

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 JUNE 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 (IRS Employer Identification No.)
incorporation or organization)

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 July 31, 1994 -----
Common Stock (par value \$1.00)	136,240,527 shares (excluding 7,252,634 shares held by registrant's consolidated subsidiaries)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

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Three Months and Six Months Ended
June 30, 1994 and 1993

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PART I. FINANCIAL INFORMATION

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1994	1993	1994	1993
TRANSPORTATION OPERATING REVENUES:				
Railway:				
Coal	\$ 322.5	\$ 314.8	\$ 627.4	\$ 606.4
Merchandise	648.6	616.9	1,258.0	1,222.3
Other	26.7	31.5	54.7	63.5
Total railway	997.8	963.2	1,940.1	1,892.2
Motor carrier (Note 5)	163.6	207.2	298.1	393.7
Total transportation operating revenues	1,161.4	1,170.4	2,238.2	2,285.9
TRANSPORTATION OPERATING EXPENSES:				
Railway:				
Compensation and benefits	341.7	351.0	693.1	702.7
Materials, services and rents	165.3	162.7	326.3	335.3
Depreciation	95.0	90.0	188.3	178.7
Diesel fuel	46.7	45.8	92.4	90.6
Casualties and other claims	37.5	29.8	66.6	60.2
Other	39.0	32.6	76.5	67.5
Total railway	725.2	711.9	1,443.2	1,435.0
Motor carrier (Note 5)	157.9	267.7	294.4	466.5
Total transportation operating expenses	883.1	979.6	1,737.6	1,901.5
Income from operations	278.3	190.8	500.6	384.4
Other income (expense):				
Interest income	5.6	6.1	11.3	12.7
Interest expense on debt	(24.0)	(24.4)	(47.7)	(50.2)
Other-net	18.6	25.8	39.6	72.4

Total other income (expense)	0.2	7.5	3.2	34.9
	-----	-----	-----	-----
Income before income taxes and cumulative effects of accounting changes	278.5	198.3	503.8	419.3
Provision for income taxes	100.0	43.1	180.4	125.2
	-----	-----	-----	-----
Income before accounting changes	178.5	155.2	323.4	294.1
Cumulative effects 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	\$ 178.5	\$ 155.2	\$ 323.4	\$ 517.4
	=====	=====	=====	=====

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

Three Months Ended		Six Months Ended	
June 30,		June 30,	
1994	1993	1994	1993
-----	-----	-----	-----

Per share amounts (Note 8):

Earnings per share before accounting changes	\$ 1.30	\$ 1.11	\$ 2.35	\$ 2.10
Cumulative effects on years prior to 1993 of changes in accounting principles for:				
Income taxes	--	--	--	3.34
Postretirement benefits other than pensions; and postemployment benefits - net of taxes	--	--	--	(1.74)
	-----	-----	-----	-----
EARNINGS PER SHARE	\$ 1.30	\$ 1.11	\$ 2.35	\$ 3.70
	=====	=====	=====	=====
DIVIDENDS PER SHARE	\$ 0.48	\$ 0.45	\$ 0.96	\$ 0.90

See accompanying notes to consolidated financial statements.

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

June 30,	December 31,
1994	1993
-----	-----

ASSETS

Current assets:

Cash and cash equivalents (Note 4)	\$ 306.6	\$ 80.5
Short-term investments	179.9	177.7
Accounts receivable - net	744.9	729.9
Materials and supplies	73.2	70.3
Deferred income taxes	144.1	177.7
Other current assets (Note 4)	86.0	327.4

Total current assets	1,534.7	1,563.5
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Investments	165.2	160.3
Properties less accumulated depreciation	8,823.0	8,730.7
Other assets	68.2	65.3

TOTAL ASSETS	\$10,591.1	\$10,519.8
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Short-term debt (Note 3)	\$ 46.5	\$ 149.5
Accounts payable	689.3	653.6
Income and other taxes	166.6	135.3
Other current liabilities	154.9	145.8
Current maturities of long-term debt	113.8	113.7

