less valuation allowance	(18)	(12)
Net deferred tax assets	595	617
Deferred tax liabilities:		
Property	(3,126)	(3,117)
Other	(88)	(63)
Total gross deferred tax liabilities	(3,214)	(3,180)
Net deferred tax liability	(2,619)	(2,563)
Net current deferred tax assets	162	182
Net long-term deferred tax liability	$(2,781)	$(2,745)

Except for amounts for which a valuation allowance has been provided, management believes the other deferred tax assets will be realized. The total valuation allowance increased $6 million in 2001, $3 million in 2000 and $6 million in 1999.

Internal Revenue Service (IRS) Reviews

Consolidated federal income tax returns have been examined and Revenue Agent Reports have been received for all years up to and including 1996. The consolidated federal income tax returns for 1997, 1998 and 1999 are being audited by the IRS. Management believes that adequate provision has been made for any additional taxes and interest thereon that might arise as a result of IRS examinations.

5. ACCOUNTS RECEIVABLE

Beginning in May 2000, a bankruptcy-remote special purpose subsidiary of NS sold without recourse undivided ownership interests in a pool of accounts receivable totaling approximately $700 million. Upon commencement of this program, NS received cash proceeds of $460 million. The buyers have a priority collection interest in the entire pool of receivables and, as a result, NS has retained credit risk to the extent the pool exceeds the amount sold. NS services and collects the receivables on behalf of the buyers; however, no servicing asset or liability has been recognized because the benefits of servicing are estimated to be just adequate to compensate NS for its responsibilities. Payments collected from sold receivables can be reinvested in new accounts receivable on behalf of the buyers. Should NS' credit rating drop below investment grade, the buyers have the right to discontinue this reinvestment.

At Dec. 31, 2001 and 2000, $300 million and $388 million, respectively, had been sold under this arrangement and, therefore, are not included in "Accounts receivable, net," on the consolidated balance sheet. The fees associated with the sale, which are based on the buyers' financing costs, are included in "Other income - net" (see Note 3). NS' retained interest, which is included in "Accounts receivable, net," is recorded at fair value using estimates of dilution based on NS' historical experience. These estimates are adjusted regularly based on NS' actual experience with the pool, including defaults and credit deterioration. NS has historically experienced very low levels of default. If historical dilution percentages were to increase one percentage point, the value of NS' retained interest would be reduced by approximately $7 million.

NS' allowance for doubtful accounts was $5 million at Dec. 31, 2001, and $7 million at Dec. 31, 2000.

6. PROPERTIES

($ in millions)	December 31, 2001	2000	Depreciation Rate for 2001
Railway property:			
Road	$ 10,452	$ 10,078	3.0%
Equipment	5,559	5,588	4.1%
Other property	632	653	3.2%
	16,643	16,319	
Less: Accumulated depreciation	5,435	5,214	
Net properties	$ 11,208	$ 11,105	

Included in properties are approximately $110 million in telecommunications assets consisting of fiber optic conduit. Because of the significant economic downturn in the telecommunications industry during the year, NS evaluated the recoverability of these assets at Dec. 31, 2001. Based on known facts and circumstances, management believes that its ultimate investment in these assets, which is expected to total approximately $130 million upon completion of the network, will be recovered.

Equipment includes $474 million at Dec. 31, 2001 and 2000, of assets recorded pursuant to capital leases. Other property includes the costs of obtaining rights to natural resources of $341 million at Dec. 31, 2001 and 2000.

Capitalized Interest

Total interest cost incurred on debt in 2001, 2000 and 1999 was $570 million, $569 million and $546 million, respectively, of which $17 million, $18 million and $15 million was capitalized.

7. CURRENT LIABILITIES

($ in millions)	December 31, 2001	December 31, 2000
Accounts payable:		
Accounts and wages payable	$ 385	$ 427
Casualty and other claims	192	223
Equipment rents payable - net	130	134
Vacation liability	118	117
Other	23	24
Total	$ 848	$ 925
Other current liabilities:		
Interest payable	$ 118	$ 131
Accrued Conrail-related costs (Note 2)	35	47
Liabilities for forwarded traffic	35	40
Retiree health and death benefit obligation (Note 11)	24	24
Derivative instruments	17	-
Other	19	17
Total	$ 248	$ 259

8. LONG-TERM DEBT

($ in millions)	December 31, 2001	December 31, 2000
Notes at average rates and maturities as follows:		
6.69%, maturing 2002 to 2006	$ 1,500	$ 1,450
7.20%, maturing 2007 to 2011	1,750	1,450
8.10%, maturing 2017 to 2021	800	800
7.54%, maturing 2027 to 2031	1,500	800
7.05%, maturing 2037	750	750
7.90%, maturing 2097	350	350
Commercial paper	-	1,132
Equipment obligations at an average rate of 5.9%, maturing to 2014	579	473
Capitalized leases at an average rate of 2.8%, maturing to 2015	316	343
Other debt at an average rate of 6.6%, maturing to 2019	119	119
Discounts and premiums, net	(32)	(31)
Total long-term debt	$ 7,632	$ 7,636
Current maturities	(605)	(297)
Long-term debt less current maturities	$ 7,027	$ 7,339

Long-term debt maturities subsequent to 2002 are as follows:	
2003	$ 357
2004	348
2005	401
2006	305
2007 and subsequent years	5,616
Total	$ 7,027

Each holder of a 2037 note may require NS to redeem all or part of the note at face value, plus accrued and unpaid interest, on May 1, 2004.

The railroad equipment obligations and the capitalized leases are secured by liens on the underlying equipment.

Certain lease obligations require the maintenance of yen-denominated deposits, which are pledged to the lessor to satisfy yen-denominated lease payments. These deposits are included in "Other assets" on the balance sheet and totaled $78 million at Dec. 31, 2001, and $90 million at Dec. 31, 2000.

Shelf Registration

NS filed on Form S-3 a shelf registration statement with the Securities and Exchange Commission covering the issuance of up to $1 billion of securities. As of Dec. 31, 2001, NS had issued $250 million of debt under this shelf registration.

Commercial Paper and Credit Agreement

NS has the ability to issue commercial paper backed by a $1 billion credit agreement that expires in 2006. At Dec. 31, 2001, NS had no commercial paper outstanding. At Dec. 31, 2000, $1,132 million of commercial paper was outstanding and was classified as long-term because NS had the ability, through a previous credit agreement, to convert this obligation into longer-term debt. Any borrowings under the credit agreement are contingent on the continuing effectiveness of the representations and warranties made at the inception of the agreement.

Debt Covenants

NS is subject to various financial covenants with respect to its debt and under its credit agreement, including a minimum net worth requirement, a maximum leverage ratio restriction and certain restrictions on issuance of further debt. At Dec. 31, 2001, NS was in compliance with all debt covenants.

9. LEASE COMMITMENTS

NS is committed under long-term lease agreements, which expire on various dates through 2067, for equipment, lines of road and other property. The following amounts do not include payments to PRR under the Operating Agreement and lease agreements or to CRC under the SAA agreements (see Note 2). Future minimum lease payments and operating lease expense, other than to PRR and CRC, are as follows:

($ in millions)	Operating Leases	Capital Leases
2002	$ 113	$ 47
2003	97	49
2004	75	48

2005	65	51
2006	52	57
2007 and subsequent years	488	123
Total	$ 890	$ 375
Less imputed interest on capital leases at an average rate of 7.1%		59
Present value of minimum lease payments included in debt		$ 316

Operating Lease Expense

($ in millions)	2001	2000	1999
Minimum rents	$ 149	$ 167	$ 118
Contingent rents	55	61	61
Total	$ 204	$ 228	$ 179

During 2000, NS entered into an operating lease for 140 locomotives, which is renewable annually at NS' option, has a maximum term of eight years and includes purchase options. Because the fixed, noncancellable term of the lease is one year, future minimum lease payments in the table above do not include amounts related to this lease. However, operating lease expense for 2001 in the table above does include $18 million related to this lease. If NS does not purchase the locomotives at the end of the maximum lease term, it is liable for any shortfall in the then fair value of the locomotives and a specified residual value. NS does not expect to be required to make any payments under this provision.

10. OTHER LIABILITIES

	December 31,	
($ in millions)	2001	2000
Retiree health and death benefit obligation (Note 11)	$ 291	$ 291
Casualty and other claims	265	262
Deferred compensation	147	148
Net pension obligations (Note 11)	79	83
Accrued Conrail-related costs (Note 2)	46	72
Other	261	275
Total	$ 1,089	$ 1,131

11. PENSIONS AND OTHER POSTRETIREMENT BENEFITS

Norfolk Southern and certain subsidiaries have both funded and unfunded defined benefit pension plans covering principally salaried employees. Norfolk Southern and certain subsidiaries also provide specified health care and death benefits to eligible retired employees and their dependents. Under the present plans, which may be amended or terminated at NS' option, a defined percentage of health care expenses is covered, reduced by any deductibles, copayments, Medicare payments and, in some cases, coverage provided under other group insurance policies.

Early Retirement Programs in 2000

During 2000, NS offered two voluntary early retirement programs to its salaried employees. The principal incentives offered in these programs were enhanced pension benefits, the cost for most of which will be paid from NS' overfunded pension plan. A February program was accepted by 919 of 1,180 eligible employees, and a December program was accepted by 370 of 846 eligible employees. The total cost of these programs, which is included in "Compensation and benefits," was $133 million. The resulting noncash reduction to NS' pension plan asset is included in "Other - net" in the Consolidated Statement of Cash Flows.

	Pension Benefits		Other Benefits	
($ in millions)	2001	2000	2001	2000
CHANGE IN BENEFIT OBLIGATIONS				
Benefit obligation at beginning of year	$ 1,312	$ 1,058	$ 445	$ 340
Cost of early retirement benefits	-	119	-	14
Service cost	15	18	14	15
Interest cost	94	79	33	27
Amendment	6	21	-	-
Legislative changes	(19)	-	-	-
Actuarial (gains) losses	36	120	21	79
Benefits paid	(120)	(103)	(34)	(30)
Benefit obligation at end of year	1,324	1,312	479	445
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	1,999	2,072	126	152
Actual return on plan assets	(74)	30	(8)	(5)
Employer contribution	7	8	34	9
401(h) account transfer	(14)	(8)	-	-
Benefits paid	(120)	(103)	(34)	(30)
Fair value of plan assets at end of year	1,798	1,999	118	126
Funded status	474	687	(361)	(319)
Unrecognized initial net asset	-	(3)	-	-
Unrecognized (gain) loss	(142)	(478)	46	4
Unrecognized prior service cost (benefit)	30	47	-	-
Net amount recognized	$ 362	$ 253	$ (315)	$ (315)
Amounts recognized in the Consolidated Balance Sheets consist of:				
Prepaid benefit cost	$ 426	$ 315	$ -	$ -
Accrued benefit liability	(79)	(83)	(315)	(315)
Accumulated other comprehensive income	15	21	-	-

Net amount recognized	$ 362	$ 253	$ (315)	$ (315)

Of the pension plans included above, the unfunded pension plans were the only plans with an accumulated benefit obligation in excess of plan assets. These plans' accumulated benefit obligations were $79 million at Dec. 31, 2001, and $83 million at Dec. 31, 2000. These plans' projected benefit obligations were $89 million at Dec. 31, 2001 and 2000. Because of the nature of such plans, there are no plan assets.

NS received Section 401(h) account transfers, from pension assets, of $14 million in 2001 and $8 million in 2000 as reimbursement for medical payments for retirees.

Legislative changes primarily resulting from the December 2001 amendment to the Railroad Retirement Act ("The Act") increased benefits payable to certain retirees covered by The Act. Since employees' pension benefits paid by NS are offset by a portion of benefits paid under The Act, the amendment served to reduce NS' obligation by approximately $19 million at Dec. 31, 2001.

During 2001, NS amended its qualified and nonqualified pension plans to enhance benefits to certain NS employees. The amendments increased the pension benefit obligation by $6 million at Dec. 31, 2001.

During 2000, NS amended its qualified pension plan to allow for the payment of qualifying disability benefits. The amendment increased the pension benefit obligation by $21 million at Dec. 31, 2000.

Pension and other postretirement benefit costs are determined based on actuarial valuations that reflect appropriate assumptions as of the measurement date, ordinarily the beginning of each year. The funded status of the plans is determined using appropriate assumptions as of each year end. During 1999, NS received assets from the Conrail pension plan and assumed certain related liabilities. As a result, the measurement dates for determining pension costs were Jan. 1, 1999, and Aug. 31, 1999; the costs reflect discount rates of 6.75% and 7.75%, respectively, and other assumptions appropriate at those dates. A summary of the major assumptions follows:

	2001	2000	1999
Funded status:			
Discount rate	7.25%	7.50%	7.75%
Future salary increases	5%	5%	5%
Pension cost:			
Discount rate	7.50%	7.75%	6.75%
Return on assets in plans	10%	10%	10%
Future salary increases	5%	5%	5%

Pension and Other Postretirement Benefit Costs Components

($ in millions)	2001	2000	1999
PENSION BENEFITS			

Service cost	$ 15	$ 18	$ 17
Interest cost	94	79	73
Cost of early retirement programs	-	119	-
Expected return on plan assets	(202)	(192)	(152)
Amortization of prior service cost	4	4	4
Amortization of initial net asset	(3)	(7)	(7)
Recognized net actuarial (gain) loss	(24)	(38)	(22)
Net cost (benefit)	$ (116)	$ (17)	$ (87)
OTHER POSTRETIREMENT BENEFITS			
Service cost	$ 14	$ 15	$ 11
Interest cost	33	27	23
Cost of early retirement programs	-	14	-
Expected return on plan assets	(13)	(14)	(12)
Amortization of prior service cost	-	-	(12)
Recognized net actuarial (gain) loss	-	(4)	(2)
Net cost	$ 34	$ 38	$ 8

For measurement purposes, increases in the per capita cost of covered health care benefits were assumed to be 7.0% for 2002 and 6.0% for 2003. It is assumed the rate will decrease gradually to an ultimate rate of 5.0% for 2004 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported in the financial statements. To illustrate, a one-percentage-point change in the assumed health care cost trend would have the following effects:

	One percentage point	
($ in millions)	Increase	Decrease
Increase (decrease) in:		
Total service and interest cost components	$ 5	$ (4)
Postretirement benefit obligation	$ 42	$ (36)

Under collective bargaining agreements, NS and certain subsidiaries participate in a multi-employer benefit plan, which provides certain postretirement health care and life insurance benefits to eligible union employees. Premiums under this plan are expensed as incurred and amounted to $10 million in 2001, $7 million in 2000 and $5 million in 1999.

401(k) Plans

Norfolk Southern and certain subsidiaries provide 401(k) savings plans for employees. Under the plans, NS matches a portion of employee contributions, subject to applicable limitations. Since 1999, NS has issued shares of Common Stock to fund its contributions. NS' expenses under these plans were $11 million in 2001 and $12 million in both 2000 and 1999.

In November 1999, NS issued and contributed to eligible participants' accounts approximately 2 million shares of Norfolk Southern Common Stock in connection with a temporary special work incentive program available to its unionized employees during much of the third quarter of 1999. The cost of the program, which was charged to compensation and benefits expenses, was $49 million.

12. STOCK-BASED COMPENSATION

Under the stockholder-approved Long-Term Incentive Plan (LTIP), a committee of nonemployee directors of the Board may grant stock options, stock appreciation rights (SARs), restricted stock and performance share units (PSUs), up to a maximum 88,025,000 shares of Norfolk Southern Common Stock (Common Stock). Under the Board-approved Thoroughbred Stock Option Plan (TSOP), the committee may grant stock options up to a maximum of 6,000,000 shares of Common Stock. Options may be granted for a term not to exceed 10 years, but may not be exercised prior to the first anniversary of the date of grant. Options are exercisable at the fair market value of Common Stock on the date of grant.

The LTIP also permits the payment -- on a current or a deferred basis and in cash or in stock -- of dividend equivalents on shares of Common Stock covered by options or PSUs in an amount commensurate with dividends paid on Common Stock. Tax absorption payments also are authorized in amounts estimated to equal the federal and state income taxes applicable to shares of Common Stock issued subject to a share retention agreement.

Accounting Method

NS applies APB Opinion 25 and related interpretations in accounting for awards made under the plans. Accordingly, grants of PSUs, restricted stock, dividend equivalents, tax absorption payments and SARs result in charges to net income, while grants of stock options have no effect on net income. Related compensation costs were $20 million in 2001, $5 million in 2000 and $2 million in 1999. NS recognized additional paid-in capital of $1 million in 2001, none in 2000 and $4 million in 1999 related to the tax benefit generated by stock option exercises.

Had such compensation costs been determined in accordance with SFAS 123, net income would have been $358 million in 2001, $149 million in 2000 and $210 million in 1999; and basic and diluted earnings per share would have been $0.93 in 2001, $0.39 in 2000 and $0.55 in 1999. These pro forma amounts include compensation costs as calculated using the Black-Scholes option-pricing model, with average expected option lives of five years for 2001 and 2000 grants and four years for 1999 grants; average risk-free interest rates of 5.1% in 2001, 6.8% in 2000 and 5.2% in 1999; average stock-price volatilities of 39% in 2001, 33% in 2000 and 21% in 1999; and dividend yields of 2% in 2001 and 3% in 2000 and 1999. These assumptions produce per-share grant-date fair values of $5.48 in 2001, $5.22 in 2000 and $5.12 in 1999.

Stock Option Activity

	Option Shares	Weighted Average Exercise Price
Balance 12/31/98	13,059,048	$ 25.48
Granted	9,150,400	30.09
Exercised	(859,085)	17.10
Canceled	(234,000)	29.84
Balance 12/31/99	21,116,363	27.77
Granted	7,705,800	16.94
Exercised	(273,813)	13.95
Canceled	(427,400)	26.84

Balance 12/31/00	28,120,950	24.96
Granted	6,985,000	15.48
Exercised	(1,079,902)	16.58
Canceled	(612,525)	26.51
Balance 12/31/01	33,413,523	$ 23.21

Of the total options outstanding at Dec. 31, 2001, 26 million were vested and have a weighted-average exercise price of $25.25.

