

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

## FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
 EXCHANGE ACT OF 1934  
 For the quarterly period ended September 30, 1994

( ) 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)

(IRS Employer Identification No.)

Three Commercial Place  
 Norfolk, Virginia

23510-2191

-----  
 (Address of principal executive offices)

Zip Code

Registrant's telephone number, including area code (804) 629-2680  
 -----

No Change

-----  
 (Former name, former address and former fiscal year,  
 if changed since last report.)

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. (X) Yes ( ) No

The number of shares outstanding of each of the registrant's classes of  
 Common Stock, as of the last practicable date:

Class	Outstanding as of October 31, 1994
-----	-----
Common Stock (par value \$1.00)	134,690,669 shares (excluding 7,252,634 shares held by registrant's consolidated subsidiaries)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

INDEX

Page

Part I. Financial Information:

Item 1. Consolidated Statements of Income  
 Three Months and Nine Months Ended  
 September 30, 1994 and 1993

3-4

Consolidated Balance Sheets

September 30, 1994 and December 31, 1993	5
Consolidated Statements of Cash Flows Nine Months Ended September 30, 1994 and 1993	6
Notes to Consolidated Financial Statements	7-10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11-15
PartII. Other Information:	
Item 1. Legal Proceedings	16
Item 6. Exhibits and Reports on Form 8-K	16
Signatures	17
Index to Exhibits	18

PAGE 3

PART I. FINANCIAL INFORMATION  
NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Income  
(In millions of dollars except per share amounts)  
(Unaudited)

	Three Months Ended September 30, 1994		Nine Months Ended September 30, 1994	
	1994	1993	1994	1993
TRANSPORTATION OPERATING REVENUES:				
Railway:				
Coal	\$ 325.0	\$ 300.2	\$ 952.4	\$ 906.6
Merchandise	622.7	584.2	1,880.7	1,806.5
Other	28.1	29.9	82.8	93.4
Total railway	975.8	914.3	2,915.9	2,806.5
Motor carrier (Note 6)	195.4	174.6	493.5	568.3
Total transportation operating revenues	1,171.2	1,088.9	3,409.4	3,374.8
TRANSPORTATION OPERATING EXPENSES:				
Railway:				
Compensation and benefits (Notes 9 and 10)	340.4	349.3	1,033.5	1,052.0
Materials, services and rents	160.2	158.6	486.5	493.9
Depreciation	95.1	90.5	283.4	269.2
Diesel fuel	47.3	40.0	139.7	130.6
Casualties and other claims	36.4	30.5	103.0	90.7
Other	32.5	33.2	109.0	100.7
Total railway	711.9	702.1	2,155.1	2,137.1
Motor carrier (Note 6)	181.8	161.4	476.2	627.9
Total transportation operating expenses	893.7	863.5	2,631.3	2,765.0
Income from operations	277.5	225.4	778.1	609.8
Other income (expense):				
Interest income	7.4	6.2	18.7	18.9
Interest expense on debt	(27.5)	(24.5)	(75.2)	(74.7)
Other-net	8.7	25.9	48.3	98.3
Total other income (expense)	(11.4)	7.6	(8.2)	42.5

Income before income taxes and cumulative effect of accounting changes	266.1	233.0	769.9	652.3
Income taxes (Note 8):				
Provision on pretax earnings	97.8	91.6	278.2	216.8
Adjustment of net deferred tax liability for federal rate increase	--	46.2	--	46.2
	-----	-----	-----	-----
Total income taxes	97.8	137.8	278.2	263.0
	-----	-----	-----	-----
Income before accounting changes	168.3	95.2	491.7	389.3

(Continued)

PAGE 4

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Income (Continued)  
(Unaudited)

	Three Months Ended September 30, 1994		Nine Months Ended September 30, 1993	
	-----	-----	-----	-----
Cumulative effect on years prior to 1993 of changes in accounting principles (Note 7) for:				
Income taxes	--	--	--	466.8
Postretirement benefits other than pensions; and postemployment benefits - net of taxes	--	--	--	(243.5)
	-----	-----	-----	-----
NET INCOME	\$ 168.3	\$ 95.2	\$ 491.7	\$ 612.6
	=====	=====	=====	=====
PER SHARE AMOUNTS (NOTE 11):				
Earnings per share before accounting changes	\$ 1.24	\$ 0.69	\$ 3.59	\$ 2.79
Cumulative effect on years prior to 1993 of changes in accounting principles for:				
Income taxes	--	--	--	3.34
Postretirement benefits other than pensions; and postemployment benefits	--	--	--	(1.74)
	-----	-----	-----	-----
EARNINGS PER SHARE	\$ 1.24	\$ 0.69	\$ 3.59	\$ 4.39
	=====	=====	=====	=====
DIVIDENDS PER SHARE	\$ 0.48	\$ 0.48	\$ 1.44	\$ 1.38

See accompanying notes to consolidated financial statements.

PAGE 5

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
Consolidated Balance Sheets  
(In millions of dollars)  
(Unaudited)

	September 30, 1994	December 31, 1993
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 136.5	\$ 80.5
Short-term investments (Note 4)	320.6	177.7
Accounts receivable - net	763.3	729.9
Materials and supplies	65.7	70.3
Deferred income taxes	144.5	177.7
Other current assets (Note 4)	66.7	327.4
	-----	-----
Total current assets	1,497.3	1,563.5
Investments	173.5	160.3
Properties less accumulated depreciation	8,883.2	8,730.7
Other assets	99.3	65.3
	-----	-----
TOTAL ASSETS	\$10,653.3	\$10,519.8
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt (Note 3)	\$ 46.9	\$ 149.5
Accounts payable	718.7	653.6
Income and other taxes	165.9	135.3
Other current liabilities	133.8	145.8
Current maturities of long-term debt	71.3	113.7
	-----	-----
Total current liabilities	1,136.6	1,197.9
Long-term debt (Note 3)	1,560.0	1,481.5
Other liabilities	1,001.4	1,035.4
Minority interests	53.5	54.5
Deferred income taxes - net	2,173.3	2,129.8
	-----	-----
TOTAL LIABILITIES	5,924.8	5,899.1
	-----	-----
Stockholders' equity:		
Common stock \$1.00 per share par value	142.8	145.7
Other capital	417.4	417.1
Retained income	4,188.9	4,078.5
Less treasury stock at cost, 7,252,634 shares	(20.6)	(20.6)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	4,728.5	4,620.7
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$10,653.3	\$10,519.8
	=====	=====

See accompanying notes to consolidated financial statements.

