

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, 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 October 31, 1995
-----	-----
Common Stock (par value \$1.00)	129,768,492 shares (excluding 7,252,634 shares held by registrant's consolidated subsidiaries)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

INDEX  
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Page  
 -----

Part I. Financial Information:

Item 1. Consolidated Statements of Income Three Months and Nine Months Ended September 30, 1995 and 1994	3
Consolidated Balance Sheets September 30, 1995, and December 31, 1994	4

Consolidated Statements of Cash Flows	
Nine Months Ended September 30, 1995 and 1994	5

Notes to Consolidated Financial Statements	6-7
--	-----

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8-13
--	------

Part II. Other Information:

Item 6. Exhibits and Reports on Form 8-K	14
Signatures	15
Index to Exhibits	16

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,		Nine Months Ended September 30,	
	1995	1994	1995	1994
TRANSPORTATION OPERATING REVENUES:				
Railway:				
Coal	\$ 318.5	\$ 325.0	\$ 930.1	\$ 952.4
Merchandise	647.3	622.7	1,994.7	1,880.7
Other	30.2	28.1	86.8	82.8
Total railway	996.0	975.8	3,011.6	2,915.9
Motor carrier	187.9	195.4	501.2	493.5
Total operating revenues	1,183.9	1,171.2	3,512.8	3,409.4
TRANSPORTATION OPERATING EXPENSES:				
Railway:				
Compensation and benefits	359.7	340.4	1,091.6	1,033.5
Materials, services and rents	146.7	160.2	472.5	486.5
Depreciation	98.3	95.1	289.4	283.4
Diesel fuel	45.2	47.3	140.9	139.7
Casualties and other claims	30.7	36.4	91.7	103.0
Other	37.7	32.5	114.1	109.0
Total railway	718.3	711.9	2,200.2	2,155.1
Motor carrier	173.5	181.8	481.3	476.2
Total operating expenses	891.8	893.7	2,681.5	2,631.3
Income from operations	292.1	277.5	831.3	778.1
Other income (expense):				
Interest income	6.9	7.4	21.7	18.7
Interest expense on debt	(28.8)	(27.5)	(85.7)	(75.2)
Other - net	16.9	8.7	87.4	48.3
Total other income (expense)	(5.0)	(11.4)	23.4	(8.2)
Income before income taxes	287.1	266.1	854.7	769.9

Provision for income taxes	103.2	97.8	318.9	278.2
	-----	-----	-----	-----
NET INCOME	\$ 183.9	\$ 168.3	\$ 535.8	\$ 491.7
	=====	=====	=====	=====

Per share amounts (Note 5):

Net income	\$ 1.40	\$ 1.24	\$ 4.07	\$ 3.59
Dividends	0.52	0.48	1.56	1.44

See accompanying notes to consolidated financial statements.

PAGE 4

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets  
(In millions of dollars)  
(Unaudited)

	September 30, 1995	December 31, 1994
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 73.2	\$ 57.0
Short-term investments	214.1	249.7
Accounts receivable - net	773.8	726.6
Materials and supplies	63.1	61.9
Deferred income taxes	138.3	137.0
Other current assets	77.8	105.3
	-----	-----
Total current assets	1,340.3	1,337.5
Investments	231.2	172.8
Properties less accumulated depreciation	9,233.1	8,987.1
Other assets	68.3	90.4
	-----	-----
TOTAL ASSETS	\$10,872.9	\$10,587.8
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 43.1	\$ 44.9
Accounts payable	720.5	704.1
Income and other taxes	211.0	168.5
Other current liabilities	147.0	142.3
Current maturities of long-term debt (Note 3)	59.3	72.0
	-----	-----
Total current liabilities	1,180.9	1,131.8
Long-term debt (Note 3)	1,588.3	1,547.8
Other liabilities	984.8	961.9
Minority interests	52.2	53.5
Deferred income taxes	2,258.6	2,208.0
	-----	-----
TOTAL LIABILITIES	6,064.8	5,903.0
	-----	-----
Stockholders' equity:		
Common stock \$1.00 per share par value	137.4	140.4
Other capital	424.5	410.4
Retained income	4,266.8	4,154.6
Less treasury stock at cost, 7,252,634 shares	(20.6)	(20.6)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	4,808.1	4,684.8
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$10,872.9	\$10,587.8
	=====	=====

See accompanying notes to consolidated financial statements.

