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

FORM 10-K405

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-8339

NORFOLK SOUTHERN CORPORATION  
-----

(Exact name of registrant as specified in its charter)

Virginia

52-1188014  
-----

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

Three Commercial Place, Norfolk, Virginia

23510-2191  
-----

(Address of principal executive offices)

(Zip Code)

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

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

Title of each Class  
-----

Name of each exchange  
on which registered  
-----

Norfolk Southern Corporation  
Common Stock (Par Value \$1.00)

New York Stock Exchange

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

Indicate by check mark whether the registrant (1) has filed all  
reports required to be filed by Section 13 or 15(d) of the Securities  
Exchange Act of 1934 during the preceding 12 months (or for such shorter  
period that the registrant was required to file such reports) and (2) has  
been subject to such filing requirements for the past 90 days.

Yes (X) No ( )

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

The aggregate market value of the voting stock held by nonaffiliates  
as of January 31, 2001: \$6,277,704,194.

The number of shares outstanding of each of the registrant's classes  
of common stock, as of January 31, 2001: 384,427,691 (excluding  
21,363,974 shares held by registrant's consolidated subsidiaries).

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's definitive proxy statement (to be dated April 2, 2001), to be filed electronically pursuant to Regulation 14A not later than 120 days after the end of the fiscal year, are incorporated by reference in Part III.

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PART I  
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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

Item 1. Business.  
-----

and

Item 2. Properties.  
-----

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

Effective Dec. 31, 1990, Norfolk Southern transferred all the common stock of NW to Southern, and Southern's name was changed to Norfolk Southern Railway Company (Norfolk Southern Railway). Effective Sept. 1, 1998, NW was merged with and into Norfolk Southern Railway. As of Dec. 31, 2000, all the common stock of Norfolk Southern Railway and 16.1 percent of its voting preferred stock (resulting in 94.8 percent voting control) was owned directly by Norfolk Southern.

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

On March 28, 1998, Norfolk Southern closed the sale of its motor carrier company, North American Van Lines, Inc. (NAVL) (see "Discontinued Operations" on Page 42 and Note 16 on Page 78). NAVL's results of operations, financial position and cash flows are presented as "Discontinued operations" in the accompanying financial statements.

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

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

operating and leasing arrangements, more particularly described in Note 2 on Page 60, with Norfolk Southern Railway. Certain rail assets (Shared Assets Areas) still are owned by CRC, which operates them for joint and exclusive use by Norfolk Southern Railway and the rail subsidiary of CSX.

Operation of the PRR routes and assets increased the size of the system over which Norfolk Southern Railway provides service by nearly 50% and afforded access to the New York metropolitan area, to much of the Northeast and to most of the major East Coast ports north of

Norfolk, Va. Also, the leasing arrangements with PRR augmented Norfolk Southern Railway's locomotive, freight car and intermodal fleet.

#### CONTINUING OPERATIONS:

RAILROAD OPERATIONS - As of Dec. 31, 2000, NS' railroads operated approximately 21,800 miles of road in the states of Alabama, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia, and in the Province of Ontario, Canada. Of this total, about 12,000 miles are owned with the balance operated under lease or trackage rights; most of this total is main line track. In addition, its railroads operate almost 17,000 miles of passing, industrial, yard and side tracks.

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

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

Operations over the approximately 330 miles of tracks of NCRR, previously under a 100-year lease which expired on Dec. 31, 1994, are now under a trackage rights agreement. The term of the agreement is 15 years with NS' railroads having the right to renew for two additional 15-year periods. The new arrangement resolved all outstanding litigation between NS' railroads and NCRR and settled a number of contested real property issues. The agreement also includes very broad dispute resolution provisions.

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

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

The lines of NS' railroads reach most of the larger industrial and trading centers of the Southeast, East and Midwest, with the exception of those in central and southern Florida. Atlanta, Birmingham, New Orleans, Memphis, St. Louis, Kansas City (Missouri), Chicago, Detroit, Cincinnati, Buffalo, Norfolk, Charleston, Savannah, Jacksonville, Cleveland, Newark, Pittsburgh, Philadelphia and Baltimore are among the leading centers originating and terminating freight traffic on the system. In addition, a haulage arrangement with Florida East Coast Railway Company allows NS' railroads to provide single-line service to and from south Florida, including the port cities of Miami, West Palm Beach and Fort Lauderdale. The system's lines also reach many individual industries, mines (in western Virginia, eastern Kentucky, southern and northern West Virginia and western Pennsylvania) and businesses located in smaller communities in its service area. The traffic corridors carrying the heaviest volumes of freight include those from the Appalachian coal fields of Virginia, West Virginia and Kentucky, to Norfolk and Sandusky, Ohio; Buffalo to Chicago and Kansas City; Chicago to Jacksonville (via Cincinnati, Chattanooga and Atlanta); and Washington, D.C./Hagerstown, Maryland, to New Orleans

(via Atlanta and Birmingham); and the New Jersey area to Chicago (via Allentown and Pittsburgh).

Buffalo, Chicago, Hagerstown, Kansas City, Memphis, Meridian, New Orleans, Sidney/Salem and St. Louis are major gateways for interterritorial system traffic.

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

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RAILWAY OPERATING REVENUES - NS' total railway operating revenues were \$6.2 billion in 2000. Revenue, shipments and revenue yield by principal railway operating revenue sources for the past five years are set forth in the following table. The prior year "chemicals" and "agriculture/consumer products/government" groups have been reclassified to conform to the year 2000 presentation.

Year Ended December 31,					
Principal Sources of ----- Railway Operating Revenues	2000 ----	1999 ----	1998 ----	1997 ----	1996 ----
(Revenues in millions, shipments in thousands, revenue yield in dollars per shipment)					
COAL					
Revenues	\$1,435	\$1,322	\$1,252	\$1,301	\$1,305
% of total revenues	23%	25%	29%	31%	32%
Shipments	1,687	1,519	1,310	1,324	1,310
% of total shipments	25%	25%	27%	28%	29%
Revenue Yield	\$ 850	\$ 870	\$ 955	\$ 983	\$ 996
AUTOMOTIVE					
Revenues	\$ 921	\$ 746	\$ 577	\$ 492	\$ 489
% of total revenues	15%	14%	13%	11%	12%
Shipments	692	611	487	361	354
% of total shipments	10%	10%	10%	7%	8%
Revenue Yield	\$1,331	\$1,220	\$1,186	\$1,364	\$1,379
CHEMICALS					
Revenues	\$ 756	\$ 641	\$ 492	\$ 504	\$ 482
% of total revenues	13%	12%	12%	12%	12%
Shipments	453	394	315	316	299
% of total shipments	6%	7%	7%	7%	6%
Revenue Yield	\$1,668	\$1,627	\$1,559	\$1,595	\$1,612

METALS/CONSTRUCTION

Revenues	\$ 689	\$ 567	\$ 375	\$ 369	\$ 355
% of total revenues	11%	11%	9%	9%	9%
Shipments	757	587	372	374	359
% of total shipments	11%	10%	8%	8%	8%
Revenue Yield	\$ 911	\$ 965	\$1,008	\$ 987	\$ 989

PAPER/CLAY/FOREST

Revenues	\$ 630	\$ 578	\$ 535	\$ 539	\$ 514
% of total revenues	10%	11%	13%	13%	12%
Shipments	491	465	445	457	438
% of total shipments	7%	8%	9%	10%	10%
Revenue Yield	\$1,285	\$1,243	\$1,202	\$1,178	\$1,172

AGR./CONSUMER PRODUCTS/GOVT.

Revenues	\$ 609	\$ 539	\$ 468	\$ 476	\$ 474
% of total revenues	10%	11%	11%	11%	11%
Shipments	525	489	441	455	462
% of total shipments	8%	8%	9%	9%	10%
Revenue Yield	\$1,160	1,103	\$1,063	\$1,046	\$1,026

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Year Ended December 31,

Principal Sources of -----					
Railway Operating					
Revenues	2000	1999	1998	1997	1996
-----	----	----	----	----	----

(Revenues in millions, shipments in thousands, revenue yield in dollars per shipment)

INTERMODAL

(Trailers, Containers and RoadRailers)

Revenues	\$1,119	\$ 849	\$ 555	\$ 568	\$ 499
% of total revenues	18%	16%	13%	13%	12%
Shipments	2,242	1,896	1,443	1,472	1,331
% of total shipments	33%	32%	30%	31%	29%
Revenue Yield	\$ 499	\$ 448	\$ 385	\$ 386	\$ 375

Total Railway Operating

Revenues	\$6,159	\$5,242	\$4,254	\$4,249	\$4,118
Total Railway Shipments	6,847	5,961	4,813	4,759	4,553
Railway Revenue Yield	\$ 900	\$ 879	\$ 884	\$ 893	\$ 904

Note: Effective in 2000, NS adopted the consensus reached by the Emerging Issues Task Force of the Financial Accounting Standards Board (FASB) concerning Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." The consensus presents indicators to consider in establishing the accounting for revenue. As a result of the application of the consensus, NS has reclassified to railway operating expenses certain charges that previously have been reported net with railway operating revenues. This change in reporting has no effect on income from railway operations. Prior period amounts have been reclassified to conform to the current presentation.

COAL TRAFFIC - Coal, coke and iron ore -- most of which is bituminous coal -- is NS' railroads' largest commodity group as measured by revenues. The railroads originated 156 million tons of

coal, coke and iron ore in 2000 and handled a total of 175 million tons. Originated tonnage and total tons handled increased due to a full year of operations in the Northern Region. Revenues from coal, coke and iron ore accounted for about 23 percent of NS' total railway operating revenues in 2000.

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

	Tons of Coal, Coke and Iron Ore (Millions)				
	2000	1999	1998	1997	1996
	----	----	----	----	----
Originated	156	138	119	119	117
Received	19	20	15	15	13
	----	----	----	----	----
Handled	175	158	134	134	130
	====	====	====	====	====

Of the 156 million tons of coal, coke and iron ore originated on lines operated by NS' railroads in 2000, the approximate breakdown by origin state was as follows:

Origin State	Millions of Tons
-----	-----
West Virginia	50
Virginia	34
Pennsylvania	24
Kentucky	23
Ohio	8
Indiana	7
Alabama	4
Illinois	4
Tennessee	1
Other	1
	---
	156
	===

Of the 175 million tons handled, approximately 20 million tons moved for export, principally through NS' pier facilities at Norfolk (Lamberts Point), Virginia; 25 million tons moved to domestic and Canadian steel industries; 119 million tons of steam coal moved to electric utilities; and 11 million tons moved to other industrial and miscellaneous users.

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NS' railroads moved 9 million tons of originated coal, coke and

iron ore to various docks on the Ohio River, and 9 million tons to various Lake Erie ports. Other than coal for export, virtually all coal handled by NS' railroads was terminated in states situated east of the Mississippi River.

Total coal handled through all system ports in 2000 was 40 million tons. Of this total, 19 million tons (including coastwise traffic) moved through Lambert's Point and 4 million tons moved through the Baltimore Terminal.

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

Export Coal through Lamberts Point (Millions of tons) -----				
2000 ----	1999 ----	1998 ----	1997 ----	1996 ----
16	17	24	28	26

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

MERCHANDISE TRAFFIC - The merchandise traffic group consists of intermodal and general merchandise, which consists of five major commodity groupings: automotive; chemicals; paper, clay and forest products; metals and construction; and agriculture, consumer products and government. Total merchandise revenues in 2000 were \$4.7 billion, a 21 percent increase, compared with 1999. Merchandise carloads and intermodal units handled in 2000 were 5.16 million, compared with 4.44 million handled in 1999, an increase of 16 percent. The increases in revenues and carloads reflect a full year of operations in the Northern Region.

In 2000, 164 million tons of merchandise freight, or approximately 68 percent of total merchandise tonnage handled by NS, originated online. The balance of merchandise traffic was received from connecting carriers, usually at interterritorial gateways. The principal interchange points for NS-received traffic included Chicago, Memphis, New Orleans, Cincinnati, Kansas City, Detroit, Hagerstown, St. Louis/East St. Louis and Louisville.

Revenues in all six market groups comprising merchandise traffic increased in 2000, due to a full year of operations in the Northern Region.

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

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

Year Ended December 31,



	2000	1999	1998	1997	1996
Revenue ton miles (billions)	197	167	135	137	131
Freight train miles traveled (millions)	74.4	61.5	53.0	49.7	49.4
Revenue per ton mile	\$0.0312	\$0.0315	\$0.0316	\$0.0310	\$0.0315
Revenue tons per train	2,653	2,710	2,539	2,755	2,648
Revenue ton miles per man-hour worked	2,888	2,577	2,659	2,930	2,787
Percentage ratio of railway operating expenses to railway operating revenues	89.7%	86.3%	75.3%	71.5%	71.7%

FREIGHT RATES - In 2000, NS' railroads continued their reliance on private contracts and exempt price quotes as their predominant pricing mechanisms. Thus, a major portion of NS' railroads' freight business is not currently economically regulated by the government. In general, market forces have been substituted for government regulation and now are the primary determinant of rail service prices.

In 2000, NS' railroads were found by the STB not to be "revenue adequate" based on results for the year 1999. A railroad is "revenue adequate" under the applicable law when its return on net investment exceeds the rail industry's composite cost of capital.

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

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

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

NONCARRIER OPERATIONS - NS' noncarrier subsidiaries engage principally in telecommunications, the acquisition and subsequent leasing of coal, oil, gas and timberlands, the development of commercial real estate and the leasing or sale of rail property and equipment. In 2000, no such noncarrier subsidiary or industry segment grouping of noncarrier subsidiaries met the requirements for a reportable business segment set forth in Statement of Financial Accounting Standards No. 131.

## RAILWAY PROPERTY:

EQUIPMENT - As of Dec. 31, 2000, NS owned or leased the following units of equipment:

Type of Equipment -----	Number of Units -----			Capacity of Equipment -----
	Owned*	Leased**	Total	
Locomotives:				(Horsepower)
Multiple purpose	2,251	1,028	3,279	10,792,300
Switching	106	113	219	319,800
Auxiliary units	59	18	77	--
	-----	-----	-----	-----
Total locomotives	2,416	1,159	3,575	11,112,100
	=====	=====	=====	=====
Freight Cars:				(Tons)
Hopper	20,484	5,634	26,118	2,746,297
Box	18,802	5,296	24,098	1,881,269
Covered Hopper	11,349	3,516	14,865	1,617,580
Gondola	28,551	11,293	39,844	4,260,435
Flat	4,008	1,409	5,417	392,862
Caboose	180	77	257	--
Other	3,900	--	3,900	213,029
	-----	-----	-----	-----
Total freight cars	87,274	27,225	114,499	11,111,472
	=====	=====	=====	=====
Other:				
Work equipment	5,771	2,101	7,872	
Vehicles	3,684	1,720	5,404	
Highway trailers and containers	426	7,779	8,205	
RoadRailers (RT)	5,577	--	5,577	
Miscellaneous	1,450	9,241	10,691	
	-----	-----	-----	
Total other	16,908	20,841	37,749	
	=====	=====	=====	

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

\*\* Includes 982 locomotives, 18,404 freight cars and 3,830 units of other equipment leased from PRR.

The following table indicates the number and year built for locomotives and freight cars owned at Dec. 31, 2000:

Year Built  
-----

	2000	1999	1998	1997	1996	1990- 1995	1984- 1989	1983 & Before	Total
	----	----	----	----	----	----	----	-----	-----
Locomotives:									
Number of									
units	35	147	119	120	119	334	403	1,139	2,416
Percent of									
fleet	1%	6%	5%	5%	5%	14%	17%	47%	100%
Freight cars:									
Number of									
units	106	503	1,567	1,076	987	7,108	3,870	72,057	87,274
Percent of									
fleet	--	1%	2%	1%	1%	8%	4%	83%	100%

The average age of the freight car fleet at Dec. 31, 2000, was 24.6 years. During 2000, 1,569 freight cars were retired. As of Dec. 31, 2000, the average age of the locomotive fleet was 16.1 years. During 2000, 20 locomotives, the average age of which was 24.5 years, were retired. Since 1988, about 29,000 coal cars have been rebodied. As a result, the remaining serviceability of the freight car fleet is greater than may be inferred from the high percentage of freight cars built in earlier years.

	Annual Average Bad Order Ratio				
	2000	1999	1998	1997	1996
	----	----	----	----	----
Freight Cars (excluding cabooses):					
NS Rail	5.7%	3.7%	4.1%	4.6%	4.8%
Locomotives:					
NS Rail	5.5%	5.3%	4.3%	5.0%	4.5%

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Ongoing freight car and locomotive maintenance programs are intended to ensure the highest standards of safety, reliability, customer satisfaction and equipment marketability. In past years, the freight car bad order ratio reflected the storage of certain types of cars that were not in high demand. The ratio had declined more recently as a result of a disposition program, which is expected to be accelerated in 2001, for underutilized, unserviceable and overage revenue cars. The ratio rose in 2000 as a result of decreased maintenance activity. The locomotive bad order ratio rose in 1997, particularly in the early months of the year, as older units required additional servicing and some new units were out-of-service related to warranty work. By year-end 1997, the locomotive bad order ratio had returned to a level nearer that of prior years. The increase in the locomotive bad order ratio in 1999 was primarily due to the maintenance requirements of units being rented to meet short-term needs and to weather-related failures. The ratio remained high in 2000 as maintenance activities were curtailed in response to a slowing economy.

TRACKAGE - All NS trackage is standard gauge, and the rail in approximately 96 percent of the main line trackage (including first, second, third and branch main tracks, all excluding trackage rights)

ranges from 100 to 140 pounds per yard. Of the approximately 31,900 miles of track maintained as of Dec. 31, 2000, about 22,100 were laid with welded rail.

The density of traffic on running tracks (main line trackage plus passing tracks) during 2000 was as follows:

Gross tons of freight carried per track mile (Millions)	Track miles of running tracks*	Percent of total
-----	-----	-----
0-4	7,821	34
5-19	6,590	29
20 and over	8,598	37
	-----	---
	23,009	100
	=====	===

\* Excludes trackage rights.

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

	2000	1999	1998	1997	1996
	----	----	----	----	----
Track miles of rail installed	392	403	429	451	401
Miles of track surfaced	3,687	5,087	4,715	4,703	4,686
New crossties installed (millions)	1.5	2.3	2.0	2.2	1.9

MICROWAVE SYSTEM - The NS microwave system, consisting of 8,374 radio path miles, 443 active stations and 4 passive repeater stations, provides communications between most operating locations. The microwave system is used primarily for voice communications, VHF radio control circuits, data and facsimile transmissions, traffic control operations, AEI data transmissions and relay of intelligence from defective equipment detectors.

TRAFFIC CONTROL - Of a total of 21,800 road miles operated by NS, excluding trackage rights over foreign lines, 8,420 road miles are governed by centralized traffic control systems (of which 1,490 miles are controlled by data radio from 135 microwave site locations and 460 miles are cab-signal only) and 3,070 road miles are equipped for automatic block system operation.

COMPUTERS - Data processing facilities connect the yards, terminals, transportation offices, rolling stock repair points, sales offices and other key system locations to the central computer complex in Atlanta, Georgia. Operating and traffic data are compiled and stored to provide customers with information on their shipments throughout the system. Data processing facilities are capable of providing current information on the location of every train and each

car on line, as well as related waybill and other train and car movement data. Additionally, these facilities afford substantial capacity for, and are utilized to assist management in the performance of, a wide variety of functions and services, including payroll, car and revenue accounting, billing, material management activities and controls, and special studies.

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

ENCUMBRANCES - Certain railroad equipment is subject to the prior lien of equipment financing obligations amounting to approximately \$816 million as of Dec. 31, 2000, and \$930 million at Dec. 31, 1999.

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

Capital Expenditures					
	2000	1999	1998	1997	1996
	----	----	----	----	----
	(In millions of dollars)				
Road	\$ 557	\$ 559	\$ 612	\$ 599	\$ 438
Equipment	146	349	442	306	326
Other property	28	4	6	24	25
	-----	-----	-----	-----	-----
Total	\$ 731	\$ 912	\$1,060	\$ 929	\$ 789
	=====	=====	=====	=====	=====

Capital spending and maintenance programs are and have been designed to assure the ability to provide safe, efficient and reliable transportation services. For 2001, NS has budgeted \$806 million of capital spending. See the discussion following "Cash used for investing activities," on Page 43 in Part II, Item 7, "Management's Discussion and Analysis."

ENVIRONMENTAL MATTERS - Compliance with federal, state and local laws and regulations relating to the protection of the environment is a principal NS goal. To date, such compliance has not affected materially NS' capital additions, earnings, liquidity or competitive position. See the discussion of "Environmental Matters" on Page 47 in Part II, Item 7, "Management's Discussion and Analysis," and in Note 17 to the Consolidated Financial Statements on Page 78.

EMPLOYEES - NS employed an average of 33,738 employees in 2000, compared with an average of 31,166 in 1999. The increase reflects the substantial number of former Conrail employees who became NS employees on June 1, 1999 and therefore are included in the year 2000 average for a full year. The approximate average cost per employee during 2000 was \$51,000 in wages and \$21,000 in employee benefits.

Approximately 85 percent of NS' railroad employees are covered by collective bargaining agreements with 15 different labor unions. See the discussion of "Labor Agreements" on Page 48 in Part II, Item 7, "Management's Discussion and Analysis."

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

The relaxation of economic regulation of railroads, begun over a decade ago by the ICC under the Staggers Rail Act of 1980, has continued under the STB, and additional rail business could be exempted from regulation in the future. Significant exemptions are TOFC/COFC (i.e., "piggyback") business, rail boxcar traffic, lumber, manufactured steel, automobiles and certain bulk commodities such as sand, gravel, pulpwood and wood chips for paper manufacturing. Transportation contracts on regulated shipments effectively remove those shipments from regulation as well. About 80 percent of NS' freight revenues come from either exempt traffic or traffic moving under transportation contracts.

Efforts may be made in 2001 to re-subject the rail industry to unwarranted federal economic regulation. The Staggers Rail Act of 1980, which substantially reduced such regulation, encouraged and enabled rail carriers to innovate and to compete for business, thereby contributing to the economic health of the nation and to the revitalization of the industry. Accordingly, NS and other rail carriers vigorously will oppose these counterproductive efforts to reimpose or to authorize reimposing such economic regulation.

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

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

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

Item 3. Legal Proceedings.  
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None.

Item 4. Submission of Matters to a Vote of Security Holders.  
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There were no matters submitted to a vote of security holders during the fourth quarter of 2000.

Executive Officers of the Registrant.

Norfolk Southern's executive officers generally are elected and designated annually by the Board of Directors at its first meeting held after the annual meeting of stockholders, and they hold office until their successors are elected. Executive officers also may be elected and designated throughout the year as the Board of Directors considers appropriate. There are no family relationships among the officers, nor any arrangement or understanding between any officer and any other person pursuant to which the officer was selected. The following table sets forth certain information, as of February 1, 2001, relating to the executive officers.

Name, Age, Present Position	Business Experience During Past Five Years
David R. Goode, 60, Chairman, President and Chief Executive Officer	Present position since September 1992.
L. I. Prillaman, 57, Vice Chairman and Chief Marketing Officer	Present position since August 1998; prior thereto was Executive Vice President-Marketing
Stephen C. Tobias, 56, Vice Chairman and Chief Operating Officer	Present position since August 1998; prior thereto was Executive Vice President-Operations.
Henry C. Wolf, 58, Vice Chairman and Chief Financial Officer	Present position since August 1998; prior thereto was Executive Vice President-Finance.
John F. Corcoran, 60, Senior Vice President- Public Affairs	Present position since August 1997; prior thereto was Vice President-Public Affairs.

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Name, Age, Present Position	Business Experience During Past Five Years
John W. Fox, Jr., 53, Senior Vice President- Coal Marketing	Present position since December 1999; prior thereto was Vice President-Coal Marketing.
James A. Hixon, 47, Senior Vice President- Administration	Present position since February 1, 2001. Served as Senior Vice President-Employee Relations from November 1999 to February 1, 2001, and prior thereto was Vice President-Taxation.
J. Gary Lane, 51, Senior Vice President-Law	Present position since April 1, 2000. Served as Senior General Counsel from November 1999 to April 1, 2000, General Counsel-Corporate from April 1996 to November 1999, and prior thereto was General Solicitor.

James W. McClellan, 61, Senior Vice President- Planning	Present position since August 1998; prior thereto was Vice President- Strategic Planning.
Kathryn B. McQuade, 44, Senior Vice President- Financial Planning	Present position since April 1, 2000. Served as Vice President- Financial Planning from August 1998 to April 1, 2000, and prior thereto was Vice President-Internal Audit.
Charles W. Moorman, 49, President-Thoroughbred Technology and Telecommunications, Inc.	Present position since October 1999; prior thereto was Vice President- Information Technology.
John P. Rathbone, 49, Senior Vice President and Controller	Present position since April 1, 2000; prior thereto was Vice President and Controller.
Stephen P. Renken, 57, Senior Vice President- Chief Information Officer	Present position since February 1, 2001. Served as Vice President-Information Technology from September 1999 to February 1, 2001, Assistant Vice President-Program Management from December 1997 to September 1999, and prior thereto was a consultant to NS.

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Name, Age, Present Position -----	Business Experience During Past Five Years -----
John M. Samuels, 57, Senior Vice President- Operations Planning and Support	Present position since April 1, 2000; Served as Vice President-Operations Planning and Budget from January 1998 to April 1, 2000; prior thereto was Vice President- Operating Assets of Conrail.
Donald W. Seale, 48, Senior Vice President- Merchandise Marketing	Present position since December 1999; prior thereto was Vice President- Merchandise Marketing.

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## PART II

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### NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

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

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

The Common Stock of Norfolk Southern Corporation, owned by 53,194



stockholders of record as of Dec. 31, 2000, is traded on the New York Stock Exchange with the symbol NSC. The following table shows the high and low sales prices and dividends per share, by quarter, for 2000 and 1999.

2000 ----	Quarter			
	1st ---	2nd ---	3rd ---	4th ---
Market price				
High	\$ 22-3/4	\$ 19-11/16	\$ 19-3/4	\$ 15-5/8
Low	12-11/16	14-3/16	14-1/8	11-15/16
Dividends per share	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20
1999 ----	1st ---	2nd ---	3rd ---	4th ---
Market price				
High	\$ 32-3/16	\$ 36-7/16	\$ 31-5/16	\$ 25-3/8
Low	26-1/4	25-1/2	24-1/8	19-5/8
Dividends per share	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20

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Item 6. Selected Financial Data.  
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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
ELEVEN-YEAR FINANCIAL REVIEW  
1997 - 2000  
Page One

2000 (1)      1999 (2)      1998      1997  
-----  
(\$ in millions, except per share amounts)

RESULTS OF OPERATIONS

Railway operating revenues	\$ 6,159	\$ 5,242	\$ 4,254	\$ 4,249
Railway operating expenses	5,526	4,524	3,202	3,036
	-----	-----	-----	-----
Income from railway operations	633	718	1,052	1,213
Other income - net	168	164	309	170
Interest expense on debt	551	531	516	385
	-----	-----	-----	-----
Income from continuing operations before income taxes	250	351	845	998
Provision for income taxes	78	112	215	299
	-----	-----	-----	-----
Income from continuing operations before accounting changes	172	239	630	699
Discontinued operations (3)	--	--	104	22

Cumulative effect of accounting changes	--	--	--	--
	-----	-----	-----	-----
Net income	\$ 172	\$ 239	\$ 734	\$ 721
	=====	=====	=====	=====

PER SHARE DATA

Net income - basic	\$ 0.45	\$ 0.63	\$ 1.94	\$ 1.91
Net income - diluted	\$ 0.45	\$ 0.63	\$ 1.93	\$ 1.90
Dividends	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80
Stockholders' equity at year end	\$ 15.16	\$ 15.50	\$ 15.61	\$ 14.44

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Item 6. Selected Financial Data. (continued)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
ELEVEN-YEAR FINANCIAL REVIEW  
1997 - 2000  
Page Two

2000 (1)	1999 (2)	1998	1997
----	----	----	----

(\$ in millions, except per share amounts)

FINANCIAL POSITION

Total assets	\$ 18,976	\$ 19,250	\$ 18,180	\$ 17,350
Total long-term debt, including current maturities	\$ 7,636	\$ 8,059	\$ 7,624	\$ 7,459
Stockholders' equity	\$ 5,824	\$ 5,932	\$ 5,921	\$ 5,445

OTHER

Capital expenditures	\$ 731	\$ 912	\$ 1,060	\$ 929
Average number of shares outstanding (thousands)	383,358	380,606	378,749	376,593
Number of stockholders at year end	53,194	51,123	51,727	50,938
Average number of employees:				
Rail	33,344	30,897	24,185	23,323
Nonrail (3)	394	269	115	2,494
	-----	-----	-----	-----
Total	33,738	31,166	24,300	25,817
	=====	=====	=====	=====

NOTES

- (1) 2000 operating expenses include \$165 million in work-force reduction costs for early retirement and separation programs. These costs reduced net income by \$101 million, or 26 cents per diluted share.
- (2) On June 1, 1999, NS began operating a substantial portion of Conrail's properties. As a result, both its railroad route miles and the number of its railroad employees increased by

approximately 50% on that date.

- (3) In 1998, NS sold all the common stock of its motor carrier subsidiary, North American Van Lines, Inc. (NAVL), for \$207 million and recorded a \$90 million pretax (\$105 million, or 28 cents per diluted share, after-tax) gain. Accordingly, NAVL's results of operations, financial position and cash flows are presented as "Discontinued operations."

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Item 6. Selected Financial Data. (continued)

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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
ELEVEN-YEAR FINANCIAL REVIEW

1993 - 1996

Page One

	1996	1995	1994	1993(4)
	----	----	----	----

(\$ in millions, except per share amounts)

RESULTS OF OPERATIONS

Railway operating revenues	\$ 4,118	\$ 4,028	\$ 3,921	\$ 3,746
Railway operating expenses	2,953	2,966	2,878	2,831

Income from railway operations	1,165	1,062	1,043	915
--------------------------------	-------	-------	-------	-----

Other income - net	117	140	86	135
Interest expense on debt	116	113	101	98

Income from continuing operations before income taxes	1,166	1,089	1,028	952
---	-------	-------	-------	-----

Provision for income taxes	413	391	372	370
----------------------------	-----	-----	-----	-----

Income from continuing operations before accounting changes	753	698	656	582
---	-----	-----	-----	-----

Discontinued operations (3)	17	15	12	(33)
-----------------------------	----	----	----	------

Cumulative effect of accounting changes	--	--	--	223
---	----	----	----	-----

Net income	\$ 770	\$ 713	\$ 668	\$ 772
------------	--------	--------	--------	--------

PER SHARE DATA

Net income - basic	\$ 2.03	\$ 1.81	\$ 1.63	\$ 1.85
Net income - diluted	\$ 2.01	\$ 1.80	\$ 1.62	\$ 1.83
Dividends	\$0.74-2/3	\$0.69-1/3	\$ 0.64	\$ 0.62
Stockholders' equity at year end	\$ 13.26	\$ 12.47	\$ 11.73	\$ 11.12

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Item 6. Selected Financial Data. (continued)  
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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
ELEVEN-YEAR FINANCIAL REVIEW  
1993 - 1996  
Page Two

	1996	1995	1994	1993(4)
	----	----	----	----
	(\$ in millions, except per share amounts)			
FINANCIAL POSITION				
Total assets	\$ 11,234	\$ 10,718	\$ 10,403	\$ 10,301
Total long-term debt, including current maturities	\$ 1,856	\$ 1,638	\$ 1,619	\$ 1,594
Stockholders' equity	\$ 4,977	\$ 4,829	\$ 4,685	\$ 4,621
OTHER				
Capital expenditures	\$ 789	\$ 757	\$ 707	\$ 639
Average number of shares outstanding (thousands)	379,372	392,987	408,904	418,243
Number of stockholders at year end	50,748	53,401	52,442	51,884
Average number of employees:				
Rail	23,361	24,488	24,710	25,531
Nonrail	2,469	2,456	2,458	3,773
	-----	-----	-----	-----
Total	25,830	26,944	27,168	29,304
	=====	=====	=====	=====

NOTES

- (4) 1993 results include an increase in the provision for income taxes reflecting a 1% increase in the federal income tax rate, which reduced net income by \$54 million, or 13 cents per diluted share. "Discontinued operations" includes a \$50 million pretax charge for the disposition of two NAVL businesses. Net income also reflects two accounting changes, the cumulative effect of which increased 1993 net income by \$223 million, or 53 cents per diluted share: a change in accounting for income taxes increased net income by \$467 million, with a corresponding reduction in deferred taxes, and changes in accounting for postretirement and postemployment benefits decreased net income by \$244 million.

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Item 6. Selected Financial Data. (continued)  
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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
ELEVEN-YEAR FINANCIAL REVIEW  
1990 - 1992  
Page One

1992                      1991 (5)                      1990  
 ----                      ----                      ----  
 (\$ in millions, except per share amounts)

RESULTS OF OPERATIONS

Railway operating revenues	\$ 3,777	\$ 3,654	\$ 3,786
Railway operating expenses	2,851	3,345	2,969
	-----	-----	-----
Income from railway operations	926	309	817
Other income - net	97	131	142
Interest expense on debt	109	99	78
	-----	-----	-----
Income from continuing operations before income taxes	914	341	881
Provision for income taxes	328	112	316
	-----	-----	-----
Income from continuing operations before accounting changes	586	229	565
Discontinued operations (3 and 5)	(28)	(199)	(9)
Cumulative effect of accounting changes	--	--	--
	-----	-----	-----
Net income	\$ 558	\$ 30	\$ 556
	=====	=====	=====

PER SHARE DATA

Net income - basic	\$ 1.31	\$ 0.07	\$ 1.14
Net income - diluted	\$ 1.30	\$ 0.07	\$ 1.14
Dividends	\$ 0.60	\$0.53-1/3	\$0.50-2/3
Stockholders' equity at year end	\$ 10.05	\$ 9.55	\$ 10.52

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Item 6. Selected Financial Data. (continued)

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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
 ELEVEN-YEAR FINANCIAL REVIEW  
 1990 - 1992  
 Page Two

1992                      1991 (5)                      1990  
 ----                      ----                      ----  
 (\$ in millions, except per share amounts)

FINANCIAL POSITION

Total assets	\$ 10,188	\$ 9,959	\$ 10,326
Total long-term debt, including current			

maturities	\$ 1,648	\$ 1,387	\$ 1,122
Stockholders' equity	\$ 4,233	\$ 4,093	\$ 4,912

OTHER

Capital expenditures	\$ 628	\$ 688	\$ 605
----------------------	--------	--------	--------

Average number of shares outstanding (thousands)	424,378	443,276	486,284
--	---------	---------	---------

Number of stockholders at year end	51,200	53,725	56,187
------------------------------------	--------	--------	--------

Average number of employees:			
Rail	25,650	27,366	28,697
Nonrail	4,485	4,586	4,584
	-----	-----	-----
Total	30,135	31,952	33,281
	=====	=====	=====

NOTES

- (5) 1991 operating expenses include a \$483 million charge primarily for labor force reductions. "Discontinued operations" includes a \$197 million charge primarily for the write-down of the goodwill portion of NS' investment in NAVL. These charges reduced net income by \$498 million, or \$1.12 per diluted share.

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Item 6. Selected Financial Data. (continued)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
Table of Graphs  
Included with the Eleven-Year Financial Review

The following financial information appears as three (3) separate graphs with the Eleven-Year Financial Review in the 2000 Norfolk Southern Corporation Annual Report to Stockholders.

(millions)	2000*	1999	1998	1997	1996	1995*
-----	----	----	----	----	----	----
NET INCOME	\$273	\$239	\$734	\$721	\$770	\$733

(dollars)	2000*	1999	1998	1997	1996	1995*
-----	----	----	----	----	----	----
EARNINGS PER SHARE-DILUTED	\$0.71	\$0.63	\$1.93	\$1.90	\$2.01	\$1.86

\* 2000 excludes work-force reduction costs that reduced net income by \$101 million and diluted earnings per share by 26 cents. 1995 excludes an early retirement charge that reduced net income by \$20 million and diluted earnings per share by 6 cents.

In 2000, excluding the work-force reduction costs, net income increased 14% and diluted earnings per share increased 13%, compared with results in 1999. The improvement reflected gains from the sale of nonoperating properties and higher income from railway operations.

(millions)	2000	1999	1998	1997	1996	1995
-----	----	----	----	----	----	----
CAPITAL EXPENDITURES	\$731	\$ 912	\$1,060	\$929	\$789	\$ 757

NS has made more than \$5 billion of capital expenditures since 1995 -- demonstrating a commitment to make the investments necessary to support safe, efficient and reliable operations and revenue growth.

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

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

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes beginning on Page 53 and the Eleven-Year Financial Review beginning on Page 23.

OPERATIONS OVER CONRAIL'S LINES

Results for 2000 reflect the first full year of operations over Conrail's lines. On June 1, 1999 (the "Closing Date"), NS' railroad subsidiary (Norfolk Southern Railway Company [NSR]) began operating a substantial portion of Conrail's properties (NSR's "Northern Region") under various agreements with Pennsylvania Lines LLC (PRR), a wholly owned subsidiary of Consolidated Rail Corporation (CRC) (see Note 2 on Page 60). As a result, both the railroad route miles operated by NSR and the number of its railroad employees increased by approximately 50% on that date. Results for 1999 reflect five months (January through May) of operating the former Norfolk Southern railroad system and seven months (June through December) of operating the present system, which includes the Northern Region.

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

SUMMARIZED RESULTS OF OPERATIONS

2000 Compared with 1999  
-----

Net income in 2000 was \$172 million, down 28%. Results in 2000 included \$165 million of costs related to actions taken to reduce the size of the work force, which reduced net income by \$101 million, or 26 cents per diluted share. Excluding these costs, net income would have been \$273 million, up 14%. The increase resulted from gains from the sale of nonoperating properties (see Note 3 on Page 63) and higher income from railway operations, compared with a weak 1999.

