

BOARD OF DIRECTORS

Albert M. Baldwin\*  
Assistant Controller  
Consolidated Rail Corporation  
Philadelphia, Pa.

H. William Brown  
Vice President & Treasurer  
Consolidated Rail Corporation  
Philadelphia, Pa.

Trevor F. Moore, C.M.\*  
Corporate Director  
Toronto, Ontario

Melvin P. Pettit\*  
Business Consultant  
Toronto, Ontario

Robert V. Wadden  
Vice President & Controller  
Consolidated Rail Corporation  
Philadelphia, Pa.

\* Member of Audit Committee

OFFICERS

Robert V. Wadden, President

A. M. Baldwin, Vice President

J. D. McGeehan, Secretary  
Assistant Secretary  
Consolidated Rail Corporation  
Philadelphia, Pa.

Philip F. Nowlan, Treasurer  
Director-Banking  
Consolidated Rail Corporation  
Philadelphia, Pa.

D. W. Mattson, Comptroller  
Assistant Controller  
Consolidated Rail Corporation  
Philadelphia, Pa.

Registrar of Stock  
The Royal Trust Company  
630 Dorchester Blvd., West  
Montreal, Quebec, Canada

Stock Transfer Agent  
The Royal Trust Company  
630 Dorchester Blvd., West  
Montreal, Quebec, Canada

**THE CANADA SOUTHERN  
RAILWAY COMPANY**

MID-YEAR REPORT

JUNE 30, 1982

August 24, 1982

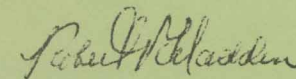
Dear Shareholder:

Net income for the company in the first half of 1982 was \$348,000, or \$2.32 per share. This compares with net income in the same 1981 period of \$215,000, or \$1.43 per share. The major factors contributing to the net income improvement were lower professional fees and an increase in investment income resulting from higher interest rates.

The discussions concerning the disposition of the company's rail properties, originally announced on August 27, 1981, are continuing. The Board of Directors has established a committee composed of the non-Conrail Directors -- Mr. Trevor F. Moore and Mr. Melvin P. Pettit -- to conduct the discussions. The committee has engaged the firm of McLeod Young Wier Limited to assist in their deliberations. The discussions, however, have yet to reach a point where it can be predicted whether an agreement will be reached.

I am pleased to report that in an action taken by the Board of Directors at a meeting on April 22, 1982, a dividend of \$1.84 (\$1.50 U.S.) per share was declared payable August 2, 1982, to shareholders of record on July 2, 1982.

Sincerely yours,



Robert V. Wadden  
President

THE CANADA SOUTHERN RAILWAY COMPANY

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(\$ in Thousands, Except per Share)

(Unaudited)

STATEMENTS OF INCOME

	<u>SIX MONTHS ENDED JUNE 30,</u>	
	<u>1982</u>	<u>1981</u>
	<u>(Canadian \$)</u>	
<b>Revenues:</b>		
Income from lease of road	\$ 279	\$ 272
Investment income	419	351
Other income	1	6
Total	<u>699</u>	<u>629</u>
<b>Costs and expenses:</b>		
Professional fees	238	302
Other expenses	22	14
Total	<u>260</u>	<u>316</u>
Income from operations	439	313
Foreign exchange gain	12	6
Income before taxes	451	319
<b>Canadian Federal and Provincial taxes on income:</b>		
Current	135	6
Deferred	(32)	98
Total taxes on income	<u>103</u>	<u>104</u>
Net income	<u>\$ 348</u>	<u>\$ 215</u>
Earnings per share based on 150,000 shares outstanding	<u>\$ 2.32</u>	<u>\$ 1.43</u>

STATEMENTS OF RETAINED INCOME

	<u>SIX MONTHS ENDED JUNE 30,</u>	
	<u>1982</u>	<u>1981</u>
	<u>(Canadian \$)</u>	
Balance, beginning of period	\$1,707	\$1,518
Net income for the period	348	215
Cash dividends declared of \$1.84 (\$1.50 U.S.) per share in 1982*; \$1.81 (\$1.50 U.S.) per share in 1981	(276)	(272)
Balance, end of period	<u>\$1,779</u>	<u>\$1,461</u>

\* Dividend declared April 22, 1982 and paid August 2, 1982.

BALANCE SHEETS

	<u>JUNE 30,</u>	<u>DECEMBER 31,</u>
	<u>1982</u>	<u>1981</u>
	<u>(Canadian \$)</u>	
<b>Assets:</b>		
Current assets	\$ 5,686	\$ 5,748
Properties under lease agreement	39,372	39,193
Other assets	9,952	9,425
Total assets	<u>\$55,010</u>	<u>\$54,366</u>
<b>Liabilities &amp; Shareholders Equity:</b>		
Current liabilities	402	467
Deferred income taxes	2,143	2,175
Long-term debt	35,674	35,005
Shareholders' equity	16,791	16,719
Total liabilities and shareholders' equity	<u>\$55,010</u>	<u>\$54,366</u>
Shareholders' equity per share, based on 150,000 shares outstanding	<u>\$111.94</u>	<u>\$111.46</u>

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	<u>SIX MONTHS ENDED JUNE 30,</u>	
	<u>1982</u>	<u>1981</u>
	<u>(Canadian \$)</u>	
<b>Sources of funds:</b>		
Net income	\$ 348	\$ 215
Charges (credits) to income not affecting funds	(32)	92
Funds provided by operations	316	307
Increase in amounts due lessee	669	418
Other, net	113	105
Total sources of funds	<u>1,098</u>	<u>830</u>
<b>Uses of funds:</b>		
Property additions	187	67
Increase in restricted assets	527	407
Dividends paid	267	276
Total uses of funds	<u>981</u>	<u>750</u>
Increase in cash and temporary cash investments	117	80
Cash and temporary cash investments:		
Balance, beginning of period	4,949	4,832
Balance, end of period	<u>\$ 5,066</u>	<u>\$ 4,912</u>

NOTE: The accompanying financial data should be read in connection with the footnotes contained in the Company's 1981 Annual Report.