Total current liabilities	1,171.1	1,197.9
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Long-term debt (Note 3)	1,546.0	1,481.5
Other liabilities	1,001.8	1,035.4
Minority interests	53.6	54.5

Deferred income taxes - net	2,124.1	2,129.8
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TOTAL LIABILITIES	5,896.6	5,899.1
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Stockholders' equity:

Common stock \$1.00 per share par value	143.9	145.7
Other capital	419.4	417.1
Retained income	4,151.8	4,078.5

Less treasury stock at cost, 7,252,634 shares	(20.6)	(20.6)
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TOTAL STOCKHOLDERS' EQUITY	4,694.5	4,620.7
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$10,591.1	\$10,519.8
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See accompanying notes to consolidated financial statements.

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

Six Months Ended
June 30,
1994 1993

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 323.4	\$ 517.4
Reconciliation of net income to net cash provided by operating activities:		
Net cumulative effects of changes in accounting principles	--	(223.3)
Special charge payments	(28.0)	(20.1)
Depreciation	203.0	208.9
Deferred income taxes	18.9	(30.3)
Nonoperating gains and losses on properties and investments	(9.7)	(49.7)

Changes in assets and liabilities affecting operations:		
Accounts receivable	(25.2)	3.8
Materials and supplies	(2.9)	(5.1)
Other current assets	2.7	24.2
Current liabilities other than debt	63.2	8.4
Other - net	(0.5)	44.7
	-----	-----
Net cash provided by operating activities	544.9	478.9
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(314.8)	(331.6)
Property sales and other transactions	59.3	58.6
Investments and loans	(33.8)	(43.9)
Investment sales and other transactions	260.3	29.7
Short-term investments - net	(1.8)	41.1
	-----	-----
Net cash used for investing activities	(30.8)	(246.1)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends	(132.4)	(126.1)
Common stock issued - net	8.1	9.0
Purchase and retirement of common stock	(124.6)	(62.3)
Long-term debt proceeds	--	15.0
Debt repayments	(39.1)	(40.2)
	-----	-----
Net cash used for financing activities	(288.0)	(204.6)
	-----	-----
Net increase in cash and cash equivalents	226.1	28.2
CASH AND CASH EQUIVALENTS:*		
At beginning of year	80.5	111.8
	-----	-----
At end of period	\$ 306.6	\$ 140.0
	=====	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 47.1	\$ 54.6
Income taxes	\$ 109.3	\$ 162.1

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

See accompanying notes to consolidated financial statements.

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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 June 30, 1994, and the results of operations and cash flows for the six months ended June 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.

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. 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. Accordingly, 1994's motor carrier revenues and expenses reflect the results of the remaining NAVL operations.

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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Motor Carrier Restructuring (continued)

In the second quarter of 1993, as a result of these planned dispositions, NS recorded a \$50.3 million pretax (\$32.8 million after-tax) charge and recognized an additional tax benefit of \$31.5 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.

6. 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 June 30, 1994, NS has purchased and retired 55,579,300 shares of its common stock at a cost of approximately \$2.3 billion. Future purchases are dependent on market conditions, the economy, cash needs and alternative investment opportunities.

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, (\$2.6 million as of June 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.

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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Required Accounting Changes (continued)

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 net income and earnings per share by \$466.8 million and \$3.34, respectively, for the first six months of 1993.

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. 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		Six Months Ended	
	June 30		June 30	
	1994	1993	1994	1993
	----	----	----	----
	(In thousands)			
Average number of shares outstanding	137,165	139,659	137,662	139,904

Recent decreases in the average number of outstanding shares of NS common stock are the result of the share purchase program described in Note 6.

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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 \$23.3 million, or 15 percent, in the second quarter of 1994, compared with the second quarter of 1993. Last year's results

reflected a \$50.3 million pretax restructuring charge which was largely offset by tax benefits related to the restructuring of NAVL, NS' wholly owned motor carrier subsidiary (see Note 5).