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

#### 1999 Compared with 1998

Net income in 1999 was \$239 million, a decrease of 67%. Net income in 1998 included the \$105 million gain from the sale of NS' former motor carrier subsidiary (see Note 16 on Page 78). Income from continuing operations, which excludes both the motor carrier's results of operations prior to its sale and the gain from its sale, declined 62%. The decrease resulted from lower income from railway operations and from lower Conrail earnings before the Closing Date. The decline in income from railway operations reflected the difficulties in integrating the Northern Region and a sharp decline in export coal traffic.

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#### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. (continued)

Diluted earnings per share of 63 cents were down 67%. Diluted earnings per share from continuing operations were down 62%.

#### INCOME FROM RAILWAY OPERATIONS (Shown as a graph in the Annual Report to Stockholders) (millions)

2000*	1999	1998	1997	1996	1995*
----	----	----	----	----	----
\$ 798	\$ 718	\$1,052	\$1,213	\$1,165	\$1,096

Income from railway operations increased 11% in 2000, despite a sharp rise in diesel fuel prices, reflecting a full year of Northern Region operations.

\* 2000 excludes \$165 million of work-force reduction costs. 1995 excludes a \$34 million charge for an early retirement program.

#### DETAILED RESULTS OF OPERATIONS

##### Railway Operating Revenues

Railway operating revenues were \$6.2 billion in 2000, \$5.2 billion in 1999, and \$4.3 billion in 1998. Revenues in 2000 and 1999 include results of operations in the Northern Region for 12 months and seven months, respectively. The following table presents a three-year comparison of revenues by market group.



## RAILWAY OPERATING REVENUES BY MARKET GROUP

(\$ in millions)	2000	1999	1998
-----	----	----	----
Coal	\$1,435	\$1,322	\$1,252
General merchandise:			
Automotive	921	746	577
Chemicals	756	641	492
Metals/construction	689	567	375
Paper/clay/forest	630	578	535
Agriculture/consumer products/ government	609	539	468
	-----	-----	-----
General merchandise	3,605	3,071	2,447
Intermodal	1,119	849	555
	-----	-----	-----
Total	\$6,159	\$5,242	\$4,254
	=====	=====	=====

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Item 7. Management's Discussion and Analysis of Financial  
-----  
Condition and Results of Operations. (continued)  
-----

In 2000, revenues increased for all market groups, reflecting a full year of handling Northern Region traffic. Revenues for the last seven months, a comparison that fully includes the Northern Region in both years, improved, reflecting recovery of most of the diverted traffic and new business. However, weakness in the economy resulted in lower revenues very late in the year. As shown in the following table, the full-year volume gains attributable to expanded operations produced most of the revenue increase.

RAILWAY OPERATING REVENUE VARIANCE ANALYSIS  
Increases (Decreases)

(\$ in millions)	2000 vs. 1999	1999 vs. 1998
-----	-----	-----
Volume	\$779	\$1,015
Revenue per unit/mix	138	(27)
	----	-----
Total	\$917	\$ 988
	=====	=====

Revenue per unit improved in most market groups, principally due to the effects of Northern Region traffic and increased rates. About one-half of the revenue per unit increase for the intermodal market group was attributable to the effects of the consolidation of Triple Crown Services Company (TCS) revenues.

In 1999, revenues increased for all market groups as a result of Northern Region traffic. Prior to the Closing Date, revenues for all market groups, except automotive, were below or even with those of the prior year. Revenue per unit improved principally due to the effects of consolidating TCS' revenues and Northern Region traffic; however, the effects of changes in the mix of traffic, most notably reduced export coal traffic, more than

offset the revenue-per-unit improvements.

COAL tonnage increased 11% in 2000, and revenues increased 9%, reflecting a full year of Northern Region traffic. Revenue per unit declined, a result of a higher proportion of traffic with a shorter length of haul, principally attributable to a full year of Northern Region operations. Coal revenues represented 23% of total railway operating revenues in 2000, and 89% of NS' coal shipments originated on lines it operated. In 1999, coal tonnage increased 18%, but revenues increased only 5%. The positive revenue effects of handling Northern Region tonnage were largely offset by the significant drop in export coal tonnage. In addition, a larger proportion of the Northern Region traffic is shorter-haul (lower revenue-per-unit) traffic.

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Item 7. Management's Discussion and Analysis of Financial

-----  
Condition and Results of Operations. (continued)  
-----

TOTAL COAL, COKE AND IRON ORE TONNAGE

(In millions of tons)	2000	1999	1998
-----	----	----	----
Utility	119	108	83
Export	20	18	25
Domestic metallurgical	25	22	18
Other	11	10	8
	----	----	----
Total	175	158	134
	====	====	====

Utility coal traffic increased 11% in 2000, reflecting a full year of Northern Region operations. The effects of expanded operations were somewhat offset by coal production problems at several NS-served mines, unanticipated outages at some NS-served utility plants, large stockpiles at the beginning of the year and mild summer weather in portions of NS' service territory. In 1999, utility coal traffic increased 30%, due to the expansion of operations into the Northern Region after the Closing Date.

The near-term outlook for utility coal remains positive. U.S. demand for electricity continues to grow rapidly, and coal-fired generation remains the cheapest marginal source of electricity. Several underutilized coal-fired power plants are making the transition from peak-only generation to full-time generation. In addition, natural gas prices reached record levels in 2000 and are anticipated to remain higher than historical levels for the near future, further improving the competitive position of coal-fired generation.

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

A 1999 decision by a federal district court judge in West Virginia held that some common mountaintop mining practices in the coal industry are

illegal. There are a small number of mountaintop mining operations on NS' lines; however, if sustained, the decision could have an adverse effect on these operations and on NS' coal traffic, revenues and royalties (see Note 3 on Page 63, "Royalties from coal"). A decision by the appellate court is expected in 2001. The district court's ruling already has made coal mine permitting a more arduous and lengthy process.

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

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Item 7. Management's Discussion and Analysis of Financial  
-----  
Condition and Results of Operations. (continued)  
-----

In 1999, export coal tonnage decreased 28%, despite the expansion of operations into the Northern Region. The lower traffic resulted from reduced demand for U.S. coking coal (in part, the result of a strong U.S. dollar), productivity gains made by foreign producers, lower ocean transportation rates and lower foreign royalties. Steam coal exports continued to be noncompetitive on price, making domestic markets more attractive for U.S. producers.

Export tonnage is expected to continue to be limited by supply and competition from Australian coals. In addition, environmental issues concerning carbon-based fuels could increase pressure to reduce their use.

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

In 1999, domestic metallurgical coal, coke and iron ore traffic increased 22%, as the addition of Northern Region traffic more than offset the effects of reduced U.S. steel production. Lower-priced steel imports led to reduced production levels at integrated steel manufacturers, especially through the first three quarters of 1999, thereby lowering demand for raw materials.

Domestic metallurgical coal, coke and iron ore traffic is expected to continue to suffer from the effects of the slowing economy. Curtailed steel production levels are expected to continue in the near term, which could further weaken the steel industry. In 2000, an Alabama steel producer closed permanently, and several others filed for Chapter 11 bankruptcy protection. Long-term demand is expected to continue to decline, due to advanced technologies that allow production of steel using less coke.

Other coal traffic, principally steam coal shipped to manufacturing plants, increased 4% in 2000, reflecting a full year of handling Northern Region traffic; however, this was mitigated by the loss of some traffic to competitors. Other coal traffic increased 25% in 1999, due to the commencement of operations in the Northern Region.

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

	2000	1999	1998	1997	1996	1995
	----	----	----	----	----	----
Export	\$ 201	\$ 204	\$ 314	\$ 380	\$ 374	\$ 353
Domestic	1,234	1,118	938	921	931	915
	-----	-----	-----	-----	-----	-----
	\$1,435	\$1,322	\$1,252	\$1,301	\$1,305	\$1,268
	=====	=====	=====	=====	=====	=====

Revenues increased \$113 million, or 9%, in 2000, due to the effects of a full year of Northern Region traffic. This group includes utility coal, export coal, domestic metallurgical coal and industrial coal, coke and iron ore.

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GENERAL MERCHANDISE traffic volume (carloads) increased 15% in 2000, and revenues increased 17%, principally due to a full year of operating the Northern Region. In 1999, traffic volume increased 24%, and revenues increased 26%, reflecting the commencement of operations in the Northern Region; however, service issues resulted in traffic diversions in all market groups.

Automotive traffic volume increased 13%, and revenues increased 23% in 2000, reflecting a full year of Northern Region operations, record vehicle production and the recapture of business diverted because of service issues after the Closing Date. The carload increase was less than the revenue increase principally due to the effects of a redesign of the mixing center network. This redesign improves vehicle velocity through the network and includes changes in traffic flows that resulted in a decline in carloads, with no corresponding decrease in revenues.

In 1999, automotive traffic volume increased 26%, and revenues increased 29%, largely due to the expansion of operations into the Northern Region and record vehicle production. The NS-served Toyota plant in Princeton, Ind., and the vehicle parts distribution center in Dayton, Ohio, which were new in 1999, also contributed to the increase. However, design and service issues and equipment shortages caused by extended cycle times adversely affected NS' mixing center network. In addition, service issues after the Closing Date resulted in significant traffic diversions.

Automotive revenues in 2001 are expected to be down, reflecting an anticipated decline in light vehicle production from the record level of 2000.

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

2000	1999	1998	1997	1996	1995
----	----	----	----	----	----
\$921	\$746	\$ 577	\$ 492	\$489	\$449

Revenues increased \$175 million, or 23%, in 2000, due to a full year of operations in the Northeast and record vehicle production. This group includes finished vehicles for BMW, DaimlerChrysler, Ford Motor Company, General Motors, Honda, Isuzu, Jaguar, Land Rover, Mazda, Mercedes-Benz, Mitsubishi, Nissan, Saab, Subaru, Suzuki, Toyota and Volkswagen, and auto parts for Ford Motor Company, General Motors, Mercedes-Benz and Toyota.

Chemicals traffic volume increased 15%, and revenues increased 18% in 2000, due to a full year of Northern Region operations and the return of traffic that had been diverted because of service issues after the Closing Date. Shipments of miscellaneous chemicals, chlorine, caustic soda and plastics continued to rebound, but sulfur carloads were down due to weak fertilizer markets. Chemicals shipments continued to increase through NS' Thoroughbred Bulk Transfer (TBT) facilities that handle chemicals and bulk commodities for customers not located on NS-served lines.

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In 1999, chemicals traffic volume increased 25%, and revenues increased 30%, due to the addition of Northern Region traffic. Chemical production increased slightly during the year, and shipments of chlorine, caustic soda and PVC plastics rebounded from 1998 levels, benefiting from an improved Asian economy. The location of new and expanded processing plants on lines NS serves increased shipments of plastic pellets. Chemicals shipments also increased through NS' TBT facilities. Shipments of sulfur declined, due to production cutbacks at plants served by NS.

Chemicals revenues in 2001 are expected to remain relatively flat, due to fewer plant expansions and softness in U.S. chemical and petroleum production.

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

2000	1999	1998	1997	1996	1995
----	----	----	----	----	----
\$756	\$641	\$ 492	\$ 504	\$482	\$541

Revenues increased \$115 million, or 18%, in 2000, reflecting a full year of Northern Region traffic and the return of traffic diverted last year. This group includes sulfur and related chemicals, petroleum products, chlorine and bleaching compounds, plastics, rubber, industrial chemicals, chemical wastes and municipal wastes.

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

In 1999, metals and construction traffic volume increased 57%, and

revenues increased 51%, due to the addition of Northern Region traffic. Continued growth, resulting from the location of new mini-mills and steel processors in NS' service territory, offset the effects of a weaker scrap market. Construction traffic benefited from strong housing starts and highway construction in the Southeast. In addition, new cement terminals on NS' lines generated additional traffic.

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Metals and construction revenues in 2001 are expected to suffer from the effects of a continued softness in the steel market.

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

2000	1999	1998	1997	1996	1995
----	----	----	----	----	----
\$689	\$567	\$ 375	\$ 369	\$355	\$350

Revenues increased \$122 million, or 22%, in 2000, principally due to the effects of a full year of expanded operations. This group includes steel, aluminum products, machinery, scrap metals, cement, aggregates, bricks and minerals.

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

In 1999, paper, clay and forest products traffic volume increased 4%, and revenues increased 8%, reflecting the commencement of Northern Region operations. The closure of four major paper mills and some chip mills late in 1998, coupled with the effects of consolidations and weak demand within the paper industry, had a negative impact on traffic volume.

Paper, clay and forest products revenues are expected to continue to be adversely affected by weak demand in 2001, due to continued consolidations and little anticipated capacity expansion through 2003.

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

2000	1999	1998	1997	1996	1995
----	----	----	----	----	----
\$630	\$578	\$ 535	\$ 539	\$514	\$538

Revenues increased \$52 million, or 9%, in 2000, reflecting

a full year of operations in the Northern Region. This group includes lumber and wood products, pulpboard and paper products, wood fibers, woodpulp, scrap paper and clay. NS serves 85 paper mills, 95 paper distribution centers and more than 100 lumber reload centers.

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

In 1999, agriculture, consumer products and government traffic volume increased 11%, and revenues increased 15%, reflecting access to the large Northeast consumer markets. Service issues that arose early in the year due to harsh weather conditions and continued during integration of the Northern Region had an adverse effect on volume. In addition, soybean traffic was negatively affected by low-priced imports from South America. Shipments of fertilizer declined, reflecting significantly lower production.

Agriculture, consumer products and government revenues are expected to be tempered by the soft economic conditions. While only a normal crop year is expected, strong export demand could help offset the resulting drop in domestic shipments.

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

2000	1999	1998	1997	1996	1995
----	----	----	----	----	----
\$609	\$539	\$ 468	\$ 476	\$474	\$397

Revenues increased \$70 million, or 13%, in 2000, reflecting a full year of Northern Region operations and modest growth in the Southeast markets. This group includes soybeans, wheat, corn, fertilizers, animal and poultry feed, food oils, flour, beverages, canned goods, sweeteners, consumer products and items for the military.

INTERMODAL traffic volume increased 18%, and revenues increased 32% in 2000, primarily due to a full year of Northern Region traffic and the consolidation of TCS revenues (see Note 2 on Page 60). About one-half of the improvement in revenue per unit resulted from the effects of consolidating TCS. Prior to June 1, 1999, NS' revenues included only the amounts for rail services it performed under contract to TCS, but NS' volume included most TCS units. Also contributing to the revenue-per-unit improvement were rate increases throughout the year on domestic business and the implementation of fuel surcharges later in the year. In addition, increased demand, new business and improved service contributed to the gains, as major customers, including UPS, JB Hunt, Hub Group and Maersk, increased volumes. Despite weak demand in the first quarter and the loss in

December 1999 of a major customer, NS had regained its market share by the second quarter. Domestic and premium business volumes benefited from service improvements and expansion initiatives. International traffic, which accounts for about half of intermodal volume, grew 5%, notwithstanding the loss of business from the major customer. TCS traffic increased 3%, as it recovered from service shortcomings after the Closing Date.

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In 1999, intermodal traffic volume increased 31%, and revenues increased 53%, due to the addition of the Northern Region and the consolidation of TCS after the Closing Date. More than half of the increase in revenue per unit resulted from the effects of consolidating TCS. Intermodal traffic volume declined in the first five months of 1999, reflecting the network redesign implemented in August 1998, which pared a significant number of lanes and associated volumes. Service issues following the integration of the Northern Region also negatively affected volume and revenues.

Intermodal revenues are expected to continue to grow, supported by continued improvements in service and added capacity, notably through a new terminal in Austell, Ga., scheduled to open in the third quarter of 2001. However, a softening economy could temper this positive outlook.

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

2000	1999	1998	1997	1996	1995
----	----	----	----	----	----
\$1,119	\$849	\$ 555	\$ 568	\$499	\$485

Revenues increased \$270 million, or 32%, in 2000, due to a full year of Northern Region traffic and the consolidation of TCS revenues. This group handles trailers, domestic and international containers, TCS equipment and equipment for intermodal marketing companies, international steamship lines, truckers and other shippers.

Railway Operating Expenses

-----  
Railway operating expenses increased 22% in 2000 and included \$165 million of costs related to actions taken to reduce the size of the work force. Excluding these costs, railway operating expenses increased 19%, while carloadings increased 15%, reflecting a full year of Northern Region operations and sharply higher diesel fuel prices.

In 1999, railway operating expenses increased 41%, while carloadings increased 24%. The expense increase was attributable to the commencement of operations in the Northern Region, and included significant costs arising from the service issues experienced after the Closing Date.

As a result, the railway operating ratio, which measures the percentage of railway operating revenues consumed by railway operating expenses, was 87.0% in 2000 (excluding the work-force reduction costs, which increased the ratio 2.7 percentage points), compared with 86.3% in 1999 and 75.3% in 1998.

The increase in the 2000 ratio reflected the effects of a full year of



Northern Region operations and the sharp increase in diesel fuel prices, which more than offset the absence of the significant costs incurred in 1999 related to the service issues after the Closing Date. In addition, the ratio was adversely affected by a continuation of the trends seen in 1999 involving changes in the mix of traffic.

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In 1999, the railway operating ratio reflected the effects of integration-related service issues, including traffic diversions, which in total were estimated to have resulted in more than half of the ratio's 1999 increase. The remaining increase was principally attributable to the change in traffic mix (more resource-intensive traffic, such as automotive and intermodal) and the new traffic in the Northern Region, coupled with the decrease in export coal traffic.

The railway operating ratio is not expected to return to pre-Closing Date levels in the near term, due to the changes in NS' traffic mix and the higher cost structure attributable to the Conrail properties now operated by NSR.

In response to the economic slowdown and changes to its transportation markets, NS announced in January 2001 several strategies designed to reduce costs. These include additional work-force reductions, disposition of surplus freight cars, line rationalization programs, consolidation or disposition of underutilized or redundant facilities and a redesign of its service network.

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

RAILWAY OPERATING EXPENSES  
Increases (Decreases)

(\$ in millions) -----	2000 vs. 1999 -----	1999 vs. 1998 -----
Compensation and benefits	\$ 379*	\$ 363
Materials, services and rents	171	435
Conrail rents and services	167	311
Depreciation	28	38
Diesel fuel	223	81
Casualties and other claims	4	43
Other	30	51
	-----	-----
Total	\$ 1,002 =====	\$ 1,322 =====

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

Compensation and benefits (excluding work-force reduction costs) represented 39% of total railway operating expenses in 2000 and increased 12% in 2000 and 24% in 1999.

The work-force reduction costs, which totaled \$165 million, principally resulted from voluntary early retirement and separation programs accepted by 1,446 nonunion employees (see Note 11 on Page 70 for details concerning the early retirement programs). In addition, an accrual was made for certain postemployment benefits due to some union employees who were furloughed. At year end, employment levels were down about 9%, largely the result of these programs and other actions taken throughout the

year to reduce the size of the work force.

The 12% increase (excluding the work-force reduction costs) in compensation and benefits in 2000 was largely attributable to the effects of a full year of expanded operations and higher wages and benefit costs for union employees. These increases were mitigated by higher pension income and the absence of the \$49 million incurred in 1999 for the Special Work Incentive Program (SWIP) for union employees in the third quarter of 1999. Pension income was higher in 2000 largely due to the transfer of assets from the Conrail pension plan after the Closing Date. NS has substantial unrecognized gains related to its overfunded pension plan; amortization of these gains will continue to be included in "Compensation and benefits" expenses (see Note 11 on Page 70).

In 1999, the increase resulted largely from the almost 50% increase in the railroad work force following commencement of operations in the Northern Region. The service issues encountered after the Closing Date also

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contributed to the increase, including the \$49 million cost of the SWIP. These increases were somewhat offset by reduced stock-based incentive compensation, the absence of bonus accruals and reduced pension and other postretirement benefits expenses.

Materials, services and rents includes items used for the maintenance of the railroads' lines, structures and equipment; the costs of services purchased from outside contractors, including the net costs of operating joint (or leased) facilities with other railroads; and the net cost of equipment rentals. This category of expenses increased 13% in 2000 and 52% in 1999.

The 2000 increase was mostly attributable to the effects of a full year of Northern Region operations and the consolidation of TCS and was mitigated by the absence of significant costs incurred in 1999 related to the service issues encountered after the Closing Date.

The increase in 1999 reflected the expanded operations in the Northern Region; additional costs attributable to the service issues, including costs for alternate transportation to meet the needs of customers; and the effects of consolidating TCS.

Equipment rents, which include the cost to NS of using equipment (mostly freight cars) owned by other railroads or private owners, less the rent paid to NS for the use of its equipment, increased 22% in 2000 and 93% in 1999. The 2000 increase was principally due to the effects of a full year of expanded operations, but was mitigated by a favorable comparison for the last seven months, as expenses in 1999 were high due to the service issues encountered after the Closing Date. The 1999 increase principally was due to: (1) the commencement of Northern Region operations, (2) higher rental costs driven by cycle times that were increased because of the service issues and (3) short-term locomotive leases to improve system fluidity. In addition, Conrail historically rented a higher percentage of its freight cars than NS, resulting in higher equipment rents in the Northern Region.

Locomotive and car repair costs increased in 2000, reflecting a full year of Northern Region operations; however, the increase was tempered by reduced maintenance activities, a result of cost control efforts. In 1999, maintenance costs increased due to the expansion of operations and higher repair costs associated with temporarily leased locomotives.

Conrail rents and services, a new category of expense arising from the expansion of operations on the Closing Date, amounted to \$478 million in 2000 and \$311 million in 1999. This item includes amounts due to PRR and CRC for use of their operating properties and equipment and CRC's operation of the Shared Assets Areas. Also included is NS' equity in Conrail's net

earnings since the Closing Date, plus the additional amortization related to the difference between NS' investment in Conrail and its underlying equity (see Note 2 on Page 60).

Depreciation expense was up 6% in 2000 and 9% in 1999. Increases in both years were due to property additions, reflecting substantial levels of capital spending (see Note 1, "Properties," on Page 59 for NS' depreciation policy).

Diesel fuel expenses increased 87% in 2000 and 47% in 1999. In both years, most of the increase resulted from higher prices. In 2000, 86% of the increase resulted from a 61% rise in the average price per gallon, which ranged from 77 cents in January to \$1.07 in December. In 1999, 53% of the increase was attributable to a 19% increase in the average price per gallon, due to a sharp rise in the last half of the year. Higher consumption accounted for the remainder of the increases, primarily the result of the addition of the Northern Region.

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Casualties and other claims expenses (including the estimates of costs related to personal injury, property damage and environmental matters) increased 3% in 2000 and 45% in 1999. The 1999 increase resulted principally from higher personal injury accruals related to the increased size of the work force as well as higher environmental expenses.

The largest component of casualties and other claims expense is personal injury costs. In 2000, cases involving so-called "occupational" injuries comprised about 40% of the total employee injury cases settled and 20% of the total settlement payments made. Injuries of this type are not generally caused by a specific accident or event, but, rather, result from a claimed exposure over time to some condition of employment. Many such claims are being asserted by former or retired employees, some of whom have not been actively employed in the rail industry for decades. NS continues to work actively to eliminate all employee injuries and to reduce the associated costs.

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

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

Other expenses increased 14% in 2000 and 31% in 1999. The increase in 2000 reflected a full year of Northern Region operations and higher bad debt expense. The 1999 increase resulted from the expansion of operations, including property and other taxes related to the Northern Region, and to costs arising from service issues.

Income Taxes  
-----

Income tax expense in 2000 was \$78 million, for an effective rate of 31%, compared with effective rates of 32% in 1999 and 25% in 1998. Excluding the equity in Conrail's after-tax earnings, the effective rate

was 34% in both 2000 and 1999 and was 33% in 1998.

The effective rates in all three years were below the statutory federal and state rates because of investments in coal-seam gas properties, favorable adjustments upon filing the prior year tax returns and favorable adjustments to state tax liabilities. In addition, the rate in 1998 benefited from investments in corporate-owned life insurance and favorable adjustments resulting from settlement of federal income tax years 1993 and 1994.

The effective rate in 2001 is expected to increase somewhat, primarily due to a substantial reduction in the level of benefits from investments in coal-seam gas properties.

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

#### Discontinued Operations

Income from discontinued operations in 1998 included the \$105 million after-tax gain from the sale of NS' motor carrier subsidiary (see Note 16 on Page 78). Motor carrier operations in 1998 (through March 28) produced a \$1 million loss.

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#### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. (continued)

#### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities, NS' principal source of liquidity, was \$1.3 billion in 2000, and reflects a new program under which accounts receivable are sold on a revolving basis (see Note 5 on Page 65). Excluding the infusion of cash from this program, operating cash flow was \$954 million in 2000, compared with \$533 million in 1999 and \$890 million in 1998.

The improvement in 2000 resulted primarily from favorable changes in working capital, including an improvement in collection of accounts receivable, a lengthening of accounts payable and the lack of bonus payments. The decline in 1999 reflected lower income from operations, offset somewhat by lower income tax payments. The large changes in "Accounts receivable" and "Current liabilities other than debt" in the 1999 cash flow statement primarily resulted from the commencement of operations in the Northern Region. In addition, collection of accounts receivable had slowed.

NS' working capital deficit was \$1.0 billion at Dec. 31, 2000, compared with \$553 million at Dec. 31, 1999. The large increase reflected the use of accounts receivable sale proceeds to reduce long-term debt. NS currently has the capability to issue commercial paper to meet its more immediate working capital needs (see the discussion of financing activities, below).

#### CASH PROVIDED BY OPERATIONS (Shown as a graph in the Annual Report to Stockholders) (millions)

2000	1999	1998	1997	1996	1995
-----	-----	-----	-----	-----	-----

\$1,342      \$ 533      \$ 890      \$1,150      \$1,198      \$1,234

Cash provided by operations increased significantly, reflecting an infusion of cash from the commencement of a revolving accounts receivable sale program and favorable changes in working capital.

Cash used for investing activities decreased slightly in 2000, following an 11% decline in 1999. In 2000, property additions were significantly lower than in the prior years - locomotive fleet additions in 2000 were accomplished by operating lease, whereas locomotives were purchased in prior years. Investing activities in 1999 included more borrowings against the net cash surrender value of corporate-owned life insurance: approximately \$140 million more than in 2000 and \$160 million more than in 1998. In addition, 1999 included \$60 million in proceeds from the sublease of certain licensing rights and the sale of NS' signboard business. Investing activities in 1998 included the \$207 million of proceeds from the sale of NS' motor carrier subsidiary. Property additions account for most of the recurring spending in this category.

The following tables show capital spending and track and equipment statistics for the past five years. Capital expenditures include amounts relating to capital leases, which are excluded from the Consolidated Statements of Cash Flows (see Note 8, "Capital Lease Obligations," on Page 69).

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CAPITAL EXPENDITURES

(\$ in millions)	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Road	\$ 557	\$ 559	\$ 612	\$ 599	\$ 438
Equipment	146	349	442	306	326
Other property	28	4	6	24	25
	-----	-----	-----	-----	-----
Total	\$ 731	\$ 912	\$1,060	\$ 929	\$ 789
	=====	=====	=====	=====	=====

Capital expenditures decreased 20% in 2000 and 14% in 1999. The decline in 2000 reflected lower capital expenditures for locomotives as a result of the operating lease. The 1999 decrease was largely attributable to significant outlays in 1998 for roadway projects and equipment in anticipation of the Closing Date and automotive-related projects.

TRACK STRUCTURE STATISTICS (CAPITAL AND MAINTENANCE)

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Track miles of rail installed	392	403	429	451	401
Miles of track surfaced	3,687	5,087	4,715	4,703	4,686
New crossties installed (millions)	1.5	2.3	2.0	2.2	1.9

# AVERAGE AGE OF OWNED RAILWAY EQUIPMENT

(Years)	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Freight Cars	24.6	23.8	23.6	23.0	22.3
Locomotives	16.1	15.4	15.4	15.3	15.4
Retired locomotives	24.5	22.7	20.6	23.3	24.4

In addition to NS-owned equipment, 16% of the freight car fleet and 27% of the locomotive fleet is leased from PRR (see Note 2 on Page 60).

The increase in 2000 in the average age of owned locomotives reflects the fact that locomotives leased in 2000 are not included in the statistic. The 1998 decrease in the average age of retired locomotives resulted from a disproportionate share of early retirements due to casualties and service failures and retention of older units in anticipation of the Closing Date.

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

For 2001, NS has budgeted \$806 million for capital expenditures. The anticipated spending includes \$449 million for roadway projects, of which \$264 million is for track and bridge program work. Also included are projects for new or improved intermodal facilities, marketing and industrial development initiatives, signal upgrades and environmental and other public improvements. Equipment spending includes the purchase of locomotives and the upgrade of existing locomotives. In addition, NS' telecommunications subsidiary plans to spend \$62 million on the installation of fiber optic conduits.

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## Item 7. Management's Discussion and Analysis of Financial

### ----- Condition and Results of Operations. (continued) -----

Cash used for financing activities was \$798 million in 2000 and reflected a substantial net reduction of debt, accomplished using the proceeds from the sale of accounts receivable, compared with the net increase in 1999. Dividend payments were comparable in all three years; however, in January 2001 the Corporation's Board of Directors declared a quarterly dividend of 6 cents per share, compared with the 20 cents per share that had been paid in recent quarters. NS' debt-to-total capitalization ratio at year end was 57% in 2000 and 58% in 1999.

NS currently has in place a \$2.0 billion credit facility to support the \$1.1 billion of commercial paper outstanding at Dec. 31, 2000. In February 2001, NS issued \$1.0 billion of debt under its \$1.0 billion shelf registration and used the proceeds to reduce the amount of commercial paper outstanding.

NS is subject to various financial covenants with respect to its credit agreement, including a maximum leverage ratio restriction (see Note 8, "Debt Covenants," on Page 69). As a result of a negotiated amendment to the credit agreement, the maximum leverage ratio will not tighten through the remainder of the agreement's term.

## CONRAIL'S RESULTS OF OPERATIONS, FINANCIAL CONDITION AND LIQUIDITY

Through May 31, 1999, Conrail's results of operations include freight

line-haul revenues and related expenses. After the Closing Date, June 1, 1999, its results reflect its new structure and operations (see Note 2 on Page 60). Currently, Conrail's major sources of operating revenues are operating fees and rents from NSR and CSXT. The composition of Conrail's operating expenses also has changed.

Conrail's net income was \$170 million in 2000, compared with \$26 million in 1999 and \$267 million in 1998 (see Note 2 on Page 60).

Results in 1999 included \$180 million of expenses (\$121 million after taxes), principally to increase certain components of its casualty reserves based on an actuarial valuation, to adjust certain litigation and environmental reserves related to settlements and completion of site reviews and a credit adjustment related to the assumption of a lease obligation by CSX. Results in 1998 included a \$170 million charge (\$105 million after taxes) for severance benefits covering nonunion employees and \$132 million (\$82 million after taxes) of other charges and reserves.

Excluding the effects of these items, net income increased \$23 million in 2000, but decreased \$307 million in 1999. The 2000 increase reflected a \$37 million after-tax gain from a property sale. The 1999 decrease was principally the result of Conrail's change in operations.

Conrail's operating revenues were \$985 million in 2000, \$2.2 billion in 1999 and \$3.9 billion in 1998. Both year-to-year declines were attributable to the change in operations. In addition, 1999's comparison reflected a 2% decrease in freight revenues prior to the Closing Date.

Conrail's operating expenses were \$749 million in 2000, \$2.0 billion in 1999 and \$3.3 billion in 1998.

In addition to the \$180 million of 1999 expenses and the \$302 million of 1998 expenses discussed above, Conrail's operating expenses reflect transition-related expenses of \$60 million in 1999 and \$149 million in 1998 (principally technology integration costs and employee stay bonuses). Excluding the effects of the acquisition-related compensation and transition costs, operating expenses decreased 62% in 2000 and 34% in 1999. Both declines reflected the change in operations. In 1999, this was somewhat offset by higher casualty and other claims expenses.

Conrail's cash provided by operations decreased \$34 million, or 9%, in 2000, and \$331 million, or 46%, in 1999. The 2000 reduction reflected the change in operations and payment of one-time items owed to NSR and CSXT. The 1999 decrease was principally due to the change in operations. Cash generated from operations is Conrail's principal source of liquidity and is primarily used for debt repayments and capital expenditures. Debt repayments totaled \$318 million in 2000 and \$112 million in 1999. Capital expenditures totaled \$220 million in 2000 and \$176 million in 1999, but are expected to decrease significantly in 2001.

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Condition and Results of Operations. (continued)  
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Conrail had working capital of \$85 million at Dec. 31, 2000, compared with a working capital deficit of \$194 million at Dec. 31, 1999. The deficit at Dec. 31, 1999, reflected \$250 million of long-term debt paid in June 2000.

Conrail is not an SEC registrant and, therefore, presently cannot issue any publicly traded securities. Conrail is expected to have sufficient cash flow to meet its ongoing obligations.

NS' equity in earnings of Conrail, net of amortization, was \$21 million in 2000, \$17 million in 1999 and \$194 million in 1998.

OTHER MATTERS

Proposed Merger Guidelines  
-----

The Surface Transportation Board (STB) has issued proposed merger guidelines which, if adopted as proposed, would increase the substantive and evidentiary standards that Class 1 railroad applicants will have to

satisfy. Final rules are due in June 2001.

Prior to the STB's release of its proposed guidelines, Canadian National Railway Company and Burlington Northern Sante Fe Corporation announced the cancellation of their earlier proposal to combine their companies under common control.

#### Market Risks and Hedging Activities

-----

NS does not engage in the trading of derivatives. NS manages its overall exposure to fluctuations in interest rates by issuing both fixed- and floating-rate debt instruments and by entering into interest-rate hedging transactions to achieve a targeted mix within its debt portfolio.

Of NS' total debt outstanding (see Note 8 on Page 67), all is fixed-rate debt, except for commercial paper and most capital leases. As a result, NS' debt subject to interest rate exposure totaled \$1.4 billion on Dec. 31, 2000. A 1% increase in interest rates would increase NS' total annual interest expense related to all its variable debt by approximately \$14 million. Management considers it unlikely that interest rate fluctuations applicable to these instruments will result in a material adverse effect on NS' financial position, results of operations or liquidity.

The average interest rate on commercial paper was 7.0% on Dec. 31, 2000, and 6.4% on Dec. 31, 1999. During 2000, the weighted-average interest rate on NS' outstanding commercial paper ranged from 6.1% to 7.0%.

The capital leases, which carry an average fixed rate of 7.1%, were effectively converted to variable rate obligations using interest rate swap agreements. On Dec. 31, 2000, the average pay rate under these agreements was 7.2%, and the average receive rate was 7.1%. During 2000, the effect of the swaps was to reduce interest expense by \$1 million. A portion of the lease obligations is payable in Japanese yen. NS hedged the associated exchange rate risk at the inception of each lease with a yen deposit sufficient to fund the yen-denominated obligation. Most of these deposits are held by Japanese banks. As a result, NS is exposed to financial market risk relative to Japan. Counterparties to the interest rate swaps and Japanese banks holding yen deposits are major financial institutions believed by Management to be creditworthy.

#### Accounting Changes and New Pronouncements

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As discussed in Note 1 under "Required Accounting Changes" on Page 59, NS adopted in 2000 the consensus reached by the Emerging Issues Task Force of the Financial Accounting Standards Board (FASB) concerning Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." In addition, NS has adopted the disclosure provisions of the FASB's Statement of Financial Accounting Standards (SFAS) No. 140.

NS has adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," effective Jan. 1, 2001. This adoption did not have a material effect on NS' consolidated financial statements.

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#### Item 7. Management's Discussion and Analysis of Financial

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#### Condition and Results of Operations. (continued)

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#### Lawsuits

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Norfolk Southern and certain subsidiaries are defendants in numerous lawsuits relating principally to railroad operations. While the final outcome of these lawsuits cannot be predicted with certainty, it is the opinion of Management, based on known facts and circumstances, that the amount of NS' ultimate liability is unlikely to have a material adverse effect on NS' financial position, results of operations or liquidity.

The Corporation has reached agreement on terms of a consent decree that should bring to a conclusion a class action suit filed in federal district court in Birmingham, Ala. The action had been brought on behalf of



African-Americans currently employed or working since Dec. 16, 1989, who alleged that the Corporation had discriminated against them in promotion to nonunion positions because of their race. The consent decree, which received preliminary approval from the court on Dec. 22, 2000, provides for a total payment of \$28 million to the class of approximately 7,700 African-Americans and their attorneys and commits the Corporation to establish good faith goals for the promotion of class members to management-level positions during the four-year term of the decree. In addition, the decree commits the Corporation to make extensive improvements to its procedures for identifying, training and selecting candidates for promotion to higher-rated positions for all its employees.

The settlement funds have been paid into a trust account in the South Trust Bank in Birmingham. Final approval of the consent decree and distribution of the settlement proceeds to qualified members of the class are subject to a fairness hearing scheduled for March 2, 2001.

While it is possible that the district court will decline to give final approval to the settlement, or that the settlement will be overturned on appeal, Management believes that the consent decree is a fair resolution of this controversy and that disapproval by the courts is unlikely.

On Sept. 8, 1997, a state court jury in New Orleans returned a verdict awarding \$175 million in punitive damages against The Alabama Great Southern Railroad Company (AGS), a subsidiary of NSR. The verdict was returned in a class action suit which ultimately involved some 10,000 individuals who claimed injury or damage as the result of an explosion and fire that occurred in New Orleans on Sept. 9, 1987, when a chemical called butadiene leaked from a tankcar.

The jury verdict awarded a total of nearly \$3.2 billion in punitive damages against four other defendants in the same case: two rail carriers, the owner of the car and the shipper. Previously, the jury had awarded nearly \$2 million in compensatory damages to 20 of the individual plaintiffs. Prior to the trial court's ruling on the post trial motions, AGS and four other defendants agreed to settle their liability in this case for a total payment of approximately \$150 million, of which AGS' share was \$15 million. The settlement has been given final approval by the trial court, the time for appeals has expired, and the case has been concluded insofar as AGS is concerned.

#### Environmental Matters

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

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#### Item 7. Management's Discussion and Analysis of Financial

##### Condition and Results of Operations. (continued)

Operating expenses for environmental matters totaled approximately \$11 million in 2000, \$12 million in 1999 and \$4 million in 1998, and capital expenditures totaled approximately \$10 million in 2000, \$8 million in 1999 and \$7 million in 1998. The lower operating expenses in 1998 principally were due to higher recoveries from third parties of amounts paid by NS in prior years for environmental cleanup and remediation. Capital expenditures in 2001 are expected to be comparable to those of 2000.