PAGE 6

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
(In millions of dollars)  
(Unaudited)

	Nine Months Ended September 30,	
	1994	1993
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 491.7	\$ 612.6
Reconciliation of net income to net cash provided by operating activities:		
Net cumulative effect of changes in		

accounting principles	--	(223.3)
Special charge payments	(30.2)	(27.6)
Depreciation	305.7	307.8
Deferred income taxes	68.3	28.5
Nonoperating gains and losses on properties and investments	(13.1)	(67.2)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(43.6)	(1.9)
Materials and supplies	4.6	8.5
Other current assets	16.2	35.9
Current liabilities other than debt	54.6	43.9
Other - net	2.8	28.3
	-----	-----
Net cash provided by operating activities	857.0	745.5
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(491.9)	(508.4)
Property sales and other transactions	53.4	94.5
Investments and loans	(44.5)	(65.5)
Investment sales and other transactions	260.1	46.3
Short-term investments - net	(143.3)	50.8
	-----	-----
Net cash used for investing activities	(366.2)	(382.3)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends	(197.9)	(193.0)
Common stock issued - net	9.4	12.9
Purchase and retirement of common stock	(179.0)	(98.6)
Long-term debt proceeds	41.4	15.0
Debt repayments	(108.7)	(74.1)
	-----	-----
Net cash used for financing activities	(434.8)	(337.8)
	-----	-----
Net increase in cash and cash equivalents	56.0	25.4
CASH AND CASH EQUIVALENTS:*		
At beginning of year	80.5	111.8
	-----	-----
At end of period	\$ 136.5	\$ 137.2
	=====	=====
-----		
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 93.3	\$ 95.3
Income taxes	\$ 154.3	\$ 228.0

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

See accompanying notes to consolidated financial statements.

PAGE 7

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of Management, the accompanying unaudited interim financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position as of September 30, 1994, and the results of operations and cash flows for the nine months ended September 30, 1994 and 1993.

While Management believes that the disclosures presented are adequate to make the information not misleading, these consolidated financial statements should be read in conjunction with the financial statements and notes included in the Corporation's latest Annual Report on Form 10-K.

2. Contingencies

There have been no significant changes since year end 1993 in matters discussed in NOTE 16, CONTINGENCIES, appearing in the NS Annual Report

on Form 10-K for 1993), Notes to Consolidated Financial Statements, beginning on page 86. An update of the status of certain legal proceedings was included in Part I, Item 3 - Legal Proceedings, of the NS Annual Report on Form 10-K for 1993 and in Part II, Item 1 - Legal Proceedings, of the Form 10-Q for the first quarter of 1994. A further update is included in Part II, Item 1 - Legal Proceedings, of this Form 10-Q.

### 3. Commercial Paper Program

Since 1990, NS has had a revolving credit agreement supporting its commercial paper program. On March 29, 1994, NS entered into a new credit agreement effective through March 29, 1999, which increased the credit limit under its revolving credit facility from \$400 million to \$500 million. A portion of commercial paper outstanding, to the extent of the revolving credit agreement, is classified as long-term debt. Accordingly, the amount of commercial paper notes classified as long-term debt in the Consolidated Balance Sheet increased to \$500 million in 1994.

### 4. Investments

The planned borrowing of the cash surrender value of certain corporate owned life insurance policies, amounting to approximately \$220 million, resulted in this amount's being reclassified in the December 31, 1993, Consolidated Balance Sheet from Investments to Other current assets. The borrowing, which was completed in May 1994, resulted in the decline in Other current assets with a corresponding increase in Cash and Short-term investments.

### 5. Share Purchase Programs

Since 1987, the Board of Directors has authorized the purchase and retirement of up to 65 million shares of common stock. Purchases under the programs initially were made with internally generated cash. Beginning in May 1990, some purchases were financed with proceeds from the sale of short-term commercial paper notes. In February 1992 and March 1991, long-term notes totaling \$500 million were issued in part to repay portions of the commercial paper notes, as well as to provide funds for additional purchases. Since the first purchases in December 1987 through September 30, 1994, NS has purchased and retired

PAGE 8

## NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 5. Share Purchase Programs (continued)

56,708,500 shares of its common stock at a cost of approximately \$2.4 billion. Future purchases are dependent on market conditions, the economy, cash needs and alternative investment opportunities.

### 6. Motor Carrier Restructuring

In mid-1993, NS began a restructuring of its motor carrier subsidiary, North American Van Lines, Inc. (NAVL). The restructuring of NAVL's truckload business resulted in the liquidation or transfer to other divisions of most of the Commercial Transport Division's assets and, in December 1993, the sale of Tran-Star's (refrigerated trucking) operations. NAVL's 1994 revenues and expenses reflect the results of its remaining operations.

In the second quarter of 1993, as a result of these planned dispositions, NS recorded a \$50.3 million pretax (\$32.3 million after-tax) charge and recognized an additional tax benefit of \$36.8 million associated with the restructuring. The estimated costs of the restructuring included projected operating losses during the phase-out period, as well as labor, equipment and facility-related costs.

### 7. Required Accounting Changes

1994  
----

Effective January 1, 1994, NS adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115). SFAS 115 addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. The effect on NS, which had no impact on earnings, resulted in a \$6.3 million increase in stockholders' equity as of January 1, 1994, (\$2.9 million as of September 30, 1994) reflecting unrealized appreciation on certain investments, net of the related deferred taxes.

1993

----

Effective January 1, 1993, NS adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106), and Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS 112). The cumulative effects for years prior to 1993 of adopting SFAS 106 and SFAS 112 increased pretax expenses \$360.2 million (\$223.8 million after-tax), and \$31.8 million (\$19.7 million after-tax), respectively, reducing earnings per share for the first six months of 1993 by \$1.74.

Also effective January 1, 1993, NS adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). SFAS 109 required a change from the deferred method of accounting for income taxes to the asset and liability method of accounting for income taxes. The cumulative effect on years prior to 1993 of adopting SFAS 109 increased 1993 net income and earnings per share by \$466.8 million and \$3.34, respectively.

PAGE 9

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Required Accounting Changes (continued)

The effect on net income and earnings per share as a result of implementing the accounting changes was to increase net income and earnings per share by \$223.3 million and \$1.60 per share, respectively.

8. Federal Income Tax Rate Increase in 1993

Tax legislation enacted in August 1993 increased the federal corporate income tax rate from 34 percent to 35 percent, retroactive to January 1, 1993. SFAS 109 (see Note 7) requires full recognition of such a change in the period of enactment. The effect on NS was to reduce net income for the third quarter and nine months ended September 30, 1993, by \$51.8 million, or \$0.37 per share. The provision for income taxes includes \$46.2 million, or \$0.33 per share, related to deferred tax assets and liabilities reflected in the balance sheet, and \$5.6 million, or \$0.04 per share, related to 1993's pretax earnings.

9. Special Charge Reversal in 1993

Based on NS' success in eliminating reserve board positions and other events occurring in the third quarter of 1993, the accrual included in the 1991 special charge related to labor was reduced by \$46 million and was reflected as a credit in compensation and benefits expenses. The principal factor contributing to the reversal was that, in 1993, agreement on terms for certain further labor savings could not be reached. Accordingly, it became apparent that a surplus existed in the labor portion of the provision established in the 1991 special charge.

10. Early Retirement Program in 1993

Third-quarter 1993 compensation and benefits expense included a \$42.4 million charge for a voluntary early retirement program for salaried employees. The principal benefit for those who participated in the program was enhanced pension benefits.

## 11. Earnings Per Share

Earnings per share are computed by dividing net income by the weighted average number of common shares outstanding as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	1994	1993	1994	1993
	-----	-----	-----	-----
	(In thousands)			
Average number of shares outstanding	135,992	139,169	137,105	139,659

Recent decreases in the average number of outstanding shares of NS common stock are the result of the share purchase program described in Note 5.