Net income for the six months ended June 30, 1994, was up \$29.3 million, or 10 percent, over the same period last year, excluding cumulative accounting adjustments which increased 1993 net income (see Note 7).

Railway Operating Revenues

- - - - -

Railway operating revenues increased \$34.6 million, or 4 percent, in the second quarter, and \$47.9 million, or 3 percent, for the six months ended June 30, 1994, compared with the same periods last year. The increases in operating revenues were due to:

	Second Quarter 1994 vs. 1993 Increase (Decrease)	First Six Months 1994 vs. 1993 Increase (Decrease)
	-----	-----
	(In millions of dollars)	
Traffic volume (carloads)	\$ 65.2	\$ 104.7
Revenue per unit/mix	(25.8)	(48.0)
Other	(4.8)	(8.8)
	-----	-----
	\$ 34.6	\$ 47.9
	=====	=====

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

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

	Second Quarter 1994 vs. 1993 Increase (Decrease)	First Six Months 1994 vs. 1993 Increase (Decrease)
	-----	-----
	(In millions of dollars)	
Coal	\$ 7.7	\$ 21.0
Merchandise:		
Automotive	(9.4)	(9.0)
Intermodal	13.6	3.5 *
Metals/construction	7.1	7.9
Paper/forest	3.4	(0.7)
Agriculture	7.4	16.8
Chemicals	9.6	17.2
Other, principally switching and demurrage	(4.8)	(8.8)
	-----	-----
	\$ 34.6	\$ 47.9
	=====	=====

* See discussion of "Merchandise" for the effects related to the Triple Crown Services Company (TCSC) partnership.

COAL

- - - - -

The improvement in the coal commodity group resulted primarily from gains in the domestic utility market, as utility coal traffic volume increased

20 percent in the second quarter and 21 percent for the first six months of 1994, compared with 1993. The growth principally was due to the rebuilding of utility stockpiles, which remain below normal levels at many NS-served generating plants, and to new business. Utility coal traffic for the remainder of 1994 is anticipated to remain ahead of last year, as abnormally hot weather in the NS service region, a growing U.S. economy, and the need for low-sulfur coal to meet Clean Air Act requirements are expected to spur demand. The year-to-date gains in utility coal traffic were offset partially by weakness in export and metallurgical shipments in both the second quarter and first six months. Export demand continued to be depressed due to the weak European economy and intense price competition from foreign producers, while the demand for metallurgical coal suffered from reduced coking activity by domestic steel producers at certain facilities located on NS' lines. Looking ahead, demand for export coal is expected to pick up gradually as an anticipated recovery in the European economy materializes. However, the extent of any gains will be influenced significantly by global coal prices, technological changes and European energy policy.

MERCHANDISE

- - - - -

All merchandise commodity groups, except for automotive (and paper/forest year-to-date) showed improvement over last year. The intermodal group produced the largest revenue increases, as revenues climbed 15 percent and

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

12 percent, respectively, for the second quarter and the six-month periods, compared to the same periods in 1993 (adjusted to exclude nonrail Triple Crown revenues in 1993). Year-to-date intermodal revenue comparisons were affected significantly by a change in reporting as a result of the TCSC partnership with Conrail which began April 1, 1993. Because Norfolk Southern Corporation indirectly owns 50 percent of TCSC, its revenues are not consolidated. Accordingly, NS' intermodal operating revenues after first quarter 1993 include only those revenues for rail service provided to the partnership. Second quarter and year-to-date intermodal traffic volume was up 12 percent and 9 percent, respectively, compared with last year. The agriculture commodity group also produced strong gains, with revenue increases of 9 percent for the quarter and 11 percent year-to-date, compared with 1993. A strong midwestern grain and soybean harvest, coupled with increased activity to on-line poultry producers, was responsible for the improvements. Chemicals performed well for both the quarter and year-to-date, with revenues and carloads up 8 percent and 10 percent for the quarter and 7 percent and 8 percent year-to-date, respectively, over 1993. Increased shipments of fertilizer principally were responsible for the gains. Rounding out the second quarter improvements, metals/construction revenues rose 9 percent on a 15 percent increase in carloads, primarily resulting from strong regional growth in highway projects and other construction, while paper/forest revenues and traffic volume were up 3 percent and 2 percent, respectively. Automotive results in 1994 have been disappointing, largely due to retooling downtimes at plants served by NS. Automotive revenues and traffic volume declined 8 percent and 7 percent in the second quarter and 4 percent year-to-date, compared with 1993. Automotive traffic is expected to recover slowly, however, as new plants currently under construction come on line and retoolings at existing plants on NS' lines are completed.