As of Dec. 31, 2000, NS' balance sheet included a reserve for environmental exposures in the amount of \$36 million (of which \$8 million

is accounted for as a current liability), which is NS' estimate of the probable cleanup and remediation costs based on available information at 125 identified locations. On that date, 10 sites accounted for \$18 million of the reserve, and no individual site was considered to be material. NS anticipates that much of this liability will be paid out over five years; however, some costs will be paid out over a longer period.

At some of the 125 locations, certain NS subsidiaries, usually in conjunction with a number of other parties, have been identified as potentially responsible parties by the Environmental Protection Agency (EPA) or similar state authorities under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or comparable state statutes, which often impose joint and several liability for cleanup costs.

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

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

Because environmental problems that are latent or undisclosed may exist on these properties, there can be no assurance that NS will not incur environmentally related liabilities or costs with respect to one or more of them, the amount and materiality of which cannot be estimated reliably at this time. Moreover, lawsuits and claims involving these and other now-unidentified environmental sites and matters are likely to arise from time to time. The resulting liabilities could have a significant effect on financial condition, results of operations or liquidity in a particular year or quarter.

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

#### Labor Agreements

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Approximately 85% of NS' railroad employees are covered by collective bargaining agreements with 15 different labor unions. These agreements remain in effect until changed pursuant to the Railway Labor Act. Moratorium provisions in these agreements permitted NS and the unions to propose such changes in late 1999; negotiations at the national level commenced shortly thereafter. The outcome of these negotiations is uncertain at this time. However, an agreement was reached with the Brotherhood of Locomotive Engineers,

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#### Item 7. Management's Discussion and Analysis of Financial

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Condition and Results of Operations. (continued)  
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which represents about 5,000 locomotive engineers on NS, and a tentative national agreement (subject to ratification) has been reached with the United Transportation Union, which represents about 7,500 train service

employees on NS.

#### Inflation

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

#### Trends

-----

- Federal Economic Regulation -- Efforts may be made in 2001 to re-subject the rail industry to unwarranted federal economic regulation. The Staggers Rail Act of 1980, which substantially reduced such regulation, encouraged and enabled rail carriers to innovate and to compete for business, thereby contributing to the economic health of the nation and to the revitalization of the industry. Accordingly, NS and other rail carriers vigorously will oppose these counterproductive efforts to reimpose or to authorize reimposing such economic regulation.

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

- Carbon-Based Fuel -- There is growing concern that emissions resulting from burning carbon-based fuel, including coal, are contributing to global warming and causing other environmental changes. To the extent that these concerns evolve into a firm consensus, the impact could be either a reduction in the demand for coal or imposition of even more stringent regulations on emissions, which might result in making coal a less economical source of power generation or make permitting of coal-fired facilities even more difficult. The revenues and net income of NSR and other railroads that move large quantities of coal could be affected adversely.

#### Forward-Looking Statements

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This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Annual Report contain forward-looking statements that are based on current expectations, estimates and projections. Such forward-looking statements reflect Management's good-faith evaluation of information currently available. However, because such statements are based upon and, therefore, can be influenced by, a number of external variables over which Management has no, or incomplete, control, they are not, and should not be read as being, guarantees of future performance or of actual future results; nor will they necessarily prove to be accurate indications of the times at or by which any such performance or result will be achieved. Accordingly, actual outcomes and results may differ materially from those expressed in such forward-looking statements. This caveat has particular importance in the context of all such statements that relate to the addition of new business and the ability to reduce expenses.

The information required by this item is included in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" on Page 46 under the heading "Market Risks and Hedging Activities."

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Item 8. Financial Statements and Supplementary Data.

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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
QUARTERLY FINANCIAL DATA  
(Unaudited)

	Three Months Ended			
	March 31	June 30	Sept. 30	Dec. 31
	-----	-----	-----	-----
	(In millions of dollars, except per share amounts)			
2000				
----				
Railway operating revenues	\$1,508	\$1,592	\$1,535	\$1,524
Income from railway operations	28	278	211	116
Net income (loss)	(48)	116	99	5
Earnings (loss) per share - Basic	\$ (0.12)	\$ 0.30	\$ 0.26	\$ 0.01
- Diluted	\$ (0.12)	\$ 0.30	\$ 0.26	\$ 0.01
1999				
----				
Railway operating revenues	\$1,038	\$1,202	\$1,514	\$1,488
Income from railway operations	237	198	146	137
Net income	112	77	19	31
Earnings (loss) per share - Basic	\$ 0.30	\$ 0.20	\$ 0.05	\$ 0.08
- Diluted	\$ 0.30	\$ 0.20	\$ 0.05	\$ 0.08

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

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The Index to Consolidated Financial Statement Schedule appears in Item 14 on Page 83.

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

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Income

Years ended December 31,  
2000      1999      1998  
----      ----      ----  
(\$ in millions, except earnings per share)

RAILWAY OPERATING REVENUES	\$ 6,159	\$ 5,242	\$ 4,254
RAILWAY OPERATING EXPENSES			
Compensation and benefits (Note 11)	2,234	1,855	1,492
Materials, services and rents	1,445	1,274	839
Conrail rents and services (Note 2)	478	311	--
Depreciation	503	475	437
Diesel fuel	478	255	174
Casualties and other claims	142	138	95
Other	246	216	165
	-----	-----	-----
Total railway operating expenses	5,526	4,524	3,202
	-----	-----	-----
Income from railway operations	633	718	1,052
Equity in earnings of Conrail (Note 2)	--	49	194
Other income - net (Note 3)	168	115	115
Interest expense on debt (Note 6)	(551)	(531)	(516)
	-----	-----	-----
Income from continuing operations before income taxes	250	351	845
Provision for income taxes (Note 4)	78	112	215
	-----	-----	-----
Income from continuing operations	172	239	630
Discontinued operations (Note 16):			
Loss from motor carrier operations, net of taxes	--	--	(1)
Gain on sale of motor carrier, net of taxes	--	--	105
	-----	-----	-----
Income from discontinued operations	--	--	104
	-----	-----	-----
NET INCOME	\$ 172	\$ 239	\$ 734
	=====	=====	=====
EARNINGS PER SHARE (Note 14)			
Income from continuing operations - Basic	\$ 0.45	\$ 0.63	\$ 1.66
- Diluted	\$ 0.45	\$ 0.63	\$ 1.65
Net income - Basic	\$ 0.45	\$ 0.63	\$ 1.94
- Diluted	\$ 0.45	\$ 0.63	\$ 1.93

See accompanying Notes to Consolidated Financial Statements.

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

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES		
Consolidated Balance Sheets		
	As of December 31,	
	2000	1999
	----	----
	(\$ in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ --	\$ 37
Short-term investments	2	14
Accounts receivable, net (Note 5)	411	857
Due from Conrail (Note 2)	31	77
Materials and supplies	91	100
Deferred income taxes (Note 4)	182	134
Other current assets	132	152
	-----	-----
Total current assets	849	1,371
Investment in Conrail (Note 2)	6,154	6,132
Properties less accumulated depreciation (Note 6)	11,105	10,956
Other assets	868	791
	-----	-----
TOTAL ASSETS	\$18,976	\$19,250
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable (Note 7)	\$ 925	\$ 818
Income and other taxes	251	163
Notes and accounts payable to Conrail (Note 2)	155	184
Other current liabilities (Note 7)	259	256
Current maturities of long-term debt (Note 8)	297	503
	-----	-----
Total current liabilities	1,887	1,924
Long-term debt (Note 8)	7,339	7,556
Other liabilities (Note 10)	1,131	1,101
Minority interests	50	50
Deferred income taxes (Note 4)	2,745	2,687
	-----	-----
TOTAL LIABILITIES	13,152	13,318
	-----	-----
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; issued 405,421,447 and 404,309,672 shares, respectively	405	404
Additional paid-in capital	392	372
Accumulated other comprehensive income (Note 13)	(6)	(11)
Retained income	5,053	5,187
Less treasury stock at cost, 21,363,974 and 21,627,902 shares, respectively	(20)	(20)

TOTAL STOCKHOLDERS' EQUITY	5,824	5,932
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$18,976	\$19,250
	=====	=====

See accompanying Notes to Consolidated Financial Statements.

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

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Cash Flows

	Years ended December 31,		
	2000	1999	1998
	----	----	----
	(\$ in millions)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 172	\$ 239	\$ 734
Reconciliation of net income to net cash provided by continuing operations:			
Depreciation	517	489	450
Deferred income taxes	2	85	114
Equity in earnings of Conrail	(21)	(17)	(194)
Gains and losses on properties and investments	(160)	(62)	(51)
Income from discontinued operations	--	--	(104)
Changes in assets and liabilities affecting continuing operations:			
Accounts receivable (Note 5)	446	(322)	33
Materials and supplies	9	(40)	(1)
Other current assets and due from Conrail	60	(50)	(16)
Current liabilities other than debt	220	259	(23)
Other - net (Note 11)	97	(48)	(50)
	-----	-----	-----
Net cash provided by continuing operations	1,342	533	892
Net cash used for discontinued operations	--	--	(2)
	-----	-----	-----
Net cash provided by operating activities	1,342	533	890
CASH FLOWS FROM INVESTING ACTIVITIES			
Property additions	(731)	(912)	(956)
Property sales and other transactions	137	104	83
Investments, including short-term	(77)	(126)	(156)
Investment sales and other transactions	90	343	155
Proceeds from sale of motor carrier	--	--	207
	-----	-----	-----
Net cash used for investing activities	(581)	(591)	(667)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends	(306)	(304)	(303)
Common stock issued - net	2	14	34
Proceeds from borrowings	1,055	1,110	196
Debt repayments	(1,549)	(730)	(179)
	-----	-----	-----
Net cash provided by (used for) financing activities	(798)	90	(252)
Net increase (decrease) in cash and cash equivalents	(37)	32	(29)

## CASH AND CASH EQUIVALENTS

At beginning of year	37	5	34
	-----	-----	-----
At end of year	\$ --	\$ 37	\$ 5
	=====	=====	=====

(continued)

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

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

	Years ended December 31,		
	2000	1999	1998
	----	----	----
	(\$ in millions)		

## SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest (net of amounts capitalized)	\$ 543	\$ 520	\$ 519
Income taxes	\$ 5	\$ 16	\$ 76

See accompanying Notes to Consolidated Financial Statements.

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

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

			Accumu- lated Other Compre-			
	Common Stock	Addi- tional Paid-In Capital	hensive Income	Retained Income	Treasury Stock	Total
	-----	-----	-----	-----	-----	-----
	(\$ in millions, except per share amounts)					

BALANCE DECEMBER 31, 1997	\$ 399	\$ 241	\$ 5	\$ 4,821	\$ (21)	\$ 5,445
Comprehensive income - 1998						
Net income				734		734
Other comprehensive income (Note 13)			(13)			(13)
Total comprehensive income						721
Dividends on Common Stock,						



\$0.80 per share				(303)		(303)
Other	2	55			1	58
	-----	-----	-----	-----	-----	-----
BALANCE DECEMBER 31, 1998	401	296	(8)	5,252	(20)	5,921
Comprehensive income - 1999						
Net income				239		239
Other comprehensive						
income (Note 13)			(3)			(3)
						-----
Total comprehensive						
income						236
Dividends on Common Stock,						
\$0.80 per share				(304)		(304)
Other	3	76				79
	-----	-----	-----	-----	-----	-----
BALANCE DECEMBER 31, 1999	404	372	(11)	5,187	(20)	5,932
Comprehensive income - 2000						
Net income				172		172
Other comprehensive						
income (Note 13)			5			5
						-----
Total comprehensive						
income						177
Dividends on Common Stock,						
\$0.80 per share				(306)		(306)
Other	1	20				21
	-----	-----	-----	-----	-----	-----
BALANCE DECEMBER 31, 2000	\$ 405	\$ 392	\$ (6)	\$5,053	\$ (20)	\$5,824
	=====	=====	=====	=====	=====	=====

See accompanying Notes to Consolidated Financial Statements.

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

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Norfolk Southern Corporation is a Virginia-based holding company engaged principally in the transportation of freight by rail, operating approximately 21,800 route miles primarily in the East and Midwest. These financial statements include Norfolk Southern Corporation (Norfolk Southern) and its majority-owned and controlled subsidiaries (collectively NS) on a consolidated basis. Norfolk Southern's major subsidiary is Norfolk Southern Railway Company (NSR). Financial results of a former motor carrier subsidiary, North American Van Lines, Inc. (NAVL), are reflected as "Discontinued Operations" (see Note 16). All significant intercompany balances and transactions have been eliminated in consolidation.

The railroad transports raw materials, intermediate products and finished goods classified in the following market groups (percent of total railway operating revenues): coal (23%); automotive (15%); chemicals (13%); metals/construction (11%); paper/clay/forest products (10%);

agriculture/consumer products/government (10%); and intermodal (18%). Ultimate points of origination or destination for some of the freight (particularly coal bound for export and intermodal containers) are outside the United States. Approximately 85% of NS' railroad employees are covered by collective bargaining agreements with 15 different labor unions.

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

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash Equivalents

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

#### Investments

Marketable equity and debt securities are reported at amortized cost or fair value, depending upon their classification as securities "held-to-maturity," "trading" or "available-for-sale." On Dec. 31, 2000 and 1999, all "Short-term investments," consisting primarily of United States government and federal agency securities, were designated as "available-for-sale." Accordingly, unrealized gains and losses, net of taxes, are recognized in "Accumulated other comprehensive income."

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

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

##### Materials and Supplies

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

##### Properties

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

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

#### Revenue Recognition

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

#### Derivatives

NS does not engage in the trading of derivatives. NS has entered into a limited number of derivative agreements to hedge interest rate exposures on certain components of its debt portfolio. All of these derivative instruments are designated as hedges, have high correlation with the underlying exposure and are highly effective in offsetting underlying price movements. Accordingly, payments made or received under interest rate swap agreements are recorded in the income statement with the corresponding interest expense. Payments made to hedge interest rate exposure related to the anticipated issuance of debt were deferred as a reduction of the debt proceeds and are being amortized to interest expense over the life of the underlying debt.

#### Required Accounting Changes

Effective Oct. 1, 2000, NS adopted the consensus reached by the Emerging Issues Task Force of the Financial Accounting Standards Board (FASB) concerning Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." The consensus presents indicators to consider in establishing the accounting for revenue. As a result of the application of the consensus, NS has reclassified to railway operating expenses certain charges that previously have been reported net with railway operating revenues. This change in reporting has no effect on income from railway operations. Prior period amounts have been reclassified to conform to the current presentation.

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

Effective with this Annual Report, NS has adopted the disclosure provisions of the FASB's Statement of Financial Accounting Standards (SFAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," which replaced SFAS No. 125 of the same name. SFAS No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and requires certain disclosures, but carries over most of the provisions of SFAS No. 125.

#### Reclassifications

Certain amounts in the financial statements and notes thereto have been reclassified to conform to the 2000 presentation.

## 2. INVESTMENT IN CONRAIL AND OPERATIONS OVER ITS LINES

#### Overview

NS and CSX Corporation (CSX) jointly own Conrail Inc. (Conrail), whose primary subsidiary is Consolidated Rail Corporation (CRC), the major

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

#### Commencement of Operations

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

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

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

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

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

(\$ in millions)	PRR Oper. Agmt.	PRR Lease Agmts.	SAA Agmts.
-----	-----	-----	-----
2001	\$ 178	\$ 126	\$ 24
2002	196	119	27
2003	217	105	30
2004	238	89	32
2005	246	71	34
2006 and subsequent years	4,776	229	652
	-----	-----	-----
Total	\$ 5,851	\$ 739	\$ 799
	=====	=====	=====

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

On the Closing Date, both NS' railroad route miles and its railroad employees increased approximately 50 percent. NSR and CSXT now provide substantially all rail freight services on Conrail's route system, perform or are responsible for performing most services incident to customer freight contracts and employ the majority of Conrail's former work force. As a result, NSR began to receive all freight revenues and incur all

expenses on the PRR lines.

#### Investment in Conrail

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

NS is amortizing the excess of the purchase price over Conrail's net equity using the principles of purchase accounting, based primarily on the estimated remaining useful lives of Conrail's property and equipment, including the related deferred tax effect of the differences in tax and accounting bases for certain assets. At Dec. 31, 2000, the difference between NS' investment in Conrail and its share of Conrail's underlying net equity was \$3.8 billion.

NS' consolidated balance sheet at Dec. 31, 2000, includes \$116 million of liabilities related to the Conrail transaction, principally for contractual obligations to Conrail employees imposed by the STB when it approved the transaction. Through Dec. 31, 2000, NS had paid \$71 million of these costs.

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

#### Related-Party Transactions

Until the Closing Date, NSR and CRC had transactions with each other in the customary course of handling interline traffic. As of Dec. 31, 2000, substantially all of the amounts receivable or payable related to these transactions had been satisfied.

NS provides certain general and administrative support functions to Conrail, the fees for which are billed in accordance with several service-provider arrangements.

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

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

"Notes and accounts payable to Conrail" includes \$51 million at Dec. 31, 2000, and \$123 million at Dec. 31, 1999, of interest-bearing loans made to NS by a PRR subsidiary that are payable on demand. The interest rate for these loans is variable and was 5.9% at Dec. 31, 2000. Also included is \$104 million at Dec. 31, 2000, and \$61 million at Dec. 31, 1999, due to PRR and CRC related to expenses included in "Conrail rents and services," as discussed above.

#### Summary Financial Information - Conrail

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

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

# Summarized Consolidated Statements of Income - Conrail

(\$ in millions)	2000	1999	1998
Operating revenues	\$ 985	\$ 2,174	\$ 3,863
Operating expenses	749	2,046	3,348
Operating income	236	128	515
Other - net	31	(83)	(81)
Income before income taxes	267	45	434
Provision for income taxes	97	19	167
Net income	\$ 170	\$ 26	\$ 267

Note: Conrail's results for 2000 included gains from the sale of property that had been written up to fair market value in the allocation of NS' investment in Conrail.

Accordingly, the gains related to that fair-value write-up, totaling \$17 million after taxes, were excluded in determining NS' equity in Conrail's net income.

Conrail's results in 1999 included after-tax expenses of \$121 million, principally: (1) to increase certain components of its casualty reserves based on an actuarial valuation, (2) to adjust certain litigation and environmental reserves related to settlements and completion of site reviews and (3) to adjust a credit related to the assumption of a lease obligation by CSX. Conrail's results in 1998 included a \$187 million after-tax charge, primarily for estimated severance obligations to nonunion employees. These 1999 and 1998 items were considered in the allocation of NS' investment in Conrail to the fair values of Conrail's assets and liabilities and, accordingly, were excluded in determining NS' equity in Conrail's net income.

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

# Summarized Consolidated Balance Sheets - Conrail

(\$ in millions)	December 31,	
	2000	1999
Assets:		
Current assets	\$ 520	\$ 669
Noncurrent assets	7,540	7,714
Total assets	\$ 8,060	\$ 8,383
Liabilities and stockholders' equity:		
Current liabilities	\$ 435	\$ 863
Noncurrent liabilities	3,643	3,701
Stockholders' equity	3,982	3,819
Total liabilities and stockholders' equity	\$ 8,060	\$ 8,383

=====

### 3. OTHER INCOME - NET

(\$ in millions)	2000	1999	1998
-----	----	----	----
Income from natural resources:			
Gains from sale of timber, oil			
and gas rights and interests	\$ 101	\$ -	\$ -
Royalties from coal	55	59	57
Nonoperating depletion			
and depreciation	(13)	(14)	(13)
	-----	-----	-----
Subtotal	143	45	44
Gains from sale of properties			
and investments	59	62	51
Rental income	40	34	26
Interest income	11	8	12
Other interest expense	(39)	(30)	(21)
Sale of accounts receivable			
(Note 5)	(23)	-	-
Taxes on nonoperating property	(9)	(7)	(4)
Corporate-owned			
life insurance - net	-	(3)	11
Other - net	(14)	6	(4)
	-----	-----	-----
Total	\$ 168	\$ 115	\$ 115
	=====	=====	=====

"Other current assets" in the Consolidated Balance Sheets includes prepaid interest on corporate-owned life insurance borrowings of \$43 million at Dec. 31, 2000, and \$37 million at Dec. 31, 1999.

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

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### 4. INCOME TAXES

#### Provision for Income Taxes

-----

(\$ in millions)	2000	1999	1998
-----	----	----	----
Current:			
Federal	\$ 65	\$ 18	\$ 89
State	11	9	12
	-----	-----	-----
Total current taxes	76	27	101
Deferred:			
Federal	1	78	100
State	1	7	14
	-----	-----	-----
Total deferred taxes	2	85	114
	-----	-----	-----
Provision for income taxes	\$ 78	\$ 112	\$ 215

=====

# Reconciliation of Statutory Rate to Effective Rate

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

(\$ in millions)	2000 Amount	%	1999 Amount	%	1998 Amount	%
-----	-----	--	-----	--	-----	--
Federal income tax at statutory rate	\$ 87	35	\$ 123	35	\$ 296	35
State income taxes, net of federal tax benefit	8	3	10	3	17	2
Equity in earnings of Conrail	(7)	(3)	(6)	(2)	(68)	(8)
Corporate-owned life insurance	(2)	(1)	1	-	(11)	(1)
Other - net	(8)	(3)	(16)	(4)	(19)	(3)
	-----	--	-----	--	-----	--
Provision for income taxes	\$ 78	31	\$ 112	32	\$ 215	25
	=====	==	=====	==	=====	==

## Deferred Tax Assets and Liabilities

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

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

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

(\$ in millions)	December 31,	
-----	2000	1999
	----	----
Deferred tax assets:		
Reserves, including casualty and other claims	\$ 158	\$ 168
Employee benefits	104	111
Retiree health and death benefit obligation	139	127
Taxes, including state and property	200	174
Other	28	42
	-----	-----
Total gross deferred tax assets	629	622
Less valuation allowance	(12)	(9)
	-----	-----
Net deferred tax assets	617	613
	-----	-----

Deferred tax liabilities:



Property	(3,117)	(3,093)
Other	(63)	(73)
	-----	-----
Total gross deferred tax liabilities	(3,180)	(3,166)
	-----	-----
Net deferred tax liability	(2,563)	(2,553)
Net current deferred tax assets	182	134
	-----	-----
Net long-term deferred tax liability	\$ (2,745)	\$ (2,687)
	=====	=====

Except for amounts for which a valuation allowance has been provided, Management believes the other deferred tax assets will be realized. The total valuation allowance increased \$3 million in 2000, \$6 million in 1999 and \$1 million in 1998.

#### Internal Revenue Service (IRS) Reviews

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

#### 5. ACCOUNTS RECEIVABLE

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

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

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

NS' allowance for doubtful accounts was \$7 million at Dec. 31, 2000, and \$5 million at Dec. 31, 1999.

#### 6. PROPERTIES

(\$ in millions)	December 31,		Depreciation
-----	2000	1999	Rate for 2000
-----	----	----	-----
Railway property:			
Road	\$ 10,078	\$ 9,681	2.9%
Equipment	5,588	5,577	4.1%
Other property	653	627	3.3%
	-----	-----	
	16,319	15,885	
Less: Accumulated depreciation	5,214	4,929	
	-----	-----	
Net properties	\$ 11,105	\$ 10,956	
	=====	=====	

Equipment includes \$592 million at Dec. 31, 2000, and \$593 million at Dec. 31, 1999, of assets recorded pursuant to capital leases. Other property includes the costs of obtaining rights to natural resources of \$341 million at Dec. 31, 2000, and \$349 million at Dec. 31, 1999.

#### Capitalized Interest

Total interest cost incurred on debt in 2000, 1999 and 1998 was \$569 million, \$546 million and \$537 million, respectively, of which \$18 million, \$15 million and \$21 million was capitalized.

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

#### 7. CURRENT LIABILITIES

(\$ in millions)	December 31,	
-----	2000	1999
-----	----	----
Accounts payable:		
Accounts and wages payable	\$ 427	\$ 354
Casualty and other claims	223	181
Equipment rents payable - net	134	135
Vacation liability	117	124
Other	24	24
	-----	-----
Total	\$ 925	\$ 818
	=====	=====
Other current liabilities:		
Interest payable	\$ 131	\$ 123
Accrued Conrail-related costs		
(Note 2)	47	56
Liabilities for forwarded traffic	40	37
Retiree health and death		
benefit obligation (Note 11)	24	24
Other	17	16
	-----	-----
Total	\$ 259	\$ 256
	=====	=====

#### 8. DEBT

## Shelf Registration

NS has filed with the Securities and Exchange Commission a shelf registration statement on Form S-3 covering the issuance of up to \$1 billion of securities. As of Dec. 31, 2000, NS had not issued any securities under this shelf registration; however, NS expected to issue debt in February 2001 and use the proceeds to reduce the amount of commercial paper outstanding.

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

### Long-Term Debt

(\$ in millions)	December 31,	
	2000	1999
-----	----	----
Commercial paper at an average rate of 7.0%	\$ 1,132	\$ 1,722
Notes at average rates and maturities as follows:		
6.93%, maturing 2001 to 2002	700	1,100
7.52%, maturing 2004 to 2010	2,200	1,600
8.10%, maturing 2017 to 2021	800	800
7.80%, maturing 2027	800	800
7.05%, maturing 2037	750	750
7.90%, maturing 2097	350	350
Equipment obligations at an average rate of 6.7%, maturing to 2014	473	548
Capitalized leases at an average rate of 7.2%, maturing to 2015	343	382
Other debt at an average rate of 7.4%, maturing to 2019	119	35
Discounts and premiums, net	(31)	(28)
	-----	-----
Total long-term debt	7,636	8,059
Current maturities	(297)	(503)
	-----	-----
Long-term debt less current maturities	\$ 7,339	\$ 7,556
	=====	=====
Long-term debt matures as follows:		
2002	\$ 593	
2003	92	
2004	335	
2005	388	
2006 and subsequent years	5,931	
	-----	
Total	\$ 7,339	
	=====	

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

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

## Commercial Paper

Commercial paper debt is due within one year, but has been classified as long-term because NS has the ability through a \$2.0 billion credit agreement to convert this obligation into longer-term debt. The credit agreement expires in 2002 and provides for interest on borrowings at prevailing rates. NS intends to refinance the commercial paper either by issuing additional commercial paper or by replacing commercial paper notes with long-term debt.

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

### Capital Lease Obligations

During 1998, NSR entered into capital leases covering new locomotives. The related capital lease obligations, totaling \$127 million, were reflected in the Consolidated Balance Sheets as debt and, because they were noncash transactions, were excluded from the Consolidated Statements of Cash Flows.

These and certain other lease obligations require the maintenance of a yen-denominated deposit, which is pledged to the lessor to satisfy yen-denominated lease payments. They carry an average stated interest rate of 7.1%, but were effectively converted to variable rate obligations using interest rate swap agreements. The interest rates on the swap obligations are based on the six-month London Interbank Offered Rate and are reset every six months with changes in interest rates accounted for as an adjustment of interest expense over the terms of the leases. As of Dec. 31, 2000, the notional amount of the swap agreements was \$253 million, and the average interest rate was 7.2%. As a result, NS is exposed to the market risk associated with fluctuations in interest rates. To date, the effects of the rate fluctuations have been favorable and not material. Counterparties to the interest rate swap agreements are major financial institutions believed by Management to be creditworthy.

### Debt Covenants

NS is subject to various financial covenants with respect to its debt and under its credit agreement, including a minimum net worth requirement, a maximum leverage ratio restriction and certain restrictions on issuance of further debt. At Dec. 31, 2000, NS was in compliance with all debt covenants.

## 9. LEASE COMMITMENTS

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

(\$ in millions)	Operating Capital	
	Leases	Leases
2001	\$ 107	\$ 47
2002	94	46
2003	84	46
2004	69	46
2005	62	44
2006 and subsequent years	512	190

Total	-----	-----
	\$ 928	\$ 419
	=====	
Less imputed interest on capital leases at an average rate of 7.1%		76
		-----
Present value of minimum lease payments included in debt		\$ 343
		=====

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

Operating Lease Expense

(\$ in millions)	2000	1999	1998
-----	----	----	----
Minimum rents	\$ 167	\$ 118	\$ 75
Contingent rents	61	61	40
	-----	-----	-----
Total	\$ 228	\$ 179	\$ 115
	=====	=====	=====

During 2000, NS entered into an operating lease for 140 locomotives, which is renewable annually, has a maximum term of eight years and includes purchase options. If NS does not purchase the locomotives at the end of the maximum lease term, it is liable for any shortfall in the then fair-value of the locomotives and a specified residual value. NS does not expect to be required to make any payments under this provision.

10. OTHER LIABILITIES

(\$ in millions)	December 31,	
-----	2000	1999
	----	----
Retiree health and death benefit obligation (Note 11)	\$ 291	\$ 261
Casualty and other claims	262	275
Deferred compensation	148	142
Net pension obligations (Note 11)	83	74
Accrued Conrail-related costs (Note 2)	72	102
Other	275	247
	-----	-----
Total	\$ 1,131	\$ 1,101
	=====	=====

11. PENSIONS AND OTHER POSTRETIREMENT BENEFITS

Norfolk Southern and certain subsidiaries have both funded and

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

#### Early Retirement Programs

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

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

(\$ in millions)	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
-----	----	----	----	----
CHANGE IN BENEFIT OBLIGATIONS				
Benefit obligation at beginning of year	\$ 1,058	\$ 1,063	\$ 340	\$ 362
Cost of early retirement benefits	119	-	14	-
Increase related to former Conrail employees	-	68	-	-
Service cost	18	17	15	11
Interest cost	79	73	27	23
Amendment	21	-	-	-
Actuarial (gains) losses	120	(92)	79	(33)
Benefits paid	(103)	(71)	(30)	(23)
	-----	-----	-----	-----
Benefit obligation at end of year	1,312	1,058	445	340
	-----	-----	-----	-----
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	2,072	1,544	152	139
Transfer of assets from Conrail plan	-	352	-	-
Actual return on plan assets	30	250	(5)	21
Employer contribution	8	4	9	15
401(h) account transfer	(8)	(7)	-	-
Benefits paid	(103)	(71)	(30)	(23)
	-----	-----	-----	-----
Fair value of plan assets at end of year	1,999	2,072	126	152
	-----	-----	-----	-----
Funded status	687	1,014	(319)	(188)
Unrecognized initial net asset	(3)	(10)	-	-
Unrecognized (gain) loss	(478)	(799)	4	(97)
Unrecognized prior service cost (benefit)	47	40	-	-

Net amount recognized	----- \$ 253 =====	----- \$ 245 =====	----- \$(315) =====	----- \$ (285) =====
Amounts recognized in the Consolidated Balance Sheets consist of:				
Prepaid benefit cost	\$ 315	\$ 298	\$ -	\$ -
Accrued benefit liability	(83)	(74)	(315)	(285)
Accumulated other comprehensive income	21	21	-	-
Net amount recognized	----- \$ 253 =====	----- \$ 245 =====	----- \$(315) =====	----- \$ (285) =====

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

Of the pension plans included above, the unfunded pension plans were the only plans with an accumulated benefit obligation in excess of plan assets. These plans' accumulated benefit obligations were \$83 million at Dec. 31, 2000, and \$74 million at Dec. 31, 1999. These plans' projected benefit obligations were \$89 million at Dec. 31, 2000, and \$76 million at Dec. 31, 1999. Because of the nature of such plans, there are no plan assets.

NS received Section 401(h) account transfers, from pension assets, of \$8 million in 2000 and \$7 million in 1999 as reimbursement for medical payments for retirees.

As a result of the commencement of operations over Conrail's lines (see Note 2), NS hired a substantial portion of Conrail's former work force. In August 1999, NS assumed certain pension obligations related to those employees. These obligations, along with pension plan assets in excess of the obligations, were transferred to the NS plans in 1999. This transfer resulted in an increase to NS' pension plan asset and a corresponding decrease in NS' investment in Conrail.

NS amended its qualified pension plan, effective Oct. 1, 2000, to allow for the payment of qualifying disability benefits. The amendment increased the pension benefit obligation by \$21 million at Dec. 31, 2000.

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

	2000 ----	1999 ----	1998 ----
Funded status:			
Discount rate	7.5%	7.75%	6.75%
Future salary increases	5%	5%	5%
Pension cost:			
Discount rate	7.75%	6.75%	7.25%
Return on assets in plans	10%	10%	9%
Future salary increases	5%	5%	5.25%

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

## Pension and Other Postretirement Benefit Costs Components

(\$ in millions)	2000	1999	1998
-----	----	----	----
PENSION BENEFITS			
Service cost	\$ 18	\$ 17	\$ 13
Interest cost	79	73	67
Cost of early retirement programs	119	-	-
Expected return on plan assets	(192)	(152)	(106)
Amortization of prior service cost	4	4	1
Amortization of initial net asset	(7)	(7)	(7)
Recognized net actuarial (gain) loss	(38)	(22)	(12)
	-----	-----	-----
Net cost (benefit)	\$ (17)	\$ (87)	\$ (44)
	=====	=====	=====
OTHER POSTRETIREMENT BENEFITS			
Service cost	\$ 15	\$ 11	\$ 10
Interest cost	27	23	24
Cost of early retirement programs	14	-	-
Expected return on plan assets	(14)	(12)	(9)
Amortization of prior service cost	-	(12)	(12)
Recognized net actuarial (gain) loss	(4)	(2)	(2)
	-----	-----	-----
Net cost	\$ 38	\$ 8	\$ 11
	=====	=====	=====

For measurement purposes, increases in the per capita cost of covered health care benefits were assumed to be 7.0% for 2001 and 7.5% for 2000. It is assumed the rate will decrease gradually to an ultimate rate of 5.0% for 2003 and remain at that level thereafter.

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

(\$ in millions)	One percentage point	
-----	Increase	Decrease
	-----	-----
Increase (decrease) in:		
Total service and interest cost components	\$ 5	\$ (4)
Postretirement benefit obligation	\$35	\$ (30)



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

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Under collective bargaining agreements, NS and certain subsidiaries participate in a multi-employer benefit plan, which provides certain postretirement health care and life insurance benefits to eligible union employees. Premiums under this plan are expensed as incurred and amounted to \$7 million in 2000 and \$5 million in both 1999 and 1998.

401(k) Plans

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Norfolk Southern and certain subsidiaries provide 401(k) savings plans for employees. Under the plans, NS matches a portion of employee contributions, subject to applicable limitations. Since 1999, NS has issued shares of Common Stock to fund its contributions. NS' expenses under these plans were \$12 million in both 2000 and 1999 and \$10 million in 1998.

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

12. STOCK-BASED COMPENSATION

Under the stockholder-approved Long-Term Incentive Plan (LTIP), a committee of nonemployee directors of the Board may grant stock options, stock appreciation rights (SARs), restricted stock and performance share units (PSUs), up to a maximum 53,025,000 shares of Norfolk Southern Common Stock ("Common Stock"). Under the Board-approved Thoroughbred Stock Option Plan (TSOP), the committee may grant stock options up to a maximum of 6,000,000 shares of Common Stock. Options may be granted for a term not to exceed 10 years, but may not be exercised prior to the first anniversary of the date of grant. Options are exercisable at the fair market value of Common Stock on the date of grant.

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

Accounting Method

-----

NS applies APB Opinion 25 and related interpretations in accounting for awards made under the plans. Accordingly, grants of PSUs, restricted stock, dividend equivalents, tax absorption payments and SARs result in charges to net income, while grants of stock options have no effect on net income. Related compensation costs were \$5 million in 2000, \$2 million in 1999 and \$25 million in 1998. NS recognized additional paid-in capital of \$4 million in 1999 and \$10 million in 1998 related to the tax benefit generated by stock option exercises.

Had such compensation costs been determined in accordance with SFAS 123, net income would have been \$149 million in 2000, \$210 million in 1999 and \$718 million in 1998; basic earnings per share would have been \$0.39 in 2000, \$0.55 in 1999 and \$1.90 in 1998; and diluted earnings per share would have been \$0.39 in 2000, \$0.55 in 1999 and \$1.89 in 1998. These pro forma amounts include compensation costs as calculated using the Black-Scholes option-pricing model, with average expected option lives of five years for 2000 grants, four years for 1999 grants and five years for 1998 grants; average risk-free interest rates of 6.8% in 2000, 5.2% in 1999 and 5.5% in 1998; average stock-price volatilities of 33% in 2000, 21% in 1999 and 15% in 1998; and dividend yields ranging from 0% to 3%. These assumptions

produce per-share grant-date fair values of \$5.22 in 2000, \$5.12 in 1999 and \$8.82 in 1998.

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

Stock Option Activity

	Option Shares	Weighted Average Exercise Price
	-----	-----
Balance 12/31/97	11,373,418	\$22.32
Granted	3,625,000	32.16
Exercised	(1,908,370)	19.22
Canceled	(31,000)	29.46
	-----	
Balance 12/31/98	13,059,048	25.48
Granted	9,150,400	30.09
Exercised	(859,085)	17.10
Canceled	(234,000)	29.84
	-----	
Balance 12/31/99	21,116,363	27.77
Granted	7,705,800	16.94
Exercised	(273,813)	13.95
Canceled	(427,400)	26.84
	-----	
Balance 12/31/00	28,120,950	\$24.96
	=====	

Of the total options outstanding at Dec. 31, 2000, 20 million were vested and have a weighted-average exercise price of \$27.97.

Stock Options Outstanding

Exercise Price		Number	Weighted Average
Range	Weighted Average	Outstanding at 12/31/00	Remaining Contractual Life
-----	-----	-----	-----
\$14.25 to \$16.94	\$16.82	8,037,350	8.7 years
18.81 to 21.08	20.43	3,059,750	2.7 years
24.31 to 27.69	26.81	7,988,100	6.7 years
29.46 to 33.25	32.09	9,035,750	7.3 years
	-----	-----	-----
\$14.25 to \$33.25	\$24.96	28,120,950	7.0 years
		=====	

Performance Share Units

PSUs provide for awards based on achievement of certain predetermined corporate performance goals at the end of a three-year cycle. PSU grants and average grant-date fair market values were 937,500 and \$16.94 in 2000; 850,000 and \$27.72 in 1999; and 565,500 and \$32.16 in 1998, respectively. PSUs may be paid in the form of shares of Common Stock, cash or any combination thereof. Shares earned and issued may be subject to share

retention agreements and held by NS for up to five years.