PAGE 5

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows  
(In millions of dollars)  
(Unaudited)

	Nine Months Ended September 30,	
	1995	1994
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 535.8	\$ 491.7
Reconciliation of net income to net cash provided by operating activities:		
Special charge payments	(9.6)	(30.2)
Depreciation	308.1	305.7
Deferred income taxes	44.7	68.3
Nonoperating gains and losses on properties and investments	(56.8)	(13.1)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(42.2)	(43.6)
Materials and supplies	(1.2)	4.6
Other current assets	27.5	16.2
Current liabilities other than debt	91.5	54.6
Other - net	16.4	2.8
	-----	-----
Net cash provided by operating activities	914.2	857.0
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions (Note 3)	(497.6)	(491.9)
Property sales and other transactions	80.8	53.4
Investments and loans	(54.5)	(44.5)
Investment sales and other transactions	24.6	260.1
Short-term investments - net	38.6	(143.3)
	-----	-----
Net cash used for investing activities	(408.1)	(366.2)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends	(205.9)	(197.9)
Common stock issued - net	10.6	9.4
Purchase and retirement of common stock	(238.6)	(179.0)
Proceeds from long-term borrowings (Note 3)	7.6	41.4
Debt repayments	(63.6)	(108.7)
	-----	-----
Net cash used for financing activities	(489.9)	(434.8)
	-----	-----
Net increase in cash and cash equivalents	16.2	56.0
CASH AND CASH EQUIVALENTS:*		
At beginning of year	57.0	80.5
	-----	-----
At end of period	\$ 73.2	\$ 136.5
	=====	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the period for:

Interest (net of amounts capitalized)	\$ 100.7	\$ 93.3
Income taxes	\$ 219.3	\$ 154.3

\* 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 September 30, 1995, and the results of operations and cash flows for the nine months ended September 30, 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 new locomotives. 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 and are reset every six months with realized gains or losses accounted for as an adjustment of interest expense over the terms of the leases. As a result, NS is exposed to the market risk associated with fluctuations in interest rates. To date, while such rate fluctuations have been nominal, their effects have been favorable.

## 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 September 30, 1995, NS has purchased and retired 62,638,800 shares of its common stock under these programs at a cost of approximately \$2.8 billion. Future purchases are dependent on market conditions, the economy, cash needs and alternative investment opportunities.

PAGE 7

## 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		Nine Months Ended	
September 30,		September 30,	
1995	1994	1995	1994
----	----	----	----
(In thousands)			

Average number of shares outstanding	130,578	135,992	131,532	137,105
---	---------	---------	---------	---------

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

PAGE 8

# NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

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

### RESULTS OF OPERATIONS

#### Net Income

"Net income" for the third quarter was \$183.9 million, the highest for any quarter in NS' history, and \$15.6 million, or 9 percent, higher than in the third quarter of 1994. Contributing to the 1995 third-quarter record were a \$14.6 million increase in "Income from operations" and a \$6.4 million improvement in nonoperating income.

"Net income" of \$535.8 million for the nine months ended September 30, 1995, also a record, was up \$44.1 million, or 9 percent, over the comparable period last year. A 7 percent increase in "Income from operations" and substantially higher nonoperating income, largely due to the first-quarter gain on the partial redemption of a partnership interest, were principally responsible for the improvement.

#### Railway Operating Revenues

"Railway operating revenues" increased \$20.2 million, or 2 percent, in the third quarter and \$95.7 million, or 3 percent, for the nine months ended September 30, 1995, compared with the same periods last year. The increases in operating revenues were due to:

	Third Quarter 1995 vs. 1994 Increase (Decrease)	First Nine Months 1995 vs. 1994 Increase (Decrease)
	-----	-----
	(In millions of dollars)	
Traffic volume (carloads)	\$ 19.8	\$ 125.8
Revenue per unit/mix	(1.7)	(34.1)
Other	2.1	4.0
	-----	-----
	\$ 20.2	\$ 95.7
	=====	=====

PAGE 9

# 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:

	Third Quarter 1995 vs. 1994 Increase (Decrease)	First Nine Months 1995 vs. 1994 Increase (Decrease)
	-----	-----
	(In millions of dollars)	