PAGE 10

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

## RESULTS OF OPERATIONS

### Net Income

Net income increased \$73.1 million, or 77 percent, in the third quarter of 1994 when compared with third quarter 1993. Last year's results included a \$51.8 million increase in income taxes due to a retroactive change in the federal corporate income tax rate which became effective during that quarter (see Note 8). Excluding the Adjustment of net deferred tax liability for federal rate increase in 1993, third-quarter net income was up \$26.9 million, or 19 percent, over last year.

Net income for the nine months ended September 30, 1994, was up \$56.2 million, or 13 percent, over the same period last year, excluding the 1993 cumulative effect of accounting changes (see Note 7) and the Adjustment of net deferred tax liability for federal rate increase (see Note 8).

### Railway Operating Revenues

Railway operating revenues increased \$61.5 million, or 7 percent, in the third quarter, and \$109.4 million, or 4 percent, for the nine months ended September 30, 1994, when compared with the same periods last year. The increases in operating revenues were due to:

	Third Quarter 1994 vs. 1993 Increase (Decrease)	First Nine Months 1994 vs. 1993 Increase (Decrease)
	-----	-----
	(In millions of dollars)	
Traffic volume (carloads)	\$ 73.6	\$ 178.8
Revenue per unit/mix	(10.3)	(58.8)
Other	(1.8)	(10.6)
	-----	-----
	\$ 61.5	\$ 109.4
	=====	=====

PAGE 11

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



The principal revenue commodity groups and the changes from the prior year were as follows:

	Third Quarter 1994 vs. 1993 Increase (Decrease)	First Nine Months 1994 vs. 1993 Increase (Decrease)
	-----	-----
	(In millions of dollars)	
Coal	\$ 24.8	\$ 45.8
Merchandise:		
Intermodal *	12.9	16.5
Chemicals	11.3	28.4
Metals/construction	7.4	15.3
Agriculture	3.4	20.2
Automotive	2.6	(6.4)
Paper/forest	0.9	0.2
Other, principally switching and demurrage	(1.8)	(10.6)
	-----	-----
	\$ 61.5	\$ 109.4
	=====	=====

\* See "Merchandise" discussion for effect related to the Triple Crown Service Company (TCSC) partnership.

#### Coal - ----

Coal revenues were up 8 percent for the third quarter and 5 percent for the nine months, when compared with last year. These improvements resulted primarily from increased utility coal traffic, up 15 percent for the third quarter and 20 percent year-to-date, compared with 1993. This compares very favorably with the national increase in electricity generation of less than 1 percent for the quarter and 2 percent year-to-date. The growth principally was due to the rebuilding of utility stockpiles and to new business. Export coal traffic was up slightly for the quarter, improving over the first and second quarters' declines related to the weak European economy. Somewhat offsetting these improvements were reductions in domestic metallurgical coal shipments due to depressed domestic coke use caused by changes in steel-making technology. For the remainder of the year, total coal traffic is expected to exceed last year's levels slightly.

#### Merchandise - -----

Third-quarter merchandise traffic produced revenue gains in all commodity groups. And, for the year-to-date, all commodity groups except automotive posted gains over 1993. Intermodal, NS' fastest growing group, was up 14 percent in the third quarter and 13 percent year-to-date, compared with last year (adjusted to exclude nonrail Triple Crown revenues in 1993). Year-to-date intermodal revenue comparisons are affected by a change in reporting as a result of the TCSC partnership with Conrail which began on April 1, 1993. Because Norfolk Southern

PAGE 12

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

Corporation indirectly owns 50 percent of TCSC, its revenues are not consolidated. Accordingly, NS' intermodal operating revenues after first quarter 1993 include only revenues for rail service provided to the partnership. Third-quarter and year-to-date intermodal traffic was up 14 percent and 11 percent, respectively, compared with last year. The chemicals group, boosted by strong movements of fertilizer, produced revenue increases of 10 percent for the quarter and 8 percent year-to-date, compared with 1993. Increased revenues also were reported in the metals/construction group, up 10 percent for the quarter and 7 percent year-to-date, compared with 1993. A 12 percent quarterly gain in steel business as a result of broad market strength (steel is having its best year since 1973), coupled with increased car

supply and new traffic to Mexico, contributed to these improvements. Automotive results in 1994 have been disappointing, although the third quarter showed a small improvement over last year. Retooling downtimes at certain plants served by NS have been largely responsible for the declines. However, traffic at automotive assembly plants unaffected by retooling continues to do well. Over the next few years, growth and market share may improve steadily, as retooling is completed and new plants, such as the BMW and Mercedes-Benz facilities, come on line. The near-term outlook for the other merchandise commodity groups is for continued strength, as growth is anticipated in most markets, particularly intermodal and metals/construction.

#### Railway Operating Expenses

-----  
Despite increased traffic, railway operating expenses increased only \$9.8 million, or 1 percent, in the third quarter of 1994 and \$18.0 million, or just under 1 percent for the nine-month period, when compared with 1993. The largest increase for the quarter was in Diesel fuel, up \$7.3 million, or 18 percent, due to higher consumption associated with an 8 percent increase in carloads and to a 6 percent increase in the average price per gallon. Also increasing were Casualties and other claims, up \$5.9 million, or 19 percent, as a result of higher estimated claim settlement costs, and Depreciation, up \$4.6 million, or 5 percent, due to increased investment in plant and equipment. Compensation and benefits expense declined slightly, despite increased business levels, largely due to lower fringe benefit costs and lower expenses related to stock-based compensation.

Included in third-quarter 1993 compensation and benefits expense were two large items described in Notes 9 and 10. The first produced a credit and was related to the 1991 special charge, which included a reserve for costs necessary to achieve the productivity gains associated with the then new crew-consist agreements. During 1993, agreement on terms for certain further labor savings could not be reached. This, taken with the early success in reducing excess employees, resulted in a \$46 million surplus in the crew consist reserve which was recorded as a credit to compensation and benefits expense. The second item resulted from a voluntary early retirement program completed in September 1993. The program's total cost was \$42.4 million and, in 1994, produced savings of about \$12 million.

PAGE 13

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

The small increase in year-to-date railway operating expenses was the net result of increases in most expense categories which were largely offset by declines in Compensation and benefits and in Materials, services and rents. The principal increases were in Depreciation, up \$14.2 million, or 5 percent, due to a larger capital base; Casualties and other claims, up \$12.3 million, or 14 percent, due to higher estimated claim settlement costs and to environmental clean-up costs associated with a tank car leak; and Diesel fuel, up \$9.1 million, or 7 percent, largely due to increased consumption driven by a 7 percent rise in carloadings. Also increasing were Other expenses which rose \$8.3 million, or 8 percent, due in part to higher relocation expenses related to new job assignments following last year's early retirement program, and to a variety of smaller factors. Compensation and benefits expenses declined \$18.5 million, or 2 percent, principally as a result of lower employment taxes associated with the expiration in June 1993 of the Railroad Retirement Repayment Tax and reduced accruals for postretirement benefits resulting from a change in the benefit plan's creditable service period. Last year's early retirement program also had a favorable impact on Compensation and benefits expenses in 1994.