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

Shares Available and Issued

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

	2000	1999	1998
	----	----	----
Available for future grants 12/31:			
LTIP	2,554,584	10,512,997	16,233,600
TSOP	2,488,700	2,349,600	-
Shares of Common Stock issued:			
LTIP	395,626	1,086,288	2,212,323
TSOP	-	-	-

13. STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Income

"Accumulated other comprehensive income" reported in "Stockholders' equity" included the following net-of-tax amounts: unrealized gains on securities of \$7 million at Dec. 31, 2000, and \$2 million at Dec. 31, 1999; and minimum pension liability of \$13 million at each of Dec. 31, 2000, and Dec. 31, 1999. "Other comprehensive income" reported in the Consolidated Statements of Changes in Stockholders' Equity consisted of the following:

(\$ in millions)	2000	1999	1998
-----	----	----	----
Unrealized gains on securities	\$ 7	\$ (6)	\$ 1
Minimum pension liability	--	2	(23)
Income taxes	(2)	1	9
	-----	-----	-----
Other comprehensive income	\$ 5	\$ (3)	\$ (13)
	=====	=====	=====

"Unrealized gains on securities" included reclassification adjustments for gains realized in income from the sale of the securities of less than \$1 million in each year.

Undistributed Earnings of Equity Investees

"Retained income" includes undistributed earnings of equity investees, principally attributable to NS' equity in the earnings of Conrail, of \$351 million at Dec. 31, 2000; \$330 million at Dec. 31, 1999; and \$314 million at Dec. 31, 1998.

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

## 14. EARNINGS PER SHARE

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

(\$ in millions except per share, shares in millions)	2000	1999	1998
-----	----	----	----
Basic earnings per share:			
Income available to common stockholders for basic and diluted computations	\$ 172	\$ 239	\$ 734
Weighted-average shares outstanding	383	381	379
	-----	-----	-----
Basic earnings per share	\$ 0.45	\$ 0.63	\$ 1.94
	-----	-----	-----
Diluted earnings per share:			
Weighted-average shares outstanding per above	383	381	379
Dilutive effect of outstanding options, PSUs and SARs (as determined by the application of the treasury stock method)	-	1	2
	-----	-----	-----
Adjusted weighted-average shares outstanding	383	382	381
	-----	-----	-----
Diluted earnings per share	\$ 0.45	\$ 0.63	\$ 1.93
	=====	=====	=====

These calculations exclude options the exercise price of which exceeded the average market price of Common Stock as follows: in 2000, 28 million in the fourth, third and first quarters, and 20 million in the second quarter; in 1999, 17 million in the fourth quarter, 9 million in the third quarter, 7 million in the second quarter and 5 million in the first quarter; and in 1998, 4 million in the fourth and third quarters.

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

## 15. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

2000		1999	
----		----	
Carrying	Fair	Carrying	Fair

(\$ in millions)	Amount	Value	Amount	Value
-----	-----	-----	-----	-----
Investments	\$ 142	\$ 149	\$ 49	\$ 54
Long-term debt	(7,636)	(7,809)	(8,058)	(7,980)
Interest rate swaps	-	5	-	4

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

Quoted market prices were used to determine the fair value of marketable securities; underlying net assets were used to estimate the fair value of other investments. The fair values of debt were estimated based on quoted market prices or discounted cash flows using current interest rates for debt with similar terms, company rating and remaining maturity. The fair value of interest rate swaps was estimated based on discounted cash flows, reflecting the difference between estimated future variable-rate payments and future fixed-rate receipts.

Carrying amounts of marketable securities reflect unrealized holding gains of \$11 million on Dec. 31, 2000, and \$3 million on Dec. 31, 1999. Sales of "available-for-sale" securities were immaterial for years ended Dec. 31, 2000 and 1999.

16. DISCONTINUED OPERATIONS - MOTOR CARRIER

On March 28, 1998, NS sold all the common stock of North American Van Lines, Inc. (NAVL), its motor carrier subsidiary. Total proceeds from the sale were \$207 million, resulting in a \$90 million pretax gain (\$105 million, or 28 cents per basic and diluted share, after taxes). The higher after-tax gain was the result of differences between book and tax bases and the realization of deferred tax benefits.

NAVL's results of operations, financial position and cash flows are presented as "Discontinued operations" in the accompanying financial statements. A summary of NAVL's results of operations follows:

(\$ in millions)	1998
-----	----
Motor carrier revenues	\$ 207
Motor carrier expenses	208
	-----
Loss from operations	(1)
Gain on sale, net of taxes	105
	-----
Income from discontinued operations	\$ 104
	=====
Earnings per share (basic and diluted)	
from discontinued operations	\$0.28
	=====

17. COMMITMENTS AND CONTINGENCIES

Lawsuits

Norfolk Southern and certain subsidiaries are defendants in numerous lawsuits relating principally to railroad operations. While the final outcome of these lawsuits cannot be predicted with certainty, it is the opinion of Management, based on known facts and circumstances, that the amount of NS' ultimate liability is unlikely to have a material adverse effect on NS' financial position, results of operations or liquidity.

## Environmental Matters

-----

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

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

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As of Dec. 31, 2000, NS' balance sheet included a reserve for environmental exposures in the amount of \$36 million (of which \$8 million is accounted for as a current liability), which is NS' estimate of the probable cleanup and remediation costs based on available information at 125 identified locations. On that date, 10 sites accounted for \$18 million of the reserve, and no individual site was considered to be material. NS anticipates that much of this liability will be paid out over five years; however, some costs will be paid out over a longer period.

At some of the 125 locations, certain NS subsidiaries, usually in conjunction with a number of other parties, have been identified as potentially responsible parties by the Environmental Protection Agency (EPA) or similar state authorities under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or comparable state statutes, which often impose joint and several liability for cleanup costs.

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

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

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

## Purchase Commitment

NSR committed in 2000 to purchase 160 locomotives in 2001. Some of the locomotives were received and paid for in 2000, and the remainder will be delivered in the first half of 2001. NSR expects to finance the purchase of these locomotives with proceeds from the sale of equipment trust certificates.

#### Change-In-Control Arrangements

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

#### Debt Guarantees

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As of Dec. 31, 2000, certain Norfolk Southern subsidiaries are contingently liable as guarantors with respect to \$8 million of indebtedness of related entities.

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### INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors  
Norfolk Southern Corporation:

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Norfolk Southern Corporation and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP  
Norfolk, Virginia

January 23, 2001

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Item 9. Changes in and Disagreements with Accountants on Accounting  
-----  
and Financial Disclosure.  
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None.

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PART III  
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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

Item 10. Directors and Executive Officers of the Registrant.  
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Item 11. Executive Compensation.  
-----

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

and

Item 13. Certain Relationships and Related Transactions.  
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In accordance with General Instruction G(3), the information called for by Part III is incorporated herein by reference from Norfolk Southern's definitive Proxy Statement, to be dated April 2, 2001, for the Norfolk Southern Annual Meeting of Stockholders to be held on May 10, 2001, which definitive Proxy Statement will be filed electronically with the Commission pursuant to Regulation 14A. The information regarding executive officers called for by Item 401 of Regulation S-K is included in Part I hereof beginning on Page 19 under "Executive Officers of the Registrant."

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PART IV  
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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)



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

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

1.	Index to Consolidated Financial Statements:	Page
	-----	----
	Consolidated Statements of Income	
	Years ended December 31, 2000, 1999, and 1998	53
	Consolidated Balance Sheets	
	As of December 31, 2000 and 1999	54
	Consolidated Statements of Cash Flows	
	Years ended December 31, 2000, 1999, and 1998	55
	Consolidated Statements of Changes in	
	Stockholders' Equity	
	Years ended December 31, 2000, 1999, and 1998	57
	Notes to Consolidated Financial Statements	58
	Independent Auditors' Report	80

2. Financial Statement Schedule:

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

Index to Consolidated Financial Statement Schedule	Page
-----	----
Schedule II - Valuation and Qualifying Accounts	92

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

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

3. Exhibits

Exhibit Number	Description
-----	-----
3	Articles of Incorporation and Bylaws -
3(i)	The Restated Articles of Incorporation of Norfolk Southern Corporation are filed herewith.
3(ii)	The Bylaws of Norfolk Southern Corporation, as amended November 28, 2000, are incorporated herein by reference from Exhibit 4 to Norfolk Southern Corporation's Form S-8 filed on January 26, 2001.

- 4 Instruments Defining the Rights of Security Holders,  
Including Indentures -
- (a) Indentures related to the issuance of notes in the principal amount of \$4.3 billion are incorporated herein by reference from Exhibits 4.1 and 4.2 to Norfolk Southern Corporation's Amendment No. 3 to Form S-3, Registration No. 333-24051, filed on May 12, 1997.
  - (b) Indentures related to the issuance of notes in the principal amount of \$400 million are incorporated herein by reference from Exhibits 4.1 and 4.2 to Norfolk Southern Corporation's Form S-3, Registration No. 333-67937, filed on November 25, 1998.
  - (b) Rights Agreement, dated as of September 26, 2000, between Norfolk Southern Corporation and The Bank of New York, with exhibits thereto, is incorporated herein by reference from Exhibit 4 to Norfolk Southern Corporation's Form 8-K filed on September 26, 2000.
  - (c) Indentures related to the issuance of notes in the principal amount of \$1 billion are incorporated herein by reference from Exhibits 4.1 and 4.2 to Norfolk Southern Corporation's Form S-3, Registration No. 333-46810, filed on September 27, 2000.

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

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

3. Exhibits (continued)

Exhibit Number	Description
-----	-----

10 Material Contracts -

- (a) The Transaction Agreement, dated as of June 10, 1997, by and among CSX, CSX Transportation, Inc., Registrant, Norfolk Southern Railway Company, Conrail Inc., Consolidated Rail Corporation and CRR Holdings LLC, with certain schedules thereto, is incorporated herein by reference from Exhibit 10 to Norfolk Southern Corporation's Form 8-K filed electronically on June 30, 1997.
- (b) Amendment No. 1, dated as of August 22, 1998, to the Transaction Agreement, dated as of June 10, 1997, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail Inc., Consolidated Rail Corporation and CRR Holdings LLC is incorporated herein by reference from Exhibit 10.1 to Norfolk Southern Corporation's Form 10-Q Report for the period ended June 30, 1999.
- (c) Amendment No. 2, dated as of June 1, 1999, to the Transaction Agreement, dated June 10, 1997, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail Inc.,

Consolidated Rail Corporation and CRR Holdings LLC is incorporated herein by reference from Exhibit 10.2 to Norfolk Southern Corporation's Form 10-Q Report for the period ended June 30, 1999.

- (d) Operating Agreement, dated as of June 1, 1999, by and between Pennsylvania Lines LLC and Norfolk Southern Railway Company is incorporated herein by reference from Exhibit 10.3 to Norfolk Southern Corporation's Form 10-Q Report for the period ended June 30, 1999.

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

3. Exhibits (continued)

Exhibit  
Number  
-----

Description  
-----

10 Material Contracts (continued) -

- (e) Shared Assets Area Operating Agreement for North Jersey, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibit thereto, is incorporated herein by reference from Exhibit 10.4 to Norfolk Southern Corporation's Form 10-Q Report for the period ended June 30, 1999.
- (f) Shared Assets Area Operating Agreement for South Jersey/Philadelphia, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibit thereto, is incorporated herein by reference from Exhibit 10.5 to Norfolk Southern Corporation's Form 10-Q Report for the period ended June 30, 1999.
- (g) Shared Assets Area Operating Agreement for Detroit, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibit thereto, is incorporated herein by reference from Exhibit 10.6 to Norfolk Southern Corporation's Form 10-Q Report for the period ended June 30, 1999.
- (h) Amendment No. 1, dated as of June 1, 2000, to the Shared Assets Areas Operating Agreement for North Jersey, South Jersey/Philadelphia and Detroit, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc. and Norfolk Southern Railway Company, with exhibit thereto, is filed herewith.
- (i) Monongahela Usage Agreement, dated as of June 1, 1999, by and among CSX Transportation, Inc., Norfolk Southern Railway Company, Pennsylvania Lines LLC and New York Central Lines LLC, with exhibit thereto, is incorporated herein by reference from Exhibit 10.7 to Norfolk Southern Corporation's Form 10-Q Report for the period ended June 30, 1999.

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

3. Exhibits (continued)

Exhibit  
Number  
-----

Description  
-----

10 Material Contracts (continued) -

- (j) The Agreement, entered into as of July 27, 1999, between North Carolina Railroad Company and Norfolk Southern Railway Company, is incorporated herein by reference from Exhibit 10(i) to Norfolk Southern Corporation's 1999 Annual Report on Form 10-K.
- (k) The Supplementary Agreement, entered into as of January 1, 1987, between the Trustees of the Cincinnati Southern Railway and The Cincinnati, New Orleans and Texas Pacific Railway Company (the latter a wholly owned subsidiary of Norfolk Southern Railway Company) - extending and amending a Lease, dated as of October 11, 1881 (both the Lease and Supplementary Agreement, formerly incorporated by reference with Exhibit 10(b) to Southern's 1987 Annual Report on Form 10-K) - is filed herewith.
- (l) The Norfolk Southern Corporation Executive Management Incentive Plan, effective January 25, 2000, is incorporated by reference herein from Exhibit 10(l) to Norfolk Southern Corporation's 1999 Annual Report on Form 10-K.
- (m) The Norfolk Southern Corporation Long-Term Incentive Plan, as amended effective January 23, 2001, is filed herewith.
- (n) The Norfolk Southern Corporation Officers' Deferred Compensation Plan, as amended effective September 26, 2000, is filed herewith.
- (o) The Norfolk Southern Corporation Executives' Deferred Compensation Plan, as amended effective January 20, 2001, is filed herewith.

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

3. Exhibits (continued)

Exhibit  
Number  
-----

Description  
-----

10 Material Contracts (continued) -

- (p) The Directors' Deferred Fee Plan of Norfolk Southern Corporation, as amended effective January 23, 2001, is filed herewith.
- (q) The Norfolk Southern Corporation Directors' Restricted Stock Plan, effective January 1, 1994, as restated

November 24, 1998, is incorporated herein by reference from Exhibit 10(h) to Norfolk Southern Corporation's 1998 Annual Report on Form 10-K.

- (r) Form of Severance Agreement, dated as of June 1, 1996, between Norfolk Southern Corporation and certain executive officers (including those defined as "named executive officers" and identified in the Corporation's Proxy Statement for the 1997 and 1998 Annual Meeting of Stockholders) is incorporated herein by reference from Exhibit 10 to Norfolk Southern Corporation's Form 10-Q Report for the quarter ended June 30, 1996.
- (s) Norfolk Southern Corporation Supplemental (formerly, Excess) Benefit Plan, effective as of August 22, 1999, is incorporated herein by reference from Exhibit 10(r) to Norfolk Southern Corporation's 1999 Annual Report on Form 10-K.
- (t) The Norfolk Southern Corporation Directors' Charitable Award Program, effective February 1, 1996, is incorporated herein by reference from Exhibit 10(j) to Norfolk Southern Corporation's Form 10-Q Report for the quarter ended June 30, 1996.
- (u) The Norfolk Southern Corporation Outside Directors' Deferred Stock Unit Program, as amended on September 23, 1997, is incorporated herein by reference from Exhibit 10(m) to Norfolk Southern Corporation's 1997 Annual Report on Form 10-K.

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

3. Exhibits (continued)

Exhibit Number	Description
-----	-----
12	Statement re: Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Registrant.
23	Consents of Experts and Counsel -
	(a) Consent of KPMG LLP.
	(b) Consent of KPMG LLP and Ernst & Young LLP.
	(c) Consent of PricewaterhouseCoopers LLP.
99	Conrail Inc. 2000 Annual Report to Stockholders.

(B) Reports on Form 8-K.

A report on Form 8-K was filed on Oct. 2, 2000, advising of the sales of certain timber interests and indicating the anticipated range of earnings per share for the third quarter and the contribution to such earnings of the timber interest sales, and, attaching as an exhibit, the related press release.

(C) Exhibits.

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

(D) Financial Statement Schedules.

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

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POWER OF ATTORNEY

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

SIGNATURES

-----

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Norfolk Southern Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 5th day of March, 2001.

NORFOLK SOUTHERN CORPORATION

By /s/ David R. Goode

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on this 5th day of March, 2001, by the following persons on behalf of Norfolk Southern Corporation and in the capacities indicated.

Signature

-----

Title

-----

/s/ David R. Goode

-----

(David R. Goode)

Chairman, President and Chief  
Executive Officer and Director  
(Principal Executive Officer)

/s/ Henry C. Wolf

-----

(Henry C. Wolf)

Vice Chairman and  
Chief Financial Officer  
(Principal Financial Officer)

Signature -----	Title -----
/s/ John P. Rathbone ----- (John P. Rathbone)	Senior Vice President and Controller (Principal Accounting Officer)
/s/ Gerald L. Baliles ----- (Gerald L. Baliles)	Director
----- (Carroll A. Campbell, Jr.)	Director
/s/ Gene R. Carter ----- (Gene R. Carter)	Director
/s/ Alston D. Correll ----- (Alston D. Correll)	Director
/s/ Landon Hilliard ----- (Landon Hilliard)	Director
/s/ Steven F. Leer ----- (Steven F. Leer)	Director
/s/ Jane Margaret O'Brien ----- (Jane Margaret O'Brien)	Director
/s/ Harold W. Pote ----- (Harold W. Pote)	Director

Norfolk Southern Corporation and Subsidiaries  
-----  
Valuation and Qualifying Accounts  
Years Ended December 31, 1998, 1999 and 2000  
(In millions of dollars)

Additions charged to  
-----

	Beginning Balance	Other Expenses	Ending Accounts	Deductions	Balance
-----	-----	-----	-----	-----	-----
Year ended December 31, 1998					
-----					
Valuation allowance (included net in deferred tax liability) for deferred tax assets	\$ 2	\$ 1	\$ --	\$ --	\$ 3
Casualty and other claims included in other liabilities	\$253	\$ 86	\$ 22 (1)	\$ 90 (2)	\$271
Current portion of casualty and other claims included in accounts payable	\$172	\$ 11	\$149 (1)	\$188 (3)	\$144

Year ended December 31, 1999					
-----					
Valuation allowance (included net in deferred tax liability) for deferred tax assets	\$ 3	\$ 6	\$ --	\$ --	\$ 9
Casualty and other claims included in other liabilities	\$271	\$114	\$ 9 (1)	\$119 (2)	\$275
Current portion of casualty and other claims included in accounts payable	\$144	\$ 19	\$191 (1)	\$173 (3)	\$181

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

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

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

(continued)

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Schedule II  
Page 2 of 2

Norfolk Southern Corporation and Subsidiaries  
-----  
Valuation and Qualifying Accounts  
Years Ended December 31, 1998, 1999 and 2000 (continued)  
(In millions of dollars)

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



- (1) Includes revenue refunds and overcharges provided through deductions from operating revenues and transfers from other accounts.
- (2) Payments and reclassifications to/from accounts payable.
- (3) Payments and reclassifications to/from other liabilities.

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EXHIBIT INDEX

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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

Electronic  
Submission  
Exhibit

Number

Description

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- |       |  |
|-------|--|
| 3(i)  | The Restated Articles of Incorporation of Norfolk Southern Corporation.  |
| 10(h) | Amendment No. 1, dated as of June 1, 2000, to the Shared Assets Areas Operating Agreement for North Jersey, South Jersey/Philadelphia and Detroit.   |
| 10(k) | The Supplementary Agreement, entered into as of Jan. 1, 1987, between the Trustees of the Cincinnati Southern Railway and The Cincinnati, New Orleans and Texas Pacific Railway Company, extending and amending a Lease, dated as of October 11, 1881. |
| 10(m) | The Norfolk Southern Corporation Long-Term Incentive Plan, as amended effective January 23, 2001.  |
| 10(n) | The Norfolk Southern Corporation Officers' Deferred Compensation Plan, as amended effective September 26, 2000.  |
| 10(o) | The Norfolk Southern Corporation Executives' Deferred Compensation Plan, as amended effective January 20, 2001.  |
| 10(p) | The Directors' Deferred Fee Plan of Norfolk Southern Corporation, as amended effective January 23, 2001.   |
| 12    | Statement re: Computation of Ratio of Earnings to Fixed Charges.   |
| 21    | Subsidiaries of Norfolk Southern Corporation.  |
| 23    | Consent of Experts and Counsel -<br>(a) Consent of KPMG LLP.<br>(b) Consent of KPMG LLP and Ernst & Young LLP.<br>(c) Consent of PricewaterhouseCoopers LLP.   |
| 99    | Conrail Inc. 2000 Annual Report to Stockholders.   |

EXHIBIT 3(I)

ARTICLES OF AMENDMENT

TO THE RESTATED ARTICLES OF INCORPORATION

of

NORFOLK SOUTHERN CORPORATION

I. The name of the corporation is NORFOLK SOUTHERN CORPORATION (the "Corporation").

II. Pursuant to Section 13.1-369 of the Virginia Stock Corporation Act and the authority conferred upon the Board of Directors by the Restated Articles of Incorporation of the Corporation, the Restated Articles of Incorporation of the Corporation are hereby amended to create a new series of 600,000 shares of Preferred Stock, designated as "Series A Junior Participating Preferred Stock" by adding the following as Section C to Article III of such Restated Articles of Incorporation:

C. Series A Junior Participating Preferred Stock

1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" and the number of shares constituting such series shall be 600,000.

2. Dividends and Distributions.

(a) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 or (b) subject to the provision for adjustment hereinafter set forth, 1000 times the aggregate per share amount of all cash dividends, and 1000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value \$1.00 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior

Participating Preferred Stock. In the event the Corporation shall at any time after September 26, 2000 (the "Rights Declaration Date"), (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1.00 per share on the Series A Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 1000 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided herein or by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "Default Period") that shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each Default Period, all holders of Preferred Stock (including holders of the Series A Junior Participating Preferred Stock) with dividends in arrears in an amount equal to six (6) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) directors.

(ii) During any Default Period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(b) or at any annual meeting of shareholders, and thereafter at annual meetings of shareholders; provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of directors shall be exercised unless the holders of ten percent (10%) in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing Default Period, they shall have the right, voting as a class, to elect directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) directors or, if such right is exercised

at an annual meeting, to elect two (2) directors. If the number that may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect directors in any Default Period and during the continuance of such period, the number of directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Junior Participating Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing Default Period, have previously exercised their right to elect directors, the Board of Directors may order, or any shareholder or shareholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the President, a Vice President or the Corporate Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this Paragraph (a)(i ii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any shareholder or shareholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this Paragraph (a)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the shareholders.

(iv) In any Default Period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of directors until the holders of Preferred Stock shall have exercised their right to elect two (2) directors voting, as a class, after the exercise of which right (x) the directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the Default Period, and (y) any vacancy in the Board of Directors may (except as provided in Paragraph (a)(iii) of this Section 3) be filled by vote of a majority of the remaining directors theretofore elected by the holders of the class of stock that elected the director whose office shall have become vacant. References in this Paragraph (a) to directors elected by the holders of a particular class of stock shall include directors elected by such directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a Default Period, (x) the right of the holders of Preferred Stock as a class to elect directors shall cease, (y) the term of any directors elected by the holders of Preferred Stock as a class shall terminate and (z) the number of directors shall be such number as may be provided for in the Restated Articles of Incorporation or Bylaws irrespective of any increase made pursuant to the provisions of Paragraph (a)(i) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the Restated Articles of Incorporation or Bylaws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining directors.

(c) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights, and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

#### 4. Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating

Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors. after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under Paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

5. Reacquired Shares. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

6. Liquidation Dissolution or Winding Up.

(a) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 1000 (as appropriately adjusted as set forth in subparagraph (c) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their

ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to one with respect to such Preferred Stock and Common Stock. on a per share basis, respectively.

(b) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, that rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(c) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the Outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock Outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

8. No Redemption. The shares of Series A Junior Participating Preferred Stock shall not be redeemable.

9. Ranking. The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.



10. Amendment. At any time when any shares of Series A Junior Participating Preferred Stock are outstanding, the Restated Articles of Incorporation of the Corporation, as amended hereby, shall not be amended in any manner that would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

11. Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

III. The foregoing amendment was duly adopted by the Corporation's Board of Directors on September 26, 2000. No shareholder action was required.

Dated: September 26, 2000

NORFOLK SOUTHERN CORPORATION

By: \_\_\_\_\_  
[Chairman of the Board]

ATTEST:

Corporate Secretary

NORFOLK SOUTHERN CORPORATION

ARTICLES OF RESTATEMENT

The following restatement of the Corporation's Articles of Incorporation, which contains as an amendment not requiring shareholder approval a new Article III, was adopted by the Corporation's Board of Directors at a meeting held on July 22, 1997.

RESTATED ARTICLES OF INCORPORATION

OF

NORFOLK SOUTHERN CORPORATION

ARTICLE I

The name of the Corporation is NORFOLK SOUTHERN CORPORATION.

ARTICLE II

The purpose for which the Corporation is organized is to transact any lawful business not required to be specifically stated in the Articles of Incorporation.

### ARTICLE III

The Corporation shall have authority to issue one billion, three hundred fifty million (1,350,000,000) shares of Common Stock, par value \$1 per share, and twenty-five million (25,000,000) shares of Serial Preferred Stock, without par value.

#### A. Serial Preferred Stock

1. Issuance in Series. The Board of Directors is hereby empowered to cause the Serial Preferred Stock of the Corporation to be issued in series with such of the variations permitted by clauses (a)-(h), both inclusive, of this Section 1 as shall have been fixed and determined by the Board of Directors with respect to any series prior to the issue of any shares of such series.

The shares of the Serial Preferred Stock of different series may vary as to:

(a) the number of shares constituting such series and the designation of such series, which shall be such as to distinguish the shares thereof from the shares of all other series and classes;

(b) the rate of dividend, the time of payment and, if cumulative, the dates from which dividends shall be cumulative, and the extent of participation rights, if any;

(c) any right to vote with holders of shares of any other series or class and any right to vote as a class, either generally or as a condition to specified corporate action;

(d) the price at and the terms and conditions on which shares may be redeemed;

(e) the amount payable upon shares in event of involuntary liquidation;

(f) the amount payable upon shares in event of voluntary liquidation;

(g) any sinking fund provisions for the redemption or purchase of shares and

(h) the terms and conditions on which shares may be converted, if the shares of any series are issued with the privilege of conversion.

The shares of all series of Serial Preferred Stock shall be identical except as, within the limitations set forth above in this Section 1, shall have been fixed and determined by the Board of Directors prior to the issuance thereof.

2. Dividends. The holders of the Serial Preferred Stock of each series shall be entitled to receive, if and when declared payable by the Board of Directors, dividends in lawful money of the United States of America, at the dividend rate for such series, and not exceeding such rate except to the extent of any participation right. Such dividends shall be payable on such dates as shall be fixed for such series. Dividends, if cumulative and in arrears, shall not bear interest.

No dividends shall be declared or paid upon or set apart for the Common stock or for stock of any other class hereafter created ranking junior to the Serial Preferred Stock in respect of dividends or assets (hereinafter called Junior Stock), and no shares of Serial preferred Stock, Common Stock or Junior Stock shall be purchased, redeemed or otherwise reacquired for a consideration, nor shall any

funds be set aside for or paid to any sinking fund therefor, unless and until (i) full dividends on the outstanding Serial Preferred Stock at the dividend rate or rates therefor, together with the full additional amount required by any participation right, shall have been paid or declared and set apart for payment with respect to all past dividend periods, to the extent that the holders of the Serial Preferred Stock are entitled to dividends with respect to any past dividend period, and the current dividend period, and (ii) all mandatory sinking fund payments that shall have become due in respect of any series of the Serial Preferred Stock shall have been made. Unless full dividends with respect to all past dividend periods on the outstanding Serial Preferred Stock at the dividend rate or rates therefor, to the extent that holders of the Serial Preferred Stock are entitled to dividends with respect to any particular past dividend period, together with the full additional amount required by any participation right, shall have been paid or declared and set apart for payment and all mandatory sinking fund payments that shall have become due in respect of any series of the Serial Preferred Stock shall have been made, no distributions shall be made to the holders of the Serial Preferred Stock of any series unless distributions are made to the holders of the Serial Preferred Stock of all series then outstanding in proportion to the aggregate amounts of the deficiencies in payments due to the respective series, and all payments shall be applied, first, to dividends accrued and in arrears, next, to any amount required by any participation right, and, finally, to mandatory sinking fund payments. The terms "current dividend period" and "past dividend period" mean, if two or more series of Serial Preferred Stock having different dividend periods are at the time outstanding, the current dividend period or any past dividend period, as the case may be, with respect to each such series.

3. Preference on Liquidation. In the event of any liquidation, dissolution or winding up of the Corporation, the holders of the Serial Preferred Stock of each series shall be entitled to receive, for each share thereof, the fixed liquidation price for such series, plus, in case such liquidation, dissolution or winding up shall have been voluntary, the fixed liquidation premium for such series, if any, together in all cases with a sum equal to all dividends accrued or in arrears thereon and the full additional amount required by any participation right, before any distribution of the assets shall be made to holders of the Common Stock or Junior Stock; but the holders of the Serial Preferred Stock shall be entitled to no further participation in such distribution. If, upon any such liquidation, dissolution or winding up, the assets distributable among the holders of the Serial Preferred Stock shall be insufficient to permit the payment of the full preferential amounts aforesaid, then such assets shall be distributed among the holders of the Serial Preferred Stock then outstanding ratably in proportion to the full preferential amounts to which they are respectively entitled. For the purposes of this Section 3, the expression "dividends accrued or in arrears" means, in respect of each share of the Serial Preferred Stock of any series at a particular time, an amount equal to the product of the rate of dividend per annum applicable to the shares of such series multiplied by the number of years and any fractional part of a year that shall have elapsed from the date when dividends on such shares became cumulative to the particular time in question less the total amount of dividends actually paid on the shares of such series or declared and set apart for payment thereon; provided, however, that, if the dividends on such shares shall not be fully cumulative, such expression shall mean the dividends, if any, cumulative in respect of such shares for the period stated in the articles of serial designation creating such shares less all dividends paid in or with respect to such period.

B. Common Stock

1. Subject to the provisions of law and the rights of

holders of shares at the time outstanding of all classes of stock having prior rights as to dividends, the holders of Common Stock at the time outstanding shall be entitled to receive such dividends at such times and in such amounts as the Board of Directors may deem advisable.

2. In the event of any liquidation, dissolution or winding up (whether voluntary or involuntary) of the Corporation, after the payment or provision for payment in full of all debts and other liabilities of the Corporation and all preferential amounts to which the holders of shares at the time outstanding of all classes of stock having prior rights thereto shall be entitled, the remaining net assets of the Corporation shall be distributed ratably among the holders of the shares at the time outstanding of Common Stock.

3. The holders of Common Stock shall be entitled to one vote per share on all matters.

#### ARTICLE IV

No holder of capital stock of the Corporation of any class shall have any preemptive right to subscribe to or purchase (i) any shares of capital stock of the Corporation, (ii) any securities convertible into such shares or (iii) any options, warrants or rights to purchase such shares or securities convertible into such shares.

#### ARTICLE V

The number of directors, unless otherwise fixed by the bylaws, shall be sixteen. The directors shall be divided into three classes, one of which shall be composed of six directors and two of which shall be composed of five directors. At each annual meeting of stockholders, the number of directors to be elected shall be equal to the number of directors whose terms of office then expire, of the Serial Preferred Stock of each series shall be entitled to receive, or decreased, the number of directors then to be elected shall be as nearly as possible one third of the total number of directors, and each director shall hold office until the third succeeding annual meeting after his election; provided, however, that at no election shall a greater number of directors be elected than the number of vacancies then existing, and provided further that, upon any increase in the total number of directors, the additional vacancies shall be so assigned by the Board of Directors to classes that the number of directors of each class shall be as nearly equal as possible and the vacancies shall be filled for terms corresponding to the classes to which the vacancies are so assigned. Each director shall hold office until his successor shall have been elected, and the terms of office of directors elected by the Board of Directors to succeed former directors shall expire at the next stockholders' meeting at which directors are elected.

#### ARTICLE VI

1. In this Article:

"expenses" includes, without limitation, counsel fees.

"liability" means the obligation to pay a judgment, settlement, penalty, fine (including any excise tax assessed with respect to an employee benefit plan), or reasonable expenses incurred with respect to a proceeding.

"party" includes, without limitation, an individual who was, is, or is threatened to be made a named defendant or respondent in a proceeding.

"proceeding" means any threatened, pending, or completed action, suit, or proceeding whether civil, criminal, administrative, or investigative and whether formal or informal.

2. To the full extent that the Virginia Stock Corporation Act, as it exists on the date hereof or as hereafter amended, permits the limitation or elimination of the liability of directors and officers, no director or officer of the Corporation made a party to any proceeding shall be liable to the Corporation or its stockholders for monetary damages arising out of any transaction, occurrence or course of conduct, whether occurring prior or subsequent to the effective date of this Article.

3. To the full extent permitted by the Virginia Stock Corporation Act, as it exists on the date hereof or as hereafter amended, the Corporation shall indemnify any person who was or is a party to any proceeding, including a proceeding brought by or in the right of the Corporation, by reason of the fact that he is or was a director or officer of the Corporation, or while serving as such director or officer, is or was serving at the request of the Corporation as a director, trustee, partner or officer of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against any liability incurred by him in connection with such proceeding. A person shall be considered to be serving an employee benefit plan at the Corporation's request if his duties to the Corporation also impose duties on, or otherwise involve services by, him to the plan or to participants in or beneficiaries of the plan. To the same extent, the Board of Directors is hereby empowered, by a majority vote of a quorum of disinterested directors, to enter into a contract to indemnify any director or officer against liability and/or to advance or reimburse his expenses in respect of any proceedings arising from any act of omission, whether occurring before or after the execution of such contract.

4. The provisions of this Article shall be applicable to all proceedings commenced after it becomes effective, arising from any act or omission, whether occurring before or after such effective date. No amendment or repeal of this Article shall impair or otherwise diminish the rights provided under this Article (including those created by contract) with respect to any act or omission occurring prior to such amendment or repeal. The Corporation shall promptly take all such actions and make all such determinations and authorizations as shall be necessary or appropriate to comply with its obligation to make any indemnity against liability, or to advance any expenses, under this Article and shall promptly pay or reimburse all reasonable expenses, including attorneys' fees, incurred by any such director or officer in connection with such actions and determinations or proceedings of any kind arising therefrom.

5. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the director or officer did not meet any standard of conduct that is a prerequisite to the limitation or elimination of liability provided in Section 2 or to his entitlement to indemnification under Section 3 of this Article.

6. Any indemnification under Section 3 of this Article (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification is proper in the circumstances because the proposed indemnitee has met any standard of conduct that is a prerequisite to his entitlement to indemnification under Section 3 of this Article.

The determination shall be made:

(a) By the Board of Directors by a majority vote of a quorum consisting of directors not at the time parties to the proceeding;

(b) If a quorum cannot be obtained under subsection (a) of this section, by majority vote of a committee duly designated by the Board of Directors (in which designation directors who are parties may participate), consisting solely of two or more directors not at the time parties to the proceeding;

(c) By special legal counsel:

(i) Selected by the Board of Directors or its committee in the manner prescribed in subsection (a) or (b) of this section; or

(ii) If a quorum of the Board of Directors cannot be obtained under subsection (a) this section and a committee cannot be designated under subsection (b) of this section, selected by a majority vote of the full Board of Directors, in which selection directors who are parties may participate; or

(d) By the stockholders, but shares owned by or voted under the control of directors who are at the time parties to the proceeding may not be voted on the determination.

Authorization of indemnification and evaluation as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is appropriate, except that if the determination is made by special legal counsel, such authorizations and evaluations shall be made by those entitled under subsection (c) of this section to select counsel.

Notwithstanding the foregoing, in the event there has been a change in the composition of a majority of the Board of Directors after the date of the alleged act or omission with respect to which indemnification, an advance or reimbursement is claimed, any determination as to such indemnification, advance or reimbursement shall be made by special legal counsel agreed upon by the Board of Directors and the proposed indemnitee. If the Board of Directors and the proposed indemnitee are unable to agree upon such special legal counsel, the Board of Directors and the proposed indemnitee each shall select a nominee, and the nominees shall select such special legal counsel.

7. (a) The Corporation shall pay for or reimburse the reasonable expenses incurred by a director or officer (and may do so for a person referred to in Section 8 of this Article) who is a party to a proceeding in advance of final disposition of the proceeding or the making of any determination under Section 3 if the director, officer or person furnishes the Corporation:

(i) a written statement, executed personally, of his good faith belief that he has met any standard of conduct that is a prerequisite to his entitlement to indemnification under Section 3 of this Article; and

(ii) a written undertaking, executed personally or on his behalf, to repay the advance if it is ultimately determined that he did not meet such standard of conduct.

(b) The undertaking required by paragraph (ii) of subsection (a) of this section shall be an unlimited general obligation but need not be secured and may be

accepted without reference to financial ability to make repayment.

(c) Authorizations of payments under this section shall be made by the persons specified in Section 6.

8. The Board of Directors is hereby empowered, by majority vote of a quorum consisting of disinterested directors, to cause the Corporation to indemnify or contract to indemnify any person not specified in Section 3 of this Article who was, is or may become a party to any proceeding, by reason of the fact that he is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, to the same or a lesser extent as if such person were specified as one to whom indemnification is granted in Section 3. The provisions of Sections 4 through 6 of this Article shall be applicable to any indemnification provided hereafter pursuant to this section.

9. The Corporation may purchase and maintain insurance to indemnify it against the whole or any portion of the liability assumed by it in accordance with this Article and may also procure insurance, in such amounts as the Board of Directors may determine, on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against any liability asserted against or incurred by him in any such capacity or arising from his status as such, whether or not the Corporation would have power to indemnify him against such liability under the provisions of this Article.

