

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 MARCH 31, 1995

() 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 April 30, 1995
-----	-----
Common Stock (par value \$1.00)	131,978,551 shares (excluding 7,252,634 shares held by registrant's consolidated subsidiaries)

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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

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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 March 31,	
	1995	1994
	-----	-----
TRANSPORTATION OPERATING REVENUES:		
Railway:		
Coal	\$ 300.3	\$ 304.9
Merchandise	670.2	609.4
Other	28.7	28.0
	-----	-----
Total railway	999.2	942.3
Motor carrier	139.5	134.5
	-----	-----
Total transportation operating revenues	1,138.7	1,076.8
	-----	-----
TRANSPORTATION OPERATING EXPENSES:		
Railway:		
Compensation and benefits	375.3	351.4
Materials, services and rents	163.1	161.0
Depreciation	94.4	93.3
Diesel fuel	48.7	45.7
Casualties and other claims	32.2	29.1
Other	35.5	37.5
	-----	-----
Total railway	749.2	718.0
Motor carrier	140.4	136.5
	-----	-----
Total transportation operating expenses	889.6	854.5
	-----	-----
Income from operations	249.1	222.3
Other income (expense):		
Interest income	6.2	5.7
Interest expense on debt	(28.3)	(23.7)
Other - net	49.5	21.0
	-----	-----
Total other income	27.4	3.0
	-----	-----
Income before income taxes	276.5	225.3

Provision for income taxes	105.8	80.4
	-----	-----
NET INCOME	\$ 170.7	\$ 144.9
	=====	=====
Per share amounts (Note 5):		
Net income	\$ 1.29	\$ 1.05
Dividends	0.52	0.48

See accompanying notes to consolidated financial statements.

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

	March 31, 1995	December 31, 1994
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 117.9	\$ 57.0
Short-term investments	224.0	249.7
Accounts receivable - net	708.7	726.6
Materials and supplies	67.0	61.9
Deferred income taxes	132.9	137.0
Other current assets	101.5	105.3
	-----	-----
Total current assets	1,352.0	1,337.5
Investments	199.8	172.8
Properties less accumulated depreciation	9,158.7	8,987.1
Other assets	89.4	90.4
	-----	-----
TOTAL ASSETS	\$10,799.9	\$10,587.8
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 42.1	\$ 44.9
Accounts payable	674.1	704.1
Income and other taxes	250.7	168.5
Other current liabilities	145.7	142.3
Current maturities of long-term debt (Note 3)	70.2	72.0
	-----	-----
Total current liabilities	1,182.8	1,131.8
Long-term debt (Note 3)	1,635.1	1,547.8
Other liabilities	977.7	961.9
Minority interests	52.9	53.5
Deferred income taxes	2,218.0	2,208.0
	-----	-----
TOTAL LIABILITIES	6,066.5	5,903.0
	-----	-----
Stockholders' equity:		
Common stock \$1.00 per share par value	139.5	140.4
Other capital	419.0	410.4
Retained income	4,195.5	4,154.6
Less treasury stock at cost, 7,252,634 shares	(20.6)	(20.6)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	4,733.4	4,684.8
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$10,799.9	\$10,587.8
	=====	=====

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)

	Three Months Ended March 31,	
	1995	1994
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 170.7	\$ 144.9
Reconciliation of net income to net cash provided by operating activities:		
Special charge payments	(2.8)	(23.8)
Depreciation	101.0	100.2
Deferred income taxes	12.7	3.3
Nonoperating gains and losses on properties and investments	(40.8)	(4.8)
Changes in assets and liabilities affecting operations:		
Accounts receivable	22.9	(8.6)
Materials and supplies	(5.1)	(2.1)
Other current assets	3.8	(1.1)
Current liabilities other than debt	68.3	22.6
Other - net	8.2	(7.1)
	-----	-----
Net cash provided by operating activities	338.9	223.5
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions (Note 3)	(183.2)	(190.9)
Property sales and other transactions	31.4	33.1
Investments and loans	(24.3)	(19.2)
Investment sales and other transactions	23.8	34.9
Short-term investments - net	27.7	65.7
	-----	-----
Net cash used for investing activities	(124.6)	(76.4)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends	(69.0)	(66.3)
Common stock issued - net	1.9	8.0
Purchase and retirement of common stock	(71.9)	(44.3)
Proceeds from long-term borrowings	7.6	--
Debt repayments	(22.0)	(17.3)
	-----	-----
Net cash used for financing activities	(153.4)	(119.9)
	-----	-----
Net increase in cash and cash equivalents	60.9	27.2
CASH AND CASH EQUIVALENTS:*		
At beginning of year	57.0	80.5
	-----	-----
At end of period	\$ 117.9	\$ 107.7
	=====	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 39.7	\$ 37.7
Income taxes	\$ 3.7	\$ 7.5

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

See accompanying 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 March 31, 1995, and the results of operations and cash flows for the three months ended March 31, 1995 and 1994.