Coal	\$ (6.5)	\$ (22.3)
Merchandise:		
Intermodal	9.2	39.5
Agriculture	6.2	11.9
Paper/forest	5.8	17.6
Automotive	4.8	25.7
Metals/construction	4.3	18.8
Chemicals	(5.7)	0.5
Other, principally switching and demurrage	2.1	4.0
	-----	-----
	\$ 20.2	\$ 95.7
	=====	=====

Coal  
- ----

The comparative decline in NS' coal revenues, for both the third quarter and first nine months of 1995, resulted from an overall weakness in shipments of domestic utility coal. Stockpiles at coal-fired generating plants had been quite high since the summer of 1994. This summer's relatively hot weather in NS' service region resulted in stockpiles beginning to moderate. Export coal shipments continued the improvement begun during the second quarter, as the economic recovery in Europe helped to generate a 15 percent increase in third-quarter volume and a 5 percent increase in volume for the first nine months of 1995, compared with last year.

Looking ahead, the encouraging trends in both the domestic utility and export markets for coal over NS' lines are expected to continue, producing moderate traffic growth for the remainder of the year.

PAGE 10

#### NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

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

Merchandise  
- -----

All merchandise commodity groups (except chemicals in the third quarter) produced higher revenues compared with last year. The intermodal group continued to produce the greatest gains, with revenues up \$9.2 million, or 9 percent, for the third quarter, and up \$39.5 million, or 13 percent, for the first nine months. Container traffic posted the largest gains compared with last year's third quarter, although a softening domestic economy resulted in somewhat slower growth, compared with the first six months this year. Strong container shipments and modest improvement in trailer movements are expected in the fourth quarter.

The agriculture group recorded the second-best revenue increase in the third quarter, rising \$6.2 million, or 8 percent, compared with last year. Strong demand for grain, increased wheat shipments from NS sourcing regions and an improved export market combined to produce the gains. The fourth-quarter outlook is also positive, although this year's harvest is not expected to match last year's record levels. Revenues in the paper/forest and metals/construction commodity groups were up \$5.8 million and \$4.3 million, or 5 percent, for the quarter, and up \$17.6 million and \$18.8 million, or 5 percent and 8 percent, respectively, for the first nine months. The gains in the paper/forest group were almost entirely due to higher average revenues per shipment, as traffic volume was flat for both periods. Higher average revenues also largely were responsible for the improved results in metals/construction, although some of the year-to-date gain was due to greater first-quarter traffic volume. Revenues from automotive traffic were up \$4.8 million, or 5 percent, for the quarter and \$25.7 million, or 8 percent, for the first nine months. NS continues to benefit from improved automotive sales and production in markets it serves. Automobile traffic is expected to remain ahead of last year, although projected gains from plants scheduled to come back on line in the fourth quarter will be somewhat mitigated by retooling downtimes and production

slow-downs at other plants.

#### Railway Operating Expenses

- -----

"Railway operating expenses" increased \$6.4 million, or 1 percent, in the third quarter of 1995, and \$45.1 million, or 2 percent, for the nine-month period, compared with the same periods last year.

The largest expense increase for the quarter was in "Compensation and benefits" which rose \$19.3 million, or 6 percent. The main factors contributing to this increase were: (1) higher wage rates; (2) increased accruals for stock-based compensation, largely a result of the rise in the market price of NS stock; and (3) higher health care costs for agreement employees due to the absorption last year of the cash surplus in a multi-railroad insurance fund.

On September 26, 1995, NS announced a voluntary retirement program for certain eligible employees, which 272 of the 475 eligible employees accepted. The charge for this program will be recorded in fourth-quarter operating expenses. The effects of this program are expected to produce annual savings of approximately \$16 million.

PAGE 11

### NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

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

Third-quarter expenses also saw an increase in "Other" expenses, which were up \$5.2 million, or 16 percent, compared with last year, which had benefited from favorable sales and use tax settlements. Partially offsetting these increases were reductions in "Materials, services and rents" and "Casualties and other claims." "Materials, services and rents" declined \$13.5 million, or 8 percent, due primarily to lower locomotive and freight car repairs. Greater income from equipment rents related to the depreservation of car hire and the leasing of locomotives also contributed to the decline. "Casualties and other claims" was \$5.7 million, or 16 percent, lower due to favorable experience in personal injury claims.