10. Every reference herein to directors, officers, employees or agents shall include former directors, officers, employees and agents and their respective heirs, executors and administrators. The indemnification hereby provided and provided hereafter pursuant to the power hereby conferred by this Article on the Board of Directors shall not be exclusive of any other rights to which any person may be entitled, including any right under policies of insurance that may be purchased and maintained by the Corporation or others, with respect to claims, issues or matters in relation to which the Corporation would not have the power to indemnify such person under the provisions of this Article. Nothing herein shall prevent or restrict the power of the Corporation to make or provide for any further indemnity, or provisions for determining entitlement to indemnity, pursuant to one or more indemnification agreements, bylaws, or other arrangements (including, without limitation, creation of trust funds or security interests funded by letters of credit or other means) approved by the Board of Directors (whether or not any of the directors of the Corporation shall be a party to or beneficiary of any such agreements, bylaws or arrangements); provided, however, that any provision of such agreements, bylaws or other arrangements shall not be effective if and to the extent that it is determined to be contrary to this Article or applicable laws of the Commonwealth of Virginia, but other provisions of any such agreements, bylaws or other arrangements shall not be affected by any such determination.

11. Each provision of this Article shall be severable, and an adverse determination as to any such provision shall in no way affect the validity of any other provision.

The shareholder vote required, of each voting group entitled to vote thereon, to approve an amendment to the Corporation's Articles of Incorporation is a majority of all votes entitled to be cast by that voting group, unless the Board of Directors conditions approval of such an amendment upon a greater vote.

Dated: September 5, 1997

NORFOLK SOUTHERN CORPORATION

By /s/ David R. Goode  
David R. Goode,  
Chairman of the Board, President  
and Chief Executive Officer

[SEAL] Attest /s/ Sandra T. Pierce

Sandra T. Pierce  
Assistant Corporate Secretary



EXHIBIT 10(h)

AMENDMENT NO. 1

DATED AS OF JUNE 1, 2000

OF THE

SHARED ASSETS AREA

OPERATING AGREEMENT

FOR

[NORTH JERSEY]  
[SOUTH JERSEY/PHILADELPHIA]  
[DETROIT]

Dated as of June 1, 1999

By and Among

CONSOLIDATED RAIL CORPORATION,

CSX TRANSPORTATION, INC. and

NORFOLK SOUTHERN RAILWAY COMPANY

AMENDMENT NO. 1

OF THE

SHARED ASSETS AREA

OPERATING AGREEMENT

FOR

[NORTH JERSEY]  
[SOUTH JERSEY/PHILADELPHIA]  
[DETROIT]

This AMENDMENT NO. 1 dated as of June 1, 2000 (the "Amendment") OF THE SHARED ASSETS AREA OPERATING AGREEMENT for [North Jersey] [South Jersey/Philadelphia], [Detroit] ("Agreement") dated as of June 1, 1999, is by and among Consolidated Rail Corporation ("CRC"), CSX Transportation, Inc. ("CSXT") and Norfolk Southern Railway Company ("NSR").

W I T N E S S E T H:

WHEREAS, the parties have previously entered into the Agreement;

WHEREAS, the parties now desire to amend the Agreement with respect to the apportionment of certain liabilities between the parties as more fully set forth below;

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

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

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

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

(a) The heading and text of Section 11 b)(ii) are hereby deleted in their entirety and the following substituted therefor:

"(ii) First Two Years. If an incident giving rise to Damage for which the Operators are jointly responsible under Section 11(b)(i) Train Usage) occurs before June 1, 2001, responsibility for such Damage shall be borne equally by the Operators, with each being liable for one-half (1/2) of the damages."

(b) The heading and text of Section 11(f)(i)(A.1.) are hereby deleted in their entirety and the following substituted therefor:

"(A.1) Tier One Damages Defined. In this Section 11(f), "Tier One Damages" for any incident occurring during and between June 1, 1999 and May 31, 2001 shall, except as otherwise provided in Section 11(g) (Substance Abuse Exceptions), include the greater of:

(1) \$25 million of Damages; or

(2) the lowest amount of Damages which, when allocated among all parties, results in an allocation to either Operator of Damages in an amount equal to all insurance benefits available to that Operator (called the "Lesser Insured Operator") which has the lesser (as between the Operators) amount of insurance benefits available to it, including, without limitation, insurance to which CRC looks under Section 11(c) (CRC Responsibility - Allocation and Insurance). In determining insurance benefits available to the Lesser Insured Operator, both property and liability Insurance shall be considered but (i) only to the extent benefits are actually available in connection with that incident and (ii) they shall be calculated separately (i.e., property insurance benefits shall not be considered in any determination of available liability insurance benefits and vice versa).

In this Section 11(f), "Tier One Damages" for any incident occurring on or after June 1, 2001 shall, except as otherwise provided in Section 11(g) (Substance Abuse Exceptions), include only the first \$25 million of Damages incurred by the parties, unless otherwise agreed by the parties."

SECTION 3. Effectiveness. This Amendment shall become effective as of June 1, 2000, the "Amendment Date."

SECTION 4. Integration; Confirmation. On and after the Amendment Date, each reference in the Agreement to "this Agreement," "herein," "hereunder" or words of similar import, and each reference in any Note or other document delivered in connection with the Agreement shall be deemed to be a reference to the Agreement as amended by this Amendment, and the Agreement as so amended shall be read as a single integrated document. Except as specifically amended by this Amendment, all other terms and provisions of the Agreement shall continue in full force and effect and unchanged and are hereby confirmed in all respects.

SECTION 5. Confirmation of Agreement. In all respects not inconsistent with the terms and provisions of this Amendment, the Agreement is hereby ratified, adopted, approved and confirmed.

SECTION 6. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

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

CSX TRANSPORTATION, INC.

By:  
Name:  
Title:

NORFOLK SOUTHERN RAILWAY COMPANY

By:  
Name:  
Title:

CONSOLIDATED RAIL CORPORATION

By:  
Name:  
Title:

EXHIBIT 10(k)

SUPPLEMENTARY AGREEMENT

THIS SUPPLEMENTARY AGREEMENT is entered into as of January 1, 1987, between the Trustees of the Cincinnati Southern Railway (hereinafter "Lessor" or "Trustees"), and the Cincinnati, New Orleans and Texas Pacific Railway Company ("Lessee"), an Ohio corporation,

WITNESSETH

WHEREAS, the City of Cincinnati, Ohio, is the owner of a line railroad known as the Cincinnati Southern Railway and certain properties which are under the control and jurisdiction of the Lessor ("Line") and which are leased to Lessee pursuant to a Lease made and entered into the 11th day of October, 1881, as extended, modified and supplemented ("Lease"); and

WHEREAS, certain differences have arisen between the Lessor and Lessee regarding the interpretation, meaning, effect and performance of certain provisions contained in the aforementioned Lease and regarding the amount of rental that should be paid thereunder;

WHEREAS, the shareholder and board of directors of Lessee, at special meetings, have authorized the undertakings hereinafter set forth; and

WHEREAS, Southern Railway Company ("SR") and Norfolk Southern Corporation ("NS"), Virginia corporations, are executing this Agreement as guarantors of the performance by Lessee of its obligations hereunder; and

WHEREAS, by an Act of the General Assembly of the State of Ohio, passed June 25, 1961, the board of trustees of any railway appointed under the provisions of the Act of May 4, 1869, among other things, were authorized to modify any existing lease of such railway in accordance with ordinances of the council of the city owning such line of railway; and

WHEREAS, Council of the City of Cincinnati on the 5th day of August, 1987, passed Ordinance No. 309-1987, entitled "Authorizing the Trustees of the Cincinnati Southern Railway to Execute a Supplementary Agreement with The Cincinnati, New Orleans and Texas Pacific Railway Company", a copy of which is attached hereto as Exhibit A;

NOW, THEREFORE, it is mutually covenanted and agreed by said parties each for itself, its or their successors and assigns, as follows:

1. Commencing with the calendar year 1987, Lessee agrees to pay rent to Lessor in advance, in quarterly installments, on January 1, April 1, July 1 and October 1 of each year at the offices of the Treasurer of the City of Cincinnati. The amount of rental shall be determined as follows:

(a) For the calendar year 1987, the rental shall be \$11,000,000.00. Any quarterly payments, net of payments timely made in accordance with the existing Lease, which are delayed pending execution of this Agreement shall be paid within five days after this Agreement is fully executed and all required approvals obtained, and shall bear interest at 6% per annum from the date each applicable quarter's payment was due until the day before its

payment.

(b) For 1988 and subsequent years the annual rent by a "Factor" obtained by dividing the Implicit Price Deflator for Gross National Product ("IPD-GNP") for the prior calendar year by the IPD-GNP for the year preceding the prior calendar year, provided, however, that the rent will not be less than \$11,000,000.00 for any year.

For any given year, the denominator of the fraction used to calculate the Factor will be the same as the numerator of the fraction used to calculate the previous year's Factor. The calculations of the Factor to be applied to the previous year's rent shall be carried out to five places to the right of the decimal and rounded.

IPD-GNP is developed by the U. S. Department of Commerce, Bureau of Economic Analysis and is reported in the publication ECONOMIC INDICATORS prepared for the Joint Economic Committee by the Council of Economic Advisors.

(c) If, in the rent calculation for the year 1988 or any subsequent year, the Factor is greater than 1.04, then 1.04 will be the Factor used. If, in the rent calculation for 1988 or any subsequent year, the Factor as calculated under subparagraph (b) hereof is less than .96, then .96 will be the Factor used.

(d) Because the IPD-GNP for each calendar year cannot be available on the first day of the following year, the parties agree that rent installments in any year will not be adjusted until after the IPD-GNP for the previous calendar year is published. Any difference between the installment payment made in any quarter and what it would have been had the IPD-GNP been known will be reflected in the rent for the quarter next following the date the applicable IPD-GNP becomes known.

(e) The following examples are provided to illustrate the application of the formula:

Example 1: Assuming that the IPD-GNP for the calendar year 1987 is 113.1, the rent payable in 1988 would be calculated as follows:

$$\begin{array}{lcl} 113.1 \text{ (IPD-GNP for 1987)} & = & .98864 \times \$11 \text{ mill.} = \\ 114.1 \text{ (IPD-GNP for 1986)} & & \$10.87504 \text{ million} \end{array}$$

The rent would be \$11 million since the calculation would yield a rental less than the agreed upon floor of \$11 million.

Example 2: Assuming that IPD-GNP for the calendar year 1988 is 117.5, the rent payable in 1989 would be calculated as follows:

$$\begin{array}{lcl} 117.5 \text{ (IPD-GNP for 1988)} & = & 1.03890 \times \$11 \text{ mill.} = \\ 113.1 \text{ (IPD-GNP for 1987)} & = & \$11.41794 \text{ million} \end{array}$$

Example 3: Assuming that the IPD-GNP for the calendar year 1989 is 124.6, the rent payable in 1990 would be calculated as follows:

$$\begin{array}{lcl} 124.6 \text{ (IPD-GNP for 1989)} & = & 1.06043 \\ 117.5 \text{ (IPG-GNP for 1988)} & & 1.04 \times \$11.4279 \text{ mill.} = \\ & & \$11.885058 \text{ million} \end{array}$$

In this example, since a factor of 1.06043 is produced by the calculation, and 1.04 is the established cap, the 1.04 factor is to be used.

Example 4: Assuming that the IPD-GNP for the calendar year 190 is 117.1, the rent payable in 1991 would be calculated as follows:

117.1 (IPD-GNP for 1990)	=	.93981
124.6 (IPD-GNP for 1989)		.96 x \$11.885058 mill. =
		\$11.409656 million

In this example, since a factor of .93981 is produced by the calculation, and .96 is the established minimum, the .96 factor is to be used.

(f) The rental provided for herein shall be in lieu of the fixed and contingent rent(s) provided for in the Lease but shall not affect Lessee's obligation to pay in accordance with the Supplemental Agreement of November 16, 1961, the principal and interest on bonds issued to finance certain improvements to the leased premises.

2. Lessee shall have the option to extend the term of the Lease for twenty-five (25) years beyond the present expiration date or until December 31, 2051. Such option shall be exercised on or before January 1, 2022 by Lessee notifying Lessor in writing of Lessee's intent to extend the Lease. Within thirty (30) days after receipt of such notice of intent to extend, Lessor shall notify Lessee in writing of its proposed rental terms for the extension period. If such proposed rental terms are acceptable to Lessee, such acceptance shall be communicated to Lessor in writing on or before April 1, 2022, and the parties shall execute the appropriate documents necessary to effect the extension. If the proposed rental terms are unacceptable to Lessee and the parties have been unable to reach agreement on different rental terms on or before June 30, 2022, or such later date as is mutually agreed to by Lessor and Lessee, either party may submit the issue to arbitration in accordance with Section 8, in which case the arbitrators shall determine fair market rental terms for the leased premises for the period in extension.

Within 90 days after receiving the arbitrators' determination of fair market rental terms, Lessor and Lessee shall file sealed statements with the arbitrators stating whether they accept the arbitration decision. Such statements are only to be opened by the arbitrtators after both parties have submitted their statements. If both parties accept the arbitrators' determination, the parties shall execute the appropriate documents incorporating such determination necessary to effect the extension.

If Lessee accepts the arbitrators' determination but Lessor does not, the Lessor may seek to Lease or sell the leased property to another party; however, Lessee shall have a right of first refusal to extend the Lease or purchase the leased property on the same terms as any bona fide third party offer received by and acceptable to Lessor. If Lessor does not obtain a bona fide third party offer acceptable to it to lease or buy the railroad prior to one year prior to the expiration of the lease term, or prior to one year after the date of the arbitration determination, whichever is later, and has not committed to operate the leased property itself, Lessee shall have the option to extend the Lease on the terms decided upon in the arbitrators' determination. In the interim, Lessee shall have the right to continue using the leased property on the same terms as the current Lease on a year to year basis.

If Lessee does not accept the arbitrators' determination, the Lessor may seek to lease or sell the leased property to another party. If Lessor receives a bona fide third party offer acceptable to it on terms more favorable to it than the terms of

the arbitrators' determination, Lessee shall have no rights to extend the Lease. If the best bona fide third party offer acceptable to Lessor is less favorable to Lessor than the arbitrators' determination, Lessee shall have a right of first refusal to extend the Lease or purchase the leased property on the same terms as the third party offer. If the best bona fide third party offer acceptable to Lessor is equal to the arbitrators' determination, then Lessee shall have a right of first refusal on the same terms only if Lessor has also rejected the arbitrators' determination. If Lessor does not receive a bona fide third party offer to lease or buy the railway acceptable to Lessor within one year prior to expiration of the lease term, and Lessor has not committed to operate the leased property itself, Lessee shall have the right to continue using the property on the same terms as the current Lease on a year to year basis. At any time during such year to year extension, Lessee shall have the option to match any bona fide third party offer acceptable to Lessor.

The right of first refusal provided for herein shall be exercised as follows: Lessor shall advise Lessee in writing of the terms of such bona fide offer. Lessee shall have sixty days from the date of such notice within which to exercise its right of first refusal by notifying Lessor in writing of such exercise. If notice of exercise of the right of first refusal is not given within such sixty day period, the right of first refusal shall expire.

3. (a) Lessee may grant to others trackage rights, easements, licenses and subleases of any part of the leased premises for any purpose so long as such trackage rights, easements, licenses and subleases do not extend beyond the term of the Lease or any extension thereof, do not exceed the rights granted to Lessee hereunder, are subject to the rights of Lessor arising from failure by Lessee to comply with the terms of this Agreement, and do not impair the maintenance or operation of the Line. The parties agree that at the termination of the Lease, no hazardous waste material will be stored on the leased premises in violation of then applicable law. In the event license, sublease or other agreement is entered into for installation of a fiber optics communication system on the leased property, Lessee agrees to pay Lessor 75% of the revenue attributable to such license, sublease or agreement. In the event such a system is part of a fiber optics agreement encompassing rights of way beyond the leased property, the revenue base used for calculating Lessor's share shall be determined taking into account the proportionate mileage of Lessor's property which is part of the fiber optics agreement, the relative value of such mileage to the communications system, and any other factors necessary to determine a fair proportion of the revenue attributable to such mileage.

(b) The right to develop and use the air space over the leased property titled in the name of Lessor in the City of Cincinnati and Kenton County, Kentucky is reserved to the Lessor, subject to the requirements of Lessee for clearances and other protections to prevent interference with Lessee's use of the leased property. Prior to undertaking development of any of the said air rights, Lessor will provide Lessee with detailed plans and specifications for its review. Development and use of such air rights shall be subject to the express written consent of Lessee, upon terms and conditions satisfactory to Lessee, which consent shall not unreasonably be withheld.

(c) The right to develop and use mineral rights underlying the leased property titled in the name of the Lessor is reserved to the Lessor, but during the term of the Lease and any extension, such mineral rights shall not be exercised in a manner causing interference with Lessee's use of the leased property. Prior to

undertaking development of any of the said mineral rights, Lessor will provide Lessee with detailed plans and specifications for Lessee's review. Development and use of such mineral rights shall be subject to the express written consent of Lessee, upon terms and conditions satisfactory to Lessee, which consent shall not unreasonably be withheld.

(d) The parties agree that nothing in the Lease or this Supplementary Agreement constitutes any impediment to the acquisition of and exercise of all rights of ownership by Lessee or its corporate affiliates over any property, subject only to the requirements of the Lease that, at the termination of the Lease or any extension, Lessee surrender to the Lessor the line of railway complete in all respects, and that construction of additional main or side track be upon rights of way owned by Lessor. At the time of surrender, the Line shall be in condition equivalent to the classification established by the Federal Railway Administration as applied to the line in the applicable portions of the timetable for the Southern Railway System Kentucky Division in effect as of the date of execution hereof (a copy of which is attached hereto as Exhibit B).

(e) If, at any time during the term of the Lease or any extension thereof, leased property shall, in the opinion of the Lessee, not be necessary for the operation of the railroad, then the Lessee shall have the right to use the same for any other lawful purposes, and shall have the right to receive as its own all rents, issues and profits therefrom. At the termination of the Lease or any extension thereof, Lessee shall surrender the same to the Lessor with all improvements thereon. Alternatively, Lessee may at any time declare any such property to be superfluous and upon written notice to Lessor return such property to Lessor and release it from the leased premises.

(f) If, at any time during the term of the Lease or any extension thereof, leased property is condemned or conveyed under threat of condemnation, the following provisions shall govern; any award or payment, net of any tax and expenses, shall be held by Lessee in an interest paying account and used, with its interest, only to replace the property or improvements taken, or to acquire additional real property to be titled in the name of the Lessor and to make improvements thereon for the operation of the railway, which property shall become part of the leased property. Lessee shall make an annual accounting of the use of such funds to Lessor. Any balance in such account at the termination of the Lease, including any extension or renewal thereof, shall then become the property of Lessor.

(g) In the event of termination of this Lease or any extension or renewal thereof, Lessee agrees to grant to Lessor or any subsequent Lessee or purchaser of Lessor's line of railroad in Cincinnati, Ohio, and Lessor agrees to grant to Lessee or its successors and assigns, non-exclusive joint use of each other's rail facilities within the Gest Street Yard in the City of Cincinnati as necessary for the operation of their respective rail lines in accordance with the customary terms for such usage and in exchange for payment of the customary charges received among railroads for such usage rights.

4. During the term(s) hereby granted Lessee will pay and save harmless the Lessor from the payment of any costs, expenses, claims, liabilities, damages and demands whatsoever rising out of the Lessee's possession, control, management and operation of the said line of railway and its equipment, or any part of the leased premises. Lessee assumes the duties, liabilities and obligations of an owner, doing every act and thing required by law of the Trustees, their successors and assigns. If Lessee shall be covered by insurance for any of its obligations set forth in this Section



4, it will, if it can do so within added premium cost, name Lessor as an additional insured. During the term(s) hereby granted Lessee also shall provide to Lessor an annual report summarizing the condition of the leased premises, the nature of repairs or replacements made with respect thereto, and the sale of any rail lines between Cincinnati, Ohio and Chattanooga, Tennessee during the previous twelve months.

5. Lessee agrees that it will, during the continuance of the Lease, pay to the Trustees, without deduction from the rent herein reserved, the sum of one hundred thousand dollars per annum payable quarterly at the Cincinnati offices of the Trustees of the Cincinnati Southern Railway to cover the necessary expense devolving upon the Trustees in conducting the Trustees' affairs. The amount of this payment shall be adjusted annually, beginning with the Lease year commencing January 1, 1988, and continuing every year thereafter during the term of the Lease and any extension to reflect increases in the Consumer Price Index. For each such year the expense payment shall be determined by multiplying the sum of \$100,000 by a fraction, the numerator of which shall be the Consumer Price Index as of the end of the immediately preceding year, and the denominator of which shall be the Consumer Price Index as of the end of 1986. If the result of this calculation is less than or equal to \$100,000, the expense payment for that year shall be \$100,000. If the result of the calculation exceeds \$100,000, the result of the calculation shall be the expense payment for that year. Any amounts payable under this Section 5 in excess of \$100,000 shall be paid on or before July 1 of that year.

6. (a) In consideration of the Trustees' full release of Lessee from any and all claims arising out of or on account of the prior lease relationship between the parties, Lessee will, concurrently with the execution of this Agreement and conditioned upon execution of a similar release of claims by the City of Cincinnati, pay to the Trustees the sum of six million dollars. This release shall not apply to Lessor's claims to ownership of the leased property under the terms of the Lease. Lessor agrees to defer all such claims existing as of July 15, 1987 until termination of the Lease. Lessor and Lessee agree that the execution of this Agreement shall not abridge, estop, compromise, release or waive Lessor's claims with regard to such ownership rights and that no defense of waiver, laches, acquiescence, release, estoppel or the like arising on or after July 15, 1987 with respect to claims existing on that date may be asserted by reason of Lessor's agreement not to assert or prosecute such claims at this time. It is the intention of the parties that these property issues not impede the resolution of other issues in dispute and that neither party should be prejudiced by the deferral of issues pertaining to ownership of property until termination of the lease.

It is understood and agreed between the parties that the accrual and/or payment of the six million dollars, together with the related tax benefit, shall not operate to increase or decrease the contingent rental for years prior to 1987, as computed in accordance with the November 16, 1961 Supplemental Agreement between the parties.

(b) In further consideration of the execution hereof and the covenants of Lessor as set forth herein, Lessee agrees to transfer and convey, by sufficient special warranty deed, to Lessor and the successors and assigns thereof, certain Riverfront real estate situated in the City of Cincinnati, Hamilton County, Ohio described on Attachment C hereto. Said deed shall be executed by Lessee and delivered to Lessor no later than ninety days after execution of this Supplementary Agreement and receipt of all necessary approvals. Such property shall constitute part

of the leased property, except that air rights over said property shall be reserved to Lessor as provided in Section 3(b) hereof.

7. As security for the faithful performance by the Lessee of the terms of this Contract, but not in limitation of other rights of the Lessor, Lessee agrees to deposit with the Lessor a surety bond or bonds issued by an insurer or insurers having a certificate of authority to act as surety in the State of Ohio in the amount of \$5,500,000.00. During any lease year that the annual rental exceeds \$11,000,000, the amount of the surety bond for such year shall be increased by \$500,000 for each full \$1,000,000 that such year's rent exceeds \$11,000,000. Such surety bond or bonds shall be renewed annually as of the date the rent is calculated.

In consideration hereof, and in further consideration of the other covenants herein by Lessee, Norfolk Southern Corporation, and Southern Railway Company, the Mortgage by Lessee to Lessor, dated October 11, 1881, as subsequently confirmed and extended, is hereby cancelled, and shall be of no further force or effect. Likewise, Clause 7 of the 1881 Indenture, creating the lien secured by the said Mortgage, is hereby abrogated and annulled.

8. (a) If, during the term(s) hereby granted or upon the expiration of other termination thereof, any disagreement, dispute, controversy or difference shall arise between the parties hereto concerning the construction of the Lease a modified and supplemented by this Agreement, or the rights of either party thereunder, it shall be submitted to arbitration pursuant to the Federal Arbitration Act, 9 U.S.C. Sections 1-14, by three disinterested persons, to be chosen one by each of the parties hereto and one by the two so chosen.

(b) The party desiring such arbitration shall give written notice thereof by certified or registered mail to the other party and shall in such notice name the arbitrator selected by it and state precisely the matter or matters to be resolved through arbitration. Within 20 days after receipt of such notice, the other party shall name its arbitrator to the party which gave notice, and may also state additional matters then to be arbitrated, such notification and statement also to be in writing and given by certified or registered mail. In case the other party fails or refuses to name an arbitrator, upon application of the party giving such written notice the arbitrator shall be appointed by the Chief Judge, then sitting, of the United States District Court for the Southern District of Ohio, at Cincinnati, Ohio, or of any Court succeeding to its jurisdiction. In the event the Chief Judge declines to make such an appointment, the arbitrator shall be named by the Arbitration Committee of the American Arbitration Association, presently headquartered at 140 West Fifty-First Street, New York, New York 10020. Only matters so stated by the parties shall be considered or decided by the arbitrators.

(c) Said two arbitrators so selected shall, within 20 days after the selection of the second arbitrator, select a third arbitrator. In case the two arbitrators shall fail to agree within 20 days upon a third arbitrator, the third arbitrator shall be appointed in the manner provided in paragraph (b) of this Section 8.

(d) The three arbitrators so selected shall, as soon as possible after their selection is completed, but not more than 60 days thereafter, meet to hear and decide the matter or matters submitted to them and shall give to each side of the controversy not less than 30 days' notice in writing, by certified or registered mail, of the time and place of such hearing.

(e) After hearing both parties to the controversy and taking such testimony, making such further investigation as may be deemed necessary and considering such briefs as either party may submit within 20 days after the close of the hearing, the arbitrators shall make in writing, within 30 days, their award upon the matter or matters submitted to them and shall serve a copy of such award, by certified or registered mail, upon each of the parties to the controversy. Such written award, approved and signed by not less than two of such arbitrators, shall be final and binding upon the parties to the controversy and each shall promptly conform thereto. Until the arbitrators have made their determination of the matter or matters submitted to them, the business, settlements and payments to be transacted and made under this Agreement shall continue to be transacted and made in the manner and form existing prior to the arising of such questions. No resort may be had to any court regarding such arbitration except to compel arbitration, to enforce an award or by way of appeal on the grounds set forth in 9 U.S.C. Sections 10 and 11.

(f) In the case of death, disability, disqualification or refusal of any arbitrator, his successor shall be chosen within 10 days thereafter by the party selecting him, or, if he be the third arbitrator selected by the two arbitrators already selected and acting. If either party fails or refuses to select an arbitrator willing to hear the controversy within said 10 day period, or to select a successor to a deceased, disabled or disqualified arbitrator within the prescribed ten (10) day period, a replacement for such arbitrator shall be named in the manner set forth in paragraph (b) of this Section 8.

(g) Each party shall pay the compensation, costs, fees and expenses of its arbitrator, witnesses, exhibits and counsel. The compensation, costs, and expenses of the third arbitrator, the stenographic records, if any, and one copy of a transcript for each arbitrator and each party shall be borne equally by the parties hereto.

(h) The Commercial Arbitration Rules of the American Arbitration Association shall apply except to the extent the same may be inconsistent with this Article.

(i) The award rendered by the arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction over the parties.

9. In the event that either party believes the other has breached any provisions of the Lease as modified and supplemented by this Agreement, the following procedure shall be followed:

(a) The party claiming breach shall give the other party notice in writing referencing this Section 9, setting forth the particular provision it claims to have been breached, and stating the operative facts supporting such claim of breach and the dollar amount (if applicable) by which that party claims to have been damaged by such breach.

(b) The responding party shall within 30 days of receiving such notice either: (i) admit the breach and the claimed damages, if any, (ii) admit the breach but deny the claimed damages; or (iii) deny the breach.

(c) (i) If a party admits a breach and concurs in the amount of any claimed damages, it shall immediately discontinue any continuing breach and pay the amount of the claimed damages. (ii) If a party admits a breach but denies the claimed damages, it shall immediately discontinue any continuing breach.

(d) Either party may demand arbitration, in accordance

with Section 9, as to any issue of breach or damages which is not admitted. The arbitrators shall determine if a breach occurred and, if so, (i) shall reduce the breach to an award of money damages, if any such damages are determined to have been incurred; (ii) order specific performance of the duty or duties breached; and/or (iii) order the discontinuance of any continuing breach.

(e) Upon receipt of the arbitration decision, any party that has been found in breach of the Lease shall discontinue any continuing breach and shall pay the damaged party any monetary award determined by the arbitrators. If within 30 days after receipt of the arbitration decision either the breach (if it is a continuing breach) is not discontinued or the damage award, if any, is not paid, the aggrieved party may declare the Lease forfeited and exercise all legal rights available to it to end the tenancy and/or recover any unpaid damages.

(f) Anything in the Lease and this Agreement to the contrary notwithstanding, when the claimed breach is nonpayment of rent and the amount due is not disputed, Lessor shall give Lessee notice of such breach in writing in accordance with subsection (a) of this Section; if payment of the rental is not made or an agreement for payment of the rental is not reached within 30 days of such notice, Lessor, at its option and without prior resort to arbitration, may declare the Lease forfeited and exercise all legal rights available to it to end the tenancy and/or recover damages.

(g) The Lease may not be forfeited except as specified in this Section 9.

(h) If a claiming party shall be entitled to arbitration under paragraph (d) above with regard to a claimed breach of the Lease and/or a refusal to admit damages of which notice has been given in accordance with subparagraph (a) hereof, and, with knowledge of same, shall fail to seek arbitration for 30 days after the right to arbitration becomes known to the claiming party, then such party's claims shall be deemed waived.

10. The Lease and all the covenants and agreements of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto; provided, however that no assignment of the Lease shall be made by the Lessee unless the assignee shall, by instrument in writing executed by such assignee and delivered to the Lessor, expressly assume all of the obligations of the Lessee hereunder. Neither any such assignment nor the execution and delivery by any such assignee of any such instrument of assumption shall, except with the express written consent of the Lessor (which, in the case of liquidation of the Lessee, shall not be unreasonably withheld), relieve the Lessee or its guarantors from of its or their obligations hereunder. Nothing in this paragraph shall be construed to prevent the transfer of the rights of the Lessee under the Lease in connection with a merger or consolidation or other transfer of all of its assets if the Corporation remaining or resulting from such merger or consolidation or to which assets are transferred, shall execute and deliver to the Lessor a written instrument of assumption as above provided.

11. The covenants and agreements herein contained are made subject to any valid existing or future law and to the lawful exercise of power thereunder by any public authority, whether by way of authorization, prohibition or otherwise.

12. The Lease is to remain in full force and effect, except insofar as it is inconsistent with or expressly modified by these presents, and except that Clause 6 of the October 11, 1881 Indenture and Sections 8, 9, 10 and 11 of the 1902 Contract of

Modification and Extension of Lease are expressly abrogated and annulled.

13. Lessee, for itself, its successors and assigns, hereby covenants that it will keep and perform all the covenants, stipulations and agreements of the Lease and of this Supplementary Agreement, and will not evade or violate any of the same.

14. Except as otherwise provided herein, notice called for under the terms of this Supplementary Agreement shall be in writing delivered by certified or registered mail, at the following addresses:

For Lessor:

President  
Board of Trustees  
Cincinnati Southern Railway  
635 West Seventh Street  
Suite 300  
Cincinnati, Ohio 45203

and

Office of the City Solicitor  
City of Cincinnati  
214 City Hall  
801 Plum Street  
Cincinnati, Ohio 45202

For Lessee:

President  
The Cincinnati, New Orleans and Texas Pacific Railway  
Company  
635 West Seventh Street  
Suite 300  
Cincinnati, Ohio 45203

President  
The Cincinnati, New Orleans and Texas Pacific Railway  
Company  
One Commercial Place  
Norfolk, Virginia 23510

Guarantors:

President  
Southern Railway Company  
One Commercial Place  
Norfolk, Virginia 23510

Chief Executive Officer  
Norfolk Southern Corporation  
One Commercial Place  
Norfolk, Virginia 23510

15. SR as the holder of all the common stock of Lessee and NS as the holder of all the common stock of SR each hereby guarantees to Lessor that the Lessee will fully perform all of its obligations under the Lease and this Supplementary Agreement, and jointly and severally agree with Lessor to make Lessor whole for any loss suffered by it as a result of the failure of Lessee to so perform. Any claim made by Lessor under this guarantee shall, if not agreed to by SR and NS, be subject to arbitration under the provisions of Section 8 hereof, which arbitration decision shall be binding upon Lessor and upon SR and NS as guarantors of the obligations of Lessee herein.

16. This Supplementary Agreement is subject to approval or exemption from approval by the Interstate commerce Commission of the undertakings by Lessee and Guarantors of the obligations herein, as may be required by 49 U.S.C. Sections 11301 an 11343 et seq., and such decision having become final.

IN WITNESS WHEREOF, Theodore M. Berry, Robert W. Hilton, Jr., Roger W. Ach, II, Paul W. Sylvester, Benjamin Gettler, Trustees of the Cincinnati Southern Railway, authorized by Ordinance No. 309 1987 of the City of Cincinnati and by resolution of said Board of Trustees of the Cincinnati Southern Railway have on this 5th day of August, 1987, affixed their hands; the Cincinnati, New Orleans and Texas Pacific Railway Company has upon this same day caused this Supplementary Agreement to be signed an sealed by its President as the act and deed of The Cincinnati, New Orleans and Texas Pacific Railway Company and its corporate seal to be affixed by its secretary.

Executed in quintuplicate, upon the day and year above mentioned.

THE LESSOR:

/s/ Theodore M. Berry  
Theodore M. Berry

/s/ Robert W. Hilton, Jr.  
Robert W. Hilton, Jr.

/s/ Roger W. Ach, II  
Roger W. Ach, II

WITNESS:

/s/ Paul W. Sylvester  
Paul W. Sylvester

/s/ Benjamin Gettler  
Benjamin Gettler  
Trustees of the Cincinnati  
Southern Railway

THE LESSEE:  
THE CINCINNATI, NEW ORLEANS AND  
TEXAS PACIFIC RAILWAY COMPANY

ATTEST:

/s/  
Secretary

By: /s/  
President

GUARANTORS OF LESSEE:  
SOUTHERN RAILWAY COMPANY

ATTEST:

/s/  
Secretary

By: /s/  
President and  
Chief Executive Officer  
NORFOLK SOUTHERN CORPORATION

ATTEST:

/s/  
Secretary

By: /s/  
Chief Executive Officer  
Chairman, President and  
Chief Executive Officer

State of Ohio            )  
                          ) SS:  
Hamilton County        )

Before me a Notary Public, in and for said County, personally appeared the above named Theodore M. Berry, Robert W. Hamilton, Jr., Roger W. Ach, III, Paul W. Sylvester, and Benjamin Gettler, the duly appointed, qualified and acting Trustees of the Cincinnati Southern Railway, who acknowledged that they did sign the foregoing instrument on behalf of and pursuant to the direction and in accordance with the authorization of the City of Cincinnati and that the same is their free act and deed a such Trustees, and for the uses and purposes therein set forth.

In testimony wherefore, I have hereunto subscribed my name and affixed my official seal at Cincinnati, Ohio this 5th day of August, 1987.

/s/  
Notary Public

State of Virginia       )  
                          ) SS:  
City of Norfolk        )

Before me, a Notary Public in and for said City, personally appeared H. H. Hall, President and Mahlon D. Edwards, Secretary, of the Cincinnati, New Orleans and Texas Pacific Railway Company, the corporation which executed the foregoing instrument, who acknowledged that the seal affixed to said instrument is the corporate seal of said corporation, that they did sign and seal such instrument as President and Secretary on behalf of said corporation and by authority of its Board of Directors and that said instrument is their free act and deed as such President and Secretary, and the free act and deed of The Cincinnati, New Orleans and Texas Pacific Railway Company

In testimony whereof, I have hereunder subscribed my name and affixed my official seal at Norfolk, Virginia, this 13th day of August, 1987.

/s/  
Notary Public

State of Virginia     )  
                              )  SS:  
City of Norfolk        )

Before me, a Notary Public in and for said City, personally appeared Arnold B. McKinnon, Chairman, President and Chief Executive and Mahlon D. Edwards, Assistant Secretary, of the Norfolk Southern Corporation, the corporation which executed the foregoing instrument, who acknowledged that the seal affixed to said instrument is the corporate seal of said corporation, that they did sign and seal such instrument as Chairman, President and Chief Executive Officer and Assistant Secretary on behalf of said corporation and by authority if its Board of Directors and that said instrument is their free act and deed as such Chairman, President and Chief Executive Officer and Assistant Secretary, and the free act and deed of Norfolk Southern Corporation.

In testimony whereof, I have hereunder subscribed my name and affixed my official seal at Norfolk, Virginia, this 13th day of August, 1987.

/s/  
Notary Public

State of Virginia     )  
                              )  SS:  
City of Norfolk        )

Before me, a Notary Public in and for said City, personally appeared Arnold B. McKinnon, Chairman, President and Chief Executive and Mahlon D. Edwards, Secretary, of the Southern Railway Company, the corporation which executed the foregoing instrument, who acknowledged that the seal affixed to said instrument is the corporate seal of said corporation, that they did sign and seal such instrument as President and Chief Executive Officer and Secretary on behalf of said corporation and by authority if its Board of Directors and that said instrument is their free act and deed as such Chairman, President and Chief Executive Officer and Assistant Secretary, and the free act and deed of Southern Railway Company.

In testimony whereof, I have hereunder subscribed my name and affixed my official seal at Norfolk, Virginia, this 13th day of August, 1987.

/s/  
Notary Public



EXHIBIT 10 (m)

NORFOLK SOUTHERN CORPORATION  
LONG-TERM INCENTIVE PLAN

AS AMENDED EFFECTIVE JANUARY 23, 2001

Section 1. PURPOSE

The purpose of the Long-Term Incentive Plan, as amended (the "Plan"), is to promote the success of Norfolk Southern Corporation (the "Corporation") and to provide an opportunity for officers and other key employees of the Corporation and its Subsidiary Companies (as hereinafter defined) to acquire or increase a proprietary interest in the Corporation and thereby to provide an additional incentive to officers and other key employees to devote their maximum efforts and skills to the advancement, betterment, and prosperity of the Corporation and its shareholders.

The Plan provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, performance share units, performance shares, and shares of the Corporation's common stock (restricted pursuant to the provisions of Section 9 of the Plan), in accordance with the terms and conditions set forth below.