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 1994 in the matters as discussed in NOTE 17, CONTINGENCIES, appearing in the NS Annual Report on Form 10-K for 1994, Notes to Consolidated Financial Statements, beginning on page 72.

3. Capital Leases

During the first quarter of 1995, an NS rail subsidiary entered into capital leases covering 114 new locomotives having a total cost of \$134.9 million. The related capital lease obligations totaling \$104.5 million were reflected in the Consolidated Balance Sheet as debt and, because they were non-cash transactions, were excluded from the Consolidated Statement of Cash Flows. The lease obligations carry stated interest rates between 8.23 percent and 8.60 percent but were converted to variable rate obligations using interest rate swap agreements. The interest rates on these obligations are based on the six-month London Interbank Offered Rate, plus 35 basis points, and will be reset every six months with realized gains or losses accounted for as an adjustment of interest expense over the terms of the leases.

4. Stock Purchase Programs

Since 1987, the Board of Directors has authorized the purchase and retirement of up to 65 million shares of NS common stock. Purchases under the programs have been made with a combination of internally generated cash and through the issuance of debt. Since the first purchases in December 1987 through March 31, 1995, NS has purchased and retired 60,205,100 shares of its common stock under these programs at a cost of approximately \$2.6 billion. Future purchases are dependent on market conditions, the economy, cash needs and alternative investment opportunities.

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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Earnings Per Share

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

	Three Months Ended March 31,	
	1995	1994
	-----	-----
	(In thousands)	
Average number of shares outstanding	132,494	138,159

Recent decreases in the average number of outstanding shares of NS common stock are the result of the stock purchase program described in Note 4.

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 \$25.8 million, or 18 percent, in the first quarter of 1995, compared with the same period last year. This represents NS' best first-quarter net income and reflects improved income from railway operations of \$25.7 million and from nonoperating sources of \$24.4 million.

Railway Operating Revenues

- - - - -

First-quarter "Railway operating revenues" increased \$56.9 million, or 6 percent, compared with the same period last year.

This change in operating revenues was due to:

First Quarter
1995 vs. 1994
Increase (Decrease)

(In millions of dollars)

Traffic volume (carloads)	\$ 87.8
Revenue per unit/mix	(31.6)
Other	0.7

	\$ 56.9
	=====

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

First Quarter
1995 vs. 1994
Increase (Decrease)

(In millions of dollars)

Coal	\$ (4.6)
Merchandise:	
Intermodal	17.5
Metals/construction	12.0
Automotive	11.9
Chemicals	8.7
Paper/forest	7.4
Agriculture	3.3
Other, principally switching and demurrage	0.7

	\$ 56.9
	=====

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

Coal

- ----

The decline in coal revenues compared with last year was attributable to a weather-related decrease in long-haul utility coal shipments and continued weakness in export coal. Severe winter weather in the first quarter of 1994 created high demand for utility coal, while this year's mild weather resulted in much lower burn rates at utilities served by NS. The decline in long-haul traffic was partially offset by an increase in short-haul utility business, including NS' new COLTainer rail-truck service. The overall comparative weakness in utility coal traffic was somewhat mitigated by increased movements of metallurgical coal. Higher metallurgical traffic is largely due to the return to service of certain facilities which were experiencing downtime last year.

Looking ahead, the utility coal market in 1995 is expected to recover slowly with the return of more seasonal weather patterns and temperatures. However, most of the gain is not expected to occur until the second half of the year due to high utility stockpiles. The export coal market is expected to be mixed, with lower rates offsetting increased demand, although some improvement over 1994's depressed results is expected.

Merchandise

- -----

All merchandise commodity groups showed improvement over last year's first quarter, as overall merchandise traffic volume was up 12 percent. The largest increase was in intermodal, with revenues up 18 percent on a 23 percent increase in traffic. Intermodal, which has been NS' fastest growing line of business in 1995, is expected to continue to expand as additional business is shifted from trucks, and capacity improvements generate growth from existing sources. The metals/construction and automotive groups also posted strong first-quarter gains, compared with last year, with revenues up 17 percent and 11 percent, respectively. Both groups benefited from an overall improvement in the economy, with metals/construction also gaining from new production facilities coming on-line. Revenues from metals/construction traffic are expected to continue ahead of last year, as growth is projected in construction and steel output. Automotive volume and revenues are expected to decline somewhat due to lower production and planned retooling downtime.