Stock Options Outstanding

Exercise Price Range	Exercise Price Weighted Average	Number Outstanding at 12/31/01	Weighted Average Remaining Contractual Life
$15.48 to $16.94	$16.22	14,143,232	8.6 years
18.81 to 21.08	20.56	2,691,350	1.8 years
24.31 to 27.69	26.83	7,821,600	5.7 years
29.46 to 33.25	32.10	8,757,341	6.3 years
$15.48 to $33.25	$23.21	33,413,523	6.8 years

Performance Share Units

PSUs provide for awards based on achievement of certain predetermined corporate performance goals at the end of a three-year cycle. PSU grants and average grant-date fair market values were 817,500 and $15.48 in 2001; 937,500 and $16.94 in 2000; and 850,000 and $27.72 in 1999, respectively. PSUs may be paid in the form of shares of Common Stock, cash or any combination thereof. Shares earned and issued may be subject to share retention agreements and held by NS for up to five years.

Shares Available and Issued

Shares of stock available for future grants and issued in connection with all features of the LTIP and TSOP are as follows:

	2001	2000	1999
Available for future grants 12/31:			
LTIP	30,816,365	2,554,584	10,512,997
TSOP	2,535,000	2,488,700	2,349,600
Shares of Common Stock issued:			
LTIP	1,146,346	395,626	1,086,288
TSOP	-	-	-

13. STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

"Accumulated other comprehensive loss" reported in the Consolidated Statements of Changes in Stockholders' Equity consisted of the following:

($ in millions)	Balance at Beginning of Year	Net Gain (Loss)	Reclassification Adjustments	Balance at End of Year
December 31, 2001				
Unrealized gains on securities	$ 7	$ (1)	$ -	$ 6
Cash flow hedges	-	(16)	5	(11)
Minimum pension liability	(13)	(37)	-	(50)
Accumulated other comprehensive loss	$ (6)	$ (54)	$ 5	$ (55)
December 31, 2000				
Unrealized gains on securities	$ 2	$ 5	$ -	$ 7
Minimum pension liability	(13)	-	-	(13)
Accumulated other comprehensive loss	$ (11)	$ 5	$ -	$ (6)

"Other comprehensive income (loss)" reported in the Consolidated Statements of Changes in Stockholders' Equity consisted of the following:

($ in millions)	Pretax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Year ended 12/31/01			
Net gain (loss) arising during the year:			
Cash flow hedges	$ (27)	$ 11	$ (16)
Less reclassification adjustments	8	(3)	5
Subtotal	(19)	8	(11)
Unrealized gains (losses) on securities	(1)	-	(1)
Minimum pension liability	(35)	(2)	(37)
Other comprehensive income (loss)	$ (55)	$ 6	$ (49)

Year ended 12/31/00

Net gain (loss) arising during the year:			
Unrealized gains (losses) on securities	$ 7	$ (2)	$ 5
Other comprehensive income (loss)	$ 7	$ (2)	$ 5
Year ended 12/31/99			
Net gain (loss) arising during the year:			
Unrealized gains (losses) on securities	$ (6)	$ 1	$ (5)
Minimum pension liability	2	-	2
Other comprehensive income (loss)	$ (4)	$ 1	$ (3)

In 2001, Conrail recorded a $70 million loss in other comprehensive income related to an increase in its minimum pension liability. NS' "Other comprehensive loss" for 2001 and its "Accumulated other comprehensive loss" at Dec. 31, 2001, include $41 million arising from this Conrail adjustment.

Undistributed Earnings of Equity Investees

"Retained income" includes undistributed earnings of equity investees, principally attributable to NS' equity in the earnings of Conrail, of $355 million at Dec. 31, 2001; $351 million at Dec. 31, 2000; and $330 million at Dec. 31, 1999.

14. EARNINGS PER SHARE

The following table sets forth the calculation of basic and diluted earnings per share:

($ in millions except per share, shares in millions)	2001	2000	1999
Basic earnings per share:			
Income available to common stockholders for basic and diluted computations	$ 375	$ 172	$ 239
Weighted-average shares outstanding	385	383	381
Basic earnings per share	$ 0.97	$ 0.45	$ 0.63
Diluted earnings per share:			
Weighted-average shares outstanding per above	385	383	381
Dilutive effect of outstanding options, PSUs and SARs (as determined by the application of the treasury stock method)	1	-	1
Adjusted weighted-average shares outstanding	386	383	382
Diluted earnings per share	$ 0.97	$ 0.45	$ 0.63

These calculations exclude options the exercise price of which exceeded the average market price of Common Stock as follows: in 2001, 20 million in the fourth quarter, 19 million in each of the third and second quarters, and 28 million in the first quarter; in 2000, 28 million in the fourth, third and first quarters, and 20 million in the second quarter; and in 1999, 17 million in the fourth quarter, 9 million in the third quarter, 7 million in the second quarter and 5 million in the first quarter.

There are no adjustments to "Net income" or "Income from continuing operations" for the diluted earnings per share computations.

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of "Cash and cash equivalents," "Short-term investments," "Accounts receivable" and "Accounts payable" approximate carrying values because of the short maturity of these financial instruments. The fair value of corporate-owned life insurance approximates carrying value. The carrying amounts and estimated fair values for the remaining financial instruments, excluding derivatives (see Note 16) and investments accounted for under the equity method in accordance with APB Opinion No. 18, consisted of the following at Dec. 31:

	2001		2000	
($ in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investments	$ 44	$ 51	$ 49	$ 56
Notes receivable	93	98	93	93
Long-term debt	(7,632)	(8,067)	(7,636)	(7,809)

Quoted market prices were used to determine the fair value of marketable securities; underlying net assets were used to estimate the fair value of other investments. The fair values of notes receivable are based on future discounted cash flows. The fair values of debt were estimated based on quoted market prices or discounted cash flows using current interest rates for debt with similar terms, company rating and remaining maturity.

Carrying amounts of marketable securities reflect unrealized holding gains of $10 million on Dec. 31, 2001, and $11 million on Dec. 31, 2000. Sales of "available-for-sale" securities were immaterial for years ended Dec. 31, 2001 and 2000.

16. DERIVATIVE FINANCIAL INSTRUMENTS

On Jan. 1, 2001, NS adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), as amended by Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (SFAS 138). The Statements establish accounting and reporting standards for derivative instruments and hedging activities, requiring that all derivatives be recognized in the financial statements as either assets or liabilities and that they be measured at fair value. Changes in fair value are recorded as adjustments to the assets or liabilities being hedged in "Other comprehensive income," or in current earnings, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction represented and the effectiveness of the hedge. The adoption of SFAS 133 and SFAS 138 resulted in the recognition of a $5 million asset and a $5 million increase in long-term debt as of Jan. 1, 2001.

NS uses derivative financial instruments to reduce the risk of volatility in its diesel fuel costs and to manage its overall exposure to fluctuations in interest rates. NS does not engage in the trading of derivatives. Management has determined that its derivative financial instruments qualify as either fair-value or cash-flow hedges, having values that highly correlate with the underlying hedged exposures, and has designated such instruments as hedging transactions. Credit risk related to the derivative financial instruments is considered to be minimal and is managed by requiring high credit standards for counterparties and periodic settlements.

Diesel Fuel Hedging

In the second quarter of 2001, NS began a program to hedge a portion of its diesel fuel consumption. The intent of the program is to assist in the management of NS' aggregate risk exposure to fuel price fluctuations, which can significantly affect NS' operating margins and profitability. In order to minimize this risk, NS instituted a continuous hedging strategy for a portion of its estimated future fuel needs by entering into a series of forward purchases and swaps in order to lock in the purchase prices of some of its diesel fuel. Hedges are placed each month by competitive bid among selected counterparties. The goal of this hedging strategy is to average fuel costs over an extended period of time while minimizing the incremental cost of hedging.

The program provides that NS will not enter into any fuel hedges with a duration of more than 36 months, and that no more than 80 percent of NS' average monthly fuel consumption will be hedged for each month within any 36-month period. Diesel fuel costs represented 8%, 9% and 6% of NS' operating expenses for the years ended Dec. 31, 2001, 2000 and 1999, respectively.

NS entered into two types of diesel fuel derivative transactions in 2001. Management has designated these derivative instruments as cash-flow hedges of the exposure to variability in expected future cash flows attributable to fluctuations in diesel fuel prices. In 2001, NS purchased eight monthly call options at a strike price of 84 cents per gallon of Nymex No. 2 heating oil. The cost of the monthly options, which expired serially through Dec. 31, 2001, was amortized as a component of diesel fuel expense. Because the price of diesel fuel did not reach the strike price at any time during the period the options were outstanding, NS did not record any benefit related to these transactions. During 2001, NS entered into 222 fuel swaps for approximately 370 million gallons at an average price of approximately 68 cents per gallon of Nymex No. 2 heating oil. As of Dec. 31, 2001, outstanding swaps covered approximately 32 percent and 21 percent of estimated fuel purchases for the years 2002 and 2003, respectively.

NS' fuel hedging activity resulted in a net increase in 2001 diesel fuel expense of $8 million. Ineffectiveness related to the use of diesel fuel hedges in 2001 was less than $1 million.

Interest Rate Hedging

NS manages its overall exposure to fluctuations in interest rates by issuing both fixed and floating-rate debt instruments, and by entering into interest rate hedging transactions. NS had $251 million, or 3.5%, and $280 million, or 4.3%, of its fixed rate debt portfolio hedged at Dec. 31, 2001 and Dec. 31, 2000, respectively, using interest rate swaps that qualify for and are designated as fair-value hedge transactions. These swaps have been effective in hedging the changes in fair value of the related debt arising from changes in interest rates and, accordingly, there has been no impact on earnings resulting from ineffectiveness associated with these derivative transactions.

Fair Values

The fair values of NS' diesel fuel derivative instruments at Dec. 31, 2001, were determined based upon current fair market values as quoted by third party dealers. Fair values of interest rate swaps were determined based upon the present value of expected future cash flows discounted at the appropriate implied spot rate from the spot rate yield curve. Fair value adjustments are noncash transactions and, accordingly, are excluded from the Consolidated Statement of Cash Flows. At Dec. 31, 2001, "Accumulated other comprehensive loss," a component of "Stockholders' equity," includes $15 million (pretax) relating to the decrease in the fair value of the derivative fuel hedging transactions that will terminate within the next 12 months.

The asset and liability positions of NS' outstanding derivative financial instruments were as follows:

($ in millions)	December 31, 2001	2000
Interest rate hedges:		
Gross fair market asset position	$ 12	$ 5
Gross fair market (liability) position	-	-
Fuel hedges:		
Gross fair market asset position	-	-
Gross fair market (liability) position	(19)	-
Total net asset (liability) position	$ (7)	$ 5

17. DISCONTINUED OPERATIONS - MOTOR CARRIER

On March 28, 1998, NS sold all the common stock of North American Van Lines, Inc. (NAVL), its motor carrier subsidiary. Results in 2001 include an additional after-tax gain of $13 million, or 3 cents per share, that resulted from the expiration of certain indemnities contained in the sales agreement.

18. COMMITMENTS AND CONTINGENCIES

Lawsuits

Norfolk Southern and certain subsidiaries are defendants in numerous lawsuits and other claims relating principally to railroad operations. When management concludes that it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, it is accrued through a charge to expenses. An accrual is not made when management's best estimate, based on known facts and circumstances, is that it is unlikely that a loss has been incurred.

Presently, there are two cases involving labor issues and contractual obligations of a fiber optic codeveloper where the aggregated range of loss could be from nothing to $75 million. Management believes that NS will prevail in these cases. The ability to collect a judgment against the codeveloper, Williams Communications, LLC, may be limited due to its declining financial condition; however, the shortfall, if any, cannot now be determined. Unfavorable outcomes on these cases could result in accruals that could be significant to results of operations in a particular year or quarter.

Casualty Claims

NS is generally self-insured for casualty claims. Claims in excess of self-insurance levels are insured up to excess coverage limits. The casualty claims liability is determined actuarially, based upon claims filed and an estimate of claims incurred but not yet reported. While the ultimate amount of claims incurred is dependent on future developments, in management's opinion, the recorded liability is adequate to cover the future payments of claims. However, it is possible that the recorded liability may not be adequate to cover the future payment of claims. Adjustments to the recorded liability will be reflected in operating expenses in the periods in which such adjustments are known.

Environmental Matters

NS is subject to various jurisdictions' environmental laws and regulations. It is NS' policy to record a liability where such liability or loss is probable and its amount can be estimated reasonably. Claims, if any, against third parties for recovery of cleanup costs incurred by NS are reflected as receivables in the balance sheet and are not netted against the associated NS liability. Environmental engineers regularly participate in ongoing evaluations of all identified sites and in determining any necessary adjustments to initial liability estimates. NS also has established an Environmental Policy Council, composed of senior managers, to oversee and interpret its environmental policy.

NS' balance sheets included liabilities for environmental exposures in the amount of $33 million at Dec. 31, 2001, and $36 million at Dec. 31, 2000 (of which $8 million was accounted for as a current liability in each year). At Dec. 31, 2001, the liability represented NS' estimate of the probable cleanup and remediation costs based on available information at 126 identified locations. On that date, 10 sites accounted for $17 million of the liability, and no individual site was considered to be material. NS anticipates that much of this liability will be paid out over five years; however, some costs will be paid out over a longer period.

At some of the 126 locations, certain NS subsidiaries, usually in conjunction with a number of other parties, have been identified as potentially responsible parties by the Environmental Protection Agency (EPA) or similar state authorities under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or comparable state statutes, which often impose joint and several liability for cleanup costs.

With respect to known environmental sites (whether identified by NS or by the EPA or comparable state authorities), estimates of NS' ultimate potential financial exposure for a given site or in the aggregate for all such sites are necessarily imprecise because of the widely varying costs of currently available cleanup techniques, the likely development of new cleanup technologies, the difficulty of determining in advance the nature and full extent of contamination and each potential participant's share of any estimated loss (and that participant's ability to bear it), and evolving statutory and regulatory standards governing liability.

The risk of incurring environmental liability - for acts and omissions, past, present and future - is inherent in the railroad business. Some of the commodities in NS' traffic mix, particularly those classified as hazardous materials, can pose special risks that NS and its subsidiaries work diligently to minimize. In addition, several NS subsidiaries own, or have owned, land used as operating property, or which is leased or may have been leased and operated by others, or held for sale. Because environmental problems may exist on these properties that are latent or undisclosed, there can be no assurance that NS will not incur environmentally related liabilities or costs with respect to one or more of them, the amount and materiality of which cannot be estimated reliably at this time. Moreover, lawsuits and claims involving these and other now-unidentified environmental sites and matters are likely to arise from time to time. The resulting liabilities could have a significant effect on financial condition, results of operations or liquidity in a particular year or quarter.

However, based on its assessment of the facts and circumstances now known, management believes that it has recorded the probable costs for dealing with those environmental matters of which the Corporation is aware. Further, management believes that it is unlikely that any identified matters, either individually or in the aggregate, will have a material adverse effect on NS' financial position, results of operations or liquidity.

Purchase Commitments

NSR had outstanding purchase commitments of approximately $150 million in connection with its 2002 capital program. NS has forward fuel purchase commitments in the first quarter of 2002 covering 38 million gallons of fuel at an average cost of 62 cents per gallon, which includes federal taxes.

Change-In-Control Arrangements

Norfolk Southern has compensation agreements with officers and certain key employees that become operative only upon a change in control of the Corporation, as defined in those agreements. The agreements provide generally for payments based on compensation at the time of a covered individual's involuntary or other specified termination and for certain other benefits.

Debt Guarantees

As of Dec. 31, 2001, certain Norfolk Southern subsidiaries are contingently liable as guarantors with respect to $8 million of indebtedness of related entities.

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
Norfolk Southern Corporation:

We have audited the consolidated financial statements of Norfolk Southern Corporation and subsidiaries as listed in the index in Item 8. In connection with our audits of the consolidated financial statements, we have also audited the consolidated financial statement schedule listed in Item 14(a)2. These consolidated financial statements and this consolidated financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and this consolidated financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Norfolk Southern Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP
Norfolk, Virginia
January 21, 2002

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

Item 10. Directors and Executive Officers of the Registrant.

Item 11. Executive Compensation.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

and

Item 13. Certain Relationships and Related Transactions.

In accordance with General Instruction G(3), the information called for by Part III is incorporated herein by reference from Norfolk Southern's definitive Proxy Statement, for the Norfolk Southern Annual Meeting of Stockholders to be held on May 9, 2002, which definitive Proxy Statement will be filed electronically with the Commission pursuant to Regulation 14A. The information regarding executive officers called for by Item 401 of Regulation S-K is included in Part I hereof beginning on Page 19 under "Executive Officers of the Registrant."

PART IV

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

Item 14. Exhibits, Financial Statement Schedule and Reports on Form 8-K.

(A) The following documents are filed as part of this report:

1. Index to Consolidated Financial Statements:

2. Financial Statement Schedule:

The following consolidated financial statement schedule should be read in connection with the consolidated financial statements:

Schedules other than the one listed above are omitted either because they are not required or are inapplicable, or because the information is included in the consolidated financial statements or related notes.