#### Motor Carrier Operating Revenues

-----  
Motor carrier operating revenues were up \$20.8 million, or 12 percent, in the third quarter but declined \$74.8 million year-to-date, when compared with the same periods last year. However, due to last year's restructuring of NAVL (see Note 6), motor carrier revenues and expenses in 1994 include only the Relocation Services (RS) and High Value Products

(HVP) divisions; through June 1993, motor carrier results also reflected the operations of the Commercial Transport (CT) Division and Tran-Star, Inc. Including only the RS and HVP divisions, year-to-date revenues were up \$61.9 million, or 14 percent. The increased revenues for both the quarter and year-to-date were attributable primarily to the HVP Division. However, a substantial portion of the HVP increase was due to the inclusion of certain specialized freight business which previously was part of the discontinued CT Division.

#### Motor Carrier Operating Expenses

Motor carrier operating expenses increased \$20.4 million, or 13 percent, for the third quarter but were down \$151.7 million, or 24 percent, for the nine months, compared with the same periods last year. Excluding the discontinued operations and the 1993 restructuring charge (see related discussion in Motor Carrier Operating Revenues and Note 6), year-to-date operating expenses rose \$54.3 million, or 13 percent. These increases were associated with higher volume and with higher expenses in the HVP Division that resulted from the addition of specialized freight business from the discontinued CT Division.

#### Other Income (Expense)

Other income (expense) was down \$19.0 million and \$50.7 million, respectively, compared with third quarter and year-to-date 1993. The decrease was primarily in the Other-net category which declined \$17.2 million for the quarter and \$50.0 million year-to-date. Significantly lower gains on

PAGE 14

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

property dispositions and the absence of gains on investment sales caused most of the 1994 decline. Interest income was up \$1.2 million, or 19 percent, for the quarter and was about flat, year-to-date. The quarterly improvement primarily was due to an increase in invested cash which resulted from the corporate owned life insurance borrowing (see Note 4). Interest expense on debt was up \$3.0 million, or 12 percent, and \$0.5 million, or 1 percent, for the third quarter and year-to-date, respectively, principally due to an adjustment of capitalized interest.

#### Provision for Income Taxes

The provision for income taxes in the third quarter totaled \$97.8 million, for an effective tax rate of 36.8 percent, compared with an effective tax rate of 59.1 percent in 1993. For the first nine months of 1994, income taxes were \$278.2 million for an effective tax rate of 36.1 percent, compared with an effective tax rate of 40.3 percent in 1993. The unusually high effective rates in 1993 primarily were related to the retroactive 1 percent increase in the federal corporate income tax rate (see Note 8). Excluding the retroactive increase, third-quarter and year-to-date 1993 effective tax rates would have been 36.9 percent and 32.4 percent, respectively. The low 1993 nine-month effective rate was largely due to the tax benefits associated with the NAVL restructuring (see Note 6). The provision for income taxes in 1994 benefited from several minor adjustments primarily related to prior years. The effective tax rate in 1994 benefited in the first quarter from favorable adjustments resulting from an audit settlement of the consolidated federal income tax returns for the years 1988 and 1989; in the second quarter from an adjustment to the valuation allowance for a deferred tax asset; and in the third quarter from a favorable return adjustment upon filing the 1993 tax return.

#### FINANCIAL CONDITION AND LIQUIDITY

	September 30, 1994	December 31, 1993
	-----	-----
	(In millions of dollars)	

Cash and short-term investments	\$457.1	\$258.2
---------------------------------	---------	---------

Working capital	\$360.7	\$365.6
Current ratio	1.3	1.3
Debt to total capitalization	26.2%	27.4%

CASH FLOWS FROM OPERATING ACTIVITIES are NS' principal source of liquidity and were sufficient to cover cash outflows for dividends, debt repayments and capital spending (see Consolidated Statements of Cash Flows on page 6). The increase in Net cash provided by operating activities compared with the first nine months of 1993 primarily was due to lower income tax payments made in 1994 combined with higher income from operations.

CASH FLOWS FROM INVESTING ACTIVITIES were affected principally by capital spending for property additions which included approximately \$71 million for the first-quarter acquisition of coal reserves in West Virginia and Kentucky. Excluding this large property acquisition,

PAGE 15

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

railway and motor carrier capital expenditures, as anticipated, were well below last year. The Property sales and other transactions figure principally reflects proceeds from dispositions of nonoperating property, while Investment sales and other transactions primarily reflects gains on the sale of investment securities and borrowings on corporate owned life insurance (COLI). Approximately \$220.0 million of COLI cash surrender value, which was reflected in Other current assets in the December 31, 1993, Consolidated Balance Sheet, was borrowed in second quarter 1994 and is principally responsible for the source of cash in Investment sales and other transactions in the Consolidated Statements of Cash Flows and for the increase in Cash and short-term investments in the table on page 14.

CASH FLOWS FROM FINANCING ACTIVITIES reflect primarily uses of cash, as total debt issued was only \$41.4 million for the nine months ended September 30, 1994. A portion of the proceeds from this debt issuance had not been spent as of the end of the quarter and is reflected in Other assets in the Consolidated Balance Sheet. Open-market purchases of NS common stock have continued in accordance with the share purchase program described in Note 5.

OTHER

Lease renewal negotiations continue with respect to 300 miles of leased road in North Carolina. These leases are scheduled to expire at the end of 1994. If the leases are not renewed, NS' railroads could be required to continue using the lines subject to conditions prescribed by the ICC, or they might find it necessary ultimately to operate over an alternate route or routes. It is not expected that the resolution of this matter, whether resulting in renewal of the leases, continued use of the leased lines under prescribed conditions or operation over one or more alternate routes, will have a material effect on NS' consolidated financial position.

PAGE 16

PART II - OTHER INFORMATION  
-----  
NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

Item 1. Legal Proceedings  
-----

New Orleans, Louisiana - Tank Car Fire. A number of lawsuits have been filed as a result of a tank car fire which occurred in New Orleans, La., on September 9, 1987, and resulted in the evacuation of many residents of the surrounding area. Plaintiffs allege that they were injured and sustained other economic loss when a chemical called butadiene leaked from a tank car under the control of either CSX Transportation, Inc., or New Orleans Terminal Company (a subsidiary of Norfolk Southern Railway) or both. In addition to the rail defendants, defendants in one or more of the suits include the City of New Orleans, the owner of the tank car (General American Transportation Corporation), the loader of the tank car (GATX Terminals Corporation), and the shipper (Mitsui & Co. (USA Inc.)). The suits, which are pending in the Civil District Court for the parish of Orleans, seek damages ranging from \$10,000 to \$20,000,000,000. Management, after consulting with legal counsel, is of the opinion that NS' ultimate liability in this matter will not materially affect the consolidated financial position of NS. Accordingly, unless circumstances result in a reassessment of NS' financial exposure that is material--not currently anticipated--Management expects to make no further report about this matter, which has been reported previously by NS in Part II, Item 1, of its Form 10-Q Reports for the quarters ending September 30, 1987, and March 31, 1990; and in Part I, Item 3, of its Form 10-K Annual Reports for 1987, 1988, 1989, 1990, 1991, 1992 and 1993.

Item 6. Exhibits and Reports on Form 8-K

-----  
(a) Exhibits

Form of Severance Agreement

Computation of Earnings Per Share

Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed for the three months ended September 30, 1994.