The increase in year-to-date "Railway operating expenses" also reflected higher compensation and benefits costs which were up \$58.1 million, or 6 percent, for the same reasons mentioned in the discussion about third-quarter expenses. "Other" expenses rose \$5.1 million, or 5 percent, compared to 1994, which included a favorable sales and use tax adjustment. The principal decreases in year-to-date railway operating expenses were in "Materials, services and rents" and "Casualties and other claims." "Materials, services and rents" declined \$14 million, or 3 percent, for the same reasons mentioned in the third-quarter discussion. "Casualties and other claims" declined \$11.3 million, or 11 percent, reflecting this year's more favorable personal injury claims experience and lower environmental claim costs.

#### Motor Carrier Operating Revenues

- -----

"Motor carrier operating revenues" declined \$7.5 million, or 4 percent, for the third quarter but were \$7.7 million, or 2 percent, ahead for the first nine months, compared with the same periods last year. The quarterly decline was primarily a result of sluggish demand in the Relocation Services Division during what is normally its busiest season of the year. The year-to-date increase was in the High Value Products Division, principally due to the recovering economy and increased sales efforts in the blanketwrap (specialized handling of uncartoned freight) unit and at the distribution centers.

#### Motor Carrier Operating Expenses

- -----

"Motor carrier operating expenses" were \$8.3 million, or 5 percent, lower for the third quarter, but were \$5.1 million, or 1 percent, higher for the nine months, compared with the same periods last year. Both variances were principally volume-related.



#### Other Income (Expense)

"Interest income" was \$0.5 million, or 7 percent, lower for the quarter, but was \$3.0 million, or 16 percent, higher for the first nine months. The year-to-date increase was largely due to higher interest rates.

"Interest expense on debt" increased \$1.3 million, or 5 percent, and \$10.5 million, or 14 percent, for the third quarter and year-to-date, respectively, mainly due to higher rates on commercial paper debt.

PAGE 12

#### NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

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

"Other-net" improved by \$8.2 million over third-quarter 1994 and by \$39.1 million above the first nine months of last year. The improvement for the quarter was largely due to an increase in gains on sales of property while the year-to-date increase was largely attributable to a \$30.5 million (\$18.8 million after-tax) gain resulting from the partial redemption in January of a real estate partnership interest.

#### Income Taxes

The "Provision for income taxes" in the third quarter of 1995 totaled \$103.2 million, for an effective rate of 35.9 percent, compared with an effective rate of 36.8 percent last year. For the first nine months of 1995, income taxes were \$318.9 million for an effective tax rate of 37.3 percent, compared with an effective tax rate of 36.1 percent in 1994. The lower year-to-date effective rate in 1994 was due primarily to adjustments in federal income tax reserves related to prior years and to a favorable valuation allowance adjustment for a deferred tax asset.

#### Required Accounting Change

In March 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." This standard establishes the accounting and reporting requirements for recognizing and measuring impairment of long-lived assets and related goodwill which either are held and used or are held for disposal. SFAS No. 121 is effective for fiscal years beginning after December 15, 1995, and NS plans to implement this change in the first quarter of 1996. The impact to NS of adopting this new standard is not currently determinable; however, it is not expected to have a material effect on the Corporation's financial position or results of operations.

#### Environmental Matters

NS Rail (NS' rail subsidiary) and NS Rail's wholly owned subsidiary, The Alabama Great Southern Railroad Company ("AGS"), have complied with a recent request from the Environmental Protection Agency ("EPA") to provide information concerning any connection they may have had - in the 1880's - to property or the operations conducted thereon at the Bayou Bonfouca NPL Superfund site located in Slidell, Louisiana. Since providing such information, NS has learned informally that the EPA may consider AGS, with several other entities believed to be solvent, a potentially responsible party with respect to such site. Any such designation of AGS and any associated liability will be contested; it is not possible at this time to anticipate either (a) the amount of any liability that may be asserted against NS or NS Rail or (b) as a consequence, the materiality of such amount to NS' financial position, results of operation or liquidity in a particular quarter or year.