Item 14. Exhibits, Financial Statement Schedule and Reports on Form 8-K. (continued)

3. Exhibits

Exhibit Number	Description
3	Articles of Incorporation and Bylaws -
3(i)	The Restated Articles of Incorporation of Norfolk Southern Corporation are incorporated by reference to Exhibit 3(i) to Norfolk Southern Corporation's 10-K filed on March 5, 2001.
3(ii)	The Bylaws of Norfolk Southern Corporation, as amended January 22, 2002, are filed herewith.
4	Instruments Defining the Rights of Security Holders, Including Indentures -

(a) Indenture, dated as of January 15, 1991, from Norfolk Southern Corporation to First Trust of New York, National Association, as Trustee, related to the issuance of notes in the principal amount of $750 million, incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Registration Statement on Form S-3 (No. 33-38595).

(b) First Supplemental Indenture, dated May 19, 1997, between Norfolk Southern Corporation and First Trust of New York, National Association, as Trustee, related to the issuance of notes in the principal amount of $4.3 billion, is incorporated herein by reference to Exhibit 1.1(d) to Norfolk Southern Corporation's Form 8-K filed on May 21, 1997.

(c) Second Supplemental Indenture, dated April 26, 1999, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of $400 million, is incorporated herein by reference to Exhibit 1.1(c) to Norfolk Southern Corporation's Form 8-K filed on April 30, 1999.

(d) Third Supplemental Indenture, dated May 23, 2000, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of $600 million, is incorporated herein by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on May 25, 2000.

(e) Fourth Supplemental Indenture, dated as of February 6, 2001, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of $1 billion, is incorporated herein by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on February 7, 2001.

(f) Fifth Supplemental Indenture, dated as of July 5, 2001, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of $250 million, is incorporated herein by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on July 5, 2001.

(g) Rights Agreement, dated as of September 26, 2000, between Norfolk Southern Corporation and The Bank of New York, with exhibits thereto, is incorporated herein by reference to Exhibit 4 to Norfolk Southern Corporation's Form 8-K filed on September 26, 2000.

3. Exhibits (continued)

Exhibit Number	Description
	In accordance with Item 601(b)(4)(iii) of Regulation S-K, copies of other instruments of Norfolk Southern Corporation and its subsidiaries with respect to the rights of holders of long-term debt are not filed herewith, or incorporated by reference, but will be furnished to the Commission upon request.
10	Material Contracts -

(a) The Transaction Agreement, dated as of June 10, 1997, by and among CSX, CSX Transportation, Inc., Registrant, Norfolk Southern Railway Company, Conrail Inc., Consolidated Rail Corporation and CRR Holdings LLC, with certain schedules thereto, is incorporated herein by reference from Exhibit 10 to Norfolk Southern Corporation's Form 8-K filed on June 30, 1997.

(b) Amendment No. 1, dated as of August 22, 1998, to the Transaction Agreement, dated as of June 10, 1997, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail Inc., Consolidated Rail Corporation and CRR Holdings LLC is incorporated herein by reference from Exhibit 10.1 to Norfolk Southern Corporation's Form 10-Q filed on August 11, 1999.

(c) Amendment No. 2, dated as of June 1, 1999, to the Transaction Agreement, dated June 10, 1997, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail Inc., Consolidated Rail Corporation and CRR Holdings LLC is incorporated herein by reference from Exhibit 10.2 to Norfolk Southern Corporation's Form 10-Q filed on August 11, 1999.

(d) Operating Agreement, dated as of June 1, 1999, by and between Pennsylvania Lines LLC and Norfolk Southern Railway Company is incorporated herein by reference from Exhibit 10.3 to Norfolk Southern Corporation's Form 10-Q filed on August 11, 1999.

(e) Amendment No. 1, dated as of September 29, 2001, to Operating Agreement, dated as of June 1, 1999, by and between Pennsylvania Lines LLC and Norfolk Southern Railway Company, is filed herewith.

(f) Shared Assets Area Operating Agreement for North Jersey, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibit thereto, is incorporated herein by reference from Exhibit 10.4 to Norfolk Southern Corporation's Form 10-Q filed on August 11, 1999.

(g) Shared Assets Area Operating Agreement for South Jersey/Philadelphia, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibit thereto, is incorporated herein by reference from Exhibit 10.5 to Norfolk Southern Corporation's Form 10-Q filed on August 11, 1999.

(h) Shared Assets Area Operating Agreement for Detroit, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibit thereto, is incorporated herein by reference from Exhibit 10.6 to Norfolk Southern Corporation's Form 10-Q filed on August 11, 1999.

3. Exhibits (continued)

Exhibit Number Description

10 Material Contracts (continued) -

(i) Amendment No. 1, dated as of June 1, 2000, to the Shared Assets Areas Operating Agreement for North Jersey, South Jersey/Philadelphia and Detroit, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibit thereto, is incorporated herein by reference to Exhibit 10(h) to Norfolk Southern Corporation's 10-K filed on March 5, 2001.

(j) Amendment No. 2, dated as January 1, 2001, to the Shared Assets Area Operating Agreements for North Jersey, South Jersey/Philadelphia and Detroit, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibit thereto, is filed herewith.

(k) Monongahela Usage Agreement, dated as of June 1, 1999, by and among CSX Transportation, Inc., Norfolk Southern Railway Company, Pennsylvania Lines LLC and New York Central Lines LLC, with exhibit thereto, is incorporated herein by reference from Exhibit 10.7 to Norfolk Southern Corporation's Form 10-Q filed on August 11, 1999.

(l) The Agreement, entered into as of July 27, 1999, between North Carolina Railroad Company and Norfolk Southern Railway Company, is incorporated herein by reference from Exhibit 10(i) to Norfolk Southern Corporation's Form 10-K filed on March 6, 2000.

(m) The Supplementary Agreement, entered into as of January 1, 1987, between the Trustees of the Cincinnati Southern Railway and The Cincinnati, New Orleans and Texas Pacific Railway Company (the latter a wholly owned subsidiary of Norfolk Southern Railway Company) - extending and amending a Lease, dated as of October 11, 1881 - is incorporated by reference to Exhibit 10(k) to Norfolk Southern Corporation's Form 10-K filed on March 5, 2001.

(n) The Norfolk Southern Corporation Executive Management Incentive Plan, effective January 25, 2000, is incorporated by reference herein from Exhibit 10(l) to Norfolk Southern Corporation's Form 10-K filed on March 6, 2000.

(o) The Norfolk Southern Corporation Long-Term Incentive Plan, as amended effective January 23, 2001, is incorporated herein by reference to Exhibit 10(m) to Norfolk Southern Corporation's Form 10-K filed on March 5, 2001.

(p) The Norfolk Southern Corporation Officers' Deferred Compensation Plan, as amended effective September 26, 2000, is incorporated herein by reference to Exhibit 10(n) to Norfolk Southern Corporation's Form 10-K filed on March 5, 2001.

(q) The Norfolk Southern Corporation Executives' Deferred Compensation Plan, as amended effective January 20, 2001, is incorporated herein by reference to Exhibit 10(o) to Norfolk Southern Corporation's Form 10-K filed on March 5, 2001.

3. Exhibits (continued)

Exhibit Number	Description

10 Material Contracts (continued) -

(r) The Directors' Deferred Fee Plan of Norfolk Southern Corporation, as amended effective January 23, 2001, is incorporated herein by reference to Exhibit 10(p) to Norfolk Southern Corporation's Form 10-K filed on March 5, 2001.

(s) The Norfolk Southern Corporation Directors' Restricted Stock Plan, effective January 1, 1994, as restated November 24, 1998, is incorporated herein by reference from Exhibit 10(h) to Norfolk Southern Corporation's Form 10-K filed on March 24, 1999.

(t) Form of Severance Agreement, dated as of June 1, 1996, between Norfolk Southern Corporation and certain executive officers (including those defined as "named executive officers" and identified in the Corporation's Proxy Statement for the 1997 through 2001 Annual Meetings of Stockholders) is filed herewith.

(u) Norfolk Southern Corporation Supplemental (formerly, Excess) Benefit Plan, effective as of August 22, 1999, is incorporated herein by reference from Exhibit 10(r) to Norfolk Southern Corporation's Form 10-K filed on March 6, 2000.

(v) The Norfolk Southern Corporation Directors' Charitable Award Program, effective February 1, 1996, is filed herewith.

(w) The Norfolk Southern Corporation Outside Directors' Deferred Stock Unit Program, as amended on September 23, 1997, is incorporated herein by reference from Exhibit 10(m) to Norfolk Southern Corporation's Form 10-K filed on March 25, 1998.

(x) Agreement, dated as of October 1, 2001, providing enhanced pension benefits to three officers in exchange for their continued employment with Norfolk Southern Corporation for two years, is incorporated herein by reference to Exhibit 10(w) to Norfolk Southern Corporation's Form 10-Q filed on November 9, 2001. The agreement was entered into with L. Ike Prillaman, Vice Chairman and Chief Marketing Officer; Stephen C. Tobias, Vice Chairman and Chief Operating Officer; and Henry C. Wolf, Vice Chairman and Chief Financial Officer.

3. Exhibits (continued)

Exhibit Number	Description
12	Statement re: Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Registrant.
23	Consents of Experts and Counsel -
	(a) Consent of KPMG LLP.
	(b) Consent of KPMG LLP and Ernst & Young LLP.
99	Conrail Inc. 2001 Annual Report to Stockholders.

(B) Reports on Form 8-K.

None

(C) Exhibits.

The Exhibits required by Item 601 of Regulation S-K as listed in Item 14(a)3 are filed herewith or incorporated herein by reference.

(D) Financial Statement Schedules.

Financial statement schedules and separate financial statements specified by this Item are included in Item 14(a)2 or are otherwise not required or are not applicable.

POWER OF ATTORNEY

Each person whose signature appears below under "SIGNATURES" hereby authorizes Henry C. Wolf and Henry D. Light, or either of them, to execute in the name of each such person, and to file, any amendment to this report and hereby appoints Henry C. Wolf and Henry D. Light, or either of them, as attorneys-in-fact to sign on his or her behalf, individually and in each capacity stated below, and to file, any and all amendments to this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Norfolk Southern Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 21st day of February, 2002.

NORFOLK SOUTHERN CORPORATION

By /s/ David R. Goode

(David R. Goode, Chairman,
President and Chief
Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on this 21st day of February, 2002, by the following persons on behalf of Norfolk Southern Corporation and in the capacities indicated.

Signature	Title
/s/ David R. Goode (David R. Goode)	Chairman, President and Chief Executive Officer and Director (Principal Executive Officer)
/s/ Henry C. Wolf (Henry C. Wolf)	Vice Chairman and Chief Financial Officer (Principal Financial Officer)

Signature	Title
/s/ John P. Rathbone (John P. Rathbone)	Senior Vice President and Controller (Principal Accounting Officer)
/s/ Gerald L. Baliles	Director

(Gerald L. Baliles)

/s/ Carroll A. Campbell, Jr. ------------------------------ (Carroll A. Campbell, Jr.)	Director
/s/ Gene R. Carter ------------------------------ (Gene R. Carter)	Director
/s/ Alston D. Correll ------------------------------ (Alston D. Correll)	Director
/s/ Landon Hilliard ------------------------------ (Landon Hilliard)	Director
/s/ Steven F. Leer ------------------------------ (Steven F. Leer)	Director
/s/ Jane Margaret O'Brien ------------------------------ (Jane Margaret O'Brien)	Director
/s/ Harold W. Pote ------------------------------ (Harold W. Pote)	Director
/s/ J. Paul Reason ------------------------------ (J. Paul Reason)	Director

Norfolk Southern Corporation and Subsidiaries

Valuation and Qualifying Accounts
Years Ended December 31, 1999, 2000 and 2001
(In millions of dollars)

	Beginning Balance	Additions charged to: Expenses	Additions charged to: Other Accounts	Deductions	Ending Balance
Year ended December 31, 1999					
Valuation allowance (included net in deferred tax liability) for deferred tax assets	$ 3	$ 6	$ --	$ --	$ 9
Casualty and other claims included in other liabilities	$ 271	$ 114	$ 9 (1)	$ 119 (2)	$ 275
Current portion of casualty and other claims included in accounts payable	$ 144	$ 19	$ 191 (1)	$ 173 (3)	$ 181

	Beginning Balance	Expenses	Other Accounts	Deductions	Ending Balance
Year ended December 31, 2000					
Valuation allowance (included net in deferred tax liability) for deferred tax assets	$ 9	$ 3	$ --	$ --	$ 12
Casualty and other claims included in other liabilities	$ 275	$ 117	$ 8 (1)	$ 138 (2)	$ 262
Current portion of casualty and other claims included in accounts payable	$ 181	$ 19	$ 221 (1)	$ 198 (3)	$ 223

(1) Includes revenue refunds and overcharges provided through deductions from operating revenues and transfers from other accounts.

(2) Payments and reclassifications to/from accounts payable.

(3) Payments and reclassifications to/from other liabilities.

(continued)

Norfolk Southern Corporation and Subsidiaries

Valuation and Qualifying Accounts
Years Ended December 31, 1999, 2000 and 2001 (continued)
(In millions of dollars)

	Beginning Balance	Additions charged to: Expenses	Additions charged to: Other Accounts	Deductions	Ending Balance
Year ended December 31, 2001					
Valuation allowance (included net in deferred tax liability) for deferred tax assets	$ 12	$ 6	$ --	$ --	$ 18
Casualty and other claims included in other liabilities	$ 262	$ 110	$ 20 (1)	$ 127 (2)	$ 265
Current portion of casualty and other claims included in accounts payable	$ 223	$ 22	$ 142 (1)	$ 195 (3)	$ 192

(1) Includes revenue refunds and overcharges provided through deductions from operating revenues and transfers from other accounts.

(2) Payments and reclassifications to/from accounts payable.

(3) Payments and reclassifications to/from other liabilities.

EXHIBIT INDEX

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

Electronic Submission Exhibit Number	Description	Page

Exhibits 3(ii), 10(e), 10(j), 10(t) and 10(v) are not included in copies assembled for public dissemination. If you have a need for this type of information, we will be pleased to send it to you.

Write to:
Office of Corporate Secretary
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-9219

B Y L A W S

OF

NORFOLK SOUTHERN CORPORATION

AS AMENDED

January 22, 2002

BYLAWS

OF

NORFOLK SOUTHERN CORPORATION

ARTICLE I

Stockholders' Meetings

SECTION 1. Annual Meeting. The annual meeting of the stockholders of the corporation shall be held on such date in March, April, May or June as the board of directors may designate. If the date of the annual meeting shall be a legal holiday, the meeting shall be held on the next succeeding day not a legal holiday.

SECTION 2. Special Meetings. Special meetings of the stockholders shall be held whenever called by the chief executive officer or by a majority of the directors.

SECTION 3. Time and Place. All meetings of the stockholders shall be held at the time and place stated in the notice of meeting.

SECTION 4. Quorum. The holders of a majority of the outstanding shares of capital stock entitled to vote, represented in person or by proxy, shall constitute a quorum at any meeting of the stockholders. If less than a quorum is present at an annual or special meeting, then a majority in interest of the stockholders present in person or by proxy may from time to time adjourn the meeting to a fixed time and place, no further notice of any adjourned meeting being required. Each stockholder shall be entitled to one vote in person or by proxy for each share entitled to vote then outstanding in his name on the books of the corporation.

SECTION 5. Record Date. The board of directors may fix in advance a date as the record date for a determination of stockholders for any purpose, such date to be not more than seventy days before the meeting or action requiring a determination of stockholders.

SECTION 6. Conduct of Meetings. The chief executive officer, or any officer or director he may designate, shall preside over all meetings of the stockholders. The secretary of the corporation, or an assistant secretary, shall act as secretary of all the meetings, if present. If the secretary or an assistant secretary is not present, the chairman of the meeting shall appoint a secretary.

The board of directors, prior to the annual meeting of the stockholders each year, shall appoint one or more inspectors of election to act at such annual meeting and at all other meetings of stockholders held during the ensuing year. In the event of the failure of the board to make such appointment or if any inspector of election shall for any reason fail to attend and to act at such meeting, an inspector or inspectors of election, as the case may be, may be appointed by the chairman of the meeting. The inspectors of election shall determine the qualification of voters, the validity of proxies and the results of ballots.

SECTION 7. Proposals by Stockholders. No business may be transacted at an annual or special meeting of stockholders other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (b) otherwise properly brought before the meeting by or at the direction of the board of directors or (c) otherwise properly brought before the meeting by a stockholder (i) who is a stockholder on

the date of the giving of the notice provided for in this Section 7 and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who gives to the corporation notice in writing of the proposal, provided that such written notice is received at the principal executive office of the corporation, addressed to the Corporate Secretary, (A) in the case of an annual meeting, not less than ninety (90) nor more than one hundred sixty (160) calendar days prior to the anniversary date of the immediately preceding annual meeting and, (B) in the case of a special meeting, not later than the tenth calendar day next following the date on which notice of the holding of the special meeting is mailed to stockholders or public disclosure of the date of the special meeting was made, whichever first occurs. The written notice given to the corporation shall include (i) the specific language on which stockholders will be asked to vote, (ii) the name and address of such stockholder, (iii) the class or series and number of shares of the capital stock of the corporation which are owned beneficially and/or of record by such stockholder, (iv) a representation as to the existence and nature of any agreement or understanding between the proposing stockholder and any other person or persons (including their identities) in connection with bringing the proposal, and (v) a representation as to any material interest of the proposing stockholder (and the other person or persons) in the subject matter of the proposal. The requirements of this Section 7 are in addition to any other applicable requirements.

ARTICLE II

Board of Directors

SECTION 1. Election, Number and Term. The board of directors shall be chosen at the annual meeting of the stockholders. The number of directors shall be ten, and the directors shall be classified and shall hold office for terms as provided in the articles of incorporation. This number may be increased or decreased at any time by amendment of these bylaws, but shall always be a number of not less than three. Directors need not be stockholders. Directors shall hold office until their successors are elected.