PAGE 17

SIGNATURES

-----

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORFOLK SOUTHERN CORPORATION

-----  
(Registrant)

Date: November 9, 1994  
-----

/s/ Dezora M. Martin  
-----  
Dezora M. Martin  
Assistant Corporate Secretary (Signature)

Date: November 9, 1994  
-----

/s/ John P. Rathbone  
-----  
John P. Rathbone  
Vice President and Controller  
(Principal Accounting Officer) (Signature)

PAGE 18

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

INDEX TO EXHIBITS  
-----

Electronic  
Submission  
Exhibit  
Number

Description

Page  
-----

10	Form of Severance Agreement, dated as of September 1, 1994, between the Corporation and certain executive officers: D. R. Goode, J. R. Turbyfill, R. A. Brogan, J. S. Shannon, S. C. Tobias, D. H. Watts and H. C. Wolf	19-39
11	Statement re Computation of Earnings Per Share	40-43
27	Financial Data Schedule (This exhibit is required to be submitted electronically pursuant to the rules and regulations of the Securities and Exchange Commission and shall not be deemed filed for purposes of Section 11 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934.)	44

## AGREEMENT

This agreement, dated as of September 1, 1994, between Norfolk Southern Corporation ("Corporation") and \_\_\_\_\_ ("Agreement") (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; (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.

You are intended to rely on this Agreement. Its terms and protections reflect the Corporation's beliefs that, in the event of a potential Change in Control, (a) the best interests of its stockholders require management focus and continuity; and (b) 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.

## I. Effective Date and Term

-----  
The Agreement is effective and its term ("Term") begins on the date hereof; the Term ends on the earliest of (a) the date, prior to a Change in Control, you cease to be an employee of the Corporation, (b) the date, prior to a Change in Control, you cease to be eligible to participate in the Corporation's Management Incentive Plan (or any successor[s]) and (c) 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, 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 (vii) 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) and (iii); (2) continue to provide the Additional Benefits detailed in subparagraph (iv); (3) pay or afford the other amounts or credits provided in subparagraphs (v) and (vi); 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 participate in or under any feature of any compensation policy, plan, program or arrangement of the Corporation, a lump-sum payment ("Severance Pay") in an amount that is three (3) times the sum of:
  - (A) an amount equal to your Base Pay (determined in accordance with (C)(ii) in Attachment A); and
  - (B) an amount equal to your Incentive Pay (determined in accordance with (H) and (I)(ii) in Attachment A).
- (ii) PERFORMANCE SHARE EQUIVALENT. In lieu of your having any entitlement to unearned Performance Share Units 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 Equivalent (determined in accordance with Item K in Attachment A).
- (iii) OPTION EQUIVALENT. Except in the case of persons at the time subject to Section 16 of the Securities Exchange Act of 1934, in lieu of your having any entitlement on and after your Termination Date to exercise options then held by you to acquire shares of a Security, you shall receive, as to each then-exercisable option grant, a cash payment equal to the Option Equivalent (determined in accordance with Item J in Attachment A).
- (iv) ADDITIONAL BENEFITS. For the twenty-four (24) 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

PAGE 21

EXHIBIT 10 Page 3

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 (iv) 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.

- (v) CERTAIN PRORATA INCENTIVE PAY. For that portion of the calendar year prior to your Termination Date, you shall be entitled to receive, on the date such pay is paid to other employees of the Corporation, as bonus or incentive pay, an amount equal to the product of (i) the amount you would have received, had you been employed on December 31 of the year that includes your Termination Date, under the Corporation's Management Incentive Plan (or any successor[s]) in effect for that year, multiplied by (ii) the percentage (carried to three decimal places) derived by dividing (a) the number of calendar days in that year which immediately precede your Termination Date by (b) 365;
- (vi) CREDITABLE SERVICE FOR RETIREMENT. For purposes of determining your creditable service under the Corporation's various plans, including without limitation any agreement(s) with you, providing retirement income, you shall receive an additional



thirty-six (36) months of creditable service, unless the crediting of such additional service would violate Section 401(a) of the Internal Revenue Code of 1986, as amended ("Code"), provided, however, that in the case of a Board-appointed officer, 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 (a) that officer's Termination Date and (b) the date on which such officer attains the mandatory retirement date for that officer 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.

- (vii) SPECIAL PROVISIO 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, as in effect either 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, postmarked or accepted for next-day delivery by a private delivery service no later than noon on the business day next succeeding your Termination Date. 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 your rights concerning Performance Shares, options, Additional Benefits

PAGE 22

EXHIBIT 10 Page 4

and prorata incentive pay shall be governed by the retiree (or any specific change in control) provisions of the applicable plans, as in effect either immediately preceding the Change in Control or on your Termination Date, and not by subparagraphs (ii), (iii), (iv) and (v) hereof.

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 (iv).

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 caption, 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 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

PAGE 23

EXHIBIT 10 Page 5

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

PAGE 24

EXHIBIT 10 Page 6

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.

PAGE 25

EXHIBIT 10 Page 7

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 acknowledge that it will be difficult, and that it may be time-consuming or impossible, for you to find reasonably comparable employment following the Termination Date. Accordingly, 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 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

PAGE 26

EXHIBIT 10 Page 8

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, 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

PAGE 27

EXHIBIT 10 Page 9

- (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 conflict 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 proceeding 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, inconsistent with the Corporation's right to account for the result of the Change in Control as a pooling of interests, 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, inconsistent 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, consistent 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.

PAGE 28

EXHIBIT 10 Page 10

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 \_\_\_\_\_

ATTEST

Name: \_\_\_\_\_

{SEAL}

Title: \_\_\_\_\_

-----  
Corporate Secretary

Accepted:

By \_\_\_\_\_

Name: \_\_\_\_\_

Being the same individual named  
in the preamble hereto and referred  
to as "You" in the text.

PAGE 29

EXHIBIT 10 Page 11

ATTACHMENT A

CERTAIN DEFINITIONS  
-----

For purposes of this Agreement:

- (A) Actual Incentive Pay in any given year means the amount actually paid or payable, prior to a Change in Control, pursuant to the Corporation's Management Incentive Plan (or any successor[s]) ("MIP").
- (B) Additional Benefits refers to, as to each listed plan, the greater of all those benefits associated with or accruing as a result of your continued participation in the following plans, or portions of plans, of the Corporation in which you are participating or are eligible to participate (whether funded by actual insurance or self-insured by the Corporation) immediately prior to (a) the Change in Control or (b) your Termination:
  - 1. Norfolk Southern Corporation Comprehensive Benefits Plan (Only Paragraphs E, F and H of Article III, "ChoicePlus," providing medical, dental and life insurance benefits),
  - 2. Norfolk Southern Corporation Executive Life Insurance Plan,
  - 3. Norfolk Southern Corporation Executive Accident Plan,
  - 4. Death Benefit Plan of Norfolk Southern Corporation and Participating Subsidiary Companies

The term "Additional Benefits" shall not include benefits of any type under any other plans, policies or programs.

- (C) Base Pay means
  - (i) in determining whether a Termination has occurred, the gross amount of your annual salary in effect on the date of a Change in Control (the gross amount you actually were paid in the pay period coinciding with or immediately preceding the date of the Change in Control, multiplied by the number of pay periods in the

year or otherwise determined and expressed as an annual amount).

(ii) in calculating the amount of Severance Pay, the greater of

- (a) the amount calculated under Item (C)(i);
- (b) the amount calculated as provided in Item (C)(i), but substituting "Termination Date" for "Change in Control" wherever the latter term appears.