PAGE 13

#### NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

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

# FINANCIAL CONDITION AND LIQUIDITY

	September 30, 1995	December 31, 1994
	-----	-----
	(Dollars in millions)	

Cash and short-term investments	\$287.3	\$306.7
Working capital	\$159.4	\$205.7
Current ratio	1.1	1.2
Debt to total capitalization	26.0%	26.2%

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 the first nine months of 1994, was primarily due to higher income from operations and lower special charge payments.

CASH FLOWS FROM INVESTING ACTIVITIES were affected principally by capital spending for property additions. "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 primarily reflect uses of cash with the largest amount having been spent on the stock purchase program (see Note 4). "Proceeds from long-term borrowings" in 1995 represent amounts received in connection with capital lease transactions entered into during the first quarter (see Note 3), and in 1994, reflect an equipment trust issued.

PAGE 14

## 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 September 30, 1995.

PAGE 15

## 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, 1995  
-----

/s/ Dezora M. Martin  
-----

Dezora M. Martin  
Corporate Secretary (Signature)

Date: November 9, 1995  
-----

/s/ John P. Rathbone  
-----

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

PAGE 16

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

INDEX TO EXHIBITS  
-----

Electronic  
Submission  
Exhibit  
Number

Description

Page Number  
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11	Statement re Computation of Per Share Earnings	17-18
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).	19

## NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

Computation of Per Share Earnings  
(In millions except per share amounts)

	Three Months Ended September 30, 1995		Nine Months Ended September 30, 1994	
	-----	-----	-----	-----
Computation for Statements of Income	-----			
Net income per statements of income	\$ 183.9	\$ 168.3	\$ 535.8	\$ 491.7
	-----	-----	-----	-----
Weighted average number of shares outstanding	130.6	136.0	131.5	137.1
	-----	-----	-----	-----
Primary earnings per share	\$ 1.40	\$ 1.24	\$ 4.07	\$ 3.59
	=====	=====	=====	=====
Additional Primary Computation	-----			
Net income per statements of income	\$ 183.9	\$ 168.3	\$ 535.8	\$ 491.7
	-----	-----	-----	-----
Adjustment to weighted average number of shares outstanding:				
Weighted average number of shares outstanding per primary computation above	130.6	136.0	131.5	137.1
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)	1.5	1.1	1.3	1.2
	-----	-----	-----	-----
Weighted average number of shares outstanding, as adjusted	132.1	137.1	132.8	138.3
	=====	=====	=====	=====
Primary earnings per share, as adjusted (2):				
Net income	\$ 1.39	\$ 1.23	\$ 4.03	\$ 3.56
	=====	=====	=====	=====

(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.

## NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

Computation of Per Share Earnings  
(In millions except per share amounts)

	Three Months Ended September 30,	Nine Months Ended September 30,
--	-------------------------------------	------------------------------------

	1995	1994	1995	1994
	-----	-----	-----	-----
Fully Diluted Computation				
-----				
Net income per statements of income	\$ 183.9	\$ 168.3	\$ 535.8	\$ 491.7
Adjustment to increase earnings to requisite level to earn maximum PSUs, net of tax effect	13.5	24.2	39.3	70.7
	-----	-----	-----	-----
Net income, as adjusted	\$ 197.4	\$ 192.5	\$ 575.1	\$ 562.4
	=====	=====	=====	=====
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	132.1	137.1	132.8	138.3
Additional dilutive effect of outstanding options and SARs (as determined by the application of the treasury stock method using period end market price)	--	--	0.3	--
Additional shares issuable at maximum level for PSUs	0.1	0.1	0.1	0.1
	-----	-----	-----	-----
Weighted average number of shares, as adjusted	132.2	137.2	133.2	138.4
	=====	=====	=====	=====
Fully diluted earnings per share (3):	\$ 1.49	\$ 1.40	\$ 4.32	\$ 4.06
	=====	=====	=====	=====

- (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

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<FISCAL-YEAR-END>	DEC-31-1995
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<PP&E>	13,571
<DEPRECIATION>	4,338
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<CURRENT-LIABILITIES>	1,181
<BONDS>	1,588
<COMMON>	137
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<CGS>	0
<TOTAL-COSTS>	2,682
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<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	536
<EPS-PRIMARY>	4.07
<EPS-DILUTED>	0