SECTION 2. Quorum. A majority of the number of directors fixed by these bylaws shall constitute a quorum. If less than a quorum is present at a meeting, then a majority of those present may adjourn the meeting to a fixed time and place, no further notice of any adjourned meeting being required.

SECTION 3. Vacancies. Any vacancy arising among the directors, including a vacancy resulting from an increase by not more than thirty percent in the number of directors last elected by the stockholders, may be filled by a majority vote of the remaining directors though less than a quorum unless sooner filled by the stockholders.

SECTION 4. Meetings. Meetings of the board of directors shall be held at times fixed by resolution of the board or upon the call of the chief executive officer or of one-third of the members of the board. Notice of any meeting not held at a time fixed by a resolution of the board shall be given to each director at least two days before the meeting at his residence or business address or by delivering such notice to him or by telephoning or telegraphing it to

him at least one day before the meeting. Any such notice shall contain the time and place of the meeting. Meetings may be held without notice if all the directors are present or those not present waive notice before or after the meeting. The chief executive officer, or any director he may designate, shall preside over all meetings.

SECTION 5. Committees. The board of directors may by resolution designate an executive committee and one or more other committees, each of which shall consist of two or more directors. Any such committee, to the extent provided in the resolution of the board of directors and except as otherwise provided by law, shall have and may exercise the powers and authority of the board of directors in the management of the business and affairs of the corporation.

SECTION 6. Nominations of Directors. Except as otherwise provided in the Articles of Incorporation, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the board of directors may be made at any annual meeting of the stockholders (a) by or at the direction of the board of directors or (b) by any stockholder (i) who is a stockholder on the date of the giving of the notice provided for in this Section 6 and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who gives to the corporation notice in writing of the nomination, provided that such written notice is received at the principal executive office of the corporation, addressed to the Corporate Secretary, not less than ninety (90) nor more than one hundred sixty (160) calendar days prior to the anniversary date of the immediately preceding annual meeting. The written notice given to the

corporation shall include all the information about the nominee that would be required by applicable rules and regulations of the Securities and Exchange Commission to be included for nominees listed in the proxy statement for such meeting and shall include (i) the name and address of such stockholder and (ii) the class or series and number of shares of the capital stock of the corporation which are owned beneficially and/or of record by such stockholder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

ARTICLE III

Officers

SECTION 1. Election, Number and Term. The board of directors, promptly after its election in each year, may elect a chairman of the board and shall elect a president (one of whom shall be designated chief executive officer), a secretary and a treasurer, and may elect one or more vice chairmen and vice presidents and may appoint such other officers as it may deem proper. Any officer may hold more than one office except that the same person shall not be president and secretary. Each officer shall hold office until his successor is elected or until his death or until he resigns or is removed in the manner hereinafter provided.

SECTION 2. Removal. Any officer may be removed at any time by the vote of the board of directors and any officer or agent appointed otherwise than by the board of directors may be removed by any officer having authority to appoint that officer or agent.

SECTION 3. Vacancies. Vacancies among the officers elected by the board of directors shall be filled by the directors.

SECTION 4. The Chief Executive Officer. The chief executive officer, subject to the control of the board of directors, shall in general supervise and control all of the business and affairs of the corporation. All officers and agents, other than officers or agents elected or appointed by the board of directors, shall be appointed by the chief executive officer or by the heads of departments, subject to the approval of the chief executive officer. Unless otherwise specifically provided in these bylaws or by direction of the board of directors, the chief executive officer or, at his direction, any officer, employee or agent of the corporation designated by him, may sign and execute all representations, securities, conveyances of real and personal property, leases, licenses, releases, contracts and other obligations and instruments in the name of the corporation.

SECTION 5. The Vice Chairmen and Vice Presidents. The vice chairmen and the vice presidents shall perform such duties as from time to time may be assigned to them by the chief executive officer or by the board of directors. In the absence of the chief executive officer, or in the event of his death, inability or refusal to act, the officer designated by the chief executive officer or the board of directors shall perform the duties of the chief executive officer, and, when so acting, shall have all the powers of and be subject to all the restrictions upon the chief executive officer. Any vice chairman or vice president may sign, with the secretary or an assistant secretary, certificates for shares of the corporation.

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SECTION 6. The Secretary. The secretary shall:

(a) keep the minutes of the meetings of the stockholders and the board of directors in one or more books provided for that purpose;

(b) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law;

(c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized;

(d) keep a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholders;

(e) sign with the chairman of the board, a vice chairman, the president, or a vice president, certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the board of directors;

(f) have general charge of the stock transfer books of the corporation; and

(g) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the chief executive officer or by the board of directors.

SECTION 7. The Treasurer. If required by the board of directors, the treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the board of directors shall determine. He shall:

(a) have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositaries as shall be selected in accordance with the provisions of Article IV of these bylaws;

(b) when duly authorized, disperse all moneys belonging

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or coming to the corporation; and

(c) in general perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the chief executive officer or by the board of directors.

SECTION 8. Assistant Secretaries and Assistant Treasurers. The assistant secretaries, when authorized by the board of directors, may sign with the chairman of the board, a vice chairman, the president or a vice president certificates for shares of the corporation the issuance of which shall have been authorized by a resolution of the board of directors. The assistant treasurers shall respectively, if required by the board of directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the board of directors shall determine. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or the treasurer, respectively, or by the chief executive officer or the board of directors.

SECTION 9. Salaries. The salaries of the officers elected by the board of directors shall be fixed by the board of directors. The salaries of all other officers shall be fixed by the chief executive officer or by the heads of departments, subject to the approval of the chief executive officer.

ARTICLE IV

Checks and Deposits

SECTION 1. Checks and Drafts. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the board of directors.

SECTION 2. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as may be selected in a manner authorized by the board of directors.

ARTICLE V

Certificate of Stock

Each stockholder shall be entitled to a certificate or certificates of stock in such form as may be approved by the board of directors signed by the chairman of the board, a vice chairman, the president or a vice president and by the secretary or an assistant secretary or the treasurer or any assistant treasurer.

All transfers of stock of the corporation shall be made upon its books by surrender of the certificate for the shares transferred accompanied by an assignment in writing by the holder and may be accomplished either by the holder in person or by a duly authorized attorney in fact.

In case of the loss, mutilation or destruction of a certificate of stock, a duplicate certificate may be issued upon such terms not in conflict with law as the board of directors may prescribe.

The board of directors may also appoint one or more transfer agents and registrars and may require stock certificates to be countersigned by a transfer agent or registered by a registrar or may require stock certificates to be both countersigned by a transfer agent and registered by a registrar. If certificates of capital stock of the corporation are signed by a transfer agent or by a registrar (other than the corporation itself or one of its employees), the signature thereon of the officers of the corporation and the seal of the corporation thereon may be facsimiles, engraved or printed. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the corporation, whether because of death, resignation or otherwise, such certificate or certificates may nevertheless be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures shall have been used thereon had not ceased to be such officer or officers of the corporation.

ARTICLE VI

Seal

The seal of the corporation shall be a flat-faced circular die, of which there may be any number of counterparts, with the word "SEAL" and the name of the corporation and the state and year of incorporation engraved thereon.

ARTICLE VII

Fiscal Year

The fiscal year of the corporation shall begin on the first day of January and end on the thirty-first day of December in each year.

ARTICLE VIII

Voting of Stock Held

Unless otherwise ordered by the board of directors, the chief executive officer, or his designee, shall have full power and authority in behalf of the corporation to attend and to act and to vote at any meetings of stockholders of any corporation in which the corporation may hold stock, and at any such meeting shall possess and may exercise any and all the rights and powers incident to the ownership of such stock, which, as the owner thereof, the corporation might have possessed and exercised if present, and may sign proxies on behalf of the corporation with respect to any such meeting or sign consents on behalf of the corporation with respect to corporate actions permitted without a meeting of stockholders. The board of directors, by resolution, from time to time, may confer like powers upon any other person or persons.

ARTICLE IX

Amendments

These bylaws may be altered, amended or repealed and new bylaws may be adopted by the board of directors at any regular or special meeting of the board of directors.

AMENDMENT NO. 1 TO
PRR OPERATING AGREEMENT

This AMENDMENT NO. 1 TO THE PRR OPERATING AGREEMENT (this "Amendment") dated as of September 29, 2001 is by and between PENNSYLVANIA LINES LLC, a Delaware limited liability company, as Owner, and NORFOLK SOUTHERN RAILWAY COMPANY, a Virginia corporation, as Operator.

WHEREAS, Owner and Operator have entered into that certain Operating Agreement dated June 1, 1999 (the "Agreement");

WHEREAS, Owner and Operator have determined to amend the Agreement as set forth herein;

NOW, THEREFORE, the parties hereby amend the Agreement as follows:

Section 6.3 of the Agreement is amended to read as follows:

SECTION 6.3 Confirmation of Settlement Account. Within six (6) months of the crediting of an amount to the Settlement Account, the Appraisal Procedure shall be used to confirm that credits to the Settlement Account were based on the fair market value of the relevant Allocated Assets consistent with the terms of this Agreement. The Settlement Account shall be adjusted consistent with the outcome of the Appraisal Procedure and the payments made pursuant to Section 6.2 hereof shall reflect any such adjustments.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date and year first above written.

PENNSYLVANIA LINES LLC,
as OWNER

By: ______________________________________

Name: ________________________________

Title: ________________________________

NORFOLK SOUTHERN RAILWAY COMPANY,
as OPERATOR

By: ______________________________________

Name: ________________________________

Title: ________________________________

AMENDMENT NO. 2

DATED AS OF JANUARY 1, 2001

OF THE

SHARED ASSETS AREA

OPERATING AGREEMENT

FOR

NORTH JERSEY

Dated as of June 1, 1999

By and Among

CONSOLIDATED RAIL CORPORATION,

CSX TRANSPORTATION, INC. and

NORFOLK SOUTHERN RAILWAY COMPANY

AMENDMENT NO. 2
OF THE
SHARED ASSETS AREA
OPERATING AGREEMENT
FOR
NORTH JERSEY

This AMENDMENT NO. 2 dated as of January 1, 2001 ("Amendment No. 2") OF THE SHARED ASSETS AREA OPERATING AGREEMENT for North Jersey ("Agreement") dated as of June 1, 1999, is by and among Consolidated Rail Corporation ("CRC"), CSX Transportation, Inc. ("CSXT") and Norfolk Southern Railway Company ("NSR").

W I T N E S S E T H:

WHEREAS, the parties have previously entered into the Agreement;

WHEREAS, the parties now desire to amend the Agreement with respect to the funding of capital improvements in the Shared Assets Areas ("SAAs") as more fully set forth below:

WHEREAS, it is the intent of the parties that, except as expressly amended hereby, the Agreement shall remain unamended and in full force and effect;

NOW, THEREFORE, the parties hereby amend the Agreement as follows:

SECTION 1. Definitions. Capitalized terms used in this Amendment and not defined herein shall have the meanings assigned to such terms in the Agreement.

SECTION 2. Amendments of the Agreement. The Agreement is hereby amended pursuant to and in compliance with Section 17 as follows:

(a) The text of Section 6(b) is hereby deleted in its entirety and the following substituted therefor:

"(b) CRC Board Approved Projects. Either of two options for initial funding and reimbursement by the Operators may be determined by the CRC Board at the time it approves a particular project. In the event the CRC Board does not specify the method of initial funding and reimbursement in the resolution authorizing the project, then Option One described below shall be the method of such funding and reimbursement.

(i) Option One: Each Operator shall be responsible for an equal share of the initial budgeted funding of each capital improvement project which has been approved by the CRC Board and is included in an approved Capital Expenditure Budget, except as provided in Section 6(c). A final accounting shall be made to adjust the initial budgeted funding to the actual project cost as specified in the Accounting Plan.

(ii) Option Two: CRC shall provide the funding for the proposed capital improvement project, except as provided in Section 6(c).

The options for the method of reimbursement are set forth in Section 9(e)(ii)."

(b) The text of Section 9(e)(ii) is hereby deleted in its entirety and the following substituted therefor:

"(ii) With respect to Budgeted Capital Expenditures approved by the CRC Board:

(A) If Option One, as described in Section 6(b), is used for the initial funding of the particular capital improvement project, then one-twelfth (1/12) of fifty percent (50%) of the annual amount of the Budgeted Capital Expenditures for the particular capital improvement project; or

(B) If Option Two is used for the initial funding of the particular capital improvement project, then one hundred and two percent (102%) of fifty percent (50%) of the monthly book depreciation for the particular capital improvement project."

SECTION 3. Effectiveness. This Amendment No. 2 shall become effective as of January 1, 2001 (the "Amendment Date").

SECTION 4. Integration; Confirmation. On and after the Amendment No. 2 Date, each reference in the Agreement to "this Agreement," herein, "hereunder" or words of similar import, and each reference in any Note or other document delivered in connection with the Agreement shall be deemed to be a reference to the Agreement as amended by this Amendment No. 2, and the Agreement as so amended shall be read as a single integrated document. Except as specifically amended by this Amendment No. 2, all other terms and provisions of the Agreement shall continue in full force and effect and unchanged and are hereby confirmed in all respects.

SECTION 5. Confirmation of Agreement. In all respects not inconsistent with the terms and provisions of this Amendment No. 2, the Agreement is hereby ratified, adopted, approved and confirmed.

SECTION 6. Counterparts. This Amendment No. 2 may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to be duly executed as of the day and year first above written.

CSX TRANSPORTATION, INC.

By:
Name:
Title:

NORFOLK SOUTHERN RAILWAY COMPANY

By:
Name:
Title:

CONSOLIDATED RAIL CORPORATION

By:
Name:
Title:

AMENDMENT NO. 2

DATED AS OF JANUARY 1, 2001

OF THE

SHARED ASSETS AREA

OPERATING AGREEMENT

FOR

SOUTH JERSEY/PHILADELPHIA

Dated as of June 1, 1999

By and Among

CONSOLIDATED RAIL CORPORATION,

CSX TRANSPORTATION, INC. and

NORFOLK SOUTHERN RAILWAY COMPANY

AMENDMENT NO. 2
OF THE
SHARED ASSETS AREA
OPERATING AGREEMENT
FOR
SOUTH JERSEY/PHILADELPHIA

This AMENDMENT NO. 2 dated as of January 1, 2001 ("Amendment No. 2") OF THE SHARED ASSETS AREA OPERATING AGREEMENT for South Jersey/Philadelphia ("Agreement") dated as of June 1, 1999, is by and among Consolidated Rail Corporation ("CRC"), CSX Transportation, Inc. ("CSXT") and Norfolk Southern Railway Company ("NSR").

W I T N E S S E T H:

WHEREAS, the parties have previously entered into the Agreement;

WHEREAS, the parties now desire to amend the Agreement with respect to the funding of capital improvements in the Shared Assets Areas ("SAAs") as more fully set forth below:

WHEREAS, it is the intent of the parties that, except as expressly amended hereby, the Agreement shall remain unamended and in full force and effect;

NOW, THEREFORE, the parties hereby amend the Agreement as follows:

SECTION 1. Definitions. Capitalized terms used in this Amendment and not defined herein shall have the meanings assigned to such terms in the Agreement.

SECTION 2. Amendments of the Agreement. The Agreement is hereby amended pursuant to and in compliance with Section 17 as follows:

(a) The text of Section 6(b) is hereby deleted in its entirety and the following substituted therefor:

"(b) CRC Board Approved Projects. Either of two options for initial funding and reimbursement by the Operators may be determined by the CRC Board at the time it approves a particular project. In the event the CRC Board does not specify the method of initial funding and reimbursement in the resolution authorizing the project, then Option One described below shall be the method of such funding and reimbursement.

(i) Option One: Each Operator shall be responsible for an equal share of the initial budgeted funding of each capital improvement

project which has been approved by the CRC Board and is included in an approved Capital Expenditure Budget, except as provided in Section 6(c). A final accounting shall be made to adjust the initial budgeted funding to the actual project cost as specified in the Accounting Plan.

(ii) Option Two: CRC shall provide the funding for the proposed capital improvement project, except as provided in Section 6(c).

The options for the method of reimbursement are set forth in Section 9(e)(ii)."

(b) The text of Section 9(e)(ii) is hereby deleted in its entirety and the following substituted therefor:

"(ii) With respect to Budgeted Capital Expenditures approved by the CRC Board:

(A) If Option One, as described in Section 6(b), is used for the initial funding of the particular capital improvement project, then one-twelfth (1/12) of fifty percent (50%) of the annual amount of the Budgeted Capital Expenditures for the particular capital improvement project; or

(B) If Option Two is used for the initial funding of the particular capital improvement project, then one hundred and two percent (102%) of fifty percent (50%) of the monthly book depreciation for the particular capital improvement project."

SECTION 3. Effectiveness. This Amendment No. 2 shall become effective as of January 1, 2001 (the "Amendment Date").

SECTION 4. Integration; Confirmation. On and after the Amendment No. 2 Date, each reference in the Agreement to "this Agreement," herein, "hereunder" or words of similar import, and each reference in any Note or other document delivered in connection with the Agreement shall be deemed to be a reference to the Agreement as amended by this Amendment No. 2, and the Agreement as so amended shall be read as a single integrated document. Except as specifically amended by this Amendment No. 2, all other terms and provisions of the Agreement shall continue in full force and effect and unchanged and are hereby confirmed in all respects.

SECTION 5. Confirmation of Agreement. In all respects not inconsistent with the terms and provisions of this Amendment No. 2, the Agreement is hereby ratified, adopted, approved and confirmed.

SECTION 6. Counterparts. This Amendment No. 2 may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to be duly executed as of the day and year first above written.

CSX TRANSPORTATION, INC.