Railway Operating Expenses

- -----

First-quarter "Railway operating expenses" increased \$31.2 million, or 4 percent, compared with the same period last year. The largest increase was in "Compensation and benefits" which was up \$23.9 million, or 7 percent. The higher labor costs were partly due to the 10 percent increase in total rail traffic. Other factors were: (1) a 4 percent wage increase, effective July 1, 1994, for agreement employees; (2) higher health care costs for agreement employees due to the absorption last year of the cash surplus in a multi-railroad insurance fund; and (3) increased accruals for stock-based compensation, a result of the rise in the NS stock price during the first quarter of 1995. "Casualties and other claims" increased \$3.1 million, or 11 percent, over expenses in the

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

first quarter of 1994, which were unusually low due to favorable development experience related to claims filed in past years. "Diesel fuel" expenses were up \$3.0 million, or 7 percent, largely due to higher consumption related to increased traffic. "Other expenses" declined \$2.0 million, or 5 percent, due to lower employee moving expenses which had been unusually high in the first quarter of 1994 due to the early retirement program in the fall of 1993.

Motor Carrier Operating Revenues

First-quarter "Motor carrier operating revenues" increased \$5.0 million, or 4 percent, compared with the same period last year, with all of the increase attributable to the High Value Products (HVP) Division.

Motor Carrier Operating Expenses

"Motor carrier operating expenses" rose \$3.9 million, or 3 percent, compared with the same period last year, principally due to volume-related expense increases in the HVP Division.

Other Income (Expense)

"Other income (expense)" was up \$24.4 million over first quarter 1994, due to a \$30.5 million (\$18.8 million after-tax) gain (mostly non-cash) resulting from the partial redemption of a real estate partnership interest. "Interest income" was up \$0.5 million, or 9 percent, due to higher invested cash balances. "Interest expense on debt" increased \$4.6 million, or 19 percent, mainly due to higher rates on commercial paper debt.

Income Taxes

The "Provision for income taxes" in first quarter 1995 totaled \$105.8 million, for an effective rate of 38.3 percent, compared with an effective rate of 35.7 percent last year. The lower effective rate in first quarter 1994 was due to an adjustment in federal income tax reserves related to prior years.

FINANCIAL CONDITION AND LIQUIDITY

	March 31, 1995	December 31, 1994
	-----	-----
	(Dollars in millions)	
Cash and short-term investments	\$341.9	\$306.7
Working capital	\$169.2	\$205.7
Current ratio	1.1	1.2
Debt to total capitalization	27.0%	26.2%

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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 5). The increase in cash provided by operating activities compared with first quarter 1994 was primarily due to higher income from operations and to lower special charge payments.

CASH FLOWS FROM INVESTING ACTIVITIES were affected principally by capital spending for property additions, which in first quarter 1995 included approximately \$30 million related to locomotives under capital leases (see Note 3). "Property sales and other transactions" primarily reflects proceeds from dispositions of nonoperating property. "Investments and loans" consists primarily of premium payments related to corporate-owned life insurance (COLI), while "Investment sales and other transactions" principally reflects borrowing on COLI.

CASH FLOWS FROM FINANCING ACTIVITIES in the first quarter of 1995 primarily reflects uses of cash with the largest amount having been spent on the stock purchase program (see Note 4). "Proceeds from long-term borrowings" represents amounts received in connection with capital

lease transactions entered into during the first quarter (see Note 3).

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PART II - OTHER INFORMATION

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Computation of Per Share Earnings

Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed for the three months ended March 31, 1995.

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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: May 10, 1995

/s/ Dezora M. Martin

Dezora M. Martin
Corporate Secretary (Signature)

Date: May 10, 1995

/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 Number
11	Statement re Computation of Per Share Earnings	15-16
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).	17

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

	Three Months Ended March 31,	
	1995	1994
COMPUTATION FOR STATEMENTS OF INCOME		
Income before cumulative effects of changes in accounting principles	\$ 170.7	\$ 144.9
Weighted average number of shares outstanding	132.5	138.2
Primary earnings per share	\$ 1.29	\$ 1.05
ADDITIONAL PRIMARY COMPUTATION		
Net income per statements of income	\$ 170.7	\$ 144.9
Adjustment to weighted average number of shares outstanding:		
Weighted average number of shares outstanding per primary computation above	132.5	138.2
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)	1.2	1.3
Weighted average number of shares outstanding, as adjusted	133.7	139.5
Primary earnings per share, as adjusted(2):	\$ 1.28	\$ 1.04

(1) See Note 12 of Notes to Consolidated Financial Statements in Norfolk Southern's 1994 Annual Report on Form 10-K for a description of the Long-Term Incentive Plan.

(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.

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

	Three Months Ended March 31,	
	1995	1994
FULLY DILUTED COMPUTATION		
Net income per statements of income	\$ 170.7	\$ 144.9
Adjustment to increase earnings to requisite level to earn maximum PSUs, net of tax effect	12.4	21.7
Net income, as adjusted	\$ 183.1	\$ 166.6
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	133.7	139.5
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	0.1
Weighted average number of shares, as adjusted	133.9	139.6
Fully diluted earnings per share(3):	\$ 1.37	\$ 1.19

(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.

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