Railway Operating Expenses

- - - - -

Railway operating expenses increased \$13.3 million, or 2 percent, in the second quarter of 1994, but were up only \$8.2 million, or less than 1 percent, for the first half, compared with last year. The principal increases for the quarter were in casualties and other claims, up \$7.7 million, or 26 percent, primarily due to a \$5.0 million accrual for estimated environmental clean-up costs associated with a tank car leak which occurred during the quarter; other expenses which were \$6.4 million, or 20 percent higher than second quarter 1993, which had benefited from a favorable property tax settlement; and depreciation, which was up \$5.0 million, or 6 percent, due to increased investments in plant and

equipment. Smaller increases were recorded in materials, services and rents, and in diesel fuel, which, respectively, were up \$2.6 million, and \$0.9 million, or 2 percent, primarily reflecting higher traffic volume, as carloadings for the quarter were 7 percent above 1993 levels. Partially offsetting these increases was a \$9.3 million, or 3 percent, reduction in compensation and benefits expenses, principally due to lower employment taxes associated with the expiration in June 1993 of the Railroad Retirement Repayment Tax and to reduced accruals for postretirement benefits resulting from a change in the benefit plan's creditable service period.

The increase in year-to-date railway operating expenses resulted from higher depreciation, diesel fuel, casualties and other claims, and other expenses, partially offset by lower compensation and benefits, and materials, services

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

and rents expenses. Leading the year-to-date increases was a \$9.6 million, or 5 percent, rise in depreciation expense due to a greater capital base. Other expenses were up \$9.0 million, or 13 percent, due to a combination of the effect of the favorable property tax settlement in 1993, and higher relocation expenses in the first quarter of 1994 related to new job assignments following the early retirement program offered last fall. Casualties and other claims increased \$6.4 million, or 11 percent, primarily due to the accrual for environmental clean-up costs which occurred in the second quarter, while diesel fuel expenses were up \$1.8 million, or 2 percent, resulting from increased consumption related to higher traffic volume.

The largest year-to-date decrease was in compensation and benefits expense which was \$9.6 million, or 1 percent, lower than last year due to the elimination of the Railroad Retirement Repayment Tax after second quarter 1993, and to reduced postretirement benefits costs. Materials, services and rents declined \$9.0 million, or 3 percent, due to the absence in 1994 of certain Triple Crown expenses which were reflected in last year's first quarter and now are borne by the TCSC partnership.

Although it appears that the July flooding in the Southeast will not have a significant impact on revenues, some NS railway facilities and equipment have sustained damage, particularly in the state of Georgia. The total damage costs are uncertain, but costs to repair or replace railway facilities and equipment (much of which may be capitalized) are estimated at \$20 million which will not have a material effect on NS' results of operations.

Motor Carrier Operating Revenues

Motor carrier operating revenues decreased \$43.6 million, or 21 percent, for the second quarter and \$95.6 million, or 24 percent, for the first six months, compared with the same periods last year. However, due to last year's restructuring of NAVL (see Note 5), motor carrier revenues and expenses in 1994 included only the Relocation Services (RS) and High Value Products (HVP) divisions (representing continuing operations); whereas, second quarter and year-to-date 1993 results reflected the operations of the Commercial Transport (CT) Division and Tran-Star, Inc. Motor carrier revenues from continuing operations were up \$24.1 million, or 17 percent, for the quarter and \$41.1 million, or 16 percent, for the first half. The HVP Division provided nearly all of the increase, with revenues up \$23.2 million in the quarter and \$39.4 million year-to-date. However, a substantial portion of the increases in the HVP Division 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 decreased \$109.8 million, or 41 percent, for the second quarter and \$172.1 million, or 37 percent, for the first six months, compared with the same periods last year. However, motor carrier operating expenses from continuing operations (see related

discussion in Motor Carrier Operating Revenue and Note 5) increased \$17.3 million, or 12 percent, in the second quarter, and \$34.0 million, or 13 percent, for the six months ended June 30, 1994, compared with the