By:
Name:
Title:

NORFOLK SOUTHERN RAILWAY COMPANY

By:
Name:
Title:

CONSOLIDATED RAIL CORPORATION

By:
Name:

Title:

AMENDMENT NO. 2

DATED AS OF JANUARY 1, 2001

OF THE

SHARED ASSETS AREA

OPERATING AGREEMENT

FOR

DETROIT

Dated as of June 1, 1999

By and Among

CONSOLIDATED RAIL CORPORATION,

CSX TRANSPORTATION, INC. and

NORFOLK SOUTHERN RAILWAY COMPANY

AMENDMENT NO. 2
OF THE
SHARED ASSETS AREA
OPERATING AGREEMENT
FOR
DETROIT

This AMENDMENT NO. 2 dated as of January 1, 2001 ("Amendment No. 2") OF THE SHARED ASSETS AREA OPERATING AGREEMENT for Detroit ("Agreement") dated as of June 1, 1999, is by and among Consolidated Rail Corporation ("CRC"), CSX Transportation, Inc. ("CSXT") and Norfolk Southern Railway Company ("NSR").

W I T N E S S E T H:

WHEREAS, the parties have previously entered into the Agreement;

WHEREAS, the parties now desire to amend the Agreement with respect to the funding of capital improvements in the Shared Assets Areas ("SAAs") as more fully set forth below:

WHEREAS, it is the intent of the parties that, except as expressly amended hereby, the Agreement shall remain unamended and in full force and effect;

NOW, THEREFORE, the parties hereby amend the Agreement as follows:

SECTION 1. Definitions. Capitalized terms used in this Amendment and not defined herein shall have the meanings assigned to such terms in the Agreement.

SECTION 2. Amendments of the Agreement. The Agreement is hereby amended pursuant to and in compliance with Section 17 as follows:

(a) The text of Section 6(b) is hereby deleted in its entirety and the following substituted therefor:

"(b) CRC Board Approved Projects. Either of two options for initial funding and reimbursement by the Operators may be determined by the CRC Board at the time it approves a particular project. In the event the CRC Board does not specify the method of initial funding and reimbursement in the resolution authorizing the project, then Option One described below shall be the method of such funding and reimbursement.

(i) Option One: Each Operator shall be responsible for an equal share of the initial budgeted funding of each capital improvement project which has been approved by the CRC Board and is included in an approved Capital Expenditure Budget, except as provided

in Section 6(c). A final accounting shall be made to adjust the initial budgeted funding to the actual project cost as specified in the Accounting Plan.

(ii) Option Two: CRC shall provide the funding for the proposed capital improvement project, except as provided in Section 6(c).

The options for the method of reimbursement are set forth in Section 9(e)(ii)."

(b) The text of Section 9(e)(ii) is hereby deleted in its entirety and the following substituted therefor:

"(ii) With respect to Budgeted Capital Expenditures approved by the CRC Board:

(A) If Option One, as described in Section 6(b), is used for the initial funding of the particular capital improvement project, then one-twelfth (1/12) of fifty percent (50%) of the annual amount of the Budgeted Capital Expenditures for the particular capital improvement project; or

(B) If Option Two is used for the initial funding of the particular capital improvement project, then one hundred and two percent (102%) of fifty percent (50%) of the monthly book depreciation for the particular capital improvement project."

SECTION 3. Effectiveness. This Amendment No. 2 shall become effective as of January 1, 2001 (the "Amendment Date").

SECTION 4. Integration; Confirmation. On and after the Amendment No. 2 Date, each reference in the Agreement to "this Agreement," herein, "hereunder" or words of similar import, and each reference in any Note or other document delivered in connection with the Agreement shall be deemed to be a reference to the Agreement as amended by this Amendment No. 2, and the Agreement as so amended shall be read as a single integrated document. Except as specifically amended by this Amendment No. 2, all other terms and provisions of the Agreement shall continue in full force and effect and unchanged and are hereby confirmed in all respects.

SECTION 5. Confirmation of Agreement. In all respects not inconsistent with the terms and provisions of this Amendment No. 2, the Agreement is hereby ratified, adopted, approved and confirmed.

SECTION 6. Counterparts. This Amendment No. 2 may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to be duly executed as of the day and year first above written.

CSX TRANSPORTATION, INC.

By:
Name:
Title:

NORFOLK SOUTHERN RAILWAY COMPANY

By:
Name:
Title:

CONSOLIDATED RAIL CORPORATION

By:
Name:
Title:

AGREEMENT {Officers}

This agreement, dated as of June 1, 1996 (Agreement), between Norfolk Southern Corporation (Corporation) and _____________ (1) memorializes your entitlement to certain rights and benefits hereinafter detailed that mature upon, and only upon, your Termination (this and other terms not defined in the text are defined in Attachment A hereto) following a Change in Control and your commitment not to engage in Competing Employment for certain periods; (2) absent such Termination, is not intended to affect, and shall not be construed as affecting, the compensation and benefits you are entitled to receive; and (3) is not under any circumstances a contract or guarantee of employment with the Corporation. Moreover, upon the happening of such conditions, your rights under any and all employee retirement income or welfare benefit policies, plans, programs or arrangements of the Corporation in which you participate shall be governed by the terms thereof and, except as herein expressly provided, shall not be enlarged hereunder or otherwise affected hereby.

The Agreement's terms and protections reflect the Corporation's beliefs that, in the event of a potential Change in Control, (1) the best interests of its stockholders require management focus and continuity; and (2) such focus and continuity will be enhanced by providing economic protection to officers and other key employees whose employment is most likely to be affected adversely by such a change. At the recommendation of its Compensation and Nominating Committee (Committee), which is composed entirely of non-employee directors, the Board of Directors of the Corporation (Board) has directed the Corporation to offer this Agreement to you.

As consideration for the Corporation's offer of this Agreement, and by your acceptance of it, you hereby covenant and agree as follows:

(i) for the three-year period that begins on the date of this Agreement, you will engage in no Competing Employment (provided, however, that if (a) prior to a Change in Control your employment with the Corporation is terminated for Cause or because of your inadequate performance of assigned duties or for other similar reasons - each as determined by the Corporation's chief legal officer serving at the time - or (b) your Termination Date is within such three-year period, the restriction imposed by this subparagraph (i) shall cease to apply as of your Termination Date), and your undertaking in this respect may be enforced by appropriate court orders and decrees, including without limitation those calling for injunctions and specific performance;

(ii) in the event you (a) are Terminated following a Change in Control and (b) accept any benefits provided for in Article III or Article IV of this Agreement, you will engage in no Competing Employment for the one-year period that begins on your Termination Date;

(iii) you waive, forego and otherwise renounce, on your behalf and that of any individual or organization that does or may claim through you, any and all benefits (including without limitation any prior notice of agreement termination therein provided) to which you may or would be entitled under and

by virtue of any other agreement, including amendments and supplements thereto, as in effect on the date hereof between you and the Corporation affording you benefits in the event of your Termination, with the result that all and any such agreements, from and after the date hereof, shall have no force and effect; and

(iv) if, prior to a Change in Control, a modification in the nature of your responsibilities with the Corporation (Reassignment) results in a change in the maximum percen-tage of your salary that may be earned as incentive compensation (Participation Level), upon the effective date of your Reassignment (Reassignment Date), you will become and be eligible to receive only those benefits following a Change in Control as are other individuals at the Participation Level applicable to your new position, provided, however, that the three-year period provided for in subparagraph (i) above shall not be extended because of your Reassignment; the Corporation hereby undertakes to furnish you a new agreement or to furnish an amendment or supplement to this Agreement, to reflect your changed benefits, but its failure or omission to do so shall not affect the benefits to which, under this subparagraph (iv), you are entitled upon and after such Reassignment Date.

I. Effective Date and Term

The Agreement is effective and its term (Term) begins on the date hereof; its Term ends (provided, however, that the three-year prohibition on engaging in Competing Employment that begins on the date of this Agreement, including the exceptions, set out in subparagraph (i) of the third paragraph of the preamble shall continue to apply) on the earliest of:

(i) the date, prior to a Change in Control, you cease to be an employee of the Corporation;

(ii) the date, prior to a Change in Control, you cease to be eligible to participate in the Corporation's Executive Management Incentive Plan or Management Incentive Plan, or any successor plan[s] or program[s]; and

(iii) the date, prior to a Change in Control, that is twenty-four (24) months after you or the Corporation gives notice to the other of the termination of this Agreement, provided, however, that if a Change in Control occurs during the Term hereof, this Agreement shall terminate after a period of twenty-four (24) months, beginning on the first day of the month next following the month in which the Change in Control occurs (such period - plus the portion of the month, following the Change in Control, in which the Change in Control occurs - the Change in Control Period).

II. Binding on Successors

The Corporation shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization, share exchange or otherwise) to all or substantially all of the business and/or assets of the Corporation (Successor; and such result, Succession) by agreement, in form and substance satisfactory to the Corporation's chief legal officer or his designee(s), serving immediately prior to the Change in Control, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Corporation would have been required to perform it had no such Succession occurred. This Agreement shall be binding upon and inure to the benefit of the Corporation and any Successor (and, from and after any such Succession, that Successor shall be deemed the "Corporation" for purposes of this Agreement), but otherwise the Corporation shall not assign or transfer any of its rights, or delegate any of its duties or obligations, hereunder.

III. Protection Afforded by the Agreement During the Change in Control Period

Except as limited by subparagraph (ix) concerning retirement, in the event of your Termination during the Change in Control Period, the Corporation shall (1) pay you within ten (10) business days after your Termination Date the amounts indicated in subparagraphs (i), (ii), (iii), (iv) and (vii); (2) continue to provide the Additional Benefits detailed in subparagraph (v); (3) timely pay, afford or deliver the other amounts, credits or instruments called for in subparagraphs (vi) and (viii); and (4) pay and provide the Tax Assistance Payments and other benefits defined and called for herein:

(i) Severance Pay. In lieu of, and in full satisfaction of any and all claims you have or may have thereafter to receive cash compensation or awards under or otherwise to participate in or under any feature of any compensation policy, plan, program or arrangement of the Corporation, you shall receive a lump-sum payment (Severance Pay) equal to three (3) times the sum of:

(a) an amount equal to your Base Pay (determined in accordance with Item (D)(ii) in Attachment A); and

(b) an amount equal to your Incentive Pay (determined in accordance with Item (L) in Attachment A).

(ii) Long-Term Compensation

(a) Performance Share Unit Equivalent. In lieu of your having any entitlement (which entitlement, upon your receipt of the benefit herein provided, hereby is waived in full) to receive unearned Performance Share Units (as that term is defined in the Norfolk Southern Corporation Long-Term Incentive Plan, or successor plan[s] or program[s])that you have been awarded and as to which a performance cycle has not been completed on your Termination Date, you shall receive for each incomplete cycle a cash payment

equal to the Performance Share Unit Equivalent (determined in accordance with Item N in Attachment A).

(b) Option Equivalent. Except in the case of persons at the time subject to Section 16 of the Securities Exchange Act of 1934 (Officers), for each option granted to you by the Corporation which on your Termination Date is exercisable but remains unexercised (and by its terms, no longer can be exercised), you shall receive a cash payment equal to the Option Equivalent (determined in accordance with Item M in Attachment A). To protect and assure to the full extent practicable the intended value of options exercisable at the time by Officers, effective on the date Notice of Termination (for reasons other than Cause) is given, any requirement contained in any agreement(s) between such Officer and the Corporation that such Officer exercise an option only during a specified period (other than any provision concerning the date on which the option first is or becomes exercisable) hereby is waived.

(c) Accelerated Dividend Equivalent. As to each option, performance share unit or other instrument you hold on the date Notice of Termination (for reasons other than Cause) is given as to which the right to receive dividend equivalents then exists, you shall receive an amount equal to the Accelerated Dividend Equivalent (determined in accordance with Item A in Attachment A), provided, however, that the Corporation's obligation to make the payment herein provided for shall mature on your Termination Date.

(iii) Deferred Compensation Equivalent. In lieu of your having any entitlement to receive payments under the terms of the Officers' Deferred Compensation Plan (or any successor plan[s] or program[s]), which entitlement, upon your receipt of the benefit herein provided, hereby is waived in full, you shall receive an amount equal to the Deferred Compensation Equivalent (determined in accordance with Item J in Attachment A).

(iv) Vacation Equivalent. In lieu of your having any entitlement to receive payments or other compensation for vacation to which you would have been or might have become entitled in and following the year that includes your Termination Date, which entitlement, upon your receipt of the benefit herein provided, hereby is waived in full, you shall receive an amount equal to the Vacation Equivalent (determined in accordance with Item T in Attachment A).

(v) Additional Benefits. For the thirty-six (36) months next following your Termination Date, the Corporation shall arrange to provide you with Additional Benefits substantially similar to those you were entitled to receive immediately prior to your Termination Date (and if and to the extent that such benefits shall not or cannot be paid or provided under any policy, plan, program or arrangements of the Corporation for whatever reason, the Corporation shall itself pay or provide for the payment of such Additional Benefits to you, your dependents and your beneficiaries). Without otherwise limiting the purposes or effects of the provisions under the caption "No

Mitigation Obligation," infra, Additional Benefits to which you are entitled pursuant to the first sentence of this subparagraph (v) shall be reduced to the extent you actually receive comparable Additional Benefits from another employer during such period following your Termination Date, and you shall report to the Corporation any such benefits actually received.

(vi) Post-Retirement Life Insurance Benefit. If on your Termination Date you are not eligible - or, if eligible, you have elected not to - retire pursuant to subparagraph (ix) of this Article III, in lieu of your entitlement at retirement to receive benefits of any kind under the Corporation's Executive Life Insurance Plan, which entitlement, upon your receipt of the benefit herein provided, hereby is waived in full, you shall receive, as soon as practicable after your Termination Date, a fully paid policy in the face amount and determined in accordance with Item P in Attachment A, and the Corporation shall pay to or on your behalf the cash benefit, also determined in accordance with Item P in Attachment A.

If on your Termination Date you are eligible, and elect, to retire pursuant to subparagraph (ix) of this Article III, you shall receive the policy and cash benefit determined in accordance with Item P of Attachment A, provided, however, that such policy and the related cash payment shall not be distributed or made until such policy would have been distributed under the terms of the Executive Life Insurance Plan or its successor(s), as in effect on the day immediately preceding the date of the Change in Control.

(vii) Prorata Incentive Pay. In lieu of your having any entitlement (which entitlement, upon your receipt of the benefit herein provided, hereby is waived in full) to receive payments or other compensation under the terms of the Executive Management Incentive Plan or the Management Incentive Plan (or successor plan[s] or program[s]) in respect of your employment during the year that includes your Termination Date, you shall receive an amount equal to Prorata Incentive Pay (determined in accordance with Item Q in Attachment A).

(viii) (a) Creditable Service for Retirement. For purposes of determining your creditable service under the Corporation's various retirement plans, including without limitation any agreement(s) with you providing retirement income, you shall receive additional creditable service, based on your age on your Termination Date, as follows:

(1)	Age 50 - 54:	as if you had been employed until you were 60;
(2)	Age 55 - 59:	as if you had been employed until you were 62; and
(3)	All others:	three (3) additional years,

provided, however, that such creditable service shall not be greater than the number that is equal to the number of months (calculated in accordance with the terms of the applicable plan) between (i) your Termination Date and (ii) the date on which you would attain the mandatory retirement age in effect at the time of the Change in Control. Your rights under such programs and plans shall be governed by the terms thereof and, except as

herein expressly provided, shall not be enlarged hereunder or otherwise affected hereby.

(b) Final Average Compensation for Retirement. For purposes of determining your final average compensation under the Corporation's various plans (including without limitation any agreement(s) with you) providing retirement income, the amount of Severance Pay provided for in subparagraph (i) of this Article III shall be included, and the payments made pursuant to subparagraph (i) shall be deemed to have been made over the number of annual periods equal to the multiple used to determine the gross amount of your Severance Pay, provided, however, that your final average compensation shall not include amounts paid or payable pursuant to subparagraph (iv) (to the extent they are an Additional Vacation Equivalent) and subparagraph (vii) of this Article III.

(ix) Special Proviso for Those Eligible to Retire. If on your Termination Date you are eligible to retire under the provisions of any of the Corporation's retirement plans (excluding any special, temporary early retirement amendment[s]), as in effect either on the day immediately preceding the Change in Control or on your Termination Date, you may elect to retire on your Termination Date by giving the Corporation written notice as provided in this subparagraph (ix). Not later than two (2) business days following, but not including, the date on which Notice of Termination is given (whether by you or by the Corporation), the Corporation shall advise you in writing of your right herein provided to elect to retire. If you wish to exercise that right, you must so advise the Cor-poration prior to your Termination Date on an election form it provides and in the manner prescribed under Article X.

If and only if you make this election, your retirement will be deemed to have occurred simultaneously with your Termination Date (provided, however, that the "effective date" of such retirement for purposes of such retirement plans shall be as provided under such plans), and, instead of your having the rights provided in this Article III, your rights shall be governed by the retiree (or any specific change in control) provisions of the respective, applicable plans (as to each, on the terms most favorable to you under such plan [excluding any special, temporary early retirement amendment(s)]) as in effect either immediately preceding the Change in Control or on your Termination Date), provided, however, that if you make the election herein afforded, you shall still receive the payments called for in subparagraphs (i) and (ii)(a), (ii)(c) and (iii), and the benefits described in subparagraph (viii).

There shall be no right of setoff or counterclaim in respect of any claim, debt or obligation against any payment to, or benefit for, you provided for in this Agreement, except as expressly provided in subsection (v).

Without limiting your rights to arbitration, at law or in equity, if the Corporation fails on a timely basis to make any payment required to be made pursuant to provisions under this Article III, the Corporation shall pay interest on the amount thereof at an annualized rate of interest equal to

three percent (3%) above the then-applicable Prime Rate ("Prime Rate" means the rate of interest publicly announced by Morgan Guaranty Trust Company of New York in New York City from time to time as its prime rate).