Section 2. DEFINITIONS

The terms used herein shall have the following meanings unless otherwise specified or unless a different meaning is clearly required by the context:

**Award** Any one or more of the following: Incentive Stock Option; Non-qualified Stock Option; Stock Appreciation Right; Restricted Shares; Performance Share Units; and Performance Shares.

**Beneficiary** The person or persons designated in writing by the Participant as his Beneficiary in respect of Awards or, in the absence of such a designation or if the designated person or persons predecease the Participant, the person or persons who shall acquire the Participant's rights in respect of Awards by bequest or inheritance in accordance with the applicable laws of descent and distribution. In order to be effective, a Participant's designation of a Beneficiary must be on file with the Corporation before the Participant's death. Any such designation may be revoked and a new designation substituted therefor by the Participant at any time before his death without the consent of the previously designated Beneficiary.

**Board** The Board of Directors of the Corporation.  
Directors

**Code** The Internal Revenue Code of 1986, as amended from time to time.

**Committee** The Compensation and Nominating Committee or any other committee of the Board of Directors which is authorized to grant Awards under this Plan.

**Common Stock** The Common Stock of the Corporation.

**Disability** A disability that enables the Participant to be eligible for and receive a disability benefit under the Long-Term

Disability Plan of the Corporation or a long-term disability plan of a Subsidiary Company (whichever is applicable), as amended from time to time.

Exercise With respect to a Stock Appreciation Right, all of the  
Gain shares of Common Stock received upon exercise of the Stock  
Shares Appreciation Right.

With respect to an Option, the portion of the shares of Common Stock received upon exercise of the Option equal to the excess of the Fair Market Value, as of the exercise date, over the Option price, multiplied by the number of shares purchased under the Option on the exercise date, divided by such Fair Market Value, and rounded down to the nearest whole number of shares.

Fair Market The value of Common Stock on a particular date as measured  
Value by the mean of the high and low prices at which it is traded on such date as reported in the Composite Transactions for such date by The Wall Street Journal, or, if Common Stock was not traded on such date, on the next preceding day on which Common Stock was traded.

Incentive An Option that complies with the terms and conditions set  
Stock forth in Section 422(b) of the Code and is designated by  
Option the Committee as an Incentive Stock Option.

Non-qualified An Option granted under the Plan other than an Incentive  
Stock Option Stock Option

Option Any option to purchase Common Stock granted pursuant to the provisions of Section 6 or Section 7 of the Plan.

Optionee A Participant who is the holder of an Option.

Participant Any officer or key employee of the Corporation or a Subsidiary Company selected by the Committee to participate in the Plan and any non-employee director of the Corporation, subject to approval of the Plan, as hereby amended, by the vote of the holders of a majority of the shares of Common Stock present or represented and entitled to vote at a meeting of the stockholders of the Corporation at which a quorum is present.

Performance The period of time, designated by the Committee, over  
Cycle which Performance Shares may be earned.

Performance Shares of Common Stock granted pursuant to Section 10 of  
Shares the Plan, which may be made subject to the restrictions and other terms and conditions prescribed in Section 11 of the Plan.

Performance Contingent rights to receive Performance Shares pursuant  
Share Units to Section 10 of the Plan.

Restricted Shares of Common Stock granted pursuant to Section 9  
Shares of the Plan and subject to the restrictions and other terms and conditions set forth therein.

Restriction A period of time not less than twenty-four (24) nor more  
Period than sixty (60) months, to be determined within those limits by the Committee in its sole discretion, commencing on the date as of which Restricted Shares are granted, during which the restrictions imposed by paragraph (b) of Section 9 of the Plan shall apply.

The Committee shall determine the length of the Restriction Period at the time that the Restricted Shares are granted.

Retirement Retirement from the Corporation or a Subsidiary Company pursuant to the provisions of the Retirement Plan of the Corporation or a retirement plan of a Subsidiary Company (whichever is applicable), as amended from time to time.

Share An agreement entered into pursuant to Section 11 of the Plan.  
Retention  
Agreement

Stock The right, granted pursuant to the provisions of Section  
Appreciation 8 of the Plan, to receive a payment equal to the excess  
Right of the Fair Market Value of Common Stock over the Option price of such Common Stock, as specified in Section 8 of the Plan.

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

### Section 3. ADMINISTRATION

The Plan shall be administered by the Committee, which, subject to the limitations set forth herein, shall have the full and complete authority and sole discretion from time to time to construe and interpret the Plan; to select the officers and other key employees who shall be granted Awards under the Plan; to determine the type, size, terms, and conditions of the Award or Awards to be granted to each such Participant; to authorize the grant of such Awards pursuant to the Plan; in connection with the merger or consolidation of the Corporation, to give a Participant an election to surrender an Award in exchange for the grant of a new Award; to adopt, amend and rescind rules and regulations relating to the Plan; and to make all other determinations and take all other action it may deem necessary or advisable for the implementation and administration of the Plan. The Committee may authorize the grant of more than one type of Award, and awards subject to differing terms and conditions, to any eligible employee. The Committee's decision to authorize the grant of an Award to an employee at any time shall not require the Committee to authorize the grant of an Award to that employee at any other time or to any other employee at any time; nor shall its determination with respect to the size, type, or terms and conditions of the Award to be granted to an employee at any time require it to authorize the grant of an Award of the same type or size or with the same terms and conditions to that employee at any other time or to any other employee at any time. The Committee shall not be precluded from authorizing the grant of an Award to any eligible employee solely because the employee previously may have been granted an Award of any kind under the Plan.

All determinations of the Committee shall be by a majority of its members and shall be final, conclusive and binding. Each member of the Committee, while serving as such, shall be considered to be acting in his capacity as a director of the Corporation, and no member of the Committee shall be liable for any action taken or decision made in good faith with respect to the implementation or administration of the Plan.

### Section 4. ELIGIBILITY

To be eligible for selection by the Committee to participate in the Plan, an individual must be a full-time salaried officer or key employee of the Corporation, or of a Subsidiary Company, and must reside in the United States or Canada, on the date on which the Committee authorizes the grant to such individual of an Award. Subject to approval of the Plan, as hereby amended, by the vote of the holders of a majority of the shares of Common Stock present or represented and entitled to vote at a meeting of the stockholders of the Corporation at which a quorum is present, a non-employee director shall be eligible to participate in the Plan if he or she is a director of the Corporation and is not a full-time salaried employee of the Corporation or a Subsidiary Company on the date on which the Committee authorizes the grant of an Award to non-employee directors.

#### Section 5. SHARES AVAILABLE

Subject to the provisions of Section 13 of the Plan, no more than an aggregate of 39,878,604 shares of Common Stock may be issued pursuant to the Plan. Effective January 23, 2001, an additional 5,000,000 shares of Common Stock (an aggregate of 44,878,604) may be issued to Participants who are not officers of the Corporation. Subject to approval of the Plan, as hereby amended, by the vote of the holders of a majority of the shares of Common Stock present or represented and entitled to vote at a meeting of the stockholders of the Corporation, at which a quorum is present, an additional 30,000,000 shares of Common Stock (an aggregate of 74,878,604) may be issued pursuant to the Plan, and no more than 6,000,000 of such additional shares shall be awarded as Restricted Shares or Performance Shares. Such shares shall be provided from shares of Common Stock authorized but not issued. Any shares of Common Stock which were subject to an Option, a Stock Appreciation Right, or a Performance Share Unit, and which were not issued prior to the expiration of the Award shall thereafter again be available for award under the Plan. Upon the forfeiture of any Restricted Shares, the forfeited shares of Common Stock shall thereafter be available for award under the Plan. Notwithstanding any other provision to the contrary, no Participant may be awarded a grant in any one year, which, when added to any other grant of Options, Restricted Shares, and Performance Share Units in the same year, shall exceed 750,000 shares of Common Stock. Subject to approval of the Plan, as hereby amended, by the vote of the holders of a majority of the shares of Common Stock present or represented and entitled to vote at a meeting of the stockholders of the Corporation, at which a quorum is present, notwithstanding any other provision to the contrary, no Participant may be awarded a grant in any one year, which, when added to any other grant of Options, Restricted Shares, and Performance Share Units in the same year, shall exceed 1,500,000 shares of Common Stock. If an Option is canceled, the canceled Option continues to count against the maximum number of shares for which Options may be granted to a Participant in any year.

#### Section 6. INCENTIVE STOCK OPTIONS

(a) General - The Committee may authorize the grant of Incentive Stock Options subject to the terms and conditions set forth in this Section 6. The grant of an Incentive Stock Option shall be evidenced by a written Incentive Stock Option Agreement between the Corporation and the Optionee, setting forth the number of shares of Common Stock subject to the Incentive Stock Option evidenced thereby and the terms, conditions, and restrictions applicable thereto. The issuance of shares of Common Stock pursuant to an Incentive Stock Option also shall be subject to the provisions of any Share Retention Agreement that may be required by the Committee under Section 11 of the Plan.

(b) Option Price - The Committee shall determine the Option price for each share of Common Stock purchased under an Option, but, subject to the provisions of Section 13 of the Plan, in no event shall the Option price be less than one hundred percent (100%) of the Fair Market Value of the Common Stock on the date the Option is granted.

(c) Duration of Options - The Committee shall fix the term or duration of Options, provided that such term shall not exceed ten (10) years from the date the Option is granted, and that such term shall be subject to earlier termination pursuant to the provisions of paragraph (g) of this Section 6 or paragraph (e) of Section 8 of the Plan.

(d) Non-transferability of Options - Options are not transferable other than by will or the applicable laws of descent and distribution following the death of the Optionee. Options may be exercised during the lifetime of the Optionee only by him, and following his death only by his Beneficiary.

(e) Exercise of Options - The Committee shall determine the time or times at which Options may be exercised; provided that such time or times shall not occur before the latest of:

(i) the first anniversary of the date on which the Option was granted; and

(ii) the effectiveness of any registration statement required to be filed under the Securities Act of 1933 for the registration of the Common Stock to be issued upon exercise of the Option.

(f) Payment of Option Price - The purchase price of Common Stock upon exercise of an Option shall be paid in full to the Corporation at the time of the exercise of the Option in cash or, at the discretion of the Committee and subject to any limitations or requirements that the Committee may adopt, by the surrender to the Corporation of shares of previously acquired Common Stock, which have been held by the Optionee for at least twelve (12) months and which shall be valued at Fair Market Value on the date that the Option is exercised, or, at the discretion of the Committee, by a combination of cash and such Common Stock.

(g) Termination of Options - No Option shall be exercisable after it expires. Each Option shall expire upon the earliest of:

(i) the expiration of the term for which the Option was granted;

(ii) (A) Except as otherwise provided by the Committee, in the case of an Optionee whose employment with the Corporation or a Subsidiary Company is terminated due to Retirement, Disability or death, the expiration of thirty-six (36) months after such termination of employment, or

(B) in the case of an Optionee whose employment with the Corporation or a Subsidiary Company is terminated for any reason other than Retirement, Disability, or death, at the close of business on the last day of active service by the Optionee with the corporation or a Subsidiary Company, or

(C) in the case of an Optionee who is granted a leave of absence, if the Optionee's employment with the Corporation or a Subsidiary Company terminates at any time during or at the end of the leave of absence, at the close of business on the last day of employment with the Corporation or a Subsidiary Company, or

(iii) in connection with a merger or consolidation of the Corporation, with the Optionee's consent, the grant of a new Award to replace the Option.

(h) Limitation on Exercisability - The aggregate Fair Market Value (determined as of the time the Incentive Stock Option is granted) of the Common Stock with respect to which Incentive Stock Options (granted on or after January 1, 1987) are exercisable for the first time by the Optionee during any calendar year shall not exceed \$100,000.

(i) Order of Exercise - An Incentive Stock Option granted prior to January 1, 1987, shall not be exercisable while there is outstanding any Incentive Stock Option which was granted to the Optionee before the grant of the first-mentioned Incentive Stock Option. For this purpose, an Incentive Stock Option shall be treated as outstanding until it is exercised in full or expires in accordance with paragraph (c) of this Section 6.

As used in paragraphs (h) and (i) of this Section 6, the term Incentive Stock Option shall mean an option to purchase stock which is granted pursuant to the provisions of this Plan or of any other plan of the Corporation or of a parent or subsidiary corporation (as defined by Section 424(f) of the Code) and which complies with the terms and conditions set forth in Section 422(b) of the Code.

#### Section 7. NON-QUALIFIED STOCK OPTIONS

The Committee may authorize the grant of Non-qualified Stock Options subject to the terms and conditions specified in this Section 7. The grant of a Non-qualified Stock Option shall be evidenced by a written Non-qualified Stock Option Agreement between the Corporation and the Optionee, setting forth the number of shares of Common Stock subject to the Non-qualified Stock Option evidenced thereby and the terms, conditions, and restrictions applicable thereto. Non-qualified Stock Options granted pursuant to the provisions of this Section 7 shall be subject to the terms, conditions, and restrictions set forth in paragraphs (b) and (d) through (g) of Section 6 of the Plan. The limitations set forth in paragraphs (c), (h) and (i) of Section 6 of the Plan shall not apply to Non-qualified Stock Options. The issuance of shares of Common Stock pursuant to a Non-qualified Stock Option also shall be subject to the provisions of any Share Retention Agreement that may be required by the Committee under Section 11 of the Plan.

#### Section 8. STOCK APPRECIATION RIGHTS

(a) General - The Committee may grant a Stock Appreciation Right to a Participant in connection with an Option, or portion thereof as determined by the Committee, subject to the terms and conditions set forth in this Section 8. The Stock Appreciation Right may be granted at the time of grant of the related Option and shall be subject to the same terms and conditions as the related Option, except as this Section 8 may otherwise provide. The grant of a Stock Appreciation Right shall be evidenced either by provisions in the Option agreement evidencing the related Option or by a written Stock Appreciation Right Agreement between the Corporation and the Optionee, identifying the related Option, specifying the number of shares of Common Stock subject thereto, and setting forth the terms and conditions applicable to the Stock Appreciation Right.

(b) Exercise - A Stock Appreciation Right shall be exercisable only at such time or times, to such extent, and by such persons, as the Option to which it relates shall be exercisable; provided that:

(i) if the Committee determines that all or part of a payment in respect of a Stock Appreciation Right shall be made in cash, the Stock Appreciation Right shall not be exercised before the expiration of one (1) year from the date on which it was granted; provided, however, that this subparagraph (i) shall not apply if the death or Disability of the Optionee occurs within one (1) year after the grant of the Stock Appreciation Right;

(ii) if the Committee determines that all or part of a payment in respect of a Stock Appreciation Right shall be made in cash, such exercise may occur only on a day that is at least three (3) and no more than twelve (12) business days after the date on which the Corporation first made publicly available its most recent regular quarterly or annual financial statements; and

(iii) a Stock Appreciation Right granted in connection with an Incentive Stock Option may not be exercised on any date on which the Fair Market Value of a share of Common Stock is less than or equal to the Option price per share under the related Incentive Stock Option.

A Stock Appreciation Right shall be exercised by surrendering the related Option, or the portion thereof pertaining to the shares with respect to which the Stock Appreciation Right is exercised, and providing the Corporation with a written notice in such form and containing such information (including the number of shares of Common Stock with respect to which the Stock Appreciation Right is being exercised) as the Committee may specify. The date on which the Corporation receives such notice shall be the date on which the related Option, or portion thereof, shall be deemed surrendered and the Stock Appreciation Right shall be deemed exercised.

(c) Payment - Upon exercise of a Stock Appreciation Right in the manner provided in paragraph (b) of this Section 8, the Optionee shall be entitled to receive Exercise Gain Shares equal to the number of shares of Common Stock that have an aggregate Fair Market Value on the exercise date equal to the amount by which the Fair Market Value of a share of Common Stock on the exercise date exceeds the Option price per share of the related Option, multiplied by the number of shares covered by the related Option, or portion thereof, surrendered in connection with the exercise of the Stock Appreciation Right. The Exercise Gain Shares shall be subject to the provisions of any Share Retention Agreement that may be required by the Committee under Section 11 of the Plan. In the sole discretion of the Committee, all or part of the payment in respect of a Stock Appreciation Right may be made in cash in lieu of Exercise Gain Shares.

(d) Termination of Right - A Stock Appreciation Right shall expire, unless previously exercised or canceled, upon the expiration of the Option to which it relates.

(e) Effect of Exercise - A Stock Appreciation Right shall be canceled when, and to the extent that, the related Option is exercised, and an Option shall be canceled when, and to the extent that, the Option is surrendered to the Corporation upon the exercise of a related Stock Appreciation Right.

## Section 9. RESTRICTED SHARES

(a) General - The Committee, in its sole discretion, may from time to time authorize the grant of Restricted Shares to a Participant. A certificate or certificates representing the number of Restricted Shares granted shall be registered in the name of the Participant. Until the expiration of the Restriction Period or the lapse of restrictions in the manner provided in paragraph (d) or paragraph

(e) of this Section 9, the certificate or certificates shall be held by the Corporation for the account of the Participant, and the Participant shall have beneficial ownership of the Restricted Shares, including the right to receive dividends on, and the right to vote, the Restricted Shares.

(b) Restrictions - Until the expiration of the Restriction Period or the lapse of restrictions in the manner provided in paragraph (d) or paragraph (e) of this Section 9, Restricted Shares shall be subject to the following restrictions and any additional restrictions that the Committee, in its sole discretion, may from time to time deem desirable in furtherance of the objectives of the Plan:

(i) the Participant shall not be entitled to receive the certificate or certificates representing the Restricted Shares;

(ii) the Restricted Shares may not be sold, transferred, assigned, pledged, conveyed, hypothecated, or otherwise disposed of; and

(iii) the Restricted Shares may be forfeited immediately as provided in paragraph (d) of this Section 9.

(c) Distribution of Restricted Shares - If a Participant to whom Restricted Shares have been granted remains in the continuous employment of the Corporation or a Subsidiary Company during the entire Restriction Period, upon the expiration of the Restriction Period all restrictions applicable to the Restricted Shares shall lapse, and the certificate or certificates representing the shares of Common Stock that were granted to the Participant in the form of Restricted Shares shall be delivered to the Participant.

(d) Termination of Employment - If the employment of a Participant is terminated for any reason other than the Retirement, Disability, or death of the Participant in service before the expiration of the Restriction Period, the Restricted Shares shall be forfeited immediately and all rights of the Participant to such shares shall terminate immediately without further obligation on the part of the Corporation or any Subsidiary Company. If the Participant's employment is terminated by reason of the Retirement, Disability, or death of the Participant in service before the expiration of the Restriction Period, the number of Restricted Shares held by the Corporation for the Participant's account shall be reduced by the proportion of the Restriction Period remaining after the Participant's termination of employment; the restrictions on the balance of such Restricted Shares shall lapse on the date the Participant's employment terminated; and the certificate or certificates representing the shares of Common Stock upon which the restrictions have lapsed shall be delivered to the Participant (or, in the event of the Participant's death, to his Beneficiary).

(e) Waiver of Restrictions - The Committee, in its sole discretion, may waive any or all restrictions with respect to Restricted Shares.

## Section 10. PERFORMANCE SHARES

The Committee, in its sole discretion, may from time to time authorize the grant of Performance Share Units to a Participant. Performance Share Units shall entitle the Participant to Performance Shares (or cash in lieu thereof) upon the achievement of such performance goals as may be established by the Committee at the time of grant for three equally weighted performance criteria:

(a) the Corporation's total stockholder return as compared to the S&P 500 Index; (b) the Corporation's operating ratio; and



(c) the Corporation's return on average capital invested. At such time as it is certified by the Committee that the performance goals established by the Committee have been attained or otherwise satisfied, the Committee shall authorize the payment of cash in lieu of Performance Shares or the issuance of Performance Shares registered in the name of the Participant, subject to the provisions of any Share Retention Agreement that may be required by the Committee under Section 11 of the Plan, or both.

If the Participant's employment with the Corporation or a Subsidiary Company is terminated before the end of a Performance Cycle for any reason other than Retirement, Disability, or death, the Participant shall forfeit all rights with respect to any Performance Shares that were being earned during the Performance Cycle. If the Participant is granted a leave of absence before the end of a Performance Cycle, the Participant shall not forfeit all rights with respect to any Performance Shares that were being earned during the Performance Cycle, unless the Participant's employment with the Corporation or a Subsidiary Company terminates at any time during or at the end of the leave of absence, at which time the Participant shall forfeit all rights with respect to any Performance Shares that were being earned during the Performance Cycle. The Committee, in its sole discretion, may establish guidelines providing that if a Participant's employment is terminated before the end of a Performance Cycle by reason of Disability, or death, the Participant shall be entitled to a prorated payment with respect to any Performance Shares that were being earned during the Performance Cycle. If the Participant's employment is terminated before the end of a Performance Cycle by reason of Retirement, the Participant's rights with respect to any Performance Shares being earned during the Performance Cycle shall, subject to the other provisions of this Section 10, continue as if the Participant's employment had continued through the end of the Performance Cycle.

#### Section 11. SHARE RETENTION AGREEMENTS

(a) General - The Committee, in its sole discretion, may require as a condition of an Award of an Option, Stock Appreciation Right, or Performance Share Unit that the Participant and the Corporation enter into a Share Retention Agreement, which shall provide that the certificate or certificates representing any Exercise Gain Shares or Performance Shares, when issued, shall be held by the Secretary of the Corporation for the benefit of the Participant until such time as the retention period specified by the Share Retention Agreement has expired or has been waived by the Committee, whichever occurs first. Each Share Retention Agreement may include some or all of the terms, conditions and restrictions set forth in paragraphs (b) through (g) of this Section 11.

(b) Retention Period - Exercise Gain Shares and Performance Shares that are subject to the Share Retention Agreement may not be sold, transferred, assigned, pledged, conveyed, hypothecated or otherwise disposed of within such period of time, of not less than twenty-four (24) months and not more than sixty (60) months following the date of exercise (in the case of Exercise Gain Shares) or the date of issuance (in the case of Performance Shares), as shall be prescribed by the Committee.

(c) Tax Absorption Payment - The Corporation may make a cash payment, either directly to the Participant or on the Participant's behalf, in an amount that the Committee estimates to be equal (after taking into account any Federal and state taxes that the Committee estimates to be applicable to such cash payment) to any additional Federal and state income taxes that are imposed upon the Participant as a result of the issuance of the Exercise Gain Shares or Performance Shares that are subject to the Share Retention

Agreement. In determining the amount to be paid pursuant to this paragraph (c), the Committee may adopt such methods and assumptions as it considers appropriate, and it shall not be required to examine the individual tax liability of each Participant who has entered into a Share Retention Agreement.

(d) Termination of Employment - If a Participant's employment with the Corporation or a Subsidiary Company is terminated for any reason other than Retirement, Disability, or death, Exercise Gain Shares or Performance Shares subject to the Share Retention Agreement shall continue to be held, following the Participant's termination of employment, until the expiration of the retention period specified by the Share Retention Agreement. If the Participant's employment is terminated by reason of Retirement or Disability, Exercise Gain Shares and Performance Shares then held subject to the Share Retention Agreement shall continue to be held until the expiration of the applicable retention period following termination of employment, but any such retention period shall cease upon the earlier of the Participant's attainment of age 65 or the expiration of two (2) years after the Participant's Retirement or Disability, if either of those events occurs before the expiration of the applicable retention period. If the Participant dies while Exercise Gain Shares or Performance Shares are subject to a retention period under the Share Retention Agreement, such retention period shall expire immediately at the time of death.

(e) Change in Control - Upon a Change in Control, the retention periods specified by all Share Retention Agreements shall immediately expire.

A Change in Control shall occur if:

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

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

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

If the expiration of a Share Retention Agreement pursuant to this paragraph (e) causes a Participant to be subject to an excise tax under Section 4999 of the Code, or any successor provision thereto (the "Excise Tax"), the Corporation shall make a cash payment, either directly to the Participant or on the Participant's behalf, in an amount that the Committee estimates to be equal (after taking into account any Federal and state taxes, including interest and penalties,

that the Committee estimates to be applicable to the additional cash payment) to the additional Excise Tax imposed on the Participant as a result of the expiration of the Share Retention Agreement. In determining the amount to be paid pursuant to this subparagraph, the Committee may adopt such methods and assumptions as it considers appropriate, and it shall not be required to examine the individual tax liability of each Participant to whom this subparagraph applies.

(f) Waiver of Requirements - The Committee, in its sole discretion, may waive any or all retention periods or other restrictions in the Share Retention Agreement.

(g) Distribution of Shares - The Secretary of the Corporation shall promptly distribute the certificate or certificates representing the Exercise Gain Shares or Performance Shares subject to a Share Retention Agreement upon expiration of the retention period or other termination or waiver of the restrictions under this Section 11.

## Section 12. DIVIDEND EQUIVALENT PAYMENTS

The Committee may authorize the immediate or deferred payment of dividend equivalents on some or all of the shares of Common Stock covered by Options or Performance Share Units granted after January 1, 1989, in an amount equal to, and commensurate with, dividends declared by the Board of Directors and paid on Common Stock. Dividend equivalents payable on Option shares or on Performance Share Units under this Section 12 may be paid in cash or in Common Stock at the discretion of the Committee. The Committee may authorize the immediate payment of dividend equivalents under this Section 12 with respect to any Option for all or some portion of its term by including a specific provision, authorizing such immediate payment, in the Incentive Stock Option Agreement required under Section 6(a) of the Plan or the Non-qualified Stock Option Agreement required under Section 7 of the Plan. The Committee may authorize the immediate payment of dividend equivalents under this Section 12 with respect to any Performance Share Unit for all or some portion of its term as a term and condition of the Performance Share Unit grant. The Committee also may authorize the deferred payment of dividend equivalents under this Section 12 with respect to any Option for all or some portion of its term by including a specific provision authorizing such deferred payment (including the manner in which such payment will be credited to Optionees and subsequently paid) in the Incentive Stock Option Agreement required under Section 6(a) of the Plan or the Non-qualified Stock Option Agreement required under Section 7 of the Plan. The Committee may authorize the deferred payment of dividend equivalents under this Section 12 with respect to any Performance Share Unit for all or some portion of its term by including a specific provision authorizing such deferred payment (including the manner in which such deferred payment will be credited to Optionees and subsequently paid) as a term and condition of the Performance Share Unit grant.

## Section 13. CAPITAL ADJUSTMENTS

In the event of a recapitalization, stock split, stock dividend, exchange, combination, or reclassification of shares, merger, consolidation, reorganization, or other change in or affecting the capital structure or capital stock of the Corporation, the Board of Directors, upon the recommendation of the Committee, may make appropriate adjustments in the number of shares of Common Stock authorized for the Plan and in the annual limitation imposed by Section 5 of this Plan; and the Committee may make appropriate adjustments in the number of shares subject to outstanding Options, Stock Appreciation Rights, Restricted Stock, or Performance Share Unit grants, and in the Option price of any then outstanding Options,

as it deems equitable, in its absolute discretion, to prevent dilution or enlargement of the rights of Participants.

#### Section 14. REGULATORY APPROVALS

The exercise of each Option and Stock Appreciation Right, and the grant or distribution of Restricted Shares and Performance Shares, shall be subject to the condition that if at any time the Corporation shall determine in its discretion that the satisfaction of withholding tax or other tax liabilities, or the listing, registration, or qualification of any shares of Common Stock upon any securities exchange or under any Federal or state law, or the consent or approval of any regulatory body, is necessary or desirable as a condition of, or in connection with, such exercise, grant, or distribution, then in any such event such exercise, grant, or distribution shall not be effective unless such liabilities have been satisfied or such listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not acceptable to the Corporation.

#### Section 15. TERM OF THE PLAN

(a) Term of the Plan - Awards may be granted from time to time under the terms and conditions of the Plan, but no Incentive Stock Option may be granted after the expiration of ten (10) years from the date of adoption of the Plan, as hereby amended, by the Board of Directors; provided, that any future amendment to the Plan that is approved by the stockholders of the Corporation in the manner provided under paragraph (a) of this Section 15 shall be regarded as creating a new Plan, and an Incentive Stock Option may be granted under such new Plan until the expiration of ten (10) years from the earlier of the approval by the Board of Directors, or the approval by the stockholders of the Corporation, of such new Plan. Incentive Stock Options theretofore granted may extend beyond the expiration of that ten-year period, and the terms and conditions of the Plan shall continue to apply thereto and to shares of Common Stock acquired upon the subsequent exercise of an Incentive Stock Option or related Stock Appreciation Right.

#### Section 16. AMENDMENT OR TERMINATION OF THE PLAN

The Corporation may at any time and from time to time alter or amend, in whole or in part, any or all of the provisions of the Plan, or may at any time suspend or terminate the Plan, through resolution of its Board of Directors, provided that no change in any Awards theretofore granted to any Participant may be made which would impair or diminish the rights of the Participant without the Participant's consent, and provided further, that no alteration or amendment may be made without the approval of the holders of a majority of the Common Stock then outstanding and entitled to vote if such stockholder approval is necessary to comply with the requirements of any rules promulgated under Section 16 of the Securities Exchange Act of 1934 or such other Federal or state laws or regulations as may be applicable.

#### Section 17. MISCELLANEOUS

(a) Fractional Shares - The Corporation shall not be required to issue or deliver any fractional share of Common Stock upon the exercise of an Option or Stock Appreciation Right, the award of Performance Shares, or the payment of a dividend equivalent in Common Stock pursuant to Section 12 of the Plan, but may pay, in lieu thereof, an amount in cash equal to the Fair Market Value of such fractional share.

(b) Withholding - The Corporation and its Subsidiary Companies shall have the right, to the extent permitted by law, to deduct from any payment of any kind otherwise due to a Participant any Federal, state or local taxes of any kind required by law to be withheld with respect to Awards under the Plan, and to the extent any such withholding requirements are not satisfied, each Participant shall pay to the Corporation any Federal, state or local taxes of any kind required by law to be withheld with respect to Awards under the Plan.

(c) Stockholder Rights - No person shall have any rights of a stockholder by virtue of an Option, Stock Appreciation Right, or Performance Share Unit except with respect to shares of Common Stock actually issued to him, and the issuance of shares of Common Stock shall confer no retroactive right to dividends.

(d) No Contract of Employment - This Plan shall not be deemed to be an employment contract between the Corporation or any Subsidiary Company and any Participant or other employee. Nothing contained herein, or in any agreement, certificate or other document evidencing, providing for, or setting forth the terms and conditions applicable to any Awards shall be deemed to confer upon any Participant or other employee a right to continue in the employment of the Corporation or any Subsidiary Company, or to interfere with the right of the Corporation or any Subsidiary Company to terminate the employment of such Participant or employee at any time.

(e) Unfunded Plan - Except as may otherwise be provided in the Plan, the Plan shall be unfunded. Neither the Corporation nor any Subsidiary Company shall be required to segregate any assets that may be represented by Options, Stock Appreciation Rights, or Performance Share Units, and neither the Corporation nor any Subsidiary Company shall be deemed to be a trustee of any amounts to be paid under an Option, Stock Appreciation Right, or Performance Share Unit. Any liability of the Corporation to pay any Participant or Beneficiary with respect to an Option, Stock Appreciation Right, or Performance Share Unit shall be based solely upon any contractual obligations created pursuant to the provisions of the Plan; no such obligation shall be deemed to be secured by any pledge or encumbrance on any property of the Corporation or a Subsidiary Company.

(f) Applicable Law - The Plan, its validity, interpretation, and administration, and the rights and obligations of all persons having an interest therein, shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, except to the extent that such laws may be preempted by Federal law.

(g) Gender and Number - Wherever used in the Plan, words in the masculine form shall be deemed to refer to females as well as to males, and words in the singular or plural shall be deemed to refer also to the plural or singular, respectively, as the context may require.

EXHIBIT 10(n)  
NORFOLK SOUTHERN CORPORATION  
OFFICERS' DEFERRED COMPENSATION PLAN

ARTICLE I. NAME AND PURPOSE OF THE PLAN

The name of the plan is the Norfolk Southern Corporation Officers' Deferred Compensation Plan (the "Plan"). The purpose of the Plan is to provide retirement and death benefits to those officers of Norfolk Southern Corporation (the "Corporation") or a Participating Subsidiary who elect to participate in the Plan.

ARTICLE II. DEFINITIONS

Account. The total of the amount of Deferrals by a Participant together with Interest as provided in Article V.

Agreement. The "Deferral Agreement" between each Participant and the Corporation.

Beneficiary. The person or persons designated as Beneficiary pursuant to Article XII.

Board of Directors. The Board of Directors of the Corporation.

Committee. The Compensation and Nominating Committee of the Board of Directors.

Compensation. The fixed salary payable in the form of cash (including vacation pay) of the Participant before any reduction for contributions to the Thrift and Investment Plan of Norfolk Southern Corporation and Participating Subsidiary Companies, as amended from time to time, and before any deferrals under this Plan.

Deferral. A Deferred Bonus and/or a Monthly Deferred Amount.

Deferred Bonus. That amount set forth in the Agreement which shall be deferred from a Participant's MIP incentive award (and any other annual cash incentive award payable to participants in MIP) or EMIP incentive award (and any other annual cash incentive award approved by the Board of Directors and payable to participants in EMIP), or the bonus program of a Participating Subsidiary, if the deferral of such incentive award or bonus under the Plan is authorized by the Corporation.

Disability. A disability that enables the Participant to be eligible for a disability benefit under the Long-Term Disability Plan of Norfolk Southern Corporation and Participating Subsidiaries, as amended from time to time, or under any such similar plan of a Participating Subsidiary.

EMIP. Norfolk Southern Corporation Executive Management Incentive Plan.

MIP. Norfolk Southern Corporation Management Incentive Plan.

Monthly Deferred Amount. That amount set forth in the Agreement which shall be deferred monthly from a Participant's salary pursuant to the Plan.

Participant. Any employee of the Corporation or a Participating Subsidiary eligible to participate under Article IV of the Plan.

Participating Subsidiary. Each subsidiary or affiliated company of the Corporation which adopts the Plan and is approved for

participation in the Plan as provided in Article XVIII.

Plan Administrator. The Executive Vice President - Administration of the Corporation or the successor officer who performs substantially similar duties.

Plan Year. Any calendar year during which deferrals under this Plan are made.

Retirement. Retirement from the Corporation or a Participating Subsidiary pursuant to the provisions of the retirement plan of the Corporation or of a Participating Subsidiary (whichever is applicable), as amended from time to time.

#### ARTICLE III. ADMINISTRATION

The Plan Administrator shall administer, construe, and interpret this Plan and, from time to time, adopt such rules and regulations and make such recommendations to the Committee concerning Plan changes as are deemed necessary to ensure effective implementation of this Plan. The administration, construction, and interpretation by the Plan Administrator may be appealed to the Committee, and the decision of the Committee shall be final and conclusive, except that any claim for benefits with respect to a Participant shall be subject to the claims procedure set forth in Section 503 of the Employee Retirement Income Security Act of 1974. The Plan Administrator may correct errors and, so far as practicable, may adjust any benefit or payment or credit accordingly. Neither the Plan Administrator nor any member of the Committee shall be liable for any act done or determination made in good faith.

#### ARTICLE IV. ELIGIBILITY AND PARTICIPATION

Any nonagreement employee residing in the United States or Canada with at least 830 salary administration points assigned to his position shall be eligible to participate in the Plan. However, only those Participants with annual Compensation in excess of ninety thousand dollars (\$90,000) shall be eligible to defer Compensation under this Plan, and only 20% of monthly Compensation in excess of seven thousand five hundred dollars (\$7,500) shall qualify for deferral hereunder. A nonagreement employee who elects to become a Participant in the Plan and defer a portion of his monthly Compensation thereby consents to the reduction in his monthly Compensation by the Monthly Deferred Amount as specified in the Agreement. An election to participate in the Plan must be made annually by December 22 of the year prior to each Plan Year. Benefits payable hereunder shall be in addition to any other compensation or benefits to which a Participant may be entitled from the Corporation or a Participating Subsidiary.

A Participant may elect to defer a portion of any incentive bonus which may be awarded to him pursuant to MIP or EMIP or the authorized bonus program of a Participating Subsidiary. A Participant who elects to defer any of his incentive bonus thereby consents to a reduction in his bonus by the Deferred Bonus as specified in the Agreement, commencing with the incentive bonus award earned after December 31, 1986. By December 22 of the year prior to each Plan Year, a Participant may elect to defer any incentive bonus which may be earned by him during that Plan Year, either in whole or in part, in increments of twenty-five percent (25%).

Participants may not elect to defer Compensation under this Plan for the Plan Year beginning January 1, 2001, and for

subsequent Plan Years.

#### ARTICLE V. INTEREST EQUIVALENT

Unless otherwise stated herein or determined by the Board of Directors, an amount equivalent to interest ("Interest") shall accrue and be compounded annually on all Deferrals. For purposes of calculating the appropriate Interest only, the Deferred Bonus is deemed to occur on the date on which the incentive bonus is paid. Interest shall accrue and be compounded annually at rates in accordance with the schedule below on the basis of the Participant's age attained during the Plan Year for which the Deferral is made:

Age	Rate
Up to 45	7%
45 - 54	10%
55 - 60	11%
Over 60	12%

Interest on each Deferral shall continue to accrue at the rate determined by the Participant's age attained during the Plan Year for which the Deferral is made until all benefits payable hereunder have been distributed to, or with respect to, the Participant.

#### ARTICLE VI. BENEFITS

(a) Retirement: When a Participant ceases active service due to his Retirement, he shall be paid a monthly annuity commencing in January of the first calendar year following such Retirement for a period of years in accordance with the schedule below:

Age at Time of Deferral	Distribution Period
Up to 50	5 Years
50 or Over	10 Years

The amount of the monthly annuity payable under this Article VI(a), shall be an amount sufficient to amortize the Participant's Account together with Interest over the applicable period.

(b) Disability: When a Participant ceases active service due to Disability, he shall be paid a monthly annuity commencing in January of the first calendar year following such Disability for a period of fifteen (15) years in an amount sufficient to amortize the Participant's Account together with Interest over that period.

(c) Death: If a Participant dies while in active service, the Corporation shall pay the amount of the Participant's Account to the Participant's Beneficiary in a single payment as soon as practicable after the date of death. If a Participant dies after Retirement or Disability but prior to receiving all benefits payable thereunder, the monthly payments shall be paid to the Participant's Beneficiary for the scheduled annuity period.