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Management's Discussion and Analysis of Financial Condition
and Results of Operations

same periods last year. All of the increase was 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 \$7.3 million, or 97 percent, and \$31.7 million, or 91 percent, respectively, from second quarter and year-to-date 1993. Most of the decrease compared with last year was in the other-net category, which was down \$7.2 million for the quarter and \$32.8 million year-to-date. Significantly lower gains on property dispositions and the absence of gains on investment sales caused most of the 1994 decline. Interest income was down \$0.5 million, or 8 percent, and \$1.4 million, or 11 percent, for the second quarter and year-to-date, respectively, primarily due to lower average rates earned on invested cash. Interest expense on debt declined \$0.4 million, or 2 percent, and \$2.5 million, or 5 percent, for the second quarter and year-to-date, respectively, due to reductions in total debt outstanding.

Provision for Income Taxes

- - - - -

The provision for income taxes in second quarter 1994 totaled \$100.0 million, for an effective tax rate of 35.9 percent, compared with an effective tax rate of 21.7 percent in 1993. For the first six months of 1994, income taxes were \$180.4 million for an effective tax rate of 35.8 percent, compared with an effective tax rate of 29.9 percent in 1993. The unusually low effective rates in 1993 were related to tax benefits associated with the NAVL restructuring (see Note 5). Income tax provisions for second quarter and year-to-date 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, and in the second quarter from an adjustment to the valuation allowance for a deferred tax asset.

FINANCIAL CONDITION AND LIQUIDITY

	June 30, 1994	December 31, 1993
	-----	-----
	(In millions of dollars)	
Cash and short-term investments	\$486.5	\$258.2
Working capital	\$363.6	\$365.6
Current ratio	1.3	1.3
Debt to total capitalization	26.7%	27.4%

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

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 cash provided by operating activities

compared with the first six months of 1993 was primarily 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. Absent this large property acquisition, railway and motor carrier capital expenditures, as anticipated, were well below last year. Property sales and other transactions 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 which resulted in a large decrease in Net cash used for investing activities in 1994, compared with last year.

CASH FLOWS FROM FINANCING ACTIVITIES reflect primarily uses of cash, as no debt was issued for the six months ended June 30, 1994. Open-market purchases of NS common stock continued in accordance with the share purchase program described in Note 6.

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PART II - OTHER INFORMATION

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

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

Registrant's annual meeting of stockholders was held on May 12, 1994, at which meeting one director was elected to the class whose term will expire in 1995, four directors were elected to the class whose term will expire in 1997, and the appointment of independent public accountants was ratified.

The five nominees for directors, who were uncontested, were elected by the following vote:

One-Year Term		
	FOR ---	AUTHORITY WITHHELD -----
Jane Margaret O'Brien	117,390,461 votes	1,786,792 votes
Three-Year Term		
	FOR ---	AUTHORITY WITHHELD -----
* William J. Crowe, Jr.	117,323,685 votes	1,853,568 votes
David R. Goode	117,564,153 votes	1,613,100 votes
Robert E. McNair	117,486,194 votes	1,691,059 votes
Harold W. Pote	117,496,773 votes	1,680,480 votes

* Admiral Crowe resigned effective May 15, 1994, to become Ambassador to the Court of St. James.