IV. Certain Tax Payments by the Corporation

Notwithstanding anything in the Agreement to the contrary, in the event of (a) your Termination during the Change in Control Period and (b) the determination (as hereinafter provided) that any required payment by the Corporation to or for your benefit, whether paid or payable pursuant to the terms of the Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right, or similar right, or the lapse or termination of any restriction on the vesting or exercisability of any of the foregoing including without limitation acceleration of the termination of Share Retention Agreements under the Corporation's Long-Term

Incentive Plan (individually and collectively, Payment), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (Code) or any successor provision thereto by reason of the Payment's being considered "contingent on a change in ownership or control" of the Corporation within the meaning of Section 280G of the Code (or any successor provision thereto), or any interest or penalties with respect to such excise tax (collectively, Excise Tax), then you shall be entitled to receive an additional payment or payments (individually or collectively, Tax Assistance Payment), which shall include an amount such that, after you pay (1) all taxes (including any interest or penalties imposed with respect to such taxes) and (2) any Excise Tax imposed upon the Tax Assistance Payment, you retain so much of the Tax Assistance Payment as is equal to the Excise Tax imposed on the Payment.

Subject to the provisions hereinafter concerning your providing notice of a claim by the Internal Revenue Service, all determinations required to be made under these provisions, including whether an Excise Tax is payable by you, the amount of such Excise Tax and whether the Corporation is required to pay you a Tax Assistance Payment and the amount of such Tax Assistance Payment, if any, shall be made by a nationally recognized accounting firm you, in your sole discretion, select (Accounting Firm). You shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both you and the Corporation within thirty (30) days after the Termination Date, if applicable, and any such other time or times as you or the Corporation may request. If the Accounting Firm determines that any Excise Tax is payable by you, the Corporation shall pay the required Tax Assistance Payment to you within ten (10) business days after the Corporation receives such determination and calculations with respect to any Payment to you.

Any federal tax returns you file shall be prepared and filed on a basis consistent with the determination of the Accounting Firm with respect to the Excise Tax payable by you. If the Accounting Firm determines that you are required to pay no Excise Tax, it shall (at the same time it makes such determination) furnish you and the Corporation an opinion that you have substantial authority not to report any Excise Tax on your federal income tax return. However, in view of uncertainty concerning application of Section 4999 of the Code (or any successor provision thereto) at the time of any

determination made hereunder by the Accounting Firm, it is possible that a Tax Assistance Payment that should have been made by the Corporation will not have been made (Underpayment), consistent with the calculations required to be made hereunder. In the event the Corporation exhausts or fails to pursue its remedies pursuant to the provisions concerning notice of a claim by the Internal Revenue Service, and you thereafter are required to make a payment of any Excise Tax, you shall direct the Accounting Firm to determine the amount of the Underpayment and to submit its determination and detailed supporting calculations as promptly as possible both to you and to the Corporation, which shall pay the amount of such Underpayment to you or for your benefit within ten (10) business days following the Corporation's receipt of such determination and calculations.

Each of you and the Corporation shall provide the Accounting Firm access to and copies of any books, records and documents in your or its possession, as the case may be, reasonably requested by the Accounting Firm, and shall otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determination and calculations required or contemplated hereunder.

The Corporation shall bear the fees and expenses of the Accounting Firm for services hereunder. If, for any reason, you initially pay such fees and expenses, the Corporation shall reimburse you the full amount of the same within ten (10) business days following receipt from you of a statement and reasonable evidence of your payment thereof.

You shall notify the Corporation in writing of any claim by the

Internal Revenue Service that, if successful, would require the Corporation to pay a Tax Assistance Payment. You shall give such notification as promptly as practicable, but in no event later than the tenth (10th) business day next following your receipt of such claim, and you further shall apprise the Corporation of the nature of such claim and the date on which it is required to be paid (in each case, to the extent known to you). You shall not pay or otherwise satisfy such claim prior to the earlier of (a) the expiration of the thirty (30)-calendar-day period next following the date on which you give notice to the Corporation or (b) the date any payment of the amount with respect to such claim is due. If the Corporation notifies you in writing prior to the expiration of such period that it desires to contest such claim, you shall:

(1) provide the Corporation any written records or documents in your possession relating to such claim and reasonably requested by the Corporation;

(2) take such action in connection with contesting such claim as the Corporation reasonably shall request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Corporation;

(3) cooperate with the Corporation in good faith in order effectively to contest such claim; and

(4) permit the Corporation to participate in any proceedings relating to such claim, provided, however, that the Corporation directly shall bear and pay all costs and expenses (including without limitation, interest and penalties) incurred in connection with such contest and shall indemnify you and hold you harmless, on an after-tax basis, from and against any and all Excise Tax or income tax (including without limitation, interest and penalties with respect thereto), imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing, the Corporation shall control all proceedings taken in connection with the contest of any claim contemplated by these provisions and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that you may participate therein at your own cost and expense) and may, at its option, either direct you to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and you agree to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Corporation shall determine; provided, however, that if the Corporation directs you to pay the tax claimed and to sue for a refund, the Corporation shall advance the amount of such payment to you, and pay on a current basis all costs of litigation, including without limitation attorneys' fees, on an interest-free basis and shall agree to and shall indemnify you and hold you harmless, on an after-tax basis, from any Excise Tax or income tax, including without limitation, interest and penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for your taxable year with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Corporation's control of any such contested claim shall be limited to issues with respect to which a Tax Assistance Payment would be payable hereunder, and you shall be entitled to settle or to contest, as the case may be, any other issue(s) raised by the Internal Revenue Service or any other taxing authority.

If, after you receive an amount advanced by the Corporation pursuant to provisions of the last full paragraph, you receive any refund with respect to such claim, you shall (subject to the Corporation's complying with any applicable provisions of the same paragraph) promptly pay to the Corporation the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after you receive such an amount advanced by the Corporation, a determination is made that you shall not be entitled to any refund with respect to such claim and the Corporation does not notify you in writing of its intent to contest such denial or refund prior to expiration of thirty (30) calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid, and the amount of such advance shall offset, to the extent thereof, the amount of the Tax Assistance Payment the Corporation is required to pay you hereunder.

V. No Mitigation Obligation

You and the Corporation agree that payments made by the Corporation pursuant to this Agreement will be liquidated damages (and in lieu of any claim for any breach whatsoever of this Agreement by the Corporation) and that you will not be required to mitigate the amount of any such payment by seeking other employment or otherwise, nor shall any profits, income, earnings or other benefits from any source whatsoever, other than from Competing Employment, create any mitigation, offset reduction or other obligation on your part hereunder or otherwise, except as expressly provided in the materials, supra, concerning Additional Benefits.

VI. Arbitration

Except as otherwise expressly provided under the caption "Certain Tax Payments by the Corporation," any controversy or claim between you and the Corporation arising out of or relating to the existence, enforceability, terms or application of this Agreement or any breach or alleged breach thereof, shall be settled by three (3) arbitrators, one of whom shall be appointed by the Corporation, one by you and the third of whom shall be appointed by the first two arbitrators. If the first two arbitrators cannot agree on the third arbitrator required to be appointed hereunder, then such arbitrator shall be appointed by the Chief Judge of the United States District Court for the district having jurisdiction of the city or other municipality in which the arbitration is to be held. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators, which shall be as hereinbefore provided. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The arbitrators shall have no authority to award punitive, incidental or consequential damages, and they shall apply the substantive law of the Commonwealth of Virginia in reaching a decision.

If you determine in good faith to retain legal counsel and/or to incur other reasonable costs or expenses in connection with any such arbitration or to enforce any or all of your rights under this Agreement or under any arbitration award, the Corporation shall pay all such attorneys' fees, costs and expenses you incur in connection with non-frivolous applications to interpret or enforce your rights, including enforcement of any arbitration award in court, regardless of the final outcome. In addition, during the pendency of such arbitration, the Corporation will continue to pay you, with the customary frequency, the greater of your Base Pay as in effect immediately prior to the Change in Control or immediately prior to your Termination and to provide Benefits until the controversy or claim finally is resolved in accordance herewith. These payments and the provision of Benefits hereunder shall be in addition to, and not in derogation or mitigation of any other payment or benefit due you under this Agreement.

Notwithstanding any other provision hereof, the parties' respective rights and obligations under this Caption will survive a termination or expiration of this Agreement or the Termination of your employment for any reason whatsoever.

VII. Employment Rights

Nothing expressed or implied in this Agreement shall create any right or duty on your part or that of the Corporation to have you remain in the employment of the Corporation prior to or following any Change in Control.

VIII. Withholding of Taxes

The Corporation may withhold from any amounts payable under this Agreement all federal, state, city, local or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

IX. Personal Nature of Agreement

This Agreement is personal in nature, and neither you nor the Corporation (except as provided under the caption "Binding on Successors"), without the prior written consent of the other, shall assign or transfer any of its rights, or delegate any of its duties or obligations, except as expressly provided under this caption. Without limiting the generality and effect of the foregoing, your right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by will or by the laws of descent and distribution; in no event shall the Corporation have any obligation or liability to recognize or honor any attempted assignment or transfer that is contrary hereto.

X. Notice

For all purposes of this Agreement, except as otherwise expressly provided in subparagraph (ix) of Article III, all communications, including without limitation, notices, consents, requests and approvals, provided for herein shall be in writing and shall be deemed to have been duly given when (1) actually delivered or (2) if mailed, five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid,

(i) if to the Corporation, to the attention of its Corporate Secretary at its principal executive office at the time, and

(ii) if to you, at the address at the time on file with the Corporation as your principal residence address, or

(iii) in either case, to such other address as either the Corporation or you shall have furnished the other in writing and in accordance herewith, provided, however, that notices of change of address hereunder shall be effective only upon actual receipt.

XI. Governing Law

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Virginia, without giving effect to the Commonwealth's principles of conflicts of law, save those permitting the parties to an agreement to stipulate the substantive law applicable to the agreement and the procedural law applicable to suits, actions or proceedings relating to it.

XII. Validity/Severability

If any provision of this Agreement or the application of any provision hereof to any person (including a Person) or circumstance is held invalid, illegal or unenforceable, the remainder of this Agreement and the application of such provision to any other person (including a Person) shall not be affected, and the provision(s) so held to be invalid, illegal or unenforceable shall be reformed or excised in good faith by the Corporation, without the necessity of your agreeing thereto, to the extent (and only to the extent) necessary to make it or them valid, legal or enforceable.

XIII. Miscellaneous

No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is agreed to in a writing signed by you and the Corporation. No waiver by either party hereto at any time of any breach or of compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

XIV. Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Board of Directors of the Corporation has directed that this Agreement be executed and delivered on its behalf by one or more officers of the Corporation thereunto duly authorized, as of the day and year first above written, and you have indicated your acceptance of and intent to be bound by this Agreement in the space provided below.

NORFOLK SOUTHERN CORPORATION

By__________________________________

Name: H. C. Wolf

Title: EVP Finance

ATTEST

{SEAL}

____
Corporate Secretary

Accepted:

By____________________________________

Name:_________________________________
(Please print full name)

Being the same individual named

in the preamble hereto and
referred to as "You" in the text.

NORFOLK SOUTHERN CORPORATION
DIRECTORS' CHARITABLE AWARD PROGRAM

Purpose	To promote the interests of Norfolk Southern Corporation and its Directors in supporting charitable and educational organizations, and to provide an additional source of funding for the Norfolk Southern Foundation (Foundation).
Eligibility	All Directors serving on, or elected after, February 1, 1996.
Contribution Amount	Directors serving on February 1, 1996: $500,000 Directors elected after February 1, 1996: vest in 20% increments over a 5 year period in accordance with the attached table.
Eligible Organizations	Educational, scientific, literary, cultural and other organizations with similar non-religious purposes, contributions to which are deductible for Federal income tax purposes (excluding a private foundation founded, maintained or operated by a Director or a member of the Directors' immediate family). The Corporation reserves the right to decline to make a contribution to any organization, if (1) the contribution will not be deductible for Federal income tax purposes at the time it will be made, or (2) the Corporation in its sole discretion, exercised in good faith by persons other than Directors, determines that making a contribution to such organization will not be in the Corporation's best interest.

Number of Charities	Each Director may nominate, on forms provided by the Corporation or its agent, up to five (5) Eligible Organizations to receive an aggregate amount up to the Contribution Amount following that Director's death. The Director may revoke any such nomination(s), make a new nomination or nominations, or modify the amount designated for any nominee at any time.
Payments	Following a Director's death, the Corporation will make ratable payments, in an aggregate annual amount not to exceed one fifth of the Contribution Amount, to each of the Eligible Organizations that, according to records maintained by the Corporation or its agent, were the deceased Director's nominees immediately prior to death. Amounts unpaid for reason of ineligibility will be paid prorata to the Director's other nominees, or if there are no other qualified nominees, then to the Foundation.
Funding	The Corporation will be the beneficiary of a $1 million, corporate-owned joint-life insurance policy on each Director. Death benefits will be paid to the Corporation, and the Corporation will donate up to the Contribution Amount to no

more than five Eligible Organizations nominated by the Director and the balance to the Foundation.

Termination	The Corporation reserves the right, in its sole discretion, to alter, amend, modify or terminate the program at any time. However, in the event of a change in Control of the Corporation (as defined on Attachment A), the Corporation immediately will donate in a lump sum the Contribution Amount in accordance with the then current nominations of each living Director and the amount of any unpaid Contribution Amount to eligible nominees of a deceased Director.

Administration	The program will be administered by the Corporation's Corporate Secretary (or designated agent) whose interpretations and decisions will be final and binding on the Corporation and the Director.

DIRECTORS ELECTED
AFTER 2/1/96

Full Months of Service	Contribution Amount
Less than 12	$ 0
12-23	100,000
24-35	200,000
36-47	300,000
48-59	400,000
60 or more	500,000

Attachment A

For purposes of the Directors' Charitable Award Program, a Change in Control shall occur if:

(i) any person, other than the Corporation or a Subsidiary Company* or any employee benefit plan sponsored by the Corporation or a Subsidiary Company, shall become the beneficial owner of, or obtain voting control over, 20% or more of the Corporation's outstanding Common Stock;

(ii) the stockholders of the Corporation shall approve (A) any consolidation or merger of the Corporation in which the Corporation is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities, or other property, other than a merger of the Corporation in which holders of Common Stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger as immediately before, or (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation; or

(iii) there shall have been a change in the composition of the Board of Directors such that within any period of two (2) consecutive years or less individuals who at the beginning of such period constituted such Board, together with any new directors whose election, or nomination for election by the Corporation's stockholders, was approved by a vote of at least two-thirds of the directors then in office who were directors at the beginning of such period, shall for any reason no longer constitute a majority of the directors of the Corporation.

* "Subsidiary Company" means a corporation of which at least eighty percent (80%) of the total combined voting power of all classes of stock entitled to vote is owned, directly or indirectly, by the Corporation.

EXHIBIT 12, Page 1 of 1

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Millions of Dollars)

	Year ended December 31				
	2001	2000	1999	1998	1997
EARNINGS					
Income from continuing operations before income taxes as reported	$ 553	$ 250	$ 351	$ 845	$ 998
Add:					
Total interest expenses (as detailed below)	674	721	708	688	530
Amortization of capitalized interest	5	5	4	3	3
Income (loss) of partially owned entities (1)	39	60	47	165	113
Subsidiaries' preferred dividend requirement	2	2	2	2	2
Income before income taxes, as adjusted	$ 1,273	$ 1,038	$ 1,112	$ 1,703	$ 1,646
FIXED CHARGES					
Interest expense on debt	$ 553	$ 551	$ 531	$ 516	$ 385
Other interest expense	2	42	35	27	32
Calculated interest portion of rent expense	41	40	35	31	30
NS' share of Conrail interest	78	88	107	114	83
Total interest expenses	674	721	708	688	530
Capitalized interest	17	18	15	21	17
Subsidiaries' preferred dividend requirement on a pretax basis	4	4	4	4	4
Total fixed charges	$ 695	$ 743	$ 727	$ 713	$ 551
RATIO OF EARNINGS TO FIXED CHARGES	1.83	1.40	1.53	2.39	2.99

(1) Includes: (a) the distributed income of 20%-49% owned entities, net of equity recorded in undistributed income and the minority income of consolidated entities which have fixed charges; and (b) NS' share of Conrail's income before income taxes, net of equity in earnings of Conrail included in NS' income from continuing operations before taxes as reported.

The computations do not include $0.3 million of interest expense related to $7.8 million of debt guaranteed for a less than 50% owned entity.