PAGE 30

EXHIBIT 10 Page 12

- (D) Beneficial Owner means any Person who, under Rule 13d-3 (or successor rules or regulations thereto) promulgated under the Securities Exchange Act of 1934, would be deemed beneficially to own Voting Stock.
- (E) Benefits means any of the perquisites, benefits and service credit for benefits provided under any and all employee retirement income or welfare benefit policies, plans, programs or arrangements in which you participate immediately prior to the Change in Control, including without limitation any stock option, stock purchase, stock appreciation, savings, pension, supplemental executive retirement or other retirement income or welfare benefit, deferred compensation, incentive compensation, group and/or executive life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Corporation), disability, salary continuation, expense reimbursement or other employee benefit policies, plans, programs or arrangements that now exist, or any equivalent successor policies, plans, programs or arrangements that may be adopted hereafter by the Corporation providing perquisites, benefits and service credit for benefits at least as great as are payable thereunder prior to a Change in Control, provided, however, that your rights under such policies, plans, programs or arrangements shall be governed by the terms thereof and shall not be enlarged hereunder or otherwise affected hereby.
- (F) Cause refers to your having engaged in any of the following if the result of the same is materially harmful to the Corporation:
  - (i) an intentional act of fraud, embezzlement or theft in connection with your duties or in the course of your employment with the Corporation;
  - (ii) intentional wrongful damage to property of the Corporation;
  - (iii) intentional wrongful disclosure of secret processes or of confidential information of the Corporation; or
  - (iv) intentional violation of the Corporation's Code of Conduct/Ethics (or any successor[s]) as in effect immediately prior to a Change in Control.

For these purposes, an act or failure to act on your part shall be deemed "intentional" only if you acted or omitted to act otherwise than in accordance with your good faith business judgment of the best interests of the Corporation; in determining whether this standard has been satisfied, you shall be afforded all the presumptions and be entitled to all the protections available to directors under Section 13.1-690 of the Virginia Stock Corporation Act.

PAGE 31

EXHIBIT 10 Page 13

- (G) A Change in Control occurs upon any of the following circumstances or events:
  - (i) The Corporation consummates a transaction or transactions (however denominated or effectuated) with another corporation or other Person ("Combination"), and immediately thereafter less than eighty percent (80%) of the combined voting power of the then-outstanding securities of such corporation or Person is

held in the aggregate by the holders of securities entitled, immediately prior to such Combination, to vote generally in the election of directors of the Corporation ("Voting Stock");

- (ii) The Corporation consummates any stockholder-approved consolidation (however denominated or effectuated) pursuant to a recommendation of the Board;
- (iii) At any time, Continuing Directors (as herein defined) shall not constitute a majority of the members of the Board ("Continuing Director" means (i) each individual who has been a director of the Corporation for at least twenty-four (24) consecutive months before such time and (ii) each individual who was nominated or elected to be a director of the Corporation by at least two thirds of the Continuing Directors at the time of such nomination or election);
- (iv) The Corporation sells all or substantially all of its assets to any other corporation or other Person, and less than eighty percent (80%) of the combined voting power of the then-outstanding securities of such corporation or Person immediately after such transaction is held in the aggregate by the holders of Voting Stock immediately prior to such sale;
- (v) A report is filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), pursuant to the Securities Exchange Act of 1934, as amended ("Exchange Act"), disclosing that any Person has become the Beneficial Owner of 20 or more percent of the voting power of Voting Stock; or
- (vi) The Board determines by a majority vote that, because of the occurrence, or the threat or imminence of the occurrence, of another event or situation with import or effects similar to the foregoing, those who have accepted an agreement of this type are entitled to its protections.

Notwithstanding the provisions of the foregoing subparagraph (v), unless otherwise determined in a specific case by majority vote of the Board, a Change in Control for purposes of this Agreement shall not be deemed to have occurred solely because (a) the Corporation, (b) an entity of which the Corporation is the direct or indirect Beneficial Owner (as herein defined) of 50 or more percent of the voting securities or (c) any Corporation-sponsored employee stock ownership plan or any other employee benefit plan of the

PAGE 32

EXHIBIT 10 Page 14

Corporation either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Form 8-K, or Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock, whether in excess of 20 percent or otherwise, or because the Corporation reports that a change in control of the Corporation has or may have occurred or will or may occur in the future by reason of such beneficial ownership.

- (H) Incentive Pay in a given year or at a given time means the amount equal to the product of (a) your Base Pay in that year or at that time, multiplied by (b) your Incentive Opportunity.
- (I) Incentive Opportunity means
  - (i) in determining whether a Termination has occurred, the percentage of your salary or other fixed compensation that, in accordance with all applicable provisions of MIP - including without limitation earnings and return targets - in effect immediately prior to the Change in Control, could be earned as incentive pay.
  - (ii) in calculating the amount of Severance Pay, the larger of the percentages determined in accordance with the following:

the mean (rounded, if necessary, to three decimal places) of the product, calculated for each of three calendar years in which Actual Incentive Pay is paid that immediately precede



(i) the Change in Control or (ii) your Termination Date, of:

- (1) the maximum percentage, as determined by the Board for any year pursuant to MIP, of your base compensation that may be earned as Incentive Pay, and
- (2) the percentage (rounded, if necessary, to three decimal places) of that maximum actually awarded by the Board pursuant to MIP,

provided, however, that if a Change in Control occurs/your Termination Date is (a) on or after the date the Board determines the percentage of the maximum that actually will be awarded and (b) before the date established for payment of your Incentive Pay, that payment will be included in the computation of the three-year mean.

Example 1: In each of 199a, 199b, 199c and 199d, the maximum amount of a person's base compensation that could be awarded as Incentive Pay is 60%; the percentages of that maximum actually awarded as Incentive Pay were, respectively, 100%, 90%, 0% and 80%; A Change in Control occurs on/Your Termination Date is January 2, 199e.

PAGE 33

EXHIBIT 10 Page 15

Your Incentive Opportunity would be 54% - representing the mean of 60% (60%, times 100% in 199a); 54% (60%, times 90% in 199b); and 48% (60%, times 80% in 199d) (as no Incentive Pay was paid in 199c, that year is not considered in the computation).

Example 2: Same facts as in Example 1, except:

The Change in Control occurs on/your Termination Date is a date in 199e that falls between (a) the date the Board determines the percentage of the maximum that actually will be awarded and (b) the date established for payment of your Incentive Payment; and the percentage of maximum actually awarded in 199e is 95%.

Your Incentive Opportunity would be 53% - representing the mean of 54% (60%, times 90% in 199b); 48% (60%, times 80% in 199d) and 57% (60%, times 95% in 199e) (again, as no Incentive Pay was paid in 199c, that year is not considered in the computation; because 199e is included in the three-year mean, 199a is not).

Note that your Incentive Opportunity is to be computed as of a date that is immediately prior to the Change in Control and immediately prior to your Termination - and you are to use the larger of the two percentages so computed. If, following a Change in Control (a) you are advanced to a position that permits a larger percentage of your base compensation to be awarded as Incentive Pay or (b) the Board awards 100% of maximum for results in the calendar year immediately prior to your Termination, this computation should give you the benefit of such an advancement or such corporate results.