The appointment of KPMG Peat Marwick, independent public accountants, was ratified by the following vote:

FOR: 117,330,882 shares AGAINST: 1,364,641 shares

ABSTAINED: 481,730 shares

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Computation of Earnings Per Share

(b) Reports on Form 8-K

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

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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: August 10, 1994

/s/ Dezora M. Martin

Dezora M. Martin
Assistant Corporate Secretary (Signature)

Date: August 10, 1994

/s/ John P. Rathbone

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

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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

INDEX TO EXHIBITS

Electronic
Submission
Exhibit
Number

Description

Page

11 Statement re Computation of Earnings Per Share 19-22

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

	Three Months Ended June 30		Six Months Ended June 30	
	1994	1993	1994	1993
-----	-----	-----	-----	-----
Computation for Statements of Income				

Income before cumulative effects of changes in accounting principles	\$ 178.5	\$ 155.2	\$ 323.4	\$ 294.1
-----	-----	-----	-----	-----
Cumulative effects of changes in accounting principles	\$ --	\$ --	\$ --	\$ 223.3
-----	-----	-----	-----	-----
Weighted average number of shares outstanding	137.2	139.7	137.7	139.9
-----	-----	-----	-----	-----
Primary earnings per share:				
Income before accounting changes	\$ 1.30	\$ 1.11	\$ 2.35	\$ 2.10
Cumulative effects of accounting changes	--	--	--	1.60
-----	-----	-----	-----	-----
Net income	\$ 1.30	\$ 1.11	\$ 2.35	\$ 3.70
=====	=====	=====	=====	=====
Additional Primary Computation				

Income before cumulative effects of changes in accounting principles	\$ 178.5	\$ 155.2	\$ 323.4	\$ 294.1
-----	-----	-----	-----	-----
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	137.2	139.7	137.7	139.9
Dilutive effect of outstanding options, stock appreciation rights (SARs) and performance share units (PSUs) (as determined by the application of the treasury stock method) (F1)	1.1	1.1	1.2	1.2
-----	-----	-----	-----	-----
Weighted average number				
of				
shares outstanding, as adjusted	138.3	140.8	138.9	141.1
=====	=====	=====	=====	=====

<FN>

(F1) 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.

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER SHARE

(In millions except per share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	1994	1993	1994	1993
Primary earnings per share, as adjusted (F2):				
Income before accounting changes	\$ 1.29	\$ 1.10	\$ 2.33	\$ 2.09
Cumulative effects of accounting changes	--	--	--	1.58
Net income	\$ 1.29	\$ 1.10	\$ 2.33	\$ 3.67

<FN>

(F2) 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.

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EXHIBIT 11 Page 3

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

	Three Months Ended June 30		Six Months Ended June 30	
	1994	1993	1994	1993
Fully Diluted Computation				
Income before cumulative effects of changes in accounting principles, per primary computation	\$ 178.5	\$ 155.2	\$ 323.4	\$ 294.1
Adjustment to increase earnings to requisite level to earn maximum PSUs, net of tax effect	27.0	43.8	48.8	83.0
Income before cumulative effects, as adjusted	205.5	199.0	372.2	377.1
Cumulative effects of changes in accounting principles	--	--	--	223.3
Net income, as adjusted	\$ 205.5	\$ 199.0	\$ 372.2	\$ 600.4
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	138.3	140.8	138.9	141.1
Additional dilutive effect of outstanding options and SARs (as determined by the application of the treasury stock method using period end market price)	--	0.1	--	--
Additional shares issuable at maximum level for PSUs	0.1	0.2	0.1	0.2

Weighted average number of shares, as adjusted	----- 138.4 =====	----- 141.1 =====	----- 139.0 =====	----- 141.3 =====
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EXHIBIT 11 Page 4

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

	Three Months Ended June 30		Six Months Ended June 30	
	1994	1993	1994	1993
	-----	-----	-----	-----
Fully diluted earnings per share (F3):				
Income before accounting changes	\$ 1.48	\$ 1.41	\$ 2.68	\$ 2.67
Cumulative effects of accounting changes	--	--	--	1.58
	-----	-----	-----	-----
Net income	\$ 1.48	\$ 1.41	\$ 2.68	\$ 4.25
	=====	=====	=====	=====

<FN>

(F3) 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.