NAME AND STATE OF INCORPORATION OF SUBSIDIARIES
OF NORFOLK SOUTHERN CORPORATION
AS OF FEBRUARY 1, 2002

Agency Media Services, Inc., Indiana
Atlantic Acquisition Corporation, Pennsylvania
Atlantic Investment Company, Delaware
Norfolk Southern Properties, Inc., Virginia
Norfolk Southern Railway Company, Virginia
Northern Horizons Insurance Company, Vermont
NS Fiber Optics, Inc., Virginia
NS Transportation Brokerage Corporation, Virginia
PDC Timber LLC, Delaware
PLC Timber LLC, Delaware
Pocahontas Development Corporation, Kentucky
Pocahontas Land Corporation, Virginia
Scioto Fuels, LLC, Virginia
TCS Leasing, Inc., Oklahoma
T-Cubed of North America, Inc., Delaware
T-Cubed of South Carolina, Inc., South Carolina
T-Cubed of Virginia, Inc., Virginia
Thoroughbred Direct Intermodal Services, Inc. Pennsylvania
Thoroughbred Funding, Inc., Virginia
Thoroughbred Technology and Telecommunications, Inc., Virginia
Transworks Company, Indiana
Transworks Inc., Virginia
Transworks of Indiana, Inc., Indiana
Triple Crown Services Company

Norfolk Southern Railway Company subsidiaries:
Airforce Pipeline, Inc., North Carolina
Alabama Great Southern LLC, Virginia
Alabama Great Southern Railroad Company, The; Alabama
Atlantic and East Carolina Railway Company, North Carolina
Camp Lejeune Railroad Company, North Carolina
Central of Georgia LLC, Virginia
Central of Georgia Railroad Company, Georgia
Chesapeake Western Railway, Virginia
Cincinnati, New Orleans and Texas Pacific Railway Company, The; Ohio
Citico Realty Company, Virginia
Georgia Southern and Florida Railway Company, Georgia
High Point, Randleman, Asheboro and Southern Railroad Company, North Carolina
Interstate Railroad Company, Virginia
Lamberts Point Barge Company, Inc., Virginia
Memphis and Charleston Railway Company, Mississippi
Mobile and Birmingham Railroad Company, Alabama
Norfolk and Portsmouth Belt Line Railroad Company, Virginia
Norfolk Southern International, Inc., Virginia
North Carolina Midland Railroad Company, The; North Carolina
Rail Investment Company, Delaware

Norfolk Southern Railway Company subsidiaries (continued):
Rail Technologies, Inc., Georgia
Shenandoah-Virginia Corporation, Virginia
South Western Rail Road Company, The; Georgia
Southern Rail Terminals, Inc., Georgia
Southern Rail Terminals of North Carolina, Inc., North Carolina
Southern Region Coal Transport, Inc., Alabama

Southern Region Materials Supply, Inc., Georgia
State University Railroad Company, North Carolina
Tennessee, Alabama & Georgia Railway Company, Delaware
Tennessee Railway Company, Tennessee
Virginia and Southwestern Railway Company, Virginia
Wheelersburg Terminal LLC, Virginia
Yadkin Railroad Company, North Carolina

Norfolk Southern Properties, Inc. subsidiaries:
Alexandria-Southern Properties, Inc., Virginia
Arrowood-Southern Company, North Carolina
Arrowood Southern Executive Park, Inc., North Carolina
Carlyle CA Corporation, Virginia
Carlyle Development Corporation, Virginia
Charlotte-Southern Corporation, North Carolina
Charlotte-Southern Hotel Corporation, North Carolina
Lambert's Point Docks, Incorporated, Virginia
Nickel Plate Improvement Company, Inc., The; Indiana
NKPI Management, Inc., Indiana
Norfolk Southern Industrial Development Corp., Virginia
Norfolk Southern Tower, LLC, Virginia
Northmont Limited Partnership, Georgia
NS-Charlotte Tower Corporation, North Carolina
NS Gas Properties, Inc., Virginia
NS Gas Properties, II, Inc., Virginia
Sandusky Dock Corporation, Virginia
Southern Region Industrial Realty, Inc., Georgia
SRIR Timber LLC, Delaware
Virginia Holding Corporation, Virginia

NOTE: Of the above subsidiaries, each of which is more than 50% owned, only Norfolk Southern Railway Company meets the Commission's "significant subsidiary" test. This list does not include CRR Holdings, LLC, in which Norfolk Southern Corporation has 50% voting control; Conrail Inc. and Consolidated Rail Corporation are subsidiaries of CRR Holdings, LLC.

EXHIBIT 23(a), Page 1 of 1

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
Norfolk Southern Corporation:

We consent to incorporation by reference in Registration Statements Nos. 33-52031, 333-40993, 333-60722, 333-71321 and 333-78939 on Form S-8 and Registration Statements Nos. 333-57872 and 333-57872-01 on Form S-3 of Norfolk Southern Corporation of our report dated January 21, 2002, relating to the consolidated balance sheets of Norfolk Southern Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in stockholders' equity and cash flows, and the related consolidated financial statement schedule for each of the years in the three-year period ended December 31, 2001, which report appears in the December 31, 2001, Annual Report on Form 10-K of Norfolk Southern Corporation.

/s/ KPMG LLP
Norfolk, Virginia
February 20, 2002

EXHIBIT 23(b), Page 1 of 1

CONSENT OF INDEPENDENT AUDITORS

We consent to incorporation by reference in Registration Statements Nos. 33-52031, 333-40993, 333-60722, 333-71321 and 333-78939 on Form S-8 and Registration Statements Nos. 333-57872 and 333-57872-01 on Form S-3 of Norfolk Southern Corporation of our report dated January 21, 2002, relating to the consolidated balance sheets of Conrail Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows, for each of the years in the three-year period ended December 31, 2001, which report appears in the December 31, 2001, Annual Report on Form 10-K of Norfolk Southern Corporation.

/s/ KPMG LLP	/s/ Ernst & Young LLP
KPMG LLP	Ernst & Young LLP
Norfolk, Virginia	Jacksonville, Florida
February 20, 2002	February 20, 2002

CONRAIL INC.

2001 ANNUAL REPORT TO STOCKHOLDERS

REPORT OF MANAGEMENT

The Stockholders
Conrail Inc.

Management is responsible for the preparation, integrity and objectivity of the Company's consolidated financial statements. The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based on management's best estimates and judgment.

The Company maintains a system of internal accounting controls and procedures, which is continually reviewed and supported by written policies and guidelines and supplemented by internal audit services. The system provides reasonable assurance that assets are safeguarded against loss from unauthorized use and that the books and records reflect the transactions of the Company and are reliable for the preparation of financial statements. The concept of reasonable assurance recognizes that the cost of a system of internal accounting controls should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

The Company's consolidated financial statements are audited by its independent accountants. Their audit is conducted in accordance with auditing standards generally accepted in the United States of America and includes a study and evaluation of the Company's system of internal accounting controls to determine the nature, timing and extent of the auditing procedures required for expressing an opinion on the Company's financial statements.

The Company's Board of Directors, which is comprised of an equal number of directors from Norfolk Southern Corporation ("NSC") and CSX Corporation ("CSX"), pursues its oversight responsibilities for the consolidated financial statements and corporate conduct through periodic meetings with and written reports from the Company's management.

/s/ Gregory R. Weber

Gregory R. Weber
President and Chief

Executive Officer

/s/ Patrick F. Rogers

Patrick F. Rogers
Assistant Vice President-
Accounting and Tax

January 21, 2002

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
Conrail Inc.:

We have audited the accompanying consolidated balance sheets of Conrail Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Conrail Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

KPMG LLP
Norfolk, Virginia

/s/ Ernst & Young LLP

Ernst & Young LLP
Jacksonville, Florida

January 21, 2002

CONRAIL INC.
CONSOLIDATED STATEMENTS OF INCOME

($ In Millions)	Years ended December 31, 2001	2000	1999
Revenues - NSC/CSX (Note 2)	$ 823	$ 886	$ 549
Revenues - Third parties	80	99	1,625
Total operating revenues	903	985	2,174
Operating expenses (Note 3)			
Compensation and benefits	158	195	645
Fuel	7	10	63
Material, services and rents	143	162	590
Depreciation and amortization	325	331	328
Casualties and insurance	(13)	33	228
Other	19	18	192
Total operating expenses	639	749	2,046
Income from operations	264	236	128
Interest expense	(109)	(124)	(150)
Other income, net (Note 10)	103	155	67
Income before income taxes	258	267	45
Income taxes (Note 7)	84	97	19
Net income	$ 174	$ 170	$ 26

See accompanying notes to the consolidated financial statements.

CONRAIL INC.
CONSOLIDATED BALANCE SHEETS

($ In Millions)	December 31, 2001	2000
ASSETS		
Current assets		
Cash and cash equivalents	$ 34	$ 50
Accounts receivable	32	33

Due from NSC/CSX (Note 2)	172	232
Notes receivable from NSC/CSX (Note 2)	515	91
Material and supplies	9	9
Deferred tax assets (Note 7)	76	96
Other current assets	8	9
Total current assets	846	520
Property and equipment, net (Note 4)	6,688	6,996
Other assets	548	544
Total assets	$ 8,082	$ 8,060

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Current maturities of long-term debt (Note 6)	60	61
Accounts payable	41	68
Due to NSC/CSX (Note 2)	12	31
Wages and employee benefits	37	42
Casualty reserves	101	127
Accrued and other current liabilities (Note 5)	157	106
Total current liabilities	408	435
Long-term debt (Note 6)	1,156	1,229
Casualty reserves	134	189
Deferred income taxes (Note 7)	1,833	1,938
Other liabilities	446	287
Total liabilities	3,977	4,078
Commitments and contingencies (Note 11)		
Stockholders' equity (Notes 3, 8 and 9)		
Common stock ($1 par value; 100 shares authorized, issued and outstanding)	--	--
Additional paid-in capital	2,221	2,222
Unearned ESOP compensation	--	(20)
Retained earnings	1,954	1,780
Accumulated other comprehensive loss	(70)	--
Total stockholders' equity	4,105	3,982
Total liabilities and stockholders' equity	$ 8,082	$ 8,060

See accompanying notes to the consolidated financial statements.

CONRAIL INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

($ in Millions)	Additional Paid-In Capital	Unearned ESOP Compensation	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 1999	$ 2,291	$ (75)	$ 1,584	$ --	$ 3,800
Net Income			26		26
Transfer of portion of prepaid pension assets to NSC and CSX (Note 8)	(54)				(54)
Allocation of unearned ESOP compensation		55			55
Other	(8)				(8)

Balance, December 31, 1999	2,229	(20)	1,610	--	3,819
Net Income			170		170
Other	(7)				(7)
Balance, December 31, 2000	2,222	(20)	1,780	--	3,982
Comprehensive income - 2001					
Net Income			174		174
Minimum pension liability, net of $45 million income taxes (Note 8)				(70)	(70)
Total comprehensive income					104
Allocation of unearned ESOP compensation	(1)	20			19
Balance, December 31, 2001	$ 2,221	$ --	$ 1,954	$ (70)	$ 4,105

See accompanying notes to the consolidated financial statements.

CONRAIL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,		
($ In Millions)	2001	2000	1999
Cash flows from operating activities			
Net income	$ 174	$ 170	$ 26
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	325	331	328
Deferred income taxes	(18)	101	48
Gains from sales of property	(2)	(70)	(6)
Pension credit	(19)	(12)	(45)
Dividends from affiliated companies	--	55	--
Changes in:			
Accounts receivable	1	18	529
Accounts and wages payable	(32)	8	(431)
Due from NSC/CSX	60	(36)	(196)
Due to NSC/CSX	(19)	(128)	159
Other	32	(75)	(16)
Net cash provided by operating activities	502	362	396
Cash flows from investing activities			
Property and equipment acquisitions	(47)	(220)	(176)
Notes receivable from NSC/CSX	(424)	125	(216)
Proceeds from disposals of properties	14	86	6
Other	--	(7)	(14)
Net cash used in investing activities	(457)	(16)	(400)
Cash flows from financing activities			
Payment of long-term debt	(61)	(318)	(112)
Net cash used in financing activities	(61)	(318)	(112)
Increase(decrease) in cash and cash equivalents	(16)	28	(116)

Cash and cash equivalents			
Beginning of year	50	22	138
End of year	$ 34	$ 50	$ 22

See accompanying notes to the consolidated financial statements.

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Description of Business

Conrail Inc. ("Conrail") is a holding company whose principal subsidiary is Consolidated Rail Corporation ("CRC"), the major freight railroad in the Northeast. Norfolk Southern Corporation ("NSC") and CSX Corporation ("CSX"), the major railroads in the Southeast, jointly control Conrail through their ownership interests in CRR Holdings LLC ("CRR"), whose primary subsidiary is Green Acquisition Corporation ("Green Acquisition"), which owns Conrail. NSC and CSX have equity interests in CRR of 58% and 42%, respectively, and voting interests of 50% each. From May 23, 1997, the date NSC and CSX completed their acquisition of Conrail stock, until June 1, 1999, Conrail's operations continued substantially unchanged while NSC and CSX awaited regulatory approvals and prepared for the integration of their respective Conrail routes and assets to be leased to their railroad subsidiaries, Norfolk Southern Railway Company ("NSR") and CSX Transportation, Inc. ("CSXT"). The operations of CRC substantially changed beginning June 1, 1999, when NSC and CSX began operating a portion of the Conrail properties under operating agreements (the "Closing Date") (Note 2).

Beginning June 1, 1999, Conrail's major sources of operating revenues are operating fees and lease rentals from NSC and CSX. The composition of CRC's operating expenses also reflects this change in operations. As a result, Conrail's 1999 results reflect the freight railroad operations of CRC through May 31, 1999, and reflect Conrail's new structure and operations that commenced on the Closing Date (Note 2).

Principles of Consolidation

The consolidated financial statements include Conrail and majority-owned subsidiaries. Investments in 20% to 50% owned companies are accounted for by the equity method.

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Cash Equivalents

Cash equivalents consist of commercial paper, certificates of deposit and other liquid securities purchased with a maturity of three months or less, and are stated at cost which approximates market value.

Material and Supplies

Material and supplies consist of maintenance material valued at the lower of cost or market.

Property and Equipment

Property and equipment are recorded at cost. Expenditures, including those on leased assets, that extend an asset's useful life or increase its utility are capitalized. Maintenance expense is recognized when repairs are performed. Depreciation is provided using the composite straight-line method over estimated service lives. In 2001, the overall depreciation rate averaged 3.5% for all roadway and equipment. The cost (net of salvage) of depreciable property retired or replaced in the ordinary course of business is charged to accumulated depreciation and no gain or loss is recognized.

Asset Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Expected future cash flows from the use and disposition of long-lived assets are compared to the current carrying amounts to determine the potential impairment loss.

Revenue Recognition

Revenue prior to June 1, 1999, was recognized proportionally as a shipment moved on the Conrail system from origin to destination. Beginning June 1, 1999, the Company's major sources of revenues are from NSC and CSX, primarily in the form of rental revenues and operating fees which are recognized when earned. Conrail continues to have third party revenues, which are recognized when earned, related to the operations of Indiana Harbor Belt Railroad Company, a 51% owned terminal railroad subsidiary.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management reviews its estimates, including those related to the recoverability and useful lives of assets as well as liabilities for litigation, environmental remediation, casualty claims, income taxes, pension and postretirement benefits. Changes in facts and circumstances may result in revised estimates.

2. Related Parties Transactions

Background

On May 23, 1997, NSC and CSX completed their joint acquisition of Conrail stock. On June 17, 1997, NSC and CSX executed an agreement which generally outlines the methods of governing and operating Conrail and its subsidiaries ("Transaction Agreement"). On July 23, 1998, the Surface Transportation Board ("STB") issued a written opinion that permitted NSC and CSX to exercise operating control of Conrail beginning August 22, 1998. On June 1, 1999, NSC and CSX began to operate over certain Conrail lines.

Commencement of Operations by NSR and CSXT

On June 1, 1999, the majority of CRC's routes and assets were segregated into separate subsidiaries of CRC, Pennsylvania Lines LLC ("PRR") and New York Central Lines LLC ("NYC"). PRR and NYC entered into separate but identical operating and lease agreements with NSR and CSXT, respectively, (the "Operating Agreements") which govern substantially all nonequipment assets to be used by NSR and CSXT and have initial 25-year terms, renewable at the options of NSR and CSXT for two 5-year terms. Payments made under the Operating Agreements are based on appraised values that are subject to adjustment every six years to reflect changes in such values. NSR and CSXT have also leased or subleased certain equipment assets at rentals based on appraised values for varying term lengths from PRR and NYC, respectively, as well as from CRC.

NSC and CSX have also entered into agreements with CRC governing other Conrail properties that continue to be owned and operated by Conrail ("the Shared Assets Areas"). NSR and CSXT pay CRC a fee for joint and exclusive access to the Shared Assets Areas. In addition, NSR and CSXT pay, based on usage, the costs incurred by CRC to operate the Shared Assets Areas plus a profit factor.

Payments made by NSR to Conrail under the Shared Assets agreements were $168 million and $117 million during 2001 and 2000, respectively, of which $27 million and $17 million, were minimum rents. Payments made by CSXT to Conrail under the Shared Assets agreements were $140 million and $107 million during 2001 and 2000, respectively, of which $19 million and $12 million, were minimum rents.

Payments from NSR under the Operating Agreements to PRR amounted to $331 million and $346 million during 2001 and 2000, respectively. Payments from CSXT under the Operating Agreements to NYC amounted to $241 million and $249 million during 2001 and 2000, respectively. In addition, costs necessary to operate and maintain the related assets under these agreements, including leasehold improvements, are borne by NSR and CSXT.

Future minimum lease payments to be received from NSR/CSXT are as follows:

($ in millions)	NSR To PRR	NSR To CRC	CSX To NYC	CSX To CRC	Total
2002	$ 327	$ 27	$ 240	$ 19	$ 613
2003	326	30	235	21	612
2004	331	32	239	23	625
2005	318	34	231	24	607
2006	303	34	221	24	582
2007 and Beyond	4,701	618	3,425	449	9,193
Total	$6,306	$775	$4,591	$560	$12,232

Related Party Balances and Transactions

"Due from NSC/CSX" at December 31, 2001 and 2000, is primarily comprised of amounts due for the above-described operating and rental activities.

PRR and NYC have interest-bearing notes receivable, payable on demand from NSC and CSX of $301 million and $214 million, respectively, at December 31, 2001, included in the "Notes receivable from NSC/CSX" line item on the balance sheet. The notes receivable balances due from NSC and CSX were $51 million and $40 million, respectively, at December 31, 2000. The interest rates on the notes receivable from NSC and CSX are variable and were both 2.45% at December 31, 2001. Interest income related to the PRR and NYC notes receivable was $13 million in 2001, $10 million in 2000 and $4 million in 1999.