(J) Option Equivalent means that positive number that is the product of

- (i) the total number of shares of the type of Norfolk Southern or successor security ("Security") that the option entitles you to acquire, and
- (ii) the number that is equal to the difference between
  - (a) the Fair Market Value of the type of Security (the mean of the high and low prices at which shares of that Security trade on the Applicable Date (as hereinafter defined) as reported in the Composite Transactions for such date by The Wall Street Journal) for which the option is exercisable on your Termination Date, less
  - (b) the option exercise or strike price on your Termination Date.

"Applicable Date" means the later of (i) your Termination Date, if at least 100,000 shares of the Security trade on that date on the New York Stock Exchange ("Exchange") or (ii) the immediately preceding day on which at least 100,000 shares trade on the Exchange, provided, however, that if, at the time of the Change in Control or during the Change in Control Period, the Norfolk Southern security for which the option could be exercised ceases to be listed on the Exchange

PAGE 34

EXHIBIT 10 Page 16

("Cessation Date") and the option is not exercisable for the number of shares of a successor security into which the Norfolk Southern security could have been converted, for which it could have been exchanged or to which it otherwise is equal, then "Applicable Date" shall be defined (and Fair Market Value determined) with reference to the "Cessation Date" rather than "your Termination Date."

(K) Performance Share Equivalent means the product of the (a) Fair Market Value (as hereinafter defined) of the Security which could be earned out as Performance Shares, multiplied by (b) the number of Equivalent Shares (as hereinafter defined) to which you are deemed to be entitled on your Termination Date, calculated as follows:

- (i) If on your Termination Date the Security is listed on the New York Stock Exchange ("Exchange"),
  - (a) The Fair Market Value of each such unearned Performance Share Unit shall be the value of a share of such Security (i) on your Termination Date or (ii) if fewer than 100,000 shares of such Security were traded on the Exchange on your Termination Date, then on the next succeeding day on which at least 100,000 shares trade on the Exchange. Value, on any date, is the mean of the high and low prices at which shares of the Security trade on such date as reported in the Composite Transactions for such date by The Wall Street Journal.
  - (b) Equivalent Shares is the whole number (any fraction/decimal to be rounded to the next whole number) that is equal to the number of shares of the Security you would have been entitled to receive as Performance Shares, prorated (rounded to three decimal places, if necessary) (i) from the date on which a Performance Cycle begins and (ii) ending on the last day of the month that includes your Termination Date, and assuming that the percentage of shares of the Security earned out pursuant to each performance criterion (earnings per share, ROAIC and 3-year average operating ratio) is equal to the mean of the percentage actually earned out in each of the three last-completed performance cycles.

Example (Note that this represents the computation for only one set of PSU awards. At any given time, more than one set of awards will not have been earned out):

A person is awarded 300 Performance Share Units (100 shares for each performance criterion) for a performance cycle that begins January 1, 199x; assume that the mean percentage earn out for each of earnings per share, ROAIC and 3-year average operating ratio over the three last-completed performance cycles is, respectively 90%, 80% and 95%, and that your Termination Date is in the 18th month of the 36-month performance cycle.

PAGE 35

EXHIBIT 10 Page 17

The number of Equivalent Shares to which that person would be entitled is 133:

Earnings per Share	45
(representing 100 shares, times 18/36, times 90%)	
ROAIC	40
(representing 100 shares, times 18/36, times 80%)	

3-Year Average Operating Ratio 47.5  
(representing 100 shares, times 18/36, times 95%)

TOTAL 132.5  
(Rounded 133)

(ii) If, at the time of the Change in Control or during the Change in Control Period, the Security ceases to be listed on the Exchange ("Cessation Date"),

(a) Fair Market Value shall be computed as provided under (i) (a) hereof, but substituting Cessation Date for Termination Date; and

(b) Equivalent Shares shall be computed as provided under (i) (b) hereof, but substituting Cessation Date for Termination Date.

(L) Person means any

(i) "person" as that term is used and defined in the attached copy of Section 14(d) (2) of the Exchange Act as in effect on the effective date of this Agreement, and

(ii) "affiliate" or "associate" of any person (as defined in Item (L) (i)) as those terms are used and defined in the attached copy of Rule 12b-2 of the General Rules and Regulations under the Exchange Act as in effect on the effective date of this Agreement.

(M) Termination means:

(i) Your decision to leave the employ of the Corporation if, following a Change in Control and during the Change in Control Period, any of the following occurs, provided, however, that your continued employment after the occurrence of one or more of the following shall not constitute consent to, or a waiver of rights with respect to, circumstances that empower you to leave the employ of the Corporation:

(a) You are not elected or reelected to the office of the Corporation you held immediately prior to the Change in Control, or - if you were serving as a director of the Corporation immediately prior to the Change in Control - you are removed as a director;

PAGE 36

EXHIBIT 10 Page 18

(b) Your Base Pay is, or when annualized will be, less than the amount determined in accordance with (C) (i) herein;

(c) Your Incentive Opportunity is less than that provided for under (I) (i) herein;

(d) Without your prior written consent, the Corporation, except to meet the requirements of applicable federal or state law, (i) terminates, or (ii) reduces the value or scope of your rights to any Benefits to which you are entitled, and the Corporation does not remedy any such termination or reduction, as the case may be, within ten (10) calendar days after its receipt of written notice from you;

(e) You determine in good faith that following a Change in Control, you have been rendered substantially unable to carry out or have suffered a substantial reduction in any of the substantial authorities, powers, functions, responsibilities or duties attached to the position you held immediately prior to the Change in Control, which situation is not remedied within ten (10) calendar days after receipt by the Corporation of written notice from you that you have made such a determination;

- (f) The liquidation, dissolution, merger, consolidation or reorganization of the Corporation or the transfer of all or a significant portion of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization or otherwise) to which all or a significant portion of its business and/or assets have been transferred (directly or by operation of law) shall have assumed all the duties and obligations of the Corporation under this Agreement pursuant to the provisions under the Agreement caption "Binding on Successors";
- (g) The Corporation requires you to relocate your principal location of work outside a circle having (i) as its center your principal location of work immediately prior to the Change in Control and (ii) a radius of thirty-five (35) miles, or requires you to travel away from your office in the course of discharging your responsibilities or duties hereunder significantly more (in terms either of consecutive days or of aggregate days in any calendar year) than was required of you immediately prior to the Change in Control, without (in either case) your prior written consent; or

PAGE 37

EXHIBIT 10 Page 19

- (h) Without limiting the generality or the effect of the foregoing, any material breach of this Agreement by the Corporation or any successor thereto.

OR

- (ii) The termination of your employment by the Corporation, during the twenty-four months next succeeding a Change in Control, for any reason except:
  - (a) Your death;
  - (b) Your Total Disability, as defined in the Long Term Disability Plan of Norfolk Southern Corporation and Participating Subsidiary Companies (or any plan that is successor or in addition thereto), as then in effect, and you begin to receive disability benefits pursuant to that plan;
  - (c) Your retirement pursuant to any Board-approved policy or plan, on the terms in effect immediately prior to the Change in Control, providing for mandatory retirement of certain personnel; or
  - (d) Cause.
- (N) Termination Date means the date specified in the Notice of Termination (hereinafter defined), provided, however, that if, prior to the Termination Date, the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the Termination, then the Termination Date shall be the date on which the dispute finally is determined, either by mutual written agreement of the parties, by a binding arbitration award or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); and provided, further, that the Termination Date shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence.