(d) Termination of Employment: If a Participant ceases active service other than by reason of leave of absence granted under the Corporation's leave of absence policy, Retirement, Disability or Death, he shall be paid the balance of his Account as of the date of his separation from service as soon as practicable after such separation from service.

(e) Lump Sum or Other Settlement: Notwithstanding the foregoing provisions of this Article VI, the Committee, in its



sole discretion, may authorize and direct the Corporation to make payments after termination of employment of a Participant to such Participant or his Beneficiary in a lump sum or over a period other than that provided for in this Article VI, and to charge such payments against the Participant's Account. Such accelerated distribution may be made only (1) in the event of a financial emergency which is beyond the control of the Participant if disallowance of the accelerated distribution would result in severe financial hardship to the Participant or Beneficiary, and only in an amount necessary to satisfy the financial emergency, or (2) if in the written opinion of counsel, payment in accordance with this Article VI could create a conflict of interest for the Participant or Beneficiary; provided, that all amounts due to a Participant or Beneficiary under this Plan shall in all events be paid to the Participant or Beneficiary by the end of the appropriate period referred to in this Article VI. No Participant or Beneficiary who is also a member of the Committee shall participate in any decision of the Committee to make accelerated payments under this Article VI.

(f) Change in Mandatory Distribution Schedule:

Notwithstanding the foregoing provisions of this Article VI, the Committee may, without the consent of any Participant or Beneficiary, direct that all benefits payable thereafter pursuant to paragraph (a), (b), or (c) above (including benefits that accrued prior to the issuance of the direction) shall be paid under a schedule that differs from that prescribed by paragraph (a), (b), or (c). Any such direction shall apply to all Participants, without differentiating among individual Participants, except to the extent otherwise provided by paragraph (e), above. No Participant or Beneficiary who is also a member of the Committee shall participate in any decision of the Committee to make a change in the distribution schedule.

ARTICLE VII. NATURE AND SOURCE OF PAYMENTS

The obligation to pay benefits under Article VI with respect to each Participant shall constitute a liability of the Corporation to the Participant and any death Beneficiaries in accordance with the terms of the Plan. The Corporation may establish one or more grantor trusts to which the Corporation may transfer such assets as the Corporation determines in its sole discretion to assist in meeting its obligations under the Plan. The provisions of the Plan and the Agreement shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the trust shall govern the rights of the Corporation, Participants and the creditors of the Corporation to the assets transferred to the trust. The Corporation's obligations under the Plan may be satisfied with trust assets distributed pursuant to the terms of the trust, and any such distribution shall reduce the Corporation's obligations under this Plan. Participants and Beneficiaries shall stand in the position of unsecured creditors of the Corporation, and all rights hereunder are subject to the claims of creditors of the Corporation.

ARTICLE VIII. EXPENSES OF ADMINISTRATION

All expenses of administering the Plan shall be borne by the Corporation, and no part thereof shall be charged against the benefit of any Participant.

ARTICLE IX. AMENDMENT TO AND TERMINATION OF PLAN

The Corporation reserves the right at any time by a resolution duly adopted by its Board of Directors to amend this Plan in any manner or to terminate it at any time, except that no such amendment or termination shall deprive a Participant

or his Beneficiary of any rights hereunder theretofore legally accrued, and no such termination shall be effective for the year in which such resolution is adopted.

#### ARTICLE X. RECALCULATION EVENTS

The Corporation's commitment to accrue and pay Interest as provided in Article V is facilitated by the purchase of corporate-owned life insurance purchased on the lives of eligible Participants. If the Board of Directors, in its sole discretion, determines that any change whatsoever in Federal, State or local law, or in its application or interpretation, has materially affected, or will materially affect, the ability of the Corporation to recover the cost of providing the benefits otherwise payable under the Plan, then, if the Board of Directors so elects, a Recalculation Event shall be deemed to have occurred. If a Recalculation Event occurs, then Interest shall be recalculated and restated using a lower rate of Interest determined by the Board of Directors, but which shall be not less than one-half (1/2) the rate of Interest provided for in Article V.

#### ARTICLE XI. GOVERNING LAW

This Plan and the Agreements are subject to the laws of the Commonwealth of Virginia.

#### ARTICLE XII. DESIGNATION OF BENEFICIARY

For the purpose of this Plan, a beneficiary shall be either (1) the named Beneficiary or Beneficiaries designated as hereinafter provided for by the Participant, or (2) in the absence of any such designation, his estate. A Participant may designate both primary and contingent Beneficiaries. A Participant may revoke or change any designation. To be effective, the designation of a named Beneficiary or Beneficiaries, or any change in or revocation of any designation, must be on a form provided by the Corporation, signed by the Participant and filed with the Office of the Plan Administrator prior to the death of such Participant. Any such designation, change or revocation shall not invalidate any cash payment made or other action taken by the Corporation pursuant to the Plan prior to its receipt by the Corporation. The determination by the Corporation of a Beneficiary or Beneficiaries, or the identity thereof, or evidence satisfactory to the Corporation shall be conclusive as to the liability of the Corporation and any payment made in accordance therewith shall discharge the Corporation of all its obligations under the Plan for such payment.

#### ARTICLE XIII. SUCCESSORS, MERGERS, CONSOLIDATIONS

The terms and conditions of this Plan and each Agreement shall inure to the benefit of and bind the Corporation, the Participants, their successors, assigns, and personal representatives. If substantially all the assets of the Corporation are acquired by another corporation or entity or if the Corporation is merged into, or consolidated with, another corporation or entity, then the obligations created hereunder and as a result of the Corporation's acceptance of Agreements shall be obligations of the successor corporation or entity.

#### ARTICLE XIV. WITHHOLDING FOR TAXES

The Participant agrees as a condition of participation hereunder that the Corporation may withhold applicable Federal, State, and local income taxes and Social Security or Railroad Retirement taxes from any distribution or benefit paid hereunder.

#### ARTICLE XV. NON-ALIENATION OF BENEFITS

No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt at such shall be void; nor shall any such benefit be in any way subject to the debts, contracts, liabilities, engagements, or torts of the person who shall be entitled to such benefit; nor shall it be subject to attachment or legal process for or against such person.

#### ARTICLE XVI. FACILITY OF PAYMENT

If the Plan Administrator shall find that any individual to whom any amount is payable under the Plan is unable to care for his affairs because of illness or accident, or is a minor or other person under legal disability, any payment due such individual (unless a prior claim therefore shall have been made by a duly appointed guardian, committee, or other legal representative) may be paid to the spouse, a child, a parent, or a brother or sister of such individual or to any other person deemed by the Plan Administrator to have incurred expenses of such individual, in such manner and proportions as the Plan Administrator may determine. Any such payment shall be a complete discharge of the liabilities of the Corporation with respect thereto under the Plan or the Agreement.

#### ARTICLE XVII. CONTINUED EMPLOYMENT

Nothing contained herein or in an Agreement shall be construed as conferring upon any Participant the right nor imposing upon him the obligation to continue in the employment of the Corporation or a Participating Subsidiary in any capacity.

#### ARTICLE XVIII. PARTICIPATION BY SUBSIDIARY COMPANIES

Conditional upon prior approval by the Corporation, any company which is a subsidiary of or affiliated with the Corporation may adopt and participate in this Plan as a Participating Subsidiary. Each Participating Subsidiary shall make, execute and deliver such instruments as the Corporation and/or the Plan Administrator shall deem necessary or desirable, and shall constitute the Corporation and/or the Plan Administrators as its agents to act for it in all transactions in which the Corporation and/or the Plan Administrators believe such agency will facilitate the administration of this Plan.

#### ARTICLE XIX. MISCELLANEOUS

Whenever used in the Plan, words in the masculine form shall be deemed to refer to females as well as to males, and words in the singular or plural shall be deemed to refer also to the plural or singular, respectively, as the context may require.

#### ARTICLE XX. EFFECTIVE DATE

The effective date of the Plan is January 1, 1987, as amended effective September 26, 2000.

EXHIBIT 10(o)

NORFOLK SOUTHERN CORPORATION  
EXECUTIVES' DEFERRED COMPENSATION PLAN  
as amended January 20, 2001

ARTICLE I. NAME AND PURPOSE OF THE PLAN.

The name of the plan is the Norfolk Southern Corporation Executives' Deferred Compensation Plan (the Plan), which for deferrals on or after January 1, 2001, is the successor to the Norfolk Southern Corporation Officers' Deferred Compensation Plan. The purpose of the Plan is to provide benefits to those officers of Norfolk Southern Corporation (the Corporation) or a Participating Subsidiary who elect to participate in the Plan.

ARTICLE II. DEFINITIONS.

Account. The total of the amount of Deferrals by a Participant together with Earnings as provided in Article V. The Account shall be utilized solely as a device for the measurement of amounts to be paid to the Participant under the Plan. The Account shall not constitute or be treated as an escrow, trust fund, or any other type of funded account for ERISA or Internal Revenue Code purposes and, moreover, contingent amounts credited thereto shall not be considered "plan assets" for ERISA purposes. The Account merely provides a record of the bookkeeping entries relating to the contingent benefits that the Corporation intends to provide to Participant and thus reflects a mere unsecured promise to pay such amounts in the future.

Agreement. The "Deferral Agreement" between each Participant and the Corporation.

Beneficiary. The person or persons designated as Beneficiary pursuant to Article XII.

Board of Directors. The Board of Directors of the Corporation.

Change in Control. A Change in Control occurs upon any of the following circumstances or events:

(1) The Corporation consummates a merger or other similar control-type transaction or transactions (however denominated or effectuated) with another Corporation or other Person (including any "affiliate" or "associate" of any Person, all as defined in the Securities Exchange Act of 1934, as amended, or any rules and regulations promulgated thereunder) (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);

(2) The Corporation consummates any stockholder-approved consolidation or dissolution (however denominated or effectuated) pursuant to a recommendation of the Board of Directors;

(3) At any time, Continuing Directors (as herein defined) shall not constitute a majority of the members of the Board of Directors ("Continuing Director" means (i) each individual who has been a director of the Corporation for at least twenty-four 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);

(4) 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;

(5) 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, disclosing that any Person has become the Beneficial Owner (any Person who, under the Securities Exchange Act of 1934 or any rules or regulations promulgated thereunder, would be deemed beneficially to own Voting Stock) of twenty (20) or more percent of the voting power of Voting Stock; or

(6) The Board of Directors determines by a majority vote that, because of the occurrence, or the threat of imminence of the occurrence, of another event or situation in import or effects similar to the foregoing, those who have accepted an agreement providing certain rights and benefits upon termination of employment following a Change in Control are entitled to its protections.

Notwithstanding the provisions of the foregoing, unless otherwise determined in a specific case by majority vote of the Board of Directors, a Change in Control for purposes of this Plan 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 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 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.

Committee. The Compensation and Nominating Committee of the Board of Directors.

Compensation. The fixed salary payable in the form of cash (including vacation pay) of the Participant before any reduction for contributions to the Thrift and Investment Plan of Norfolk Southern Corporation and Participating Subsidiary Companies, as amended from time to time, and before any deferrals under this Plan.

Deferral. A Deferred Bonus and/or a Monthly Deferred Amount for each Plan Year which is "credited" to a Participant's Account.

Deferred Bonus. That amount set forth in the Agreement which shall be deferred from a Participant's MIP incentive award (and any other cash incentive award payable to participants in MIP) or EMIP incentive award (and any other cash incentive award approved by the Board of Directors and payable to participants in EMIP), or the bonus program of a Participating Subsidiary, if the deferral of such incentive award or bonus under the Plan is authorized by the Corporation.

Disability. A disability that enables the Participant to be eligible for a disability benefit under the Long-Term Disability Plan of Norfolk Southern Corporation and Participating Subsidiaries, as amended from time to time, or under any such similar plan of a Participant Subsidiary.

EMIP. Norfolk Southern Corporation Executive Management Incentive Plan or successor plan.

Hypothetical Investment Options. Investment funds or benchmarks, as may be selected from time to time by the Plan Administrator, made available to Participants solely for purposes of valuing Deferrals.

MIP. Norfolk Southern Corporation Management Incentive Plan or successor plan.

Monthly Deferred Amount. That amount set forth in the Agreement which shall be deferred monthly from a Participant's salary pursuant to the Plan.

Participant. Any employee of the Corporation or a Participating Subsidiary eligible to participate under Article IV of the Plan.

Participating Subsidiary. Each subsidiary or affiliated company of the Corporation which adopts the Plan and is approved for participation in the Plans as provided in Article XVIII.

Plan Administrator. The Senior Vice President-Employee Relations, of the Corporation or the successor officer who performs substantially similar duties.

Plan Year. Any calendar year during which deferrals under this Plan are made.

Retirement. Retirement from the Corporation or a Participating Subsidiary or receipt of an accrued retirement benefit pursuant to the provisions of the retirement plan of the Corporation or of a Participating Subsidiary (whichever is applicable), as amended from time to time.

Trust. A grantor trust of the type commonly referred to as a "rabbi trust" created to informally fund contingent benefits payable under the Plan.

### ARTICLE III. ADMINISTRATION.

The Plan Administrator shall administer, construe, and interpret this Plan and, from time to time, adopt such rules and regulations and make such recommendations to the Committee concerning Plan changes as are deemed necessary to ensure effective implementation of this Plan. The administration, construction, and interpretation by the Plan Administrator may be appealed to the Committee, and the decision of the Committee shall be final and conclusive, except that any claim for benefits with respect to a Participant shall be subject to the claims procedure set forth in Section 503 of the Employee Retirement Income Security Act of 1974. The Plan Administrator may correct errors and, so far as practicable, may adjust any benefit or payment or credit accordingly. Neither the Plan Administrator nor any member of the Committee shall be liable for any act done or determination made in good faith.

### ARTICLE IV. ELIGIBILITY AND ELECTIONS.

(a) Eligibility. Any nonagreement employee that is eligible to participate in either the EMIP or MIP shall be eligible to participate in the Plan. A Participant may elect to defer up to 25% of his or her monthly Compensation. A nonagreement employee who elects to become a Participant in the Plan and defer a portion of his monthly Compensation thereby consents to the reduction in his monthly Compensation by the Monthly Deferred Amount as specified in the Agreement. Benefits payable hereunder shall be in addition to any other compensation or benefits to which a Participant may be entitled from the Corporation or a Participating Subsidiary.

A Participant may elect to defer a portion of any eligible incentive bonus which may be awarded to him pursuant to MIP, EMIP or otherwise or the authorized bonus program of a Participating Subsidiary. A Participant who elects to defer any of his incentive bonus thereby consents to a reduction in his bonus by the Deferred Bonus as specified in the Agreement, commencing with the incentive bonus award earned after December 31, 2000. A Participant may elect to defer any incentive bonus which may be earned by him during that Plan Year, either in whole or in part, in increments of twenty-five percent (25%).

(b) Deferral and Distribution Elections. A Participant may elect to defer his or her monthly Compensation or incentive bonus which may be earned during the Plan Year. If the Participant fails to make the election prior to the beginning of the Plan Year, then the Participant will not be eligible to defer Compensation during the Plan Year.

For each year's Deferral, the Participant may elect among the following two distribution options. The Participant may elect to have the benefit distributed (i) at the earlier of Retirement or Disability, or (ii) at a distribution date which is the earliest of Retirement, Disability, or a specified date at least five (5) years but not more than fifteen (15) years after the Plan Year has ended. The Participant may elect to have the Retirement or Disability benefit distributed to him in one lump sum or in a pay out period of five (5), ten (10), or fifteen (15) years. Any benefit which a Participant has elected to have distributed on the earliest of Retirement, Disability, or a specified date after the Plan Year has ended will be paid in one lump sum. If the participant fails to elect the time and form of distribution of his or her Deferral, the Participant's distribution will be made at the earlier of Retirement or Disability in one lump sum.

All elections described above must be made annually by the Participant by a date which is no later than December 31 of the year prior to the Plan Year, or any earlier date prescribed by the Plan Administrator. All elections made by the Participant are irrevocable.

#### ARTICLE V. EARNINGS EQUIVALENT.

(a) Adjustment of Participant Accounts. Unless otherwise stated herein or determined by the Board of Directors, an amount equivalent to earnings or losses ("Earnings") shall accrue on or be deducted from all Deferrals in accordance with the Participant's selection of Hypothetical Investment Options. For purposes of calculating the appropriate Earnings only, the Deferred Bonus is deemed to occur on the date on which the incentive bonus is paid. Earnings shall be determined based upon the Hypothetical Investment Option(s) elected by the participant. If a Participant does not elect Hypothetical Investment Options for the Deferrals, then Earnings shall be determined based on such Hypothetical Investment Options as may be designated by the Plan administrator to apply in the absence of an election. Participants will be required to elect a Hypothetical Investment Option(s) at the time each Deferral election is made. Participants will be permitted at any time prior to the complete pay out of their Account balances to elect to change their Hypothetical Investment Option(s) with respect to all or part of their Account balances effective as soon as practicable following such election. The procedure for electing to change a Hypothetical Investment Option(s) will be established by the Plan Administrator. An election to change a Hypothetical Investment Option for part of an Account balance must be made in increments of 1% of the Account balance, with a minimum balance transfer of \$500.00.

While a Participant's Account does not represent the Participant's ownership of, or any ownership interest in, any particular assets, the Participant's Account shall be adjusted in accordance with the Hypothetical Investment Options chosen by the Participant. Any Earnings generated under a Hypothetical Investment Option (such as interest and

cash dividends and distributions) shall be deemed to be reinvested in that Hypothetical Investment Option. All notional acquisitions and dispositions of Hypothetical Investment Options which occur within a Participant's Account, pursuant to the terms of the Plan, shall be deemed to occur at such times as the Plan Administrator shall determine to be administratively feasible in its sole discretion and the Participant's Account shall be adjusted accordingly. In the event of a Change in Control, the practices and procedures for determining any Earnings credited to any Participants' Accounts following a Change in Control shall be made in a manner no less favorable to Participants than the practices and procedures employed under the Plan, or otherwise in effect, as of the date of the Change in Control.

In lieu of an entitlement to receive payments under the terms of this Plan in the event of a Change in Control, any deferred compensation equivalent payment made under an agreement following a Change in Control (Change in Control Agreement) shall determine projected Earnings a Participant would have received had the Participant worked until normal retirement age at age 65 or, if greater, had the Participant retired on his or her Termination Date (as defined in the applicable Change in Control Agreement) in accordance with the rate of return specified in this section. The rate of return for such projected Earnings shall be determined in accordance with the schedule below based on the Participant's age immediately preceding the Termination Date and shall be applied to the Participant's Account balance on the Termination Date:

Age	Rate
up to 45	7%
45-54	10%
55-60	11%
over 60	12%

(b) Vesting. The Participant shall at all times be one hundred percent (100%) vested in his or her Account, as well as in any appreciation (or depreciation) specifically attributable to such Account due to Earnings.

#### ARTICLE VI. BENEFITS

(a) Distribution at the Earlier of Retirement or Disability: For each Deferral for which the Participant elected to have the benefit distributed in this manner, the Participant shall be paid the amount in his or her Account either in a lump sum or in installments as the Participant elected at the time of Deferral.

For lump sum distributions, the Participant shall be paid as soon as practicable after January 1 of the calendar year following Retirement or Disability the portion of his or her Account which is attributable to Deferrals for which the Participant elected lump sum distribution at Retirement or Disability.

For distributions other than lump sum distributions, payments shall commence in January of the calendar year following such Retirement or Disability and shall be made in installments for each applicable Deferral over the elected pay out period for that Deferral. The annual installment payment for each applicable Deferral shall be an amount equal to the remaining balance in the Participant's Account for the Deferral, valued at the end of the calendar year preceding the installment payment, divided by the remaining number of annual payments not yet distributed for that Deferral.

(b) Distribution at the Earliest of Retirement, Disability or a Specified Date Other Than Retirement or Disability: For each Deferral for which the Participant elected to have the benefit distributed in this manner, the Participant shall be paid the amount in his or her Account for that Deferral in a lump sum as soon as practicable after the date selected, or at Retirement or Disability, if earlier.



(c) Death: If a Participant dies either while in active service or after Retirement or Disability, the Corporation shall pay the amount of the Participant's Account to the Participant's Beneficiary in a single payment as soon as practicable after the date of death.

(d) Termination of Employment: Notwithstanding the foregoing provisions of this Article VI, if a Participant ceases active service other than by reason of leave of absence granted under the Corporation's leave of absence policy, Retirement, Disability or death, the Participant shall be paid the balance of his or her Account as of the date of separation from service as soon as practicable after such separation from service.

(e) Lump Sum or Other Settlement: Notwithstanding the foregoing provisions of this Article VI, the Committee, in its sole discretion, may authorize and direct the Corporation to make payments to a Participant or Beneficiary in a lump sum or over a period other than that provided for in this Article VI, and to charge such payments against the Participant's Account. Such accelerated distribution may be made only (1) in the event of a financial emergency which is beyond the control of the Participant if disallowance of the accelerated distribution would result in severe financial hardship to the Participant or Beneficiary, and only in an amount necessary to satisfy the financial emergency, or (2) if in the written opinion of counsel, payment in accordance with this Article VI could create a conflict of interest for the Participant or Beneficiary; provided, that all amounts due to a Participant or Beneficiary under this Plan shall in all events be paid to the Participant or Beneficiary by the end of the appropriate period referred to in this Article VI. No Participant or Beneficiary who is also a member of the Committee shall participate in any decision of the Committee to make accelerated payments under this Article VI.

(f) Change in Mandatory Distribution Schedule: Notwithstanding the foregoing provisions of this Article VI, the Committee may, without the consent of any Participant or Beneficiary, direct that all benefits payable thereafter pursuant to paragraph (a), (b), or (c) above (including benefits that accrued prior to the issuance of the direction) shall be paid under a schedule that differs from that prescribed by paragraph (a), (b), or (c). Any such direction shall apply to all Participants, without differentiating among individual Participants, except to the extent otherwise provided by paragraph (d), above. No Participant or Beneficiary who is also a member of the Committee shall participate in any decision of the Committee to make a change in the distribution schedule.

#### ARTICLE VII. NATURE AND SOURCE OF PAYMENTS

The obligation to pay benefits under Article VI with respect to each Participant shall constitute a liability of the Corporation to the Participant and any death Beneficiaries in accordance with the terms of the Plan. The Corporation may establish one or more Trusts to which the Corporation may transfer such assets as the Corporation determines in its sole discretion to assist in meeting its obligations under the Plan. The provisions of the Plan and the Agreement shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust shall govern the rights of the Corporation, Participants and the creditors of the Corporation to the assets transferred to the Trust. The Corporation's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Corporation's obligations under this Plan.

Participants and Beneficiaries shall stand in the position of unsecured creditors of the Corporation, the Plan constitutes a mere promise by the employer to make benefit payments in the future, and all rights hereunder are subject to the claims of creditors of the

Corporation.

#### ARTICLE VIII. EXPENSES OF ADMINISTRATION

All expenses of administering the Plan shall be borne by the Corporation, and no part thereof shall be charged against the benefit of any Participant, except the costs of the Hypothetical Investment Options, which shall be charged against the value of Deferrals measured against those funds.

#### ARTICLE IX. AMENDMENT TO AND TERMINATION OF PLAN

The Corporation reserves the right at any time through written action of its chief executive officer or by a resolution duly adopted by its Board of Directors to amend this plan in any manner or to terminate it at any time, except that no such amendment or termination shall deprive a Participant or his Beneficiary of any rights hereunder theretofore legally accrued, and no such termination shall be effective for the year in which such resolution is adopted.

#### ARTICLE X. RECALCULATION EVENTS

The Corporation's commitment to accrue and pay Earnings as provided in Article V is facilitated by the purchase of corporate-owned life insurance purchased on the lives of eligible Participants. If the Board of Directors, in its sole discretion, determines that any change whatsoever in Federal, State, or local law, or in its application or interpretation, has materially affected, or will materially affect, the ability of the Corporation to recover the cost of providing the benefits otherwise payable under the Plan, then, if the Board of Directors so elects, a Recalculation Event shall be deemed to have occurred. If a Recalculation Event occurs, then Earnings shall be recalculated and restated using a lower rate of Earnings determined by the Board of Directors, but which shall be not less than the lesser of one-half (1/2) the rate of Earnings provided for in Article V or 7%.

#### ARTICLE XI. GOVERNING LAW

This Plan and the Agreements are subject to the laws of the Commonwealth of Virginia.

#### ARTICLE XII. DESIGNATION OF BENEFICIARY

For the purpose of this Plan, a beneficiary shall be either (1) the named Beneficiary of the Participant in the Norfolk Southern Corporation Officers Deferred Compensation Plan or Beneficiaries subsequently designated as hereinafter provided for by the Participant, or (2) in the absence of any such designation, his or her estate. A Participant may designate both primary and contingent Beneficiaries. A Participant may revoke or change any designation. To be effective, the designation of a named Beneficiary or Beneficiaries, or any change in or revocation of any designation, must be on a form provided by the Corporation, signed by the Participant and filed with the Office of the Plan Administrator prior to the death of such Participant. Any such designation, change or revocation shall not invalidate any cash payment made or other action taken by the Corporation pursuant to the Plan prior to its receipt by the Corporation. The determination by the Corporation of a Beneficiary or Beneficiaries, or the identity thereof, or evidence satisfactory to the Corporation shall be conclusive as to the liability of the Corporation and any payment made in accordance therewith shall discharge the Corporation of all its obligations under the Plan for such payment.

#### ARTICLE XIII. SUCCESSORS, MERGERS, CONSOLIDATIONS

The terms and conditions of this Plan and each Agreement shall inure to the benefit of and bind the Corporation, the Participants, their successors, assigns, and personal representatives. If substantially all the assets of the Corporation are acquired by another corporation or entity or if the Corporation is merged into, or consolidated with, another corporation or entity, then the obligations created hereunder and as a result of the Corporation's acceptance of Agreements shall be obligations of the successor corporation or entity.

#### ARTICLE XIV. WITHHOLDING FOR TAXES

The Participant agrees as a condition of participation hereunder that the Corporation may withhold applicable Federal, State, and local income taxes and Social Security or Railroad Retirement taxes from any distribution or benefit paid hereunder.

#### ARTICLE XV. NON-ALIENATION OF BENEFITS

No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt at such shall be void; nor shall any such benefit be in any way subject to the debts, contracts, liabilities, engagements, or torts of the person who shall be entitled to such benefit; nor shall it be subject to attachment or legal process for or against such person.

#### ARTICLE XVI. FACILITY OF PAYMENT

If the Plan Administrator shall find that any individual to whom any amount is payable under the Plan is unable to care for his affairs because of illness or accident, or is a minor or other person under legal disability, any payment due such individual (unless a prior claim therefore shall have been made by a duly appointed guardian, committee, or other legal representative) may be paid to the spouse, a child, a parent, or a brother or sister of such individual or to any other person deemed by the Plan Administrator to have incurred expenses of such individual, in such manner and proportions as the Plan Administrator may determine. Any such payment shall be a complete discharge of the liabilities of the Corporation with respect thereto under the Plan or the Agreement.

#### ARTICLE XVII. CONTINUED EMPLOYMENT

Nothing contained herein or in an Agreement shall be construed as conferring upon any Participant the right nor imposing upon him the obligation to continue in the employment of the Corporation or a Participating Subsidiary in any capacity.

#### ARTICLE XVIII. PARTICIPATION BY SUBSIDIARY COMPANIES

Conditional upon prior approval by the Corporation, any company which is a subsidiary of or affiliated with the Corporation may adopt and participate in this Plan as a Participating Subsidiary. Each Participating Subsidiary shall make, execute and deliver such instruments as the Corporation and/or Plan Administrator shall deem necessary or desirable, and shall constitute the Corporation and/or the Plan Administrators as its agents to act for it in all transactions in which the Corporation and/or the Plan Administrators believe such agency

will facilitate the administration of this Plan.

#### ARTICLE XIX. MISCELLANEOUS

Whenever used in the Plan, words in the masculine form shall be deemed to refer to females as well as to males, and words in the singular or plural shall be deemed to refer also to the plural or singular, respectively, as the context may require.

#### ARTICLE XX. STATUS OF PLAN

The Plan is intended to be a plan that is not qualified within the meaning of Section 401(a) of the Internal Revenue Code and that "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of ERISA. The Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent. All Participant Accounts and all credits and other adjustments to such Participant Accounts shall be bookkeeping entries only and shall be utilized solely as a device for the measurement and determination of amounts to be paid under the Plan. No Participant Accounts, Earnings, credits or other adjustments under the Plan shall be interpreted as an indication that any benefits under the Plan are in any way funded.

#### ARTICLE XXI. EFFECTIVE DATE

The effective date of the Plan is January 1, 2001.

EXHIBIT 10(p)  
DIRECTORS' DEFERRED FEE PLAN  
OF  
NORFOLK SOUTHERN CORPORATION

(Effective June 1, 1982)  
Last Amended January 23, 2001

PURPOSE

The Directors' Deferred Fee Plan (the "Plan") as adopted and approved by the Board of Directors (the "Board") of Norfolk Southern Corporation ("NS"), effective June 1, 1982, and as last amended effective January 23, 2001, makes available to NS directors a deferral election with respect to the directors' annual compensation and fees to provide for retirement and death benefits and thereby facilitate individual financial planning.

SECTION 1. ADMINISTRATION

The Plan Administrator shall be the Board. The Board shall from time to time adopt rules and regulations determined to be necessary to ensure the effective implementation of the Plan. The Board shall have the power to interpret the Plan, to supervise the maintenance of the deferred memorandum accounts of participants in the Plan and the method of distribution of those amounts credited to the deferred memorandum accounts pursuant to Section 4.

SECTION 2. ELIGIBILITY

Each NS director shall be eligible to be a participant in the Plan.

SECTION 3. DEFERRED COMPENSATION

An NS director may elect to have all or a specified part of the annual compensation and fees credited to a deferred memorandum account established pursuant to Section 4. The director making such an election (the "Participant") shall do so by filing with the Board by the last day of March, June, September or December of any year, beginning in 1982, an election on a form prescribed by the Board for the purpose of specifying the percent of compensation and fees to be deferred for the succeeding quarters of the election year and for succeeding years. An election so made by a Participant shall continue from year to year, unless the Participant terminates it for succeeding years by written request to the Board prior to December 31 of any year. In the event of such termination, the specified part of the Participant's compensation and fees for the balance of the calendar year following termination and previously deferred amounts shall continue to be deferred under the Plan. Until an election is made by a director during any year, the director shall be deemed to have elected to receive the entire compensation and fees for that and the succeeding years in cash.

A person elected to fill a vacancy on the Board and who was not a director on the last day of the quarter preceding that person's election, may elect, by filing one of the aforesaid forms with the Board prior to the beginning of that director's term, to defer all or a specified part of annual compensation and fees for the balance of the calendar year following election and for succeeding years.

SECTION 4. DEFERRED MEMORANDUM ACCOUNT

The amount of a Participant's annual compensation and fees which, pursuant to Section 3, the Participant has elected to receive on a deferred basis shall by appropriate bookkeeping entries be credited to that Participant's deferred memorandum fixed interest or variable earnings accounts (the "Accounts") in accordance with the Plan terms and the Participant's investment election applicable to such deferral.

The Board shall have the right to delegate to NS's chief financial officer the responsibility for supervising the maintenance of the Participants' respective Accounts and, subject to Section 6, the method of distribution of the amounts credited to the Accounts. In addition, the Board shall have the right to delegate to NS's chief financial officer the responsibility to select Hypothetical Investment Options, subject to subsection (b) of this Section, made available to Participants solely for the purpose of valuing deferrals in the Variable Earnings Accounts.

The Accounts shall be utilized solely as a device for the measurement of amounts to be paid to the Participant under the Plan. The Accounts shall not constitute or be treated as an escrow, trust fund, or any other type of funded account for ERISA or Internal Revenue Code purposes and, moreover, contingent amounts credited thereto shall not be considered plan assets for ERISA purposes. The Accounts merely provide a record of the bookkeeping entries relating to the contingent benefits that the Corporation intends to provide to Participant and thus reflect a mere unsecured promise to pay such amounts in the future.

(a) Fixed Interest Account. Amounts deferred before January 1, 2001, shall be credited to a Participant's Fixed Interest Account as provided in this subsection. Unless otherwise stated herein or determined by the Board, each Participant's Account shall also be credited at the end of each quarter by appropriate bookkeeping entries with an amount equivalent to interest ("Interest") on the amount credited to the Participant's Fixed Interest Account at the beginning of the quarter at a rate determined by the Participant's age at the time the deferral is made. For purposes of determining the appropriate rates, a deferral is deemed to occur when the compensation and fees would otherwise have been paid. Amounts deferred on or after January 1, 1994, shall accrue Interest based on the Participant's age at the time of deferral at the rates set forth below:

Age	Rate
Under 45	7%
45-54	10%
55-60	11%
Over 60	12%

Amounts deferred on or after January 1, 1992, and prior to January 1, 1994, shall accrue Interest based on the Participant's age at the time of deferral at the rates set forth below:

Age	Rate
Under 45	13%
45-54	14%
55-60	15%
Over 60	16%

Amounts deferred on or after January 1, 1987, and prior to January 1, 1992, shall accrue Interest based on the Participant's age at the time of deferral at the rates set forth below:

Age	Rate
Under 45	15%

45-54	16%
55-60	17%
Over 60	18%

Amounts deferred under the Plan prior to January 1, 1987, shall accrue Interest at a rate determined by the Participant's age on January 1, 1987, as if such amounts had been deferred on January 1, 1987. Interest on each deferral shall continue to accrue at the rate determined by the Participant's age at the time the deferral is made until all benefits payable hereunder have been distributed to, or with respect to, the Participant.

(b) Variable Earnings Account. Amounts deferred on or after January 1, 2001, shall be credited to a Participant's Variable Earnings Account as provided in this subsection. Investment funds or benchmarks shall be selected from time to time by the Plan Administrator or its designee (as provided in this Section) and made available to Participants solely for the purpose of valuing deferrals. Such funds or benchmarks shall be referred to as "Hypothetical Investment Options."

Unless otherwise stated herein or determined by the Board of Directors, an amount equivalent to earnings or losses ("Earnings") shall accrue on or be deducted from all deferrals, beginning when the compensation and fees would otherwise have been paid, in accordance with the Participant's selection of Hypothetical Investment Options. Earnings shall be determined based upon the Hypothetical Investment Option(s) elected by the Participant. If a Participant does not elect Hypothetical Investment Options for the deferrals, then Earnings shall be determined based on such Hypothetical Investment Options as may be designated by the Plan Administrator to apply in the absence of an election. Participants will be required to elect a Hypothetical Investment Option(s) at the time a deferral election is made for amounts deferred on or after January 1, 2001, and such investment election will apply to all subsequent deferrals until the Participant changes such election. Participants will be permitted at any time prior to the complete pay out of their Variable Earnings Account balance to elect to change their Hypothetical Investment Option(s) with respect to all or part of their Variable Earnings Account balances effective as soon as practicable following such election. The procedure for electing to change a Hypothetical Investment Option(s) will be established by the Plan Administrator. An election to change a Hypothetical Investment Option for part of a Variable Earnings Account balance must be made in increments of 1% of the Variable Earnings Account balance, with a minimum balance transfer of \$500.00.

While a Participant's Accounts do not represent the Participant's ownership of, or any ownership interest in, any particular assets, the Participant's Variable Earnings Account shall be adjusted in accordance with the performance of the Hypothetical Investment Options chosen by the Participant. Any cash earnings generated under a Hypothetical Investment Option (such as interest and cash dividends and distributions) shall be deemed to be reinvested in that Hypothetical Investment Option. All notional acquisitions and dispositions of Hypothetical Investment Options which occur within a Participant's Variable Earnings Account, pursuant to the terms of the Plan, shall be deemed to occur at such times as the Plan Administrator shall determine to be administratively feasible in its sole discretion and the Participant's Variable Earnings Account shall be adjusted accordingly. In the event of a Change in Control, the practices and procedures for determining any Earnings credited to any Participants' Variable Earnings Accounts following a Change in Control shall be made in a manner no less favorable to Participants than the practices and procedures employed under the Plan, or otherwise in effect, as of the date of the Change in Control.

## SECTION 5. RESTRICTIONS

The Participants shall have only those rights in respect of the amounts credited to their Accounts specifically set forth herein.

No Participant may, prior to the distribution of funds pursuant to Section 6, sell, assign, transfer (except to a death beneficiary or beneficiaries by will or descent), distribute, pledge as collateral for a loan or as security for the performance of any obligation, exchange or otherwise dispose of any interest in the amounts credited to that Participant's Accounts.

The amounts credited to the Accounts shall remain assets of NS until distributed to Participants pursuant to Section 6.

## SECTION 6. DISTRIBUTION

(a) Fixed Interest Account. Except as otherwise provided in Section 7, distributions of the amounts credited to a Participant's Fixed Interest Account shall be made in ten annual cash installments beginning with the first day of the calendar year immediately following the year when a Participant ceases to be an NS director by retirement or otherwise.

Upon the death of a Participant prior to the expiration of the period during which the deferred amounts are payable, the balance of the deferred fees and interest credited to the Fixed Interest Account shall be payable to the death beneficiary or beneficiaries in full on the first day of the calendar year following the year in which the Participant dies.

(b) Variable Earnings Account. Except as otherwise provided in Section 7, a Participant may elect to have the amounts credited to the Variable Earnings Account distributed beginning with the first day of the calendar year immediately following the year when the Participant ceases to be an NS director by retirement or otherwise, or the Participant may select a prior distribution date which is the earlier of retirement or a specified date at least five (5) years but not more than fifteen (15) years after the calendar year applicable to the deferral ("Specified Date"). For benefits to be distributed after a Participant ceases to be an NS director, the Participant may elect to be paid in one lump sum or in a pay out period of five (5), ten (10), or fifteen (15) years in annual installments. Any benefit which the Participant has elected to have distributed on a Specified Date will be paid in one lump sum. If the Participant fails to elect the time and form of distribution of his deferral, the Participant's distribution will be made in one lump sum after the Participant ceases to be an NS director by retirement or otherwise.