"Due to NSC/CSX" includes amounts related to service provider agreements with both NSC and CSX to provide such services as accounting and administrative processing, personal injury and environmental case handling and other miscellaneous services ("Service Provider Agreements"). Additionally, "Due to NSC/CSX" includes amounts payable for rentals of locomotive and other equipment rentals; rental of various facilities CRC has occupied subsequent to May 31, 1999; and completion of various 1999 capital projects. Also in 2000, CRC paid NSC and CSX $42 million and $24 million, respectively, for CRC's vacation liability related to the portion of its workforce that became NSC and CSX employees subsequent to May 31, 1999.

A summary of the "Due to NSC and CSX" activity for the services described above follows:

	Payments to NSC		Payments to CSX	
($ in millions)	2001	2000	2001	2000
Service Provider Agreements	$ 6	$ 9	$ -	$ 2
Material purchases	31	35	-	-
Rentals of locomotives and other equipment	8	8	5	4
Rental of facilities	-	-	1	5
Capital project activities	17	86	3	122
Vacation liability	-	42	-	24
Total payments	$62	$180	$ 9	$157

	2001	2000	2001	2000
Due to "NSC and CSX" at December 31	$ 9	$ 29	$ 3	$ 2

From time to time, NSC and CSX, as the indirect owners of Conrail, may need to provide some of Conrail's cash requirements through capital contributions, loans or advances. Through December 31, 2001 there have been no transactions under these arrangements.

Prior to the Closing Date, the Company interchanged freight with both NSC and CSX for transport to destinations both within and outside of Conrail's service region. The Company shares ownership interests with either one or both railroads in various transportation-related entities, all of which are immaterial to the Company's operating results and financial position.

3. Transition, Acquisition-Related and Other Items

During the fourth quarter of 2001, the Company received cash proceeds totaling $42 million from several London-based insurance carriers as settlement for current and future exposures related to personal injury, occupational, environmental and other claims. The Company ecognized a pretax gain of $14 million, which is included in the Casualties and insurance" line item of the income statement for 2001.

During the second quarter of 2001, the Company received a $50 million cash payment for transferring to a third party certain of its rights to license, manage and market signboard advertising on the Company's property for 25 years. The payment is being recognized into other income on a straight-line basis over the 25 year contract period.

During 2001, accrued termination payments totaling $15 million were made to 107 non-union employees whose non-executive positions were eliminated as a result of the joint acquisition of Conrail. Most of these termination payments have been made in the form of supplemental retirement benefits from the Company's pension plan. During 2000 and 1999 accrued termination payments of $50 million and $77 million were made, respectively. The remaining amount of this liability is expected to be paid out within the next year.

Also during 2001, the Company made final settlement of a long-term liability related to the non-union Employee Stock Ownership (ESOP) termination, which has not required use of the Company's cash for settlement. The liability, the balance of which was $20 million at December 31, 2000, was settled as the remaining cash proceeds held by the ESOP as a result of selling its ESOP preferred stock in conjunction with the joint acqusition, were allocated to eligible participants.

During the first quarter of 2000, the Company completed a significant property sale and recognized a gain of $61 million on the sale ($37 million after income taxes), which is included in "Other income, net" (Note 10).

During 1999, the Company recorded net expenses of $138 million ($85 million after income taxes) for adjustments to certain litigation and environmental reserves related to settlements and completion of site reviews and, in accordance with the Transaction Agreement, for the method of settlement of certain casualty liabilities based on an actuarial study and for the assumption of a lease obligation by a subsidiary of CSX. The effects of these adjustments are reflected in the "Casualties and insurance" and "Other" operating expense line items of the income statement for 1999.

In 1997, the Company recorded a long-term liability of $110 million in connection with employment "change in control" agreements with certain executives, which became operative as a result of the joint acquisition of Conrail. A portion of the benefits under these agreements, $68 million, was paid in 1998 from the Employee Benefits Trust ("EBT"). In 2001, additional payments of $9 million were made primarily from the Company's pension plan. The remaining amount will be paid out at the discretion of the executives participating in this program.

4. Property and Equipment

	December 31, 2001	December 31, 2000
	(In millions)	
Roadway	$ 7,496	$ 7,500
Equipment	1,519	1,573
Less: Accumulated depreciation	(2,570)	(2,340)
	6,445	6,733
Capital leases (primarily equipment)	616	645
Accumulated amortization	(373)	(382)
	243	263
	$ 6,688	$ 6,996

Substantially all assets are leased to NSR or CSXT (Note 2).

5. Accrued and Other Current Liabilities

	December 31, 2001	December 31, 2000
	(In Millions)	
Operating leases	$ 45	$ 38
Property and corporate taxes	37	36
Income taxes payable	27	(21)
Other	48	53

$ 157	$ 106
=====	=====

6. Long-Term Debt and Leases

Long-term debt

Long-term debt outstanding, including the weighted average interest rates at December 31, 2001, is composed of the following:

	December 31, 2001	December 31, 2000
	(In Millions)	
Capital leases	$ 208	$ 262
Debentures payable,7.88%,due 2043	250	250
Debentures payable,9.75%,due 2020	550	550
Equipment and other obligations,6.92%	208	228
	1,216	1,290
Less current portion	(60)	(61)
	$ 1,156	$ 1,229

Interest payments were $113 million in 2001, $121 million in 2000 and $149 million in 1999.

Equipment and other obligations mature in 2002 through 2043 and are collateralized by assets with a net book value of $230 million at December 31, 2001. Maturities of long-term debt other than capital leases are $19 million in 2002, $20 million in 2003, $21 million in 2004, $20 million in 2005, $21 million in 2006 and $907 million in total from 2007 through 2043.

Leases

The Company's noncancelable long-term leases generally include options to purchase at fair value and to extend the terms. Capital leases have been discounted at rates ranging from 3.09% to 14.26% and are collateralized by assets with a net book value of $243 million at December 31, 2001.

Minimum commitments, exclusive of executory costs borne by the Company, are:

	Capital Leases	Operating Leases
	(In Millions)	
2002	$ 56	$ 62

2003	52	53
2004	53	53
2005	38	56
2006	24	54
2007 - 2025	56	358
Total	$ 279	$ 636
Less interest portion	(71)	
Present value	$ 208	

Operating lease rent expense was $70 million in 2001, $75 million in 2000 and $120 million in 1999.

7. Income Taxes

The provisions for income taxes are composed of the following:

	2001	2000	1999
	(In Millions)		
Current			
Federal	$ 77	$ (5)	$ (30)
State	25	1	1
	102	(4)	(29)
Deferred			
Federal	(22)	81	52
State	4	20	(4)
	(18)	101	48
	$ 84	$ 97	$ 19

Reconciliation of the U.S. statutory tax rates with the effective tax rates is as follows:

	2001	2000	1999
Statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	4.2	4.2	4.2
Nondeductible transition			

and acquisition-related costs	-	-	23.9
Settlement of state tax issues	(3.5)	-	-
Other	(3.1)	(2.9)	(20.9)
Effective tax rate	32.6%	36.3%	42.2%

The Company has reached final settlements with the Internal Revenue Service ("IRS") related to all of the audits of the Company's consolidated federal income tax returns through fiscal year 1995. The Company's consolidated federal income tax returns for April 30, 1996, December 31, 1996 and May 23, 1997, are currently being examined by the IRS. Federal and state income tax payments were $86 million in 2001, $3 million in 2000 and $38 million in 1999.

Significant components of the Company's deferred income tax liabilities (assets) are as follows:

	December 31, 2001	December 31, 2000
	(In Millions)	
Current assets	$ 57	$ 29
Current liabilities	(125)	(117)
Miscellaneous	(8)	(8)
Current deferred tax asset, net	$ (76)	$ (96)
Noncurrent liabilities:		
Property and equipment	2,008	2,049
Other long-term assets (primarily prepaid pension asset)	127	93
Other (mostly equipment obligations)	64	117
	2,199	2,259
Noncurrent assets:		
Nondeductible reserves and other liabilities	(245)	(204)
Tax benefit transfer receivable	(36)	(36)
Other (mostly equity investments)	(85)	(81)
	(366)	(321)
Deferred income tax liabilities, net	$1,833	$1,938

8. Pension and Postretirement Benefits

The Company and its subsidiaries sponsor several qualified and nonqualified pension plans and other postretirement benefit plans for its employees.

During 1999, the Company transferred approximately $350 million and $260 million of pension assets to NSC and CSX, respectively. NSC and CSX also assumed certain pension obligations related to former Conrail employees. The net effect on Conrail's financial statements was to reduce pension assets by $89 million. This transfer resulted in a $35 million reduction of deferred tax liabilities and is reflected as a capital distribution of $54 million.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending December 31, 2001, and a statement of the funded status as of December 31 of both years:

(In Millions)	Pension Benefits 2001	Pension Benefits 2000	Other Postretirement Benefits 2001	Other Postretirement Benefits 2000
Change in benefit obligation				
Net benefit obligation at beginning of year	$ 687	$ 739	$ 37	$ 44
Service cost	2	4	-	-
Interest cost	45	51	3	3
Plan participant's contributions	-	-	5	6
Plan amendments	-	-	-	(1)
Actuarial (gains) losses	16	5	-	(5)
Benefits paid	(88)	(112)	(9)	(10)
Net benefit obligation at end of year	$ 662	$ 687	$ 36	$ 37
Change in plan assets				
Fair value of plan assets at beginning of year	$ 720	$ 791	$ 8	$ 8
Actual return on plan assets	(20)	40	1	1
Employer contributions	1	1	3	3
Plan participant's contributions	-	-	5	6
Benefits paid	(88)	(112)	(9)	(10)
Fair value of plan assets at end of year	$ 613	$ 720	$ 8	$ 8
Funded status at end of year	$ (49)	$ 33	$ (28)	$ (29)
Unrecognized transition asset	-	(2)	-	-
Unrecognized prior service cost	8	9	(1)	(1)
Unrecognized actuarial (gains)losses	111	8	(11)	(12)
Net amount recognized at year end	$ 70	$ 48	$ (40)	$ (42)

The following amounts have been recognized in the balance sheets as of December 31:

(In Millions)	Pension Benefits 2001	Pension Benefits 2000	Other Postretirement Benefits 2001	Other Postretirement Benefits 2000
Prepaid pension cost	$ 110	$ 92	$ -	$ -
Accrued benefit cost	(163)	(44)	(40)	(42)
Intangible asset	8	-	-	-
Accumulated other comprehensive loss	115	-	-	-
	$ 70	$ 48	$ (40)	$ (42)

All of the Company's plans for postretirement benefits other than pensions have no plan assets except for the retiree life insurance plan, which had $8 million of assets in both 2001 and 2000. The aggregate benefit obligation for the postretirement plans other than pensions was $36 million and $37 million at December 31, 2001 and 2000, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $656 million, $655 million and $605 million, respectively, as of December 31, 2001 and $45 million, $45 million and $0, respectively as of December 31, 2000. As required by Statement of Financial Accounting Standard No. 87 "Employers' Accounting for Pensions", the Company recorded an additional minimum liability of $123 million at December 31, 2001. The additional liability was partially offset by an intangible asset to the extent of previously unrecognized prior service costs of $8 million at December 31, 2001. The remaining amount is recorded as a component of stockholders' equity, net of related tax benefits as "Accumulated Other Comprehensive Loss".

The assumptions used in the measurement of the Company's benefit obligation are as follows:

	Pension Benefits 2001	Pension Benefits 2000	Other Postretirement Benefits 2001	Other Postretirement Benefits 2000
Discount rate	7.25%	7.50%	7.25%	7.50%
Expected return on plan assets	9.00%	9.00%	8.00%	8.00%
Rate of compensation increase	5.00%	5.00%	5.00%	5.00%

A 6.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2002, gradually decreasing to 6% by the year 2007.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The effect of a one percentage point increase and (decrease) in the assumed health care cost trend rate on the accumulated postretirement benefit obligation is $1 million and $(1) million, respectively.

The components of the Company's net periodic benefit cost for the plans are as follows:

	Pension Benefits			Other Postretirement Benefits		
(In Millions)	2001	2000	1999	2001	2000	1999
Service cost	$ 2	$ 4	$ 10	$ -	$ -	$ -
Interest cost	45	51	53	3	3	4
Expected return on assets	(66)	(70)	(94)	(1)	(1)	(1)
Curtailment (gain) loss	-	-	19	-	-	(4)
Amortization of:						
Transition asset	(1)	(1)	(11)	-	-	-
Prior service cost	1	1	4	-	-	-
Actuarial (gain)loss	(1)	1	(8)	(1)	(1)	-
	$ (20)	$ (14)	$ (27)	$ 1	$ 1	$ (1)

Savings Plans

The Company and certain subsidiaries provide 401(k) savings plans for union and non-union employees. Under the Company's current non-union savings plan, 50% of employee contributions are matched for the first 6% of a participating employee's base pay and 25% of employee contributions are matched in excess of 10% of a participating employee's base pay. Savings plan expense related to the current non-union savings plan was $1 million in 2001, 2000 and 1999. There is no Company match provision under the union employee plan except for certain unions, which negotiated a Company match as part of their contract provisions.

Incentive Compensation Plans

The Company has an incentive compensation plan for all non-union employees in which employees receive targeted cash awards upon attainment of certain performance criteria established by the Company's Board of Directors. Compensation expense under this plan was $2 million in 2001, $5 million in 2000 and $0 in 1999.

The Company also has a long-term incentive plan under which the Company grants phantom stock options to officers and other key non-union employees. The option price for the phantom shares are equal to the blended fair market value of NSC and CSX common stock at the date of grant. Options will vest one year after grant date and the option term may not exceed ten years. Upon exercise, eligible participants will receive cash payments equal to the appreciation on the composite NSC and CSX common stock fair values. Compensation expense for this plan was $2 million in 2001 and $0 in both 2000 and 1999.

9. Stockholders' equity

Common Stock

On May 23, 1997, the NSC/CSX joint tender offer for the remaining outstanding shares of Conrail's common and preferred stock was concluded, and on June 2, 1997, Conrail became the surviving corporation in a merger with Green Merger Corp. and remained the only subsidiary of Green Acquisition, an entity jointly-owned by NSC and CSX. As a result, the remaining outstanding capital stock of Conrail was acquired by NSC and CSX and Green Acquisition was issued 100 shares of Conrail's common stock.

Undistributed Earnings of Equity Investees

"Retained earnings" includes undistributed earnings of equity investees of $180 million, $157 million and $188 million at December 31, 2001, 2000 and 1999, respectively.

10. Other Income, Net

	2001	2000	1999
		(In Millions)	
Interest income	$ 21	$ 21	$ 19
Rental income	47	45	37
Property sales	2	70	6
Equity earnings of affiliates	24	24	15
Other, net	9	(5)	(10)
	$ 103	$ 155	$ 67

11. Commitments and Contingencies

Environmental

The Company is subject to various federal, state and local laws and regulations regarding environmental matters. CRC is a party to various proceedings brought by both regulatory agencies and private parties under federal, state and local laws, including Superfund laws, and has also received inquiries from governmental agencies with respect to other potential environmental issues. At December 31, 2001, CRC has received, together with other companies, notices of its involvement as a potentially responsible party or requests for information under the Superfund laws with respect to cleanup and/or removal costs due to its status as an alleged transporter, generator or property owner at 39 locations. However, based on currently available information, the Company believes CRC may have some potential responsibility at only 36 of these sites. Due to the number of parties involved at many of these sites, the wide range of costs of possible remediation alternatives, the changing technology and the length of time over which these matters develop, it is often not possible to estimate CRC's liability for the costs associated with the assessment and remediation of contaminated sites.

Although the Company's operating results and liquidity could be significantly affected in any quarterly or annual reporting period if CRC were held principally liable in certain of these actions, at December 31, 2001, the Company had accrued $70 million, an amount it believes is sufficient to cover the probable liability and remediation costs that will be incurred at Superfund sites and other sites based on known information and using various estimating techniques. The Company anticipates that much of this liability will be paid out over five years; however some costs will be paid out over a longer period. The Company believes the ultimate liability for these matters will not materially affect its consolidated financial condition.

The Company spent $10 million in 2001 and $9 million each in 2000 and 1999 for environmental remediation and related costs. In addition, the Company's capital expenditures for environmental control and abatement projects were approximately $1 million each in 2000 and 1999.

Casualty

The Company is involved in various legal actions, principally relating to occupational health claims, personal injuries, casualties, property damage and damage to lading. The casualty claim liability is determined actuarially, based upon claims filed and an estimate of claims incurred but not yet reported. During 2001, the Company experienced favorable claims development and, based on the actuarial studies, recorded a net reduction of expense of approximately $12 million, which is included in the "Casualties and insurance" line item of the income statement. While the ultimate amounts of claims incurred are dependent upon future developments, in management's opinion, the recorded liability is adequate to cover expected probable payments. The Company is generally self-insured for casualty claims. Claims in excess of self-insurance levels are insured up to excess coverage limits.

Labor

CRC had 1,544 employees at December 31, 2001; approximately 90% of whom are represented by 12 different labor organizations and are covered by 16 separate collective bargaining agreements. The Company was engaged in collective bargaining at December 31, 2001 with labor organizations representing approximately 79% of its labor force.

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Guarantees

CRC currently guarantees the principal and interest payments in the amount of $33 million on Equipment Trust Certificates for Locomotive Management Services, a general partnership of which CRC holds a fifty percent non-controlling interest.

12. Fair Values of Financial Instruments

The fair values of "Cash and cash equivalents," "Accounts receivable," "Notes receivable from NSC/CSX" and "Accounts payable" approximate carrying values because of the short maturity of these financial instruments.

Using current market prices when available, or a valuation based on the yield to maturity of comparable debt instruments having similar characteristics, credit rating and maturity, the total fair value of the Company's long-term debt, including the current portion, but excluding capital leases, is $1,204 million and $1,150 million at December 31, 2001 and 2000, respectively, compared with carrying values of $1,008 million and $1,028 million at December 31, 2001 and 2000, respectively.