For these purposes, any purported termination of your employment by the Corporation or by you shall be communicated by written Notice of Termination to the other party hereto, delivered in accordance with the caption concerning "Notice" in the Agreement. The Notice of Termination shall

  - (i) indicate the specific Termination provision relied upon;
  - (ii) set forth in reasonable detail the facts and circumstances

claimed to provide a basis for Termination under the provision(s) so indicated; and

PAGE 38

EXHIBIT 10 Page 20

(iii) shall specify the Termination Date, which:

- (a) if the Termination is for Cause, shall be a date not less than thirty (30) days from the date the Notice of Termination is given; and
- (b) if the Termination is not for Cause, shall be a date not less than fifteen (15) nor more than sixty (60) days after such Notice of Termination is given.

PAGE 39

EXHIBIT 10 Page 21

Section 14(d) (2) of the  
Securities Exchange Act of 1934

When two or more persons act as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding, or disposing of securities of any issuer, such syndicate or group shall be deemed a "person" for purposes of this subsection.

Section 12b-2 of the  
General Rules and Regulations,  
Securities Exchange Act of 1934

An "affiliate" of, or a person "affiliated" with, a specified person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

The term "associate" used to indicate a relationship with any person, means (1) any corporation or organization (other than the registrant or a majority-owned subsidiary of the registrant) of which such person is an officer or partner or is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities, (2) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, and (3) any relative or spouse of such person, or any relative of such spouse, who has the same home as such person or who is a director or officer of the registrant or any of its parents or subsidiaries.

## EXHIBIT 11 Page 1

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
 COMPUTATION OF EARNINGS PER SHARE  
 (In millions except per share amounts)

	Three Months Ended September 30 1994      1993		Nine Months Ended September 30 1994      1993	
	-----	-----	-----	-----
Computation for Statements of Income				
-----				
Income before cumulative effects of changes in accounting principles	\$ 168.3	\$ 95.2	\$ 491.7	\$ 389.3
	-----	-----	-----	-----
Cumulative effects of changes in accounting principles	\$ --	\$ --	\$ --	\$ 223.3
	-----	-----	-----	-----
Weighted average number of shares outstanding	136.0	139.2	137.1	139.7
	-----	-----	-----	-----
Primary earnings per share:				
Income before accounting changes	\$ 1.24	\$ 0.69	\$ 3.59	\$ 2.79
Cumulative effects of accounting changes	--	--	--	1.60
	-----	-----	-----	-----
Net income	\$ 1.24	\$ 0.69	\$ 3.59	\$ 4.39
	=====	=====	=====	=====
Additional Primary Computation				
-----				
Income before cumulative effects of changes in accounting principles	\$ 168.3	\$ 95.2	\$ 491.7	\$ 389.3
	-----	-----	-----	-----
Cumulative effects of changes in accounting principles	\$ --	\$ --	\$ --	\$ 223.3
	-----	-----	-----	-----
Adjustment to weighted average number of shares outstanding:				
Weighted average number of shares outstanding per primary computation above	136.0	139.2	137.1	139.7
Dilutive effect of outstanding options, stock appreciation rights (SARs) and performance share units (PSUs) (as determined by the application of the treasury stock method) (1)	1.1	1.2	1.2	1.2
	-----	-----	-----	-----
Weighted average				
number of shares outstanding, as adjusted	137.1	140.4	138.3	140.9
	=====	=====	=====	=====

(1) See Note 13 of Notes to Consolidated Financial Statements in Norfolk Southern's 1993 Annual Report on Form 10-K for a description of the Long-Term Incentive Plan.

## EXHIBIT 11 Page 2

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
 COMPUTATION OF EARNINGS PER SHARE  
 (In millions except per share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	1994	1993	1994	1993
	-----	-----	-----	-----
Primary earnings per share, as adjusted (2):				
Income before accounting changes	\$ 1.23	\$ 0.68	\$ 3.56	\$ 2.76
Cumulative effects of accounting changes	--	--	--	1.59
	-----	-----	-----	-----
Net income	\$ 1.23	\$ 0.68	\$ 3.56	\$ 4.35
	=====	=====	=====	=====

(2) These calculations are submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because they result in dilution of less than 3 percent.

PAGE 42

EXHIBIT 11 Page 3

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
COMPUTATION OF EARNINGS PER SHARE  
(In millions except per share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	1994	1993	1994	1993
	-----	-----	-----	-----
Fully Diluted Computation				
Income before cumulative effects of changes in accounting principles, per primary computation	\$ 168.3	\$ 95.2	\$ 491.7	\$ 389.3
Adjustment to increase earnings to requisite level to earn maximum PSUs, net of tax effect	24.2	40.3	70.7	121.1
	-----	-----	-----	-----
Income before cumulative effects, as adjusted	192.5	135.5	562.4	510.4
Cumulative effects of changes in accounting principles	--	--	--	223.3
	-----	-----	-----	-----
Net income, as adjusted	\$ 192.5	\$ 135.5	\$ 562.4	\$ 733.7
	=====	=====	=====	=====
Adjustment to weighted average number of shares outstanding, as adjusted for additional primary calculation:				
Weighted average number of shares outstanding, as adjusted per additional primary computation on page 1	137.1	140.4	138.3	140.9
Additional dilutive effect of outstanding options and SARs (as determined by the application of the treasury stock method using period end market price)	--	--	--	--
Additional shares issuable at maximum level for PSUs	0.1	0.2	0.1	0.2
	-----	-----	-----	-----
Weighted average number of shares, as adjusted	137.2	140.6	138.4	141.1
	=====	=====	=====	=====

## NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

## COMPUTATION OF EARNINGS PER SHARE

(In millions except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	1994	1993	1994	1993
	-----	-----	-----	-----
Fully diluted earnings				
per share (3):				
Income before accounting changes	\$ 1.40	\$ 0.96	\$ 4.06	\$ 3.62
Cumulative effects of				
accounting changes	--	--	--	1.58
	-----	-----	-----	-----
Net income	\$ 1.40	\$ 0.96	\$ 4.06	\$ 5.20
	=====	=====	=====	=====

- (3) These calculations are submitted in accordance with Regulation S-K item 601(b)(11) although they are contrary to paragraph 40 of APB Opinion No. 15 because they produce an anti-dilutive result.



<ARTICLE> 5  
<MULTIPLIER> 1,000,000

<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	DEC-31-1994
<PERIOD-END>	SEP-30-1994
<CASH>	\$ 137
<SECURITIES>	321
<RECEIVABLES>	773
<ALLOWANCES>	10
<INVENTORY>	66
<CURRENT-ASSETS>	1,497
<PP&E>	13,110
<DEPRECIATION>	4,227
<TOTAL-ASSETS>	10,653
<CURRENT-LIABILITIES>	1,137
<BONDS>	1,560
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	143
<OTHER-SE>	417
<TOTAL-LIABILITY-AND-EQUITY>	10,653
<SALES>	0
<TOTAL-REVENUES>	3,409
<CGS>	0
<TOTAL-COSTS>	2,631
<OTHER-EXPENSES>	(67)
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	75
<INCOME-PRETAX>	770
<INCOME-TAX>	278
<INCOME-CONTINUING>	492
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	492
<EPS-PRIMARY>	3.59
<EPS-DILUTED>	0