All distribution elections described in this Section 6(b) must be made by the Participant no later than December 31 of the year prior to the calendar year for which the deferrals will be made or any earlier date prescribed by the Plan Administrator. A distribution election so made shall apply to all deferrals during the upcoming calendar year, and the election shall continue from year to year unless the Participant makes another election for succeeding years prior to December 31 of any year. A distribution election may be changed, provided however that such change shall be effective only if it is made (i) at least thirteen months prior to distribution of the benefits and (ii) is approved by the Plan Administrator.

For each calendar year's deferrals for which the Participant elected to have the benefit distributed on a Specified Date, the Participant shall be paid the amount in the Account for that calendar year's deferrals as soon as practicable after the date selected



(or upon ceasing to be an NS director, if earlier).

For a Participant who did not elect distribution on a Specified Date, the Participant shall be paid, for lump sum distributions, on January 1 of the calendar year following the date the Participant ceases to be an NS director the amount in the Variable Earnings Account which is attributable to deferrals for which the Participant elected to have the benefit distributed on such date in a lump sum. For distributions other than lump sum distributions, payments shall commence in January of the calendar year following the date the Participant ceases to be an NS director and shall be made in installments in January of each year for each applicable deferral based on the distribution elections made by the Participant at the time of deferral. The annual installment payment for each applicable deferral shall be an amount equal to the remaining balance in the Participant's Account for that deferral, valued at the end of the calendar year preceding the installment payment, divided by the remaining number of annual payments not yet distributed for that deferral.

Upon the death of a Participant prior to the expiration of the period during which the deferred amounts are payable, the balance of the deferred fees and Earnings credited to the Variable Earnings Account shall be payable to the death beneficiary or beneficiaries in full on the first day of the calendar year following the year in which the Participant dies.

#### SECTION 7. CHANGE IN CONTROL

If, on the date of a Change in Control, a Participant who was serving as a director of NS on the day immediately preceding the date of a Change in Control has not been nominated and elected a director of the publicly owned entity that owns directly or indirectly all or substantially all the assets owned directly or indirectly by NS prior to the Change in Control (provided, however, that continued service as a director of NS after any circumstance or event constituting a Change in Control shall not constitute a waiver of the rights provided in this Section 7 with respect to any subsequent circumstance or event constituting a Change in Control), then, notwithstanding the provisions of Section 6, such Participant shall receive a lump-sum cash payment equal to the present value on the Participant's last day of service as a director, using a discount rate of 4.5 percent, of the stream of annual installment payments that the Participant would have received had the Participant served as a director until the latest date permitted under the Retirement Policy for NS directors as in effect on the day before the Change in Control. For the Variable Earnings Account, the projected Earnings used to determine such stream of annual payments will be calculated in accordance with the Interest rate specified in Section 4(a) based on the Participant's age immediately preceding the date of a Change in Control and applied to the Participant's Variable Earnings Account balance on such date. This payment will be in full satisfaction of all amounts credited to the Participant's Accounts.

A Change in Control shall occur upon any of the following circumstances or events:

(i) NS consummates a merger or other similar control-type transaction or transactions (however denominated or effectuated) with another corporation or other entity (Combination), and immediately thereafter less than eighty percent (80%) of the combined voting power of the then-outstanding securities of such corporation or entity is held in the aggregate by the holders of securities entitled, immediately prior to such Combination, to vote generally in the election of NS directors (Voting Stock);

(ii) NS consummates any stockholder-approved consolidation or

dissolution (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 NS 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 NS by at least two-thirds (2/3) of the Continuing Directors at the time of such nomination or election); or

(iv) NS sells all or substantially all of its assets to any other corporation or other entity, and less than eighty percent (80%) of the combined voting power of the then-outstanding securities of such corporation or entity immediately after such transaction is held in the aggregate by the holders of Voting Stock immediately prior to such sale.

#### SECTION 8. RECALCULATION EVENTS

NS's commitment to accrue and pay Interest and Earnings as provided in Section 4 is facilitated by the purchase of corporate-owned life insurance purchased on the lives of eligible Participants. If the Board, in its sole discretion, determines that any change whatsoever in Federal, State or local law, or in its application or interpretation, has materially affected, or will materially affect, the ability of NS to recover the cost of providing the benefits otherwise payable under the Plan, then, if the Board so elects, a Recalculation Event shall be deemed to have occurred. If a Recalculation Event occurs, then Interest and/or Earnings shall be recalculated and restated using a lower rate of Interest and/or Earnings determined by the Board, but which shall be not less than one-half (1/2) the rate of Earnings provided for in Section 4(b) or one-half (1/2) the rate of Interest provided in Section 4(a), as applicable.

#### SECTION 9. AMENDMENTS

The Board in its sole discretion may at any time modify or amend any provisions of the Plan, or suspend or terminate the Plan. However, except as otherwise provided in Section 8, no modification, amendment, suspension or termination of the Plan may, without the Participant's consent, apply to or affect the rights of a Participant in respect of amounts credited to the Participant's Account for any month ended prior to the effective date of that modification, amendment, suspension or termination.

#### SECTION 10. NATURE AND SOURCE OF PAYMENTS

The obligation to make payments hereunder with respect to each Participant shall constitute a liability of NS to the Participant and any death beneficiaries in accordance with the terms of the Plan. NS may establish one or more grantor trusts to which NS may transfer such assets as NS determines in its sole discretion to assist in meeting its obligations under the Plan. The provisions of the Plan shall govern the rights of NS, Participants and the creditors of NS to the assets transferred to the trust. NS' obligations under the Plan may be satisfied with trust assets distributed pursuant to the terms of the trust, and any such distribution shall reduce NS' obligations under this Plan.

Participants and beneficiaries shall stand in the position of unsecured creditors of NS, and all rights hereunder are subject to the claims of creditors of NS.

#### SECTION 11. EXPENSES OF ADMINISTERING PLAN

All expenses of administering the Plan shall be borne by NS, and no part thereof shall be charged against the benefit of any Participant, except the costs of the Hypothetical Investment Options in the Variable Earnings Account, which shall be charged against the value of deferrals measured against those funds.

#### SECTION 12. FACILITY OF PAYMENT

If the Board shall find that any individual to whom any amount is payable under the Plan is unable to care for his or her affairs because of illness or accident or is a minor or other person under legal disability, any payment due such individual (unless a prior claim therefor shall have been made by a duly appointed guardian, committee, or other legal representative) may be paid to the spouse, a child, a parent, or a brother or sister of such individual, or to any other person deemed by the Board to have incurred expenses of such individual, in such manner and proportions as the Board may determine. Any such payment shall be a complete discharge of the liabilities of NS with respect thereto under the Plan.

#### SECTION 13. CONTINUED SERVICE

Nothing contained herein or in a deferral agreement shall be construed as conferring upon any Participant the right nor imposing upon the Participant the obligation to continue in the service of NS in any capacity.

#### SECTION 14. DISPUTED QUESTIONS

Any disputed question arising under the Plan, including questions of construction and interpretation, shall be determined conclusively and finally by the Board.

#### SECTION 15. EFFECTIVE DATE

The Plan became effective on June 1, 1982, and was last amended effective January 23, 2001.

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

	Year ended December 31				
	2000	1999	1998	1997	1996
	----	----	----	----	----
EARNINGS					
Income from continuing operations before income taxes as reported	\$ 250	\$ 351	\$ 845	\$ 998	\$1,166
Add:					
Total interest expenses (as detailed below)	721	708	688	530	182
Amortization of capitalized interest	5	4	3	3	3
Income (loss) of partially owned entities (1)	60	47	165	113	1
Subsidiaries' preferred dividend requirement	2	2	2	2	2
	-----	-----	-----	-----	-----
Income before income taxes, as adjusted	\$1,038	\$1,112	\$1,703	\$1,646	\$1,354
	=====	=====	=====	=====	=====
FIXED CHARGES					
Interest expense on debt	\$ 551	\$ 531	\$ 516	\$ 385	\$ 116
Other interest expense	42	35	27	32	36
Calculated interest portion of rent expense	40	35	31	30	30
NS' share of Conrail interest	88	107	114	83	--
	-----	-----	-----	-----	-----
Total interest expenses	721	708	688	530	182
Capitalized interest	18	15	21	17	12
Subsidiaries' preferred dividend requirement on a pretax basis	4	4	4	4	4
	-----	-----	-----	-----	-----
Total fixed charges	\$ 743	\$ 727	\$ 713	\$ 551	\$ 198
	=====	=====	=====	=====	=====
RATIO OF EARNINGS TO FIXED CHARGES	1.40	1.53	2.39	2.99	6.84

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

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



NAME AND STATE OF INCORPORATION OF SUBSIDIARIES  
OF NORFOLK SOUTHERN CORPORATION  
AS OF FEBRUARY 1, 2001

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

Norfolk Southern Railway Company subsidiaries:

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

Norfolk Southern Railway Company subsidiaries (continued):

South Western Rail Road Company, The; Georgia  
Southern Rail Terminals, Inc., Georgia  
Southern Rail Terminals of North Carolina, Inc., North Carolina  
Southern Region Coal Transport, Inc., Alabama  
Southern Region Materials Supply, Inc., Georgia  
Southern Region Motor Transport, Inc., Georgia  
SRIR Timber LLC, Delaware

State University Railroad Company, North Carolina  
Tennessee, Alabama & Georgia Railway Company, Delaware  
Tennessee Railway Company, Tennessee  
Virginia and Southwestern Railway Company, Virginia  
Yadkin Railroad Company, North Carolina

Norfolk Southern Properties, Inc. subsidiaries:

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

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

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors  
Norfolk Southern Corporation:

We consent to incorporation by reference in Registration Statements Nos. 33-52031, 333-40993, 333-54456, 333-71321 and 333-78939 on Form S-8 of Norfolk Southern Corporation of our report dated January 23, 2001, relating to the consolidated balance sheets of Norfolk Southern Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' equity and cash flows, and the related consolidated financial statement schedule for each of the years in the three-year period ended December 31, 2000, which report appears in the December 31, 2000, Annual Report on Form 10-K of Norfolk Southern Corporation.

/s/ KPMG LLP  
KPMG LLP  
Norfolk, Virginia

March 2, 2001

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to incorporation by reference in Registration Statements Nos. 33-52031, 333-40993, 333-54456, 333-71321 and 333-78939 on Form S-8 of Norfolk Southern Corporation of our report dated January 23, 2001, relating to the consolidated balance sheets of Conrail Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows, for each of the years in the two-year period ended December 31, 2000, which report appears in the December 31, 2000, Annual Report on Form 10-K of Norfolk Southern Corporation. The consolidated financial statements of Conrail Inc. and subsidiaries as of December 31, 1998, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended were audited by other auditors whose report thereon dated January 19, 1999, expressed an unqualified opinion on those statements.

/s/ KPMG LLP  
KPMG LLP  
Norfolk, Virginia

/s/ Ernst & Young LLP  
Ernst & Young LLP  
Richmond, Virginia



March 2, 2001

March 2, 2001

EXHIBIT 23(c), Page 1 of 1

CONSENT OF PRICEWATERHOUSECOOPERS LLP,  
INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-52031, 333-40993, 333-54456, 333-71321 and 333-78939) of Norfolk Southern Corporation of our report dated January 19, 1999, relating to the consolidated statements of income, of stockholders' equity and of cash flows of Conrail Inc. and subsidiaries for the year ended December 31, 1998, which appears in the Annual Report on Form 10-K of Norfolk Southern Corporation for the year ended December 31, 2000.

/s/ PRICEWATERHOUSECOOPERS LLP  
PRICEWATERHOUSECOOPERS LLP  
Philadelphia, Pennsylvania

March 2, 2001

CONRAIL INC.

2000 ANNUAL REPORT TO STOCKHOLDERS

REPORT OF MANAGEMENT

The Stockholders  
Conrail Inc.

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

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

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

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

/s/ Timothy T. O'Toole  
Timothy T. O'Toole  
President and Chief  
Executive Officer

/s/ John A. McKelvey  
John A. McKelvey  
Senior Vice President-  
Finance & Administration

January 23, 2001

EXHIBIT 99, Page 3 of 23

#### INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors  
Conrail Inc.:

We have audited the accompanying consolidated balance sheets of Conrail Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The consolidated financial statements of Conrail Inc. and subsidiaries as of December 31, 1998, and the accompanying related consolidated statements of income, stockholders' equity and cash flows for the year then ended were audited by other auditors whose report thereon dated January 19, 1999, expressed an unqualified opinion on those statements.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Conrail Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP  
KPMG LLP  
Norfolk, Virginia

/s/ Ernst & Young LLP  
Ernst & Young LLP  
Richmond, Virginia

January 23, 2001

EXHIBIT 99, Page 4 of 23

#### REPORT OF INDEPENDENT ACCOUNTANTS

The Stockholders and Board of Directors  
Conrail Inc.

In our opinion, the consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the results of operations and cash flows of Conrail Inc. and subsidiaries for the year ended December 31, 1998, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We have not audited the consolidated financial statements of Conrail Inc. and subsidiaries for any period subsequent to December 31, 1998.

/s/ PricewaterhouseCoopers LLP  
PricewaterhouseCoopers LLP  
Two Commerce Square, Suite 1700  
2001 Market Street  
Philadelphia, PA 19103

January 19, 1999

EXHIBIT 99, Page 5 of 23

CONRAIL INC.  
CONSOLIDATED STATEMENTS OF INCOME

(\$ In Millions)	Years ended December 31,		
	2000	1999	1998
	----	----	----
Revenues - NSC/CSX (Note 2)	\$ 886	\$ 549	\$ -
Revenues - Third parties	99	1,625	3,863
	-----	-----	-----
Total operating revenues	985	2,174	3,863
	-----	-----	-----
Operating expenses (Note 3)			
Compensation and benefits	195	645	1,489
Fuel	10	63	163
Material, services and rents	162	590	909
Depreciation and amortization	331	328	310
Casualties and insurance	33	228	230
Other	18	192	247
	-----	-----	-----
Total operating expenses	749	2,046	3,348
	-----	-----	-----
Income from operations	236	128	515
Interest expense	(124)	(150)	(153)
Other income, net (Note 10)	155	67	72
	-----	-----	-----
Income before income taxes	267	45	434
Income taxes (Note 7)	97	19	167
	-----	-----	-----
Net income	\$ 170	\$ 26	\$ 267
	=====	=====	=====

See accompanying notes to the consolidated financial statements.

EXHIBIT 99, Page 6 of 23

CONRAIL INC.  
CONSOLIDATED BALANCE SHEETS

(\$ In Millions)	December 31,	
	2000	1999
	----	----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 50	\$ 22
Accounts receivable	33	51
Due from NSC/CSX (Note 2)	232	196
Notes receivable from NSC/CSX (Note 2)	91	216
Material and supplies	9	29
Deferred tax assets (Note 7)	96	149
Other current assets	9	6

Total current assets	520	669
Property and equipment, net (Note 4)	6,996	7,143
Other assets	544	571
Total assets	\$8,060	\$8,383
	=====	=====

#### LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Current maturities of long-term debt (Note 6)	61	319
Accounts payable	68	59
Due to NSC/CSX (Note 2)	31	159
Wages and employee benefits	42	43
Casualty reserves	127	136
Accrued and other current liabilities (Note 5)	106	147
Total current liabilities	435	863
Long-term debt (Note 6)	1,229	1,302
Casualty reserves	189	311
Deferred income taxes (Note 7)	1,938	1,817
Other liabilities	287	271
Total liabilities	4,078	4,564
Commitments and contingencies (Note 11)		
Stockholders' equity (Notes 3 and 9)		
Common stock (\$1 par value; 100 shares authorized, issued and outstanding)	-	-
Additional paid-in capital	2,222	2,229
Unearned ESOP compensation	(20)	(20)
Retained earnings	1,780	1,610
Total stockholders' equity	3,982	3,819
Total liabilities and stockholders' equity	\$8,060	\$8,383
	=====	=====

See accompanying notes to the consolidated financial statements.

EXHIBIT 99, Page 7 of 23

#### CONRAIL INC. CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Unearned ESOP Compensation	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock
	-----	-----	-----	-----	-----
Balance, January 1, 1998	\$ (155)	\$ 6	\$3,006	\$1,324	\$ (742)
Net income				267	
Common dividends				(7)	
Common shares reclassified as unissued (Note 9)		(6)	(736)		742
Allocation of unearned ESOP compensation	80				
Other			21		
	-----	---	-----	-----	-----
Balance, December 31, 1998	(75)	-	2,291	1,584	-
Net income				26	
Transfer of portion of prepaid pension assets to NSC and CSX (Note 8)			(54)		
Allocation of unearned ESOP compensation	55				
Other			(8)		
	-----	---	-----	-----	-----
Balance, December 31, 1999	(20)	-	2,229	1,610	-

Net income				170	
Other			(7)		
	-----	---	-----	-----	-----
Balance, December 31, 2000	\$ (20)	\$ -	\$2,222	\$1,780	\$ -
	=====	===	=====	=====	=====

See accompanying notes to the consolidated financial statements.

EXHIBIT 99, Page 8 of 23

CONRAIL INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ In Millions)	Years ended December 31,		
	2000	1999	1998
	----	----	----
Cash flows from operating activities			
Net income	\$ 170	\$ 26	\$ 267
Adjustments to reconcile net income to net cash provided by operating activities:			
Transition and acquisition-related charges (Note 3)			368
Depreciation and amortization	331	328	310
Deferred income taxes	101	48	(30)
Gains from sales of property	(70)	(6)	(21)
Pension credit	(12)	(45)	(63)
Dividends from affiliated companies	55		
Changes in:			
Accounts receivable	18	529	33
Accounts and wages payable	8	(431)	(33)
Due from NSC/CSX	(36)	(196)	
Due to NSC/CSX	(128)	159	
Other	(75)	(16)	(104)
	-----	-----	-----
Net cash provided by operating activities	362	396	727
	-----	-----	-----
Cash flows from investing activities			
Property and equipment acquisitions	(220)	(176)	(537)
Notes receivable from NSC/CSX	125	(216)	
Proceeds from disposals of properties	86	6	19
Other	(7)	(14)	(32)
	-----	-----	-----
Net cash provided by (used in) investing activities	(16)	(400)	(550)
	-----	-----	-----
Cash flows from financing activities			
Payment of long-term debt	(318)	(112)	(119)
Other			(17)
	-----	-----	-----

Net cash used in financing activities	(318)	(112)	(136)
	-----	-----	-----
Increase(decrease) in cash and cash equivalents	28	(116)	41
Cash and cash equivalents			
Beginning of year	22	138	97
	-----	-----	-----
End of year	\$ 50	\$ 22	\$ 138
	=====	=====	=====

See accompanying notes to the consolidated financial statements.

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CONRAIL INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

-----  
Description of Business  
-----

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

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

Principles of Consolidation  
-----

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

Cash Equivalents  
-----

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

Material and Supplies  
-----

Material and supplies consist of maintenance material valued at the



lower of cost or market.

CONRAIL INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property and Equipment  
-----

Property and equipment are recorded at cost. Additions to properties, including those under lease, are capitalized. Maintenance expense is recognized when repairs are performed. Depreciation is provided using the composite straight-line method over estimated service lives. In 2000, the overall depreciation rate averaged 3.0% for all roadway and equipment. The cost (net of salvage) of depreciable property retired or replaced in the ordinary course of business is charged to accumulated depreciation and no gain or loss is recognized.

Asset Impairment  
-----

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

Revenue Recognition  
-----

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

New Accounting Standards  
-----

There were no new accounting standards issued during 2000 which the Company believes will have a material impact on its consolidated financial position, results of operations or cash flows.

Use of Estimates  
-----

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications  
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Certain prior year data have been reclassified to conform to the 2000 presentation.

CONRAIL INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Related Parties Transactions

-----  
Background  
-----

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

-----  
Commencement of Operations by NSR and CSXT  
-----

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

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

Payments made by NSR to Conrail under the Shared Assets agreements were \$117 million and \$45 million during 2000 and 1999, respectively, of which \$17 million and \$7 million, were minimum rents. Payments made by CSXT to Conrail under the Shared Assets agreements were \$107 million and \$43 million during 2000 and 1999, respectively, of which \$12 million and \$5 million, were minimum rents.

Payments from NSR under the Operating Agreements and lease agreements to PRR amounted to \$346 million and \$167 million during 2000 and 1999, respectively. Payments from CSXT under the Operating Agreements and lease agreements to NYC amounted to \$249 million and \$124 million during 2000 and 1999, respectively. In addition, costs necessary to operate and maintain the related assets under these agreements, including leasehold improvements, will be borne by NSR and CSXT.

EXHIBIT 99, Page 12 of 23

CONRAIL INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

\$ in Millions

	NSR To PRR	NSR To CRC	CSX To NYC	CSX To CRC	Total
	-----	-----	-----	-----	-----
2001	\$ 304	\$ 24	\$ 244	\$ 17	\$ 589
2002	315	27	239	19	600
2003	322	30	233	21	606
2004	327	32	238	23	620
2005	317	34	229	24	604
2006 and Beyond	5,005	652	3,626	473	9,756
	-----	-----	-----	-----	-----
Total	\$6,590	\$ 799	\$4,809	\$ 577	\$12,775
	-----	-----	-----	-----	-----

#### Related Party Balances and Transactions

"Due from NSC/CSX" at December 31, 2000 and 1999, is primarily comprised of amounts due for the above-described operating and rental activities. Also included in "Due from NSC/CSX" in 1999, are amounts paid by Conrail for separation payments to CRC's agreement employees that were reimbursed by NSC and CSX as required by the Transaction Agreement. As of December 31, 2000 and 1999, the accrued balances due from NSC were \$105 million and \$91 million, respectively; and the accrued balances due from CSX were \$127 million and \$105 million, respectively.

PRR and NYC have interest-bearing notes receivable, payable on demand from NSC and CSX of \$51 million and \$40 million, respectively, at December 31, 2000, included in the "Notes receivable from NSC/CSX" line item on the balance sheet. The notes receivable balances due from NSC and CSX were \$123 million and \$93 million, respectively, at December 31, 1999. The interest rates on the notes receivable from NSC and CSX are variable and were both 5.9% at December 31, 2000. Interest income related to the PRR and NYC notes receivable was \$10 million and \$4 million, in 2000 and 1999, respectively.

CRC has entered into service provider agreements with both NSC and CSX, for such services as accounting and administrative processing, personal injury and environmental case handling and other miscellaneous services ("Service Provider Agreements"). Payments made to NSC and CSX under these Service Provider Agreements in 2000 were \$44 million and \$2 million, respectively, and are included within the various line items of operating expenses. Payments made to NSC in 1999 under the Service Provider Agreements were \$5 million. CRC also paid NSC and CSX \$8 million and \$4 million, respectively, for the rental of locomotives and other equipment during 2000. In addition, CRC paid a subsidiary of CSX \$5 million in 2000 and 1999, for rental of various facilities which it occupied subsequent to May 31, 1999. During 2000, CRC also made payments to NSC and CSX of \$86 million and \$122 million, respectively, related to completing various 1999 capital projects.

"Due to NSC/CSX" includes \$29 million and \$2 million, to NSC and CSX, respectively, for the services described above for 2000; and \$64 million and \$29 million to NSC and CSX, respectively, for such services during 1999.

In 1999, "Due to NSC/CSX" also included \$42 million and \$24 million payable to NSC and CSX, respectively, for CRC's vacation liability related to the portion of its work force that became NSC and CSX employees subsequent to May 31, 1999. CRC paid these amounts in 2000.

From time to time, NSC and CSX, as the indirect owners of Conrail, may need to provide some of Conrail's cash requirements through capital contributions, loans, or advances, none of which took place as of December 31, 2000.

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

### 3. Transition, Acquisition-Related and Other Items

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

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

During the third quarter of 1998, the Company recorded charges totaling \$302 million (\$187 million after income taxes), primarily for severance benefits of \$170 million covering certain non-union employees, and \$132 million of other costs, such as the effect of changing to an actuarial method of valuing certain components of the Company's casualty reserves, primarily included in the "Compensation and benefits" and "Casualties and insurance" operating expense line items of the 1998 income statement, respectively.

The charge for non-union separation benefits represents termination payments made to approximately 1,300 non-union employees whose non-executive positions were eliminated as a result of the joint acquisition of Conrail. Most of these termination payments have been made in the form of supplemental retirement benefits from the Company's

EXHIBIT 99, Page 14 of 23

CONRAIL INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

overfunded pension plan. During 2000, 1999 and 1998, termination payments of \$50 million, \$77 million and \$9 million were made, respectively. The remaining amount of this liability is expected to be paid out within the next year.

During 1998, the Company recorded charges totaling \$66 million (\$41 million after income taxes) representing amounts paid to certain non-union employees as incentive to continue their employment with the Company through August 22, 1998, the effective date of the STB approval of the joint acquisition of Conrail, and the subsequent transition period. All of these amounts were subsequently paid out.

In 1997, the Company recorded a long-term liability of \$221 million related to the Non-union Employee Stock Ownership Plan ("ESOP") termination, which has not required use of the Company's cash for settlement. Such liability, the balance of which is \$20 million at December 31, 2000, is being reduced as the cash proceeds, held by the ESOP as a result of selling its ESOP preferred stock in the joint tender offer, are allocated to eligible ESOP participants.

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

#### 4. Property and Equipment

	December 31,	
	2000	1999
	----	----
	(In Millions)	
Roadway	\$ 7,500	\$ 7,410
Equipment	1,573	1,573
Less: Accumulated depreciation	(2,340)	(2,154)
	-----	-----
	6,733	6,829
	-----	-----
Capital leases (primarily equipment)	645	696
Accumulated amortization	(382)	(382)
	-----	-----
	263	314
	-----	-----
	\$ 6,996	\$ 7,143
	=====	=====

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

#### 5. Accrued and Other Current Liabilities

	December 31,	
	-----	
	2000	1999
	----	----
	(In Millions)	
Property and corporate taxes	\$ 51	\$ 97
Operating leases	38	36
Other	17	14
	----	----
	\$106	\$147
	=====	=====

#### 6. Long-Term Debt and Leases

-----

Long-term debt outstanding, including the weighted average interest rates at December 31, 2000, is composed of the following:

	December 31,	
	-----	
	2000	1999
	----	----
	(In Millions)	
Capital leases	\$ 262	\$ 331
Notes payable, 9.75%, due 2000	-	250
Debentures payable, 7.88%, due 2043	250	250
Debentures payable, 9.75%, due 2020	550	550
Equipment and other obligations, 6.90%	228	240
	-----	-----
	1,290	1,621
Less current portion	(61)	(319)
	-----	-----
	\$1,229	\$1,302
	=====	=====

Interest payments were \$121 million in 2000, \$149 million in 1999 and \$153 million in 1998.

#### Leases

-----

The Company's noncancelable long-term leases generally include options to purchase at fair value and to extend the terms. Capital leases have been discounted at rates ranging from 3.09% to 14.26% and are collateralized by assets with a net book value of \$263 million at December 31, 2000.

	Capital Leases	Operating Leases
	-----	-----
	(In Millions)	
2001	\$ 63	\$ 70
2002	59	63
2003	54	52
2004	56	53
2005	38	59
2006 - 2010	89	422
	-----	-----
Total	359	\$719
		=====
Less interest portion	(97)	
	-----	
Present value	\$ 262	
	=====	

Equipment and other obligations mature in 2001 through 2043 and are collateralized by assets with a net book value of \$238 million at December 31, 2000. Maturities of long-term debt other than capital leases are \$21 million in 2001, \$19 million in 2002, \$20 million in 2003, \$21 million in 2004, \$20 million in 2005 and \$927 million in total from 2006 through 2043.

Operating lease rent expense was \$75 million in 2000, \$120 million in 1999 and \$121 million in 1998.

#### 7. Income Taxes

-----

The provisions for income taxes are composed of the following:

	2000	1999	1998
	----	----	----
	(In Millions)		
Current			
Federal	\$ (5)	\$ (30)	\$173
State	1	1	24
	----	----	----
	(4)	(29)	197
	----	----	----
Deferred			
Federal	81	52	(27)
State	20	(4)	(3)
	----	----	----
	101	48	(30)
	----	----	----
	\$ 97	\$ 19	\$167
	=====	=====	=====

CONRAIL INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reconciliations of the U.S. statutory tax rates with the effective tax rates are as follows:

	2000 ----	1999 ----	1998 ----
Statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	4.2	4.2	3.2
Nondeductible transition and acquisition-related costs		23.9	
Other	(2.9)	(20.9)	.3
	-----	-----	-----
Effective tax rate	36.3%	42.2%	38.5%
	=====	=====	=====

The Company has reached final settlements with the Internal Revenue Service ("IRS") related to all of the audits of the Company's consolidated federal income tax returns through fiscal year 1995. The Company's consolidated federal income tax returns for April 30, 1996, December 31, 1996 and May 23, 1997, are currently being examined by the IRS. Federal and state income tax payments were \$3 million in 2000, \$38 million in 1999 and \$196 million in 1998.

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

	December 31, -----	
	2000 ----	1999 ----
	(In Millions)	
Current assets	\$ 29	\$ (8)
Current liabilities	(117)	(133)
Miscellaneous	(8)	(8)
	-----	-----
Current deferred tax asset, net	\$ (96)	\$ (149)
	=====	=====
Noncurrent liabilities:		
Property and equipment	2,049	1,977
Other long-term assets (primarily prepaid pension asset)	93	89
Other (mostly equipment obligations)	117	88
	-----	-----
	2,259	2,154
	-----	-----
Noncurrent assets:		
Nondeductible reserves and other liabilities	(204)	(221)
Tax benefit transfer receivable	(36)	(36)
Other (mostly equity investments)	(81)	(80)



	-----	-----
	(321)	(337)
	-----	-----
Deferred income tax liabilities, net	\$1,938	\$1,817
	=====	=====

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CONRAIL INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Pension and Postretirement Benefits

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

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

The Company's pension plan was amended during 1998 to include certain enhanced benefits for qualifying Conrail employees. The effect of the amendment was to increase the Conrail plan's projected benefit obligation by \$59 million. The Company's pension plan was also amended during 1998 to allow for payment of non-union supplemental retirement benefits to the extent consistent with applicable IRS Tax Code provisions. Both of these liabilities are accrued as offsets to the prepaid pension asset which is included in "Other assets" in the balance sheet (Note 3).

EXHIBIT 99, Page 19 of 23

CONRAIL INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending December 31, 2000, and a statement of the funded status as of December 31 of both years:

	Pension Benefits		Other Postretirement Benefits	
	-----		-----	
(In Millions)	2000	1999	2000	1999
	----	----	----	----
Change in benefit obligation				
Net benefit obligation at beginning of year	\$ 739	\$ 834	\$ 44	\$ 56
Pension obligation transferred to NSC and CSX	-	(89)	-	-

Service cost	4	10	-	-
Interest cost	51	53	3	3
Plan amendments	-	-	(1)	-
Curtailment (gains) losses	-	(15)	-	(4)
Actuarial (gains) losses	5	(100)	(5)	(7)
Incorporation of special pension benefit reserves	-	176	-	-
Gross benefits paid	(112)	(130)	(4)	(4)
	-----	-----	-----	-----
Net benefit obligation at end of year	\$ 687	\$ 739	\$ 37	\$ 44
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 791	\$ 1,441	\$ 8	\$ 9
Pension assets transferred to NSC and CSX	-	(610)	-	-
Actual return on plan assets	39	88	1	-
Gross benefit payments	(110)	(128)	(1)	(1)
	-----	-----	-----	-----
Fair value of plan assets at end of year	\$ 720	\$ 791	\$ 8	\$ 8
Funded status at end of year	\$ 33	\$ 52	\$ (29)	\$ (36)
Unrecognized transition asset	(2)	(3)	-	-
Unrecognized prior service cost	9	10	(1)	-
Unrecognized actuarial (gains) losses	8	(26)	(12)	(8)
	-----	-----	-----	-----
Net amount recognized at year end	\$ 48	\$ 33	\$ (42)	\$ (44)
	=====	=====	=====	=====

EXHIBIT 99, Page 20 of 23

CONRAIL INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Pension Benefits		Other Postretirement Benefits	
	-----		-----	
(In Millions)	2000	1999	2000	1999
	----	----	----	----
Prepaid pension cost	\$ 92	\$ 74	-	-
Accrued benefit cost	(44)	(41)	\$ (42)	\$ (44)

All of the Company's plans for postretirement benefits other than pensions

have no plan assets except for the retiree life insurance plan which had \$8 million of assets in both 2000 and 1999. The aggregate benefit obligation for the postretirement plans other than pensions was \$37 million and \$44 million at December 31, 2000 and 1999, respectively.

The projected benefit obligations and accumulated benefit obligations for pension plans with accumulated benefit obligations in excess of plan assets were both \$45 million in 2000; and \$54 million and \$38 million, respectively, in 1999. The plans had no assets in either 2000 or 1999.

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

	Pension Benefits		Other Postretirement Benefits	
	2000	1999	2000	1999
	----	----	----	----
Discount rate	7.50%	7.75%	7.50%	7.75%
Expected return on plan assets	9.00%	9.00%	8.00%	8.00%
Rate of compensation increase	5.00%	5.00%	5.00%	5.00%

A 7% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2001, gradually decreasing to 6% by the year 2007.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The effect of a one percentage point increase and (decrease) in the assumed health care cost trend rate on the accumulated postretirement benefit obligation is \$1 million and \$(1) million, respectively, and would have an immaterial effect on the net periodic postretirement benefit cost for 2000.

EXHIBIT 99, Page 21 of 23

CONRAIL INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Pension Benefits			Other Postretirement Benefits		
	2000	1999	1998	2000	1999	1998
	----	----	----	----	----	----
(In Millions)						
Service cost	\$ 4	\$ 10	\$ 13	\$ -	\$ -	\$ -
Interest cost	51	53	53	3	4	4
Expected return on assets	(70)	(94)	(109)	(1)	(1)	(1)

Curtailment (gain)						
loss	-	19	-	-	(4)	-
Amortization of:						
Transition asset	(1)	(11)	(18)	-	-	-
Prior service cost	1	4	4	-	-	-
Actuarial (gain)loss	1	(8)	(5)	(1)	-	(1)
	----	----	----	---	---	---
	\$ (14)	\$ (27)	\$ (62)	\$ 1	\$ (1)	\$ 2
	=====	=====	=====	=====	=====	=====

#### Savings Plans

-----

The Company and certain subsidiaries provide 401(k) savings plans for union and non-union employees. Under the Company's current non-union savings plan, 50% of employee contributions are matched for the first 6% of a participating employee's base pay and 25% of employee contributions are matched in excess of 10% of a participating employee's base pay. Savings plan expense related to the current non-union savings plan was \$1 million in 2000 and 1999. The Company had no non-union savings plan in 1998. There is no Company match provision under the union employee plan except for certain unions which negotiated a Company match as part of their contract provisions.

#### 9. Stockholders' equity

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##### Common Stock

-----

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

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#### CONRAIL INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### Treasury Stock

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As a result of the acquisition of Conrail, the remaining 6,320,249 shares of treasury stock at December 31, 1997, were recorded as canceled and retired during 1998.

#### Undistributed Earnings of Equity Investees

-----

"Retained earnings" includes undistributed earnings of equity investees of \$157 million, \$188 million and \$173 million at December 31, 2000, 1999 and 1998, respectively.

#### 10. Other Income, Net

-----

2000	1999	1998
----	----	----
(In Millions)		

Interest income	\$ 21	\$19	\$ 7
Rental income	45	37	42
Property sales	70	6	21
Other, net	19	5	2
	----	---	---
	\$155	\$67	\$72
	====	===	===

#### 11. Commitments and Contingencies

##### ----- Environmental -----

The Company is subject to various federal, state and local laws and regulations regarding environmental matters. CRC is a party to various proceedings brought by both regulatory agencies and private parties under federal, state and local laws, including Superfund laws, and has also received inquiries from governmental agencies with respect to other potential environmental issues. At December 31, 2000, CRC has received, together with other companies, notices of its involvement as a potentially responsible party or requests for information under the Superfund laws with respect to cleanup and/or removal costs due to its status as an alleged transporter, generator or property owner at 24 locations. However, based on currently available information, the Company believes CRC may have some potential responsibility at only 21 of these sites. Due to the number of parties involved at many of these sites, the wide range of costs of possible remediation alternatives, the changing technology and the length of time over which these matters develop, it is often not possible to estimate CRC's liability for the costs associated with the assessment and remediation of contaminated sites.

EXHIBIT 99, Page 23 of 23

#### CONRAIL INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Although the Company's operating results and liquidity could be significantly affected in any quarterly or annual reporting period if CRC were held principally liable in certain of these actions, at December 31, 2000, the Company had accrued \$80 million, an amount it believes is sufficient to cover the probable liability and remediation costs that will be incurred at Superfund sites and other sites based on known information and using various estimating techniques. The Company anticipates that much of this liability will be paid out over five years; however some costs will be paid out over a longer period. The Company believes the ultimate liability for these matters will not materially affect its consolidated financial condition.

The Company spent \$9 million in 2000 and 1999, and \$10 million in 1998 for environmental remediation and related costs. In addition, the Company's capital expenditures for environmental control and abatement projects were approximately \$1 million in 2000 and 1999, and \$8 million in 1998.

#### Other -----

The Company is involved in various legal actions, principally relating to occupational health claims, personal injuries, casualties, property damage and damage to lading. The Company has recorded liabilities in amounts it believes are sufficient to cover the expected probable

payments for such actions.

CRC had 1,750 employees at December 31, 2000; approximately 86% of who are represented by 12 different labor organizations and are covered by 16 separate collective bargaining agreements. The Company was engaged in collective bargaining at December 31, 2000 with labor organizations representing approximately 83% of its labor force.

CRC currently guarantees the principal and interest payments in the amount of \$36 million on Equipment Trust Certificates for Locomotive Management Services, a general partnership of which CRC holds a fifty percent interest.

## 12. Fair Values of Financial Instruments

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

Using current market prices when available, or a valuation based on the yield to maturity of comparable debt instruments having similar characteristics, credit rating and maturity, the total fair value of the Company's long-term debt, including the current portion, but excluding capital leases, is \$1,150 million and \$1,367 million at December 31, 2000 and 1999, respectively, compared with carrying values of \$1,028 million and \$1,290 million at December 31, 2000 and 1999, respectively.